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# Financial Safety Net of Nonprofit Organizations Is Fraying, Survey Finds

By [STEPHANIE STROM](#)

The financial health of the nation's nonprofit groups is rapidly deteriorating, according to a [survey](#) of some 900 nonprofit leaders around the country.

Only 12 percent of those organizations expect to end the year with an operating surplus, compared with 40 percent who ended their most recent fiscal years with money on hand, according to the survey by the Nonprofit Finance Fund, a charity that provides loans and other financial services to nonprofit groups.

Almost a third said they did not have enough cash on hand to cover more than one month's expenses, while roughly another third said they only had enough money to get them through the next three months.

"It's very clear how fragile financially many of these organizations are, and especially the ones on the front lines, the safety net or lifeline organizations," said Clara Miller, chief executive of the fund.

More than half the respondents said they would like help communicating their financial difficulties to their boards and donors, highlighting the growing belief in the nonprofit world that government and the public do not understand the role it plays in American society.

"We don't tell our financial story well," Ms. Miller said.

The survey echoes other recent reports on the woes of the nonprofit sector, and Ms. Miller said she hoped to use the data to argue for new operating principles and practices for nonprofit groups that would enable them to secure a better financial footing.

Carrie Karasaw is executive director of [Libertae](#) Inc., based in Bensalem, Pa., which offers housing and other services for women with mental health and substance abuse issues and their children. Ms. Karasaw said Libertae was financially sound “for the moment,” thanks to money still due from state sources and two unusual, large gifts from the Robert Wood Johnson Foundation and GlaxoSmithKline.

“It’s not a new story that nonprofits like us are struggling,” Ms. Karasaw said. “It’s that we’re just hitting a critical mass of financial problems now.”

Libertae, which has a \$2 million budget, has no reserves, she said, and demand for its services is climbing fast.

“Our women used to make \$8.75 an hour, but now that jobs are tighter, they’re finding their wages have dropped about \$1, to \$7.75, give or take,” Ms. Karasaw said. “There is no affordable housing to speak of, never mind affordable child care. Where else can they turn?”

Patrick Heron, chief executive of [Catholic Social Services](#) of Wayne County, Mich., which serves Detroit, said demand for his organization’s services was up 15 percent to 20 percent, including pleas for help from people who were former donors.

“In many cases, their homes are being foreclosed, and that’s not something we can help them with,” Mr. Heron said. “People aren’t always happy to hear that.”

In the year ending June 30, Catholic Social Services will receive about \$750,000 from the local [United Way](#). The previous year, it received \$1.2 million. The organization has laid off employees, reduced services and is trying to sell one of its branch offices to offset losses in revenue from other sources. It is also discussing sharing back office operations with other nonprofit groups.

While many nonprofit groups have reported having a hard time getting lines of credit from banks, only one quarter of the survey respondents

reported that the recession had made it more difficult to get such financing.

“We were surprised by that, too,” Ms. Miller said. “The responses to that question don’t line up with what we’re seeing in the field, even though the remainder of the findings do.”