

## SLOW ECONOMIC RECOVERY FOR NONPROFIT BUSINESSES IN THE UNITED STATES



Researchers who watch activity in the world of charities report that many nonprofit organizations in the United States are readying themselves for a few more years of financial difficulties even as our economy begins to show the first signs of a turnaround. Donations are beginning to increase again in some of the larger nonprofits, but most others report their donation levels are remaining at post-recession levels or even continuing to decline as reported in a new study by the Nonprofit Research Collaborative. Nonprofits reporting donations at or less than levels in 2010 numbered 59 percent, and 2010 was reported as another down year in general for nonprofits. Many nonprofits receive a financial safety net from government funds, but more than 50 percent of these organizations are seeing a decrease in income for the year. Donations have increased in 41 percent of charities in 2011; however, the smaller nonprofits with less than three million in total expenditures experienced decreased donations again this year. A women's shelter in Waukesha, Wisconsin, called Siena House, had to close this past summer because it lacked the money to maintain its operating expenses. It was finally able to reopen in December after a fundraising effort raised \$60,000. A small food bank run by the First Baptist Church in Danville, Kentucky, closed in November because of a lack of both funds and volunteers. The food bank feeds up to 200 families a year, operating solely on donations and depending on volunteers to run it. Finally, it could no longer keep up with the demand and was forced to shut down. Of the larger charities, 8 percent report being in danger of having to shut down because of a lack of monetary contributions, while this number is closer to 20 percent among the smaller charities. Una Osili, director of research at The Center on Philanthropy at Indiana University, reports that nonprofits still face "very challenging circumstances." Osili reports that only a few will actually close, but it is very probable that they will need to decrease both staff and programs. Jobs once done by paid staff are now being handled by volunteers. "The good news is that nonprofits are starting to look ahead and think about ways to adjust to the new environment we're in," reported Osili. Most nonprofits base their current year budget on monies received the year prior and some work off a three-year budget. As a result, even when there are upturns in the economy, it can take a longer period of adjustment for charities to recover financially. Osili predicts it could take as long as four years before donations return to pre-recession levels. Individuals and businesses need time to feel confident in their own financial ability before considering returning to their prior level of giving. Jon Fine, CEO of the United Way in King County, Washington, states they are beginning to see an up year for the fiscal year 2011. He feels the upturn is less a statement about the economy and more about individuals who are becoming more willing to support programs that have proven themselves over time.

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