

Nonprofits still struggling in economic downturn, study finds

December 1 2010, By Minne Ho

Most Los Angeles nonprofit organizations continue to struggle with declining revenue and increased demand, and there's no end in sight, according to a new report released by the Center for Civil Society at the UCLA School of Public Affairs.

["Hard Times: Impacts, Actions, Prospects — The State of the Nonprofit Sector in Los Angeles 2010"](#) reveals that for the second year in a row, more than 60 percent of local nonprofits experienced an increased need for their services, particularly among low-income and vulnerable populations, while more than 50 percent reported a significant decline in funding.

"This recession still has most of the nonprofit sector by the throat," said Bill Parent, acting director of the Center for Civil Society. "But it's amazing how much is still getting done."

"In the coming year, we predict more consolidation and collaborations, quite possibly mergers and closings, and new business models. There is a drastic need for strong and innovative advocacy strategies in the sector," he added. "In many ways, it's a test of who we are as a society and what and whom we support when government support disappears."

The Los Angeles County nonprofit sector includes 18,622 active 501(c)(3) public charities and private foundations. Together they accounted for nearly \$38 billion in economic activity in 2008, the most recent year for which data is available.

Highlights from the report's findings include:

- More than half of all local nonprofits reported declining revenues, with more than one-third operating in deficit.
- 33 percent of nonprofits in Los Angeles County reported increased expenditures, while 32 percent reported decreased expenditures — a trend very similar to last year.
- More than 60 percent reported an increase in demand for services over the last year.
- Nonprofits did not do as well as they predicted over the past year. While 75 percent of those surveyed in 2009 forecasted steady or increasing revenue, only 48 percent actually experienced steady or increasing revenue.
- While the nonprofit sector typically lags two to three years behind the private sector when recovering from a "normal" recession, this recovery is more likely to be in the four- to five-year range, and even then the likelihood of a full return to pre-recession economic conditions is doubtful, according to the report's authors.

The report offers several recommendations for the nonprofit sector to increase its effectiveness during this projected long economic recovery:

- An increase in advocacy activity: The study found that nearly 70 percent of nonprofits reported some type of advocacy activity in the past year, even though less than 2 percent of respondents indicated use or knowledge of the 501(h) election (which enables

nonprofits to expend a part of their budget on lobbying). Nonprofits need to continue to push the policy debate forward toward a more systematic and forward-looking engagement between the nonprofit sector and government to strengthen a public–private partnership.

- Improved tracking and reporting of policy issues, along with deliberate and frequent engagement with elected officials, policymakers and business leaders.
- An increased focus on low-income and vulnerable populations hurt most by the recession.

The report was released Nov. 29 at the Center for Civil Society's annual conference on the state of the Los Angeles nonprofit sector, held at the California Endowment. The conference was co-sponsored by Southern California Grantmakers and the Center for Nonprofit Management.

"Nonprofit organizations have been living with the perfect storm: growing demand for services at a time when funding from individual donors, government and foundations has been cut by 10 percent to 30 percent," said Regina Birdsell, president of the Center for Nonprofit Management, which provides training and consultancy for nonprofit organizations. "This report and conference give us the opportunity to reflect on where we are and help each other figure out how to get through it on behalf of the people we serve."

"One of our responsibilities as a public research university is to apply our research and teaching capacity to the needs and challenges facing our region," said Franklin D. Gilliam Jr., dean of the UCLA School of Public Affairs. "This report shows just how severe this recession has been on nonprofit organizations in Los Angeles — from homeless shelters and food pantries to cultural institutions."

More information: "*Hard Times: Impacts, Actions, Prospects — The State of the Nonprofit Sector in Los Angeles 2010*" is published by the Center for Civil Society at the UCLA School of Public Affairs and is available online at bit.ly/UCLA-nonprofits-2010

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