From the CEO’s Desk – Quarter 2 (Apr - Jun) 2012

As a part of this Index, CEOs of Trend Reporter organizations are given the opportunity to report on emerging trends in the nonprofit sector. The purpose for this component of the index is twofold. First, it provides a regular platform for nonprofit leaders to share first hand observations in an expedient fashion and with a collective voice. Secondly, the qualitative information provided in this component of the index provides context for the data presented in the overall index. Select quotes are provided and attribution is noted when permission was given by the respondent.

During Quarter 2 (Apr - Jun) 2012, nonprofit CEOs observed the following:

1. Increased financial challenges
2. Focus on collaboration and consolidation
3. Employment and staffing challenges
4. Changes in demand for services
5. Concerns about politics
6. Concerns about the general economy

Trend #1: Funding

Funding scarcity continues to top the charts of nonprofit economic trends. For the fourth quarter in a row, funding has been the top concern among USD’s panel of Nonprofit Economic Trend Reporters. For Quarter 2 of 2012, 53% of Trend Reporters cited this as a concern, up from 42% during Quarter 1.

“Nonprofits are starting to reach homeostasis at a reduced asset level. They have demonstrated an incredible resilience. It does not feel like we are in crisis mode, although as this point it maybe fatigue disguised as. However, it still remains a guarded prognosis. There are several issues on the horizon that could set back many of the still vulnerable nonprofits and only marginally healthy nonprofits.” Nonprofit CEO
“Increasingly difficult fundraising atmosphere. In our case, we depend mostly on earned income to meet our operating budget and attendance has been on a slightly downward trend. The two combined make it difficult to maintain a balanced budget.” Nonprofit CEO

“The continuing influence of uncertainty about the economic future makes funding, donorship, and participation difficult for individuals and organizations. The lack of confidence in a stable economic environment locally with pending cuts in the military put much of the local community at risk financially. If federal sequestration proceeds and significant job losses occur in the military and civilian workforce, needs placed upon non-profits will increase at a time when financial support may wane even more.” Nonprofit CEO

“More people feeling a ‘call’ to a deeper level of authenticity and service to humanity.” Nonprofit CEO

**Message to funders:**
Within the information provided by CEOs were some clear messages to funders about the emerging needs of nonprofits.

“Funders need better understand and be open to differences between evidence practice and promising practices with outcomes. This is particularly related to programs/services that serve ethnically diverse communities and where the research has not been designed for these populations.” Nonprofit CEO

“Many non-profits receive funds for projects and the funds are restricted to eligible activities. During this difficult economic time non-profits are struggling to find/raise unrestricted funds for general operations that are not restricted.” Nonprofit CEO

**Trend #2: Collaboration**
Collaboration appears to be one of the primary ways nonprofits are coping with the funding pressures. This is not new. Collaboration was cited as a major trend in the last three quarters’ index. However, there does appear to be a change in how collaboration is viewed. In Quarter 4 of 2011 the trend towards collaboration appeared to have a positive spin. Trend Reporters referred to collaboration it as an opportunity to design new and innovative service models. In Quarter 1 and Quarter 2 of 2012, the optimism appears to have waned.

“[We see a] difficulty in securing community partnerships between business and governmental agencies with faith based organizations. Many business groups such as banks, insurance companies, etc. are reluctant to give any funding to a faith based group. This is hindering the
very effective and low cost work of faith based groups in serving the general San Diego community.

“Collaboration continues to be a hot topic for funders and organizations that want to leverage limited resources. The missing ingredient sometimes is the time to do it well, so focus on a key objective or partnership can yield otherwise elusive advantages. This isn't new, but it is a lesson we can carry forward even as the economy improves.” Nonprofit CEO

**Trend #3: Employment / Staffing**

Employment and staffing concerns were on the minds of 16% of Trend Reporters. While these concerns have been a part of every Index released thus far, the comments from Quarter 2 have an added dimension. It appears CEOs are reflecting on the compounded impact of the long term recession. In particular, CEO’s are noting executive turnover and board micro-management as key issues.

“The recession has escalated executive turnover and also escalated micro management by Boards.” Nonprofit CEO

“As predicted, long-time CEOs/EDs are retiring and younger leaders are emerging. In some cases, former leaders are providing consultation and interim leadership.” Sharon Delphenich

**Trend #4: Demand for Services**

Unsurprisingly, the increase in demand for services continues. Trend Reporters for the most part are indicating that the demand for basic human services has increased despite a decrease in available funding. Several arts organizations are reporting a decrease in ticket sales.

“Nonprofits are closing. The needs in clients are more desperate.” Nonprofit CEO

“Fundraising is more competitive, more nonprofits are being asked to provide services for more clients and funders are getting more requests.” Nonprofit CEO

“Increasing number of referrals and more complex cases and needs.” Nonprofit CEO

**Trend #5: Concerns about Politics**

For the third quarter in a row, political concerns have been on the minds of San Diego’s Trend Reporters. Political concerns vary and include state and federal budget issues, the changing landscape of state and federal funding, and the upcoming election season.

“Concern over federal budgets due to ‘sequestering.’ Change in marginal tax rates (expiration of Bush Tax cuts) may impact individual giving.” Nonprofit CEO
“If federal sequestration proceeds and significant job losses occur in the military and civilian workforce, needs placed upon non-profits will increase at a time when financial support may wane even more.” Nonprofit CEO

Trend #6: Economy

Given the struggles with funding, it is no surprise that Trend Reporters cite the overall economy as one of the top challenges.

The economic situation affects both philanthropy and demand for service. For many health and human service organizations, demand for service rises during a down economy. If this demand for services isn’t met with an increase in donations, the nonprofit struggles to provide adequate service levels. For arts and culture organizations, demand for services (ticket sales) may drop during a recession, requiring that the organization either cut programming or find additional revenue streams.

On the donation side, philanthropy may decrease – as our Trend reporters have indicated – as donors and foundations struggle to deal with decreasing funds available for donation.

“There are isolated areas of high growth but overall NPOs remain hampered by the economy.” Nonprofit CEO

“Many non-profits receive funds for projects and the funds are restricted to eligible activities. During this difficult economic time non-profits are struggling to find/raise unrestricted funds for general operations that are not restricted.” Nonprofit CEO