From the CEO’s Desk – Quarter 1 (Jan. – Mar.) 2013

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 provides context for the quantitative data presented in the overall Index. Select quotes are provided and attribution is noted when permission was given by the respondent.

During Quarter 1 (Jan. – Mar.) 2013, nonprofit CEOs observed the following:

1. Funding and Financial Challenges
2. Strategies of Resilience: Collaboration and Consolidation
3. Concerns about Politics
4. Concerns about the General Economy

The themes that have emerged over the past year and a half have remained fairly consistent. In fact, the top four themes this quarter are the exact same (and in the same order of prevalence) as the previous quarter. However, the tone and the substance of the comments made by Trend Reporters have changed significantly.

In Quarter 1 of 2013, many but not all Trend Reporters viewed the economic landscape of the nonprofit favorably. Comments described more positive general economic conditions, a deeper appreciation for the nonprofit sector by other sectors and the general public, more attention from the media, and new opportunities. Trend Reporters indicated: “Opportunities for program and service growth are beginning to show signs of improvement as the overall economic health of the state and local county/cities improves (slightly and slowly).” Words, such as creativity and innovation, were used with more frequency than in 2012, specifically in the context of programing, marketing and fundraising.
Of course, not all nonprofits have similar experiences. One Trend Reporter wrote in seeming desperation: “If I get one more rejection letter from a Foundation, I'm going to scream. We need to figure out a better way to find the money, as many foundations claim to have had previous commitments and aren't funding new projects. It would be great if there was a way to let funders with unattached funds understand the needs in the community.”

**Trend #1: Funding and Financial Challenges**

One third of all comments in Quarter 1 discussed issues of funding and financial challenges. These comments varied significantly but, overall, were not positive. One Trend Reporter observed nonprofits continuing to use their operating reserves to cover operating costs. Trend Reporters discussed the scarce funding resources available and commented about the negative effects of continued unemployment on giving. In particular, one Trend Reporter noted: “Donations have been flat. In-kind donations have grown steadily.”

Another Trend Reporter summed up the historical trajectory of the nonprofit sector succinctly: “[There are] far more non-profits than 20 years ago, which means that there are more people scuffling for narrowing resources. Corporations and small businesses are inundated by fund seekers. An example: the proliferation of silent auctions and the stream of requests which even small restaurants cannot manage. Donors are more worn out by all of the suitors and are less trusting than in years past. Grantmakers and donors demand ever more accountability. This puts all nonprofits at risk - small and mid-sized organizations face serious fiscal challenges which may lead to a weeding out of our numbers; large organizations have a voracious need [for] funds to pay for people and buildings. This is not an overnight situation, but one seems more and more clear.”

**Trend #2: Strategies of Resilience: Collaboration and Consolidation**

Almost a third of comments this quarter discussed strategies of economic resilience which, for San Diego nonprofits, continues to appear to take the paths of collaboration, consolidation, adoption of business-oriented strategy, and competition. Collaboration and consolidation were named most frequently by Trend Reporters this quarter (17% and 6% of comments, respectively).

Trend Reporters described both the need for and the evidence of increased collaboration. They noted “a greater willingness to work together, perhaps share resources, and do cooperative marketing (for attraction-based non-profits). Everyone is having to get even more creative than usual in making limited resources and revenues stretch further.” Several Trend Reporters discussed a strengthening of relationships with the public and various constituencies: “More of the public are turning to the nonprofit sector. Government seems more interested in partnering with nonprofits.” Additionally, Trend Reporters noted an “increased involvement of other sectors in specific aspects/services of nonprofits.”
In regards to consolidation, it appears that nonprofits continue to try to do more with less. Internal restructuring (consolidation) is one way to do this. One Trend Reporter noted that he “was disappointed to learn of two organizations in my field (arts) that laid off key employees, and hired in individuals with less experience at lower pay scales.” It was also noted that some nonprofits are contracting rather than hiring administration staff. This strategy can decrease costs.

**Trend #3: Concerns about Politics**

Comments regarding politics, which accounted for approximately 19% of all comments in the first quarter of 2013, largely took one of two directions. First, Trend Reporters discussed general political uncertainty concerning government budgets and the sequester. It was noted: “Predictable or steady funding sources are no longer reliable particularly if they are tied to federal allocations/sources. The sequester impact will call into question and make less predictable certain funding streams or issues.” One CEO wrote ominously, “political instability, locally and nationally, could make it a bumpy ride for everyone.”

Secondly, Trend Reporters discussed the impact of politics on nonprofits. One wrote: “at our organization, we are already experiencing a hit in terms of an increased demand for services in an area that the federal government used to be responsible for. We are also waiting to hear about a possible cut to our federal grant.”

As governmental funding streams are freezing, shrinking, or changing, Trend Reporters noted a “devolution of responsibilities from the government to nonprofits. [This increases] pressure on nonprofits to generate private funding.”

This trend lends itself to a discussion of advocacy and whether nonprofits are lobbying the government for mission-related changes. Jennifer Tracy, Executive Director of the San Diego Hunger Coalition, wrote: “Some organizations, including large well-established ones, continue to operate under the misunderstanding that political advocacy/lobbying will automatically jeopardize their nonprofit status. In fact, more nonprofit lobbying to help the public and elected officials better understand the capacity and role and partnership of nonprofits and government is vital to address the undermining of our communities due to state and federal budget cuts focused on programs that support low income people.”

**Trend #4: Concerns about the General Economy**

While fifteen percent of Trend Reporters directly discussed the impact of the economy in their comments, it should be noted that all three of the aforementioned themes—financial challenges, resilience strategies, and political concerns—are inextricable from the topic of the economy.
Heather Finlay of the YWCA of San Diego County noted that “the real estate market is improving, and people seem to be less fearful of the economy. I am hopeful that this will result in a more deliberate approach by donors to support nonprofit organizations.” Conversely, Ken Sauder of Wakeland Housing and Development Corporation indicated: “From Wakeland’s perspective, the affordable housing sector is improving significantly. There are increased opportunities for affordable housing developments. The margins are thinner, and the deals more challenging. Nonetheless the opportunities are there.”