

## Jacksonville-Based Nonprofits: How Are They Responding to the Economic Downturn?

Just as the economic recession has taken a toll on the housing, retail and travel industries, it has taken a toll on the nonprofit industry – the sector that provides services to and sustains the civic infrastructure of America’s communities. The impact of recession has been felt in multiple ways – lower giving by individuals and foundations, reduced endowment income, reductions in the availability of public dollars to support government contracted services, increased lag times for payments from public entities and reduced access to credit, among others. These pressures are overlaid on what for many organizations is an increase – sometimes a stunning increase – in demand for services.

How have nonprofits fared under these adverse circumstances? In Jacksonville, the answer is both troubling and encouraging.

Nonprofits have struggled with the economic upheavals: they have cut staff and cut programs, reducing their capacity to serve their communities.

But many organizations have exhibited what can be called “adaptive behavior.” That is, they have changed the way they operate, revised business models, altered revenue streams, redefined core businesses, changed governance practices, or taken other steps to manage through the crisis rather than succumb to it.

There is no question that the current economic recession has dealt some heavy blows to nonprofit organizations.

- The Center for Civil Society Studies at Johns Hopkins University reports that 83% of the 363 organizations it surveyed are experiencing some level of fiscal stress.

- Guidestar reports that more than half of the 2,000-plus nonprofits it surveyed had experienced funding cuts in 2009.

- The Nonprofit Finance Fund reported that only 12% of the 1,100 nonprofit leaders it surveyed expect to operate above breakeven in 2009.

A similar level of stress is reflected in the universe of Jacksonville nonprofits. Interviews with more than six dozen Jacksonville nonprofit executives reveal a sector that is struggling to find a balance between the pressures of reduced and unstable funding and increased demand for services.

***“There has been a massive change in the funding profile. We have gone from having 70% stable funding to having about 30%.”***

***“Whether or not we come out of this a ‘leaner’ organization, and still capable of reaching 23,000 children, remains to be seen. More than likely, we will appreciably reduce the number of children we reach.”***

***“Participation in [our program] has increased due to the lack of [similar] programs in the public schools. But more parents are requesting scholarships.”***

***“The range of people needing services is rapidly increasing. We have our traditional clients - generationally / historically poor - but we are getting requests from people who never asked for help. Because the area is real estate and tourist dependent, the loss of jobs in construction, hospitality, food services, Realtors ... is impacting us heavily.”***

### How Nonprofits Responded

Percentage of  
Jacksonville nonprofits that have:

Reduced staff	35%
Reduced or frozen wages/benefits	46%
Made strategic organizational changes	76%
Changed board operations	52%
Increased advocacy with government	59%

The interviews were conducted by researchers from Jacksonville University as part of an ongoing body of research on Jacksonville’s nonprofit sector underwritten by the Jessie Ball duPont Fund (see Page 4.)

The stories of change at these organizations illustrate the complex ripple effects of a weak economy. Unemployment, researchers noted, triggers a variety of stresses among nonprofits: families who no longer can afford the family pet drop it off at the humane society (increasing demand); parents who no longer can afford day care withdraw their children (decreasing revenue and threatening jobs); adults and families who eke out rent payments often go for free meals at a shelter several times a week (increasing demand).

***“[Paid summer camp] head count was down 20% from ‘08. This meant 180 summer jobs were lost.”***

In fact, more than one-third of nonprofits interviewed reported that they have reduced staff, and almost half have cut or frozen wages and/or benefits for staff.

And of those organizations that have made fundamental changes in operations, 20% have cut programs or reduced services.

But, like smart small businesses everywhere, nonprofit leaders also have found ways to cope and be creative during the recession. And those lessons may, in fact, be the more enduring legacy.

## Changes in Nonprofit Business Strategy, Operations and Staffing

Almost every nonprofit executive interviewed articulated some level of stress on the organization related to the economic recession. For some, it was increased demand for services. For others, it was a drop in demand as clients and customers could no longer afford fees. For many, it was a sudden drop in revenue — from funders such as United Way and private foundations, from individual contributors, from endowment earnings and from government funding streams such as Medicaid reimbursement and state and local grants and contracts.

***"For 2009, we were notified of a 3.4% cut in United Way funds and a 4% cut in Medicaid waivers...Program fees were down \$56,000 from 2007 to 2008 due to the loss of children in day care and some loss of adult clients."***

A few organizations were more prepared than others, having developed contingency plans that anticipated financial difficulties or recently completed some self-analysis that left the organization more self-aware and nimble.

***"Before the economic downturn, [the organization] was examining all programs for efficiency in the face-to-face delivery of client services. While [we] did not expect an economic crisis, [we] were in a better position when it came because of the program improvements made at that time."***

The manner in which organizations responded to the economic stresses varied.

Of the 78 organizations surveyed, executives at 19 (24%) indicated that they had made no strategic changes in their operations as a result of economic turmoil. These executives did not deny that they or their clients had been adversely affected by the recession. Rather, they were taking what could be called a "ride out the storm" approach.

Strategic Changes Identified	No. of Nonprofits
Shifting the target client base or programmatic focus: i.e. serving families and/or children instead of strictly adults	20
Expanding programming	16
Partnering with other local organizations	15
Downsizing or closing programs, narrowing focus, reducing or eliminating services	12
Introducing new for-profit revenue streams	6
Launching new marketing and outreach initiatives	2
Merger	2

*Nonprofits were permitted to identify multiple changes.*

Many had reduced staff and most had employed cost-cutting measures. A majority had either frozen or reduced pay or benefits and 11 indicated they were trying to enhance fundraising efforts.

Conversely, executives at 59 organizations (76%) indicated that they had made some form of strategic adjustment to their nonprofit's operations.

***"We needed to evaluate how business is done, how to make our business more effective and efficient. We had to diversify funding streams. We had to find corporate support to gain strength. We had to become better at what we were doing."***

Of those 59 organizations, 12 nonprofits (20%) reported they had chosen to retrench: downsizing, closing programs, eliminating or reducing services.

Another 16 executives, however, indicated that they had expanded programs in the past year to meet new or expanded needs. Four of those expansions were the result of funding from the city's Jacksonville Journey crime prevention initiative launched in October 2008 at the start of the city's 2009 fiscal year, and three others were the result of funding obtained through the American Recovery and Reinvestment Act.

Fifteen executives indicated that they had entered into partnerships with other organizations – in some cases to better provide existing services and in a few cases to provide new services.

***"We are developing a new transportation system for clients with little or no resources, in partnership with [another nonprofit] and the JTA."***

And 20 executives talked about shifting the focus of the organization, either to embrace a new type of client or to intensify services to a group of existing clients. One recreation program CEO mentioned targeting a new customer base because of changes in services offered by competitors due to the recession. Another social services provider addressed the need to intensify services to a subset of the client base because of extreme needs triggered by the recession.

***"We have discovered that we need to place a new emphasis on juveniles and not just the families as a whole... Our research and work with the families points out the critical need in this area."***

Six organizations indicated that they had introduced new for-profit operations to provide new revenue streams. Several of these were thrift stores that provided goods for clients and community members and revenue for the organization. Others included units that would sell the organization's expertise – either data or professional services – to outside clients.

<b>Changes for Financial Stability</b> (in addition to general cost-cutting measures)	<b>No. of Nonprofits</b>
Using financial advisors, changing financial institutions, opening credit lines, reducing debt	7
Relocating offices to less expensive space	5
Using volunteers and interns in lieu of paid staff	5
Renegotiating vendor agreements	5

<b>Staffing Additions</b>	<b>No. of Nonprofits</b>
Added staff to support new programs	4
Added staff funded by Jacksonville Journey or ARRA	2
Added development staff	3
Added staff to support for-profit venture	2
Other	7

***"We purchased a location that serves as both a Thrift Store and an outreach location... That gives us a break from rent and a service not available at the main location - a client can drop in for needed assistance. The Thrift Store volume is excellent and we have dropped prices... which helps the community."***

Two organizations that responded to the survey had merged – one with a sister chapter in another part of Florida, and one with a previously

unrelated institution.

The table on Page 2 indicates the variety of strategic responses and the number of nonprofits employing those responses. (Some nonprofit executives mentioned multiple responses.)

### **Finances & Development**

Whether retrenching, expanding or just hanging on, most nonprofit executives are keenly focused on the bottom line.

Executives at 46 nonprofits (59%) indicated they had made changes in areas other than payroll to stabilize the organization financially. (Executives at 32 organizations said they had made no such changes.)

These changes ranged from general belt-tightening to changing financial institutions, renegotiating vendor contracts and employing, or taking advantage of, specialized financial advisors. (See table, above.)

Five organizations said they had engaged volunteers or interns to perform tasks previously done by paid staff.

And another five organizations relocated their offices to take advantage of free or substantially reduced rents.

***"We really felt we needed to address our location. The [old] location proved to be costly and not as useful as we had hoped. With the concerns about the economic situation we moved into [new quarters]... We occupy the downstairs and [another nonprofit] is on the 2<sup>nd</sup> floor. We are now spending about \$1,200 less per month on our location. Plus insurance and utilities are less and we no longer need to employ a maintenance man."***

Similarly, 50 executives (64%) indicated their organizations had taken intentional steps to strengthen their fundraising efforts. The steps identified most often were somewhat predictable: grantwriting, donor cultivation and special events. Three mentioned expanding efforts to use online technology for fundraising; and two others mentioned activities specifically designed to attract young donors.

### **Staffing & Benefits**

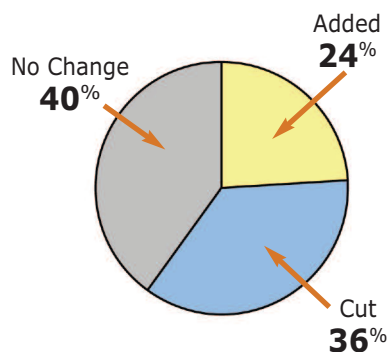
Both nonprofit employment and nonprofit pay and benefits have been hit hard by the recession.

Of the Jacksonville organizations surveyed, 35% have reduced staffing, and 46% indicated that they had frozen salaries, cut salaries or reduced benefits packages for employees in the past year.

***"In response to the city budget cuts of the last three years, we currently are operating with part-time staff, which has put an internal strain on the organization..."***

In contrast, 18 local nonprofits (23%) added staff in the past year, frequently to support new programs or ventures. (See table, above.)

**Staffing Changes**



## Changes in Nonprofit Governance

Significant organizational change seldom takes place without the engagement of and/or support from the governing board. Often, in fact, it is the board that drives the change.

According to nonprofit executives surveyed, 51 of the 78 Jacksonville nonprofit boards (65%) have experienced some change in the past year – either in makeup, structure or relationship with the chief executive officer.

Changes most frequently mentioned were those involving board operations – particularly as it relates to board committees and committee assignments.

More than half – 59% - of CEOs said their boards had undergone structural changes. Some mentioned changes sparked by a new strategic plan. Others mentioned changes in the frequency or nature of board meetings.

***"Our executive committee meets monthly now."***

***"Our development and finance committees are now meeting together."***

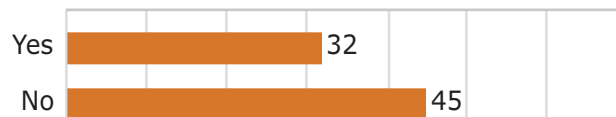
***"The board has taken ownership of finance and development."***

But the most frequent operational change mentioned was the introduction of new committees – 18 nonprofits indicated they had established new board committees, with fundraising and/or development committees mentioned most frequently.

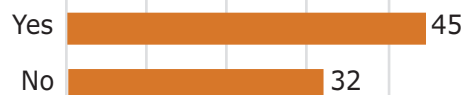
***"The development committee went from three [members] to 30 [members]."***

In addition to these structural changes, CEOs talked about changes in the relationships between staff and board. More than 40% indicated that relationship had changed, becoming

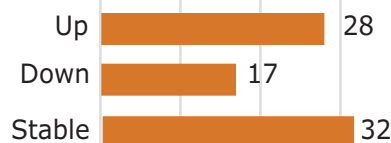
## Has CEO-Board relationship changed?



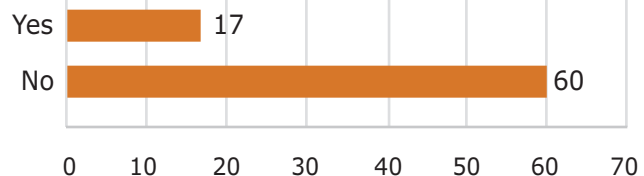
## Have Board Operations Changed?



## Has Board Giving Changed?



## Has Board Makeup Changed?



“more intense,” “more trusting,” a “new partnership” with a board chair who is “more engaged.” And much of that intensified relationship was rooted in increased communication.

***"As CEO, I communicate daily with one or more Board members. They love it."***

Changes in relationships and operations have occurred without significant changes in board personnel. Only 22% of CEOs indicated that there had been significant turnover among their boards.

These nonprofit boards, for the most part, have sustained or increased their level of financial support for the organizations, according to the CEOs. Twenty-two percent said board giving was down, while 36% said it was up and 42% said it was unchanged. However, there appears to be little correlation between changes in board giving and changes in structure or engagement of the board members.

## Changes in Advocacy Activities

About two thirds of the nonprofits surveyed receive some form of government funding.

Some have traditionally received city funding, through the Jacksonville Children’s Commission, the Cultural Council of Jacksonville, the city’s Public Service Grants program or other city allocation. Others receive state funding, either as a direct grant or through a state contract – for instance for provision of foster care services or early learning programs. Some receive Medicaid or Medicare reimbursement dollars. And some receive direct federal funding through grants or contracts or, more recently, through the American Recovery and Reinvestment Act.

Virtually all of these lines of funding have been threatened by the recession, particularly those from local and state government, where budgets have been extremely tight.

***“The existing climate of public funding is not very healthy, so it is obvious that a major goal and challenge of FY10 will be protecting and retaining city funding.”***

In light of this, many of these organizations – either through their staff or board members – have changed their level of engagement with policy makers and elected officials in the past year.

Almost 60% of the respondents – 46 organizations – said they had increased their level of engagement with elected officials and/or policymakers.

***“This year we have enlisted the support of our board to advocate [around public funding issues]. One board member has been particularly active in this. Others have attended meetings”***

Key Affiliations for Nonprofits	No. of Mentions
Nonprofit Center of Northeast Florida	45
Peer nonprofits in the community	26
Funders, such as United Way, the Jacksonville Children’s Commission, the Cultural Council or specific private funders	20
National and/or state organizations, either professional associations or parent organizations	18
Government entities, such as the City of Jacksonville, State Attorney’s Office, or the Department of Children & Families	6

***“There is a part-time staff person dedicated to public policy. There is the Board Task Force on Public Policy and it has outlined 12 months of work. A public policy plan is being developed and a budget line item for lobbying has been added.”***

## Affiliations and Supports

During challenging times, it is seldom wise to go it alone. “None of us knows what all of us knows,” as the saying goes. Jacksonville’s nonprofit community appears to have taken this lesson to heart.

All but two of the nonprofits surveyed – 97% - said that affiliations with one or more other organizations had been critical to their strategic decision-making during the past year. And two-thirds of those identified more than one organization that had been a critical affiliate.

Most often mentioned was the Nonprofit Center of Northeast Florida. It was specifically mentioned by 45 of the 75 respondents. (Sixty-two of the respondents indicated they were current members of the Center.)

***“The Nonprofit Center is the most helpful and above all others at all levels.”***

Respondents also frequently mentioned peers in the community

– identifying other nonprofit organizations by name or referencing collaborations, such as the Jacksonville Kids Coalition or the Senior Roundtable (a network of senior-serving organizations), as being of particular importance.

***“You really do learn from your peers in sharing information.”***

***“The development of the Safety Net group has been a positive - we sit down and talk to share costs and identify positive solutions.”***

Funders also were recognized – both public funders such as the Jacksonville Children’s Commission, and private funders such as United Way and specific private foundations.

***“I see a lot more informal brainstorming. Executive directors query each other and share strategies in order to improve their operations. These relationships are deeper than in the past.”***

***“I have a mentor assigned to me from [my national organization] who has been most helpful.”***

Some organizations even mentioned public entities as being helpful, referencing agencies such as the public health department or state Department of Children and Families.

## About the Survey

Since 2004, the Jessie Ball duPont Fund has conducted extensive studies of the nonprofits based in Duval County. In 2008, the Fund began conducting detailed interviews with a subset of those nonprofits in an effort to obtain more detailed and more nuanced insights.

The results of this survey are gleaned from face-to-face interviews with the chief executive officer of each nonprofit during July 2009. Interviews were conducted by researchers from Jacksonville University under the supervision of Dr. Raymond K. Oldakowski, Professor of Geography in the Department of Social Science. Results were analyzed by Mary Kress Littlepage of KBT & Associates, Jacksonville, Florida.

Researchers invited 80 organizations to participate in the survey. Two declined, leaving a cohort of 78 organizations in the survey.

The nonprofits surveyed:

- Are 501 (c )(3) organizations based in Duval County.
- Reflect all of the fields of service included in the Jessie Ball duPont Fund's State of the Sector research except hospitals, higher education and religious organizations.
- Represent about 10% of the total universe of Duval County nonprofits (excluding hospitals and higher education) in 2005.
- Represent about one-third of the total revenues of the Duval County sector (excluding hospitals and higher education) in 2005.

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Nonprofits participating in this survey were:

All Saints Early Learning & Community  
Care Center

Arc Jacksonville

Beaches Aquatic Club

Beaches Area Historical Society

Beaches Emergency Assistance Ministry

Beaches Womens Partnership

Big Brothers & Big Sisters of Greater Jacksonville

Bolles School

Boy Scouts of America

Boys and Girls Clubs of NE Florida

Bridge of Northeast Florida Inc.

Cathedral Arts Project Inc.

Child Guidance Center Inc.

City Kid's Art Factory

Clara White Mission

Communities in Schools of Jacksonville

Community Connections of Jacksonville

Compassionate Families Inc.

Cultural Council of Greater Jax, Inc.

Daniel Memorial Inc

Dignity U Wear Foundation

Dreams Come True of Jacksonville

Duval County School Readiness Coalition

Elder Source (Northeast Florida Area Agency on  
Aging)

Emergency Services and Homeless Coalition of  
Jacksonville

Episcopal Children's Services Inc

Family Foundations (Family Counseling Service)

Family Nurturing Center of Florida

Family Support Services of North Florida

Garden Club of Jacksonville

Gateway Community Services

Girl Scouts of Gateway Council Inc

Greenscape of Jax

Grove House of Jacksonville

Habitat for Humanity of Jacksonville

Health Planning Council of Northeast Florida

Hope Haven Association

Hubbard House

I M Sulzbacher Center for the Homeless, Inc.

Jacksonville Area Legal Aid

Jacksonville Area Sexual Minority Youth Network

Jacksonville Childrens Chorus

Jacksonville Community Council

Jacksonville Humane Society

Jacksonville Symphony Assoc.

Jacksonville Urban League

Jewish Family and Community Services

Junior Achievement

Learn to Read

Lutheran Social Services of Northeast Florida

Malivai Washington Kids Foundation Inc

Mental Health Associations in Florida

MOCA (Jacksonville Museum of Modern Art)

Museum of Science and History

National Council of Negro Women

National Society Colonial Dames of America in the  
State of Florida

Northeast Florida Aids Network

Northeast Florida Healthy Start Coalition

Northeast Florida Safety Council

One Jax

Operation New Hope

Pace Center for Girls Inc.

Pine Castle Inc

Planned Parenthood

Police Athletic League of Jacksonville

Riverside Fine Arts Association

Riverside Womens Club of Jacksonville

Riverside-Avondale Preservation Inc

Ronald McDonald House of Jacksonville

Speech and Hearing Center Inc

Theatre Jacksonville

Theatre Works

Vim Jax Inc

Vision is Priceless Council

We Care Jacksonville, Inc.

Women's Center of Jacksonville

YMCA of Florida's First

Youth Crisis Center



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