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Battling mission attrition

To outlast the downturn, nonprofits need diverse funding and broad appeal

By **Judith Messina**

In the midst of an economic recession that has most nonprofits slashing programs and staff, City Harvest this year distributed more food than ever before, raised record amounts of money and added thousands of donors to its rolls. Its success is a testament to its intense focus on its mission, but also serves as an example of the staying power of some of the city's largest and most visible charities.

"Food is very basic, and [donors] respond to it very easily," says City Harvest Inc.'s executive director, Jilly Stephens. "It doesn't take much for people to imagine how they might find themselves scrambling to put food on the table after a couple of unlucky turns."

Virtually every nonprofit in the city is hurting as funding dries up and demand for services increases. But some are holding up better than others (see "Queens performance space finds sweet spot," this issue). Being large and having diverse funding sources helps, as does having a mission that resonates with a broad spectrum of donors. The nonprofits that have been hit hardest tend to be smaller organizations and those that rely heavily on government funding.

"Organizations with good reserves that are taking measures to cut costs are going to survive," says Michael Clark, president of the Non-profit Coordinating Committee of New York Inc. "Organizations that don't are going to have a tough time."

Even the largest, most prestigious nonprofits are feeling the pain. The Metropolitan Museum of Art, for example, has cut 14% of its work force, frozen salaries and closed some of its retail outlets this year.

Nevertheless, experts agree that when it comes to survival, bigger is better. Large institutions tend to have reserves, multiple revenue streams and boards of trustees they can turn to.

The Metropolitan Council on Jewish Poverty, which has an annual budget of \$150 million, laid off workers when it lost \$1 million in government money last year. But it was able to increase private donations by 20% in 2009 and recently raised \$500,000 from its board, allowing it to rehire about half of those staffers.

Similarly, the Educational Alliance—which over the past two fiscal years has cut its work force by 10%—raised more money from individuals this year than ever before, as it reached out to new donors through Twitter and Facebook. Unlike smaller organizations, it also had the wherewithal to hire its first public relations director, who has raised its media profile. Stories about its work have appeared recently on television and in major publications.

Trustees came through, too, raising their total contributions to \$750,000, which was \$100,000 more than they gave last year.

“We got extremely focused about what we thought was important, and we have a diversified funding stream, which allows us more flexibility,” says Robin Bernstein, chief executive of the Educational Alliance, which offers a range of programs serving all ages. City Harvest, with its easy-to-sell mission, is even bucking the layoff trend and hiring people. Its first event of the season, Bid Against Hunger, was sold-out two weeks in advance and raised \$750,000, beating its revenue goal by 20%.

Among arts institutions, supporters rallied behind beleaguered New York City Opera, helping it raise \$2 million at its gala reopening in October. That institution is no doubt benefiting from the desire of opera lovers to see it survive and thrive under its new leader, George Steel, after it was so close to going under.

Blow to underserved

Other organizations, large and small, have fared worse. This is especially true for groups that are highly dependent on public monies, such as the Brooklyn Bureau of Community Service, which runs programs for children, the homeless and the unemployed.

This year, the organization, which receives 94% of its \$28 million budget from government sources, lost \$3 million that underwrote its welfare-to-work program. That forced BBCS to eliminate the program and lay off 50 people. Its annual gala raised only \$150,000, which was \$100,000 lower than last year's take. To raise cash, it had to refinance its mortgage.

Public funding's problems

One issue for the bureau, and many other publicly supported groups, is that often, government funding is delayed and doesn't support overhead.

“The salvation for many organizations is private support, but we have to do business in a whole different way,” says BBCS's executive director, Alan Goodman. “We're undercapitalized in some critical areas that others take for granted, such as marketing and fundraising.”

Smaller organizations, which are thinly staffed and often have few reserves, are finding it even more difficult to operate during tough times. The 33-year-old Association of Hispanic Arts, which promoted and funded Latino artists, quietly shut its doors this past summer.

High 5 Tickets to the Arts, which offers teens \$5 tickets to events, was in danger of going out of business as well if it had not inked a merger agreement with another arts education organization, ArtsConnection. Often, however, nonprofits find that conflicting missions stand in the way of potential mergers.

As the recession wears on, some big funders are providing a safety net. The New York Community Trust, a community foundation, handed out an additional \$10 million this year to organizations that provide food, housing and legal services to the needy. And stimulus money yet to be distributed could help prop up many ailing charities.

Even so, say experts, the next couple of years will continue to test the durability of many nonprofits.

“2010 is going to be more of the same, because of almost-certain city and state budget cuts,” says Nancy Wackstein, executive director of United Neighborhood Houses of New York.