

MANAGING

Majority of Charities Face Financial Stress, Survey Finds

By Caroline Preseton

The recession is undermining the financial health of nonprofit groups, nearly a third of which ended last year with a deficit, according to a new survey.

Sixty-two percent of charities have less than three months' worth of cash on hand to cover costs, and just 16 percent expect to be able to pay their expenses this year and next.

Many of those nonprofit organizations "were not necessarily robust going into this," said Clara Miller, president of the Nonprofit Finance Fund, which conducted the study. "And now they're virtually all seeing a future increase in demand for their services while they have a tightening cash cushion."

'Lifeline' Groups

The Nonprofit Finance Fund surveyed nearly 1,000 nonprofit leaders in February and March. Roughly 40 percent described their groups as "lifeline" organizations that provide basic services.

Charities in the survey reported that all forms of financial support are drying up. Sixty-two percent said

they were bracing for their foundation grants to decrease this year, while 49 percent predicted that contributions from individuals would drop and 43 percent expected less government support.

Twenty-seven percent of organizations said the recession had forced them to take out a loan or line of credit.

'Worst-Case' Scenarios

Many were also scrambling to cut costs. Sixty-five percent of survey respondents said they had developed a "worst-case scenario contingency budget" or were considering doing so. Forty-one percent were considering cutting jobs or salaries or had already done so, while 39 percent had cut or reduced programs or were mulling that step.

Thirty-two percent expected that their charity would not recover from the recession for at least two years, and 20 percent said the economy would have a permanent effect.

The report is available online at <http://www.nonprofit-financefund.org>.

