

Business First of Columbus - May 11, 2009

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COLUMBUS BUSINESS FIRST

Friday, May 8, 2009 | Modified: Monday, May 11, 2009, 8:00am EDT

Wounded nonprofits face tough recovery

Business First of Columbus - by [Adrian Burns](#)

The recession could have consequences for Central Ohio's nonprofit sector long after economic conditions improve.

With private donations down and public support waning, many nonprofit groups are cutting back on programs and dismissing employees as they seek to survive with less.

But fears have emerged that the financial strain will be too much for some groups, leading to widespread failure in the ranks. Further, what's left of the nonprofit industry following the recession may take years to rebuild as agencies slowly replenish their reserves.

"I'd be shocked if we don't see even rather broad-scale failures of nonprofits in this era," said Jeff Lyttle, regional vice president of corporate responsibility for **JPMorgan Chase & Company Inc.**, whose foundation gives \$3.2 million in Central Ohio yearly. "I definitely think we'll come out the other side with fewer nonprofits in the community."

Nonprofits were still rebuilding from the recession that followed the Sept. 11, 2001 terror attacks when the latest collapse hit, said Franklin Park Conservatory Executive Director Bruce Harkey, who steered his organization to a \$10,000 budget surplus in calendar 2008.

"We need to find a way to stop the deterioration," he said.

But the outlook is murky even for those nonprofits whose conservative strategies allowed them to reach their financial goals during the recession.

"Everyone is feeling a level of angst because of the level of uncertainty about when this economy will begin to turn around," said Goodwill Columbus CEO Marjory Pizzuti. "You can become paralyzed in this environment."

Pinching pennies

At the heart of the strain is the decline in charitable contributions, the key source of revenue for many nonprofit groups.

"It's hard to see the vaporizing of so much wealth and so much earnings and not be worried about its effect on charitable giving," said Doug Kridler, CEO of the **Columbus Foundation**.

The drop in support has some nonprofits in a sticky wicket. A March survey of 986 nonprofit executives by the **Nonprofit Finance Fund**, a consultant and lender to nonprofits, found just 12 percent expect to operate above break-even this year and 31 percent said they had only enough cash to cover expenses for the next month.

Less funding means reductions for nonprofits, and those typically come in programs and personnel.

Opera Columbus in March eliminated one employee, scrapped an upcoming production and mandated a week of unpaid leave for its seven employees, but it still may end the year in the red, said Executive Director Press Southworth. The opera revamped its operations in 2007 and 2008 after years of financial turmoil and once hoped its latest fiscal year that ends June 30 would be a time to build a financial cushion, he said.

"Now with this soft economy, we've had to tighten it down even more," Southworth said. "We had to take \$225,000 out of expenses."

In an analysis of the opera's top 38 donors, most continued to give but many gave less. The 11 that increased donations did so by an average of \$1,600, but the 12 that cut did so by an average of \$7,600.

Government sources of money are also in danger of declining, said Paul Coleman, CEO of Columbus-based **Maryhaven**. The addiction rehabilitation agency, which operates with a \$15.7 million budget and employs 247, maintained the bulk of its support but cut 10 jobs in March because of incremental funding reductions and concerns over future revenue declines.

"When things do turn around, we will be able to restore everything we had and go forward," Coleman said.

But many nonprofits, which generate tiny surpluses in the best of years, may have trouble rebuilding, said Rick Carrick, chief operating officer for the **United Way**.

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“That’s one of the reasons they hang on so long,” he said. “Once something is gone and out of the budget, it’s much harder to put it back.”

The region’s United Way is also dealing with lower donations. It raised \$51.8 million in its annual campaign that ended in March, 7.5 percent less than a year earlier. To mitigate the effects on its member agencies, it cut five workers in April, froze hiring and instituted salary cuts, Carrick said. The moves helped cut its 2009 operating budget for the year that began April 1 to \$5.4 million, down nearly 10 percent from 2008. The result is United Way expects it will temper its funding reduction to agencies to 3 percent to 5 percent.

Signs of hope

That the United Way saw its contributions drop 7.5 percent is an encouraging sign, Kridler said.

“I find it to be amazing that our community has come forward at those levels of giving,” he said. “The reduction relative to the previous year is so much less than the reduction of wealth in the community that has occurred this year.”

The Columbus Foundation was also able to raise \$1.2 million for critical human services agencies in a special campaign that ended in March, Kridler said.

“To paraphrase Mark Twain, the rumors of the death of charitable giving have been greatly exaggerated,” he said.

That outpouring of giving aside, the squeeze on nonprofits has led some to adapt in ways that will help them when the economy recovers, including forging more collaborations and putting more effort into the hunt for grants, Pizzuti said. Goodwill, she said, recently applied jointly with Habitat for Humanity for a \$1 million grant from the Department of Labor.

The Franklin Park Conservatory in February said it had cut eight jobs and would begin outsourcing some back-office work to CAPA, which manages theaters in Columbus and handles administrative operations for Opera Columbus, **Contemporary American Theatre Co.** and **Phoenix Theatre for Children**. The moves are expected to save the organization \$300,000 a year.

“Fortunately, I think the leading nonprofits in this community see what they’re grappling with, see what needs to be changed and are resetting to calibrate to a new normal,” Kridler said.

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