Wall Street's Losses: What Should Nonprofits Do?
Cut big events, tap different donors, clean your own office.

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By Lisa Palmer

Every year at this time, New York's Reciprocity Foundation, which serves homeless youth, prepares for an annual fall gala that brings in $25,000 to $35,000. Not this year – the event has been put off until spring. "No one is in the mood for giving right now," explains Executive Director Taz Tagore.

The story is similar around the country, as youth-serving nonprofits cope with the financial crisis with a range of steps, such as laying off starr, postponing program expansion and telling executives to clean their own offices because the cleaning company has been dumped.

Nancy Biberman sits at her desk in the Bronx and reads some headlines that explain why: "Economy Expected to Take a Toll on Charitable Giving"; "Charities Brace for Wall Street Fallout"; "Harsh New Realities for Nonoprofits."

"We are very worried," she said.

Biberman, Executive Director of the Women's Housing and Economic Development Corp., a nonprofit that helps low-income women and youth through building innovative housing, childcare and programs, has lost one big grant renewal and seen others reduced. About 20 percent of the corporation's $7.7 million annual budget comes from grants.

"One reliable funder that pledged $60,000 said money is tight. They said, 'we still love you, but come back in January,'" she said.

Here are some of the actions nonprofits are taking in response to the crisis:

Postpone plans: At Life Pieces to Masterpieces, which serves 200 African-American boys ages 3 to 21 in Washington, a planned program expansion has been delayed. Deputy Director Gretchen Martens said 100 boys are on the waiting list and will stay there.

"We have strong loyal funders who are making much smaller grants," she said, adding that in-kind contributions and corporate partnerships have been scarce. There are some bright spots, she said: "Some foundations have urged us to send a supplemental request." One such appeal netted $50,000.

Look for small savings: The Restorative Justice Center in River Falls, Wis., is depending on staff members to clean their own offices, eliminating its $2,000-a-year cleaning contract.

At HomeBase Youth Services in Phoenix, Ariz., which serves homeless 18- to 21-year olds, recent cuts totaling $564,000 of the $3 million budget included subscriptions and organizational memberships.

Change fundraising events: Some agencies are postponing or scaling back plans for big fundraisers, because they can't afford the events and because they fear they would bring in less money than usual.

In New York, the Women's Housing and Economic Development Corp. won't hold its usual fundraising gala this year, opting instead for a conference to address green building topics and sustainability. Rather than a filet mignon dinner at the gala, the conference will feature a breakfast. No journal will be printed acknowledging donors; recognition will be posted online.

"We are not spending any money to do this event. I hope our funders respect that," Biberman said.

Look to other donors: The Children's Defense Fund (CDF) realized early this year that its $22 million-a-year operation would be affected. It became more obvious when Freddie Mac was taken over by the government in early September, CDF received $750,000 from the Freddie Mac Foundation in 2007; future grants are now in limbo.

"We adopted a ground-up strategy that has been effective," Carmel Owen, CDF vice president for development, said in an e-mail. "CDF invested its energy in cultivating mid-level donors, realizing that the coming year might be a tough time for larger corporate contributions. We worked to develop relationships with new donors and build our relationships with those who have supported us in the past."

A 35th anniversary celebration solicitation brought the CDF $1.5 million in contributions. The organization doesn't foresee having to cut programs or any of its 180 employees, but probably will not be able to expand any programs, Owen said.

Cut Staff: Back at HomeBase Youth Services in Arizona, trimming small expenses like professional memberships might have reduced, but did not eliminate the need for staff cuts. CEO Martha Ostrom had to ax 13 staff positions, most of them in management.

“I had to ask myself, do I keep the direct-care staff or keep top-level staff?” she said. “We are working on a very slim margin for survival.”

The YMCA of Metro Atlanta has also laid off staff members and cut its $100 million annul operating budget by 5 percent. Unexpectedly, gifts to the Atlanta Y have not slowed. Fred Bradley, chief financial officer, said the organization has raised $29 million toward a year-end fundraising goal of $42 million.

Cross-train staff: Big Brothers Big Sisters of Southeast Louisiana has cut one management position and is cross-training all employees, in anticipation of more cuts.

Band together: Some nonprofits in Chicago that do similar work have developed networks to increase their visibility. Daniel Bassill, president of Tutor/Mentor Connection, said its biannual Tutor/Mentor Leadership and Networking Conference helped the organizations raise money and kept organization leaders connected with each other.

Think differently: While the fallout from Wall Street will affect some foundation giving, other sources may increase, said Anna Amirkhanyan, assistant professor at The American University’s School of Public Affairs. “Now is the time to build and sustain existing relationships with donors,” she said. “Communicate with donors, members and volunteers and tell them how they are appreciated. Treat them like gold. Continuously remind them of the importance of their input.”

Amirkhanyan said a strong marketing mindset is critical. “Be proactive and strategic. Do not be in denial of the effects of the economy. Now is the time to examine your competition and think strategically about strengths, weaknesses, opportunities, and threats.”

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