

Financial Crisis Impacts Nonprofits in Michigan

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Introduction

In mid-January, the Michigan Nonprofit Association and the Johnson Center at Grand Valley State University surveyed over 200 nonprofits in Michigan to determine how the recent financial crisis has affected their organizations. The results from this survey revealed that:

- Nearly half (45%) of responding nonprofit organizations raised fewer funds in 2008 year-end fundraising compared to previous years.
- Similarly, 45% of nonprofits receiving government funding have experienced delays in scheduled government payments.
- Of the 44% of organizations that have seen a decrease in cash flow, the majority (57%) have reduced the number of employees in their organization.

Figure 1
2008 Year-End Fundraising Compared to Previous Years

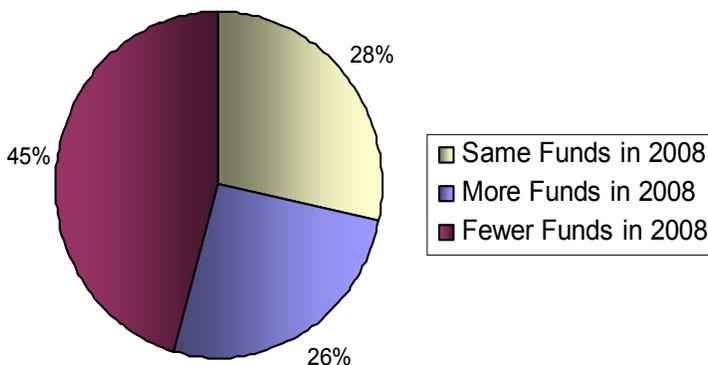
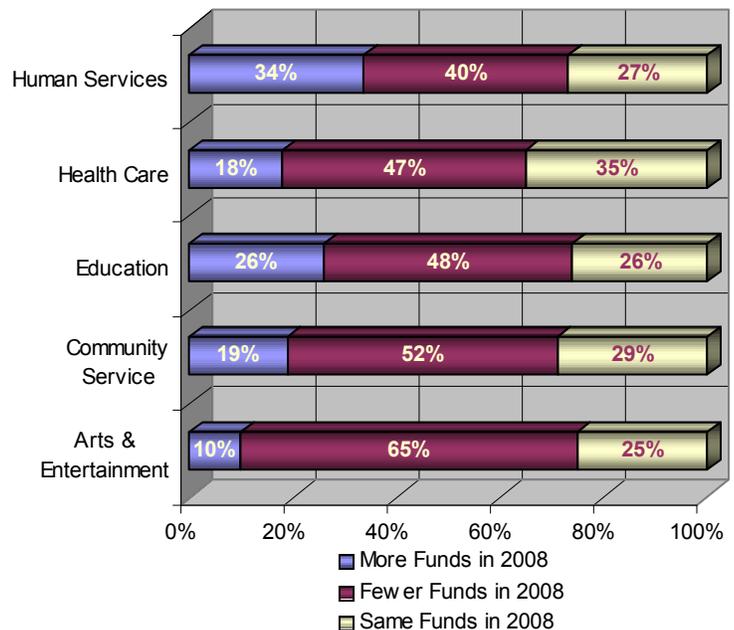


Figure 2
2008 Year-End Fundraising Compared to Previous Years by Primary Activity Focus



Year-End Fundraising

End of the year fundraising efforts play an important role in the financial health of many nonprofit organizations.

- *Figure 1* shows that among participating organizations, 45% reported that fewer funds were raised in 2008 year-end fundraising compared to previous years. A little over a quarter (26%) of organizations raised more funds in their 2008 year-end campaign, while 28% raised about the same amount of funds.
- As shown in *Figure 2*, Arts & Entertainment nonprofits were the hardest hit with 65% of these organizations stating that they had raised fewer funds in their 2008 year-end fundraising efforts.

Delays in Scheduled Government Payments

Sixty five percent of responding nonprofits receive government funding.

- Of the nonprofits that receive government funding, 45% have experienced a delay in scheduled payments from the government.
- The percentage of nonprofits experiencing delays in scheduled government payments varies significantly by organizational activity focus as can be seen in *Figure 3*.
- As shown in *Figure 4*, 29% of respondents that have experienced delays in scheduled government payments reported that the payments have been over 90 days late.

Figure 3
Nonprofits That Have Experienced Delays in Scheduled Government Payments by Activity Focus

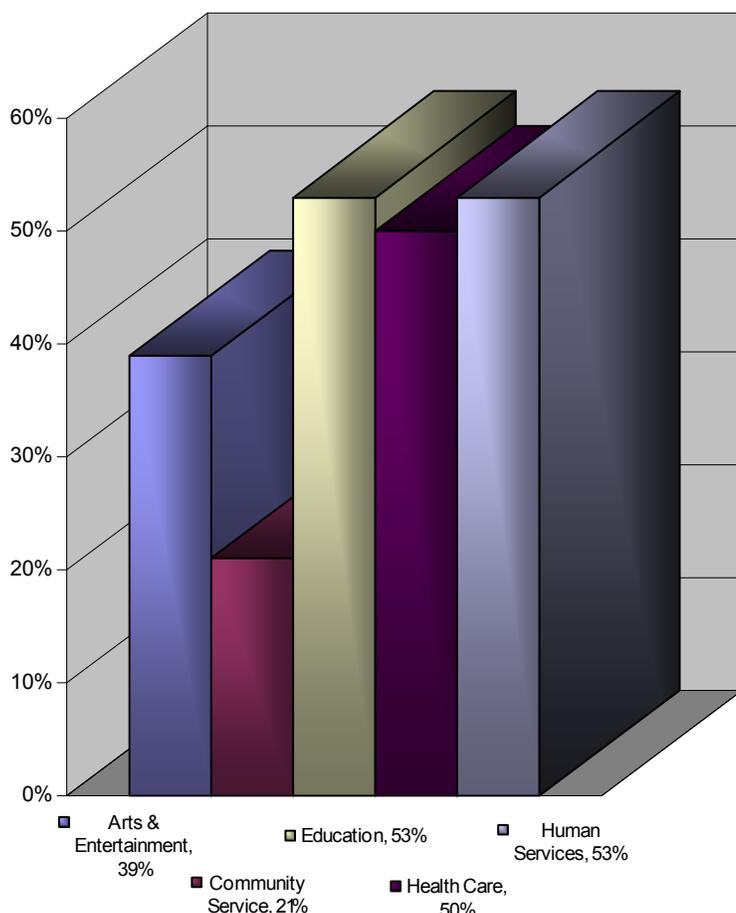
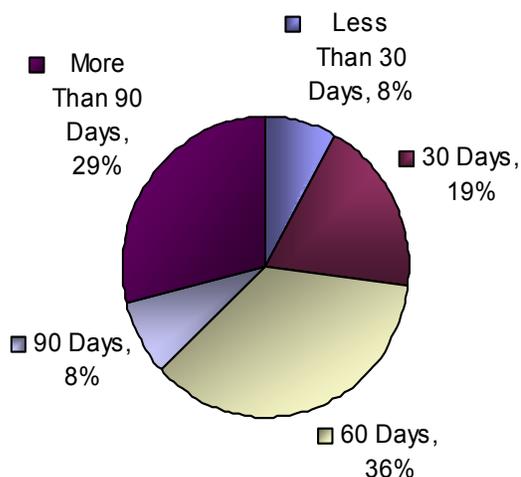


Figure 4
Number of Days Government Payments Have Been Delayed



Lines of Credit

A line of credit was defined to participants as an open ended revolving loan in which a bank lends an organization money up to a specified amount as requested by the organization. Thirty nine percent of surveyed nonprofits stated that they have a line of credit.

- Of responding nonprofits with lines of credit, 16% reported that their line of credit had been reduced in the past year, while 46% of organizations stated that the financial crisis has made obtaining lines of credit more difficult.
- Southeastern Michigan nonprofits that have lines of credit have been particularly affected with 27% of these organizations reporting that their line of credit had been reduced in the past year and 66% of organizations stating that the financial crisis has made obtaining lines of credit more difficult.

- Forty three percent of nonprofits that have had difficulty in obtaining lines of credit reported that this has made it harder for their organization to provide its core services.

Cash Flow

The survey asked participating nonprofits how the tightening of the credit market has affected their organization’s cash flow which was defined as the transfer of money into and out of their organization over a period of time.

- The majority of organizations (53%) stated that their cash flow has not changed; however, 44% of organizations have seen their cash flow decrease as a result of the tightening credit market.

Figure 5
Change in Cash Flow Resulting from the Tightening of Credit Markets by Activity Focus

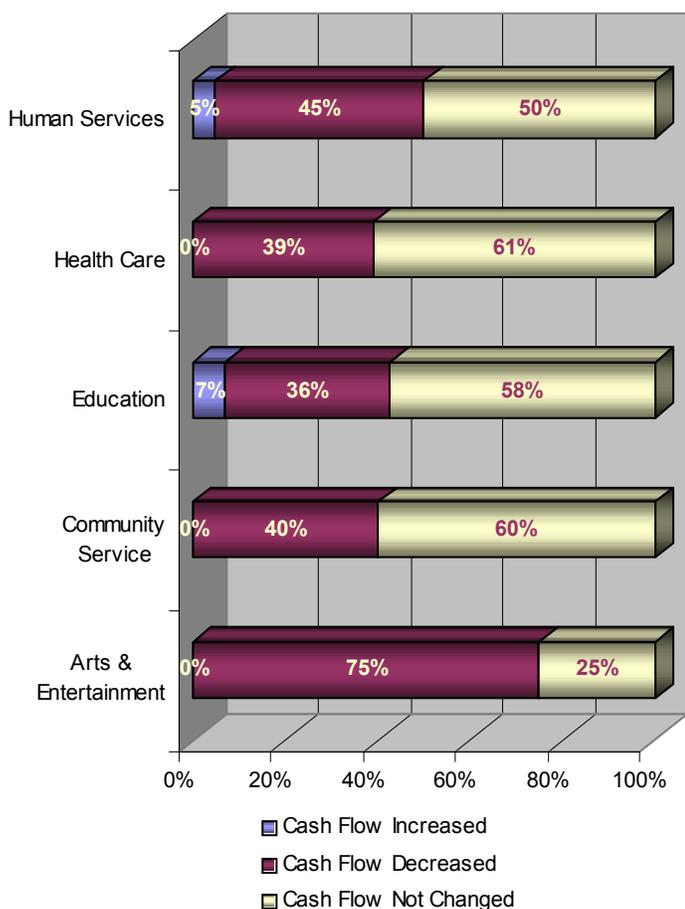
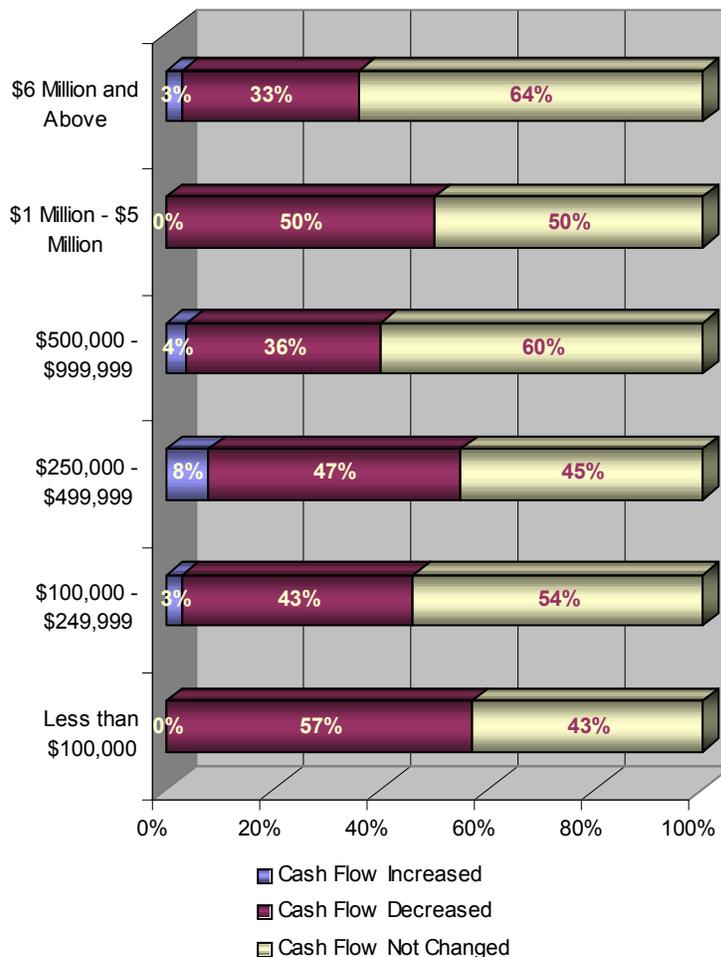


Figure 6
Change in Cash Flow Resulting From the Tightening of Credit Markets by Annual Budget



- Arts & Entertainment nonprofits have been the most affected by the tightening of the credit market with 75% of these organizations reporting a decrease in cash flow, as shown in *Figure 5*.
- Figure 6* shows that 57% of organizations with annual budgets of less than \$100,000 experienced a decrease in cash flow due to the tightening of the credit market.

Responding to Decreases in Cash Flow

Organizations that have experienced decreases in cash flow have responded in different ways.

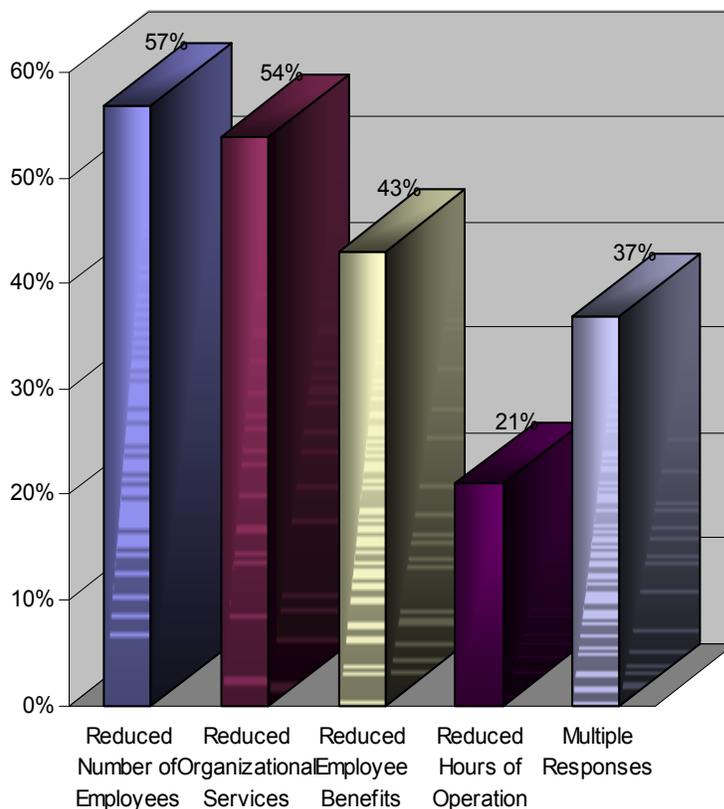
- As shown in *Figure 7*, of participating nonprofits that saw a decrease in cash flow, 57% reduced the number of employees in their organization, 54% reduced the services offered by their organization, 43% reduced employee benefits, and 21% reduced the organization's hours of operation. Over a third (37%) of these organizations have responded in multiple ways.

Conclusion

The results from this survey illustrate that the nonprofit sector has been impacted by the financial crisis in a number of ways. Some of the most noteworthy findings are:

- Forty five percent of surveyed organizations raised fewer funds in 2008 year-end fundraising.
- Nearly half of nonprofits that receive government funding have experienced delays in scheduled government payments.
- The majority of organizations that have seen a decrease in cash flow have reduced the number of employees in their organization.

Figure 7
Responses to Decreases in Cash Flow



Michigan Nonprofit Association

Michigan Nonprofit Association increases the capacity of Michigan's nonprofits to serve, strengthen and transform communities. MNA is affiliated with Michigan Campus Compact, NPower Michigan and Volunteer Centers of Michigan.

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Johnson Center at Grand Valley State University

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