



# "Giving" Advice



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Since 1973, the **Toledo Community Foundation** has provided individuals, families and businesses interested in the well-being of our community with an *efficient, effective, low-cost, professionally managed* mechanism to achieve their charitable goals.

For philanthropists wishing to maximize the impact and life of their charitable gifts, the Foundation provides *resources for thoughtful giving*. Using its expertise and personalized services, **Toledo Community Foundation** helps donors

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## No Shortage of Challenges for the Nonprofit Sector in 2008

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**By Kenneth R. Cerini**

The nonprofit sector continues to be a vital part of the Long Island economy, accounting for nearly one out of every 11 jobs here and adding approximately \$19.4 billion to the local economy. In some way, nonprofit organizations touch nearly every one of the over 3 million people that call the Island home, and the demand for services continues to rise faster than the sector can accommodate.

### A Funding Scarcity

The sector comprises over 3,000 agencies, the largest segment of which are small, community-based organizations with under \$1 million in annual funding. While much of the sector relies upon grants and fees for its funding, discretionary contributions are the lifeblood of many of Long Island's nonprofit organizations, providing the funding to cover shortfalls in many of the programs run by agencies. According to Pearl Kamer, Ph. D., chief economist for the Long Island Association, due to the subprime mortgage industry and the large level of consumer debt, the nonprofit sector will be hard-pressed to attract the same level of funding from donors that it has in prior years. "The nonprofit sector will be facing a lot of realities over the next couple of years," she said. Such a downturn could happen as soon as 2008. "Corporate profit margins will be squeezed by the deteriorating economy, forcing [corporations] to be much more judicious in their fundraising decisions," Kamer said.

Typically, donations by individuals account for 85 percent of contributions to nonprofit organizations, foundations supply 10 percent, and about 5 percent come from corporations, according to Jim Rennert, CFRE, province director of development, The Cenacle Sisters, and president of

transform their philanthropic impulse to measurable community impact. Beyond the gifting of assets, the Foundation helps donors identify issues of importance to them and *inspires engagement* with community organizations addressing these issues, thereby maximizing the impact of charitable gifts and creating a greater sense of fulfillment.

the Long Island chapter of the Association of Fundraising Professionals. "Many corporations, and banks in particular, are being acquired by larger entities from other locations in and out of the U.S.," Rennert said. These distant headquarters can't be attuned to Long Island nonprofits' particular needs. Additionally, since individuals are faced with higher energy costs, layoffs, and in some cases foreclosures, nonprofits can't count on the same contribution levels from individuals, either. "Long Island nonprofits must place more effort on making [individuals] aware of the importance of their missions," Rennert noted, "and must intensify their efforts at soliciting individuals instead of relying on corporate gifts."

"The nonprofit sector will be forced to be more creative in its fundraising activities," stated Paule Pachter, deputy executive director of Central Nassau Guidance and Counseling Services, Inc., and chairman of the nonprofit committee of the LIA. "Fundraising is anticipated to be stagnant on Long Island, so agencies will need to start looking off Long Island for increased fund raising." This will put more emphasis on e-philanthropy, a concept that has not yet gained traction on Long Island. This is significant because the majority of individuals under 30 years old don't even use a checkbook; instead they rely on electronic banking. It is impossible to insert an electronic check into the annual appeal envelope distributed by many nonprofits around the holidays. Nonprofits will need to start considering e-mail campaigns to reach this new breed of donor.

### Changing Demographics

In addition to the need for additional fundraising, leaders of the nonprofit sector view increased costs and the need for quality leadership and board members as their primary concerns for 2008. These are the same obstacles facing the for-profit world. However, in some respects they are more acute in the nonprofit sector—a sector that often doesn't have the resources and technology that their for-profit brethren do. With baby boomers starting to retire, the drain on the Long Island workforce over the next five to ten years is going to be significant, as new graduates will not be able to keep pace. "The future of the sector is going to be dependent on the ability of nonprofits to attract quality workers in the 20-to-40-year-old age group," said Pachter. "If they can't, we're all going to have serious problems." Added Anne Marie Thigpen, director of the Long Island Center for Nonprofit Leadership, "The nonprofit sector is going to need to somehow figure out a way to engage new, younger leaders, volunteers and donors as current older leaders start to retire. The sector will need to build in technological advancements to reach and engage this younger population."

Retiring baby boomers will not only drain the sector of qualified workers, but will also add to the demand for services, which is already growing at a pace faster than the sector can handle. It is anticipated that during 2008, demand will grow more than 10 percent faster than the sector's ability to provide such services. This is only expected to get worse as the Island's population continues to age. "We're going to see a quadrupling of the number of seniors that will need service, and the demands on the

system economically, for delivery of service, and virtually at every level, will be taxed," Thigpen said. "The result will be the need to shift resources, which, I'm afraid, will impact organizations that deal with other populations, such as youth-based services."

### **Rethinking Service Delivery**

In order to combat this, nonprofits will need to find ways to provide services more efficiently and cost-effectively. "The sector will need to look at core services and determine what they can do best and collaborate with other agencies for noncore services," Kamer said. "Agencies need to look to cooperation to provide back-office services, consider outsourcing functionality to stronger nonprofits, and cooperate jointly with others. The message is that it is no longer business as usual, because the economic climate has changed dramatically." In reality, over the years, as nonprofit organizations have followed the money, they have experienced significant mission drift, which led to inefficient service delivery. Nonprofits need to do some soul searching and decide what their mission truly is, and how they can collaborate with other agencies to more effectively deliver on that mission.

While service-delivery collaboration is emerging on Long Island (principally because funders are demanding it), collaboration of administration and fundraising efforts has not widely caught on. On top of this, with limited exceptions such as hospitals, the sector has not undergone—and is not even contemplating the concept of—mergers and consolidation, which have permeated virtually every segment of the Long Island service industry. These are concepts the sector will need to consider in light of the challenges—rising costs, shrinking discretionary funding and lack of adequate leadership—facing the sector. "The nonprofit sector needs to continue to provide high-quality services, to the most people possible, in the most efficient way they can," said Christopher Hahn, executive director of United Way. "The current climate only amplifies the need for agencies to work together."

In addition, there will be more emphasis on outcomes and how nonprofits are spending the funding they are entrusted with. The industry is already shifting to performance-based contracting, whereby agencies must meet certain measurable targets to obtain funding. It's no longer going to be about costs or units of services provided, but it will be how effective those services were and how they impacted the lives of the people served by the nonprofit.

In order for nonprofits to flourish in the future, they will need to find a way to successfully blend the mission-based goals of their programs with sound business practices. Proper planning, staff training in business and management skills, enhanced use of technology, collaborations/mergers and strong financial reporting will no longer be luxuries, but necessities to the sector.

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