

## At a glance...

- Overall, the respondents expect greater stability in 2010, particularly in *Funding*, with 51% of expecting **no significant change**, as compared to only 10% in 2009.
- *Meeting Annual Budgets* and *Retaining Good Employees* **repeated** as the top **goals**.
- The *Inability to Predict Future Funding* **repeated** as the clear top **challenge**.
- Organizations are more **optimistic** about their ability to meet their budget, with 76% expecting *Funding to Exceed Expenses* in 2010, as compared to only 41% in 2009.
- Organizations with *Total Funding Greater than \$6M* are expecting **more growth** than organizations with *Total Funding Less than \$6M*.

## **BACKGROUND**

In an ongoing effort to better serve our clients, EKS&H is proud to present the results of our second annual *Non-Profit Outlook Survey*. We would like to thank all of the participating respondents for assisting us in achieving our goals:

1. To better provide you with non-profit specific information on what your peers are projecting for 2010; and
2. To provide EKS&H with information that allows us to better understand the current non-profit environment and needs.

The 2010 nonprofit outlook survey saw a 28% increase in the number of respondents, compared to the prior year survey. We have continued to see evidence of a growing need for information in the current marketplace and we hope that this report provides you with insight as you plan for 2010.

## EXECUTIVE SUMMARY

After analyzing the survey results, we offer the following observations:

- Overall, respondents are predicting 2010 *Funding* to stabilize, with 51% expecting no significant change, 27% expecting increases, and only 22% expecting decreases (8% expecting decreases of more than 10% and none more than 20%).
- Growth expectations for organizations with *Total Funding Greater than \$6M* were more optimistic than organizations with *Total Funding Less than \$6M*.
- Effectively managing expenses and maintaining balanced budgets continues to be a priority for all; 76% expect *Funding to Exceed Expenses* in 2010 (vs. 41% in '09).
- *Meeting Annual Budgets* and *Retaining Good Employees* repeated as the top two goals, and *Obtain New Funding Sources* and *Obtain More Funding from Current Funding Sources* also repeated in the top-five.
- *Improving the Effectiveness of Fundraising Efforts and Activities* rose in importance from prior year, and is of particular importance to *Foundations* and *Health & Welfare* organizations.
- Fewer respondents are expecting increases in the number of *Recipients of Services* than prior year (34% in '10 vs. 52% in '09); and some expect a decline back to historical levels.
- The *Inability to Predict Cash Flow Needs* was of even greater importance to organizations with *Total Funding Greater than \$6M* (52%) than to smaller organizations (20%).
- Respondents expect *Program Revenues* to increase as a percentage of total funding in 2010, while *Contributions*, and to a lesser degree *Private Grants* and *Government Grants*, decrease as a percentage of total funding.
- Respondents in *Healthcare* organizations placed relatively more importance on goals related to expansion and growth (*Expanding Current Programs*, *Starting New Programs* and *Recruiting and Retaining Employees*) than other organizations.
- Organizations with *Total Funding Less than \$6M* ranked *Unstable/Inefficient/Outdated Technology* as their 2<sup>nd</sup> biggest challenge (46%), versus organizations with *Total Funding Greater than \$6M* who ranked it 8<sup>th</sup>.

## EKS&H INSIGHTS

After analyzing the survey results, we offer the following insights:

1. Be innovative and creative, and don't shy away from new opportunities.
  - In this environment, many leaders are likely content, and relieved that *Funding* will “stay about the same” in the coming year. But the truth is, the most successful organizations will identify and take advantage of opportunities inherent in the changes that have occurred in the market in the last year, even though it will involve taking on some risk.
2. Gain a clearer understanding of your revenue sources and the motives of donors and clients.
  - *Meet Annual Budget* was the #1 goal, and *Inability to Predict Future Funding* the #1 challenge. More proactive, focused efforts to make and execute plans for *Obtaining New Funding Sources* and *Obtaining More Funding From Current Funding Sources* may be the most impactful change you can make this year. Many organizations are already operating on a very lean expense budget, after cuts made in 2009, so meeting the current budget will depend heavily on their ability to meet *Funding* goals.
3. Increase control of your destiny by examining how you fundraise.
  - Organizations can make gains with relatively low-risk by looking for ways to *Improve the Effectiveness of Fundraising Efforts and Activities*. Examining how you currently reach out to your funding sources and creating a disciplined, systematic fundraising program that is both flexible and resilient will be important for surviving and thriving in the current year as well as future ups and downs of the economy or your funding base.
4. Watch out for employee burnout, and consider outsourced help.
  - *Meeting Annual Budgets* while *Funding* is with flat or declining will likely include expecting more out of your employees this year, following an already stressful 2009. Outsourcing certain functions or hiring contract employees can be cost-effective solutions for meeting your budget while helping to mitigate employee burnout.
5. Don't fall back into old spending habits.
  - Expectations for *Funding Exceeding Expenses* were significantly higher than in the prior year. There is sentiment that this recession has resulted in permanent, healthy shifts in spending habits. Don't let an improved outlook change that. And, if you didn't have to make significant budget cuts in 2009, it is time to sharpen your pencil to keep up with competition.

**EKS&H INSIGHTS (continued)**

6. Upgrade your talent.
  - While *Recruit New Employees* was ranked as the least important goal, presumably due to uncertain funding and resulting budget constraints, don't forget that now may be an ideal time to add great talent on your staff and Board of Directors.
  
7. Protect your future talent.
  - You must likewise be aware of your competitors trying to steal your best talent. Make sure your compensation and benefit packages are competitive, and look for low-cost ways to further engage your employees in the work you do and increase their commitment to your mission. Resist the temptation to be short-sighted; continue to invest in building the leadership capacity of your organization to carry forward your mission.
  
8. Continue to make data-based decisions.
  - *Inadequate Information for Timely Decision Making* dropped from #3 to #7 as a challenge to the respondents, as compared to prior year, seemingly reflecting an increased focus in 2009, in-part as a reaction to a highly uncertain economic outlook, and in-part due to requirements of the new IRS form 990. Remember as you go forward, data-based decision making is no longer just an option – it's a requirement for nonprofits that are serious not just about surviving the current economy, but thriving in the years ahead.
  
9. Embrace technology as a core part of your success.
  - *Unstable/Inefficient/Outdated Technology* was the 2<sup>nd</sup> biggest challenge to organizations with funding less than \$6M. To be fair, many nonprofits have very limited resources to invest in technology, but making these investments will result in better information for critical decisions (particularly financial decisions) that will determine the organizations trajectory for decades, and perhaps even determine if they will survive.

**2010 GROWTH EXPECTATIONS**

Overall expectations were as follows:

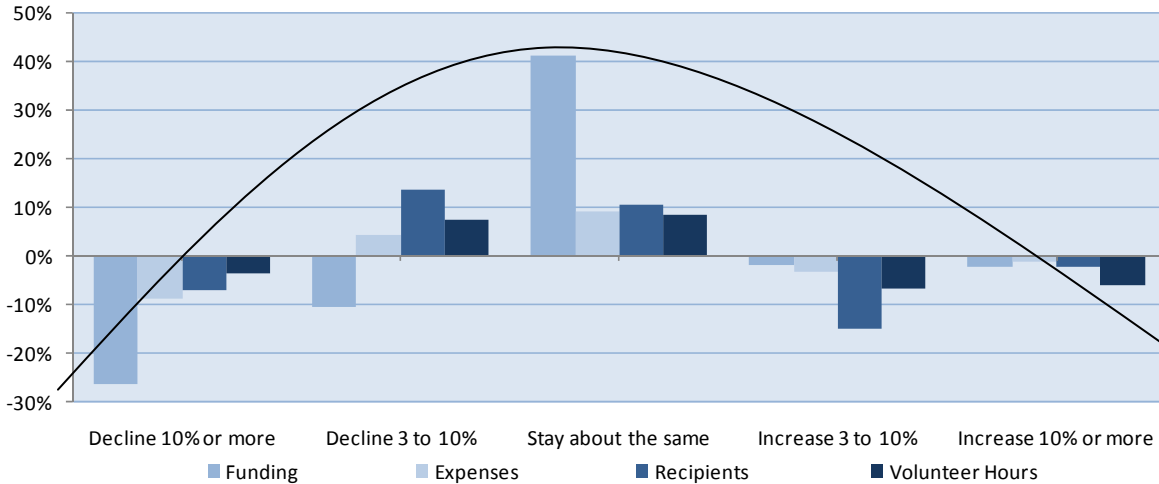
2010	Decline 10% or more	Decline 3 to 10%	Stay about the same	Increase 3 to 10%	Increase 10% or more
Funding	8%	14%	51%	19%	8%
Expenses	8%	25%	40%	21%	6%
Recipients	0%	17%	49%	23%	11%
Volunteer Hours	0%	15%	68%	12%	5%

Overall, organizations are predicting that 2010 will not be as volatile as 2009, but are not expecting recovery to historical levels either. As seen in the table below, a higher percentage of respondents expect all four categories to stay about the same, when compared to prior year. Expectations for increased stability in *Funding* are the greatest, with 51% expecting no significant change and 22% expecting declines in the current year, as compared to 10% expecting no change and 59% expecting declines from the prior year.

Variance from Prior Year Responses	Decline 10% or more	Decline 3 to 10%	Stay about the same	Increase 3 to 10%	Increase 10% or more
Funding	-26%	-11%	41%	-2%	-2%
Expenses	-9%	4%	9%	-3%	-1%
Recipients	-7%	14%	11%	-15%	-2%
Volunteer Hours	-4%	7%	8%	-7%	-6%

### 2010 GROWTH EXPECTATIONS (continued)

The following chart graphically depicts the change in growth expectation responses from prior year:



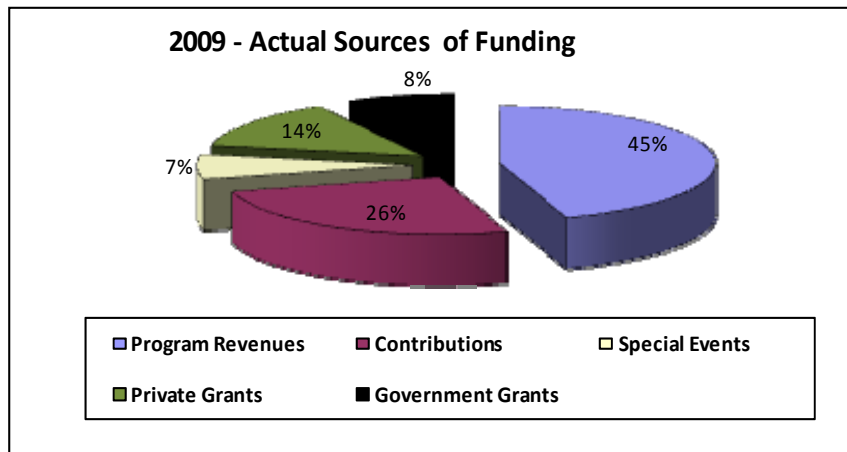
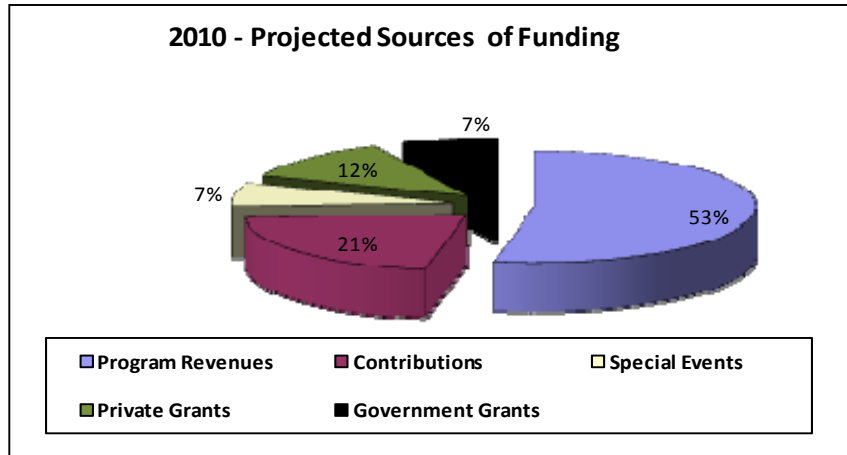
Despite moderate expectations for *Funding*, 76% expect *Funding to Exceed Expenses* in 2010, as compared to only 41% in 2009. Organizations may be more able to match infrastructure costs to Funding in 2010 as a result of significant cuts made in 2009.

Only 34% of respondents expect an increase in *Recipients of Services* in 2010, as compared to 52% in 2009. Of those respondents still projecting an increase in the number of *Recipients of Services* in 2010, only 33% project *Expenses to Exceed Funding*, which is consistent with the response rate provided by all respondents as a whole.

**2010 GROWTH EXPECTATIONS (continued)**

Funding Sources:

The following depictions of funding sources will differ by individual organization and by primary focus/industry, but represents actual and projected sources of funding reported for all respondents:



Respondents expect *Program Revenues* to increase as a percentage of total funding in 2010. Respondents expect *Contributions*, *Private Grants* and *Government Grants* to decrease as a percentage of total funding in 2010.

## MOST IMPORTANT GOALS FOR 2010\*

Overall goals were as follows:

	2010	2009	Not Important	Somewhat Important	Important	Very Important
Meet annual budget	1	1	0%	3%	30%	68%
Retain good employees	2	2	0%	3%	36%	61%
Improve effectiveness of fundraising efforts and activities	3	6	5%	5%	41%	49%
Obtain new funding sources	4	3	0%	14%	35%	51%
Obtain more funding from current funding sources	5	5	3%	11%	41%	46%
Increase effectiveness of board involvement and governance	6	4	0%	24%	41%	35%
Improve program reporting efficiency and accuracy	7	7	8%	41%	35%	16%
Expand current programs	8	8	19%	41%	38%	3%
Start new programs	9	10	35%	32%	22%	11%
Grow your volunteer base	10	9	16%	54%	27%	3%
Recruit new employees	11	11	35%	43%	16%	5%

\*Ranked by total number of responses marked "Important" or "Very Important"

Financial and fundraising goals, along with *Retaining Good Employees*, are again the highest priority among nonprofit organizations. With moderate expectations for fundraising growth, combined with continued fiscal responsibility, it is not surprising that *Improving the Effectiveness of Fundraising Efforts and Activities* showed the greatest rise of importance from the prior year (90% from 76%), rising from 6<sup>th</sup> to 3<sup>rd</sup> in the ranking. Although it only rose one place in the rankings from tenth to ninth, *Start New Programs* had the second largest increase in importance to the respondents (33% from 21%).

*Increase Effectiveness of Board Involvement and Governance* dropped from fourth to sixth, compared to prior year ranking (76% vs. 83% importance to respondents), and *Improve Program Reporting Efficiency and Accuracy* (51% vs. 62%) and *Grow your Volunteer Base* (30% vs. 41%) were the other two goals recording the greatest declines in relative importance, compared to prior year.

Other goals named by respondents as important, included: *Capital Campaigns*, *Improve Efficiency* and *Maintain and Improve Existing Programs*.

**MOST IMPORTANT CHALLENGES FOR 2010\***

Overall challenges were as follows:

	2010	2009	Not Important	Somewhat Important	Important	Very Important
Inability to predict future funding	1	1	6%	26%	44%	24%
Risk of loss of top management/talent	2	2	21%	41%	21%	18%
Inability to predict cash flow needs	3	5	32%	29%	29%	9%
Unstable/Insufficient/Outdated technology	4	6	41%	26%	26%	6%
Inadequate access to funding	5	4	29%	41%	26%	3%
Less effective management team than desired	6	7	44%	29%	18%	9%
Inadequate information for timely decision making	7	3	35%	41%	12%	12%
Increased compliance and regulation	8	8	35%	41%	15%	9%
Loss of government funding or support	9	9	59%	21%	9%	12%

\*Ranked by total number of responses marked "Important" or "Very Important"

The *Inability to Predict Future Funding* repeated as the clear top challenge, with the second-ranked challenge, *Risk of Loss of Top Management//Talent* having 29% fewer respondents marking it as “Important” or “Very Important”. *Risk of Loss of Top Management/Talent* repeated as the second most important goal, but to a much lesser degree of importance than prior year (39% vs. 59%).

*Inability to Predict Cash Flow Needs* (38% vs. 28%), *Unstable/Insufficient/Outdated Technology* (32% vs. 28%), *Less Effective Management Team Than Desired* (27% vs. 21%) and *Loss of Government Funding or Support* (21% vs. 14%) all increased in importance as challenges for the current year, compared to prior year. *Inadequate Information for Timely Decision Making* (24% vs. 38%) and *Inadequate Access to Funding* (29% vs. 38%) recorded the largest decreases in degree of importance as compared to prior year.

Other challenges named by respondents as important, included: *Developing A Business Plan*, *Succession Planning* and *Dealing with Legislative Uncertainties*.

## OBSERVATIONS BY TOTAL FUNDING

Expectations for growth differed by organization size/total funding: organizations with *Total Funding Greater than \$6M* were more optimistic than organizations with *Total Funding Less than \$6M*.

### Total Funding Less than \$6M

2010	Decline more than 10%	Decline 3 to 10%	Stay about the same	Increase 3 to 10%	Increase more than 10%	Decline	Stay	Increase
Funding	3	0	10	2	1	19%	63%	19%
Expenses	2	5	7	1	0	47%	47%	7%
Recipients	0	4	6	3	2	27%	40%	33%
Volunteer Hours	0	2	10	2	0	14%	71%	14%

### Total Funding Greater than \$6M

2010	Decline more than 10%	Decline 3 to 10%	Stay about the same	Increase 3 to 10%	Increase more than 10%	Decline	Stay	Increase
Funding	0	5	9	5	2	24%	43%	33%
Expenses	1	4	7	7	2	24%	33%	43%
Recipients	0	2	11	5	2	10%	55%	35%
Volunteer Hours	0	3	13	2	2	15%	65%	20%

Organizations with *Total Funding Greater than \$6M* place greater importance on goals related to growth (i.e. *Expand Current Programs* (57%), *Start New Programs* (43%), *Recruit New Employees* (33%)), than organizations with *Total Funding Less than \$6M* (19%, 19%, 6%, respectively).

### Goals & Challenges

*Inability to Predict Cash Flow Needs* (52%), was of even greater importance to organizations with *Total Funding Greater than \$6M* than it was to smaller organizations (20%).

Organizations with *Total Funding Less than \$6M* ranked *Unstable/Inefficient/Outdated Technology* as their 2<sup>nd</sup> biggest challenge (46%), versus organizations with *Total Funding Greater than \$6M* who ranked it 8<sup>th</sup> out of nine (20%).

## OBSERVATIONS BY ORGANIZATION TYPE

Expectations for growth differed by some organization types:

### *Respondents expecting increases in 2010*

2010	Associations	Education	Environmental	Foundations	Health & Welfare	Healthcare	Public Broadcasting
Funding	13%	25%	0%	33%	40%	50%	0%
Expenses	29%	25%	0%	0%	30%	67%	0%
Recipients	0%	100%	0%	0%	50%	33%	33%
Volunteer Hours	0%	50%	0%	0%	30%	17%	0%

### *Respondents expecting declines in 2010*

2010	Associations	Education	Environmental	Foundations	Health & Welfare	Healthcare	Public Broadcasting
Funding	12%	25%	0%	0%	20%	33%	67%
Expenses	42%	25%	33%	0%	40%	0%	100%
Recipients	43%	0%	33%	0%	10%	17%	0%
Volunteer Hours	14%	0%	0%	0%	10%	16%	67%

*Healthcare* organizations have the highest expectations for growth in *Funding* and *Expenses*, and *Education* organizations have the highest expectations for growth in the number of *Recipients of Services* and *Volunteer Hours*. However, *Healthcare* and *Health & Welfare* respondents reflect a relatively more volatile view of the future, with some of the larger percentages of respondents expecting both increases and declines in each of the four areas. *Education* organizations are expecting to the need to further reduce *Expenses* and increase *Volunteer Hours* in 2010 to keep up with respondents' expectations for a continued rise in the number of *Recipients* and decrease in *Funding*.

*Public Broadcasting* organizations are the least optimistic about 2010, with all respondents expecting *Recipients* to stay the same or increase, while 67% expect a decline in *Funding* and *Volunteer Hours* and 67% expect *Expenses to Exceed Funding*, despite a decrease in *Expenses*. *Associations* are the most pessimistic about *Recipients of Services*, with 43% of respondents expecting a decrease.

**OBSERVATIONS BY ORGANIZATION TYPE (continued)**

*Associations*

2010	Decline more than 10 %	Decline 3 to 10%	Stay about the same	Increase 3 to 10%	Increase more than 10 %	Decline	Stay	Increase
Funding	12%	0%	75%	13%	0%	12%	75%	13%
Expenses	13%	29%	29%	29%	0%	42%	29%	29%
Recipients	0%	43%	57%	0%	0%	43%	57%	0%
Volunteer Hours	0%	14%	86%	0%	0%	14%	86%	0%

*Education*

2010	Decline more than 10 %	Decline 3 to 10%	Stay about the same	Increase 3 to 10%	Increase more than 10 %	Decline	Stay	Increase
Funding	25%	0%	50%	0%	25%	25%	50%	25%
Expenses	0%	25%	50%	0%	25%	25%	50%	25%
Recipients	0%	0%	0%	50%	50%	0%	0%	100%
Volunteer Hours	0%	0%	50%	25%	25%	0%	50%	50%

*Foundations*

2010	Decline more than 10 %	Decline 3 to 10%	Stay about the same	Increase 3 to 10%	Increase more than 10 %	Decline	Stay	Increase
Funding	0%	0%	67%	0%	33%	0%	67%	33%
Expenses	0%	0%	100%	0%	0%	0%	100%	0%
Recipients	0%	0%	100%	0%	0%	0%	100%	0%
Volunteer Hours	0%	0%	100%	0%	0%	0%	100%	0%

*Health & Welfare*

2010	Decline more than 10 %	Decline 3 to 10%	Stay about the same	Increase 3 to 10%	Increase more than 10 %	Decline	Stay	Increase
Funding	10%	10%	40%	30%	10%	20%	40%	40%
Expenses	10%	30%	30%	30%	0%	40%	30%	30%
Recipients	0%	10%	40%	30%	20%	10%	40%	50%
Volunteer Hours	0%	10%	60%	20%	10%	10%	60%	30%

*Healthcare*

2010	Decline more than 10 %	Decline 3 to 10%	Stay about the same	Increase 3 to 10%	Increase more than 10 %	Decline	Stay	Increase
Funding	0%	33%	17%	50%	0%	33%	17%	50%
Expenses	0%	0%	33%	50%	17%	0%	33%	67%
Recipients	0%	17%	50%	33%	0%	17%	50%	33%
Volunteer Hours	0%	16%	67%	17%	0%	16%	67%	17%

**OBSERVATIONS BY ORGANIZATION TYPE (continued)**

*Other – Public Broadcasting*

2010	Decline more than 10 %	Decline 3 to 10%	Stay about the same	Increase 3 to 10%	Increase more than 10 %	Decline	Stay	Increase
Funding	0%	67%	33%	0%	0%	67%	33%	0%
Expenses	0%	100%	0%	0%	0%	100%	0%	0%
Recipients	0%	0%	67%	33%	0%	0%	67%	33%
Volunteer Hours	0%	67%	33%	0%	0%	67%	33%	0%

*Other - Environmental*

2010	Decline more than 10 %	Decline 3 to 10%	Stay about the same	Increase 3 to 10%	Increase more than 10 %	Decline	Stay	Increase
Funding	0%	0%	100%	0%	0%	0%	100%	0%
Expenses	33%	0%	67%	0%	0%	33%	67%	0%
Recipients	0%	33%	67%	0%	0%	33%	67%	0%
Volunteer Hours	0%	0%	100%	0%	0%	0%	100%	0%

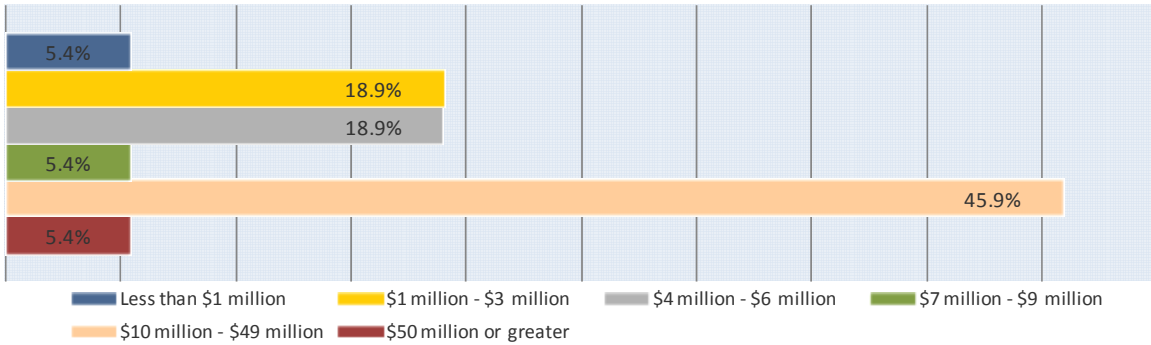
Observations by Organization Type – Goals & Challenges:

There were several organization types that place particular importance on specific goals and challenges, relative to other organizations:

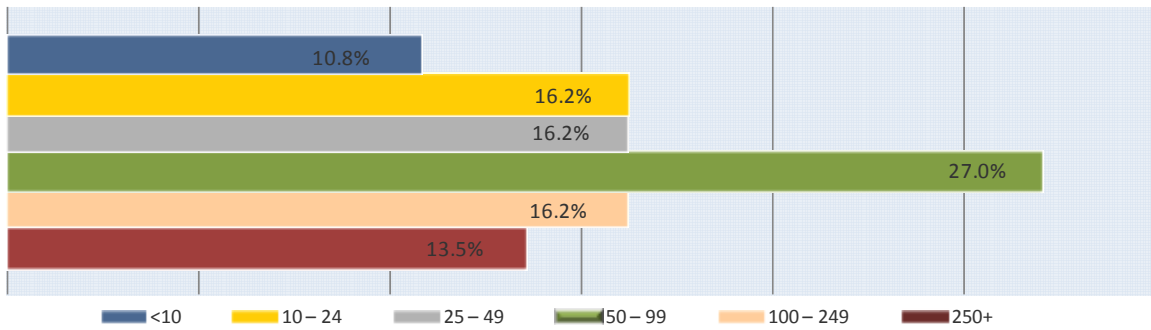
- *Expanding Current Programs* (83%), *Starting New Programs* (67%) and *Recruiting New Employees* (67%) are more important goals for *Healthcare* organizations.
- 100% of *Healthcare* organizations rated *Retaining Good Employees* as “Very Important”.
- *Increase Board Effectiveness* is more important goal for *Education* (100%) organizations and *Foundations* (100%) than other organization types.
- *Foundations* and *Health & Welfare* organizations rated *Improving the Effectiveness of Fundraising Efforts and Activities* as their top goal (100% and 70% rated this goal as “Very Important”, respectively).
- 100% of *Associations* rated *Meet Annual Budget* as “Very Important”.
- *Loss of Government Funding or Support* is a more important challenge to *Health & Welfare* (3<sup>rd</sup> or 44%) and *Healthcare* (5<sup>th</sup> or 50%) organizations as compared to all (9<sup>th</sup> or 21%).
- *Healthcare* organizations ranked *Unstable/Inefficient/Outdated Technology* as last (9<sup>th</sup>) as compared to all respondents ranking this challenge as 4<sup>th</sup>.

## ABOUT THE RESPONDENTS

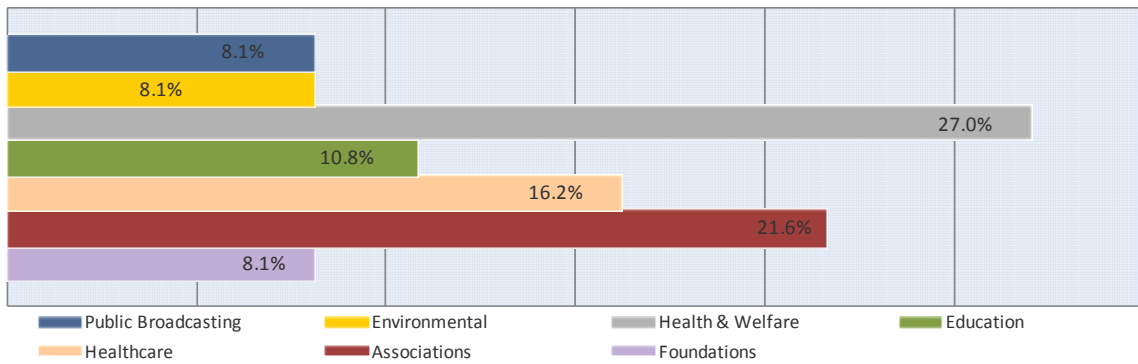
### Total Funding



### Employees



### Organization Type



EKS&H has seven partners and over 20 professionals dedicated to non-profit business consulting services. We are committed to asking the hard questions and giving honest answers. Our consultants have the experience and expertise necessary to assist non-profit leaders with decision making in complex business operating areas, including:

- **Strategy**
  - Strategic Planning
  - Fundraising, Growth & Profit Improvement
  - Best Practices in Governance
- **Systems & Process**
  - IT Strategy & Infrastructure
  - Business Intelligence & Reporting
  - Business Process Management
- **People**
  - Organizational Development
  - Management Compensation
  - Executive Coaching
- **Business Finance**
  - Balance Sheet & Cash Flow Management
  - Financial Modeling
  - Formulation of Alternative Revenue Sources and Related Structure
- **Accounting Performance**
  - Speed & Quality of Financial Reporting
  - Internal Controls
  - CFO Services
  - Recruiting of Financial and Technology Professionals