

MARTHAS' VINEYARD DONORS COLLABORATIVE

The Effect of the Recession on Vineyard Non-Profits October 2008 – March 2009

A Confidential Survey

The Survey

We conducted a survey of Martha's Vineyard public charities (private foundations were excluded) on-line in May 2009, the first of three such surveys that will be conducted by MVDC for 2009. The purpose of the survey was to try to gauge the effect of the downturn in the economy on the Vineyard's non-profit community during the period from October 2008 to March 2009, compared to the same period a year earlier. There were 56 total responses. Thirty Eight (38) of these were from organizations that have over \$25,000 of annual revenue and file form 990 with the IRS (representing 51% of those that file a Form 990). This group includes 9 of the Vineyard's 11 largest non-profits. The other 18 were non-profits with revenues under \$25,000 (representing 33% of the most significant small NPOs). For purposes of seeing how the Vineyard compares to the rest of the country, some of the questions we asked were the same as those in national surveys conducted by Guidestar and the Nonprofit Finance Fund. We also asked open ended confidential questions about the effect of the recession on the Vineyard.

Summary

The Vineyard has struggled like the rest of the nation as the recession takes its toll. According to our survey, 56% of Vineyard non-profits experienced a decrease in contributions this winter and 20% saw them decrease greatly. The early waves came in the form of State cuts, reduced grants due to decimated endowments and reduced individual giving. All non-profits are bracing for the ride but the casualties here so far are few; only 2% of Vineyard non-profits feel they are in imminent danger of folding for financial reasons compared to 8% nationally. Only one organization has closed its doors, the MSPCA, but in traditional Vineyard fashion, the community came together and found a way to keep the shelter open under local management.

There is a strong feeling, however, that the Vineyard is lagging the rest of the country and has not seen the full effect of the recession; most believe it's going to get worse. The State budget cuts for fiscal 2010 are enormous but we won't know how bad it will really be until the end of summer since so much of the island's annual fundraising happens in July and August. Our second survey in September will measure the strength of these summer months.

We are seeing islanders struggling in record numbers and 71% of our Health and Human Service Agencies have seen the demand for their services increase. "I have always said that it is hard to live on the Vineyard year-round, now it's harder than ever" said one non-profit Board member. Unemployment peaked over 11% this winter compared to 6.5% last year and with our high cost of living many are not able to afford the basics; food, heat and housing (see Appendix II; *By the Numbers: Recession on the Vineyard*). Our health and human services agencies are seeing the human toll this takes in the form of increased alcohol/drug abuse and a record increase in reports of domestic violence. The safety net is

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not big enough. Some people are leaving the island while others are joining our growing homeless population; our new island crisis. The island had no programs or facilities to help these people so the County and a remarkable volunteer effort have responded, but there is still a real need here.

Unfortunately, 50% of our Health and Human Service Agencies expect to operate at a deficit this year as they spend to meet increased demand but don't have increased revenues/contributions to cover.

The good news, as evidenced by the response to the MSPCA and the homeless, is that the community and the non-profits aren't about to let the economy damage this place we all love. The non-profits have adopted a "when the going gets tough, the tough get going" attitude to quote one Board President. Through creative partnerships and promotion the Food Pantry received record levels of support that allowed them to meet record demands for services. Community Services created new programs to deal with domestic violence and expanded services where needed. Women Empowered has added trainers to help more island families learn to manage their finances better.

Island non-profits have also taken steps to help themselves stay viable; it's no longer business as usual. At a contingency planning workshop we offered in February over a third of the attendees had already started contingency plans. Non-profits have been collaborating, cutting costs, reducing salaries and laying people off but their foremost objective has been to protect important programs and increase services where needed; even if it means running at a deficit for several years. Some non-profits have been able to build rainy day reserves during the good years for just this purpose. How long they'll last however, remains to be seen. Others are adjusting and attempting to live within their present means to survive. Many depend on volunteers or run on little or no budget and we see a lot of new people rolling up their sleeves to help out. Another Board President wasn't too worried about the economy because, "we've always operated on determination!"

The spirit is willing but the needs are greater than ever; the non-profit community needs our help as donors and volunteers to survive.

Survey Analysis:

- More than half (56%) of the Vineyard NPOs have experienced a decrease in contributions. This is larger than the percent of organizations nation wide (52%) that experienced a decrease. Our smaller non-profits were hit harder; 66% saw a decrease compared to 50% of those over \$25,000.
- Despite their importance during times like these, 64% of our Health and Human Services agencies saw a decrease in contributions, and 43% saw them decrease greatly. While these were hit very hard, fortunately, 29% of our Health and Human Service agencies saw contributions increase, which is more than the 26% Vineyard wide and the 20% nationally.
- The factors that lead to decreased contributions on the Vineyard generally tracked the national results. Smaller gifts from individuals and fewer individuals giving were the most mentioned factors. Cuts in Private Foundation Grants were the next major factor on the Vineyard followed by cuts in Government Grants. Cuts in Government Grants played a

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larger role on the Vineyard than they did nationally, however, perhaps because of the magnitude of State cuts here. Decreased Corporate gifts were 3 times more significant nationally than on the Vineyard, reflecting our rural and small business economy.

- Despite the economy and its effect on contributions, only 29% of Vineyard NPOs cut their annual budgets from 2008 to 2009, less than the 35% of organizations that did so nationally. That more did not reduce their budgets is due to several factors:
 1. Increased demand for services. Overall, 46% of Vineyard non-profits saw an increase in demand, however 71% of our Health and Human Service agencies saw an increase. Most non-profits funded programs to meet those increased needs.
 2. Strong expectations. Perhaps because we haven't been through the summer fundraising season yet, Vineyard non-profits are quite confident they will survive financially compared to national organizations. 93% of Vineyard non-profits said they were not in imminent danger of folding due to financial reasons compared to 86% nationally. More striking is that 68% of Vineyard non-profits expect to operate at or above break even this year, compared to 12% nationally and 75% expect to be at or above break even next year compared to 16% nationally. Unfortunately, only 50% of our Health and Human Service agencies expect to operate at or above break even this year and 57% next year. Half of our Health and Human Service agencies are incurring a deficit to meet the increased demand for services.
 3. More Cash Reserves. Some of the Vineyard's bullishness is well based. Several non-profits told us they have built significant reserves to help them through times like these and 39% of Vineyard non-profits have sufficient cash on hand to cover 6 months or more of operating expenses. Nationally, only 38% of non-profits reported having 4 or more months of cash on hand compared to 46% on the Vineyard. Also, many of our small non-profits have tiny budgets or are almost 100% volunteer and are less susceptible to the economy.
- Vineyard non-profits are very program/mission driven and only 43% of them reduced programs/services to cut the budget compared to 57% nationally. Furthermore, only 29% of our large non-profits cut programs/services and instead implemented hiring and salary freezes, layoffs, reduced hours or other creative cost cutting measures. Our smaller non-profits, with little or no paid staff, have fewer cost cutting options so 62% of them had to cut programs/services. Employee benefits were only cut by 7% of Vineyard non-profits compared to 20% nationally reflecting that our non-profits in general are much smaller than their national counterparts, don't have that many staff positions and rely instead on part time or volunteer labor.

The complete survey follows in Appendix 1. Due to statistical significance, only Health and Human Service Agencies could be broken out as a separate type. National data is from:

1. *The Effect of the Economy on the Nonprofit Sector*, published by Guidestar and available at their website.
2. *Guide to Navigating the Financial Crisis*, developed by the Nonprofit Finance Fund (NFF) and excerpted in *Understanding Boston, Passion & Purpose, A Call to Action* published by The Boston Foundation and available on their website.

Martha's Vineyard Donors Collaborative Survey of Non-Profits

APPENDIX I

Complete Survey (56 responses)

Did total contributions to your organization increase, decrease, or stay about the same between October 2008 and March 2009, compared to the same period a year earlier?

	National %	Vineyard %	VINEYARD		Vineyard
			Over \$25K	Under \$25K	H & HS
Total contributions increased modestly	16	21	26	11	29
Total contributions increased greatly	4	5	8	0	0
Total increased	20	26	34	11	29
Total contributions decreased modestly	31	36	32	44	21
Total contributions decreased greatly	21	20	18	22	43
Total decreased	52	56	50	66	64
Total contributions stayed about the same	27	16	16	17	7
Don't know	1	1	0	6	0
Total	100	99	100	100	100

What factors caused total contributions to decrease? (Select all that apply)

	National %	Vineyard %	VINEYARD	
			Over \$25K	Under \$25K
Gifts from individuals were smaller	71	59	81	23
Fewer individuals gave	71	56	62	46
Government grants were smaller	13	26	14	46
Government grants were discontinued	8	12	10	15
Private foundation grants were smaller	34	29	48	0
Private foundation grants were discontinued	23	15	14	15
Corporate gifts were smaller or discontinued	64	21	24	15
Other	7	0	0	0
Don't Know	1	3	0	8

Did demand for your organization's services increase, decrease, or stay about the same between October 2008 and March 2009, compared to the same period a year earlier?

	National %	Vineyard %	VINEYARD		Vineyard
			Over \$25K	Under \$25K	H & HS
Demand for our services increased modestly	32	30	32	28	50
Demand for our services increased greatly	27	16	13	22	21
Total increased	59	46	45	50	71
Demand for our services decreased modestly	4	7	5	11	0
Demand for our services decreased greatly	2	0	0	0	0
Total decreased	6	7	5	11	0
Demand for services stayed about the same	34	45	50	33	29
Don't know	1	2		6	0
Total	100	100	100	100	100

How does your 2009 annual budget compare to your 2008 budget?

	National %	Vineyard %	VINEYARD		Vineyard
			Over \$25K	Under \$25K	H & HS
Budget increased modestly	32	34	37	28	36
Budget increased greatly	6	11	13	6	14
Total increased	38	45	50	34	50
Budget decreased modestly	22	18	11	33	0
Budget decreased greatly	13	11	11	11	14
Total decreased	35	29	22	44	14
Budget stayed about the same	26	25	28	17	36
Don't know	1	1		5	0
Total	100	100	100	100	100

What measures have you used to reduce your budget? (Select all that apply)

	National %	Vineyard %	VINEYARD	
			Over \$25K	Under \$25K
Reduction in program activities/services	57	43	29	62
Salary freeze	45	20	35	0
Hiring freeze	37	17	24	8
Layoffs	30	23	29	15
Salary reduction	20	17	24	8
Reduction in employee benefits	20	7	12	0
Reduction in Hours	13	20	18	23
Other (please specify)	25	27	29	23

Is your organization in imminent danger of folding due to financial reasons?

	National %	Vineyard %	VINEYARD		Vineyard
			Over \$25K	Under \$25K	H & HS
Yes	8	2	0	6	0
No	86	93	95	89	100
Don't Know	6	5	5	5	0
Total	100	100	100	100	100

Do you expect to operate at or above break even:

	National %	Vineyard %	VINEYARD		Vineyard
			Over \$25K	Under \$25K	H & HS
This Year?	12	68	71	61	50
Next Year?	16	75	82	61	57
Have 1 mo. or less cash for op. exp.	31	23	26	17	14
Have 2-3 mos. ash for op. exp.	31	22	22	22	35
Have 4 or more mos. cash for op. exp.	38	46	44	50	43
Have 6 or more mos.cash for op. exp.	?	39	39	39	36

Appendix II

By The Numbers: Recession on the Vineyard

1,005 Vineyarders (11.1% of the workforce) were unemployed this winter, up 67% from last winter.

500% increase in the use of food stamps at Cronigs last winter.

486 families representing 860 people (including 170 children) visited the food pantry this winter. Total visits increased 22%.

216 people received services at CONNECT to End Violence in May 2009, up from 90 last October.

175 families were on the waiting list for rental assistance in June. This number has grown as incomes drop and more qualify. 77 families are in the program.

142 applications for fuel assistance for people under 60. That's over twice last winter's number and includes a lot of construction workers and real estate agents..

100% increase in the number of students eligible for free lunch at one island K-8 school from April 2008 to April 2009.

56% of Vineyard non-profits had contributions decrease this winter.

50% drop in Edgartown building permits this winter (no wonder so many construction people are out of work).

48% drop in the real estate market (value of real estate sold, based on Land Bank fees between 2007 and expected fiscal 2010).

33% of Vineyard Non-profits expect to incur a deficit this year.

10 people were homeless this winter, up from 2-3 historically.

1 out of 2 Vineyard Health and Human Service Agencies expects to run a deficit this year.

? the number of people that had to leave the island for financial reasons.