

Against All Odds...

*Recovery and Renewal
in the Dayton, Ohio
Health and Human
Services Nonprofit Sector*

Sponsored by:



Facilitated by:



**Barbara MacKay
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Recovery and Renewal in the Dayton, Ohio Health and Human Services Nonprofit Sector

A Message from Our Sponsors

It's no secret that the Dayton area's nonprofit community is facing serious challenges when it comes to serving more people with fewer resources. Individually, these organizations have worked to develop new strategies and approaches to secure not only their own futures but the futures of the clients they serve on a daily basis. However, it has become increasingly apparent that in order for the nonprofit sector to recover and rebound from the difficulties facing our region, we must work together as one unified community.

The Dayton Foundation, Montgomery County and United Way of the Greater Dayton Area created this Forum with the goal of providing local nonprofits with a framework that will not only address the community's shared needs but also identify potential solutions and resources that will strengthen the sector as a whole. We hope that the information contained within this report and shared at this event will leave you encouraged and ready to make positive changes within your organization during the next 90 days.

With tens of thousands of our neighbors being served each year by the nonprofit community, it is critical that the programs they provide continue to remain strong and supportive. By working together, we can not only strengthen the nonprofit sector, we can help transform the Dayton region into one of the most livable and caring communities in the nation.

Sincerely,



Deborah Lieberman
Commissioner
Montgomery County



Michael M. Parks
President
The Dayton Foundation



Allen H. Elijah
President and CEO
United Way of the Greater
Dayton Area

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Background

This brief report was requested by three nonprofit funders in Dayton, Ohio: United Way of the Greater Dayton Area; Montgomery County; and The Dayton Foundation. It serves as background for a Nonprofit Forum for the health and human services sector (H&HSS) on April 6, 2011 in Dayton.

The Nonprofit Sector is experiencing unprecedented economic challenge, not only in Dayton and the U.S., but also elsewhere in the world. The phenomenon is so widespread that a phrase has been created to describe it: “the new normal.” The H&HSS is the focus of this report because these organizations provide essential services—a basic safety net for people in need including children, single adults, seniors and families. Often, these nonprofits save significant current and future taxpayer costs because their services reduce the need for incarceration and emergency medical services, etc. Thus, the funders of this report felt this sector needed the most attention in terms of new strategies for recovery and renewal.

Dayton faces more severe circumstances than many US cities as a result of a 10-year decline of the auto industry. This city’s workers, after spending decades in factory-assembly jobs with good salaries, are struggling with being jobless and/or facing years of retraining. Dayton has lost several large corporate headquarters with a history of philanthropic support over the past few years. Competition between many medium-sized cities in Ohio exacerbates the struggle for resources. The governor introduced his budget plan to address an \$8.5 billion state deficit on March 15, 2011.

How we conducted the research

The focus of the research was to gain understanding of what is happening with H&HSS nonprofits with regard to the “new normal” and provide a starter list of strategies for Forum participants to customize to fit their own circumstances.

We began the research for this report a month prior to the Forum including reviewing recent literature and interviewing 12 nonprofit agencies in Dayton and 18 nonprofit and research institutes outside of Dayton. Taken collectively, the data provides a snapshot of the current operating environment for H&HSS nonprofits as well as the promising practices/ strategies nonprofits are using to work in the “new normal” in Dayton and elsewhere.

To identify appropriate interviewees, we located nonprofit sector experts in the U.S. who suggested exemplary case studies. We deliberately included best practices from nonprofits in some cities similar to Dayton – medium sized, industrialized, in swing states, and where the strategy of obtaining dollars from large corporations was no longer an option. It is important to note that there is NO precedent for this “new normal.” No one has previously experienced the depth of cuts we are experiencing today and in particular in Dayton. In the April 6 Forum, we will come together to create innovative ways of dealing with this new reality, with the focus being on what nonprofits, the county and foundations can do.

Here are the types of questions we asked of our interviewees:

- What's going on with you now, economy-wise?

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- What strategies have you used to deal with declining dollars?
- What has been particularly successful?

Key assumptions

Here is what we are assuming going into the Forum:

- Although taking ideas from for-profit businesses is helpful in some instances, it is unrealistic to expect H&HSS to resolve all of their challenges by running "more like a business." In many cases, these nonprofits are serving those at the margins who are unable to fully pay for services.
- Different combinations of strategies are appropriate for different organizations. For example, strategic restructuring may be helpful for some organizations (ranging from shared technology and back office support to mergers); for others it may be disastrous.
- Government has been asking H&HSS nonprofits to provide essential services for decades, often without enough dollars to do so.
- It is unrealistic to expect individual nonprofits to be responsible for fixing the economic problems they face on their own – we need to have deeper intra-sector and cross sector conversations to collectively address this as a systemic issue.
- It is critical to bring people together at times like this so that they understand that they are not alone, and that part of the strategizing is simply doing things together rather than alone.

How this report is organized

In this report, we first outline what is happening in the “new normal.” We define it and then share what the literature and our interviewees told us. Most likely, you know how bad it is. If you do not want to hear more about it, we suggest you skip right to the emerging strategies section on page 7. This section includes best practices many of our interviewees suggested as well as those from a literature review. We conclude with a few compelling case studies. The appendices contain much additional information that you can refer to after the Forum to assist you with strategizing with your colleagues, Board members, funders and city leaders.

Environmental Scan – What is this “new normal” and how bad is it?

“The four most expensive words in the English language are ‘this time it’s different.’”

-Sir John Templeton

“This is a time of really showing a lot of grace. Let your employees know how much you appreciate them. Everybody feels it. The news is full of ugliness and it’s not good for us to carry around a lot of stress. So it’s good to do a lot of bonding now.”

-Interviewee for this research project

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Defining the “new normal”

During the 2009 Hawaii Alliance of Nonprofits, Jan Masaoka (editor-in-chief of the monthly nonprofit newsletter Blue Avocado) declared, “This is the new normal...We’re experiencing a change in economic structure and how people think about money and the role of government. It’s a 10 to 12 year problem...Today’s economic pressures call forth the question: How do you make the hard decisions? It’s something you lose sleep over, a choice between two bad options.”

The term “new normal” was first coined by Mohamed El-Erian, author of the 2008 New York Times bestselling book, “When Markets Collide.” He has said that, “the basic premise is that we are in the midst of a major national and global realignment. The main catalyst was the financial crisis of 2008, but the underlying factors have been there for a while. The world is on a bumpy journey to a new destination and the New Normal.”

What does the new normal mean for nonprofits? Tim Delaney, president and CEO of the National Council of Nonprofits, writes about staggering state budget shortfalls, difficult decisions about whether to tax nonprofits or cut programs, and the following challenging policy trends:

- State and local governments shifting their fiscal burdens onto nonprofits and foundations;
- Policymakers understanding little about the challenges faced by nonprofit organizations.

The new normal also takes into account a variety of problems related to government contracting. In 2010, the Urban Institute, based in Washington DC, did a national study of government contracts showing that key problems included payments not covering full program costs, complex and time-consuming applications and reporting, changes to contractual and grant agreements, and late payments by the granter/government. (Boris, de Leon, Nikolova & Roeger, 2010)

In a comparison among 50 states, Ohio’s ranking in terms of government contracting showed it ranks amongst the most vulnerable and at risk to these types of problems. For example, Ohio is the:

- 5th highest in rank with 1,562 nonprofits delivering services through government contracts
- 4th highest in rank with 9,762 contracts distributed amongst 1,562 nonprofits
- 8th highest in rank with 71% of contracts with program administration/overhead limits
- 8th highest in rank with 76% of payments not covering full costs
- 12th highest in rank with 44% of nonprofits with late payments

In March of 2011, the Nonprofit Finance Fund released its annual State of the Sector Survey. This survey of more than 1,900 nonprofit leaders nationwide found that while there are some signs of hope, many nonprofits are straining under year-after-year increases in the demand for services. Some highlights of the survey were:

- 85% of organizations expect an increase in service demand in 2011; just 46% expect to be able to fully meet this demand.
- 60% of organizations have three months or less of cash on hand; 10% have none.
- Only 9% expect 2011 to be financially easier for the people they serve.

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Another survey conducted at the end of 2010 by Illinois-based Donors Forum also confirmed decreased state support and increased demand for services. This combination has created a serious drain on nonprofits' staff capacities. Out of 149 nonprofits surveyed, 58% reported redefining staff job descriptions to add new roles/responsibilities – in effect, requiring extra hours of unpaid work from affected staff members. Concerns about the impact on staff morale were expressed in comments specifying “stress,” employee “burnout,” and “turnover of good staff” as “major challenges” to nonprofits' sustainability.

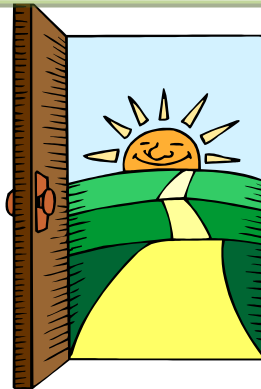
These national trends were also observed from interviews with nonprofits in and outside of Dayton. See Appendix I for some of their quotes.

We don't need to say more about this. You know things are not going very well in Dayton, Ohio. They are not going well elsewhere either. Dayton, however, faces some of the most difficult conditions.

The next part of this brief report shares how nonprofits are adapting to the “new normal.” There are many hopeful stories and strategies in Dayton, elsewhere in Ohio, and in other similar states. Despite the grim conditions, we generally found a healthy, positive, “can do” attitude in Dayton. The quote below exemplifies this:

“Have faith in your constituency. Continue to have your doors open. Most of all I've found that the folk in the Miami Valley (Ohio) to be a generous people. I encourage you to continue to have faith in the generosity of the folks. They care about this community and I find that they are willing to give, to go the extra mile, to assure that marginalized people are cared for. It may appear that politics will get in the way, and other things as well, but the goodwill of the people will always rise to the top, and care for the people that we are committed to serve.”

-Interviewee for this research project



Emerging Strategies – What are people doing about the “new normal”?

This time, like all times, is a very good one if we but know what to do with it.

-Ralph Waldo Emerson

“Foundations need to ask: what can foundations do differently? Are there capacities that nonprofits need, and how can we work together to move this community? Philanthropy needs to make changes too. Not just ask nonprofits. How will we change doing business in the future? Hope there will be a commitment to doing that.”

-Interviewee for this research project

In this section, we first review what interviewees came up with as the most successful practices for dealing with the “new normal” and then what the literature says on this topic.

Our Interviews

Based on interviews for this research report, nonprofits have already implemented many strategies. In brief, this is what they have come up with as best practices¹:

1. Strengthening and diversifying financial resources
2. Amplifying support and capacity of paid and unpaid human resources
3. Increasing accountability and data sharing through information technology
4. Sharing resources in new creative ways
5. Advocating in the public policy arena
6. Creating high quality and more diverse connections through social media and cross sector relationships
7. Ensuring flexible, accountable and client-focused programs and operations
8. Ensuring board members are champions in every way

Examples of how Dayton and non-Dayton agencies are doing this are shown in Table A on the next 3 pages.

¹ We have loosely adapted a framework to group the best practices based on Pucella (2009) and his Seven Capacity Building Challenges, namely: Financial Resources; Human Resources; Information Technology; Marketing; Networking and Advocacy; Programs and Planning; and Operations and Governance. Another stellar framework comes from the book Crutchfield et al’s “Forces for Good” (2008) who found that the most successful Nonprofits attributed their success to the following six best practices: advocate and serve; make markets work; inspire evangelists; nurture non-profit networks; master the art of adaptation; and share leadership.

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Table A: What are Interviewees in Dayton/elsewhere doing to deal with the “new normal”?

| Best Practice | Examples of These “Best Practices” from Nonprofit Interviewees |
|---|---|
| <p>1. Financial Resources</p> <p>Strengthening and diversifying financial resources</p> | <p>“Keep letting donors know what we are doing”</p> <p>“Relationships with donors are long-term – they visit the facilities.”</p> <p>“Got out of special events and moved into individual donor cultivation.”</p> <p>“Corporation funding and family foundations are starting to get back”</p> <p>“Huge fundraiser underwritten by a sponsor, they become advocates and ambassadors”</p> <p>“Shifts in funding – there is money but just have to get it in different ways”</p> <p>“Ask twice as many people to get the same amount”</p> <p>“Diversified funding”</p> <p>“Hired/contracted a grant writer”</p> <p>“Giving fundraising as much energy as we can muster; it’s a priority”</p> <p>“Watching cash flow daily, reviewing every purchase order; tight control on spending; being transparent with board”</p> <p>“Brilliant grant writer and program evaluator”</p> <p>“Contract out some of our employees”</p> <p>“Own fingerprinting machine and lease it out”</p> <p>“Charge rent for some of the space organization has”</p> <p>“Now in regular contact with donors and getting multiple gifts from them each year”</p> |
| <p>2. Human Resources</p> <p>Amplifying support and capacity of paid and unpaid human resources</p> | <p>“We are not highly paid but the people here are empathetic and passionate about the work, as well as good with our clients”</p> <p>“You’ve got to love what you are doing”</p> <p>“Coach staff on how to get the needed end results”</p> <p>“Changed staffing patterns for membership attraction and retention”</p> <p>“Encouraged staff to do “tithing” – identify an agency in the valley that can use their volunteer services to work with their staff to connect with each other in different ways”</p> <p>“AmeriCorps help”</p> <p>“Expand on day to day duties of managers; now doing more”</p> <p>“Reliance on regular volunteers”</p> <p>“Gained mature workers and teens as volunteers”</p> <p>“Group purchase of health insurance”</p> <p>“Have 3 national connections that provide us nonfinancial support; share best practices, grant information, what’s available, compliance issues, how others are dealing with certain things”</p> <p>“Respect, shared relationships, and good interaction among leadership team”</p> |

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| Best Practice | Examples of These “Best Practices” from Nonprofit Interviewees |
|---|--|
| <p>3. Information Technology</p> <p>Increasing accountability and data sharing through information technology</p> | <p>“Funders see we are doing good work in terms of our tracking system (real info such as attendance, weekly staff report) used for the last 4 years”</p> <p>“Donor database/communications tool; targeted communication”</p> <p>“Agreed on a shared technology platform with other nonprofits; went to a paperless system for client services; all the partners bought into the same web-based client management system to share data”</p> |
| <p>4. Resource Sharing</p> <p>Sharing resources in new creative ways</p> | <p>“Looking at collaborative opportunities; chaired a shared resources potential group; worked with county and opened up training facility at minimal cost; no real impact yet”</p> <p>“Collaborations and shared facilities with churches, schools, hospitals”</p> <p>“Make facility available to other agencies”</p> <p>“Board approved study of collaborating together in a shared service agreement; combine back room services around HR, IT...but not merge”</p> <p>“If doing (a merger) for right reasons, and missions are strong and similar, a lot of benefits to merging. We have more staff, more comprehensive programs, and now can put our services out to both our mailing lists of donors. We’ve heard from our major donors that this is good for the community. We took the time to let some donors and funders know before going public so not caught off guard”</p> <p>“This has been successful. We help people when we partner. Staff sharing sort of (employee co-op sort of).”</p> <p>“We partner to our weaknesses. It’s a win-win situation. You keep the other org doing what they do best in a more expansive area and they get to count the clients. It keeps them involved and funded and alleviates us from having that staff and our residents are getting their services. We do development for the others.”</p> |
| <p>5. Advocacy</p> <p>Advocating in the public policy arena</p> | <p>“Participate in the lobbying day; talked to the senator aides”</p> <p>“Have people speak on our behalf in the legislature”</p> <p>“Membership with a lobbyist group. I meet with my political officials.”</p> |
| <p>6. Marketing</p> <p>Creating high quality and more diverse connections through social media and cross sector relationships</p> | <p>“Do a lot of community involvement; ED and staff serve on committees & task forces to have relationships with nonprofits, business, agencies”</p> <p>“Aggressively growing our business to business services”</p> <p>“E-mail, Facebook, and tweet, 3 messages in our program, personal success stories, goals of staff and CFO”</p> <p>“Flickr and Facebook response great”</p> <p>“Discovered many people who are curious about what is happening and how to get involved; found us through Facebook, twitter, blog”</p> <p>“Team of MBA students did social media implementation manual/plan”</p> <p>“Fewer, higher quality newsletters to get more enthusiastic supporters”</p> |
| <p>7. Programs and Operations</p> | <p>“90 cents of every dollar goes to programming and services; well managed and kept the cost of management and fundraising down;</p> |

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| Best Practice | Examples of These “Best Practices” from Nonprofit Interviewees |
|---|---|
| Ensuring flexible, accountable and client-focused programs and operations | <p>people are getting a good bang for their buck”</p> <p>“Sliding scale pricing for memberships”</p> <p>“We change and grow to fit community needs”</p> <p>“Doing pilot programs; a lot online to speed up the process”</p> <p>“Listening to clients; clients trust us enough to tell us what they need; honest about how to help; adds a layer of interaction that is good”</p> |
| <p>8. Governance</p> <p>Ensuring board members are champions in every way</p> | <p>“Deeper commitment to live into the mission given the increase in need”</p> <p>“Identified core focus and checked ‘what should we not be doing?’”</p> <p>“Make ourselves more visible to board members”</p> <p>“There are 3 W’s to board: wealth, work, and wisdom. You need 2/3 - most of our board have all 3. 4th W is wallop...in the community.”</p> <p>“Board serve as unpaid consultants”</p> <p>“Board as ambassadors, walking billboards”</p> <p>“Board is diversified, represents different counties”</p> <p>“We are all business. Our business is to serve. You need to do a SWOT every year. We all need a business mindset.”</p> <p>“We are a business with a heart”</p> |

Quotes from the interviewees about their best practices

“We need to make sure that nonprofits are transparent, and that in being transparent they can show the good works they are doing, their good management, what it costs them to do their service, so people can look at them. Those who are the best at what they do in this area will survive and flourish.”

“Our community does not use the resources they have in terms of expertise. There are some excellent nonprofits, CEOs, etc...Then people come in and say we are going to start a new agency to help you little nonprofits. This doesn’t feel good. Get off the idea that all the business people are going to know better. Both sectors can learn from each other. It has to be an equal respect for each.”

“People need to truly adopt a culture of collaboration. This means not getting 100% of what you want, 80% is acceptable. Don’t get hung up on who gets credit or who has ownership of things. Give up some control. We are going to come along side and work for the betterment of the community.”

“Turn your supporters into evangelists for your organization and get message across that the most important thing they can do is talk to colleagues, friends, and family members. Make sure

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your supporters have such a great experience with your organization that they are motivated to go out and tell their circle about that great experience and bring those supporters into your organization.”

“Get creative about resources. It’s not always impossibleand think strategic partnerships.”

“Don’t give up on doing what works. It’s easy for any organization in constraints to look at cutting programs (fundraising specifically). It takes money to make money. Don’t cut on the fundraising side. Continue to put into the resources that are working for that entity. Individual relationships, revamp the board for leaders who can message the need to new investors.”

“Ask for help with the people that care about what you’re doing. They may not have the money but 3 degrees of separation can get you there. People are amazing when you ask for it.”

“Social entrepreneurship is something that all nonprofits need to look at. How to earn income without having to chase down grants. Get contracts, pay per service, earned income.”

“Don’t be afraid to step out of your box, and keep in your mission. We built a partnership with another organization in another city doing something different (peri-natal) than us. Why? Because the built environment we work in is toxic and it is part of what is dangerous to babies. So we are meeting to create a never heard of proposal where we go into homes of new moms to teach them to clean and help detoxify the home. Our new initiatives are about healthy homes.”

“To embrace the concept of an alliance is a significant shift when you’ve spent your career looking out for your organization. Once you let go of the territorial thing and embrace a level of partnership opportunities are created and things happen. Synergy, creativity, countless ways we have benefitted each other.”

“I think we’ve used this period of economic turmoil to get our internal capacity in order so that there will be growth opportunities as we go forward. Showing our impact and building our reputation. The outsourcing has been effective. The talent we can buy (for our CFO, we don’t pay 100%) so exceeds what we can do on our own. We don’t have to hold the whole FTE, we share with other agencies. We were using the wrong system and we outsourced for finance and accounting -put all the financials on the top notch latest version of software by hiring the outsource.”

What we found in the literature

In this part of the report, we highlight only three areas of best practices or strategies from which we know Dayton area nonprofits might benefit. Other strategies, including those to diversify funding, are included in Appendix II.

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1. Overall common sense strategies
2. Practices to strengthen advocacy
3. Practices for successful government contracting

Overall common sense strategies

In 2009, Masaoka² presented 10 ideas about how to think about nonprofits in the next few years. She said:

1. Think to yourself **“this is the new normal.”**
2. **“Do less with less.** We actually know how to operate in a situation where we aren’t meeting needs. We have all that learning we can draw on. We do the best we can.”
3. **“Get over the idea that bigger is better,** growth is good.” Create jobs that are just-in-time and intentionally short-term.
4. **“Professionalized organizations are good, but there is value in nurturing grass-roots organizations.”** Nonprofits can create networks of volunteers and be symbols of hope.
5. Change your focus from survival to **“We are here to prevail.”** Consider all the parts of your mission and value your organization adds.
6. We have no training in managing information. **“We should ask, what would constitute success in making this decision?”**
7. Make better decisions by gathering more information. **“We need to spend more time generating alternatives.** Hold each of the alternatives up to the criteria. Don’t just fall in love with one of the options.”
8. **“Focus on making it work.** Once a decision is made, despite having made a decision without sufficient information, we have to make it work.”
9. **“Making a choice is more important** than the course of action we choose. There are many options, but not choosing is worse than not making the absolute best choice.”
10. **“People aren’t our most important asset, they are our only asset.** People with a vision use the organization to materialize their visions. This is the time to get back to our personal visions of what we need to do.”

Practices to strengthen advocacy

We noted that NOT many nonprofits, in Dayton especially, but also elsewhere, are using advocacy as a best practice. Many are discouraged about it and do not feel it will yield good results. A Town Hall organized by the Nonprofit Association of Oregon in early 2011 focused mainly on Networking and Advocacy offered the following strategies:

- **Raise the profile of the sector to gain credibility and strength:** most agreed that the collective cause is the nonprofit sector itself; raise the profile of the sector and it gains credibility and strength

² Keynote talk for the 2009 HANO conference was “Best Practices in Challenging Times.” Jan Masaoka (editor-in-chief of the monthly nonprofit newsletter Blue Avocado and one of the 50 most influential nonprofit leaders in the US)

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- **Band together to promote and educate about the sector:** participants urged nonprofit organizations to band together to promote the sector and educate the public and elected officials about the vital role that nonprofits play in every community; seek out voices that are not yet heard and engage new organizations in order to truly come together as a powerful, representative nonprofit sector
- **Increase base of support through partnering:** participants recommended partnering with the (for-profit) business community and other organizations and constituents to increase the base of support
- **Educate yourselves about participating in public policy:** nonprofits should “embrace their role as advocates” for broad, as well as subsector causes, but most will require training in order to become engaged and to understand the rules around participation in public policy efforts (NAO Town Hall Report, 2011)

Practices for successful government contracting

To be more successful with government contracting, the Urban Institute recommends these activities for nonprofit organizations (Boris, de Leon, Nikolova & Roeger, 2010):

- Help create formal feedback mechanisms for contracting issues.
- Organize to simplify government applications and procedures. Encourage foundations and other private funders to do the same.
- Develop organizational capacity to apply for and implement grants and contracts; track staff time to measure and allocate program costs and create data systems to track outcomes.
- Educate the public and elected officials, directly and through associations, about the importance of government grants and contracts in providing community services.

Additional strategies can be found in Appendix II.

CASE STUDIES

“Indeed the meaning of the American Dream, that famous phrase historian James Truslow Adams came up with during the dark days of the Great Depression, is changing. The emphasis in recent decades was more on the material side of the idea. Yet the concept has always carried with it the notion of trying to live a good life, engaged in the community, expanding our minds, and nurturing our souls.”

-Chris Farrell

Through the Valley of the Shadow of Failure

Cate Steane and the Family Emergency Shelter Coalition of Hayward, CA

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Cate Steane was a year and a half into her first job as an executive director of FESCO when she found out that the organization would completely run out of money -- including all reserves accumulated over a decade -- in four months. An organization that had helped thousands of families move beyond homelessness was in danger of closing its doors. Twenty-five staff would be out of work. In October, she and the board came up with a plan involving a possible merger and the biggest fundraising drive of the organization. The merger fell through, but their Challenge Fund campaign worked. By spring, the tide had turned for FESCO. Their individual contributions were off the charts. Some new sources of government funding replaced those that had been lost. By May, Cate presented to the board finance committee a conservative, balanced budget for the new fiscal year. According to Cate, these were the three things that enabled them to weather this crisis successfully:

“First, we communicated frankly with everyone who cared about our organization. We did not try to hide the crisis. We told everyone where they stood, what we needed from them, and how we planned to return to stability. Telling everyone included taking our case to elected and appointed officials. In response, everyone did what they could to help and, collectively, it was enough. Second, internally, I communicated copiously and candidly with staff, withheld nothing from the board, and as a result, all of us were able to pull together. Everyone on staff stayed, and the board's leadership was crucial: even their "nutty" plan turned out to be right. Third, we had a painstakingly-built reputation for excellent services, frugal stewardship, and scrupulous honesty. Thousands of people in the community have volunteered with us over the years and feel a real and important relationship with the organization and our work. We really are too beloved to fail.”

(An excerpt from an article written by Cate Steane on July 25, 2010; the full story can be found at: <http://www.blueavocado.org/print/554>)

From Being Territorial to Creating Relationships

Michael Earl and the Family Service Alliance (FSA) of SE Michigan

In 2005, Michael Earl, a couple of nonprofit executive directors, and their board members in SE Michigan started having conversations about the changes they saw coming. In the following years, these conversations led them to form an alliance of 3 organizations (Starfish Family Services, Macomb Family Services, and Oakland Family Services) that work together for mutual benefit. Each organization has its own mission, areas of expertise, geographic location, and clients; however, all the organizations are focused on the behavioral health and child development challenges confronting families and children.

The collaborative nature of the FSA began with an MOU (Memorandum of Understanding that outlined roles and responsibilities) signed by the 3 organizations. Each organization's ED and a member of their board formed an advisory group to guide the Alliance. They established a regional service delivery model, a common tech platform, expanded and added new services, and diversified revenue for each of the participating organizations. They had positive intangible outcomes such as mutual mentoring and support (they shared experience, trained each other and built greater capacity). The tactical efforts they used to achieve these outcomes were to 1) create efficiencies to create more resources and improve access to services for clients by improving and standardizing quality of services across the region, and 2) sharing the cost and benefit of a shared technology platform. They all bought into the same web based client management system to share data, provide seamless service, data mine for client trends, and go

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paperless. This allowed them to all have what most of them would not have been able to have without the collaboration (and it saved each of them \$70,000).

The alliance opened doors that would not have been available otherwise. They expanded their programs by sharing knowledge and resources, which led to a multi-million dollar community mental health contract. One organization was well-positioned to do the work and another was knowledgeable about the type of contract and mentored the first in writing the proposal. In addition, they all started serving more people because of their expanded capacity achieved through mutual mentoring and strong relationships.

In the end, their success can be attributed to the synergies that happened through sharing their knowledge, compromising (getting only 80%, instead of 100%, of what they each wanted for the greater good), taking the time to build trusting relationships, and letting go of their territorial nature.

Partnering with Pro bono Consultants to Build Capacity

Nih Chau and the Oakland Asian Students Educational Services (OASES) of San Francisco, CA

OASES' technology infrastructure trailed behind the growing needs of the organization. Staff maintained three distinct databases to track thousands of volunteers, students, and donors. Data entry into multiple systems and cross-referencing was time-consuming, and the fragmentary nature was not conducive to generating financial and fundraising reports. Their situation was only going to become more inefficient as OASES was considering expansion to additional school sites. Stemming from their desire to increase financial stability, OASES' primary development goal was to diversify their income by boosting their private funding base. At the time, the majority of their annual budget came from public institutions, particularly governments. The organization saw enormous potential to generate individual giving from volunteer and student alumni. They sought a streamlined database that would enable them to cultivate these donor relationships for the first time in an efficient and effective way. With a strategic plan in place to support the efforts, OASES was in a solid position to absorb 500+ hours of volunteer time in the form of a Taproot Service Grant.

Nhi Chau, Executive Director of OASES, recalled: "The Taproot process moved us to think creatively and strategically about what kind of information we should be capturing and how we prioritize as an organization." OASES directly attributes an upsurge in individual giving to the deliverables made possible by the Taproot Foundation's Donor Database Service Grant.

The organization successfully increased individual contributions from \$13,931 in FY2004 to \$87,933 in FY2006. OASES since held their first large fundraising event, netting \$40,000, and their streamlined database freed up time that could be better spent on donor outreach to achieve their goals. When applying to the Taproot Foundation, OASES reported that 10% of their total budget was private funding. Now, private sources represent 25% of their total budget and continue to increase.

This project has prompted a culture of continuous improvement and evaluation. The new database has boosted the organization's confidence to expand their programs to a new school site. OASES now serves 25% more low-income youth each year, with services now reaching four Oakland school sites. (The full story can be found at: <http://www.taprootfoundation.org/giveprobono/casestudies/oases.php>)

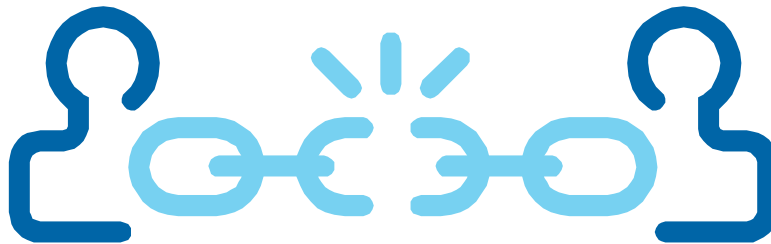
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An Exemplary Merger of a Small and Medium Sized Nonprofit

Linda Johanek and the Domestic Violence Shelter/Bellflower of Cleveland, Ohio

A medium-sized domestic violence center and a smaller one on two sides of Cleveland, serving different constituency groups, began sharing resources informally and making referrals to each other. When the nonprofit restructuring pilot project came up in Cleveland, they decided to apply for assistance to explore and ultimately partner in a more formal way. They ended up each having an office on both sides of town to better serve clients, moving staff for certain programs to serve targeted constituency groups, broadening their mandate, and maximizing use of resources. Some of their funders were the same, but many were different. They said the most important factors of success included: leaving their egos at the door; doing due diligence on each of their financial conditions; letting funders and donors know what they were up to before going public with merger; and having excellent nonprofit consultants to guide them through every step of the way.



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APPENDIX I

When the seven capacity building challenges (Pucella, 2009) are matched to the nonprofit experience, this is what the interviewees said:

Table 2: What interviewees for this report said in relation to Pucella’s seven capacities

| Capacity | Nonprofit Quotes from Interviewees |
|------------------------------|---|
| 1. Financial Resource | <p>“United Way dollars have decreased from \$175K-123K”</p> <p>“Decreasing federal funds”</p> <p>“Local sector/public is going to decline because of Dayton’s shrinking; city, county, and state are broke”</p> <p>“State grants have dropped about 15%”</p> <p>“Decrease in individual contributions”</p> <p>“Lost corporate base”</p> <p>“Still behind the curve with fundraising”</p> <p>“Lost a grant that we had for 12 years”</p> <p>“Federal numbers are messy because of one time stimulus money, otherwise flat at best and anticipating drastic decrease”</p> |
| 2. Human Resource | <p>“Froze salaries and laid off staff”</p> <p>“Paid less for staff; used to have a high level degreed development director now has a less highly degreed communications person”</p> <p>“Increased number of volunteers”</p> <p>“Reduced middle management”</p> |
| 3. Information Technology | <p>“Building out IT infrastructure but looking for resources to expand”</p> |
| 4. Networking and Advocacy | <p>“Talks to legislatures more”</p> <p>“Still building political advocacy as finds this challenging”</p> <p>“Political advocacy with budget cuts but only so much you can do”</p> <p>“Republicans in charge – why would we hope to get their attention?”</p> <p>“Deeply unsuccessful to get our supporters interested in doing advocacy; not sure if it is general frustration with the government or they feel their efforts won’t make an impact”</p> <p>“Lobbying is not generally allowed by funders”</p> |
| 5. Marketing | <p>“Need to be more intentional around communication with donors”</p> <p>“Doing a lot more but have minimal impact on social networking sites”</p> <p>“Feels slightly useless because do not have a big private base”</p> <p>“Feel like I was forced into social networking as I find it intrusive”</p> <p>“Social networking tools may be free but staff time is not”</p> <p>“In a community that is very poor, people who benefit have nothing to give”</p> |
| 6. Programs and Planning | <p>“Clients served gone up by 10%”</p> <p>“25% increase in first time visitors to the food pantry”</p> <p>“Have waiting lists for after-school programs”</p> <p>“Changed programming mix”</p> |
| 7. Operations and Governance | <p>“Expecting more from present leadership and staff”</p> <p>“Had to have deeper conversations with board members”</p> <p>“Struggled with board development; need to find ways to keep people engaged”</p> |

APPENDIX II

This appendix contains other summaries of key best practices found in the literature. It also contains links to some of the most recent and pertinent reports for those interested in knowing more.

The Donors Forum Report Key Objectives of Nonprofit Fundraising Strategies are:

- **Efforts to diversify funding sources and expand current support base:** In keeping with previous-year trends, the nonprofits surveyed for Economic Outlook 2011 reported increased levels of fundraising activity over the past year. Eight in ten (80%) reported increases in the number of funders approached/grant applications submitted; over two-thirds (69%) had increased the number of individual donor strategies pursued, and nearly as large a percentage (65%) had focused on increasing board support. The goal of these efforts is, in virtually all cases—as one respondent put it—“to diversify our fundraising portfolio and seek new sources,” whether by seeking out new audiences for the same type of support or by venturing into new areas not tried before.
- **Evidence of fundraising strategy success - focal areas are also sources of the largest funding increases:** The increases/decreases in funding support identify individual donations, major gifts, and board contributions as three of the top four sources of support level increases in the past year. These are also the focus of increased fundraising activity for at least two-thirds of respondents. As for the top source of funding increases, special events revenue, respondents’ open-ended comments suggest that these increases were just as likely to have come about through a more “strategic,” bottom line- and/or market-driven approach to event planning and promotion as through increasing the number of events held.
- **Fundraising successes still not enough to make up for other losses:** The funding sources showing the largest increases in support (i.e., those named above, such as special events and board contributions) provide a relatively small share of most nonprofits’ budgets—and for those that receive state funding, fall considerably short of making up for those losses. While over time the gap should shrink, in the near term considerable financial challenges still remain. In many cases with grantmaking support, nonprofits have also sought to build their leadership and strategic planning capacities as a longer-term measure for bolstering economic sustainability. Their efforts have particularly focused on board development and engagement building. In all, 63% of nonprofit respondents have implemented board development strategies, with another 28% planning to do so (91%), while 58% have initiated or completed a formal strategic planning process, again, with 28% reporting plans to develop a formal strategic plan for their organization (84%).

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Additional strategy documents of interest

A *Checklist* to Start Thinking Creatively About Nonprofits

The research team also interviewed Sandy Jacobsen, a former Principal Consultant of The Fieldstone Alliance (S. Jacobsen, personal communication, March 22, 2011). The Alliance has published a book, "Coping with Cutbacks: The Nonprofit Guide to Success When Times Are Tight," where authors Angelica and Hyman urge nonprofit leaders to take a different approach, shifting thinking from "How do we get more money to keep our nonprofit in business?" to "How do we involve other segments of the community to address community issues?" The website of Fieldstone Alliance has a link to ordering the book, as well as a checklist which can be found in this Appendix .

A *Platform* to Help Build Collaborative Relationships

The Urban Institute has other resources for nonprofits (E. Borin, personal communication, March 17, 2011). One of these is a tool to help build collaborative relationships. A link to this tool, the "National Center for Charitable Statistics (NCCS) Community Platform: Tools for Community Engagement, Analysis, and Relationship" can be found in this Appendix. Thomas Pollak, the researcher, has said that this type of web-based mapping and data can facilitate real-time data sharing to and from community partners. The availability and ease of use "will allow the Community Platform to integrate local data for improving the neighborhoods and engaging citizens, creating service learning and community service opportunities for students, and improving coordination of and access to human services and other services and resources that nonprofits and government provide" (T.Pollak, personal communication, March 17, 2011).

A *Program* to Connect Nonprofits With Pro bono Consultants

The 2010 Deloitte Volunteer IMPACT Survey reported that "at a time when nonprofits need support more than ever, corporate America is giving workplace volunteerism a strong vote of confidence as a means to make a significant, long-term difference in their communities...More than eight in 10 companies (84%) believe that volunteerism can help nonprofits accomplish long-term social goals, and are increasingly offering skills-based volunteer opportunities to employees." Aaron Hurst, founder of Taproot Foundation, has written that nonprofit leaders "need donations that will strengthen their organizational structures – services from skilled professionals who spend their days working in marketing, human resources, accounting, information technology, finance, strategy setting and other areas of management." (Hurst, 2009) Taproot is a nonprofit organization that makes business talent available to organizations working to improve society. They engage the nation's millions of business professionals in pro bono services both through programs and by partnering with companies to develop their pro bono programs. For the past 10 years, the foundation has worked on over 1,000 pro bono projects in 7 cities nationwide. The satisfaction ratings for the projects and the results are over 90%. In an interview with Joel Bashevkin, the foundation's San Francisco-based Executive Director, he suggests that nonprofits, who uphold a role in our society that is challenged from so many angles, need to look at more than cash in serving their constituents but also look at harnessing volunteers and community resources. Nonprofits seeking opportunities with corporate leaders can access the link to material in the

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foundation website. The website also has a portfolio of case studies; one is included in the case studies of this report (J. Bashevkin, personal communication, March 25, 2011).

The surveys previously mentioned also have specific strategies. All are worth taking a closer look at, and then determining its application for each nonprofit.

Key Links

Here are links to key reports we felt would be most useful to those strategizing around the new normal in Dayton. Most apply to nonprofits in any location.

The study of the McDonough Center for Leadership and Business at Marietta College also included describing what nonprofit organizations in southeastern Ohio and West Virginia felt the most effective type of assistance would be. The Executive Summary is on pages 11 -21. A full copy of the report can be retrieved at:

<http://mcdonough.marietta.edu/AORGS/An%20Analysis%20of%20Nonprofit%20Capacity%20Building%20in%20the%20Mid-Ohio%20Valley.pdf>

A one-page flyer on **Tips for Nonprofits** can be retrieved at:

http://nonprofitfinancefund.org/files/docs/2010/Recession_Tips.pdf

A one-page flyer on **Telling your Financial Story** can be retrieved at:

<http://nonprofitfinancefund.org/files/docs/2010/QuestionsToConsider.pdf> -

The link to the **Fieldstone Alliance strategies for cutbacks** can be retrieved at:

http://www.fieldstonealliance.org/client/articles/cutback_strategies.cfm -

Please take note of their Reprint Permission page, which can be retrieved at:

http://www.fieldstonealliance.org/client/reprint_permission.cfm

The link to the 2010 **Tools for Community Engagement, Analysis and Leadership** by the Urban Institute report can be retrieved at:

<http://www.nccsdataweb.urban.org/kbfiles/1061/nccs-cmtly-webtools-v4.pdf>

The link to the 2010 **Volunteer Impact Survey by Deloitte** report can be retrieved at:

<http://www.deloitte.com/us/2010volunteerimpactsurvey>

APPENDIX III

Table 3: Interviews conducted for research phase – March 10-March 29, 2011

| Organization | Annual Budget | Location | Person Interviewed | Type | Size of Org | Clients Served | Service Provided |
|--|---------------|------------|--------------------|-------|---------------------------------------|---|---|
| LOCAL | | | | | | | |
| YMCA of Greater Dayton | \$24 M | Dayton | Tim Helm | Local | 1200 total, 300 F-T, 900 P-T/seasonal | 113,000 | Human Services |
| Goodwill Easter Seals Miami Valley | >\$10M | Dayton | Amy Luttrell | Local | 650 FT 350 PT | 11,000+ | Empowering people with disabilities and other needs |
| Salvation Army of Greater Dayton | \$6.5M | Dayton | Reggie Winters | Local | 80 FTE | 1197 homeless, 5000 patient visits | Social services |
| United Rehabilitation Services | \$5-10M | Dayton | Dennis Grant | Local | 70 FTE | 3000+ | Special needs services |
| Catholic Social Services of the Miami Valley | \$5-10M | Dayton | Laura Roesch | Local | 110 FTE | 22,000 | Social Services |
| YWCA Dayton | \$3-5M | Dayton, OH | Carol Hinton | Local | 62 FTE | 14,378 nights of service to women /children | Social Services for women |

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| Organization | Annual Budget | Location | Person Interviewed | Type | Size of Org | Clients Served | Service Provided |
|--|---------------|--------------|----------------------|-----------|--------------|-------------------|-------------------------------|
| Confidential | \$3+M | Dayton | Confidential | Local | About 45 FTE | About 30,000 | Social services |
| Daybreak | \$3+M | Dayton | Linda Kramer | Local | 50 FTE | 1000 kids | Youth homeless services |
| East End Community Service | \$1-3M | Dayton | Jan Lepore-Jentleson | Local | 28 FT/20 PT | 4000 | Community services |
| Wesley Community Center | \$0.5-1M | | Dr. Robert Walker | Local | 20FTE | 20,000 | Community services |
| Boys & Girls Club of Dayton | <\$0.5M | Dayton | Natasha Spears | Local | 5 FTE | 1000 | Community services |
| Unified Health Solutions | | Dayton | Lori Anderson | Local | 12 FTE | 6000 | Community services |
| NON-LOCAL | | | | | | | |
| St. Mary's Academy | \$8.7 M | Portland OR | Lisa Grey | Non-Local | 112 FTE | 600 | High school |
| "Domestic Violence center/ Bellflower" affiliation agreement | \$3-5M | Cleveland OH | Linda Johanek | Non-Local | | | Women and children |
| Heart of the City Neighborhoods | \$1-3M | Buffalo NY | Stephanie Simeon | Non-Local | 5 FTE | NA | Develop housing |
| Open Shelter | \$1-3M | Columbus, OH | Kent Beittel | Non-Local | 4 FTE | 2306 | Homeless shelter and services |
| Family Emergency Shelter Coalition FESCO | \$1-3M | Hayward, CA | Cate Steane | Non-local | 15FTE | 300 | |
| Buffalo Urban Outdoor Education | <\$0.5 M | Buffalo NY | Kate Hilliman | Non-Local | 1 FTE | 1600 students; 65 | Outdoor training for |

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| Organization | Annual Budget | Location | Person Interviewed | Type | Size of Org | Clients Served | Service Provided |
|--|---------------|-------------------|--------------------|-------------|-----------------|----------------|--------------------------------------|
| | | | | | | schools | students |
| Green Options Buffalo | <\$0.5M | Buffalo, NY | Justin Booth | Non-Local | 3 FTE | 300 | Alternative transportation |
| Family Service Alliance of SE Michigan | Varies | SE Michigan | Michael Earl | Non-Local | 3 combined orgs | 25,000+ | Family services |
| Taproot | \$4.7M | San Francisco, CA | Joel Bashevkin | Non-Local | 40 FTE | 450 | Helping NPO's access free consulting |
| H&HSS pilot restructuring program | N/A | Brooklyn, OH | Deborah Vesey | Non-Local | N/A | N/A | Helping NPOs restructure |
| Starfish Family Services Alliance | >10 M | Canton, MI | Ann Kalass | Non-local | 180 FT | 10,000 | Family Services |
| INFORMATIONAL | | | | | | | |
| Urban Institute | | WA DC | Elizabeth Boris | Information | | | |
| Urban Institute | | WA DC | Erwin de Leon | Information | | | |
| Urban Institute | | WA DC | Thomas Pollak | Information | | | |
| Feildstone Alliance | | St. Paul MN | Sandy Jacobsen | Information | | | |
| La Piana Consulting | | CA | Jo De Holt | Information | | | |
| Pennsylvania Association of NPOs | | PA | Jennifer | Information | | | |
| Minnesota Council of NPO s | | MN | Jon Pratt | Information | | | |