

FACT SHEET

Impact of the Economic Crisis on Bay Area LGBT Nonprofits

Summary

A recent Horizons Foundation survey reveals the significant impact of the current prolonged economic recession on nonprofits focused on the lesbian, gay, bisexual, and transgender (LGBT) community. Out of 52 organizations responding, all but two reported that the crisis has had an impact on their ability to further their missions; of those, one in five reported “a lot” of impact. Nearly half of LGBT nonprofits indicated that they have laid off staff, 56% that they’ve left positions vacant for more than six months, and 43% that they’ve reduced hours for employees. Almost half (49%) stated that they’d experienced a decline in contributions from individuals.

Mission Impact

The success or failure of all nonprofits is measured by how well they achieve their missions. The same is true of LGBT nonprofit organizations. Periods of declining or uncertain revenues—coupled with the cut-backs they lead to—affect virtually every aspect of an organization and frequently diminish its ability to achieve its mission. When given four options to describe the recession’s impact on their missions, nonprofits responded as follows:

Organizations reporting "a lot" of impact	20.0%
Organizations reporting "some" impact	50.0%
Organizations reporting "a little" impact	26.0%
Organizations reporting “no” impact on ability to carry out mission	4.0%

Although it is not possible to make firm conclusions about the overall impact of the recession on nonprofits’ abilities to further their missions, the responses make plain that the impact is considerable: 96% reported some level of impact, and out of the four responses to choose from, 70% selected the two indicating more significant levels of impact. Tellingly, the impact appears to have been felt equally by both smaller and larger LGBT nonprofits, as the level of impact experienced did not correlate with organizations’ budgets or staff sizes.

Staffing Levels & Salaries

For many nonprofits, personnel ranks as the largest line-item in their budgets and is therefore almost always an area to which organizations turn when cutting expenses. Not surprisingly, staffing levels in Bay Area LGBT nonprofits have been significantly affected by the recession, as detailed in the table below.

Organizations reporting staff lay-offs July 1, 2008 to present	46.0%
Organizations with position vacancies of 6 months or greater	56.0%
Organizations implementing unpaid furlough days	12.5%
Organizations reporting reduction of employee hours	42.6%
Organizations reporting salary reductions for some or all staff	40.0%

Staffing is, of course, a large line-item precisely because it's through people that the great majority of services and advocacy are provided. Accordingly, there is commonly a direct connection between staff reductions (through lay-offs, furloughs, or other means) and decreased organizational capacity to serve the community. In the great majority of nonprofits—including those in the LGBT community—staffing tends to be very thin under even the best of fiscal conditions. In that light, the broad reductions described here almost inevitably result in reductions in the services and advocacy that the LGBT community needs.

Unfortunately, the picture doesn't brighten when organizations were asked to look toward the remainder of 2010. While the questions above dealt with the period from July 1, 2008, to the present, Horizons also asked organizations what they anticipate between now and the end of 2010:

Organizations reporting layoffs as future possibility¹	63.3%
Organizations reporting unpaid furloughs as future possibility	25.5%

With almost two thirds of nonprofits stating that layoffs may be necessary just through the end of 2010, it's painfully clear that the full impact of the recession has not yet been felt.

Financial Reserves

In uncertain economic times, nonprofit organizations must occasionally tap into any financial reserves they have. The frequency with which reserves are used is another indicator of financial stress. Nearly one-third of LGBT nonprofits reported having no reserves, thereby leaving them highly vulnerable to revenue shortfalls. In another clear marker of the recession's impact, more than half (57.9%) of those reporting a financial reserve have tapped them during this time.

Changes in Individual Giving

For many nonprofits, gifts from individual donors are a significant source of income. National surveys have suggested that charitable giving by individuals declined by about 6% in 2008 and up to 5% in 2009 (the latest year for which data is available). It is therefore not surprising that nearly half of LGBT organizations report that donations have fallen:

¹ 32.7% say layoffs are "unlikely but possible"; 16.3% say there will "maybe" be layoffs; 8.2% say layoffs are "likely but not certain" and 8.2% report they anticipate laying off staff.

Organizations reporting decline in individual donations	49.1%
Organizations reporting decline of less than 10%	25.5%
Organizations reporting decline of 11% – 30%	21.6%
Organizations reporting decline of greater than 30%	2.0%

Some organizations serving specific populations reported even steeper drops in individual donations: 66.7% of women-specific LGBT organizations and 75% of transgender-focused organizations have experienced some decrease in individual donations. By contrast, organizations serving principally LGBT people of color reported slightly smaller dips, with 41.1% reporting declines.² The sample size, however, was too small to draw conclusions.

Analysis and Conclusion

Over the past two years, there have been numerous anecdotal stories about the struggles of various LGBT organizations during this extraordinarily difficult financial time. To date, however, there’s been no information about how widespread or severe the impact of the recession has been throughout the Bay Area LGBT community. Although it isn’t possible with the present data to quantify this impact in any definitive terms, the Horizons survey results confirm that the recession has significantly hindered LGBT nonprofits from providing the services and advocacy which their missions mandate them to provide—which translates into healthcare, social services, programs for elders and youth, and much more that simply do not happen.

While the most immediate effect of the downturn is on the loss or diminution of such important programs, services, and advocacy, there is another significant—and troubling—result. Nonprofit organizations themselves are likely to incur damage that will likely take years to repair. Although it is true that financial stress, at times, can lead to better organizational focus or efficiency, more commonly an organization is forced to retreat and loses gains made over many years. This, in turn, means that such organizations will have to spend significant human and financial resources just to rebuild to their pre-crisis levels of functioning—and then only as economic conditions permit even that. In short, the impact of the present recession is likely to be felt for many years to come.

A Note on Methodology

The survey was conducted via Survey Monkey from April to June 2010. 76 Bay Area organizations that serve the LGBT community were invited to participate. Two follow-up reminders were sent, and a total of 53 responses were received. Of these, 52 were unique. One organization acknowledged completing the survey twice, but was unable to be identified by IP address or based on survey responses. Responding organizations represented a broad diversity of nonprofits and communities served, and they ranged in budget size from under \$25,000 to several million dollars and in staff size from all-volunteer groups to ones with more than 50 staff.

² 23.5% of POC organizations reported declines in individual donations of 10% or less; 17.6% of POC organizations reported a decline of 21-30%.