

Posted: *Saturday, May 2, 2009 12:34 AM EDT*

*Newport Daily News*

Recession forces nonprofits to change strategy

By Sean Flynn  
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MIDDLETOWN — Nonprofit agencies have been hit hard by the recession, giving them the difficult choice of either cutting services or redoubling efforts to raise more funds.

Those are the traditional responses to an economic downturn for nonprofits, but more fundraising is unlikely to be successful enough to cover the increased demand for services, said Anthony Maione, president and chief executive officer of the United Way of Rhode Island.

Nonprofit organizations must come up with innovative strategies, including working closely with each other to eliminate duplication of services and even merging, Maione said. However, he said, mergers are difficult because talking about them can dry up fundraising.

On Thursday morning, Maione presented the results of a survey of nonprofits in the state that the United Way commissioned the Acadia Consulting Group of Providence to conduct in February and March. He spoke to leaders of nonprofit organizations on Aquidneck Island and to civic and legislative leaders at BankNewport headquarters.

More than half of the 230 nonprofit organizations polled in the survey reported a decline in total income during the past 12 months, with the average drop in revenue at 22 percent, according to the study. They reported less money from state contracts, annual fund and direct donations, corporate support, interest income and community service grants.

Nearly 40 percent of the organizations expected to be operating at a deficit in the current fiscal year. Fifteen percent of the organizations projected a year-end surplus for 2009.

“I don’t think we’ve seen the bottom yet,” Maione said. He said many businesses are restructuring and have less money to contribute to nonprofit organizations.

“I think the impact of this will carry into 2010,” he said. “I hope 2010 is the bottom.”

Senate President Teresa Paiva Weed, D-Newport, said federal stimulus money is helping fill some of the gaps this year in funding for social services.

“I’m concerned about next year, when we don’t have the stimulus money,” she said.

While staffing and financial resources have decreased, 63 percent of the organizations reported demand for their services had increased.

Large nonprofit organizations on Aquidneck Island are facing the same challenges as others around the state.

Peter M. DiBari, president and chief executive officer of Child & Family Services of Newport and Middletown and Dennis Roy, chief executive officer of the East Bay Community Action Program of Newport, said they are working together to avoid duplication of services.

“If we are going to thrive in a difficult environment, we have to integrate our services,” Roy said. “We have to redefine how we do business.”

“We are working together whether there is funding or not, because we are responsible for our community and want to take care of it,” DiBari said. “Families are the main service providers. We have to strengthen families so they can help themselves.”

The request to fill out an online survey was sent to 720 nonprofit organizations that were selected from a United Way database of about 1,600 organizations. Most are not large organizations, with 56 percent of the organizations reporting annual budgets of less than \$1 million. The poll excluded schools, hospitals, churches, government agencies and arts culture and civic organizations. Since 230 organizations responded, the response rate was 31 percent.

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