

## Business

### Fiscal improvement

**Organizations are making up for less government money with increasing donor and client revenue**

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Government funding is declining, but the financial confidence of the not-for-profit sector is improving as organizations increasingly turn to donors and clients for revenue, according to a survey by researchers at the Johns Hopkins University.

The Johns Hopkins Nonprofit Listening Post Project reported Monday that 76 percent of nonprofits considered 2006 to be a successful year. About a third of the nonprofits reported "severe" financial stress in 2006, down from 51 percent in 2003.

The project, an undertaking of the school's Center for Civil Society Studies, surveyed 750 organizations around the country last summer, and found that less than a third of them expected their revenue for the year to decline.

Though more than two-thirds of the organizations expected revenue from all levels of government to remain stable or decline, the survey found that they were increasingly turning to income from programming fees and charges, as well as private donations.

Lester M. Salamon, director of the project and a co-author of the study, said the results are generally good news.

"Nonprofits are facing difficult times, but they have found ways to cope," he said.

Though organizations are deriving more of their revenue from fees, the survey found that they have largely been able to do so without curtailing services for people who are in the most need.

"How I read the data is that organizations are becoming more sophisticated about how they structure fee arrangements," Salamon said. He said many nonprofits charge for their services according to people's ability to pay, and use that income to support programming for lower-income clients.

Peter V. Berns, executive director of the Maryland Association of Nonprofits, said nonprofits have long relied on income from programs.

"Earned income has been one of the prime sources of funding for organizations for a long, long time," he said. "What you see now is organizations being more aggressive in terms of trying to develop their earned income from services."

Berns said many organizations are struggling with declining government support, which he said will be especially problematic in Maryland as the state faces a \$1.4 billion revenue shortfall.

"There are some very dark clouds on the horizon," he said, adding that some nonprofits may be in a better position to revise charges for services than others.

Though organizations are finding ways to make their money go further, the study found that financial stress is taking its toll. A third of organizations have increased their staff hours, a quarter increased their waiting times, a quarter saw rising staff turnover, and a quarter saw decreases in staff training.

Ruth Ann Norton, executive director of the Baltimore-based Coalition to End Childhood Lead Poisoning, said many in the sector are recognizing the importance of being "entrepreneurial." She said it is important to invest in personnel to advance an organization.

The coalition derives revenue from partnerships where it helps organizations in other states with training and informational material, and charges for lead removal programs if customers can afford them. Norton said such arrangements help the organization fund efforts to help remove lead from the homes of people who are not able to afford such services.



*Ruth Ann Norton, executive director of the Baltimore-based Coalition to End Childhood Lead Poisoning, said many in the sector are recognizing the importance of being "entrepreneurial."*

"I would love to be able to really be supplying back a large portion of our funding by entrepreneurial work," she said. Norton pointed out that organizations that can demonstrate that they stretch every dollar could benefit from more private donations.



Read the full report by the Nonprofit Listening Post Project at JHU

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