Nonprofit and nongovernmental organizations across the U.S. and globally have felt the effects of economic downturn and financial crises. These scenarios create a resource-demand dilemma for nonprofit organizations: increased demands for services coupled with reduced resources. Furthermore, certain types of organizations (e.g., human service providers) may be more likely than others to contend with this dilemma. In light of the diversity among nonprofits, with respect to organizational activities, client/user populations, and resource dependencies, our study examines the extent to which organizations have felt the economic impacts differently. More specifically, we propose to explore impact disparities based on variations in revenue stream reliance. The central research question of our study is: How do the more commercial organizations - those that rely more heavily on earned income (defined here as client fees, sales, and dues) - experience economic downturn differently than organizations that rely more heavily on government (e.g., grants, contracts, and reimbursements) or donative (e.g., giving by individuals and philanthropic institutions) revenue streams?

The data for our study was collected through a telephone survey conducted in the summer of 2009. The Los Angeles Nonprofit Survey was designed to gather information about the general operations of nonprofit organizations in LA County during the 2008-2009 economic downturn. A sampling frame was created using the 2007 IRS CORE file and included nonprofits in the following subfields: arts, culture and humanities, education, health, environment and human services. The total response rate was 46% (252 out of 548) and respondents are well-distributed by subfield, budget size and age, indicating that the responses are representative of the sample frame.

Overall, 57% of survey respondents reported that demands for programs and services increased over the past year. Human service organizations were the most likely to report increased demands (65%). In addition, survey respondents reported, in the aggregate, that revenues had decreased (36% had reported as such) over the past year at a much higher rate than in previous years (22%) and that revenues had increased (14% reported higher revenues in the past year) at a reduced rate compared to previous years (41%). Reported changes in revenue were fairly similar across subfields, but intriguing differences were reported based on variations in revenue reliance.

With respect to resource dependency, organizations that rely most heavily on government funding most frequently indicated decreased revenues (46%). Nearly two-thirds of human service organizations received government funding and 40% relied on government funding more than other sources. Organizations that appear more commercial in nature (those that rely most on earned income) less frequently reported decreased revenues (26%) and more frequently reported increased revenue over the past year (21%) as compared to organizations that relied more heavily on government or donative revenue streams. Furthermore, the more commercial organizations were the least likely to discontinue programs or services during the downturn. In terms of looking ahead, organizations that rely most heavily on earned income were most likely to predict increased revenue and the least likely to predict revenue declines in the coming year.

The purpose of this study will be to further explore these differences among organizations with respect to revenue reliance and their ability to cope and survive during times of economic downturn. This paper will move beyond descriptive analyses to look more closely at other predictive factors that impact declines in resources and services. What other indicators might help explain the relative stability of the more commercial organizations? If organizations with higher shares of earned income are indeed better suited to weather the ‘storm’ of economic crisis, what implications does this trend have for future sustainability efforts of other nonprofits? What does this trend mean for underserved client populations that rely more heavily on nonprofit service providers and have fewer resources to pay for those services
during down economic times? This paper will examine these issues more closely, using the Los Angeles nonprofit sector as a testing ground for some of these questions.