A low-angle, upward-looking photograph of a roller coaster track. The track is primarily yellow with some red sections. The background is a clear, bright blue sky. The perspective is from below, looking up at the track as it curves and rises.

A comprehensive survey of the  
impact of the economic downturn  
on not-for-profit organisations

**July 2009**

**managing in  
a downturn**

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## Introduction

PricewaterhouseCoopers, the Fundraising Institute Australia and the Centre for Social Impact collaborated in a comprehensive survey of the impact of the economic downturn on not-for-profit organisations (NFPs). The survey was conducted in April and May 2009 and draws upon a similar survey conducted by PwC in the UK last year. Questions focus on the impact in the last six months, as well as the anticipated future impact over the next year. In total, 263 NFPs responded.<sup>1</sup> A summary of their profile is provided at the end of this report.

Major events such as the bushfires in Victoria and floods in Queensland led to very substantial charitable contributions across Australia. Respondents were asked to consider their survey responses outside the one-off impact of these natural disasters.

An online version of this report, along with further detailed analysis can be found at each organisation's website:

- [www.pwc.com/au/foundation](http://www.pwc.com/au/foundation)
- [www.fia.org.au](http://www.fia.org.au)
- [www.csi.edu/research-projects/](http://www.csi.edu/research-projects/)

<sup>1</sup> A diverse range of non-profit organisations were canvassed in this survey, which would describe their activities in varying ways, as 'charitable', 'community-based', 'non-government', 'non-profit' or 'social ventures'. For convenience, we refer to them collectively as not-for-profit organisations (NFPs).

### Mark Johnson

Chief Executive Officer,  
PricewaterhouseCoopers  
Australia



There has been increasing anecdotal evidence that the economic downturn is having an adverse impact on the not-for-profit sector. A number of organisations – including some with significant operations and well recognised brands – have announced plans to restructure or cut back their services because of reduced revenues.

Whether these stories are isolated incidents or reflect a broader trend across the not-for-profit sector is of great importance to the sector itself, philanthropists and governments. But clearly it is of most serious consequence to the many people who are assisted by the vital services the sector provides.

This report aims to bring some much needed rigorous research and insight into how participants in the not-for-profit sector have been impacted by the downturn, the extent to which their revenue sources have been affected and their responses to the resulting challenges.

Sadly, it reveals a sector already under stress and expecting conditions to get worse. This is consistent with what we know to be happening overseas. The challenge now is how all stakeholders respond.

### Chris McMillan

Chief Executive Officer,  
Fundraising Institute Australia



During the past few months there has been much discussion and speculation as to the impact and duration of the current global economic situation. Anecdotal evidence suggests a drop in fundraising capacity has been felt by most not-for-profit organisations. At the same time the need to contribute more to appeals and grants for services to support charitable activities remains constant.

Outcomes of the downturn impact have seen many not-for-profit organisations reduce resources and undertake actions to streamline service delivery. Some have resorted to drawing on reserves to support operations.

The research presented here is the first Australian study incorporating all areas of the not-for-profit sector. The report gives an insight as to how organisations are responding to the current downturn and, not surprisingly, the findings presented here highlight a sector under considerable pressure. What is obvious is that all levels of not-for-profits have been affected by the downturn.

The strategies which organisations employ now will have a direct impact on their future – riding out this period of economic instability is a challenge for all not-for-profit organisations.

### Professor Peter Shergold

Chief Executive,  
Centre for Social Impact



Over the last couple of months I've written a couple of CSI Briefing Papers on the impact of economic recession on not-for-profit organisations and how they might frame an effective strategic response. Unfortunately they were necessarily based on fragmentary and anecdotal data.

I'm delighted that now, for the first time, we have extensive information on how the funding of Australian not-for-profit enterprise has been affected adversely by the downturn. I'm pleased, too, to have empirical evidence on the manner in which they are responding. The opportunity to compare findings with a similar survey undertaken in the UK is particularly valuable.

This confidential survey, undertaken in an effective partnership between the private, not-for-profit and academic sectors, is a tribute to the collaborative leadership of PricewaterhouseCoopers.

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# Highlights

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The Managing in a Downturn survey was conducted during April and May 2009, and focuses on the perceptions of not-for-profits (NFPs) across Australia of the impact of the economic downturn on their income and expenditure, as well as management actions they have implemented or are planning to help them through the downturn.

## Incomes are declining, with only government funding remaining quite stable

4 | The impact of the economic downturn has already been widely felt by NFP's across Australia, with most respondents experiencing a decline in revenues and expecting continued declines over the course of the next year. Three-fifths of respondents report that their income decreased over the past six months, and almost one-third of respondents experienced very significant drops in income of more than 10%. Two-thirds of respondents expect their total income to continue to decrease over the next 12 months, with some 30% anticipating a further reduction in excess of 10%. In the current environment, government funding has been quite a stable source of income, while investment incomes have suffered the most.

The reductions in income have been felt across charity sectors and, both the experience over the last six months and that anticipated over the next 12 months is broadly comparable across all sectors.

## Expenses look set to increase

Many NFP organisations are being squeezed from both sides, with two-thirds of respondents expecting an increase in operational costs over the next year. With most respondents expecting income streams to reduce, the fact that costs are increasing is a concern in itself. NFPs will either need to rely upon reserves or find efficiencies in order to maintain service levels.

## Most NFPs are taking direct action to combat the effects of the downturn

Three-quarters of respondents are taking action in light of the deteriorating economic situation. The preferred option for most NFPs is increasing fundraising activities, with a particular focus on growing government income. Half of the NFPs responding to this survey expect to increase their volunteers and many are planning specific initiatives to attract and retain them. Marketing and brand awareness is also a major focus.

30% of NFPs have already implemented cost reduction measures, and more are planning cost reductions in the next year. The top three planned cost reductions are staff recruitment, IT projects and consulting services.

## Are budgeting systems adequate?

Most NFPs feel they have adequate systems in place for budgeting and planning, but many are planning to increase their commitment to strategic planning and management. Areas of focus include proactive detailed scenario planning, detailed activity-based budgets and management accounts, and board and trustee involvement.

## Large organisations are faring better

Large organisations are coping better with the economic downturn. Their revenues have declined less than smaller organisations and they typically have larger accumulated reserves. Large organisations have been more proactive in introducing measures to deal with the economic downturn and perhaps as a result, fewer are anticipating cost increases over the next 12 months.

# Economy

The global economic downturn has reached Australia's shores and the economy looks set to worsen before it improves. So how will this downturn impact Australian NFPs? On the upside, interest rates are substantially lower than during the previous recession – Keating's so-called "recession we had to have". Housing affordability is at its best levels for five years and inflation is also significantly lower. Consumer spending has, so far, remained buoyant.

However, there are some worrying signs – many households are going into this downturn in a far weaker position than was the case in the recession of the 1990s. Household debt to asset ratios and debt to disposable income ratios are far higher, and unemployment is predicted to peak at up to 9%, potentially higher than in the early 1990s.

Going into the downturn, the NFP sector is generally more sophisticated than previously, and so is better equipped to respond early to the changing circumstances. Maintaining a strong NFP sector in this environment remains critical to social service provision in Australia. The sector is an important provider of health, disability, aged care and other social services, and a major contributor to the Australian economy, employing more than 880,000 people and \$76 billion turnover a year. Recognising the importance of the sector, the Productivity Commission is currently reviewing the contribution of the NFP sector to Australian Society, and is due to report at the end of the year.

Economic Indicators – last downturn & current	% 1990/91	% Latest quarter
Real GDP Growth	-1.5	-0.1
Interest Rates	12	3
Inflation	3.4	0.1
Unemployment	8.1	5.8
Household Consumption Expenditure	-0.5	0.4
Household Debt to Household Assets Ratio	8.6	19.7
Household Debt to Disposable Income ratio	47.1	155.2
Average Weekly Earnings growth	4.7	1.5

Source: ABS, RBA

# Income

The Managing in a Downturn survey focuses on the perceptions of CEOs, CFOs and Fundraising Managers of NFPs across Australia. Respondents were asked about the impact of the economic downturn on their various revenue sources over the past six months and the next twelve months.

Survey results reveal that the impact of the economic downturn has already been widely felt by NFPs across Australia, with most respondents expecting revenues to continue to be adversely affected over the course of the next year.

Three-fifths of respondents report that their income decreased over the past six months. A substantial 31% of respondents report a decrease of 10% or more, including 17% who experienced a very substantial drop of 15% or more in revenue. 17% indicate that they have experienced no change in income over the last six months.

On top of the decline already experienced, two-thirds of respondents expect their total income to continue to further decrease over the next 12 months, with 30% predicting a

decrease of 10% or more. An additional 11% predict no change in income in the next 12 months. In other words, three-quarters of respondents expect their income to stay constant or decline over the next 12 months.

## The significance of no growth

The fact that respondents expect income streams to remain static is of course a concern in itself. With costs increasing (see later in this report), no expected growth in income will itself represent a real decline and NFPs will either need to rely upon reserves or find efficiencies in order to maintain service levels. For organisations which face rising demands for services (for example in the welfare sector), this will be particularly challenging.

### Change in total income over last 6 months



### Expected change in total income over next 12 months



- Decrease by more than 15%
- Decrease between 5% to 0%
- Increase between 5% to 10%

- Decrease between 15% to 10%
- No change
- Increase between 10% to 15%

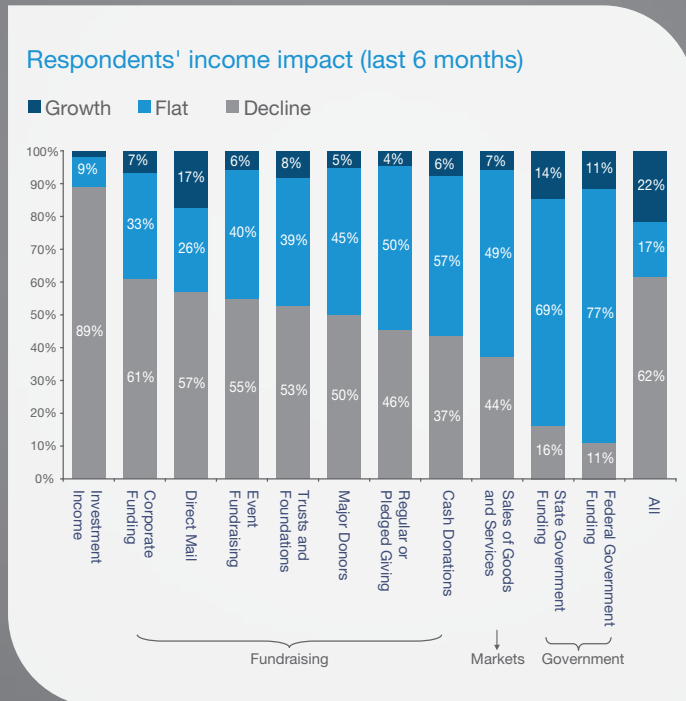
- Decrease between 10% to 5%
- Increase between 0% to 5%
- Increase by more than 15%

## Which funding sources are most impacted?

The Managing in a Downturn survey asked respondents their perceptions on how different funding sources have been affected and their expectations of future change. The results from the survey suggest that government funding represents quite a stable source of income in the current environment, while investment income has suffered the most. The graph below details the changes in income experienced by NFPs over the last six months across various funding sources.<sup>2</sup>

### Government Funding

For the NFPs who responded to the survey, government funding makes up around 45% of their total income. Three-quarters of respondents indicate that their income from government funding has remained steady over the



past six months. Despite growing concern around the increased dependency on government funding for NFPs in Australia, this result suggests that government funding provides a stable source of income in a poor economic environment.

### Fundraising

Fundraising income includes direct mail, cash and regular giving, corporate funding, trust and major donors, as well as event fundraising. On average, fundraising makes up around 35% of respondents' total income. Two-thirds of respondents report that their income from at least one of their chief fundraising sources has decreased over the last six months. This is similar to the pattern observed for total income.

Corporate funding has been hardest hit, with three-fifths of respondents experiencing a decrease in income from this source in the past six months, and a further one-third experiencing no growth in income. Only 7% of respondents experienced an increase in corporate donations in the past six months. Some organisations did indicate that they are anticipating corporates to provide increasing support through non-financial avenues.

“Many corporates are giving less due to the economic crisis and securing new high-value partnerships is increasingly difficult. (We) anticipate an increase in corporates wanting to provide support in ways other than financial/cash – such as volunteering, staff fundraising and pro-bono support.” – large national welfare organisation.

Event fundraising, which often depends on corporate support, has also been tougher. More than half of respondents reported a decline.

“We cancelled one planned event given the tightness of the economy. There is a clear sense that people are tightening their belts and even not wanting to be seen at such events.” – large national education organisation.

<sup>2</sup> Respondents were also asked about changes in their income from other funding sources, including membership, statutory sources, bequests, charitable telemarketing, charitable gaming, and electronic fundraising. However, insufficient responses were received to draw valid conclusions.

Other fundraising sources have been impacted less severely, but to some extent this is a matter of degree – slightly more NFPs reported no change rather than a decline. For example, cash donations, which have been hit less severely by the economic downturn, were identified by 35% of respondents as experiencing a decline in revenue. However, a very sizeable 57% of respondents experienced no growth in cash donations. Just 6% of respondents experienced an increase in cash donations.

A larger proportion (17%) of respondents experienced an increase in direct mail income. Later in this report, we will look at NFPs' responses to the economic downturn. Many NFPs are focusing on marketing efforts to increase their fundraising revenue so this may explain the relative success of direct mail revenues.

## Market

Many NFPs look to commercial activities to contribute to their budgets. On average, market-related activities make up around 15% of respondents' total income, the bulk of which comes from sales of goods and services. 44% of respondents report that income from market-related activities declined over the last six months, and a further 49% experienced no change.

"Our business venture is in recycling ... global prices have fallen/crashed by 75% since October 2008" – medium welfare organisation.

There are however, a number of respondents that are seeing opportunities in this area.

"... the demand for second-hand household goods has gone up as more people face financial difficulties" – large welfare organisation.

## Investment income

Investment income has been hardest hit during the past six months. Almost 90% of respondents report a decline in their income from investments and the declines in investment

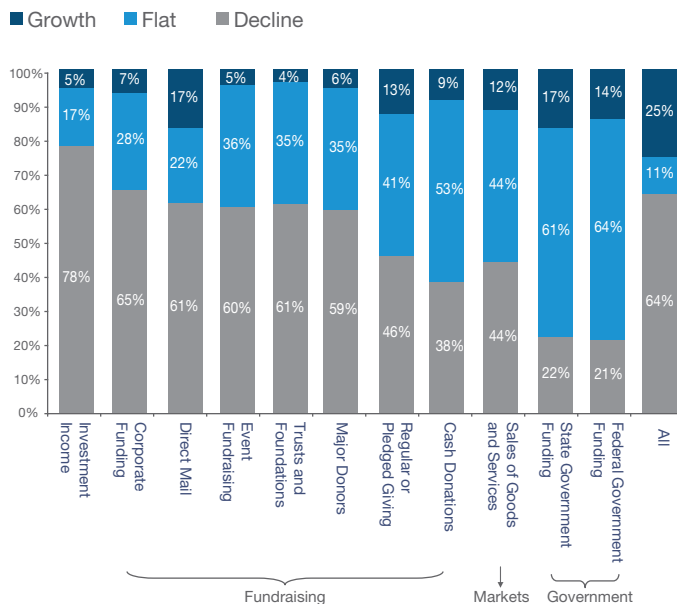
income have been very substantial – almost half of respondents with investment income report that income from this source has declined by more than 15%. Across the sector, investment income makes up just 5% of NFPs total income so the overall impact is not so severe. Probably the more severe impact is the balance sheet damage.

"Investments built up over many years of prudent financial management have been hit hard – 30% loss." – large health organisation.

## Which funding sources will be impacted over the next year?

Government funding is expected to be the most stable source of income over the next 12 months, and respondents are expecting to continue to suffer the most from poor investment returns.

## Respondents' income impact (next 12 months)





Overall, respondents' expectations of how income might change in the next year are very similar to the impacts they have experienced in the past six months. Two-thirds of respondents expect government funding to remain flat in the next year. Some respondents are, however, less optimistic about future government funding. More NFPs are predicting a fall in government funding over the next year than has occurred in the past six months.

For fundraising related income sources, respondents are even less optimistic about income from trusts and major donors, with 94% of respondents expecting income from major donors to remain static or reduce.

"Existing donors have indicated that donation levels will hold for the current financial year but they are still quite cautious about predicting support in future years as there are signs of the economy continuing to worsen and uncertainty about when investment markets will 'rebound' and how strongly they will do so." – medium sized national organisation.

Only a very small number of NFPs are expecting investment income to recover from the significant falls of the past six months. Most (over 3/4) expect their investment income to continue to decline during the next year.

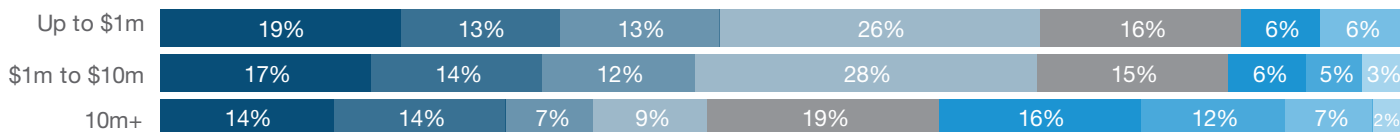
### Which NFPs are most impacted?

Some NFPs have been impacted more adversely than others by the economic downturn. We consider the impact on NFPs of different size, working in different sectors, and with different major funding sources.

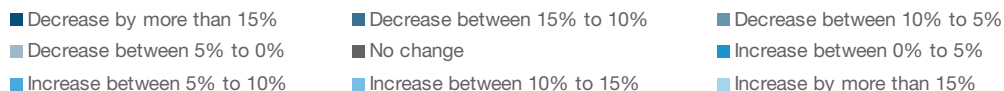
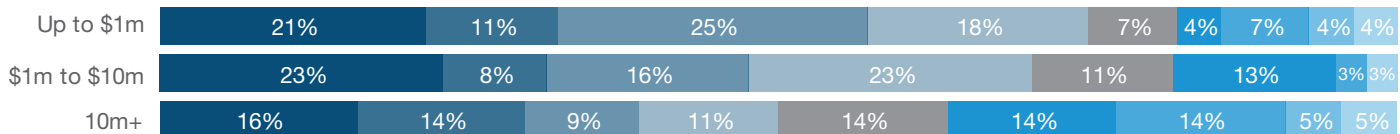
### Size of organisation

Large organisations are suffering less from the economic downturn, with 44% indicating that their total income decreased over the last six months, compared to around 71% for small to medium organisations. A similar pattern is observed in income predictions for the next 12 months.

### Change in total income over last 6 months by organisation size



### Expected change in total income over next 12 months by organisation size



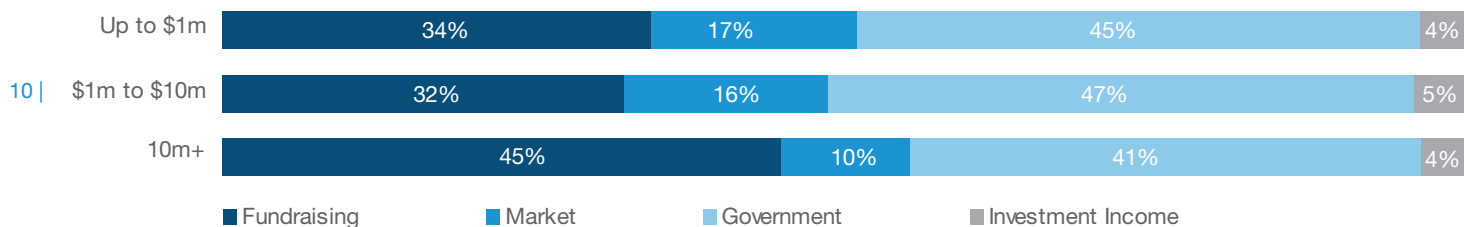
Looking at their major income sources, this result might be unexpected – large NFPs who responded to the survey have proportionately higher fundraising revenue and lower government revenue compared to small NFPs, and in aggregate fundraising has been more severely impacted by the downturn. However, as we will see later in this report, large organisations have been more proactive in introducing measures to deal with the economic downturn, and this may explain their better actual, and predicted, performance. It is also likely that they have accumulated larger reserves over their years of growth.

Moreover, large organisations have experienced the highest growth in government funding over the last 6 months and

expect to do so in the next 12 months. Large organisations are also more optimistic than small and medium organisations about fundraising revenues and investment income in the coming year. In addition, large organisations were more likely to have benefited from one-off donations related to Australia’s natural disasters (19% of large organisations compared to 7% of small organisations). This may have enabled them to improve their profile and expand their donor network at a difficult time in the economic cycle.

While large organisations have suffered the least, medium organisations have experienced the largest hit in market-related income sources (mainly sales of goods and services) over the last 6 months.

### Funding source by size of organisation



### Sectors

Respondents to the survey self-identified the sectors in which they work and we have grouped these into the following six broad sectors:

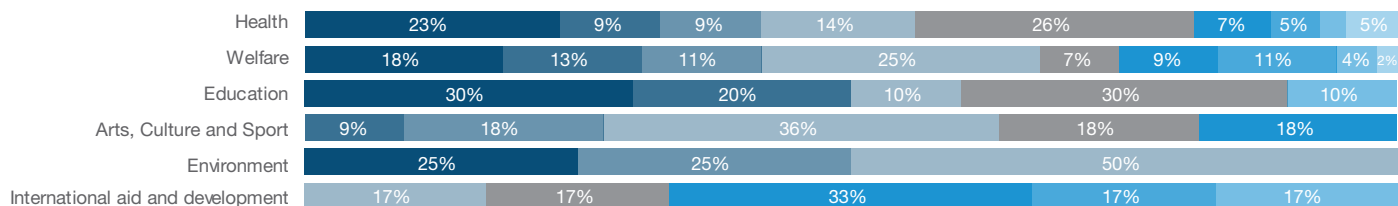
- Health
- Welfare
- Education
- Arts, culture and sports
- Environment
- International aid and development

Around 40% of respondents are health organisations, 30% welfare organisations and 10% of respondents focus on education. There are only a small number of respondents in the other categories, so results are best treated as indicative.

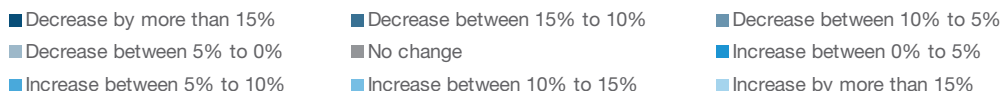
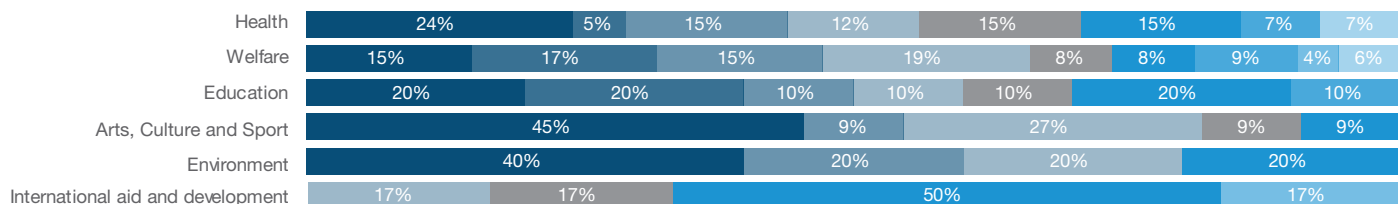
The negative impact of the economic downturn has occurred across the whole NFP sector. Indeed, the impact on respondents’ income has been broadly similar, as are income expectations for the next 12 months.

Across health, welfare, education and arts and culture organisations, a similar proportion of respondents experienced decreases in total income over the last six months. For health and welfare organisations, a greater proportion of respondents experienced falls in income from fundraising-related income sources and market-related activities and expect the trend to continue in the next 12 months. Arts, culture and sports organisations have been least adversely affected by income reductions to date, but are the most pessimistic about the future.

## Change in total income over last 6 months by charity sector



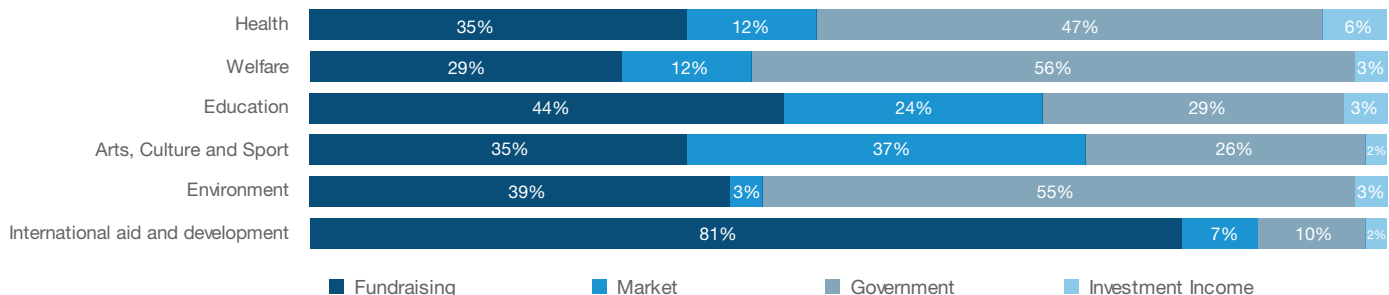
## Expected change in total income over next 12 months by charity sector



These minor differences between the sectors are despite the fact that respondents in these categories have very different income sources, with health and welfare respondents significantly funded by government, and education respondents mainly funded by fundraising. Education NFPs are generally more positive than other NFPs about their fundraising revenue streams.

Although there is an indication that environment organisations appear to have suffered the most from the economic downturn, and international aid and development organisations have suffered the least, the results are based on just a small number of responses, and therefore should be treated with caution. The international aid and development organisations who responded to this survey were all large organisations; this may help to explain their relatively better position.

## Funding source by organisation type



# Expenditure

Around two-thirds of respondents anticipate an increase in total operational costs over the next 12 months, and a similar proportion expect an increase in staffing costs.

This is a major issue, given that three-quarters of organisations expect their income to fall or remain constant over this same timeframe. It is clear that many NFP organisations are being squeezed from both sides, with incomes declining as costs rise.

Fewer large organisations are anticipating cost increases over the next 12 months (51% compared to 84% for small organisations), perhaps because they have generally been quicker to respond to the economic downturn. Health organisations are generally less likely to be expecting cost increases (60%) compared to welfare and education organisations (around 70%).

## 12 | Expected change in total running costs over next 12 months



## Expected change in staffing costs over next 12 months



■ Decrease   ■ No change   ■ Increase

**64%**

expect running costs to increase

**84%**

of small organisations expect running costs to increase

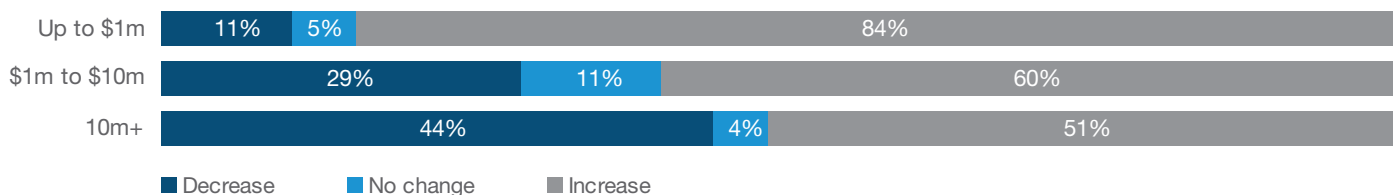
**63%**

expect staffing costs to increase

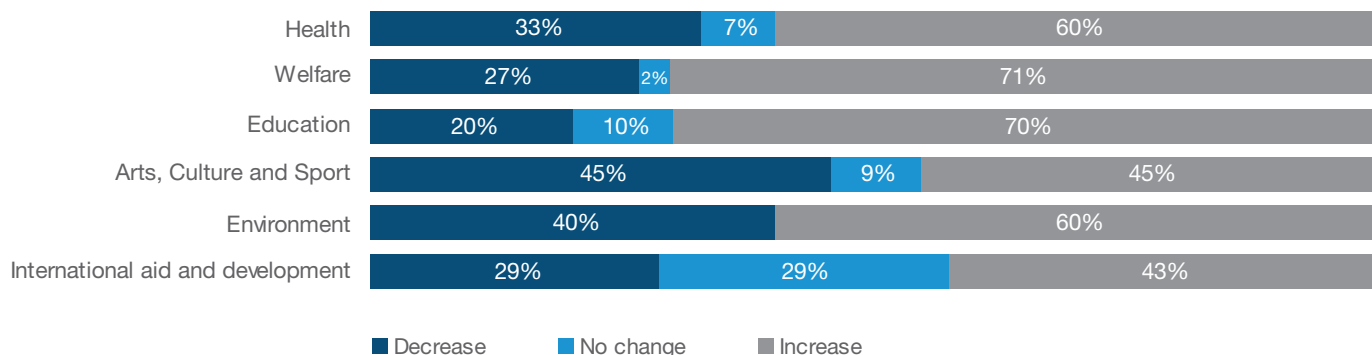
**75%**

are taking action

### Expected change in total running costs over next 12 months by organisation size



### Expected change in total running costs over next 12 months by organisation type



It provides an opportunity to bring forward some organisational changes which might be delayed during prosperous times. It has forced tremendous debate over core and non-core activities and has enabled great debate on mission creep.

Large national health organisation

# Management

## Are organisations taking action?

Three-quarters of respondents indicate that they are taking action in light of the deteriorating economic situation.

Large organisations are proving most responsive with nine out of ten implementing action compared to seven out of ten medium organisations and six out of ten small organisations.

Fundraising-dependent organisations are also mindful of the need to review their operations with almost 90% taking action compared with two-thirds of government-dependent organisations.

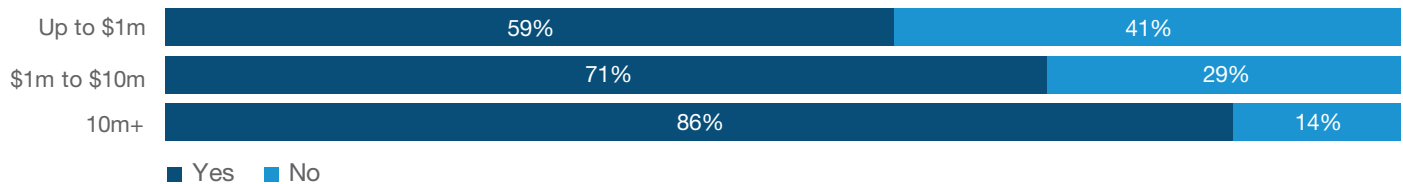
## Key actions

We asked organisations whether they were planning to control particular costs, focus on particular income streams and/or consider their budget planning and reserves policy. This section examines some of the specific initiatives being undertaken.

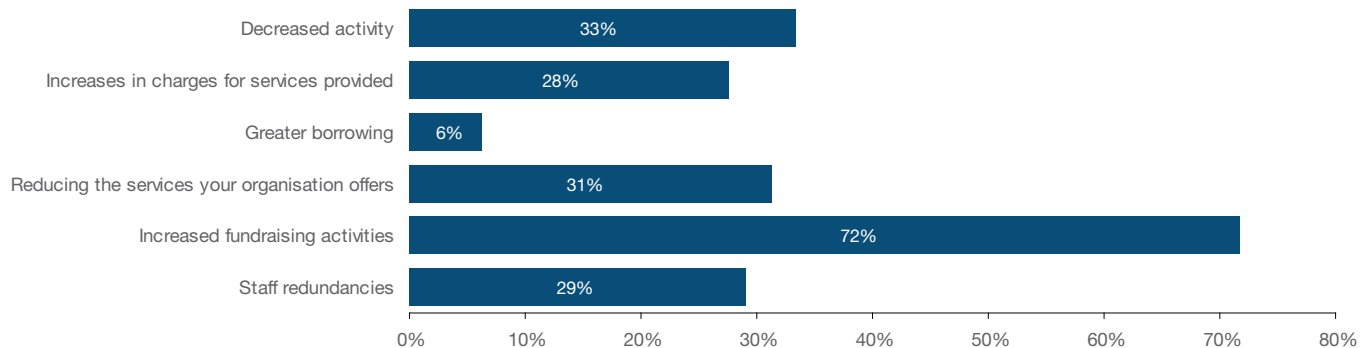
Given a broad range of options to manage through the economic downturn, increased fundraising activities is the preferred option. Almost three-quarters of respondents are planning to increase fundraising activities. Large organisations are more likely than small organisations to be focusing on fundraising. For education organisations, fundraising is also a focus.

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## Is your organisation taking action in light of the current economic climate?



## Actions expected to be implemented or experienced in the next 12 months



Around a third of respondents intend to decrease their activity and/or reduce the services they offer. As one respondent described it

“[reduced income is] an irritant but not our worst problem ... [it] will slow down development and implementation of some services but not make them disappear.” – medium national health organisation.

Around 30% of respondents are planning to increase charges for services provided, and a similar proportion are looking to control costs through staff redundancies. Increased borrowing appears to be the least preferred option, with only 6% of respondents indicating they will pursue this option.

Smaller organisations are more likely than large organisations to be planning reductions to services provided and activities undertaken. Health and Welfare NFPs are more likely to be planning staff redundancies than other NFPs, and to reduce the services they offer.

## Volunteers

Volunteering is a very significant part of the charity sector. The ABS<sup>3</sup> reports that 35% of the population volunteered at least once in 2006, increasing from 24% in 1995. With unemployment

tipped to increase from 5.75% in May to an anticipated peak of approximately 8% next year, and more part-time work predicted, the available pool of potential volunteers is likely to expand. Women in particular have proved a good source of volunteers – women employed part-time have the highest rates of regular volunteering (29%), followed by those who are unemployed.

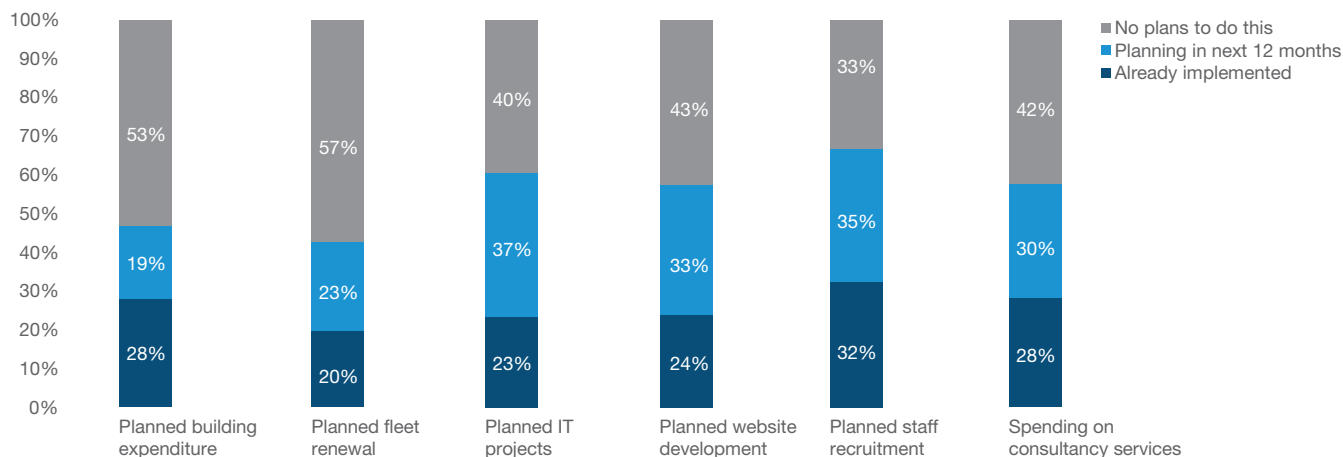
With 30% of NFPs considering staff redundancies, ensuring enough staff to provide ongoing services will be a major challenge. Our survey reveals that many NFPs are considering ways to increase their volunteer pool to meet the reduction in employed staff. Half of respondents expect an increase in volunteers, and two-fifths are planning specific activities to attract and retain volunteers over the next 12 months. Again, large NFPs and education NFPs are more likely to expect an increase in volunteers and to be planning volunteer retention/recruitment strategies.

## Planned cost reductions

We asked respondents whether they were planning to reduce costs in a range of areas. Across these strategies, typically 30% of NFPs indicated they have already implemented these cost reduction measures, and more are planning cost reductions in the next year.

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## Cost reductions (next 12 months)



“(We are planning) tighter control of budget especially in the area of costs. Each employee’s KPIs for 2009-2010 have been linked to their success in managing their costs vs income” – medium organisation.

Two thirds of respondents have or are reducing staff recruitment. IT projects (60%) and consulting services (58%) also look likely to be cut. A smaller proportion of NFPs are restricting or planning to restrict spending on planned fleet renewal and building expenditure, although this result may be an artefact of the fact that most NFPs were not planning to spend in this area in the first place.

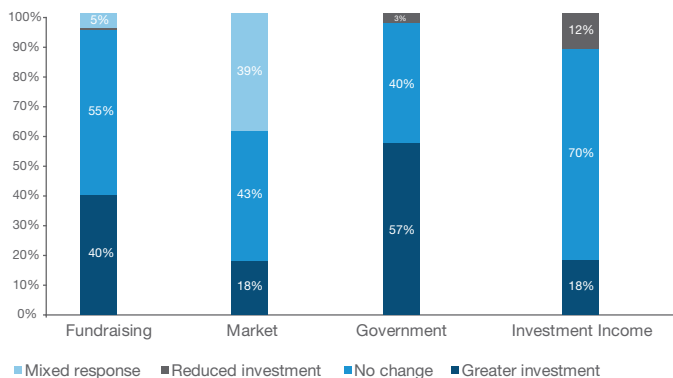
### Planned revenue measures

Marketing and brand profile are important to many NFPs in this survey. In spite of revenue pressures, a third of respondents are planning to increase spending on their website, and 35% are planning to improve communication to stakeholders to increase awareness of their organisation.

NFPs are also planning to invest more energy to increase revenues. Government funding is the main target for NFPs in the next 12 months, with 57% of respondents indicating that they are planning greater investment in this area in order to obtain increased funding. This may reflect that, in response to increasing unemployment and social distress, government funding is the area most likely to expand over the next year.

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### Planned investment in funding sources (next 12 months)



Fundraising is next on the list, with 40% of respondents stating that greater investment is planned. Market-related revenue (sales of goods and services) is not a priority, with four-fifths of organisations planning to reduce or simply maintain their efforts.

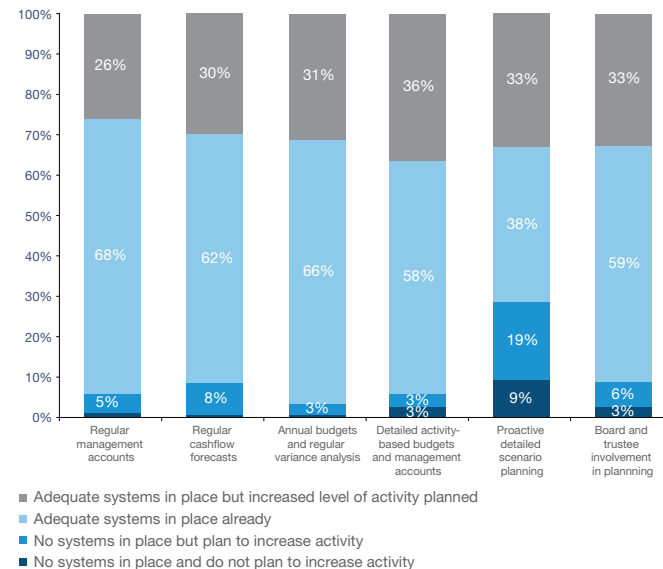
### Strategic planning and management

Most NFPs feel they have adequate systems in place for budgeting and planning. The exception to this is around scenario planning, where almost 30% of NFPs do not believe that they have adequate systems in place.

Many respondents are increasing their commitment to strategic planning and management. Some 30% to 40% of respondents are planning to further increase activity for financial planning and budgeting purposes. Areas receiving the most attention include proactive detailed scenario planning, detailed activity-based budgets and management accounts, and board and trustee involvement.

“We are continuously assessing our reserves in the context of potential further declines in revenue over 1 and 2 years to determine our liquidity. The budgeting process for FY2010 is being conducted in a far more rigorous manner, relying on evidence-based assumptions rather than blue sky, inspirational goals.” – large national education organisation.

### Planned investment in budgeting & planning (next 12 months)





The responses from small organisations indicate they are more likely than medium and large organisations to want to improve their systems for planning and management. Large organisations already have in place stronger systems for budgeting and board involvement.

“... the current global financial crisis might encourage further collaboration within our sector as other agencies might not weather the storm as well [as us].” – large national organisation.

### Risk management

Overall, there seems little appetite for changes to risk management with only one-third planning improvements. However, more organisations which are investment income dependent – organisations that have been hit the most in the past 6 months – and those with very mixed income sources, are planning to make changes to their risk management regime.

“(We have) already made changes – the most significant is that we crystallised the loss of some major funds and this means we have decided to adopt a more conservative approach to minimise the risk of this happening again.” – large health organisation.

### Reserves

One way for organisations to manage through financially challenging periods is to hold reserves and to draw on them as necessary. About 50% of respondents state that a reserves policy is currently in place, but as yet only a few respondents report this is their strategy to maintain services in the face of falling revenue.

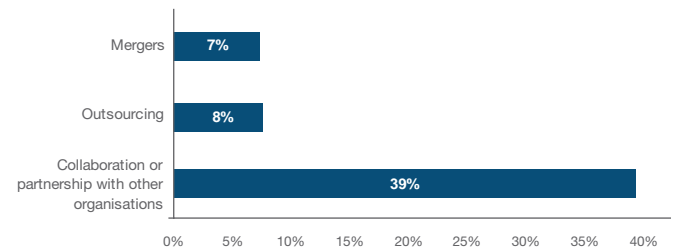
“We may need to utilise some of our reserves in the current year. Our board has agreed to use part of our reserves should some of the anticipated income not be achieved in order to ensure activities committed in 2009 are achieved and in the positive belief that the groundwork and continuity we provide this year will stand us in good stead in the medium future.” – small arts organisation.

Not surprisingly, large organisations are more likely to have a clear reserves policy, reflecting the fact that they are more likely to have accumulated reserves.

### Strategic Partnerships

NFPs were also asked whether strategic partnerships are being considered as part of their planning process. There is little appetite for considering mergers or outsourcing, but two-fifths are considering collaboration or partnership with other organisations. This is particularly the case for small organisations – almost half are considering collaborations or partnerships, but just 5% are considering mergers.

#### Are you considering any of the following?



# Opportunities

Just over half of respondents anticipate some positive impacts will arise from the economic downturn. We have summarised these observations into four broad categories below, together with a sample of quotes from the responses.

## Awareness

“The last 30 years of my involvement in the organisation has shown that we usually attract additional support from the public in down times”

“People will be more willing to support others in times of difficulty”

“Increased demand for social support services, increases opportunities to gain funding and reach further into the community”

“Increasing our share of philanthropic funding at the expense of other sectors such as the Arts and Education”

“Possibility of increased government funding through stimulus or job creation packages”

## Increased income

Do you anticipate any positive impacts on your organisation due to the economic downturn?

## Staff / volunteers

“Reduced staff turnover”

“Increased number of potential applications for positions due to job losses in other sectors”

“Better scrutiny and use of staff skills rather than employing additional people”

“There will be a greater awareness amongst staff of the importance of private sector funding and the relationship building that this requires”

“It has forced us to review all our activities in terms of what we are trying to achieve, how we could do this more efficiently”

“It provides an opportunity to bring forward some organisational changes which might be delayed during prosperous times. It has forced tremendous debate over core and non-core activities and has enabled great debate on mission creep”

“A wake up call to work a bit more efficiently. Work more effectively with stakeholders not take them for granted”

## Good governance

# Comparison with UK

A similar survey was conducted in the UK by PwC, the Charity Finance Directors' Group and the Institute of Fundraising in May 2009. Overall, UK NFPs are even less positive about the future than Australian NFPs, with 82% of the respondents expecting incomes to decline or remain flat, compared to Australia's 75%.

The May UK survey was a follow-up on an earlier survey conducted in November 2008, which questioned respondents on future income expectations at an earlier stage of the economic downturn. Responses to that first survey have since proven to be overly optimistic, with the May survey showing actual income declines have been worse than expected. This has also led to increased pessimism about the future in the more recent survey.

The Australian economy tends to lag the UK in the economic cycle, so there is the potential for the charity sector to also be more slowly impacted here. Interestingly, the expectations of the first UK survey are very similar to what Australian NFPs are now predicting – will we be seeing NFPs here becoming more pessimistic over the next six months? One hopes that

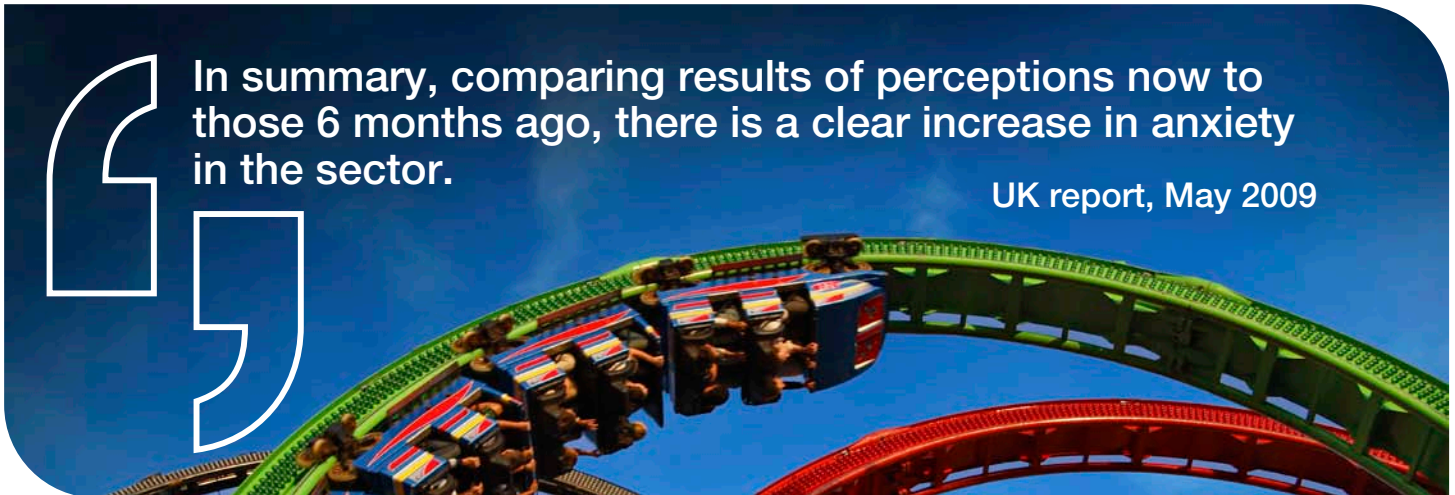
this is not the case – the economic downturn is predicted to be far less severe in Australia than in the UK and the Australian Government is in a far stronger budgetary position, so Australia's charity sector should fare better than the UK.

Looking into the detail, regular or pledged giving in the UK has been hit harder than in Australia, while corporate funding appears to be a worse performer in Australia. In both the UK and Australia, government funding remains the most stable source of income. Actions planned by UK NFPs show a very similar pattern to Australian NFPs, with 78% of UK NFPs having already taken action at the time of the survey, and fundraising being a major focus for the future. Australian NFPs are more confident that they have the right budgeting and monitoring systems in place.

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**In summary, comparing results of perceptions now to those 6 months ago, there is a clear increase in anxiety in the sector.**

UK report, May 2009



## Excerpts from UK report at May 2009

“This second UK survey has once again given us a temperature check of the expectations of both Finance and Fundraising Directors as regards their expectations of changes in income and costs over the next 12 months. Whilst, again, there have been a range of responses, the following conclusions can be drawn about the UK charity sector:

- There is broad agreement that the experience of the 6 months since December 2008 was worse than expected.
- The impact of the recession is now being felt by a greater proportion of charities.
- Charities’ expectations of the impact of the recession in the next 12 months are worse than in December 2008 by at least 50%.
- Many charities continue to see opportunities arising from the recession.
- Charities have not made significant improvements to the manner in which they manage their financial affairs and this is an area of concern.

In overall terms, there remains a need for strong and strategic management to ensure that the expected reduction in income over the next 12 months, and possibly beyond, is mitigated as much as possible, and that charities are in a position to make the most of the opportunities which will arise.

It is clear from responses to this survey that the impact of the recession has now been felt by more charities than in December 2008, and the expectation of respondents as to the

impact on their charities going forward has also worsened. This is true across all income streams: in December 2008, on average, 39% of respondents expected a decrease in income and 36% expected no growth. By May 2009, these expectations had worsened to 56% percent and 26% respectively. In addition, on average 45% of respondents have reported a decline in income since December 2008 and a further 30% have reported no growth in income.

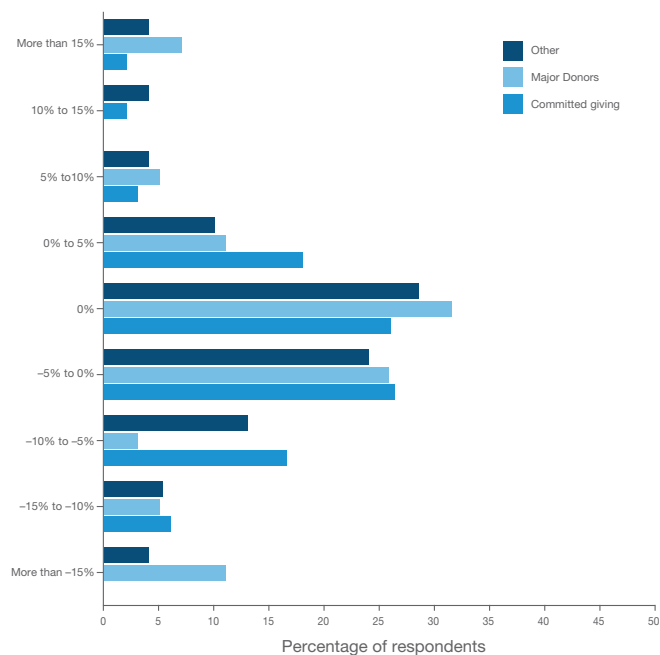
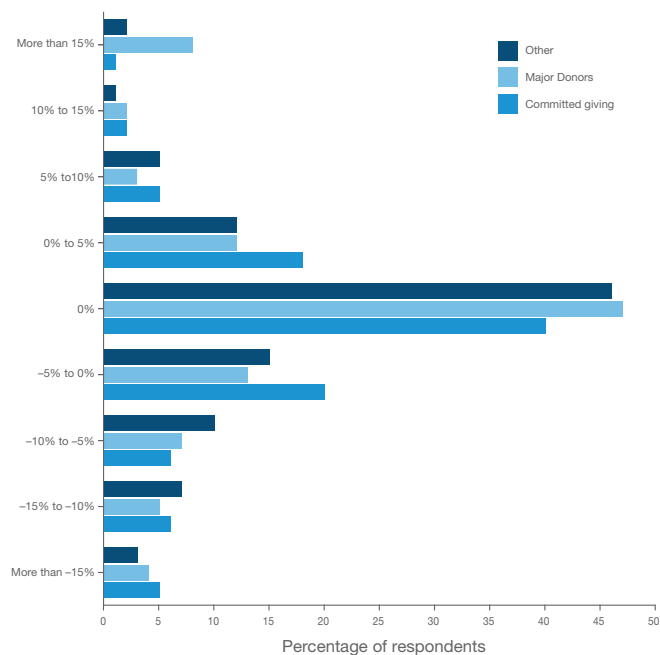
The tables opposite summarises the expectations of Fundraising and Finance Directors of possible changes in income streams over the next 12 months, together with their assessment of the actual changes in income streams in the past 6 months. The results of the December 2008 survey are provided as comparatives. It will be seen that respondents have all reported a greater actual decline in income than that which they expected in December 2008. No doubt partly as a result, expectations at May 2009 for income decline are on average 17% worse than they were in December 2008, with typically 80% of respondents expecting income to remain flat or decline.

In our December 2008 report, we introduced the idea that charities might consider the period of recession as similar to a “pit stop” in a grand prix. We encouraged charities to use the recession as an opportunity to assess their overall strategy, how this might be impacted by the recession and to agree in advance what actions might be necessary as a result.

We are encouraged that 78% of respondents state that they are taking action as a result of the recession, up from 71% in December 2008. A further 74% state that their charity’s five year strategy will be impacted by the current climate. However, the responses suggest that there appears to be work to be done before all charities are managing their finances in the most appropriate manner.”

Income forecasts and actual performance for UK charities  
Fundraising income – Nov 2008 twelve month income forecasts, UK charities

	Respondents' income forecasts at Nov 08 (%)			Respondents' income forecasts at May 09 (%)			Respondents' actual performance in the intermitting period (%)		
	Decline	Flat	Growth	Decline	Flat	Growth	Decline	Flat	Growth
Committed Giving	35	40	25	66	20	14	49	26	25
Major Donors	29	46	25	55	25	20	44	31	25
Other general public fundraising	35	45	20	62	24	14	49	28	23
Membership	31	38	31	51	31	18	45	33	22
Corporate	51	20	29	56	26	18	61	14	25
Legacy	38	48	14	50	34	16	30	40	30
Trusts, Lottery and Foundations	45	24	31	63	20	17	45	30	25
Statutory	28	50	22	36	34	30	17	51	32
Trading	28	29	43	40	30	30	36	32	32
Investment	70	17	13	80	10	10	78	11	11



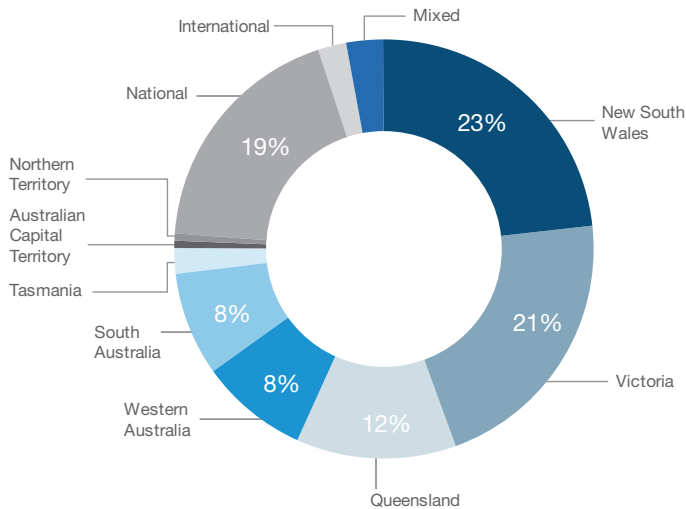
# Profile of Australian NFPs responding to the Survey

Completed responses were obtained from 263 not-for-profits, a healthy response that reflects the size and shape of the sector well.<sup>4</sup> Among the respondents, a small number were foundations situated in government entities, but as they operate as independent charitable trusts, their responses are also included in the analysis. NFPs operating across Australia account for 19%, with the mix of State-based NFPs broadly representative.

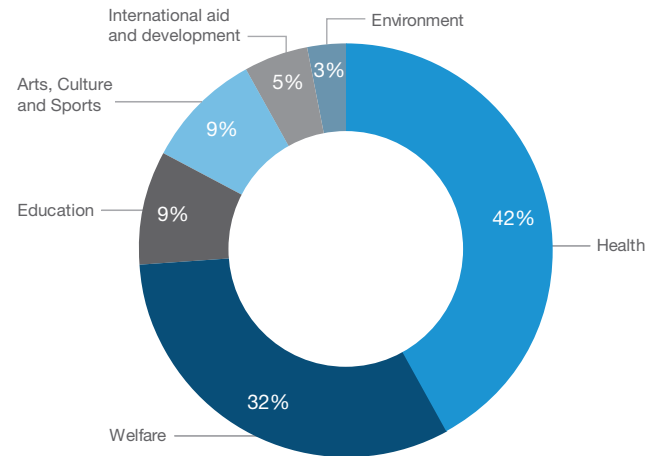
In terms of sector, the largest group of respondents are health (42%) and welfare (32%) organisations. There were lower numbers of respondents for education (9%) and arts and culture (9%) and only a small number of environment (3%) and international aid and development (5%) NFPs.

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Distribution of respondents by state



Distribution of respondents by organisation type

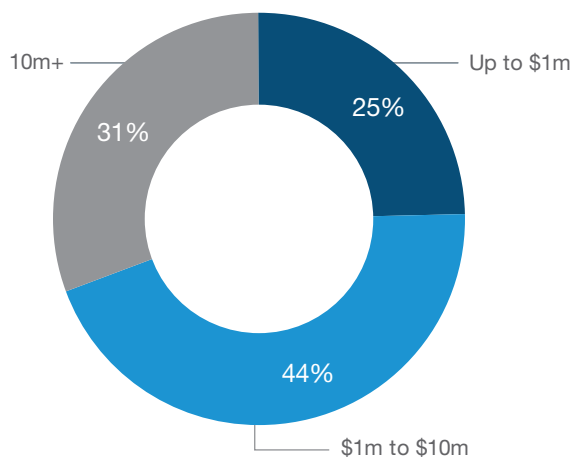


<sup>4</sup> The response rate compares well with the UK's survey which received 362 responses.

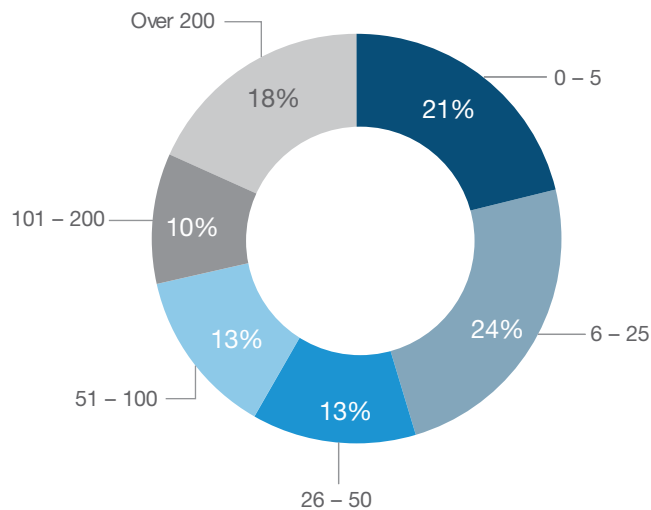
<sup>5</sup> Note that the grouping shown is based on the original survey question. We have subsequently combined these into six consolidated groups, with respondents in the "other" category re-categorised into the consolidated groups based on the nature of the service provided.

In terms of organisation size, the largest group of respondents has a total income between \$1m and \$10m (44%), while a quarter are below \$1m and around a third above \$10m.

Distribution of respondents by income size



Distribution of respondents by staff number



# More information



**The Centre for Social Impact (CSI)** is a unique partnership between Business Schools of the University of New South Wales, the University of Melbourne, Swinburne University of Technology and the University of Western Australia. It is committed to socially responsible business management. Its

mission is to educate tomorrow's social entrepreneurs and strengthen today's social enterprises.



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assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 155,000 people in 153 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

PricewaterhouseCoopers in Australia works in partnership with many not-for-profit organisations seeking to assist those organisations in addressing social issues. In FY09, we provided some \$15 million of professional services to such organisations either for free or at highly discounted rates, our people (with firm matching) contributed some \$3.5 million in donations and 46% of our people undertook a volunteering day in the community.

PricewaterhouseCoopers is committed to playing a leading role in achieving a sustainable future: We take responsibility for our actions and promote responsible business practices; support the growth and development of our people and communities; and seek to minimise our impact on the environment.



**Fundraising Institute Australia (FIA)** is the national peak body representing professional fundraising in Australia. Our purpose is to make the world a better place by advancing

professional fundraising through; advocacy of standards; professional development pathways; measurable credentials – so that our members achieve best practice.

Fundraising Institute Australia, an association of professionals, advances philanthropy through encouraging and supporting people and organisations to ethically practice excellence in fundraising. The core activities through which FIA fulfils this mission include professional development, mentoring, credentialing, research and advocacy.

Membership of Fundraising Institute Australia signifies that individuals/organisations demonstrate commitment to transparency and accountability through adopting the highest standards of ethical fundraising practice by signing up to the Principles and Standards of Fundraising Practice.

The Principles and Standards influence how the fundraising profession is viewed by donors, government and the community, having a primary aim of engendering public trust and confidence. The Principles are the overarching codes that apply to all fundraisers. The Standards focus on best practice in specific fundraising disciplines.