

2009 Financial Outlook

Faith-based NonProfits

Annual Report



Excellence in Giving
the joy of generosity

Table of Contents

2008-2009 Cash Contribution Levels	1
Organizational Budget % Increases and Decreases	2
Organizational Budget Cut Area Analysis	3

CAPSULE DATA

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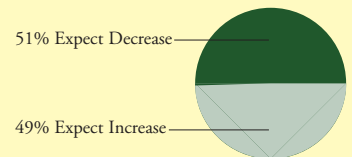
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Business: Philanthropy Advisors

Year Founded: 2003

President: Albert J. Mueller

**FY09 Faith-based NonProfit
Cash Contribution Expectations:**

SURVEYS

236 distributed

101 returned

92 fit for analysis

Data collected July 1-

October 1, 2009

METHODOLOGY: *Excellence in Giving* requested surveys from 236 faith-based nonprofits and received responses from 101 organizations. 92 of the 101 responses provided complete financial data necessary for the following analysis of present and future prospects for the financial health of faith-based organizations.

The data was collected between July 1, 2009 and October 1, 2009 and reflects an annual process that *Excellence in Giving* uses to maintain up-to-date information on faith-based charities. The data integrates into a database used for philanthropic advisory purposes with EIG clients.

EXECUTIVE SUMMARY: Faith-based organizations are 2.5 times more likely to be facing decreased cash contributions in 2009 than they were in 2007. Only 28% of faith-based nonprofits have avoided a decrease in cash contributions during the span of 2008-2009.

Organizations facing financial shortfalls are cutting back program services significantly while organizations finding a way to increase cash contributions in 2009 are still streamlining operations through reduction in administrative costs.

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FACT #1

51% expect decrease in cash contributions for FY09

Although religious giving has weathered the Great Recession better than any other form of giving according to the Giving USA report on 2008 (with a 5.5% increase over 2007), faith-based nonprofits are still struggling from the financial crisis. According to our survey results from 92 faith-based nonprofits, 51% expect a decrease in cash contributions for FY09 and 42% already experienced a decrease in FY08. Put into perspective, organizations expecting a decrease in FY09 have jumped 155% from FY07 when 4 out of 5 organizations increased their cash contributions.

FACT #2

Only 28% expect increasing cash contributions in FY08 and FY09

In FY06 and FY07 47% of faith-based nonprofits experienced back-to-back years of increasing cash contributions. That number has dropped down to 28% for actual FY08 and expected FY09.

If an organization experienced cash contribution increases in FY07 and FY08, the survey results demonstrate that there is no guarantee for another year of increased funds in FY09. Out of the 43 organizations that experienced multi-year donation increases, 20 expect FY09 decreases. So a good fundraising track record only gives you a 53% chance of continued growth in 2009.

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2008-2009 Cash Contributions

** All budget expectations for cash contributions are based on at least 6 mos of recorded financial numbers for FY09.*

	Cash Contribution Increase	Cash Contribution Decrease
FY08	58%	42%
FY09 Projections	49%	51%

Orgs Expecting Increase in FY08 and in FY09*	Orgs Expecting Increase in FY08 and Decrease in FY09*	Orgs Expecting Decrease in FY08 and Increase in FY09*	Orgs Expecting Decrease in FY08 and in FY09*
26 (28.3%)	27 (29.3%)	19 (20.7%)	20 (21.7%)

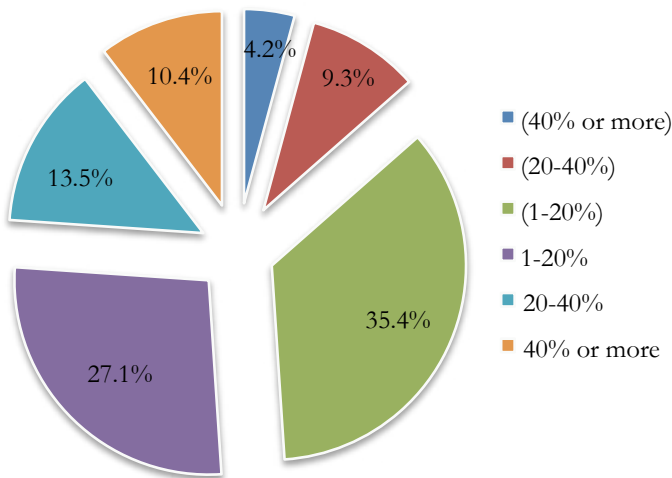
FACT #3

1/3 of faith-based nonprofits cut budgets an average of 10% in FY09

The graph below illustrates that the most common experience for faith-based nonprofits is a 1-20% budget cut. Specifically, 1/3 of all surveyed faith-based nonprofits decreased their 2009 budgets from 3-18%, or an average 10% decrease. The second most common experience were those raising their budgets 1-20% as seen in the graph. Specifically, 1/6 of the surveyed faith-based nonprofits raised their annual budget by 3-9%, or an average 7% increase.

In FY08 the graph below demonstrates that the most common experience was a 1-20% budget increase (37.5% of organizations surveyed).

FY09 Budget % Decrease or Increase



** The budget analysis is based on 96 faith-based organizations that sufficiently communicated budgets for 2007-2009. Since 4 of the 96 organizations did not provide a breakdown of their budget, the analysis of budget categories on the following page is only based on 92 organizations.*

FACT #4

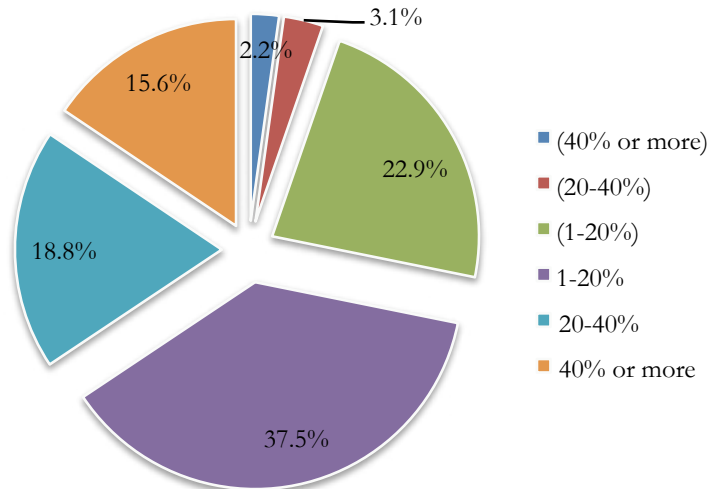
Combined faith-based nonprofit budgets are up 3.5% over FY08

Although 49% of faith-based nonprofits have cut their budgets in FY09, combined organizational budgets of all surveyed nonprofits are not decreasing. In 2008 the surveyed organizations had a combined budget total of \$1.51 billion but that number has increased to \$1.55 billion for FY09.

How is the most common experience for organizations in 2009 a budget cut yet the combined budgets of surveyed nonprofits has actually increased? The explanation lies in comparing the number of organizations making significant increases to those making significant cuts. Organizations significantly increasing their budgets in 2009 (i.e., a 20% or more increase) outnumber those significantly decreasing their budgets (i.e., a 20% or more decrease) by almost 2 to 1. Admittedly the organizations that are making increases and decreases to their budgets of 40% or more are generally small nonprofits with a \$1.6 million average budget.

In sum, the 2009 budget data show at a time when 51% of surveyed faith-based organizations are seeing a drop in cash contributions, 24% are still ramping up their budgets by 20% or more compared to FY08.

FY08 Budget % Decrease or Increase



2009 Budget Cuts

	Admin Expense Cuts	Program Expense Cuts	Fundraising Expense Cuts
47 Orgs Decreasing 2009 Budgets	26 (55%)	35 (74%)	25 (53%)
45 Orgs Increasing 2009 Budgets	17 (38%)	10 (22%)	9 (20%)
Total	43 (47%)	45 (49%)	34 (37%)

QUESTION #1

How are financially growing nonprofits planning for the future?

Answer: 80% are increasing investment in fundraising and 38% are cutting administrative costs.

28 of the 45 organizations (62%) expecting an increase in FY09 cash contributions are still making cuts to either their program, admin, or fundraising costs. The survey results above demonstrate that organizations are twice as likely to reduce administrative costs than to reduce fundraising costs. Since their current fundraising plan is working, the majority of financially growing organizations are increasing their investment in fundraising (80%). Their cost-cutting measures in light of the recession are focused on streamlining their administration. 38% planned to cut administrative costs in FY09.

QUESTION #2

How are financially declining nonprofits planning for the future?

Answer: 74% are cutting program expenses.

For organizations whose cash contributions fell in FY 08 and are expected to fall in FY 09, their most common cost-cutting measure is a reduction in program services. 16 of 20 organizations with back-to-back declines cut program services (80%). For organizations who expect a decline in 2009 regardless of their contributions in FY08, 74% are cutting program services (35 of 47).

The common decision to cut program expenses in this economic recession reduces services to a human population experiencing increased need for those services. Hopefully the financial crisis will force faith-based nonprofits to bolster their most important programs while cutting ineffective ones.