

Touching bottom

By **KENNETH R. CERINI**

A grim 2011 for nonprofits demands a call to action



“The times they are a-changin’,” sang Bob Dylan., and for the nonprofit sector, which endured the shock of the economic downturn and all its repercussions, those words never rang more true. “The poor economy has already forced the nonprofit sector to think and act differently in all aspects of their finances, governance, and operations,” said Joe Campolo, managing partner of Campolo, Middleton & McCormick, a Bohemia-based law firm representing many nonprofit organizations. And what’s worse, this is only the start of hard times, Campolo warned.

What’s to be done? “Nonprofits will need to be more strategic in how they function in the future,” Campolo said. “this includes increased collaboration, stronger infrastructure, scalability of services and a greater emphasis on societal impact and outcomes.”

In essence, nonprofits must function more like for-profit businesses, proving to the public and private sectors they’ve been entrusted with.

Much easier said than done, since 2011 was another difficult year, with downturns in funding at all levels; significant changes in regulations and reimbursement; cutbacks in staffing levels; increases in demands for services and more audit activity by funders. Next year doesn’t look any brighter, with more of the same expected by experts in the field. As a result, many organizations are increasing their interest in collaboration and even mergers.

“Organizations need to change their historic mindset regarding pride of ownership and those in like fields needs to find ways

to share services,” said Aaron Liebowitz, executive director of Adults and Children with Learning Disabilities, a Bethpage-based nonprofit. This trend will be both out of necessity, as organizational resources continue to evaporate, and because changes in regulations will require it with governmental agencies seeking more efficient models for service delivery, he added.

Liebowitz points to the developmental disability marketplace, funded by the Office of People with Disabilities, as an example. The burgeoning growth of individuals on the autism spectrum, replete with higher demand and higher intensity, coupled with an aging population of individuals with disabilities requiring greater levels of health-care costs, has put a major strain on the system. The crisis is spotlighted by New York state concluding, based on the demographics, that the current system is unsustainable, Liebowitz said.

As a result, the state is looking to implement a managed care system, hoping for consortiums of agencies that will streamline the paper flow, monitor outcomes and effectiveness measurements, and add more predictability to the cost of these programs. Liebowitz’s organization, like most other funders, is moving toward outcomes and impacts as opposed to monies invested, he said.

While organizations are still heavily funded by governments, donations and events, the traditional donor may soon give way to a more sophisticated so-called “charitable investor” that is focused on performance and community impact. Those organizations that have the infra-

structure in place to track and capture information regarding their operational effectiveness and their ability to exhibit real change - both in results and overall long-term economic impact to the area they serve - will have the greatest capacity to attract these charitable investors. “Organizations can’t continue to be reliant on public sector dollars, they need to be more creative in finding ways to fund operations,” Liebowitz said.

Also, it’s increasingly more difficult for organizations focused on vocational training and placement to find jobs for populations that are traditionally more difficult to employ. “Many nonprofits are finding themselves in a very tough spot, they have performance-based contracts that require them to place individuals with whom they work in jobs,” said Paul Arfin, chairman of the Social Enterprise Alliance of LI, and organization focused on making businesses more socially responsible and nonprofits more business oriented. “But there are not enough jobs available.”

Arfin is spotting a trend where a greater number of nonprofit organizations are beginning to explore alternative revenue strategies, such as developing their own business ventures. This not only helps reduce the reliance of nonprofits on more traditional government and donor-based funding, but in many cases also develops training opportunities and jobs for consumers that agencies work with. This dramatically increases the impact the organization is making with the funding its receiving.

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