A FIO PARTNERS PERSPECTIVE:

Consolidation of the Nonprofit Sector: A Progress Report

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Over the last two years there has been considerable interest and attention paid to the consolidation of the sector. The debate that has been strongly fueled by a set of circumstances that can only be called: “a perfect storm.” This confluence of bad news is made up of the following streams of circumstance:

1. The recession itself;
2. The loss of equity and interest revenue as agency endowments dwindled;
3. The loss of foundation funding as foundation endowments dwindled…a loss that will play itself out over the next three years due to the “rolling” nature of foundation payouts;
4. Massive cutbacks in state contracting, with significant closures and shutdowns of entire streams of contracting;
5. Significant cutbacks in corporate philanthropy;
6. Declines in individual giving as families have watched their savings disappear, loss of equity in their homes, and current revenue reduced by layoffs, reductions in hours, etc.

This contraction of revenue has impacted almost every nonprofit entity in the nation and, if the nonprofit sector is similar to the for profit sector in times of economic contraction, should cause a dramatically increased interest in the use of consolidation models. As the recession began to unfold, and pundits began to understand the magnitude of what was happening, there were predictions that the sector would lose 100,000 organizations by 2013, either through bankruptcy or consolidation.

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