

MANAGING

Governance and Regulation

Nonprofits Born in the Recession Find Success Despite the Odds

By Debra E. Blum

EARL MARTIN PHALEN started a charity in 2009, one of the worst times ever to start raising money. Now his organization, Summer Advantage USA, serves more than 4,600 needy kids in four states and expects to raise \$10-million this year to continue to expand its academic programs.

Like many other founders of nonprofits created in the Great Recession, Mr. Phalen says he learned that thrift and perseverance are essential to success—and he'll never give them up.

"It's nice that the economy may be improving now," he says, "but I think

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we will always continue to have a lean structure, be careful with our investments, and be tightly focused with our programs."

Charities born in the recession could enjoy greater success in the long run than those started in good times, say nonprofit experts, because they were forced to put in practice many of the ideas, such as strong focus on the mission, that benefit groups of any age, size, or era.

"The state of the economy meant it was necessary from the beginning to adopt best practices that don't always

seem as urgent in better times," says Peter Kim, a manager in the New York office of the nonprofit consulting company, the Bridgespan Group.

Garrett Neiman, who co-founded CollegeSpring, an SAT-tutoring charity, in 2008, says that looking back he is glad he was forced to make hard decisions about how and where to spend the group's limited time and money.

"Starting a nonprofit in that environment hardened us," Mr. Neiman says. "We learned to hustle more."

Nimble and Hardnosed

Plenty of other nonprofits were also getting started in the downturn.

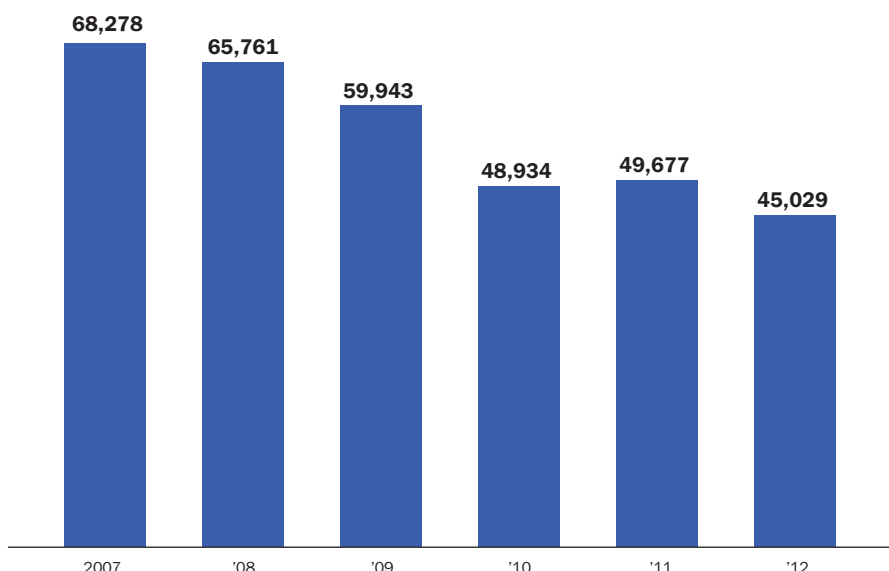
A total of more than 122,000 groups were founded in the worst years of the recession, 2008 and 2009, though charity creation showed signs of reaching new lows last year when just 45,000 groups were approved by the Internal Revenue Service.

Many of those that survived their infancy in a harsh economic climate share some traits. The four- and five-year-old start-ups that have flourished are likely to be both nimble and hardnosed, says Mr. Kim, willing to cancel special events, for example, if they don't produce enough revenue compared with their costs.

And the charities that have so far made it are probably blessed with "a perfect marriage of a crackerjack idea and a highly committed founder," according to Leslie Crutchfield, a consultant who co-wrote the book, *Forces for Good: The Six Practices of High-Impact Nonprofits*.

Fewer Charities Created During the Downturn

The number of groups that received charity status from the Internal Revenue Service peaked in 2007 but has since come down considerably and hit a 10-year low in 2012.



RICK FRIEDMAN

Earl Martin Phalen says after starting Summer Advantage USA in hard economic times, "we will always continue to have a lean structure."

Common ingredients for early success, even in a down economy, include:

Emphasizing what the nonprofit does best. ProInspire, founded in 2009, toyed with ditching its focus on helping young professionals with two to five years business experience move to the nonprofit world in favor of casting a much wider net. Law firms approached the group, for example, seeking to enroll laid-off employees in the program.

"We decided early on not to chase current opportunities at the expense of our long-term goals, even if it meant more revenue right away," says ProInspire's founder, Monisha Kapila. "We had a concept we wanted to prove and a core mission to protect."

Measuring and quickly sharing results of the group's programs. Mr. Neiman says one of CollegeSpring's biggest selling points was the result of its first 50-student pilot program in 2008, showing an average test-score gain among participants of about 200 points. "In a time when you're fighting for limited resources," he says, "having a clear model to demonstrate success, return-on-investment, gives you an advantage."

Building a strong and active board. The News Literacy Project, a group created five years ago to give students a critical understanding of the news media, landed Vivian Schiller as its board chair. At the time, Ms. Schiller was general manager at NYTimes.com, and she later became chief digital strategist at NBC News and head of NPR.

The news project's founder, Alan Miller, credits Ms. Schiller's leadership with helping the group land a \$200,000 Ford Foundation grant in its first year.

Keeping overhead expenses in check. Summer Advantage USA has

no office, instead relying on computers and other technology to link its seven full-time employees. The group also saves money marketing its programs by enlisting parents, teachers, and others at participating schools as volunteers to spread the word.

Capitalizing on social media to engage supporters. Pencils of Promise, founded in 2008 to build schools in developing countries, decided one of its top priorities was to create a digital footprint interesting enough to draw grass-roots support, especially among young people, and impressive enough to attract corporate sponsors. It has made its Web site a hub of digital activity—with, for example, an opportunity for supporters to "donate Twitter status" by posting already composed tweets about the charity.

Cultivating a go-for-it attitude. Joey Feinstein, who started the environmental charity Climate Cycle in 2008, literally "reached for the stars," he says, when he asked the entertainer Jack Johnson to perform at the group's first fundraiser, a bike race. The Grammy-nominated singer declined, but the bold request did land Climate Cycle one of its first substantial gifts—a \$2,500 donation from Mr. Johnson's foundation—and an invitation to participate in a charity expo at two of his concerts.

Bold thinking by a motivated leader is often the impetus behind a charity start-up in the first place. Mr. Phalen says a mentor had advised him against starting Summer Advantage when the economy was in such a mess. But seeing the need, he says, he persisted.

"I knew the financial circumstances would be hard," Mr. Phalen says, "But my thought was, If I'm going to sit on the sidelines when it's raining outside, then shame on me."



CBS NEWS CORRESPONDENT CHIP REID WITH BETHESDA HIGH-SCHOOL STUDENTS

JEFF MARTIN

Strapped for Cash, an Education Charity Creates Its Own Evaluation Tools and Wins New Grants

IN AUGUST 2008, the future looked bright for the News Literacy Project, a charity that was planning to start a program to teach students how to become savvy consumers of digital and print information.

Just a year earlier, the project had received money to map out its program from the John S. and James L. Knight Foundation, and it had just received its first grant from the Ford Foundation to help it begin work in earnest.

Alan Miller, who left his job as an investigative reporter at the *Los Angeles Times* to start the organization, says plans were under way to start bringing journalists and other resources into classrooms around the country.

The News Literacy Project got its Web site running the following month, but a few days later, the bottom started to drop out of the economy.

"I'd never recommend starting your first nonprofit in the deepest recession of your lifetime," Mr. Miller says.

But he pushed on, he says, moving quickly to meet the expectations of the group's initial donors and to create a track record to draw new ones.

"Funders want to see results," he says.

And the News Literacy Project was ready to provide them from the outset—a critical advantage when grant seeking, he says, especially when foundation money grew tight.

Tracking Results

Money was tight at Mr. Miller's nonprofit, too. It couldn't afford to hire consultants to evaluate programs, so the News Literacy Project created its own assessment tools, including surveys for students and teachers to take before and after participating in the news program.

And by February 2009—when high schools and middle schools in Bethesda, Md., and New York started offering students News Literacy Project courses—the organization was ready to capture classroom video and testimonials from participants.

The feedback, Mr. Miller says, went a long way in building relationships with foundations and prospective donors and continues to be a central sell-

ing point. The Charles H. Revson Foundation, for example, awarded the group a three-year, \$600,000 grant after officials made a site visit to observe a news-literacy program at a New York school.

Collecting Data Online

The News Literacy Project continued to make improvements to its surveys and moved online the process of collecting and analyzing the data. Last year, it was able to use some grant money to pay a consulting company to evaluate both its programs and its ability to assess their impact.

Says Mr. Miller, "We have always been willing to invest in the process of formal assessments because that is how you judge whether you are meeting your goals and how others can judge whether they want to invest in helping you meet those goals."

—DEBRA E. BLUM

News Literacy Project

Year founded: 2008

Mission: Teach students to think critically, judge the quality of information, and appreciate the value of good journalism

A key to success: Clear, consistent, and well-communicated evaluations of the program's results

So far: Has brought visiting journalists and news-oriented education programs to nearly 10,000 students in the New York, Chicago, and Washington areas, leading to what an outside evaluator called "noteworthy changes in attitudes and knowledge about news and information"

Next: Plans for this year include raising \$1.2-million; testing a teacher-training program in Chicago; and bringing a summer library workshop to new locations in California and Texas



"Funders want to see results."

—Alan Miller, founder, News Literacy Project



NEW YORK CITY STUDENTS DO INTERVIEWS ON THE SUBWAY FOR THEIR NEWS LITERACY PROJECT FIELD WORK

MEREDITH W. GONCLAVES