Supporting those who help others.

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Missouri Nonprofits: Building Capacity for the 21st Century

Nonprofit Services Center

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Dear Colleagues

Missouri Nonprofits: Building Capacity for the 21st Century conducted for the Nonprofit Services Center (NSC) by IFF provides a baseline from which we can begin to understand current challenges and track financial indicators and governance and management practices. Moreover, it offers insight into future operating challenges.

Our conviction is that strong organizational performance is built on a foundation of organizational financial health and sound governance and management practices. Those of us who work to increase the capacity of nonprofits should be encouraged by the stability revealed by respondents in this study. At the same time, the findings show that there is still much to do in helping nonprofits across the sector access the resources required for maximum effectiveness. Good data is the basis for focused work around increased investments in capacity-building. This study is intended as a beginning of providing just that.

This study also provides concrete Action Items specific to the roles and responsibilities of the nonprofit sector and its stakeholders in philanthropy and government to ensure the continued financial strength and increased capacity of Missouri nonprofits. Together these Action Items provide a framework for expanding the sector's collective ability to continue meeting the needs of Missourians.

NSC is committed to taking steps to improve the stability of the sector and this report gives nonprofits and their stakeholders valuable data needed to assess the strengths and weaknesses of the sector and to plan for expansion.

Deborah L. Cooper
President
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Introduction

Each day millions of Missourians rely on a broad range of community-based cultural, social and support services provided by nonprofits to enrich their lives. From meeting essential needs for food, health care and counseling to improving their lives through the arts, education and community development, nonprofits affect the most vital aspects of our lives. These organizations with diverse structures and missions comprise the nonprofit sector. *Missouri Nonprofits: Building Capacity for the 21st Century* is the first statewide study to examine both the financial underpinnings of nonprofits and how they function to accomplish their missions. The survey analyzes operations and governance as well as audited financial data for FY2004, FY2005 and FY2006. Using this information, the Nonprofit Services Center and its partners in the nonprofit sector, government and philanthropy can work together to ensure Missouri nonprofits throughout the state have the resources and capacity needed to continue developing and responding to community needs.

The primary goal of the study is to collect baseline data on nonprofit finances, operations, capacity and governance in order to understand both the organizational performance and the capacity of the sector to meet the needs of Missourians. Within this context, organizational performance focuses on the full range of resources used by a nonprofit, from the staff and board of directors to facilities and information technology. Organizational performance in this original research is distinct from organizational effectiveness, which seeks to evaluate nonprofit outcomes or impact. *Missouri Nonprofits: Building Capacity for the 21st Century* does not evaluate the effectiveness of the services and programs Missouri nonprofits provide. Rather it assesses how nonprofits use resources and plan for and acquire future resources. In other words, are these organizations pursuing financial health? Are they governed and managed effectively? Are they efficient in how they secure and employ resources?

Financially healthy organizations are those that maintain programs without interruption that regularly achieve established performance measures and outcomes, meet all financial commitments, end each year with positive net assets in order to realize the organization's vision, maintain a board of directors that assumes responsibility for financial stability by establishing financial benchmarks for the organization and monitoring them regularly and retain management that integrates program and financial planning. This study also examines accountability to the public as reflected in governance and standards adopted to protect the public interest.

A secondary goal of the report is to collect data on how nonprofit leaders perceive organizational strengths and weaknesses to understand the sector's outlook on the future. The report recognizes that these perceptions affect plans for service delivery. A final goal of the report is to provide nonprofits and their stakeholders with comparative data to assist nonprofits in responding to changes in the operating environment and to begin to develop a statewide capacity-building agenda for the sector.

The data reported in *Missouri Nonprofits: Building Capacity for the 21st Century* are based on responses from a representative sample of over 200 nonprofits that provide direct services and have incomes between $100,000 and $15 million. The responses of these organizations paint a picture of a relatively stable and strong voluntary sector when measured according to financial indicators and organizational capacity.

Nonprofits of all sizes, in all sectors, throughout the state rely on experienced leadership and strong financial management to address recent fluctuations in income and the growing demand for services. At the same time, however, one-fifth of the sector faces significant financial challenges. As the data will demonstrate, Missouri nonprofits are well-positioned to benefit from increased general operating support and technical assistance designed to improve management, operations, governance and facilities.

Environmental Factors Affecting Missouri Nonprofits

To provide some context for the study findings, this section reviews several recent trends that have affected nonprofits, particularly in the area of funding. Missouri nonprofits, like all nonprofits, are affected by national economic and political trends. Inherent in any discussion of nonprofit funding is the exceptional challenge of providing services to those that cannot pay for them.[1] Nonprofits rely on a variety of income sources, including private philanthropy, individual givers and some earned income to support their activities. While the role of government has changed, it still represents an important part of operating budgets for many nonprofits.

The decades preceding the years covered in this study were characterized by significant economic and socio-political environmental changes with direct and indirect implications for nonprofit organizations. These changes had additional repercussions at the state and local level with implications for nonprofit leaders in Missouri. First, shifts in government funding for human services that began in the 1980s persisted into the 1990s.[2] This resulted in the redefinition of the role of the public sector and the emergence of market-based approaches to government that culminated with the dismantling of traditional welfare programs.

As a result of welfare reform through the Personal Responsibility and Work Opportunity Act in 1996, nonprofit human service and health care organizations serving low-income populations faced new requirements governing access to services and program participation. Government also reduced its involvement in the

1 Clara Miller, "The Looking-Glass World of Nonprofit Money: Managing in For-Profits' Shadow," *The Nonprofit Quarterly* 12, no. 4 (Winter 2005): 49.

2 Elizabeth T. Boris, "Myths about the Nonprofit Sector," *Charting Civil Society* 4 (July 1998): 1.

arts and community and economic development during this period. As the decade ended, the economy surged in response to the emergence of the technology sector and the belief in its future potential to drive the U.S. economy. Nonprofits, as the beneficiaries of the charitable expressions of individual financial well-being, participated in the economic expansion and perceived new opportunities for growth that had not existed previously. As the millennium approached, nonprofits were focused on building capacity.

The initial optimism with which the nonprofit sector approached the 21st Century was curbed by the onset of the economic downturn as the technology bubble burst and terrorists attacked the U.S. in the fall of 2001. These national events were soon followed by both corporate and nonprofit accounting scandals. The Sarbanes-Oxley Act was passed in 2002 to strengthen governance and deter fraud in the corporate sector. Though not specifically intended to increase the accountability of the nonprofit sector, the legislation aimed at the corporate sector resulted in greater scrutiny of the nonprofit sector and informed the sector's response to calls for greater transparency.[3] No federal nonprofit-specific legislation similar to Sarbanes-Oxley Act has been passed to date, but some states have extended the Act's provisions to nonprofits through regulation. In addition, several provisions of the Sarbanes-Oxley Act have been promoted by nonprofit professional associations as guidelines, including adopting written conflict of interest, document retention and whistleblower protection policies and establishing independent audit committees.[4]

In October of 2004, the Independent Sector convened the Panel on the Nonprofit Sector in response to a request from the U.S. Senate Finance Committee. The independent panel of national leaders was charged with developing an action plan to ensure the accountability of charitable organizations through improved governance and ethical conduct. The Panel's final report included 120 recommendations for nonprofits, the U.S. Congress and the Internal Revenue Service (IRS). The report concluded that nonprofits would have to actively demonstrate that they upheld the highest standards of accountability in order to maintain the public's trust in the future.[5] The online availability of IRS Form 990 Return of Organization Exempt from Income Tax increased the relative transparency of nonprofit financial data in the 1990s and also increased accountability. The Panel recommended that Form 990 be revised to improve accuracy and provide more complete and timely information.[6]

After a public comment period, the IRS released a redesigned Form 990 in December 2007 with the goals of enhancing transparency, promoting tax compliance and minimizing the burden on the filing organization.[7] In addition, by 2007, when this survey was conducted in Missouri, nonprofits had adapted programs and operations in response to the shifts of the previous decade. Nonprofits were also benefiting from a more stable economic environment that posed the more customary challenges of raising resources to meet persistent and emerging community needs.

Environmental Factors Specific to Missouri

State policies affect nonprofits through two primary mechanisms: the determination of the types of services the state will fund and the increase or reduction in state funding of those services. As a result of the national economic downturn, federal program reductions and state tax cuts, Missouri entered a five-year fiscal crisis that began in FY2001. It resulted in budget shortfalls totaling $2.4 billion that were addressed by making core reductions and one-time withholdings of state programs.[8]

Under Governor Matt Blunt, efforts were made in 2005 to reduce the state's financial obligation by narrowing adult eligibility for Missouri's Medicaid program. Recommendations were made to reform the program and while this survey was being conducted, the state passed The Missouri Health Improvement Act of 2007. The Act created MO HealthNet which reduced the coverage of optional services to many adults, excluding pregnant women and the blind, but continued

3 Francie Ostrower, "Nonprofit Governance in the United States: Findings on Performance and Accountability from the First National Representative Study," (Washington, DC: The Urban Institute, 2007), 3.

4 Ibid.

5 Panel of the Nonprofit Sector, "Strengthening Transparency, Governance, and Accountability of Charitable Organizations: A Final Report to Congress and the Nonprofit Sector" (Washington, DC: Independent Sector, June 2005), 1.

6 Ruth McCambridge, "Is Accountability the Same as Regulation? Not Exactly," *The Nonprofit Quarterly* 12, no. 4 (Winter 2005): 9.

7 Department of the Treasury, Internal Revenue Service, *IRS Releases Final 2008 Form 990 for Tax-Exempt Organizations, Adjusts Filing Threshold to Provide Transition Relief*, December 20, 2007. www.irs.gov/newsroom/article/0,,id=176722,00.html

8 Amy Blouin et al., "Missouri's Budget Crisis: The Impact on Access to Health Care Cuts, Consequences and Policy Options to Restore Health," (St. Louis, MO: The Missouri Budget Project, February 2005), 1. http://www.mobudget.org/restorehealth.pdf

Table 1: Respondent Distribution by Size, Sector and Geography (N = 210)

Size	Number of Respondents	Percent of Respondents
<$250K	55	26.2%
$250K–$499K	38	18.1
$500K–$999K	40	19.0
$1M–$4.9M	59	28.1
$5M–$15M	18	8.6
Sector	**Number of Respondents**	**Percent of Respondents**
Arts, Culture & Humanities	24	11.4%
Health Care	23	11.0
Public & Societal Benefit	25	11.9
Human Service	102	48.6
Education	36	17.1
Geography	**Number of Respondents**	**Percent of Respondents**
Large Urban Areas	111	52.9%
Urban Areas & Small Cities	33	15.7
Towns & Rural Areas	66	31.4

coverage of children up to 300 percent of the Federal Poverty Level (FPL) with premiums beginning at 150 percent of FPL.[9] These changes will inevitably affect nonprofits providing health care services to Missouri families. As contractors or providers of government-mandated services, nonprofits are adversely affected by significant changes in program eligibility. However, as the findings will show, responding Missouri nonprofits rarely reduce program services and Health Care nonprofits were just as likely as all other sectors to report service expansion in the next three years. Given their missions and expansion plans, nonprofits will likely continue to provide health care to adults, but will have to find new ways to pay for these services.

In FY2004, the state legislature cut appropriations to the Missouri Arts Council (MAC), a state agency, to zero. MAC was authorized to withdraw principal from the Missouri Cultural Trust. However, arts organizations' requests for additional funding were not granted and organizations had to use reserves or raise additional funds to cover budgeted increases in expenses or expanded programs and services. The appropriation was restored in the following year. From FY2006 to FY2007 the appropriation was increased by over 300 percent and MAC planned to stop using principal withdrawals from the state's arts trust.[10] A small group of arts organizations were better insulated from the appropriation cuts, having benefited from a MAC capital program started in 2000 that matches endowment contributions.

This report provides detailed information on the impact of the environment described above on the responding Missouri nonprofits' finances and operations from 2004 through 2006, as well as the sector's response, including future plans. As stated above, the three goals of the study are:

- Collect baseline data on nonprofit finances, operations, capacity and governance to understand the organizational performance and capacity of the sector to meet the needs of Missourians.

- Collect data on how nonprofit leaders perceive organizational strengths and weaknesses to understand the sector's outlook on the future.

- Provide nonprofits and their stakeholders with comparative data to assist nonprofits in responding to changes in the operating environment and to begin to develop a statewide capacity-building agenda for the sector.

The publication of *Missouri Nonprofits: Building Capacity for the 21st Century* provides an important opportunity not only for each nonprofit to assess its organizational and financial strengths and weaknesses, but for government and private funders to consider how they can support practices that promote effective management and financial stability. The Key Findings and Action Items identified in the next section will highlight how knowledge gained from this research will assist the nonprofit sector in preparing to respond to increased need in Missouri's communities and pursue the communities' many compelling visions for Missouri's future.

9 Departments of Social Services, Health and Senior Services, and Mental Health "The Transformation of Missouri Medicaid to MO HealthNet," December 7, 2006, 3. www.dss.mo.gov/mis/mcd-transform.pdf

10 National Assembly of State Arts Agencies, "State Arts Funding Grows in Fiscal Year 2007," Press Release, February 7, 2007, 1. www.nasaa-arts.org/nasaanews/LA07Release.pdf

Key Financial and Operating Trends

The Key Findings report the trends for the sector overall from a representative sample of Missouri nonprofits, but efforts to respond to the findings reported below must necessarily recognize and address the diversity of the sector and the variety of challenges nonprofits face.

Key Finding #1

Responding nonprofits are adept at managing the constant challenges posed by uncertain and restricted income, but are challenged to grow their programs without additional resources to do so.

Related survey findings that support this conclusion are:

- Responding Missouri nonprofits are stable, have cash reserves and increased their overall financial management between FY2004 and FY2006.
- Seventy-five percent of respondents report that they maintain a cash reserve and 79 percent of cash reserve funds are equivalent to two or more months of operating expenses.
- Over the last three years, two-thirds of responding nonprofits increased their organization's overall financial management capacity.
- Seventy-six percent of respondent report that they use financial benchmarks to assess financial health and 70 percent have a finance committee of the board.
- Respondent median net assets grew by a substantial 23 percent from FY2004 to FY2006.
- One-third of responding Missouri nonprofits report that the growing demand for services without the resources to support program growth is their most significant ongoing problem.

Implications for the Future and Action Items

Organizations' future financial strategies should focus on expanding unrestricted funding and leveraging the sector's resources.

Action Items

1. Missouri nonprofits should meet with key funders to demonstrate how increases in general operating support can be used to improve operations and, therefore, outcomes.
2. Nonprofits should consider establishing an endowment or increasing the value of an existing one through a capital campaign.
3. Nonprofit executive directors and staff, together with their boards of directors, should identify and explore strategic opportunities for organizational development and growth that will address the increased demand for services.
4. Nonprofits struggling with chronic financial problems, including regular operating deficits and cash flow problems, should engage in the financial practices on which their peers rely, such as increasing overall financial management, maintaining financial benchmarks established by the board and strategic planning.

Key Finding #2

Responding Missouri nonprofits recognized the strength of their financial position at the time of the survey and are optimistic about their ability to maintain or build on this capacity. At the same time, some organizations are challenged by the limitations posed by the uncertainty of their future income.

Related survey findings that support this conclusion are:

- Forty percent of respondents report that the organization is financially healthy and not presently vulnerable and 38 percent are financially healthy, but feel vulnerable in the future. Moreover, these are organizations that typically do not post deficits.
- Responding nonprofits are led by experienced executive directors, who have been in their current positions for a median of seven years and report capacity increases since 2004.
- On average, responding nonprofits report that approximately 37.5 percent of income is certain, 39.6 percent is expected and 22.8 percent is uncertain or not yet identified at the beginning of each year.
- Seventy-eight percent of human service nonprofits report that the current level of government funding does not cover the actual cost of providing services.
- It is easier for financially healthy nonprofits to build the right board of directors—40.5 percent of respondents perceiving their organization to be financially healthy say it is "not at all difficult" to find qualified board members as compared to 19.4 percent of those that are not financially healthy.

Implications for the Future and Action Items

While most responding Missouri nonprofits perceived their organizations to be financially healthy in 2007, more than half are concerned about their ability to maintain or achieve financial health in the future.

Action Items

1. Missouri nonprofits concerned about their ability to meet the organization's goals should assess what capacity-building is needed to achieve financial health and improve operations to respond to future challenges.
2. Nonprofits should increase the likelihood of future success by planning and budgeting for technical and other assistance needed to meet the organization's future goals.
3. Nonprofit leaders should engage their boards of directors in the strategic issues related to achieving a high level of organizational performance and financial health.

Key Finding #3

During the past three years, over three-quarters of responding Missouri nonprofits changed as a result of capacity-building according to responding nonprofit leaders, especially in the areas of information technology, strategic planning and fundraising.

Related survey findings that support this conclusion are:

- Most responding nonprofits pay for capacity-building by including it in the operating budget or raising special funds.

- Outside consultants are an important source of capacity-building.

- In the past three years, 72 percent of responding nonprofits increased their organization's information technology capacity, 65 percent of respondents increased fundraising capacity and strategic planning and 60 percent increased program evaluation.

- Fifty-seven percent of financially healthy Missouri nonprofits reported having sufficient access to capacity-building assistance as compared to 39 percent of those with chronic financial problems, an 18 percent difference.

- Thirty percent of respondents have up-to-date information technology that is fully integrated and guided by a technology plan. However, an equal number, 29 percent, report that they do not fully use the technology they have acquired.

- Responding Missouri nonprofits located in Urban Areas & Small Cities and Towns & Rural Areas have limited fundraising capacity. They are much less likely to have in-house development staff, 37.5 and 35.9 percent, respectively, compared to over 55 percent of respondents located in Large Urban Areas.

Implications for the Future and Action Items

The study findings suggest that Missouri nonprofits are poised to benefit from additional investments in capacity-building because of the sector's considerable capacity and its recent history of sound financial management.

Action Items

1 Recognizing nonprofits' reliance on operating budgets and special fundraising to build capacity, funders should encourage these efforts by providing general operating support.

2 Additional capacity is needed in the following areas:

- Information technology staff as well as training of existing staff on how to maximize use of information technology

- Board training with a focus on fundraising

- Strategic facility planning

3 Nonprofits outside of the Large Urban Areas and those with annual revenue of $250,000 up to $1 million are challenged financially and operationally and would benefit from technical assistance to develop strategic plans and core organizational capacity.

Key Finding #4

Responding Missouri nonprofits are governed by engaged boards that most executive directors describe as the right board to bring them through the challenges of the future. Their boards are more diverse than nonprofits nationally and have adopted national accountability standards.

Related survey findings that support his conclusion are:

- Ninety-one percent of boards are actively involved in policy-setting and decision-making and 78 percent take responsibility for the organization's fiscal stability. However, fewer than half of responding Missouri nonprofits report that board training has increased in the past three years.
- Twenty-eight percent of responding nonprofits report that a majority of board members are actively involved in fundraising; however, it increases to 44 percent when the organization has a development director.
- Sixty-eight percent of responding Missouri nonprofits have the right board for the future, but Arts and Education nonprofits are less likely to have the right board.
- Approximately 58 percent of Missouri boards report having a diverse membership compared to 49 percent nationally. On diverse boards, an average of 21 percent of board members are non-white.
- Seventy-two percent of organizations have a formal whistleblower protection policy, 60 percent have a written policy regarding the retention and destruction of documents and 44 percent of organizations require the board to sign a conflict of interest policy.

Implications for the Future and Action Items

Missouri nonprofits have taken steps to improve governance, but future growth and improved organizational performance will require investments in board training. Executive directors can benefit from greater board involvement in the development and implementation of long-term strategies for financial health.

Action Items

1. Nonprofit boards are generally engaged in policy-setting and decision-making, but should expand their fiscal oversight and fundraising activities.
2. Funders and government should support the development of governance capacity through board training.
3. Development professionals or dedicated staff can play an important role in facilitating board participation needed to advance the organization's mission.

Key Finding #5

The majority of responding Missouri nonprofits plan to expand programs in the future and recognize the need for continued diversification of revenue and increased fundraising.

Related survey findings that support this conclusion are:

- Twice as many responding executive directors, 61.5 percent, report plans to expand services in the future as report that programs will remain unchanged or be reduced, 27 percent.
- Eighteen percent of respondents are conducting capital campaigns. When this figure is extrapolated to the universe of nonprofits statewide, it means that over 380 nonprofits may be currently engaged in or starting a capital campaign.
- Among respondents, the majority of nonprofit revenue comes from non-governmental sources.
- Individual support through donations and memberships, earned income and foundation and corporate grants make up over 50 percent of nonprofit income on average.
- Unmet fundraising goals and the timing of fundraising campaigns contribute to current cash flow problems for responding Missouri nonprofits.

Implications for the Future and Action Items

Given diverse domains, structures and histories, nonprofits need to develop multiple sources of income, particularly if they are heavily dependent on one source. Nonprofits and their development staff will need to pursue a variety of strategies to increase income certainty and raise the resources needed to achieve the organization's vision.

Action Items

1. The nonprofit sector can advocate for increased commitment and funding, especially general operating support, from the people, government and philanthropists of Missouri because they have demonstrated good stewardship of resources and vision for the future.
2. Nonprofits should build on nonprofit financial management capacity in order to identify strategic opportunities for resource development.
3. Missouri nonprofits that are not able to meet fundraising and capital campaign goals will need additional capacity-building to achieve financial health.

Key Finding #6

Responding Missouri nonprofits rely on a variety of facility arrangements, which affect planning for capital costs and strategic management of facilities.

Related survey findings that support this conclusion are:

- Almost three-quarters of respondents describe the quality of their facilities as either "excellent" or "good," but only 62 percent report that the facilities meet desired space and quality needs.

- Less than one-third of responding Missouri nonprofits own all the space they use to operate their programs (30.2 percent) and 12.5 percent use only donated or free space. Twenty-five percent of respondents have a replacement reserve for facilities' needs in their annual operating budget.

- Nearly 24 percent of responding Missouri nonprofits report that they anticipate acquiring property, undergoing new construction, or undergoing a major renovation in the coming year. Extrapolated to include all organizations in the universe, this would mean that more than 500 nonprofits anticipate a major facilities project in the coming year. Despite these projections, only 21 percent maintain a strategic facilities plan.

- Funds raised through capital campaigns will be used for purchasing and renovating a facility by 51 percent of respondents engaged in or planning on these special fundraising initiatives.

- Nearly 41 percent of responding Missouri nonprofits indicate that special fundraising (i.e. capital campaigns) will be the primary method and 28 percent indicate it will be a secondary method of paying for their facilities project.

Implications for the Future and Action Items

The condition and suitability of a nonprofit's facilities can affect organizational performance and future expansion plans. However, most organizations undertake major facilities projects without having a strategic facilities plan and do not have a replacement reserve for unexpected expenses.

Action Items

1. As nonprofits prepare for expansion, facilities planning should be incorporated as part of overall strategic planning to consider the timing of facility-related projects as they relate to other organizational goals and objectives.

2. Nonprofits should consider creating a facilities replacement reserve to enable the organization to address issues in a timely fashion and to budget and schedule for maintenance and repairs.

3. Nonprofits with stable, long-term revenue should evaluate the use of mortgage debt to acquire and improve real estate and facilities if a capital campaign is not an option.

Survey Background and Methodology

Missouri's Nonprofit Sector

According to the National Center for Charitable Statistics (NCCS), "The Internal Revenue Service defines nonprofits as "charitable" because they serve broad public purposes, including educational, religious, scientific... as well as the relief of poverty and other public benefit actions."

With few exceptions (i.e. religious congregations), public charities with gross receipts of at least $5,000 must register with the IRS. Among registered nonprofits, only those with $25,000 in gross receipts must also report to the IRS using Form 990 or 990EZ. In September 2007, Missouri had over 21,000 registered public charities with approximately 31 percent of Missouri's public charities reporting to the IRS. Nonprofits that serve broad public purposes are known as 501(c)(3) public charities.

The National Taxonomy of Exempt Entities (NTEE) used by NCCS and the IRS groups nonprofits into 10 sectors, including Arts, Culture & Humanities; Education; Health; Human Services; and Public & Societal Benefit. These categories are the focus of this report and encompass nearly 87 percent of all reporting public charities in Missouri. Human Services is the largest of the subsectors with 2,300 organizations, representing over one-third of reporting public charities.

The distribution of organizations reflects population densities with metropolitan areas having more public charities than non-metropolitan areas. However, it is worth noting that one county in northwestern Missouri had no reporting public charities and three counties had only one in September 2007. This study does not address access to services. To develop a picture of the distribution and availability of nonprofit services in Missouri, further data collection is necessary.

Methodology

In order to assist the reader in understanding how the study data are reported, a brief description of the methodology used to conduct the study is provided below. A complete description of the methods used to conduct the survey can be found in Appendix A. The 2007 Survey of Missouri Nonprofits' Organizational Performance studied a random, representative sample of a subset of public charities from the Core Files of NCCS. The 2005 Core Files, the most recent set available, were acquired in June 2007 and included records for 6,113 organizations. Using the NTEE Category Codes (NTEE-CC), exclusion criteria were developed to define a universe of public charities. Nonprofits[11] were excluded from the survey universe that:

- Do not provide direct services
- Are religion-related
- Provide services to a select membership or for the mutual benefit of the membership, such as parent teacher associations, scouting organizations and retirement and pension funds.

To target the analysis to small and mid-sized nonprofits, organizations such as hospitals, higher education institutions and organizations with more than $15 million in annual revenue were removed from the universe. The final universe included 2,122 nonprofits. A random sample of 1,060 nonprofits was selected to receive the survey. Surveys were mailed to the attention of executive directors late in July 2007 and 210 valid responses were received. With a response rate of 19.8 percent this report's findings are statistically significant at a 95 percent confidence level with a sampling error of plus or minus 6.4 percent.

The survey instrument is modeled on financial studies conducted in the mid-to-late 1990s in Minnesota and Illinois.[12] These surveys focused on the relationship between strong financial practices and organizational capacity. Within that context, the board of directors was evaluated as a contributor to financial health. This reflected the belief of a decade ago that nonprofit boards as a whole were not sufficiently engaged to provide financial oversight. In June 2007, the Urban Institute

11 The remainder of this report uses the term "nonprofit" to refer to "reporting public charities" unless otherwise stated.

12 *Getting It Right: How Illinois Nonprofits Manage for Success,* (Donors Forum of Chicago and IFF, September 2005). *Illinois Nonprofits: Building Capacity for the Next Century,* (Donors Forum of Chicago and IFF, December 1998).

published the results of a national governance survey and this Missouri survey included select questions from that instrument,[13] including questions on board composition and accountability as it has evolved since the passage of the Sarbanes-Oxley Act. As a result, this report is able to compare the governance of Missouri nonprofits with nonprofits nationally and will allow for trending of this information in the future.

In keeping with the goals of the study, an additional objective was to represent Missouri nonprofits in three dimensions: sector or field of service, size as determined by annual revenue and geographic location. To create a sample that was statistically significant for all questions within each dimension was impractical given the level of data collection that would have been required. While the samples within each subcategory are small, they do not vary greatly from the overall sample.

Sector

Responding Missouri nonprofits were sampled based on their NTEE-CC and grouped into six categories: Arts, Culture & Humanities (Arts); Health Care; Public & Societal Benefit; Human Services; Education; and Not Elsewhere Classified. Respondents were grouped according to their organization's primary field of service as provided on the survey. Those respondents reporting multiple primary fields of service were grouped according to their NTEE-CC. Four respondents listed in the Core Files as Not Elsewhere Classified chose to categorize their organization into one of the primary field of service categories on the survey. Table 2 provides a comparison of the survey universe and respondents by sector based on the primary field of service.

Table 2: Survey Universe and Survey Respondents by Sector

	Survey Universe	Respondents
Arts	10.7%	11.4%
Health Care	12.3	11.0
Public & Societal Benefit	8.8	11.9
Human Services	52.2	48.6
Education	11.4	17.1
Not Elsewhere Classified	4.6	0.0
Total	**100**	**100**

Though there is some variation, overall the respondents reflect the universe of nonprofits. Human Services organizations are slightly underrepresented, while Education organizations are somewhat overrepresented. However, some of this variation is explained by the fact that nonprofits categorized themselves differently than the organization's NTEE-CC as provided in the Core Files. Eleven respondents with a Human Services NTEE-CC defined their organization's primary field of service as Education.

As Table 2 shows, Human Services organizations make up over half of the survey universe and, though slightly underrepresented among respondents, their experiences shape the overall response. As Appendix B and Appendix C show, Human Services organizations are well-distributed among the size categories and geographies.

Revenue Size

The universe of nonprofits includes nonprofits of varying annual revenue size. This survey included nonprofits listed in the Core Files with $100,000 to $15 million in annual revenue in the survey universe. In an attempt to capture data on nonprofits experiencing financial difficulty, 30 nonprofits listed with up to -$300,000 in annual revenue in the Core Files were also included; however, none of the organizations listed as having negative annual revenue responded to the survey. As expected, individual responding Missouri nonprofits experienced income shifts by FY2006 and nine organizations (4.3 percent) report income less than $100,000 in FY2006, ranging from approximately $10,000 to $90,000.

Table 3: Survey Universe and Survey Respondents by Annual Revenue

	Survey Universe	Respondents
Deficit	1.3%	0.0%
<$250K	31.2	26.2
$250K–$500K	20.3	18.1
$500K–$1M	16.3	19.0
$1M–$5M	22.9	28.1
$5M–$15M	8.0	8.6
Total	**100**	**100**

13 Ostrower, Appendix C.

One responding nonprofit also reports income just above $15 million. Table 3 illustrates that nonprofits with less than $250,000 in annual revenue were underrepresented while those with $500,000 up to $15 million were slightly overrepresented among responding Missouri nonprofits.

In addition to the overall distribution of respondents by size, it is important to understand the variation by size within each of the sectors. The Arts and Public & Societal Benefit respondents include more organizations with less than $250,000 in annual revenue than respondents overall. Human Services and Health Care respondents include more organizations with more than $1 million while Education respondents are largely comprised of organizations with $250,000 to $4.9 million (Appendix B).

Geography

Responding Missouri nonprofits were initially grouped for comparison to the survey universe based on county and region. As Map 1 shows, each region is well-represented, although respondents in the northeast are somewhat overrepresented relative to the survey universe, while the northwest is somewhat underrepresented.

Respondents were grouped for analysis into three geographic categories using a combination of location and place-level 2006 American Community Survey Population Estimates. Responding Missouri nonprofits located in St. Louis City and St. Louis County and Kansas City and the nearby counties of Cass, Clay, Jackson and Platte are classified as located in "Large Urban Areas." Respondents located outside of these areas were divided into two groups

Map 1: Survey Respondents by Missouri Region

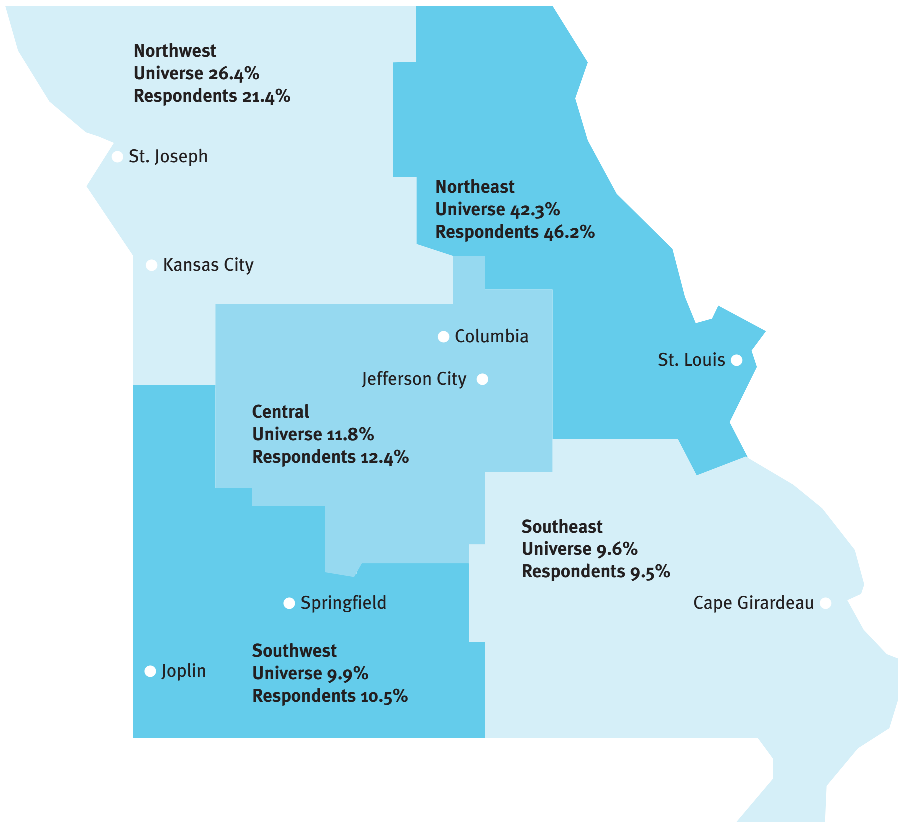


Table 4: Survey Universe and Survey Respondents by Geography

	Survey Universe	Respondents
Large Urban Areas	53.1%	52.9%
St. Louis City & St. Louis County	32.7	34.3
Kansas City & Cass, Clay, Jackson & Platte Counties	20.4	18.6
Urban Areas & Small Cities (Population > 25,000)	16.7	15.7
Towns & Rural Areas (Population < 25,000)	30.2	31.4
Total	**100**	**100**

according to the 2006 estimated population of the city or town where the nonprofit is located. Those located in places with a total population of at least 25,000 are classified as located in "Urban Areas & Small Cities." Those located in places with a total population of less than 25,000 are classified as located in "Towns & Rural Areas."

Further geographic comparison was conducted to ensure that no geographic category was overrepresented relative to the survey universe. Table 4 demonstrates that respondents are well distributed among the geographies with nonprofits located in the Kansas City metropolitan area and Urban Areas & Small Cities slightly underrepresented among respondents.

In addition to the overall distribution of respondents, it is important to understand the variation by size in each geography (Appendix B) and in each of the sectors (Appendix C). For example, Arts and Health Care respondents tend to be concentrated in Large Urban Areas and Human Services respondents tend to be concentrated in Towns & Rural Areas.

The following sections provide a respondent profile and the results from the 2007 Survey of Missouri Nonprofits' Organizational Performance, including relevant differences among respondents based on size, sector and geography. The survey included seven sections and a total of 65 questions covering the following financial and operational data: Agency Profile, Financial & Funding Profile, Financial Practices, Operations & Information Technology, Facilities, Leadership & Governance and External Environment. While results are presented from at least one question in all sections of the survey, they are not reported in the order in which they appear on the survey. A comprehensive set of results are provided as an appendix.

Respondent Profile

Basic Respondent Characteristics	
Median Organization Age	24 years
Median Tenure of Current Executive Director	7 years
Median Full-Time Paid Staff	6
Organizations Using Volunteers	79.1%
Perceptions of Financial Health	
Financially healthy and not presently vulnerable	40.4%
Have been financially healthy, but feel vulnerable in future	38.0%
Have chronic financial problems, but expect to survive	21.6%
Financial Indicators	
Median Income in FY2006	$662,839
Change in Median Income FY2004–FY2006	8.4%
Percent of Income Confirmed	37.5%
Percent of Income from Government Contracts and Grants	31.3%
Percent with Cash Reserve Fund	75.0%
Percent with Cash Flow Problems in Any Year	50.2%
Percent with Deficits All Three Years	7.2%
Financial Practices	
We attempt to diversify revenue sources.	90.4%
We maintain financial benchmarks, established by the board, to assess our organization's financial health.	75.9%
We distinguish between capital and operating funds in our annual budget.	73.9%
We document the cost of cash flow borrowing. *Includes only organizations with cash flow problems.*	57.1%
Operations and Capacities	
Our organization has changed as a result of the capacity improvements we have made.	76.3%
We have acquired information technology, but do not use it fully in our programs and operations.	28.8%
We have an in-house bookkeeper or accountant on staff.	66.3%
We have an in-house development director or fundraiser on staff.	46.1%
We have the right board to bring us through the challenges of the future.	68.2%
In the next three years, we will expand services in certain key areas.	61.5%
Accountability	
Boards with Finance Committees	71.4%
Boards with Audit Committees	38.1%
Organizations with a formal whistleblower protection policy	72.1%
Organizations with a written policy regarding the retention and destruction of documents	59.8%
Organizations require board members to sign a conflict of interest statement annually	44.2%
Organizations with diverse boards, i.e. with at least one non-white member	58.3%

Organizational Performance and Financial Health

As noted in the introduction, the primary goal of the study is to collect baseline data on nonprofit finances, operations, capacity and governance in order to understand both the performance and the capacity of nonprofits to meet the needs of Missourians throughout the state.

Nonprofit organizational performance encompasses three primary functions: performing charitable activities, raising funds to pay for their delivery and management and oversight of these functions on behalf of the public. From a financial perspective, nonprofits provide goods and services for which consumers are neither able nor expected to pay the full cost of production.[14] Clara Miller describes this as operating a subsidy business to supplement the funds collected from recipients, audiences and supporters, thereby covering the cost of the service and the additional cost associated with fundraising. In addition, nonprofits are governed by a volunteer board of directors that is responsible for oversight. The board must ensure that funds are used for the public benefit. The success of the nonprofit in achieving both its program and fundraising goals in a coordinated and integrated manner determines whether the organization ends the fiscal year in a position of financial health. This is a shared responsibility of the nonprofit's board of directors and staff.

In 1997 the Donors Forum of Chicago and IFF conducted the first survey of the financial health of Illinois nonprofits.[15] The study defined the five criteria of financial health that encompass many components of organizational performance, program delivery, fundraising, management and governance. As the Donors Forum and IFF concluded in the second study, *Getting It Right: How Illinois Nonprofits Manage for Success*, "When financial health is broadly defined, it cannot be measured using only audited financial statements."[16] This confirms that any assessment of organizational performance will include financial capacity. *Getting It Right* found that nonprofits that perceived their organization to be financially healthy and not presently vulnerable engaged in financial practices necessary to achieve these criteria, such as having a finance committee or maintaining financial benchmarks established by the board.[17]

As described in the introduction, the nonprofit operating environment has changed considerably since the 1990s. The criteria of financial health listed below reflect an environment demanding increased accountability:

- Maintain programs without interruption that regularly achieve established performance measures and outcomes
- Meet all financial commitments
- End each year with positive net assets in order to realize the organization's vision
- Maintain a board of directors that assumes responsibility for financial stability by establishing financial benchmarks for the organization and monitoring them regularly
- Retain management that integrates program and financial planning.

Financial health addresses the critical relationship between nonprofit programs and financial management, beginning with the ability to maintain programs without interruption and meeting defined performance measures. As described above, organizational performance includes raising funds to pay for the delivery of the charitable good since there is not always a direct relationship between the production of the charitable good and its financing. Therefore, financial goals are articulated independently as meeting all financial commitments and ending each year with positive net assets. The ability to close the books on the fiscal year with a surplus or by breaking even enables a nonprofit to pursue its strategic plan for the future.

14 Miller, 50.

15 "Illinois Nonprofits: Building Capacity for the Next Century," (Donors Forum of Chicago and IFF, December 1998).

16 "Getting It Right: How Illinois Nonprofits Manage for Success," 23.

17 Ibid., 53.

In order for financial health to provide future direction for the nonprofit, the criteria also address the role of the board of directors. Board engagement in fiduciary responsibility is best accomplished by the establishment of financial benchmarks—budgetary and fundraising—that can be monitored regularly by both the finance committee and the board as a whole. The objective is to engage the entire board in the financial realities that the organization faces as well as giving them information to make informed decisions so that they govern in response to environmental changes.

The 2007 Survey of Missouri Nonprofits' Organizational Performance employed a range of questions regarding operating and financial indicators whose individual results highlight specific capacities and needs, but when considered together offer insight into the overall status of the nonprofit sector. The results and findings on perceptions of financial health in 2007 will illustrate that many responding Missouri nonprofits have built capacity and are planning to expand despite concerns regarding their organizations' financial health.

The data on perceptions of financial health among responding Missouri nonprofits comes from an important group of survey questions that measure the perceptions and attitudes of executives who completed the survey. These questions cover the areas of financial health, ongoing challenges, overall capacity, board engagement and future outlook. The survey acknowledges that in order to achieve its mission each nonprofit, under the leadership of its executive director, uses a specific combination of funding, staff and in-kind resources, such as volunteers or donated space. Therefore, how the executive director perceives the organization's success as well as the effectiveness of the current combination of resources are indicators of organizational capacity. Moreover, these perceptions and attitudes are shaped by both the external environment, including that of the nonprofit sector generally, and the internal environment of the nonprofit. The answers to these questions encompass the circumstances each nonprofit faces and how executive directors view the environment.

Do Missouri Nonprofits Feel Financially Healthy?

How nonprofit leaders perceive the financial health and financial position of their organizations provides insight into the financial and operational data that follows. Previous surveys of financial health have found that most nonprofits cannot achieve all five criteria every year. For example, deficits are common.[18] However, recording a deficit does not necessarily correspond with the perception that the organization is unhealthy. Each nonprofit and its board respond differently to the challenge of meeting the mission when faced with fluctuations in income or changes in the environment. Some nonprofits accept deficits as events rather than crises. In addition, previous surveys also have shown that nonprofits are not likely to reduce or eliminate services when responding to budgetary problems and rely on a diverse set of funding strategies to provide the resources needed to achieve their mission.[19] Since resources can be restricted, i.e. dedicated for certain purposes, nonprofits also adapt their programs and therefore expected outcomes and benchmarks.

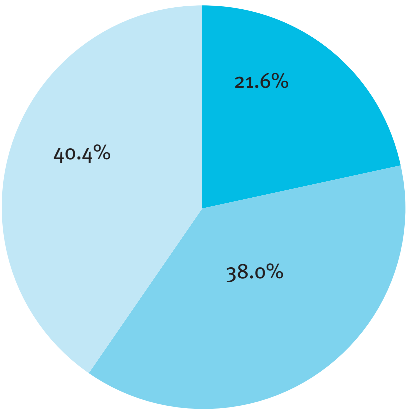
Seventy-nine percent of responding Missouri nonprofits report that their organization was financially healthy at the time of the survey.[20] Financially healthy respondents can be divided into two groups—40 percent of respondents describe their organization as financially healthy and not presently vulnerable and 38 percent describe the organization as presently financially healthy, but vulnerable in the future. Twenty-two percent of respondents report having chronic financial problems, but expected to survive. The responses to this question on financial health provide the first of several indications that suggest responding Missouri nonprofits are benefiting from a stable environment and strong financial management and are, therefore, optimistic and well-positioned to build their capacity in the future. No respondents chose the fourth option on the question: "We don't know how we will survive this year."

18 Ibid., 86. Within the three-year period covered in *Getting It Right: How Illinois Nonprofits Manage for Success*, nearly two-thirds of nonprofits recorded a deficit.

19 Ibid., 31.

20 This is comparable to the surveys conducted in Illinois in 1998 ("*Illinois Nonprofits: Building Capacity for the Next Century*") and 2004 ("*Getting It Right: How Illinois Nonprofits Manage for Success*") with 78.7 percent and 80.5 percent, respectively, describing their organization as financially healthy.

Figure 1: Perception of Financial Health



- Financially healthy and not presently vulnerable
- Have been financially healthy, but feel vulnerable in the future
- Have chronic financial problems, but expect to survive

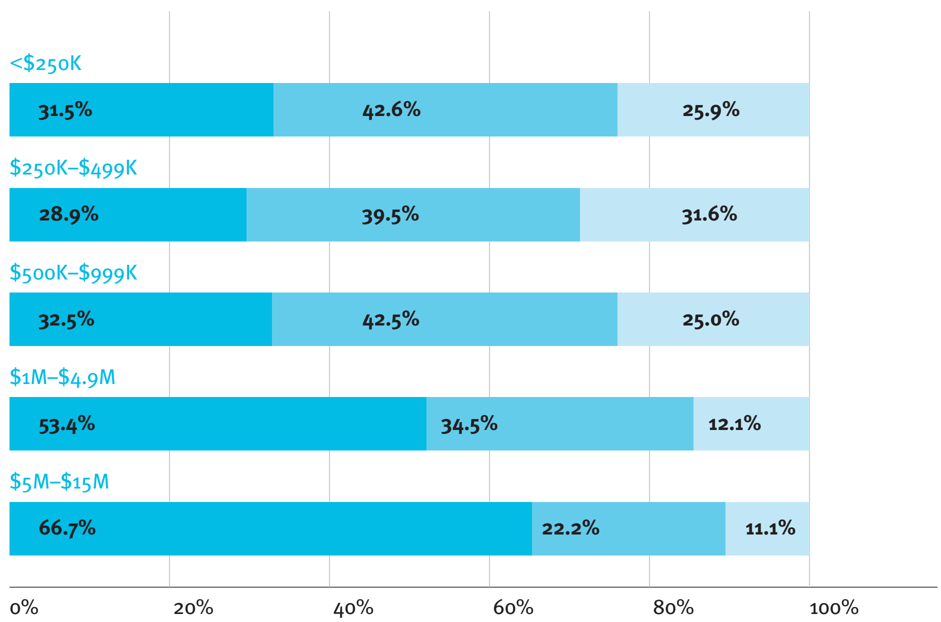
Additionally, study findings show that an organization's size is associated with whether or not it perceives itself to be financially healthy (Figure 2). This is not surprising because, as this report will show, larger organizations have more financial assets on which to rely, including a higher percentage of confirmed and expected income. They also have more staff and better information technology. And, as Paul C. Light documented in his 2004 book, *Sustaining Nonprofit Performance: The Case for Capacity Building and the Evidence to Support It*, they are typically further along in their organizational life cycle. When nonprofits become "robust" or "reflective" they have the resources to limit their finanacial vulnerability or to play a leadership role in the sector.[21] Figure 2 highlights that smaller organizations face different issues due to where they are on Light's life cycle. These nonprofits must determine how much they can do and whether they can increase their impact. The survey found that respondents with less than a $1 million in annual revenue are more likely to report feeling financially healthy presently, but vulnerable in the future. This highlights that growth and expansion of a nonprofit can be accompanied by financial instability as the organization needs to expand its operations and funding simultaneously.

Within the sectors there are minimal variations. However, 50 percent of responding Arts nonprofits report being financially healthy, whereas only 36 percent of Education respondents feel financially healthy and they are the most likely to report that despite being presently financially healthy, they feel vulnerable in the future.

Among responding Missouri nonprofits, geography plays an important role in perceptions of financial health because nonprofits rely on fundraising from local corporations and individuals. Responding nonprofits located in Large Urban Areas are more likely to report being financially healthy and not vulnerable whereas respondents in other Urban Areas & Small Cities are the most likely to report being financially healthy, but vulnerable in the future. Though overall least common, chronic financial problems are most common in Towns & Rural Areas and affect more than one-quarter of respondents.

21 Paul C. Light, *Sustaining Nonprofit Performance: The Case for Capacity Building and the Evidence to Support It* (Washington, DC: Brookings Institution Press, 2004).

Figure 2: Perception of Financial Health by Size



- Financially healthy and not presently vulnerable
- Have been financially healthy, but feel vulnerable in the future
- Have chronic financial problems, but expect to survive

What Characteristics and Practices Distinguish Financially Healthy Nonprofits?

In order to analyze differences based on financial health status, responding Missouri nonprofits are grouped and compared based on whether they perceived their organization to be financially healthy or to have chronic financial problems. The analysis confirmed that respondents that describe themselves as financially healthy have experienced limited fluctuations in income and have resources to make strategic investments in the future. Table 5 highlights some of the differences between these groups.

Financially healthy respondents have built cash reserves that cover more than one month of operating expenses based on several years of surpluses. They also did not experience cash flow problems, indicating that they responded quickly to budget variances or planned for potential differences between actual and budgeted income and expenses. Finally, they are more likely to have an endowment, which diversifies income and may increase unrestricted funding that can be used for general operating support. Due to their operational and financial success, these organizations will be able to maintain their programs and survey results will show that many also anticipate expanding services in the near future.

Based on the financial health criteria, financially healthy nonprofits should be engaged in practices that improve their operational capacity and governance as well as ensure adequate resources. The survey also supports the conclusion that financial health is tied to operations and governance. As Table 5 shows, 57.1 percent of responding Missouri nonprofits that report being financially healthy report having sufficient access to capacity-building assistance and, not surprisingly, capacity improvements have been beneficial to the organization. As with operations, financially healthy organizations rely on their board of directors to provide oversight and support. These are also organizations that community members want to be a part of and boards that community members want to serve on as volunteers. Financially healthy respondents are twice as likely as those that do not feel financially healthy to report that it is "not too difficult" to find qualified board members. Financial health is also related to location in a Large Urban Area where nonprofits benefit from greater access to financial and capacity-building resources and also from less tangible resources, such as shared knowledge and partnership opportunities.

Figure 3: Perception of Financial Health by Geography

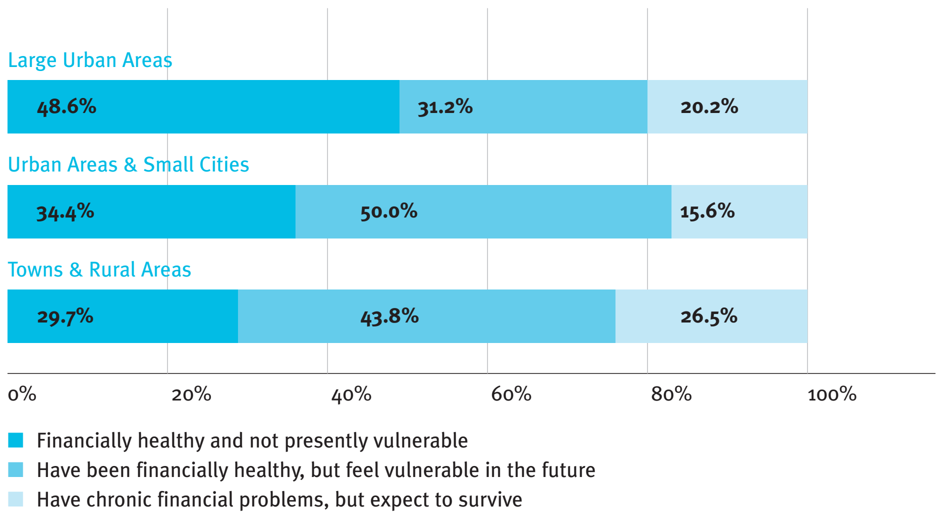


Table 5: Characteristics and Practice Differences by Perception of Financial Health

	Financially Healthy	Chronic Financial Problems
No Cash Flow Problems (FY2004 to FY2006)	71.6%	35.0%
Have Cash Reserve	85.5	67.5
Cash Reserve Equivalent to Two or More Months' Operating Budget	92.8	68.8
Have Endowment	36.9	21.1
Sufficient Access to Capacity Building	57.1	38.6
Adequate Foundation Funding to Pay for Capacity Assistance	40.0	12.6
Changed Because of Capacity Improvements	84.4	70.5
Board Takes Responsibility for Fiscal Stability	85.7	72.1
All Board Members Personally Give to Organization	70.2	54.8
Not Too Difficult to Find Qualified Board Members	40.5	19.4

Nonprofit Financial Trends in Missouri FY2004—FY2006

In order to analyze the organizational performance and capacity of Missouri's nonprofit sector, it is essential to have an understanding of the financial trends from FY2004 through FY2006. The critical financial factors affecting nonprofit operations are captured in the graph below on which the frequency of deficits and cash flow problems are combined with data on the average operating margin[22] and liabilities as a percent of income.

Figure 4 highlights three important conclusions about nonprofit finances in Missouri:

1 During the survey period there were fluctuations in income that contributed to the frequency of deficits and cash flow problems.

2 Responding Missouri nonprofits, on average, were affected minimally by these fluctuations because they maintained operating margins and continued to reduce liabilities.

3 While there was an increase in the number of responding nonprofits reporting deficits in FY2006, it is clear that many executive directors and boards of directors engage in financial practices and oversight that contribute to financial stability.

Figure 4 presents the reality and challenge of the nonprofit operating budget, including the reality of uncertain and restricted income, unmet fundraising goals and delayed government payments. In addition, it is constructive to consider these data independent of the data on net assets, which include resources that nonprofits often cannot access to address short term cash shortages. The rest of the survey report is largely concerned with the effects of these financial trends on operations, capacity and the attitudes of the executive director toward the organization's ability to achieve its mission.

It is clear from Figure 4 that FY2005 was a strong year compared to FY2004 with fewer responding nonprofits showing deficits and reporting cash flow problems and the highest average operating margin. By FY2006, the percent of responding Missouri nonprofits reporting cash flow problems was near FY2004 levels, the percent of respondents with deficits had increased slightly and the average operating margin fell below FY2004 levels. Because responding Missouri nonprofits are more likely to attribute cash flow problems to normal business cycles rather than delays in government payments, changes in cash flow problems reflect general lack of income certainty and timing of grants and payments.

22 Operating margin is surplus or deficit as a percentage of income.

Figure 4: Financial Trends, FY2004–FY2006

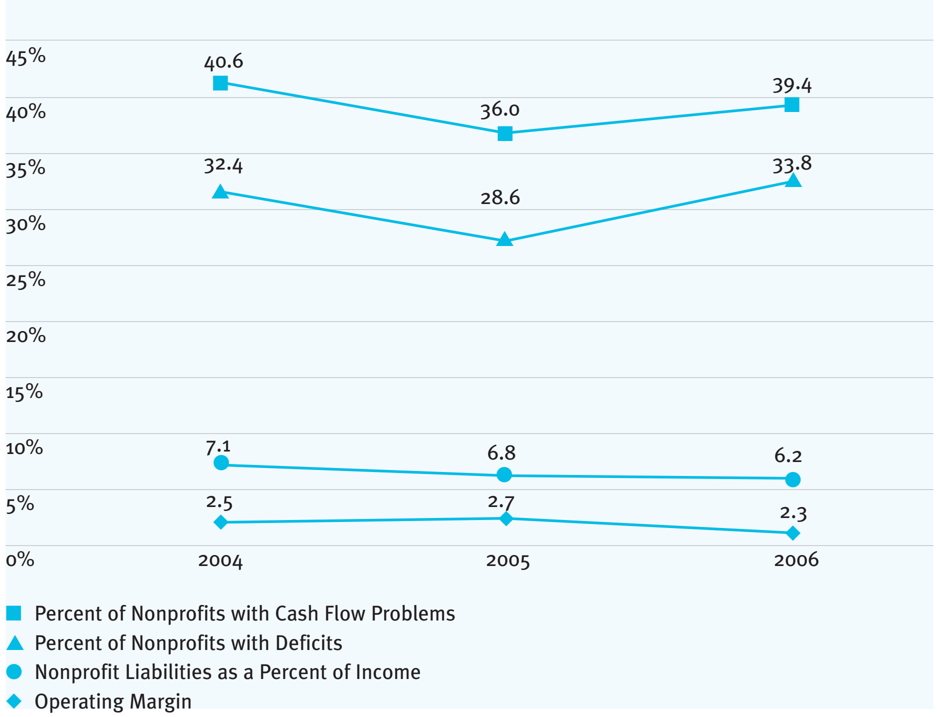


Table 6: Nonprofit Financial Data, Median and Percent Change, FY2004–FY2006 [23]

	FY2004 Median	FY2005 Median	FY2006 Median	FY2004—FY2005	FY2005—FY2006	FY2004—FY2006
Income	$611,365	$670,261	$662,839	9.6%	-1.1%	8.4%
Expense	$610,513	$612,102	$634,641	0.3	3.7	4.0
Surplus/Deficit	$12,865	$16,516	$11,607	28.4	-29.7	-9.8
Assets	$474,537	$443,394	$515,333	-6.6	16.2	8.6
Liabilities	$52,474	$44,733	$39,380	-14.8	-12.0	-25.0
Net Assets	$325,914	$376,644	$395,582	15.6	5.0	21.4

Table 7: Effect of Environmental Changes in Past Three Years

	Negative Impact	No Impact	Positive Impact
Economic downturn or recession	61.4%	33.8%	4.8%
Reductions in individual contributions	46.1	48.1	5.8
Reduction of federal funds	43.0	55.1	1.9
Restructuring of public sector support	37.9	55.8	6.3
Widespread layoffs	27.7	69.4	2.9
Complete cuts or elimination of programs	27.2	69.4	3.4
Internal restructuring designed to reduce costs	15.5	56.0	28.5
Decline in endowments	15.4	84.1	0.5
Mergers	7.4	89.2	3.4

Table 6 illustrates that net assets increase while there are operating cash shortages. This suggests that respondents dealt with deficits and cash flow problems by relying on their operating margins and cash reserves and did not have to take on liabilities, enabling respondents to build their assets.

Financial data show the fluctuations of economic and business cycles and reflect the effects of environmental changes over the past three years. Table 7 demonstrates that nearly two-thirds of respondents report that the economic downturn or recession has had a negative impact. Still, the nonprofit sector is stable and is making some gains. The following financial profiles highlight differences over the three-year period by sector and geography.

23 This table reports the median responses from survey respondents providing complete financial data. Financial data have been adjusted for inflation and are reported in 2006 dollars throughout this report. The data are unique to each category and there is no mathematical relationship between the financial figures reported. Figures reported for the size, sector and geography subcategories are not statistically significant unless stated.

Financial Profile by Sector

	FY2004 Median	FY2005 Median	FY2006 Median	FY2004–FY2006
Arts				
Income	$589,050	$651,905	$527,168	-10.5%
Expense	$523,637	$606,460	$633,305	20.9
Surplus/Deficit	-$2,656	$15,092	$10,848	508.4
Assets	$252,951	$313,202	$298,200	17.9
Liabilities	$40,933	$30,275	$32,865	-19.7
Net Assets	$209,972	$266,215	$292,949	39.5
Health Care				
Income	$996,167	$1,099,647	$850,396	-14.6
Expense	$922,023	$911,661	$892,149	-3.2
Surplus/Deficit	$19,098	$32,779	$18,611	-2.6
Assets	$536,056	$654,660	$1,147,076	114.0
Liabilities	$57,328	$47,509	$70,380	22.8
Net Assets	$574,839	$874,067	$1,084,953	88.7
Public & Societal Benefit				
Income	$313,735	$316,578	$324,714	3.5
Expense	$281,511	$316,568	$328,341	16.6
Surplus/Deficit	$7,170	$13,419	$14,126	97.0
Assets	$251,561	$246,715	$290,056	15.3
Liabilities	$17,954	$12,146	$12,524	-30.2
Net Assets	$189,479	$229,833	$277,945	46.7
Human Services				
Income	$715,413	$779,705	$895,997	25.2
Expense	$640,899	$727,315	$888,922	38.7
Surplus/Deficit	$18,980	$15,268	$10,352	-45.5
Assets	$610,830	$589,942	$567,663	-7.1
Liabilities	$70,709	$64,619	$62,022	-12.3
Net Assets	$465,169	$522,702	$497,081	6.9
Education				
Income	$583,358	$600,779	$638,300	9.4
Expense	$528,868	$599,756	$566,901	7.2
Surplus/Deficit	$19,812	$13,899	$13,845	-30.1
Assets	$416,553	$418,507	$485,693	16.6
Liabilities	$74,950	$47,172	$26,584	-64.5
Net Assets	$248,644	$313,265	$341,437	37.3

Financial Profile by Geography

	FY2004 Median	FY2005 Median	FY2006 Median	FY2004—FY2006
Large Urban Areas				
Income	$975,542	$1,043,922	$914,250	-6.3%
Expense	$887,573	$848,519	$892,711	0.6
Surplus/Deficit	$22,689	$32,731	$20,846	-8.1
Assets	$608,870	$629,005	$845,858	38.9
Liabilities	$132,491	$103,226	$96,592	-27.1
Net Assets	$478,905	$616,523	$641,820	34.0
Urban Areas & Small Cities				
Income	$708,355	$935,418	$967,660	36.6
Expense	$616,532	$891,788	$903,232	46.5
Surplus/Deficit	$27,491	$29,080	$10,000	-63.6
Assets	$446,454	$534,970	$403,708	-9.6
Liabilities	$23,923	$26,571	$32,865	37.4
Net Assets	$174,879	$234,282	$190,360	8.9
Towns & Rural Areas				
Income	$250,258	$277,058	$280,838	12.2
Expense	$259,548	$271,949	$273,242	5.3
Surplus/Deficit	$3,072	$6,431	$4,082	32.9
Assets	$299,110	$340,676	$360,384	20.5
Liabilities	$19,871	$15,365	$13,076	-34.2
Net Assets	$232,648	$254,171	$273,741	17.7

What are the Trends in Missouri Nonprofits' Incomes and Expenses?

Median income increased from approximately $611,000 in FY2004 to nearly $663,000 by FY2006 when income ranged from $10,217 to $15,246,069. Median income grew by 9.6 percent between FY2004 and FY2005, but declined by 1.1 percent by FY2006.

Though the change in median income shows overall growth being driven largely by the increases between FY2004 and FY2005, there is variation by size, sector and geography. Median income increased for all size categories from FY2004 to FY2006; however, not all categories experienced growth throughout the period. Organizations with less than $250,000 in annual revenue had an 18.1 percent increase in median income from FY2004 to FY2005, but then experienced an 8.8 percent decline from FY2005 to FY2006. Though the year-to-year trends and magnitude of change vary, it is important to note that the overall trend is income growth of between 4.5 and 11.9 percent from FY2004 to FY2006.

Though their income trends differ, both Human Services and Health Care respondents continue to have incomes that are significantly higher than nonprofits in other sectors. Responding Missouri nonprofits in these sectors receive more income from government, including Medicare and Medicaid, and have benefited from the relative stability of payments from state government.

- Human Services respondents experienced more than 25 percent income growth over the three year period.
- Health Care and Arts respondents had declines between FY2005 and FY2006 that completely reversed the income growth trend and resulted in three-year income declines of 14.6 percent and 10.5 percent, respectively.

As indicated in the description of the survey sample, organization size is closely related to geography. While the range of sizes is represented in each geographic category, responding nonprofits located in Large Urban Areas and Urban Areas & Small Cities are more than three times the size of nonprofits located in Towns & Rural Areas on average (Appendix B). Median income grew for respondents in each geography between FY2004 and FY2005. Respondents in Towns & Rural Areas experienced steady income growth and report median income of $280,838 in FY2006. Respondents in Urban Areas & Small Cities experienced a nearly one-third increase in median income from FY2004 to FY2005 for a total growth in median income of 36.3 percent. Only responding Missouri nonprofits located in Large Urban Areas experienced declines in median income. As a result, while respondents located in Large Urban Areas had the highest median income in FY2004, by FY2006 respondents located in Urban Areas & Small Cities had the highest median income, $914,250 and $967,660, respectively.

While median income increased, median expenses also increased over the period studied. From FY2004 to FY2006 median expenses increased by four percent from approximately $611,000 to $635,000 with nearly all of the increase occurring between FY2005 and FY2006. However, reflecting a conservative financial approach, respondents did not respond to increases in income by increasing expenses at the same rate. Median expenses in FY2006 ranged from $3,376 to $15,253,839.

Forty-eight percent of responding Missouri nonprofits report that the previous year's programs and budget are most influential in budgeting and planning. Given this practice, increased income in FY2005 likely influenced the increase in median expenses in FY2006 even as median income declined slightly (Table 6). The continued increase in expenses between FY2005 and FY2006 in the face of declining income suggests that nonprofits may not be responding quickly enough to changes in the operating environment.

That the percent of responding Missouri nonprofits with deficits increased and the average operating margin declined between FY2004 and FY2005 indicates that overall expense growth outpaced income growth. When the data are examined by size, both the smallest and largest respondents are able to either control expenses, raise more funds or both as projected income fluctuated. While their incomes increased, respondents with less than $250,000 in annual revenue and between $5 million and $15 million decreased expenses by 4.7 percent and 3.5 percent, respectively.

Increases in median expenses outpaced growth in median income over the period for all sectors except for Health Care—the only sector to show a decrease in median expenses. Arts, Public & Societal Benefit and Human Services respondents experienced increases in median expenses throughout the period. Education respondents also experienced an increase in median expenses, but between FY2005 and FY2006 median expenses declined.

As Figure 6 shows, during both FY2004 and FY2005 median income in all sectors remained higher than median expenses, but in FY2006 this was no longer true.

- Education was the only sector where median income growth outpaced increases in median expenses.
- Only Human Services and Education respondents had median incomes that exceeded median expenses in FY2006.
- Arts respondents are the most volatile with a 10.5 percent decline in income because of state funding cuts and a 20.9 percent increase in expenses over the three-year period.

Variation in median expense by geography is similar to the variation seen with median income. Respondents located in Large Urban Areas are the only group to show any year-to-year decline in median expenses. However, the decline in median expenses between FY2004 and FY2005 was negated by an increase in median expenses the following year for a very small overall increase in median expenses. For respondents located in Urban Areas & Small Cities, median expenses increased by 45.9 percent between FY2004 and FY2006 outpacing 36.6 percent income growth. The result of expense growth outpacing income growth for both Large Urban Areas and Urban Areas & Small Cities translated into declines in median surplus and median operating margin, but reflects overall growth. Respondents located in Towns & Rural Areas also experienced year-to-year increases in median expenses, but increases in median income narrowly outpaced increases in median expenses as reflected in the increase in the median operating margin.

What are the Trends in Nonprofit Surpluses and Operating Margins?

Over two-thirds of respondents show surpluses in each of the three years studied and nearly 38 percent had surpluses in every year. Consistent with sound financial practices, Missouri respondents commonly keep surpluses in the regular account for use when cash flow is tight or contribute to an investment or savings account. However, as Figure 4 illustrates, to some degree surpluses accrued during FY2005 were depleted in FY2006 and the average operating margin fell slightly.

There was also fluctuation in the operating margins of respondents. As noted in the previous section, the smallest respondents controlled expenses and, as a result, the median operating margin increased. FY2005 was an unusually good year during this period. Although by FY2006, the operating margin declined, it represented an improvement in financial condition from FY2004. Respondents between $500,000 up to $5 million in annual revenue experienced overall declines after above average operating margins in FY2004. By FY2006, these average operating margins more closely approximated those of the sector overall.

The data for individual sectors highlights the recovery of Arts organizations from FY2004 when state funding did not increase. Arts respondents had a median surplus of -$2,656 in FY2004. Surpluses, and, therefore, operating margins, were generally consistent across all sectors by FY2006.

What are the Trends in Nonprofit Assets and Liabilities?

While the average operating margin generally declined over the period studied, the asset position of respondents improved. Liabilities as a percent of income declined steadily, resulting in more than 21 percent growth in net assets between FY2004 and FY2006. However, the declines in liabilities as a percent of income were not accompanied by larger operating margins because respondents used cash reserves to meet financial obligations. As indicated, while the operating environment is less than ideal, growth occurs in net assets because of restricted funding and other non-liquid assets, such as facilities and physical plant.

Table 9 illustrates that between FY2004 and FY2006 assets grew by 8.6 percent as liabilities declined by 25 percent. Coupled with income growth there was a nearly one percent decline in liabilities as a percent of income over this period. As a result, median net assets grew from $325,914 to $395,582.

How Do Cash Reserves and Endowments Affect Nonprofit Financial Health?

Cash Reserves

Seventy-five percent of respondents report maintaining cash reserves. As Figure 8 shows, among respondents with cash reserves, 44 percent have a cash reserve equivalent to four or more

Figure 5: Median Income for Arts, Health Care and Human Services, FY2004–FY2006 (in thousands)

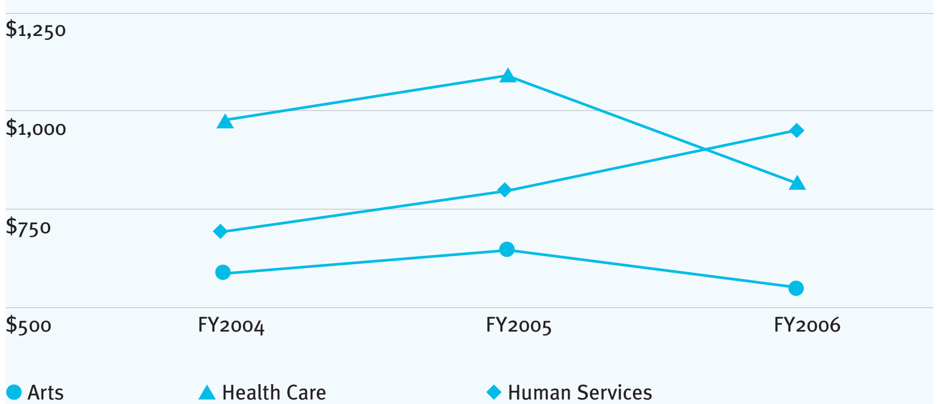


Figure 6: Median Expense and Income by Sector, FY2004–FY2006 (in thousands)

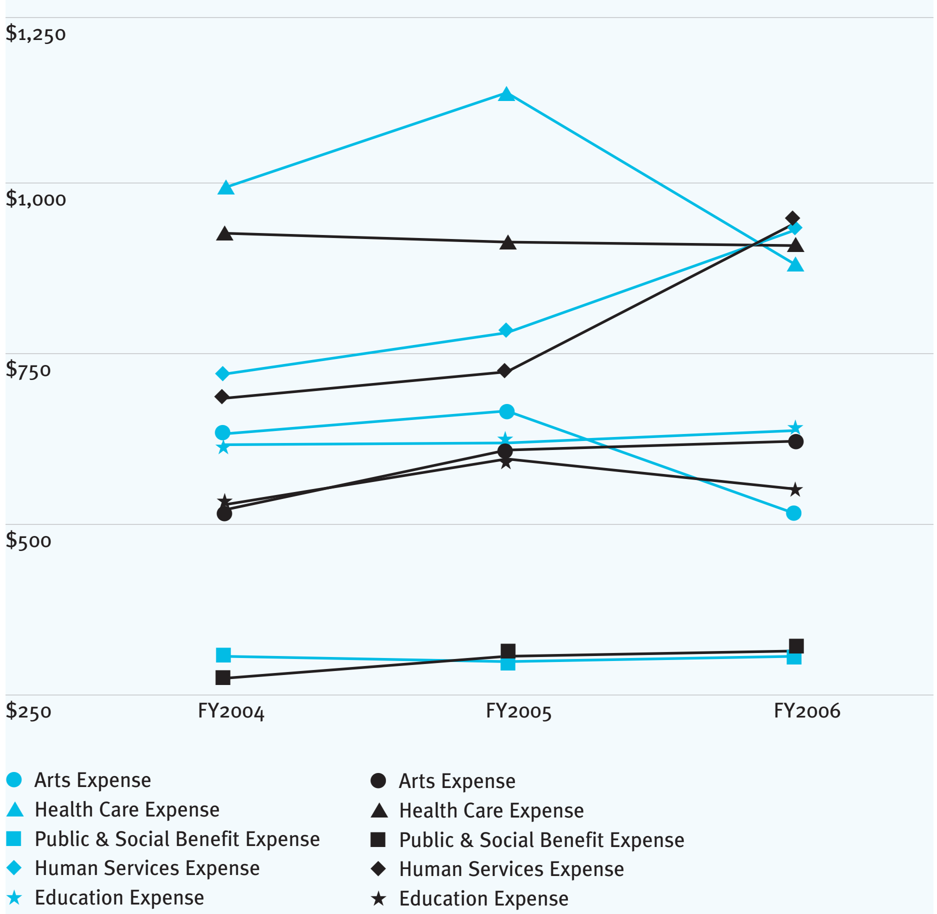


Figure 7: Median Operating Margin by Size, FY2004–FY2006

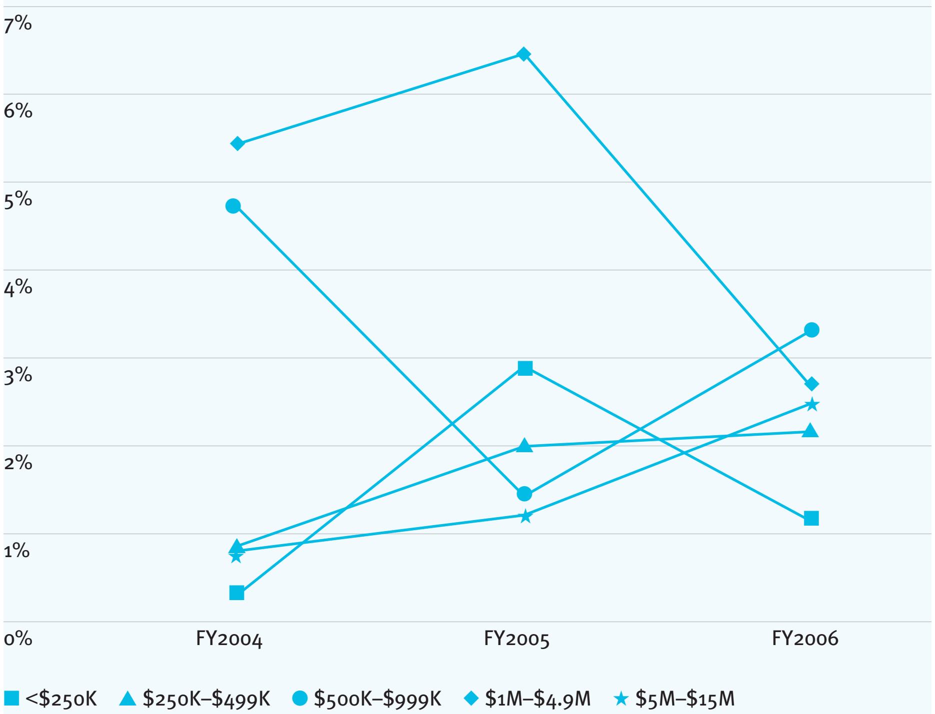


Table 8: Average Operating Margin, Median Surplus and Percent of Respondents Showing Surplus, FY2004–FY2006

	FY2004	FY2005	FY2006
Average Operating Margin	2.5%	2.7%	2.3%
Percent Showing Surplus	65.9	70.2	64.5
Median Surplus	$12,865	$16,516	$11,607

Table 9: Assets, Liabilities, Net Assets and Liabilities as a Percent of Income, FY2004–FY2006

	FY2004	FY2005	FY2006	FY2004–FY2005	FY2005–FY2006	FY2004–FY2006
Assets	$474,537	$443,394	$515,333	-6.6%	16.2%	8.6%
Liabilities	$52,474	$44,733	$39,380	-14.8	-12.0	-25.0
Net Assets	$325,914	$376,644	$395,582	15.6	5.0	21.4
Liabilities as a Percent of Income	7.1%	6.8%	6.2%	-0.3	-0.6	-0.9

months' operating budget. The prior analysis of nonprofit financial data clearly underscores the importance of cash reserves, even limited ones, to nonprofits in Missouri.

There is a statistically significant relationship between having a cash reserve and the perception of an organization as financially healthy. Approximately 46 percent of responding Missouri nonprofits with cash reserves report being financially healthy, but just 23 percent of those without cash reserves report being financially healthy. Table 10 illustrates that the size of the reserve is associated with how a respondent rates its financial health. Over 65 percent of respondents with a cash reserve equivalent to four or more months' operating budget perceive their organization as financially healthy and not presently vulnerable and only 4.5 percent report having chronic financial problems.

Table 11 provides data on the frequency of cash reserves among the different sectors. Cash reserves are common among all sectors, but Arts respondents are least likely to maintain one.

While respondents throughout the state have cash reserves, a respondent's location relates to the size of the reserve.

- Respondents located in Large Urban Areas are much more likely to report a large cash reserve.
- Half of respondents located in Urban Areas & Small Cities maintain a smaller reserve equal to two- to three-months of operating expenses.

Table 10: Size of Cash Reserve and Description of Financial Health

	No Cash Reserve	One Month	Two to Three Months	Four or More Months
Description of Financial Health				
Financially healthy and not presently vulnerable	23.1%	16.7%	39.6%	65.2%
Have been financially healthy, but feel vulnerable in future	32.7	50.0	45.3	30.3
Have chronic financial problems, but expect to survive	44.2	33.3	15.1	4.5

Figure 8: Size of Cash Reserve

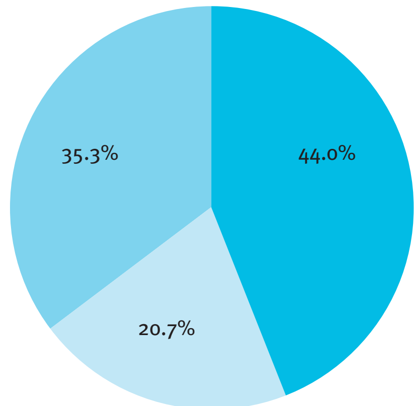


Table 11: Cash Reserve by Sector

Health Care	82.6%
Education	77.8
Human Services	75.5
Public & Societal Benefit	72.0
Arts	59.1

Endowments

Endowments are an asset that can be used to support a nonprofit's operating budget or a specific program depending on the value and restrictions stipulated when the donation was made. They reflect an ongoing commitment of donors to the mission of the organization. Though endowments can contribute to long-term financial health, they are not common among responding Missouri nonprofits.

The survey found:

- Only 30 percent of respondents have an endowment, but respondents with endowments are more likely to feel financially healthy.

- Because relatively few respondents have endowments, there are significant variations by size, sector and geography.

Table 13 illustrates that the likelihood of having an endowment increases with size.

Differences by sector show that Health Care and Arts respondents are the most likely to have an endowment. The high incidence of endowments among Arts respondents may reflect the influence of the MAC endowment-matching program which began in 2000 and matches contributions. Among Missouri respondents, Health Care respondents are most likely to have an endowment.

The median endowment value is approximately $198,000, though respondents report endowments ranging from $100 to $12 million.[24] However, because endowments are infrequent, it is inappropriate to compare the endowment value by size, sector and geography. More intuitive and more useful is a comparison by organization age. When the sample is divided into quintiles based on the age of the organization, differences in having an endowment emerge and are also statistically significant. Nonprofits are increasingly likely to have endowments as they mature. For example, a majority of respondents in the top quintile have endowments and the median value of these endowments is by far the largest. As Table 16 shows, respondents in the bottom quintile are the least likely to have endowments, though their endowments are larger than those of the next quintile.

24 *Getting It Right: How Illinois Nonprofits Manage for Success* covered the period of FY2001 through FY2003 and found that 30.4 percent had an endowment and that the median endowment value was approximately $800,000 (in 2006 dollars).

Table 12: Size of Cash Reserve by Geography

	One Month	Two to Three Months	Four or More Months
Geography			
Large Urban Areas	11.5%	33.3%	55.1%
Urban Areas & Small Cities	23.1	46.2	30.8
Towns & Rural Areas	34.9	34.9	30.2

Table 13: Endowments by Size

	<$250K	$250K–$499K	$500K–$999K	$1M–$4.9M	$5M–$15M
Respondents with Endowment	5	5	14	25	9
Percent with Endowment	6.2%	11.8%	35.3%	44.2%	50.0%

Table 14: Endowments by Sector

	Arts	Health Care	Public & Societal Benefit	Human Services	Education
Respondents with Endowment	10	10	1	25	12
Percent with Endowment	41.7%	43.5%	4.0%	25.0%	33.3%

Table 15: Endowments by Geography

	Large Urban Areas	Urban Areas & Small Cities	Towns & Rural Areas
Respondents with Endowment	43	6	8
Percent with Endowment	39.1%	18.8%	12.7%

Table 16: Endowments by Organization Age Quintiles

	0–11 years	12–20 years	21–30 years	31–38 years	39–157 years
Respondents with Endowment	5	9	10	11	22
Percent with Endowment	12.8%	22.0%	22.2%	26.2%	55.0%
Median Value of Endowment	$69,000	$53,500	$134,500	$333,000	$850,000

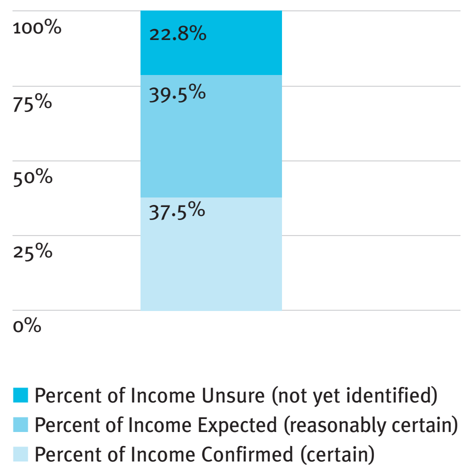
In addition, once a nonprofit has been operating for 20 years the median value of its endowment more than doubles every ten years.

Endowments are by no means universal and present an important fundraising opportunity for much of the sector. As an income generating asset, endowments, like cash reserves, can be used to provide an influx of cash when the possibility of a deficit emerges.

How Frequent are Deficits and Cash Flow Problems?

Responding Missouri nonprofits estimate at the start of a new fiscal year that on average less than 40 percent of the income needed for budgeted expenses is confirmed and over one-fifth is considered uncertain or not yet identified (Figure 9). Because nonprofits largely depend on income that is uncertain and sometimes late, deficits and cash flow problems are not easily avoided. A related finding is that for respondents who are engaged in human services,

Figure 9: Average Share of Income by Level of Certainty Each New Fiscal Year



78 percent report that the current level of government funding does not cover the actual cost of providing services. Data on the frequency of these financial problems and the responses by respondents provide information on the financial challenges the sector has faced in recent years.

Deficits

Figure 10 demonstrates that deficits are common with over 60 percent of respondents having a least one annual deficit during the recent three-year period. This is not surprising given that less than half of the income is certain and respondents have limited to no control over the timing of government and grant payments. In addition, funders and the public have taken a negative view of the surpluses needed to respond to deficits and remain financially healthy. A positive operating margin has been misinterpreted as signifying that an organization does not really need funding.[25]

25 Miller, 51.

Figure 10: Frequency of Deficits

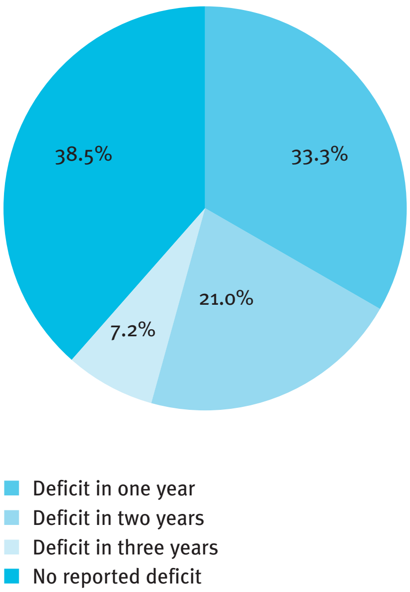


Table 17: Respondents Showing a Deficit and Percent Using Given Approach

	FY2004	FY2005	FY2006
Respondents with a deficit	33.2%	29.3%	35.5%
Responses to a deficit			
Used prior year's reserve	53.8	55.3	60.9
Fundraised	28.8	34.0	26.6
Brought deficit forward into the next year's budget	19.2	14.9	15.6
Cut expenses, including staff layoffs	13.5	27.7	29.7
Approached board for special contribution	7.7	14.9	14.1
Borrowed money	5.8	12.8	14.1
There was nothing we could do because we didn't realize we had the deficit until the end of the year	3.8	2.1	4.7
Did not pay bills	1.9	4.3	1.6
Did not pay payroll taxes	1.9	2.1	0.0

Though respondents frequently have deficits, it is important to note that the size of a deficit varies and the financial impact on the organization depends on the size of the deficit relative to income. In addition, a deficit can occur due to the timing of payments and then represents only a temporary shortfall. In FY2006, deficits varied from $396 to $1.7 million with a median of approximately $28,600.

As already indicated, responding Missouri nonprofits recognize the need for a cash reserve and rely on these funds at year end. Among respondents posting a deficit in FY2006, nearly 61 percent report using a prior year's reserve—the most common response in each year. Respondents also rely on fundraising, bringing deficits forward and cutting expenses, including staff layoffs.

As Table 17 shows, over the period studied respondents increasingly dealt with deficits by using a prior year's reserve, cutting expenses, borrowing money or approaching the board for a special contribution. The differences in approaches used to address deficits in each of the three years being studied suggest that either respondents are more likely to use multiple strategies as expenses grow or they do not remember the extent to which they have used particular strategies in the past. As the financial trend data reported earlier indicated, FY2006 budgets may have anticipated stable income, or even growth, after the FY2005 expansion.

Missouri nonprofits that budgeted for growth may have had difficulty making mid-year adjustments. Because responding Missouri nonprofits engage in sound financial practices, a finding that will be discussed in detail later, less than five percent of organizations were unable to respond because they did not realize they had a deficit until the end of the year.

The negative effect on perceptions of financial health of recurring deficits within a three-year period is shown in Figure 11. Deficits are the inability to meet financial commitments and organizations with deficits do not feel financially healthy.

Cash Flow Problems

The changes in the economic environment from FY2005 to FY2006 also increased cash flow problems for responding Missouri nonprofits and resulted in the deficits already discussed.

- Approximately two-fifths of respondents experience cash flow problems annually.
- There was a slight decline in reports of cash flow problems in FY2005.
- This environment poses constant operating challenges as many nonprofits attempt to adjust.

Figure 11: Respondent Perceptions of Financial Health by Frequency of Deficits

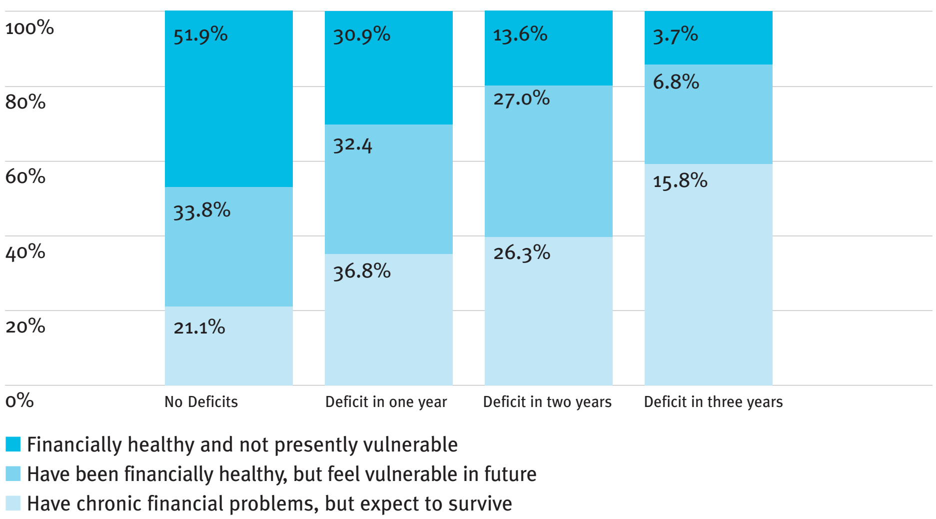


Table 18 highlights the top reasons cited for cash flow problems each year.

Responding Missouri nonprofits attribute cash flow problems to normal business cycles and were not unprepared for the fluctuation that occurred from FY2005 to FY2006. One strategy for coping with income uncertainty and potential cash flow problems is to diversify revenue sources thereby avoiding dependence on any one source. The survey found that more than 90 percent of respondents attempt to diversify revenue sources. Though nonprofits have diverse revenue sources, government payments represent a sizeable share of revenue for Human Service and Health Care nonprofits and excessive delays in these payments can create costly cash flow problems. It should be noted, however, that there is no evidence of substantial delays in government payments during the survey period.

As Table 18 shows, prior deficits can also create cash flow problems. Whereas a prior deficit is cited by over one-fifth of organizations in both FY2004 and FY2005, in FY2006 it fell to 12.5 percent. While fewer organizations struggled to address a prior deficit, there is evidence that some respondents budgeted less conservatively than in prior years:

- There was an 11.5 percent increase from FY2004 to FY2006 in respondents citing unanticipated emergency expenses as the reason for the cash flow problem.

- An additional five percent attributed cash flow problems to unmet fundraising goals in FY2006.

Table 19 illustrates that over the three year period studied, approximately 28 percent of respondents had cash flow problems every year while nearly 50 percent report no cash flow problems. There is a statistically significant relationship between frequency of cash flow problems and perceptions of financial health. Cash flow problems also lead to financial vulnerability with 63 percent of respondents that had problems in one year reporting they feel vulnerable in the future and 41 percent with problems in two years. Therefore, this finding suggests that negative perceptions of financial health are related to the persistence of uncertainty and operational challenges rather than a single challenging year. Finally, the fact that each nonprofit views its financial position and challenges differently is highlighted too. More than one-quarter of respondents with annual cash flow problems report that they are financially healthy and not presently vulnerable.

Responding Missouri nonprofits use a diverse set of strategies when responding to cash flow problems. As in the case of deficits, using cash reserves is the most commonly cited response to a cash flow problem in each year studied. Table 20 shows that respondents also frequently rely on increased fundraising activities, transfers of money from other funds, delaying the payment of bills and requesting a loan from a bank, among other responses. Delaying the payment of bills can result in additional fees and expenses and this practice declined steadily over the period. The least frequently cited response to cash flow problems each year was cutting program services. However, it is important to note that in each year studied more respondents with cash flow problems reduced program staff and froze salaries.

Table 18: Respondents with Cash Flow Problems and Percent Attributing to Given Cause

	FY2004	FY2005	FY2006
Respondents with a cash flow problem	40.6%	36.0%	39.4%
Reasons for cash flow problems			
Normal business cycles	39.5%	41.1%	38.8%
Delays in government payments	34.6	30.1	33.8
A prior deficit	23.5	23.3	12.5
Unanticipated emergency expenses	18.5	23.3	30.0
Fundraising campaigns did not meet expected goals	16.0	20.5	21.2
Timing of fundraising campaigns	12.3	15.1	12.5
Spent money we thought we would receive, but did not receive	12.3	9.6	12.5
Delays in foundation payments	6.2	6.8	8.8
Other	13.8	11.1	17.7

Table 19: Frequency of Cash Flow Problems and Description of Financial Health

	Financially healthy and not presently vulnerable	Have been financially healthy, but feel vulnerable in future	Have chronic financial problems, but expect to survive	Total
No cash flow problems	58.6%	36.4%	5.0%	**49.7%**
One year	22.2	63.0	14.8	**13.6**
Two years	11.8	41.2	47.0	**8.5**
Three years	27.3	27.3	45.4	**28.1**

Table 20: Responses to Cash Flow Problems

	FY2004	FY2005	FY2006
Use cash reserves	41.5%	39.7%	46.2%
Increase fundraising activities	39.0	41.1	37.5
Transfer money from other funds	31.7	31.5	36.2
Delay payment of bills	36.6	34.2	32.5
Request a loan from a bank	25.6	26.0	27.5
Approach a funder for emergency funding	23.2	23.3	20.0
Reduce program staff	13.4	16.4	18.8
Approach board for loan or special contribution	14.6	15.1	17.5
Freeze salaries	11.0	17.8	17.5
Reduce administrative staff	18.3	16.4	13.8
Cut professional and/or organizational development budget	14.6	16.4	12.5
Cut program services	6.1	5.5	3.8

Funding and Fundraising

Responding Missouri nonprofits fund activities with a combination of donations, government contracts and earned income, which includes third party payments for health care. These combinations are as diverse as the sector itself. It is not unexpected that income concerns are primary among nonprofit executive directors given the complexity and the previously mentioned uncertainty of funding.

When asked to rank the three most significant ongoing problems facing their organization, 75 percent of respondents chose an income-related concern. With a majority of respondents engaged in human services, health care or education, nearly one-third of responding Missouri nonprofits rank the growing demand for services without the resources to support program growth as the most significant ongoing problem. In addition, 23 percent rank the shortage of income to meet expenses as most significant and 13 percent rank shrinking public money to support programs as their most significant ongoing problems. These providers are committed to increasing access even when funding is inadequate. Finally less than six percent identify competition for resources from other respondents and fewer selected other types of challenges.

Despite evidence of income growth, the median operating margin declined over the survey period. While many Missouri nonprofits have accumulated surpluses, they report that they do not have adequate grants and funding to expand their programs to meet community demand.

What Funding Sources Support Missouri Nonprofits?

For FY2006 responding Missouri nonprofits were asked to calculate the percent of income from the categories

Table 21: Ongoing Problems Facing Respondents

	#1 Most Significant Ongoing Problem
Growing demand for services without the resources to support program growth	32.9%
Shortage of income to meet expenses	23.0
Shrinking public money to support programs	13.0
Inability to hire and/or retain qualified and motivated staff	7.5
Competition for resources from other nonprofits	5.6
Other	18.0
	100.0%

Figure 12: Problems by Frequency of Top Three Ranking

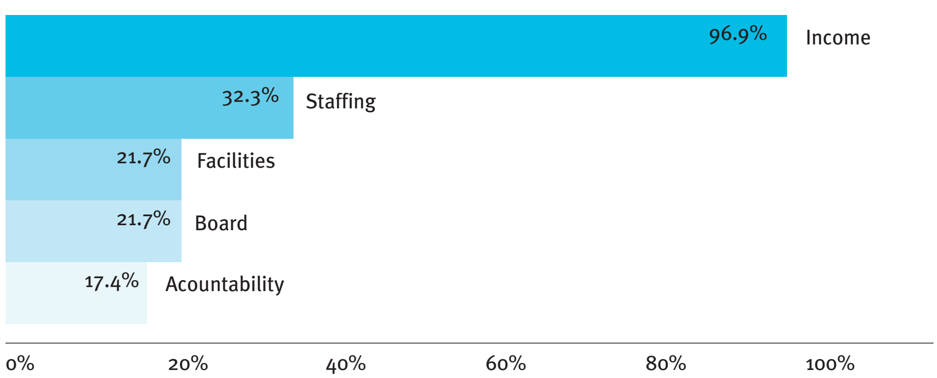


Table 22: Average Percentage of Budget by Source for All Respondents

	2006 Actual	2010 Projected
Government Contracts/Grants	31.3%	29.4%
Individual Donations/Memberships	18.3	19.9
Earned Income	17.5	17.3
Foundation/Corporate Grants	14.5	14.4
Fundraisers/Events	9.6	10.4
United Way	3.4	3.2
Other	5.4	5.4
	100.0%	**100.0%**

listed in Table 22. They were then asked to project increases or decreases in each source for FY2010. For example, respondents project that government contracts and grants will decline as a share of total income by FY2010.

Government contracts and grants represent the largest source of revenue for respondents on average.

- Five respondents report that government contracts and grants are their sole source of revenue.
- Twenty-one percent of respondents report that these contracts and grants represent at least 50 percent of their budgets.
- However, approximately 28.3 percent of respondents did not have any government contracts or grants in FY2006.

While respondents project that this source of revenue will decline as a share of their budgets by FY2010, it will continue to represent a significant portion of nonprofit budgets on average.

Individual donations and memberships and earned income are equal contributors and the second largest sources of annual income.

- Individual donations and memberships currently represent more than 18 percent of nonprofit budgets on average, but respondents project that this source will increase. These contributions are an important source of general operating support.
- Approximately 15 percent of respondents did not rely on this source at all in FY2006 and only two organizations anticipate pursuing individual donations and memberships in the future.
- Earned income represents 17.5 percent of nonprofit budgets on average. For 14.4 percent of respondents, earned income accounts for the majority of funding.

Earned income can include fees for services provided as well as goods and services sold to the general public. These sources and strategies may give the organization greater control over income certainty. An equally important finding, however, is that 54 percent of respondents did not have any earned income in FY2006 and rely entirely on grants and contributions.

Foundation and corporate grants represent a slightly smaller portion at 14.5 percent of nonprofit budgets. Responding Missouri nonprofits believe this funding is stable and did not project a decrease by FY2010. However, as in the case of government contracts and grants, a small share of respondents relies heavily on foundation and corporate grants. In this case, for 6.4 percent of respondents, these grants represent more than 50 percent of their budgets. More than 29 percent of respondents do not have any of these grants.

Fundraisers and events which account for about 10 percent of annual income are a proven method for raising individual and corporate contributions. Over two-thirds of responding Missouri nonprofits had some income from fundraisers and events in FY2006. This is a strategy that nonprofits will continue to pursue. In addition, as with direct individual donations and memberships, they project that they can increase the returns on these activities.

United Way funding represented only 3.4 percent of nonprofit budgets on average and is concentrated almost exclusively in Health Care, Human Services and Education. Twenty-eight percent of respondents have some United Way funding and there are United Way agencies throughout the State.

How do Nonprofits Raise the Funds They Need?

As noted in the previous section, of respondents experiencing cash flow problems in FY2006, 21.2 percent attribute the problem in part to fundraising campaigns not meeting expected goals and 12.5 percent attribute the problem in part to the timing of fundraising campaigns. In FY2006, respondents report that on average 6.4 percent of the operating budget was spent on fundraising. However, for seven respondents in our sample, fundraising accounts for at least 25 percent of the operating budget. In addition, approximately two-thirds of nonprofit boards have fundraising or development committees.

By hiring development staff or a resource development consultant, nonprofits try to ensure that they have the capacity to maintain current funding sources and generate new sources of income. Though partly a function of the size of a nonprofit, having an in-house development director or fundraiser on staff is also related to the distribution of budget sources. As Table 23 shows, government contracts and grants makes up a smaller portion of the budgets of respondents with fundraising staff, as compared to 35 percent for those without in-house development directors. Consequently, respondents with a development director or fundraiser on staff have budgets with larger shares of individual donations, foundation and corporate grants, fundraisers and events and United Way funding. It is not clear whether less government funding necessitates additional staff to secure other resources or this capacity results in a decrease in the portion of government funding relative to other sources.

Fundraising capacity is essential for all but a few respondents and optimally combines the resources of the staff and board of directors.

Capital Campaigns

Nonprofit capital campaigns redirect existing fundraising capacity or engage additional capacity in the development or building of new assets for the organization, usually for facility purchasing, construction and renovation. At the time of the survey, 37 organizations (18 percent) are engaged in or launching a capital campaign. The median goal for these was $1 million, but one organization plans to raise $21 million. Several respondents are in the early stages of planning and have not yet set the campaign's monetary goal.

Respondents were asked to report what the capital funds would be used for and could select multiple purposes.

- The majority of respondents, 51 percent, undergoing a campaign report that the funds are for purchasing and renovating a building.

Table 23: Budget Source Differences by In-House Development Director or Fundraiser

	2006 Budget	
	In-house development director or fundraiser on staff?	
	Yes	No
Government Contracts/Grants	23.9%	35.0%
Individual Donations/Memberships	21.3	18.8
Earned Income	16.7	17.5
Foundation/Corporate Grants	16.4	12.3
Fundraisers/Events	11.7	9.2
United Way	4.9	1.6
Other	5.0	5.6
	100.0%	**100.0%**

Table 24: Current Capital Campaigns by Sector

	Number of Capital Campaigns	Percent of Sector with Capital Campaigns
Arts	11	47.8%
Health Care	2	8.7
Public & Societal Benefit	2	8.0
Human Services	16	16.2
Education	6	16.7
Total	**37**	**17.9**

- The second most common use was building construction with 37 percent.
- Twenty-four percent are going to support ongoing operations/ programs and 19 percent are also using some funds to establish an endowment.
- One nonprofit reports that it will use the campaign to retire its current mortgage.

As expected, there are large variations in capital campaign activity between the different nonprofit sectors. Table 24 highlights the number and percent of capital campaigns by sector.

Almost half of the Arts respondents are currently engaging in a capital campaign and they account for almost one-third of all campaigns. This is further evidence of the confidence of the Arts organizations surveyed, who report feeling financially healthy and not presently vulnerable. It indicates that many Arts respondents are currently investing in facilities. These may provide opportunities to improve and expand service delivery. As the largest share of respondents, Human Services respondent report the highest absolute number of campaigns, but this represents only 16.2 percent of organizations in the sector.

Management and Operations Capacity

In order for a nonprofit to reach a high level of organizational performance, the executive director must ensure that resources are applied effectively toward achieving the mission. The initial sections of this report emphasize the role of financial management and the need to integrate program and financial planning when responding to the inherent uncertainty of nonprofit income juxtaposed with increasing demand for services.

The survey also evaluated how nonprofits are managed and the capacity they are developing to grow or respond to operational and financial challenges. The survey covered capacity related to staff, information technology, management practices and planning. Nonprofit facilities also contribute to organizational capacity, as reported in the next section. In addition, respondents were asked to report on capacity-building assistance, whether it was available and beneficial, who provided it, and how they paid for it. When considering the information reported here, it is important to bear in mind the differences in the sizes and types of services offered that influence managerial and operational needs and how resources are used. As the data will show, it is not enough for nonprofits to be successful at raising funds; they must be strategic when managing them.

How are Missouri Nonprofits Staffed?

Responding Missouri nonprofits overall tend to be led by experienced executive directors. The median tenure for executive directors is seven years. Thirty-nine percent of respondents are led by executive directors with tenure of at least 10 years and only 13.5 percent of respondents are led by executive directors with less than two years in the job. However, over one-quarter of respondents anticipate a change in executive directors in the next five years due to retirement.

The majority of nonprofits rely on human resources from the executive director to the program directors to other staff to provide services. As a result, respondents devote a significant portion of their operating budget to salaries and benefits. On average salaries and benefits comprise 44.5 percent of the operating budget. Table 25 shows there are important variations by size, sector and geography.

- Smaller respondents with less than $500,000 in annual revenue allocate a smaller share of their budgets to salaries and benefits.
- Respondents with between $1 million and $4.9 million in annual revenue devote a majority of their operating budgets to salaries and benefits on average, as do Health Care respondents.
- The Arts devoted the smallest share of their operating budgets on average to salaries and benefits.
- By geography, respondents located in Large Urban Areas on average allocate the largest share of their operating budgets to salaries and benefits. Those in Towns & Rural Areas allocate the smallest share.

Table 25: Average Percent of Operating Budget Salaries and Benefits Comprise

Size		Sector		Geography	
<$250K	36.9%	Arts	33.1%	Large Urban Areas	46.3%
$250K–$499K	38.1	Health Care	50.9	Urban Areas & Small Cities	44.4
$500K–$999K	48.6	Public & Societal Benefit	38.4	Towns & Rural Areas	41.5
$1M–$4.9M	51.3	Human Services	46.7		
$5M–$15M	49.8	Education	45.9		

Though respondents cite income-related concerns as the most significant ongoing problem, 32.3 percent of respondents cite staffing issues among their top three most significant ongoing problems. Some of the variation in operating budget allocation likely reflects the considerable variation in the use of volunteers and paid staff, including specialized professional staff.

Many nonprofits began as volunteer-led efforts organized to address a local issue or meet a community need. In addition, volunteers are one way that nonprofits can continue to increase their organizational capacity and supplement and support the work of paid staff as they move away from being completely volunteer-led. Seventy-nine percent of respondents report using volunteers in some capacity. Though there is some variation by nonprofit size and sector, a majority of respondents in every category use volunteers. There is, however, a statistically significant difference in volunteer use by geography. Respondents located in Large Urban Areas and Towns & Rural Areas are most likely to use volunteers.

Though more than two-thirds of respondents use volunteers, as organizations grow, they increasingly rely on paid staff. Some nonprofits will re-define the role of volunteers in their organization, perhaps shifting all volunteer involvement to the board of directors.

Table 26: Respondents Using Volunteers by Geography

Large Urban Areas	84.6%
Urban Areas & Small Cities	64.5
Towns & Rural Areas	76.3

Table 27: Median Full-Time Paid Staff Size by Size

<$250K	1
$250K–$499K	3
$500K–$999K	6
$1M–$4.9M	20
$5M–$15M	82

The median full-time paid staff size is six, but there is significant variation by size. As already noted, there are operational differences attributable to size and life cycle that occur as respondents reach $1 million in annual revenue. The median full-time paid staff more than triples for organizations with annual revenue between $1 million and $4.9 million and quadruples as respondents move from this size to annual revenue between $5 million and $15 million.

Sector is less closely tied to staff size, but there is some variation. Arts and Public & Societal Benefit respondents tend to have the smallest full-time paid staff with a median size of three. Health Care and Human Services respondents have a median of six full-time paid staff, while Education respondents tend to have the largest at nine members. The median full-time paid staff size in Large Urban Areas and Urban Areas & Small Cities is approximately the same at seven and eight members, respectively. However, respondents located in Towns & Rural Areas have a median full-time paid staff size that was half that of other respondents.

Specialized professional staff such as bookkeepers and accountants and development directors and fundraisers can help an organization increase specific operational capacities. Over two-thirds of respondents report having an in-house bookkeeper or accountant on staff. However, there are important and statistically significant variations. For example, all respondents with total annual revenues of between $5 million and $15 million report having an in-house bookkeeper or accountant and nearly 90 percent of respondents with total revenue of $1 million up to $5 million report this in-house capacity. By contrast, fewer than half of respondents with total annual revenue of less than $250,000 have an in-house bookkeeper or accountant on staff (Figure 13). Given the close relationship of staff size and revenue size shown in Table 28, this is not surprising and suggests that as nonprofits grow, having an in-house bookkeeper or accountant on staff becomes an increasingly standard practice.

There is also statistically significant variation by sector, though the variation is less pronounced, likely reflecting the size variation within each sector (Figure 14). Public & Societal Benefit and Arts respondents are least likely to report having an in-house bookkeeper or accountant on staff, likely reflecting their overall smaller staff size.

There is not statistically significant variation by geography, but it is worth noting that more than 77 percent of respondents located in Urban Areas & Small Cities have in-house bookkeepers or accountants on staff compared to those located in Large Urban Areas and Towns & Rural Areas, 64.5 percent and 64.1 percent, respectively (Figure 15).

Respondents are generally less likely to report having an in-house

Figure 13: Select In-House Staff by Size

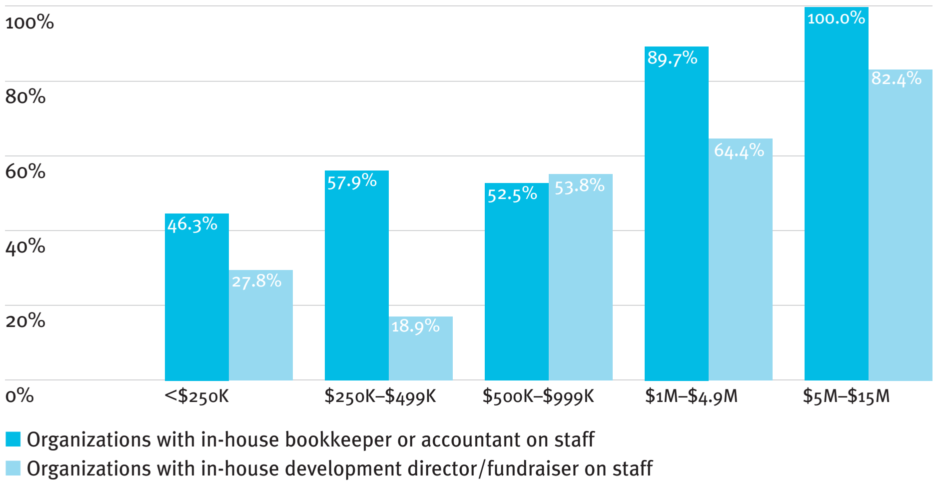


Figure 14: Select In-House Staff by Sector

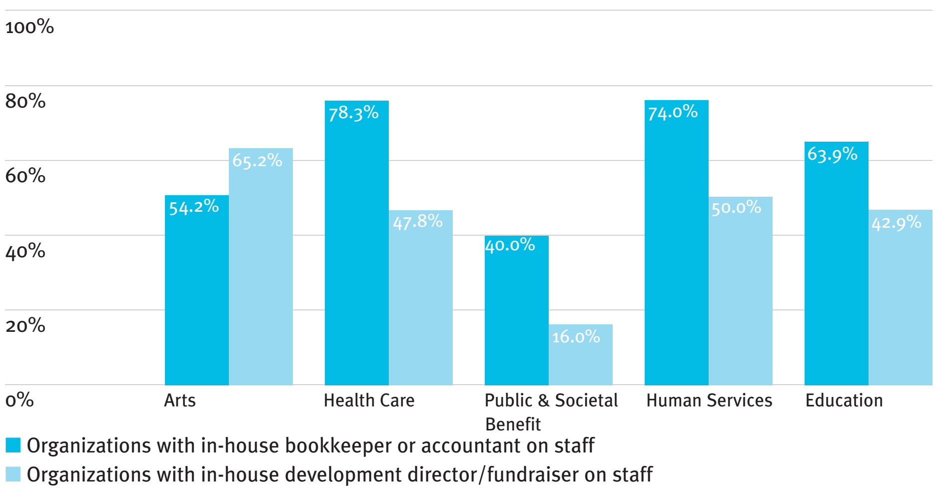
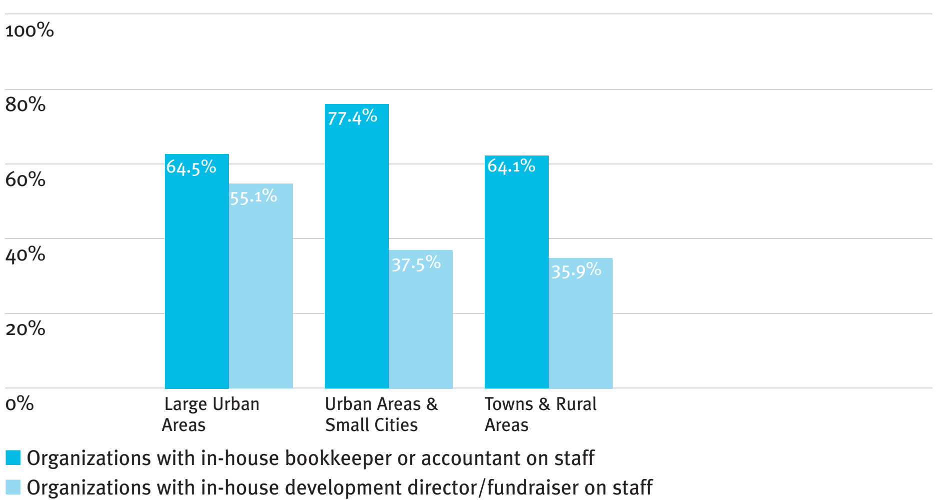


Figure 15: Select In-House Staff by Geography



development director or fundraiser on staff than an in-house bookkeeper or accountant.

- Only 46 percent of respondents report having an in-house development director or fundraiser on staff.
- As described in the previous section, having an in-house development director or fundraiser on staff is related to income source distribution.
- For respondents with a development director or fundraiser on staff, income from individual donations, foundation and corporate grants, fundraisers and events and United Way funding make up a larger share of operating budgets on average.

As Figure 13 shows, the largest respondents are most likely to have an in-house development director or fundraiser on staff. With one notable exception, having this capacity on staff corresponds to revenue. The exception is among the smallest respondents with less than $250,000 in total annual revenue. These respondents are likely in the first stage of the nonprofit life cycle and are part of a group of nonprofits referred to by Light as “organic nonprofits” that function as start-ups for a time and must emphasize fundraising to grow.

Figure 14 illustrates that sector is also closely related to having an in-house development director or fundraiser on staff. Less than one-fifth of Public & Societal Benefit respondents have this capacity on staff compared to over two-thirds of Arts and half of Human Services respondents. In addition, only Arts respondents report being more likely to have an in-house development director or fundraiser than an in-house bookkeeper or accountant, reflecting the roles of earned income and fundraisers and events in the income of Arts organizations.

Perhaps most striking is the variation of an in-house development director or fundraiser on staff by geography. Though there is a less pronounced difference in having an in-house bookkeeper or accountant, as shown in Figure 15, respondents located in Large Urban Areas are much more likely than all others to have an in-house development director or fundraiser. Human resources, especially in the form of experienced, dedicated and/or specialized staff, are critical to maintaining and building organizational capacity. Larger organizations have larger staff and are more likely to have specialized in-house capacity. A nonprofit's ability to both fund new positions as well as hire and retain qualified staff are critical to the successful development of long-term organizational capacity.

How Effectively Are Nonprofits Able to Use Information Technology?

With constant technological change and innovation, the nonprofit sector like the public and private sectors has an opportunity to make its staff and volunteers and, consequently, its management and operations, more efficient. However, nonprofits likewise are challenged to keep up with the rapid change. Finding the resources to keep information technology up to date can be particularly challenging for nonprofits, especially as operating margins shrink.

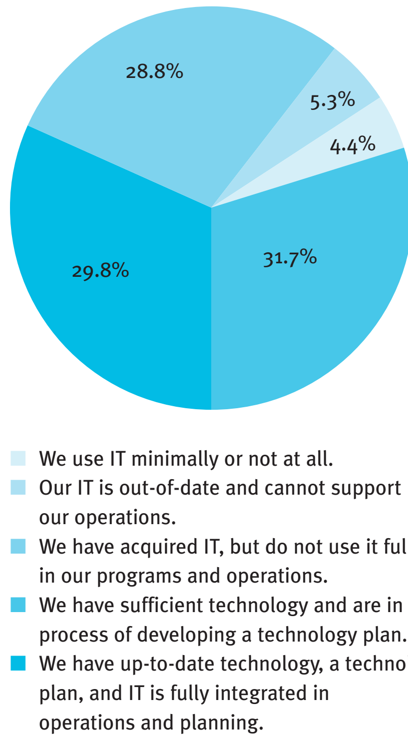
As Figure 16 shows, less than one-third of respondents describe their information technology as up to date and fully integrated in operations and report having a technology plan.

- Two-thirds of respondents do not yet have a technology plan to cope with the rapid change in information technology and are not positioned to make the most of the innovation in information technology.
- Ten percent report in a separate question that not all staff that need computers have them.
- Nearly 57 percent of respondents report that funds to acquire technology would be most helpful for using information technology more effectively.
- Over one-half of respondents also indicate that additional staff training in using technology would be helpful.

Though the sector overall is challenged to make the most of information technology, there are important variations by size, sector and geography. Two-thirds of the largest respondents with between $5 million and $15 in annual revenue describe their organization's use of information technology as up to date compared to between one-fifth and one-third of other organizations. Still, it is important to note that even the largest respondents are working to develop technology plans and integrate technology into their programs and operations. Differences in the description of information technology use by size are statistically significant.

Likely reflecting the substantial diversity of income within each sector, effectiveness and integration of

Figure 16: Use of Information Technology



information technology is not associated with an organization's sector. An organization's use of information technology is, however, related to their geographic location in a statistically significant way.

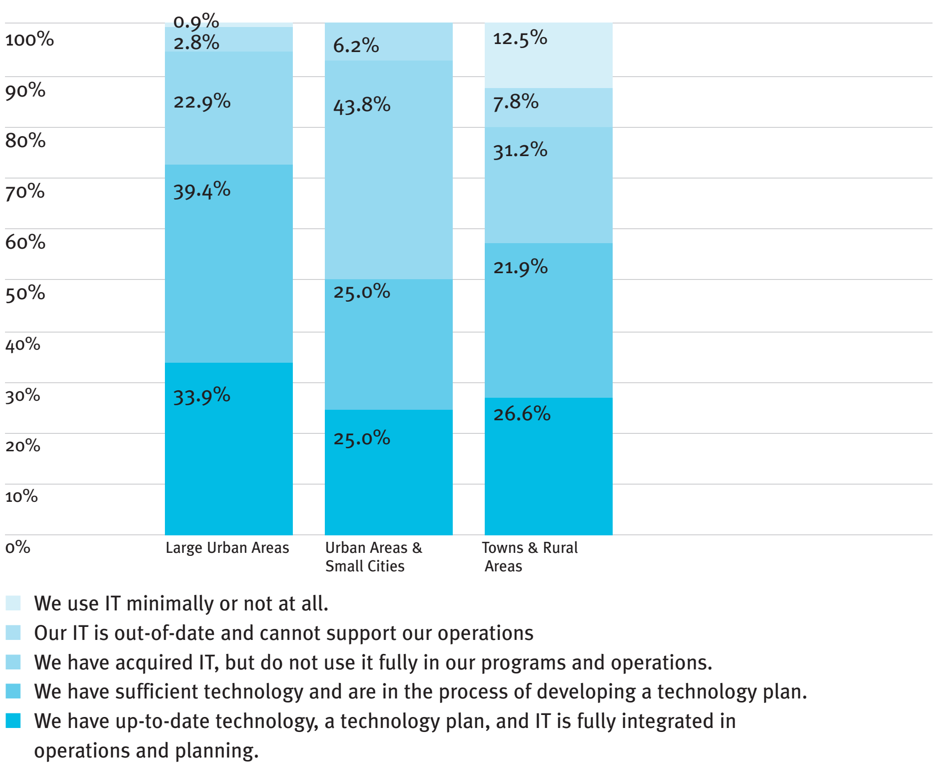
Respondents located in Towns & Rural Areas are significantly more likely to report that they use technology minimally or not at all. As Figure 17 shows, in both Towns & Rural Areas and Urban Areas & Small Cities, approximately half of organizations describe their use of technology as not integrated to support their programs and operations. This suggests that respondents outside of Large Urban Areas are particularly challenged to keep up with changes in information technology.

How Have Nonprofit Management and Operations Changed?

In the face of income, staff and technology challenges, respondents have managed to increase their management and operations in multiple areas. Not surprisingly, the most significant area of capacity improvement in the past three years is in the area of information technology with 72 percent of respondents reporting increases. The nonprofit sector, like the private sector, must dedicate funding to maintaining and updating information technology on a regular basis.

As Figure 18 highlights, over two-thirds of respondents also report increases in overall fiscal management, strategic planning and fundraising. In addition, between 42 percent and 47 percent of respondents report no change in the areas of board training, personnel management, accounting and bookkeeping, and budgeting. This suggests that a significant portion of respondents have some existing capacity in these areas. However, it is disconcerting that five percent of respondents report decreases in strategic planning, board training and fundraising. It is worth highlighting that respondents reporting declines in board training are also least likly to have the right board to bring their organization through the challenges of the future. This difference is statistically significant. Seventy percent of organizations that report declines in board training did not report that their organization has the right board. By comparison, nearly 67 percent of boards that increased board training in the last three years report that they have the right board for the future. Only 12 respondents report no management and operations increases in the past three years. The overall picture is one of many respondents gaining ground in nearly all areas, but suggests that building management and operations capacity requires making tradeoffs.

Figure 17: Use of Information Technology by Geography



To What Extent Do Nonprofits Have the Ability to Build Capacity?

Respondents are clear that capacity improvements help organizations change. Over three-quarters report that their organization has changed as a result of capacity improvements. And, organizations reporting that their organization has changed as a result of capacity improvements are more likely to report that their organization is financially healthy and that they will expand services in certain key areas in the next three years. These differences are statistically significant and confirm that investments in capacity go hand-in-hand with financial health and expansion.

However, less than one-half of respondents feel they have sufficient access to the needed capacity-building assistance, likely due in part to lack of funding needed to pay for capacity-building assistance. Over three-quarters of respondents do not feel there is adequate foundation funding to pay for the capacity assistance their organization needs. In addition, nearly 50 percent of respondents would not use capacity assistance from an external provider if they had to pay for it themselves. This suggests that while nonprofits know the value of capacity-building, access to and the ability to pay for capacity-building assistance present significant challenges.

Figure 18: Management and Operations Capacity Changes in Past Three Years

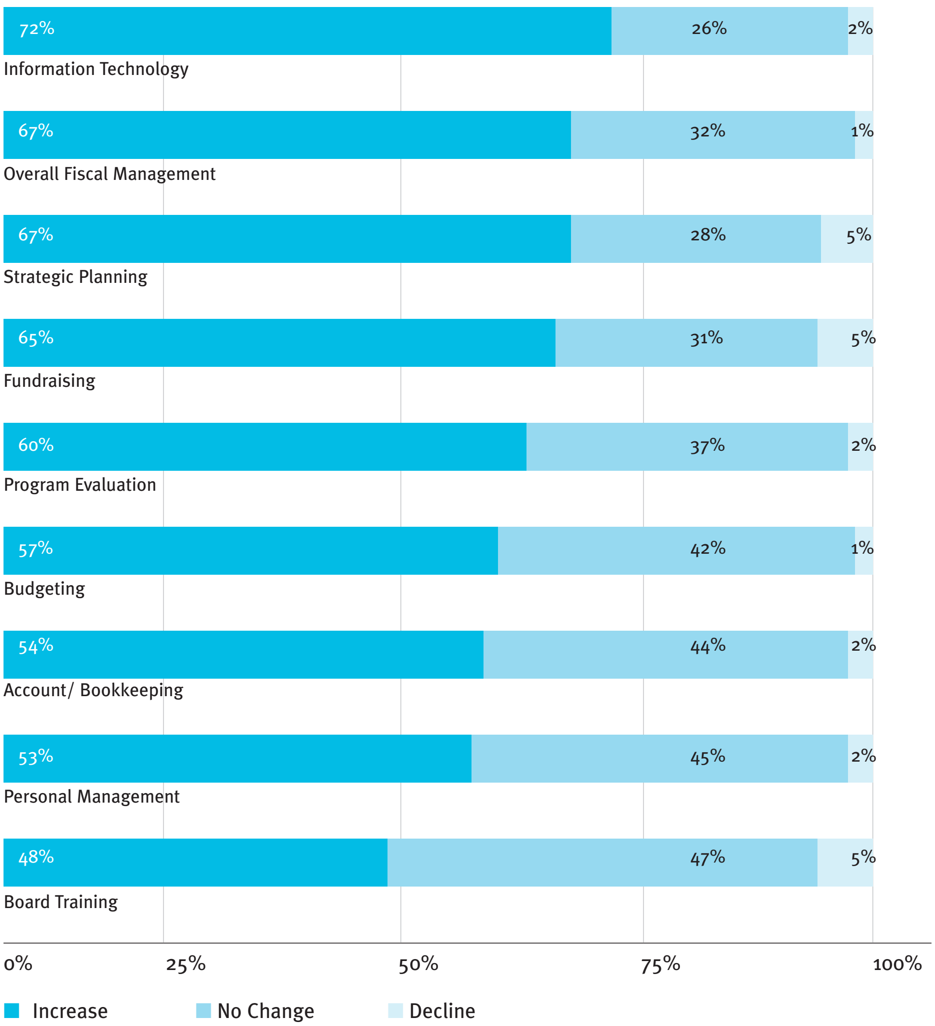


Table 28: Financial Health and Plan to Expand by Change as a Result of Capacity Improvements

	Changed as a Result of Capacity Improvements	
	Agree	Disagree
Financially Healthy	84.4%	15.6%
Expand Services	82.8	17.2

Table 29: Constituent Involvement

	Program Design and Development	Advocacy Agenda Development
Not at all involved	10.7%	34.5%
Involved a little	28.3	35.0
Involved somewhat	37.6	21.7
Involved a lot	23.4	8.9

How Are Nonprofits Thinking Strategically and Including Their Clients and Constituents?

Given the management and operations challenges, strategic thinking and short- and long-term planning are important mechanisms for ensuring adherence to mission. Two-thirds of respondents maintain strategic plans that cover at least a three- to five-year period. However, not all strategic plans are useful and strategic plans are not alone sufficient.

Incorporating clients and constituents in program development and design and advocacy are ways to check that an organization's management and operations are addressing the needs the nonprofit was created to meet. Table 29 illustrates that more than 89 percent of respondents involve their clients or constituents in the design and development of programs and nearly one-quarter of respondents involve them "a lot." However, more than 10 percent report that constituents are "not at all involved." Respondents are even less likely to involve their constituents in the development of the advocacy agenda and more than one-third report that their constituents are "not at all involved."

More disconcerting is the fact that 31.5 percent of respondents report that their organization is not actively informed about or involved in advocacy concerning fiscal and legislative policies that affect their organization or field. Of the two-thirds that report being informed or involved in advocacy, 17 percent do not involve their clients and constituents in the development of the organization's advocacy agenda.

Missouri Nonprofit Governance

The survey data on the governance of Missouri nonprofits demonstrate that the majority of responding nonprofits are led by a board of directors that is prepared to lead them into the 21st Century. These boards are assisting their executive directors in making strategic decisions about the future and the capacity needed to get there.

The results also show that responding Missouri nonprofits have adopted national organizational accountability standards.

Table 30: Median Board Size by Total Annual Revenue

	<$250K	$250K–$499K	$500K–$999K	$1M–$4.9M	$5M–$15M
Median Board Size	11.5[29]	12	12	16	19

Survey respondents were asked to report on both the size and composition of their board of directors as well as their committee structure. The survey also measured board engagement, governance practices associated with financial health and national organizational accountability standards from the Urban Institute's *National Survey of Nonprofit Governance*, which was conducted in 2005.[27]

The median board size among survey respondents was 14 members, with a range of two to ninety-six members. Data on the median number of board members by nonprofit size demonstrate that board size is constant until the organization grows to $1 million in annual revenue when median board size increases by 25 percent. As the organization continues to grow its budget, it adds members, but does not expand its board size significantly.

Board Diversity

This survey found that the boards of directors of responding Missouri nonprofits are considerably more likely to have non-white members than nonprofit boards nationally. Moreover, although responding Missouri nonprofits saw the same variations in diversity[28] based on organization size, responding Missouri nonprofits are as diverse or more diverse across all revenue categories.

- Almost 60 percent of Missouri nonprofit boards have at least one non-white member as compared with 49 percent nationally.
- For Missouri's diverse boards, on average 21 percent of board members are non-white.
- Respondents, especially those located outside of Large Urban Areas, are the most likely to be all-white. However, in Missouri, in Urban Areas & Small Cities, 44 percent of boards are diverse as compared with 34 percent nationally.
- For respondents with less than $250,000 in annual revenue, 41 percent of boards are diverse as compared with 36 percent of organizations nationally with less than $100,000 in annual revenue.
- Equal percentages of large nonprofits in the Missouri survey and the Urban Institute's National Survey of Nonprofit Governance are diverse, approximately 70 percent.

Committee Structure

Nonprofit boards of directors establish committees for a variety of reasons such as to provide ongoing support and feedback to the executive director, to ensure that the board's fiduciary responsibility is carried out between board meetings, to increase effectiveness and to allow board members to engage in the work of the organization and assist with planning. In many of these cases, if well-designed and managed, board committees can improve overall organizational performance.

The majority of Missouri respondents have established many of the most common board committees. Although the likelihood that a nonprofit board has a committee is related to the organization's size, the majority of

27 Ostrower.

28 For purposes of this analysis and based on the Urban Institute study, a diverse board is defined as one on which there was at least one non-white member.

29 The odd number of respondents of this size to this question split the median between 11 and 12 members.

respondents have finance, fundraising/development or nominating committees. Almost three-quarters of respondents (71.4 percent) report having a finance committee, but more than 90 percent of respondents with $1 million up to $15 million in annual revenue have a finance committee. Equally common is a nominating committee, which reflects the central importance of board development for any organization (70.6 percent). Nearly 60 percent of respondents have both committees.

Less than two-fifths of respondents have a formal audit committee. However, some nonprofits may not complete audits due to their size or the audit process may be managed by the executive or finance committee. As a result of the Sarbanes-Oxley Act's corporate regulations, it has been recommended that nonprofits form independent audit committees. This may not be considered feasible for many smaller nonprofits. However, this is understood to be standard operating procedure for larger nonprofits. This is illustrated by the fact that respondents with $5 million to $15 million in revenue are at least 20 percent more likely than other size organizations to have an audit committee (Figure 19).

When the data are examined by geography, respondents in Large Urban Areas are much more likely to have committee structures in place. Respondents located in Towns & Rural Areas are as likely as respondents in Urban Areas & Small Cities to have finance and fundraising committees, but more likely to have nominating committees. In addition, the percent of organizations reporting an audit committee drops significantly outside the Large Urban Areas.

Figure 19: Board Committees by Size

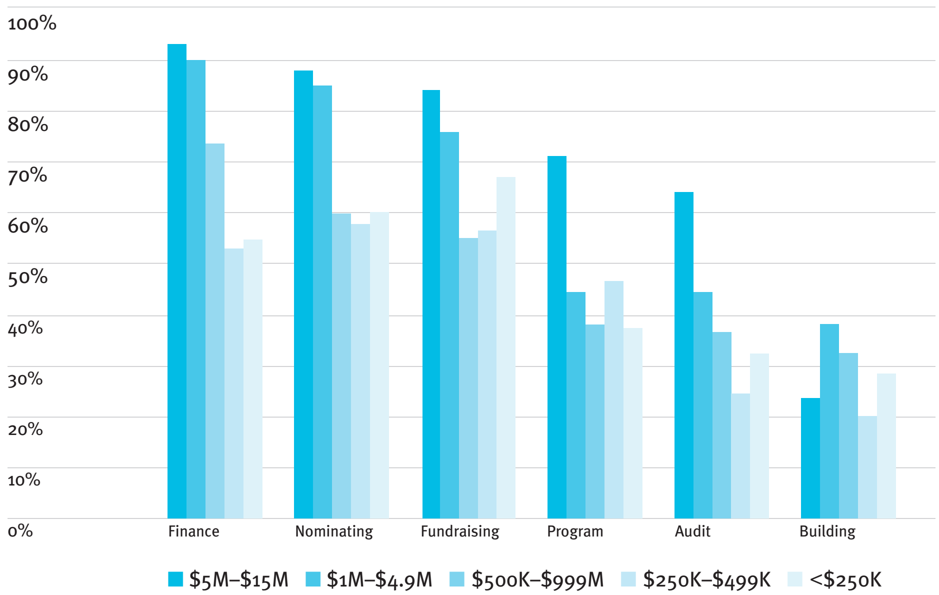


Figure 20: Board Committees by Geography

Differences in board committees are not statistically significant by sector with the exception of having a finance committee. Education and Public & Societal Benefit respondents are the least likely to report having a finance committee, 64 percent and 52 percent, respectively. This reflects the fact that respondents from these sectors tend to be smaller. Not surprisingly, fundraising and development are also a priority for Missouri nonprofit boards. These findings indicate that Missouri nonprofits have structured the board committees to address the primary governance functions with a focus on the board's fiduciary responsibility.

Meeting Attendance and Committee Participation

For the board and its committees to be a benefit to the organization, its members need to be active participants and attend meetings regularly. The survey measured these factors by asking respondents about board member meeting attendance, requirements for members to serve on committees, and finally, standing committees that include members from outside the organization. Respondents report that a median of 10 members or 71 percent of board members attend regularly scheduled meetings. Fifty-six percent of respondents require that board members serve on one or more committees and 51 percent have committee members from outside the organization (i.e. non-board members) that serve on standing committees.

As Table 31 shows, organizations with revenues of $1 million up to $5 million are the most likely to ask board members to serve on committees while respondents with $250,000 up to $500,000 are least likely to have this requirement.

Table 31: Board Committee Service Requirement by Size

	<$250K	$250K–$499K	$500K–$999K	$1M–$4.9M	$5M–$15M
Organizations require board members to serve on one or more committees	41.8%	37.8%	59.0%	74.1%	66.7%

Though differences by sector are not statistically different, Arts respondents are much more likely than respondents in all other sectors to require board committee participation—79 percent compared with between 44 percent and 56 percent. In keeping with their smaller size, only 35 percent of respondents located in Towns & Rural Areas report this practice. By contrast, 53 percent of respondents in Urban Areas & Small Cities and nearly 68 percent of those in Large Urban Areas require committee participation.

Asking individuals with specific skills who are not on the board to serve on a committee can augment capacity and engage a broader community in the mission. Over half of survey respondents report doing so. As with the other board committee practices, respondents with $1 million up to $5 million and $5 million up to $15 million in annual revenue are slightly more likely to report this practice—63 percent and 53 percent, respectively. However, only differences by geography are statistically significant with respondents located in Large Urban Areas being most likely to have standing committees that include non-board members.

How Effective Do Executives Think Their Boards of Directors Are?

The literature on nonprofit boards highlights the inherent conflict in the two primary roles that nonprofit boards of directors play—that of overseeing the public interest and that of supporting the organization's mission. As a volunteer with an interest in the work of the nonprofit, board members may shy away from the more difficult job of governing that can involve confronting the executive director regarding management or financial problems.[30] At the same time, nonprofit boards may prefer to focus on the day-to-day management issues, responsibilities that are familiar to them as professionals, rather than the strategic issues the nonprofit faces.[31] The "right board" balances these roles by engaging in fiscal oversight and supporting fundraising efforts. Missouri nonprofits were surveyed about whether their boards engage in key practices and whether the executive director believes that the organization has the right board for the future. Not surprisingly, the comparative results on board performance between respondents with and without the right board indicate how critical it is for nonprofits to focus on developing their board of directors.

Board Practices

First, let us look at how engaged nonprofit boards in Missouri are in practices that contribute to organizational performance and financial health. Nearly all survey respondents, independent of size, report that their

30 Jan Masaoka, *The Best of the Board Café: Hands-on Solutions for Nonprofit Boards* (San Francisco: CompassPoint Nonprofits Services, 2003), 72.

31 Richard P. Chait, How To Help Your Board Govern More and Manage Less, rev. ed. (Washington, DC: Board Source, 2003), 1.

boards are actively involved in policy-setting and decision-making (91 percent). In other words, boards are generally fulfilling their obligations. However, when asked to assess more specific activities, the assessment of their performance is less favorable. Less than three-quarters of respondents agreed with the statement that "the board is somewhat helpful, but it is the still the executive director who is most involved in strategic decision-making."

Second, nearly 78 percent of respondents agree that their board takes responsibility for the organization's fiscal stability. In addition, only organizations with $5 million up to $15 million in annual revenue respond that their boards are equally engaged in "taking responsibility for the organization's fiscal stability." Respondents with revenue of $250,000 up to $500,000 are least likely to engage in this practice. In other words, an additional 33 percent of mid-sized Missouri nonprofits would have boards that are more engaged in fiscal oversight (Table 32).

Only 58 percent of boards of respondents located in Urban Areas & Small Cities take fiscal responsibility for the organization as compared to 80 percent and 83 percent in Large Urban Areas and Towns & Rural Areas, respectively. The results demonstrate that despite the considerable focus on fiduciary responsibility, including board member's individual responsibility, not all executive directors feel that their board takes responsibility for fiscal stability. Moreover, between five and 10 percent of respondents with less than $1 million in annual revenue report that due to their uncertain financial condition it is difficult to recruit board members.

Table 32: Board Practices by Size

	<$250K	$250K–$499K	$500K–$999K	$1M–$4.9M	$5M–$15M
The board takes responsibility for the organization's fiscal stability.	81.8%	55.6%	82.5%	81.4%	88.9%
More than 50 percent of board members are actively involved in fundraising.	43.6	26.3	32.5	35.6	44.4

Involvement in fundraising and personal giving are two important ways that boards support the nonprofit. There are statistically significant variations in the percent of respondents who agree with the statement that "50 percent or more of the board are actively involved in fundraising." As shown in Table 32, approximately 44 percent of the smallest and the largest respondents have active fundraising boards.

With regard to personal giving, less than two-thirds of responding Missouri nonprofits report that all of their board members personally give to the organization. Personal giving did not vary by nonprofit size, but rather by sector. The survey results demonstrate that Arts and Health Care respondents expect board members to make personal contributions. In fact, many of these organizations may have established formal policies that are discussed when new members are recruited to join the board. Personal contributions are the least common among the boards of Education and Public & Societal Benefit respondents.

While fundraising and personal giving may not be required or expected by all nonprofit organizations, a well-thought out fundraising plan is a critical element of any nonprofit's strategic plan that is a joint responsibility of the board and the staff. When less than a majority of the board is involved in fundraising, it may be difficult for them to understand and respond to changes.

Right Board for the Future

In the section on perceptions of financial health, the data indicate that having the right board for the future is not necessarily an indicator of financial health. At the same time, it can contribute to feelings of organizational vulnerability, especially when it is also difficult to recruit new board members. The likelihood that a nonprofit has the right board for the future is not related to the size of the nonprofit, but rather to where it is located and the type of organization. Many respondents believe that they have the right board for the future and these organizations are most likely located in Large Urban Areas and Towns & Rural Areas and provide community development, health and social services. However, responding Missouri nonprofits generally feel that it was "somewhat" difficult to find qualified board members and only a quarter of the sector describe it as "not too" difficult.

- Arts organizations are significantly less likely to report that they have the right board for the future, only 54 percent agree with this statement.

- Arts as well as Public & Societal Benefit are equally likely to report that it was "very" difficult to find qualified board members.

Respondents in the other sectors demonstrate greater confidence in the ability of the lay leadership to continue directing the organization.

- Eighty-one percent of Health Care organizations respond that they have the right board for the future.

- Between 61 percent and 71 percent of respondents in the other sectors reply in the affirmative.

- Education and Health Care organizations are more likely to characterize board recruitment as "not at all" difficult.

The respondents located in Urban Areas & Small Cities have the least confidence in the organization's leadership. Less then half of them agree with the statement that they have the right board for the future (45 percent). In addition, 19 percent report that it is "very" difficult to find qualified board members whereas respondents in Large Urban Areas and Towns & Rural Areas are more likely to describe it as "somewhat" difficult.

Table 33: Personal Giving by Board Members by Sector

All board members give	Agree
Arts	87.5%
Health Care	78.3
Public & Societal Benefit	36.0
Human Services	58.8
Education	55.6
Total (mean)	**61.0%**

Table 34: Self-Assessments by the Board by Total Annual Revenue

	<$250K	$250K–$499K	$500K–$999K	$1M–$4.9M	$5M–$15M
The board conducts periodic self-assessments of its performance	33.3%	13.5%	32.5%	35.6%	55.6%

It is not only the executive director who can determine whether a nonprofit's board is the right board for the future. Conducting periodic self-assessments is a key practice of well-run boards that was recommended and discussed in both studies of financial health of Illinois nonprofits. Board self-assessments serve the dual purpose of providing the board with feedback on its work as well as identifying the extent to which the current board has the skills needed to support the nonprofit in achieving its future goals. Among respondents, there was a significant variation in the probability that a board engaged in this practice, but the relationship does not increase linearly with size.

As the data in Table 34 show, the boards of the organizations with $5 million up to $15 million in annual revenue are the most likely to conduct self-assessments, but only slightly more than half report doing so. Among mid-size and small organizations about one-third of respondents currently have the board assess itself. However, respondents with $250,000 up to $500,000 are much less likely to report engaging in this practice. These findings are consistent with other survey data that suggest that these organizations are particularly vulnerable as they try to expand their capacity. In addition to limited use of board self-assessments, these respondents are least likely to report increases in board training capacity (35 percent) and eight percent report decreases in this capacity.

How Do the Board Practices Compare to a National Sample?

The Urban Institute's National Survey of Nonprofit Governance also measured board engagement in several of the practice areas covered in the Missouri survey.[32] Table 35 compares the results from the two surveys on similar indicators.

Responding Missouri nonprofits are performing as well the national sample with regard to providing financial oversight. The high degree of engagement in these areas has contributed to strong financial indicators for the sector. In addition, survey data indicate that responding Missouri nonprofits may be more engaged in fundraising. The Urban Institute also asked nonprofits to rate board performance on a scale from "excellent" to "poor" and fundraising was the one area where nonprofits were rated as "fair" or "poor."[33] Because fundraising can always increase and goals are established despite a great deal of uncertainty, the inability to achieve fundraising goals may reflect negatively on the board despite limited control.

A related finding is that respondents with development directors report much greater board involvement in fundraising. Seventy-five percent of these respondents report that all of their board members personally give compared to 49 percent of those without a development director.

32 Ostrower, 12.

33 Ibid.

And, 44 percent of organizations with development directors report that more than 50 percent of their board is actively involved in fundraising as compared to 28 percent of those without. If all nonprofits had development staff, there would be a substantial increase in board member fundraising and personal giving. This suggests that the development director can play an important role in facilitating board participation, an activity that happens less frequently when the executive director or other non-dedicated staff oversees a range of management and governance activities.

As discussed earlier in this section, having the right board is related to whether it is difficult for a nonprofit to find qualified board members. At the national level, many organizations are concerned about being able to attract and retain the lay leadership that is needed for nonprofit boards of directors. The Urban Institute found that 90 percent of nonprofits said it was "very" or "somewhat" difficult to find qualified board members. In Missouri, however, only 63 percent of nonprofits find it difficult. In other words, Missouri respondents are almost four times as likely to report that it is "not too" or "not at all" difficult as the national sample.

As noted earlier, the Missouri survey collected data on the four national accountability standards associated with the Sarbanes-Oxley Act that were the focus of the Urban Institute's National Survey of Nonprofit Governance. The four practices designed to create greater accountability among corporations and government contractors are:

1. Require board members to sign an annual conflict of interest statement.
2. Maintain a formal written policy for staff to report complaints without fear of retaliation, i.e. whistleblower protection policy.
3. Maintain a written policy regarding the retention and destruction of documents.
4. Establish an audit committee.

The Urban Institute found that adoption of these policies varies by nonprofit size and reports the data by revenue category. Data from the two surveys are presented in the tables above.

Table 35: Board Involvement, Missouri and US

	Missouri	Urban Institute
Practice Area	Percent that Agree Board is Involved	Percent Somewhat or Very Active
Policy Setting	91%	88%
Financial Oversight/Fiscal Stability	78	85
Fundraising	36	64
Monitoring Board Performance	32	55

Table 36: Adoption of Accountability Policies by Missouri Respondents

	Conflict of Interest	Whistleblower Protection	Document Retention & Destruction	Audit Committee
<$250K	18.5%	56.0%	38.5%	32.7%
$250K–$499K	34.2	69.4	50.0	23.7
$500K–$999K	53.8	71.8	64.1	37.5
$1M–$5M	61.0	84.5	75.4	44.1
$5M–$15M	66.7	83.3	83.3	66.7

Table 37: Adoption of Accountability Policies by National Nonprofits

	Conflict of Interest	Whistleblower Protection	Document Retention & Destruction	Audit Committee
<$100K	30%	35.9%	13.8%	15%
$100K–$499K	51	57.9	26.5	15
$500K–$2M	70	79.7	38.6	21
$2M–$10M	85	89.2	57.2	35
$10M–$40M	89	91	68	43
$40M+	97	97	75	58

Source: The Urban Institute

Missouri survey respondents are more likely to have written whistleblower protection and document retention and destruction policies as well as to have formed an audit committee than their national peers. With regard to annual conflict of interest statements for the board, the results indicate that responding Missouri nonprofits are much less likely than national organizations to require them, except for the mid-size organizations in our sample.

The national survey also found that only 21 percent of nonprofits had audited statements. If there is a correlation between having an audit committee and an audit, which is not an unreasonable assumption, it appears that respondents in Missouri are more likely to have audited financial statements. The audit process also results in a management letter that provides the board of directors with valuable feedback on the nonprofit's overall accounting and financial practices. Because it provides feedback on finances and management, an audit can also result in improved organizational performance and financial health.

The findings regarding the governance of the survey respondents highlight that Missouri boards are currently engaged in general oversight of their organizations. Moreover, nonprofits have developed boards that are relatively diverse and responsive to the national demand for accountability. Not surprisingly, Missouri nonprofits are more likely to have adopted national accountability standards because the majority of the sector is comprised of human service organizations with government contracts. At the same time, executive directors would benefit from board training designed to increase participation in fiscal oversight and fundraising.

Missouri Nonprofit Financial Practices

As has been described for management and governance, there are also financial practices essential to achieving financial health and a high level of organizational performance. These basic financial practices enable executive directors and their boards to manage the resources they have raised and respond to unexpected changes in the environment in a timely fashion.

The importance of these financial practices is underscored in earlier studies of financial health in other states. Survey respondents were asked whether they engage in the following practices:

1. Distinguish between capital and operating funds
2. Maintain financial benchmarks established by the board
3. Document the cost of cash flow borrowing
4. Attempt to diversify revenue sources

The findings regarding the first three practices are reported below as well as borrowing by responding Missouri nonprofits. Revenue diversification is not discussed here because it was discussed earlier with the findings regarding revenue sources and fundraising.

Table 38: Budget Distinctions by Size

	<$250K	$250K–$499K	$500K–$999K	$1M–$4.9M	$5M–$15M
Distinguish between capital and operating funds in annual budget	61.1%	60.0%	72.5%	89.5%	94.1%

To What Extent Do Nonprofits Distinguish Between Capital and Operating Funds and Maintain Financial Benchmarks?

Distinguishing between capital and operating funds in the annual budget and maintaining financial benchmarks established by the board to assess the nonprofit's financial health are financial practices commonly associated with financial health. Nearly 74 percent of respondents report distinguishing between capital and operating funds and nearly 76 percent report maintaining financial benchmarks. In addition, 58.5 percent of respondents engage in both practices with only nine percent not engaging in either practice. With the majority of Missouri nonprofits engaging in these three practices, there is little difference by geography. There is, however, some variation in the use of these practices along the subcategories of size and sector.

Not surprisingly, nonprofit size, which is associated with facility ownership, is also closely related to whether a nonprofit distinguishes between capital and operating funds. Those with annual revenues of $1 million up to $5 million and $5 million up to $15 million are most likely to distinguish between capital and operating funds in their annual budgets–89.5 percent and 94.1 percent, respectively. The differences by size are statistically significant.

Though there is some variation in the practice of distinguishing between capital and operating funds by sector, the differences are not statistically significant at the level desired for this study. However, it is possible to highlight the Education and Human Services respondents since they differ markedly from the overall sample.

- Education respondents are the least likely to report distinguishing between capital and operating funds (57 percent).
- More than 81 percent of Human Services respondents, by contrast, report engaging in the practice.

Maintaining financial benchmarks established by the board is not related to size, but is related in a statistically significant way to sector.

- It is virtually a universal practice among Arts respondents in Missouri with nearly 96 percent engaging in the practice.

- It is also a very common practice for Health Care and Human Services respondents, likely because of government reporting requirements.
- This contrasts with respondents in the Public & Societal Benefit and Education sectors where fewer than 70 percent maintain financial benchmarks.

Financial benchmarking, e.g. the tracking of budget variances, is a critical management tool for responding to the virtually annual fluctuations in income.

To What Extent Do Nonprofits Borrow and Do They Account for the Costs of Borrowing?

While increasing fundraising activities is the most common strategy for meeting additional expenses, borrowing or taking on debt is another important strategy for some nonprofits. However, not all executive directors and boards believe that nonprofit entities, who rely on public funding and donations, should engage in borrowing.

- Two-thirds of respondents have not borrowed in the past three years and were asked to provide an explanation.
- Sixty-nine percent of respondents report that the organization had no reason to use debt as a financial strategy.
- Ten percent report that the board has a policy against taking on debt and six percent had not thought about how to use debt as a financial strategy.

For organizations that borrowed in the past three years, the most common reasons for borrowing are for stabilizing cash flow, equipment or building purchase, and facility construction and/or renovation. Understanding the cost of borrowing to deal with cash flow problems and deficits as well as the potential benefits is important for achieving financial health. Throughout the period studied, respondents increasingly relied on loans to cope with deficits. While 11.9 percent of respondents borrowed money in FY2004, in FY2005 and FY2006 14.5 percent and 17.1 percent of respondents, respectively, used borrowing as part of their strategy to deal with their deficit. Faced with cash flow problems, over one-quarter of respondents throughout the period requested a loan from a bank. Of the 22 respondents that requested a loan to respond to a cash flow shortage in FY2006, 81.8 percent report that their organization documents the cost of cash flow borrowing.

Size is an important factor in approaching banks for loans since the likelihood of being approved is also related to size. Rates of borrowing vary by size and once an organization reaches $500,000 in annual revenue almost one-half report borrowing within the last three years whereas less than one-fifth of organizations with revenue less than $500,000 borrowed. As expected, there are differences by size for respondents requesting a loan from a bank in FY2006 to respond to a cash flow problem. Nearly half of respondents with annual revenues of $500,000 up to $1 million requested a loan and over one-third of respondents with $1 million up to $15 million in annual revenue requested a loan. By contrast, only between 6.2 percent and 13.3 percent of respondents with less than $500,000 in annual revenue sought a loan to respond to a cash flow problem in FY2006.

While differences in seeking loans to respond to cash flow problems are not statistically significant by sector or geography, it is worth noting a few clear variations.

- In FY2005 and FY2006, Human Services respondents were the least likely to request a loan to cope with a cash flow problem.
- Arts respondents were the most likely with at least 50 percent of these respondents requesting a loan.
- In every year covered by the survey, respondents located in Towns & Rural Areas were the least likely to request a loan while those in Urban Areas & Small Cities were most likely to request a loan to respond to a cash flow problem.

Respondents that were approved for a loan or line of credit did not have difficulty accessing financing and were able to obtain the technical assistance during the process. Less than one-quarter of respondents that were approved for a loan or line of credit report that it was a moderate or significant challenge to find affordable financing, meet lender's requirements, borrow given their financial structure or get assistance when applying. However, 6.2 percent of respondents report that they have been turned down for a loan or line of credit.

Responding Missouri nonprofits most frequently borrowed from a bank or commercial lender, but also report loans from other sources. The subject of loans and board members has implications for governance when referring to the practices of nonprofit boards making loans to board members or organizations receiving loans from board members, friends or staff. The Urban Institute found that less than one percent of boards engaged in lending to board members and concludes that this eliminates a practice that has the potential to create a conflict of interest for a nonprofit. Reflecting sound financial practices, this survey finds that lending by board members, friends or staff to the organization is uncommon in Missouri, but more likely to occur if the nonprofit is small.

Once again, the results demonstrate that Missouri nonprofits actively manage the challenges of financing their activities by engaging in financial practices that provide financial information regularly and evaluate the impact of operational and financial decisions on the budget.

Nonprofit Facilities

Nonprofit facilities play an important role in organizational performance. An organization that is operating in the right location in a building or office that is appropriately-sized and well-configured can focus its resources on how best to achieve its mission.

This report has focused primarily on the financial and human resources on which responding Missouri nonprofits rely. However, the survey also asked respondents to report on facilities resources. Respondents were asked to report on the estimated value of their property, physical plant and equipment and the estimated values range from $2,400 to $27 million. Additional data was also collected on facilities type, management and planning.

On What Facility Arrangements Do Missouri Nonprofits Rely and How Do They Describe Facility Quality?

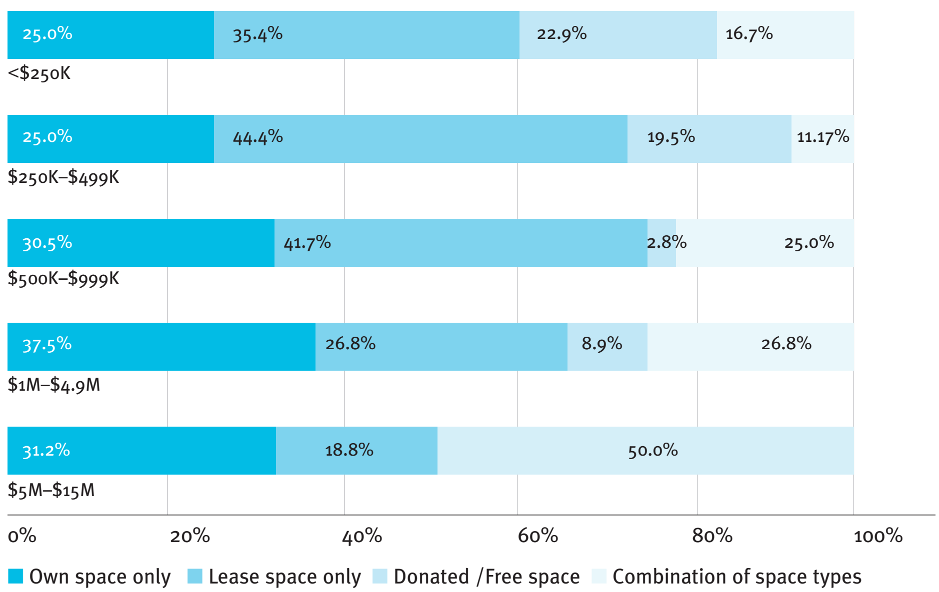
The diversity of the nonprofit sector is also reflected in the variety of facilities arrangements on which these organizations rely. Nonprofits can own their space, lease space, use donated space or a combination of these. Table 39 demonstrates that less than one-third of responding Missouri nonprofits own all the space they use to operate their programs.

Figure 21 demonstrates that organizations of all sizes both own and lease space, but smaller respondents

Table 39: Facilities Arrangements

Own space only	30.2%
Lease space only	34.4
Donated/Free space only	12.5
Combination of space types	22.9

Figure 21: Facility Arrangements of Respondents by Size



with less than $500,000 in annual revenue are most likely to rely on donated space. There are five organizations with annual revenue of between $1 million and $15 million that report relying solely on donated space.

The condition and quality of nonprofit facilities are important indicators of environmental factors affecting organizational performance. It is clear that the physical environment of any organization—nonprofit or for-profit—influences its operations and therefore, performance as well. The data above highlight the fact that many respondents do not entirely control the facilities they occupy. In some cases they are restricted by what is available free of charge and in others by lease terms. Moreover, as a tenant, there is the financial risk associated with a potential rent increase as well as uncertainty regarding a longer term investment in the leased space.

Respondents were asked to rate the general physical condition of the nonprofit's facilities and to evaluate its quality. As Table 40 illustrates, almost three-quarters of nonprofit facilities are described as either "excellent" or "good" and one-fifth are described as "acceptable" and the

Table 40: Space Meets Desired Space and Quality Needs by Description of Space

Description of Space		Meets Desired Space and Quality Needs
Excellent	27.2%	80.4%
Good	45.6	69.1
Acceptable	21.8	35.6
Barely Acceptable or Unacceptable	5.4	10.0

Table 41: Facilities Reserve and Master Plan by Type of Space Arrangement

	Facilities Reserve	Facilities Master Plan
Own space only	36.8%	31.6%
Lease space only	20.3	21.2
Donated/Free space only	12.5	0.0
Combination of space types	26.2	16.3

remaining five percent describe them as “barely acceptable” or “unacceptable.”

Those organizations that rely on donated space are the most likely to describe the conditions as “excellent” and those that rely on a combination are more likely to say they are only “acceptable.” At the same time, respondents with between $5 and $15 million in annual revenue vary from the other revenue categories. These organizations are more likely to describe their facilities as “good” and less likely to describe them as “unacceptable.”

However, while most respondents rate the general condition of the physical plant favorably, fewer of these organizations operate from facilities that meet their needs. This is especially true for organizations with $1 million up to $5 million in annual revenue, less than half of which report having facilities that meet desired space and quality needs (Appendix D). This further supports the case that these organizations are faced with the challenges of expansion. These organizations have larger median staff sizes and staff increases as well as new or expanded programs can result in an organization outgrowing its space. Also, well-located organizations may have to compromise on facility quality in order to provide accessible services to the community.

How Do Nonprofits Plan and Fund Facility Projects?

Like the practice of distinguishing between capital and operating expenses, maintaining a replacement reserve for facilities needs in the annual operating budget enables a nonprofit to address issues in a timely fashion and to budget and schedule for maintenance and repairs. Additionally, the organization can take a strategic approach to the timing of these capital-related projects as they relate to other organizational goals and objectives. The type of facilities arrangement influences whether the organization plans for annual maintenance costs, expected and unexpected, and has developed a facilities master plan, current and future. Approximately 25 percent of respondents maintain a facilities reserve, but as Table 41 shows, because ownership necessitates a pro-active role in facilities management, those organizations that own are the most likely to report having a facilities reserve and maintaining a facilities master plan.

In addition, reflecting the ownership patterns in Figure 21, 50 percent of respondents with between $5 million and $15 million in annual revenue report having a facilities reserve.

Among organizations that own facilities, all organizations with between $5 million and $15 million in annual revenue have a facilities reserve whereas fewer of the smaller organizations that own facilities maintain a separate replacement reserve.

Twenty-one percent of respondents report maintaining a facilities master plan that evaluates current space needs and plans for growth and organizational change. It is not surprising that just over one-fifth of respondents maintain master facilities plans given that not all respondents report maintaining a three- to five-year strategic plan. In addition, having a facilities master plan varies by ownership and size.

Nearly one-quarter of respondents anticipate acquiring property or undergoing new construction or a major renovation within the next year. However, it is surprising that only 36 percent of respondents that anticipate acquiring property or undergoing new construction or a major renovation within the next year report that their organization maintains a facilities master plan.

Facilities planning, including both targeting of reserves to meet facilities needs and as part of overall strategic planning, is an area of organizational capacity that can be developed when nonprofits decide to further increase financial management and prepare for expansion.

As indicated earlier, capital campaigns are conducted most often to build, acquire and renovate new facilities. The majority of respondents, 51 percent, undergoing a campaign report that the funds will be used for purchasing and renovating a building. The second most common use is building construction with 37 percent.[34] As expected, therefore, the capital campaign is the center piece of fundraising plans for most nonprofit facility-related projects. Table 43 highlights that among organizations with facilities projects, 40.8 percent indicate that special fundraising (i.e. capital campaigns) will be the primary method for raising capital funds.

However, while fundraising is the most common strategy by which respondents raise additional funds for capital and operating expenses, borrowing or taking on a debt is another important strategy. Over 38 percent of organizations that borrowed in the past three years took out a loan for facilities-related projects. And, over one-fifth of respondents anticipating a facility-related project in the next year will borrow money or use a line of credit as the primary method for paying for the project.

34 Respondents could provide multiple responses. Twenty-four percent were going to use capital campaign funds to support ongoing operations/programs and 19 percent were also using some funds to establish an endowment. In addition, one nonprofit reported that it was using the campaign to retire its current mortgage.

Table 42: Facilities Reserve and Master Plan by Size

	<$250K	$250K–$499K	$500K–$999K	$1M–$4.9M	$5M–$15M
Facilities Reserve	14.3%	13.5%	27.5%	32.8%	50.0%
Facilities Master Plan	13.5%	16.2%	22.5%	27.6%	27.8%

Table 43: Primary and Secondary Methods for Funding Facilities Project

	Primary Method	Secondary Methods
Special Fundraising	40.8%	42.4%
Borrow Money / Line of Credit	20.4	33.3
Operating Budget	10.2	39.4
Maintenance / Replacement Reserve	8.2	21.2
Other	20.4	21.2
	100%	

In conclusion, most respondents are satisfied with the condition of their facilities, but do not necessarily report that the facilities meet the organization's desired space and quality needs. At the same time, nonprofits recognize that facilities are an essential asset and that through maintenance and investments their quality and, as a result, the physical environments in which they operate, could be improved.

Future Outlook

The survey data depict Missouri nonprofits that are as diverse in their operations and capacity as the different missions they pursue. It is also clear that through increases in overall financial management, many of these organizations have developed financial practices and strategies that have enabled them to cope effectively with challenges of fluctuating income, restricted assets and irregular cash flow.

As a result, many of them feel financially healthy and, as Figure 22 demonstrates as well as the data above on capital campaigns indicate, have significant plans for expansion in the future. The majority of respondents of all sizes anticipate expanding their programs and most others expect that they will be able to maintain their current level of activity.

Respondents that say they intend to expand services were also asked to provide an explanation. Responses indicate that there are three basic factors driving expansion.

- Increase in the demand or a perceived need for additional services, including the addition of a new target population, which is cited by 52 percent.
- In response to the vision of the organization, often articulated in a strategic plan, which is cited by 30 percent.
- Nineteen percent plan to expand because of additional funding or a new facility.

Other respondents, particularly those in Urban Areas & Small Cities outside of St. Louis and Kansas City are less optimistic and report feeling vulnerable in the future. On the one hand, Figure 23 demonstrates that almost one-third of respondents located in Urban Areas & Small Cities anticipate that they will be reducing programs and services or examining all existing assumptions. On the other hand, data show that these organizations have maintained surpluses and have not had to take on large liabilities.

The opposing views of the future expressed by different segments of the nonprofit sector are a further illustration that a range of strategies are needed to assist Missouri nonprofits' in achieving higher organizational performance.

Figure 22: Percent of Respondents Maintaining or Expanding Programs in the Future by Size

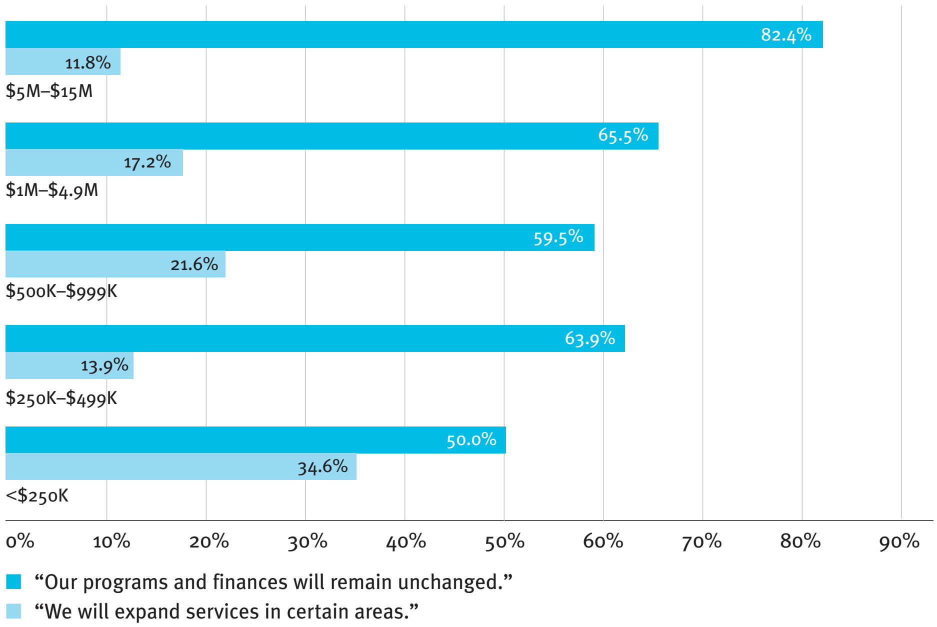
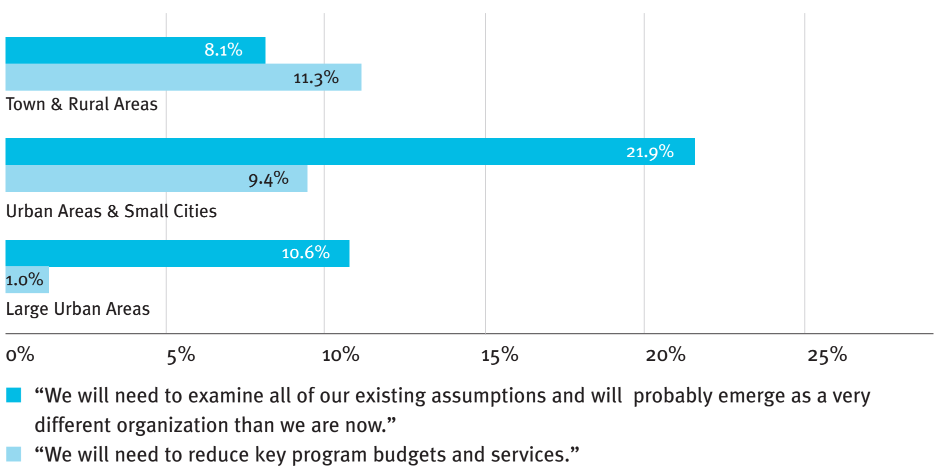


Figure 23: Percent of Respondents Planning to Reduce Programs or Restructure by Geography



Conclusion

For the first time, nonprofits and their stakeholders have a detailed understanding of Missouri's nonprofit sector. Nonprofits, funders and government understand not only the nonprofit sector's recent finances and operations, but also nonprofit perceptions of the environment, their capacity to respond as well as their aspirations.

By 2004, responding Missouri nonprofits identified a return to normal business after the challenges posed by the economic downturn of the previous three years. These normal cycles also involve the ongoing challenges identified by responding Missouri nonprofits: increased demand for services, shortage of income and shrinking public money to support programs. The 2007 Survey of Missouri Nonprofits' Organizational Performance demonstrates that from FY2004 to FY2006 responding Missouri nonprofits achieved consistent positive operating margins that have contributed to maintenance of cash reserves and growth of net assets. They have achieved this financial health by relying on several key strategies:

1 Improving financial management

2 Maintaining diverse revenue sources and fundraising capacity

3 Planning for and funding capacity-building and facilities

4 Using information technology to support their operations

5 Engaging their boards of directors in policy-setting, decision-making and stewardship.

However, not all of Missouri's nonprofits are equally strong or financially healthy and others are concerned that they will lack resources or capacity in the future. As a recent article in the *New York Times* noted, the decades of project-based, goal-driven funding with inadequate support for overhead costs has sacrificed long-term effectiveness for short-term efficiency.

Therefore, national stakeholders are advocating for greater foundation support of general operating grants and innovative foundations are developing systems for measuring the impact of these grants.[36] The results of the Missouri survey recommend future action as set out in the following capacity-building agenda that will improve the organizational performance of Missouri's nonprofit sector in the future.

Capacity-Building Agenda for the 21st Century

Nonprofits

Establishing Strategic Direction for the Future

Missouri nonprofits can rely on the considerable management expertise and financial capacity developed in recent years when engaging in strategic decision-making for the future.

1 Nonprofit executive directors and staff together with their boards of directors should identify and explore strategic opportunities for organizational development and growth that will address the increased demand for services.

2 Nonprofits that are concerned about their ability to meet the organization's goals should assess what capacity-building is needed to respond to future challenges.

3 Nonprofits should increase the likelihood of future success by planning and budgeting for technical assistance and information technology needed to meet the organization's future goals.

36 Denise Caruso, "Can Foundations Take the Long View Again?," New York Times, 6 January 2008, Business Section.

4 Nonprofits outside of the Large Urban Areas and those with annual revenue of $250,000 up to $1 million are challenged financially and operationally and would benefit from technical assistance to develop strategic plans and core organizational capacity.

Nonprofits

Funding and Fundraising

The nonprofit sector can advocate for increased commitment and funding, especially general operating support, from the people, government and philanthropists of Missouri because they have demonstrated good stewardship of these resources and vision for the future.

1 Because their assets have grown and they frequently post surpluses, Missouri nonprofits can consider how best to leverage their financial position in the future.

2 Nonprofits should meet with key funders to demonstrate how increases in general operating support can be used to improve operations and, therefore, outcomes.

3 Nonprofits struggling with chronic financial problems, including regular operating deficits and cash flow problems, should engage in the financial practices on which their peers rely, such as increasing overall financial management, maintaining financial benchmarks established by the board and strategic planning.

4 Nonprofit boards are generally engaged in policy-setting and decision-making, but should expand their fiscal oversight and fundraising activities.

5 Development professionals or dedicated staff can play an important role in facilitating board participation needed to advance the organization's mission.

6 Nonprofits should consider establishing an endowment or increasing the value of an existing one through a capital campaign.

7 Nonprofits with stable, long-term revenue should evaluate the use of mortgage debt to acquire and improve real estate and facilities if a capital campaign is not an option.

8 As nonprofits prepare for expansion, facilities planning should be incorporated as part of overall strategic planning, including development of a strategic facilities plan and creation of a facilities replacement reserve for maintenance.

Nonprofit Funders

1 Recognizing nonprofits' reliance on operating budgets and special fundraising to build capacity, funders should encourage these efforts by providing general operating support.

2 Funders and government should support the development of governance capacity through board training.

3 Funding to address resource development as well as other areas is needed by nonprofits that report chronic financial problems and are not able to meet fundraising and capital campaign goals.

4 Nonprofits need additional information technology, and as a result, government contracts should incorporate it into service delivery and make additional funds available to cover its costs.

Appendices

Appendix A
Survey Methodology

The 2007 Survey of Missouri Nonprofits' Organizational Performance studied a random, representative sample of a subset of public charities from the Core Files of the National Center for Charitable Statistics (NCCS). Public charities are one component of the group of organizations known as nonprofits, which also includes foundations and other exempt entities. The Core Files are produced annually by NCCS and include data on 501(c)(3) public charities filling IRS Forms 990 or 990EZ reporting gross receipts of at least $25,000. All nonprofits are required to file an IRS Form 990 if they have more than $25,000 in gross receipts. Some entities with less than $25,000 in gross receipts may elect to complete an IRS Form 990.

The 2005 Core Files, the most recent set available, were acquired in June 2007 and included records for 6,113 organizations. Using the NTEE Category Codes (NTEE-CC), exclusion criteria were developed to define a universe of public charities. Nonprofits were excluded from the survey universe that:

- Do not provide direct services
- Are religion-related
- Provide services to a select membership or for the mutual benefit of the membership, such as parent teacher associations, scouting organizations and retirement and pension funds.

To further target the analysis to the most representative nonprofits, organizations such as hospitals, higher education institutions and organizations with more than $15 million in annual revenue were removed from the universe. The final universe included 2,122 nonprofits. A random sample of 1,060 nonprofits was selected to receive the survey. Paper surveys were mailed to the attention of executive directors late in July 2007. All nonprofits were sent a follow-up postcard. In addition, attempts were made to contact all nonprofits to confirm receipt of the survey, to encourage them to complete it and to offer to complete the survey over the phone, if desired. Following attempts to contact nonprofits by phone, a reminder postcard and paper survey were mailed to the remaining non-respondents. Ultimately, 210 valid responses were received, representing a 19.8 percent response rate for a 95 percent confidence level with a sampling error of plus or minus 6.4 percent.

Data Validation and Statistical Significance

The survey was administered by IFF. Data validation occurred in three phases. First, submitted paper surveys were reviewed to ensure that the organization was a legitimate respondent and that the submitted survey was valid. Second, the data entry subcontractor checked for inconsistency within the survey responses. Third, IFF reviewed the preliminary results for other potential errors in data reporting or entry and IFF contacted respondents to clarify inconsistent responses or to complete omitted questions.

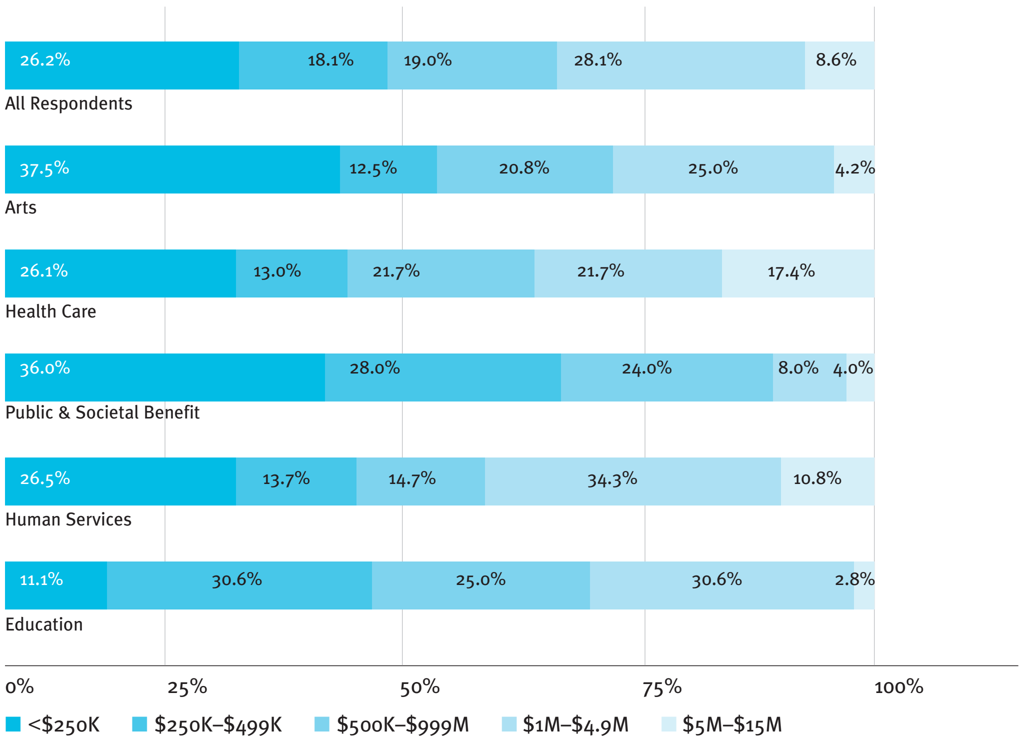
- When a respondent provided more than one response to a single-choice question, that response was excluded from the analysis and appears as a blank in the data.
- Some surveys were determined to be incomplete and were excluded from the analysis.
- Respondents who had omitted only a few responses were contacted to obtain complete information.
- Responses for income source and certainty should have totaled to 100 percent. If not, respondents were contacted to clarify responses. Responses that could not be clarified were excluded from the analysis.
- Organizations that provided multiple primary fields of service were coded by IFF based on the category reported on the NCCS Core File for the nonprofit.

Organizations were grouped to three geographic categories using a combination of location and place-level 2006 American Community Survey Population Estimates. Nonprofits located in St. Louis City, Kansas City and the nearby counties (Cass, Clay, Jackson, Platt and St. Louis counties) are classified as located in "Large Urban Areas." Nonprofits located outside of these areas were divided into two groups according to the 2006 estimated population of the place where the nonprofit is located. Those located in places with a population of at least 25,000 are classified as located in "Urban Areas & Small Cities." Those located in places with a population of less than 25,000 are classified as located in "Towns & Rural Areas."

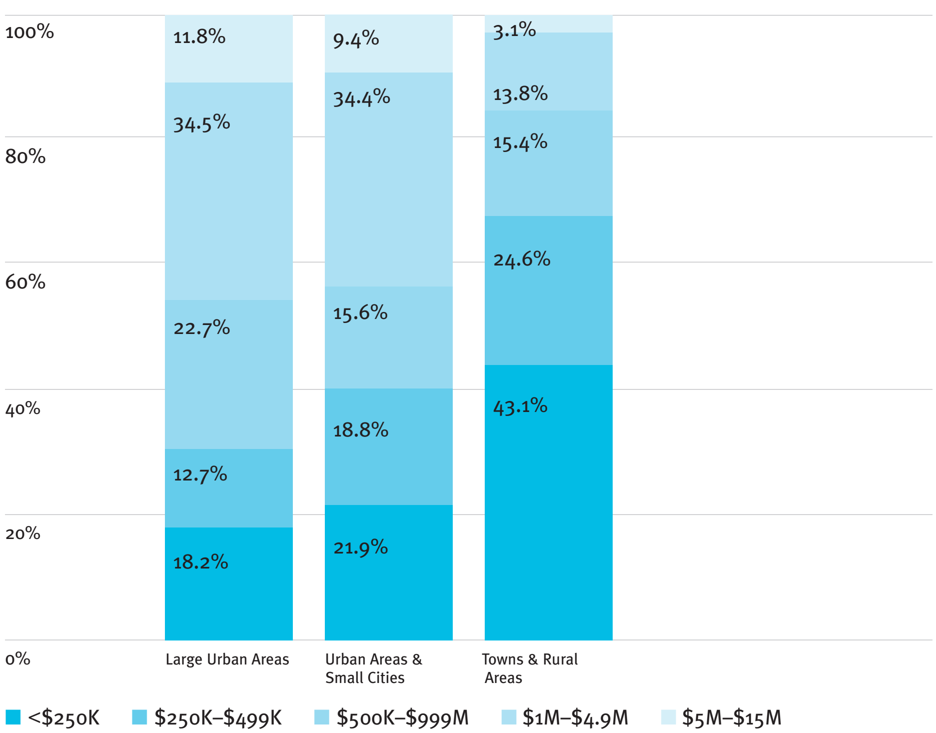
An important objective for the Nonprofit Services Center and the IFF was to represent Missouri nonprofits in three dimensions: geographic location, field of service (sector) and size as determined by annual revenue. To create a sample that was statistically significant for all questions within each dimension was impractical given the level of data collection that would have been required. However, once all responses were validated, the distribution of the sample was compared to the universe of nonprofits in Missouri, confirming the representativeness of the respondent organizations.

Appendix B
Survey Respondents by Size

Respondents by Sector and Size

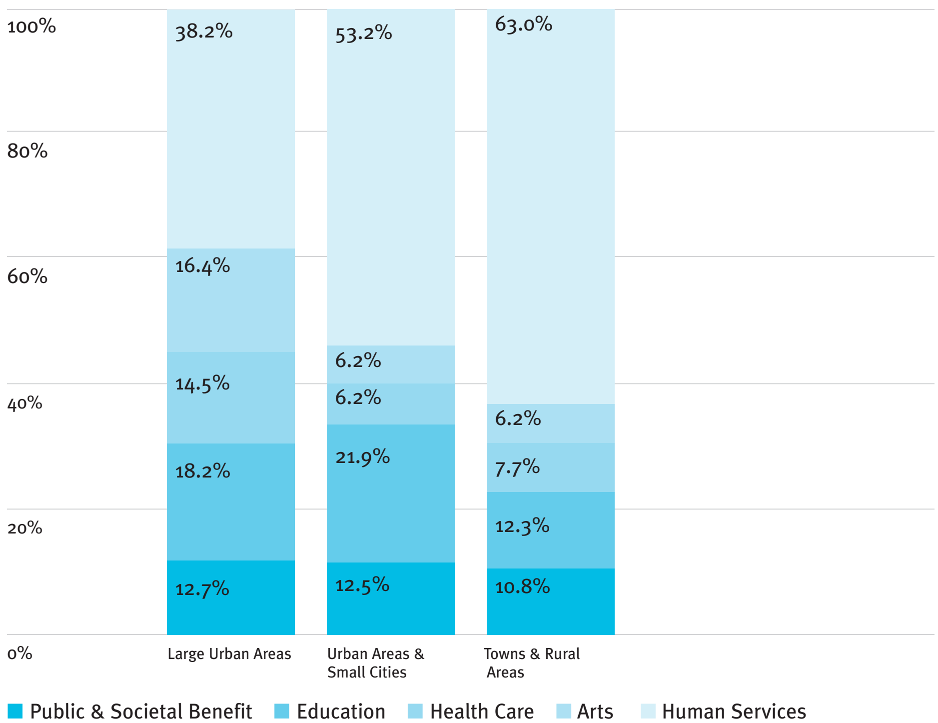


Respondents by Geography and Size



Appendix C
Survey Respondents by Sector

Survey Respondents by Geography and Sector



Appendix D

Survey Data

Number of Organizations	N = 210
Median Organization Age	24 years
Sector	
Arts, Culture & Humanities	11.4%
Health Care	11.0%
Public & Societal Benefit	11.9%
Human Services	48.6%
Education	17.1%
Organization Location	
Large Urban Areas	53.1%
Urban Areas & Small Cities	15.5%
Towns & Rural Areas	31.4%
Catchment Area	
Part or All of Northwest Missouri	31.0%
Part or All of Northeast Missouri	53.3%
Part or All of Central Missouri	22.9%
Part or All of Southwest Missouri	23.3%
Part or All of Southeast Missouri	21.9%
2006 Financial Profile (median)	
Income	$662,839
Expense	$634,641
Surplus/Deficit	$11,607
Assets	$515,333
Liabilities	$39,380
Net Assets	$395,582
Operating Margin	2.3%
Liabilities as a Percent of Income	6.2%
2005 Financial Profile (2006 dollars) (median)	
Income	$670,261
Expense	$612,102
Surplus/Deficit	$16,516
Assets	$443,394
Liabilities	$44,733
Net Assets	$376,644
Operating Margin	2.7%
Liabilities as a Percent of Income	6.8%
2004 Financial Profile (2006 dollars) (median)	
Income	$611,365
Expense	$610,513
Surplus/Deficit	$12,865
Assets	$474,537
Liabilities	$52,474
Net Assets	$325,914
Operating Margin	2.5%
Liabilities as a Percent of Income	7.1%

Organizations with Cash Reserves	75.0%
Equivalent of one month's operating budget or less	20.7%
Equivalent of two to three months' operating budget	35.3%
Equivalent of four or more months' operating budget	44.0%
Estimated Value of Property, Plant, and Equipment (median)	$300,000
Surpluses	
Surplus in 2006	64.5%
Surplus in 2005	70.2%
Surplus in 2004	65.9%
No surpluses in any year	7.2%
Surplus in one year	22.1%
Surpluses in two years	32.8%
Surpluses in all three years	37.9%
Use of 2006 Surplus	
Kept it in our regular account for use when cash flow was tight	51.3%
Contributed to an investment or savings account	42.7%
Spent it on something the agency needed	28.2%
Contributed to an operating reserve fund for "rainy day" purposes	26.5%
Other use	7.7%
Deficits	
Deficit in 2006	35.5%
Deficit in 2005	29.3%
Deficit in 2004	33.2%
No deficits in any year	38.5%
Deficit in one year	33.3%
Deficits in two years	21.0%
Deficits in all three years	7.2%
Dealing with 2006 Deficit	
Used prior year's reserve	60.9%
Cut expenses, including staff layoffs	29.7%
Fundraised	26.6%
Brought deficit forward into the next year's budget	15.6%
Borrowed money	14.1%
Approached board for special contribution	14.1%
There was nothing we could do because we didn't realize we had the deficit until the end of the year	4.7%
Did not pay bills	1.6%
Did not pay payroll taxes	0.0%
Other	6.2%
Income Source Mix	
2006 Actual	
% Government Contracts/Grants	31.3%
% Foundation/Corporate Grants	14.5%
% Earned Income	17.5%
% Individual Donations/Memberships	18.3%
% Fundraisers/Events	9.6%
% United Way	3.4%

Survey Data

2010 Projected	
% Other	5.4%
% Government Contracts/Grants	29.4%
% Foundation/Corporate Grants	14.4%
% Earned Income	17.3%
% Individual Donations/Memberships	19.9%
% Fundraisers/Events	10.4%
% United Way	3.2%
% Other	5.4%
Income Certainty	
Percent of Income Confirmed (certain)	37.5%
Percent of Income Expected (reasonably certain)	39.6%
Percent of Income Unsure (not yet identified)	22.8%
Organizations with Endowments	27.9%
Median endowment size	$198,350
Organizations Engaged in or Launching Capital Campaigns	18.0%
Median capital campaign goal	$1 million
Median expected capital campaign duration in years	3.0
Use of Capital Campaign Funds	
Purchase and/or renovate a facility	48.6%
Build a new facility	37.8%
Support ongoing operations/programs	24.3%
Establish an endowment	18.9%
Other	24.3%
Financial Health	
Financially healthy and not presently vulnerable	40.4%
Have been financially healthy, but feel vulnerable in future	38.0%
Have chronic financial problems, but expect to survive	21.6%
Don't know how we will survive this year	0.0%
Most Influential in Budgeting and Planning Practices	
Last year's programs and budget	47.7%
Changing needs of the community	16.9%
Internal perceptions of organizational capacity and goals	13.4%
Government programs	10.5%
Funding patterns of the philanthropic community	5.2%
Changing government policy	4.1%
New government programs	0.6%
Other	1.6%
Cash Flow Problems	
Cash Flow Problems in FY2006	39.4%
Cash Flow Problems in FY2005	36.0%
Cash Flow Problems in FY2004	40.6%
No cash flow problems in any year	49.7%
Cash flow problems in one year	13.6%
Cash flow problems in two years	8.5%
Cash flow problems in all three years	28.1%

Responses to Cash Shortages in 2006	
Approach a funder for emergency funding	20.0%
Increase fundraising activities	37.5%
Freeze salaries	17.5%
Delay payment of bills	32.5%
Reduce administrative staff	13.8%
Cut program services	3.8%
Reduce program staff	18.8%
Cut professional and/or organizational development budget	12.5%
Approach board for loan or special contribution	17.5%
Transfer money from other funds	36.2%
Use cash reserves	46.2%
Request a loan from a bank	27.5%
Other	5.1%
2006 Cash Flow Problems Attributed To:	
Delays in government payments	33.8%
Normal business cycles	38.8%
Unanticipated emergency expenses	30.0%
Fundraising campaigns did not meet expected goals	21.2%
A prior deficit	12.5%
Spent money we thought we would receive, but did not receive	12.5%
Timing of fundraising campaigns	12.5%
Delays in foundation payments	8.8%
Other	17.7%
Financial Practices	
Agree: We distinguish between capital and operating funds in our annual budget.	73.9%
Agree: We maintain financial benchmarks, established by the board, to assess our organization's financial health.	75.9%
Agree: We document the cost of cash flow borrowing. (Includes only organizations with cash flow problems).	57.1%
Agree: We attempt to diversify revenue sources.	90.4%
Borrowing	
Organizations borrowing money in the past 36 months	32.4%
Source(s) of Loan(s)	
Bank or commercial lending organization	89.7%
Friend, board, or staff member	10.3%
Foundation or foundation-sponsored loan program	1.5%
Government agency	7.4%
An affiliated organization	8.8%
Endowment or special internal fund	4.4%
Other	1.5%

Survey Data

Primary Reason for Borrowing	
To stabilize cash flow	54.4%
For facility construction and/or renovation	20.6%
For an equipment or building purchase	17.6%
To take advantage of an opportunity or to start a new program	2.9%
For an emergency	1.5%
Other	2.9%
Loan or Line of Credit Challenges	
Obtaining technical assistance in applying for a loan	
Significant Challenge	13.2%
Moderate Challenge	8.8%
Minimal Challenge	41.8%
Not a Challenge	36.3%
Obtaining loan approval given agency's financial structure, such as heavy reliance on public funding	
Significant Challenge	11.7%
Moderate Challenge	9.6%
Minimal Challenge	44.7%
Not a Challenge	34.0%
Obtaining loan approval given lender's requirements	
Significant Challenge	8.8%
Moderate Challenge	12.1%
Minimal Challenge	41.8%
Not a Challenge	37.4%
Finding affordable financing through traditional lending	
Significant Challenge	2.2%
Moderate Challenge	6.7%
Minimal Challenge	47.8%
Not a Challenge	43.3%
Interest Rate on Line of Credit Used in Last 12 Months	
Prime or less	48.9%
Prime plus .01 to 2 points	37.8%
Prime plus 2.01 to 4 points	8.9%
Prime plus 4.01 or more	2.2%
Rate tied to underlying collateral (e.g. CD)	2.2%
Used Entire Amount of Line of Credit Available	
Yes, have not repaid	14.6%
Yes, repaid a portion	4.9%
Yes, repaid the entire amount	19.5%
No	61.0%
Organization Turned Down for Loan or Line of Credit	6.2%

Reason Turned Down for Loan or Line of Credit	
Lender did not have confidence in our ability to repay	54.5%
We could not satisfy collateral requirements	54.5%
No matter what else we offered, lender required a personal guarantee for the amount of the loan	27.3%
We couldn't afford the rates and terms of the loans	0.0%
Other	18.2%
Primary Reason Organization Has Not Tried to Obtain Loan or Line of Credit in the Past	
We had no reason to use debt as part of our financial strategy	73.6%
The board has a policy against taking on debt	10.1%
We had not thought about how to use debt as part of our financial strategy	6.2%
We did not believe we would be able to repay the debt (i.e., could not afford debt payments)	5.4%
Other	4.7%
Median Full-Time Paid Staff	6
Organization Uses Volunteers	79.1%
Organizations with In-House Bookkeeper or Accountant on Staff	66.3%
Organizations with In-House Development Director/Fundraiser on Staff	46.1%
Compensation	
Average percent of operating budget that salaries and benefits comprise	44.5%
Average percent of compensation that benefits comprise	13.4%
Median lowest annual salary	$18,848
Median highest annual salary	$57,500
Operating Budget	
Average percent of operating budget on programs	71.5%
Average percent of operating budget on fundraising	6.6%
Average percent of operating budget on administration	22.1%
Organizations with a Formal Process for Staff to Report Complaints without Fear of Retaliation, i.e. Whistleblower Protection	72.1%
Organizations with a Written Policy Regarding the Retention and Destruction of Documents	59.8%
Changes in Management and Operations	
Strategic Planning	
Increase	66.7%
No change	28.4%
Decrease	4.9%
Accounting/Bookkeeping	
Increase	53.6%
No change	44.0%
Decrease	2.4%

Survey Data

Changes in Management and Operations (continued)	
Personnel Management	
Increase	52.7%
No change	45.4%
Decrease	2.0%
Board Training	
Increase	47.8%
No change	47.3%
Decrease	4.8%
Overall Financial Management	
Increase	66.7%
No change	32.4%
Decrease	1.0%
Budgeting	
Increase	56.8%
No change	42.2%
Decrease	1.0%
Fundraising	
Increase	64.6%
No change	30.6%
Decrease	4.9%
Program Evaluation	
Increase	60.2%
No change	37.4%
Decrease	2.4%
Information Technology	
Increase	72.0%
No change	25.6%
Decrease	2.4%
Increase in Organizational Capacity Attributed to:	
Auditor/Certified Public Accountant	21.9%
Banker/Loan Officer	1.9%
Board Member	55.0%
Outside Consultant	33.8%
Nonprofit Resource Center	10.0%
Internal Resource	50.0%
University	4.4%
Other	19.4%
Paid for Organizational Capacity Increase with:	
Operating budget	74.1%
Cash reserve	13.9%
Special fundraising campaign	8.9%
Board member	9.5%
Grant or funder program	43.7%
National/Affiliate program	5.1%
Other	9.5%

Capacity-Building	
Agree: We have sufficient access to the capacity-building assistance our organization needs.	45.8%
Agree: Our organization has changed as a result of the capacity improvements we have made	76.3%
Agree: There is adequate foundation funding to pay for capacity assistance that our organization needs.	23.5%
Agree: We would not use capacity assistance from an external provider if we had to pay for it ourselves.	49.2%
Agree: Our organization needs capacity assistance but doesn't know where to find it.	26.6%
Agree: Our organization needs capacity assistance but doesn't know what we need.	23.0%
Each Staff Person who Needs a Computer Has One	**90.3%**
Organization's Use of Information Technology	
We have up-to-date technology, a technology plan, and information technology is fully integrated into our organizational operations and planning.	29.8%
We have sufficient technology and are in the process of developing a technology plan.	31.7%
We have acquired information technology, but do not use it fully in our programs and operations.	28.8%
Our information technology is out-of-date and cannot support our operations.	5.3%
We use information technology minimally or not at all.	4.4%
Needed to Use Information Technology More Effectively	
Funds to acquire technology	56.8%
Internal staff to address technology issues	41.3%
Assistance in technology budgeting and planning	22.8%
Additional staff training in utilizing technology	51.5%
Additional staff training in identifying potential uses of technology	32.0%
Outside assistance in identifying potential uses of technology	31.1%
No improvement necessary	12.2%
Facilities	
Own space ONLY	30.2%
Lease space ONLY	34.4%
Donated/Free space ONLY	12.5%
Combination of space types	22.9%
Description of General Physical Condition of Space	
"Excellent"	27.2%
"Good"	45.6%
"Acceptable"	21.8%
"Barely Acceptable or Unacceptable"	5.4%

Survey Data

Organizations with Facilities that Meet Desired Space and Quality Needs	61.7%
Organizations with a Replacement Reserve for Facilities' Needs in the Annual Operating Budget	25.2%
Organizations that Maintain a Facilities Master Plan that Evaluates Current Space Needs and Plans for Growth and Organizational Change	21.0%
Organizations that Anticipate Acquiring Property or Undergoing New Construction or a Major Renovation within the Next Year	23.9%
Median estimated cost of project	$826,874
Primary Method of Paying for Acquiring Property or Undergoing New Construction on a Major Renovation within the Next Year	
Special Fundraising	40.8%
Borrow Money / Line of Credit	20.4%
Operating Budget	10.2%
Maintenance / Replacement Reserve	8.2%
Other	20.4%
Executive Director	
Median tenure of current executive director	7 years
Organizations anticipating a change in executive directors due to retirement in the next five years	25.2%
Organizations maintaining a strategic plan covering at least a three or five year period	66.0%
Most Significant Ongoing Problem Facing the Organization	
Growing demand for our services with the resources to support program growth	32.9%
Shortage of income to meet expenses	23.0%
Shrinking public money to support programs	13.0%
Inability to hire/retain qualified and motivated staff	7.5%
Competition for resources from other nonprofits	5.6%
Turnover or loss of key senior staff members	5.0%
Increased accountability demands and subsequent expenses	3.7%
Facilities-related issues	3.1%
Inability to recruit/retain effective board members	2.5%
Reduction in endowment value	0.0%
Other	3.7%
Involvement of Clients/Constituents in Design and Development of Programs	
"Not at all involved"	10.7%
"Involved a little or somewhat"	65.9%
"Involved a lot"	23.4%

Committees of the Board	
Program	45.2%
Finance	71.4%
Audit	38.1%
Fundraising/Development	66.2%
Nominating	70.8%
Building/Facilities	30.0%
Organizations Require Board Members to Serve on One or More Committees	55.6%
Organizations with Committees that Include Members from Outside the Organization	50.7%
Organizations with Diverse Boards, i.e. with at Least One Non-White Member	58.3%
Median Board Size	14.0
Average Board Attendance Rate at Regularly Scheduled Meetings	77.3%
Difficulty Finding Qualified Board Members	
"Not at all difficult"	9.5%
"Not too difficult'	27.6%
"Somewhat difficult"	50.0%
"Very difficult"	12.9%
Organizations Require Board Members to Sign a Conflict of Interest Statement Annually	44.2%
Board Practices	
Agree: The board is actively involved in our organization's policy setting and decision-making.	90.5%
Agree: The board takes responsibility for the organization's fiscal stability.	77.9%
Agree: The board is somewhat helpful, but it is still the executive director who is most involved in strategic decision-making.	70.4%
Agree: The uncertainty of our financial condition makes it difficult to recruit board members.	5.3%
Agree: The board actively recruits board members with strong financial background.	43.0%
Agree: More than 50 percent of our board members are actively involved in fundraising.	36.2%
Agree: All of our board members personally give to our organization.	61.0%
Agree: The board conducts periodic (annual) self-assessments of its performance.	32.2%
Agree: We have the right board to bring us through the challenges of the future.	68.2%
Changes in Management and Operations	
Economic downturn/recession	
Significant negative impact	8.2%
Some negative impact	53.1%
No impact	33.8%
Some positive impact	4.3%
Significant positive impact	0.5%

Survey Data

Widespread layoffs	
Significant negative impact	5.3%
Some negative impact	22.3%
No impact	69.4%
Some positive impact	2.9%
Significant positive impact	0.0%
Restructing of public sector support	
Significant negative impact	5.8%
Some negative impact	32.0%
No impact	55.8%
Some positive impact	5.3%
Significant positive impact	1.0%
Reduction of federal funds	
Significant negative impact	8.2%
Some negative impact	34.8%
No impact	55.1%
Some positive impact	1.0%
Significant positive impact	1.0%
Reduction in individual contributions	
Significant negative impact	6.3%
Some negative impact	39.8%
No impact	48.1%
Some positive impact	3.9%
Significant positive impact	1.9%
Decline in endowments	
Significant negative impact	3.4%
Some negative impact	12.0%
No impact	79.8%
Some positive impact	0.5%
Significant positive impact	4.3%
Complete cuts or elimination of programs	
Significant negative impact	3.9%
Some negative impact	23.3%
No impact	69.4%
Some positive impact	2.9%
Significant positive impact	0.5%
Mergers	
Significant negative impact	1.5%
Some negative impact	5.9%
No impact	89.2%
Some positive impact	2.5%
Significant positive impact	1.0%

Internal restructuring designed to reduce costs	
Significant negative impact	1.9%
Some negative impact	13.5%
No impact	56.0%
Some positive impact	24.6%
Significant positive impact	3.9%
Organizations Indicating the Actual Cost of Providing Human Services Under a Government Contract or Grant are Covered by the Contract or Grant	22.0%
Organization Informed About or Involved in Advocacy Concerning Fiscal and Legislative Policies that Impact Your Organization and/or Field	
"Not active"	31.5%
"Somewhat active"	49.3%
"Very active"	19.2%
Involvement of Clients/Constituents in Design and Development of Programs	
"Not at all involved"	34.5%
"Involved a little or somewhat"	56.7%
"Involved a lot"	8.9%
Organizations by Description of Future in Next Three Years	
"Our programs and finances will remain unchanged."	21.5%
"We will expand services in certain key areas."	61.5%
"We will need to reduce key program budgets and services."	5.5%
"We will need to examine all of our existing assumptions and will probably emerge as a very different organization than we are now."	11.5%

Survey Data by Size (2006 Total Revenue)

	< $250K	$250K–$499K	$500K–$999K	$1M– $4.9M	$5M–$15M	Total
Number of Organizations	N = 55	N = 38	N = 40	N = 58	N = 19	N = 210
Median Organization Age	18 years	20 years	24 years	30 years	39 years	24 years
Sector						
Arts, Culture & Humanities	16.4%	7.9%	12.5%	10.2%	5.6%	11.4%
Health Care	10.9%	7.9%	12.5%	8.5%	22.2%	11.0%
Public & Societal Benefit	16.4%	18.4%	15.0%	3.4%	5.6%	11.9%
Human Services	49.1%	36.8%	37.5%	59.3%	61.1%	48.6%
Education	7.3%	28.9%	22.5%	18.6%	5.6%	17.1%
Organization Location						
Large Urban Areas	36.4%	38.9%	62.5%	65.5%	72.2%	53.1%
Urban Areas & Small Cities	12.7%	16.7%	12.5%	19.0%	16.7%	15.5%
Towns & Rural Areas	50.9%	44.4%	25.0%	15.5%	11.1%	31.4%
2006 Financial Profile (median)						
Income	$147,595	$344,582	$745,437	$2,176,744	$7,960,097	$662,839
Expense	$131,217	$325,462	$687,726	$2,030,689	$7,084,369	$634,641
Surplus/Deficit	$1,257	$7,666	$22,058	$41,895	$155,910	$11,607
Assets	$83,542	$169,219	$494,406	$1,921,453	$4,642,554	$515,333
Liabilities	$2,641	$6,099	$88,211	$216,602	$1,110,205	$39,380
Net Assets	$78,693	$148,605	$392,007	$1,738,963	$4,720,957	$395,582
Operating Margin	1.1%	2.2%	3.4%	2.7%	2.5%	2.3%
Liabilities as a Percent of Income	2.0%	1.8%	11.0%	8.3%	13.8%	6.2%
2005 Financial Profile (2006 dollars) (median)						
Income	$161,905	$336,580	$687,677	$2,152,220	$7,622,787	$670,261
Expense	$140,284	$315,152	$686,469	$2,078,900	$6,946,714	$612,102
Surplus/Deficit	$6,266	$8,306	$8,659	$115,801	$81,860	$16,516
Assets	$85,834	$187,126	$441,638	$1,866,006	$4,123,411	$443,394
Liabilities	$3,485	$6,606	$68,865	$217,904	$1,033,101	$44,733
Net Assets	$81,188	$178,540	$370,525	$1,691,402	$4,058,571	$376,644
Operating Margin	3.6%	2.0%	1.5%	6.5%	1.4%	2.7%
Liabilities as a Percent of Income	1.9%	2.0%	10.4%	7.7%	13.1%	6.8%
2004 Financial Profile (2006 dollars) (median)						
Income	$137,125	$329,657	$706,522	$1,945,648	$7,504,720	$611,365
Expense	$137,705	$319,636	$673,953	$1,883,533	$7,344,657	$610,513
Surplus/Deficit	$174	$2,023	$25,329	$104,586	$63,403	$12,865
Assets	$72,474	$165,003	$474,537	$1,637,030	$4,704,769	$474,537
Liabilities	$2,883	$6,622	$122,004	$255,927	$904,720	$52,474
Net Assets	$58,644	$160,297	$307,776	$1,290,989	$3,643,912	$325,914
Operating Margin	0.2%	0.8%	4.7%	5.4%	0.8%	2.5%
Liabilities as a Percent of Income	2.3%	2.1%	17.1%	10.2%	11.9%	7.1%
Organizations with Cash Reserves	70.9%	73.7%	74.4%	75.9%	88.9%	75.0%
Equivalent of one month's operating budget or less	21.1%	26.9%	25.0%	14.0%	20.0%	20.7%
Equivalent of two to three months' operating budget	28.9%	53.8%	39.3%	30.2%	26.7%	35.3%
Equivalent of four or more months' operating budget	50.0%	19.2%	35.7%	55.8%	53.3%	44.0%

Survey Data by Size (2006 Total Revenue)

	< $250K	$250K–$499K	$500K–$999K	$1M– $4.9M	$5M–$15M	Total
Estimated Value of Property, Plant, and Equipment (median)	$84,265	$45,789	$348,653	$1,052,201	$1,442,246	$300,000
Surpluses						
Surplus in 2006	61.5%	70.6%	59.0%	63.2%	77.8%	64.5%
Surplus in 2005	73.1%	66.7%	60.0%	78.0%	66.7%	70.2%
Surplus in 2004	53.8%	59.5%	67.5%	79.3%	66.7%	65.9%
No surpluses in any year	8.3%	5.9%	10.3%	3.6%	11.1%	7.2%
Surplus in one year	29.2%	20.6%	20.5%	19.6%	16.7%	22.1%
Surpluses in two years	31.2%	41.2%	41.0%	26.8%	22.2%	32.8%
Surpluses in all three years	31.2%	32.4%	28.2%	50.0%	50.0%	37.9%
Deficits						
Deficit in 2006	38.5%	29.4%	41.0%	36.8%	22.2%	35.5%
Deficit in 2005	25.0%	33.3%	40.0%	22.0%	33.3%	29.3%
Deficit in 2004	44.2%	40.5%	32.5%	19.0%	33.3%	33.2%
No deficits in any year	33.3%	32.4%	28.2%	50.0%	50.0%	38.5%
Deficit in one year	31.2%	41.2%	41.0%	28.6%	22.2%	33.3%
Deficits in two years	27.1%	20.6%	20.5%	17.9%	16.7%	21.0%
Deficits in all three years	8.3%	5.9%	10.3%	3.6%	11.1%	7.2%
Income Source Mix						
2006 Actual						
% Government Contracts/Grants	28.2%	31.1%	23.3%	34.8%	47.3%	31.3%
% Foundation/Corporate Grants	14.5%	15.0%	16.0%	15.0%	8.4%	14.5%
% Earned Income	14.6%	14.6%	21.0%	19.4%	18.3%	17.5%
% Individual Donations/Memberships	20.5%	23.1%	16.4%	17.5%	9.7%	18.3%
% Fundraisers/Events	14.3%	10.9%	10.7%	5.5%	3.6%	9.6%
% United Way	2.5%	2.9%	4.7%	3.1%	5.0%	3.4%
% Other	5.4%	2.4%	7.9%	4.8%	7.8%	5.4%
2010 Projected						
% Government Contracts/Grants	26.0%	28.7%	20.3%	34.5%	44.4%	29.4%
% Foundation/Corporate Grants	14.0%	15.9%	15.2%	15.0%	9.1%	14.4%
% Earned Income	14.1%	14.3%	21.3%	18.6%	19.6%	17.3%
% Individual Donations/Memberships	23.7%	23.6%	19.0%	17.6%	10.8%	19.9%
% Fundraisers/Events	13.7%	12.3%	12.7%	6.5%	4.3%	10.4%
% United Way	2.7%	3.3%	3.4%	3.2%	3.9%	3.2%
% Other	5.8%	2.0%	8.1%	4.5%	7.9%	5.4%
Income Certainty						
Percent of Income Confirmed (certain)	32.2%	36.7%	31.8%	43.0%	50.0%	37.5%
Percent of Income Expected (reasonably certain)	38.9%	46.9%	38.6%	37.9%	34.8%	39.6%
Percent of Income Unsure (not yet identified)	28.9%	16.4%	29.6%	19.1%	15.2%	22.8%
Organizations with Endowments	6.2%	11.8%	35.3%	44.2%	50.0%	27.9%
Median endowment size	$265,537	$51,200	$97,500	$332,776	$1,000,000	$198,350
Organizations Engaged in or Launching Capital Campaigns	18.9%	5.3%	22.5%	24.6%	11.1%	18.0%

Survey Data by Size (2006 Total Revenue)

	< $250K	$250K–$499K	$500K–$999K	$1M– $4.9M	$5M–$15M	Total
Financial Health						
Financially healthy and not presently vulnerable	31.5%	28.9%	32.5%	53.4%	66.7%	40.4%
Have been financially healthy, but feel vulnerable in future	42.6%	39.5%	42.5%	34.5%	22.2%	38.0%
Have chronic financial problems, but expect to survive	25.9%	31.6%	25.0%	12.1%	11.1%	21.6%
Don't know how we will survive this year	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash Flow Problems						
Cash Flow Problems in FY2006	30.0%	43.2%	48.7%	42.4%	27.8%	39.4%
Cash Flow Problems in FY2005	35.3%	32.4%	44.7%	37.3%	22.2%	36.0%
Cash Flow Problems in FY2004	42.0%	37.8%	50.0%	37.3%	33.3%	40.6%
No cash flow problems in any year	52.1%	48.6%	40.5%	50.8%	61.1%	49.7%
Cash flow problems in one year	12.5%	13.5%	16.2%	11.9%	16.7%	13.6%
Cash flow problems in two years	12.5%	13.5%	5.4%	6.8%	0.0%	8.5%
Cash flow problems in all three years	22.9%	24.3%	37.8%	30.5%	22.2%	28.1%
Responses to Cash Shortages in 2006						
Approach a funder for emergency funding	20.0%	31.2%	21.1%	16.0%	0.0%	20.0%
Increase fundraising activities	46.7%	37.5%	31.6%	40.0%	20.0%	37.5%
Freeze salaries	13.3%	25.0%	15.8%	20.0%	0.0%	17.5%
Delay payment of bills	13.3%	25.0%	52.6%	32.0%	40.0%	32.5%
Reduce administrative staff	26.7%	6.2%	5.3%	16.0%	20.0%	13.8%
Cut program services	13.3%	0.0%	0.0%	0.0%	20.0%	3.8%
Reduce program staff	20.0%	18.8%	15.8%	16.0%	40.0%	18.8%
Cut professional and/or organizational development budget	6.7%	18.8%	15.8%	8.0%	20.0%	12.5%
Approach board for loan or special contribution	20.0%	12.5%	26.3%	16.0%	0.0%	17.5%
Transfer money from other funds	26.7%	50.0%	31.6%	40.0%	20.0%	36.2%
Use cash reserves	40.0%	50.0%	42.1%	48.0%	60.0%	46.2%
Request a loan from a bank	13.3%	6.2%	47.4%	32.0%	40.0%	27.5%
Other	6.7%	6.2%	10.5%	0.0%	0.0%	5.1%
Financial Practices						
Agree: We distinguish between capital and operating funds in our annual budget.	61.1%	60.0%	72.5%	89.5%	94.1%	73.9%
Agree: We maintain financial benchmarks, established by the board, to assess our organization's financial health.	74.1%	74.3%	65.0%	87.5%	72.2%	75.9%
Agree: We document the cost of cash flow borrowing. (Includes only organizations with cash flow problems).	50.0%	64.3%	57.9%	59.3%	50.0%	57.1%
Agree: We attempt to diversify revenue sources.	87.0%	84.2%	95.0%	94.8%	88.9%	90.4%
Borrowing						
Organizations borrowing money in the past 36 months	14.5%	18.4%	47.5%	44.1%	44.4%	32.4%

Survey Data by Size (2006 Total Revenue)

	< $250K	$250K–$499K	$500K–$999K	$1M– $4.9M	$5M–$15M	Total
Source(s) of Loan(s)						
Bank or commercial lending organization	75.0%	71.4%	100.0%	92.3%	87.5%	89.7%
Friend, board, or staff member	37.5%	28.6%	5.3%	3.8%	0.0%	10.3%
Foundation or foundation-sponsored loan program	0.0%	0.0%	0.0%	3.8%	0.0%	1.5%
Government agency	12.5%	0.0%	0.0%	11.5%	12.5%	7.4%
An affiliated organization	0.0%	14.3%	10.5%	3.8%	25.0%	8.8%
Endowment or special internal fund	0.0%	0.0%	10.5%	3.8%	0.0%	4.4%
Other	0.0%	14.3%	0.0%	0.0%	0.0%	1.5%
Organization Turned Down for Loan or Line of Credit	2.0%	0.0%	12.8%	11.3%	0.0%	6.2%
Median Full-Time Paid Staff	1	3	6	20	82	6
Organizations with In-House Bookkeeper or Accountant on Staff	46.3%	57.9%	52.5%	89.7%	100.0%	66.3%
Organizations with In-House Development Director/Fundraiser on Staff	27.8%	18.9%	53.8%	64.4%	82.4%	46.1%
Compensation						
Average percent of operating budget that salaries and benefits comprise	36.9%	38.1%	48.6%	51.3%	49.8%	44.5%
Average percent of compensation that benefits comprise	8.0%	12.0%	14.6%	16.3%	18.9%	13.4%
Median lowest annual salary	$10,500	$18,000	$24,000	$21,200	$18,488	$18,848
Median highest annual salary	$28,000	$46,125	$53,456	$71,645	$109,915	$57,500
Operating Budget						
Average percent of operating budget on programs	62.3%	69.0%	73.2%	77.1%	82.6%	71.5%
Average percent of operating budget on fundraising	7.0%	8.2%	6.1%	5.6%	3.8%	6.6%
Average percent of operating budget on administration	30.8%	22.8%	20.7%	17.3%	13.6%	22.1%
Organizations with a Formal Process for Staff to Report Complaints without Fear of Retaliation, i.e. Whistleblower Protection	56.0%	69.4%	71.8%	84.5%	83.3%	72.1%
Organizations with a Written Policy Regarding the Retention and Destruction of Documents	38.5%	50.0%	64.1%	75.4%	83.3%	59.8%
Changes in Management and Operations						
Strategic Planning						
Increase	63.0%	52.8%	60.5%	81.0%	72.2%	66.7%
No change	33.3%	38.9%	28.9%	19.0%	22.2%	28.4%
Decrease	3.7%	8.3%	10.5%	0.0%	5.6%	4.9%
Accounting/Bookkeeping						
Increase	50.0%	36.8%	57.9%	69.5%	38.9%	53.6%
No change	46.3%	57.9%	42.1%	28.8%	61.1%	44.0%
Decrease	3.7%	5.3%	0.0%	1.7%	0.0%	2.4%
Personnel Management						
Increase	42.3%	43.2%	48.7%	74.6%	38.9%	52.7%
No change	57.7%	54.1%	48.7%	23.7%	55.6%	45.4%
Decrease	0.0%	2.7%	2.6%	1.7%	5.6%	2.0%

Survey Data by Size (2006 Total Revenue)

	< $250K	$250K–$499K	$500K–$999K	$1M– $4.9M	$5M–$15M	Total
Changes in Management and Operations (continued)						
Board Training						
Increase	46.3%	35.1%	43.6%	55.9%	61.1%	47.8%
No change	51.9%	56.8%	46.2%	40.7%	38.9%	47.3%
Decrease	1.9%	8.1%	10.3%	3.4%	0.0%	4.8%
Overall Financial Management						
Increase	61.1%	67.6%	66.7%	79.7%	38.9%	66.7%
No change	38.9%	29.4%	30.8%	20.3%	61.1%	32.4%
Decrease	0.0%	2.9%	2.6%	0.0%	0.0%	1.0%
Budgeting						
Increase	56.6%	56.8%	56.4%	64.4%	33.3%	56.8%
No change	43.4%	40.5%	43.6%	33.9%	66.7%	42.2%
Decrease	0.0%	2.7%	0.0%	1.7%	0.0%	1.0%
Fundraising						
Increase	49.1%	62.2%	79.5%	67.8%	72.2%	64.6%
No change	45.3%	32.4%	12.8%	28.8%	27.8%	30.6%
Decrease	5.7%	5.4%	7.7%	3.4%	0.0%	4.9%
Program Evaluation						
Increase	55.6%	58.3%	61.5%	67.8%	50.0%	60.2%
No change	44.4%	38.9%	30.8%	32.2%	44.4%	37.4%
Decrease	0.0%	2.8%	7.7%	0.0%	5.6%	2.4%
Information Technology						
Increase	61.1%	70.3%	66.7%	83.1%	83.3%	72.0%
No change	37.0%	21.6%	33.3%	15.3%	16.7%	25.6%
Decrease	1.9%	8.1%	0.0%	1.7%	0.0%	2.4%
Increase in Organizational Capacity Attributed to:						
Auditor/Certified Public Accountant	34.1%	14.3%	16.7%	17.4%	26.7%	21.9%
Banker/Loan Officer	2.4%	0.0%	3.3%	2.2%	0.0%	1.9%
Board Member	63.4%	60.7%	56.7%	39.1%	66.7%	55.0%
Outside Consultant	29.3%	21.4%	36.7%	43.5%	33.3%	33.8%
Nonprofit Resource Center	12.2%	10.7%	10.0%	6.5%	13.3%	10.0%
Internal Resource	29.3%	39.3%	63.3%	58.7%	73.3%	50.0%
University	2.4%	0.0%	3.3%	10.9%	0.0%	4.4%
Other	22.0%	14.3%	26.7%	21.7%	0.0%	19.4%
Paid for Organizational Capacity Increase with:						
Operating budget	50.0%	74.1%	83.3%	82.6%	88.2%	74.1%
Cash reserve	13.2%	11.1%	13.3%	13.0%	23.5%	13.9%
Special fundraising campaign	15.8%	14.8%	6.7%	4.3%	0.0%	8.9%
Board member	15.8%	7.4%	6.7%	8.7%	5.9%	9.5%
Grant or funder program	36.8%	29.6%	56.7%	52.2%	35.3%	43.7%
National/Affiliate program	2.6%	7.4%	0.0%	8.7%	5.9%	5.1%
Other	10.5%	14.8%	10.0%	4.3%	11.8%	9.5%

Survey Data by Size (2006 Total Revenue)

	< $250K	$250K–$499K	$500K–$999K	$1M– $4.9M	$5M–$15M	Total
Capacity-Building						
Agree: We have sufficient access to the capacity-building assistance our organization needs.	52.2%	41.7%	44.7%	45.5%	41.2%	45.8%
Agree: Our organization has changed as a result of the capacity improvements we have made	67.4%	66.7%	73.0%	87.0%	94.1%	76.3%
Agree: There is adequate foundation funding to pay for capacity assistance that our organization needs.	22.7%	20.0%	23.7%	22.6%	35.3%	23.5%
Agree: We would not use capacity assistance from an external provider if we had to pay for it ourselves.	70.5%	51.4%	42.1%	37.7%	41.2%	49.2%
Agree: Our organization needs capacity assistance but doesn't know where to find it.	34.1%	38.9%	26.3%	18.9%	5.9%	26.6%
Agree: Our organization needs capacity assistance but doesn't know what we need.	27.3%	36.1%	27.0%	11.3%	11.8%	23.0%
Each Staff Person who Needs a Computer Has One	84.3%	84.2%	92.5%	94.9%	100.0%	90.3%
Organization's Use of Information Technology						
We have up-to-date technology, a technology plan, and information technology is fully integrated into our organizational operations and planning.	20.8%	21.1%	35.0%	28.8%	66.7%	29.8%
We have sufficient technology and are in the process of developing a technology plan.	28.3%	28.9%	30.0%	40.7%	22.2%	31.7%
We have acquired information technology, but do not use it fully in our programs and operations.	34.0%	31.6%	32.5%	25.4%	11.1%	28.8%
Our information technology is out-of-date and cannot support our operations.	7.5%	7.9%	2.5%	5.1%	0.0%	5.3%
We use information technology minimally or not at all.	9.4%	10.5%	0.0%	0.0%	0.0%	4.3%
Needed to Use Information Technology More Effectively						
Funds to acquire technology	50.0%	60.5%	60.0%	60.3%	50.0%	56.8%
Internal staff to address technology issues	34.6%	31.6%	45.0%	50.0%	44.4%	41.3%
Assistance in technology budgeting and planning	23.1%	13.2%	35.0%	20.7%	22.2%	22.8%
Additional staff training in utilizing technology	48.1%	39.5%	60.0%	56.9%	50.0%	51.5%
Additional staff training in identifying potential uses of technology	26.9%	26.3%	35.0%	34.5%	44.4%	32.0%
Outside assistance in identifying potential uses of technology	28.8%	21.1%	37.5%	34.5%	33.3%	31.1%
No improvement necessary	21.2%	15.8%	7.5%	3.5%	16.7%	12.2%
Facilities						
Own space ONLY	25.0%	25.0%	30.5%	37.5%	31.2%	30.2%
Lease space ONLY	35.4%	44.4%	41.7%	26.8%	18.8%	34.4%
Donated/Free space ONLY	22.9%	19.5%	2.8%	8.9%	0.0%	12.5%
Combination of space types	16.7%	11.1%	25.0%	26.8%	50.0%	22.9%

Survey Data by Size (2006 Total Revenue)

	< $250K	$250K–$499K	$500K–$999K	$1M– $4.9M	$5M–$15M	Total
Description of General Physical Condition of Space						
"Excellent"	23.1%	34.2%	28.2%	23.7%	33.3%	27.2%
"Good"	46.2%	36.8%	48.7%	45.8%	55.6%	45.6%
"Acceptable"	26.9%	21.1%	17.9%	23.7%	11.1%	21.8%
"Barely Acceptable or Unacceptable"	3.8%	7.9%	5.1%	6.8%	0.0%	5.4%
Organizations with Facilities that Meet Desired Space and Quality Needs	74.5%	68.4%	57.5%	47.5%	66.7%	61.7%
Organizations with a Replacement Reserve for Facilities' Needs in the Annual Operating Budget	14.3%	13.5%	27.5%	32.8%	50.0%	25.2%
Organizations that Maintain a Facilities Master Plan that Evaluates Current Space Needs and Plans for Growth and Organizational Change	13.5%	16.2%	22.5%	27.6%	27.8%	21.0%
Organizations that Anticipate Acquiring Property or Undergoing New Construction or a Major Renovation within the Next Year	20.4%	15.8%	27.5%	30.5%	22.2%	23.9%
Executive Director						
Median tenure of current executive director	5 years	8 years	5 years	7 years	9 years	7 years
Organizations anticipating a change in executive directors due to retirement in the next five years	30.2%	24.3%	27.5%	24.1%	11.1%	25.2%
Organizations maintaining a strategic plan covering at least a three or five year period	41.8%	52.6%	70.0%	87.9%	88.9%	66.0%
Involvement of Clients/Constituents in Design and Development of Programs						
"Not at all involved"	14.8%	13.5%	12.8%	5.3%	5.6%	10.7%
"Involved a little or somewhat"	55.6%	70.3%	74.4%	66.7%	66.7%	65.9%
"Involved a lot"	29.6%	16.2%	12.8%	28.1%	27.8%	23.4%
Committees of the Board						
Program	40.0%	47.4%	40.0%	44.1%	72.2%	45.2%
Finance	54.5%	52.6%	72.5%	91.5%	94.4%	71.4%
Audit	32.7%	23.7%	37.5%	44.1%	66.7%	38.1%
Fundraising/Development	65.5%	57.9%	55.0%	74.6%	83.3%	66.2%
Nominating	61.8%	60.5%	61.5%	86.4%	88.9%	70.8%
Building/Facilities	29.1%	18.4%	32.5%	39.0%	22.2%	30.0%
Organizations Require Board Members to Serve on One or More Committees	41.8%	37.8%	59.0%	74.1%	66.7%	55.6%
Organizations with Committees that Include Members from Outside the Organization	46.3%	45.7%	42.1%	62.7%	52.9%	50.7%
Organizations with Diverse Boards, i.e. with at Least One Non-White Member	40.7%	47.4%	60.0%	77.2%	70.6%	58.3%
Median Board Size	12.0	12.0	12.0	16.0	19.0	14.0
Average Board Attendance Rate at Regularly Scheduled Meetings	81.6%	75.2%	75.4%	76.7%	75.2%	77.3%

Survey Data by Size (2006 Total Revenue)

	< $250K	$250K–$499K	$500K–$999K	$1M– $4.9M	$5M–$15M	Total
Difficulty Finding Qualified Board Members						
"Not at all difficult"	10.9%	18.4%	5.0%	6.8%	5.6%	9.5%
"Not too difficult"	29.1%	21.1%	27.5%	28.8%	33.3%	27.6%
"Somewhat difficult"	54.5%	39.5%	57.5%	45.8%	55.6%	50.0%
"Very difficult"	5.5%	21.1%	10.0%	18.6%	5.6%	12.9%
Organizations Require Board Members to Sign a Conflict of Interest Statement Annually	18.5%	34.2%	53.8%	61.0%	66.7%	44.2%
Board Practices						
Agree: The board is actively involved in our organization's policy setting and decision-making.	92.7%	84.2%	95.0%	88.1%	94.4%	90.5%
Agree: The board takes responsibility for the organization's fiscal stability.	81.8%	55.6%	82.5%	81.4%	88.9%	77.9%
Agree: The board is somewhat helpful, but it is still the executive director who is most involved in strategic decision-making.	66.0%	68.4%	70.0%	74.1%	77.8%	70.4%
Agree: The uncertainty of our financial condition makes it difficult to recruit board members.	7.4%	5.3%	10.0%	1.7%	0.0%	5.3%
Agree: The board actively recruits board members with strong financial background.	37.0%	39.5%	42.5%	47.4%	55.6%	43.0%
Agree: More than 50 percent of our board members are actively involved in fundraising.	43.6%	26.3%	32.5%	35.6%	44.4%	36.2%
Agree: All of our board members personally give to our organization.	54.5%	55.3%	67.5%	67.8%	55.6%	61.0%
Agree: The board conducts periodic (annual) self-assessments of its performance.	33.3%	13.5%	32.5%	35.6%	55.6%	32.2%
Agree: We have the right board to bring us through the challenges of the future.	73.6%	60.6%	70.0%	65.5%	70.6%	68.2%
Organizations Indicating the Actual Cost of Providing Human Services Under a Government Contract or Grant are Covered by the Contract or Grant						
	32.1%	28.6%	24.0%	18.4%	0.0%	22.0%
Organization Informed About or Involved in Advocacy Concerning Fiscal and Legislative Policies that Impact Your Organization and/or Field						
"Not active"	45.3%	34.3%	35.9%	20.7%	11.1%	31.5%
"Somewhat active"	34.0%	48.6%	48.7%	58.6%	66.7%	49.3%
"Very active"	20.8%	17.1%	15.4%	20.7%	22.2%	19.2%
Involvement of Clients/Constituents in Design and Development of Programs						
"Not at all involved"	46.3%	32.4%	43.6%	20.7%	27.8%	34.5%
"Involved a little or somewhat"	38.9%	58.8%	51.3%	70.7%	72.2%	56.7%
"Involved a lot"	14.8%	8.8%	5.1%	8.6%	0.0%	8.9%
Organizations by Description of Future in Next Three Years						
"Our programs and finances will remain unchanged."	34.6%	13.9%	21.6%	17.2%	11.8%	21.5%
"We will expand services in certain key areas."	50.0%	63.9%	59.5%	65.5%	82.4%	61.5%
"We will need to reduce key program budgets and services."	7.7%	8.3%	5.4%	1.7%	5.9%	5.5%
"We will need to examine all of our existing assumptions and will probably emerge as a very different organization than we are now."	7.7%	13.9%	13.5%	15.5%	0.0%	11.5%

Survey Data by Sector

	Arts, Culture & Humanities	Health Care	Public & Societal Benefit	Human Services	Education	Total
Number of Organizations	N = 24	N = 23	N = 25	N = 102	N = 36	N = 210
Median Organization Age	29 years	32 years	14 years	26 years	23 years	24 years
Organization Location						
Large Urban Areas	75.0%	69.6%	56.0%	42.0%	57.1%	53.1%
Urban Areas & Small Cities	8.3%	8.7%	16.0%	17.0%	20.0%	15.5%
Towns & Rural Areas	16.7%	21.7%	28.0%	41.0%	22.9%	31.4%
2006 Financial Profile (median)						
Income	$527,168	$850,396	$324,714	$895,997	$638,300	$662,839
Expense	$633,305	$892,149	$328,341	$888,922	$566,901	$634,641
Surplus/Deficit	$10,848	$18,611	$14,126	$10,352	$13,845	$11,607
Assets	$298,200	$1,147,076	$290,056	$567,663	$485,693	$515,333
Liabilities	$32,865	$70,380	$12,524	$62,022	$26,584	$39,380
Net Assets	$292,949	$1,084,953	$277,945	$497,081	$341,437	$395,582
Operating Margin	3.3%	2.6%	4.6%	2.2%	2.7%	2.3%
Liabilities as a Percent of Income	9.2%	5.1%	2.6%	6.9%	3.0%	6.2%
2005 Financial Profile (2006 dollars) (median)						
Income	$651,905	$1,099,647	$316,578	$779,705	$600,779	$670,261
Expense	$606,460	$911,661	$316,568	$727,315	$599,756	$612,102
Surplus/Deficit	$15,092	$32,779	$13,419	$15,268	$13,899	$16,516
Assets	$313,202	$654,660	$246,715	$589,942	$418,507	$443,394
Liabilities	$30,275	$47,509	$12,146	$64,619	$47,172	$44,733
Net Assets	$266,215	$874,067	$229,833	$522,702	$313,265	$376,644
Operating Margin	6.2%	2.3%	3.1%	2.4%	3.5%	2.7%
Liabilities as a Percent of Income	7.2%	3.9%	3.5%	8.1%	5.7%	6.8%
2004 Financial Profile (2006 dollars) (median)						
Income	$589,050	$996,167	$313,735	$715,413	$583,358	$611,365
Expense	$523,637	$922,023	$281,511	$640,899	$528,868	$610,513
Surplus/Deficit	-$2,656	$19,098	$7,170	$18,980	$19,812	$12,865
Assets	$252,951	$536,056	$251,561	$610,830	$416,553	$474,537
Liabilities	$40,933	$57,328	$17,954	$70,709	$74,950	$52,474
Net Assets	$209,972	$574,839	$189,479	$465,169	$248,644	$325,914
Operating Margin	-0.4%	2.3%	2.7%	3.0%	4.7%	2.5%
Liabilities as a Percent of Income	9.5%	6.6%	5.4%	7.7%	3.6%	7.1%
Organizations with Cash Reserves	59.1%	82.6%	72.0%	76.5%	77.8%	75.0%
Equivalent of one month's operating budget or less	0.0%	23.5%	18.8%	27.3%	11.1%	20.7%
Equivalent of two to three months' operating budget	38.5%	35.3%	31.2%	33.8%	40.7%	35.3%
Equivalent of four or more months' operating budget	61.5%	41.2%	50.0%	39.0%	48.1%	44.0%
Estimated Value of Property, Plant, and Equipment (median)	$199,546	$298,968	$134,636	$373,577	$411,598	$300,000

Survey Data by Sector

	Arts, Culture & Humanities	Health Care	Public & Societal Benefit	Human Services	Education	Total
Surpluses						
Surplus in 2006	65.2%	59.1%	78.3%	61.2%	67.6%	64.5%
Surplus in 2005	75.0%	65.2%	56.5%	71.0%	77.1%	70.2%
Surplus in 2004	47.8%	69.6%	64.0%	66.0%	76.5%	65.9%
No surpluses in any year	9.1%	4.5%	4.5%	8.3%	6.1%	7.2%
Surplus in one year	27.3%	31.8%	18.2%	22.9%	12.1%	22.1%
Surpluses in two years	31.8%	27.3%	50.0%	30.2%	33.3%	32.8%
Surpluses in all three years	31.8%	36.4%	27.3%	38.5%	48.5%	37.9%
Deficits						
Deficit in 2006	34.8%	40.9%	21.7%	38.8%	32.4%	35.5%
Deficit in 2005	25.0%	34.8%	39.1%	29.0%	22.9%	29.3%
Deficit in 2004	52.2%	30.4%	32.0%	33.0%	23.5%	33.2%
No deficits in any year	31.8%	36.4%	31.8%	38.5%	48.5%	38.5%
Deficit in one year	31.8%	27.3%	50.0%	31.2%	33.3%	33.3%
Deficits in two years	27.3%	31.8%	13.6%	21.9%	12.1%	21.0%
Deficits in all three years	9.1%	4.5%	4.5%	8.3%	6.1%	7.2%
Income Source Mix						
2006 Actual						
% Government Contracts/Grants	6.5%	32.3%	52.8%	38.5%	14.5%	31.3%
% Foundation/Corporate Grants	23.0%	20.0%	11.0%	10.2%	19.1%	14.5%
% Earned Income	36.1%	7.5%	7.7%	15.2%	23.5%	17.5%
% Individual Donations/Memberships	17.3%	16.2%	18.7%	17.3%	22.9%	18.3%
% Fundraisers/Events	15.2%	8.9%	5.4%	7.9%	13.3%	9.6%
% United Way	0.2%	7.6%	0.5%	4.3%	2.2%	3.4%
% Other	1.6%	7.5%	4.2%	6.5%	4.5%	5.4%
2010 Projected						
% Government Contracts/Grants	7.4%	31.5%	47.0%	36.2%	13.4%	29.4%
% Foundation/Corporate Grants	24.1%	17.0%	16.6%	9.7%	17.8%	14.4%
% Earned Income	33.2%	7.4%	8.1%	15.8%	22.3%	17.3%
% Individual Donations/Memberships	20.3%	18.4%	18.8%	18.7%	24.7%	19.9%
% Fundraisers/Events	13.6%	11.6%	4.8%	8.7%	15.6%	10.4%
% United Way	0.3%	6.7%	0.9%	4.2%	1.6%	3.2%
% Other	1.2%	7.4%	3.9%	6.6%	4.6%	5.4%
Income Certainty						
Percent of Income Confirmed (certain)	31.9%	28.8%	44.2%	39.7%	34.6%	37.5%
Percent of Income Expected (reasonably certain)	42.2%	40.1%	35.2%	38.7%	45.4%	39.6%
Percent of Income Unsure (not yet identified)	25.9%	31.2%	20.5%	21.7%	20.0%	22.8%
Organizations with Endowments	41.7%	43.5%	4.0%	25.0%	33.3%	27.9%
Median endowment size	$431,074	$200,000	$2,500,000	$193,031	$38,548	$198,350
Organizations Engaged in or Launching Capital Campaigns	47.8%	8.7%	8.0%	16.2%	16.7%	18.0%

Survey Data by Sector

	Arts, Culture & Humanities	Health Care	Public & Societal Benefit	Human Services	Education	Total
Financial Health						
Financially healthy and not presently vulnerable	50.0%	39.1%	40.0%	40.0%	36.1%	40.4%
Have been financially healthy, but feel vulnerable in future	29.2%	43.5%	36.0%	36.0%	47.2%	38.0%
Have chronic financial problems, but expect to survive	20.8%	17.4%	24.0%	24.0%	16.7%	21.6%
Don't know how we will survive this year	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash Flow Problems						
Cash Flow Problems in FY2006	54.5%	42.9%	28.0%	39.6%	35.3%	39.4%
Cash Flow Problems in FY2005	52.4%	28.6%	32.0%	35.6%	34.3%	36.0%
Cash Flow Problems in FY2004	66.7%	38.1%	33.3%	39.6%	34.3%	40.6%
No cash flow problems in any year	35.0%	50.0%	58.3%	50.5%	50.0%	49.7%
Cash flow problems in one year	10.0%	20.0%	8.3%	12.9%	17.6%	13.6%
Cash flow problems in two years	0.0%	10.0%	12.5%	7.9%	11.8%	8.5%
Cash flow problems in all three years	55.0%	20.0%	20.8%	28.7%	20.6%	28.1%
Responses to Cash Shortages in 2006						
Approach a funder for emergency funding	16.7%	22.2%	28.6%	20.0%	16.7%	20.0%
Increase fundraising activities	58.3%	22.2%	14.3%	40.0%	33.3%	37.5%
Freeze salaries	8.3%	11.1%	28.6%	20.0%	16.7%	17.5%
Delay payment of bills	33.3%	44.4%	42.9%	27.5%	33.3%	32.5%
Reduce administrative staff	8.3%	0.0%	14.3%	17.5%	16.7%	13.8%
Cut program services	0.0%	11.1%	0.0%	5.0%	0.0%	3.8%
Reduce program staff	0.0%	11.1%	14.3%	30.0%	8.3%	18.8%
Cut professional and/or organizational development budget	16.7%	11.1%	28.6%	12.5%	0.0%	12.5%
Approach board for loan or special contribution	33.3%	11.1%	28.6%	15.0%	8.3%	17.5%
Transfer money from other funds	16.7%	11.1%	28.6%	52.5%	25.0%	36.2%
Use cash reserves	16.7%	66.7%	28.6%	57.5%	33.3%	46.2%
Request a loan from a bank	50.0%	44.4%	28.6%	15.0%	33.3%	27.5%
Other	0.0%	0.0%	28.6%	5.0%	0.0%	5.1%
Financial Practices						
Agree: We distinguish between capital and operating funds in our annual budget.	70.8%	69.6%	75.0%	81.4%	57.1%	73.9%
Agree: We maintain financial benchmarks, established by the board, to assess our organization's financial health.	95.8%	82.6%	60.9%	75.5%	68.6%	75.9%
Agree: We document the cost of cash flow borrowing. (Includes only organizations with cash flow problems).	66.7%	66.7%	62.5%	50.0%	60.0%	57.1%
Agree: We attempt to diversify revenue sources.	100.0%	95.7%	80.0%	90.0%	88.9%	90.4%
Borrowing						
Organizations borrowing money in the past 36 months	50.0%	30.4%	24.0%	30.4%	33.3%	32.4%

Survey Data by Sector

	Arts, Culture & Humanities	Health Care	Public & Societal Benefit	Human Services	Education	Total
Source(s) of Loan(s)						
Bank or commercial lending organization	91.7%	100.0%	100.0%	80.6%	100.0%	89.7%
Friend, board, or staff member	33.3%	14.3%	0.0%	3.2%	8.3%	10.3%
Foundation or foundation-sponsored loan program	0.0%	0.0%	0.0%	3.2%	0.0%	1.5%
Government agency	0.0%	0.0%	16.7%	12.9%	0.0%	7.4%
An affiliated organization	0.0%	14.3%	16.7%	9.7%	8.3%	8.8%
Endowment or special internal fund	0.0%	0.0%	0.0%	6.5%	8.3%	4.4%
Other	8.3%	0.0%	0.0%	0.0%	0.0%	1.5%
Organization Turned Down for Loan or Line of Credit	12.5%	0.0%	14.3%	5.5%	2.9%	6.2%
Median Full-Time Paid Staff	3	6	3	6	9	6
Organizations with In-House Bookkeeper or Accountant on Staff	54.2%	78.3%	40.0%	74.0%	63.9%	66.3%
Organizations with In-House Development Director/Fundraiser on Staff	65.2%	47.8%	16.0%	50.0%	42.9%	46.1%
Compensation						
Average percent of operating budget that salaries and benefits comprise	33.1%	50.9%	38.4%	46.7%	45.9%	44.5%
Average percent of compensation that benefits comprise	10.7%	12.7%	18.1%	14.1%	10.1%	13.4%
Median lowest annual salary	$23,000	$19,760	$24,600	$17,100	$16,820	$18,848
Median highest annual salary	$55,500	$74,282	$62,808	$50,333	$59,400	$57,500
Operating Budget						
Average percent of operating budget on programs	63.4%	75.3%	65.1%	73.6%	73.6%	71.5%
Average percent of operating budget on fundraising	8.7%	5.2%	6.1%	5.7%	7.5%	6.6%
Average percent of operating budget on administration	27.9%	19.5%	28.8%	20.6%	18.9%	22.1%
Organizations with a Formal Process for Staff to Report Complaints without Fear of Retaliation, i.e. Whistleblower Protection	50.0%	78.3%	68.2%	79.0%	63.9%	72.1%
Organizations with a Written Policy Regarding the Retention and Destruction of Documents	40.9%	63.6%	52.0%	72.3%	38.2%	59.8%
Changes in Management and Operations						
Strategic Planning						
Increase	70.8%	71.4%	60.0%	64.3%	72.2%	66.7%
No change	25.0%	23.8%	36.0%	30.6%	22.2%	28.4%
Decrease	4.2%	4.8%	4.0%	5.1%	5.6%	4.9%
Accounting/Bookkeeping						
Increase	45.8%	54.5%	48.0%	56.0%	55.6%	53.6%
No change	50.0%	45.5%	48.0%	42.0%	41.7%	44.0%
Decrease	4.2%	0.0%	4.0%	2.0%	2.8%	2.4%
Personnel Management						
Increase	26.1%	54.5%	41.7%	61.0%	52.8%	52.7%
No change	73.9%	36.4%	58.3%	37.0%	47.2%	45.4%
Decrease	0.0%	9.1%	0.0%	2.0%	0.0%	2.0%

Survey Data by Sector

	Arts, Culture & Humanities	Health Care	Public & Societal Benefit	Human Services	Education	Total
Changes in Management and Operations (continued)						
Board Training						
Increase	54.2%	68.2%	52.0%	44.0%	38.9%	47.8%
No change	37.5%	31.8%	36.0%	52.0%	58.3%	47.3%
Decrease	8.3%	0.0%	12.0%	4.0%	2.8%	4.8%
Overall Financial Management						
Increase	70.8%	63.6%	64.0%	63.3%	77.1%	66.7%
No change	29.2%	36.4%	36.0%	34.7%	22.9%	32.4%
Decrease	0.0%	0.0%	0.0%	2.0%	0.0%	1.0%
Budgeting						
Increase	75.0%	61.9%	52.0%	50.0%	63.9%	56.8%
No change	25.0%	38.1%	48.0%	48.0%	36.1%	42.2%
Decrease	0.0%	0.0%	0.0%	2.0%	0.0%	1.0%
Fundraising						
Increase	87.5%	76.2%	52.0%	55.0%	77.8%	64.6%
No change	12.5%	19.0%	36.0%	40.0%	19.4%	30.6%
Decrease	0.0%	4.8%	12.0%	5.0%	2.8%	4.9%
Program Evaluation						
Increase	54.2%	72.7%	60.0%	58.6%	61.1%	60.2%
No change	41.7%	27.3%	40.0%	39.4%	33.3%	37.4%
Decrease	4.2%	0.0%	0.0%	2.0%	5.6%	2.4%
Information Technology						
Increase	70.8%	68.2%	72.0%	73.0%	72.2%	72.0%
No change	29.2%	22.7%	24.0%	25.0%	27.8%	25.6%
Decrease	0.0%	9.1%	4.0%	2.0%	0.0%	2.4%
Increase in Organizational Capacity Attributed to:						
Auditor/Certified Public Accountant	10.5%	17.6%	27.3%	19.7%	34.6%	21.9%
Banker/Loan Officer	0.0%	5.9%	4.5%	1.3%	0.0%	1.9%
Board Member	63.2%	41.2%	63.6%	53.9%	53.8%	55.0%
Outside Consultant	31.6%	29.4%	36.4%	35.5%	30.8%	33.8%
Nonprofit Resource Center	5.3%	0.0%	13.6%	13.2%	7.7%	10.0%
Internal Resource	42.1%	52.9%	40.9%	52.6%	53.8%	50.0%
University	0.0%	5.9%	4.5%	5.3%	3.8%	4.4%
Other	26.3%	17.6%	18.2%	21.1%	11.5%	19.4%
Paid for Organizational Capacity Increase with:						
Operating budget	78.9%	64.7%	65.0%	74.7%	81.5%	74.1%
Cash reserve	15.8%	17.6%	15.0%	17.3%	0.0%	13.9%
Special fundraising campaign	15.8%	0.0%	5.0%	10.7%	7.4%	8.9%
Board member	5.3%	5.9%	15.0%	10.7%	7.4%	9.5%
Grant or funder program	36.8%	64.7%	50.0%	45.3%	25.9%	43.7%
National/Affiliate program	0.0%	11.8%	0.0%	5.3%	7.4%	5.1%
Other	5.3%	5.9%	25.0%	9.3%	3.7%	9.5%

Survey Data by Sector

	Arts, Culture & Humanities	Health Care	Public & Societal Benefit	Human Services	Education	Total
Capacity-Building						
Agree: We have sufficient access to the capacity-building assistance our organization needs.	61.1%	38.1%	58.3%	50.0%	21.2%	45.8%
Agree: Our organization has changed as a result of the capacity improvements we have made	88.2%	76.2%	79.2%	75.5%	70.6%	76.3%
Agree: There is adequate foundation funding to pay for capacity assistance that our organization needs.	27.8%	14.3%	27.3%	23.9%	23.5%	23.5%
Agree: We would not use capacity assistance from an external provider if we had to pay for it ourselves.	47.4%	61.9%	52.2%	48.9%	40.6%	49.2%
Agree: Our organization needs capacity assistance but doesn't know where to find it.	35.3%	14.3%	8.7%	28.0%	38.2%	26.6%
Agree: Our organization needs capacity assistance but doesn't know what we need.	23.5%	23.8%	13.0%	20.4%	36.4%	23.0%
Each Staff Person who Needs a Computer Has One	100.0%	90.9%	88.0%	89.1%	88.9%	90.3%
Organization's Use of Information Technology						
We have up-to-date technology, a technology plan, and information technology is fully integrated into our organizational operations and planning.	26.1%	21.7%	40.0%	31.7%	25.0%	29.8%
We have sufficient technology and are in the process of developing a technology plan.	34.8%	43.5%	32.0%	31.7%	22.2%	31.7%
We have acquired information technology, but do not use it fully in our programs and operations.	30.4%	26.1%	20.0%	27.7%	38.9%	28.8%
Our information technology is out-of-date and cannot support our operations.	8.7%	4.3%	4.0%	5.0%	5.6%	5.3%
We use information technology minimally or not at all.	0.0%	4.3%	4.0%	4.0%	8.3%	4.3%
Needed to Use Information Technology More Effectively						
Funds to acquire technology	69.6%	73.9%	41.7%	51.0%	63.9%	56.8%
Internal staff to address technology issues	56.5%	52.2%	20.8%	38.0%	47.2%	41.3%
Assistance in technology budgeting and planning	34.8%	34.8%	16.7%	17.0%	27.8%	22.8%
Additional staff training in utilizing technology	52.2%	56.5%	41.7%	51.0%	55.6%	51.5%
Additional staff training in identifying potential uses of technology	47.8%	39.1%	25.0%	27.0%	36.1%	32.0%
Outside assistance in identifying potential uses of technology	43.5%	47.8%	12.5%	30.0%	27.8%	31.1%
No improvement necessary	4.3%	0.0%	29.2%	14.1%	8.3%	12.2%
Facilities						
Own space ONLY	14.3%	40.9%	20.0%	33.3%	32.4%	30.2%
Lease space ONLY	47.6%	36.4%	28.0%	27.8%	47.1%	34.4%
Donated/Free space ONLY	14.3%	4.5%	32.0%	8.9%	11.8%	12.5%
Combination of space types	23.8%	18.2%	20.0%	30.0%	8.8%	22.9%
Description of General Physical Condition of Space						
"Excellent"	27.3%	34.8%	32.0%	23.8%	28.6%	27.2%
"Good"	40.9%	52.2%	36.0%	49.5%	40.0%	45.6%
"Acceptable"	27.3%	8.7%	24.0%	22.8%	22.9%	21.8%
"Barely Acceptable or Unacceptable"	4.5%	4.3%	8.0%	4.0%	8.6%	5.4%

Survey Data by Sector

	Arts, Culture & Humanities	Health Care	Public & Societal Benefit	Human Services	Education	Total
Organizations with Facilities that Meet Desired Space and Quality Needs	50.0%	60.9%	83.3%	59.4%	61.1%	61.7%
Organizations with a Replacement Reserve for Facilities' Needs in the Annual Operating Budget	23.8%	27.3%	20.8%	26.3%	25.0%	25.2%
Organizations that Maintain a Facilities Master Plan that Evaluates Current Space Needs and Plans for Growth and Organizational Change	18.2%	21.7%	8.3%	24.8%	20.0%	21.0%
Organizations that Anticipate Acquiring Property or Undergoing New Construction or a Major Renovation within the Next Year	30.4%	8.7%	12.0%	25.5%	33.3%	23.9%
Executive Director						
Median tenure of current executive director	5.5 years	4 years	7.5 years	7 years	5.75 years	7 years
Organizations anticipating a change in executive directors due to retirement in the next five years	34.8%	26.1%	20.8%	23.0%	27.8%	25.2%
Organizations maintaining a strategic plan covering at least a three or five year period	75.0%	69.6%	62.5%	64.7%	63.9%	66.0%
Involvement of Clients/Constituents in Design and Development of Programs						
"Not at all involved"	0.0%	13.0%	12.0%	10.2%	16.7%	10.7%
"Involved a little or somewhat"	65.2%	65.2%	60.0%	70.4%	58.3%	65.9%
"Involved a lot"	34.8%	21.7%	28.0%	19.4%	25.0%	23.4%
Committees of the Board						
Program	58.3%	56.5%	48.0%	42.2%	36.1%	45.2%
Finance	87.5%	82.6%	52.0%	72.5%	63.9%	71.4%
Audit	62.5%	43.5%	28.0%	37.3%	27.8%	38.1%
Fundraising/Development	87.5%	73.9%	56.0%	62.7%	63.9%	66.2%
Nominating	91.7%	78.3%	66.7%	69.6%	58.3%	70.8%
Building/Facilities	37.5%	21.7%	8.0%	34.3%	33.3%	30.0%
Organizations Require Board Members to Serve on One or More Committees	79.2%	43.5%	48.0%	56.0%	51.4%	55.6%
Organizations with Committees that Include Members from Outside the Organization	65.2%	59.1%	36.0%	52.0%	42.4%	50.7%
Organizations with Diverse Boards, i.e. with at Least One Non-White Member	73.9%	68.2%	52.0%	53.5%	60.0%	58.3%
Median Board Size	19.0	15.0	14.0	12.0	14.0	14.0
Average Board Attendance Rate at Regularly Scheduled Meetings	69.5%	75.6%	73.9%	79.1%	80.9%	77.3%
Difficulty Finding Qualified Board Members						
"Not at all difficult"	8.3%	13.0%	8.0%	6.9%	16.7%	9.5%
"Not too difficult"	29.2%	21.7%	16.0%	32.4%	25.0%	27.6%
"Somewhat difficult"	41.7%	56.5%	56.0%	50.0%	47.2%	50.0%
"Very difficult"	20.8%	8.7%	20.0%	10.8%	11.1%	12.9%
Organizations Require Board Members to Sign a Conflict of Interest Statement Annually	21.7%	52.2%	44.0%	46.5%	47.2%	44.2%

Survey Data by Sector

	Arts, Culture & Humanities	Health Care	Public & Societal Benefit	Human Services	Education	Total
Board Practices						
Agree: The board is actively involved in our organization's policy setting and decision-making.	100.0%	82.6%	88.0%	90.2%	91.7%	90.5%
Agree: The board takes responsibility for the organization's fiscal stability.	79.2%	78.3%	70.8%	79.4%	77.1%	77.9%
Agree: The board is somewhat helpful, but it is still the executive director who is most involved in strategic decision-making.	66.7%	66.7%	79.2%	70.4%	69.4%	70.4%
Agree: The uncertainty of our financial condition makes it difficult to recruit board members.	4.3%	0.0%	16.0%	5.9%	0.0%	5.3%
Agree: The board actively recruits board members with strong financial background.	52.2%	47.6%	44.0%	41.2%	38.9%	43.0%
Agree: More than 50 percent of our board members are actively involved in fundraising.	45.8%	43.5%	24.0%	38.2%	27.8%	36.2%
Agree: All of our board members personally give to our organization.	87.5%	78.3%	36.0%	58.8%	55.6%	61.0%
Agree: The board conducts periodic (annual) self-assessments of its performance.	34.8%	47.8%	28.0%	31.7%	25.0%	32.2%
Agree: We have the right board to bring us through the challenges of the future.	54.2%	81.0%	70.8%	70.8%	60.6%	68.2%
Organizations Indicating the Actual Cost of Providing Human Services Under a Government Contract or Grant are Covered by the Contract or Grant	33.3%	18.8%	12.5%	21.9%	31.2%	22.0%
Organization Informed About or Involved in Advocacy Concerning Fiscal and Legislative Policies that Impact Your Organization and/or Field						
"Not active"	39.1%	26.1%	29.2%	25.7%	50.0%	31.5%
"Somewhat active"	52.2%	56.5%	33.3%	52.5%	43.8%	49.3%
"Very active"	8.7%	17.4%	37.5%	21.8%	6.2%	19.2%
Involvement of Clients/Constituents in Design and Development of Programs						
"Not at all involved"	45.5%	47.8%	20.0%	27.7%	50.0%	34.5%
"Involved a little or somewhat"	50.0%	30.4%	64.0%	66.3%	43.8%	56.7%
"Involved a lot"	4.5%	21.7%	16.0%	5.9%	6.2%	8.9%
Organizations by Description of Future in Next Three Years						
"Our programs and finances will remain unchanged."	26.1%	21.7%	16.0%	22.9%	18.2%	21.5%
"We will expand services in certain key areas."	69.6%	65.2%	64.0%	57.3%	63.6%	61.5%
"We will need to reduce key program budgets and services."	0.0%	4.3%	12.0%	6.2%	3.0%	5.5%
"We will need to examine all of our existing assumptions and will probably emerge as a very different organization than we are now."	4.3%	8.7%	8.0%	13.5%	15.2%	11.5%

Survey Data by Geography

	Large Urban Areas	Urban Areas & Small Cities	Towns & Rural Areas	Total
Number of Organizations	N = 111	N = 33	N = 66	N = 210
Median Organization Age	25 years	23 years	24 years	24 years
Sector				
Arts, Culture & Humanities	16.4%	6.2%	6.2%	11.4%
Health Care	14.5%	6.2%	7.7%	11.0%
Public & Societal Benefit	12.7%	12.5%	10.8%	11.9%
Human Services	38.2%	53.2%	63.0%	48.6%
Education	18.2%	21.9%	12.3%	17.1%
2006 Financial Profile (median)				
Income	$914,250	$967,660	$280,838	$662,839
Expense	$892,711	$903,232	$273,242	$634,641
Surplus/Deficit	$20,846	$10,000	$4,082	$11,607
Assets	$845,858	$403,708	$360,384	$515,333
Liabilities	$96,592	$32,865	$13,076	$39,380
Net Assets	$641,820	$190,360	$273,741	$395,582
Operating Margin	2.7%	1.8%	2.2%	2.3%
Liabilities as a Percent of Income	8.2%	3.9%	4.4%	6.2%
2005 Financial Profile (2006 dollars) (median)				
Income	$1,043,922	$935,418	$277,058	$670,261
Expense	$848,519	$891,788	$271,949	$612,102
Surplus/Deficit	$32,731	$29,080	$6,431	$16,516
Assets	$629,005	$534,970	$340,676	$443,394
Liabilities	$103,226	$26,571	$15,365	$44,733
Net Assets	$616,523	$234,282	$254,171	$376,644
Operating Margin	3.5%	2.9%	2.3%	2.7%
Liabilities as a Percent of Income	8.6%	4.6%	3.6%	6.8%
2004 Financial Profile (2006 dollars) (median)				
Income	$975,542	$708,355	$250,258	$611,365
Expense	$887,573	$616,532	$259,548	$610,513
Surplus/Deficit	$22,689	$27,491	$3,072	$12,865
Assets	$608,870	$446,454	$299,110	$474,537
Liabilities	$132,491	$23,923	$19,871	$52,474
Net Assets	$478,905	$174,879	$232,648	$325,914
Operating Margin	3.8%	4.5%	1.4%	2.5%
Liabilities as a Percent of Income	10.9%	3.8%	6.1%	7.1%
Organizations with Cash Reserves	77.8%	81.2%	66.2%	75.0%
Equivalent of one month's operating budget or less	11.5%	23.1%	34.9%	20.7%
Equivalent of two to three months' operating budget	33.3%	46.2%	34.9%	35.3%
Equivalent of four or more months' operating budget	55.1%	30.8%	30.2%	44.0%
Estimated Value of Property, Plant, and Equipment (median)	$379,872	$75,524	$300,000	$300,000

Survey Data by Geography

	Large Urban Areas	Urban Areas & Small Cities	Towns & Rural Areas	Total
Surpluses				
Surplus in 2006	64.2%	66.7%	62.3%	64.5%
Surplus in 2005	69.4%	77.4%	66.7%	70.2%
Surplus in 2004	61.7%	80.6%	65.6%	65.9%
No surpluses in any year	9.7%	0.0%	6.7%	7.2%
Surplus in one year	22.3%	13.8%	26.7%	22.1%
Surpluses in two years	31.1%	41.4%	31.7%	32.8%
Surpluses in all three years	36.9%	44.8%	35.0%	37.9%
Deficits				
Deficit in 2006	35.8%	33.3%	37.7%	35.5%
Deficit in 2005	30.6%	22.6%	31.7%	29.3%
Deficit in 2004	38.3%	19.4%	31.2%	33.2%
No deficits in any year	36.9%	44.8%	36.7%	38.5%
Deficit in one year	31.1%	41.4%	33.3%	33.3%
Deficits in two years	22.3%	13.8%	23.3%	21.0%
Deficits in all three years	9.7%	0.0%	6.7%	7.2%
Income Source Mix				
2006 Actual				
% Government Contracts/Grants	20.3%	42.5%	45.4%	31.3%
% Foundation/Corporate Grants	19.9%	7.2%	8.7%	14.5%
% Earned Income	22.1%	10.9%	12.5%	17.5%
% Individual Donations/Memberships	17.4%	18.1%	19.0%	18.3%
% Fundraisers/Events	9.2%	13.3%	8.7%	9.6%
% United Way	4.6%	2.9%	1.7%	3.4%
% Other	6.5%	5.0%	3.9%	5.4%
2010 Projected				
% Government Contracts/Grants	19.4%	38.1%	42.8%	29.4%
% Foundation/Corporate Grants	19.5%	9.6%	8.2%	14.4%
% Earned Income	21.4%	11.1%	12.9%	17.3%
% Individual Donations/Memberships	19.5%	17.6%	20.8%	19.9%
% Fundraisers/Events	9.9%	15.3%	9.3%	10.4%
% United Way	4.1%	3.2%	1.8%	3.2%
% Other	6.2%	5.2%	4.3%	5.4%
Income Certainty				
Percent of Income Confirmed (certain)	35.5%	46.7%	36.5%	37.5%
Percent of Income Expected (reasonably certain)	39.3%	33.9%	42.6%	39.6%
Percent of Income Unsure (not yet identified)	25.2%	19.4%	20.9%	22.8%
Organizations with Endowments	39.1%	18.8%	12.7%	27.9%
Median endowment size	$200,000	$196,700	$1,000,000	$198,350
Organizations Engaged in or Launching Capital Campaigns	22.0%	16.1%	12.7%	18.0%

Survey Data by Geography

	Large Urban Areas	Urban Areas & Small Cities	Towns & Rural Areas	Total
Financial Health				
Financially healthy and not presently vulnerable	48.6%	34.4%	29.7%	40.4%
Have been financially healthy, but feel vulnerable in future	31.2%	50.0%	43.8%	38.0%
Have chronic financial problems, but expect to survive	20.2%	15.6%	26.5%	21.6%
Don't know how we will survive this year	0.0%	0.0%	0.0%	0.0%
Cash Flow Problems				
Cash Flow Problems in FY2006	40.0%	37.5%	38.1%	39.4%
Cash Flow Problems in FY2005	37.4%	35.5%	32.3%	36.0%
Cash Flow Problems in FY2004	43.9%	35.5%	37.7%	40.6%
No cash flow problems in any year	49.0%	45.2%	54.1%	49.7%
Cash flow problems in one year	14.4%	19.4%	9.8%	13.6%
Cash flow problems in two years	3.8%	19.4%	9.8%	8.5%
Cash flow problems in all three years	32.7%	16.1%	26.2%	28.1%
Responses to Cash Shortages in 2006				
Approach a funder for emergency funding	23.8%	8.3%	12.5%	20.0%
Increase fundraising activities	38.1%	8.3%	37.5%	37.5%
Freeze salaries	16.7%	16.7%	12.5%	17.5%
Delay payment of bills	33.3%	0.0%	37.5%	32.5%
Reduce administrative staff	14.3%	8.3%	20.8%	13.8%
Cut program services	7.1%	0.0%	8.3%	3.8%
Reduce program staff	14.3%	0.0%	16.7%	18.8%
Cut professional and/or organizational development budget	21.4%	0.0%	8.3%	12.5%
Approach board for loan or special contribution	19.0%	8.3%	4.2%	17.5%
Transfer money from other funds	23.8%	16.7%	33.3%	36.2%
Use cash reserves	35.7%	33.3%	33.3%	46.2%
Request a loan from a bank	23.8%	33.3%	12.5%	27.5%
Other	0.0%	0.0%	4.2%	5.1%
Financial Practices				
Agree: We distinguish between capital and operating funds in our annual budget.	77.9%	67.7%	69.2%	73.9%
Agree: We maintain financial benchmarks, established by the board, to assess our organization's financial health.	80.0%	74.2%	68.8%	75.9%
Agree: We document the cost of cash flow borrowing. (Includes only organizations with cash flow problems).	59.1%	60.0%	54.2%	57.1%
Agree: We attempt to diversify revenue sources.	93.5%	87.5%	86.2%	90.4%
Borrowing				
Organizations borrowing money in the past 36 months	33.6%	28.1%	33.8%	32.4%

Survey Data by Geography

	Large Urban Areas	Urban Areas & Small Cities	Towns & Rural Areas	Total
Source(s) of Loan(s)				
Bank or commercial lending organization	91.9%	100.0%	81.8%	89.7%
Friend, board, or staff member	10.8%	22.2%	4.5%	10.3%
Foundation or foundation-sponsored loan program	2.7%	0.0%	0.0%	1.5%
Government agency	5.4%	0.0%	13.6%	7.4%
An affiliated organization	10.8%	0.0%	9.1%	8.8%
Endowment or special internal fund	8.1%	0.0%	0.0%	4.4%
Other	2.7%	0.0%	0.0%	1.5%
Organization Turned Down for Loan or Line of Credit	7.6%	3.4%	5.4%	6.2%
Median Full-Time Paid Staff	7	8	3	6
Organizations with In-House Bookkeeper or Accountant on Staff	64.5%	77.4%	64.1%	66.3%
Organizations with In-House Development Director/Fundraiser on Staff	55.1%	37.5%	35.9%	46.1%
Compensation				
Average percent of operating budget that salaries and benefits comprise	46.3%	44.4%	41.5%	44.5%
Average percent of compensation that benefits comprise	13.2%	15.2%	12.9%	13.4%
Median lowest annual salary	$20,900	$21,000	$14,840	$18,848
Median highest annual salary	$71,000	$58,101	$35,000	$57,500
Operating Budget				
Average percent of operating budget on programs	77.0%	72.4%	62.6%	71.5%
Average percent of operating budget on fundraising	6.8%	3.8%	6.6%	6.6%
Average percent of operating budget on administration	16.3%	23.8%	31.3%	22.1%
Organizations with a Formal Process for Staff to Report Complaints without Fear of Retaliation, i.e. Whistleblower Protection	71.8%	65.6%	74.6%	72.1%
Organizations with a Written Policy Regarding the Retention and Destruction of Documents	57.1%	67.7%	60.0%	59.8%
Changes in Management and Operations				
Strategic Planning				
Increase	72.6%	65.6%	57.1%	66.7%
No change	22.6%	28.1%	38.1%	28.4%
Decrease	4.7%	6.2%	4.8%	4.9%
Accounting/Bookkeeping				
Increase	61.1%	53.1%	42.2%	53.6%
No change	37.0%	46.9%	53.1%	44.0%
Decrease	1.9%	0.0%	4.7%	2.4%
Personnel Management				
Increase	53.8%	56.2%	48.4%	52.7%
No change	45.3%	37.5%	50.0%	45.4%
Decrease	0.9%	6.2%	1.6%	2.0%
Board Training				
Increase	52.8%	43.8%	40.6%	47.8%
No change	43.5%	56.2%	50.0%	47.3%
Decrease	3.7%	0.0%	9.4%	4.8%

Survey Data by Geography

	Large Urban Areas	Urban Areas & Small Cities	Towns & Rural Areas	Total
Changes in Management and Operations (continued)				
Overall Financial Management				
Increase	73.1%	65.6%	57.4%	66.7%
No change	25.9%	34.4%	41.0%	32.4%
Decrease	0.9%	0.0%	1.6%	1.0%
Budgeting				
Increase	61.7%	50.0%	51.6%	56.8%
No change	38.3%	50.0%	45.3%	42.2%
Decrease	0.0%	0.0%	3.1%	1.0%
Fundraising				
Increase	78.5%	53.1%	46.9%	64.6%
No change	16.8%	40.6%	48.4%	30.6%
Decrease	4.7%	6.2%	4.7%	4.9%
Program Evaluation				
Increase	66.7%	59.4%	52.4%	60.2%
No change	30.6%	40.6%	44.4%	37.4%
Decrease	2.8%	0.0%	3.2%	2.4%
Information Technology				
Increase	77.8%	78.1%	60.9%	72.0%
No change	20.4%	21.9%	34.4%	25.6%
Decrease	1.9%	0.0%	4.7%	2.4%
Increase in Organizational Capacity Attributed to:				
Auditor/Certified Public Accountant	18.8%	25.0%	26.1%	21.9%
Banker/Loan Officer	0.0%	3.6%	4.3%	1.9%
Board Member	60.0%	39.3%	56.5%	55.0%
Outside Consultant	43.5%	21.4%	21.7%	33.8%
Nonprofit Resource Center	7.1%	14.3%	13.0%	10.0%
Internal Resource	51.8%	64.3%	39.1%	50.0%
University	3.5%	10.7%	2.2%	4.4%
Other	15.3%	21.4%	26.1%	19.4%
Paid for Organizational Capacity Increase with:				
Operating budget	70.5%	80.8%	76.7%	74.1%
Cash reserve	14.8%	11.5%	14.0%	13.9%
Special fundraising campaign	10.2%	3.8%	9.3%	8.9%
Board member	8.0%	3.8%	16.3%	9.5%
Grant or funder program	46.6%	50.0%	32.6%	43.7%
National/Affiliate program	4.5%	7.7%	4.7%	5.1%
Other	10.2%	7.7%	9.3%	9.5%

Survey Data by Geography

	Large Urban Areas	Urban Areas & Small Cities	Towns & Rural Areas	Total
Capacity-Building				
Agree: We have sufficient access to the capacity-building assistance our organization needs.	43.4%	48.4%	48.3%	45.8%
Agree: Our organization has changed as a result of the capacity improvements we have made	82.5%	83.9%	63.3%	76.3%
Agree: There is adequate foundation funding to pay for capacity assistance that our organization needs.	24.7%	20.0%	22.4%	23.5%
Agree: We would not use capacity assistance from an external provider if we had to pay for it ourselves.	43.9%	41.4%	62.1%	49.2%
Agree: Our organization needs capacity assistance but doesn't know where to find it.	19.8%	29.0%	35.6%	26.6%
Agree: Our organization needs capacity assistance but doesn't know what we need.	16.8%	32.3%	27.1%	23.0%
Each Staff Person who Needs a Computer Has One	93.5%	93.8%	82.8%	90.3%
Organization's Use of Information Technology				
We have up-to-date technology, a technology plan, and information technology is fully integrated into our organizational operations and planning.	33.9%	25.0%	26.6%	29.8%
We have sufficient technology and are in the process of developing a technology plan.	39.4%	25.0%	21.9%	31.7%
We have acquired information technology, but do not use it fully in our programs and operations.	22.9%	43.8%	31.2%	28.8%
Our information technology is out-of-date and cannot support our operations.	2.8%	6.2%	7.8%	5.3%
We use information technology minimally or not at all.	0.9%	0.0%	12.5%	4.3%
Needed to Use Information Technology More Effectively				
Funds to acquire technology	59.6%	53.1%	54.8%	56.8%
Internal staff to address technology issues	45.9%	40.6%	32.3%	41.3%
Assistance in technology budgeting and planning	22.0%	25.0%	22.6%	22.8%
Additional staff training in utilizing technology	51.4%	56.2%	48.4%	51.5%
Additional staff training in identifying potential uses of technology	33.0%	31.2%	29.0%	32.0%
Outside assistance in identifying potential uses of technology	32.1%	31.2%	27.4%	31.1%
No improvement necessary	9.3%	9.4%	19.4%	12.2%
Facilities				
Own space ONLY	26.2%	19.4%	41.8%	30.2%
Lease space ONLY	41.7%	45.2%	14.5%	34.4%
Donated/Free space ONLY	12.6%	9.7%	14.5%	12.5%
Combination of space types	19.4%	25.8%	29.1%	22.9%
Description of General Physical Condition of Space				
"Excellent"	29.9%	21.9%	25.0%	27.2%
"Good"	48.6%	46.9%	42.2%	45.6%
"Acceptable"	15.0%	31.2%	26.6%	21.8%
"Barely Acceptable or Unacceptable"	6.5%	0.0%	6.2%	5.4%

Survey Data by Geography

	Large Urban Areas	Urban Areas & Small Cities	Towns & Rural Areas	Total
Organizations with Facilities that Meet Desired Space and Quality Needs	63.6%	53.1%	64.1%	61.7%
Organizations with a Replacement Reserve for Facilities' Needs in the Annual Operating Budget	28.6%	22.6%	22.2%	25.2%
Organizations that Maintain a Facilities Master Plan that Evaluates Current Space Needs and Plans for Growth and Organizational Change	22.6%	15.6%	20.3%	21.0%
Organizations that Anticipate Acquiring Property or Undergoing New Construction or a Major Renovation within the Next Year	22.7%	19.4%	27.7%	23.9%
Executive Director				
Median tenure of current executive director	7 years	7 years	5 years	7 years
Organizations anticipating a change in executive directors due to retirement in the next five years	23.4%	31.2%	23.1%	25.2%
Organizations maintaining a strategic plan covering at least a three or five year period	79.8%	65.6%	41.5%	66.0%
Involvement of Clients/Constituents in Design and Development of Programs				
"Not at all involved"	10.4%	15.6%	9.4%	10.7%
"Involved a little or somewhat"	63.2%	68.8%	67.2%	65.9%
"Involved a lot"	26.4%	15.6%	23.4%	23.4%
Committees of the Board				
Program	57.3%	43.8%	26.2%	45.2%
Finance	81.8%	59.4%	60.0%	71.4%
Audit	49.1%	15.6%	32.3%	38.1%
Fundraising/Development	82.7%	50.0%	46.2%	66.2%
Nominating	78.9%	53.1%	66.2%	70.8%
Building/Facilities	27.3%	15.6%	43.1%	30.0%
Organizations Require Board Members to Serve on One or More Committees	67.9%	53.1%	34.9%	55.6%
Organizations with Committees that Include Members from Outside the Organization	58.5%	45.2%	39.7%	50.7%
Organizations with Diverse Boards, i.e. with at Least One Non-White Member	85.8%	43.8%	20.0%	58.3%
Median Board Size	16.0	14.0	10.0	14.0
Average Board Attendance Rate at Regularly Scheduled Meetings	74.0%	78.6%	81.7%	77.3%
Difficulty Finding Qualified Board Members				
"Not at all difficult"	8.2%	9.4%	12.3%	9.5%
"Not too difficult"	30.0%	28.1%	23.1%	27.6%
"Somewhat difficult"	47.3%	43.8%	56.9%	50.0%
"Very difficult"	14.5%	18.8%	7.7%	12.9%
Organizations Require Board Members to Sign a Conflict of Interest Statement Annually	56.0%	37.5%	26.6%	44.2%

Survey Data by Geography

	Large Urban Areas	Urban Areas & Small Cities	Towns & Rural Areas	Total
Board Practices				
Agree: The board is actively involved in our organization’s policy setting and decision-making.	90.9%	87.5%	90.8%	90.5%
Agree: The board takes responsibility for the organization's fiscal stability.	79.8%	58.1%	83.1%	77.9%
Agree: The board is somewhat helpful, but it is still the executive director who is most involved in strategic decision-making.	70.2%	81.2%	65.6%	70.4%
Agree: The uncertainty of our financial condition makes it difficult to recruit board members.	5.5%	3.2%	6.2%	5.3%
Agree: The board actively recruits board members with strong financial background.	48.6%	34.4%	40.0%	43.0%
Agree: More than 50 percent of our board members are actively involved in fundraising.	38.2%	25.0%	40.0%	36.2%
Agree: All of our board members personally give to our organization.	70.0%	50.0%	50.8%	61.0%
Agree: The board conducts periodic (annual) self-assessments of its performance.	37.6%	31.2%	23.4%	32.2%
Agree: We have the right board to bring us through the challenges of the future.	70.3%	45.2%	74.6%	68.2%
Organizations Indicating the Actual Cost of Providing Human Services Under a Government Contract or Grant are Covered by the Contract or Grant	18.3%	31.8%	23.3%	22.0%
Organization Informed About or Involved in Advocacy Concerning Fiscal and Legislative Policies that Impact Your Organization and/or Field				
“Not active”	34.0%	31.2%	27.0%	31.5%
“Somewhat active”	49.1%	43.8%	52.4%	49.3%
“Very active”	17.0%	25.0%	20.6%	19.2%
Involvement of Clients/Constituents in Design and Development of Programs				
“Not at all involved”	34.9%	35.5%	32.8%	34.5%
“Involved a little or somewhat”	54.7%	61.3%	57.8%	56.7%
“Involved a lot”	10.4%	3.2%	9.4%	8.9%
Organizations by Description of Future in Next Three Years				
“Our programs and finances will remain unchanged.”	19.2%	6.2%	33.9%	21.5%
“We will expand services in certain key areas.”	69.2%	62.5%	46.8%	61.5%
“We will need to reduce key program budgets and services.”	1.0%	9.4%	11.3%	5.5%
“We will need to examine all of our existing assumptions and will probably emerge as a very different organization than we are now.”	10.6%	21.9%	8.1%	11.5%

Appendix E
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