

# Nonprofit Pulse

NONPROFIT SURVEY • SUMMER 2018

Industry Outlook on Finances, Challenges, Risk Management, Training and Outsourcing



**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

# Introduction

## Focus

- Current conditions in the nonprofit sector
- Staffing, hiring and employee benefits
- Assessing and managing risk
- Confidence in board governance
- Training and professional development
- Outsourcing trends and opportunities

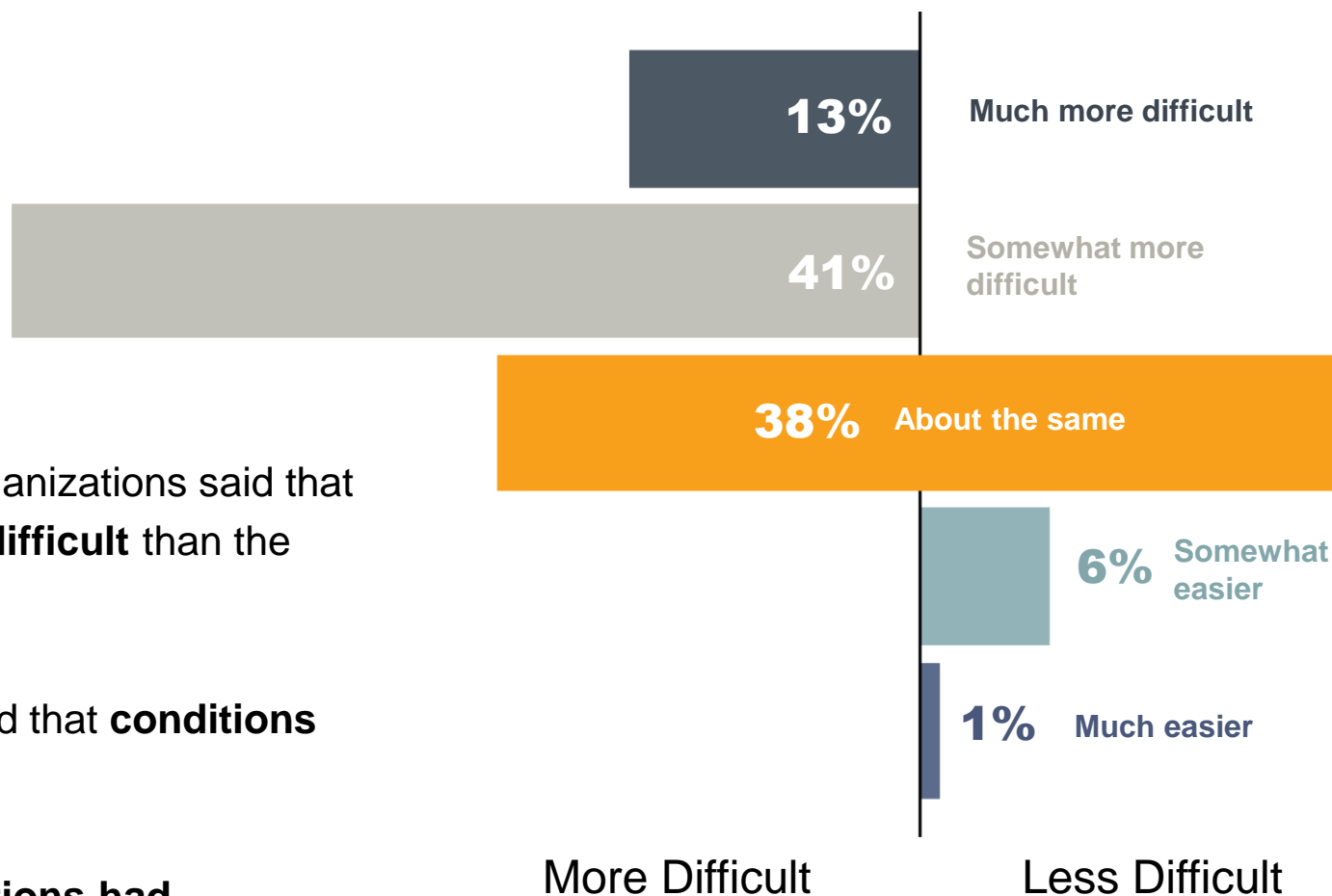
Marks Paneth LLP's *Summer 2018 Nonprofit Pulse* survey is based on the opinions of **216 leaders and managers** of nonprofit organizations.

Organizations ranged in size from **small nonprofits with staffs of less than five** to **large institutions with thousands of employees**.

**CEOs, CFOs, Controllers, Program Directors and Board Members made up 53%** of the sample. These respondents received targeted questions that only individuals in their roles could answer.



# Conditions Remain Challenging



**Fifty-four percent** of organizations said that **conditions were more difficult** than the previous year.

**Thirty-eight percent** said that **conditions had not changed**.

Only **7%** said that **conditions had improved**.

How are conditions in the nonprofit sector you work in compared to a year ago?



# A Wide Range of Budgets

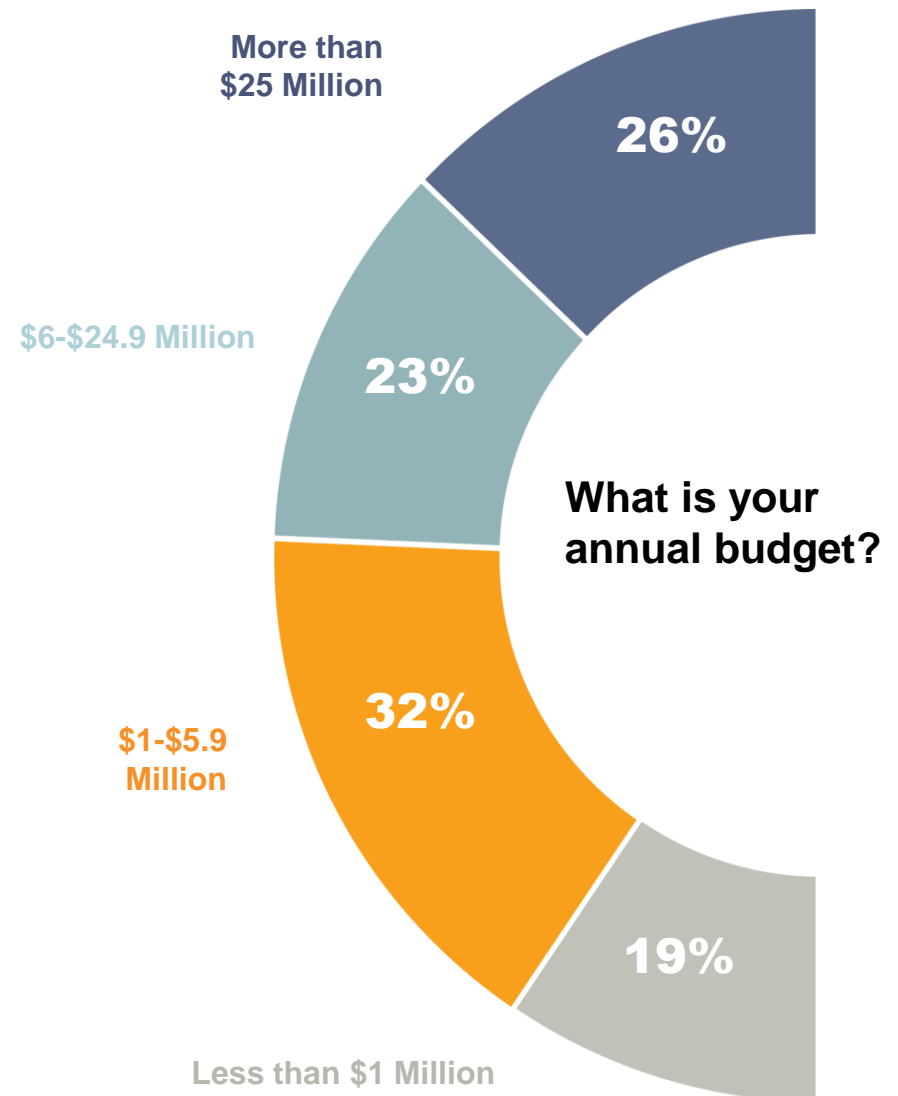
Annual budgets last year ranged from **under \$30,000 to over \$50 million.**

Nearly **one in five organizations** (19%) were operating with budgets of **less than \$1 million.**

Almost **one in three** (32%) were operating with budgets of **\$1 million to \$5.9 million.**

About **one in four** (23%) had budgets of **\$6 million to \$24.9 million.**

More than **one in four** (26%) had budgets over **\$25 million.**





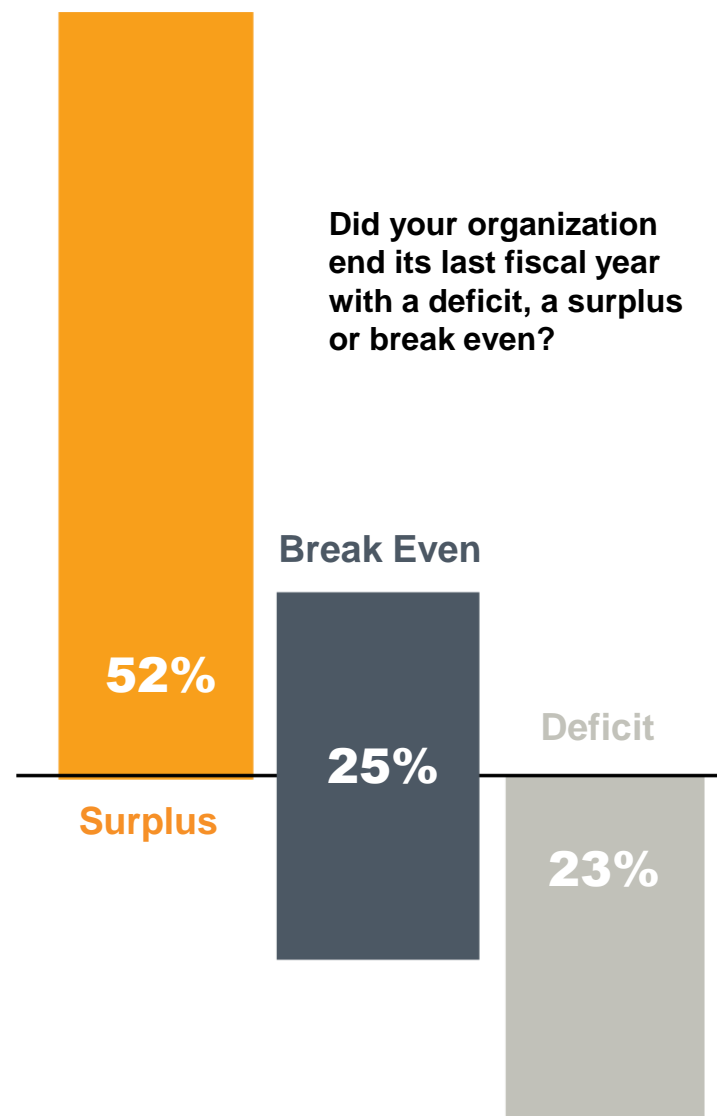
# Surplus Reported By More Than Half

**Fifty-two percent** of respondents said that their organizations **ended their last fiscal year with a surplus.**

**Twenty-five percent** said that they **broke even.**

However, **nearly one in four (23%)** said that they ended their last fiscal year **with a deficit.**

**A large budget was no guarantee that an organization avoided being in the red.** (The relationship between budget size and ending the year with a deficit, breaking even or a surplus was not statistically significant.)



\*Not Sure (2%)



# Comparison with Peers

When asked how they were faring financially compared to other nonprofits in their sector, **44% said they were doing about the same as their peers.**

**Thirty percent said they were better off financially** than other organizations in their sector.

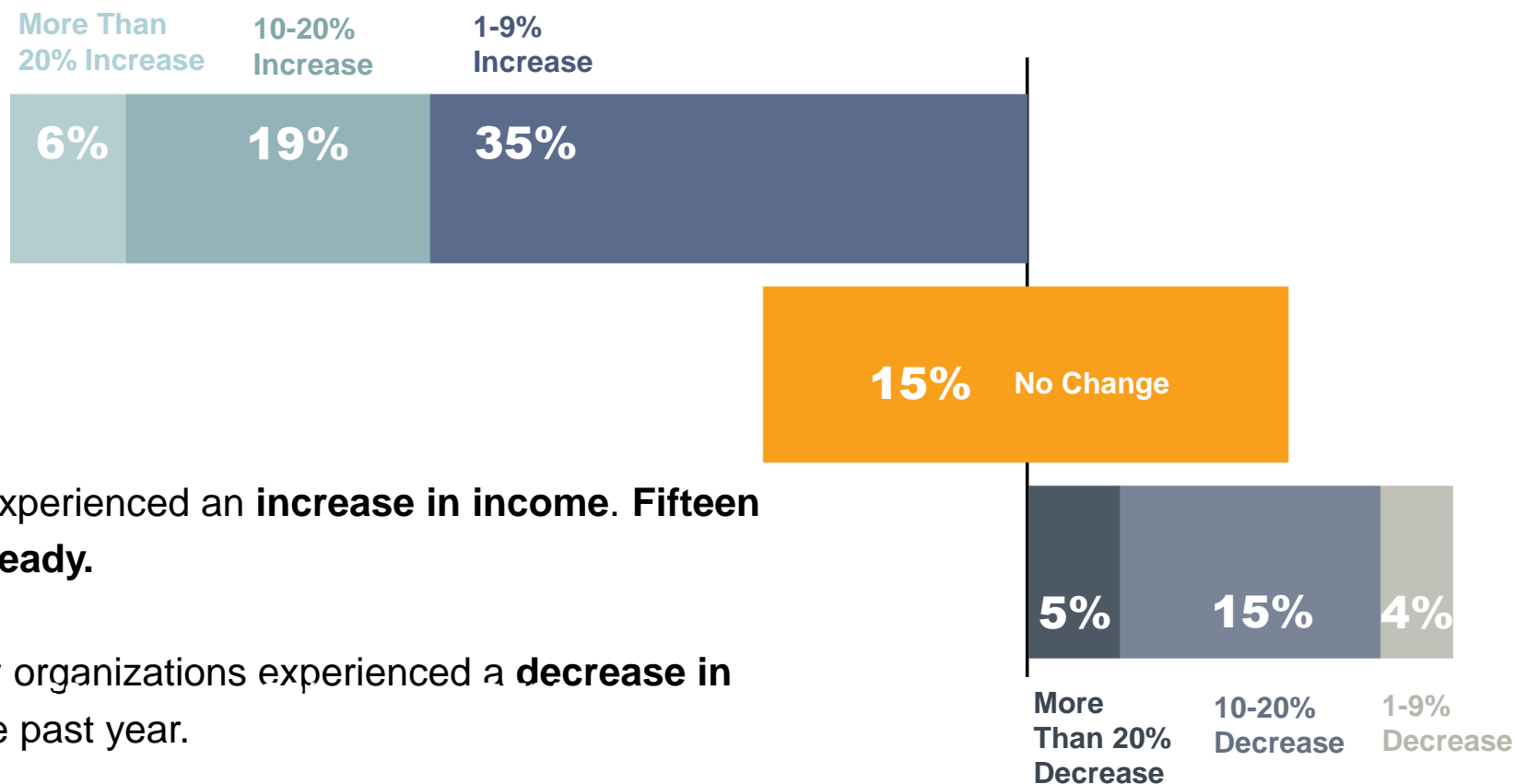
**Twenty-six percent felt they were struggling more** than other nonprofits in their sector.



How is your organization faring *financially* compared to other nonprofit organizations in your sector?



# Revenues



**Sixty percent** experienced an **increase in income**. **Fifteen percent** held **steady**.

**One out of four** organizations experienced a **decrease in income** over the past year.

The real question: **Did revenues increase enough to cover the demand for services?**

What was the change in total revenue (other than investment income) for your organization in the last fiscal year?\*

\*Asked of Presidents, CEOs, Executive Directors, CFOs, Controllers, Accounting Staff, Board Members and Program Directors and Managers



# Tough Financial Choices



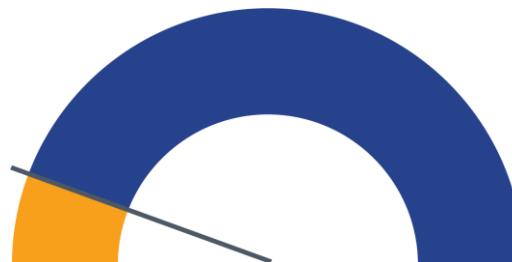
**Nearly half of respondents (45%)** said demand for services had **grown** in the past year.



However, **nearly one in four (23%)** said public funding had **decreased**.



**Over one in four (26%)** said they had used reserve funds or endowments to fund the gap in operational needs.



**Over one in ten (12%)** had to put a major campaign or new program initiative on hold to fund the gap.





# Leadership is Stable

**Top leadership positions were stable** in the past year.

**CEOs, CFOs and Board Members** tended to have the **longest tenure** in their organizations, as compared to those in other roles.

**Sixty-nine percent** of CEOs, **58%** of CFOs and **45%** of Board Members have been in their current role in their organizations for **over five years**.

Within the past year, only **15%** of respondents reported that their CEO had been replaced. **Ten percent** reported that their CFO had been replaced, and **7%** reported a board turnover of more than 20%.



# Staffing Steady, but Benefits Eroding for Some

Despite a higher rate of turnover in non-leadership roles, **overall staffing levels held steady over the past year for most organizations surveyed (68%)**. Twenty percent increased staff. Eleven percent decreased staff.

However, **13%** said that their organization had **reduced or eliminated employee benefits** in the past year.

In addition, **7%** reported that their organization was operating under a **hiring freeze**.



In the past year, has the number of full-time workers in your organization decreased significantly, increased significantly or stayed about the same?



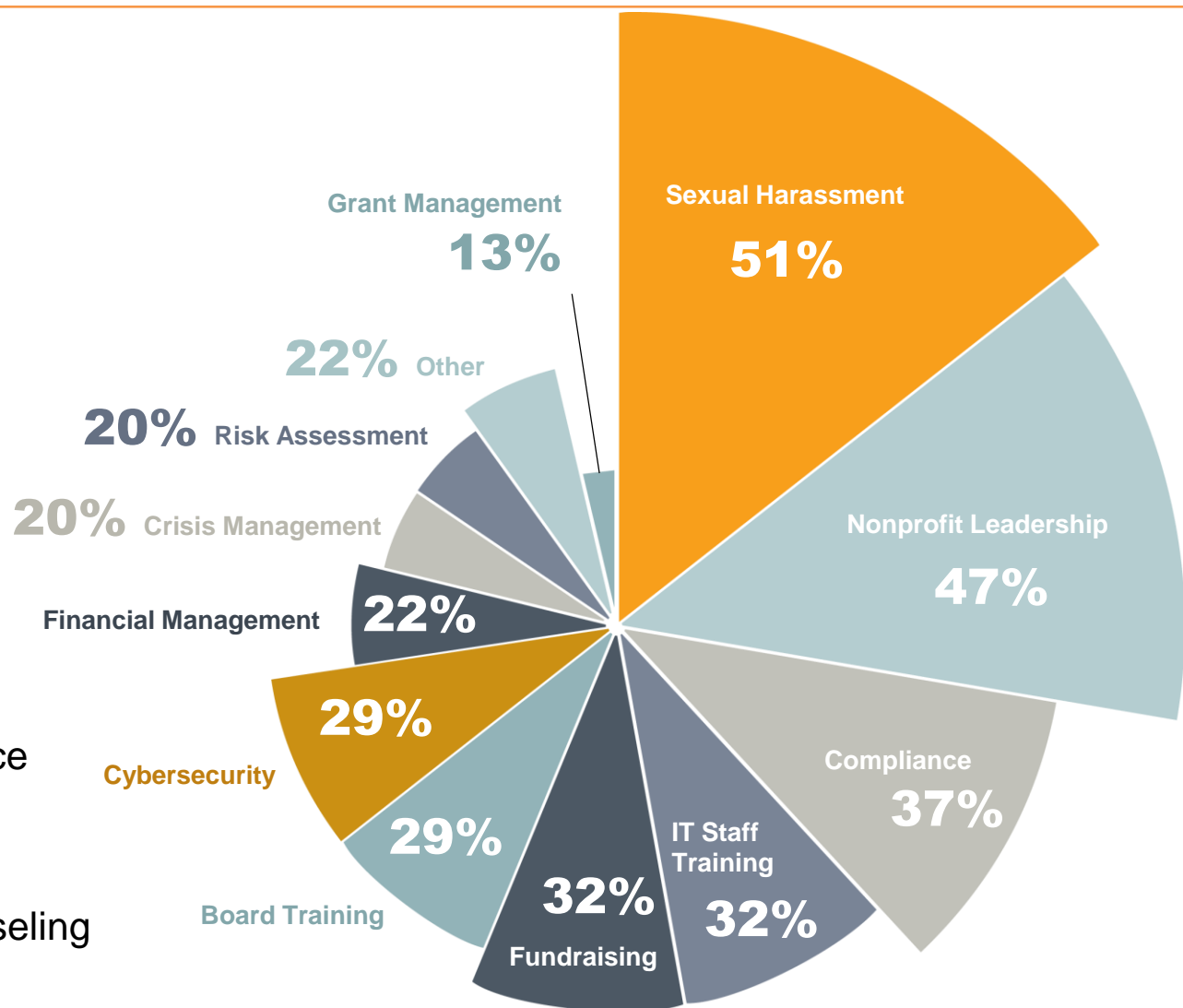
# Training Offered Last Year

**Eighty-eight percent of respondents** said that their companies **offered some sort of training program last year.**

Sexual Harassment, Nonprofit Leadership and Legal and Regulatory Compliance were offered most frequently.

The “Other” category included:

- Active Shooter/Workplace Violence
- Cultural
- Diversity/Discrimination/Racism
- Trauma Counseling/Family Counseling
- Ethics



**Which type of training has your organization offered in the past year? Check all that apply.**

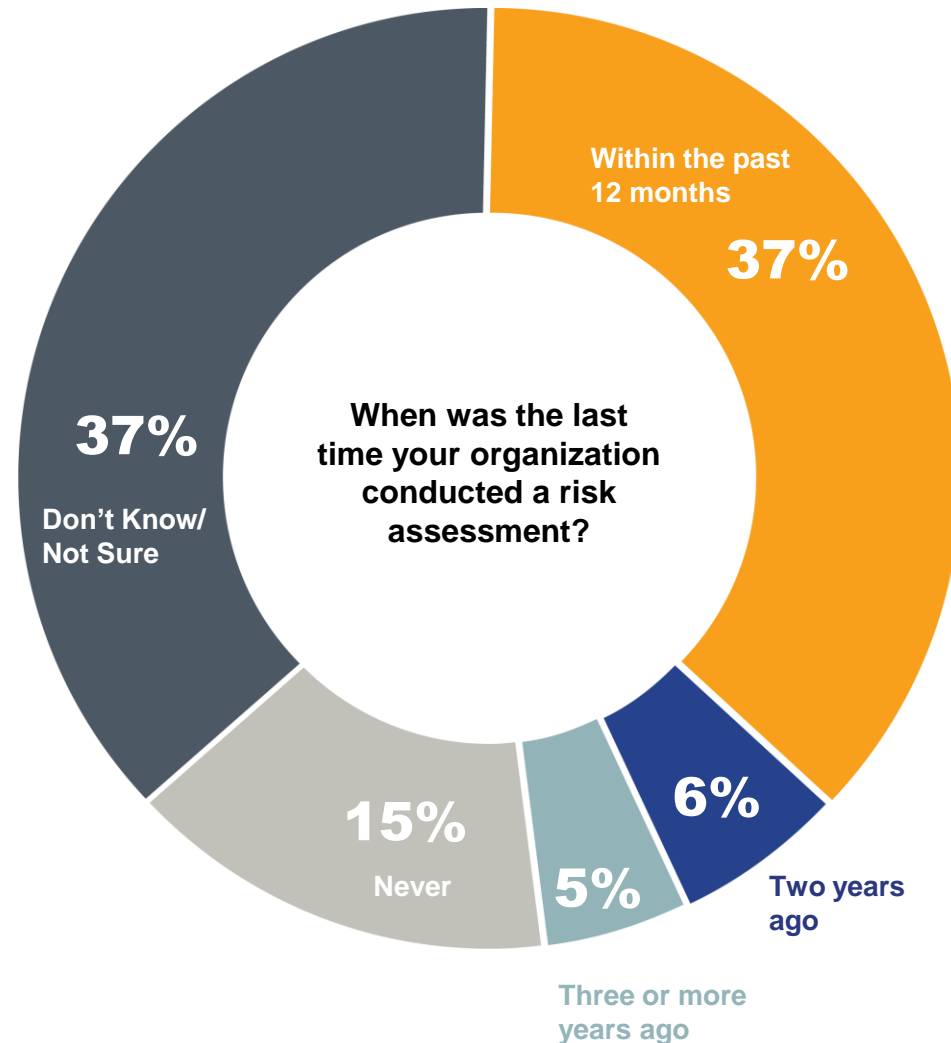


# Risk Assessment

**Thirty-seven percent** of respondents said that their organization had **conducted a risk assessment** within the past 12 months.

Of concern are the **15% of organizations** that **said they have never conducted a risk assessment** and the **37% of respondents** who **said that they did not know or were not sure**.

At the same time, nearly **one in five** respondents said that their organizations **had experienced fraud** (18%) or an online security breach (19%) within the past two years.



# Risk Management – Who's Responsible?

Of those who had a risk management function in place, CEOs were most often identified as being one of the leaders responsible for risk management (64%), followed by board members (45%), the CFO and the finance department (42%).

When respondents were asked who was responsible for risk management in their organizations, **11% said that no risk management function was in place** and **10% did not know**.

**Thirteen percent** of respondents said that their organization **had a dedicated risk management team in place**.



Who is responsible for overseeing risk management in your organization?  
Check all that apply.



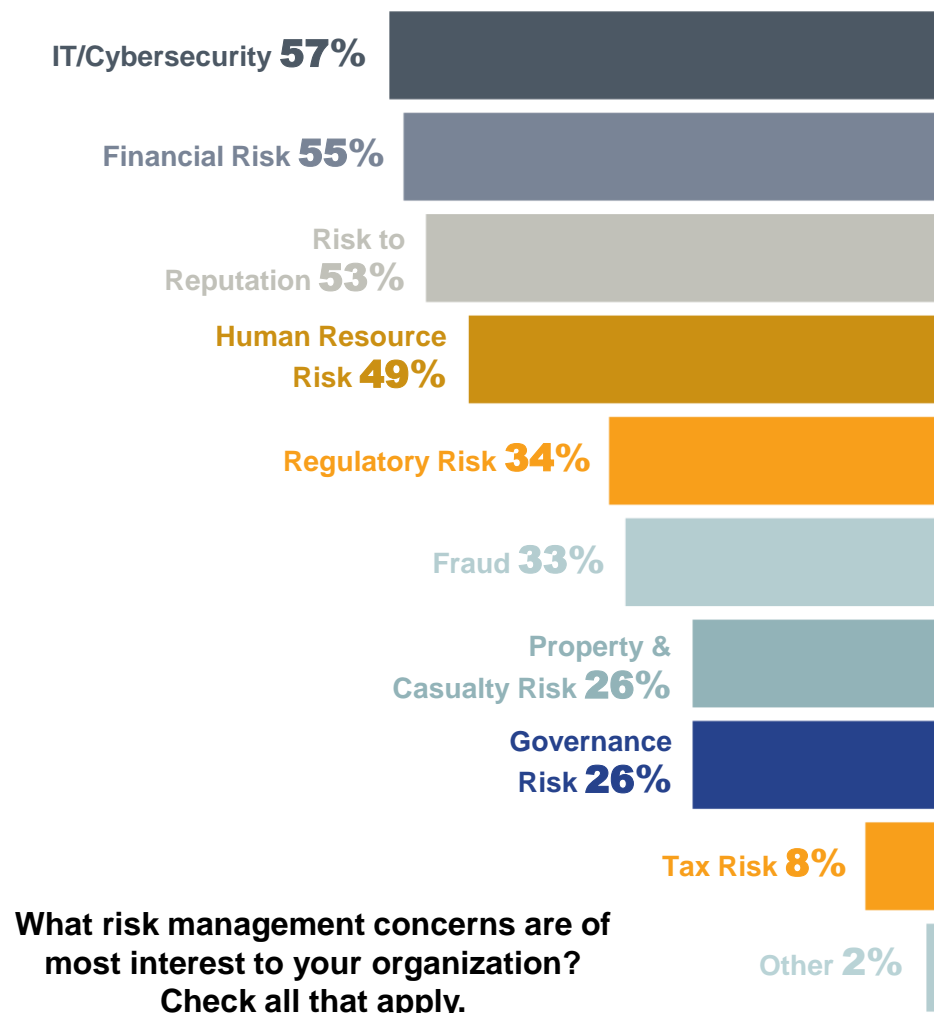


# Risk Management Planning

**Eighty-nine percent of respondents reported having risk management concerns.**

When asked about their risk management concerns, respondents mentioned that IT/cybersecurity, financial risk, risk to reputation and human resources risk were top-of-mind.

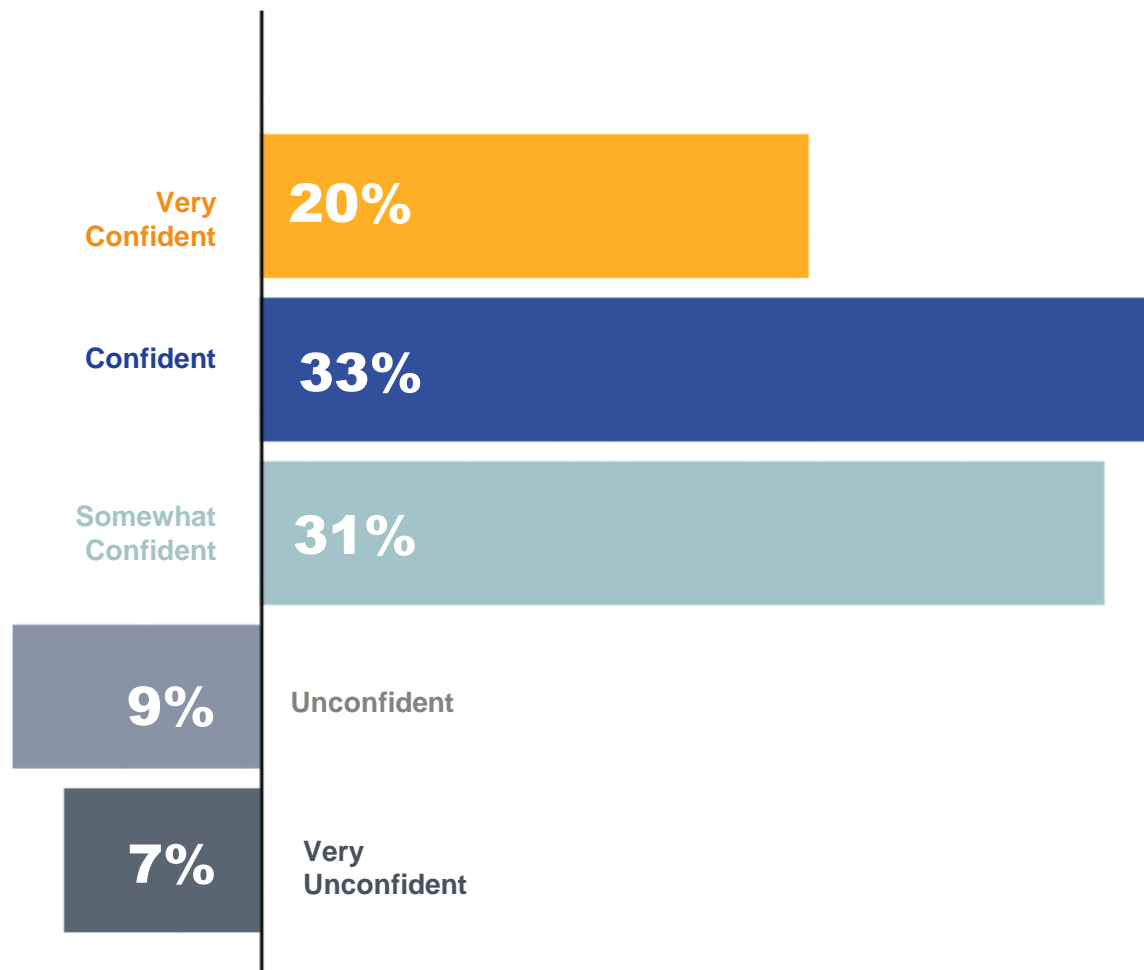
**When asked if their organization had a risk management plan in place, 32% said yes, 41% said no and 27% did not know.**



# Confidence in Board Governance

**Eighty-four percent of respondents said they were confident** in the effectiveness of their board's governance practices.

**Only 16% lacked confidence** in their board governance.



Overall, how confident are you in the effectiveness of your board's governance practices?



# Currently Outsourced Services

**Tax preparation (66%), legal services (64%) and IT (50%) were functions most often outsourced.**

About one in five respondents said that their organizations outsourced marketing and public relations (21%), accounting (20%) and event management (17%) functions.

In the “Other” category, a number of respondents said that most of these categories include functions that are both outsourced and done in-house, depending on capacity of the staff at the time.



**Which functions are outsourced in your organization?  
Check all that apply.**

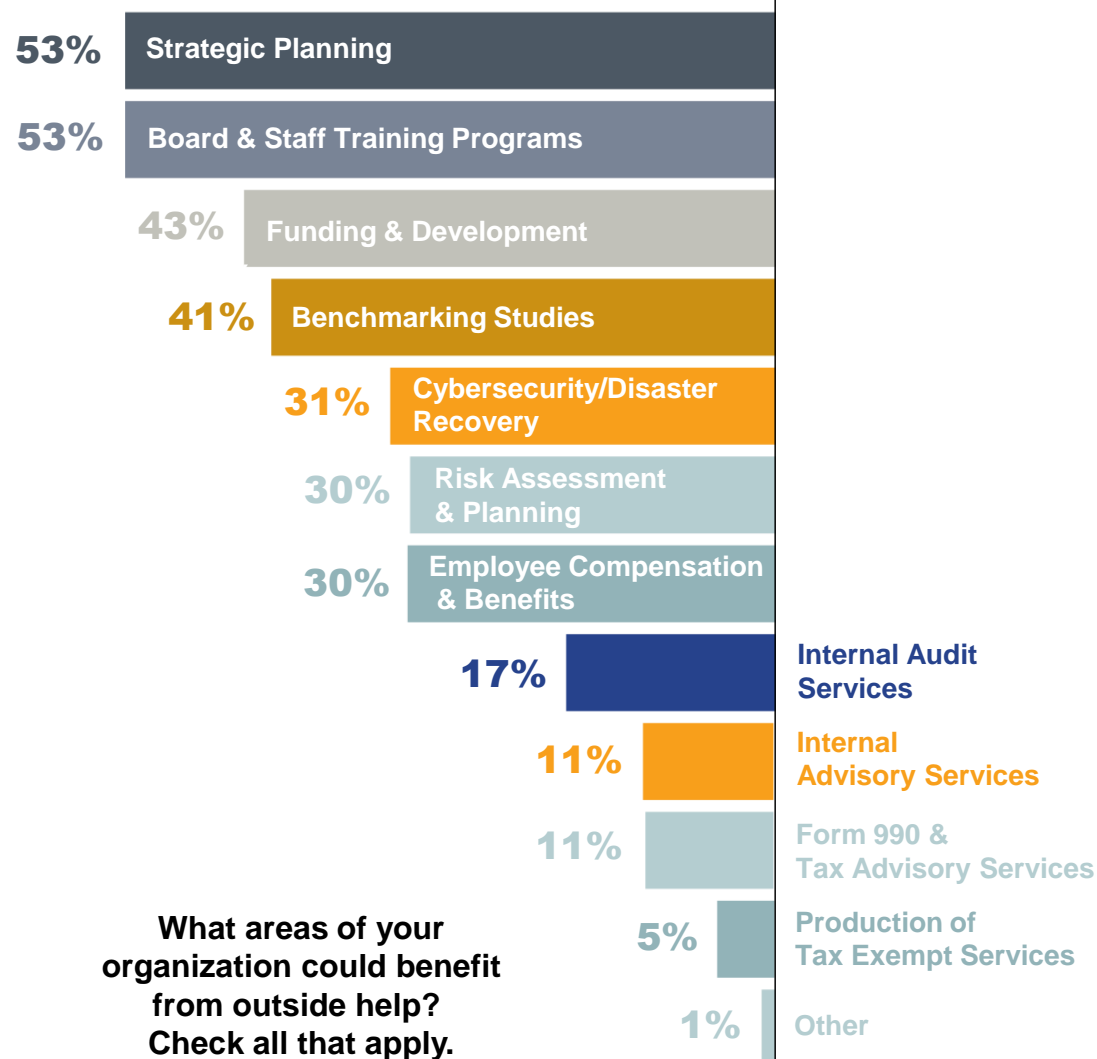


# Additional Opportunities for Outsourcing

The **majority of respondents** felt that their organizations would benefit from outside help with **strategic planning** (53%) and **board and staff training programs** (53%).

Also important were **fundraising and development** (43%) and **benchmarking studies** to improve performance (41%).

Around one in three identified **cybersecurity/disaster recovery** (31%), **risk assessment** (30%) and **employee compensation and benefits** (30%) as outside services that would be of benefit to their organizations.



# Survey Methodology

The results reported here are based on 216 completed, self-administered online surveys fielded in May 2018. Results are based on frequencies and statistical testing.

Marks Paneth supervised the survey design. The sample included nonprofit clients of Marks Paneth, readers of NY Nonprofit Media newsletter and other nonprofit organizations within the U.S.

Business Research Solutions managed the research project, including programming, fielding, data analysis and reporting of findings.

All respondents worked in the nonprofit sector. Fifty-three percent of respondents were CEOs, CFOs, Program Directors or Board Members.

The vast majority of surveyed organizations work in the domestic nonprofit sector and are operating in the New York or New Jersey areas.

Annual budgets ranged from \$30,000 to over \$50 million dollars. Organizations ranged in size from small nonprofits with staffs of less than five to large institutions with staffs of over 5,000.

Forty-six percent of respondents worked in health, human services, community assistance and healthcare organizations. The rest worked in public policy, research, advocacy, education, membership associations, private foundations and performing and cultural arts organizations.







# M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

If you have any questions, please contact [Michael McNee](#) or [Hope Goldstein](#), Co-Partners-in-Charge of the Nonprofit, Government & Healthcare Group, or any of the other partners in the group.

To participate in future Nonprofit Pulse surveys and receive results, please e-mail us at [contacts@markspaneth.com](mailto:contacts@markspaneth.com).

Media: To schedule an interview, contact Corin Huff at 914.909.3462 or [chuff@markspaneth.com](mailto:chuff@markspaneth.com).