

# NONPROFIT PULSE

*Nonprofit Outlook: Challenges, Finances,  
Funding, Demand for Services,  
Organizational Issues*

Summer 2017

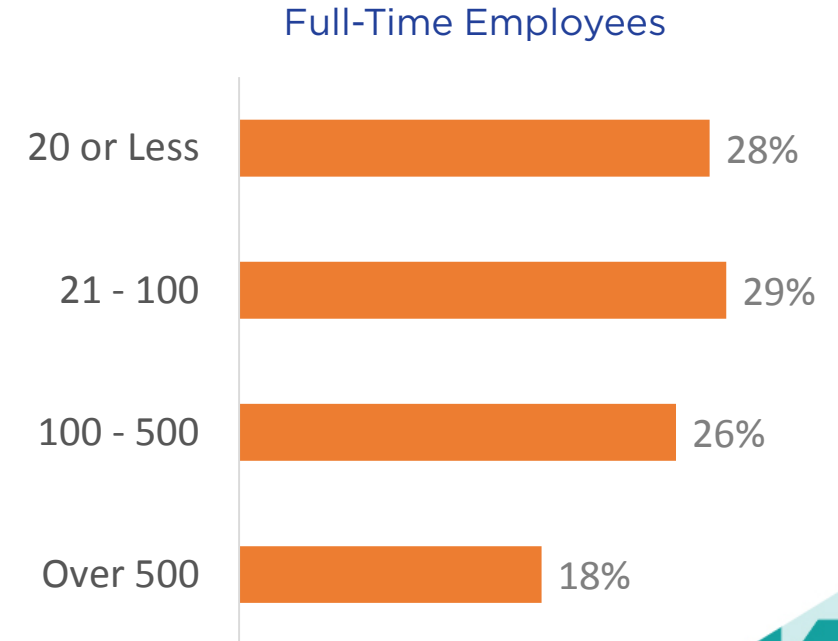
**MARKS PANETH**

ACCOUNTANTS & ADVISORS



# INTRODUCTION

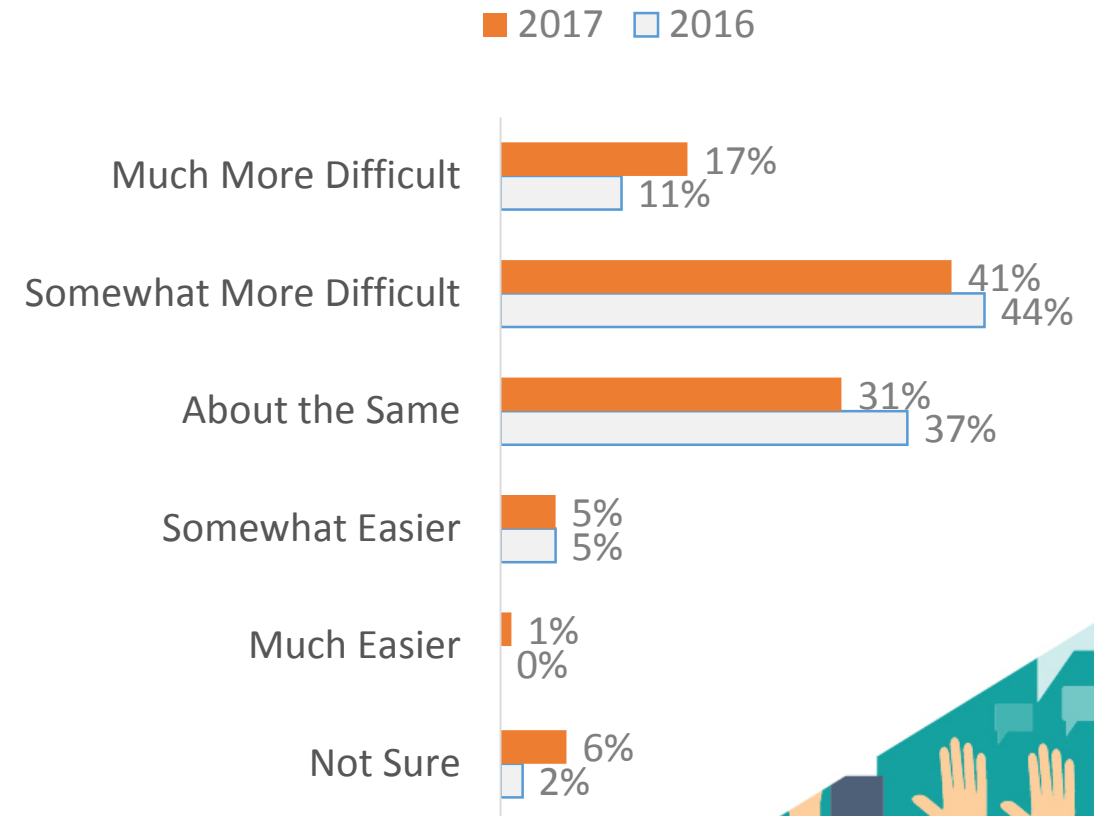
- Mark Paneth's *Nonprofit Pulse* survey collects the opinions of senior leaders of nonprofit organizations.
- Findings from the 2017 Summer Survey provide insights into funding issues, financial stability and Board oversight of nonprofit organizations.
- Surveyed organizations ranged in size from small nonprofits of 20 or fewer employees to large institutions employing more than 500 people.



# UNEASE IS GROWING

- Pessimism and uncertainty are growing.
- Almost 60% of leaders expect conditions in the nonprofit sector to be more difficult in the next 12 months. What's influencing their assessment?
- Pessimism is driven by fears that government funding will dry up, especially among organizations that rely on federal, state and local funding.

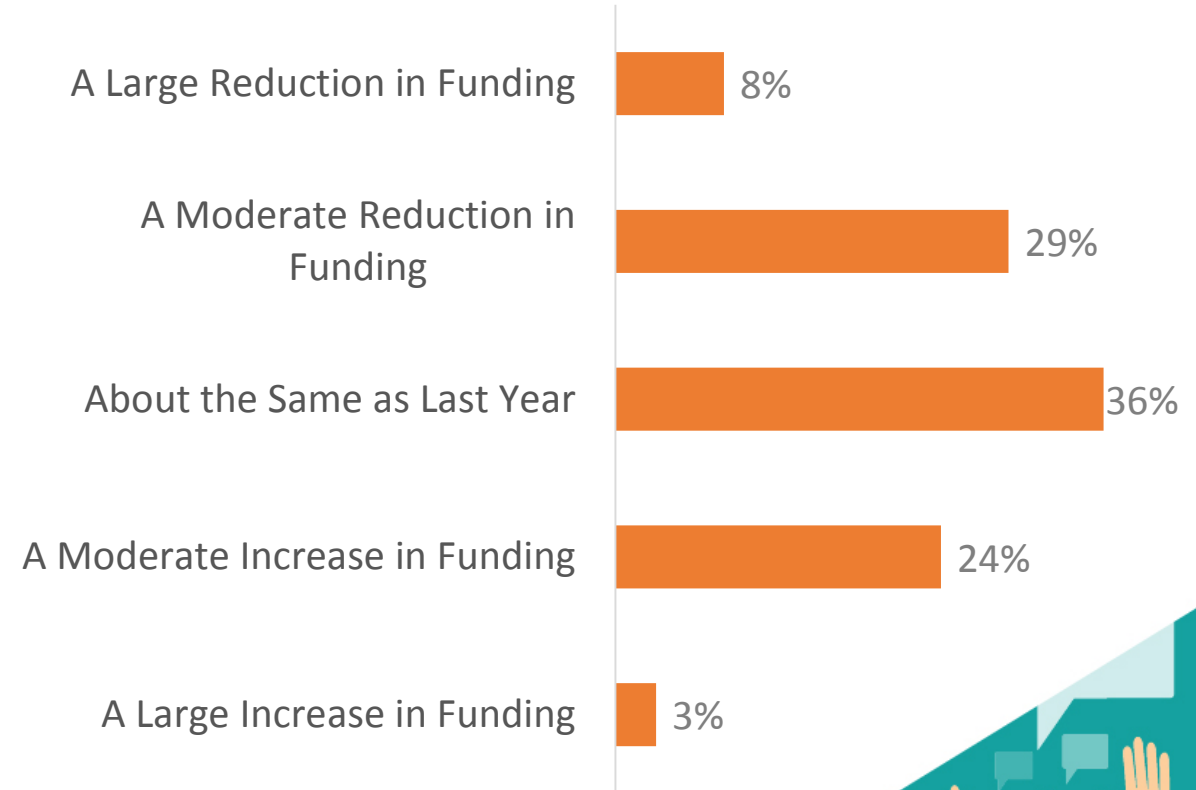
What do you think conditions will be like for your organization over the next year?



# FUNDING CUTS AHEAD?

- 37% of nonprofit leaders anticipate reductions in funding in the next 12 months.
- Leaders of larger organizations are more pessimistic about funding availability.

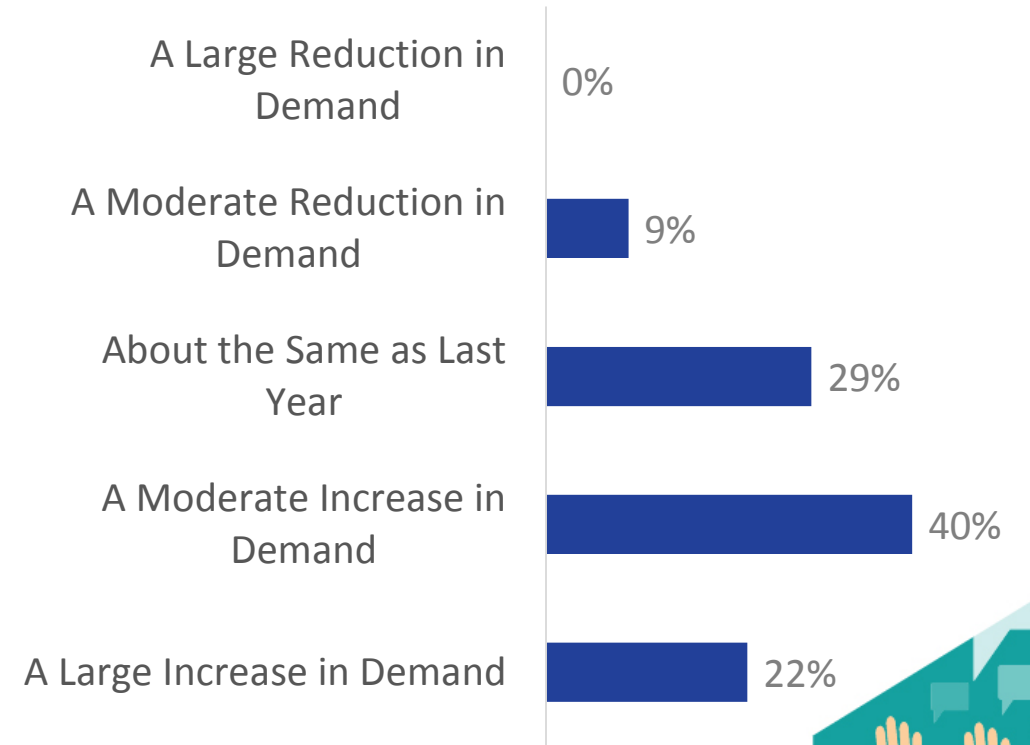
What do you think FUNDING will be like for your organization over the next year?



# DEMAND IS EXPECTED TO GROW

- 62% of nonprofit leaders expect demand for services to increase in the next 12 months.
- Almost one in four expect demand to increase sharply.

What do you think DEMAND FOR SERVICES will be like for your organization over the next year?



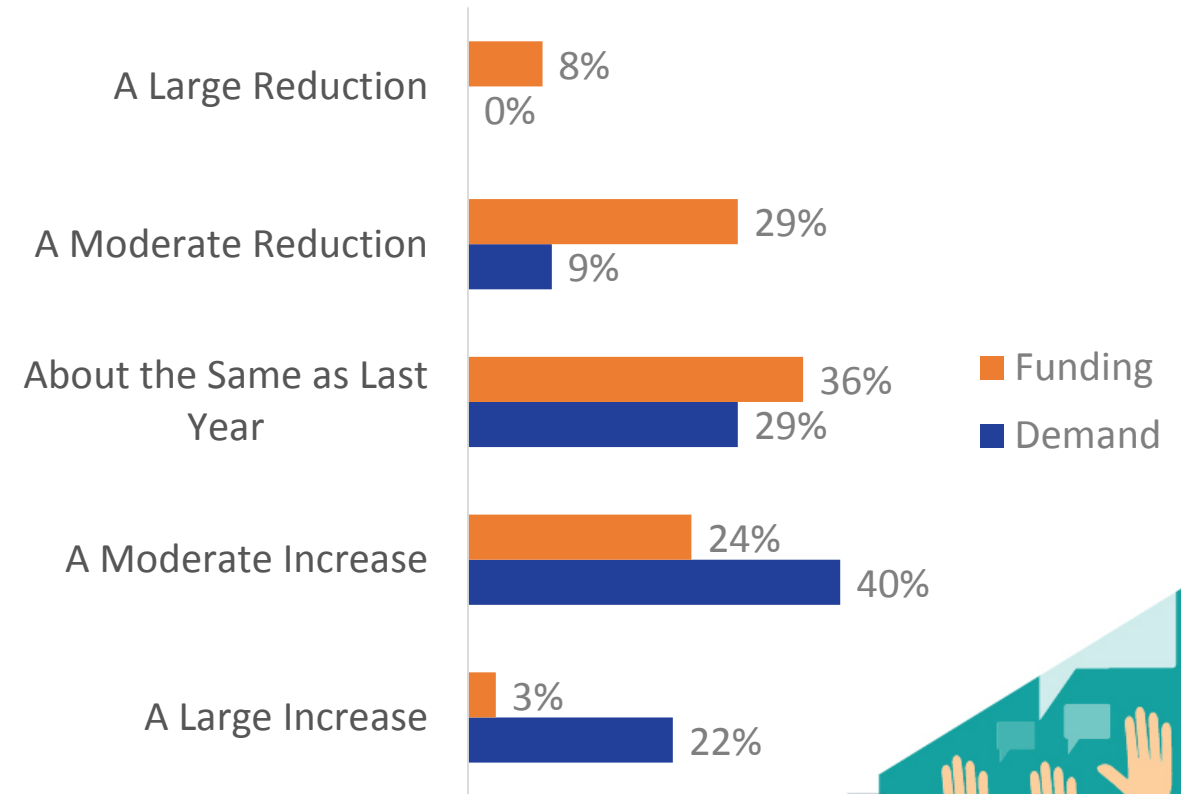
# BETWEEN A ROCK AND A HARD PLACE

Demand up.

Funding down.

Mind the Gap.

FUNDING vs. DEMAND



# MOST EXPECT FEDERAL FUNDING TO DECLINE

- 60% of nonprofit leaders expect a decline in federal funding in the next 12 months. By contrast, state and local funding are expected to be more stable. Uncertainty is high.

Government Funding Source	Expect Decrease in Available Funding	Expect Available Funding to Remain the Same	Expect Increase in Available Funding	Uncertain What Will Happen
Federal	60%	22%	1%	17%
State	22%	53%	9%	16%
Local	22%	49%	6%	22%

# IMPORTANCE OF GOVERNMENT FUNDING SOURCES

- State funding is the most important source of government funding for the majority of nonprofit organizations.
- Federal, state and local funding are all significantly correlated with nonprofit size, with all forms of government funding especially important to larger organizations.

Government Funding Sources	Impact			
	Not At All Important	Somewhat Important	Important	Extremely Important
Federal	31%	18%	25%	26%
State	26%	10%	24%	40%
Local	20%	13%	28%	39%



# IMPORTANCE OF PRIVATE FUNDING SOURCES

- Of government and private funding sources, private funding sources appear to be more important to the organizations we surveyed, with foundations and individual donors cited as extremely important funding sources by the majority of nonprofit leaders.
- Reliance on individual donors is highly correlated with reliance on foundations and corporations. Investments are especially important to larger organizations.

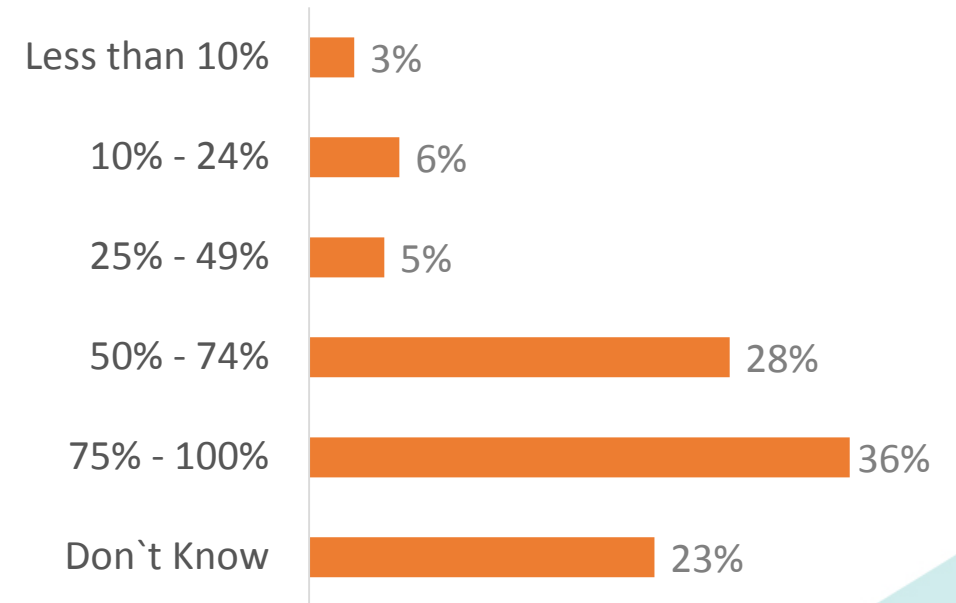
Private Funding Sources	Not At All Important	Somewhat Important	Important	Extremely Important
Foundations & Corporations	12%	5%	31%	52%
Donors	10%	6%	30%	54%
Investments	24%	22%	36%	18%

# DONOR RETENTION

- Over 64% percent of *Nonprofit Pulse* survey organizations retained half or more of their donors from the previous year. The national average donor retention rate is 45%.<sup>1</sup>
- Nearly one in four respondents did not know the donor retention rate of their organization.

<sup>1</sup> Association of Fundraising Professionals 2017 Fundraising Effectiveness Tracking Survey <https://bloomerang.co/blog/infographic-2017-fundraising-effectiveness-project-survey-report/>

What percentage of your donor base did your organization RETAIN from the previous year?



# WHY SOME NONPROFITS TURN DOWN FUNDING

The majority of nonprofit organizations (85%) took all the funding they were offered last year. However, 15% reported that they did turn down some funding. When asked why, here is what they said:

- Funding: 44% said that there was insufficient funding to sustain the program, or cited unrealistic deliverables for the funding provided.
- Staff: 32% said staff was already stretched too thin to administer the services, or cited lack of the right skill set.
- Mission: 16% said that the funding lacked fit with the mission.
- Timing: 8% cited timing issues.

# THE BURDEN OF SROI EXPECTATIONS TIED TO FUNDING

- More and more donors expect nonprofits to measure the social impact of their investment (SROI).
- In the 2017 Summer *Nonprofit Pulse*, 88% said that the burden to meet donor SROI expectations was challenging. One in four said they found it “very challenging.”
- A large majority of nonprofit leaders also say that their organizations are inadequately funded for measuring SROI. Very few can afford extra help to get it done. In other words, the job falls on staff who are already stretched thin. (2016 Summer *Nonprofit Pulse*)

# FUNDRAISING STRATEGIES

- Most frequently used fundraising strategies include events, solicitation on the organization's website, email campaigns and traditional mail campaigns.
- Least frequently used were crowdfunding and telephone solicitation. Crowdfunding is growing<sup>1</sup>; telephone solicitation is becoming less effective as landlines disappear.<sup>2</sup>

1 <https://topnonprofits.com/crowdfunding-for-nonprofits-its-still-growing/>

2 <http://www.nonprofitpro.com/article/can-telefundraising-survive-cellphone-age/>

Fundraising Strategy (Multiple Response)	% Using
Events	77%
Website Solicitation	72%
Mail Campaigns	68%
Online Campaigns	67%
Social Media Campaigns	57%
Holiday/Seasonal Campaigns	56%
Corporate Matching	46%
Planned Giving/Bequests	39%
Community Giving	29%
Corporate Employee Giving	28%
Crowdfunding	16%
Telephone Solicitation	12%
Other	22%

# BOARD PERFORMANCE: THE REPORT CARD

Nonprofit leaders felt that there was room for Board improvement. Overall performance rating averaged 3.9. Boards received the highest ratings for mission alignment skills, and were rated the lowest on diversity and fundraising skills.

Measures: Overall Performance & Skills	Grade	Average Rating	High 5	4	3	2	Low 1
OVERALL PERFORMANCE	B-/C+	3.9	33%	31%	31%	2%	3%
Skill: Mission Alignment	B	4.1	40%	38%	17%	4%	1%
Skill: Organizational Oversight	C+	3.7	27%	31%	32%	8%	2%
Skill: Financial Strategy	C+	3.5	21%	33%	25%	18%	4%
Skill: Community Relations	C	3.0	8%	18%	42%	26%	6%
Skill: Diversity	C-	2.7	11%	15%	30%	25%	19%
Skill: Fundraising	C-	2.7	6%	17%	35%	26%	16%

# SKILLS THAT MATTER MOST

Skills were correlated with overall performance to determine which matter most.

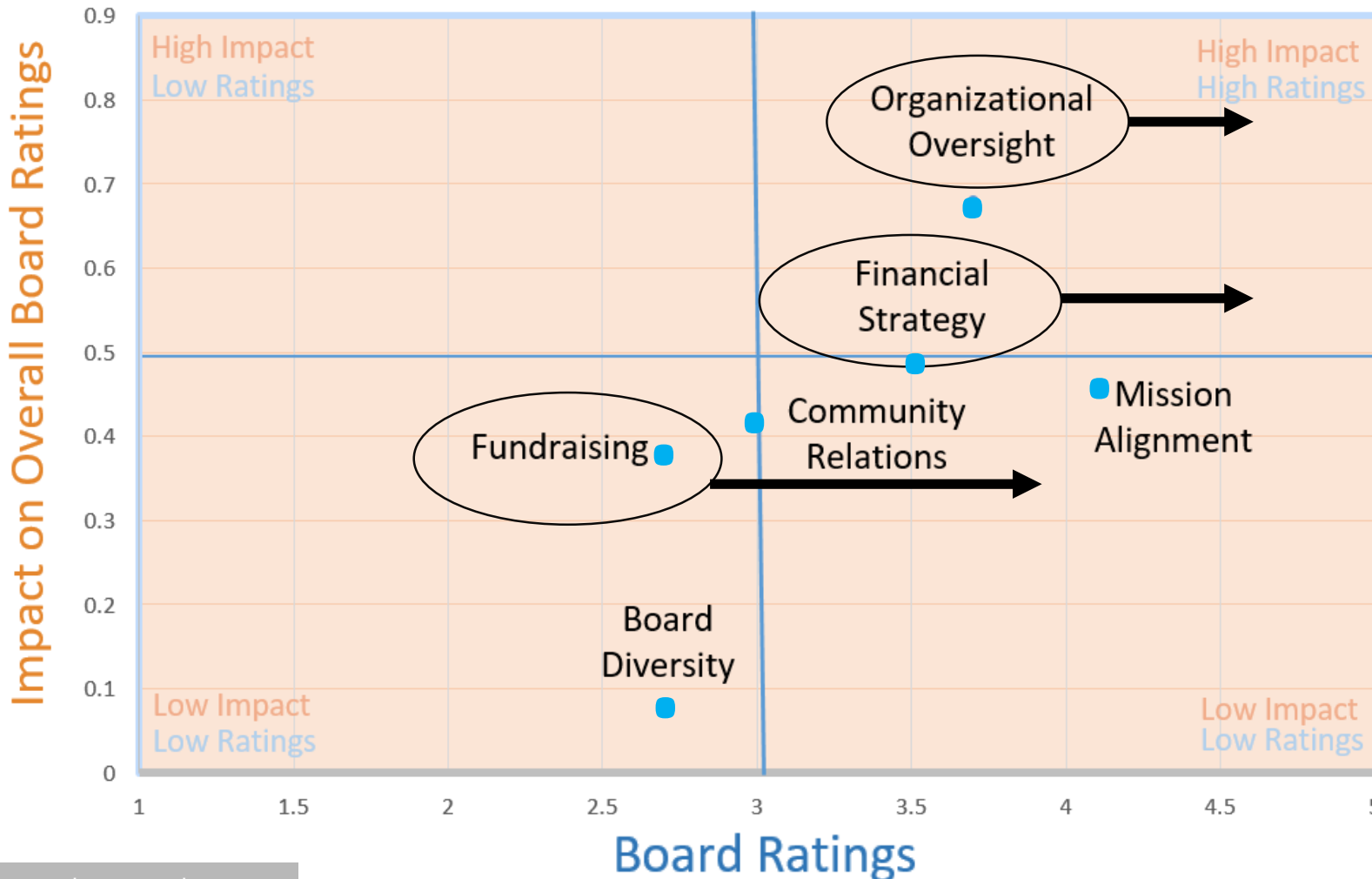
Board oversight is highly correlated with overall performance. Financial strategy had the second-highest impact on overall performance ratings. Board Diversity had almost no impact.

Fundraising was significantly correlated with financial strategy (.50\*\*)

Skills	Correlation With Overall Performance	Average Rating
Organizational Oversight	.68**	3.7
Financial Strategy	.49**	3.5
Mission Alignment	.46**	4.1
Community Relations	.42**	3.0
Fundraising	.38**	2.7
Board Diversity	.08	2.7

# IMPROVE PERFORMANCE RATINGS

Mind the Gap: Focus on Organizational Oversight and Finances.

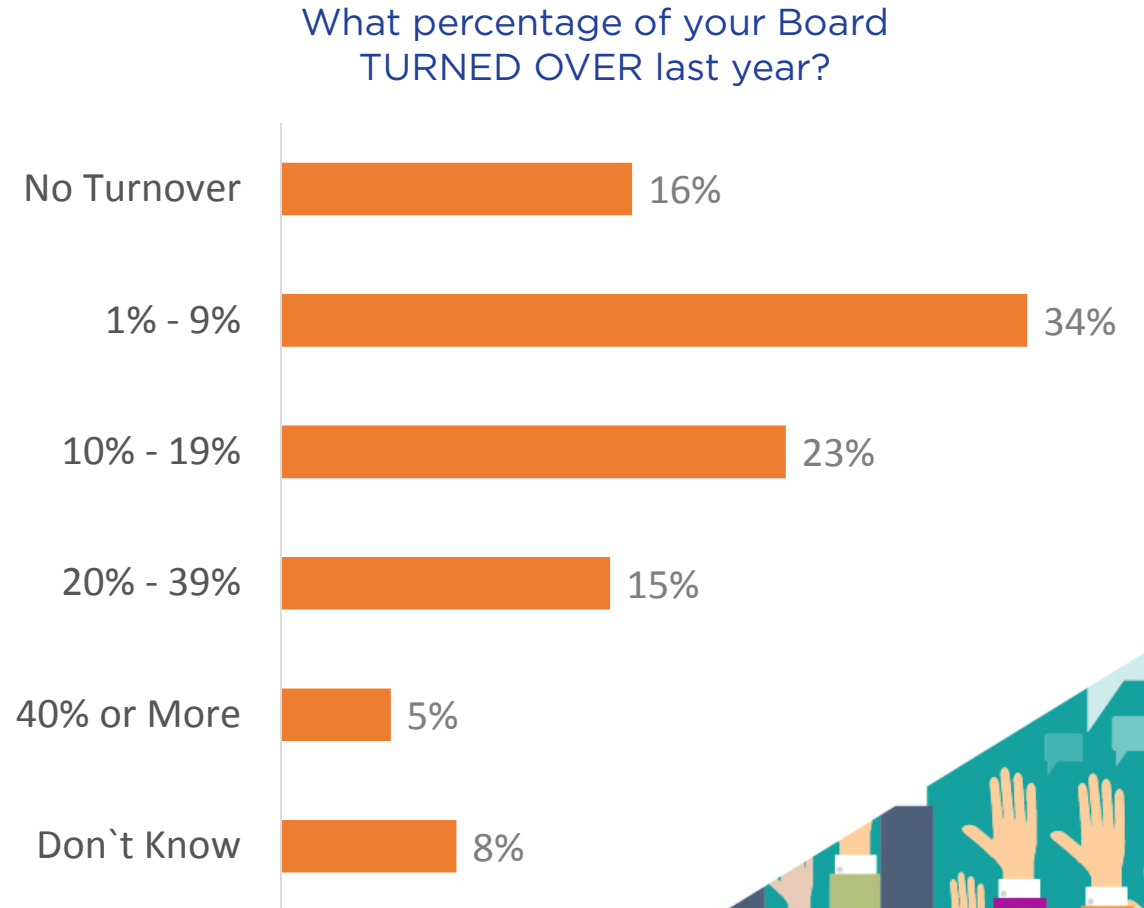


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# BOARD TURNOVER

- 16% of nonprofit respondents reported that they had no Board turnover at all in the past year. Half experienced less than 10% turnover. However, some organizations experienced substantial turnover.
- Recruiting new Board members is not easy for some organizations. 45% of nonprofit leaders said that finding Board members whose skill sets fit the organization's needs is difficult.



# BOARD OVERSIGHT, MONITORING P&L STATEMENTS

- The future has never been more uncertain, nor Board oversight more important.
- Board performance is highly correlated with organizational oversight, financial strategy and fundraising skill.
- Monitoring profit and loss statements is an important part of Board oversight. Effective financial and fundraising strategy depends on monitoring P&L at the program level every month. Yet 43% of Boards do not do so, according to the 2017 Summer *Nonprofit Pulse* Survey.

# METHODOLOGY

- The results reported here are based on completed, self-administered online surveys fielded in May 2017. Results are based on frequencies, means, statistical testing, correlation analysis, regression modeling and quadrant analysis.
- 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 US.
- Galloway Research hosted the data collection site. Business Research Solutions managed the research project, analyzed the data and reported the findings.
- The majority of respondents were senior leaders, including executive directors, CEOs, CFOs, board members and directors. 93% of respondents worked for domestic nonprofits. The majority of organizations were nonprofit corporations or trusts.
- 28% employed less than 20 employees. 29% employed between 21 and 100 employees. 26% had between 100 and 500 employees. 18 organizations were large, employing over 500 workers.
- Nearly one in four organizations (23%) ended last year with a deficit. 25% broke even. 52% said that they ended the year with a surplus.

# FOR MORE INFORMATION

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).