

# NONPROFIT PULSE

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

Summer/Fall 2016

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

ACCOUNTANTS & ADVISORS

# Introduction

Mark Paneth's Nonprofit Pulse collects the opinions of nonprofit leaders twice a year. Findings from the Summer/Fall 2016 survey provide insights into the impact of funding challenges on meeting demand for services, attracting and retaining staff and the financial stability of organizations facing funding gaps.

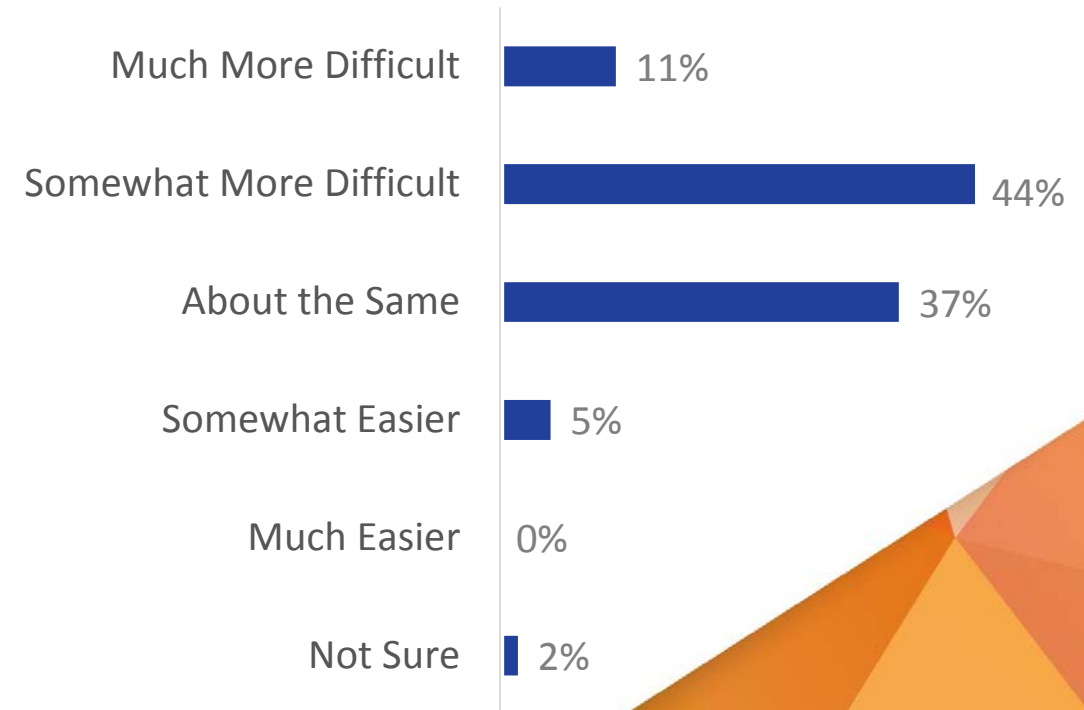
The majority of respondents are senior leaders of human-service nonprofits operating in the US, including executive directors, CEOs, CFOs, board members, and directors.

# Leaders See Challenges Ahead

Over half of nonprofit leaders expect conditions in the nonprofit sector to be more difficult in the next **12 months**.

What's driving their assessment?

Compared to last year, what do you think conditions will be like for your nonprofit organization over the next 12 months?



# The Biggest Concerns are Financial

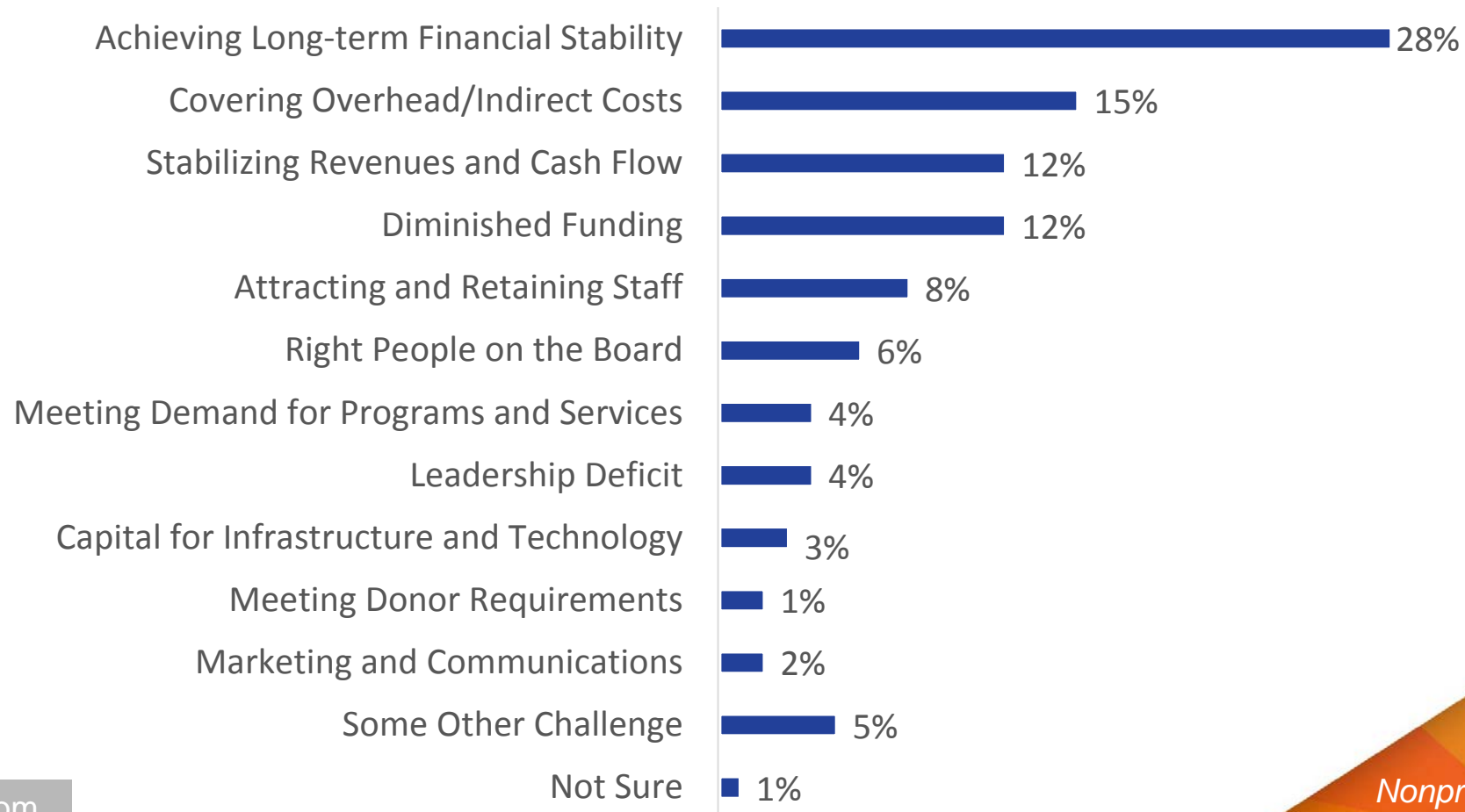
Leaders are concerned about both the long-term and the short-term financial health of their organizations.

Over **87%** of nonprofit leaders told us that financial reporting was either “critical” or “important.”

Identification of programs that generate positive cash flows was also “critical” or “important” to **81%** of nonprofit leaders.

# Leaders Worry About Long-term Financial Stability

## What is the biggest challenge facing nonprofit organizations today?



# Financial Concerns are Real

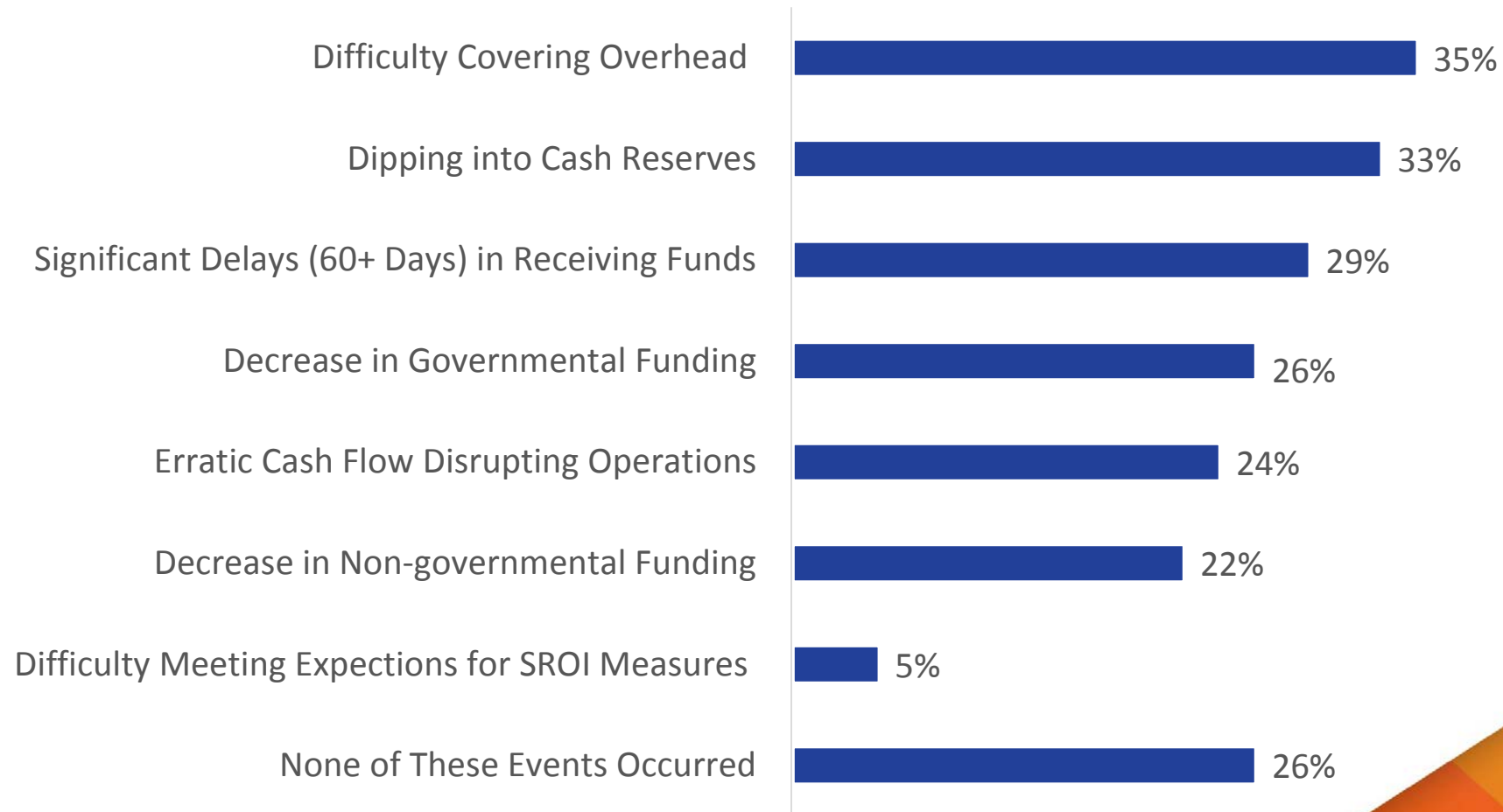
Almost **75%** of the organizations surveyed experienced reductions and/or significant delays in funding, which led to erratic cash flow and difficulty covering overhead.

One third had to dip into cash reserves to make ends meet.

Over **28%** ended the previous year with a deficit.

# Decreases in Funding Affect Operations

In the past 12 months, has your organization experienced any of the following funding issues?



# The Dilemma: There's a Limit to Doing More With Less

Funding is down. Demand for services is up.

Organizations are struggling to serve more people with fewer resources.





# The Dilemma: There's a Limit to Doing More With Less

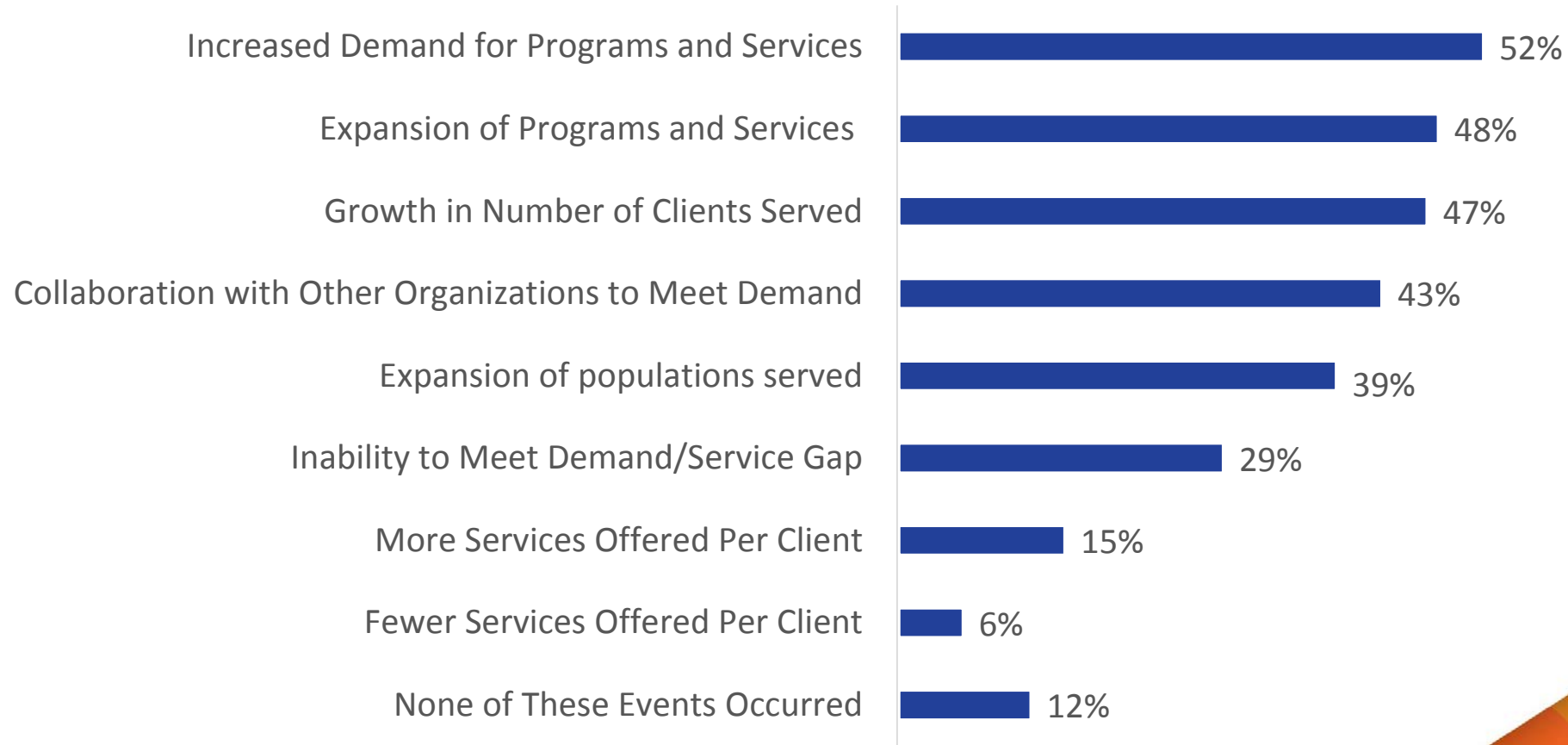
Changing demographics mean that organizations are also trying to expand services to new target populations.

The service gap is growing.



# The Service Gap is Growing

In the past year, has your organization experienced any of the following regarding demand for programs and services?



# The Prognosis: Nonprofit Fatigue

Trying to do more with fewer hands is hard when there aren't many hands to begin with.

The majority of the organizations surveyed employed fewer than 100 people.

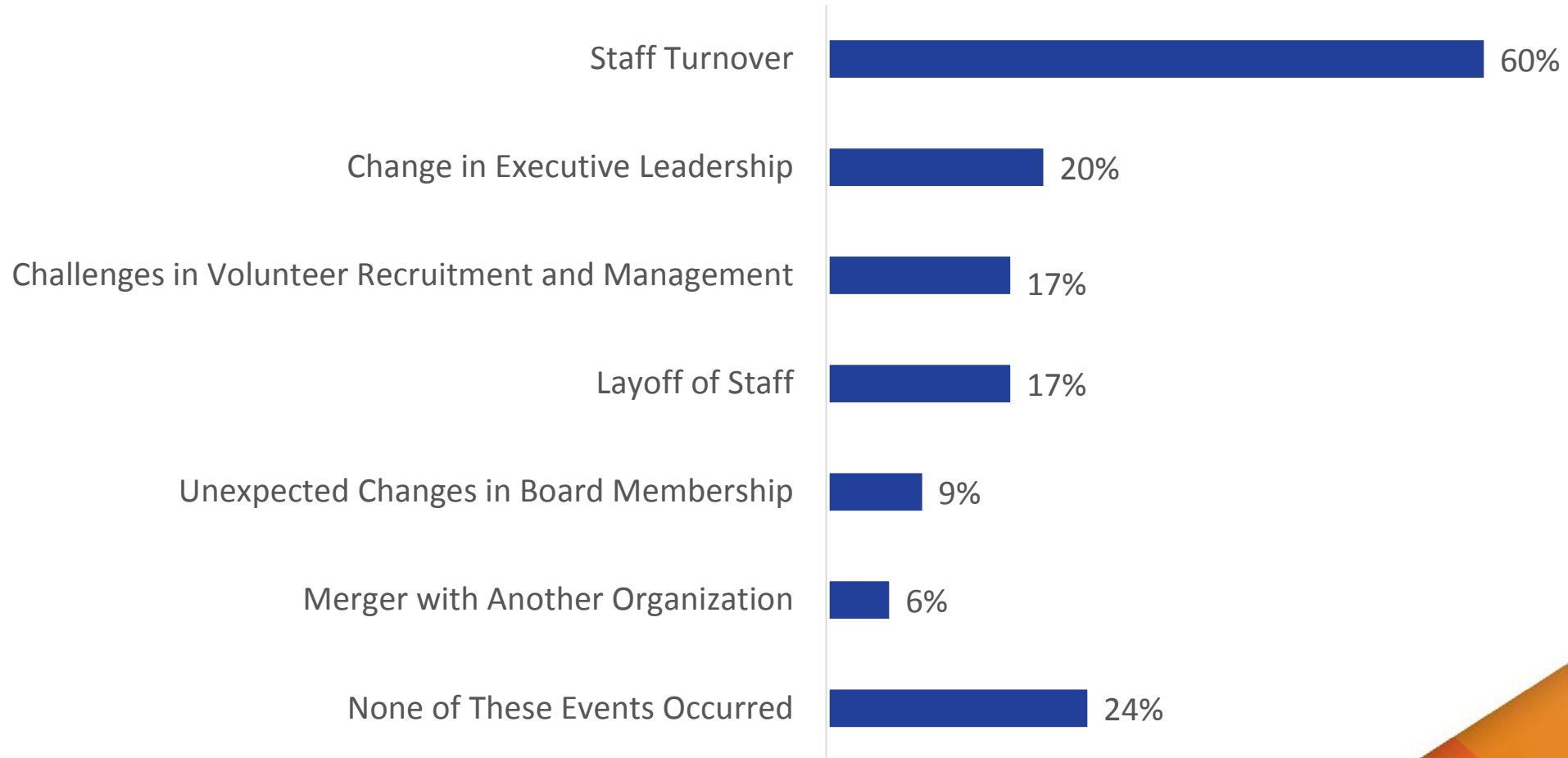
# The Prognosis: Nonprofit Fatigue

Low job security and low salaries make attracting and retaining talented help a challenge.

Nonprofit fatigue can be especially damaging when it causes turnover in senior management or the board. **Almost 90%** of nonprofit leaders told us that building a solid board was “critical” or “important” to their organizations.

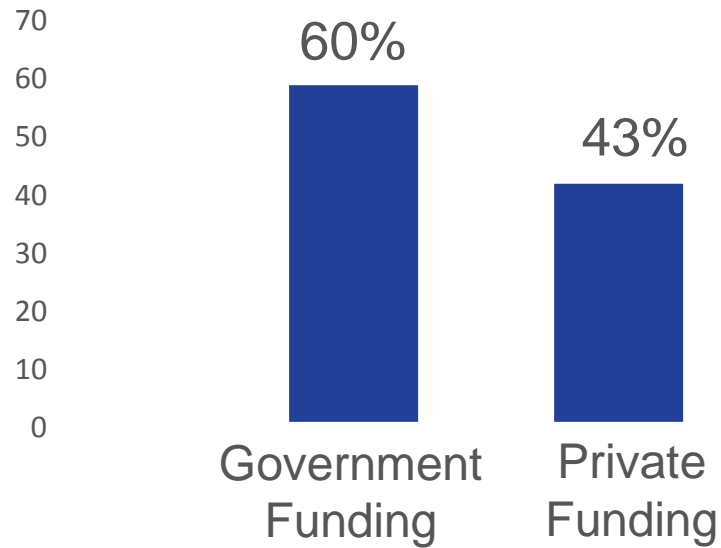
# Turnover Can Be a Killer for Nonprofits

In the past 12 months, has your organization experienced any of the following organizational issues?

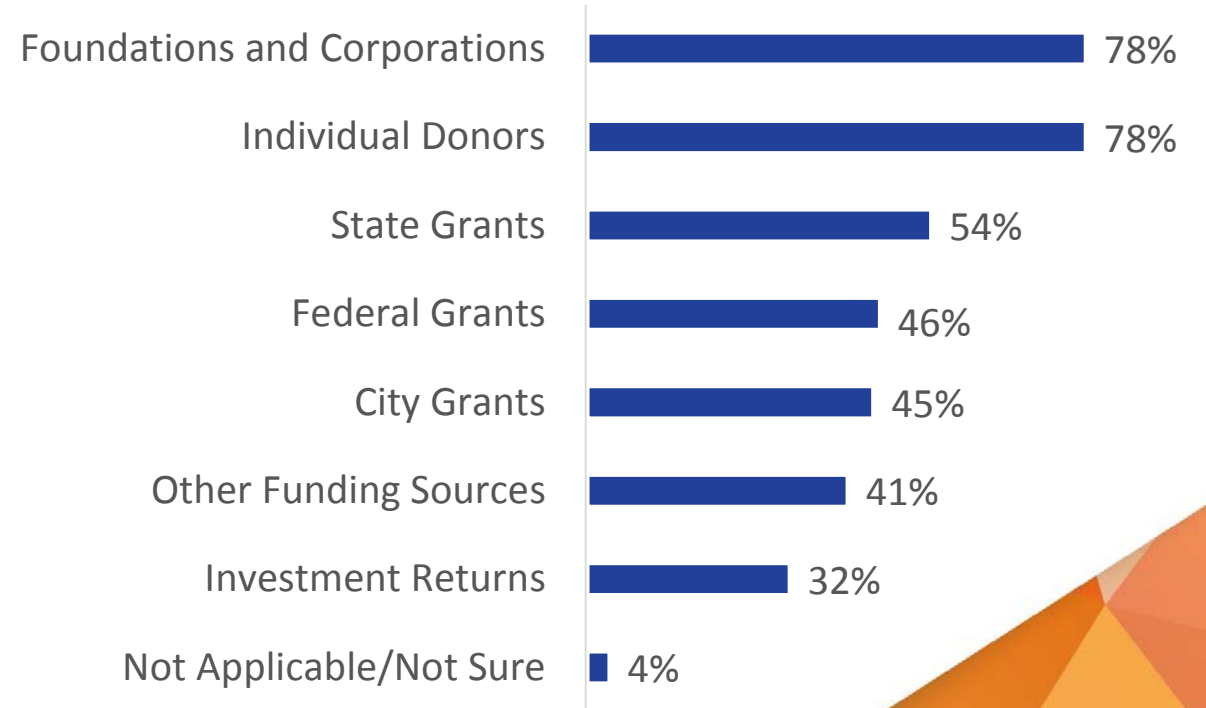


# The Importance of Funding Sources

## Percentage Saying Funding Source is “Critical” or “Very Important” to Their Operations



## What funding sources do you rely on?



# Fundraising Resources

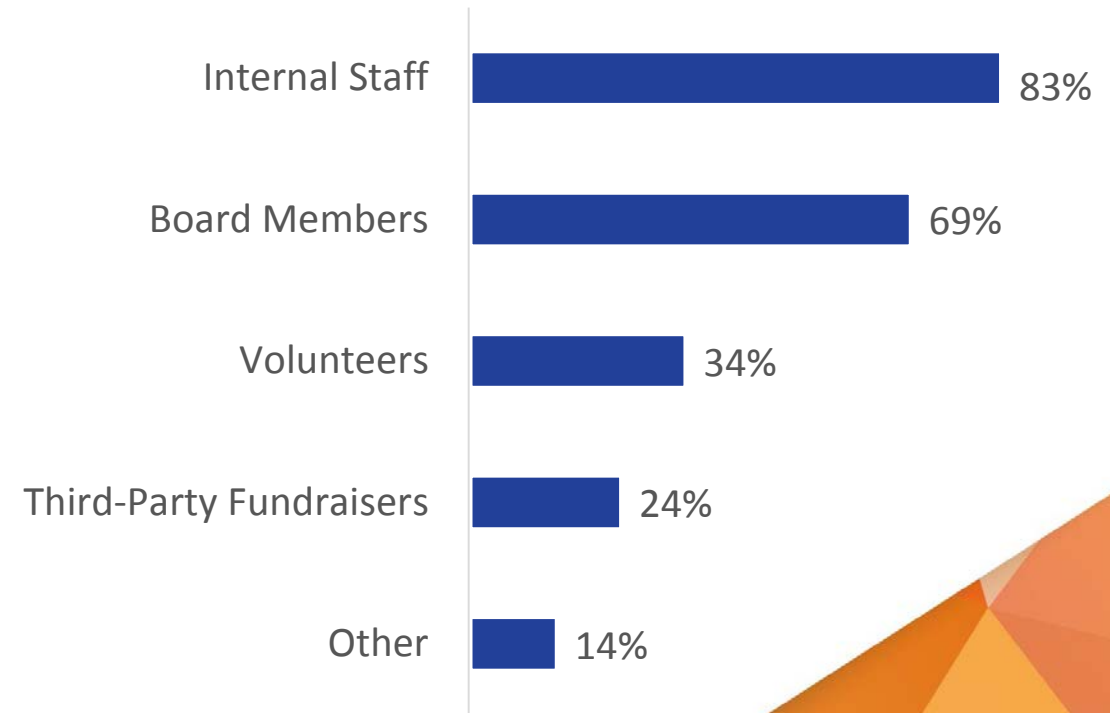
Most organizations rely on multiple sources for fundraising.

Internal staff and board members are heavily relied upon.

A little more than one in three organizations rely upon volunteers.

Less than one in four said that their organization used professional, third-party fundraisers.

## What resources do you rely upon for fundraising?



# Funding for Overhead

Government funders were less likely to cover overhead expenses than private funders, with 18% paying nothing at all. Private funders were more likely to pay a higher percentage of overhead costs, with 49% of private funding covering 51-100% of program overhead.

**What percentage of GOVERNMENT FUNDING permits your organization to use a portion of the funds to cover costs associated with overhead? What percentage of PRIVATE FUNDING covers these costs?**

Overhead Coverage	% Government Funders	% Private Funders
Funders that pay <b>NOTHING</b> for overhead costs	18%	8%
Funders that pay <b>1-50%</b> of overhead costs	49%	44%
Percent of funders that pay <b>51-100%</b> of overhead costs	34%	49%



# Funding for Measuring Outcomes: Mind the Gap

More and more donors expect nonprofits to measure the social return of their investment (SROI). SROI measures the social and/or environmental value of programs and services provided by a nonprofit.

However, only 17% of nonprofit leaders said that their organizations were adequately funded for the costs associated with measuring such outcomes.

For the majority of organizations (58%), internal staff is their only resource for reporting SROI. A minority of one in four employ both internal staff and third-party resources. Few (6%) rely entirely on outside help.

Of the organizations surveyed, 48% said that it was a challenge to meet donor expectations regarding SROI reporting.

The challenge is due to a gap in resources for measuring and reporting SROI. Sixty one percent of nonprofit leaders surveyed said that their organization experienced such a gap, with 33% saying that the gap was large.

# Methodology

The results reported here are based on completed, self-administered online surveys fielded in late August and September 2016. Marks Paneth supervised the survey design. 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 (85%) were senior leaders, including executive directors, CEOs, CFOs, board members, and directors. Ninety-one percent of respondents worked for domestic nonprofits.

The majority of organizations were nonprofit corporations or trusts. Sixty-two percent focused on human services, followed by education (34%), health (31%), community development (22%), public policy (14%), legal/justice (10%), commerce (8%), science & technology (7%), environmental (6%) and animal welfare (4%). Note that an organization could identify as belonging to multiple sectors.

The majority of organizations were small. Twelve percent had less than five employees. Forty-one percent had 50 or fewer employees. Fifty nine percent had 100 or fewer employees. One in four organizations had between 100 and 500 employees. Only 16% had over 500 employees.

Over one in four organizations (28%) ended last year with a deficit. Twenty percent broke even. Forty-four percent ended the year with a deficit. Six percent of respondents said that they did not know.

**Sample Size: 371**

**Fielding Date: Aug/Sept 2016**

**Methodology: Online Survey**

**Analysis: Business Research Solutions (BRS)**

**Survey Questionnaire: Marks Paneth, BRS**

# For More Information

If you have any questions, please contact [Michael McNee](#), Partner-in-Charge of the [Nonprofit and Government Group](#), or any of the other partners in the Group.

To participate in future surveys and receive results, please email us at [contacts@markspaneth.com](mailto:contacts@markspaneth.com).

Media: To schedule an interview, contact John McKenna at (203) 682.8252 or [john.mckenna@icrinc.com](mailto:john.mckenna@icrinc.com).