

Nonprofit Pulse

NONPROFIT SURVEY • WINTER 2017/2018

Challenges • Finances • Funding • Demand for Services • Organizational Issues



M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

Introduction

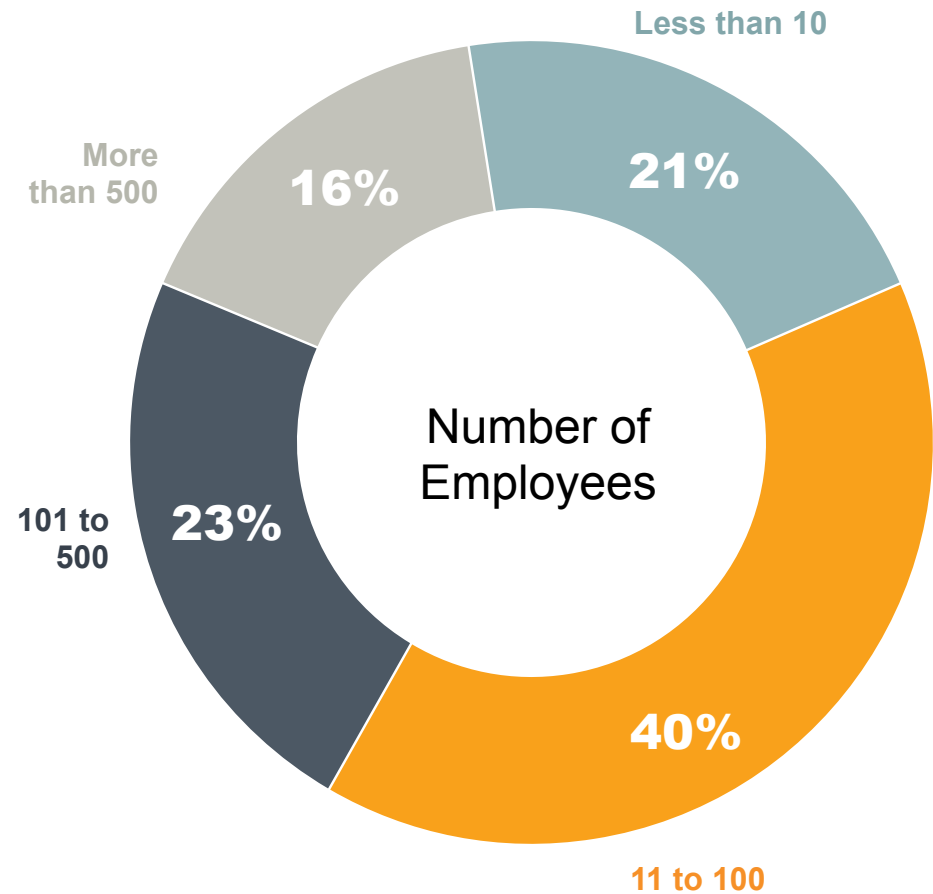
Marks Paneth's *Winter Nonprofit Pulse* survey is based on the opinions of more than **330 leaders and managers** of nonprofit organizations.

Forty-two percent were CEOs, CFOs or board members.

These respondents received targeted questions that only individuals in these roles could answer.

Surveyed organizations **ranged in size** from small nonprofits to large institutions.

Our findings examine the **relationship between a nonprofit's size and the issues it faces** in today's environment.



How many full time employees, including yourself, are on your staff?

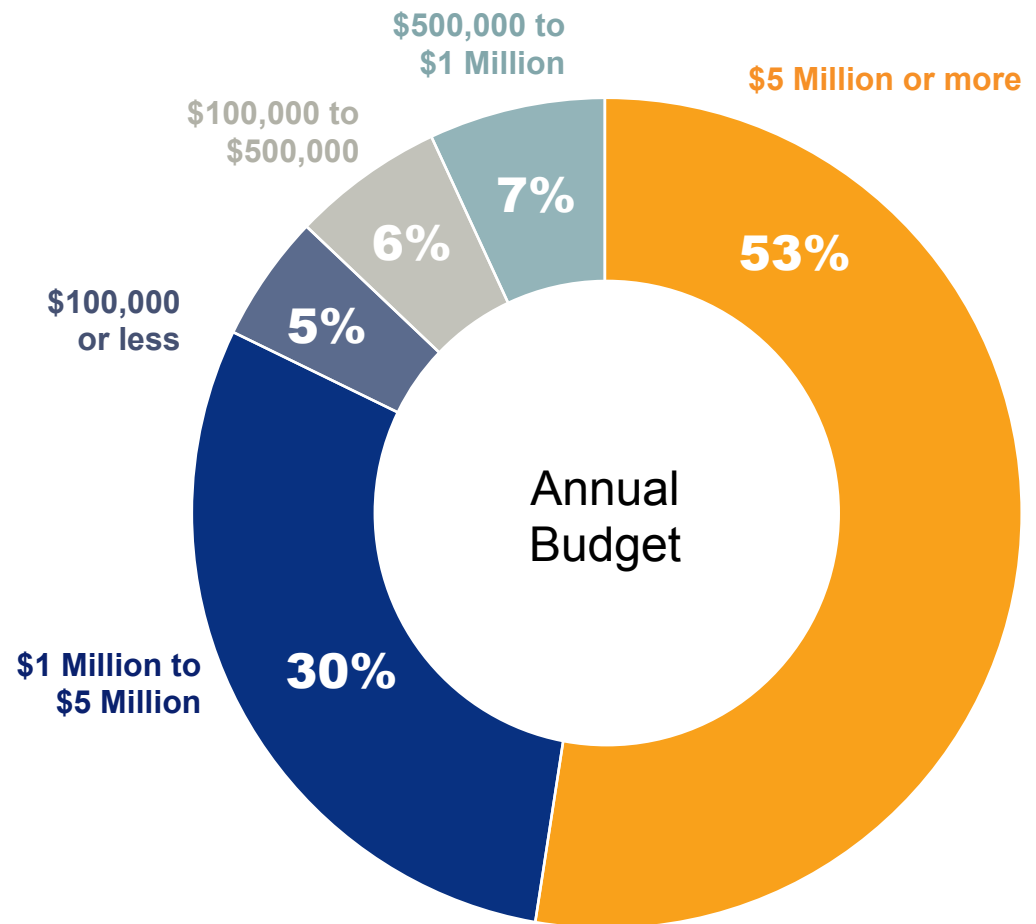


Introduction

Budgets ranged from under **\$100,000 to more than \$5 million**. **Financial oversight by nonprofit boards** was a key focus of this survey, as well as the impact of board turnover.

The vast majority (94%) of organizations surveyed operate in the domestic nonprofit sector in **New York and New Jersey**.

This survey also evaluates **staffing issues** such as employee turnover, hiring freezes, changes in benefits and cost-of-living adjustments.



What is your annual budget?*

*Not Sure (9%) Totals may not add up due to rounding



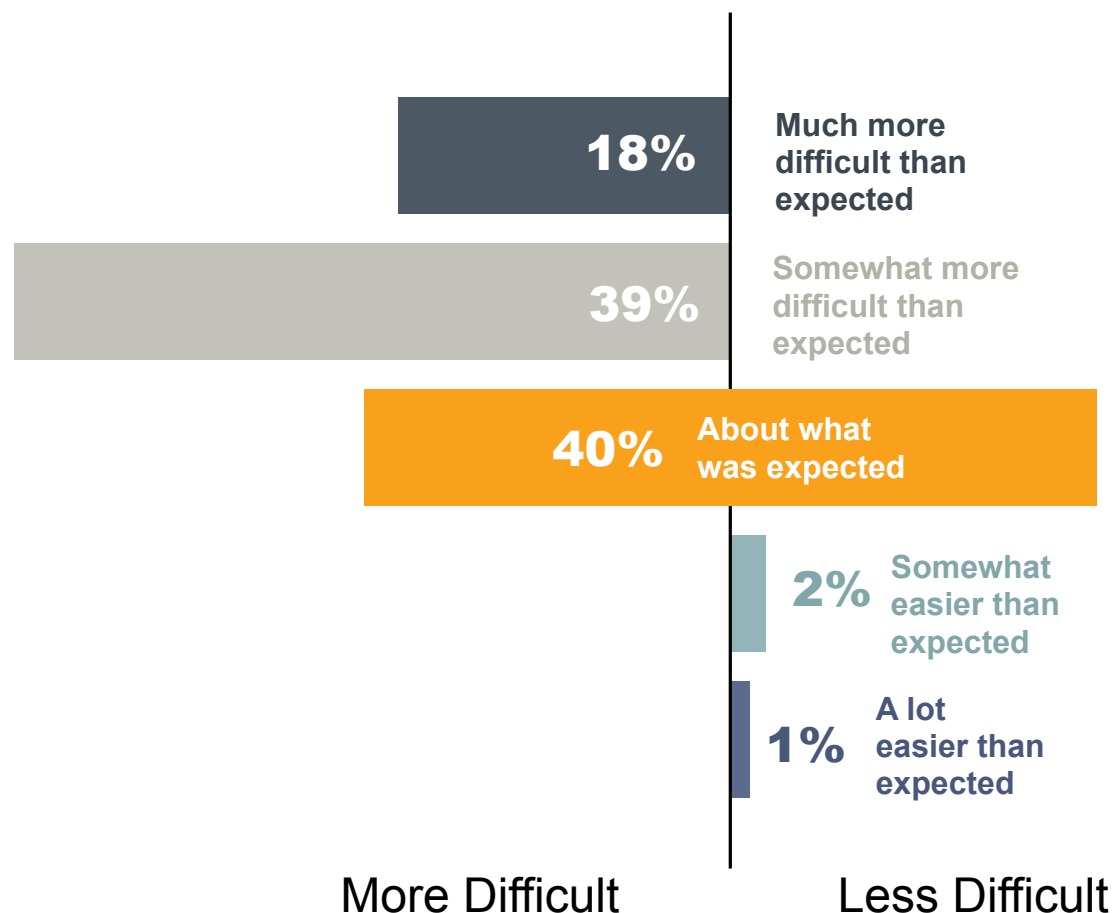
Conditions More Difficult Than Expected

2017 has been a tumultuous year for many nonprofits.

Conditions were more difficult than expected for 57% of respondents.

Nearly **one in five organizations** (18%) reported that conditions were **much more difficult** than anticipated.

Large and small organizations alike experienced difficulties.



In the past year, what were conditions like at the nonprofit where you worked?



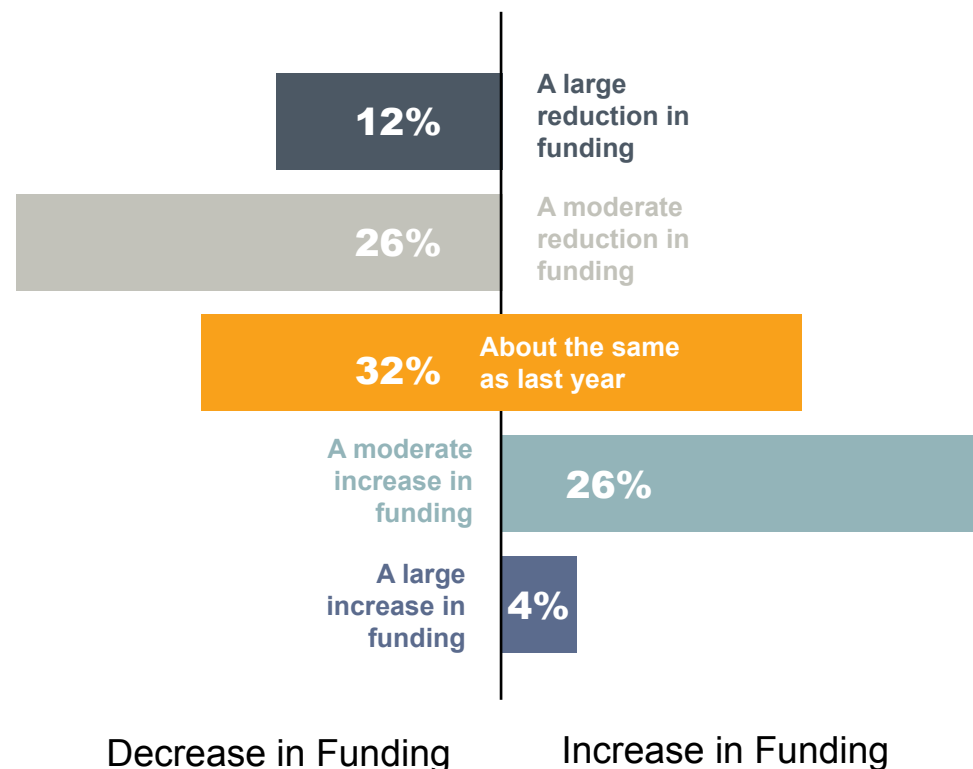
Many Organizations Experienced Funding Cuts

Thirty-eight percent of nonprofit organizations surveyed **experienced funding cuts** in the last 12 months. Reductions were large for 12% of nonprofits.

Cuts were experienced **regardless of the organization's size.**

Thirty-two percent maintained the same funding levels as the previous year.

Slightly more than **one in four** experienced moderate increases in funding.



What has funding been like in your organization over the last 12 months?*

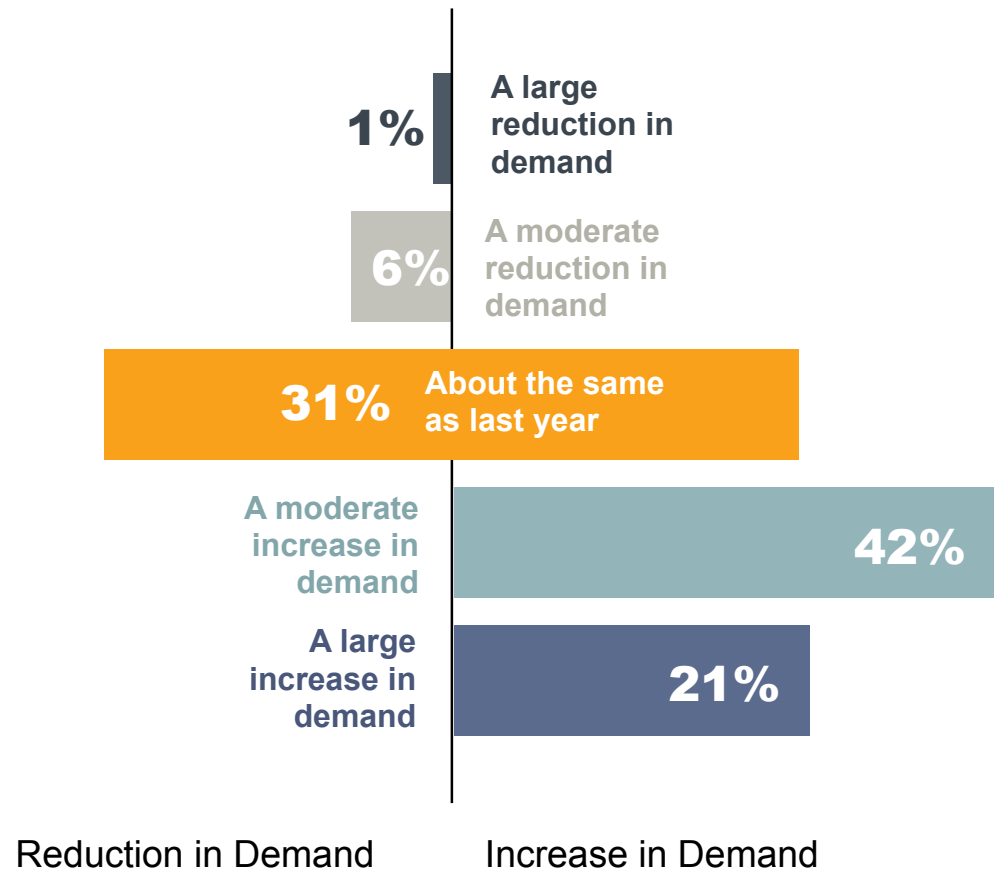
*Not Sure (2%)



Demand for Services Grew

Sixty-three percent of nonprofit leaders have experienced **increases in demand for services** in the last 12 months.

Demand spiked sharply for more than one in five nonprofits.



What has demand for services been like in your organization for the last 12 months?*

*Not Sure (3%) Totals may not add up due to rounding



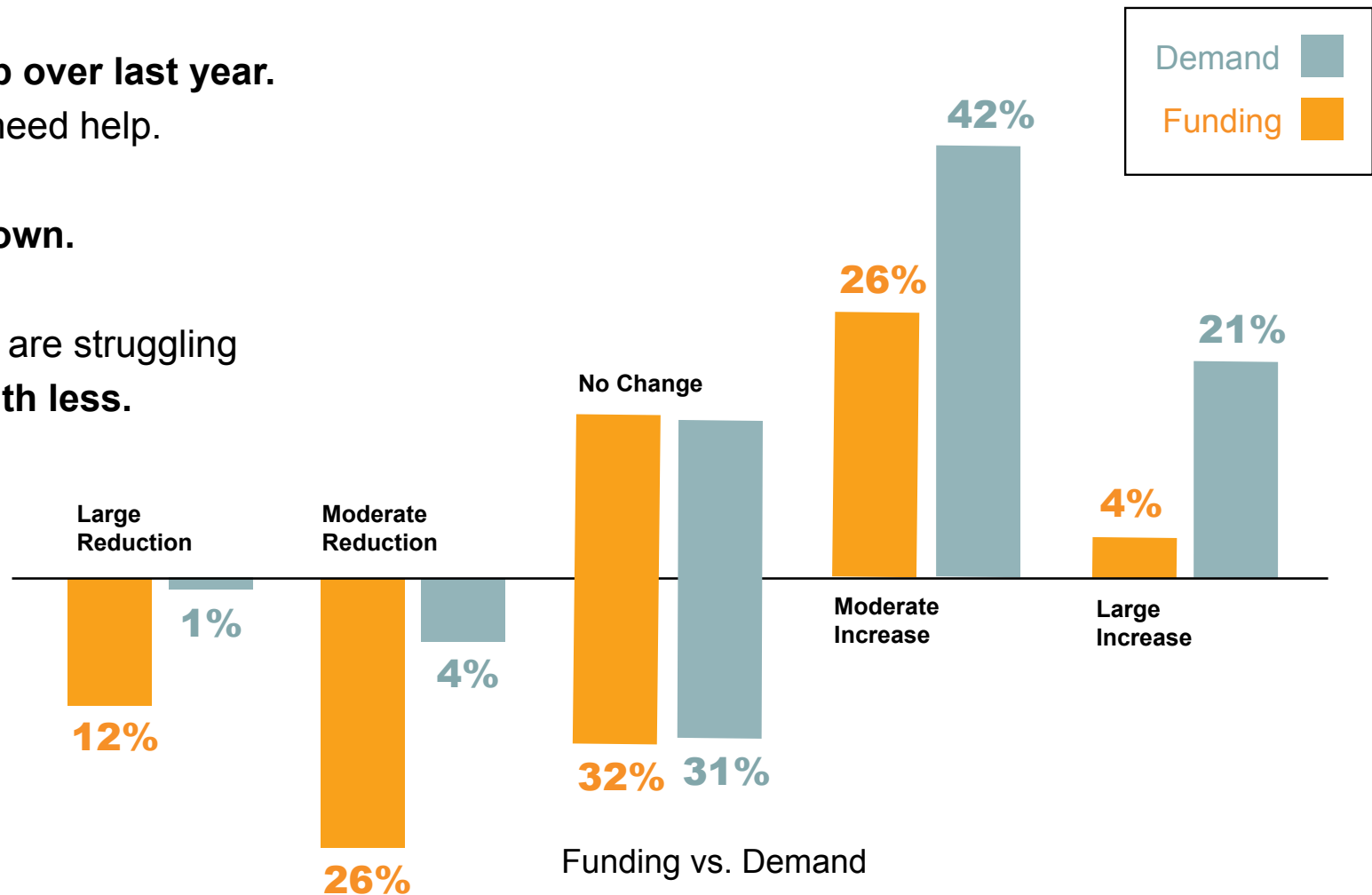
The Big Squeeze

Demand is up over last year.

More people need help.

Funding is down.

Organizations are struggling to do **more with less.**

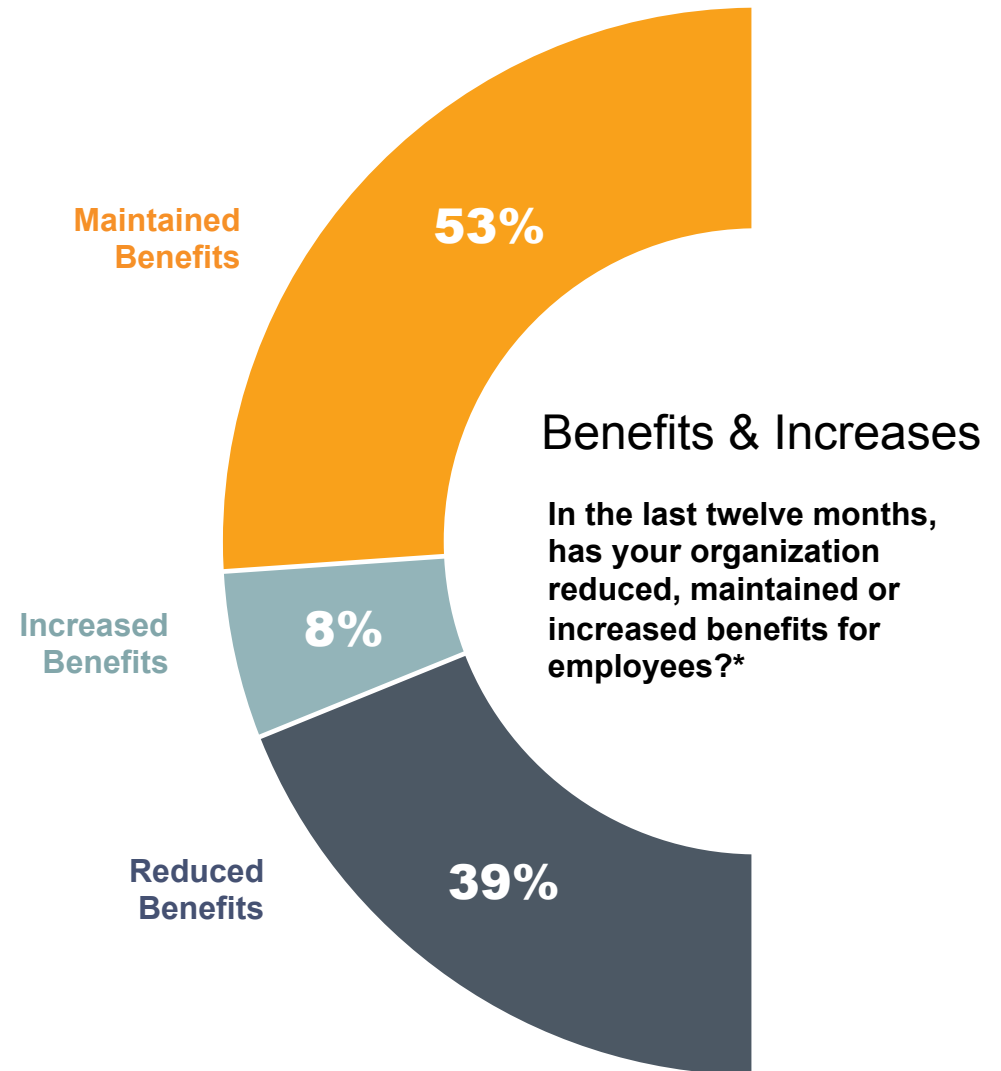


Making Tough Decisions

Although **61% of organizations either maintained or increased** employee benefits, 39% reduced benefits.

Forty-one percent of organizations have not given their employees a cost-of-living increase in the past 12 months.

Nonprofits with **larger budgets were significantly more likely to have given cost-of-living increases** to their employees¹.



1. ($p < .01$) *Not Sure (6%)



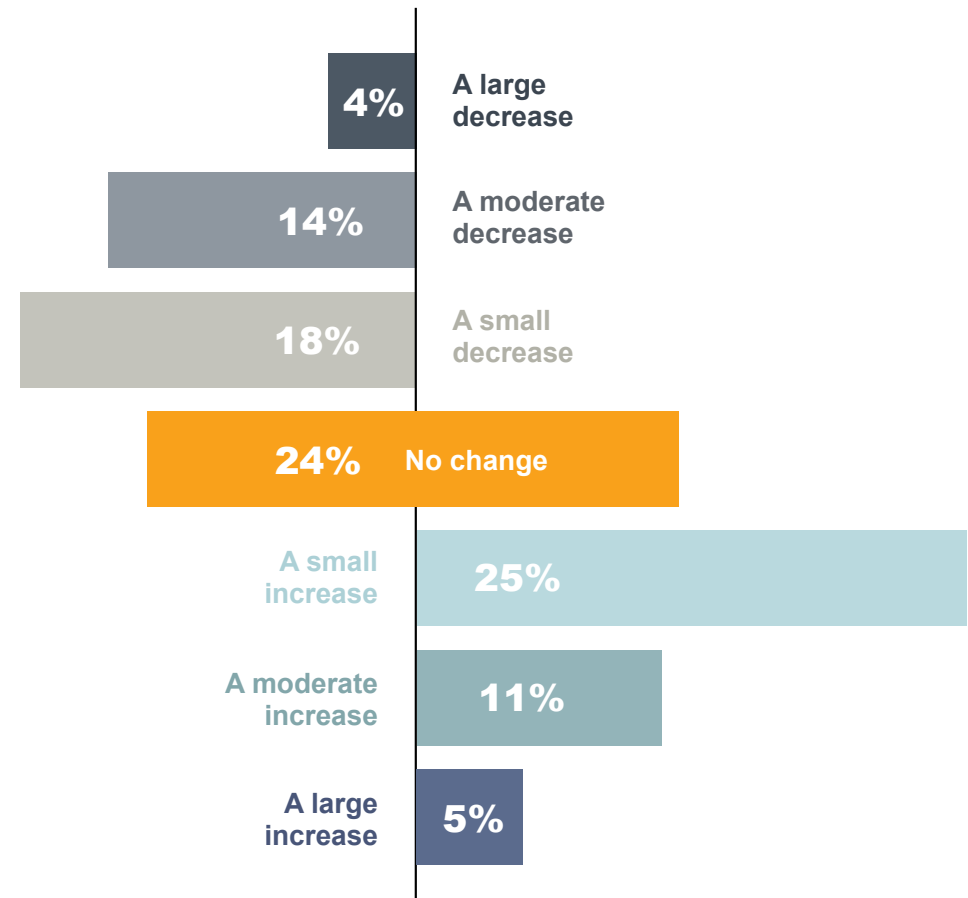
Turnover in Nonprofit Staffing

Staffing was stable in only one in four organizations over the past 12 months.

Thirty-six percent of organizations experienced **staff reductions**.

Forty-one percent increased staff. Organizations with **larger budgets** were significantly more likely to have hired staff¹.

Twelve percent of organizations instituted a **hiring freeze** in the past year. Smaller nonprofits with fewer employees were significantly less likely to have a freeze in place².



In the last 12 months, has your organization experienced a change in the number of full-time employees?*

1 (p<.05) 2 (p<.01) * Not Sure (4%)

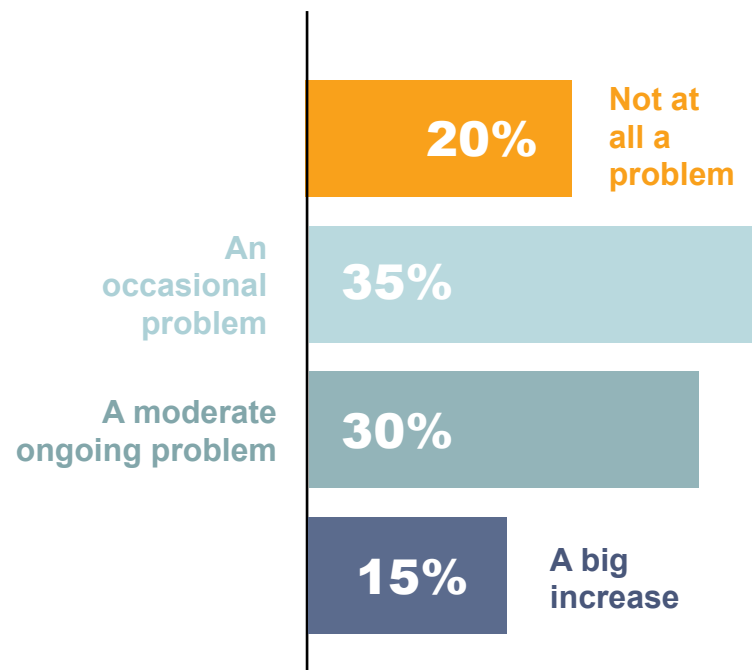


Retaining Staff

Staff retention is a persistent problem with a moderate/large impact for 45% of the organizations surveyed.

Retaining employees was an **occasional problem for 35% of organizations**. Only one in five organizations said retention was not a problem.

Retention problems were significantly greater in larger organizations¹.



Is employee retention a problem in your organization?

1 (p<.01)



Leadership Turnover

The majority of organizations surveyed **(69%) reported turnover in top management positions** within the past year.

Of those who experienced turnover, **17% reported losing a CEO and 17% reported losing a CFO.** Some lost both.

Fifty-seven percent reported losing program managers and 48% reported losing marketing, fundraising, or PR managers.

Thirty-two percent had turnover in two leadership categories. 6% had turnover in three or more categories.



In the last 12 months, has there been turnover in any of these positions within your organization?
(Multiple responses possible)



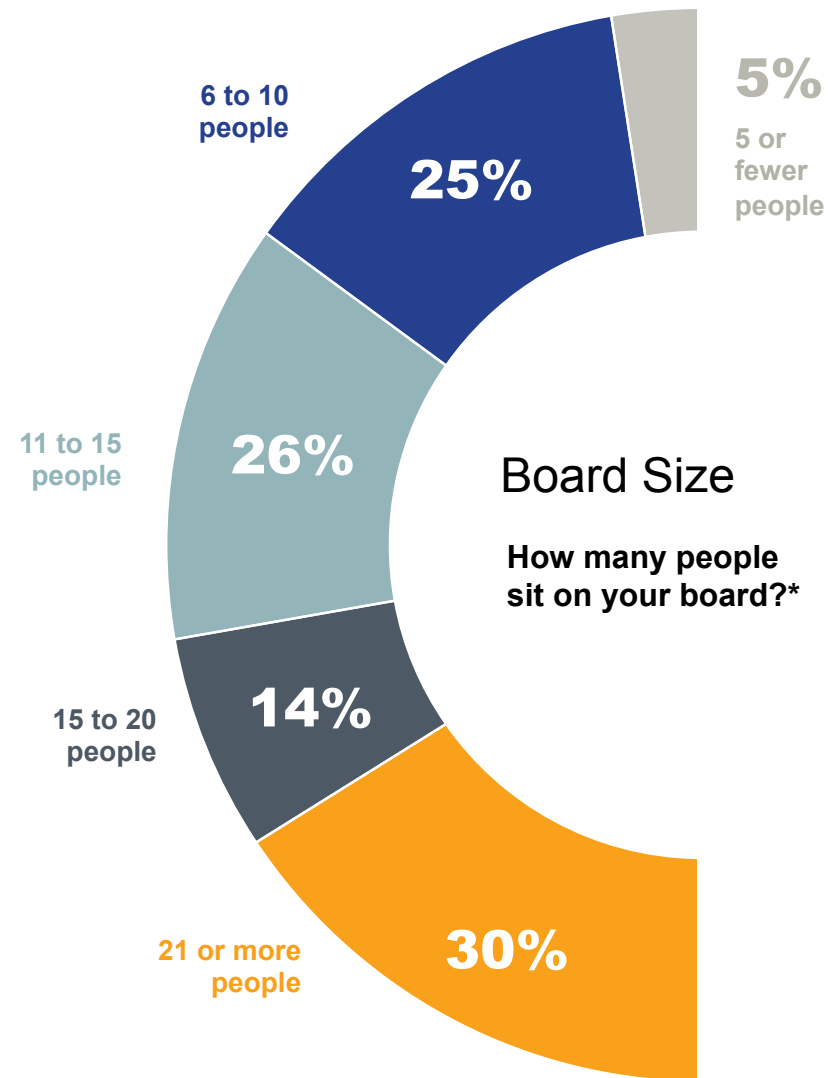
Board Size and Turnover

Board sizes ranged from less than five to 21+. **Larger nonprofits had larger boards**¹.

Fifty-three percent of organizations surveyed had **no term limits for board tenure**.

The vast **majority of boards (91%) experienced turnover** in the past year.

Of those that experienced board turnover, it ranged from **one to 10 board members**.



1 (p<.05) * Not Sure (2%)



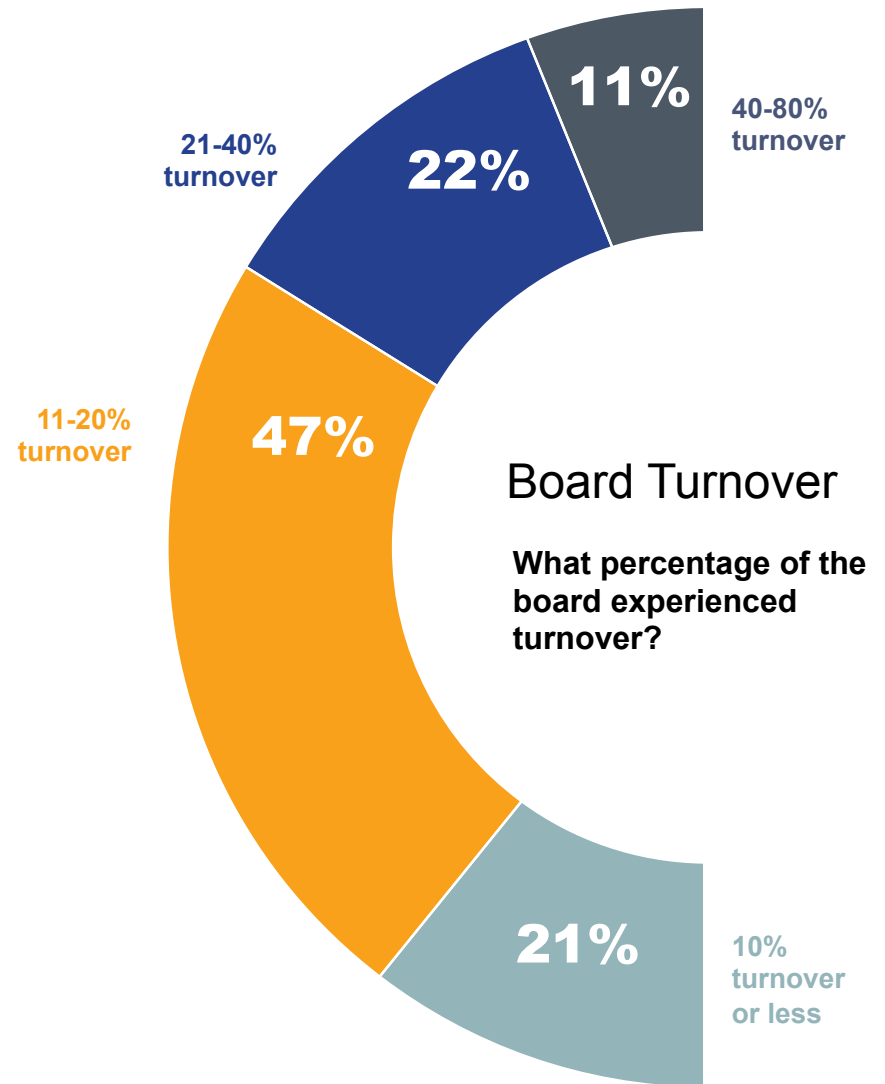
Impact of Turnover

Since we asked for exact numbers of board size and turnover, we were able to calculate the **turnover as a percentage of board size**.

Smaller organizations were more impacted by board turnover than larger organizations¹.

Sixty-eight percent of nonprofits experienced turnover of 20% or less in their boards last year.

Board turnover was between **21% and 40% for over one in five nonprofits**. More than one in ten experienced turnover of 40 to 80%.



¹ (p<.05) Totals may not add up due to rounding



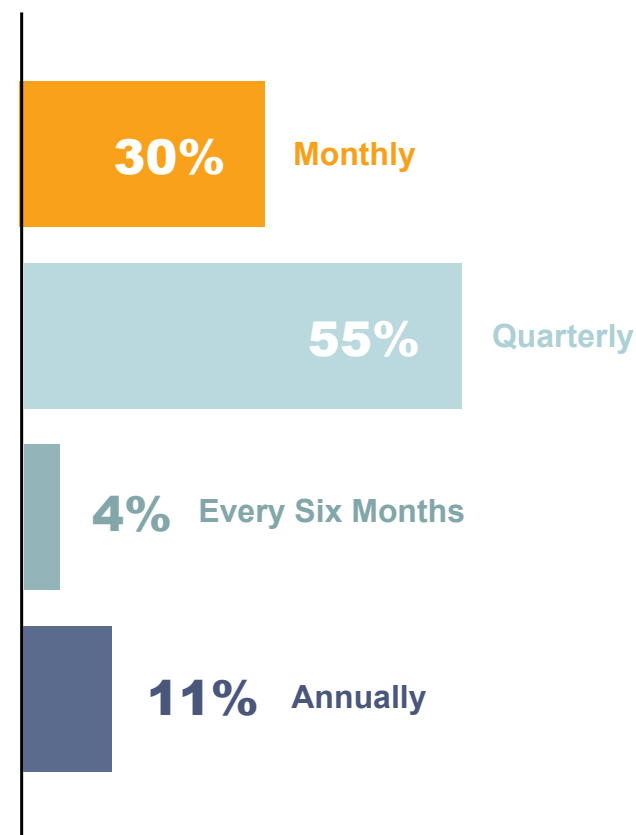
Financial Monitoring by the Board

Thirty percent of respondents said their board reviewed their financials **on a monthly basis**.

Over half (55%) said board financial reviews occurred **quarterly**. However, 15% of boards were reviewing financials less frequently.

Although **73% of organizations** broke their financial reports out by program, 27% did not.

The **larger the organization** and the bigger the budget, the **more frequently the board monitored financial reports**¹ and the more likely reports were broken out by program².



How often are your financial statements monitored by your board?

1 (p<.01) 2 (p<.01)

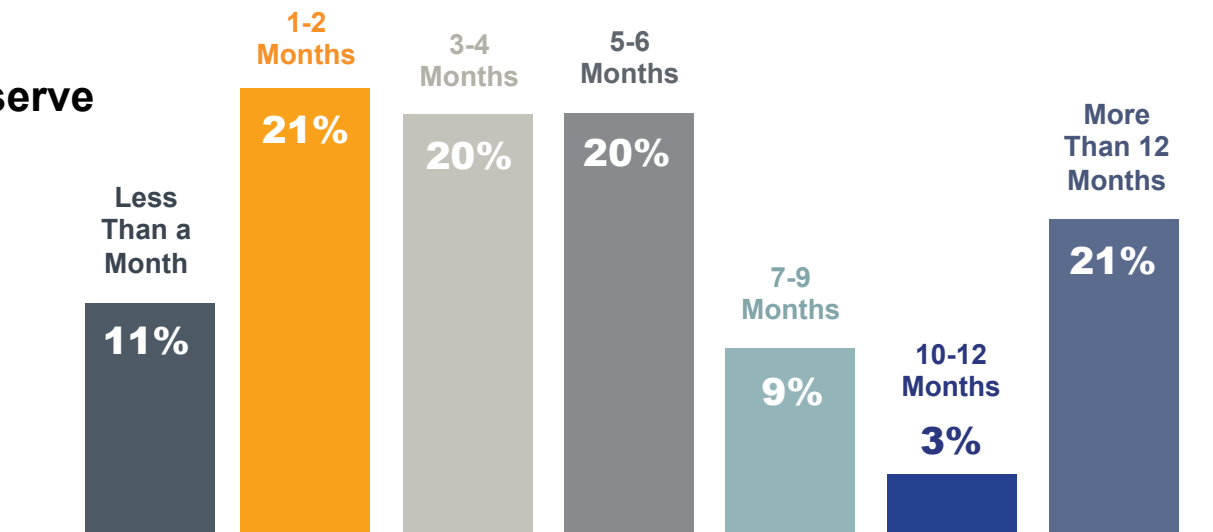


Liquidity, Reserve Funds and Debt Financing

Nearly **one-third of organizations (32%)** have **less than two months of cash liquidity**. Larger organizations tended to have more liquidity¹.

Sixty percent did not have a reserve fund for capital expenses.

Although the **vast majority of nonprofits (93%)** did not have a **policy against using debt financing**, **63%** did not use it.



How many months of cash liquidity does your organization maintain?*

1 (p<.01) * Not Sure (2%)

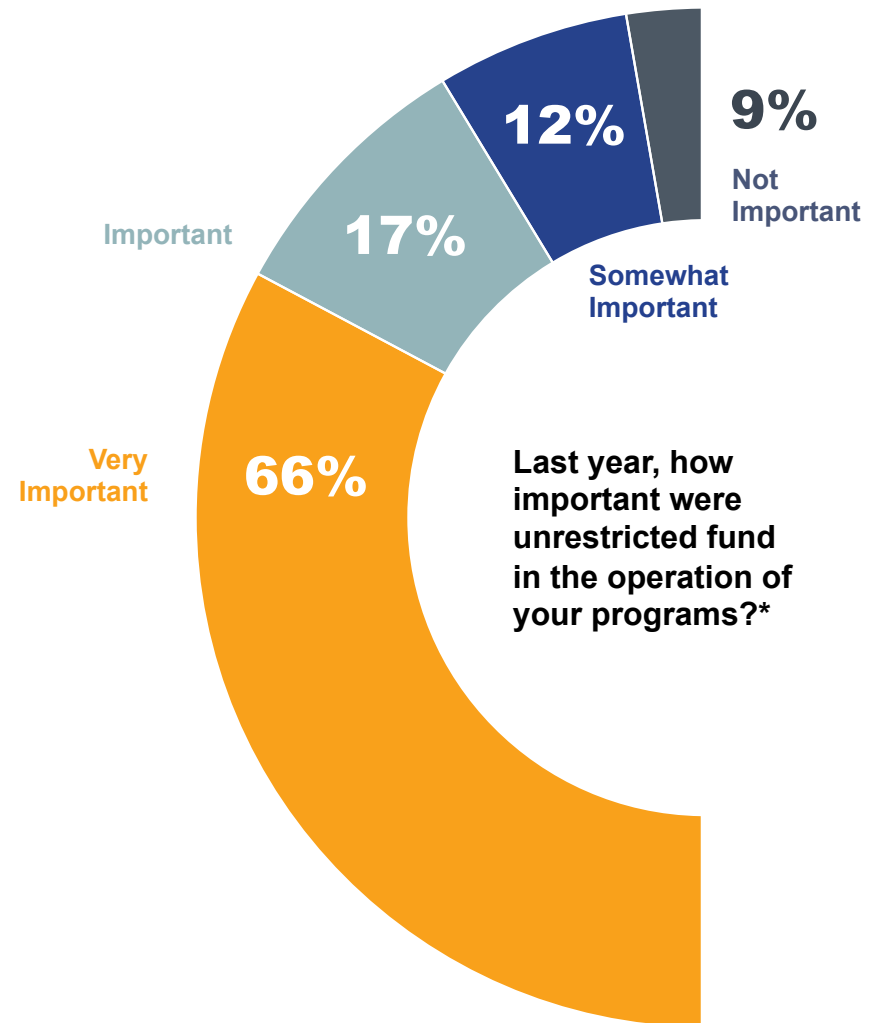


The Critical Role of Unrestricted Funds

Unrestricted funds are flexible and can be used to pay overhead costs or kept aside to meet any critical emergency needs that come along.

Unrestricted funds are very important or important to 83% of nonprofits surveyed.

Only **5%** of nonprofits surveyed said that **unrestricted funds were not important** to their operations.



*Not Sure (3%)



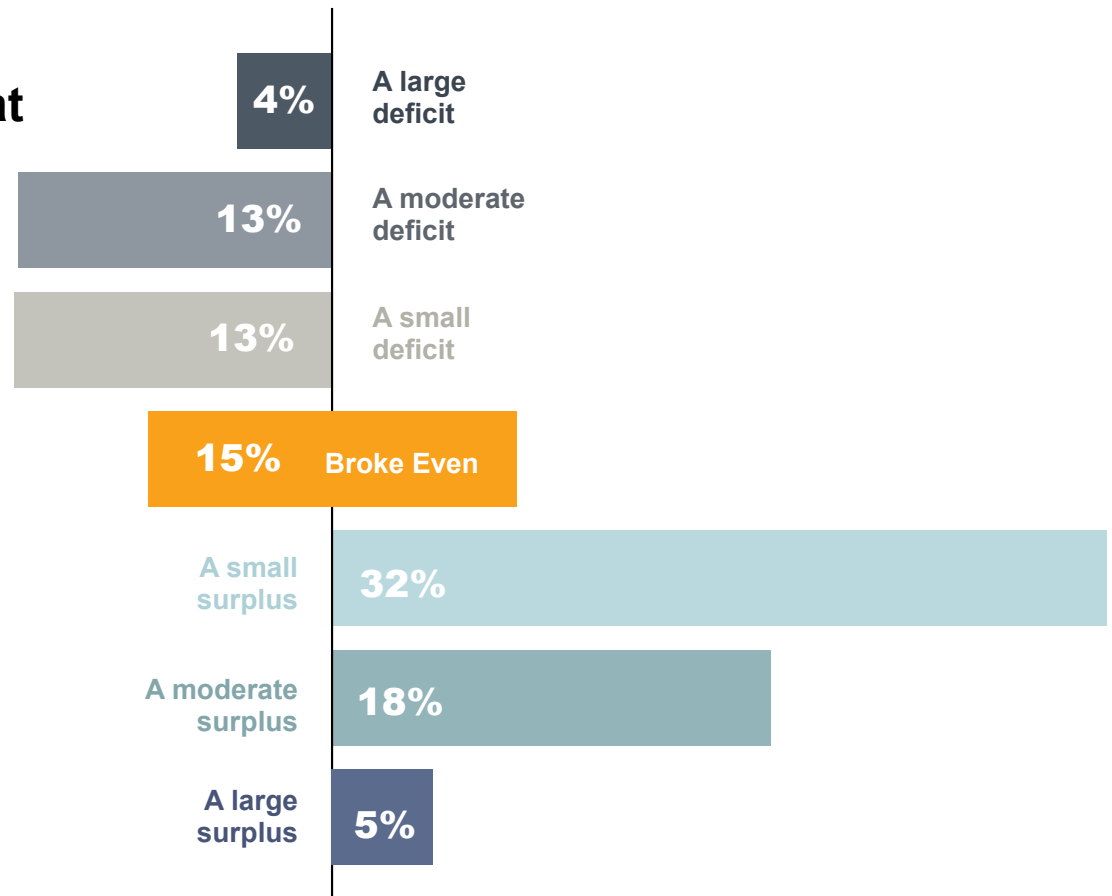
Financial Outcomes

Thirty percent of nonprofits said that they experienced a budget deficit in the past year.

Fifteen percent said they broke even.

Fifty-four percent had a budget surplus.

Larger organizations with bigger budgets were significantly more likely to end up with a surplus¹.



Did your organization end last year with a deficit, a surplus or break even?*

1 (p<.01) *Not Sure (10%)



Operating in the Face of Uncertainty

Strategic scenario planning is important in these uncertain times.

Many nonprofit leaders did not anticipate the changes that occurred in the past year.

Nearly one-third of organizations have less than two months of cash liquidity.

Sixty percent do not have a reserve fund for capital expenses and emergencies. Some of these organizations may not have sufficient resources to weather unexpected expenses or more funding cuts if they occur.

Nonprofits are caught in the big squeeze. Demand is up, funding is down. Having a realistic picture of the segment of the nonprofit sector in which the organization operates has never been more critical.

Staying on top of finances is critical in the current environment. Better monitoring of financials by program can help boards and organizations get a realistic picture of their situation and anticipate changes with enough time to react.



Survey Methodology

The results reported here are based on more than 330 completed, self-administered online surveys fielded in November 2017. Results are based on frequencies, correlation analysis and statistical testing.

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

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

Forty-two percent of respondents were CEOs, CFOs or board members. Twenty-nine percent were program managers, marketing managers or PR managers. Fifteen percent were administrative or IT staff. Fourteen percent were in other functions.

Twenty-one percent of organizations surveyed employed less than ten employees. Forty percent employed 11 to 100, 23% employed 101 to 500 and 16% employed over 500. Budgets ranged from under \$100,000 to over \$5 million.

The vast majority (94%) of surveyed organizations work in the domestic nonprofit sector and operate in New York and New Jersey.





MARKS PANETH

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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.

Media: To schedule an interview, contact Corin Huff at 914.909.3462 or chuff@markspaneth.com.