



THE INDIANAPOLIS NONPROFIT SECTOR: MANAGEMENT CAPACITIES AND CHALLENGES

A Preliminary Report Prepared for
The Central Indiana Community Foundation
February 2003

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EXECUTIVE SUMMARY

Nonprofit organizations are extraordinarily diverse in their missions, but all must adapt to changing community and policy conditions if they are to survive. Their capacity to do so depends on their organizational capacities and the management tools available to them.

Introduction

This report presents preliminary findings on the organizational tools available to nonprofits in the Indianapolis area and highlights the challenges they face in adapting to changing conditions. The report is based on a statewide survey of 2,148 Indiana nonprofits completed in the spring and early summer of 2002.

The survey included charitable, religious, advocacy, and member-serving nonprofits. For purposes of this report, we have classified responding nonprofits into eight categories based on their mission and primary activity: (1) arts, culture, humanities, (2) education, (3) health, (4) human services, (5) public/society benefit, (6) religion/spiritual development, (7) mutual-benefit, and (8) all other. For some fields, the findings should be interpreted with caution because of the relatively small number of respondents. Although this report focuses on nonprofits located in the nine-county Indianapolis region, we include comparisons to nonprofits across the state.

Management Capacities: Policies and Tools

Part I of the report examines the management capacities of Indianapolis nonprofits in terms of the operational policies and technical tools in place. These structures reveal the ability of nonprofits to recognize, understand, and respond to changing community conditions.

Formal organizational policies

Formal organizational policies are designed to facilitate organizational decision-making. We examine the presence of six such policies and found a great deal of variation in the extent to which Indianapolis region nonprofits make use of them. We find widespread use of governance policies and by-laws, intermediary levels of formal personnel policies, but major gaps in the use of conflict of

interest statements and formal volunteer recruitment and training programs. Moreover, the prevalence of these policies varies greatly among major nonprofit fields of activities.

- ▶ Formal governance policies and/or by-laws – 89 percent.
- ▶ Written job descriptions – 68 percent.
- ▶ Written personnel policies – 55 percent.
- ▶ Written conflict of interest – 34 percent.
- ▶ Formal volunteer training programs – 17 percent.
- ▶ Formal volunteer recruitment programs – 17 percent.

Reporting Practices

The presence of various types reporting practices indicates whether organizations routinely take stock of key activities. We find fairly widespread use of annual reports and audited financial statements, with less widespread use of program outcome or impact assessments. These practices vary considerably among major nonprofit fields.

- ▶ Annual report during past two years – 73 percent.
- ▶ Recent audited financial statement – 69 percent.
- ▶ Evaluation or assessment of program outcome or impact during past two years – 38 percent.

Use of Information and Communications Technology

Information and communications technology allow organizations to monitor their own activities and to track changes in their environment. We find widespread use of information technology for internal operations and for monitoring the environment, but relatively low incidence of using such technology for communicating with external audiences. We find evidence of a digital divide among Indianapolis area nonprofits. Health, education, and religious nonprofits consistently rank high in their technological capacities, while public/society benefit and mutual benefit nonprofits rank low.

- ▶ Computers available for key staff/volunteers – 73 percent.
- ▶ Computerized financial records – 73 percent.
- ▶ Computerized client/member/program records – 71 percent.
- ▶ Direct internet access for key staff/volunteers – 67 percent.
- ▶ An email address for the organization – 60 percent.
- ▶ A web site for the organization – 49 percent.

Financial Reserves

Dedicated financial reserves for special purposes allow nonprofits to plan major outlays and negotiate the uncertain funding environment under which they must maintain, and hopefully expand, their organizational infrastructures. We find relatively few nonprofits to have certain minimal components of financial planning in place. These practices vary widely among nonprofit fields.

- ▶ Financial reserves for maintenance and equipment – 44 percent.
- ▶ Financial reserves for capital improvements – 31 percent.

Management Challenges

Part II of the report examines the extent to which the nonprofit managers and executives who completed our survey report that they face challenges (major or minor) in planning their activities or managing key aspects of their operations.

Mission/Planning Challenges

To determine whether Indianapolis area nonprofits appear to face challenges in meeting their overall mission, we look at how they assess their own strategic planning capacity and other activities that may indicate planning effectiveness – managing relationships with members or clients and positioning the organization in the external environment. There are notable differences in the extent to which these activities present major challenges, although substantial proportions find that they present at least minor challenges. There are also significant variations among major nonprofit fields.

- ▶ Attracting new members and clients: a major challenge – 58 percent.
- ▶ Meeting needs or interests of current clients or members: a major challenge – 43 percent.
- ▶ Enhancing the visibility or reputation of the organization: a major challenge – 42 percent.
- ▶ Strategic planning: a major challenge – 32 percent.
- ▶ Communicating with clients or members: a major challenge – 30 percent.
- ▶ Forming and maintaining good relationships with other entities: a major challenge – 13 percent.

Challenges in Delivering and Assessing Programs or Services

To improve relationships with clients or members, nonprofits must enhance the quality of their programs or service. This appears to present a major challenge for about a third of nonprofits, but at least a minor challenge for 80 percent or more. There are again notable variations among fields.

- ▶ Delivering high quality programs and services: a major challenge – 38 percent.
- ▶ Evaluating or assessing outcomes or impacts of programs: a major challenge – 35 percent.

Challenges in Managing Human Resources

To undertake strategic planning and deliver effective programs nonprofits need high quality leadership, staff, and volunteers. About 70 percent report facing at least minor challenges in managing some aspect of human resources and substantial segments face major challenges especially in the area of volunteer management. There are substantial differences among nonprofit fields.

- ▶ Recruiting and/or keeping qualified and reliable volunteers: a major challenge – 42 percent
- ▶ Recruiting and/or keeping effective board members: a major challenge – 41 percent.
- ▶ Recruiting and/or keeping qualified staff: a major challenge – 26 percent
- ▶ Managing human resources (staff and/or volunteers): a major challenge – 23 percent
- ▶ Managing or improving board-staff relations: a major challenge – 8 percent.

Challenges in Obtaining Funding or Managing Finances

Efforts to improve the quality of programs or to hire and keep qualified staff are inevitably limited by lack of financial resources and (less obviously) threatened by problems in managing finances. Almost all (89 percent) Indianapolis area nonprofits find it at least a minor challenge to obtain funding, while less than two-fifths (38 percent) say it is no challenge at all to manage their finances. There are major differences among nonprofit fields on both of these dimensions.

- ▶ Obtaining funding: a major challenge – 59 percent.
- ▶ Managing finances and accounting: a major challenge – 16 percent.

Other Challenges

Finally, we look at challenges associated with the effective use of information technology and with managing facilities. While 78 percent consider the effective use of information technology to be at least a minor challenge, only 49 percent give the same assessment to managing facilities. There are again notable variations among nonprofit fields.

- ▶ Using information technology effectively: a major challenge – 22 percent
- ▶ Managing facilities: a major challenge – 19 percent.

Summary and Conclusion

Part III of the report summarizes findings for each of the six major fields included in the analysis. For each field we highlight the three activities that present major challenges to the largest percentage of nonprofits in the field and the three that present major challenges to the smallest percentage of nonprofits in the field. We also report on the three most pervasive operational policies or technical tools and the three least prevalent in the field. For some fields, the findings should be interpreted with caution because of the relatively small number of respondents.

The full report is available through the “Research Results” link on the project web page www.indiana.edu/~nonprof or go directly to www.indiana.edu/~nonprof/results/npsurvey.html.

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I. INTRODUCTION

Like most other states in the U.S., Indiana is currently facing major economic and fiscal challenges with significant implications for the state's nonprofit organizations. Indeed, many Indiana nonprofits face significant changes in demands for their services and have fewer resources with which to meet the needs of those they serve. The ability of nonprofits to address these and other challenges depends critically on how well prepared they are, on the tools available to them, and on the extent to which they are already stretched thin.

Focus of Report

This report presents preliminary findings from a major survey of Indiana nonprofits of all types recently completed as part of the project on "Indiana Nonprofits: Scope and Community Dimensions" (see www.indiana.edu/~nonprof). We focus first on the management capacities of nonprofits in the Indianapolis metropolitan region, that is, the extent to which they make use of key organizational practices and have access to vital management tools to carry out their activities. We then examine the extent to which they report facing challenges across a range of important management dimensions.

Analytic Approach

Our analysis incorporates two important sets of comparisons of the management capacities and challenges of Indiana nonprofits: by **field of activity** and **region**. First, Indiana nonprofits, like those everywhere else, are extraordinarily diverse. They deliver meals on wheels to homebound elderly, help cancer patients deal with their illnesses, strengthen faith, preserve local historical treasures, organize recreation activities for youths, engage citizens on policy issues, train welfare recipients, assist victims of natural disasters, promote hobbies and amateur activities, etc. In short, they enrich personal development, provide an enormous range of important services, and play a critical role in strengthening civic engagement by promoting trust and social networks among people (e.g., social capital).

In recognition of this diversity, we have classified our nonprofits by major field of activity so that we can compare the management capacities and challenges of, for example, arts and culture nonprofits with those of human service nonprofits. This allows us to account for the different regulatory and

funding environments they face. We use the classification system employed by the IRS to identify the primary purpose of tax-exempt organizations – the National Taxonomy of Exempt Entities (NTEE). This system is also used by www.guidestar.org to allow visitors to its website to search for IRS-registered charities by type. We expect that nonprofits active in different fields of activities will vary significantly in their use of organizational practices and tools and in the types and the extent of management challenges they face. For some fields, the findings should be interpreted with caution because of the relatively small number of respondents.

Major nonprofit fields of activity: For the Indianapolis region, the NTEE nonprofit categories we examine include the following (see Tables 1 and 2 in Appendix I for more detailed listings):

- ▶ **Arts, culture and humanities:** e.g., performing arts groups, historical societies
- ▶ **Education:** e.g., band/athletic boosters, elementary schools
- ▶ **Health:** e.g., rehabilitative health, mental health, diseases & disorders, medical research
- ▶ **Human services:** e.g., social services, legal, employment, food, housing, public safety, recreation, youth development
- ▶ **Public/society benefit:** e.g., civil rights, community improvement, philanthropy, research
- ▶ **Religion and spiritual development:** congregations, interfaith, religious media
- ▶ **Mutual benefit:** cooperatives, fraternal societies, cemeteries
- ▶ **Other:** unknown or too few to analyze separately, e.g., environment, animal related, international.

Region: Nonprofits also face different circumstances dependent on where they are located, since communities differ in their social, economic, and political conditions. These differences impact the types of needs that exist and the extent to which there are resources available to nonprofits to meet these needs (e.g., experienced volunteers, generous donors, engaged citizens, sympathetic policy makers, or access to technical assistance and support). Throughout this report, we compare nonprofits in the 9-county Indianapolis metropolitan region to those in the entire state of Indiana. That will allow us to present a preliminary assessment of the extent to which nonprofit capacities are better (or less well) developed and the management problems more (or less) acute in Indianapolis than statewide. We plan subsequent reports for other major regions of the state.

We recognize of course that other factors, such as size (e.g., total revenues or staff) or funding profile (e.g., primary reliance on donations, government dollars, or fees/dues) may be at least as important as field of activity and location in explaining differences in management capacity and challenges. We plan to incorporate those other dimensions, but are still reviewing the relevant data for completeness and accuracy.

Survey Methodology

The data for this analysis is based on a survey of the entire Indiana nonprofit sector, not just charities, but also congregations, advocacy organizations, and all types of mutual-benefit nonprofits (e.g., trade associations, labor unions, social clubs, or fraternal organizations). The survey was conducted in the winter and early spring of 2002 and managed by the Indiana University Center for Survey Research. The sample was drawn from a master database of Indiana nonprofits developed from IRS-registered tax-exempt organizations under section 501(c) of the IRS code with Indiana

addresses, Indiana nonprofit incorporations, yellow page listings of congregations, and a variety of local listings (Grønbjerg, 2002; www.indiana.edu/~nonprof).

We used a stratified sample design to allow for comparisons among communities and database listings. The analysis presented here is based on the weighted sample (to undo the effects of stratifying the sample initially) for the 9-county Indianapolis Metropolitan Statistical Area (MSA) and the state of Indiana. A total of 2,148 organizations responded to the survey, representing a response rate of slightly over 30 percent statewide – the exact percentage is not yet determined since we are still tracking non-respondents to see whether they are active or defunct. The Indianapolis response rate appears to be about 25 percent.

The nonprofits responding to the survey appear to be fairly representative of the full database from which the sample was selected (see Table 3 in Appendix I) in terms of major fields of activity as determined initially when we compiled the database. We emphasize, however, that the NTEE categories we use for our analysis in this report are more accurate than those originally assigned since we had access to much more detailed information about each organization from the survey. The respondents also appear to be representative of the various listings we used in compiling our full database, although nonprofits appearing on multiple listings were more likely to have responded than those identified from only one listing.

As noted above, for this analysis we classified survey respondents by major NTEE field of activity. We used self-reports of mission and major programs/activities and a review of the content on organizational web-sites (if available) to assign detailed NTEE codes (e.g., 26 groupings of nonprofit activities with numerous sub-categories, see Appendix I, Tables 1 and 2). We subsequently aggregated these detailed codes into the major categories listed above, although we present some analysis for certain more detailed activities. Because there were relatively few nonprofit respondents in the environment and animal related fields for Indianapolis, these have been collapsed into a catchall “other” category. There were enough of these organizations at the statewide level to keep them as a separate category.

Our analysis of management capacity and challenges comes from two sets of questions in the survey that also serve as the organizing principles for this report. The first set of questions asked whether responding nonprofits had a variety of organizational procedures or tools in place. The second set asked whether a list of management activities presented major, minor, or no challenges to the responding organization. Our analysis focuses on important differences and/or similarities between nonprofits operating in different fields of activities in the Indianapolis region. Appendix II and III present graphs for the responses to these two sets of questions by NTEE field of activity for the State of Indiana as a whole and for the Indianapolis MSA.

II. MANAGEMENT CAPACITIES: POLICIES AND TOOLS

One way to assess the management capacities of organizations is to determine whether they have operational and technical infrastructures in place that enhance efforts to plan and monitor activities, deliver effective programs, operate efficiently, and position the organization in an increasingly complex environment. Some infrastructures are generic and pertain to all organizations; for example, our socially and technologically networked world virtually demands access to and use of electronic information. Other policies and tools are specific to nonprofits, for example those related to recruiting and managing volunteers.

Here we analyze the extent to which Indianapolis nonprofits have in place specific operational policies and tools that seem likely to enhance their management capacities. We are mindful, of course, that while an organization may have some particular operational component in place, it may not use it effectively or at all. Our current data do not allow us to link the presence of a particular component with its use and impact in the everyday operation of these organizations, although we hope to explore these issues in case studies planned for a future phase of this project.

We also recognize that many of our responding nonprofits are so young and/or small that they may see little obvious need for instituting some (or most) of these components. Nevertheless, if many nonprofits lack normal operational policies and tools, the nonprofit sector as a whole will be limited in its ability to recognize, understand, and respond to changing community conditions.

Our survey includes information on whether Indianapolis nonprofits have in place operational and technical components in the areas of formal organizational policies (including volunteer management), reporting practices, information technology, and financial reserves.

As we show below, Indianapolis area nonprofits resemble those across the State of Indiana in that large majorities have in place certain basic operational features related to formal decision-making processes and to establishing legitimacy with external stakeholders. However, Indianapolis area nonprofits also resemble nonprofits statewide in that most of them lack more specialized components, including some related to maintaining internal operational stability.

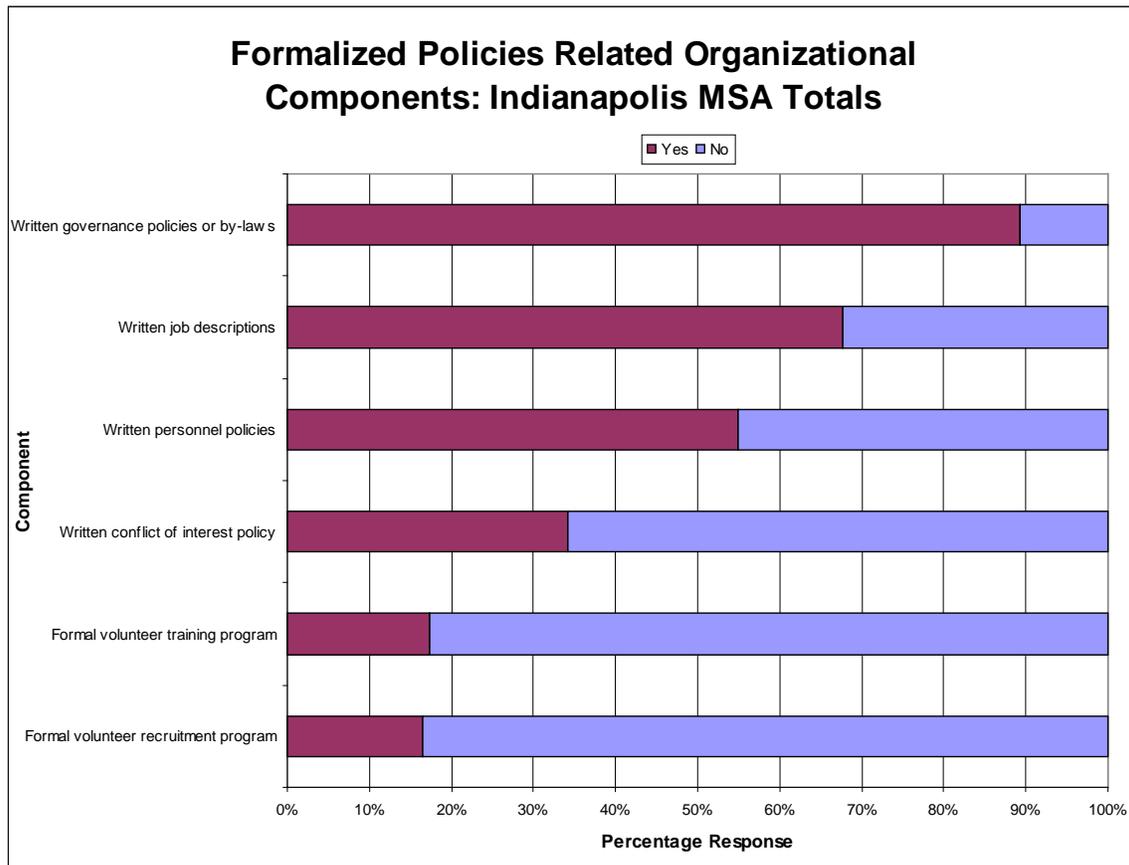
A. Formal Organizational Policies

We first examine whether Indianapolis area nonprofits have written or formal policies in place that facilitate systematic decision-making processes in the areas of governance, personnel, and volunteer management. As detailed below and shown in Figure 1, virtually all (89 percent) Indianapolis area nonprofits operate under formal governance policies or by-laws and a majority has written job descriptions or personnel policies in place. However, only one-third report having a conflict of interest policy and less than one fifth have formal volunteer recruitment or training programs.

- ▶ Written governance policies or by-laws: 89% Indianapolis vs. 87% statewide
- ▶ Written job descriptions: 68% Indianapolis vs. 58% statewide
- ▶ Written personnel policies: 55% Indianapolis vs. 47% statewide
- ▶ Written conflict of interest policy: 34% Indianapolis vs. 30% statewide
- ▶ Formal volunteer training programs: 17% Indianapolis vs. 20% statewide
- ▶ Formal volunteer recruitment programs: 17% Indianapolis vs. 18% statewide

As these percentages show, the practices of Indianapolis area nonprofits are fairly consistent with those for the state as a whole. However, Indianapolis area nonprofits are somewhat more likely to have formal personnel components in place than are nonprofits statewide. We turn now to a closer look at these organizational features for Indianapolis area nonprofits.

Figure 1
Percent with Formal Organizational Policies: Indianapolis MSA Nonprofits



Widespread Use of Governance Policies or By-Laws

The fact that so many Indianapolis area nonprofits have formal governance policies or by-laws is not surprising. Questions of governance – that is, which individuals have the right to decide on what issues – affect all organizations whether or not they are officially incorporated or whether or not they rely entirely on volunteers or on paid staff. Governance policies and by-laws establish rules for decision-making and therefore help reduce conflict and insure consistency in the operation of the organization. By the same token, such policies help the organization interact predictably with its members (including volunteers and staff) and with other organizations. Without some minimum level of predictability, organizations are not likely to survive for long.

Consistent with this interpretation, we find relatively few differences when we compare the presence of formal governance policies or by-laws for Indianapolis area nonprofits active in different fields. The percentages are close to 90 percent or higher for most fields. Only mutual benefit and “other” types of nonprofits fall below the 80 percent level (72 and 43 percent respectively) most likely

reflecting the small size of many of these organizations. The same basic patterns hold for nonprofits statewide (see Appendix II, Figure A.1).

Relatively Few Conflict of Interest Policies

Like formal governance policies, conflict of interest policies apply to all nonprofits (and also other types of organizations), although many may operate for years without encountering obvious problems in this area. This may explain why only one-third of Indianapolis area nonprofits report having a written conflict of interest policy. It is possible, of course, that some nonprofits include conflict of interest policies in their governance policies or by-laws.

However, the apparent absence of, or at least lack of awareness of, conflict of interest policies may create the impression that nonprofits are not concerned about the propriety of their operations. Should conflict of interest problems develop, the absence of such policies leaves the organization with limited ability to address the issues, much less justifying their operations to stakeholders.

Not surprisingly, certain nonprofit fields are much more likely to have conflict of interest policies than others (see Figure 2), most likely reflecting differences in professional norms and ethics. Thus the highest percentage with conflict of interest policies (60 percent) is found in the field of health services. Health professionals often face difficult ethical issues. Indeed, licensing requirements in this field often mandates formal policies to address issues of ethics and conflict of interests. The lowest reported percentage of conflict of interest policies is found among nonprofits in the religion field (14 percent). Possibly, religious values and the presumption of ethical behavior may be viewed as alleviating the need for more legal/secular restrictions on behavior.

In general, Indianapolis area nonprofits appear more likely to have such policies in place than are nonprofits statewide for most fields (see Appendix II, Figure A.2), especially arts and culture (47 vs. 20 percent). However, there is one notable exception to this pattern: Indianapolis area religious nonprofits are less likely to have conflict of interest policies in place than are their counterparts across the state (14 vs. 25 percent).

Intermediary Levels of Formal Personnel Policies

Figure 1 showed earlier that a majority of Indianapolis nonprofits have written job descriptions (68 percent) and/or written personnel policies (55 percent). Such policies are primarily relevant to those with paid staff. However, since written job descriptions are also desirable for board members and volunteers it isn't surprising that more nonprofits report having written job descriptions than written personnel policies. Figure 3 shows differences in the use of written job description among nonprofit fields in the Indianapolis area.

Arts, culture and humanities nonprofits report the most extensive use of written job descriptions (87 percent) followed by those in education and human services, with religious and mutual benefit nonprofits just below average. These patterns differ from those at the statewide level (see Appendix II, Figure A.3). Thus Indianapolis area arts and culture nonprofits are significantly more likely to have such policies in place than their counterparts across the state (87 vs. 40 percent). The same holds for human service nonprofits (77 vs. 59 percent) and mutual benefit nonprofits (65 vs. 33 percent), but the opposite is the case for health nonprofits (61 vs. 70 percent).

Figure 2
Percent with Written Conflict of Interest Policy: Indianapolis MSA Nonprofits

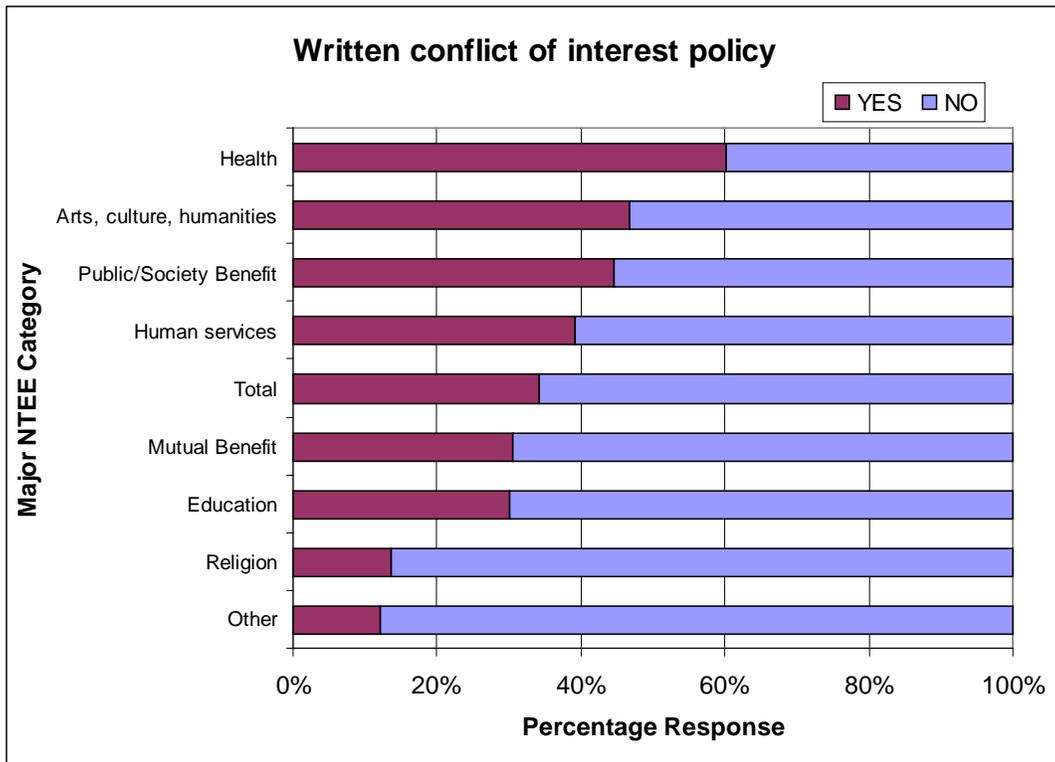
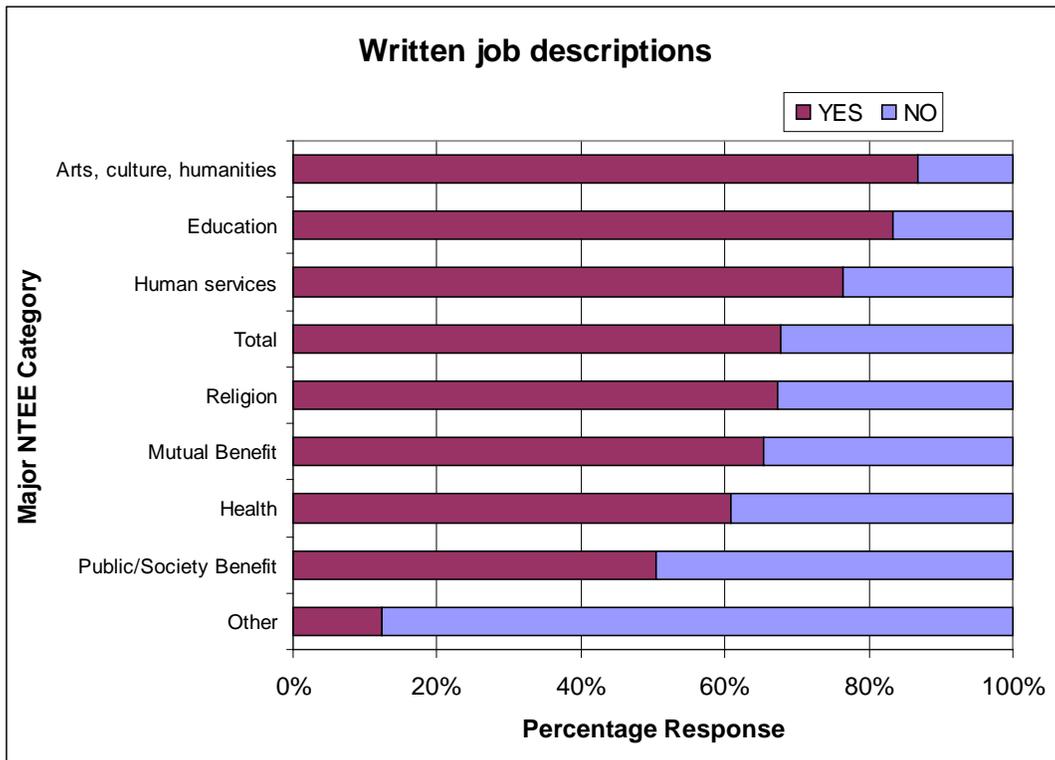


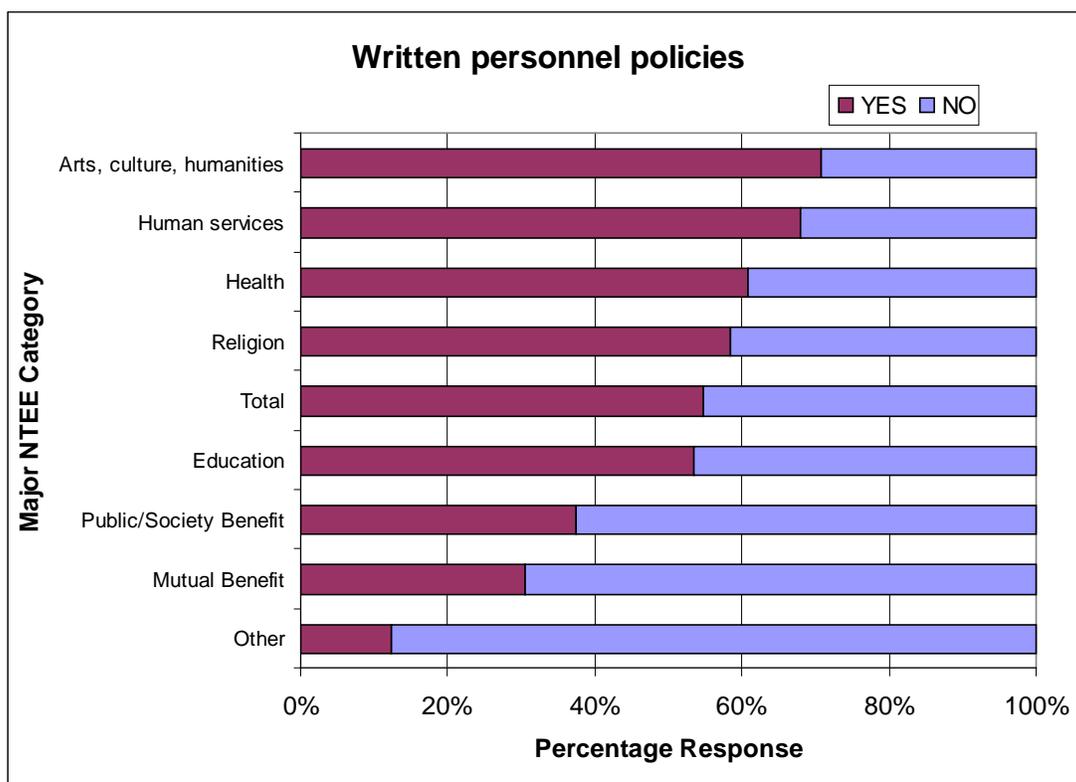
Figure 3
Percent with Written Job Descriptions: Indianapolis MSA Nonprofits



Most likely, some or all of these differences between Indianapolis and the state reflects differences in the size of organizations in the various fields. We will be able to explore these issues when we have more complete financial information available for analysis.

There are also notable differences in the use of written personnel policies by field for Indianapolis area nonprofits (see Figure 4). Arts and culture nonprofits again rank at the top, but are followed now by human services and health nonprofits, with education nonprofits dropping to below average. There are also some notable differences between Indianapolis area nonprofits and their counterparts statewide for the various nonprofits fields (see Appendix II, Figure A.4).

Figure 4
Percent with Written Personnel Policies: Indianapolis MSA Nonprofits



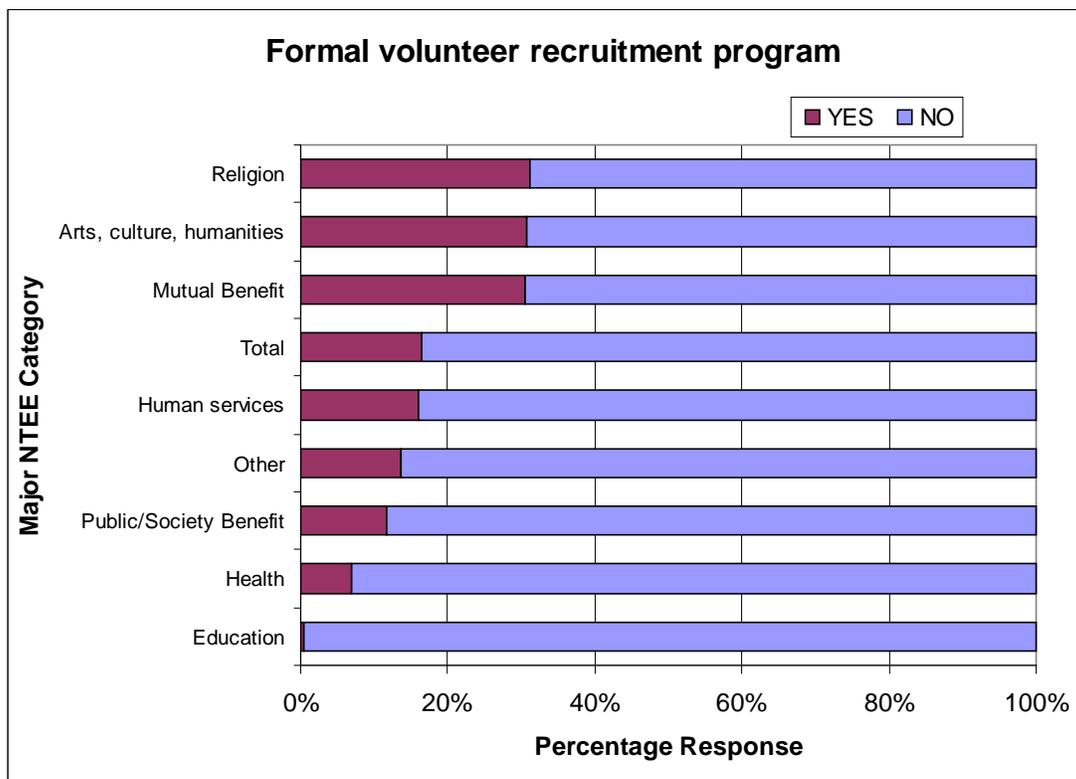
Few Formal Volunteer Management Programs

Less than one-fifth of Indianapolis area nonprofits have formal volunteer recruitment and/or training programs in place. Almost one-third of arts, culture, and humanities nonprofits and religion nonprofits report having formal volunteer recruitment programs (Figure 5) with similar percentages reporting having volunteer training programs in place. Lower percentages of human services (16 percent) and public/society benefit nonprofits (12 percent) and especially of health (7 percent) and education (1 percent) nonprofits have a formal volunteer recruitment program.

The percentages of Indianapolis area nonprofits with formal volunteer training programs are also disconcertingly low, especially for some nonprofits fields. While 40 percent of religion and 31 percent of arts, culture, and humanities nonprofits report having formal volunteer training programs (Figure 6), consistent with the relatively high percentages that have volunteer recruitment programs,

no education nonprofit and only 5 percent of public/society benefit nonprofits and 11 percent of health nonprofits report volunteer training programs. Nonprofits in these fields are also less likely to have volunteer recruitment programs. Surprisingly, while 31 percent of mutual benefit nonprofits report having a formal volunteer recruitment program, only 1 percent say they have a formal program for training volunteers once they are recruited.

Figure 5
Percent with Formal Volunteer Recruitment: Indianapolis MSA Nonprofits



Considering that two-thirds of Indianapolis area nonprofits reported using volunteers in the past year and that of those, almost all (91 percent) said that volunteers are important or essential to their operations, the relative lack of volunteer recruitment and training programs is surprising. For the majority of Indianapolis nonprofits, volunteers would appear to be a sufficiently important resource for fulfilling their missions that greater investments in volunteer management may be beneficial.

B. Reporting Practices

We turn now to the reporting practices of Indianapolis area nonprofits, that is, whether they issue annual reports, have a recent audited financial statement, or have undertaken an evaluation or outcome assessment of at least one of their programs. These management practices are in some ways an extension of the formal organizational policies related to governance and personnel policies we have just reviewed. However, they go a step further since they reveal whether the organization routinely takes stock of its activities, not just whether it has particular formal policies in place. As Figure 7 shows, almost three-quarters (73 percent) of Indianapolis nonprofits say they have a recent annual report, more than two-thirds (69 percent) have a recent audited financial statement, while less than two-fifths (38 percent) say they have evaluated their program outcomes or impact.

Figure 6
Percent with Formal Volunteer Training: Indianapolis MSA Nonprofits

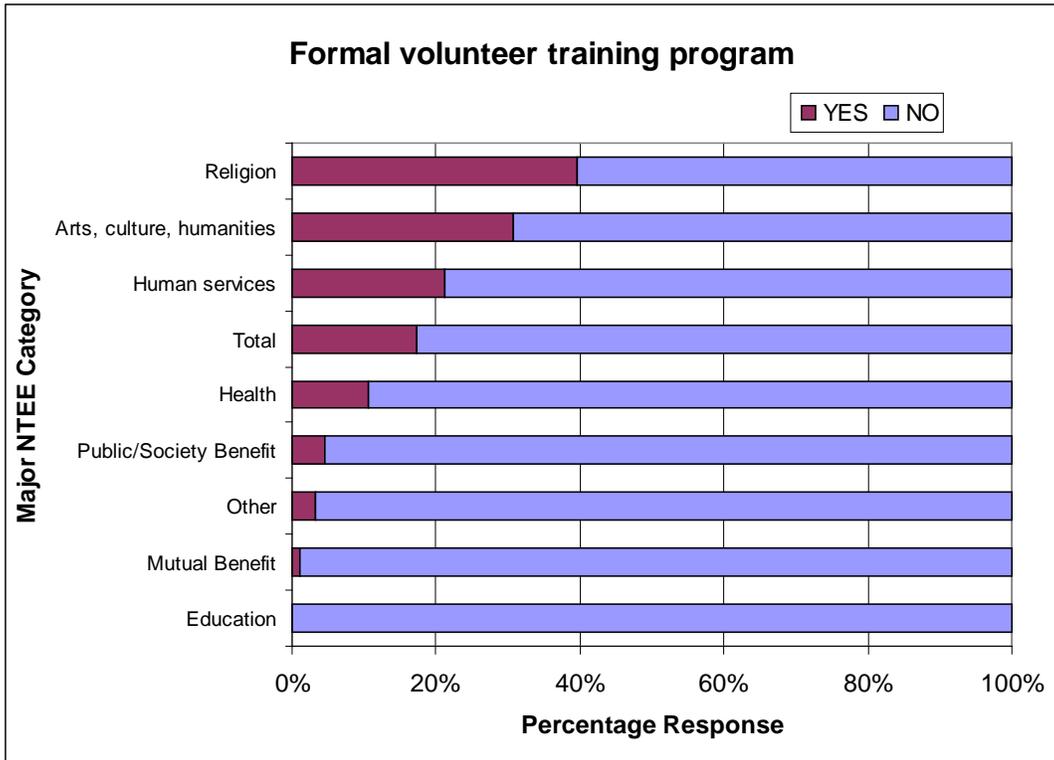
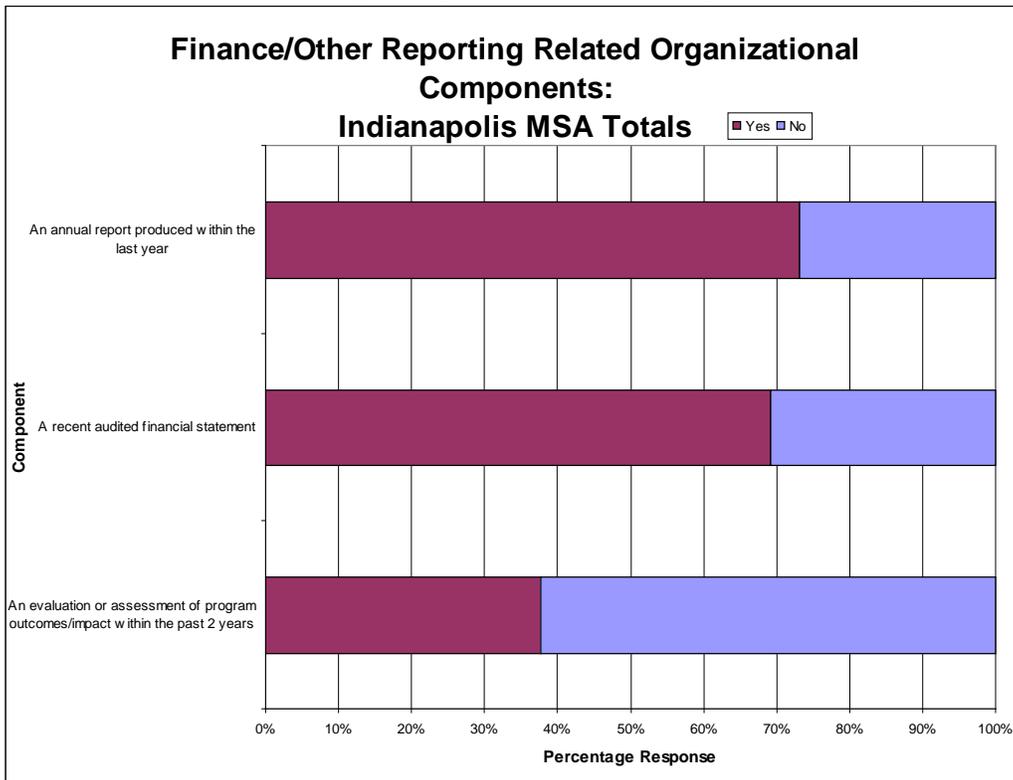


Figure 7
Percent with Various Reporting Practices: Indianapolis MSA Nonprofits



Pervasive Annual Reports

The rank-ordering of these three activities is not surprising. Distributing annual reports is a fairly standard way for nonprofits to report their accomplishments and financial status on a regular basis; indeed most donors and constituency groups expect such reports from the organizations they support. Indeed, for most fields 80 percent or more of Indianapolis area nonprofits report having an annual report. Only human services and public/society benefit nonprofits fall below that level, but still almost two-thirds prepare annual reports.

Widespread Financial Audits

Similarly, audited financial statements are essential if nonprofits are to assure members, donors, and other types of funders that their financial resources are not mismanaged. In most of the nonprofit fields, at least 70 percent or more of Indianapolis area nonprofits have a recently completed audited financial statement. The major exception is religious nonprofits, where just below 55 percent report having had a recent audit of their finances.

Less Frequent Program Assessments

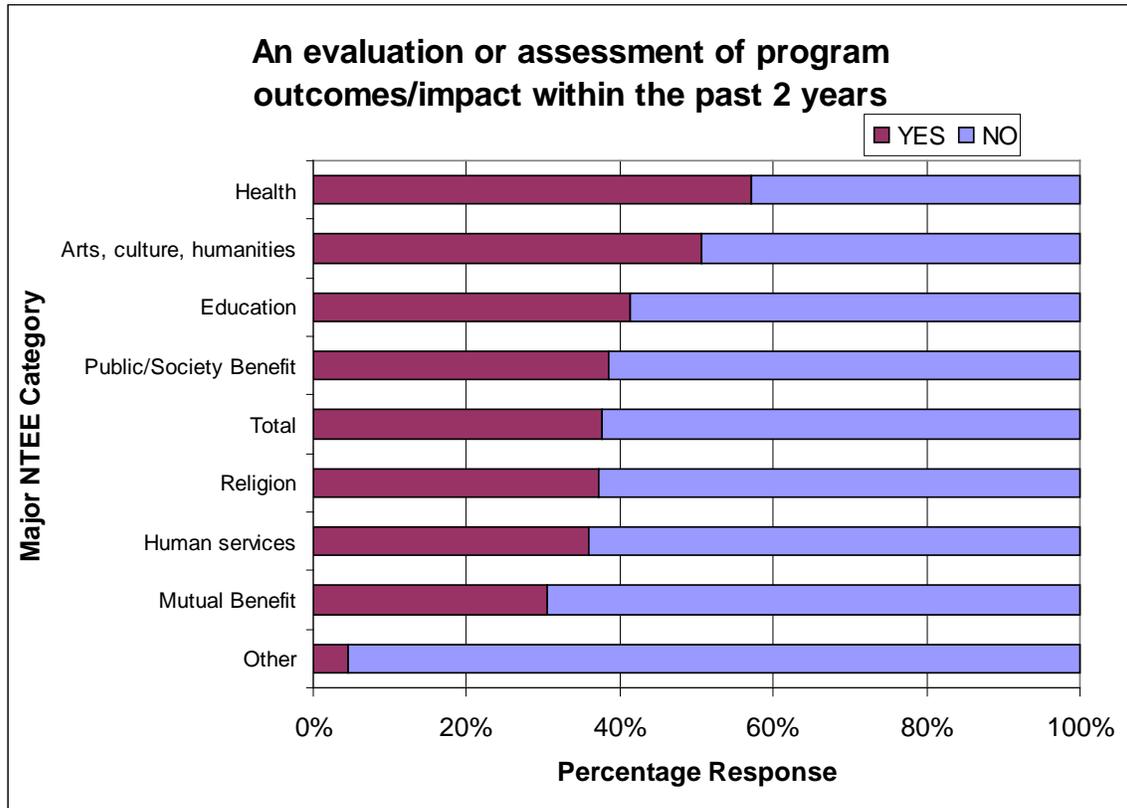
In contrast to financial audits, for which elaborate standards and guidelines are available from the accounting professions (e.g., Generally Accepted Accounting Practices – GAAP, Financial Accounting Standards Board – FASB), there are few well-established models for assessing the outcomes or impacts of program activities. Completing useful program assessments is in fact very difficult because most of what nonprofits seek to accomplish (e.g., change people’s behavior or values) is not only difficult to do, but occurs over an extensive period of time, is not easy to observe, and may be impacted by factors outside the scope or control of the organization.

We are therefore somewhat surprised by the relatively high percentage of Indianapolis area nonprofits that report having completed a recent evaluation or assessment of program outcomes or impacts (38 percent). Statewide, the percentage is 30 percent, still high by our standards, given the wide variety of nonprofits included in our survey (of course, we have no information on the quality or usefulness of these assessments). See Appendix II, Figures A.1-A.3 for comparison of the percent of statewide and Indianapolis MSA nonprofits using these three types of reporting practices.

A more detailed look at the reporting of program evaluations by major nonprofit field reveals some interesting results. We find a surprisingly high level of consistency across the major fields of activity in the percent of Indianapolis area nonprofits that report having undertaken an evaluation or assessment of program outcomes and/or impacts within the past 2 years. Given substantial attention and pressure by government and other funders in the fields of health, human services, and education to undertake such efforts, we had expected the percentages to be highest for nonprofits active in these fields. That is only partially the case (see Figure 8).

In fact, human service nonprofits (36 percent) in the Indianapolis region trail nonprofits in almost all other major fields of activities (except for mutual benefit nonprofits) in the percent reporting some evaluation of program outcomes or impacts within the past two years. However, when we look more closely at the sub-fields within the human service category, we find that among traditional social and human services nonprofits this percentage rises to almost half (46 percent). This group includes nonprofits involved in services for children, youth, and families, personal social services, emergency assistance (food, clothing), and residential or custodial care (see Appendix II, Table A.3).

Figure 8
Percent with Evaluation/Assessment of Program Outcomes/Impacts in Past 2 Years:
Indianapolis MSA Nonprofits



While these traditional human service nonprofits still trail health nonprofits in having recently engaged in program outcome or impact assessment, they show a pattern roughly similar to that observed for education nonprofits. We interpret this to indicate that institutional pressures, whether applied directly by funders and government or indirectly through changes in professional practices, do appear to result in more nonprofits in these particular fields undertaking these types of evaluations. We note that arts, culture and humanities nonprofits also appear to face expectations to document the impact or outcomes of their program activities.

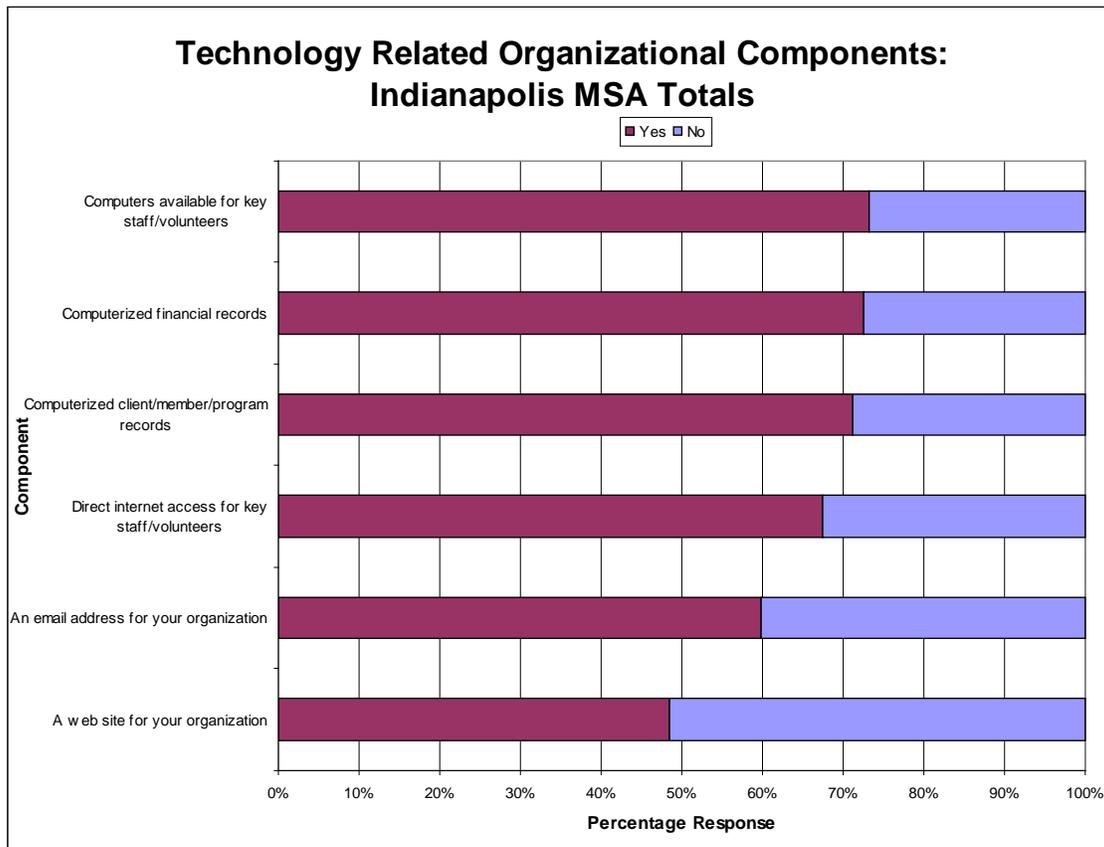
C. Use of Information and Communication Technology

The ability of nonprofits (or any other organization) to manage their human resources (whether volunteers or staff), monitor their activities (programs and finances), and communicate with major constituency groups (internal or external audiences) depends critically on the records they keep and the technology they use. We turn now to a closer look at the extent to which Indianapolis area nonprofits make use of information and communication technology for these types of organizational purposes. Our analysis provides a way to determine whether a “digital divide” may exist in the Indianapolis nonprofit sector.

Figure 9 shows the results from six questions in our survey that examined access to information technology and whether organizations use such technology for a variety of purposes. As the figure shows, more than 70 percent of Indianapolis area nonprofits organizations have computers and use

them in the direct operation of their organizations to maintain financial or program records. A somewhat lower percent (67 percent) provide internet access for key staff or volunteers, making it easier for the organization to obtain information from external sources.

Figure 9
Percent with Access to Information Technology Tools: Indianapolis MSA Nonprofits



We find the lowest incidence of using information technologies when it comes to communicating or in other ways directly interfacing with external stakeholders through email (60 percent) or maintaining a web site for the organization (49 percent). However, roughly half of Indianapolis nonprofits use information technology for these purposes.

Widespread, but Uneven Use of Information Technology for Operations

As noted above, almost three-fourths of Indianapolis area nonprofits use information technology for basic operational purposes in that they have computers available for key staff and/or volunteers, maintain computerized financial records, or have computerized client, member, or program records.

The use of information technology for these purposes, however, varies considerably among the major nonprofit fields. Figures 10, 11, and 12 show that nonprofits in the health, religion, and education fields consistently rank among the top three fields in having these information technology capacities. This pattern holds also for nonprofits statewide, although the latter generally are somewhat less likely to have computers available or use them for these basic operational purposes than Indianapolis area nonprofit organizations. See Appendix II, Figures C.1 to C.3 for the Indianapolis – statewide comparisons of these three items.

Figure 10
Percent with Computers for Key Staff/Volunteers: Indianapolis MSA Nonprofits

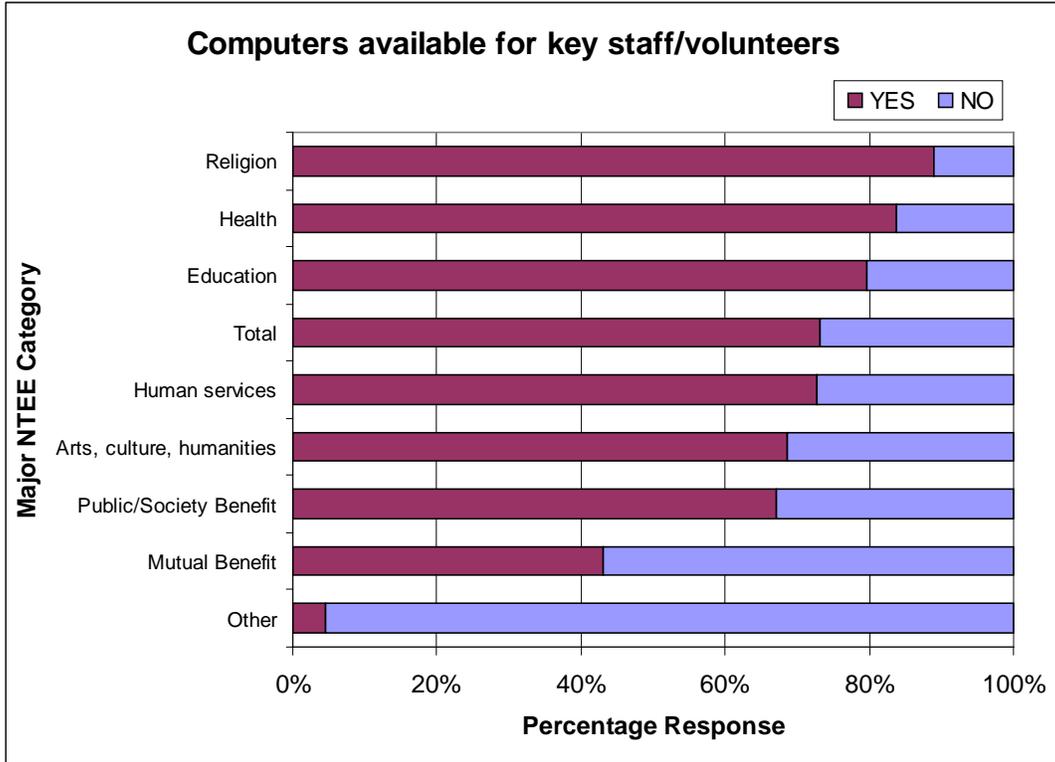


Figure 11
Percent with Computerized Financial Records: Indianapolis MSA Nonprofits

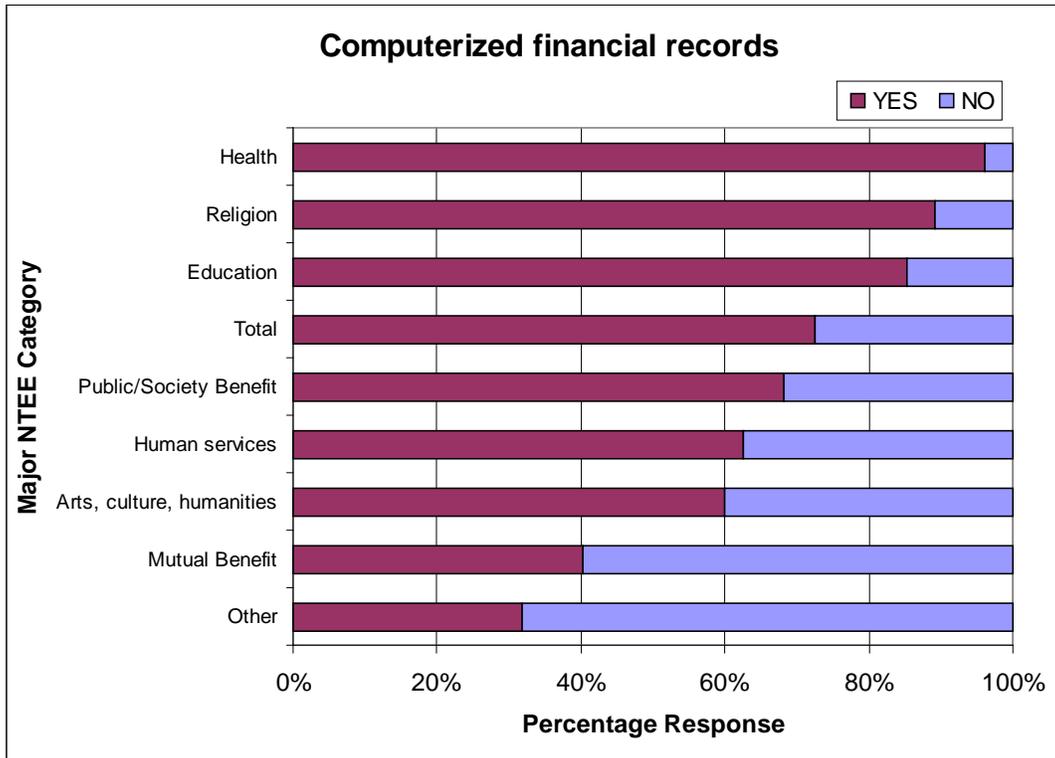
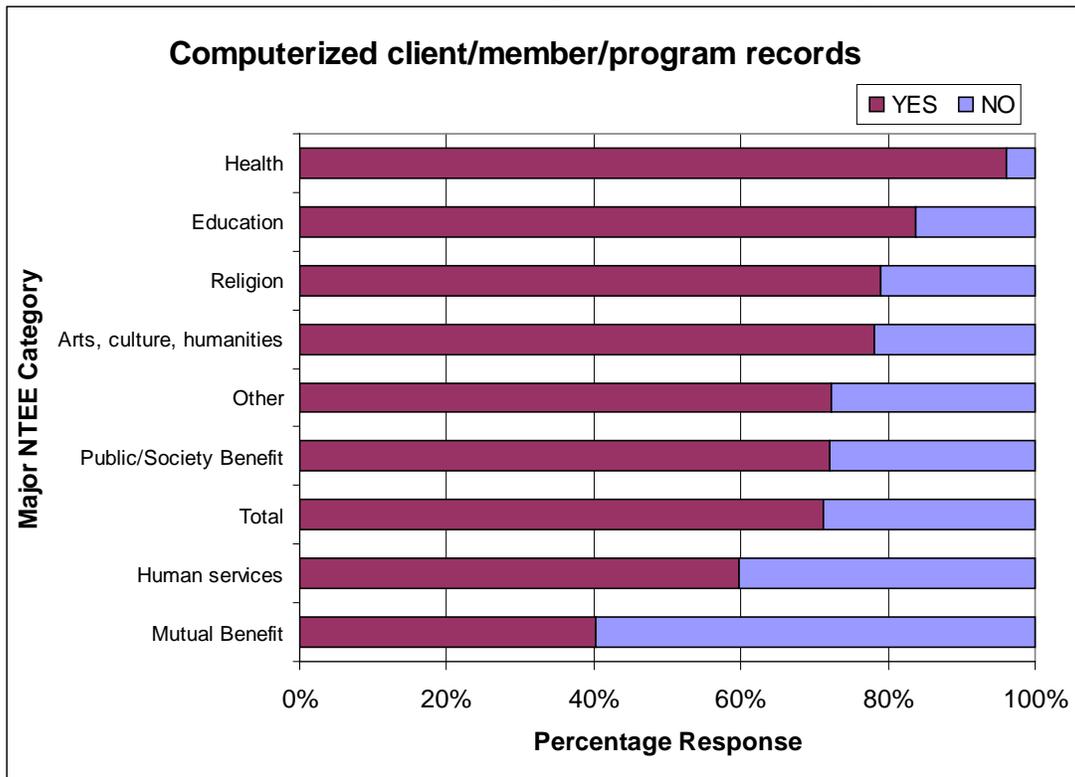


Figure 12
Percent with Electronic Client/Member/Program Records: Indianapolis MSA Nonprofits



As Figure 10 shows, Indianapolis area religion nonprofits report the highest rate of having computers available for key staff or volunteers (89 percent vs. 80 percent statewide). Rather than lagging nonprofits in other fields in using information technology as some might expect, religious nonprofits lead these other fields. We note that most (79 percent) of the Indianapolis organizations in this category are congregations and as such depend mainly on charitable contributions that must be acknowledged and processed.

Electronic financial records facilitate that process and 89 percent of Indianapolis religious nonprofits report having this capacity (see Figure 11). Congregations also produce bulletins or newsletters for distribution to members, which may account for why a relatively high percentage (79 percent, see, Figure 12) report having electronic membership records.

Given this pattern for religious nonprofits, one might expect mutual benefit nonprofits to be similar, since they also need to produce newsletters or other types of communication materials for members, manage member records, and process dues payments or financial contributions. However, that is not the case. Whether located in the Indianapolis region or statewide, mutual benefit nonprofits rank at the very bottom in terms of having computers available for key or staff volunteers (43 percent in Indianapolis vs. 38 percent statewide) or using computerized financial records (40 percent in Indianapolis MSA vs. 29 percent statewide) or computerized client/member/program records (40 percent in the Indianapolis region vs. 30 percent statewide). (See Appendix II, Figures C.1 to C.3 for these comparisons).

As these figures suggest, Indianapolis mutual benefit nonprofits are more likely to have and use these tools components than their counterparts statewide. Since this is also the case for most other service fields, perhaps Indianapolis nonprofits are simply better equipped with information technology. However, for mutual benefit nonprofits part of the explanation may also reflect the types of organizations included in the category. Statewide, one-third of the mutual benefit nonprofits are cemetery associations, while only 13 percent of the Indianapolis area mutual benefit nonprofits fall in that category.

Using Information Technology for External Communication

A similar story emerges when we look at information technology that can be used for external communication, not just to maintain organizational records. As we noted above, fewer Indianapolis area nonprofits use information technology for these purposes than for internal operations. Overall, 59 percent report having direct internet access for key staff or volunteers, 54 percent have an e-mail address for their organizations, and 47 percent report having a web site for their organization. Health, education, and religion organizations show the highest rate of technology use when it comes to direct internet access (Figure 13) and email addresses for their organization (Figure 14):

- ▶ Health: 96 percent with internet access, 95 percent with email addresses
- ▶ Education: 82 percent with internet access, 69 percent with email addresses
- ▶ Religion: 72 percent with internet access, 70 percent with email addresses

Figure 13
Percent with Internet Access for Key Staff/Volunteers: Indianapolis MSA Nonprofits

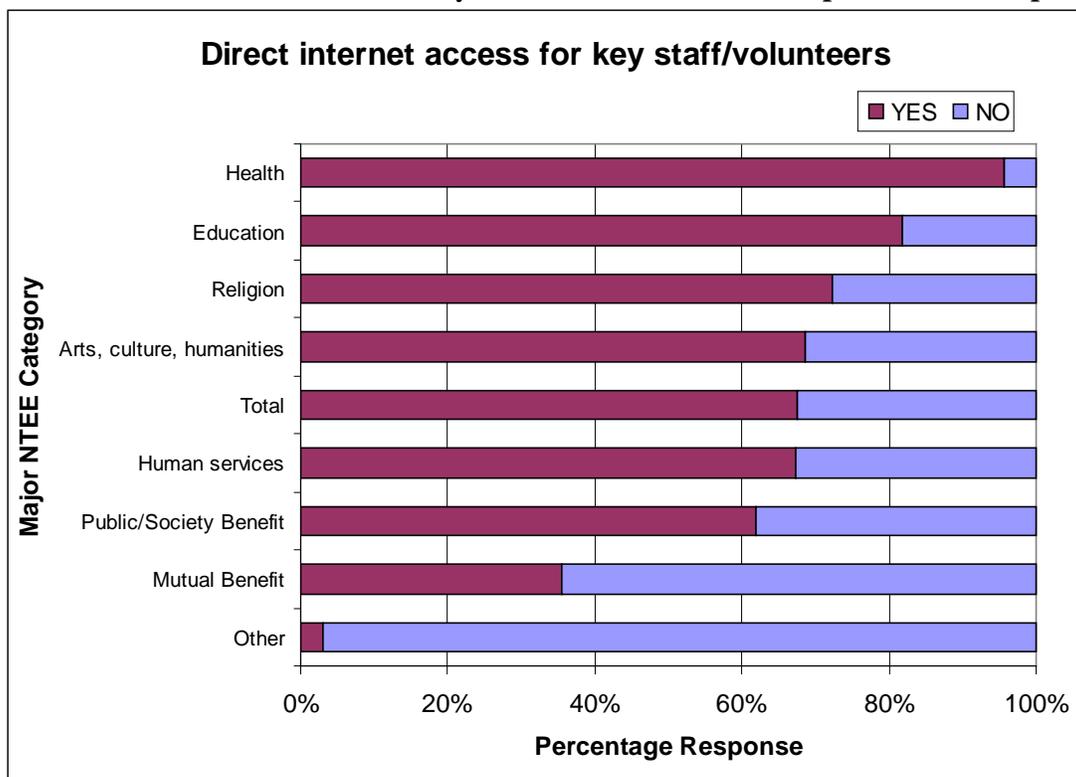
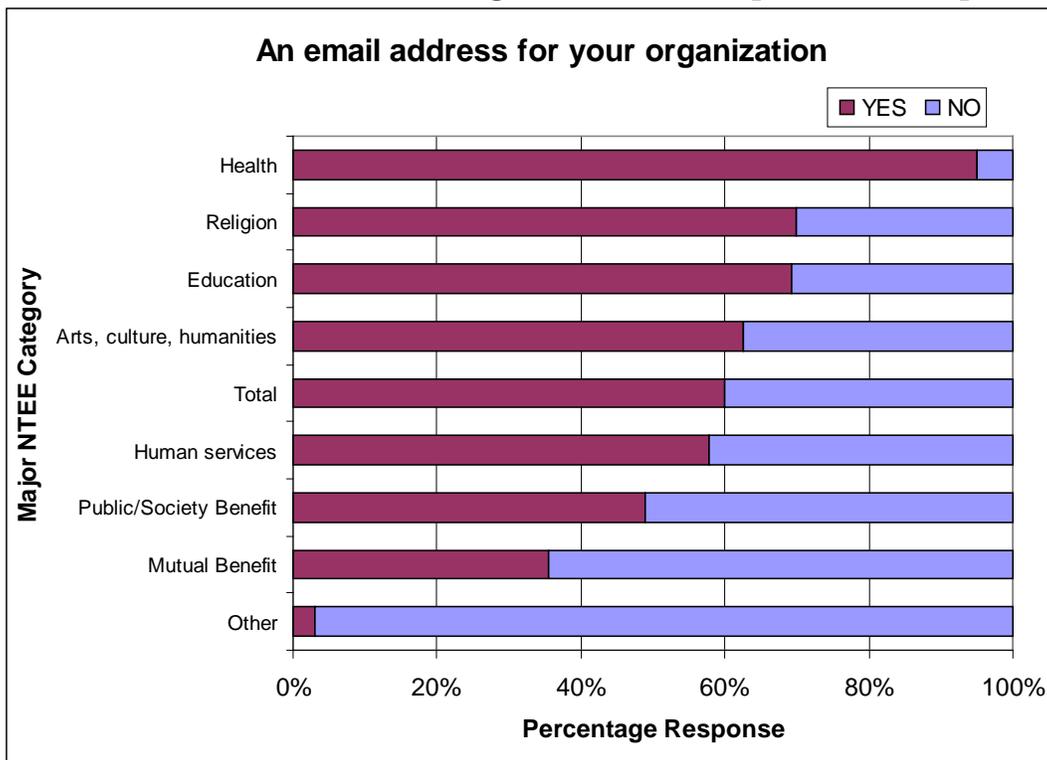


Figure 14
Percent with Email Address for Organization: Indianapolis MSA Nonprofits



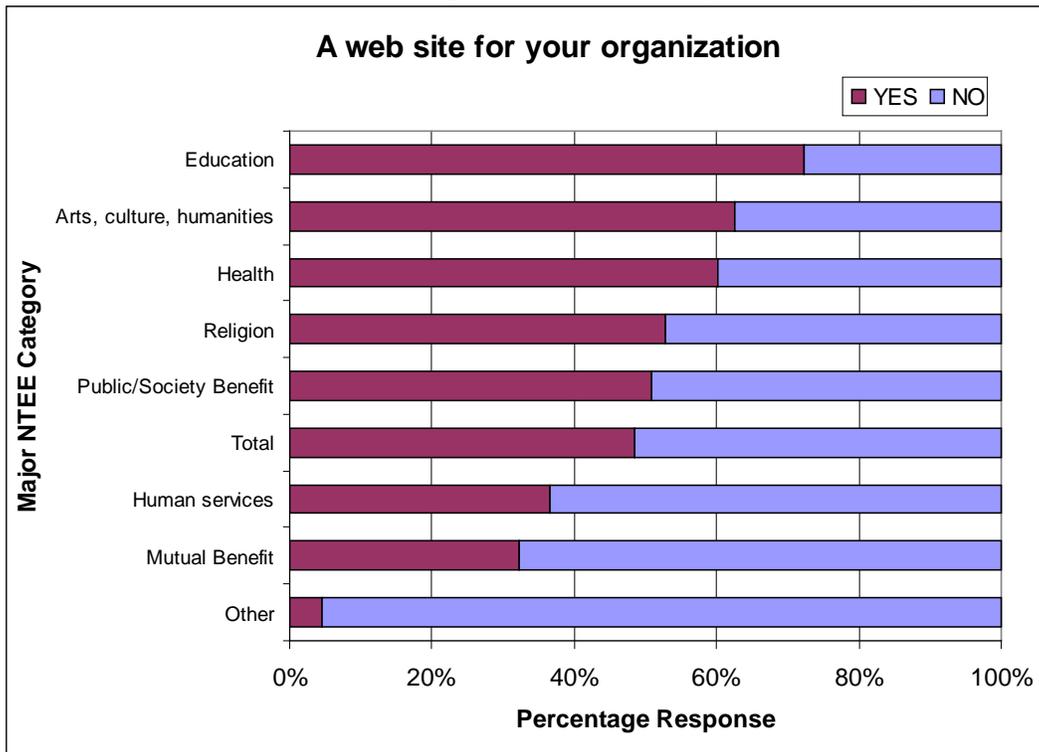
These three nonprofits fields also rank quite high in having a web site for their organizations (see Figure 15). However, arts, culture and humanities nonprofits are more likely (63 percent) to have an organizational web site than are nonprofits in the health (60 percent) or religion (53 percent) fields. We suspect that arts, culture, and humanities nonprofits find web sites particularly useful for showcasing their programs to the general public, especially since many of their programs are likely to contain time sensitive information, e.g., dates for performances or exhibits.

A Nonprofit Digital Divide?

To examine whether a digital divide may exist among Indianapolis area nonprofits active in different fields, we use the overall percent of Indianapolis nonprofits that report having access to or using the various information technology tools examined above. In other words, we use “total” percentage responses in Figures 10-15 as the “dividing line” to identify nonprofits fields that appear to be relatively well equipped in terms of information technology (the “haves”) from those less well equipped (the “have-nots”). Note, however, that we have no information about the quality of the technology available to area nonprofits – whether computers, software, networks, and internet connections are up to date.

Our analysis shows that Indianapolis area human services nonprofits consistently fall on the side of the line with low access to information technology. This finding also holds for human services nonprofits across the state (Appendix II. Figures C.1 through C.6). We are mindful that this category contains traditional social services organizations as well as scouting, sports, recreation clubs, and other types of organizations.

Figure 15
Percent with Web Site for Organization: Indianapolis MSA Nonprofits



However, the appearance of a digital divide holds even when we look at just the traditional social services agencies. Across the board, except for having computers available for key or staff volunteers, traditional social service nonprofits fall below the digital divide line. While these agencies may have access to computers and other information technology, they lag behind nonprofits in other fields in using this technology both in their daily operations and in communicating with stakeholders. It would appear that nonprofits in this and several other fields would find access to training and similar resources particularly helpful.

D. Financial Reserve Policies

If Indianapolis region nonprofits are to improve their access to and use of information technology, they need to plan for these types of investment. Financial planning in general, whether for capital improvements or maintenance and equipment, is facilitated by establishing special reserves dedicated to these purposes. We consider these to be minimal components of financial planning.

More sophisticated elements would include developing annual budgets (with comparisons to prior year actual, year-to-date actual, and planned next year revenues and expenditures), preparing regular (e.g., monthly) financial reports, tracking costs by program (e.g., specific services or fundraising activities) not just by functional expense line (e.g., occupancy, staff compensation, postage), and using accrual rather than cash reporting systems.

Relatively few nonprofits in both the Indianapolis area and statewide have minimal components of financial planning in place as indicated by having financial reserves for particular purposes:

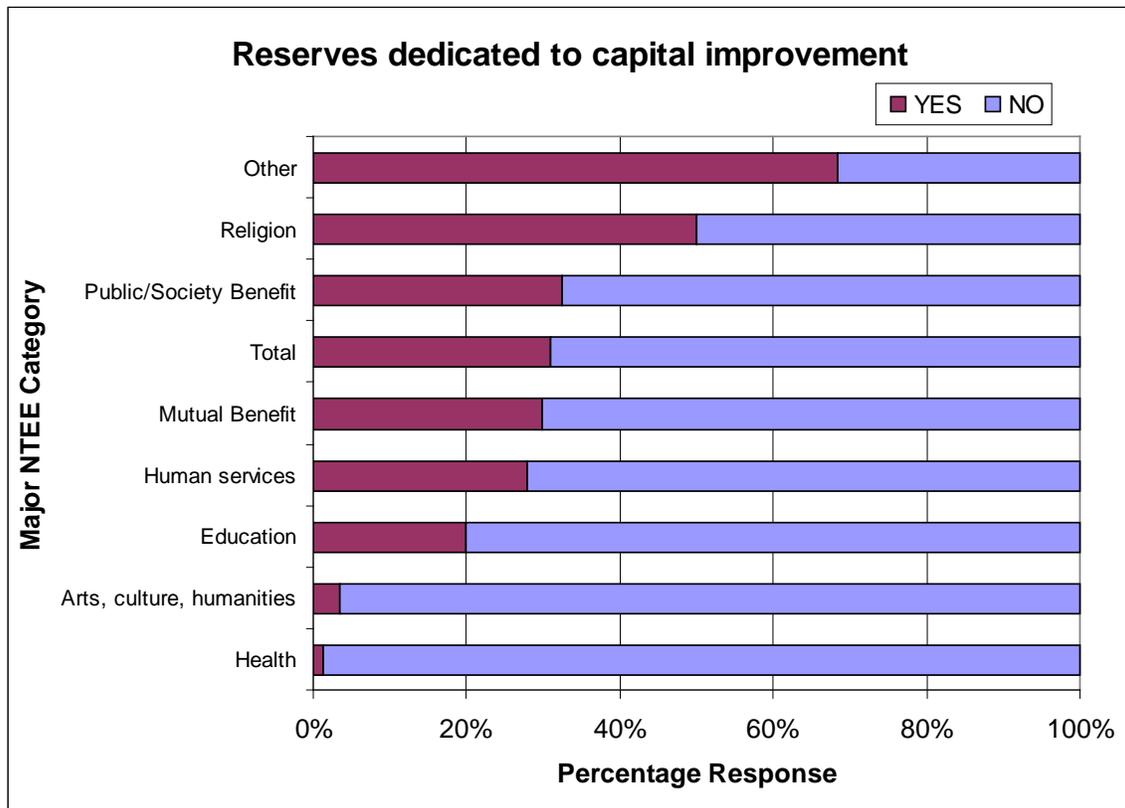
- ▶ Maintenance and equipment: 44 percent for the Indianapolis region and statewide
- ▶ Capital improvements: 31 percent for Indianapolis area nonprofits vs. 35 percent statewide

The fact that less than half of nonprofits have financial reserves for maintenance and equipment needs suggests that most do not have plans in place for acquiring and regularly updating information technology. We are less surprised by the finding that more nonprofits have financial reserves for maintenance and equipment than for capital improvements, since the latter may reflect the episodic way most nonprofits approach capital funding. That is, they undertake a capital campaign or submit grant applications when the need arises for specific capital improvements. Of course, nonprofits that do not own capital assets such as buildings or land (and have no plans to acquire them) do not need financial reserves to improve them. However, our data do not allow us to test the extent to which these explanations may account for the absence of capital reserves.

Wide Differences in Having Reserves for Capital Improvement

Figure 16 shows that among Indianapolis area nonprofits, religion nonprofits are most likely to have reserves dedicated to capital improvements. This is also the case statewide (50 percent Indianapolis region, vs. 56 percent statewide). The only other field with an above average use of capital reserves is public/society benefit nonprofits. We suspect the higher incidence of this financial planning tool reflects the prevalence of capital assets for these types of nonprofits: places of worship for religious nonprofits and meeting places for public/society benefit nonprofits (e.g., Rotary or Knights of Columbus organizations).

Figure 16:
Percent with Reserves for Capital Improvement: Indianapolis MSA Nonprofits

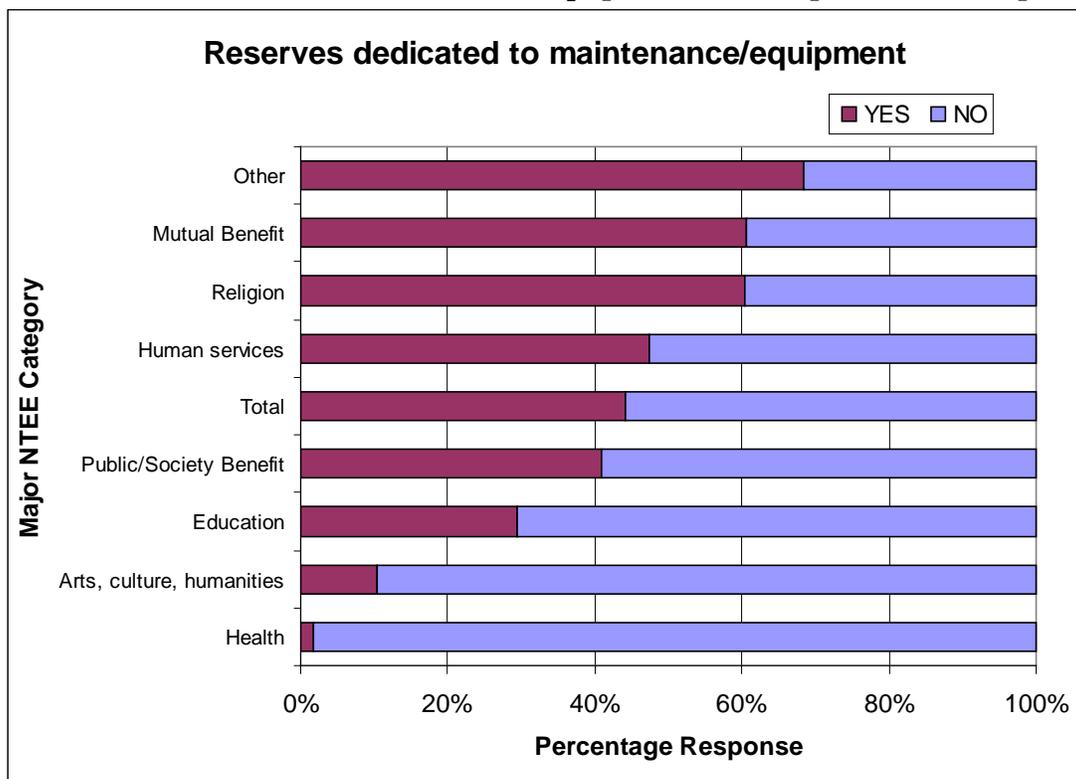


We are surprised by the few nonprofits in the health (1 percent) and arts, culture and humanities field (3 percent) that report having capital reserves. For the health field, at least, this may reflect the composition of those responding to our survey. For the Indianapolis region, this included health support groups, mental health clinics, medical professional organizations, and nursing homes, but no hospitals. Most of these, except for nursing homes, might not have capital assets. A similar explanation may hold for arts, culture, and humanities (performing arts groups and historical preservation clubs rather than museums) and education (boosters rather than elementary schools).

Wide Differences in Having Maintenance or Equipment Reserves

Nonprofits in the health and arts, culture and humanities fields also do not appear to establish reserves for maintenance and equipment (see Figure 17) – only 3 and 10 percent respectively report having such reserves. There are also surprisingly few education nonprofits (30 percent) that have reserves for maintenance or equipment needs. By contrast, more than 60 percent of religion and of mutual benefit nonprofits have dedicated reserves for these purposes and so do close to 50 percent of human service nonprofits.

Figure 17
Percent with Reserves for Maintenance/Equipment: Indianapolis MSA Nonprofits



The absence of these types of reserves for large segments of the Indianapolis nonprofit sector suggests that many rely on episodic fund-raising to meet their capital, equipment, and maintenance needs. Otherwise, they may need to divert funds from their general operations to cover these types of expenses when they occur. If so, the process is likely to be neither planned nor systematic – a situation that does not bode well for the ability of the region’s nonprofits to negotiate an uncertain funding environment in an attempt to maintain, much less expand, organizational infrastructures.

III. MANAGEMENT CHALLENGES

So far, we have examined the extent to which Indianapolis area nonprofits use a variety of organizational tools generally associated with effective management. We turn now to the more direct question of whether they report facing challenges in planning their activities or managing key aspects of their operations.

Overall, the most severe challenges for Indianapolis nonprofits relate to obtaining funding or other financial resources and attracting new members or clients. Respectively 59 and 58 percent report these activities as posing major challenges for their organizations; so do more than half of nonprofits statewide. At a very basic level, then, nonprofits in Indianapolis (and statewide), are encountering major problems of survival and growth.

To place these observations in a broader context, we look first at the extent to which Indianapolis area nonprofits report facing challenges (major, minor, or none) in meeting various mission-related objectives. We then examine the extent of challenges associated with managing various dimensions of organizational operations, such as programs, human resources, finances, and technology or facilities.

A. Mission/Planning Challenges

To determine whether Indianapolis area nonprofits appear to face challenges in meeting their overall mission, we look at how they assess their own strategic planning capacity. However, we also consider two other sets of activities that may indicate planning effectiveness: managing relationships with members or clients and positioning the organization in the external environment.

As Figure 18 shows, attracting new members and clients is a major management challenge for almost three-fifths of Indianapolis nonprofits. More than two-fifths also report facing major challenges in meeting client needs (43 percent) or enhancing the visibility or reputation of their organization (42 percent). Almost one-third find strategic planning (32 percent) or communicating with clients or members (30 percent) to be major challenges. In contrast, only 13 percent say that forming and maintaining good relationships with other organizations present major challenges.

Employing a more expansive definition of “challenge,” we find that most of these activities present at least a minor challenge to substantial segments (80 percent or more) of nonprofits in the Indianapolis area (see Figure 18). Only when it comes to developing and maintaining relationships with other organizations, does the percentage drop below 60 percent.

In order to examine these challenges in more detail, we look at the extent to which these types of challenges are experienced more forcefully and/or extensively by nonprofits in different fields of activity. We also include some assessment of whether these problems are more (or less) acute in Indianapolis than statewide. See Appendix III for side-by-side comparisons of nonprofits statewide to Indianapolis region nonprofits by field of activity.

Few Challenges Associated with Strategic Planning

In principle, engaging in strategic planning helps an organization to assess the needs and interests of its key constituency groups, develop strategies for meeting these needs and, more generally, to position the organization favorably with respect to these groups as well as the general public. We

look first at how Indianapolis area nonprofits assess their own strategic planning capacity, before turning to more specific challenges they face in relating either to their own clients and/or members or to other groups in their environment.

Figure 18
Degree of Mission/Planning Challenges: Indianapolis MSA Nonprofits



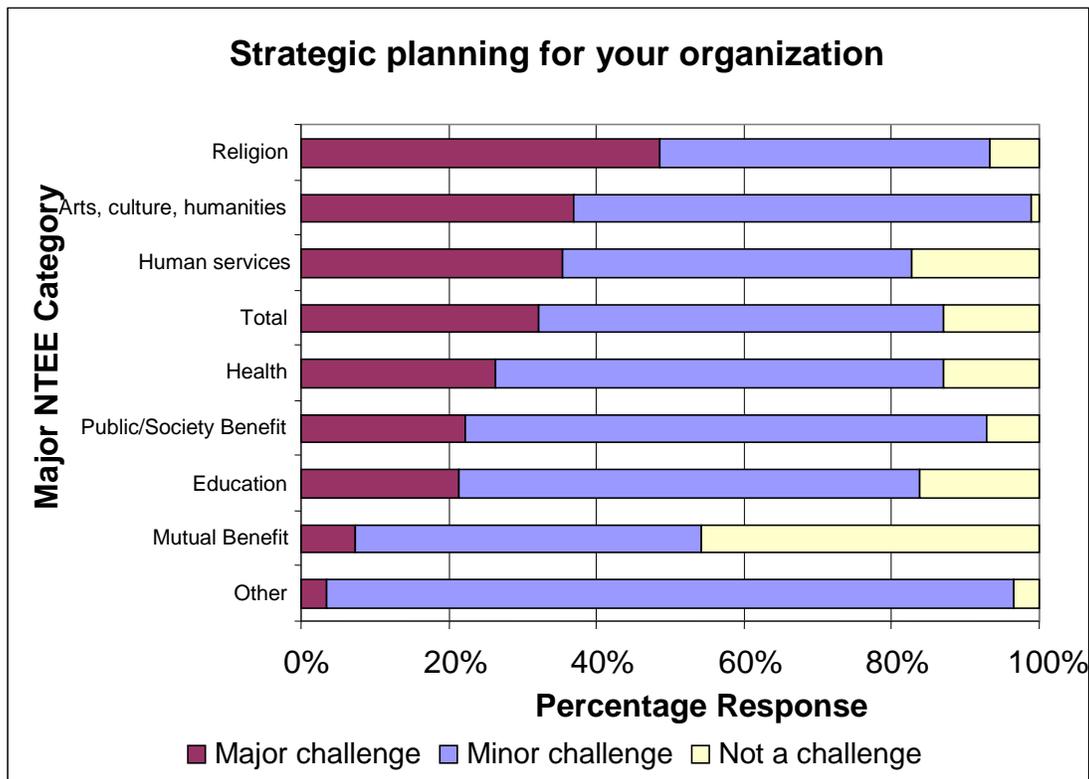
Engaging in strategic planning requires that the organization’s board and/or key volunteers or staff members devote substantial efforts to obtain and process relevant information and reach consensus about goals, objectives, and a time frame to implementing strategies. Overall, only 32 percent of Indianapolis area nonprofits report that strategic planning presents a major challenge, although almost all (87 percent) say it is at least a minor challenge. The same pattern holds for nonprofits statewide:

- ▶ A major challenge: 32 percent for Indianapolis area nonprofits vs. 35 percent statewide
- ▶ At least a minor challenge: 87 percent for Indianapolis area nonprofits vs. 79 percent statewide

As Figure 19 shows, the extent to which strategic planning poses major challenges to Indianapolis area nonprofits varies considerably by major nonprofit field of activity. The challenges appear to be most severe and extensive for nonprofits in the fields of religion (49 percent), arts, culture, and humanity (37 percent), and human services (35 percent). Most likely, at least some of these nonprofits (especially those in human services or in arts, culture and humanities) face pressures by

their funders to engage in strategic planning. Alternatively, they may face enough competition to see the need to engage in such planning on their own. Either way, these nonprofits appear more aware of the challenges presented by strategic planning.

Figure 19
Degree of Strategic Planning Challenges: Indianapolis MSA Nonprofits



We expected health care nonprofits to face similar pressures, but only one quarter (26 percent) report strategic planning to be a major challenge. There also appears to be relatively less pressure for public/society benefit (22 percent), education (21 percent) and especially mutual benefit (7 percent) nonprofits to carry out strategic planning.

The fact that most nonprofits in Indianapolis (or statewide) find strategic planning to be at worst a minor challenge suggests several explanations. Perhaps nonprofits can undertake these efforts with relative ease because they have the necessary skills in-house or because there is widespread access to training or facilitation. A less optimistic explanation might be that nonprofits don't find strategic planning to be a challenge because they neither engage in nor contemplate these efforts.

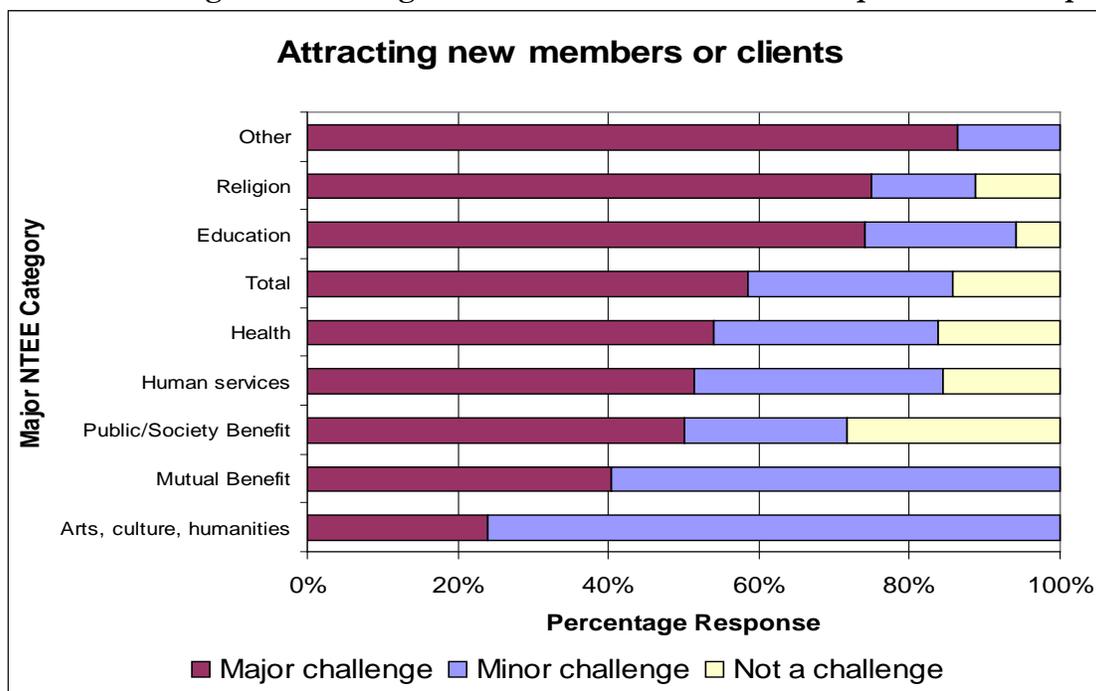
Our data do not allow us to test directly the plausibility of either of these extremes, nor of more moderate intermediary explanations. However, as we noted above, effective strategic planning should help nonprofits to address the needs and interests of their key constituency groups and to position their organization favorably with regard to external audiences. We turn next to the question of how effectively Indianapolis area nonprofits appear to relate to their clients or members.

Extensive Challenges in Relating to Clients or Members

As we noted earlier, among all the management challenges we examine in this report, the one that presents a major challenge to the largest proportion of Indianapolis area nonprofits is attracting new members or clients. Almost three-fifths (59 percent) considered this a major challenge and another quarter (26 percent) thought it was a minor challenge.

As Figure 20 shows, this particular challenge is most severe for religious and education nonprofits, with more than two-thirds in each field reporting this as a major challenge. It is least severe for nonprofits in the arts, culture and humanities (24 percent) and mutual benefit (40 percent) fields. Statewide, religion and education nonprofits also rank at the very top and mutual benefit nonprofits at the bottom (see Appendix III, figure A2).

Figure 20
Extent of Challenge in Attracting New Members/Clients: Indianapolis MSA Nonprofits



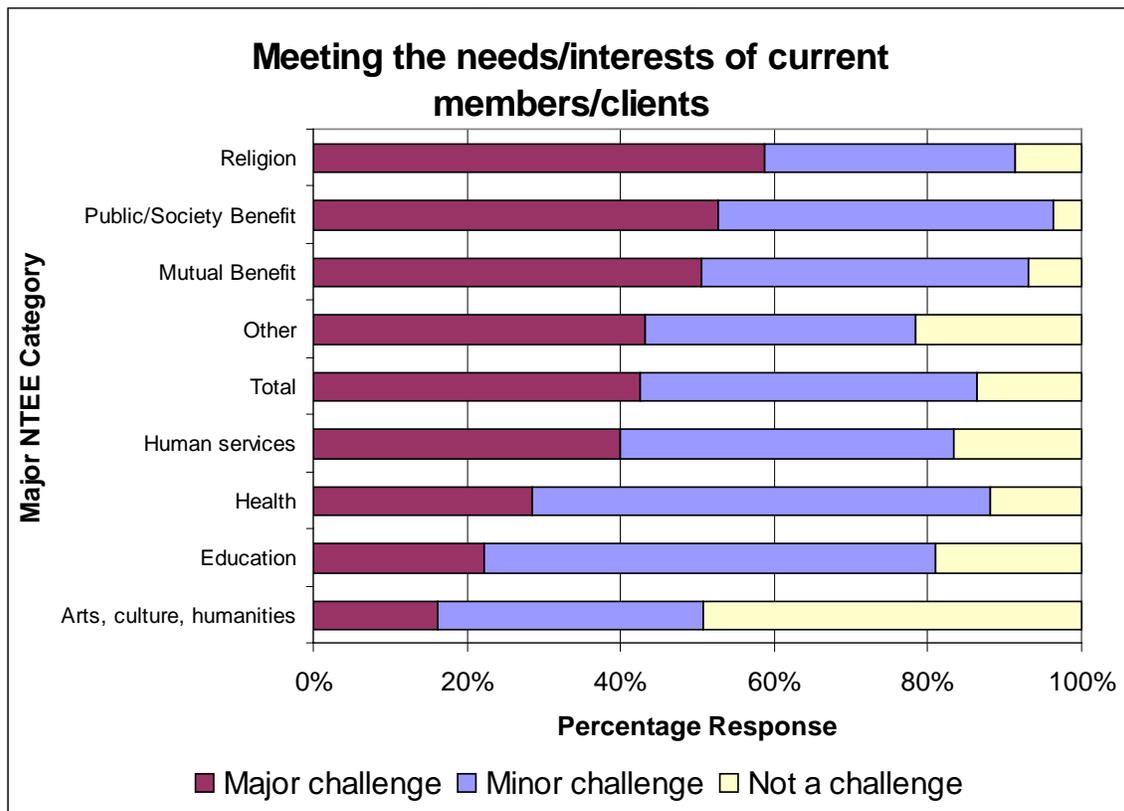
We are not surprised by the extent to which religious or education nonprofits find it a challenge to attract new members or clients, since these types of nonprofits often compete vigorously for members. We note, however, that almost half (47 percent) of nonprofits in the education field are educational foundations or fundraising organizations. Possibly, some of these organizations may also have interpreted our question about attracting new members or clients as competition for donors. (Another 18 percent of the education nonprofits are elementary schools with the balance representing a variety of other types of education-related nonprofits.)

On the other hand, we saw earlier that relatively few educational nonprofits (21 percent) found strategic planning to be a major challenge. Perhaps some of these nonprofits are aware of competitive pressures, but have not yet begun to address them systematically by engaging in strategic planning. We are also somewhat surprised by the extent to which attracting new members or clients is a major challenge for less than one-quarter (24 percent) of nonprofits in the arts, culture and

humanities field, especially since this is a major challenge for more half of arts, culture and humanities nonprofits statewide (see Appendix III, Figure A.2).

When it comes to meeting the needs or interests of current members or clients, Figure 21 shows that religion nonprofits again rank at the very top in terms of finding this to be a major challenge (59 percent). More than half of public/society benefit and mutual benefit nonprofits also indicate attracting new members/clients as a major challenge. Arts, culture and humanities nonprofits and education nonprofits rank at the very bottom in terms of considering this a major challenge.

Figure 21
Extent of Challenge in Meeting Needs/Interests of Current Members/Clients:
Indianapolis MSA Nonprofits

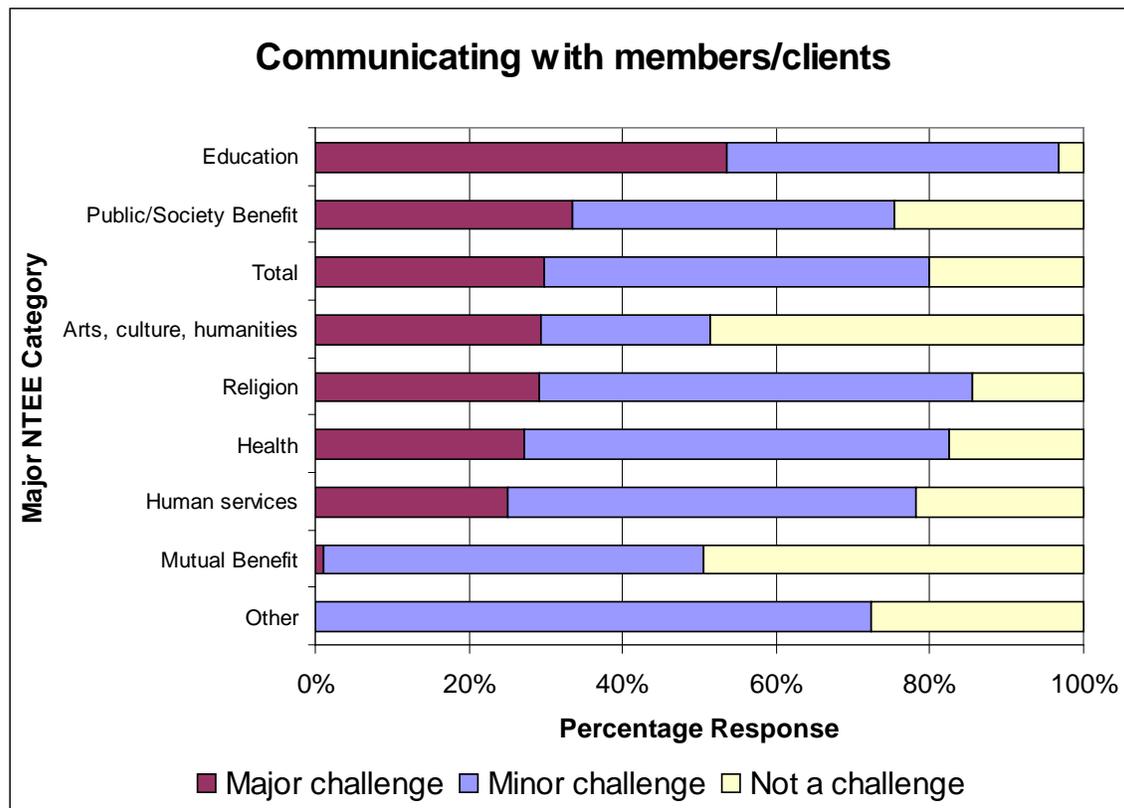


However, while most education nonprofits do not seem to find it a major challenge to meet the needs or interests of their current members or clients, more than half report that communicating with their members or clients is a major challenge (see Figure 22). We are tempted to speculate that if they do not communicate particularly well with their current clients (Figure 22), they are not likely to know what are the needs and interests of their clients (Figure 21), and this may explain why relatively large proportions of them find it difficult to attract new members or clients (Figure 20).

Communicating with clients is a major challenge for about one-quarter to one-third of most other types of Indianapolis area nonprofits and at least a minor challenge to the majority of Indianapolis MSA nonprofits. The only exception is mutual benefit nonprofits, where very few (1 percent) report communication with members or clients to be a major challenge. However, about half do consider

communicating with members/clients to be at least a minor problem. These patterns are fairly similar to those of nonprofits statewide (see Appendix III, Figure A.4).

Figure 22
Extent of Challenge in Communicating with Members/Clients:
Indianapolis MSA Nonprofits



Mixed Challenges in Positioning the Organization in the Broader Environment

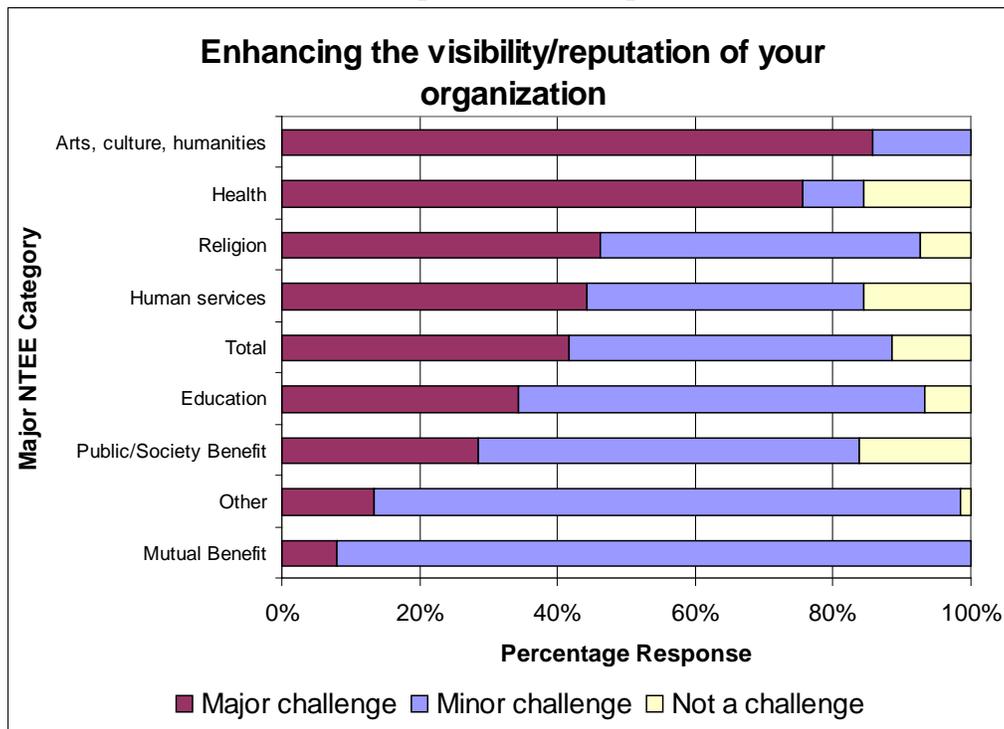
In addition to developing effective relationships with key constituency groups, such as clients or members, nonprofits must also find ways to position themselves appropriately in the broader environment (e.g., they must be visible, well-regarded, and maintain effective relationships with other groups). Without such goodwill, they are likely to loose out in the competition for clients or members and other resources, such as donors, funding, referrals, volunteers, and staff.

We noted earlier that more than two-fifths of Indianapolis area nonprofits found it a major challenge to enhance the visibility or reputation of their organization and almost 90 percent found it to be at least a minor challenge. As shown in Figure 23, Indianapolis area nonprofits differ greatly in the extent to which these efforts present major challenges.

The vast majority (85 percent) of arts, culture, and humanities nonprofits say that enhancing the visibility or reputation of their organization is a major challenge, as do more than three-fourths of health nonprofits. For both of these groups, the severity of challenges is far greater for Indianapolis area nonprofits than is the case for nonprofits in these fields statewide (see Appendix III, Figure A.5). Interestingly, we saw earlier that only 25 percent of arts, culture, and humanities nonprofits

report that attracting new members or clients present them with a major management challenge. These somewhat contradictory results may indicate that arts, culture, and humanities organizations have a more difficult time relating to funders and other organized interests than to their patrons, clients, or members.

Figure 23
Extent of Challenge in Enhancing Visibility or Reputation:
Indianapolis MSA Nonprofits

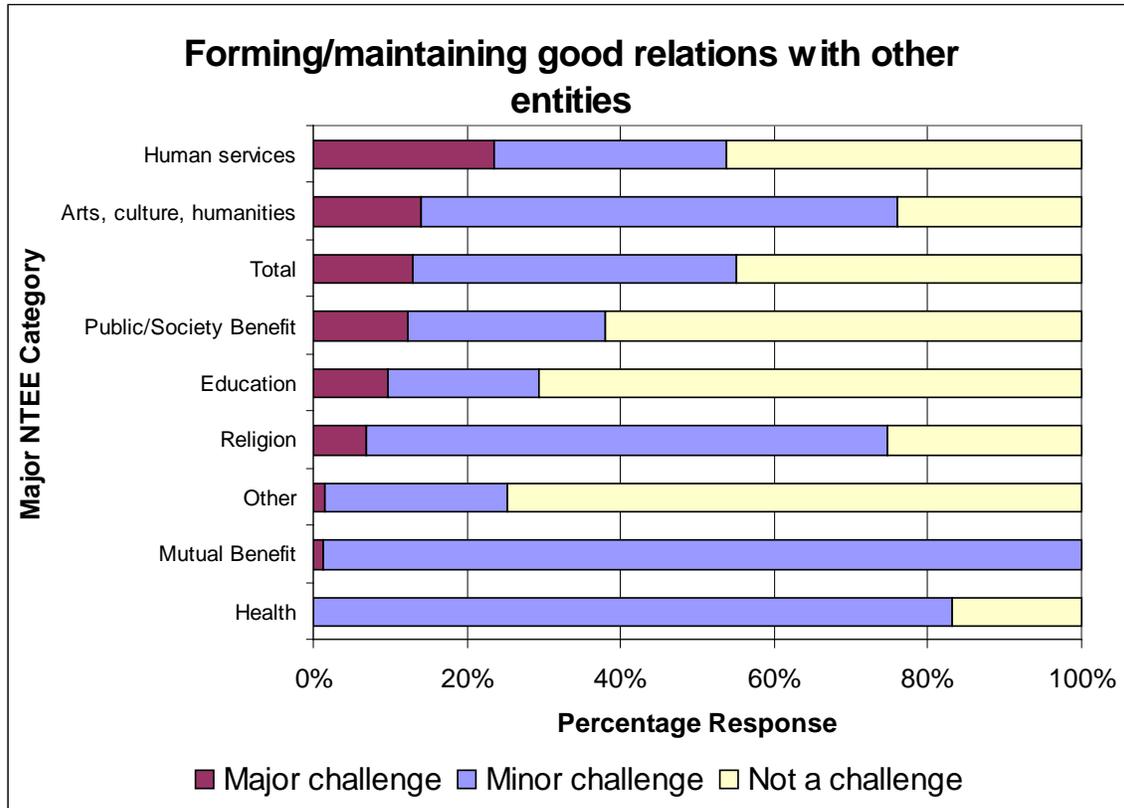


Nonprofits in other fields are notably less likely to consider efforts to enhance the visibility or reputation of their organization a major challenge. Religion (46 percent) and human service (43 percent) nonprofits are the next most likely groups to report this as a major challenge. Relative few education, public/society benefit, and mutual benefit nonprofits report facing a major challenge in this area. Given the nature of these latter types of nonprofits and their tendency to focus on smaller geographic areas (or on their own members in the case of mutual benefit organizations) it is perhaps not surprising that they report a lower incidence of major challenges of this nature.

Maintaining good relationships with other organizations appears to be more of a challenge to mutual benefit and health nonprofits than to other types of nonprofits in the Indianapolis area, in terms of considering this at least a minor challenge (see Figure 24). They are also more likely to do so than similar organizations across the state (see Appendix III, Figure A.6).

However, in the Indianapolis area, human service nonprofits are more likely to consider forming/maintaining good relationships with other entities to be a major challenge than nonprofits in other fields. Almost one-quarter (24 percent) report this as a major challenge, compared to less than 15 percent for all other nonprofit fields. Indianapolis area human service nonprofits are also more likely to find this a major challenge than do their counterparts statewide (12 percent).

Figure 24
Extent of Challenge in Forming/Maintaining Good Relations with Other Entities:
Indianapolis MSA Nonprofits



Possibly, Indianapolis area human services organizations encounter more competition and/or difficulties in meeting expectations about collaborating in delivering services than do other types of nonprofits in Indianapolis or than human service nonprofits in the rest of the state. We will explore these possibilities in future analyses.

B. Challenges in Delivering and Assessing Programs or Services

As we noted earlier, relatively high proportions of Indianapolis area nonprofits report facing challenges in relating to clients or members. To improve those relationships nonprofits must seek to enhance the quality of programs and services they deliver. We asked survey respondents to indicate whether they found it a challenge to deliver high quality programs and services or to evaluate or assess the outcomes or impacts of their programs. As Figure 25 shows, more than a third reported that either of these two types of activities presented them with a major challenge (38 and 35 percent respectively) and about 80 percent considered them to be at least minor challenges.

Indianapolis area nonprofits resemble nonprofits statewide in the extent to which they consider quality programs to be challenging, but are somewhat more likely to report that evaluating programs outcomes are major challenges (35 percent vs. 25 percent statewide). The difference holds also when considering evaluating outcomes at least a minor challenge (80 percent for nonprofits in the Indianapolis region vs. 72 statewide).

Figure 26
Extent of Program/Services Challenges: Indianapolis MSA Nonprofits

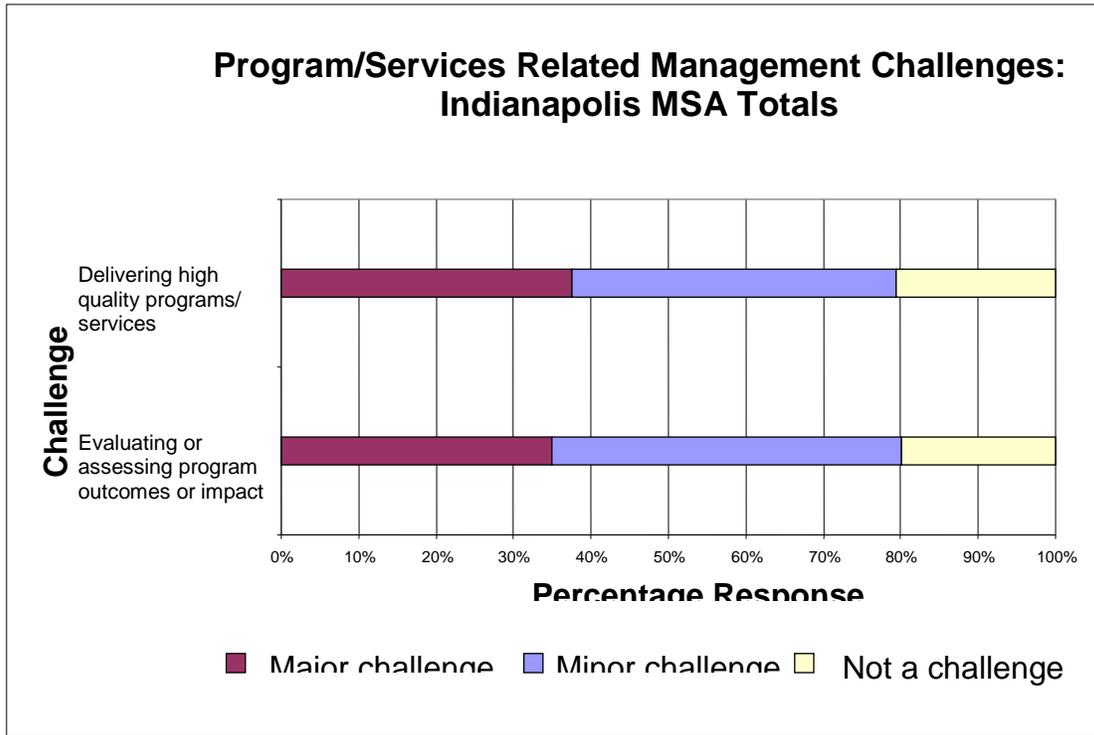


Figure 26 shows the extent to which the challenge of delivering high quality programs differ by field of activity for Indianapolis area nonprofits. With close to half reporting this to be a major challenge, the challenge is most severe for religion and human service nonprofits. Few arts, culture and humanities (15 percent) or mutual benefit (1 percent) nonprofits indicate that this is a major challenge. Statewide, the percentages are also high for religion and human service nonprofits (although somewhat lower than for Indianapolis nonprofits) as well as for education nonprofits (see Appendix III, Figure B.1).

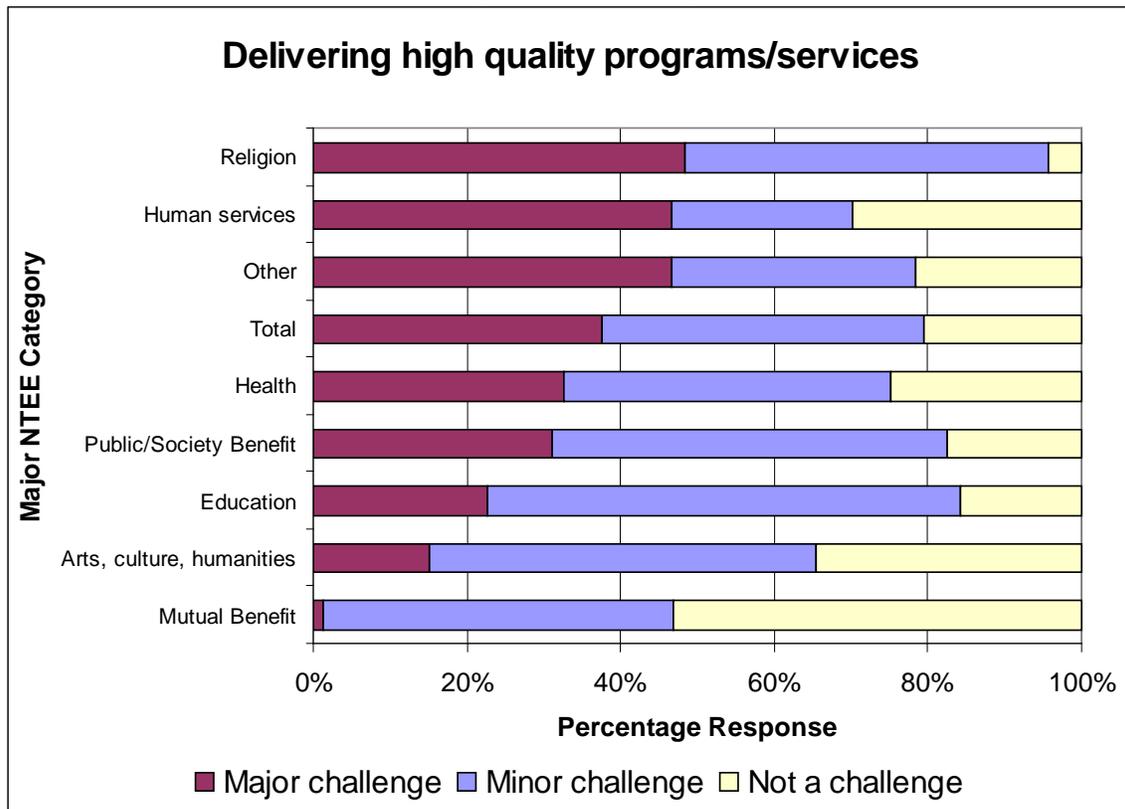
We reported earlier (Figure 8) that 38 percent of Indianapolis area nonprofits say they have completed an assessment of program outcomes or impact during the previous two years. Performing such assessments – or at least doing them well – is likely to require care, time, and effort. Measuring outcomes or impacts is likely to be particularly complex for nonprofits that aim to make significant changes in people’s behavior, values, or attitudes

As detailed below and in Figure 27, evaluating program outcomes or impacts represent major challenges for almost half of health and arts, culture, and humanities nonprofits and two-fifths or more of religious and public/society benefit nonprofits. Moreover, almost across the board, the vast majority find program outcome assessment to be at least a minor challenge.

- ▶ Health: 51 percent a major challenge, 86 percent at least a minor challenge
- ▶ Arts, culture and humanities: 48 percent a major challenge, 85 percent at least a minor challenge
- ▶ Religion: 43 percent a major challenge, 86 percent at least a minor challenge

- ▶ Public/society benefit: 40 percent a major challenge, 91 percent at least a minor challenge
- ▶ Education: 29 percent a major challenge, 74 percent at least a minor challenge
- ▶ Human services: 27 percent a major challenge, 67 percent at least a minor challenge
- ▶ Mutual benefit: 1 percent a major challenge, 100 percent at least a minor challenge

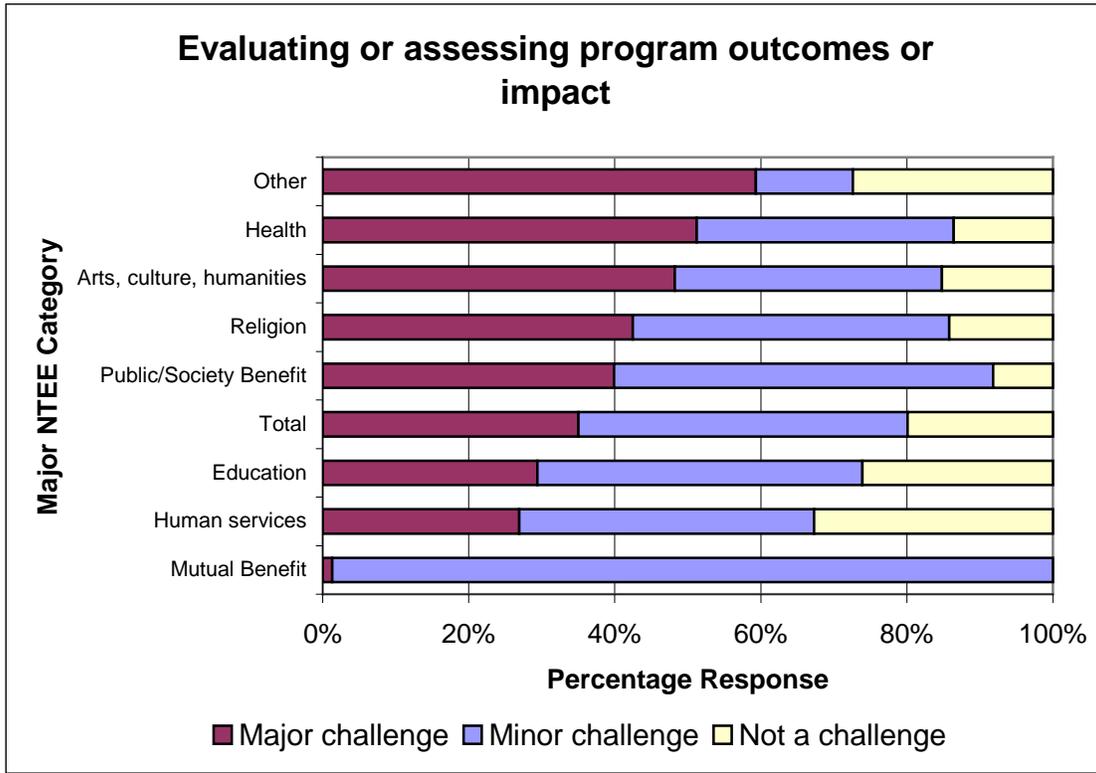
Figure 26
Extent of Challenge in Delivering High Quality Program/Services:
Indianapolis MSA Nonprofits



We are somewhat surprised by the relative few education and human services nonprofits that report undertaking program outcome evaluations to present a major challenge. We had expected nonprofits in these groups, especially human services, to be among those finding these types of efforts particularly challenging. We suspect that part of the explanation for the education nonprofits reflect the types of organizations responding to the survey (disproportionately educational foundations and fundraising organizations).

Closer analysis shows that the low incidence of viewing outcome evaluation as a major challenge among human service nonprofits hides considerable variations among several sub-categories. The human service field includes traditional human services organizations (e.g. child welfare agencies) in addition to many other types of organizations. As Table 1 and 2 in Appendix I shows, this broad category also includes nonprofits dealing with crime or legal issues (e.g., legal aid), employment (e.g., job training), nutrition (e.g., food banks), housing (e.g., homeless shelters and homeowners associations), public safety (e.g. emergency medical services or volunteer fire departments), recreation (e.g. Little Leagues), and youth development (e.g. Boy/Girls Scouts) organizations.

Figure 27
Extent of Challenge in Evaluating Program Outcomes: Indianapolis MSA Nonprofits



Focusing just on those that report program outcome assessments to be a major challenge, we find that traditional human services agencies are still relatively low at 27 percent although 80 percent say it is at least a minor challenge. However, crime/legal and public safety nonprofits report much greater incidence of major challenges in this area than the human services field in general. Employment, nutrition, housing/shelter, recreation, and youth development nonprofits report lower levels of challenges presented by evaluating outcomes than the human services field as a whole.

- ▶ Public Safety: 100 percent a major challenge
- ▶ Crime: 88 percent a major challenge
- ▶ Traditional Human Service: 27 percent a major challenge
- ▶ Recreation: 19 percent a major challenge
- ▶ Employment: 10 percent a major challenge
- ▶ Housing/Shelter: 7 percent a major challenge
- ▶ Nutrition: 0 percent a major challenge
- ▶ Youth Development: 0 percent major challenge

More in-depth analysis of Indianapolis area nonprofits, where we compare the level of challenge that evaluating programs presents to an organization against whether or not the organization undertook such an evaluation in the last two years, provides some context for these findings. Of those nonprofits that found evaluating or assessing program outcomes or impacts to be a major challenge to their organization, only 37 percent actually have undertaken such an assessment within the past two years, while 63 percent have not.

C. Challenges in Managing Human Resources

Undertaking strategic planning, operating quality programs, and delivering effective services requires nonprofits to have high quality leadership, staff, and volunteers. We asked survey respondents to indicate how much of a challenge it is for them to recruit and keep qualified and reliable volunteers, effective board members, and qualified staff. We also asked how much of a challenge it was for them to manage human resources in general and board-staff relations in particular.

About 70 percent or more of Indianapolis area nonprofits report facing at least a minor challenge in managing human resources (see Figure 28). The most severe problems relate to recruiting and retaining volunteers at both the board and operational levels. As Figure 28 shows, more than two-fifths say it is a major challenge to recruit and/or keep qualified and reliable volunteers (42 percent) and effective board members (41 percent). In general, these percentages are higher for Indianapolis area nonprofits than for their counterparts statewide (see Appendix III, Figures C1. to C5).

Figure 28
Extent of Challenges in Managing Human Resources: Indianapolis MSA Nonprofits



A more in depth analysis of the relationship between the level of challenge of recruiting/keeping qualified and reliable volunteers and whether or not an organization has a formal volunteer recruitment and/or training program reveals some interesting findings. For those organizations that report recruiting and retaining volunteers is a major challenge, just over one-third (36 percent) have a formal volunteer recruitment and/or training program. Given the extent of these challenges reported by Indianapolis nonprofits (see Figures 5 and 6 above), the relative absence of formal

volunteer recruitment or training programs, even among the organizations who report the highest level of challenge is noteworthy and underscores the need for capacity development in the area of volunteer management.

The need for capacity development in this area is further underscored when we consider that even those nonprofits which do have formal volunteer recruitment or training programs still face major challenges in these areas. Thus over half (56 percent) of nonprofits that do have a formal volunteer recruitment and/or training program say that it is a major challenge to recruit and retain volunteers. In short, having formal volunteer recruitment or training programs does not eliminate the challenge.

Fewer Indianapolis area nonprofits face major challenges in their efforts to recruit and/or keep qualified staff (26 percent) or in managing human resources in general (23 percent) than in recruiting board and other volunteers. However, each of these efforts presents at least a minor challenge to 70 percent or more of Indianapolis area nonprofits. In contrast, only 8 percent say that managing or improving board-staff relations is a major challenge, although it is at least a minor challenge for more than half of these organizations.

We hope that the relatively low incidence of challenges associated with board-staff relations reflects the prevalence of good relations, or perhaps just that there is no relationship to improve in those cases where the organization has no staff. But there are alternative explanations, namely that some nonprofits boards and staffs interact so rarely with each other or on such unimportant matters that the relationship is trivial and therefore not a challenge, or at least not a major one.

We turn now to a more detailed look at the extent to which some of these challenges vary by field of activity for Indianapolis area nonprofits. We focus on those that show the greatest variations by nonprofit field. Appendix III, Tables C1 through C5 contains the results for all five dimensions of human resource management by field of activity for the Indianapolis region (bottom figure) and the state (top figure).

As we noted above, the greatest human resource challenge for Indianapolis area nonprofit organizations is recruiting qualified and reliable volunteers. As Figure 29 shows, all mutual benefit nonprofits and about half of public/society benefit and religion nonprofits say that recruiting volunteers poses a major challenge, so do about two-fifths of health and human service nonprofits. Education and arts, culture, and humanities nonprofits report lower levels of challenges posed by recruiting volunteers.

Efforts to recruit and/or keep effective board members present a major challenge for a somewhat different group of organizations. As seen in Figure 30, recruiting board members presents a major challenge to more than half of human service nonprofits and to almost half of health nonprofits. A comparison of Figures 29 and 30 suggests that health and public/society benefit organizations face disproportionate challenges in recruiting board members as well as volunteers. The relatively low levels of challenge in recruiting board members by arts, culture, and humanities and mutual benefit nonprofits may indicate that at least some of these organizations may be attractive to potential board members because of the “prestige” associated with serving on these boards relative to serving on the boards of the human service, health, and public/society benefit nonprofits.

Figure 29
Extent of Challenge in Recruiting/Keeping volunteers: Indianapolis MSA Nonprofits

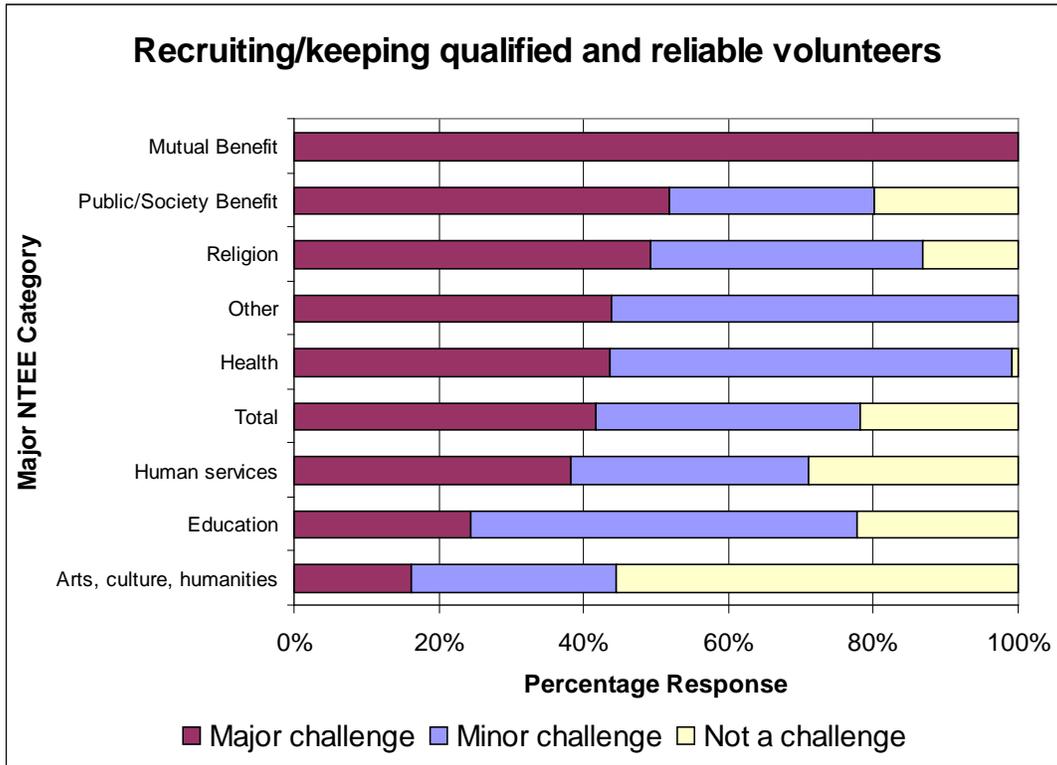
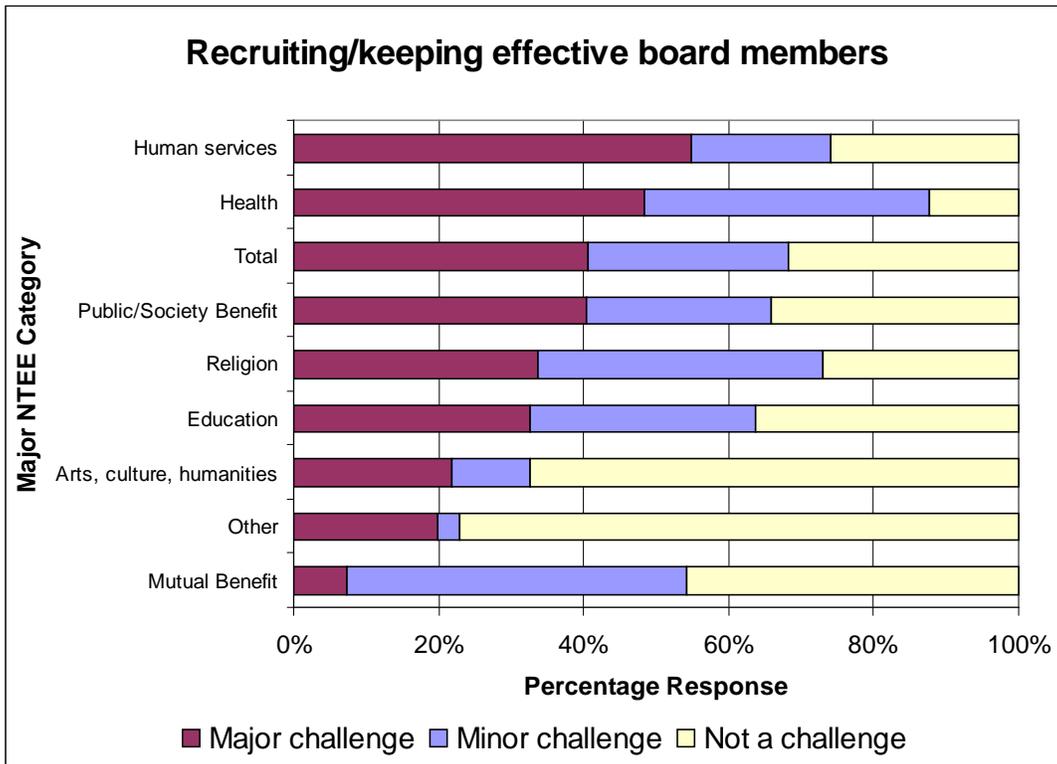


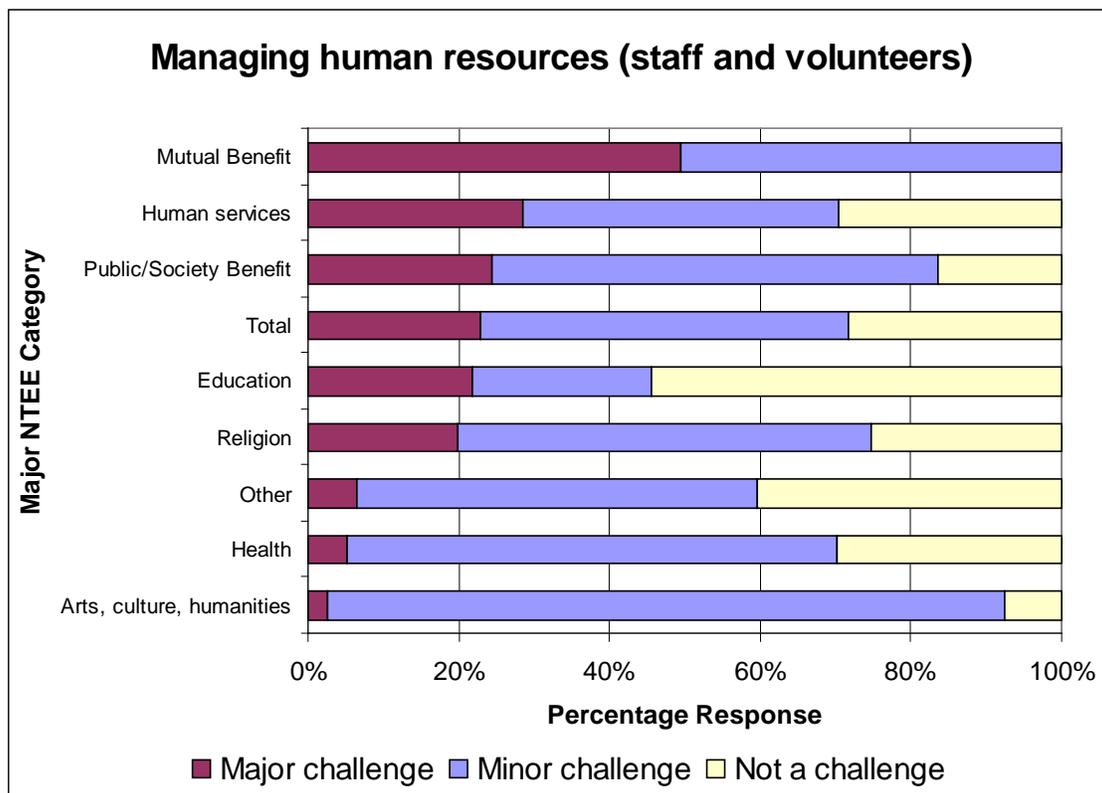
Figure 30
Extent of Challenge in Recruiting/Keeping Board Members: Indianapolis MSA Nonprofits



Although not discussed in detail here, we note that recruiting and keeping qualified staff is particularly problematic for Indianapolis area human service nonprofits with 55 percent saying that this is a major challenge for them and 70 percent saying that it is at least a minor challenge. Public/society benefit nonprofits also face this challenge more severely than other types of nonprofits in the Indianapolis region. For more specific information, see Appendix III, Table C4.

Figure 31 details the level of challenge of managing human resources in general for the different NTEE nonprofit fields of activity. Almost half of mutual benefit nonprofits (49 percent) and about a quarter of human service (29 percent) and public/society benefit (24 percent) nonprofits report relatively high levels of major challenges in managing their human resources. Moreover, with the exception of education nonprofits, more than two-thirds of nonprofits in each of the major fields of activity say that managing human resources presents at least a minor challenge to their organization.

Figure 31
Extent of Challenge in Managing Human Resources: Indianapolis MSA Nonprofits



The consistent level of at least minor challenges across the various fields suggests that managing human resources is a problem faced by a majority of Indianapolis area nonprofits regardless of the field of activity. Not surprisingly, this challenge appears to most acutely effect those organizations with paid staff. More than a quarter (27 percent) of organizations with paid staff indicate this is a major challenge, while only 12 percent of those without a paid staff report that managing human resources is a major challenge for their organization.

D. Challenges in Obtaining Funding or Managing Finances

All organizations need resources to operate so that they can carry out programs activities, communicate with constituency groups, and so forth. Some nonprofits depend entirely on volunteers and donations-in-kind for their operations. Most, however, require financial resources to rent or buy space in which to operate and to hire a staff to do the work of the organization. Certainly, almost all nonprofits need to purchase supplies and obtain access to (buy, rent, maintain) equipment such as phones, computers, or typewriters in order to carry out their activities.

Efforts to improve the quality of programs or to hire and keep qualified staff are therefore inevitably limited by lack of access to adequate financial resources. Indeed, most organizations are painfully aware of these constraints since they have long agendas of things they would like to do, but have to put on hold because the funds are not available.

We are not surprised, therefore, that nonprofits in the Indianapolis area, but also across the state, report that obtaining funding and other financial resources represents a much larger challenge than managing and accounting for how funds are used. As Figure 30 shows, more than half (59 percent) of Indianapolis nonprofits say that obtaining fund represents a major challenge and 89 percent say that it is at least a minor challenge. In contrast, only 16 percent say that managing their finances is a major challenge while 38 percent say it is no challenge at all.

Figure 30
Extent of Finance and Financial Management Challenges: Indianapolis MSA Nonprofits

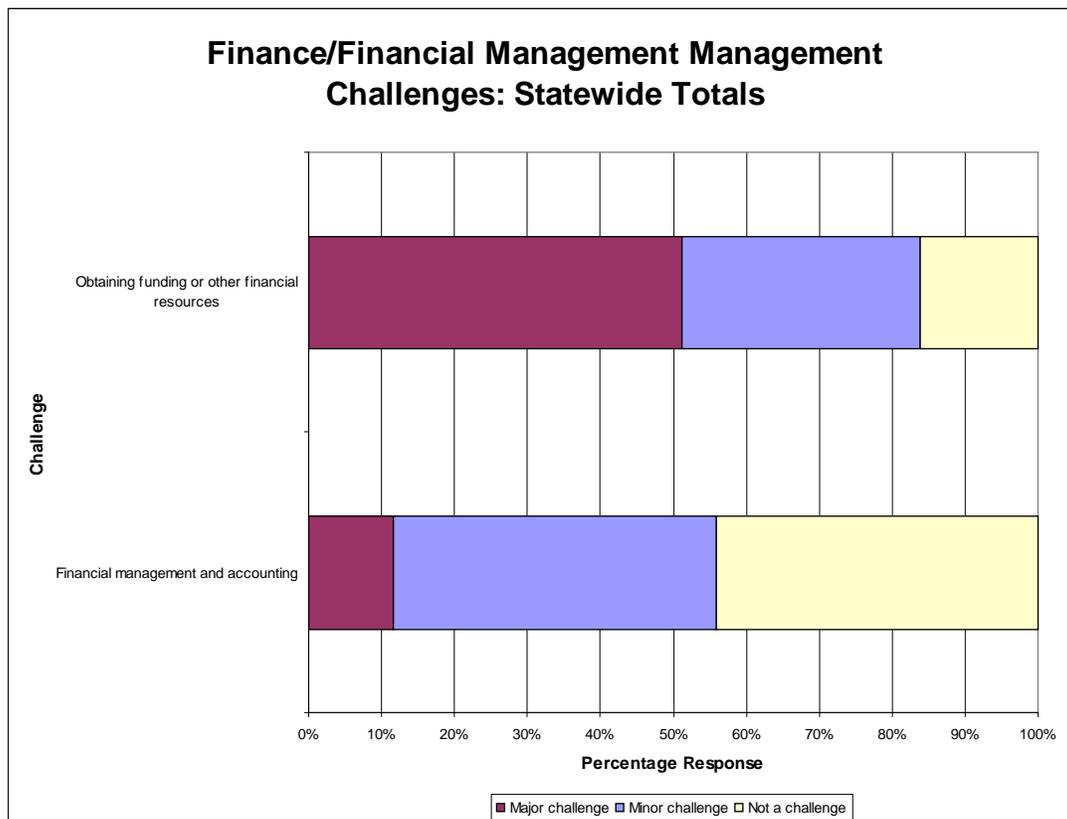
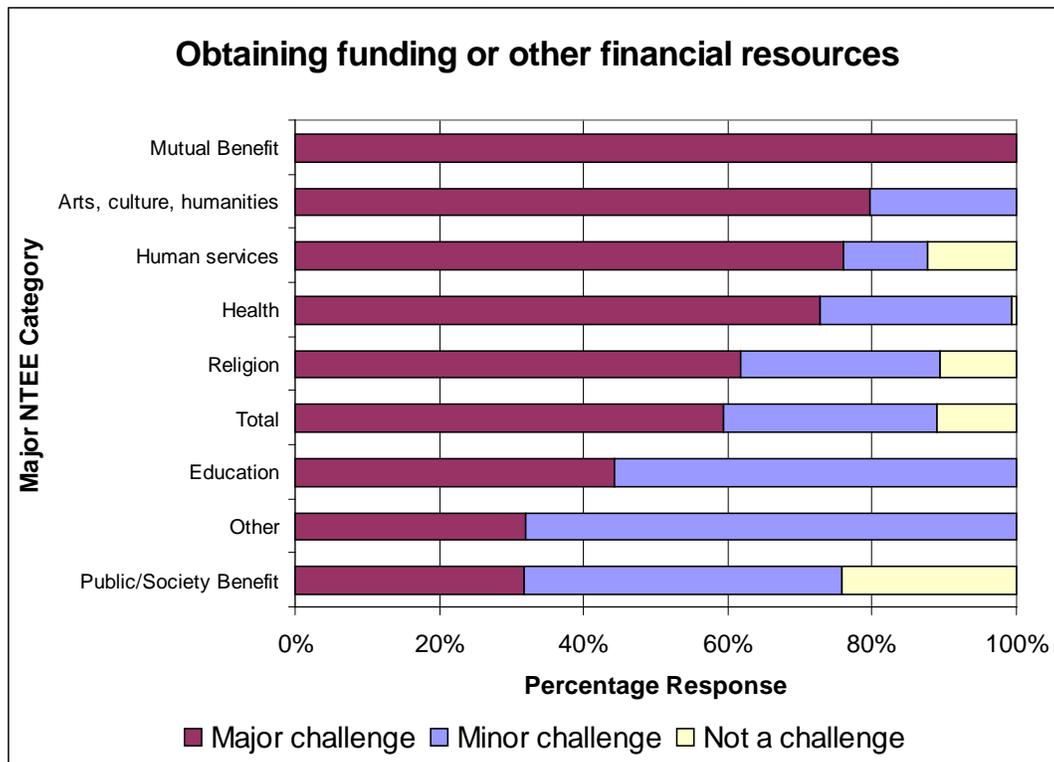


Figure 31 shows that the highest percentage of major challenge in obtaining funding is reported by nonprofits in the mutual benefit (100 percent), arts, cultures, and humanities (80 percent), human services (76 percent), health (73 percent), and religion (62 percent) fields. Moreover, these problems generally appear to be more severe for Indianapolis area nonprofits than for nonprofits statewide. This is particularly the case for mutual benefit nonprofits (100 percent in Indianapolis, 39 percent statewide) and religion nonprofits (62 percent in Indianapolis, 44 percent statewide). See Appendix III, Figure D1 for the detailed comparisons.

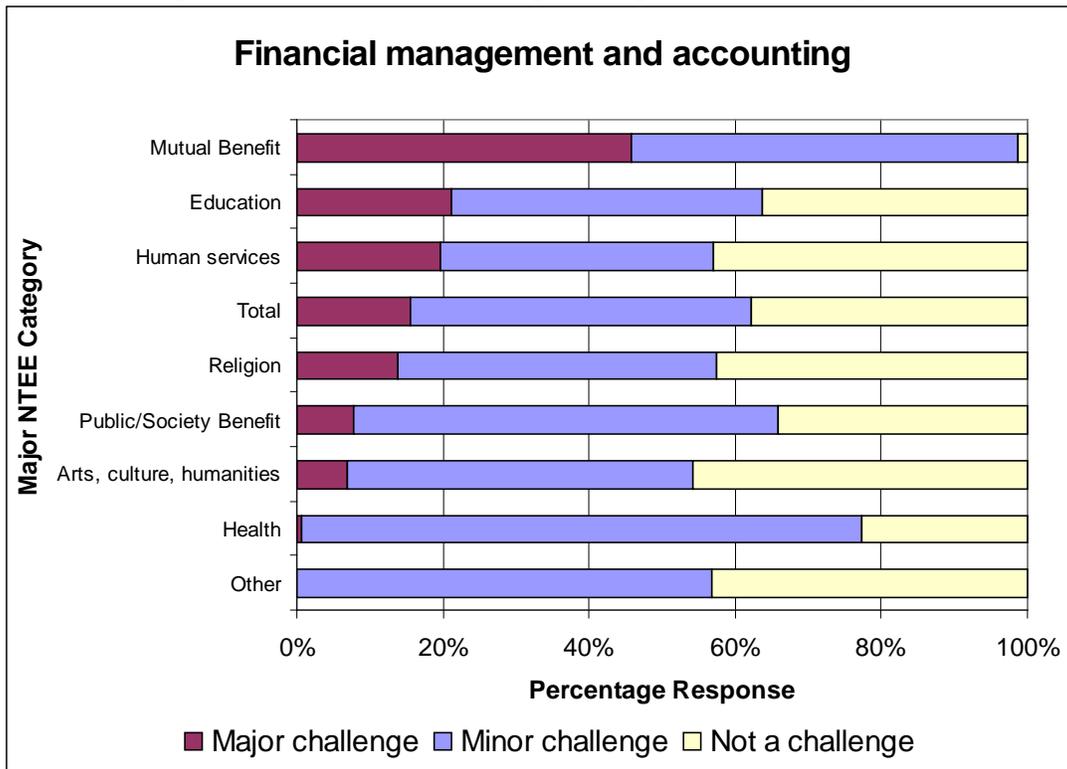
Figure 31
Extent of Challenge in Obtaining Funding: Indianapolis MSA Nonprofits



However, obtaining funding will not be enough if the organization cannot manage its finances efficiently. Not only will bad financial management waste resources in the short run, but it will discourage current funders, staffs, and volunteers from making further investments in the organization. Yet, while the need to raise funds may be very apparent, problems related to managing financial resources are likely to be less visible, since in many cases only someone familiar with specific financial details and/or complex accounting standards may recognize the symptoms.

In the Indianapolis area, a very high proportion (46 percent) of mutual benefit nonprofits says that financial management and accounting presents a major challenge (Figure 32). So do disproportionate numbers of education (21 percent) and human service (20 percent) nonprofits. We have not yet been able to determine whether encountering problems with financial management and accounting is a function of size (e.g., amount of total revenue) or is associated with reliance on particular types of funding sources or on having endowments that need to be invested and managed. We also recognize that nonprofits may be reluctant to acknowledge these types of problems in order to preserve their reputation.

Figure 32
Extent of Challenge in Financial/Accounting Management: Indianapolis MSA Nonprofits



E. Other Challenges

Two final survey questions asked about challenges associated with the effective use of information technology and with managing facilities. As reported in Figure 33, about one-fifth of Indianapolis area nonprofits report that either of these two types of activities presents a major challenge (22 and 19 percent respectively). Almost four-fifths (78 percent) consider the effective use of information technology to be at least a minor challenge, compared to less than half (49 percent) for managing facilities.

The effective use of information technology appears to be more of a problem for certain types of nonprofits. As Figure 34 shows, about a third of religion (33 percent) and health (31 percent) nonprofits say that it is a major challenge for them to use computers and other information technology effectively. Almost all religion nonprofits say that it is at least a minor challenge.

However, while 31 percent of health nonprofits find using information technology to be a major challenge, an even larger percentage (37 percent) says it presents **no** challenge for their organization. Closer scrutiny reveals that all of the health nonprofits which reported “no challenge” are mental health/crisis intervention related organizations, while all of those which reported a “major challenge” are nonprofits involved in diseases, disorders, and medical disciplines. The bulk (86 percent) of health nonprofits that reported a “minor” challenge are traditional rehabilitative health nonprofits.

Figure 33
Extent of Challenges in Managing Technology or Facilities: Indianapolis MSA Nonprofits

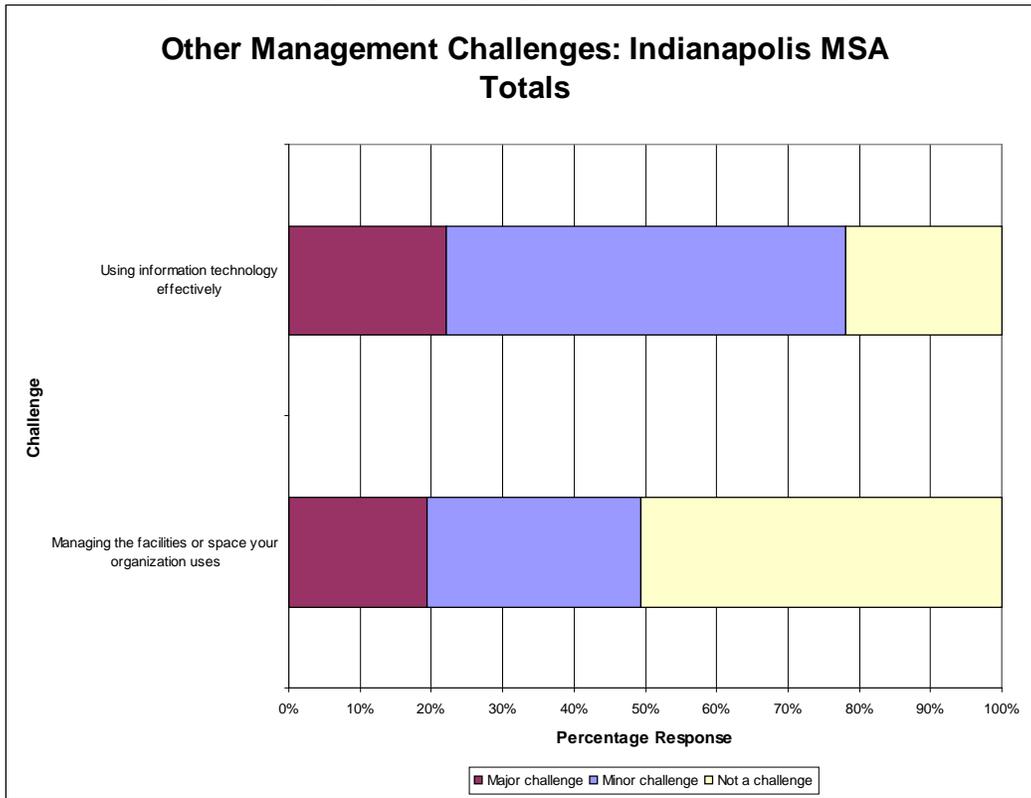
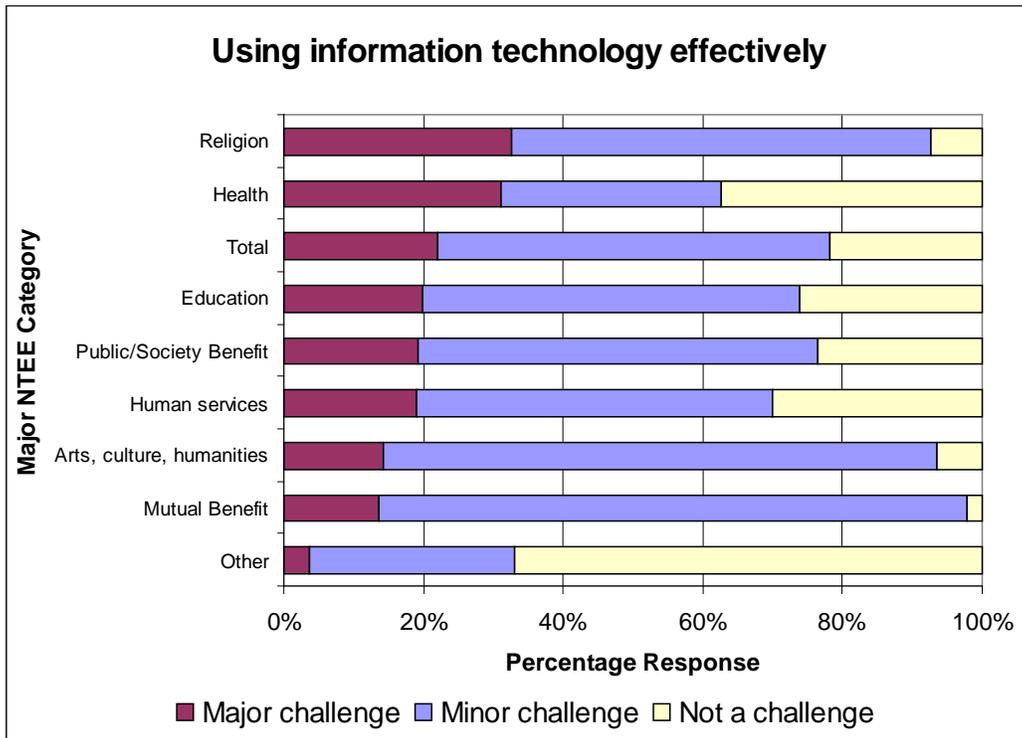


Figure 34
Extent of Challenge in Using Information Technology: Indianapolis MSA Nonprofits



Facilities management presents challenges to a different set of nonprofits. As Figure 35 shows, human service (33 percent) and religion (29 percent) nonprofits are more likely to report that managing facilities is a major challenge than other types of nonprofits in the Indianapolis area. This may reflect the types of services and/or number of clients or members these types of organizations serve and the pressures these activities exerts on facility usages and capacities.

When expanding the definition of “challenge” to include also those who report at least a minor challenge associated with managing facilities, a majority of arts, culture, and Humanities (66 percent) and mutual benefit (53 percent) nonprofits, along with human service (52 percent) and arts, cultures, and humanities (66 percent) nonprofits, also report a relatively high level of challenge in managing their facilities.

Figure 35
Extent of Challenge in Managing Facilities or Space: Indianapolis MSA Nonprofits



IV. CONCLUSION

Our analysis suggests that nonprofits in the Indianapolis area, and indeed across the state, are stressed by lack of adequate resources and face major challenges in addressing changing community needs and adapting to shifts in public policy. While many are well prepared to deal with these challenges and have most of the important management tools in place with which to address them, significant segments of the Indianapolis nonprofit sector are at risk. Moreover, these patterns vary considerably by field of activity and – we suspect – by the size and types of revenues streams on which the organizations depend.

By way of summary, we highlight in this final concluding section the management tools and capacities that nonprofits in the various fields appear most likely to possess – or lack. We also review the management challenges that appear to be particularly severe and pervasive for each of the major fields of activities included in our analysis – as well as those that are least problematic for each of the fields. We hope this approach will be of interest to nonprofit managers in the respective field. Note, however, that for some fields the findings should be interpreted with caution because of the relatively small number of respondents.

A. Human Service Nonprofits

About one-third (32 percent) of the Indianapolis nonprofits in our weighted sample were human service nonprofits, broadly defined. As our snapshot of “top three” findings below suggest, these agencies appear to face major management challenges at both the operational and leadership level.

- | | |
|--------------------------------------|-----------------------------------|
| ▶ Top 3 “Major Challenges” | ▶ Top 3 “Not Challenges” |
| • Obtaining funding: 76% | • Board/staff relations: 52% |
| • Recruiting board members: 55% | • Managing facilities: 49% |
| • Attracting members or clients: 51% | • Form good relationships: 46% |
| ▶ Top 3 Most Reported Components | ▶ Top 3 Least Reported Components |
| • Governance policies: 91% | • Volunteer recruitment: 16% |
| • Job descriptions: 77% | • Volunteer training: 21% |
| • Staff computers: 73% | • Dedicated capital reserves: 28% |

More than three-fourth said that obtaining funding was a major challenge and more than half said that so was recruiting and/or keeping effective board members and attracting new members or clients. There is most likely some relationship between these features. Nonprofits need strong and effective board leadership with the ability to activate professional and personal networks in order to secure donations. A steady stream of donations in turn will allow the organization to minimize its dependence on highly contested grants and contracts to meet operational needs. Obtaining adequate funding may also be exacerbated if the organization cannot attract new members or clients.

Since only 28 percent of human service nonprofits report having reserves dedicated to capital improvements and a majority appear to have relatively weak boards, the financial difficulties of these nonprofits may extend to long-term financing needs as well. Moreover, very few of the human service nonprofits have formal volunteer recruitment and training programs in place. Without such programs, they may find it difficult to develop effective pipelines for future volunteer leadership with strong commitments to the organization.

On the other hand, large majorities of human service nonprofits in the Indianapolis area appear to have some important tools in place for managing internal operations: Almost all have written governance policies and about three-fourths have written job descriptions and computers available for key staff or volunteers.

Human service nonprofits also appear to do well in managing relationships with other organizations and in maintaining good relationships between board and staff members. Since most of our surveys were completed by executive level staff, this relatively comfortable view of board/staff relationships is encouraging.

However, given significant difficulties in retaining and recruiting board members, it appears that many board members don't find their roles particularly rewarding. Our data do not allow us to determine the explanation for these somewhat contradictory findings. Several possibilities exist: (1) the board/staff relationship may be close and dominated by staff (which staff members may like, but not board members) or (2) staff members may pay little attention to the board and therefore not see the relationship as problematic, except when it comes to board recruitment.

B. Religious Nonprofits

About one-fifth (19 percent) of the Indianapolis nonprofits in our weighted sample were religious nonprofits, primarily congregations, but also inter-faith organizations and others dedicated to promoting spirituality. As our snapshot of "top three" findings below suggest, key challenges for religious nonprofits center on maintaining a strong membership and financial base.

▶ Top 3 "Major Challenges"

- Attracting members: 75%
- Obtaining funding: 62%
- Meeting member/client needs: 59%

▶ Top 3 "Not Challenges"

- Financial management: 43%
- Board/staff relations: 40%
- Managing facilities: 35%

▶ Top 3 Most Reported Components

- Governance policies: 93%
- Computerized financial records: 89%
- Staff computers: 89%

▶ Top 3 Least Reported Components

- Conflict of interest: 16%
- Volunteer recruitment: 21%
- Outcome evaluation: 28%

Religious organizations, especially congregations, rely heavily on members for their survival, so it is not surprising that attracting members and meeting member needs are as problematic as obtaining funding. Given the growth of independent churches, competition for members may well be contributing to these challenges. The fact that almost all have computerized financial records and computers available for key staff or volunteers suggests that they have the technological infrastructure in place to handle increases in their membership roles.

The absence of written conflict of interest policies, program outcome assessments, or formal volunteer recruitment programs, may reflect the trust that congregational members have in their spiritual and congregational leaders and the value placed on service and volunteering by faith communities. However, if the Charitable Choice initiative encourages religious nonprofits to seek government funding in order to provide human services to the broader community, many will need to develop these types of organizational components if they are to meet more stringent expectations of accountability and successfully compete for such funding. While they appear to have relatively

few challenges in managing their finances at this point in time, they will be required to develop separate reporting systems for government contract dollars.

C. Public/Society Benefit Nonprofits

About one-fifth (19 percent) of the Indianapolis nonprofits in our weighted sample are public/society benefit nonprofits, involved in a wide variety of activities from advocacy to community development and philanthropy. As our snapshot of “top three” findings below suggest, key challenges for these nonprofits center on relating to members/clients and recruiting volunteers.

- | | |
|---|--|
| <ul style="list-style-type: none">▶ Top 3 “Major Challenges”<ul style="list-style-type: none">• Meeting member/client needs: 53%• Recruiting volunteers: 52%• Attracting members/clients: 50%
▶ Top 3 Most Reported Components<ul style="list-style-type: none">• Governance policies: 84%• Audited financial reports: 73%• Computerized member records: 72% | <ul style="list-style-type: none">▶ Top 3 “Not Challenges”<ul style="list-style-type: none">• Form good relationships 62%• Managing facilities: 56%• Board/staff relations: 44%
▶ Top 3 Least Reported Components<ul style="list-style-type: none">• Volunteer training programs: 4%• Volunteer recruitment: 12%• Dedicated capital reserves: 32% |
|---|--|

The extent to which public/society benefit nonprofits report facing major challenges is relatively low compared to nonprofits in other fields. However, substantial proportions of these nonprofits do face major challenges in meeting the needs of current clients and attracting new members. This suggests that their ability to sustain themselves over the long run is at risk. Given the few public/society benefit nonprofits with volunteer training or recruitment programs, it is perhaps not surprising that many report difficulties in attracting volunteers. Instituting such programs might help alleviate at least this challenge.

Public/society benefit nonprofits in the Indianapolis area report relatively few challenges in interacting with other organizational entities in their community. Depending on with which other entities they are involved and on the quality of the relationships, public/society benefit nonprofits may be able to tap into these institutional networks to generate new members and volunteers.

D. Education Nonprofits

About 12 percent of the Indianapolis nonprofits in our weighted sample are education nonprofits. As our snapshot of “top three” findings below suggest, key challenges for these nonprofits center on relating to members/clients and obtaining funding.

- | | |
|--|---|
| <ul style="list-style-type: none">▶ Top 3 “Major Challenges”<ul style="list-style-type: none">• Attracting members/clients: 74%• Communicating with members: 54%• Obtaining funding: 48%
▶ Top 3 Most Reported Components<ul style="list-style-type: none">• Governance policies: 98%• Audited financial reports: 85%• Computerized member records: 84% | <ul style="list-style-type: none">▶ Top 3 “Not Challenges”<ul style="list-style-type: none">• Form good relationships 71%• Managing facilities: 69%• Meeting needs of members: 54%
▶ Top 3 Least Reported Components<ul style="list-style-type: none">• Volunteer training programs: 0 %• Volunteer recruitment: 0%• Dedicated capital reserves: 20% |
|--|---|

The challenge of increasing membership and communicating with members is most likely related to difficulties in obtaining funding. If education nonprofits cannot communicate effectively with their current members, it will be difficult to retain them or raise funds from them. This problem is further compounded by the need to recruit new members to replace those that leave. Consequently, this constellation of challenges raises concerns about the long-term viability of education nonprofits.

Indianapolis area education nonprofits appear to have few difficulties in managing their relationships with other entities or their internal daily operations, such as those related to managing facilities or human resources. The high percentage with computerized financial records and client/membership program records may, in part, be responsible for the low levels of challenges related to daily operations. The question for education nonprofits appears to be how to apply these technologies to improving their relationship with current or potential members or clients.

E. Health Nonprofits

About 6 percent of the Indianapolis nonprofits in our weighted sample are health nonprofits involved in a broad array of health-related services. As our snapshot of “top three” findings below suggest, key challenges for these nonprofits center on obtaining funding and increasing the visibility of the organization in the broader community, including to potential new members or clients.

- | | |
|---|---|
| <ul style="list-style-type: none"> ▶ Top 3 “Major Challenges” <ul style="list-style-type: none"> • Enhancing visibility/reputation: 76% • Obtaining funding: 73% • Attracting new members/clients: 54% ▶ Top 3 Most Reported Components <ul style="list-style-type: none"> • Governance policies: 100% • Computerized financial records: 96% • Computerized client records: 96% | <ul style="list-style-type: none"> ▶ Top 3 “Not Challenges” <ul style="list-style-type: none"> • Managing facilities: 80% • Board/staff relations: 43% • Using IT effectively: 37% ▶ Top 3 Least Reported Components <ul style="list-style-type: none"> • Dedicated capital reserves: 1% • Dedicated maintenance reserves: 2% • Volunteer recruitment: 7% |
|---|---|

These challenges may reflect difficulties in interacting with external and internal organizational stakeholders, but also reflect competition for funds and clients. Health nonprofits appear to have a high rate of adopting information technology tools. Almost all report that they have computerized financial records and client/membership/program records and using information technology effectively is one of the least pervasive challenges faced by nonprofits in this field. We don’t know how effectively health nonprofits use their information technology to address the challenges of obtaining funds and attracting new members, but they should be in a good position to do so.

On the other hand, while 80 percent of say that managing their facilities presents no problem for their organization, only 1 percent indicate that they have reserves dedicated to capital improvement and only 2 percent have reserves dedicated to maintenance or equipment. Given pervasive problems in obtaining funding, the absence of capital and maintenance reserves suggests that health nonprofits may face future problems in managing their facilities.

F. Mutual Benefit Nonprofits

About 5 percent of the Indianapolis nonprofits in our weighted sample are mutual benefit nonprofits. As the list of “top three” findings below suggest, key challenges for these nonprofits

center on obtaining funding, meeting member needs, and managing human resources.

- | | |
|--|---|
| <ul style="list-style-type: none">▶ Top 3 “Major Challenges”<ul style="list-style-type: none">• Obtaining funding: 100%• Meeting member/client needs: 51%• Managing human resources: 49%
▶ Top 3 Most Reported Components<ul style="list-style-type: none">• Annual reports: 100%• Audited financial statements: 100%• Governance policies: 72% | <ul style="list-style-type: none">▶ Top 3 “Not Challenges”<ul style="list-style-type: none">• Delivering quality programs: 53%• Communicating with members: 49%• Managing facilities: 47%
▶ Top 3 Least Reported Components<ul style="list-style-type: none">• Volunteer training: 2%• Dedicated capital reserves: 30%• Conflict of interest policy: 31% |
|--|---|

Mutual benefit nonprofits face a somewhat different configuration of challenges than other nonprofit fields in the Indianapolis area: It is the only one for which managing human resources appear in the top three major challenges. However, mutual benefit nonprofits resemble other nonprofit fields in that obtaining funding and meeting needs and interests of members or clients also are challenges

These nonprofits appear to have policies in place to manage their financial resources as reflected in the high proportions with annual reports and recent audited financial statements, but relatively few have written governance or conflict of interest policies. Very few also have formal volunteer training programs or dedicated capital reserves. However, the lack of these management and governance policies does not appear to adversely impact their abilities to deliver programs or communicate with their members. Mutual benefit nonprofits appear to resemble religious nonprofits in that formalized governance and conflict of interest policies are not deemed necessary, as long as financial resources are reported and verified.

G. Arts, Culture, and Humanities Nonprofits

Finally, only about 3 percent of the Indianapolis nonprofits in our weighted sample are nonprofits involved in arts, culture, or the humanities – the smallest of the groups we have examined in detail. As the list of “top three” findings below suggest, key challenges for these nonprofits center on obtaining funding, enhancing visibility and reputation, and evaluating program outcomes.

- | | |
|---|---|
| <ul style="list-style-type: none">▶ Top 3 “Major Challenges”<ul style="list-style-type: none">• Enhancing visibility/reputation: 86%• Obtaining funding: 80%• Evaluate program outcomes: 48%
▶ Top 3 Most Reported Components<ul style="list-style-type: none">• Governance policies: 88%• Formal job descriptions: 87%• Audited financial statements: 86% | <ul style="list-style-type: none">▶ Top 3 “Not Challenges”<ul style="list-style-type: none">• Recruit/retain board members: 68%• Recruit/retain volunteers: 56%• Meeting client/member needs: 49%
▶ Top 3 Least Reported Components<ul style="list-style-type: none">• Dedicated capital reserves: 3%• Formal volunteer training: 31%• Formal volunteer recruitment: 31% |
|---|---|

The top three management challenges faced by arts, culture, and humanities nonprofits: enhancing visibility and reputation, obtaining funding, and evaluating or assessing program outcomes or impacts suggest that these nonprofits face difficulties in managing their relationships with funders. They appear to address these challenges by their use written governance policies, written job

descriptions, and audited financial statement. These components signal to potential funders that the organization uses well-established procedures to solve problems of governance, distribution of work loads, and financial management. However, we note that only 3 percent have reserves dedicated to capital improvement, suggesting that few may be in a position to address long term development needs.

While Indianapolis area nonprofits in the arts, culture, and humanities field find it difficult to promote their organization in general and obtain funding in particular, they express a relatively high level of confidence in their abilities to interact with core constituencies – most say that recruiting or keeping effective board members or volunteers and meeting needs or interests of members or clients do not present any challenge to their organizations. Nonprofits in most of the other fields generally find one or more of these to be major challenges. This “wealth” of volunteers may explain why relative few arts, culture, and humanities nonprofits have formal volunteer training or recruitment programs. However, other nonprofits also do not have such programs even though they face challenges in recruiting or keeping board members or volunteers.

**Appendix I. Table 1
National Taxonomy of Exempt Entities (NTEE): Major Fields and Major Groups**

NTEE Major Fields	NTEE Major Groups by Field	
I Arts and Culture	Arts and Culture (A)	
II Education	Education (B)	
III Environment/Animals	Environment (C)	Animals (D)
IV Health	Health, general, rehabilitative (E) Diseases, disorders, disciplines treatment/services (G)	Mental health (F) Medical research (H)
V Human Services	Crime, legal (I) Food, agriculture, nutrition (K) Public safety, disaster preparedness, relief (M) Youth development (O)	Employment, jobs (J) Housing, shelter (L) Recreation, sports, leisure, athletics (N) Human services (P)
VI International	International, foreign affairs, national security (Q)	
VII Public and Societal Benefit	Civil rights, social action, advocacy (R) Philanthropy, voluntarism, foundations (T) Social science research institutes (V)	Community improvement, capacity building (S) Science and technology research institutes (U) Public/societal benefit, multipurpose (W)
VIII Religion	Religion (X)	
IX Mutual Benefit	Mutual benefit (Y)	
X Unknown	Unknown (Z)	

**Appendix I. Table 2
National Taxonomy of Exempt Entities (NTEE): Major Groups with Decile Categories**

<p>A - Arts, Culture, and Humanities (I) A20 Arts, Cultural Organizations A30 Media, Communications Organizations. A40 Visual Art Organizations, Services A50 Museums, Museum Activities A60 Performing Arts Organizations, Activities A70 Humanities Organizations A80 Historical Societies and Related A90 Arts Service Organizations and Activities</p>	<p>B - Educational Institutions & Related Activities (II) B20 Elementary, Secondary Education B30 Vocational, Technical Schools B40 Higher Education Institutions B50 Graduate, Professional Schools B60 Adult, Continuing Education B70 Libraries, Library Science B80 Student Services & Organizations of Students B90 Educational Services and Schools—Other</p>
<p>C – Envir. Quality, Protection, & Beautification (III) C20 Pollution Abatement and Control Services C30 Nat. Resources Conservation & Protection: C40 Botanical, Horticultural, & Landscape C50 Environmental Beautification and Open Spaces C60 Environmental Education & Outdoor Survival</p>	<p>D - Animal Related (III) D20 Animal Protection and Welfare D30 Wildlife Preservation, Protection D40 Veterinary Services, not elsewhere classified D50 Zoo, Zoological Society D60 Other Services—Specialty Animals</p>
<p>E - Health—General and Rehabilitative (IV) E20 Hospitals, Primary Medical Care Facilities E30 Health Treatment Facilities, Outpatient E40 Reproductive Health Care Facilities, Allied E50 Rehabilitative Medical Services E60 Health Support Services E70 Public Health Programs E80 Health (General and Financing) E90 Nursing Services G - Disease, Disorders, Medical Disciplines (IV) G20 Birth Defects and Genetic Diseases G30 Cancer G40 Diseases of Specific Organs G50 Nerve, Muscle, and Bone Diseases G60 Allergy Related Diseases G70 Digestive Diseases, Disorders G80 Specifically Named Diseases, n.e.c. G90 Medical Disciplines, n.e.c.</p>	<p>F - Mental Health, Crisis Intervention (IV) F20 Alcohol, Drug, & Substance Abuse, Dependency Prevention and Treatment F30 Mental Health Treatment F40 Hot Line, Crisis Intervention Services F50 Addictive Disorders, not elsewhere classified F60 Counseling Support Groups F70 Mental Health Disorders F80 Mental Health Association H - Medical Research (IV) H20 Birth Defects and Genetic Diseases H30 Cancer Research H40 Specific Organ Research H50 Nerve, Muscle, and Bone Research H60 Allergy Related Diseases H70 Digestive Diseases, Disorders H80 Specifically Named Diseases, n.e.c. H90 Medical Specialty Research, n.e.c.</p>
<p>I - Crime, Legal Related (V) I20 Crime Prevention I30 Correctional Facilities I40 Rehabilitation Services for Offenders I50 Administration of Justice, Courts I60 Law Enforcement Agencies I70 Protect from, Prevent: Neglect, Abuse, Exploitation I80 Legal Services K - Food, Agriculture, and Nutrition (V) K20 Agricultural Programs K30 Food Service, Free Food Distribution K40 Nutrition Programs K50 Home Economics M - Public Safety, Disaster Preparedness & Relief (V) M20 Disaster Preparedness and Relief Services M40 Safety Education O - Youth Development (V) O20 Youth Centers and Clubs O30 Adult, Child Matching Programs O40 Scouting Organizations O50 Youth Development Programs, Other</p>	<p>J - Employment, Job Related (V) J20 Employ. Procurement Assist. & Job Training J30 Vocational Rehabilitation J40 Labor unions, organizations L - Housing, Shelter (V) L20 Housing Devel., Construction, Management L30 Housing Search Assistance L40 Low-Cost Temporary Housing L50 Housing Owners, Renters' Organizations L80 Housing Support Services: Other N - Recreation, Sports, Leisure, Athletics (V) N20 Recreational and Sporting Camps N30 Physical Fitness, Recreational Facilities N40 Sports Training Facilities, Agencies N50 Recreational, Pleasure, or Social Club N60 Amateur Sports Clubs, Leagues N70 Amateur Sports Competitions N80 Professional Athletic Leagues</p>
<p>P - Human Services—Multipurpose and Other (V) P20 Human Service Organizations P30 Children's and Youth Services P40 Family Services P50 Personal Social Services P60 Emergency Assistance (Food, Clothing, Cash) P70 Residential, Custodial Care (Group Home) P80 Services to Promote Independence of Groups</p>	<p>Q – Internat'l, Foreign Affairs, National Security (VI) Q20 Promotion of International Understanding Q30 International Development, Relief Services Q40 International Peace and Security Q50 Foreign Policy Research and Analysis Q70 International Human Rights</p>

Appendix I. Table 2 (continued)
National Taxonomy of Exempt Entities (NTEE): Major Groups with Decile Categories

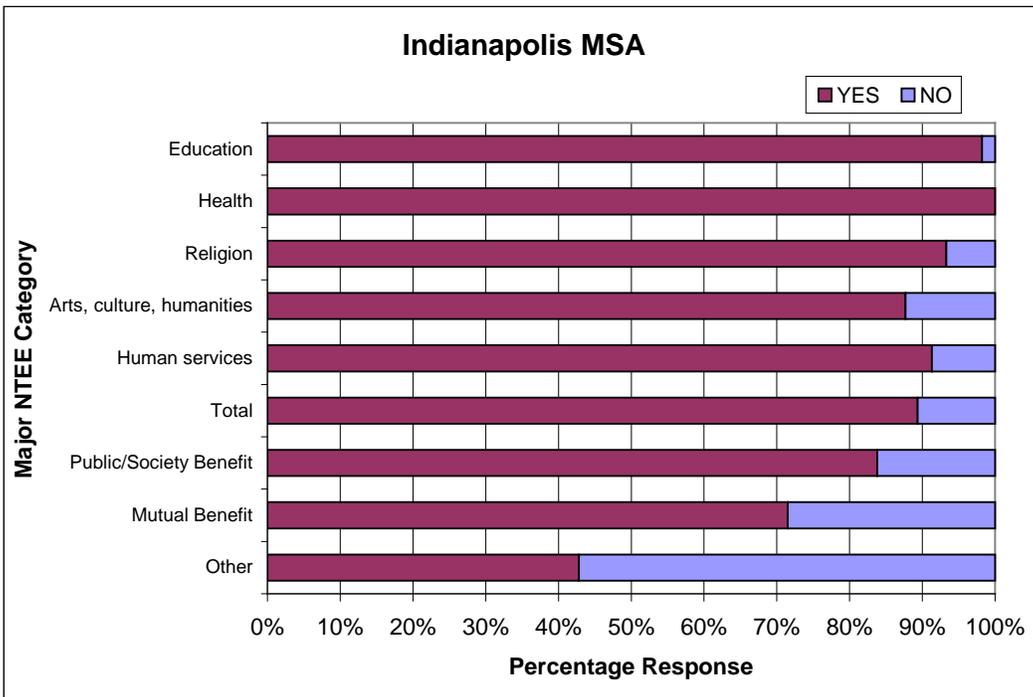
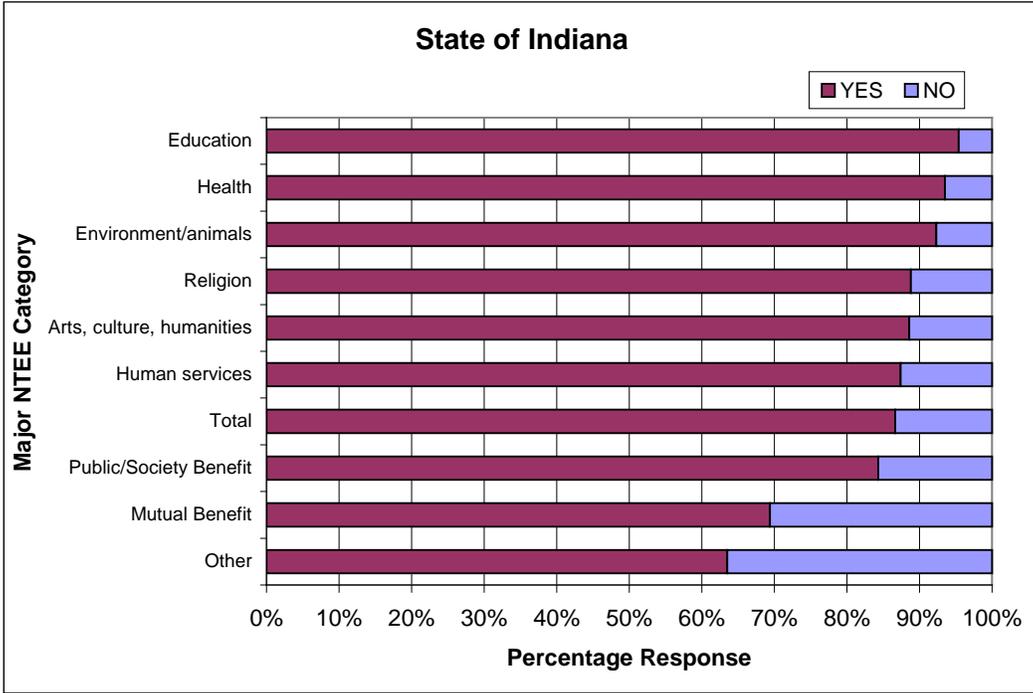
<p>R - Civil Rights, Social Action, Advocacy (VII) R20 Civil Rights, Advocacy for Specific Groups R30 Intergroup, Race Relations R40 Voter Education, Registration R60 Civil Liberties Advocacy</p> <p>T - Philanthropy, Voluntarism, & Foundations (VII) T20 Private Grantmaking Foundations T30 Public Foundations T40 Voluntarism Promotion T50 Philanthropy, Charity, Voluntarism Promotion T60 Non-Grantmaking, Non-Operating Foundations T70 Fund-Raising Organizations that Cross Categories T90 Named Trusts, not elsewhere classified</p> <p>V - Social Science Research Institutes, Services (VII) V20 Social Science Research Institutes, Services V30 Interdisciplinary Research V40 Mystic, Paranormal Studies: Includes astrology.</p>	<p>S - Community Improvement, Capacity Building (VII) S20 Community, Neighborhood Devel., Improvement S30 Economic Development S40 Business and Industry S50 Nonprofit Management S80 Community Service Clubs</p> <p>U - Science & Technology Research Institutes, Services (VII) U20 Science, General U30 Physical, Earth Sciences Research and Promotion U40 Engineering and Technology Research, Services U50 Biological, Life Science Research</p> <p>W - Public, Society Benefit: Multipurpose, Other (VII) W20 Government and Public Administration W30 Military, Veterans' Organizations W40 Public Transportation Systems, Services W50 Telephone, Telegraph, Telecommunications W60 Financial Institutions, Services W70 Leadership Development W80 Public Utilities W90 Consumer Protection and Safety</p>
<p>X - Religion Related, Spiritual Development (VIII) X20 Christian X30 Jewish X40 Islamic X50 Buddhist X60 Confucian X70 Hindu X80 Religious Media, Communications Orgs X90 Interfaith Issues</p>	<p>Y - Mutual/Membership Benefit Orgs, Other (IX) Y20 Insurance Providers, Services Y30 Pension and Retirement Funds Y40 Fraternal Beneficiary Societies Y50 Cemeteries & Burial Services</p>
<p align="center">Z – Unknown (X)</p>	

**Appendix I. Table 3
Unweighted Database/Respondent NTEE (Original Classifications) Compositions**

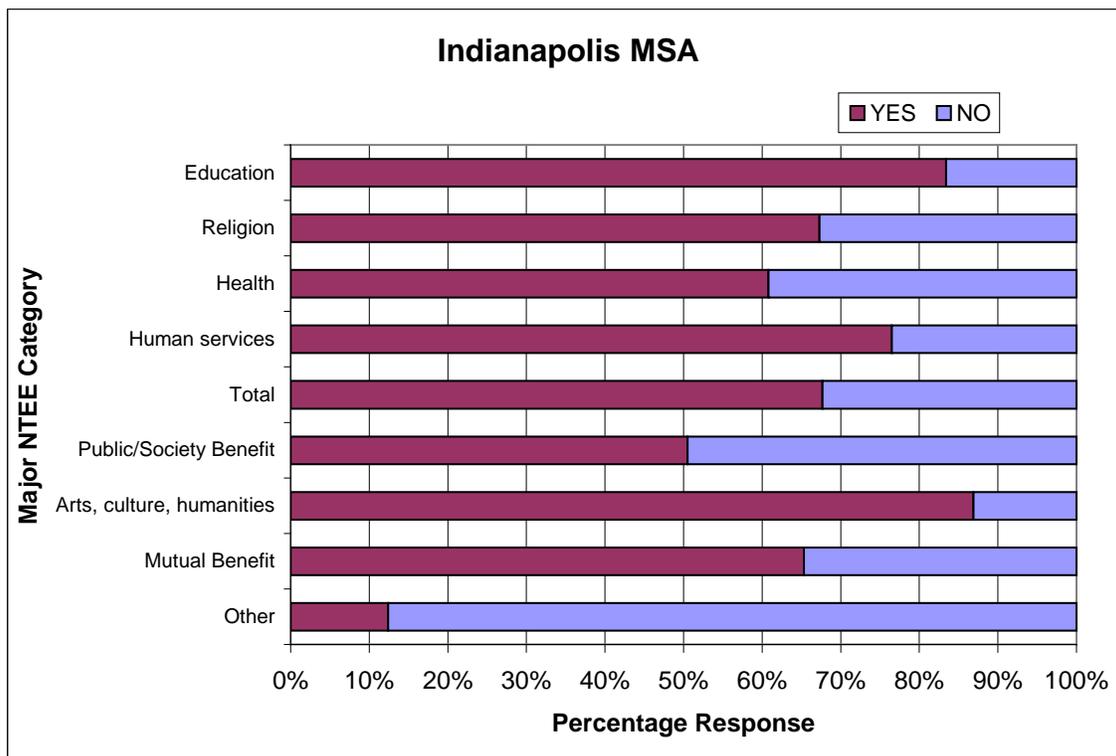
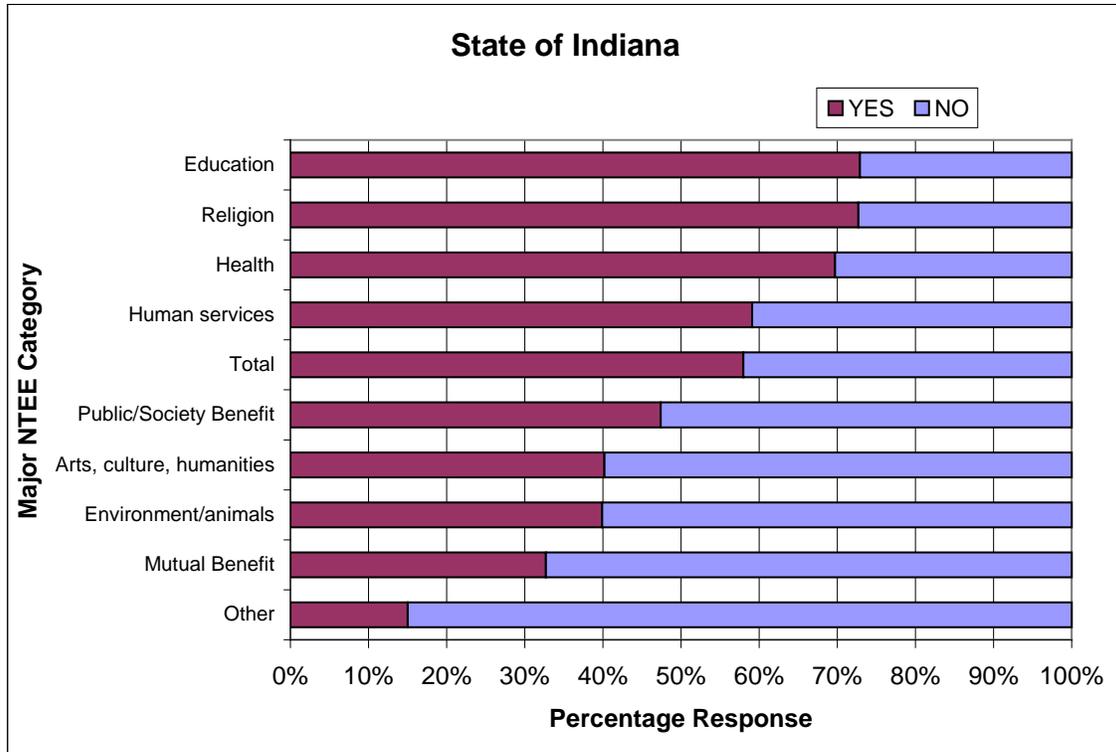
NTEE Major Category	State				Indianapolis MSA			
	Database Total	% Total in Databases	# of Respondents	% Total Respondents	Database Total	% Total in Databases	# of Respondents	% Total Respondents
Arts, Culture, & Humanities	2,381	4%	122	6%	652	4%	14	6%
Education	6,182	10%	174	8%	2,009	12%	18	7%
Animals/Environment	1,033	2%	52	2%	260	2%	7	3%
Health	2,272	4%	124	6%	623	4%	17	7%
Human Services	13,725	23%	547	25%	3,747	23%	53	21%
International	267	0%	11	1%	96	1%	3	1%
Public/Society Benefits	12,418	21%	372	17%	3,550	22%	49	20%
Religion	14,453	24%	541	25%	3,794	23%	67	27%
Membership Associations	5,045	8%	143	7%	1,092	7%	11	4%
Other	1,636	3%	62	3%	572	3%	10	4%
Total	59,412	100%	2,148	100%	16,395	100%	249	100%

APPENDIX II
Part A: Formal Organizational Policies
Indianapolis MSA – State of Indiana Comparisons
Figure A.1

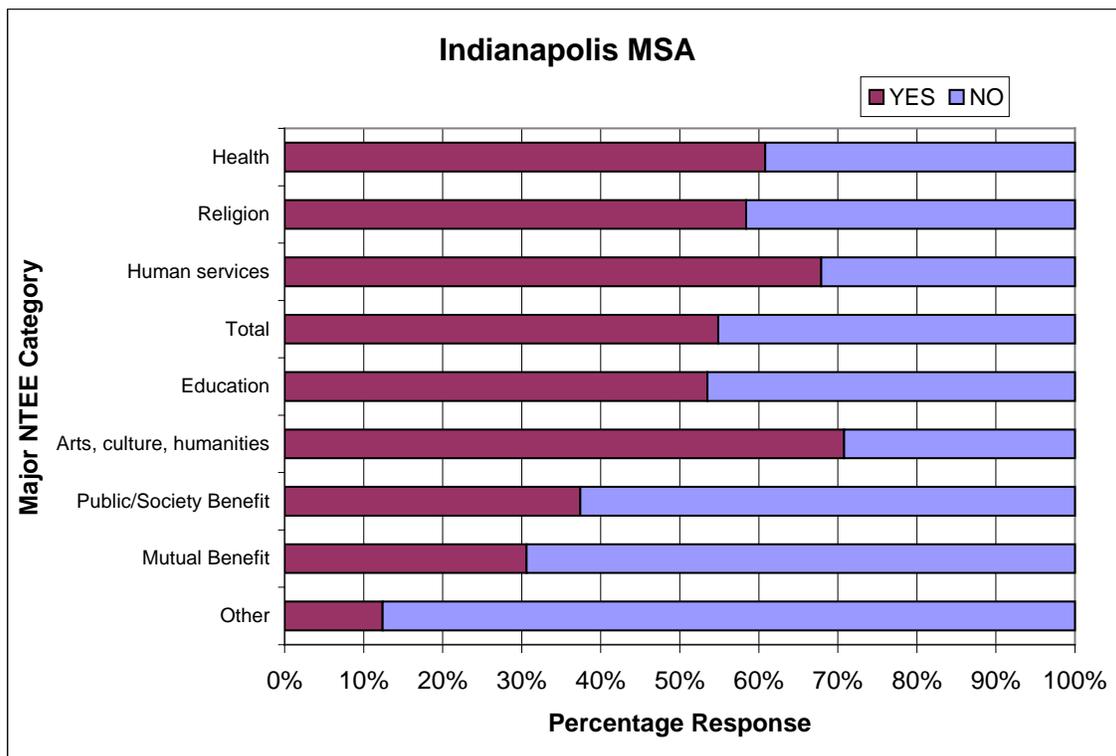
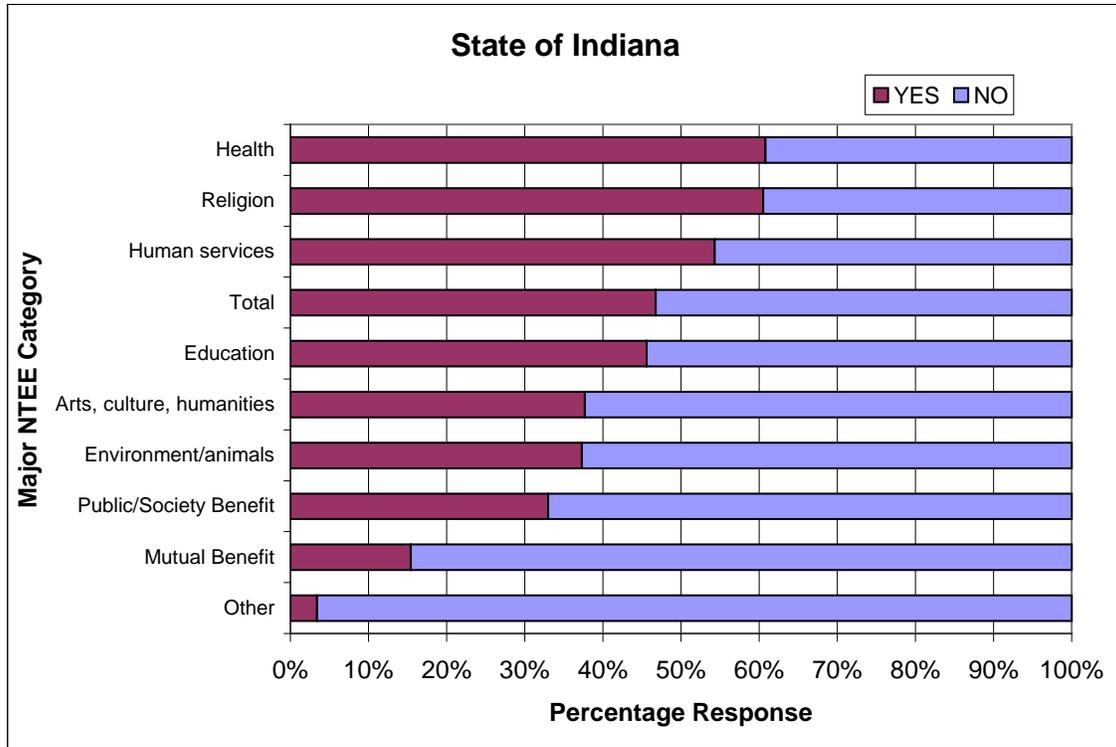
Written governance policies or by-laws
Yes or No?
By Major NTEE Category



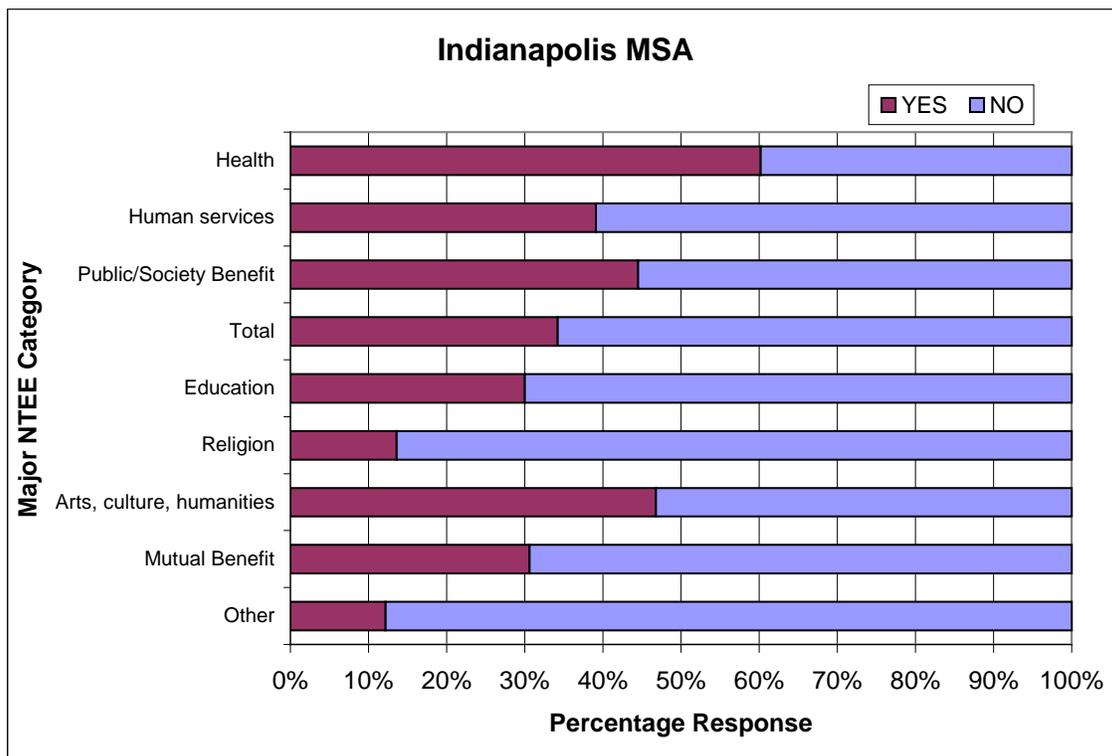
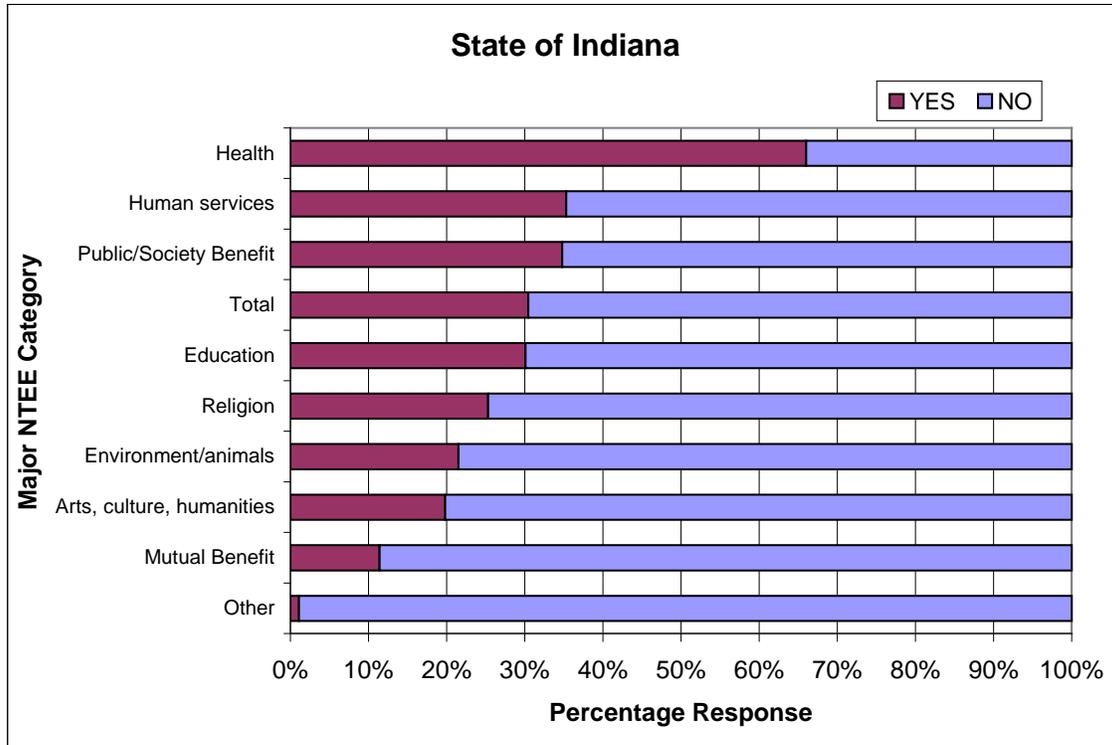
Appendix II, Figure A.2
Written job descriptions
Yes or No?
By Major NTEE Category



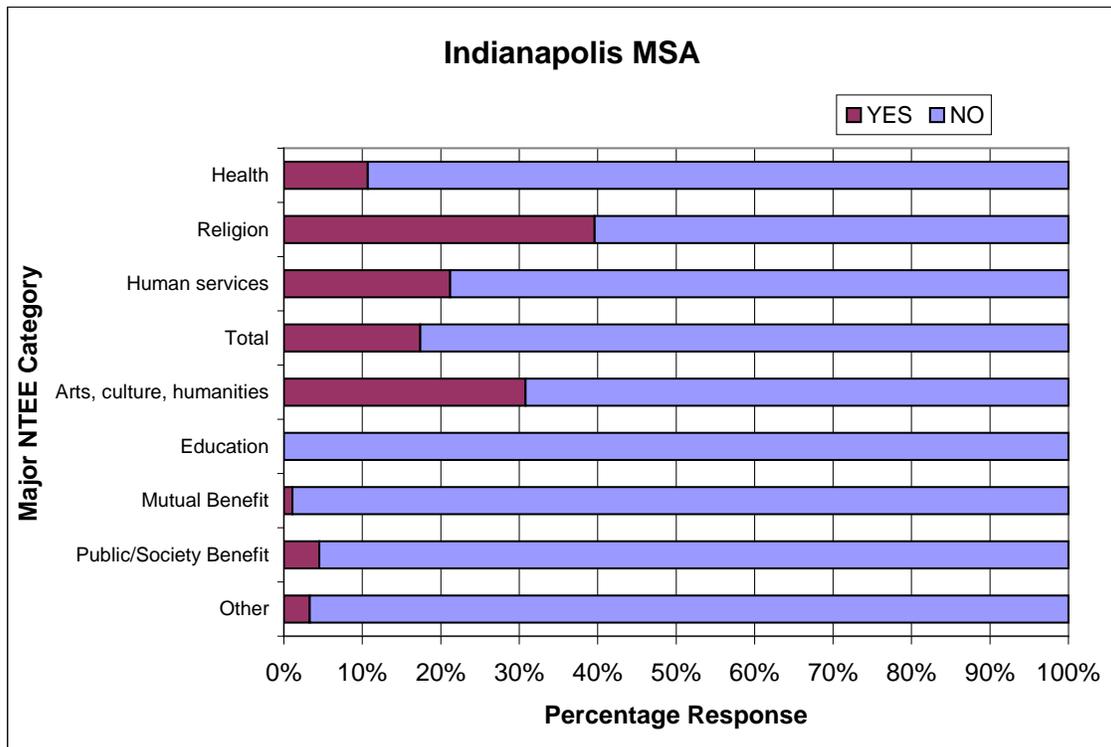
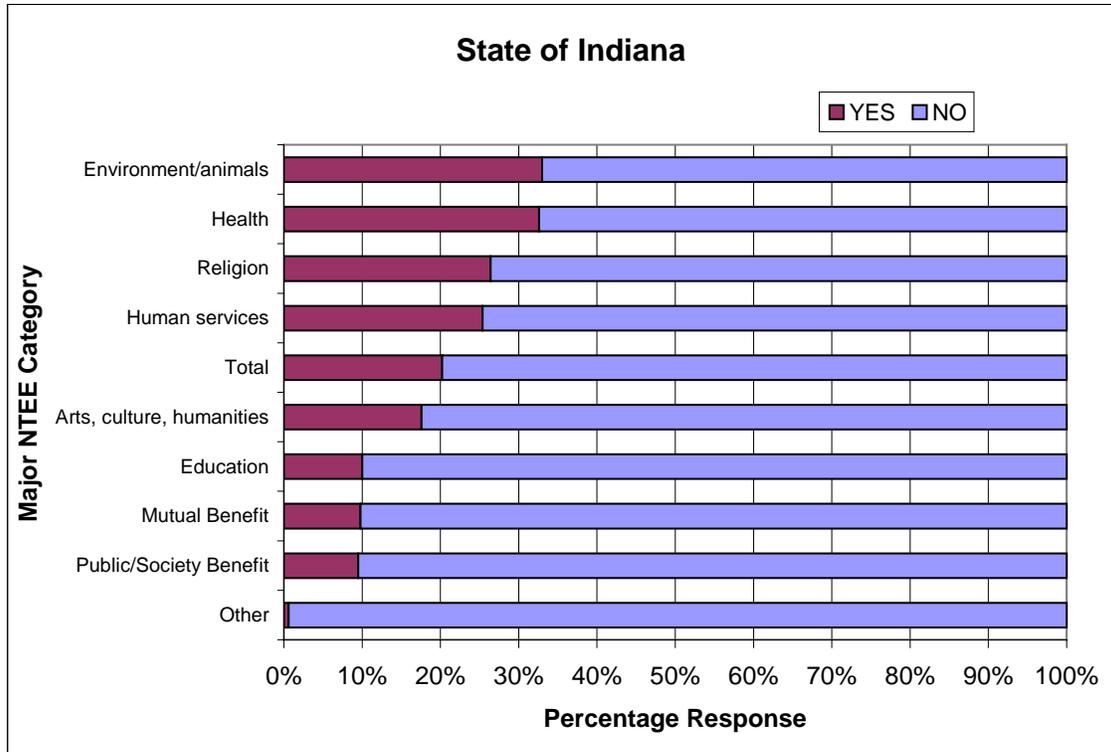
Appendix II, Figure A.3
Written personnel policies
Yes or No?
By Major NTEE Category



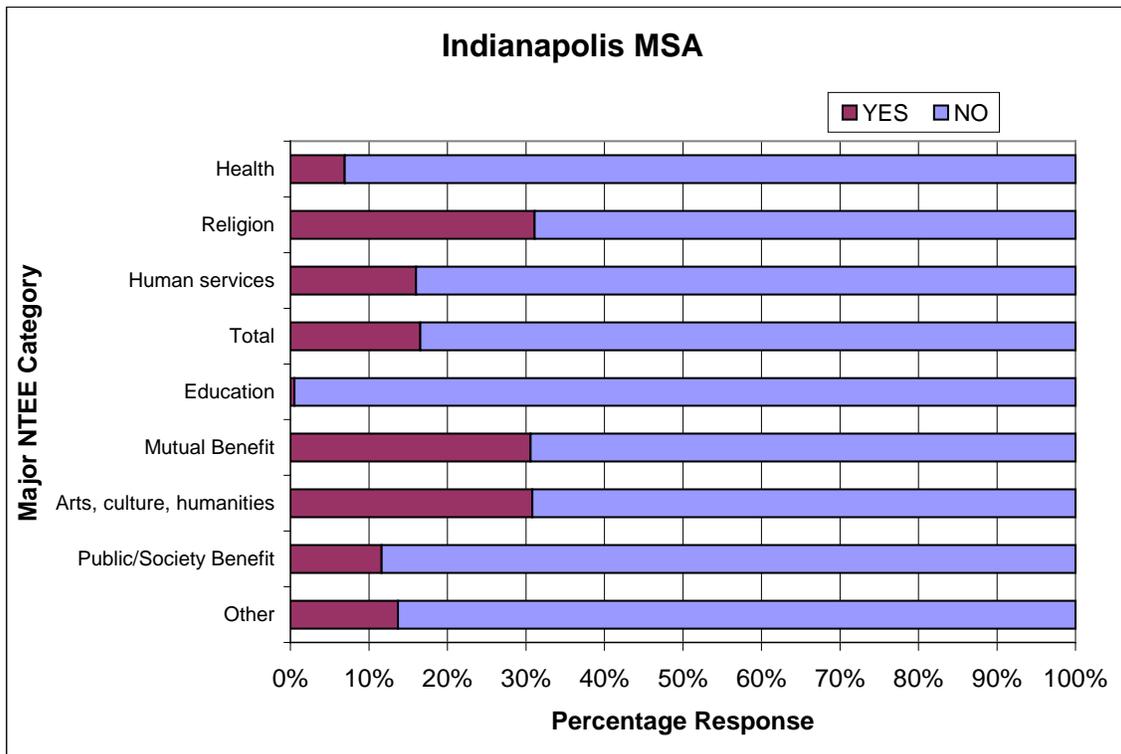
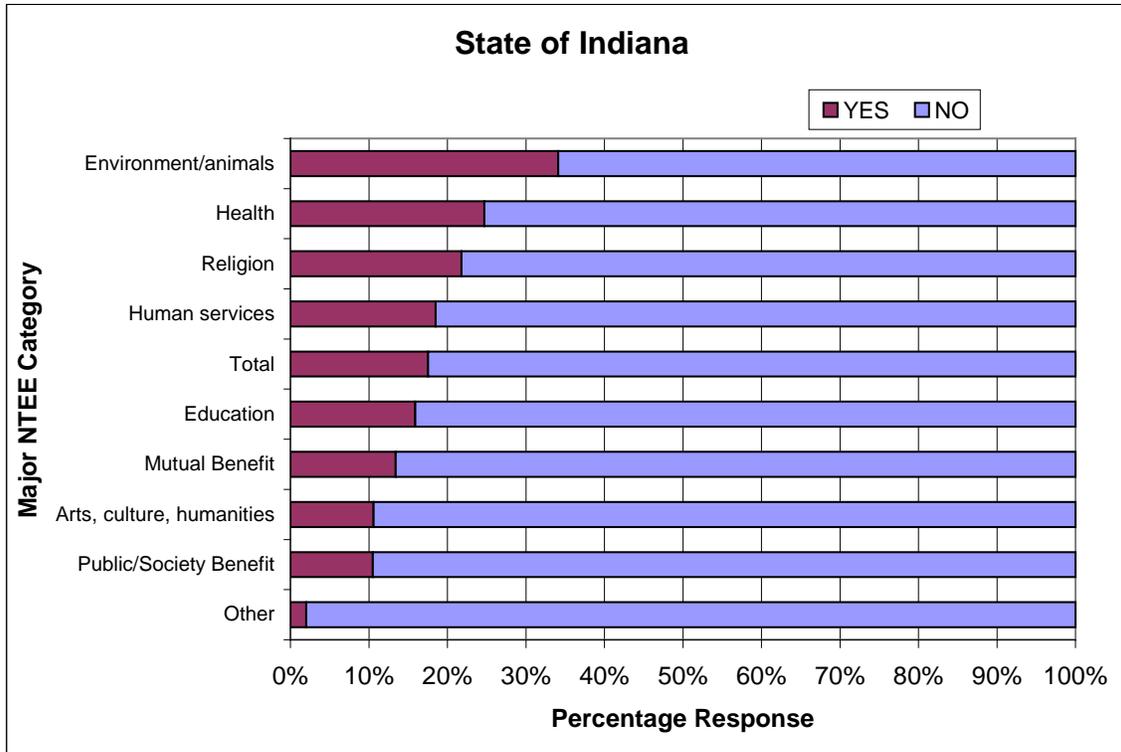
Appendix II, Figure A.4
Written conflict of interest policy
Yes or No?
By Major NTEE Category



Appendix II, Figure A.5
Formal volunteer training program
Yes or No?
By Major NTEE Category

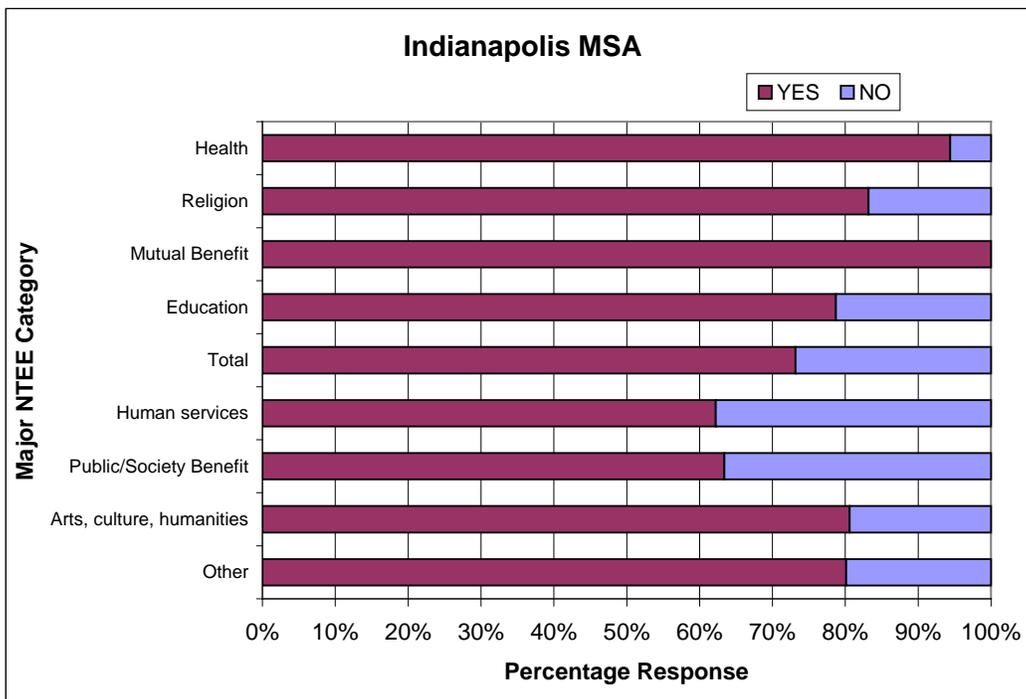
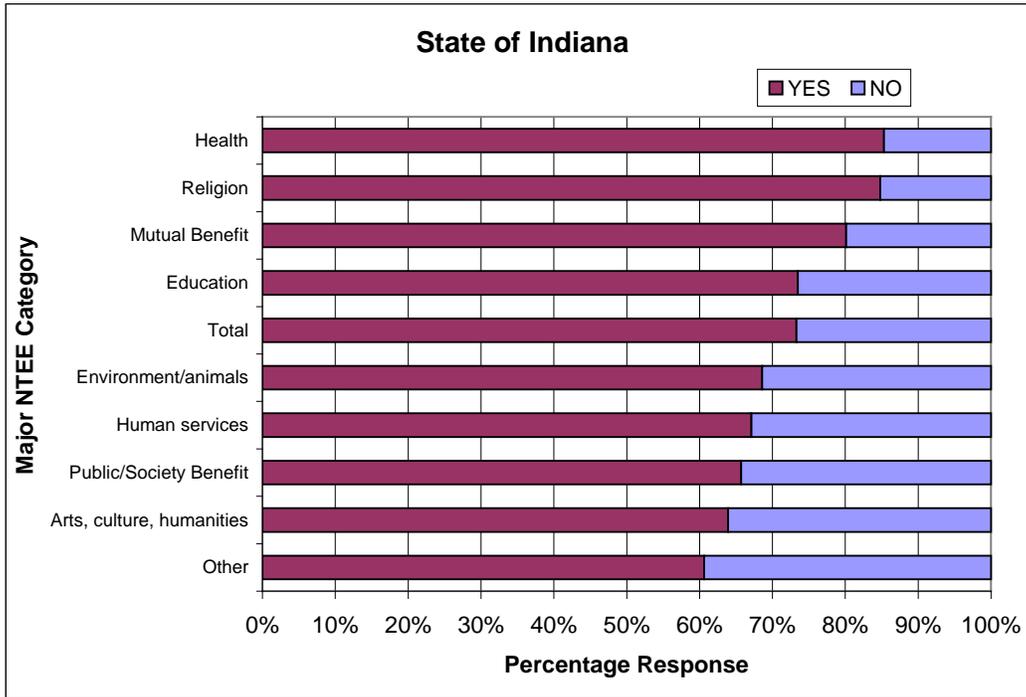


Appendix II, Figure A.6
Formal volunteer recruitment program
Yes or No?
By Major NTEE Category

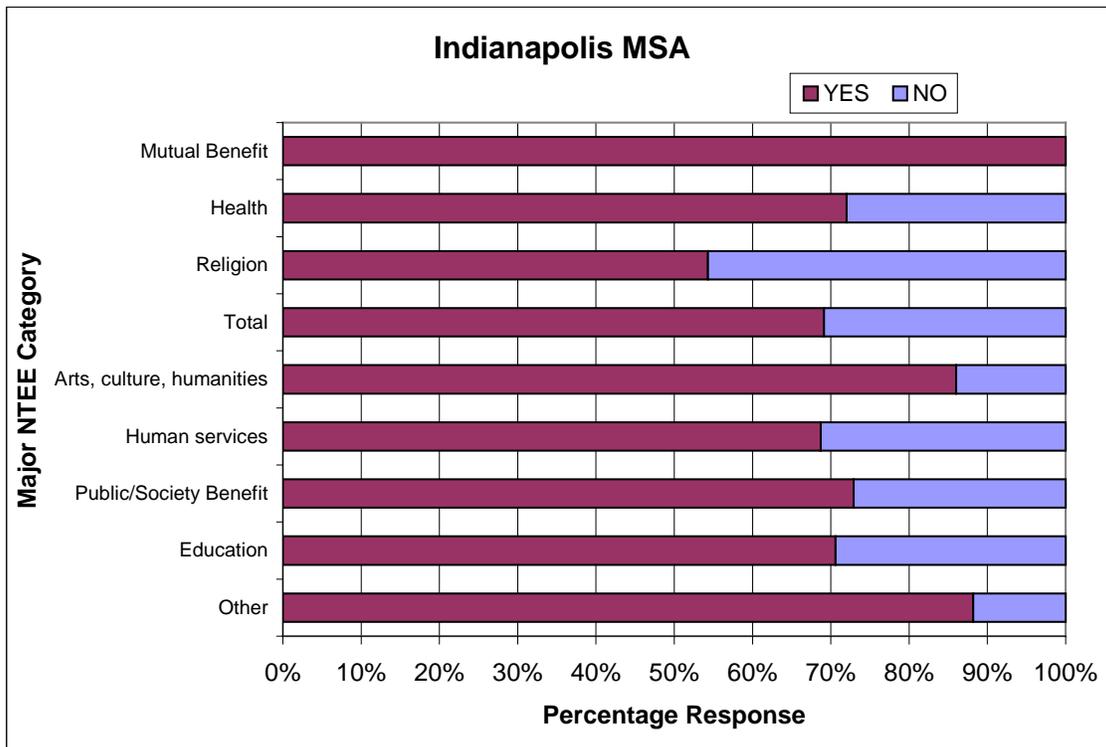
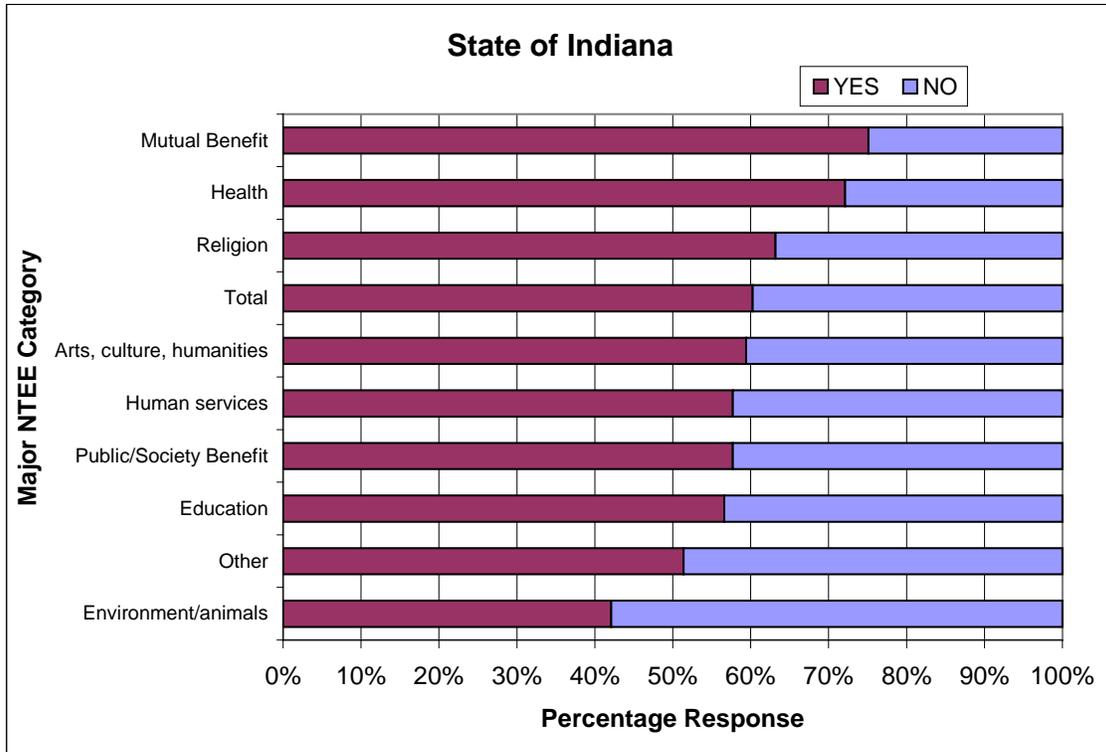


APPENDIX II
Part B: Reporting Practices
Indianapolis MSA – State of Indiana Comparisons
Figure B. 1

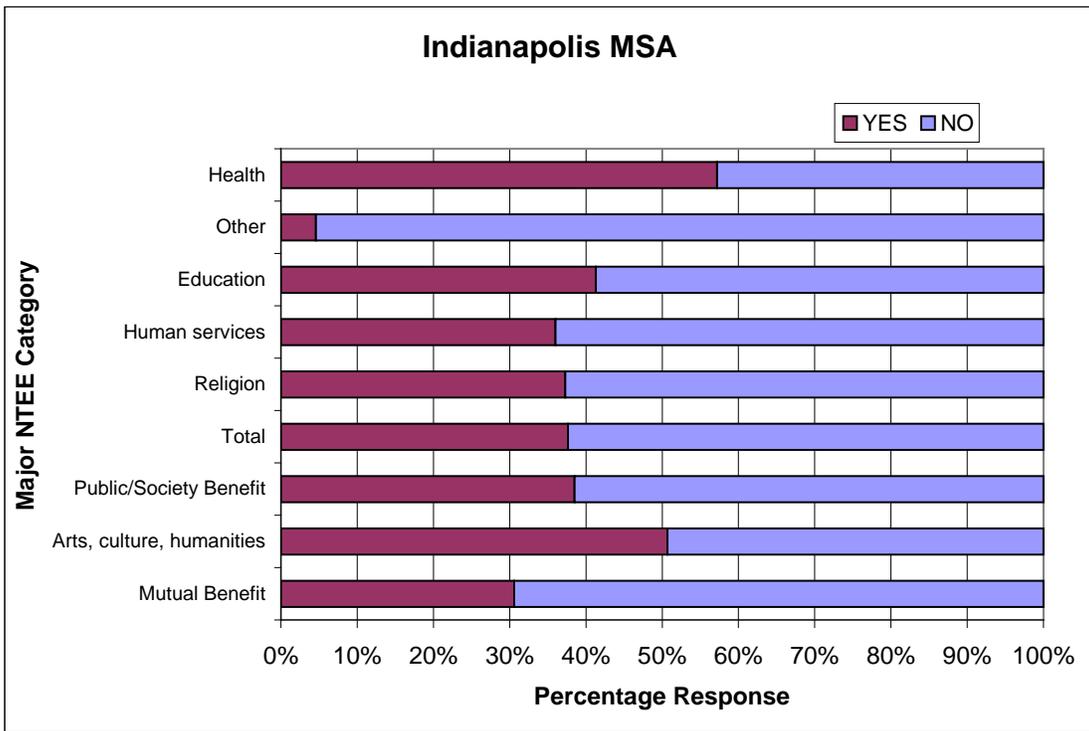
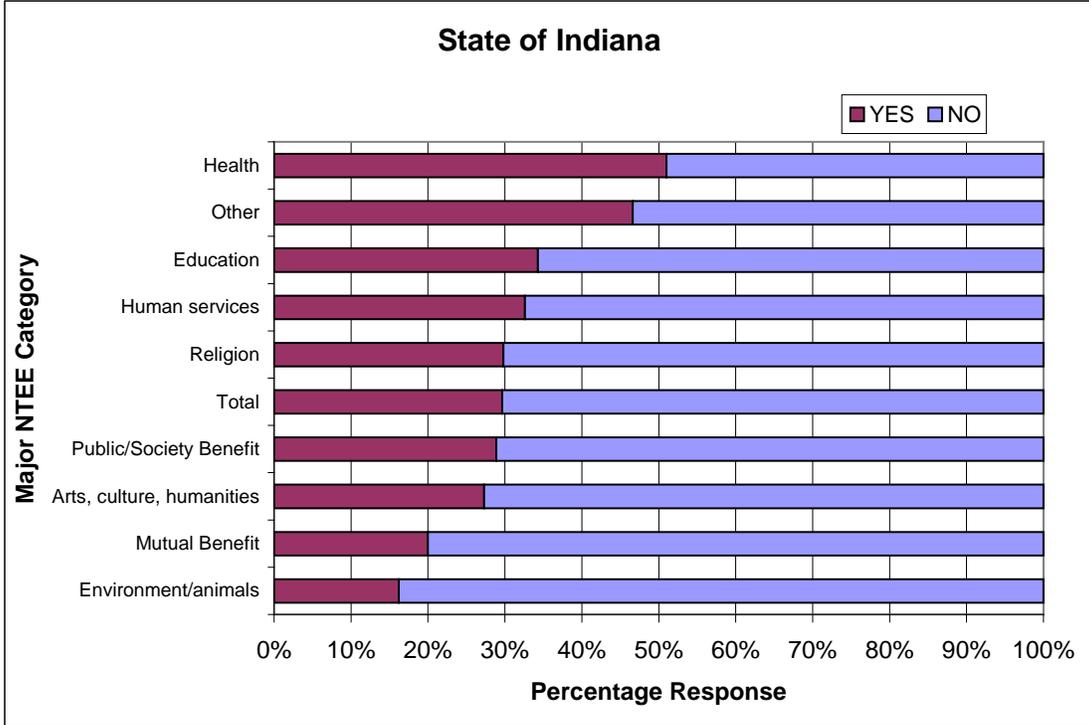
An annual report produced within the last year
Yes or No?
By Major NTEE Category



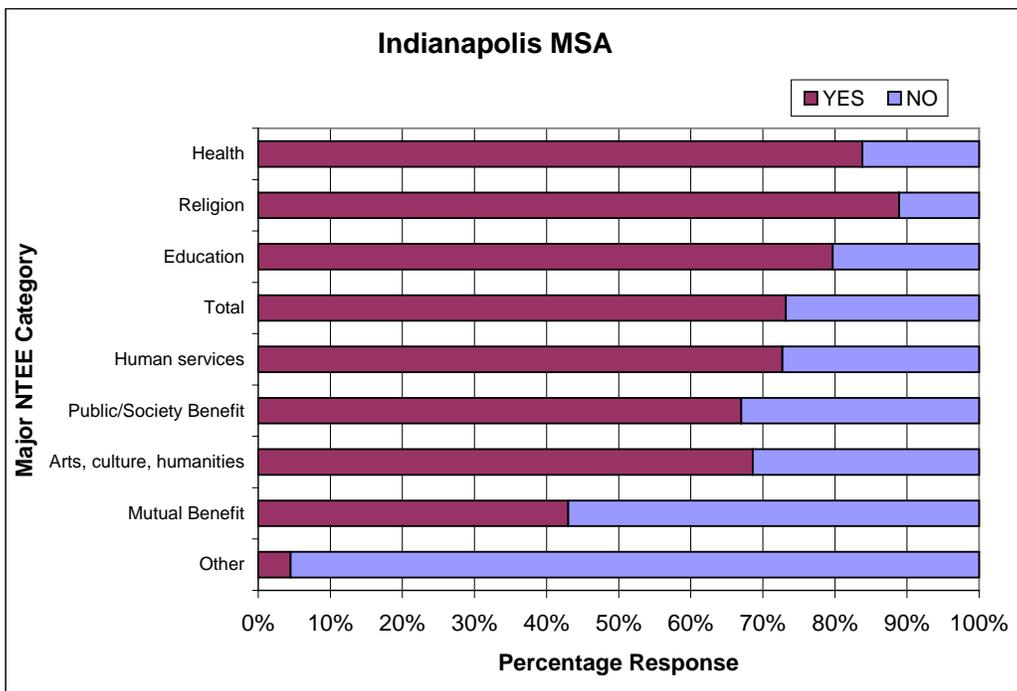
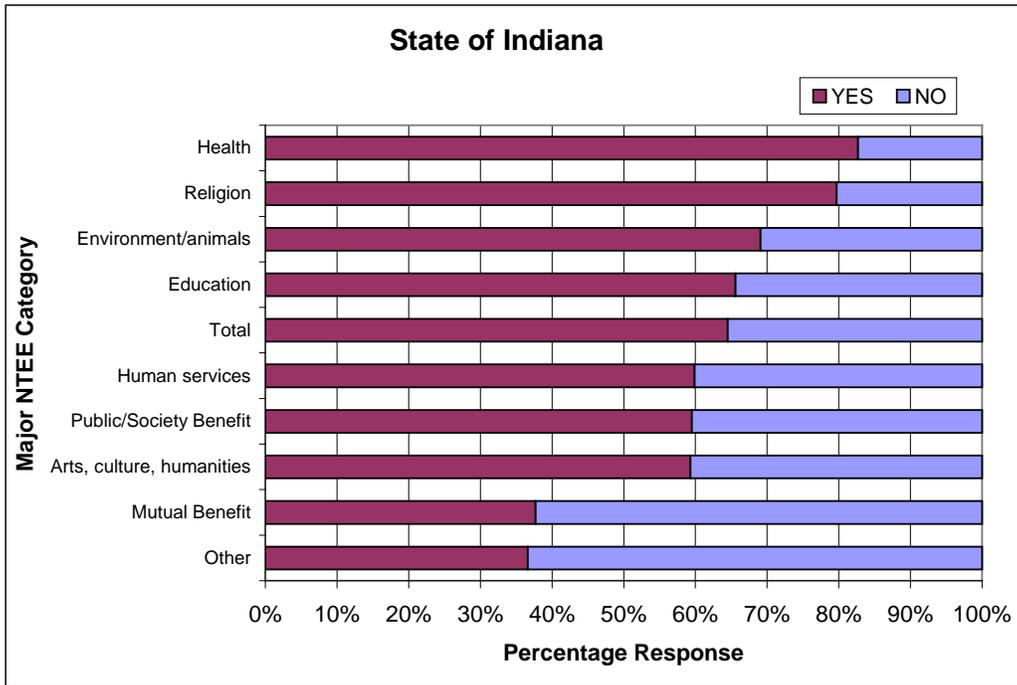
Appendix II, Figure B2
A recent audited financial statement
Yes or No?
By Major NTEE Category



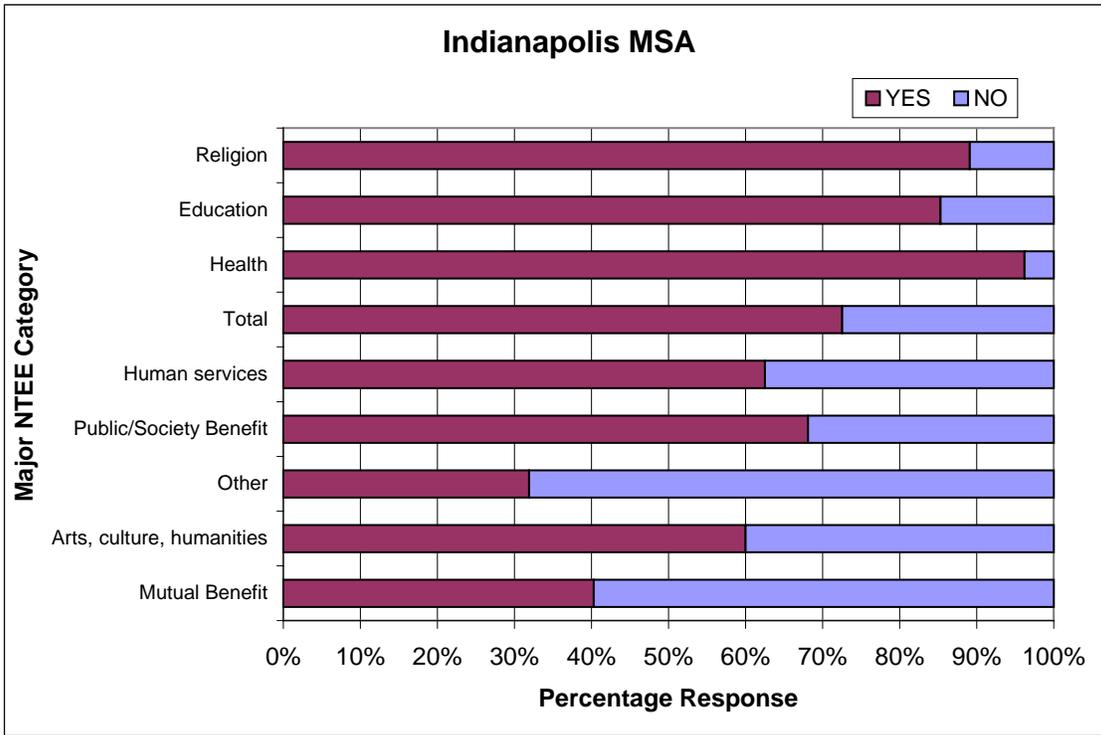
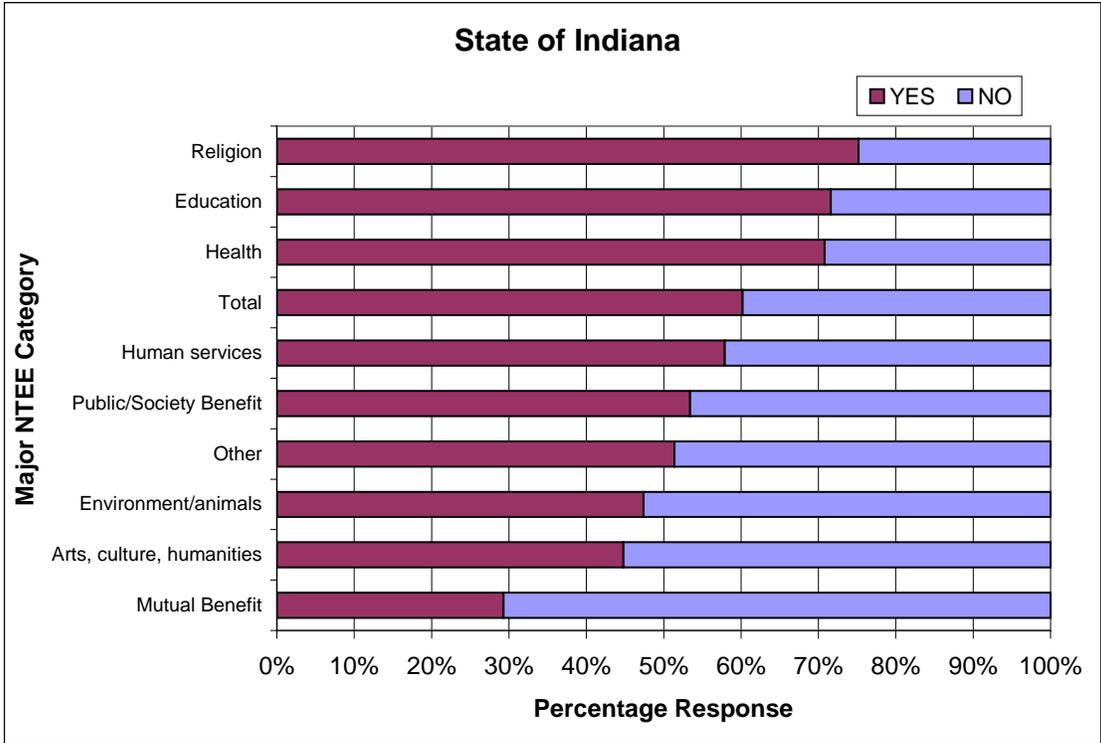
Appendix II, Figure B.3
**An evaluation or assessment of program
 outcomes/impact within the past 2 years
 Yes or No?**
 By Major NTEE Category



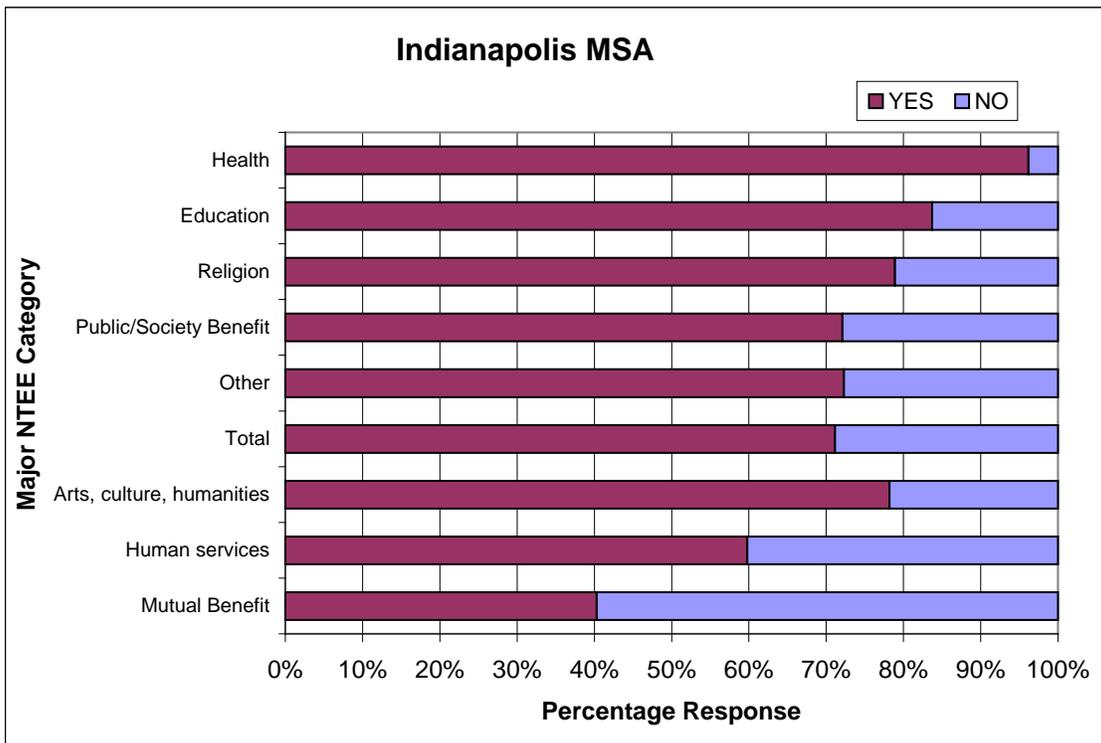
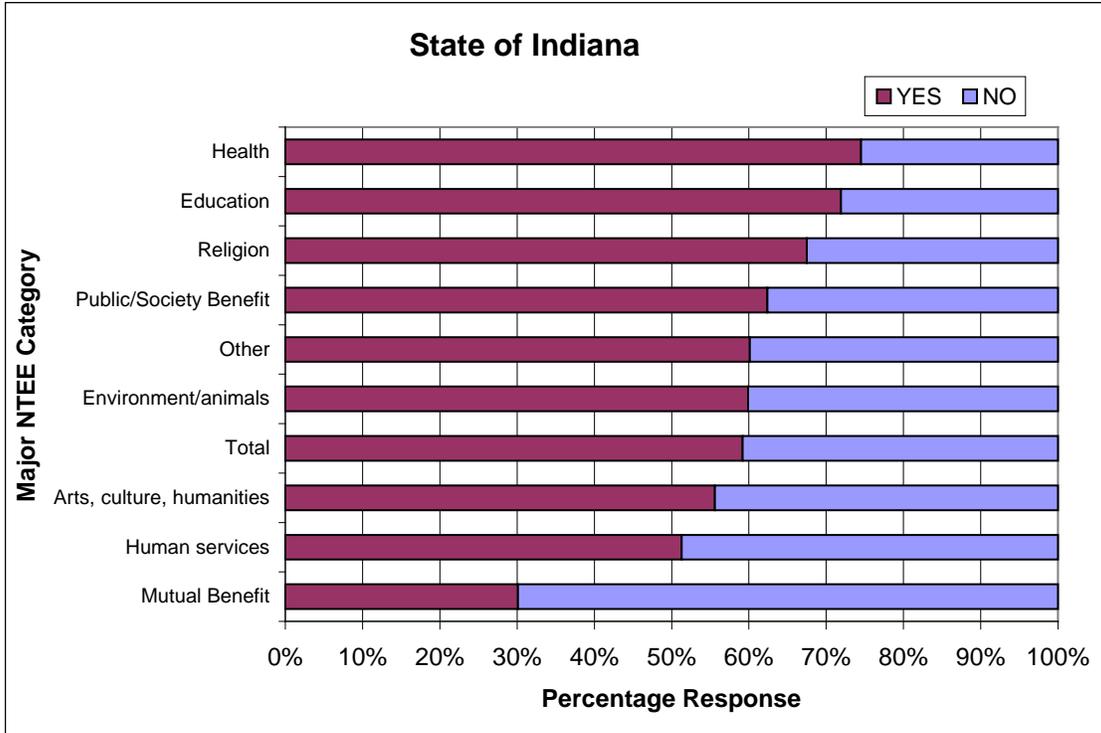
APPENDIX II
Part C: Use of Information Technology
Indianapolis MSA – State of Indiana Comparisons
Figure C.1
Computers available for key staff/volunteers
Yes or No?
By Major NTEE Category



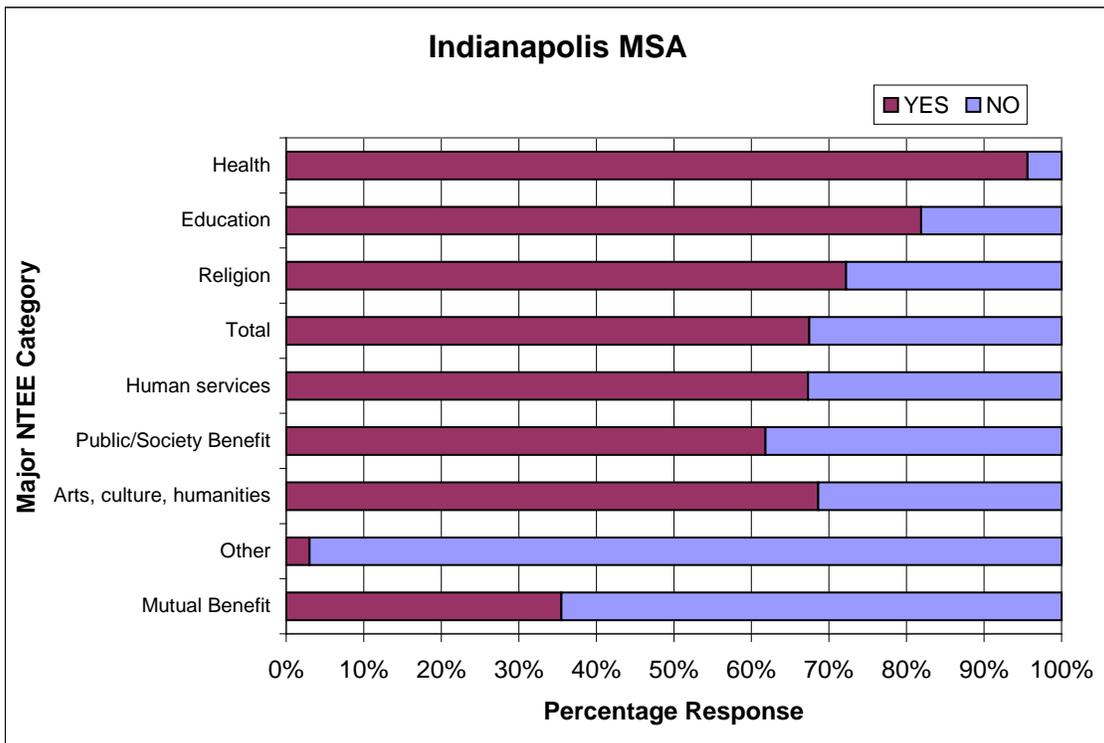
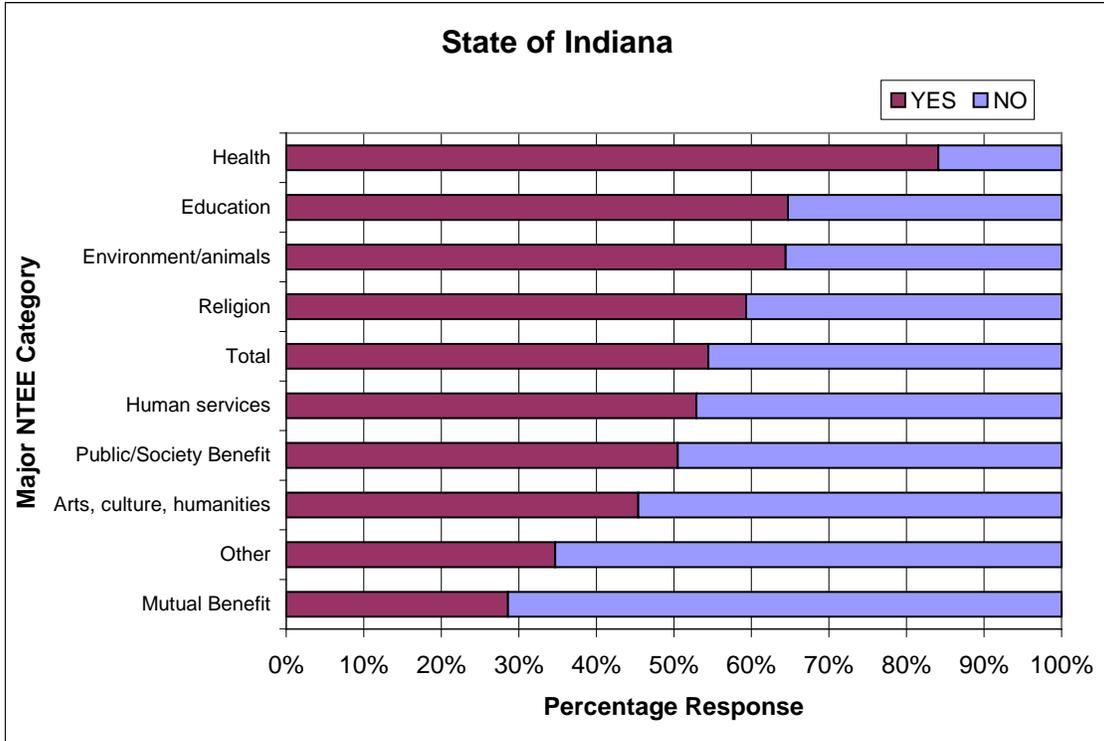
Appendix II, Figure C.2
Computerized financial records
Yes or No?
By Major NTEE Category



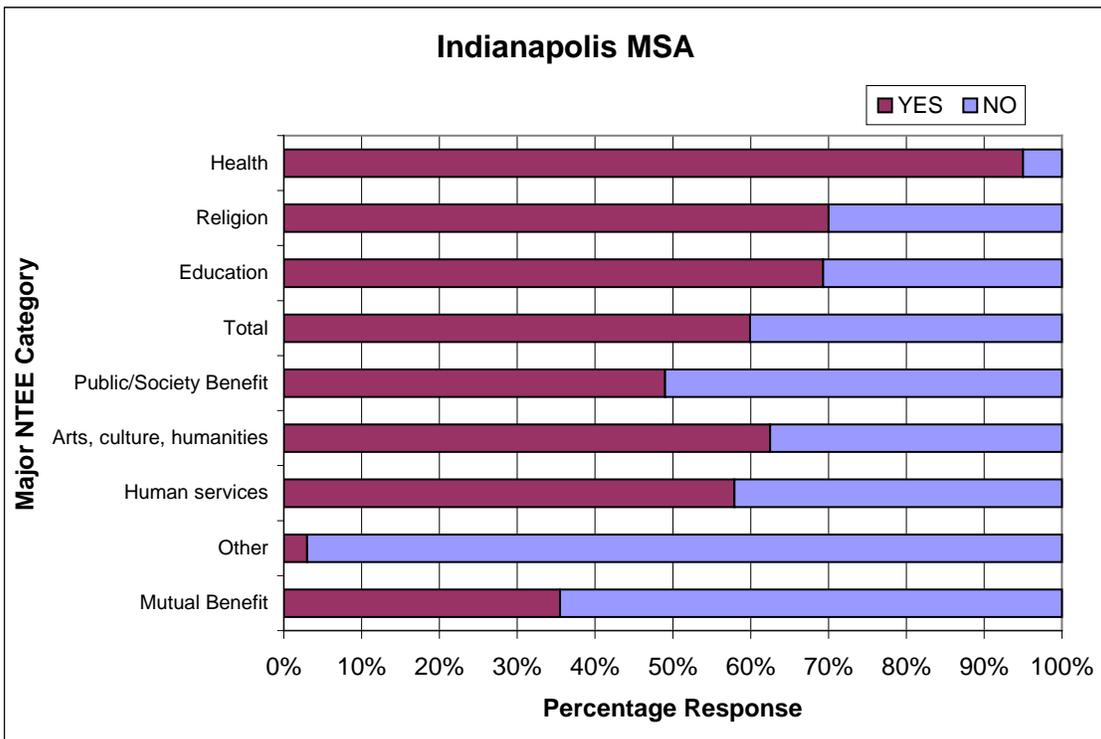
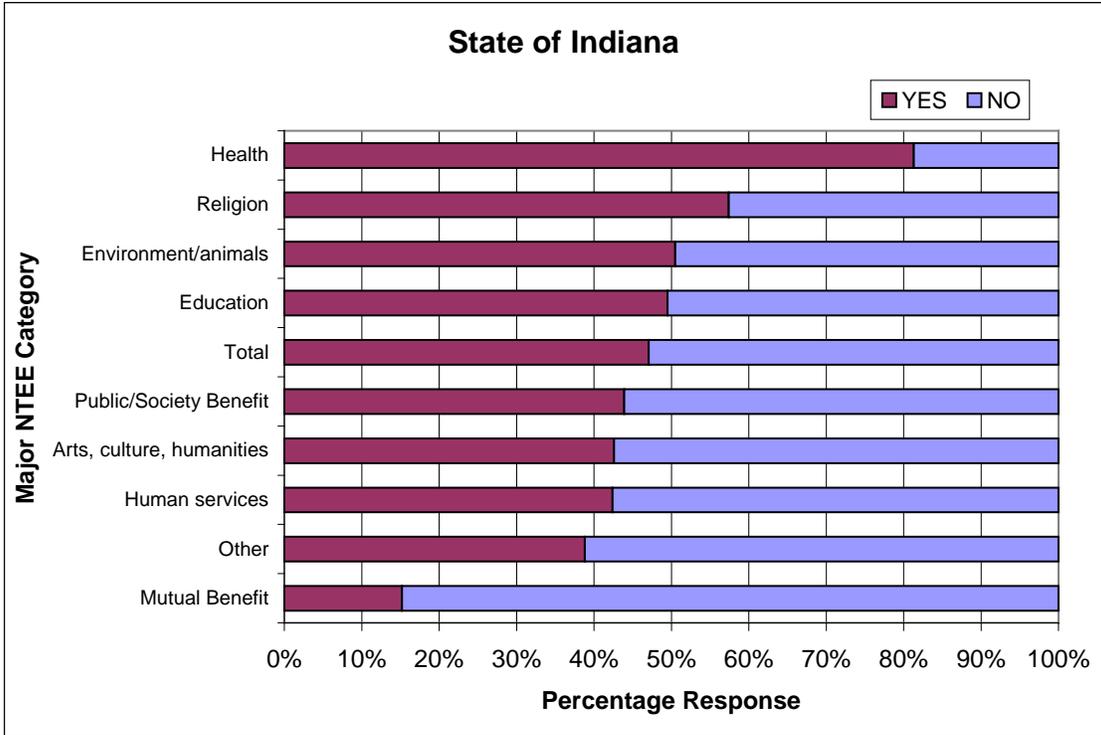
Appendix II, Figure C.3
Computerized client/member/program records
Yes or No?
By Major NTEE Category



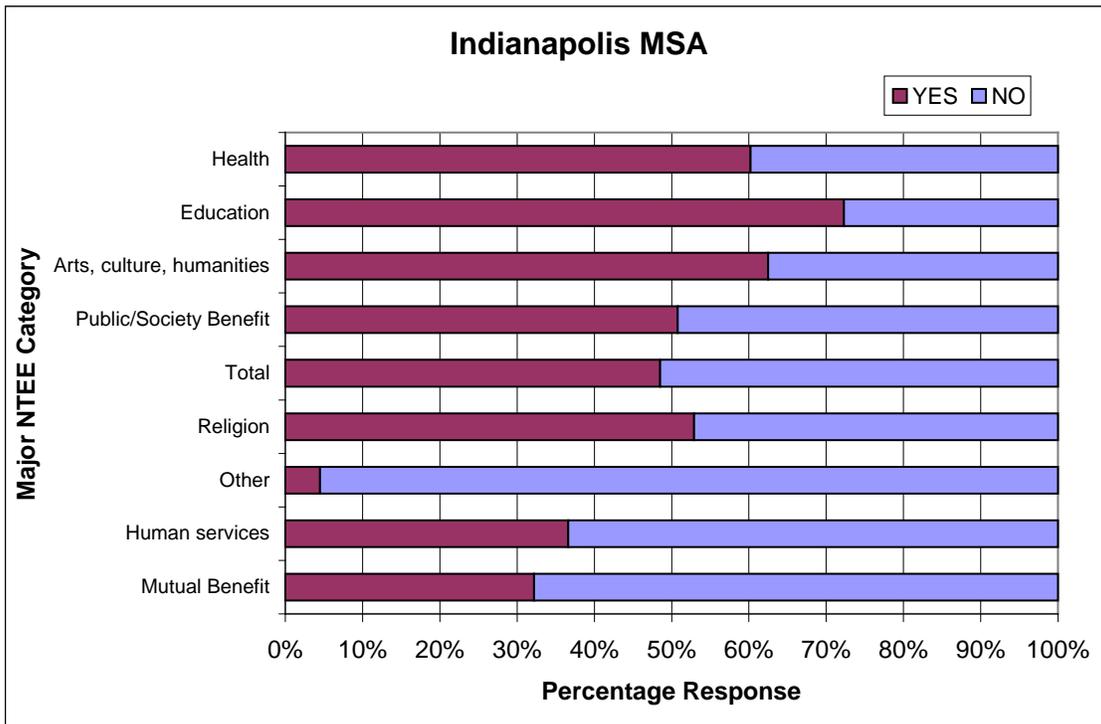
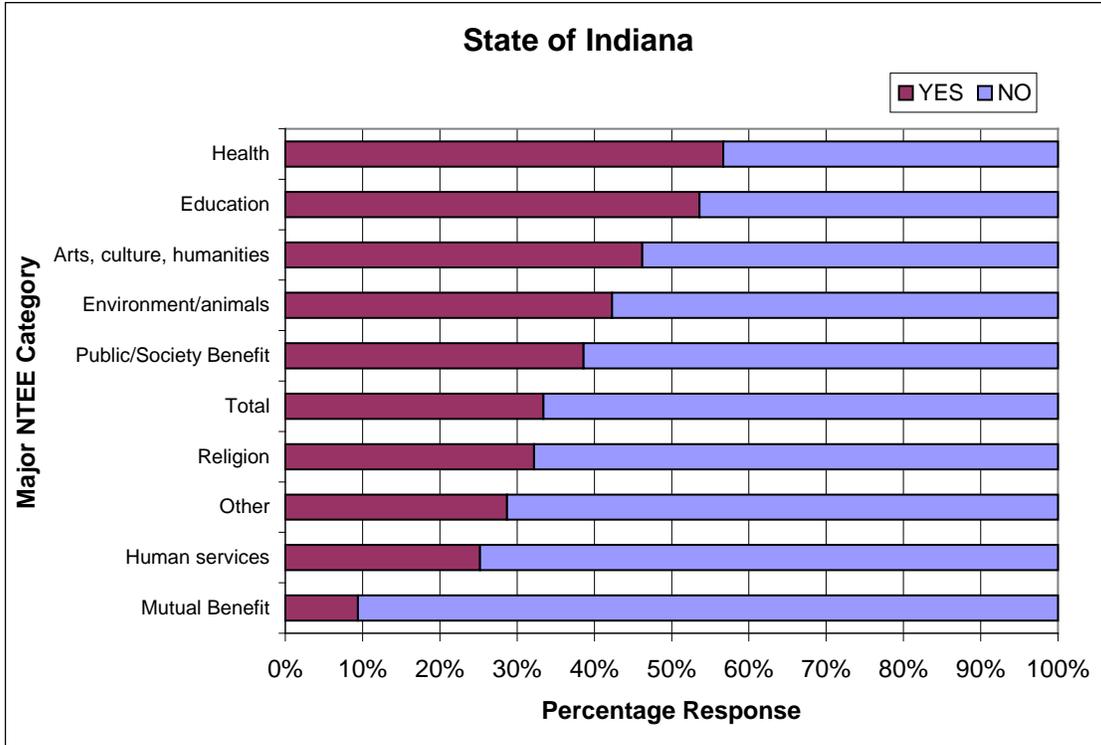
Appendix II, Figure C.4
Direct internet access for key staff/volunteers
Yes or No?
By Major NTEE Category



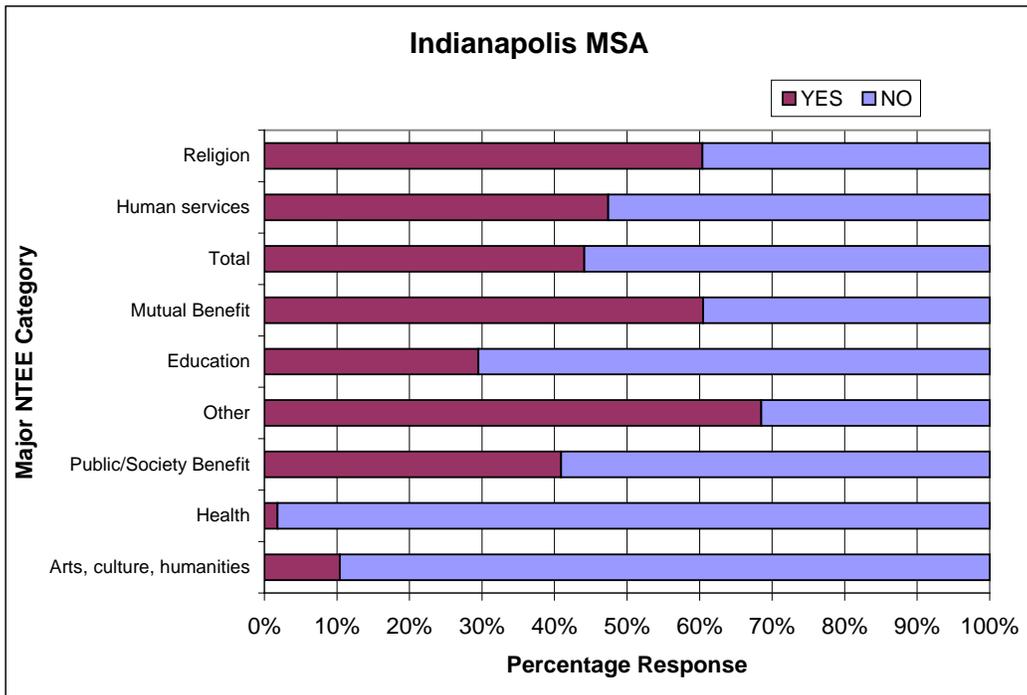
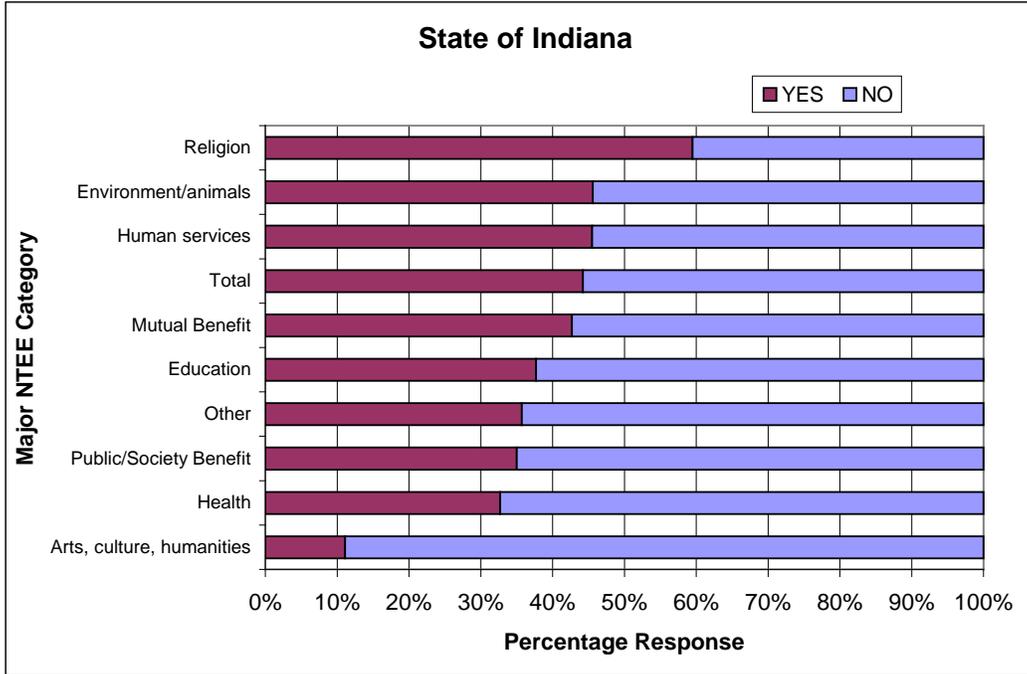
Appendix II, Figure C.5
An email address for your organization
Yes or No?
By Major NTEE Category



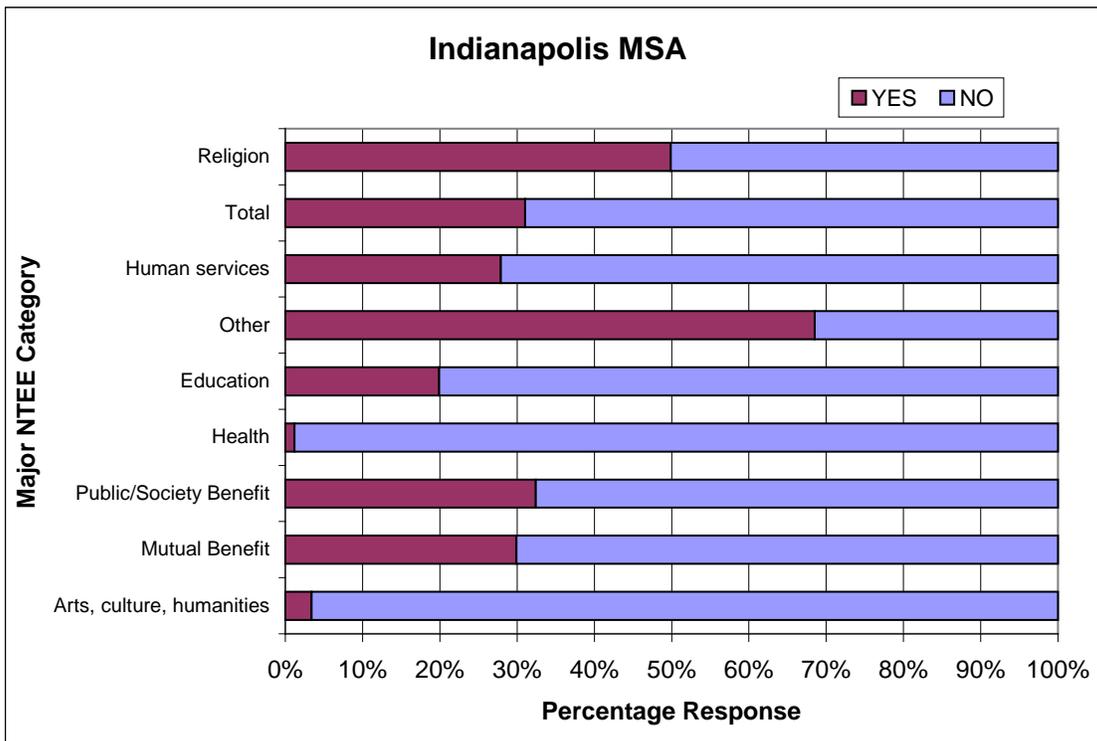
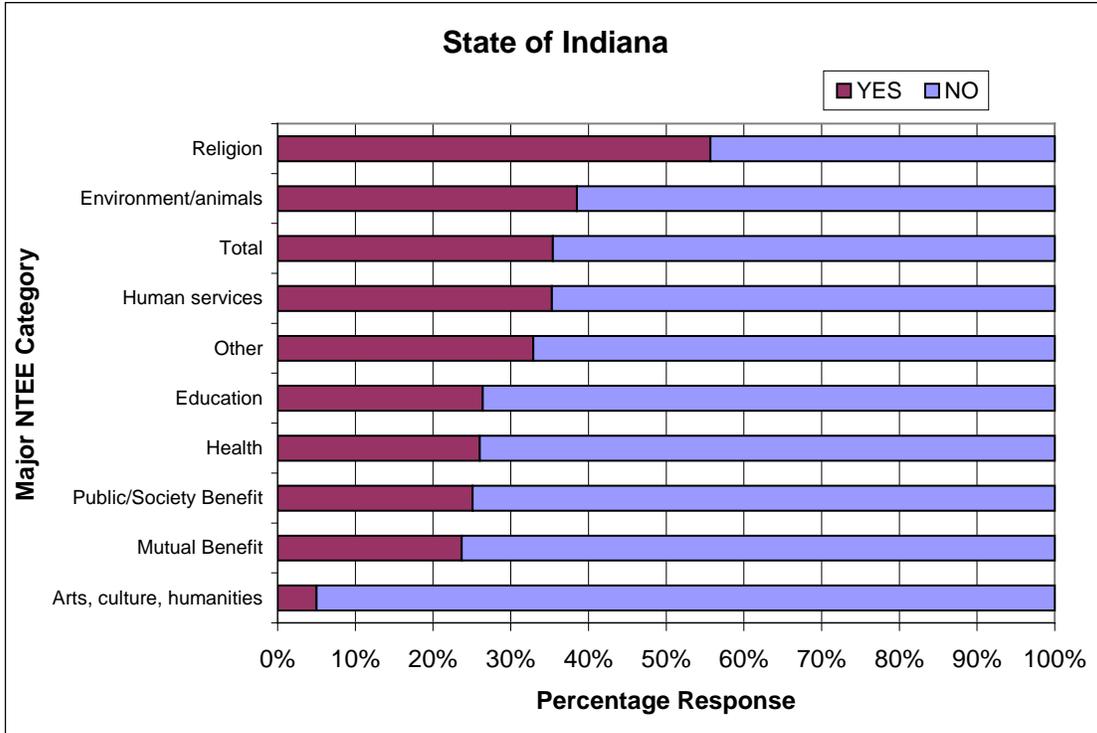
Appendix II, Figure C.6
A web site for your organization
 Yes or No?
 By Major NTEE Category



APPENDIX II
Part D: Financial Planning
Indianapolis MSA – State of Indiana Comparisons
Figure D.1
Reserves dedicated to maintenance/equipment
Yes or No?
By Major NTEE Category



Appendix II, Figure D.2
Reserves dedicated to capital improvement
Yes or No?
By Major NTEE Category



APPENDIX III

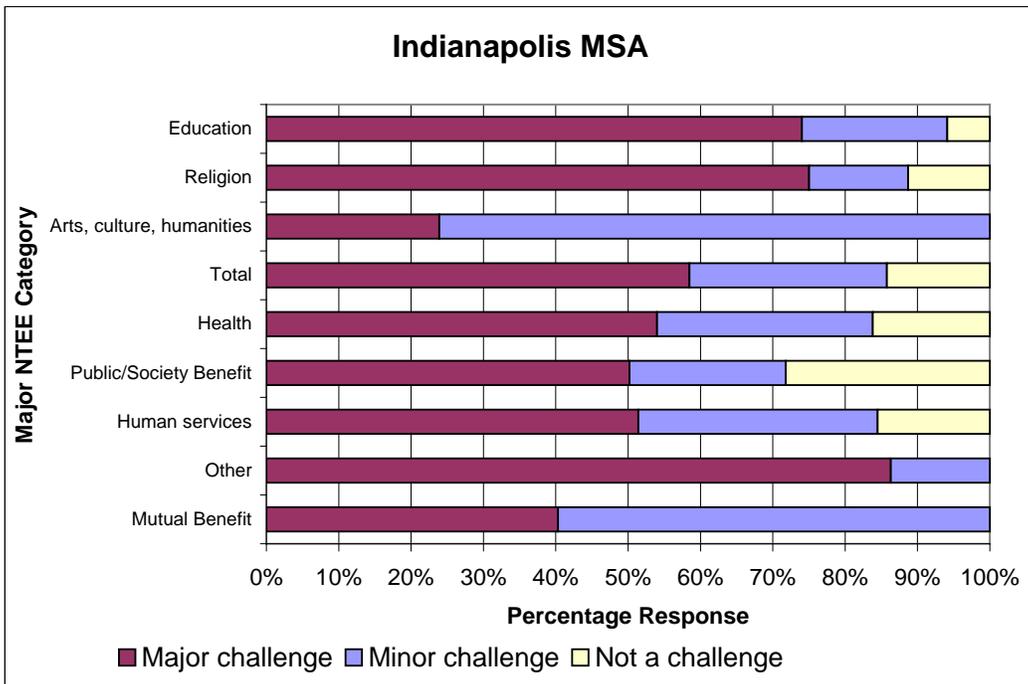
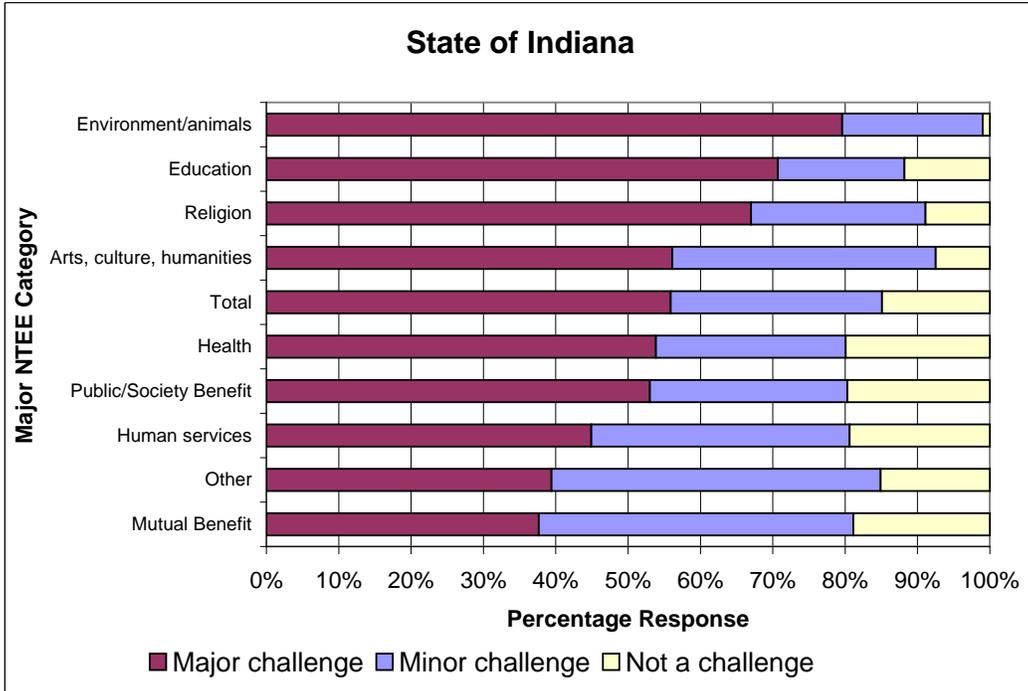
Part A: Mission/Planning Related Management Challenges: Indianapolis MSA – State of Indiana Comparisons

Figure A.1

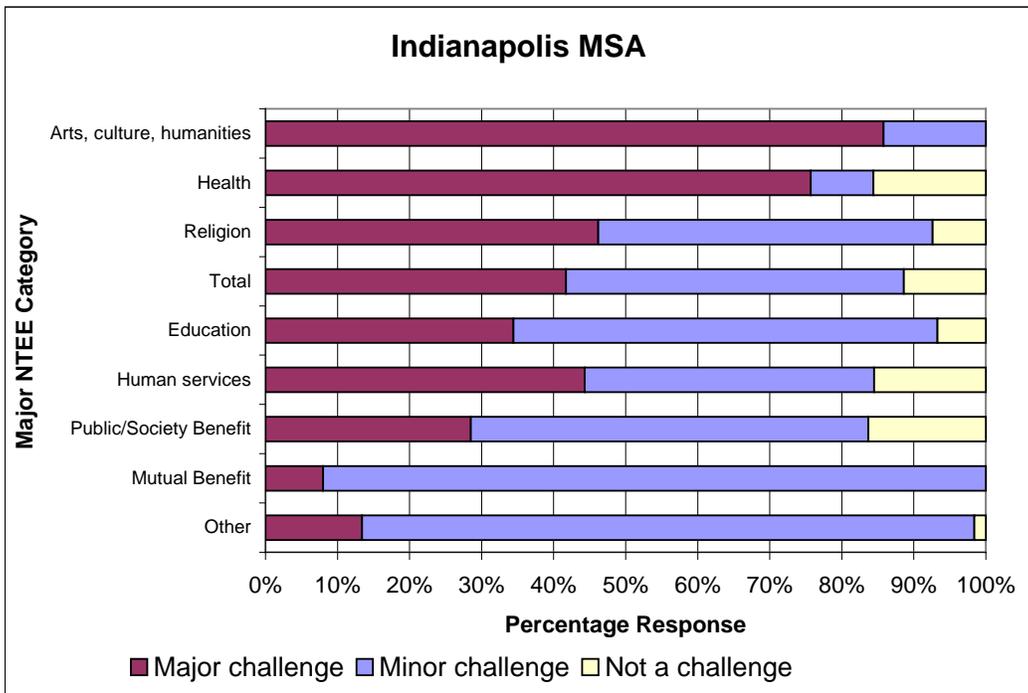
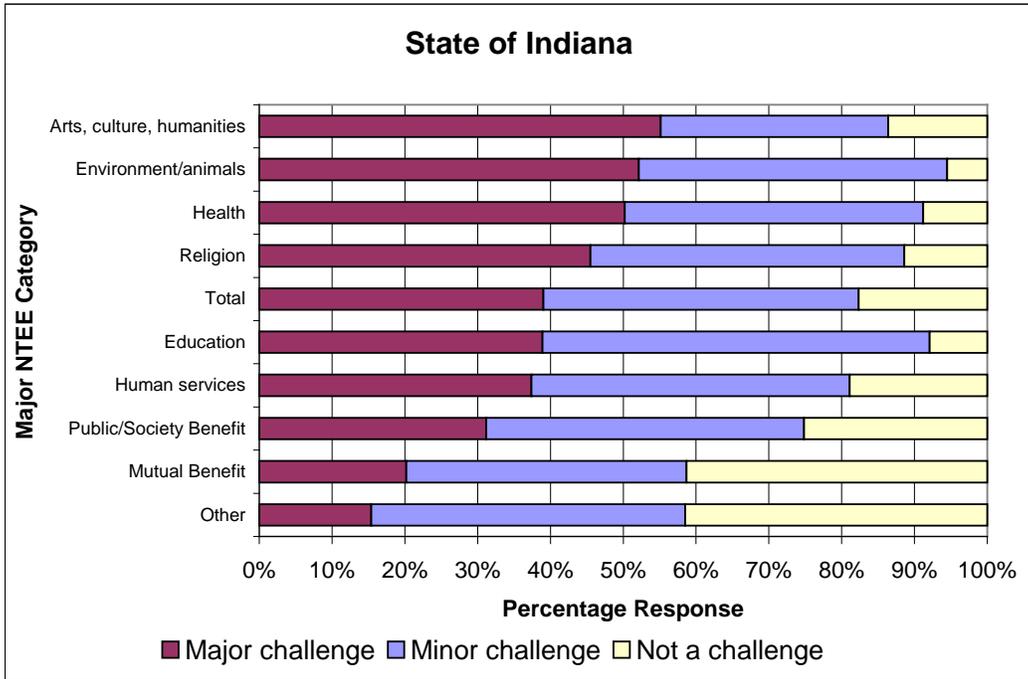
Attracting new members or clients

A major, minor, or no challenge?

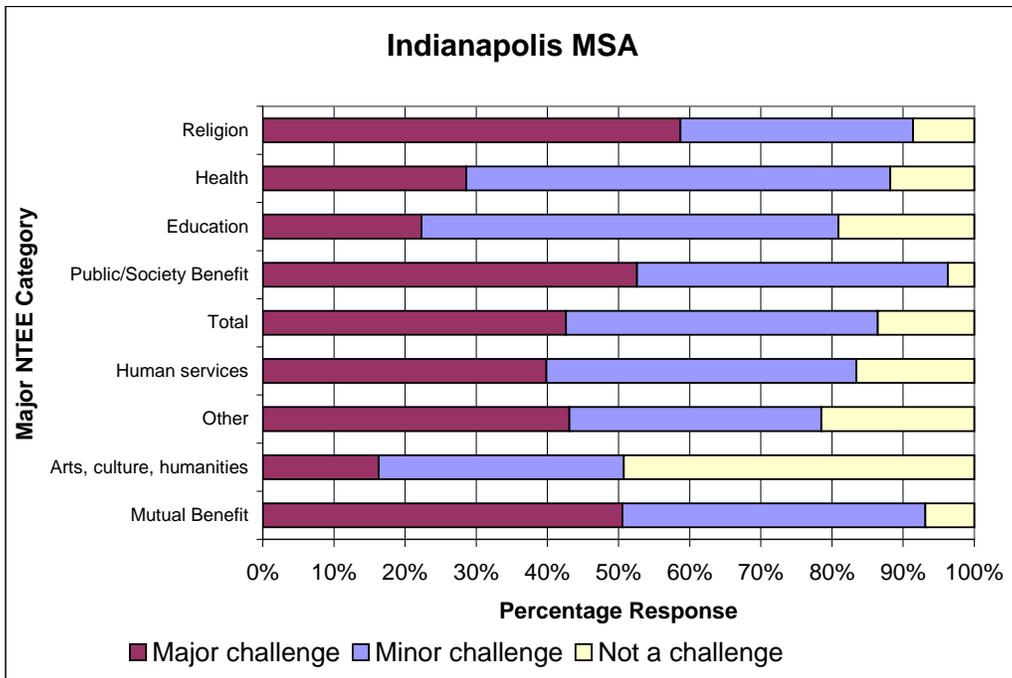
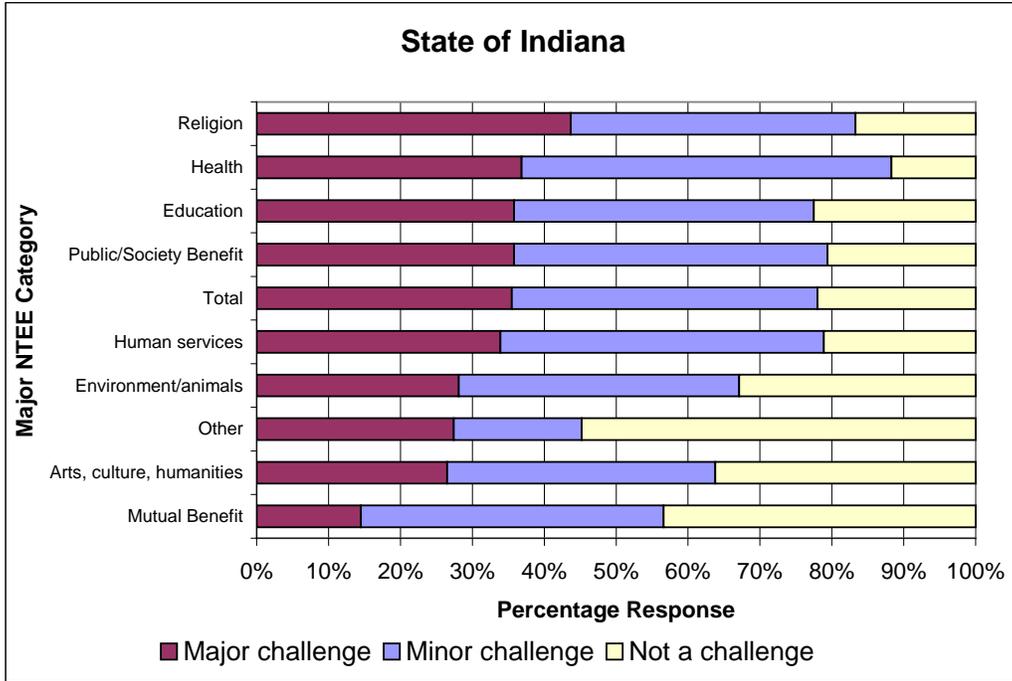
By Major NTEE Category



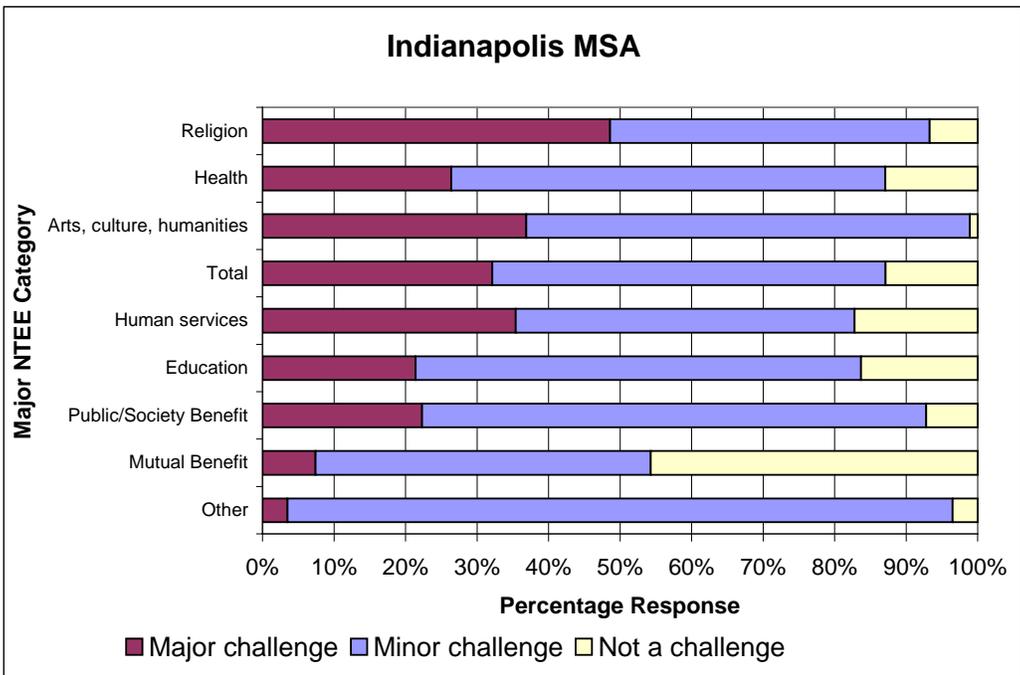
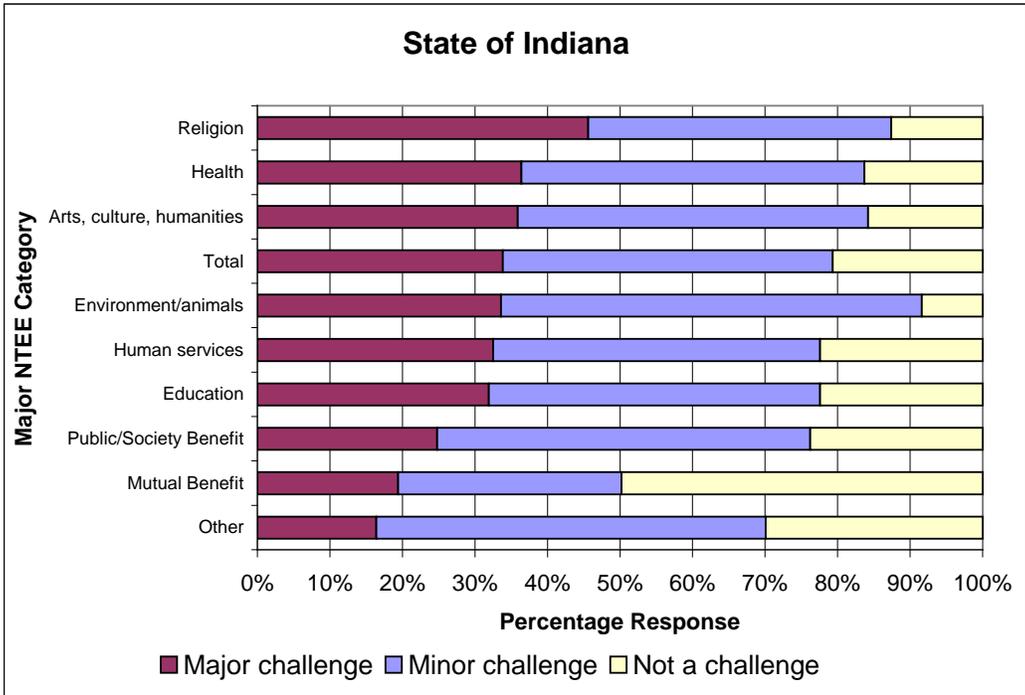
Appendix III, Figure A.2
Enhancing the visibility/reputation of your organization
A major, minor, or no challenge?
By Major NTEE Category



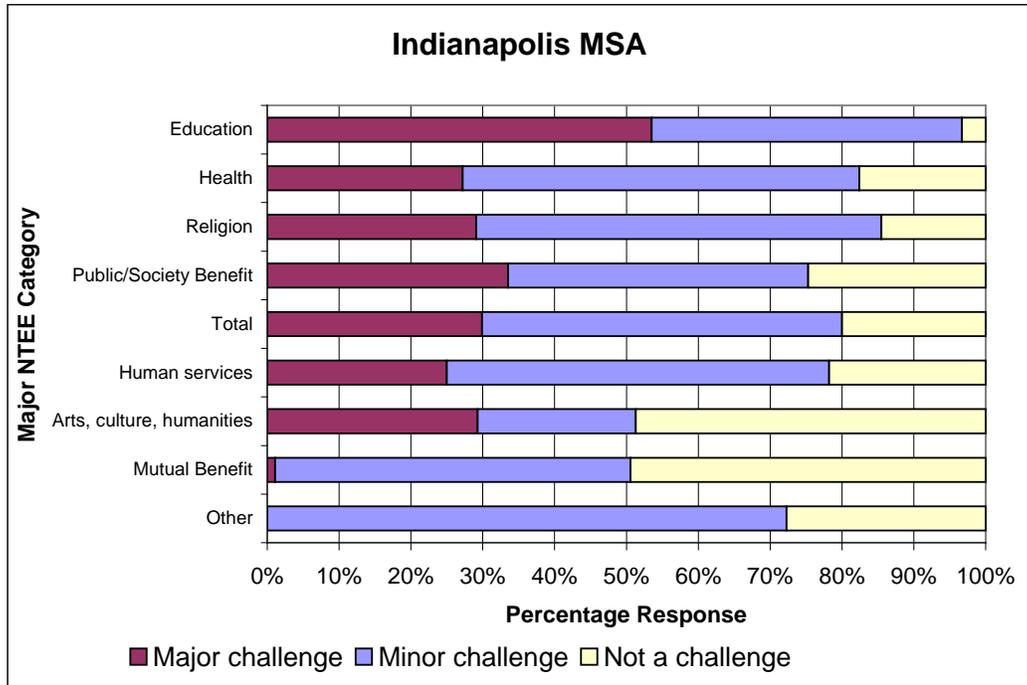
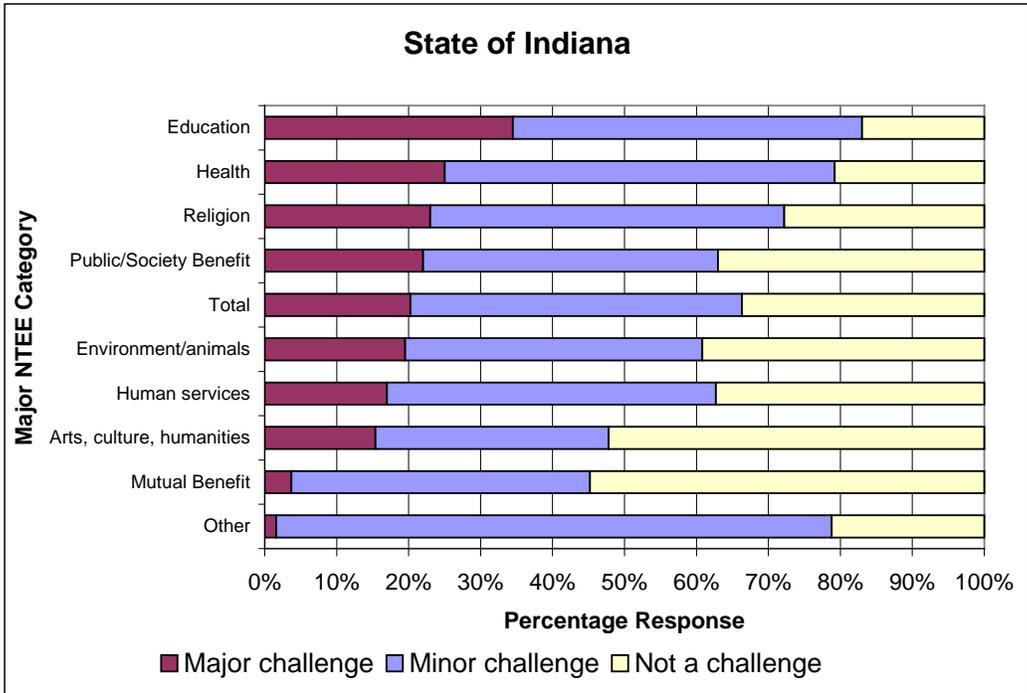
Appendix III, Figure A.3
Meeting the needs/interests of current members/clients
A major, minor, or no challenge?
By Major NTEE Category



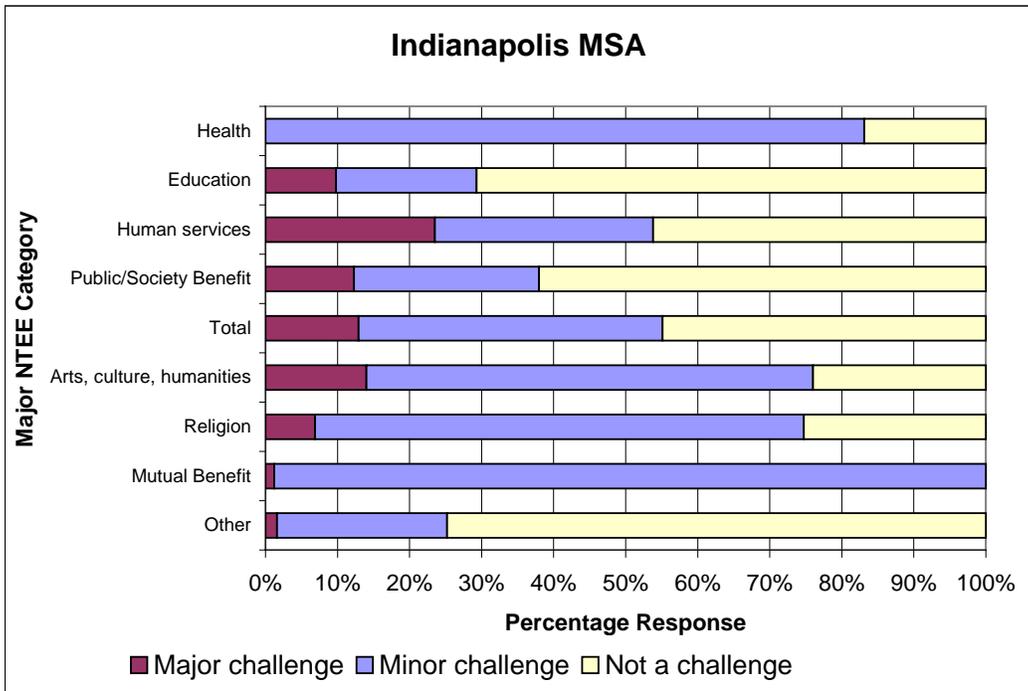
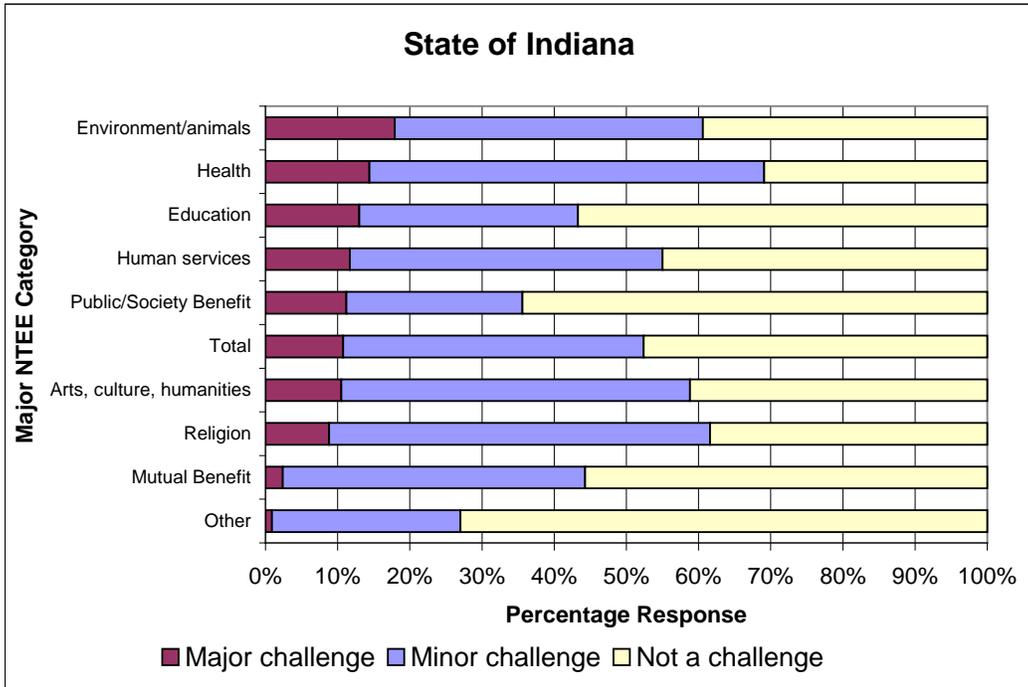
Appendix III, Figure A.4
Strategic Planning for Your Organization
A major, minor, or no challenge?
By Major NTEE Category



Appendix III, Figure A.5
Communicating with members/clients
A major, minor, or no challenge?
By Major NTEE Category



Appendix III, Figure A.6
Forming/maintaining good relations with other entities
A major, minor, or no challenge?
By Major NTEE Category



APPENDIX III

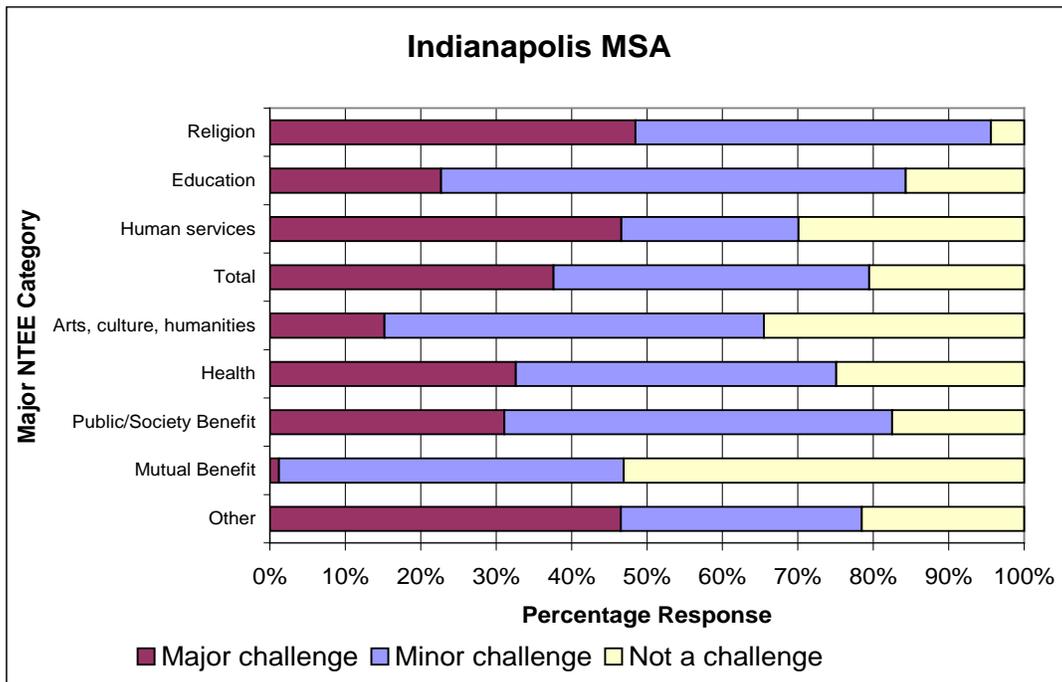
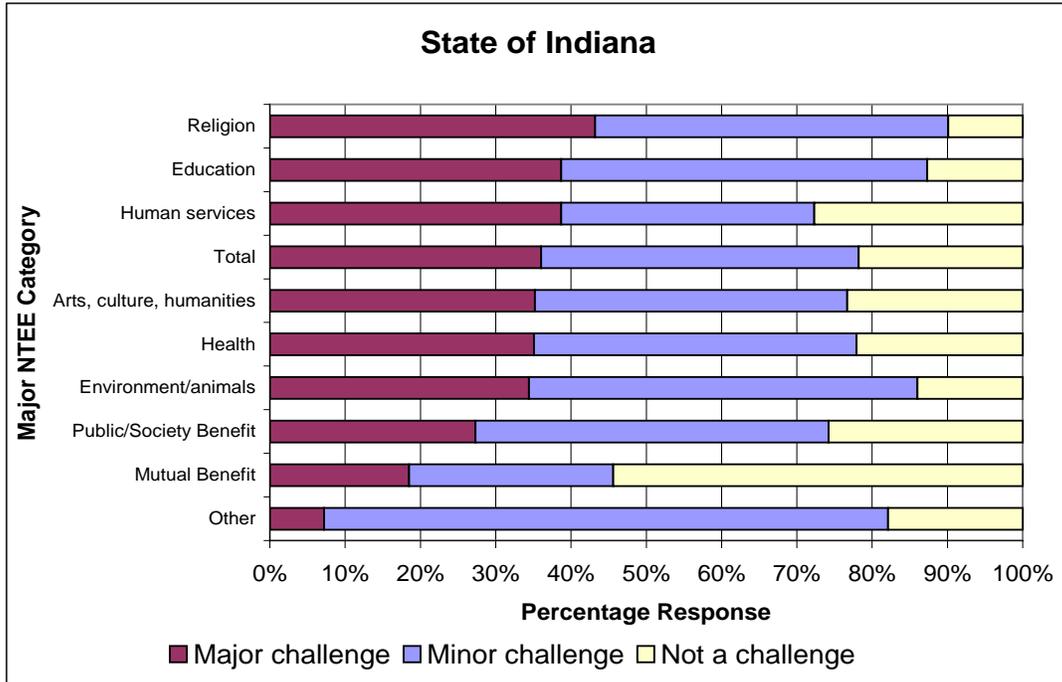
Part B: Programs/Services Related Management Challenges: Indianapolis MSA – State of Indiana Comparisons

Figure B.1

Delivering high quality program/services

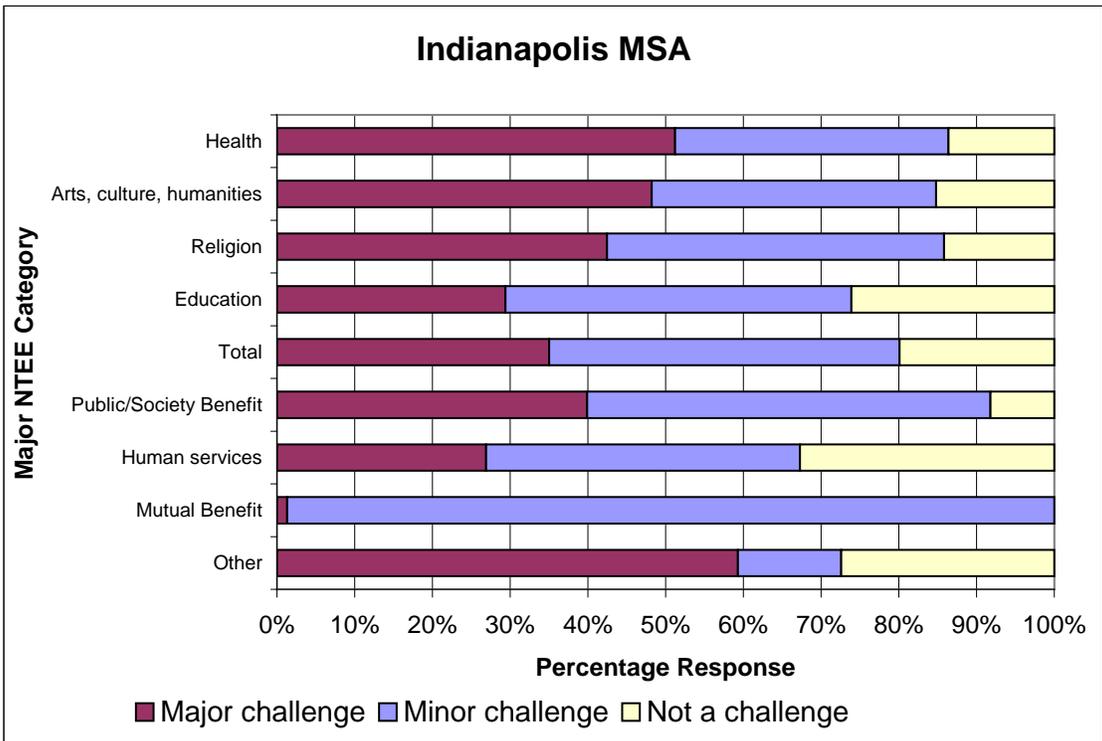
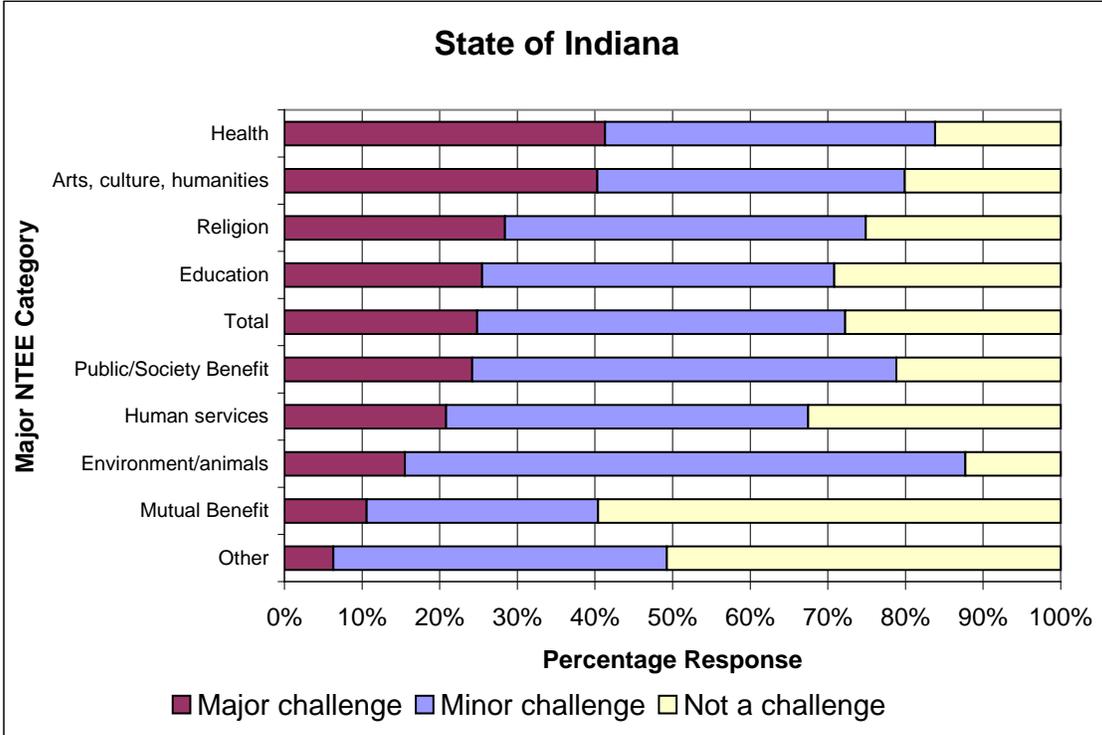
A major, minor, or no challenge?

By Major NTEE Category



Appendix III, Figure B.2

Evaluating or assessing program outcomes or impact
A major, minor, or no challenge?
By Major NTEE Category

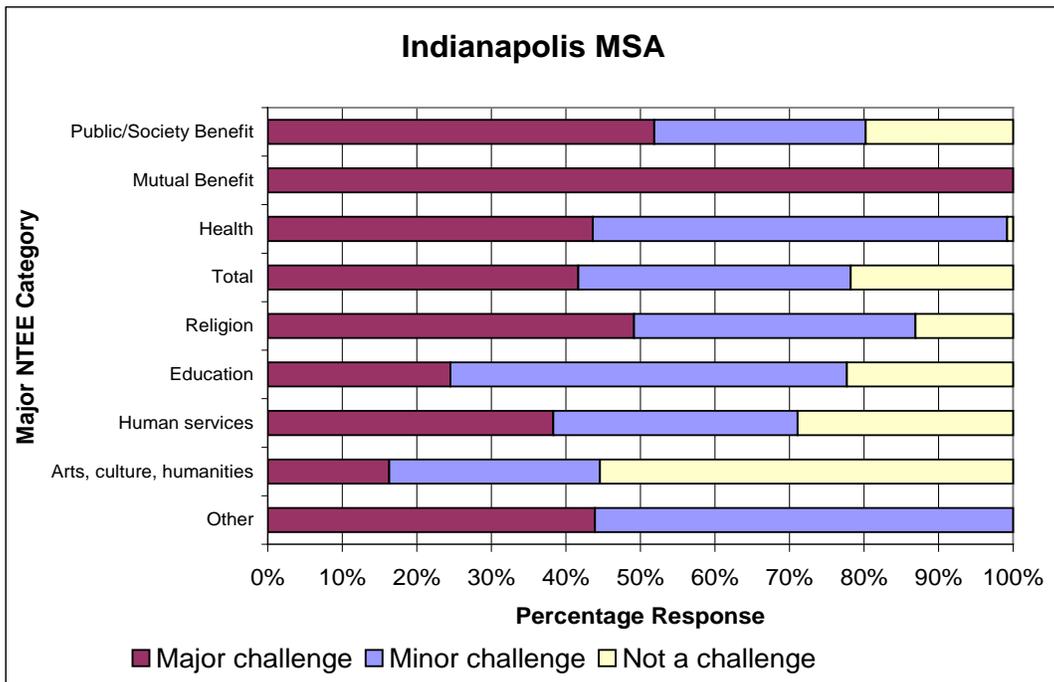
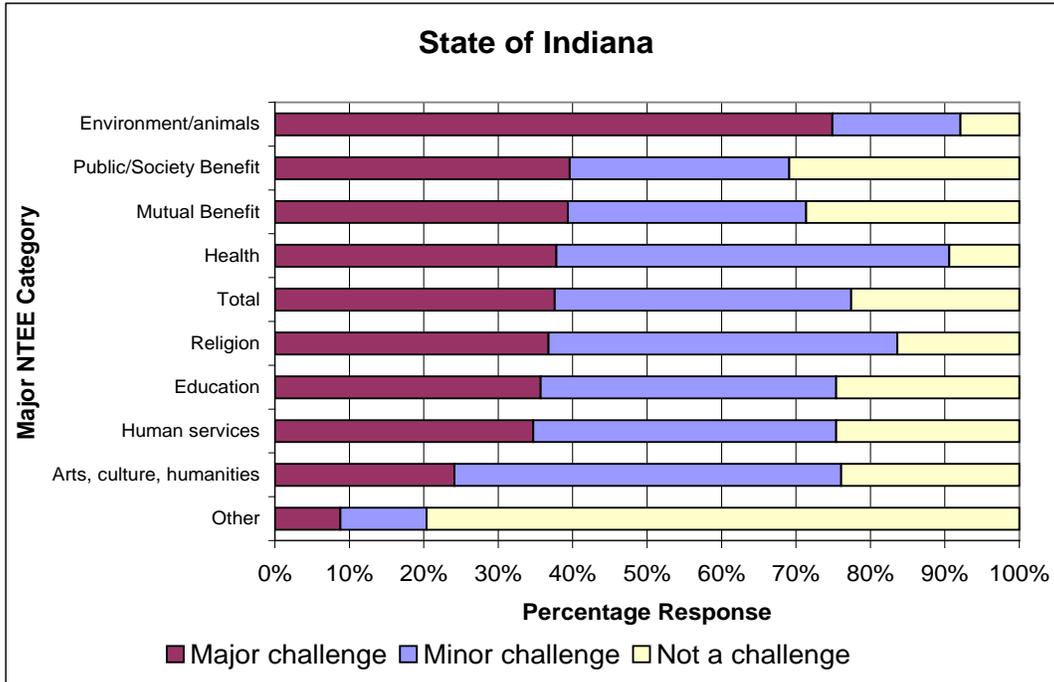


APPENDIX III

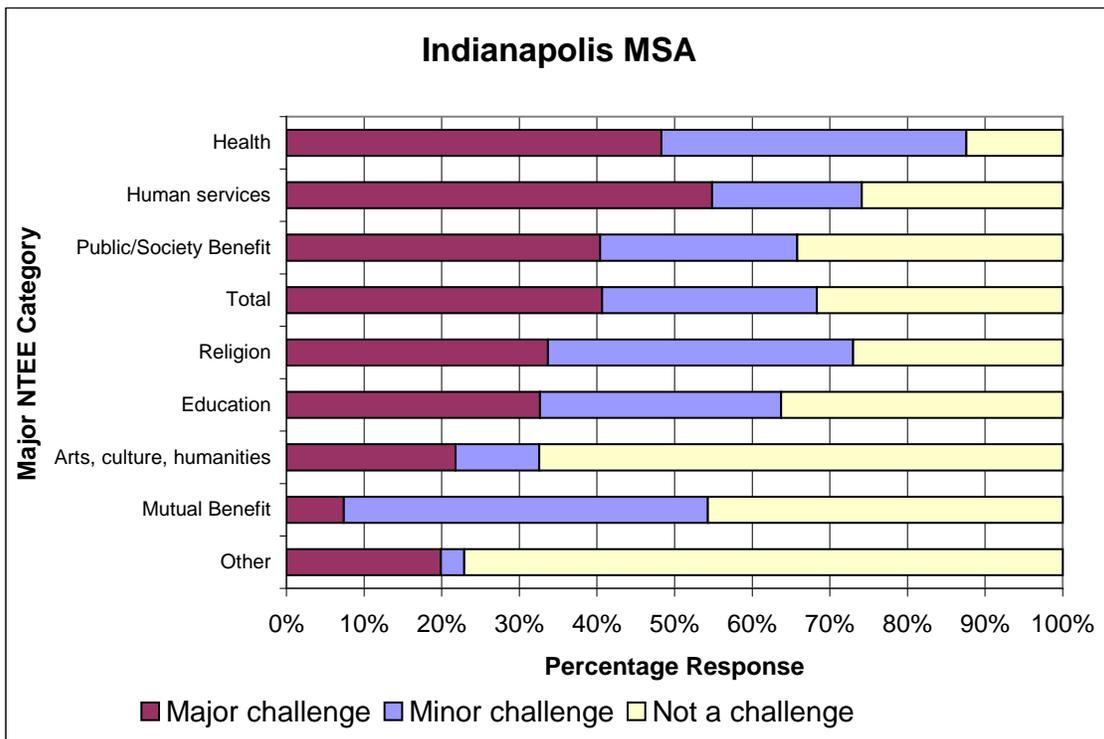
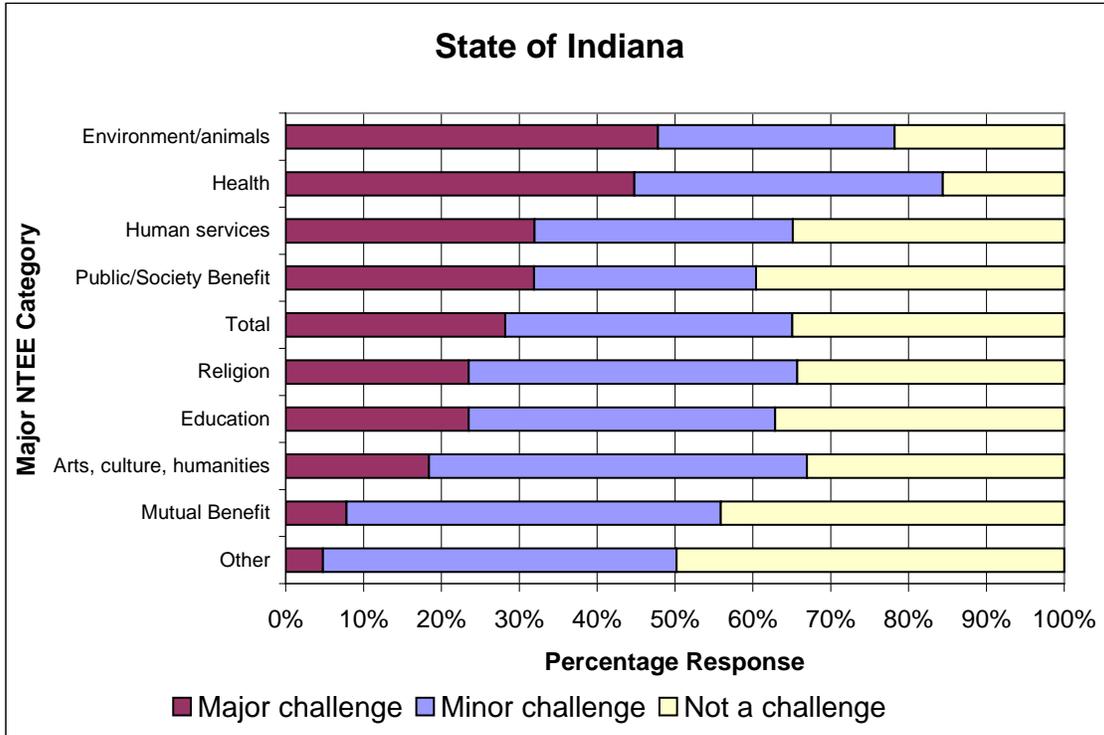
Part C. Human Resources Related Management Challenges: Indianapolis MSA – State of Indiana Comparisons

Figure C.1

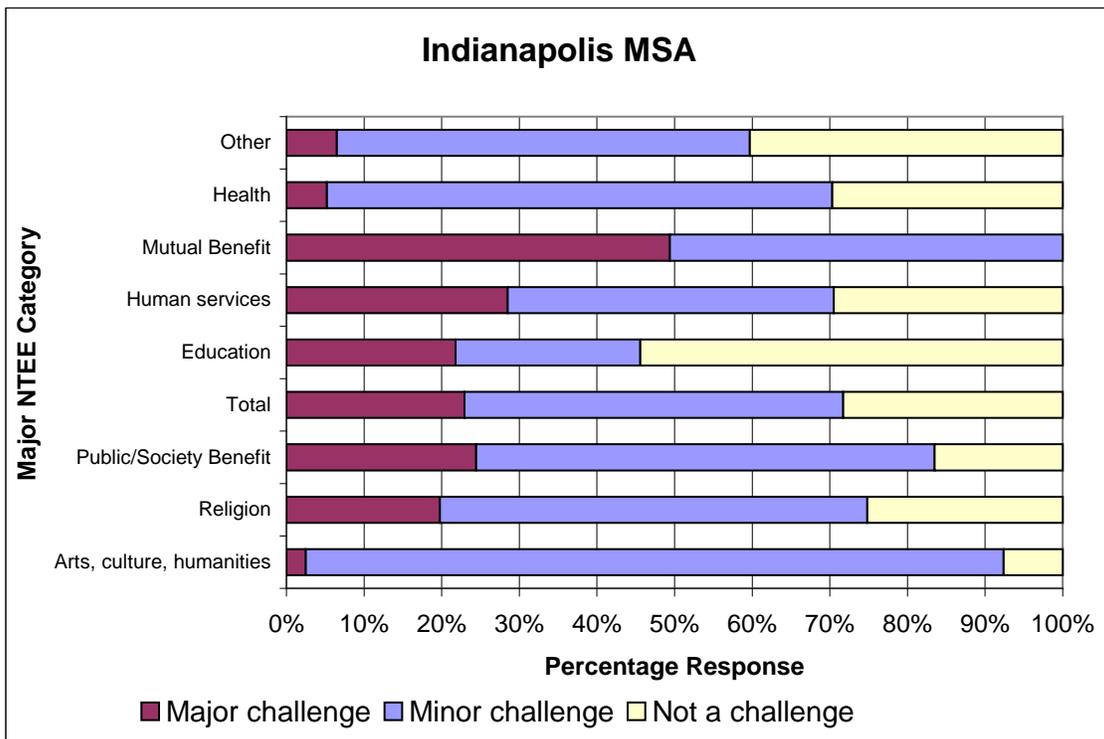
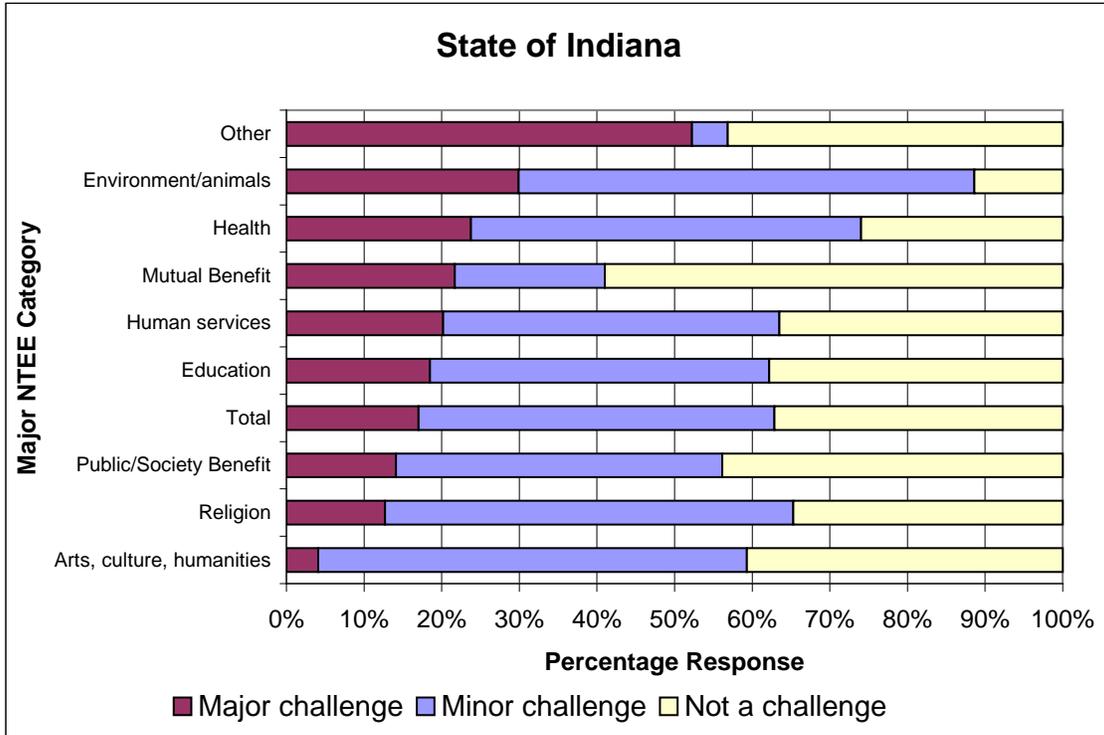
Recruiting/keeping qualified and reliable volunteers A major, minor, or no challenge? By Major NTEE Category



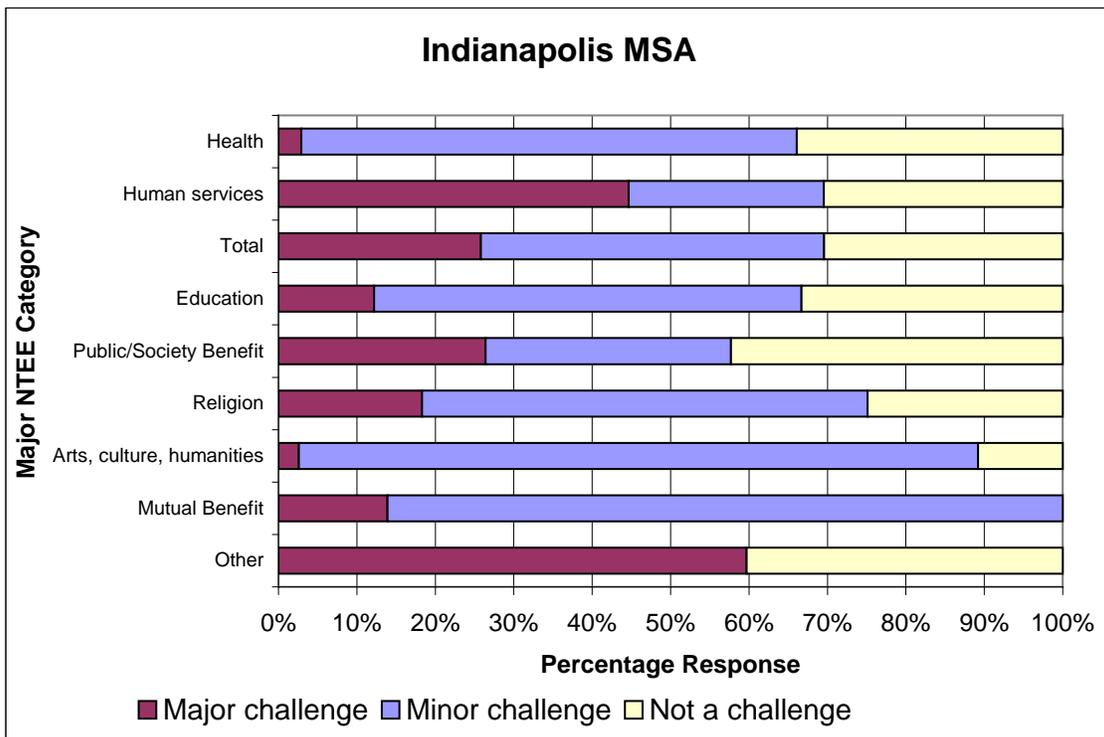
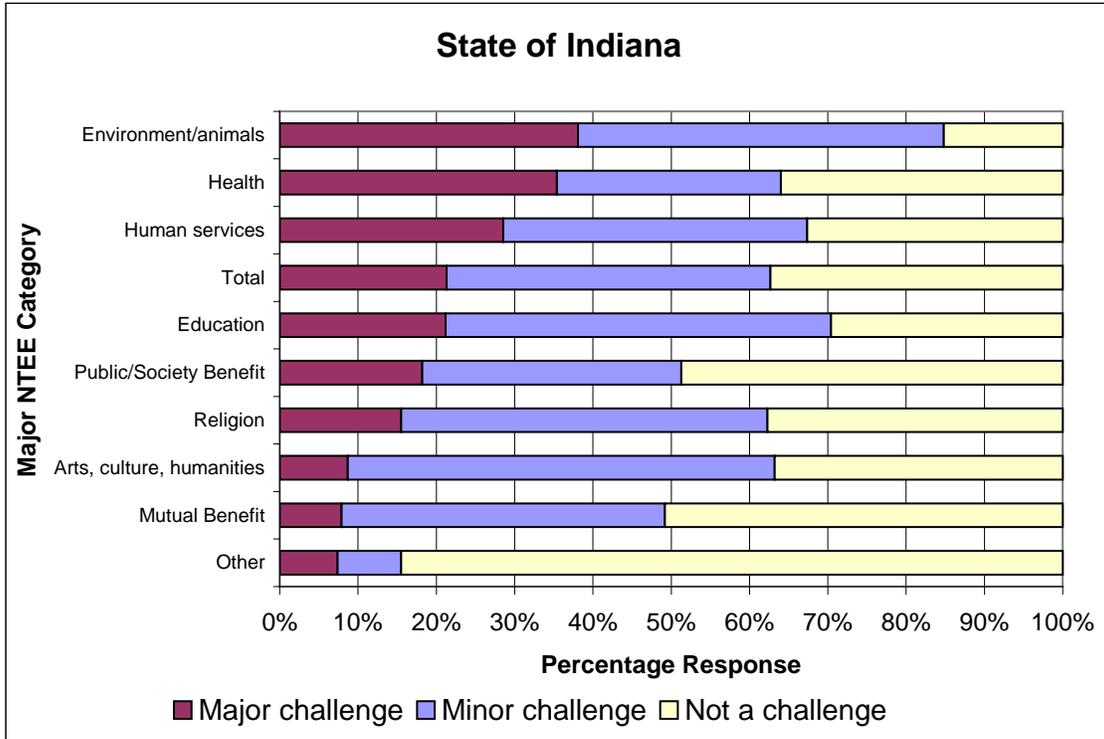
Appendix III, Figure C.2
Recruiting/keeping effective board members
A major, minor, or no challenge?
By Major NTEE Category



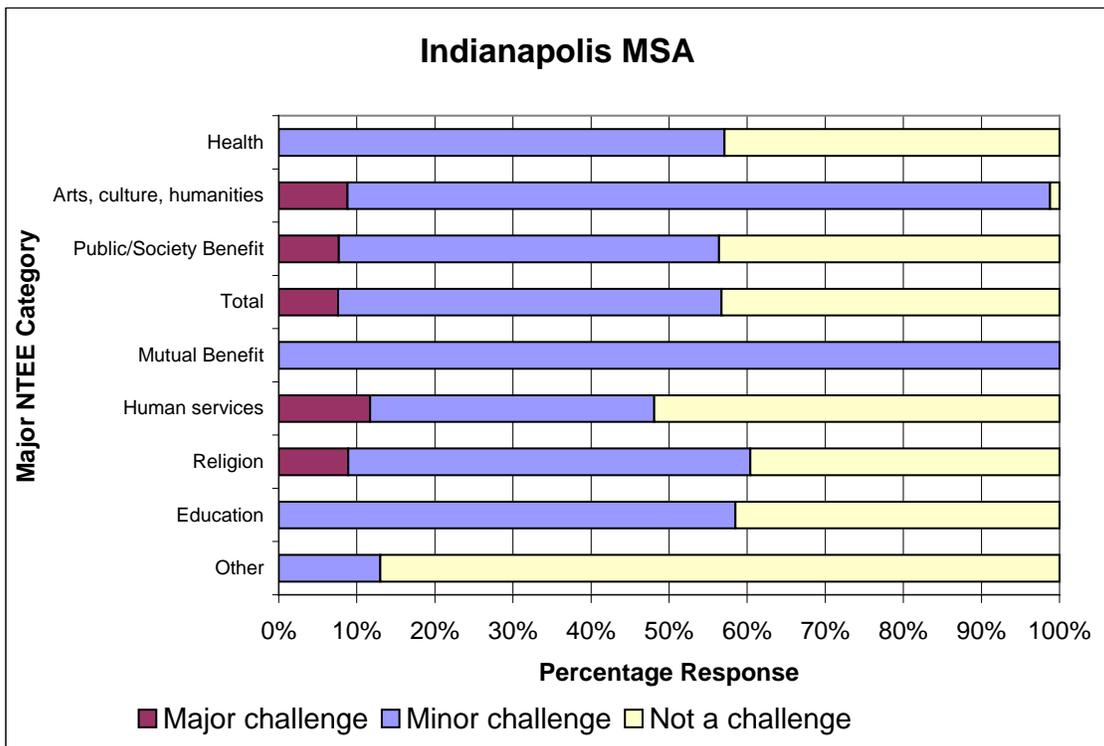
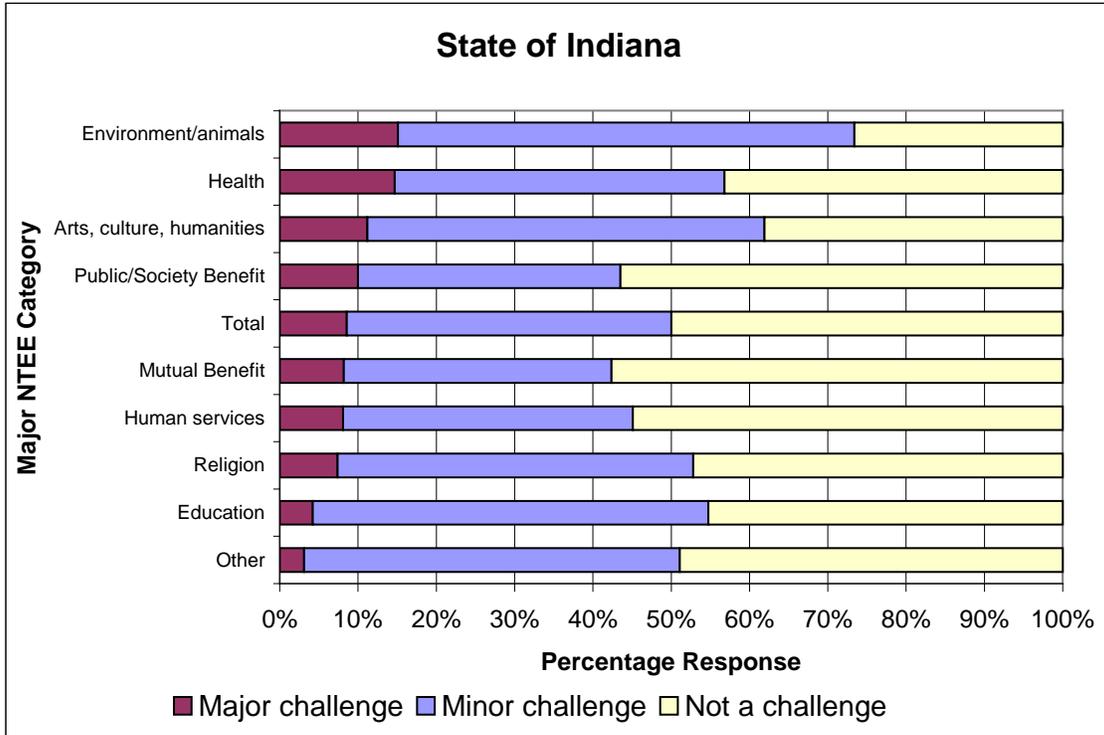
Appendix III, Figure C.3
Managing human resources (staff and volunteers)
A major, minor, or no challenge?
By Major NTEE Category



Appendix III, Figure C.4
Recruiting/keeping qualified staff
A major, minor, or no challenge?
By Major NTEE Category



Appendix III, Figure C.5
Managing or improving board/staff relations
A major, minor, or no challenge?
By Major NTEE Category

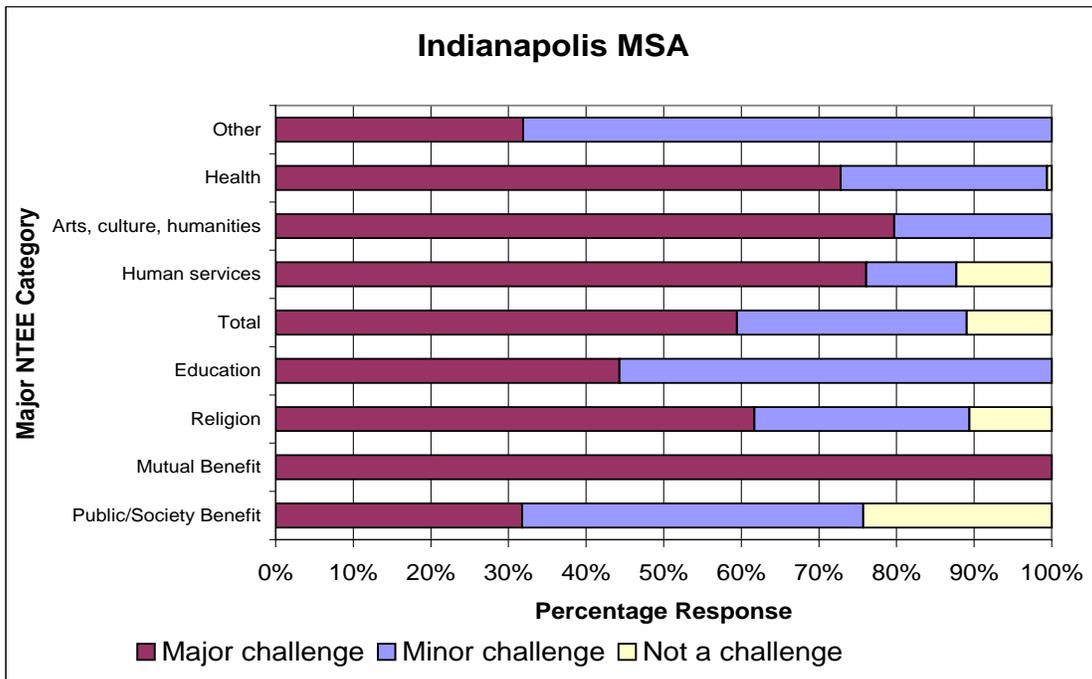
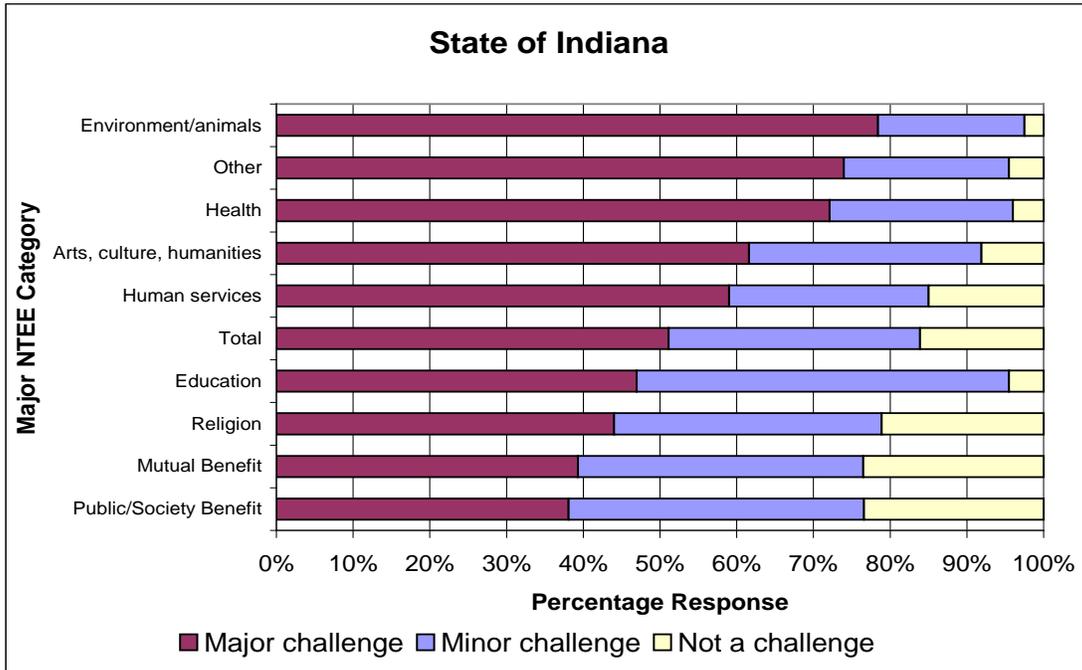


APPENDIX III

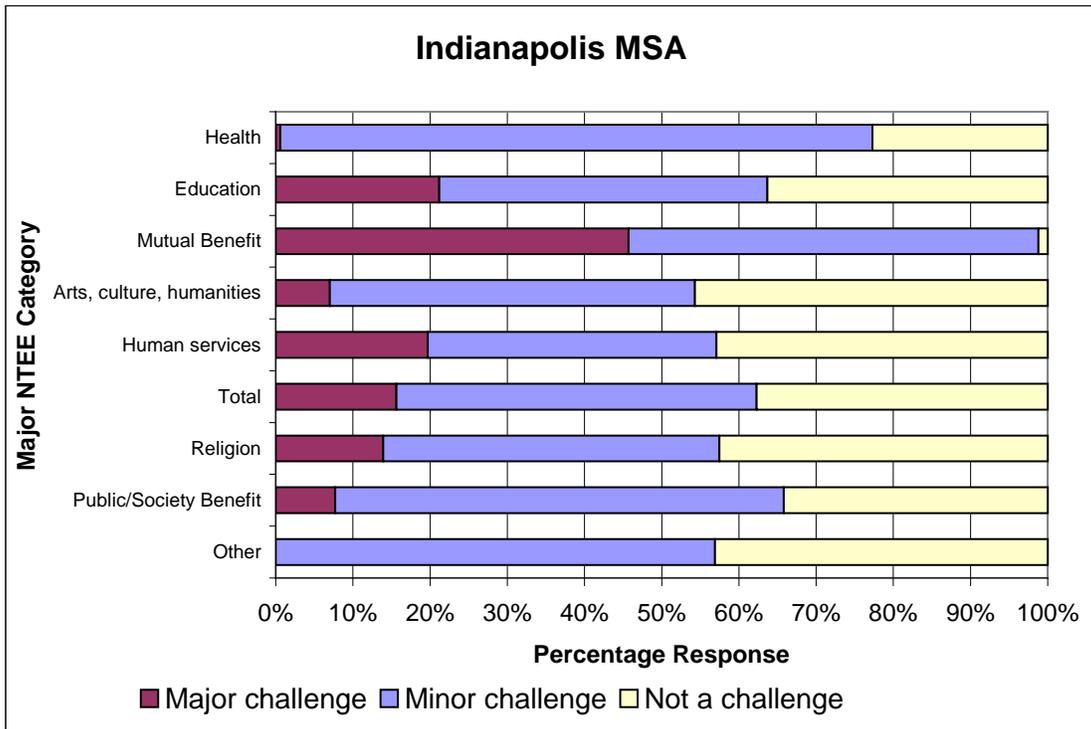
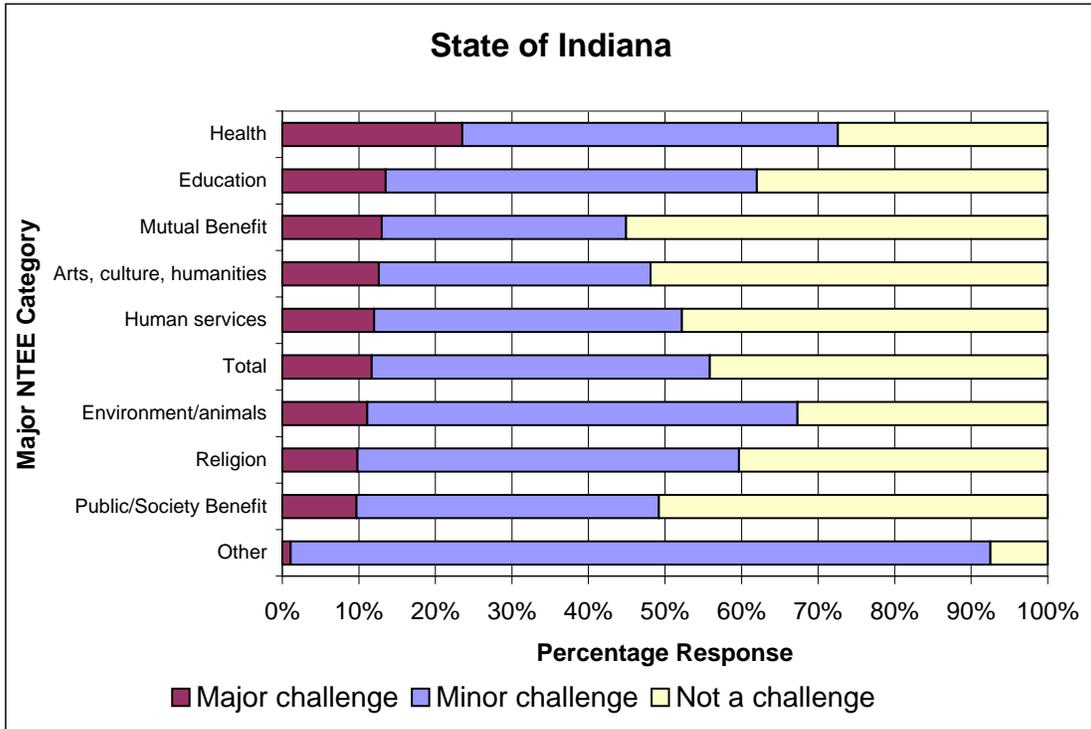
Part D: Finance/Financial Management Related Challenges: Indianapolis MSA – State of Indiana Comparisons

Figure D.1

Obtaining funding or other financial resources A major, minor, or no challenge? By Major NTEE Category



Appendix III, Figure D.2
Financial management and accounting
A major, minor, or no challenge?
By Major NTEE Category

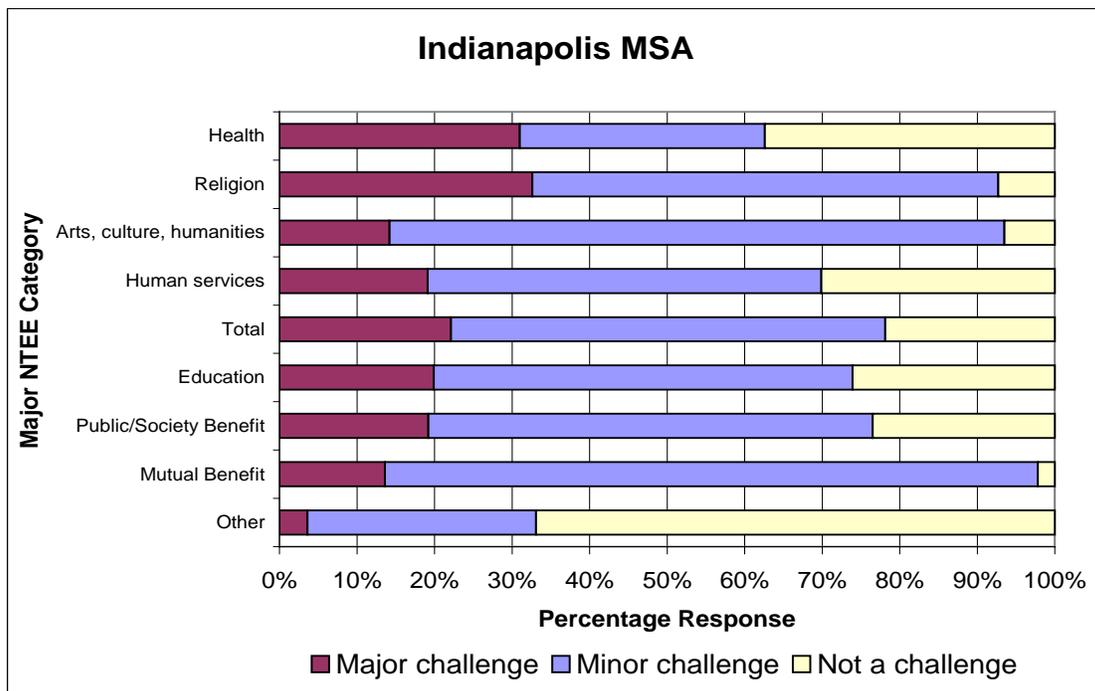
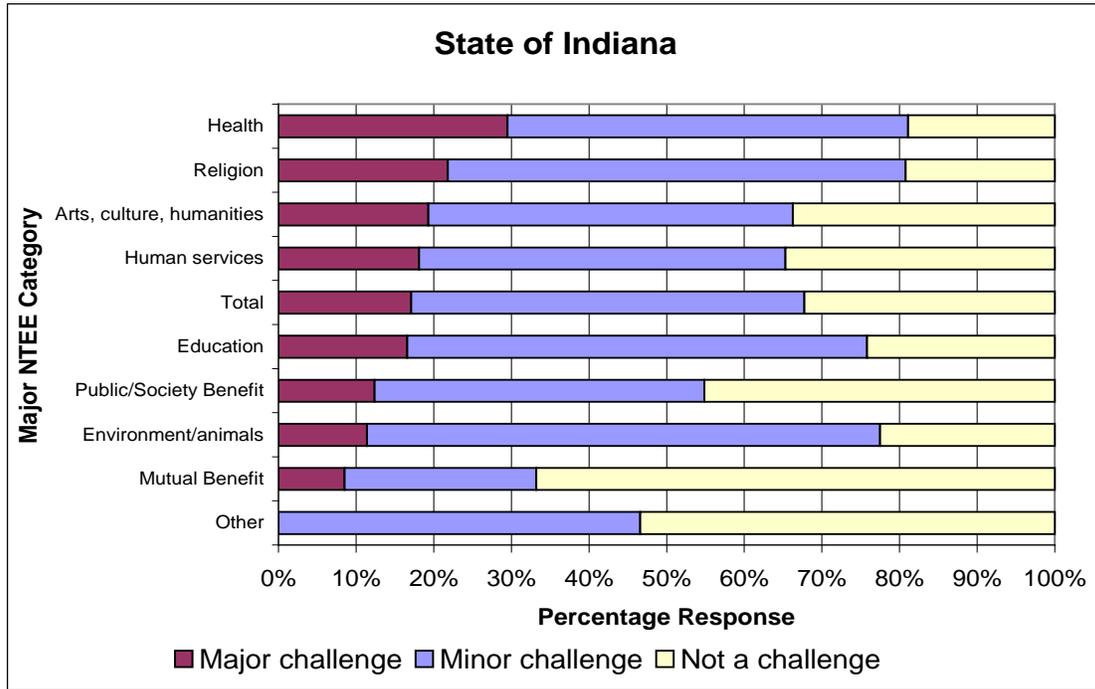


APPENDIX III

Part E: Other Management Challenges: Indianapolis MSA – State of Indiana Comparisons

Figure E.1

Using information technology effectively A major, minor, or no challenge? By Major NTEE Category



Appendix III, Figure E.2
Managing the facilities or space your organization uses
A major, minor, or no challenge?
By Major NTEE Category

