



# Indiana Nonprofits: Managing Financial Resources – Practices and Challenges

KIRSTEN A. GRØNBJERG AND SHIJIRTUYA MUNKHBAT

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INDIANA NONPROFIT SURVEY: ROUND III

ACTIVITIES Series #2  
Report 7

INDIANA NONPROFITS PROJECT:  
SCOPE & COMMUNITY DIMENSIONS

A JOINT PRODUCT OF  
The Lilly Family School of Philanthropy  
AND  
The O'Neill School of Public and Environmental Affairs Indiana  
University Bloomington



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## INTRODUCTION

Nonprofit organizations play a significant role in the economic well-being of the state of Indiana. Not only do they employ one-tenth of all paid workers in Indiana,<sup>1</sup> but they deliver a wide range of services important to local communities and Indiana residents throughout the state.

They are also diverse in size and organizational capacity, ranging from small nonprofits with no paid employees and very little revenue to well-established ones with hundreds of paid staff and multimillion-dollar revenues. They generate revenues from a broad variety of sources, ranging from philanthropic donations and government contracts, to proceeds from special events, member dues, and private fees for service. They have diverse funding profiles – some depend heavily on one type of funding, some on a different source, and some have very diverse funding streams. Many face challenges in securing enough or particular types of funding, but many also lack organizational tools to address these challenges. In this report, we look at financial indicators of Indiana nonprofits and the extent to which they have key organizational features in place to help address the financial challenges they face.

This report, **Indiana Nonprofits: Managing Financial Resources**, is based on a major survey of Indiana nonprofits conducted by the Indiana Nonprofits Project in 2017-18. This is the most recent (Round III) survey of Indiana nonprofits; two previous rounds were conducted in 2002 (Round I), and 2007 and 2010 (Round II).

### Indiana Nonprofits Project

The *Indiana Nonprofits Project: Scope and Community Dimensions* began in June 2000 and has produced a substantial body of research since then. The project is designed to provide information about the nonprofit sector in Indiana: its composition and structure, its contributions to Indiana, the challenges it faces, and how these features vary across Indiana communities. The goal of this collaborative research effort is to help community leaders develop effective and collaborative solutions to community needs and to inform public policy decisions.

The project is directed by [Kirsten Grønbjerg](#), Efroymsen Chair in Philanthropy (2001-2020) at the [Lilly Family School of Philanthropy](#) (LFSOP) and Distinguished Professor Emerita, [O'Neill School of Public and Environmental Affairs](#), Indiana University Bloomington. Under the guidance of the Project's distinguished [Advisory Board](#),<sup>2</sup> the Project has produced a variety of materials to inform policymakers, nonprofit administrators and boards, and Indiana residents, including:

- [Surveyed](#) Indiana nonprofits to learn how they operate, how they contribute to the state's economy and its quality of life, and how they face and overcome challenges.
- [Examined](#) trends in paid nonprofit employment in Indiana including the number, industry composition, and regional distribution of paid employees, documenting the economic impact of the Indiana nonprofits.
- [Analyzed](#) how local government officials view important nonprofit-related policy issues, including whether local leaders trust nonprofits to operate effectively, and their views on whether charities should compensate, at least in part, for their property tax exemption.
- [Described](#) the impact, scope, and composition of nonprofits in specific Indiana communities and regions across the state.

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<sup>1</sup> For more information on nonprofit paid employment in the state of Indiana, refer to "[Nonprofit Paid Employment in Economic Growth Regions, Indiana, 2000-2019](#)."

<sup>2</sup> See <https://nonprofit.indiana.edu/about/advisory-board.html>

For a full description of the Project and access to all Project reports, please visit <https://nonprofit.indiana.edu>. Also see summary of project components in Appendix H.

### **Indiana Nonprofits Survey – Round III**

The Indiana Nonprofits Project surveyed 1,036 nonprofits in Indiana from April 2017 to February 2018, reflecting an overall response rate of approximately 24 percent. Of these, 397 nonprofits were part of a “panel” of nonprofits that responded to our 2002 Round I survey and 639 came from a new randomly selected “primary” sample developed specifically for this survey (see Appendix F for a description of the sampling strategies).

For the “primary” sample, respondents were randomly selected from three major nonprofit listings: nonprofits (1) registered with the IRS as tax-exempt entities with Indiana reporting addresses, (2) incorporated with the Indiana Secretary of State as not-for-profit corporations, or (3) listed in the yellow pages as churches, temples, synagogues, mosques, or similar religious entities. The original “panel” sample was created under a similar, but more extensive protocol.

Respondents to the 2017 survey represent almost the full scope of Indiana nonprofits. They include traditional public charities, such as homeless shelters, museums, or cancer groups, as well as private foundations. But they include also other types of tax-exempt entities registered under all other sections 501(c) of the IRS tax code, such as fraternal organizations, social clubs, business groups, and advocacy organizations. And they include organizations not registered at all with the IRS, whether because they are churches, exempt from registration, or for other reasons that are not found on the IRS listing. However, we excluded colleges, hospitals, bank-managed trusts, and public-school building corporations because the survey instrument was not well-suited to these types of entities; they also had very low response rates to the 2002 survey.

Our survey asked about a variety of topics: programs and services, organizational structure and program evaluation, human resources, financial information, marketing and technology, advocacy and policy activities, and relationships with other organizations. There were also questions specific to membership associations and faith-based organizations.

Because of the richness of the survey data, we have produced two series of reports: Series 1 examines particular types of nonprofits, such as arts and culture nonprofits, faith-based organizations, and membership associations. Series 2, including this report, examines the activities and experiences of Indiana nonprofits on such topics as information technology, program evaluation, advocacy and political activities, and a range of other topics.

Readers are invited to explore the survey data in more detail, using our interactive data tool available here: <https://go.iu.edu/2bfi>.



## EXECUTIVE SUMMARY

This report on Indiana Nonprofits: Managing Financial Resources is designed to provide a close look at the financial capacity of Indiana nonprofits. We assess a variety of financial indicators of Indiana nonprofits and identify the major financial challenges they face and the organizational tools they have in place to address the challenges. We hope the report helps nonprofit practitioners and community leaders develop informed and effective solutions to community needs.

We begin by looking at the overall finances of Indiana nonprofits – section 1 of our report – their revenues, expenses, assets, and liabilities. We then examine how these financial indicators changed over time (section 2), their sources of revenues (section 3), and how diversified these sources are (section 4). Next, we show how much of their expenses are devoted to staff compensation and facilities (section 5), before turning to a broad array of financial challenges Indiana nonprofits face (section 6) and the resources and tools they have in place to address the challenges (section 7).

Throughout the report, we examine how Indiana nonprofits' financial capacity differs by organizational capacity (age, size of paid staff, degree of formalization, information technology tools) and external forces, including funding profile, specialization (nonprofit field of activity), location, and charity status. For the analysis of financial challenges, we also consider the number of board vacancies as an indication of organizational capacity.

We use bivariate and multivariate analysis techniques<sup>3</sup> to determine whether the patterns we observe are statistically significant. In the body of the report, we present factors that appear significant both in bivariate and multivariate analyses. The findings on factors that are significant in bivariate analysis but not in multivariate analysis can be found in Appendix B. The following summaries highlight findings presented in the body of the report.

### 1. Basic Financial Characteristics

We asked our respondents to provide us with information about revenues, expenses, assets, and liabilities for the most recent fiscal year.<sup>4</sup> Many of our respondents are very small with few financial resources of any kind, while some – relatively few – are very large.

Our analysis suggests that most organizational dimensions appear to be significantly associated with these four financial indicators at the bivariate level. However, once we control for all other factors, nonprofit field and location are not significant for any of the four financial indicators. Five factors are, but not for all four indicators.

**Age.** Older nonprofits tend to have higher liabilities than younger ones.

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<sup>3</sup> We use a mixture of crosstabs, and Analysis of Variance tests to examine how particular financial indicators differ by specific characteristics. To facilitate our analysis, we use factor and reliability analysis to discover underlying groupings of revenue sources, financial challenges, and tools. We also use multivariate analyses to examine the joint impact of organizational dimensions on a particular financial component and to determine which remains significant once we control for all other dimensions included in the analysis.

<sup>4</sup> The survey requested financial information for the most recently completed fiscal year, which in most cases would have been fiscal years ending in 2016 or 2017.

**Formalization.** Nonprofits that are more formalized are, as expected, more likely to report higher revenues, expenses, assets, and liabilities.

**Information Technology:** Nonprofits with more internally focused information technology tools (such as electronic records and IT security) are more likely to have higher revenues, expenses, assets, and liabilities than those with fewer such resources. A similar pattern holds for externally focused IT tools (such as social media accounts), but not for assets.

**Funding Profile.** Nonprofits that rely primarily on a particular type of funding (such as donations or fees) are likely to have higher assets, revenues, and expenses than nonprofits that rely on a combination of funding sources.

**Public Charity.** Public charities are likely to have lower assets than non-charities, controlling for all other factors.

## 2. Changes in Financial Indicators

We asked our respondents how their revenues, expenses, assets, and liabilities have changed over the three prior years to further assess how well they are doing financially. We focus on changes in revenues and expenses. Overall, more respondents reported increased expenses than revenues (49 v. 40 percent) and fewer reported decreased expenses than revenues (12 v. 27 percent), suggesting greater financial vulnerability over time. Overall, about a quarter appeared to have experienced a deficit over the prior three years and only 17 percent a surplus.

Our multivariate analysis reveals that five factors appear to be significant predictors in whether revenues increased, stayed the same, or decreased and in whether expenditures increased or stayed the same. (The analysis is not significant for decreased expenditures).

**Age.** Older nonprofits are less likely to experience an increase in their revenues than younger ones.

**Size.** Nonprofits with more paid staff are more likely to experience an increase in their expenses than smaller nonprofits.

**Formalization.** Nonprofits that are more formalized are less likely to report no change in revenues.

**Information Technology.** Nonprofits with more externally focused information technology resources, such as social media, are more likely to experience an increase in expenses and less likely to have no change in expenses.

**Primary Purpose: NTEE Code.** Religious nonprofits are significantly less likely to experience increase in their revenues than a comparison group composed of several smaller categories, while education nonprofits were significantly more likely to have no change in expenditures.

## 3. Nonprofit Revenue Sources

In our survey, we listed five common types of nonprofit revenue sources (private donations, membership fees, government funding, sales, and special events) and well as an “all other sources,” and asked respondents to indicate what percentage of their revenues were obtained

from each source for the most recently completed fiscal. We found the following six factors to be significant ( $p < .05$ ) when examining which organizational dimensions were significant in predicting reliance on a given source, controlling for all other explanatory factors included in the analysis.

**Size.** Larger nonprofits are more likely to generate a higher percent of their total revenue from sales of goods and services, but less likely to depend on special events and private donations.

**Formalization.** More formalized nonprofits are less likely to depend on revenue from sales of goods and services.

**Information Technology: External.** Nonprofits that have fewer internally focused IT tools tend to rely more on sales of goods and services and less on special events. Those that have more externally focused IT tools tend to rely more on donations, but less on government, sales and fees, or membership dues.

**Primary Purpose: NTEE Code.** Religious nonprofits are more likely to rely on donations, while arts and culture or public/societal benefits are less likely to do so compared to an excluded group composed of several smaller categories. Education nonprofits are more likely to rely on special events, and sales and fees, while mutual benefit nonprofits are less likely to rely on special events.

**Location.** Nonprofits in central metropolitan counties are more likely to rely on revenues from dues and membership fees compared to nonprofits in nonmetropolitan counties.

**Public Charity.** Public charities are more likely to rely on private donations, but less likely to rely on special events, sales and fees, or membership dues.

#### 4. Revenue Diversification

We also asked our respondents to indicate whether they generate revenue from any of 15 different types of nonprofit revenue sources. The most prevalent source is donations from individuals (77 percent), followed by special events (46 percent) and dues/membership fees (43 percent). About a third received grants from foundations or donations or grants from corporations. A quarter reported receiving private fees or sales, corporate sponsorships, or individual bequests or trusts, and a fifth or less said they received donor designated funds or government grants. The remaining five types of funding were received by less than one-tenth, including government contracts (8 percent).

We then counted the number of sources nonprofits obtain funding from to measure the extent of revenue diversification. About a quarter of those with any revenue received funding from only one source, and about as many as obtain funding from six or more of the 15 sources. Since each type of revenue requires specific efforts to obtain it, greater revenue diversification will likely require greater management efforts. As expected, we found the following six factors to be significantly ( $p < .05$ ) associated with nonprofit diversification in our multivariate analysis, controlling for all other variables:

**Age.** Older nonprofits are significantly more likely to have higher revenue diversification.

**Size.** Larger nonprofits, as measured by number of full-time employees, are significantly more likely to have higher revenue diversification.

**Formalization.** More formalized nonprofits are also significantly more likely to have higher revenue diversification.

**Information Technology: External.** Nonprofits with more external information technology components are more likely to have higher revenue diversification.

**Funding Profile.** Compared to nonprofits in the excluded category (mixed funding), nonprofits that rely primarily on private donations, special events, or sales of goods and services are less likely to have diversified revenue sources.

**Primary Purpose: NTEE Code.** Religious nonprofits are less likely to have highly diversified revenue streams compared to a comparison group composed of several smaller categories.

**Public Charity.** Registered public charities are more likely to generate revenues from a higher number of sources compared to non-charitable organizations.

## 5. Nonprofit Expenses

To understand how Indiana nonprofits use their resources, we asked our respondents to report what percentage of their expenses go toward staff compensation (including benefits) and facility-related expenses (including space and utilities). Overall, staff compensation and benefits account for half or more of total expenses for 29 percent of our respondents, while 40 percent had no such expenditures (e.g., no paid staff). Facilities, space, and related utilities account for half or more of total expenses for 21 percent, while 28 percent has no facility-related expenses (e.g., operate out of borrowed space). Our analysis shows that the following factors are statistically significant ( $p < .05$ ) in explaining the extent to which nonprofits devote their expenses to respectively staff or facilities, controlling for all other explanatory factors:

**Size.** Not surprisingly, larger nonprofits with more paid staff are significantly more likely to devote a higher percentage of their expenses to staff compensation.

**Information Technology: Internal.** Nonprofits with more internally focused information technology resources are significantly more likely to devote a higher percentage of expenses to staff compensation.

**Funding Profile.** Nonprofits that rely primarily on government funding are more likely to have a larger portion of their expenses going to staff compensation than those relying on a mix of funding sources.

**Primary Purpose: NTEE Code.** Religious nonprofits are more likely to spend a higher percentage of their resources on both staff compensation and facility-related expenses, than a comparison group composed of several smaller categories.

**Public Charity.** Registered public charities are significantly less likely to have high facility-related expenses than non-charitable ones.

## 6. Nonprofit Financial Challenges

We listed ten nonprofit financial activities in our survey and asked our respondents to what

extent these activities pose a challenge, coded from 1 (not a challenge) to 4 (a major challenge). Using factor and reliability analyses we identified two underlying groupings and created a scale for each grouping.

The fundraising challenge scale captures six activities related to securing funding, with an average of 2.6 on the four-point scale. Expanding the donor base presents major challenges to almost one-third while the rest present a major challenge to only 12-16 percent. The financial management challenge scale captures four activities related to accounting and financial record-keeping, with an average challenge score of 1.9. None of these constituted a major challenge for more than 7 percent of respondents. We found the following factors to be significantly ( $p < .05$ ) associated with the two types of financial challenges in our multivariate analysis, controlling for all other variables:

**Information Technology: Internal.** Nonprofits with more internal information technology resources are less likely to experience both types of financial challenges compared to their counterparts.

**Funding Profile.** Nonprofits that rely primarily on government funding are significantly more likely to face higher challenges in both fundraising and financial management activities.

**Primary Purpose: NTEE Code.** Nonprofits whose primary purpose is public and social benefit are less likely than a comparison group composed of several smaller categories to face challenges carrying out fundraising activities.

**Location.** Nonprofits in suburban areas (metropolitan ring counties) are less likely to experience both types of financial challenges compared to nonprofits in nonmetropolitan counties (comparison group).

**Board Vacancy.** Nonprofits with more board vacancies are more likely to experience both types of financial challenges.

## 7. Financial Management Tools

Finally, we asked our respondents whether they had access to key management tools that help nonprofits manage and monitor their finances. Most have annual reports with financial data (72 percent) or electronic financial records (65) and almost half have online receipts of donations or sales (49 percent) or audited financial statements (47 percent). The presence of these types of tools tends to be more prevalent among larger and older nonprofits.

We also asked about financial planning tools that help nonprofits cover major expenses or overcome dips in revenues. More than half have funds dedicated to capital improvements (66 percent) or capital maintenance (56 percent), while endowments are less prevalent – 41 percent have restricted endowments and 31 percent have unrestricted endowments.

Four of our organizational dimensions remain significant in our multivariate analysis of [capital reserves](#), controlling for all other factors:

**Size.** Larger nonprofits are significantly more likely to have one or both types of capital reserves.

**Nonprofit Field.** Religion nonprofits are significantly more likely to have one or both types of capital reserves than the comparison group composed of several smaller categories.

**Location.** Nonprofits located in central city metropolitan counties or metropolitan ring counties are significantly less likely to have just one type of capital reserves, than those located in nonmetropolitan counties.

**Public Charities.** IRS-registered charities are significantly more likely to have one or both types of capital reserves than non-charities.

Five organizational dimensions remain significant in our multivariate analysis of endowments:

**Age.** Older nonprofits are significantly more likely to have one or both types of endowments than younger nonprofits.

**Size.** Larger nonprofits are significantly more likely to have one or both types of endowments.

**Funding Profile.** Nonprofits that rely primarily on fees or sales are significantly less likely to have one or both types of endowments than nonprofits that rely on a mix of funding sources. Those that rely primarily on government funding are significantly less likely to have just one type of endowment.

Primary Purpose: NTEE Code. Religion nonprofits are significantly less likely to have one or both types of endowments than the comparison group composed of several smaller categories. Human service nonprofits are significantly less likely to have just one type of endowment.

**Public Charity.** IRS-registered charities are significantly less likely to have one or both types of endowments than non-charities.

## KEY FINDINGS

A number of key findings stand out from our analysis of the financial profile of Indiana and the organizational dimensions associated with various financial dimensions.

### Financial Profile of Indiana Nonprofits

Among the 1,036 survey respondents, our analysis of key financial dimensions reveals several important features.

**Many small nonprofits; growing financial strains:** Some Indiana nonprofits are quite large, but most have few financial resources. Many also appear to face growing financial challenges – almost half saw an increase in expenses during the three prior years, while only about a quarter saw corresponding increases in revenues, raising concerns about persistent, possibly increasing, deficits.

**Large variety of funding combinations:** Our survey reveals a great variety of funding patterns - almost 300 unique combinations among 15 sources examined. The count ranges from zero (no funding) to 13 sources. Overall, more than a third rely primarily on donations and another quarter primarily on market-type sources, less than 10 percent on special events or government funding, and about a fifth (the rest) on a mix of funding types.

**Great variations in spending on staff and space:** Spending for staff and space are important outlays for nonprofits with ongoing and/or substantial program activities. More than a quarter of our respondents use half or more of their total expenses on staff compensation and benefits, but 40 percent have no such expenditures at all. More than a fifth use half or more of their expenses to cover the cost of facilities, while a quarter have no such expenses.

**Significant challenges raising funds:** Securing revenues and managing finances to maintain services are challenging to most nonprofits, with fundraising activities significantly more challenging than managing finances. Of six fundraising activities, almost a third rated expanding the donor base as the most significant challenge. By contrast, less than 10 percent of our respondents said that any of the four routine financial management tasks was a major challenge.

**Many basic financial tools in place:** Certain financial tools help nonprofits monitor their financial conditions. Some tools – electronic financial records and annual reports – are relatively inexpensive and quite widespread, present among about two-thirds of our respondents. Less than half of our respondents have more costly tools - online donations or sales, audited financial statements.

Other financial tools (dedicated reserves, endowment funds) reflect financial planning decisions by the board. More than half of our respondents had reserve funds for capital improvements or maintenance. Notably fewer (one-third to two-fifths) had endowments that may serve to support important programs and/or cushion against the impact of financial jolts.

### Organizational Features Associated with Financial Dimensions

The financial dimensions presented above present a general portrait of Indiana nonprofits, but the extent to which particular indicators are present varies considerably among our respondents. We examine which organizational dimensions help predict the presence or absence of various financial indicators.

Our predictors include five dimensions of basic organizational capacity: age (indicating accumulated expertise), formalization (indicating organizational tools in place), and internal and external IT capacity (presence of two sets of IT tools). For some financial indicators, we also look at full-time equivalent paid staff (functional specialization).

Four other dimensions capture the external environment that is likely to be salient to nonprofits: primary field of activity (service specialization), funding profile (external dependency), status as a charity (eligibility for tax-deductible donations), and location.

We used statistical techniques to determine whether each of these organizational features is important in predicting a financial indicator by themselves (bivariate analyses) and which remain significant when allowing all of them to operate at once (multi-variate analyses).

Several findings stand out about the importance of organizational capacity for our analysis of the finances of Indiana nonprofits.

1. Indicators of organizational capacity, particularly having more FTEs and more IT tools, but also higher formalization and age, appear to be quite helpful in predicting financial indicators: Nonprofits with greater organizational capacity generally have greater **financial resources**.
2. Some measures of organizational capacity have less expected relationships to **financial health**: older nonprofits are more likely to have seen decreases in revenues, while larger ones are more likely to have seen increases in expenses and to have lower scores on our financial health indicator.
3. We also find some interesting patterns between organizational capacity, particularly size, and the **revenue profiles** of our respondents: larger nonprofits are more likely to depend primarily on government funding or sales and fee revenues, but less likely to rely on donations or special events.
4. Access to **IT tools** also shows noteworthy patterns. Those with more internal IT tools (electronic records, data security) score higher on our measure of financial health, use a higher percentage of expenses for staff wages and benefits, and have fewer challenges raising funds or managing their finances. Those with more external IT tools (e.g., social media platforms) are more likely to have seen increases in expenses and are more likely to rely on donations, but less likely to rely on government funding or on sales, fees and dues.

Several measures of the external environment also have interesting relationships to our financial indicators.



5. Our respondents operate in a broad variety of **nonprofit fields**. There are some differences in financial indicators across the fields, but religion nonprofits stand out: they have distinctive funding profiles (reliance on private donations), low funding diversification, and are also less likely to have seen increases in revenues. They devote high percentages of their expenses to securing paid staff and space and are more likely to have reserves, but less likely to have endowments available. A few other nonprofit fields mainly stand out by distinctive funding profiles.
6. Nonprofits recognized as **charities** by the IRS (and thus eligible to receive tax-deductible donations) also stand out as having distinctive funding profiles: more likely to rely on private donations and less likely to rely on special events, sales/fees, or dues. They also have more funding diversification than non-charities and are more likely to have reserves but less likely to have endowments.

## DETAILED FINDINGS

Financial resources allow nonprofits to achieve their missions, carry out organizational activities, and grow. While not all organizations need financial resources to operate, having such resources enhances organizational capacity and supports long-term growth. However, obtaining and managing financial resources is challenging and requires some minimum level of organizational capacity.

### Financial Conditions

In this section of the report, we examine Indiana nonprofits' financial conditions in terms of key financial indicators, changes in revenues and expenses over time, revenue sources, revenue diversification, and expenses. We also examine how organizational characteristics are related to the financial indicators of Indiana nonprofits. We consider basic organizational dimensions, such as an organization's age, size of paid staff, level of organizational formalization, and location. We also consider key nonprofit dimensions, such as funding profile, primary field of activity, and whether the organization is a registered public charity. We first examine each of these explanatory factors by themselves using bivariate analysis and then use multivariate analysis to see how the combination of factors jointly accounts for differences in nonprofit financial conditions.

#### 1. Basic Financial Characteristics

We asked those responding to our survey to estimate their total revenues, expenses, assets and liabilities during the most recently completed year. As we show, many respondents are very small with few financial resources of any kind. We briefly summarize our findings for each of these dimensions, before turning to a more in-depth analysis of how financial dimensions vary by organizational characteristics.

However, some of these findings should be treated with caution. For example, the amounts of assets and liabilities depend on the dollar values assigned to each particular type of asset or liability. That is easy to do for cash assets (e.g., Certificates of Deposit) or liabilities (e.g., remaining mortgage balances or unpaid bills). It is more difficult to do for tangible property, such as facilities, equipment, or donations in kind. There are well-established accounting rules for how to estimate the dollar values of all types of property. However, applying these rules requires some level of financial expertise, which may be out of reach for many smaller nonprofits, unless they have access to experienced volunteers to serve in that capacity.

Indeed, many of our respondents don't appear to have access to financial expertise. Thus, a third (34 percent) of our respondents said they hadn't produced an annual report with financial information during the prior year and more than half (57 percent) didn't have an audited financial statement completed during the prior two years.<sup>5</sup> Consequently, we are uncertain about the solidity of these estimated assets and liabilities and are reluctant to engage in more refined analysis such as debt-to-asset ratios<sup>6</sup>.

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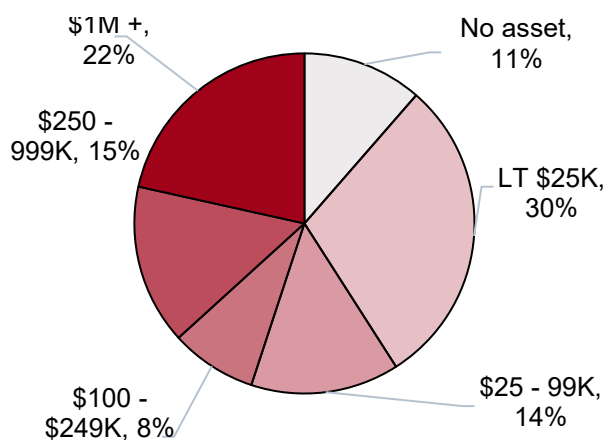
<sup>5</sup> See "Structure and Management" tab on our interactive survey data tool here: <https://go.iu.edu/2bfi>.

<sup>6</sup> We compared survey responses about assets and liabilities to what was reported on Form 990 by those same respondents who filed financial information with the IRS. We concluded that there were sufficiently large discrepancies between the two accounts to warrant further analysis of our survey data on assets and liabilities.

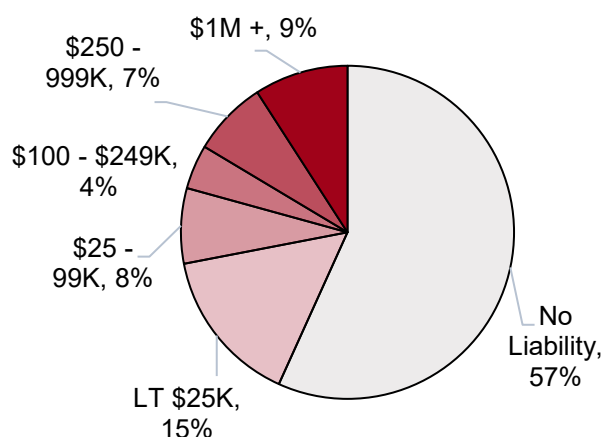
**Total assets.** Total assets represent the dollar value of everything a nonprofit possesses (e.g., facilities and equipment, cash, inventory, endowments, trademarks, etc.). The median total assets were \$100,000 for respondents with any amount of assets but the range is enormous, from a high of more than \$650 million to no assets at all. As Figure 1 shows, 41 percent have either no assets (11 percent) or less than \$25,000 (30 percent). At the other extreme, about a fifth (22 percent) have total assets of \$1 million or more, and another 15 percent have assets ranging between \$250,000 and \$1 million (37 percent in total). The rest (22 percent) have assets of at least \$25,000 but less than \$250,000. Total assets have two components: net assets (what the nonprofit owns outright) and liabilities (what the nonprofit owes to other parties).

**Total liabilities.** Total liabilities include loans, back wages and unpaid bills. More than half (57 percent) reported no liabilities at all, and 15 percent reported liabilities of less than \$25,000. The remaining 19 percent were split among the remaining size categories (see Figure 2). The median was \$77,400 for ones that reported any liability and the highest amount of liability reported was \$485 million.

**Figure 1.** Total assets, by size of assets, Indiana nonprofits (n=735)



**Figure 2.** Total liabilities, by size of liabilities, Indiana nonprofits (n=723)



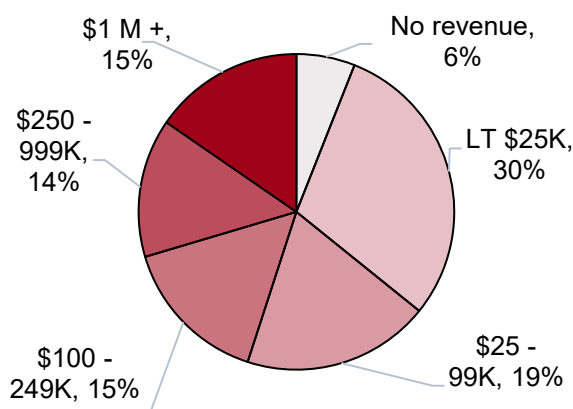
We have more confidence in survey responses about total revenues and expenses during the prior year than in responses related to assets and liabilities. Revenues and expenses are standard financial indicators that all nonprofits must pay attention to, if only to know whether they can pay their bills. Accounting rules are important here as well, however. Those using the accrual system<sup>7</sup> may have fluctuating revenues from year to year while expenses are likely to be more stable. As a result, it is often more useful to look at these indicators over a longer period of time than just one year. We examine changes in financial indicators in section 2 of this report.

<sup>7</sup> Some nonprofits use the accrual system, where revenues are counted when they are promised (“accrue”), even if they have not yet been received (e.g., multi-year grants, donation pledges) and expenses are counted when they are due (e.g., bills received or payroll taxes due), even if not yet paid. Other nonprofits, particularly smaller ones, are likely to use the much simpler cash accounting system, which uses total dollars received and total dollars paid out during the financial period.

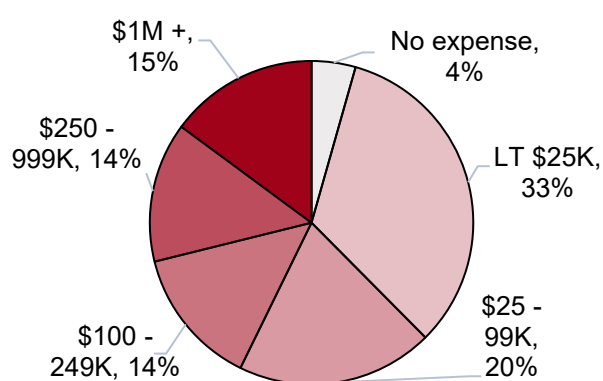
**Total revenue.** The median total revenue was about \$69,000, ranging from no revenue to \$68 million. As Figure 3 shows, more than half of our respondents (55 percent) had revenues of less than \$100,000 during the prior year, including (6 percent) with no revenue at all and another 30 percent with less than \$25,000 annually. The rest were distributed fairly evenly across the three remaining size categories, including 15 percent with total revenues of \$1 million or more.

**Total expenses.** Median total expenses were about \$70,000 and, as Figure 4 shows, has a similar distribution as total revenues, with 57 percent of our respondents having expenses of less than \$100,000 the prior year, including 4 percent with no expenses at all and about a third with expenditures of less than \$25,000. The rest were again distributed fairly evenly across the three remaining size categories.

**Figure 3.** Total revenues by size of revenues, Indiana nonprofits (n=798)



**Figure 4.** Total expenses by size of expenses, Indiana nonprofits (n=787)



### Analysis of Financial and Other Organizational Characteristics

We analyzed the relationship between basic financial characteristics (total assets, liabilities, revenues, and expenses) and key organizational characteristics (age, number of full-time equivalent staff, formalization, internal and external IT capacity, primary revenue source, primary field (NTEE), community (e.g., metropolitan area), and 501(c)(3) charitable status). We use both bivariate and multivariate methods. In this section, we feature findings that were significant for both analyses, but present only details on expenses since the patterns are generally consistent for all four financial indicators.

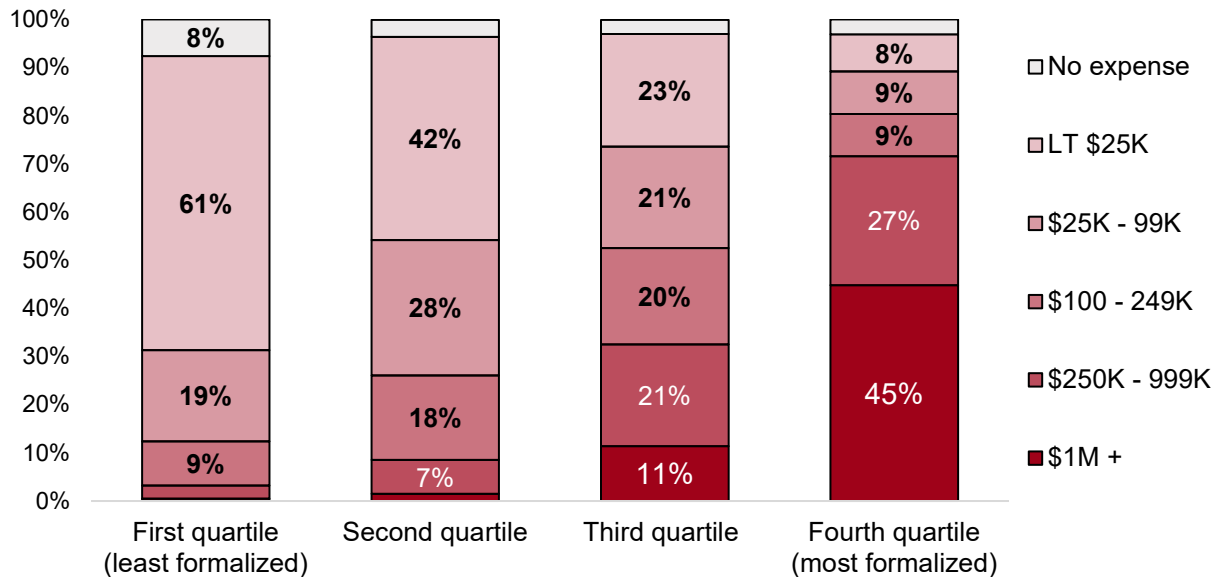
**Age.** We use the decade in which the nonprofit was founded to capture the organizational age. We expected older nonprofits to have higher financial capacity on the assumption that they have had a longer time to develop their programs and strengthen their relationships with key funding sources. That is generally the case, however, age was not significant in our multivariate analysis when we controlled for other organizational characteristics. For more details, see Appendix B.

**Formalization.** We expect more formalized nonprofits to have greater financial capacity. We created an index of organizational formality based on a count of whether respondents had certain organizational components and written policies in place. The resulting scale ranges from a low of 0 to a high of 16 with both a mean and median of 7. For the analysis presented below,

we divided the formalization scores into quartiles – the first being the least formalized and the fourth being the most formalized.

There is indeed a strong positive relationship between formalization level and total expenses (as well as revenues, assets and liabilities). Nonprofits in the two least formalized quartiles barely reported expenses exceeding \$250,000, and the majority had expenses under \$25,000. Meanwhile, almost half of nonprofits (45 percent) in the fourth quartile (most formalized) have expenses of \$1 million or more. See Figure 5.

**Figure 5.** Total expenses by formalization, Indiana nonprofits (n=753)



**IT Capacity.** Having access to information technology (IT) enhances an organization’s ability to effectively communicate with stakeholders and monitor internal activities and operate more efficiently. At the same time, acquiring and using various IT tools is potentially costly in both time and money.

We measured IT capacity based on (a) whether participants had a website and (b) how frequently they used any of eleven different types of IT tools over the past twelve months (ranging from 1 (never/barely) to a high of 4 (almost all the time)). We grouped the IT resources into internally and externally focused IT resources based on factor and reliability analyses.

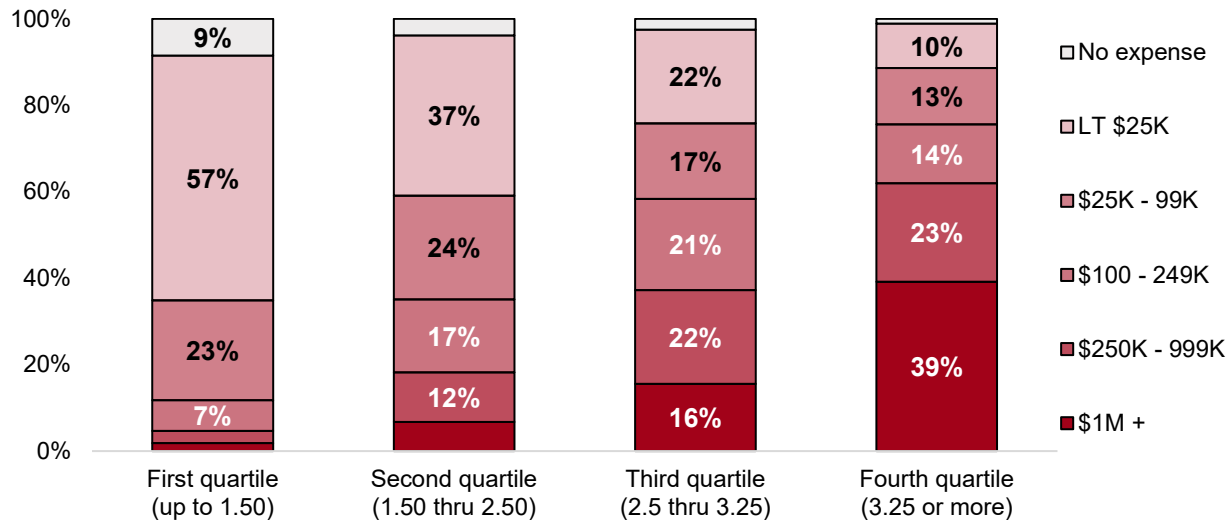
The internally focused resources category includes: IT security tools (such as secure servers and anti-virus programs), routine data backups, electronic financial records, and electronic client records. The externally focused resources category includes: Facebook account, Twitter account, other social media accounts, donor database or constituent relationship management software (e.g., eTapestry), use of dedicated and reputable websites for nonprofits (such as GuideStar, Foundation Center), standard research engines (e.g., Google), and receipt of online donations<sup>8</sup>.

Nonprofits with higher IT capacity are indeed likely to have higher expenses (as well as revenues, assets, and liabilities). As Figure 6 shows, more than one-third of nonprofits (39

<sup>8</sup> See [Indiana Nonprofits: Information Technology Resources and Challenges](#) for a detailed analysis of Indiana nonprofits’ information technology use and challenges.

percent) with the highest internal IT scores have total expenses of \$1 million or more. Meanwhile, two-thirds of nonprofits (65 percent) with the lowest internal IT scores have expenses less than \$25,000 or no expenses at all. The pattern for external IT capacity is almost identical.

**Figure 6.** Total expenses by internal IT capacity, Indiana nonprofits (n=764)



**Funding mix.** We expected to see a strong relationship between financial capacity and reliance on particular revenue sources. Thus, government grants and contracts tend to be quite demanding in terms of management capacity, but also provide fairly large amounts of funding. By contrast, special events may involve very intense levels of work, but because events are episodic the work is more easily carried out by volunteers. To measure this, we classified our respondents by their primary sources of funding, defined as receiving half or more of their revenue from one type of source (private donations, sales of goods/services, special events, and government sources).

There is a significant relationship between funding profiles and financial capacity. As Figure 7 shows, those that rely primarily on government funding do indeed tend to be notably larger (as measured by total expenses) than nonprofits with any other funding profile. By contrast, those that rely on special events revenues tend to be much smaller. Those that rely on a mix of funding sources tend to be intermediary between these two extremes.

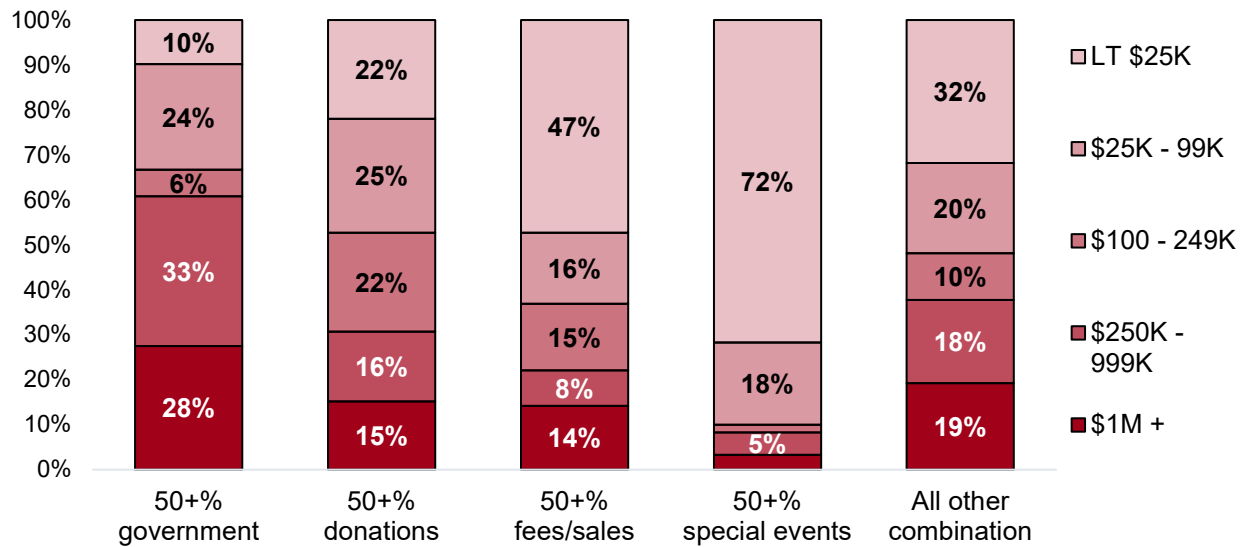
### Summary – Basic Financial Characteristics

So far, we have examined organizational dimensions that show significant relationships with total financial capacity when examined one by one at the bivariate level. We have highlighted patterns related to total expenses, treating it as a reasonably robust measure of financial size since it reflects the scope of activities in which nonprofits are engaged (it is highly correlated with the number of full-time equivalent staff (FTEs)).

These bivariate analyses help visualize the findings, but only let us compare two variables at a time. More advanced statistical techniques – multivariate analyses – make it possible to include multiple explanatory features in a statistical model to determine which of them remain

significantly related to the feature we are trying to understand while controlling for all other factors considered in the analysis.<sup>9</sup>

**Figure 7.** Total expenses by funding mix, Indiana nonprofits (n=715)



We ran multivariate linear regression for each financial dimension to examine which of our basic organizational characteristics (age, formalization, internal and external IT capacity, primary funding source, field (NTEE), location, and charitable 501(c) status) remain significant for that particular financial dimension, once we allow all predictors to operate at once.

As Table 1, shows, each of the models is highly significant ( $p < .001$ ) and accounts for more than 40 percent of the variance in the particular financial dimension (note: these are all highly skewed, so we use their natural log to minimize distortions in the analysis). We have flagged predictors where we are 95 percent confident or better that there is indeed a relationship ( $p < .05$ ).

We caution again that survey responses about assets and liabilities may be subject to some level of uncertainty given the challenges of applying complex financial accounting rules pertaining to these measures, especially for smaller nonprofits. Similarly, revenues may appear high or low, depending on the timing of when a particular payment is recorded. Expenses tend

<sup>9</sup> To benefit from the full power of multivariate analyses, we use the actual numeric versions of several explanatory factors (variables) explored above instead of grouping these measures into segments. This includes a number of decades since being established, the count of organizational components (formalization scale, IT scale), and the number of board vacancies. In the case of explanatory variables that are categorical in nature, we convert each category into a “dummy” variable that has the value 1 (yes) if the responding organization fits that category (e.g., is a charity) and otherwise has a value of zero (no). If the categorical variable has more than two categories – as does our NTEE variable – we construct dummy variables to capture each type of field in this yes/no format. Our location variable has three categories and therefore requires three dummy variables, and funding-mix has five categories and requires five dummy variables. For each family of dummy variables, we exclude one from the multivariate analysis that provides useful comparisons to the remaining dummy variables in that family. The findings reported have coefficients that are significant at the  $p < 0.05$ .

to be more stable from year to year because the bulk is usually devoted to ongoing costs of occupancy and employing paid staff (see Section 5 of this report).

With these caveats in mind, we find that formalization, use of information technology, and funding mix are related to at least one of the financial dimensions, controlling for all other factors. The same is true for internal IT capacity. With external IT capacity, the relationship is only significant with assets, revenues, and expenses (not liabilities). Nonprofit respondents that primarily rely on one type of revenue (private donations, special events, fees and services, or government funding) tend to have higher financial indicators (except for expenses), compared to participants that don't rely primarily on one major source of funding. As we noted above, those that rely primarily on special events, tend to have relatively low levels of expenses. Nonprofit primary field of activity and location are no longer significant once we control for all other factors.

**Table 1.** Estimates for Linear Regression of Basic Financial Characteristics

Variables Included in the Multivariate Equation	Positive (+) or negative (-) Significant Coefficients			
	LN Total Assets	LN Total Liabilities	LN Total Revenues	LN Total Expenses
Age (Decades since Founded)		+		
Formalization (scale)	+	+	+	+
Average Internal IT Capacity (scale)	+		+	+
Average External IT Capacity (scale)		+	+	+
FUNDING MIX (Mix of sources, excluded)				
Over 50% Donations	+		+	+
Over 50% Special Events			+	
Over 50% Fees and Sales	+		+	+
Over 50% Government			+	+
NTEE FIELD (All other fields, excluded)				
Arts & Culture				
Education				
Human Services				
Public/Societal Benefit				
Religion				
Mutual Benefit				
LOCATION (Nonmetropolitan, excluded)				
Central Metropolitan				
Metropolitan Ring				
Charity	-			
Significance level	p<.001	p<.001	p<.001	p<.001
Adjusted R-squared	.316	.402	.431	.451
Number of cases	445	433	485	478

Notes: We use the natural log of the financial indicator variables (dependent variables) to account for the skew in the distribution of the original versions of the variables. Coefficients that are significant at the p<0.05 level are marked with positive (+) or negative (-) signs depending on the direction of the relationships. Excluded categories: Funding Mix: Mixed, NTEE Code: Health, Environment and Animal, and International, Location: Non-metropolitan counties. For full results, see Appendix C.

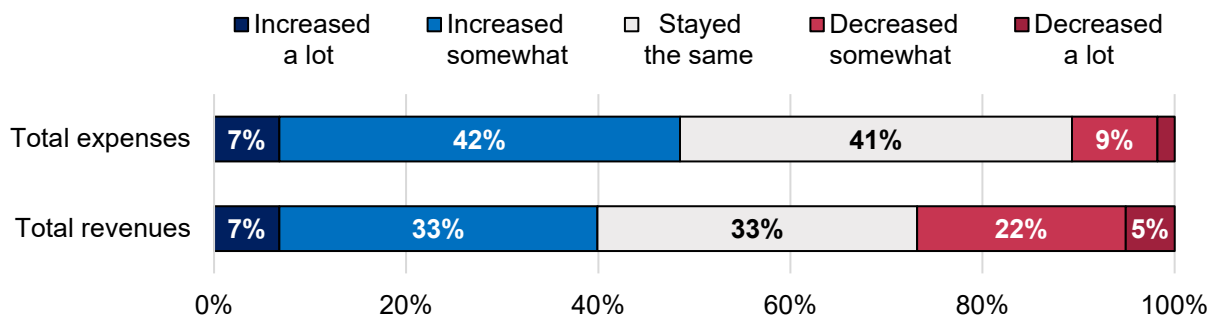


## 2. Changes in Financial Indicators

We asked Indiana nonprofits how their revenues, expenses, assets, and liabilities have changed over the three prior years with response categories ranging from increased a lot, increased somewhat, stayed the same, decreased somewhat, and decreased a lot. Below we focus only on changes in revenues and expenses.

**Overall.** Over three years period, half of Indiana nonprofits (49 percent) experienced an increase in expenses while only 10 percent experienced expense decrease. However, more than a quarter (27 percent) had some level of revenue decrease, including 5 percent with a significant decrease (see Figure 8). In general, revenue growth lagged expense growth suggesting that at least some Indiana nonprofits experienced financial difficulties.

**Figure 8.** Changes in revenues and expenses within three prior years, Indiana nonprofits (n=824)



We note that nonprofit revenues are often volatile from year to year – increasing if or when the organization is particularly successful in securing donations or obtains new grant or contract and decreasing when a contract lapses and is not renewed, or when a multi-year grant was received in a prior year. As noted above, about 40 percent of Indiana nonprofits saw increased revenues over the prior three years, about one-third saw stability in revenues, while about a quarter (27 percent) experienced a decrease in revenues.

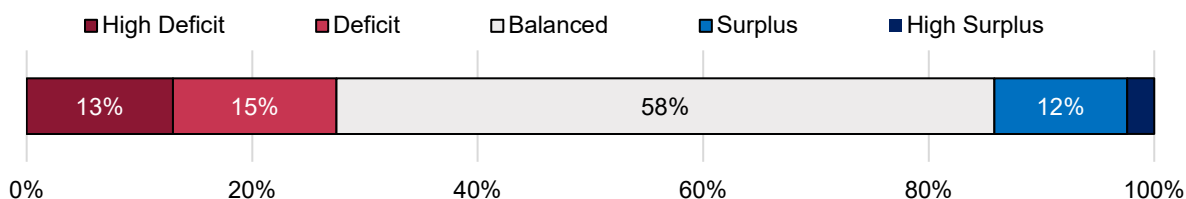
Nonprofit expenses tend to be more stable. For example, multiyear grants may be counted in the year in which the grant is received but the dollars are expended over the period of the grant. Similarly, successful capital campaigns are likely to result in major influxes of donations over several years but may be dedicated to building an endowment and transferred to assets. As we show in Section 5 of this report, the bulk of nonprofit expenses are used to pay staff and cover occupancy costs.

While both types of expenses can be reduced if major deficits loom, doing so will usually make it challenging to deliver programs and that in turn may threaten future revenues. Indeed, as Figure 8 shows, only about 11 percent of Indiana nonprofits saw a decrease in expenses, while almost half saw an increase in expenses, most likely reflecting pressures to meet cost of living expenses for staff and higher occupancy costs because of inflation.

We combined the two indicators – changes in revenues and changes in expenses – to get a rough indication of the financial health of Indiana nonprofits. We measure this as the extent to which revenues outpaced expenditures over the prior three years, e.g., resulted in a surplus for the organization, or whether revenues trailed expenditures, suggesting an overall deficit over that period.

As shown in Figure 9, over half of Indiana nonprofits (58 percent) had changes in revenues and expenditures that either stayed the same or changed at the same rate and in the same direction. Meanwhile, a quarter (25 percent) had deficits as indicated by revenues trailing expenses, including 13 percent with high deficits. A notably smaller segment (14 percent) experienced a surplus (expenses trailed revenues) and only 2 percent had a high surplus. In general, Indiana nonprofits' financial health appears to have deteriorated over the three years.

**Figure 9.** Financial Health, Indiana nonprofits (n=820)



For the rest of this section of our report, we focus on changes in revenues and expenses of Indiana nonprofits and focus on whether the corresponding dependent variable is significant at both bivariate and multivariate analysis. See Appendix B for the detailed analysis of relationships that are significant only at the bivariate level.

We examine the extent to which changes in revenues and expenses is related to basic organizational dimensions: organizational capacity (age, size of staff, and formalization, including use of IT resources), external forces (funding profile, nonprofit field of activity, charity status), and location. While almost all these indicators are related to changes in revenues or in expenses at the bivariate level (see Appendix B.2), only age, size, formalization, use of external IT tools, and field of activity are significant at the multivariate level.

**Age.** Nonprofit age is only significant at the multivariate level with a negative relationship, indicating that older nonprofits were less likely to report revenue increase over the three years period compared to younger ones.

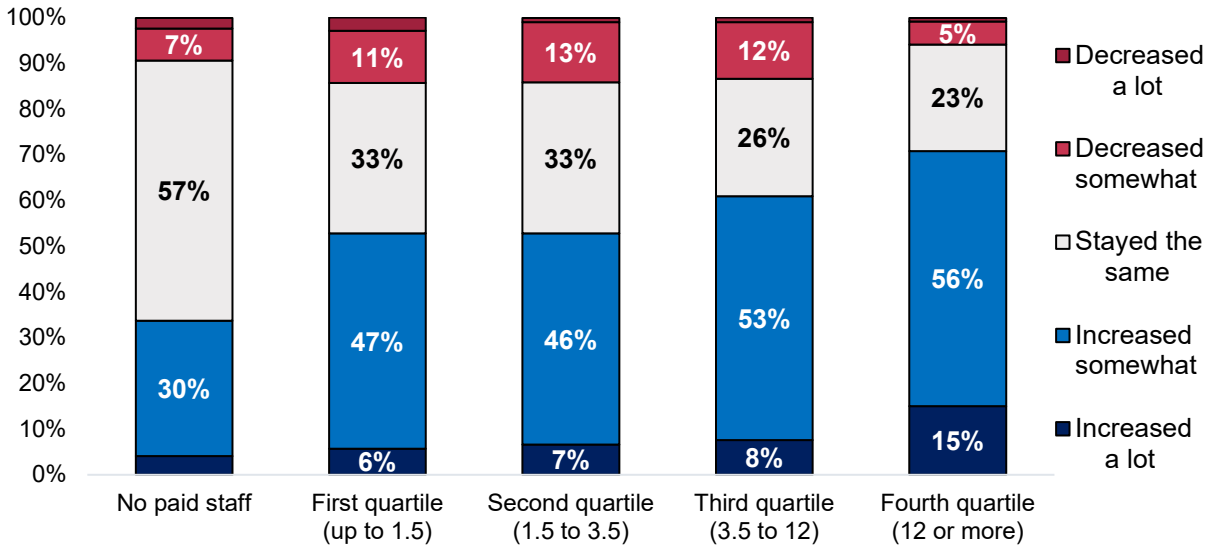
**Size.** We use the number of paid staff to capture the size of Indiana nonprofits, rather than revenues or expenses because it appears to be a more robust measure<sup>10</sup>. We use the responses to our survey question about whether the organization has any paid employees, and if so, the number of paid full-time employees (defined as working 35-40 hours per week) and the number of part-time employees currently working for the organization. To compute the number of full-time employees (FTEs), we added half of the number of part-time employees to the number of full-time employees. Then, we divided those with employees into rough quartiles depending on the number of FTE paid staff.

Only change in expenses is significant at the multivariate level. In general, nonprofits with more FTEs are more likely to experience an increase in expenses (see Figure 10) than those with fewer FTEs. Nonprofits with 12 or more paid staff were most likely to experience an increase in expenses – 71 percent reported an increase in expenses, including 15 percent with a significant increase. By contrast, most of Indiana nonprofits with no paid staff experienced no change in

<sup>10</sup> When we compared the respondents' reported total revenues and expenses in the most recently completed fiscal year to their IRS Form 990 for the corresponding or nearly corresponding year, we found some notable discrepancies that warrant further assessment.

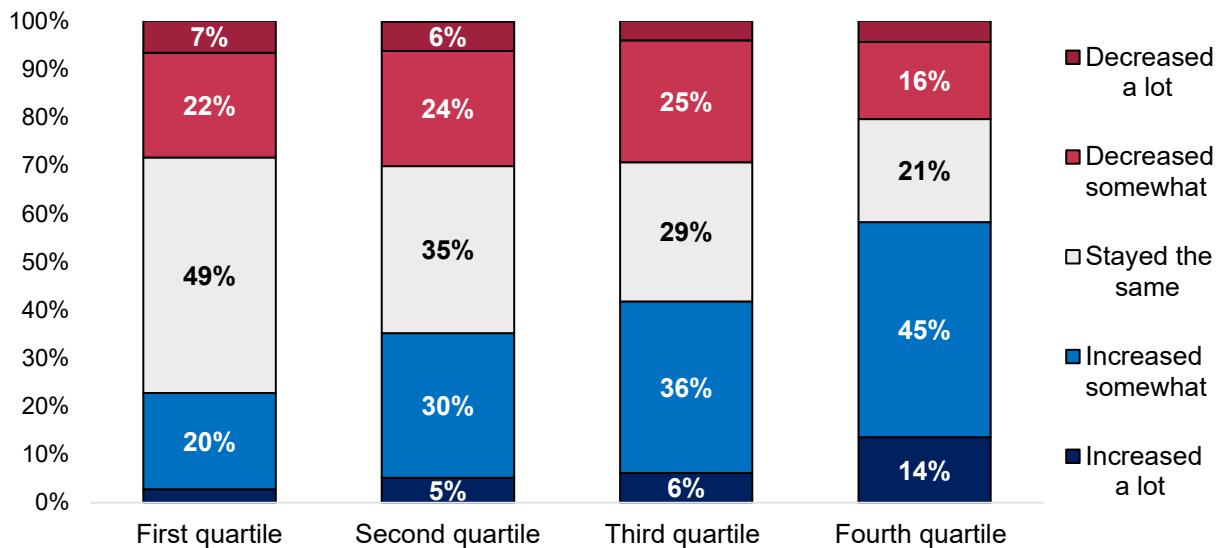
their expenses (57 percent) and were least likely to report expense increase (34 percent). Nonprofits in the first quartile (small number of paid staff) appear to be under more financial pressure as 53 percent experienced increase in expenses. Mid-size nonprofits in the second and third quartiles are slightly more likely to experience changes in expenses compared to other nonprofits, with 61 percent of nonprofits in the third quartile reporting an increase in expenses.

**Figure 10.** Change in expenses within three prior years by FTE size, Indiana nonprofits (n=812)



**Formalization.** Change in revenues has a significant relationship with organizational formalization in the multivariate analysis (change in expenses is only significant at the bivariate level). In general, more formalized nonprofits were more likely to experience some level of change in their revenues. As shown in Figure 11, fifty-nine percent of nonprofits in the fourth quartile (the most formalized) reported some revenue increase, including 14 percent with a significant increase, while only 21 percent in the first quartile (the least formalized) reported some revenue increase.

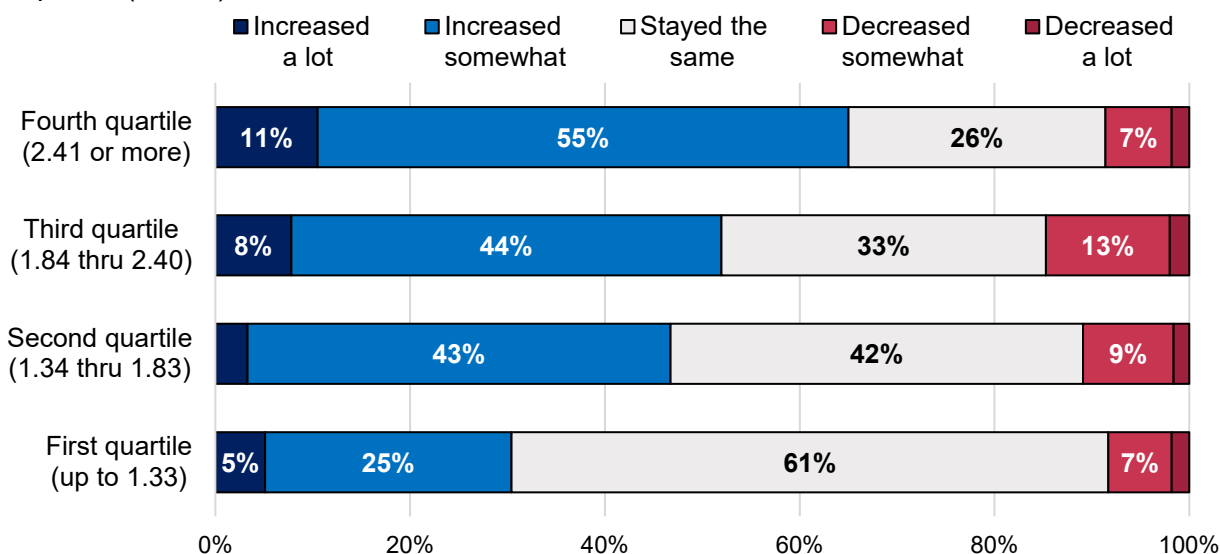
**Figure 11.** Change in revenues within three prior years by formalization, Indiana nonprofits (n=793)



**External IT Capacity.** Indiana nonprofits that use external IT tools (e.g., social media accounts, donor software) appear to be significantly more likely to have experienced an increase in expenses over the three prior years. Using external IT tools has a significant relationship with change in expenses at multivariate level but not with changes in revenues.

As Figure 12 shows, two-thirds (66 percent) of those in the fourth quartile of external IT tools reported an increase in expenses, compared to 30 percent in the first quartile. Those in the top two quartiles (26-33 percent) were also least likely to have no change in their expenses, compared to those in the first (bottom) quartile (61 percent).

**Figure 12.** Changes in expenses within three prior years by external IT capacity, Indiana nonprofits (n=823)



**Field of Activity.** We analyzed nonprofit financial capacity by major field of activity, using the National Taxonomy of Exempt Entities (NTEE) classification system.<sup>11</sup> At the multivariate level, the nonprofit field has a significant relationship with both changes in revenues and in expenses, however, only revenue is significant at the bivariate level. Overall, the analysis shows nonprofit fields vary greatly in the extent to which their revenues and expenses had changed over the three years, ranging from a high average of 74 percent change among health nonprofits to a low of 56 percent among mutual benefit nonprofits (see Figure 13).

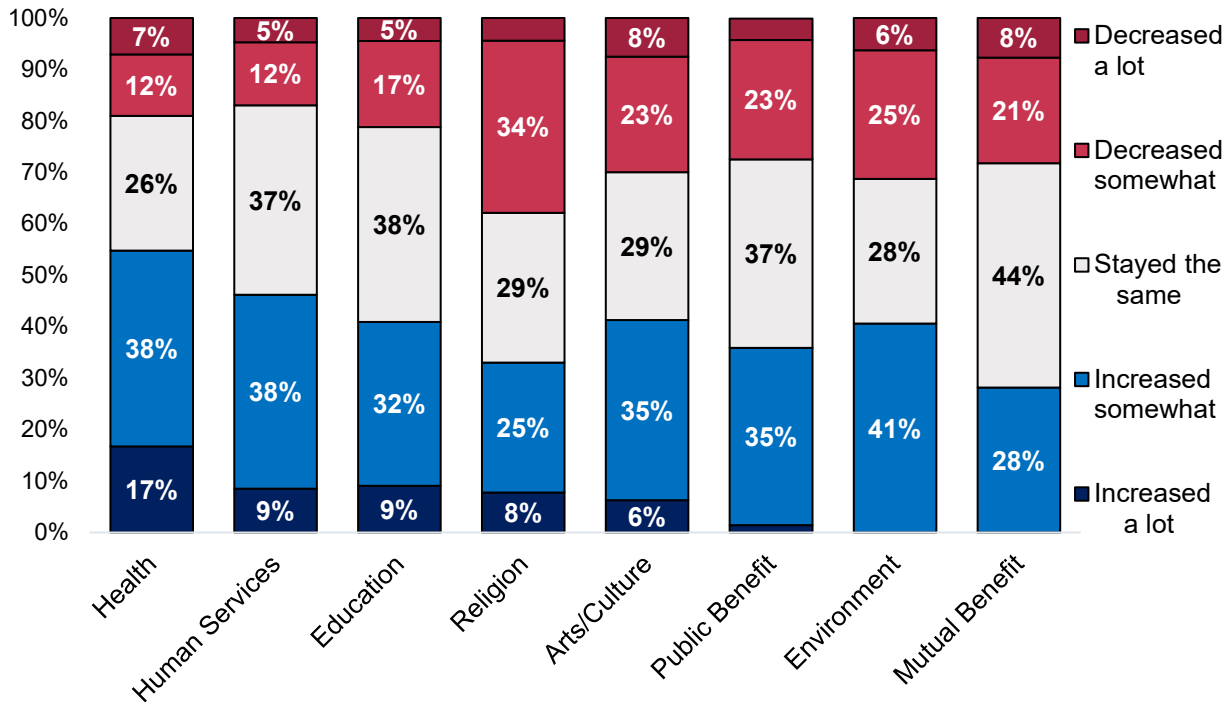
A detailed multivariate analysis shows that educational nonprofits were significantly more likely to experience change in expenses compared to those in other fields, while religious nonprofits were less likely to experience revenue increase.

**Summary: Changes in Financial Indicators**

We ran multivariate logistics regression for each of the three scales of changes in revenues and changes in expenses variables to examine which of our basic organizational characteristics are significantly related to Indiana nonprofits’ revenue and expenses fluctuation over time. The “decrease in expenses” model was not significant and is excluded from further discussion here. However, full details for this model are included in Appendix C.

<sup>11</sup> For a description of the NTEE system, see [National Taxonomy of Exempt Entities \(NTEE\) Codes | National Center for Charitable Statistics \(urban.org\)](https://www.urban.org/national-taxonomy-of-exempt-entities) (retrieved 5/16/2022).

**Figure 13.** Change in revenues within three prior years by major field of activity, Indiana nonprofits (n=825)



As Table 2, shows, each of the remaining models is highly significant ( $p < .05$ ). The analysis shows that age, size, formalization, use of external information technology, and nonprofit primary field are significant, controlling for all other factors.

Age: As noted earlier, nonprofit age is not significant at the bivariate level, but controlling for all other factors, older nonprofits were less likely to experience an increase in revenues, compared to those established in later periods.

Size: Larger nonprofits were more likely to report increased expenses.

Formalization: More formalized nonprofits were more likely to experience revenue changes.

External IT tools: Nonprofits that use more external information technology tools were more likely to report increased expenses.

Nonprofits field: Education nonprofits had more stable expenses and religious nonprofits were less likely to experience revenue increase.

Use of internal information technology, nonprofit funding mix, location, and charity status is not significant once we control for all other factors. See Appendix B for detailed analysis of a significant bivariate relationships.

**Table 2.** Estimates for Logistics Regression of Changes in Financial Indicators

Variables Included in the Multivariate Equation	Positive (+) or negative (-) Significant Coefficients				
	Changes in Revenues			Changes in Expenses	
	Increase	Same	Decrease	Increase	Same
Age (Decades since Founded)	-				
LN Number of FTE				+	
Formalization (scale)		-			
Average Internal IT Capacity (scale)					
Average External IT Capacity (scale)				+	-
FUNDING MIX (Mix of sources, excluded)					
Over 50% Donations					
Over 50% Special Events					
Over 50% Fees and Sales					
Over 50% Government					
NTEE CODE (All other fields, excluded)					
Arts & Culture					
Education					+
Human Services					
Public/Societal Benefit					
Religion	-				
Mutual Benefit					
LOCATION: (Nonmetropolitan, excluded)					
Central Metropolitan					
Metropolitan Ring					
Charity					
Statistical significance	p<.001	p<.004	p<.017	p<.001	p<.001
Adjusted R-squared	0.182	0.102	0.093	0.144	0.134
N		507		504	

Notes: For binary logit regressions, we created three separate dummy variables (increase, stayed the same, and decrease) for each financial indicator variables (revenues and expenses). The increase variable is a combination of “increased somewhat” and “increased a lot” options and decrease variable is a combination of “decreased somewhat” and “decreased a lot”. We then run binary logit regressions for each dummy variable. We use the natural log of the number of FTE to account for the skew in the distribution of the original versions of the variables. Coefficients significant at the  $p < 0.05$  level are marked with positive (+) or negative (-) signs depending on the direction of the relationships. Excluded categories are Funding Mix: Mixed, NTEE Code: Health, Environment and Animal, and International, Location: Non-metropolitan counties. For full results, see Appendix C.

### Summary: Financial Health

We also ran a multivariate logistics regression to see which of our basic organizational characteristics are significantly related to whether our respondents appear to have maintained financial health over the prior three years, as indicated by the extent to which they had maintained a surplus and avoided a deficit (see Figure 9 earlier). The overall equation is only borderline significant ( $p < .10$ ), but several indicators show interesting patterns.

**Size:** smaller nonprofits are significantly more likely to exhibit financial health than smaller ones, controlling for all other factors.

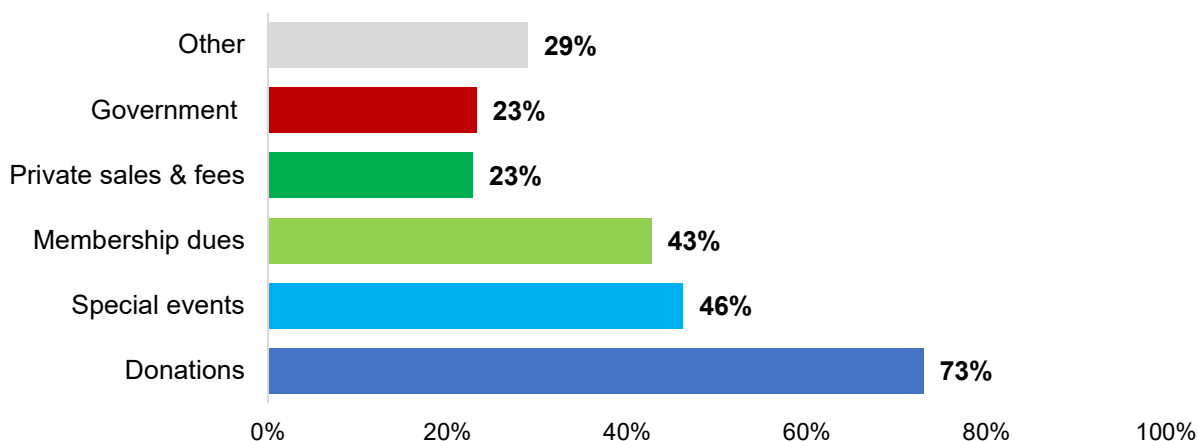
**IT capacity:** nonprofits with higher internal IT capacity are significantly more likely to show financial health than those with lower capacity, controlling for all other factors. So is external IT capacity, but the relationship is only borderline significant.

### 3. Nonprofit Revenue Profile

In our survey, we listed five common revenue sources – government funding, private donations, special events, dues/membership fees, and private sales of goods/services. We also included an “other” option to capture miscellaneous other sources of revenues such as interest income. We asked our respondents to indicate what percent of their total revenues came from each of these sources during their most recently completed fiscal.<sup>12</sup>

As Figure 14 shows, almost 73 percent of Indiana nonprofits received donations of some kind during the prior fiscal year, and almost half (46 percent) reported revenues from special events. Almost as many (43 percent) reported at least some revenues from membership dues. These three types of revenue sources tend to be specific to nonprofit organizations. The first two are part of comprehensive fund development programs for charities and the latter is a traditional source of revenue for membership associations.

**Figure 14.** Percent with any revenue from each six common sources, Indiana nonprofits (n=835-855)

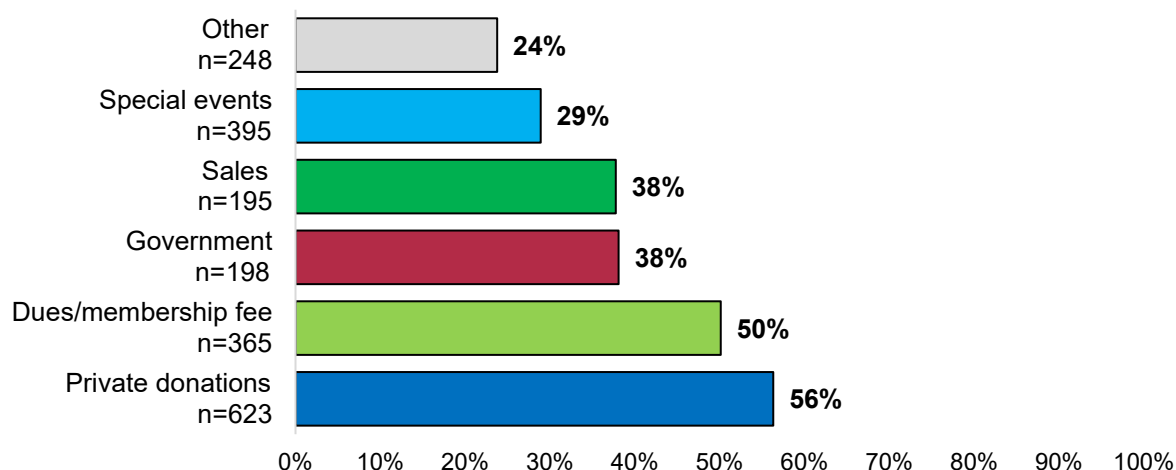


About a quarter received funding from private sales and fees and/or government grants and contracts (23 percent each). Both sources typically are also available to for-profit organizations with for-profits generating most of their revenues from private sales and fees. Finally, more than a quarter of Indiana nonprofits (29 percent) also reported receiving revenues from a variety of other revenue sources, such as interest. In the analysis below, we have combined membership dues with revenues from private sales and fees since both require nonprofits to market their programs and services to the general public.

<sup>12</sup> In a few cases, these percentages did not add up to 100 percent, so we followed up with respondents to clarify and correct percentages. Where this was not possible, we excluded the organization from analysis involving sources of revenues.

When we look at how important each of these sources is for Indiana nonprofits that receive revenue from the source, we find that private donations account for an average of 56 percent of total revenues for those that receive such funding (Figure 15). Similarly, membership dues account for an average of half of the total revenues for those that receive dues. By contrast, special events account for an average of only about 29 percent of total revenues for those that have such revenues, suggesting this type of revenue is more of a supplement than a primary source of revenue for most Indiana nonprofits. Finally, government funding and private sales and fees (including membership dues) each account for an average of 38 percent of total revenues for those nonprofits with any such funding, suggesting that they are important for these nonprofits, but frequently combined with other sources of revenue.

**Figure 15.** Percent of total revenue from each source for nonprofits receiving such revenue, Indiana nonprofits (n=195-623)



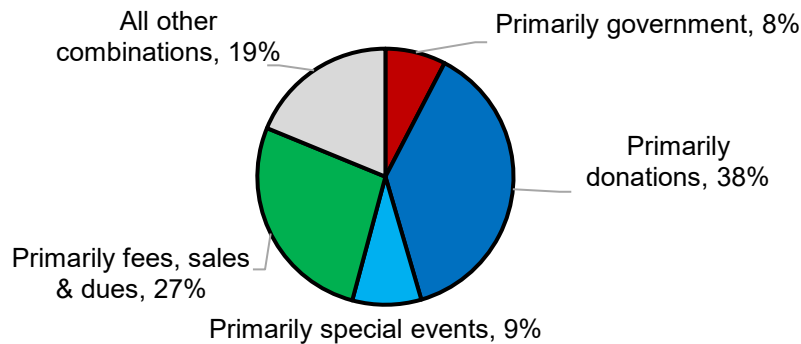
We also used the percentage of revenues from these sources to create an overall revenue mix profile of our respondents. As Figure 16 shows, about four-tenth (38 percent) depended primarily on donations and another 9 percent primarily on special events during their most recent fiscal year. About a quarter (27 percent) received half or more of their total revenues from fees, sales and dues. Less than one in ten (8 percent) depended primarily on government funding, while a fifth (19 percent) received a mix of these four sources of funding, but none of them accounting for half or more of their total funding.

As we have documented in other reports based on this survey of Indiana nonprofits, the extent to which our respondents depend on particular sources of revenue – their revenue mix profile – is an important organizational dimension in its own right and related to a wide range of organizational dimensions and activities.<sup>13</sup>

<sup>13</sup> Previous reports have examined the use of information technology; program evaluation; programs and services; advocacy and political activities; managing human resources; and collaborations. For more information see Series 2: Activities Reports at <https://nonprofit.indiana.edu/research-results/indiana-nonprofit-surveys.html>.



**Figure 16.** Revenue mix profile of Indiana nonprofits receiving such revenue, Indiana nonprofits (n=851)

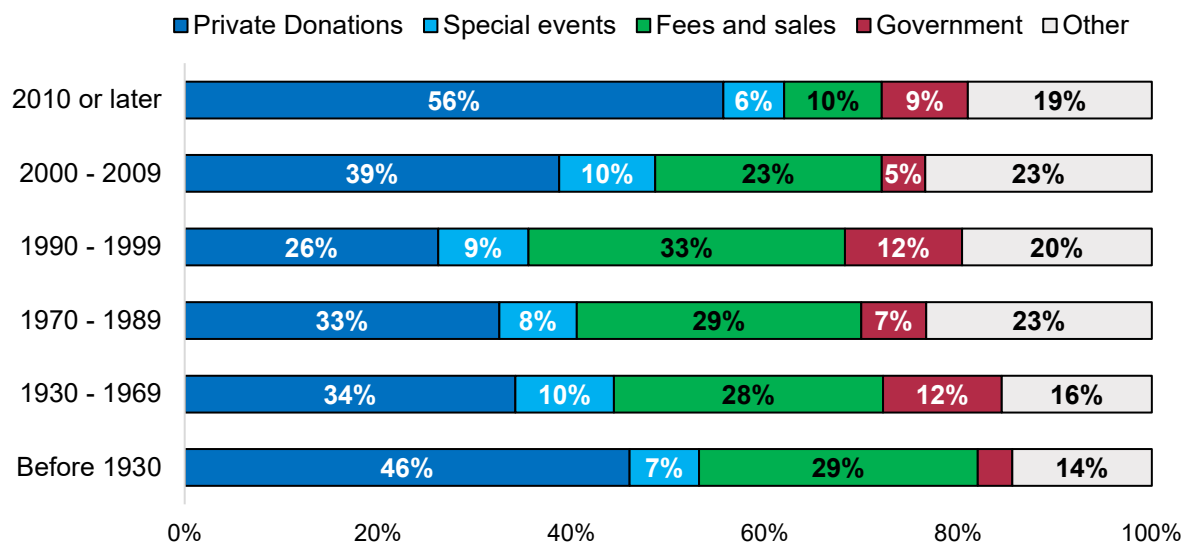


### Revenue Mix Profile

We turn now to a closer look at how primary reliance on each of the major revenue sources (donations, special events, sales/fees/dues, government) or on a mix of sources varies by indicators of basic organizational capacity (age, size, formalization, including access to IT tools), major nonprofit field, and external forces (location, and charity status). In general, we expect larger and more formalized nonprofits to have advantages in securing government funding. The revenue mix profile of Indiana nonprofits varies significantly across each of these basic organizational dimensions, even in our multivariate summary analysis, where we look at which factors remain significant, once we control for all other factors.

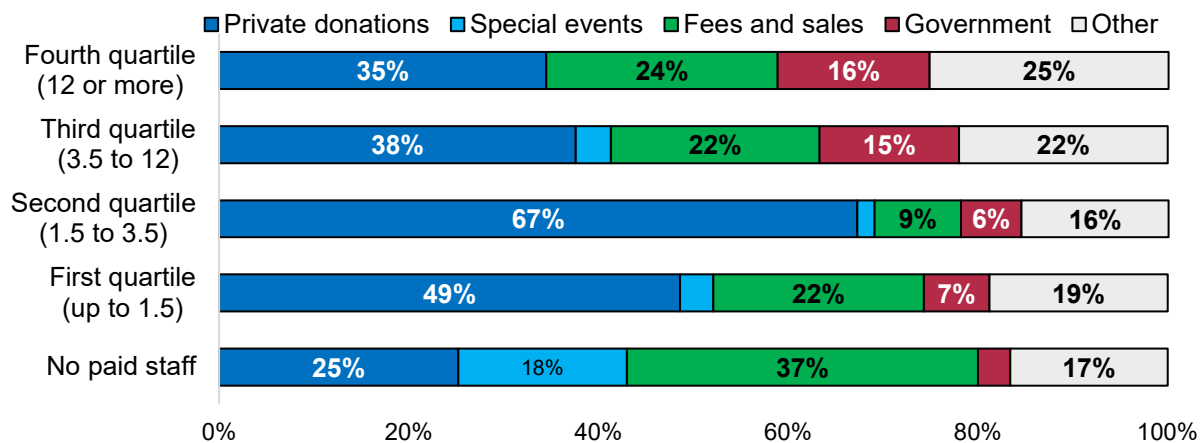
**Age.** As Figure 17 shows, the funding mix profile of Indiana nonprofits varies considerably by how old they are, although the patterns don't always follow chronological age. Thus, younger nonprofits (founded in 2010 or later) or older ones (founded before 1930) are much more likely to rely primarily on donations (dark blue segments, 56 and 46 percent respectively) than those founded in the intervening period. However, younger nonprofits are noticeably less likely to rely primarily on fees, sales and dues (green segments, 10 percent) than those founded during prior periods of time.

**Figure 17.** Funding mix by age, Indiana nonprofits (n=786)



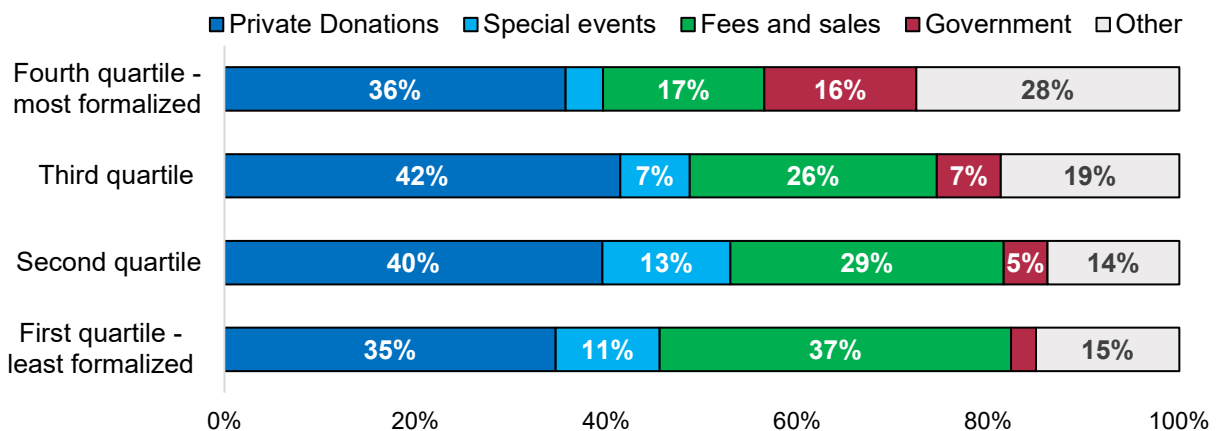
**Size.** Funding mix also differs considerably by size, as measured by the number of FTEs. As expected, Figure 18 shows that larger nonprofits (those with the two largest categories of paid staff - FTEs of 3.5 or more) are much more likely to rely primarily on government funding (15-16 percent, red segments), than smaller ones (3-7 percent). This is what we would expect since government funding usually requires considerable management capacity to secure and maintain. By contrast, smaller nonprofits with at least some paid staff (less than 3.5 FTEs), are much more likely to rely primarily on donations compared to other size categories. Entirely volunteer-run nonprofits (which includes many membership associations), that is, those without any paid staff at all, are notably more likely to rely primarily on fees, sales and dues (37 percent) or special events (18 percent, light blue segments) than nonprofits with any paid staff.

**Figure 18.** Funding mix by size, Indiana nonprofits (n=831)



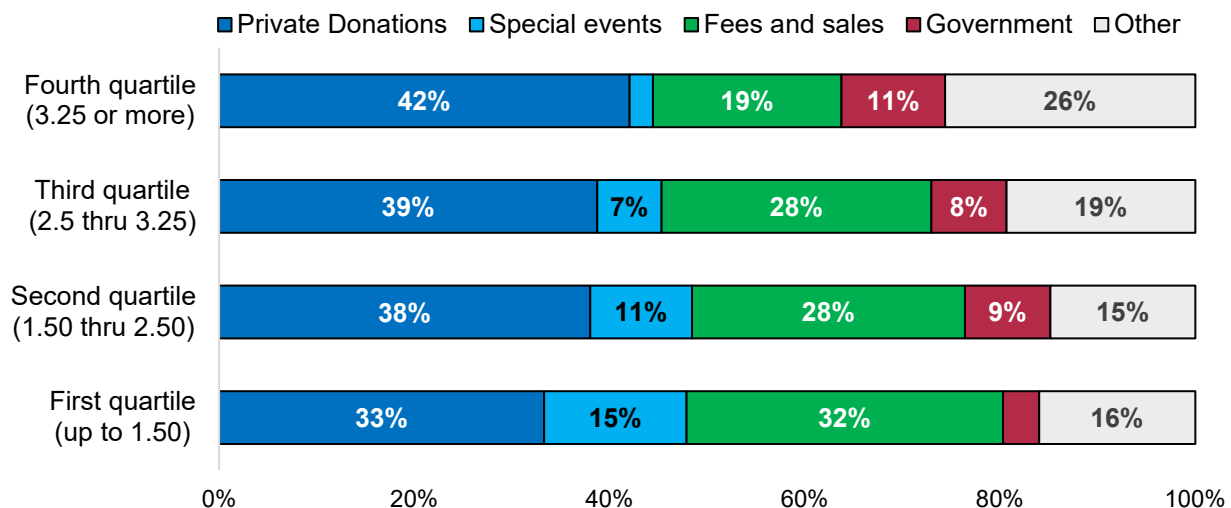
**Formalization.** The extent to which nonprofits are formalized, as indicated by the number of formal organizational components they have in place (e.g., an annual report, job descriptions for staff or volunteer positions), also shows distinctive differences in funding profiles (see Figure 19). As expected, the most formalized Indiana nonprofits are significantly more likely to rely primarily on government funding (16 percent vs. 3-7 percent) or to have a mix of funding sources (28 percent vs. 14-19 percent) than those with lower levels of formalization. By contrast, the least formalized nonprofits are notably more likely to rely primarily on fees, sales and dues (37 percent), especially compared to the most formalized nonprofits (17 percent).

**Figure 19.** Funding mix by formalization, Indiana nonprofits (n=810)

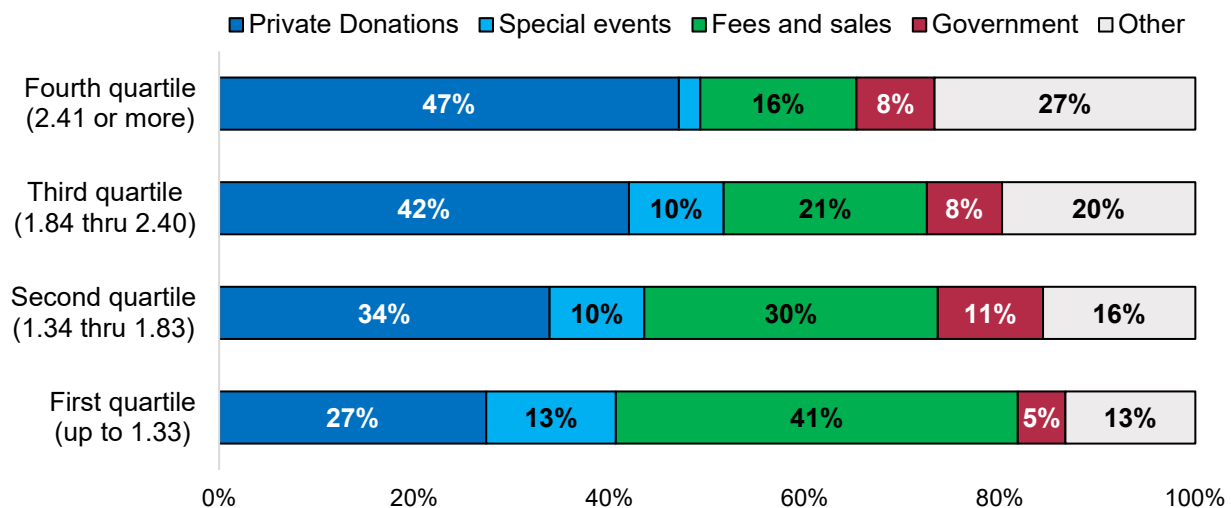


**IT Capacity.** The extent to which Indiana nonprofits rely on internally-focused IT tools (such as routine data backups, electronic client or financial records, or employ IT security measures) also shows distinctive patterns. In general, as Figure 20 shows, greater use of internal IT tools is associated with greater reliance on funding sources that require nonprofits to monitor their activities, particularly government funding, but also donations or a mix of funding sources. The lowest use of internal IT tools is associated with greater reliance on sources that depend more on episodic activities, such as special events, or may be handled more informally, such as fees, sales or dues. As Figure 21 shows, the use of externally focused IT tools (such as social media, receipt of online donations, use of standard search engines, etc.) follows somewhat similar patterns.

**Figure 20.** Funding mix by internal IT capacity, Indiana nonprofits (n=835)



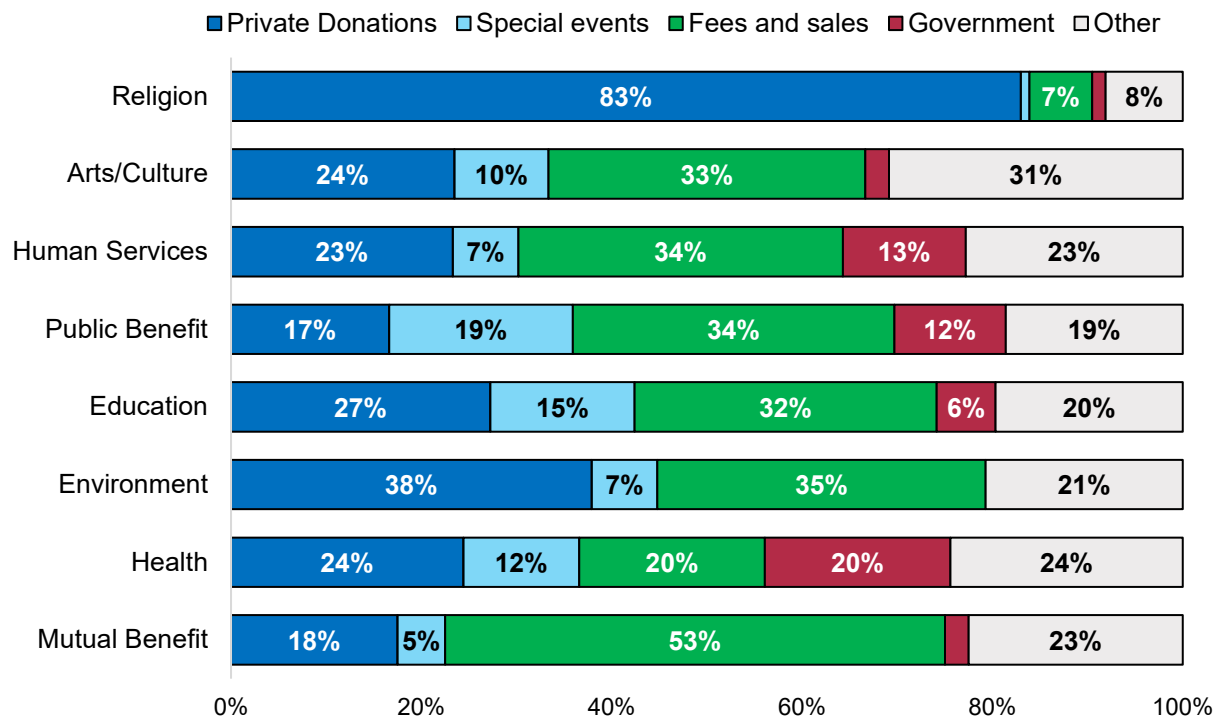
**Figure 21.** Funding mix by external IT capacity, Indiana nonprofits (n=844)



**Field of Activity.** Primary reliance on particular sources of funding (as indicated by receiving half or more of total revenues from that source) varies considerably across nonprofit fields (Figure 22). Congregations and other religious nonprofits are – as expected – notable for the extent to which they rely primarily on donations (83 percent, dark blue segments). All other fields show greater diversity in terms of primary sources of revenue. Primary reliance on

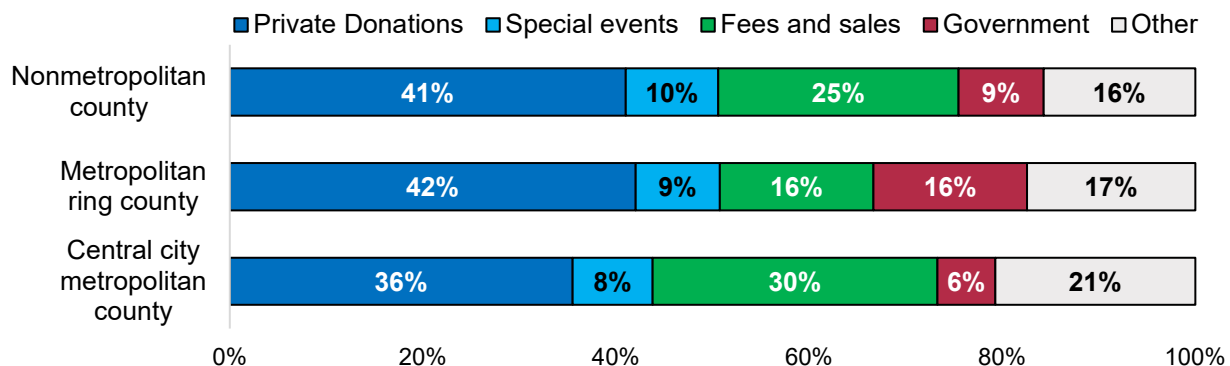
government funding (red segments) is found mainly among health, human service and public/societal benefit nonprofits (the latter includes community development and research organizations). Primary reliance on fees, sales and dues (green segments) is, as expected, particularly prevalent among mutual benefit nonprofits (53 percent).

**Figure 22.** Funding mix by NTEE field, Indiana nonprofits (n=851)



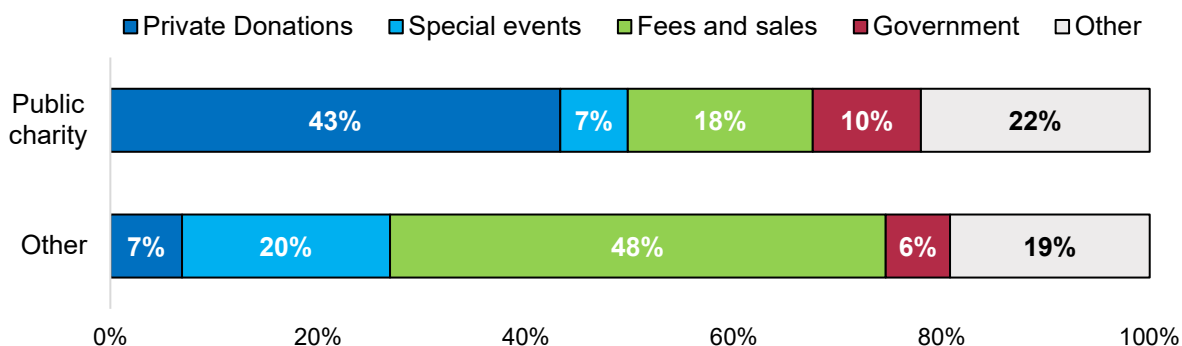
**Location.** We also examined whether funding mix differs by whether nonprofits are located in central city metropolitan counties, metropolitan ring counties or nonmetropolitan regions of the state, on the argument that location creates a set of external forces that nonprofits have to contend with. We caution that the location here reflects the address available through IRS-registration and/or state incorporation documents and does not account for nonprofits operating in multiple counties – only one address is recorded for each respondent. Nevertheless, we do find significant differences (see Figure 23), although we suspect that at least some of these differences may reflect or be at least partially confounded with other characteristics of nonprofits located in particular types of counties.

**Figure 23.** Funding mix by location, Indiana nonprofits (n=848)



**Charity Status.** Finally, we examined whether funding profile varies by whether the nonprofits are officially recognized as charities under Section 501(c)(3) of the Internal Revenue Code. Nonprofits recognized as such are eligible to receive tax-deductible donations (as are a few other special types of nonprofits, such as veterans organizations). As Figure 24 shows, there are major differences between officially recognized charities and other nonprofits in terms of their funding profiles. As expected, charities are notably more likely to rely primarily on donations (43 percent) than non-charities (7 percent), while the latter are significantly more likely to rely primarily on fees, sales and dues (48 percent, compared to 18 percent for charities) or special events (20 percent, compared to 7 percent for charities).

**Figure 24.** Funding mix by charity, Indiana nonprofits (n=566)



We note that some nonprofits may receive tax-deductible donations without registering as charities with the IRS. This is most notably the case for churches (reflecting the separation of state and church in the U.S.) but also extends to very small nonprofits, those with less than \$5,000 in total revenues.<sup>14</sup>

**Summary: Revenue Mix Profile**

We turn now to a brief look at how the various organizational dimensions are related to each of the five funding profiles, when we allow all factors to operate at once. Table 4 summarizes five logistic regression analyses with each column showing whether a particular organizational dimension is significantly different for nonprofits that rely primarily on a particular funding source (or have no primary source of funding, last column) compared to nonprofits that do not fit this particular funding profile. Overall, Table 3 shows that each of the models is highly significant ( $p < .001$ ). The organizational dimensions jointly account for about a quarter (26 percent) of the variance for donations as a primary funding source, but only about one-tenth of the variance for any of the other funding profiles. For full results, see Appendix C.

**Table 3.** Estimates for Logistic Regression of Revenue Mix Profile

Variables Included in the Multivariate Equation	Positive [+] or negative [-] significant coefficients				
	Private donations	Special events	Gov. funding	Sales & dues	Mix (no primary source)
Age (Decades since Founded)			(-)	+	

<sup>14</sup> The IRS registration fee is \$275 for nonprofits with less than \$50,000 in total revenue seeking recognition as a charity. It is \$600 for all other nonprofits seeking tax-exempt status (see [https://www.irs.gov/irb/2022-01\\_IRB#idm140151478075328](https://www.irs.gov/irb/2022-01_IRB#idm140151478075328)).

LN Number of FTE	-	-	+	+	
Formalization (scale)	(+)				
Average Internal IT Capacity (scale)		(-)			
Average External IT Capacity (scale)	+		-	-	
NTEE FIELD (All other fields, excluded)					
Arts & Culture	-			+	+
Education				+	
Human Services	-				
Public/Societal Benefit					
Religion	+	-	-	-	
Mutual Benefit		-			+
LOCATION: (Nonmetropolitan, excluded)					
Central Metropolitan	-			+	+
Metropolitan Ring			+		
Charity	+	-	+	-	-
Statistical significance	p<.001	p<.001	p<.001	p<.001	p<.001
Adjusted R-squared	.261	.089	.112	.132	.077
N	549	549	549	549	508

Notes: We use the natural log of the number of FTE to account for the skew in the distribution of the original versions of the variables. Coefficients that are significant at the  $p < 0.05$  level are marked with positive (+) or negative (-) signs, depending on the direction of the relationships. Coefficients that are borderline significant at the  $p < .06$  are marked with + or - in parenthesis. Excluded categories: Funding Mix: Mixed, NTEE Code: Health, Environment and Animal, and International. For full results, see Appendix C.

**Age.** Controlling for all organizational dimensions, older nonprofits are significantly more likely to rely primarily on fees, sales, and dues than their counterparts, while those that rely primarily on government funding are borderline ( $p < .06$ ) more likely to be younger.

**Size.** Controlling for all organizational dimensions, size (number of FTEs) is negatively related to primary reliance on donations or special events, again suggesting that it is disproportionately smaller nonprofits that rely heavily on these two sources of funding. As expected, size is positively related to primary reliance on government funding, but also on fees, sales and dues.

**Formalization.** Controlling for all organizational dimensions (including size), formalization is borderline positively related to primary reliance on donations, but not to any other funding profile.

**IT Capacity.** High reliance on internal IT tools, such as electronic records, is borderline negatively related to primary reliance on revenues from special events. As we noted above, such funding tends to be episodic and is likely to be handled without the need for electronic records.

Reliance on external IT tools, such as social media, is as expected positively related to primary reliance on donations and negatively related to primary reliance on revenues from government funding and from fees, sales and dues.

**Field of Activity.** Nonprofit fields are also significant for several revenue sources, controlling for all other factors, when compared to the excluded fields (environmental & animals, health, and international). Arts and culture nonprofits tend to be less likely to rely primary on donations (as do human service nonprofits) but rely more on a mix of funding sources. Education nonprofits are more likely to rely primarily on fees, sales and dues, while religion nonprofits are more likely to rely primarily on donations and less likely to rely primarily on special events, government funding, and fees and dues. Finally, mutual benefit nonprofits are less likely to rely primarily on special events and more likely to rely on a mix of funding sources than the comparison fields.

**Location.** Location is also important. Controlling for all other factors, nonprofits located in central city counties of metropolitan regions are significantly more likely to rely primarily on government funding than those in nonmetropolitan counties. Those located in metropolitan ring counties are significantly less likely to rely primarily on donations and sales & dues, and significantly more likely to rely on a mix of funding sources than those located in nonmetropolitan counties.

**Charity Status.** Finally, Indiana nonprofits officially registered with the IRS as 501(c)(3) organizations are, as expected, significantly more likely to rely primarily on private donations or government funding, but significantly less likely to rely primarily on special events, fees and dues, or a mix of revenue sources.

**Summary: Percent of Total Revenue from Major Sources**

We turn finally to a more refined look at the reliance on funding sources than just whether a particular source accounts for half or more of total revenues. For this analysis, we use the percent of total revenue from the given source. However, because these percent values are highly skewed, we use the natural log of the original percent values.

Table 4 shows the results of five multivariate analyses with each column representing the results for a particular source of revenue, including separate analyses for percent of total revenues from dues and from sales and fees. Overall, our efforts to predict the percent of total revenues Indiana nonprofits receive from each of the five major sources are highly significant ( $p < .001$ ) and almost all organizational dimensions (except age) are significantly related to at least one of the revenue sources at the level of  $p < .05$  or better.

The prediction models account for a third or more of the total variance for percent of revenues from donations or special events, but only about a fifth or less of the variance for percent of revenues from sales and fees (21 percent), government funding (17 percent), or membership dues (14 percent). The percent of variance explained is notably higher than when we examine how well the same factors are related to primary reliance on major sources of funding (see Table 3, ranging between 8 and 26 percent).

There are some differences in whether a particular organizational dimension is significant for this full version of reliance on funding sources (Table 4), compared to using the truncated version (primary reliance, Table 3). However, when a particular organizational dimension is significant for a given funding source in both models, the patterns are consistent, with either a positive relationship in both models or a negative relationship in both models.

**Table 4.** Estimates for Linear Regression of Percent of Total Revenue from Source

Variables Included in the Multivariate Equation	Positive [+] or negative [-] significant coefficients				
		%		%	%
	% Private donations	Special events	% Gov. funding	Sales & fees	Member dues

Age (Decades since Founded)					
LN Number of FTE	-	-		+	
Formalization (scale)				-	(-)
Average Internal IT Capacity (scale)		-		+	
Average External IT Capacity (scale)	+		-	-	-
NTEE FIELD (All other fields, excluded)					
Arts & Culture	-				
Education		+		+	
Human Services					
Public/Societal Benefit	-				
Religion	+	(-)	(-)		
Mutual Benefit		-			
LOCATION: (Nonmetro., excluded)					
Central Metropolitan				+	+
Metropolitan Ring					
Charity	+	-		-	-
Statistical significance	p<.001	p<.001	p<.001	p<.001	p<.001
Adjusted R-squared	.350	.332	.172	.215	.145
N	400	280	156	139	212

Notes: We use the natural log of the number of FTE to account for the skew in the distribution of the original versions of the variables. Coefficients that are significant at the  $p < 0.05$  level are marked with positive (+) or negative (-) signs depending on the direction of the relationships. Coefficients that are borderline significant at the  $p < .06$  are marked with + or - in parenthesis. Excluded categories: Funding Mix: Mixed, NTEE Code: Health, Environment and Animal, and International. For full results, see Appendix F.

**Size.** Controlling for all organizational dimensions, size (number of FTEs) is – as expected – negatively related to the percentage of revenues from donations and special events, suggesting that it is disproportionately smaller nonprofits that rely heavily on these two sources of funding. As expected, size is positively related to percentage of revenues from sales and fees, indicating that it is larger nonprofits that tend to receive a high percent of revenues from this source. We had expected a similar pattern for percentage of revenues from government funding, but that is not the case.

**Formalization.** Controlling for all organizational dimensions (including size), formalization is negatively related to percent of revenues from sales and borderline ( $p < .06$ ) to percent of revenues from membership dues, suggesting that reliance on these types of funding sources allows nonprofits to operate with fewer organizational components in place.

**IT Capacity.** High reliance on internal IT tools, such as electronic records, is negatively related to percentage of revenues from special events. Such funding tends to be episodic and is likely to be handled without the need for electronic records. Reliance on internal IT is, as expected, positively related to percent of revenues from sales and fees. We had expected a similar relationship with percentage of revenues from government funding since such funding tends to require nonprofits to provide detailed financial reports, but that was not the case.

Reliance on external IT tools, such as social media, is as expected positively related to percentage of donations and negatively related to percentage of revenues from government



funding and from sales and fees. It is also negatively related to percentage of revenues from membership dues.

**Field of Activity.** Nonprofit field is also significant for several revenue sources, controlling for all other factors, when compared to the combined excluded fields (environmental & animals, health, and international). Arts and culture nonprofits tend to have a lower percentage of total revenues coming from donations as do public/societal benefit nonprofits, while religion nonprofits have a higher reliance. Education nonprofits have a higher reliance on special events, while mutual benefit nonprofits have lower reliance on such funding, as do religious nonprofits, but only at the borderline level. Religious nonprofits are also borderline less likely to receive funding from the government, as expected.

**Location.** Location is also important. Nonprofits located in central city counties of metropolitan regions are significantly more likely to obtain high percentages of total revenues from sales and fees and from membership dues, compared to nonprofits located in nonmetropolitan counties, perhaps indicating access to more fee-paying clients and dues-paying members. Location is not significant for any of the other sources of funding.

**Charity Status.** Finally, Indiana nonprofits officially registered with the IRS as 501(c)(3) organizations are, as expected, significantly more likely to receive a higher percent of revenues from private donations, but significantly less likely to receive higher percentages of total revenues from special events, sales, and membership dues.

#### **4. Revenue Diversification**

In our survey, we listed 15 different types<sup>15</sup> of nonprofit revenue sources and asked the respondents to indicate whether they receive revenue from any of them. As Figure 25 shows, the great majority (77 percent) received donations from individuals – the most prevalent source of funding among the 15 we explored.

Less than half receive revenues from special events or dues/membership fees. About a third received foundation (34 percent) or corporate donations or grants (31 percent). About a quarter had revenues from non-governmental (private) fees/charges or sales (27 percent),<sup>16</sup> corporate sponsorships<sup>17</sup> or trust and bequests from individuals (24 percent each).<sup>18</sup> A fifth or less have funding from donor designated funds (usually either from a community foundation or donor advised funds housed in commercial investment companies, 20 percent)<sup>19</sup> or from government grants (16 percent).

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<sup>15</sup> The total of fifteen sources consists of thirteen that are listed in the revenue diversification question and two (dues and membership fees and special events) that are derived from a separate question.

<sup>16</sup> Specifically, from non-governmental sources.

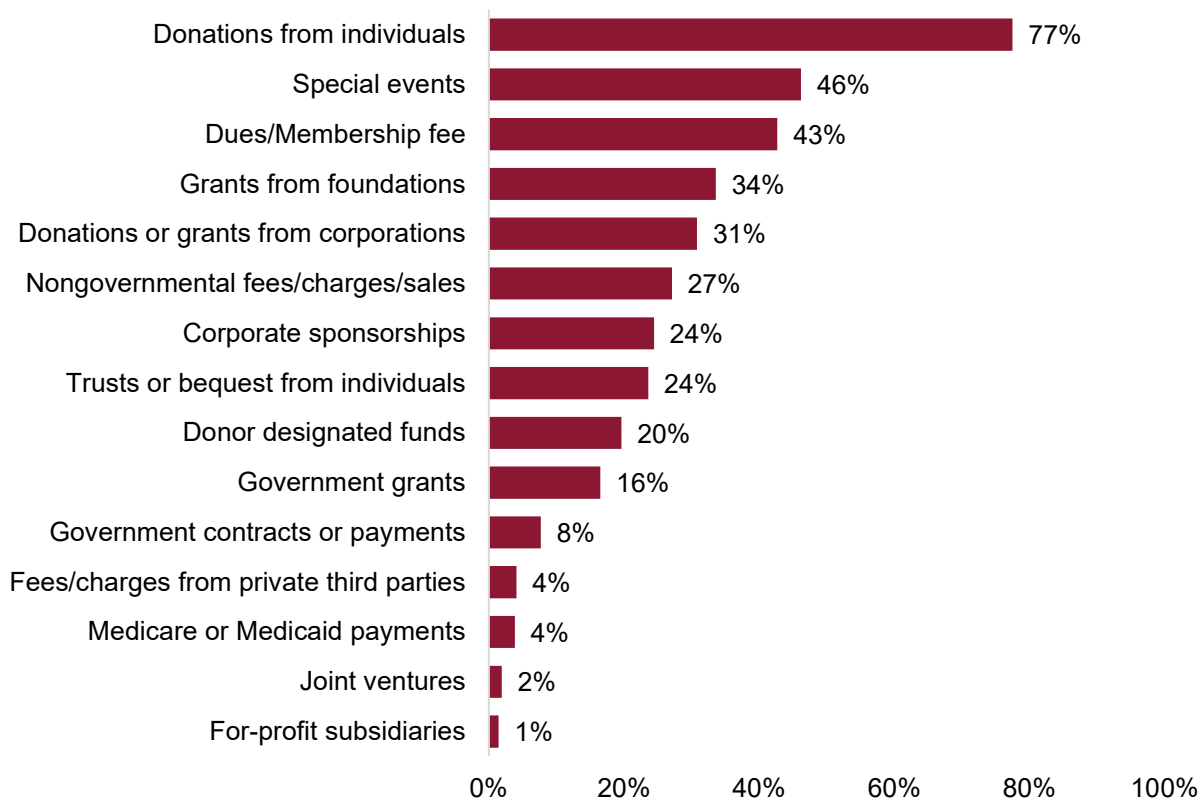
<sup>17</sup> Sponsorships are different than donations/grants because they are a reciprocal transaction. Corporations sponsor events or activities in return for marketing or advertising services from the nonprofit.

<sup>18</sup> Bequests are gifts that are made as part of an individual's will. With a trust, a third party manages money transferred to the trust by an individual (e.g., invests the funds) and distributes it to a nonprofit based on that individual's directions.

<sup>19</sup> In these cases, an individual donates to a fund established by a community foundation or a charitable arm of a commercial investment company, which invests and manages the fund and distributes funding to specific nonprofits specified by the individual donor.

Only 8 percent obtain funding from the government (8 percent) and even fewer have funding from third-party fees (e.g., insurance payments)<sup>20</sup> or Medicare/Medicaid payments<sup>21</sup> (4 percent each), joint ventures (2 percent)<sup>22</sup> or for-profit subsidiaries (1 percent).<sup>23</sup>

**Figure 25.** Percent of Indiana nonprofits receiving revenue from particular source (n=831-855)



Each revenue source requires specific types of efforts to obtain – donations from individuals require investments in fundraising and development staff, special events must be planned and executed, foundation and corporate support usually require grant writing and reporting, fees and sales are likely to require advertising and processing payments for goods and services. Government grants and contracts tend to be particularly demanding in terms of proposal preparation and reporting. Consequently, nonprofits that obtain funding from many different sources of revenue must have the organizational capacity to secure and manage diverse sources.

<sup>20</sup> For example, an insurance company pays the medical bill charged by a nonprofit hospital; federal veteran’s benefits pay for tuition at a nonprofit college.

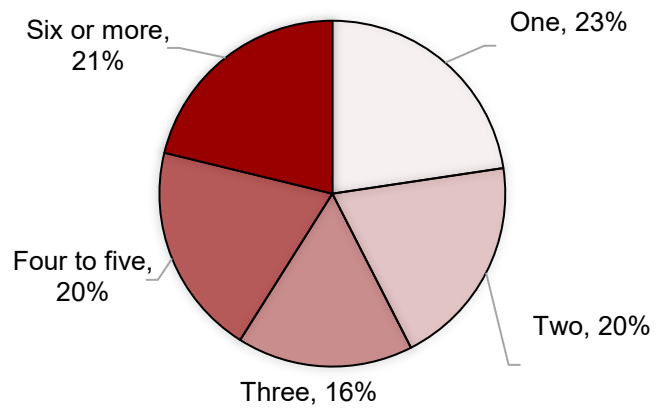
<sup>21</sup> Had we included hospitals in our survey, the percent receiving Medicare/Medicaid payments would undoubtedly have been higher.

<sup>22</sup> Joint ventures are contracts between organizations (nonprofit, governmental, or for-profit) for a particular enterprise, such as housing developments.

<sup>23</sup> Nonprofits may own for-profit subsidiaries (e.g., a spaghetti factory) to generate revenue, but those activities cannot be the primary purpose and nonprofits must pay income taxes (UBIT, unrelated business income taxes) on the revenues generated.

We counted the number of different sources checked by our respondents to provide a rough indication of the extent to which they rely on diverse funding sources. The count ranges from a low of 0 (no revenues) to a high of 13. On average, nonprofits generate revenues from three sources. Of those with at least some revenue, 42 percent of our respondents have no more than two different sources of revenue, including about a quarter with only one source. About a fifth (21 percent) have six or more sources (see Figure 26). Overall, we identified 294 unique combinations of the 15 different revenue sources among the 831 respondents.

**Figure 26.** Revenue diversification (number of sources of funding), Indiana nonprofits (n=831)

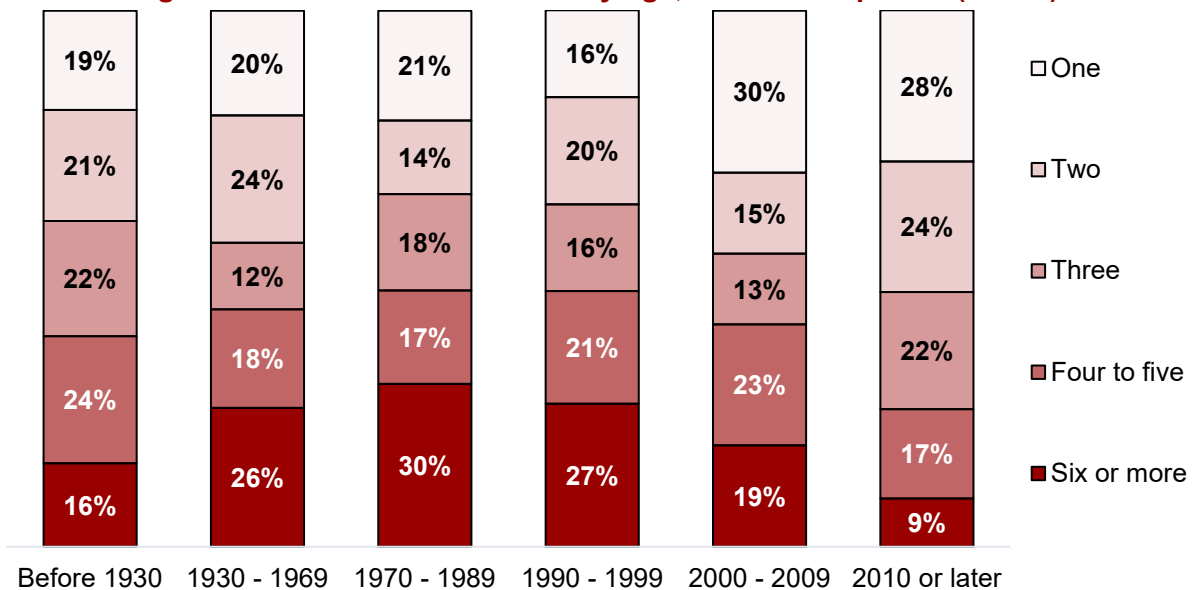


Most of our key explanatory factors appear related to revenue diversification (count of different revenue sources) and with expected patterns. Below we highlight only those that are significant in the multivariate analysis.

**Age.** Revenue diversification differs significantly by age, but the pattern is not linear. Overall, as Figure 27 shows, nonprofits founded between 1930 and 1999 have the most revenue diversifications with more than a quarter having six or more revenue sources. By comparison, only about a quarter (9 percent) of those established in 2010 or later have that many funding sources and more than half (52 percent) of these respondents have only one or two revenue sources, suggesting that nonprofits may add new sources of revenues over time.

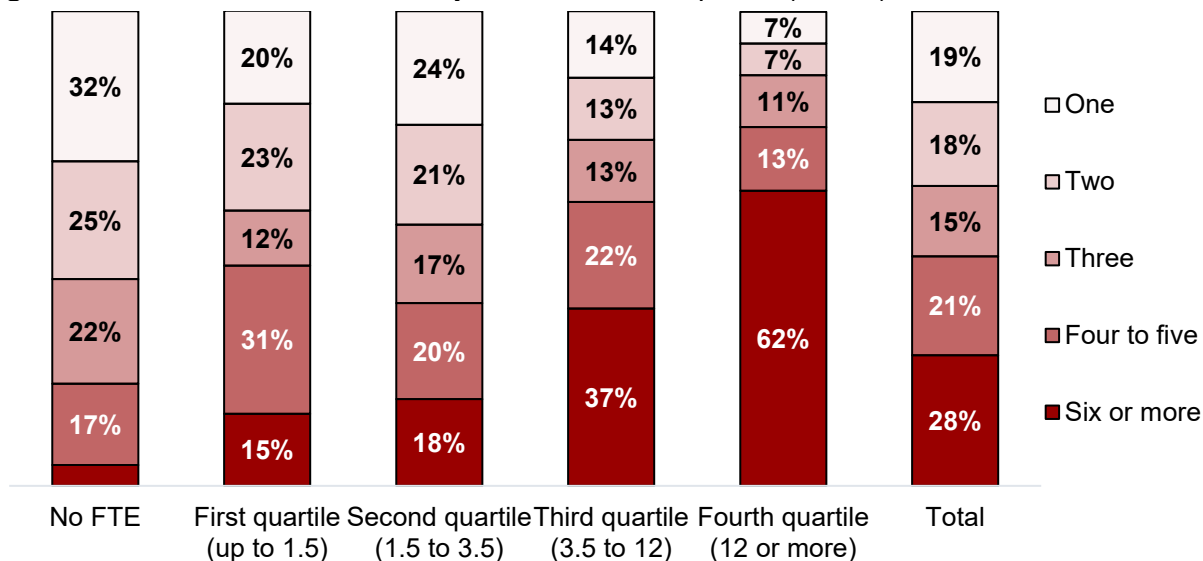
**Figure 27.** Revenue diversification by age, Indiana nonprofits (n=770)

**Figure . Revenue diversification by age, Indiana nonprofits (n=770)**



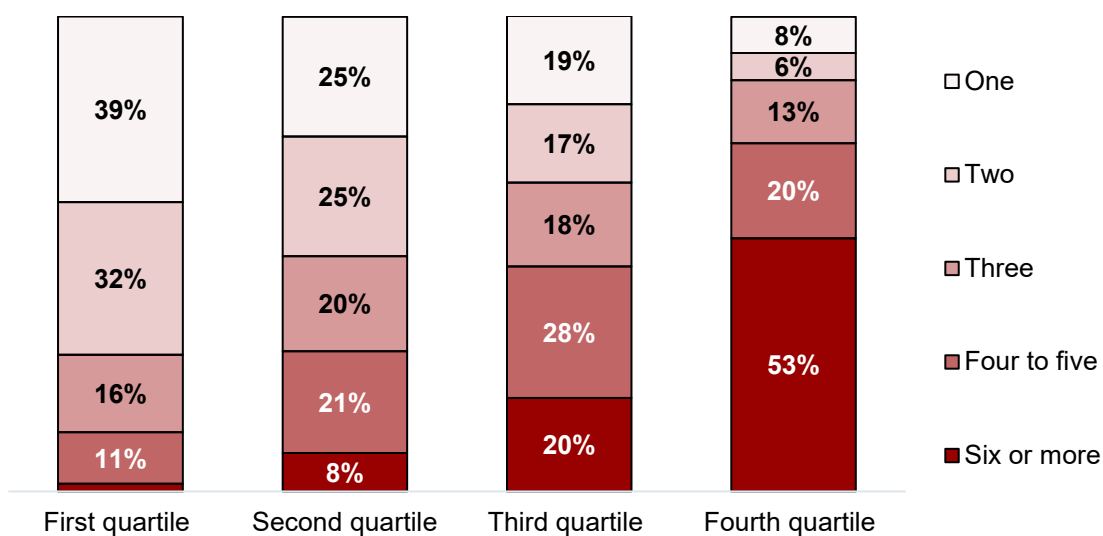
**Size.** As expected, given the complexity of managing multiple revenue sources, nonprofits with more paid staff are much more likely to have a higher number of revenue sources in place. As shown in Figure 28, almost two-thirds (62 percent) of nonprofits in the fourth largest quartile have six or more revenue sources, while fewer than one-fifth (4-18 percent) of smaller nonprofits (those with less than 3.5 FTE or no FTE) reported six or more revenue sources.

**Figure 28.** Revenue diversification by size, Indiana nonprofits (n=812)



**Formalization.** Also, as expected, more formalized nonprofits are significantly more likely to have diversified funding sources. Over half of nonprofits (53 percent) with the highest formalization scores (fourth quartile) generate revenues from six or more sources, compared to only 2 percent of the least formalized nonprofits (lowest quartile). See Figure 29.

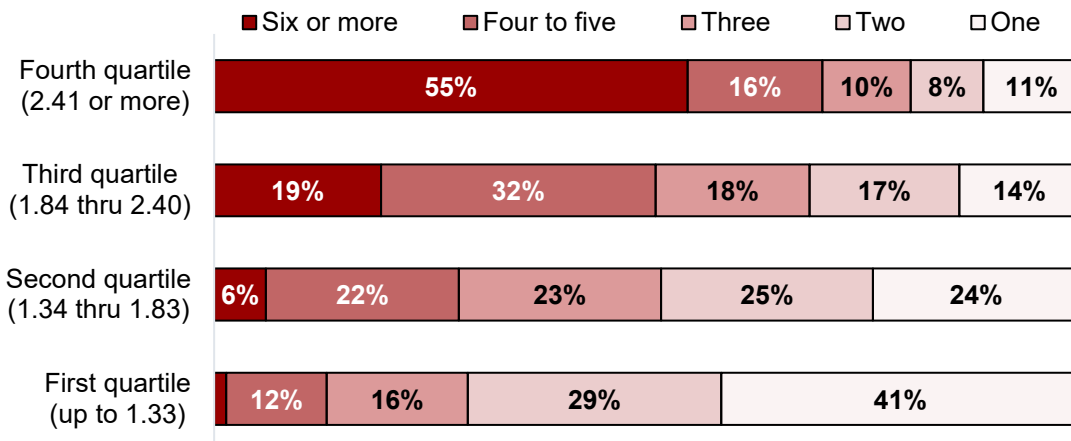
**Figure 29.** Revenue diversification by formalization, Indiana nonprofits (n=792)



**External IT Capacity.** There is a similar pattern for both externally and internally focused information technology, but only externally focused IT is significant in the multivariate analysis. Those with the most externally focused IT tools are also significantly more likely to have greater

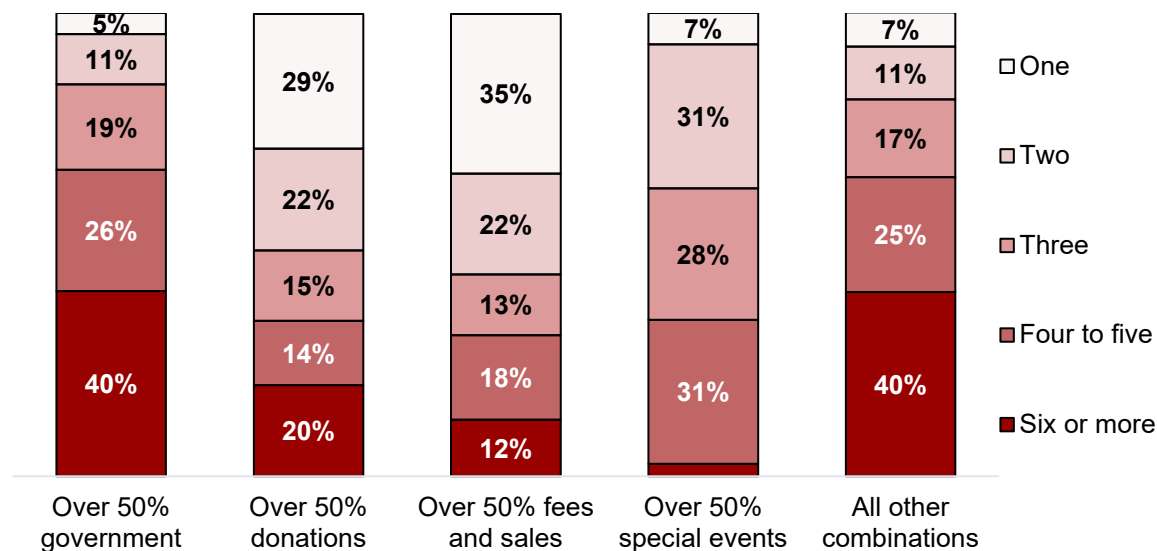
revenue diversification. Over half of our respondents with the most tools (fourth quartile, 55 percent) have six or more revenue sources, while that is the case for only 1 percent of those in the lowest quartile. Possibly, these types of IT tools, help nonprofits keep and expand their revenue streams. See Figure 30.

**Figure 30.** Revenue diversification by external IT capacity, Indiana nonprofits (n=826)



**Funding mix.** Revenue diversification is also significantly related to the funding mix. As Figure 31 shows, those among our respondents that rely primarily on government or on a mix of funding sources have the most revenue diversification with 40 percent receiving funding from six or more sources and close to two-thirds receiving funding from at least four sources. At the other extreme, only 3 percent of those that rely mainly on special events have funding from six or more sources. Nonprofits that rely primarily on donations or fees and sales are also more likely to rely on relatively few revenue sources with about 50 percent or more having two or fewer sources of revenue, although close to one-third have four or more sources.

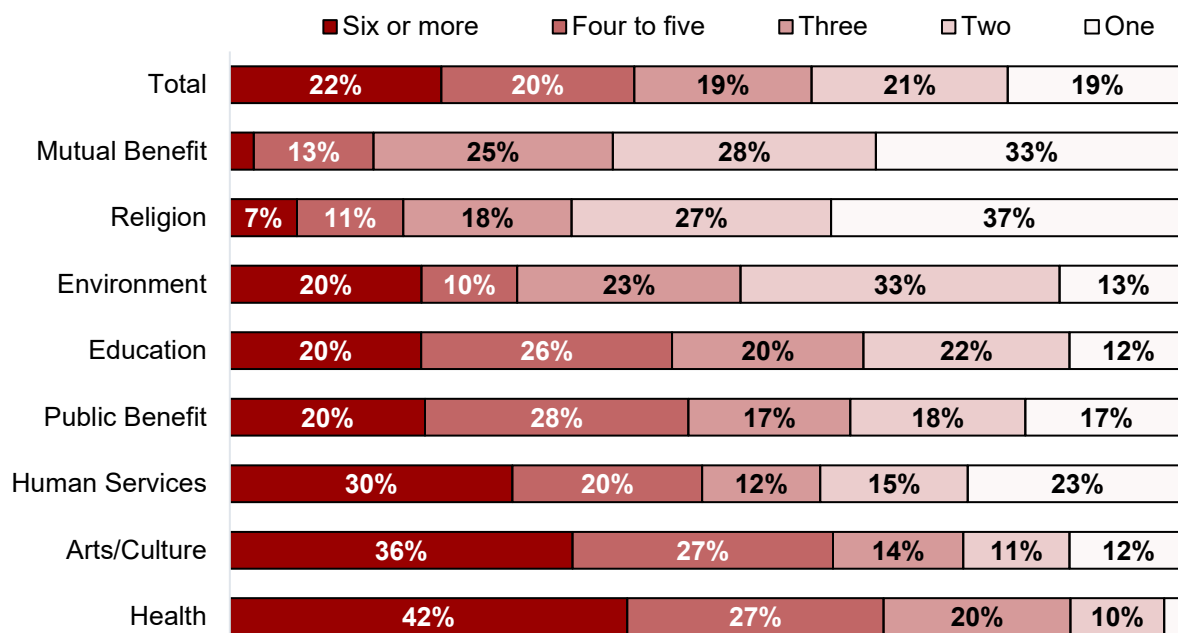
**Figure 31.** Revenue diversification by funding mix, Indiana nonprofits (n=826)



**Field of Activity.** Nonprofit revenue diversification also varies greatly by primary field of activity. See Figure 32. As expected, given their high reliance on donations, religious nonprofits are

significantly more likely to have very few revenue sources – almost two-thirds (64 percent) only one or two sources with mutual benefit organizations only slightly behind at 61 percent.

**Figure 32.** Revenue diversification by nonprofit field (n=831-855)

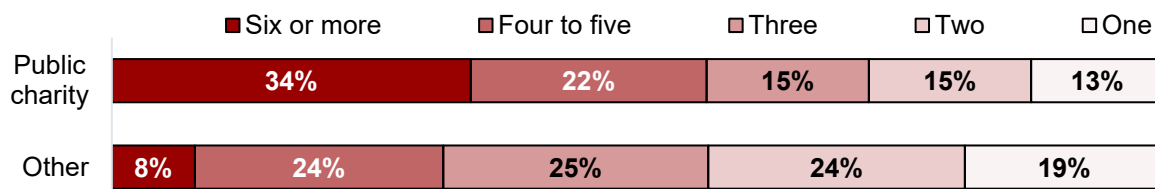


*Note: International field is not included in Figure 32 due to low number of observations.*

At the other extreme, more than two-thirds of health nonprofits receive funding from four or more sources (69 percent), including 42 percent with six or more sources. Almost as many (63 percent) arts and culture respondents also have four or more revenue sources, including 36 percent with six or more sources. Half of human services nonprofits also have four or more revenue sources (50 percent) but almost a quarter of them receive revenues from only one source (23 percent).

**Charity Status.** Those among our respondents registered as public charities with the IRS under section (501)(c)(3) of the Revenue Code have a significantly more revenue sources compared to other respondents (those registered under other sub-sections of the Revenue Code or not registered at all). As shown in Figure 33, one-third of public charities (34 percent) have revenue streams consisting of six or more sources, compared to less than one-tenth of their counterparts (8 percent). We note that charities are eligible to receive tax-deductible donations from individuals and corporations. They are also more likely to secure government grants and contracts than non-charities because of their focus on community and public benefits, rather than their own members.

**Figure 33.** Revenue diversification by charity, Indiana nonprofits (n=555)



### Summary: Revenue Diversification

The number of revenue sources varies according to key organizational characteristics as shown in Table 5. Nonprofits tend to have more revenue sources when they are older, larger, more formalized, have higher external IT capacity and were charities. Nonprofits tended to have fewer revenue sources when they primarily relied on donations, special events, or on fees/sales, or were religious organizations. Our multivariate linear regression assessing the relationship between nonprofit revenue diversification and the explanatory factors is highly significant ( $p < .001$ ) and explains 52 percent of the variance.

**Table 5.** Estimates for Linear Regression of Revenue Diversification

Variables Included in the Multivariate Equation	Positive (+) or negative (-) Significant Coefficients
Age (Decades since Founded)	+
LN Number of FTE	+
Formalization (scale)	+
Average Internal IT Capacity (scale)	
Average External IT Capacity (scale)	+
FUNDING MIX (Mix of sources, excluded)	
Over 50% Donations	-
Over 50% Special Events	-
Over 50% Fees and Sales	-
Over 50% Government	
NTEE FIELD (All other fields, excluded)	
Arts & Culture	
Education	
Human Services	
Public/Societal Benefit	
Religion	-
Mutual Benefit	
LOCATION: (Nonmetropolitan, excluded)	
Central Metropolitan	
Metropolitan Ring	
Charity	+
Statistical Significance	$p < .001$
Adjusted R-squared	.518
N	484

Notes: We use the natural log of the number of FTE to account for the skew in the distribution of the original versions of the variables. Coefficients that are significant at the  $p < 0.05$  level are marked with positive (+) or negative (-) signs depending on the direction of the relationships. Excluded categories: Funding Mix: Mixed, NTEE Code: Health, Environment and Animal, and International, Location: Non-metropolitan counties. For full results, see Appendix C.

### 5. Nonprofit Expense Allocations

To understand how Indiana nonprofits use their resources, we asked our respondents to tell us what percent of their expenses go toward (1) staff compensation and benefits, that is, the cost

of employing people to carry out program and organizational work, and (2) facilities, space, and related utilities – the cost of securing space to house staff and program activities. Since each type of expense is a percent of total expenses, a very high percentage devoted to one type necessarily means that there is a smaller share available to the other type.

In general, these types of line-item expenses (so-called because they are typically recorded on separate lines in an expense report) are likely to be more robust (and valid) than functional expenses (e.g., programs, management & general, fundraising).<sup>24</sup> We note that estimating staff compensation and benefits is likely to be fairly straightforward for our respondents, since these are direct outlays that nonprofits track and must report to tax authorities. However, estimating occupancy-related costs depends on whether responding nonprofits own and/or rent any space they use. In addition, if facilities are owned, the costs should include depreciation. However, we don't know whether our respondents used formal accounting principles when estimating occupancy costs. Given these uncertainties, we pay most attention to staff-related costs.

**Overall.** These basic organizational costs – staff and space – jointly account for half the annual expenses for the average respondent,<sup>25</sup> although the range is enormous – from a high of 100 percent to zero, with half of the respondents spending at least 56 percent of their total expenses on these two types of expenses combined.<sup>26</sup>

Staff compensation and benefits absorb about half or more of total expenses for more than a quarter (29 percent) of our respondents (top bar in Figure 34), but 40 percent have no such costs at all. This is consistent with other analyses where we found that 44 percent of our respondents had no paid staff at the time of the survey (although they may have had paid staff during the prior year which would have been included in expenses).<sup>27</sup> These nonprofits rely on board members and other volunteers to carry out programming and administrative activities.

As the bottom bar of Figure 34 shows, occupancy-related costs alone account for half or more of expenses for about a fifth (22 percent, two darkest segments) of our respondents, including three-fourths or more of total expenses for 14 percent (darkest segment). However, a quarter (27 percent) reported no expenses related to occupancy – either they need no space at all (perhaps just a computer), or they use borrowed or donated space.

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<sup>24</sup> Determining functional expenses requires efforts to allocate line-item expenses among the specified organizational functions. Most charity watchdogs (e.g., Charity Navigator, Wise Giving Alliance) focus primarily on functional expenses, in part because they are easy to obtain from financial reporting to the IRS on Form 990, required for all but the smallest nonprofits). The watchdog organizations also use them to warn donors against “wasteful” nonprofits that spend “too much” on overhead, e.g., securing revenues and managing the organization. However, estimates of functional expenses are just that – estimates. Not only are they likely to be based on questionable information (see [www.urban.org/sites/default/files/publication/57731/311044-Getting-What-We-Pay-For.PDF](http://www.urban.org/sites/default/files/publication/57731/311044-Getting-What-We-Pay-For.PDF)), but they are also likely to be misleading (see [www.councilofnonprofits.org/running-nonprofit/administration-and-financial-management/misunderstanding-overhead](http://www.councilofnonprofits.org/running-nonprofit/administration-and-financial-management/misunderstanding-overhead)).

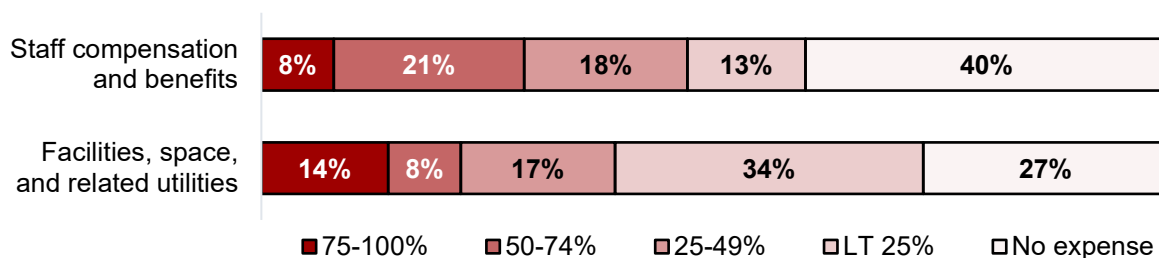
<sup>25</sup> The remaining expenses may cover a wide variety of other types of outlays, such as equipment and supplies (including IT), grants and assistance to individuals or other organizations, contractual fees (e.g., legal and accounting services), interest or royalty payments, travel and conferences, etc.

<sup>26</sup> In the case of two respondents, the sum of these two expenses exceeded 100 percent of total expenses and we excluded them from our analysis.

<sup>27</sup> See [Indiana Nonprofits: Managing Human Resources: Board, Staff and Volunteers](#) for a detailed analysis of Indiana nonprofits' human resources components.



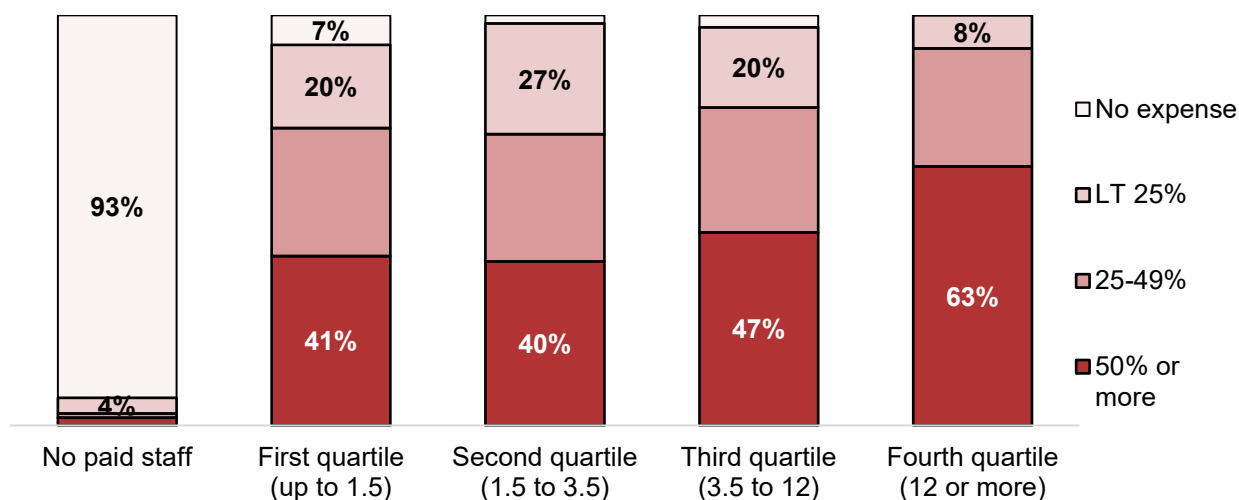
**Figure 34.** Percent of total expenses by type of expense, Indiana nonprofits (n=774-795)



We turn now to a look at what organizational dimensions are associated with allocating higher shares of total costs to these two types of expenses. When examined one-by-one, both types of costs are significantly related to our basic organizational dimensions (except for location). Once we control for all factors, only some remain significant. We highlight the latter dimensions below.

**Size.** We use FTE to measure size and, not surprisingly, the vast majority of those without any paid staff at the time of the survey (93 percent, left bar of Figure 35) had no expenses at all for staff compensation and benefits the prior year. For the largest category of respondents (12 or more FTEs), staff costs absorb half or more of total expenses for almost two-thirds (63 percent) of the largest nonprofits (12 or more paid staff), compared to less than half of respondents with fewer employees. However, once nonprofits have any staff, staff compensation and benefits are likely to account for two-fifths or more of total expenses.

**Figure 35.** Staff costs as percent of total expenses by size (FTE), Indiana nonprofits (n=766)

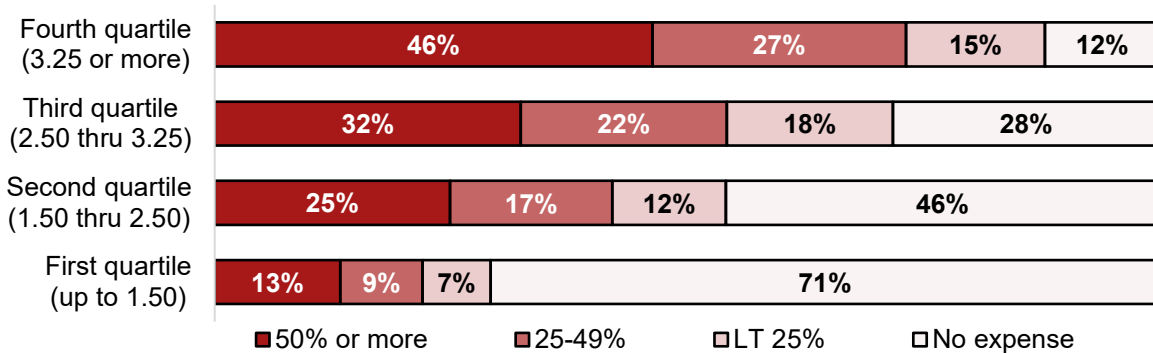


Size is not significant in the multivariate analysis for occupancy costs but is in the bivariate analysis with larger nonprofits spending proportionately less on occupancy-related costs than smaller ones.

**Internal IT Capacity.** There is a significant relationship between both internally and externally focused information technology tools and how nonprofits allocate expenses, but only internal IT capacity is significant in the overall analysis and only for staff compensation and benefits. Greater use of internal IT capacity tools is associated with devoting a higher percentage of expenses to staff costs. Almost half (46 percent) of those with the greatest internal IT capacity allocated half or more of their total expenses to staff costs, compared to only 13 percent of

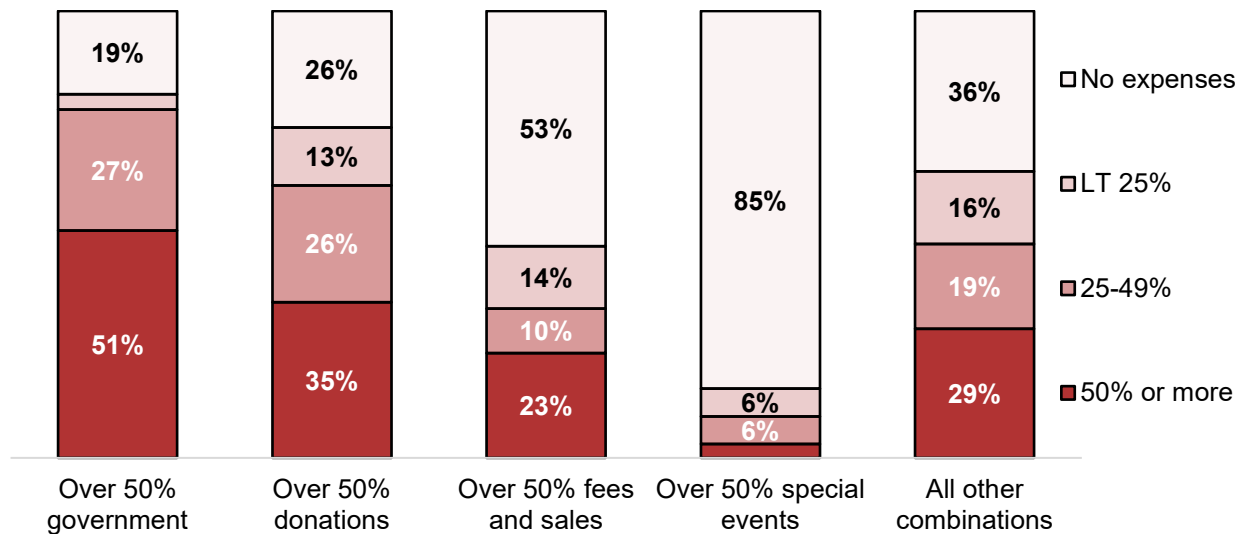
those with the lowest IT capacity. Possibly nonprofits that use more IT tools, and use them more intensively, may need more trained (and more expensive) staff to do so.<sup>28</sup>

**Figure 36.** Staff costs as percent of total expenses, by internal IT capacity (n=764)



**Funding mix.** The extent to which our respondents allocate their resources to staff or occupancy costs also varies greatly by funding profile (see Figure 37), suggesting that some funding sources require more investment in staff (and occupancy) than other sources. Thus, more than half (51 percent) of those that rely primarily on government funding devote half or more of their total expenses to staff costs, as do more than a third (35 percent) of those that rely primarily on donations and about a quarter of those that rely mainly on fees, sales or due (23 percent). By contrast, 85 percent of respondents that rely primarily on special events do so without allocating any expenses to staff costs, apparently relying entirely on volunteers. Those with a mix of funding sources (e.g., have no primary funding source) are intermediary between the two extremes.

**Figure 37.** Staff costs as percent of total expenses by funding profile, Indiana nonprofits (n=759)

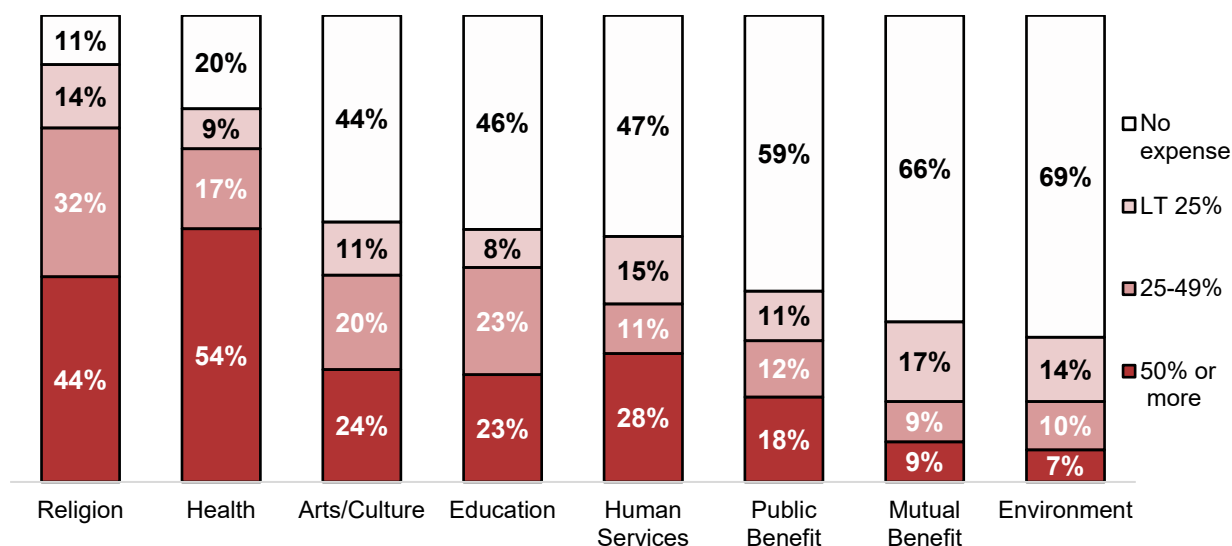


<sup>28</sup> Not surprisingly, given the pattern for staff costs, respondents that have the highest internal IT capacity are significantly less likely to devote half or more of their expenses to occupancy costs (11 percent) than those with the lowest capacity (30 percent).

The pattern for occupancy costs is less extreme (and not significant in the multivariate analysis). Only 51 percent of those that rely primarily on special events have no occupancy costs, but about one-fifth of all respondents, regardless of funding profile, allocated half of their total expenses to occupancy (See Appendix B for details).

**Field of activity.** Nonprofits operating in different fields have distinctive spending patterns (Figure 38). Staff compensation and benefits absorb a notably higher share of total expenses for religious and health nonprofits than for nonprofits operating in the remaining fields – at least half of all expenses for 44 percent of religious and 54 percent of health nonprofits. Only about a quarter of arts and culture, education, or human service nonprofits devote a similar proportion of their total expenses to staff costs, followed by public benefit nonprofits (18 percent), with mutual benefit and environment/animals trailing even further behind at 7 percent. (There were too few international nonprofits to report on them separately).

**Figure 38.** Staff costs as percent of total expenses by major field of activity, Indiana nonprofits (n=774)



Nonprofit field is significant in the multivariate analysis for occupancy costs. Those costs account for half or more of total expenses for 42 percent of mutual benefits, 30 percent of environment and animal nonprofits, and 27 percent of religion nonprofits, but only 8 percent for health nonprofits. See Appendix B for details.

**Charity Status.** Public charities are more likely to have a high percentage of expenses going for staff compensation with about a third (36 percent) devoting half or more of their expenses to staff costs, perhaps reflecting their greater access to government funding. However, they are significantly less likely to have facility-related costs than their counterparts. Charity status is significant only for occupancy costs in the multivariate analysis. See Appendix B for details.

### Summary: Nonprofit Expense Allocations

We used multivariate linear regression to examine whether staff (or occupancy) costs as a percent of total expenses are significantly related to basic organizational characteristics once we allow all factors to operate at once. As Table 6 shows, both models are highly significant ( $p < .001$ ), but the staff model is notably stronger than the occupancy model, accounting for 44 percent of the variance in staff costs, compared to only 6 percent of the variance in occupancy costs.

Four explanatory factors are significant in predicting staff benefits and compensation as a percent of total expenses. Such costs are positively related to the number of FTEs, having higher internal IT capacity, relying primarily on government funding (compared to mixed funding), and for religion nonprofits (compared to a mix of excluded categories), controlling for all other factors.

Only two explanatory factors are significant in predicting occupancy-related costs as a percent of total expenses. Religion nonprofits are significantly more likely to devote their expenses to occupancy costs (compared to a mix of excluded categories) and charities are significantly less likely to do so, controlling for all other factors.

**Table 6.** Estimates for Linear Regression of Nonprofit Expenses

Variables Included in the Multivariate Equation	Positive (+) or negative (-) Significant Coefficients	
	Staff compensation and benefits	Facilities, space, and related utilities
Age (Decades since Founded)		
LN Number of FTE	+	
Formalization (scale)		
Average Internal IT Capacity (scale)	+	
Average External IT Capacity (scale)		
FUNDING MIX (Mix of sources, excluded)		
Over 50% Donations		
Over 50% Special Events		
Over 50% Fees and Sales		
Over 50% Government	+	
NTEE FIELD (All other fields, excluded)		
Arts & Culture		
Education		
Human Services		
Public/Societal Benefit		
Religion	+	+
Mutual Benefit		
LOCATION: (Nonmetropolitan, excluded)		
Central Metropolitan		
Metropolitan Ring		
Charity		-
Statistical Significance	p<.001	p<.001
Adjusted R-squared	.435	.064
N	471	478

Notes: We use the natural log of the financial indicator variables and the number of FTE to account for the skew in the distribution of the original versions of the variables. Coefficients that are significant at the p<0.05 level are marked with positive (+) or negative (-) signs depending on the direction of the relationships. Excluded categories: Funding Mix: Mixed, NTEE Code: Health, Environment and Animal, and International, Location: Non-metropolitan counties. For full results, see Appendix C.

## Financial Management and Tools

Obtaining adequate funding and managing resources efficiently are pressing challenges for all types of nonprofits. As we showed in the first part of this report, many of our respondents are struggling to build and maintain stable financial capacity. We, therefore, wanted to understand better the types of challenges they face and asked our respondents to what extent they currently face a variety of challenges pertaining to financial activities. We also asked whether they have certain organizational tools in place that might be helpful in managing these challenges.

### 6. Financial Management Challenges

Our survey listed ten activities related to financial management and asked our respondents to indicate whether they engage in the activity, and if so, the extent to which it poses a challenge on a 4-point scale from 1 (not a challenge) to 4 (a major challenge). We used factor and reliability analysis to determine whether some of these financial challenges group into clusters, that is, whether nonprofits facing some of the financial challenges are also likely to face other ones.

We found two distinct clusters among the financial activities: Fundraising challenges (consisting of six items) and general financial management records challenges (consisting of four items). We begin by looking at fundraising challenges, since that appears to be the more challenging set of activities (average score of 2.6 out of 4) compared to general financial management challenges (average score of 1.9).

#### **Fundraising Challenges**

The fundraising challenge scale consists of six financial activities, most of which are usually considered fundamental to successful nonprofit fund development, including securing donations from individuals, both expanding and retaining a donor base, hosting successful fundraising events, and obtaining donations from foundations and/or corporations. Developing a capital campaign is also included in this cluster. Such campaigns are highly intensive, multi-year efforts to raise significant funding to build endowments, invest in facilities or similar special efforts, and may only be feasible for larger or more developed nonprofits.

**Overall.** Our analysis shows that some of these six fundraising activities are more common than others among our respondents. Most frequent is securing individual donations, carried out by 81 percent of our respondents (slightly more than the percent who say they receive donations from individuals, 77 percent). About three-fourths also seek to expand (75 percent) or retain (76 percent) their donor base or host successful fundraising events (70 percent). More than half seek to secure support from foundations and corporations (53 percent), and as expected, the least common activity is developing capital campaigns (42 percent).

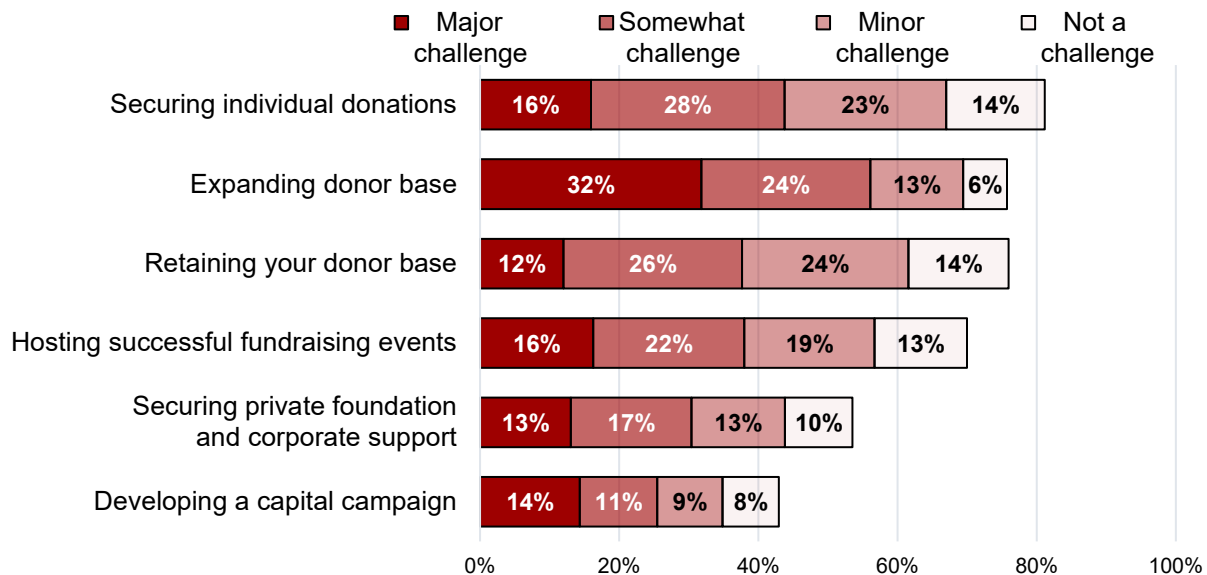
Of the six fundraising activities our respondents rate expanding the donor base as the most significant challenge. As shown in Figure 39, over two-thirds (70 percent) find this activity a challenge, including one-third (32 percent) who say it is a major challenge.<sup>29</sup> This is consistent with findings from the Fundraising Effectiveness Project which show that many nonprofits fail to retain, let alone upgrade, their existing donors and must therefore find new replacement donors,

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<sup>29</sup> The percentages are based on all who responded to the specific question, but we omit the final segment showing the percent who say they don't do this activity.

usually at a considerably higher cost per donor.<sup>30</sup> We note that only 12 percent of our respondents say that retaining donors is a major challenge, perhaps because they are not aware of how many donors they lose or how important donor retention and development is to their overall fundraising success. With the exception of expanding the donor base, only 12-16 percent say any of the other fundraising activities present major challenges.

**Figure 39.** Frequency of fundraising challenges, Indiana nonprofits (n=861-866)



As noted above, these six items appear to form a cohesive cluster – nonprofits that score high on one of these also tend to score high on the others. We computed the overall average of the six items on a scale from 1 (not a challenge) to 4 (a major challenge). The average is 2.6 – not quite “somewhat of a challenge.”

We turn now to a look at which basic organizational dimensions are related to our fundraising challenge scale. However, we include one additional explanatory factor– a number of board vacancies – which we have found to be related to a wide range of nonprofit management challenges. In the analysis below, we focus on dimensions that are significant in the multivariate analysis. See Appendix B for other dimensions (size, formalization and whether a charity or not) that are significant only at the bivariate level, when analyzed by itself. Only age is not significant in either the bivariate or multivariate level of analysis.

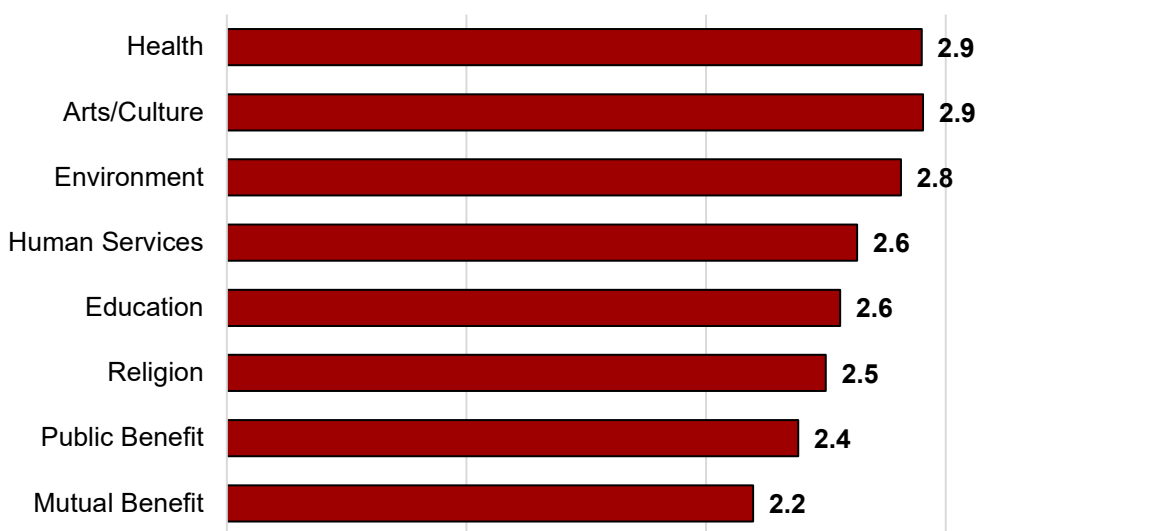
**Internal IT Capacity.** Our measure of internal IT is based on how often our respondents use IT security (secure servers, anti-virus programs, etc.), routine data backups, and electronic financial records or client records. We find that this type of IT capacity is significantly related to the extent of fundraising challenges at the multivariate level, but not at the bivariate level. The pattern is not very pronounced and shows a slightly curvilinear relationship with the lowest challenges for respondents with the most (fourth quartile) or least (first quartile) internal IT capacity. We speculate that nonprofits with the most tools have developed greater expertise in using these tools, while those with the fewest tools find it correspondingly easier to master those few tools.

<sup>30</sup> For details and most recent reports, see <https://afpglobal.org/FundraisingEffectivenessProject>

**Funding mix.** Funding mix variable is not significant at the bivariate analysis level but is at the multivariate level. Respondents that rely primarily on government funding face the most significant fundraising challenges. They rank fundraising challenges as 2.9 out of 4 while nonprofits that rely mainly on special events rank fundraising challenges lowest at 2.4. As we noted earlier, nonprofits that depend primarily on funding from special events tend to be smaller but may have developed considerable experience carrying out special events.

**Field of activity.** Health and arts/culture nonprofits appear to face greater fundraising challenges (average of 2.9 out of 4), followed closely by environmental (2.8) nonprofits. Mutual benefit nonprofits report the lowest fundraising challenges (2.2), followed by public benefit (2.4) and religion (2.5) nonprofits. See Figure 40.

**Figure 40.** Average level of fundraising challenges by major field of activity, Indiana nonprofits (n=768)



*Note: International field is not included in Figure 40 due to low number of respondents.*

**Location.** Location also appears to be related to fundraising challenges at the multivariate level but not at the bivariate level. The lowest challenge (score of 2.3) is found for nonprofits in metropolitan ring counties, while those located in central city (2.7) or nonmetropolitan counties (2.5) face more fundraising challenges. We speculate that there are different dynamics at play. Those in central city counties are likely to face greater competition for funding because of the higher concentration of nonprofits, including some large and very visible ones. Those in nonmetropolitan regions are likely to have fewer funding sources available to them.

**Board vacancy.** In prior analysis, we have found that the number of board vacancies is a good predictor of organizational challenges. That is also the case here. As shown in Figure 41, as the number of board vacancies increases, so does the average fundraising challenge score.

**Figure 41.** Average level of fundraising challenges by board vacancy, Indiana nonprofits (n=636)



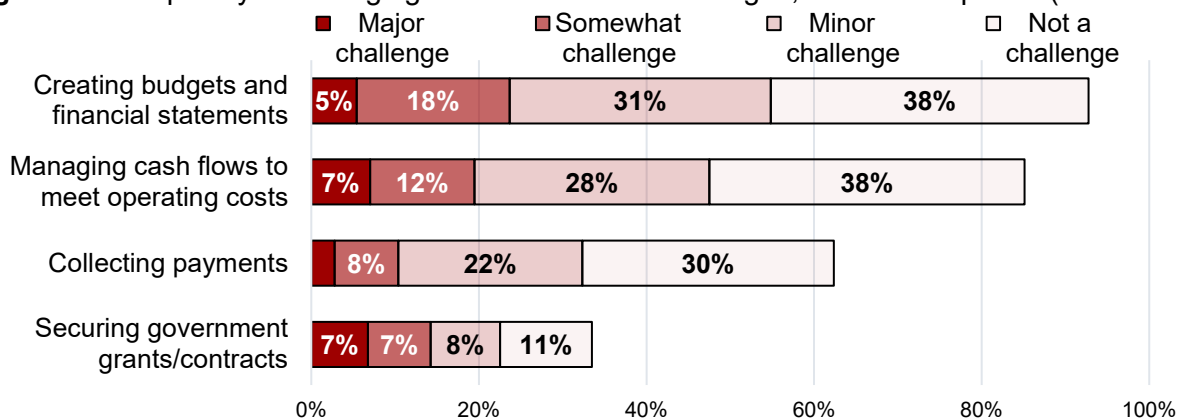
### Managing Financial Records Challenges

In addition to raising adequate funds, nonprofits must track their financial performance, manage their financial resources, and comply with IRS reporting regulations if required to do so. We asked our respondents to what extent they find the following four types of financial activities to be challenging: collecting payments in a timely manner, creating budgets and financial statements, managing cash flows to meet current operating costs, and securing government grants and contracts. The latter – securing government grants and contracts – on the surface would seem more closely related to the fundraising challenges we examine above. However, government funding tends to be quite demanding in terms of reporting requirements and the four activities appear to form a coherent pattern – respondents who report a high level of challenge on one of the four also tend to report high challenges on the others.

**Overall.** Almost all (92 percent) of Indiana nonprofits say they prepare budgets and financial statements, but only 5 percent find it a significant challenge. Actively managing financial flows is slightly less common (85 percent) but otherwise has a similar pattern, suggesting these two activities are customary and routine efforts. Overall, only a small fragment of Indiana nonprofits (no more than 7 percent) say that any of the four general financial management activities present major challenges.

Sixty-two percent of Indiana nonprofits indicated that they collect payments, including 30 percent who find it not challenging. Securing government grants and contracts is the least common financial activity, carried out by only one-third of Indiana nonprofits (34 percent) carry out, including 7 percent that find it a major challenge. See Figure 42.

**Figure 42.** Frequency of managing financial records challenges, Indiana nonprofits (n=857-870)





We turn now to look at organizational dimensions that have a significant relationship with challenges related to managing financial records in our multivariate analysis. See Appendix B for other dimensions that are significant only when analyzed by themselves (size, external IT capacity scale, and whether a charity or not). Age, formalization, and primary field of activity are not significant at either the bivariate or multivariate level of analysis.

**Internal IT Capacity.** As was the case for fundraising challenges, internal IT capacity is related to challenges managing financial records in our multivariate analysis, but not at the bivariate level. Those with the most tools (fourth quartile) report significantly fewer challenges than those with relatively few tools (second quartile). However, those with the fewest tools (first quartile) also report relatively few challenges, perhaps because they have relatively simple financial records and have not found it necessary to invest in internal IT capacity.

**Funding mix.** Indiana nonprofits that rely mainly on government sources face the most significant challenges in managing financial records. On average, they rank these challenges as 2.9 out of 4, while those that rely on special events report the lowest challenges (2.3 average) when it comes to carrying out the activities in this category. See Figure 43. This is as we would expect, since securing government grants/contracts is included in this challenge scale.

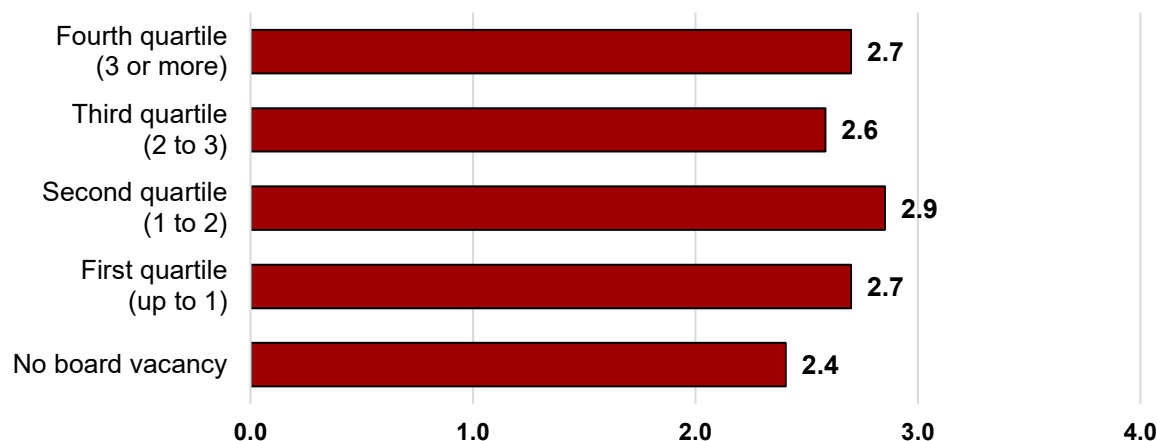
**Figure 43.** Average level of managing financial records challenges by funding mix, Indiana nonprofits (n=790)



**Location.** Location also appears to be related to challenges in managing financial records and resembles the pattern we found for fundraising challenges. It is only significant in our multivariate analysis. Nonprofits in suburban areas experience the least challenge (mean of 2.3), while the average challenge score is slightly higher for nonprofits in central city and rural areas (2.5 average).

**Board vacancy.** As was the case for fundraising challenges, board vacancies are also related to challenges in managing financial activities. As shown in Figure 44, nonprofits with no board vacancy have the lowest average level of challenges (2.4 average), while those with at least some board vacancies average challenge scores ranging from 2.7 to 2.9.

**Figure 44.** Average level of managing financial resources challenges by board vacancy (n=683)



**Summary: Financial Challenges**

We used multivariate linear regression to understand the relationship between each of the two types of financial challenges and our explanatory factors. Both models are highly significant ( $p < .001$ ). However, the models explain only a small percent of the variance – just 9 percent for fundraising challenges and even less (4 percent) for general financial management, suggesting that other factors are likely to be important. Five explanatory factors are significant ( $p < .05$ ) for fundraising challenges, and four for general financial management challenges, and their relationships are consistent across the two models See Table 7.

*IT Capacity:* Nonprofits with higher internal information technology tools are less likely to experience either type of financial challenge.

*Funding mix:* Nonprofits that rely mainly on government sources are significantly more likely to experience either type of financial challenge.

*Field of Activity:* Social and public benefit nonprofits are significantly less likely to experience fundraising challenges compared to excluded fields (Health, Environment and Animal, and International).

*Location:* Indiana nonprofits in metropolitan ring counties (compared to non-metropolitan counties) experience the lowest level of financial challenges of both types.

*Board Vacancy:* Nonprofits with more board vacancies are significantly more likely to report financial challenges of both types.

Notably, standard measures of organizational capacity – age, size, and formalization – are not significantly related to either of the two types of financial management challenges once we control for all other factors.

**Table 7.** Estimates for Linear Regression of Financial Management Challenges

Variables Included in the Multivariate Equation	Positive (+) or negative (-) Significant Coefficients	
	Fundraising challenges	Managing financial resources challenges
Age (Decades since Founded)		

LN Number of FTE		
Formalization (scale)		
Average Internal IT Capacity (scale)	-	-
Average External IT Capacity (scale)		
FUNDING MIX (Mix of sources, excluded)		
Over 50% Donations		
Over 50% Special Events		
Over 50% Fees and Sales		
Over 50% Government	+	+
NTEE Field (All other fields, excluded)		
Arts & Culture		
Education		
Human Services		
Public/Societal Benefit	-	
Religion		
Mutual Benefit		
LOCATION: (Nonmetropolitan, excluded)		
Central Metropolitan		
Metropolitan Ring	-	-
Charity		
Board Vacancy	+	+
Significance	p<.001	p<.001
Adjusted R-square	.091	.045
Number of cases	429	449

Notes: We use the natural log of the financial indicator variables, number of FTE, and the number of board vacancies to account for the skew in the distribution of the original versions of the variables. Coefficients that are significant at the  $p < 0.05$  level are marked with positive (+) or negative (-) signs depending on the direction of the relationships. Excluded categories: Funding Mix: Mixed, NTEE Code: Health, Environment and Animal, and International, Location: Non-metropolitan counties. For full results, see Appendix C.

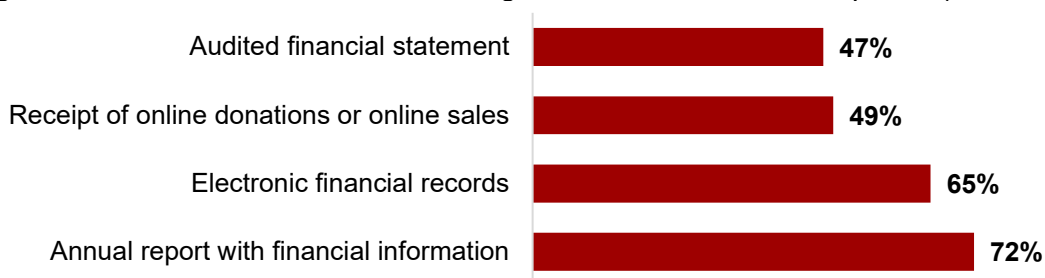
## 7. Financial Management Tools

Our analysis so far has focused on how Indiana nonprofits differ on a broad range of financial indicators and related financial challenges. Several of these indicators – particularly the presence of deficits and the extent of financial management challenges – raise questions about whether our respondents have key financial management tools in place. Without such tools it is likely to be difficult for nonprofits to deliver programs effectively on a continuous basis, let alone to expand and/or improve their services.

We distinguish between two types of financial tools. Some financial management tools help nonprofits monitor their financial performance (e.g., electronic financial reports) or track particular sources of funding (e.g., receipt of online donations or sales) on a regular basis. Others provide annual snapshots of overall financial conditions, e.g., annual reports with financial information or audited financial statements. Two of these tools – electronic financial records and annual reports with financial information – are relatively inexpensive and can be produced by any standard spreadsheet program. Not surprisingly, they are quite widespread. As Figure 45 shows, two-thirds or more of our respondents had produced an annual report with

financial information (72 percent) within the past year or had used electronic financial records (65 percent).

**Figure 45.** Prevalence of Financial Management Tools, Indiana Nonprofits (n=902-945)



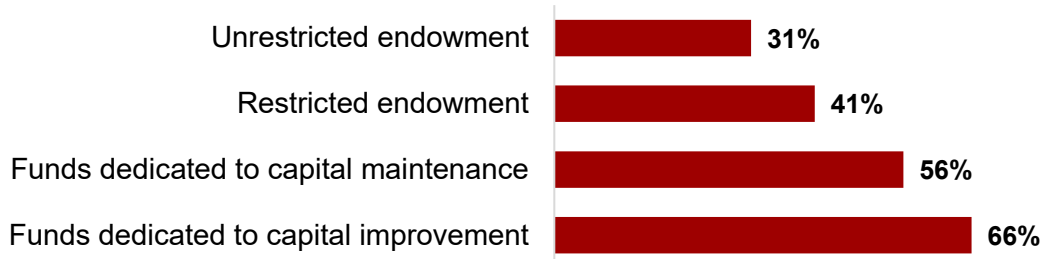
Also not surprisingly, the two other financial management tools are used by less than half of our respondents: processing online donations or sales (49 percent) or having audited financial statements (47 percent). Processing online donations requires access to special online tools and staff to use them, while audited financial statements require the ability to cover the cost of hiring CPAs to conduct the audit reports (typically \$10,000 or more).<sup>31</sup>

We incorporated having an audited financial statement and an annual report with financial information into our formalization scale. The two electronic tools are incorporated into our information capacity scales. Scores on these scales are generally highest among larger and older nonprofits and we do not analyze them further in this section.

Still, other financial tools (dedicated reserves and endowment funds) reflect financial planning decisions by the board and/or the decision to accept restricted gifts. These tools help nonprofits cover major unanticipated (e.g., sudden building maintenance needs), or planned (e.g., new buildings, program expansions) expenses. They also help nonprofits overcome fairly common dips in revenues and/or more sudden external jolts, such as major recessions or global pandemics.

As Figure 46 shows, more than half of our respondents had reserve funds dedicated to capital improvements (66 percent) or capital maintenance (56 percent). These types of capital expenses may involve substantial outlays (e.g., remodeling or new roof) that some nonprofits would not be able to cover out of revenues received during the year. Without such reserve funds, nonprofits would likely have to forego all but emergency outlays and/or take out loans, with corresponding obligations to meet interest payments and loan payoffs.

**Figure 46.** Prevalence of Endowments & Capital Funds, Indiana Nonprofits (n=425)



<sup>31</sup> See <https://www.councilofnonprofits.org/running-nonprofit/nonprofit-audit-guide/what-independent-audit>, accessed Nov. 6, 2023.

Notably fewer of our respondents reported having restricted (41 percent) endowments. This type of endowment reflects decisions by nonprofit boards to solicit and/or accept bequests, gifts, and/or multi-year grants and dedicate these funds to specific programs or activities. Accepting such gifts increases resources, but only for those designated programs or activities, unless the organization has enough flexible or unrestricted funding to support other important activities, such as management and fundraising.

Even fewer (31 percent) report having unrestricted endowments. The latter type of asset is highly desirable for nonprofits, since unrestricted endowments provide greater flexibility and may be used for any legal purpose appropriate to the organization. This may include management and fundraising expenses, but also the costs of mission-critical programs that are not covered by designated funding (e.g., government grants or contracts) for such programs. While nonprofit boards may decide to limit the use of unrestricted endowments to specific purposes, those decisions can be changed.

Both types of endowments may be structured in such a way as to preserve the assets in perpetuity and make only interests or dividends from the endowment available for use.<sup>32</sup> Alternatively, the assets may be expended over time.

We explored whether these four tools form a single dimension, but that does not appear to be the case. In the remaining part of this section, we focus first on capital funds reserves and whether our basic organizational dimensions are related to whether respondents had none, one, or both types of capital funds reserves. We follow that with a similar analysis of endowments and whether the same organizational dimensions are related to whether respondents had none, one, or both types of endowments.

### **Capital Fund Reserves**

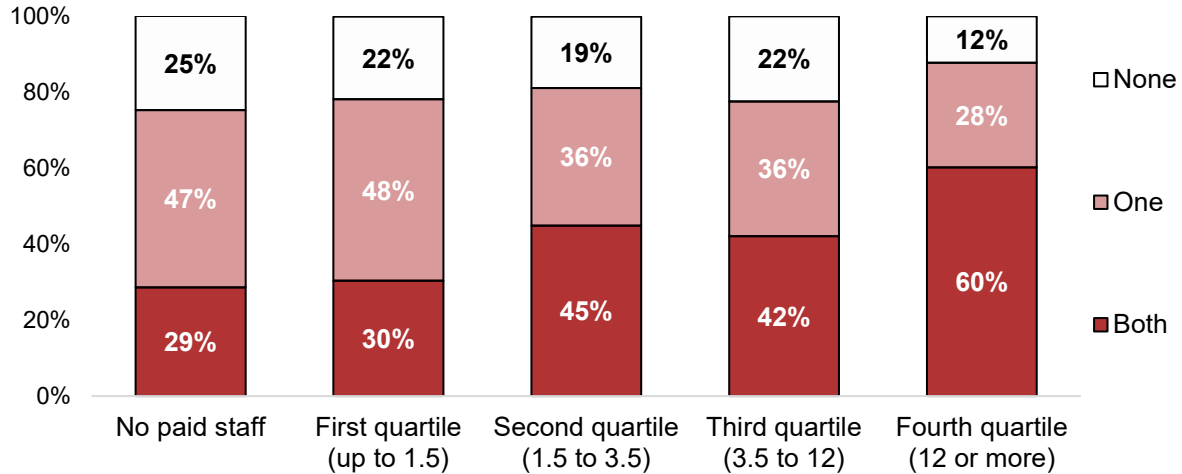
We expect that having both types of capital fund reserves will be significantly related to our standard predictor variables. That is the case at the bivariate level except for status as a public charity. However, age, formalization, presence of IT tools, and funding mix are not significant in the multivariate analysis. As detailed in Appendix B, older and more formalized nonprofits, and those with more external IT tools are all significantly more likely to have one or both types of capital funds reserves, as are those that rely primarily on government funding, donations or fees. Only size, nonprofit field, and location are significant in both the bivariate and multivariate analyses.

**Size.** As expected, Indiana nonprofits with more full-time employees are significantly more likely to have both types of capital reserve funds than the next two smaller size categories (60 percent vs. 42-45 percent, see dark red segment in Figure 47) and twice as likely as the two smallest size categories (29-30 percent). They are also notably more likely to have at least one of the two types of capital fund reserves (the two red segments combined, 88 percent) than smaller nonprofits (75 to 81 percent).

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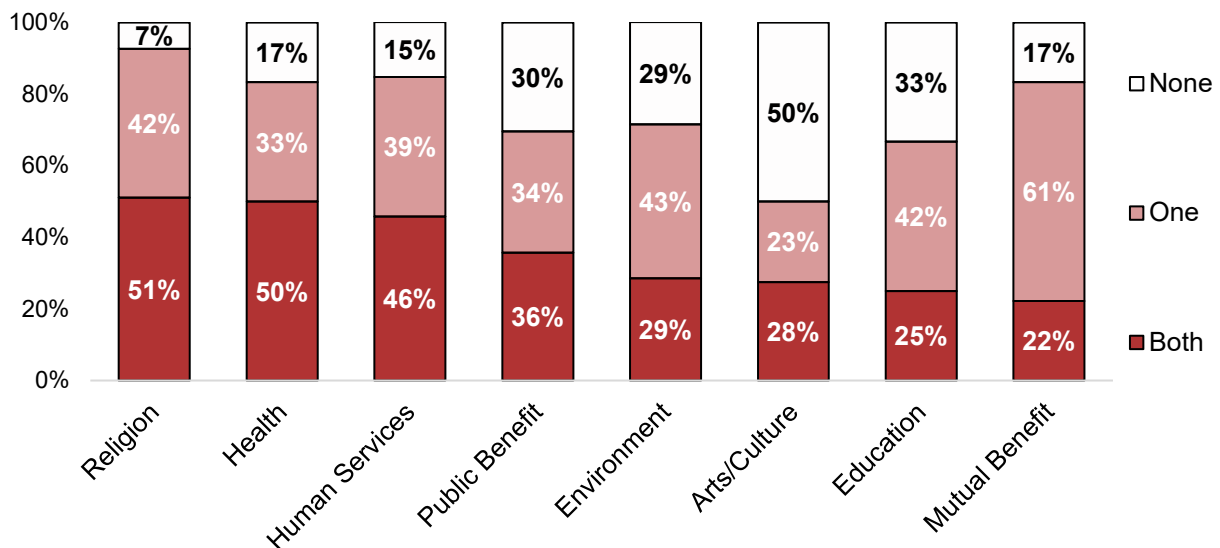
<sup>32</sup> See <https://www.councilofnonprofits.org/running-nonprofit/fundraising-and-resource-development/endowments>, accessed 11/6/2023.

**Figure 47.** Financial management tools - reserve funds for capital improvement and/or maintenance by FTE size, Indiana nonprofits (n=417)



**Field of Activity.** There are also significant differences in whether our responding nonprofits have one or both types of capital reserve funds available, depending on their primary field of activity. As expected, given their likely dependence on facilities to house their services, half of religion (51 percent) and health (50 percent) nonprofits have both two types of capital fund reserves (Figure 48), as do 46 percent of human service nonprofits. By contrast, only about a quarter of mutual benefit (22 percent), education (25 percent), arts and culture (28 percent), or environmental nonprofits (29 percent) have both types of capital reserve funds available.

**Figure 48.** Financial management tools - reserve funds for capital improvement and/or maintenance by major field of activity, Indiana nonprofits (n=425)

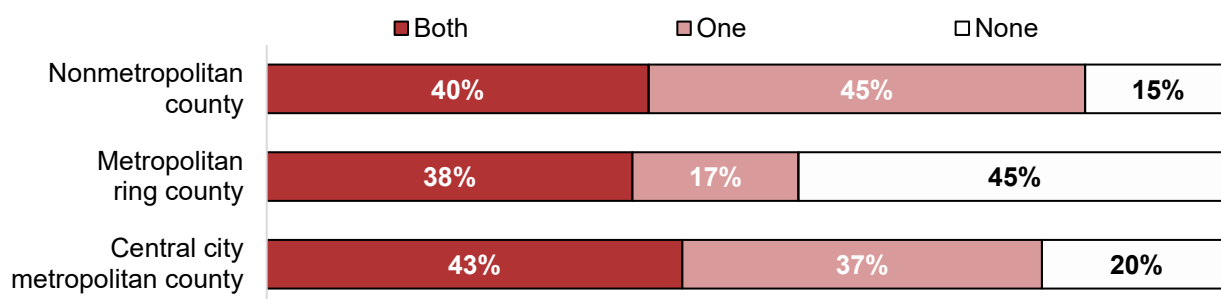


We were surprised to find that only half of art and culture nonprofits have at least one type of capital reserve funds, since many nonprofits in this field depend on specialized facilities. Having easy access to such funds would help ensure those facilities remain in good operating conditions. By contrast, two-thirds or more of education (67 percent), public benefit (70 percent) or environment/animal nonprofits (72 percent) have at least one of the two types of capital fund reserves. We found the highest percentages of having at least one type of capital fund reserves

among mutual benefit and health (83 percent each), human service (85 percent) and especially religion nonprofits (93 percent), all fields with high reliance on specialized facilities.

**Location.** There also appear to be some notable differences in whether our respondents have access to capital reserve funds by where they are located, but only in whether they have access to at least one of the types of funds. As Figure 49 shows, about 55 percent of those located in metropolitan ring counties have access to at least one type of capital reserves (combined red segments), compared to 80-85 percent of those located in central city metropolitan counties or those in nonmetropolitan counties. We have no obvious explanation for these patterns. There is not much difference by location in whether our respondents have access to both types of reserve funds (38-43 percent).

**Figure 49.** Financial management tools - reserve funds for capital improvement and/or maintenance by location, Indiana nonprofits (n=423)



**Summary: Reserve Funds for Capital Improvements and/or Maintenance**

Table 8 shows the results of our multivariate logistic regressions examining the overall relationship between having reserve funds for both capital improvements and maintenance (column 1) or at least one type (column 2) and our explanatory factors. Controlling for all factors, both models are highly significant ( $p < .001$ ) and explain a modest percent of the variance (respectively 22 and 30 percent). Both models are also relatively successful in correctly predicting whether respondents have both (68 percent) or at least one of the two types of reserve funds (76 percent).

**Table 8.** Estimates for Binary Logistic Regression on Reserve Funds for Capital Improvements and/or Maintenance

Variables Included in the Multivariate Equation	Positive (+) or Negative (-) Significant Coefficients	
	Both types	At least one type
Age (Decades since Founded)		
LN Number of FTE	+	+
Formalization (scale)		
Average Internal IT Capacity (scale)		
Average External IT Capacity (scale)		
FUNDING MIX (Mix of sources, excluded)		
Over 50% Donations		
Over 50% Special Events		
Over 50% Fees and Sales		

Over 50% Government		
NTEE FIELD (All other fields, excluded)		
Arts & Culture		
Education		
Human Services		
Public/Societal Benefit		
Religion	+	+
Mutual Benefit		
LOCATION: (Nonmetropolitan, excluded)		
Central Metropolitan		-
Metropolitan Ring		-
Charity	+	+
Significance	p<.001	p<.001
Percent correctly predicted	68.4%	76.5%
Nagelkerke R-Squared	.22	.30
N	272	

Notes: We use the natural log of the financial indicator variables and the number of FTE to account for the skew in the distribution of the original versions of the variables. Coefficients that are significant at the  $p < 0.05$  level are marked with positive (+) or negative (-) signs depending on the direction of the relationships. Excluded categories: Funding Mix: Mixed; NTEE Code: Health, Environment and Animal, and International; Location: Nonmetropolitan counties. For full results, see Appendix C.

Three explanatory factors are significant ( $p < .05$ ) and with positive relationships in both models, controlling for all other factors. One factor (location) is only significant in the model for having at least one type of capital reserves.

**Size:** As expected, larger nonprofits (as measured by number of full-time employees) are significantly more likely to have reserves for both capital improvements and maintenance or to have at least one of the two types of reserves. Larger nonprofits are likely to have more elaborate financial structures with dedicated reserve funds. They may also have greater access to slack resources, allowing them to accumulate reserve funds.

**Field of Activity – Religion:** Religion nonprofits are significantly more likely to have reserves for both capital improvements and maintenance, or to have at least one of the two types of reserves, compared to the excluded categories (Health, Environment and Animal, and International). This is also as expected, given the importance of religious facilities for these types of nonprofits.

**Charity status:** Nonprofits registered as charities are significantly more likely to have reserves for both capital improvements and maintenance, or to have at least one of the two types of reserves, compared to non-charities (although only when we control for all other factors, since charity was not significant at the bivariate level). This is also as expected, since charities have access to a broader range of revenue sources, most notably philanthropic contributions, than other types of nonprofits.

**Location:** Nonprofits located in central metropolitan or metropolitan ring counties are significantly less likely to have reserves for at least one of the two types of reserves than those in non-metropolitan counties. We have no obvious explanation for this finding.

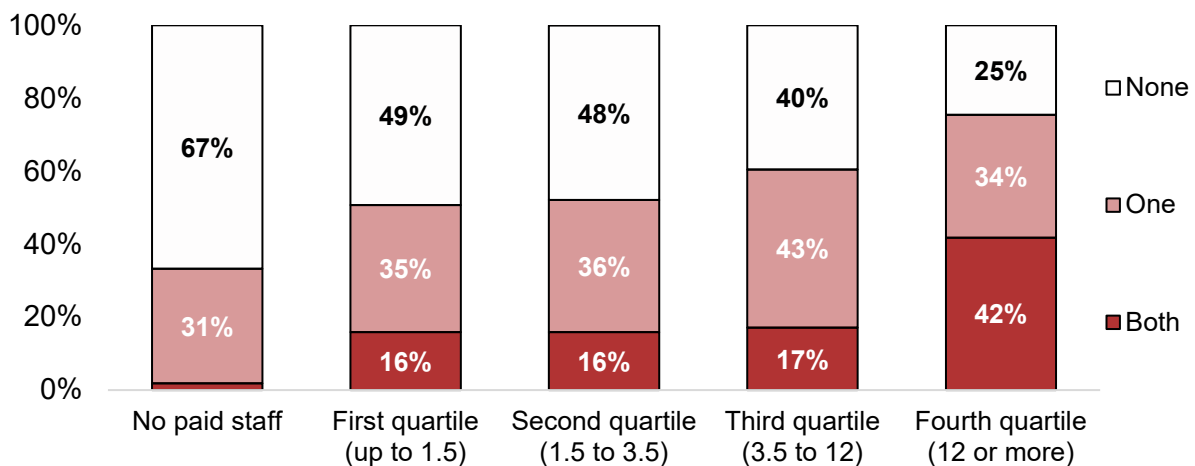


## Endowments

We turn now to a look at whether our respondents have endowments that would provide an additional financial cushion for meeting expenses. We expect that having both restricted and unrestricted endowments will be significantly related to our standard predictor variables. That is the case at the bivariate level except for age or location. However, age is significant in the multivariate analysis, while formalization and the presence of IT tools are not. As detailed in Appendix B, more formalized nonprofits and those with more IT tools are significantly more likely to have one or both types of endowments. Size, funding mix, nonprofit field, and charity are significant in both the bivariate and multivariate analyses.

**Size.** Larger nonprofits (those with at least 12 full-time equivalent employees) are significantly more likely to have both restricted and unrestricted endowment (combined red segments, 42 percent) than those with fewer FTEs (16-17 percent) and especially those with no paid staff at all (only 2 percent, see dark red segments in Figure 50). Only a quarter of the largest nonprofits have no endowments at all (white segment), compared to two-thirds of those with no paid staff, with the remaining size categories intermediary between those two extremes.

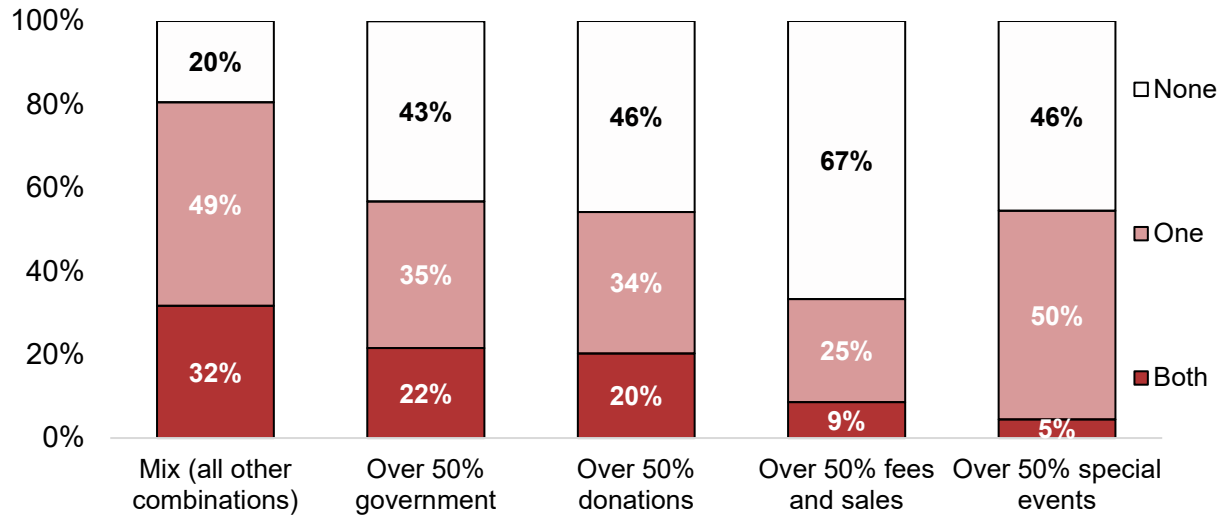
**Figure 50.** Financial management tools - restricted and/or unrestricted endowments by size, Indiana nonprofits (n=417)



Larger nonprofits are likely to have greater capacity to engage in capital campaigns by which to build endowments, either restricted or unrestricted. They are also likely to have greater ability to secure large foundation or corporate gifts, donations from major donors, or manage demanding planned gifts (such as charitable gift annuities or retained life interest gifts), all of which are likely to be restricted for specific purposes.

**Funding mix.** Access to restricted and/or unrestricted endowments is also significantly related to how nonprofits secure their funding. As Figure 51 shows, about a third (32 percent) of those that rely on a mix of funding sources are significantly more likely to have access to both types of endowments (dark red segments) than those that rely mainly on government funding or private donations (20-22 percent), and especially those that rely mainly on fees and services charges or on special events (5-9 percent).

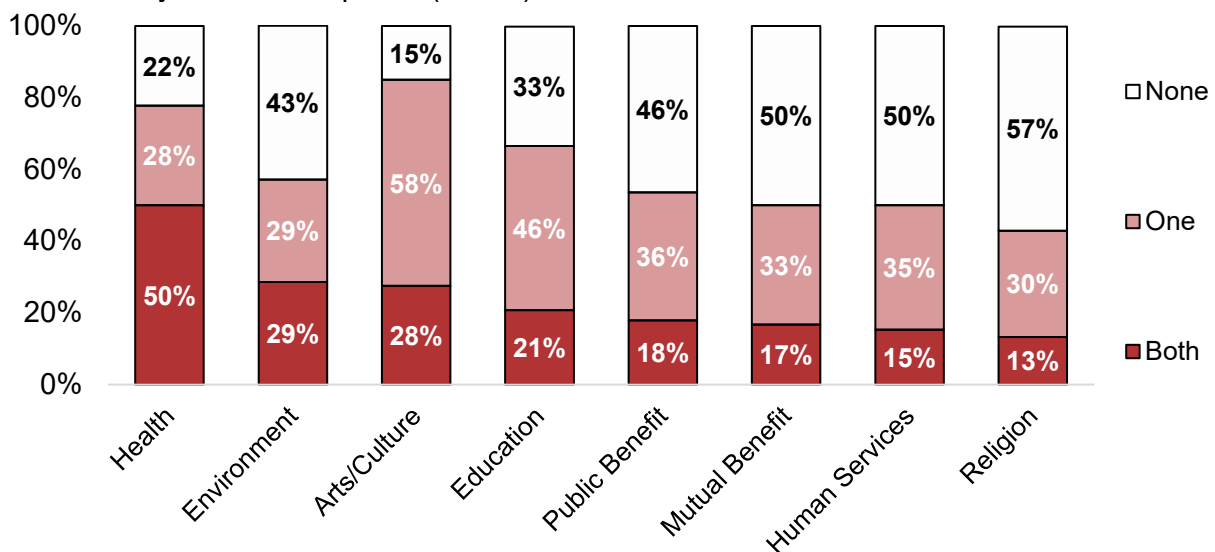
**Figure 51.** Financial management tools - restricted and/or unrestricted endowments by funding mix, Indiana nonprofits (n=411)



Only 20 percent of those that rely on a mix of funding sources have no type of endowment at all (white segments), compared to about 45 percent of those that rely mainly on government funding, donations, or special events (43-46). Fully 67 percent of those that rely mainly on fees and service charges have no endowments at all.

**Field of Activity.** Nonprofit field is also related to whether Indiana nonprofits have restricted or unrestricted endowments. Health nonprofits stand out, with 50 percent having both restricted and unrestricted endowments (dark red segments in Figure 52), presumably reflecting donations restricted to addressing particular types of diseases or patient needs. Only a little more than a quarter of environment/animals and arts and culture nonprofits (28-29 percent) also have both restricted and unrestricted endowments, compared to a fifth or less (13-21 percent) of nonprofits in the remaining fields.

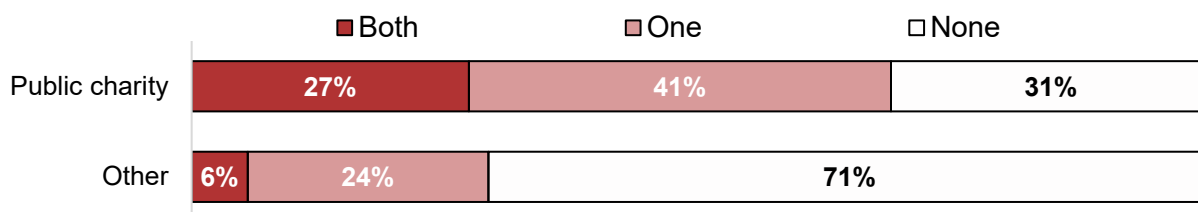
**Figure 52.** Financial management tools - restricted and/or unrestricted endowments by major field of activity, Indiana nonprofits (n=425)



However, arts and culture nonprofits are the least likely to have no endowments at all (15 percent, white segments in Figure 52), followed by health (22 percent), education (33 percent), and environmental nonprofits (43 percent). Fully 57 percent of religion nonprofits have no endowments, nor do about half of human services, mutual benefit, and public benefit nonprofits (46-50 percent).

**Charity Status.** Finally, access to restricted and/or unrestricted endowments also differs significantly between those registered as charities under subsection 501(c)(3) and nonprofits registered under other subsections of the IRS code 501(c). As Figure 53 shows, more than a quarter (27 percent) of registered charities have both types of endowments, compared to only 6 percent of other nonprofits. Similarly, only about a third (31 percent) of charities have no endowments at all, compared to more than two-thirds of other nonprofits (71 percent). This is as expected, since only charities (with a few exceptions) are eligible to receive planned and other types of philanthropic gifts that provide tax benefits to donors and are one of the major sources of endowments.

**Figure 53.** Financial management tools - restricted and/or unrestricted endowments by charity, Indiana nonprofits (n=294)



**Summary: Restricted and/or Unrestricted Endowment Funds**

Table 9 shows the results of our multivariate logistic regressions examining the overall relationship between having both restricted and unrestricted endowments (column 1) or at least one type of endowment (column 2) and our explanatory factors. Controlling for all factors, both models are highly significant (p<.001) and explain about 40 percent of the variance. Both models are also quite successful in correctly predicting whether respondents have both (83 percent) or at least one of the two types of endowments (74 percent).

**Table 9.** Estimates for Binary Logistic Regression on Restricted and/or Unrestricted Endowments

Variables Included in the Multivariate Equation	Positive (+) or Negative (-) Significant Coefficients	
	Both types	At least one type
Age (Decades since Founded)	+	+
LN Number of FTE	+	+
Formalization (scale)		
Average Internal IT Capacity (scale)		
Average External IT Capacity (scale)		
FUNDING MIX (Mix of sources, excluded)		
Over 50% Donations		
Over 50% Special Events		
Over 50% Fees and Sales	-	-

Over 50% Government		-
NTEE FIELD (All other fields, excluded)		
Arts & Culture		
Education		
Human Services	-	
Public/Societal Benefit		
Religion	-	-
Mutual Benefit		
LOCATION: (Nonmetropolitan, excluded)		
Central Metropolitan		
Metropolitan Ring		
Charity	-	-
Significance	p<.001	p<.001
Percent correctly predicted	83.1%	74.3%
Nagelkerke R-Squared	.41	.40
N	272	

Notes: We use the natural log of the financial indicator variables and the number of FTE to account for the skew in the distribution of the original versions of the variables. Coefficients that are significant at the  $p < 0.05$  level are marked with positive (+) or negative (-) signs depending on the direction of the relationships. Excluded categories: Funding Mix: Mixed; NTEE Code: Health, Environment and Animal, and International; Location: Nonmetropolitan counties. For full results, see Appendix C.

Five explanatory factors are significant ( $p < .05$ ) in both models and with the same patterns, controlling for all other factors.

**Age:** As expected, older nonprofits are significantly more likely to have both restricted and unrestricted endowments, or at least some type of endowment. However, age is only significant in the multivariate models, when we control for all other factors (age was not significant at the bivariate level). We speculate that older nonprofits have had more time to accumulate planned gifts (one of the major sources of endowments).

**Size:** As expected, larger nonprofits (as measured by number of full-time employees) are significantly more likely to have both restricted and unrestricted endowments or any type of endowments. As we noted above, larger nonprofits are likely to have more sophisticated fundraising structures with the capacity to undertake capital campaigns and pursue major and/or planned gifts by which to build endowments.

**Funding Mix:** Nonprofits that rely primarily on fees and sales receipts are significantly less likely to have both restricted and unrestricted endowments, compared to those that rely on a mix of funding sources (including donations), controlling for all other factors. They are also less likely to have at least some types of endowment, as are those that rely primarily on government funding. This is as expected since heavy reliance on fees/sales or government funding is likely to absorb considerable management attention.

**Field of Activity:** Religion nonprofits are significantly less likely to have both restricted and unrestricted endowments, compared to those in the excluded categories (Health, Environment and Animal, and International), controlling for all other factors. They are also less likely to have at least some type of endowment, as are human service nonprofits. We note that many congregations are quite small – half have no more than 120 members, and 42 percent have no

more than 1.5 full-time equivalent staff – suggesting that they do not have the capacity to undertake the type of fundraising efforts that are likely to generate endowment gifts.<sup>33</sup> The pattern for human service nonprofits is also as expected, since many of their services are not of as much interest to major donors as are those provided by arts and culture nonprofits, or education and health nonprofits (particularly institutions of higher education and hospitals).

*Charity Status:* Finally, nonprofits registered as charities are significantly less likely to have both restricted and unrestricted endowments, or any endowment at all, controlling for all other factors. This is contrary to our expectations – recall that charities were significantly more likely to have both or at least some type of endowment at the bivariate level. However, the pattern suggests that other factors (most likely age and size) are likely to be driving factors in whether nonprofits have been able to develop endowments of any type.

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<sup>33</sup> For more details, see Kirsten Grønberg and Payton Goodman, with Nicholas Norman and Sher Khashimov, 2023. *Indiana Faith-Based Nonprofits: Overview and Challenges*. Indiana Nonprofit Survey: Round III, Series 1: Overview, Report 3. Bloomington, IN: Indiana University O'Neill School of Public and Environmental Affairs. Online at <https://nonprofit.indiana.edu/doc/publications/2017surveyreports/faith-based-2023.pdf>.

## CONCLUSIONS AND IMPLICATIONS

In this report, we have examined a broad range of financial dimensions of Indiana nonprofits. Our data come from a large (n=1,036) survey of almost all types of nonprofits, charities, as well as membership associations and special interest groups. The random sample excluded nonprofit colleges, hospitals, bank-managed trusts, and public school building corporations.

### Financial Profile of Indiana Nonprofits

Our analysis of key financial dimensions of Indiana nonprofits reveals several important features.

**Many small nonprofits; growing financial strains.** Some of the Indiana nonprofits responding to our survey are quite large, but most have relatively few financial resources – half have only about \$70,000 in revenues or expenses and 41 percent have assets of less than \$25,000. Many also appear to face growing financial challenges – almost half (49 percent) saw an increase in expenses during the three prior years, while only about a quarter (26 percent) saw corresponding increases in revenues to offset the higher expenses. These trends raise concerns about persistent, possibly increasing, deficits among Indiana nonprofits.

**Large variety of funding combinations.** Our respondents reveal a great variety of funding combinations. When asked about receiving funding from any of 15 different sources, the count of sources ranged from zero (no funding) to 13. Astonishingly, we identified almost 300 unique combinations of those 15 sources among the 831 respondents that responded to these questions. The most prevalent sources were donations (77 percent), special events, and dues/membership fees (46 and 43 percent respectively), with very few obtaining revenues from joint ventures or for-profit subsidiaries (respectively 2 and 1 percent).

However, when we look more closely at which broad types of funding provide our respondents with most of their revenues, we find that more than a third (38 percent) rely primarily on donations and another quarter (27 percent) primarily on market-type sources, such as fees, sales, or dues. Less than 10 percent rely primarily on special events or government funding (respectively 9 and 8 percent). The rest, 19 percent, rely on a mix of funding types.

**Great variations in spending on staff and space.** We focus on spending for staff and space since those are important outlays for nonprofits with ongoing and/or substantial program activities. Data on functional expenses, such as “overhead,” are likely to be estimates only and to be highly context dependent (e.g., whether the nonprofit has access to wealthy donors). Indiana nonprofits vary greatly in how much of their expenses are devoted to staff and facilities. More than a quarter (29 percent) use half or more of their total expenses on staff compensation and benefits, but 40 percent have no such expenditures at all – relying only on volunteers to carry out all organizational activities. Similarly, 22 percent use half or more of their expenses to cover the cost of facilities, space, and related utilities, while 26 percent have no such expenses – presumably because they operate out of borrowed space or require no space at all.

**Significant challenges raising funds.** Securing revenues and managing expenses to maintain services are challenging for most nonprofits. Our respondents rated fundraising activities significantly more challenging than managing finances. Of the six fundraising activities we probed for, respondents rated expanding the donor base as the most significant challenge, with 32 percent saying it was a major challenge, compared to only 12 percent who rated retaining donors as a major challenge. We note that retaining donors tends to be more cost-effective than

finding new donors, but that each type of funding source requires specialized management efforts to obtain and retain. By contrast, less than 10 percent of our respondents said that any of the four routine financial management tasks (creating budgets/financial statements, managing cash flows, collecting payments, etc.) were major challenges.

**Many basic financial tools are in place.** We distinguish between several types of financial tools. Some tools help nonprofits monitor their financial performance or track specific sources of funding (e.g., sales or individual donations) on a regular basis. Others provide annual snapshots of overall financial conditions. Two such tools – electronic financial records and annual reports – are relatively inexpensive and can be produced by any standard spreadsheet program. Not surprisingly, they are quite widespread with about two-thirds of our respondents having an annual report (72 percent) and electronic financial records (65 percent). Less than half of our respondents process online donations or sales (49 percent) or have audited financial statements (47 percent). These latter two tools respectively require access to special online platforms and staff to use them, or the ability to cover the cost of hiring CPAs to conduct the audit reports.

Other financial tools (dedicated reserves) reflect financial planning decisions by the board to help cover major unanticipated (e.g., sudden building maintenance needs), or planned (e.g., new buildings, program expansions) expenses. Still, other tools (endowment funds) reflect board decisions to accept restricted gifts for specific activities and/or channel annual surplus into savings to overcome dips in revenue or sudden external jolts (e.g., major recessions, global pandemics). More than half of our respondents had reserve funds dedicated to capital improvements (66 percent) or capital maintenance (56 percent). Notably, fewer had restricted and/or unrestricted endowments (respectively 41 and 31 percent).

### **Organizational Features Associated with Financial Dimensions**

The financial dimensions presented above present only a general portrait of Indiana nonprofits. However, the extent to which specific indicators are present varies considerably among our respondents. We use responses to other questions in the survey to identify two sets of organizational dimensions that previous research suggests are likely to help in predicting the presence or absence of the various financial indicators among respondents.

Our predictors include five dimensions of basic *organizational capacity*, such as age (indicating accumulated expertise), formalization (indicating organizational tools in place), internal and external IT capacity (presence of two sets of IT tools). For indicators other than basic financial indicators, we also look at size (full-time equivalent paid staff, indicating staff specialization).

Four other dimensions capture the *external environment* that is likely to be salient to nonprofits. These include their primary field of service activity (e.g., human services, religion, or arts and culture), funding profile (e.g., primary dependence on donations, fees and service charges, government funding), status as a charity (and thus eligibility for tax-deductible donations), and location.

We used statistical techniques to determine whether each of these organizational features is important in predicting a financial indicator by themselves (bivariate analyses) and which remain significant when allowing all of them to operate at once (multi-variate analyses).

Several findings stand out about the importance of **organizational capacity** for our analysis of the finances of Indiana nonprofits.

1. **Financial resources.** Indicators of organizational capacity, particularly having more FTEs and more IT tools, but also higher levels of formalization and age, appear to be quite helpful in predicting financial resources. Nonprofits with greater organizational capacity generally have more basic financial resources. They have higher revenues, expenses, assets and liabilities, and greater funding diversification (securing funding from a larger number of different types of revenue sources). For some capacity indicators (mainly size, but also age), nonprofits with greater organizational capacity also invest more in securing paid staff and space, are more likely to have reserves for capital improvement and/or maintenance, and to have endowments.
2. **Financial health.** However, we find some more unexpected relationships between measures of organizational capacity and some financial indicators related to financial health. Thus, older nonprofits are more likely to have seen decreases in revenues over the prior three years, while larger ones are more likely to have seen increases in expenses and to have lower scores on our financial health indicator.
3. **Revenue profiles.** We also find some interesting patterns between organizational capacity, particularly size, and the revenue profiles of our respondents. Thus, larger nonprofits are more likely to depend primarily on government funding or sales and fee revenues (as are older nonprofits), but less likely to rely on donations or special events.
4. **IT tools.** Access to IT tools also shows noteworthy patterns. Those with more internal IT tools (electronic records, data security) score higher on our measure of financial health, use a higher percentage of expenses for staff wages and benefits, and have fewer challenges raising funds or managing their finances. Those with more external IT tools (e.g., social media platforms) are more likely to have seen increases in expenses and are more likely to rely on donations, but less likely to rely on government funding or on sales, fees and dues. However, we don't know whether having more IT tools in place is a consequence or determinant of these financial indicators.

There are also notable patterns for how measures of the **external environment** are related to financial indicators. Nonprofit field and charity status appear as significant predictors for more financial indicators than location, and the latter do not appear to form consistent patterns once we control for all other factors.

5. **Nonprofit field.** Our respondents operate in a broad variety of nonprofit fields, each of which demands some specialized, professional skills (e.g., performing arts, family counseling, education), and there are, not surprisingly, some differences in financial indicators across these fields. However, religion nonprofits (congregations, churches, temples, mosques, etc.) stand out. They have distinctive funding profiles with high reliance on private donations and relatively low funding diversification. They are also less likely to have seen increases in revenues. They devote high percentages of their expenses to securing paid staff and space and are more likely to have reserves for capital improvement and/or maintenance, but less likely to have endowments available.



A few other nonprofit fields mainly distinguish themselves by distinctive funding profiles. Thus, arts and culture nonprofits tend to have a low reliance on donations while education nonprofits have a high reliance on special events and sales and fees.

6. **Charity status.** Nonprofits recognized as charities by the IRS (and thus eligible to receive tax-deductible donations) also stand out as having distinctive funding profiles. As expected, they are more likely to rely on private donations and less likely to rely on special events, sales/fees, or dues (a primary revenue source for membership associations, many of which are not charities). Charities also have more funding diversification than non-charities (presumably because of their ability to receive donations of various types). And like religious nonprofits (which are all charities), they are more likely to have reserves but less likely to have endowments.

## Implications

Our findings point to some troubling indicators of financial vulnerability among Indiana nonprofits – small size, potential risks of deficits, relatively few financial planning-related tools in place, and comparatively high fundraising challenges. For the latter, we remain concerned that we have only information about the challenges we asked about and then only the extent to which respondents are aware of the challenges they face.

We recognize that these findings are dated. After all, our survey was conducted in 2017-18 and some details and conditions will certainly have changed since then. However, we believe the overall financial portrait presented here is likely to be substantially consistent with current conditions.

In fact, there are good reasons to think the financial conditions of Indiana nonprofits may well have deteriorated since our survey closed in early 2018, given the impact of the COVID-19 pandemic that hit in late winter 2020. The Pandemic had a profound and almost immediate devastating impact on Indiana nonprofits. Thus, our survey in May 2020 found that many Indiana nonprofits were facing major revenue shortfalls and staffing challenges and had been forced to curtail or suspend programs.<sup>34</sup>

An in-depth analysis of paid employment in Indiana confirms extensive losses of jobs during the second quarter of 2020, after the Pandemic hit. Nonprofits generally did better in protecting jobs than for-profits, but worse in maintaining or growing payroll.<sup>35</sup> The result was a narrowing of the pay advantage nonprofits have over for-profits in most industries where both are active. The financial vulnerabilities that were present even before COVID-19 hit documented in this report, raise questions about the longer-term ability of nonprofits to compete for paid employees and maintain essential services.

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<sup>34</sup> See "Indiana Nonprofits and COVID-19: Impact on Services, Finances, and Staffing" by Kirsten Grønbjerg, Elizabeth McAvoy & Kathryn Habecker (Bloomington, IN: O'Neill School of Public and Environmental Affairs, 2020), online at <https://nonprofit.indiana.edu/doc/publications/covid-19-impact.pdf>.

<sup>35</sup> See "The Impact of COVID-19 on Nonprofit and For-profit Employment in Indiana: Selected Industries, 2020, by Kirsten Grønbjerg & Leslie Kutsenkow. (Bloomington, IN: O'Neill School of Public and Environmental Affairs, 2023), online at: <https://nonprofit.indiana.edu/doc/publications/employment/COVID-impact-selectindustries.pdf>.

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## APPENDIX A: Survey Methodology

Surveying nonprofits presents major challenges – there is no comprehensive listing of nonprofits available from which to draw a representative sample and the multiple existing listings each have major shortcomings. Other problems reflect challenges in creating survey instruments that potential respondents can complete with a minimum of effort, reaching them to make the survey available, and finding effective means to encourage very busy managers to complete the survey. Virtually no survey obtains responses from everyone included in a sample and virtually no survey sample is guaranteed to be truly representative of the entire universe of potential respondents.

**Sample Preparation.** For our first 2002 survey (Round I, and thus our “panel” organizations), we merged three statewide nonprofit database listings – the IRS listing of exempt entities with Indiana reporting addresses, all entities incorporated as not-for-profit entities with the Indiana Secretary of States (SOS), and Yellow Pages listing of congregations, churches, and similar religious organizations. We also added nonprofits appearing on local listings in selected communities across the state and those identified through a “hypernetwork” sampling approach – those that a random sample of Indiana residents identified as nonprofits for which they worked, volunteered, or attended meetings or events, including religious services. We then de-duplicated the merged listings and drew a stratified random sample in order to consider and adjust for differences in distributions by geographic location and source of the listing.

For the new 2017 “primary” round III sample of Indiana nonprofits, we relied exclusively on the same three statewide listings of Indiana nonprofits as in 2002 but used a simplified sampling strategy. After combining the three most up-to-date listings, we first removed nonprofits that were ineligible for our study. These included but were not limited to hospitals, colleges/ universities, bank-managed trusts, jails, and school-building corporations.

We then de-duplicated the three listings (both within and between the listings) using search algorithms. Nearly 14,000 duplicate entries across lists were removed during this phase of sample preparation. While it was not possible to remove all duplicates prior to sample selection, we believe that the de-duplication activities substantially reduced the problem of duplicate entries within and across the three lists. Ultimately, we ended up with a list of 59,833 nonprofits in Indiana from which we selected our sample.

To help ensure generalizability from the sample results, we drew a proportionately stratified sample from the combined list of 59,833 organizations from the IRS, SOS, and Infogroup (yellow page) listings. The stratification variables were an 8-category set of Indiana geographic regions (all three listings), filing date (SOS only), and NTEE major code categories (IRS only).

After the sampling was completed, we had a random sample of 4,103 nonprofits who received the survey invitation: 2,336 from the IRS listing (57 percent), 1,394 from the SOS listing (34 percent), and 373 from the Infogroup listing (9 percent). As part of our process to secure contact information, we also back-checked entities appearing on only one of the three listings in the sample to see whether that particular nonprofit was also included on any of the two other listings, just not included in the sample from the given list.

Next, we needed to find contact information, preferably email addresses in order to invite survey participants. Of the 4,103 nonprofits in the full sample, the available listing provided an email address for only 35. To obtain the rest, we undertook extensive web searches. In the end, we

had an 80 percent success rate in obtaining the correct organizations' contact information, spending an average of almost 13 minutes per organization or about 873 hours.

**Survey Process.** In preparation for the survey, we sent notifications (postcards and also emails for approximately 75 percent of the sample for whom we had email addresses) to potential respondents. This served both to alert them to the forthcoming survey, with the hope of encouraging participation in the survey, and to identify problematic email (or postal) addresses. After the survey invitations were sent (via email with a survey link or postal mail with a paper questionnaire), we sent several reminders to those with emails. The survey took an average of 25-30 minutes to complete and gathered information about programs and services, organization membership, organization structure and program evaluation, human resources, marketing and technology, advocacy and policy activities, relationships with other organizations, and financial information. The vast majority of surveys were completed online, but about 60 were completed using the paper version of the survey.

In addition, to promising respondents complete confidentiality, as a special incentive to complete the survey, we offered respondents access to customized reporting of the results. We included also a link to the study website, so respondents could learn more about the project, as well as a prominent reference to and identification with Indiana University to emphasize the academic sponsorship. Finally, we asked members of our Advisory Board for the Indiana Nonprofit Sector project to announce the survey to nonprofits on their distribution lists and encourage anyone receiving the invitation to complete the survey to do so.

As expected, however, initial response rates were low, especially for those without emails who received the paper survey. We began an extensive follow-up by making nudge calls to encourage participation (including those for whom we had no email addresses). We limited the nudge call process to a maximum of three calls per organization depending on the status of the calls. For organizations that we left voice mails for, we continued calling at least a week after each voicemail until we had left three voice mails. We stopped calling organizations that asked us to resend the survey or said they would complete the survey through the original email.

To determine response rates, we used information obtained through our data preparation and nudge call processes to create a disposition variable for each nonprofit in the sample: (1) response (complete or partial), (2) confirmed contact (but no response), (3) uncertain contact (no working phone number or no response to voice mail), or (4) out of sample.<sup>36</sup> Our overall response rate (24 percent) is based on the number of respondents as a percent of the full sample, excluding the "out of sample" group from the base.

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<sup>36</sup> The "out of sample" group includes nonprofits that were out of scope for the survey (e.g., universities, school corporations, hospitals), no longer located in Indiana, known to be out of existence, or presumed to be dead because we could not find any contact information anywhere. If the "presumed dead" are redefined as "uncertain contact", the response rate drops from 24 percent to 20 percent. It was only 7 percent for the paper survey by itself.

## APPENDIX B: Significant Bivariate Relationships

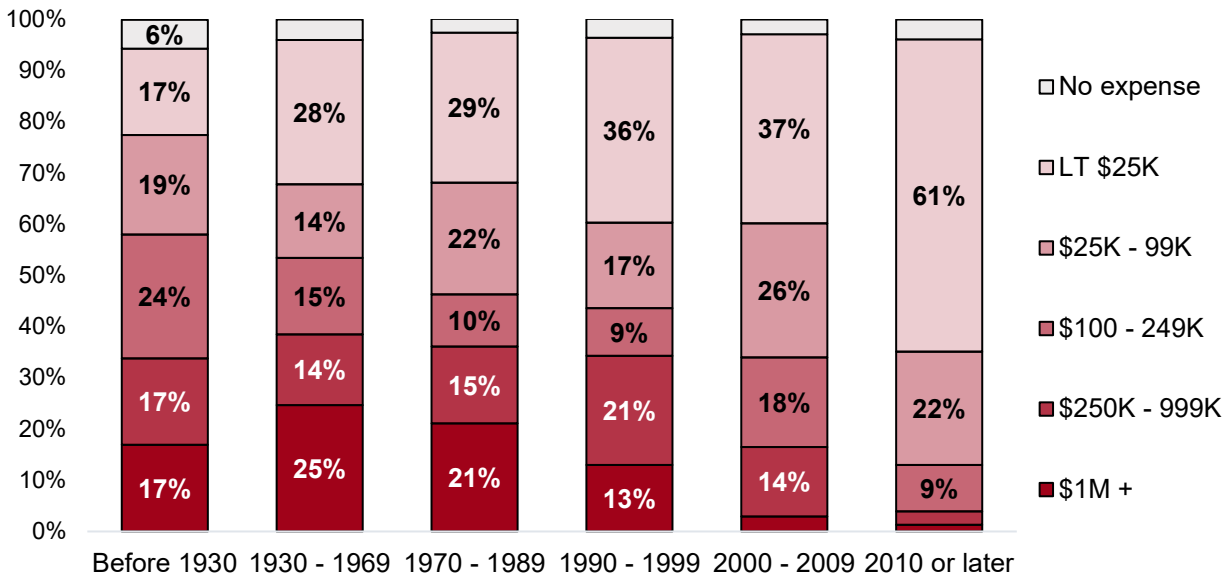
The below findings are significant at the bivariate analysis level but not at the multivariate analysis level.

### 1. Basic Financial Characteristics

When controlling for all explanatory variables, nonprofit formalization, IT capacity, and funding mix have a significant relationship to the total expenses. However, nonprofit age, nonprofit field of activity, location, and charity status are only significant at the bivariate analysis level.

**Age.** Older nonprofits, those founded before 1970, are most likely to report expenses over \$100,000 (55 percent on average). On the other hand, younger nonprofits, those founded since 2000, are much smaller with over three-fourths reporting expenses less than \$100,000 (77 percent on average). Overall, nonprofits founded before 2000 tend to have higher revenues and expenses than ones established in the last two decades. See Figure B1.

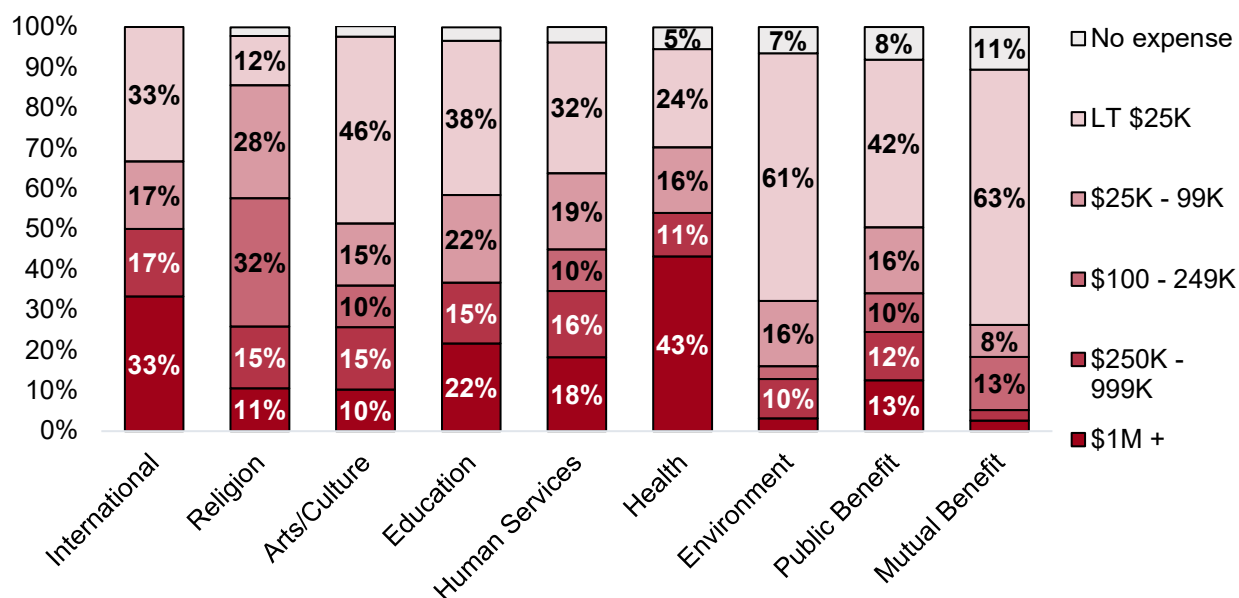
**Figure B54.** Total expenses by age, Indiana nonprofits (n=733)



**Field of Activity.** Indiana nonprofits have varying amounts of expenses depending on their primary field of activity. Religious nonprofits are more likely to have more mid-range expenses compared to other fields. As shown in Figure B2, over half of religious nonprofits (60 percent) have expenses ranging between \$25,000 and \$100,000, and only 2 percent of them reported no expense which is the lowest among fields.

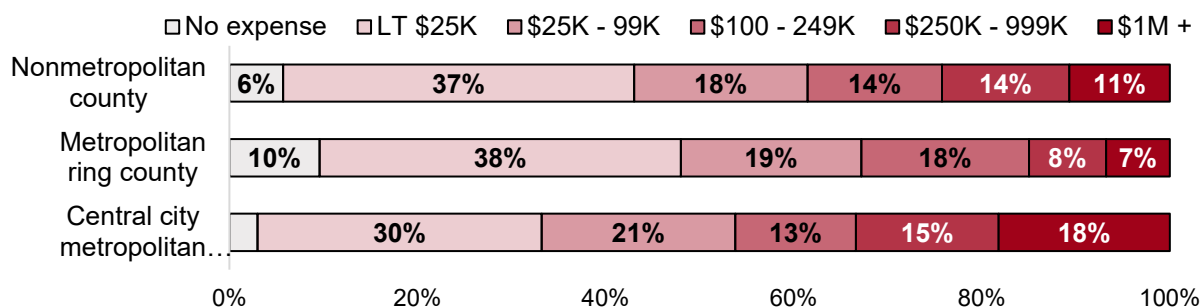
The health field has the highest prevalence of larger organizations in terms of their total expenses. Almost half (43 percent) with total expenses of \$1 million or more. On the other hand, environment and animal and mutual benefit fields have the highest concentration of small nonprofits with over 60 percent with expenses less than \$25,000 or no revenue. See Figure B2.

**Figure B55.** Total expenses by nonprofit field, Indiana nonprofits (n=798)



**Location.** Our analysis shows that Indiana nonprofits in the central metropolitan counties are likely to have better financial capacity compared to others. As Figure B3 shows, nonprofits in central city metropolitan counties are likely to have higher expenses than nonprofits in the metropolitan ring or nonmetropolitan counties: One-third (33 percent) has revenues over \$250,000, including 18 percent with expenses of \$1 million or more. However, Indiana nonprofits in non-metropolitan counties seem to have slightly better financial capacity than those in metropolitan ring counties where almost half (48 percent) have expenses less than \$25,000, including one-tenth (10 percent) with no expenses at all.

**Figure B56.** Total expenses by location, Indiana nonprofits (n=784)



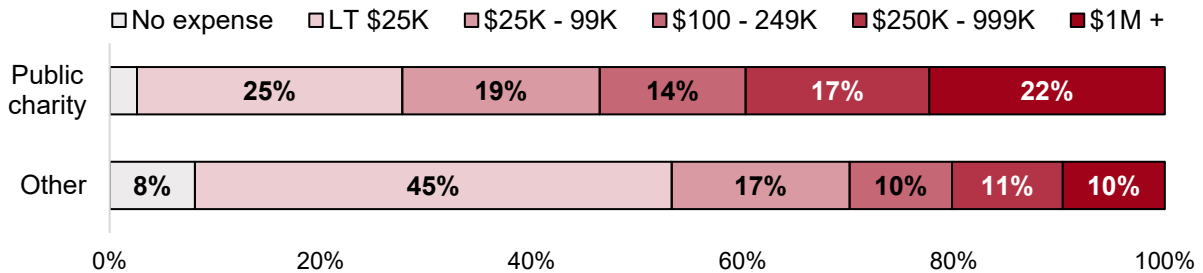
**Public Charity.** We examine whether an organization’s charity status is related to its financial capacity. In general, we expect public charities to have better financial capacity in part because they are eligible to receive tax-deductible contributions and in part because their public benefit status makes it easier for them to obtain government grants and contracts. About three-fourths of respondents are registered public charities (76 percent) and one-fourth are non-charitable nonprofits (24 percent).

Almost a quarter of charities (22 percent) have total expenses of \$1 million or more which is twice higher than non-charitable nonprofits (10 percent). See Figure B4. Over half of non-charitable nonprofits (53 percent) have expenses less than \$25,000, including 8 percent with no



expenses at all, compared to only 28 percent of charities. In terms of dollar amount, charities have about 30 percent higher revenues and expenses than non-charitable ones. However, multivariate analysis shows a contrasting result where non-charitable nonprofits have significantly larger expenses and assets than charitable ones.

**Figure B57.** Total expenses by charity, Indiana nonprofits (n=514)

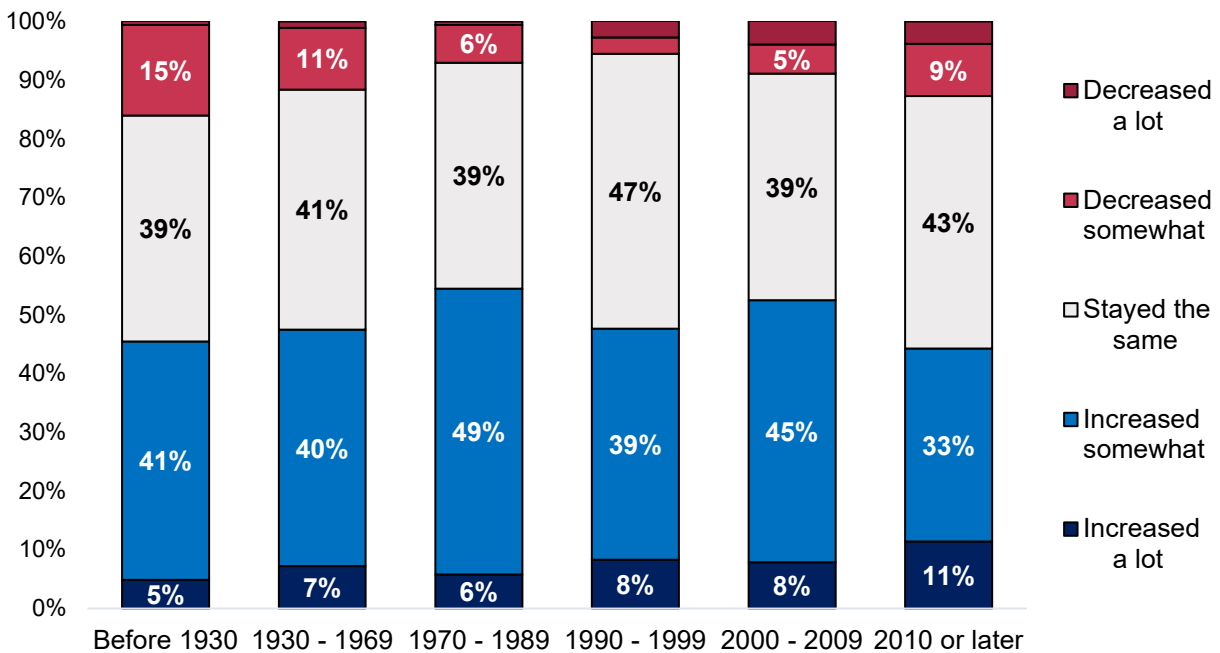


## 2. Changes in Financial Indicators

At the bivariate level, nonprofit age, size, formalization, IT capacity, funding profile, and charity status have a significant relationship with changes in revenues and expenses over the prior three years but are not significant at the multivariate level.

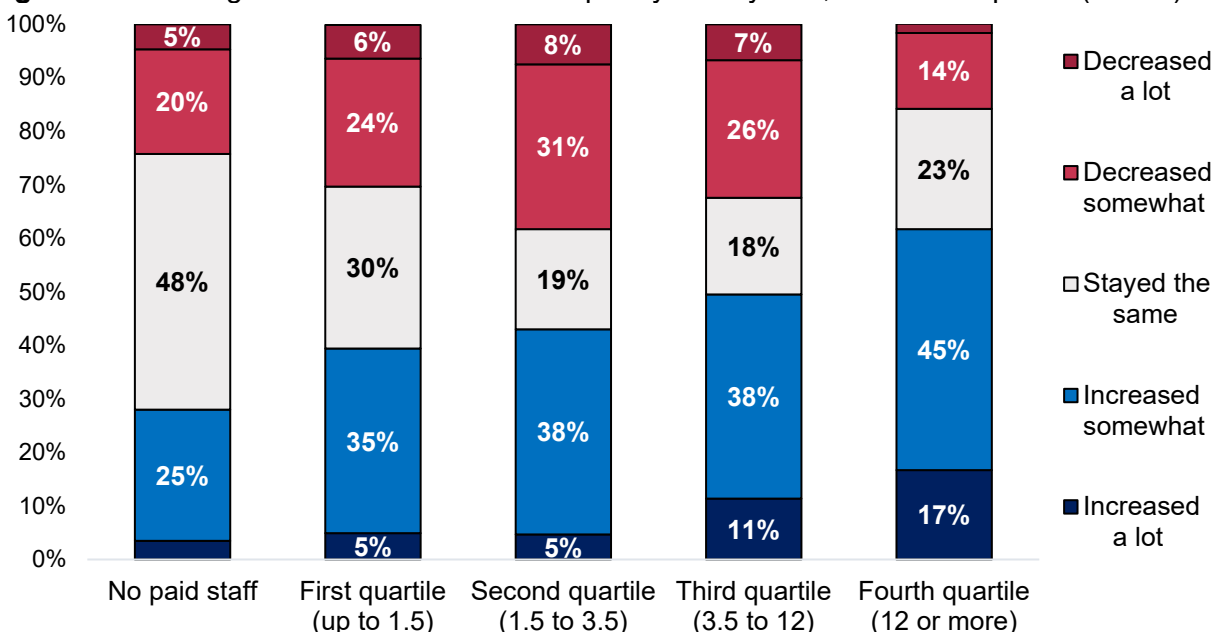
**Age.** Although not very obvious in Figure B5, younger nonprofits are slightly more likely to experience increased expenses than older ones.

**Figure B58.** Changes in expenses within three prior years by age, Indiana nonprofits (n=769)



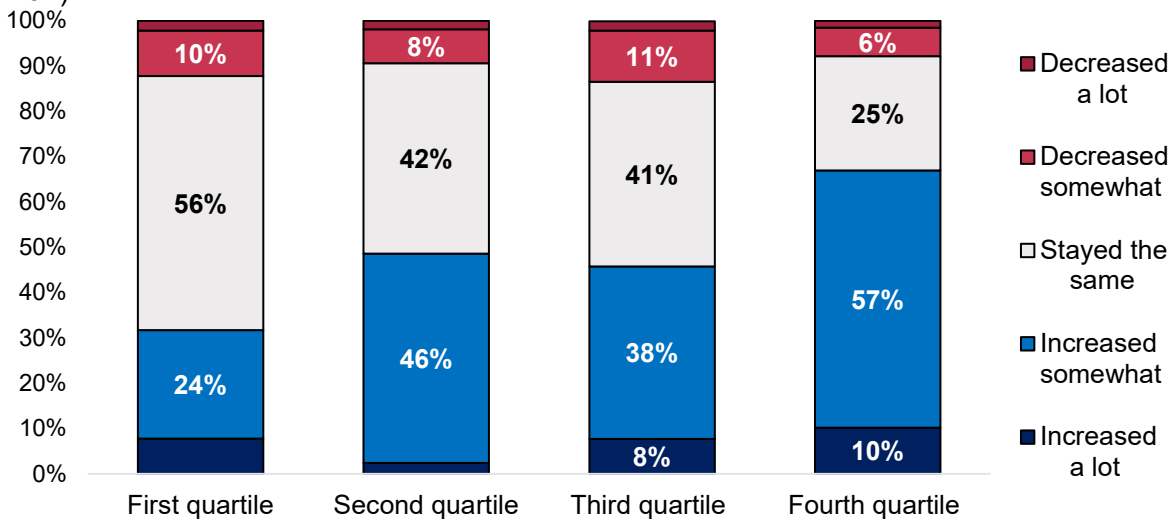
**Size.** Nonprofit size and revenue growth have a positive relationship. As shown in Figure B6, Indiana nonprofits with more FTE paid staff experienced higher levels of revenue growth.

**Figure B59.** Change in revenues within three prior years by size, Indiana nonprofits (n=813)



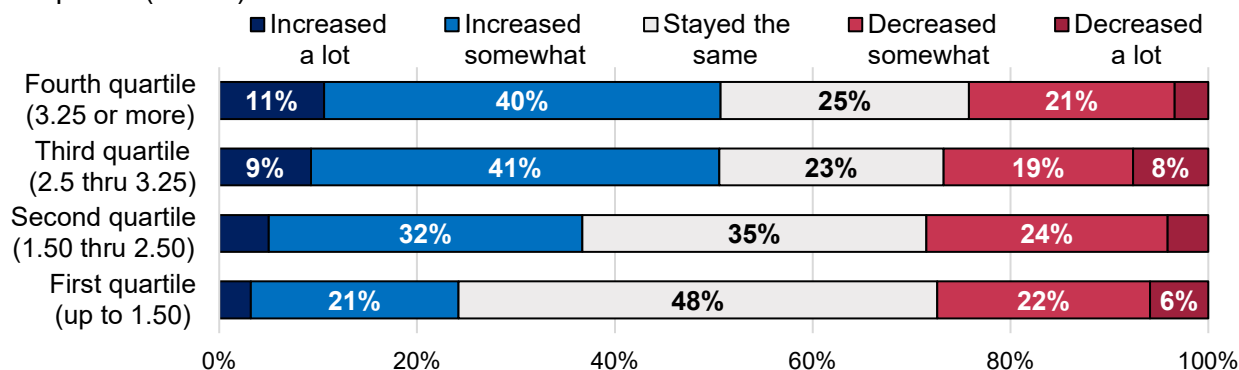
**Formalization.** More formalized nonprofits experienced higher levels of revenue growth and were less likely to report no change in their expenses. As shown in Figure B7, over half of nonprofits in the first – least formalized – quartile (56 percent) reported no change in expenses over three years while only a quarter of nonprofits in the fourth – most formalized – quartile reported no change.

**Figure B60.** Change in expenses within three prior years by formalization, Indiana nonprofits (n=792)

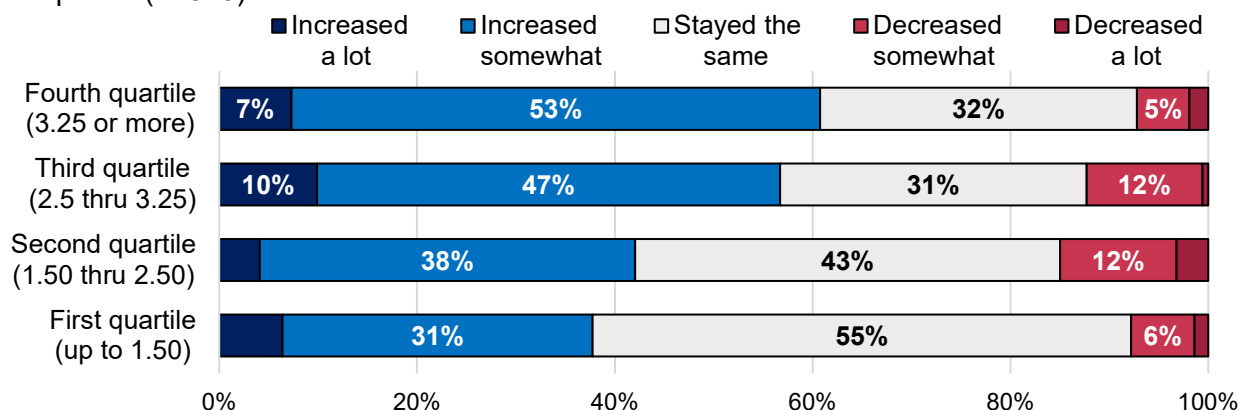


**Internal IT Capacity.** Nonprofits with higher internal information technology scores were more likely to experience a higher level of increase in their revenues and expenses. About half of Indiana nonprofits in the lowest quartile reported no change in their revenues (48 percent) and expenses (55 percent). Meanwhile, less than one-third of those in the third and fourth highest quartiles experienced no changes in their revenues and expenses. Over half of nonprofits in the highest quartile reported an increase in their revenues (51 percent) and expenses (59 percent), as compared to less than a quarter of the ones in the lowest quartile. See Figures B8 and B9.

**Figure B61.** Changes in revenues within three prior years by internal IT capacity, Indiana nonprofits (n=819)

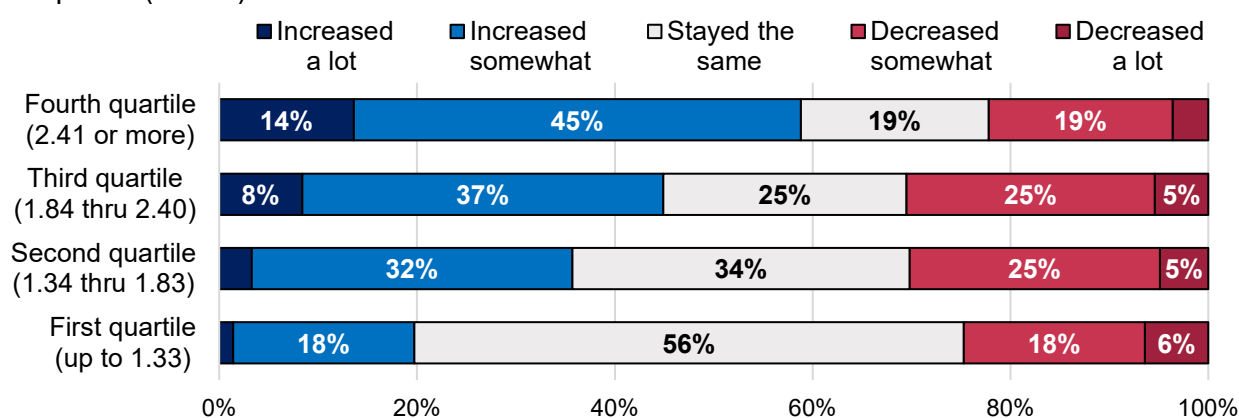


**Figure B62.** Changes in expenses within three prior years by internal IT capacity, Indiana nonprofits (n=818)



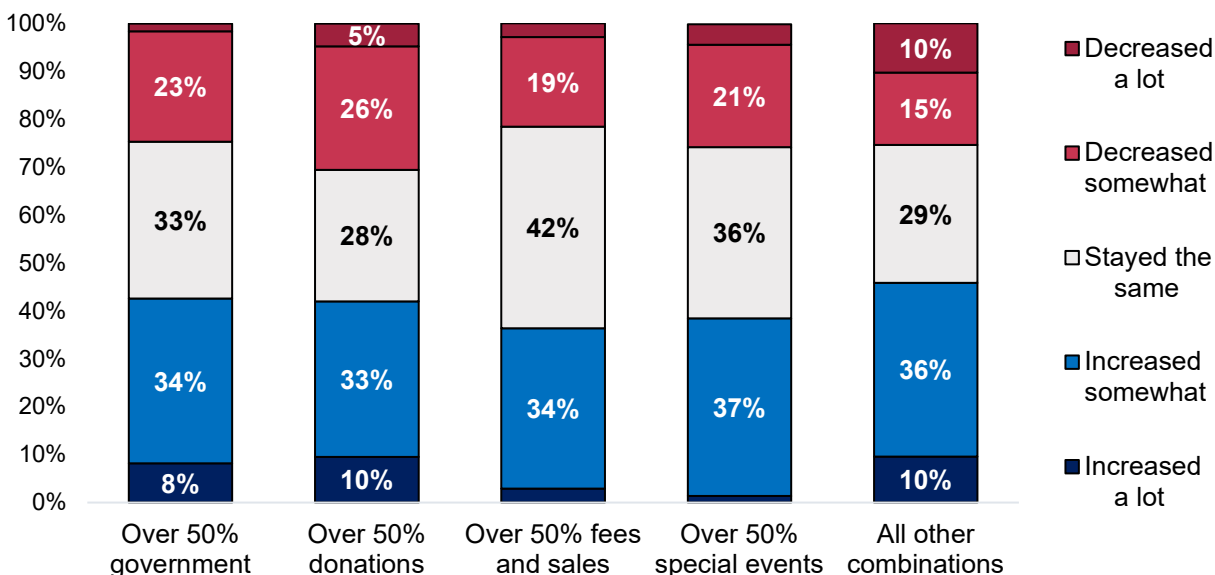
**External IT Capacity.** The relationship between external information technology and changes in revenues and expenses has almost identical patterns as above. Indiana nonprofits with better information technology scores reported higher level revenue increases and were less likely to report no changes in revenue.

**Figure B63.** Changes in revenues within three prior years by external IT capacity, Indiana nonprofits (n=824)

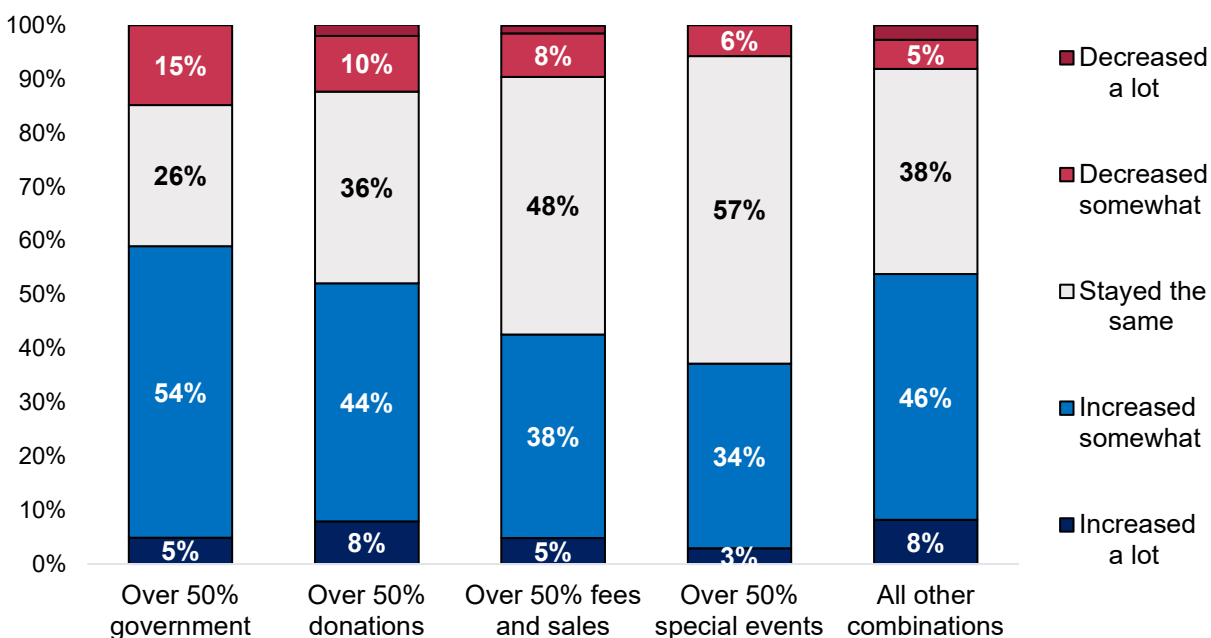


**Funding mix.** Changes in revenues and expenses also vary by the extent to which nonprofits rely primarily on a particular type of funding. See Figures B11 and B12.

**Figure B64.** Changes in revenues within three prior years by funding mix, Indiana nonprofits (n=781)



**Figure B65.** Changes in expenses within three prior years by funding mix, Indiana nonprofits (n=779)

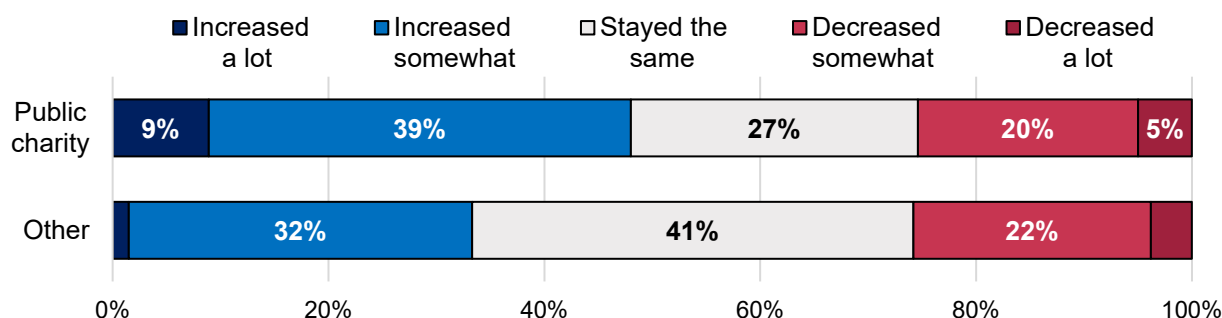


Nonprofits that rely primarily on private donations had the highest rate of change in revenues (73 percent) and expenses (65 percent) whereas almost half of the nonprofits that rely on fees and sales had no change in total revenues (42 percent) and expenses (48 percent).

Nonprofits that rely mainly on government funding experienced more budgetary pressures than those with other funding profiles. Over half of them reported an increase in expenses (59 percent) while 43 percent of them experienced an increase in revenues. Nonprofits that rely on a combination of funding sources had the highest rate of revenue increase (46 percent) but still over half of them reported an increase in expenses (54 percent).

**Charity Status.** About half of public charities (48 percent) reported increases in their revenues compared to 34 percent of non-charities. See Figure B13.

**Figure B66.** Changes in revenues within three prior years by charity, Indiana nonprofits (n=549)



### 3. Nonprofit Revenue Profile

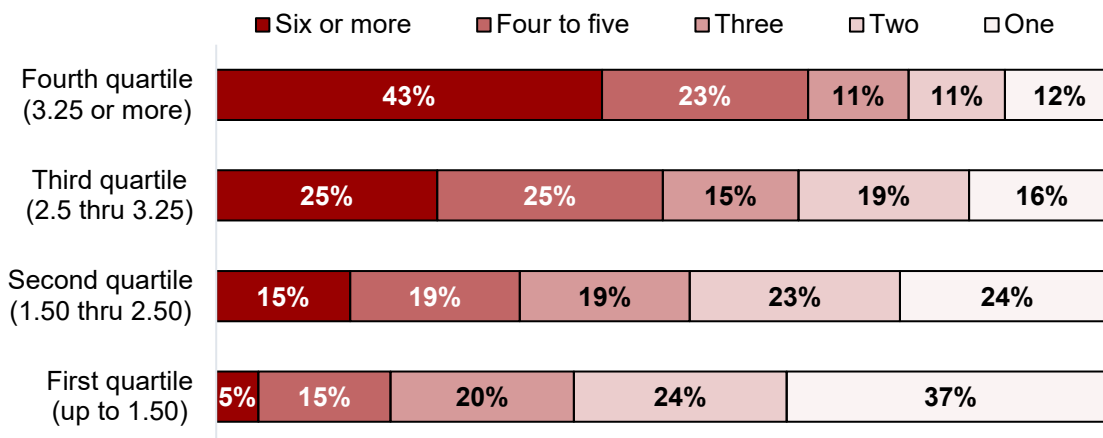
We analyzed nonprofit revenue profiles as indicated by whether the organization received half or more of its total revenues from private donations; special events; sales, fees, and dues; or government funding, or had no primary revenue source. All predictor variables: age, size, formalization, internal and external IT capacity, nonprofit field, charity status, and location are significant in both the bivariate and multivariate analyses and these patterns are described in the body of the report.

### 4. Revenue Diversification

We further explored revenue patterns by counting how many of the 15 different sources of revenue our respondents indicated they had received revenues from during the prior year. Internal IT capacity was significantly related to revenue diversification at the bivariate level, but not in the multivariate analysis.

**Internal IT Capacity.** Nonprofits with higher internally focused information technology scores are significantly more likely to have higher revenue diversification. The percentage of nonprofits with six or more revenue sources ranges from a high of 43 percent for those in the highest quartile of internal IT capacity, to a low of only 5 percent for those in the lowest quartile. See Figure B14.

**Figure B67.** Revenue diversification by internal IT capacity, Indiana nonprofits (n=817)



## 5. Nonprofit Expenses

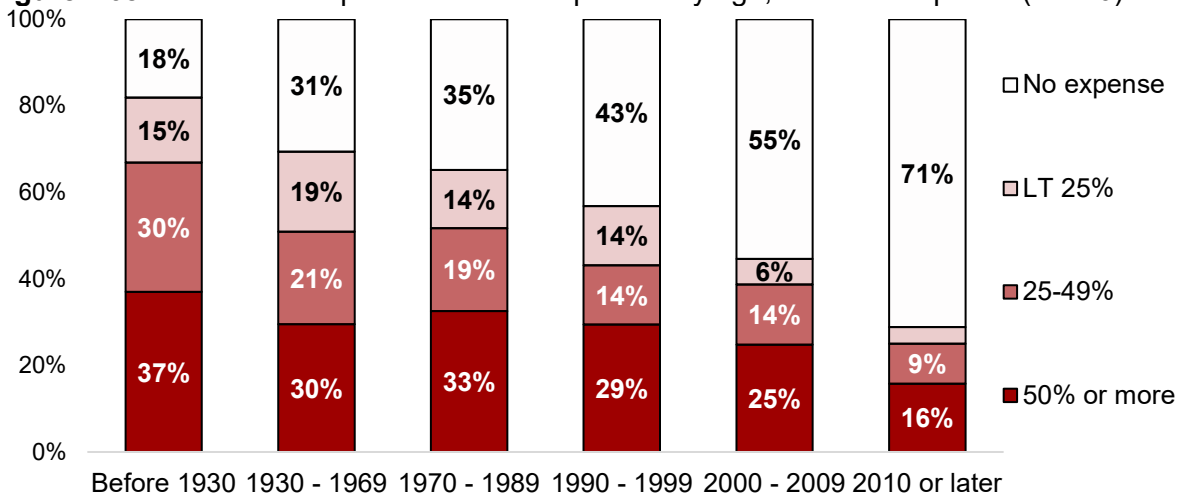
To understand how Indiana nonprofits use their resources, we asked our respondents to tell us what percent of their expenses go toward (1) staff compensation and benefits, that is, the cost of employing people to carry out program and organizational work, and (2) facilities, space, and related utilities – the cost of securing space to house staff and program activities.

### Staff Compensation and Benefits

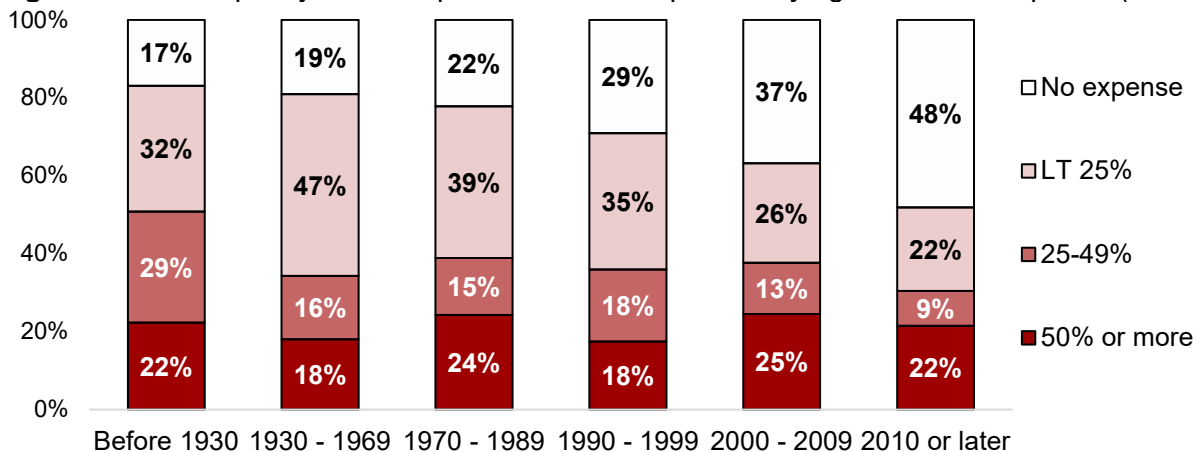
Nonprofit age, size (facilities and space only) formalization, use of IT tools, funding mix (facilities and space only), and charity (compensation and benefits only) status have significant relationships with nonprofit expenses at the bivariate level, but not in our multivariate analysis when controlling for all other factors.

**Age.** Older nonprofits are more likely to dedicate a larger portion of their expenses to both staff-related costs (see Figure B.15) and facility-related costs (see Figure B.16) compared to younger nonprofits. Overall, at least a quarter of respondents formed before 2010 devote at least 50 percent or more of total expenses to staff-related costs. In general, respondents are more likely to have facility related costs but devote slightly smaller portions of total expenses to them.

**Figure B68.** Staff costs as percent of total expenses by age, Indiana nonprofits (n=720)



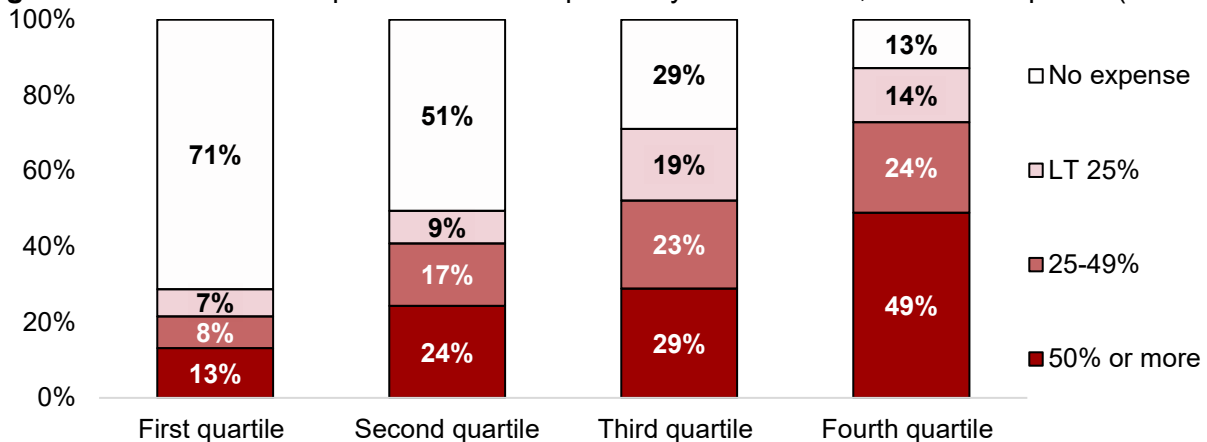
**Figure B69.** Occupancy costs as percent of total expenses by age, Indiana nonprofits (n=740)



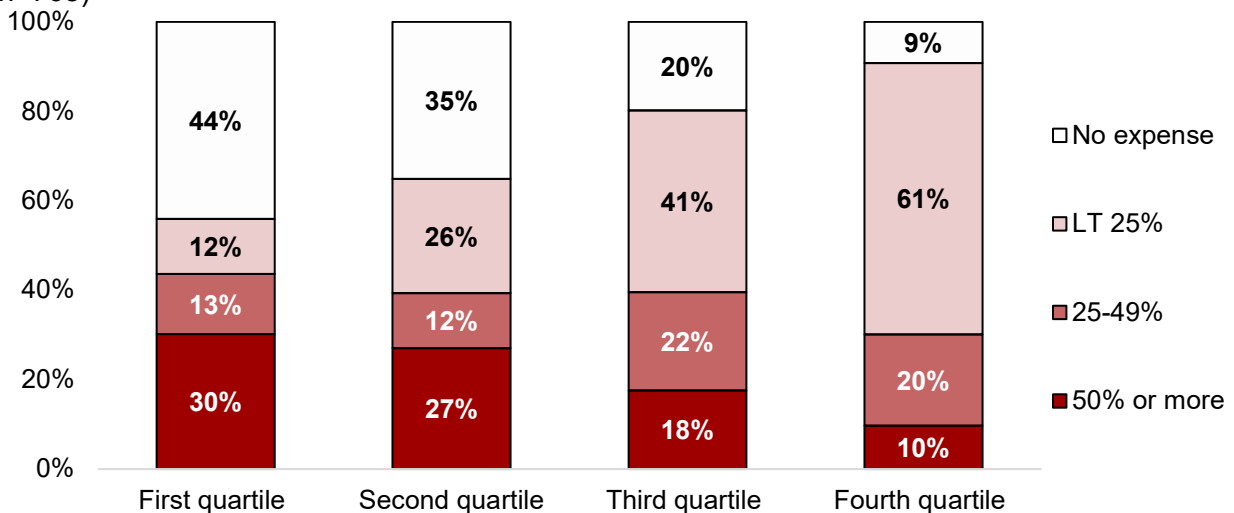
**Formalization.** More formalized nonprofits devote a larger portion of their expenses toward both staff compensation and facility-related costs. As Figure B17 shows, most nonprofits (87 percent) in the fourth quartile (the most formalized) have expenses for staff compensation and benefits, including 49 percent who use half or more of their expenses on this. On the other end, less than one-third (29 percent) reported having any staff-related expenses.

As shown in Figure B18, 91 percent of the most formalized nonprofits have facility-related expenses compared to 56 percent of those in the least formalized quartile. However, only 10 percent of the most formalized nonprofits devote half or more of their expenses toward it, compared to 30 percent of the least formalized ones.

**Figure B70.** Staff costs as percent of total expense by formalization, Indiana nonprofits (n=749)

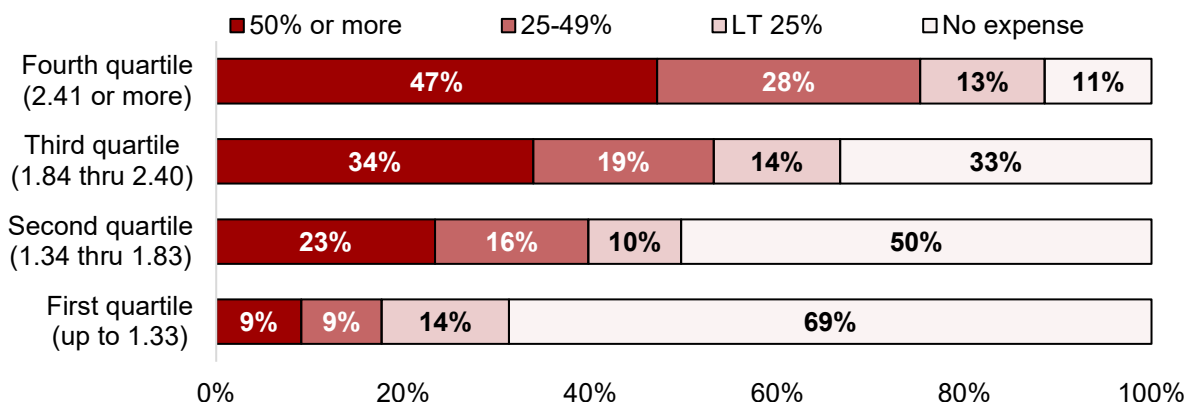


**Figure B71.** Occupancy costs as percent of total expenses by formalization, Indiana nonprofits (n=768)

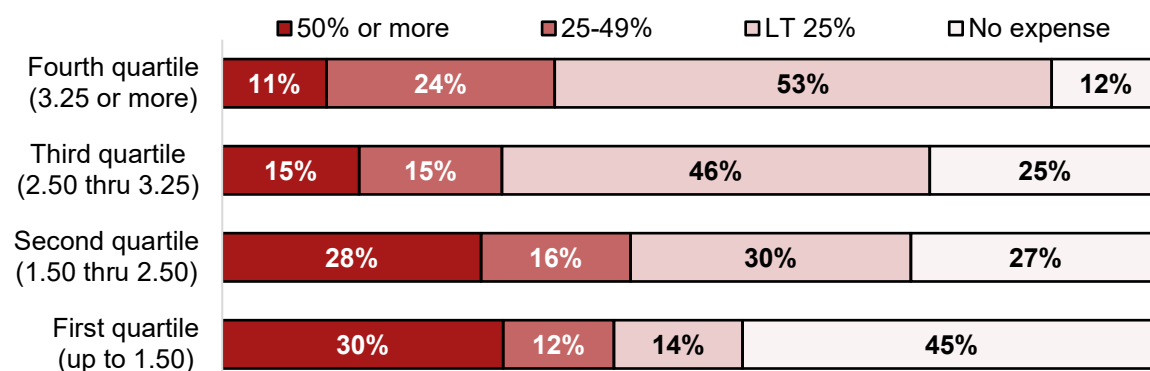


**IT Capacity.** There is a significant relationship between the use of information technology tools and both types of nonprofit expenses at the bivariate level. However, only external IT capacity is not significantly related to staff costs at the multivariate level. As shown in Figures B19-B21, nonprofits with higher information technology capacity are more likely to have both types of expenses but less likely to devote a higher percentage of their total expenses to facility, space, and related utilities.

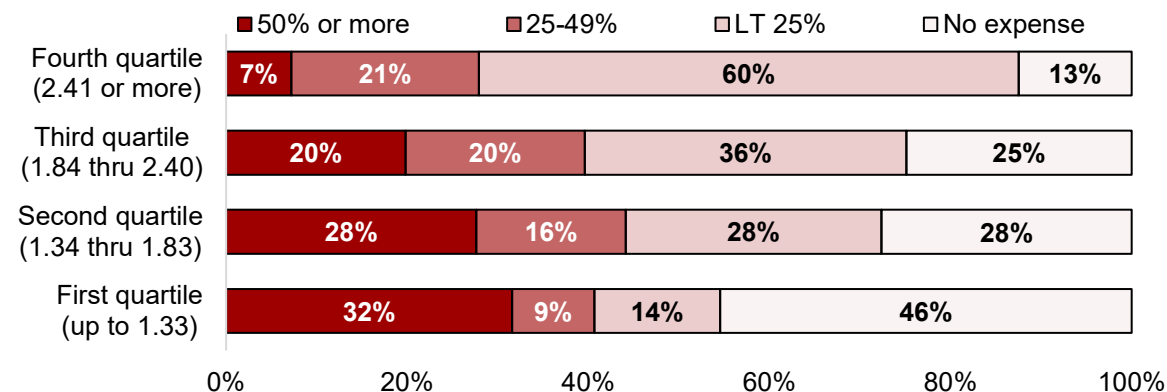
**Figure B72.** Staff costs as percent of total expenses by external IT capacity, Indiana nonprofits (n=771)



**Figure B73.** Occupancy costs as percent of total expenses by internal IT capacity, Indiana nonprofits (n=785)



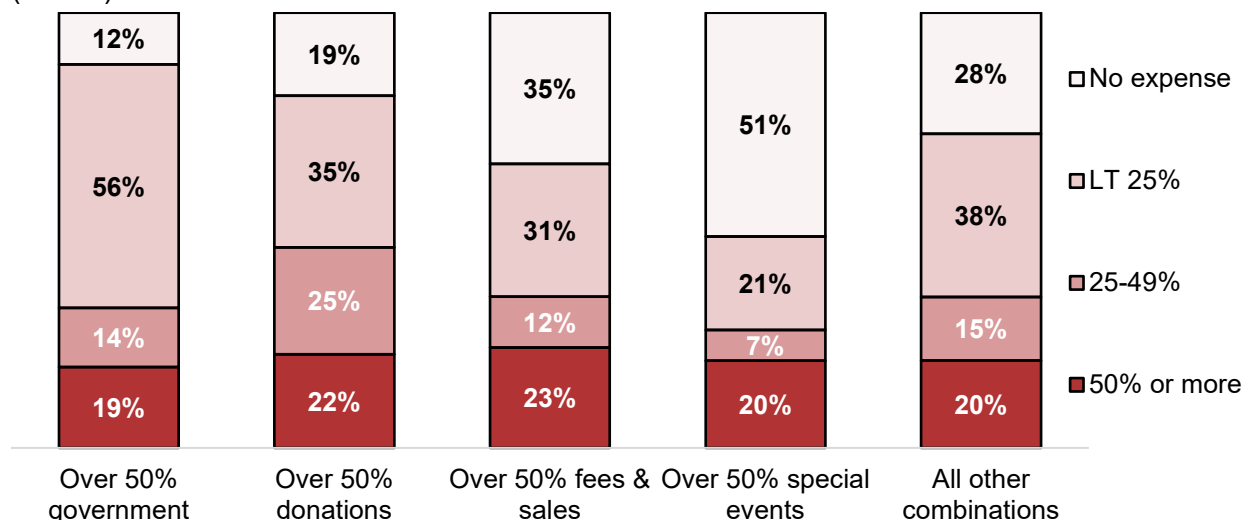
**Figure B74.** Occupancy costs as percent of total expenses by external IT capacity, Indiana nonprofits (n=792)



**Funding mix.** About a fifth of all respondents devote about half of their total expenses towards facility-related costs regardless of their primary source of funding. However, there is a significant difference by primary funding sources in whether they have any facility related expenses. Nonprofits that primarily rely on government funding (88 percent) and donations (81 percent) are most likely to have facility-related costs. By contrast, respondents that primarily rely on special events (49 percent) are least likely to do so.

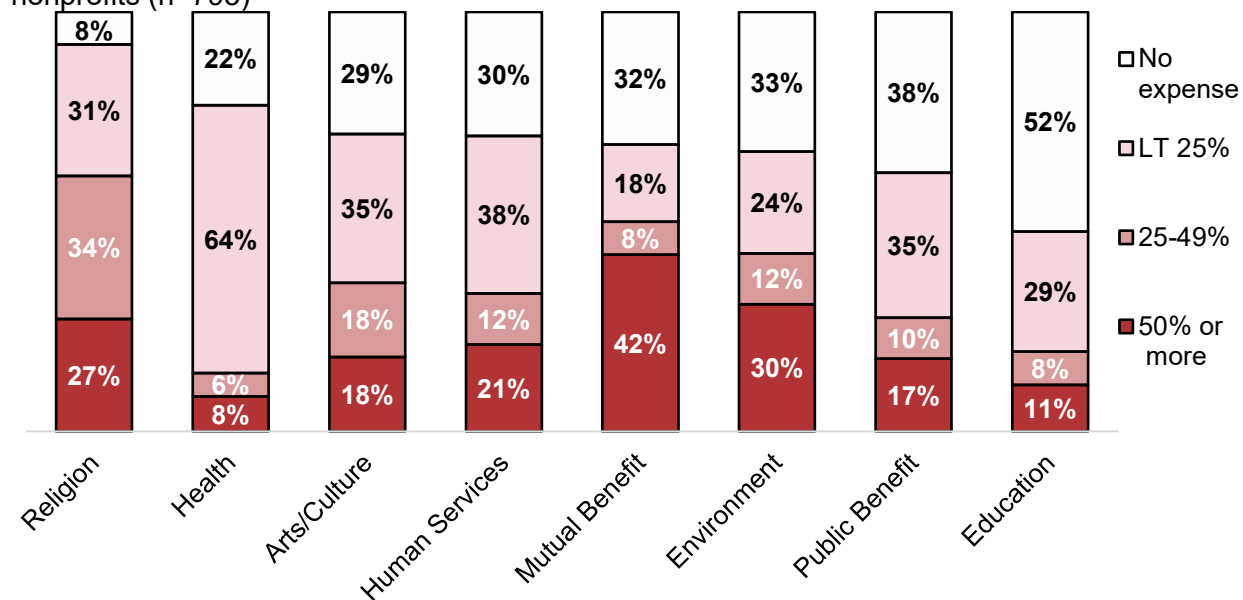


**Figure B75.** Occupancy costs as percent of total expenses by funding profile, Indiana nonprofits (n=779)



**Field of Activity.** As Figure B23 shows religious nonprofits are most likely to devote a higher percentage of their expenses to facility-related costs compared to nonprofits operating in the remaining fields. On average, 92 percent of religious nonprofits reported occupancy expenses, including 27 percent who use half or more of their expenses for this purpose. By contrast, less than half of education nonprofits (48 percent) have any occupancy costs, including only 11 percent devoting more than half of their total expenses. About two-thirds of mutual benefit nonprofits (68 percent) have some level of expenses going towards occupancy, however, 42 percent devote half or more of their expenses to occupancy costs.

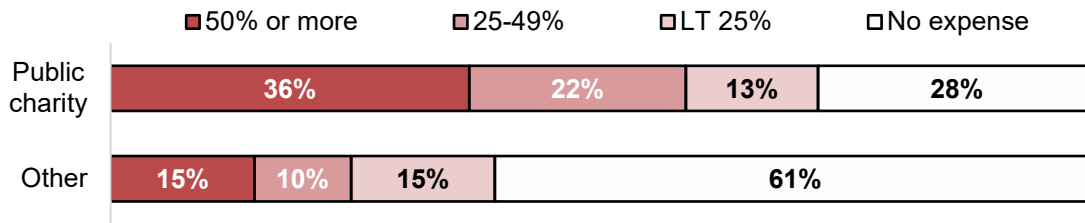
**Figure B76.** Occupancy costs as percent of total expenses by major field of activity, Indiana nonprofits (n=795)



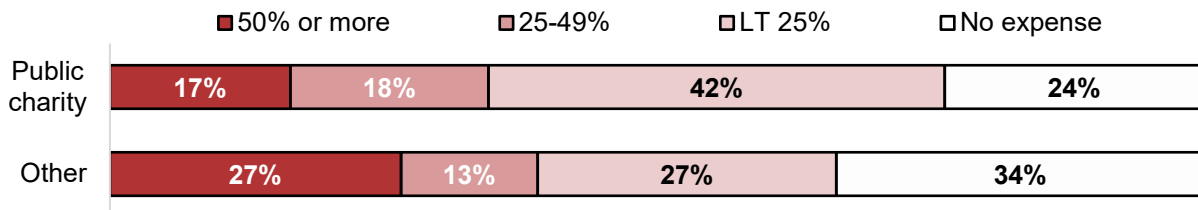
**Public Charity.** Public charities are more likely to have some level of expenses going for both staff costs (72 percent) and occupancy costs (76 percent) and much more likely to have a higher percentage of expenses for staff compensation. However, non-charitable nonprofits are

significantly less likely to have facility-related costs than their counterparts. Charity status is significant only for occupancy costs in the multivariate analysis.

**Figure B77.** Staff costs as percent of expenses by charity status, Indiana nonprofits (n=510)



**Figure B78.** Occupancy as percent of expenses by charity status, Indiana nonprofits (n=521)



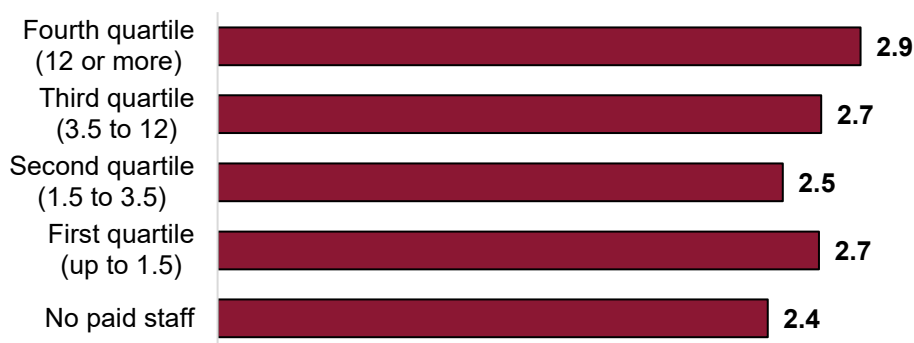
## 6. Financial Management Challenges

We examine two types of financial management challenges: Fundraising challenges and general financial management records challenges. The fundraising challenges as a group have a significant relationship with nonprofit size, formalization scale, use of external information technology tools, and charity status in the bivariate analyses, but not at the multivariate level, when we control for all other factors.

### Fundraising Challenges

**Size.** As Figure B26 shows, larger nonprofits with more paid staff (FTE) experience a higher level of fundraising challenges. Nonprofits with no paid staff are less likely to experience fundraising challenges (average of 2.4 out of 4) while nonprofits in the fourth quartile (12 or more staff) had the highest average challenge score of 2.9.

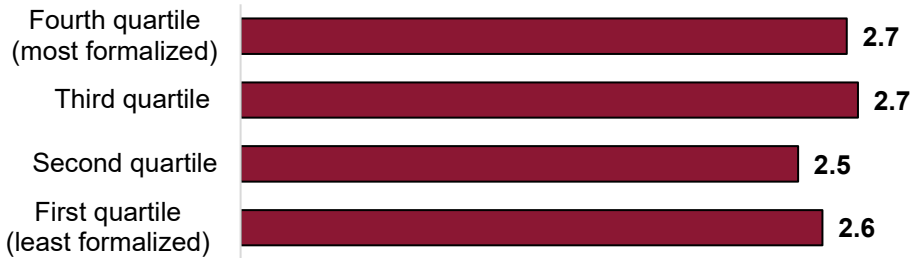
**Figure B79.** Average level of fundraising challenges by size, Indiana nonprofits (n=754)



**Formalization.** There is a significant relationship between nonprofit formalization and the level of fundraising challenges, even though the pattern is not entirely consistent. Nonprofits in the

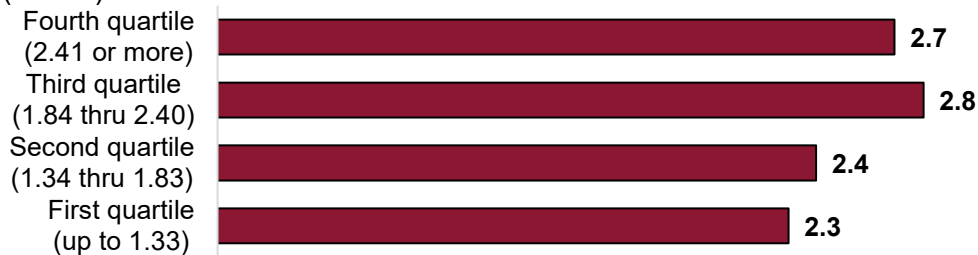
two most formalized quartiles report an average of 2.7 on the fundraising challenges scale, while those in the two least formalized quartiles have averages of 2.5-2.6.

**Figure B80.** Average level of fundraising challenges by formalization, Indiana nonprofits (n=739)



**External IT Capacity.** Having more external IT capacity (e.g., social media efforts) appears to be positively related to fundraising challenges (as described in the body of our report, greater internal IT capacity is negatively related to fundraising challenges. As Figure B28 shows, nonprofits in the third and fourth quartiles with higher external information technology scores experience a greater extent of fundraising challenges. We do not think that having more external information technology tools leads to fundraising challenges. Instead, externally focused information technology tools are less likely to facilitate fundraising efforts compared to internally focused information technology tools.

**Figure B81.** Average level of fundraising challenges by external IT capacity, Indiana nonprofits (n=765)



**Public Charity.** Public charities are eligible to receive tax-deductible philanthropic donations, and, as expected, report more fundraising challenges than their non-charity counterparts. As Figure B29 shows, charities score 2.7 on the four-point challenge scale, compared to 2.4 for non-charities. Non-charities may certainly receive donations, but those gifts are not tax-deductible for those making the donations.

**Figure B82.** Average level of fundraising challenges by charity, Indiana nonprofits (n=528)



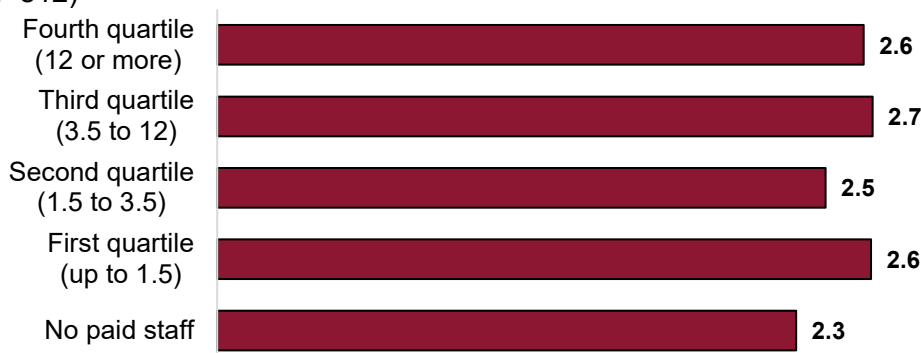
### Managing Financial Records Challenges

We also examined the extent to which our respondents report challenges when managing financial records, such as collecting payments, creating budgets and financial statements,

managing cashflows, or securing government and grants and contracts. Our managing financial records challenge scale is significantly related to nonprofit size, use of external information technology tools, and charity status at the bivariate level, although those relationships are no longer significant at the multivariate level, when we control for all other factors.

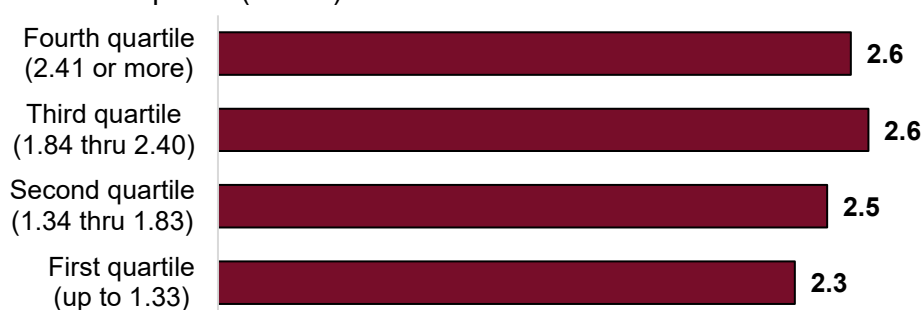
**Size.** Larger nonprofits are more likely to report a greater extent of challenges when dealing with financial records-related activities. However, the relationship appears to be mainly related to whether our respondents have paid staff or not, suggesting that managing records related to staff activities is an important factor. As Figure B30 shows, nonprofits with no paid staff have the lowest average challenge score (2.3 out of 4), while those with any paid staff have challenge scores ranging between 2.5 and 2.7.

**Figure B83.** Average level of managing financial records challenges by size, Indiana nonprofits (n=812)



**External IT Capacity.** Like the fundraising challenges, there is a positive relationship between challenges managing financial records and the use of external IT tools at the bivariate level. As Figure B31 shows, nonprofits in the two highest quartiles of external IT capacity report more challenges in managing financial records (2.6 out of 4) compared to those in the lowest quartile (2.3).

**Figure B84.** Average level of managing financial records challenges by external IT capacity, Indiana nonprofits (n=823)



**Public Charity.** Public charities appear to face greater challenges managing financial records (2.6 on average) compared to non-charitable ones (2.3 on average out of 4), most likely reflecting their more complex funding streams (see Section 5). See Figure B32.

**Figure B85.** Average level of managing financial records challenges by charity, Indiana nonprofits (n=557)



## 7. Financial Management Tools

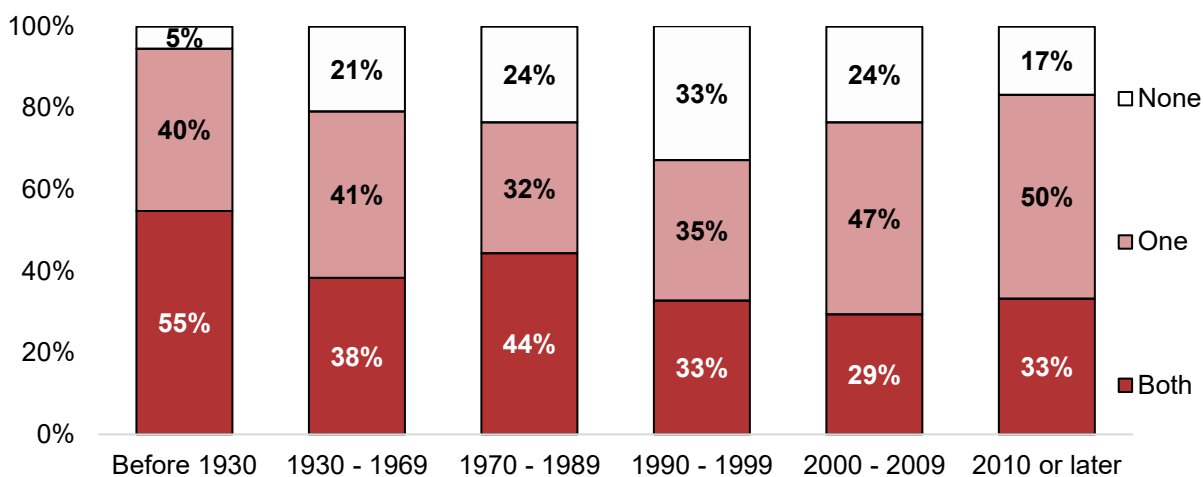
Finally, we examine the extent to which our respondents have tools in place to manage their finances. For this part of our report, we focus on whether our respondents have dedicated reserves and endowment funds. Dedicated reserves for capital maintenance help nonprofits cover major unanticipated (e.g., sudden building maintenance) needs, while dedicated reserves for capital improvement allow them to cover costs related to planned renovations. Restricted endowment funds help nonprofits maintain or expand high-priority programs, while unrestricted endowments help them overcome dips in revenues and/or cope with sudden external jolts, such as major recessions or global pandemics. Having access to such tools reflects financial planning decisions by boards and/or decisions to accept restricted gifts.

### Capital Fund Reserves

Most of our respondents have reserves dedicated to capital improvement (66 percent) and/or capital maintenance (56 percent). We consider whether they have none, one, or both of these types of reserves. At the bivariate level, age, formalization scale, use of external IT tools, and funding mix are significantly related to how many types of capital fund reserves our respondents have, but in the multivariate analyses where we control for all other factors.

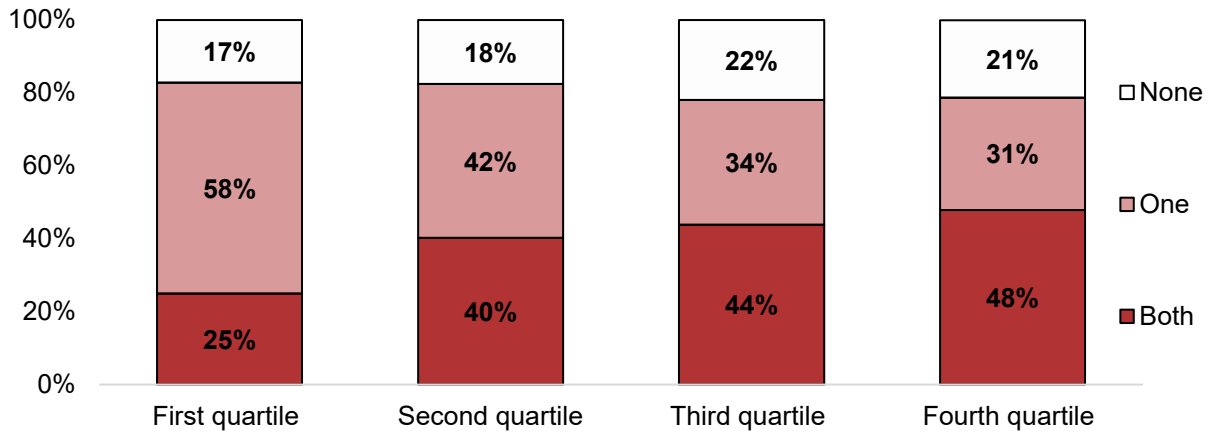
**Age.** Whether or not nonprofits have capital fund reserves in place differs by age. As Figure B33 shows, older nonprofits are more likely to have both types of reserves (capital maintenance and capital improvement) compared to ones that are established in later decades. However, on the other end, nonprofits founded since 2000 are slightly more likely to have at least one funding reserve than slightly older ones.

**Figure B86.** Financial management tools - types of reserves by age, Indiana nonprofits (n=403)



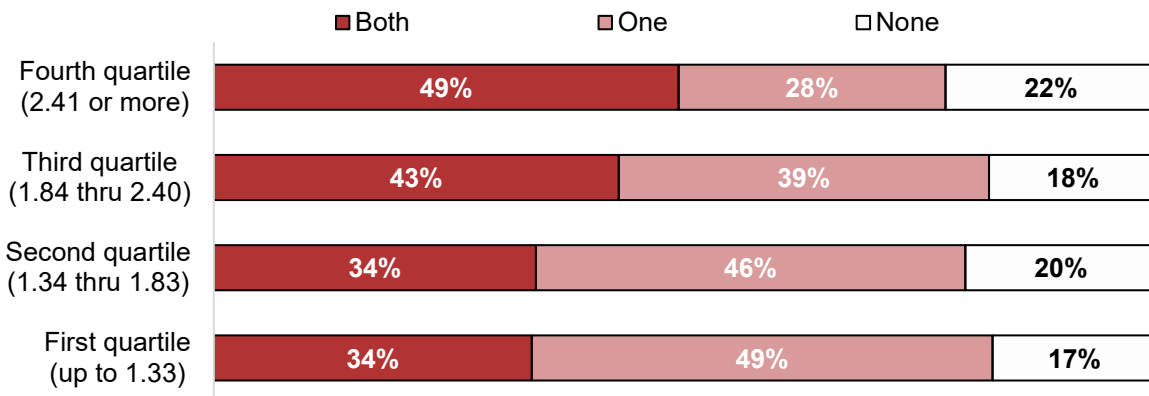
**Formalization.** As expected, more formalized nonprofits are more likely to have both types of reserves. As Figure B34 shows, almost half of nonprofits (48 percent) in the fourth quartile (the most formalized) have both types of capital reserves compared to only a quarter (25 percent) of those in the least formalized quartile.

**Figure B87.** Financial management tools - types of reserves by formalization, Indiana nonprofits (n=412)



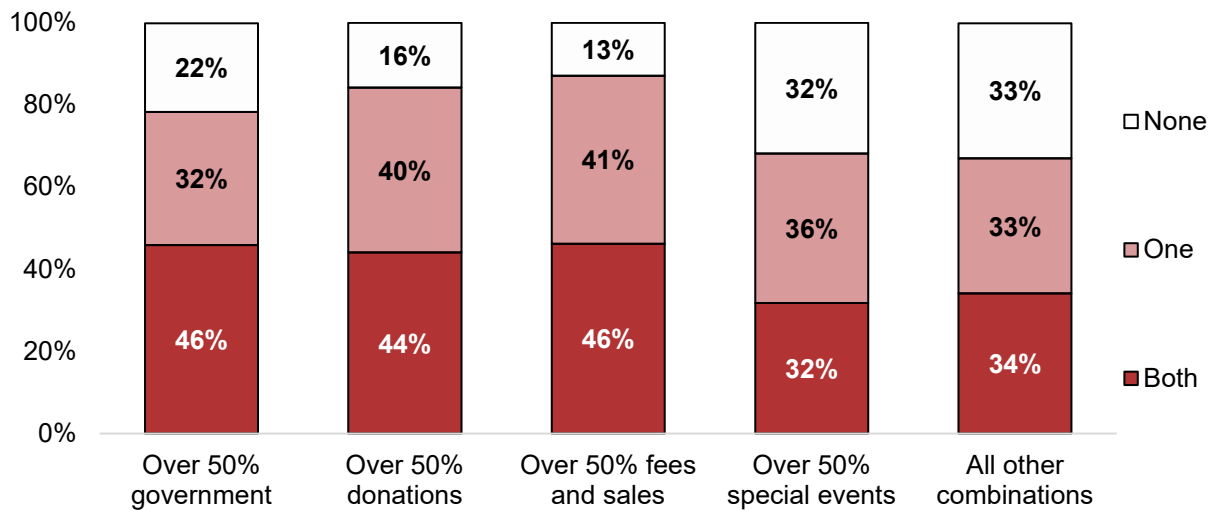
**External IT Capacity.** As Figure B35 shows, nonprofits with more externally-focusing IT tools are more likely to have both types of capital fund reserves. Almost half of those in the highest quartile have both types of reserves, compared to about a third in the two lowest quartiles.

**Figure B88.** Financial management tools - types of reserves by external IT capacity, Indiana nonprofits (n=424)



**Funding mix.** Almost half of nonprofits that primarily rely on government funding, donations, and fees and sales are more likely to have both types of funding reserves, compared to about a third of those that rely primarily on special events or have no primary funding source. See Figure B36.

**Figure B89.** Financial management tools - types of reserves by funding mix, Indiana nonprofits (n=411)

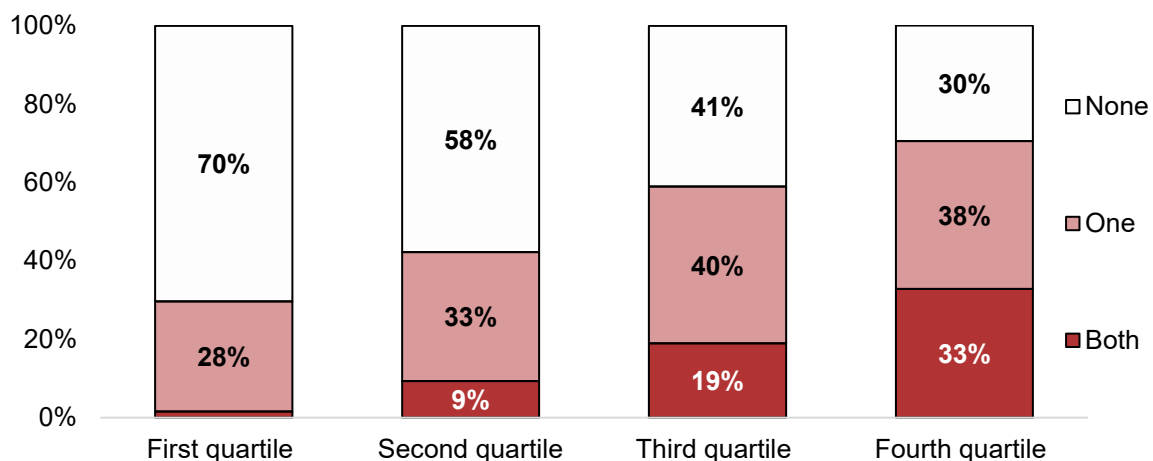


### Endowments

Having endowments are less prevalent than having funds reserved for capital needs – less than a third (31 percent) have unrestricted endowments and 41 percent have restricted endowments dedicated to some specific program or activity. Donors tend to favor restricted endowments, since it allows them to specify how their donations are to be used, while unrestricted endowments may reflect accumulated annual surplus. At the bivariate level, formalization and use of internal IT tools are significantly related to whether or not nonprofits have none, one, or both types of endowments.

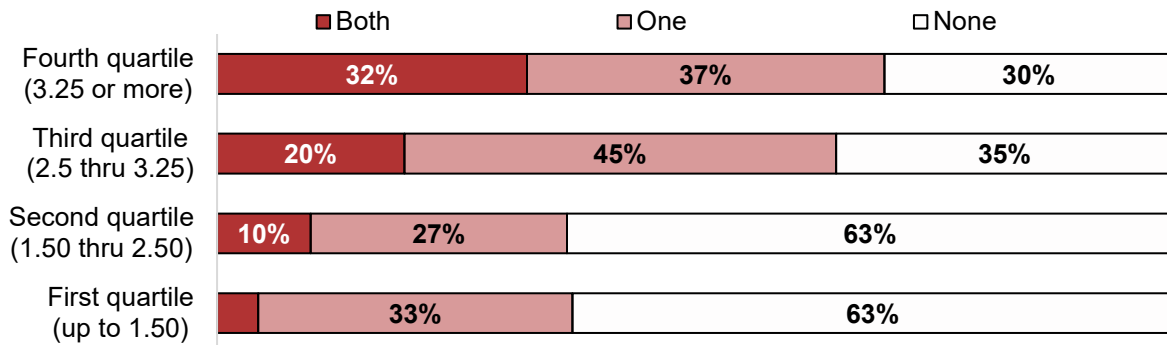
**Formalization.** More formalized nonprofits are significantly more likely to have endowments. As Figure B37 shows, more than two-thirds of nonprofits (70 percent) in the fourth most formalized quartile have endowments, including 33 percent with both types of endowments. By comparison, less than one-third (30 percent) of respondents in the lowest quartile of formalization have endowments, including only 2 percent with both types of endowments.

**Figure B90.** Financial management tools - types of endowments by formalization, Indiana nonprofits (n=412)



**Internal IT Capacity.** As Figure B38 shows, nonprofits with more internally-focused IT tools are more likely to have both types of endowment. One-third of nonprofits in the fourth quartile (32 percent) have both types of endowments, compared to only 4 percent of those in the lowest quartile of internal IT tools. Similarly, about two-thirds (65-70 percent) of those in the top two quartiles have at least one type of endowment, compared to about a third (37 percent) of those in the two quartiles with the least internal IT capacity. We speculate that internal IT capacity (data security, electronic records, etc.) makes it easier for nonprofits to track and manage restricted gifts.

**Figure B91.** Financial management tools - types of endowments by internal IT capacity, Indiana nonprofits (n=423)





## APPENDIX C: Multivariate Analyses

In the body of our report, we present the results of our multivariate analysis by highlighting only which specific predictors are significant in the multivariate analyses and use plus and minus signs to flag whether a significant relationship is positive or negative. Below, we provide the full statistical details of these analyses, but for ease of review flag coefficients that are significant ( $p < .05$ ).

### 1. Basic Financial Characteristics

**Table C10.** Estimates for Logistic Regression of Basic Financial Characteristics: Total Revenue (LN)

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
Age (Decades since Founded)	.046	.043	.042	.280
<b>Formalization (scale)</b>	<b>.292</b>	<b>.047</b>	<b>.319</b>	<b>&lt;.001</b>
<b>Average Internal IT Capacity (scale)</b>	<b>.586</b>	<b>.170</b>	<b>.165</b>	<b>&lt;.001</b>
<b>Average External IT Capacity (scale)</b>	<b>.916</b>	<b>.230</b>	<b>.198</b>	<b>&lt;.001</b>
FUNDING MIX (Mix of sources, excluded)				
<b>Over 50% Donations</b>	<b>1.713</b>	<b>.352</b>	<b>.225</b>	<b>&lt;.001</b>
<b>Over 50% Special Events</b>	<b>1.383</b>	<b>.510</b>	<b>.106</b>	<b>.007</b>
<b>Over 50% Fees and Sales</b>	<b>2.116</b>	<b>.375</b>	<b>.244</b>	<b>&lt;.001</b>
<b>Over 50% Government</b>	<b>2.276</b>	<b>.520</b>	<b>.173</b>	<b>&lt;.001</b>
NTEE FIELD (All other fields, excluded)				
Arts, Culture, and Humanities	-.811	.546	-.069	.138
Education	-.285	.570	-.022	.618
Human Services	-.084	.443	-.010	.850
Public and Societal Benefit	-.158	.489	-.018	.747
Religion	.303	.504	.032	.548
Mutual Benefit	-.100	.834	-.005	.905
LOCATION (Nonmetropolitan, excluded)				
Central Metropolitan	.462	.287	.062	.108
Metropolitan Ring	.276	.484	.022	.569
Charity	.263	.419	.031	.530

Notes: Coefficients significant at the  $p < 0.05$  level are **bold red**, the model is significant at the  $p < .001$ , the Adjusted R-squared=.431,  $n=484$ .

**Table C11.** Estimates for Logistic Regression of Basic Financial Characteristics: Total Expenses (LN)

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
Age (Decades since Founded)	.021	.040	.020	.602
<b>Formalization (scale)</b>	<b>.326</b>	<b>.044</b>	<b>.375</b>	<b>&lt;.001</b>
<b>Average Internal IT Capacity (scale)</b>	<b>.553</b>	<b>.160</b>	<b>.163</b>	<b>&lt;.001</b>
<b>Average External IT Capacity (scale)</b>	<b>.825</b>	<b>.212</b>	<b>.188</b>	<b>&lt;.001</b>

Variable	Unstandardized		Standardized	Sig.
	B	S.E.	B	
FUNDING MIX (Mix of sources, excluded)				
<b>Over 50% Donations</b>	<b>1.168</b>	<b>.331</b>	<b>.162</b>	<b>&lt;.001</b>
Over 50% Special Events	.781	.482	.063	.106
<b>Over 50% Fees and Sales</b>	<b>1.538</b>	<b>.352</b>	<b>.188</b>	<b>&lt;.001</b>
<b>Over 50% Government</b>	<b>2.085</b>	<b>.493</b>	<b>.166</b>	<b>&lt;.001</b>
NTEE FIELD (All other fields, excluded)				
Arts, Culture, and Humanities	-.487	.517	-.044	.346
Education	-.380	.540	-.031	.482
Human Services	-.076	.419	-.010	.856
Public and Societal Benefit	-.560	.461	-.067	.226
Religion	.630	.476	.070	.187
Mutual Benefit	-1.059	.781	-.057	.176
LOCATION (Nonmetropolitan, excluded)				
Central Metropolitan	.375	.270	.053	.166
Metropolitan Ring	.162	.463	.013	.727
Charity	-.423	.395	-.052	.285

Notes: Coefficients significant at the p<0.05 level are **bold red**, the model is significant at the p<.001, the Adjusted R-squared=.451, n=477.

**Table C12.** Estimates for Logistic Regression of Basic Financial Characteristics: Total Assets (LN)

Variable	Unstandardized		Standardized	Sig.
	B	S.E.	B	
Age (Decades since Founded)	.024	.060	.017	.696
<b>Formalization (scale)</b>	<b>.477</b>	<b>.067</b>	<b>.424</b>	<b>&lt;.001</b>
<b>Average Internal IT Capacity (scale)</b>	<b>.782</b>	<b>.242</b>	<b>.177</b>	<b>.001</b>
Average External IT Capacity (scale)	.166	.325	.029	.609
FUNDING MIX (Mix of sources, excluded)				
<b>Over 50% Donations</b>	<b>1.326</b>	<b>.495</b>	<b>.141</b>	<b>.008</b>
Over 50% Special Events	.026	.701	.002	.970
<b>Over 50% Fees and Sales</b>	<b>1.223</b>	<b>.532</b>	<b>.114</b>	<b>.022</b>
Over 50% Government	1.051	.752	.063	.163
NTEE FIELD (All other fields, excluded)				
Arts, Culture, and Humanities	-.779	.776	-.053	.316
Education	-.597	.826	-.036	.470
Human Services	-.643	.629	-.063	.307
Public and Societal Benefit	-.640	.684	-.060	.350
Religion	.504	.720	.042	.484
Mutual Benefit	-.940	1.145	-.040	.412
LOCATION (Nonmetropolitan, excluded)				
Central Metropolitan	.151	.403	.017	.708
Metropolitan Ring	-.340	.697	-.021	.626
<b>Charity</b>	<b>-1.342</b>	<b>.590</b>	<b>-.128</b>	<b>.023</b>

Notes: Coefficients significant at the p<0.05 level are **bold red**, the model is significant at the p<.001, the Adjusted R-squared=.316, n=444.

**Table C13.** Estimates for Logistic Regression of Basic Financial Characteristics: Total Liabilities (LN)

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
Age (Decades since Founded)	<b>.235</b>	<b>.077</b>	<b>.128</b>	<b>.002</b>
Formalization (scale)	<b>.555</b>	<b>.086</b>	<b>.362</b>	<b>&lt;.001</b>
Average Internal IT Capacity (scale)	<b>.613</b>	<b>.308</b>	<b>.103</b>	<b>.047</b>
Average External IT Capacity (scale)	<b>1.421</b>	<b>.419</b>	<b>.182</b>	<b>&lt;.001</b>
FUNDING MIX (Mix of sources, excluded)				
Over 50% Donations	-.376	.642	-.029	.558
Over 50% Special Events	-1.252	.909	-.059	.169
Over 50% Fees and Sales	.853	.685	.059	.214
Over 50% Government	.785	.978	.034	.423
NTEE FIELD (All other fields, excluded)				
Arts, Culture, and Humanities	-1.759	.996	-.089	.078
Education	-1.861	1.057	-.083	.079
Human Services	-.645	.815	-.047	.429
Public and Societal Benefit	-.489	.892	-.033	.584
Religion	.112	.929	.007	.905
Mutual Benefit	-2.147	1.471	-.069	.145
LOCATION (Nonmetropolitan, excluded)				
Central Metropolitan	.040	.524	.003	.940
Metropolitan Ring	-1.579	.896	-.073	.079
Charity	.855	.758	.060	.260

Notes: Coefficients significant at the  $p < 0.05$  level are **bold red**, the model is significant at the  $p < .001$ , the Adjusted R-squared=.402,  $n=432$ .

## 2. Changes in Financial Indicators

**Table C14.** Estimates for Binary Logit Regression: Changes in Total Revenues

Decrease in Total Revenues				
Variable	B	S.E.	Sig.	Exp(B)
Age (Decades since Founded)	0.050	0.035	0.159	1.051
LN Number of FTE	-0.127	0.121	0.295	0.881
Formalization (scale)	0.040	0.043	0.355	1.040
Average Internal IT Capacity (scale)	-0.181	0.144	0.208	0.834
Average External IT Capacity (scale)	-0.277	0.213	0.195	0.758
FUNDING MIX (Mix of sources, excluded)				
Over 50% Donations	0.188	0.305	0.537	1.207
Over 50% Special Events	-0.223	0.425	0.599	0.800
Over 50% Fees and Sales	-0.296	0.333	0.374	0.744
Over 50% Government	0.171	0.448	0.702	1.187
NTEE FIELD (All other fields, excluded)				
Arts, Culture, and Humanities	0.736	0.469	0.116	2.088
Education	-0.033	0.514	0.949	0.968
Human Services	-0.303	0.410	0.460	0.739

Public and Societal Benefit	-0.022	0.436	0.960	0.978
Religion	0.778	0.422	0.065	2.176
Mutual Benefit	-0.099	0.706	0.888	0.905
LOCATION (Nonmetropolitan, excluded)				
Metropolitan Ring	-0.320	0.419	0.445	0.727
Central Metropolitan	-0.190	0.238	0.425	0.827
Charity	0.085	0.361	0.814	1.089
<b>Total Revenues Stayed the Same</b>				
<b>Variable</b>	<b>B</b>	<b>S.E.</b>	<b>Sig.</b>	<b>Exp(B)</b>
Age (Decades since Founded)	0.042	0.034	0.218	1.043
LN Number of FTE	-0.106	0.113	0.345	0.899
<b>Formalization (scale)</b>	<b>-0.087</b>	<b>0.041</b>	<b>0.033</b>	<b>0.917</b>
Average Internal IT Capacity (scale)	0.006	0.136	0.965	1.006
Average External IT Capacity (scale)	-0.162	0.198	0.413	0.850
FUNDING MIX (Mix of sources, excluded)				
Over 50% Donations	-0.364	0.303	0.229	0.695
Over 50% Special Events	0.009	0.378	0.981	1.009
Over 50% Fees and Sales	-0.044	0.299	0.884	0.957
Over 50% Government	0.278	0.407	0.494	1.321
NTEE FIELD (All other fields, excluded)				
Arts, Culture, and Humanities	0.091	0.476	0.848	1.096
Education	0.557	0.474	0.241	1.745
Human Services	0.304	0.386	0.432	1.355
Public and Societal Benefit	0.319	0.413	0.441	1.375
Religion	0.201	0.437	0.646	1.222
Mutual Benefit	0.313	0.661	0.636	1.367
LOCATION (Nonmetropolitan, excluded)				
Metropolitan Ring	0.098	0.390	0.802	1.103
Central Metropolitan	0.020	0.231	0.932	1.020
Charity	0.104	0.324	0.748	1.110
<b>Increase in Total Revenues</b>				
<b>Variable</b>	<b>B</b>	<b>S.E.</b>	<b>Sig.</b>	<b>Exp(B)</b>
<b>Age (Decades since Founded)</b>	<b>-0.086</b>	<b>0.034</b>	<b>0.012</b>	<b>0.917</b>
LN Number of FTE	0.158	0.101	0.120	1.171
Formalization (scale)	0.048	0.038	0.209	1.049
Average Internal IT Capacity (scale)	0.176	0.132	0.182	1.193
Average External IT Capacity (scale)	0.337	0.182	0.064	1.400
FUNDING MIX (Mix of sources, excluded)				
Over 50% Donations	0.134	0.275	0.627	1.143
Over 50% Special Events	0.145	0.391	0.710	1.156
Over 50% Fees and Sales	0.263	0.295	0.372	1.301
Over 50% Government	-0.392	0.395	0.322	0.676
NTEE FIELD (All other fields, excluded)				
Arts, Culture, and Humanities	-0.712	0.429	0.097	0.491
Education	-0.460	0.442	0.299	0.632
Human Services	-0.065	0.342	0.849	0.937
Public and Societal Benefit	-0.258	0.380	0.498	0.773
<b>Religion</b>	<b>-0.848</b>	<b>0.388</b>	<b>0.029</b>	<b>0.428</b>

Mutual Benefit	-0.348	0.716	0.627	0.706
LOCATION (Nonmetropolitan, excluded)				
Metropolitan Ring	0.132	0.400	0.741	1.141
Central Metropolitan	0.143	0.220	0.515	1.154
Charity	-0.157	0.325	0.630	0.855

Notes: Coefficients significant at the p<0.05 level are **bold red**.

- "Decrease in total revenues" model is significant at the p=.017, Model Chi-square=32.921, Nagelkerke R-squared=.093, 74.8% correct predictions, n=507.
- "Total revenues stayed the same" model is significant at the p=.004, Model Chi-square=37.999, Nagelkerke R-squared=.102, 71% correct predictions, n=507.
- "Increase in total revenues" model is significant at the p<.001, Model Chi-square=74.132, Nagelkerke R-squared=.182, 68% correct predictions, n=507.

**Table C15.** Estimates for Binary Logit Regression of Changes in Total Expenses

<b>Total Expenses Stayed the Same</b>				
<b>Variable</b>	<b>B</b>	<b>S.E.</b>	<b>Sig.</b>	<b>Exp(B)</b>
Age (Decades since Founded)	0.016	0.033	0.630	1.1016
LN Number of FTE	-0.071	0.108	0.508	0.931
Formalization (scale)	-0.053	0.039	0.172	0.948
Average Internal IT Capacity (scale)	-0.001	0.130	0.993	0.999
<b>Average External IT Capacity (scale)</b>	<b>-0.475</b>	<b>0.191</b>	<b>0.013</b>	<b>0.622</b>
FUNDING MIX (Mix of sources, excluded)				
Over 50% Donations	0.029	0.284	0.919	1.029
Over 50% Special Events	0.560	0.376	0.136	1.751
Over 50% Fees and Sales	0.003	0.290	0.991	1.003
Over 50% Government	-0.280	0.412	0.497	0.756
NTEE FIELD (All other fields, excluded)				
Arts, Culture, and Humanities	0.680	0.445	0.126	1.973
<b>Education</b>	<b>0.948</b>	<b>0.458</b>	<b>0.039</b>	<b>2.579</b>
Human Services	0.515	0.371	0.165	1.674
Public and Societal Benefit	0.716	0.402	0.075	2.046
Religion	0.222	0.415	0.592	1.249
Mutual Benefit	0.510	0.651	0.433	1.666
LOCATION (Nonmetropolitan, excluded)				
Metropolitan Ring	0.100	0.385	0.795	1.105
Central Metropolitan	0.226	0.223	0.312	1.253
Charity	-0.088	0.320	0.783	0.916
<b>Increase in Total Expenses</b>				
<b>Variable</b>	<b>B</b>	<b>S.E.</b>	<b>Sig.</b>	<b>Exp(B)</b>
Age (Decades since Founded)	-0.057	0.033	0.085	0.945
<b>LN Number of FTE</b>	<b>0.218</b>	<b>0.104</b>	<b>0.036</b>	<b>1.243</b>
Formalization (scale)	0.039	0.038	0.302	1.040
Average Internal IT Capacity (scale)	0.027	0.128	0.831	1.028
<b>Average External IT Capacity (scale)</b>	<b>0.406</b>	<b>0.183</b>	<b>0.027</b>	<b>1.501</b>
FUNDING MIX (Mix of sources, excluded)				
Over 50% Donations	0.012	0.275	0.964	1.013
Over 50% Special Events	-0.329	0.378	0.383	0.720
Over 50% Fees and Sales	-0.124	0.286	0.663	0.883

Over 50% Government	-0.066	0.393	0.867	0.936
NTEE FIELD (All other fields, excluded)				
Arts, Culture, and Humanities	-0.496	0.428	0.246	0.609
Education	-0.570	0.444	0.200	0.565
Human Services	-0.253	0.349	0.469	0.777
Public and Societal Benefit	-0.308	0.383	0.421	0.735
Religion	-0.434	0.389	0.264	0.648
Mutual Benefit	0.325	0.642	0.612	1.385
LOCATION (Nonmetropolitan, excluded)				
Metropolitan Ring	-0.146	0.380	0.701	0.864
Central Metropolitan	-0.175	0.217	0.421	0.839
Charity	0.114	0.318	0.719	1.121

Notes: The “Decrease in total expenses” model is not statistically significant at  $p < .05$ , and therefore excluded from the below table. Coefficients significant at the  $p < 0.05$  level are **bold red**.

- “Total expenses stayed the same” model is significant at the  $p < .001$ , Model Chi-square=52.065, Nagelkerke R-squared=.134, 68.8% correct predictions,  $n=504$ .
- “Increase in total expenses” model is significant at the  $p < .001$ , Model Chi-square=74.132, Nagelkerke R-squared=.144, 65.3% correct predictions,  $n=504$ .

### 3. Nonprofit Revenue Profile

**Table C16.** Estimates for Logistic Regression of Revenue Mix Profile: Private Donations

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
Age (Decades since Founded)	-.007	.006	-.049	.242
<b>LN Number of FTE</b>	<b>-.062</b>	<b>.017</b>	<b>-.191</b>	<b>&lt;.001</b>
Formalization (scale)	.013	.007	.110	.056
Average Internal IT Capacity (scale)	-.004	.024	-.009	.866
<b>Average External IT Capacity (scale)</b>	<b>.093</b>	<b>.033</b>	<b>.154</b>	<b>.004</b>
NTEE FIELD (All other fields, excluded)				
<b>Arts, Culture, and Humanities</b>	<b>-.162</b>	<b>.077</b>	<b>-.106</b>	<b>.036</b>
Education	-.090	.080	-.053	.263
<b>Human Services</b>	<b>-.130</b>	<b>.062</b>	<b>-.123</b>	<b>.037</b>
Public and Societal Benefit	-.123	.069	-.108	.076
<b>Religion</b>	<b>.402</b>	<b>.069</b>	<b>.328</b>	<b>&lt;.001</b>
Mutual Benefit	-.113	.118	-.043	.341
LOCATION (Nonmetropolitan, excluded)				
<b>Central Metropolitan</b>	<b>-.092</b>	<b>.039</b>	<b>-.096</b>	<b>.018</b>
Metropolitan Ring	-.070	.068	-.041	.301
<b>Charity</b>	<b>.211</b>	<b>.057</b>	<b>.191</b>	<b>&lt;.001</b>

Notes: Coefficients significant at the  $p < 0.05$  level are **bold red**, the model is significant at the  $p < .001$ , the Adjusted R-squared=.261,  $n=549$ .

**Table C17.** Estimates for Logistic Regression of Revenue Mix Profile: Special Events

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
Age (Decades since Founded)	.005	.004	.063	.176

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
<b>LN Number of FTE</b>	<b>-.035</b>	<b>.012</b>	<b>-.174</b>	<b>.004</b>
Formalization (scale)	.001	.005	.009	.885
Average Internal IT Capacity (scale)	-.031	.016	-.109	.057
Average External IT Capacity (scale)	.017	.022	.047	.435
NTEE FIELD (All other fields, excluded)				
Arts, Culture, and Humanities	-.066	.052	-.071	.207
Education	.029	.055	.028	.593
Human Services	-.052	.042	-.081	.217
Public and Societal Benefit	-.011	.047	-.015	.824
<b>Religion</b>	<b>-.094</b>	<b>.047</b>	<b>-.125</b>	<b>.046</b>
<b>Mutual Benefit</b>	<b>-.248</b>	<b>.080</b>	<b>-.153</b>	<b>.002</b>
LOCATION (Nonmetropolitan, excluded)				
Central Metropolitan	-.026	.026	-.045	.318
Metropolitan Ring	.011	.046	.010	.820
<b>Charity</b>	<b>-.084</b>	<b>.039</b>	<b>-.124</b>	<b>.031</b>

Notes: Coefficients significant at the p<0.05 level are **bold red**, the model is significant at the p<.001, the Adjusted R-squared=.089, n=549.

**Table C18.** Estimates for Logistic Regression of Revenue Mix Profile: Government

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
Age (Decades since Founded)	-.008	.004	-.088	.053
<b>LN Number of FTE</b>	<b>.054</b>	<b>.012</b>	<b>.272</b>	<b>&lt;.001</b>
Formalization (scale)	.003	.005	.043	.496
Average Internal IT Capacity (scale)	.020	.016	.069	.220
<b>Average External IT Capacity (scale)</b>	<b>-.073</b>	<b>.022</b>	<b>-.197</b>	<b>&lt;.001</b>
NTEE FIELD (All other fields, excluded)				
Arts, Culture, and Humanities	-.085	.052	-.091	.101
Education	-.071	.054	-.068	.189
Human Services	.023	.042	.035	.589
Public and Societal Benefit	.080	.046	.115	.085
<b>Religion</b>	<b>-.107</b>	<b>.046</b>	<b>-.142</b>	<b>.022</b>
Mutual Benefit	.029	.079	.018	.713
LOCATION (Nonmetropolitan, excluded)				
Central Metropolitan	-.021	.026	-.036	.416
<b>Metropolitan Ring</b>	<b>.127</b>	<b>.046</b>	<b>.121</b>	<b>.006</b>
<b>Charity</b>	<b>.080</b>	<b>.038</b>	<b>.119</b>	<b>.036</b>

Notes: Coefficients significant at the p<0.05 level are **bold red**, the model is significant at the p<.001, the Adjusted R-squared=.112, n=549.

**Table C19.** Estimates for Logistic Regression of Revenue Mix Profile: Fees and Sales

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
<b>Age (Decades since Founded)</b>	<b>.012</b>	<b>.006</b>	<b>.093</b>	<b>.040</b>
<b>LN Number of FTE</b>	<b>.054</b>	<b>.017</b>	<b>.188</b>	<b>.001</b>
Formalization (scale)	-.011	.007	-.103	.100

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
Average Internal IT Capacity (scale)	.030	.023	.073	.189
<b>Average External IT Capacity (scale)</b>	<b>-.107</b>	<b>.031</b>	<b>-.200</b>	<b>&lt;.001</b>
NTEE FIELD (All other fields, excluded)				
<b>Arts, Culture, and Humanities</b>	<b>.149</b>	<b>.074</b>	<b>.110</b>	<b>.044</b>
<b>Education</b>	<b>.159</b>	<b>.077</b>	<b>.105</b>	<b>.040</b>
Human Services	.035	.059	.038	.553
Public and Societal Benefit	.028	.066	.028	.671
<b>Religion</b>	<b>-.142</b>	<b>.066</b>	<b>-.131</b>	<b>.032</b>
Mutual Benefit	.140	.114	.060	.219
LOCATION (Nonmetropolitan, excluded)				
<b>Central Metropolitan</b>	<b>.103</b>	<b>.037</b>	<b>.121</b>	<b>.006</b>
Metropolitan Ring	-.079	.065	-.052	.226
<b>Charity</b>	<b>-.178</b>	<b>.054</b>	<b>-.182</b>	<b>.001</b>

Notes: Coefficients significant at the p<0.05 level are **bold red**, the model is significant at the p<.001, the Adjusted R-squared=.132, n=549.

**Table C20.** Estimates for Logistic Regression of Revenue Mix Profile: Other

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
Age (Decades since Founded)	.009	.012	.035	.474
LN Number of FTE	.047	.036	.081	.199
Formalization (scale)	-.011	.014	-.052	.434
Average Internal IT Capacity (scale)	-.017	.049	-.020	.730
Average External IT Capacity (scale)	-.050	.067	-.046	.457
NTEE FIELD (All other fields, excluded)				
<b>Arts, Culture, and Humanities</b>	<b>.520</b>	<b>.160</b>	<b>.189</b>	<b>.001</b>
Education	.248	.166	.082	.135
Human Services	.140	.128	.074	.274
Public and Societal Benefit	-.057	.144	-.028	.692
Religion	-.012	.142	-.006	.933
<b>Mutual Benefit</b>	<b>.563</b>	<b>.253</b>	<b>.113</b>	<b>.027</b>
LOCATION (Nonmetropolitan, excluded)				
<b>Central Metropolitan</b>	<b>.241</b>	<b>.081</b>	<b>.140</b>	<b>.003</b>
Metropolitan Ring	-.231	.144	-.074	.109
<b>Charity</b>	<b>-.367</b>	<b>.120</b>	<b>-.182</b>	<b>.002</b>

Notes: Coefficients significant at the p<0.05 level are **bold red**, the model is significant at the p<.001, the Adjusted R-squared=.077, n=508.

**Table C21.** Estimates for Linear Regression of Percent of Total Revenue from Source: Private Donation

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
Age (Decades since Founded)	-.586	.507	-.053	.248
<b>LN Number of FTE</b>	<b>-7.799</b>	<b>1.473</b>	<b>-.319</b>	<b>&lt;.001</b>
Formalization (scale)	.668	.575	.074	.246
Average Internal IT Capacity (scale)	-.499	2.069	-.013	.810



Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
<b>Average External IT Capacity (scale)</b>	<b>8.338</b>	<b>2.673</b>	<b>.182</b>	<b>.002</b>
NTEE FIELD (All other fields, excluded)				
<b>Arts, Culture, and Humanities</b>	<b>-17.997</b>	<b>6.225</b>	<b>-.164</b>	<b>.004</b>
Education	-5.267	6.717	-.040	.433
Human Services	-9.032	5.199	-.112	.083
<b>Public and Societal Benefit</b>	<b>-12.915</b>	<b>6.044</b>	<b>-.135</b>	<b>.033</b>
<b>Religion</b>	<b>34.871</b>	<b>5.547</b>	<b>.401</b>	<b>&lt;.001</b>
Mutual Benefit	-16.207	12.680	-.059	.202
LOCATION (Nonmetropolitan, excluded)				
Central Metropolitan	-5.584	3.215	-.076	.083
Metropolitan Ring	-5.859	5.981	-.042	.328
<b>Charity</b>	<b>20.827</b>	<b>5.579</b>	<b>.191</b>	<b>&lt;.001</b>

Notes: Coefficients significant at the p<0.05 level are **bold red**, the model is significant at the p<.001, the Adjusted R-squared=.350, n=400.

**Table C22.** Estimates for Linear Regression of Percent of Total Revenue from Source: Special Events

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
Age (Decades since Founded)	.122	.495	.015	.806
<b>LN Number of FTE</b>	<b>-5.270</b>	<b>1.467</b>	<b>-.270</b>	<b>&lt;.001</b>
Formalization (scale)	-.351	.567	-.049	.537
<b>Average Internal IT Capacity (scale)</b>	<b>-4.954</b>	<b>1.939</b>	<b>-.174</b>	<b>.011</b>
Average External IT Capacity (scale)	.239	2.811	.007	.932
NTEE FIELD (All other fields, excluded)				
Arts, Culture, and Humanities	-1.736	5.947	-.020	.771
<b>Education</b>	<b>14.659</b>	<b>6.742</b>	<b>.131</b>	<b>.031</b>
Human Services	-.753	4.835	-.013	.876
Public and Societal Benefit	2.845	5.264	.043	.589
Religion	-11.532	6.042	-.130	.057
<b>Mutual Benefit</b>	<b>-31.561</b>	<b>11.633</b>	<b>-.149</b>	<b>.007</b>
LOCATION (Nonmetropolitan, excluded)				
Central Metropolitan	-1.196	3.130	-.021	.703
Metropolitan Ring	-.446	5.816	-.004	.939
<b>Charity</b>	<b>-15.587</b>	<b>4.546</b>	<b>-.229</b>	<b>&lt;.001</b>

Notes: Coefficients significant at the p<0.05 level are **bold red**, the model is significant at the p<.001, the Adjusted R-squared=.332, n=280.

**Table C23.** Estimates for Linear Regression of Percent of Total Revenue from Source: Government

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
Age (Decades since Founded)	-.228	.977	-.020	.816
LN Number of FTE	2.707	2.056	.131	.190
Formalization (scale)	-.966	.929	-.106	.300
Average Internal IT Capacity (scale)	2.741	3.708	.069	.461

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
<b>Average External IT Capacity (scale)</b>	<b>-12.328</b>	<b>4.266</b>	<b>-.292</b>	<b>.004</b>
NTEE FIELD (All other fields, excluded)				
Arts, Culture, and Humanities	-16.407	9.489	-.184	.086
Education	-9.963	13.338	-.063	.456
Human Services	3.652	7.534	.055	.629
Public and Societal Benefit	12.655	9.553	.148	.187
Religion	-21.854	11.498	-.171	.059
Mutual Benefit	34.942	32.752	.085	.288
LOCATION (Nonmetropolitan, excluded)				
Central Metropolitan	-.962	5.633	-.014	.865
Metropolitan Ring	16.134	9.426	.141	.089
Charity	8.825	9.661	.084	.363

Notes: Coefficients significant at the p<0.05 level are **bold red**, the model is significant at the p<.001, the Adjusted R-squared=.172, n=156.

**Table C24.** Estimates for Linear Regression of Percent of Total Revenue from Source: Fees and Sales

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
Age (Decades since Founded)	-1.474	.910	-.157	.108
<b>LN Number of FTE</b>	<b>6.878</b>	<b>2.265</b>	<b>.363</b>	<b>.003</b>
<b>Formalization (scale)</b>	<b>-2.243</b>	<b>.911</b>	<b>-.285</b>	<b>.015</b>
<b>Average Internal IT Capacity (scale)</b>	<b>8.577</b>	<b>3.642</b>	<b>.263</b>	<b>.020</b>
<b>Average External IT Capacity (scale)</b>	<b>-15.101</b>	<b>4.417</b>	<b>-.384</b>	<b>&lt;.001</b>
NTEE FIELD (All other fields, excluded)				
Arts, Culture, and Humanities	3.497	10.506	.041	.740
<b>Education</b>	<b>26.178</b>	<b>12.729</b>	<b>.218</b>	<b>.042</b>
Human Services	-3.672	9.243	-.054	.692
Public and Societal Benefit	-3.732	11.324	-.041	.742
Religion	-18.015	11.185	-.172	.110
Mutual Benefit	-1.975	16.586	-.013	.905
LOCATION (Nonmetropolitan, excluded)				
<b>Central Metropolitan</b>	<b>11.985</b>	<b>5.617</b>	<b>.181</b>	<b>.035</b>
Metropolitan Ring	-14.557	12.405	-.098	.243
<b>Charity</b>	<b>-22.316</b>	<b>11.070</b>	<b>-.251</b>	<b>.046</b>

Notes: Coefficients significant at the p<0.05 level are **bold red**, the model is significant at the p<.001, the Adjusted R-squared=.215, n=139.

**Table C25.** Estimates for Linear Regression of Percent of Total Revenue from Source: Membership Dues

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
Age (Decades since Founded)	.330	.732	.032	.653
LN Number of FTE	3.422	2.369	.138	.150
Formalization (scale)	-1.781	.908	-.187	.051
Average Internal IT Capacity (scale)	1.295	3.021	.038	.669

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
<b>Average External IT Capacity (scale)</b>	<b>-11.629</b>	<b>4.357</b>	<b>-.251</b>	<b>.008</b>
NTEE FIELD (All other fields, excluded)				
Arts, Culture, and Humanities	6.149	9.074	.066	.499
Education	10.549	9.601	.095	.273
Human Services	9.968	7.987	.120	.214
Public and Societal Benefit	2.402	8.239	.032	.771
Religion	.021	12.953	.000	.999
Mutual Benefit	20.367	13.381	.119	.130
LOCATION (Nonmetropolitan, excluded)				
<b>Central Metropolitan</b>	<b>16.014</b>	<b>5.005</b>	<b>.227</b>	<b>.002</b>
Metropolitan Ring	2.128	8.701	.017	.807
<b>Charity</b>	<b>-13.479</b>	<b>6.564</b>	<b>-.193</b>	<b>.041</b>

Notes: Coefficients significant at the p<0.05 level are **bold red**, the model is significant at the p<.001, the Adjusted R-squared=.145, n=212.

#### 4. Revenue Diversification

**Table C26.** Estimates for Logistic Regression of Revenue Diversification

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
<b>Age (Decades since Founded)</b>	<b>.066</b>	<b>.028</b>	<b>.084</b>	<b>.019</b>
<b>LN Number of FTE</b>	<b>.360</b>	<b>.085</b>	<b>.203</b>	<b>&lt;.001</b>
<b>Formalization (scale)</b>	<b>.106</b>	<b>.032</b>	<b>.159</b>	<b>.001</b>
Average Internal IT Capacity (scale)	-.096	.113	-.037	.397
<b>Average External IT Capacity (scale)</b>	<b>1.000</b>	<b>.156</b>	<b>.298</b>	<b>&lt;.001</b>
FUNDING MIX (Mix of sources, excluded)				
<b>Over 50% Donations</b>	<b>-.814</b>	<b>.239</b>	<b>-.149</b>	<b>&lt;.001</b>
<b>Over 50% Special Events</b>	<b>-.863</b>	<b>.334</b>	<b>-.099</b>	<b>.010</b>
<b>Over 50% Fees and Sales</b>	<b>-1.149</b>	<b>.256</b>	<b>-.190</b>	<b>&lt;.001</b>
Over 50% Government	-.585	.329	-.067	.076
NTEE FIELD (All other fields, excluded)				
Arts, Culture, and Humanities	.602	.360	.072	.095
Education	-.706	.372	-.076	.058
Human Services	-.017	.288	-.003	.953
Public and Societal Benefit	.129	.323	.020	.689
<b>Religion</b>	<b>-2.086</b>	<b>.328</b>	<b>-.308</b>	<b>&lt;.001</b>
Mutual Benefit	-.328	.574	-.021	.568
LOCATION (Nonmetropolitan, excluded)				
Central Metropolitan	-.327	.184	-.061	.077
Metropolitan Ring	-.504	.323	-.053	.119
<b>Charity</b>	<b>.882</b>	<b>.279</b>	<b>.140</b>	<b>.002</b>

Notes: Coefficients significant at the p<0.05 level are **bold red**, the model is significant at the p<.001, the Adjusted R-squared=.518, n=502.

## 5. Nonprofit Expense Allocations

**Table C27.** Estimates for Logistic Regression of Nonprofit Expenses: Staff Compensation and Benefits

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
Age (Decades since Founded)	-.645	.348	-.074	.064
<b>LN Number of FTE</b>	<b>9.562</b>	<b>1.066</b>	<b>.481</b>	<b>&lt;.001</b>
Formalization (scale)	.790	.411	.105	.055
<b>Average Internal IT Capacity (scale)</b>	<b>2.842</b>	<b>1.408</b>	<b>.097</b>	<b>.044</b>
Average External IT Capacity (scale)	-1.541	1.951	-.041	.430
FUNDING MIX (Mix of sources, excluded)				
Over 50% Donations	.309	2.961	.005	.917
Over 50% Special Events	-4.624	4.189	-.046	.270
Over 50% Fees and Sales	4.551	3.094	.067	.142
<b>Over 50% Government</b>	<b>12.837</b>	<b>4.098</b>	<b>.130</b>	<b>.002</b>
NTEE FIELD (All other fields, excluded)				
Arts, Culture, and Humanities	.029	4.489	.000	.995
Education	.331	4.763	.003	.945
Human Services	1.979	3.673	.030	.590
Public and Societal Benefit	.637	4.082	.009	.876
<b>Religion</b>	<b>13.088</b>	<b>4.186</b>	<b>.0174</b>	<b>.002</b>
Mutual Benefit	7.101	7.377	.040	.336
LOCATION (Nonmetropolitan, excluded)				
Central Metropolitan	.711	2.331	.012	.760
Metropolitan Ring	.236	4.129	.002	.954
Charity	5.437	3.353	.079	.106

Notes: Coefficients significant at the  $p < 0.05$  level are **bold red**, the model is significant at the  $p < .001$ , the Adjusted R-squared=435.,  $n=471$ .

**Table C28.** Estimates for Logistic Regression of Nonprofit Expenses: Facility, Space, and Related Utilities

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
Age (Decades since Founded)	0.019	0.443	0.002	0.966
LN Number of FTE	-0.807	1.356	-0.041	0.552
Formalization (scale)	0.048	0.523	0.006	0.927
Average Internal IT Capacity (scale)	-2.531	1.777	-0.088	0.155
Average External IT Capacity (scale)	-3.277	2.500	-0.088	0.191
FUNDING MIX (Mix of sources, excluded)				
Over 50% Donations	0.515	3.771	0.008	0.891
Over 50% Special Events	-3.531	5.184	-0.037	0.496
Over 50% Fees and Sales	-1.038	3.955	-0.015	0.793
Over 50% Government	4.209	5.288	0.042	0.427
NTEE FIELD (All other fields, excluded)				
Arts & Culture	2.483	5.678	0.027	0.662
Education	-4.809	5.968	-0.046	0.421

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
Human Services	1.745	4.609	0.026	0.705
Public/Societal Benefit	-7.449	5.080	-0.107	0.143
<b>Religion</b>	<b>13.069</b>	<b>5.261</b>	<b>0.175</b>	<b>0.013</b>
Mutual Benefit	11.711	9.357	0.066	0.211
LOCATION: (Nonmetropolitan, excluded)				
Central Metropolitan	1.107	5.166	0.010	0.830
Metropolitan Ring	-3.366	2.959	-0.056	0.256
<b>Charity</b>	<b>-9.482</b>	<b>4.231</b>	<b>-0.140</b>	<b>0.025</b>

Notes: Coefficients significant at the  $p < 0.05$  level are **bold red**, the model is significant at the  $p < .001$ , the Adjusted R-squared=.064,  $n=478$ .

## 6. Financial Management Challenges

**Table C29.** Estimates for Logistic Regression of Fundraising Challenges

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
Age (Decades since Founded)	0.001	0.018	0.003	0.948
LN Number of FTE	0.026	0.052	0.035	0.622
Formalization (scale)	-0.005	0.021	-0.018	0.810
<b>Average Internal IT Capacity (scale)</b>	<b>-0.173</b>	<b>0.069</b>	<b>-0.157</b>	<b>0.012</b>
Average External IT Capacity (scale)	0.157	0.097	0.110	0.108
FUNDING MIX (Mix of sources, excluded)				
Over 50% Donations	0.098	0.140	0.043	0.484
Over 50% Special Events	-0.207	0.213	-0.051	0.332
Over 50% Fees and Sales	0.103	0.158	0.037	0.516
<b>Over 50% Government</b>	<b>0.526</b>	<b>0.198</b>	<b>0.148</b>	<b>0.008</b>
NTEE Field (All other fields, excluded)				
Arts & Culture	0.116	0.219	0.033	0.598
Education	-0.062	0.231	-0.015	0.789
Human Services	-0.195	0.174	-0.081	0.262
<b>Public/Societal Benefit</b>	<b>-0.463</b>	<b>0.200</b>	<b>-0.170</b>	<b>0.021</b>
Religion	-0.236	0.200	-0.083	0.240
Mutual Benefit	-0.195	0.376	-0.028	0.605
LOCATION: (Nonmetropolitan, excluded)				
Central Metropolitan	0.026	0.115	0.012	0.817
<b>Metropolitan Ring</b>	<b>-.444</b>	<b>.203</b>	<b>-.112</b>	<b>.029</b>
Charity	-0.037	0.183	-0.013	0.838
<b>LN Number of Board Vacancies</b>	<b>0.392</b>	<b>0.081</b>	<b>0.231</b>	<b>&lt;0.001</b>

Notes: Coefficients significant at the  $p < 0.05$  level are **bold red**, the model is significant at the  $p < .001$ , the Adjusted R-squared=.091,  $n=429$ .

**Table C30.** Estimates for Logistic Regression of Managing Financial Records Challenges

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
Age (Decades since Founded)	0.016	0.019	0.045	0.402

Variable	Unstandardized		Standardized	
	B	S.E.	B	Sig.
LN Number of FTE	-0.009	0.053	-0.012	0.869
Formalization (scale)	0.042	0.021	0.143	0.053
<b>Average Internal IT Capacity (scale)</b>	<b>-0.266</b>	<b>0.070</b>	<b>-0.237</b>	<b>&lt;0.001</b>
Average External IT Capacity (scale)	0.074	0.099	0.051	0.451
FUNDING MIX (Mix of sources, excluded)				
Over 50% Donations	0.137	0.145	0.059	0.345
Over 50% Special Events	-0.085	0.222	-0.020	0.703
Over 50% Fees and Sales	0.154	0.156	0.058	0.323
<b>Over 50% Government</b>	<b>0.608</b>	<b>0.205</b>	<b>0.165</b>	<b>0.003</b>
NTEE Field (All other fields, excluded)				
Arts & Culture	0.239	0.225	0.067	0.289
Education	-0.168	0.233	-0.042	0.473
Human Services	-0.032	0.178	-0.013	0.859
Public/Societal Benefit	-0.255	0.202	-0.093	0.207
Religion	0.026	0.208	0.009	0.901
Mutual Benefit	-0.018	0.364	-0.003	0.960
LOCATION: (Nonmetropolitan, excluded)				
Central Metropolitan	-.105	.118	-.046	.371
<b>Metropolitan Ring</b>	<b>-0.413</b>	<b>0.203</b>	<b>-0.104</b>	<b>0.043</b>
Public Charity	0.035	0.177	0.013	0.843
<b>LN Number of Board Vacancies</b>	<b>0.206</b>	<b>0.084</b>	<b>0.118</b>	<b>0.014</b>

Notes: Coefficients significant at the p<0.05 level are **bold red**, the model is significant at the p<.004, the Adjusted R-squared=.045, n=449.

## 7. Financial Management Tools

**Table C31.** Estimates for Binary Logistic Regression on Reserve Funds for Capital Improvements and/or Maintenance: Both Types

Variable	B	S.E.	Sig.	Exp(B)
Age (Decades since Founded)	-.034	.050	.502	.967
<b>LN Number of FTE</b>	<b>.518</b>	<b>.136</b>	<b>&lt;.001</b>	<b>1.679</b>
Formalization (scale)	.086	.055	.118	1.090
Average Internal IT Capacity (scale)	.056	.212	.790	1.058
Average External IT Capacity (scale)	-.258	.267	.334	.772
FUNDING MIX (Mix of sources, excluded)				
Over 50% Donations	.760	.393	.053	2.137
Over 50% Special Events	1.088	.657	.098	2.969
Over 50% Fees and Sales	.771	.461	.094	2.163
Over 50% Government	.610	.562	.277	1.841
NTEE FIELD (All other fields, excluded)				
Arts & Culture	.398	.638	.532	1.489
Education	-.514	.752	.494	.598
Human Services	.405	.503	.421	1.500
Public/Societal Benefit	-.130	.597	.827	.878
<b>Religion</b>	<b>1.212</b>	<b>.563</b>	<b>.031</b>	<b>3.360</b>

Variable	B	S.E.	Sig.	Exp(B)
Mutual Benefit	-.918	1.024	.370	.399
LOCATION: (Nonmetropolitan, excluded)				
Central Metropolitan	-.274	.307	.372	.760
Metropolitan Ring	.227	.577	.694	1.255
<b>Charity</b>	<b>1.236</b>	<b>.530</b>	<b>.020</b>	<b>3.442</b>

Notes: Coefficients significant at the p<0.05 level are **bold red**, the model is significant at the p<.001, Chi-square=48.5, Nagelkerke R-squared=.221, 68.4% correct predictions, and n=272.

**Table C32.** Estimates for Binary Logistic Regression on Reserve Funds for Capital Improvements and/or Maintenance: At Least One Type

Variable	B	S.E.	Sig.	Exp(B)
Age (Decades since Founded)	.010	.069	.890	1.010
<b>LN Number of FTE</b>	<b>.472</b>	<b>.165</b>	<b>.004</b>	<b>1.603</b>
Formalization (scale)	.002	.067	.982	1.002
Average Internal IT Capacity (scale)	.072	.250	.773	1.075
Average External IT Capacity (scale)	-.294	.309	.341	.745
FUNDING MIX (Mix of sources, excluded)				
Over 50% Donations	.453	.429	.291	1.573
Over 50% Special Events	.253	.672	.706	1.288
Over 50% Fees and Sales	.456	.540	.398	1.578
Over 50% Government	.556	.654	.395	1.744
NTEE FIELD (All other fields, excluded)				
Arts & Culture	-.328	.640	.608	.720
Education	-.026	.748	.972	.974
Human Services	.603	.571	.291	1.828
Public/Societal Benefit	-.789	.645	.221	.454
<b>Religion</b>	<b>1.850</b>	<b>.736</b>	<b>.012</b>	<b>6.362</b>
Mutual Benefit	19.084	12278.1	.999	194179588.4
LOCATION: (Nonmetropolitan, excluded)				
<b>Central Metropolitan</b>	<b>-.800</b>	<b>.388</b>	<b>.039</b>	<b>.449</b>
<b>Metropolitan Ring</b>	<b>-1.558</b>	<b>.673</b>	<b>.021</b>	<b>.211</b>
<b>Charity</b>	<b>1.561</b>	<b>.641</b>	<b>.015</b>	<b>4.765</b>

Notes: Coefficients significant at the p<0.05 level are **bold red**, the model is significant at the p<.001, Chi-square=60.7, Nagelkerke R-squared=.301, 76.5% correct predictions, n=272.

**Table C33.** Estimates for Binary Logistic Regression on Restricted and/or Unrestricted Endowments: Both Types

Variable	B	S.E.	Sig.	Exp(B)
<b>Age (Decades since Founded)</b>	<b>.229</b>	<b>.070</b>	<b>.001</b>	<b>1.258</b>
<b>LN Number of FTE</b>	<b>.384</b>	<b>.159</b>	<b>.016</b>	<b>1.468</b>
Formalization (scale)	.023	.075	.757	1.023
Average Internal IT Capacity (scale)	-.028	.282	.921	.972
Average External IT Capacity (scale)	.657	.343	.055	1.929
FUNDING MIX (Mix of sources, excluded)				
Over 50% Donations	-.262	.447	.557	.769
Over 50% Special Events	-1.022	1.148	.373	.360
<b>Over 50% Fees and Sales</b>	<b>-1.273</b>	<b>.627</b>	<b>.042</b>	<b>.280</b>

Variable	B	S.E.	Sig.	Exp(B)
Over 50% Government	-1.126	.699	.107	.324
NTEE FIELD (All other fields, excluded)				
Arts & Culture	-.552	.711	.437	.576
Education	-1.768	.912	.053	.171
<b>Human Services</b>	<b>-1.149</b>	<b>.587</b>	<b>.050</b>	<b>.317</b>
Public/Societal Benefit	.227	.736	.758	1.254
<b>Religion</b>	<b>-1.858</b>	<b>.684</b>	<b>.007</b>	<b>.156</b>
Mutual Benefit	2.044	1.548	.187	7.722
LOCATION: (Nonmetropolitan, excluded)				
Central Metropolitan	-.336	.384	.381	.714
Metropolitan Ring	-1.830	1.136	.107	.160
<b>Charity</b>	<b>-2.671</b>	<b>1.054</b>	<b>.011</b>	<b>.069</b>

Notes: Coefficients significant at the p<0.05 level are **bold red**, the model is significant at the p<.001, Chi-square=86.5, Nagelkerke R-squared=.41, 83.1% correct predictions, n=272.

**Table C34.** Estimates for Binary Logistic Regression on Restricted and/or Unrestricted Endowments: At Least One Type

Variable	B	S.E.	Sig.	Exp(B)
<b>Age (Decades since Founded)</b>	<b>.140</b>	<b>.057</b>	<b>.013</b>	<b>1.151</b>
<b>LN Number of FTE</b>	<b>.311</b>	<b>.153</b>	<b>.042</b>	<b>1.364</b>
Formalization (scale)	-.054	.061	.374	.947
Average Internal IT Capacity (scale)	.264	.226	.242	1.302
Average External IT Capacity (scale)	.287	.298	.335	1.333
FUNDING MIX (Mix of sources, excluded)				
Over 50% Donations	-.521	.443	.240	.594
Over 50% Special Events	-.281	.713	.694	.755
<b>Over 50% Fees and Sales</b>	<b>-1.549</b>	<b>.514</b>	<b>.003</b>	<b>.213</b>
<b>Over 50% Government</b>	<b>-1.497</b>	<b>.642</b>	<b>.020</b>	<b>.224</b>
NTEE FIELD (All other fields, excluded)				
Arts & Culture	.332	.795	.676	1.394
Education	-.422	.817	.606	.656
Human Services	-.443	.588	.452	.642
Public/Societal Benefit	.850	.725	.241	2.339
<b>Religion</b>	<b>-2.493</b>	<b>.658</b>	<b>&lt;.001</b>	<b>.083</b>
Mutual Benefit	1.060	1.092	.332	2.885
LOCATION: (Nonmetropolitan, excluded)				
Central Metropolitan	.159	.341	.641	1.172
Metropolitan Ring	.307	.663	.644	1.359
<b>Charity</b>	<b>-2.670</b>	<b>.648</b>	<b>&lt;.001</b>	<b>.069</b>

Notes: Coefficients significant at the p<0.05 level are **bold red**, the model is significant at the p<.001, Chi-square=95.8, Nagelkerke R-squared=.404, 74.3% correct predictions, n=272.



## APPENDIX D: Overview of the Indiana Nonprofits Project

Since 2000, the **Indiana Nonprofits Project: Scope and Community Dimensions** has produced a substantial body of research about the nonprofit sector in Indiana: its composition and structure, its contributions to Indiana, the challenges it faces, and how these features vary across Indiana communities. The goal of this collaborative research effort is to help community leaders develop effective and collaborative solutions to community needs and to inform public policy decisions.

The project is directed by [Kirsten Grønbjerg](#), Distinguished Professor Emerita, [O'Neill School of Public and Environmental Affairs](#) (SPEA), Indiana University Bloomington and Efroymsen Chair in Philanthropy (2001-2020) at the [Lilly Family School of Philanthropy](#) (LFSOP). It has benefitted greatly from the advice and support of the Project's distinguished [Advisory Board](#),<sup>37</sup> the contributions of 110 research assistants – mostly O'Neill undergraduate, masters, and doctoral students – and financial support as described in the Acknowledgements on page 1. The project's major components include:

[Surveys of Indiana nonprofits](#). This component includes five surveys of Indiana nonprofits:

- Round I: Comprehensive survey of Indiana nonprofits (2002) in collaboration with the IU *Center for Survey Research* (CSR); 7 statewide reports on special topics and 12 regional reports on the nonprofit sector in selected communities across the state.
- Round II: Two surveys on nonprofit capacity and management challenges, including a survey (2007) for the *Indiana Philanthropy Alliance* and the *Lumina Foundation for Education* (1 report) and a more extensive survey (2010) for the *Indiana Arts Commission* (2 reports).
- Round III: Comprehensive survey of Indiana nonprofits (2017) in collaboration with the CSR is currently being analyzed and is the basis for this report (11 reports).
- Round IV: Survey in collaboration with Indiana United Ways (2020) on the impact of COVID-19 on Indiana nonprofits (1 report).

[Trends in paid nonprofit employment in Indiana](#). This component, undertaken in collaboration with the *Indiana Business Research Center* (IBRC), includes analyses of trends in paid nonprofit paid employment over time by industry and comparisons to paid employment in the private and government sectors.

- Statewide trends in paid nonprofit employment by industry and sector (7 reports)
- Statewide trends in paid nonprofit employment in selected industries (11 reports)

[Community reports](#). This component focuses on the scope and composition of the nonprofit sector in communities across the state:

- Featured community reports for 7 metropolitan regions and 5 non-metropolitan counties across the state, including size and composition of the nonprofit sector and profiles based on a Round I survey of Indiana nonprofits (2002).
- Regional trends in paid nonprofit employment by industry with comparisons to private and government sector employment: Metropolitan Areas and Economic Growth Regions (2007), the Fort Wayne Metropolitan area (2015), and Economic Growth Regions (2019-21), 12 reports, all in collaboration with *IBRC*.
- County reports on nonprofit paid employment 1995-2009 for Indiana counties with a population of 50,000 residents or more (30 reports), in collaboration with *IBRC*.

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<sup>37</sup> See <https://nonprofit.indiana.edu/AboutTAB/advisory-board.html>

Surveys of local government officials. This component is based on surveys of Indiana local government officials (LGOs) on topics of special interest to Indiana nonprofits in collaboration with the *Indiana Advisory Commission on Intergovernmental Relations* (IACIR).

- Assessing preparedness for major disasters, 2 reports
- Contracting with nonprofits, 2 reports.
- PILOT/SILOT policies: attitudes towards requiring charities to provide payments (or services) in lieu of real estate taxes (PILOTS/SILOTS), 5 reports.
- Trust in Nonprofits: 3 reports.
- Government-nonprofit relations: 5 reports.
- 2-1-1 information and referral services: 2 reports.

Special topics. Several smaller projects have been completed in response to major national policy initiatives, as extensions of project components described above, or as special opportunities presented themselves.

- Overtime pay regulation: the likely impact on Indiana nonprofits by changes in the Fair Labor Standards Act (proposed 2016) on overtime pay for exempt employees.
- IRS Exempt Status Initiative: the impact of major changes in IRS reporting and compliance requirements mandated by the Pension Protection Act of 2006.
- Two surveys of Indiana residents were conducted in collaboration with the *CSR*. This includes a 2001 survey on affiliation and involvement with Indiana nonprofits in preparation for Round I survey of Indiana nonprofits and a 2008 survey on trust in nonprofits in collaboration with *CSR*.
- Comprehensive database of Indiana nonprofits, initially completed in preparation for the Round I survey of Indiana nonprofits, now hosted by the *IBRC*.
- Indiana nonprofits and COVID-19's impact on services, finance, and staffing.

For a full description of the project and access to all project reports, please visit <https://nonprofit.indiana.edu>.



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