

PART TWO

State of the Sector

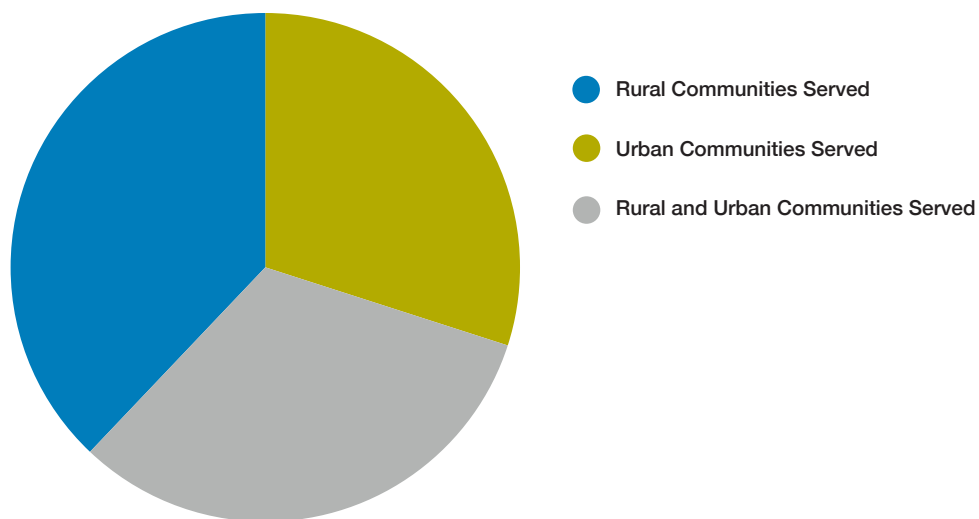
About the State of the Sector Survey

This report was prepared based on the results of a survey distributed to Idaho nonprofits in October 2019 and administered jointly by Idaho Nonprofit Center and Nonprofit Association of Oregon. The data in this report only relates to and analyzes the information shared by the 228 Idaho nonprofit respondents. The data collected from the survey can be found at IdahoNonprofits.org

A big thank you to the 228 Idaho nonprofit leaders who took the time to participate in the survey. Your commitment and support of Idaho's nonprofit sector is much appreciated!

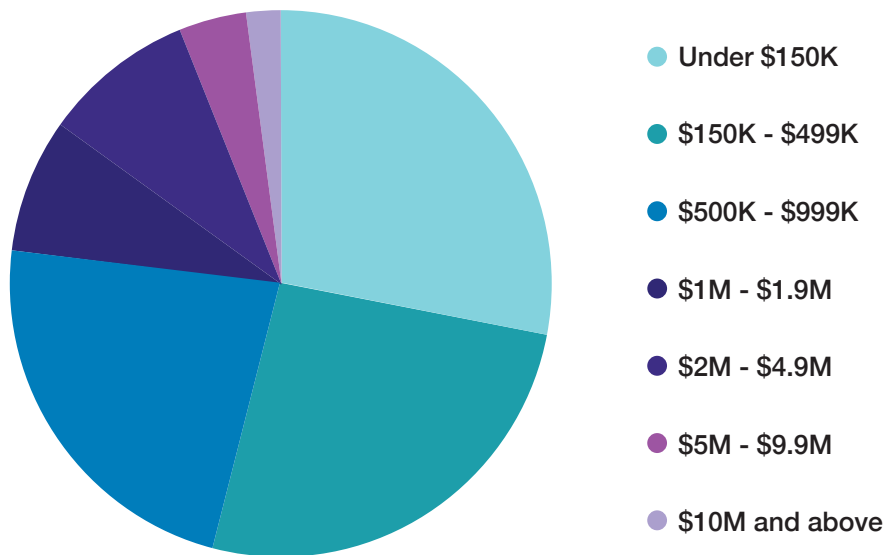
Chief executive officers and executive directors of 501(c)(3) organizations in Idaho were invited to participate in the survey. In the case where the nonprofit was all volunteer based, the board chair or president was asked to respond. Of the 228 respondents who completed the survey, the overwhelming response came from CEOs/EDs (74%) and board leaders (13%). Respondents reported that they employ a total of 1,477.37 full-time equivalent (FTE) staff in their 228 organizations.

30% of respondents serve both rural and urban communities, 32% serve urban communities and 38% serve rural communities. In total, 68% of responding nonprofits serve urban communities. This is not all that surprising given the geographic location of the Idaho Nonprofit Center and the % of INC members within the Southwest Idaho geography.



Of those that completed our survey the respondents were primarily from education, health, human service and environment related sub-sectors. The INC wants to note that it was a higher number than usual of environmental-related nonprofits responding to the survey, otherwise education, health/human services followed by arts & humanities (which was the next largest group of respondents) is typical.

Subsector Classification	% Response
Arts, Culture, and Humanities	8.6%
Education	11.21%
Environmental Protection, Beaut.	9.48%
Animal-Related	3.45%
Health	9.48%
Mental Health, Crisis Intervention	3.45%
Medical Research/Diseases, Disciplines	0.86%
Employment, Job Related	0.86%
Food, Agriculture, and Nutrition	5.17%
Housing, Shelter	0.86%
Public Safety	0.00%
Recreation, Sports, Leisure, Athletics	2.59%
Youth Development	4.31%
Human Services - Multipurpose	15.10%
Civil Rights, Social Action, Advocacy	4.31%
Community Improvement	6.03%
Philanthropy, Voluntarism, and Grants	1.72%
Science, Social Science and Technology	0.56%
Public, Society Benefit	6.03%
Religion Related, Spiritual Development	1.72%
Mutual and Membership Benefit	0.86%



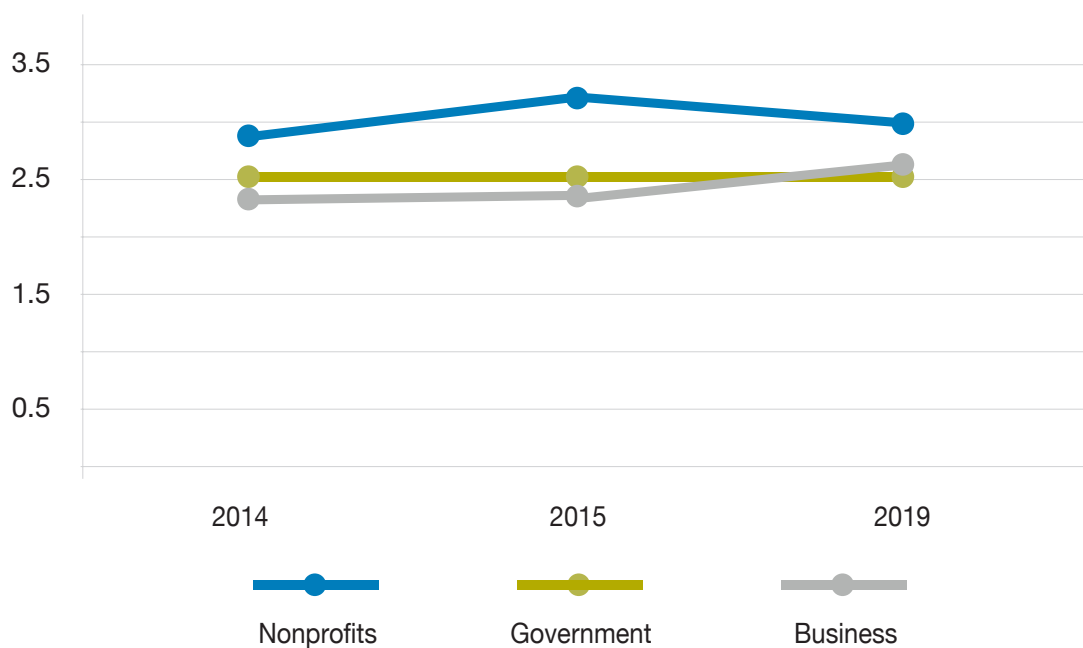
Respondents were asked to report the annual value of expenditures of their organizations as reported in IRS Form 990, Part I. The overall range of budgets varied from rural grassroots groups with small budgets to several organizations well over \$20 million in operating expense. The largest response rate was from organizations whose budgets are under \$150,000, closely followed by between \$150K - \$499K. This is pretty typical for the entire nonprofit sector in Idaho.

Collaboration and Capacity

Collaboration across all sectors remains a challenge. Collaboration is critical to solving entrenched issues and creating systems change, yet this is a growth area for most nonprofits. Nonprofit business models tend to put nonprofits in competition for resources rather than bring them together for joint work. The line chart on page 4 presents an average rating for a series of questions asked over the three survey cycles (2014, 2015, and 2019) regarding nonprofit collaboration.

Based on responses, collaboration rates have not changed considerably over the last five years. There were modest increases where nonprofits collaborate with government compared to data in past years. Working together with other nonprofits and businesses remained relatively unchanged. We know that cross-sector collaboration can and will lead to stronger mission fulfillment.

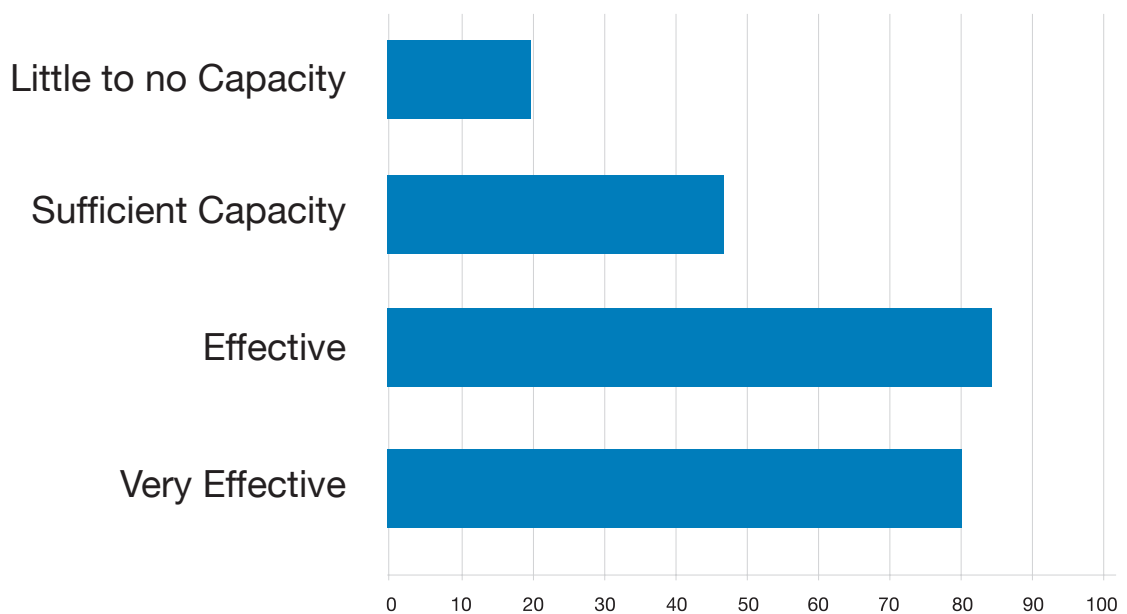
Ratings of Collaboration and Collective Action (scale for 2014 and 2015 rating was converted from a 10-point scale. Line graph below compares responses from 2014 (n=189), 2015 (n=84) and 2019 (n=116) data:



When we dug deeper into what inhibits collaboration, the overwhelming reason stated by respondents was a lack of time, followed by a lack of staffing resources and the third most often stated reason was the competition for resources felt between organizations.

When we asked what supports collaboration, the responses were incredibly mixed, though a few common themes emerged: a culture of trust, willingness to share resources and strong communication among collaborators. Additionally, a common goal or objective was mentioned as helping to encourage collaborators to come together.

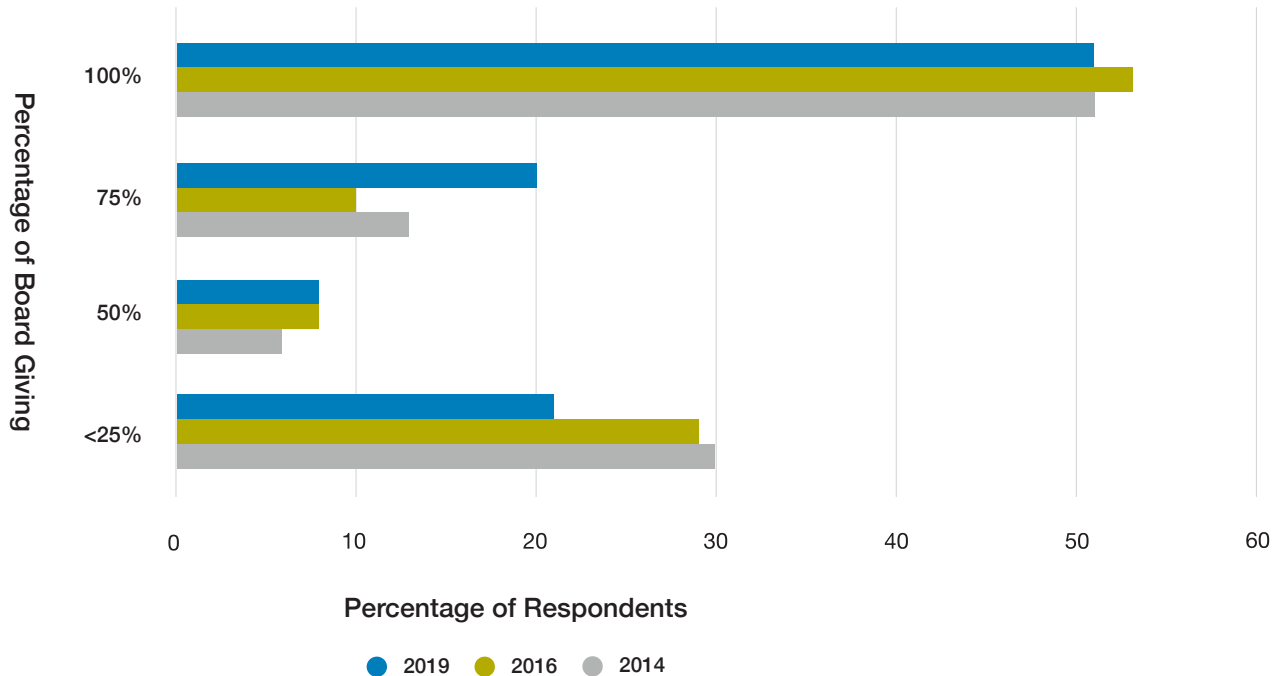
Organizational effectiveness and capacity are still at odds. As in previous years, respondents were asked to rate their effectiveness, capability, and capacity in service of their missions. The results clearly show a gap between how effective and capable nonprofits rank themselves and how they rank their capacity to deliver their missions. The tableau data dashboard can provide additional insights.



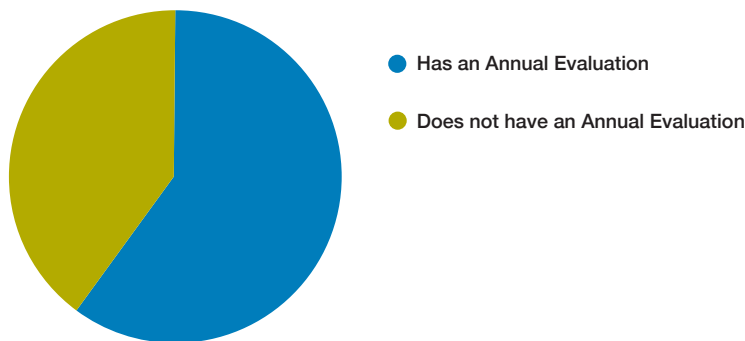
Nonprofit Boards

While specific roles of board members may vary by organizations due to size and complexity of missions, staffing and business models, the way in which a board conducts its business has traditionally served as indicators of organizational health.

In addition to regularly attending meetings to guide their organizations, board members are expected to make a personal financial contribution to their nonprofits. This is both a measure of organizational leadership and board engagement. We noted that the lowest percentage of board members contributing to the organization is on the decline, which is noteworthy, in contrast there was a marked increase in the percentage of board members contributing in the 50% and significantly in the 75% range. There wasn't much change in 100% of board members giving category.

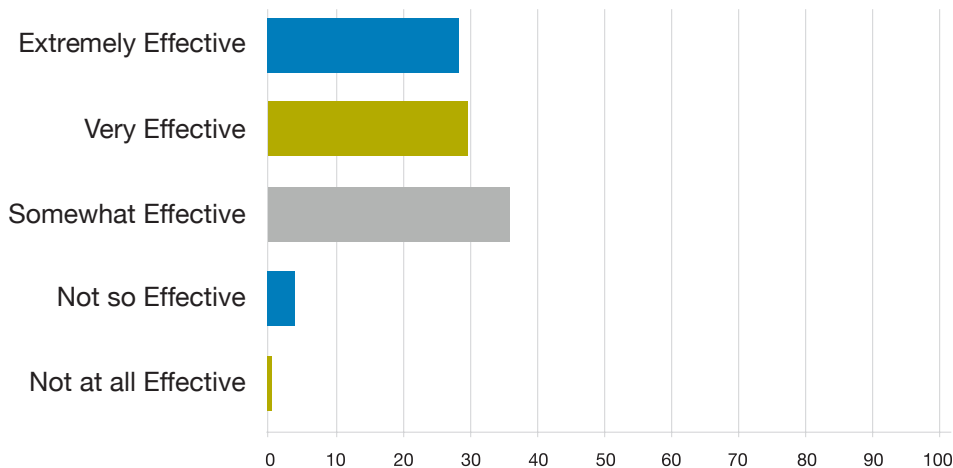


One of the ways in which a board can continue to evolve in a positive direction is regular evaluation of their work. In Idaho, 62% of reporting nonprofits indicated that their board does an annual evaluation. This is a positive sign.

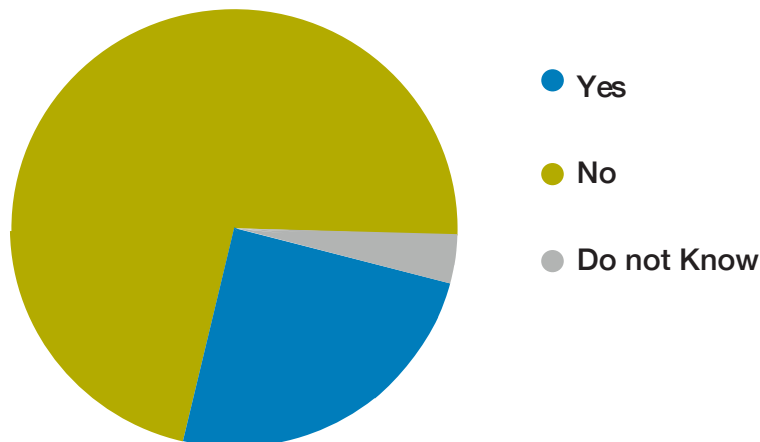


When we measured board engagement through board meeting attendance and the percent of nonprofits having to cancel, postpone or end a board meeting early due to lack of quorum, that number was 34%. The average number of times nonprofits have not been able to host or complete their meetings was 2, among those who reported canceling or postponing. Board attendance is directly linked to board engagement.

We are seeing boards who self evaluate but not always attend meetings and overall (59%) our reporting nonprofits feel that their board is effective in meeting the basic legal requirements of leading and providing oversight:



Organizations will also evolve in a positive direction when there is an annual evaluation of the organizations chief executive. In Idaho nearly 70% of reporting nonprofits indicated evaluating their executive director annually, which was up from roughly 63% in 2016.



Through our survey we also measured whether or not a nonprofit had a board development plan, and whether they felt what they had was useful. Ongoing board training and development is a strong best practice for any organization, building a plan with board approval and buy-in will almost always lead to a healthy, engaged board that knows their role and fulfills their responsibilities.

Financial Health and Fundraising

Nonprofits rely heavily on charitable giving and earned revenues. As the saying goes, “you’ve seen one nonprofit, you’ve seen one nonprofit.” Business models of nonprofits are often very specific to the missions they serve and services they provide. That said, there are some common sources of funding that nonprofits often share.

Findings show that nearly all organizations in the survey (90%) receive individual charitable gifts; yet, this source of revenue is the second largest percentage of their budgets at just over 31%. Earned income is the largest percentage of funding (32%).

Federal, state, and local grants were the third largest source of revenue at 22% followed by foundations and special events, each at 17%. The Tableau data dashboard can provide more insight into the reliance on federal, state, and local grants by rural vs urban served communities.

Planned gifts and bequests, as well as gaming comprise very small percentages of the budgets of respondents, reported at 2% or less.

Only 43 organizations reported having an endowment fund or other investments for long-term funding, or 37% of respondents. 12% of nonprofits reported no reserves on hand, 24% reported 2-3 months and 29% reported 4-6 months of reserves. We recommend reviewing our Tableau data dashboard to see how these changes are impacted in rural vs urban and also by subsector.

Revenue Sources

The icons below represent the average percent of budget (top number) identified as a revenue source (e.g. Individual Giving) by survey respondents for their organizations. The bottom number is the percent of respondent organizations that received that source of revenue.

Individual Giving



21% of budget
90% of respondents

Special Events



10% of budget
67% of respondents

Planned Giving



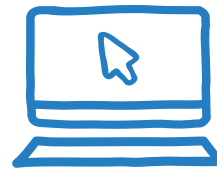
1% of budget
16% of respondents

**Federal, State,
Local Grants**



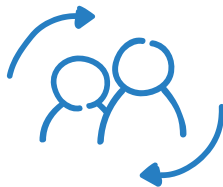
19% of budget
57% of respondents

Gaming



<1% of budget
<1% of respondents

Foundations



14% of budget
71% of respondents

Corporations



4% of budget
46% of respondents

Earned income



24% of budget
65% of respondents

Investments



3% of budget
29% of respondents

Other



3% of budget
18% of respondents

When asked about confidence in reaching FY 2020 fundraising goals, 55% of reporting nonprofits reported feeling extremely or very confident, followed by 30% in the somewhat confident category. As we have noted multiple times, the onset of the COVID-19 pandemic has likely altered the way we do business, our confidence in fundraising abilities and the way in which we access critical capital to fulfill our missions. It has also had dire consequences for special event revenue.

Reserves

Reserves held by nonprofits are not improving. The cash reserves that a nonprofit has on hand is one measure of financial sustainability and organizational resiliency. Like their private sector counterparts, nonprofits need cash for changes in programs and funding streams, unexpected financial shortfalls, and to invest in new work and activities. It is generally accepted practice for nonprofit organizations to have cash reserves equivalent to a minimum of three months of operating expenses. Larger and more complex organizations will often have six months to a year or more of reserves.

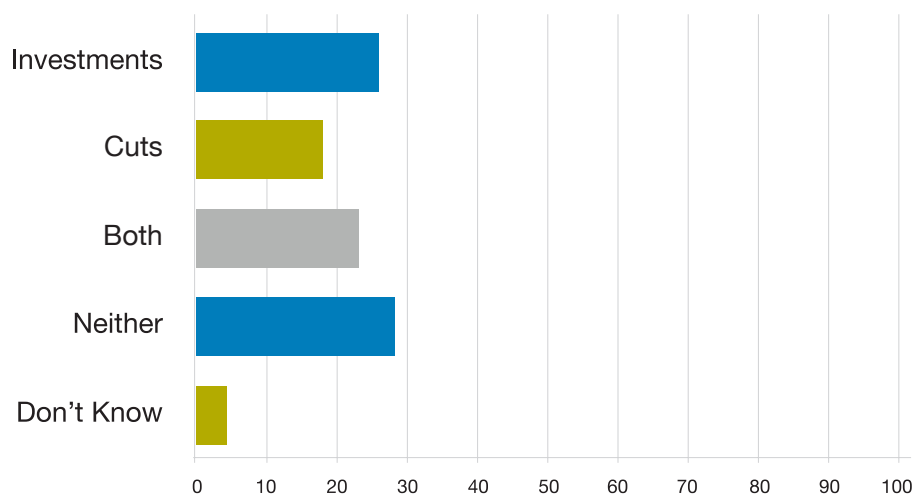
In 2016 51% of responding nonprofits reported 4-12 months of operating expense in reserves, in 2019 that percentage shrunk to 49%. Additionally 12% reported no reserves compared to just 7% in 2016. The COVID pandemic has likely impacted this number even further.

Budgets

One of the most important tasks of any functioning nonprofit is to have strong fiscal management. When asked if they had an annual written budget, nearly 88% reported that they do, and of those who reported that they have a budget 91% of them said it was budget approved and 86% were actually using it. Only 73% reported that the budget was useful.

Of those who have a written budget 88% of them reported regularly comparing actual income and expense to the budget. 5% of reporting nonprofits say they don't have a budget at all.

Nonprofits are often hard-pressed to think and function like a small business, largely based on a lack of reliable income, but some are able to make strategic financial decisions and actually make investments (25%), cuts (18%) or both (28%) in order to increase the financial strength of their organizations.



We were also interested to know if nonprofits in general were planning for an increase or decrease in available funding for the upcoming fiscal year. We believe that most of this has dramatically changed since the onset of the COVID-19 pandemic, however it is worth noting where nonprofits felt they stood going into 2020.

Available Funding Plans	% Response
Increase above last fiscal year	56.03%
Decrease down from last fiscal year	13.79%
Same as last fiscal year	28.45%
Unsure	1.72%

Plans and Strategy

Planning is critical to a high-functioning nonprofit. As previously noted a large number of respondents have written annual budgets and they find these effective, though only 88% of respondents have one, whereas 92% have a strategic plan and 89% have a fundraising plan as previously noted.

We also asked how many organizations have the following: equity lens, equity statement and/or an equity plan. We were pleased to see that 80% of reporting nonprofits have an equity statement, 69% have an equity plan and 64% use an equity lens. We will continue to monitor growth in this area as this has also been identified as a priority area for the Idaho Nonprofit Center. Through our work we hope to see these numbers improve in the next few years.

In addition to asking what kinds of plans organizations have in place, we asked if they were board approved, in use and effective. What is interesting to us is how many have plans in place but either don't have them board approved or find them useful (or use them). For example, 89% have a fundraising plan, yet only 58% of them have it approved by their board and only 56% find it useful.

We ask the question, if you have a fundraising plan and expect board members to be engaged and support fund development efforts, would the usefulness of that plan increase with board approval? When we looked at how many of these plans were board approved versus their perceived efficacy we saw some correlations to an increase in usefulness when the board is more engaged.

SURVEY QUESTION:

Which of the following written plans does your organization have?

Plan Type	Written plan	Board approved	In use	Is It Useful
Annual Budget	87.96%	90.74%	86.11%	72.22%
Annual Plan	85.25%	68.85%	81.97%	62.30%
Board improvement/development plan	87.50%	68.75%	65.63%	46.88%
Communication Plan	83.33%	40.48%	85.71%	52.38%
Contingency/emergency plan	82.35%	67.65%	67.65%	38.24%
Equity lens	64.29%	50.00%	42.86%	42.86%
Equity statement	80.00%	75.00%	65.00%	70.00%
Equity plan	69.23%	46.15%	46.15%	46.15%
Executive Transition Plan/Succession Plan	86.11%	66.67%	61.11%	41.67%
Fundraising plan	89.39%	57.58%	78.79%	56.06%
Theory of Change	87.50%	58.33%	66.67%	50.00%
Strategic plan	92.11%	81.58%	84.21%	71.05%

When we compared responses to key plans over the course of the last two reports we noted some improvement in reporting nonprofits having critical written plans in place:

Plan Type	2019	2016	2014
Annual Budget	88%	81%	87%
Communication Plan	83%	27%	16%
Executive Transition Plan/Succession Plan	86%	19%	9%
Fundraising plan	89%	58%	37%
Theory of Change	88%	11%	8%
Strategic plan	92%	48%	57%

Use of Data and Evaluation

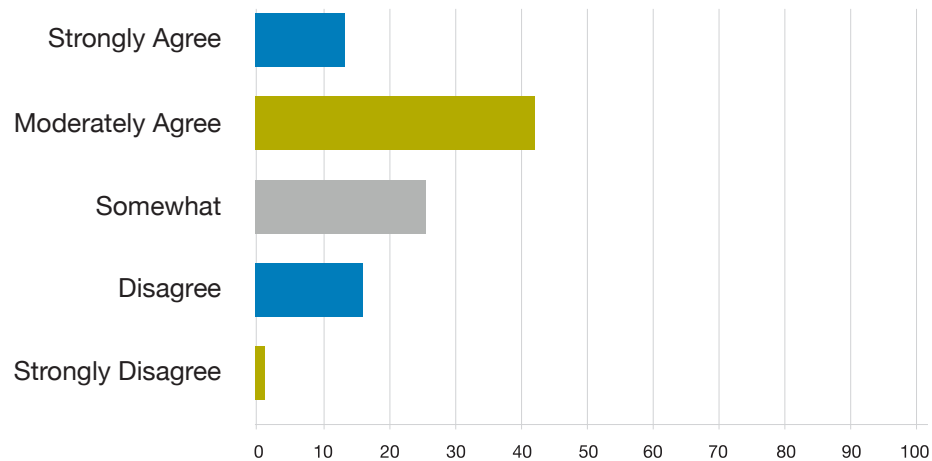
One of the hallmark indicators of successful, sustainable nonprofits who are effective in fulfilling their missions use data to drive business decisions, evaluate programs, improve their organization overall and most importantly to measure the efficacy of programs and services as they relate to their own missions.

When asked if they evaluated any part of their work, 81% of responding nonprofits responded with a yes. Of those 74% used evaluation findings to report to their Board of Directors, 68% used them to plan/revise programs and 56% reported using them to plan/revise strategies.

We also gave respondents an opportunity to rate their own effectiveness with using program data. Only 33% reported that they felt extremely or very effective, 47% reported feeling somewhat effective and 19% said not so or not effective at all.

This highlights another fairly significant capacity gap, one that the Idaho Nonprofit Center along with our partners can work to address.

The concept of using program evaluations to promote a culture of continuous improvement also seems to be gaining traction with 60% of reporting nonprofits selecting agree or strongly agree to the question.



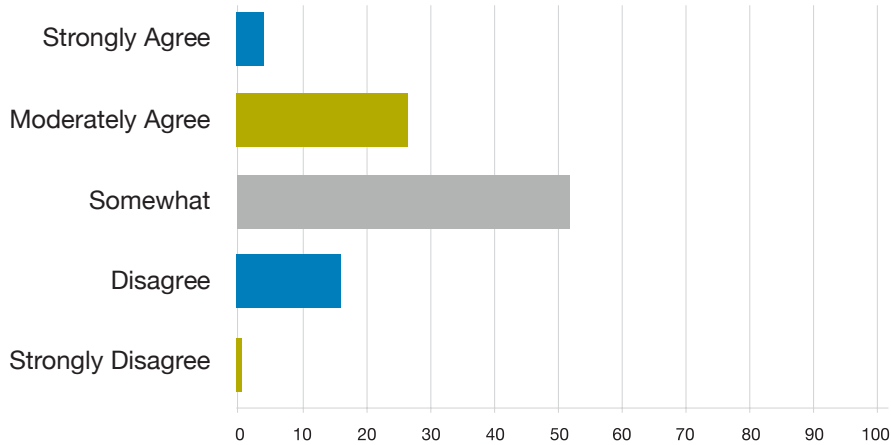
Value, Policy, and Advocacy

Nonprofits play an important part in policy and advocacy work. Often, there's policy that is either in the way, needs to be improved, or drafted that could be a game-changer in how nonprofits are able to fulfill their missions.

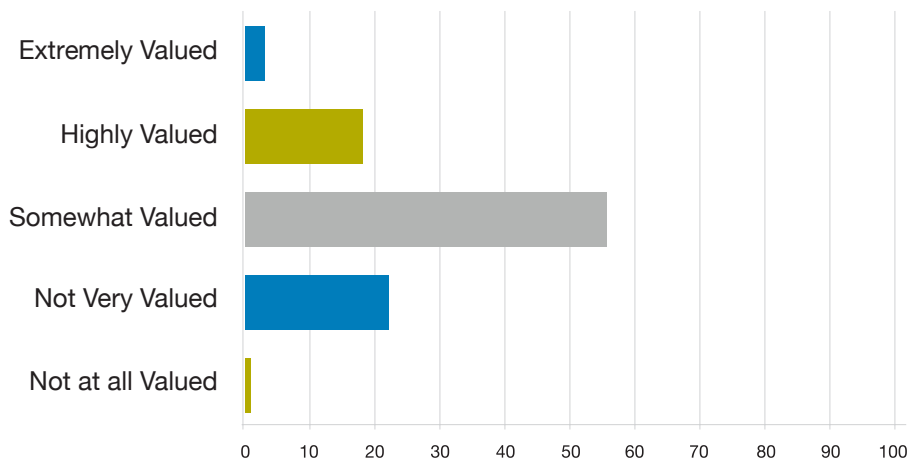
Part of any nonprofits advocacy work is creating value in their own community. We asked nonprofits how they perceive the nonprofit sector is valued in their community, and we are happy to report that **nearly 58% of respondents indicate they perceive nonprofits are extremely or highly valued.** In light of the COVID-19 pandemic, we anticipate that has shifted public perception even higher as our response as a collective sector was absolutely critical in maintaining and expanding needed programs, services and support throughout the pandemic (which rages on).

We also wanted to measure nonprofits' perception that nonprofits have a voice and a role in the public policy decision making process. This also clearly identified a knowledge and skills gap that is part of our mission to fill:

Do you agree that nonprofits have a VOICE in the public policy decision-making process?



How valued are nonprofits' ROLE in the public policy decision-making process?



Nonprofits have data and influence, which gives them a voice and by virtue of that voice an opportunity to provide a critical role in policy-making at the state AND local levels. We hope this data point trends upwards in the coming years.

Capacity Gaps Aside from Funding

When asked what nonprofits need most, they will more than likely respond with “funding” as an answer. We wanted to measure what other capacity gaps they might have. We generated a wordle from their responses (below) but the top needs



for nonprofits were volunteers, staff, facilities and board members.

In light of the COVID pandemic volunteers, staff and funding have been amplified as massive capacity gaps for most, if not all, nonprofits in Idaho.

In Conclusion

Nonprofits across Idaho serve the public in so many ways, and we know that their great work cannot simply be reduced to numbers and charts. These findings are only part of the story, but they provide important insights into the health of Idaho's nonprofit sector and illuminate the internal and external challenges that nonprofits face.

The information and trends that this report spotlights can lead us to opportunities for enhancing nonprofit effectiveness. We are encouraged that progress is being made on critical indicators of nonprofit organizational and leadership health. We also know that there is still work to do. In particular, our findings call for increased attention to succession planning, equity and inclusion work, and deeper collaboration.

The INC will be using this data in our programs, resources, advocacy work, and convening events to assist INC members and all nonprofits in closing the gaps and being the best nonprofits we can be.

We deeply appreciate the candid responses of respondents and their willingness to share their nonprofit challenges and struggles through their participation. Learning is a process. Part of learning requires us to address issues that we may not understand or feel comfortable with. Part of learning is knowing when to ask for help and the Idaho Nonprofit Center is here to support your efforts. We know that across the state, Idahoans are being positively impacted every day by our nonprofit sector and we look forward to working with all of you for even greater impact in our communities. Thank you all for the work that you do to enrich the lives of all Idahoans.

A more detailed look at the data collected from the survey can be found at: IdahoNonprofits.org

The Idaho Nonprofit Center would also like to thank the Nonprofit Association of Oregon (NAO) and the Predictive Analytics class students in the College of Business and Economics at Boise State University for their work on the analysis and cross-tabulation of data for the State of the Sector report.

Special thanks go to Jim White, Executive Director of NAO and Dr. Christie Fuller, Assistant Professor, Boise State University.