

NONPROFIT SURVEY

2011

Executive Summary



Sobel & Co., LLC
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS



CHARITY NAVIGATOR
Your Guide To Intelligent Giving

COMMUNITY • FOUNDATION • OF • NEW • JERSEY

In December 2010, Sobel & Co., Semple Bixel Associates, Inc., Charity Navigator and Community Foundation of New Jersey gathered to discuss critical issues facing nonprofits today. Undoubtedly, the nonprofit community has been impacted by the recession. However, collectively the four organizations, each representing various service elements of the nonprofit community, felt that the focus should be on fundraising and effective donor communications.

Through this survey, we sought to determine whether discrepancies exist between the donors' perceptions and those of the nonprofit leaders regarding fundraising and communication. Based on the results gathered from organizations and donors, and after a careful analysis of the data the sponsoring organizations are pleased to offer their insights and recommendations.

Key Findings

Understanding that executive leaders of a nonprofit organization and their donors' perceptions may differ, the responses to specific questions in the survey demonstrate an interesting divergence, especially in transparency, future giving trends and fund raising approaches and methods. Differences in these key areas stand out time and again throughout the survey.

Transparency

When donors were asked if transparency and accountability are more important now, less important now, or about the same to them, 60% replied that they are more important to them. And yet, when Executive Directors were asked if they believed that the trend among their donors is to want more transparency, less transparency or the same as before, 74% believed that their donors did not expect any change in the level of transparency and accountability.

Despite the different views, this is clearly an area of real importance to donors, and one that receives a great amount of media attention. In the past 10 years, the call for transparency within the nonprofit community has grown. With changing government regulations, private sector expectations of accountability and donor involvement in nonprofit organizations (through volunteerism and direct contributions), it is evident that the demand for transparency will continue to be at the forefront for nonprofits.

Future Giving Trends

Over 43% of donors said that they gave more in 2010 than in the previous year and the same number, 43%, said they anticipate giving more in 2011. 22% percent said

they gave less in 2010 than in the prior year while 11% expected to give less this year than last. This change may reflect some optimism related to the upswing of the economy. In direct contrast, 46% of Executive Directors thought that donors gave less in 2010 than they had in 2009, and only 24% thought donations increased that year. This 19% gap between donors and Executive Directors bears further discussion. It is noted that 64% of Executive Directors expected individual donations to increase in 2011 and 14% projected a decrease in donor contributions, again significantly deviating from the donors' declared intentions.

Fund Raising Approach

The survey further revealed that donor preferences in fund raising techniques deviated from the perceptions of Executive Directors. 78% of donors said they prefer to have one annual appeal from a nonprofit organization rather than multiple appeals throughout the year. Yet, 71% of Executive Directors declared that they believe donors prefer multiple appeals, and only 29% said they thought donors would prefer one 'ask' per year.

These 'disconnects' and others that surfaced throughout the survey will be discussed at greater length in the following pages.

Conclusion

This survey was designed to uncover incongruities and inconsistencies between nonprofit Executive Directors and their donors. The results validated the sponsoring organizations' original premise and prompted provoking discussions regarding changes that must take place to bring the two into greater and more consistent alignment.



The 2011 Nonprofit Survey Results and Analysis

1. Methodology

2. Fundraising

3. Transparency, Accountability, Responsibility

4. Critical Characteristics

5. Donor Loyalty

6. Conclusion

7. About the Sponsors

8. Special Thanks

1. Methodology

Goals

The primary goal for this survey was to gain insight into the attitudes and expectations surrounding a broad scope of fund raising activities based on the perspectives of the donors themselves and the Executive Directors who are responsible for their organizations' financial success.

If any differences between the two viewpoints became obvious, our secondary goal was to determine why the gaps exist and how to best overcome them.

Delivery Mechanism

A paper version of the survey was handed out at the annual Sobel & Co. Nonprofit Symposium in January 2011. Immediately after, it was also available electronically on the Sobel & Co. website through March 20, 2011. Constant Contact was the platform used for gathering data.

The survey was sent to individual donors and to executive leaders of nonprofits by the sponsors (Sobel & Co., Semple Bixel Associates, Inc., Charity Navigator and The Community Foundation), as well as by NJ Monthly, William Paterson University, Perkins Partnership, and a range of other nonprofit leaders and organizations that assisted in increasing the distribution of the survey.

Number and Size of Participating Organizations

There were 175 total participants, including 98 donors and 77 Executive Directors, 89% of which represent nonprofits with operating budgets of \$10 million or less. 54% of the Executive Directors lead organizations with less than 10 employees.

The good news is that 51% of the Executive Directors did not make any changes to staff over the past twelve months and 74% don't expect to make any short term changes in the next three months. An even greater indicator of a growing positive attitude, though, is that 38% (up from 26%) expect to hire within the next year. Caution is the watchword – but it is buoyed by hope for a better future.

Approximately 30% of the Executive Directors who took the survey have boards of 10 or fewer members and nearly 60% have boards comprised of 11-20 members. The size of the responding organizations, while representing a typical cross section of the nonprofit sector in New Jersey and New York, has an influence on the responses, as will be seen in subsequent analysis.

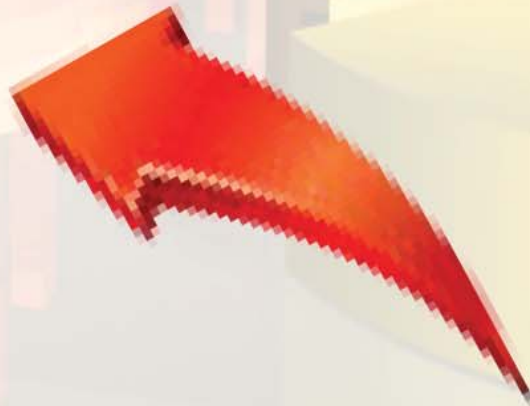
2. Fundraising

Type of Fundraising

34% of Executive Directors replied that they rely on grants to supply between 40-100% of their revenue. With evidence pointing to diminishing grant availability, these organizations may find themselves in a vulnerable position in the coming months and years. According to the survey, virtually none of the Executive Directors relied on major gifts or capital campaigns over the last twelve months. This could be an indication of the lingering impact of the recession that began late in 2008. Despite all the recent focus on the use of social media for fund raising, 98% of Executive Directors said they receive less than 20% of income from social media. Based on the size of the participating organizations, it is understandable that they may not have the resources, talent or time to utilize these new technologies in a cost effective fashion. While 26% rely on events to generate revenue, it is understood that planning for and implementing events is time consuming.

In the past 10 years, event planning and implementation has endured many changes. Many organizations host events as fundraisers, others host events as an opportunity to celebrate community, while cultivating and stewarding prospective and major donors. Events serve a different purpose for each organization – however, reliance on events to serve as the key income generating method places the organization in a position that could hinder success because of a limited fundraising “portfolio.”

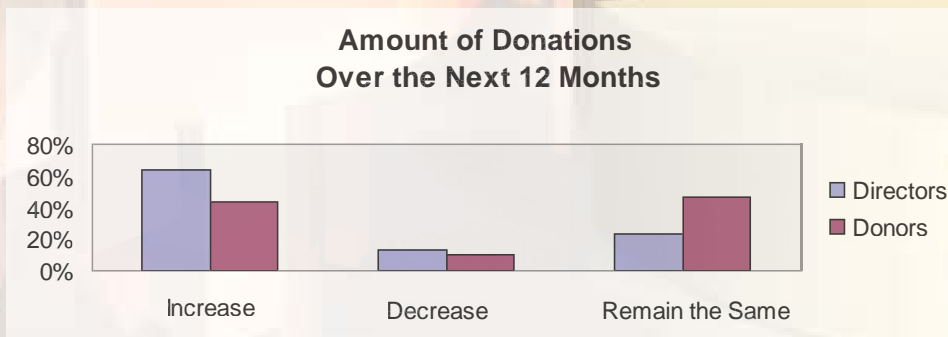
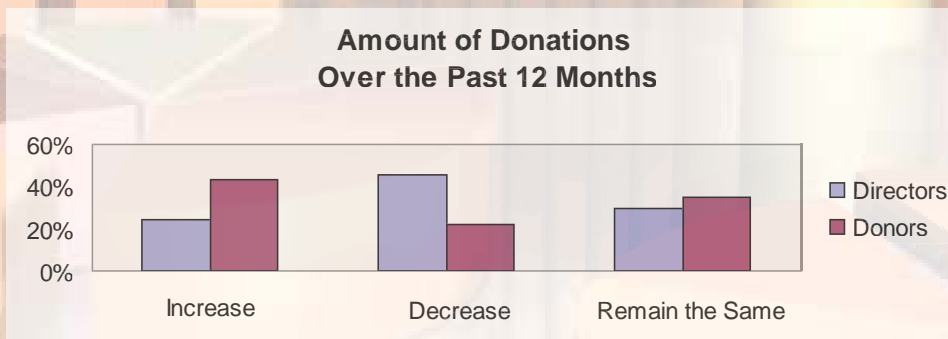
One question we plan to include in a later survey is whether 5k walks and runs have become an important ingredient in an organization’s fundraising mix. Consultants to nonprofits indicate 5k walks and runs are a popular option because the fundraising is done by the participants, and is conducted on-line in an efficient manner. As such, we expect to see more of this type of fundraising. If that is the case, runs and walks could someday ease out direct mail, golf outings and galas.



Amount of Donations

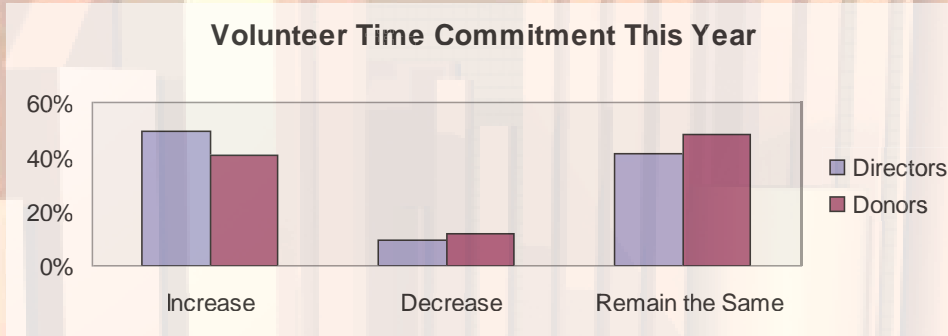
This was the first question that generated a gap in perspectives between donors and Executive Directors. 43% of donors said they gave more in 2010 than in 2009 and that they expect to give more in 2011 than in 2010. Because the economic future remains difficult to gauge, 48% of donors said that they will give the same in 2011 as they did the previous year, adopting a wait-and-see approach. Executive Directors, on the other hand, saw things less positively. 46% said donations went down in 2010 compared to 2009. It may very well be that the individual donors who give regularly continued their philanthropy at a consistent pace. Executive Directors experiencing fewer contributions may be feeling the impact of a decrease in over all *number* of donors – a side effect of the recession.

An additional explanation that may account for donors reporting an increase in contributions while Executive Directors of local nonprofits reported a decrease in contributions is that donor attention may have been diverted to international causes, such as Haiti Relief. This could result in a decrease of donations overall to New Jersey or New York organizations. However, contributions to assist during natural disasters are often one time donations, versus habitual, annual giving to organizations that have developed a relationship with the donor.



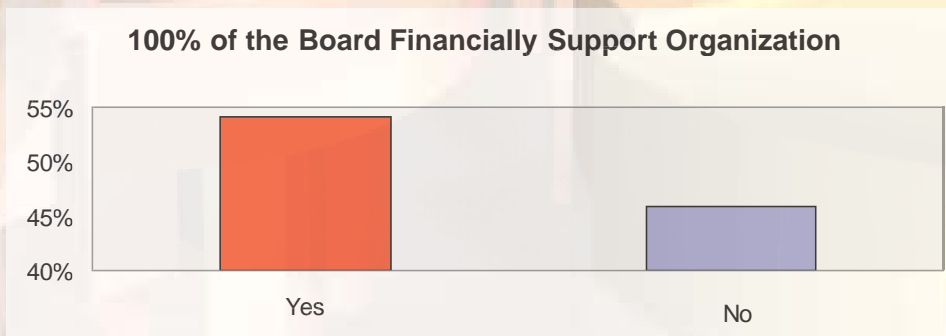
Board and Volunteer Support

34% of Executive Directors noted that their board members, typically representing an organization's most passionate supporters, increased their giving in 2010. Yet only 54% of Executive Directors said they have financial support from 100% of their board members. Confidence from those who share the fiduciary responsibility of the organization is critical. It should be expected to have 100% board participation each fiscal year.



49% of the participating organizations said volunteer time increased this year. Donors and Executive Directors responded similarly to the questions regarding the increases and decreases in volunteerism with little or no difference in percentages. 43% of donors expect to volunteer more in 2010 than in the previous year and 49% of Executive Directors agreed, saying they are seeing an increase in volunteerism for now.

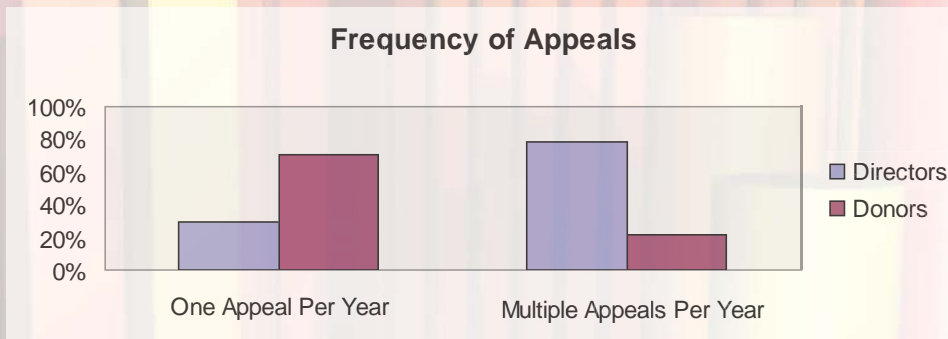
The spike in volunteer time has been affirmed in many studies tracking the trends among the unemployed. With a high number of workers currently in transition, the number of volunteers in the nonprofit sector has grown. This trend may reverse itself with nonprofits finding that a more robust economy brings an "I will write a check but I have no time to volunteer" mentality—such as was evident prior to 2008.



Frequency of Appeals

78% of donors replying to this survey overwhelmingly prefer one appeal per year, while 22% said multiple appeals are preferable. Those organizations that are evolving to an annual “giving menu,” or an approach of asking annually for a comprehensive gift, are best positioned to respond to changing donor demands.

Regardless of the donors’ responses, 71% of Executive Directors maintain that donors prefer multiple appeals. Communication with donors is imperative and learning about donor expectations will increase the Executive Directors understanding of how they prefer to be solicited!

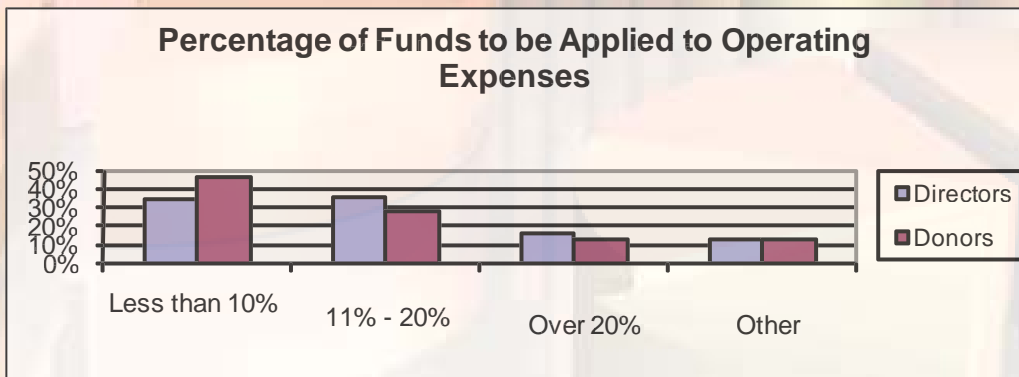


Use of Funds

This was an interesting question and one that we were eager to review. Past studies indicated donors preferred to contribute to something tangible, giving them the opportunity to see the results of their generosity. Websites such as DonorsChoose.com and ModestNeeds.com along with Heifer International and other 'catalogue-type' programs are a testimony to the growing desire among donors to designate where and how funds are to be distributed.

To that point, nearly half of donors 47% said they want less than 10% of their contributions to be applied to cover administrative and operating expenses. Contrary to this, Executive Directors estimated that only 35% of their donors would opt for less than 10% of their contributions being designated for overhead and other costs. The 12% gap may present a challenge for Executive Directors as more savvy donors pay attention to how funds are applied. (This also correlates to the earlier questions regarding transparency, accountability and ethical leadership).

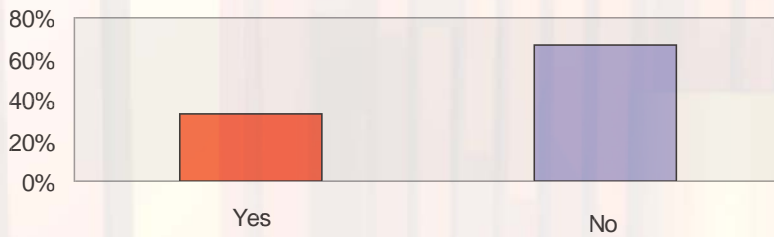
A word of advice: Executive Directors must educate their donors by identifying all costs related to each program (salaries and overhead included) so donors understand that philanthropic dollars are being used judiciously. It is incumbent upon Executive Directors to explain to donors why some reasonable portion of every contribution is applied to the operating budget, and make the case as to why each unrestricted gift has a substantial impact on the organizations' services.



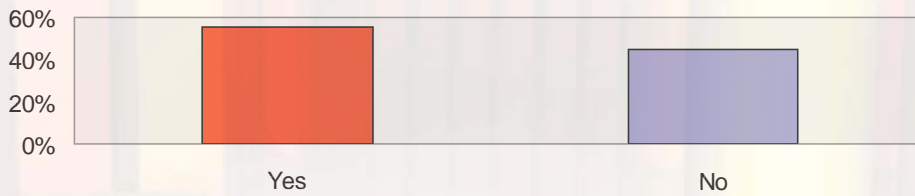
Endowment Funds

55% of donors surveyed said they would contribute to an endowment fund, yet, 67% of Executive Directors said their organizations do not have an established endowment. The economic concern over the last few years has altered what donors think about philanthropy and the needs of organizations they support.

Percentage of Organizations with Endowment Funds



Percentage of Donors who Would be Willing to Donate to an Endowment Fund

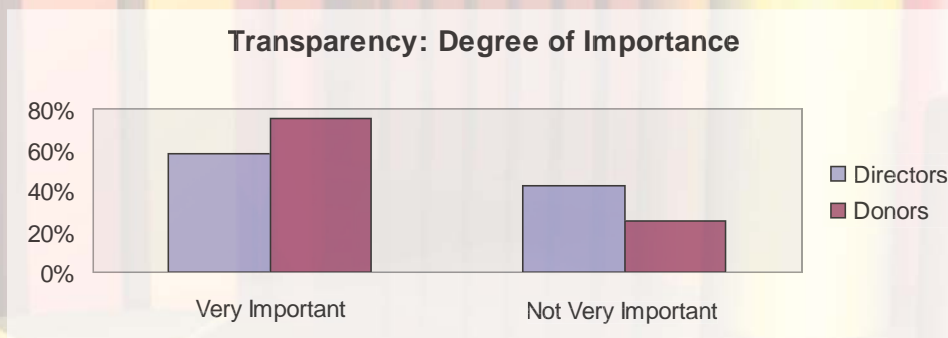


3. Transparency, Accountability, Responsibility

This is one area where there is a cause for concern regarding the wide gap between donors' and Executive Directors' replies. 74% of the Executive Directors did not think that there were any changes in their donors expectations regarding transparency.

Donors, on the other hand, disagree. 60% believe transparency and accountability are more important now than ever before.

What does this mean? It is suggested that Executive Directors should recognize that donors, despite longstanding loyalty, are raising critical questions and they expect answers.



4. Critical Characteristics

Ranking the Top Three Characteristics

Our experience shows that donors often choose to support organizations with winning reputations. With that said, 88% ranked the impact of the organization on its clients (constituent base) as the most critical trait, and 81% of donors said that strong leadership and vision ranked in the top three most critical components for a nonprofit's success. This correlates with the 75% of donors who said accountability and transparency in the organizations and the leadership are critical factors. 63% of donors said a message of stability and growth is also a key to success.

Similarly, 81% of Executive Directors agreed that the impact of the organization on its clients is its number one most important feature. But that is where the similarity ends. In contrast to the 43% of donors who said that a growing donor base was critical, only 25% of Executive Directors agreed. Along the same lines, 42% of donors said strong fundraising results are critical to success but only 32% of Executive Directors agreed with that assessment. Finally, while 75% of donors said accountability is critical, only 58% of Executive Directors rated accountability as being of critical importance.

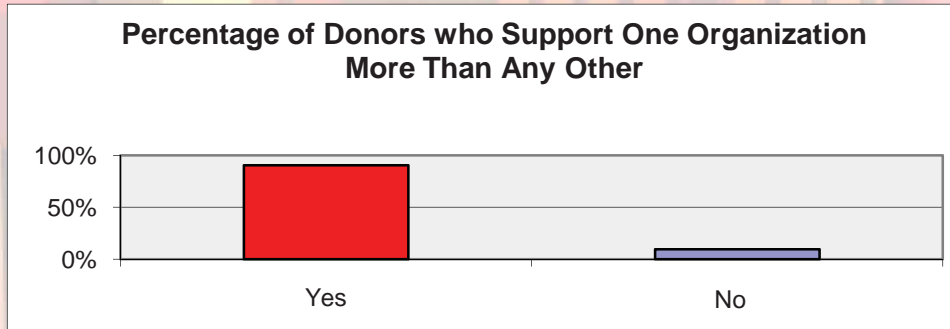
When asked to rank the *one* characteristic that was most important for a nonprofit's success:

- 24% of donors thought strong leadership was most important, compared to 19% of the Executive Directors
- 15% of donors thought strong fundraising results were most important but only 1% of Executive Directors agreed
- 33% of donors responding thought the impact of the organization on its clients was the number one most important criteria for success but 58% of Executive Directors ranked this as most important

If donors want to be reassured that there is a successful track record with strong leaders at the helm, Executive Directors will have to increase their donor communications accordingly. Those who are experiencing strong results need to showcase their accomplishments (not only emphasizing the impact on the clients, but also highlighting their growing donor base and financial success). The communication should include timed e-newsletters, letters, phone calls and an annual report, all designed to increase the trust of donors by providing timely and relevant information and benchmarks.

5. Donor Loyalty

90% of donors said that they have one organization that they support more consistently than any other. This loyalty is powerful, and may be contributing to the satisfied and even complacent attitude that we noted in some of the Executive Director responses. But loyalties can change if there are internal leadership issues, a steep economic downturn or new information that influences the donor's attitude.



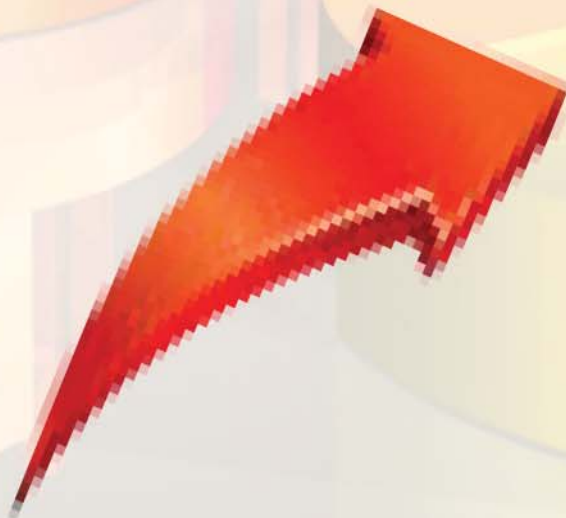
6. Conclusion

One of the first things we noticed upon compiling the data from this survey was that more donors participated than Executive Directors. We believe this indicates that donors want to have their voices heard. A recession and a slow recovery have compromised the nonprofit's ability to generate revenue. As the public sector, the government, corporations and foundations slashed their giving programs, the burden fell to individual donors to account for 75% of all contributions to this sector. Unfortunately the economic malaise struck individuals as well, causing them to carefully reconsider their level of financial support. This may have caused donors to pay closer attention to the financial details.

The good news is that volunteerism increased as the number of people with free time increased. Fortunately, a spirit of optimism prevails now, showing up in expectations for increased contributions.

But things will never be quite the same again, and many of the lessons learned by donors will not be forgotten. And so, they are asking hard questions, expecting transparency and responsibility, and taking an active role in designating how funds are spent. Even though loyalty is strong, nearly 5 million donors visited Charity Navigator before making important funding decisions. This was especially obvious in January 2010 after the Haiti earthquake when 80,000 donors visited Charity Navigator in one day and nearly half a million visited by the end of that week, as potential donors sought credentials and accurate information before making a contribution.

Executive Directors need to listen carefully to donors. They must foster an air of openness, demonstrating the financial strength and breadth of resources of the organization and showcasing their impact on the community if they want to attract and retain donors.



7. About the Sponsors

Sobel & Co. is a regional certified public accounting and consulting firm with headquarters in Livingston, New Jersey. The firm has been providing traditional and nontraditional services for a wide range of companies, most especially for nonprofit and social service organizations and foundations in the metropolitan area of New Jersey/ New York. Since its inception in 1956, Sobel & Co. has combined the strength of a regional firm that has national and international resources with a hands-on approach backed by real world industry experience and skills to help clients remain successful. The professionals at Sobel & Co. continuously review their clients' unique situations and offer recommendations for improvement and relevant solutions to help them achieve their goals.

Semple Bixel Associates is a fundraising and management consulting firm. Since 1976, they have served hundreds of organizations – helping them to succeed in the increasingly competitive arena of non-profit fundraising. Semple Bixel offers customized strategies that work within a client's timeline and budget.

The Community Foundation of New Jersey is an alliance of families, businesses and foundations that work together to create lasting differences in lives and communities – today and tomorrow. Donors who establish a charitable fund with Community Foundation have the opportunity to focus charitable dollars on their timetable – on causes, organizations and communities they believe in – to achieve their desired impact. The Community Foundation is a platform where ideas are implemented for good. They are a shared, cross-generational response of like-minded individuals to current challenges and future needs. It is a place where change takes hold and giving becomes a legacy.

Charity Navigator is the largest charity evaluator in America and its website, <http://www.charitynavigator.org/>, attracts more visitors than all other charity rating groups combined. The organization helps guide intelligent giving by evaluating the financial health of 5,500 charities. In the near future, Charity Navigator will also evaluate each charity's results and assess its commitment to accountability, ethics and transparency thereby moving from a one-dimensional to a three-dimensional rating system. Charity Navigator is a 501(c)(3) organization which accepts no advertising or donations from the organizations it evaluates, ensuring unbiased evaluations.

8. Special Thanks

We offer a special note of appreciation to Dr. David Lewin, the Founder and President of Statistically Speaking Consulting, LLC. Dr. Lewin's "behind the scenes" guidance as we identified our goals and formulated our questions, along with his insights regarding the analysis of the results, were invaluable in assuring the relevancy and success of this survey. Please visit his website at www.statspeaking.com.

