

A joint project of the Center for Civil Society Studies at the Johns Hopkins Institute for Policy Studies in cooperation with the Alliance for Children and Families, the Alliance for Nonprofit Management, the American Association of Homes and Services for the Aging, the American Association of Museums, the National Council of Nonprofit Associations, and the Theatre Communications Group

COMMUNIQUÉ No. 6

Nonprofit Fiscal Trends and Challenges

Lester M. Salamon and Stephanie L. Geller
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EXECUTIVE SUMMARY

Like other organizations in our society, nonprofit organizations are being affected by a range of significant changes at the present time. To gauge the impact of these changes, the Johns Hopkins Nonprofit Listening Post Project conducted a survey, or Sounding, of its nationwide sample of nonprofit organizations in five key fields (children and family services, elderly housing and services, community and economic development, theaters, and museums) in 2006. Key findings from this Sounding included the following:

1. **A successful year.** Fiscal year 2006 was a reasonably good year for America's nonprofit organizations. Fewer organizations reported severe fiscal stress than in recent years, and substantial majorities of organizations in all fields, and of all sizes, reported generally successful financial performance.
2. **Improved revenue picture.** This apparent easing of fiscal stress seems to have reflected, in part, a slightly improved revenue picture for organizations. Less than a third of all respondents expected their revenues to decline in 2006. Respondents, however, continued to feel pressure from their largest single source of income—government—with nearly two thirds of all respondents indicating that they expected government support to either decline or remain stagnant. To help offset these losses, respondents are increasingly turning to two other revenue sources—individual giving and fees and charges, with the latter supplying proportionately twice as much.
3. **Cost escalation.** Nonprofit costs have also continued to rise. Given the labor-intensive character of many non-

profit activities, the number one driver of cost increases was wages and salaries.

4. **Increased activity.** Despite their increased reliance on fee income, which threatens to shift services from those in greatest need to those able to pay, substantial proportions of respondents reported increased activity during 2006, including services directed to the poor.
5. **Ongoing challenges.** While the past year was reasonably successful for nonprofit organizations, significant challenges continue to confront these organizations. Funding issues, including charitable fundraising, health benefit costs, government budget cuts, and generating fee income continue to be the most pressing problems. However, nonprofit executives are also feeling increasing pressures from a range of human capital issues, such as board recruitment, staff recruitment and retention, and executive transition. By contrast, despite significant media attention and government scrutiny, only a small proportion of respondents considered accountability demands to be a very significant challenge.

The full text of this Communiqué is available for downloading at: www.jhu.edu/listeningpost/news



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Introduction

Fiscal year 2006 was a reasonably good year for America's nonprofit organizations. Organizations reported less severe fiscal stress than in recent years and substantial majorities of organizations in all fields, and of all sizes, reported generally successful financial performance. At the same time, organizations reported continued funding pressures and serious concerns about a variety of other important challenges, though the scale of concern about some of these challenges narrowed considerably compared to prior years.

These are the major conclusions that flow from a recent survey of nearly 750 nonprofit organizations conducted by the Johns Hopkins Nonprofit Listening Post Project.¹ The survey covered a broad cross-section of nonprofit organizations involved in children and family services, elderly housing and services, community and economic development, museums, and theaters. It followed up on similar surveys of nonprofit fiscal trends and challenges conducted by the Listening Post Project in 2003.

The discussion below outlines these findings in greater detail and highlights the implications they hold for the nation's nonprofit sector and those it serves. To put the findings into context, however, the Communiqué first provides some background information about the survey itself.

The Listening Post Trends Surveys

Like other organizations in our society, nonprofit organizations are being affected by a variety of significant changes. Shifts in government funding, changes in public behavior, new technological demands, growing competition, and major demographic alterations are just some of the challenges to which nonprofits are having to adapt.

Unlike other components of American society, however, nonprofit organizations have long lacked systematic information resources that can help them identify the challenges affecting them or the impact these challenges are having. No Bloomberg News is available to collect and disseminate information on the nonprofit sector on a regular basis and the available information sources lag far behind developing trends.

The Nonprofit Listening Post Project was designed to help nonprofit organizations overcome this gap in timely information. The project has built an information platform of nonprofit organizations and regularly surveys these organizations on issues thought to be affecting them. Periodically, moreover, the Listening Post Project takes the overall pulse of its participating organizations, focusing on key fiscal trends and potential challenges that might be affecting nonprofit organizations.

The present Communiqué reports on the results of the most recent of these "trends and challenges" surveys, which was conducted in the late summer and fall of 2006. In addition, it compares these results to those obtained in two prior surveys, one conducted in the spring of 2003 and focusing on the major challenges nonprofit organizations were facing, and the second conducted in the latter part of 2003 and focusing on the fiscal health of the organizations.

All three of these surveys examined nonprofit organizations in five major fields of activity: children and family services, elderly housing and services, community and economic development, museums, and theaters. The earlier surveys drew their samples exclusively from among the members of the national intermediary organizations in these five fields that are partners

¹ Surveys were distributed to 739 nonprofit organizations in five major fields of nonprofit activity—children and family services, elderly housing and services, community and economic development, museums, and theaters. Altogether, 341 organizations submitted responses, yielding a 46 percent response rate, quite high for surveys of this sort (refer to the Appendix for further detail).

in the Listening Post Project. The more recent survey supplemented this sample of affiliated organizations with a sample of organizations in the same fields selected randomly from filers of the Form 990 required of all tax-exempt organizations with revenues in excess of \$25,000.² As noted more fully in Appendix Table 2, these two samples are therefore somewhat different. In particular, the more recent survey includes a considerably larger proportion of small and medium-sized organizations. The significance of this difference is detailed more fully in the findings below.

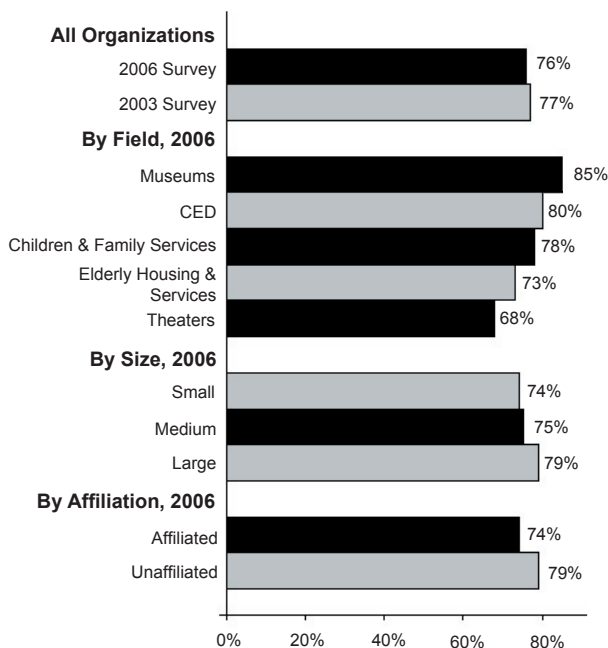
Key Findings

To take the pulse of the nonprofit sector, our recent trends survey focused on three major issues: first, the fiscal performance of the surveyed organizations; second, the impact of this fiscal performance on the activities of these organizations; and third, the challenges these organizations see on the horizon. In each case we report below the evidence emerging from our 2006 survey and compare it to the picture that emerged from our earlier 2003 surveys on similar topics.

I. Recent Financial Performance

- **A successful year.** A sizeable majority (76 percent) of the organizations surveyed in the 2006 Johns Hopkins Nonprofit Listening Post Trends Sounding rated their financial performance during the twelve months prior to our survey as “somewhat” or “very” successful. This was roughly comparable to the proportion that reported successful financial

Figure 1
Percent of Organizations Reporting “Somewhat” or “Very Successful” Financial Performance Over Prior 12 Months, 2006 vs. 2003



SOURCE: Johns Hopkins Nonprofit Listening Post Project, Nonprofit Fiscal Trends and Challenges Sounding, 2006; and Stressed but Coping: Nonprofit Organizations and the Current Fiscal Crisis Sounding, 2003

performance in 2003 (see Figure 1). The recent record is particularly notable, however, in view of the fact that the current survey included a higher proportion of smaller organizations, which tend to confront more significant fiscal challenges.

- **Little variation in financial performance by field, size, or affiliation status.** The generally successful fiscal performance reported by Listening Post respondents during the twelve months preceding our recent survey seems to have been fairly widespread. There was thus little variation in the overall record of financial success by either organizational size or affiliation status, though some variations surfaced among organizations in different fields. In particular:

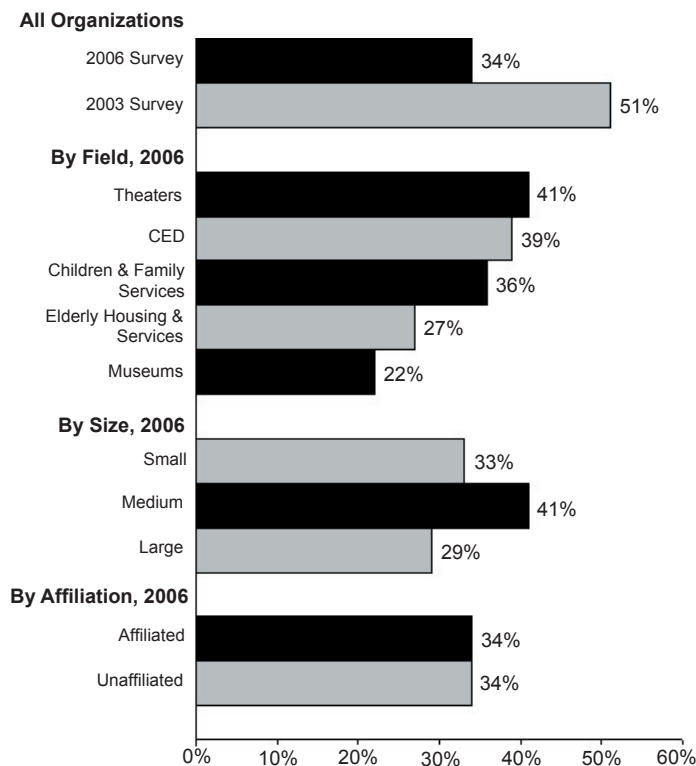
- Roughly the same proportions of small and medium-sized organizations reported successful financial performance over the prior twelve months as did large organizations (74 and 75 percent vs. 79 percent) (see Figure 1).
- The proportion of unaffiliated organizations reporting successful financial performance was on a par with, or slightly ahead of, that of their affiliated counterparts (79 percent vs. 74 percent) (see Figure 1).
- Some variations were apparent among organizations in different fields, however, with proportionally more museums reporting fiscal success than other types of organizations, and proportionally fewer theaters. Even among theaters, however, over two-thirds reported “very successful” or “somewhat successful” financial performance over the twelve months prior to the survey.

- **Reduced fiscal stress.** The generally successful financial performance of nonprofit organizations during the twelve months prior to our survey was due in large part to the more limited financial pressures that organizations faced during this period. This contrasts with the situation that prevailed during 2003, when a comparable proportion of organizations reported overall financial success, but only after overcoming considerably more fiscal stress. In particular:

- **Overall fiscal stress.** Only about a third (34 percent) of the surveyed organizations reported “severe” or “very severe” fiscal stress in the twelve months prior to our 2006 survey. This compares with 51 percent reporting such levels of stress three years earlier in the wake of the “perfect storm” of economic recession, market sell-off, government budget cuts, and rising health benefit costs that hit nonprofits during this period (see Figure 2).

² For the museum and theater fields, unaffiliated organizations were chosen from more complete lists suggested by the project intermediary organizations.

Figure 2
Percent of Organizations Reporting “Severe” or “Very Severe” Fiscal Stress Over the Past 12 Months



SOURCE: Johns Hopkins Nonprofit Listening Post Project, Nonprofit Fiscal Trends and Challenges Sounding, 2006; and Stressed but Coping: Nonprofit Organizations and the Current Fiscal Crisis Sounding, 2003

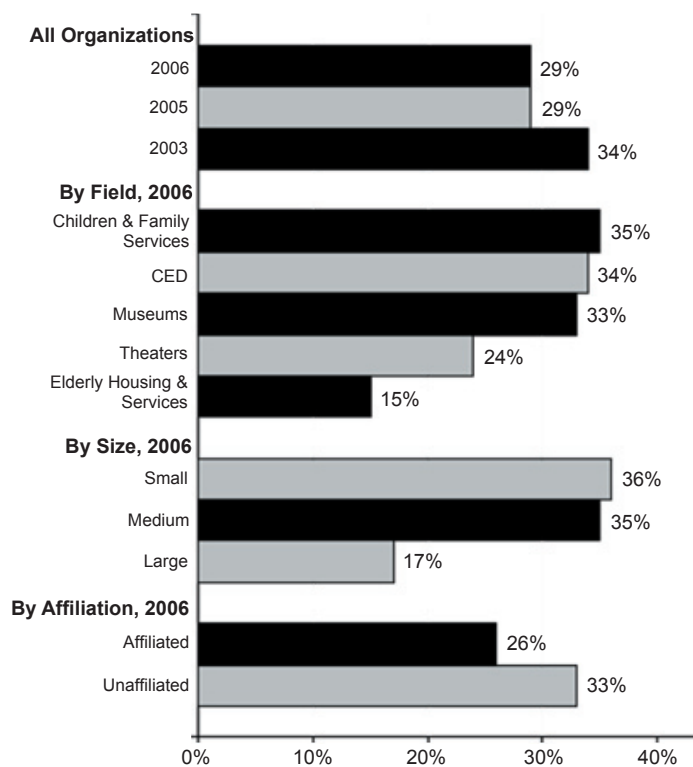
- **Variations in fiscal stress.** Organizations were not equally successful in avoiding fiscal stress in the more recent period, however. In particular:
 - o Theaters seem to have been hit hardest by fiscal pressures in the twelve months preceding our 2006 survey, with 41 percent of these organizations reporting “severe” or “very severe” fiscal stress. By contrast only 22 percent of museums reported such stress levels during this period (see Figure 2).
 - o Mid-sized organizations were similarly more likely to report “severe” or “very severe” fiscal stress than either small or large organizations (41 percent vs. 33 percent and 29 percent, respectively) (see Figure 2). In all three cases, however, the proportions reporting “severe” or “very severe” fiscal stress in 2006 were well below the proportions reporting such fiscal stress in 2003.
 - o Interestingly, there were no differences between the affiliated and unaffiliated organizations in terms of

their respective levels of fiscal stress during the recent period.

- **Improved revenue picture.** The apparent easing of fiscal stress in 2006 seems to have reflected, in part, a slightly improved revenue picture for organizations. In particular:

- Only 29 percent of the responding organizations reported that they expected their revenues to decline in 2006. Moreover, this came on the heels of a similar revenue performance in 2005. By contrast, 34 percent of respondents to our 2003 survey reported that they experienced reduced revenues that year (see Figure 3).

Figure 3
Percent of Organizations Expecting “Decline” in Revenue, 2006, 2005, 2003

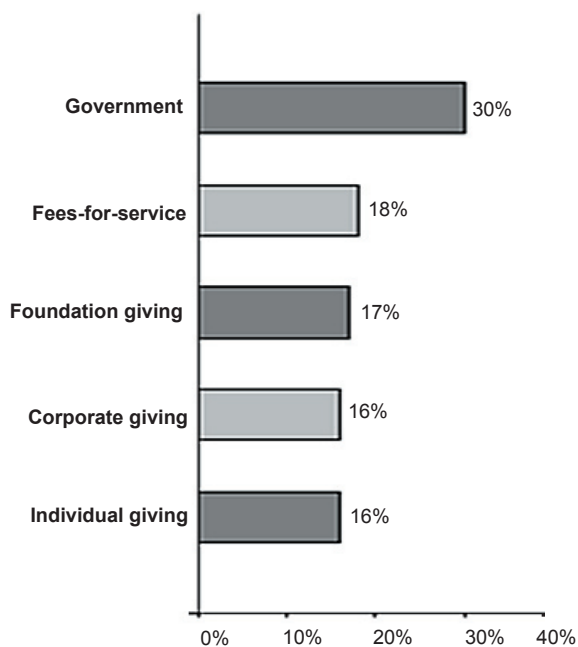


SOURCE: Johns Hopkins Nonprofit Listening Post Project, Nonprofit Fiscal Trends and Challenges Sounding, 2006; and Stressed but Coping: Nonprofit Organizations and the Current Fiscal Crisis Sounding, 2003

- The significance of the 2006 finding is all the greater when account is taken of the difference between these two samples. As Figure 3 shows, small organizations were twice as likely to experience reduced revenues in 2006 than large organizations. Since the 2006 sample contains a larger proportion of small organizations than the 2003 sample, the overall improved revenue performance reported in 2006 is all the more striking.

- Some types of organizations did worse than others in sustaining their revenues in 2006, however. In particular, roughly a third of the children and family service organizations, community and economic development organizations, and museums reported reductions in their revenue in 2006 compared to only 24 percent of the theaters and 15 percent of the elderly housing and service organizations (see Figure 3).
- **Source of revenue pressures.** Some important differences were apparent in the sources of revenue pressures reported by Listening Post organizations, however. In particular, as shown in Figure 4, fully 30 percent of the organizations expected reductions in their government revenue in 2006 and another 34 percent expected no growth. By contrast, fewer than 20 percent expected reductions in their support from fees and charges, foundation giving, corporate support, or individual giving.

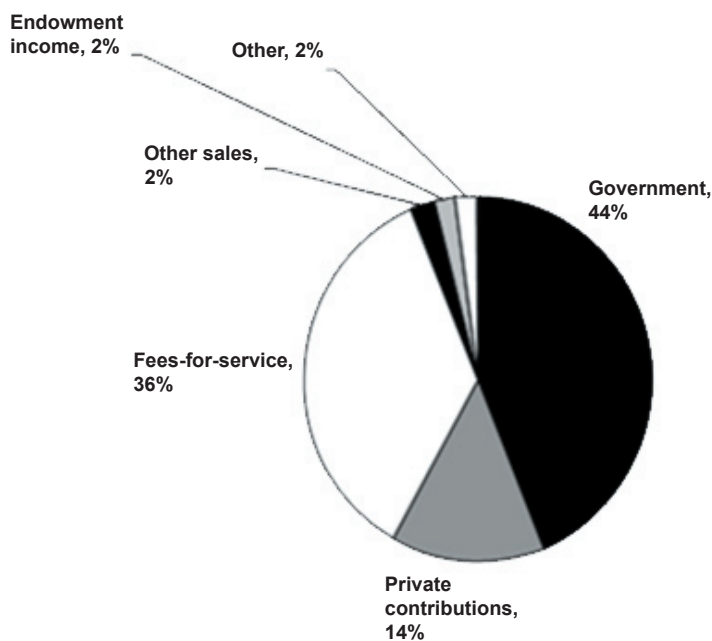
Figure 4
Percent of Organizations Expecting “Decline” in Revenue From Source During 2006



SOURCE: Johns Hopkins Nonprofit Listening Post Project, Nonprofit Fiscal Trends and Challenges Sounding, 2006

- **Variations in revenue base.** This finding is all the more significant in view of the revenue base of these organizations. As reported in Figure 5, government is the largest single source of income for the sampled organizations, accounting overall for 44 percent of the income. Among community and economic development and children and family service organizations, moreover, government support accounts for over half of all revenue, with elderly housing and service organizations not far behind with 44 percent of their total revenue coming from government. This makes the decline in government support reported by nearly a third of the organizations especially problematic.

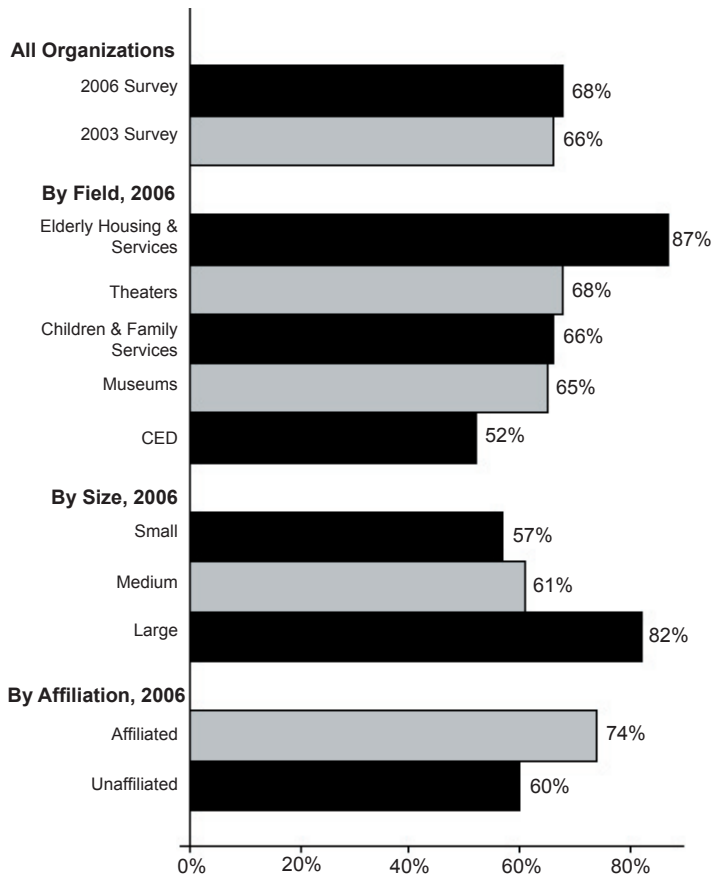
Figure 5
Sources of Revenue of Listening Post Organizations, 2006 (weighted)



SOURCE: Johns Hopkins Nonprofit Listening Post Project, Nonprofit Fiscal Trends and Challenges Sounding, 2006

- **Cost escalation.** Complicating the fiscal picture of Listening Post organizations further is the fact that while some important sources of revenue are declining or not growing, costs are continuing to rise. In particular, just over two-thirds of the responding organizations reported growth in their costs during 2006 (see Figure 6), and for 17 percent of them the costs were up 10 percent or more.

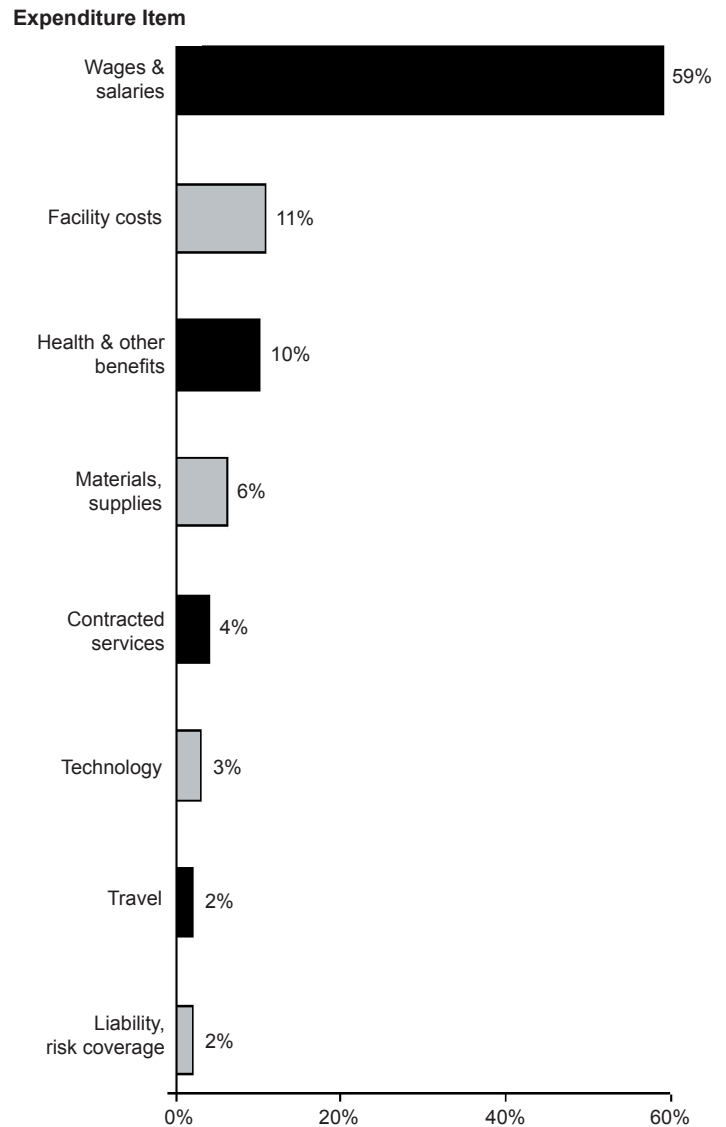
Figure 6
Percent of Organizations Projecting Increased Costs Over Prior Year, 2006 vs. 2003



SOURCE: Johns Hopkins Nonprofit Listening Post Project, Nonprofit Fiscal Trends and Challenges Sounding, 2006; and Stressed but Coping: Nonprofit Organizations and the Current Fiscal Crisis Sounding, 2003

- Projected cost increases were particularly widespread among elderly housing and service organizations, which also happen to be among the largest organizations in our sample. As Figure 6 shows, close to 90 percent of these organizations reported cost increases in 2006 compared to roughly 65-68 percent among theaters, children and family service organizations, and museums; and 52 percent among community and economic development organizations.
- Not surprisingly, given the labor-intensive character of many nonprofit activities, the expenditure item considered by the largest proportion of organizations to be the “most influential” in driving costs up was wages and salaries. Fully three out of five organizations surveyed identified this as the number one driver of cost increases (see Figure 7).

Figure 7
Percent of Organizations Identifying Expense Item as “Most Influential,” 2006



SOURCE: Johns Hopkins Nonprofit Listening Post Project, Nonprofit Fiscal Trends and Challenges Sounding, 2006

- Other cost items are also driving up costs, however. Thus, two-thirds of the organizations reported increases in health benefit costs, 56 percent in facilities costs, and 55 percent in liability insurance costs (see Table 1).

Table 1
Sources of Expected Nonprofit Cost Increases,
2006 vs. 2003

Expenditure Item	% of Organizations Expecting			
	Any Increase		Increase of 10% or more	
	2006	2003	2006	2003
Wages/salaries	73%	62%	12%	16%
Health benefits*	66%	72%	31%	25%
Facilities	56%	51%	18%	17%
Liability insurance	55%	78%	11%	43%
Materials	51%	43%	6%	10%
Technology	50%	48%	19%	19%
Travel	46%	25%	16%	7%
Contracted services	41%	46%	7%	10%
Other equipment	37%	25%	6%	5%
Other	19%	N/A	7%	N/A

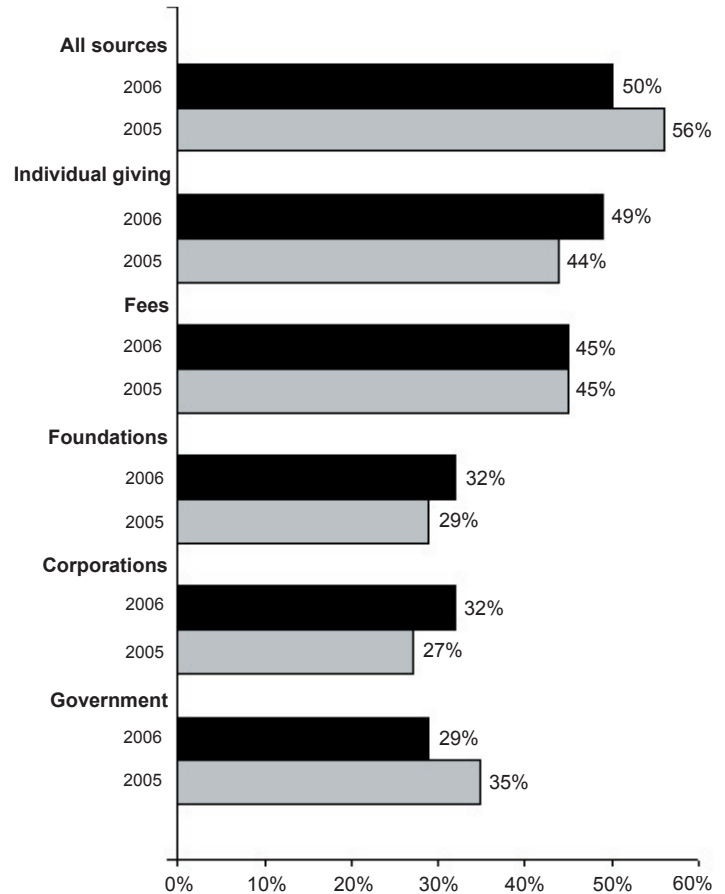
* 2004 survey included all benefits

SOURCE: Johns Hopkins Nonprofit Listening Post Project, Nonprofit Fiscal Trends and Challenges Sounding, 2006; and Stressed but Coping: Nonprofit Organizations and the Current Fiscal Crisis Sounding, 2003

— Such cost escalation seems to be more prevalent now, moreover, than it was in 2003, perhaps because the country was in recession in 2003. Thus, in six of the nine expenditure categories investigated both years, a larger proportion of organizations reported increases in 2006 than had done so in 2003. In most of these expenditure categories, furthermore, the increases in 2006 were also more likely to be in excess of 10 percent. The one major exception was liability insurance, where the prevalence of cost increases was much less in 2006 than it had been in 2003 (see Table 1). In addition, the proportion of organizations reporting increased health benefit costs seems to have dropped considerably compared to our Sounding on this topic in 2004 (66 percent in 2006 vs. 90 percent in 2004).

- **Escaping the fiscal squeeze.** How then did organizations escape the fiscal squeeze between declining, or stagnating, government support, and escalating costs? The answer suggested by our survey responses is that organizations turned increasingly to two sources—individual giving and fees and charges. Similar proportions of our responding organizations (44-49 percent) reported increases from these two sources in both 2005 and 2006 (see Figure 8). However, the gains in fee income were likely far more significant since fees accounted for 36 percent of total income compared to only 14 percent for private giving, as Figure 5 showed. Increased fee income was reported in 2006 particularly by elderly housing and service organizations, theaters, and museums. But a third of children and family service organizations also increased their reliance on fee income.

Figure 8
Percent of Organizations Reporting Increased Revenue by Source,
2005 and 2006



SOURCE: Johns Hopkins Nonprofit Listening Post Project, Nonprofit Fiscal Trends and Challenges Sounding, 2006

II. Implications of Prevailing Fiscal Condition for Services and Activities

Fiscal pressures leading to increased reliance on fee income brings with it, of course, the risk of shifting the focus of nonprofit activity away from those in greatest need toward those able to pay for services. To what extent is there evidence that the organizations we surveyed moved in this direction?

The answer suggested by our survey is: not much. In particular:

- **Overall increased activity.** In the first place, in the face of fiscal pressures, three-fourths of the organizations reported increased activity during 2006, and for a third of them the increase was 10 percent or more. What is more, this pattern was evident among all types of organizations (see Table 2).

Table 2
Change in Nonprofit Activities, 2006

Type of Organization	% of Organizations Making Changes				
	Volume of Activity		Service to the Poor		
	Increased	Increased 10% or more	Increased	Increased 10% or more	Decreased
All	75%	35%	42%	19%	8%
Community & Econ Development	82%	59%	67%	43%	8%
Children & Family Services	78%	42%	54%	25%	14%
Elderly Housing & Services	75%	17%	51%	10%	2%
Museums	72%	24%	40%	10%	6%
Theaters	70%	31%	33%	14%	7%

SOURCE: Johns Hopkins Nonprofit Listening Post Project, Nonprofit Fiscal Trends and Challenges Sounding, 2006

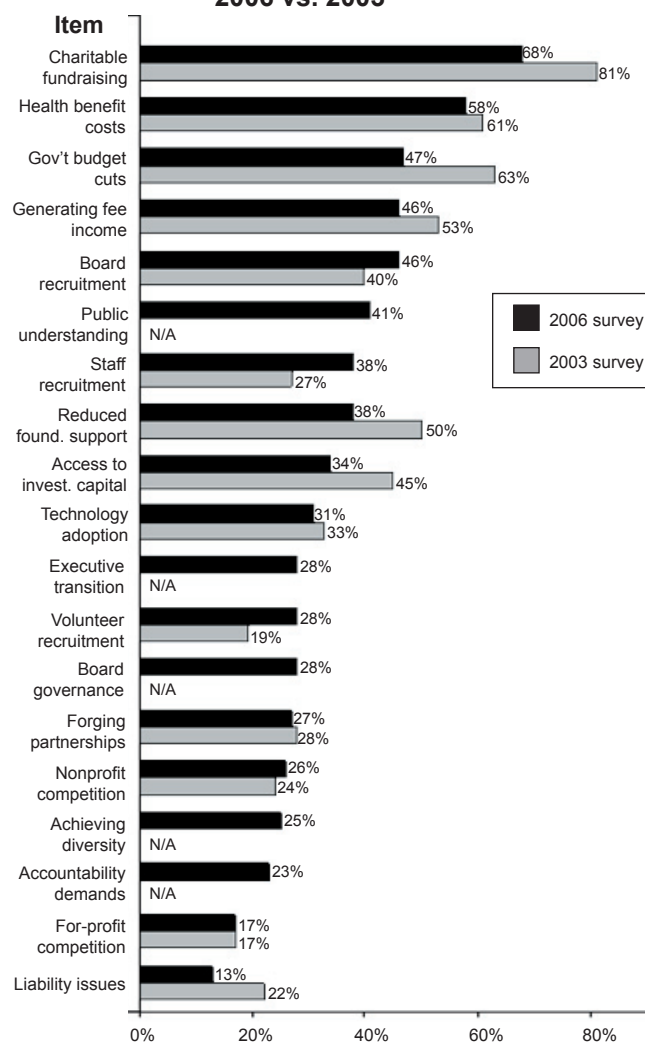
- **Little evidence of reduced service to the poor.** Responding organizations also reported substantial expansions of their services and activities directed to the poor. Over 40 percent of the organizations reported such increases, and for nearly 20 percent of them the increases were substantial (10 percent or more). Only 8 percent of the organizations indicated that they had to reduce their services to the poor, though this figure reached 14 percent for the children and family service organizations, which were especially vulnerable to declines in government funding and were more likely to report overall revenue declines.
- **Service quality.** Other facets of nonprofit operations, such as time spent per client, customer wait time, and staff turnover, also remained stable or improved at substantial proportions of the organizations we surveyed. At the same time, however, evidence of fiscal stress was also apparent in the data. Thus, for example:
 - A third of the organizations reported having to increase their staff working hours;
 - Wait times increased at a quarter of the organizations;
 - Staff turnover increased at a quarter of all organizations; and
 - Staff training was cut at a quarter of the organizations.

III. Key Challenges

While 2005 and 2006 were reasonably successful years for nonprofit organizations, significant challenges continue to confront these organizations. Some interesting insights arise from nonprofit responses to questions about which issues they consider “very significant” challenges. In particular:

- **Funding issues head the list of challenges.** Clearly heading the list of “very significant” challenges facing nonprofits are funding issues. In particular:
 - Two thirds of the organizations identified charitable fundraising as a “very significant” challenge, followed by health benefit costs (58 percent of organizations), government budget cuts (47 percent), and generating fee income (46 percent) (see Figure 9).

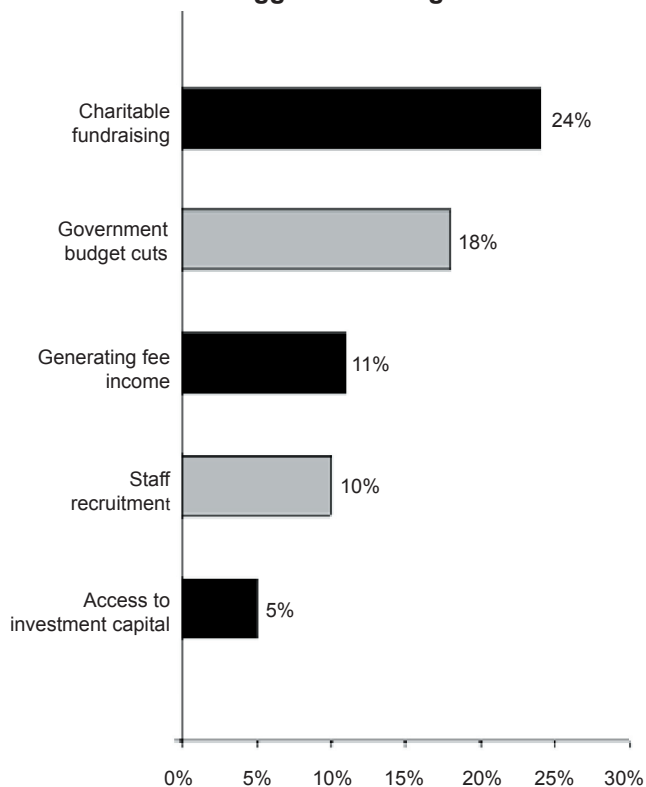
Figure 9
Percent of Organizations Identifying Item as “Very Significant Challenge,” 2006 vs. 2003



SOURCE: Johns Hopkins Nonprofit Listening Post Project, Nonprofit Fiscal Trends and Challenges Sounding, 2006; and Taking the Pulse of the Nonprofit Sector Sounding, 2003

- When asked what single item constituted their “biggest challenge,” well over half of all organizations identified some aspect of fundraising—either charitable fundraising (24 percent of organizations), government budget cuts (18 percent), or generating fee income (11 percent of organizations) (see Figure 10).

Figure 10
Percent of Organizations Citing Item as “Biggest Challenge”



SOURCE: Johns Hopkins Nonprofit Listening Post Project, Nonprofit Fiscal Trends and Challenges Sounding, 2006

- At the same time, compared to three years ago, the proportion of organizations identifying each of these funding issues as a “very significant” challenge has declined, as Figure 9 also shows. Thus the proportion of organizations ranking charitable fundraising as a “very significant” challenge declined by 13 percent, the proportion identifying government budget cuts as a “very significant” challenge declined by 16 percent, and the proportion identifying generating fee income as a “very significant” challenge declined by 7 percent.
- **Growing importance of human capital issues.** Increasing in importance as “very significant” challenges in the eyes of nonprofit executives were a variety of human resource issues. Thus, board recruitment, staff recruitment and reten-

tion, and executive transition were categorized as “very significant” challenges by 46, 38, and 28 percent of organizations, respectively—in each case proportionally more than three years earlier.

- **Other issues.** Other issues rated by substantial numbers of Listening Post organizations as “very significant” challenges included public understanding (41 percent), access to investment capital (34 percent) and technology adoption (31 percent). By contrast, despite significant media attention and government scrutiny, only a quarter of all organizations rated accountability demands as a “very significant” challenge, and only 17 percent mentioned for-profit competition.
- **Variations by field and size of organization.** While there was considerable uniformity in the share of organizations that cited particular issues as “very significant,” some variations were also apparent. Thus, as shown in Tables 3 and 4:

Table 3
Fiscal Challenges Facing Nonprofit Organizations, by Field and Size

Type of Organization	% of organizations citing source as a “very significant challenge”		
	Government Support	Fee Revenue	Health Costs
By Field			
Community & Economic Development	66%	48%	68%
Children & Family Services	56%	44%	55%
Elderly Housing & Services	60%	46%	67%
Museums	28%	44%	54%
Theaters	31%	51%	56%
By Size			
Small	35%	34%	41%
Medium	49%	55%	65%
Large	55%	48%	66%
All Organizations	47%	46%	58%

SOURCE: Johns Hopkins Nonprofit Listening Post Project, Nonprofit Fiscal Trends and Challenges Sounding, 2006

- *Government budget cuts* were considered “very significant” for disproportionate numbers of community and economic development, elderly housing and service, and children and family service organizations—all of which receive substantial shares of their revenue from public sources. By contrast, less than a third of museums (28 percent) and theaters (31 percent) indi-

cated that these cuts were a “very significant” challenge.

- Large organizations were also much more likely than small ones to identify government budget cuts as a “very significant” concern (55 percent vs. 35 percent).
- *Generating fee revenue* was identified as a “very significant challenge” by surprisingly large shares of organizations in all fields, though mid-sized and large organizations seemed more concerned about this challenge than smaller organizations.
- *Board recruitment* was identified as a problem for a majority of museums (56 percent), theaters (54 percent), and children and family service organizations (50 percent). By contrast, less than a third of community and economic development organizations and only a quarter of elderly housing and service organizations rated this as a “very significant” challenge. This difference may really reflect the impact of organization size on board recruitment, however. As Table 4 shows, a considerably larger share of small organizations reported difficulties recruiting board members than was true for large organizations.
- Where the smaller organizations had more difficulty recruiting board members, the large organizations were much more likely than the small ones to identify *staff recruitment and retention* as a “very significant” challenge (53 percent vs. 28 percent) (see Table 4). On the other hand, the small organizations were more likely to identify *volunteer recruitment* as a “very significant” challenge (46 percent vs. 16 percent).
- Finally, some interesting variations were evident in the extent to which organizations identified *accountability demands* as a “very significant challenge,” with the community and economic development and children and family service organizations considerably more likely to identify such demands as “very significant” than the elderly housing and service organizations, museums, or theaters.

Table 4
Other Challenges Facing Nonprofit Organizations
by Field and Size

Type of Organization	% of organizations citing source as a “very significant challenge”			
	Board Recruitment	Staff Recruitment	Volunteer Recruitment	Accountability Demands
By Field				
Community & Econ Devel	30%	32%	30%	34%
Children & Family Services	50%	42%	25%	35%
Elderly Housing & Services	25%	50%	25%	23%
Museums	56%	26%	48%	17%
Theaters	54%	37%	21%	6%
By Size				
Small	56%	28%	46%	22%
Medium	47%	31%	26%	20%
Large	35%	53%	16%	27%
All Organizations	46%	38%	28%	23%

SOURCE: Johns Hopkins Nonprofit Listening Post Project, Nonprofit Fiscal Trends and Challenges Sounding, 2006

Conclusion

Our “sounding” of the current health of the U.S. nonprofit sector thus reveals a set of institutions that is still feeling the effects of recent government budgetary stringency and escalating health benefit and other costs, but that has found ways to cope with these pressures. As a consequence, most segments of the sector—small organizations as well as large, human service providers as well as cultural institutions—have performed creditably, overcoming fiscal stress and achieving considerable fiscal and programmatic success. While having to turn more heavily to fees and charges, moreover, the vast majority of organizations have managed not only to preserve, but also to expand, their attention to those in need. This resilience in the face of threats and determined adherence to central values have come to be the twin guiding stars of nonprofit operations, though they have also intensified the pressures on nonprofit managers and those who work for and with them, making the protection of the sector’s human capital as critical as the generation of its financial capital.

Appendix

Project Background

The Listening Post Project is a collaborative undertaking of the Johns Hopkins Center for Civil Society Studies and seven partner organizations—Alliance for Children and Families, Alliance for Nonprofit Management, American Association of Homes and Services for the Aging, American Association of Museums, Independent Sector, National Council of Nonprofit Associations, and Theatre Communications Group. It was launched in 2002 to provide more reliable and timely information on the major challenges facing U.S. nonprofit organizations and the promising approaches nonprofit managers are applying to cope with them.

The project includes two national panels of grassroots nonprofit organizations on the front lines of nonprofit operation—an “affiliated sample” of children and family service agencies, elderly housing and service organizations, community and economic development groups, museums, and theaters recruited from the memberships of our partner organizations; and, to check on any possible distortion that this sampling strategy may have introduced, an “unaffiliated sample” of organizations in these same basic fields selected randomly from IRS listings of agencies or more complete listings suggested by the intermediary organizations where they were available.

The 2006 Trends Sounding Distribution

The Trends Sounding was distributed to these panels on July 19, 2006, and closed on August 14, 2006. Because the project was in the process of recruiting new unaffiliated nonprofit organizations at this time, the survey remained open to the new unaffiliated groups joining the project until November 8, 2006. Altogether, the Sounding was distributed to 739 organizations (403 affiliated and 336 unaffiliated groups) and was completed by 341, yielding a 46 percent response rate, which is quite good for surveys of this type.

The 2006 Trends Sounding Respondents

As reflected in Appendix Table 1, the respondents to the Nonprofit Listening Post Project’s 2006 Trends Sounding reflect the diversity of organizations on which this project is focusing. Thus:

- **Fields.** Thirty-two percent of these 2006 Listening Posts are children and family service agencies, 24 percent are theaters, 16 percent are museums, 15 percent are elderly housing and service providers, and 13 percent are community and economic development organizations.
- **Age.** Listening Post agencies range in age from organizations that were formed within the last several years to some of the most venerable institutions in the nonprofit sector. The average age is 48 years and the median is 34 years.

Appendix Table 1
2006 Trends Sounding

Type of Organization	Affiliated Orgs. n=186	Unaffiliated Orgs. n=155	Affiliated & Unaffiliated Orgs. n=341
By Field			
Children & Family Services	25%	41%	32%
Elderly Housing & Services	20%	10%	15%
Community & Economic Development	8%	19%	13%
Museums	19%	12%	16%
Theaters	29%	17%	24%
Total	100%	100%	100%
By Size			
Small/Medium (<\$3,000,000)	48%	78%	62%
Large (>\$3,000,000)	52%	22%	38%
All Organizations	55%	45%	100%

SOURCE: Johns Hopkins Nonprofit Listening Post Project, Nonprofit Fiscal Trends and Challenges Sounding, 2006

Community and economic development groups are among the youngest, with over half of these organizations (57 percent) established within the past 20 years. By contrast, over half of the museum respondents (55 percent) were established 50 or more years ago.

- **Service area.** The Listening Posts serve a diversity of geographic areas. While nearly half describe their service area as urban or metropolitan, sizeable numbers of organizations also describe their service area as regional (18 percent), counties (16 percent), rural areas (15 percent), or small towns (13 percent).³
- **Size.** A sizeable majority of responding organizations are small to medium sized (under 50 employees), and a third of these have fewer than 10 full-time equivalent employees. Yet combined, these organizations employ over 38,500 full-time equivalent workers (FTEs).⁴ Staff sizes range from no employees at all to 2,541 FTEs and vary considerably by field—from a high of 301 average FTE employees for elderly housing and service providers to a low of 33 average FTEs for theaters. Similarly, organization revenues range from \$5,000 to \$500 million. Although a majority of respondents (63 percent) have revenues less than \$3 million, close to 20 percent have revenues greater than \$10 million.

³ Total responses are greater than 100 percent because respondents could choose multiple answers

⁴ FTE = Full-time employees + (Part-time employees x Average weekly hours worked) / 40

- **Affiliation status.** As illustrated in Appendix Table 1, the respondents are fairly evenly balanced between affiliated and unaffiliated organizations (55 percent and 45 percent, respectively). Not surprisingly, the unaffiliated sample includes a significantly larger proportion of small/medium-sized organizations than the affiliated sample (78 percent vs. 48 percent, respectively). The unaffiliated sample also includes a larger proportion of children and family service organizations and community and economic development groups, and a smaller proportion of elderly housing and service organizations, museums, and theaters.

- **Affiliation.** In 2003, all of the Sounding respondents were members of the national intermediary groups that are partners in the Listening Post Project. As noted above, the more recent survey supplemented this sample of affiliated organizations with a random sample of unaffiliated organizations in the same basic fields. Close to half (45 percent) of all respondents to the 2006 Trends Sounding came from this unaffiliated group.
- **Size.** Reflecting the addition of the unaffiliated sample, the respondents to the 2006 Trends Sounding contained a larger share of smaller organizations than was the case with the earlier Sounding. Specifically, nearly two-thirds of all 2006 respondents had revenues less than \$3 million, compared to less than half of the 2003 respondents (63 percent vs. 49 percent, respectively). Similarly, only 18 percent of the 2006 respondents had revenues greater than \$10 million, compared to roughly a quarter of all 2003 respondents. Employment figures reveal a similar pattern: while 34 percent of the 2006 respondents had 10 or fewer employees, only 27 percent of the 2003 respondents were that small.

The 2006 and 2003 Respondents Compared

Comparing the 2006 respondents to the respondents to the project’s first two Soundings completed in 2003 reveals several notable differences. As illustrated in Appendix Table 2:

Appendix Table 2
Listening Post Samples

Type of Organization	% of Organizations		
	2006	2003	2006 vs. 2003
By Field*			
Community & Economic Development	13%	11%	+2%
Children & Family Services	32%	24%	+8%
Elderly Housing & Services	15%	15%	0%
Museums	16%	24%	-8%
Theaters	24%	26%	-2%
By Age**			
Less than 10 years	7%	10%	-3%
10-39 years	50%	49%	+1%
40 years or more	43%	40%	+3%
By Revenues*			
Small (<\$3 million)	63%	49%	+14%
Medium (\$3 million-\$10 million)	19%	28%	-9%
Large (>\$10 million)	18%	23%	-5%
By Employees**			
Small (<10 employees)	34%	27%	+7%
Medium (10-49 employees)	28%	28%	0%
Large (>50+ employees)	39%	45%	-6%
By Affiliation Status			
Affiliated	55%	100%	-45%
Unaffiliated	45%	0%	+45%

- **Field.** Compared to the 2003 sample, 2006 respondents included a higher proportion of children and family services organizations (32 percent vs. 24 percent, respectively). By contrast, the 2006 sample had a smaller proportion of museums (16 percent vs. 24 percent, respectively).

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*Data taken from Communiqué No. 2: Stressed but Coping: Nonprofit Organizations and the Current Fiscal Crisis (2003)

**Data taken from Communiqué No. 1: Taking the Pulse of the Nonprofit Sector, 2003

SOURCE: Johns Hopkins Nonprofit Listening Post Project, Nonprofit Fiscal Trends and Challenges Sounding, 2006; Stressed but Coping: Nonprofit Organizations and the Current Fiscal Crisis Sounding, 2003; and Taking the Pulse of the Nonprofit Sector Sounding, 2003