



Nonprofit Survey Series
Report #3

INDIANA NONPROFITS: IMPACT OF COMMUNITY AND POLICY CHANGES

A JOINT PRODUCT OF

THE CENTER ON PHILANTHROPY
AT INDIANA UNIVERSITY

AND

THE SCHOOL OF PUBLIC AND ENVIRONMENTAL AFFAIRS
AT INDIANA UNIVERSITY

JUNE 2004

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AND
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IMPACT OF
COMMUNITY AND
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**PROJECT ON
INDIANA NONPROFITS:
SCOPE & COMMUNITY
DIMENSIONS**

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INTRODUCTION

Nonprofits—charities, congregations, advocacy¹ and mutual benefit organizations—are intimately connected to the communities in which they are located. Some mainly serve the interests of their own members; others are dedicated to ameliorating problematic community conditions, providing a range of important services, and/or seeking to influence public policy at the local, state, or federal level. To carry out these activities, nonprofits mobilize community resources (e.g., expertise, volunteers, staff, and donations) and therefore depend on communities for their own survival and effectiveness. In other words, nonprofits both depend upon and influence the economic, social, political, and regulatory environment in which they operate.

[Indiana Nonprofits: Impact of Community and Policy Changes](#) is the third in a series of reports based on a major survey of Indiana charities, congregations, advocacy and mutual benefit nonprofits undertaken as part of the **Indiana Nonprofits: Scope and Community Dimensions** project currently underway at Indiana University (www.indiana.edu/~nonprof). No other study has examined such a variety of nonprofits or done so in such detail.

Here we examine how Indiana nonprofits are impacted by community and policy changes and the extent to which they engage in advocacy activities. These are important topics, since Indiana—like most states—faces major economic, social and fiscal challenges. As a result, many nonprofits encounter growing demands for their services and notable shifts in resources. Indeed, our previous report found exactly that (especially for health and human services nonprofits). The ability of Indiana nonprofits to address these and other challenges depends critically on how well prepared they are and on the tools available to them.

Our prior report, [The Indiana Nonprofit Sector: A Profile](#), revealed that Indiana nonprofits pursue a broad array of missions and that many target their services to

particular groups, especially based on geographic region and beneficiary's age.² Many face increasing demands for their services, are fairly young and small, face financial challenges, and rely on donations and gifts or on dues, fees, or sales for most of their funding. That analysis also revealed distinctive profiles for each of eight major nonprofit fields. In addition, we found that while nonprofits provide extensive and accessible services, many also face challenges in delivering services and rely substantially on volunteers. They also encounter challenges in securing staff, board, and volunteer resources. Finally, we identified some regional differences in the composition and characteristics of the nonprofit sector.

Future reports will focus on the extent to which Indiana nonprofits collaborate and compete with other organizations; how they manage their human, financial, and organizational resources; the characteristics and role of congregations and other faith-based nonprofits; and the characteristics and role of membership associations. (A complementary report has examined nonprofit employment in Indiana.)

These survey reports are based on a 2002 survey of 2,206 Indiana charities, congregations, and advocacy and mutual benefit nonprofits, representing a response rate of 29 percent. Details of how the sample was developed and the data collected are described in technical reports available upon request. The survey was designed to allow for direct comparison with a study of Illinois nonprofits sponsored by the Donors Forum of Chicago.³

Our analysis highlights differences that meet statistical criteria of significance. We explore comparisons among several major **geographic regions** defined for the study, but focus primarily on differences by **field of activity** (see Appendix A). We also examine the impact of **size**, **primary source of funding**,⁴ **age**, and **target group(s)** where relevant. As appropriate, each of these key dimensions is discussed in more details in the body of the report.

² This and other project reports are available at www.indiana.edu/~nonprof.

³ Kirsten A. Grønberg & Curtis Child, *Illinois Nonprofits: A Profile of Charities and Advocacy Organizations* (Chicago, IL: Donors Forum of Chicago, December 2003). Available online at www.donorsforum.org.

⁴ "Primary source of funding" is defined as obtaining 50 percent or more of total revenues from a particular source (government, dues and fees, donations, etc.); those obtaining less than half of their revenues from any one of the four major sources are defined as having "No dominant source" of funding.

¹ Advocacy nonprofits are generally registered as tax-exempt entities with the Internal Revenue Service under Section 501(c)(4) of the Internal Revenue Code. While officially designated "social welfare organizations," we use the commonly accepted term of "advocacy nonprofits" here. Congregations and other charities are eligible to receive tax-deductible contributions from individuals and corporations. Advocacy and mutual benefit nonprofits are not.

EXECUTIVE SUMMARY –

1. **Community Conditions:** We asked Indiana nonprofits for their perceptions of changes in seven community conditions and whether the changes have an impact on them.

- The majority of Indiana nonprofits report that one or more of the seven community conditions changed in their communities during the last three years and half report that multiple conditions changed. Overall, perceptions of changes in community conditions depend significantly on where the nonprofits are located and, in some cases, their size or target group. Perceptions do not vary according to age, field of activity, or primary source of funding.
- Just over half (51 percent) of Indiana nonprofits report that employment and business opportunities changed in their communities, with the majority of these (33 percent overall) saying they decreased. This was followed by population size with half noting a change, of which most (42 percent overall) say it increased. About two-fifths (39 percent) say household income changed, with the majority (22 percent overall) of those saying it decreased. A third (36 percent) say ethnic or racial diversity changed, with almost all (34 percent overall) noting an increase. One in four say crime and violence changed, with most (19 percent overall) noting an increase. About one in ten (11 percent) noted a change in tension or conflict among community groups, with almost all (8 percent overall) saying it increased.
- For some conditions there are striking similarities between how nonprofits perceive community conditions and official indicators of the conditions, but in other cases there are notable differences between perceptions and the actual conditions.
- One-half of Indiana nonprofits indicate that at least one of the conditions impacted their organization. Almost every condition tends to impact a higher percentage of mid-sized and large nonprofits than small ones, as well as those that target their programs to people of a particular income, gender, and/or race. For the most part,

neither the age of an organization nor the field in which it operates helps explain why a given condition impacts nonprofits.

2. **Policy Conditions:** We asked Indiana nonprofits about changes in five government policies and whether the changes affect their organization.

- More than one-third of Indiana nonprofits indicate that at least some policies have changed during the last three years, although this varies considerably depending on the type, size, and funding structure of the nonprofit. For almost every policy, health and human services nonprofits, large organizations, and those that depend primarily on government funding are the most likely to say that multiple policies changed. In almost all cases, the policies became stricter.
- Changes in health and safety regulations were the most commonly reported (23 percent say that such policies changed). These were followed by client eligibility requirements for government programs (16 percent), personnel and legal regulations (15 percent), professional licensing requirements (14 percent), and government contract procurement policies (11 percent).
- One-quarter of all Indiana nonprofits say that at least one of these policies had an impact on their organization. As with perceptions of policy changes, significantly more of the health and human services nonprofits, large organizations, and those that rely primarily on the government for funding say that this is the case. Overall, the policies were at least four or five times as likely to impact the nonprofits when the policy became stricter as when they became more lenient.

3. **Nonprofit advocacy:** We asked Indiana nonprofits whether they promote positions on certain policy issues or on issues related to the interests of certain groups.

- More than one-quarter of Indiana nonprofits indicate that they participate in some form of advocacy (although only 3 percent say it is one of their three most important programs or activities). Health nonprofits are the most likely to say that they engage in advocacy, followed by religious, public benefit, and human services nonprofits. Mid-sized and large organizations are also more likely to engage in advocacy than smaller ones.

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- Many nonprofits that engage in advocacy devote only limited resources to it. One in ten of the organizations that say they participate in advocacy do not commit any financial, staff, or volunteer resources to it.
 - Many Indiana nonprofits that engage in advocacy have insufficient technological tools for it. While three-quarters of them have computers available, only two-thirds have Internet access and/or e-mail, and less than half have a web site.
 - Health and education nonprofits that participate in advocacy tend to be better equipped with such tools, while human services, arts, and especially mutual benefit nonprofits involved in advocacy tend to lack these tools. Large nonprofits and those that receive the majority of their funding from the government are considerably more likely to have all four tools.

KEY FINDINGS

Five key findings stand out from our analysis:

1. ***Perceptions of community conditions:*** Indiana nonprofits vary significantly in how they perceive community conditions, most notably by where they are located. But other nonprofit characteristics are also important, suggesting that the perceptions nonprofits have about their communities are filtered through an organizational lens that reflects their size, field of activity, and types of groups they target.
2. ***Impact of community conditions:*** Mid-sized and large organizations, as well as those that target their programs and services (especially when they target by income, race, and gender), are more likely than other nonprofits to indicate that all types of community conditions have an impact on them, controlling for other factors.
3. ***Policy conditions and their impact:*** Four types of nonprofits stand out when we examine policy conditions and their impacts: Nonprofits in the health and human services fields, large organizations, and those that rely on government for the majority of their funding are, by far, the most likely to say that policies changed (in most cases they became stricter). The same factors also generally predict whether the policies have an impact on nonprofits, with dependence on government particularly important when we look at all factors jointly.
4. ***Involvement in advocacy:*** While more than one-quarter of Indiana nonprofits participate in some form of advocacy, very few (3 percent) say that it describes one of their three most important programs or activities. Most devote relatively little staff, volunteer, and/or financial resources to advocacy and low percentages have access to the Internet and e-mail, or operate their own web site.
5. ***Overall assessment:*** Our analysis suggests that community and policy conditions are in flux for many nonprofits, and that these types of changes impact relatively large percentages of Indiana nonprofits. In response to these conditions—especially those influenced by public policy—we find that nonprofits are, for the most part, ill-prepared to advocate their positions.