



# INDIANA NONPROFITS

*Scope and Community Dimensions*

Nonprofit Survey Series  
Report #7

## INDIANA NONPROFITS: A PROFILE OF RELIGIOUS NONPROFITS AND SECULAR CHARITIES

A JOINT PRODUCT OF

THE CENTER ON PHILANTHROPY  
AT INDIANA UNIVERSITY

AND

THE SCHOOL OF PUBLIC AND ENVIRONMENTAL AFFAIRS  
AT INDIANA UNIVERSITY

JUNE 2006

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NONPROFITS AND  
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INDIANA NONPROFITS:  
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# INTRODUCTION

Religious and charitable nonprofits have received a good deal of attention from researchers and policymakers in recent years. This is largely due to the “Charitable Choice” provision of the 1996 welfare reform act, later expanded upon through President Bush’s Faith-Based Initiative, which seeks to promote increased access to government funds by congregations and other faith-based nonprofits.

Unfortunately, much of the policy debate about “Charitable Choice” fails to distinguish among major types of faith-based organizations. In this report we attempt to remedy that by distinguishing religious congregations from other faith-based organizations. The latter, along with secular charities, have long had opportunities to engage in contracting relationships with governments to deliver human services. So have congregations, but only if they refrained from overt displays of faith and sectarian symbols. Now those restrictions have largely been eliminated, although government funds may still not be used to support proselytizing activities.

Our report examines the landscape of religious and charitable nonprofits in Indiana. We focus primarily on differences among three **organizational types** -- congregations, other faith-based organizations, and secular charities. We also consider whether there are notable differences among **congregational types** based on differing theological traditions. In Chapter 1 we describe how we categorized the Indiana religious and charitable sector along these dimensions. We follow in Chapter 2 with an assessment of the basic organizational characteristics of each type. Chapter 3 further distinguishes religious and charitable nonprofits into **those that currently provide human services and those that do not**. In Chapter 4, we present an assessment of the organizational capacities and challenges faced by religious and charitable nonprofits. Our underlying goal here is to examine whether or not congregations currently have the same capacity to provide human services as other service providers. Finally, in Chapter 5 we look at geographical differences in the religious and charitable sector across the state of Indiana.

Indiana Nonprofits: the Religious and Charitable Sector is the seventh and final report in a series based on a major survey of 2,206 Indiana charities, congregations, advocacy and mutual benefit nonprofits completed as part of the **Indiana Nonprofits: Scope and Community**

**Dimensions** project currently underway at Indiana University.<sup>1</sup> Previous reports have outlined management challenges and capacities of Indianapolis nonprofits,<sup>2</sup> presented an overall profile of Indiana nonprofits,<sup>3</sup> examined the impact of community and policy changes,<sup>4</sup> explored financial and human resources<sup>5</sup>, investigated collaborations and competition,<sup>6</sup> and profiled membership organizations.<sup>7</sup> No other study has examined such a variety of nonprofits or in such detail.

The 2002 survey of 2,206 Indiana charities, congregations, advocacy, and mutual benefit nonprofits had 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 Donors Forum of Chicago.<sup>8</sup> Our analysis highlights differences that meet statistical criteria of significance (5 percent or less chance that the results occurred by chance).

We caution that because the survey was completed several years ago, it is possible that the distribution of responses to at least some of the survey questions would be different today. Nevertheless, this portrait of Indiana’s congregations, other faith-based organizations and secular charities presented here is the most complete information about these important organizations that is available.

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<sup>1</sup> For information on the survey and related reports, please see [www.indiana.edu/~nonprof](http://www.indiana.edu/~nonprof) and follow links to “Research Results” and then “Indiana Nonprofit Survey.”

<sup>2</sup> Kirsten A. Grønberg & Richard Clerkin, *The Indianapolis Nonprofit Sector: Management Capacities and Challenges*. Report #1. February 2003.

<sup>3</sup> Kirsten A. Grønberg & Linda Allen: *The Indiana Nonprofit Sector: A Profile*. Report #2, January 2004.

<sup>4</sup> Kirsten A. Grønberg & Curtis Child, *Indiana Nonprofits: Impact of Community and Policy Changes*. Report #3. July 2004.

<sup>5</sup> Kirsten A. Grønberg & Richard M. Clerkin, *Indiana Nonprofits: Managing Financial and Human Resources*, Report #4. August 2004.

<sup>6</sup> Kirsten A. Grønberg & Curtis Child, *Indiana Nonprofits: Affiliations, Collaborations, and Competition*. Report #5. November 2004.

<sup>7</sup> Kirsten A. Grønberg & Patricia Borntreger, *Indiana Nonprofits: A Profile of Membership Organizations*. Report #6. September 2006.

<sup>8</sup> Kirsten A. Grønberg & Curtis Child, *Illinois Nonprofits: A Profile of Charities and Advocacy Organizations* (Chicago, IL: Donors Forum of Chicago, December 2003).

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# EXECUTIVE SUMMARY

1. ***Defining Indiana's Religious and Charitable Nonprofits Sector:*** We focus on Indiana's religious and charitable nonprofits and exclude other secular nonprofits. We classify the former into three groups: congregations, other faith-based organizations (FBOs), and secular charities.

- Some 55 percent of Indiana nonprofits are part of the religious and charitable sector. Of these, 42 percent are secular charities, 39 percent are congregations, and the remaining 19 percent are other faith-based organizations.
- For congregations we distinguish among major denominational traditions. The majority (60 percent) of Indiana congregations are evangelical Protestant. Almost one-third (31 percent) are mainline Protestant, 7 percent are Catholic, and the remaining 2 percent have some other religious affiliation.

2. ***Portrait of Religious and Charitable Nonprofits:*** We describe the basic characteristics of Indiana's religious and charitable nonprofits, including revenues, human resources, and age.

- The median revenue for religious and charitable nonprofits in Indiana is \$98,000 with no significant variation among congregations, other FBOs or secular charities. However, Catholic congregations report much higher revenues than those belonging to other denominations.
- The majority (52 percent) of religious and charitable nonprofits say their revenues increased over the last three years.
- In terms of annual surpluses or deficits, more than one-half (54 percent) of religious and charitable nonprofits report gains, one-third (33 percent) report losses, and the rest (14 percent) broke even.
- Donations are the primary source of revenue for the majority (53 percent) of religious and charitable nonprofits in Indiana, but especially for congregations.

- Over the last three years, donations and gifts increased for nearly one-half (49 percent) of Indiana's religious and charitable nonprofits, stayed the same for slightly more than one-third (36 percent), and decreased for 14 percent.
  - One-third (32 percent) of religious and charitable nonprofits do not have any full-time equivalent (FTE) staff. The median staff size is 1.5 FTEs for religious and charitable nonprofits.
  - Volunteers are important to three-quarters of Indiana's religious and charitable nonprofits, most notably to congregations.
  - The median age of religious and charitable nonprofits in Indiana is 37 years. Congregations are significantly older than both other FBOs and secular charities, with mainline Protestant congregations notably older than other types of congregations.
3. ***Provision of Health or Human Services:*** We assess the current provision of health or human services including service orientation and targets. We also examine receipt of public funds and likelihood to seek them in the future.
- Just under half (48 percent) of religious and charitable nonprofits provide health or human services with congregations and other FBOs more likely to provide them than secular charities.
  - Secular charities have a more outward service orientation and are more likely to target services to low income groups. Congregations tend to have more service targets, indicating they have a broader range of programs.
  - Relatively few religious and charitable nonprofits receive government grants (14 percent) or contracts (12 percent). Secular charities and other FBOs are more likely to have them than congregations.
  - Among religious nonprofits, other FBOs that provide health or human services are more likely than congregations to be aware of "Charitable

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Choice” initiatives, more likely to already receive government funds and are more likely to say they might seek such funds in the future.

4. **Challenges and Capacities:** We examine challenges faced by religious and charitable nonprofits and capacities available to meet those challenges, looking for differences among those that provide health or human services and those that do not.

- The majority of Indiana’s religious and charitable organizations (75 percent) report challenges in delivering high quality programs and services.
- Organizations that provide health or human services are more likely to report challenges in evaluating programs than those that do not. Secular charities that provide health or human services are disproportionately more likely to have completed a recent program evaluation (51 percent vs. 32 percent overall).
- Attracting clients/members is most commonly reported as a major challenge (54 percent). Congregations are particularly likely to find it challenging, regardless of whether or not they provide health or human services.
- Religious and charitable nonprofits report similar levels of governance challenges; however, congregations that provide health or human services are the most likely to report challenges with strategic planning.
- Secular charities that provide health or human services are more likely to report challenges in obtaining funding, with well over two-thirds (70 percent) naming it as a major challenge, compared to 48 percent overall.
- Religious and charitable nonprofits report relatively few human resource management challenges related to staff recruitment and training with only slight variation among types.
- Religious and charitable nonprofits more commonly report recruiting and keeping volunteers other than board members as challenging (70 percent). This is particularly the case for con-

gregations, especially those that provide health or human services (85 percent).

- Nonprofits that provide health or human services are more likely than those that do not to possess tools to help in human resource management such as written job descriptions and personnel policies as well as formal volunteer recruitment and training programs.
  - Information technology (IT) is a major challenge for only 18 percent of religious and charitable nonprofits. Those that provide health or human services are more likely to name it a challenge than those that do not.
  - Congregations that provide health or human services are more likely to have computers available for key staff/volunteers as well as computerized financial records than their counterparts.
  - While slightly more than one-half (57 percent) of religious and charitable nonprofits view financial management and accounting as a challenge, only 13 percent identify it as a *major* challenge.
  - Congregations report greater challenges in managing facilities, but those that provide human services are also more likely to possess reserves dedicated to capital improvement (64 percent) as well as maintenance and/or equipment (73 percent) than other FBOs or secular charities.
5. **Regional Variations:** We re-examined the above dimensions and looked for notable variations among seven regions where we had been able to use expanded samples and had enough survey respondents among the religious nonprofits and secular charities to warrant separate analyses. We found that our seven regions—the four metropolitan regions of Indianapolis, Northwest Indiana, Evansville, and South Bend, in addition to Other Metro, Non-Metro, and Rest of State regions—differed only in a few cases.
- While the amount of revenues or changes in revenues is similar regardless of geographical location, there were some regional differences in

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how much revenue religious and charitable nonprofits generated from donations.

- Religious and charitable nonprofits show some notable regional variability in the challenges they face. For instance, Indianapolis nonprofits report more challenges in evaluating program outcomes and using IT effectively while South Bend nonprofits report fewer challenges in financial management than their counterparts located elsewhere.
- Religious and charitable nonprofits also vary in their capacities to face those challenges depending on location.
- South Bend and Indianapolis charitable and religious nonprofits are relatively more likely to have their own websites and e-mail addresses.
- Religious and charitable nonprofits in the Other Metro areas are much less likely to have reserves dedicated to maintenance.
- South Bend charitable and religious nonprofits are less likely to have written job descriptions or an annual report, but are more likely to have formal volunteer recruitment programs.

## KEY FINDINGS

A number of key findings stand out from our analysis of Indiana's religious and charitable nonprofits:

1. ***Religious congregations are distinct from other faith-based organizations.*** Our findings show that religious congregations and other FBOs show distinctive characteristics, challenges and capacities on almost every dimension examined here. Policy-makers must be aware of these differences when designing initiatives meant to address religious organizations.
2. ***Congregations, other FBOs and secular charities differ markedly in their approach to health or human services.*** Over half of all congregations and other FBOs provide some type of health or human services compared to less than four-fifths of secular charities. Among those that provide such services, secular charities and other FBOs are more likely than congregations to serve only the general public (rather than their own members) and to target their services to low income groups. However, secular charities are more likely than congregations or other FBOs to receive government contracts and to have completed a recent evaluation of program outcomes or impacts.
3. ***Limited awareness of and interest in “Charitable Choice” by congregations.*** Among religious nonprofits, only a third of congregations are aware of the “Charitable Choice” initiative, regardless of whether they provide health or human services, compared to about two thirds of other FBOs that provide such services. The latter are also more likely to already receive government funds and to say they might seek such funds in the future.
4. ***Congregations are more likely to depend on volunteers.*** While congregations report more challenges in recruiting and keeping volunteers, they are also more likely to say volunteers are essential to their missions than other faith-based organizations and secular charities. Congregations that provide health or human services are considerably more likely to have formal volunteer recruitment and training programs, suggesting that they also have greater capacity to utilize them than their counterparts.

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5. ***Organizations use information technology in different ways.*** Detailed analysis shows that congregations that provide health or human services are especially likely to possess computers and have computerized financial records. However, we also find that other FBOs that provide such services are especially likely to have Internet access and an organizational email address. This suggests that congregations are more likely to use IT for internal management tasks while other FBOs use it for interfacing with external audiences.
  6. ***Congregations have greater capacity to manage facilities.*** Detailed analysis shows that congregations which provide health or human services are significantly more likely to report reserves dedicated to capital improvement as well as reserves for maintenance and/or equipment. This is an important indicator of financial planning capability. However, congregations, regardless of whether they provide health or human services, are nevertheless more likely to say that managing facilities is a challenge than other FBOs or secular charities.
  7. ***Catholic congregations appear to be more formalized.*** There were only a few cases in which congregational types differed significantly in management capacities. However, in each of those cases, Catholic congregations appeared to come out ahead, most likely because they also tend to be significantly larger than other types of congregations.

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## METHODOLOGICAL NOTE

In this survey report we use a combination of two types of statistical analysis. In Sections 1, 2 and 3 we use cross-tabulations of two indicators (*bivariate analysis*) to guide our investigations. This method allows us to examine whether there is a significant relationship between two variables,<sup>9</sup> such as type of organization and dependence on volunteers, to see if religious congregations are likely to use more or fewer volunteers than other FBOs or secular charities.

Although useful, this approach is limited in that it only permits us to examine two variables at a time. Thus, continuing with our example, if we found that congregations are likely to use more volunteers than secular charities, we might be curious whether this also has something to do with the older age of congregations or how large or small they are. More advanced statistical techniques make it possible to include multiple variables into a statistical model in order to determine which of them significantly relate to the feature we are trying to understand while controlling for all other factors considered in the analysis. Statistical techniques that allow us to look at multiple variables at the same time are called *multivariate analyses*.

In Sections 4 and 5 of the present analysis we experiment with these techniques in order to provide a clearer representation of the Indiana religious and charitable sector. Our hope is that this will provide the reader with a more robust and nuanced analysis. These more sophisticated analyses allow us to determine whether the differences in how nonprofits respond to questions about management challenges and capacities are more consistently and significantly related to other factors, such as the size, age, or location of the organization, and not necessarily whether it is a congregation, other FBO, or secular charity. In such cases, although there are differences in how the different types of organizations (i.e. congregations, other FBOs, or secular charities) responded to the questions, these differences may more appropriately be attributable to other characteristics, such as the organizations' sizes or ages.

To simplify the presentation, however, all the figures that we present are based on the bivariate analyses. In Section 4 the two variables portrayed in figures are the *particular management challenge* (or *capacity*) and the *type of religious or charitable nonprofit*. These figures numerically and visually display how different types of religious and charitable nonprofits (and in a few cases, different types of congregations) view management challenges and possess certain management capacities or tools. When differences among organizational types stand out *even after* controlling for the age, size, and location of the nonprofit we use the text to emphasize that under the heading of "Overall Assessment."

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<sup>9</sup> We define relationships as significant if statistical tests show that there is a 5 percent or less chance that the results occurred by chance.



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