



Nonprofit Survey Series  
Report #6

# INDIANA NONPROFITS: A PROFILE OF MEMBERSHIP ORGANIZATIONS

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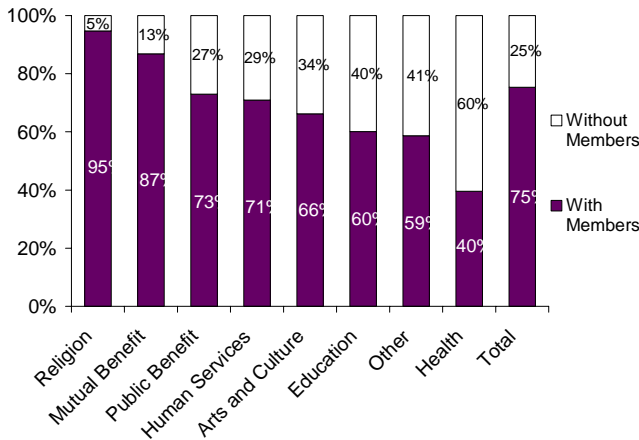
# DETAILED FINDINGS

## I. PROFILE OF MEMBERSHIP ORGANIZATIONS

The majority of Indiana Nonprofits report that they have members (other than board members), but membership has a variety of meanings and is found across diverse organizational settings.

**Prevalence of Members:** A defining feature of all membership organizations is that they have members. Indeed, most Indiana nonprofits (75 percent) have members, not counting board members. However, some nonprofit fields of activity are more likely to include membership organizations than others. Membership organizations dominate every field of activity except for health. Only 40 percent of health organizations report having members while 95 percent of religious, 87 percent of mutual benefit, and over half of all remaining fields of activity report the same. See Figure 1.

**Figure 1: Major fields of activity by Indiana nonprofits with and without members (n=2,206)**



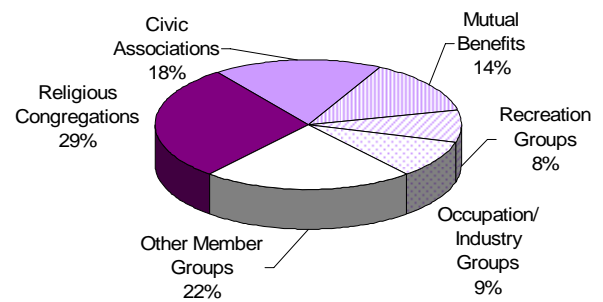
Our primary definition of membership organizations is based on whether nonprofits say they have members other than board members (the basis for Figure 1, above). However, we also include those that say they (1) serve primarily their own members or both their own members and the general public and (2) receive revenues from membership dues/fees.

**Variety of Membership Organizations:** As suggested by Figure 1, there is a great variety of membership organizations, which complicates our efforts to identify

distinct categories. For purposes of this report, we sorted membership organizations into six different types, based mainly on their primary purpose and major activities (using the (NTEE)).<sup>10</sup>

- **Religious Congregations:** Religious congregations make up 29 percent of all membership organizations – the single largest category of Indiana membership organizations, although not always viewed as such. Included in this grouping are churches, mosques, temples, and all other types of religious congregations. See Figure 2.

**Figure 2: Types of membership organizations (n=1,682)**



- Over half (51 percent) of religious congregations in Indiana belong to the evangelical Protestant tradition.<sup>11</sup> Groups in this tradition tend to remove themselves from mainstream culture, emphasize missionary activity and individual conversion, and take strict interpretations of religious doctrines. Examples include Pentecostals, Missionary Baptists, Apostolic Christians, Seventh Day Adventists, Nazarene and Amish, among a wide range of others.
- Those belonging to mainline Protestant congregations make up one-third (31 percent) of religious groups. These are the more mainstream types of Protestants such as Lutherans, Episcopalians, Methodists, Presbyterians, etc.
- Seven percent of religious congregations are Roman Catholic.

<sup>10</sup> We used self-reports of mission and major programs to assign detailed codes for major fields using the National Taxonomy of Exempt Entities (NTEE) used by the IRS. See Appendix A.

<sup>11</sup> Categorization of evangelical and mainline Protestant denominations here is based on Steensland et. al “The Measure of American Religion: Improving the State of the Art,” *Social Forces*, September 2000, 79(1):291-318

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- All other religious traditions make up eleven percent of congregations.
  - **Civic Associations:** Almost one-fifth (18 percent) of all membership organizations are civic associations, the second largest category. These are groups that cover a wide range of activities from community service clubs and neighborhood block associations to parent/teacher associations. We divide civic associations into three sub-groups: community service clubs, homeowner and neighborhood associations, and other civic associations.
    - Two-fifths of civic associations (40 percent) are community service clubs such as chapters of Kiwanis International or the Rotary Club.
    - Another 37 percent of civic associations are homeowner and neighborhood associations.
    - We refer to the remaining quarter (23 percent) of civic associations as other civic associations:<sup>12</sup>
      - About 8 percent of civic associations are focused on the environment such as garden or conservation clubs.
      - Another 7 percent of civic associations are built around education such as parent/-teacher groups or student services organizations.
      - Some 4 percent of civic associations are centered on agriculture, such as 4-H groups or farm bureaus and granges.
      - Homemaker clubs account for another 3 percent of civic associations.
      - The remaining organizations include culture and ethnic awareness groups (1 percent), senior rights groups, such as the American Association for Retired Persons (AARP, 1 percent), mothers of preschoolers groups (1 percent), and similar clubs (1 percent).
  - **Mutual Benefit Associations:**<sup>13</sup> Mutual benefits account for 14 percent of membership organizations. For purposes of this report, mutual benefit associations include all fraternal beneficiary societies, voluntary employee beneficiary organizations, and cemeteries classified as “Y” (mutual benefit organizations) under the NTEE system. We also included military and veterans’ groups and public utilities classified as “W” (other public and societal benefit organizations) under the NTEE system. These organizations tend to focus their services exclusively on their own members. Mutual benefits include three sub-groups: fraternal beneficiary societies, veterans’ organizations, and financial organizations and related groups.
    - About two-fifths (38 percent) of mutual benefit organizations are fraternal beneficiary societies such as the Moose, Elks or Masons.
    - One-fifth (20 percent) are military and veterans’ organizations.
    - The remaining two-fifths (42 percent) of mutual benefits are financial organizations and related groups.
      - Cemeteries account for 14 percent of the mutual benefit category.
      - Insurance providers and public utilities contribute 5 percent each to mutual benefits.
      - Credit unions and other financial organizations account for 3 percent of mutual benefits.
      - Pension and retirement funds add an additional 3 percent to the group.
      - Agricultural co-ops account for 2 percent of mutual benefits.

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<sup>12</sup> See Appendix B for a detailed table of the sub-groups and NTEE classifications of each membership type.

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<sup>13</sup> Note that in all previous reports on Indiana nonprofits, mutual benefits are classified solely in terms of NTEE-coded “Y” organizations. We expand the definition in this report to include those plus other similar organizations. Note also that under Indiana code all incorporated nonprofits that are neither congregations nor public benefit entities are legally defined as mutual benefit corporations. This latter definition is much broader than ours.

- Voluntary employee beneficiary associations (government and non-government) make up 2 percent of mutual benefits.
- **Occupation/Industry Groups:** These groups make up 9 percent of all membership organizations. We include here membership organizations that are formed around commerce or particular professions or industries. Occupation/industry groups have four sub-groups: labor unions, professional associations, chambers of commerce, and employment and related organizations.
  - Labor unions make up one-third (33 percent) of occupation/industry groups.
  - Another 29 percent of occupation/industry groups are professional associations interspersed among fields of activity.
  - Almost one-quarter (23 percent) of occupation/industry groups are chambers of commerce and business leagues.<sup>14</sup>

The remaining 16 percent of occupation/industry groups are employment and related, spread among fields of activity but with a common emphasis on employment or commerce.

- **Recreation Groups:** Some 8 percent of all membership organizations are recreation groups. These are sports teams, hobby clubs, and all other organizations that have recreation or sports as a drawing factor. Recreation groups are divided into three sub-groups: hobby clubs, amateur sports teams, and fraternities/sororities, animal clubs, and related groups.
  - About 41 percent of this subset are hobby clubs, built around members with shared hobbies and interests ranging from woodcarving to stamp collecting or quilting.
  - One-third (32 percent) of recreation groups are amateur sports teams formed around sports such as fishing and hunting, baseball, and winter sports.

<sup>14</sup> We had originally grouped these organizations under civic associations, but found that they generally resembled occupation/industry groups more and therefore included them here.

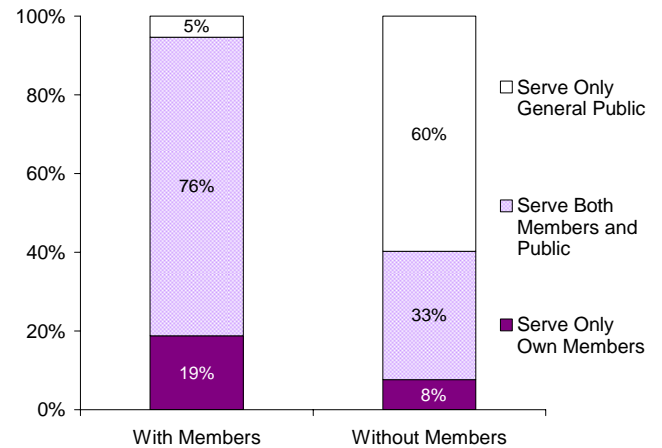
- We refer to the remaining quarter (24 percent) of recreation groups as fraternities/sororities, animal clubs, and related groups.
  - Some 9 percent of recreation groups are camps, both secular and religious, or country clubs.
  - Student fraternity and sorority groups make up 8 percent of recreation groups.
  - Clubs formed around shared interests in arts and culture or music, such as arts guilds or barbershop quartets, make up 5 percent of recreation groups.
  - Another 3 percent of recreation groups are dedicated to interest in specific animals such as kennel clubs.
- **Other Member Groups:** All remaining organizations that report having members but don't fall into the above listed categories are grouped in a catchall "other member" category. Groups in this category have some focus on serving the general public, rather primarily their own members, but are otherwise very diverse. The category accounts for one-fifth (22 percent) of all membership organizations.
  - Organizations specializing in human services make up 19 percent of other member organizations.
    - Senior centers (4 percent), developmentally disabled centers (3 percent), and group homes (2 percent) contribute 9 percent to the other member category.
    - Emergency assistance organizations, neighborhood centers, and children and youth services account for 2 percent each of other member groups.
    - Young Men's or Women's Associations (YMCA or YWCA) and neighborhood centers account for 2 percent of other member organizations.
    - The American Red Cross and Salvation Army make up less than 1 percent of other member groups.

- Another fifth (19 percent) of this group is made up of educational institutions and fundraising groups.
  - Band boosters and other fundraising groups for educational institutions account for 10 percent of other member organizations.
  - Actual educational institutions from pre-schools to primary, elementary and secondary schools or undergraduate colleges make up 7 percent of other member organizations.
- Some 13 percent of the other member organizations have an NTEE major code of “A,” designating them as focusing on arts and culture.
  - Some 8 percent alone of other member organizations are historical societies.
  - Performing arts groups make up 3 percent of other member organizations.
  - Museums contribute 1 percent to this category.
- Counseling and support groups for people suffering from diseases or mental health disorders make up 11 percent of this group
- Advocacy groups concerned with the environment, animal and civil rights make up 9 percent of other member groups.
- Volunteer fire departments and related public safety organizations have an obvious public benefit and do not restrict services to members only. They make up about 8 percent of other member organizations.
- Some 7 percent of other member groups specialize in community improvement and philanthropy.
- Another 7 percent of other member organizations are focused on youth development such as Boy Scouts of America or Boys’ and Girls’ Clubs.

**Service Missions and Targeting:** A defining part of a membership organization is its members. We would expect therefore, that membership organizations would target their programs and services to their members. However, they may also target certain types of individuals or groups. We found a wide variety of service targets among Indiana nonprofit membership organizations.

- **Service Scope:** As noted above, we asked our survey respondents whether their programs or activities were targeted to their own members, the general public, or both.
  - *Members vs. No Members:* As might be expected, nonprofits with members have more of a member focus in their services and programs than nonprofits without members.<sup>15</sup>
  - The great majority (76 percent) of membership organizations report that they serve both their own members and the general public while only a third (33 percent) of nonprofits without members report the same. See Figure 3.

**Figure 3: Member service focus by member status (n=2,206)**

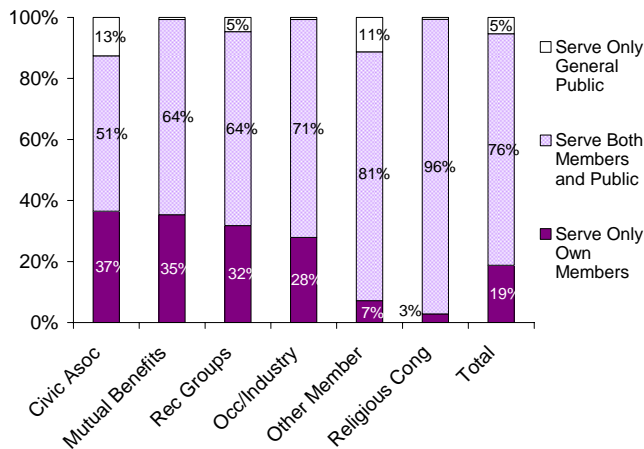


- The majority (60 percent) of nonprofits without members, on the other hand, report that they serve only the general public as compared to 5 percent of membership organizations.

<sup>15</sup> The definition of “member” is open for debate and obviously varied in responses to this question; thus, some organizations that fall into our “without members” category respond that they serve members, while their other survey responses indicated that they do not have members.

- Almost one-fifth (19 percent) of membership organizations say that they serve their members alone while only 8 percent of organizations without members report the same.
- **By Type of Membership Organization:** The extent to which organizations serve primarily their own members vs. the general public also vary by type of membership organization.
- Roughly one-third of *civic associations* (37 percent), *mutual benefits* (35 percent), *recreation groups* (32 percent), and *occupation/industry groups* (28 percent) say that they serve only their own members. See Figure 4.

**Figure 4: Member service focus by type of membership organization, (1,633)**



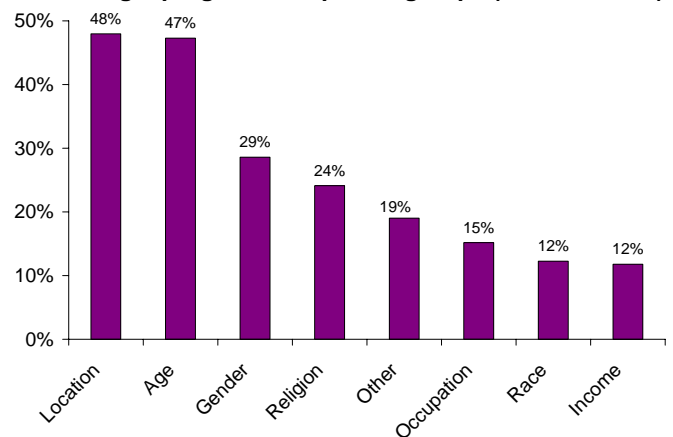
- At the same time, at least half of civic associations, mutual benefits, recreation groups and occupation/industry groups report that they serve both their own members and the general public (51 to 71 percent).
- Over a tenth (13 percent) of *civic associations* says that they serve the general public only. Subgroups within civic associations vary in their responses to the question.
  - Homeowners and neighborhood associations are most likely to report that they serve their own members only (82 percent vs. 35 percent of civic associations overall).
  - Community service clubs, on the other hand, are more likely to report that they serve only

the general public (33 percent vs. 11 percent of civic associations overall).

- Relatively few *other member groups* (7 percent) or *religious congregations* (3 percent) say that they serve only their own members. Rather, the vast majority of religious congregations (96 percent) and other member groups (81 percent) report that they serve both own members and the general public. However, this pattern varies among subtypes:
  - Catholic congregations are more likely to say that they serve their own members only than all other congregations, although this pertains only to a small minority (17 percent for Catholics vs. 3 percent overall).
  - Youth development organizations and counseling and support groups are more likely to report that they serve only the general public (31 and 28 percents respectively, compared to 11 percent overall).

- **Targeting Specific Groups:** Like Indiana nonprofits overall, membership organizations target primarily by geographic location (48 percent) and age (47 percent) but also by gender (29 percent) and religion (24 percent). They target less frequently by occupation (15 percent), race and ethnicity (12 percent) or income (12 percent). See Figure 5.

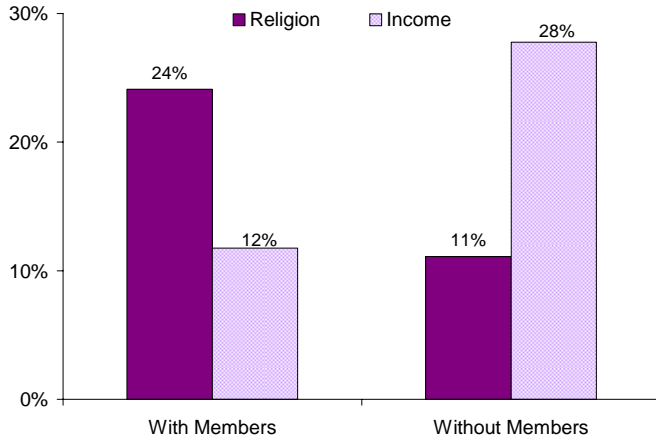
**Figure 5: Percent of membership organizations that target programs to specific groups (n=1,236-1,359)**



- Members vs. No Members: Membership organizations are less likely than organizations without

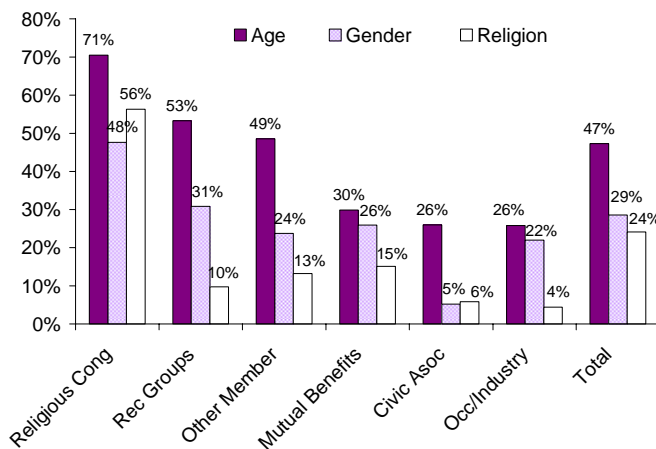
members to target by income but more likely to target by religion. See Figure 6.

**Figure 6: Targeting by religion or income by member status (n=1,948-1,952)**



- **By Type of Membership Organization:** The different types of membership organizations also vary with regard to which groups they target.
- **Age:** Nearly half (47 percent) of membership organizations target their programs and services by age. The great majority of *religious congregations* (71 percent) and half (53 percent) of *recreation groups* do so. On the other hand, *mutual benefits* (30 percent), *civic associations* (26 percent), and *occupation/industry groups* (26 percent) are less likely to target by age. See solid bars in Figure 7.

**Figure 7: Targeting by age, gender or religion by type of membership organization (n=1,496-1,497)**

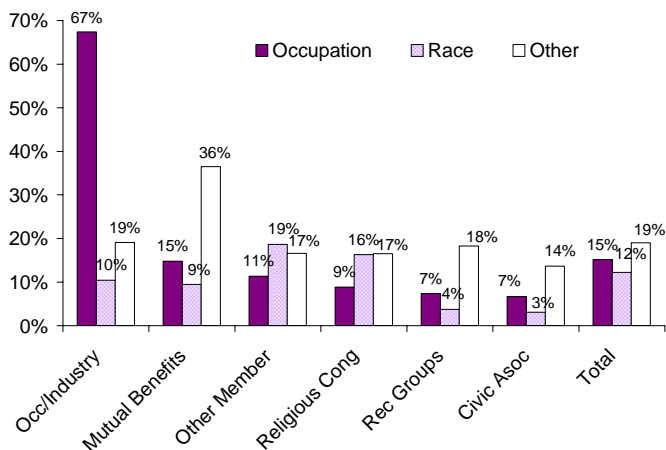


- **Religion:** A quarter (24 percent) of membership organizations target by religion. *Religious congregations*, unsurprisingly, are the most likely (56 percent) to say they target in this manner. Mutual benefits (15 percent), other member groups (13 percent), recreation groups (10 percent), civic associations (6 percent) and occupation/industry groups (4 percent) are less likely to target by religion.
- **Age:** Nearly half (47 percent) of membership organizations target their programs and services by age. The great majority of *religious congregations* (71 percent) and half (53 percent) of *recreation groups* do so. On the other hand, *mutual benefits* (30 percent), *civic associations* (26 percent), and *occupation/industry groups* (26 percent) are less likely to target by age. See solid bars in Figure 7.
- **Gender:** No more than a quarter (29 percent) of membership organizations target by gender. *Religious congregations* (48 percent) are most likely to do so while *civic associations* (5 percent) are least likely. See light purple bars in Figure 7.
- **Among mutual benefits, fraternal beneficiary societies** are more likely to target by age (49 percent vs. 30 percent overall) while other groups (including public utilities, credit unions, employee organizations, etc) are less likely (12 percent) to do so.
- **Among civic associations, community service clubs** are more likely to target by age (45 percent) while homeowners' and neighborhood associations are not (5 percent), compared to 27 percent of civic associations overall.
- **As might be expected, among other member groups, youth development (93 percent) and human services organizations (68 percent)** are much more likely to say that they target by age compared to the overall subgroup (49 percent).
- **While a quarter (26 percent) of mutual benefits target by gender, 43 percent of the fraternal beneficiary sub-group** report that they target in this manner.
- **Among recreation groups, 58 percent of amateur sport teams target by gender** while only 9 percent of recreation clubs do the same. (Overall, 31 percent of recreation groups target by gender.)
- **Among other member groups, youth development organizations** are most likely to target by gender (76 percent vs. 24 percent of other member groups overall).

tion groups (4 percent) are much less likely to target by religion. See white bars in Figure 7.

- Among religious congregations, Catholic congregations are most likely to say that they target by religion (80 percent) followed by mainline Protestant congregations (67 percent), while evangelical Protestants (48 percent) and all other religious affiliations (47 percent) are less likely to do so.<sup>16</sup>
- Among other member groups, volunteer fire departments and related groups (27 percent) and educational institutions and fundraising groups (25 percent) are more likely to target by religion than other member groups overall (13 percent).
- *Occupation*: While only 15 percent of membership organizations target by occupation, not surprisingly, as much as two-thirds (67 percent) of *occupation/industry groups* do so. See solid bars in Figure 8.

**Figure 8: Targeting by occupation, race or other group by type of membership organization (n=1,494-1,497)**



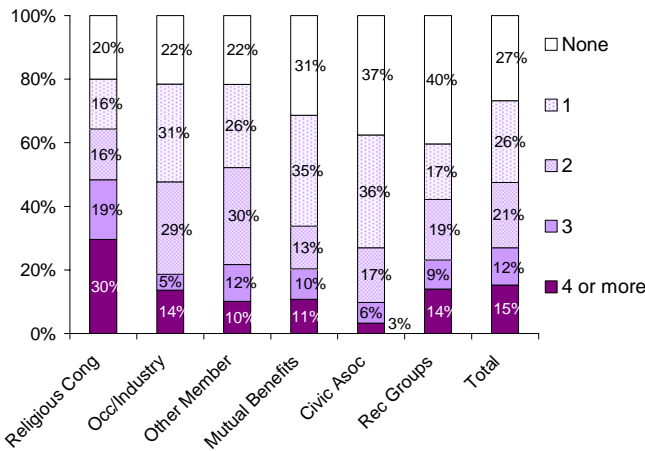
- Among occupation/industry groups, labor unions are much less likely to target a specific occupation (38 percent vs. 67 percent of occupation/industry groups overall). In comparison, 89 percent of professional associations target by occupation.

- Among other member organizations, volunteer fire departments and related groups (36 percent) and environment, animal and civil rights groups (28 percent) are more likely to target by occupation than this category overall (11 percent).
- *Race or Ethnicity*: Just over one-tenth (12 percent) of membership organizations target by race or ethnicity with *other member groups* (19 percent) and *religious congregations* (16 percent) most likely to do so. *Civic associations* (3 percent) and *recreation groups* (4 percent) are least likely to target by ethnicity or race. See lightly shaded bars in Figure 8.
- *Other*: One-fifth (19 percent) of membership organizations say that they target some other group not specified in the survey. *Mutual benefits* are the most likely to say that they target other groups (36 percent). See white bars in Figure 8.
- Among mutual benefits, the vast majority of veterans' organizations (93 percent) say that they target other groups, most likely veterans.
- Among occupation/industry groups, labor unions are more likely to say they target other groups (48 percent vs. 19 percent overall), presumably the industry workers they serve.

- *Number of service targets*: When we look at the likelihood that a nonprofit answered positively to at least one type of service target, we see that nearly three-fourths (73 percent) of membership organizations target at least one specific group. See Figure 9.
- *Religious congregations* stand out from other membership organizations as more likely to have multiple service targets. Nearly half (49 percent) of religious congregations target 3 or more different groups, compared to only 9 percent of civic associations and 27 percent of membership organizations overall.

<sup>16</sup> Differences among religious congregations will be addressed in detail in a further report.

**Figure 9: Number of service targets by type of membership organization (1,682)**



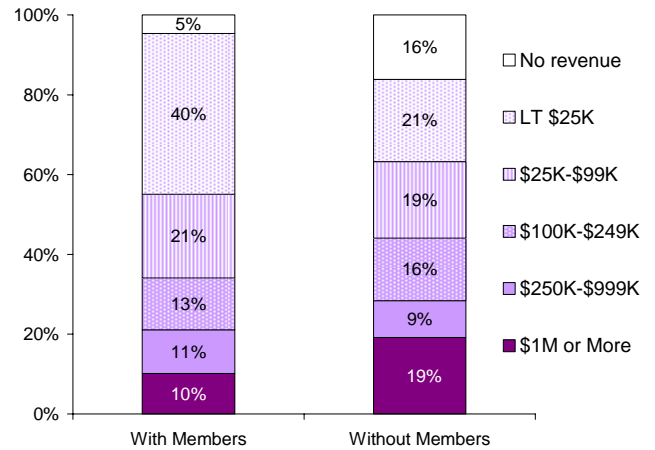
**General Characteristics of Membership Organizations:**

We turn now to how the various types of membership organizations differ by size, funding and dues profiles, age, and legal status. These basic parameters have an impact on organizational capacities.

- **Size of Revenues:** Larger organizations are more likely to have staff, as well as the ability to hire specialists. They may also have more flexibility to restructure activities and therefore be able to weather difficult periods. Membership organizations differ from nonprofits without members in size. There are also notable differences among membership types.

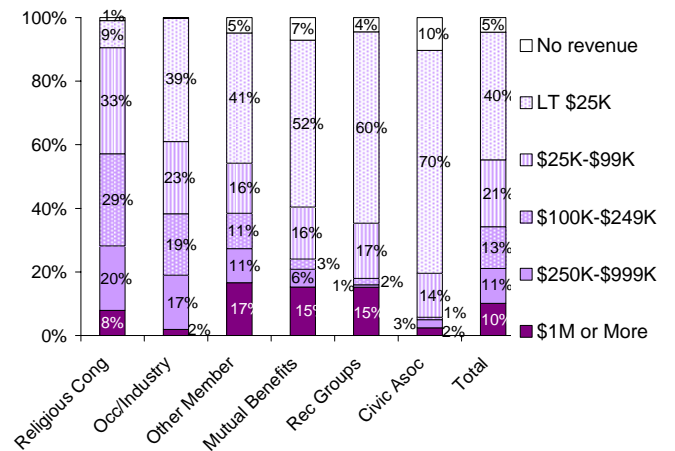
- **Members vs. No Members:** In general, organizations with members are smaller than those without members. Membership organizations are more likely to be very small (revenues of less than \$25,000) than organizations without members (40 percent vs. 21 percent). See Figure 10.
- However, membership organizations are much less likely to have zero revenues than are organizations without members, (6 percent as opposed to 17 percent).
- Membership organizations are less likely to be very big (revenues of over \$1 million) – only 10 percent of member organizations have revenues over \$1 million, compared to 19 percent of those without members.

**Figure 10: Total revenues by member status (n=1,745)**



- **By Type of Membership Organization:** There is great variation in size of revenues among types of membership organizations.
- **Religious congregations** are best characterized as mid-sized organizations. Only 1 percent of religious congregations report no revenues while 62 percent have revenues in the range of \$25,000 to \$249,000. While religious congregations are unlikely to have zero revenues, only 8 percent of religious congregations have revenues over \$1 million. See Figure 11.

**Figure 11: Total revenues by types of membership organization (n=1338)**



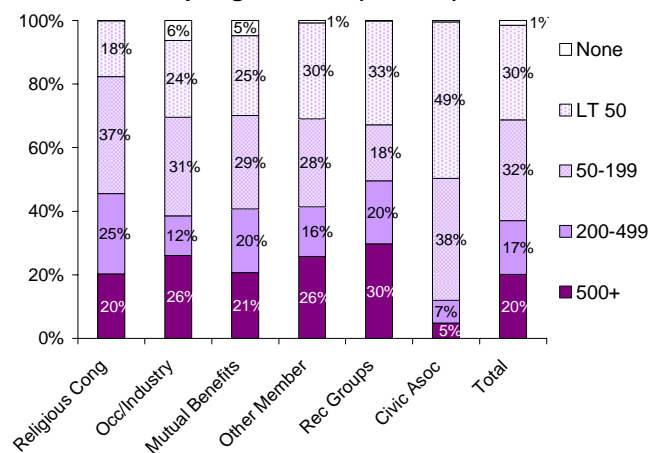
- Among religious congregations, **Catholic congregations** are the largest with 72 percent reporting revenues exceeding \$250,000, compared to only 28 percent of religious congregations overall.

- *Occupation/industry groups* are likely to be small to mid-sized organizations. Some 62 percent of these groups have revenues under \$100,000, while only 2 percent of occupation/industry groups have revenues over \$1 million.
- *Other member groups* vary widely in size, with no overall pattern as a sub-group. Two-fifths (41 percent) of other member groups have revenues under \$25,000 while 17 percent have revenues over \$1 million.
  - Among other member sub-groups, youth development organizations stand out as larger, with 51 percent reporting revenues over \$250,000 compared to 28 percent of other member groups overall.
- *Mutual benefits* tend to be very small or very large with fewer mid-sized organizations. Half (59 percent) of mutual benefits have revenues under \$25,000, including 7 percent with no revenues. At the same time, 15 percent of mutual benefits have revenues of over \$1 million.
  - Among mutual benefits, financial organizations and related groups are large. Over one-third (35 percent) of this sub-group has revenues over \$1 million, compared to 15 percent of mutual benefits overall.
- *Recreation groups* follow a similar pattern of few mid-sized groups. Although 64 percent of recreation groups have less than \$25,000 in revenues, (including 4 percent with zero revenues), 15 percent have revenues over \$1 million.
  - Among recreation groups, hobby clubs are smallest (83 percent with revenues under \$25,000 vs. 64 percent overall) while fraternities/sororities, animal clubs, and related groups are the largest.
  - A majority (59 percent) of fraternities/sororities, animal clubs and related groups report revenues greater than \$1 million.
- *Civic associations* are the most likely to be small with 70 percent reporting revenues of less than

\$25,000 and only 6 percent reporting revenues over \$100,000.

- **Number of Individual Members:** Indiana membership organizations vary widely in the number of individual members that are a part of their organizations. One-third (32 percent) have between 50 and 199 members while 30 percent have fewer than 50 members. Some 37 percent of membership organizations have more than 200 members including one-fifth (20 percent) with more than 500 members. See Figure 12.

**Figure 12: Number of individual members by type of membership organization (n=1,279)**



- *Religious congregations* tend to have mid-sized congregations, with 37 percent reporting between 50 and 199 members and another quarter reporting 200-499 members. One-fifth (20 percent) have over 500 members while less than a fifth (18 percent) have fewer than 50 members.
  - Catholic congregations tend to be larger, with 43 percent reporting over 500 members (compared to 20 percent of religious congregations overall).
  - Mainline Protestant congregations tend to be mid-sized, with 51 percent reporting between 50 and 199 members (compared to 37 percent of religious congregations overall).
- *Recreation groups* stand out, with relatively large percentages (30 percent) reporting 500 or more members (compared to 20 percent of membership organizations overall).

– *Occupation/industry groups* and *other member groups* follow a pattern similar to membership organizations overall; however, there are variations among sub-groups:

- Among occupation/industry groups, half (50 percent) of professional associations have 500 or more members, compared to 26 percent of occupation/industry groups overall.
- The great majority (92 percent) of volunteer fire departments and related nonprofits have fewer than 50 members compared to 30 percent of other member groups overall.
- On the other hand, two-fifths (38 percent) of youth development organizations have over 500 members (as opposed to 26 percent of other member groups overall).

– *Civic associations* clearly stand out from other membership organizations as most likely to have relatively few members. Almost half (49 percent) have fewer than 50 members and another two-fifths (38 percent) have between 50 and 199 members. Only 12 percent have 200 or more members compared to 37 percent of membership organizations overall.

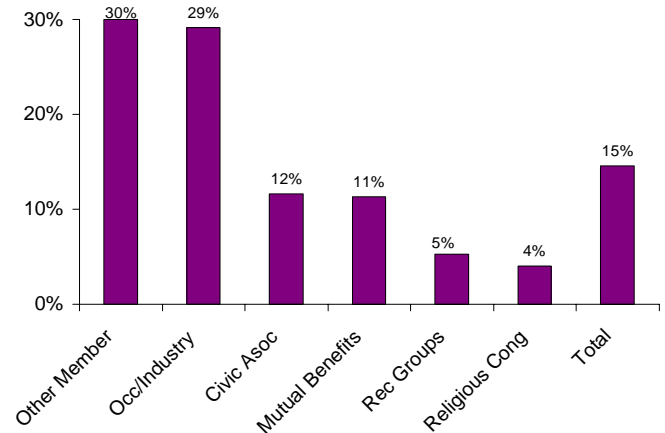
- Community service clubs are the smallest type of civic association. The majority of them (62 percent) have fewer than 50 members compared to 49 percent of civic associations overall.

• **Organizational Members:** Not all members of organizations are individuals; some may be other organizations – as is the case for chambers of commerce. We find that the majority (85 percent) of Indiana membership organizations have only individual members while 15 percent report at least some members that are organizations. Some types of membership organizations are more likely to have organizational members than others.

– *Other member groups* and *occupation/industry groups* are by far the most likely to have members that are organizations rather than only individuals. Almost one-third (30 percent and 29 percent respectively) have organizational members, compared to only 5 percent of *recreation*

*groups*, 4 percent of *religious congregations*, and 15 percent of membership organizations overall. See Figure 13.

**Figure 13: Percent with organizational members by type of membership organization (n=1,682)**



▪ Among other member groups, community improvement and philanthropy organizations are most likely to have organizational members (46 percent), compared to only 2 percent of youth development organizations and 30 percent of other member groups overall.

▪ Chambers of commerce drive the relatively high percentage in occupation/industry groups, with 87 percent reporting organizational members (compared to 29 percent of occupation/industry groups overall).

▪ In contrast, none of the labor unions (0 percent) report organizational members.

– Only 12 percent each of *civic associations*, 11 percent of mutual benefits, and 5 percent of *recreation groups* have organizational members.

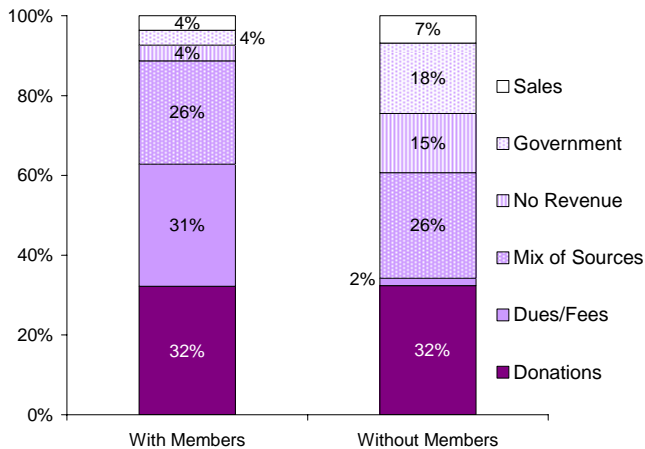
▪ “Other” types of recreation groups such as fraternities/sororities, animal clubs, and related groups are more likely to have organizational members (15 percent) than hobby clubs (3 percent) or amateur sports teams (1 percent), although still only a small minority.

• **Funding Profiles:** A nonprofit’s dominant source of funding reveals how it positions itself and what it

has to do in order to obtain resources to operate its programs. We asked Indiana nonprofits where their revenues come from in order to determine their funding profiles. Possible options included: government or public agencies, donations and gifts, special events, dues/membership fees, private sale of goods and services, or other sources. We characterize nonprofits that get more than half from a given source as dependent on that source. Those that have a mixture of funding sources such that no one source accounts for a majority of revenues we characterize as a “mix of sources.”

- **Members vs. No Members:** Not surprisingly, dues and fees are more important as a revenue source to nonprofits with members than to those without members. The latter depend more on public funding.
  - Membership organizations are much more likely to have membership dues/fees as a major source of funding (31 percent) than organizations without members (2 percent). See Figure 14. By the same token, it is noteworthy that most membership organizations do not depend primarily on dues/fees.

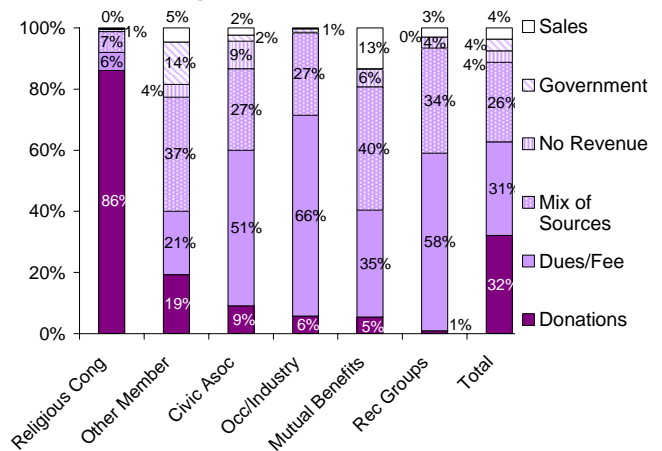
**Figure 14: Primary source of revenue by member status (n=2,000)**



- Donations and a mix of sources are equally likely (32 percent and 26 percent respectively).
- Organizations without members are much more likely to use government as a major source of funding (18 percent vs. 4 percent).

- **By Type of Membership Organization:** Membership organizations themselves have very different funding profiles, with major differences revolving around dues/fees, government funds, and donations.
  - *Occupation/industry, recreation groups, and civic associations* are the most likely to rely on membership dues/fees as a major source of funding (66 percent, 58 percent, and 51 percent respectively). See Figure 15.

**Figure 15: Primary source of revenue by type of membership organization (n=1,549)**



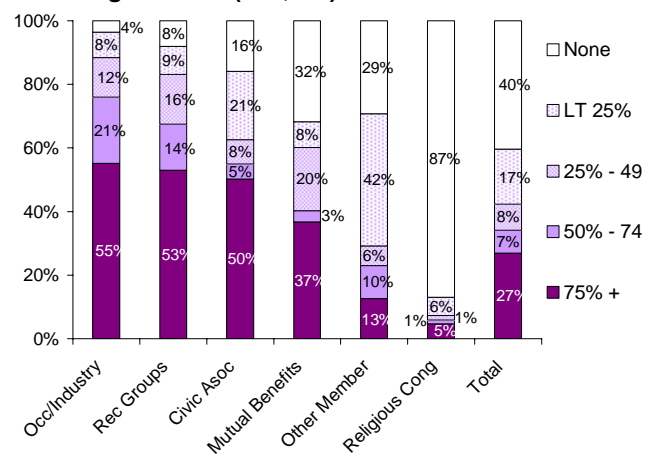
- Among civic associations, homeowner and neighborhood associations are by far the most likely to depend mainly on dues or fees (80 percent vs. 51 percent of all civic associations).
- Community service clubs are somewhat more likely to have a mix of funding (49 percent vs. 27 percent of all civic associations).
- *Religious congregations* are the least likely to have dues or fees as a major funding source (6 percent), and they are by far the most likely to depend on donations/gifts (86 percent) for half or more of their total revenues.
  - While 86 percent of religious congregations report donations as the dominant funding source, only 43 percent of Catholic congregations do so.

- Catholic congregations are a little more likely to report dues and fees as a major source of funding than all congregations combined, (14 percent vs. 6 percent), but two-fifths (41 percent) of them report no dominant source of funding compared to 7 percent overall of religious congregations.
- *Mutual benefits* are slightly more likely to use sales of goods or services as a major source of funding (13 percent) than all other membership organizations (4 percent).
- Among other member groups there is great variation in funding profiles. While 37 percent have a mixed funding source, *other member groups* are more likely than all other membership organizations to depend on government funding (14 percent vs. 4 percent overall).
  - Among other member groups, volunteer fire departments and related groups (60 percent) are the most dependent on government funding.
  - Dues and fees are prominent for 21 percent of other member groups overall, with a higher dependency by educational institutions and fundraising groups (40 percent), environment, animal and civil rights groups (39 percent), and arts and culture groups (30 percent).
  - Donations dominate for 19 percent of other member groups and are especially important for youth development (44 percent) and community improvement and philanthropy (34 percent) organizations.
  - Thirty-seven percent of other member groups have a mix of funding sources (vs. 26 percent of all membership organizations). Among other member groups, human services organizations are the most likely to have a mixed funding profile (54 percent).
- **Dues Reliance:** Because dues are so important to membership organizations, we look at this revenue source in more detail to determine how heavily organizations rely on dues. Survey respondents were

asked to report what percentage of total revenues was generated by dues or membership fees.

- **Overall:** The majority (60 percent) of membership organizations rely on dues to some extent. Over one-quarter (27 percent) rely on dues for over three-fourths of revenues, while 15 percent say it accounts for between 25 to 75 percent of revenues, and 17 percent say that it accounts for less than a quarter of revenues. See total bar in Figure 16.

**Figure 16: Reliance on dues by type of membership organization (n=1,482)**



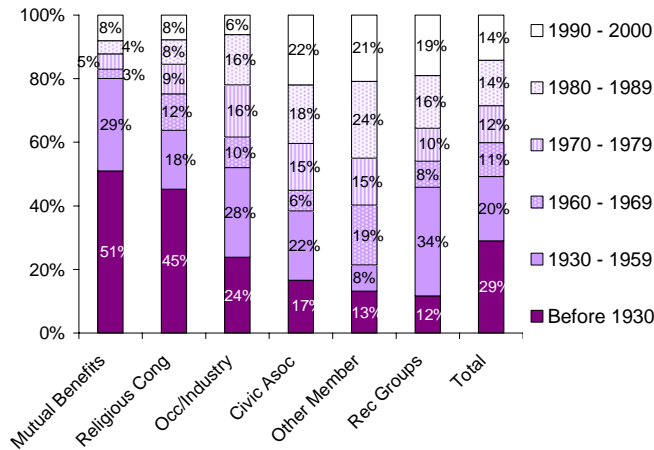
- **By Type of Membership Organization:** As suggested above, occupation/industry groups, recreation groups, and civic associations rely more heavily on dues than other membership organizations. See Figure 16
- *Occupation/industry groups* rely most heavily on dues with 76 percent reporting that at least half of revenues come from dues and 55 percent getting three-fourths or more of revenues from dues.
  - Among occupation/industry groups, professional associations (73 percent) and labor unions (69 percent) are most likely to rely on dues for 75 percent or more of funding (compared to 55 percent of all occupation/industry groups.)
- Dues account for the majority of revenues for both *recreation groups* (67 percent) and *civic associations* (55 percent).

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- Among civic associations, homeowner and neighborhood associations again stand out, with 82 percent reporting that they rely on dues for three-fourths or more of revenue, (compared to 50 percent of civic associations overall).
  - Community service clubs are somewhat less likely to report reliance on dues. Two-fifths (38 percent) of community service clubs say that dues account for less than 25 percent of revenues.
  - Over two-thirds of *mutual benefits* (68 percent) rely on dues as a source of revenue to some extent, including 37 percent that rely heavily on dues (accounting for 75 percent or more of revenues).
    - While one-fifth (20 percent) of mutual benefits overall say they receive between 25 and 49 percent of their revenues from dues, two-fifths (38 percent) of veterans' organizations say the same.
  - The majority of *other member groups* (71 percent) rely on dues to some extent as a source of revenue, but not heavily. Only 29 percent depend on dues for 25 percent or more of funding.
    - Over two-fifths (42 percent) of other member groups say that dues are only a minor funding source (less than 25 percent of revenue). This is especially the case for youth development organizations (66 percent) and counseling and support groups (52 percent).
    - Only 13 percent of other member groups rely heavily on dues. However, among other member groups, 41 percent of environment, animal and civil rights groups and 24 percent of arts and culture organizations report that three-fourths or more of revenues come from dues.
    - Educational institutions and fundraising groups also have a mid to heavy reliance on dues. Two-fifths report that they receive 50-74 percent of revenues from dues, (compared to 10 percent of other member groups overall).
  - *Religious congregations* are the least likely to report any reliance on dues, with 87 percent of religious congregations reporting none. However, for some or even most congregations, contributions serve as a form of dues payments.
  - **Dues Structures:** In addition to variations in reliance on dues, there are a variety of ways that organizations collect dues from their members. We asked membership organizations about three specific dues structures: flat dues from all members, dues based on the level of services members receive, and dues based on the capacity of members to pay.
    - *Overall:* The most popular dues structure is to require members to pay the same flat dues or fees, with the majority (64 percent) of membership organizations using this structure. Less than a tenth of membership organizations say that they base dues on capacity to pay (9 percent). See total bar in Figure 17. The rest (27 percent) say they have some other type of dues/fees structure. This was especially likely to be the case for religious congregations (49 percent).
    - *Flat Dues:* Mutual benefits are by far the most likely to require all members to pay the same flat dues or fees. The great majority (84 percent) of *mutual benefits* require flat dues, as do the majority of all other types of membership organizations except for occupation/industry groups and religious congregations. See solid bars in Figure 17.
      - Among *other member groups*, the great majority of youth development (88 percent), counseling and support (73 percent), and community improvement and philanthropy (73 percent) groups use flat dues structures, compared to only one-third (34 percent) of educational institutions.
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cieties were founded before 1930 (compared to 51 percent of mutual benefits overall).

**Figure 19: Year of establishment by type of membership organizations, (n=1,546)**



- The majority (58 percent) of veterans' organizations were formed between 1930 and 1959 (as opposed to 29 percent of mutual benefits overall).
- *Religious congregations* are also disproportionately old, with a majority founded before 1960 (63 percent), including 45 percent that were founded before 1930.
  - Among religious congregations, mainline Protestant congregations are the oldest subgroup with 76 percent founded before 1930 (vs. 45 percent of all congregations).
  - Catholic congregations are also somewhat older than other religious affiliations—80 percent were formed before 1960, compared to 63 percent of all congregations.
- Over half of *occupation/industry groups* were formed before 1960 (52 percent), although 16 percent were established during the 1970's and 1980's each.
  - Chambers of commerce are the youngest, with half (50 percent) formed since 1980 (vs. 22 percent for all occupation/industry groups).

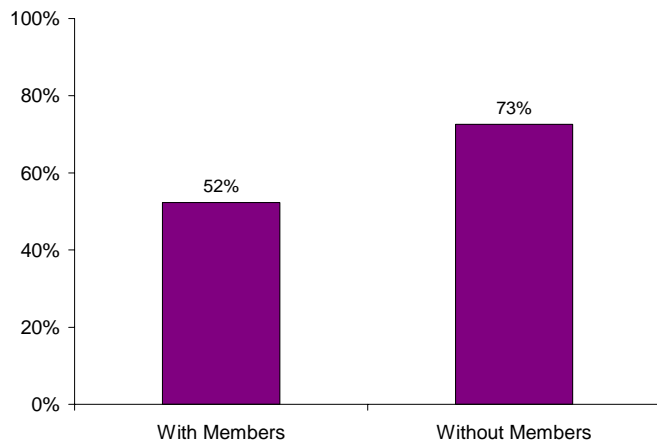
- *Civic associations* and *other member groups* are most likely to be younger, with a majority of these groups founded since 1970.
  - Among civic associations, community service clubs are the oldest, with 70 percent formed before 1960 (compared to 39 percent overall).
  - Among other member groups, educational institutions and fundraising groups are oldest, with 30 percent founded before 1930 (compared to 13 percent for all other member groups).
  - On the other hand, the majority of community improvement and philanthropy groups (61 percent) and counseling and support groups (58 percent) are very young (founded since 1990).

**Legal Status:** In this section we look at the legal status of membership organizations. Nonprofits that are registered with the internal revenue service (IRS) as 501(c)(3) charities are eligible to receive tax-deductible donations. This creates incentives for potential contributors and enhances an organization's attractiveness to donors. Formal incorporation with the Indiana Secretary of State (ISOS) is an important tool that protects staff or board members from liability. Membership organizations vary in their likelihood to be eligible for charitable donations and in their incorporation status.

- **Tax-Deductible Donations:** We asked membership organizations whether or not they are eligible to receive tax deductible donations.<sup>18</sup>
  - Members vs. No Members: Membership organizations are less likely to say they are eligible to receive tax deductible donations for federal income tax purposes than organizations without members. Just over half (52 percent) of membership organizations say they are eligible, compared to nearly three-fourths (73 percent) of organizations without members. See Figure 20.

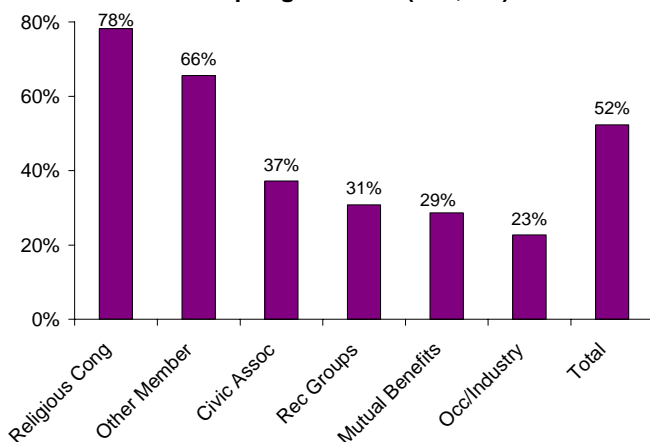
<sup>18</sup> We expected to be able to verify survey responses to this question with the IRS list of tax-exempt entities with Indiana addresses; however, we found discrepancies in self-reports and IRS listings. The findings in this section are based on self-reports only.

**Figure 20: Percent eligible to receive tax-deductible donations for federal income tax purposes by member status (n=2,206)**



- **By Type of Membership Organization:** Four-fifths (78 percent) of *religious congregations* and two-thirds (66 percent) of *other member groups* say they are eligible to receive tax-deductible contributions, compared to roughly one-third or less of the other types of membership organizations. See Figure 21.

**Figure 21: Percent eligible to receive tax-deductible donations for federal income tax purposes by type of membership organization (n=1,682)**

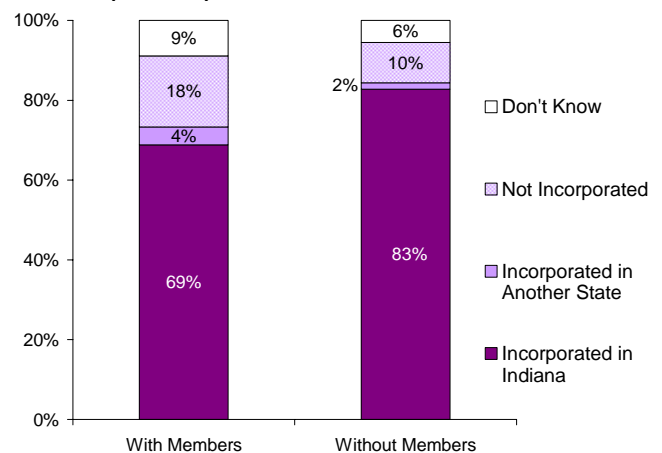


- Among civic associations, community service clubs (45 percent) and other civic associations (60 percent) were more likely to report eligibility for tax-deductible donations than homeowner and neighborhood associations (15 percent) and civic associations overall (37 percent).

- **Incorporation Status:** We asked nonprofits whether or not they are formally incorporated. Respondents could indicate that they were either incorporated in Indiana, incorporated in another state, not incorporated, or that they were unsure.<sup>19</sup>

- **Members vs. No Members:** Membership organizations are less likely to report that they are formally incorporated than organizations without members. Only 73 percent of member organizations are incorporated in Indiana or elsewhere, compared to 85 percent of nonprofits without members. See Figure 22.

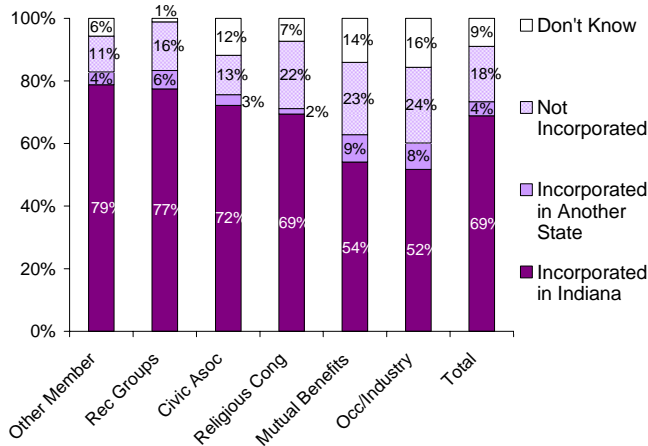
**Figure 22: Incorporation status by member status (n=2,017)**



- Nearly one-fifth (18 percent) of membership organizations are not incorporated while only one-tenth of organizations without members report the same.
- **By Type of Membership Organization:** *Other member groups*, *recreation groups* and *civic associations* are the most likely to say they are incorporated in Indiana (79 percent, 77 percent and 72 percent respectively), while mutual benefits and occupation/industry groups are the least likely (54 and 52 percent respectively). See Figure 23.

<sup>19</sup> We cross-checked these responses against the list of nonprofits incorporated with the Indiana Secretary of State. We found some inconsistencies and rely here exclusively on self-reports from our survey.

**Figure 23: Incorporation status by type of membership organization (n=1,679)**



- *Mutual benefits and occupation/industry groups* that are incorporated are somewhat more likely than other membership organizations to be incorporated outside of Indiana (9 percent and 8 percent). In addition, about one-quarter of each report that they are not incorporated.
  - Among mutual benefits, nearly half (46 percent) of veterans’ organizations report that they are not incorporated, compared to 23 percent of mutual benefits overall.
  - The majority of fraternal beneficiary societies (52 percent) say that they are incorporated in Indiana (compared to 54 percent of mutual benefits overall); however, one-fifth (20 percent) report that they are incorporated in another state (vs. 9 percent overall).
  - Among occupation/industry groups, the pattern of not being incorporated is driven by the labor unions, 43 percent of which report no formal incorporation.
  - In contrast, 86 percent of chambers of commerce report that they are incorporated.
- Interestingly, the percent of organizations that are aware of whether or not they are incorporated also varies by type of membership organization.
  - Only 1 percent of recreation groups answered that they “don’t know” whether or not they are incorporated, while as much as

16 percent of occupation/industry groups and 14 percent of mutual benefits were unable to answer the question.

**Conclusions and Implications:** We draw several conclusions and implications from these findings.

- *Most membership organizations target both their own members and the general public.* Only one-fifth of membership organizations say that they serve *only* their own members, while over three-fourths say that they serve *both* their own members and the general public.
- *Religious congregations target specific groups heavily.* Virtually all (96 percent) religious congregations say that they target both their own members and the general public. They are the most likely to target by age, religion, and gender.
- *Most membership organizations have relatively few members.* Three in 10 have less than 50 members, and only 20 percent have more than 500.
- *Membership organizations depend on dues and donations.* Just over half of occupation/industry groups, recreation groups, and civic associations receive over three-fourths of their revenue from membership dues/fees, while religious congregations depend almost entirely upon donations.
- *Membership organizations are older.* Half of membership organizations are at least 45 years old, compared to less than a quarter of organizations without members that are the same age. Mutual benefits, religious congregations, and occupation/industry groups are the oldest types of membership organizations. Civic associations, recreation groups, and especially other member groups tend to be younger.
- *Within each major type of membership organization, some sub-groups stand out in terms of their profile characteristics.* Thus, among religious congregations, Catholic congregations stand out as having notably different profile characteristics than other congregations, followed by those belonging to mainline Protestant denominational traditions. Among civic groups, community service clubs and homeowners and neighborhood associations stand out as having distinctive profiles. Among mutual benefit groups, fraternal beneficiary societies and

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veterans organizations have distinctive profiles. Among occupation/industry groups, labor unions and chambers of commerce/business leagues tend to stand out in terms of profiles, as do amateur sports teams among recreation groups and youth development organizations among other member organizations (followed by counseling and support groups, volunteer fire departments and related organizations and community improvement organizations).

## II. CHANGES AFFECTING MEMBERSHIP ORGANIZATIONS

*Are membership organizations in decline as Putnam claims in “Bowling Alone”?<sup>20</sup> We look at whether Indiana nonprofits report growth or decline in the number of members and in demand for their programs or services over the previous three years. We find that some membership organizations are indeed experiencing decline, but others are growing and facing increasing demands for their programs or services. Membership organizations differ in whether they observe shifts in community conditions or in government policies and in whether they are affected by such changes. However, relatively few engage in advocacy and or other efforts to promote particular issues or the interests of special groups.*

**Vitality of Membership Organizations:** One way to measure vitality in membership organizations is to determine whether the number of members is increasing or decreasing. We expect that organizations with a growing number of members would have healthier financial conditions than those with declining membership. Certainly growth of members by itself suggests that the organization is visible and attractive to more people or organizations. We also asked our respondents to indicate whether demand for the organization’s services or programs has changed over the previous three years.

- **Change in Members:** We asked Indiana nonprofits that have individual members how the number of members has changed over the previous three years. We report here on whether the membership count decreased, stayed the same or increased.<sup>21</sup>
  - *Overall:* Almost half (46 percent) of membership organizations say that the number of members had stayed more or less the same over the prior three years. The rest split almost evenly between those that reported increases (26 percent) and those that reported decreases (27 percent). See the total bar in Figure 24.

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<sup>20</sup> *Bowling Alone: The Collapse and Revival of American Community* by Robert D. Putnam (New York: *Simon & Schuster*, 2000).

<sup>21</sup> We gave respondents five choices: decreased significantly (by more than 25 percent), decreased somewhat (by 10-25 percent), stayed more or less the same, increased somewhat (by 10-25 percent), or increased significantly (by more than 25 percent). In this report we collapse the responses into the three categories named above.