



INDIANA NONPROFITS

Scope and Community Dimensions

Nonprofit Survey Series
Report #2

THE INDIANA NONPROFIT SECTOR: A PROFILE

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DETAILED FINDINGS

I. PROFILE OF INDIANA NONPROFITS

Nonprofits operate throughout the state of Indiana. They pursue a broad array of missions that cut across all major nonprofit fields of activities, but half are concentrated in just two fields—human services and religious and spiritual development. Over half of Indiana nonprofits target their services by age or geographic region. Many are relatively young and small and many also appear to face some financial insecurity and increasing demands for services. One third depends primarily on donations for the majority of their funding.

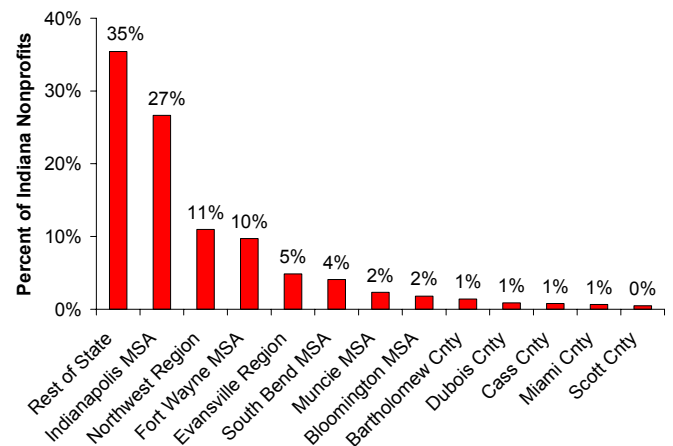
Geographic Distribution: Nonprofits are located throughout the state of Indiana and as such, face different economic, political, and social conditions depending on their location. We pay special attention to seven metropolitan regions (Indianapolis, the Northwest Region, Fort Wayne, the Evansville Region, South Bend, Bloomington, and Muncie) and five non-metropolitan counties (Bartholomew, Cass, Dubois, Miami, and Scott).⁴ As we would expect, nonprofits tend to be concentrated within the major population centers.

- One half (53 percent) of nonprofits are located within just four regions⁵ including just over one quarter (27 percent) in the Indianapolis metropolitan area, the single largest concentration of nonprofits within the state. See Figure 1.
- The Northwest Region and Fort Wayne metropolitan regions each have about 10 percent of Indiana nonprofits, the Evansville Region and South Bend regions have about half that share (5 and 4 percent respectively).
- The smaller metropolitan regions of Bloomington and Muncie each have about 2 percent of the state’s nonprofit organizations, while 1 percent or less are located within each of five non-metropolitan areas considered here—Cass, Dubois, Miami, Bartholomew, and Scott Counties.

⁴ These regions were selected to allow for comparisons across most of the state’s major metropolitan regions while also including some more rural counties in the southern and mid-north regions of the state.

⁵ Indianapolis, Northwest Indiana, Fort Wayne, and Evansville.

Figure 1: Distribution of Indiana nonprofits by geographic region (n=2,207)



- Our previous analysis of the geographic distribution of nonprofit employment shows a roughly similar distribution of nonprofit employment across these regions.⁶

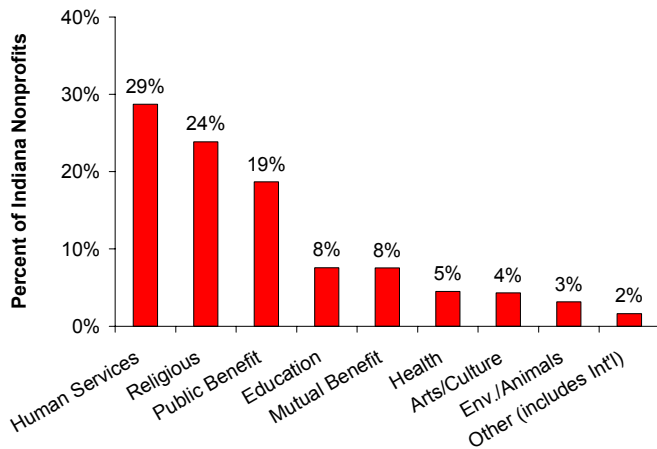
Major Fields of Activity: Indiana nonprofits provide a wide variety of services, including worship, counseling, job training, recreation, social activities, opportunities for advocacy or other forms of democratic participation, health care, education, access to arts and culture, protection of environment, and so forth. Recognizing this diversity is essential for understanding how nonprofits operate and respond to their environments. To capture these dimensions, we classify nonprofits by their major field of activity.⁷

- More than half of Indiana nonprofits are concentrated in just two major fields of activity: human services (29 percent) and religious and spiritual development (24 percent). See Figure 2.
- About one-fifth (19 percent) is public and societal benefit organizations (e.g., involved in advocacy, community improvement, philanthropy, or research).

⁶ See analysis of the distribution of nonprofit employment (Grønberg & Park, *Indiana Nonprofit Employment: 2003*, available at www.indiana.edu/~nonprof).

⁷ 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). We then aggregated these codes into eight categories, plus an “all other” category that includes the small number of international/foreign affairs nonprofits and unknown.

Figure 2: Distribution of Indiana nonprofits by major field of activity (n=2,207)

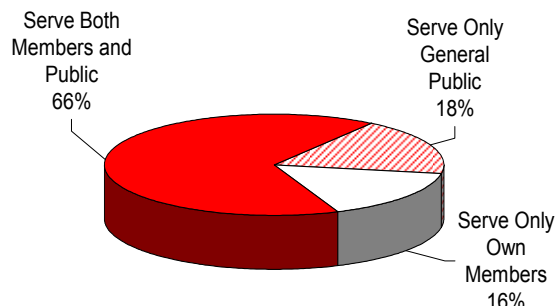


- Education and mutual benefit nonprofits (fraternal organizations, insurance providers, etc.) each comprise about 8 percent of nonprofits in the state.
- The rest (14 percent overall) includes health (5 percent), arts, culture, and humanities (4 percent); environmental and animal protection (3 percent); and international/other nonprofits (2 percent).

Target Populations: While major fields of activity capture the substantive missions of Indiana nonprofits, the groups they target show how they focus their work.

- **Targeting by Membership Status.** Nonprofits may administer programs that provide services to the general public, to only their members, or to both.
 - Less than one fifth of Indiana nonprofits (18 percent) serve only the general public while two-thirds (66 percent) have programs that serve both the general public and their own members. The remaining 16 percent serve only their members. See Figure 3.

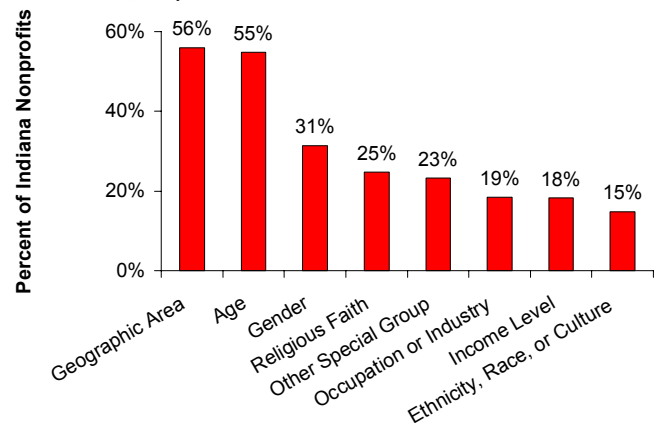
Figure 3: Percent targeting programs by membership status, Indiana nonprofits (n=2,109)



- **Targeting by Group Characteristics.** Nonprofits may also focus their programs on groups with special characteristics—and thus perhaps special needs—that are of particular interest to them.

- A majority of Indiana nonprofits target by geographic area (56 percent) or by age (55 percent), See Figure 4.

Figure 4: Percent targeting some or all programs to specific groups, Indiana nonprofits (n=1,589 to 1,752)



- Almost one-third (31 percent) target by gender and a quarter (25 percent) by religious faith.
- Less than one-fifth of nonprofits target by occupation or industry (19 percent), income levels (18 percent), or an ethnic, race, or cultural basis (15 percent).
- Almost one quarter (23 percent) target some other special group, such as veterans, disabled, homeless, refugees, abuse victims, inmates, cancer patients, or persons with addictions.

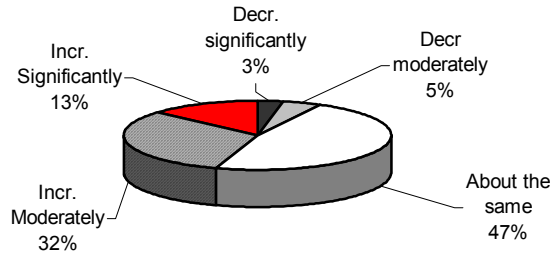
Demand for Services and Programs: Given deteriorating economic conditions in Indiana during the last several years, and the extent to which Indiana nonprofits target special groups, it is not surprising that many experienced increasing demands for services.

- Almost one half (45 percent) of Indiana nonprofits report that service demands have increased moderately (32 percent) or significantly (13 percent).⁸

⁸ “Moderately” is defined as a change of 10 to 25 percent, “significantly” is defined as a change of more than 25 percent.

- Only 8 percent of nonprofits reported either a moderate or significant decrease in demand for services. The remaining 47 percent experienced no change in demand. See Figure 5.

Figure 5: Percent reporting that demands for services increased or decreased over the past three years, Indiana nonprofits (n=2,089)

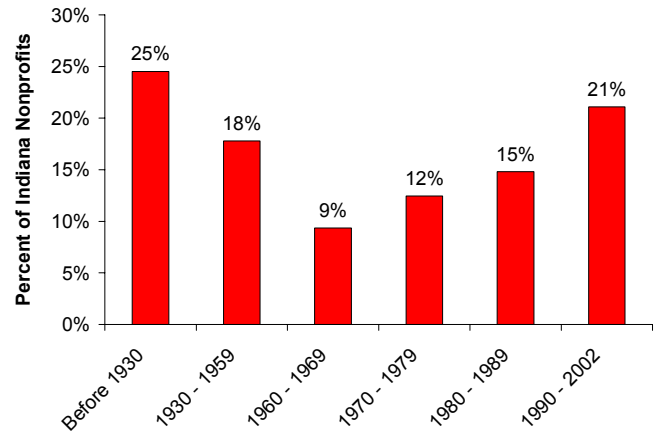


Age: To consider the capacity of Indiana nonprofits to carry out their work and respond to community needs, we first look at how old they are. Over time nonprofits—like other organizations—develop expertise, solidify routines, and secure more reliable sources of funding, stronger networks, or better-trained staff and volunteers. Very young organizations may not yet have worked through such challenges and face a so-called “liability of newness.” However, while they may therefore be less effective in pursuing their missions than older nonprofits, their missions may be more sharply focused on current problems.

- The age of Indiana nonprofits varies considerably, ranging from newly formed organizations to some established several hundred years ago.
 - Almost one half (48 percent) of nonprofits were established since 1970, including one-fifth (21 percent) since 1990. However, one quarter (25 percent) is very old and was established before 1930. See Figure 6.

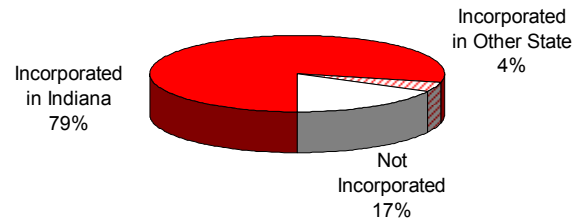
Legal Status: Nonprofits often seek formal incorporation and/or official tax-exempt status shortly after they are established (although some wait many years). The former protects them from liability; the latter exempts them from most taxes (and in the case of charities, entitles them to receive tax-deductible donations). To secure either type of legal status, nonprofits must document that they meet specified operational standards, which in turn may enhance their capacity to carry out their missions.

Figure 6: Year of establishment, Indiana nonprofits (n=2,036)



- **Incorporation Status.** The vast majority (83 percent) of Indiana nonprofits report that they are incorporated, either in Indiana (79 percent) or another state (4 percent). Still, almost one in five (17 percent) are not incorporated. See Figure 7.

Figure 7: Incorporation status, Indiana nonprofits (n=2,018)



- **Tax Status.** Similarly, four-fifths of our respondents report that they are formally exempt from federal income taxes (81 percent), state income taxes (79 percent), or states sales taxes (79 percent). Most the rest are churches, which are not required to obtain tax-exempt status. Over two-thirds (70 percent) say they don’t pay local property taxes.⁹

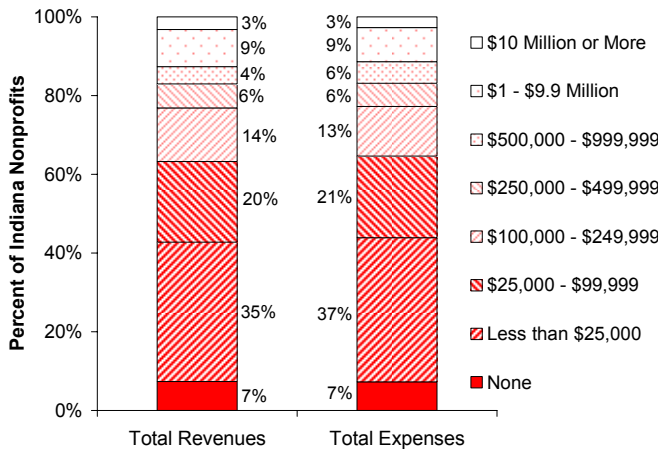
Size and Finances: In addition to experience and ability to obtain formal legal status, the capacity of nonprofits to carry out their missions depends on their financial resources. To understand this dimension, we look at key financial indicators—total revenues, expenses, assets,

⁹ This most likely includes nonprofits that operate in borrowed space as well as those that are formally exempt from property taxes. Some of those that rent space may also be included in this category, especially if they rent from other nonprofits.

and liabilities¹⁰—along with changes in these indicators over the past three years.

- **Revenues and Expenses.** Indiana nonprofits reported an average of \$4 million in total revenues and \$2.8 million in total expenses for the most recently completed fiscal year.¹¹
 - Overall, Indiana nonprofits vary greatly in size: revenues range from none to \$412 million and expenses range from none to \$233 million.
 - On average, however, Indiana nonprofits are quite small. One half had revenues of \$40,000 or less and expenses of \$39,000 or less.
 - More than three-fifths (62 percent) reported revenues of less than \$100,000, including one-third (35 percent) with revenues less than \$25,000 and 7 percent with no revenues. See Figure 8.

Figure 8: Percent by total revenues and total expenses for the most recent fiscal year, Indiana nonprofits (n=1,725)



- At the other extreme, 13 percent of nonprofits reported revenues of \$1 million or greater, in-

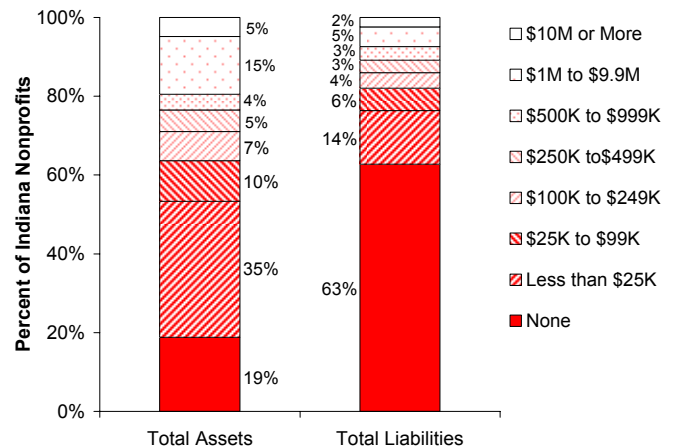
¹⁰ Total revenues refers to the income nonprofits receive in a given year from all sources—donations, special events, government grants and contracts, membership dues, income from fees, sales or rents, and from investments. Total assets reflect the value of all equipment, property or other resources owned by the organization at a particular point in time, usually the end of the fiscal year. Total liabilities consist of the value of all financial obligations (e.g., loans, accounts payable) at a given point in time.

¹¹ The survey requested financial information for the most recently completed fiscal year, which in most cases would have been 2001.

cluding 3 percent with revenues of \$10 million or greater.

- Almost two-thirds (65 percent) of nonprofits reported expenses of less than \$100,000, including 37 percent with expenses less than \$25,000 and 7 percent with no expenses.
- Twelve percent of nonprofits reported expenses of \$1 million or more, including 3 percent with expenses of \$10 million or more.
- **Assets and Liabilities.** Although on average Indiana nonprofits have relatively few assets and liabilities, some hold substantial assets or face sizeable liabilities (not necessarily the same organizations)
 - Overall, Indiana nonprofits reported an average of \$5.3 million in total assets, but total assets ranged from none to \$452 million.
 - Almost one-fifth (19 percent) reported no assets at all and another 45 percent reported assets of less than \$100,000. See Figure 9.

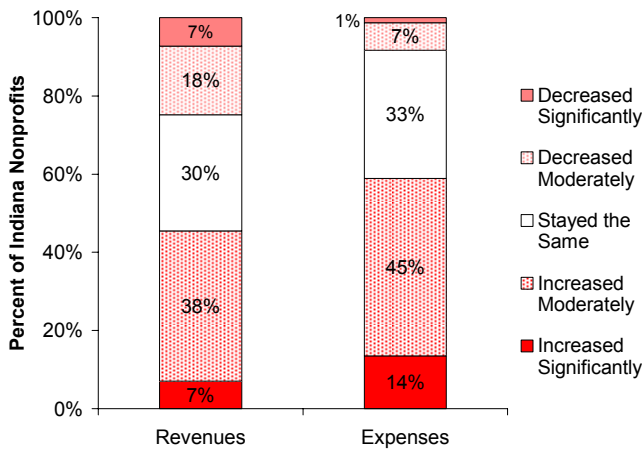
Figure 9: Percent by total assets (n=1,482) and total liabilities (n=1,415), Indiana nonprofits



- One-fifth (20 percent) reported assets greater than \$1 million, including 5 percent with assets of \$10 million or more.
- Indiana nonprofits reported an average of \$1.5 million in total liabilities with liabilities ranging from none to \$452 million, but most had no liabilities.

- Almost two-thirds (63 percent) reported no liabilities at all and another 20 percent reported liabilities of less than \$100,000. See Figure 9.
- Only 7 percent reported liabilities greater than \$1 million, including 2 percent with liabilities of \$10 million or more.
- **Changes in Revenues.** While most Indiana nonprofits were able to increase or maintain their revenues over the past three years, some lost revenues.
 - More than two-fifths (45 percent) of Indiana nonprofits reported a moderate (38 percent) or significant (7 percent) increase in revenues. See Figure 10.

Figure 10: Percent reporting increase or decreases in revenues (n=1,778) and expenses (n=1,779), Indiana nonprofits



- One in three nonprofits (30 percent) reported no change in revenues over the past three years, thus failing to keep up with cost of living increases.
- Fully 25 percent reported a moderate (18 percent) or significant (7 percent)¹² decrease in revenues.
- **Changes in Expenses.** Most Indiana nonprofits saw increased expenses over the last three years and expenses generally grew faster than revenues.

¹² “Moderate” is defined as a change of 5 to 25 percent while “significant” is defined as a change greater than 25 percent.

- While more than half of Indiana nonprofits had no change or decreased revenues, only 8 percent reported a moderate or significant¹³ decrease in expenses and 33 percent reported no change in the level of expenses. See Figure 10.
- Three-fifths (59 percent) of nonprofits reported either a moderate (45 percent) or significant (14 percent) increase in expenses.
- Overall, the percentage of Indiana nonprofits that experienced some decrease in revenues (25 percent) is three times the percentage that reported some decline in expenses (8 percent).

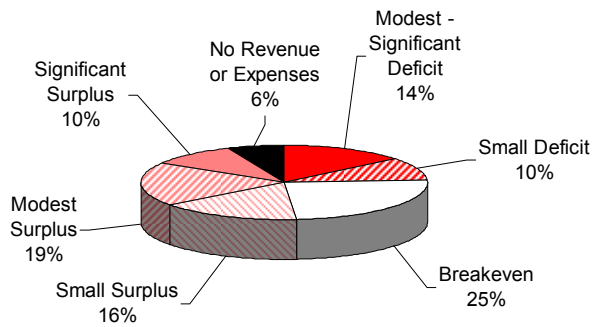
- **Changes in Assets and Liabilities.** Most Indiana nonprofits reported no or only moderate changes in assets or liabilities over the past three years.
 - Almost one half (48 percent) of Indiana nonprofits reported that assets remained about the same, while most of the rest reported a moderate (32 percent) or significant (9 percent) increase over the past three years.
 - The same general pattern holds for liabilities: almost two-thirds (65 percent) reported no change in liabilities while another 17 percent reported a moderate increase and 6 percent reported a significant increase in liabilities.

- **Deficits and Surpluses.** Perhaps reflecting the slower rates of growth in revenues compared to expenses, one quarter (24 percent) of Indiana nonprofits ran a deficit during the most recent fiscal year, while another quarter (25 percent) broke even.¹⁴ Some 16 percent had a small surplus while 29 percent reported a modest or significant surplus. The remaining 6 percent had no revenues or expenses. See Figure 11.

¹³ See footnote 12.

¹⁴ The surplus/deficit ratio was computed by dividing the difference between total revenues and expenses by total expenses. We define a “modest/significant deficit” as a ratio of 11 percent or more, a “small” deficit as 3 to 10 percent, and “breakeven” as a ratio of +/- 2 percent. A “small” surplus is defined as 2 to 10 percent, “modest” surplus as 11 to 50 percent, and “significant” surplus as over 51 percent.

Figure 11: Deficit or surplus as percent of expenses, Indiana nonprofits (n=1,644)



- **Other Key Financial Ratios.** Ratios of total assets, total liabilities, and fund balances to total expenses provide another indication of the financial health of the nonprofit sector in Indiana. Since most nonprofits have few assets, these ratios reveal a challenging financial picture for many—they have few reserves on which to draw should revenues fail.

- More than half (57 percent) of Indiana nonprofits had assets that amounted to less than their total annual expenses, including 17 percent that had no assets at all.
- One quarter (25 percent) had assets that could cover the organization’s expenses for 1-5 years and the rest (17 percent) had assets that exceeded annual expenses by a comfortable factor of five or more.
- More than one-fifth (21 percent) had liabilities that exceeded their annual expenses, including 10 percent with liabilities that were five times total expenses or more.
- The ratio of net assets (or fund balances) to expenses provides an overall snapshot of the financial position of nonprofits. About one in three had negative or breakeven ratios, including 11 percent with no net assets, 3 percent with negative ratios and 15 percent with breakeven ratios.¹⁵ The rest had net assets that exceeded total annual expenses.

¹⁵ “Negative” ratio is defined as a ratio of net assets to expenses of -2 percent or less, “breakeven” ratio is between +/- 2 percent, “small” ratio is between 3 and 75 percent, “moderate” ratio is between 76 to 200 percent, and “large” ratio is greater than 200 percent.

Sources of Revenue: The changing financial conditions of Indiana nonprofits reflect their abilities to secure access from a variety of funding sources, including donations and gifts;¹⁶ government grants and contracts; fees, dues, and sales; and special events and other miscellaneous income. Nonprofits seek obtain the type or mix of revenues that help them pursue their missions most effectively—ideally sources that are flexible, predictable, and growing. At the same time, while a mix of sources may soften the blow if any one source should decline, relying on a broad mix of revenues is also challenging since each source requires particular management skills.

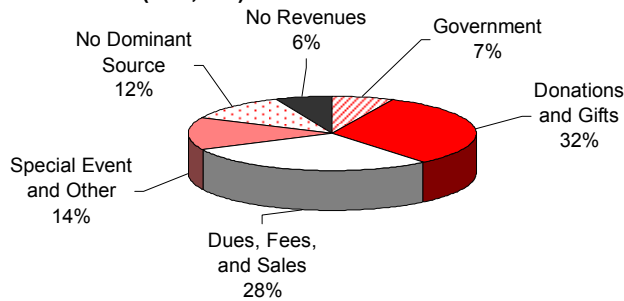
We examine the extent to which Indiana nonprofits rely primarily on one of four major types of funding¹⁷ or on a mix of sources and look at the prevalence of more detailed sources of funding. We also report on changes in levels of funding from each major source over the past three years and consider the importance of these sources for the overall Indiana nonprofit sector.

- **Revenue Profiles.** The vast majority (82 percent) of Indiana nonprofits relied on a single major type of funding for at least half of their revenues for the most recent fiscal year.
 - One-third (32 percent) received half or more of their funding from donations and gifts and 28 percent received at least half of their funding from dues, fees, or private sales of goods and services. See Figure 12.
 - Another 14 percent of nonprofits received at least half of their funding from special events or other sources, while government funding was the dominant source of funding for only 7 percent of nonprofits.

¹⁶ Generally, only donations and gifts to charities and congregations are tax deductible for donors. Donations and gifts to advocacy nonprofits are not.

¹⁷ “Primary reliance” is defined as obtaining 50 percent or more of total revenues from a particular source; those obtaining less than half of their revenues from any one of the four major sources is defined as having a “mixed funding” profile

Figure 12: Major sources of funding, Indiana nonprofits (n=2,001)

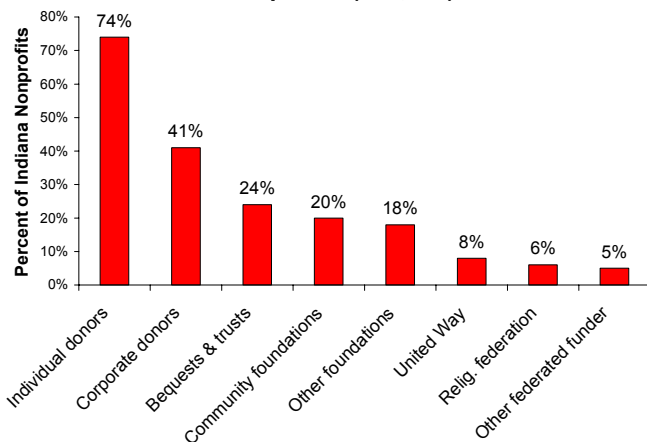


- The remaining nonprofits did not have a dominant source of funding (12 percent) or they had no revenues (6 percent).

- **Detailed Types of Revenue Sources.** Each of the four major types of funding sources may include funding from a variety of specific sources. Some of these are more prevalent than others.

- The great majority (74 percent) of nonprofits received donations from individuals, the most prevalent source of donations. See Figure 13.

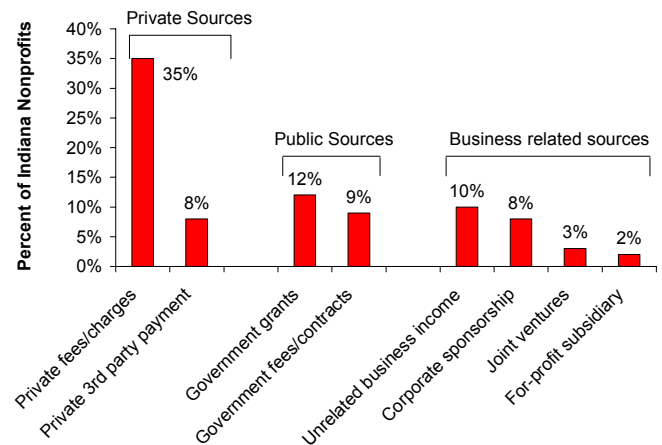
Figure 13: Percent with donations by type of donor, Indiana nonprofits (n=2,005)



- Two-fifths (41 percent) reported obtaining donations from businesses or corporations.
- About a quarter (24 percent) received support in the form of trusts or bequests from individuals.
- One-fifth received grants from community foundations (20 percent) or other foundations (18 percent).

- Relatively few reported funding from United Way (8 percent), religious federations (6 percent), or other federated funders (5 percent).
- More than one-third (35 percent) obtained revenue from fees, charges, or sales to individuals or other nonprofits, while 8 percent received fees or charges from private third parties. See Figure 14.

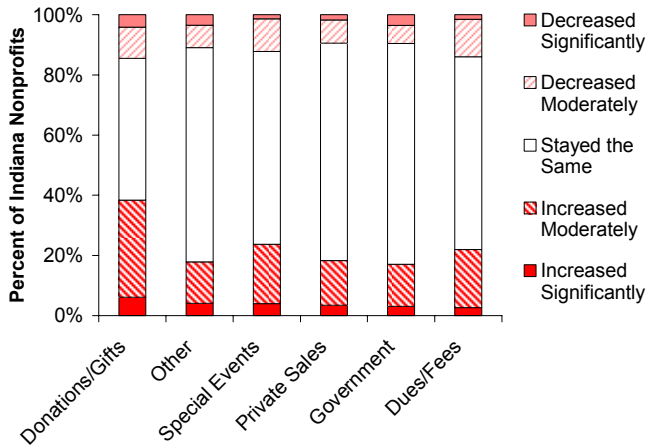
Figure 14: Percent reporting other types of revenues by type of source, Indiana nonprofits (n=2,005)



- Only one in ten reported receiving government grants (12 percent) or government contracts or fees for service payments (9 percent).
- Relatively few nonprofits obtained any revenues from unrelated business activity (10 percent), corporate sponsorship or marketing fees (8 percent), joint ventures (3 percent), or for-profit subsidiaries (2 percent).

- **Changes in Revenue Sources.** Overall, Indiana nonprofits reported relatively few changes in each of their major types of revenue, suggesting a relatively high degree of predictability (although there may be significant changes in funding from any one funder). When major revenue streams did change, nonprofits were more likely to report an increase rather than a decrease in funding from that type of source.
- Less than one half (47 percent) of nonprofits reported no changes in overall levels of donations and gifts over the past three years. See Figure 15.

Figure 15: Changes in major sources of funding, Indiana nonprofits (n=953 to 1,476)



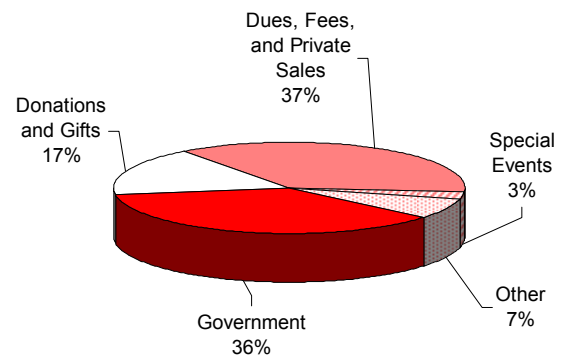
- By contrast, the vast majority (respectively 73 and 72 percent) reported that funding from government or from private sales of goods and services stayed about the same during that period.
- Likewise, about two-thirds reported that the level of funding from special events, dues and membership fees, or other sources stayed about the same.
- When levels of funding did change, on average, more nonprofits reported a moderate or significant increase than a moderate or significant decrease in funding from a given source.¹⁸ Overall, between 17 to 39 percent reported some increase in funding from the various sources, while 10 to 14 percent reported some decrease in funding from these same sources.
- The prevalence of increases over decreases was particularly notable for donations (39 vs. 14 percent)
- Notwithstanding apparently stable funding levels, most nonprofits reported that obtaining funding or financial resources is either a minor (27 percent) or major (43 percent) challenge.
- At the same time, only 30 percent of nonprofits reported that they compete with other nonprofits, for-profits, or government agencies for financial resources.

¹⁸ “Moderate” increase/decrease is defined as gains/losses of 5 to 25 percent, while “significant” is 25 percent or more.

- **Combined Nonprofit Sector Revenue Profile.** So far we have examined the extent to which the average nonprofit relies on particular types of funding, but those patterns are driven by the revenue profiles of the large number of very small nonprofits in Indiana. To better capture the significance of major sources of funding for the overall nonprofit sector in Indiana, we examine aggregate revenues of all nonprofits combined, thus capturing the contributions of large nonprofits that account for most of the financial activities.

- Dues, fees, and the private sales of goods and services is the largest source of revenues for the overall Indiana nonprofit sector, accounting for more than one-third (37 percent) of combined revenues. The typical Indiana nonprofit received about 34 percent on average from these sources, suggesting that this source is important to all nonprofits regardless of their size. See Figure 16.

Figure 16: Combined revenues for entire sector, Indiana nonprofits (n=1,558)



- Government funding is the second largest single source of funding for Indiana nonprofits. It accounts for 36 percent of the sector’s combined revenues, although on average the typical Indiana nonprofit received only 9 percent of revenues from this source. Clearly, government funding is important for the sector as a whole, but tends to be concentrated in large organizations.
- Donations and gifts jointly account for about 17 percent of the combined revenues for the sector, but on average, the typical nonprofit receives 35 percent of their revenue from this source, sug-

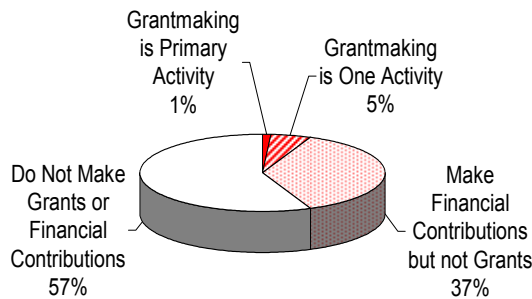
gesting that donations are particularly important to smaller nonprofits.

- Special events account for the smallest percent of combined revenues (3 percent), although on average nonprofits receive 13 percent of their revenue from this source.

Grant-making Activities: Given the relatively stable funding situation for many nonprofits, the sector itself may serve as an important source of grants or other financial support for other organizations or individuals. On average, however, grant-making activities tend to be undertaken by a relatively small number of nonprofits.

- Only 1 percent of Indiana nonprofits engage in grant making as their primary activity, and another 5 percent consider grant making as one of the primary activities within their service portfolio. See Figure 17.

Figure 17: Grant-making and financial assistance activities, Indiana nonprofits (n=2,105)



- Over one third (37 percent) provide financial assistance to other nonprofits, but do not make grants. These include some churches and fraternal organizations as well as booster clubs and other fund-raising organizations, such as United Way organizations. The majority (56 percent) of nonprofits, however, do not make either grants or financial contributions to other nonprofits.

II. DISTINCTIVE NONPROFIT FIELDS

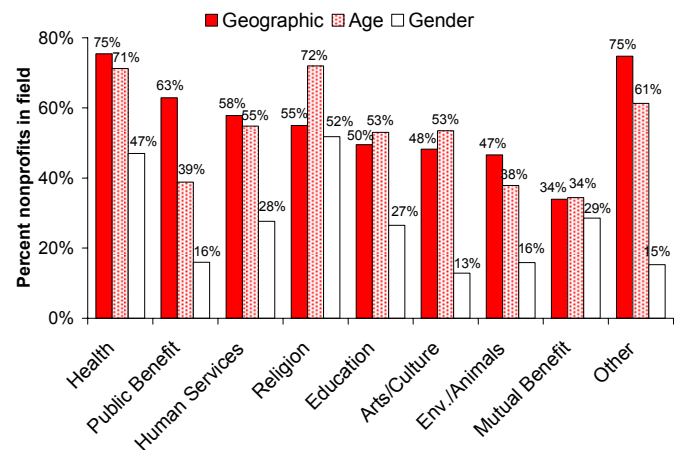
Indiana nonprofits in each of the major fields of activity¹⁹ have distinctive organizational profiles. Religious and mutual benefit nonprofits stand out in many ways.²⁰

Human Services Nonprofits: Human services organizations are the most prevalent type of nonprofit in Indiana, accounting for almost three out of ten (29 percent) of our respondents. One quarter of these are traditional human services organizations (27 percent) such as the YMCA or child welfare agencies and another 23 percent are involved in recreation. The rest is divided between six remaining categories: housing and shelter (17 percent), employment (12 percent), public safety, disaster preparedness, and relief (8 percent), youth development (5 percent), food, agriculture, and nutrition (5 percent), and crime and legal related (4 percent).

Target Population: Human services nonprofits are especially likely to target their activities by age or geographic region, but also by income and gender.

- More than three-fifths of human services nonprofits target their programs to a particular geographic region (58 percent) or to a particular age group (55 percent). See Figure 18.

Figure 18: Targeting by geographic region, age, and gender, Indiana nonprofits (n=1,665 to 1,752)



¹⁹ As noted earlier, we use the NTEE system to classify the primary purpose of Indiana nonprofits based on their mission statement and descriptions of their three most important programs. These broad categories can be further sub-divided into more specific service fields (see Appendix A)

²⁰ See Appendix C for similar information for selected regions.