



# INDIANA NONPROFITS

*Scope and Community Dimensions*

Nonprofit Survey Series  
Report #2

## THE INDIANA NONPROFIT SECTOR: A PROFILE

A JOINT PRODUCT OF  
THE CENTER ON PHILANTHROPY  
AT INDIANA UNIVERSITY  
AND  
THE SCHOOL OF PUBLIC AND ENVIRONMENTAL AFFAIRS  
AT INDIANA UNIVERSITY

JANUARY 2004

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NONPROFIT  
SECTOR:  
A PROFILE**

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SCOPE & COMMUNITY  
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## KEY FINDINGS —

1. **Indiana nonprofits:** diverse, but fiscally challenged.
    - Indiana nonprofits pursue a broad array of missions, but half focus on just two fields: human services and religious-spiritual development.
    - Many target their services to particular groups, especially based on age and geographic regions.
    - Many face increasing demands for services, are fairly young (half are founded since 1970), small, and with financial challenges; one third depends on donations and gifts and a quarter on dues, fees, or sales for most of their funding.
  2. **Major nonprofit fields:** distinctive profiles.
    - Human services nonprofits tend to target by age or geographic region, have faced growing demands for services, are quite young, and tend to rely heavily on dues, fees, and sales.
    - Religious nonprofits are likely to target by faith or age, are old, modest in size with modest financial challenges, and rely heavily on donations and gifts.
    - Public and societal benefit nonprofits target by age and geographic region, saw limited increase in demand for services, include both young and old organizations, are small and financially stable, and rely on a mix of funding sources.
    - Education nonprofits tend to target by age, geographic region, and gender, are relatively young, include a mixture of small and large organizations, are relatively financially stable, and rely mostly on dues, fees, and sales of goods.
    - Mutual benefit nonprofits tend to do limited targeting, experienced little change in demand for services, are older, are smaller, and rely heavily on dues, fees, and sales.
    - Health nonprofits are especially likely to target by age and geographic region as well as gender and income, have seen significant increases in demand for services, tend to be younger, are larger, face notable financial challenges, and depend disproportionately on government funding.
    - Arts, culture, and humanities nonprofits conduct limited targeting, are young and small, and rely on dues, fees, and sales or special events.
  3. **Service capacity:** extensive and accessible, but also presenting challenges.
    - Environment and animal protection nonprofits conduct limited targeting, are relatively young and small, and rely on a mix of funding sources.
    - Indiana nonprofits deliver a wide range of services, but 48 percent include some form of human services among their three most important programs. Relatively few have plans or interests in expanding health or human services.
    - In terms of service accessibility, the vast majority (81 percent) provides their services through a single location; 55 percent provide all services at no cost to clients or members and 91 percent provide at least some services at no cost.
    - There is limited service capacity: most serve relatively few clients, and while 63 percent track clients, only 41 percent have electronic record systems. The majority finds it a challenge to communicate with members/clients (61 percent), deliver high quality services (69 percent), or evaluate programs or programs (62 percent) – 30 percent have done so in the last three years.
  4. **Human resources:** To deliver their services, Indiana nonprofits rely on staff, but especially volunteers
    - Only 52 percent have paid staff and of these 41 percent have two or less full-time equivalent staff; almost half (45 percent) find it a challenge to recruit and retain qualified staff; and on average, staff compensation absorbs half of all expenses.
    - Most (73 percent) rely on volunteers, and of these 74 percent say volunteers are very important or essential. However, very few have formal volunteer recruitment (18 percent) or training programs (21 percent), even though most (65 percent) consider it a challenge to recruit or retain qualified and reliable volunteers.
    - Most have their own board of directors (85 percent), use some board committee structure (72 percent), but consider it a challenge to recruit and retain effective board members (56 percent).
  5. **Regional dimensions:** Seven metropolitan areas and five non-metropolitan counties show differences in the composition and characteristics of the nonprofit sector on some dimensions, but not others.
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## INTRODUCTION

Nonprofits—whether charities, congregations, or advocacy<sup>1</sup> or mutual benefit organizations—are integral to the service and civic infrastructure of Indiana. They enrich personal development, provide an enormous range of important services, and play a critical role in strengthening civic engagement.

At the same time, nonprofits are also a major force in the state's economy. IRS-registered nonprofits alone (excluding most churches) employed 222,000 paid workers in Indiana in 2001, or 8 percent of the state's paid workforce, and reported \$6 billion in payrolls.<sup>2</sup> Indeed, as key community actors, nonprofits are called upon to address critical community needs across the state.

However, Indiana—like most states—faces major economic and fiscal challenges that have serious implications for the state's nonprofit sector. As a result, many nonprofits face growing demands for their services and major shifts in resources. Their ability to address these and other challenges depends critically on how well prepared they are, on the tools available to them, and on the extent to which they may already be stretched too thin.

To help the Indiana nonprofit sector develop effective strategies to address these challenges so that it may continue to play a key role in communities across the state, nonprofit leaders and other policy makers must have solid information about the state of Indiana nonprofits and the environment in which they operate—information

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

<sup>2</sup> For more details on Indiana nonprofit employment, see Kirsten A. Grønberg & Hun Myoung Park, *Indiana Nonprofit Employment: 2003*, available at [www.indiana.edu/~nonprof](http://www.indiana.edu/~nonprof). These employment figures underestimate the size of the nonprofit workforce in the state, since many nonprofits, including congregations and nonprofits with less than two employees, are not required to report on their employees. Thus only 129 out of the approximately 9,000 congregations in Indiana provided employment information. Other nonprofits are not registered with the IRS and would not have been identified as nonprofits for this particular study.

not currently available. We seek to address this gap by providing new information on the composition and basic characteristics of the Indiana nonprofit sector, broadly defined. No other study has examined all types of nonprofits or done so in such detail. We therefore hope this report will be of use to a broad range of decision-makers.

This *Profile Report* is the second in a series of reports based on a survey of Indiana nonprofits undertaken as part of the *Indiana Nonprofits: Scope and Community Dimensions* project currently underway at Indiana University ([www.indiana.edu/~nonprof](http://www.indiana.edu/~nonprof)). It contains comprehensive, baseline information about the Indiana nonprofit sector, its composition and structure, its contributions to Indiana, some of the challenges it is facing, and how these features vary across Indiana communities.

A prior survey report examined management capacities and challenges for Indianapolis region nonprofits with comparisons to nonprofits statewide. Future reports will show how Indiana nonprofits are impacted by community and policy changes; the extent to which they collaborate and compete with other organizations; how they manage their human, financial, and organizational resources; the characteristics and role of congregations and other faith-based nonprofits; and the characteristics and role of membership associations. A complementary report has examined nonprofit employment in Indiana.

This report is based on a 2002 survey of 2,205 Indiana charities, congregations, and advocacy and mutual benefit nonprofits, representing a response rate of 29 percent. Details of how the sample was developed and the data collected are described in technical reports available upon request. The survey (and this report) was designed to allow for direct comparison with a study of Illinois nonprofits sponsored by the Donors Forum of Chicago.<sup>3</sup>

Our analysis highlights differences that meet statistical criteria of significance (with some technical caveats for some procedures). We focus primarily on differences by **field of activity** (see Appendix A), but also examine the impact of **size**, **funding mix**, and **age** where relevant. As appropriate, each of these key dimensions is discussed in more detail in the body of the report. We also explore comparisons among major **geographic regions** defined for the study (see Appendices B and C.)

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<sup>3</sup> Kirsten A. Grønberg & Curtis Child, *Illinois Nonprofits: A Profile of Charities and Advocacy Organizations* (Chicago, IL: Donors Forum of Chicago, December 2003).