2016 Needs Assessment Survey
SUMMARY REPORT TO NPCC MEMBERS

Nonprofit Coordinating Committee of New York

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Summary

Purpose

The Nonprofit Coordinating Committee of New York (NPCC) launched its first-ever needs assessment survey in April 2016. Our goal was to gain a baseline understanding of the common management challenges that New York City-area nonprofits are facing and to understand what more we can do to support the sector. As a leader in nonprofit management and capacity-building strategies, NPCC must stay abreast of and be responsive to these trends and needs. The results from this assessment will guide NPCC's strategic programming decisions as well as help NPCC identify patterns relating to policy, government regulations, and nonprofit management—issues that affect all nonprofits, regardless of size, age, or mission.

Methodology

We utilized a web-based survey, which was administered to NPCC's contacts within the nonprofit sector in the New York City area. The survey was distributed via e-blasts to all individual contacts NPCC manages in its database. A total of 424 individuals completed the survey. The respondent representation varied in terms of organization budget size and primary focus (see Appendix, Figure 6 and 7 for visual representation of respondent pool).

The needs assessment survey questions were separated into four sections focused on: (1) demographics, (2) management and professional development, (3) advocacy and policy, and (4) scope and future of NPCC's programs and services for its members. The management questions drew upon NPCC's *Eight Key Areas of Nonprofit Excellence*:

- Overall management focus on results and impact
- Governance structure moves the organization forward
- Financial management is strong, transparent and accountable
- Organization is diverse and inclusive
- Human Resources are valued and developed
- Use of information technology systems improves efficiency and advances mission
- Communications are strategic, effective, and build brand
- Fundraising and resource development are strategic, donor-centered, and effective

The policy and advocacy questions sought to understand the regulatory and legal issues that impacted and was of interest to the sector. The membership section focused on member

needs and what additional support NPCC could provide through existing and prospective programs and services.

NPCC will also be conducting in-depth, individual interviews to elaborate on the information and trends obtained through the survey results as well as to explore potential solutions that organizations have used or identified to successfully address common needs and challenges. This information will be provided in an additional report and will highlight the resiliency of the sector, and ways nonprofits have implemented and developed solutions to the concerns that are discussed in this report.

Key Findings

The information provided in this report summarizes prominent trends and notable findings from the survey results. It is broken down into quantitative and qualitative findings. Broadly, and perhaps unsurprisingly, the challenging management practices that burden our sector included fundraising, financial management, staffing, and impact measurement. It is notable that the results suggest that many organizations face the same type of challenges and crises regardless of their budget or staff size.

Report

Quantitative Findings

1.1 Highest Rated Management Challenges

Survey questions in this section covered each of the *Eight Key Areas of Nonprofit Excellence* and asked respondents to identify the top three biggest challenges that their organization faces within each area. NPCC developed the *Eight Key Areas of Nonprofit Excellence* to provide nonprofits with a roadmap of key areas of management practices and performance strategies. These areas were developed by surveying numerous standards of excellence and rating schemes for nonprofit management throughout the United States and identifying core elements that were widely agreed upon as leading to nonprofit success. These areas provided the structure for framing the questions around management challenges. Figure 1 below lists all of the potential challenges within each of the eight areas and the response rates for each. **More than half of respondents indicated the following challenges as top concerns in the eight areas:**

- **Nurturing donor relationships (60%)**
- **Board fundraising (58%)**
- **Tracking and assessing program and organizational results (56%)**
- **Board growth and recruitment (56%)**
- **Offering competitive salaries and benefits (52%)**
- **Accessing specific funding streams (51%)**

These six specific issues demonstrate a high level of consensus around clear challenges for the respondents of the survey. It suggests that the overarching areas of management in fundraising, governance, human resources, and impact measurement are prominent areas for growth and improvement in the nonprofit sector. These results also align with the challenges identified in the Nonprofit Finance Fund's Sate of the Sector survey. Out of the 5,451 responses they received nationally, they identified the following top three challenges: achieving long-term sustainability, the ability to offer competitive pay and/or retain staff, and raising funding that covers full costs (Nonprofit Finance Fund, 2015). It is clear that these concerns are far-reaching and ever-present.

Furthermore, many of these challenges interplay with one another. For example, without new funding streams, organizations may find it difficult to raise the necessary money to offer competitive salaries and benefits. As one respondent explained: "insufficient funding in government contracts [leads] to [the inability to] cover performance measurement costs."

Similarly a lack of board support and healthy changes can lead to a myriad of organizational infrastructure challenges.

1.2 Financial Management

The results from the *Eight Key Areas of Nonprofit Excellence* questions underscore other compelling points of interest. The financial management question was the only one with no distinct outlier among responses. There was no clear majority in any of the financial management challenges - the highest response rate topped off at only 28% in this question. The percentages were much lower than the average because responses were spread out across all possible answers. Even though they were not as distinct, the two biggest challenges that respondents identified from the financial management question were **establishing liquid cash reserves** and the **lack of coverage for overhead costs.** This indicates that **financial management challenges are diverse and persistent**, with no clear top challenge.

These responses align with a number of recent reports (Stix, 2016; Roberts, Morris, MacIntosh & Millenson, 2016) that assessed the state of the sector and argued that the current operating environment—where nonprofits are not fully funded for the true costs of providing their services—makes it very difficult for nonprofits to grow cash reserves and obtain the appropriate amount of overhead costs from funders, thus making sustainability yet another challenge. These results support the arguments made by Ann Goggins Gregory and Don Howard concerning the "nonprofit starvation cycle", which states that because nonprofits do not receive enough funding to cover overhead costs, they continually try to do more with less and obfuscate the truth of their financial condition therefore jeopardizing an organization's viability. Their research suggests that underspending and underreporting overhead expenditures "perpetuates funders' unrealistic expectations, [where] over time, funders expect grantees to do more and more with less and less—a cycle that slowly starves nonprofits" (Goggins & Howard, 2009). Both establishing liquid cash reserves and obtaining accurate overhead cost rates are two major solutions in ensuring longevity and sustainability of an organization.

1.3 Diversity and Inclusion

Respondents were asked to select their top three challenges in relation to fostering a diverse and inclusive work environment. **Forty-six percent of respondents chose building diversity and inclusion at the board level as one of their top three challenges.** Interestingly, the second highest chosen response was "not applicable." This may suggest that respondents either believe that diversity and inclusion is not important or that they already foster a diverse and inclusive environment. Interestingly, this contradicts

observations made through **NPCC's 2015 Nonprofit Excellence Awards review process**, which identified diversity and inclusion as an underperforming area among applicants, and not just at the board level. The divergence between the survey results and the Nonprofit Excellence Awards review process suggests that the trend established through the Awards application and review process may be incorrect or that nonprofits do not fully comprehend the scope of being diverse and inclusive as a management practice, or as a way to build mission and vision. This discrepancy will be further explored in the in-depth individual interviews.

"A plethora of one-year grants makes planning difficult."

"Getting legacy staff to accept change and gain new skills."

"Our tech needs are not recognized at the executive level."

Figure 1. Responses to the challenges listed in the questions related to the *Eight Key Areas of Nonprofit Excellence*. Respondents were asked to select up to three responses within each *Area of Excellence*.

Challenge	% noted as a top challenge for organization
Impact Measurement	
Tracking and assessing program and organizational results	56%
Staff training and skills development in impact measurement and tools	35%
Obtaining and using data management technology	30%
Using outcomes to inform programming	28%
Aligning outcomes with organization mission/vision	18%
Setting up an external evaluation system	17%
Budgeting and/or funding results-oriented projects	0%
Other	12%
Not applicable	11%
Board and Governance	
Board fundraising	58%
Board growth and recruitment	56%
Board leadership and training	27%
Board succession planning	25%
Capacity to advocate on behalf of the organization	20%
Lack of adequate resources to support Board needs (retreat, training)	12%
Board assessment of performance	11%
Board evaluation of CEO's performance	6%
Board support for organizational accountability and compliance	6%
Other	8%
Not applicable	6%
Financial Management	
Establishing liquid cash reserves	28%
Overhead costs	28%
Staff training and skills development	26%
Projecting cash flow	26%
Financial risk assessment and planning	25%
Budgeting to a modest surplus	24%

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Annual budget creation	17%
Audit process	5%
Other	12%
Not applicable	12%
Diversity and Inclusion	
Board of Directors that represents the community or population served	46%
Staff that represents the community or population served	21%
Staff training and skills development	20%
Ensuring accessibility of your organization's work by the community	18%
Tracking demographics of all stakeholders (from staffing to community)	17%
Demonstrating and improving cultural competence	14%
Inclusive service, outreach and hiring practices and policies	11%
Developing a diversity policy	6%
Budgeting and/or funding diversity-related projects	0%
Other	7%
Not applicable	23%
Human Resources	
Offering competitive salaries and benefits	52%
Professional development for staff	30%
Developing a cohesive organization culture	26%
Succession planning	24%
Retention of staff	22%
Recruitment of staff	19%
Volunteer management	18%
HR staff training and skills development	17%
Budgeting and/or funding HR related projects	0%
Other	7%
Not applicable	8%
Information Technology Systems	
Budgeting and/or funding IT related projects	39%
Websites (design, management and support)	35%
Strategic Technology Planning	27%
Reporting and Analytics	26%
Monitoring and adopting new technology	26%
Data integration	25%
Staff training and skills development	19%
Helpdesk/Day-to day support	15%
Information Security	9%
Other	5%
Not applicable	6%
Communications	
Branding/marketing	39%
Strategic communications planning	35%
Funding communications related projects	32%
Tracking impact of communications	28%
Social media presence	26%
Public Relations	24%
Engaging key stakeholders	21%

Tailoring messaging to different audiences	17%
Internal communications	14%
Staff training and skills development	10%
Responding to constituent feedback	3%
Other	4%
Not applicable	2%
Fundraising and Resource Development	
Nurturing donor relationships	60%
Accessing specific funding streams	51%
Integrating communications with fundraising plans	33%
Event planning	20%
Tracking donor information	17%
Staff training and skills development	16%
Obtaining and tracking in-kind contributions	10%
Complying with fundraising laws and regulations	6%
Other	12%
Not applicable	4%

Qualitative Findings

2.1 Organizational Crises

The qualitative data that emerged from the open-ended question regarding organizational crises provided great insight into the needs and challenges of the nonprofit sector. The survey asked whether a respondent's organization experienced any crises during the past 5 years—64% responded no and 36% responded yes. NPCC did not define what constituted a "crisis," it was left up to the interpretation of the respondents. It is encouraging to note that despite the risky environment discussed earlier in the report, the majority of nonprofits manage to avoid what they would consider a "crisis."

Figure 2. Responses to whether an organization has experienced a crisis in the past 5 years.
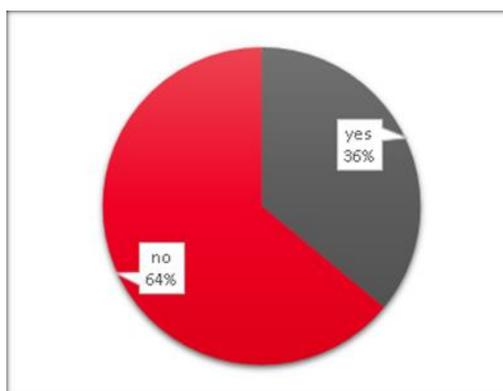
Out of the total 424 survey responses, 37% of organizations with a budget under $5 million noted that they experienced organizational crises in the past 5 years and 30% of organizations with a budget over $5 million noted experiencing a crisis. Figure 3 shows the budget breakdown of the 36% of organizations that identified a crisis. **The responses indicate that despite popular belief, the budget size of an organization does not appear to correlate to whether a crisis is likely to occur.**

Figure 3. Budget ranges of respondents who noted an organizational crisis in the past 5 years.
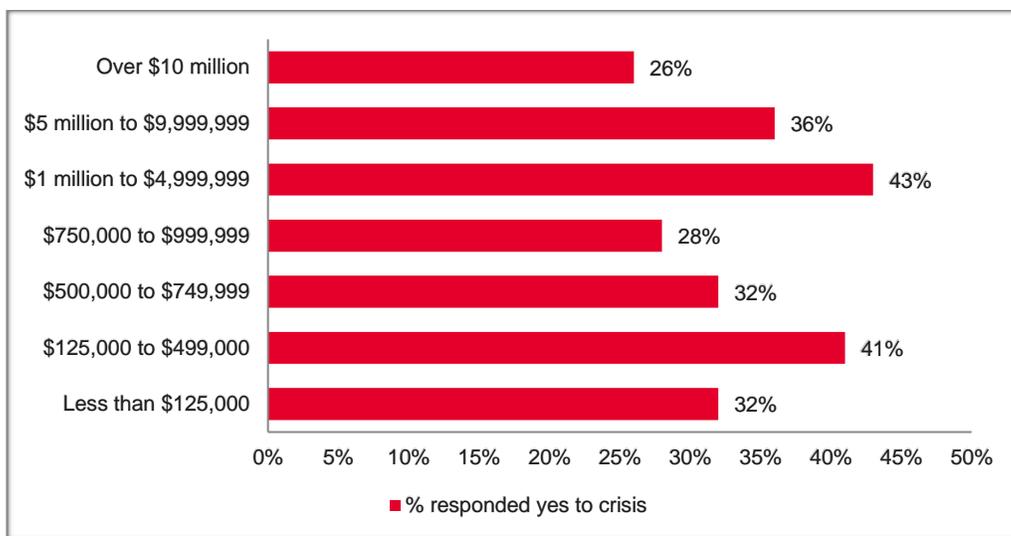
We asked the 36% of respondents who identified a crisis to describe its details. From these open-ended responses two major trends emerged: 74% of crises reported were related to either transitions and turnovers, or financial and funding crises. The issues of transitions and turnovers were largely a result of departures or deaths of executive directors, senior management, and board chairs. The common financial and funding crises described by respondents included deficits, cash flow problems, and the lack of sustainable funding streams. In terms of budget breakdown:

- Organizations with budgets under $5 million that defined an organizational crisis:
  - 31% transitions and turnovers
  - 43% financial and funding
- Organizations with budgets over $5 million that defined an organizational crisis:
  - 20% transitions and turnovers
  - 43% financial and funding

These trends suggest that NPCC and other capacity builders should explore more programs and services focused on succession planning, financial management, and fundraising. There should also be stronger advocacy surrounding fully funding the sector and covering overhead costs.

2.2 Top Three Challenges of Greatest Concern

The needs assessment survey also asked respondents in an open-ended format to identify the top 3 challenges of greatest concern for their organization. This question was not required, but 89% of the 424 completed surveys responded with at least one concern. **The most common challenges fell into four main categories: 1) funding and finances, 2) staff, 3) growth and sustainability, and 4) board.**

Figure 4. Common challenges broken down by budget ranges

Challenge	% noted it as one of three challenges
<$5M	
Growth and sustainability	13%
Funding and finances	30%
Board	11%
Staff	15%
>$5M	
Growth and sustainability	6%
Funding and finances	23%
Board	3%
Staff	17%

Sixty nine percent of the responses from organizations with budgets under $5 million stated one of the above four challenges as a response to this specific question, while 49% of respondents from organizations with budgets over $5 million identified with one of these challenges. Although the percentage rates vary per category, **the top two categories for both groups are funding and financial management and staff retention and expertise**. The other 50% of responses for organizations over $5 million were quite varied, however responses mainly focused on programmatic challenges and ranged from "transitions with Medicaid managed care" to "accountability for program deliverables." Overall, responses to this open-ended question align with the earlier questions concerning the *Eight Key Areas of Nonprofit Excellence*.

Recommendations

Issues around growth and sustainability, staffing, financial management, and funding do not exist in a vacuum—they are deeply interconnected. An organization cannot sustain itself or

grow without strong financial controls and healthy fundraising practices, and these cannot exist without proper board oversight and support, and strong, committed staff members.

The specific responses from the survey concerning staffing primarily focused on leadership transitions, staff retention, and the ability to provide professional development opportunities. These challenges could be addressed with more programming focused on succession planning and more services focused on staff training. Beyond funding, the specific challenges for organizations that noted issues with growth and sustainability **require strategic planning and change management practices**. As for the funding and financial management challenges, respondents overwhelmingly noted that growing reserves, managing cash flow issues, and diversifying funding streams were major stressors. Although finding new or sustainable sources of funding has been a pervasive issue for the nonprofit sector, advocating for contracts and grants to cover appropriate and accurate indirect cost rates would allow organizations to begin to plan and save for growth and change. **The sector's true cost needs to be fully funded. This goes beyond ensuring that indirect or administrative costs are paid, but rather requires that we understand the true cost of moving a survivor from danger to safety, or showcasing an artist's performance piece.**

Although growth is not a determinant for a nonprofit's success, the needs assessment survey results illustrate that it is an aspiration for many organizations. For instance, the survey asked respondents what their biggest challenges were in terms of continued sustainability for their organization. Sixty two percent stated budgeting and/or funding growth and expansion as a top challenge. Therefore, more must be done to support the sector to achieve their management goals, whether it be growth, sustainability, or closing a deficit.

What Can NPCC Do To Help?

The findings from the needs assessment provide important data as NPCC begins to prepare for its 2017-2020 strategic plan. In order to address our own sustainability and growth, it is crucial that we understand the challenges our members face and the support they need. Figure 5 lists potential programs and services that our membership has both formally and informally requested in the past. This question was used to gauge appetite for potential new NPCC initiatives. The survey listed these hypothetical resources or services and asked respondents to select all services that they might find beneficial to their organizations. The results very much align with the needs identified above. The two most selected services are ongoing professional development and online tools for finding funding/grant opportunities.

Figure 5. Most beneficial resources and services NPCC could offer to members. Respondents were asked to pick all that apply from a list.

Most beneficial resource or service	% noted by respondents
Ongoing professional development programs	61%
Online tools for finding funding/grant opportunities	61%
Board member matching services	47%
Technical assistance	44%
Leadership coaching	43%
Connect and communicate with other organizations/networking opportunities	41%
Resource sharing facilitation	33%
Internship matching services	30%
Nonprofit mentorship program/peer support program	30%
Access to policymakers	24%
Sector-wide reports	23%
Information and Referral hotline	21%
Advocacy assistance	17%
Support with BBB accreditation process	10%

NPCC is working toward addressing these requested services and more. Over the past year, NPCC has been working towards assessing and increasing the effectiveness of our programs and services. We launched a new cohort-based educational training series ("Learning Labs") that moves beyond our 2-hour workshop offerings. By providing a series of workshops that delve deeper into a particular management issue, we can provide a more comprehensive and impactful professional development program. This new program, which launched Summer of 2016, focused on information technology and offered six 3-hour sessions in the course of 3 months.

We are increasing our work around providing information and guidance in order to be more intentional about content and method of delivery around the information we share. We are currently streamlining our information and referral calls by establishing a Helpline for our members. This will allow our members to call NPCC with their inquiries. NPCC will provide a response or a referral within 24 hours. NPCC is also restructuring our online Nonprofit Toolbox so that resources, reports, articles, recommendations, and webinars will be re-categorized according to the _Eight Key Areas of Nonprofit Excellence_ with more functionality and searchability and will include new resources and checklists. The new toolbox will likely launch in early Winter of 2016.

NPCC also hired a policy strategist who is responsible for tracking important policy updates and advocacy issues that concern the entire sector and communicating them to members in a more tangible and accessible fashion. This work is best exemplified by NPCC's recent

publication of [How to Get More Money from Existing Grants to Cover Costs](#), a flow chart mapping the steps nonprofits can take to secure appropriate indirect cost reimbursements.

NPCC also acknowledges that our now dormant Government Grants Information Service was highly regarded among our members. We are actively exploring strategies for relaunching this program and will inform our members when it is available as it may be able to help address one of the major challenges surfaced through this assessment.

More programs and services will be considered during the strategic planning process. It will be shared with our membership in early Spring 2017, where member organizations will be able to review NPCC's goals, provide feedback, and ask questions.

After the results from the in-depth individual interviews on solutions and resiliency are conducted and analyzed, the information will be presented along with the findings from this report in a State of the Sector report.

References

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Roberts, D., Morris, G., MacIntosh, J., & Millenson, D. (2016, March). Risk Management For Nonprofits. Retrieved September 15, 2016, from http://seachangecap.org/wp-content/uploads/2016/03/SeaChange-Oliver-Wyman-Risk-Report.pdf

Stix, M. (2016). New York Nonprofits in the Aftermath of FEGS: A Call to Action. Retrieved September 15, 2016, from http://www.nyaprs.org/e-news-bulletins/2016/documents/NonprofitsintheAftermathofFEGS2016.pdf

Appendix

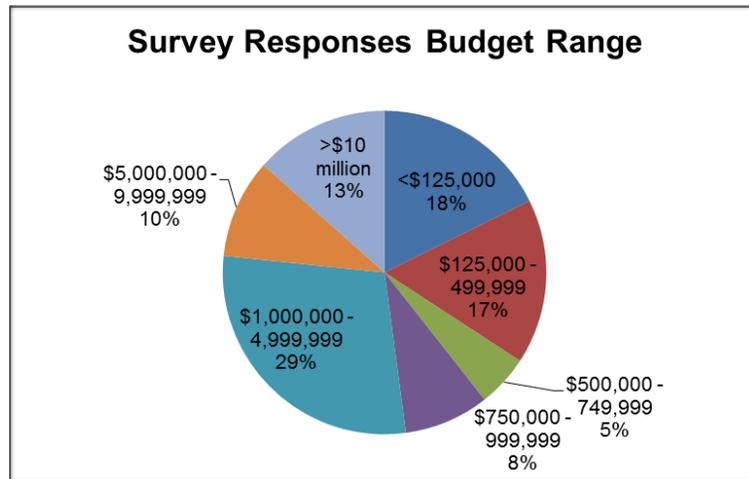**Figure 6.** Operating budget ranges of survey respondents.

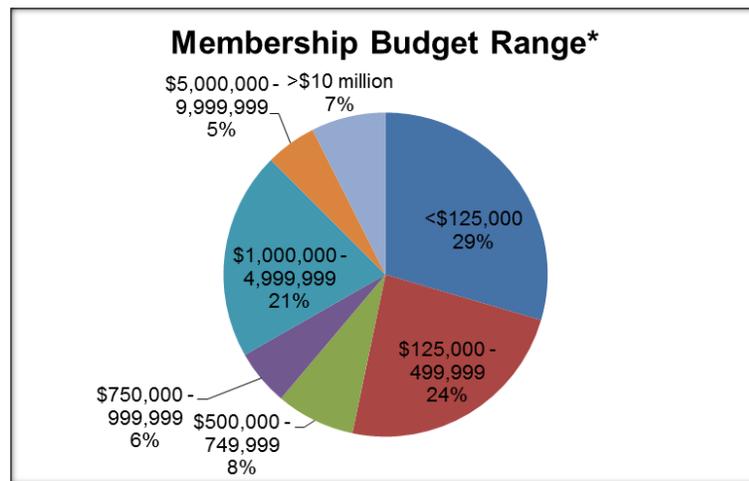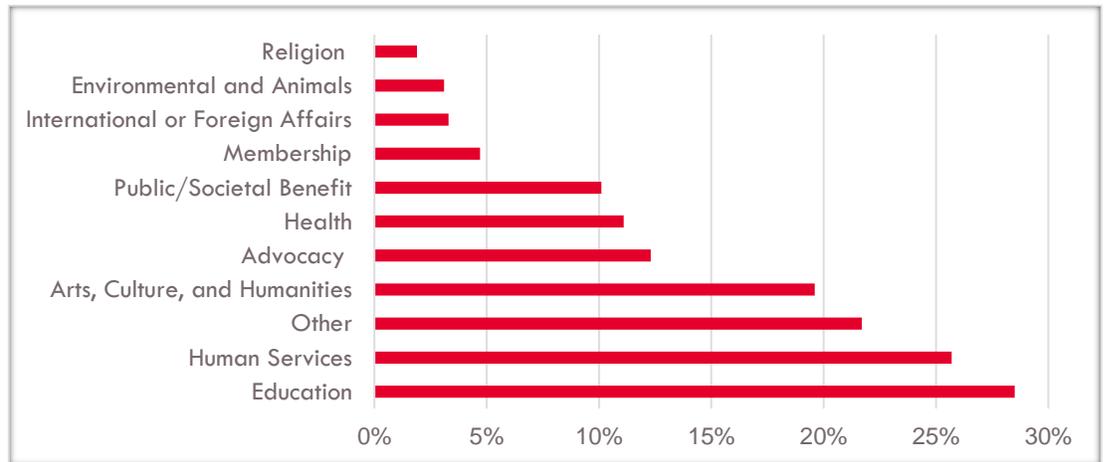**Figure 7.** Operating budget ranges of NPCC's membership for comparative purposes.

Figure 8. Primary focus area of survey respondents.

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