NONPROFIT STANDARDS

A BENCHMARKING SURVEY

CONTENTS

Introduction

At BDO, more than a century of experience working with nonprofits has given us a firsthand look into how these organizations are changing the world for the better. Whether it's working to protect the environment, combat poverty or offer life-saving medical services to those in need, nonprofit organizations are an invaluable resource—each one has a unique story and serves a unique purpose. The world needs nonprofits to continue pushing for positive change—but to do that, they must be financially healthy and sustainable.

The nonprofit sector's diversity is important, but it also makes assessing performance to ensure sustainability a perennial challenge. One of the most common questions we hear from industry contacts is, "Is my organization normal?"

To help address this question, The BDO Institute for Nonprofit Excellence℠ developed ***Nonprofit Standards***, an annual benchmarking survey that provides leaders with the data they need to make informed decisions that can keep their mission moving forward. At BDO, we advise organizations to balance a **nonprofit heart with a business mindset**. Now in its third year, ***Nonprofit Standards*** outlines key issues and trends in the sector and helps nonprofits do just that with data across a variety of areas—including strategic planning, human resources, operations, scope and impact, and governance matters.

Our hope is that this benchmarking survey can help today's and tomorrow's nonprofit leaders continue to do great—and necessary—work for our world.

Laurie De Armond and **Adam Cole**
Co-Leaders of BDO's Nonprofit & Education practice

About the *2019 Nonprofit Standards* Survey

Nonprofit Standards is a national benchmarking survey of 200 nonprofit organizations across a variety of sectors, including health and human services, higher education, public charities and private and community foundations. The survey was fielded by Market Measurement, a market research consulting firm.

Nonprofit Standards includes more precise drilldowns by annual revenue, so readers have access to data from a narrower peer group. While intended to provide a valuable baseline analysis for organizations of all sizes and types, it would be impossible to capture the variety and diversity of the entire nonprofit sector.

For the purposes of this survey, nonprofits are categorized in three groups according to their annual revenues:

- **Midrange organizations:** Annual revenues under $25 million
- **Upper-Midrange organizations:** Annual revenues between $25 million and $75 million
- **Large organizations:** Annual revenues of $76 million or greater

For more information, visit
The BDO Institute for Nonprofit Excellence℠ Resource Center.

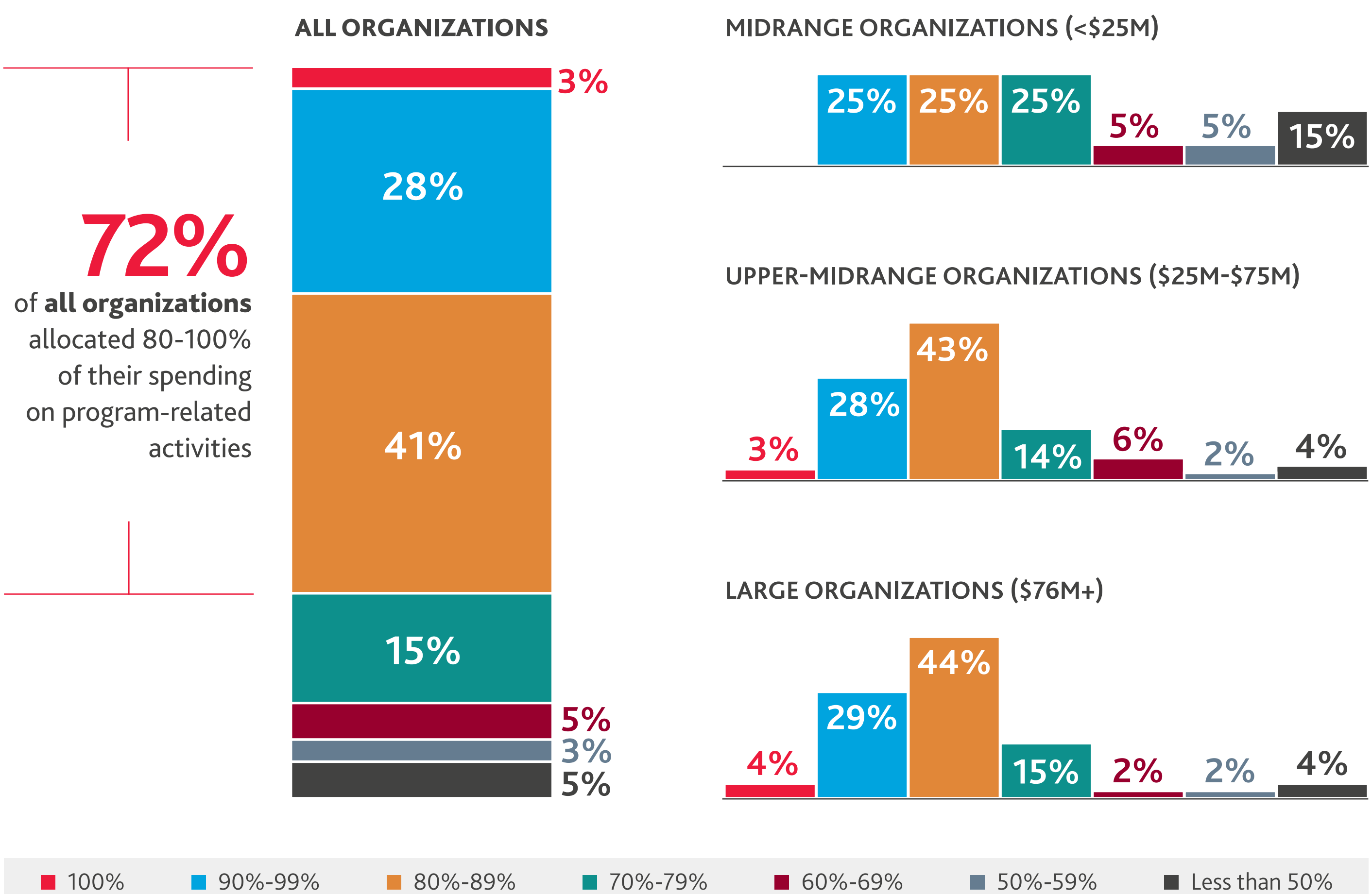
Top Five Survey Findings

1. Organizations Risk Falling into the Starvation Cycle

For nonprofit organizations, programs are their raison d'être. They're how organizations bring their mission to life and advance their cause. As such, there's often significant pressure both internally and externally to direct most of their spending toward programs.

During their last fiscal year, the majority of organizations (72 percent) allocated 80 to 100 percent of their spending on program-related activities.

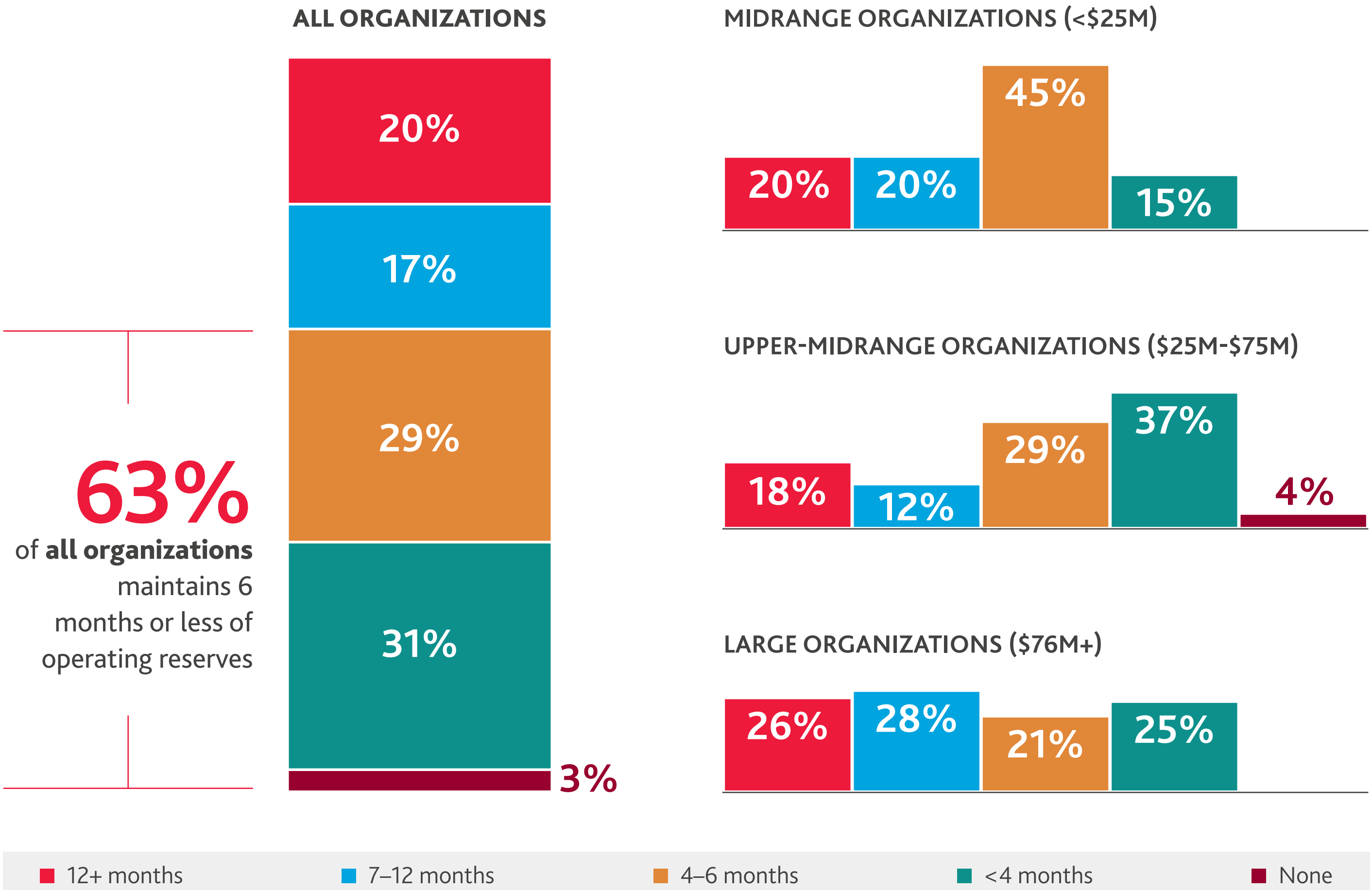
During your most recent fiscal year, about what percentage of total expenditures were for PROGRAM-RELATED activities?



While high programmatic spending shows organizations' dedication to their mission, it can also leave them open to what's known as the "starvation cycle," a phenomenon that occurs when an organization chronically underfunds vital infrastructure like technology and employee training. Organizations are particularly vulnerable if they lack the operating reserves (liquid, net assets without donor restrictions) to serve as a financial safety net.

As we've noted in years past, the "right" amount of liquidity varies according to organization size, sector and scope. However, we recommend that nonprofits strive to maintain more than six months of operating reserves. According to this year's survey, more than half of organizations (63 percent) fall short of that target, and a third (34 percent) have between zero and four months of reserves on hand.

How many months of operating reserves, NOT NEEDED FOR CURRENT OPERATIONS, does your organization currently maintain?



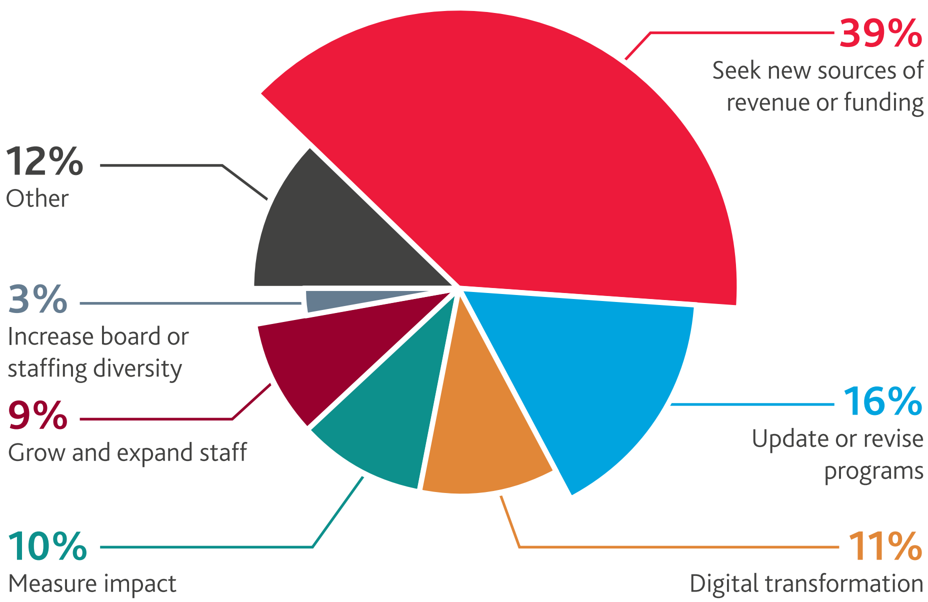
"While this might look like a cause for alarm, that's not necessarily the case. Some organizations may be deliberately choosing to fall below our six-month target in order to make strategic investments in infrastructure or to expand their programming to further their mission. Even so, lacking adequate reserves could pose a major risk if funding sources dry up unexpectedly. This is important to bear in mind as it's clear funding is a top concern: Seeking new sources of revenue or funding was organizations' top priority, cited by nearly 40 percent."

Adam Cole, Partner and Co-Leader of BDO's Nonprofit & Education practice

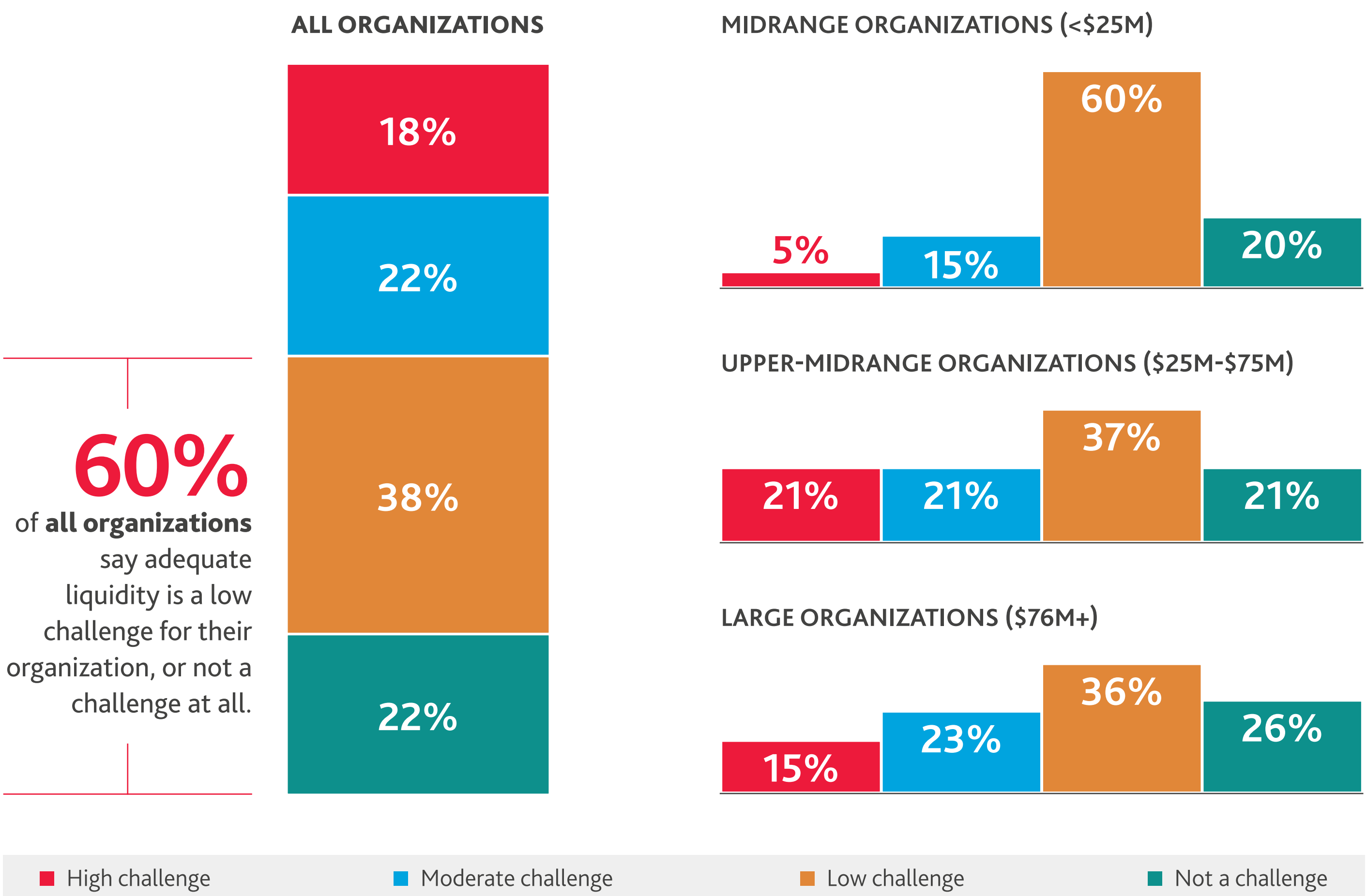
In the face of funding scarcity, liquidity becomes even more critical.

However, it appears nonprofits may be underestimating its importance. Three in five (60 percent) respondents say adequate liquidity is a low challenge for their organization, or not a challenge at all.

Which ONE of the following is your organization's top priority this year?



What LEVEL OF CHALLENGE will adequate liquidity represent for your organization during the next 12 months?



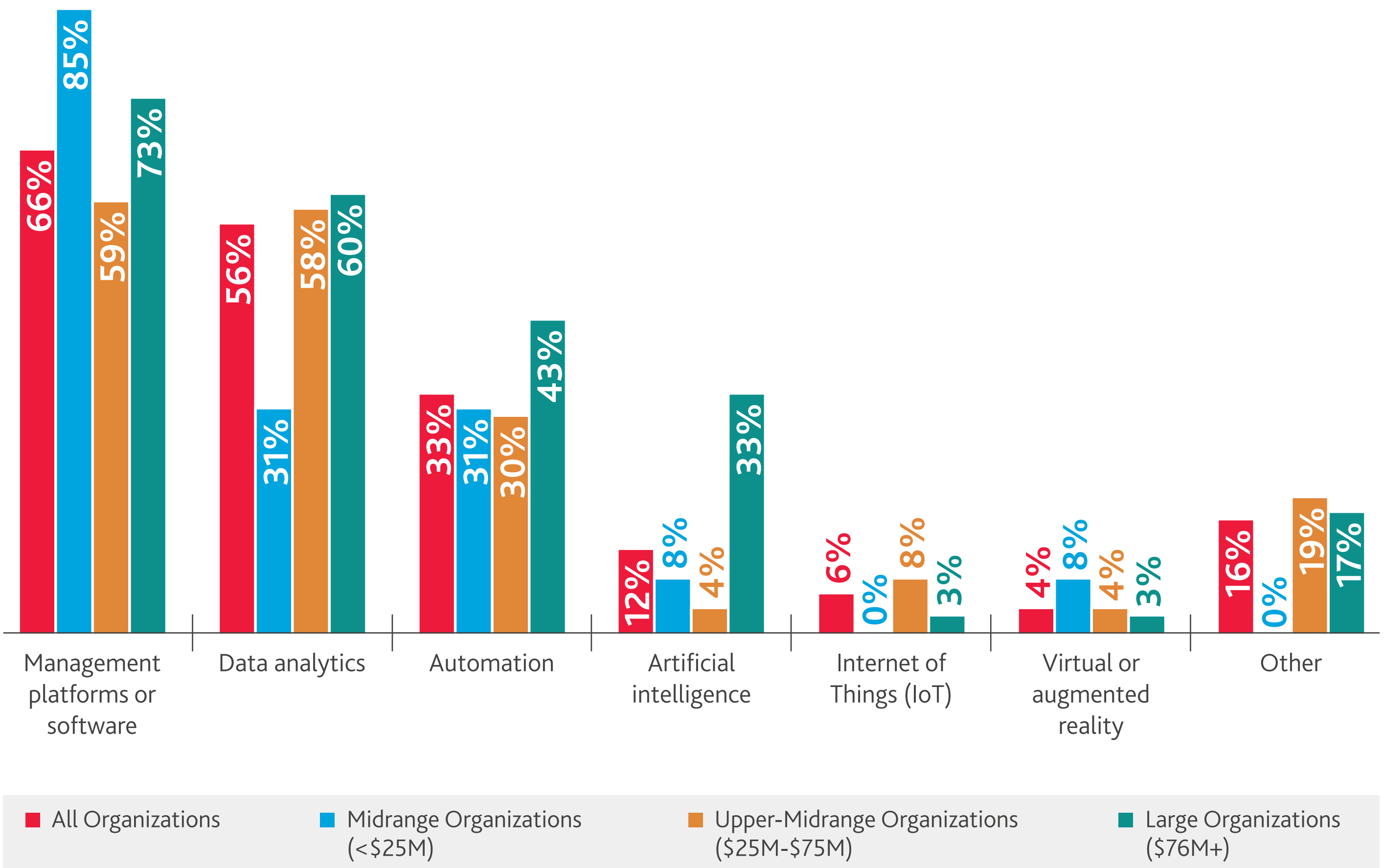
2. Technology is a Priority, but Nonprofits Favor Those with Clear ROI

When it comes to infrastructure investments, the nonprofit industry is, like many others, experiencing a boom of activity related to technology and digital disruption. Nearly two-thirds (64 percent) surveyed say they are planning to invest in new technologies this year. This percentage leaps to 75 percent among nonprofit CEOs and presidents, who especially see its value.

However, the breadth of technologies available can be overwhelming to nonprofits, which typically have fewer financial and human resources to dedicate to improving digital capabilities than for-profit businesses.

When asked what technological investments they're prioritizing, nonprofits favored management platforms or software, including those that assist with tasks like fundraising or social media (66 percent); data analytics (56 percent); and automation (33 percent).

What TECHNOLOGY is your organization planning to invest in this year?



3. Regulatory and Legislative Challenges are Growing

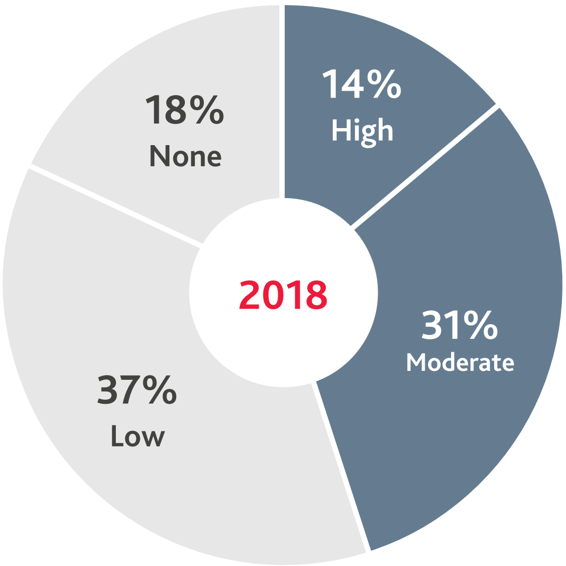
The past few years have been challenging for nonprofits, particularly when it comes to navigating legislative and regulatory developments. The massive federal tax code overhaul brought on by the Tax Cuts and Jobs Act resulted in both direct impacts to nonprofits—through provisions like the excise tax on executive compensation and changes to the taxation of fringe benefits—and indirect ones like increasing the standard deduction for individuals, which many fear will limit charitable donations.

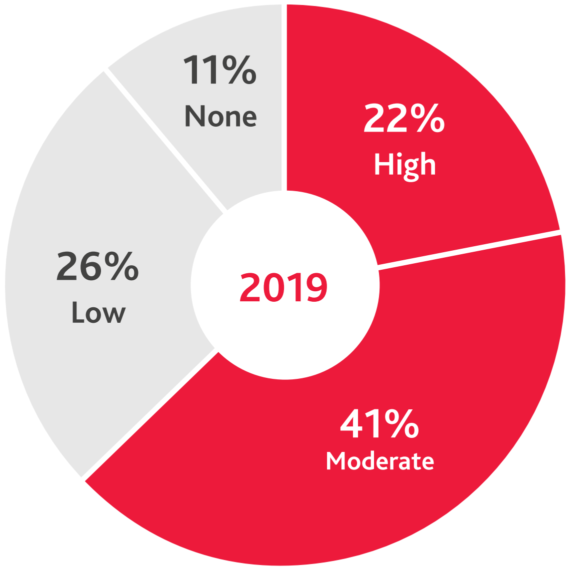
With the new tax code in place, as well as new data privacy and financial reporting regulations for nonprofits and the implementation of the new revenue recognition standard, it's no surprise that nonprofits are feeling stressed by regulations.

Nearly two-thirds (63 percent) of organizations surveyed say the time and effort to deal with government regulations and legislative changes will be a high or moderate challenge this year, up from 45 percent last year.

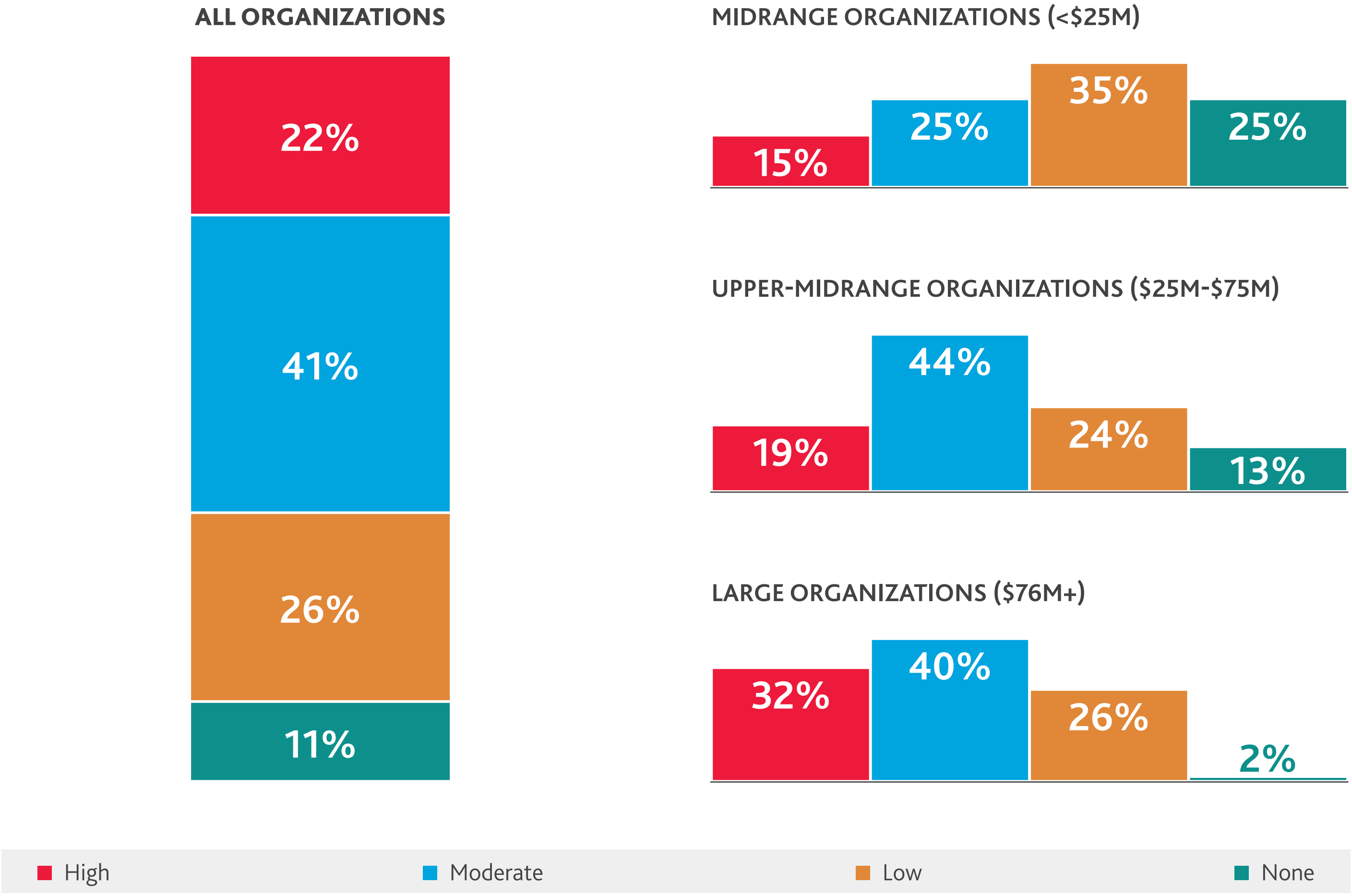
What level of challenge will the **TIME & EFFORT REQUIRED TO DEAL WITH GOVERNMENT REGULATIONS & LEGISLATIVE CHANGES** represent for your organization during the next 12 months?

ALL ORGANIZATIONS





What level of challenge will the **TIME & EFFORT REQUIRED TO DEAL WITH GOVERNMENT REGULATIONS & LEGISLATIVE CHANGES** represent for your organization during the next 12 months?

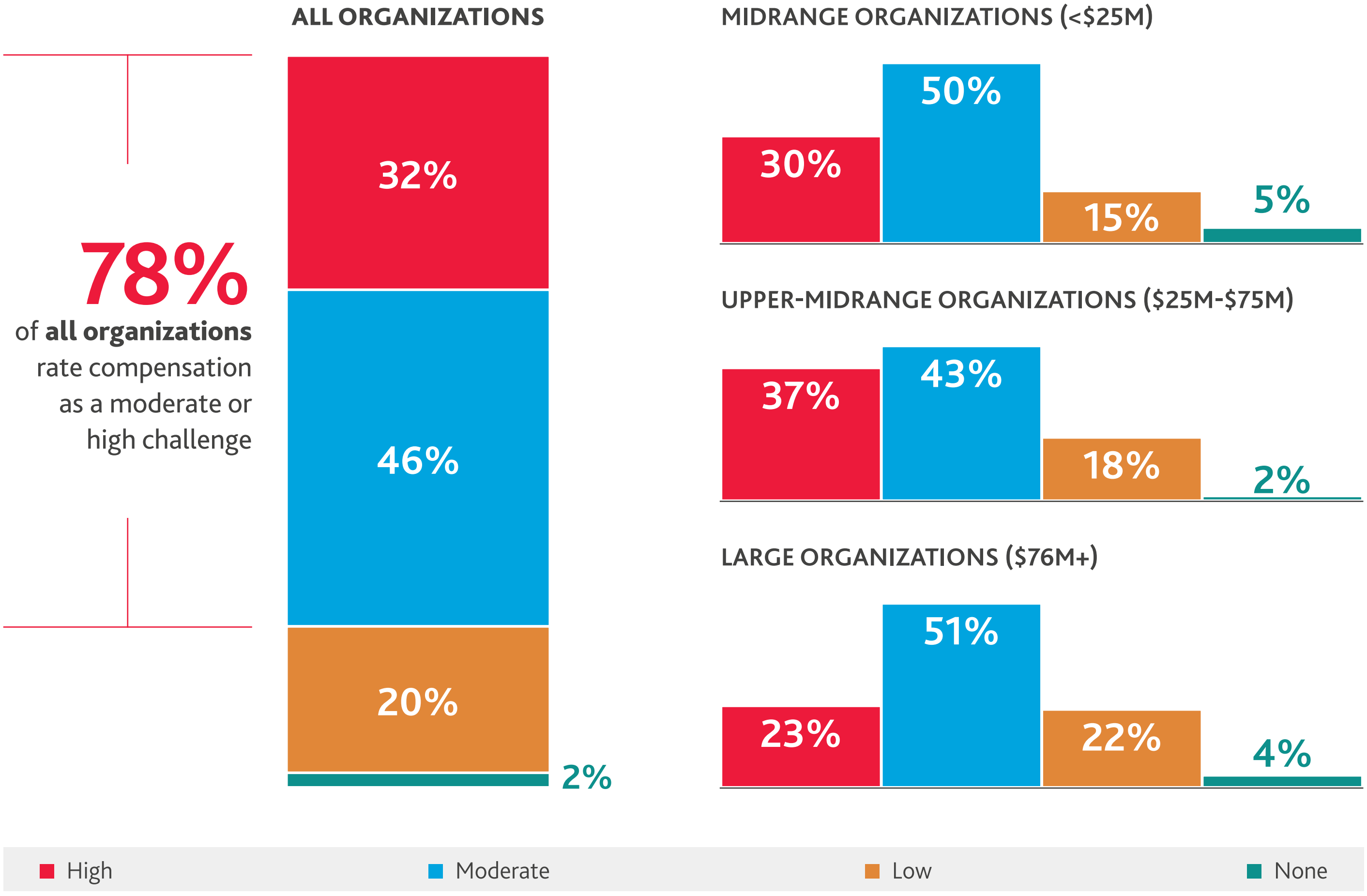


4. Mission + Compensation = Employee Satisfaction

Regardless of its scope or mission, a nonprofit's greatest resource is its people.

However, attracting and retaining talent can be tough with limited resources—and compensation remains a critical element of the employee satisfaction equation. Seventy-eight percent of organizations rate compensation as a moderate or high challenge when it comes to employee satisfaction.

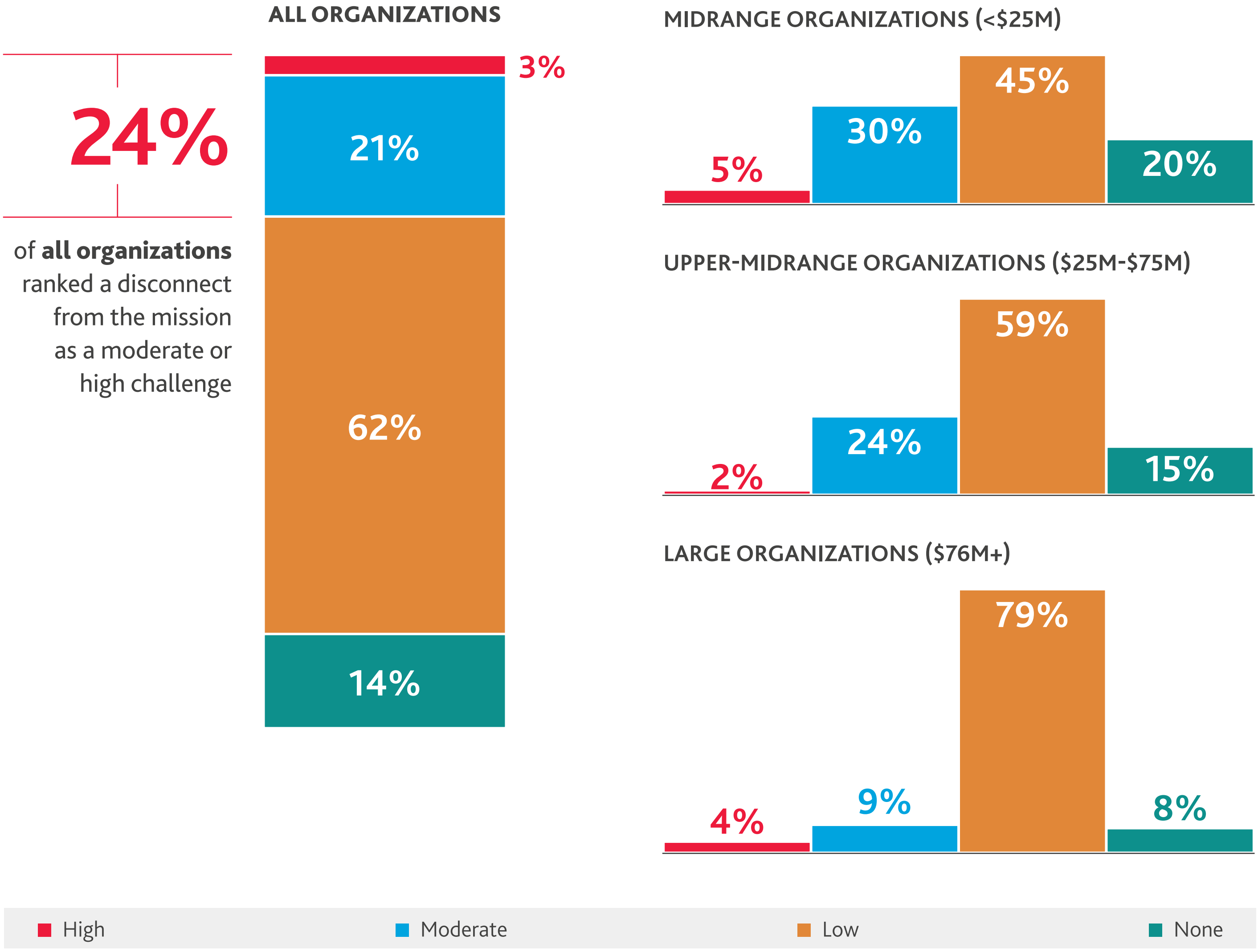
What level of challenge does COMPENSATION LEVELS represent for your organization?



Nonetheless, compensation isn't enough: Employees also value their connection to the mission of the nonprofit.

Nearly one in four organizations (24 percent) ranked a disconnect from the mission as a high or moderate employee satisfaction issue. This may be of even more importance when an organization is financially strapped—more than a third of organizations that experienced net loss in revenue last year rank disconnect from the mission as a high to moderate challenge, compared to 21 percent of those with net income. It's clear that nonprofit employees value both the financial and social aspects of nonprofit work; savvy organizations will need to effectively address this both to gain and keep top talent.

What level of challenge does EMPLOYEES FEELING DISCONNECTED FROM THE MISSION represent for your organization?



5. Health and Human Services Organizations Face Unique Challenges

Health and human services (HHS) organizations, which make up more than a third (35 percent) of this year's respondents, operate in conjunction with both the public and private sectors to reduce expenditures and improve the delivery of services. As such, they face unique challenges like rising operational costs, funding deficits, and increased demands for transparency. Highlights from the HHS cohort of respondents include:

More HHS organizations expanded the scope of their mission

31% of HHS organizations meaningfully expanded the scope of their mission in the past year, compared to 18 percent of the other organizations surveyed. This could be a result of increased demands for their services, potentially as a result of shifting socioeconomic forces.

Likely related to these expansions, HHS organizations disproportionally cite **growing and expanding staff as their top priority this year (17 percent vs. 5 percent of other organizations).**

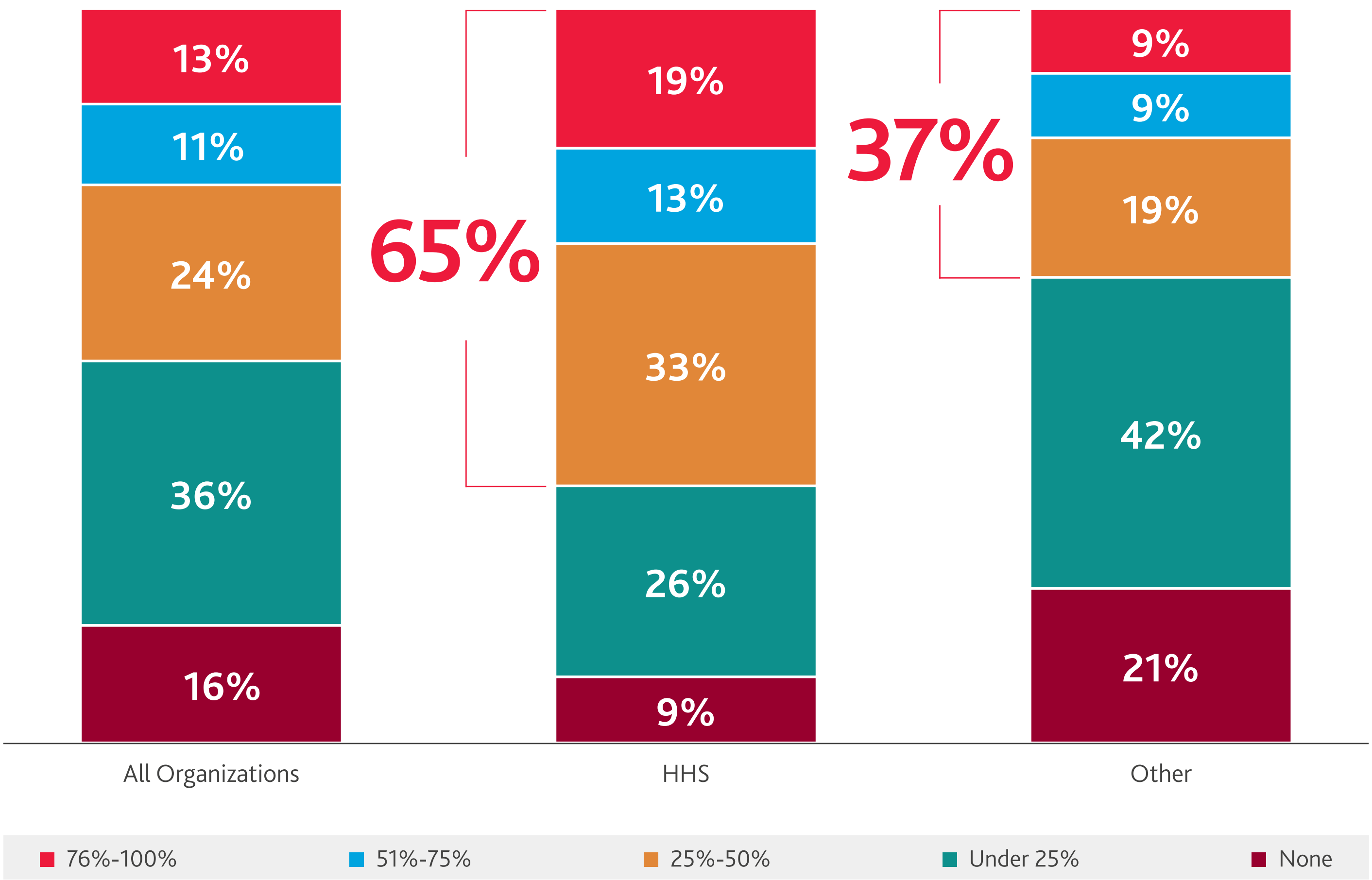
Although expanded scopes likely correlate with increased government funding for these organizations, this funding often does not adequately cover overhead costs, meaning **HHS organizations may find themselves particularly at risk of entering the "starvation cycle."**

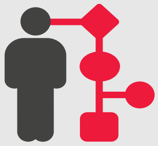
More of HHS organizations' funding sources required additional information on impacts and outcomes

All organizations are responsible for communicating the impact of their programs to stakeholders—particularly, funders. For HHS organizations, there's added pressure because they tend to receive significant government funding, and their programs are directly related to health outcomes for the communities they serve.

65%of HHS organizations report that more than a quarter of their funders asked for more information on outcomes and impact than they previously required, compared to 37 percent of non-HHS organizations. These reporting requests undoubtedly place administrative burdens on HHS organizations.

During your most recent fiscal year, approximately what percentage of your funding sources requested more information on OUTCOMES AND IMPACTS than they previously required?



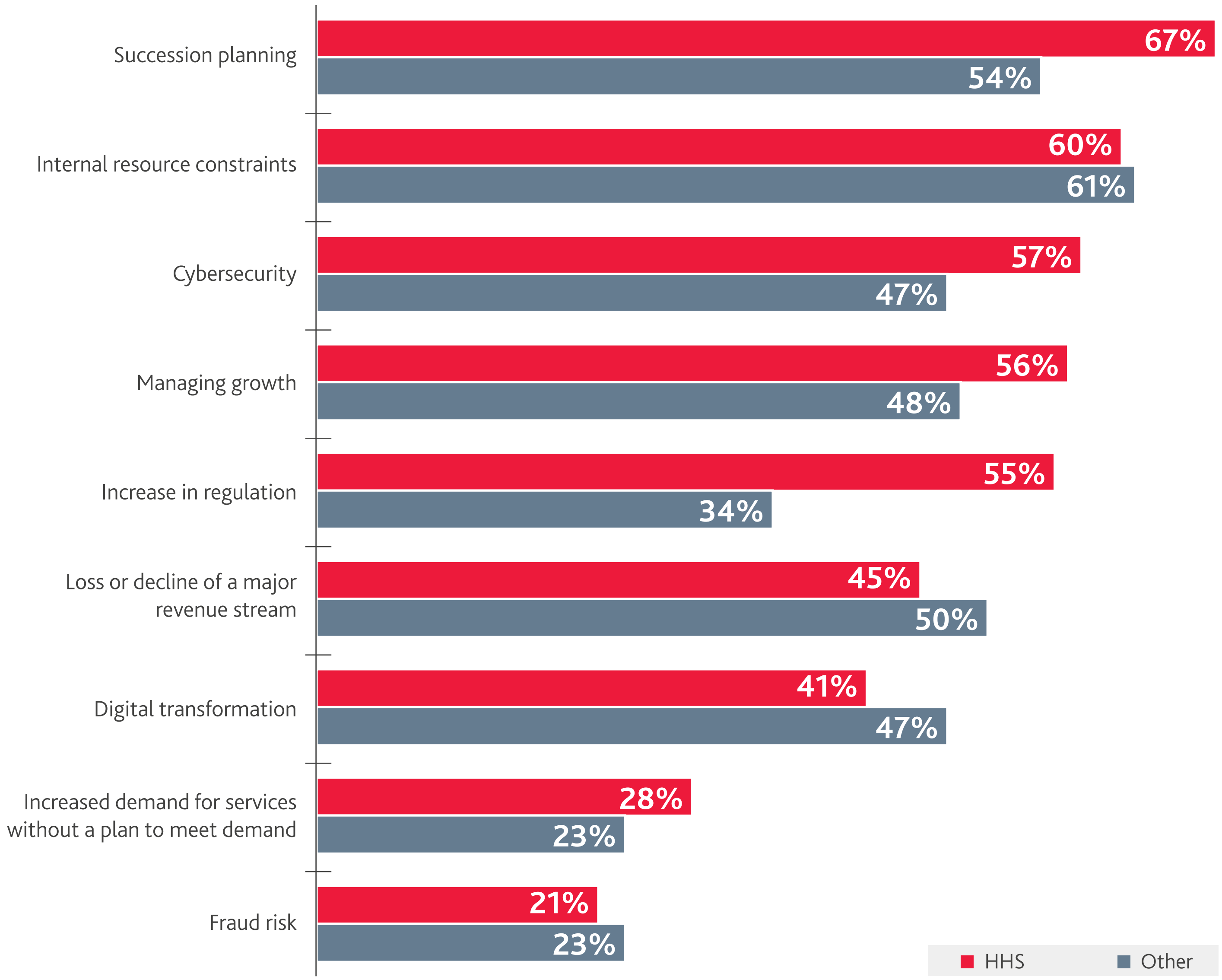


Succession planning and cybersecurity are top-of-mind for HHS boards

The top board challenge highlighted by HHS organizations is succession planning, cited by 67 percent of respondents, compared to 54 percent of non-HHS organizations. Why the discrepancy? Well, for many HHS organizations, aging C-suite executives don't always view the issue of succession planning as something that needs to be considered in the immediate future. Complicating matters further, many of these same executives were founders of their organizations, and thus may be less willing to hand over the reins. Some of them—especially those who started or joined their organizations decades ago—also may be comfortable with compensation levels below market value, which, from an organization's point of view, means finding an adequate replacement could be costlier.

HHS organizations also face disproportionate challenges when it comes to cybersecurity, which is likely due to the amount of sensitive personal information they maintain. Fifty-seven percent of HHS organizations rank cybersecurity as a moderate or high challenge for their boards, compared to 47 percent of non-HHS organizations.

During the past 12 months, how would you rate the LEVEL OF CHALLENGE facing your board when considering each of the following? (Participants who rated these challenges as HIGH or MODERATE)



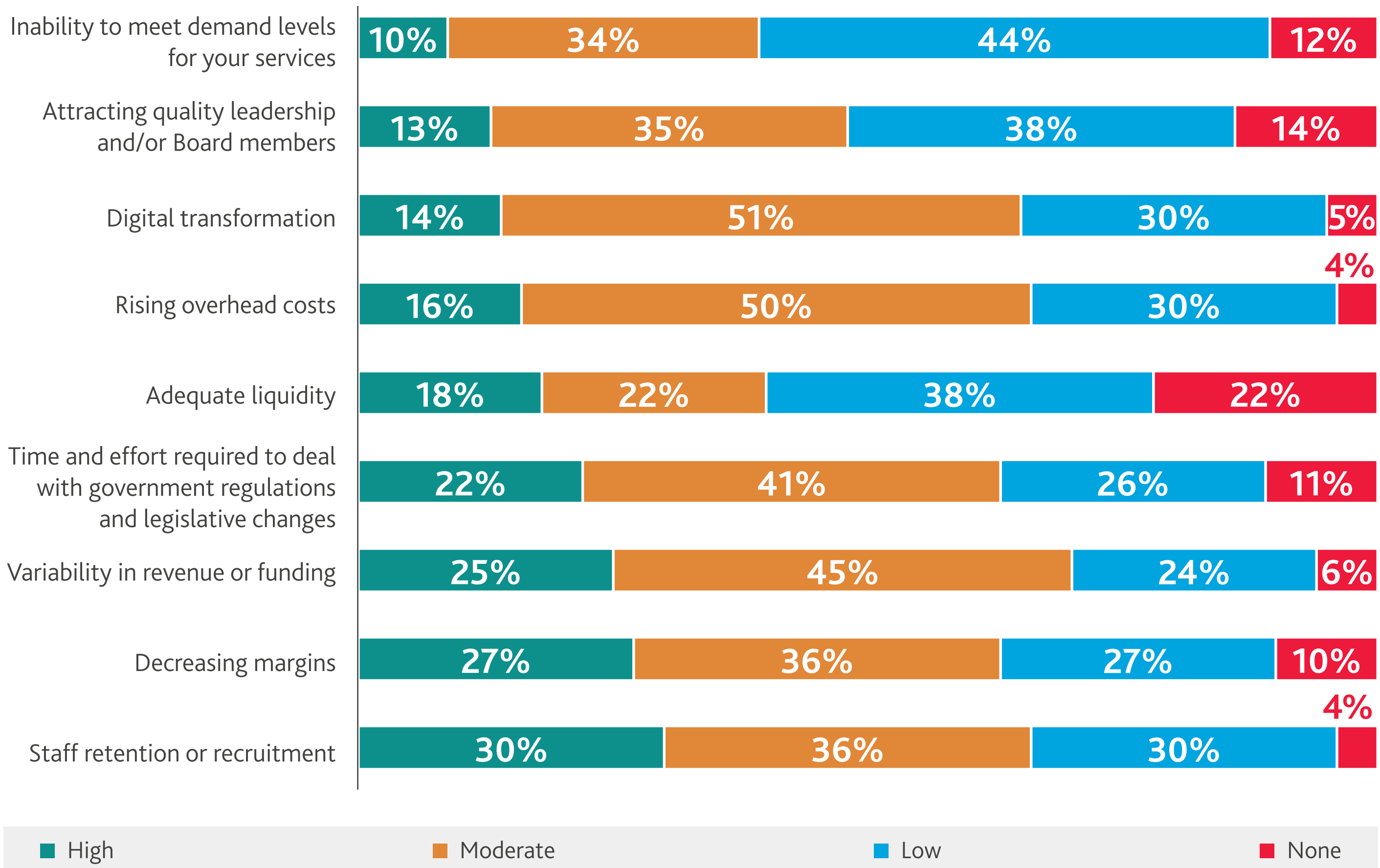
SECTION 1:

Strategic Planning

TOP CHALLENGES

Nonprofit organizations face myriad challenges as they balance pursuing their mission while remaining financially and operationally stable. When asked to rate the challenges their organizations will face in the next year, 7 in 10 organizations ranked variability in funding as a high or moderate challenge, followed by rising overhead costs (66 percent), staff retention and recruitment (66 percent) and digital transformation (65 percent).

Please describe the LEVEL OF CHALLENGE each of the following will represent for your organization during the next twelve months.



PROGRAMMING CHANGES

Many nonprofits are concerned about their ability to meet the demands of their constituents, with 44 percent naming it a high or moderate challenge. When asked about their plans to manage demand, more than half of organizations are somewhat or very likely to introduce new programs. Sixty-one percent say they will do so without eliminating any existing programs, while 18 percent say they will cut existing programming without adding any new options.

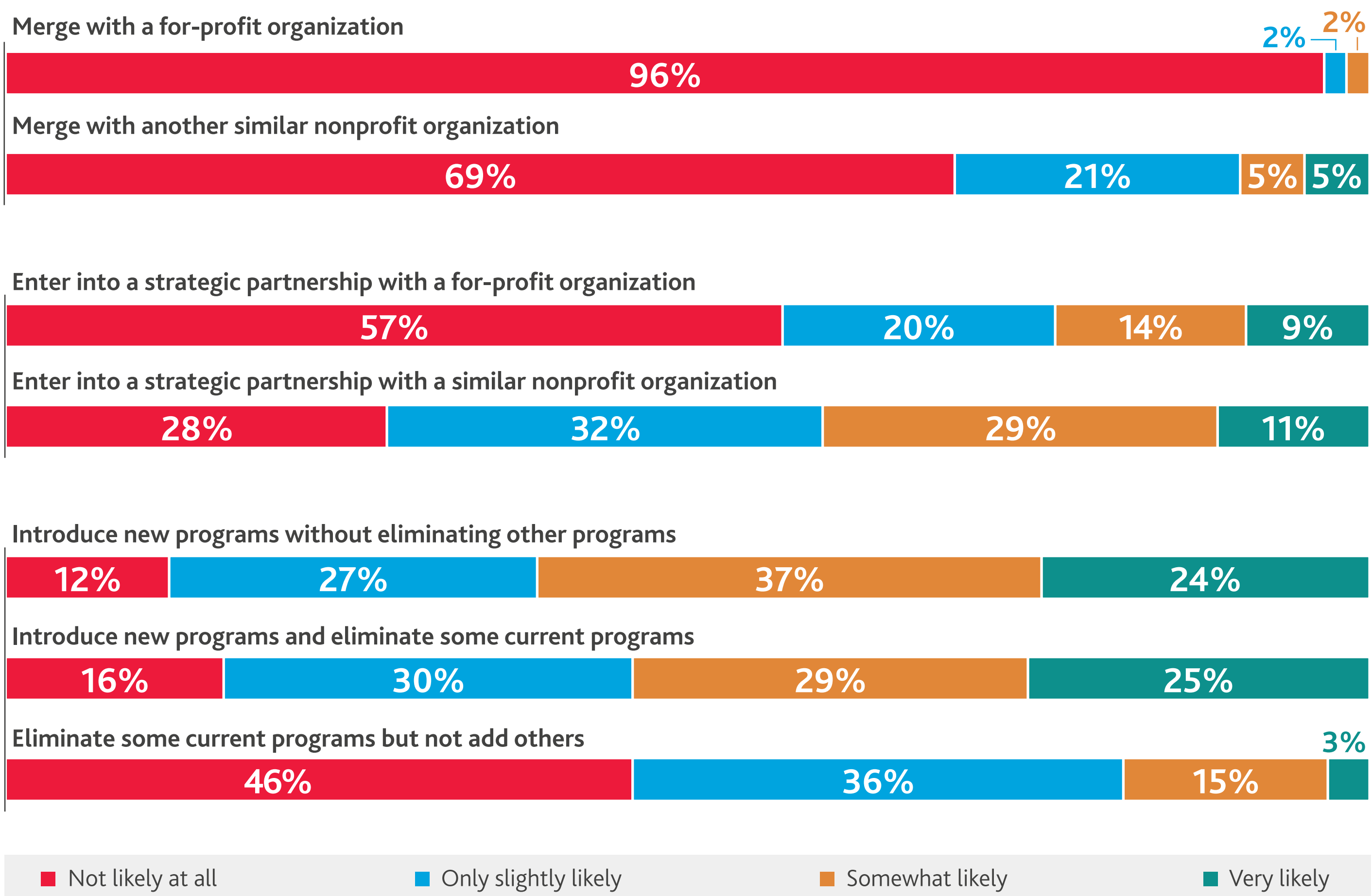
OUTLOOK FOR MERGERS AND PARTNERSHIPS

Nonprofit mergers have been making headlines for several years as organizations look to share resources, cut down on overhead and increase impact. Our survey findings show, however, that most nonprofits aren't considering mergers in the near term. Sixty-nine percent of organizations say it is not at all likely they will pursue a merger with another nonprofit in the next 24 months, and 96 percent say the same about merging with a for-profit entity.

The outlook for strategic partnerships, however, is far more positive. In strategic partnerships, nonprofits work with another entity to enhance programs.

40% of nonprofits say they are somewhat or very likely to enter a **strategic partnership** with another nonprofit organization. Nearly one in four organizations are very or somewhat likely to enter into this type of arrangement with a for-profit company.

During the next 24 months, how likely is it you will PURSUE the following actions?



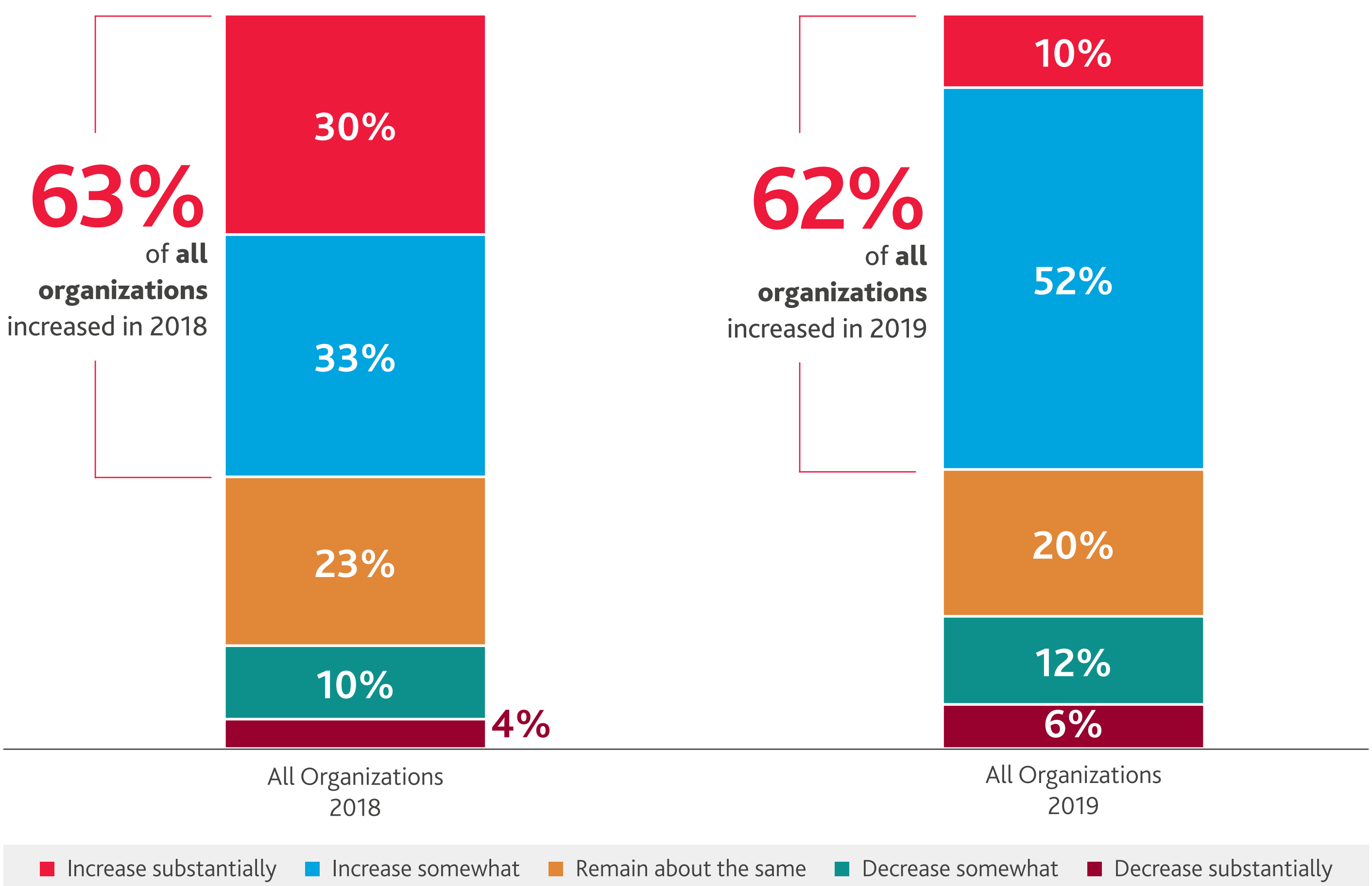
SECTION 2:

Operations

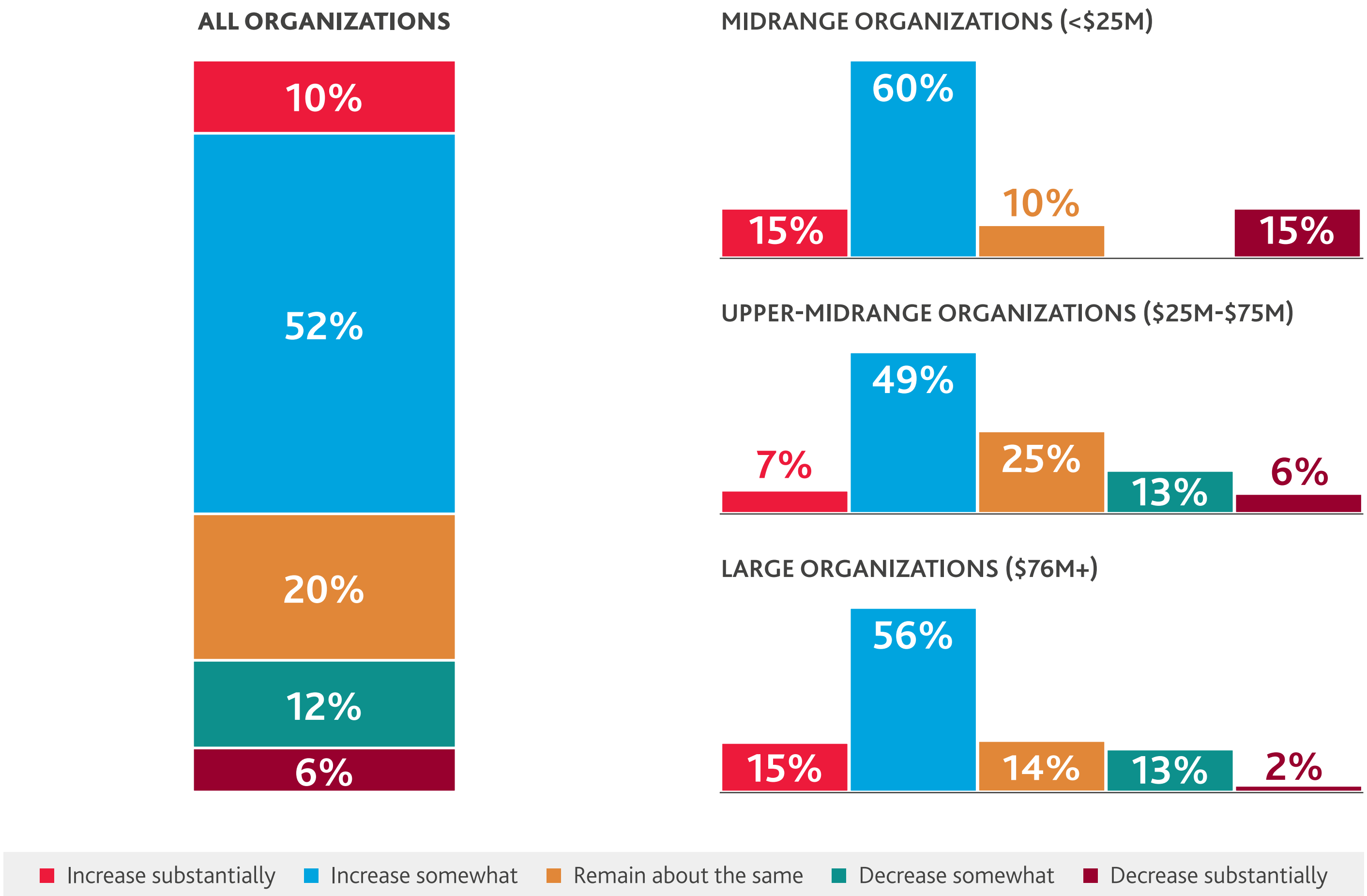
FINANCIAL RESULTS

Despite 70 percent of organizations ranking variability in funding as a high or moderate challenge, recent financial results for nonprofits have been largely positive. Revenues increased for 62 percent of organizations. While this tracks closely with last year's results, just 10 percent say the revenue increase was substantial, compared to 30 percent last year. This dip may be attributable to the wider drop in economic and market performance in Q4 of 2018.

During the most recent fiscal year, did the FINANCIAL RESULTS of your organization's operations:



How did your **REVENUES** perform in your most recent fiscal year?

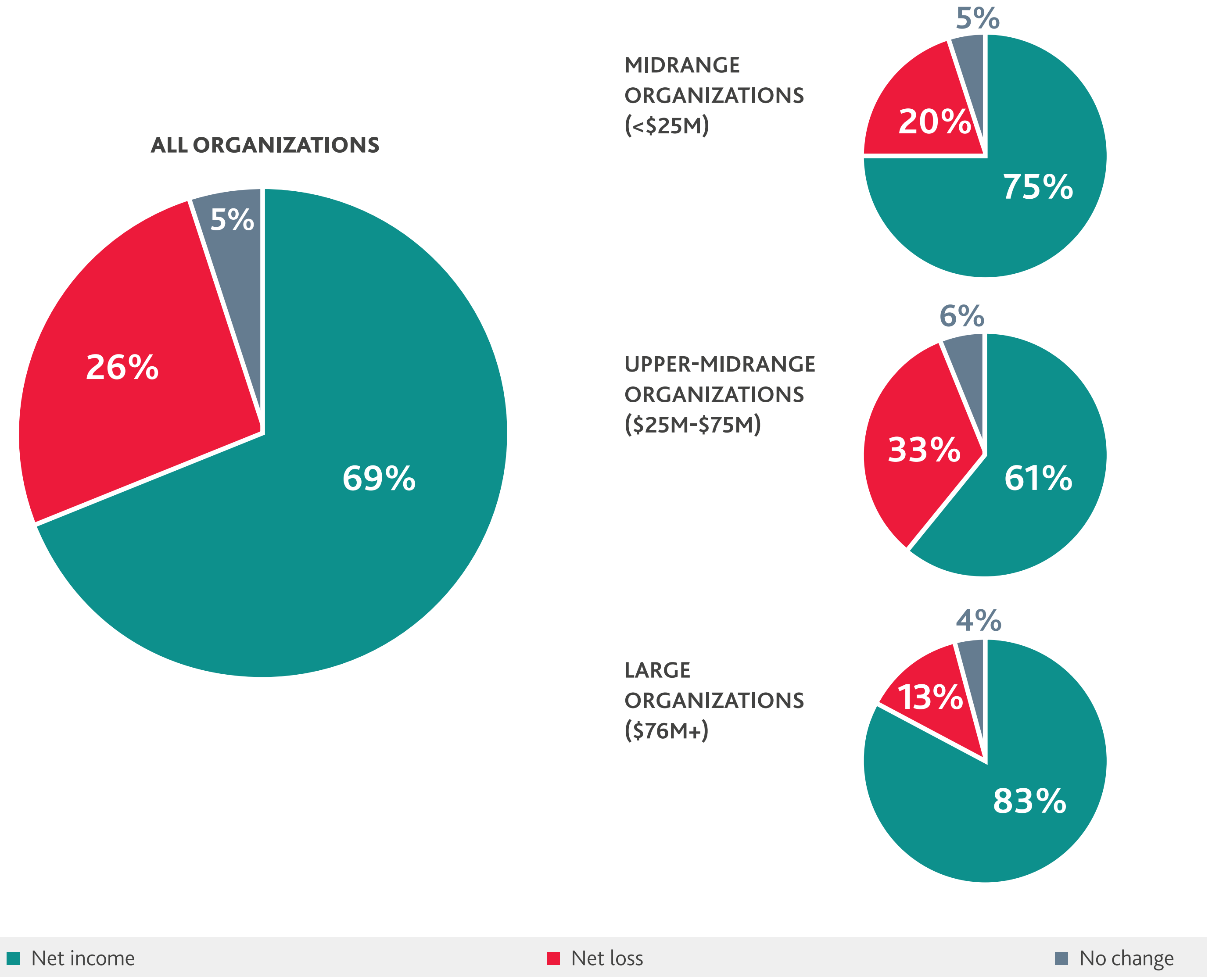


Net financial results follow a similar trend.

69% of organizations experienced **net income last year**, while 26 percent experienced net losses and five percent had no change in their financial results.

While financial results appear cut and dry, it is important to note that experiencing a net loss in the nonprofit world is not always a sign of distress—many organizations choose to do so in years where they're making strategic investments or expanding programs. As long as an organization is being managed effectively over time, financial losses in a single year aren't always cause for alarm.

During the most recent fiscal year, what were the FINANCIAL RESULTS OF YOUR ORGANIZATION'S OPERATIONS?



FUNDING COMPOSITION

Just like every nonprofit has a unique mission, each organization relies on a different mix of funding sources to help bring that mission to life. While there is no ideal funding mix, savvy nonprofits will ensure they receive funding from a healthy variety of sources to offer financial security if any one funding source is interrupted.

On average, fee for service and government grants make up the largest portion of funding, at 39.1 percent and 24.8 percent, respectively. Other sources—like individual contributions, investments, foundation grants and fundraising/special events—comprise a lower, but still substantive portion of overall funding. While conferences and publications offer valuable reputational advantages for nonprofits, they minimally contribute to organizations' funding.

When considering different revenue groups, these trends largely hold true with a few notable exceptions. Organizations with revenues under $25M receive more than a quarter of overall funding from investments and nearly 13 percent from individual contributions, while relying less on government grants and service fees. Upper-midrange and large organizations, however, get a high portion of funding from fees for service and government grants.

About what percentage of your organization's funding came from each of the following sources?

Fee for Service	Mean
All organizations	**39.1%**
Under $25M	26.8%
$25M-$75M	41.9%
$76M+	37.5%

Government Grants	Mean
All organizations	**24.8%**
Under $25M	12.1%
$25M-$75M	24.1%
$76M+	30.0%

Individual Contributions	Mean
All organizations	**8.7%**
Under $25M	12.8%
$25M-$75M	9.1%
$76M+	6.4%

Investments	Mean
All organizations	**8.1%**
Under $25M	25.4%
$25M-$75M	6.0%
$76M+	6.4%

Foundation Grants	Mean
All organizations	**6.3%**
Under $25M	6.1%
$25M-$75M	6.4%
$76M+	6.2%

Fundraising/Special Events	Mean
All organizations	**5.6%**
Under $25M	3.9%
$25M-$75M	6.1%
$76M+	5.0%

Conferences/Meetings	Mean
All organizations	**1.1%**
Under $25M	1.6%
$25M-$75M	0.9%
$76M+	1.4%

Publications	Mean
All organizations	**0.9%**
Under $25M	0.1%
$25M-$75M	0.8%
$76M+	1.3%

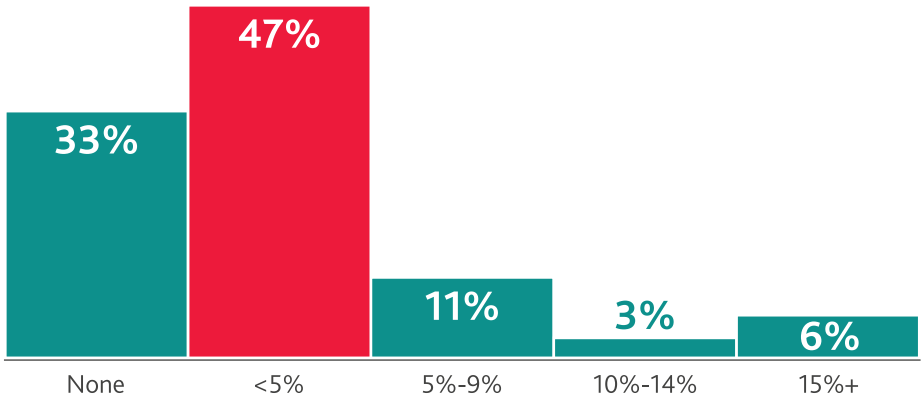
"Overall, nonprofits are increasingly aiming to diversify their funding sources. Recent studies have shown that while overall giving is growing, it's primarily driven by increases in dollars given by high-net-worth donors rather than an increase in the overall number of small-dollar individual donations. If one of those major donors disappears, the results could be disastrous. Savvy organizations should ensure they maintain a mix of funding sources to be able to outlast any potential interruptions on the horizon."

Laurie De Armond, Partner and Co-Leader of BDO's Nonprofit & Education practice

INVESTMENTS

On average, nonprofits receive about eight percent of their funding through investment income. Tracking with those findings, nearly half of organizations say they fund less than five percent of their operating budget through investment income, while a third say investment income funds none of their operations. When it comes to allocating those investments, 88 percent of organizations abide by an investment policy.

During your most recent fiscal year, what percentage of your OPERATING BUDGET was funded through investment income?



INVESTMENT VEHICLES

In keeping with the results of the 2018 survey, equity and mutual funds make up the largest portion of investments for nonprofits, comprising 37.6 percent of investments on average. Bonds or fixed income and cash or cash equivalents also make up a substantial portion of investments at 20.8 percent and 19.2 percent, respectively.

The average portion allotted to alternative investments dropped from 15.4 percent in 2018 to just 6.7 percent this year. As organizations seek to produce sufficient returns on investment, it appears as though organizations are preferring vehicles that are generally considered to be more stable and traditional rather than favoring tactics like alternative investments, which tend to have higher risks and costs with uncertain returns.

INVESTMENT VEHICLES

#1 Equity/Mutual Funds	Mean
All organizations	37.6%
Under $25M	36.7%
$25M-$75M	37.1%
$76M+	40.2%

#2 Bonds/Fixed Income	Mean
All organizations	20.8%
Under $25M	21.6%
$25M-$75M	19.7%
$76M+	23.5%

#3 Cash or Cash Equivalents	Mean
All organizations	19.2%
Under $25M	15.9%
$25M-$75M	21.8%
$76M+	14.5%

#4 Alternative Investments	Mean
All organizations	6.7%
Under $25M	16.2%
$25M-$75M	5.0%
$76M+	7.5%

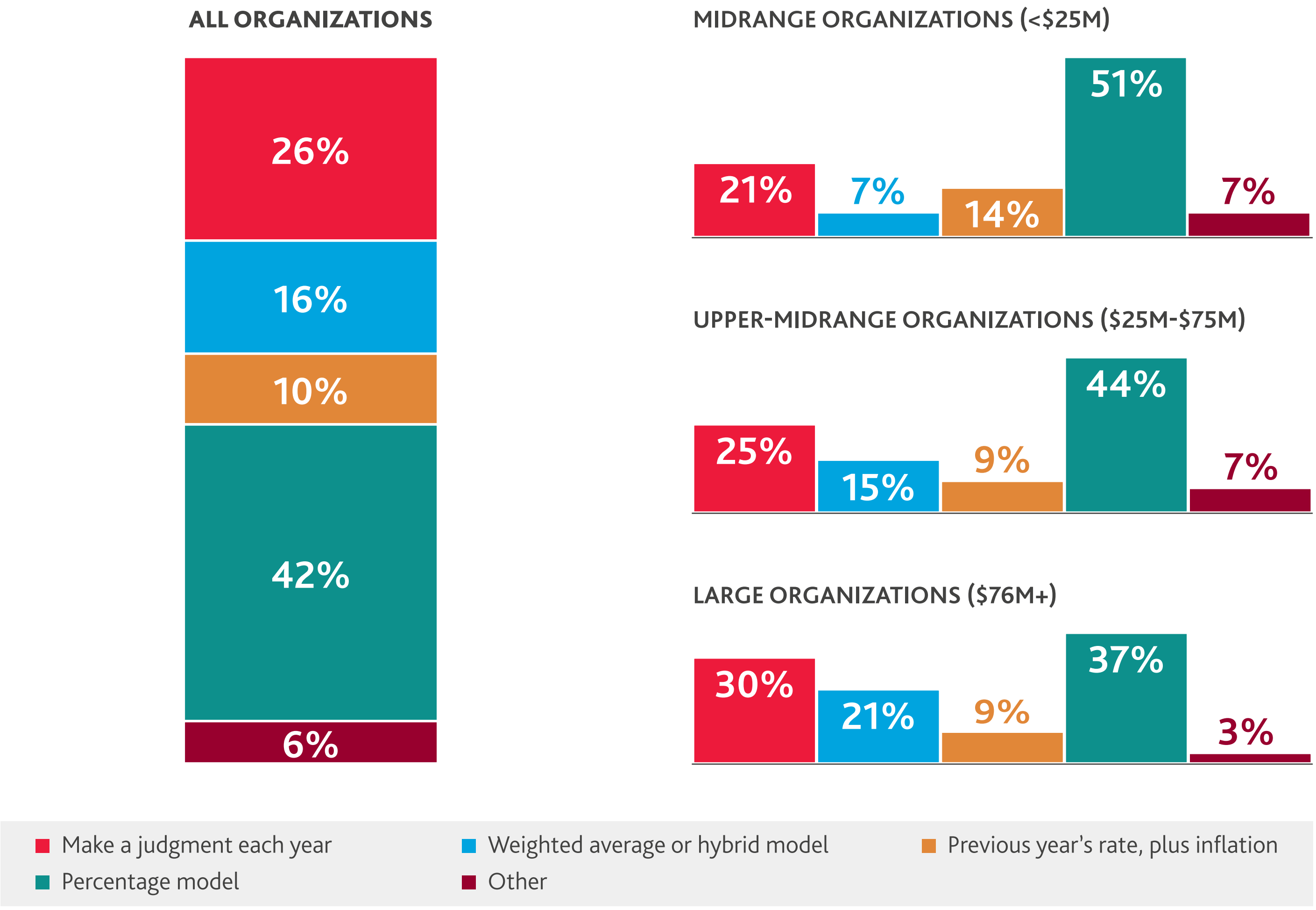
#5 Certificates of Deposit	Mean
All organizations	6.2%
Under $25M	5.3%
$25M-$75M	6.0%
$76M+	7.2%

#6 Other Investments	Mean
All organizations	3.3%
Under $25M	7.5%
$25M-$75M	3.0%
$76M+	2.4%

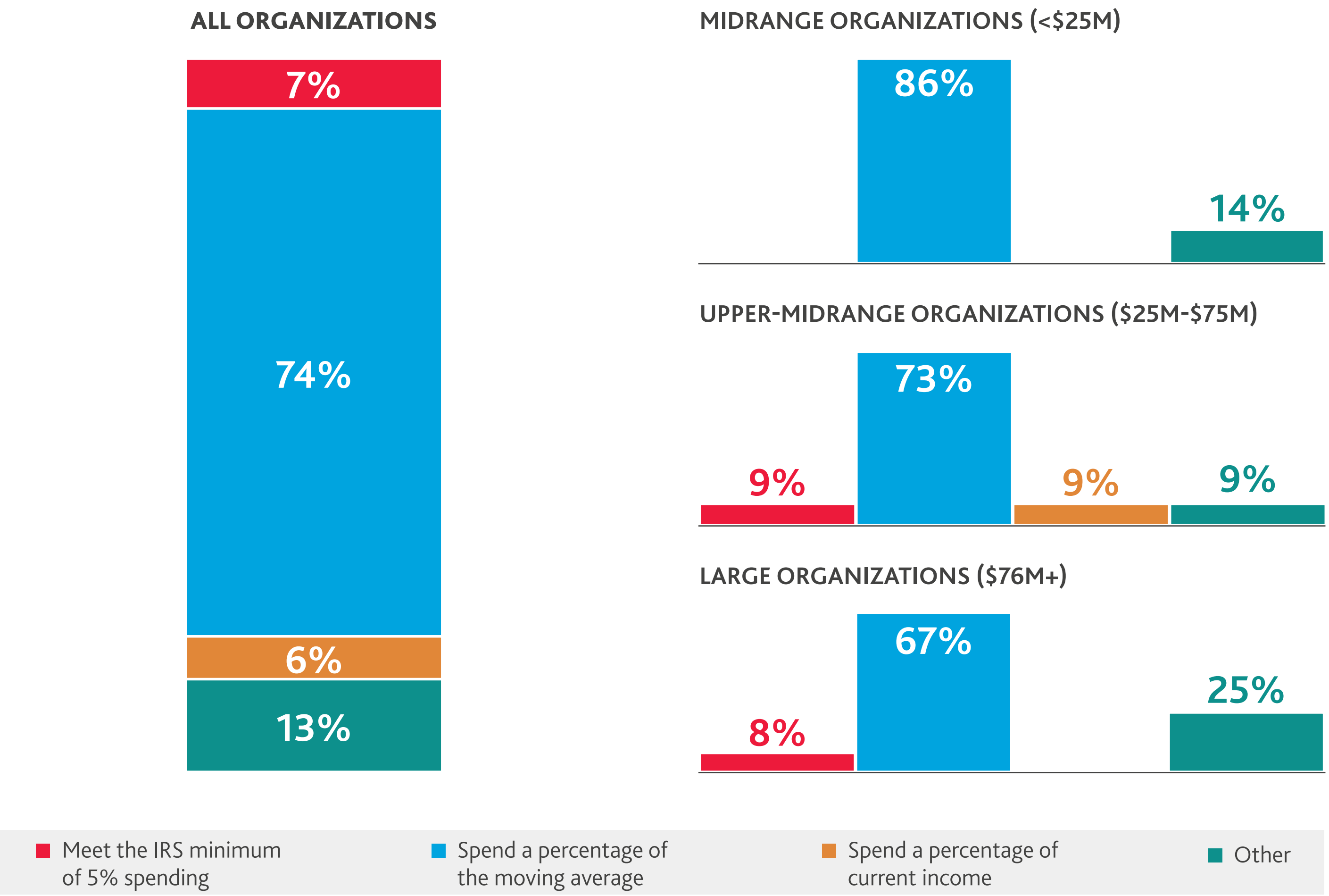
Most organizations (72%) maintain a spending policy, and of those, **42%** use a **percentage-based spending model**, while slightly over a quarter (26%) make a judgment each year.

SPENDING POLICY

Which one of the following choices best describes your **SPENDING POLICY**?



Which one of the following best describes the basis for your **SPENDING POLICY PERCENTAGE MODEL?**



What was the **SPENDING RATE** for your most recent fiscal year?

	All Organizations	Midrange Organizations (<$25M)	Upper-Midrange Organizations ($25M-$75M)	Large Organizations ($76M+)
6%+	8%	0%	9%	8%
Over 5% to 6%	8%	29%	5%	8%
Over 4% to 5%	32%	29%	32%	37%
Over 3% to 4%	19%	21%	16%	22%
Over 2% to 3%	15%	0%	19%	11%
1%-2%	6%	7%	8%	3%
<1%	9%	7%	8%	11%
Other	3%	7%	3%	0%

SECTION 3:

Scope and Impact

EXPANDING SCOPE

Aligning with 2018 findings, most nonprofits did not meaningfully expand their scope last year (possibly due to concerns and uncertainty around funding and future economic growth).

IMPACT REPORTING

Most nonprofits aim to explain the impact of their work to key stakeholders. As public trust in institutions continues to weaken, many funding sources are putting an increased emphasis on nonprofit outcomes. Nearly half of organizations say a quarter or more of their funding sources requested additional information on outcomes and impacts during their last fiscal year.

22% of nonprofits meaningfully **expanded the scope of their mission** in the past year

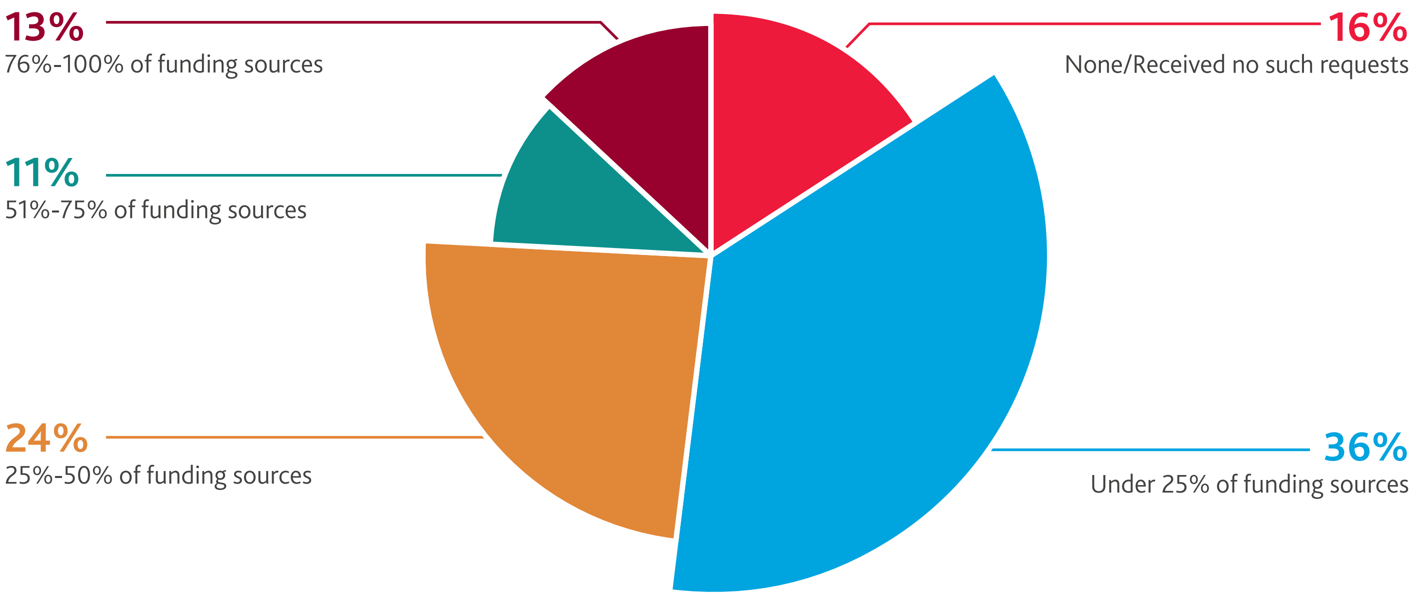
96% of nonprofits **communicate the impact of their programs** outside of their organization

Impact reporting offers nonprofits a unique opportunity to shore up donor trust and display how their mission and work are improving the world.

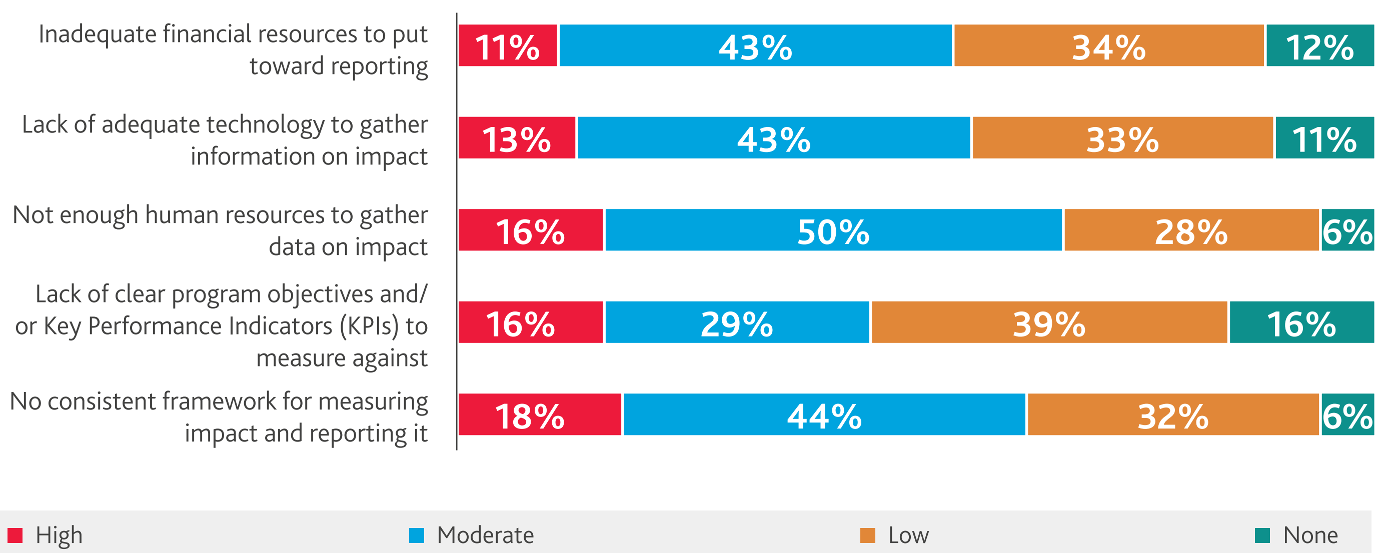
At the same time, increased reporting requests can place an administrative strain on nonprofits that are often already strapped for resources.

When asked to consider challenges to impact reporting, the most common moderate or high-level challenges include lacking the human resources to gather data and the absence of a consistent reporting framework. Technological and financial constraints are also considered a moderate/high challenge for more than half of organizations (56 percent and 54 percent, respectively).

During your most recent fiscal year, approximately what percentage of your funding sources requested more information on OUTCOMES AND IMPACTS than they previously required?



During the past year, please describe the LEVEL OF CHALLENGE each of the following represented in terms of your ability to report the impact of your programs to those outside of your organization.



SECTION 4:

Human Resources

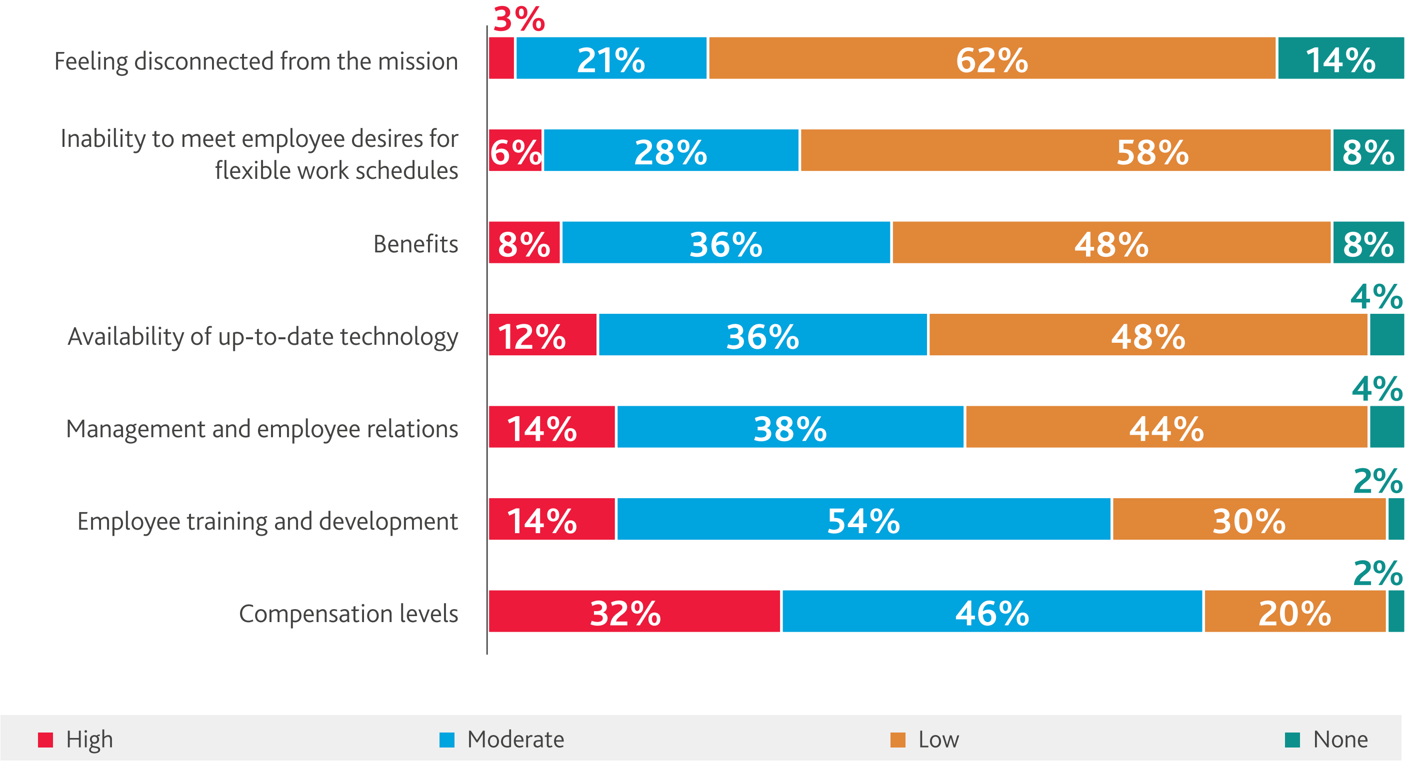
For an industry that considers its greatest resource to be the passion and dedication of its people, effectively managing human resources needs to be top of mind for nonprofit organizations. But nonprofits need to combat the perception that it is difficult to have a fulfilling career in the field in order to maintain a steady pipeline of talent.

Nearly a third of organizations say that **staff retention and recruitment** will be a high-level challenge this year.

EMPLOYEE SATISFACTION

As nonprofits seek to maintain employee satisfaction and recruit new talent, there are many issues for them to navigate. Compensation remains a high-level employee satisfaction issue for nearly a third of organizations (32 percent), and a moderate-level concern by nearly half of those surveyed (46 percent). Employee training and development is also a top issue, with 68 percent of organizations considering it a moderate to high challenge.

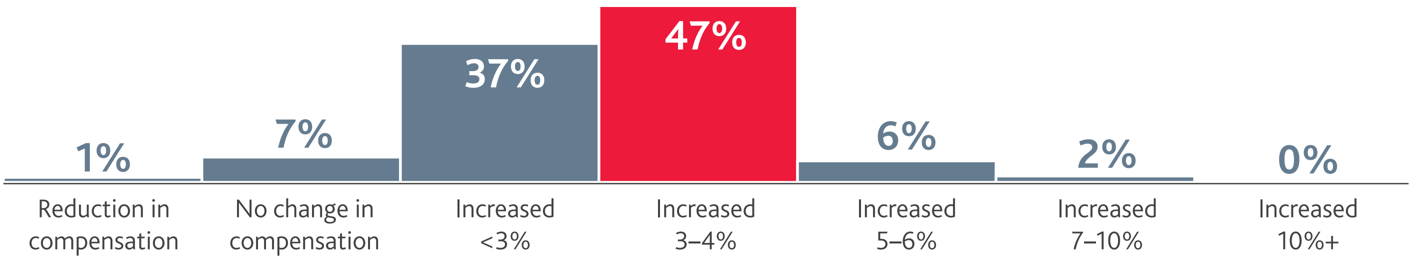
Please indicate the LEVEL OF CHALLENGE you face when considering each of the following employee satisfaction issues at your organization.



COMPENSATION

While compensation may be nonprofits' biggest challenge when it comes to employee satisfaction, data shows that nearly half of organizations (47 percent) increased employee compensation by three to four percent last year. Just seven percent say there was no change, and one percent report a reduction in compensation.

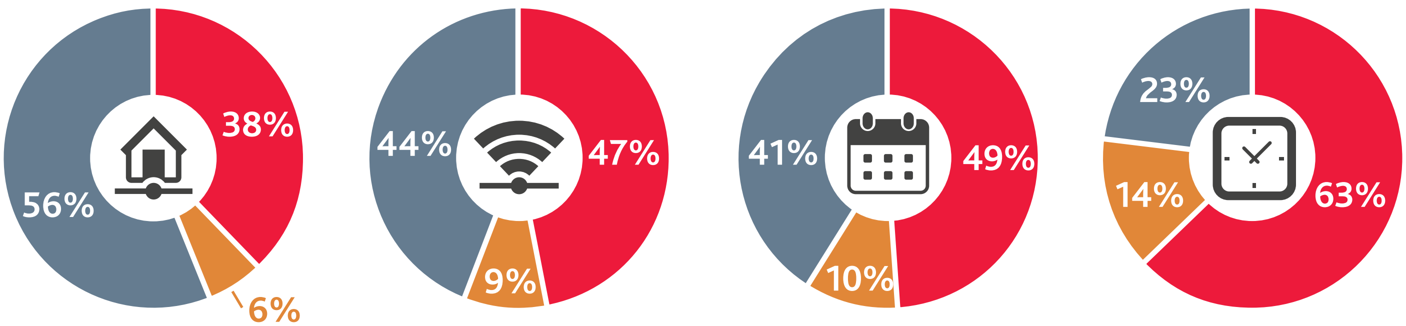
During the most recent fiscal year, what was the AVERAGE CHANGE in employee compensation?



FLEXIBLE WORK

The majority of organizations (66 percent) don't consider flexible work options to be a significant challenge when it comes to employee satisfaction, likely because the sector as a whole tends to have embraced flexible work arrangements. While many nonprofits face financial constraints that may lead to compensation concerns, they are often able to offer flexible work options as a means of attracting talent. Flexible work options also enable many organizations to save on the costs for things like office space and employee parking. The majority of nonprofits already offer flexible work schedules (63 percent) and nearly half offer either flexible leave arrangements or the option to telecommute.

Please indicate your CURRENT OR LIKELY ACTIONS when considering these flexible work options.



Remote work arrangements | Telecommuting | Flexible leave arrangements | Flexible work schedules

■ Offer now ■ Likely to offer in next 12-24 months ■ No plans to offer in the next 24 months

"When looking at sentiments around flexible work options, it's interesting to see that most organizations seem firmly rooted in their approach—either they offer them, or they don't plan to. This points to the approach to flexible work being largely reflective of each organization's culture. Some have embraced it as a business necessity, while others believe it would be detrimental to their work."

Laurie De Armond, Partner and Co-Leader of BDO's Nonprofit & Education practice

SECTION 5:

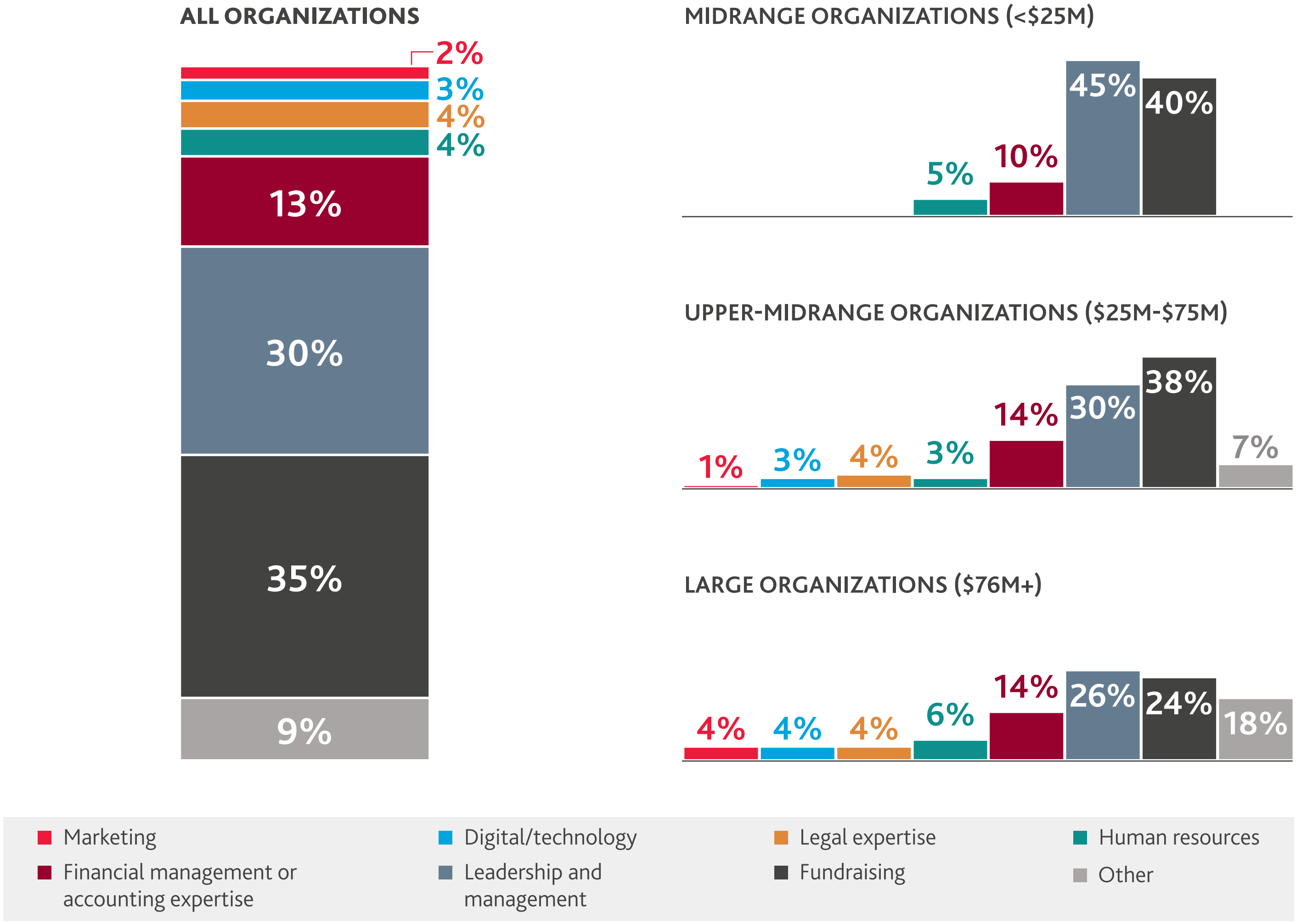
Governance

For nonprofit organizations, boards of directors serve as fiduciaries to ensure the organization is not only advancing its mission, but doing so in a financially healthy and sustainable way. Nearly half of organizations (48 percent) rate attracting quality leadership, including the right mix of board members, as a moderate to high challenge they face this year.

BOARD EXPERTISE

Effective nonprofit boards need to contain a wide variety of skills. More than a third (35 percent) of organizations name fundraising as the top area of expertise needed on their boards, followed by leadership and management (30 percent), and financial management and expertise (13 percent). Interestingly, organizations with revenues below $25M are more likely to prioritize leadership and management skills amongst board members over fundraising. For these organizations, it can be common for the executive team to be comprised of individuals who have other jobs or roles, including those who may be serving on a volunteer basis. Without an established and dedicated leadership team, they may need to supplement with additional guidance from board members.

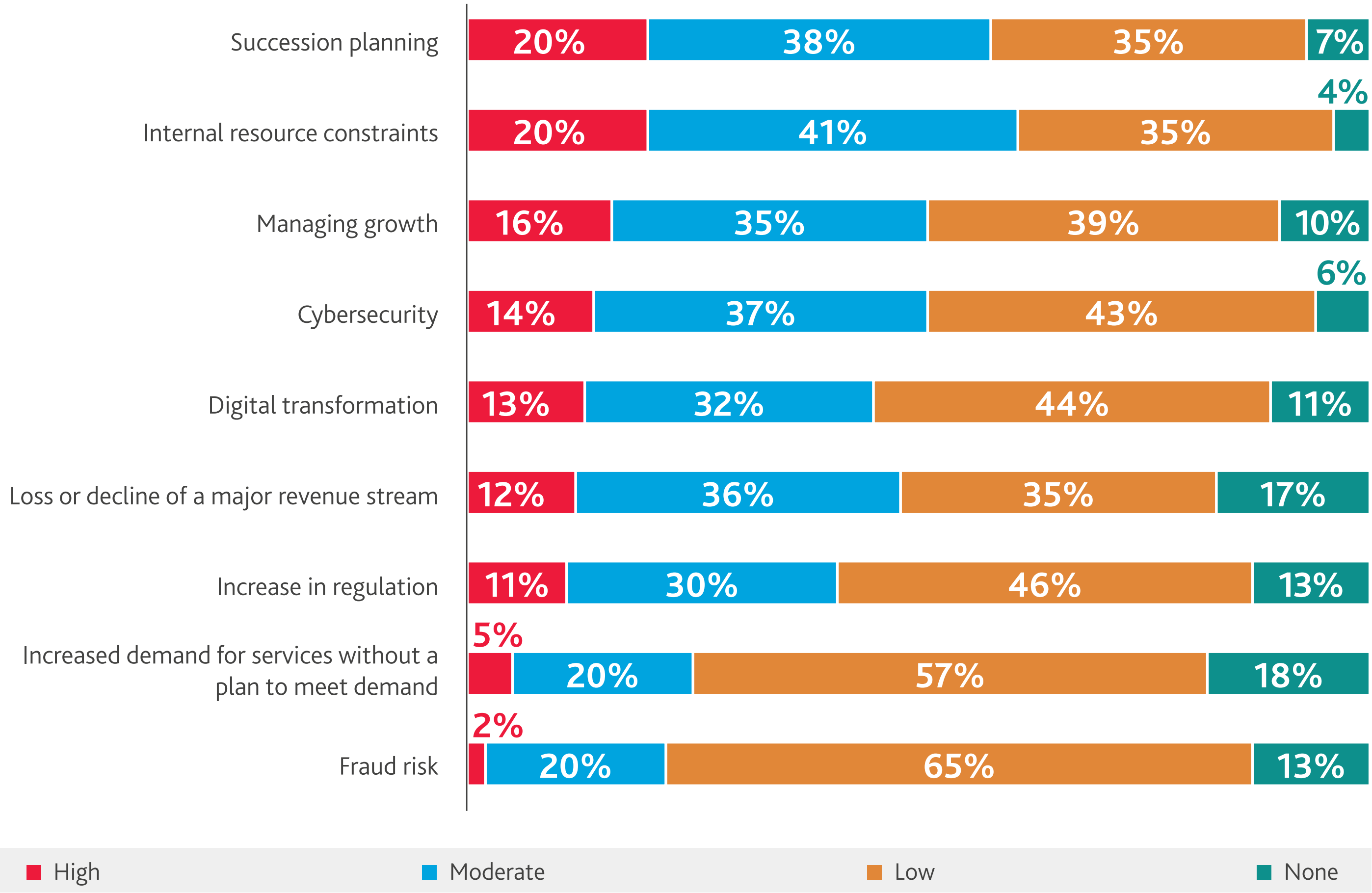
Which ONE of these areas of expertise will be most important for your board or leadership during the year ahead?



Nonprofit boards are tasked with managing and advising on a variety of organizational challenges. This year, nonprofit boards are prioritizing internal resources constraints and succession planning as high-level challenges.

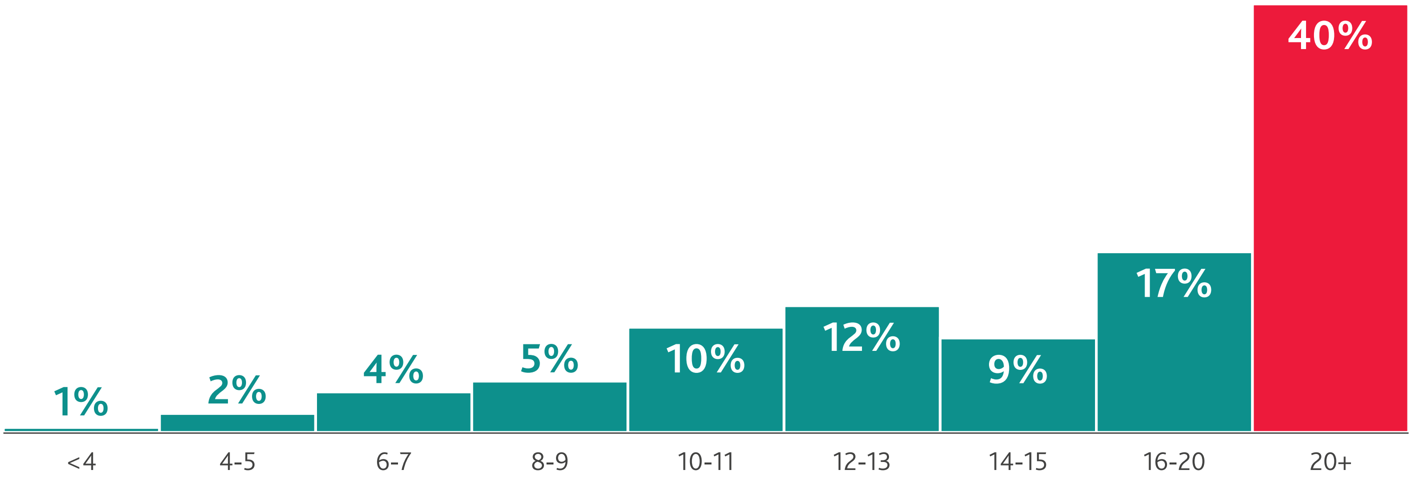
BOARD CHALLENGES

During the past 12 months, please rate the LEVEL OF CHALLENGE facing your board when considering each of the following:



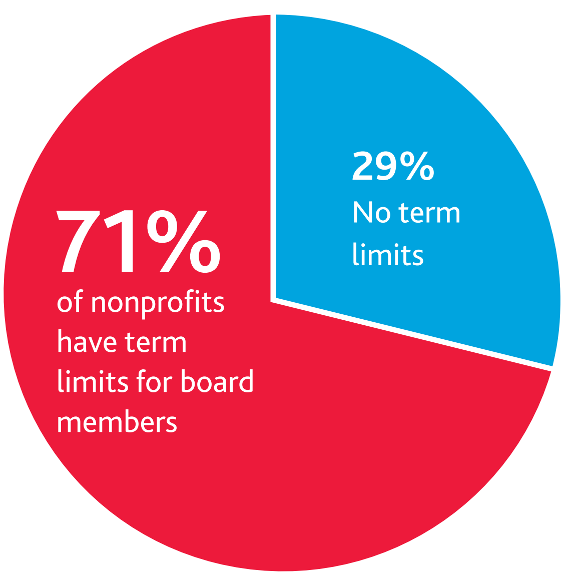
BOARD COMPOSITION/TERM LIMITS

HOW MANY MEMBERS serve on your board?

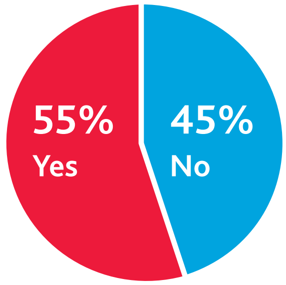


Do you have **TERM LIMITS** for board members?

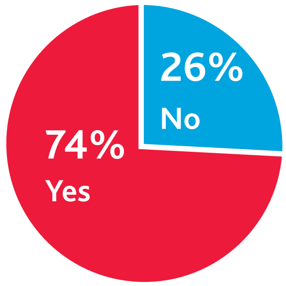
ALL ORGANIZATIONS



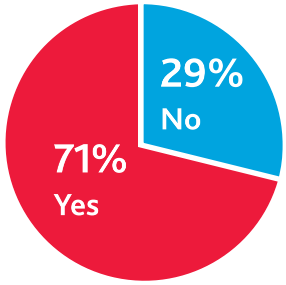
MIDRANGE ORGANIZATIONS (<$25M)



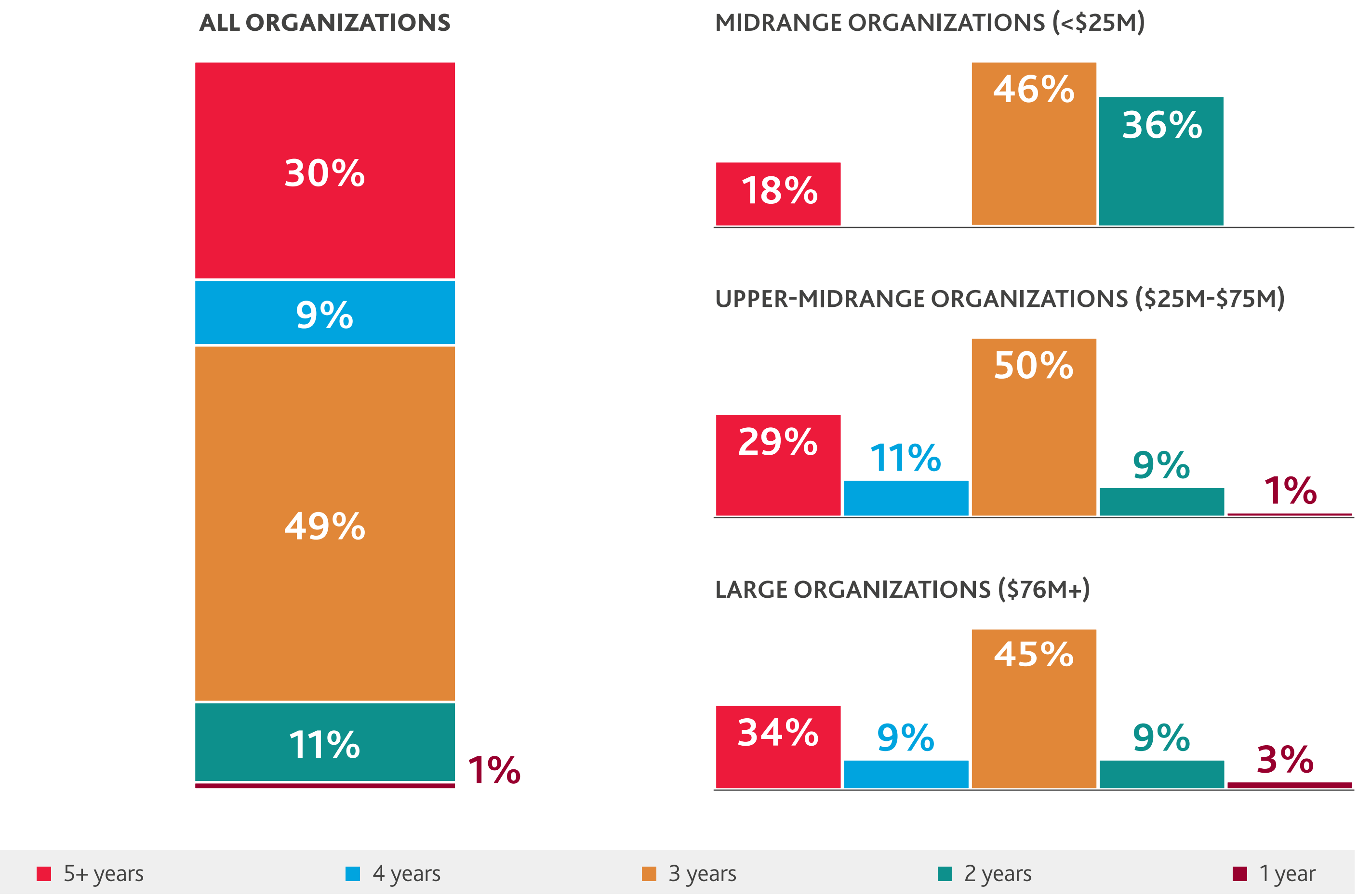
UPPER-MIDRANGE ORGANIZATIONS ($25M-$75M)



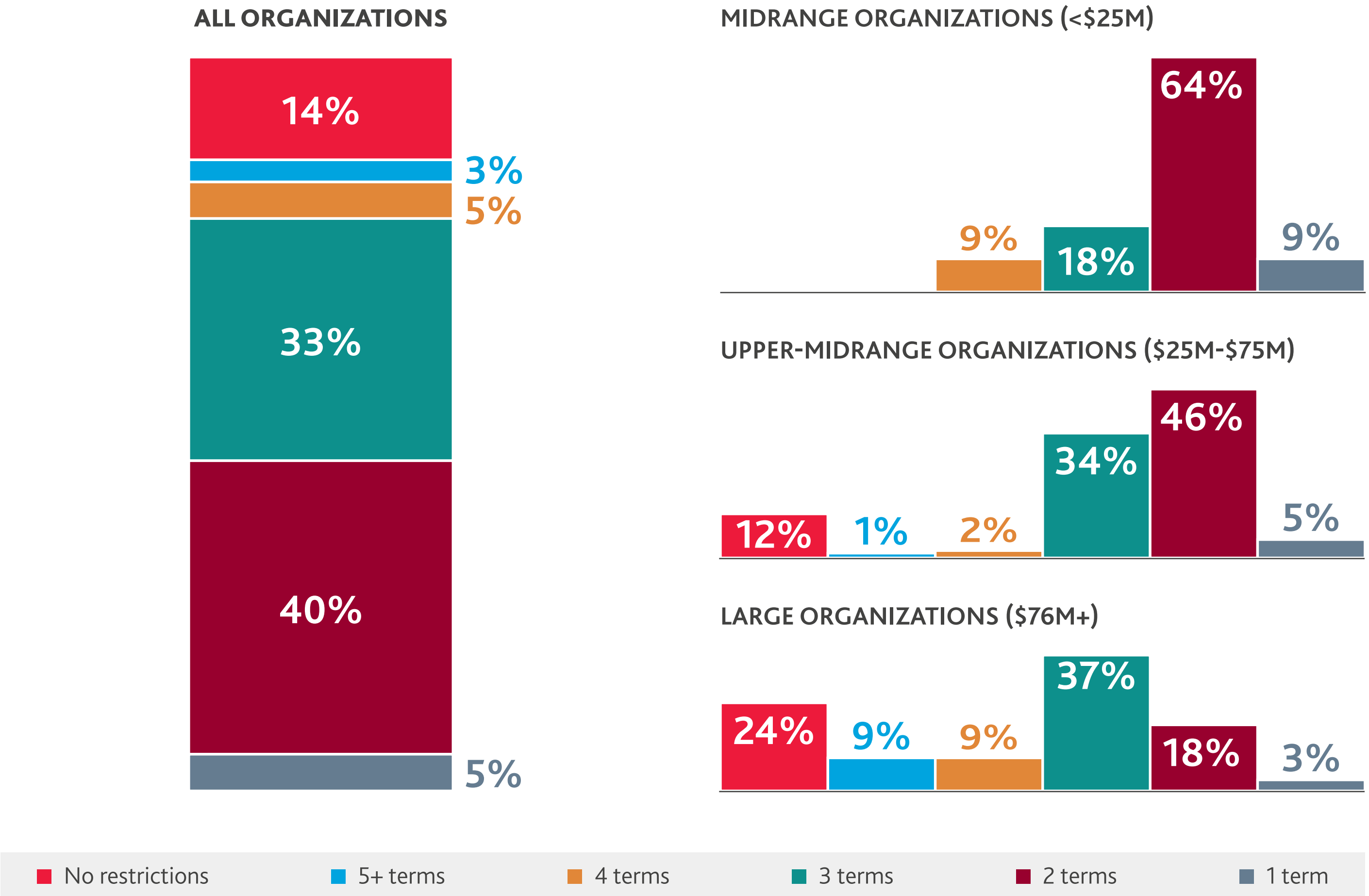
LARGE ORGANIZATIONS ($76M+)



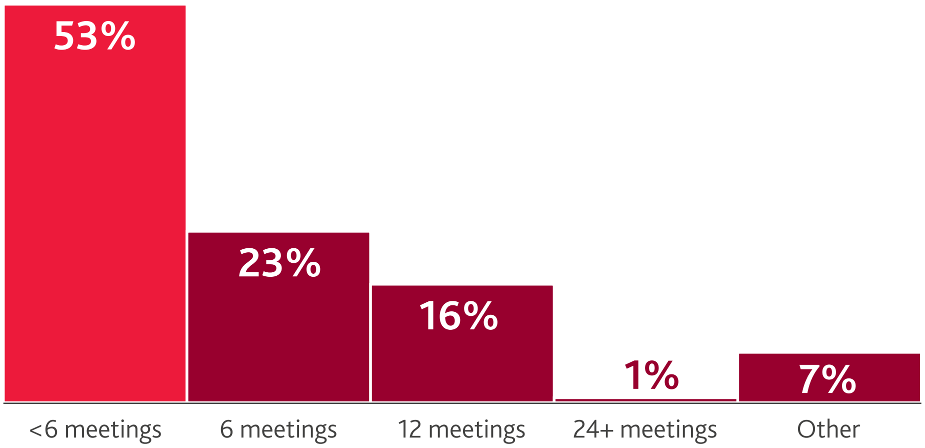
What is the **TERM LIMIT** for board members?



HOW MANY TERMS can a board member serve?

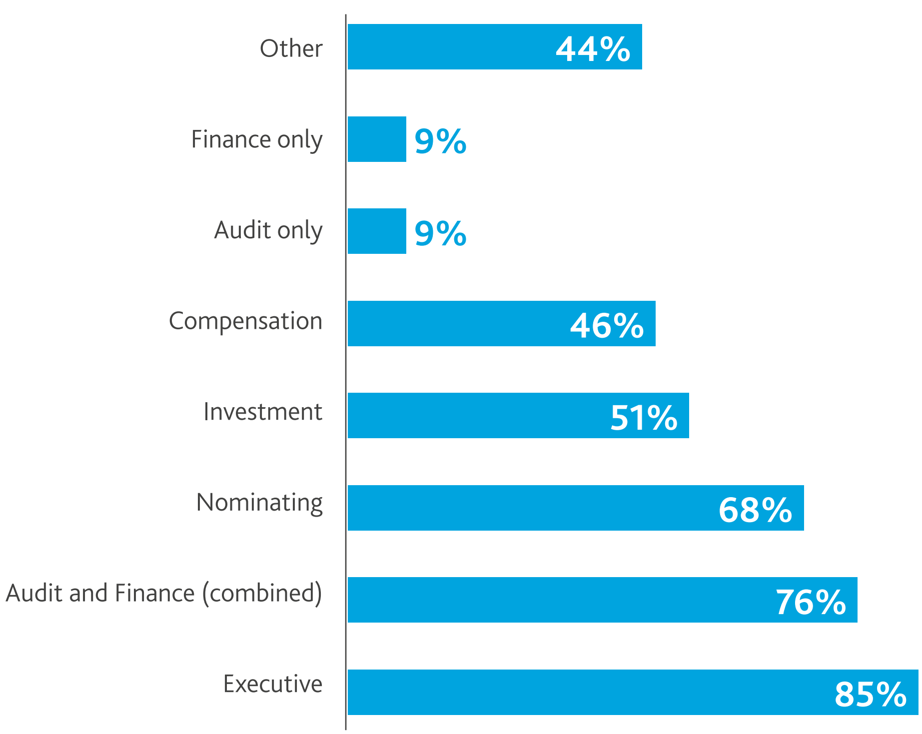


How many **REGULARLY SCHEDULED** board meetings are held in a typical year?



While there is no ideal number of annual board meetings, BDO recommends that nonprofit boards meet at least quarterly to ensure adequate governance of the organization.

Which of the following committees does your board currently have in place?

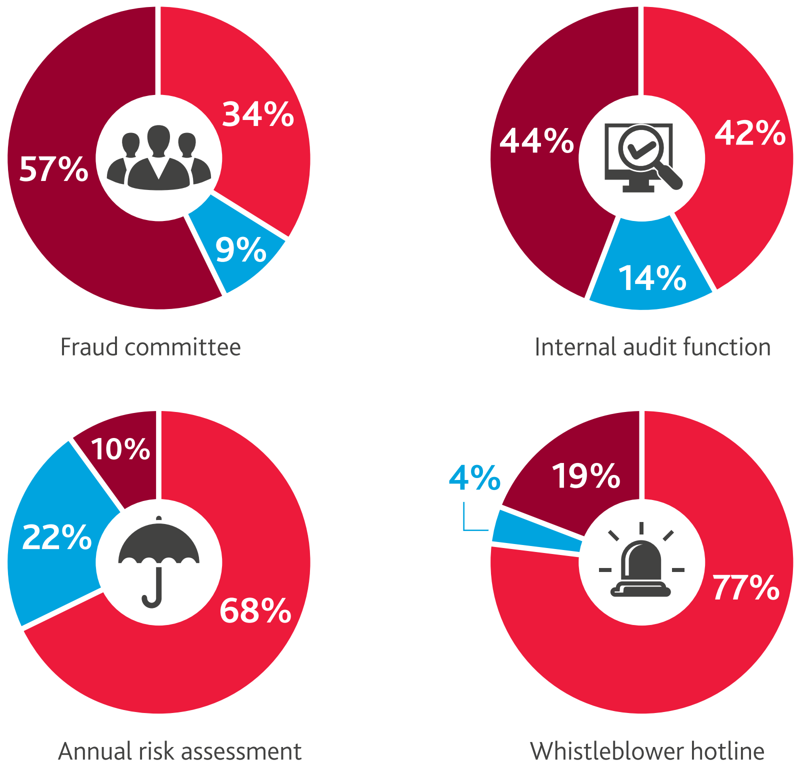


FRAUD PREVENTION

One of the most crucial responsibilities of the nonprofit board is the prevention of fraud and managing the response if fraud does occur. Notably, this doesn't seem to be a significant concern for organizations—the majority of organizations surveyed (65 percent) mark fraud as a low-level challenge. This may be because organizations have many anti-fraud measures in place. The most common anti-fraud tactic is maintaining a whistleblower hotline, cited by more than three quarters (77 percent) of organizations. There's good reason to think that hotlines are effective—according to the Association of Certified Fraud Examiners (ACFE), most fraudulent activity is discovered because of tips. More than one in five organizations plan to start conducting annual risk assessments within the next few years. To do so, they'll need to commit adequate budget and resources to the project to ensure it's done effectively.

Regardless of what defensive measures nonprofits put in place, it's critical for them to make fraud prevention a strategic priority. Because the goals of nonprofits are inherently non-financial, fraud detection can be more difficult.

How would you describe your organization's use of **ANTI-FRAUD RISK MANAGEMENT EFFORTS?**



- Have established
- Likely to establish in next 12-24 months
- No plans to establish in the next 24 months

SECTION 6:

C-Suite Views

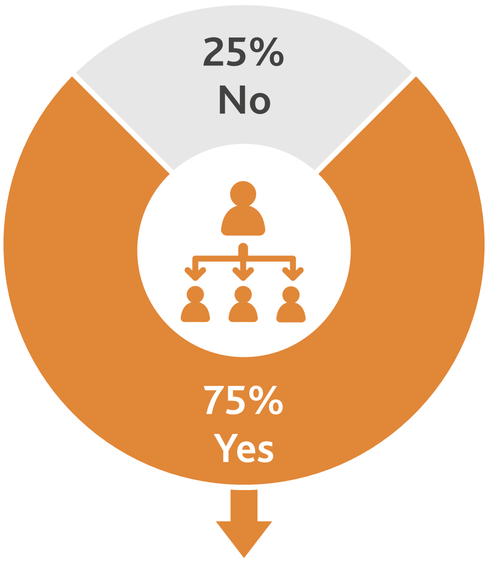
This year, we were also able to analyze the data by title level, and when comparing the responses of Chief Financial Officers and Presidents/Chief Executive Officers, interesting contrasts emerge around key areas.

	CEOs/Presidents	CFOs
REPORTING		
76-100% of their funding sources are asking for additional reporting information	26%	9%
Inadequate financial resources are a high/moderate obstacle to reporting	65%	44%
CHALLENGES		
Inability to meet demand for services is a high/moderate challenge	60%	37%
Staff retention/recruitment is a high-level challenge	44%	27%
Government regulations and legislative changes are a high-level challenge	40%	19%
BOARDS		
Fundraising is the most important skill for board members	21%	42%
Managing growth will be a high-level board challenge	29%	9%
Increased regulations will be a high-level board challenge	26%	7%

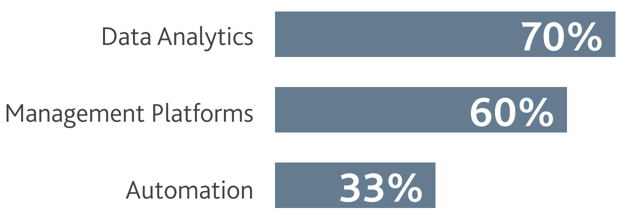
DIGITAL TRANSFORMATION

Is your organization PLANNING TO INVEST in any new technologies this year?

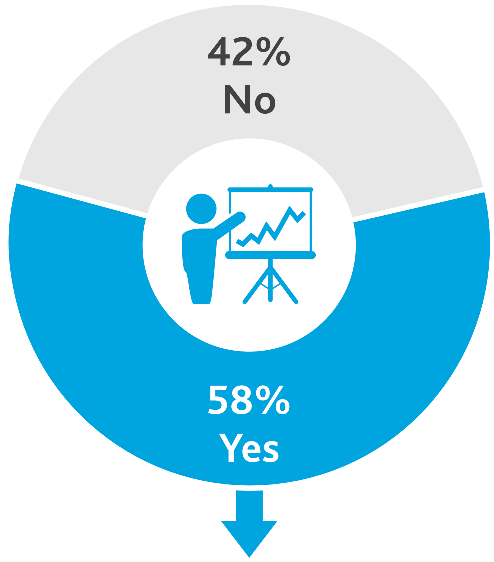
CEOs/Presidents/Executive Directors



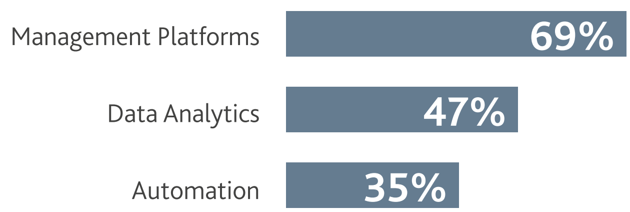
Those who say yes are prioritizing:



CFOs

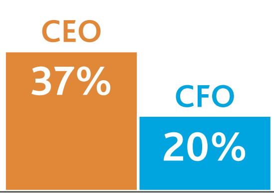


Those who say yes are prioritizing:

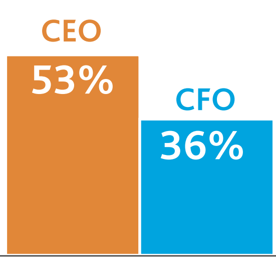


FUTURE PLANS

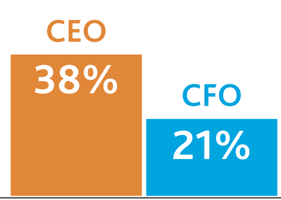
In the NEXT TWO YEARS:



It's very likely they **will introduce new programs without eliminating others**



It's somewhat/very likely they **will enter into a strategic partnership with another nonprofit**



It's somewhat/very likely they **will enter into a strategic partnership with a for-profit organization**

SECTION 7:

Respondents

SECTORS

Health and human services provider	35%
Environmental organization	24%
College/University	12%
Public charities and community foundations	10%
Private foundation	10%
International NGO	5%
Faith-based organization	4%

SCOPE OF ORGANIZATIONS' WORK

Local	31%
Regional	44%
National	11%
International	14%

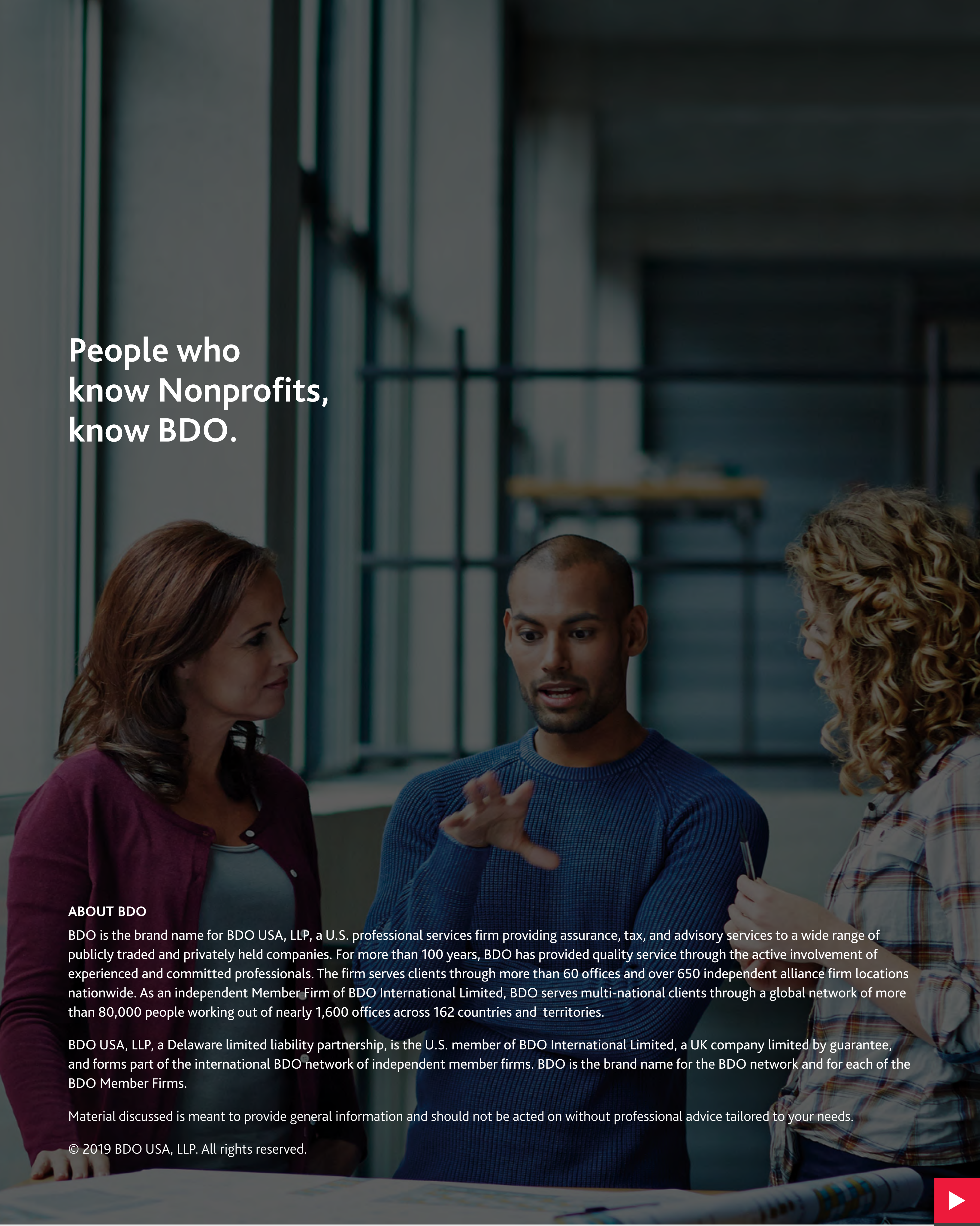
TITLE OR POSITION

CFO	59%
CEO	17%
Executive Director	6%
Director of Finance	5%
President	4%
Direct report to CFO, CEO, executive director, director of finance and/or president	4%
Controller	2%
Director	1%
Other	2%

REVENUE & ASSETS

Annual Revenue	
Under $25M	10%
$25M-$50M	46%
$51M-$75M	17%
$76M-$99M	9%
$100M-$200M	12%
Greater than $200M	6%

Total Assets	
Less than $5M	4%
$5M-$9.9M	5%
$10M-$24.9M	12%
$25M-$49.9M	21%
$50M-$99.9M	16%
$100M-$199.9M	20%
$200M or more	22%



People who know Nonprofits, know BDO.

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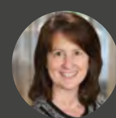

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