2004

TROPMAN REPORTS

Applied Research about the Pittsburgh Region's Nonprofit Sector

THE **FORBES** FUNDS

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VOLUME 3 : NUMBER 1

2004 TROPMAN REPORTS

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Do They See What I See?

Public Opinion and the Human Services Sector

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The mission of The Copeland Fund for Nonprofit Management is to strengthen the management and policymaking capacity of nonprofit human service organizations to serve better the needs of their communities.

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- Applied Research Projects
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The mission of The Wishart Fund for Nonprofit Leadership is to encourage pioneering nonprofit leadership by promoting public learning and discussion about issues critical to ethical and effective management, as well as by celebrating exemplary practices.

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- The Frieda Shapira Medal
- Alfred W. Wishart, Jr., Award for Excellence in Nonprofit Management

A 2003 national study by the Pew Partnership for Civic Change identified substantial discrepancies between the public at-large and nonprofit practitioners in assessing the severity of community problems. According to that study, public awareness of community needs differed significantly from the awareness of these same needs among nonprofit organizations and practitioners who address these needs through their services and programs. That is, the public generally does not see hunger, affordable housing, neighborhood safety, public education, and the eradication of illiteracy as severe community problems in the way that nonprofit human services providers do.

Underlying the current study is The Forbes Funds' desire to determine if discrepancies similar to those uncovered through the Pew Partnership study exist between the public and the nonprofit human services providers in Allegheny County. A significant issue is this: if the public doesn't see the problem, how will they support organizations that exist to address the problem?

But without an understanding of the public perception, nonprofit organizations cannot make the most effective policy and management decisions and cannot cost-effectively reach potential volunteers and contributors.

To address these issues, The Forbes Funds commissioned Campos, Inc. to use its "opt-in" Regional Opinion Panel to take the pulse of the public through highly controlled telephone interviews. Additionally, Campos polled nonprofit organizational leadership through online surveys.

Research Questions

This study sought to answer the following questions:

- What is the public perception in Allegheny County of local problems, including hunger, affordable housing, illiteracy, neighborhood safety, and quality public education?
- What are the perceptions of nonprofit leaders about these same problems in Allegheny County?
- How do the perceptions of the public compare to the perceptions of human services practitioners?
- What are the existing attitudes among the public about the need for community support for nonprofit human services practitioners?
- What would the public need to know to become likely to support nonprofit human services practitioners?

	EXECUTIVES		RESIDENTS	
	VERY/FAIRLY SERIOUS	RANK	VERY/FAIRLY SERIOUS	RANK
Quality of Education	86.8%	1	27.2%	2
Hunger	78.9%	2	13.6%	5
Affordable Housing	69.2%	3	23.7%	3
Crime/Neighborhood Safety	67.3%	4	31.5%	1
Illiteracy	66.7%	5	17.7%	4

Methodology

For the community survey, Campos conducted 300 telephone interviews among Allegheny County residents. Fifty-three nonprofit executives from human services organizations completed the online survey. The interview and survey were conducted between June 10 and 28, 2004.

With permission, Campos used the Pew Partnership survey to model questions for the surveys in order to compare responses to the national data. In addition, and with permission, a few questions from a recent study conducted by the Brookings Institution were included to gauge the public's confidence of charitable organizations.

Comparative Summary — Nonprofit Executives and Allegheny County Residents

When comparing the responses of local nonprofit executives with those of Allegheny County residents, some interesting differences — and a few similarities — come to light. Looking at top-two box scores ("very serious" and "fairly serious"), the table above compares the priority ranking provided by the executives with the somewhat different ranking provided by local residents.

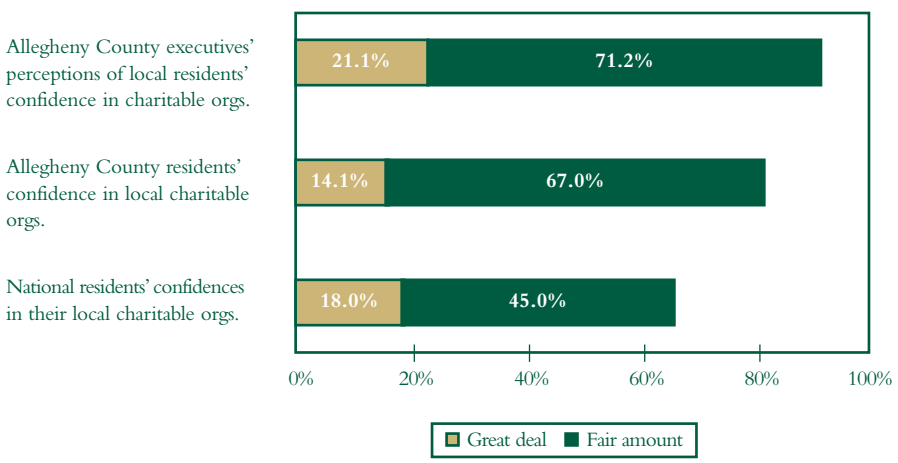
Executives were asked to identify the single biggest problem they faced in accomplishing their mission. Lack of funding/resources was ranked first. When asked to identify the second biggest problem they faced, lack of funding was again first among all responses. Executives were also asked to choose from a list of actions that would do the most to solve their organization's primary concern. More people donating money was the choice of over 50 percent of the respondents. When asked what business leaders could do to help, providing financial support/resources/supplies was the choice of over 60 percent of the respondents. Similarly, when asked what government leaders could do to help, providing funds/grants was the choice of over 55 percent of the respondents.

Allegheny County residents listed donating money to charity **last** among various ways that people like themselves could help. Instead, they said that some form of personal involvement or volunteering would have the greatest impact, while nonprofit executives listed those activities in sixth place.

Allegheny County residents indicated that word of mouth was one of the most effective ways of learning about the needs and opportunities for involvement with nonprofits. Over 94 percent of the local executives confirmed that they relied on word of mouth to inform people in the community about their organization's needs, in spite of the fact that 81 percent said they regularly sent newsletters to their various constituencies and also relied on newspapers. Over 86 percent said that word of mouth was the most useful method of volunteer recruitment.

Over 70 percent of the nonprofit executives perceived local residents to have a "fair amount of confidence" in community charitable organizations, and another 21 percent thought the public had a "great deal of confidence" in them. Allegheny County residents however, expressed slightly lower levels of confidence (67 percent and 14 percent, respectively).

In terms of helping people, executives rated the perception of nonprofit performance at 100 percent, while Allegheny County residents rated it at 88.6 percent. For delivering programs and services, executives rated the perception of nonprofit performance at 94.3 percent, while residents rated it at 84.9 percent. And in terms of spending money wisely, executives rated the perception of nonprofit performance at 79.2 percent, while residents rated it at 63.3 percent.



	VERY/SOMEWHAT GOOD JOB	
	EXECUTIVES	RESIDENTS
Helping People	100.0%	88.7%
Delivering Programs and Services	94.3%	84.9%
Spending Money Wisely	79.2%	63.3%

Comparative Summary — Demographic Segments in Allegheny County

Suburban dwellers tended to perceive a better **quality of life** than did urban dwellers by a 20 percent margin. Over 68 percent of those who live outside of the Pittsburgh city limits responded "excellent" or "very good," while less than 49 percent of City of Pittsburgh residents gave those responses.

Local **optimism** about the community drew much lower ratings. Among all residents, only 50 percent felt that the region's best years still lay ahead. Those with incomes under $35,000 were the least likely to feel optimistic (only 34.2 percent), while those with incomes over $75,000 felt the most optimistic (59.6 percent). The survey revealed that those with higher incomes and with more education **volunteer** at higher rates than those with low incomes or no college training. More than 80 percent of respondents in the upper income bracket of the study volunteered, while only 45 percent of those in the lower income bracket did so.

Among respondents who do volunteer, those in the lower income bracket (58.8 percent) were somewhat more likely to be regular volunteers than those with incomes in the highest bracket (50.0 percent). Those with children were also more likely to be regular rather than occasional or one-time volunteers.

Among respondents who do not volunteer, lack of time was the most common reason given.

When asked about the most direct way for individuals like themselves to find out about volunteer opportunities, members of every demographic group cited "word of mouth or neighbors" as their first response — and they did so by a wide margin.

Various demographic groups tended to identify quite different **issues** as "very serious" or "fairly serious" among the five areas of need discussed in the survey. Affordable housing was cited most often by city dwellers and by those with incomes under $35,000. Crime and neighborhood safety was also cited frequently by city dwellers and those with incomes under $35,000. City dwellers saw illiteracy as much more of a problem than any other demographic group. Quality of education was substantially more serious an issue for city dwellers than any other group, and those with no college education were least likely to see education as a serious issue. Hunger was cited least often as a major problem and quite evenly so across all demographic groups.

The Need for Community Support

The results of this survey suggest that the general public supports the work of the local nonprofits and believes that community involvement and volunteerism are good, beneficial, and should be practiced by more of their peers.

Among the general population, an assumption persists that nonprofits need more volunteers far more urgently than they need additional contributions. While the leaders of the nonprofits would be pleased to have more volunteers, their most urgent need is for additional funding to cover the costs of goods and services that volunteers cannot provide.

The fact that public levels of confidence are somewhat below those expected by the organizations' executives suggests that the urgency of their mission and the critical need for funds — or the success of their work and the need to expand it — has not been communicated to the local populous. In an era of information overload, when mailboxes and e-mail inboxes are full of junk mail and requests for contributions, local charities face a tremendous challenge to make their voices heard.

The fact that respondents found word of mouth to be the most effective way of learning about the needs of charities — and the fact that nonprofit executives recognized this — suggests that this communication vehicle may need to be tapped in new and creative ways. It appears that messages traveling by word of mouth are heard above the din of other high-tech media and are given greater credibility.

Additional Points of Interest

In terms of specific **community involvement** by Allegheny County residents, suburban dwellers are more active than urban dwellers. Local residents are more active and involved in every area surveyed than are their national counterparts. Church activities were the number one area of involvement, with school and youth/children's activities in second and third places.

Happily, over 90 percent of volunteers believed that the work they did for their nonprofits made "some difference" or "a great deal of difference" in **solving the problem** the nonprofit was addressing. This was true locally and nationally.

When reviewing **perceptions** of the relative seriousness of five potential community problems, it is interesting to note that the two that received the lowest rankings, illiteracy and hunger, are problems least likely to directly affect the survey respondents personally, while crime/neighborhood safety, quality of education, and affordable housing — those problems that received the highest rankings — might directly affect most respondents in some manner. Ironically, illiteracy and hunger were the two areas that respondents thought they could do the most to help solve.

Recommendations

The nonprofit organizations that serve Allegheny County in the human services sector have the broad support of the community. Nonetheless, this survey suggests that they are faced with two urgent challenges that are very closely linked:

– First is the need for improved credibility with the local community, which needs to more accurately understand the severity and seriousness of the issues that face the

region and the achievements of local nonprofits in addressing those issues.

– Second is the need for increased donations, which is tied to the community's misperception that nonprofits are adequately funded but need more volunteers in order to fulfill their missions.

Thus, Campos, Inc.'s recommendations suggest ways for the nonprofits to communicate their issues, needs, and successes and to increase their grassroots fundraising with the help of loyal volunteers and targeted communications via the Internet.

- **Create a Social Services Needs Index.** In order to address the information or perception gap that exists between nonprofits and the local community, we recommend the creation of an Allegheny County Human Services Needs Index. This index should be used to track and publish local social services trends, show improvements (or declines), and demonstrate relative priorities. This will require the cooperative efforts of various agencies and organizations in the social services to share information. The index should:

  – Measure the depth of need in the five major areas of concern noted at the beginning of this study;

  – Track the dollars spent addressing these needs and the hours invested (both professional and volunteer); and

  – Measure and report the successes of nonprofits in addressing these needs.

The relevant data will need to be tracked and published regularly for such an index to be meaningful. A comprehensive index of this sort will demand new levels of accountability on the part of nonprofits. For those that are achieving results it will provide new levels of credibility; for those that are failing, it may provide motivation to improve or risk being replaced by other more effective agencies. Foundation funding for such an index would spotlight the importance of communicating this information to the community and the donor constituencies.

- **Create Volunteer Challenge Campaigns.** Executives indicated a much greater need for financial contributions than for additional volunteers, though County residents perceived the opposite to be true. We believe this disparity of perception arises, in part, from the fact that fundraising and volunteer recruiting are most often disconnected from one another. We recommend addressing this problem at the grass roots level by developing challenge campaigns that actively involve volunteers in small donation fundraising:

  – Develop innovative approaches that directly link volunteer efforts with word-of-mouth campaigns to increase the numbers of small contributions received.

  – Take advantage of established, casual "friends and family" information networks and "grapevine behaviors" to communicate specific needs and to actively encourage volunteers to be ambassadors for the organizations they already believe in.

  – Build broader community support by encouraging volunteers to periodically seek small contributions from their personal networks — contributions that will help fund the program areas in which they are volunteering.

  – Expand volunteer recognition programs — based on aggregate donations of time and money — that showcase them on a par with large donor recognition programs.

  – Recognize the size and value of cumulative volunteer-raised contributions in ways that express genuine appreciation and motivate continued efforts.

  – Recognize the scope and value of cumulative volunteer hours in ways that inform area residents about the efforts of their neighbors.

- **Create Internet-based Fundraising Campaigns.** We note the recent success of political action committees and national candidates to raise large sums of money from a great many small donations. They did so by asking for contributions to fund very specific activities and by making it possible for individuals to make small contributions via the Internet (in addition to traditional methods). We recommend that local nonprofits take a similar approach:

  – Identify specific funding needs and seek to meet those needs through the collection of small donations via the Internet.

  – Encourage those who can make only small contributions to do so. These are donors who might otherwise contribute nothing at all.

  – Rely on e-mail communication to create a regular channel of communication that will keep small donors interested and involved. This will increase the likelihood that they may make several small contributions over the course of a year.

This approach enables contributors to connect regularly and somewhat informally with the nonprofits that interest them and, if done well, will let them know how their money is being used. This can create a sense of ownership among small donors who can then say with pride, "I helped fund XYZ project!" The success of this approach for political fundraising suggests that it overcomes resistance to the traditional appeals for money. It may also encourage the involvement of a great many interested citizens who may be intimidated and embarrassed by appeals that ask for donations beyond their means.

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The funding environment for the nonprofit sector is changing, leaving many nonprofits scrambling for dollars and worried that they will be unable to meet a rising need for their services. The nonprofit-government partnership is in a state of flux as government at all levels reassesses its priorities and budget allocations. Charitable giving, as reported on individual tax returns, has declined in recent years, and foundation support, at best, is holding steady. But despite the fiscal pressures, nonprofit organizations are spending billions of dollars that benefit their local economies.

To understand how this scenario is playing out in the Pittsburgh metro area, The Forbes Funds commissioned Carol J. De Vita, Eric C. Twombly, Jennifer Auer, and Yuan You of the Center on Nonprofits and Philanthropy at the Urban Institute in Washington, DC, to conduct a systematic look at the seven counties that comprise the region, namely Allegheny, Armstrong, Beaver, Butler, Fayette, Washington, and Westmoreland. This study examines the number and size of nonprofits in the region by seven major nonprofit industries: (1) arts and culture; (2) hospitals and health systems; (3) health, excluding hospitals and health systems; (4) higher education; (5) other education, excluding higher education; (6) human services; and (7) all other nonprofits. It also examines the spending patterns, resource concentration, and fiscal health of the sector at the county-level to address the following questions:

1) What is the overall size and scope of the nonprofit sector in the Pittsburgh area and how does this vary by county?

2) How is spending distributed across counties and does it vary by industry?

3) On what sources of revenue do nonprofits rely and does reliance vary by county?

4) Does the financial health of the nonprofit sector vary among counties or industries?

Data for the study come from the National Center for Charitable Statistics at the Urban Institute and are based on the Forms 990 that nonprofits filed with the Internal Revenue Service for the year 2001. Accordingly, the data presented in this study include information submitted by all 501(c)(3) public charities in the region. The data do not include governmental agencies or quasi-governmental organizations; nor do the data include most faith-based organizations or most organizations that operate with gross receipts less than $25,000. Because of lags in data processing, 2001 data provide the most complete set of records. More importantly, for many nonprofits, 2001 marked the start of their current financial worries as the stock market tumbled and the economy softened.

Major Findings

- **The nonprofit sector is a $12 billion player in the Pittsburgh regional economy.** The 2,674 nonprofits in the region spent nearly $12 billion in 2001, providing a wide variety of programs and essential services to the community. Revenues totaled $12.3 billion, and the assets of these organizations were $23.1 billion (table 1).
- **Allegheny County dominates the region's nonprofit sector.** As table 1 also shows, Allegheny ranks first in the number of nonprofit organizations in the region (1,799 of the 2,674 nonprofits in the region). It holds the greatest share of financial resources ($10.1 billion of the region's $12.3 billion in revenues, and $20.3 billion of the region's $23.1 billion assets). Allegheny County has three-quarters of the nonprofit health providers in the metro region and 70 percent of the arts organizations.
- **Hospitals and health systems dominate spending in the region's nonprofit sector, although human service providers are a significant economic force in small and mid-sized counties.** Nonprofit hospitals and health systems are a $6 billion industry in the Pittsburgh region. In every county, except Beaver, hospitals and health systems accounted for half or more of nonprofit spending. In smaller counties (Armstrong and Fayette, for example), the hospital industry accounted for 60 and 70 percent of spending. The complexities of the health care industry make it difficult to accurately track the finances of these organizations, but their enormous economic impact is undeniable. In smaller and mid-sized counties, human service providers also contribute a sizeable sum to their communities. Overall, nonprofit human service providers spent $1.2 billion in the region, of which about one-third ($407 million) was spent by nonprofits outside Allegheny County.
- **User fees, contracts, and government grants comprise the most important source of funding for Pittsburgh-area nonprofits.** Of the $12.3 billion in nonprofit income in 2001, 85 percent (or $10.5 billion) came from fees paid by clients for services, contracts, and government grants (figure 1). Less prominent, but still vital to the sector's funding base, is support from private donors. Private donations, including foundation support, added another $1.1 billion to the region's nonprofit sector.
- **The region's nonprofit sector ended 2001 with a modest operating margin of 3.3 percent.** In the turbulent economy of 2001, the sector's operating margin (e.g., revenues minus expenses) was quite modest — about 3.3 percent. Except for Fayette, smaller counties performed less well than larger ones. Armstrong, Beaver, and Butler had operating margins below three percent. In fact, Beaver had a negative operating margin of –4.3 percent. Educational providers fared best, while human services and hospitals fared worst (table 2). Hospitals and health systems in the region operated on a razor-thin margin of less than one percent.
- **Regionally, the nonprofit sector had net assets of $13.8 billion 2001, with 40 percent of this money concentrated in the health care industry.** Net assets are a proxy for the sector's net worth and, if leveraged wisely, can help increase the sector's economic contribution to the community by increasing output. Net assets in the Pittsburgh region are the difference between the $23.1 billion in total assets held by the nonprofit sector (such as real estate, stock portfolios, etc.) and the $9.3 billion in liabilities (such as differed revenue, mortgages, etc.). However, net assets are not spread evenly across industries (table 3). About two-thirds of the net assets in the Pittsburgh region are concentrated in health care and higher education, leaving smaller industries with fewer resources to draw upon. Leveraging net assets is sometimes a strategy that nonprofits use to expand their financial position, particularly in difficult financial times. But the feasibility of this approach and the risk associated with it are factors that nonprofit governing boards must weigh. The Form 990 data, however, suggest that this may be an option to explore.

TABLE 1. SIZE OF THE NONPROFIT SECTOR IN THE PITTSBURGH METROPOLITAN AREA, 2001

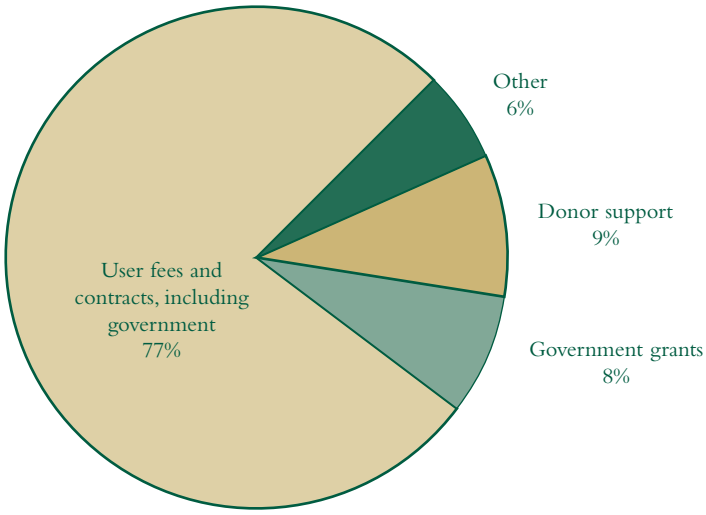
DOLLARS IN MILLIONS

COUNTY	NUMBER OF NONPROFITS	POPULATION	TOTAL REVENUES	TOTAL EXPENSES	TOTAL ASSETS	NONPROFITS PER 10,000 RESIDENTS
Allegheny	1,799	1,261,303	10,095	9,763	20,271	14.3
Armstrong	47	71,659	85	82	82	6.6
Beaver	123	178,697	189	197	272	6.9
Butler	145	180,040	459	448	477	8.1
Fayette	102	146,121	209	197	262	7.0
Washington	156	204,286	624	598	776	7.6
Westmoreland	302	386,224	703	674	1,013	8.2
Metro Area	2,674	2,410,330	12,364	11,959	23,153	11.1

Source: *National Center for Charitable Statistics/Guidestar National Nonprofit Database and U.S. Bureau of the Census.*

FIGURE 1. SOURCES OF REVENUE FOR THE PITTSBURGH REGION'S NONPROFIT SECTOR

TOTAL REVENUE IN 2001 = $12.3 BILLION



Source: *NCCS/Guidestar National Nonprofit Database.*

IMPLICATIONS

With more than 2,600 organizations, expenditures of $12 billion, and assets of $23 billion, the Pittsburgh region's nonprofit sector appears to be large and well-resourced. But like an onion, the sector contains many layers, each one contributing to the whole but adding a somewhat different dimension. Hidden in these nonprofit layers are issues that may not be apparent from a cursory overview of the sector. Three factors emerged from this analysis that are important for policymakers, community leaders, and area residents to consider.

1. **Despite the large number of nonprofits in the region, there are potential gaps in service, especially in smaller counties.** Armstrong County has no apparent arts sector, and three counties (Armstrong, Butler, and Fayette) have no nonprofit higher education facility. Although it may not be necessary or even desirable to have every type of nonprofit service represented in every county, it is important for residents to have access to services. Before filling any gaps, policymakers must learn more about the needs and preferences of county residents regarding their use of services. Policymakers and community leaders should also consider providing incentives (such as affordable space, stable funding, or a favorable community culture for programs and activities) that can lure existing nonprofits to the area or create new ones to fill the gaps.

2. **The sector's overwhelming reliance on user fees, contracts, and government grants creates a risky financial environment.** If government funding declines in the future, user fees or private donations must be increased to offset the loss of government support. An increase in fees might make services unaffordable, especially for lower income residents. Alternatively, it seems unlikely

TABLE 2. OPERATING MARGINS BY INDUSTRY IN THE PITTSBURGH REGIONAL NONPROFIT SECTOR IN 2001

DOLLARS IN MILLIONS

INDUSTRY	N	TOTAL REVENUE	TOTAL EXPENSES	OPERATING MARGIN	OPERATING MARGIN AS % OF TOTAL REVENUE	RANK
Education*	424	354.1	301.1	53.1	15.0	1
Higher Education	13	2,183.1	2,023.4	159.7	7.3	2
All others	1,029	828.1	768.6	59.4	7.2	3
Arts	220	240.1	224.2	16.0	6.7	4
Health providers**	347	1,369.5	1,324.3	45.3	3.3	5
Human services	585	1,251.7	1,224.5	27.2	2.2	6
Hospitals and Health Systems	56	6,137.5	6,093.5	44.0	0.7	7
All nonprofits	2,674	12,364.1	11,959.5	404.5	3.3	

Source: *NCCS/Guidestar National Nonprofit Database.*
* Excludes higher education
** Excludes hospitals and health systems

TABLE 3. NET ASSETS BY INDUSTRY IN THE PITTSBURGH REGIONAL NONPROFIT SECTOR, 2001

DOLLARS IN MILLIONS

INDUSTRY	N	TOTAL ASSETS	TOTAL LIABILITIES	NET ASSETS	NET ASSETS AS % OF TOTAL ASSETS	RANK	NONPROFITS WITH POSITIVE NET ASSETS
Arts	220	857.0	74.6	783.1	91.4	1	92.7
Education*	424	897.2	147.3	745.8	83.1	2	95.5
Higher Education	13	5,275.2	1,568.5	3,706.7	70.3	3	100.0
All others	1,029	2,685.0	563.3	2,132.8	79.4	4	92.5
Health providers**	347	1,941.5	603.8	1,337.3	68.9	5	89.0
Human services	585	1,561.7	832.3	729.0	46.7	6	85.0
Hospitals and Health Systems	56	9,935.8	5,539.9	4,393.7	44.2	7	87.5
All nonprofits	2,674	23,153.4	9,329.8	13,828.4	59.7		90.8

Source: *NCCS/Guidestar National Nonprofit Database.*
* Excludes higher education
** Excludes hospitals and health systems

that private donations could increase sufficiently to make up for steep cuts in government funding. Without some increase, however, nonprofits might be forced to reduce hours of operation, cut staff, or limit client access. Any of these options would create adverse effects on users, particularly on the area's poorest and most vulnerable residents. Ironically, although Allegheny receives the vast majority of dollars from user fees and government, it may be positioned best to weather a funding crisis because of its diverse funding base. However, several of the smaller counties, such as Armstrong, Butler, and Fayette, receive at least 90 percent of their revenues from user fees and government and might be the hardest hit by a reduction in government funding.

3. **Strengthening the region's nonprofit sector requires greater attention to the management of its resources.** Although there is no recognized "standard" by which to judge nonprofit performance, a three percent operating margin leaves little room for error. But if community leaders want to build the capacity of the region's nonprofit sector, they might begin by examining the basic revenue and expenditure flows of the sector, particularly in the counties and industries with the smallest operating margins, to look for gains in operating efficiencies. Another strategy would be to determine if the assets of the sector might be better leveraged. This approach might be promising in Allegheny County where the vast majority of assets are found, but of more limited utility in the smaller counties. In either case, leaders in the Pittsburgh area may need to decide if they want to send a signal to nonprofits that it is all right to build cash reserves or acquire assets. For many nonprofits, operating close to the margin is regarded as a sign that they are committed to their charitable mission and exercising good stewardship of their financial resources.

Strengthening the Pittsburgh region's nonprofit sector is likely to require targeted strategies to address specific needs. Small counties and major industries (i.e., health care and human services) appear to be the most vulnerable components of the sector. A blanketed response to the sector's financial challenges may very well help some parts of the sector, but inadvertently hurt others. Given the diversity of the sector, the guiding watchwords may be, "think regionally, but act locally."

PLEASE REFER TO THE INDIVIDUAL COUNTY "NONPROFIT SECTOR AT A GLANCE" SHEETS AT THE END OF THIS JOURNAL FOR MORE DETAIL ON EACH OF THE SEVEN COUNTIES.

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Capacity-building organizations have flourished in recent years, and so has the scope of their activities and services. Noting substantial growth in an "industry" of consultants, private and nonprofit firms, management support organizations, and academic centers dedicated to providing technical assistance and leadership training to Pittsburgh's nonprofit sector, The Forbes Funds commissioned Judith Millesen at the Voinovich Center for Public Affairs and Leadership at Ohio University and Angela Bies at the Bush School of Government & Public Service at Texas A&M University to examine the quality of this industry. The study focused on understanding the characteristics of effective capacity-building initiatives by defining *who* (the capacity builders) is doing *what* (the kinds of support services provided) for *whom* (the types of nonprofits that are engaging in capacity-building initiatives) and to *what end* (whether capacity-building initiatives produce desired organizational change) and addressing four key questions:

- What types of capacity-building initiatives are most desired by Pittsburgh-area nonprofit organizations?
- To what extent are nonprofit leaders well-served by local consultants and educators? How accessible are providers? What are the barriers to participation?
- What strategies result in greater ability to accomplish mission-focused, capacity-building goals and objectives?
- In what ways do successful capacity-building initiatives leverage other types of organizational change?

Research Design

Millesen and Bies created a four-stage multi-method research design that offered an opportunity to empirically examine the link between capacity building and organizational change. In the first stage of data collection, the team collected archival data from capacity builders, nonprofit organizations, and area foundations to provide important insight into the region's capacity-building landscape and establish the context for analyzing the interview and survey data. Stage two involved conducting in-depth interviews with capacity builders and foundation executives. In sum, 34 providers representing 31 different organizations (eight were affiliated with educational institutions, 13 were nonprofit providers, and 10 worked for private firms) and four foundation executives were interviewed. In the third stage of data collection, the team hosted five focus groups with nonprofit leaders representing organizations in various service fields (19 overall participants). The final stage involved distributing a web-based and follow-up mail survey to 880 Allegheny County nonprofit organizations to ascertain the degree to which they actually relied on the capacity-building industry for training, skill development, and technical assistance. The survey was also used to assess user experiences and satisfaction with capacity-building

TYPE OF ASSISTANCE	SOURCE OF CAPACITY-BUILDING ASSISTANCE								
	FACILITATED INTERNALLY	PEER LEARNING	WORKSHOP/TRAINING				INDEPENDENT CONSULTANT		UNIVERSITY-BASED COURSE
			MSO	STATE ASSOC.	NAT'L ORG.	ACADEMIC CENTER	NON-PROFIT	PRIVATE	
Adaptive Capacities n=175	223 (34.36%)	138 (35.84%)	45 (26.01%)	48 (44.44%)	18 (41.86%)	55 (33.74%)	54 (29.51%)	78 (18.66%)	32 (32.32%)
Leadership Capacities n=155	86 (13.25%)	74 (19.22%)	42 (24.28%)	24 (22.22%)	9 (20.93%)	45 (27.61%)	50 (27.32%)	40 (9.57%)	31 (31.31%)
Management Capacities n=164	171 (26.35%)	84 (21.82%)	42 (24.28%)	21 (19.44%)	9 (20.93%)	29 (17.79%)	38 (20.77%)	101 (24.16%)	18 (18.18%)
Technical Capacities n=177	169 (26.05%)	89 (23.12%)	44 (25.43%)	15 (13.89%)	7 (16.28%)	34 (20.86%)	41 (22.40%)	199 (47.61%)	21 (21.21%)
Total	**649**	**385**	**173**	**108**	**43**	**163**	**183**	**418**	**99**

Note: *n indicates the cumulative number of separate types of assistance related to each core capability.*

initiatives, the types of organizational and/or board change that had taken place, and to collect basic organizational and demographic information, including but not limited to capacity-building expenditures.

Profile of Survey Respondents

The online survey or written questionnaire was completed by 202 nonprofit leaders, resulting in a 23 percent response rate. The largest category of organizations represented was human service organizations (38 percent). Following were educational institutions (17 percent), economic and community development (10 percent), health (9 percent), and arts/culture (8 percent). The sample is evenly distributed in terms of organizational age, with date of establishment ranging from 1839 to present. Fifty percent of the organizations reported annual expenditures less than $758,000. The average (mean) age of respondent CEOs was 48 years old, with an organizational tenure of 9.16 years. There was a fairly even distribution of annual income, with 22 percent earning $25,000–$49,999, 31 percent earning $50,000–$74,999, 19 percent earning $75,000–$99,999, and 11 percent earning more than $100,000. This group was predominately Caucasian (76 percent), highly educated (67 percent with advanced degrees), and almost equally split in terms of gender (49 percent female, 51 percent male).

Nearly half of the respondents (46 percent) reported that continuing education expenses were reimbursed by the organization. In the past two years, over 58 percent indicated they had hired a consultant, 60 percent said that they had attended a workshop, training, or seminar, and 55 percent claimed they had participated in a peer learning initiative. Over one third of respondents (39 percent) indicated that staff members spend at least one full day per month dedicated to professional development and that in the preceding 12-month period, the organization had invested an average of $41,502 in capacity building initiatives, with the most frequent investment at a level of $15,000. On average, 2.7 percent of annual operating expenses was devoted to capacity-building expenditures.

Research Findings

The Types of Capacity-Building Assistance

Previous research, conducted in 2002 and 2003 by The Forbes Funds' investigators, points to an abundance of educational resources for nonprofit managers available through higher education programs in the Pittsburgh area. There is also an extensive repertoire of technical and consultative support activities that are just as diverse as the sector they serve. We relied on the work of Paul Connolly and Peter York to help frame the full range of Pittsburgh's capacity-building efforts into "four core capabilities essential to any nonprofit":

- **Adaptive capacity** encompasses planning, assessment, evaluation, and collaboration;
- **Leadership capacity** refers to board and executive leadership;
- **Management capacity** is associated with effective use of human, operational, and volunteer resources; and

- **Technical capacity** is related to the implementation of core organizational and programmatic functions (financial management, fundraising, technology, marketing, legal, etc.).

This typology was used to frame the kinds of capacity-building initiatives nonprofit administrators were actually engaged in or embarking upon, and to measure practices in Pittsburgh's sector.

The most common form of capacity-building help provided was in the area of technical capacity, followed by adaptive capacities, management capacities, and leadership capacities. The majority of respondents indicated they had sought help in the area of board development/governance (66.3 percent), program evaluation (64.8 percent), information technology (62.4 percent), strategic planning (61.9 percent), finance, budgeting, and accounting (55.9 percent), and resource development/fundraising (53.0 percent). Interestingly, over 70 percent of the survey respondents reported *having* a strategic plan. The majority, however, indicated that the planning process and the production of the report had been done internally. The survey also asked respondents to report on the source of capacity-building assistance provided. The two most prevalent of sources of external assistance were private consultants and peer learning or exchange opportunities.

Quantity, Access, and Quality

Survey respondents indicated there were an adequate number of capacity-building providers in the region. Survey respondents were also generally more or less satisfied with services they directly utilize, but unequivocally mixed in their perspectives on capacity-building resources more generally. On average, they were pleased with the number of degree and non-degree programs at local universities, the number of trainings and workshops, and the number of consultants. Only one-third indicated that they had sufficient access to capacity-building research, publications, and tools. Most would like more opportunities to interact with peers or in learning networks. Others suggest that there may actually be *too many providers*, and that there may be opportunities for increased efficiency or streamlining of resources.

Although the majority surveyed believed there were a sufficient number of consultants, the consulting industry was criticized for not "getting it" (i.e., not being able to understand the circumstances of individual nonprofits) and not having enough capacity-building programs that effectively serve ethnic communities. Interview and focus group data provided additional insight regarding accessibility issues. Although many of the people interviewed expressed that capacity-building resources were more than adequate for the region's nonprofits, a common theme was that nonprofit administrators simply do not know that there are "people out there who can help them," nor do they understand how capacity building can "provide them with a greater ability to meet their goals." Even when nonprofit administrators recognize the need for help, there is still the issue of finding "cost-effective" assistance. As one provider said, "I think there are some very high-quality service providers here…I think the biggest issue is [how] nonprofits will pay for those services."

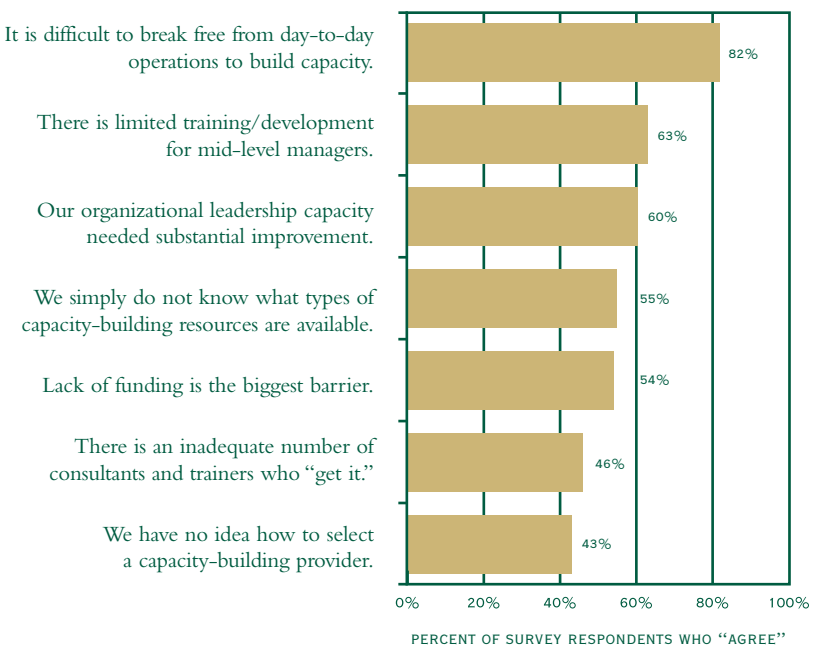
Key Barriers

Study participants identified three key barriers that hindered a nonprofit organization's pursuit of capacity-building services:

1) Too many nonprofits are unable, unwilling, or fearful to admit they need help. Sometimes this "unwillingness" is because organizational stakeholders (board members and executive staff) maintain a strong commitment to the status quo, "We don't want to know what we don't know." At other times it is naiveté, "We don't know what we need."

2) There is limited capacity to build capacity. Study participants argued for a significant investment in operational support even if that meant curtailing funding for programmatic expansion. As one person said, "There's a lack of infrastructure

BARRIERS TO CAPACITY BUILDING



	QUANTITY	ACCESS	QUALITY
GENERAL OBSERVATIONS ON CAPACITY BUILDING RESOURCES …Programs in the area have demonstrated they can achieve results. (45% agreed)			+/-
…Too few capacity-building programs serve specific ethnic communities. (45% agreed)	-	-	
…Nonprofit CEOs have great access to capacity-building research, publications, and tools. (36.6% agreed)	-	-	
…There is an adequate number of consultants and trainers who "get it," who are able to meet organizations where they are, with their current needs. **(25% agreed)**	-	-	-
ACADEMIC PROGRAMS AND RESOURCES ...Bring a level of quality to capacity building. (72.3% agreed)			+
…Nonprofit management degree programs offered at local universities are of high quality. (60.9% agreed)/Non-degree programs (e.g., executive education, continuing education, certificate programs) in the area are of high quality. (53.5% agreed)			+
...There are too few nonprofit-related degree programs at local universities. (22.8% agreed)/ There are too few non-degree programs (e.g., executive education, continuing education, certificate programs) in the area. (11.4% agreed)	+/-	+	
…Research conducted at local universities on nonprofit issues is important to nonprofit capacity. **(69.8% agreed)**			+
CONSULTING SERVICES …Capacity-building consultants in the Pittsburgh region offer high quality services. (57.9%)			+
…There are too few capacity-building consultants in the Pittsburgh region. (10.9% agreed)	+/-	+	
WORKSHOPS/TRAININGS …Workshops that exist on capacity building are of high quality. (46.5% agreed)			+/-
…There should be more capacity-building workshops. (52.5%)	+/-	+/-	
PEER LEARNING …There should be more opportunities to interact with peers for the purposes of learning about capacity building practices. (73.8%)	-	-	
…I find it really useful when I interact with peers for the purposes of learning about capacity building. **(79.2%)**			+

Note: *The "+" symbol indicates strength or a positive response by the respondent, a minus sign a weakness or area of improvement would be desired, and a "+/-" symbol mixed results.*

…we are throwing money at things, at people who can't absorb it…[you need] the money to buy the equipment and the staff to maintain it." Survey respondents further noted an important need to develop leadership capacity, not just at the executive level but also at the middle-management level, and scarcity of training in this regard.

3) Numerous resource-related constraints (such as tight budgets, time limitations, and competing expectations for resources) hindered an agency's ability to think strategically about the kinds of assistance that might be needed.

Quality Capacity-Building Relationships

There was considerable convergence among those we interviewed regarding the qualities of productive capacity-building relationships. Respondents described good relationships using words like teams, partnerships, collaboratives, and friendships. Positive and productive relationships encouraged the participation and involvement of board and staff, recognized the need for confidentiality, and included high levels of communication, trust, and integrity. Strong relationships also exhibited high levels of mutual respect and an appreciation for the nonprofit's scope of work, shared vision and common goals, a well-defined scope of work, and mechanisms for holding everyone accountable. The best relationships were those where the organization was open to change and the capacity-builders "rolled up their sleeves" to work "side-by-side" with nonprofit representatives (board, staff, and other stakeholders) to diagnose problems, design solutions, and implement plans.

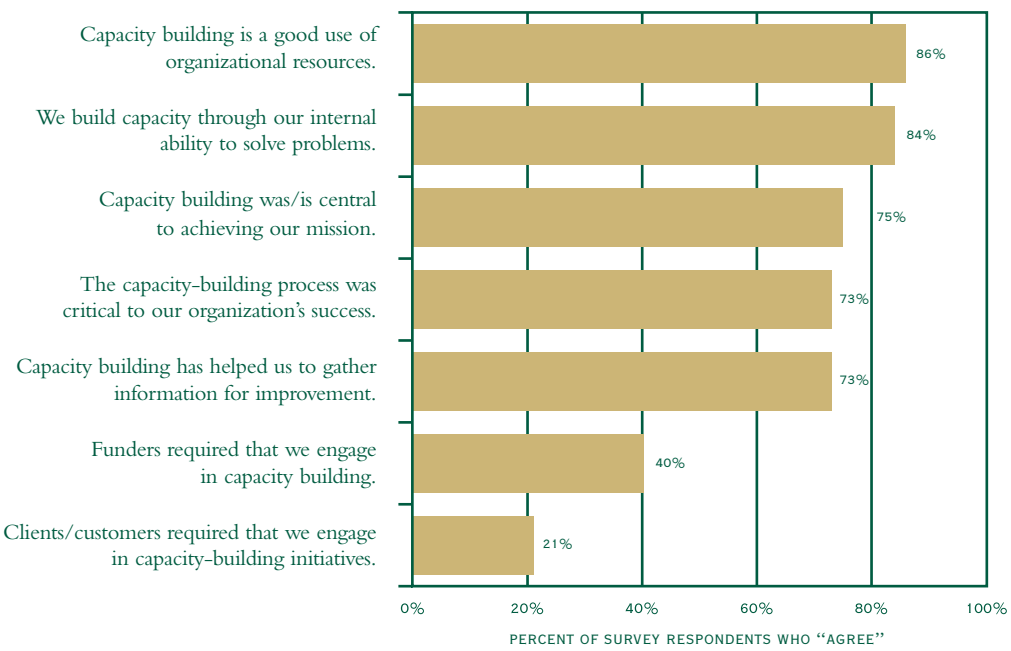
Elements of not-so-successful capacity-building relationships were characterized by personality mismatches, arrogance (on the part of the capacity builder and/or the nonprofit executive), and the mistaken motivation for engaging in the capacity-building initiatives (capacity building did not work when it was "mandated and not really wanted by the people who have to implement [it]").

Leveraging Organizational Change

Because of the nature of organizational change processes, it is challenging to establish direct or causal links from capacity-building interventions to measurable organizational outcomes (either quantitative or qualitative). The sheer complexity of the issues addressed by most nonprofit organizations, combined with interrelated and sometimes dependent inter-organizational dynamics and the financial, technological, operational, and human resource challenges facing administrators, make it difficult to distinguish how changes to one part of the system affect other parts of the system. In spite of this intricate web of interrelated issues and problems, survey respondents provided important data linking a general organizational orientation toward self assessment and change with appreciable improvements in organizational performance. Specifically, the survey data suggest that organizational leaders who believe that capacity building is a good use of organizational resources, crucial to success, central to achieving mission-related goals and objectives, and useful for organizational improvement, can directly attribute changes in their work and their organizations to capacity-building interventions. As one survey respondent indicated, "We have a broader perspective of the opportunities and potential models and methods. We've been inspired to 'take the next step' to grow the organization in terms of staffing, programs, and stature. There is a different working culture among our staff and board."

These findings suggest that to fully appreciate the ways in which capacity building leverages other types of organizational change requires a basic understanding that at the core of successful capacity-building interventions is a deep commitment on the part of nonprofit administrators to "do more better." Capacity builders and focus group participants claimed that behaviors indicative of this commitment are things such as: an investment in professional growth and development; an ability to look objectively, critically, and strategically at organizational

CAPACITY-BUILDING ORIENTATION IN NONPROFITS



operations; the willingness to confront fear, embrace change, and take prudent risks; and the humility to admit when you need help or when you have failed.

Recommendations to Improve the "Industry"

This study revealed that a number of exciting capacity-building initiatives are underway in Pittsburgh and that capacity-building assistance has vitally important implications for organizational change and improvement. This study also shed light on the complexities of capacity-building dynamics and the worrisome barriers and challenges facing nonprofits in the Pittsburgh area. Enhancements to the industry call for:

- greater coordination and opportunities for peer interactions and executive and middle-management coaching;
- establishment of resources to help nonprofits "diagnose" their capacity-building needs;
- increased mechanisms for evaluating capacity-building providers;
- improved access to value-added information on capacity building;
- training for nonprofits on how to work with capacity-building providers; and
- shift in mindset to strategic philanthropic investments in capacity building tied to organizational deliverables.

Acknowledgements

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2004 TROPMAN REPORTS
Applied Research about the Pittsburgh Region's Nonprofit Sector

High Performance In Nonprofit Organizations *in the Greater Pittsburgh Area*

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Envisioning Pittsburgh's nonprofit sector as innovative, informed, and engaged, The Forbes Funds advances capacity-building within and among the region's nonprofit organizations.

The Copeland Fund for Nonprofit Management
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How do the governance, management, and organizational practices of local nonprofit organizations that are considered to be "outstanding performers" fare when compared with the* Standards of Excellence *codes?

The *Standards of Excellence* program developed by the Maryland Association of Nonprofit Organizations outlines a pathway to higher nonprofit performance. It is a code of conduct detailing 55 specific standards, addressing everything from board governance and human resources to financial management, fundraising, and information technology. According to Paul Light, a leading expert on nonprofit performance: "These standards describe a nonprofit practically perfect in every way" (Light, 2002, 34).

The Forbes Funds commissioned Marsha Tongel of Consulting Group, Inc., and Claudia Petrescu of Eastern Michigan University to study the practices of high-performance nonprofit organizations based in Pittsburgh, to assess the governance, management, and organizational practices that characterize these high-performing organizations, and to see how they fare compared to the *Standards of Excellence* developed by the Maryland Association of Nonprofit Organizations.

Of note, from among the approximately 2,600 nonprofit organization in the region, just 12 organizations were cited three times or more by local nonprofit executives and grantmakers as "high performing." The pool of organizations highly regarded as well-functioning is small, indeed. Fortunately, this study suggests a roadmap by which all organizations can become higher performing — by mimicking the practices of peer organizations already regarded as high performing.

Research Design and Methodology

A three-tier methodology was used to collect data. The first stage of data collection identified high-performance nonprofit organizations in the greater Pittsburgh area. In stage two, using the Maryland *Standards of Excellence*'s codes of conduct, Tongel and Petrescu collected data on the governance, management, and organizational practices of the identified high-performance organizations to compare these organizations' practices with the codes of conduct. In the final research stage, focus groups were conducted to provide a better understanding of the practices employed by those organizations identified as "high performing."

Stage 1: Identification of Pittsburgh's High-Performance Nonprofit Organizations

This study used surveys to identify the high-performing nonprofit organizations in the area. Using a stratified random sampling design and The Forbes Funds' database to draw

the sample, Tongel and Petrescu sent a survey to 408 nonprofit organizations and 21 foundations in the greater Pittsburgh region. The survey asked each of these organizations to nominate up to three high-performing nonprofit organizations and to indicate through a checklist what they thought made these organizations high performers.

In identifying the characteristics of best-performing nonprofits, the "Opinion Leader's Survey," developed by the Princeton Survey Research Associates and as presented in Paul Light's book, *Pathways to Nonprofit Excellence*, was adapted to use in the development of the survey instrument.

With an overall return rate of 22 percent, Stage 1 identified 160 high-performance nonprofit organizations in the greater Pittsburgh region. Twenty-eight of these organizations were nominated more than once (including eight that were nominated four or five times).

Stage 2: Analysis of High Performing Organizations from the Perspective of the Maryland Association of Nonprofit Organizations' *Standards of Excellence*

The 28 high-performance organizations, which were nominated more than once, were sent a second survey to collect data about their governance, management, and organizational practices. To compare the nominated, high-performance organizations' practices with the Maryland *Standards of Excellence*, Tongel and Petrescu based this second survey on the Maryland Association of Nonprofit Organization's Standards and Codes of Conduct; the return rate was 71 percent.

Stage 3: Focus Groups among the High-Performing Organizations

To more deeply understand supposedly good management practices, Tongel and Petrescu invited the 28 organizations regarded as "high performing" by more than one respondent to their initial survey to participate in a focus group. Twelve organizations (43 percent) participated.

Findings

The results of this analysis are divided into two sections: (I) how the Pittsburgh nonprofit community characterizes the high-performing organizations; and (II) how these organizations fare when compared with the *Standards of Excellence*.

I. How the Nonprofit Community Characterizes High-Performance Organizations

From the data collected through initial surveying, Tongel and Petrescu pulled together the following perceptions of what constitutes a high-performing organization in Pittsburgh's nonprofit community:

- High performers have a distinct mission and a willingness to work hard towards meeting that mission.
- High performers are involved in the community.
- High performers provide diversified, quality services that are relatively stable.
- High performers use sound business practices to govern and run the organization.
- The executive directors of high-performing organizations play a greater role than do the boards of directors in raising the organization to become high performing.
- The executive directors of high-performing organizations give their staff only limited decision-making power.
- High performers have a stable, knowledgeable, and diverse staff and good retention rates.
- For high performers, the availability of resources and a large budget are important, but not vital. A large budget does not automatically make an organization become a high performer.
- High performers value collaboration with other organizations.
- High performers have fundraising capacity and the executive directors of high-performing organizations are good fundraisers.
- High performers have the capacity to grow.
- Informing the public and being active in the community are important traits of high-performing nonprofit organizations.

It is worth noting that an organization's ability to grow is not considered to be a main characteristic of high-performing organizations, as only 50 percent of the respondents regarded growth as signaling high performance. Interestingly, Light (2002, 81) found that high-performing nonprofit organizations are pressured to grow. Yet, this research found that while organizational growth is important, the Pittsburgh nonprofit community considers that, for high performance, organizational mission and the management of an organization are more important than is growth.

When it comes to risk-taking, the findings of this study also do not concur entirely with Light's findings. Light found that opinion leaders consider it "Very important that high performing organizations have a leader who encourages risk-taking" (Light, 2002, 93–94). This study suggests that the Pittsburgh nonprofit community does not consider risk-taking a main trait of high performing organizations, in spite of the fact that it sees the encouragement of new ideas as being very important.

II. How Pittsburgh's "High Performers" Fare According to *Standards of Excellence*

Profile of the Nominated High-Performing Organizations in Pittsburgh

The survey sent to the 28 high-performance organizations collected data about these organizations' practices vis-à-vis the Maryland *Standards of Excellence*. The data collected from

this survey suggests the following profile for these high-performance organizations:

- Experienced executive leadership (75 percent of executive directors have over 15 years of nonprofit sector experience and 20 percent of them have between 5–14 years of nonprofit experience);
- A high percentage of female executive directors (65 percent);
- Large budgets (65 percent have a budget of $1–5 million, 20 percent have a budget between $45–20 million, and 10 percent have a budget of over $20 million);
- Not a large staff (50 percent have less than 25 full-time employees, 30 percent have between 25–100, and 20 percent have over 200 full-time employees);
- Limited part-time employees (75 percent have less than 25 part-time employees); and
- A high number of volunteers (30 percent have under 100 volunteers, 35 percent have over 500 volunteers).

The survey also included key elements of the Maryland Standards and the identified high-performing organizations were asked to check off their practices with respect to those Standards.

All of high-performing organizations were invited to participate in a focus group to understand better their practices and how they view high performance within a nonprofit organization. The focus groups' discussions were structured around the eight key concepts inherent in the *Standards of Excellence*. Key leadership from 12 of the organizations (43 percent) participated. There were two focus groups conducted on two consecutive days to allow for schedule flexibility.

***Practices of High-Performing Organizations: A Comparison to the Maryland* Standards of Excellence**

The Maryland *Standards of Excellence* set forth eight categories of nonprofit operations: mission and program; governing body; conflict of interest; human resources; financial and legal; openness; fundraising; and public affairs and public policy. When comparing the practices of Pittsburgh's high-performing organizations with these eight main categories, **this study found that most of the Pittsburgh-based high-performing organizations meet the basic *Standards of Excellence* developed by the Maryland Association of Nonprofit Organizations.**

The identified high-performing organizations stated that they use a variety of external standards (program standards, certifications, licenses, including those from national certifying organizations, funders, accreditation, and government regulations), as well as internal standards, to measure performance and to improve their operations. Both survey respondents and focus group participants indicated that high-performing organizations, in general, demonstrate a commitment to excellence and that standards help facilitate that commitment, as well as encourage accountability.

The participants indicated that benchmarks that are provided through standards are essential and help them to do their jobs better, facilitating organizational improvement. When appropriate, some organizations stated that they pick and choose standards that are applicable to their growth needs at the time or create their own standards to facilitate quality and growth. Importantly, as opposed to being ends in themselves, standards were seen as a means to be used for growth and improvement; these directors indicated that standards should not be regarded as static but as adaptable, based on constituents' needs and changes in the community.

A very large majority of the high-performing organizations have **a mission and organizational purposes** that are formally and specifically stated, defined, and approved by the Board of Directors and their organizational activities are in alignment with stated purposes. High performers indicated that stability and clarity of mission is important, especially for program development and funding. A stable mission helps an organization to keep its "essence," remain focused, and maintain an identity within the community; but there is also a need to balance that stability with flexibility so as to respond nimbly to changes.

All of the organizations frequently conduct some type of **evaluation of their purpose**. A large majority of them revisit their mission on a regular basis, using input from staff and clients in order to develop new programs and services, to determine the need for current programs and services, and to keep up with social changes. High-performing organizations continually "work their plan," and many of them tie their strategic goals directly into programs, departmental objectives, and employee performance goals.

With regard to **program evaluation**, these organizations appear to use both qualitative and quantitative procedures to determine the effectiveness of programs and services, evaluate outcomes, strengthen organizational effectiveness, and make programmatic changes. High-performing organizations feel that the real function of program evaluation is to help them make better organizational decisions.

All of the high-performing organizations indicated that they rely on **trustees** who are personally committed to the organization's mission and who serve without compensation. The Board members are selected for broader reasons than their ability to raise funds or access funds. These Boards of Directors tend to be significantly involved in organizational management and financial oversight, but less involved in assuring that the organization has sufficient financial and human resources. The Board of Directors functions as a partner to the Executive and the staff.

A large number of high performers have written **conflict of interest policies** for Board members and staff to prevent actual, potential, or perceived conflicts of interest.

All of the high-performing organizations in Pittsburgh indicated that they have written **personnel policies and procedures** for staff, as well as a system whereby employee performance is evaluated each year.

For high-performance organizations, collaboration (**openness**) is critical in helping their organization carry out its mission and conserve resources. They stressed that effective collaboration should be focused on the services needed by the customers.

All high performers engage in **fundraising** activities and the large majority of them indicate that they raise at least three times the amount in contributions than they invest in fundraising activities.

Additional Findings

Additionally, this study found that high performers see that:

- **Standards** are internalized in everyday practices and **are seen as tools for growth and progress towards excellence**.
- **Organizational and leadership stability** are critical in enabling an organization to perform at an optimum level.
- **Organizational culture** that is principle-based and goal-oriented plays a role in enabling organizations to become high performing.
- **Conflict management** is seen as an important process and that conflict, when managed effectively, can help an organization to grow.
- High-performing organizations understand **change**, manage change, and state that clients' needs are often the thrust for change.
- Organizations that take **risks** all the time will not remain high-performing organizations.
- High-performing organizations are **"learning organizations,"** continually seeking ways to collect information through their planning, evaluation, and the use of standards that will help them to improve and to make sound organizational decisions.
- High-performing organizations have **developed practices that encourage and support a commitment** from Board members, staff, and the community.

Charge

Because the operations of Pittsburgh's highly performing organizations align with practices detailed by the *Standards of Excellence*, nonprofit trustees and directors should conduct organizational audits to measure how they fare. As an analysis of the *Standards of Excellence* program showed, "The Standards code provides a consensus model for how the most well-managed and responsibly governed nonprofit organizations should operate" (Maryland Association of Nonprofit Organizations, *Standards of Excellence Impact Analysis*, 2002). Here, then, trustees and directors can and should act.

In 2004, The Forbes Funds awarded a grant to the Pennsylvania Association of Nonprofit Organizations (PANO) — matched by funding from PNC Advisors — to engage 8–10 local human service organizations in the certification process to meet the *Standards of Excellence* Program. The participating agencies will be evaluated by PANO according to 56 benchmarks (concerning management and governance). PANO's *Standards of Excellence* are based upon the program begun in Maryland; Pennsylvania was selected as one of the first five states to replicate this benchmarking initiative.

To read the full text of this study, log onto the Forbes Funds web site at www.forbesfunds.org.

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Pittsburgh Social Enterprise
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ASSESSING SOCIAL RETURN ON INVESTMENT *for Social Enterprises in the Pittsburgh Region*

As Tim Zak, President of the Pittsburgh Social Enterprise Accelerator, puts it, "Pittsburgh is poised to become a Silicon Valley of Social Enterprise." By example, the region's nonprofit community gathered for its annual summit in 2001 to learn about social enterprise, and social enterprise was again the subject of the 2004 nonprofit summit (attended by nearly 1,000 people). All the while, local foundations have convened workshops among practitioners to meet with strategists, attorneys, and venture capitalists to discuss social enterprises. Further, peer learning groups have convened and have been expanded to advance leading practices, and local universities have offered substantive social enterprise courses to students and practitioners alike. Along the way, local and national business plan competitions have prepared Pittsburgh's nonprofits to implement and launch promising social enterprise concepts and become more connected to the broader global practices of the social enterprise movement.

For its part, The Forbes Funds has, among other things, sought to track and understand the impact of social enterprise on nonprofit management and performance. In 2002, The Forbes Funds published "Profit Making in Nonprofits: An Assessment of Entrepreneurial Ventures in Nonprofit Organizations." This study, conducted by Olszak Management Consulting, Inc., documented the earned-income revenue strategies of 25 nonprofits located in the Pittsburgh region. Olszak set forth seven "promising practices" and 34 specific activities associated with successful social enterprises. Subsequently, in 2003, The Forbes Funds commissioned Community Wealth Ventures to examine and document the range of financing opportunities potentially available to nonprofits starting or growing social enterprises. Now, in 2004, The Forbes Funds — together with the Jewish Healthcare Foundation and the Pittsburgh Social Enterprise Accelerator — again commissioned Olszak Management Consulting, Inc. to assess tools available to measure as best as possible the return(s) on investment(s) from earned-income activities undertaken by nonprofits.

Nationally, there are a variety of proposed models for assessing the social and financial return on earned-income ventures. Some of these models have been borrowed largely from mainstream methods to inform investors and executives of for-profit corporations. Other models are more familiar to professionals in the nonprofit sector and government agencies. While these models are continually being tested and improved, what is needed is an appropriate method for capturing the costs and benefits of social enterprises in ways that stakeholders in the Pittsburgh region will find useful and that will support the sustainability of earned-income ventures in the area. It is also essential that the efforts to build and assess social enterprises in the Pittsburgh region engage and mesh with similar efforts taking place around the country and even around the world, so as to facilitate the learning between Pittsburgh's nonprofit sector and other metropolitan regions.

FIGURE 1. COMPARISON OF EIGHT METHODS FOR MONITORING PROCESSES AND MEASURING IMPACTS

				PRIMARY APPLICATION TO DATE	
METHOD	PROCESS	IMPACT	MONETIZATION	NONPROFIT	FOR-PROFIT
Theories of Change	•			•	
Balanced Scorecard (BSc)	•	◓		•	
Acumen Scorecard	•			•	•
Social Return Assessment	•				•
AtKisson Compass Assessment for Investors	•	◓			•
Ongoing Assessment of Social Impacts (OASIS)	•	•		•	
Social Return on Investment (SROI)		•	•	•	
Benefit-Cost Analysis		•	•	•	
Poverty and Social Impact Analysis (PSIA)		•	•	•	•

Source: *Double Bottom Line Project Report*: Clark, Rosenzweig, Long and Olsen, 2003.

DATA AND METHODS

Olszak Management Consulting, Inc. gathered information for this study from three main sources:

- A literature and web review of efforts to develop and implement models for assessing social return on investment;
- A telephone survey of 13 social enterprise stakeholders in the Pittsburgh region, including academicians, nonprofit social enterprise practitioners, grantmakers, and investors;[1] and
- Interviews with selected developers and researchers of existing social enterprise return-on-investment models to understand more rigorously the conceptual and practical underpinnings of their efforts.[2]

FINDINGS FROM A SURVEY OF KEY LOCAL AND REGIONAL INFORMANTS

Indicators of Social Enterprise Success

Respondents identified the most important **financial** indicators of the impact of social enterprises as:

- more diverse sources of income for the organization (86 percent);
- less dependence on funders (79 percent); and
- positive change in net fund balances/net financial position (71 percent).

… the most important **non-financial** indicators of the impact of social enterprises as:

- efficient, "business-like" practices within the organization (71 percent); and
- more clients/customers/patrons being served (64 percent).

…the most important **community** indicators of the impact of social enterprise as:

- jobs created (57 percent); and
- increased community businesses/business networks (43 percent).

…and the most important **organizational** indicators for the organization as:

- mission-related impacts (43 percent);
- self-sustainability (38 percent);
- generation of income/increased revenues (23 percent); and
- increased diversification of revenue (15 percent).

Assessing Return on Investment Models

Familiarity with Models: Most (77 percent) of the respondents were familiar with at least one measurement model; the most commonly cited examples were the Roberts Enterprise Fund's Social Return on Investment (SROI) (77 percent) and the Balanced Scorecard (69 percent). Other models cited were

[1] Respondents were asked what they regarded as the most important indicators of the impact of social enterprises in four categories: financial; non-financial; community; and organizational. The list of indicators presented to the respondents for comment were gleaned from the literature, particularly from descriptions of such models as: Economic Rate of Return (ERR); the Roberts Enterprise Development Fund's Social Return on Investment (SROI); the Balanced Scorecard; and Assessment of the Impact of Microfinance Services (AIMS). Respondents also indicated their familiarity with, and use of, social return on investment models.

[2] In addition, an advisory panel of local experts in social enterprise provided suggestions for additional streams of inquiry and feedback on interim findings.

the Poverty and Social Impact Assessment (PSIA); Assessment of the Impact of Microfinance Services (AIMS); the Acumen Scorecard; and the Research Initiative on Social Enterprise (RISE).

Suggested or Recommended Models: When asked if they had any model that they would recommend or suggest for use, four members of the advisory panel offered the following responses:

- Benefit-Cost Analysis or Economic Rate of Return (ERR);
- Balanced Scorecard; and
- Social Return on Investment (SROI).

Findings from an Analysis of the Models for Measuring Return on Investment

Several models were reviewed and categorized according to several criteria, derived from the following questions:

- Does the method measure **processes** or **impacts**? The processes of an enterprise include inputs (the resources required to operate the venture), venture activities, and outcomes (results produced). Impacts, strictly defined, are changes to the social system beyond what would have happened anyway, even if the venture did not exist.
- Does the method monetize impacts? Monetization is the translation of impacts into a dollar value, i.e., the value of what has been generated or changed.
- Is the method primarily used in the nonprofit sector or the for-profit sector?

In a commonly cited study entitled the *Double Bottom Line Project Report*, the authors compared several methods for measuring return on investment; the results are illustrated in figure 1. The chart shows that there are three methods that (1) measure impact, (2) monetize the impacts, and (3) are primarily used in the nonprofit sector: Social Return on Investment (SROI); Benefit-Cost Analysis (also known as Economic Rate of Return, or ERR); and Poverty and Social Impact Analysis (PSIA).

Of additional note, the Balanced Scorecard measures impacts but not fully, using the strict definition described above. Also, methods that measure and monetize impacts require a greater investment of human resources, defined as person-days per month.

From this initial research, four models for measuring the impact of social enterprises were selected for Olszak's further analysis: ERR, SROI, Balanced Scorecard, and AIMS.

The first step of the analysis compared the impacts measured by each model with the indicators identified as "most important" by the survey respondents.

Figure 2 shows that each of the four models aligned with a similar number of important indicators (five or six). However,

FIGURE 2. COMPARISON OF MODEL MEASUREMENTS WITH "MOST IMPORTANT" INDICATORS

		N=13	MODEL			
Domain	**Indicators identified as "most important" by respondents**	%	ERR	SROI	Balanced Scorecard	AIMS
Financial	More diverse sources of income for the organization	86%			X	
	Less dependence on funders	79%				
	Positive change in net fund balances/ net financial position	71%	X	X	X	X
	Additional income available for other programs	50%	X	X		
Non-Financial	Efficient, "business-like" practices	71%			X	
	More clients/customers/patrons being served	64%	X	X	X	X
	Mission-related impacts (specific to organization)	43%		X	X	
Community	Jobs created	57%	X	X		X
	Increased community businesses/ business networks	43%				X
	More self-sufficient families/households	29%		X		X
Organization	Sustainability	38%				
	Income	23%	X	X	X	X
	TOTAL		5	6	6	6

none of the models "hit" on all indicators. Separately and collectively, the models do not adequately address four indicators identified by respondents as *important*: "less dependence on funders"; "more diverse sources of income for the organization"; "efficient, business-like practices"; and "increased community businesses/business networks."

In addition, none of the models directly addresses important concerns about organizational sustainability. While it can be argued that ERR and SROI predict the sustainability of a venture over time (typically five years), these models do not specifically link the sustainability of a venture (which may be only part of an organization's activities) with the long-term health of the organization that initiated it.

In the next step, the models were matched up against six criteria that emerged as important considerations. As figure 3 indicates, the AIMS model does not address many of these key criteria, although it does feature some monetization of impact. ERR and SROI fare well with all of the criteria, although utilizing these models effectively requires a greater investment in human resources to develop and maintain the models, as measured by person-days per month.

Implications

- There is no need to invent a new model for the assessment of return-on-investment. Such existing methods as ERR and SROI are sufficient to do the job for which they were designed: to expand the analysis of monetized impacts beyond the limits of a strict financial analysis. There is, to be sure, still a great deal of work needed to research, refine, and explain the workings of these models even though they have been in use for some time.
- At the same time, there is an expressed need for greater use of existing models — along with coordinated research on the results of these applications — particularly in the Pittsburgh region. As the region moves forward in encouraging social enterprise activities, it will need to develop a body of knowledge that can be used to understand the community wealth and social value being created. This knowledge will be even more useful if it can provide meaningful comparisons within industries, as well as across sectors.
- Several important indicators are not directly measured by ERR or SROI methods and must be tracked using another method like the Balanced Scorecard:
- If the Balanced Scorecard is used to determine whether the launching of a social enterprise led to the development of increased business skills within the organization, there must be sufficient documentation of what business skills existed within the organization before the launch, as well as what skills the organization possessed at some reasonable time thereafter. Also, there must a reasonable connection between the perceived result (increased skills) and the perceived cause (enterprise development), i.e., the change would not have occurred anyway.
- If the Balanced Scorecard is to be used this way, the region's nonprofits must commit to use it in a manner that allows for appropriate comparisons. Perhaps consensus can be developed around a small, manageable set of pre/post measurements that could be used as a common baseline, including business skill development, diversification of revenue, and dependence on funders.

FIGURE 3. COMPARISON OF MODELS WITH SIX CRITERIA

	MODEL			
Criteria	ERR	SROI	Balanced Scoreboard	AIMS
Widespread use in the nonprofit sector	X	X	X	
Opportunities for comparative research	X	X	X	
Familiarity among key respondents	X	X	X	
Matches with priorities of key respondents	5	6	6	6
Measures impacts/outcomes in monetary terms	X	X		X
Approximate person-days per month required to implement during initial year	5-60	48	18	n/a

TO READ THE FULL TEXT OF THIS STUDY, LOG ONTO THE FORBES FUNDS WEB SITE AT WWW.FORBESFUNDS.ORG.

The Tropman Reports listed below can be found at **www.forbesfunds.org**.

2003 TROPMAN REPORTS

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STUDY #2: Strategic Restructuring — A Tool for Improving Organizational Effectiveness (LaPiana Associates, Inc.)

STUDY #3: Identifying Financing Opportunities for Pittsburgh-based Social Enterprises (Community Wealth Ventures)

STUDY #4: The Use of Modern Quality Assurance in Nonprofit Management (Community Quality Institute)

STUDY #5: The Challenge of Nonprofit Leadership — A Comparative Study of Nonprofit Executives in the Pittsburgh Region (University of Pittsburgh)

STUDY #6: The 2002 Wage and Benefit Survey (Bayer Center for Nonprofit Management)

STUDY #7: The Insurance Muddle — Addressing Healthcare Costs for Nonprofit Sector Employees (Dewey & Kaye and Triad)

STUDY #8: Diversity Within and Among Nonprofit Boards in Allegheny County, PA (University Center on Social and Urban Research)

2002 TROPMAN REPORTS

STUDY #1: Capacity-Building in the Nonprofit Sector — A Comparison of Resources and Practices in Pittsburgh and Denver (Jane Hansberry)

STUDY #2: How do Nonprofits Compare with For-Profit Providers? An Application of Customer Value (Tripp, Umbach & Associates)

STUDY #3: Leveraging Human Capital — How do Nonprofits in Pittsburgh Recruit and Manage Volunteers? (First Side Partners)

STUDY #4: New Economy Entrepreneurs — Their Attitudes on Philanthropy (Campos Market Research)

STUDY #5: Profit-Making in Nonprofits — An Assessment of Entrepreneurial Ventures in Nonprofit Organizations (Olszak Management Consulting, Inc.)

STUDY #6: Recruitment and Retention of Managerial Talent — Current Practices and Prospects for Nonprofits in Pittsburgh (University of Pittsburgh)

STUDY #7: Social Services in Faith-Based Organizations — Pittsburgh Congregations and the Services They Provide (Buchanan Ingersoll)

STUDY #8: Staying Ahead of the Curve — An Assessment of Executive Training Needs and Resources in Pittsburgh (Tripp, Umbach & Associates)

STUDY #9: Strategic Planning — Positioning Identity, Values and Aspirations (Katz Graduate School of Business)

A BRIEF HISTORY

The Forbes Funds was established in 1982 to provide emergency financial assistance to nonprofit organizations that were experiencing funding interruptions or short-term cash flow problems. Under the leadership of our founding director, Elmer J. Tropman, The Forbes Funds also provided management consultation to small nonprofit organizations and conducted regional research to identify unmet needs in the human service sector. The Forbes Funds provided an important service during a particularly turbulent time when many nonprofit organizations were struggling to adjust to a new domestic policy agenda as well as to significant changes in federal and state funding priorities and procedures.

By the late 1980s, while continuing to provide loan guarantees, we shifted our emphasis to long-term capacity-building in the nonprofit sector. During this time, The Forbes Funds focused on helping nonprofits improve administrative skills and infrastructure, with special emphasis on long-range planning and strategic management. Through our grantmaking, we helped nonprofit organizations secure technical assistance to address such matters as strategic planning, financial management, and board governance.

Beginning in 1996, The Forbes Funds advanced efforts to support management capacity-building and strategic planning, while also addressing such sector-wide issues as inter-agency partnerships and mergers. Additionally, we provided support for local universities and colleges to train nonprofit staff and boards.

Beginning in 2001, The Forbes Funds embarked on an ambitious strategy to enhance the management capacity of the nonprofit sector, especially human service and community development organizations, through three complementary activities: grantmaking; applied research; and sector leadership activities.

Today, we support capacity-building initiatives for human service and community development agencies; fund research critical to responsive, innovative, and sound nonprofit management; and encourage and celebrate exemplary practices in the nonprofit sector.

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Allegheny County's Nonprofit Sector at a Glance

QUICK FACTS

The urban heart of the Pittsburgh metro area, Allegheny County is home to more than two-thirds of all nonprofits in the region.

- The county has almost three-quarters of the nonprofit health providers in the metro region, including 37 major hospitals and health systems, and 70 percent of the nonprofit arts organizations.
- It also contains 9 of the 13 nonprofit universities and colleges in the metro area.
- It holds most of the financial resources in the region, namely 82 percent of all revenues and nearly 90 percent of all assets.
- But many Allegheny nonprofits struggle financially. In 2001, two of every five nonprofits ended the year with a deficit.

Fiscal Health

Measure	Allegheny	Pittsburgh region
Operating margin in the sector	$331.9 million	$404.5 million
Percentage of nonprofits with positive operating margin	61.3	62.0
Operating margin as percentage of total revenue	3.3	3.3
Net assets in the sector	$12.0 billion	$13.8 billion
Percentage of nonprofits with positive net assets	90.6	90.8
Net assets as percentage of total assets	59.4	59.7

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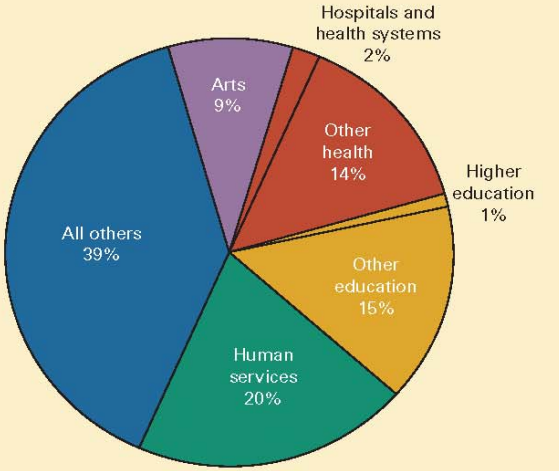
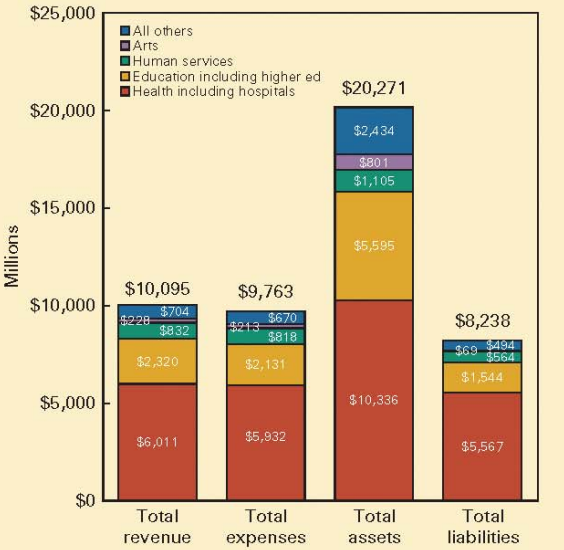
Types of Nonprofits in Allegheny County



Note: Allegheny County has 1,799 nonprofits.

Financial Overview of Allegheny County Nonprofits



Where Does Allegheny County Rank within the Seven-County Metro Area?

	Allegheny County	Rank	Range of values for the seven counties
Nonprofit resources			
Total number of organizations	1,799	1	47–1,799
Number of nonprofits per county resident	14.3	1	6.6–14.3
Average expenditure per nonprofit organization	$5.4 million	1	$1.6m–$5.4m
Expenditures per county resident	$7,740	1	$1,105–$7,740
Number of nonprofits by service area			
Arts and culture	154	1	0–154
Hospitals and health systems	37	1	1–37
Other health providers	254	1	4–254
Higher education	9	1	0–9
Other education	267	1	7–267
Human services	366	1	16–366
All others	712	1	19–712
Economic measures			
Total revenues	$10.1 billion	1	$84.7m–$10.1b
Total expenses	$9.8 billion	1	$82.2m–$9.8b
Total assets	$20.3 billion	1	$82.0m–$20.3b
Total liabilities	$8.2 billion	1	$26.0m–$8.2b
Fiscal health			
Percentage of nonprofits with positive operating margin	61.3	6	60.9–66.2
Percentage of nonprofits with positive net assets	90.6	5	87.6–95.7
Operating margin as a percentage of total revenue	3.3	4	-4.3–6.1
Net assets as a percentage of total assets	59.4	6	45.1–69.5

Note: All data refer to fiscal year 2001.

For more information:

See the full report, *Strengthening Nonprofits in the Pittsburgh Metropolitan Area* by Carol J. De Vita, Eric C. Twombly, Jennifer Auer, and Yuan You (Washington, D.C.: The Urban Institute, The Center on Nonprofits and Philanthropy, 2004). Copies of the report are available on http://www.urban.org. Click on research by topic (nonprofit sector) or by author.

All data in this profile are from the National Center for Charitable Statistics/GuideStar National Nonprofit Database.

This profile was prepared with the financial support of The Forbes Funds.

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Armstrong County's Nonprofit Sector at a Glance

QUICK FACTS

The most rural county in the Pittsburgh metro area, Armstrong has the fewest (47) nonprofit organizations in the region.

- Human service providers are the most common type of nonprofit in Armstrong. One in three is a human service provider, compared with one in five for the region.
- There are no nonprofit arts organizations in the county.
- There is a relative scarcity of nonprofit health providers in Armstrong County. Elsewhere in the region, nonprofit health groups represent 15 percent of the sector; in Armstrong, they represent 11 percent.
- Overall, Armstrong nonprofits were financially healthy in 2001. About two-thirds (64 percent) ended the year with a positive operating margin.
- Excluding hospitals, nonprofit health providers were the weakest part of the sector. Three of the four health providers ran an operating deficit in 2001.
- Approximately 96 percent of nonprofits in the county had positive net assets.

Fiscal Health

Measure	Armstrong	Pittsburgh region
Operating margin in the sector	$2.5 million	$404.5 million
Percentage of nonprofits with positive operating margin	63.8	62.0
Operating margin as percentage of total revenue	3.0	3.3
Net assets in the sector	$55.2 million	$13.8 billion
Percentage of nonprofits with positive net assets	95.7	90.8
Net assets as percentage of total assets	67.5	59.7

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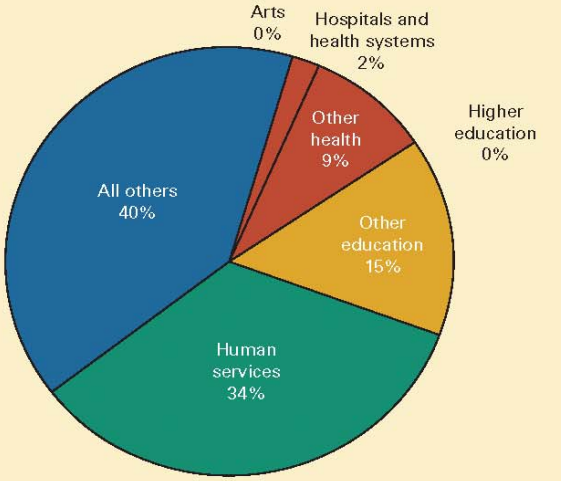
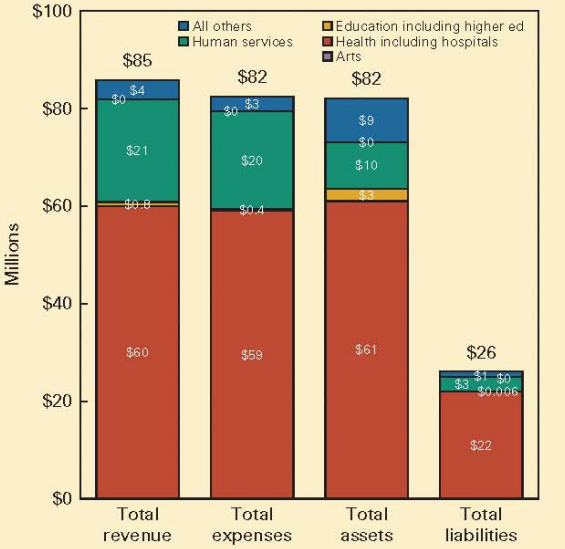
Types of Nonprofits in Armstrong County



Note: Armstrong County has 47 nonprofits.

Financial Overview of Armstrong County Nonprofits



Where Does Armstrong County Rank within the Seven-County Metro Area?

	Armstrong County	Rank	Range of values for the seven counties
Nonprofit resources			
Total number of organizations	47	7	47–1,799
Number of nonprofits per county resident	6.6	7	6.6–14.3
Average expenditure per nonprofit organization	$1.7 million	6	$1.6m–$5.4m
Expenditures per county resident	$1,147	6	$1,105–$7,740
Number of nonprofits by service area			
Arts and culture	0	7	0–154
Hospitals and health systems	1	7	1–37
Other health providers	4	7	4–254
Higher education	0	7	0–9
Other education	7	7	7–267
Human services	16	7	16–366
All others	19	7	19–712
Economic measures			
Total revenues	$84.7 million	7	$84.7m–$10.1b
Total expenses	$82.2 million	7	$82.2m–$9.8b
Total assets	$81.7 million	7	$82.0m–$20.3b
Total liabilities	$26.3 million	7	$26.0m–$8.2b
Fiscal health			
Percentage of nonprofits with positive operating margin	63.8	4	60.9–66.2
Percentage of nonprofits with positive net assets	95.7	1	87.6–95.7
Operating margin as a percentage of total revenue	3.0	5	-4.3–6.1
Net assets as a percentage of total assets	67.5	2	45.1–69.5

Note: All data refer to fiscal year 2001.

For more information:

See the full report, *Strengthening Nonprofits in the Pittsburgh Metropolitan Area* by Carol J. De Vita, Eric C. Twombly, Jennifer Auer, and Yuan You (Washington, D.C.: The Urban Institute, The Center on Nonprofits and Philanthropy, 2004). Copies of the report are available on http://www.urban.org. Click on research by topic (nonprofit sector) or by author.

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Beaver County's Nonprofit Sector at a Glance

QUICK FACTS

Beaver County's nonprofit sector is relatively modest in size, but struggled financially.

- Human service providers and educational organizations are the most common types of nonprofits in Beaver County, accounting for 45 percent of all groups in the county.
- Nonprofit expenditures per county resident ($1,105) are the lowest in the region.
- Beaver's nonprofit sector was the only one in the region to end the year (2001) with an operating deficit.
- The county's nonprofit health sector is both small and financially troubled. Over half of the health providers, particularly the hospital, ended 2001 with a deficit.
- The sector had $188.8 million in assets in 2001, most of which were unencumbered with liabilities.

Fiscal Health

Measure	Beaver	Pittsburgh region
Operating margin in the sector	$ -8.1million	$404.5 million
Percentage of nonprofits with positive operating margin	63.4	62.0
Operating margin as percentage of total revenue	-4.3	3.3
Net assets in the sector	$188.8 million	$13.8 billion
Percentage of nonprofits with positive net assets	94.3	90.8
Net assets as percentage of total assets	69.5	59.7

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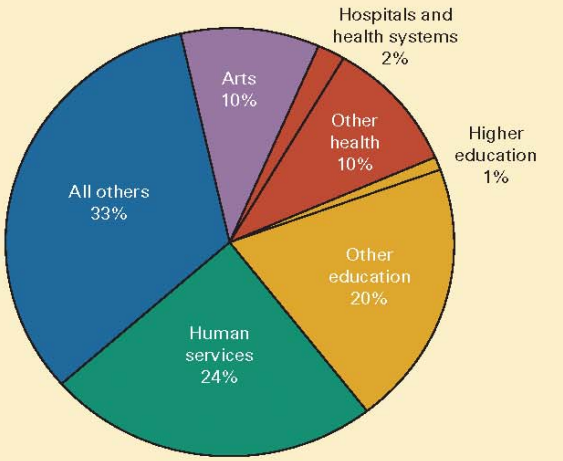
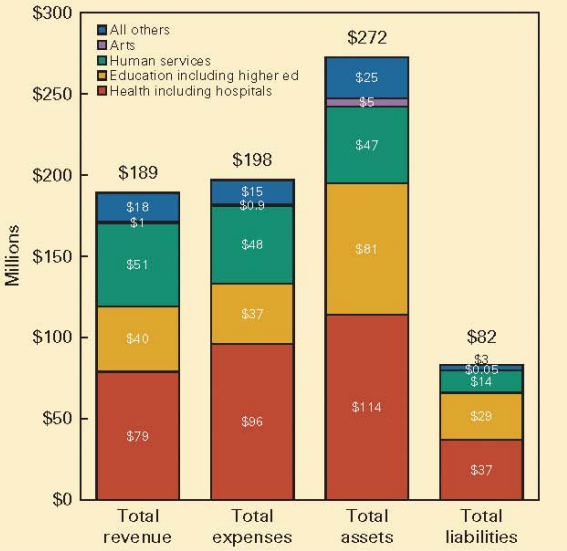
Types of Nonprofits in Beaver County



Note: Beaver County has 123 nonprofits.

Financial Overview of Beaver County Nonprofits



Where Does Beaver County Rank within the Seven-County Metro Area?

	Beaver County	Rank	Range of values for the seven counties
Nonprofit resources			
Total number of organizations	123	5	47–1,799
Number of nonprofits per county resident	6.9	6	6.6–14.3
Average expenditure per nonprofit organization	$1.6 million	7	$1.6m–$5.4m
Expenditures per county resident	$1,105	7	$1,105–$7,740
Number of nonprofits by service area			
Arts and culture	12	4	0–154
Hospitals and health systems	2	5	1–37
Other health providers	12	5	4–254
Higher education	1	3	0–9
Other education	25	4	7–267
Human services	29	5	16–366
All others	42	5	19–712
Economic measures			
Total revenues	$189.5 million	6	$84.7m–$10.1b
Total expenses	$197.6 million	5	$82.2m–$9.8b
Total assets	$271.6 million	5	$82.0m–$20.3b
Total liabilities	$82.5 million	6	$26.0m–$8.2b
Fiscal health			
Percentage of nonprofits with positive operating margin	63.4	5	60.9–66.2
Percentage of nonprofits with positive net assets	94.3	2	87.6–95.7
Operating margin as a percentage of total revenue	-4.3	7	-4.3–6.1
Net assets as a percentage of total assets	69.5	1	45.1–69.5

Note: All data refer to fiscal year 2001.

For more information:

See the full report, *Strengthening Nonprofits in the Pittsburgh Metropolitan Area* by Carol J. De Vita, Eric C. Twombly, Jennifer Auer, and Yuan You (Washington, D.C.: The Urban Institute, The Center on Nonprofits and Philanthropy, 2004). Copies of the report are available on http://www.urban.org. Click on research by topic (nonprofit sector) or by author.

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Butler County's Nonprofit Sector at a Glance

QUICK FACTS

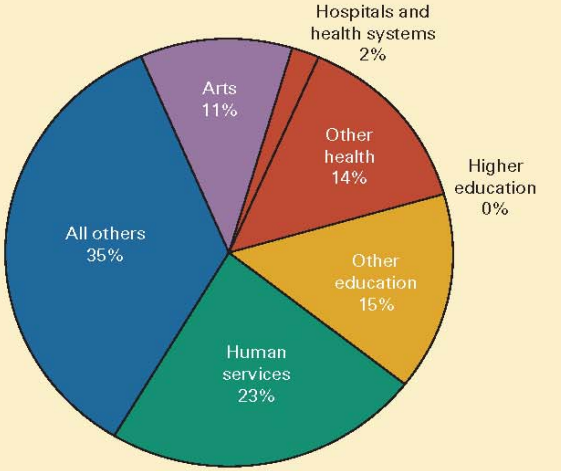
Butler's nonprofit sector is fairly typical of the Pittsburgh metro region.

- Human services, health providers, and educational groups dominate the county's nonprofit sector.
- Butler has a slightly higher share of arts organizations than other counties in the region (11 percent in Butler versus 8 percent for the region as a whole).
- Excluding Allegheny County, the nonprofit revenues, expenses, and assets in Butler are about average for the remaining six counties in the region.
- Two of every three nonprofits in Butler ended 2001 with a positive operating balance—the best percentage in the region.
- Nearly 90 percent of income for Butler's nonprofit sector in 2001 came from user fees and government grants and contracts.

Fiscal Health

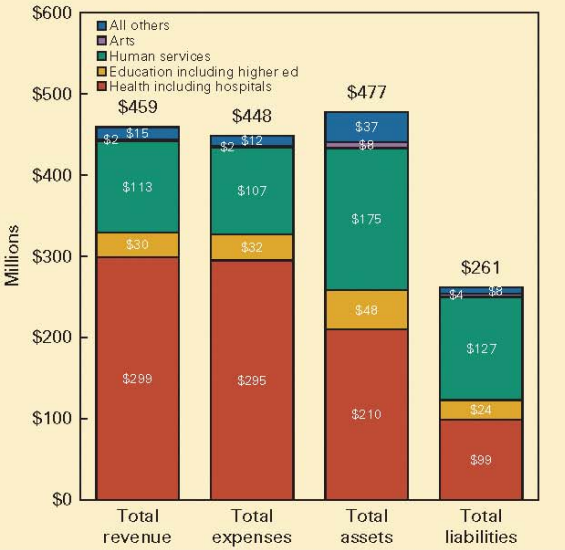
Measure	Butler	Pittsburgh region
Operating margin in the sector	$10.6 million	$404.5 million
Percentage of nonprofits with positive operating margin	66.2	62.0
Operating margin as percentage of total revenue	2.3	3.3
Net assets in the sector	$215.5 million	$13.8 billion
Percentage of nonprofits with positive net assets	87.6	90.8
Net assets as percentage of total assets	45.1	59.7

Types of Nonprofits in Butler County



Note: Butler County has 145 nonprofits.

Financial Overview of Butler County Nonprofits



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Where Does Butler County Rank within the Seven-County Metro Area?

	Butler County	Rank	Range of values for the seven counties
Nonprofit resources			
Total number of organizations	145	4	47–1,799
Number of organizations per county resident	8.1	3	6.6–14.3
Average expenditure per nonprofit organization	$3.1 million	3	$1.6m–$5.4m
Expenditures per county resident	$2,491	3	$1,105–$7,740
Number of nonprofits by service area			
Arts and culture	16	3	0–154
Hospitals and health systems	3	4	1–37
Other health providers	21	3	4–254
Higher education	0	5	0–9
Other education	22	5	7–267
Human services	34	4	16–366
All others	49	4	19–712
Economic measures			
Total revenues	$459.1 million	4	$84.7m–$10.1b
Total expenses	$448.5 million	4	$82.2m–$9.8b
Total assets	$477.3 million	4	$82.0m–$20.3b
Total liabilities	$261.2 million	4	$26.0m–$8.2b
Fiscal health			
Percentage of nonprofits with positive operating margin	66.2	1	60.9–66.2
Percentage of nonprofits with positive net assets	87.6	7	87.6–95.7
Operating margin as a percentage of total revenue	2.3	6	-4.3–6.1
Net assets as a percentage of total assets	45.1	7	45.1–69.5

Note: All data refer to fiscal year 2001.

For more information:

See the full report, *Strengthening Nonprofits in the Pittsburgh Metropolitan Area* by Carol J. De Vita, Eric C. Twombly, Jennifer Auer, and Yuan You (Washington, D.C.: The Urban Institute, The Center on Nonprofits and Philanthropy, 2004). Copies of the report are available on http://www.urban.org. Click on research by topic (nonprofit sector) or by author.

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This profile was prepared with the financial support of The Forbes Funds.

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Fayette County's Nonprofit Sector at a Glance

QUICK FACTS

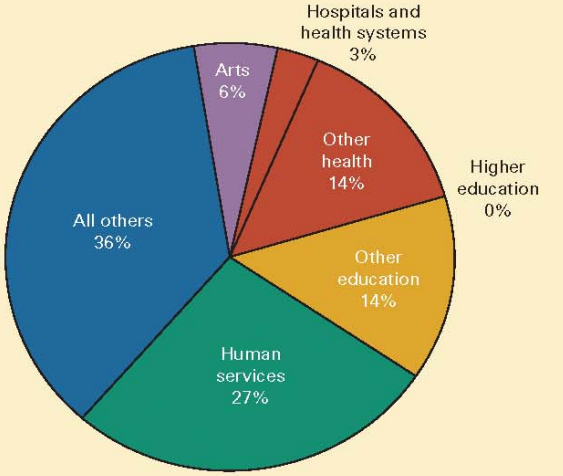
With just over 100 nonprofits in the county, Fayette has a small but financially solid nonprofit sector.

- Compared to the region, Fayette's nonprofit sector has a larger share of human service providers (27 versus 22 percent) and health providers (17 versus 15 percent) and somewhat fewer arts and educational groups.
- Excluding Allegheny County, nonprofit revenues, expenses, and assets in Fayette are slightly below average.
- Fayette's nonprofit sector had the largest operating margin in the region, almost twice as large as the regional total (6.1 versus 3.3 percent).
- Fayette's nonprofit sector is highly reliant on users fees and government grants and contracts. About 91 percent of 2001 income came from these sources—the highest share in the region.

Fiscal Health

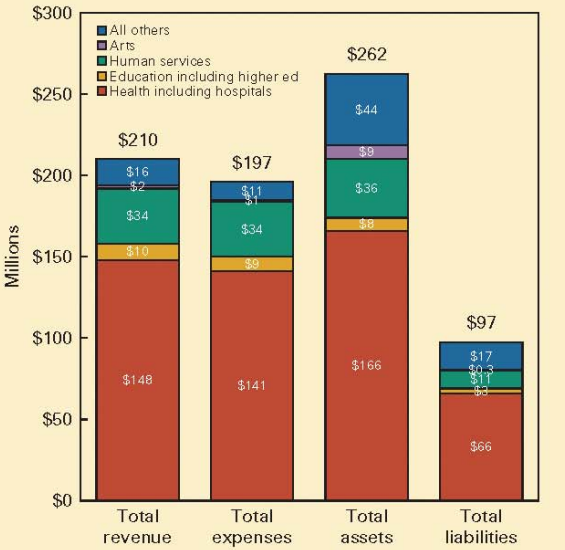
Measure	Fayette	Pittsburgh region
Operating margin in the sector	$12.8 million	$404.5 million
Percentage of nonprofits with positive operating margin	64.7	62.0
Operating margin as percentage of total revenue	6.1	3.3
Net assets in the sector	$164.9 million	$13.8 billion
Percentage of nonprofits with positive net assets	92.2	90.8
Net assets as percentage of total assets	62.8	59.7

Types of Nonprofits in Fayette County



Note: Fayette County has 102 nonprofits.

Financial Overview of Fayette County Nonprofits



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Where Does Fayette County Rank within the Seven-County Metro Area?

	Fayette County	Rank	Range of values for the seven counties
Nonprofit resources			
Total number of organizations	102	6	47–1,799
Number of nonprofits per county resident	7	5	6.6–14.3
Average expenditure per nonprofit organization	$1.9 million	5	$1.6m–$5.4m
Expenditures per county resident	$1,346	5	$1,105–$7,740
Number of nonprofits by service area			
Arts and culture	6	6	0–154
Hospitals and health systems	3	4	1–37
Other health providers	14	4	4–254
Higher education	0	5	0–9
Other education	14	6	7–267
Human services	28	6	16–366
All others	37	6	19–712
Economic measures			
Total revenues	$209.4 million	5	$84.7m–$10.1b
Total expenses	$196.6 million	6	$82.2m–$9.8b
Total assets	$262.4 million	6	$82.0m–$20.3b
Total liabilities	$97.5 million	5	$26.0m–$8.2b
Fiscal health			
Percentage of nonprofits with positive operating margin	64.7	3	60.9–66.2
Percentage of nonprofits with positive net assets	92.2	4	87.6–95.7
Operating margin as a percentage of total revenue	6.1	1	-4.3–6.1
Net assets as a percentage of total assets	62.8	5	45.1–69.5

Note: All data refer to fiscal year 2001.

For more information:

See the full report, *Strengthening Nonprofits in the Pittsburgh Metropolitan Area* by Carol J. De Vita, Eric C. Twombly, Jennifer Auer, and Yuan You (Washington, D.C.: The Urban Institute, The Center on Nonprofits and Philanthropy, 2004). Copies of the report are available on http://www.urban.org. Click on research by topic (nonprofit sector) or by author.

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Washington County's Nonprofit Sector at a Glance

QUICK FACTS

Washington County ranks third in the number of nonprofits in the Pittsburgh metro area but had the highest share of nonprofits reporting an operating deficit at the end of 2001.

- Compared to the region, Washington County's nonprofit sector has a larger share of human service providers and educational groups and a smaller share of health providers and arts organizations.
- Although there are four nonprofit hospitals in the county, there is a relative scarcity of other types of health providers.
- Nonprofit revenues are about 1.5 times greater than the average for all counties in the region, excluding Allegheny.
- Washington County had the largest share of nonprofits (39 percent) ending 2001 with a deficit.
- The county had $506.2 million in net assets in 2001.

Fiscal Health

Measure	Washington	Pittsburgh region
Operating margin in the sector	$25.6 million	$404.5 million
Percentage of nonprofits with positive operating margin	60.9	62.0
Operating margin as percentage of total revenue	4.1	3.3
Net assets in the sector	$506.2 million	$13.8 billion
Percentage of nonprofits with positive net assets	87.8	90.8
Net assets as percentage of total assets	65.2	59.7

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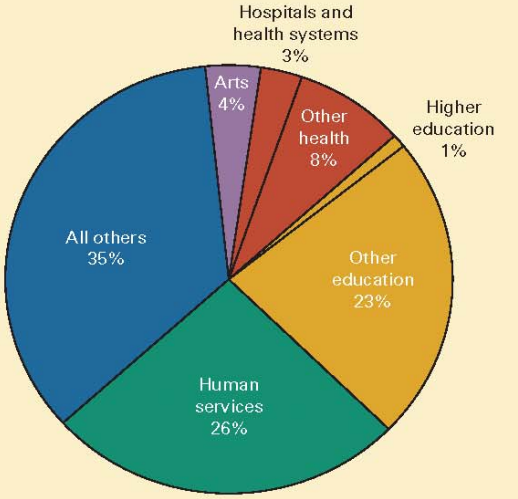
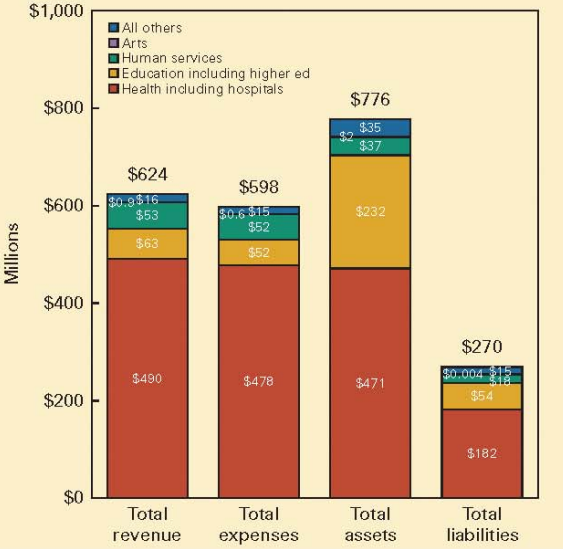
Types of Nonprofits in Washington County



Note: Washington County has 156 nonprofits.

Financial Overview of Washington County Nonprofits



Where Does Washington County Rank within the Seven-County Metro Area?

	Washington County	Rank	Range of values for the seven counties
Nonprofit resources			
Total number of organizations	156	3	47–1,799
Number of nonprofits per county resident	7.6	4	6.6–14.3
Average expenditure per nonprofit organization	$3.8 million	2	$1.6m–$5.4m
Expenditures per county resident	$2,927	2	$1,105–$7,740
Number of nonprofits by service area			
Arts and culture	7	5	0–154
Hospitals and health systems	4	3	1–37
Other health providers	13	5	4–254
Higher education	1	3	0–9
Other education	36	3	7–267
Human services	41	3	16–366
All others	54	3	19–712
Economic measures			
Total revenues	$623.5 million	3	$84.7m–$10.1b
Total expenses	$597.9 million	3	$82.2m–$9.8b
Total assets	$776.4 million	3	$82.0m–$20.3b
Total liabilities	$270.2 million	3	$26.0m–$8.2b
Fiscal health			
Percentage of nonprofits with positive operating margin	60.9	7	60.9–66.2
Percentage of nonprofits with positive net assets	87.8	6	87.6–95.7
Operating margin as a percentage of total revenue	4.1	3	-4.3–6.1
Net assets as a percentage of total assets	65.2	3	45.1–69.5

Note: All data refer to fiscal year 2001.

For more information:

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Westmoreland County's Nonprofit Sector at a Glance

QUICK FACTS

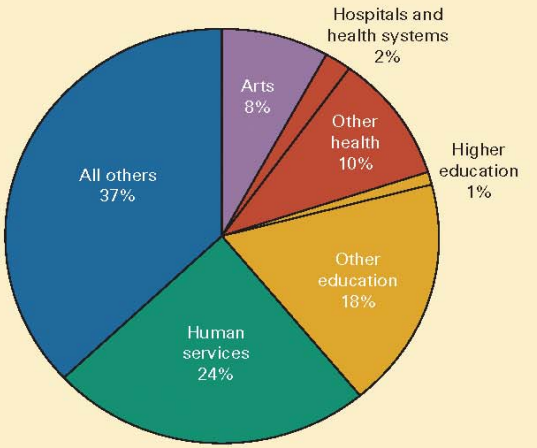
With the second largest population in the Pittsburgh metro area, Westmoreland County has a large and vibrant nonprofit sector.

- Nearly one-quarter of Westmoreland's nonprofits deliver human services, a slightly higher share than the region as a whole.
- Educational nonprofits are also abundant, including two nonprofit universities (Seton Hill College and St. Vincent College) and 53 other educational groups.
- With six nonprofit hospitals and health systems in the county, Westmoreland has a relative scarcity of other types of nonprofit health care providers compared with the other counties in the metro area.
- Westmoreland's nonprofits are financially strong. Fewer than one in three ended fiscal year 2001 with an operating deficit, and, on average, Westmoreland's nonprofits had the second largest operating margin (4.2 percent) in the region.

Fiscal Health

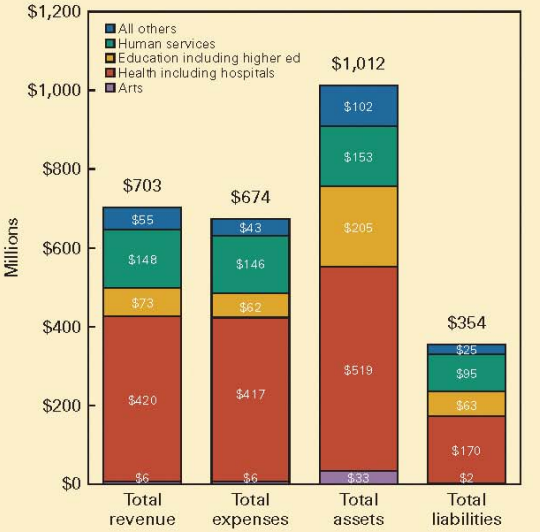
Measure	Westmoreland	Pittsburgh region
Operating margin in the sector	$29.2 million	$404.5 million
Percentage of nonprofits with positive operating margin	65.9	62.0
Operating margin as percentage of total revenue	4.2	3.3
Net assets in the sector	$658.4 million	$13.8 billion
Percentage of nonprofits with positive net assets	93.0	90.8
Net assets as percentage of total assets	65.0	59.7

Types of Nonprofits in Westmoreland County



Note: Westmoreland County has 302 nonprofits.

Financial Overview of Westmoreland County Nonprofits



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Where Does Westmoreland County Rank within the Seven-County Metro Area?

	Westmoreland County	Rank	Range of values for the seven counties
Nonprofit resources			
Total number of organizations	302	2	47–1,799
Number of nonprofits per county resident	8.2	2	6.6–14.3
Average expenditure per nonprofit organization	$2.2 million	4	$1.6m–$5.4m
Expenditures per county resident	$1,830	4	$1,105–$7,740
Number of nonprofits by service area			
Arts and culture	25	2	0–154
Hospitals and health systems	6	2	1–37
Other health providers	29	2	4–254
Higher education	2	2	0–9
Other education	53	2	7–267
Human services	71	2	16–366
All others	116	2	19–712
Economic measures			
Total revenues	$702.9 million	2	$84.7m–$10.1b
Total expenses	$673.7 million	2	$82.2m–$9.8b
Total assets	$1.0 billion	2	$82.0m–$20.3b
Total liabilities	$353.8 million	2	$26.0m–$8.2b
Fiscal health			
Percentage of nonprofits with positive operating margin	65.9	2	60.9–66.2
Percentage of nonprofits with positive net assets	93.0	3	87.6–95.7
Operating margin as a percentage of total revenue	4.2	2	-4.3–6.1
Net assets as a percentage of total assets	65.0	4	45.1–69.5

Note: All data refer to fiscal year 2001.

For more information:

See the full report, *Charting the Resources of the Pittsburgh Region's Nonprofit Sector* by Carol J. De Vita, Eric C. Twombly, Jennifer Auer, and Yuan You (Washington, D.C.: The Urban Institute, The Center on Nonprofits and Philanthropy, 2004). Copies of the report are available on **www.urban.org**. Click on research by topic (nonprofit sector) or by author.

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