



Nonprofits 2006

One Fabric, Different Threads



## Study Objectives

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- Raise awareness of the industry and its place in Hawaii's economy
- Create a "landscape map"
  - So organizations can "see where they fit and who their neighbors are"
- Initiate discussions with different stakeholders
- Refine the capacity building efforts of HCF

## Sources of Information

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- 2006 & 2001 Hawaii Community Foundation State of the Industry surveys
- GuideStar/National Center for Charitable Statistics
- Focus groups & interviews with Executive Directors
- Secondary sources



## State of the Nonprofit Industry



## The nonprofit industry plays a significant role in Hawaii's economy...

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	Hawaii	California	United States
Expenses per Capita	\$3,018	\$5,824	\$2,438
Total Expenses	\$4 billion	\$84 billion	\$687 billion
Percentage of GD/SP	7.6%	6.3%	6.9%

Sources: Expenses - GuideStar 990 data

Hawaii Gross State Product - US Dept of Commerce (2004)

California & US GDP - SPEN Bay Area Nonprofit report

California & US expenses per capita - SPEN Bay Area Nonprofit report

Hawaii population - DBEDT data book

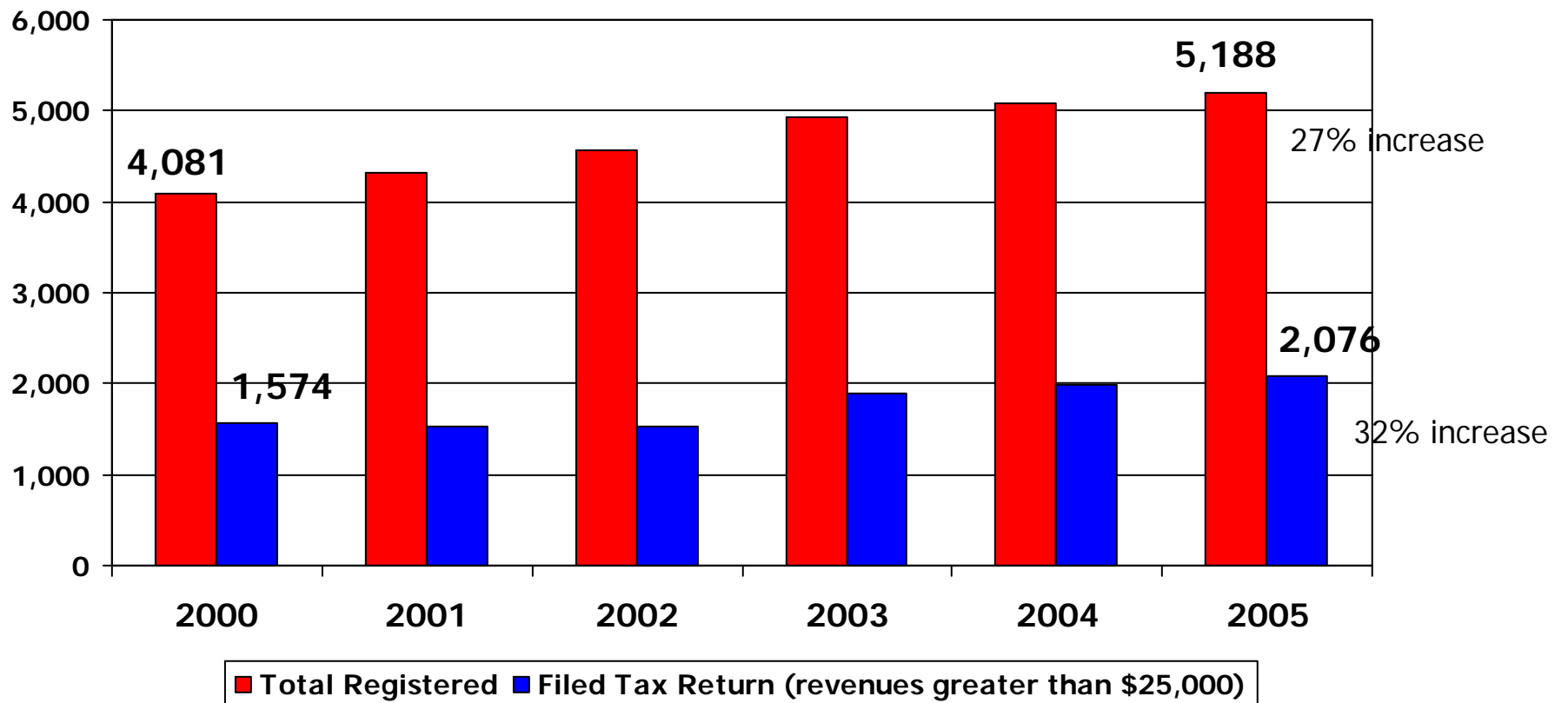
## Also a major player in Hawaii's workforce

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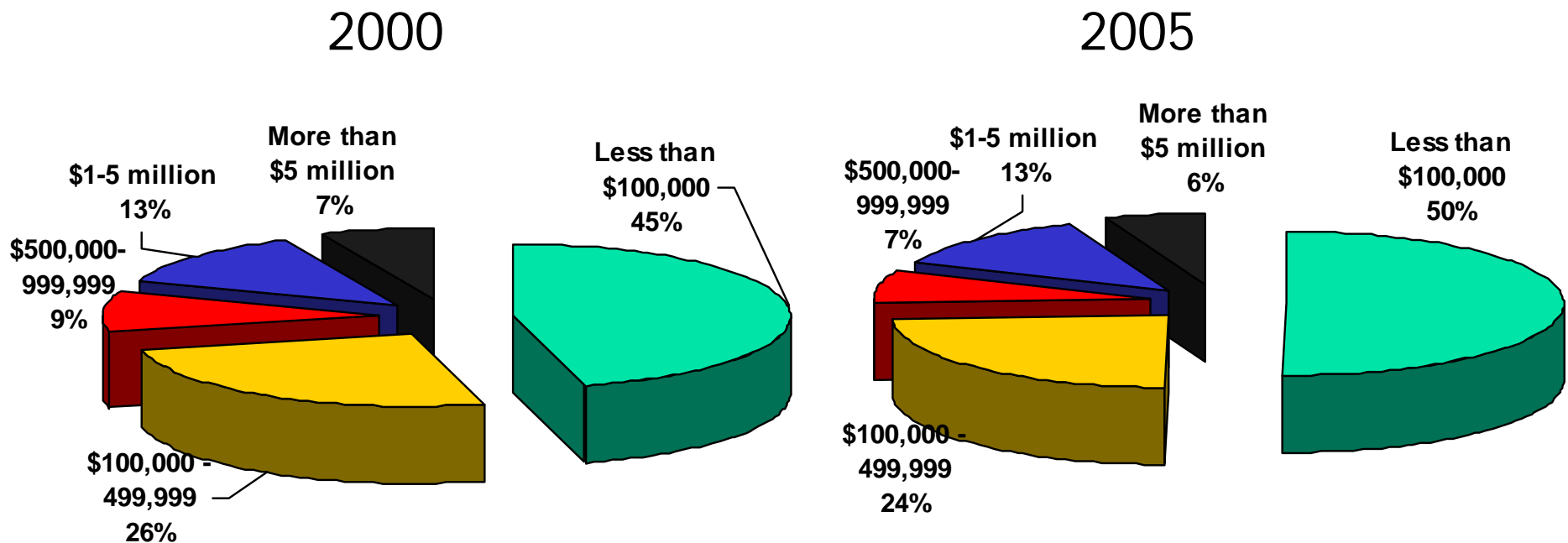
- The sector employs about 48,000 people
  - about 8% of the state's workforce
- Approximately \$1.45 billion dollars in wages
  - about 7% of all wages paid in the state

Source: 1997 & 2002 economic census, as well as bea.gov (Bureau for Economic Analysis)  
since census doesn't include government and military jobs

# Increase in number of nonprofits

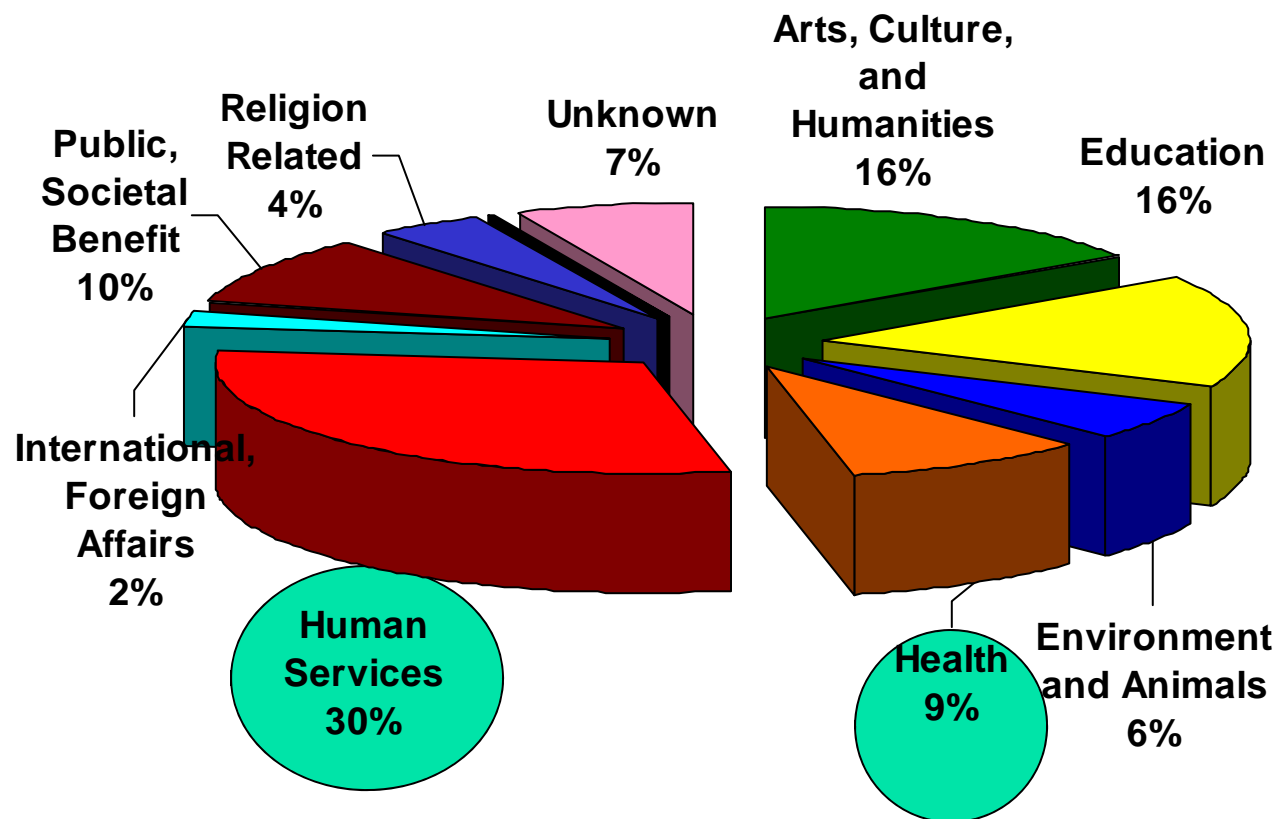


# Increase primarily in # of organizations with revenues less than \$100,000

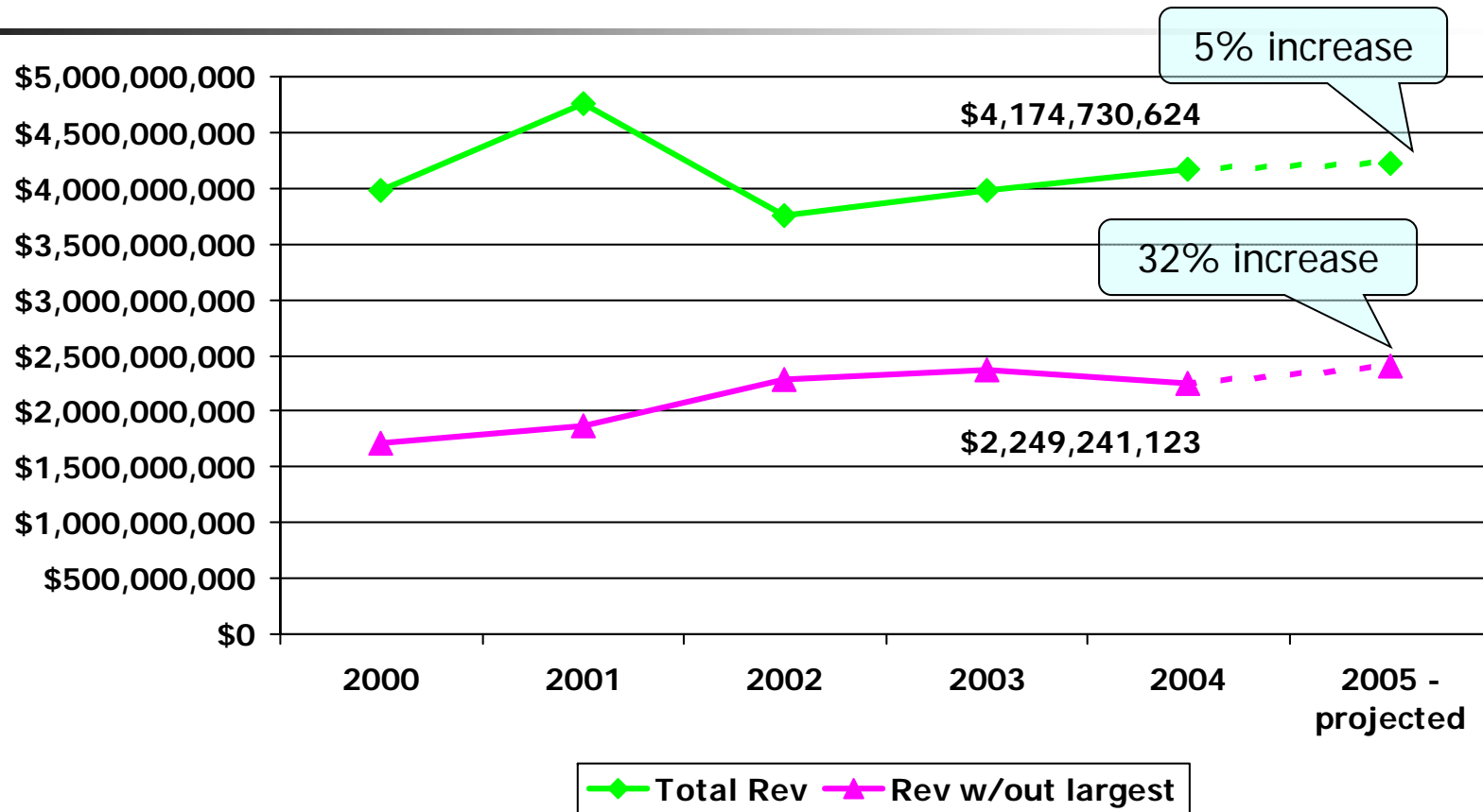




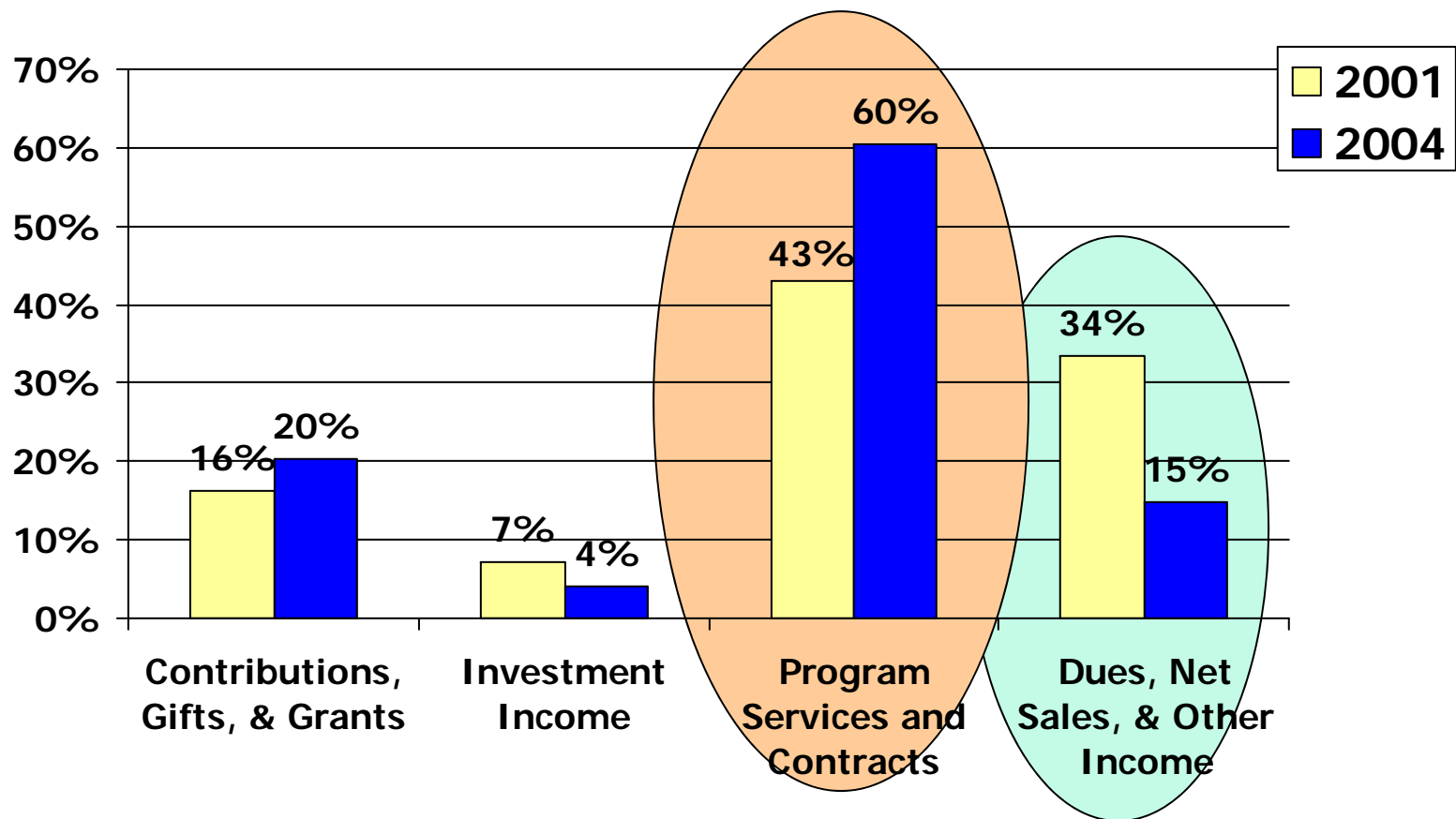
# The mix within the industry has stayed roughly the same



# Revenue increases...



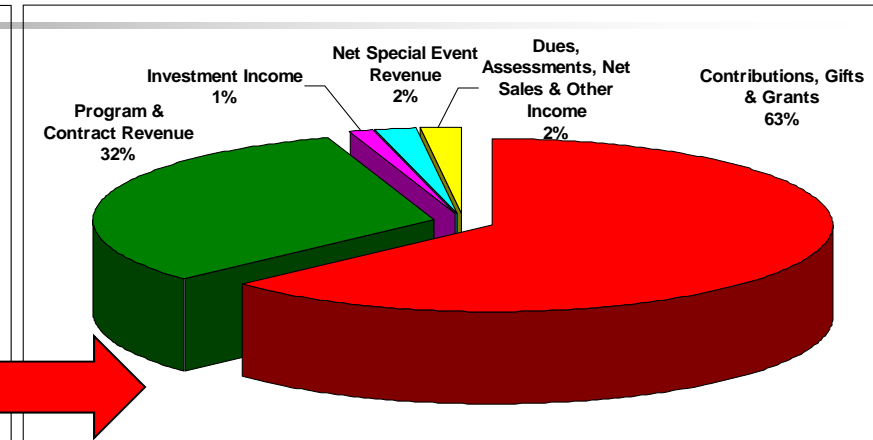
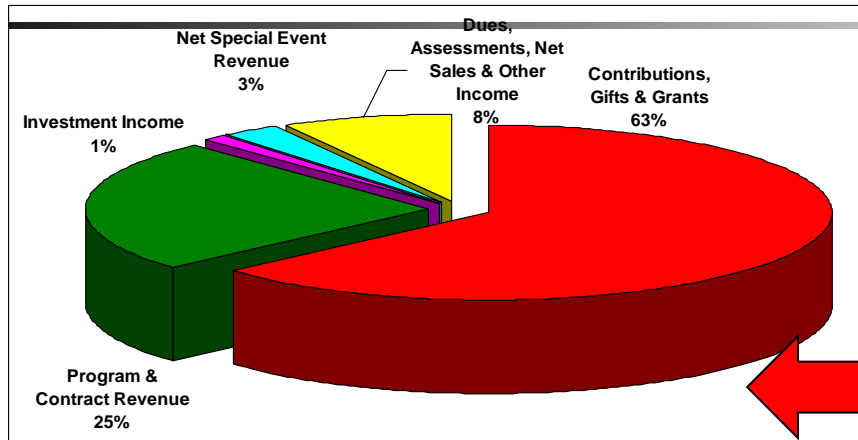
# Increase in revenue has been mostly in Program Services and Contracts



# Sources of revenue vary by size

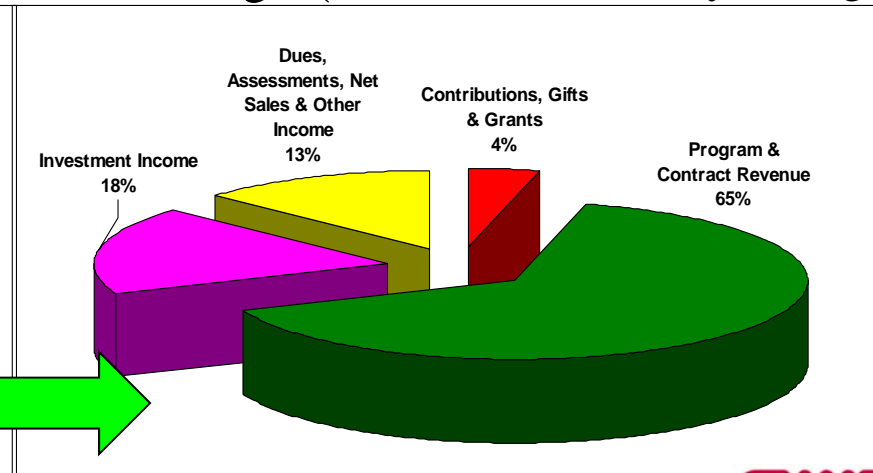
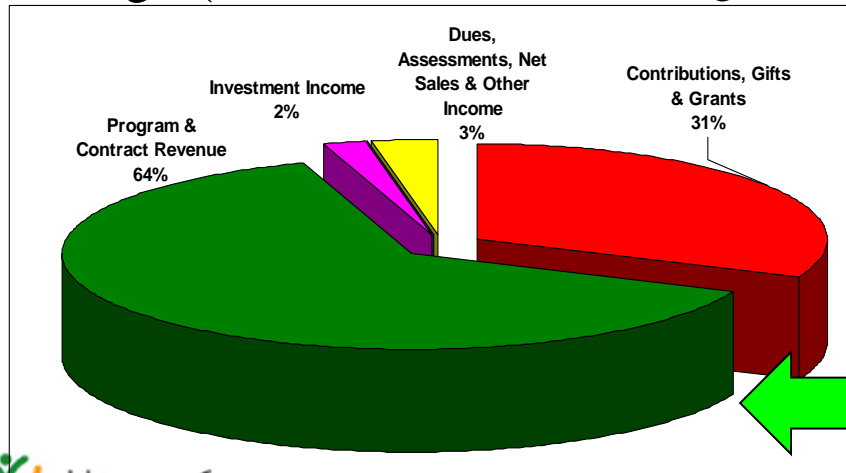
Small (<\$200,000) (643 orgs)

Medium (\$200,000 - \$1 million) (232 orgs)



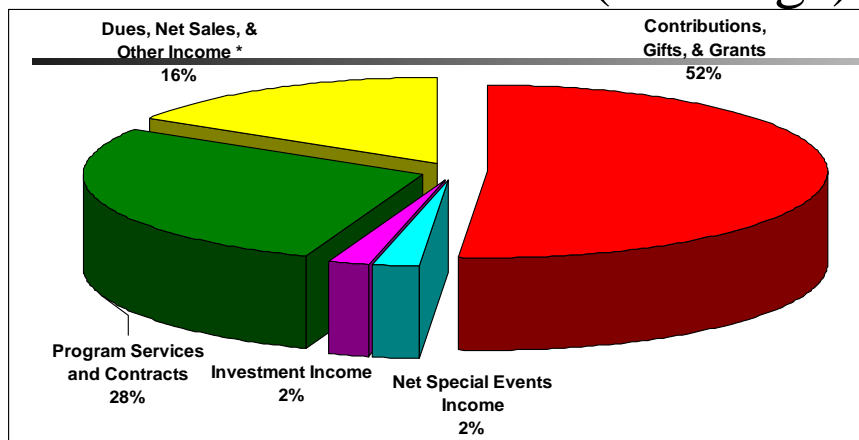
Large (\$1 to \$50 million)(332 orgs)

Extra Large (> \$50 million)(only 14 orgs)

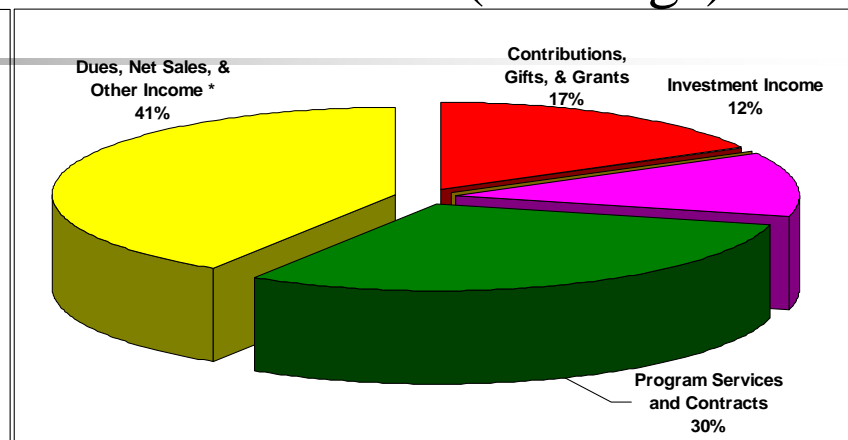


# Sources of revenue continues to vary significantly by sector

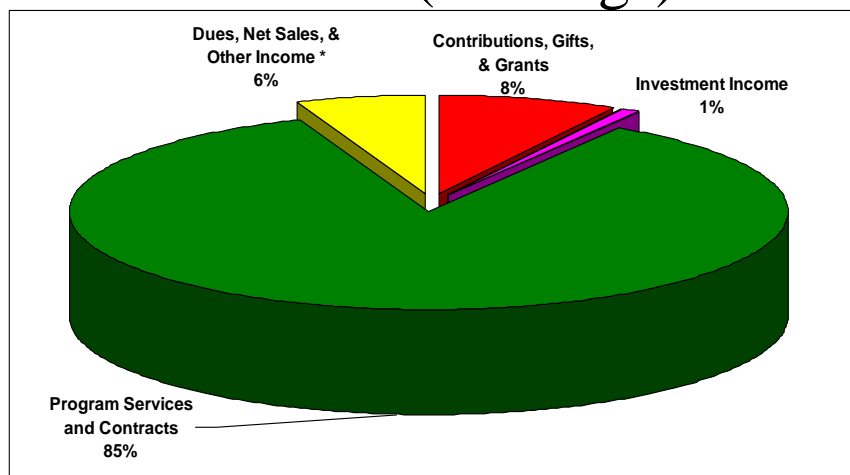
## Arts & Humanities (284 orgs)



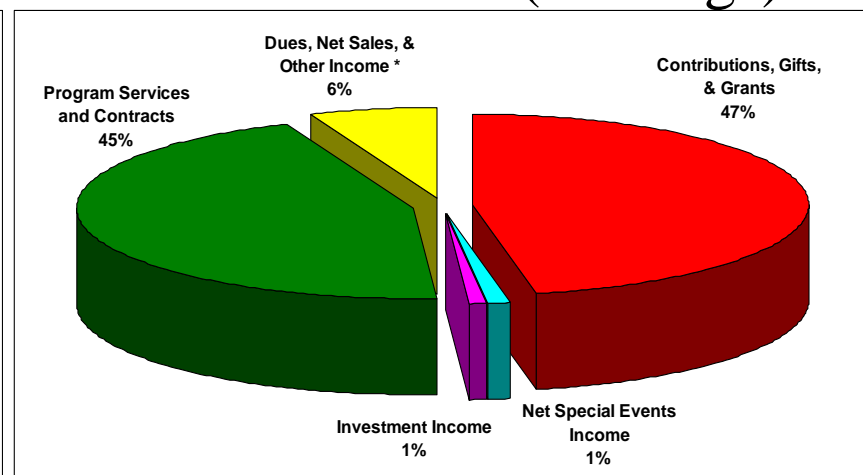
## Education (274 orgs)



## Health (223 orgs)

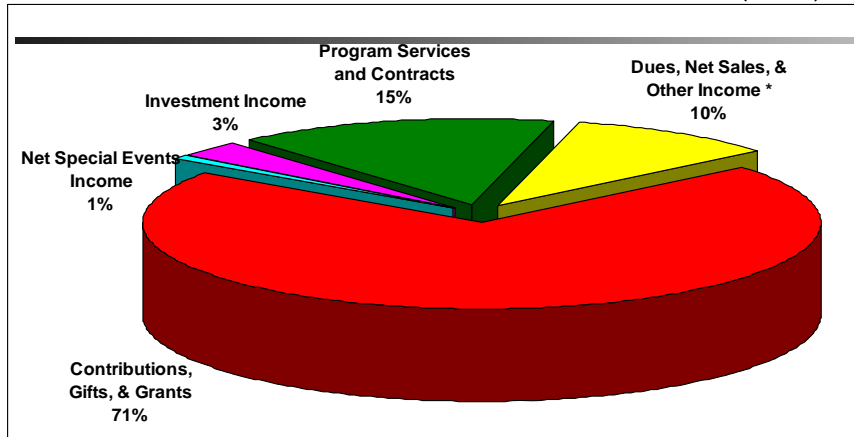


## Human Services (428 orgs)

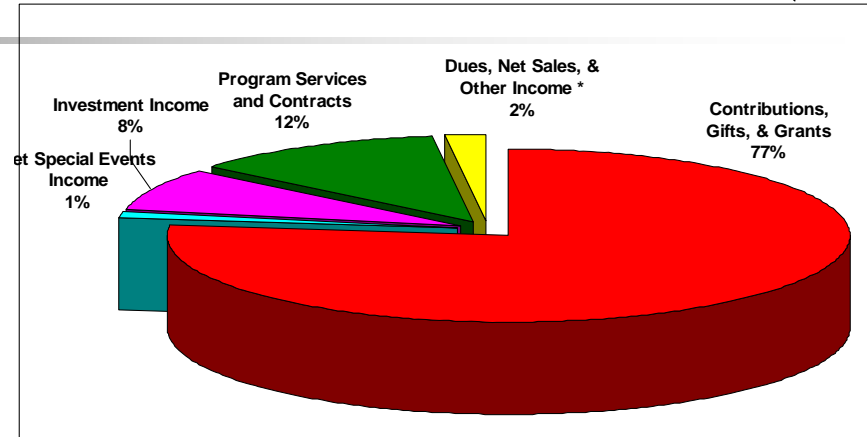


# Sources of revenue (continued)

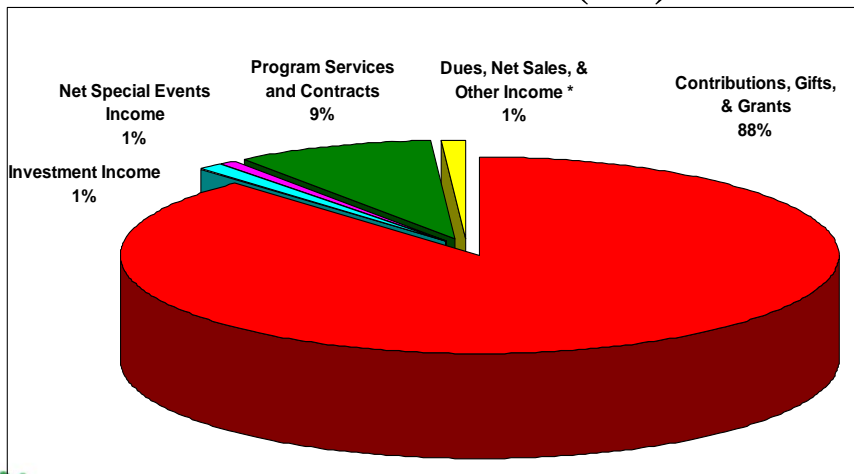
## Environment & Animals (79)



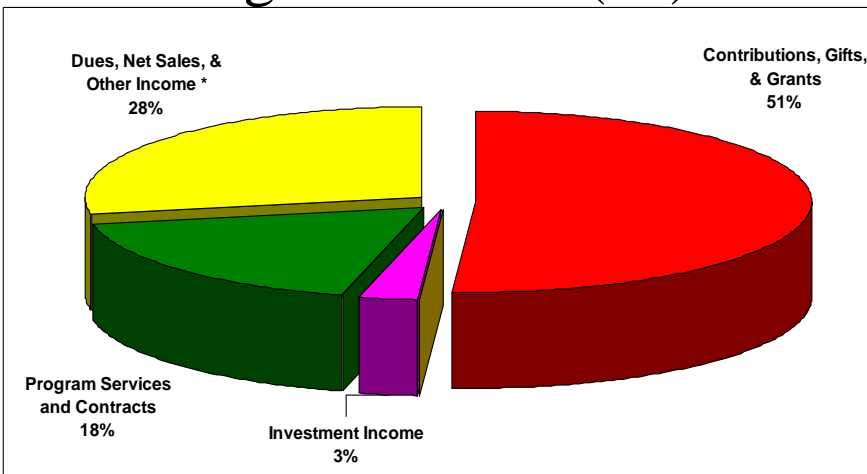
## Public & Societal Benefit (150)



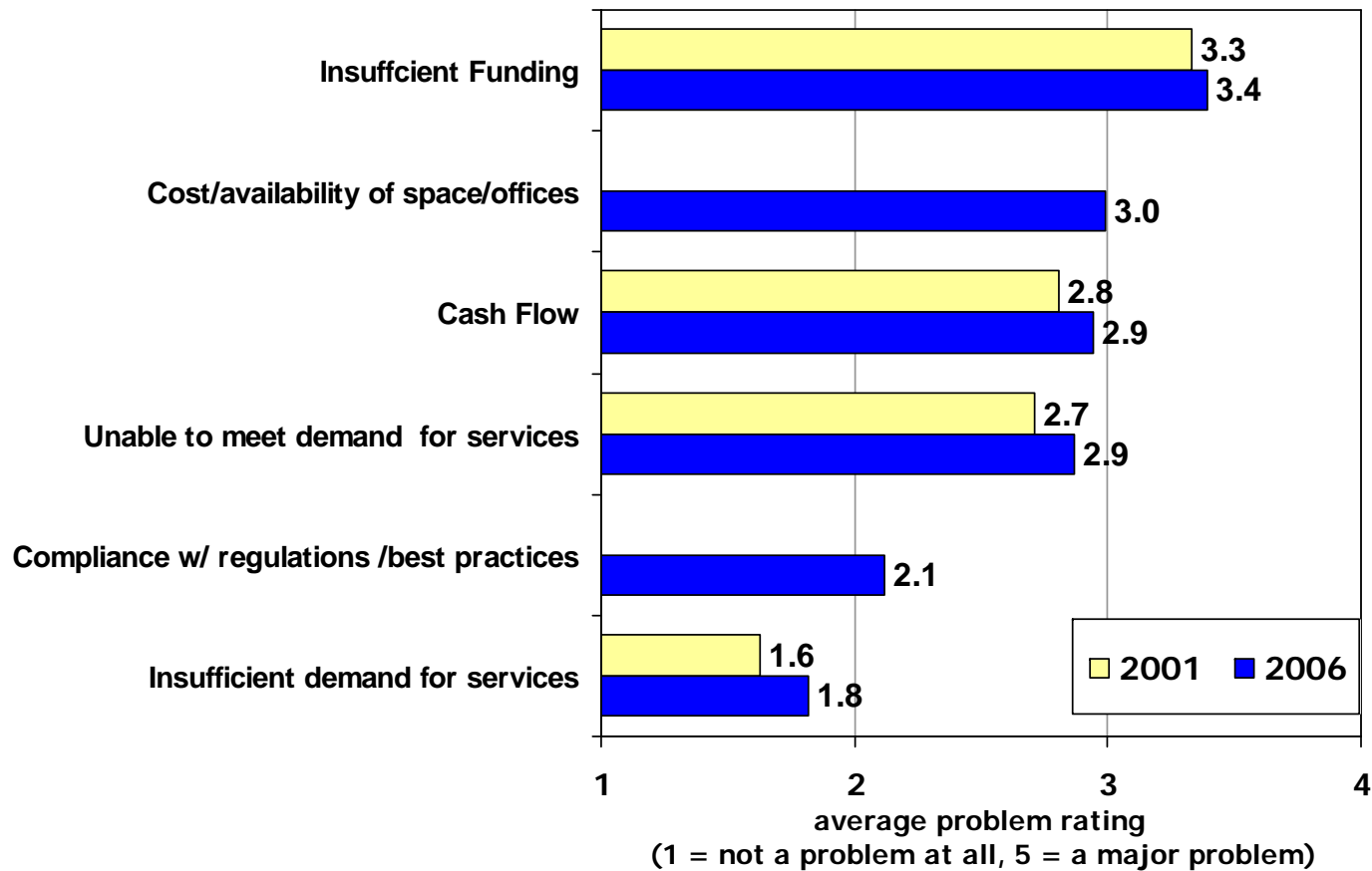
## International (36)



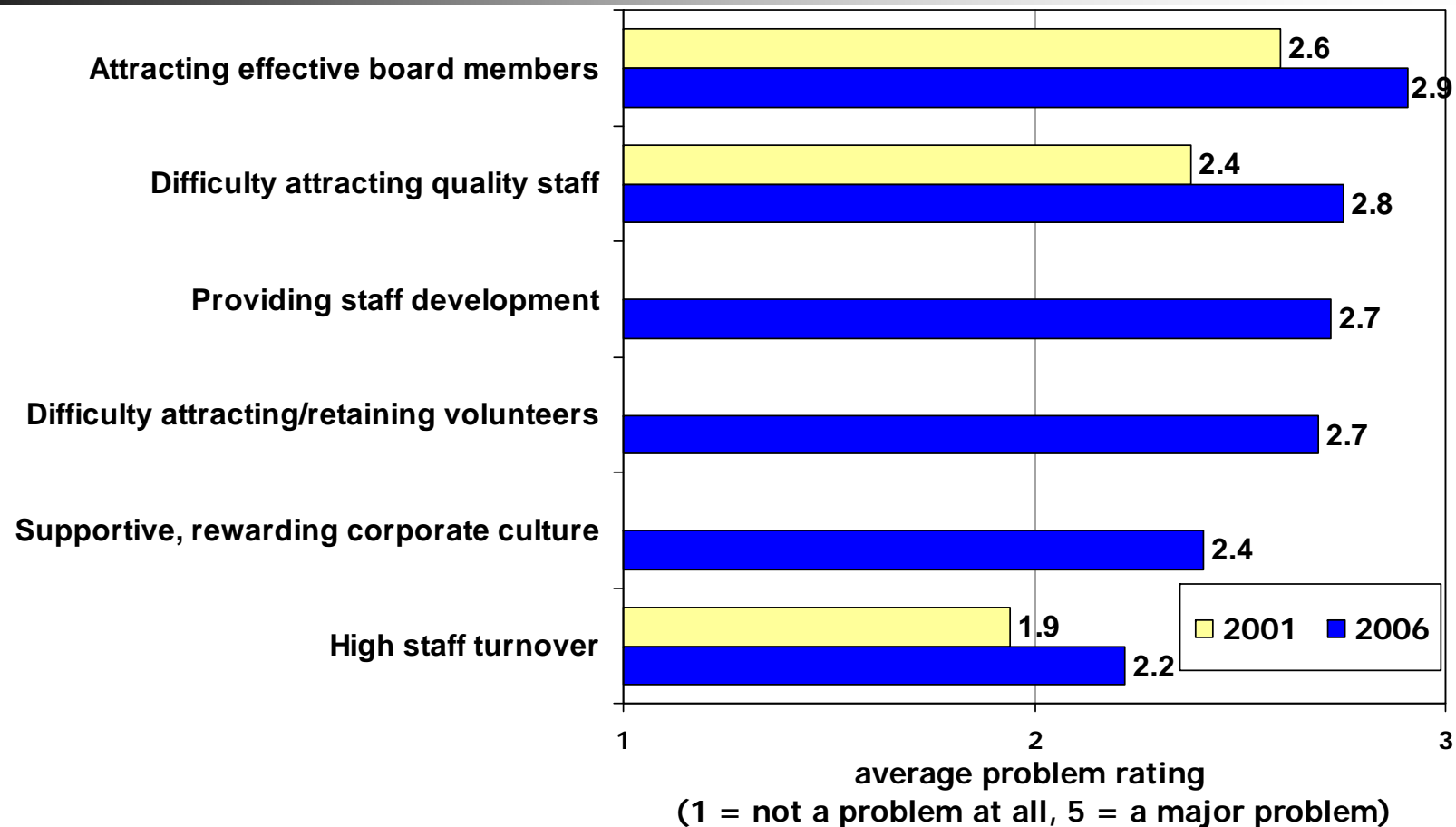
## Religion Related (56)



# Financial challenges similar to 2001

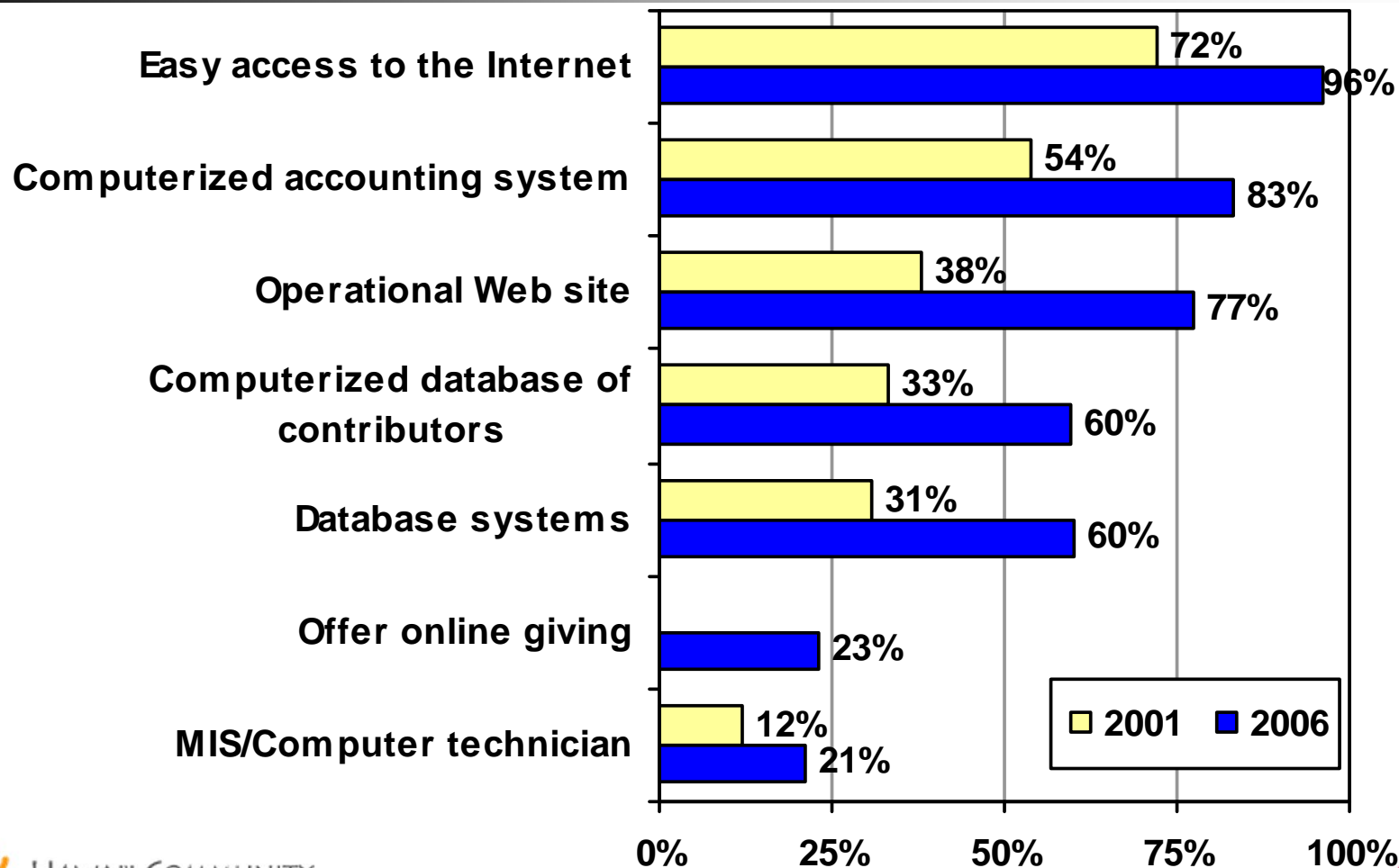


# Attracting effective board members and quality staff are still the largest human resource issues

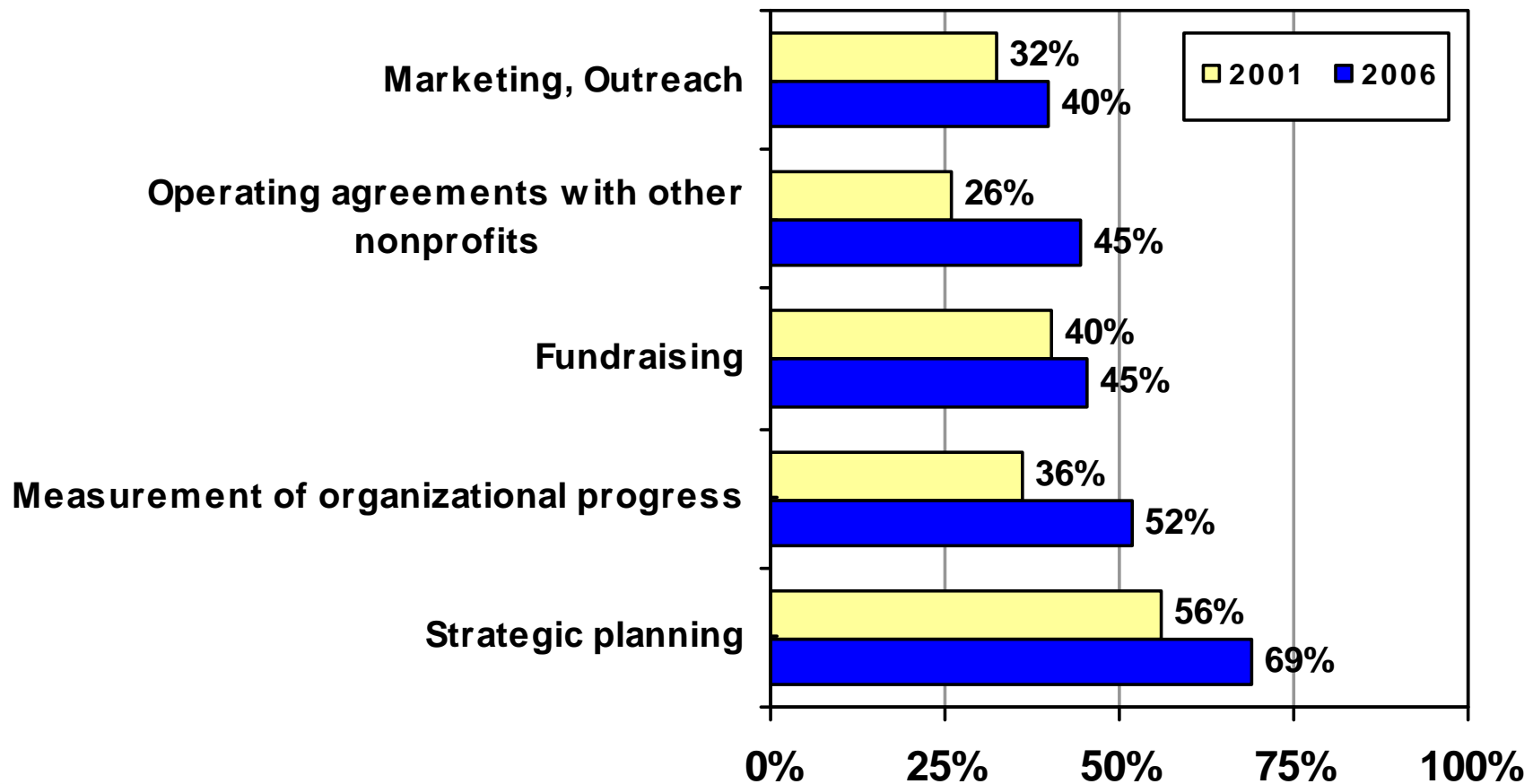




# Use of technology has increased significantly in the past five years



# Increase in formal planning



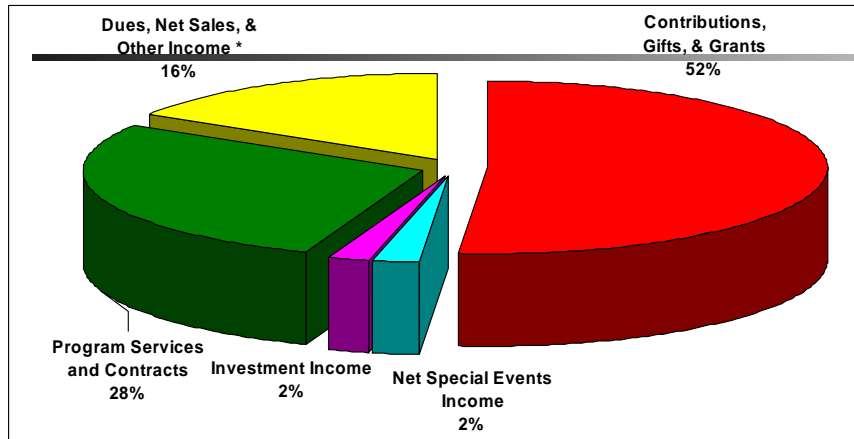
## Three emerging themes for consideration

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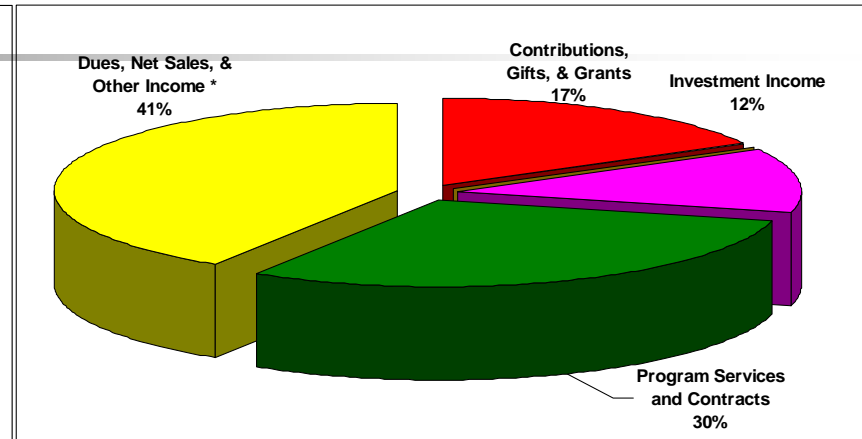
- Diverse revenue mix of sectors create different challenges and pressures
- Depending on who you are, growth may not be the answer
- The competition for talent is heating up

# Diverse revenue mix of sectors create different challenges and pressures

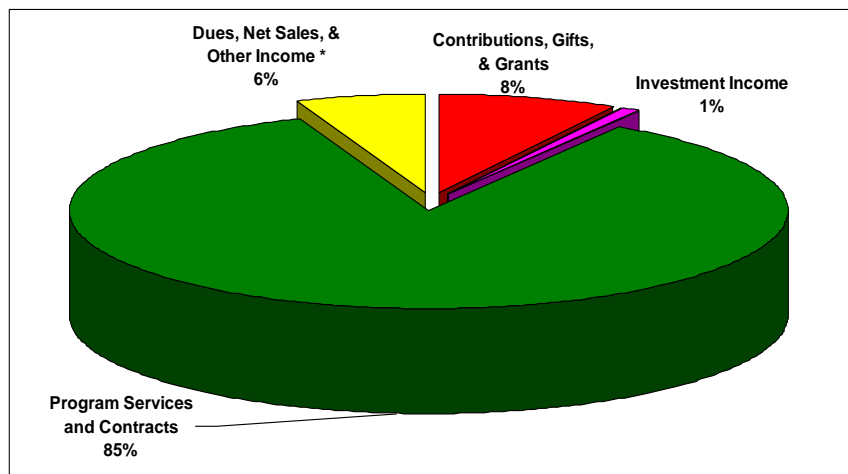
## Arts & Humanities



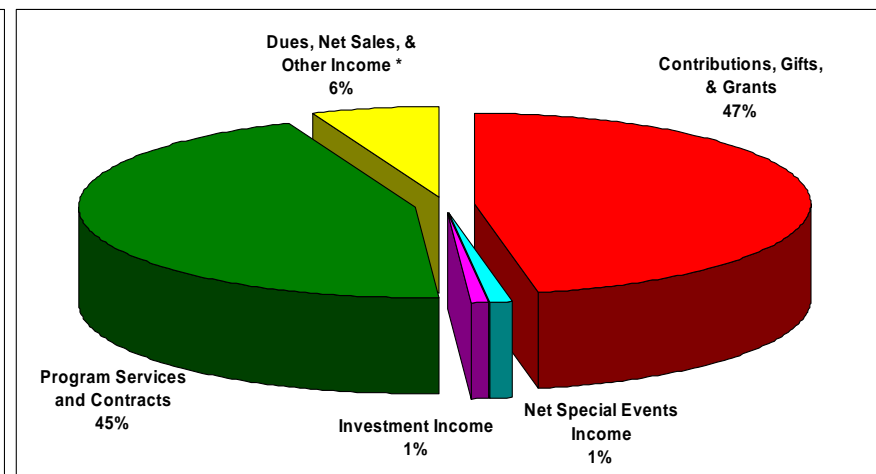
## Education



## Health

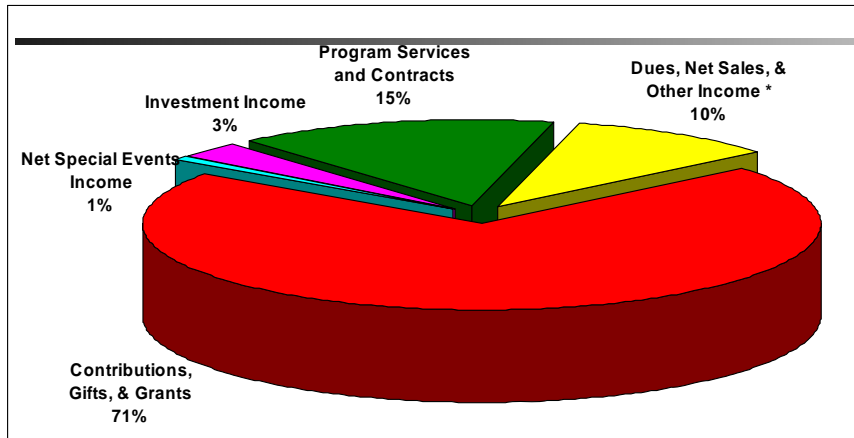


## Human Services

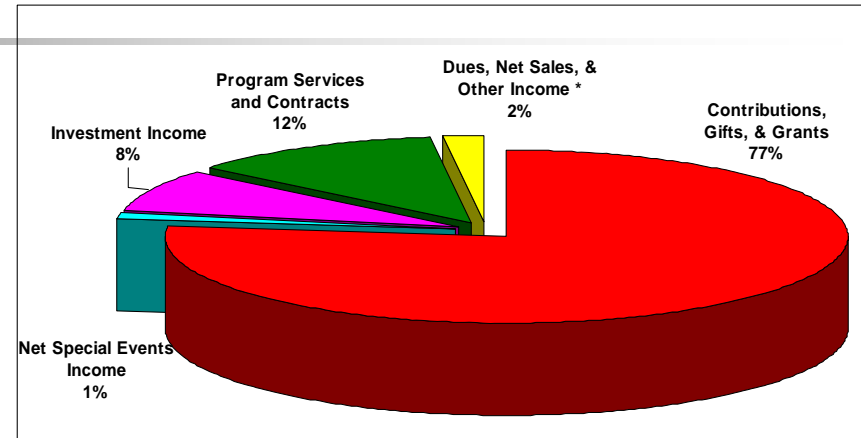


# Revenue mix (continued)

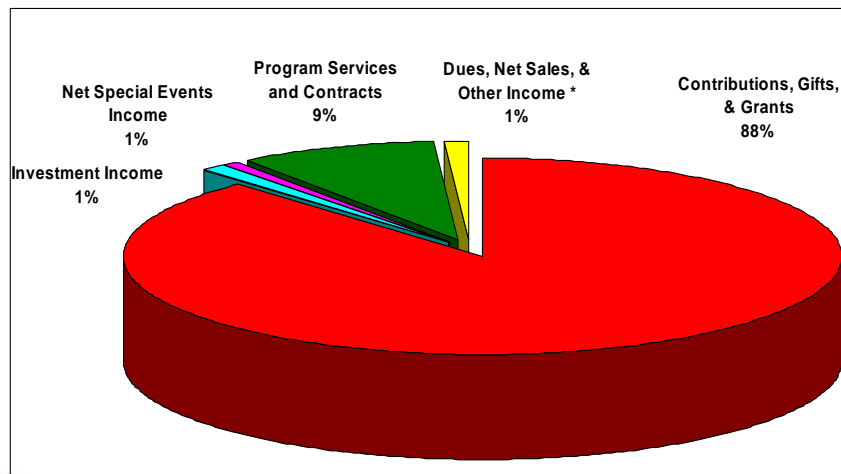
## Environment & Animals



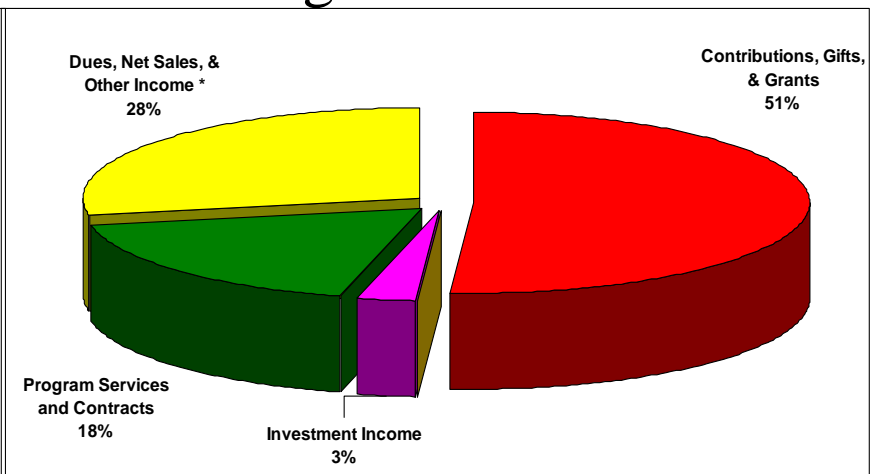
## Public & Societal Benefit



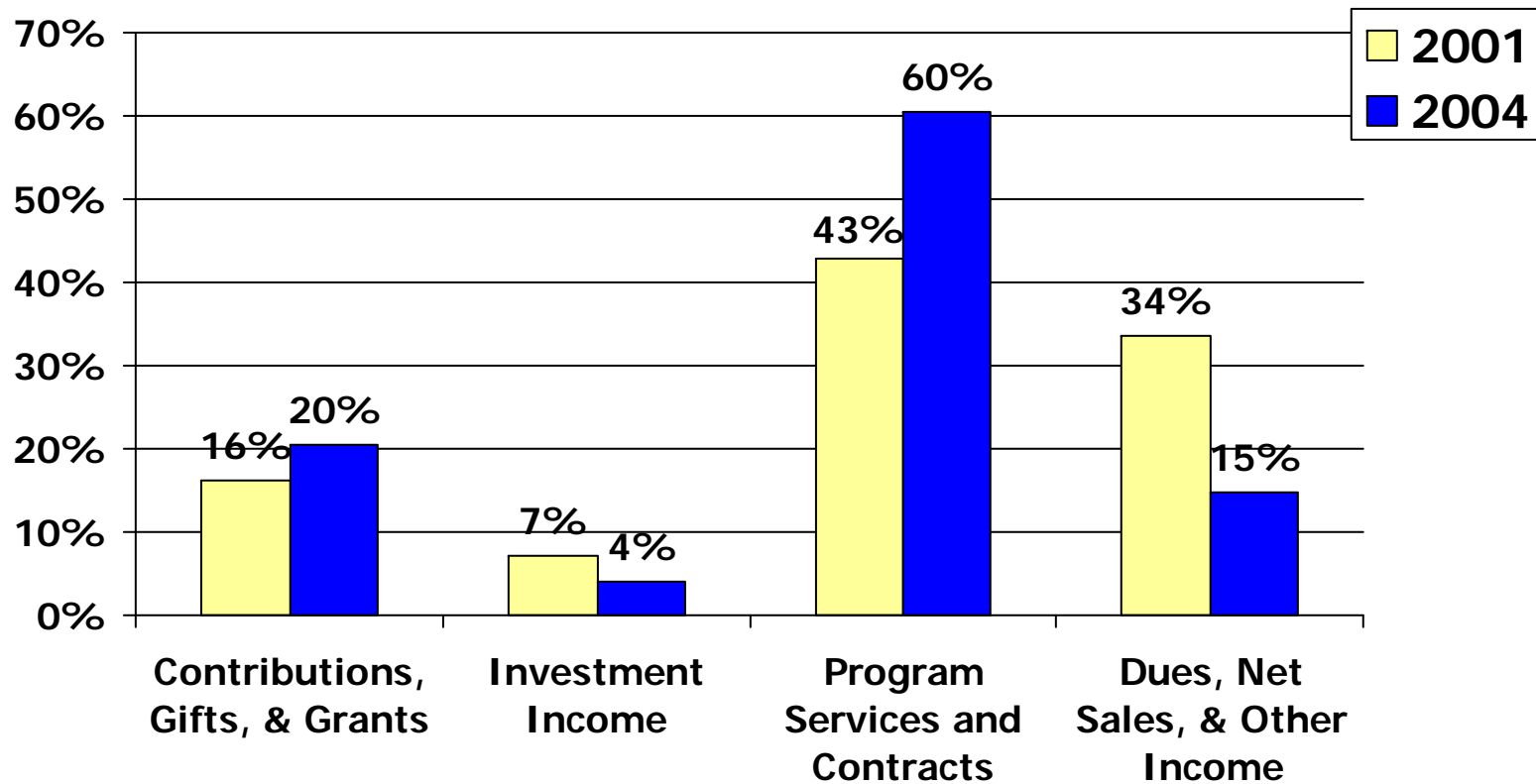
## International



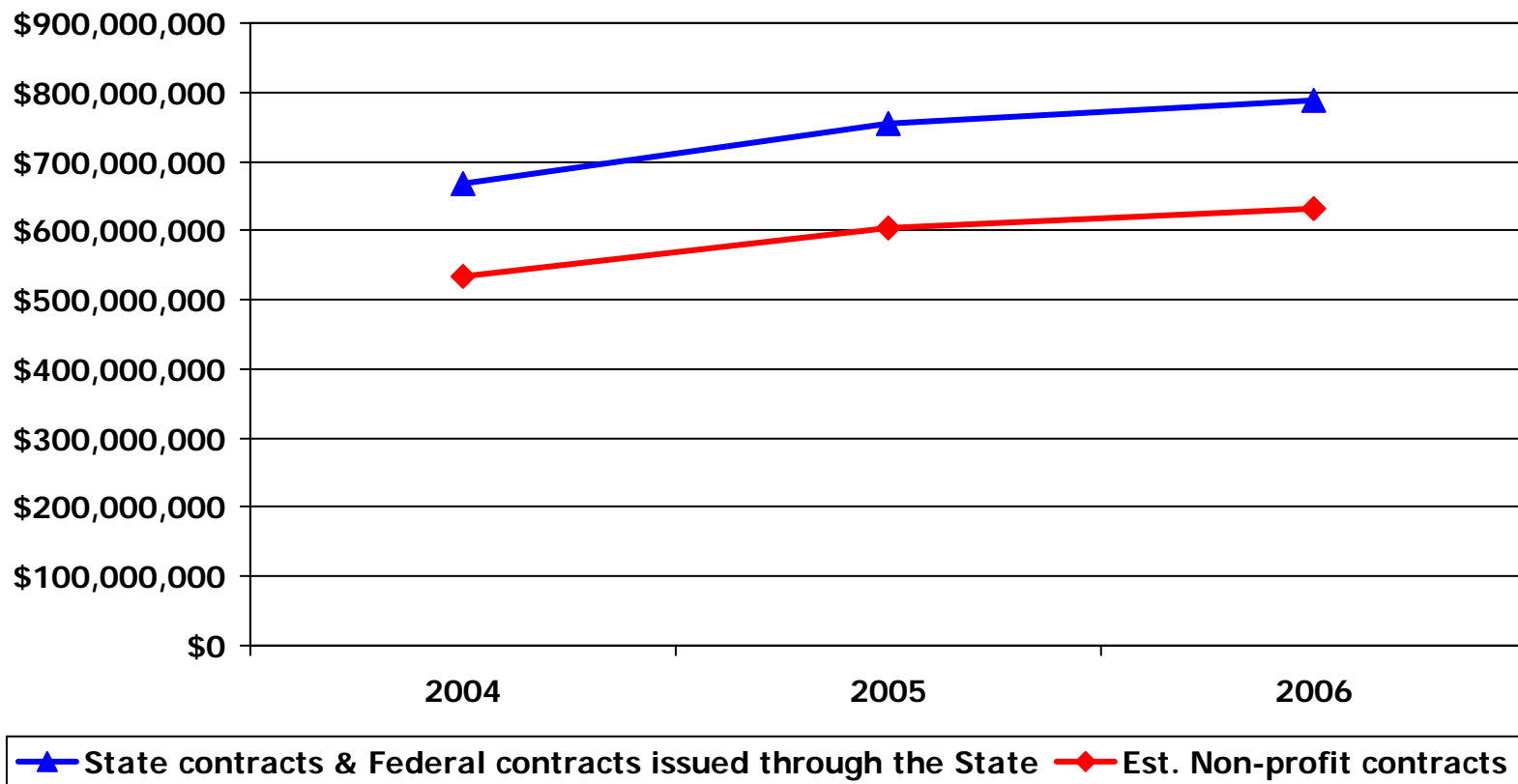
## Religion Related



# Sources of revenue

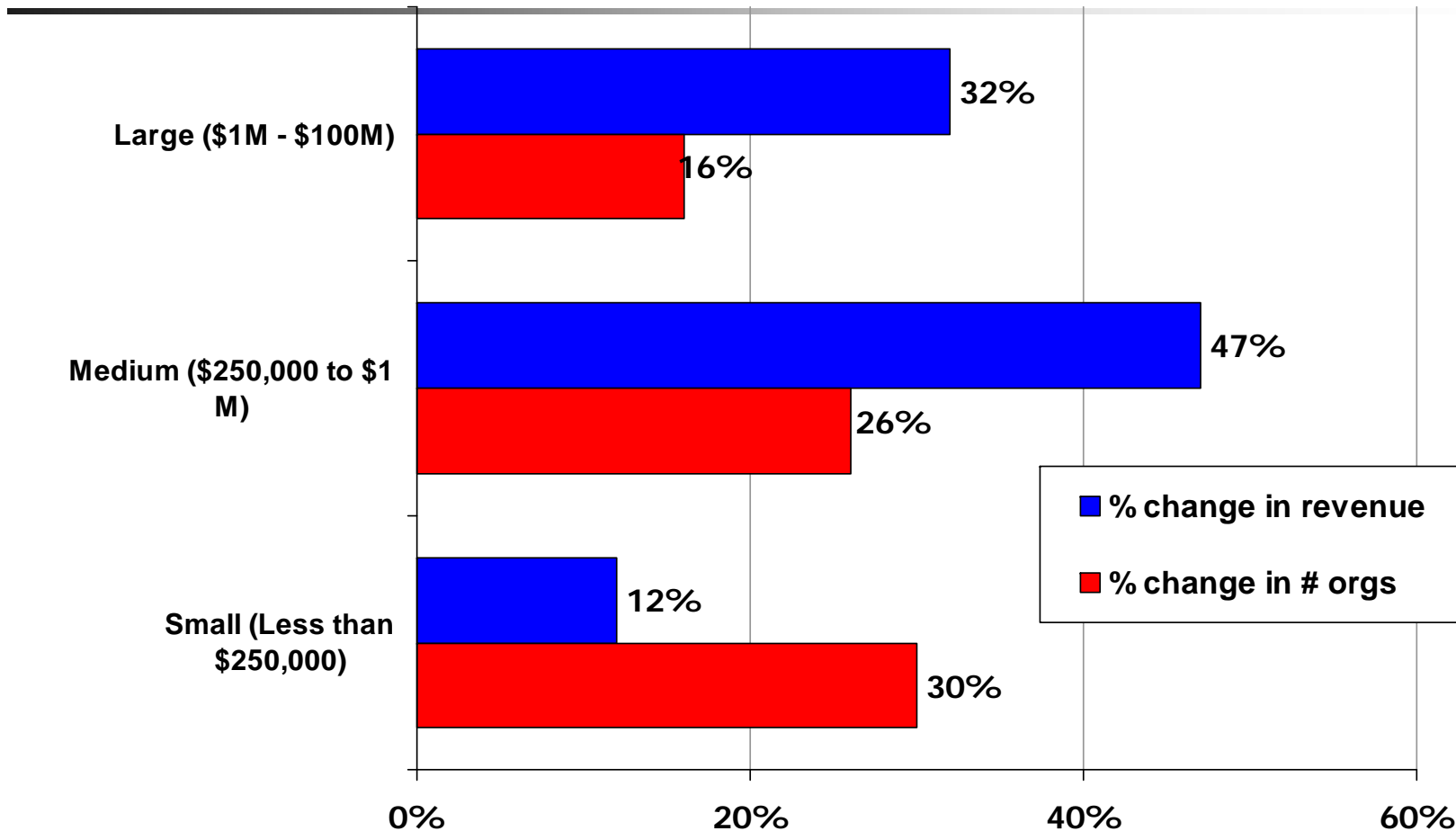


# State contracts for Health & Human Services have increased 18% between 2004 and 2006



Source: State of Hawaii Office of Procurement Website

From 2001-2004, revenue grew faster than the number of organizations except for small organizations





# Revenue challenges and opportunities

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- The numbers game
  - Many more nonprofits, largely small
  - Growth in contributions not keeping pace
  - Affect certain sectors more than others
- Implications
  - Increase/diversify revenue segments
  - Find creative means to contain expenses
  - Are we reaching a carrying capacity issue?

# Revenue challenges and opportunities

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- Revenue growth fueled by government
  - Program services and contracts and grants
  - Mostly affecting the H/HS sectors
- Implications
  - Efficiency/economies of scale important
  - Changing mandates and short contracts make focused mission more difficult
  - Infrastructure investment required

## Depending on who you are, growth may not be the answer

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- Many organizations feel compelled to grow—Why?
  - Increase services and programs
  - Strengthen financial condition
  - Increase capacity by hiring staff
  - Growth is an indicator of success

# Different Organizational Characteristics

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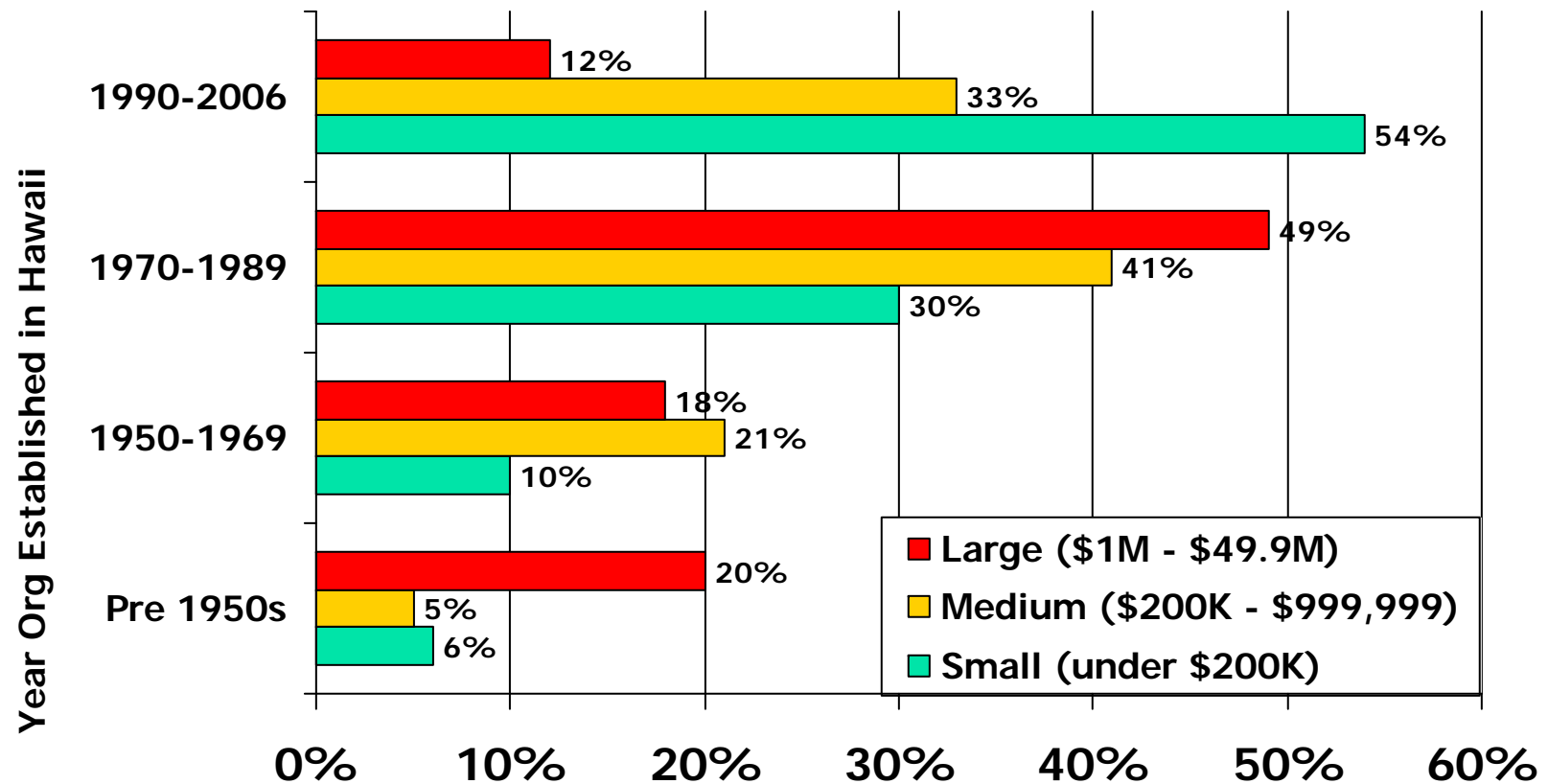
## ■ Small Organizations

- Narrow mission
- ED – hands on
- Few or no paid employees
- Revenues more reliant on donations
- Outcomes easy to measure, but no funding to support

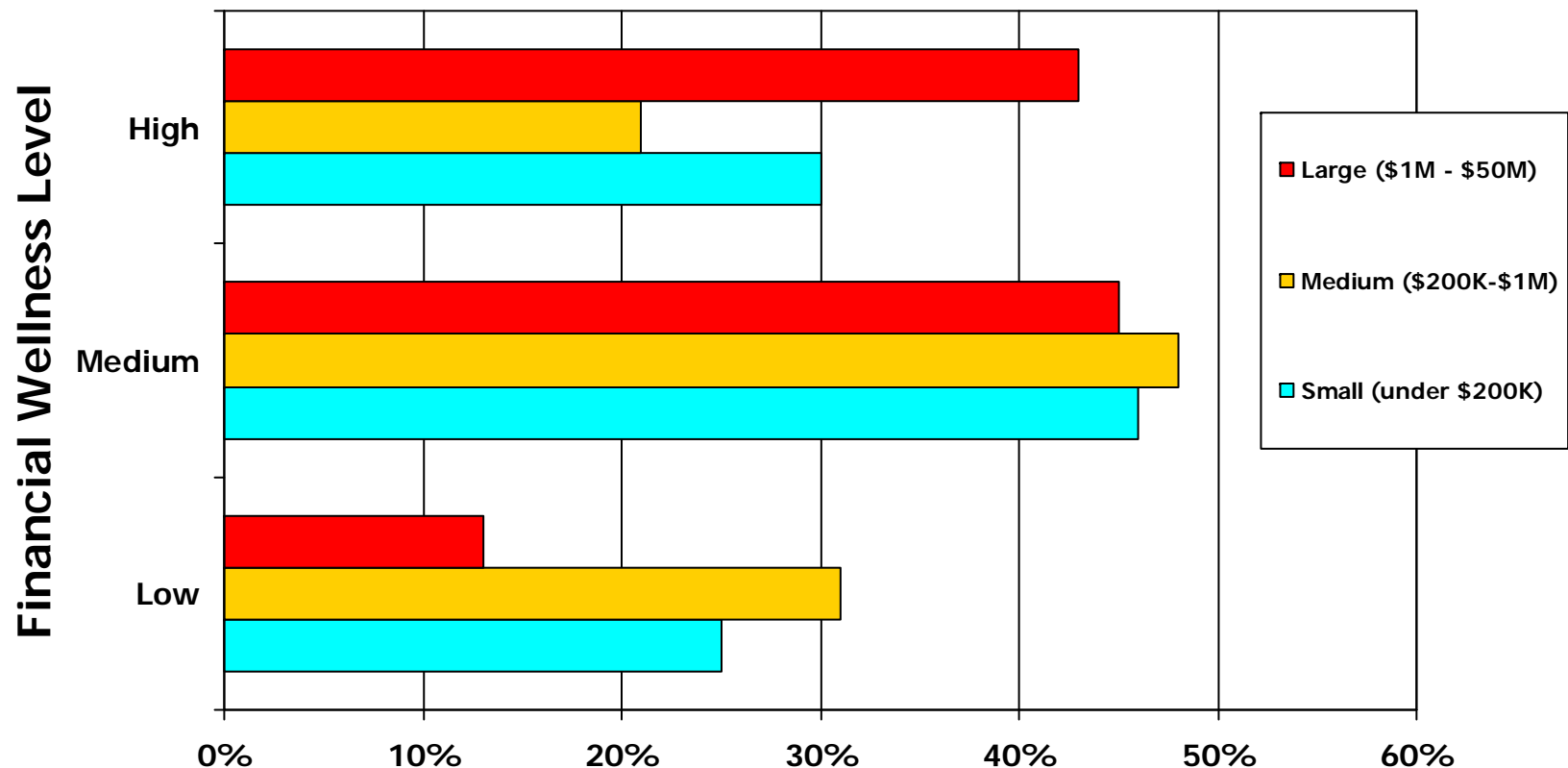
## ■ Large Organizations

- Broader mission, some drift
- EDs more managerial
- Paid ED/Staff
- Revenues more reliant on program services & contracts
- Outcomes more difficult to measure, but required for funding

While most older organizations are large, there are still many long-lived small orgs

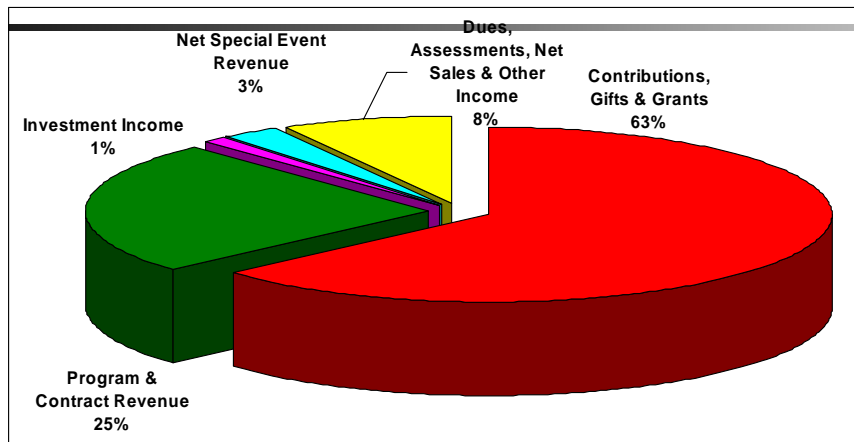


# Small orgs have better indicators of financial wellness than medium size orgs

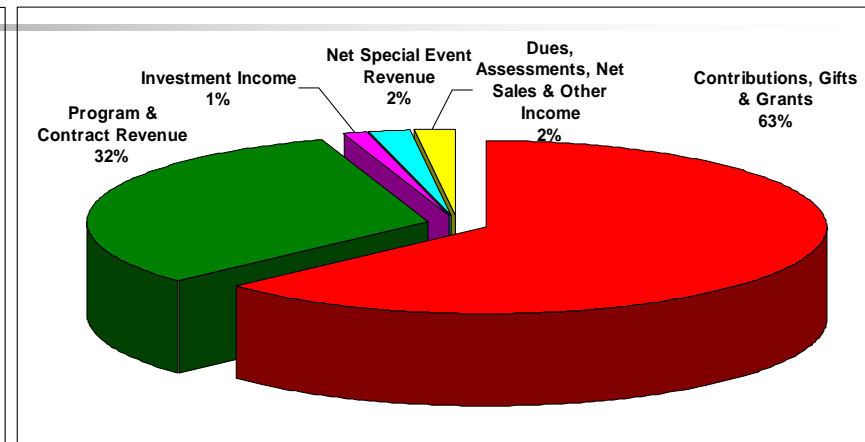


# Sources of revenue vary by size

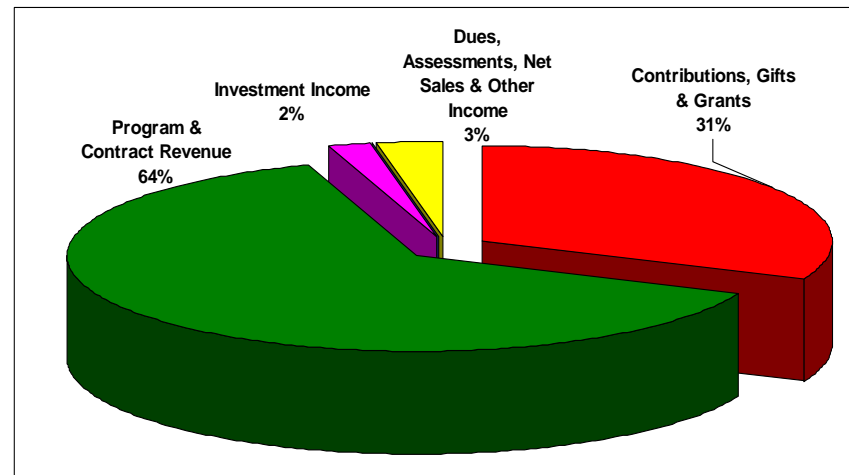
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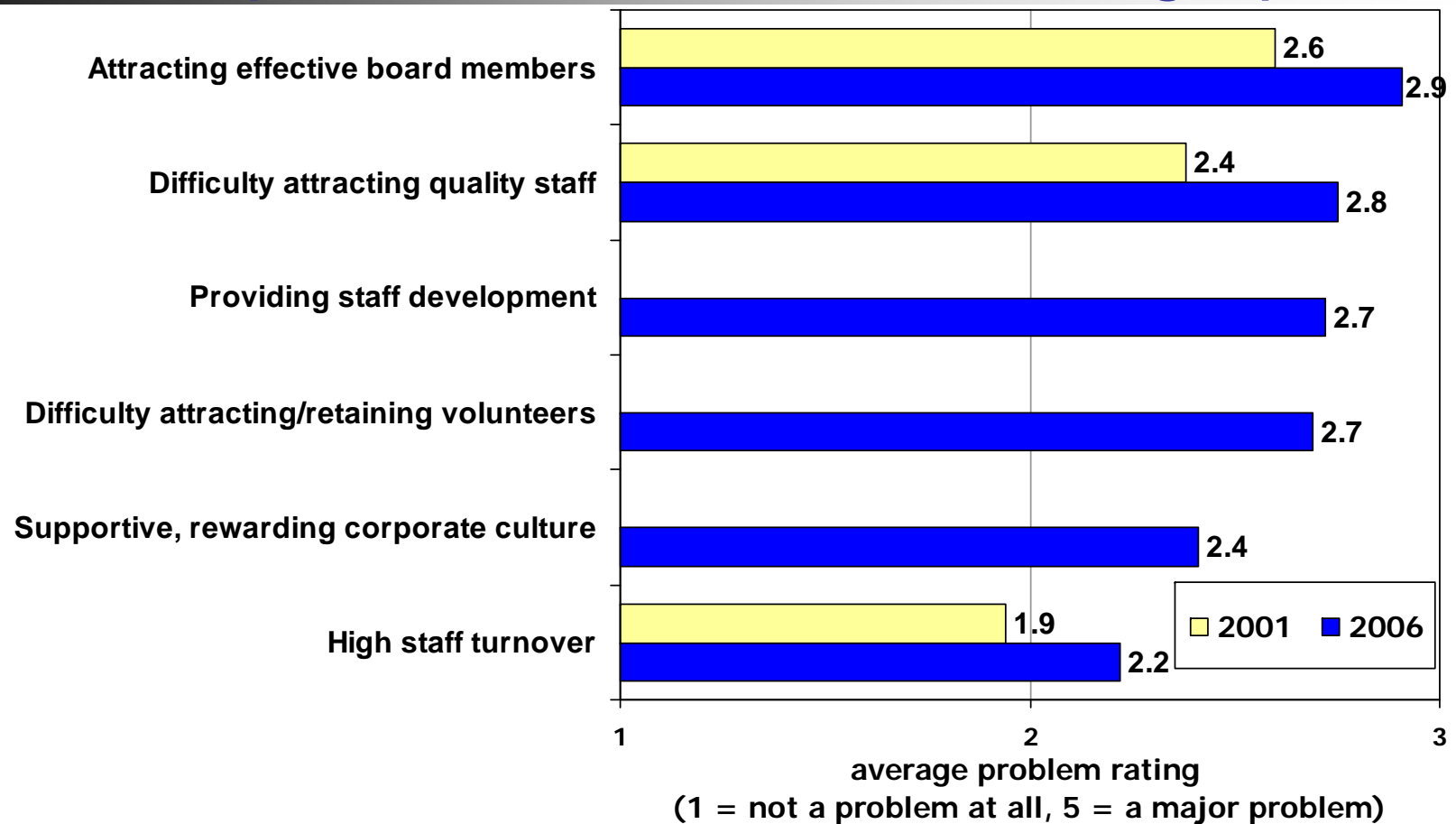
## Challenges of growth

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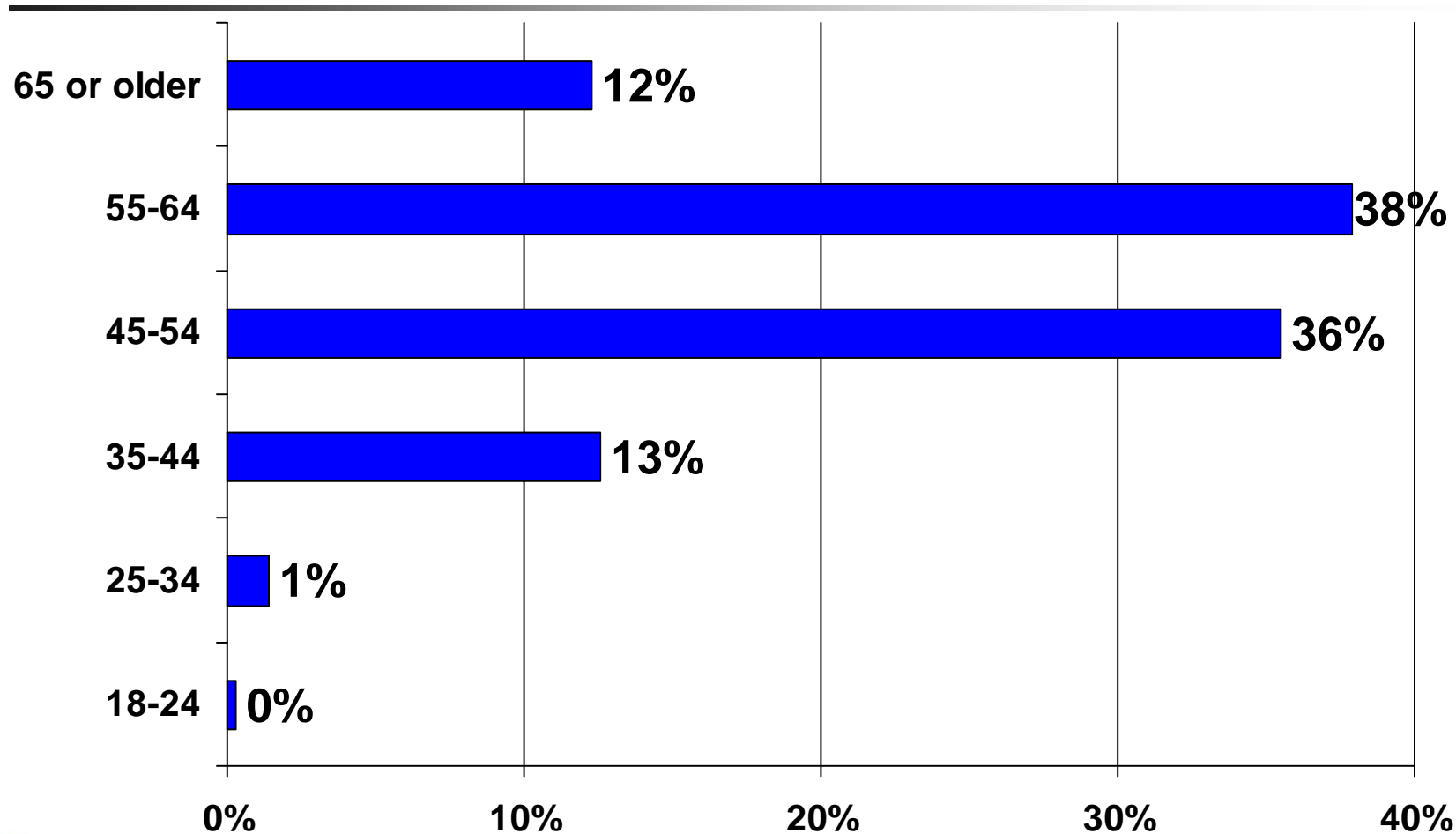
- Depending on the revenue source to fuel growth, it can stress organizational capacity, mission, systems, financial health, culture
- Implications
  - Be clear about benefits/outcomes
  - Clear plan for investments and changes
  - Think before you grow



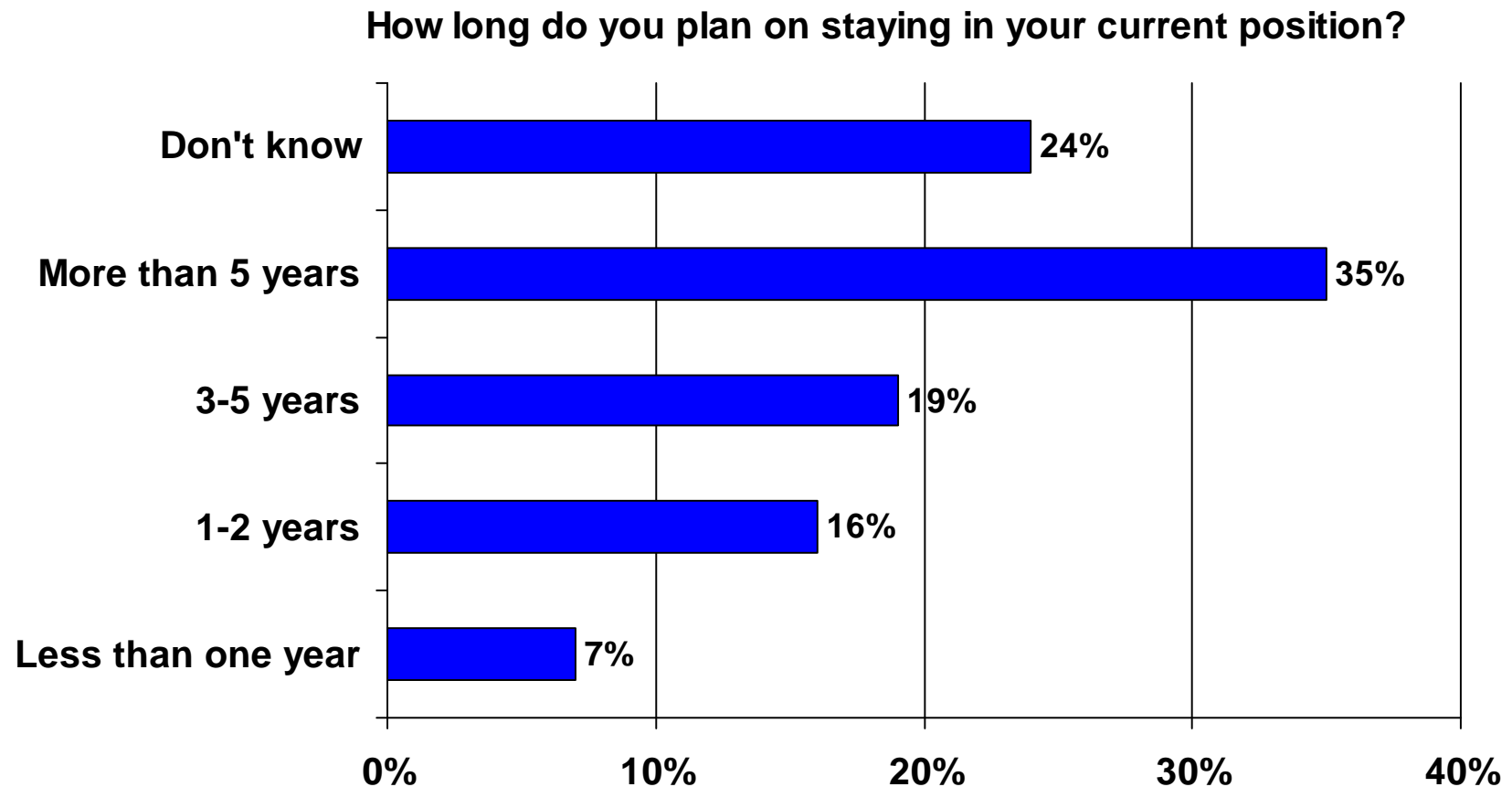
# The competition for talent is heating up



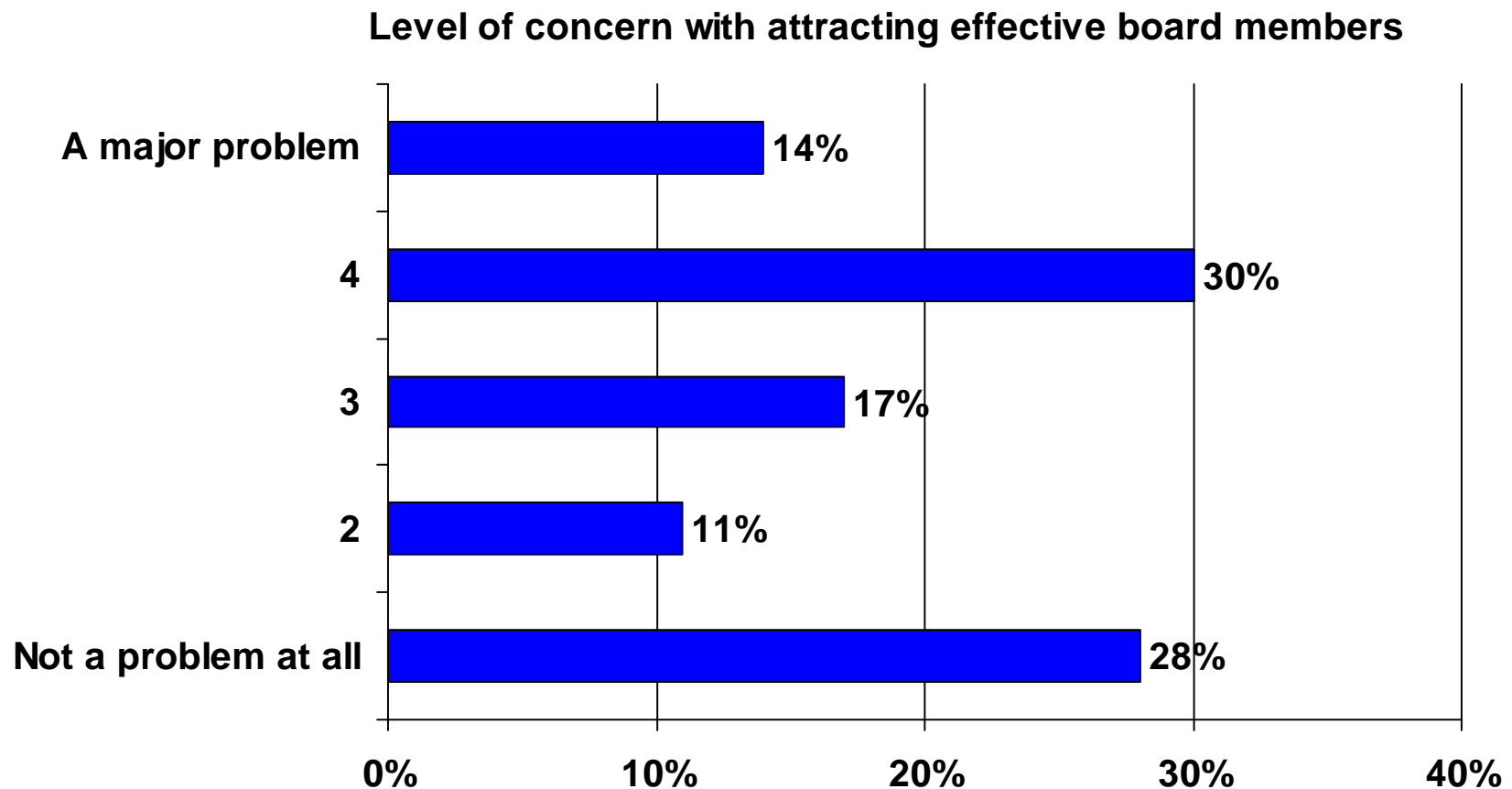
# Half of all nonprofit EDs are 55 years or older



# 42% of Executive Directors expect to leave by the end of 2010



# 44% of organizations find it hard to attract effective board members



## The law of averages for boards

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- Number of board members: 13
- Number of vacancies: 2-3
- About half have term limits
- Length of term limits: 3-4 yrs
- Most current board members have served for 3-6 years

## Implications in the competition for talent

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- Retention as important as recruitment
  - Finding ways to increase tenure of leadership (staff and board)
- New leadership will come from two sources
  - Younger, civic-minded individuals
  - Baby boomers



Mahalo!

Presentation available at:  
[www.hawaiicommunityfoundation.org](http://www.hawaiicommunityfoundation.org)

