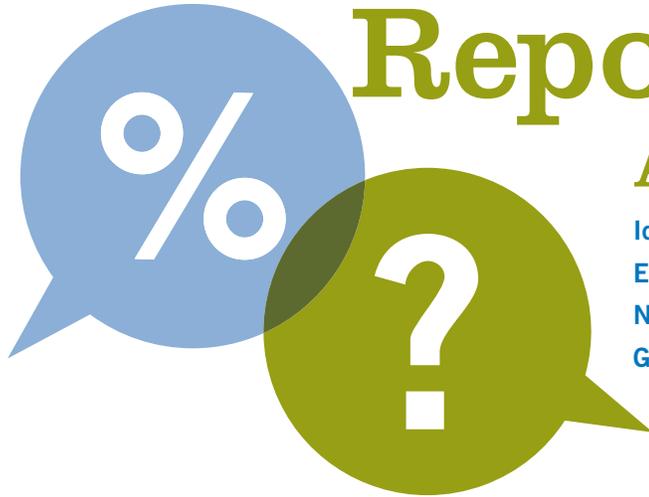

Needs Scan 2.0 Report:



April 2016

Identifying the Organizational
Effectiveness Needs of
Nonprofit Organizations in the
Greater New Orleans Region

PRESENTED BY THE GREATER NEW ORLEANS FOUNDATION
ORGANIZATIONAL EFFECTIVENESS INITIATIVE



GREATER NEW ORLEANS
FOUNDATION

For a vibrant region.

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INTRODUCTION

Nonprofits play an integral role in ensuring the well-being of New Orleans and the surrounding southeast Louisiana region. A diverse and robust network of service and program providers, advocates, and community based organizations anticipate and respond to myriad complex issues and continue to make a difference in the lives of our community members and the environment.

Through the Organizational Effectiveness (OE) initiative begun in 2011, the Greater New Orleans Foundation (GNOF) has systematically responded to the management, leadership, governance, and adaptive needs of the area's nonprofits. Guided by the findings from an inaugural Needs Scan survey and report five years ago, we have shaped and offered a variety of workshops, clinics, technical assistance, coaching and grants to support capacity building and learning opportunities for 2000 organizations, over 1000 staff members and countless board members.

The impact made by our nonprofit partners in recent years has been great and yet, much work still remains to ensure a resilient, sustainable and thriving community for all. Without effective, mission-driven nonprofits, this goal remains a distant one.

In order to continue serving our nonprofit partners through OE, we recently took the pulse of the field to learn more about the key issues that organizations are working on and the opportunities and challenges they face in being more effective organizations. The data collected in Needs Scan 2.0 survey will further hone our program offerings, provide insight and clarity to our grantmaking and to other philanthropic partners, provide information to nonprofits to assess how they fare in light of the findings and continue conversations within and between nonprofits about improvement. GNOF stands committed to assisting the region's nonprofits reach their highest potential and make the greatest impact on community well-being.



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OVERVIEW About the Methodology Used

In the fall of 2015, an online survey was completed by 308 nonprofit executive directors from the thirteen parishes in southeast Louisiana which GNOF serves, producing a 30.6% response rate for the survey. We asked nonprofit executive directors to respond to several questions about their organizational capacity.

After preliminary analysis of the survey data, we convened a series of focus groups with randomly selected respondents to talk in-depth about the initial findings. Nearly 60 executive directors participated in these conversations to review, respond and help interpret the survey findings. Together, the survey data and the focus group information provide the basis for this report.

Information about the Nonprofits Surveyed

The nonprofits that participated in the survey are a diverse set of organizations. Almost a third of respondents were GNOF grant recipients over the last two years. Nearly 40% of those surveyed applied for a grant from GNOF.

Close to 75% of the entities participated in GNOF's GiveNOLA Day and half of the respondents attended an OE workshop or other learning activity.

Key characteristics include

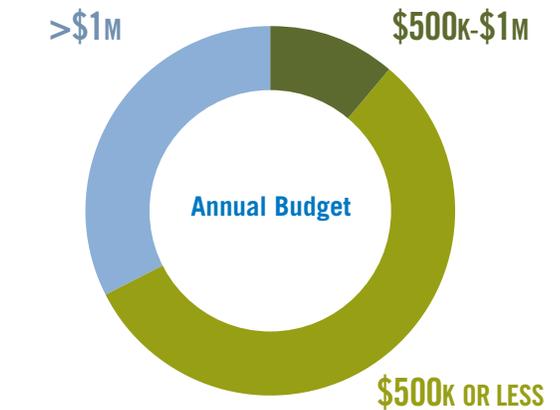
Nonprofit Type: Human service agencies, education and arts, culture and humanities organizations comprise the top 44% of those who responded to the Needs Scan 2.0 survey.

Geographic Scope: Overwhelmingly, 62% of nonprofits name Orleans Parish as their primary service area. Nearly a quarter of the respondents serve the entire southeastern Louisiana corridor.

Annual Budget: Of the 308 responding nonprofits, 66% of them report budget sizes of \$1 million or less. In that category, 21% respondents state their budget at \$250,000 to \$500,000. Those who reported budgets over \$1 million comprised a third of respondents.

Revenue: Foundation grants (local, regional, state and national) make up the largest source of funding for the region's nonprofits followed by government funding, earned income (including event income) and individual giving.

WHEN ASKED ABOUT THEIR ANNUAL OPERATING BUDGET THIS IS HOW NONPROFITS RESPONDED



56.4% \$500,000 or less

11.3% \$500,000 to \$1,000,000

32.3% Greater than \$1,000,000



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People: Nearly half of the respondents state they employ 3 or fewer full-time people in their organizations. 72% of respondents report 3 or fewer part-time employees. 55% use contract employees.

Board Governance: When referring to the organizations' board composition, 74% of organizations have 15 or fewer board members with 9-11 board members being the average range of members serving.

KEY FINDINGS AND TRENDS

There is a lot to report about the capacities which support or thwart our region's nonprofits mission-driven efforts.

This Needs Scan Survey 2.0 report explores the operational successes and challenges facing many of our agencies. Since the first Needs Scan report in 2011, **the good news to report is that there are indicators of stabilization and growth in the sector: improved fundraising, better governance practices in place and financial growth in some organizations.**

Yet challenges remain.

Many nonprofits recognize that their current practices will not yield long-term sustainability and that community demands for programs and services do not remain static.

These two top challenges correlate with national findings from a Nonprofit Finance Fund (NFF) survey in 2015, [*State of the Nonprofit Sector*](#).

Given the imminent changes at the national level and Louisiana's economic and budget challenges in 2016 and beyond suggests a field in flux.

OVERVIEW OF KEY FINDINGS AND THEMES

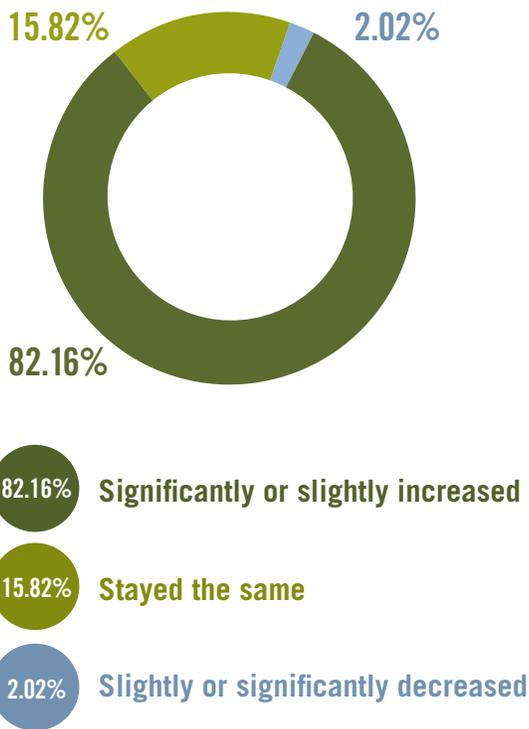
There is an increased demand for an array of programs and services.

82% of respondents indicated that there is a greater need for mission-driven services and programs than in the prior year. These increases can be attributed to many factors:

- Basic needs in the community have grown. People are turning to nonprofits to fill service gaps generally provided by government (housing, food, jobs, etc.). As executive directors stated "The safety net is broken" and "A lot of people are slipping through the cracks and the demand for our services is so stressed."
- As nonprofits provide more services and programs, public awareness of nonprofit offerings has grown. However, nonprofits report that the community needs often eclipse the capacity of organizations to respond and needs remain unmet. "*I think we can offer twice as many programs and not even touch the need that's in the community*" reported a human service leader.

- 2 out of 3 nonprofits surveyed stated they would be able to meet the increased needs though limitations to their capacity exist: not enough staff, inadequate funding, and limited options for referral. One-third of organizations stated they could not meet the increased need from clients. As one leader said *“In most cases, when we referred clients, other organizations were also without funds.”*

WHEN ASKED ABOUT DEMANDS FOR SERVICES AND PROGRAMS THIS IS HOW NONPROFITS RESPONDED



“Costs are constantly rising, insurance, and utilities eat heavily into your budget.”

Sustainability remains a key challenge for many of the area’s nonprofits

Like their national counterparts, 52% of local nonprofit leaders report sustainability as the greatest financial challenge facing their organizations.

What contributes to their concerns is an array of short and long-term circumstances and roadblocks:

- 29% of surveyed leaders cite the challenge of raising unrestricted funds, those donations that can be used for any purpose identified by the agency.
- 22% reported that raising funds to cover the full costs of doing business is a constant concern. As one human service executive quipped:

“Donors want you to behave like a world-class organization with less than world-class technology, less resources, with less everything.”

Executive Directors cited the effect of 1 to 3 year foundation funding cycles on their enterprises. As one leader said, “Three years is not long enough (to make the necessary impact) so we need somebody who is committed 5 years, 10 years and believes in our mission.”



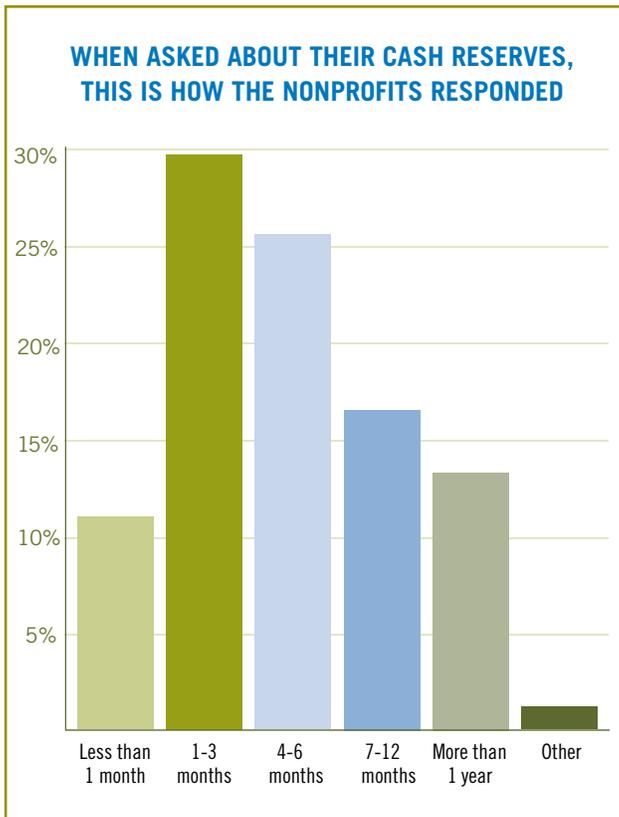
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“There’s a huge and constant internal conversation: Do we put this in the bank to give us long term sustainability or do we try to make life better for people that we know need food today?”

- 70% of the respondents reported cash on hand. Of those, 42% have less 3 months or less in the bank. 12% have less than one month of cash in the bank.



Source: National Finance Fund, State of the Sector Survey, 2015

These data are almost identical to the national NFF findings.

- Nearly 75% of organizations responding report ending the year with break-even financials or a surplus, on par with improved financial results from the national Nonprofit Finance Fund *State of the Nonprofit Sector: 2015 Survey*. Of those nonprofits which reported a surplus, nearly half were 5% or less of their total operating budget.

Even with a reserve, nonprofits face roadblocks. Leaders reported that government and foundations alike “review financials and think (because of our surplus) that you don’t need their funding but you really do.”

When asked in the survey, “As executive director, what keeps you up at night?” the overwhelming response was “the financial health of my organization.” This query revealed worries stemming from inadequate funding sources to finances.

GROWTH IN CAPACITY

Over the last five years, the Greater New Orleans Foundation has responded to identified organizational needs by hosting an array of professional development learning opportunities to nonprofits and grantees.

Nonprofits which participated in these offerings consistently cited the positive change in practices made because of their participation in OE activities. Executive directors surveyed reported the following positive change in governance and fundraising practices:



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For governance practices, one in three report:

- Increased knowledge among members about their roles and responsibilities as a board member
- Deeper board involvement with raising money for the organization
- Overall, a more engaged board

For fundraising practices, nearly half report:

- Development of an organizational fundraising plan where one did not exist before
- Increase in individual donor contributions

While much progress in these organizational effectiveness areas has occurred, challenges still remain.

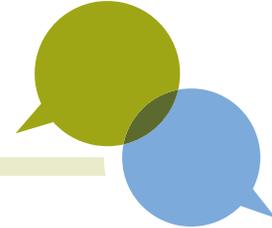
NONPROFIT NEEDS

When asked to choose the three most pressing needs facing their organizations today, nonprofits stated:

- **Fundraising** is the number one need as reported by half of those who responded.
- **Strategic Partnerships and Collaborations** was named as the second most pressing need.
- **Board Governance** (roles and responsibilities of board recruitment, retention, planning, fundraising, etc.) was the third most pressing need cited.

When probed further and asked to identify the top capacity building needs that the GNOF's Organizational Effectiveness Initiative might provide in response to the cited needs, nonprofits stated the following:

1 Over 52% of those stated OE could help with developing strategic partnerships and collaborations with other nonprofits, business, government and higher education as their number one need.



“There’s so much competition for limited resources that we develop a siege mentality and hang on to those few resources we do have because if we lose them, then what are we going to do?”

It is important to note that several executives reflected on barriers to collaboration. Most mentioned was the tensions that exist between agencies for scarce resources for funding, trained staff and board members.

2 Second on the list was that the Greater New Orleans Foundation could serve as a stronger advocate for the sector in general.

“There is a vacuum in this city that talks about what makes an effective organization” and “GNOF could be the leader in making people understand what this region would be like if all the nonprofits disappeared.”

3 Provide assistance in strengthening my organization's communication strategies was the respondents' third prioritized need.



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“If more people know about the value of what we’re doing, they would help; we need help in telling our story better.”

PUTTING THIS DATA TO USE

We believe the findings of the Needs Scan 2.0 Report hold insight and opportunities for continued improvement for individual nonprofits, for donors or for our own foundation’s work.

Recommendations for Nonprofits:

We invite nonprofits to review these findings and share them with staff and board members to begin conversations about how they reflect their own specific situations. As part of the board’s role, the following questions* can guide a conversation at board meetings.

Questions to consider include:

What financial practices can be improved to address the short-term health and the long-term sustainability of our organization?

- Do we have the needed financial reports being generated to make good decisions?
- Do we project a monthly cash flow?
- Do our board and senior staff understand the financial reports?

- How are the financial reports used for decision-making?
- Are we budgeting for growth and surplus?
- Are we planning and building adequate reserves?
- Do we have the right funding mix for our organization at this stage of its development?

Review GNOF’s primer [Funding Sources: What is the Right Mix?](#)

- Do we know the fully loaded costs of our work?
- Do we ask for funding that covers the full costs of doing business?

As an executive director, consider the following:

How can we expand collaboration and partnership?

- Look for opportunities with other nonprofits conducting similar work and explore possibilities for sharing services and reducing costs (i.e., by hiring a shared policy director or renting offices together) or collaborating on a program that targets similar constituents.

Finding these connections can strengthen your organization, reduce duplication of services, cut costs, and send a positive signal to current and potential funders.

- Ask your funders who else might be doing similar work and suggest they broker a meeting to discuss possible opportunities for collaboration.
- Building relationships with other entities to increase and strengthen your clients’ referral networks can help cut costs, grow your capacity to focus on your mission and create greater impact. **How can we advocate for what we need?**



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- First of all, know as a nonprofit, you can advocate. [Check out *The Alliance for Justice* for more information on the do's and don'ts of nonprofit advocacy.](#) Advocate for change and improvements in funding and other practices which hinder your work and the work of the sector. Start building relationships with funders, government and elected officials now.

Recommendations for Donors:

Individuals, foundations and businesses can support nonprofits in many ways. Better understanding the struggles faced by the organizations may help you reflect on your own giving patterns. We encourage donors to consider the following:

Provide unrestricted and/or general operating support

- Donors play a key role in supporting the effectiveness and health of nonprofits. Consider providing ongoing, general operating support grants to organizations to help build their capacity.
- Offer multi-year grants to ease the loss of funding when support ends.

Support Reserve-Building

- Donors that provide unrestricted grants can assist nonprofit organizations in building their operating reserve—a key indicator of a healthy and well-managed entity. Consider providing a year-end contribution toward a group's rainy day fund as a long-term gift.

Fund the necessary and full costs of doing business

- The Nonprofit Finance Fund suggests funders find out from nonprofits what they need to sustain their long-term health. Consider making grants that support the full overhead costs associated with programs and services.

What GNOF Will Do:

Organizational Effectiveness at GNOF will use these findings to adjust current offerings and shape new programs for the field. We will continue to listen to the nonprofit community and use that input to support the regional nonprofit sector.

Offer more opportunities for board and staff to learn about best practices in financial management

- In partnership with CompassPoint and Baptist Community Ministries, we will host a webinar series on financial management practice.
- Offer technical assistance grants to support financial management systems building.
- Continue to focus on sustainability with workshops like The Sustainability Mindset
- Keep a focus on financial management in all of our leadership development clinics.

Strengthen the skill set of nonprofit staff in strategic partnership and collaboration

- Sponsor a series of workshops in partnering and collaboration.
- Offer technical assistance grants to support partnership and collaboration planning.

Work with other funders to better coordinate resources for capacity building

- Engage philanthropies to better coordinate capacity building resource allocations, consultants and funding.

The board and staff of GNOF have reviewed the survey data, listened to nonprofit leaders, and asked leaders to help us interpret the survey findings. We have incorporated these findings into our planning efforts moving forward and have made adjustments to our grantmaking efforts.



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ACKNOWLEDGEMENTS:

A special thanks goes to the Greater New Orleans area nonprofit leaders who generously shared their time and insights to ensure that this report depicts their true organizational effectiveness needs. Our sincerest thanks for all the amazing work you do to create a thriving community for all.

Additional thanks to the Nonprofit Finance Fund for permission to use survey questions from the State of the Nonprofit Sector: 2015 Survey and for their guidance and support along the way.

This report would not have been possible without the dedication and expertise of the staff of Organizational Effectiveness at the Greater New Orleans Foundation. A heartfelt thanks to Kellie Chavez Greene, Senior Program Officer, Jana Fredricks, Project Coordinator, and Rachel Swan, Program Associate, OE.

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