



NONPROFIT STANDARDS, A BENCHMARKING SURVEY

THE NONPROFIT TIMES

IBDO

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Introduction

Each of the 1.5 million nonprofits registered in the U.S. is a unique entity with a specific mission, but they all face a common set of dynamic challenges. Although the country at large has entered a period of economic recovery, times are still trying for nonprofit organizations.

The early days of the new presidential administration have ushered in a period of uncertainty for many nonprofits as concern mounts around the future of federal agency budgets and priorities. Increasing demand for transparency from donors and regulators, potential revenue cutbacks, the focus on long-term sustainability and competition to recruit and retain top talent all stand as potential obstacles for the nonprofit sector in the year ahead.

How to Use this Survey

In order for nonprofits to analyze their own metrics, **The BDO Institute for Nonprofit ExcellenceSM** developed **Nonprofit Standards**, a benchmarking survey designed in partnership with *The NonProfit Times* to provide tax-exempt

organizations with a useful barometer to measure performance across a variety of areas including strategic planning, operations, scope and impact, human resources and governance matters.

The data collected from nonprofit CFOs and executive directors from more than 100 nonprofits represents a cross-section of organizations in terms of revenue and subsectors—with public charities and health and human services (HHS) organizations comprising the majority of respondents. With specific drill downs by organization and revenue type, nonprofits of all sizes and across all sectors can use the data in the report to understand how they compare to their peers which, in turn, can help them make important strategic decisions that can lead to long-term sustainability and success.

For more information, visit the [BDO Institute for Nonprofit ExcellenceSM](#).



"Nonprofits are tireless champions of change in communities in the U.S. and across the world. Created with these invaluable organizations in mind, BDO's first annual Nonprofit Standards addresses a persistent question among nonprofit leaders: 'How does my organization measure up?' Organizations can use this benchmarking survey to inform the critical financial and operational decisions necessary to continue their missions."

Laurie De Armond and Adam Cole, Partners and National Co-Leaders, Nonprofit & Education Practice



“Liquidity issues can often fly under the radar for organizations. Nonprofits are facing an unprecedented level of uncertainty this year, as government funding—at both the federal and state levels—hangs in the balance. To protect themselves from any negative impact of continued funding shortfalls, it is essential that nonprofits take proactive measures to focus on sustainability and build up their reserves.”

Adam Cole, Partner and National Co-Leader, Nonprofit & Education Practice

Strategic Planning

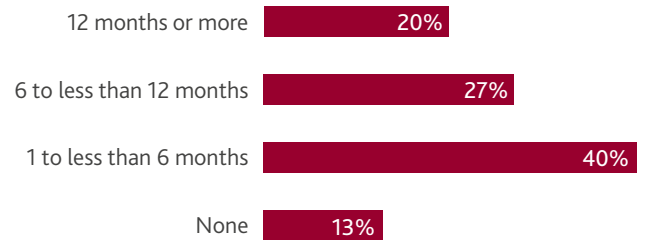
Operating Reserves

Loss of revenue can be devastating for nonprofits, and 40 percent of organizations list it as a concern for their board. To supplement a potential loss, organizations should maintain adequate operating reserves (liquid unrestricted net assets). The nonprofits surveyed maintain an average of 8.7 months of operating reserves. However, a plurality (40 percent) maintain between one month and less than six months of reserves.

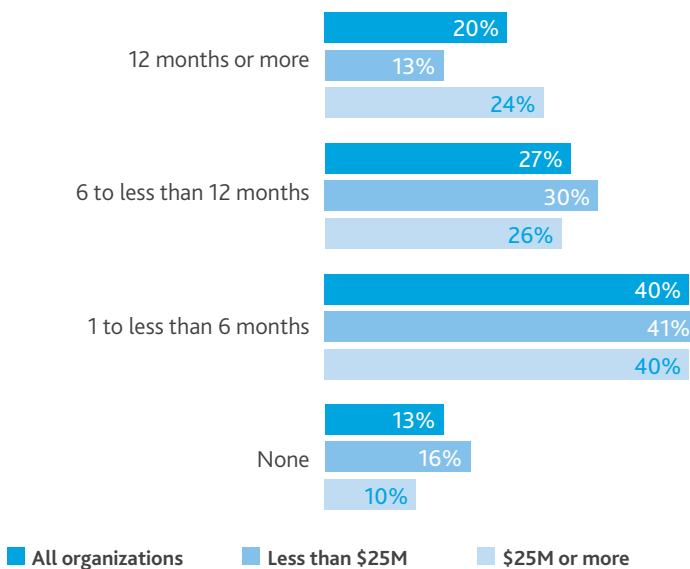
Nearly one-quarter (23 percent) of HHS providers do not maintain any operating reserves, compared to just 6 percent of their public charity counterparts. HHS organizations have an average of 6.3 months of operating reserves, while public charities have an average of 11.8 months. Similarly, 16 percent of smaller nonprofits with annual revenue of less than \$25 million do not currently maintain any liquid unrestricted net assets, compared to 10 percent of larger organizations. Organizations

with less than \$25 million in revenue have an average of 6.2 months of operating reserves, while their larger counterparts have an average of 10.3 months of reserves.

MONTHS OF OPERATING RESERVES MAINTAINED



MONTHS OF OPERATING RESERVES MAINTAINED [REVENUE BREAKOUT]



Response	All organizations	Less than \$25 million	\$25 million or more
Average	8.7	6.2	10.3

MONTHS OF OPERATING RESERVES MAINTAINED [SECTOR BREAKOUT]



Response	All organizations	Public Charity	Health & Human Services
Average	8.7	11.8	6.3

Nonprofits maintain an average of **8.7 months of operating reserves.**



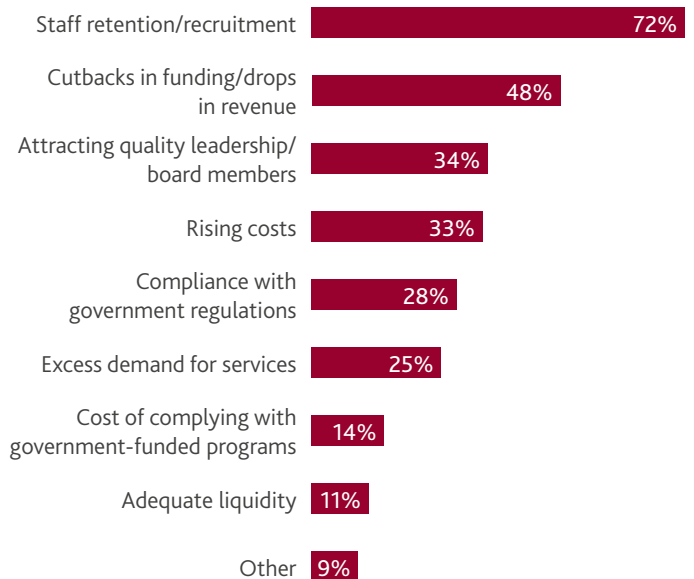
72% of nonprofits say staff **retention and recruitment** is a challenge.

Nonprofit Challenges

The majority of nonprofits (72 percent) rank staff retention and recruitment as a challenge they expect to face this year, followed by cutbacks in funding and drops in revenue (48 percent). These concerns will likely continue to be top-of-mind as the new administration continues to introduce new policies and potential federal funding cuts to various programs and organizations.

Attracting quality leadership and board members (34 percent), rising costs (33 percent), compliance with government regulations (28 percent) and excess demand for services (25 percent) were among the other top challenges identified by nonprofit executives. Interestingly, only 11 percent of organizations identify adequate liquidity as a challenge, even though 53 percent of nonprofits have less than six months of liquid unrestricted net assets.

NONPROFIT CHALLENGES

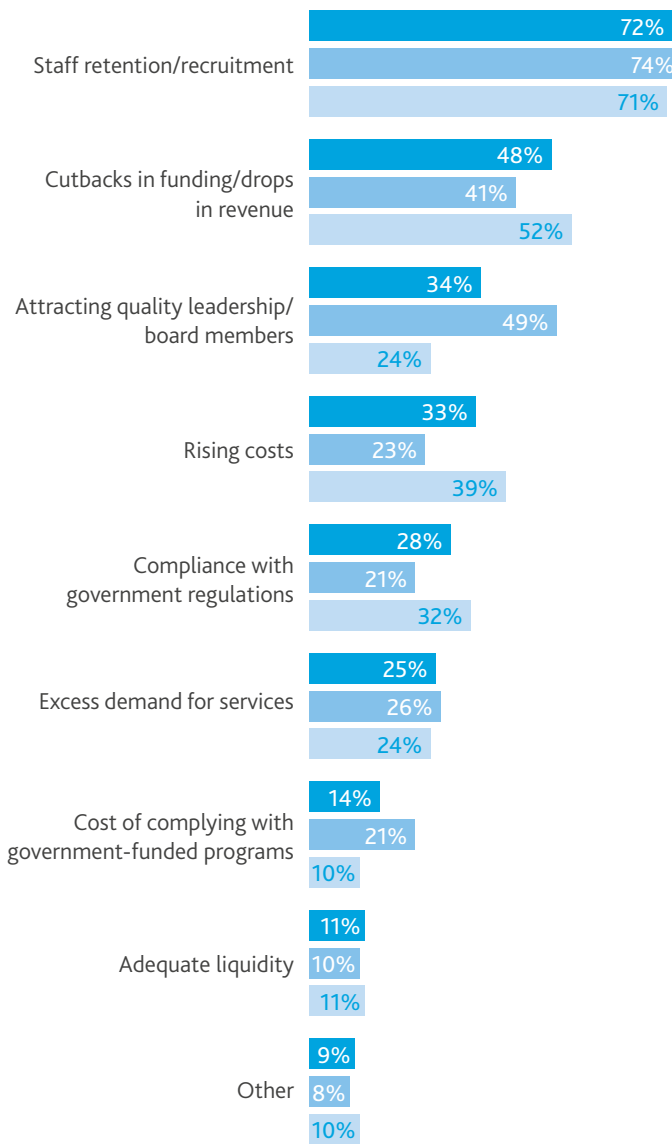


Revenue & Sector Breakdown

While most organizations name staff retention as a top challenge this year, more than double the proportion of organizations with less than \$25 million in annual revenue (49 percent) cite attracting quality leaders, compared to 24 percent of nonprofits with revenue greater than \$25 million. Nonprofits with revenue less than \$25 million are more likely than larger organizations to cite the cost of complying with government-funded programs as a concern (21 percent versus 10 percent). Larger organizations, conversely, more frequently name compliance with government regulations as a top concern (32 percent versus 21 percent).

HHS providers list staff retention and recruitment (92 percent), cutbacks in funding (76 percent), compliance with government regulations (46 percent) and rising costs (35 percent) as top concerns. Among public charities, the top challenges include staff retention and recruitment (65 percent), attracting quality leadership and board members (44 percent), excess demand for services (38 percent), and cutbacks in funding and drops in revenue (38 percent each).

NONPROFIT CHALLENGES [REVENUE BREAKOUT]



■ All organizations ■ Less than \$25M ■ \$25M or more

NONPROFIT CHALLENGES [SECTOR BREAKOUT]



■ All organizations ■ Public Charity ■ Health & Human Services

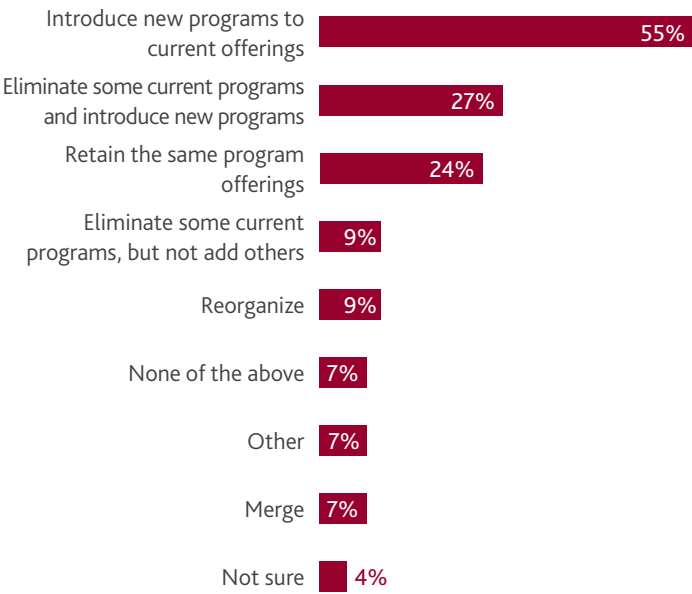
Future Plans

More than half (55 percent) of all respondents plan to introduce new programs to their current offerings, including more than two-thirds of HHS organizations (68 percent). Twenty-seven percent of all organizations plan to eliminate some current programs and introduce new programs, while nearly one quarter (24 percent) intend to maintain the same program offerings. Overall, only 7 percent of all respondents have plans to merge in the next two years.

For the 7 percent of respondents who selected “other” for this question, responses include: adding new fundraising platforms, conducting capital campaigns, optimizing mission, scaling programs nationally, making acquisitions and affiliating with larger organizations.

Looking at the sector differences, the clear majority of HHS organizations (68 percent) are looking to expand programs, while 41 percent of public charities plan to do so. Sixteen percent of HHS organizations have plans to merge in the next two years, compared to just 3 percent of public charities.

PLANS FOR THE NEXT TWO YEARS



Most nonprofits plan to **introduce new programs** in the next two years.

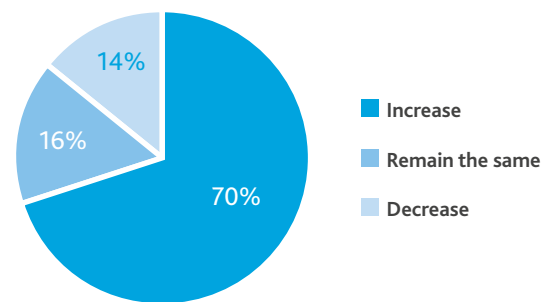


Operations

Revenue

The majority (70 percent) of organizations surveyed experienced a revenue increase in their last fiscal year. While 63 percent of public charities experienced revenue increases, 26 percent report their revenue remained the same. Only 11 percent of HHS organizations' revenue remained static, while the majority (68 percent) report an increase.

REVENUE OVER THE PAST YEAR

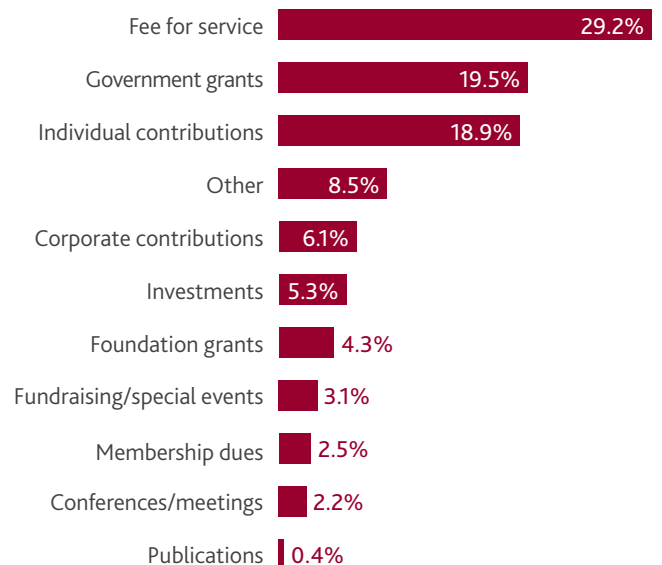


Funding Sources

Funding operations is crucial to all nonprofit organizations, but funding typically comes from a variety of sources.

Of the respondents who selected "other" on the survey, additional funding sources include: rental income, interest income, in-kind donations, lending revenue and manufacturing.

OVERALL FUNDING SOURCES MAKEUP



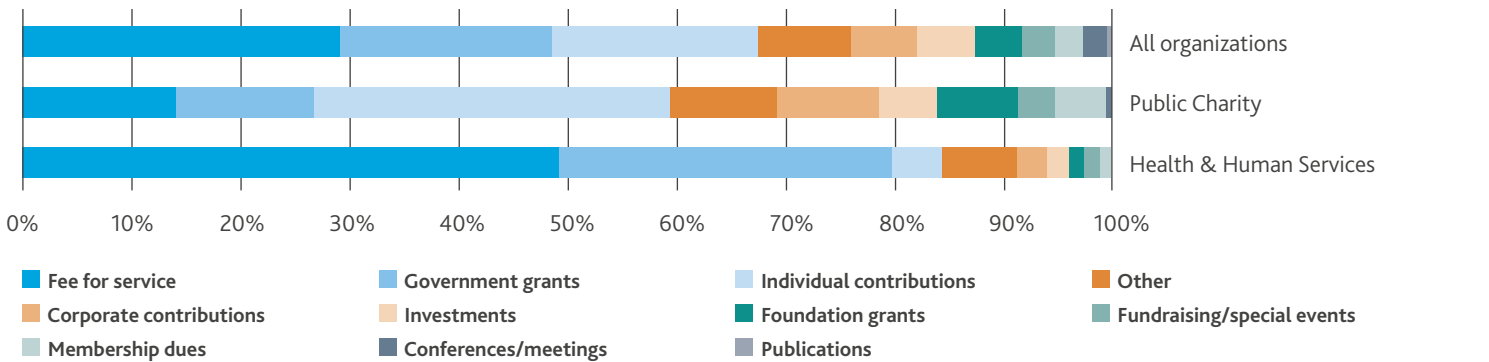
Funding Sources by Subsector

Public charities unsurprisingly rely heavily on individual contributions, which account for 32.7 percent of funding, compared to 18.9 percent for all organizations surveyed. Meanwhile, individual contributions account for just 4.6 percent of HHS organizations' total funding.

Funding sources for HHS organizations are more concentrated, with funding heavily sourced from fees for service and

government grants (49.3 and 30.6 percent, respectively). This variance likely represents HHS organizations' reliance on insurance payouts, as well as on Medicare and Medicaid. However, with the nationwide transition toward value-based care models, this funding mix could shift significantly over the course of the next several years.

FUNDING SOURCES [SECTOR BREAKOUT]

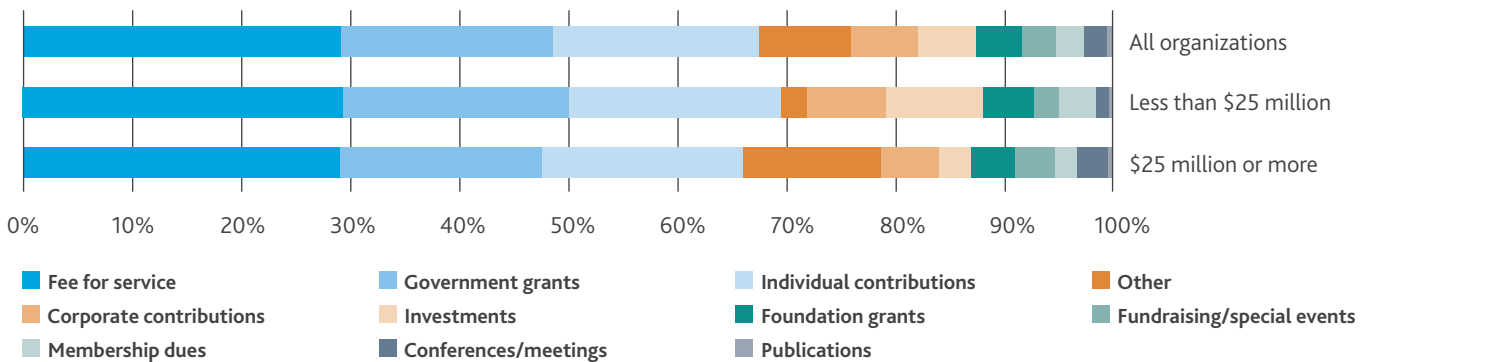


Funding Sources by Revenue Size

Organizations with less than \$25 million in revenue get an average of 8.9 percent of annual funding from investments versus 3 percent for those with revenue more than \$25 million. For smaller organizations, investment returns may make up a greater proportion of their revenue because their annual funding is smaller. However, a bigger percentage of annual funding

from investments may not be indicative of better yields and/or management of investments. Organizations with less than \$25 million in revenue receive more of their funding from corporate contributions (7.3 percent compared to 5.3 percent for organizations with revenue above \$25 million).

FUNDING SOURCES [REVENUE BREAKOUT]

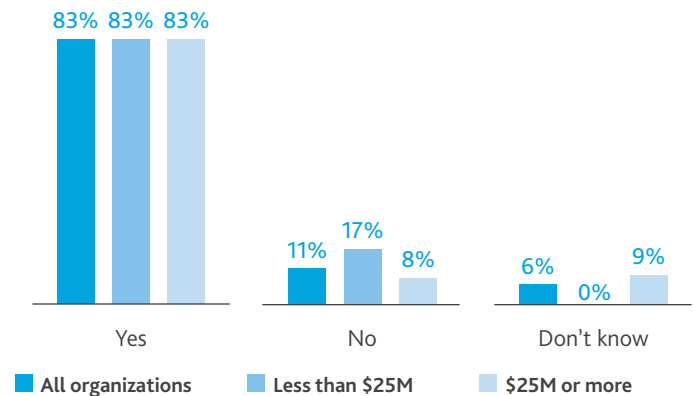


Investments

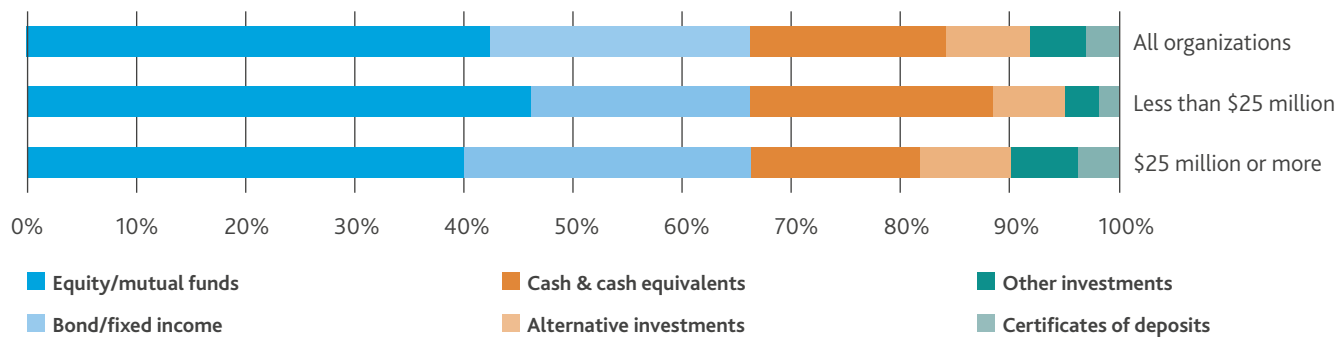
The clear majority of organizations surveyed (83 percent) have an investment policy. Only 8 percent of organizations with annual revenue more than \$25 million do not have an investment policy, compared to 17 percent of organizations with annual revenue less than \$25 million.

When it comes to making investments, equity/mutual funds are the most common choice for nonprofits across the board, making up an average of 42.4 percent of total investments. Nonprofits with less than \$25 million in revenue allocate, on average, more of their investments to equity/mutual funds—likely because they do not want to expose their organizations to less liquid investments.

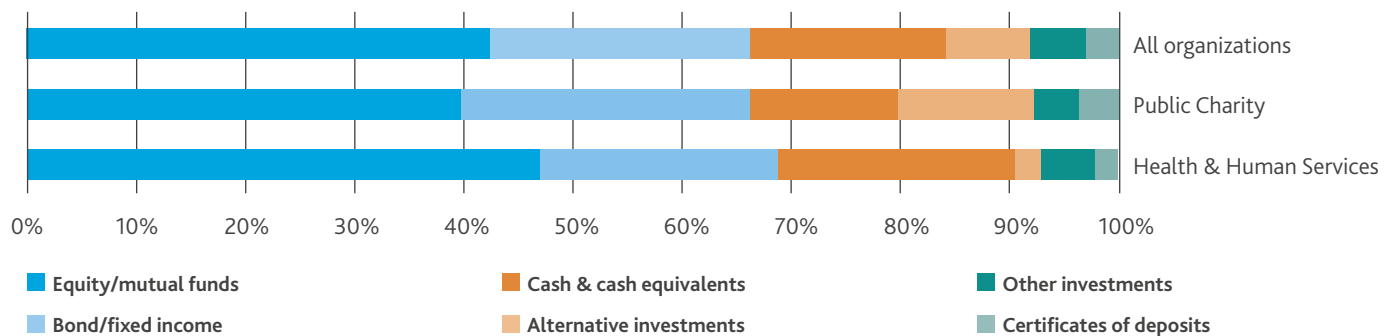
DOES YOUR ORGANIZATION HAVE AN INVESTMENT POLICY?



INVESTMENT ALLOCATION [REVENUE BREAKOUT]



INVESTMENT ALLOCATION [SECTOR BREAKOUT]



Public charities have a higher percentage of investments allocated to alternative investments than the average of all other organizations (12.4 percent compared to 7.7 percent). They hold less of their investments in cash and cash equivalents than the average (13.6 percent compared to an average of 18 percent of all organizations).

HHS organizations allocate a much lower than average percentage to alternative investments (2.4 percent). They allocate slightly more than the average percentage to equities (47 percent) and cash and cash equivalents (21.7 percent).

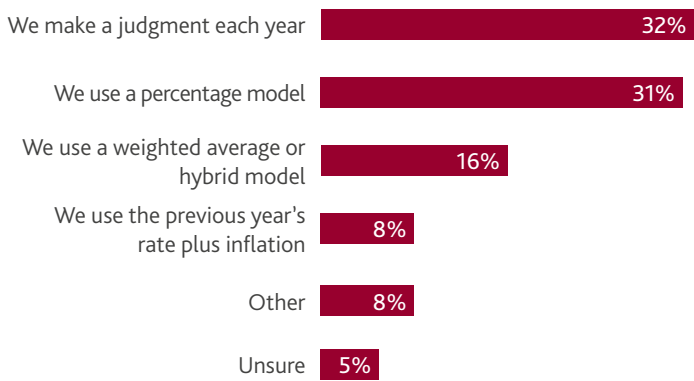
Overall, the largest proportion of those surveyed (38 percent) report having no operating budget funded via investment income. Across all organizations, the average percentage of operating budget funded by investment income is 7 percent. Almost one-quarter (24 percent) of public charities report funding 10 percent or more of their operating budget through investment income, compared to just 8 percent of HHS organizations.

Overall, organizations fund an average of **7% of their operating budgets through investments.**

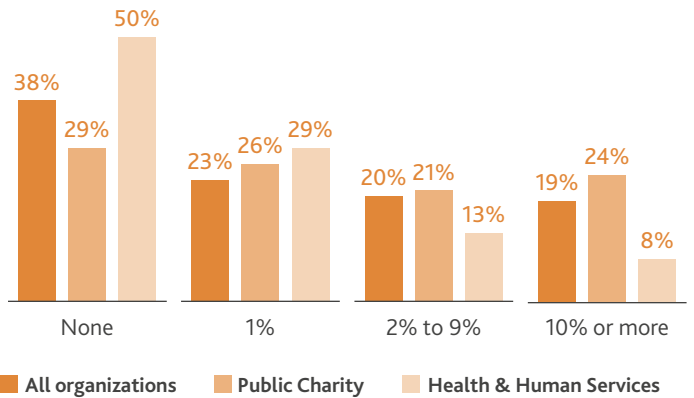
Spending Policy

The majority of organizations (70 percent) have an official spending policy. The highest proportion of those surveyed (32 percent) make a judgment call each year. This option may be popular because it gives organizations the opportunity to remain flexible if investment returns don't meet expectations. Percentage models are the next highest, cited by 31 percent overall.

TYPE OF SPENDING POLICY

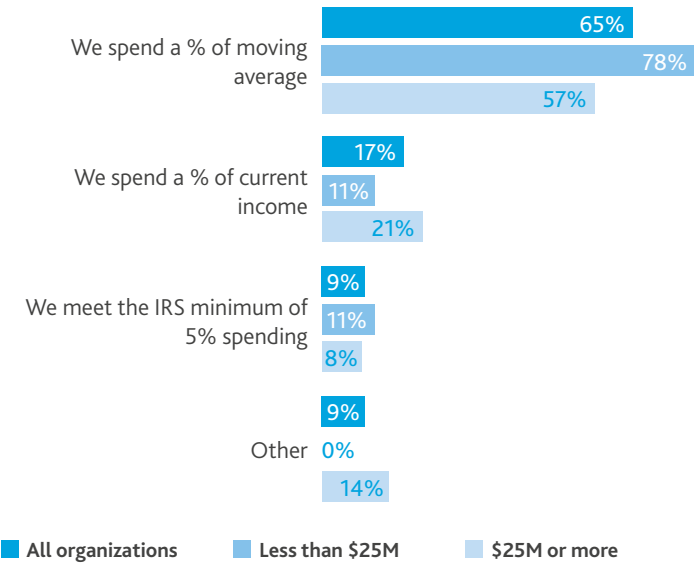


PORTION OF OPERATING BUDGET FUNDED BY INVESTMENTS [SECTOR BREAKOUT]



Of the respondents who cite a percentage-based spending policy, the majority (65 percent) spend a percent of moving average. While the average is 5.3 percent, the median is 4.5 percent. This difference suggests that many organizations have already lowered their spending rates, given recent concerns around investment returns.

TYPE OF PERCENTAGE-BASED SPENDING POLICY [REVENUE BREAKOUT]



70% of nonprofits have a **spending policy**.



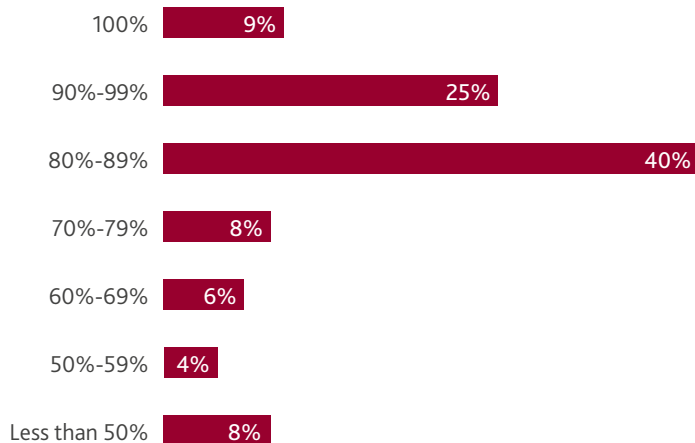
Scope & Impact



70% of respondents did not expand the **scope of their mission** last year.

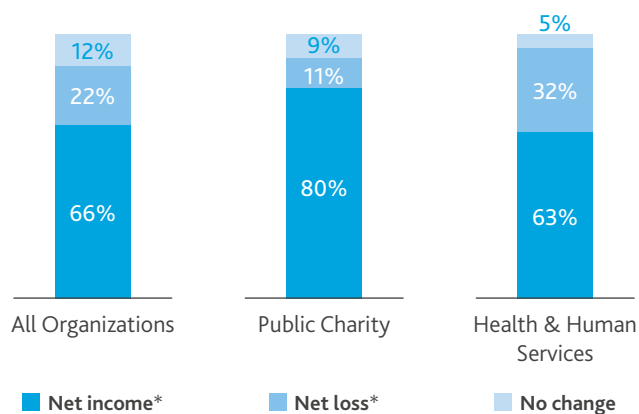
On average, 79.3 percent of organizations' expenditures went toward program-related expenses. Forty percent of organizations spent between 80 to 89 percent on program-related activities, and one quarter spent 90 to 99 percent.

WHAT PERCENTAGE OF EXPENDITURES WENT TO PROGRAM ACTIVITIES?



A majority (66 percent) of organizations report that they had positive net income* from operations last year. Among public charities, that figure climbs to 80 percent.

FINANCIAL RESULTS LAST YEAR



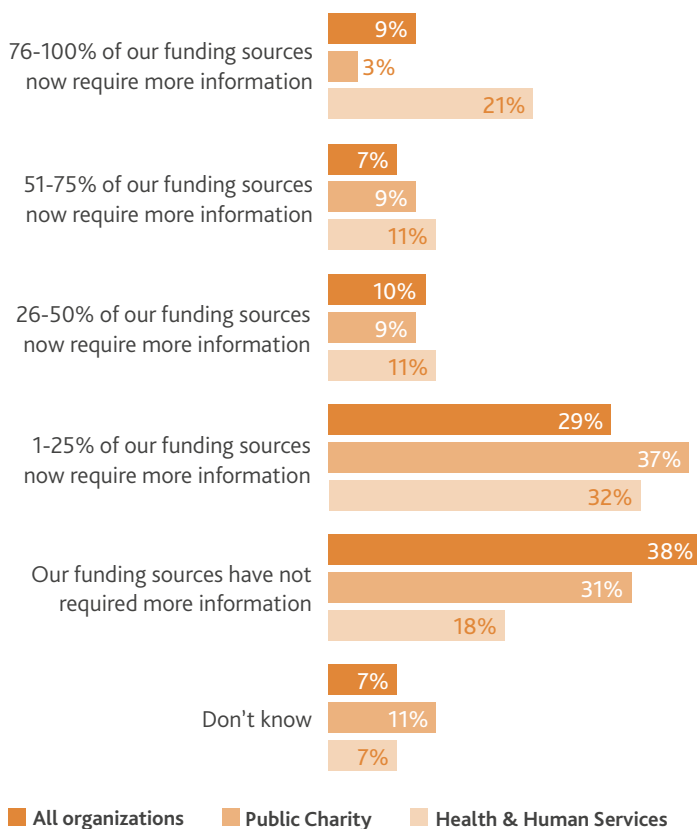
* The terms "net income" and "net loss" refer to changes in an organization's net assets. We are using the terms because nonprofit board members and non-financial executives generally analogize them with a change in net assets.

Reporting Results

The push for increased transparency is growing throughout the nonprofit sector. Fifty-five percent of organizations said that some portion of their funders have required more information than was previously required, meaning organizations may be facing additional administrative burdens. However, over one-third (38 percent) of organizations report that their funding sources have not required more information. Meanwhile, about one in five (21 percent) HHS organizations said that nearly all—more than 76 percent—of their funding sources required more information. Just 3 percent of public charities report the same.

PERCENT OF FUNDING SOURCES THAT ASKED FOR ADDITIONAL INFORMATION ON OUTCOMES AND IMPACT LAST YEAR

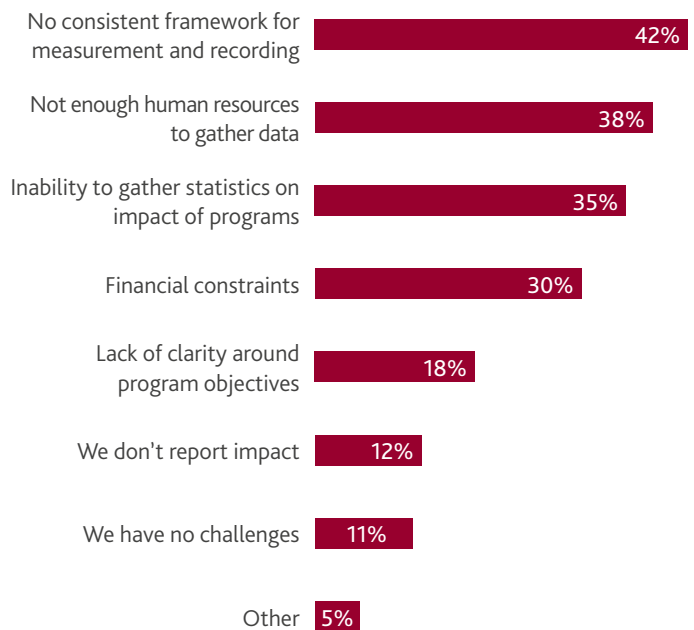
[SECTOR BREAKOUT]



Reporting Challenges

Reporting impact and outcomes is a perennial challenge for nonprofit organizations. The top reporting challenge cited is the absence of a consistent framework for measuring and recording impact, named by 42 percent of organizations. Thirty-eight percent cite a lack of human resources to gather data as a top challenge to effective reporting. Unsurprisingly, organizations with revenue less than \$25 million were more likely to name this challenge (48 percent) than those with revenue over \$25 million (31 percent). Similarly, over one-third (35 percent) of the organizations surveyed name the inability to gather statistics related to impact. Forty-three percent of public charities report this as a top challenge.

REPORTING CHALLENGES



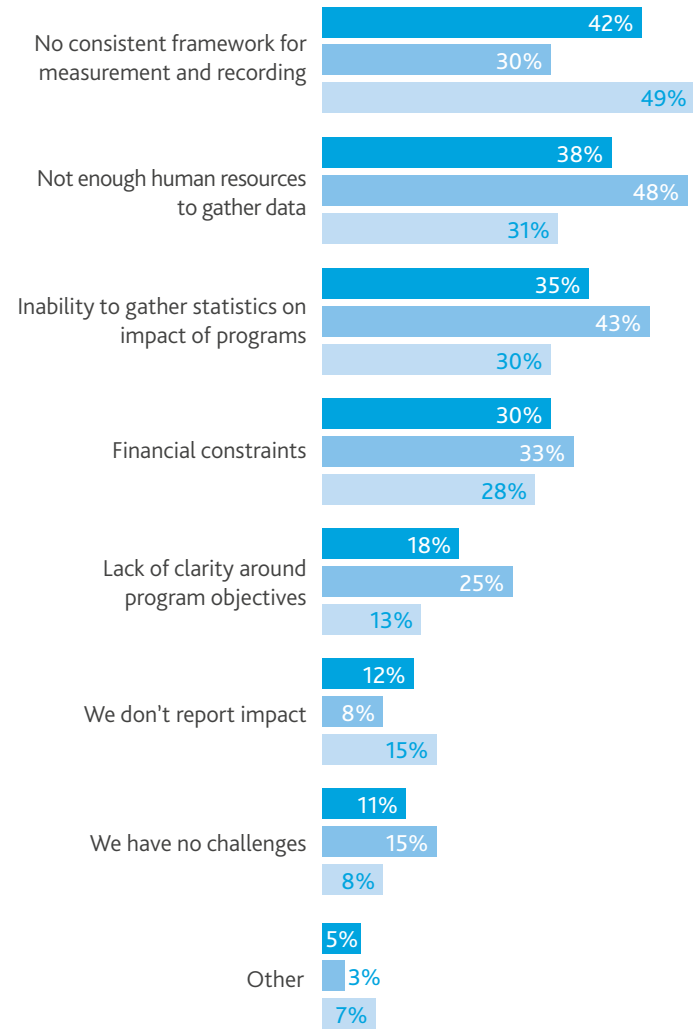


REPORTING CHALLENGES
[SECTOR BREAKOUT]



■ All organizations ■ Public Charity ■ Health & Human Services

REPORTING CHALLENGES
[REVENUE BREAKOUT]



■ All organizations ■ Less than \$25M ■ \$25M or more



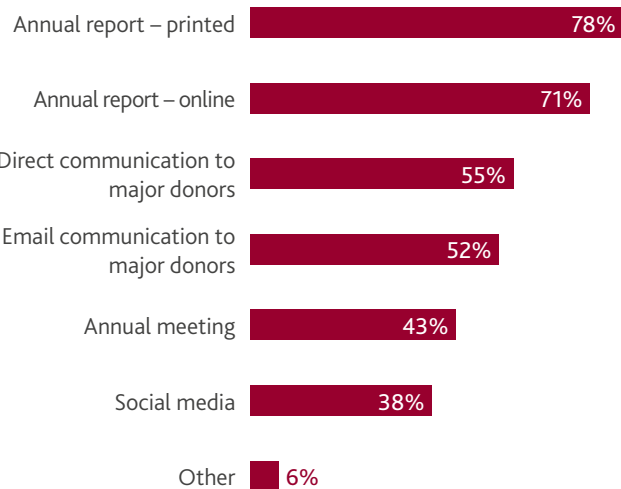
Reporting Methods

Most organizations surveyed leverage a variety of vehicles to communicate outcomes to stakeholders. Most organizations leverage both printed (78 percent) and online (71 percent) annual reports, along with direct communication to major donors (55 percent) and email communications to major donors (52 percent).

Organizations with revenue more than \$25 million are more likely to send a printed annual report (82 percent) than those with revenue under \$25 million (72 percent). Of those who mention using social media to communicate outcomes, 93 percent of organizations with revenue under \$25 million name Facebook, compared to 88 percent of organizations with revenue over \$25 million. Interestingly, 21 percent of organizations with revenue over \$25 million use Instagram as a communication tool.

Despite the common perception that donors prefer digital communication over other methods, 82 percent of public charities leverage direct communication with major donors, compared to an average of 55 percent of organizations overall. However, 68 percent of public charities use email communication, compared to an average of 52 percent across all sectors.

COMMUNICATION OF OUTCOMES TO STAKEHOLDERS



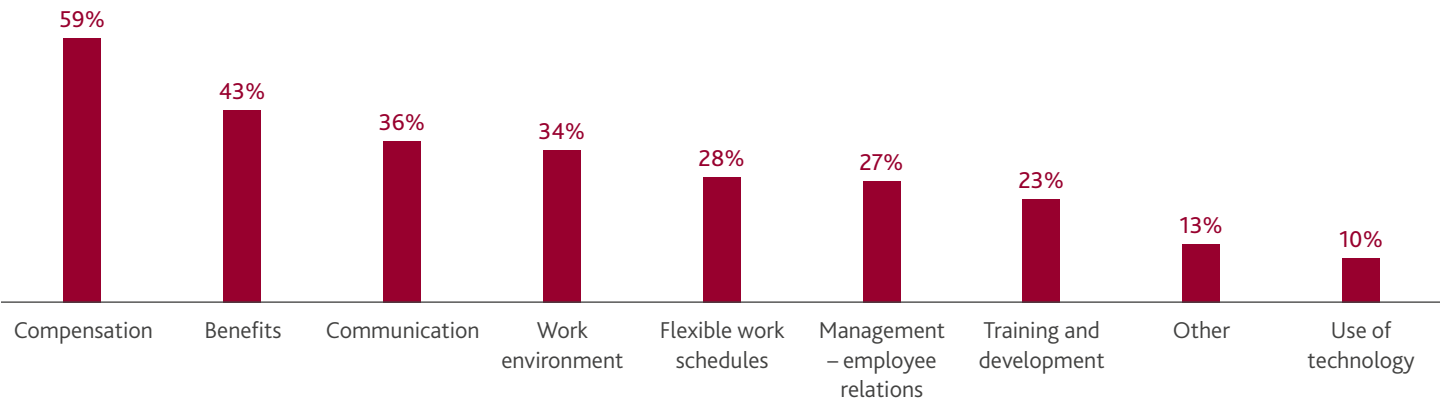
Human Resources

Employee Satisfaction Issues

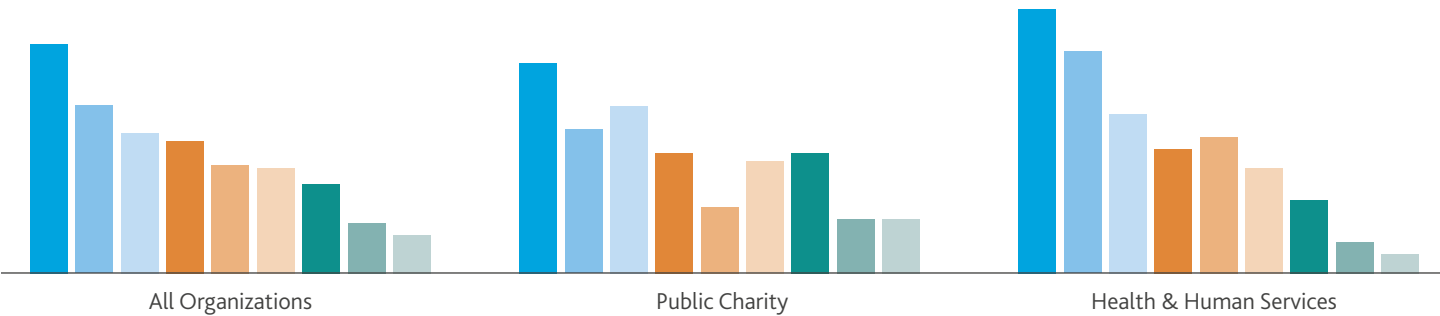
With limited resources, recruiting and retaining top quality talent continues to be an obstacle for nonprofits—with compensation cited as the top employee satisfaction issue by survey participants (59 percent). Among HHS organizations, this number climbs to 68 percent. The second most-cited issue is benefits,

reported by 43 percent of organizations across all sectors. Twenty-eight percent of organizations say that having a flexible work schedule is a top employee satisfaction issue. Meanwhile, nearly one-third (31 percent) of public charities report training and development as a top employee satisfaction issue.

TOP EMPLOYEE SATISFACTION ISSUES



TOP EMPLOYEE SATISFACTION ISSUES [SECTOR BREAKOUT]



Response	All organizations	Public Charity	Health & Human Services
Compensation	59%	54%	68%
Benefits	43%	37%	57%
Communication	36%	43%	41%
Work environment	34%	31%	32%
Flexible work schedules	28%	17%	35%
Management – employee relations	27%	29%	27%
Training and development	23%	31%	19%
Other	13%	14%	8%
Use of technology	10%	14%	5%

Employee Compensation

Half of organizations report that, on average, their employee compensation levels grew by 3-4 percent last year. Another 27 percent grew their employee compensation by 1-2 percent, and 18 percent saw no change. No organizations increased compensation by more than 10 percent.

Nearly one in four organizations with revenue over \$25 million did not change compensation levels at all, compared to just 8 percent of smaller organizations. All the organizations that raised compensation levels from 7-10 percent had less than \$25 million in revenue.



"People are at the heart of the nonprofit sector—and the data reflects that

organizations deeply value their staff, leadership and board members. To maximize tightening budgets, it's increasingly important to cultivate effective leadership at the board level and competent management to conduct operations."

Laurie De Armond, Partner and National Co-Leader,
Nonprofit & Education Practice

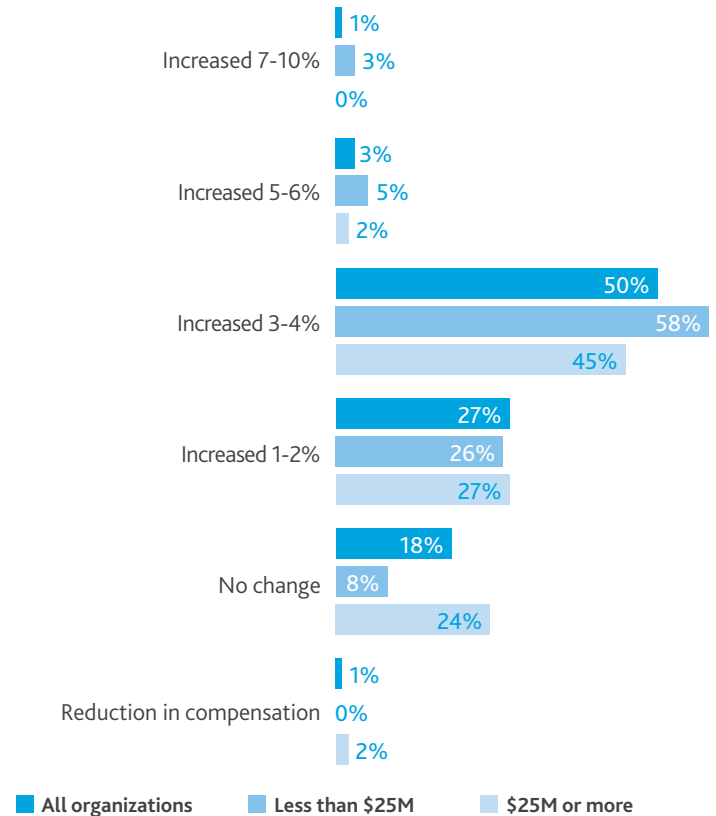
Flexible Work Arrangements

With nearly one-quarter (28 percent) of organizations citing flexible work arrangements as a top employee satisfaction issue, it's no surprise that 84 percent plan to offer some type of flexible work arrangement within the next two years.

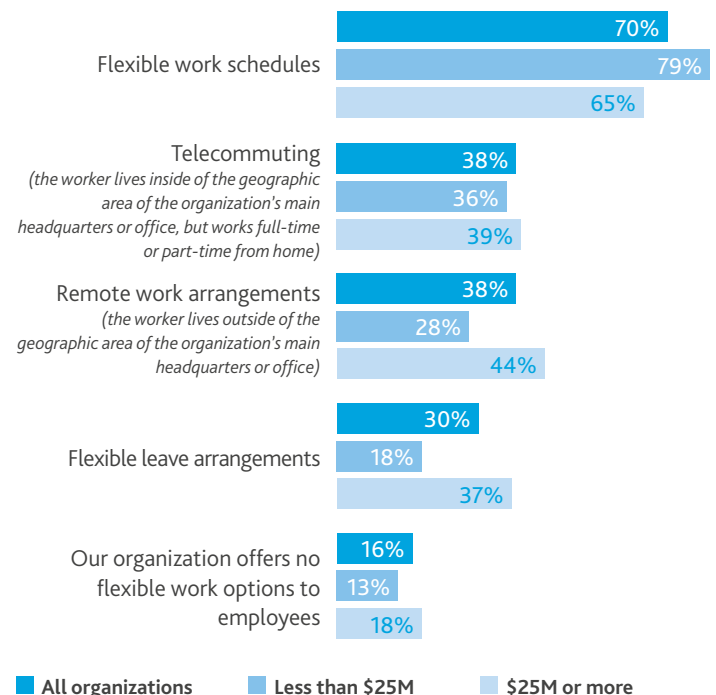
Nearly three in four (70 percent) organizations plan to offer flexible work schedules to employees in the next 24 months. Thirty-eight percent of organizations plan to offer telecommuting options, and the same percentage plan to offer remote work arrangements.

Organizations with revenue under \$25 million were more likely to offer flexible work schedules (79 percent) than those with revenue over \$25 million (65 percent). Smaller nonprofits may be apt to have flexible work schedules as a tradeoff for lower levels of compensation. Additionally, smaller nonprofits tend to be less structured than larger organizations, which could allow for a wider variety of work arrangements.

AVERAGE CHANGE IN COMPENSATION LAST YEAR [REVENUE BREAKOUT]



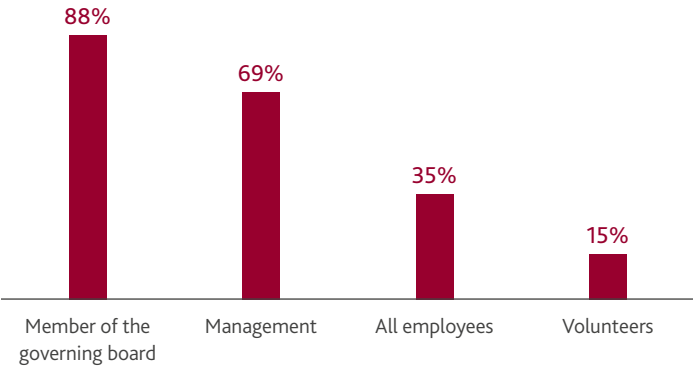
WHAT FLEXIBLE WORK ARRANGEMENTS WILL YOU OFFER IN THE NEXT TWO YEARS? [REVENUE BREAKOUT]



Governance

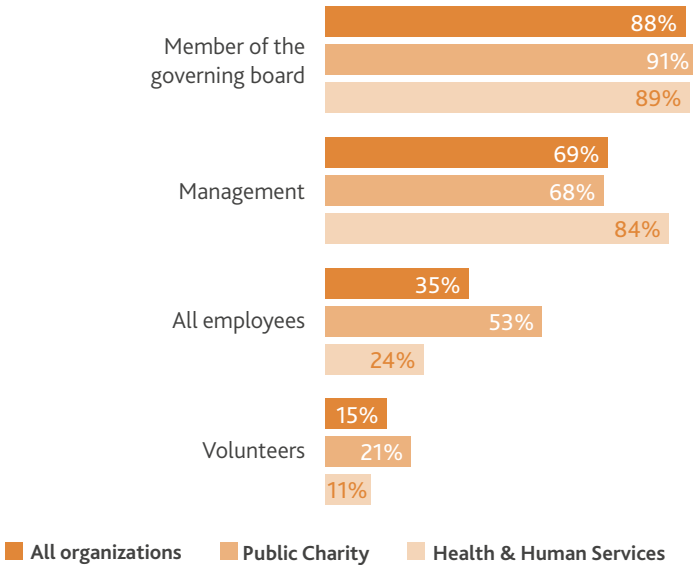
Effective governance practices are critical for nonprofits of all sizes, and a key element of these practices is limiting conflicts of interest. To determine where potential issues may arise, many organizations circulate a conflict of interest statement to key stakeholders. Most organizations (88 percent) circulate an annual conflict of interest statement to members of the governing board. More than two-thirds (69 percent) circulate one to management,

WHO RECEIVES AN ANNUAL CONFLICT OF INTEREST STATEMENT?



while 35 percent circulate one to all employees, and 15 percent to volunteers. Over half (53 percent) of public charities circulate a conflict of interest statement to all employees, compared to 35 percent of all organizations. Public charities are also more likely to send a statement to all their volunteers. A notably high proportion (84 percent) of HHS organizations share a conflict of interest statement with management.

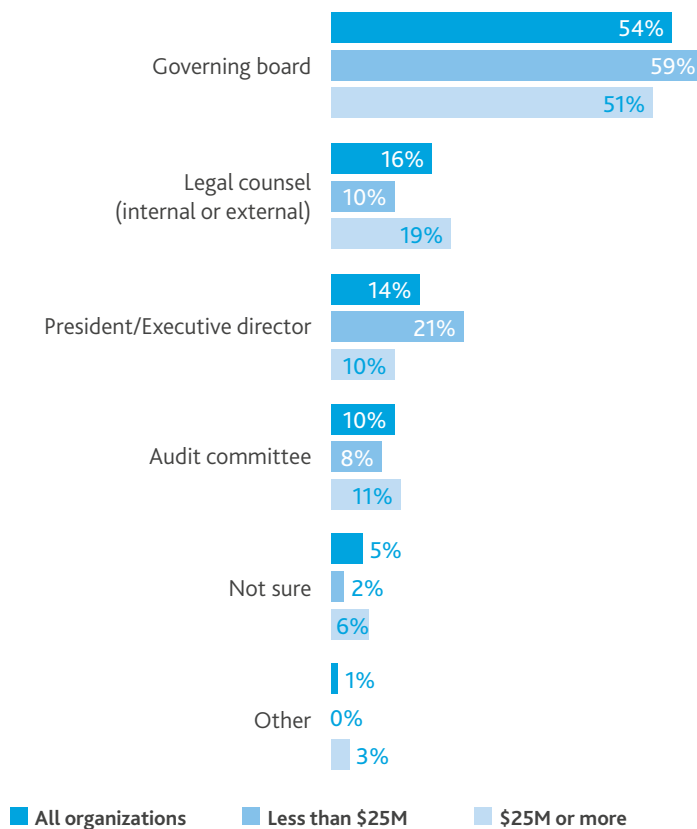
WHO RECEIVES AN ANNUAL CONFLICT OF INTEREST STATEMENT? [SECTOR BREAKOUT]





When conflicts do arise, the group assigned to handle the issue varies among organizations. Most respondents (54 percent) cite the governing board as the final arbiter of any conflicts of interest. The next highest proportion (16 percent) gives this responsibility to legal counsel, followed by the president and/or executive director (14 percent) and the audit committee (10 percent).

WHO IS THE FINAL ARBITER OF CONFLICTS OF INTEREST?

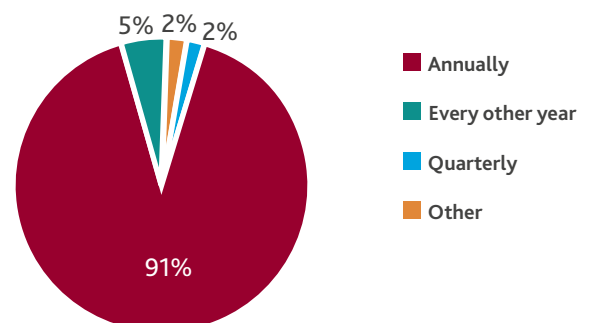


Comparing responses based on organization size, 19 percent of respondents with over \$25 million in revenue cite legal counsel, compared to just 10 percent of those below \$25 million, likely because smaller organizations may face resource constraints.

The vast majority of public charities (74 percent) leave this power with the governing board versus just over half (54 percent) of HHS providers.

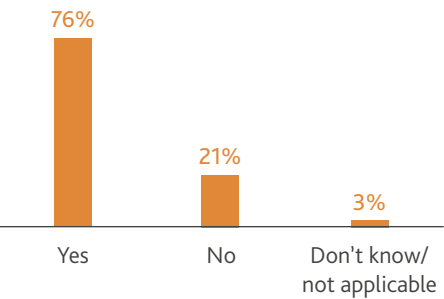
A functioning board is the lifeblood of nearly all nonprofits, responsible for steering strategic direction, ensuring long-term sustainability and enacting sound governance practices. Unsurprisingly, 96 percent of the organizations surveyed require independent board members to evaluate the executive director's performance and compensation. For nearly all (91 percent) organizations, reviews are conducted on an annual basis.

FREQUENCY OF PERFORMANCE AND COMPENSATION REVIEWS



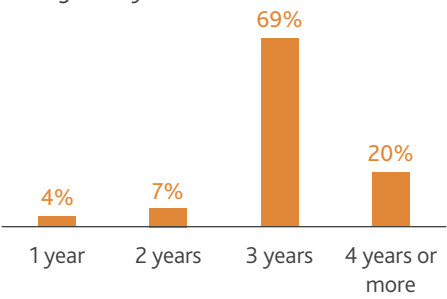
Board Practices

DO YOU HAVE TERM LIMITS?



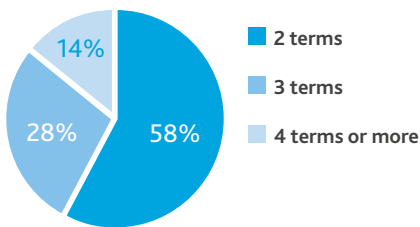
BOARD TERM DURATION

Average: 3.4 years



TOTAL TERMS BOARD MEMBERS CAN SERVE

Average: 2.8 terms

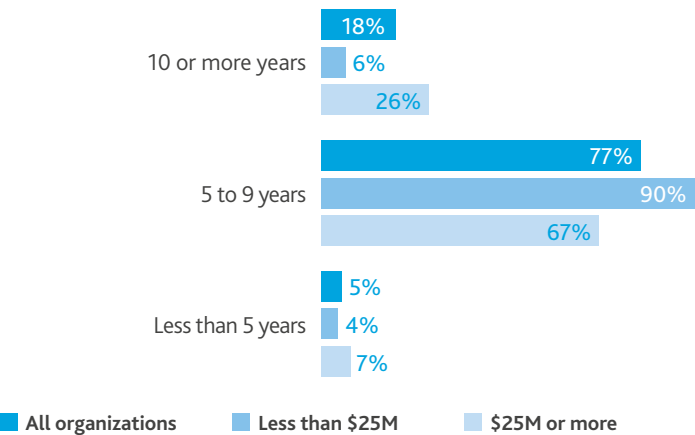


Total Years Board Members can Serve

Average: 8.1 years

- ▶ The majority of organizations (77 percent) allow board members to serve between five and nine years in total.
- ▶ 90 percent of organizations with less than \$25 million in revenue have total board service durations of five to nine years, compared to 67 percent of those above \$25 million in revenue.
- ▶ Just over one-quarter (26 percent) of organizations above \$25 million in revenue have total service durations of 10 or more years versus 6 percent of those below \$25 million in revenue.

TOTAL NUMBER OF YEARS BOARD MEMBERS CAN SERVE (CALCULATED) [\[REVENUE BREAKOUT\]](#)



Number of Board Members

Average: 20.6 board members

- ▶ The highest proportion of respondents (43 percent) report having between 10 and 19 board members, while one quarter (25 percent) have between 20 and 29, and 19 percent have 30 or more board members.
- ▶ Over half (61 percent) of organizations under \$25 million in revenue have 10-19 board members versus nearly one-third (32 percent) of those over \$25 million in revenue.
- ▶ 25 percent of organizations over \$25 million in revenue have 30 or more board members versus 8 percent of those under \$25 million in revenue.

Number of board members	Less than \$25 million	\$25 million or more	All organizations
Fewer than 10	7%	18%	13%
10 to 19	61%	32%	43%
20 to 29	24%	25%	25%
30 or more	8%	25%	19%
Average number of members	17.8	22.3	20.6

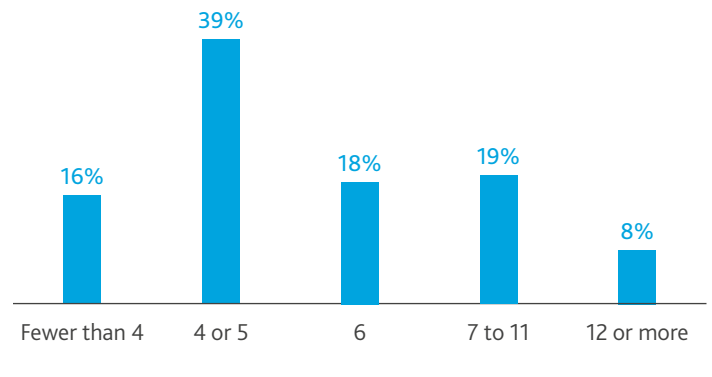
Number of board members	Health & Human Services	Public Charity	All organizations
Fewer than 10	14%	6%	13%
10 to 19	51%	47%	43%
20 to 29	24%	29%	25%
30 or more	11%	18%	19%
Average number of members	18.6	21.7	20.6

Number of Board Meetings per Year

Average: 6 meetings

A plurality of organizations surveyed conduct **four or five board meetings** throughout the course of the year.

NUMBER OF BOARD MEETINGS PER YEAR



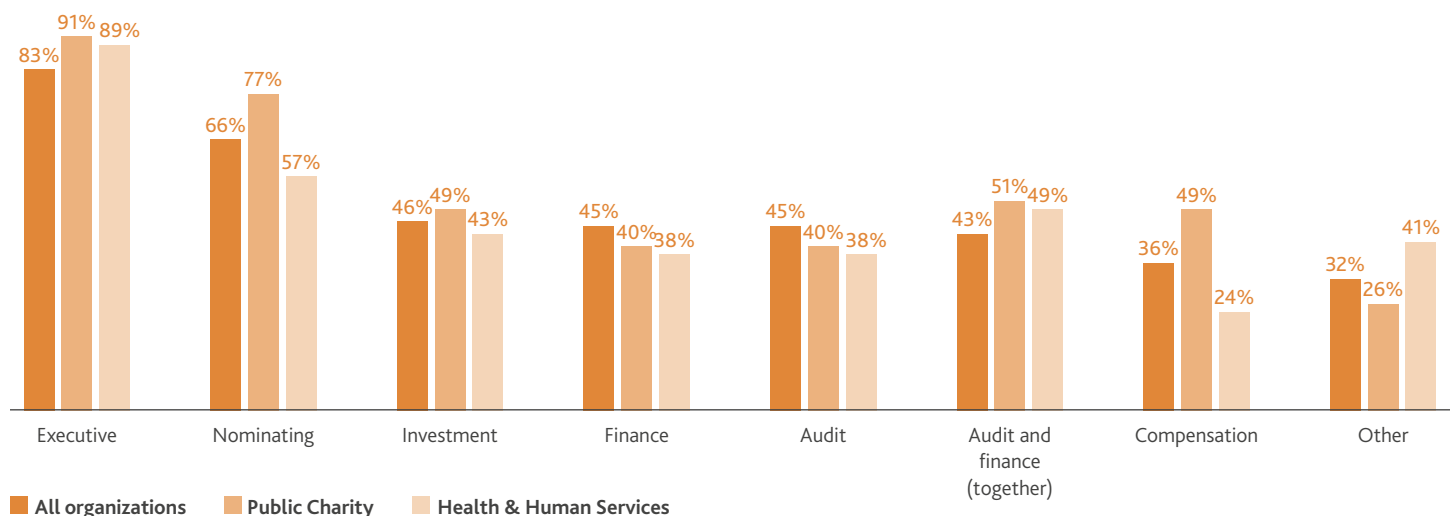
Formal Board Committees

Regardless of the size of a nonprofit's board, various committees typically handle certain responsibilities. The most-cited formal board committee was executive (83 percent), followed by nominating (66 percent), investment (46 percent), finance (45 percent), audit (45 percent) and a combined audit and finance committee (43 percent). Thirty-two percent of respondents maintain formal committees not defined in the survey, including groups dedicated to governance, membership, marketing, government affairs, programs and services, fundraising, diversity, human resources, endowment

and planned giving, bylaws, compliance, risk assessment and strategic planning.

Nearly half (49 percent) of public charities have a compensation committee, compared to 24 percent of HHS organizations and 36 percent of overall organizations. Also, a larger percentage of public charities have a nominating committee (77 percent) versus 57 percent of HHS organizations. These differences suggest that public charities may be more thoughtful about compensation and board planning than other types of organizations.

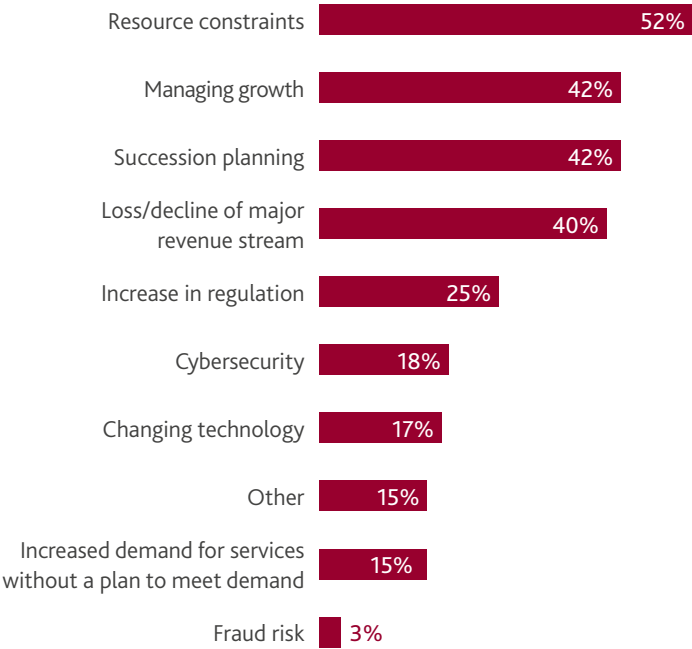
ESTABLISHED COMMITTEES [SECTOR BREAKOUT]



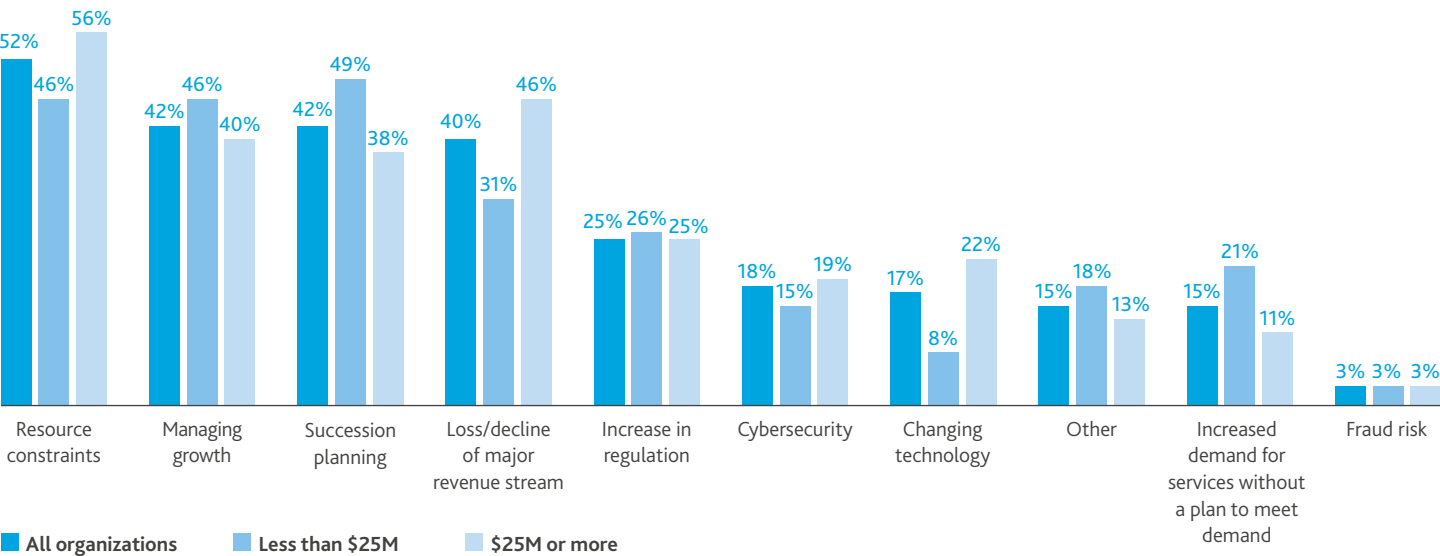
Board Concerns

Over half (52 percent) of organizations name resource constraints as a top concern for boards, followed by managing growth and succession planning (42 percent each) and loss or decline of a major revenue stream (40 percent). One in four boards worry about increases in regulation for nonprofit organizations. Concerns related to technology—cybersecurity and changing technologies—were reported by 18 percent and 17 percent of organizations, respectively. Fifteen percent of organizations cite other concerns, ranging from fundraising and capital campaigns to impact assessments, measurement and mergers.

BOARD CONCERNS



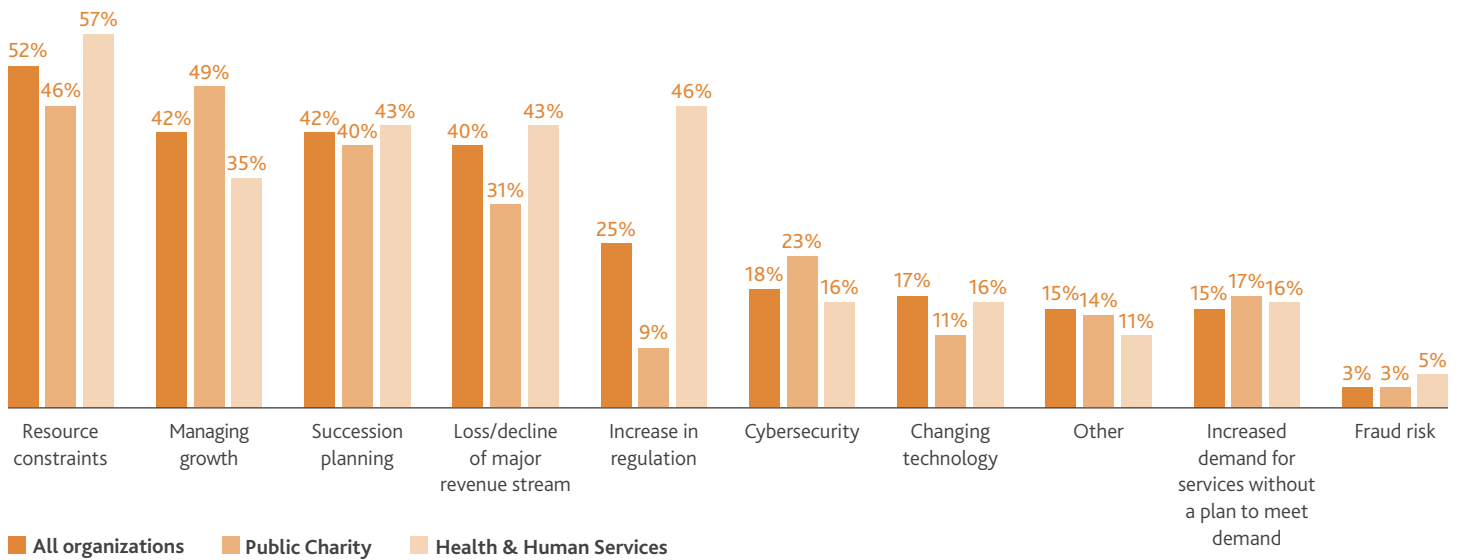
BOARD CONCERNS [REVENUE BREAKOUT]



Looking at the breakdown of concerns by annual revenue, some differences emerge between organizations with annual revenue above and below \$25 million. Larger organizations express higher levels of concern related to technology than their smaller peers. Twenty-two percent of organizations above \$25 million in revenue cite changing technology, compared with just 8 percent of smaller organizations. Cybersecurity is also a more frequently cited concern for larger organizations—19 percent name it as one of their challenges versus 15 percent of smaller organizations.

Succession planning is a top concern for nearly half (49 percent) of organizations under \$25 million in revenue, relative to 38 percent of larger nonprofits. Smaller nonprofits also cite managing growth more frequently (46 percent) than larger organizations (40 percent). Twenty-one percent of organizations under \$25 million in revenue cite increased demand for services without a plan to meet demand versus just 11 percent of organizations above \$25 million in revenue.

BOARD CONCERNS [SECTOR BREAKOUT]



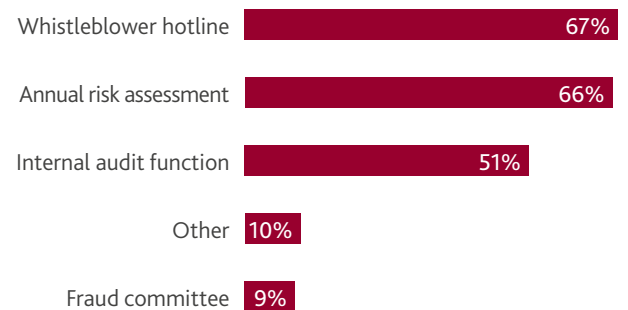
Looking across sectors, 46 percent of HHS organizations name increase in regulation as a top concern, compared to just 9 percent of public charities and one-quarter of organizations overall. Resources also seem to be of greater concern to HHS organizations: More than half (57 percent) cite resource constraints as a top concern, compared to 46 percent of public charities. Forty-three percent of HHS organizations also cite loss/decline of major revenue stream as a top challenge versus 31 percent of public charities. In contrast, managing growth is the most-cited concern for public charities (49 percent), compared with 35 percent of HHS organizations.

Fraud Risk Management

While fraud was named as a board concern by only 3 percent of respondents, managing fraud risk remains an essential responsibility of a nonprofit board. When asked about fraud prevention mechanisms, most organizations cite a whistleblower hotline (67 percent) and an annual risk assessment (66 percent). Over half (51 percent) have an internal audit function, while just 9 percent have a fraud committee. The 10 percent citing other efforts list external audit, corporate training and compliance officers.

The revenue breakdown finds large organizations are more likely to conduct an annual risk assessment than their smaller peers: 71 percent compared to 58 percent. Looking at the sectors, 62 percent of HHS providers cite internal audit functions versus 47 percent of public charities.

ANTI-FRAUD RISK MANAGEMENT PRACTICES



51% of nonprofits have an **internal audit function**, but only 9% have a fraud committee.

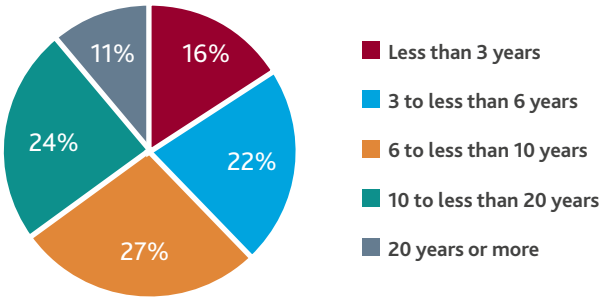
Audit Firm Rotation

Respondents have engaged their current audit firms for an average of nine years. This is relatively even across the board, with slightly lower averages for organizations with revenue of less than \$25 million and HHS providers. A majority of respondents (58 percent) have no formal policy for audit firm or partner rotation.

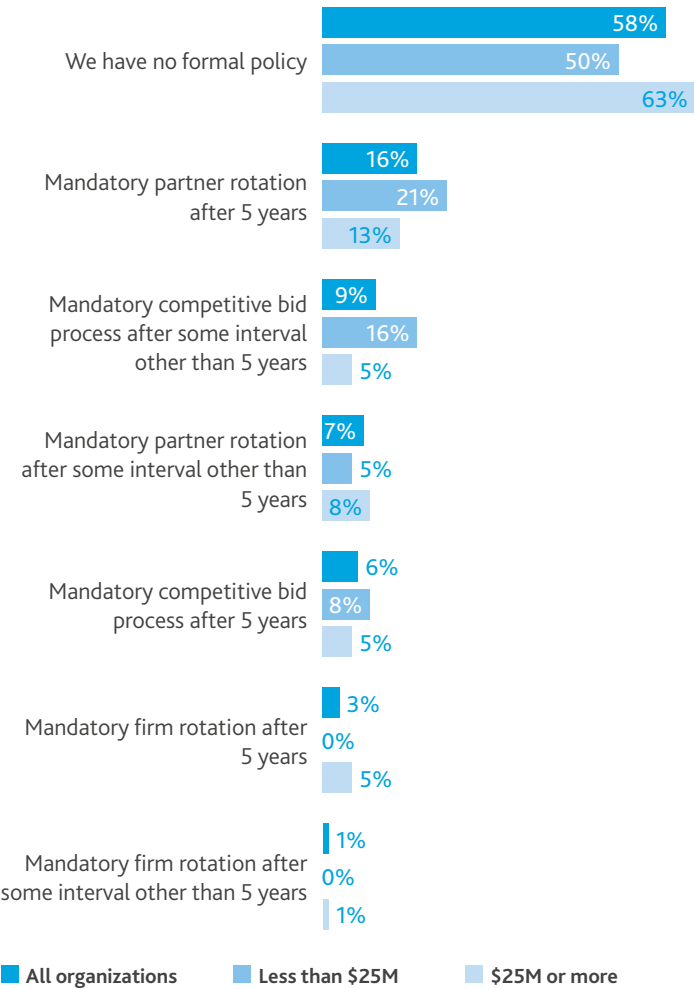
When asked about an audit firm or partner rotation policy, answers vary. Twenty-four percent of organizations with annual revenue less than \$25 million have a mandatory competitive bid process at five years or some other interval, while only 10 percent of larger organizations follow that practice. Nearly one in four (24 percent) of HHS organizations have a mandatory competitive bid process at five years or some other interval, while 6 percent of public charities say the same. A plurality (43 percent) of HHS

providers have no formal policy for audit firm or partner rotation, but this is significantly less than public charities (62 percent).

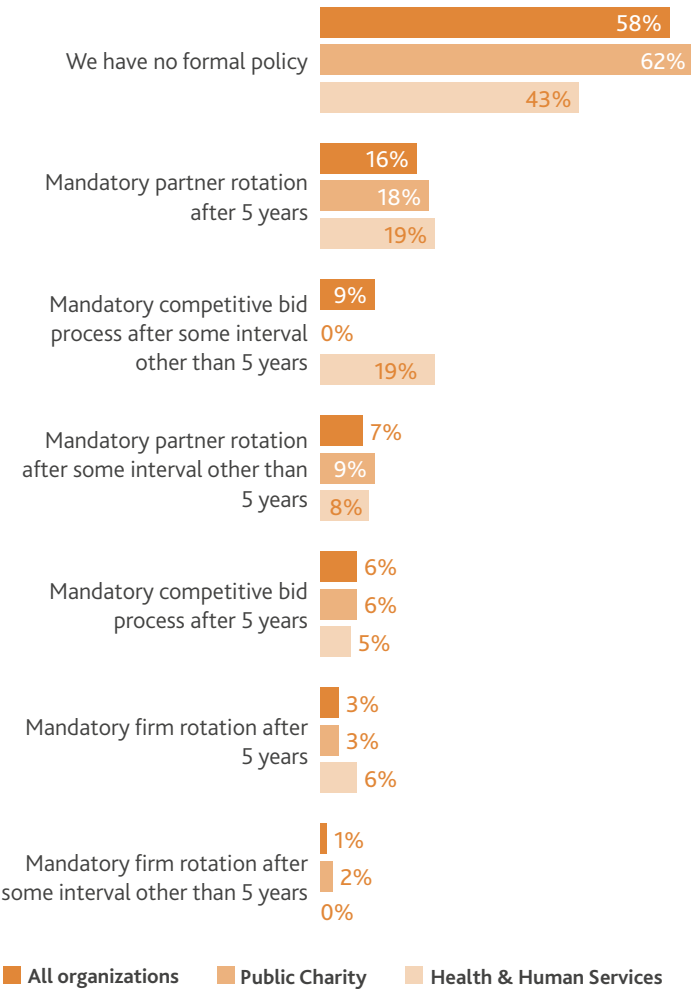
HOW LONG HAVE YOU ENGAGED YOUR CURRENT AUDIT FIRM?



AUDIT FIRM AND PARTNER ROTATION POLICY [REVENUE BREAKOUT]



AUDIT FIRM AND PARTNER ROTATION POLICY [SECTOR BREAKOUT]



Survey Methodology and Respondents

Nonprofit Standards is a national benchmarking survey of 105 nonprofit organizations, conducted in partnership with *The NonProfit Times*, across a variety of sectors with revenue above \$10 million as of their last fiscal year. The survey was fielded by Campbell Rinker, an independent market research firm specializing in nonprofits.

60%
of respondents are
CFOs.

36%
of the organizations identify
themselves as **health and
human services providers**, while
one-third are public charities.

29% of organizations
report having **regional scope of
work**, followed by international
and national (both 25 percent) and
local (21 percent).

Sectors



36%

Health & Human
Services Provider



34%

Public Charity



9%

Other



8%

International
NGO



6%

College/
University



6%

Trade/
Professional
Association



1%

Private
Foundation

Revenue & Assets

Survey respondents
have average
revenue of

\$116.4M

and average assets of

\$266.9M

REVENUE

\$10 million to less than \$25 million	38%
\$25 million to less than \$50 million	24%
\$50 million to less than \$100 million	14%
\$100 million to less than \$200 million	13%
\$200 million or more	11%

ASSETS

Less than \$5 million	7%
\$5 million to less than \$10 million	11%
\$10 million to less than \$25 million	14%
\$25 million to less than \$50 million	18%
\$50 million to less than \$100 million	17%
\$100 million to less than \$200 million	12%
\$200 million or more	21%

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