

2020 State of the Mid-South Nonprofit Sector Report

by **Momentum Nonprofit Partners**
and the **University of Memphis Institute**
for **Philanthropy and Nonprofit Leadership**



Department of Public
and Nonprofit Administration

Institute for Philanthropy
and Nonprofit Leadership

Welcome

Strong, healthy, and vibrant communities need a strong, healthy, and vibrant nonprofit sector. Nonprofit leaders surveyed for this report recognize that their organization's health is dependent upon continued capacity building, and flexibility in the use of organizational resources. Healthy and high-performing nonprofits are able to best serve their stakeholders and address the pressing challenges in Memphis and the Mid-South. As we collectively react to seismic changes in our community and our world, our local nonprofits will need to lead the charge in advocating for their stakeholders and our region.

I would like to take this opportunity to thank the Mid-South's nonprofit and philanthropic leaders for making time to respond to this biennial survey – your participation was vital to this project. I hope you enjoy this report, and thank you for all you do to improve our region. ●



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We are excited to partner with the University of Memphis Department of Public and Nonprofit Administration to provide the 2020 State of the Sector report. At Momentum Nonprofit Partners, we are committed to aggregating and amplifying the collective nonprofit sector voice, and we rely on local nonprofit organizations to share both their challenges and triumphs with us.

This report is meant to shed light on the state of the Memphis nonprofit sector and codify what many of us already know. Nonprofits are doing great work in Memphis, and we have the opportunity to help them to “do good better.” We have provided specific recommendations in this report to both nonprofits and their philanthropic partners on how to address some of the sector's biggest challenges. Our hope is that this report will guide funding decisions and nonprofit strategy.

I'd like to thank the many nonprofit leaders who gave their voice to this study. I'd also like to thank Dr. Erin Nelson of the U of M Department of Public and Nonprofit Administration. While she is always a wonderful partner to Momentum, her perseverance during this pandemic ensured that this report would not be forgotten, even when Momentum was buried in work related to the pandemic. ●



Kevin Dean
Chief Executive Officer
Momentum Nonprofit Partners

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Introduction

We need a strong, resilient, and dynamic nonprofit sector more than ever. As has become abundantly clear in the wake of the COVID-19 pandemic, nonprofit organizations are on the frontlines of ensuring our communities are physically, mentally, and financially healthy, have access to basic services, and receive the support they need to get through challenging times. In short, nonprofits ensure that all of us can reach our potential and contribute fully to our communities.

In January 2020, we launched a survey to nonprofit organizations in Memphis and the Mid-South region, exploring topics including programs and services, management and operations, public policy and advocacy, external relationships, capacity building, funding, and organizational leadership. In summary, we found that:

- **Nonprofits indicate high levels of capacity in everyday management and operations, but need greater investment in areas of capacity building as it relates to leadership, strategy, and mission.**
- **Nonprofits across the board are engaged in program evaluation, but additional resources are needed to support nonprofits, especially smaller organizations, to approach program evaluation in a more holistic way.** More specifically, nonprofits indicate that a greater investment in in-house expertise would be most valuable.
- **Nonprofits generally indicate low levels of engagement in policy and advocacy work, but there is a significant opportunity and need for nonprofits to engage more strategically in this area.** Recently, the COVID-19 relief measures such as the Payment Protection Program and the Tennessee Safe Harbor and Recovery Act are just a few examples of federal and state policy that have a huge impact on nonprofits and their ability to thrive, and demonstrate the need for nonprofits to take action so that their needs and the needs of their stakeholders are heard.

While the results shared in this report give us an insight into the state of the Mid-South nonprofit sector, it's important to note that these surveys were conducted before the impact of the COVID-19 pandemic. Since then, the situation facing nonprofits in Memphis and nationally has fundamentally changed, and the findings in this report should be read with this context in mind. While nonprofits have demonstrated incredible creativity and adaptability during this time, there's no doubt that any challenges facing nonprofits and the communities they serve have only been exacerbated by COVID-19.

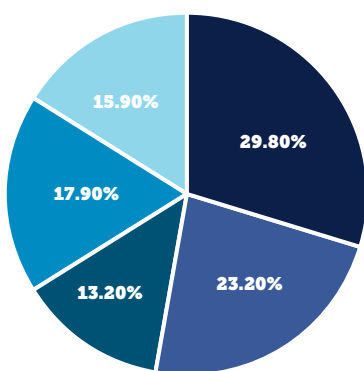
In collecting, analyzing, and sharing data about the health and challenges of nonprofits in the Mid-South region, our intention is to amplify the collective voices of our sector. We hope that nonprofit leaders will use this report as a tool for benchmarking and self-assessment, and that funders will use these findings to inform future funding decisions. To that end, we have listed a set of practical recommendations at the end of this report that both nonprofit leaders and funders can use to guide their decision making. ●

Methodology

An online survey was sent to a total of 509 nonprofit executives throughout Memphis and the Mid-South in January 2020. A total of 153 organizations participated in the survey, a 30.1% response rate, which is fairly typical for online survey response rates. Participants were members of Momentum Nonprofit Partners, the University of Memphis Institute for Philanthropy and Nonprofit Leadership, and/or listed in the LIVEGIVEmidsouth (livegivemidsouth.org) directory.

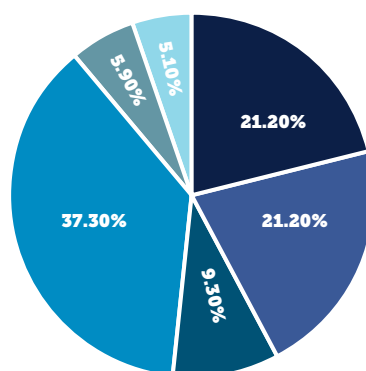
Mission Type	% of Respondents
Human Services / Multipurpose	17.00%
Arts & Culture	13.70%
Youth Development	11.80%
Aging & Senior Care	8.50%
Community development / housing	7.20%

Table 1: Most prevalent missions among respondents



- 1980 or older
- 1981 - 2000
- 2001 - 2010
- 2011 - 2015
- 2016 - present

Figure 1: Respondents by Year Founded (N = 151)



- Under \$99,999
- \$100,000 - \$499,999
- \$500,000 - \$999,999
- \$1,000,000 - \$4,999,999
- \$5,000,000 - \$9,999,999
- \$10,000,000 and over

Figure 2: Respondents by annual budget size (N = 118)

Respondent Organization Demographics

Respondents to the survey represented a broad array of organizations. As is typical for the nonprofit sector, there were more respondents from Human Services/Multipurpose organizations (17.0%, n=26) than other organization types. Arts and culture organizations comprised about 14 percent of the respondents (13.70%, n=21), and Youth Development about 12 percent (11.80%, n=18). Table 1 shows the most commonly represented mission types, and there is a full breakdown of the number of respondents by mission type in Appendix A. Nationally, human services organizations (food banks, youth services, homeless shelters, etc.) comprise over one-third of all nonprofit organizations, and arts organizations are seventh-most commonly occurring, comprising 10 percent of the nonprofit landscape (McKeever, 2018). This suggests that arts organizations, in particular, might be overrepresented in this particular study.

The vast majority of respondents were founded after 1950 (89.4%, n=116). Additionally, about half (53.0%) of the organizations that responded were founded over 20 years ago, while 47 percent were founded between 2001-2020. Similar to what is found in these data, over 90 percent of charitable organizations nationally were founded since 1950 (Hall, 2016) and the number of charitable organizations grew nearly 30 percent between 2005 and 2015 alone (McKeever, 2019). Figure 1 shows the proportion of respondents by year founded.

Approximately 42 percent of respondents (42.40%, n=50) lead what are considered "small" organizations, which have annual budgets under \$500,000. In contrast, nearly 60 percent of responding organizations (57.60%, n=68) have budgets of \$500,000 or more. This is not quite consistent with what is found nationally, as the majority (66.9%) of public charities are considered small (McKeever, 2018). Figure 2 shows the proportion of respondents by reported budget size. The data for the current study may indicate some selection bias, as larger organizations seem over-represented here.

Of note, there is a significant relationship between budget size and organizational age among these respondents, as older organizations are typically larger, while newer organizations, especially those founded within the last decade, are typically on the smaller side.

Respondent Leadership and Staff Demographics

Executive Leadership

Over 75 percent (77.2%) of responding organizations are led by a paid executive, while 22.8% of respondents are currently all volunteer-led. Table 2 provides relevant demographic information for executive leadership. Of those with paid executives, 63.3% of the organizations are led by female executives, and 36.7% are led by males. None of the responding organizations noted that they are led by a non-binary/gender non-conforming executive. Most organizations are White-led (75.6%), while only 24.4% of organizations are led by a person of color. About half (48.8%) of the executives have been in their current position for fewer than 5 years, while 44% have been in place 5-15 years, and 7.2% have been in place for 16 years or more.

Executives were also asked how long they intend to stay in their current leadership role within that specific organization. Nearly half (45.4%) reported that they intend to stay in place for at least 6 years. However, 21.6% noted that they intend to leave their positions within the next 2 years, and one-third of respondents within the next 3-5 years, indicating a fairly sizable amount of forthcoming executive turnover among this group of respondents. This has substantial implications for the stability of the Mid-South nonprofit sector.

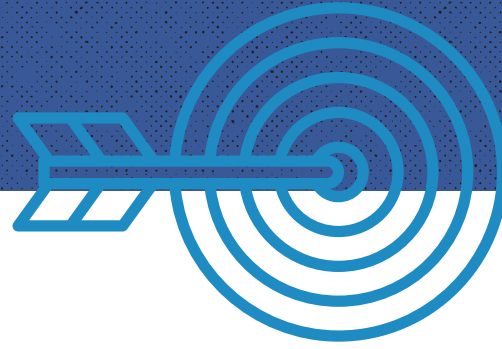
Has Paid Executive	Yes	77.20%
	No	22.80%
CEO's Gender	Female	63.30%
	Male	36.70%
	Non-Binary	0.00%
CEO's Race/Ethnicity	African American	23.10%
	American Indian/Alaska Native	0.00%
	Asian	0.00%
	Latinx	1.30%
	Native Hawaiian/Pacific Islander	0.00%
	White	75.60%
CEO's Tenure in Position	1 year or less	19.00%
	1.5 - 4.5 years	29.80%
	5 - 9 years	23.80%
	10 - 15 years	20.20%
	16 - 20 years	4.80%
	21 years or more	2.40%
CEO's Intended Stay in Position	< 1 year	2.30%
	1 - 2 years	19.30%
	3 - 5 years	33.00%
	6 - 10 years	28.40%
	more than 10 years	17.00%

Table 2: Executive leadership demographics

Board Leadership

Nearly all respondents (97.1%) have a board of directors in place for their organization, which overlaps exactly with the number of organizations that are formally incorporated. Table 3 (on page 6) provides detailed information about board leadership. Over half (53.59%) of the board members from the responding organizations identify as male, 46.6%

identify as female, and 0.21% identify as non-binary. Additionally, 64.56% of respondents' board members are White, 31.31% are Black, and 4.13% are non-Black people of color. Given the racial makeup of Memphis and the Mid-South, there is a disproportionately low number of Black and other people of color represented among the nonprofit sector's leadership.



Community Advisory Board Leadership

The role of community advisory boards is to give a participatory voice to the communities served (LeRoux, 2009; Saidel, 1998). As shown in Table 4, only 28.4% of responding organizations have a community advisory board in place for their organizations. Although we see a higher proportion of women (61.78%) serving on respondents' community advisory boards, they are still predominantly White (58.53%). This again points to a lack of Black and other people of color represented in nonprofit leadership, most notably in places where the voice of key stakeholders is valued.

Nonprofit Staff

A majority of respondents (80%) report that they have non-executive paid staff in place, and provided demographic information for 2,226 members of the nonprofit workforce. Among those reporting organizations, 77.4% of the nonprofit workforce is female, 22.55% is male, and 0.04% is non-binary or gender non-conforming. In contrast to the executive leadership (both paid and unpaid) demographics shown above, approximately two-thirds (66.03%) of the workforce in reporting organizations is Black, while only 29.45% is White. Smaller percentages of the workforce are Latinx (3.51%), Asian (0.77%), Native Hawaiian/Pacific Islander (0.14%), or American Indian/Alaskan Native (0.10%). So although the vast majority of area nonprofit organizations are led by White people, those working within the organizations are largely Black or other people of color. ●

		Numbers	Percentage
Organization has Board of Directors in Place	Yes	102	97.10%
	No	3	2.90%
Board of Directors Gender	Female	650	46.40%
	Male	748	53.39%
	Non-Binary	3	0.21%
Board of Directors Race/Ethnicity	African American	455	31.31%
	American Indian/Alaska Native	0	0.00%
	Asian	20	1.38%
	Latinx	40	2.75%
	Native Hawaiian/Pacific Islander	0	0.00%
	White	938	64.56%

Table 3: Board of Directors demographics

		Numbers	Percentage
Organization has Community Advisory Board in Place	Yes	29	28.40%
	No	70	69.60%
Community Advisory Board Gender	Female	118	61.78%
	Male	72	37.70%
	Non-Binary	1	0.52%
Community Advisory Board Race/Ethnicity	African American	73	33.64%
	American Indian/Alaska Native	1	0.46%
	Asian	1	0.46%
	Latinx	15	6.91%
	Native Hawaiian/Pacific Islander	0	0.00%
	White	127	58.53%

Table 4: Community Advisory Board demographics

Key Findings: Organizational Capacity

A fundamental piece of every nonprofit’s work is its organizational capacity – its ability to effectively achieve its mission. Organizational capacity is not only the ability to effectively deliver programs and services, but also a robust infrastructure of human resources, systems and processes, and expert capabilities to support the work and ensure sustainability in the long run. Nonprofits that invest in organizational capacity can have a greater positive impact on our community.

In our survey, we looked at the four types of capacity that are core to organizational effectiveness as defined by Connolly and York (2003): adaptive, leadership, management, and technical. Greater adaptive and leadership capacity generally indicate that an organization is more strategic and effective at achieving its mission. However, among our respondents, we found that there are still significant gaps in both of these areas, especially around program evaluation and external communications.

Adaptive capacity is an organization’s ability to proactively identify and

respond to changes both internal and external to the organization. Adaptive capacity is critical to a nonprofit’s ongoing survival and includes things like program evaluation, building relationships with others, and strategic planning. **The importance of adaptive capacity has become especially clear in light of COVID-19 and its extensive disruptions across all aspects of society.**

Being able to monitor and respond to changes requires having a broader and more informed picture of the nonprofit landscape – in other words, forming and maintaining relationships

with other organizations. For most nonprofits, this wasn’t a challenge (92.5% indicated that relationship building was not a challenge or a minor challenge). Overall, Figure 3 shows that **organizations led by women were much more likely to build external relationships (70.5%) compared to organizations led by men (29.5%).** However, women-led organizations were more likely to engage in informal networks only (75% women-led versus 25% men-led), while men-led organizations were more likely to engage in formal collaborations (83.3% men-led versus 16.7% women-led).

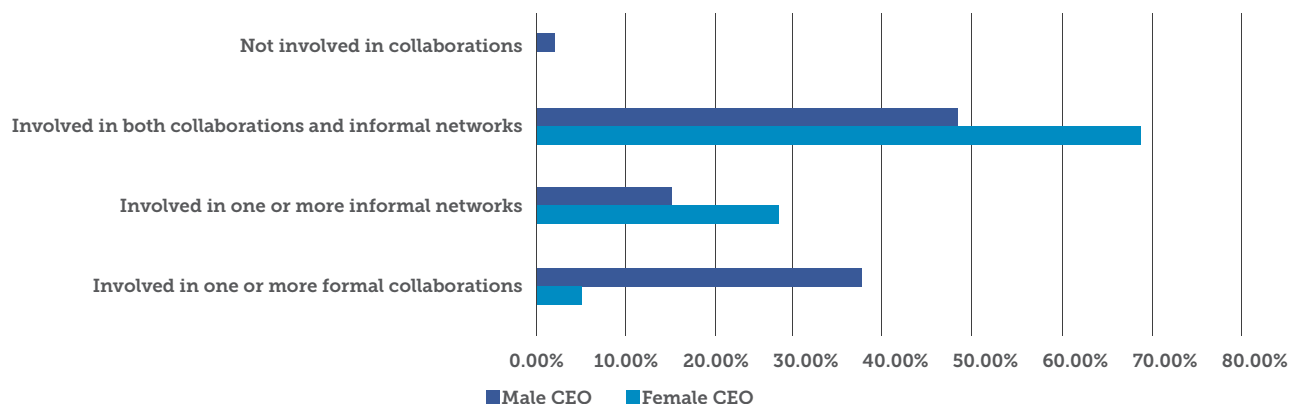


Figure 3: Involvement in collaborations and networks, by CEO gender

Although most organizations had no problem with relationship building, many respondents identified strategic planning for their organization as a challenge (71.5% indicated that strategic planning was a minor or major challenge). **This suggests that although nonprofits were able to build relationships with other organizations, the information gleaned from those relationships didn't necessarily translate into planning and action for the organization.**

Adaptive capacity also includes the ability to continuously improve programs and services to meet the needs of its stakeholders. Of the organizations surveyed, 89.3% engage in evaluation, but the same

percentage of respondents indicated that program evaluation was a minor or major challenge. These findings are discussed in further detail under Program Evaluation.

Leadership capacity refers to the organizational leadership's ability to inspire the organization to effectively fulfill its mission and be perceived as a valuable community resource. About one third of respondents indicated no challenges for each of the measures of leadership capacity. However, one fifth of the respondents indicated that external communications such as attracting new clients, communicating with clients and stakeholders, and enhancing the visibility and reputation of the organization were major challenges.

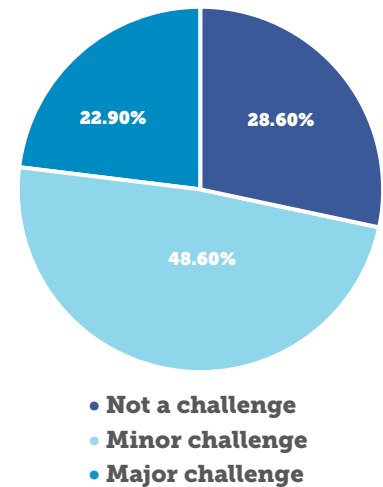


Figure 4: Challenges with strategic planning



Figure 5: Measures of organizational capacity – Leadership Capacity

Additionally, leadership capacity includes the ability of the board and leadership team to make decisions towards the fulfillment of the organization's mission and vision. This requires diversity in knowledge, skills, and abilities as well as lived experience. 75.6% of organizations were led by White CEOs, compared to 23.1% Black and 1.3% Latinx. Similarly, we found that White board members comprised 64.56%, compared to 31.31% Black and 4.13% non-Black people of color.

Management capacity refers to the

organization's ability to leverage human resources (both paid and volunteer) towards its mission. In general, this type of capacity posed the least challenge to nonprofits. While a number of respondents pointed to challenges with recruitment and retention of board members and volunteers, they were considered minor challenges.

Technical capacity refers to the core functions of the organization, including things like financial management, facilities management, and fundraising. We found that

while the actual functioning of the organization seemed to pose little challenge for most nonprofits, **almost all respondents indicated challenges with procuring funding for general operating support** (Figure 6 shows that 98% indicated that it was a challenge, 71% indicated that it was a major challenge) **and for programs and services** (Figure 6 shows that 91.4% indicated that it was a challenge, 49.5% indicated that it was a major challenge). These numbers were consistent for both larger and smaller organizations.

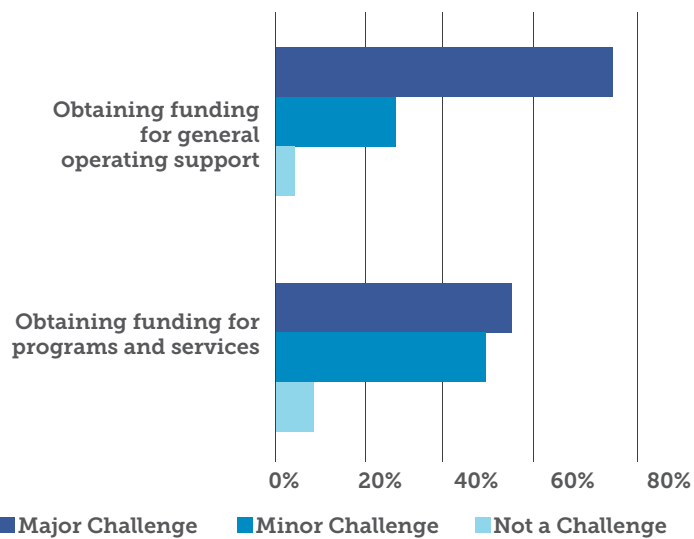


Figure 6: Challenges in obtaining funding

This finding is especially troubling, given the fundamental necessity of all nonprofits to procure funding for their everyday work and ongoing sustainability. Additionally, many of the challenges we discuss in this report are directly impacted by our respondents' ability to fundraise and invest in their organizational capacity.

Finally, we asked nonprofits to indicate whether their organization had specific policies, practices, and procedures in place. Table 5 shows that of the 18 practices listed, respondents were least likely to have written succession plans in place (28.7%). Regardless of how long a leader has been in place or how long they intend to stay, a written succession plan is a fundamental strategy for risk management for ensuring the long-term sustainability of an organization and an intentional approach to embedding leadership development, diversity, and inclusion into the organization's core practices.

Smaller organizations had an average of 10 practices in place, while larger organizations had 14. Of note, almost all larger organizations (95.5%) have had their financial statements audited within the last two years, while only a third (29.8%) of smaller organizations had this in place. Although Tennessee law does not require financial audits for nonprofits with an annual revenue of less than \$500,000, audits are considered best practice for demonstrating financial transparency, professionalism, and accountability. ●

Organizational Policy	# of Respondents	% of Respondents
Written governance policies/bylaws	129	100.00%
Organizational website	124	96.12%
Written Conflict of Interest policy	115	89.15%
Computerized financial records	113	87.60%
Written job descriptions for staff	112	86.82%
Written personnel policies	107	82.95%
Computers for all key staff	106	82.17%
Computerized client/member/program records	102	79.07%
Written job descriptions for Board of Directors	96	74.42%
Financial statements audited within the last 2 years	88	68.22%
Assessment or program evaluation within the last 2 years	75	58.14%
Annual report produced within the last year	75	58.14%
Written job descriptions for key (non-Board) volunteers	65	50.39%
Formal volunteer training program	59	45.74%
Reserves dedicated to maintenance/equipment	57	44.19%
Formal volunteer recruitment program	52	40.31%
Written succession plans	37	28.68%
Reserves dedicated to capital improvement	37	28.68%

Table 5: Organizational policies in place

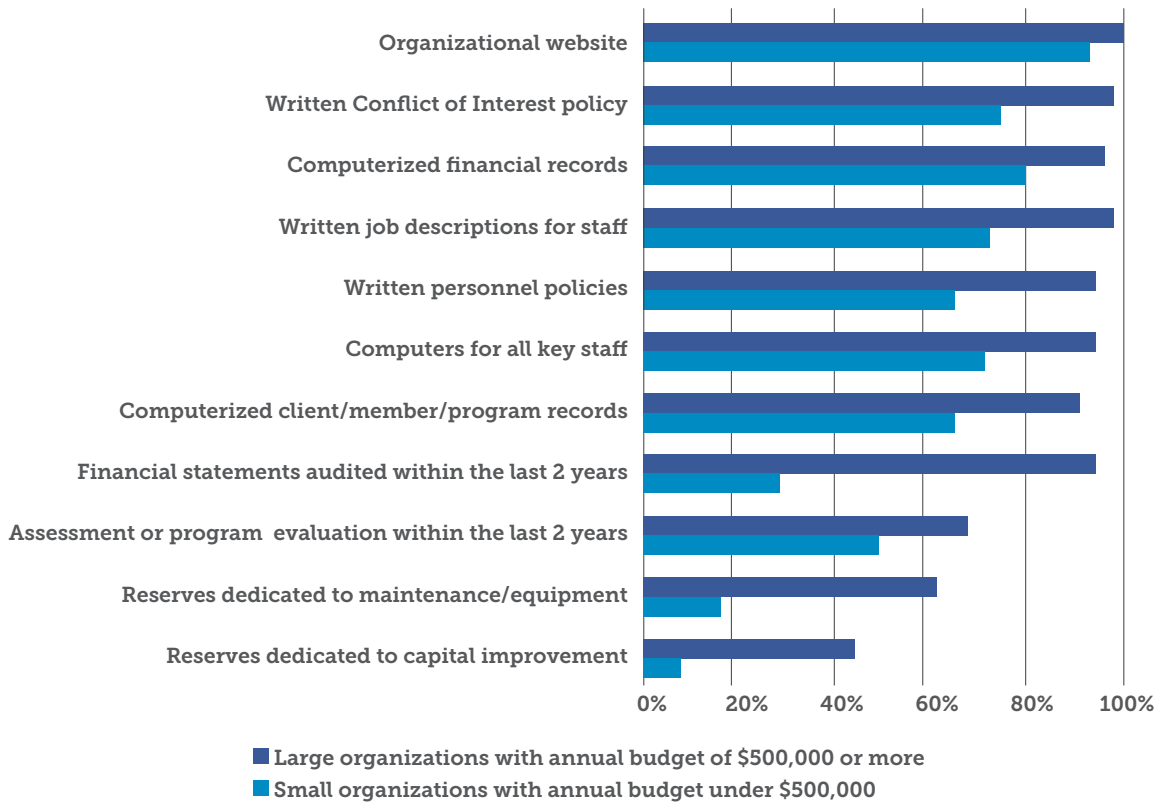
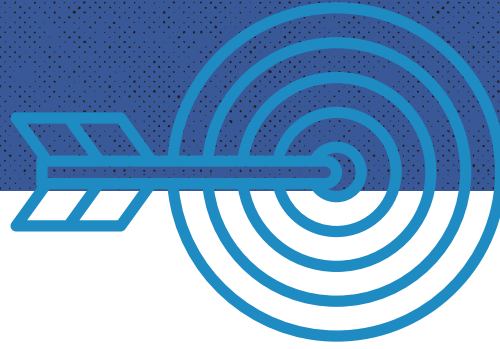


Figure 7: Organizational policies by budget size



Key Findings: Program Evaluation

As discussed in the previous section on Organizational Capacity, program evaluation is one of the key ways nonprofits continuously adapt their programs and services to meet the needs of their stakeholders, so that they can effectively fulfill their mission. We found that **most organizations engage in some kind of program evaluation, but that larger organizations tend to take a more holistic approach in terms of the types of data that are collected and the ways that the data are used.**

The majority of respondents (89.3%) engage in some kind of program evaluation or assessment. This was consistent across larger and smaller organizations, as well as newer and older organizations.

When asked their reasons for evaluating, more than half of the respondents (55.2%) selected all options, including program monitoring, program improvement, accountability and transparency, and to fulfill funder requirements. As shown in Figure 8, larger organizations are more likely to cite multiple reasons for evaluating than smaller organizations (92.4% for larger organizations, 73.8% for smaller organizations) and smaller organizations are twice as likely to indicate that they do not evaluate at all (14.3% for smaller organizations, 7.6% larger organizations).

Additionally, the majority of respondents (77%) collect multiple types of program evaluation data, including outputs, short-term and long-term outcomes for individuals,

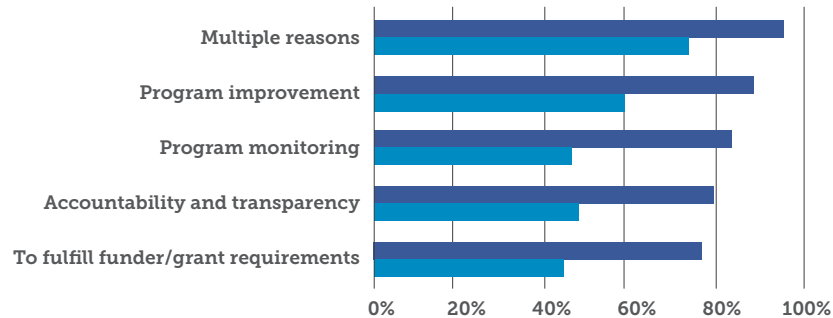
and community-level impact. For the 22 organizations that only collect one type of data, they were most likely to collect program outputs, and smaller organizations were more likely to only collect outputs (27.8%) than larger organizations (13.1%).

We also surveyed respondents about the types of resources they currently use to conduct program evaluations. The majority of respondents (79.8%) use more than one type of resource and on average, organizations employed three of these resources. Smaller organizations were also less likely to use multiple resources (63.9% of smaller organizations versus 88.5% of larger organizations) and on average used fewer resources (2 resources for smaller organizations versus 3+ for larger organizations).

The survey results suggest that **larger organizations generally take a more holistic approach to program evaluation than smaller organizations, by collecting more forms of data, utilizing a wider range of evaluation tools, and using the data in more ways to inform decision-making.**

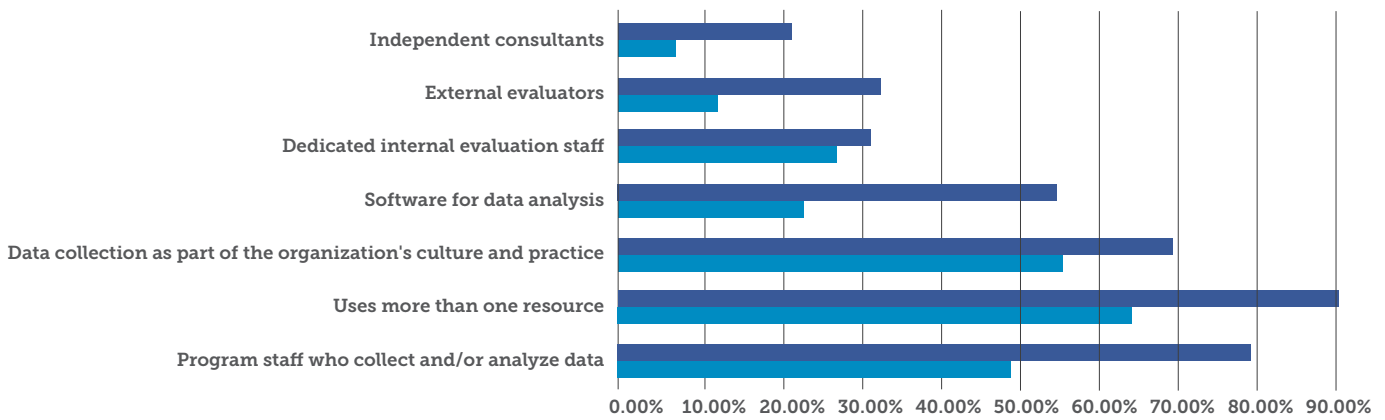
We asked respondents about resources that they would find the most helpful to support program evaluation. Respondents indicated that while dedicated internal evaluation staff were one of the least utilized resources, this was also the resource they would find most useful in increasing their ability to conduct effective program evaluations. This suggests that **nonprofit leaders prefer to have evaluation expertise in-house, rather than to rely on external resources in this area.**

Of note, 42.34% of respondents indicated that program evaluation costs are never covered by funders. Within this, 69.4% of smaller organizations indicated that evaluation costs are never covered by funders, whereas only 25% of larger organizations indicated the same. This finding is especially important, as evaluations are usually a mandatory component of grant reporting, and means that organizations must invest general operating funds (which are a challenge to raise as indicated in the previous section) to cover the costs of program evaluation. ●



■ Large organizations with annual budget of \$500,000 or more ■ Small organizations with annual budget under \$500,000

Figure 8: Reasons for evaluating by budget size



■ Large organizations with annual budget of \$500,000 or more

■ Small organizations with annual budget under \$500,000

Figure 9: Evaluation resources by budget size

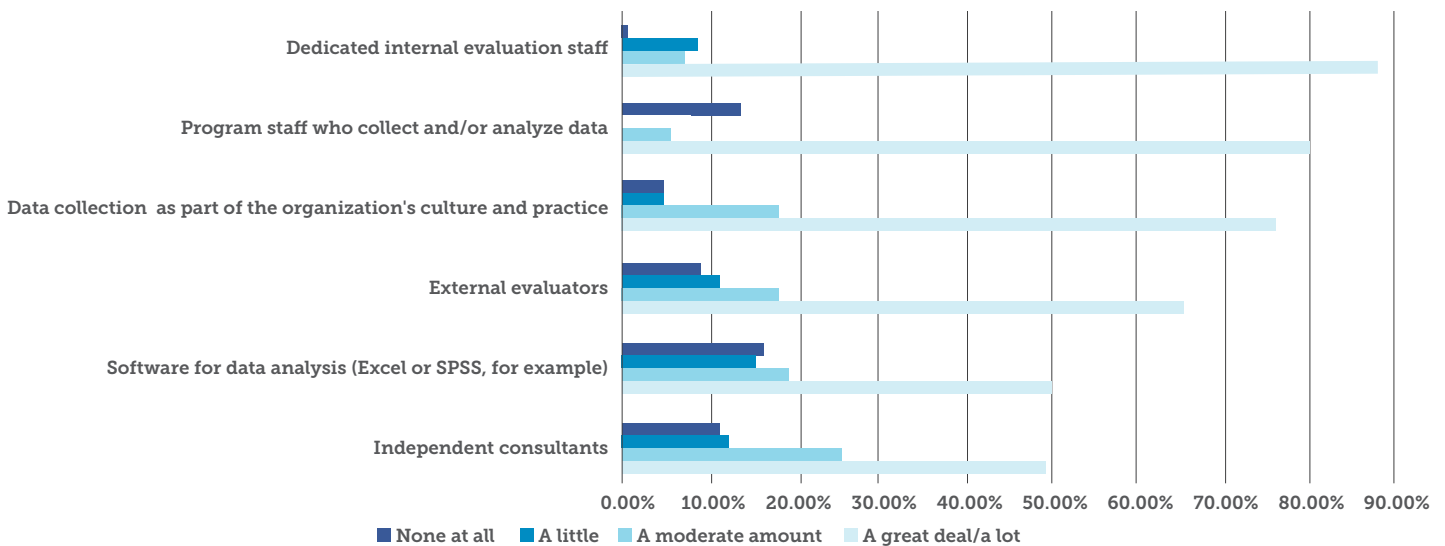


Figure 10: Resources that respondents don't have, but would find most useful in increasing evaluation capacity



Key Findings: Policy & Advocacy

At their core, nonprofits are dedicated to social change, which include things like ending poverty, providing support to marginalized communities, and increasing access to basic services like healthcare. Nonprofits have deep knowledge of the needs of their stakeholders and an important perspective that should be included in policy making decisions. We found that **there is a largely untapped opportunity for nonprofits to positively impact their stakeholders by using their voice to educate the community and influence policy making.**

A significant percentage of respondents did not feel that policy changes had an impact on their organizations. 41.6% of respondents indicated that they were not at all impacted by policy changes at the federal level, 40% at the state level, and 44% at the local level. Similarly, 47.2% of respondents indicated that tax policy had no impact on their organization. However, as the survey was conducted before the COVID-19 pandemic, it is possible that nonprofits have gained a greater awareness of policy implications.

Respondents were asked about their organization's level of participation in ten specific policy and advocacy activities. The overwhelming majority of respondents (88.4%) indicated that they do not actively participate in any type of policy and advocacy activities listed. Figure 11 shows that of those who did engage in some type of policy and advocacy work, 70.16% regularly or occasionally attended local government meetings, 53.23% engaged elected officials on policy issues, and 51.61% engaged the public on policy

issues related to their mission. While many respondents had indicated that policy changes had no impact on their organizations, these same organizations indicated that they were still, at least occasionally, engaged in some type of policy and advocacy work.

We also found a significant relationship between organization size and amount of policy and advocacy work engaged in. Smaller organizations generally engaged in fewer policy activities than larger organizations. Specifically, slightly more than 80% of smaller organizations engage in any type of policy activity, while nearly 94% of larger organizations do. This is not particularly surprising, as larger organizations may have more resources to dedicate to these efforts, whereas smaller organizations may focus their limited resources on core programs.

Of the respondents who indicated some level of participation in policy and advocacy, about half of them provided additional information about the resources used: Figure 12 shows that 90.9% utilize dedicated staff time, versus 55.8% who utilize volunteer

time and 57.4% who utilize financial resources. The data show that **there is a significant opportunity for nonprofits to utilize volunteers such as board members and other ambassadors as a cost effective way to engage in advocacy work.**

Finally, we asked respondents to indicate the types of factors that would make it easier or harder for their organization to engage in policy and advocacy work. In general, none of these factors made a big difference in contributing to an organization's ability to engage in advocacy work. However, respondents indicated that board support, the scope of the organization's work, and knowledge of the legal limits of advocacy and lobbying activities for nonprofits tended to make it easier to engage in policy work, while lack of donor/funder support and staff capacity tended to make it more difficult.

Taken together, the data suggest that nonprofits may not be engaging in policy and advocacy work because of the perception that policy changes have little impact on the organization, rather than any significant tangible barrier. ●

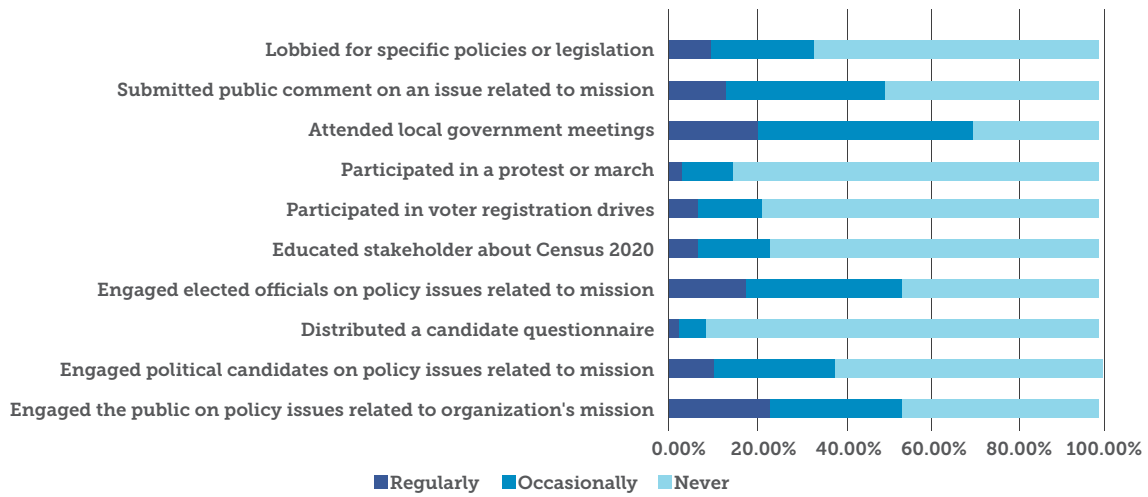


Figure 11: Specific policy and advocacy activities that respondents engage in

Respondents Engaged in Policy & Advocacy	# of Respondents	% of Respondents by Budget Size	
		% small orgs*	% large orgs**
Yes	99	80.40%	93.90%
No	13	19.60%	6.10%

Table 6: Respondents engaged in policy and advocacy work

* Small organizations with annual budget under \$500,000

** Large organizations with annual budget of \$500,000 or more

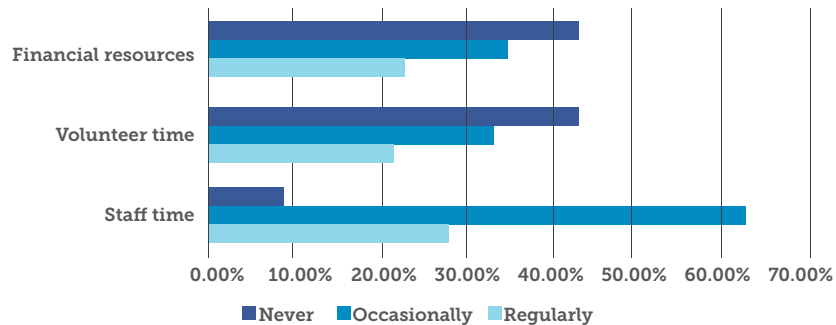


Figure 12: Organizational resources for policy and advocacy work

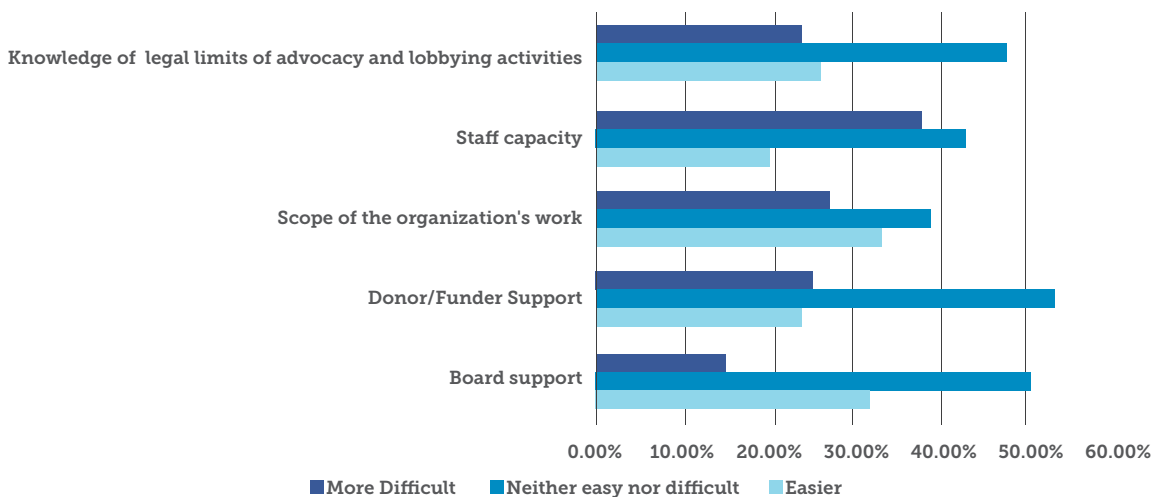


Figure 13: Factors affecting the ease of engaging in policy and advocacy work



Call to Action

Based on the findings from this survey, there are key opportunities for both nonprofit leaders and funders to take action to strengthen the Mid-South nonprofit sector, ultimately having a larger positive impact on our community.

Nonprofits

1. Address barriers facing leaders of color.

In spite of ongoing conversations around racial equity in the nonprofit sector, our data show that the nonprofit leadership in Memphis and the Mid-South is still overwhelmingly White. The Race to Lead initiative, which has surveyed individuals working in the nonprofits in the US in 2016 (and again in 2019) points to the systems change work that needs to be done in order to close the racial leadership gap in the nonprofit sector. Specific recommendations can be found at www.racetolead.org.

2. Create succession plans at the leadership and board level, with a specific focus on increasing leaders of color.

The importance of having a written succession plan cannot be overstated, regardless of how long a leader has been in place or intends to stay. The Stanford Social Innovation Review reports that “the transaction costs alone of finding and attracting a new employee, particularly at the senior level, can be as high as half of her annual salary. But the costs to an organization in productivity, fundraising, and distraction (as members of the board and senior team turn to recruiting and onboarding critical staff positions), can add up to tens or even hundreds of thousands of dollars more.” Furthermore, intentionally applying a racial equity lens to leadership development at all levels is a critical component of building organizational capacity. Nonprofits need diversity in knowledge, skills, and abilities, as well

as diversity in lived experiences to make informed decisions.

3. Advocate for multi-year general operating funds.

While funders ultimately choose the terms of the funds granted, nonprofits can play a role in educating funders about the necessity of multi-year general operating funds. Recognizing that nonprofits may face barriers to providing direct and honest feedback to funders, platforms like www.grantadvisor.org can provide a way for nonprofits to safely and anonymously share feedback on foundation giving practices.

4. Build capacity toward effectiveness, responsiveness, and organizational strategy.

Adaptive capacity and leadership capacity are crucial in today's climate. Organizational leaders can build these areas of capacity by:

- Enhancing evaluation practices by creating more robust data collection practices and including a greater focus on stakeholder participation in the process of evaluation. Stakeholder participation incorporates a broader range of perspectives from community stakeholders beyond program participants. Stakeholder involvement helps organizations determine what programs and program elements are important to evaluate, build organizational support for evaluation and assessment both internal and external to the organization, draw meaningful conclusions from evaluation data, and ensure that the organization makes informed decisions based on

performance data.

- Seek deeper and broader ways to collaborate with other nonprofits. Across the board, respondents noted that collaborations and informal networks helped them to operate better, whether that meant serving more clients, obtaining funding, enhancing their visibility, or recruiting staff and volunteers. This is especially important for smaller or newer organizations who may have limited resources and reach in the community. While many nonprofits already indicate that they are engaging in some forms of collaboration, COVID-19 has shown us that nonprofits need each other if they are to remain resilient in the face of challenges and holistically meet the needs of its stakeholders.
- Continue to focus on organizational strategy and strategic planning. While the data show that strategic planning is not a major challenge for most respondents, this has become even more important during uncertain times like during a pandemic. Organizational strategy can provide clarity amidst chaos and help nonprofits be proactive, not simply reactive.

5. Engage in public policy work. All nonprofits (and their stakeholders), regardless of their mission, are impacted by policy made at the local, state, and federal level. Engaging in effective advocacy work can increase the positive impact that nonprofits have on the community they serve. For nonprofits just beginning to explore this area, a few starting points include:

- Explore the intersection of the nonprofit's mission and policies that relevant to that mission and develop a policy agenda;
- Create a policy committee by leveraging volunteers (especially board members and other ambassadors) who can help amplify the organization's point of view and build relationships with local, state, and federal policymakers;
- Enhance thought leadership through educating and engaging the community on policy issues;
- Provide training or professional development in the area of policy and advocacy work for staff and board members;
- Get involved with efforts led by capacity builders and intermediary organizations to advocate on behalf of the entire nonprofit sector.

Funders

1. Invest in leaders of color. Funders play a critical role in incentivizing the nonprofit sector to adopt new practices that address the racial leadership gap. Doing so includes thoroughly examining a funder's own grantmaking practices and team diversity, as well as holding grantees accountable for making measurable progress in advancing racial equity within their organizations.

At the time this survey was conducted, our city and country was a very different place. If 2020 has shown us anything, it's that nonprofit organizations are more vital than ever in helping to build healthy and equitable communities. COVID-19 and the recent protests across our nation have brought into stark focus the systemic issues that have led to the inequities in areas like wealth, education, health that we see today. Nonprofit programs and services have never been more important, and yet simply delivering programs is no longer enough.

2. Provide support for holistic capacity building. While most respondents indicated relatively few challenges with technical and management capacity, all of the nonprofits surveyed could benefit from a greater investment in adaptive and leadership capacity, especially in the wake of COVID-19. Specifically, funders can support organizations in their efforts to engage in strategic planning and strategic management, coalition-building, and evaluating programs and services.

3. Give multi-year general operating funds. Many nationally-respected foundations and major philanthropic infrastructure organizations like the Hewlett Foundation, Grantmakers for Effective Organizations, and the Center for Effective Philanthropy are now focusing their attention on the importance of multi-year general operating support in grantmaking. This type of funding is directly related to increasing organizations' adaptive capacity, as it allows nonprofits to free up space for more strategic thinking and a greater focus on its mission (instead of focusing on surviving the month/year) and be nimble and responsive to the changing needs of their stakeholders.

4. Commit specific funds towards communications. While one key role

of nonprofit communications is to raise resources to support a particular cause, strong communications also enables organizations to engage in advocacy work through educating the community and thought leadership, and more effectively reach clients who can benefit from their programs and services. An investment in communications is a direct investment in an organization's ability to achieve its mission.

5. Robustly fund program evaluation.

The survey results clearly showed a gap in funding for program evaluation, and nonprofits especially expressed a preference for greater investment in in-house program evaluation expertise. By developing internal capacity for program evaluation, funders can increase the depth and breadth of data collected and in turn, the usefulness of the assessments conducted.

6. Engage in sector-wide advocacy.

Funders are in a unique position to advocate for the nonprofit sector as a whole and within the specific issue areas that they fund. In their role, funders are able to aggregate data from their grantees to identify trends and challenges, and can use this information to educate the community and further advocate on behalf of their grantees.

We need nonprofits that not only build capacity for health and effectiveness, but also build capacity for diversity, equity, and inclusion. We need nonprofits that center the experiences of their stakeholders as they explore what types of support are most needed and valuable. We need nonprofits that amplify the voices of their stakeholders through effective policy and advocacy work. ●

Appendix A

Respondent Mission Area	% of Respondents
Aging & Senior Care	8.50%
Alcohol & Substance Abuse	2.60%
Animal & Animal Welfare	2.20%
Arts & Culture	13.70%
Civil Rights & Social Action	3.90%
Community Development / Housing	7.20%
Development Disabilities	5.20%
Economic Development	3.90%
Education: K-12	2.60%
Environment / Conservation	3.90%
Foundations / Philanthropic Grantmaking	2.00%
Health & Rehabilitation	3.30%
Human Services / Multipurpose	17.00%
Jobs, Employment, & Training	1.30%
Legal Services	2.00%
Mental Health & Crisis Intervention	1.30%
Public Safety & Disaster Relief	0.70%
Public Benefit Social Action	0.70%
Volunteerism & Philanthropy	0.70%
Youth Development	11.80%
Other	7.20%

Resources

- **Bolder Advocacy**, a program of the Alliance for Justice
bolderadvocacy.org
 - **Focus on Foundations** resource
bolderadvocacy.org/resource-library/focus-on-foundations/
 - **Words to Give By: Leading Voices in Advocacy Funding**
bolderadvocacy.org/wp-content/uploads/2018/06/Words_to_Give_By.pdf
- The Center for Effective Philanthropy
 - **Effective Giving Practices**
cep.org/donors
 - **Policy Influence: What Foundations are Doing and Why**
cep.org/portfolio/policy-influence-what-foundations-are-doing-and-why
- Council on Foundations' **Advocacy and Lobbying Guide**
cof.org/topic/advocacy-lobbying
- **Emerging Practitioners in Philanthropy** working to increase diversity and equity in philanthropy, especially among the workforce
epip.org
- **Independent Sector**
independentsector.org
 - **Public Policy resources**
independentsector.org/policy
- **IRS Guidelines on Lobbying for Charitable Organizations**
irs.gov/charities-non-profits/lobbying#:~:text=In%20general%2C%20no%20organization%20may,loss%20of%20tax%2Dexempt%20status.
- National Council of Nonprofits
 - **Why should your nonprofit advocate**
councilofnonprofits.org/why-should-your-nonprofit-advocate
 - **Trends and policy issues**
councilofnonprofits.org/trends-and-policy-issues
 - **Advocacy v. Lobbying**
councilofnonprofits.org/advocacy-vs-lobbying
- **Race to Lead: Confronting the Nonprofit Racial Leadership Gap**
racetolead.org
- **Stand for your Mission**, a board-centered approach to nonprofit lobbying and advocacy
standforyourmission.org

About the Institute for Philanthropy and Nonprofit Leadership

The Institute for Philanthropy and Nonprofit Leadership (IPNL) is housed in the U of M Department of Public and Nonprofit Administration. The Institute exists to promote effective philanthropy, advance nonprofit leadership practice, and strengthen the nonprofit sector through education and research. Current programs include a graduate certificate in philanthropy and nonprofit leadership, a lunch and learn series on program evaluation, and community-informed research projects.

About Momentum Nonprofit Partners

Momentum Nonprofit Partners serves the Mid-South nonprofit community through comprehensive learning opportunities that enable nonprofits to better accomplish their missions, by convening nonprofits for peer support, learning, and impactful conversations and by connecting nonprofits to resources and to decision-making forums alongside of business and government.

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