

THE STATE OF NONPROFIT ORGANIZATIONS IN THE LOUISVILLE AREA

How are They Faring in Tough Economic Times?

THE CENTER FOR NONPROFIT EXCELLENCE (CNPE), an organization committed to creating a vibrant and exemplary nonprofit community in Greater Louisville, and LOUISVILLE PHILANTHROPIC ADVISORS (LPA), a local nonprofit, commissioned IQS Research to conduct a study of Louisville area nonprofits regarding their financial standings and expectations. The report was released internally in December of 2009, and provides numerous data surrounding the state of the local participating nonprofit sector.

— Characteristics of Participating Nonprofits —

Among the participants of the study:

- 70% of them indicated that their organization has been in operation for more than 15 years, and two-thirds of them are public charities.
- Of those public charities, 53% of them were regional in their geographic scope of service. Private foundations were evenly split between regional and national scope.
- Nearly 60% of participating organizations indicated that they had endowments or long-term investment accounts.
- The largest concentration of nonprofits (39%) has moderately large boards of directors consisting of 21-30 members.

— Characteristics of Endowed Organizations —

As previously mentioned, nearly 60% of participating nonprofits (59% to be precise), have endowments or long-term investment accounts.

- 97% have finance or investment committees. These committees are responsible for investment decisions.
- Specifically, 86% of them are reported to be **very active**. Three-fourths of these investment committees are comprised of 5 or more members.
- Although the majority of organizations have large committees, only 12% of the committee members are reported to have 5 or more members with **significant experience in investment**.

The study revealed also that financial committees are primarily responsible for making investment decisions for 81% of endowed organizations.

41% of participating nonprofits have an annual operating budget of between \$1 million and \$3 million. 65% have invested assets of \$5 million or less.

Those organizations with smaller annual operating budgets typically also have a smaller amount of invested assets.

- For example, 100% of organizations with an annual operating budget of less than \$1 million do not have assets exceeding \$5 million.
- For the most part, those organizations with an annual operating budget of over \$4 million have assets greater than \$1 million.

— Asset Characteristics —

- 72% of organizations have investments in domestic equities, and 72% in cash.
- 69% have assets in fixed income, while 61% have assets in international equities.

Only 39% of organizations are highly satisfied with the performance of their endowments.

— Governance and Investment Policies —

Fifty-four percent (54%) of organizations have annual spending rates, defined by their policies, of over 4%.

Sixty-one percent (61%) of organizations use a formal set of investment benchmarks to compare performance. Of these:

- The majority of organizations, 67%, use an outside investment company as their formal source of investment information.
- 43% of them meet on a semi-annual basis to review investment activity.

Data were compiled on 63 nonprofit organizations in the Louisville area. Thirty-seven of these reported that they had endowments or long-term investments. Data were collected between August & October of 2009. For more information regarding this report, please contact the Center for Nonprofit Excellence (CNPE) for further details.