2023 State of the Mid-South Nonprofit Sector

MOMENTUM NONPROFIT PARTNERS

U of M
THE UNIVERSITY OF MEMPHIS.
Institute for Philanthropy and Nonprofit Leadership

About

About Momentum Nonprofit Partners

Momentum Nonprofit Partners serves as the regional nonprofit association for West Tennessee. The organization provides training and technical assistance, connections to resources, and sector-wide research and public policy support to more than 981 nonprofits in the area. ●

About the University of Memphis Institute for Philanthropy and Nonprofit Leadership

The Institute for Philanthropy and Nonprofit Leadership (IPNL) promotes effective philanthropy, advances nonprofit leadership practice, and strengthens the nonprofit sector through education and research. Our vision is to serve as a portal for 1) nonprofits to access the expertise and opportunities at the University of Memphis, and 2) students and faculty to access the rich context available for engaged scholarship, service learning, and applied experiences. ●

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Executive Summary

In January 2023, Momentum Nonprofit Partners and the University of Memphis Institute for Philanthropy and Nonprofit Leadership distributed an online survey to nonprofit executives in Memphis and the Mid-South. This survey gathered information about the overall health and capacity of the nonprofit sector, and examined what changes, if any, had occurred since the 2020 iteration.

This year's report mirrors the 2020 report by providing a general overview of the sector, and highlights distinct characteristics of, and challenges among, the Mid-South nonprofit sector. This report provides in-depth information for three focus areas including organizational leadership, organizational capacity, and public policy and advocacy.

The findings from the 2023 report reveal:

- Continued racial leadership gaps, particularly at the executive organizational level.
- A reported increase in program and service demand, with many respondents indicating that their organizations struggled to meet those demands.
- Funding limitations and staffing challenges which have direct impact on organizational capacity.
- A widely held indication that public policy has minimal to no effect on their organizations and operations.

Overall, responding organizations are experiencing challenges and opportunities that are similar to those of their peers across the country. Still, we must continue to address shortcomings, both build on current successes, and ensure the continued stability and capacity of the sector.

Methods

A list of 972 Mid-South nonprofit executives was compiled from the distribution lists of both Momentum Nonprofit Partners and the University of Memphis Institute for Philanthropy and Nonprofit Leadership. In January, an online survey was emailed to these executives. A total of 224 individuals responded to the survey. Out of these respondents, eight represented private/for-profit or government entities, and were thus removed from the response set, leaving a final respondent pool of 216 organizations, a 22.2% response rate.

The survey covered broad categories relevant to the management and leadership of nonprofit organizations, including programs & services, management and operations, public policy and advocacy, capacity building, and finances/funding.

About the Respondents

The vast majority of respondents were incorporated in the state of Tennessee (90.7%, n=185), 14 were incorporated in another state (6.9%, some in addition to their TN incorporation), while 5 respondents had yet to incorporate their organizations (2.5%). The organizational age of respondents reflects what is typical for the nonprofit sector, with the majority founded after 1950. A little over half were founded over 20 years ago, and a bit over half were founded after 2001.
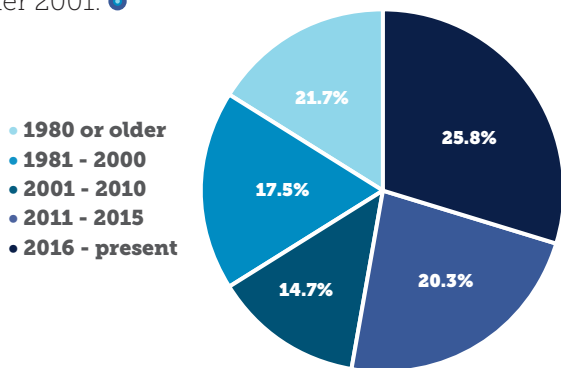
Figure 1: Respondents by year founded.

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

21.7% / 25.8% / 17.5% / 14.7% / 20.3%

Figure 2: Respondents by annual budget size.

- 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

7.9% / 4.5% / 19.2% / 28.8% / 11.3% / 28.2%

Respondents to the survey spanned all NTEE mission categories, organizational ages, and budget sizes, providing a good overview of various segments of the sector. Although all mission categories were represented, a larger proportion of respondents came from arts and culture organizations (14.4%, n=30), human services or multipurpose organizations (13.9%, n=29), and youth-serving organizations (13.9%, n=29), while K-12 education (8.6%, n=18) and community development and housing (7.7%, n=16) had the next highest proportion of respondents. Please see Appendix A for a detailed breakout of respondents by mission area.

In addition, most respondents indicated that they were direct service providers (71.4%, n=147), while approximately 10 percent indicated that they were capacity builders (10.2%, n=21). An additional 8 percent respectively indicated their primary focus was on policy, advocacy, and systems reform (8.3%, n=17) while focus on leadership and professional development was (7.8%, n=16).

Organizational size was evenly distributed among the respondents, although not representative of the
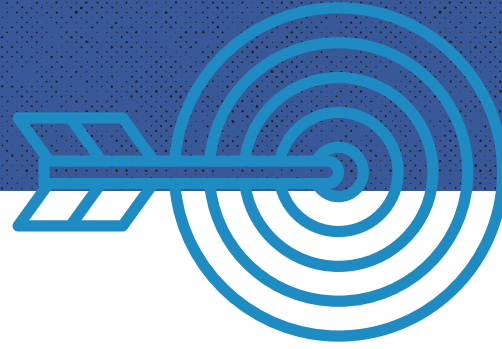
larger nonprofit landscape which tends to be more heavily populated by small organizations[1]. We considered organizations with budgets smaller than $500,000 to be small, organizations with budgets $500,000 to $4,999,999 to be mid-sized, and budgets over $5,000,000 to be large. Approximately 12 percent (n=922) of responding organizations were considered large, and 48 percent were considered small (n=85). Our respondents are slightly different than what is found in the national nonprofit landscape, as we had fewer respondents from the smallest budget size, and more among the mid-sized ($1,000,000 – 4,999,999) organizations[2].

Organization size does vary with CEO demographics. For example, although there is no significant budgetary size difference between organizations run by men, women, or nonbinary CEOs, there is a difference when we consider the CEO's race. Specifically, almost 30 percent (28.7%) of CEOs of color lead the smallest-sized organizations (budgets under $500,000). At the same time, 71.3% of the smallest-sized organizations are led by white CEOs. Far more BIPOC (Black, Indigenous, People of Color) CEOs lead mid-sized organizations (75%), but more white CEOs run the largest-sized

organizations, those with budgets over $5 million. So, although there are more BIPOC CEOs leading mid-sized organizations, the largest are still typically led by white CEOs.

We also took a deeper dive into these difference among CEO demographics, and examined the differences between CEOs who are women of color and all others. The pattern is similar to what we see among BIPOC/non-BIPOC CEOs, where relatively fewer women of color hold executive leadership positions and where far fewer women of color (only 18.6%) hold executive leadership positions within the largest nonprofit organizations. ●
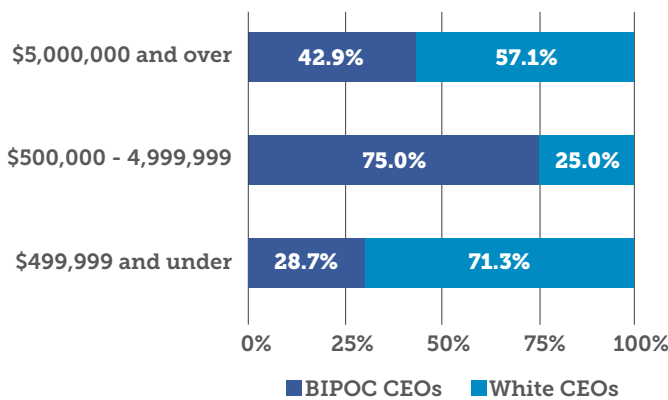
Figure 3: Organization size by CEO demographics.
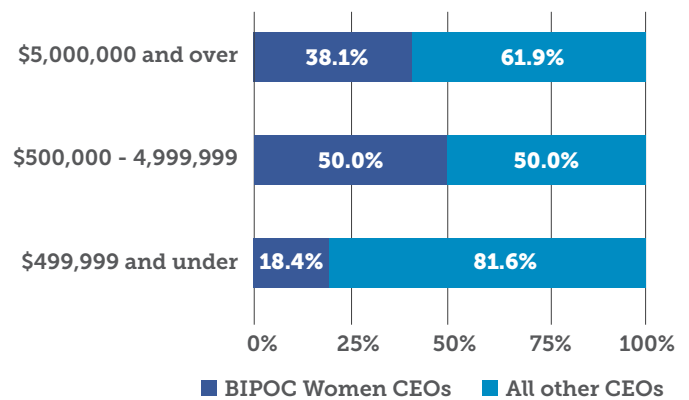
Figure 4: Women of color CEOs by organization size.

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[1] National Center for Charitable Statistics. (2019). *The nonprofit sector in brief.* https://nccs.urban.org/publication/nonprofit-sector-brief-2019#the-nonprofit-sector-in-brief-2019
[2] National Center for Charitable Statistics. (2019). *The nonprofit sector in brief.* https://nccs.urban.org/publication/nonprofit-sector-brief-2019#the-nonprofit-sector-in-brief-2019

Key Findings: Our Focus Areas

This iteration of the State of the Mid-South Nonprofit Sector report has three primary areas of focus that were determined by recent events like COVID, national nonprofit data trends, and results from the prior State of the Sector survey, conducted in 2020. First, we look at the organizational leadership and demographic makeup of the responding organizations. Second, we will examine the changes responding organizations have seen over the last three years, and report on organizational capacity and what the future holds for these organizations. Finally, in direct response to the 2020 State of the Sector report, we look at the perceived role and importance of public policy and advocacy in responding organizations. ●

Focus Area 1: Organizational Leadership

To align this report with the ongoing regional and national discussion of representation in organizational leadership, we asked about the demographics of organizational leaders by rank, along with demographics of the organizations' boards and advisory boards. We defined the various leadership levels as: Chief Executive Officer, executive or c-suite (non-CEO employees with a chief-title), senior-level (vice-president or equivalent titles), mid-level (manager or director titles), and entry-level. ●

Executive Leadership

Only 80 percent of respondents have a paid executive director (n=144), with the remaining 20 percent having an entirely volunteer staff. On average, CEOs had been in their current positions about 8 years (median of 5 years), and nearly half intend to stay in place for at least the next 6 years (43.2%, n=60). However, approximately 20 percent anticipate leaving their current post within the next 2 years (19.4%, n=27), and about one-third intend to leave in 3-5 years (37.4%, n=52). These numbers mostly align with what we learned in the 2020 State of the Sector report, but still indicate a potential issue for sector stability should these transitions occur within a short time frame. ●

Racial Leadership Gap at the Executive Level

One of the more important things the data point to is an overrepresentation of white individuals at all levels of leadership. About 90 percent of our respondents' organizations are located in the city of Memphis. We know that Shelby County is over 50 percent Black[3], and the city of Memphis is over 60 percent Black[4]; however, our data shows that 67.1percent of responding organizations have white CEOs, and 32.9 percent are leaders of color (28% identify as Black, specifically). Sixty-five percent of responding CEOs are women. However, only 24.5 percent of all CEOs are women of color, which mirrors the underrepresentation

[3] United States Census Bureau. (n.d.) *Quick Facts: Shelby County, Tennessee.* Population Estimates July 1, 2022. https://www.census.gov/quickfacts/shelbycountytennessee.
[4] United States Census Bureau. (n.d.) *Quick Facts: Memphis city, Tennessee.* Population Estimates July 1, 2022. https://www.census.gov/quickfacts/fact/table/memphiscitytennessee,shelbycountytennessee/PST045222
[5] Faulk, L, Kim, M., Derrick-Mills, T., Boris, E., Tomasko, L., Hakizimana, N., Chen, T., Kim, M., Nath, L. (2021). Nonprofit trends and impacts 2021: National findings on donation trends from 2015-2020, diversity and representation, and first-year impacts of the COVID-19 pandemic. https://www.urban.org/sites/default/files/2022-10/Nonprofit%20Trends%20and%20Impacts%202021.pdf

seen in the national nonprofit landscape[5]. Finally, the vast majority (96.3%) of respondents identify as straight/heterosexual. While there is a distinct racial disparity at the executive level, there is gender diversity represented among these CEOs, and the proportion of LGBTQ+ executives reflect Gallup estimates of the LGBTQ+ population for the state of Tennessee[6]. ●

Racial Leadership Gaps Throughout

We also examined the demographics of nonprofit employees at all organizational levels to determine whether the identified racial leadership gaps at the executive level were consistent throughout the organization. Seventy-five percent of the responding organizations employ paid staff other than a CEO; of those, a bit over half have 10 or fewer additional staff (54.8%, n=74).

On average, about 47 percent of c-suite roles in responding organizations are occupied by BIPOC leaders, and 74 percent are occupied by women. Respondents indicate that on average, 43 percent of senior-level titles are occupied by BIPOC and female leaders, respectively. Of note, as we move farther down organizational charts, the number of BIPOC leaders increases, occupying an average of 56 percent of mid-level and 58 percent of entry-level positions, respectively.

Still, among responding organizations we do not see proportions of BIPOC leaders that align with Mid-South population demographics at any level of the organization, which suggests much work to be done in recruiting leaders of color to the sector and creating pathways to promotion. ●

Board and Advisor Leadership

Both governing boards and advisory boards play a critical role in providing leadership to nonprofits, serving as a connection between the organization and its community, and connecting the community to the nonprofit. As with organizational leadership, these bodies should also reflect their community.

Respondents to the State of the Sector survey indicate that on average, only 46 percent of governing board positions are held by BIPOC leaders. This is consistent with, if not slightly better than national trends, which show that about 78.6 precent of board members are non-

[6] LGBT Demographic Data Interactive. (January 2019). Los Angeles, CA: The Williams Institute, UCLA School of Law. https://williamsinstitute.law.ucla.edu/visualization/lgbt-stats/?topic=LGBT#about-the-data

Has Paid Executive	Yes	80.0%
	No	20.0%
CEO's Gender	Female	65.0%
	Male	34.3%
	Non-Binary	0.7%
CEO's Race/Ethnicity	African American	28.0%
	American Indian/Alaska Native	0.0%
	Asian	0.7%
	Hispanic/Latinx	2.8%
	Multiracial/Multi-ethnic	1.4%
	White	67.1%
CEO's Tenure in Postion	1 year or less	16.7%
	1.5 - 4.5 years	27.5%
	5 - 9 years	28.3%
	10 - 15 years	11.7%
	16 - 20 years	6.7%
	21 years or more	9.2%
CEO's Intent to Stay in Position	Less than 1 year	5.0%
	1 - 2 years	14.4%
	3 - 5 years	37.4%
	6 - 10 years	24.5%
	more than 10 years	18.7%
Governing Board Members	Female	51.5%
	Male	47.5%
	Non-binary	1.0%
	BIPOC	46.7%
	White	53.3%
Advisory Board Members	Female	64.4%
	Male	35.6%
	Non-binary	3.3%
	BIPOC	50.0%
	White	50.0%

Table 1: Executive leadership demographics

Latinx white and 21.4 percent are leaders of color [78]. On average only 50 percent of advisory board positions are held by BIPOC leaders, once again indicating the need for organizations to make a more concerted effort in recruiting leaders of color to the boardroom and other places of decision-making.

It is important to note that there is a strong relationship between having a higher proportion of BIPOC board members and having a CEO who is a BIPOC leader. Similarly, organizations with BIPOC executives have higher proportions of leaders of color in c-suite, senior, and mid-level management positions. In summary, when there are leaders of color holding the highest positions in their organizations, there are typically more leaders of color given access to leadership roles at other (higher) levels in the organization. ●

Focus Area 2: Organizational Capacity

Survey respondents were asked whether they had seen any changes in demand for their organization's programs and services, particularly given the events that have occurred between the last iteration of this report and today. Over 60 percent of respondents saw a moderate (10-25%) or significant (over 25%) increase in demand for their programs and services, which aligns with recent national trends [9].

Of note, there is a relationship between the CEO's gender and the level of change in demand the organization experienced. While 30.1 percent of women- and nonbinary-led organizations experienced significant increases in demand for their programs and services, only 14.3 percent of male-led organizations experienced significant increases. However, more male-led organizations experienced increases in demand, broadly speaking. Over half (53.1%) of male-led nonprofits saw moderate increases, and one in three women- and nonbinary-led organizations saw moderate increases. Additionally, more female- and nonbinary-led organizations (17.3%) saw a decrease in demand than their male-led counterparts (12.2%).

Two factors seemed to relate most to these changes in demand: changes in client needs and changes in services provided (presumably driven by the changes in client need, given the significant relationship between the two variables). For those who entered pandemic-related responses to the open-ended questions, COVID-19 also had a profound impact on changes in demand. However, this number needs to be interpreted in that context — very few organizations (n=35) responded to the related open-ended question, so the proportion of respondents is much smaller. ●
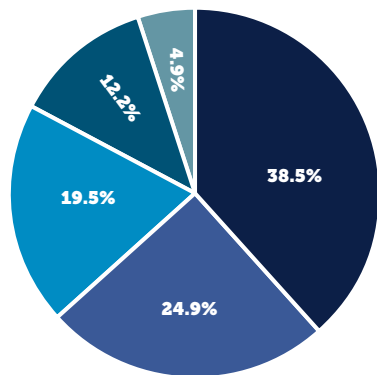
- Decreased significantly (over 25%)
- Decreased moderately (10-25%)
- Stayed about the same
- Increased moderately (10-25%)
- Increased significantly (over 25%)

Figure 5: Changes in demand for programs and services.

Decreased significanly (over 25%)   Decreased moderately (10-25%)
Stayed about the same
Increased moderately (10-25%)   Increased significantly (over 25%)
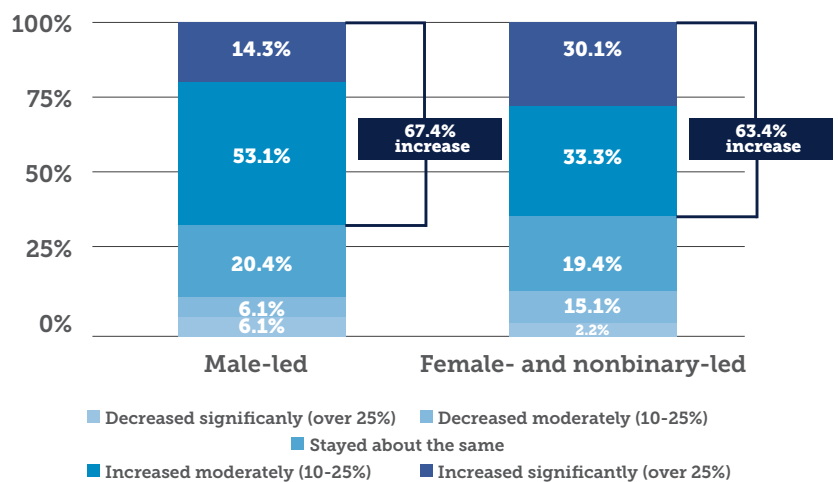
Figure 6: Changes in demand by gender of CEO.

[7] Faulk, L, Kim, M., Derrick-Mills, T., Boris, E., Tomasko, L., Hakizimana, N., Chen, T., Kim, M., Nath, L. (2021). Nonprofit trends and impacts 2021: National findings on donation trends from 2015-2020, diversity and representation, and first-year impacts of the COVID-19 pandemic. https://www.urban.org/sites/default/files/2022-10/Nonprofit%20Trends%20and%20Impacts%202021.pdf

[8] BoardSource. (2021). *Leading with intent: Reviewing the state of diversity, equity, and inclusion on nonprofit boards.* https://leadingwithintent.org/wp-content/uploads/2021/06/2021-Leading-with-Intent-DEI-Report.pdf?utm_referrer=https%3A%2F%2Fleadingwithintent.org%2F

[9] Nonprofit Finance Fund. (2022). *State of the nonprofit sector.* https://nff.org/learn/survey#results
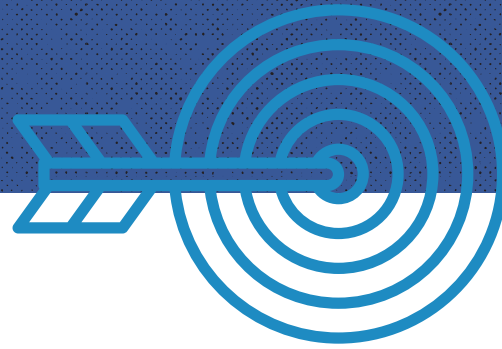
Challenges to Organizational Capacity

Only 43 percent of responding organizations said their organization had the capacity to effectively respond to these changes in demand. One-quarter of the responding organizations noted that their organization did not have the capacity to meet those changes in demand, and another 32 percent indicated that they might be able to. When asked what issues created challenges for their organizations, respondents indicated that funding and staffing (both paid and unpaid) were the largest challenges. ●

Funding challenges

Obtaining philanthropic funding for general operating support and programs and services were the largest issues. In fact, only 11 percent of respondents said that general operating support was not a challenge, while 61 percent indicated it posed a major challenge. Program support posed a similarly strong challenge for responding organizations, with only 10 percent noting that obtaining this funding was not a challenge. Meanwhile, 38 percent noted that program support was a minor challenge and just over half (51%) indicated that it was a major challenge for their organization. While challenges seem to exist with philanthropic dollars among the respondents, they still managed to position their finances in a way that allowed for flexibility. The majority of responding organizations stated that over 50 percent of their revenues were unrestricted dollars.

Financial indicators also
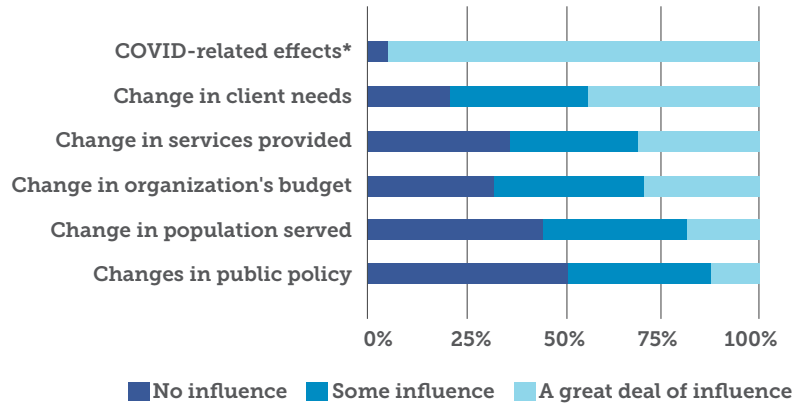
Figure 7: Reasons for changes in demand for programs/services

Legend: ■ No influence ■ Some influence ■ A great deal of influence
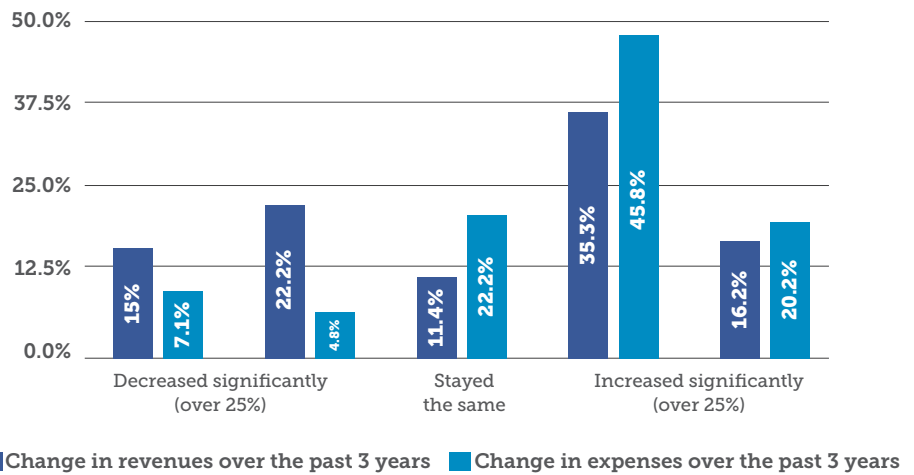
Figure 8: Changes in financial indicators over the past 3 years.

Legend: ■ Change in revenues over the past 3 years ■ Change in expenses over the past 3 years
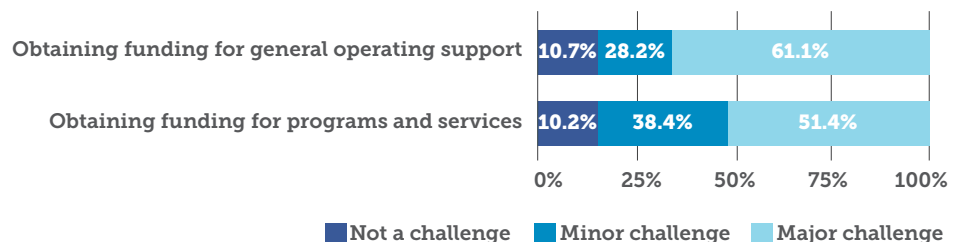
Figure 9: Funding challenges among respondents.

Legend: ■ Not a challenge ■ Minor challenge ■ Major challenge

point to some issues of capacity to respond, with 37.2 percent of respondents noting that their total revenues over the same period had decreased either significantly (15.0%) or moderately (22.2%). At the same time, most respondents noted that their organization's total expenses increased either moderately (45.9%) or significantly (20.2%). Further, 40 percent of respondents have less than three months of cash on hand, which less than what is recommended for financial stability — the rule of thumb is to have at least three months of cash on hand to cover operating expenses in case of emergency. These variables combined all suggest a potentially difficult time weathering significant shifts in funding.

Finally, neither CEO demographics nor the size of the responding organization (using budget as the measure of size) had any bearing on perceived ability to effectively handle changes in demand. However, it is important to consider this alongside the variable measuring perceived changes in demand. A greater proportion of CEOs who identify as female or nonbinary saw significant increases in demand yet felt equally able to weather these changes.

In addition, there was no relationship between CEO demographics or budget size and plans to expand, contract, or partner for programs and service — these responses were seen across all organizations.

However, the downward shifts in revenue and upward shifts in expenses that responding organizations experienced more frequently occurred in the smallest organizations — those

Figure 10: How frequently funders cover overhead costs.

- **Never**
- **Sometimes**
- **About half the time**
- **Most of the time**
- **Always**

least likely to weather major financial shifts. Of those who reported that total revenues decreased significantly, 79.2 percent had annual budgets under $500,000. Half of the organizations reporting moderate revenue decreases were similarly sized. Meanwhile, nearly half (48.5%) of those same organizations report significant increases in expenses.
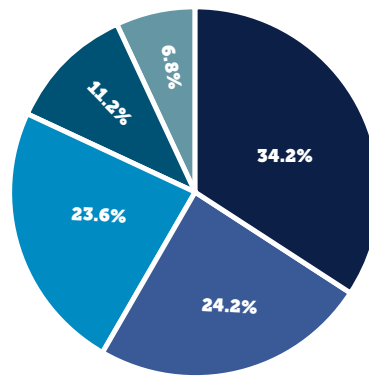
These responses indicate a potential gap between what is needed and what can realistically be provided in terms of critical programs and services to the Mid-South. This is especially problematic given the lingering effects of COVID-19 and current economic challenges in the US and around the globe. ◉

Staffing challenges

The second most prominent challenge for responding organizations is also resource-based and aligns with the funding challenges discussed above. Although about one-third note that funders sometimes cover overhead, a full quarter of respondents note that overhead and personnel costs are never covered by funders as part of program grants. Various elements of managing human resources, both paid and unpaid, therefore pose a critical
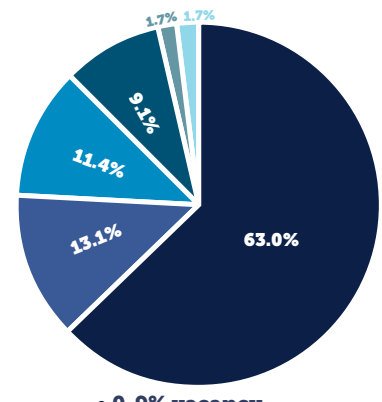
Figure 11: Percent of vacant positions among responding organizations.

- **0-9% vacancy**
- **10-19% vacancy**
- **20-29% vacancy**
- **30-39% vacancy**
- **40-49% vacancy**
- **50+% vacancy**

capacity challenge to responding organizations. ◉

Paid Staff

Nearly 30 percent of respondents (28.8%) note that recruiting and retaining qualified staff is a major challenge for their organization, with another 41 percent noting that it is a minor challenge for their organization. Most organizations report at least some staffing shortages within their organizations, although most commonly less than 10 percent of positions are vacant. Smaller organizations with annual budgets under $500,000 report higher vacancy levels than their peers in the sector, but the other workforce challenges listed here were consistently present across all budget sizes and across all mission types. Fortunately, the Mid-South nonprofit sector overall is doing better than the national averages, with one-third of nonprofit organizations reporting between 10 and 19 percent vacant positions[10].

Examining staffing shortages alongside CEO demographics provides a bit more insight into whether certain types of leaders are experiencing shortages differently. Although there is

[10] National Council of Nonprofits. (2021). *The scope and impact of nonprofit workforce shortages.* https://www.councilofnonprofits.org/sites/default/files/media/documents/2023/december-2021-nonprofit-workforce-shortage.pdf

Figure 12: Percent vacancy by CEO race.

Chart data:
- 0-9% vacancy: CEO is a person of color 57.8%, CEO is white 73.9%
- (second group): CEO is a person of color 8.9%, CEO is white 17.0%
- 20-29% vacancy: CEO is a person of color 15.6%, CEO is white 4.5%
- (fourth group): CEO is a person of color 4.4%, CEO is white 0.0%
- 40-49% vacancy: CEO is a person of color 4.4%, CEO is white 1.1%
- (last group): CEO is a person of color 8.9%, CEO is white 3.4%

Legend: CEO is a person of color | CEO is white

no difference in shortages experienced by male-led and female- or nonbinary-led organizations, there are differences when we consider whether the CEO is a leader of color or not.

Organizations with greater levels of vacant positions more frequently have CEOs of color. In fact, the vast majority (73.9%) of white-led organizations have between 0 and 9 percent vacancy, while a similar proportion (82.3%) of BIPOC-led organizations have between 0 and 29 percent of their positions unfilled.

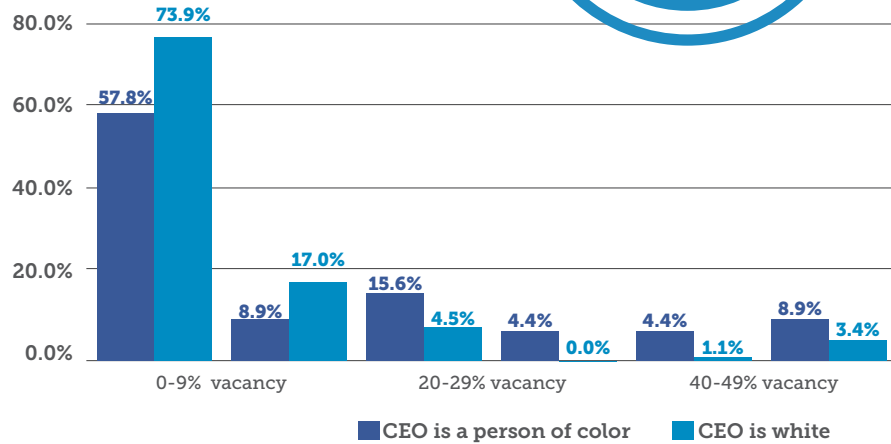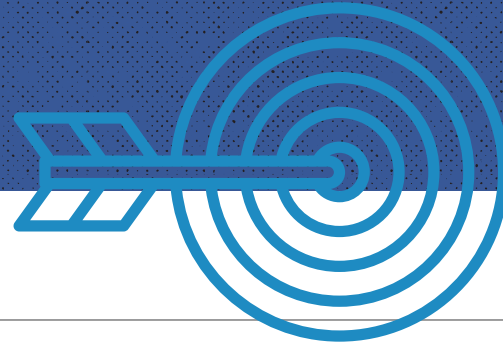Providing adequate compensation for staff posed a major challenge for 46 percent of responding organizations and was a minor challenge for just over one-third of respondents (35.4%). Recruitment and retention of both paid and unpaid (board and volunteer) staff also posed at least a minor challenge for most organizations.

Recruitment and retention of staff were bigger issues for CEOs who identify as male. Most male CEOs reported that recruiting and keeping

qualified staff was a minor (68.1%) or major (12.8%) challenge, with 19.1 percent indicating that it wasn't a challenge for their organization. Meanwhile, their peer CEOs were more evenly distributed into thirds among not a challenge (36.4%), a minor challenge (29.5%) or a major challenge (34.1%).

Employing enough staff to do all of the work of the organization is another measure of capacity, encompassing recruitment and retention of both paid and unpaid staff, while also considering the changes in workload or demand. This issue posed a major challenge for 42 percent of responding organizations.

Although there are no differences between male-led and female- or nonbinary-led organizations' perceived ability to provide adequate compensation, women- and nonbinary-led organizations indicated that employing enough staff to do all the work was a greater challenge for their organizations. Male-led organizations typically reported that employing enough staff was a minor

(51.1%) challenge for their organization, while another third (36.2%) noted that it was a major challenge. At the same time, their female and nonbinary peer CEOs mostly indicated that this was a major (47.7%) or minor (30.7%) challenge for their organizations. This aligns with earlier findings, which show that CEOs who identify as female or nonbinary saw greater increases in demand for their organizations' programs and services. They may experience fewer challenges with recruitment and retention, but their overall ability to balance staffing and demand is lower.

Further, there is a strong relationship between providing adequate compensation and having enough staff, suggesting an organization's ability to offer competitive compensation packages — both salary and benefits — is a key issue in terms of recruitment and retention of paid staff and having a fully staffed organization. This aligns with national trends and reports highlighting the ongoing staffing challenges faced by nonprofit. ●

[11]Nonprofit Finance Fund. (2022). *State of the nonprofit sector.* New York, NY. https://nff.org/learn/survey#results

Figure 13: Staffing challenges among responding organizations.

Volunteer Staff

Recruiting and retaining board members is a major challenge for 30.3 percent of respondents, while recruiting and retaining volunteers is a major challenge for just over one-fourth (26.1%) of organizations. Volunteers (including board members) are a critical and often large component of nonprofit human resources, and like challenges with paid staffing levels, respondents also note that recruiting and retaining board members and volunteers is equally challenging.

Nearly half (45.8%) of responding organizations indicate that they intend to rely more on volunteer labor in the next year. However, almost two-thirds (62.7%) of respondents also indicate that they do not have a formal volunteer recruitment program, nor do they have a formal volunteer training program (64.6%). So, while organizations intend to bolster their current staff with

volunteer labor, many do not have the capacity or infrastructure in place to access these core resources most effectively and efficiently. ⊙

Looking Ahead

In general, responding organizations seemed to have a more positive outlook for the future, with a high proportion indicating that they are extremely likely to add programs/services (40% of respondents), increase the number of clients served (50% of respondents), and partner with another organization to expand programs and services (47% of respondents). Of note, there is a sizeable relationship between the three, meaning if an organization intends to expand scope and/or serve additional clients, they're likely to do so in partnership with another or multiple nonprofits. While the outlook is seemingly optimistic in terms of program expansion, the data also show

that it may be difficult for responding organizations to achieve these goals, given perceived challenges with funding and staffing. ⊙

Increasing Capacity through Collaboration

Respondents to the 2023 State of the Sector survey indicated that they intend to partner or collaborate with another organization to increase their capacity. Almost all (88.4%) of the organizations responding to the survey are currently involved in either a formal or informal collaboration or network, with many involved in both forms of partnership (42.4%).

Respondents noted that there are several benefits of collaboration. Specifically, almost all respondents indicated that collaboration makes it much easier (43.0%) or easier (38.3%) for organizations to serve clients. An

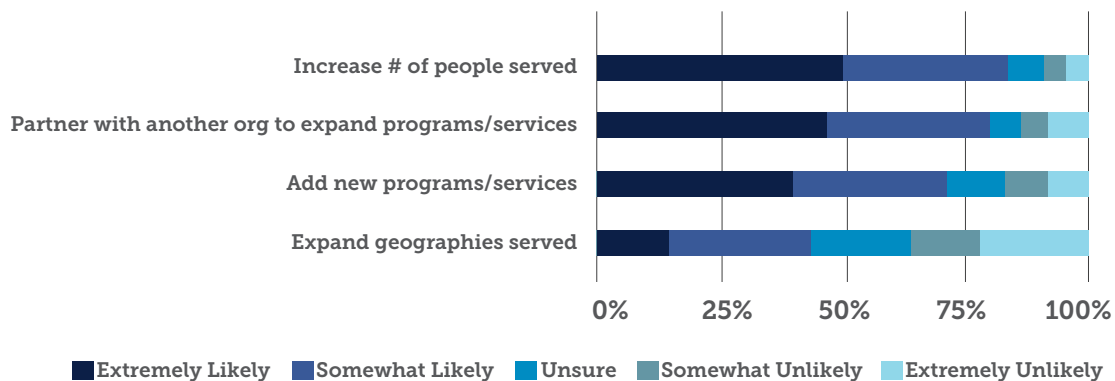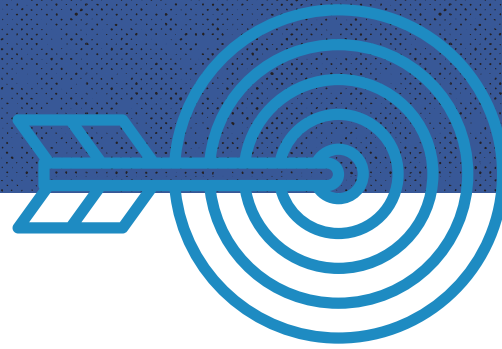Figure 14: Likely programmatic changes for respondents.

overwhelming majority of respondents also believe collaborations enhance the organization's visibility or reputation (41.4% much easier, 49.3% easier); make it easier to serve more clients (43.0% much easier, 38.3% easier); and make it easier to fulfill their organization's mission (40.7% much easier, 46.7% easier).

However, respondents also note that there are some elements that might make collaboration easier or more difficult for their organizations. Over two-thirds of responding organizations note that when they perceive a benefit from the collaboration or partnership, it is easier for them to collaborate (31.0% much easier, 37.4% somewhat easier). Having a knowledge of potential collaborators also makes it somewhat easier (44.4%) or much easier (21.6%) to engage in collaboration. Similarly, when a collaboration aligns with the organization's scope of work, it is somewhat easier (35.3%) or much easier (27.1%) to work with other organizations.

While none of the elements were perceived to make collaboration much more difficult, "our organizational capacity" made collaboration somewhat more difficult for 27 percent of the respondents, as did competition for resources (22.4%). Given the capacity and resource challenges these respondents outlined above, it is possible that collaboration is a greater burden on organizations at this point, particularly during the initial stages of finding appropriate partners, developing relationships, and due diligence.

In summary, although responding organizations have additional demands
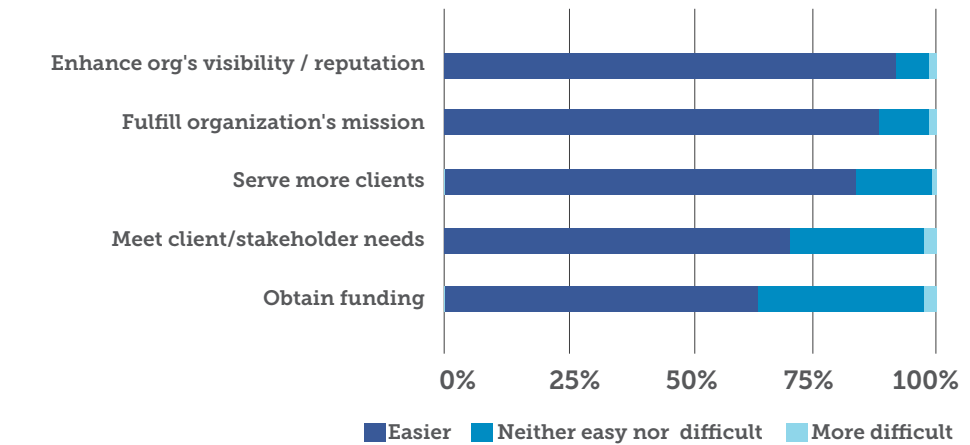
Figure 15: Perceived benefits of collaboration.
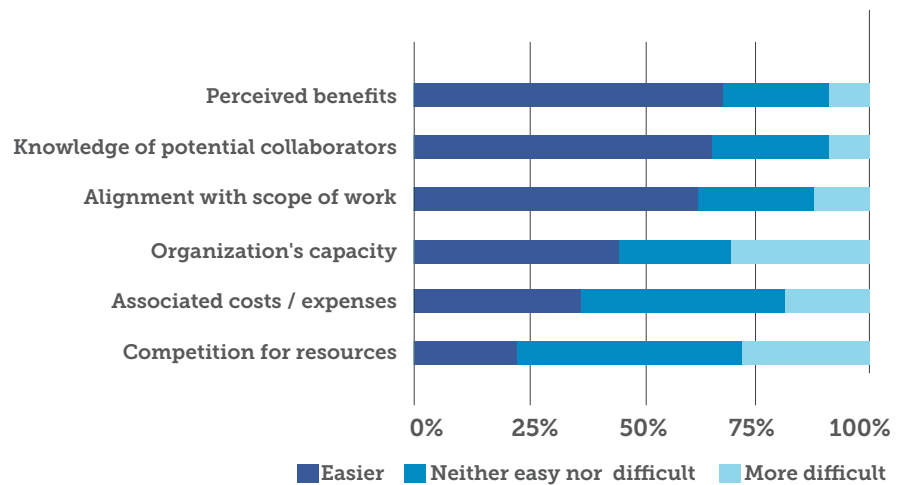
Figure 16: Potential barriers to collaboration.

placed on them and intend to meet those demands, it may be difficult for them to meet those changes in demand given the limited resources outlined above. Further, the organizations that report having the greatest challenge obtaining general operating and program support also have the greatest challenges with staffing, weathering changes in demand, and having

the organizational capacity to meet the needs of the communities they serve. Perhaps that offers a partial explanation for respondents' intent to pursue collaboration in coming years — they feel as though working across organizations will help increase capacity and efficiency, and potentially alleviate some of the capacity and staffing challenges they currently face. ◉

	% of respondents indicating policy has *no effect* on their organization	
	2020 Results	**2023 Results**
Tax policy	47.2	60.6
Federal policy	41.6	46.8
State policy	44.0	43.0
Local policy	44.0	48.3

Table 2: Perceived effects of changes in public policy.

Focus Area 3: Public Policy and Advocacy

In the 2020 State of the Sector report, a very high proportion of respondents did not feel as though public policy impacted their organizations. Our hope was that the events of the past three years, including additional efforts locally to educate nonprofit leaders about the sector's role in policy, had increased awareness of policy issues. Instead, and surprisingly, the proportion of respondents who felt that public policy at any level had no effect on their organization increased across the board. Further, these responses were not unique to one particular organization type or size – all organizations provided similar responses. However, it is federal and oftentimes state tax laws and policies that govern the nonprofit sector – for example, nonprofits benefit from tax-exempt status because it is granted to them by federal tax law [12].

We also asked how frequently responding organizations engaged in various policy and advocacy activities. Although most organizations do not engage in any of the listed activities on even an occasional basis, there were a few that stood out as relatively common practices among respondents. Specifically, respondents most frequently engage their boards on policy issues related to their mission, attend local government meetings, and engage the public on mission-related policy. Respondents regularly (21.5%) or occasionally (44.4%) engage their boards on policy issues related to their mission. They regularly (16.4%) or occasionally (34.5%) engage the public on mission-related policy. Finally, respondents regularly (14.0%) or occasionally (45.6%) attend local government meetings.

However, two-thirds of respondents never engage political candidates on policy issues related to their mission (66%), three-quarters never lobby for specific policies or legislation, and over 80 percent never participate in voter registration drives.

Finally, we wanted to understand whether specific types of policy engagement (for example, talking with political candidates or elected officials) had any relationship with perceived effects of policy change. What we learned is there are differences between organizations that engage the public, their boards, political candidates, and elected officials and those that do not. Specifically, and perhaps not especially surprising, there is a consistent relationship between organizations that do not engage these audiences and feeling as though public policy has no effect on their organizations. On the other hand, the organizations that do note that policy changes affect their organizations a great deal or a lot typically engage stakeholders more frequently, still noting that relatively few respondents felt as though policy had a strong influence on their organizations. The section below examines these relationships.
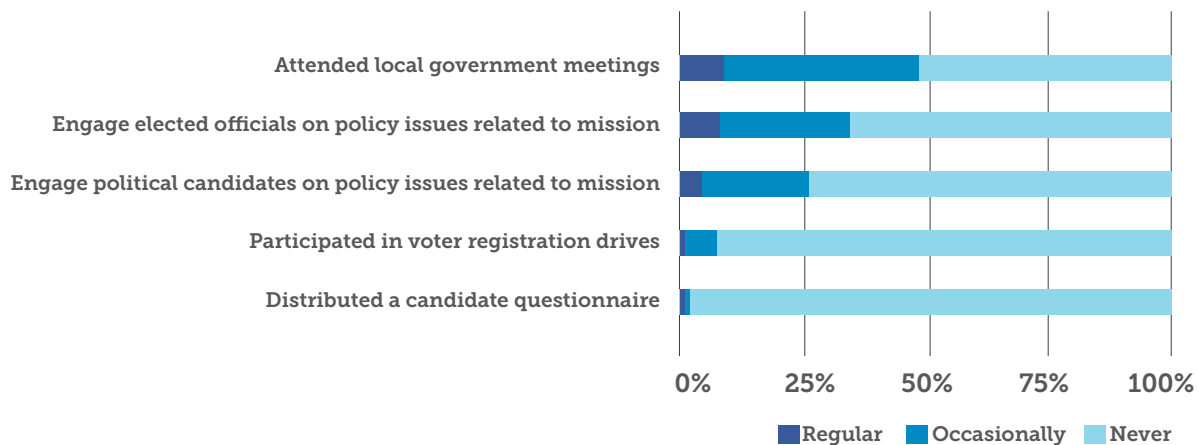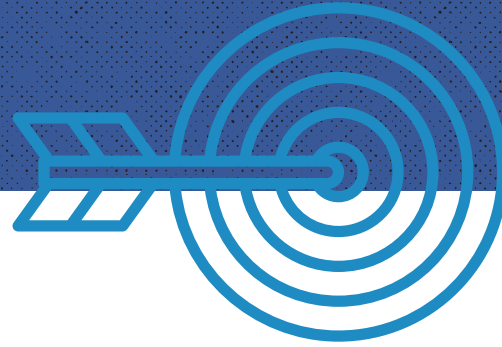

Figure 17: Participation in specific policy and advocacy activities.

[12] Hopkins, B. R. (2017). *Starting and managing a nonprofit organization* (7th ed.). New York, NY: John Wiley & Sons.

Effects of Local Policy Changes

As noted earlier, just under half of all respondents indicate that changes in local policy have no effect on their organizations. While 51.7 percent of respondents do indicate that local policy does have at least some effect on their organizations, only 18 percent noted that they have a lot or a great deal of impact on their missions.

When looking at the relationships between specific levels of policy-making and various stakeholder groups, the results show that 42.4 percent of organizations that feel as though local policy has a lot or a great deal of influence on their organization tend to engage the public regularly (14.3%) or occasionally (28.1%) on policy issues related to the mission of their organization. Similarly, 44.2% of organizations that feel local policy changes has a great impact on their missions tend to engage their boards regularly (22.9%) or occasionally (21.3%).

On the other hand, nearly 80 percent (70.8%) of all respondents who feel as though local policy has no effect at all still engage the public on relevant policy issues.

The respondents that most commonly engage stakeholder groups that are more local (e.g., public, boards) on policy issues related to their missions also tend to have the highest proportion of responses noting that changes in local policy affect their organizations a great deal or a lot. ●

	Changes in local policy affect organization a lot / a great deal (%)	Changes in local policy affect organization a moderate amount (%)	Changes in local policy do not affect organization at all (%)	
*Engages public on policy issues**				
Regularly	14.3	50.0	35.7	100.0
Occasionally	28.1	36.8	35.1	100.0
Never	10.7	27.4	61.9	100.0
*Engages board on policy issues**				
Regularly	22.9	34.3	42.9	100.0
Occasionally	21.3	38.7	40.0	100.0
Never	8.5	28.8	62.7	100.0
*Engages political candidates on policy issues**				
Regularly	14.3	64.3	21.4	100.0
Occasionally	25.0	36.4	38.6	100.0
Never	14.4	28.8	56.8	100.0
*Engages elected officials on policy issues**				
Regularly	17.4	43.5	39.1	100.0
Occasionally	20.6	44.4	34.9	100.0
Never	14.6	23.8	61.9	100.0

denotes a statistically significant relationship

Table 3: Relationship between stakeholder engagement and effects of local policy change.

Effects of State Policy Changes

As we note above, 43 percent of respondents feel as though state policy changes have no impact on their organization's mission. While over half (56.8%) note that state policy has at least some influence on their organizations, just a bit over 20 percent felt as though state policy has a lot or a great deal of impact on their organization's mission.

We next looked at the relationship between perceived effects of changes in state policy and how frequently the responding organization engages various stakeholder groups. As we saw with local policy, there is a significant relationship between the various types of stakeholder engagement and what perceived level of effect state policy has on their organization's mission. However, we see a slight shift in the relationship between which stakeholders are most frequently engaged and feeling that policy affects their organization. Specifically, 65.2 percent of organizations that feel as though state policy has a lot or a great deal of influence on their organization tend to engage political candidates regularly (35.7%) or occasionally (29.5%). Similarly, 60.1% of organizations with high policy impacts tend to engage the public regularly (25.0%) or occasionally (35.1%). Finally, 57.4 percent of organizations with high policy impacts engage elected officials regularly (30.4%) or occasionally (27.0%).

Rather than engaging more local stakeholders (specifically boards), organizations that engage the political candidates, the public, and elected officials on policy issues related to their missions have the highest proportion of responses noting that changes in state policy affect their organizations a great deal or a lot.

	Changes in state policy affect organization a lot / a great deal (%)	Changes in state policy affect organization a moderate amount (%)	Changes in state policy do not affect organization at all (%)	
*Engages public on policy issues**				
Regularly	25.0	50.0	25.0	100.0
Occasionally	35.1	33.3	31.6	100.0
Never	11.9	31.0	57.1	100.0
*Engages board on policy issues**				
Regularly	25.7	45.7	28.6	100.0
Occasionally	29.3	33.3	37.3	100.0
Never	10.2	30.5	59.3	100.0
*Engages political candidates on policy issues**				
Regularly	35.7	42.9	21.4	100.0
Occasionally	29.5	43.2	27.3	100.0
Never	17.1	29.7	53.2	100.0
*Engages elected officials on policy issues**				
Regularly	30.4	56.5	13.0	100.0
Occasionally	27.0	36.5	36.5	100.0
Never	15.5	27.4	57.1	100.0

*denotes a statistically significant relationship

Table 4: Relationship between stakeholder engagement and effects of state policy change.

Effects of Federal Policy Changes

Nearly half (46.8%) of respondents noted that changes in federal policy have no effect on their organization's mission. However, 53.2 percent note that federal policy has at least some impact, and 16.4 percent note that these policy changes have a lot or a great deal of impact on their organizations.

Unlike the relationships between the two prior policy levels (local and state), there was only relationship of note regarding federal policy changes. Specifically, there is a relationship between perceived effect of policy change and how frequently they engage the public on policy issues related to their mission. Those who never engage the public typically report there is no effect (57.1%). However, there are several respondents who note that policy change at the federal level affects their organization a great deal. Those who regularly (17.9%) or occasionally (24.6%) engage the public on related policy issues also feel as though changes in federal policy have a sizeable impact on their organizations' missions.

What is interesting here is that rather than educating politicians or others who may more directly interact with and shape federal policy, responding organizations that see federal policy changes as influencing their organizations tend to more frequently engage the public about related policy issues. ●

	Changes in federal policy affect organization a lot / a great deal (%)	Changes in federal policy affect organization a moderate amount (%)	Changes in federal policy do not affect organization at all (%)	
*Engages public on policy issues**				
Regularly	17.9	39.3	42.9	100.0
Occasionally	24.6	42.1	33.3	100.0
Never	9.5	33.3	57.1	100.0

*denotes a statistically significant relationship.
There is only a significant relationship between public engagement and perceived effects of federal policy.

Table 5: Relationship between stakeholder engagement and effects of federal policy change.

Effects of Tax Policy Changes

A significant proportion of respondents (60.6%) note that changes in tax policy do not affect their organizations. Of the 39.4 percent who do note that tax policy influences their organizations, 8.8 percent note that it has a lot or a great deal of effect, while others note it has a moderate (13.5%) or a little (17.1%) effect.

We next looked at the relationship between perceived effects of changes in tax policy and how frequently the responding organizations engage various stakeholder groups. Although engagement with the public, political candidates, and elected officials have a relationship with effects of tax policy, board engagement did not. Only a few (8.8%) respondents indicated that tax policy changes affect their organizations, but they regularly (3.6%) or occasionally (8.8%) engage the public about policy issues related to their

missions. Although no respondent within that 8.8 percent regularly engaged political candidates or elected officials, those who occasionally engage political candidates (14.0% of this sub-group; 3.6 percent of all survey respondents) and elected officials (9.7% of this sub-group; 3.6 percent of all respondents) also believe changes in tax policy affect their organization a lot.

On the other hand, a proportion of respondents did indicate that changes in tax policy affect their organizations a moderate amount or a little (39.4%), and their patterns of engagement are similar to what we saw above regarding federal policy. A little over half of this group (53.6%) regularly engage the public on policy issues related to their mission. Meanwhile, they also engage political candidates and elected officials, albeit with less regularity.

In conclusion, what we see is that there is a relationship between local engagement of the public or boards, and perceived effects of local policy on the organization.
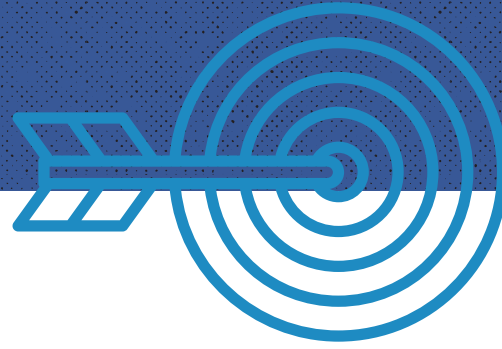
Similarly, perceived effects of state policy have a stronger relationship with engaging political candidates and elected officials. However, when we look at federal and tax policy, responding organizations typically engage the public more frequently than other groups. This pattern suggests that these organizations might feel as though public engagement may have more effect in local and national-level advocacy efforts, while working through political channels has more effect at the state level. ◉

	Changes in tax policy affect organization a lot / a great deal (%)	Changes in tax policy affect organization a moderate amount (%)	Changes in tax policy do not affect organization at all (%)	
*Engages public on policy issues**				
Regularly	3.6	53.6	42.9	100.0
Occasionally	8.8	38.6	52.6	100.0
Never	9.6	18.1	72.3	100.0
*Engages political candidates on policy issues**				
Regularly	0.0	28.6	71.4	100.0
Occasionally	14.0	44.2	41.9	100.0
Never	6.3	26.1	67.6	100.0
*Engages elected officials on policy issues**				
Regularly	0.0	34.8	65.2	100.0
Occasionally	9.7	43.5	46.8	100.0
Never	9.5	20.2	70.2	100.0

denotes a statistically significant relationship.
There is no significant relationship between board engagement and perceived effects of tax policy.

Table 6: Relationship between stakeholder engagement and effects of tax policy change.

Implications for the Sector

Based on the findings from this survey, there are key opportunities for both nonprofit and philanthropic leaders to act on and to strengthen the Mid-South nonprofit sector, bettering our communities. ◉

Nonprofits

Address barriers facing leaders of color at all levels of the organization.

Organizational leaders should consider the importance and role of diversity within their organizations. Does the current leadership mix reflect its relative importance within the organization? Does it reflect the values of the organization? Is it the right mix to ensure the work of the mission can be effectively accomplished? It's also important to consider whether the board and executive leadership's diversity indicate a commitment to shared power and decision-making within the community being served by the mission.

Create board recruitment plans and succession plans that focus on strategies to elevate BIPOC leaders. Both executive leadership and board members should remove barriers to, and create pathways and opportunities for leaders of color, particularly women of color.

Does the board, specifically, recruit new members using the traditional "who we know" technique, or is it working to expand its reach to new networks? Consider networking with local chapters of national professional associations focused on communities of color to help expand the talent of the board (e.g., the National Association of Black Accountants or the National Black MBA Association). ◉

Build capacity around talent.

Succession plans are a critical component of nonprofit capacity. While providing a roadmap for both planned and unplanned exits and providing a buffer through staffing changes, succession plans also serve as a core element of capacity building. These plans require leaders to consider current and (more importantly) future needs, identify barriers to meeting those needs, and either develop future leaders or hire externally to meet those needs, with strategy at the forefront. In addition, succession plans can foster an equity lens when making talent decisions.

Although recruitment and retention of talent is difficult for most organizations, leadership and professional development opportunities provided by organizations are another important way to not only increase existing organizational capacity, but also retain talent. Many organizations (like Momentum Nonprofit Partners, the Institute for Philanthropy and Nonprofit Leadership, and other capacity-builders) provide leadership training and professional development opportunities for low- or no-cost to members.

Finally, cross training teams builds organizational capacity while enhancing an organization's existing talent pool. Cross-training provides more flexibility to the organization by creating more nimble and responsive teams, building the skills that exist within the current staff, and keeping employees engaged. Cross-training and professional development are key elements of effective employee retention programs. ◉

Collaborate as a means of building capacity.

Many of the survey respondents indicated that they already collaborate, either formally or informally, with other nonprofits, and many indicate that they will continue to do so in coming years. There are many known benefits to collaboration that encompass both program delivery and organizational capacity. On the programmatic side, collaboration is often seen to improve both effectiveness and efficiency in service delivery[13]. Collaboration also builds capacity within the organization by improved organizational resilience, enhanced competitive advantage, and a reputation boost for those participating[14].

Although initial costs (broadly speaking) to the organization might be somewhat burdensome, the increased organizational capacity, resilience, and effectiveness can certainly outweigh those costs when collaborations are done well. ●

Be an active participant in policy and advocacy work.

It is critical to recognize that nonprofit organizations exist as an organization type because of public policy. Our missions and the communities we serve are affected by changes to policy at all levels — local, state, federal, and tax policy.

A simple first step in policy work is to educate organizational leadership and key stakeholders, like governing boards, advisory boards, and core volunteers about your mission area and policies that affect it. This will create a strong cohort of advocates for your organization who can assist in sharing your message.

Advocacy efforts, particularly at the state and local level, can inform how laws that directly affect nonprofit organizations are shaped and applied. Boards and volunteers are some of the strongest advocates for the mission and can join the organization to communicate with legislators about key issues.

Lobbying is legal for nonprofits and is an important way to help policymakers understand how various policies and proposed changes to public policy will affect your organization and the people you serve. It is important to learn effective lobbying techniques and understand the legal limits surrounding nonprofit lobbying.

Participate in associations. Most states and mission areas have associations that can (and do) advocate and lobby for specific policies. State associations typically advocate and lobby for sector-wide issues specific to their state, while mission-related associations act on more mission-specific legislation. These networks also build sector capacity by highlighting trends and issues affecting their membership. ●

Funders

Increase multi-year general operating support.

Respondents to this study indicate that obtaining philanthropic dollars for general operating support and basic programs and services was a great challenge for their organizations. Although philanthropy has traditionally shied away from funding indirect costs or "overhead" (administrative costs, etc.), research points to a relationship between organizational capacity, management capacity (via overhead), and financial sustainability among organizations that receive general operating support. In fact, placing such a heavy focus on program-specific funding can actually hamper an organization's long-term viability [15][16].

Given the capacity challenges nonprofits in the Mid-South face, philanthropy has a crucial role in ensuring organizations are able to address the needs of the community as effectively as possible. Providing general operating support to grantees has become more common among grantmakers, with results pointing to increased trust between foundation and grantee, increased organizational capacity and improved infrastructure, progress on strategic plans, and more stable financial footing among grantees [17][18]. ●

[13] Snavely, K., & Tracy, M. B. (2000). Collaboration among rural nonprofit organizations. *Nonprofit Management and Leadership, 11*(2), 145-165.

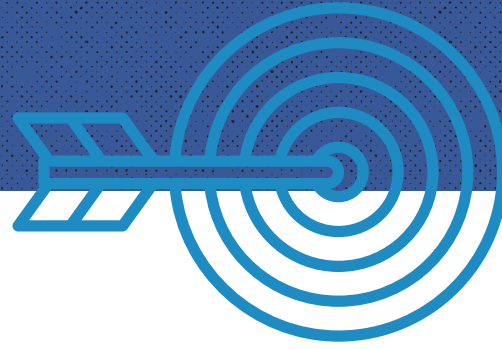[14] Sowa, J. E. (2009). The collaboration decision in nonprofit organizations: Views from the front line. *Nonprofit and Voluntary Sector Quarterly, 38*(6), 1003-1025.

[15] Park, Y. J., & Matkin, D. S. (2021). The demise of the overhead myth: Administrative capacity and financial sustainability in nonprofit nursing homes. *Public Administration Review*, 81(3), 543-557.

[16] Eckhart-Queenan, J., Etzel, M., Lanney, J., & Silverman, J. (2019). Momentum for change: Ending the nonprofit starvation cycle. Bridgespan. *https://www.bridgespan.org/getmedia/dd379084-1e28-4b34-9dba-1b619d19ba8c/momentum-for-change-ending-the-nonprofit-starvation-cycle.pdf*

[17] Riemer, A., Frank, E., Rublin, H., & Merrow-Kehoe, S. (2017). A community foundation's experience implementing and evaluating general operating support. *The Foundation Review*, 9(2), 6.

[18] Hunnik, O., De Wit, A., & Wiepking, P. (2021). (In) Equality through unrestricted grantmaking: Examining trust and power in the collaboration between the Dutch charity lotteries and their grantees.

Foster (and fund) talent capacity.
Nonprofit organizations can build capacity around a developed and engaged talent pool. However, developing talent and building capacity does not come without associated costs — both time and money. Philanthropy can support this type of capacity building by providing organizations with access to talent development opportunities like conferences and seminars.

Philanthropy can also build sector capacity by providing resources and tools to help organizations create or revise succession plans. These plans provide a roadmap for planned and unplanned leadership exits, create intentional ways to elevate leaders of color, and help organizations think strategically about how to best align talent to meet future capacity needs and challenges.

Foster (and fund) collaboration capacity.
Many responding organizations note that collaboration is imperative for their success, and many plan to collaborate to expand their scope by offering new programs and services and reaching new populations. However, many respondents also note that collaboration taxes their organization's already reduced capacity — at some point the costs of collaboration outweigh the benefits.

Philanthropy encourages collaboration already, but a bolder approach to help establish and nurture these partnerships might allow organizations a bit more freedom and flexibility to pursue collaboration. Financial support, particularly during the time consuming and oftentimes costly initial introduction, due diligence, and relationship-building phases, can help both encourage collaboration and remove some of the associated barriers[19].

Encourage engagement in public policy.
Foundations have a unique perspective of the nonprofit sector, as they typically have an aggregate view of trends and challenges that exist among mission areas within their portfolios. There are many ways philanthropy can both engage and encourage others to engage in the policy process, noting that philanthropic participation in advocacy has grown considerably over the past decade or so[20,21,22]. For example, although they are not able to lobby, private foundations may engage in advocacy activities and may support grantees that lobby, although not through an earmarked lobbying grant. Instead, public charities may use funds from general operating support grants to engage in lobbying.

Philanthropy can support the sector's lobbying activities by training nonprofit leaders on lobbying techniques. They can also participate in advocacy efforts by conducting public education campaigns about a mission area (avoiding calls to action and mentioning specific legislation), educating legislators about mission areas, and conducting policy research around issues relevant to their missions.

Concluding Thoughts

Results from this year's State of the Mid-South Nonprofit Sector survey point to a sector that has weathered incredible changes over the past three years. During a time of crisis, nonprofits stepped up to care for their community while experiencing challenges themselves. Although these challenges are great, there are also great opportunities to alleviate some of the stress placed on the sector. We hope that nonprofit leaders will use this report as a tool for reflection, benchmarking, and self-assessment, and that funders will use these findings to inform future funding decisions.

19   Neuhoff, A., Smith Milway, K., Kiernan, R., Grehan, J. (2014). *Making sense of nonprofit collaborations. https://www.bridgespan.org/getmedia/f5d1a314-a277-4a5f-a13c-8483360fac25/MakingSenseOfNonprofitCollaborations_1.pdf* .

20   Reckhow, Sarah. 2016. More than Patrons: How Foundations Fuel Policy Change and Backlash. *PS. Political Science & Politics* 49(3): 449–454.

21   Suárez, David. 2012. Grantmaking as Advocacy: The Emergence of Social Justice Philanthropy. *Nonprofit Management & Leadership* 22(3): 259–280.

22   Webb Farley, Kathryn. 2018. Shifting Notions of Philanthropy: Themes in Scholarship and Practice. *PS: Political Science & Politics* 51: 48–53.

Appendix A:
Organizational demographics

Respondent Mission Area	% of Respondents
Arts & Culture	14.4%
Human Services / Multipurpose	13.9%
Youth Development	13.9%
Education: K-12	8.7%
Community Development / Housing	7.7%
Jobs, Employment, & Training	4.8%
Health & Rehabilitation	4.8%
Economic Development	3.3%
Foundations / Philanthropic Grantmaking	3.3%
Education: Early Childhood	2.9%
Aging & Senior Care	2.4%
Recreation, Leisure & Sports	2.4%
Mental Health & Crisis Intervention	2.4%
Animal & Animal Welfare	1.9%
Alcohol & Substance Abuse	1.9%
Environment / Conservation	1.9%
Civil Rights & Social Action	1.4%
Development Disabilities	1.4%
Volunteerism & Philanthropy	1.4%
Other	5.0%

Appendix B:
Resources

From Momentum Nonprofit Partners:
- *2023 Policy Agenda*
- *Board Diversity Learning Lab*
- *Nonprofit Board Essentials*

From National Partners:

- *Alliance for Justice*
  - *Bolder Advocacy*

- *Alliance for Nonprofit Management*

- *Council on Foundations*
  - *Public Policy and Advocacy for Grantmakers*
  - *Advocacy Toolkit*

- *Independent Sector*
  - *Policy Section*
  - *Take Action*

- *National Committee for Responsive Philanthropy*

- *National Council of Nonprofits*
  - *Capacity Building*
  - *Everyday Advocacy*
  - *Trends and Policy Issues*

About the Author

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