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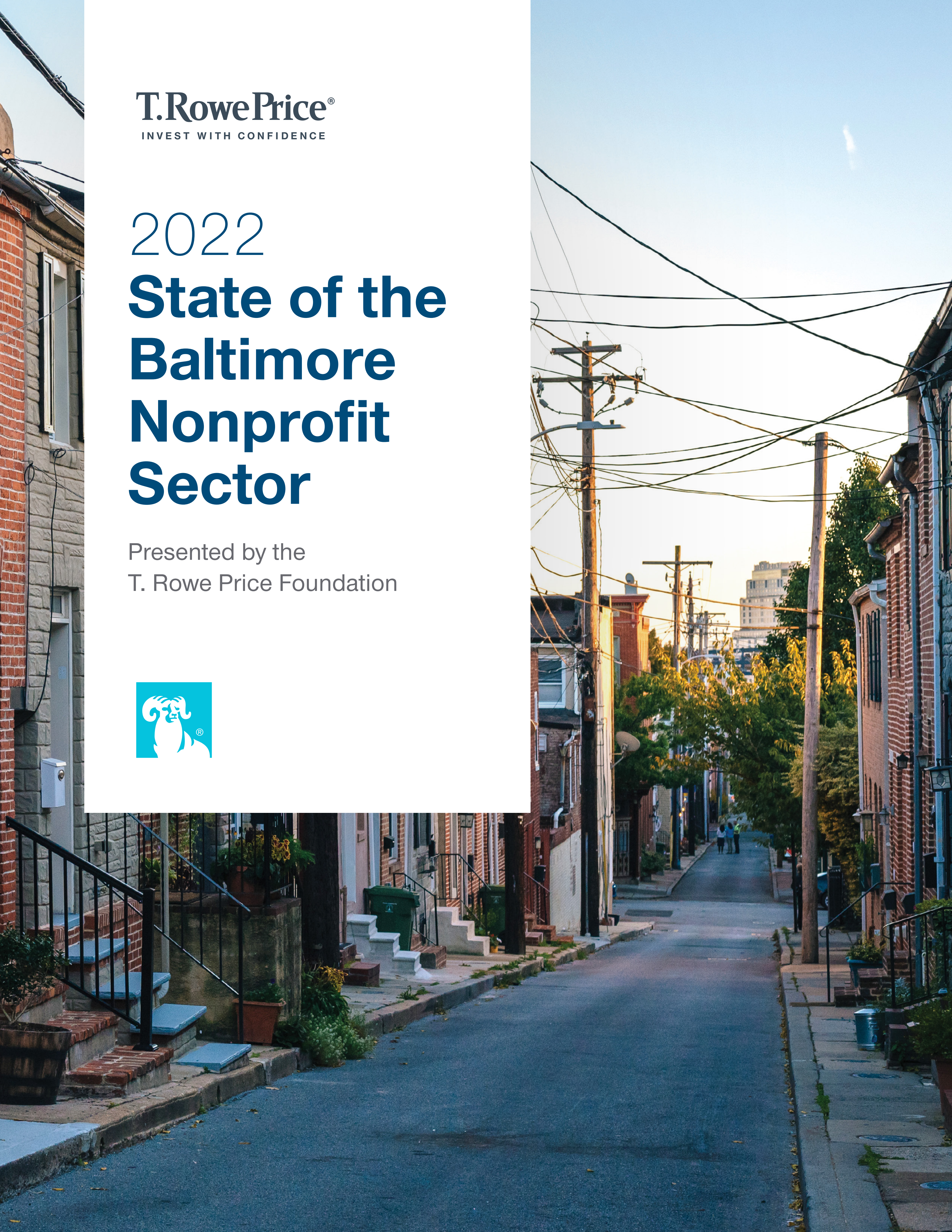
2022 State of the Baltimore Nonprofit Sector

Presented by the
T. Rowe Price Foundation



Partners in Community,

In 2015, following the unrest in Baltimore, the T. Rowe Price Foundation began spending time with local, community-based leaders throughout the city to understand how they hoped to make positive change. We met with hundreds of inspiring citizens who spoke about their hopes for their communities and what they needed to reach their North Star.

Of those hopes and dreams, there were several that were talked about often, and one in particular led us to produce this “State of the Baltimore Nonprofit Sector Report.” Baltimore residents often talked about how much they loved their local nonprofits, respected their leaders, and wanted them to grow stronger. Like those community members, we knew that strong, local organizations and leaders were vital to creating and maintaining strong communities. We noticed there was an opportunity to help increase the health and capacity of the nonprofit sector in Baltimore.

To address this challenge, the T. Rowe Price Foundation launched a new Capacity Building program. We began by offering trainings in key areas that local leaders had identified as the most important to them. In 2022, we have engaged with over 5,000 organizational leaders in Baltimore and beyond, using tailored trainings, focused cohorts, and organizational health assessments. It is the last section that has yielded us tens of thousands of data points on the organizational health of many of our Baltimore nonprofit partners. As this is one of the most comprehensive case studies on the health of a city’s nonprofit sector, we hope this will provide inspiration for others to investigate the health of their own cities, states, and regions.

We view the data in this report as a resource for the broader nonprofit community. We hope that it helps our nonprofits develop strategies for future strength. We hope that it helps grant-makers, both public and private, develop better strategies to serve their grantees. We hope it helps intermediaries think through stronger supports for their networks. Overall, we hope for a more robust sector conversation that moves our discussions toward an emphasis on the organizational health outcomes of our nonprofit sector, rather than the current overemphasis on program outcomes.

We hope this report serves the sector in two ways, and I’ll use the imagery we see in nature. We hope the reader will look at the whole report and see a tree with many branches, noticing larger trends that are interconnected across the broader report. Additionally, we hope that the reader will also have the opportunity to focus on individual branches, like the report’s analysis on racial equity and nonprofit leadership.

As partners in building a stronger sector and aligning to our trust-based approach, we seek your feedback and participation in a few ways. We hope that you read this report and use it as part of your conversations to strengthen your organization and the larger sector. We hope that you will join us in the formal conversations that we will convene on the themes highlighted in this report, and finally, we hope that you provide us your thoughts and feedback on this report as we look to produce similar future reports.

Finally, I want to end by giving thanks. An amazing team helped put this together, including the leadership of Sabrina Thornton, the data mastery of Sonia Pandit, and the writing prowess of Kelli Lakis, as well as many, many others on the T. Rowe Price team. We also owe huge thanks to our partners at SeaChange Capital Partners, Algorhythm, Building Movement Project, and Meyer Foundation. Last, we thank our community partners for trusting us with their data, which we view as sacred and an important part of their community power. We hope this report has earned the trust that you have bestowed upon us when you provided us this important data. Again, we thank you.

Warmest regards,

John Brothers
President
T. Rowe Price Foundation
T. Rowe Price Charitable

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Executive Summary

In our ongoing commitment to improve nonprofit organizations throughout Baltimore, the T. Rowe Price Foundation has gathered data from various sources to offer insight into the current state of the philanthropic sector in the city.

SeaChange Capital Partners reviewed data from 1,723 of Baltimore's nonprofit organizations; T. Rowe Price Foundation staff and consultants reviewed years of Impact Capacity Assessment Tool (iCAT) data submitted by 55 organizations throughout the city, overlaying it onto both financial audit and 990 data; we analyzed fundraising data; and we gathered feedback from leadership and staff at dozens of local organizations using the Race to Lead (https://racetolead.org/) tools.

Below are the 10 insights we gleaned from the process, followed by a very brief summary of our findings for each. For a more complete picture of the state of the nonprofit sector in Baltimore, please read the full report that follows, which also includes an extensive appendix on methodology and additional findings.

1

Partnerships are the key to stronger organizations.

Baltimore nonprofits scored themselves highly in partnerships, compared with the national average. However, partnerships is a subcategory of an organization's ability to effectively generate resources, and in the overall resource generation category, Baltimore organizations scored themselves much lower by comparison. Survey data indicate that executive directors overwhelmingly consider themselves to be effective at external leadership, with 92% of respondents indicating they are "effective" or "very effective" in this area. Although almost all (98%) find working with partners "energizing" or "somewhat energizing," leadership often doesn't make this a priority, with more than half (53%) of respondents indicating they do not spend enough time on networking/external relationships and partnerships.

2

The leadership pipeline remains tenuous at best.

Less than one-third (32%) of executive directors surveyed indicated they plan to remain in their positions for at least five years, with 84% revealing that there is no succession plan for their position and 94% indicating no successor had been identified for when they leave. Only 33% feel "very confident" that the board will hire the right person if they leave. Many reported negative feelings, with 42% saying they lack proper workplace balance, and 44% feeling somewhat or very burned out. Three-quarters of respondents said COVID 19 has caused high or medium levels of anxiety, and just 39% are "very happy" in their jobs. A majority (88%) have not received a grant or other assistance to support their leadership role. Nearly half (45%) indicated they had not been evaluated within the past year, and an additional 36% said that although they had been evaluated, they only found the process to be a little, or not at all, useful.

3

Effective capacity building requires organizations to dig deep into financial realities and sometimes face hard truths.

Roughly 9% of Baltimore's nonprofits are technically insolvent[1], and many have virtually no margin for error. As a whole, the nonprofit community had more than nine months of cash in the bank between 2014 and 2019. A snapshot of financial reserves in 2019 showed that 30% of nonprofits had 1.3 months or less of cash, and 20% had negative operating reserves, but 30% of organizations appeared to be financially strong, with more than six months of cash and eight months of operating reserves. Nonprofits earned an aggregate net income margin of 2.3%, while roughly 40% had a negative margin and 10% had significant deficits of 22% or more. Contrast this with our finding that 41% of executive directors surveyed said their organizations had more than six months of operating reserves, with 60% feeling they have a strong understanding of their financial statements, and more than one-third (38%) revealing they do not spend enough time in the area of financial analysis and planning. Further, 78% indicated that the board would deem their performance as executive director as "exceeds expectations," potentially indicating a gap between the *belief* in how well an executive director is performing versus how they are *actually* performing.

4

To increase funding, organizations need dedicated staff and capacity to support it.

Although just 29% of surveyed executive directors indicated they spend the right amount of time on fundraising, a majority find working with donors "energizing" or "somewhat energizing." ICAT scores for resource generation also indicate a weakness—both board members and staff respondents scored below average in resource generation—the lowest scores reported across all capacity areas. But more staff increases capacity, which then ultimately revs up an organization's ability to raise money. However, when executive directors were asked if they had a senior manager (other than themselves) who is primarily responsible for fundraising, just 41% answered yes.

5

The best expense is technology.

Investing in technology pays off in many ways, with arguably the most important being in the area of fundraising, namely in terms of tracking donor movement. Regarding an organization's capacity to effectively use technology, respondents were asked about whether leaders, managers, and staff "motivated and incentivized each other to do this" and if they had the time and resources to do this successfully. Scores were slightly above average, with a higher score coming from board members. However, the overall score for technology was the second-lowest score of all managing areas covered by the iCAT survey. Further, just 34% of executive directors surveyed said their organizations have a senior manager (other than themselves) primarily responsible for technology, and that technology is not an area that sparks much excitement, with just 10% of respondents indicating that they found technology "energizing," and more than half (54%) finding it to be "somewhat depleting" or "depleting."

6

When it comes to evaluation practices, it is better to focus on learning, not counting.

Most organizations believe they deliver quality services, but many have a difficult time proving it, making evaluation a prime candidate for improvement. Program implementation scores on the iCAT are very high; however, implementation accountability scores are much lower, especially from the perspective of staff. In the area of learning, organizations in Baltimore scored above average. Interestingly, board scores are higher than staff scores in every single category, with five instances of statistically significant differences between the two. Half (50%) of executive directors indicated through the Daring to Lead survey that they spend too little time, or no time at all, working with the board, and more than half (52%) revealed they spend just 10 or fewer hours a month with the board. Additionally, for smaller organizations, the board and staff have major differences of opinion on advocacy success (defined as the ability to change things within the organization), with a significantly higher staff score. As organizations grow larger, the board remains constant, but the staff believes this area weakens substantially, ultimately affecting its ability to be the champion of change.

[1] Insolvency is when an organization's liabilities exceed its assets.

7

There's a difference between having a strategic plan and being a strategic organization.

The sector generally believes it has strong leadership, with leadership garnering the highest score among all iCAT categories. But the difference in scores between strategic planning and decision-making indicates that Baltimore organizations rate themselves low at strategic planning but give themselves a much higher rating for decision-making. The iCAT scores for overseeing are generally lower, indicating a disconnect between leadership and accountability, especially on behalf of the staff. Survey results reveal a discrepancy between how executive directors think they are doing in terms of strategy and where strategy lands in terms of prioritization. Nearly all executive directors (92%) felt that they were either "effective" or "very effective" at leading their organization, with 43% indicating they do not spend enough time in the area of organizational strategy and vision.

8

Effective management can result in both stronger programs and increased revenue streams.

Baltimore's iCAT scores are comparable to the overall national averages, with a fair number of Baltimore scores being slightly higher. There was a significant difference of opinion between board and staff within small organizations concerning professional development, as well as a lack of excitement among staff about their professional development as organizations get larger.

There is room for improvement when it comes to prioritizing this area for leadership. More than one-third (35%) of surveyed executive directors indicated they do not spend enough time in the area of managing and developing staff. Although 71% indicated they find managing direct reports either "energizing" or "somewhat energizing," 60% indicated that their responsibilities related to human resources are either "depleting" or "somewhat depleting."

9

To achieve diversity in leadership, it's imperative to target recruitment and advancement efforts.

Our findings highlight the difficulty that people of color experience in seeking nonprofit leadership position, and underscore the persistent systemic barriers to advancement. Respondents agreed the most that executive recruiters do not do enough to find a diverse pool of qualified candidates for top-level positions in nonprofit organizations, and people of color must demonstrate that they have more skills and training than white peers to be considered for nonprofit executive jobs. More than half of Baltimore respondents of color (55%) said their race had either a "slight" or "very" negative impact. There is a robust pipeline of diverse individuals eager to take the helm of their organizations, with 60% of Black, Indigenous, and people of color (BIPOC) respondents in Baltimore being "definitely" or "probably" interested in pursuing an executive director or CEO position. However, BIPOC respondents were less likely than white respondents to indicate that their networks played a positive role in their advancement, and only 37% of BIPOC respondents reported access to mentors within their organization.

10

Reimagine the governance structure.

Most organizations are content with their board, with nearly three-quarters of executive directors surveyed indicating they were "very" (28%) or "somewhat" (46%) satisfied with overall performance. Nearly all (87%) favorably characterized their relationship with the board chair.

However, for most, there is a profound lack of time spent working with the board: 23% indicated they spend less than five hours a month on board-related activities. In addition, board expertise is either lacking, untapped, or ignored, especially when it comes to fundraising, with just 34% of board members making personal financial contributions and even fewer participating in donor identification and donor cultivation. The overall iCAT score for board fundraising is low. Scores for overseeing (board oversight) are higher, but there is room for improvement, especially in the area of impact accountability.

Introduction

As a result of years of collaboration with community partners throughout the city of Baltimore, the T. Rowe Price Foundation is proud and honored to present the culmination of that work, our "State of the Baltimore Nonprofit Sector" report. This report consists of 10 insights gleaned from our analyses, covering many important topics pertinent to sustaining effective organizations within our sector, including partnerships, diversity, fundraising, technology, and more.

With an eye toward usability, we have structured this comprehensive report in such a way that it can be utilized in toto, as a tool to capture the state of the sector as a whole. Because each insight discussion textually stands on its own, readers can then focus on those particular areas that are of most interest to them.

We present our findings as a compilation of many sources, including: (1) an economic analysis conducted by SeaChange Capital Partners; (2) a review of years of Impact Capacity Assessment Tool (iCAT) data submitted by 55 organizations throughout the city, which also includes analyses of both financial audit and 990 data; and (3) feedback from leadership and staff at dozens of local organizations using the Race to Lead and Daring to Lead survey tools.

The following is provided to offer additional information regarding these sources:

Economic Analysis by SeaChange Capital Partners: SeaChange reviewed data from 1,723 of the city's nonprofit organizations that electronically filed their 990 forms in one or more years from 2014-2019. Aside from year-over-year comparisons of select metrics, the analysis mostly focused on 2019 990 data submitted by a core group of 731 organizations with total expenses of $2.7 billion.

iCAT Data: Developed by Algorhythm, the iCAT (Impact Capacity Assessment Tool) is a resource provided to funders and other nonprofit intermediaries so that they can better understand, support, and strengthen the nonprofits they work with. It is a fully automated online survey composed of 125-150 questions targeting six capacity areas (and 23 subcategories). A score of 70 is considered average. Organizations that score below 70 require capacity building to be successful. Scores between 70 and 80 indicate an organization needs some work to run most effectively. Organizations scoring 80 and above are considered to be performing well.

Daring to Lead Survey Data: In October 2021, the T. Rowe Price Foundation utilized the highly-successful Daring to Lead survey methodology to conduct a local survey of executive directors or CEOs of nonprofit organizations throughout the Baltimore area to more fully understand leadership challenges and opportunities. The number of respondents per question ranged from 108–120. The 2011 Daring to Lead data cited throughout the report are from a national sample of executive directors.

Race to Lead Survey Data: The Race to Lead analysis is based on research conducted by the Building Movement Project (BMP), which examines reasons for the lack of leaders of color in the nonprofit sector and documents the challenges they face when they reach for leadership roles. The Baltimore survey was conducted from July to September of 2021 comprises of 176 responses. Two virtual focus groups of Baltimore nonprofit workers were held in the fall of 2021: one for Black, Indegenous, and people of color (BIPOC) participants and one for white participants.

For more information regarding methodology and additional findings, please see the appendix.

In addition to assessing the overall state of the sector in Baltimore, our hope is that individual nonprofits throughout the city use this document to strategize for future strength, both in terms of sustaining themselves and serving their grantees—ultimately paving the way for the sector as a whole to focus on organizational health outcomes. To that end, we also offer recommendations to consider at the conclusion of each insight, not as prescriptive mandates but, rather, as conversation starters to propel us all forward.

In John Brothers' opening letter, he says: "We hope the reader will look at the whole report and see a tree with many branches, noticing larger trends that are interconnected across the broader report." To expand upon this metaphor, think of your organization as the sturdy trunk of the tree, and the branches represent the areas discussed throughout the 10 insights, such as governance, evaluation, and strategy. From that trunk—you hope, with nourishment—grow many healthy branches. Although a tree can survive with few branches, it is most vibrant with a vast array of foliage.

Consider this as you dive into the pages that follow.

1 | Partnerships are the key to stronger organizations.

Effective partnerships maximize the use of an organization's existing resources, ultimately leveraging community assets for the greater good. To foster true collaboration in the social sector, there must be a real exchange of resources between organizations. Organizations may have access to key resources simply through partnerships—or what can be described as "sharing the sugar" (from the common idea of a neighbor crossing the street to borrow a cup of sugar). For example, one organization may need transportation for its clients, while another organization may have a bus or van as an asset.

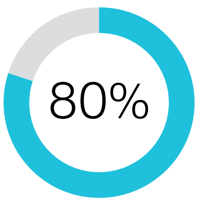
Although sharing the sugar can resolve this deficit, it is rarely practiced because the sector believes trading or bartering is a truer definition of partnership. But rather than competing for resources, organizations that share budget or financial information to collaborate and assess where their resources are limited and where they have resources to share all benefit in the end. True "sugar sharing" takes effort and intention—pipelines must be created that bring resources together more effectively and reestablish the connections that facilitate sharing.

Findings[2]

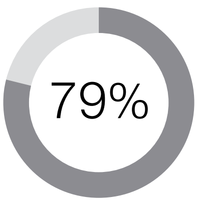
To be an effective organization, partnerships matter. Collaborating with others to maximize resources is often the bridge organizations require, especially small ones, not only to sustain themselves, but also to thrive. It is clear from the iCAT data that nonprofits in Baltimore rate themselves highly in this area. In fact, the partnerships score for the Baltimore sector is an above-average 80, one point higher than the national average of 79.[3] The board and staff at Baltimore organizations agree on their partnership success, with scores of 79 and 81, respectively.

Partnerships
An organization's ability to establish effective partnerships and collaborations with others to maximize the use of resources.

Baltimore
Overall score average



National
Overall score average



This is a score of self-reflection, a measure of one's perception as to how they think their organization is doing. A closer look at the overall score for resource generating—defined as the capacity of an organization to raise the funds and other resources that it needs to operate, as well as its ability to incentivize others to support the organization in doing so, of which partnerships is a subcategory—reveals the capacity area received a much lower score of 68-%. Additionally, all of the other subcategories that makeup the resource-generating capacity area also scored much lower than partnerships on the iCAT.

"There is a partnership exercise—which I led nearly a thousand times for about 20,000 participants—which was designed to isolate the common problems that prevent organizations from coming together to solve their problems. In this exercise, a roomful of participants broke into four groups, each with an envelope of materials and directions on specific tasks. Without knowing it, each group had the same directions but different materials, and because they didn't have everything they needed to complete their task, the exercise would (hopefully) force them to collaborate. There were no rules for completing their tasks so the real goal of the simulation was for all the groups to come together and share materials to complete the task.

How often would you expect that organizations would successfully come together and complete the exercise? Unfortunately, in the nearly 1,000 times I led this simulation, that winning outcome occurred fewer than 10 times, around 1% of the time. Nearly all the other times, teams competed against each other and, under the guise of 'collaboration,' bartered for materials. When some groups finished and began celebrating their completion, they forgot about their brothers and sisters still working to complete their tasks."

John Brothers
President,
T. Rowe Price Foundation

Excerpted from "Sharing Sugar," *Stanford Social Innovation Review*, October 13, 2021,
https://ssir.org/articles/entry/sharing_sugar

[2] The 2011 Daring to Lead data cited in this section are from a national sample of executive directors.
[3] A score of 70 is considered average. Organizations that score below 70 require capacity building to be successful. Scores between 70 and 80 indicate an organization needs some work to run most effectively. Organizations scoring 80 and above are considered to be performing well.

	Overall Score Average	
	Baltimore	**National**
Resource Generating (overall) The capacity of an organization to raise the funds and other resources that it needs to operate, as well as its ability to incentivize others to support the organization in doing so.	**68**	**67**
BOARD FUNDRAISING A board's ability to raise the funds an organization needs by identifying and cultivating potential donors as well as contributing financially themselves.	65	64
GRANTMAKERS An organization's ability to raise funds from corporate, foundation, and governmental sources.	74	72
INDIVIDUAL DONORS An organization's ability to identify, cultivate, and ask individuals for donations.	66	64
MARKETING An organization's ability to effectively market its mission and programs to the community, funders, and donors.	63	62
STAFF FUNDRAISING A nonprofit staff's knowledge, motivation, and skills to effectively fundraise.	62	60

Seemingly, organizations that are doing well with partnerships should also be doing well in other subcategories within resource generation. But the other components of resource generation remain challenged. So how can organizations better leverage their ability to partner effectively in order to increase that overall score, ultimately affecting the other tenets of resource generation? It all comes back to the idea of sharing sugar. To tackle this concept, the T. Rowe Price Foundation created a Partnership Fund several years ago, based on the idea that if multiple organizations could join forces in a particular area, they could sustain that need over the long term. "Our goal," says John Brothers, president of the T. Rowe Price Foundation, "was to seed the middle of that initial partnership and hope for sustainability over time."

Here's how the Fund worked: If a need was jointly identified by two or more organizations, then the Foundation would fund that collaborative need 50% in the first and second years, and 25% in the third year. By the fourth year, the collaborative would either sustain without additional support, or each individual group would sustain on their own, no longer needing the collaborative. However, after meeting with 20 potential collaboratives, only four deals were made. Most organizations preferred to not share resources, even if it meant receiving a smaller amount of funding than they would have received had they collaborated and shared the sugar. "Incentivizing proved harder than expected," says Brothers, "and we ultimately decided to close the fund."

But that's not to say there weren't success stories. One of the four successful collaboratives that the T. Rowe Price Foundation's Partnership Fund supported was developed by three Black-led, youth-serving organizations in Baltimore. The Black Legacy Builders Collective came together to share the sugar, with the shared goal to collaborate on fundraising needs to build its collective and individual sustainability. The collaborative's impact statement reported that it was able to increase its original investment by T. Rowe Price by over 10 times, from the $80,000 initial investment to nearly $900,000; by the end of 2021, each member of the collaborative was on pace to acquire funding for the full salaries of all three executive directors. Even more rewarding, members were able to not only effectively fundraise together, but also to begin collaborating around programs and other areas, including an effort to provide 100 hours of training to 1,300 young people in the Baltimore area while also providing technical support to organizations on the partnership model.

To see if size played a role in how an organization viewed its resource-generating capacity, we stratified scores by budget and found that staff scores for partnerships were noticeably higher for smaller organizations, probably because smaller organizations know that they need to be resourceful to survive, perhaps making partnerships more of a priority than larger organizations. Because we view collaborations similarly to partnerships, we have included those scores as well.[4] Not surprisingly, the takeaway is the same.

[4]Community collaboration is a subcategory of management. It is defined as an organization's ability to identify and collaborate with partners in the community to further its mission.

Organization			Staff Scores	
Size	**Budget**	**n**	**Partnerships**	**Collaborations**
Small	$100–$250,000	8	88	92
Small/Medium	$250,001–$1,000,000	13	84	82
Medium/Large	$1,000,001–$2,000,000	12	82	79
Large	$2,000,001–$6,000,000	8	77	77

We also found that the ability to generate resources is tied to the establishment of partnerships. Specifically, our findings indicate that 16% of the variance of percentage change in *net assets* over three years is accounted for by the organization's ability to establish effective partnerships and collaborations with others to maximize the use of resources. *For every one-point increase in the iCAT score for partnership, we predict a 4% increase in the percentage change in net assets over three years.*

Additionally, establishing effective partnerships accounts for 28% of the variance of percentage change in *revenue* over three years. *For every one-point increase in the iCAT score for partnership, we predict a 2.5% increase in the percentage change in revenue over three years.*

The most recent Daring to Lead survey indicates that executive directors overwhelmingly consider themselves to be effective at external leadership, defined as connecting to and working with others outside the organization to advance its organization's mission. This includes leading in collaborations, coalitions, partnerships, and other external community relationships. Survey results indicate that 92% of respondents consider themselves either "effective" or "very effective" in this area. Additionally, working with external partners as well as partners or collaborators are all areas deemed "energizing" or "somewhat energizing" by nearly all of those who participated in the survey (93% and 98%, respectively).

However, leadership often doesn't prioritize the facilitation of partnerships. More than half (53%) of Daring to Lead survey respondents feel they do not spend enough time on networking/external relationships and partnerships, with just 39% indicating they feel time spent in this area is the right amount.

Percentage of respondents who...	
Deem themselves "effective" or "very effective" at external leadership	92%
Find working with external partners "energizing" or "somewhat energizing"	93%
Find working with partners or collaborators "energizing" or "somewhat energizing"	98%
Feel they do not spend enough time on networking/external relationships and partnerships	53%

n=115

Historically, these numbers have remained fairly constant. The 2011 Daring to Lead survey found that 90% of respondents found working with collaborators/partners to be "energizing" or "somewhat energizing," and 52% felt they didn't spend enough time on networking, external relationships, and partnering.

Recommendations to Consider

Rethink how organizations define partnership. If nonprofit organizations are competing or bartering with others for resources, consider redirecting those efforts and "share the sugar" instead. This takes effort and intention, and it requires a tactical exchange of resources between organizations. Also, consider other key staff besides leadership who can generate and manage healthy partnerships, which will alleviate the heavy burden that often falls squarely on the shoulders of the executive director.

Prioritize partnerships. Establishing effective partnerships and collaborations may not only increase an organization's net assets, but also may increase revenue over time, making the time spent in this area likely well worth the investment. Further, executive directors find forming partnerships and working with partners energizing, so it makes sense to capitalize on this generally well-received component of the sector.

2 | The leadership pipeline remains tenuous at best.

At any organization, one of the board's primary duties is to ensure an effective CEO/executive director is in place. In a 2016 article in *Harvard Business Review* titled "The Secrets of Great CEO Selection," Ram Charan stresses the importance of finding the right person for the job. "Nothing good comes of having the wrong CEO," he says. "Mentoring, coaching, senior team members with complementary skills, and special help from the board can't compensate."[5]

Regardless, in the nonprofit sector, boards seem to take mostly an ad hoc approach, often improvising when the time comes to replace the person in their organization's pivotal leadership role. This holds true even though leaving is an eventual fate for all leaders—no one stays in a position forever.

To gauge where the Baltimore nonprofit sector stands in terms of its leadership pipeline and succession efforts, we looked to the Daring to Lead survey, conducted in October 2021. Regrettably, results indicate that this area remains stagnant and is in need of swift improvement.

[5] https://hbr.org/2016/12/the-secrets-of-great-ceo-selection

Findings[6]

The results of the Daring to Lead survey have remained consistently troubling since the previous nationwide survey 10 years ago. When respondents to the Daring to Lead survey were asked about their plans to stay at their positions, just one-third (32%) indicated they planned to remain for at least five years. This tracks similarly to the results from 2011, when 33% indicated they would stick around for that amount of time.

Couple this with the fact that an alarming 84% of respondents revealed there is no succession plan for the executive director position at their organizations, and the dire need to address this issue becomes apparent. (Again, this figure is comparable to the 2011 results, when just 17% of organizations reported having a documented succession plan.) Further, 94% said no successor had been identified for when they leave. Equally concerning is the finding that only one-third (33%) indicated they are "very confident" that the board will hire the right person if they leave. This figure remained constant from 2011, again signaling no improvement over the past decade.

Why are so many in leadership roles not planning to stay past the five-year mark, especially considering that most consider themselves to be effective/very effective leaders?

Percentage of respondents who...	2011	2021
Plan to stay in their position for 5+ years	33%	32%
Revealed there is no succession plan for their position at their organizations	83%	84%
Indicated they are "very confident" that the board will hire the right person if they leave	33%	33%

2011: 3,067 (national); 2021: n=115 (Baltimore)

Percentage of respondents who answered "effective" or "very effective"	
Leading self[7]	95%
Leading others inside the organization[8]	94%
Leading the organization[9]	91%
Leading external leadership[10]	92%

n=115

The answer may be found not by asking how they think they're performing at their jobs, but instead by asking how they *feel* about their jobs. When asked more profound questions in this realm, 42% of respondents revealed not having the proper workplace balance, and 44% felt somewhat or very burned out. This is up from 33% of respondents feeling burned out in 2011.

It could also be argued that the effects of COVID-19 since March 2020 are a contributing factor, especially considering it appears the pandemic has hit leadership even harder than the economic meltdown a decade ago. Three-quarters of respondents said COVID has caused high or medium levels of anxiety. Compare this with the 52% of executives in 2011 who reported similar feelings due to the recession. Sadly, just 39% say they are "very happy" in their jobs. This is down from 45% in 2011.

Percentage of respondents who...	2011	2021
Feel "somewhat burned out" or "very burned out"	33%	44%
Feel medium to high levels of anxiety	52%*	75%**
Are "very happy in their job"	33%	39%

*Due to recession
**Due to COVID
2011: 3,067 (national); 2021: n=115 (Baltimore)

Additional points of concern are lack of both support in the role of executive director and meaningful performance evaluations. When asked if, whether over the past three years they had received a grant or other assistance from funders for the purpose of support in their leadership role, 88% of respondents said no. When asked if they had received a performance evaluation over the past year and whether they found it useful, nearly half (45%) indicated they had not been evaluated within the past year, and an additional 36% said although they had been evaluated, they only found the process to be a little, or not at all, useful. Just 17% of respondents found their evaluations to be very useful.

[6] The 2011 Daring to Lead data cited in this section are from a national sample of executive directors.
[7] Defined as having a sense of personal purpose, self-awareness, and understanding of personal leadership style, strengths, and abilities.
[8] Defined as the ability to relate to and understand others, develop them, coordinate their efforts, and build commitments.
[9] Defined as the ability to develop, communicate, and manage organizational vision, strategy, and priorities and the ability to problem solve, make decisions, and manage and communicate change.
[10] Defined as the ability to connect to and work with others outside the organization to advance the organization's mission (i.e., collaborations, coalitions, partnerships, and other external community relationships).

Recommendations to Consider

Offer proper supports to encourage lengthier tenures for effective leaders. With only a third of leadership indicating they plan to stay for five or more years at an organization, this should be a wake-up call for organizations to take steps now to entice their CEOs/executive directors to stay. This is dire considering 40% of respondents feel very or somewhat isolated, meaning they have no internal or external supports to turn to for help. Over the past year, 64% reported they have not used executive coaching, and 80% reported not currently using paid executive training.

Create a succession plan and revisit it periodically, as necessary. Monitor both internal and external talent pools, and take steps to develop the leadership experience of talented insider candidates. Also, ensure an ongoing dialog between the executive director and the board in an effort to normalize—and de-stigmatize—discussions around leadership's plans to end their tenure at the organization.

Diversify to strengthen the pipeline. In addition to the Daring to Lead survey, the T. Rowe Price Foundation commissioned a Race to Lead survey of nonprofit employees throughout the Baltimore area. The survey found that 60% of BIPOC respondents reported being "definitely" or "probably" interested in pursuing an executive director or CEO position. For more on this topic, please see the section devoted to diversity, presented later in this report.

3 | Effective capacity building requires organizations to dig deep into financial realities and sometimes face hard truths.

Research conducted in Baltimore by SeaChange in 2018 reveals the fragility of both the national and Baltimore nonprofit sectors: Roughly 9% of organizations are technically insolvent[11], 30% face potential liquidity issues with minimal cash reserves, and approximately half have less than one month of operating reserves.[12] Arguably, the picture is even dimmer post-pandemic.

Here's what we found in Baltimore.

[11] Insolvency is when an organization's liabilities are greater than its assets.
[12] http://seachangecap.org/wp-content/uploads/2018/02/The-Financial-Health-of-the-US-Nonprofit-Sector.pdf

Findings

Nonprofits earned an aggregate net income[13] margin of 2.3%, while roughly 40% of nonprofits had a negative margin, meaning nearly half of Baltimore's core nonprofits in 2019 (about 365 out of 731) were running at a loss. Ten percent of nonprofits (about 73 out of 731) had significant deficits of 22% or more. In his book, "The Zone of Insolvency: How Nonprofits Avoid Hidden Liabilities and Build Financial Strength" (Wiley, 2008), Ron Mattocks argued that as many as one-third of the country's nonprofits are operating in a financial state between solvency and total insolvency—in a "zone of insolvency," where the only ways out are financial turnaround, merger, or dissolution.

Comparable to the national figure, roughly 9% of Baltimore's nonprofits (40 out of 442 organizations) are technically insolvent, meaning its liabilities exceed its assets, and many organizations have virtually no margin for error. As a whole, the nonprofit community had, on average, more than nine months of cash in the bank between 2014 and 2019. However, on one hand, a snapshot of financial reserves in 2019 showed that 30% of nonprofits had 1.3 months or less of cash and 20% had negative operating reserves. On the other hand, 30% of organizations appeared to be financially strong, with more than six months of cash and eight months of operating reserves.[14]

SeaChange has also conducted financial analyses in other cities and states, and the findings for Baltimore are generally consistent with what it found elsewhere. In Philadelphia, for example, roughly 7% of nonprofits are technically insolvent, more than 20% have less than one month of cash reserves, and over 40% have net operating margins of zero or less.[15] In Hawaii, roughly 5%–6% of nonprofits are technically insolvent, while 20% have one month or less of cash, and 30% have negative operating reserves.[16]

The 2021 Daring to Lead survey of executive directors revealed that 41% of respondents indicated that their organizations have more than six months of operating reserves, defined as unrestricted cash on hand in excess of operating needs. We interpret this data as "perception," rather than accurate communications of the true financial status of these organizations. This discrepancy may be explained by the fact that about half of the organizations in the survey have an annual operating budget at or below $1 million, and smaller organizations tend to have more months of cash than larger ones.

When juxtaposing the financial health of many nonprofits in Baltimore with Daring to Lead survey data, it is clear that reality and perception are at odds, begging the question: If you do not understand the finances, how can you meaningfully engage in the strategic direction of the organization?

Respondents were asked to choose the statement that most closely describes their confidence in their financial analysis skills, and 60% chose the statement: "I have a strong understanding of our financial statements," with only 2% selecting: "I have difficulty understanding our financial statements." However, more than one-third of respondents (38%) revealed that they do not spend enough time in the area of financial analysis and planning.

Please choose the statement that most closely describes your confidence in your financial analysis skills:

I have a strong understanding of our financial statements.	60%
I have a basic understanding of our financial statements, but sometimes get confused in a few areas.	38%
I have difficulty understanding our financial statements.	2%

n=115

Please choose the statement that most closely describes how you feel about the amount of time you currently spend on financial analysis and planning:

I spend the right amount of time in this area.	49%
I do not spend enough time in this area.	38%
I spend more time than is ideal in this area.	9%
I do not spend any time on this, nor do I need to.	3%
Prefer not to answer	1%

n=115

Further, 78% indicated that the board would deem their performance as executive director as "exceeds expectations," potentially indicating a gap between the *perception* in how well an executive director is performing versus how they are *actually* performing in terms of financial analysis and planning. Regarding board involvement, 78% of respondents indicated that they have a board member(s) who provides a significant amount of effort to support the organization in the area of financial oversight. However, considering the state of the sector's finances, as presented above, organizations may want to reevaluate the quality of those efforts.

[13] Aggregate net income is the total amount of positive income after taxes for a fiscal year.
[14] SeaChange conducted an analysis on 1,723 unique nonprofit organizations in Baltimore, Maryland, that filed full IRS Form 990s electronically in one or more years from 2014–2019. These data were purchased from Candid.
[15] http://gd7xi2tioeh408c7o34706rc-wpengine.netdna-ssl.com/wp-content/uploads/2020/01/Philadelphia-Risk-Report.pdf
[16] http://gd7xi2tioeh408c7o34706rc-wpengine.netdna-ssl.com/wp-content/uploads/2020/04/The-Financial-Health-of-Nonprofits-in-Hawaii.pdf

A Cautionary Tale: FEGS

When Federation Employment and Guidance Services (FEGS) filed bankruptcy in March 2015, it sent shock waves throughout the sector, serving as a textbook case of perception versus reality. One of New York City's largest nonprofit health and human services organization—and undoubtedly *perceived* as a very strong organization throughout the sector—FEGS employed 3,900 people, had an annual budget of over $200 million, and served an estimated 120,000 people each year. However, after a series of risky financial decisions, *reality* took hold and FEGS closed amid a $20 million revenue shortfall. Disclosed financial documents revealed massive debt, with the organization effectively using loans and grants to conceal its losses. Its financial reports revealed minimal cash on hand, rendering it unable to absorb financial setbacks.

Admittedly, the past couple of years have been difficult for organizations across the board as a result of the coronavirus pandemic, and even more so for BIPOC-led organizations. The Nonprofit Finance Fund (NFF) recently released its "2022 Survey: A Focus on Racial Equity," which compared the experiences of BIPOC-led organizations to those of white-led organizations across the country.[17] In terms of the 2021-2022 financial picture, NFF found that 36% of nonprofits received more than half its funding in unrestricted funds in FY2021, with only 26% of BIPOC-led nonprofits receiving 50% or more unrestricted funds, versus 41% of white-led organizations.

NFF also found that less than half (49%) of BIPOC-led organizations ended FY2021 with a surplus, compared with 66% of white-led organizations, and it noted distinctions among types of donations received by BIPOC-led organizations, as compared with white-led organizations. BIPOC-led organizations are less likely to receive corporate donations (58% versus 71% for white-led organizations), and BIPOC-led organizations are also less likely to receive revenue from sales (11% versus 23% for white-led organizations) the federal government (32% versus 46% for white-led organizations), and investment income (16% versus 33% for white-led organizations).

[17] https://nff.org/2022-survey-focus-racial-equity

Recommendations to Consider

Conduct a reality check on organizations' financial health. This means more than assessing the board's perception of executive leadership performance or whether the board spends adequate time overseeing the financial aspects of the organization. It's about pulling back the curtain and looking at the numbers—over both the short and long term. If what you see is troubling, take immediate steps to get on solid footing before it's too late.

Prioritize spending time on financial analysis and planning. With 40% of our survey respondents either having just a basic understanding of—or difficulty understanding—financial statements, and nearly the same percentage indicating they do not spend enough time—or no time—in this area (41%) there is arguably a connection between allotting the proper time to financial management and having a sound understanding of the organization's financial health. The T. Rowe Price Foundation recently partnered with Spectrum Nonprofit Services on a series of webinars regarding financial leadership. Steve Zimmerman, the organization's founder and principal, believes everyone has a role to play in the financial health of an organization, just like everyone plays a role in accomplishing the mission of the organization. He suggests cultivating financial leadership of the staff and board by demanding and investing in financial education (i.e., training, professional development, etc.).

As a sector, address long-standing equity issues. Persistent for decades and arguably exacerbated by the pandemic, BIPOC-led organizations continue to operate at a disadvantage, as compared with white-led organizations. Across NFF's national sample, the most-cited financial challenge was achieving long-term sustainability: 82% of BIPOC-led organizations reported this as a top need versus 69% of white-led organizations.

As part of the T. Rowe Price Foundation's capacity-building programming, we invited Steve Zimmerman, founder and principal of Spectrum Nonprofit Services, to share his thoughts on the five tenets of financial leadership. They are:

1

Move beyond mission versus money thinking. Instead of thinking of these as conflicting concepts, think of money and mission as working together to sustainably create impact in your organization and community.

2

Cultivate financial leadership of the staff and board. Invest in financial education for everyone at the organization, to allow all to play a role in the financial health of the organization.

3

Understand your business model. Know how your programs individually and collectively work to create financial viability and impact.

4

Recognize the relationship between strong infrastructure and strong programs. Advocating for financial infrastructure as your organization moves forward is essential.

5

Set the tone of accountability and sustainability. This is critical to boost trust in the nonprofit sector.

4 | To increase funding, organizations need dedicated staff and capacity to support it.

Annually, Maryland residents give $5.3 billion to charity,[18] ranking it the number two most charitable state for 2022, just behind Utah.[19] This ranking is based on two key dimensions: volunteering and service, and charitable giving.[20]

Spending adequate time on fundraising is critical for any organization hoping to fortify its supply of resources, and with more than 32,000 nonprofits scattered throughout the state and 4,577 in Baltimore City alone, organizations require strong fundraising staff and board members to best position themselves to access this wealth of resources; therefore, the people they hire should offer both experience and acuity.

[18] https://www.marylandnonprofits.org/
[19] https://wallethub.com/edu/most-and-least-charitable-states/8555
[20] The charitable giving dimension was composed of the following: shares of income donated and population donating time and/or money, public charities per capita, four-star charities per capita, charity regulations, Google search interest for charitable donations, Feeding America food banks per capita, and share of sheltered homeless.

Findings[21]

Organizations rarely feel they raise ample—or even adequate—funds to achieve its missions. This could be due, at least in part, to not allocating enough time to this area. Specifically, executive directors who took the Daring to Lead survey were asked, “How do you feel about the amount of time you spend on fundraising?” Just 29% said they spent the right amount of time on this area (up from 27% in 2011), while 43% said they did not spend enough time (down from 53% in 2011).

Choose the statement that most closely describes how you feel about the amount of time you spend fundraising.

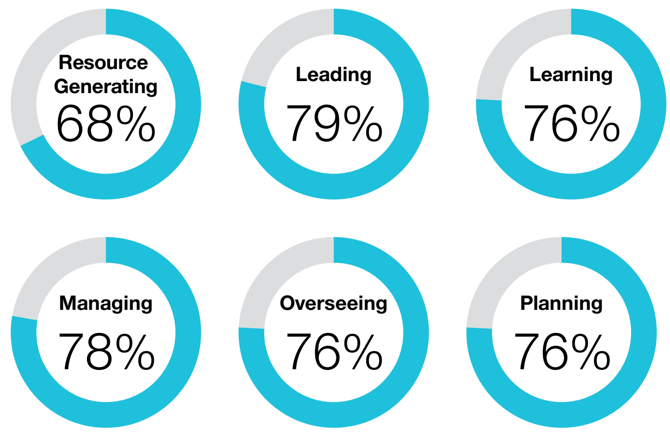
	2011	2021
I spend the right amount of time in this area.	27%	29%
I do not spend enough time in this area.	53%	43%
I spend more time than is ideal in this area.	16%	27%
I do not spend any time in this area.	3%	0%

2011: 3,067 (national); 2021: n=115 (Baltimore)

Interestingly, however, a majority of executives surveyed find working with individual donors and working with grantmaking foundations “energizing” or “somewhat energizing” (75% and 71%, respectively). This discrepancy likely exists because most of the executive directors who participated in the survey are from small to mid-size organizations, and considering all that they have on their plates—fundraising, managing programs, etc.—there is never enough time to devote to donors, even though most view this as a positive experience.

When respondents to the iCAT were asked about resource generation—defined as the capacity of an organization to raise the funds and other resources that it needs to operate, as well as its ability to incentivize others to support the organization in doing so—their scores indicate a weakness in the sector. Both board members and staff respondents scored a below-average 68 in this area.[22] It is worth noting that this was, in fact, the lowest score reported across all overall capacity areas for both board and staff—a generally expected finding given the mission-driven business model of nonprofits.

Overall iCAT Capacity Area Scores:



To see if size played a role in how an organization viewed its resource-generating capacity, we stratified scores by budget and found that as organizations move from small to large, its capacity to perform in technical areas such as resource generation was heightened. What’s interesting here is that while large organizations allot significantly more of its budgets to resource generation, its scores only improved slightly—just three to six points higher than small organizations despite likely having a whole team of people devoted to resource generation.

Organization			
Size	**Budget**	**n**	**Overall Resource Generating Score**
Small	$100–$250,000	8	64
Small/Medium	$250,001–$1,000,000	13	69
Medium/Large	$1,000,001–$2,000,000	12	70
Large	$2,000,001–$6,000,000	8	67

We also found that more staff increases capacity, which then ultimately revs up an organization’s ability to raise money. Hiring people with proper training and experience who are dedicated to this sole responsibility—to improve and make more efficient an organization’s fundraising efforts—may translate to spending fewer dollars on less-effective measures. These organizations know what to do to develop a finely tuned fundraising machine that is both efficient and effective.

[21] The 2011 Daring to Lead data cited in this section are from a national sample of executive directors.
[22] A score of 70 is considered average. Organizations that score below 70 require capacity building to be successful. Scores between 70 and 80 indicate an organization needs some work to run most effectively. Organizations scoring 80 and above are considered to be performing well.

Overlaying 990 data onto the iCAT data, we found that 30% of the variance of percentage change in total revenue over three years is accounted for by the organization's number of full-time employees. *For every one additional full-time employee, we predict a 14% increase in the percentage change in total revenue over three years.*

Overlaying financial statement audit data onto the iCAT data, we found that 22% of the variance of percentage change in fundraising expenses over three years is accounted for by an organization's ability to identify, cultivate, and ask individuals for donations. *For every one-point increase in the iCAT score for this capacity area, we predict a 16% decrease in the percentage change in fundraising expenses over three years.*

These points are both helpful and telling. However, it is important to note that the data look at full-time employees generally, but it is our experience that those employees who make the biggest impact in this area are those specifically trained in fundraising. Also, because the biggest source of donations at nonprofits is individuals and not grants, the more dedicated staff the better. This is because individuals require more effort to build and nourish relationships.

For an interesting case study in this area, please see our discussion of the Baltimore Legacy Builders Collective outlined in the previous section on partnerships.

But while the potential exists, the reality is that many organizations do not have adequate staffing in this area. When executive directors were asked in the Daring to Lead survey if they had a senior manager (other than themselves) who is primarily responsible for fundraising, just 41% answered yes, with more than half (56%) reporting there was no one currently holding such a position at their organizations.

A dearth of development staff is nothing new. The 2013 report "Underdeveloped: A National Study of Challenges Facing Nonprofit Fundraising" revealed that at many nonprofits, the development director position has been vacant for months or even years.[23] The median vacancy length was six months among all organizations; for those with budgets of $1 million or less, the median vacancy length was one year.

For organizations that employ development directors, they may not have them for long. Half of development directors (50%) anticipated leaving their current jobs in two years or less, with smaller organizations more vulnerable to turnover. Compare this to 29% of executive directors who plan to leave their posts in less than two years, according to the most recent Daring to Lead survey.

Recommendations to Consider

Carve out more time for fundraising. With a fair number of executive directors acknowledging they do not spend adequate time in the area—and most indicating they feel energized by working with donors—it makes sense to allot more time to fundraising in organizations' calendars.

Hire someone whose specific task is donor development. If that's not possible, look at external resources (e.g., the T. Rowe Price Foundation, online resources, etc.) for possible opportunities for collaboration. These resources can help organizations understand how to invest its money, how to build relationships with individual donors, and how to think about foundation and/or corporate dollars. Also, consider leveraging the board in this area as well.

Stabilize the development team if/when you have one. Take steps to ensure that once you hire a development director, that person stays at the organization for a meaningful time period. This is necessary to allow them to develop and sustain the skills that undergird effective fundraising. If budget allows, provide the person in this position with adequate resources for success. Also, consider collaborating with other organizations and "share the sugar" within a specific neighborhood or community or throughout a particular focus area like the arts.

[23] Jeanne Bell and Marla Cornelius, "Underdeveloped: A National Study of Challenges Facing Nonprofit Fundraising," A Joint Project of CompassPoint and the Evelyn and Walter Haas Jr Fund, 2013.

Is your organization up to the task to build the capacity, the systems, and the culture to support fundraising success? Here's a checklist:

- Does your organization invest in its fundraising capacity and in the technologies and other fund development systems it needs? Do you have the program/service success information (specific evidence of success) to support fundraising efforts?
- Are the staff, the executive director, and the board deeply engaged in fundraising as ambassadors and in many cases, as solicitors?
- Are fund development and philanthropy understood and valued across the organization?
- Is the development director viewed as a key leader and partner in the organization and integrally involved in organizational planning and strategy?

Sources include: (1) Jeanne Bell and Marla Cornelius, "Underdeveloped: A National Study of Challenges Facing Nonprofit Fundraising," A Joint Project of CompassPoint and the Evelyn and Walter Haas Jr Fund, 2013. (2) Sally Munemitsu, Chief Collaborator and COO, Algorhythm/Hello Insight.

5 | The best expense is technology.

If the nonprofit sector has learned anything from the pandemic and its effect on our communities, it is the importance of technology. Whether it's to allow a shift in how grantees deliver its programming or a tool that enables communication and the flow of funds when the entire world is shut down for business, being virtually connected is critical—and most are getting the message.

According to research published by the Technology Association of Grantmakers in October 2020, 51% of respondents planned to increase their organization's technology budget in 2021, as a result of the coronavirus pandemic.[24] More than half (58%) of community foundations said they expected to moderately or significantly increase its technology budgets, with grantmakers overall indicating new ways they planned to support grantees: streamlining applications (61%), moving to paperless payments (51%), and streamlining reporting (47%). They also indicated plans to provide technology tools (22%) and technology training or support (28%).

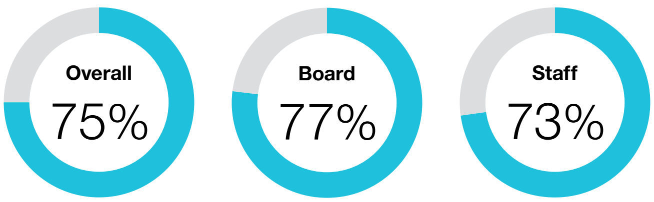
But although the intent is there, a fair amount of software often goes unused by nonprofits, as seen by the T. Rowe Price Foundation in our interaction with grantees, and the ongoing management of technology remains troubling. Recent findings from NTEN published in 2022 indicate a lack of frequency when it comes to assessing technology needs within an organization. Less than half (44%) of survey respondents indicated their organizations assessed the technology needs of program participants at least annually, with a third (33%) of organizations doing so very rarely or not at all. Even fewer organizations (22%) assessed the technology needs of donors at least annually, with 58% doing so very rarely or not at all.[25]

[24] https://cdn.ymaws.com/www.tagtech.org/resource/resmgr/philanthropytech/StateofPhilanthropyTech2020.pdf
[25] NTEN, "Managing Nonprofit Tech Change," 2022 Report

Findings[26]

A review of iCAT scores for organizations in Baltimore indicate a stable technology base with some room for improvement, with the caveat that this is based on the self-perception of respondents. Regarding an organization's capacity to effectively use technology, respondents were asked about whether leaders, managers, and staff "motivated and incentivized each other to do this" and if they had the time and resources to do this successfully. Scores were slightly above average, with the highest score (77) coming from board members.[27]

Technology[28] Score Averages



Score Ranges

55–97	46–100	47–97

However, the overall score for technology was the second-lowest score of all managing areas covered by the iCAT survey:

	Overall Score Average	
Managing	**Baltimore**	**National**
Program implementation	84	82
Community collaboration	81	80
Facilities	81	79
Volunteer engagement	80	74
Staff deployment	77	76
Volunteer recruitment and retention	77	71
Staff recruitment and retention	76	75
Technology	75	72
Staff professional development	74	76

Consider also that just 34% of respondents to the Daring to Lead survey indicated that their organizations have a senior manager (other than the executive director) primarily responsible for technology. Arguably, providing and maintaining adequate technology for organizations, let alone a sector that has been so hard hit over the past few years, is a heavy lift—and one that requires a dedicated staff member.

Also gleaned from the Daring to Lead survey is that technology is not an area that sparks much excitement. Just 10% of respondents indicated that they found technology "energizing," and more than half (54%) found it to be "somewhat depleting" or "depleting."

However, technology can be the perfect place for partnerships in that organizations can mutually benefit from shared costs, shared databases, etc. Granted, investing in—and managing—technology is expensive, but it is an expense that will eventually pay off. One example where organizations may likely reap the benefits of improved technology is fundraising efforts, namely when it comes to donor movement.

To illustrate, consider a funding audit, which categorizes donors into one of three tiers depending on their frequency of giving and includes how best to move donors through the tiers in an effort to help articulate a potential pipeline strategy for the organization.

The three tiers are defined as follows:

Tier 1 donors are few in number, but they are the most loyal. They give more in both number of donations (47% of total donations on average) and dollars (54% of total dollars donated on average). Tier 1 donors are ongoing, routine givers to the organization and are potentially engaged in other areas within the organization's family.

Tier 2 donors are very similar to tier 1 donors in number (13% of total donors on average), but average less than tier 3 donors both in number of donations (16% of total donations on average) and in dollars (18% of total dollars donated on average). Tier 2 donors are engaged and have given three to four times, but the giving is sporadic.

Tier 3 donors are great in number (74% of total donors on average) but give relatively less in both number of donations (37% of total donations on average) and dollars (28% of total dollars donated on average). Tier 3 donors have made minimal

[26] The 2011 Daring to Lead data cited in this section are from a national sample of executive directors.
[27] A score of 70 is considered average. Organizations that score below 70 require capacity building to be successful. Scores between 70 and 80 indicate an organization needs some work to run most effectively. Organizations scoring 80 and above are considered to be performing well.
[28] This subcategory measures an organization's ability to effectively use technology. As in all areas, these questions are asked in a set of behavioral change ways, getting at motivation (intrinsic or otherwise), knowledge, skills, and opportunities (i.e., actually having the physical technology, resources, etc.).

commitments, given one or two times, or have allowed some time to elapse between donations.

Specific findings from our funding analysis are provided in the following table:

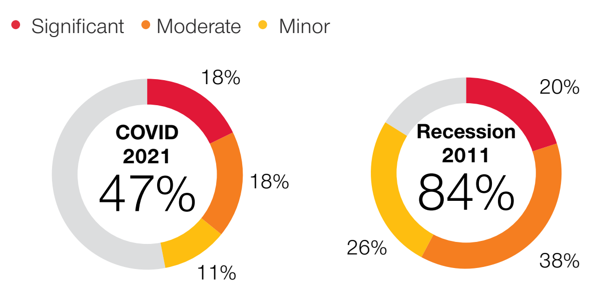
	Donors		
	Tier 1	Tier 2	Tier 3
Median dollars donated	$420,772	$128,235	$188,390
Median number of donors	84	87	629
Median number of donations	1,154	290	779
Median average donation	$3,398	$1,241	$265

Moving donors through the tiers helps make an organization more financially sustainable. For example, tier 1 donors are few in number but have tremendous giving power, so losing any can be a profound hit to an organization. The idea behind tier movement is to, with intention, move donors from tier 3 to tier 2, and from tier 2 to tier 1. Investment in technology can help foster the connection between donors and the organization, ultimately allowing for movement of donors between the tiers.

Technology is perhaps also the reason why just a little more than one-third (35%) of Daring to Lead survey respondents indicated that the pandemic had a *moderate or significant negative impact* on their organizations' financial health and stability.

Compare the reported negative impact of COVID on financial health and stability to the 2011 survey results, which reflect the impact of the recession more than a decade ago:

Negative Impact on Organizations From Coronavirus Pandemic (2021)



2011: 3,067 (national); 2021: n=115 (Baltimore)

One possible explanation for this is that, unlike the response to the recession, those organizations with access to technology were able to pivot and mitigate—to some degree—the negative impacts of the pandemic. Maryland Nonprofits (MANO) offers additional insight: "While COVID-19 shuttered many operations, nonprofits reported a remarkable capacity to adapt and sustain during a crisis. 44% reported that its organization created new virtual programs, and 27% reported the creation of new emergency programs....and 40% of human services organizations created new virtual programs."[29]

Recommendations to Consider

Get excited about the ways technology can improve your organization. If you do not, your organization will get left behind. Know that the long-range benefits far outweigh the initial expense and learning curve associated with managing technology.

Consider working with someone who specializes in technology. Although many organizations rely on its executive directors to field technology issues within the organization, it is best to silo the position. Large organizations might consider bringing a chief information officer on board, if the budget allows. Small to medium-sized organizations might consider contracting with someone to offer expertise on a part-time basis.

Stay relevant. Ensure staff that manages technology is receiving ample professional development opportunities and resources. Also consider collaborating with other organizations to "share the sugar" when it comes to updating software and other technology. For more, please see the section on partnerships, presented earlier in this report.

[29] Maryland Nonprofits (MANO), "COVID-19 Pandemic and Racial Equity Survey," November 2021. https://www.csmd.edu/programs-courses/non-credit/workforce-training/nonprofit-institute/mano-covid-19-and-racial-equity-survey-final.pdf

6 When it comes to evaluation practices, it is better to focus on learning, not counting.

Through the multitude of programming provided by the T. Rowe Price Foundation over the years, our analyses of grantees on evaluation have consistently revealed that nonprofit organizations believe they have strong program outcomes, but very few organizations feel that they have adequate evaluation systems to prove it. Knowing that strong evaluation practices are a key driver of effective program implementation, if an organization has strong evaluation practices and learning behaviors, it can make informed decisions and strengthen programming over time as well as have the evidence to tangibly support stronger fundraising.

Several years ago, the T. Rowe Price Foundation held an evaluation session where Tanya Beer, an independent consultant for strategic learning facilitation and former associate director of the Center for Evaluation Innovation, offered her advice in the area. She pointed out that evaluation and measurement orthodoxies grew up in a program delivery mindset where organizations institute best practices, have interim outcomes, then ultimately land on the intended result. However, this path is rarely linear, and instead looks more like a tangled garden hose, with backsliding and new paths that often lead to completely different results than originally planned. She says that most nonprofit data collection looks at participant satisfaction as well as output and activity, with proposals promising policy and systems change. Instead, she suggests focusing on what you can really improve, and then measure them—even if it is just one or two things.

But what constitutes strong evaluation practices? And do they look the same for all organizations? It depends and probably not. Here's what we found in Baltimore.

Findings

The iCAT scores compiled by the T. Rowe Price Foundation confirm what we have suspected for several years: Organizations believe they deliver quality services, but many have a difficult time proving it, making evaluation a prime candidate for improvement. Compare implementation with accountability: Organizations think they are implementing programs well, but the data don't back up the ability to evaluate outcomes. Program implementation scores are very high, with an overall score average of 84; however, implementation accountability scores are much lower, with the overall score average at 76 and the staff score average down at 73.[30]

	Score Average		
	Overall	**Board**	**Staff**
Program Implementation			
An organization's ability to effectively manage the quality of program implementation (direct service and/or advocacy efforts).	**84**	88	82
Implementation Accountability			
A board's and staff leaders' ability to effectively implement a strategic plan.	**76**	76	73

ICAT data also provided scores for the area of learning, defined as a nonprofit's capacity to collect, process, and use information about its programs, operations, and external environment for the purpose of furthering its mission. Organizations in Baltimore scored comparably to organizations nationwide. For overall learning, the overall score average was 76 for Baltimore and 75 for the national sample.

However, when you break down the scores in Baltimore and look at board score averages versus those of staff, another story emerges. The board scores appear generous—in fact, the board scores are higher than the staff scores in every single category—ultimately bolstering the cumulative score. Of the seven areas with calculated scores, there are five instances where there is a statistically significant difference between board score and staff score: learning (overall), population needs, environmental context, staff performance assessment, and organizational capacity.

When the board and the staff exhibit relatively different viewpoints—or in this case, interpretations of learning—that is important to know, considering the board is the gatekeeper of strategy and vision. However, this is not a matter of increasing evaluation practice. It is about centering your organization's efforts on learning—actually using and interpreting evaluation results for improvement and directing future resources and staff/program development. The board should more strongly align with staff on understanding the organization's actual capacity to invest in it and better represent its results.

	Score Average		
	Overall	**Board**	**Staff**
Learning (overall)*	**76**	79	72
POPULATION NEEDS* An organization's ability to assess the needs of a target population in relation to its programs, services, or strategies.	**80**	84	76
PROGRAM SUCCESS An organization's ability to assess the impact of its programs and direct services.	**77**	79	74
ENVIRONMENTAL CONTEXT* A nonprofit's ability to assess its external environment.	**76**	83	72
STAFF PERFORMANCE ASSESSMENT* An organization's ability to assess the performance of its staff.	**76**	81	75
ADVOCACY SUCCESS An organization's ability to assess its policy/advocacy efforts.	**74**	79	71
ORGANIZATIONAL CAPACITY* An organization's ability to assess its operational capacity and infrastructure in relation to making progress on its mission.	**69**	73	67

*Denotes statistically significant difference between board score and staff score.

[30] A score of 70 is considered average. Organizations that score below 70 require capacity building to be successful. Scores between 70 and 80 indicate an organization needs some work to run most effectively. Organizations scoring 80 and above are considered to be performing well.

Now consider these findings through the lens of time spent by executive directors with the board. Half (50%) of the respondents (executive directors) to our most recent Daring to Lead survey indicated that they spend too little time, or no time at all, working with the board, and more than half (52%) revealed they spend just 10 or fewer hours a month with the board.

Please choose the statement that most closely describes how you feel about the amount of time you currently spend on working with the board of directors:

I spend the right amount of time in this area.	39%
I do not spend enough time in this area.	46%
I spend more time than is ideal in this area.	8%
I do not spend any time on this, nor do I need to.	4%
Prefer not to answer	3%

n=115

Time with the executive director is not the only avenue for a board's involvement with the organization. However, an argument can be made that based on this lack of interaction, it may be hard to imagine that board members are better informed than staff when it comes to fleshing out the successes and shortcomings of various programs. This may ultimately lead to the conclusion that the lower staff scores are presumably more accurate indicators of the state of learning in Baltimore's nonprofit sector. Generally, the board's role is often assumed to be championing, so members often do not see the inner workings of the organizations, meaning they often do not have an accurate picture of what is happening on the ground.

Improving an organization's capacity for learning can offer very real financial benefits. For example, the more an organization invests in learning about its target population, the less it might have to pay for professional consultants.

Specifically, overlaying 990 data onto iCAT data, we found that 13% of the variance of percentage change in professional fees expenses over three years is accounted for by the organization's ability to assess the needs of a target population in relation to its programs, services, or strategies. *For every one-point increase in the iCAT score for this capacity area, we predict a 29% decrease in the percentage change in professional fees expenses over three years.*

To see if size played a role in how an organization viewed its learning capacity, we stratified scores by budget and found that, for smaller organizations, the board and staff have major differences of opinion on advocacy success—defined as the ability to change things within the organization—with a significantly higher staff score. As the organizations grow larger, the staff believes this area weakens substantially, while the board remains constant. This is significant because it ultimately affects the staff's ability to be the champion of change.

Organization			Advocacy Success Scores	
Size	**Budget**	**n**	**Board**	**Staff**
Small	$100–$250,000	8	72	94
Small/Medium	$250,001–$1,000,000	13	83	66
Medium/Large	$1,000,001–$2,000,000	12	81	73
Large	$2,000,001–$6,000,000	8	76	66

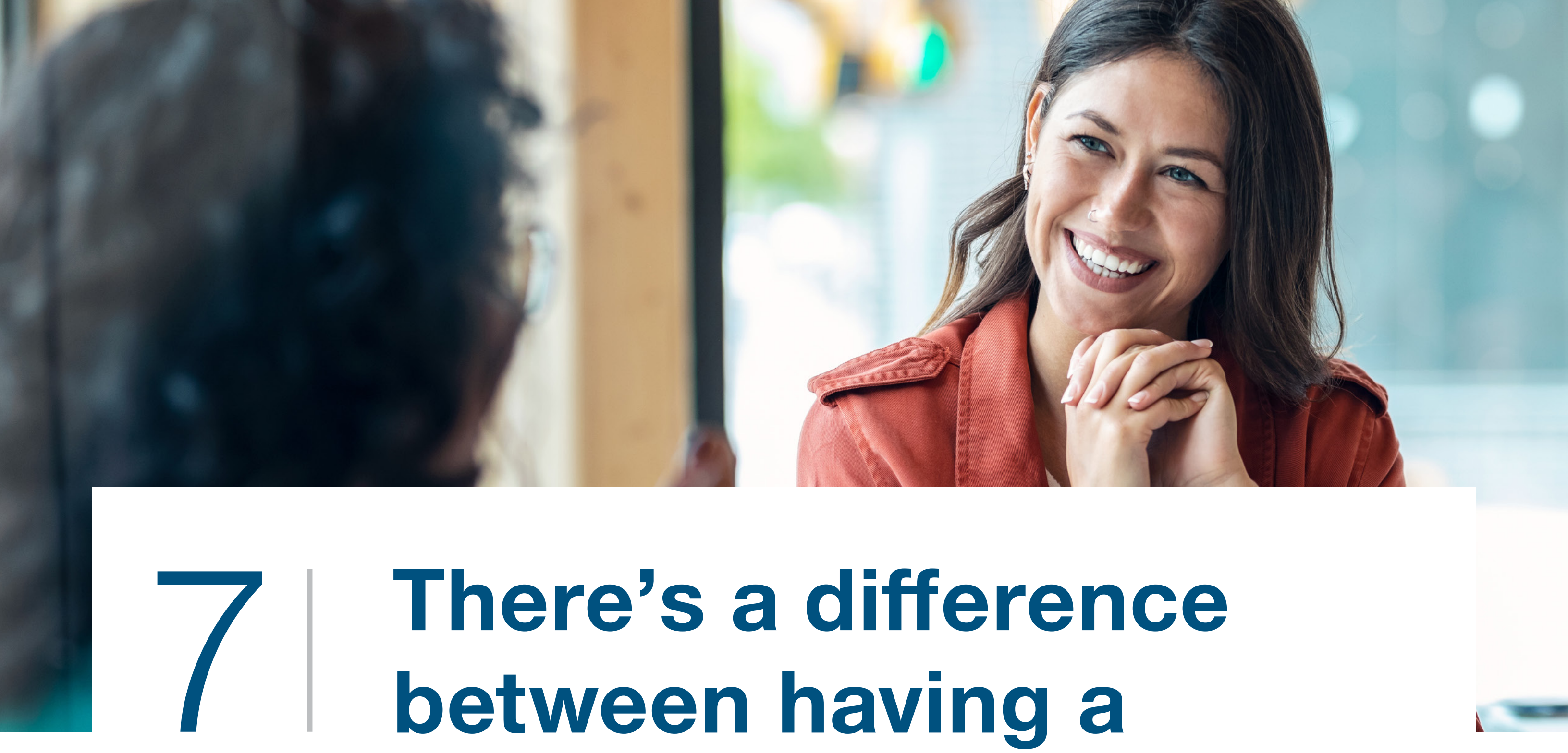
Regarding organizational capacity, the boards at smaller organizations think they have weaker capacity than the staff by a substantial margin. For larger organizations, the staff believes, more so than the boards, that organizational capacity is weak. Here again, the biggest shift is in staff perception, while board perception remains fairly constant. This is significant because, as defined, organizational capacity affects an organization's ability to assess its operational capacity and infrastructure in relation to making progress on its mission.

Organization			Professional Development Scores	
Size	**Budget**	**n**	**Board**	**Staff**
Small	$100-$250,000	8	68	81
Small/Medium	$250,001-$1,000,000	13	70	67
Medium/Large	$1,000,001-$2,000,000	12	76	69
Large	$2,000,001-$6,000,000	8	74	64

Recommendations to Consider

Rethink the definition of evaluation. Evaluation is commonly thought of in terms of numbers and metrics, dictated by the funder. But oftentimes, communities themselves are better at determining how to tell its stories of success. Throughout his tenure as president of the T. Rowe Price Foundation, John Brothers has seen that most, if not all, organizations believe they are a model for program implementation; however, they rarely have the infrastructure to support that assumption. Perhaps it is time to consider alternative ways to assess impact. "Community leaders believe that the value and impact of their efforts are best showcased through charts and graphs," says Brothers. "But behind these numbers are even more impactful stories of champions in their neighborhood, which often are not shared. It is these stories that have the ability to change our world, either by galvanizing supporters, changing policy, or advancing their narratives to a wider audience."

Focus on learning, not counting. As you work on improving your organization's ability to evaluate—and to ultimately learn—match your infrastructure to what you can measure, and eliminate the mindset that improved evaluation systems require increases in infrastructure. Prioritize time spent with the board to ensure it understands at the granular level how to measure implementation of programs in a productive way that the staff can learn from. This will allow for good decision-making regarding budget allocations for evaluation systems. Only when your organization has an accurate picture of the state of its learning capacity can it then take steps to improve.



7 | There's a difference between having a strategic plan and being a strategic organization.

Widely held findings suggest that 85% of executive leadership teams, in both nonprofit and for-profit sectors, spend less than one hour per month discussing strategy, with 50% of those spending no time at all in this area.[31] In a 2005 article published in *Harvard Business Review*, researchers Robert S. Kaplan and David P. Norton tackled the "persistent gap between ambition and performance" and concluded that the gap arises "from a disconnect in most companies between strategy formulation and strategy execution." They suggest that top managers need up to eight hours each month to review performance and to make adjustments to its strategy and its execution.[32]

In the nonprofit sector, this means focusing on effective, efficient implementation, which provides the foundation for the outlined path forward of the executive director as well as the organization's common vision and mission. The T. Rowe Price Foundation's experience supports the notion that organizations are not spending enough time on its strategic planning. But that's just one piece of the puzzle. Another piece is, knowing that nonprofits spend generally a heavy majority of its budgets on people, we looked at budgets and job descriptions and often see those specifics live in completely different documents than the organization's strategy. So while organizations are developing strategic plans, they are not necessarily being strategic.

Also remember there is a difference between management and leadership. What we have seen, especially as a result of the pandemic, is the executive director's ability to articulate where the organization is and where it is going, with folks feeling confident in the executive director's ability to lead. But what's actually happening are a number of technical challenges, with strategy being a central one. Understanding and appreciating where management and leadership intersect, as well as where they diverge, is key to both leading *and managing* effectively.

[31] Robert S. Kaplan and David P. Norton, "The Office of Strategy Management," *Harvard Business Review*, October 2005. https://hbr.org/2005/10/the-office-of-strategy-management
[32] Id.

Findings

The Baltimore nonprofit sector generally believes it has strong leadership. In fact, leadership garnered the highest scores among all iCAT categories, including overall, board, and staff score averages:[33]

	Baltimore Score Average		
	Overall	**Board**	**Staff**
Leading	**79**	81	77
Managing	**78**	81	76
Learning	**76**	79	72
Overseeing	**76**	77	73
Planning	**76**	77	76
Resource Generating	**68**	68	68

Additionally, the leadership scores (overall and subcategories) for the Baltimore sector track identically to the national averages. However, what perhaps is most interesting in these scores is the statistically significant difference between board and staff for community leadership. Leadership is a nebulous term, one that often means different things to different people. Based on these findings, leadership of a nonprofit is also viewed differently from the perspective of the board and that of staff, especially when it comes to how the two groups view their organization's ability to inspire external partners to collaborate on a common vision—a significant component of leadership. Considering that boards are the gatekeepers of strategy, if its members view critical areas of the organization in a much different light than staff, then the question becomes, how can you be a strategic entity with that significant of a difference in understanding and interpretation?

	Score Average			
	National	**Baltimore**		
	Overall	**Overall**	**Board**	**Staff**
Leading (overall) An organization's capacity to articulate a clear vision for itself and incentivize everyone to achieve that mission.	**79**	**79**	81	77
COMMUNITY LEADERSHIP An organization's ability to inspire external partners, collaborators, and stakeholders to work toward a common vision and mission.	**79**	**79**	81*	75*
MISSION LEADERSHIP An organization's ability to inspire people within the organization to work toward a common vision and mission.	**79**	**79**	80	79

*The differences between board and staff scores are statistically significant.

One thing to consider on this front is that because the board works more directly with leadership, it often will wear rose-colored glasses because what is presented to them is usually the "rose-colored perspective." Therefore, it is beneficial—not only for the board members, but also for the organization as a whole—for the board to see the staff's perspective and assess what more it needs to view and learn. Boards, too, are often presented with "bake sale" tasks—those that can easily be addressed in a single meeting. Imagine what could be accomplished if the board were given the opportunity to truly dig in on the "stickier" issues that an organization faces.

The iCAT places strategic planning as one of two subcomponents of the planning area. What is striking—and puzzling—here is the difference in scores between strategic planning (an overall score average of 71), the ability of an organization's leaders to plan strategically, and decision-making (an overall score average of 81), the ability of an organization's leaders to effectively make decisions. In essence, these scores indicate that Baltimore organizations think that, despite not having a formal plan, they

[33] A score of 70 is considered average. Organizations that score below 70 require capacity building to be successful. Scores between 70 and 80 indicate an organization needs some work to run most effectively. Organizations scoring 80 and above are considered to be performing well.

are really good at making decisions. It is critical that organizations address this gap, perhaps with the help of the community and funders, as well as the engagement of shareholders, to bridge the divide.

	Baltimore Score Average		
	Overall	**Board**	**Staff**
Planning (overall) An organization's ability to effectively make decisions and plan for the future.	**76**	77	76
DECISION-MAKING The ability of an organization's leaders to effectively make decisions.	**81**	83	81
STRATEGIC PLANNING The ability of an organization's leaders to plan strategically.	**71**	72	70

Interestingly, the iCAT scores for overseeing are generally lower, indicating a disconnect between leadership and accountability, especially on behalf of the staff. Although the differences between board and staff scores do not rise to the level of statistical significance, it is worth noting that in all instances, staff scores are lower than those of the board, with the largest point difference occurring for financial overseeing, defined as the board's ability to oversee an organization's finances.

	Score Average		
	Overall	**Board**	**Staff**
Overseeing (overall) An organization's ability to hold itself accountable financially and for the achievement of its impact.	**76**	77	73
FINANCIAL OVERSEEING A board's ability to oversee an organization's finances.	**79**	81	76
IMPACT ACCOUNTABILITY A board's ability to hold an organization accountable for the achievement of outcomes.	**73**	74	72
IMPLEMENTATION ACCOUNTABILITY A board's and staff leaders' ability to effectively implement a strategic plan.	**76**	76	73

This disconnect is also illustrated when comparing the *program success overall score* of 77 and the *program implementation overall score* of 84. Time spent with the board, as well as its makeup, may serve as contributing factors to this disconnect. Results from our most recent Daring to Lead survey reveal a discrepancy between how executive directors think they are doing in terms of strategy versus where strategy lands in terms of prioritization. Nearly all executive directors (92%) felt that they were either "effective" or "very effective" at leading their organization, which includes developing, communicating, and managing organizational vision, strategy, and priorities. But just slightly more than half (52%) of respondents felt that they spend the right amount of time on organizational strategy and vision, with 43% indicating they do not spend enough time in this area.

Also, more than one-quarter (28%) of executive directors indicated that their boards lack any members who could provide a significant amount of effort to support the organization in the area of strategic decision-making and planning.

Recommendations to Consider

Communicate the organization's strategy. Viewing strategy in terms of implementation is just the first step. Next, be sure to monitor progress and adjust as needed, ensuring everyone at the organization understands the vision and mission. This process should begin at onboarding and continue periodically throughout employment and/or engagement at the organization.

Prioritize strategizing, especially with the board. Spend more time on organizational strategy, and when looking to add members to the board, consider their possible contributions. What insight can that person offer? In what ways can they help "steer the ship" to accomplish the overall mission? Then allot time on the calendar for interaction with the board to reap the benefits of their expertise.

8 | Effective management can result in both stronger programs and increased revenue streams.

Effective management—largely meaning people and other areas such as facilities—translates to both stronger programs and revenue streams. This is a universal truth, whether you've got a budget in the thousands or in the millions. But being an effective manager is different from being an effective leader. Our experience is that the latter is easier to come by, with staff and board generally expressing confidence in its executive director's ability to lead. But they tend to not be as generous with their take on that person's ability to manage, and often, the executive director themselves admit they lack the time and resources to manage well, especially in the areas that matter most, like technology.

Solving this problem could be as easy as reaching out to the board for support—something that does not happen very often in our sector. In its 2021 "Leading with Intent" report, BoardSource data revealed that, although a majority of chief executives (70%) said their "go-to person" for support was the board chair, less than one-third (31%) indicated that other current board members fill this role.[34] Clarifying the board's role and responsibilities can ultimately have a profound impact on organizational performance: BoardSource data indicate that 91% of boards with a strong understanding of their roles and responsibilities had a positive impact on organizational performance, compared with 33% of those with a weak understanding.[35]

The assertion that effective managing results in better programming may not be revelatory, but exploring ways to strengthen those skills or fill in the gaps where time is sparse—and ultimately seeing a positive impact on revenue—is, no doubt, intriguing.

[34] https://boardsource.org/wp-content/uploads/2021/06/2021-Leading-with-Intent-Report.pdf?hsCtaTracking=555947c8-114a-4dd4-88a5-0f472b6b8ff1%7C8d96dc6a-8740-448f-9b2a-8856b51799b4

[35] Id.

Findings

Our findings double down on the notion that when an organization manages well, it will have stronger programs and outcomes—and a better revenue stream.

In general, Baltimore's iCAT scores are comparable to the overall national averages, with a fair number of Baltimore scores being slightly higher. The widest discrepancies between the scores were in the areas of volunteer engagement (Baltimore: 80, national: 74) and volunteer recruitment and retention (Baltimore: 77, national: 71).[36] Higher scores for Baltimore in these areas are demonstrative of the generous communities that compose our city.

	Overall Score Average	
	Baltimore	**National**
Managing (overall) An organization's ability to utilize its human and financial resources in an efficient and effective manner.	**78**	**76**
COMMUNITY COLLABORATION An organization's ability to identify and collaborate with partners in the community to further its mission.	81	80
FACILITIES An organization's ability to manage its space and facilities effectively.	81	79
PROGRAM IMPLEMENTATION An organization's ability to effectively manage the quality of program implementation (direct service and/or advocacy efforts).	84	82
STAFF DEPLOYMENT A organization's ability to effectively manage paid staff.	77	76
STAFF PROFESSIONAL DEVELOPMENT An organization's ability to effectively provide professional development and to support staff in the process of putting what they learn into practice.	74	76
(continued)		
STAFF RECRUITMENT AND RETENTION An organization's ability to effectively recruit and retain staff.	76	75
TECHNOLOGY An organization's ability to effectively use technology.	75	72
VOLUNTEER ENGAGEMENT An organization's ability to effectively manage volunteers.	80	74
VOLUNTEER RECRUITMENT AND RETENTION An organization's ability to effectively recruit and retain volunteers.	77	71

Worth noting, however, is the difference between the overall program implementation score (overall score average of 84) and the overall staff professional development score (overall score average of 74). Also interesting is the fact that the average board scores for both areas are much higher than those for staff. For program implementation, the overall board score is 88; for staff, it is 82. For staff professional development, the overall board score is 80; for staff, it is 72.

It seems counterintuitive that staff and board would rate highly the organization's ability to manage direct services, while at the same time revealing much lower scores for the organization's ability to effectively use professional development to support staff. Are program implementation scores overly generous? Or would these scores improve even more if professional development were utilized to its fullest extent?

	Score Average		
	Overall	**Board**	**Staff**
Program implementation	**84**	88	82
Staff professional development	**74**	80	72

Note: The differences between board and staff scores are statistically significant.

To see if size played a role in how an organization viewed its managing capacity, we stratified scores by budget and found that staff scores for professional development were remarkably higher for smaller organizations, especially when compared

[36] A score of 70 is considered average. Organizations that score below 70 require capacity building to be successful. Scores between 70 and 80 indicate an organization needs some work to run most effectively. Organizations scoring 80 and above are considered to be performing well.

with the correlating board scores. This indicates a significant difference of opinion between board and staff within small organizations concerning professional development, as well as a lack of excitement among staff about their professional development as organizations get larger.

Organization			Professional Development Scores	
Size	**Budget**	**n**	**Board**	**Staff**
Small	$100–$250,000	8	75	96
Small/Medium	$250,001–$1,000,000	13	81	71
Medium/Large	$1,000,001–$2,000,000	12	78	74
Large	$2,000,001–$6,000,000	8	81	69

Also worth noting, as organizations get larger, there is a marked decline in staff scores for their ability to identify and collaborate with partners in the community to further its mission. For a small organization, the staff score for community collaboration is 92; for a large organization, that score drops to 77. Therefore, as your organization grows, you must ensure that capacities are growing as well.

Proper management, not surprisingly, plays a critical role in an organization's bottom line. Overlaying 990 data onto iCAT data, we found that 51% of the variability of the percentage change in program services revenue over three years is accounted for by the organization's ability to manage its space and facilities effectively. *For every one-point increase in the iCAT score for this capacity area, we predict a 6% increase in the percentage change in program services revenue over three years.*

We also found that 54% of the variance of percentage change in program expenses over three years is accounted for by three factors, one of which includes the organization's ability to effectively use technology, and utilize its human and financial resources in an efficient and effective manner. *For every one-point increase in the iCAT score for overall managing, we predict a 3.1% decrease in the percentage change in program expenses over three years.*

Finally, when it comes to prioritizing this area for leadership, there is room for improvement. More than one-third (35%) of respondents to our Daring to Lead survey indicated they do not spend enough time in the area of managing and developing staff. Although a majority of executive directors (60%) indicated they find managing direct reports either "energizing" or "somewhat energizing," a majority (60%) also indicated that their responsibilities relating to human resources are either "depleting" or "somewhat depleting."

Recommendations to Consider

Maintain a "shared leadership" managing style. An overwhelming majority (90%) of Daring to Lead executive director respondents indicated that the term "shared leadership"—a leadership approach that is inclusive, collaborative, and shares leadership responsibilities with others throughout the organization—either "somewhat" or "very much" characterizes how they view their own leadership style. And nearly the same amount (85%) replied "yes" to whether the majority of their staff would describe them as practicing shared leadership.

Carve out time to manage areas that offer a return (e.g., technology), and utilize your board members. Although it is generally accepted that the board should not get involved in an organization's daily operations, it can be fruitful to think strategically in how best to utilize their expertise in the areas of management. If you have a board that is not as energetic as you would like because members are not engaged in the organization, then close the gap and ask for help. For example, if you are having difficulty managing technology and you have a board member who works for Google, it is time to connect and reap the benefits.

9 | To achieve diversity in leadership, it's imperative to target recruitment and advancement efforts.

The T. Rowe Price Foundation remains steadfast in its efforts to address racial inequity in Baltimore and beyond, recognizing that meaningful change cannot happen overnight. As part of our work to support organizations focused on racial equity and justice, we believe that addressing racial equity within nonprofit leadership is a critical part of advancing long-term racial equity in the sector and that those leading philanthropic efforts must have shared life experiences with and reflect the people and communities they serve.

According to recent statistics from MANO, African American/ Black people are underrepresented in leadership roles, composing 22% of executive directors throughout the state, compared with 30% of the state's population. Further, it is more likely that smaller organizations are BIPOC-led, with people of color leading 60% of organizations with revenue under $25,000 but just 13% leading organizations over $5 million.[37]

In an effort to capture the experiences of nonprofit employees in the city of Baltimore, including their aspirations to reach top leadership roles and the roadblocks to advancement, we commissioned the 2021 Race to Lead survey, based on research conducted by the Building Movement Project (BMP) that examines reasons for the lack of leaders of color in the nonprofit sector and documents the challenges they face when they reach for leadership roles. Throughout this section, Baltimore data is compared with national findings compiled in 2019.

[37] MANO, "COVID-19 Pandemic and Racial Equity Survey."

Findings

In the Baltimore Race to Lead survey, BIPOC respondents composed 43% of the sample; of that percentage, 34% identified as African American/Black; 6% as Asian American; 3% as multiracial; 2% as Latinx/ Hispanic; 1% as Arab American, Middle Eastern, and/ or North African (AAMENA); and 1% Native American/Indigenous. In the national sample (2019 survey), BIPOC respondents composed 41% of the sample, with the following breakdown: 14% identified as African American/Black, 10% as Latinx/Hispanic, 8% as multiracial, 7% as a Asian American, 1% as Native American/Indigenous, 1% as other, and <1% as AAMENA.

Highlighting the difficulty that people of color experience in seeking nonprofit leadership positions, and underscoring the persistent systemic barriers to advancement, it is worth noting that the following two statements had the highest level of agreement among both BIPOC and white respondents. It is also worth noting that, in both instances, Baltimore had a greater percentage of respondents agree with these statements than the national data.

"Executive recruiters don't do enough to find a diverse pool of qualified candidates for top-level positions in nonprofit sector organizations."

% of respondents who agreed

Baltimore		National[38]	
BIPOC	White	BIPOC	White
83%	76%	82%	66%

"People of color must demonstrate that they have more skills and training than white peers to be considered for nonprofit executive jobs."

% of respondents who agreed

Baltimore		National	
BIPOC	White	BIPOC	White
92%	72%	89%	65%

Additionally, BIPOC respondents were much more likely than their white counterparts to indicate that their race had a negative impact on their career advancement. More than half of Baltimore respondents of color (55%) said their race had either a "slight" or "very" negative impact (compared with 49% of BIPOC respondents nationally). The story was quite different for white

[38] A similar national Race to Lead survey was conducted in 2019.

The Building Movement Project also conducted surveys in other cities and states. The table below compares Baltimore responses with those from Memphis, Tennessee, and Milwaukee, Wisconsin. Notably, BIPOC respondents in Baltimore were more likely to be interested in pursuing a leadership position within the sector; however, they lacked mentorship opportunities both within and outside their organizations as compared with BIPOC respondents in the other cities.

% BIPOC Respondents	Baltimore	Memphis	Milwaukee
Composed how much of sample?	43%	52%	35%
Said their race had a negative impact on career advancement	55%	52%	58%
Reported being "definitely" or "probably" interested in pursuing an executive director or CEO position	60%	57%	50%
Reported access to mentors within their organization	37%	56%	45%
Reported access to external mentors	46%	76%	56%

Note: The surveys for Memphis and Milwaukee were conducted in 2019.

> **"It's important for organizations to remember that creating an inclusive culture should be the first step—well before recruitment and retention efforts. In fact, organizations should flip their approach around DEI [diversity, equity, and inclusion]—because true diversity is impossible to achieve without inclusion."**
>
> – Fagan Harris, CEO, Baltimore Corps

respondents. Nearly three-quarters (72%) said their race played a "slight" or "very" positive role in their career advancement, as did more than two-thirds (67%) of white respondents nationally. Again, the Baltimore numbers are greater than the national averages.

Now contrast the relative lack of BIPOC representation in leadership in Baltimore with the relative abundance of BIPOC representation who seek leadership roles, indicating truly profound missed opportunities for many organizations.

Data from the Race to Lead survey are clear: There is a robust pipeline of diverse individuals ready and eager to take the helm of their organizations. A key finding indicates that BIPOC nonprofit employees were more interested in pursuing top executive roles in the sector than white employees. While 60% of BIPOC respondents in Baltimore reported being "definitely" or "probably" interested in pursuing an executive director or CEO position, just 31% of white respondents indicated similar aspirations—a 29-percentage-point difference. Among respondents nationwide, 52% of BIPOC respondents and 36% of white respondents indicated the same level of interest.

Level of interest in taking a top leadership role (among non-executive directors/CEOs):

	Baltimore		National	
	BIPOC	White	BIPOC	White
Definitely/probably want to take a leadership role	60%	31%	52%	36%
May want to take a leadership role	16%	27%	25%	28%
Definitely/probably do not want to take a leadership role	24%	42%	24%	35%

The Race to Lead survey also specifically asked about the role of networks in career advancement. Baltimore is known for being a tight-knit community—often referred to as "Smalltimore" for that very reason—so it should come as no surprise that networking is key to getting ahead in this city. In Baltimore, BIPOC respondents were less likely than white respondents to indicate that their networks played a positive role in their advancement: 73% versus 84%, respectively (nationally: 74% versus 80%, respectively).

Consider the cyclical implications: BIPOC leadership lacks representation in the nonprofit sector. Most agree that, in Baltimore especially, connections are paramount to career advancement, but survey results indicate that networks play less of a positive role in advancement for BIPOC respondents than white respondents. To have networks play a more positive role, more BIPOC representation is needed in leadership roles. But BIPOC leadership lacks representation, and so on.

> **"I've heard Baltimore being called 'Smalltimore.' Folks [have] relationships that they trust. They're going to feel more comfortable pulling people along...that have similar backgrounds to them, not just racially, but economic[ally] as well."**
>
> — Participant in Race to Lead BIPOC focus group

One way to target this issue may be providing access to mentorships. This is critical in both the recruitment and retention of BIPOC leadership, and based on survey results, it is an area greatly in need of improvement.

In Baltimore, only 37% of BIPOC respondents (compared with 46% of white respondents) reported access to mentors within their organization who provided advice, support, and connections. Nationally, 48% of BIPOC respondents (compared with 56% of white respondents) reported access to in-house mentors. Regarding access to external mentors, BIPOC respondents in Baltimore were much less likely than their white counterparts to report having access to this type of support (46% and 62%, respectively). So across the board, fewer Baltimore BIPOC respondents reported access to internal and external mentors compared with not only their white counterparts, but also with, their national BIPOC counterparts.

Mentor(s) outside of job/organization that provide(s) advice, support and connection

Baltimore		National	
BIPOC	White	BIPOC	White
46%	62%	58%	55%

Mentor(s) at my job/organization that provide(s) advice, support, and connections

Baltimore		National	
BIPOC	White	BIPOC	White
37%	46%	48%	56%

Recommendations to Consider

Consider this a call to action. Time and time again, the numbers reported in the Race to Lead survey by Baltimore respondents were greater than the national data. For example, 92% of BIPOC respondents in Baltimore agreed that people of color must demonstrate more skills and training than white peers to be considered for nonprofit executive jobs, compared with 89% nationally, and 55% of Baltimore BIPOC respondents said their race had either a "slight" or "very" negative impact on their career advancement, compared with 49% of BIPOC respondents nationally. Does this mean we face greater equity issues here compared with other cities around the country? Maybe. But regardless, we must do better—as a sector, as a city, and as a country.

Recruit and retain leaders of color. This is important not only to diversify the sector, but also to better reflect the racial composition of communities served. Of Baltimore respondents, 84% reported that people of color composed at least half of the communities their organization served but only 34% of leadership was at least half BIPOC. Addressing this disparity in racial composition between leadership and communities served is a critical step in tackling overall equity issues.

Bolster mentoring programs. Opportunities for mentorships should be provided both within and among organizations. Fostering a supportive relationship between the CEO/executive director and members of staff will help encourage—and lead the way—for recruitment into leadership positions. Promoting mentorships between leaders in different organizations will serve as an effective retention tool for those new to the position.

> **"As a Black woman in the nonprofit sector in Baltimore, we rarely experience pay raises or opportunities for advancement. However, we are constantly tasked with increased workload. Most nonprofits in Baltimore have a mission to solve issues in Black and Brown communities, yet have very few staff members of color or understand the disparities and equity issues in these communities."**
>
> — Race to Lead BIPOC woman survey respondent

10 | Reimagine the governance structure.

For many organizations, forming and interacting with its boards are prescribed events, with downloadable templates outlining the process and procedures. But can you expect the governance of a large nonprofit with a multimillion-dollar budget to look and operate the same as a small community organization headquartered in the basement of the local church? No, and nor should you. The sector has, for too long, operated under a one-size-fits-all approach to governance, expecting to arrive at outcomes most critical to organizations.

Prior to the pandemic, the T. Rowe Price Foundation convened national governance leaders and then held a symposium that featured leading governance and design thinkers on reconceptualizing governance. After hearing their perspective on board innovation, it quickly became clear that governance is broken, with boards and staff not in synergy. This is leading to overall weaker organizations. As a group, we realized that each organization—small, medium, or large; local, regional, or national—needed to discard the ubiquitously prescribed method and instead invoke creative thinking to reimagine what its *individual* board should look like, to think strategically from a holistic perspective.

We appreciate that filling any board seat can be a challenge, with BoardSource's latest 2021 "Leading with Intent" report indicating that 32% of executives and 53% of board chairs deem it difficult to fill those positions.[39] But finding the *right person* for the role is critical to the success of any organization.

[39] https://leadingwithintent.org/wp-content/uploads/2021/06/2021-Leading-with-Intent-Report.pdf?hsCtaTracking=60281ff7-cadf-4b2f-b5a0-94ebff5a2c25%7C428c6485-37ba-40f0-a939-aeda82c02f38

"As a result of some of the T. Rowe Price board training and board cohorts, we formed a dedicated governance committee. This committee monitors our budget, reviews audits, vets contractors, helps draft and revise organizational policies, and maintains the tracking of board candidates. These functions are essential in helping our organization manage resources, processes, compliance, transparency, and accountability. It has been really valuable having experienced business leaders on this committee.

The relationship between the executive director and board chair is also essential to a board's success. The T. Rowe Price board chair and executive director cohort helped provide much-needed time to create closer alignment with how we need to operate and work with the board. We created and streamlined a few systems with the ideas and advice of other board chair/executive director teams. I look forward to participating again in the future when a new board chair is elected."

—Lisette S. Morris, executive director, The Ingenuity Project

Findings[40]

Generally, the data indicate, that, at least superficially, most organizations are content with its board. When Daring to Lead respondents were asked how satisfied they were with the overall performance of its board of directors, nearly three-quarters indicated they were either “very satisfied” (28%) or “somewhat satisfied” (46%). Nearly all respondents favorably characterized their relationship with the board chair, with more than half (51%) characterizing it as exceptional, with deep trust, authentic communication, and shared leadership, and 36% indicating a functional relationship.

Also, 79% of executive directors feel “very confident” or “somewhat confident” in their ability to influence or impact their board’s performance, and 72% indicated that working with the board was “energizing” or “somewhat energizing.”

Whether organizations truly believe its boards are doing fine, or whether this is a default response because they believe there is no other way to structure a board, we know that, for most, there is a profound lack of time spent working with the board, arguably translating to a disconnect on many fronts.

The percentage of respondents who indicated that they spend less than five hours a month on board-related activities is 23% in 2021, up from 16% in 2011. Consistently, more than half revealed they spend 10 or fewer hours a month with the board (62% in 2021, up from 55% in 2011).

Approximately how many hours do you spend per month on all board-related activities (e.g., meetings, recruitment, orientation, committees)?

	2011	2021
Less than 5	16%	23%
5–10 hours	39%	39%
11–19 hours	28%	22%
20+ hours	17%	13%

2011: 3,067 (national); 2021: n=115 (Baltimore)

Additionally, half of respondents (50%) feel they do not spend enough time with their boards or do not spend any time working their boards. This is up significantly from 37% in 2011, indicating that time with the board is becoming less and less of a priority. The percentage of respondents who felt they spent the right amount of time working with the board has also declined, from 51% in 2011 to just 39% in 2021.

Please choose the statement that most closely describes how you feel about the amount of time you currently spend on working with the board of directors:

	2011	2021
I spend the right amount of time in this area.	51%	39%
I do not spend enough time in this area.	36%	46%
I spend more time than is ideal in this area.	12%	8%
I do not spend any time on this, nor do I need to.	1%	4%

2011: 3,067 (national); 2021: n=117 (Baltimore)

A strong, well-run board can have meaningful effects, leading to more profound contributions of its members to the organization. However, our iCAT analysis shows there are many areas where the views of board and staff differ, further exacerbating board challenges. Below are the areas where there are statistically significant differences between the board score averages and the staff score averages:[41]

	Score Average	
Capacity Area	**Board**	**Staff**
Overall capacity	**78**	**74**
Learning	79	72
Managing	81	76
SUBCATEGORIES		
Community leadership	81	75
Environmental context	83	72
Organizational capacity	73	67
Population needs	84	76
Staff performance assessment	81	75
Program implementation	88	82
Staff professional development	80	72
Volunteer engagement	85	76
Volunteer recruitment and retention	82	73

[40] The 2011 Daring to Lead data cited in this section are from a national sample of executive directors.
[41] A score of 70 is considered average. Organizations that score below 70 require capacity building to be successful. Scores between 70 and 80 indicate an organization needs some work to run most effectively. Organizations scoring 80 and above are considered to be performing well.

Additionally, findings from the Daring to Lead survey indicate that, in many areas, the board's expertise is either lacking, untapped, or ignored, especially when it comes to fundraising. Although making a personal financial contribution scored the highest across possible fund development activities, just 34% of the board participate. Only 25% participate in donor identification, and 18% participate in donor cultivation.

Does anyone on your current board of directors participate in any of the following fund development activities? (check all that apply)

Donor identification/prospecting	25%	(n=71)
Donor cultivation	18%	(n=51)
Asking for gifts	17%	(n=50)
Grant writing	3%	(n=9)
Making a personal financial contribution	34%	(n=98)
Prefer not to answer	3%	(n=10)

This shortcoming is echoed in the iCAT results. The overall score for board fundraising—defined as a board's ability to raise the funds an organization needs by identifying and cultivating potential donors as well as contributing financially themselves—is low at 65.

The iCAT scores for overseeing—an organization's ability to hold itself accountable financially and for the achievement of its impact—are higher, but there is still room for improvement, especially in the area of impact accountability, which has an overall score average of 73. When you break down the scores between board and staff responses, it is telling that—for overseeing overall, as well as its subcategories—staff scores came in lower than those from the board, signaling that staff views performance in this area less favorably.

	Score Average		
	Overall	**Board**	**Staff**
Overseeing (overall) An organization's ability to hold itself accountable financially and for the achievement of its impact.	**76**	**77**	**73**
FINANCIAL OVERSEEING A board's ability to oversee an organization's finances.	79	81	76
IMPACT ACCOUNTABILITY A board's ability to hold an organization accountable for the achievement of outcomes.	73	74	72
IMPLEMENTATION ACCOUNTABILITY A board's and staff leaders' ability to effectively implement a strategic plan.	76	76	73

Other areas of expertise may also benefit from reimagining the board—areas that also tend to lack board support. For example, more than one-third (35%) of executive director respondents indicated that they do not have board members who provide guidance to them.

Does anyone on your current board of directors provide a significant amount of effort to support the organization in any of the following areas?

	Yes	No	We Do Not Request Support From the Board in This Area
Public policy/advocacy on behalf of your organization	30%	40%	30%
Community ambassadorship	67%	24%	9%
Fund development	54%	43%	3%
Financial oversight	79%	14%	7%
Supervision and guidance to you in your executive director position	58%	35%	7%
Strategic decision-making and planning	71%	24%	4%
Other technical management expertise (e.g. technology, human resources, marketing, law, etc.)	62%	30%	9%
Direct support related to COVID-19	24%	50%	26%

Note: Totals may not equal 100% due to rounding; n=115

Recommendations to Consider

Do not be dogmatic when structuring/restructuring the board. Organizations that know its current approach to governance is not working may assume there is no alternative. Rather than operating off one model, each organization should rethink how it does business and design its board based on what is important. Map out your vision and your goals for the organization and then backfill from there, not the other way around.

Strengthen the synergy between leadership, staff, and the board. Stronger organizations are those that are most in sync. Tap in to where there is the most discrepancy, and take steps to address those areas. Explore also whether, as executive director, joining the board is a possibility. Almost one-third (32%) of Daring to Lead respondents indicated that they are not members of the board at their organizations. Also, prior to filling a board position, consider how that individual will contribute to accomplishing the mission of the organization.

Be mindful of turnover, especially in terms of the board chair. Nearly one-quarter (22%) of Daring to Lead respondents indicated that if their current board chair stepped down, there would not be anyone on the current board of directors who could be the next ideal candidate for the position. It is never too soon to consider pipeline issues.

Conclusion

The T. Rowe Price Foundation's approach to philanthropy has always been centered on strong collaboration, and we believe partnership is the most effective way to bring about positive change—in our communities, our city, and the world around us. Through our ongoing efforts, we aim to fortify the nonprofit sector, ultimately strengthening the city of Baltimore as a result.

We are committed to these goals and remain steadfast in our role in ensuring the long-term success of our grantees and partners in the community. As part of this commitment, we will continue to collect and analyze critical financial and organizational data and present it in what we hope is a digestible, thoughtful manner not only to lay out a feasible road map to success, but also to spark the nonprofit sector's imagination in what can be achieved when we work together around a shared mission.

Appendix: Methodology and Additional Findings

A. Economic Analysis of the Financial Health of Nonprofits in Baltimore

To analyze the financial health of the nonprofit sector in Baltimore, the T. Rowe Price Foundation hired SeaChange Capital Partners to review data from 1,723 of the city's nonprofit organizations that electronically filed its 990 forms in one or more years from 2014 to 2019.[42] Aside from year-over-year comparisons of select metrics, the analysis mostly focused on 2019 990 data submitted by a core group of 731 organizations with total expenses of $2.7 billion.[43]

More than half of these organizations—both by number and by total expenses—are in the health and human services or community capacity sectors. Of these 731 organizations, almost two-thirds had expenses under $1 million, though these represent only 6% of total spending. By contrast, 54 large nonprofits with expenses over $10 million represented slightly over two-thirds of all spending while constituting only 7.4% of all organizations in the core sector by number.

In 2019, the 442 core nonprofits for which data are available in each year (2014–2019) reported aggregate revenues of $2.42 billion and a positive net income margin of 2.3%. The aggregate balance sheet for the sector shows reasonable stability, with a little under 10 months of cash in the bank and over six months of unrestricted assets. While operating reserves are just slightly over three months—substantially lower than the six-month level that many nonprofit experts recommend—the cash and savings and unrestricted net assets suggest a modest financial cushion.

When the data are disaggregated, however, the financial health—and financial uncertainty—of Baltimore's nonprofits become more apparent:

- **Roughly 9% of Baltimore's nonprofits (40 out of 442 organizations) are technically insolvent, meaning its liabilities exceed its assets.** In general, large or very large organizations (those with budgets over $10 million) seem to have higher levels of insolvency than smaller organizations.
- **Many organizations have virtually no margin for error.** As a whole, the nonprofit community had more than nine months of cash in the bank between 2014 and 2019. However, a snapshot of financial reserves in 2019 shows that 30% of nonprofits had 1.3 months or less of cash, and 20% had negative operating reserves. Interestingly, 30% of organizations appeared to be financially strong, with more than six months of cash and eight months of operating reserves. Smaller organizations tend to have more months of cash than larger ones, which may be a reflection of more flexible financial management linked to a lower dependency on government grants.
- **Nonprofits earned an aggregate net income margin of 2.3%, while roughly 40% of nonprofits had a negative margin.** In other words, almost half of Baltimore's core nonprofits in 2019 (about 365 out of 731) were running at a loss, and 10% of nonprofits (about 73 out of 731) had significant deficits of 22% or more.
- **Most nonprofits are small, but the large ones provide the majority of services.** In 2019, the smallest 50% of all core nonprofits (about 365 organizations with budgets of $625,000 or less) represented 3% of aggregate spending, while the largest 5% (about 37 organizations with budgets over approximately $17 million) represented 59% of spending. While there is some evidence of larger nonprofits reaching economies of scale

[42] Information from Form 990s is the broadest, deepest data set available. However, it comes with important limitations: incomplete coverage of small nonprofits (only nonprofits with revenues over $200,000, or assets over $500,000, are required to file), imperfect coverage (e.g., churches and other places of worship are not required to file), time lags (990 data are generally made available to the public on an 18- to 24-month lag), and uneven data quality. Nonprofits exercise its own judgment when filing the 990. Although the largest nonprofits generally have financial statements prepared by an outside accounting firm, some of the information on the 990 is not taken from these statements. In addition, some important information—e.g., the availability of undrawn lines of credit—is not reflected on the 990. Given these limitations, 990 data alone should never be used to make important decisions about any particular nonprofit. However, analysis of 990 data can yield meaningful, high-level insights about the financial health of the sector as a whole and subsectors within it.

[43] Excluded from the analysis were hospitals and care organizations and educational institutions, which differ from other nonprofits in significant ways and tend to dominate any financial analysis. Also excluded were international or foreign affairs organizations, mutual benefit organizations, public or society benefit organizations, philanthropic organizations, and organizations that are unclassified in the publicly available data.

(i.e., slightly lower overhead expenses, expressed as a percentage of revenue), 40% of large organizations (budget of $10 million+) still had negative net income margins and very limited cash and savings of one month or less.

- **Nonprofits differ greatly in its reliance on philanthropy, both by sector and size.** In 2019, the median level of philanthropy was about 23% as a percentage of total revenue, but this varied greatly by field and size. For example, the median health and human services nonprofit earned only 2.7% of revenue from philanthropic sources, compared with over 50% for environmental nonprofits and over 77% for religious organizations. Similarly, the median very small (<$1 million) organization received 34.9% of revenue from philanthropy, while the median large/very large ($10 million+) nonprofit received less than 5%.
- **Nonprofits in certain sectors are more reliant on government funding than others.** Notably, organizations in the community capacity, health and human services, or youth development sectors were heavily reliant on government contracts compared with philanthropy. For instance, 65% of total spending by core nonprofits in the health and human services sector in 2019 was from organizations that received 5% or less of its total revenue from philanthropy, and 81% came from groups receiving less than 20% of the revenue from philanthropy.
- **Although the median nonprofit allocates slightly under 11% of its total expenses to overhead, there is considerable variation across organizations.** In 2019, the 30th percentile of core nonprofits spent only 5.3% on overhead expense, while the 70th percentile spent 17.7%. A full 10% of nonprofits reported spending nothing on overhead, which reflects flawed reporting, not economies of scale.

This data from Baltimore nonprofits are consistent with the nationwide trends.

An additional analysis of seven select ZIP codes[44] was conducted to glean any trends in the philanthropic revenue of nonprofits in certain parts of Baltimore before and after the civil unrest in 2015. Only nonprofits that reported 990 data for all three years (2014-2016) and reported being based in one of the select ZIP codes for all three years were included in the group.

The resulting group of nonprofits represents 175 unique organizations that reported total expenses of $1.1 billion in 2016. The majority of organizations—both by number and total budget—are either in the health and human services or community capacity sectors. From the total of 175 organizations, more than half were very small organizations (total of 91) with expenses under $1 million while representing only 3.3% of total spending. By contrast, 21 large or very large nonprofits with expenses over $10 million represented slightly over three-fourths of all spending while constituting only 12% of all organizations by number.

Below are the findings from the year-over-year analysis of the philanthropic revenue of the 175 core nonprofits:

- **The total amount of revenue from philanthropy increased.** Between 2014 and 2016, total revenue from philanthropy of the core group grew by 44% in absolute dollar amount ($146.8 million in 2016, up from $101.8 million in 2014), with a greater jump from 2015 to 2016 (40%) than between 2014 and 2015 (3%). As a reference, the total revenue for the core group increased by 21% between 2014 and 2016. Since philanthropy grew faster than total revenue, the percentage of revenue represented by philanthropy increased from 10.7% in 2014 to 12.8% in 2016.
- **Certain sectors saw a greater increase in philanthropic revenue over the three-year period than others.** Organizations in the community capacity sector reported the largest percentage increase in the absolute dollar amount of philanthropic revenue between 2014 and 2016, with the amount more than doubling (114%). Following the community sector, the religious institutions and youth development sectors both saw over 30% of increase. The religious institutions sector, however, only consists of three nonprofits within the core group, which represents less than 2% of the total by number and 0.1% by expenses. Health and human services organizations saw a more modest increase of 15%.
- **There were more nonprofits that had an increase in philanthropic revenue than those that had a decrease.** Between 2014 and 2016, 43% of the core group of nonprofits (76 organizations) saw increased philanthropy by dollar amount, while 29% (50 organizations) saw a decrease. The remaining 28% of the group (49 organizations) of nonprofits reported no philanthropy and thus had a flat change in philanthropic revenue.

B. Funding Audit Data Analysis

Funding audits serve as opportunities for organizations to understand its individual donor data (excluding foundation or corporate giving, grants, or government dollars), and

[44] Selected ZIP codes are: 21201, 21202, 21211, 21216, 21217, 21223, and 21231.

uncover and understand trends in play in the context of best practices regarding donor development, communications, and metrics. Each audit categorizes the organization's donors into different tiers depending on their frequency of giving during the relevant time period, and includes how best to move donors through the tiers, in an effort to help outline a potential pipeline strategy for the organization.

By definition, tier 1 donors are ongoing, routine givers to the organization and are potentially engaged in other areas within the organization's family. Tier 2 donors are engaged and have given three to four times, but the giving is sporadic. Lastly, tier 3 donors have made minimal commitments, given one or two times, or have allowed some time to elapse between donations.

This analysis looked at the donor data from funding audits completed between August 2018 and November 2021. During that time period, the T. Rowe Price Foundation completed 24 funding audits for 23 organizations in the Baltimore area. The data set consists of approximately 195,000 donors who gave $83 million, comprising more than 641,000 donations.[45]

This analysis provided the following results:

Tier 1 donors are few in number but are the most loyal (13% of total donors on average). They give more in both number of donations (47% of total donations on average) and also dollars (53% of total dollars donated on average).

Tier 2 donors are very similar to tier 1 donors in number (13% of total donors on average), but average less than tier 3 donors in both number of donations (16% of total donations on average) and in dollars (18% of total dollars donated on average).

Tier 3 donors are great in number (74% of total donors on average) but give relatively less in both number of donations (37% of total donations on average) and also dollars (28% of total dollars donated on average).

	Donors		
	Tier 1	**Tier 2**	**Tier 3**
Median dollars donated	$420,772	$128,235	$188,390
Median number of donors	84	87	629
Median number of donations	1,154	290	779
Median average donation	$3,398	$1,241	$265

Because this particular study serves as a point-in-time analysis, it is not possible to offer insight into donor movement at this time.

C. iCAT Data Analysis

Developed by Algorhythm, Impact Capacity Assessment Tool (iCAT) is a resource provided to funders and other nonprofit intermediaries, such as consultants and management support organizations—in this case, the T. Rowe Price Foundation—so that they can better understand, support, and strengthen the nonprofits they work with. It is a fully automated online survey comprising 125–150 questions targeting six capacity areas (and 23 subcategories) that takes roughly 30 minutes to complete across a minimum of three nonprofit leaders, such as the executive director, board chair, and program director.

"A thorough meta-review of all research and evaluation studies of nonprofit capacity building strategies and initiatives was conducted to inform the development of the iCAT. Peter York, the Principal Developer of the iCAT, is a leading evaluator and researcher in the field, including previously designing standardized organizational assessment tools that have been used nationally and internationally, including for large scale studies. His expertise combined with the meta-review research and evaluation conclusions informed the development of the iCAT tool and its scales. It was then field-tested with nonprofits, in collaboration with funders and capacity builders, in order to validate the capacity and sub-capacity scales. As the iCAT data grow, Algorhythm will continue to re-test the scales, as well as re-run predictive and prescriptive modeling to maintain the highest possible accuracy when it comes to the report conclusions and recommendations."

Source: https://algorhythm.io/

[45] One organization completed the funding audit twice; both audits were included in this analysis. Data analyzed varied by fiscal year (e.g., calendar, July 1–June 30) and time period (e.g., number of fiscal years). Data for the last year were not always complete, but were usually included in the analysis.

The definitions of capacity areas, as well as the subcategories they comprise, are outlined below:

Capacity Areas/Definitions	Subcategories
Resource Generating The capacity of an organization to raise the funds and other resources that it needs to operate, as well as its ability to incentivize others to support the organization in doing so.	• Board fundraising • Grantmakers • Individual donors • Marketing • Partnerships • Staff fundraising
Leading An organization's capacity to articulate a clear vision for the organization and incentivize everyone to achieve it.	• Community leadership • Mission leadership
Learning An organization's capacity to collect, process, and use information about its programs, operations, and external environment for the purpose of furthering the mission.	• Advocacy success • Environmental context • Organization capacity • Population needs • Program success • Staff performance assessment
Managing Measures an organization's ability to utilize its human and financial resources in an efficient and effective manner.	• Staff (deployment, professional development, recruitment, and retention) • Volunteer (engagement, recruitment, and retention) • Program implementation • Technology • Facilities • Community collaborations
Overseeing Measures an organization's ability to hold itself accountable financially and for the achievement of its impact.	• Financial • Implementation accountability • Impact accountability
Planning Measures an organization's ability to effectively make decisions and plan for the future.	• Strategic planning • Decision-making

The iCAT provides the opportunity for multiple internal stakeholders to reflect and learn about the perceptions of organizational health, allowing organizations to look beyond just the symptoms (e.g., excessive turnover, struggles with marketing or fundraising) and identify the possible root causes of these organizational challenges. This diagnostic process involves various stakeholders (from three to 25) within the organization—staff, board members, leadership—and creates buy-in regarding how to solve identified, prioritized challenges. The T. Rowe Price Foundation utilizes the tool because, rather than requiring an organization to prescribe to a certain list of organizational best practices, it acknowledges that an effective organization is made up of empowered people who have the energy, knowledge, opportunity, and skills to execute its mission. The Foundation considers the iCAT a cost-effective, time-efficient way to collect multi-stakeholder perspectives in a uniform, anonymous way, especially as a means to mitigate power dynamics. It is an effective conversation starter that enables an organization to focus on priority topics and is best utilized in tandem with a larger process (e.g., a leadership retreat, a strategic planning process) to fully understand an organization's strengths and needs.

Between January 2017 and September 2021, we evaluated 59 organizations in Maryland, with 55 in the Baltimore area.

An "overall capacity" score is provided to each participating organization. Scores are out of 100 and reflect the weighted average of the capacity scores. (Capacity areas are weighted based on importance to an organization's success.) A score of 70 is considered average. Organizations that score below 70 require capacity building to be successful. Scores between 70 and 80 indicate an organization needs some work to run most effectively. Organizations scoring 80 and above are considered to be performing well. Scores for each capacity area and its subcategories are also provided.

The following chart provides the *distribution of capacity scores by type of survey participant* (board member versus staff member):

	Score Average		
	Overall	**Board**	**Staff**
Overall	**76**	78	74
Resource generating	**68**	68	68
Leading	**79**	81	77
Learning	**76**	79	72
Managing	**78**	81	76
Overseeing	**76**	77	73
Planning	**76**	77	76

T-tests were conducted for this analysis between the scores of board members and staff for each type of capacity (p=0.05).[46] Of the 59 organizations analyzed for this study, there were *statistically significant differences* between the scores of board members and staff for the following capacities (in every instance, board members gave a higher average score to the capacity than FTE):

- Overall capacity
- Leading: community leadership subcategory only

[46] This is a statistical tool that is used to assess if the means of two groups are significantly different from each other.

- Learning: overall and environmental context, organizational capacity, population needs, staff performance assessment subcategories
- Managing: overall and program implementation, staff professional development, volunteer engagement, volunteer recruitment and retention subcategories

Provided below are the scores for each capacity area with corresponding subcategories, broken down by type of survey participant. Each table represents a capacity area.

Overall, board, and staff average scores in the RESOURCE GENERATING iCAT capacity area:

	Score Average		
	Overall	**Board**	**Staff**
Overall	**68**	68	68
Board fundraising	**65**	64	64
Grantmakers	**74**	73	75
Individual donors	**66**	65	66
Marketing	**63**	65	63
Partnership	**80**	79	81
Staff fundraising	**62**	64	61

Overall, board, and staff average scores in the LEADING iCAT capacity area:

	Score Average		
	Overall	**Board**	**Staff**
Overall	**79**	81	77
Community leadership	**79**	81	75
Mission leadership	**79**	80	79

Overall, board, and staff average scores in the LEARNING iCAT capacity area:

	Score Average		
	Overall	**Board**	**Staff**
Overall	**76**	79	72
Advocacy success	**74**	79	71
Environmental context	**76**	83	72
Organizational capacity	**69**	73	67
Population needs	**80**	84	76
Program success	**77**	79	74
Staff performance assessment	**76**	81	75

Overall, board, and staff average scores in the MANAGING iCAT capacity area:

	Score Average		
	Overall	**Board**	**Staff**
Overall	**78**	81	76
Community collaboration	**81**	84	80
Facilities	**81**	82	78
Program implementation	**84**	88	82
Staff deployment	**77**	78	77
Staff professional development	**74**	80	72
Staff recruitment and retention	**76**	78	74
Technology	**75**	77	73
Volunteer engagement	**80**	85	76
Volunteer recruitment and retention	**77**	82	73

Overall, board, and staff average scores in the MANAGING iCAT capacity area:

	Score Average		
	Overall	**Board**	**Staff**
Overall	**76**	77	73
Financial overseeing	**79**	81	76
Impact accountability	**73**	74	72
Implementation accountability	**76**	76	73

Overall, board, and staff average scores in the PLANNING iCAT capacity area:

	Score Average		
	Overall	**Board**	**Staff**
Overall	**76**	77	76
Decision-making	**81**	83	81
Strategic planning	**71**	72	70

Additionally, we looked at whether size of the organization, as defined by its budget, played a role in its iCAT scores.

Organization Size	**Organization Budget**	**n**
Small	$100–$250,000	8
Small/Medium	$250,001–$1,000,000	13
Medium/Large	$1,000,001–$2,000,000	12
Large	$2,000,001–$6,000,000	8

Larger organizations had higher average scores than smaller organizations across all subcategories in the following capacities: overall capacity, resource generation, planning, and overseeing. Smaller organizations had higher average scores than larger organizations across most subcategories in the managing and learning capacity areas. So as organizations moved from small to large, its capacity improved in the technical areas of resource generation, planning, and overseeing. However, as organization grew larger, its ability to manage its growth and be a good learning organization diminished.

We also calculated overall capacity scores based on overhead rates:

Overhead Rate	n	Overall Capacity Score
1–10%	2	73.8
11–20%	5	78.3
21–30%	5	74.6
31–40%	5	78.2

D. Financial Statement Audits X iCAT Data

Twenty-three organizations shared audits of financial statements for at least three consecutive years. If more than three consecutive years of data were available, the most recent three years of data were used such that the oldest year was the year in which the iCAT assessment was taken. If the iCAT assessment was taken in 2021, then financials from 2018, 2019, and 2020 were used. Of the 23 organizations, 22 had completed at least one iCAT assessment.

Three types of analyses were conducted using this data: linear regressions, multivariate regressions, and backwards stepwise regressions.[47] First, linear regressions were conducted using the following dependent variables: assets, liabilities, net assets, revenue, total expenses, program expenses, management expenses, and fundraising expenses. Independent variables included the following iCAT data: age, board total, staff total, life cycle progress, and all iCAT scores. An alpha value of 0.05 was used. If more than one statistically significant relationship were found for each dependent variable, then multivariate regressions were conducted between each dependent variable and all independent variables that were found to have a statistically significant relationship with that dependent variable as determined by the individual linear regressions. An alpha value of 0.05 was used. Finally, backwards stepwise regressions was conducted to identify the “best fit” models for each dependent variable. An alpha value of 0.15 was used.

This analysis provided the following statistically significant results:

Net assets: 16% of the variance of percentage change in net assets over three years is accounted for by the organization’s ability to establish effective partnerships and collaborations with others to maximize the use of resources. For every one-point increase in the iCAT score for this capacity area, we would predict a 4% increase in the percentage change in net assets over three years. (from linear regression)

Revenue: 28% of the variance of percentage change in revenue over three years is accounted for by the organization’s ability to establish effective partnerships and collaborations with others to maximize the use of resources. For every one-point increase in the iCAT score for this capacity area, we would predict a 2.5% increase in the percentage change in revenue over three years. (from backwards stepwise regression)

Total expenses: 41% of the variance of percentage change in total expenses over three years is accounted for by the organization’s ability to effectively use technology. For every one-point increase in the iCAT score for this capacity area, we would predict a 1.4% increase in the percentage change in total expenses over three years. (from backwards stepwise regression)

Program expenses: 54% of the variance of percentage change in program expenses over three years is accounted for by the organization’s ability to inspire people within the organization to work toward a common vision and mission, effectively use technology, and utilize its human and financial resources in an efficient and effective manner. For every one-point increase in the iCAT score for these capacity areas, we would predict a 2.3% and 2.9% increase in the percentage change in program expenses over three years. For every one-point increase in the iCAT score for overall managing, we would predict a 3.1% decrease in the percentage change in program expenses over three years. (from backwards stepwise regression)

Management expenses: 34% of the variability of the percentage change in management expenses over three years is accounted for by age of and total number of board members in the organization. For every one-year increase in the organization’s age, we would predict a .73% decrease in the percentage change in management expenses over three years. The coefficient for board total is not statistically significant. (from backwards stepwise regression)

Fundraising expenses: 22% of the variance of percentage change in fundraising expenses over three years is accounted

[47] This is a step-by-step iterative construction of a regression model that involves the selection of independent variables to be used in the final model by removing potential explanatory variables in succession and testing for statistical significance after each iteration.

for by an organization's ability to identify, cultivate, and ask individuals for donations. For every one-point increase in the iCAT score for this capacity area, we would predict a 16% decrease in the percentage change in fundraising expenses over three years. (from backwards stepwise regression)

E. 990 Data X iCAT Data

Nonprofit Finance Fund provided a financial trends analysis for at least three consecutive years for 31 organizations. If more than three consecutive years of data were available, the most recent three years of data were used. Of the 31 organizations, 30 had completed at least one iCAT assessment. If more than one iCAT assessment were available, the most recent data were used. One data point (percentage change in cash over three years for Patterson Park Public Charter School) was removed as an outlier.

Three types of analyses were conducted using this data: linear regressions, multivariate regressions, and backwards stepwise regressions. First, linear regressions were conducted using the following dependent variables: total revenue (unrestricted and restricted), program services revenue, total expenses before depreciation, personnel expenses, professional fees expenses, occupancy expenses, months of cash, cash, gross land buildings and equipment, and total net assets. Independent variables included the following iCAT data: age, board total, staff total, life cycle progress, and all iCAT scores. An alpha value of 0.05 was used. If more than one statistically significant relationship was found for each dependent variable, then multivariate regressions were conducted between each dependent variable and all independent variables that were found to have a statistically significant relationship with that dependent variable as determined by the individual linear regressions.[48] An alpha value of 0.05 was used. Finally, backwards stepwise regressions were conducted to identify the "best fit" models for each dependent variable. An alpha value of 0.15 was used.

This analysis provided the following statistically significant results:

Total revenue: 30% of the variance of percentage change in total revenue over three years is accounted for by the organization's number of full-time employees. For every one additional full-time employee, we would predict a 14% increase in the percentage change in total revenue over three years. (from linear regression)

Program services revenue: 51% of the variability of the percentage change in program services revenue over three years is accounted for by the organization's ability to manage its space and facilities effectively and to raise funds from corporate, foundation, and governmental sources. For every one-point increase in the iCAT score for this capacity area, we would predict a 6% increase in the percentage change in program services revenue over three years. The coefficient for the iCAT score for resource generation – grantmakers is not statistically significant. (from backwards stepwise regression)

Total expenses before depreciation: 14% of the variance of percentage change in total expenses before depreciation over three years is accounted for by the organization's age. For every one-year increase in the organization's age, we would predict a 1.3% decrease in the percentage change in total expenses over three years. (from backwards stepwise regression)

Professional fees expenses: 13% of the variance of percentage change in professional fees expenses over three years is accounted for by the organization's ability to assess the needs of a target population in relation to its programs, services, or strategies. For every one-point increase in the iCAT score for this capacity area, we would predict a 29% decrease in the percentage change in professional fees expenses over three years. (from linear regression)

Occupancy expenses: 14% of the variance of percentage change in occupancy expenses over three years is accounted for by the organization's ability to recruit and retain staff. For every one-point increase in the iCAT score for this capacity area, we would predict a 20% decrease in the percentage change in occupancy expenses over three years. (from backwards stepwise regression)

Cash: 12% of the variance of percentage change in cash over three years is accounted for by the organization's ability to effectively manage paid staff. For every one point increase in the iCAT score for this capacity area, we would predict a 6.8% decrease in the percentage change in cash over three years. (from linear regression)

F. Race to Lead

The Race to Lead analysis is based on research conducted by the Building Movement Project, which examines reasons for the lack of leaders of color in the nonprofit sector and documents

[48] This is the step-by-step iterative construction of a regression model that involves the selection of independent variables to be used in the final model by removing potential explanatory variables in succession and testing for statistical significance after each iteration.

the challenges they face when they reach for leadership roles. The foundation for its research is national data it compiled in 2019,[49] comprising 5,261 respondents.

BMP followed up with regional reports to add depth and geographic nuance to the national datapoints. The Baltimore survey was open for nine weeks between July and September 2021, and comprises 176 responses. For supplemental information, two virtual focus groups of Baltimore nonprofit workers were held in fall 2021: one for BIPOC participants and one for white participants. Note: The Baltimore sample had a much larger sample of African American/Black respondents (34%) than the national sample (14%).

	Sample	
	Baltimore	**National**
African American/Black	34%	14%
Arab American, Middle Eastern, and/or North African	1%	<1%
Asian American	6%	7%
Latinx/Hispanic	2%	10%
Native American/Indigenous	1%	1%
Multiracial	3%	8%
Other		1%

Some key findings from the survey include the following:

The majority of BIPOC respondents in Baltimore (60%) reported that they were "definitely" or "probably" interested in pursuing an executive director or chief executive officer role, while just 31% of local white respondents said the same. Nationwide, 52% of BIPOC respondents and 36% of white respondents indicated the same level of interest.

When respondents were asked to indicate what percentage of their board of directors, leadership, staff, and community were composed of BIPOC individuals, only 34% of those in Baltimore indicated that at least half of their organization's leadership identified as BIPOC (versus 25% nationally).

Often, organizational leadership in Baltimore does not reflect the racial composition of the community served. While 84% of Baltimore respondents reported that the community their organization served was composed of at least half people of color (64% nationally), only 34% of local respondents' leadership (25% nationally) were at least half BIPOC.

The two statements with the highest level of agreement center on external factors that increase the difficulty people of color experience in seeking nonprofit leadership positions. In response to the statement, "Executive recruiters don't do enough to find a diverse pool of qualified candidates for top-level positions in nonprofit sector organizations," 83% of Baltimore's BIPOC respondents and 76% of white respondents agreed (compared with national survey responses of 82% and 66%, respectively). In response to the statement—"People of color must demonstrate that they have more skills and training than white peers to be considered for nonprofit executive jobs"—92% of BIPOC respondents and 72% of white respondents agreed (compared with national survey responses of 89% and 65%, respectively).

BIPOC respondents were much more likely than their white counterparts to indicate that their race had a negative impact on their career advancement. More than half of Baltimore respondents of color (55%) said their race had either a "slight" or "very" negative impact (compared with 49% of BIPOC respondents nationally). However, nearly 3 in 4 (72%) white respondents in Baltimore said their race played a "slight" or "very" positive role in their career advancement, as did more than two-thirds (67%) of white respondents nationally.

BIPOC respondents were less likely than white respondents to indicate that their networks played a positive role in their advancement: 73% versus 84%, respectively (nationally, the gap was somewhat smaller, at 74% versus 80%, respectively).

In Baltimore, only 37% of BIPOC respondents and 46% of white respondents reported access to mentors within their organization who provided advice, support, and connections. Nationally, a higher percentage of BIPOC and white respondents (48% and 56%, respectively) reported access to in-house mentors. BIPOC respondents in the national sample were slightly more likely to report having access to external mentors (58% compared with 55% of white respondents). In Baltimore, BIPOC respondents were much less likely than their white counterparts to report having access to external mentors (46% and 62%, respectively).

In Baltimore, white respondents were more likely than BIPOC respondents to have received performance-based raises (43% and 28%, respectively) and were slightly more likely to have received performance-based bonuses (29% and 26%, respectively). BIPOC respondents in Baltimore were more likely than white respondents to say they were "often" or "always" paid less than colleagues doing the same work (33% and 20%, respectively)—a pattern nearly identical to national findings (30% and 21%, respectively). BIPOC respondents were also more likely to say their salary was "often" or "always" inadequate.

[49] The national dataset comprises of 5,261 respondents; the Baltimore dataset is composed of 176 responses. Two virtual focus groups were held in the fall: one for BIPOC participants and one for white participants. Compared with the national sample, the Baltimore sample had a much larger share of African American/Black respondents (34%) than the national sample (14%), a similar proportion of Asian American respondents (6% locally; 7% nationally), and a much smaller share of Latinx/Hispanic respondents (2% locally; 10% nationally).

Regarding a response to the racial justice movements of 2020, 6 in 10 of Baltimore respondents (62%) indicated that their nonprofit had "issued an organizational statement" (55% BIPOC respondents; 68% white respondents). Just over half (55%) of all respondents in Baltimore said their nonprofits had "reevaluated its commitment to racial justice" (42% BIPOC respondents; 66% white respondents). In contrast, just 11% of all Baltimore respondents said their "organization increased supports specifically for BIPOC staff" (8% BIPOC respondents; 14% white respondents), while 27% of all respondents said their nonprofit "conducted an audit of organizational policies, procedures, and processes with a racial equity lens" (18% BIPOC respondents; 34% white respondents).

In both the national and Baltimore samples, BIPOC respondents were more likely than their white counterparts to agree that "we know how to improve diversity, equity, and inclusion in the nonprofit sector but decision-makers don't have the will to make changes" (BIPOC respondents: 75% locally and 72% nationally; white respondents: 62% locally and 49% nationally).

The Race to Lead survey report concludes with three opportunities for change:

1. Individuals in power, or connected to power, can be intentional and strategic about expanding their networks to increase access and opportunity for aspiring leaders from underrepresented communities.

2. Organizations can start to address disparity of bonuses and raises by conducting pay audits and ensuring that BIPOC staff members are paid as much as white colleagues for the same work and afforded meaningful opportunities for upward mobility and advancement to positions with higher pay.

3. Organizations need to ensure that the initiatives they undertake to advance diversity, equity, and inclusion and respond to the current moment are thoughtful and impactful.

G. Daring to Lead

In October 2021, the T. Rowe Price Foundation conducted a local survey of executive directors or CEOs of nonprofit organizations throughout the Baltimore area to more fully understand leadership challenges and opportunities, especially during and as a result of the coronavirus pandemic. A total of between 108 and 120 participants answered each question.

This survey provided the following findings:

Career path: Nearly 40% of respondents worked as a paid staffer for 20+ years, and 61% are currently serving on a nonprofit board (other than their own).

Job experience: More than half (59%) have been in their current position between three and 10 years, and 40% are founders/cofounders of their organizations. Prior to becoming executive director or CEO, just 13% were members of the board of their organizations, and 25% were paid staffers.

Leadership: Most find themselves effective/very effective: 95% leading self; 94% leading others inside the organization; 91% leading the organization; and 92% leading external leadership (slide 12 provides definitions).[50] Substantially more than half (60%) feel they have a strong understanding of their financial statements.

Feelings about being an executive director/CEO: Regarding how they spend their time, 28% of respondents feel they spend more time than is ideal doing fundraising; 46% feel they do not spend enough time working with the board; and 42% feel they do not spend enough time on organizational strategy/vision. Additionally, 31% feel they spend too much time on program management; 31% feel they spend too much time on COVID-related issues; and 52% feel they do not spend enough time on networking/external relationships and partnerships.

In terms of what they find "energizing," 46% find program management "energizing" (38% find it "somewhat energizing"). Working with external partners, the board, and collaborations are all areas deemed "energizing." On the flip side, 59% find human resources "depleting" or "somewhat depleting;" and 67% find dealing with COVID-related issues "depleting" or "somewhat depleting." Of respondents, 42% report not having the right workplace balance, and 44% feel "somewhat burned out" or "very burned out." Three-quarters of respondents say COVID has caused high or medium levels of anxiety.

While just 8% feel very isolated, nearly one-third (32%) feel somewhat isolated, meaning no internal/external supports to turn to for help. Over the past year, 64% reported they have not used executive coaching, and 80% reported not currently using paid executive training. In the past three years, 88% say they have not received any grants/assistance to develop/support leadership. Nearly half (45%) have not had a performance evaluation in the past year, and only 17% reported having an evaluation *and* finding it very useful. Only 39% say they are "very happy" in their job.

[50] Defined as: (1) leading self: having a sense of personal purpose, self-awareness, and understanding of personal leadership style, strengths, and abilities; (2) leading others inside the organization: able to relate to and understand others, develop them, coordinate their efforts, and build commitments; (3) leading the organization: able to develop, communicate, and manage organizational vision, strategy, and priorities and able to problem-solve, make decisions, and manage and communicate change; and (4) leading external leadership: able to connect to and work with others outside the organization to advance the organization's mission (i.e., collaborations, coalitions, partnerships, and other external community relationships).

Feelings about staff: If they left their position today, 39% of respondents say there is no one on staff or on the board who is a credible candidate for their replacement, whereas 78% say there is someone on the staff who they would trust to make important organizational decisions. Further, 60% say shared leadership[51] "very much" describes their leadership style, and 85% say the majority of staff would describe them as practicing such a style.

Feelings about the board: If the current board chair were to step down, 71% of respondents say there is an ideal next board chair currently on the board (22% said no; 7% prefer not to answer), and 79% say there is someone on the board who provides support in financial oversight. However, only 33% say they are "very confident" that the board will hire the right person if they leave (8% not confident; 10% prefer not to answer).

More than three-quarters (78%) say the board would rate their performance as executive director/CEO as "exceeds expectations." Regarding hours spent per month on board-related activities, 62% say they spend 10 hours or less, with 50% saying they spend too little time on the board. Only 28% say they are "very satisfied" with the board's overall performance. (6% say not at all satisfied; 4% prefer not to answer), but 79% say they are very/somewhat confident in their ability to impact board performance. While just 3% describe their relationship with the board as "dysfunctional,"[52] 10% prefer not to answer. Of respondents, 32% are not members of the board, 40% are ex officio members, and 13% are on the board but are not voting members.

Organizational resources: Most (71%) have an annual operating budget between $100,000 and $3 million, with 57% reporting a larger budget this year than last and 41% reporting operating reserves at six months or greater. Only 18% say government contracts make up more than 50% of its budget (32%–, foundation grants; 18%–, individual donations). In terms of COVID, 24% say the pandemic has had a "moderately positive" impact on the organization's financial health and stability.

Future career plans: Nearly one-third (32%) say they plan to stay in their current position for five-plus years; only 8% have given notice, and 7% say they are actively considering leaving (5% prefer not to answer). A concerning 84% say there is no succession plan for the executive director position at their organization, and a whopping 94% say no successor has been identified for when they leave. Just 38% serve as a mentor with a staffer, and only 22% serve as a mentor for an executive director of another organization. With regard to money, 30% report salaries between $100,000 and $150,000 (48% report salaries $100,000+), and 69% say they are "very" or "somewhat" satisfied with their salary. More than half (57%) say their organization would have to pay their successor more if they left.

Finally, throughout this report, we reference 2011 Daring to Lead survey data.[53] This survey was a national study of executive directors produced in partnership by CompassPoint and the Meyer Foundation. It yielded a sample of 3,067 responses from executive directors around the country.

[51] Shared leadership is defined as a leadership approach that is inclusive and collaborative; one who uses this approach shares leadership responsibilities with others throughout the organization.
[52] Dysfunctional is defined as low trust, inauthentic communication, not working collaboratively.
[53] http://www.daringtolead.org/

For more than four decades, the T. Rowe Price Foundation has supported the communities where we work and beyond. With $157 million in direct grants and matching contributions since 1981, the Foundation is committed to making an impact in Baltimore and communities around the globe.

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