



# 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<sup>1</sup>, 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.

<sup>1</sup> 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, Indigenous, 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.