

UNDERSTANDING VERMONT

Vermont's Nonprofit Sector



*A Vital Community
in a Time of Change*

A Resource for Philanthropists and Grantmakers • 2010

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MESSAGE FROM THE PRESIDENT & CEO

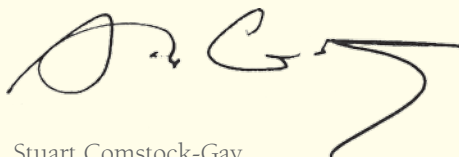
At the Vermont Community Foundation, we work every day with organizations across the rich diversity of Vermont's nonprofit sector. We know well, as do Vermonters, how much nonprofits do, how vibrantly they contribute to our lives, and how carefully they apportion and use every resource they have. And right now, for many organizations, those resources are strained.

This is a pivotal time. We have entered a period when the basic role of each major sector—government, nonprofit, and for-profit—is being questioned and re-examined as we adjust to often-wrenching new economic realities. Because of those realities, the needs in our communities are greater, not less; and all the sectors are pressed to find new ways of working together, to solve the problems and meet the challenges that society will continue to face.

In producing *Vermont's Nonprofit Sector*, we hope to contribute to the thinking that's going on across this sector, and among concerned Vermonters. How are nonprofits adapting, and how can they? What fiscal condition are they in? How do their leaders view the challenges of the present and prospects for the future? How do Vermonters really regard the nonprofit sector? To find some answers, we worked closely with Common Good Vermont and the Center for Rural Studies to survey more than 1,200 Vermonters and nonprofit leaders across the state. We also interviewed a selection of people who are very well-informed about the sector: leaders of organizations, board members, consultants, and others. These interviews provided the insight reflected in the *Voices From the Field* articles in this report.

The "By The Numbers" pages give some glimpses into how large a role the nonprofit sector plays in Vermont—for example, that it contributes 18.7% of the gross state product—but these are only glimpses. Put very simply, without the nonprofit sector, Vermont would not be Vermont. These organizations have been vital in making our state the compassionate, safe, and creative community that it is. We all need to take part in the conversation about how the nonprofit sector can navigate this time of change.

I hope you will find much in these pages that triggers your thinking and sparks more discussion. Where should the conversation go next? Let me know what you think—call me, email me, or comment on my blog at www.vermontcf.org. I look forward to hearing your thoughts.



Stuart Comstock-Gay
President & CEO, Vermont Community Foundation



*The first challenge
is to understand that things
are not the same, and they won't
be the same. Having that
fundamental insight is an important
force that causes people to think
more quickly, and more strategically,
about the future.*

— Con Hogan
Former Secretary, Vermont Agency
of Human Services



This report provides an in-depth look at Vermont’s nonprofit sector—its scope, its challenges, and its opportunities—as seen by Vermonters and our state’s nonprofit leaders. It was made possible by the generous contributors to the Vermont Community Foundation’s **Philanthropic Leadership Fund**.

The Community Foundation’s Understanding Vermont program helps philanthropists **learn** about community needs, **lead** through investment in innovation, and **grow** philanthropy by inspiring others to give. Working with others, the Foundation periodically produces in-depth reports—such as this one—on issues where there is significant community interest and momentum.

We wish to thank the following individuals and the organizations they represent for their contributions to this report.

Seth Bongartz, Executive Director, Hildene, The Lincoln Family Home; **Lauren-Glenn Davitian**, Executive Director, CCTV Center for Media & Democracy and Common Good Vermont; **Tom Evslin**, former Vermont Chief Technology Officer; **Mike Gaito**, Director, Information and Analytic Services, Spencer Group Incorporated; **Christine Graham**, consultant and author on fundraising for nonprofits; **J. Churchill Hindes**, CEO, VNA of Chittenden and Grand Isle Counties; **Jack Hoffman**, Senior Policy Analyst, Public Assets Institute; **Con Hogan**, Board Chair, Vermont College of the Arts; **Gil Livingston**, President, Vermont Land Trust; **Larry Mandell**, former President, Woodbury College; **Deborah Markowitz**, Vermont Secretary of State; **Ellen McCulloch-Lovell**, President, Marlboro College; **Gretchen Morse**, Executive Director, United Way of Chittenden County; **Michael Moser**, Research Project Specialist, Center for Rural Studies at the University of Vermont; **Bill Schubart**, Board Chair, Vermont Folklife Center; **Tom Torti**, President, Lake Champlain Chamber of Commerce; and **Jane Van Buren**, Executive Director, Women Helping Battered Women.

A special note of gratitude to the staff of **Common Good Vermont**, **Spencer Group**, and the **Center for Rural Studies at the University of Vermont**. Their guidance and partnership were instrumental in developing this report.

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Vermont's Nonprofit Sector: By the Numbers

4,028

Total number of Vermont nonprofits*

\$4.1 Billion

Total annual revenue of Vermont nonprofits

18.7%

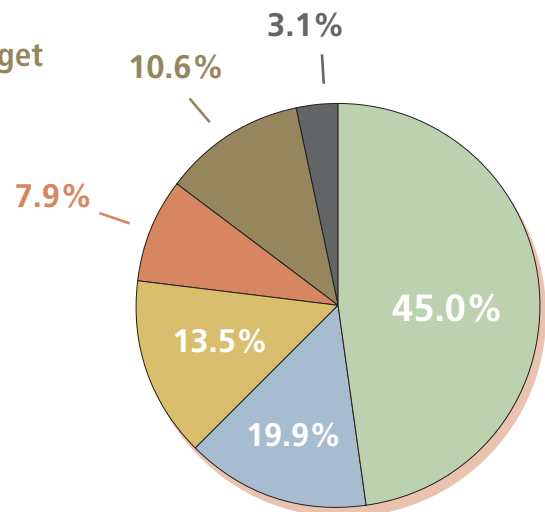
Percentage of annual Vermont Gross State Product (GSP)

There are **6.5** nonprofit organizations per **1,000** people in the state of Vermont.

* Vermont 501(c)(3) organizations filing form 990, not including private foundations. 501(c)(3)s are the subset of nonprofits generally recognized as "charitable" organizations and include nonprofit hospitals, colleges, and religious groups. There are other types of nonprofits that are not 501(c)(3) such as business leagues, credit unions, social clubs, etc.

Breakdown of the Sector by Reported Operating Budget

| Operating Budget | % of Nonprofits |
|------------------|-----------------|
| <\$100k | 45.0% |
| \$100k-250k | 19.9% |
| \$250k-500k | 13.5% |
| \$500k-1mil | 7.9% |
| \$1mil-5mil | 10.6% |
| >\$5mil | 3.1% |

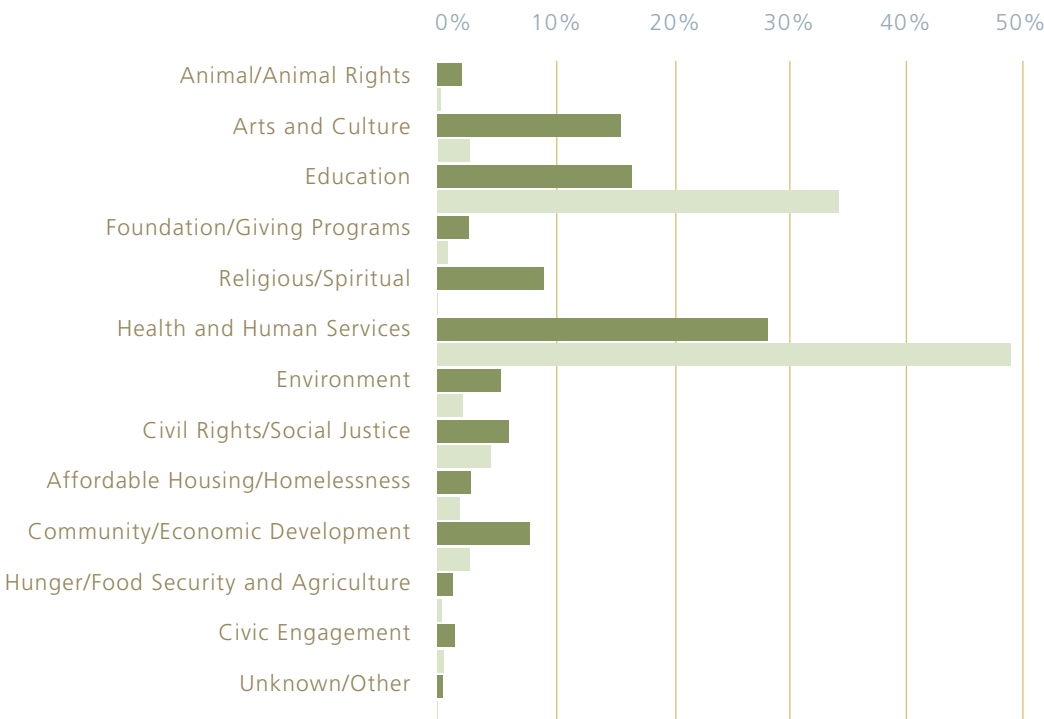


All sources available online at www.understandingvt.org.

Note: Without nonprofit colleges, universities, hospitals, and religious organizations, the number of Vermont nonprofits becomes 3,626, the total revenue drops to \$2.5 billion, and the percentage of Vermont GSP generated by the sector changes to 11.7%.

Types of Nonprofits in Vermont

■ - % of Filing Nonprofits ■ - % of Total Revenue



Average contribution per itemized Vermont return

\$3,466

Vermont's average contribution is 80% of the national average (\$4,343).

Total number of hours volunteered by Vermonters per year

20.7 million

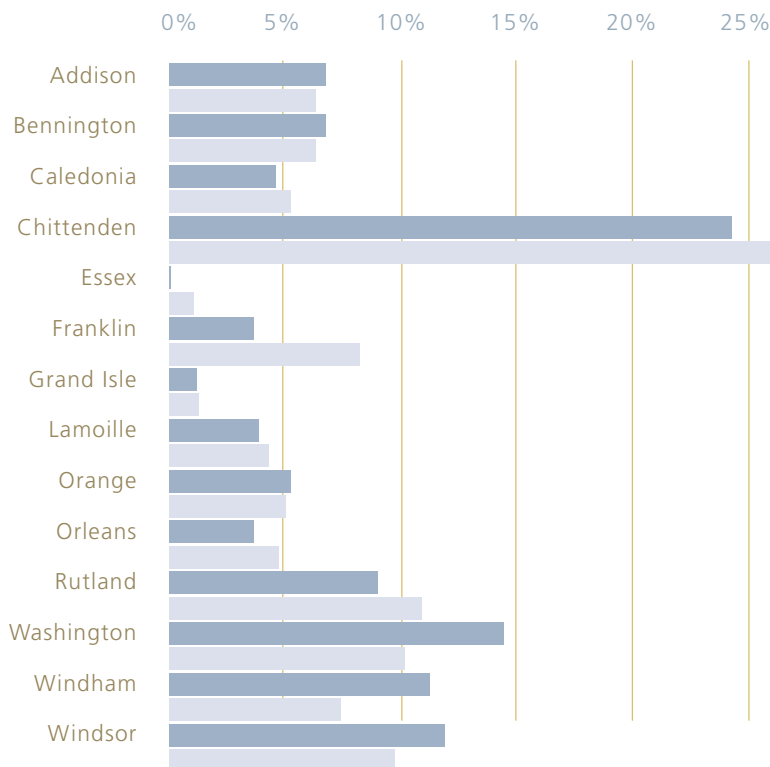
Vermont ranks seventh in the nation for its volunteer rate and second in the nation for its teenage volunteer rate.

Total value of services contributed by Vermont volunteers per year

\$431.2 million

Vermont Nonprofits by County

■ - % of Filing Nonprofits ■ - % of Vermont population



All sources available online at www.understandingvt.org.

Vermonters are relatively well-aware of the nonprofit sector—and there is room for that awareness to grow.

Nationally, nearly a third of Americans have difficulty identifying a nonprofit organization or making sense of the term. Vermont's nonprofit sector fares a bit better—45% of respondents can identify three nonprofit organizations, demonstrating a relatively high level of awareness. Yet 21% of Vermonters cannot name a single nonprofit, suggesting that there is still room for growth in the public's awareness and understanding of the sector.

Vermonters identify local nonprofits more frequently than nationally-affiliated organizations—not surprising in a state where residents have strong ties to their communities. The three organizations most frequently named by Vermonters are the Vermont Public Interest Research Group; the United Way; and food charities, including local food shelves and the Vermont Foodbank.



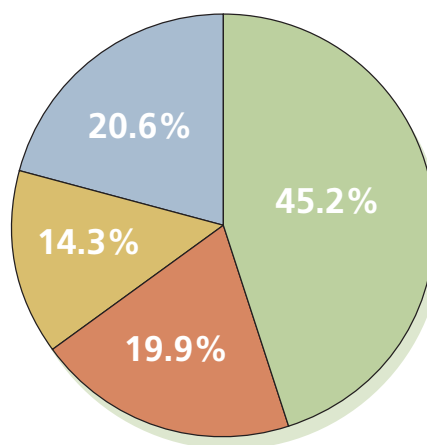
I don't think we should be overly concerned with trying to organize the nonprofit sector; I think it should be viewed as a hotbed of new ideas and creativity. We need to know more about these new ideas and experiments, because we actually have so many of them.

— Ellen McCulloch-Lovell
President, Marlboro College

Overwhelmingly, Vermonters' impressions of the nonprofit sector are supportive. When asked to describe what the term "nonprofit organization" means to them, the three most common responses are: "no profit or financial benefit," "helping others and those in need," and "working for community and the common good." Only 2.5% of respondents offered negative views of the sector.

Why does awareness matter? For the nonprofit sector, strong awareness translates into greater giving. Vermonters with higher levels of awareness were nearly 3 times more likely to have donated money to one or more nonprofits in the past year. Efforts to increase the visibility of the sector may have the potential to inspire even greater giving.

How many nonprofits can Vermonters name?



- 3 Identifications (**High Awareness**)
- 2 Identifications (**Moderate Awareness**)
- 1 Identification (**Low Awareness**)
- 0 Identifications (**No Awareness**)

Skills for a New Era: Building Stronger Leaders & Boards

To fulfill their missions while meeting the challenges of a tough time, Vermont nonprofits need the ways and means of building skills.

Many leaders of nonprofit organizations grew into their positions without any formal background in how to manage people, set budgets, or raise money, and could benefit from accessible, affordable training opportunities and peer support. Raising the effectiveness of board members can make a huge difference as well.

“I think strengthening boards will significantly strengthen organizations,” says Larry Mandell*, who recently retired as president of Woodbury College after the school merged with Champlain College. “You have to move from a volunteer who is stuffing envelopes to a board member who has the capacity to look at the future of the organization, and help adapt the organization to what’s going on in today’s society.”

There is concern across the state that the wellspring of skilled, experienced board members has been over-tapped. New training opportunities can both expand that resource and prepare new board members to do a challenging job in effective, useful ways.

Skill-building can do much to ease the pressure on nonprofit leaders, many of whom are overextended just keeping their operations afloat. There are some new, creative efforts to provide what’s needed in accessible ways. Common Good Vermont is making training and technical assistance available to nonprofits online; and Marlboro College’s ten-week Certificate in Nonprofit Management, which builds the skills that administrators need and brings them together in ongoing support groups, is helping nonprofit leaders succeed in a

complex job while easing the isolation that many feel.

“There’s a keen need for this kind of expertise and training, and peer learning and development—but without subsidies, it isn’t yet able to pay for itself,” notes Ellen McCulloch-Lovell, Marlboro College’s president. Many nonprofits could also benefit greatly from consulting services, if they had some help in affording them.

As pressures converge—as the recession’s impacts on fundraising, philanthropy, and state support combine with still-high expectations for the services that nonprofits deliver—most organizations can’t ensure their survival simply by working harder. They’ll need to work smarter.



Service Providers & the State: A Time of Stress & Change

During the four-plus decades since the Great Society initiatives of the Lyndon B. Johnson administration, Vermont has used federal and state funds to develop a system in which community-based nonprofits deliver human services—like health care; mental health; anti-poverty; corrections; youth, disability, and elderly services; and other critical areas.

As state revenues continue to contract, this service-delivery system is becoming increasingly stressed, and may be entering a process of basic reshaping.

“The nonprofit sector has been fundamental in Vermont, in meeting the human, environmental, and economic needs of people in partnership with state government,” says Gretchen Morse, a former state human services secretary who now directs the United Way of Chittenden County. “This relationship has been hugely successful—and it’s under siege.”

The public is less aware than it should be, nonprofit leaders say, that the current system was built on the understanding that nonprofits would deliver services—as they are often mandated to do in Vermont—and the state would cover the cost. If nonprofits that provide essential services become unable to continue, the state may lack the capacity to take over.

At the same time, often the state revenues just aren’t there.

“This is the same situation we’re facing in business and government,” says Tom Evslin, who recently served as the state’s chief technology officer. “Nonprofits can’t just say, ‘I’m really important, give me what I got before.’ They have to be more effective, and be able to demonstrate results.”

Influential voices are calling for scarce public and foundation

funding to be targeted toward preventive services, such as early childhood education, that can save much larger costs down the road. Among those voices is Con Hogan, another former human services secretary.

“Government is caught up in a series of events it can’t control,” Hogan says. “This is causing a redefinition of what government can and can’t do—and that’s going to cause a redefinition

of what communities, families, and nonprofits have to do. This has huge implications.”

“I believe the answers are out there, in best practices that are emerging,” Gretchen Morse reflects. “But how will we decide what’s most important in fulfilling this social contract, and who will pay for it? This requires a civic dialogue. It can’t be accomplished just by tightening the belts of nonprofits.”



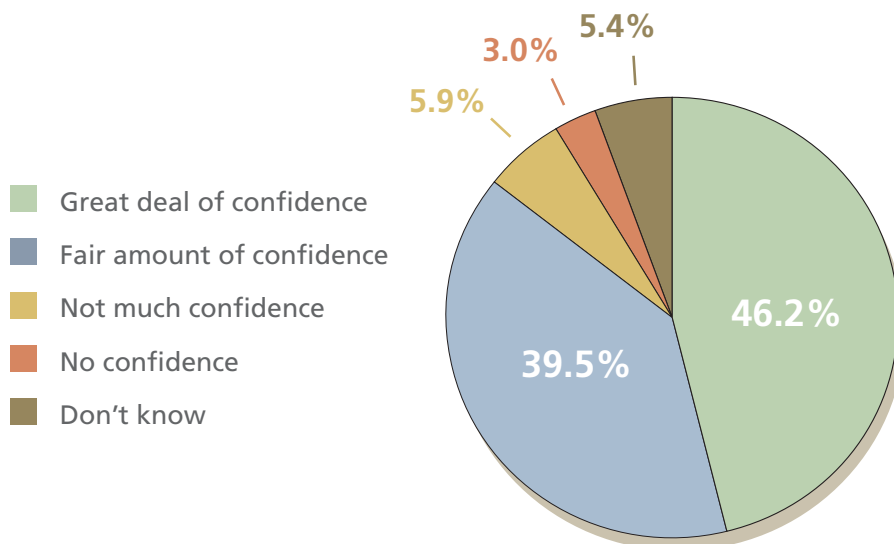
Vermonters trust the nonprofit sector to deliver quality services.

Nationally, trust in the nonprofit sector runs low. Only 17% of Americans think nonprofits do a “very good job” running programs and services. Vermonters appear to have much more trust in this key aspect of the sector. Among the Vermonters surveyed, 46.2% have a “great deal” of confidence that nonprofits provide quality services on the public’s behalf, while another 39.5% have a “fair amount” of confidence. Almost half of those surveyed said Vermont nonprofits do a better job providing quality services than national organizations.

Many factors affect confidence, but awareness seems to play an important role. Vermonters with higher levels of awareness were 2.5 times more likely to have higher levels of confidence (a “great deal” or “fair amount”) that Vermont nonprofits provide quality services.

Confidence in the quality of nonprofit services also affects the likelihood that an individual will give. Vermonters with higher levels of confidence in the quality of nonprofit services were nearly 1.5 times more likely to have donated money to a nonprofit in the past year.

How much confidence do Vermonters have that the state’s nonprofits provide quality services on the public’s behalf?



I’m passionate about the nonprofit sector because it’s full of opportunity. It’s full of people who want to make a difference in the world—whether an artistic venue or dealing with animals or with green space—it’s full of people who want to make a difference. Is there opportunity right now? Yes, there’s opportunity to engage people who are feeling disengaged.

— Jane Van Buren
Executive Director,
Women Helping Battered Women

However, Vermonters are less sure about the *efficiency* of the nonprofit sector.

What do Vermonters think about nonprofit executive salaries? Visit www.understandingvt.org to read more.

Only about 11% of Americans think nonprofits do a “very good” job spending money wisely. In Vermont, this percentage is over twice as high—23.3% of Vermonters say they have a “great deal” of confidence that nonprofits spend money wisely.

Even so, that result is sharply lower than the 46% of Vermonters who have a “great deal” of confidence in the *quality of nonprofit services*. Strengthening nonprofit systems of accountability, such as outcomes measurement, might be one way of boosting the lower level of confidence in the sector’s efficiency (see opposite page, *Pressing for Proof*).

Yet even those who express low confidence in how nonprofits handle funds still tended to give them money, which may suggest a fair amount of inherent goodwill toward the sector. Among Vermonters who have “not much” or “no” confidence that nonprofits spend money wisely, 66% donated to one or more organizations in the past year. Among those with a “great deal” or a “fair amount” of confidence, 80% donated.

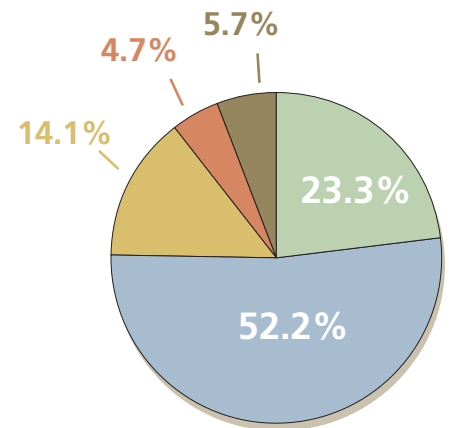


In general, I find that nonprofits have a hard time making tough decisions. The decisions they have a hard time making are conforming their budgets to mission; to available revenue; and holding their executive directors accountable for delivering on mission. These are pretty commonplace problems.

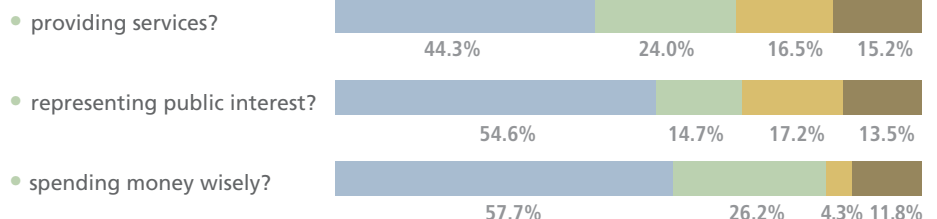
— Bill Schubart
Board Chair,
Vermont Folklife Center

How much confidence do Vermonters have that the state’s nonprofits spend money wisely?

- Great deal of confidence
- Fair amount of confidence
- Not much confidence
- No confidence
- Don’t know



Which sector do Vermonters believe does the *best job*...



Pressing for Proof: New Interest in Measuring Results

In 2007, after a community-wide brainstorming process, the United Way of Chittenden County (UWCC) adopted a set of “Target Outcomes by Impact Area”—Basic Needs, Health & Well-Being, Nurture & Care, and Community Engagement—for the nonprofits it supports to work toward meeting. For several years, the UWCC had been looking at data provided by those nonprofits on the results of projects and initiatives. Now the organization was ready to take a big step: linking outcomes data to funding decisions.

A year later, the UWCC began asking the organizations it funds to set performance measures for meeting targeted outcomes. It began holding them accountable for reaching those targets.

“We focus on certain impact areas,” explains Gretchen Morse, UWCC’s executive director. “People apply to us for money to meet certain targeted outcomes, and we give them targeted assistance to meet those goals.”

Should more nonprofits be focused on measuring and reporting outcomes—in effect, on becoming accountable for results?

There is rising interest in outcomes measurement and accountability. Funds are limited, and funders want to know their donations are well-invested. But many nonprofits already devote chunks of time and energy to collecting data

and reporting on the results of grant-funded work. Too often, some nonprofit leaders say, public and foundation funders demand outcome reporting without paying for it—or acknowledging how it can siphon away resources from the work being funded.

A key to coping with these heightened pressures can lie

in strategic planning. When an organization steps back and examines what results it wants to meet, it’s then better-positioned to target resources and to measure results.

“When you plan, you identify what your deliverables are, and how you know you make a difference,” says Lauren-Glenn Davitian, executive director of Common Good Vermont and CCTV Center for Media & Democracy.

Hard-pressed nonprofits, especially smaller organizations, often can’t see where they’d find the time to do strategic planning, or the money to hire an expert to help. Yet the pressure to measure outcomes is not likely to lessen.

“The nonprofit community is going to have to become more disciplined at this,” advises Bill Schubart, board chair of the Vermont Folklife Center and former chair of Fletcher Allen Health Care. “It is a hard area. But it’s a discipline we all have to learn.”



Giving & Fundraising: A Changing Landscape

Despite the recession, Vermonters are supporting the nonprofits they care about. But trends in giving appear to be changing—and a new generation of philanthropists is starting to emerge.

Although the recession hasn't choked off Vermonters' generosity, it has strained their capacity to give. Vermonters close to the fundraising picture say many reliable supporters are fatigued by portfolio shrinkage, combined with repeated donation requests. A number of dependable donors are aging, and some are turning more toward protecting their families and descendants in an uncertain economy. Organizations that can broaden their fundraising efforts, and cultivate new supporters, are well-advised to try.

"People are giving money, but they tend to live in the moment, and they want to give what they can right now," says Christine Graham, a consultant and author on fundraising for nonprofits. She's advising clients to target short-term donations, with less focus on pledges, planned giving, and endowment campaigns.

"You have to be flexible, and raise money the way people want to give today," she advises.

Nonprofit leaders would like foundations to give more to supporting operations, in place of specific programs, so that organizations can have the unrestricted resources to adapt to

a changing scene. Some well-known foundations in Vermont are simply cutting back. Others are focusing on selected areas where, often in collaboration with other funders, they see leverage points for making a difference in a time when broad grantmaking is less feasible.

But new philanthropists may be coming to the fore. Vermont Land Trust President Gil Livingston says a number of

his organization's newest supporters are people who made their money outside Vermont, then were drawn here by the state's culture of creative, community-based problem-solving.

This newer philanthropy "feels much more collaborative," Livingston says. "People want to be at the table with you solving problems."

Finally, in a time of more competition for resources, nonprofits are wise to focus on showing that they're worthy of new investment.

"The need for professionalization, to be able to demonstrate best practices—that is what has grown," says Jane Van Buren, the former director of the Vermont Alliance of Nonprofit Organizations who is now executive director of Women Helping Battered Women. "Nonprofits have to rise up and face that."

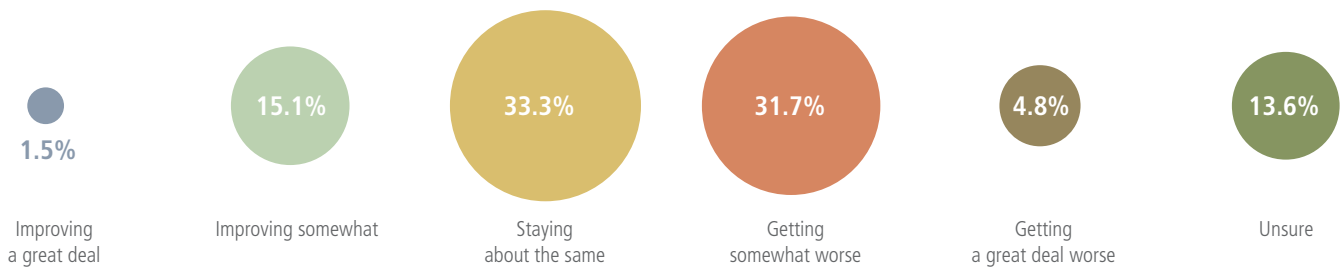


Nonprofit leaders are concerned about declining levels of support...

Increasingly scarce resources continue to challenge nonprofit leaders facing a higher demand for services. Sixty percent of nonprofit leaders say that in this economy, individual donors are either “somewhat less generous” or “much less generous” than usual. At the same time, almost three-quarters (72%) say demand for their services is growing, while 46% cite increased expenses over the last year.

Thirty-four percent of nonprofit leaders say they have only one to three months of operating reserve. One in five expects to run a deficit in the coming fiscal year.

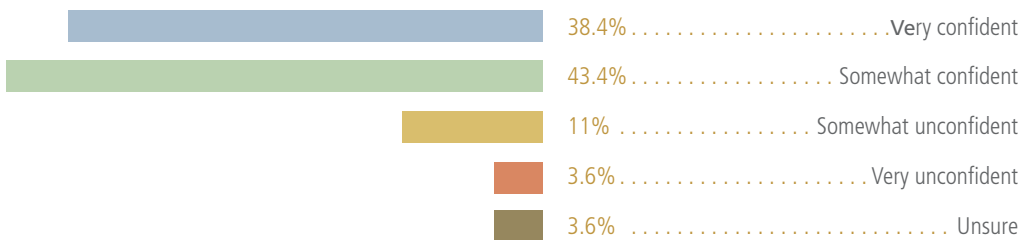
How do Vermont nonprofit leaders feel about the state of philanthropy in Vermont?



...but they remain resilient and committed to their work...

Despite these challenges, most nonprofit executives believe their organizations will survive. Just over 36% say their nonprofit is “financially healthy and not currently vulnerable,” while another 24% say “we experience chronic financial problems but expect to survive.” Eighty-two percent are either “very” or “somewhat” confident that they can meet the demand for services in the next 12 months. Over 92% say their management team or board of directors have not considered closing the organization.

How confident are Vermont nonprofit leaders that they can meet the demand for services in the next 12 months?



...and they’re prioritizing services and programs.

A majority of executive directors have cut costs in the past 12 months—mostly by tightening outlays on staff and benefits. Yet just 11% say they’ve reduced or cut programming, compared to almost 40% who have frozen salaries, 28% who have laid off staff, and 20% who have reduced or eliminated benefits.

Nonprofit executives are starting to explore nontraditional funding strategies. Some are thinking in new entrepreneurial ways.

Are there too many nonprofits in Vermont? To read more about the pressure to collaborate and merge, visit www.understandingvt.org.



The recession has made us a better organization. We've had to tighten up, we've had to lay some people off; but we've become that much more focused. I think the challenge is to understand what you are, what your core values are, and stick to them. What people respond to and respect in the long run is an organization that is steady.

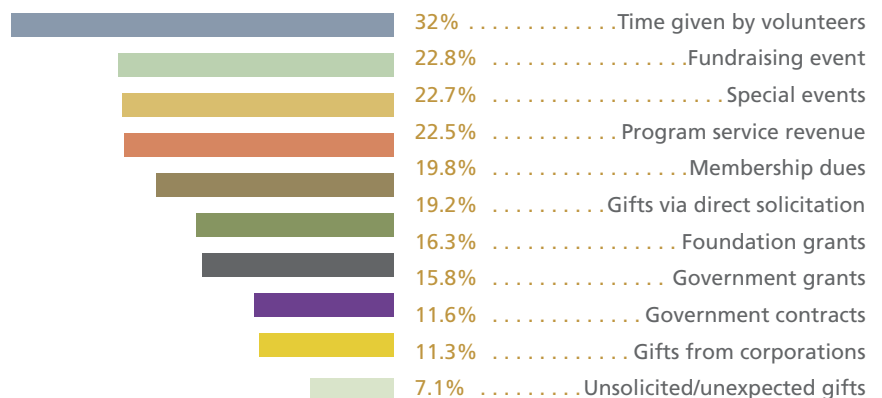
— Seth Bongartz
Executive Director,
Hildene, The Lincoln Family Home

When asked which types of support they expect to see increase in the coming fiscal year, nonprofit executives most often cite unrestricted funds: fundraising and special events, membership dues, and program service revenue, along with time given by volunteers. In part this reflects belt-tightening among many public, private, and nonprofit organizations that have long provided funding. Most nonprofit leaders don't expect to see increases in traditional funding streams—government and foundation grants, and corporate gifts—that often come pegged to specific initiatives. As nonprofits scramble to meet their budgets, economic pressures seem to be moving many to be more creative and entrepreneurial.

The push to bring in unrestricted funds can build flexibility for new initiatives—but it may also raise new questions. Do nonprofits have the capacity to succeed in these new directions? Could charging for some programs and services reshape a charitable organization's relationship with the public? Could it affect the willingness of individuals to continue making donations?

One measure of how flexible nonprofits can be is their willingness to collaborate outside the organization. When asked if they currently work with another nonprofit to share resources, 38% of executives said they do. Yet among those that don't currently collaborate, 73% haven't explored the possibility. And a more drastic form of change seems largely off the table: when asked if they have explored merging with another nonprofit, 79% said no.

Which sources of support do Vermont nonprofit leaders expect to see increase in the next year?



What You Can Do: R E C O M M E N D A T I O N S

FOR INDIVIDUALS

- **Give what you can.** Demand for nonprofit services is increasing, just as many traditional revenue sources are tightening. Individual donations provide the kind of flexible, general support that organizations need right now.
- **Lend a hand.** Many nonprofits are looking to build their volunteer base. Donating your time and energy is a great way to make a difference and to learn about an organization you support—how it works and the value it provides.

FOR ORGANIZATIONS

- **Communicate your results.** By articulating the value you provide to the community for the money you bring in, you help grow the already strong public confidence in Vermont's nonprofits. Measure your results and your progress toward goals. This work doesn't have to be complicated or consuming; it just needs to be clearly conveyed: *"We believe this work leads to this positive benefit, and these are the metrics we'll use to measure that."*
- **Look for ways to work with others.** Seize opportunities to partner with other nonprofits as well as local government and businesses. Vermonters value the strengths offered by different sectors, and appreciate partnerships that create efficiencies.
- **Support one another.** When looking to build management skills, take advantage of the ability to connect with other professionals in your field through online platforms such as forums and listservs. Set up mentorships or affinity groups that meet periodically to share ideas and experiences.

FOR GRANTMAKERS

- **Inspire giving** by supporting initiatives that help Vermont's nonprofit sector build even greater visibility, accountability, and transparency.
- **Support the capacity of organizations** to continue delivering quality services. Provide funding for nonprofit management training and expert consultation, especially in areas such as communications, board development, outcomes measurement, entrepreneurial thinking, and diversified fundraising. Give unrestricted grants and let nonprofits use the money where it will make the most difference in achieving results.
- **Promote efficiency** in the sector by encouraging collaborative efforts. Support projects—such as shared back-office systems—that make it easier for nonprofits to work together.



I think in general, the nonprofit community has matured, become more professional and much more effective—and it's behaving more like a sophisticated, integrated system. I don't feel discouraged; I think it's an evolutionary process. Society is in a time of transition, and I think the nonprofit sector reflects that.

The bottom line is, our nonprofit community is directly responsive to the needs of people.

— Christine Graham

Author of *Keep the Money Coming* & other books for nonprofits

