



Indiana Nonprofits: Program Evaluation – Practices and Challenges

KIRSTEN A. GRØNBJERG, NOAH J. BETMAN,
AND HANNAH Q. MARTIN

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SCOPE & COMMUNITY DIMENSIONS

A JOINT PRODUCT OF
The Lilly Family School of Philanthropy
AND
The O'Neill School of Public and Environmental Affairs
Indiana University Bloomington



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INTRODUCTION

Indiana nonprofits deliver a wide range of programs that improve the quality of life in local communities and that Hoosiers depend on to address their needs. But needs and community conditions change over time. And many nonprofits face funding constraints that force them to make decisions about how to best meet community needs with limited resources. It is therefore important to examine whether and how Indiana nonprofits evaluate the effectiveness of their programs, so that they can modify programs appropriately and use their resources responsibly.

In this report we look at the extent to which Indiana nonprofits evaluate their programs. We ask several related questions: Do such efforts vary by type of nonprofit? Is evaluation required by funders? And when Indiana nonprofits do evaluate their programs, who does it – paid outside consultants, staff, or volunteers? We also examine how much of a challenge is it for Indiana nonprofits to evaluate or assess program outcomes or impact.

This report on **Indiana Nonprofits: Program Evaluation – Practices and Challenges** is based on a major survey of Indiana nonprofits conducted by the Indiana Nonprofits Project in 2017-18. This is the most recent (Round III) survey of Indiana nonprofits; two previous rounds were conducted in 2002 (Round I), and 2007 and 2010 (Round II).

Indiana Nonprofits Project

The *Indiana Nonprofits Project: Scope and Community Dimensions* began in June 2000 and has since produced a substantial body of research. The project is designed to provide information about the nonprofit sector in Indiana: its composition and structure, its contributions to Indiana, the challenges it faces, and how these features vary across Indiana communities. The goal of this collaborative research effort is to help community leaders develop effective and collaborative solutions to community needs and to inform public policy decisions.

The project is directed by [Kirsten Grønbjerg](#), Efroymson Chair in Philanthropy at the [Lilly Family School of Philanthropy](#) (LFSOP) and Distinguished Professor, O’Neill [School of Public and Environmental Affairs](#) (SPEA), Indiana University Bloomington. Under the guidance of the Project’s distinguished [Advisory Board](#),¹ the Project has produced a variety of materials to inform policymakers, nonprofit administrators and boards, and Indiana residents, including:

- [Surveyed](#) Indiana nonprofits to learn how they operate, how they contribute to the state’s economy and its quality of life, and how they face and overcome challenges.
- [Examined](#) trends in paid nonprofit employment in Indiana including the size, composition and distribution of employees, documenting the economic impact of the Indiana nonprofits.
- [Analyzed](#) how local government officials view important nonprofit-related policy issues, including whether local leaders trust nonprofits to operate effectively, and their views on whether charities should compensate, at least in part, for their property tax exemption.
- [Described](#) the impact, scope, and composition of nonprofits on specific Indiana communities and regions the scope and composition of the nonprofit sector in communities across the state.

¹ See <https://nonprofit.indiana.edu/AboutTAB/index.html>

For a full description of the Project and access to all Project reports, please visit <https://nonprofit.indiana.edu>. Also see summary of project components in Appendix G.

Indiana Nonprofits Survey – Round III

The Indiana Nonprofits Project surveyed 1,036 nonprofits in Indiana from April 2017 to February 2018, reflecting an overall response rate of approximately 24 percent. Of these, 397 nonprofits were part of a “panel” of nonprofits that responded to our 2002 Round I survey and 639 came from a new randomly selected “primary” sample developed specifically for this survey (see Appendix F for a description of the sampling strategies).

For the “primary” sample, respondents were randomly selected from three major nonprofit listings: nonprofits (1) registered with the IRS as tax exempt entities with Indiana reporting addresses, (2) incorporated with the Indiana Secretary of State as non-for-profit corporations, or (3) or listed in the yellow pages as churches, temples, synagogues, mosques or similar religious entities. The original “panel” sample was created under a similar, but more extensive protocol.

Respondents to the 2017 survey represent almost the full scope of Indiana nonprofits: traditional public charities, such as homeless shelters, museums, or cancer groups, as well as private foundations. They include also other types of tax-exempt entities registered under section 501(c) of the IRS tax code, such as fraternal organizations, social clubs, business groups, and advocacy organizations. In addition, they include organizations not registered at all with the IRS, whether because they are churches, exempt from registration, or for other reasons are not found on the IRS listing. However, we excluded colleges, hospitals, bank-managed trusts, and public school building corporations because the survey instrument was not well-suited to these types of entities and they had also had very low response rates to the 2002 survey.

Our survey asked about a variety of topics: programs and services, organizational structure and program evaluation, human resources, marketing and technology, financial information, advocacy and policy activities, and relationships with other organizations. There were also questions specific to membership associations and faith-based organizations.

Because of the richness of the survey data, we are producing two series of reports: Series 1 provides an overview of the Indiana nonprofit sector and particular types of nonprofits, such as arts and culture nonprofits, faith-based organizations, and membership associations. Series 2, including this report, examines the management practices of the full scope of Indiana nonprofits on such topics as information technology (#1), program evaluation (#2), advocacy and political activities, human resource management, and a range of other topics.

Readers are invited to explore the survey data in more detail, using our interactive survey data tool available here: <http://go.iu.edu/2bfi>.

EXECUTIVE SUMMARY

Program evaluation is a set of tools nonprofits can use to determine whether their programs are effective, meet the needs of those they serve, and support their mission. In turn, these efforts allow nonprofits – and their funders – to assess whether resources needed to support programs are invested appropriately and responsibly.

This report on *Indiana Nonprofits: Program Evaluation – Practices and Challenges* is designed to answer several key questions about the extent to which Indiana nonprofits use program evaluation, including whether program evaluation is required by grantors or funders, who conducts the evaluation, and what challenges they face in completing such evaluations. We also consider which organizational characteristics may be associated with these factors. To do so, we rely on our comprehensive survey of 1,036 Indiana nonprofits that responded to our 2017 survey.

We use bivariate and multivariate analysis techniques to examine how the set of organizational characteristics explain the questions above. Our detailed findings highlight only those factors that appears significant in both bivariate and multivariate analyses. Detailed findings on factors that are significant in bivariate analysis but not significant in multivariate analysis can be found in Appendices A-D. Appendix E includes detailed findings from the multivariate analyses. The following summaries highlight findings presented in the body of this report.

Do Nonprofits Evaluate?

Overall, more than half (62 percent) of Indiana nonprofits say they evaluated one or more of their programs during the three years prior to the survey.

To examine possible explanations for why Indiana nonprofits differ in their use of program evaluation, we look at organizational capacity (age, size, formalization), other capacity (use of internal information technology resources, board vacancies), specialization (field of activity, whether engaged in social service provision), and external forces (demand for services, funding profile, location, and whether a recognized charity)). We found the following factors to be significantly ($p < .05$) associated with evaluating programs in our multivariate analysis, where we allow all factors to operate at once.

Organizational Capacity: Formalization. To capture the level of formalization of Indiana nonprofits, we added up the number of organizational components they have in place.

- As expected, nonprofits with more organizational components in place—more formalized organizations—are more likely engage in program evaluation than their counterparts.

Other explanatory factors. Several other potential explanatory factors are significant at the bivariate level but not when considered in a multivariate analysis where we control for all other factors, including formalization. They are listed here and described in more detail in Appendix A.

- Size (number of Full-Time Equivalent Staff, FTE)
- Average Internal Information Technology (IT) score
- Social Service Provision
- Demand for Services
- Funding Profile (primary source of funding)
- Public Charity

Are Nonprofits Required to Evaluate?

Overall, more than a third (38 percent) of Indiana nonprofits that have evaluated their programs, say that such evaluation is a condition of receiving support from grantors or funders.

We again consider the possible explanatory factors, e.g., organizational and other capacities, expertise, and external forces to see which types of nonprofits are more likely to be required to carry out program evaluation by their funders. We found the following factors to be significantly ($p < .05$) associated with whether program evaluation is required in our multivariate analysis where we allow all factors to operate at once.

Organizational Capacity: Age. We use the decade in which the organization was founded as a measure of age.

- As expected, older nonprofits are less likely to be required to evaluate their programs, holding other factors constant.

Organizational Capacity: Size. We use FTE to capture organizational size. FTE is defined as all full-time staff plus $\frac{1}{2}$ of all part-time staff.

- As expected, larger nonprofits are more likely to be required to evaluate their programs than smaller nonprofits.

Organizational Capacity: Formalization. To capture the level of formalization in Indiana nonprofits, we counted the number of organizational components they have in place.

- As expected, nonprofits with more organizational components in place—more formalized organizations—are more likely to be required to evaluate their programs than those with fewer organizational components in place.

Specialization: Primary Field of Activity (NTEE Code). Our research team classified Indiana nonprofits by their primary purpose as defined under the National Taxonomy of Exempt Entities (NTEE), using respondents' identification of three major program areas and our own online research.

- Nonprofits whose primary purpose is education or religion are more likely to be required to evaluate their programs.

External Forces: Public Charity. We used the IRS listing of exempt entities to determine whether responding organizations are registered as public charities with the IRS under section 501(c)(3) of the Internal Revenue Tax Code. Charities tend to be larger and more established than other types of nonprofits. They are also more subject to scrutiny by donors.

- Nonprofits registered as public charities are less likely to be required to evaluate their programs than organizations that are not registered public charities.

Other Explanatory Factors. Several other potential explanatory factors are significant at the bivariate level but not when considered in a multivariate analysis where we control for all other factors. They are listed here, and described in more detail in Appendix C.

- Average Internal IT scores
- Number of Board Vacancies

- Demand for Services
- Primary Source of Funding (funding profile)

Investment in Evaluation

Because program evaluation is a fairly technical effort, we also look at who is involved in performing the evaluations in a primary or secondary capacity: paid outside consultants, paid staff, or board members or other volunteers. We consider the use of paid consultants or paid staff to indicate higher investment in program evaluation than use of board members or unpaid volunteers. Of those that have performed program evaluations, less than a quarter (23 percent) used an outside paid consultant in either a primary or secondary role, 71 percent relied on paid staff, and 87 percent relied on board members or other volunteers in some capacity.

To determine which factors are associated with using each of these types of individuals in carrying out the evaluation, we again consider the possible explanatory factors. We found the following factors to be significantly ($p < .05$) associated with who conducts program evaluations in our multivariate analyses where we allow all factors to operate at once.

Organizational Capacity: Size. We use FTE to capture organizational size. FTE is defined as all full-time staff plus $\frac{1}{2}$ of all part-time staff.

- As expected, organizations with higher numbers of FTE are more likely to have paid staff or paid outside consultants conduct evaluations than organizations with fewer FTE.
- Organizations with higher number of FTE are less likely to have board members or unpaid volunteers conduct evaluations than organizations with fewer FTE.

Organizational Capacity: Formalization. To capture the level of formalization in Indiana nonprofits, we counted the number of organizational components they have in place.

- As expected, nonprofits with more organizational components in place—more formalized organizations—are more likely to have paid outside consultants and paid staff conduct evaluations than organizations with lower formalization scores.

Other Capacity: Average Internal IT score. We compute an average score for how frequently respondents use a variety of IT components.

- Organizations that have higher average internal information technology scores are more likely to have paid staff involved or serve in a primary role in evaluation.

External Forces: Funding Profile. To determine funding profile, we grouped organizations by whether they receive half or more of their total revenues from donations, government, fees and sales, special events, or a mix of these sources.

- Nonprofits that rely on fees and sales for the majority of their funding are more likely to have paid staff have a primary role in conducting evaluations.
- Nonprofits that rely on special events for the majority of their funding are more likely to have paid staff involved in conducting evaluations.

External Forces: Public Charity. We used the IRS listing of exempt entities to determine whether responding organizations are registered as public charities with the IRS under section 501(c)(3) of the

Internal Revenue Tax Code. Charities tend to be larger and more established than other types of nonprofits.

- Organizations that are registered as public charities are less likely to have paid outside consultants involved in program evaluation.

How Challenging is Program Evaluation?

Undertaking high quality program evaluation is demanding and requires considerable expertise and organizational capacity. We have no direct measure of the quality of program evaluation performed, but rely on self-reported challenges in carrying out such evaluations on a scale from 1 (not a challenge) to 4 (a major challenge). Half (50 percent) said that evaluation and assessment program outcomes or impacts is at least somewhat of a challenge, including 14 percent who said it is a major challenge.

To determine which factors are associated with more evaluation challenges, we again consider the same possible explanatory factors, e.g., organizational capacities, expertise, external forces, and other characteristics. We found the following factors to be significantly ($p < .05$) associated with whether program evaluation is considered challenging in our multivariate analysis. In this case, we included only those factors that were significant at the bivariate level.

Expertise: Primary Field of Activity (NTEE Code) Our research team classified Indiana nonprofits by their primary purpose as defined under the National Taxonomy of Exempt Entities (NTEE), using respondents' identification of three major program areas and our own online research.

- Nonprofits whose primary field of activity is religion are less likely to report program evaluation challenges than nonprofits in our referent category.

KEY FINDINGS

- 1) Nonprofits are increasingly expected to evaluate their programs. Doing so allows them to determine whether their programs are effective, meet the needs of those they serve, and support their mission. These efforts also allow nonprofits – and their funders – to assess whether resources needed to support programs are invested appropriately and responsibly. The majority of Indiana nonprofits (62 percent) have evaluated their programs during the three years prior to the survey. Of these, more than a third (38 percent) said that their funder(s) required program evaluation.
- 2) High quality program evaluation requires technical expertise, sustained efforts over time, and some minimum investment of organizational resources. Involving paid outside consultants may provide needed expertise, while relying on paid staff may provide needed continuity of effort. Less than a quarter (23 percent) of Indiana nonprofits that have evaluated their programs rely on paid consultants in their program evaluation in any way and for only 14 percent do such consultants play a primary role. More than two-thirds (71 percent) rely on paid staff, including more than half (54 percent) where paid staff play a primary role. The great majority (87 percent) of Indiana nonprofits involve board members or other volunteers in program evaluation, including 56 percent where such volunteers play a primary role.
- 3) In general, controlling for all other factors, we find broad consistency among the factors that predict whether Indiana nonprofits undertake program evaluation, rely on paid outside consultants or on paid staff, but find some differences when it comes to whether program evaluation is required and in using board members or other volunteers to conduct the evaluation.
- 4) Among the four broad groupings of explanatory factors considered (organizational capacity, other capacity, organizational expertise, and external forces), organizational capacity – formalization and size – appear to be most consistently related to program evaluation. Controlling for all other factors, more formalized nonprofits are more likely to engage in program evaluation, to be required to do so, and to rely on paid outside consultants or paid staff to carry out the work. Larger organizations are also more likely to be required to evaluate programs and to involve paid outside consultants or paid staff in the process, but are less likely to rely on board or other volunteers. We find that younger nonprofits are more likely to be required to do program evaluation, perhaps because funders have less confidence in their ability to do so on their own.
- 5) Other capacity indicators are less systematically important. Controlling for all other factors, nonprofits with greater internal information technology resources are more likely to involve paid staff in program evaluation, while those with fewer board vacancies are more likely to involve board members or other volunteers in the effort.
- 6) Organizational expertise, as measured by primary field of activity or whether involved in social services, is only important in predicting whether program evaluation is required. Controlling for all other factors, education and religion nonprofits are more likely to be required to do program evaluation.
- 7) Among the external factors considered, only two appear important. Controlling for all other factors, public charities are less likely to be required to evaluate their programs than non-charities, and those that obtain half or more of their revenues from special events are more likely to use paid staff to conduct the program evaluation.

PROGRAM EVALUATION

Indiana nonprofits deliver a wide range of programs that provide needed services and improve the quality of life in local communities. But needs and community conditions change over time, and funding constraints may force nonprofits to make difficult decisions about how to best meet needs with limited resources.

Program evaluation is a set of tools nonprofits can use to determine whether their programs are effective, meet the needs of those they serve, and support their mission. In turn, these efforts allow nonprofits – and their funders – to assess whether resources needed to support programs are invested appropriately and responsibly. Indeed, some funders require nonprofits to evaluate funded programs – and may specify how the evaluation should be carried out – as a condition of providing funding for the programs. Not only funders, but nonprofit staff and board, community members and other stakeholders may want to know how programs are going, whether they are being implemented properly, delivered effectively, and are accomplishing what they are designed to do.

Many nonprofits and other organizations have long sought to evaluate the effectiveness of their programs. Efforts to do so intensified in the 1990s, following the adoption of the Government Performance and Results Act (GPRA) in 1993². The act required federal agencies to establish and measure performance goals for their own operations; however, funds distributed by them, including grant awards, were also subject to stricter accountability measures. The increased focus on evaluation and accountability impacted nonprofits that received federal grants, but also spread to state and local government agencies that received federal funding. Private funders followed suit. Thus, United Way chapters nationwide began to focus more on outcomes and evaluation³ and these efforts were also promoted by Grantmakers for Effective Organizations (founded in 1997) and The Center for Effective Philanthropy (founded in 2001).

Evaluating impact to inform donors has become so widespread in the nonprofit world that it is now virtually viewed as a requirement.⁴ Nationwide, the percentage of nonprofits that engage in evaluation has been increasing in recent years according to the State of Evaluation report,⁵ up from 85 percent in 2010 to 92 percent in 2016. However, these estimates are based on a special subset of nonprofits: registered 501(c)(3) charitable organizations, large enough to file financial information on Form 990 and provide email addresses on the Form. The analysis presented in this report is based on a comprehensive sample of all Indiana nonprofits.

Program evaluation, done well, is a demanding (and often costly) process because it requires dedicated, carefully designed and systematic collection and analysis of relevant data on program delivery and outcomes – intended as well as unintended – at several points in time, and preferably over a sufficiently

² Podrasky, L. A., & Benton, A. (2005). Evaluation lessons learned from a federal grant program that transcend funding agency. *Evaluation and Program Planning*, 28(3), 355–357. doi: 10.1016/j.evalprogplan.2005.04.016.

³ Hendricks, M., Plantz, M.C., & Pritchard, K.J. (2008). Measuring outcomes of United Way–funded programs: Expectations and reality. In J. G. Carman & K. A. Fredericks (Eds.), *Nonprofits and evaluation*. New Directions for Evaluation, 119,13–35.

⁴ Joslyn, H. (2019, April 2). It's Almost a Requirement Now to Tell Donors the Impact of Their Gifts. Retrieved from <https://www.philanthropy.com/article/It-s-Almost-a-Requirement/246010>.

⁵ Morariu, J., Athanasiades, K., Pankaj, V., & Grodzicki, D. (2016, October). *State of Evaluation 2016*. Retrieved from https://stateofevaluation.org/media/2016-State_of_Evaluation.pdf.

long period of time to determine both short-term and long-term impacts.⁶ The efforts are different from, and much more extensive than, documenting the delivery of services (e.g., volume and type of services provided) from data gathered in the course of program operation.⁷

There are many types of program evaluations, but two are particularly important. Process (or formative) evaluations analyze how effectively programs or policies are being implemented to determine whether adjustments are needed. Program or impact evaluation (also called summative evaluation) looks at the results of programs and the outcomes to which they contribute.⁸

At a minimum, program evaluation may provide information about whether service recipients are satisfied with the services they are receiving. More thorough efforts make it possible to determine also whether a program's objectives have been met, what sort of impact it has had in addressing an issue of concern, and perhaps also whether the program is operating efficiently. Organizations that use and take seriously the results of quality program evaluation demonstrate an organizational commitment to improvement.

In this report, we provide an assessment of the state of program evaluation among Indiana nonprofits. Unfortunately, our survey instrument did not allow us to determine the type or sophistication of program evaluation undertaken, nor which programs were evaluated. Doing so would have required much more in-depth information than possible for a general survey like ours. Instead, we rely on several questions from our survey: (1) whether respondents have evaluated any of their programs in the last 36 months, (2) whether their funders require evaluation, (3) whether the most recent program evaluation was carried out by paid consultant, staff, or board member/volunteer as a rough indicator of their investment in evaluation, and (4) the extent to which they find it a challenge to evaluate or assess program outcomes or impact.⁹

We also explore whether responses to each these broad questions are related to other characteristics of Indiana nonprofits, by considering the following eleven explanatory factors grouped in four broad dimensions: Organizational capacity (age, size, and formalization), other capacity indicators (access to internal information technology, board vacancies), expertise (field of activity, whether provide social services), external forces (demand for services, funding profile, charity status, location), and whether part of our original panel of survey respondents.

Organizational Capacity

- Age: We expect older nonprofits to evaluate their programs more than younger ones, to invest more in evaluation, and have fewer challenges in doing so because they have had more time to develop the necessary expertise and operational capacity. We expect younger nonprofits to be more likely to be required to evaluate because funders may have less confidence in their ability to deliver

⁶ See Centers for Disease Control and Prevention (*Introduction to Program Evaluation for Public Health Programs: A Self-Study Guide*), available online at <https://www.cdc.gov/eval/guide/introduction/> Performance and Evaluation. Retrieved October 24, 2019.

⁷ Tatian, P. A. (2016, March 15). Performance Measurement to Evaluation. Retrieved from <https://www.urban.org/research/publication/performance-measurement-evaluation-0>.

⁸ Bingham, R. D., & Felbinger, C. L. (2002). *Evaluation in practice: a methodological approach*. New York, NY: Seven Bridges Press.

⁹ Readers may explore the data using our interactive survey data tool available here: <http://go.iu.edu/2bfi>.

programs effectively. We measure age as the number of decades since the organization was established.

- Size: We expect that larger nonprofits (those with more paid staff) will be more likely to evaluate their programs, to invest more in evaluations, and have fewer challenges in doing so because they have more resources and/or more specialized expertise. We use responses to questions about whether the organization had any paid employees, and if so, the number of paid full-time employees (defined as working 35-40 hours per week) and the number of part-time employees currently working for the organization (the latter were counted as ½ of a full-time employee). The FTE count is highly skewed – many nonprofits have no paid staff or very few, but some have a very large number. We therefore take the natural log of the FTE in our multivariate analysis. We use staff size to capture the size of Indiana nonprofits, rather than revenues or expenses, because it appears to be a more robust measure.¹⁰
- Formalization: For the same reason, we expect more formalized nonprofits, those with more organizational components in place, to be more likely to evaluate their programs and to invest more in evaluation (e.g., rely on paid staff or consultants to carry out the work) and have fewer challenges in doing so, because they have developed established procedures for structuring and monitoring their activities in general. This variable was created by counting the number of organizational components and written policies in place.¹¹

Other capacity factors

- Average Internal IT Score: Because program evaluation usually requires collecting and analyzing data, we expect program evaluation will be more common, will represent greater investments, and will present fewer challenges for nonprofits who make greater use of internal information technology. We compute an average score for how frequently respondents use each of the following types of IT components: IT security, routine data backups, electronic financial records, and electronic client records. Scores range from 4 for using these tools almost all the time to 1 for using rarely or not at all.
- Board vacancy: Previous analysis of Indiana nonprofits has found that nonprofits with board vacancies tend to have less capacity and face more challenges than those with full boards. We therefore expect nonprofits with board vacancies to be less likely to do program evaluations and to face more challenges when they do. We use the number of board vacancies reported by the

¹⁰ Staff capacity is likely to be a critical resource for evaluation efforts. For our particular sample of nonprofits, it is also likely to be a more robust measure of organizational capacity than financial indicators, since we include private foundations and nonprofits with sizeable physical plants. Also, when we compared responses to survey questions about total revenues and expenses in the most recently completed fiscal year to what the respondents that are registered with the IRS reported on Form 990 for the corresponding or nearly corresponding year we found some notable discrepancies that warrant further assessment.

¹¹ We count the number of written policies (governance, conflict of interest, dissolution, document retention, whistleblower), organizational documents (written board minutes, annual report with financial information, audited financial statements, website), and components specifically for staff/board/volunteers (written personnel policies, orientation process, instruction manuals, training and development opportunities beyond orientation). See Grønbjerg, K. and Goodman, P. (2019). *Indiana Nonprofits: Information Technology and Resources*, pp. 24-26, online at <https://nonprofit.indiana.edu/doc/publications/2017surveyreports/informationtechnology.pdf>.

nonprofit in the survey. The count is highly skewed and we use the natural log in our multivariate analysis.

Nonprofit Expertise

- *Nonprofit field of activity*: We hypothesize that program evaluation will be more common among nonprofits operating in fields where outcomes are more easily defined, where funders are more likely to expect evaluations, and where evaluation tools are available, such as in health and human service nonprofits compared with nonprofits where outcomes are trickier to define, such as for arts and culture or mutual benefit nonprofits. Nonprofit field is based on what survey respondents identified as their three major areas of activity codes. Team members then manually identified the primary field based on web searches and other information.
- *Social Services*: We expect nonprofits that provide or support social services, community development, or neighborhood organizing projects to be more likely to engage in program evaluation because of longer traditions of program evaluation and more established outcome measures. This dummy variable is created from responses a question in the survey asking whether nonprofits provide or support these types of activities.

External Forces

- *Demand for services*: We speculate that nonprofits facing greater demand for their services may use program evaluations to fine-tune their programs in order to deliver services more efficiently. However, the opposite argument is also possible – that when demand is great, program evaluation may seem like too costly an effort compared to expanding services. We measure this variable through responses to whether nonprofits have seen their demand increase, stay the same, or decrease over the past 36 months.
- *Funding profile*: Some funders, notably government agencies, foundations, United Way or major individual donors may require program evaluation as a condition of making funding available, so we expect nonprofits that get a significant amount of their funding from these types of sources to be more likely to evaluate their programs, to be required to do evaluation, and invest more resources in evaluation than their counterparts. We measure funding profile by converting self-reported responses to the percentage of funding that comes from each of four major sources. If reported at 50 percent or higher, that nonprofit is categorized as receiving the majority of its funding from that source.
- *Charitable status*: Charities that are registered with the IRS under section 501(c)(3) of the internal revenue code are eligible to receive tax-deductible contributions; consequently, they tend to be under more scrutiny than other nonprofits, especially by charity watchdog organizations. We therefore expect public charities to be more likely to evaluate their programs and invest more resources in evaluation than their counterparts. We use whether the organization is actually registered as a charitable organization with the IRS to capture this indicator.
- *Location*: We expect nonprofits located in metropolitan regions will have better access to consultants and other professionals with program evaluation expertise.

For some of these explanatory variables, we use the actual values of the variable (e.g., formalization scale) or log value of the variable (e.g., FTE, board vacancies) in the multivariate analyses. For others, we

must use “dummy”¹² variables to capture the relevant distribution, but then exclude one category from the analysis. The excluded category serves as a comparison to the included category, telling us whether the included category is significantly more or less likely to have the characteristic being analyzed than the excluded category.

Our approach is to examine whether and how these explanatory factors appear related to questions about program evaluation. However, to streamline our analysis, we rely on multivariate analysis to identify those factors that jointly best predict the use, practices and challenges of program evaluation for Indiana nonprofits, controlling for all other factors.¹³ We focus on these most important factors in the analyses that follow, but include detailed information in the appendices to this report on other factors that have significant relationships at the bivariate level where they are examined in isolation from other explanatory factors.

¹² These are variables that only take the value of 1 if a trait is present, otherwise 0. For example, the distribution of “public charity” is coded as 1 if the organization is a public charity, otherwise as 0 and only that one variable is needed to capture the distribution. For funding mix, five dummy variables are needed, one for whether government funding is half or more of funding, one for private donations, one for fees and sales, one for special events, and one for all other funding combinations. By including the four first dummy variables, we have also captured the fifth, and it is therefore excluded from the analysis and serves as the comparison to each of the other four funding profiles.

¹³ It is likely that nonprofits that were part of our original panel from 2002 may show distinctive patterns of program evaluation, since they have successfully survived for that 15-year period and tend to be larger and more formalized than those in our primary sample. In our final, overarching analysis, we therefore include a dummy variable for whether the responding organization was part of the original panel to see whether there are systematic differences between panel respondents and those from the primary sample, even when controlling for those other factors. It is not significant in the multivariate analysis.

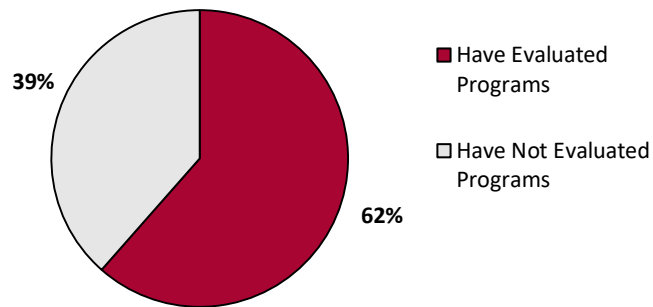
What kinds of nonprofits evaluate their programs?

To assess the state of program evaluation among Indiana nonprofits, we look at whether they do program evaluation, whether it is required by their funders, the extent to which they invest in evaluation, and the challenges they face in conducting it. We begin by focusing on the simple question of whether they have engaged in such efforts.

Our survey asked whether respondents had evaluated their programs in the last 36 months. Almost two-thirds (62 percent) said they had done so (Figure 1).

We don't know how comprehensive or robust these program evaluations were, only that some effort was made. Even so, this is a notable finding, since program evaluations may not be feasible or even particularly useful for all Indiana nonprofits – the organizations may be too small or new to be able to carry out the work, or may operate in fields lacking easily identifiable outcomes.

Figure 1: Percent of Nonprofits that have evaluated any programs in the last 36 months, (n=925)



We anticipate that older, larger, and more formalized nonprofits are more likely to evaluate their programs. We hypothesize that nonprofits that focus on human services or are involved in providing social services and related activities are more likely to evaluate, and those who focus on public and societal benefit are less likely to evaluate. We also hypothesize that evaluation will likely be more prevalent for nonprofits that get the majority of funding from the government or donations, experience increased demand for their services, are a public charity, and use internal IT more extensively. We anticipate a negative relationship between the number of board vacancies and the likelihood of undertaking evaluation.

Seven of the predictor variables show statistical significance at the bivariate level with whether nonprofits evaluate their programs – number of FTE staff, formalization, whether the nonprofit provides social services, reports changes in demand for services, its funding profile, whether it is a public charity, and its average internal IT score. However, only formalization remains significant in the multivariate analysis, when we allow all of the predictor variables to operate at once. We describe the other significant bivariate relationships in more detail in Appendix A.

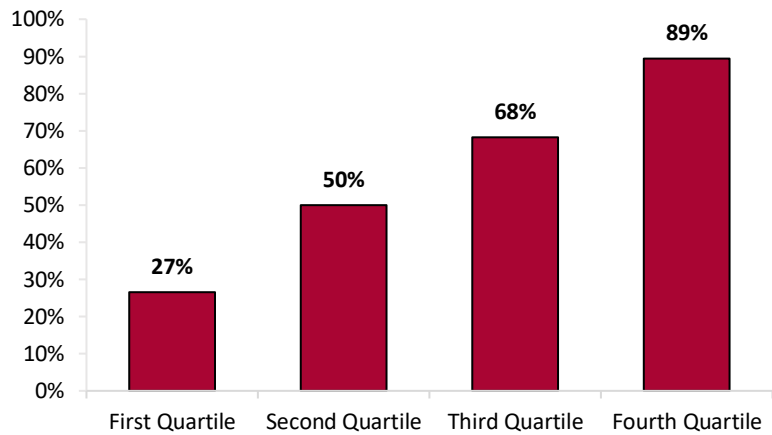
Organizational Capacity: Formalization

Program evaluation requires some minimum level of organizational capacity, which we assess by whether responding organizations report having a range of organizational components in place¹⁴. The formalization score counts the number of components in place and ranges from a low of 0 to a high of 16 with both a mean and median of 6.7.

¹⁴ See Grønbjerg, K. and Goodman, P. (2019). *Indiana Nonprofits: Information Technology and Resources*, pp. 24-26, online at <https://nonprofit.indiana.edu/doc/publications/2017surveyreports/informationtechnology.pdf>

As expected, as formalization increases, so does the likelihood that nonprofits evaluate their programs. For purposes of this analysis, we divide the formalization scores into quartiles. As Figure 2 shows, only about a quarter (27 percent) of nonprofits in the lowest quartile say they have undertaken program evaluation in the last 36 months, compared to almost 90 percent for the most formalized nonprofits.

Figure 2: Whether Nonprofits Evaluate, by Formalization, (n=925)



Summary: Which Nonprofits Evaluate Their Programs?

We use multivariate binary logistic regression to determine which of the explanatory factors best allow us to predict whether Indiana nonprofits evaluate their programs, controlling for the rest.¹⁵ This analysis uses more complete information for our predictor variables where available. Thus, we use the number of decades since being established rather than just four age categories, the average formalization scores rather than four broad categories, the full count of FTEs rather than four size categories, and the count of board vacancies. We also adjust for the skewed distribution of size (many small nonprofits and a few very large ones) and of board vacancies by taking the natural log of respectively FTEs and board vacancies.

The multivariate analysis is highly significant. It identifies formalization as the most important factor – it is the only predictor factor that remains significant, once we control for all the remaining factors. And the pattern is consistent with the bi-variate relationship: the more formalized Indiana nonprofits are, the more they are likely to have undertaken program evaluations during the previous 36 months.

¹⁵ We considered including a variable that measures the level of challenge nonprofits face in developing and delivering high quality programs/services, but it was not statistically significant in any of our multivariate analyses.

Table 1. Estimates for Logistic Regression of Whether Nonprofits Evaluate Their Programs¹⁶

<i>Variables Included in the Multivariate Equation (Predicted Relationship)</i>	<i>Positive (+) or Negative (-) Significant Coefficients</i>
<i>Age (Decades since Founded) (+)</i>	
<i>LN Number of FTE Staff (+)</i>	
<i>Formalization (+)</i>	+
<i>Average Internal IT (+)</i>	
<i>LN Board Vacancy (-)</i>	
<i>NTEE Code: Arts & Culture (+)</i>	
<i>NTEE Code: Education (+)</i>	
<i>NTEE Code: Human Services (+)</i>	
<i>NTEE Code: Public & Societal Benefit (-)</i>	
<i>NTEE Code: Religion (?)</i>	
<i>Funding Mix: Over 50% Government (+)</i>	
<i>Funding Mix: Over 50% Donations (+)</i>	
<i>Funding Mix: Over 50% Fees and Sales (?)</i>	
<i>Funding Mix: Over 50% Special Events (?)</i>	
<i>Social Services (+)</i>	
<i>Demand: Increasing (+)</i>	
<i>Public Charity (+)</i>	
<i>Metropolitan Central County(+)</i>	
<i>Metropolitan Ring County(+)</i>	
<i>Panel</i>	

Notes: Coefficients significant at the $p < 0.05$ level marked with **+**, Model Chi-square=98.679 $p = .000$, Nagelkerke R-squared=.271, 74.1% correct predictions, $n = 463$. We use the natural log of the number of FTEs and of the number of board vacancies to account for the skew in the distribution of the original version of the variables.

¹⁶ We explored alternative approaches to multivariate analyses, including using stepwise regression. The results are broadly consistent with what we show here (details available upon request).

Who Is Required To Evaluate By Funders?

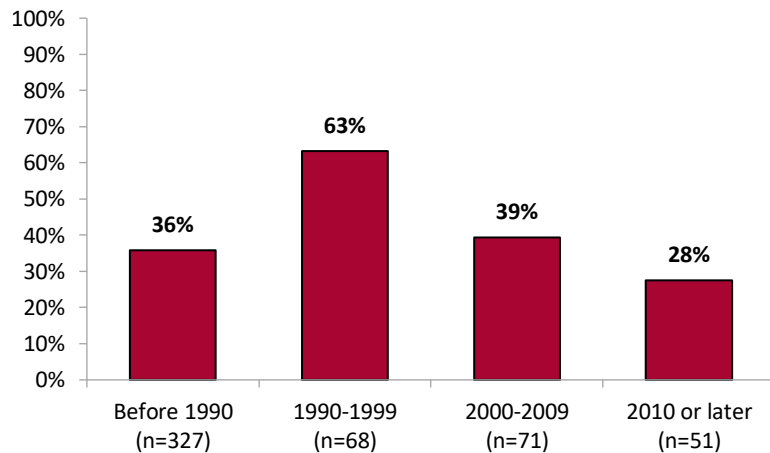
We were also interested in learning whether program evaluation is required by funders. If so, it is likely that these funders set particular expectations or parameters for the evaluation. Among respondents who say that they have evaluated programs during the previous 36 months, we asked a follow-up question of whether the evaluation was required by any of their grantors or funders. That was the case of more than a third (38 percent) of nonprofits that had conducted a program evaluation over the previous 36 months.

Nine¹⁷ of our explanatory factors – year founded, number of FTE staff, formalization, primary field of activity (NTEE code), whether the nonprofit is a public charity, demand, funding mix, number of board vacancies, and average internal IT — are significant at the bivariate level. However, only five of these remain significant in the multivariate analysis: year founded, number of FTE, formalization, NTEE code, and public charity. We describe each of these relationships below. The remaining four are detailed in Appendix B.

Organizational Capacity: Year Founded

There is a significant association between whether nonprofits' funders require them to evaluate their programs and how old they are. We expected older nonprofits to be less likely to be required to conduct evaluations. As Figure 3 shows, about a third (36 percent) of nonprofits founded before 1990 are required by grantors or funders to evaluate programs, compared to 63 percent of those established 1990-1999. Notably smaller proportions of those founded between 2000 and 2009 (39 percent) or 2010 or later (28 percent) are required to evaluate programs.

Figure 3: Percent of nonprofits whose grantors or funders require program evaluation, by Year Founded, (n= 51-327)



Organizational Capacity: Number of FTE

Funders may be more likely to require program evaluation of larger nonprofits because they may expect them to have the capacity to do so or because larger nonprofits are more likely to apply for and receive grants and contracts that require evaluation. As noted above, we use the number of full-time equivalent (FTE) paid staff, computed as the number of full-time staff plus half the number of part-time staff.

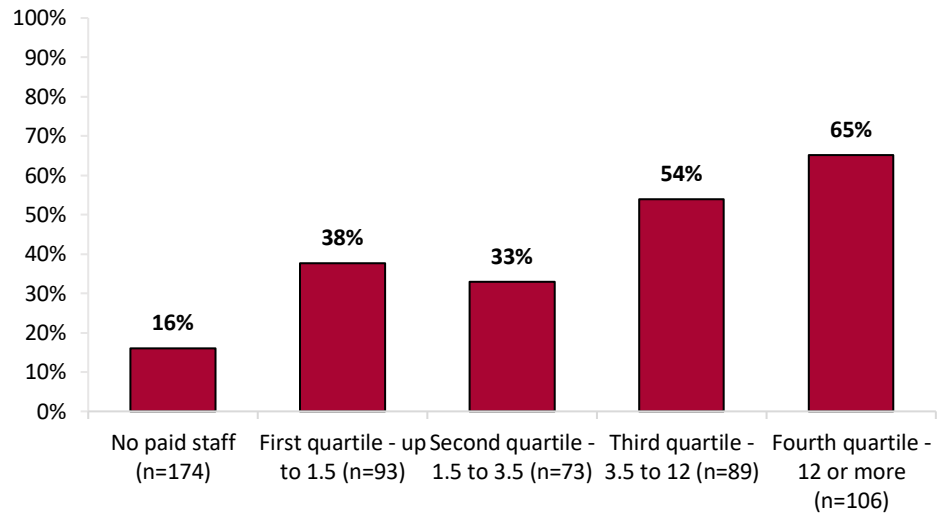
¹⁷ Nonprofits from our 2001 panel are also more likely (47 percent) to be required to evaluate their programs than nonprofits from our 2017 sample (32 percent). However, this variable is not significant in the multivariate analyses, once we control for all other factors.

As expected, larger nonprofits, as measured by the number of FTE staff, are more likely to be required by their funders to evaluate their programs (Figure 4). Almost two-thirds (65 percent) of nonprofits with 12 or more paid FTE (the highest quartile) staff (12 or more) are required to do so compared to just over half (54 percent) in the

third quartile, and about a third in the bottom two quartiles. Only 16 percent of nonprofits with no paid staff are required to evaluate programs by funders or grantors. Perhaps funders expect program evaluation to be too much of a challenge for smaller nonprofits. Alternatively, nonprofits with more FTE staff may be able to secure larger grants, which often

come with stricter evaluation requirements, such as a requirement that the evaluation be conducted by an independent, outside consultant.

Figure 4: Percent of nonprofits whose grantors or funders require program evaluation, by Number FTE, (n=73-174)

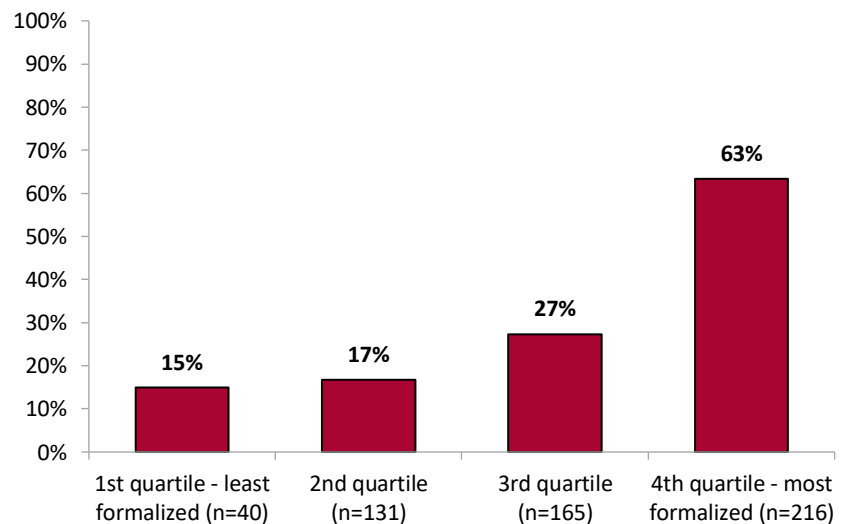


Organizational Capacity: Formalization

Also as expected, more formalized nonprofits are more likely to have funders who require them to evaluate their programs. Almost two-thirds (63 percent) of those with the highest quartile of formalization scores are required by funders to evaluate their programs, compared to only a quarter (27 percent) of those in the next lower quartile and even smaller percentages (15-17 percent) in the two lowest quartiles (Figure 5). We speculate that more formalized (and larger) nonprofits receive larger grants, which may come with stricter

evaluation requirements. The relatively small number of cases in each of the three lowest categories of formalization reflects the fact that less formalized nonprofits are also less likely to engage in any

Figure 5: Percent of nonprofits whose grantors or funders require program evaluation, by Formalization, (n=40-216)



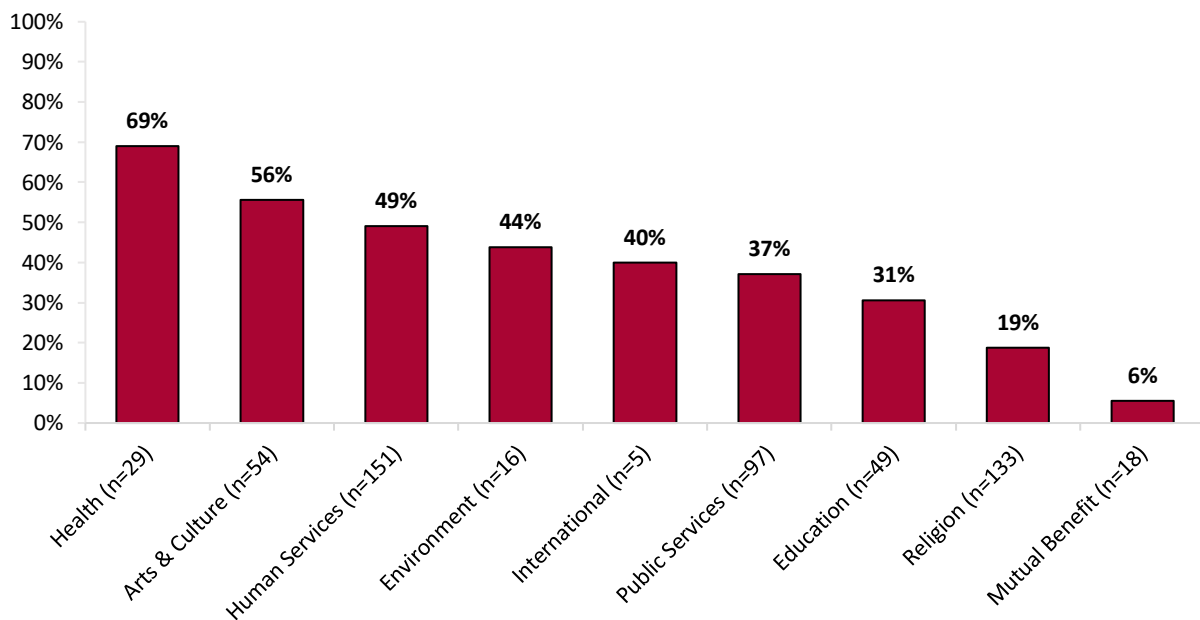
program evaluation at all, and thus were not asked the follow-up question of whether the evaluation was required by funders.

Organizational Expertise: Primary Field (NTEE Code)

We also expect nonprofits active in fields where there is a longer history of program evaluation to be more likely to face requirements by funders to evaluate their programs. In turn, that would enable key funders, such as government, to more easily require program evaluation. This appears to be the case, as two-thirds (69 percent) of health nonprofits are required to evaluate their programs as are almost half of human service nonprofits (49 percent). Somewhat surprisingly, more than half (56 percent) of arts and culture nonprofits are also required to do so by their funders. However, one of the primary funders in this field, the Indiana Arts Commission, requires program evaluation as a condition of funding.

More than two-fifths of environment and animal nonprofits (44 percent) and international nonprofits (40 percent) also have such funder requirements, as do about a third of public and societal benefit (37 percent) and education (31 percent) nonprofits (Figure 6). We had expected a higher percentage of education nonprofits to say evaluation was required by funders, since education is permeated by concerns about outcomes, such as student performance on standardized tests.

Figure 6: Whether Evaluation is Required, by NTEE Code, (n=5=151)

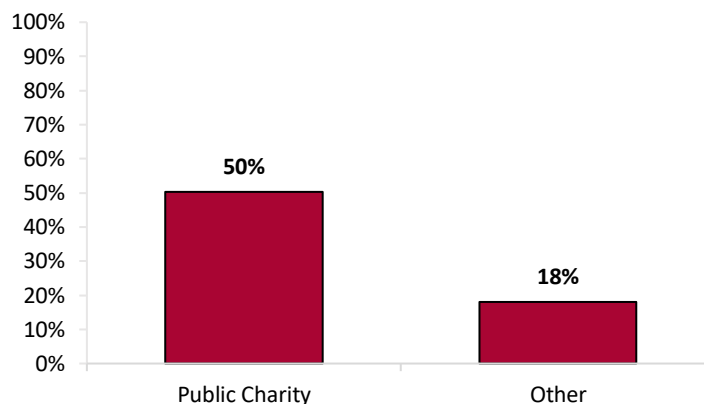


As expected, program evaluation is least frequently required for religious nonprofits (19 percent) and mutual benefit nonprofits (6 percent). Notably, these are also among the types of nonprofits least likely to receive government funding. Although funding profile is not significant in the multivariate analysis, we note that nonprofits receiving half or more of their funding from government are also most likely to be required to evaluate their programs (see Appendix B).

External Forces: Public Charity

As expected, public charities are more likely (50 percent) to be required to evaluate their programs than other nonprofits (18 percent) (Figure 7). This may also be a function of their funding profile (and size). As we show in the appendix, receipt of government funding is also strongly related to being required to undertake program evaluation, and such funding (as well as foundation support) is normally only available to nonprofits that provide services to the general public (rather than just their own members) – as is the case for public charities.

Figure 7: Percent of Nonprofits Required to Evaluate, by Public Charity, (n=387)



Summary: Which nonprofits are required by their funders to evaluate their programs?

We again use multivariate analysis to determine which combination of predictor variables provides the best predictor of whether funders require nonprofits to evaluate their programs. As before we use more complete information for our predictor variables where available, e.g., number of decades since being established, average formalization score, natural log of board vacancies, and natural log of FTEs.¹⁸

The model is highly significant (Table 2). Controlling for all other factors, more formalized and larger nonprofits are significantly more likely to be required by their funders to evaluate their programs, as we expected.

Controlling for all other factors, we find that older nonprofits and charities are LESS likely to be required to evaluate their programs. We had expected this pattern for age, but not for charities. Similarly, it is education and religious nonprofits, not health and human service nonprofits that are more likely to be required to evaluate their programs compared to the excluded “all other” category, when we control for all other factors. These findings suggest that while age, NTEE field and charity status are all related to required program evaluation, the relationships are contingent on size and formalization and may operate differently for larger and more formalized nonprofits than for smaller and less formalized ones.

¹⁸ We considered including a variable that measures the level of challenge nonprofits face in developing and delivering high quality programs/services, but it was not statistically significant in any of our multivariate analyses.

Table 2. Significant Predictors of Whether Nonprofits’ Funders Require Them to Evaluate Their Programs Using Logistic Regression¹⁹

<i>Variables Included in the Multivariate Equation (Predicted Relationship)</i>	<i>Positive (+) or Negative (-) Significant Coefficients</i>
Age (Decades since Founded) (+)	-
LN Number FTE (+)	+
Formalization (+)	+
Average Internal IT(+)	
LN Board Vacancy(+)	
NTEE Code: ref=other	
NTEE Code: Arts & Culture	
NTEE Code: Education (+)	+
NTEE Code: Human Services (+)	
NTEE Code: Public and Societal Benefit (-)	
NTEE Code: Religion	+
Social Service Provision (+)	
Demand Increased	
Funding Mix: Over 50% Government (+)	
Funding Mix: Over 50% Donations (+)	
Funding Mix: Over 50% Fees and Sales (-)	
Funding Mix: Over 50% Special Events (-)	
Public Charity (+)	-
Metropolitan Central County (+)	
Metropolitan Ring County (+)	
Panel	

Notes: Coefficients significant at the p<0.05 level marked with **red**, Model Chi-square=146.931 p=.000, Nagelkerke R-squared=.500, 81.5% correct predictions, n=314.

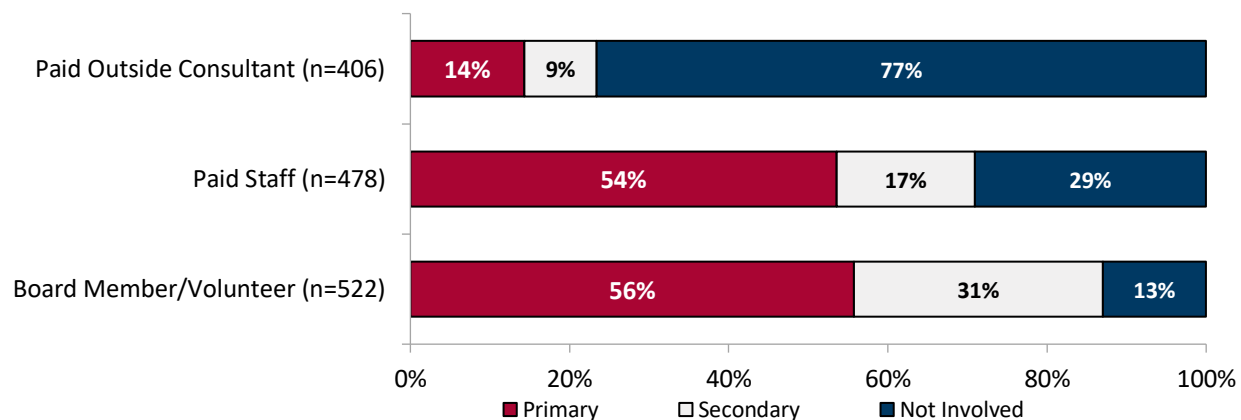
¹⁹ We explored alternative approaches to multivariate analyses, including using stepwise regression. The results are broadly consistent with what we show here (details available upon request).

Investment in Evaluation

Because program evaluation is a fairly technical and demanding effort, we were also interested in knowing how much nonprofits invest in the efforts. We use a question about who performs the evaluation as a proxy for investment in program evaluation. Outside consultants may have the necessary expertise and impartiality, and thus be better suited to administer evaluations. However, paid consultants may be expensive and not easily available when needed. Less than a quarter (23 percent) of nonprofits reported that paid outside consultants were involved in administering their most recent evaluation (Figure 8) in either a primary (14 percent) or secondary (9 percent) capacity.

Alternatively, nonprofits may assign these responsibilities to their own paid staff, if they have staff with such expertise, or rely on board members or unpaid volunteers. Indeed, these latter patterns are much more common, with 87 percent of nonprofits reporting any board member/volunteer involvement and 71 percent of nonprofits reporting any paid staff involvement in evaluation. For more than half, board members/volunteers or paid staff played a primary role (56 and 54 percent respectively).

Figure 8: Who Administered the Most Recent Evaluation, (n=406-522)



Unfortunately, we do not have information from our survey that would allow us to directly assess the nature or quality of the evaluation. However, we might expect higher investment in evaluation (use of paid consultants or paid staff) to be associated with higher quality of evaluation. We realize that many board members and unpaid volunteers may also have high levels of expertise, but nevertheless expect evaluations by unpaid volunteers or board members, on average, to be less comprehensive and in-depth, especially if these individuals play a primary role.

In the analysis that follows, we consider six possible patterns: the extent to which paid outside consultants, paid staff or unpaid board members or volunteers play ANY role in program evaluation, and whether they play a PRIMARY role.

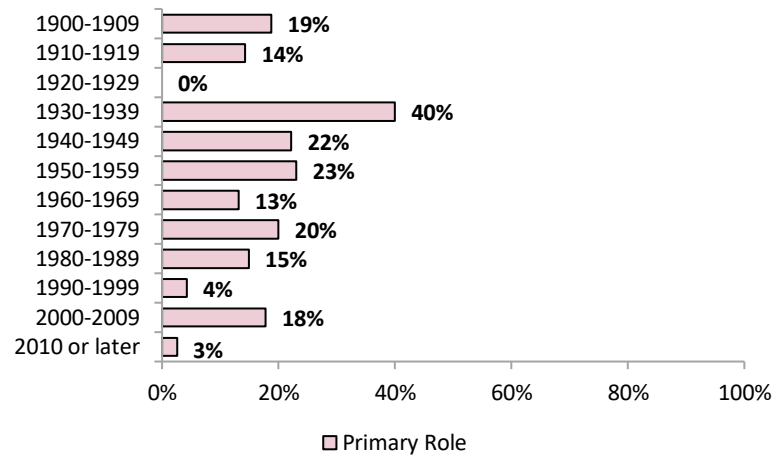
Seven of our ten independent variables²⁰— year founded, number of FTE staff, formalization, average internal IT, demand, funding mix, and whether the nonprofit is a public charity—are significant at the bivariate level for at least one of the patterns for who conduct evaluations. Six of these – year founded, number FTE, formalization, average internal IT, funding mix, and public charity – remain significant in

the multivariate analysis. Demand for services is not significant, once we control for all other factors (see Appendix C).

Organizational Capacity: Year Founded

There is a significant association between whether nonprofits use paid outside consultants in a primary role and how old they are. We expected older nonprofits to be more likely to use paid outside consultants in a primary role. As Figure 9 shows, only 3 percent of nonprofits founded in the most recent decade use paid outside consultants as primary evaluators. At the other end of the spectrum, nearly a fifth (19 percent) of nonprofits founded between 1900 and 1909 use paid outside consultants in a primary role.

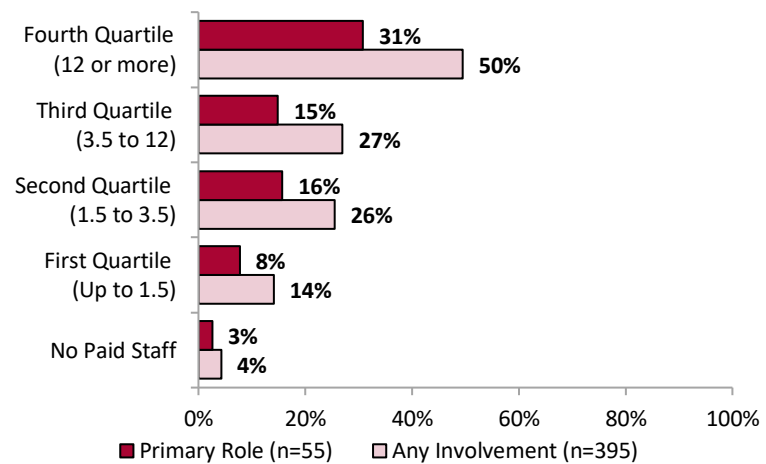
Figure 9: Percent of Nonprofits that had a Paid Outside Consultant Administer the Most Recent Evaluation, by Year Founded, (n=382)



Organizational Capacity: Number of FTE Staff

As expected, as the number of FTE staff increases, the likelihood that nonprofits pay outside consultants or paid staff to administer evaluations increases. Organizations with no paid staff rarely pay outside consultants to administer evaluations (only 3-4 percent), while half (50 percent) of nonprofits in the highest quartile of paid staff do so (Figure 10). This is likely because nonprofits with more FTE staff have more financial resources to put towards paying an outside consultant.

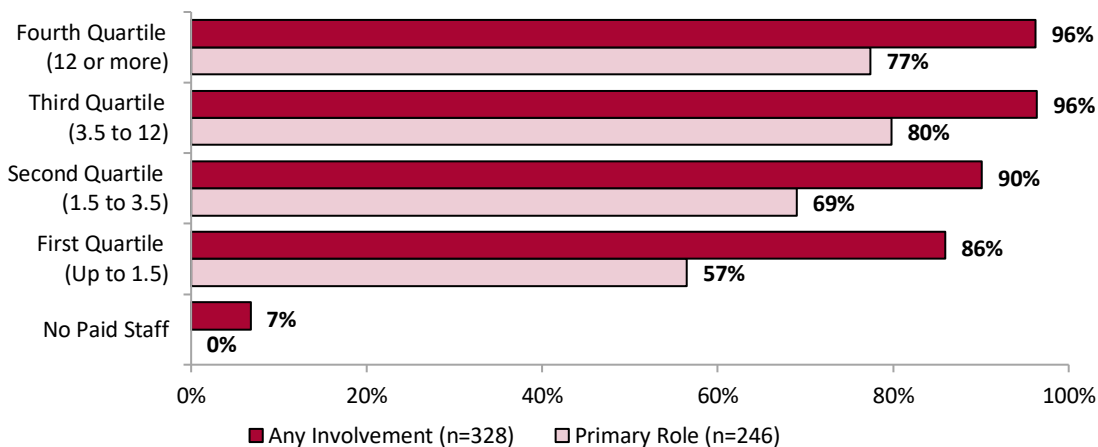
Figure 10: Percent of Nonprofits that had a Paid Outside Consultant Administer the Most Recent Evaluation, by Number FTE



Similarly, for nonprofits with any paid staff, almost all said that paid staff were involved in program evaluation to at least some extent, ranging from 86 percent for those in the lowest quartile to 96 percent for those in the top two quartiles (Figure 11). A small number (7 percent) of nonprofits without

any paid staff at the time of the survey said that paid staff nevertheless were involved in program evaluation during the previous 36 months, presumably at a time when the organization had paid staff.

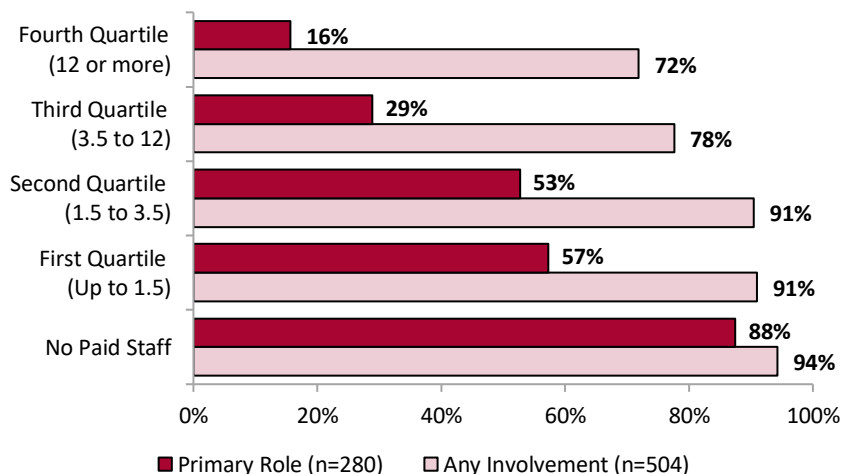
Figure 11: Percent of Nonprofits that had Paid Staff Administer the Most Recent Evaluation, by Number FTE, (n=246-328)



The opposite pattern holds for using board members or unpaid volunteers. Not surprisingly, those without any or only a few paid staff depend at least in part on the work of board members or unpaid volunteers in administering evaluations (Figure 12). Almost all of those with no paid staff (94 percent) or in the smallest two size quartiles (91 percent) involve board members or unpaid volunteers in some capacity, compared to about three quarters (78 percent and 72 percent) for those in the two largest quartiles.

The pattern becomes more pronounced for nonprofits where a board member/unpaid volunteer played a primary role in the evaluations. The vast majority (88 percent) of nonprofits with no paid staff had board members or unpaid volunteers with a primary role in involvement. The percentage drops precipitously for those in the two largest quartiles to 29 percent and 16 percent respectively.

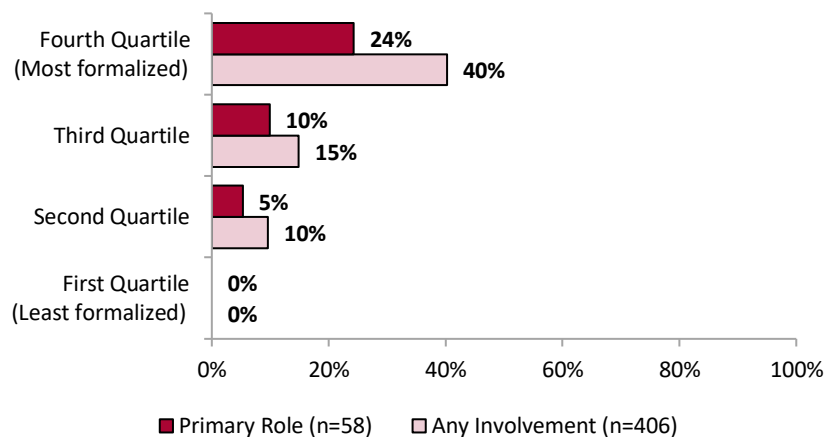
Figure 12: Percent of Nonprofits that had a Board Member/Unpaid Volunteer Administer the Most Recent Evaluation, by Number FTE



Organizational Capacity: Formalization

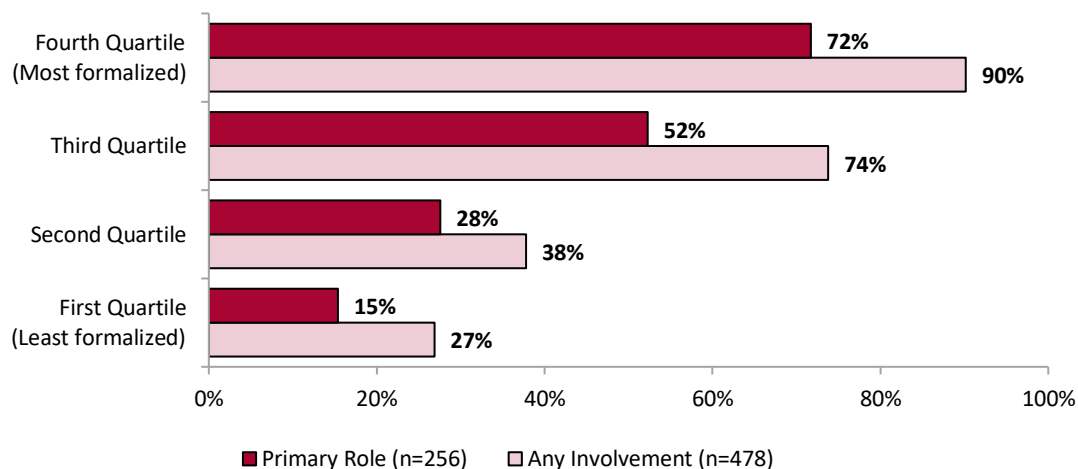
As expected, more formalized nonprofits are more likely to use outside consultants or paid staff. Over a third (40 percent) of the most formalized nonprofits pay outside consultants to administer evaluations, compared to none of the least formalized nonprofits (Figure 13). More formalized nonprofits also tend to have more FTE staff so this pattern is broadly consistent with what we reported above.

Figure 13: Percent of Nonprofits that had a Paid Outside Consultant Administer the Most Recent Evaluation, by Formalization



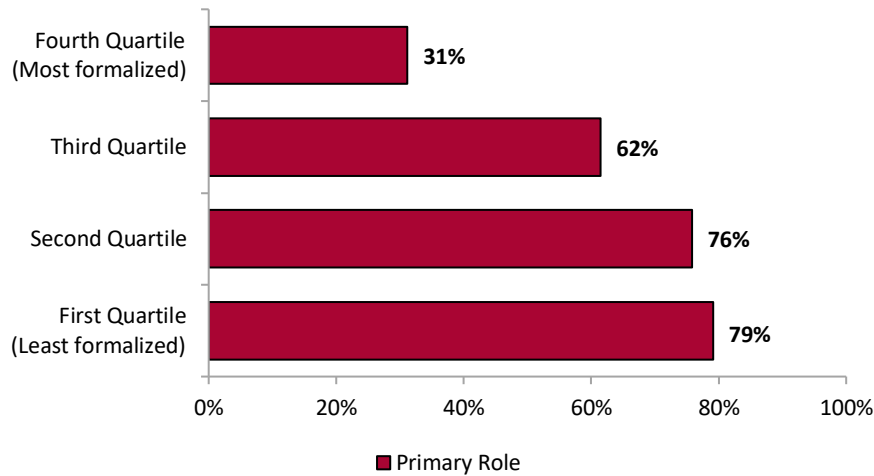
Similarly, the vast majority (90 percent) of the most formalized nonprofits and 74 percent of those in the next lower quartile have paid staff administer evaluations, compared to about only a quarter (27 percent) of the least formalized nonprofits and 38 percent of those in the second quartile (Figure 14).

Figure 14: Percent of Nonprofits that had Paid Staff Administer the Most Recent Evaluation, by Formalization



There is a distinctively different pattern when looking at nonprofits where a board member or unpaid volunteer had the *primary role* in evaluation. For the least formalized nonprofits, 79 percent had a board member or unpaid volunteer play a primary role in conducting program evaluations. This is only true for 31 percent of the most formalized nonprofits. As noted earlier, about 87 percent say a board member/unpaid volunteer played some role (not just primary role) in the evaluation, but that percentage does not differ significantly by level of formalization and is therefore omitted from Figure 15 below.

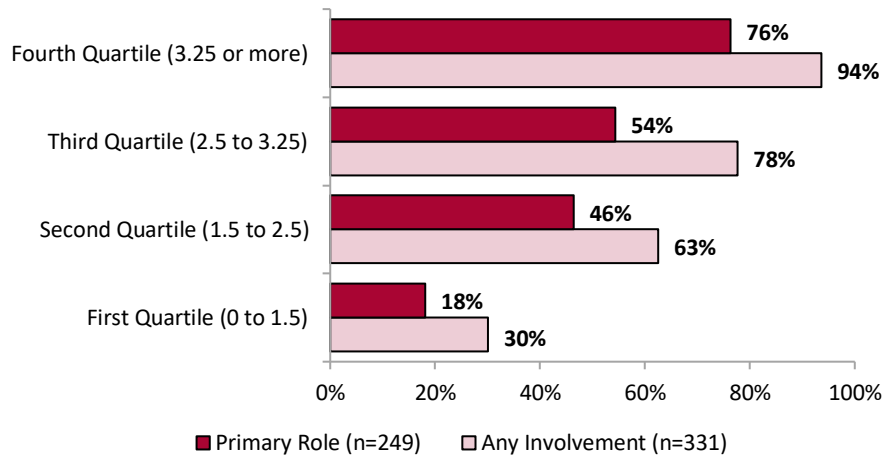
Figure 15: Percent of Nonprofits that had a Board Member/Unpaid Volunteer Administer the Most Recent Evaluation, by Formalization, (n=291)



Other Capacity: Average Internal IT

Nonprofits with more frequent use of internal information technology are more likely to have had paid staff conduct the most recent evaluation. Three quarters (76 percent) of those with the highest levels of internal IT had paid staff play a primary role in the evaluation (Figure 16). This contrasts with only a fifth (18 percent) of nonprofits that have the lowest internal IT with

Figure 16: Percent of Nonprofits that had Paid Staff Conduct the Most Recent Evaluation, by Average Internal IT

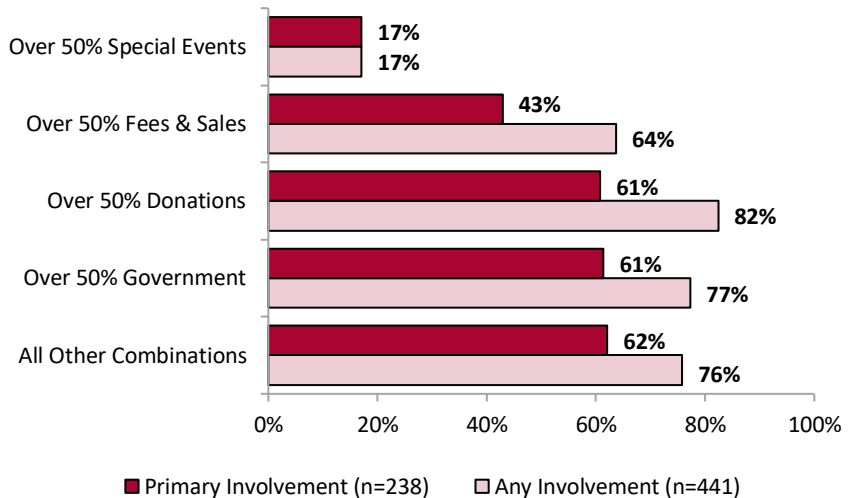


paid staff having a primary role in the most recent evaluation. As we noted earlier, conducting high quality program evaluations often requires easy access to client databases and software to analyze the data. It is not surprising therefore to find a strong relationship between higher use of internal IT tools and having paid outside consultants or paid staff conduct the most recent program evaluation.

External Forces: Funding Profile

The likelihood that nonprofits have paid staff administer evaluations differs depending on the source of funding. Nonprofits that obtain half or more of their funding from donations, government, and all other combinations, are most likely to have paid staff administer evaluations (Figure 17). Nonprofits that get the majority of their funding from special events are by far the least likely to have paid staff administer evaluations²¹.

Figure 17: Percent of Nonprofits that had Paid Staff Administer the Most Recent Evaluation, by Funding Profile



Summary: Investment in evaluations – who administers evaluations?

Our multi-variate analysis uses the more comprehensive scales of several variables examined above, age (number of decades since founded), the natural log of the FTE count and of board vacancies, and the full formalization and internal IT use scales.²²

High investment in evaluations – Using paid consultants

Each of the models for using paid outside consultants in any role or in a primary role are highly significant ($p < .000$), accurately predicting use of paid consultants in 78 and 87 percent of the cases respectively. As Table 3 shows, three factors remain significant for predicting using paid outside consultants in some capacity or in a primary role, controlling for all other factors.

As predicted, larger and more formalized nonprofits are significantly more likely to use paid outside consultants (primary or any role). For predicting whether paid outside consultants play a primary role in the most recent program evaluation, only one factor – number of decades since the organization was founded – is significant. As expected, older nonprofits are significantly more likely to have consultants play a primary role, controlling for all other factors.

²¹ All Other Funding Combinations is used because there weren't significant differences among nonprofits that obtained more than 50% of their funding from government, donations, fees & sales, and all other combinations in relation to having a paid outside consultant conduct the most recent evaluation.

²² We considered including a variable that measures the level of challenge nonprofits face in developing and delivering high quality programs/services, but it was not statistically significant in any of our multivariate analyses.

Table 3. Significant Predictors of Whether Nonprofits Pay Outside Consultants to Administer Evaluations Using Logistic Regression²³

<i>Variables Included in the Multivariate Equation (Predicted Relationship)</i>	<i>Positive (+) or Negative (-) Significant Coefficients</i>	
	ANY Role	PRIMARY Role
Age (Decades Since Founded) (+)		+
LN Number FTE (+)	+	
Formalization (+)	+	
Average Internal IT (+)		
LN Board Vacancy		
NTEE Code: ref=other		
NTEE Code: Arts & Culture		
NTEE Code: Education (+)		
NTEE Code: Human Services (+)		
NTEE Code: Public and Societal Benefit (-)		
NTEE Code: Religion		
Social Service Provision (+)		
Demand Increased		
Funding Mix: Over 50% Government (+)		
Funding Mix: Over 50% Donations (+)		
Funding Mix: Over 50% Fees and Sales		
Funding Mix: Over 50% Special Events		
Public Charity (+)		
Metropolitan Central County		
Metropolitan Ring County		
Panel		

Notes: We use the natural log of the number of FTE and of the number of board vacancies to account for the skew in the distribution of the original versions of the variables. Coefficients significant at the p<0.05 level marked with +, Any: Model Chi-square=71.509, p=.000, Nagelkerke R-squared=.378, 78.4% correct predictions, n=236, Primary: Model Chi-square=55.104, p=.000, Nagelkerke R-squared=.352, 86.9% correct predictions, n=236.

High investment in evaluation – Using paid staff

The multivariate equations for predicting use of paid staff in some capacity or in a primary role are both significant, correctly predicting which nonprofits do so in 91 and 77 percent of the cases respectively. The patterns for predicting whether Indiana nonprofits rely on paid staff in some capacity are similar to those that predict using paid outside consultants. In both cases, controlling for all other factors, larger and more formalized nonprofits are significantly more likely to rely on paid consultants or paid staff in some capacity (see Table 4).

Nonprofits that frequently use internal IT tools are significantly more likely to use paid staff in some way, controlling for all other factors. This is as we expected, since program evaluation usually requires access to electronic information systems and analytical software.

²³ We explored alternative approaches to multivariate analyses, including using stepwise regression. The results are broadly consistent with what we show here (details available upon request).

Table 4. Estimates for Logistic Regression of Whether Nonprofits have Paid Staff Administer Evaluations²⁴

<i>Variables Included in the Multivariate Equation (Predicted Relationship)</i>	<i>Positive (+) or Negative (-) Significant Coefficients</i>	
	ANY Role	PRIMARY Role
Age (Decades Since Founded) (+)		
LN Number FTE (+)	+	+
Formalization (+)	+	
Average Internal IT (+)	+	+
LN Board Vacancy		
NTEE Code: ref=other		
NTEE Code: Arts & Culture		
NTEE Code: Education (+)		
NTEE Code: Human Services (+)		
NTEE Code: Public and Societal Benefit		
NTEE Code: Religion		
Social Service Provision (+)		
Demand Increased		
Funding Mix: Over 50% Government (+)		
Funding Mix: Over 50% Donations (+)		
Funding Mix: Over 50% Fees and Sales		+
Funding Mix: Over 50% Special Events	+	
Public Charity(+)		
Metropolitan Central County		+
Metropolitan Ring County		
Panel		

Notes: We use the natural log of the number of FTEs and of the number of board vacancies to account for the skew in the distribution of the original versions of the variables. Coefficients significant at the p<0.05 level marked with +, Any: Model Chi-square=169.565, p=.000, Nagelkerke R-squared=.690, 91.0% correct predictions, n=277, Primary: Model Chi-square=103.646, p=.000, Nagelkerke R-squared=.420, 77.3% correct predictions, n=277.

Those that rely on special events for half or more of their revenues are also significantly more likely than those that rely on a mix of funding to have paid staff involved in program evaluation, controlling for all other factors. We had not expected this pattern, but speculate that at least some of these nonprofits may be evaluating the special events themselves. We note that there are easily available models for measuring the effectiveness of special events,²⁵ which would be of interest and use to nonprofits that rely heavily on this particular type of revenue source. Most of these require access to internal organizational expenditure records in order to use appropriately and would most easily be available to paid staff.

Less intuitive, perhaps, is our finding that those which rely on fees and sales for half or more of their revenues are more likely to have paid staff play a primary role, controlling for all other factors,

²⁴ We explored alternative approaches to multivariate analyses, including using stepwise regression. The results are broadly consistent with what we show here (details available upon request).

²⁵ See James M. Greenfield and Melissa S. Brown, “Budgeting for and Evaluating Fundraising Performance,” pp. 321-336 in Eugene R. Tempel, Timothy L Seiler, and Dwight F. Burlingame, *Achieving Excellence in Fundraising*, 4th Edition. Hoboken, N.J., Wiley: 2016.

compared to those that rely on a mix of funding sources. We speculate that those who rely extensively on fees and sales may be able to adapt standard business performance tools (such as monitoring rates of repeat customers/renewals), but that using these tools will require direct and easy access to financial transactions that paid staff are more likely to have.

We also find that nonprofits located in central counties of metropolitan regions (e.g., Marion County in the Indianapolis metropolitan region) are more likely to have paid staff play a primary role than those located in nonmetropolitan regions (the excluded category in the analysis below). This is consistent with our expectations that nonprofits located in metropolitan areas have greater access to resources in the broader community, including paid outside consultants.

Low investment in evaluation - Using board members/unpaid volunteers

The multivariate equations for predicting use of board members or unpaid volunteers in some capacity or in a primary role are both highly significant, correctly predicting which nonprofits do so in 85 and 76 percent of the cases respectively (Table 5).

Two variables are significant at the multivariate level with whether board members or unpaid volunteers have either a primary or secondary role in program evaluation – number FTE and number of board vacancies. However, the patterns are quite different from what we saw when looking at what accounts for higher levels of investment in program evaluation, as indicated by using paid outside consultants or paid staff in some capacity.

Larger organizations are less likely than smaller organizations to have board members or unpaid volunteers involved in program evaluation, either with a primary role or in any role. This is consistent with our finding that larger organizations are more likely to make higher levels of investment in program evaluation as indicated by using paid outside consultants or paid staff to carry out these activities.

Finally, higher numbers of board vacancies are associated with a lower likelihood of a primary role in evaluation for board members and unpaid volunteers. This is as we would expect: it would be difficult to ask board members who may already feel overworked to also take on evaluation, particularly when there are vacancies among their ranks.

Table 5. Estimates for Logistic Regression of Whether Nonprofits have Board Members/Unpaid Volunteers Administer Evaluations²⁶

<i>Variables Included in the Multivariate Equation (Predicted Relationship)</i>	<i>Positive (+) or Negative (-) Significant Coefficients</i>	
	<i>ANY Role</i>	<i>PRIMARY Role</i>
<i>Age (Decades Since Founded)</i>		
<i>LN Number FTE (-)</i>	-	-
<i>Formalization (-)</i>		
<i>Average Internal IT</i>		
<i>LN Board Vacancy (-)</i>		-
<i>NTEE Code: ref=other</i>		
<i>NTEE Code: Education</i>		
<i>NTEE Code: Human Services</i>		
<i>NTEE Code: Public and Societal Benefit</i>		
<i>NTEE Code: Religion</i>		
<i>Social Service Provision</i>		
<i>Demand Increased</i>		
<i>Funding Mix: Over 50% Government</i>		
<i>Funding Mix: Over 50% Donations</i>		
<i>Funding Mix: Over 50% Fees and Sales</i>		
<i>Funding Mix: Over 50% Special Events</i>		
<i>Public Charity (-)</i>		
<i>Metropolitan Central County</i>		
<i>Metropolitan Ring County</i>		
<i>Panel</i>		

Notes: We use the natural log of the number of FTEs and of the number of board vacancies to account for the skew in the distribution of the original versions of the variables. Coefficients significant at the p<0.05 level marked with +, Any: Model Chi-square=39.685, p=.008, Nagelkerke R-squared=.229, 84.5% correct predictions, n=290, Primary: Model Chi-square=102.256, p=.000, Nagelkerke R-squared=.396, 75.5% correct predictions, n=290.

²⁶ We explored alternative approaches to multivariate analyses, including using stepwise regression. The results are broadly consistent with what we show here (details available upon request).

Challenges in Program Evaluation

As we noted earlier, undertaking high quality program evaluations is likely to be very demanding and require considerable expertise and organizational capacities. However, our survey instrument was not designed to assess the quality of program evaluations – that would have required a very lengthy and detailed survey. We therefore rely on a question which asked those that said they had undertaken program evaluations during the previous 36 months, whether evaluating or assessing programs outcomes or impact poses a major challenge, somewhat of a challenge, a minor challenge or not a challenge.²⁷

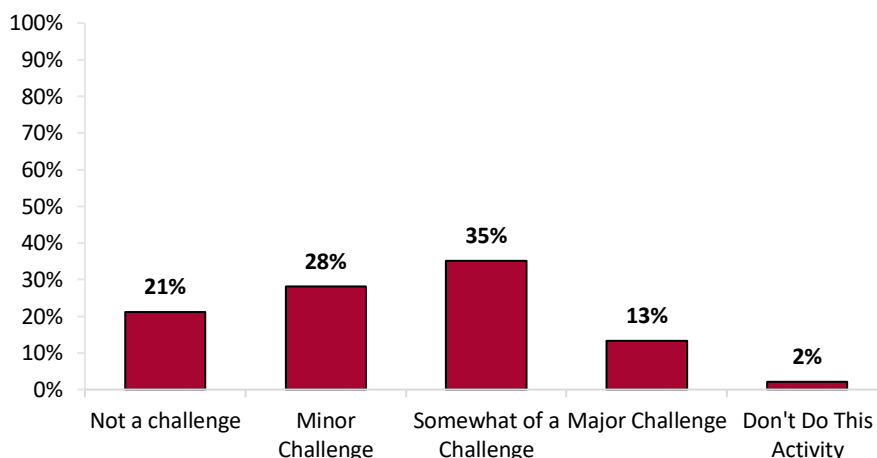
We cannot distinguish between whether such activities pose challenges because the responding organization doesn't have much technical experience with program evaluation or the opposite – those that fully understand the technical complexity find it challenging to do it right, while those who have only a rudimentary understanding don't think it is much of a challenge.

Almost half (48 percent) said that evaluating and assessing program outcomes or impacts is at least somewhat of a challenge, including 13 percent who said it is a major challenge. Another quarter (28 percent) say it is a minor challenge, and a fifth (21 percent) report that evaluating or assessing program outcomes or impact does not pose a challenge (Figure 18).

Curiously, 2 percent of respondents to this question, who had already responded affirmatively when asked if they evaluated their programs, stated that they do not “evaluate or assess program outcomes or impact.” Perhaps some of these respondents don't understand what it means to evaluate one's programs or did so only in the past²⁸.

Three of our explanatory factors — number of FTE staff, formalization, and major field of activity (NTEE code)—are significant at the bivariate level. However, only NTEE code remains significant in the

Figure 18: Extent to which evaluating or assessing program outcomes or impact poses a challenge, (n=565)



²⁷ We would undoubtedly have obtained richer and more informative information on the challenges of conducting program evaluation if we had been able to include series of questions about how challenging it is to do specific program evaluation tasks, such as finding or developing program evaluation expertise, selecting which programs to evaluate, identifying appropriate outcome measures, determining who to obtain measures about and when, collecting the data at several points in time, and analyzing and interpreting the findings.

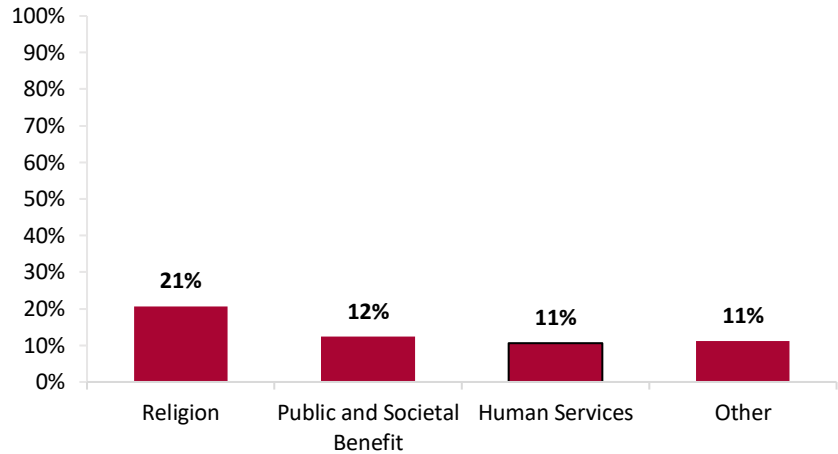
²⁸ In other analyses, we converted the challenges to a scale. This did not yield significant results. We then explored two different dummy variables, one with major challenge and one with both major challenge and somewhat of a challenge. Ultimately, we concluded that the best variable for our analysis was a dummy variable with major challenge as 1 and everything else as 0.

multivariate analysis. We describe that relationship below. The remaining two relationships are detailed in Appendix D.

Organizational Expertise: Primary Field (NTEE Code)

Religious nonprofits are most likely to report evaluating and assessing program outcomes or impacts is a major challenge (21 percent), followed by public and societal benefit nonprofits (12 percent), human service nonprofits (11 percent), and other nonprofits (11 percent) (Figure 19).

Figure 19: Extent to which evaluating or assessing program outcomes or impact poses a major challenge by NTEE Code, (n=553)



Summary: What kinds of nonprofits report that evaluating and assessing program outcomes or impacts is a major challenge?

None of the options we analyzed for the dependent variable produced a significant model when all variables are included in the model. However, when we include only those predictor variables that are significant at the bivariate level, the model is significant at the .05 level of significance but lacks statistical power. Because this model is not particularly useful in understanding whether and how Indiana nonprofits consider program evaluation to be a challenge, we do not present it here. However, the full results for the models we explored are available in Appendix E.

CONCLUSION

Nonprofits are increasingly expected to evaluate their programs. Doing so allows them to determine whether their programs are effective, meet the needs of those they serve, and support their mission. These efforts also allow nonprofits – and their funders – to assess whether resources needed to support programs are invested appropriately and responsibly.

Our analysis has examined four key questions about the extent and nature of program evaluation among Indiana nonprofits – whether they do it, whether it is required by funders, who does it, and how challenging is it.

We find that program evaluation is prevalent among Indiana nonprofits, especially considering the broad scope of nonprofits included in our analysis – membership associations and congregations as well as traditional public charities. Almost two-thirds (62 percent) have evaluated their programs during the three years prior to the survey. Of these, more than a third (38 percent) said that their funder(s) required program evaluation. But clearly, many nonprofits evaluate their programs on their own.

High quality program evaluation requires technical expertise and sustained efforts over a period of time in order to determine the impact of programmatic efforts. Involving paid outside consultants may provide needed expertise, while relying on paid staff may provide necessary continuity of effort and easy access to key information. Both absorb organizational resources and represent dedicated organizational investment in evaluations.

Less than a quarter (23 percent) of Indiana nonprofits that have evaluated their programs rely on paid consultants in their program evaluation in any way and for only 14 percent do such consultants play a primary role. More than two-thirds (71 percent) rely on paid staff, including more than half (54 percent) where paid staff play a primary role.

The great majority (87 percent) of Indiana nonprofits that have evaluated their programs rely at least in part on board members or other unpaid volunteers to administer the most recent program evaluation, suggesting they invest relatively few organizational resources in evaluation. For more than half (56 percent), board members or volunteers play a primary role.

Half (50 percent) of Indiana nonprofits that have evaluated their programs say it is at least somewhat of a challenge, but only 14 percent say it is a major challenge. The latter is surprisingly low, given the complexity of carrying out high quality evaluations. It suggests that in some cases, at least, the evaluations may be less extensive and complete than optimal, or that respondents have at best an incomplete understanding of what evaluations involve. It is also possible that our measure of program evaluation challenges is too coarse to adequately capture the full scale of challenges involved in program evaluation.

We explore whether a broad range of explanatory factors help account for whether Indiana nonprofits evaluate their programs, whether it is required by their funders, who are involved in the evaluation, and how much of a challenge these efforts are. Most of our multivariate models are highly significant ($p < .000$). However, our efforts to explain how challenging respondents find evaluation to be either produces no significant model or have such little statistical power that they are not particularly useful.

In general, controlling for all other factors, we find broad consistency among the factors that predict whether Indiana nonprofits undertake program evaluation and rely on paid outside consultants or on

paid staff, but differences emerge when it comes to whether program evaluation is required and in using board members or other volunteers to conduct the evaluation.

Among the four broad groupings of explanatory factors that we considered (organizational capacity, other capacity indicators, organizational expertise, and external forces), organizational capacity – primarily formalization and size – appears to be most consistently related to program evaluation.

Controlling for all other factors, more formalized nonprofits are more likely to engage in program evaluation, to be required to do so, and to rely on paid outside consultants or paid staff to carry out the work. Larger organizations, as measured by the number of full-time equivalent paid staff (FTE), are also more likely to be required to evaluate programs and to involve paid outside consultants or paid staff in the process, but are less likely to rely on board members or other volunteers. We find that younger nonprofits are more likely to be required to do program evaluation, perhaps because funders have less confidence in their ability to do so on their own.

Two other capacity indicators also appear relevant. Controlling for all other factors, nonprofits with greater internal information technology resources are more likely to involve paid staff in program evaluation, while those with fewer board vacancies are more likely to involve board or other volunteers in the effort.

Organizational expertise, as measured by primary field of activity or whether they are involved in social services, is only important in predicting whether program evaluation is required. Controlling for all other factors, education and religion nonprofits are more likely to be required to do program evaluation. Program evaluation is highly institutionalized in the education field, perhaps accounting for the education pattern. We speculate that funders may have greater uncertainty about the ability of religious nonprofits to undertake program evaluation, and therefore may be more likely to impose the requirement to do so.

Among the external factors considered – whether demand for services has increased, primary source of funding, whether a registered charity, and location – only two appear important. Considered in isolation, public charities are more likely to be required to evaluate their programs. However, they also tend to be larger and more formalized than other nonprofits and once we control for all other factors, most notably size and formalization, they appear less likely to be required to do so.

Finally, two types of funding reliance appear to be important, and not the ones we had expected (government or donations). We find that those with half or more of their revenues from special events are more likely to use paid staff to conduct the program evaluation. We don't know whether the evaluation is of the special event(s) or of a mission-related program. However, there are standard, easily applied tools available for evaluating the success of events and we suspect that this particular finding may be driven at least in part by the likelihood that paid staff routinely evaluate special events themselves. Similarly, nonprofits that rely primarily on fees and sales are more likely to use staff in a primary role for program evaluation.

Overall, our findings point to the importance of paying careful attention to organizational capacity for program evaluation. Staff size is clearly a very important factor, but so is whether nonprofits have developed the institutional culture to document, monitor, and formalize their activities (as measured by our formalization scale). In addition, access to and use of a range of internally-focused information technology resources appear critical for involving paid staff in evaluation efforts.

These capacity factors appear to dwarf (although not entirely eliminate) the importance of external forces (demand, funding reliance, charitable status, location). The same holds for whether nonprofits operate in fields with well-established traditions and resources for program evaluation.

These findings have important implications for researchers. For example, what are the most limiting factors for undertaking some form of evaluation among smaller, more informally structured nonprofits? Or, how should we understand the strong and persistent relationship between program evaluation and formalization? Is program evaluation a natural extension of adopting a broad range of internal monitoring structures (as captured by our formalization score)? If so, what are the conditions under which nonprofits develop and strengthen those internal organizational structures? Or is it a two-way street, where nonprofits that engage in program evaluation begin to examine and then strengthen their other monitoring efforts?

Our findings also have implications for nonprofit managers and institutional funders. For example, how important should program evaluation be in the overall scope of nonprofit activities? To what extent should funders push for evaluation? And if so, what resources and capacity-building efforts will be needed? Does the push for outcome measures drive nonprofits to focus on easily measured program activities that allow them to check the evaluation box, to the exclusion or detriment of more effective activities?

Appendix A – Do Indiana Nonprofits Evaluate Their Programs? – Significant Bivariate Relationships

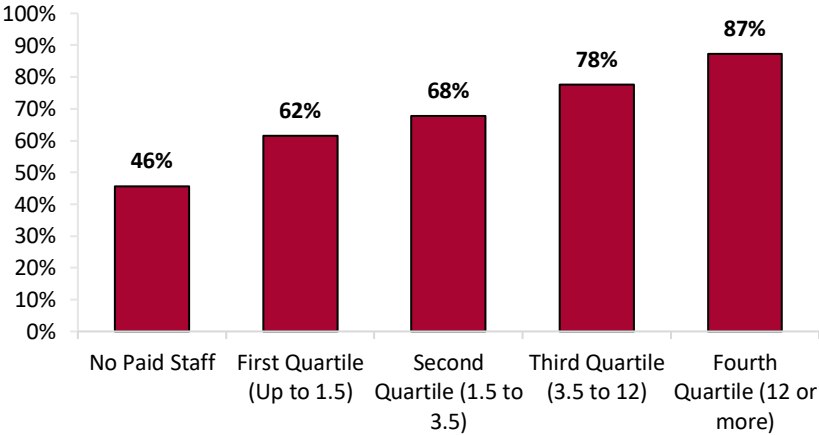
The body of our report highlights only those factors that, in combination, appear most important in explaining the particular dimensions of program evaluation we examine for Indiana nonprofits. To do so, we used multivariate analysis (logistic regression analysis), an advanced statistical technique that allows us to determine which specific predictor factors remain important, once we control for all other predictor factors. However, a number of other predictor factors were important at the bi-variate level, where we look at each predictor variable individually to determine whether it is related to a particular dimension of program evaluation. Below we present a brief discussion of these other predictor factors, focusing first on whether Indiana nonprofits evaluate their programs.

Organizational Capacity: Number of FTE Staff

The average number of FTE staff is 12.4, but 44 percent have no paid staff at all. For those with any paid staff, the median is 3.5 FTE, one quarter has 1.5 FTE or less, and one quarter has 12 FTE or more (the maximum is more than 1,000). As expected, the likelihood that nonprofits evaluate their programs increases with the number of FTE paid staff. Less than half (46 percent) of nonprofits with no paid staff evaluate their programs, compared to 87 percent of nonprofits in the highest quartile of FTE paid staff (Figure A1).

The number of FTE is not significant in the multivariate analysis, once we control for all other factors. Most likely that is because larger nonprofits are more formalized than smaller organizations, so size (FTE) doesn't improve our ability to predict whether nonprofits evaluate their programs, once we control for formalization.

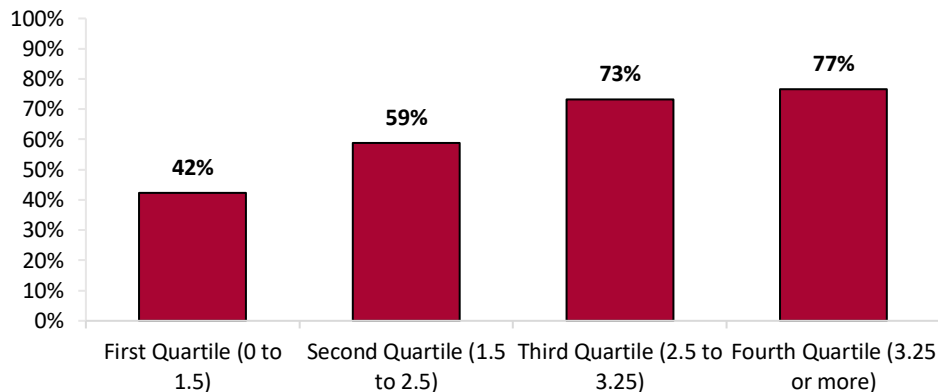
Figure A1: Percent of Nonprofits that have Evaluated Programs, by Number of FTE (n=896)



Organizational Capacity: Average Internal IT

We also thought that nonprofit access to internal technology (such as electronic client or financial records) would be related to program evaluation. As expected, nonprofits with more internal IT are significantly more likely to evaluate their programs (Figure A2). Only two-fifths (42 percent) of nonprofits that have the lowest levels of internal IT evaluate their programs, compared to three-quarters of those in the upper half of internal IT scores (73 percent in 3rd quartile, 77 percent in 4th quartile).

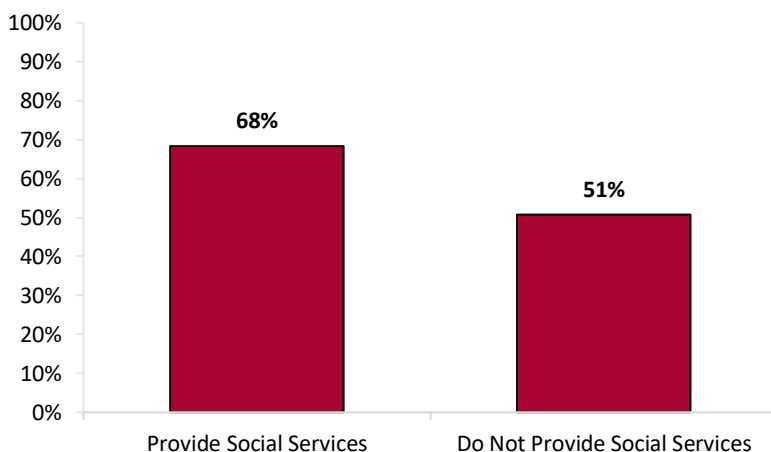
Figure A2: Percent of Nonprofits that have Evaluated Programs in the past 36 months, by Average Internal IT, (n=554)



Organizational Expertise: Social Services

We explored two indicators of organizational expertise: primary field of activity using the National Taxonomy of Exempt Entities (NTEE) and a more focused question about social services from the survey. That question asked respondents to indicate whether their nonprofit participates in or supports social services, community development or neighborhood organizing projects. We thought these indicators might be important, since the outcome of some activities (such as counseling) are easier to assess than others (e.g., advocacy). NTEE field of activity was not significant, but responses to the social service question was. Nonprofits that provide or support social services and related activities are more likely to evaluate their programs, with two-thirds (68 percent) of nonprofits that provide social services evaluate their programs compared to half (51 percent) of those that do not (Figure A3).

Figure A3: Percent of Nonprofits that Evaluate their Programs, by Social Services, (n=563)



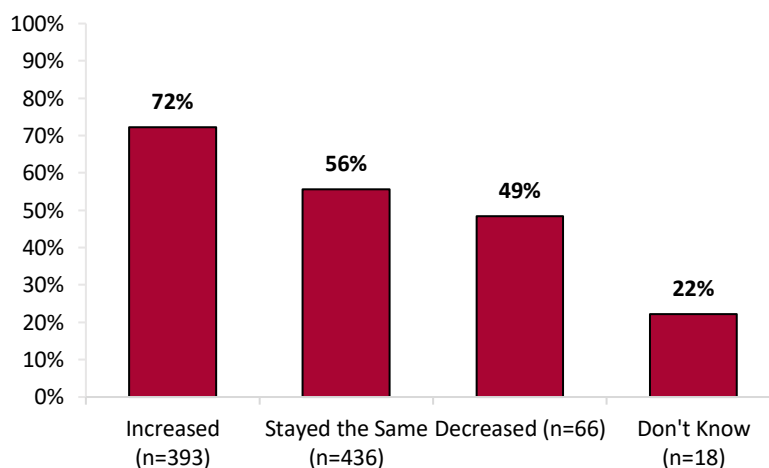
External Forces: Demand for Services

We also thought demand for the services might be important for whether nonprofits evaluate their programs. Almost all (91 percent) nonprofits said demand for their services had increased (43 percent) or stayed the same (48 percent) over the prior 3 years. Only 7 percent said demand had decreased. We don't know if the increased demand is because the organization is offering programs that are more attractive or have been marketed better, or because there has been a real change in the *need* for their services in the communities where they are located.

As expected, we find that evaluation is most prevalent among nonprofits that report an increase in the demand or need for their services (72 percent). This is notably higher than those who said demands stayed more or less the same (56 percent) and or reported a decline (49 percent). Only 22 percent of those who don't know whether demand has increased say they have done any program evaluation (Figure A3).

We don't know whether these patterns reflect recognition by Indiana nonprofits that program evaluation helps demonstrate their efficacy when seeking funding to meet the growing demands or simply their own efforts to determine the most effective use of their resources when demands exceed their capacity to provide services. Alternatively, nonprofits that engage in program evaluation may have developed a better understanding of how extensive the needs are for their program.

Figure A3: Program Evaluation by Demand, (n=18-436)

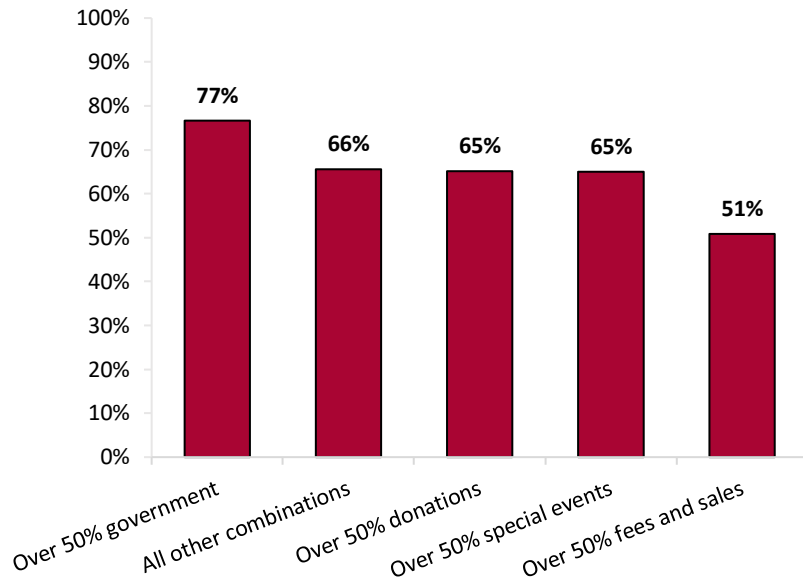


External Forces: Funding Profile

To see whether the type of funding on which Indiana nonprofits rely is important for program evaluation, we use responses to questions about the percentage of revenue received from each of several major types of funding during the most recently completed fiscal year. We then determine whether respondents receive half or more from a particular type of funding. About a third (38 percent) of Indiana nonprofits receive half or more of their revenues from private donations. About a quarter (27 percent) rely primarily on fees and sales from private (non-government) sources, and less than a tenth rely primarily on special events (9 percent) or government grants, contracts and fee for service arrangements (8 percent). The remaining 19 percent have no dominant funding source, but rely on a mix of sources.

As expected, the likelihood that nonprofits evaluate their programs varies by funding mix (Figure A4). About three quarters (77 percent) of nonprofits that obtain half or more of their funding from the government evaluate their programs, compared to about two-thirds of those that rely on a mix of sources (66 percent) or obtain half or more of their funding from donations or special events (both 65 percent). About half (51 percent) of those that rely mainly on fees and sales evaluate their programs, perhaps relying on data on revenues from fees and sales to determine whether their programs are working appropriately.

Figure A4: Program Evaluation by Funding Profile, (n=835)

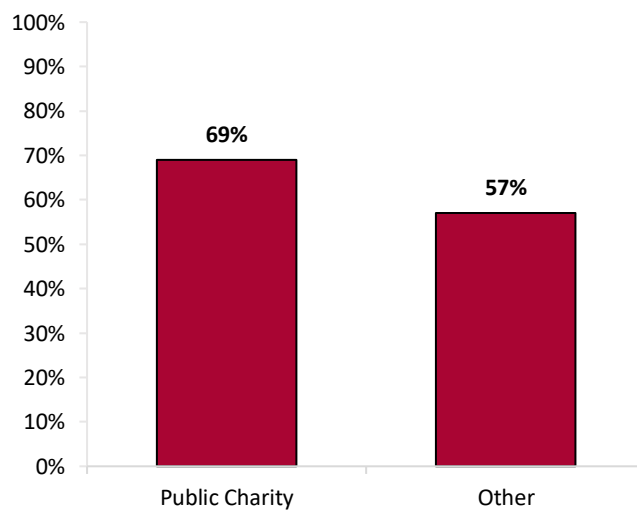


External Forces: Public Charities

Our survey asked respondents to indicate whether or not they are registered as a public charity. Over three-quarters (76 percent) of the nonprofits in our sample said they were defined as organizations that registered with the IRS as a public charity. We cross-checked this against actual IRS registration and used that information to designate charitable organizations.

We were particularly interested in this variable because public charities are subject to special scrutiny by watchdog organizations (such as BBB Wise Giving Alliance and Charity Navigator) and by institutional funders, such as the government, foundations, and corporations. Because of this special scrutiny, we hypothesized that public charities would be more likely to evaluate their programs. Indeed, that is the case: about two-thirds of nonprofits that are charities report evaluating their programs (69 percent), more than the 57 percent of other nonprofits that report evaluating their programs (Figure A5).

Figure A5: Whether nonprofits evaluate programs, Public Charity vs. Other (n=609)



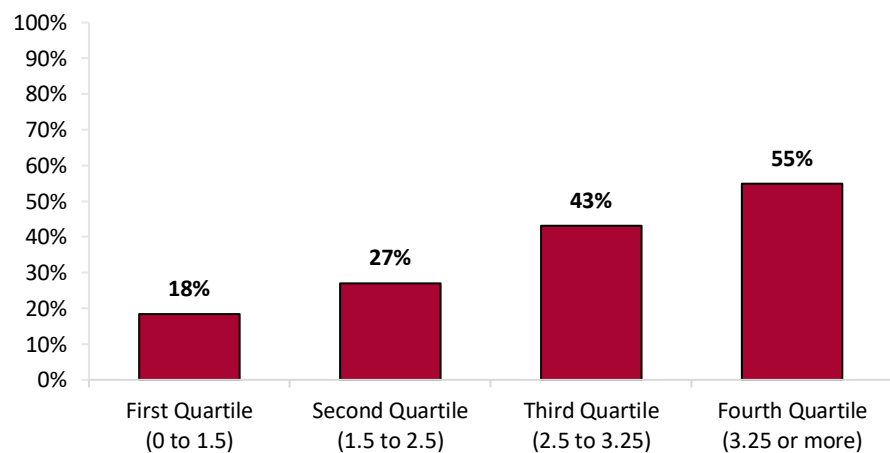
Appendix B – Evaluation Required by Grantors or Funders – Significant Bivariate Relationships

We turn now to a brief look at predictor factors that were important at the bi-variate level in explaining whether funders require Indiana nonprofits to evaluate their programs, but not in our multivariate analysis (logistic regression analysis), once we control for all other predictor factors.

Organizational Capacity: Average Internal IT

Nonprofits that have higher levels of average internal IT are significantly more likely to be required to evaluate their programs than nonprofits with lower levels of internal IT. More than half (55 percent) of nonprofits with the highest level of internal IT are required to evaluate their programs by grantors or funders, compared to less than a fifth (18 percent) of nonprofits with the

Figure B1: Percent of Nonprofits that are Required to Evaluated Programs, by Average Internal IT, (n=539)

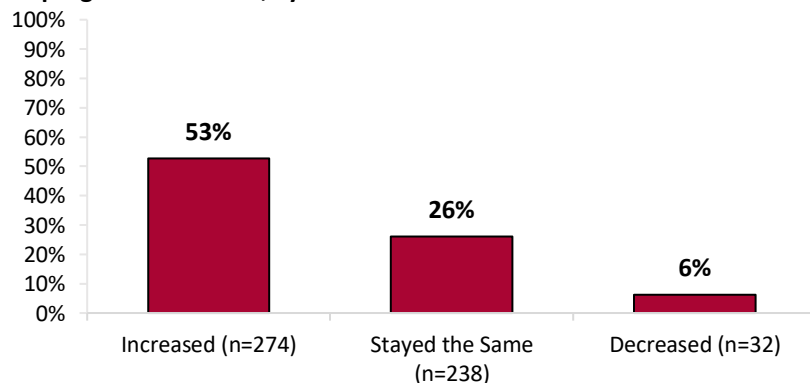


lowest levels of internal IT being required to evaluate their programs (Figure B1). We speculate that nonprofits may not apply for funding that require evaluations unless they have the IT capacity to carry out the evaluation. Alternatively, they may acquire needed IT in order to complete the required evaluation.

External Forces: Demand

Organizations that have experienced increased demand for their programs and services are more than twice as likely to report being required to evaluate their programs (53 percent) than nonprofits whose demand has not changed (26 percent) or decreased (6 percent) (Figure B2).

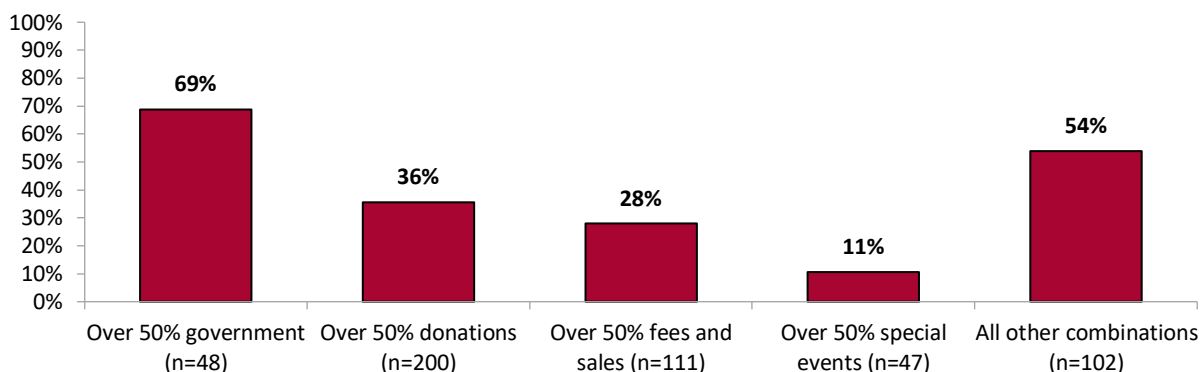
Figure B2: Percent of nonprofits whose grantors or funders require program evaluation, by Demand



External Forces: Funding Profile

The likelihood that nonprofits' funders require them to evaluate their programs varies significantly by funding mix. More than two-thirds (69 percent) of nonprofits that obtain more than half of their funding from government are required to evaluate their programs followed by those that have a mix of funding (54 percent) (Figure B3) (note that 67 percent of nonprofits that have a mix of funding also receive some government funding). About a third (36 percent) of those that obtain more than half of their funding from donations are required to undertake evaluations, as are about a quarter (28 percent) of those that obtain more than half from fees and sales. Only 11 percent of those that obtain more than half of their funding from special events are required to evaluate their programs.

Figure B3: Percent of nonprofits whose grantors or funders require program evaluation, by funding profile



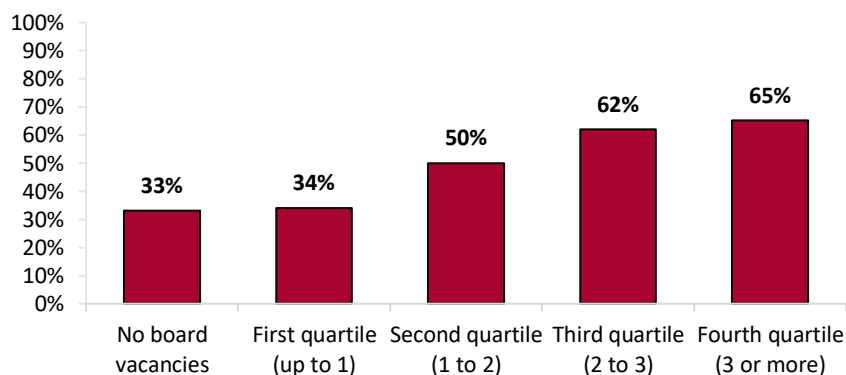
Other: Number of Board Vacancies

We include a measure of board vacancies to see whether this particular indicator might be related to program evaluation. A third of nonprofits (34 percent) report having at least one board vacancy. We find that as the number of board

vacancies increases, the likelihood that nonprofits' funders require them to evaluate their programs also increases (Figure B4). A third of organizations with zero or one board vacancy are required by funders or grantors to evaluate programs (33 percent and 34 percent), compared to 50 percent for those with 1-2 board vacancies and to two-thirds of nonprofits in the two top quartiles (2 board vacancies or more).

We speculate that this pattern may reflect funder concerns about the overall organizational capacities of nonprofits to carry out funded activities if they have board vacancies. We note that some funders do ask for information on board members and vacancies as part of their vetting process when making grant decisions.

Figure B4: Program Evaluation Required by Funder - Number of Board Vacancies, (n=467)



Appendix C – Who Conducts Evaluations: Significant Bivariate Relationships

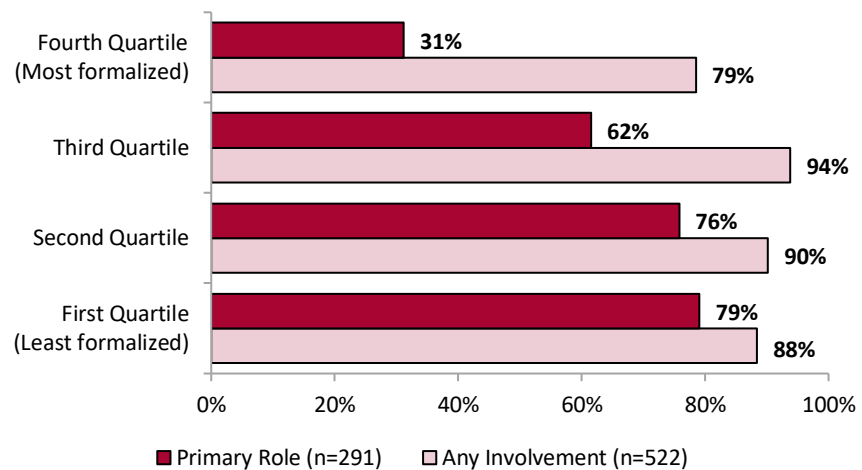
Below we discuss predictor factors that were important at the bi-variate level, but not in the multivariate analysis, in explaining who were involved in conducting the evaluation: paid outside consultants or paid staff (high investment) or board members/unpaid volunteers (low investment). We specified whether these types of individuals have a primary or a secondary role. As we noted in the body of our report, the patterns for using paid outside consultants or paid staff to conduct the evaluations are notably different from those we find when we look at using board members/unpaid volunteers.

Organizational Capacity: Formalization

Formalization was significant in the multivariate analyses when we looked at what explains relying on paid outside consultants or paid staff – the more formalized the organization, the more it relied on these types of evaluators.

That was not the case for relying on board members or unpaid volunteers, which was only significant in the multivariate analysis. Overall, the more formalized Indiana nonprofits are, the less they use board members/unpaid volunteers at least in some capacity for program evaluation (Figure C1).

Figure C1: Percent of Nonprofits that had a Board Member/Unpaid Volunteer Administer the Most Recent Evaluation, by Formalization

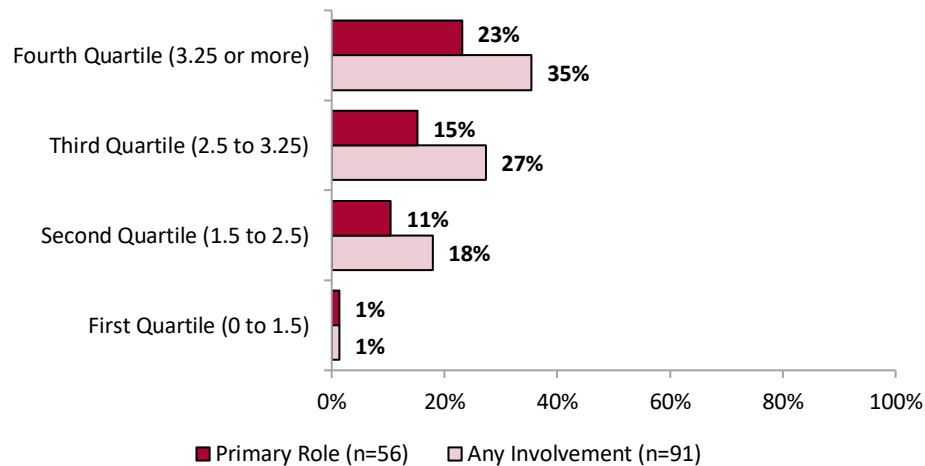


However, even for the most formalized ones, 79 percent say that board members/unpaid volunteers play some role, compared to almost 88 percent of the least formalized nonprofits. A more pronounced pattern emerges when analyzing the primary role in program evaluation. Nonprofits that are highly formalized are far less likely than the least formalized nonprofits to have board members/unpaid volunteers involved in a primary role in program evaluation (31 percent versus 79 percent).

Organizational Capacity: Average Internal IT

Nonprofits with higher levels of internal IT capacity are significantly more likely to use paid outside consultants in some capacity, as well as having consultants play a primary role (Figure C2). Virtually none (1 percent) of those with the lowest level of internal IT capacity use paid outside consultants at all or in a primary role. Those percentages increase to respectively 35 (any role) and 23 percent (primary role) for nonprofits that use various internal IT tools more extensively. We speculate that paid outside consultants likely request having access to data and other information that require a minimum level of IT capacity in order to agree to undertake the evaluation.

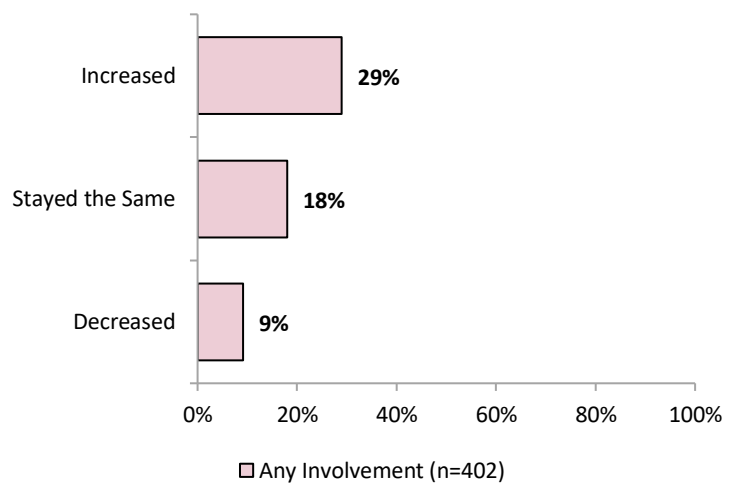
Figure C2: Percent of Nonprofits that had a Paid Outside Consultant Administer the Most Recent Evaluation, by Average Internal IT



External Forces: Demand

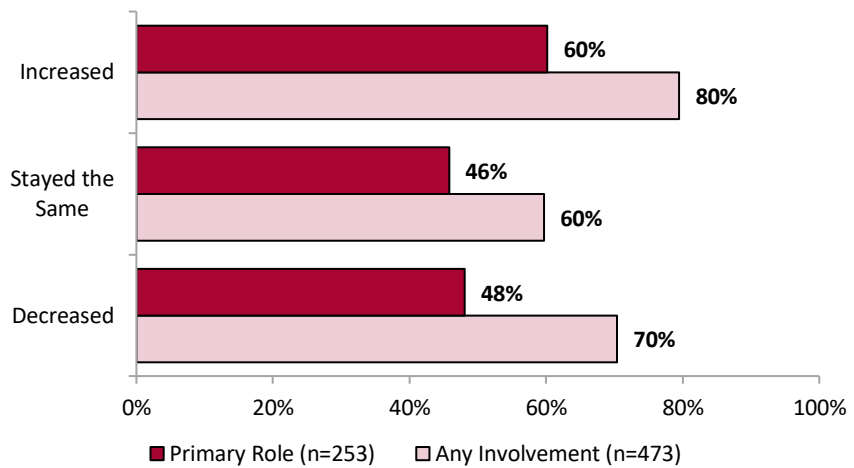
There is no relationship between demand and using board members or unpaid volunteers to administer program evaluation. However, among nonprofits that have seen an increase in demand in the past 36 months, almost a third (29 percent) had an outside paid consultant involved in some capacity with their most recent evaluation (Figure C3). The percentage dropped to less than a fifth (18 percent) for those where demand had stayed about the same, and to less than a tenth (9 percent) for the very few who reported that demand had decreased. Demand is not related to whether paid outside consultants play a primary role.

Figure C3: Percent of Nonprofits that had a Paid Outside Consultant Administer the Most Recent Evaluation, by Demand



We find a somewhat similar pattern when it comes to using paid staff for program evaluation. Those reporting increased demand were more likely to use paid staff for the evaluations (80 percent) than those with no change in demand (60 percent). However, the relatively few who said demand had actually decreased were intermediary (70 percent) in using paid staff in some capacity (Figure C4). The pattern is clearer for having paid staff play a primary role – for nonprofits that reported increased demands, staff played a primary role for 60 percent, compared to less than half for those where demand had stayed the same (46 percent) or decreased (48 percent).

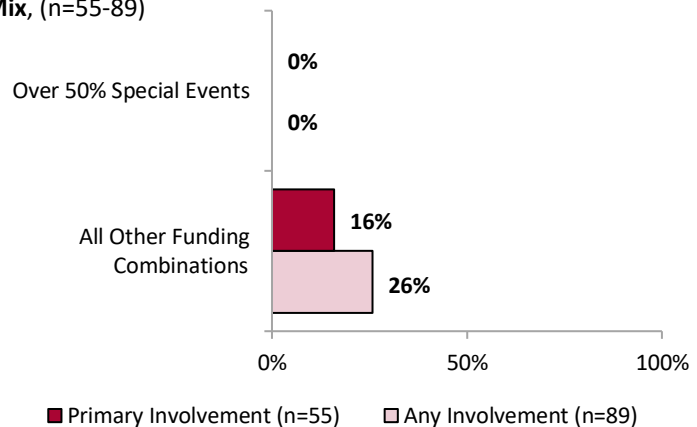
Figure C4: Percent of Nonprofits that had Paid Staff Administer the Most Recent Evaluation, by Demand, (n=253-473)



External Forces: Funding Profile

Funding mix – the extent to which nonprofits rely primarily on a particular type of funding source, is also related to who carries out the program evaluation. As Figure C5 shows, no nonprofits that rely mainly on special events use a paid outside consultant to carry out program evaluation. There are no significant differences in using paid outside consultants for any other funding profile.

Figure C5: Percent of Nonprofits that had a Paid Outside Consultant Administer the Most Recent Evaluation, by Funding Mix, (n=55-89)

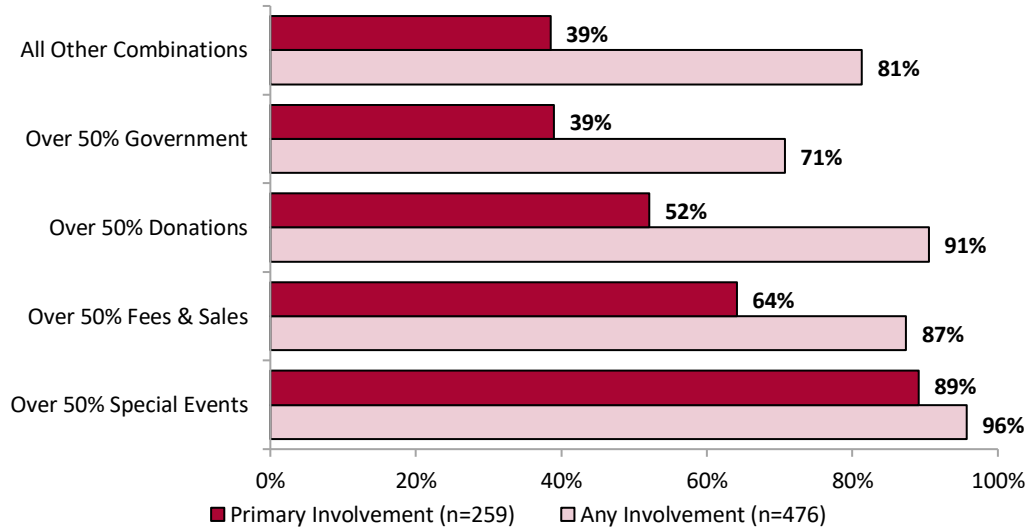


However, there are distinctive patterns across the funding profiles in terms of the role that board members/unpaid volunteers play. The vast majority of nonprofits that rely primarily on special events (96 percent), donations (91 percent), or fees and sales (87) rely on board members/ unpaid volunteers in some capacity, compared to only 71 percent of those that rely mainly on government funding, and those relying on a mix of funding sources are intermediary (81 percent) (Figure C6).

There are even more distinctive differences across the funding profiles, when we look at whether board members/unpaid volunteers play a primary role. The percentages range from a high of 89 percent for those that rely mainly on special events, to 39 percent for those that rely mainly on government or on a mix of sources. About two thirds (64 percent) of that that rely mainly on fees and sales do program

evaluations where board members or unpaid volunteers play a primary role and about half (52 percent) do so if they rely mainly on donations.

Figure C6: Percent of Nonprofits that had a Board Member/Unpaid Volunteer Administer the Most Recent Evaluation, by Funding Mix, (n=259-476)



External Forces: Public Charity

Public charities are under special scrutiny because they are eligible to receive tax-deductible contributions. As expected, public charities are significantly more likely to involve paid staff (in any capacity or in a primary role) or paid outside consultants (any role) in their evaluations than non-charities (Figures C7, C8), but are significantly less likely to have board members/unpaid volunteers play a primary role (Figure C9).

Figure C7: Percent of Nonprofits that had Paid Staff Administer the Most Recent Evaluation, by Public Charity

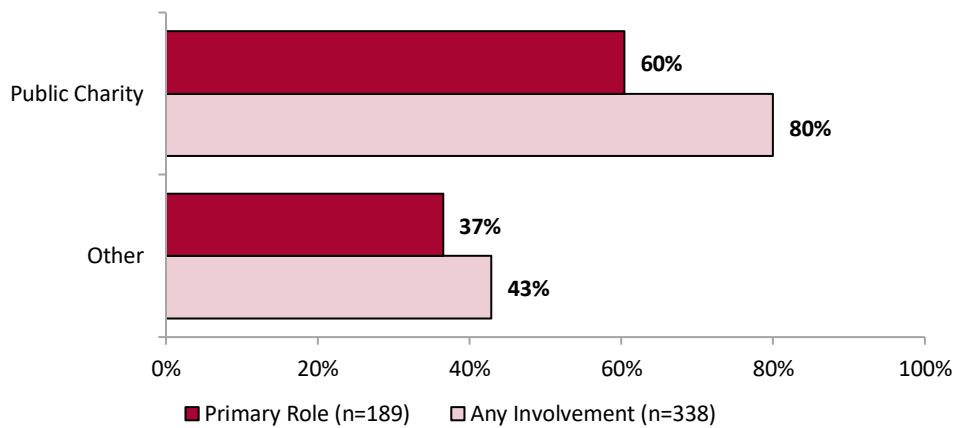


Figure C8: Percent of Nonprofits that had a Paid Outside Consultant Administer the Most Recent Evaluation, by Public Charity

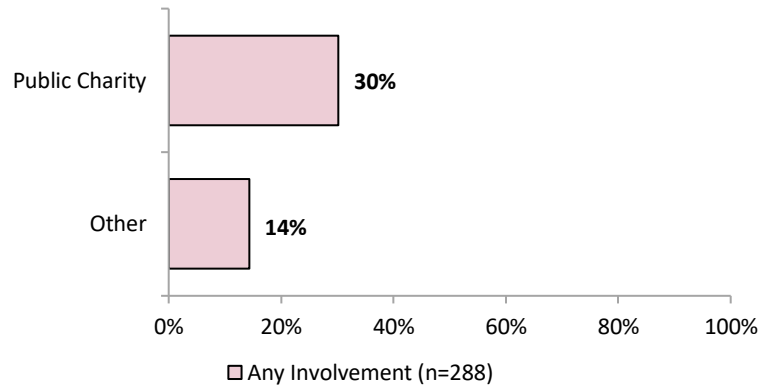
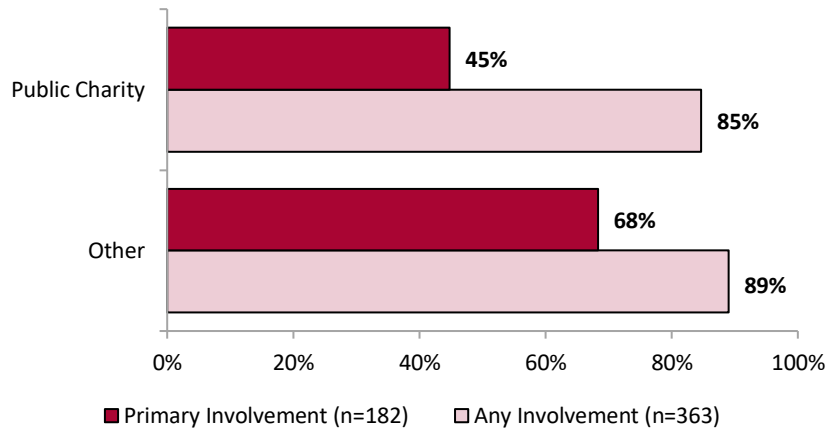


Figure C9: Percent of Nonprofits that had a Board Member/Unpaid Volunteer Administer the Most Recent Evaluation, by Public Charity



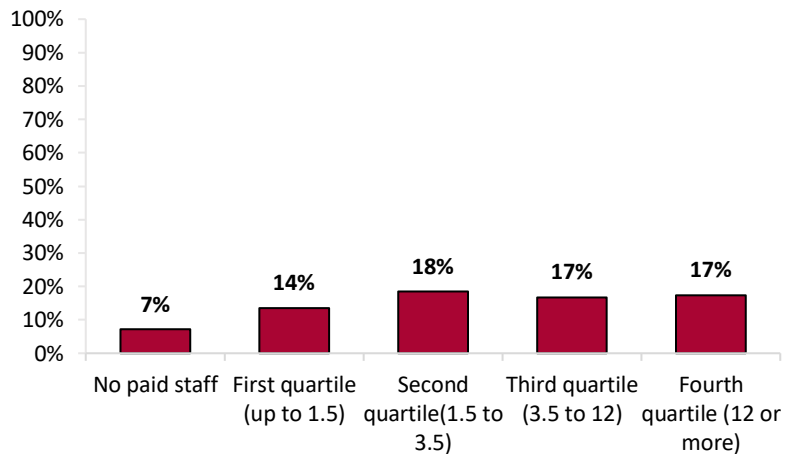
Appendix D – Program Evaluation Challenges: Significant Bivariate Relationships

Finally, we look at predictor factors that were important at the bi-variate level, but not in the multivariate analysis, in explaining how challenging Indiana nonprofits find program evaluation to be.

Organization Capacity: Number of FTE

Although relatively few Indiana nonprofits report that program evaluation presents a major challenge, the smallest nonprofits (those without any paid staff) are significantly LESS likely to view program evaluation as a major challenge than any of the larger size categories (7 percent vs. 14-18 percent) (Figure D1). We speculate that those without any paid staff are either too small to worry much about program evaluation, or have little experience with it. Alternatively, nonprofits with more FTE staff might rely on larger grants, which often come with stricter — and thus more challenging — evaluation requirements.

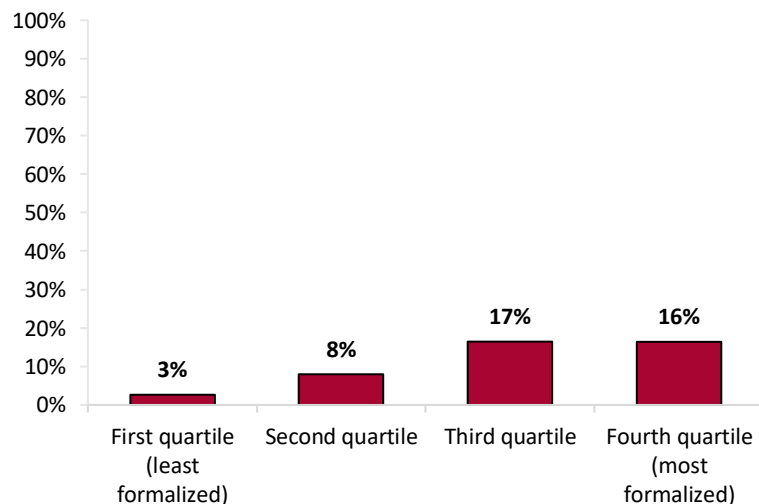
Figure D1: Extent to which evaluating or assessing program outcomes or impact poses a challenge by Number FTE, (n=533)



Organizational Capacity: Formalization

We find a similar pattern for formalization. Hardly any (3 percent) of the least formalized nonprofits consider program evaluation to be challenging, compared to 16-17 percent of the two most formalized groups (Figure D2). As above, we speculate that more formalized nonprofits may receive larger grants, which often come with stricter—and thus more challenging—evaluation requirements.

Figure D2: Extent to which evaluating or assessing program outcomes or impact poses a challenge, by Formalization, (n=553)



Appendix E – Multivariate Analyses

Below, we display in-depth regression tables, including coefficients, for further information.

Table E1. Estimates for Logistic Regression of Whether Nonprofits Evaluate Their Programs

Variable	B	S.E.	Sig.	Exp(B)
Decades since Founded	-0.037	.042	0.383	0.964
LN Number FTE	0.148	.132	0.262	1.159
Formalization	0.228	.049	0.000	1.256
Average Internal IT	0.140	.142	0.324	1.150
LN Number of Board Vacancies	-0.241	.189	0.201	0.786
NTEE Code (ref= Environment, health, international)				
NTEE - Arts, Culture, & Humanities	-0.389	.493	0.430	0.677
NTEE - Education	-0.458	.541	0.398	0.633
NTEE – Human Services	-0.156	.418	0.709	0.856
NTEE - Public Service	0.106	.454	0.816	1.112
NTEE - Religion	-0.159	.468	0.734	0.853
NTEE - Mutual Benefit	-0.732	.797	0.358	0.481
Social Service Provision	-0.384	.251	0.127	0.681
Increased Demand (ref=Decreased, no change)	-0.126	.247	0.611	0.882
Funding Mix (ref=All other combinations)				
Funding Mix – Special Events	-0.729	.472	0.123	0.482
Funding Mix – Fees & Sales	0.115	.335	0.731	1.122
Funding Mix – Government	-0.303	.505	0.549	0.739
Funding Mix - Donations	-0.042	.324	0.898	0.959
Public Charity	0.741	.386	0.055	2.099
County Type (ref=nonmetropolitan counties)				
County Type – Central Metro	-0.212	.262	0.420	0.809
County Type – Metro Ring	0.097	.427	0.821	1.102
Panel	-0.108	.253	0.670	0.898
Constant	1.384	2.430	0.569	3.990

Notes: Coefficients significant at the $p < 0.05$ level are **bold red**, Model Chi-square=98.679 $p = .000$, Nagelkerke R-squared=.271, 74.1% correct predictions, $n = 463$.

Table E2. Estimates for Logistic Regression of Whether Nonprofits' Funders Require Them to Evaluate Their Programs

Variable	B	S.E.	Sig.	Exp(B)
Decades since Founded	-.127	.058	.027	.881
LN Number FTE	.290	.141	.040	1.337
Formalization	.146	.062	.018	1.157
Average Internal IT	.307	.208	.140	1.360
LN Number of Board Vacancies	.146	.249	.558	1.157
NTEE Code (ref= Environment, health, international)				
NTEE - Arts, Culture, & Humanities	-.297	.664	.655	.743
NTEE - Education	1.765	.677	.009	5.843
NTEE – Human Services	1.043	.539	.053	2.837
NTEE - Public Service	.009	.643	.989	1.009
NTEE - Religion	2.218	.656	.001	9.193
NTEE - Mutual Benefit	1.103	1.352	.415	3.012
Social Service Provision	-.494	.377	.190	.610
Increased Demand (ref=Decreased, no change)	-.620	.324	.056	.538
Funding Mix (ref=All other combinations)				
Funding Mix – Special Events	.497	.679	.464	1.644
Funding Mix – Fees & Sales	.658	.475	.167	1.930
Funding Mix – Government	.158	.557	.776	1.172
Funding Mix - Donations	.533	.406	.188	1.705
Public Charity	-1.406	.583	.016	.245
County Type (ref=nonmetropolitan counties)				
County Type – Central Metro	.331	.348	.342	1.392
County Type – Metro Ring	-.512	.684	.454	.599
Panel	-.526	.323	.103	.591
Constant	-7.636	3.421	.026	.000

Notes: Coefficients significant at the p<0.05 level are **bold red**, Model Chi-square=146.931, p=.000, Nagelkerke R-squared=.500, 81.5% correct predictions, n=314.

Table E3. Estimates for Logistic Regression of Whether Nonprofits Pay Outside Consultants to Administer Evaluations – Any Role

Variable	B	S.E.	Sig.	Exp(B)
Decades since Founded	.055	.065	.401	1.056
LN Number FTE	.446	.159	.005	1.562
Formalization	.246	.085	.004	1.278
Average Internal IT	-.137	.270	.611	.872
LN Number of Board Vacancies	.461	.293	.115	1.586
NTEE Code (ref= Environment, Health, International)				
NTEE - Arts, Culture, & Humanities	-.494	.746	.508	.610
NTEE - Education	.021	.766	.978	1.021
NTEE – Human Services	.059	.599	.922	1.060
NTEE - Public Service	.484	.728	.507	1.622
NTEE - Religion	-.068	.739	.926	.934
NTEE - Mutual Benefit	-.186	1.362	.891	.830
Social Service Provision	.582	.437	.183	1.790
Increased Demand (ref=Decreased, no change)	-.023	.436	.958	.977
Funding Mix (ref=All other combinations)				
Funding Mix – Fees & Sales	-.634	.566	.263	.530
Funding Mix – Government	-.514	.691	.457	.598
Funding Mix - Donations	-.763	.487	.118	.466
Public Charity	.564	.695	.417	1.757
County Type (ref=nonmetropolitan counties)				
County Type – Central Metro	-.022	.413	.957	.978
County Type – Metro Ring	-.075	.754	.921	.928
Panel	-.120	.380	.753	.887
Constant	-3.221	3.569	.367	.040

Notes: Coefficients significant at the p<0.05 level are **bold red**, Model Chi-square=71.509, p=.000, Nagelkerke R-squared=.378, 78.4% correct predictions, n=236.

Table E4. Estimates for Logistic Regression of Whether Nonprofits Pay Outside Consultants to Administer Evaluations – Primary Role

Variable	B	S.E.	Sig.	Exp(B)
Decades since Founded	.151	.075	.044	1.163
LN Number FTE	.309	.186	.096	1.363
Formalization	.170	.102	.096	1.185
Average Internal IT	.216	.341	.528	1.241
LN Number of Board Vacancies	.390	.345	.258	1.477
NTEE Code (ref= Environment, Health, International)				
NTEE - Arts, Culture, & Humanities	-.178	.796	.823	.837
NTEE - Education	1.822	1.187	.125	6.185
NTEE – Human Services	.767	.660	.245	2.153
NTEE - Public Service	.372	.782	.634	1.451
NTEE - Religion	.856	.878	.330	2.353
NTEE - Mutual Benefit	-.717	1.418	.613	.488
Social Service Provision	-.201	.532	.706	.818
Increased Demand (ref=Decreased, no change)	.082	.540	.880	1.085
Funding Mix (ref=All other combinations)				
Funding Mix – Fees & Sales	-.596	.693	.390	.551
Funding Mix – Government	-1.192	.794	.133	.304
Funding Mix - Donations	-1.012	.595	.089	.363
Public Charity	.552	.819	.500	1.737
County Type (ref=nonmetropolitan counties)				
County Type – Central Metro	-.561	.491	.253	.571
County Type – Metro Ring	.116	.993	.907	1.123
Panel	-.397	.459	.388	.673
Constant	-6.190	4.095	.131	.002

Notes: Coefficients significant at the p<0.05 level are **bold red**, Model Chi-square=55.104, p=.000, Nagelkerke R-squared=.352, 86.9% correct predictions, n=236.

Table E5. Estimates for Logistic Regression of Whether Nonprofits have Paid Staff Administer Evaluations – Any Role

Variable	B	S.E.	Sig.	Exp(B)
Decades since Founded	-.024	.084	.772	.976
LN Number FTE	1.207	.337	.000	3.344
Formalization	.234	.092	.011	1.264
Average Internal IT	.874	.307	.004	2.397
LN Number of Board Vacancies	.009	.380	.981	1.009
NTEE Code (ref= Environment, Health, International)				
NTEE - Arts, Culture, & Humanities	-.177	1.067	.868	.837
NTEE - Education	-1.306	1.207	.279	.271
NTEE – Human Services	.380	.932	.683	1.463
NTEE - Public Service	-.009	1.057	.993	.991
NTEE - Religion	-1.093	1.094	.318	.335
NTEE - Mutual Benefit	.696	1.738	.689	2.006
Social Service Provision	.570	.554	.304	1.768
Increased Demand (ref=Decreased, no change)	-.302	.493	.541	.740
Funding Mix (ref=All other combinations)				
Funding Mix – Special Events	2.378	.980	.015	10.784
Funding Mix – Fees & Sales	.564	.734	.443	1.757
Funding Mix – Government	.702	.828	.397	2.018
Funding Mix - Donations	-.188	.664	.776	.828
Public Charity	-.525	.796	.510	.592
County Type (ref=nonmetropolitan counties)				
County Type – Central Metro	.726	.560	.194	2.068
County Type – Metro Ring	.143	1.031	.890	1.154
Panel	-.524	.558	.348	.592
Constant	-6.082	5.164	.239	.002

Notes: Coefficients significant at the p<0.05 level are **bold red**, Model Chi-square=169.565, p=.000, Nagelkerke R-squared=.690, 91.0% correct predictions, n=277.

Table E6. Estimates for Logistic Regression of Whether Nonprofits have Paid Staff Administer Evaluations – Primary Role

Variable	B	S.E.	Sig.	Exp(B)
Decades since Founded	-.081	.054	.135	.922
LN Number FTE	.454	.152	.003	1.575
Formalization	.098	.063	.117	1.103
Average Internal IT	.688	.213	.001	1.991
LN Number of Board Vacancies	.469	.251	.061	1.598
NTEE Code (ref= Environment, Health, International)				
NTEE - Arts, Culture, & Humanities	.735	.674	.276	2.085
NTEE - Education	-1.254	.770	.104	.286
NTEE – Human Services	.524	.546	.338	1.688
NTEE - Public Service	.432	.627	.491	1.540
NTEE - Religion	-.208	.643	.747	.812
NTEE - Mutual Benefit	1.429	1.286	.267	4.175
Social Service Provision	.145	.369	.694	1.156
Increased Demand (ref=Decreased, no change)	.148	.335	.659	1.159
Funding Mix (ref=All other combinations)				
Funding Mix – Special Events	1.420	.746	.057	4.136
Funding Mix – Fees & Sales	1.173	.491	.017	3.232
Funding Mix – Government	.410	.557	.461	1.507
Funding Mix - Donations	.116	.426	.786	1.123
Public Charity	.553	.560	.324	1.738
County Type (ref=nonmetropolitan counties)				
County Type – Central Metro	.815	.364	.025	2.260
County Type – Metro Ring	-.240	.672	.721	.786
Panel	-.210	.325	.518	.810
Constant	-7.486	3.426	.029	.001

Notes: Coefficients significant at the p<0.05 level are **bold red**, Model Chi-square=103.646, p=.000, Nagelkerke R-squared=.420, 77.3% correct predictions, n=277.

Table E7. Estimates for Logistic Regression of Whether Nonprofits have Board Members/Unpaid Volunteers Administer Evaluations – Any Role

Variable	B	S.E.	Sig.	Exp(B)
Decades since Founded	-.011	.064	.861	.989
LN Number FTE	-.553	.163	.001	.575
Formalization	.094	.079	.235	1.098
Average Internal IT	.016	.263	.952	1.016
LN Number of Board Vacancies	-.395	.296	.182	.674
NTEE Code (ref= Environment, Health, International)				
NTEE - Arts, Culture, & Humanities	-.616	.744	.407	.540
NTEE - Education	-.345	.746	.644	.708
NTEE – Human Services	-.880	.567	.120	.415
NTEE - Public Service	-.298	.641	.642	.743
NTEE - Religion	-.833	.712	.242	.435
Social Service Provision	.254	.455	.577	1.289
Increased Demand (ref=Decreased, no change)	.190	.420	.651	1.209
Funding Mix (ref=All other combinations)				
Funding Mix – Fees & Sales	-.335	.584	.567	.716
Funding Mix – Government	.773	.603	.200	2.167
Funding Mix - Donations	-.256	.498	.607	.774
Public Charity	.398	.690	.564	1.489
County Type (ref=nonmetropolitan counties)				
County Type – Central Metro	.335	.421	.427	1.397
County Type – Metro Ring	-.724	.954	.448	.485
Panel	-.290	.403	.472	.748
Constant	4.855	2.749	.077	128.322

Notes: Coefficients significant at the p<0.05 level are **bold red**, Model Chi-square=31.107, p=.039, Nagelkerke R-squared=.183, 84.5% correct predictions, n=290.

Table E8. Estimates for Logistic Regression of Whether Nonprofits have Board Members/Unpaid Volunteers Administer Evaluations – Primary Role

Variable	B	S.E.	Sig.	Exp(B)
Decades since Founded	.060	.053	.253	1.062
LN Number FTE	-.791	.169	.000	.454
Formalization	-.039	.057	.496	.962
Average Internal IT	-.259	.194	.181	.772
LN Number of Board Vacancies	-.549	.245	.025	.577
NTEE Code (ref= Environment, Health, International)				
NTEE - Arts, Culture, & Humanities	-.694	.610	.256	.500
NTEE - Education	-.308	.621	.620	.735
NTEE – Human Services	-.896	.498	.072	.408
NTEE - Public Service	-.462	.510	.364	.630
NTEE - Religion	-.009	.567	.988	.991
Social Service Provision	.244	.338	.469	1.277
Increased Demand (ref=Decreased, no change)	-.113	.315	.721	.893
Funding Mix (ref=All other combinations)				
Funding Mix – Fees & Sales	-.429	.448	.339	.651
Funding Mix – Government	.492	.534	.357	1.635
Funding Mix - Donations	.256	.378	.499	1.291
Public Charity	-.074	.487	.879	.929
County Type (ref=nonmetropolitan counties)				
County Type – Central Metro	-.265	.334	.426	.767
County Type – Metro Ring	-.038	.614	.950	.962
Panel	.128	.320	.689	1.137
Constant	3.737	2.134	.080	41.953

Notes: Coefficients significant at the p<0.05 level are **bold red**, Model Chi-square=102.256, p=.000, Nagelkerke R-squared=.396, 75.5% correct predictions, n=290.

Table E9. Estimates for Logistic Regression of Whether Nonprofits Face Challenges in Program Evaluation – Including Only Variables Significant at Bivariate Level

Variable	B	S.E.	Sig.	Exp(B)
LN Number FTE	.085	.109	.439	1.088
Formalization	.069	.047	.140	1.072
NTEE Code (ref= Environment, Health, International)				
NTEE - Arts, Culture, & Humanities	-.720	.622	.247	.487
NTEE - Education	.330	.768	.667	1.391
NTEE – Human Services	-.179	.547	.744	.836
NTEE - Public Service	-.455	.588	.439	.634
NTEE - Religion	-1.090	.534	.041	.336
NTEE - Mutual Benefit	-.571	.910	.530	.565
Constant	-.465	2.677	.862	.628

Notes: Coefficients significant at the p<0.05 level are **bold red**, Model Chi-square=15.503, p=.050, Nagelkerke R-squared=.052, 86.5% correct predictions, n=533.

Table E10. Estimates for Logistic Regression of Whether Nonprofits Face Challenges in Program Evaluation

Variable	B	S.E.	Sig.	Exp(B)
Decades since Founded	.010	.062	.869	1.010
LN Number FTE	.166	.167	.320	1.180
Formalization	.044	.075	.561	1.045
Average Internal IT	-.036	.258	.888	.964
LN Number of Board Vacancies	.473	.281	.092	1.605
NTEE Code (ref= Environment, Health, International)				
NTEE - Arts, Culture, & Humanities	-1.178	.940	.210	.308
NTEE - Education	-.916	1.002	.361	.400
NTEE – Human Services	-.610	.820	.457	.543
NTEE - Public Service	-1.000	.889	.261	.368
NTEE - Religion	-1.597	.889	.072	.202
NTEE – Mutual Benefit	-.636	1.427	.656	.529

Social Service Provision	-1.012	.469	.031	.364
Increased Demand (ref=Decreased, no change)	.273	.392	.487	1.314
Funding Mix (ref=All other combinations)				
Funding Mix – Special Events	-.744	.811	.359	.475
Funding Mix – Fees & Sales	-1.079	.560	.054	.340
Funding Mix – Government	.288	.778	.711	1.333
Funding Mix - Donations	-.334	.513	.515	.716
Public Charity	.233	.670	.728	1.262
County Type (ref=nonmetropolitan counties)				
County Type – Central Metro	-.334	.427	.434	.716
County Type – Metro Ring	-1.399	.645	.030	.247
Panel	-.097	.373	.795	.908
Constant	5.214	4.670	.264	183.869

Notes: Coefficients significant at the p<0.05 level are **bold red**, Model Chi-square=23.057, p=.341, Nagelkerke R-squared=.129, 87.1% correct predictions, n=317.

Appendix F – Data Collection

We summarize only the key steps in the survey process here. For full details on Survey Methodology see Appendix A in our report: “[The Indianapolis Nonprofit Sector: Overview & Challenges](#).” Our 2017 survey included a panel of nonprofits that responded to our 2002 survey and a new sample of nonprofits. For our 2002 survey (and thus our panel organizations), we merged three statewide nonprofit database listings – the IRS listing of exempt entities with Indiana reporting addresses, entities incorporated as not-for-profit entities with the Indiana Secretary of State (SOS), and Yellow Pages listings of congregations, churches, and similar religious organizations. We also added nonprofits appearing on local listings in selected communities across the state and those identified by Indiana residents as nonprofits for which they worked, volunteered, or attended meetings or events, including religious services. We then de-duplicated the merged listings and drew a stratified random sample in order to consider and adjust for differences in distributions by geographic location and source of listing.

New 2017 Comprehensive Listing of Indiana Nonprofits

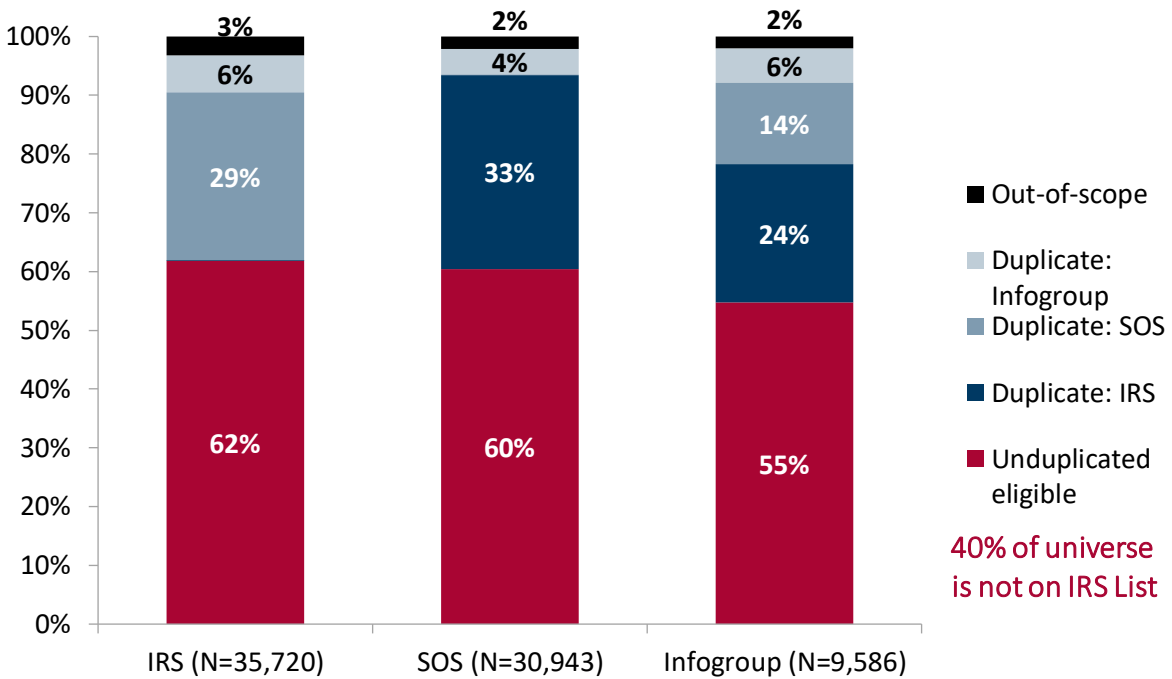
For the 2017 survey of Indiana nonprofits, we relied exclusively on the same three statewide listings of Indiana nonprofits as in 2002, but used a simplified approach. We merged the three statewide listings: Internal Revenue Service (IRS) listing of registered tax-exempt organizations under section 501(c) with reporting addresses in Indiana (35,720 records), Indiana incorporated nonprofits (30,943 records), and the Infogroup listing of churches, congregations, temples, and mosques listed in the yellow pages of phone directories for the state (9,586 records).

We dropped “out-of-scope” entities that had very low response rates to our previous surveys as well as organizations for whom our survey instrument is not well suited (mainly hospitals, universities, and bank-managed trusts). We then undertook initial de-duplication of the three listings using search algorithms.

About three-fifths of the entries on the IRS and SOS listings (respectively 62 and 60 percent) were unique to that particular list, as were 55 percent of the Infogroup list of congregations. For the IRS listing, 29 percent were also listed on the SOS list, and 6 percent were included on the Infogroup list. For the SOS listing, one-third were also registered with the IRS and 4 percent were included on the Infogroup list of churches. Finally, for the Infogroup list, about one-quarter (24 percent) were registered with the IRS (and another 14 percent were on the SOS listing). For congregations, the IRS percentage is much smaller than the 68 percent of churches that the National Center for Charitable Statistics estimates are registered with the IRS²⁹. Notably, only 60 percent of nonprofits on the combined listings were tax-exempt entities registered with the IRS.

²⁹ See footnote 2, page 14 of Brice S. McKeever, *The Nonprofit Sector in Brief 2015*. Washington, D.C.: The Urban Institute, Center on Nonprofits and Philanthropy (2015), <https://www.urban.org/sites/default/files/publication/72536/2000497-The-Nonprofit-Sector-in-Brief-2015-Public-Charities-Giving-and-Volunteering.pdf>

Figure F1. IRS, SOS, and Infogroup listings of Indiana Nonprofits, by Duplication Status



Drawing the Sample

To improve the generalizability of our results, we drew a proportionately stratified sample from the combined list of 59,833 organizations from the IRS, SOS, and Infogroup listings, using an 8-category set of regions (all three listings), filing date (SOS only), and NTEE major code categories (IRS only). Prior to selecting within strata, we implicitly stratified by zip code (all three listings) to achieve greater geographic representativeness.

After the sampling was completed, we had an initial sample of 10,257 nonprofits: 5,904 from the IRS listing (58 percent of the sample), 3,436 from the SOS listing (33 percent), and 917 from the Infogroup listing (9 percent). From this initial sample, we selected a random subset of 4,103 nonprofits for analysis since our resources would not allow us to survey all: 2,336 from the IRS listing (57 percent of Phase I), 1,394 from the SOS listing (34 percent), and 373 from the Infogroup listing (9 percent).

Finding Contact Information

Next, we needed to find contact information for each organization in order to distribute our survey. All three listings provided us with postal mailing addresses, but we needed email addresses to allow respondents to complete the survey online. The Infogroup listing only provided us with 35 email addresses, which we needed to verify, and 373 phone numbers. We had to find email addresses for the rest. We found some on the organizations' websites, but we had to call to get most of them. When the organizations' websites did not provide phone numbers (or when these numbers were disconnected or the organizations did not have websites), we used WhitePages Premium to find phone numbers for the contact person listed in the IRS or SOS databases. We gave priority to finding email contact information

for executive directors or board chairs, but in some cases could only capture other key contact persons, such as vice presidents, treasurers, or secretaries.

We had an 80 percent success rate in finding correct contact information, but spent an average of almost 13 minutes on each organization, and with 4,103 organizations to research, the effort took about 873 hours.

Survey Encouragement

In preparation for the survey, we sent notifications (emails, or postcards for those for whom we had no email addresses) about the survey to potential respondents. This served both to alert them to the forthcoming survey, with the hope of encouraging participation in the survey, and to identify problematic email (or postal) addresses. After the survey invitations were sent (via email or postal mail), we sent several reminders.

The survey was administered online to potential respondents with an email address (75 percent of the sample) and sent as a paper form by postal mail to those without an email address. The survey took on average 25-30 minutes for respondents to complete and gathered information about programs and services, organization membership, organization structure and program evaluation, human resources, marketing and technology, advocacy and policy activities, relationships with other organizations, and financial information.³⁰

As a special incentive for the survey, respondents were offered access to customized reporting of the results, now available here: <http://go.iu.edu/2bfi>. We included a link to the study website, so respondents could learn more about the project, as well as prominent reference to and identification with Indiana University to emphasize the academic sponsorship, since that increases survey participation. Finally, we asked members of our Advisory Board for the Indiana Nonprofits Project to announce the survey to organizations on their distribution lists and encourage anyone receiving the invitation to complete the survey.

To increase expected low response rates, we made up to three nudge calls to encourage additional responses. While time-consuming, this process significantly increased our response rate. We tracked call statuses in a survey sample database to ensure a systematic process and for future reference.

Survey Response Rates

As noted earlier, about 24 percent of the sample responded to the survey. This includes those that provided full or partial responses as a percent of those in the sample that were not explicitly defined as “out of sample” (e.g., hospitals, universities, bank-managed trusts) and still appeared to be in existence, located in Indiana, and nonprofit (e.g., had not converted to for-profit status). Response rates were generally higher from those that were on both the IRS and SOS listings and lowest for those that were on the Infogroup listing.

³⁰ The complete survey is available here: <https://nonprofit.indiana.edu/doc/SurveyInstrument.pdf>

Appendix G – Overview of the Indiana Nonprofits Project

Since 2000, the **Indiana Nonprofits Project: Scope and Community Dimensions** has produced a substantial body of research about the nonprofit sector in Indiana: its composition and structure, its contributions to Indiana, the challenges it faces, and how these features vary across Indiana communities. The goal of this collaborative research effort is to help community leaders develop effective and collaborative solutions to community needs and to inform public policy decisions.

The project is directed by [Kirsten Grønberg](#), Efrogmson Chair in Philanthropy at the [Lilly Family School of Philanthropy](#) (LFSOP) and Distinguished Professor, [O’Neill School of Public and Environmental Affairs](#) (SPEA), Indiana University Bloomington. It has benefitted greatly from the advice and support of the Project’s distinguished [Advisory Board](#),³¹ the contributions of more than 90 SPEA research assistants – undergraduate, masters, and doctoral students – and financial support as described in the Acknowledgments on page 1. The project’s major components include:

[Surveys of Indiana nonprofits](#). This component includes four surveys of Indiana nonprofits:

- Round I: Comprehensive survey of Indiana nonprofits (2002) in collaboration with the IU *Center for Survey Research* (CSR); 7 statewide reports on special topics and 12 regional reports on the nonprofit sector in selected communities across the state.
- Round II: Two surveys on nonprofit capacity and management challenges, including a survey (2007) for the *Indiana Philanthropy Alliance* and the *Lumina Foundation for Education* (1 report) and a more extensive survey (2010) for the *Indiana Arts Commission* (2 reports).
- Round III: Comprehensive survey of Indiana nonprofits (2017) in collaboration with the CSR is currently being analyzed and is the basis for this report.

[Trends in paid nonprofit employment in Indiana](#). This component, undertaken in collaboration with the *Indiana Business Research Center* (IBRC), includes analyses of trends in paid nonprofit paid employment over time by industry and with comparisons to paid employment in the private and government sectors.

- Statewide trends in paid nonprofit employment by industry and sector (5 reports)
- Statewide trends in paid nonprofit employment for in selected industries (6 reports)

[Community reports](#). This component focuses on the scope and composition of the nonprofit sector in communities across the state:

- Featured community reports for 7 metropolitan regions and 5 non-metropolitan counties across the state, including size and composition of the nonprofit sector and profiles based on Round I survey of Indiana nonprofits (2002)
- Regional trends in paid nonprofit employment by industry with comparisons to private and government sector employment: Metropolitan Areas and Economic Growth Regions (2007) and the Fort Wayne Metropolitan area (2015), in collaboration with *IBRC*.
- County reports on nonprofit paid employment 1995-2009 for Indiana counties with a population of 50,000 residents or more (29 reports), in collaboration with *IBRC*.

[Surveys of local government officials](#). This component is based on surveys of Indiana local government officials (LGOs) on topics of special interest to Indiana nonprofits in collaboration with the *Indiana*

³¹ See <https://nonprofit.indiana.edu/AboutTAB/advisory-board.html>

Advisory Commission on Intergovernmental Relations (IACIR).

- PILOT/SILOT policies: attitudes towards requiring charities to provide payments (or services) in lieu of real estate taxes (PILOTS/SILOTS), 4 reports.
- Trust in Nonprofits: 2 reports.
- Government-nonprofit relations: 3 reports.
- 2-1-1 information and referral services: 2 reports.

Special topics. Several smaller projects have been completed in response to major national policy initiatives, as extensions of project components described above, or as special opportunities presented themselves.

- Overtime pay regulation: the likely impact on Indiana nonprofits by changes in the Fair Labor Standards Act (proposed 2016) on overtime pay for exempt employees,
- IRS Exempt Status Initiative: the impact of major changes in IRS reporting and compliance requirements mandated by the Pension Protection Act of 2006.
- Two surveys of Indiana residents conducted in collaboration with the CSR. This includes a 2001 survey on affiliation and involvement with Indiana nonprofits in preparation for Round I survey of Indiana nonprofits, and a 2008 survey on trust in nonprofits in collaboration with CSR.
- Comprehensive database of Indiana nonprofits, initially completed in preparation for Round I survey of Indiana nonprofits, now hosted by the IBRC.

For a full description of the project and access to all project reports, please visit

<https://nonprofit.indiana.edu>



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