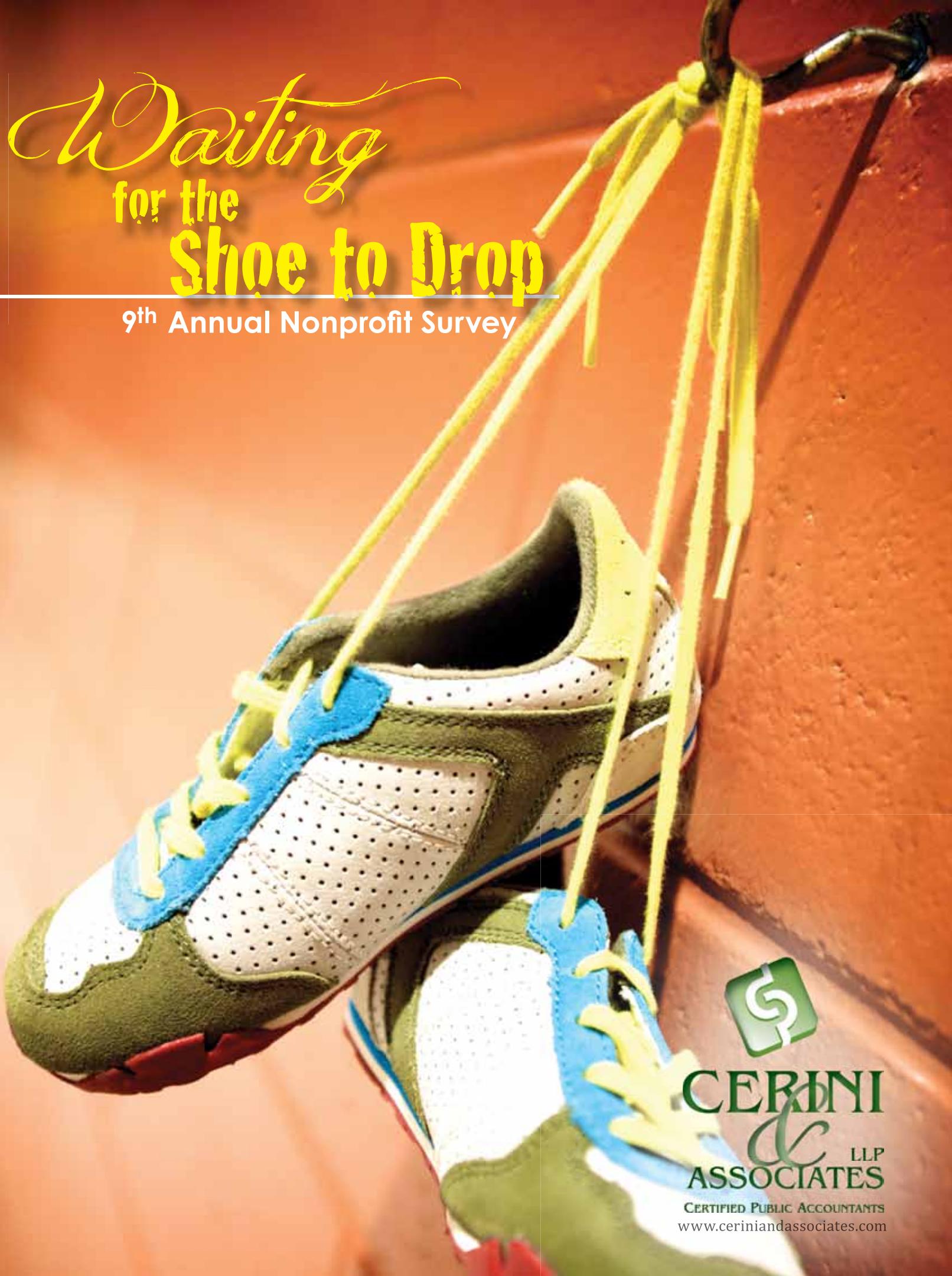


Waiting for the **Shoe to Drop**

9th Annual Nonprofit Survey



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A Word From Ken Cerini,

Managing Partner, Cerini & Associates, LLP



2012 proved to be another difficult year for the nonprofit sector on Long Island. These difficulties stemmed from many industry changes and increased regulatory burdens which included: the Office of the Medicaid Inspector General hiring more auditors and increasing audits of Medicaid-funded agencies; many funding sources are modifying their reimbursement methodologies; the negative media attention surrounding executive compensation which resulted in the State Comptroller beginning to investigate many New York State-funded agencies; and Charity Navigator changing its focus in rating nonprofit effectiveness from a fiscal approach to an impact approach...just to name a few.

Unfortunately, at a time when the nonprofit sector is fighting an influx of negative press, increased government scrutiny and decreased funding, many

organizations declined to participate in this year's survey, which is designed to provide information, value, and guidance about the health and future of the sector. Despite a mailing to over 2,000 organizations and increased participation from active and engaged sponsors, many organizations failed to respond.

However, for those that did participate in the survey, the results show that a majority of organizations are still dependent primarily on government grants for funding. Despite their dependence, 59% of organizations reported that the government is taking over 60 days to remit payment. Only 13% of respondents have over 90 days in cash, meaning a majority of agencies are in a precarious financial position, many of which are waiting for the next shoe to drop.

Despite their hurdles, 96% of participants are not considering ceasing operations, and 81% reported that they will be able to meet their demand for services. Organizations are moving towards measuring and reporting their outcomes and are engaging in social media and other forms of marketing to better communicate their messages to their constituents. With that being said, the results have remained fairly consistent over the last few years—meaning the sector needs to be more aggressive in terms of collaboration, social entrepreneurship, and becoming forward-thinking. The days of the traditional nonprofit model are waning, with innovation, impact, and real return on investment being the keys to the next generation of nonprofits.

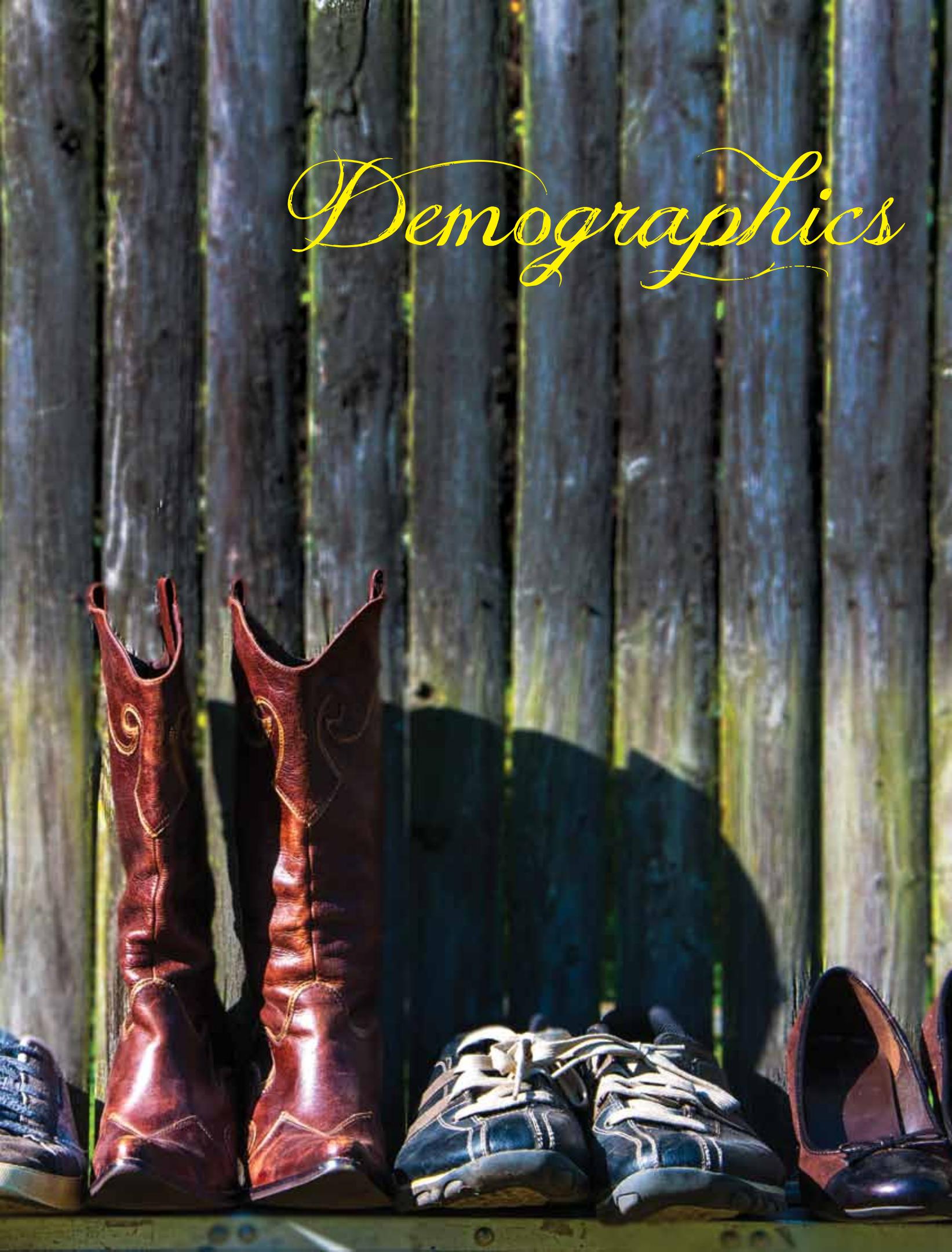
The Ninth Annual Long Island Nonprofit Survey, which received 125 responses, is designed to provide nonprofit executives, board members, funders, and other interested parties with some insight into the challenges that the nonprofit sector is facing and to help to shine a light on opportunities for improvement.

Please take the time to review the survey. It puts into perspective the challenging environment that we're all living in, along with illustrating the need for the sector to think creatively, adopt best business practices and collaborate to remain effective and relevant in an increasingly difficult world.

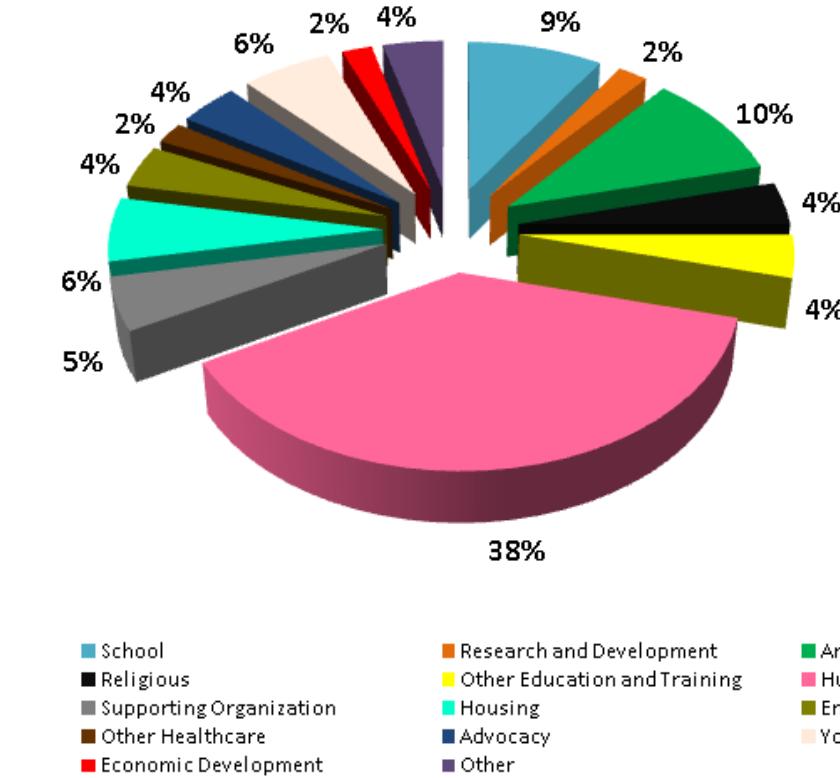
Given the declining response rate, Cerini & Associates, LLP will not be producing a nonprofit survey for 2013. We will reevaluate the situation in 2014, and hopefully a turn in the economy and a stronger, more financially-viable nonprofit environment will dictate reinstating the survey.

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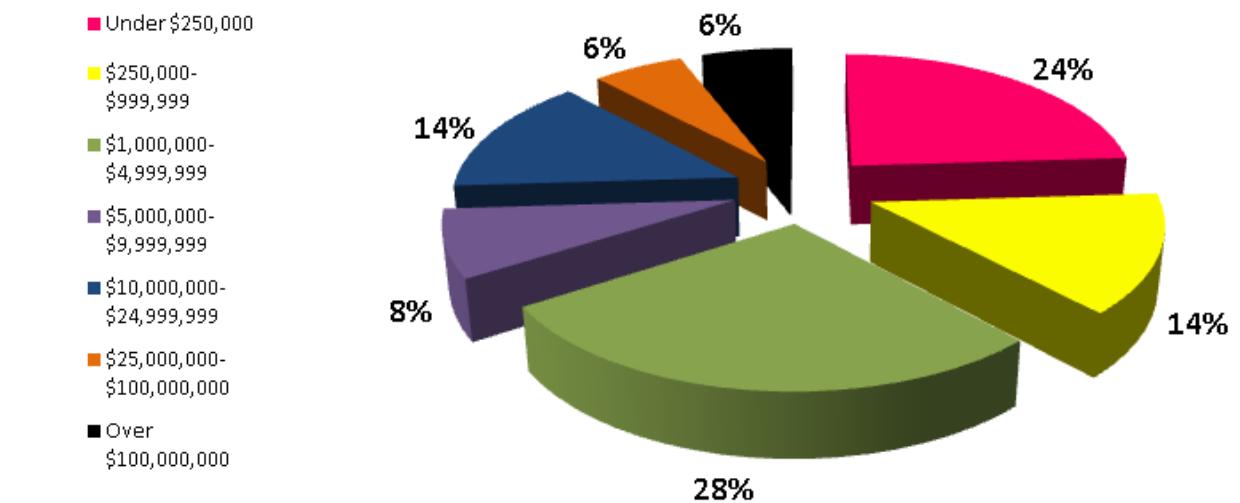




Demographics



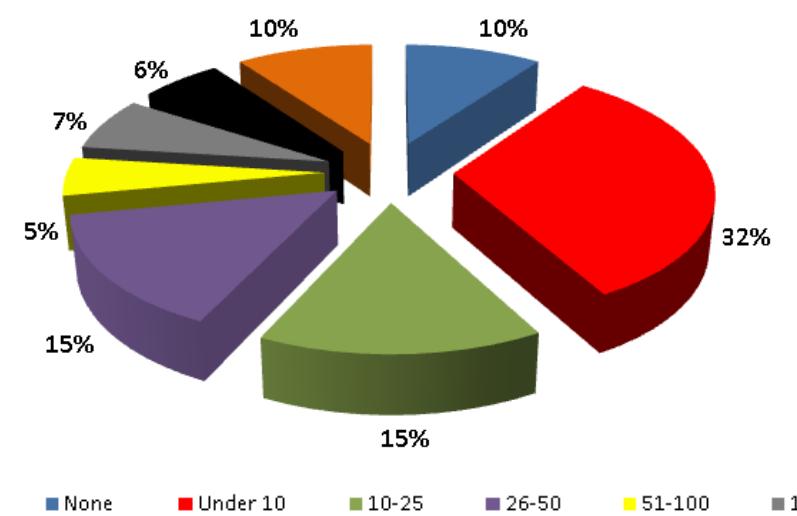
ANNUAL FUNDING



The majority of Long Island nonprofit organizations are comparatively small (less than \$1 million in revenue). The survey results convey this, with 38% of all respondents generating under \$1 million of gross revenue and support (50% in 2011). The largest groups of respondents were organizations generating under \$250,000 of support and revenue (24%), those generating between \$250,000 and \$1 million of support and revenue (14%), and organizations generating between \$1 and \$5 million of revenue and support (28%). This is consistent with last year's results. These statistics may change over time as consolidation continues to occur in the sector and smaller, thinly funded organizations cease operations.

We obtained responses from a cross-section of nonprofit organizations. Once again, the largest number of responses (38%) came from human services organizations, arts and culture institutions (10%) and third was schools (9%). Responses over the last nine years have been fairly consistent with the make-up of the Long Island nonprofit sector, with the exception of religious organizations, healthcare institutions and hospitals, and research and development organizations, which continue to be underrepresented due to a low response rate.

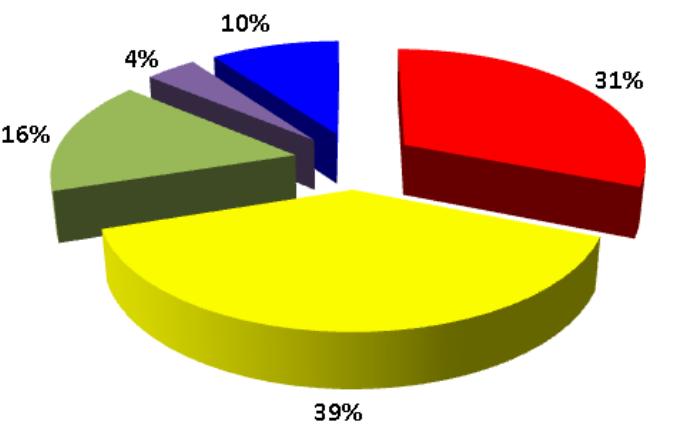
NUMBER OF EMPLOYEES



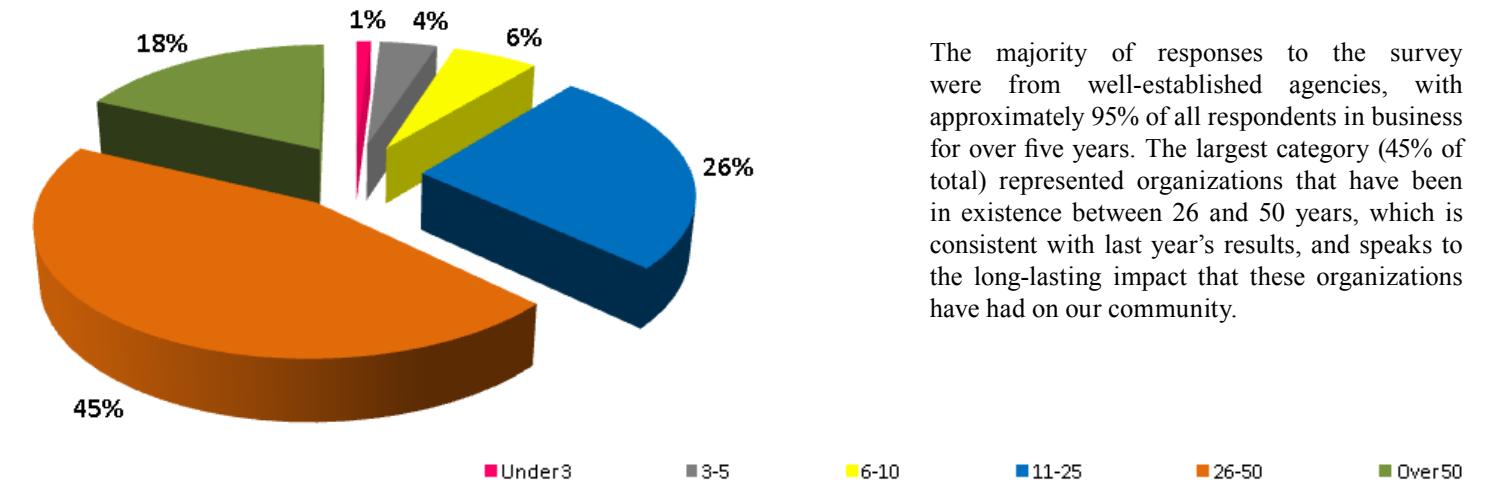
As expected, the level of staff members employed by nonprofit organizations correlates directly to their annual funding levels, as approximately 60-70% of most nonprofit agencies' budgets are dedicated to personnel costs. By far, the largest segment are those organizations employing less than 10 employees (32% of respondents), while many smaller organizations (10%) still function purely on a volunteer basis. 23% of survey respondents have over 100 employees, which is higher than last year's results at 14%, which may be partly attributable to the level of consolidation that has taken place over the last year.

BREADTH OF ORGANIZATION

As Long Island is comprised of a significant number of smaller agencies, it makes sense that approximately 31% of Long Island based agencies are community-based (consistent with last year). Approximately 39% of survey respondents serve all of Long Island, with 14% having a national or international reach.



YEARS IN OPERATION

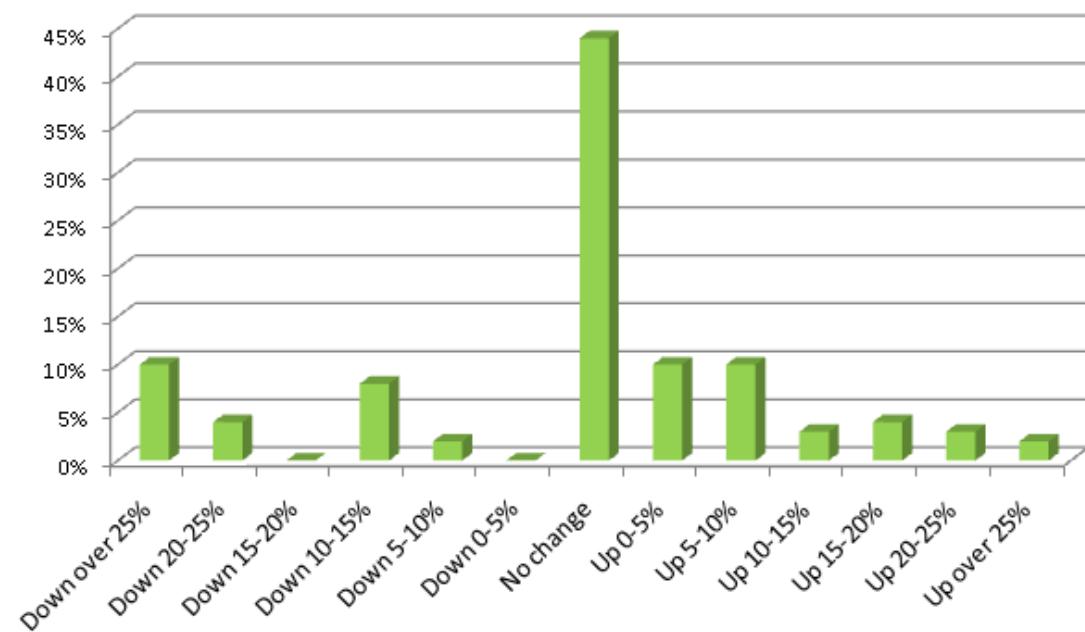


The majority of responses to the survey were from well-established agencies, with approximately 95% of all respondents in business for over five years. The largest category (45% of total) represented organizations that have been in existence between 26 and 50 years, which is consistent with last year's results, and speaks to the long-lasting impact that these organizations have had on our community.

Development + Volunteerism

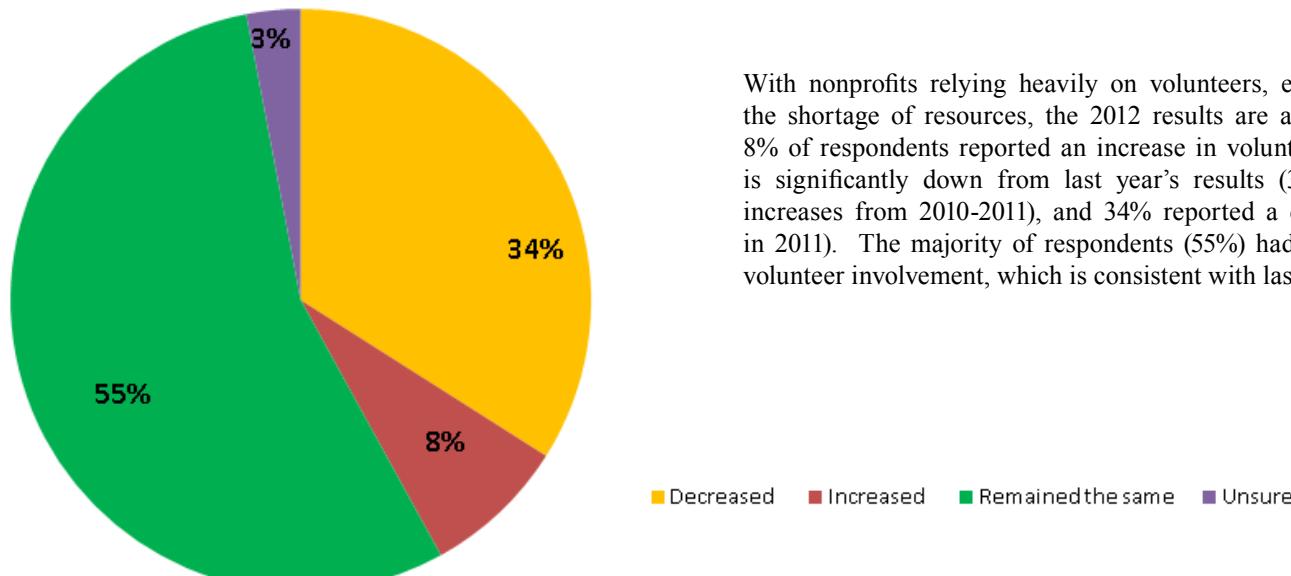


EXPECTED CHANGE IN FUNDRAISING REVENUE



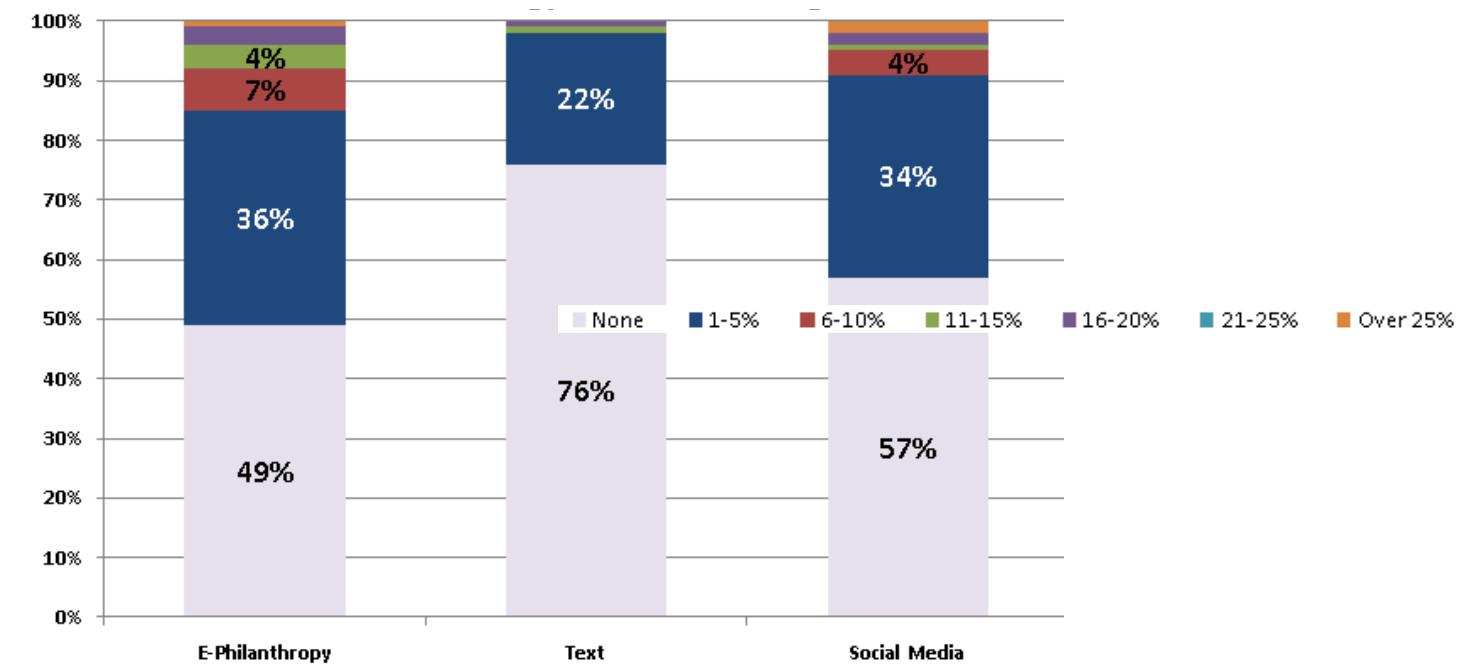
Approximately 32% of respondents anticipate their fundraising in 2012 to be higher than 2011 (this is 7% lower than last year's results), while 24% expect their fundraising income in 2012 to be lower than 2011. 44% of respondents believe that there will be no significant change in their fundraising levels between 2012 and 2013. 14% of the respondents believe that their fundraising will decrease by more than 15%, and 12% of respondents believe that their fundraising will increase by more than 15%.

CHANGE IN VOLUNTEER INVOLVEMENT



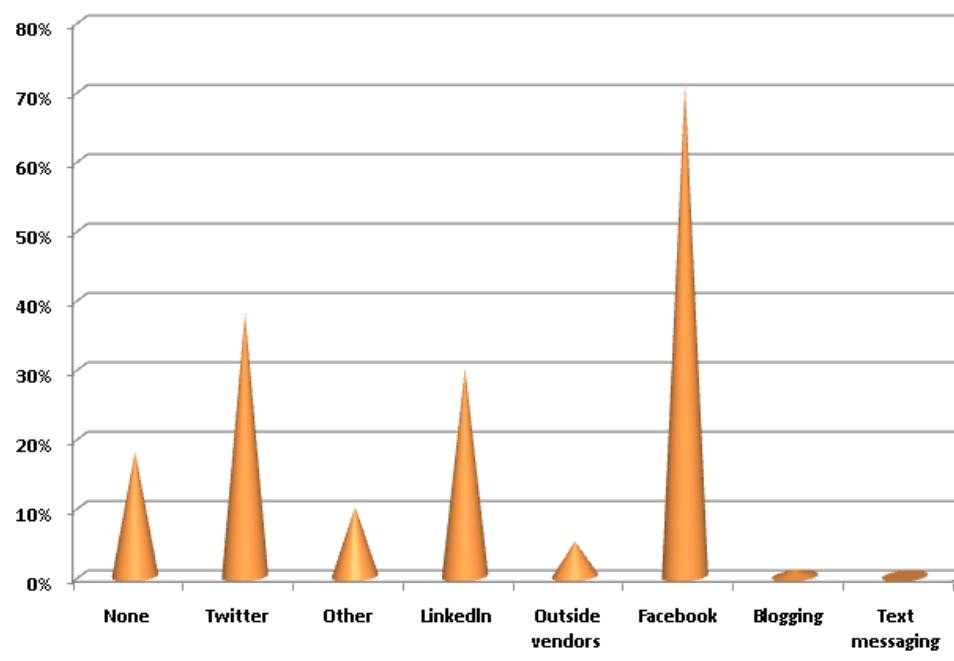
With nonprofits relying heavily on volunteers, especially with the shortage of resources, the 2012 results are alarming. Only 8% of respondents reported an increase in volunteerism, which is significantly down from last year's results (39% reporting increases from 2010-2011), and 34% reported a decrease (10% in 2011). The majority of respondents (55%) had no change in volunteer involvement, which is consistent with last year.

USE OF TECHNOLOGY FOR FUNDRAISING



We continue to see an increase in nonprofit use of technology to fundraise and communicate. Even so, 49% of respondents have not embraced e-philanthropy at any level and 36% generated less than 5% of their total fundraising from e-philanthropy. Only 8% generated over 10% of their fundraising from e-philanthropy. While many of us have noticed an increase of nonprofits soliciting donations via text messaging, 76% of respondents reported they are not engaged in mobile marketing. 57% of respondents are still not utilizing any form of social media for fundraising. With the younger generation predominantly operating through electronic media, it is important for the nonprofit sector to continue to expand its efforts in this area.

USE OF SOCIAL MEDIA

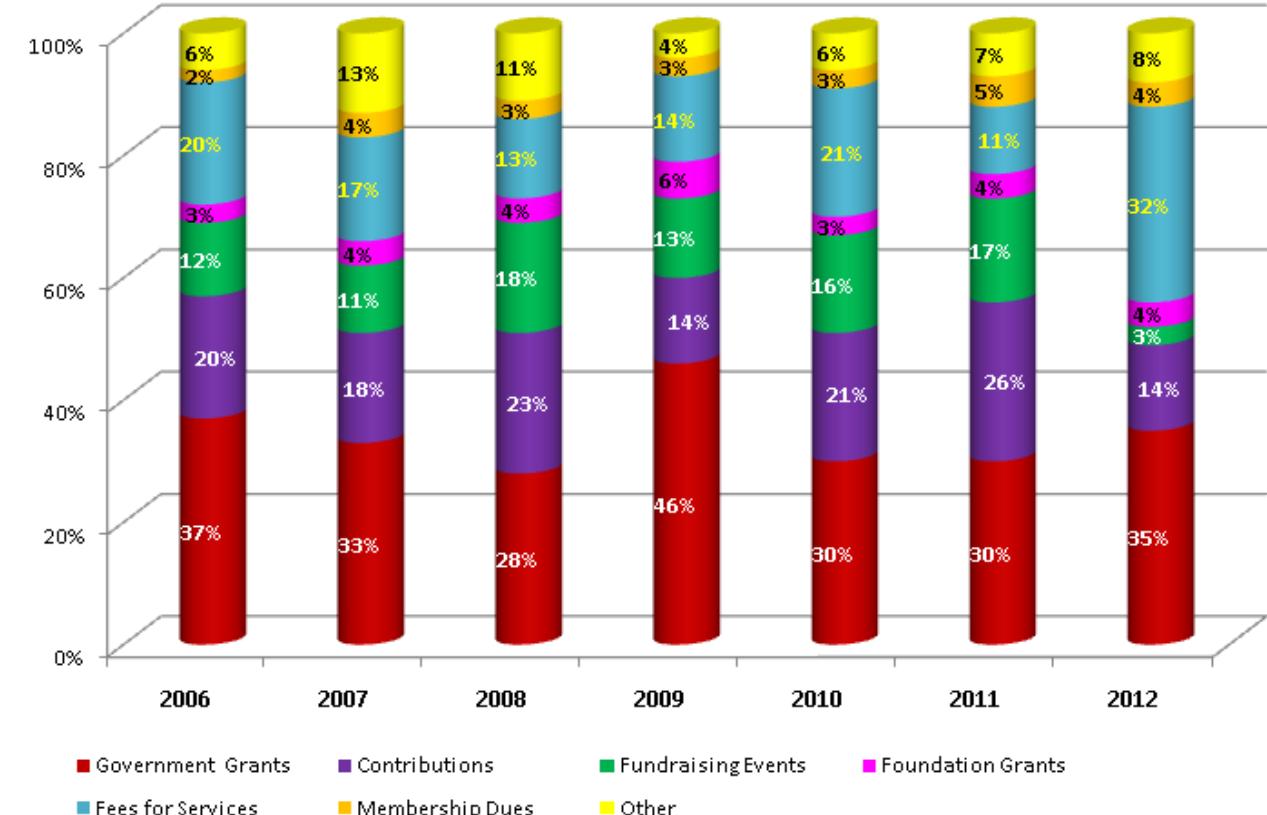


Social media continues to be a significant component of many marketing plans, and a tremendous way to deliver targeted messages, increase awareness, and promote an organization's brand and mission. While this survey shows that social media is not being utilized for fundraising, it does show that many nonprofits are actively promoting themselves virtually. Consistent with the results from 2011, 82% of nonprofits responding to the survey are engaging in social media. Of those responding, 71% of responding agencies have a Facebook presence, and more agencies are utilizing LinkedIn and Twitter than in previous years. Although there has been a decrease in agencies actively blogging, many agencies are still utilizing search engine optimization (SEO) companies and YouTube as a way of sharing their messages. Agencies may want to consider doing a more effective job of linking their social media efforts with their fundraising efforts to help spur e-philanthropy.

Operations



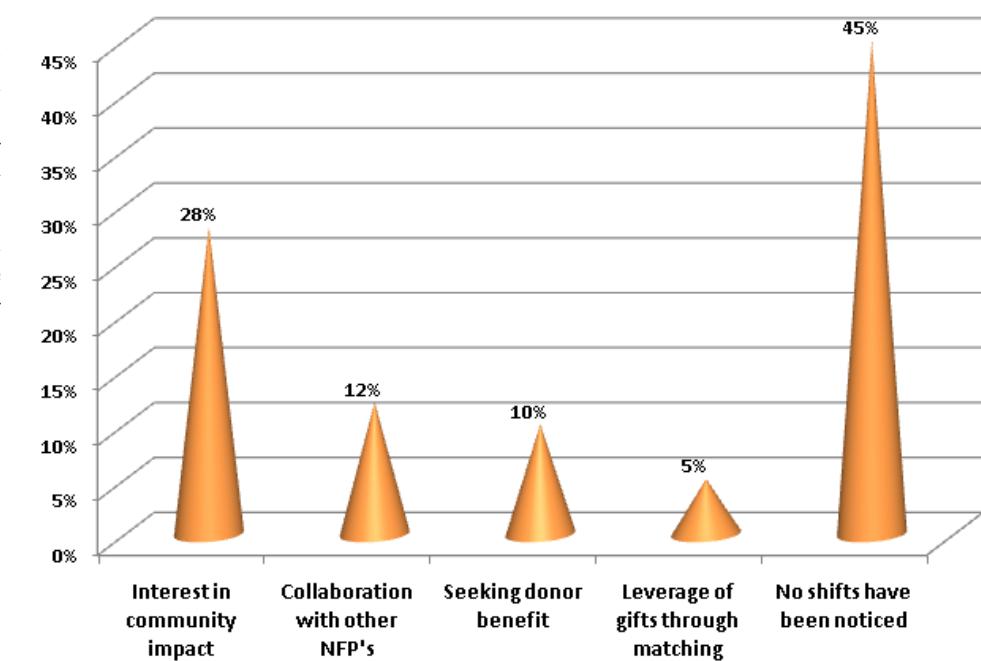
PRIMARY SOURCE OF FUNDING



With contribution levels decreasing, it is important for nonprofit organizations to look for alternative ways to develop diversified revenue streams. The largest primary sources of funding of the survey respondents were government grants (35%), fees for services (32%), and support from contributions (14%). While grant funding has remained the primary source of funding for Long Island based nonprofits, those organizations relying on contributions and fundraising dropped in 2012, and fee for service dramatically increased. This year's survey has less smaller agencies responding, which could account for the drop in contributions/fundraising and the increase in fee for service as larger organizations tend to rely more heavily on fee based funding.

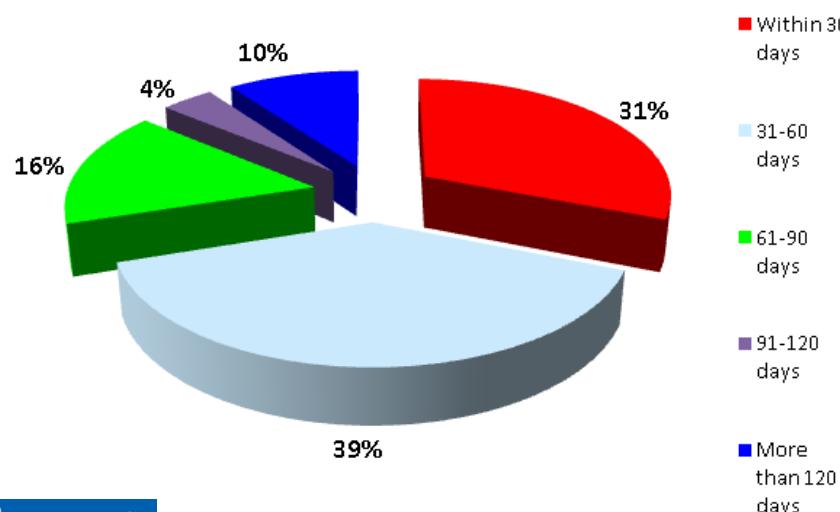
SHIFTS IN DONOR SENTIMENT

There has been a trend in donor sentiment as more and more donors are looking for some level of return on investment (ROI). Surprisingly, 45% of agencies reported no shift in donor sentiment, with 28% interested in community impact, 12% focused on agency collaboration, and 10% seeking some level of reciprocal benefit. These percentages are expected to rise in the future as donors will look for even greater ROI.



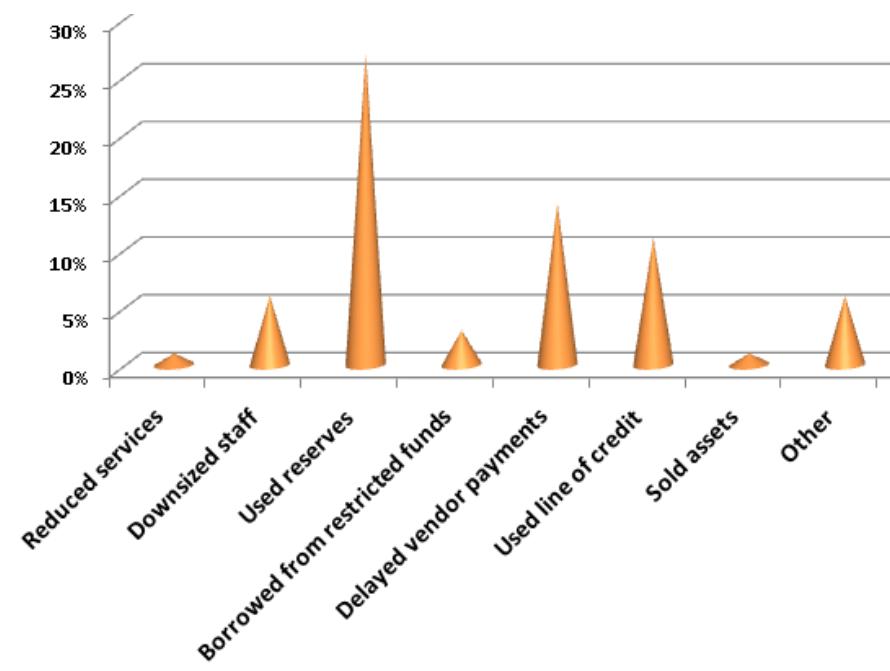
TIMING OF GOVERNMENT PAYMENTS

Nonprofits need to collaborate and consider how to become more self-sustaining as the economy is slow to recover, funding streams are shrinking, and government payments are often delayed. 30% of respondents reported that it takes over 60 days to receive government payments on grants and fees for services, while only 31% receive payment within 30 days. This puts a tremendous strain on cash flow as most agencies largest expenditure is payroll, which often must be paid before agencies can receive their government funding.

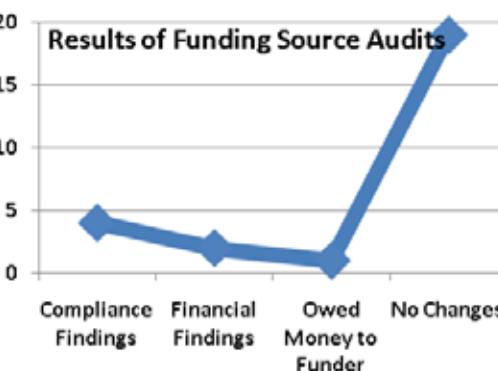
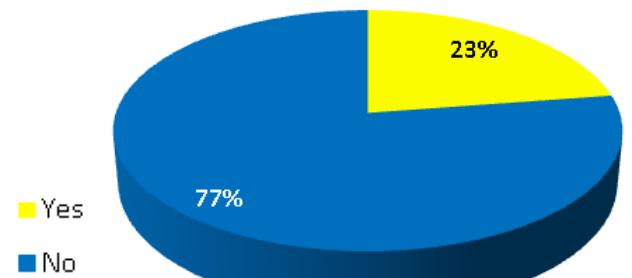


IMPACTS OF DELAYED GOVERNMENT PAYMENTS

With 30% of organizations reporting that the government takes over 60 days to remit payment, approximately 27% reported that they had to use their reserves to continue operating, with 14% delaying vendor payments, and 11% using a line of credit. 5% of agencies were forced to reduce their staff to survive delayed payments from the government.



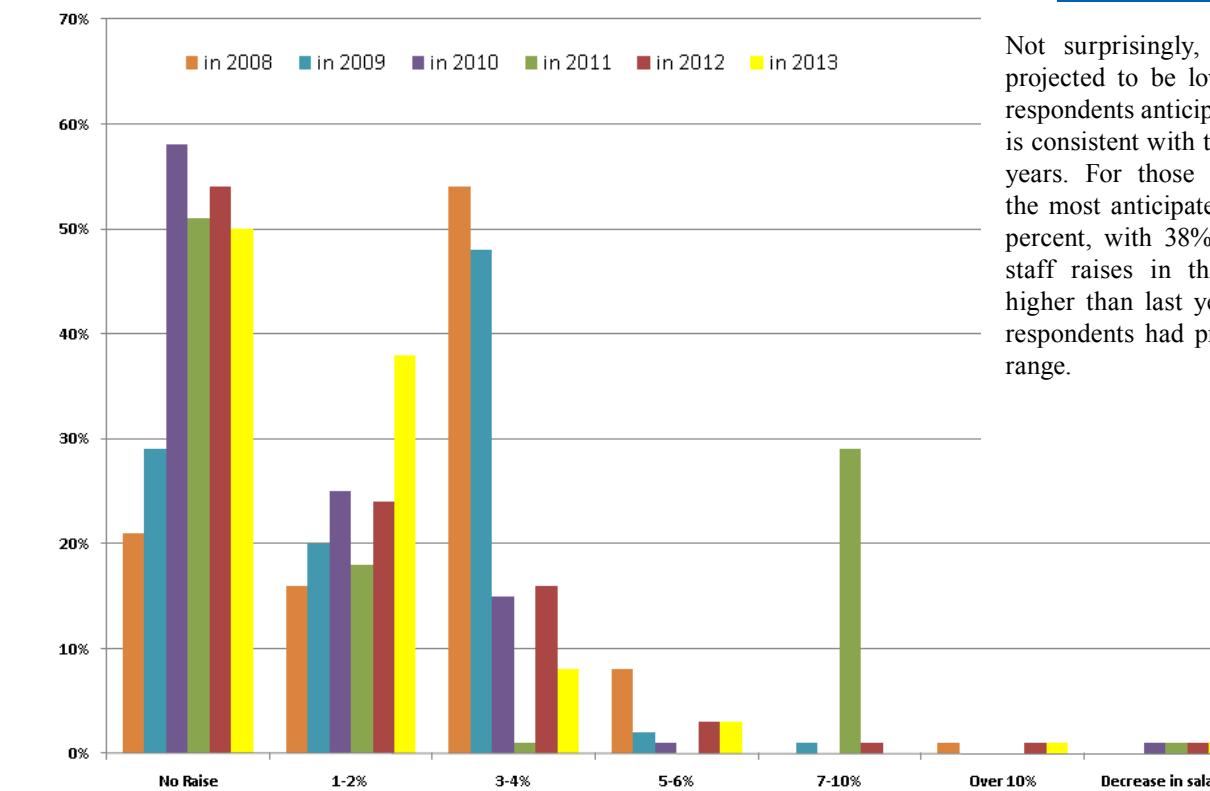
HAVE YOU BEEN AUDITED BY ONE OF YOUR FUNDERS?



With increased scrutiny from the media and government over nonprofits, it's not surprising that more nonprofits are being audited. Of the survey respondents, 23% have been audited by a funder. Of those that have been audited, 73% were not impacted by the audit, 15% experienced compliance findings, 8% had financial findings, and 4% were forced to return money to their funder. Strong documentation and compliance with funding source requirements are more important than ever. Nonprofits need to take the time to ensure their staff members are knowledgeable of applicable regulations.

ANTICIPATED STAFF RAISES

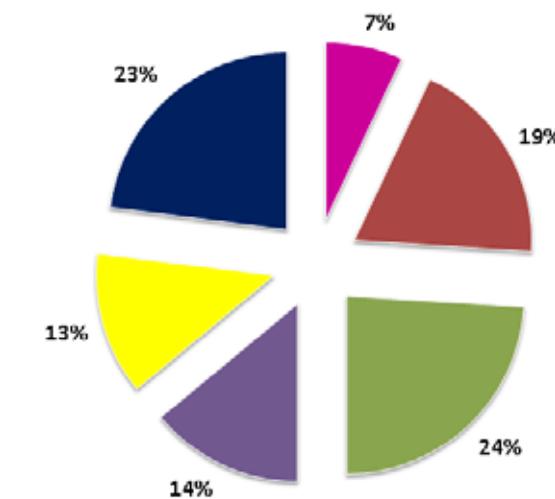
Not surprisingly, staff raises in 2013 are projected to be low or non-existent. 50% of respondents anticipate no raises in 2013, which is consistent with the results over the last four years. For those agencies providing raises, the most anticipated raise will be one to two percent, with 38% of respondents projecting staff raises in this range. This is slightly higher than last year's results, when 24% of respondents had projected staff raises in this range.



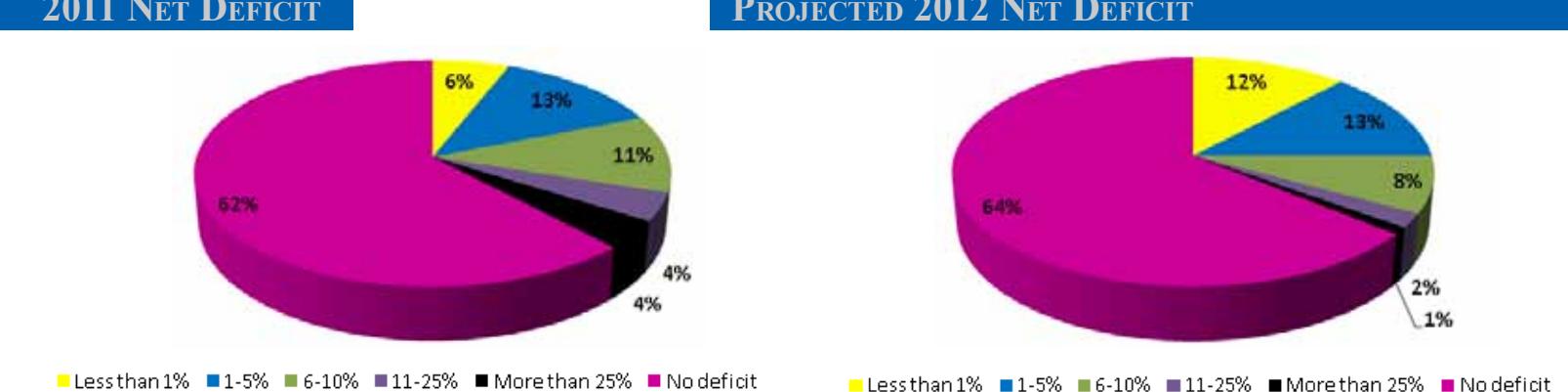
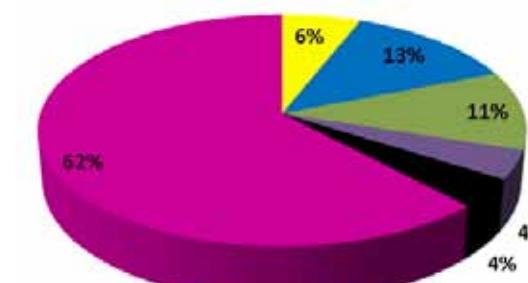
DAYS OF OPERATIONS IN CASH

For many organizations, the downturn in the economy and slow payments from government funders have deteriorated their financial resources. Days in cash measures how many days of operations can be sustained with current cash balances. In today's economic environment, it would be prudent to maintain approximately 90 days of cash and cash equivalents to ensure that government funding slowdowns will not significantly impact an organization's operations. Only 36% of respondents have over 90 days in cash, which is significantly lower than the results from 2011 (53%). This means that 64% of respondents are in a precarious cash position.

■ Less than 15 ■ 15-30 ■ 31-60 ■ 61-90 ■ 91-120 ■ More than 120



2011 NET DEFICIT



Despite eroding financial positions, a majority (62%) of respondents reported having no deficit in 2011; and 64% expect no deficit for 2012. Approximately 19% of respondents had a deficit of more than 5% in 2011; however, only 11% anticipate a deficit of 5% or more for 2012.

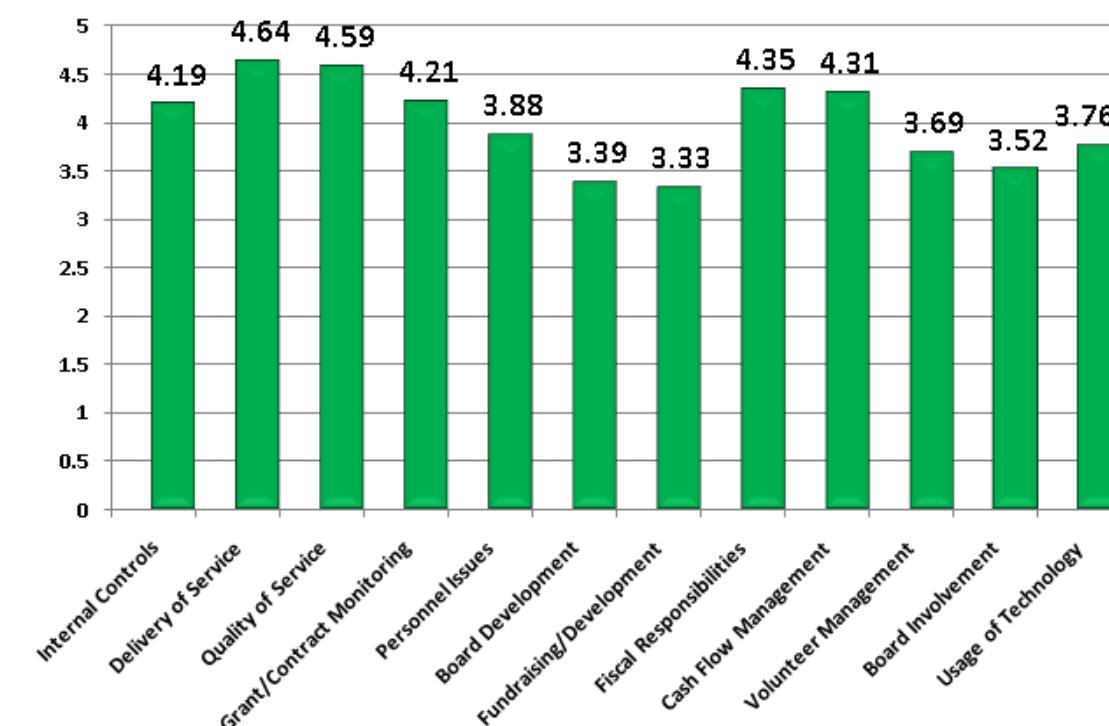
SALARIES BY SIZE OF ORGANIZATION

CEO / Executive Director									
Size of Organization (in annual funding)		Do Not Have	Unpaid	Under 50K	\$50K - \$75K	\$76K - \$100K	\$101K - \$150K	\$151K - \$200K	Over \$200K
	Under \$250,000	6	2	3	1	4	0	0	0
	\$250,000 - \$999,999	2	0	3	3	6	1	0	0
	\$1,000,000 - \$4,999,999	1	0	1	2	12	6	0	2
	\$5,000,000 - \$9,999,999	0	0	0	1	0	3	0	3
	\$10,000,000 - \$24,999,999	0	0	0	3	2	1	4	2
	\$25,000,000 - \$100,000,000	0	0	0	0	2	0	0	4
	Over \$1,000,000,000	0	0	0	0	2	0	0	0
	CFO / Finance Director								
Size of Organization (in annual funding)		Do Not Have	Unpaid	Under 50K	\$50K - \$75K	\$76K - \$100K	\$101K - \$150K	\$151K - \$200K	Over \$200K
	Under \$250,000	9	2	2	0	0	0	0	0
	\$250,000 - \$999,999	7	0	3	4	1	0	0	0
	\$1,000,000 - \$4,999,999	8	0	1	6	2	1	0	0
	\$5,000,000 - \$9,999,999	0	0	0	1	1	3	1	0
	\$10,000,000 - \$24,999,999	1	0	0	1	2	7	1	0
	\$25,000,000 - \$100,000,000	0	0	0	0	0	0	1	1
	Over \$1,000,000,000	0	0	0	0	0	0	1	3
	Program Director								
Size of Organization (in annual funding)		Do Not Have	Unpaid	Under 50K	\$50K - \$75K	\$76K - \$100K	\$101K - \$150K	\$151K - \$200K	Over \$200K
	Under \$250,000	10	2	1	0	0	0	0	0
	\$250,000 - \$999,999	3	0	6	6	0	0	0	0
	\$1,000,000 - \$4,999,999	4	0	1	9	4	0	0	0
	\$5,000,000 - \$9,999,999	0	0	0	1	3	2	0	0
	\$10,000,000 - \$24,999,999	0	0	0	3	8	1	0	0
	\$25,000,000 - \$100,000,000	0	0	0	1	0	1	0	0
	Over \$1,000,000,000	0	0	0	4	0	0	0	0

Development Director									
Size of Organization (in annual funding)		Do Not Have	Unpaid	Under 50K	\$50K - \$75K	\$76K - \$100K	\$101K - \$150K	\$151K - \$200K	Over \$200K
	Under \$250,000	10	2	0	1	0	0	0	0
	\$250,000 - \$999,999	11	0	2	2	0	0	0	0
	\$1,000,000 - \$4,999,999	8	0	3	3	4	0	0	0
	\$5,000,000 - \$9,999,999	1	0	0	2	3	0	0	0
	\$10,000,000 - \$24,999,999	7	0	0	1	1	3	0	0
	\$25,000,000 - \$100,000,000	0	0	0	0	1	1	0	0
	Over \$1,000,000,000	0	0	0	0	1	1	0	2

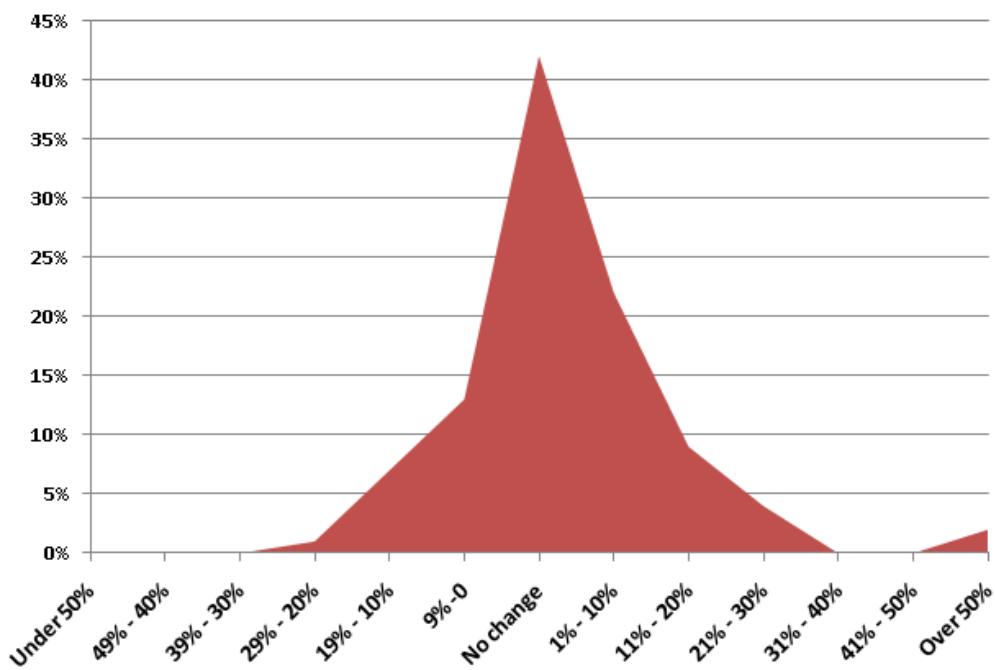
For the most part, the salary paid to an organization's Executive Director is commensurate with the size of the organization. Overall, the most common salary paid to a respondent's Executive Director is between \$76,000 and \$100,000. Approximately 11% reported that they do not have a CFO, 3% do not have a program director, and 14% do not have a development director.

ORGANIZATIONAL EFFECTIVENESS



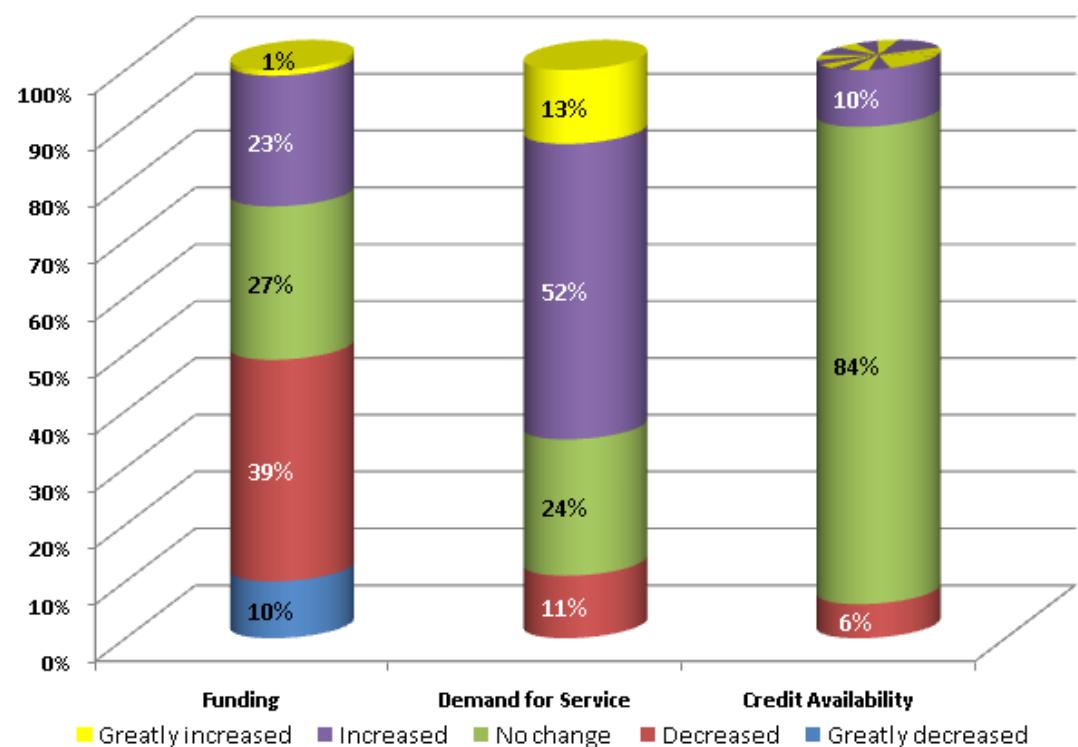
Organizations were asked to rate their effectiveness in 12 different areas on a scale of one to five. While respondents on a whole believe they are above average in all twelve categories, nonprofit organizations believe they are least effective in fundraising/development (3.33), board development (3.39), board involvement (3.52), and volunteer management (3.69). These results are fairly consistent with last year's survey, which speaks volumes about the relative perceived lack of leadership at the Board level in many nonprofits.

CHANGE IN NUMBER OF PEOPLE IMPACTED BY ORGANIZATION



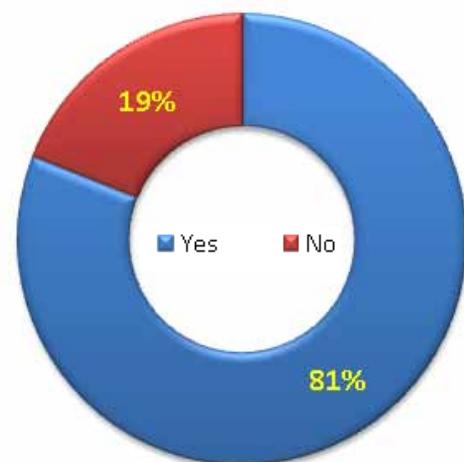
The majority of respondents (42%) believe their services impacted the same amount of people in 2012 as in 2011. Less than 25% of respondents believe that the level of service they provided in 2012 was below the level they provided in 2011. For those respondents that experienced an increase in 2012, the majority of respondents had increases of less than 10% (22%).

OPERATIONAL CHANGES



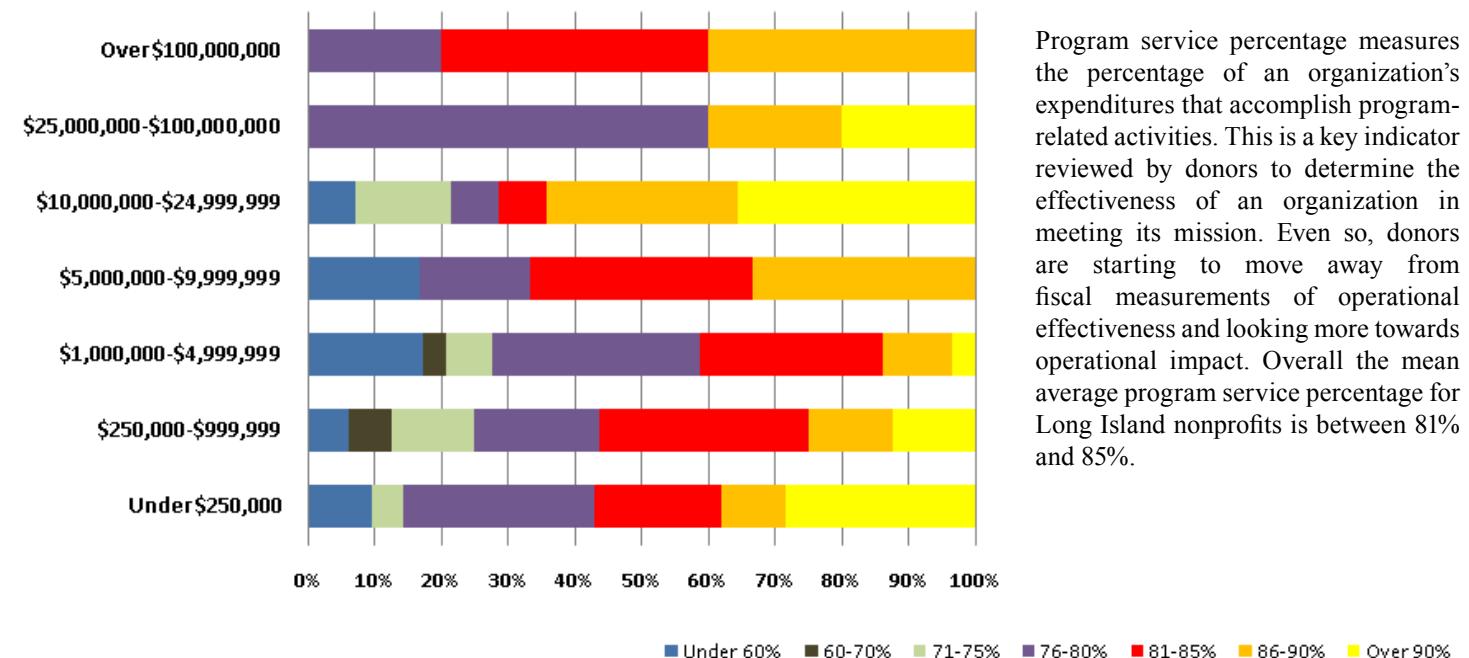
Unfortunately, most Long Island nonprofits are still feeling the impact of the recession. 49% of respondents believed that their 2012 income was negatively impacted by the recession, while 65% experienced an increase in demand for service. Due to the recession, 84% of survey respondents felt no change in their credit availability. These results were consistent with results from 2011.

WILL YOU BE ABLE TO MEET SERVICE DEMANDS IN 2012?



As funding shrinks and the demand for services continues to rise, 19% of respondents do not believe they will have the resources necessary to meet the growing demand. As a result, Long Islanders may be left without the services they greatly need and depend on to conduct their daily lives.

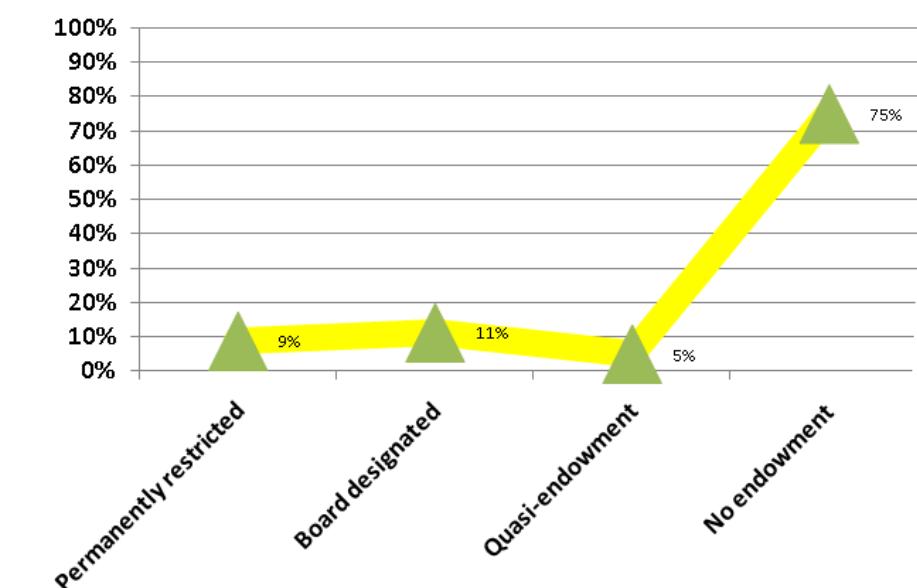
PROGRAM SERVICE PERCENTAGE BY SIZE OF ORGANIZATION



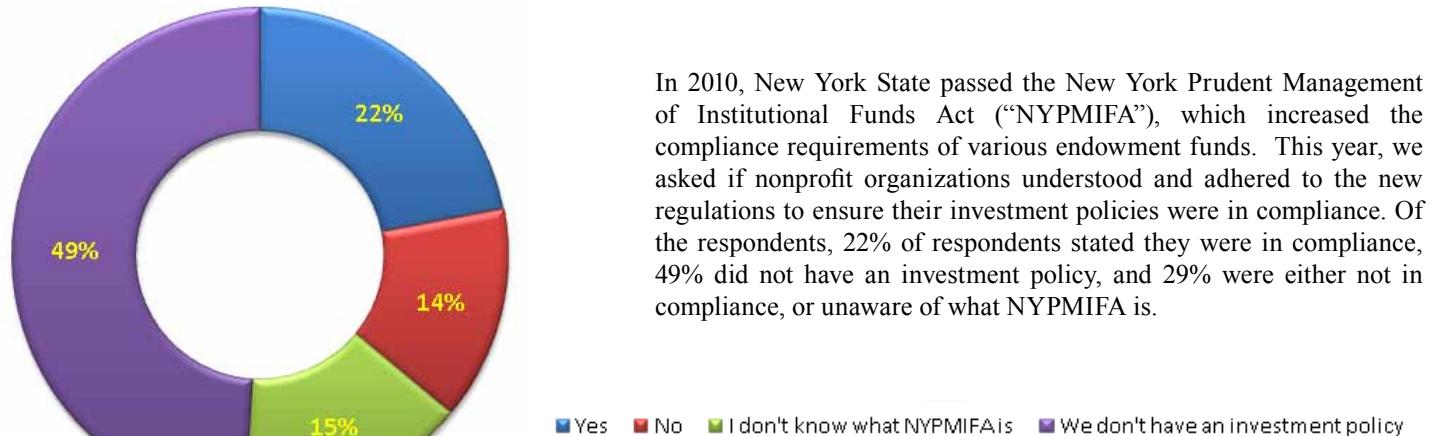
Program service percentage measures the percentage of an organization's expenditures that accomplish program-related activities. This is a key indicator reviewed by donors to determine the effectiveness of an organization in meeting its mission. Even so, donors are starting to move away from fiscal measurements of operational effectiveness and looking more towards operational impact. Overall the mean average program service percentage for Long Island nonprofits is between 81% and 85%.

DOES YOUR ORGANIZATION HAVE AN ENDOWMENT FUND?

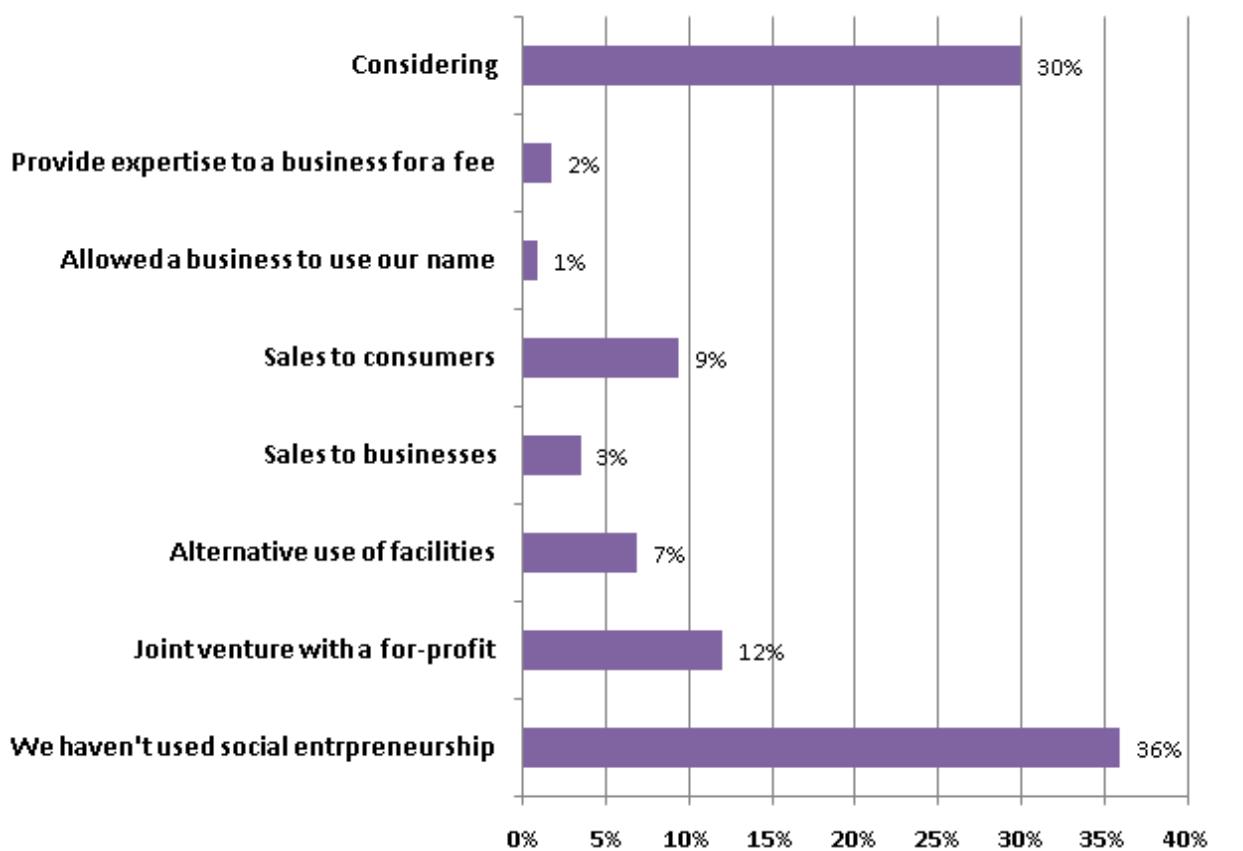
An endowment fund is an investment portfolio set aside to provide ongoing income and a permanent source of financial stability for an organization. Consistent with 2011 results, 75% of respondents do not have an endowment fund, while 11% have a board designated fund, 9% have a permanently restricted fund, and 5% have a quasi-endowment fund.



DOES YOUR INVESTMENT POLICY COMPLY WITH NYPMIFA?

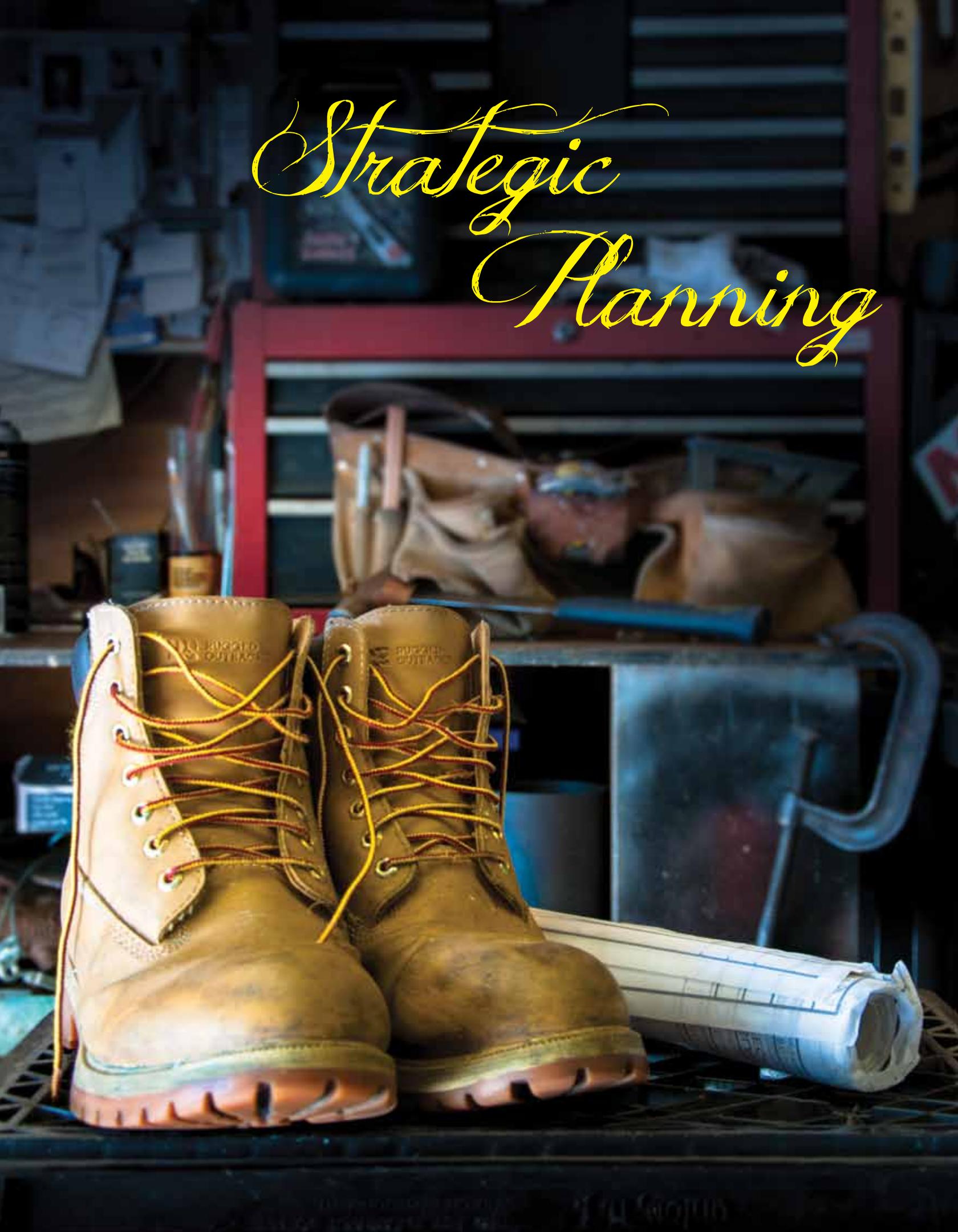


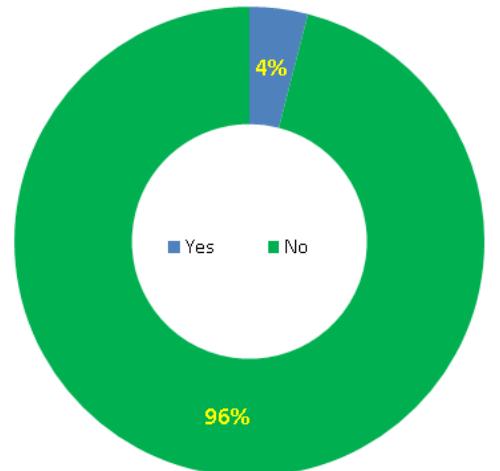
USE OF SOCIAL ENTREPRENEURSHIP CONCEPTS



Social entrepreneurship, which is essentially using for-profit, concepts within a nonprofit business, is becoming increasingly popular. Of those that responded to the 2012 survey, 36% of organizations are not engaged in social entrepreneurship; 30% are considering same type of social entrepreneurship, and 34% are already engaging in social entrepreneurship.

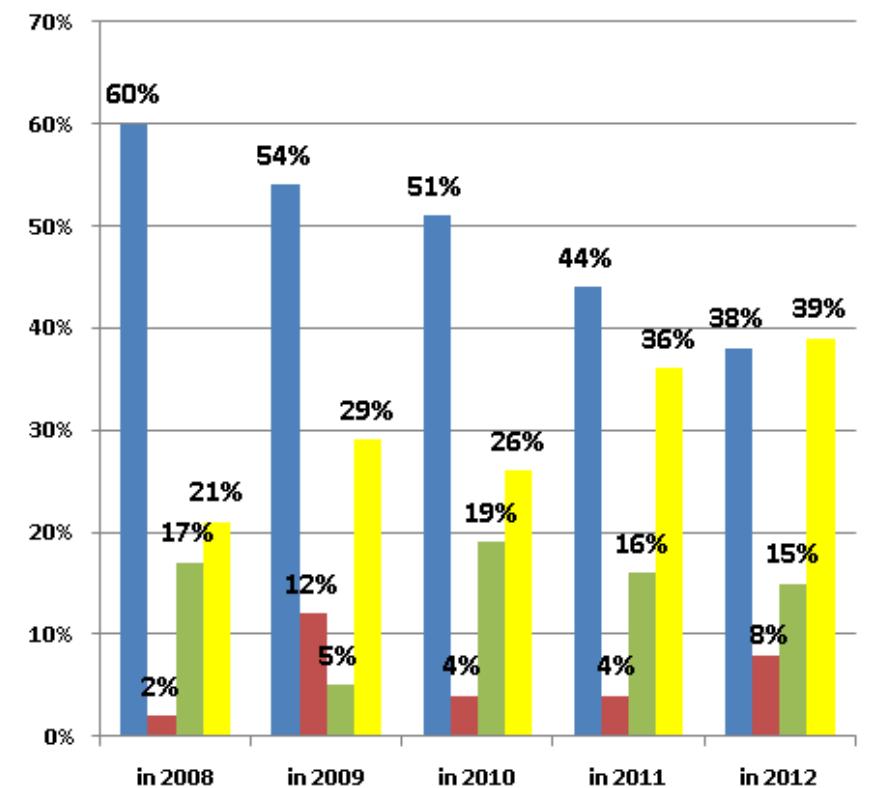
*Strategic
Planning*





Consistent with 2011 results, this chart indicates strength and conviction in the nonprofit sector. However, if we apply the 4% of nonprofits that responded "considering ceasing operations" to the total populations of nonprofits on Long Island (estimated between three and four thousand), we can see that there is a tremendous risk that the Island will lose significant capacity to meet the needs of its residents.

FORWARD LOOKING PROGRAM PLANS



While consumer needs continue to grow, many organizations are fearful of the recession and anticipated reductions in funding. As a result, few agencies plan on introducing new programs during 2013 (38%). Of the respondents, 8% indicated they would eliminate some programs, which is an increase from last year's results (4%), and 39% indicate they intend to keep their programs the same for 2013.

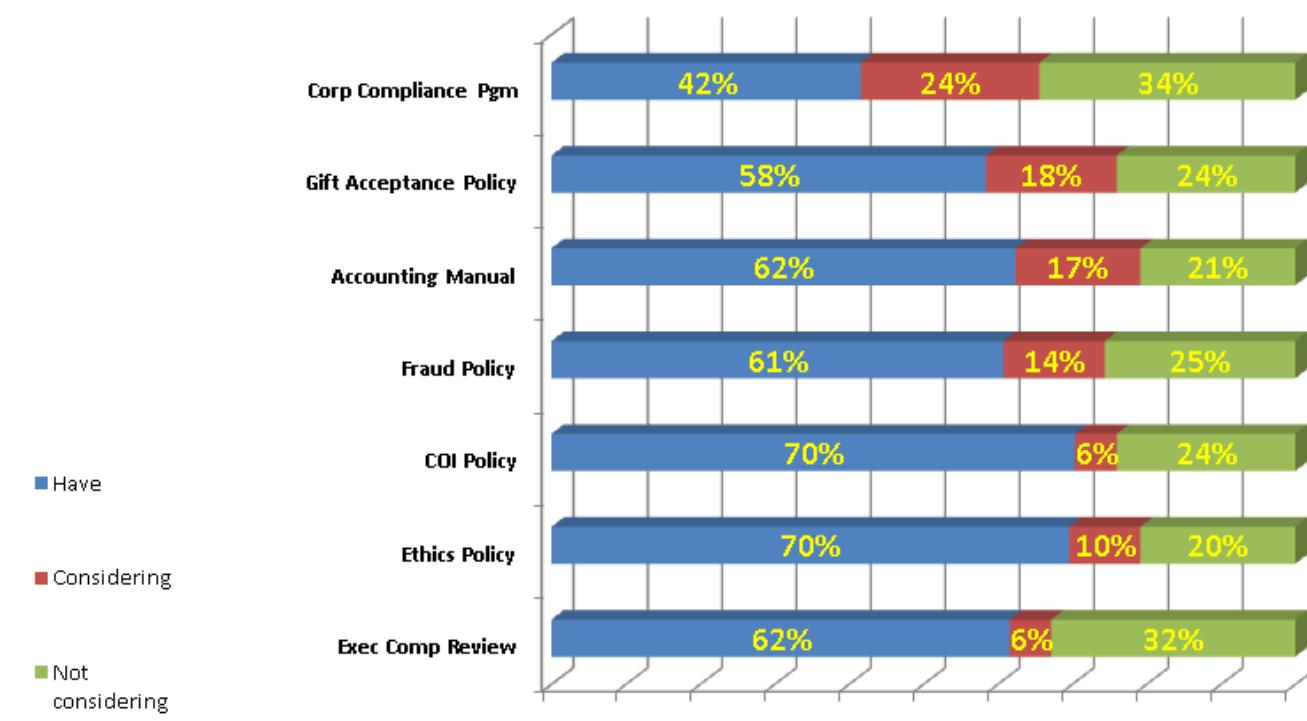
ARE YOU MEASURING OUTCOMES?

With 28% of respondents reporting that their donors were interested in community impact, it is not surprising that 54% of organizations are implementing systems to better measure outcomes and community impact of their organization. Of those measuring their impact, only 12% are posting the results to their website, where their donors and community can see the scope of what they're trying to accomplish.

■ Yes, and the outcomes are on our website ■ Yes, but the outcomes are not disclosed ■ No

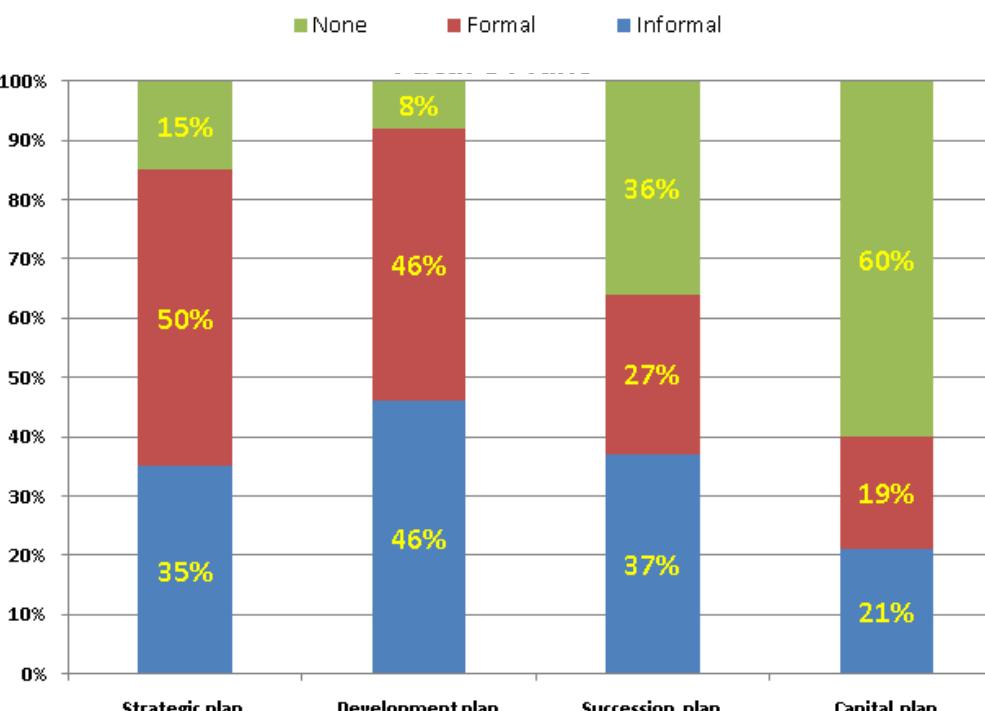
CONSIDERED CEASING OPERATIONS

CORPORATE GOVERNANCE EFFORTS



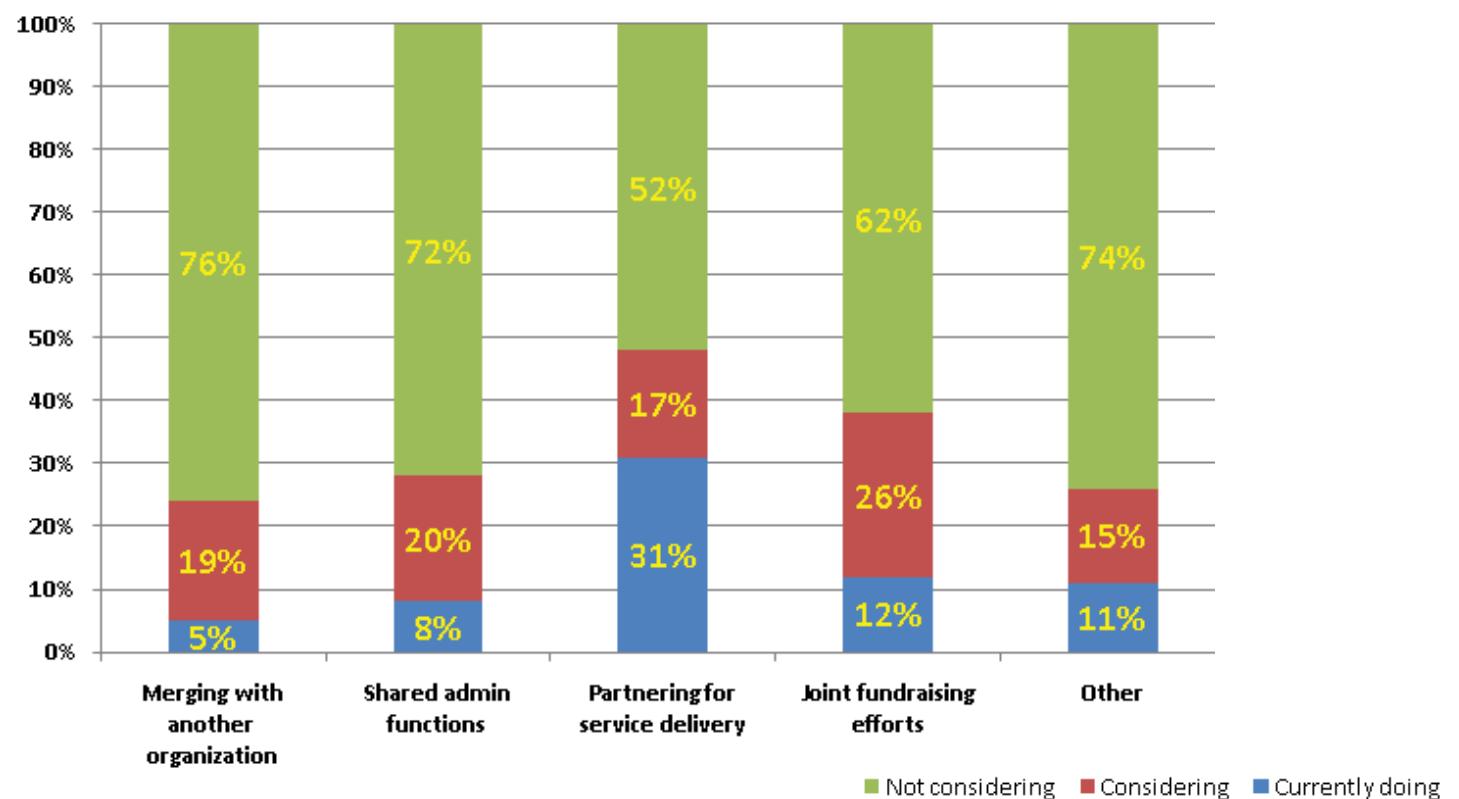
With increased regulations and pressure from funders, it is a best practice for agencies to have in place certain key policies to properly ensure that oversight of operations is in place. 70% of respondents have conflict of interest and ethics policies in place, 62% have accounting manuals and board involvement in the determination of executive compensation, 61% have fraud prevention policies, 58% have gift acceptance policies, and 42% have a corporate compliance program. These are consistent with prior year levels, with the exception of fraud prevention, which is 13% higher than 2011 results. Seeing as the sector continues to experience high profile frauds, this is a positive development. With the Governor's executive order, which limits the amount of executive compensation that can be paid to executives working for NY State funded agencies, it is anticipated that more agencies will adopt formalized executive compensation review programs.

FUTURE PLANS



Long-term planning provides much needed stability and direction to any business or nonprofit. Based upon the survey results, 46% of respondents have a formal development plan; 50% have a formal strategic plan; 27% have a formal succession plan; and 19% have a formal capital plan. With the exception of formal strategic planning, these numbers are all lower than last year's results. The biggest voids continue to be in capital plans, as well as succession planning. With the graying of nonprofit leadership and the anticipation of large levels of retirement over the next 10 years, it is increasingly important for agencies to consider formalizing their succession process.

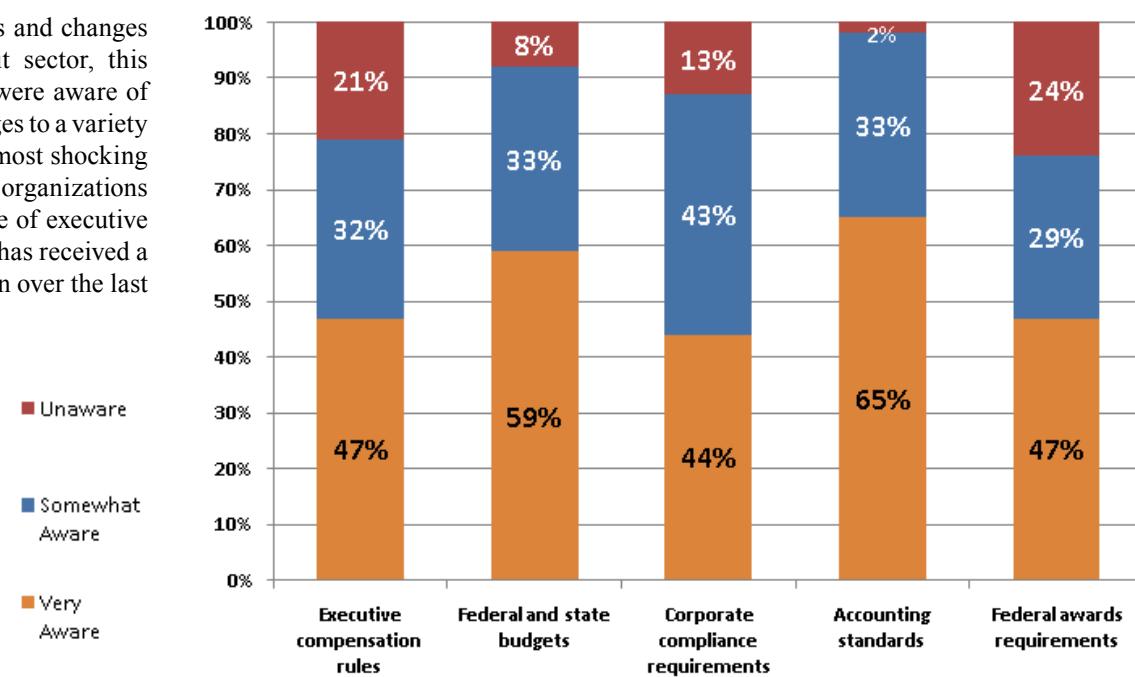
COLLABORATION WITH OTHER ORGANIZATIONS



5% of respondents are currently involved in a merger, with another 19% contemplating such a course of action. In addition, 31% responded that they have partnered with other organizations for service delivery. This year's results are slightly higher than last year's results.

AWARENESS OF DEVELOPING ISSUES

With increasing regulations and changes happening in the nonprofit sector, this year we asked if agencies were aware of the new and proposed changes to a variety of developing issues. The most shocking response was that 21% of organizations reported they were unaware of executive compensation rules, which has received a great deal of media attention over the last year.



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The Long Island Volunteer Center is an all-volunteer agency working to provide support to, and promote and advocate for, volunteer service on Long Island. LIVC was designated a New York State Regional Volunteer Center in September 2011 to raise the profile of volunteerism on Long Island and increase volunteer engagement.

