

SPECIAL REPORT

THE NPT

TOP 100



AN IN-DEPTH STUDY OF AMERICA'S LARGEST NONPROFITS

Compiled with the help of

Grant Thornton 

SPECIAL REPORT

RELIEF, BEQUESTS PUSH THE NPT 100 MORE THAN HALF OF PUBLIC SUPPORT FROM IN-KIND GIFTS

BY MATTHEW SINCLAIR

Though 2004 was perhaps best remembered for the presidential campaign and the tragic tsunami that devastated regions of southern Asia, neither of those events appeared to be the reason behind a return to robust growth in giving to the U.S. nonprofit sector.

Despite war abroad and scattered economic success and failure at home, Americans offered support to the nation's charities, as the largest 100 organizations raised a total of \$49.7 billion in Fiscal Year 2004, a 9.8 percent increase compared to what these same organizations generated the previous year.

Also showing an apparent resurgence was public support, which grew by \$2.4 billion and reached double-digit percentage growth. Yet, a closer look at the public support figure reveals something new: the biggest gainers were in-kind organizations, where con-

practice, added, "There are a lot of big drug companies that have started to donate to U.S. charities to use overseas."

For Larry Jones, president and founder of Oklahoma City, Okla.-based in-kind organization Feed The Children, the in-kind boon is partly the result of the simple fact that there are more companies resulting in increased surpluses.

"I think the growth of in-kind organizations is going to be a continuing situation," Jones predicted. "Every major company somewhere along the line ends up with some form of surplus. Those companies are two things: They're probably compassionate. But they also need the warehouse space. And if people need it, we're going to take it and give it to them."

For years, in-kind organizations have been expanding beyond food and medicines to include paper prod-

ucts, personal care items and school supplies, to name just a few goods, Jones added.

Such activities have their own risks, however, possibly leading into debt-financed income, which would be taxable as unrelated business income, Romano said. "They need to be aware that a lot of these limited partnerships invest in foreign operations, and they have filings that are necessitated by those," he said. In addition to state filings, most of these partnerships operate in numerous states. "You can have an organization that has one partnership investment and now they have to file in 35 different states," Romano said. "They need to take that into consideration when they look at their return."

Looking at the *NPT 100*, Romano said that about 40 percent of the organizations had alternative investments, typically in limited partnerships. "Those organizations with larger endowments, that's the way they're going," he said. "They're getting out of the stock market to some extent, and they're going into these hedge funds and other similar vehicles."

Not long ago, many organizations had policies against investing in such vehicles. "Over the last five years, it's gone from basically nobody investing in that stuff to anybody with an endowment has dabbled in it," Romano said.

Kurre added, "Those that have sophisticated portfolios, there are not a lot of them that don't have some investment in hedge funds, derivatives.... You do have a few of the old line, conservative nonprofits that are still in the old typical portfolio, but they are in the minority at this point."

Anticipation

Last year, people were anticipating this year's *NPT 100* because of the bequests made by Joan Kroc, who died in the fall of 2003 - particularly the \$1.5 billion gift to the Salvation Army. Unfortunately, the wait continues. Kurre said he was surprised when he looked at the *NPT 100* data and saw SA "only" post a \$3.1 billion total. A footnote in the consolidated audited financial the SA submitted (as a church, it is not required to file a Form 990), mentioned the gift and added that it could be several years before the estate is settled. "Under the accounting rule," Kurre said, "until the probate process is complete, you don't need to recognize it."

So far, \$1 billion has been advanced, which the national headquarters divvied up among its four territories in equal portions; that amount will hit the books in fiscal year 2005. Even with an extra billion to report,

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The top in-kind organizations, including Feed The Children, combined to report nearly \$1 billion in total revenue growth in FY'04.

tributions fall into their hands like they were coming from a faucet. More than half of the increase in public support came from in-kind giving.

The eight organizations in the *NPT 100* that generate the majority of their revenue through in-kind giving reported nearly \$1 billion in total revenue growth from the previous fiscal year. That's more than half of what the 22 human service organizations mustered, which posted \$1.7 billion above Fiscal Year 2003.

The state of the economy had a lot to do with the shift. "I think what's happened is, on the corporate side ... many times it's easier to get a corporation to give in-kind than to give cash," said Frank Kurre, managing partner of Grant Thornton's national nonprofit practice. "They haven't been able to get the cash that they'd like but they've gotten the supplies instead." The New York City office of the national accounting firm helped compile and analyze the *NPT 100* data.

Daniel Romano, executive director, tax, for Grant Thornton's northeast higher education and nonprofit

Though public support still showed respectable improvement even if the in-kind growth were removed, the modest level of giving could be an indicator that many people remain down on their luck and some corporations are still struggling. "We're not anywhere near where we were in the hey-day of the mid '90s," Kurre said. "In addition, if the stock markets were faring better, there would be more donations of appreciated stock, which would have helped to show some increase, if for no other reason than the bonuses on Wall Street would have been better and people would have made more gifts."

Not market rates

Overall, the various revenue categories showed moderate and relatively consistent growth. One stagnant revenue category was investment income, which would have shown a decline if not for a \$332 million

RELIEF, BEQUESTS PUSH THE NPT 100

MORE THAN HALF OF PUBLIC SUPPORT FROM IN-KIND GIFTS

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however, the SA may not move up on the chart.

The tsunami that struck on December 26, 2004 brought with it a wave of donations to the American Red Cross, which will also enable it to surge among the top organizations in fiscal year 2005 – perhaps even to the top. Considering the largesse that flooded its coffers for Hurricane Katrina, which will be reported in fiscal year 2006, “they’re going to have a couple years of huge amounts of money,” Kurre said.

In some ways, growth by the Red Cross and the SA, as well as among the in-kind groups and even several of the religious groups, has mirrored increases among relief organizations. Regardless of how they’re defined, the groups with relief programs were especially popular among donors, and others suffered as a result.

Though it is anecdotal information, organizations throughout the country are feeling the shift of donations toward relief groups, Kurre said. “It’s happening all over. We’ve had quite a few colleges that are complaining that they’re seeing a drop off.” The groups most vulnerable, however, are “human service in general, if they don’t have a relief component,” he said. “Some of the religious organizations, we’re seeing large climbs because many of them have that disaster relief outreach arm.”

more of that.”

He added that he expects to see increases among organizations that help veterans, given the influx of wounded soldiers coming home from Iraq and Afghanistan. “You hear about the 2,000 soldiers who were killed (in the wars), well there were many tens of thousands who were wounded and are going to need ongoing care,” he said. “So some of the agencies that provide that kind of service – I think you’re going to see some spikes in revenue as the casualty counts continue to build.”

That need leads to another potential growth segment within the nonprofit sector; health groups, though it won’t come without its own casualties. “Health care is going to consolidate” Kurre predicted. “The stronger entities, like some of the ones you’re seeing here, are going to show some decent increases.” Others will fall into mergers and consolidations, which have already begun among hospitals, he said. While there may be fewer players, Kurre offered, “the pie is going to grow rapidly. What we’re seeing is double digit growth in health care.”

Traditional groups

Regardless of whether the Kroc gift appears in Salvation Army’s numbers, her largesse factored into

Looking at other arts and civic organizations, three posted gains of more than \$100 million in total revenue in one year, with the Metropolitan Museum of Art and Museum of Modern Art, both in New York City, joining MFA-Houston in nine-figure growth. The Robert W. Woodruff Arts Center in Atlanta and the MFA in Boston both posted sturdy increases of \$72 million and \$66 million respectively, as did the Smithsonian Institution and affordable-housing advocate Local Initiatives Support Corporation, (both up nearly \$50 million).

Those organizations helped pace the 35 percent growth in total revenue and the 54.8 percent growth in public support among arts/civic groups. Some significant swings also occurred in the investment revenue, which showed \$213 million increase for the 15 organizations.

As usually occurs, the *NPT 100* saw some new and returning organizations and watched others fall below the minimum requirement in public support or land short of enough revenue. United Cerebral Palsy did not raise at least 10 percent of its total revenue in public support. Groups that fell outside of the top 100 included Colonial Williamsburg (\$104.6 million), Billy Graham Evangelistic Association (\$104.2 million), and Scholarship America (\$91.4 million).

In looking at the organizations of this year’s *NPT 100*, there are a few other surprises. One of the biggest was the difficulty in gaining information from organizations this year. An annual struggle with some groups, others were unable to provide detailed expense data and some had to recalculate data due to restructured Fiscal Years. Direct Relief International changed its fiscal year, and thus had only a three-month fiscal year for 2004. These numbers were combined with its fiscal year 2003 figures for consideration this year.

For those organizations that do not file 990s, *NPT 100* data is gathered from their certified audited financials or from data sheets the organizations provide for their entire systems. The YWCA, which cut back its national office, could not provide detailed expense data.

Better information was provided from a new contender: Pew Charitable Trusts, which changed its legal structure to become an operating charity. Though it continues to make grants to other organizations that fit its program goals, it also uses its funds to support its own programs. As a public charity, Pew will have expanded opportunities and flexibility to operate programs, raise funds for its initiatives, advocate public policy change, and better achieve its public service mission.

According to Jamie Horwitz, Pew’s director of legal affairs and general counsel, early this century the organization began examining whether the legal structure of the entities was optimal for all involved and after a full exploration, decided to make the change, which took effect January 2004.

“In some ways the change really conformed their legal structure to what we were doing in practice – that the Pew Charitable Trust division operated very much like a charitable organization all that time,” Horwitz said.

Pew barely missed the top 100 in its first year of eligibility, posting total revenue of \$108 million. The “buy-in” point for inclusion in the top 100 increased nearly 12 percent. That jump is significant, especially when considering that for the second consecutive year, the *NPT 100* does not include “financial service charities,”

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A \$450 million bequest by Caroline Weiss Law launched the Museum of Fine Arts, Houston \$205.3 million ahead of FY'03. The Caroline Weiss Law Building is a tribute to the museum’s prominent Life Trustee.

Of course, relief wasn’t relegated only to efforts overseas. The government revenue overall went up nearly 10 percent. “I do expect that, even though there have been arguments that the economy is getting more robust, there’s still many sectors of the economy that are hurting,” Kurre said. “So what we’ve seen in the federal side is continuing strong government relief. The faith-based initiatives have also led to more funding on the nonprofit sector that hadn’t historically been there.”

Indeed, religious groups in the *NPT 100* saw an increase in government revenue, but one group was responsible for that increase: World Vision, which received \$86 million more in 2004 from the government – virtually the entirety of what resulted in a 42 percent increase in government funding to religious organizations.

In total, government support increased nearly 10 percent among the top 100. “I’m not surprised to see some nice increases,” Kurre said. “We’re going to see

other groups’ growth. National Public Radio received a more than \$200 million bequest, which the organization placed into its Endowment Fund for Excellence. If that foundation were included into overall *NPT 100*, NPR would find itself in the top third of all charities in fiscal year 2004, instead of its slot among the lower third.

Kroc also made a \$60 million bequest to the Ronald McDonald House Charities, which indicated it does not gather data on its related RMHC groups around the country. Had the data been available, it’s possible it could have made the *NPT 100* for the first time in more than five years.

A handful of other organizations received sizable bequests or gifts that catapulted them up the list. The Museum of Fine Arts, Houston, for example, more than tripled its revenues to rocket up from well below the 100 spot to land at 36, due in large part to a bequest from Caroline Wiess Law. Look to Craig Causer’s story on such gifts elsewhere in this special section.

Planning Is A Precursor To Large Revenue Gains

BY CRAIG CAUSER

The top revenue gainers in Fiscal Year 2004 all share one common denominator – business plans that directed the fundraising, rather than the converse. Attempting to raise significant revenue without that framework in place would be like going to a chiropractor to fix a chipped tooth – sporadically gratifying but ultimately ineffective.

The Museum of Fine Arts, Houston (MFAH) has reason to flash the toothiest grin, skyrocketing \$205.3 million, or 361 percent, to an FY'04 total revenue of \$262.2 million. The hike was in good measure due to two large bequests that are spread out over a two to three-year-period. The larger \$450 million bequest was made by Caroline Wiess Law, a lifetime trustee of the organization who passed away in December, 2003.

The bequest is divided, according to Dr. Peter Marzio, director of MFAH. Sixty percent is marked for operating costs and 40 percent is reserved for purchasing works of art. With the works of art, it's allocated specifically for pieces that were created after 1900.

“This (bequest) means that we can either go after more works of art or more expensive works of art,” Marzio explained. “We planned for the money to replace annual gifts that we receive on a regular basis from a number of trustees. We had five life trustees die this past year. The money that we will get from the



The Bronx Zoo's Tiger Mountain exhibit boosted attendance, revenue and the moxie of small children.

60 percent part of the Law bequest replaces a lot of those annual gifts plus a little bit more. What it does is it shores up the operating budget and it lines up with the

rest of our endowment. Our total endowment will now pay for a third of the operating budget.”

The Museum of Fine Arts, Boston (MFAB) also turned

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Name Location, Year Founded, Last Year's Rank	2004 Income	Sources of Income					
		Public Support	Government	Investment	Membership	Program Services	Other
1 YMCAs in the United States Chicago, IL 1851 - 1	4,831,582,000	773,270,000	527,934,000	41,164,000	1,674,347,000	1,689,941,000	124,926,000
2 Catholic Charities USA Alexandria, VA 1910 - 3	3,179,622,682	495,013,751	1,976,571,752	42,891,544	0	571,365,698	93,779,937
3 Salvation Army Alexandria, VA 1865 - 4	3,104,086,000	1,545,852,000	353,006,000	511,101,000	0	159,785,000	534,342,000
4 American Red Cross Washington, DC 1881 - 2	3,065,541,356	557,053,955	60,642,338	62,345,198	0	2,311,183,621	74,316,244
5 # United Jewish Communities New York, NY 1999 - 6	2,864,000,000	2,035,000,000	0	829,000,000	0	0	0
6 * Goodwill Industries International Bethesda, MD 1902 - 6	2,389,719,000	397,563,000	356,933,000	12,965,000	0	1,956,151,000	23,040,000
7 Boys & Girls Club of America Atlanta, GA 1906 - 8	1,186,300,097	509,968,888	393,486,008	47,083,369	17,849,503	147,070,051	70,842,278
8 Feed The Children Oklahoma City, OK 1979 - 21	958,778,536	888,054,166	66,778,309	2,490,698	0	0	1,455,363
9 Habitat for Humanity International Americus, GA 1976 - 11	902,424,175	509,897,248	59,000,555	0	0	273,406,383	60,119,989
10 Shriners Hospitals for Children Tampa, FL 1922 - 7	894,723,000	244,596,000	0	642,274,000	0	2,185,000	5,668,000
11 American Cancer Society Atlanta, GA 1913 - 9	846,337,308	821,232,095	9,043,020	20,886,718	0	834,484	-5,659,009
12 † Gifts In Kind International Alexandria, VA 1984 - 10	825,796,734	822,355,136	0	2,237	0	3,412,991	26,370
13 Easter Seals Chicago, IL 1919 - 17	812,692,000	147,277,000	0	15,273,000	0	595,296,000	54,846,000
14 Planned Parenthood Federation of America New York, NY 1922 - 13	810,000,000	191,000,000	265,200,000	0	0	313,800,000	40,000,000
15 World Vision Federal Way, WA 1950 - 19	803,810,000	513,553,000	284,880,000	5,261,000	1,295,000	0	-1,179,000
16 AmeriCares Foundation New Canaan, CT 1982 - 18	801,868,087	800,514,200	2,708,018	-1,385,576	0	0	31,445
17 Girl Scouts of the USA New York, NY 1912 - 20	774,766,372	142,130,203	7,697,003	57,930,932	0	518,816,983	48,191,251
18 Boy Scouts of America Irving, TX 1910 - 12	771,135,000	296,235,000	3,665,000	85,898,000	109,740,000	246,759,000	28,838,000
19 Volunteers of America Alexandria, VA 1896 - 16	752,132,902	95,590,952	9,070,999	5,074,575	0	623,072,676	19,323,700
20 The Nature Conservancy Arlington, VA 1951 - 14	732,402,173	436,409,918	0	63,173,215	0	228,144,426	4,674,614
21 YWCA of the USA Washington, DC 1906 - 15	649,500,430	149,385,099	318,255,211	0	0	136,395,090	45,465,030
22 Food For The Poor Deerfield Beach, FL 1982 - 27	643,350,124	535,881,227	107,407,841	69,569	0	0	-8,513
23 American Heart Association Dallas, TX 1924 - 23	593,132,223	436,283,584	25,000	23,951,539	1,579,521	16,829,852	114,462,727
24 CARE USA Atlanta, GA 1945 - 22	571,632,000	172,625,000	393,914,000	2,019,000	0	0	3,074,000
25 Catholic Relief Services Baltimore, MD 1943 - 24	568,020,000	148,998,000	405,722,000	8,621,000	0	0	4,679,000

* Figures include certain exchanged transactions that are not reflected in total # Estimate by organization based on surveys.

† Includes unaudited \$298 million from affiliates and \$14 million in pass-through donations.

to reliable benefactors, with its 62 percent revenue gain attributed to its ongoing capital campaign. The campaign includes designs to construct a new building and expand and enhance existing structures including expanded Museum Learning facilities and a Glass Courtyard for year-round enjoyment. The \$500 million goal will also enhance the organization's endowment.

The campaign, which is slated to come to a close in 2008, is the main reason for the \$66 million revenue increase, said Patricia Jacoby, deputy director, external relations at the MFAB. "We have a challenge grant that has been given to us to encourage people to give at the million-dollar level," Jacoby added, "Or, if they were already at that level, to get to one of our higher benefactor levels - \$2.5 million or \$5 million. There's been a good response, particularly from our trustees. That really accounts for the major jump."

The success of the campaign hasn't affected the MFAB in the least at the managerial level. The revenue that has been gained is in compliance with a business plan that was developed prior to the campaign. The plan was designed to "fundraise to the planning, not the other way around," Jacoby said.

Relief organizations helped themselves to a heaping slice of revenue as well. Spurred by a \$65 million milk donation from the United States Department of Agriculture, Oklahoma City, Okla.-based Feed The Children climbed from \$568.4 million in FY'03 to \$958.8 million in FY'04, a 69 percent increase. The nonprofit issued a statement attributing the numbers to a "continuation of healthy growth over each of the

last several years."

The Brother's Brother Foundation, based in Pittsburgh, Pa., chipped in with 49 percent revenue growth, good for a total of \$253.3 million. It joined Feed The Children and Brunswick, Ga.-headquartered Map International (a 61 percent revenue increase) as in-kind organizations making a significant move upward.

Brother's Brother reported that more companies expressed confidence in its work, resulting in a larger number of corporate donors, particularly in the pharmaceutical area. With in-kind organizations, total revenue figures come with a caveat, explained Luke Hingson, president of Brother's Brother.

"In the gifts-in-kind area, you have a small number of entities allocating tens of millions of dollars of products at a time," Hingson said. "You can have a small shift of your giving base that can make a very significant difference in the value of the resources you receive. A shift of four or five companies either to you or away from you can result in a dramatic change. Revenue can also be affected when one company merges with another and the corporate contact does not exist anymore. We've been on both the positive and not-so-positive end of corporate mergers."

Hingson also mentioned that an increase in total revenue for in-kind organizations does not necessarily mean that the nonprofit is serving an increased population. Organizations can realize some increase in the value of the items its receiving - for example the new generation of antibiotics are more valuable than the older generation - but it doesn't mean that the

actual number of people its helping is increasing. Look at it, in a way, as "cost per pill," Hingson said. The price of one pill can fluctuate in value but it still only serves one person. In this case, the boost in revenue doesn't affect an organization's distribution pattern because it's still helping the same number of people. On the other hand, a greater volume of medications will certainly affect your distribution, he added.

The distribution pattern of Brother's Brother has been altered by increased volume. In the past three years the organization expanded its capacity to distribute to South America. That expansion prepared the organization for its revenue growth and paved the way for more effective work in countries, including Argentina, Paraguay and Uruguay, Hingson said.

Tiger by the tail

The economic downturn that followed in the wake of September 11, resulted in a trying Fiscal 2003 for the Bronx, N.Y.-based Wildlife Conservation Society (WCS). Following years of spiked attendance for its Bronx Zoo, turnstile numbers dipped to approximately 2 million, the average figure during the past 106 years. The organization took action and focused on a more aggressive customer satisfaction approach. Driven by a new tiger exhibit, attendance jumped to 3.9 million in Fiscal 2004.

Increased attendance was one of the primary factors why WCS rose 25 percent in total revenue. At \$197.9 million, it recorded \$49.3 million more than the

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In Kind	Total	Expenses Programs	Fundraising	Administration	Total Assets	Value of Investments	Total Net Change in Net Assets	Unrestricted NA	Temporarily Restricted NA	Permanently Restricted NA
42,492,000	4,468,245,000	3,647,680,000	80,572,000	739,993,000	NA	NA	NA	NA	NA	NA
85,977,614	2,955,816,611	2,617,529,964	44,823,324	293,463,323	NA	NA	NA	NA	NA	NA
356,962,000	2,585,087,000	2,143,067,000	128,931,000	313,089,000	9,091,102,000	4,128,468,000	481,529,000	5,347,181,000	761,945,000	708,738,000
39,703,148	3,173,497,781	2,891,973,863	111,178,153	170,345,765	3,374,468,233	1,101,546,685	34,165,031	1,359,126,009	412,800,255	429,055,094
0	2,721,000,000	2,234,000,000	286,000,000	201,000,000	537,208,000	45,264,000	-20,828,000	132,906,000	195,104,000	16,155,000
0	2,297,473,000	2,006,019,000	15,436,000	276,018,000	2,059,102,000	NA	84,757,000	61,254,000	8,994,000	14,509,000
20,142,504	1,115,070,901	907,280,337	56,954,066	150,836,498	2,218,644,645	694,047,444	43,496,603	NA	NA	NA
866,951,449	918,509,061	845,497,703	60,877,165	12,134,193	147,514,553	45,514,270	42,629,796	132,557,219	8,162,803	0
48,758,455	781,023,310	648,583,795	65,226,179	67,213,336	1,496,302,720	43,437,541	121,400,865	239,118,131	974,571,823	3,301,690
0	535,708,000	505,043,000	2,902,000	27,763,000	10,134,647,000	7,153,923,000	411,531,000	7,364,289,000	333,620,000	922,773,000
28,321,761	811,240,175	641,188,864	142,185,984	27,865,327	1,179,977,639	762,079,274	64,423,878	520,557,217	126,771,317	182,852,942
818,871,140	808,931,875	807,088,588	154,141	1,689,146	77,727,723	0	16,864,859	70,434,730	1,991,615	0
17,196,000	785,858,000	676,925,000	29,831,000	79,102,000	647,157,000	176,808,000	27,736,000	332,745,000	53,801,000	62,716,000
NA	774,800,000	644,300,000	40,600,000	89,900,000	863,300,000	NA	37,300,000	477,700,000	101,300,000	146,300,000
374,179,000	813,398,000	708,667,000	62,727,000	42,004,000	257,779,000	95,151,000	-6,774,000	108,085,000	25,388,000	635,000
777,930,977	813,592,433	805,099,628	5,508,271	2,984,534	84,484,319	10,882,506	-9,394,306	47,429,452	36,270,839	0
NA	709,798,621	597,725,089	37,930,544	74,142,988	1,419,926,736	NA	74,370,709	1,126,424,309	106,829,240	64,920,084
0	726,270,000	631,610,000	44,717,000	49,943,000	2,897,966,000	NA	NA	NA	NA	NA
23,395,367	723,584,820	634,561,497	24,764,562	64,258,761	979,953,946	192,181,660	34,462,737	381,184,342	19,874,906	4,368,070
90,159,542	515,792,021	399,879,408	53,893,273	62,019,340	4,065,169,004	1,547,224,821	341,899,132	2,934,046,850	349,345,337	235,205,390
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
576,939,375	623,195,712	598,424,586	19,105,375	5,665,751	37,696,903	64,820	20,256,417	35,162,301	10,000	0
1,300,221	519,795,487	399,277,544	80,025,702	40,492,241	989,246,893	368,875,517	92,348,786	299,113,085	214,557,431	133,553,523
104,805,000	561,128,000	516,875,000	20,550,000	23,703,000	502,984,000	162,341,000	25,603,000	71,519,000	54,433,000	122,033,000
NA	573,495,000	544,062,000	18,407,000	11,026,000	252,958,000	NA	-5,227,000	80,310,000	31,589,000	3,072,000

Magic Act: Fundraising Expenses Continue To Be Hidden Within 990s

BY CRAIG CAUSER

For Joe and Judy Public, attempting to compute fundraising expense ratios from the Form 990 can leave one feeling like they've been wearing a Navin Johnson Opti-Grab accessory - equal parts cross-eyed and dizzy.

Steve Martin's famous Jerk notwithstanding, 990s have more backdoors than a Vegas brothel run by Michael Corleone's older brother Fredo, factoring in allocations, inaccurate reporting and yes, the occasional folding of fundraising expenses into the more socially acceptable program expenses. In other instances, the numbers conceal a more simple explanation.

In reviewing the FY'04 Form 990 for Berlin, Ohio-based Christian Aid Ministries (CAM), the eye is immediately pulled toward two figures - a robust \$211.4 million in public support followed by a diminutive fundraising expense of \$472,081. "Of the \$211 million, approximately \$17 million was in cash and the balance was gifts in kind," explained Roman Mullet, corporate secretary at CAM. "We have one individual here who spends a lot of his time in procurement of gifts in kind. Other than that, we don't have a lot of expense in procurement."

Of its fundraising expenses, Mullet said that it includes the procurement individual's salary, some direct mail and travel expenses. CAM's fundraising expense number has come in consistently at that

level, he added.

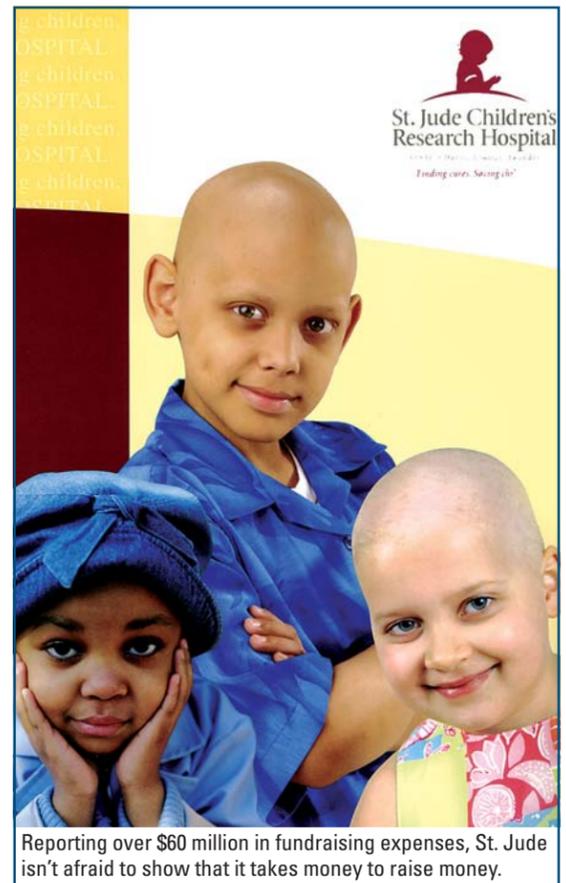
Such explanations are not always so easy to ascertain since the 990 suffers fundamental faults, according to Julie Floch, CPA, director of nonprofit services at Eisner LLP in New York City.

"Everyone says that the 990s are flawed and need to be redone - the IRS recognizes it, the Senate Finance Committee recognizes it," Floch said. "If I want to look at the fundraising of one organization and compare it to another organization, am I really making a like comparison? The answer is probably not. That's why some are saying that the audited financial statement should be attached to the 990 because maybe that would make things a little more clear."

That lack of clarity extends to the reporting process as well. The rules regarding how numbers are to be recorded are not as evident to nonprofits as they should be, according to Floch. She cited the oft-apparent scenario of volunteer efforts being improperly reported on the 990 as one example.

In a pure reporting sense, and not the "real world" as Floch put it, all of the costs that go along with trying to secure government money are not fundraising costs according to how a tax filing is prepared. Those costs are measured in general costs. Government money can easily distort the picture in the 990 world, she added.

Then there is the question of special event revenue. How do you define direct special event



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Rank	Name Location, Year Founded, Last Year's Rank	2004 Income	Sources of Income					
			Public Support	Government	Investment	Membership	Program Services	Other
26	Dana Farber Cancer Institute Boston, MA 1951 - 29	518,028,256	114,119,132	123,750,632	24,588,162	0	209,268,484	46,301,846
27	Public Broadcasting Service Alexandria, VA 1969 - 25	506,047,294	235,267,839	31,574,527	11,431,390	155,047,105	68,612,791	4,113,642
28	America's Second Harvest Chicago, IL 1979 - 26	489,282,906	481,609,322	0	502,934	0	7,062,204	108,446
29	Smithsonian Institution Washington, DC 1846 - 32	432,984,481	122,431,434	107,738,021	23,465,658	52,918,805	48,925,732	77,504,831
30	ALSAC - St. Jude Children's Research Hospital Memphis, TN 1957 - 28	429,640,606	371,158,624	0	52,176,646	0	0	6,305,336
31	City of Hope and Affiliates Los Angeles, CA 1913 - 30	425,721,784	83,217,445	38,651,138	55,694,999	0	243,399,242	4,758,960
32	Campus Crusade for Christ, Inc. Orlando, FL 1951 - 31	420,705,000	382,595,000	0	0	0	0	38,110,000
33	Metropolitan Museum of Art New York, NY 1870 - 37	318,930,415	90,778,160	13,809,170	104,210,369	20,187,675	48,507,854	41,437,187
34	Fred Hutchinson Cancer Res. Cntr & Foundation Seattle, WA 1975 - 36	312,023,240	55,333,256	217,296,849	15,338,478	0	22,627,402	1,427,255
35	Save the Children Federation, Inc. Westport, CT 1932 - 35	271,817,562	124,336,189	142,178,933	2,886,478	0	1,870,725	545,237
36	Museum of Fine Arts, Houston Houston, TX 1900 - NR	262,224,940	238,876,060	590,419	16,427,637	0	4,537,010	-374,041
37	Map International, Inc. Brunswick, GA 1954 - 57	258,540,948	255,787,270	60,658	140,503	0	2,507,068	45,449
38	Brother's Brother Foundation Pittsburgh, PA 1958 - 79	253,303,873	252,526,920	248,981	38,255	0	489,717	0
39	Academy for Educational Development Washington, DC 1961 - NR	251,725,374	51,008,314	111,305,804	305,644	0	88,256,857	848,755
40	US Fund for UNICEF New York, NY 1946 - 34	249,329,370	238,615,375	0	654,743	0	0	10,059,252
41	Samaritan's Purse Boone, NC 1970 - 42	237,865,348	224,854,027	7,382,558	279,703	0	2,027,953	3,321,107
42	Big Brothers/Big Sisters of America Philadelphia, PA 1945 - 39	234,298,838	166,352,175	53,888,733	0	0	0	14,057,930
43	United States Olympic Committee Colorado Springs, CO 1900 - NR	234,141,794	29,446,947	0	496,726	0	114,459,668	89,738,453
44	Metropolitan Opera Assoc., Inc. New York, NY 1883 - 43	227,387,000	88,989,000	453,000	18,076,000	39,000	88,137,000	31,693,000
45	March of Dimes Birth Defects Foundation White Plains, NY 1938 - 40	219,245,370	202,008,762	10,040,841	3,210,799	0	2,107,289	1,877,679
46	National Mental Health Association Alexandria, VA 1909 - 66	218,133,953	77,883,174	80,542,312	2,044,767	2,033,539	50,303,582	5,326,579
47	Museum of Modern Art New York, NY 1929 - 91	217,768,000	115,825,000	719,000	28,087,000	654,000	12,844,000	59,639,000
48	Christian Aid Ministries Berlin, OH 1981 - 50	211,475,396	211,392,708	0	67,375	0	0	15,313
49	Special Olympics, Inc. Washington, DC 1968 - 38	206,590,946	166,101,335	7,593,126	4,382,072	114,452	6,946,743	21,453,218
50	American Diabetes Association Alexandria, VA 1940 - 45	206,533,383	160,841,508	39,310	2,802,243	1,598,741	29,432,825	11,818,756

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expenses? Typically, that would include hotel and food costs – costs associated directly with putting on that event. Those costs are not being shown on the face of the return as fundraising expenses, which is appropriate, even though one might argue that if you're paying for hotels and meals for a fundraising event that you are indeed fundraising, Floch said.

Allocations provide nonprofits with yet another avenue to confuse the casual 990 peruser. If an organization sends out an educational mailing that includes an ask, how much of that mailing is a fundraising expense? It becomes a game of subjective mathematics.

Think about your basic bills. One family might receive invoices for a mortgage, credit cards, cable television and utilities. A nonprofit could be getting hundreds or thousands of invoices during the course of a year. Rather than tie up staff and volunteers in trying to figure out the programming and fundraising ratios for each bill, it utilizes some form of handy-dandy allocation method. It may be a method based on salaries. An organization knows its payroll, it knows people's job descriptions, and so it can calculate what percentage of payroll is going to fundraising. It can take that ratio and allocate its costs in a similar manner. It's an imprecise estimate at best and one that can be manipulated.

"There's a perception in the real world that programmatic activities are terrific and other activities are not so terrific," Floch explained. "So when one is doing an allocation ... consciously or unconsciously people tend to be very liberal in the allocation for programs and a little less liberal toward other categories. The question becomes, should we

really be measuring organizations by programmatic percentages? Is that really an indication of efficiency and effectiveness? Because the perception is that a high programmatic percentage is a good thing, organizations could err on throwing as much as possible into programs."

It begs the simple question: From where is the revenue coming? Prior to investigation, the Public Broadcasting Service's (PBS) FY'04 numbers raised an eyebrow or two. The nonprofit realized \$235.3 million in public support through a meager \$201,134 in fundraising expenses.

According to Jan McNamara, director of corporate communications at PBS, Form 990 Line 1a, direct public support, is calculated from two main sources. The first source, the Corporation for Public Broadcasting, is not considered federal money because it doesn't come directly from the federal government even though Congress appropriates it and passes it to PBS. The second part of the money comes in from program underwriting. In most cases, it is not PBS executives who are going out and getting the programming underwriting money. The producers do the vast majority themselves, like Ken Burns for example, or the producing station. That's why its fundraising costs are so low. It's not as if it's raising funds through the well-publicized pledge drives like its stations conduct.

"A lot of it is undertaken by the producers of the various programs," McNamara detailed. "For example, if the Acme Mouse Trap Company decided to fund an American Masters program, that check would go to American Masters. It shows up on our 990 for obvious reasons but it goes into PBS funding.

It's considered a donation because the program underwriters don't receive a good or service in return for that funding. In a way, the expenses aren't showing up on our 990 because we do not incur those expenditures."

In-kind organizations also tend to be on the lower tier of nonprofits that spend money to raise revenue. The National Association for the Exchange of Industrial Resources (NAEIR) receives significant ongoing in-kind donations from a number of large donors, said Bob Gilstrap, vice president and chief financial officer at the Galesburg, Ill.-based organization.

"The fundraising expense to generate or attract new donors occurs primarily in the beginning stages," Gilstrap explained in regard to NAEIR's \$690,910 of reported fundraising expenses in FY'04. "When a company is in the habit of donating goods in an excess inventory situation to us, we're getting the benefit of the donation without virtually any fundraising expense. That's why our figures look much different than an organization that is primarily raising money."

With \$371.2 million in public support, ALSAC/St. Jude Children's Research Hospital in Memphis, Tenn., is in the habit of raising money and, as Gilstrap posed, its numbers look markedly different than other nonprofits. With more than \$60 million in fundraising expenses, St. Jude's outspends what many nonprofits reap in revenue, while adhering to a basic definition: A fundraising expense is anything that directly drives a dollar.

Its fundraising expenses are derived from

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In Kind	Total	Expenses Programs	Fundraising	Administration	Total Assets	Value of Investments	Total Net Change in Net Assets	Unrestricted NA	Temporarily Restricted NA	Permanently Restricted NA
0	461,926,722	424,186,607	10,555,801	27,184,314	782,075,709	15,905,997	72,077,597	247,036,254	186,182,727	102,577,019
184,297,110	533,666,543	515,331,592	201,134	18,133,817	259,021,379	94,247,389	-21,460,665	149,213,895	13,795,742	0
452,037,241	485,835,803	476,646,539	6,968,091	2,221,173	22,253,306	18,959,530	3,879,811	6,271,150	12,610,512	1,189,928
4,509,784	417,563,804	345,056,489	24,518,894	47,988,421	1,486,851,048	749,913,095	79,624,100	69,063,247	353,849,839	125,185,207
0	369,321,437	275,351,488	60,310,918	33,659,031	1,258,662,363	1,124,128,618	146,866,248	640,806,694	8,741,264	585,112,701
2,272,066	390,894,866	319,726,717	21,206,000	49,962,149	744,161,116	204,925,381	43,138,116	312,498,362	89,907,760	39,750,684
0	411,103,000	343,252,000	35,206,000	32,645,000	173,507,000	27,766,000	-2,726,000	34,281,000	889,000	568,000
6,013,293	256,149,551	228,915,308	7,329,007	19,905,236	2,483,852,019	2,042,070,162	269,350,772	846,907,424	749,503,733	694,558,773
0	292,511,837	223,881,855	4,245,000	64,384,982	502,095,997	131,220,629	41,722,089	100,982,000	22,728,000	11,540,000
48,799,265	244,215,172	218,876,332	16,108,528	9,230,312	137,933,058	69,496,109	26,989,326	46,707,416	20,372,000	10,192,000
40,342,642	110,348,548	103,586,661	1,313,910	5,447,977	690,332,234	531,086,351	196,711,107	207,649,584	171,958,813	294,410,207
252,087,191	239,682,886	237,307,515	1,694,359	681,012	61,102,146	4,847,745	18,893,050	45,375,210	9,653,052	3,767,470
251,489,901	227,792,959	227,376,358	105,783	310,818	30,737,231	1,602,113	25,554,401	29,774,256	581,120	306,893
10,604,096	247,708,382	223,320,862	238,574	24,148,946	78,552,630	7,500,725	4,455,989	19,340,492	1,751,974	0
161,781,211	243,787,990	212,762,587	22,133,258	8,892,145	47,866,519	20,196,316	5,569,576	3,953,520	16,244,116	1,180,329
130,319,723	216,066,505	193,507,937	9,951,439	12,607,129	117,455,510	19,015,644	21,987,034	62,515,875	37,326,347	0
0	234,298,838	185,096,082	23,429,884	25,772,872	17,229,621	NA	NA	NA	NA	NA
36,730	170,006,947	123,703,737	13,473,530	32,829,680	139,678,728	16,629,174	64,934,093	110,087,612	2,302,530	3,717,582
0	194,369,000	168,566,000	12,524,000	13,279,000	420,765,000	301,109,000	38,753,000	-20,664,000	88,955,000	249,965,000
0	214,550,359	161,164,873	37,510,332	15,875,154	141,876,061	41,419,535	2,804,088	15,086,525	4,602,455	11,949,856
0	216,604,584	188,717,738	3,119,360	24,767,486	124,800,102	16,079,473	1,986,671	51,855,196	3,879,501	48,338,680
24,456,000	136,068,000	102,818,000	7,200,000	26,050,000	1,283,418,000	451,990,000	113,137,000	387,226,000	431,620,000	56,476,000
194,492,097	206,497,935	205,248,421	472,081	777,433	65,548,978	557,240	9,903,781	62,342,231	1,825,544	0
18,953,305	201,907,378	145,406,307	42,682,019	13,819,052	207,409,876	114,006,940	8,360,966	16,286,163	(6,937,637)	(183,138)
2,693,101	196,206,812	152,584,682	35,520,567	8,101,563	132,656,663	57,486,967	10,058,451	45,017,174	34,603,672	5,436,330

Sal Army Continues Processing Burger Queen's Gift

BY CRAIG CAUSER AND MATTHEW SINCLAIR

For an organization noted for its red kettle fundraising program, the Salvation Army sure knows how to net more than the shiny nickels.

Nearly two years ago, the nonprofit became the recipient of the largest chunk of what philanthropist Joan Kroc left to charity. Yet, it readily acknowledged it would face challenges in taking the \$1.5 billion she bequeathed to the organization and turning it into 25-30 community centers situated around the country.

Though the organization posted a total of \$3.1 billion in Fiscal Year 2004, that represented only a 2.1 percent increase above the previous year. With the Kroc gift in tow, exactly why has the organization realized such moderate growth in revenue? It's a combination of taking the time to select the future locations of the Kroc centers, collecting the entire gift and disbursing it equally among the organization's four territories – Eastern, Southern, Central and Western.

"The original amount that has been received thus far is \$1 billion," explained Colonel Al Ward, secretary for business administration at the Salvation Army Southern Territory in Atlanta. "Each of the four major regions of the Army has received one-fourth.

It actually turns out that we each received \$247 million. National headquarters has retained a little bit of the \$1 billion original amount because there were expenses that they have to cover. Mrs. Kroc had some houses, you know?"

The "houses" Ward referred to include two pieces of property: a home in Indian Wells, Calif., valued at approximately \$6 million and a 12-acre, \$20 million estate near La Jolla, Calif. When each are sold, the funds will be divided equally among the four territories.

For the Southern Territory, its segment of the Kroc gift was listed as a footnote in its FY'04 numbers. Since the actual receipt of the funds occurred in Fiscal 2005, the financial impact will be seen more in next year's statements.

The initial stages of selecting sites for the Kroc centers are underway at each of the territories. Ward believes that the Southern Territory will erect the second Kroc center in the country, the first currently operating in San Diego.

"The money has already been allocated for it and we are in the process of getting building permits," Ward said. "It's located in Southwest Atlanta. We had a project on the drawing board before we knew about the gift and what the gift enabled us to do was to greatly expand our plans for that area of Atlanta."



A \$1.5 billion gift to the Sal Army means The Ray and Joan Kroc Community Center in San Diego is not the last of its kind.

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Name Location, Year Founded, Last Year's Rank	2004 Income	Sources of Income					
		Public Support	Government	Investment	Membership	Program Services	Other
51 Christian and Missionary Alliance Colorado Springs, CO 1887 - 44	202,529,000	54,226,000	0	16,212,000	0	118,923,000	13,168,000
52 Wildlife Conservation Society Bronx, NY 1895 - 68	197,943,900	49,806,279	43,093,539	49,595,301	8,245,858	26,284,836	20,918,087
53 Art Institute of Chicago Chicago, IL 1893 - 47	197,463,876	49,800,602	10,974,231	29,342,189	5,958,715	85,322,774	16,065,365
54 Muscular Dystrophy Association, Inc. Tucson, AZ 1950 - 55	193,138,702	175,379,073	0	16,883,930	0	0	875,699
55 Ducks Unlimited, Inc. Memphis, TN 1937 - 53	186,690,778	121,733,702	55,593,312	189,115	0	0	9,174,649
56 Christian Broadcasting Network, Inc. Virginia Beach, VA 1960 - 49	186,482,060	132,195,746	0	1,195,763	0	909,268	52,181,283
57+ American Jewish Joint Distr. Comm. Inc. New York, NY 1914 - NR	185,592,464	182,360,340	0	2,932,665	0	0	299,459
58+ Trinity Broadcasting Network Tustin, CA 1973 - 48	184,324,689	136,089,284	0	10,234,662	0	41,488,620	-3,487,877
59 National Multiple Sclerosis Society New York, NY 1946 - 46	184,024,487	169,242,657	2,154,595	9,074,693	0	0	3,552,542
60 Institute of International Education New York, NY 1971 - 59	182,278,019	57,356,203	117,456,919	237,688	372,839	5,787,314	1,067,056
61 Leukemia & Lymphoma Society White Plains, NY 1949 - 54	177,537,744	175,002,081	0	1,480,936	0	0	1,054,727
62 Cystic Fibrosis Foundation Bethesda, MD 1955 - 65	176,992,133	118,698,922	0	7,617,054	0	48,233,662	2,442,495
63 Compassion International Colorado Springs, CO 1952 - 70	174,003,143	173,681,409	0	305,882	0	0	15,852
64 Museum of Fine Arts, Boston Boston, MA 1870 - 96	173,690,303	78,288,537	259,309	40,487,994	8,703,932	28,737,834	17,212,697
65 Girls & Boys Town Boys Town, NE 1917 - 56	170,483,539	78,613,693	10,673,455	1,907,024	0	78,228,994	1,060,373
66 Young Life Colorado Springs, CO 1941 - 60	169,147,946	135,035,751	0	39,457	0	27,982,956	6,089,782
67 International Rescue Committee New York, NY 1933 - 64	168,831,000	66,503,000	97,054,000	3,696,000	0	0	1,578,000
68 National Public Radio, Inc. Washington, DC 1970 - 86	164,210,176	88,767,221	450,040	2,582,227	2,213,920	69,325,473	871,295
69 Christian Children's Fund Richmond, VA 1938 - 71	162,459,165	152,615,960	7,242,362	753,283	0	672,891	1,174,669
70 Carter Center Atlanta, GA 1981 - 81	162,297,047	144,349,033	5,812,480	12,205,642	0	0	-70,108
71 United Negro College Fund, Inc. Fairfax, VA 1944 - 78	160,810,065	153,865,177	0	6,944,888	0	0	0
72 Make-A-Wish Foundation Phoenix, AZ 1980 - 73	160,108,874	110,234,425	0	4,869,739	0	0	45,004,710
73 Susan G. Komen Breast Cancer Foundation Dallas, TX 1982 - 77	158,795,863	149,804,593	0	0	0	0	8,991,270
74 J.F. Kennedy Center for the Performing Arts Washington, DC 1971 - 89	158,500,282	39,763,941	41,594,216	6,333,905	0	62,284,611	8,523,609
75 National Gallery of Art Washington, DC 1937 - 72	153,866,653	20,872,409	94,309,393	31,905,351	0	1,769,309	5,010,191

+ FY 2003 data

Funds that had been raised previously to build a smaller location are now being transformed into a "quasi-endowment" to help with the cost of running the Southwest Atlanta Kroc Center, Ward added. It's a \$13 million building that will require an additional \$13 million for endowment. The \$26 million center will be the first center built by the trust as opposed to the San Diego-based center, which was completed through direct donations from Mrs. Kroc. The construction documents were sent to the city mid-October and Ward anticipates that physical construction will begin around the first of the New Year.

McPlus or McMinus?

"It's going to take a while for it all to get sorted out because there will be a difference, either plus or minus, between the estimated value of the estate and the ultimate liquidation that will show up to us in cash," explained Bob Bonesteel, territorial financial development director at the Salvation Army Central Territory in Des Plaines, Ill. "Much of the gift is by virtue of the entire estate, which involves some real estate assets that need to be sold and things of that nature. That process will take a couple of years, especially where you have real estate markets involved. It's definitely going to take a while for the entire gift to get into the organization."

Since the Kroc gift was very specific and must be spent in a prescribed way, the Central Territory implemented a process of stages, of which it is

currently in the development phase. Each of the communities selected in the preliminary process are now putting its presentations together to show that a center could function well in their area. There's

THE INITIAL STAGES OF SELECTING SITES FOR THE KROC CENTERS ARE UNDERWAY.

a bunch of loops that each location needs to jump through in order to demonstrate that, including a site location and sustainability, Bonesteel added.

The Salvation Army Eastern Territory utilizes a three-stage process, the first two being competitive stages and the final stage non-competitive. During its first stage, a feasibility stage, it is reviewing 29 applications that have arrived from communities throughout its region. Each is requesting funds for Kroc facilities. The Eastern Territory has divided prospective facilities into three levels: Those that are \$10 million and under, \$10 million to \$30

million, and \$30-million-plus, according to Major Hugh Steele, community relations and development director at the Eastern Territory in West Nyack, N.Y.

"Once it's been determined what communities have been awarded those funds, the monies should start flowing to them for the next phase, which is the development phase," Steele said. "That's when they begin the construction design and the programmatic design and they'll need money up front for that phase. We expect to be able to announce the locations by the New Year. We anticipate six, maybe eight, locations being approved and expect to have \$200 million-plus to allocate for the construction side."

Steele admitted that the expenditures from the Kroc gift will not show up on financial reports until the organization begins awarding locations in 2006. That will begin the individual development processes, but don't expect construction dollars to begin flowing until 2007, Steele added. He cited issues such as site control and the purchasing and cleaning up of properties as additional reasons for the delay in constructing the centers.

When it comes to the pacing of the Kroc projects, each of the territories essentially echoed the comments of Steele who said, "This is an extremely large and generous gift that has to be disbursed equally among the territories. Sure it's going to take time but it's an amazing opportunity not just for us as an organization, but for communities across the country." *NPT*

In Kind	Total	Expenses Programs	Fundraising	Administration	Total Assets	Value of Investments	Total Net Change in Net Assets	Unrestricted NA	Temporarily Restricted NA	Permanently Restricted NA
0	189,259,000	156,535,000	4,273,000	28,451,000	655,466,000	81,067,000	13,270,000	81,155,000	14,882,000	8,588,000
0	153,083,512	136,008,948	5,823,928	11,250,636	684,816,974	376,687,828	44,860,388	295,708,530	83,961,094	196,728,093
0	161,934,065	119,529,286	8,011,318	34,393,461	972,732,325	678,399,761	107,324,563	161,898,524	294,945,057	226,184,845
0	179,979,447	133,908,237	33,120,879	12,950,331	203,621,578	156,582,953	21,538,939	162,764,113	0	0
0	182,989,127	156,964,266	21,218,472	4,806,389	88,121,834	25,219,633	9,028,873	16,436,321	37,025,123	4,678,345
19,371,877	173,614,426	135,955,915	20,847,300	16,811,211	181,398,208	18,293,423	11,196,758	83,735,506	73,313,424	205,527
0	200,418,729	185,753,404	2,217,879	12,447,446	326,367,969	265,809,367	27,382,027	129,624,073	100,701,718	21,035,445
0	113,166,835	79,525,245	15,180,746	18,460,844	669,519,405	327,224,981	69,943,469	653,337,938	39,549	0
6,719,000	180,858,644	141,600,150	27,841,045	11,417,449	150,481,966	50,464,169	3,165,843	67,766,051	19,915,265	6,463,183
0	171,664,337	165,189,818	770,554	5,703,965	114,026,140	49,059,841	14,700,001	21,187,711	50,292,847	5,153,247
0	171,949,408	127,321,127	30,558,179	14,070,102	119,905,138	83,652,503	8,280,637	46,674,569	4,463,604	2,320,436
0	157,442,653	141,758,048	11,717,032	3,967,573	213,649,556	134,516,336	19,549,480	131,776,355	7,418,705	2,996,514
206,722	166,691,174	136,234,672	16,792,363	13,664,139	82,571,447	20,924,164	8,290,947	29,947,508	26,327,804	5,065,427
364,016	93,613,174	78,353,341	5,571,700	9,688,133	654,872,000	442,046,000	102,614,437	77,610,000	368,011,000	176,270,000
1,307,369	171,142,844	150,942,771	10,391,070	9,809,003	248,034,086	46,232,650	14,979,561	95,567,025	68,328,278	5,455,776
3,467,153	164,134,300	135,944,111	9,282,889	18,907,300	174,651,807	4,900,126	6,503,073	159,598,840	406,113	0
4,586,000	163,620,000	147,312,000	5,414,000	10,894,000	87,098,000	51,776,000	4,527,000	30,316,000	9,322,000	20,262,000
0	122,315,809	98,019,456	3,260,747	21,035,606	161,048,761	82,129,537	31,398,375	71,882,557	13,736,668	1,000,968
328,115	158,417,686	127,920,431	17,938,754	12,558,501	57,799,095	26,665,751	6,519,832	7,996,434	27,908,447	5,282,853
100,679,622	120,143,492	108,744,344	6,618,554	4,780,594	291,168,966	194,883,947	48,508,647	132,531,360	39,249,907	114,715,997
7,747,051	153,378,914	125,104,204	15,749,407	12,525,303	573,583,908	510,116,831	28,805,742	19,599,635	134,765,899	40,904,186
0	147,806,061	112,930,219	22,759,988	12,115,854	147,529,194	87,599,891	12,302,813	88,454,814	11,483,959	18,937,185
38,289,217	153,355,145	110,013,989	28,804,091	14,537,065	109,302,869	5,440,718	51,017,228	NA	NA	NA
306,747	141,298,446	120,020,770	7,958,746	13,318,930	362,990,008	92,095,400	19,834,975	146,321,637	46,331,247	75,355,744
1,931,228	132,156,075	103,976,299	3,672,555	24,507,221	761,081,291	539,207,058	51,134,918	285,213,626	139,666,904	312,699,228

Member Growth Pushes Big Capital Campaigns

BY MARLA E. NOBLES

YMCA of the USA and the roughly 2,500 independent Ys have always used capital campaigns. But as membership numbers increase exponentially and the demand for expansion into new communities intensifies, YMCAs across the country are running their most ambitious capital campaigns yet.

According to Carol Schmidt, senior consultant, financial development at the Chicago-based YMCA of the USA (Y-USA), because the organization "owns a lot of property, it is very capital intensive with our buildings and our resident camps, and other sites. It drives us to need to be very conscious of capital fundraising, because we can't just afford to build buildings and have our programs fund them." In recent years, however, this need has become

greater than ever considering from 1991 to 2004, the number of members has grown by more than 4 million nationwide. The bulk of that growth occurred between 1998 and 2004, with the largest jumps occurring in 2002 (approximately 600,000 new members) and 2004 (approximately 800,000).

The YMCA is the nation's single largest community service organization and, for the third

Planning Is A Precursor To Large Revenue Gains

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previous year.

Overall attendance is important because WCS brings in significant attendance-driven income, explained Dr. Steven Sanderson, chief executive officer at WCS. Attendance is driven by three factors: weather, exhibits and guest experience, he added. The turnstiles show that guests were pleased with the Siberian tiger mountain exhibit that won awards for its presentation, the quality of the animals and the natural circumstances in which they're presented.

"In contrast to other zoos and aquariums, we have a global conservation program," Sanderson said. "We have twice as many people outside of the United States on staff than we do staff inside the United States. We have

the largest tiger conservation program. We're in all of the tiger range countries. Choosing to work on a major exhibit like (the tiger exhibit) revolves around our conservation work. For us it's a mission-driven choice rather than an attraction-driven choice."

While the attending public drives much of WCS' revenue, the National Mental Health Association (NMHA) derived its money primarily from corporate dollars. The organization has seen a shift and decreases in corporate funding and decided to make a significant effort to diversify its revenue base. It has been working on individual giving programs, which are still admittedly small, as well as foundation and government grants, according to Jennifer Sharp, director of individual relations at NMHA.

The shift paid dividends in Fiscal 2004, as the

Alexandria, Va.-headquartered nonprofit's total revenue jumped \$69.4 million, or 32 percent, to \$218.1 million. The diversification kept rolling, with the organization reporting 103 percent of its Fiscal 2005 goal, Sharp added.

"Through growth and expanding our message about mental health, funding naturally follows," Sharp explained. "We learned quite a bit after September 11. People became more aware of mental health, especially the long-term mental health impact of disasters. We won't typically be one of those first-responder agencies like the Red Cross, but we can respond on a long-term basis as with did with 9/11 and it increased awareness. As that awareness has increased, so has our revenue. What we're learning is that the key is creative thinking and collaborating across the board with affiliates and

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Name Location, Year Founded, Last Year's Rank	2004 Income	Sources of Income					
		Public Support	Government	Investment	Membership	Program Services	Other
76 Juvenile Diabetes Research Foundation Intl. New York, NY 1970 - 75	152,837,193	148,254,380	0	3,139,703	0	0	1,443,110
77 Alzheimer's Disease & Related Disorders Assc. Chicago, IL 1980 - 62	151,157,504	104,275,398	10,159,329	3,523,539	121,271	5,267,083	27,810,884
78 Robert W. Woodruff Arts Center, Inc. Atlanta, GA 1968 - NR	151,056,750	91,206,107	2,384,261	20,270,165	3,832,695	28,515,723	4,847,799
79 American Lung Association New York, NY 1904 - 52	150,066,000	111,184,000	24,815,000	0	6,511,000	0	7,556,000
80 American Museum of Natural History New York, NY 1869 - 92	149,400,874	51,075,485	41,740,359	20,758,453	5,725,282	25,489,581	4,611,714
81 Educational Broadcasting Corp. New York, NY 1962 - 58	148,985,400	97,787,901	32,121,659	2,684,157	0	8,541,557	7,850,126
82 Northwest Medical Teams International, Inc. Portland, OR 1979 - NR	147,380,056	145,515,016	1,010,876	354,116	0	432,105	67,943
83 Girls Incorporated New York, NY 1945 - 63	146,637,911	47,457,754	92,659,086	4,976,160	0	0	1,544,911
84 WGBH Educational Foundation Boston, MA 1951 - 41	144,709,340	101,724,776	9,643,429	2,752,349	0	27,601,800	2,986,986
85 National Assoc. for the Exchange of Ind. Resources Galesburg, IL 1977 - 67	144,045,891	130,999,809	0	31,621	13,014,461	0	0
86 Catholic Medical Mission Board New York, NY 1928 - 76	142,430,765	126,817,731	0	292,360	0	0	15,320,674
87 Wycliffe Bible Translators, Inc. Orlando, FL 1942 - 93	140,914,043	134,404,469	0	1,506,831	0	0	5,002,743
88 Mercy Corps Portland, OR 1979 - 90	139,836,440	40,861,049	97,650,951	274,606	0	1,011,830	38,004
89 Junior Achievement, Inc. Colorado Springs, CO 1919 - 74	138,725,972	90,729,766	2,946,681	2,821,492	4,160,736	14,133,723	23,933,574
90 Local Initiatives Support Corporation New York, NY 1980 - NR	137,180,542	63,424,675	0	0	0	73,755,867	0
91 Focus on the Family Colorado Springs, CO 1977 - 80	136,611,180	126,531,298	0	537,429	0	4,832,613	4,709,840
92 Disabled American Veterans Cincinnati, OH 1920 - 88	127,389,605	110,059,662	0	10,034,079	6,415,857	0	880,007
+93 Jewish Board of Fam/Child. Services New York, NY 1874 - 83	124,104,680	22,736,014	32,301,411	-3,514,694	0	72,502,448	79,501
94 Arthritis Foundation Atlanta, GA 1948 - 84	122,251,346	102,748,568	2,844,602	6,124,778	0	10,533,398	0
95 Trust for Public Land San Francisco, CA 1972 - 69	121,431,254	100,082,363	8,670,732	2,694,990	0	8,713,356	1,269,813
96 Covenant House New York, NY 1968 - 85	121,182,112	95,457,182	19,605,148	3,905,799	0	0	2,213,983
97 Rotary Foundation of Rotary International Evanston, IL 1917 - 94	119,083,110	105,969,979	0	12,553,143	0	0	559,988
98 National Jewish Medical and Research Center Denver, CO 1899 - 98	118,181,042	32,263,800	34,492,210	4,928,412	0	46,514,922	-18,302
99 Project HOPE Millwood, VA 1958 - 82	117,636,877	97,300,869	13,418,608	982,950	0	5,754,461	179,989
^100 Direct Relief International Goleta, CA 1948 - 100	115,272,050	114,845,689	146,529	164,402	0	0	115,430

+ FY 2003 data ^ Figures for 15 months, due to change of fiscal year.

consecutive year, the number one organization in the *NPT 100*, with a FY'04 revenue of roughly \$4.8 billion, up from \$4.65 billion in FY'03. Likewise, the organization has seen an increase in public support from \$756 million in FY'03 to \$773 million in FY'04.

With an estimated 42 million families located within three miles of a Y, the facilities are an essential instrument of the organization. "(A)YMCA Association can own many branches and many facilities," said Schmidt. "You have to be conscious of (the questions), 'how are we going to repair those (branches), remodel those, and expand into

the community?'"

Encompassing the five boroughs of New York City, with its 18 branches and an upstate summer camp (the 19th branch), the YMCA of Greater New York is one of the largest YMCA Associations in the country – and growing. Inundated with new memberships due to expanding communities, and dealing with 75 year-old facilities, in 1999 the board of the organization decided to run its most ambitious capital campaign to date.

"We had never run a campaign of that size before," said Chris Strome, a member of the staff at YMCA of Greater New York. The \$50 million

capital campaign, launched in January, 2000 and completed in August, 2004, was part of a larger \$150 million capital redevelopment project, by which the organization sought not only to update its facilities, but to create a capital investment.

"It was quite an undertaking because it involved all 19 branches and they were all doing fundraising simultaneously as part of the \$150 million campaign," said Strome, who directed the campaign. New staff was hired to tackle the issue of individual donors, since "we are certainly reaching out to more individuals than we ever have before."

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Magic Act: Fundraising Expenses Continue To Be Hidden Within 990s

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allocations, according to Jeffrey Pearson, ALSAC/St. Jude controller, and include mail costs, events and salaries.

"If we're mailing a four-color flyer and 75 percent of it is talking about the warning signs for childhood cancer and some of the advancements we've made, we can put a significant portion of that toward education (program expenses)," Pearson said. "But if a letter goes out telling a patient's story and leading up to an ask, that's primarily going to be fundraising. It's purely an allocation, and there are some percentages that you can just see on 990s that are unreasonable, but we try to be as level in our assumptions as possible. There are a lot of fundraising organizations out there that are a little

more aggressive than we are in the way that they allocate their expenses."

There's no question that some nonprofits are "category shifters" when it comes to allocations, said Brant Houston, executive director of the Mo.-based nonprofit, Investigative Reporters and Editors, Inc. Houston said that he believes that it's to the entire sector's advantage for individual nonprofits to show that they are spending money on fundraising. It's an appropriate expense, he added.

"With accounting, whether it's nonprofit or for-profit, there are always some people out there who will want to play games," Houston said. "What I've found refreshing are the growing number of organizations that will post a 990, audited statements and/or annual report on their Web site."

Both Houston and Eisner LLP's Julie Floch agree that the 990 alone provides "empty statistics" to a public looking for a nonprofit's effectiveness. Floch advised the use of watchdog agencies such as the Better Business Bureau's Wise Giving Alliance to help supplement and clarify 990 information. Houston urged people to request an organization's audited financial statements, annual report and budget in addition to the 990.

"Nonprofits have to report their fundraising expenses with integrity," Houston said. "To do otherwise is like the Emperor's New Clothes. Either that or it's the one perfect nonprofit – a receptacle where everyone goes on their own to deposit donations." *NPT*

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In Kind	Total	Expenses Programs	Fundraising	Administration	Total Assets	Value of Investments	Total Net Change in Net Assets	Unrestricted NA	Temporarily Restricted NA	Permanently Restricted NA
0	147,395,656	122,801,058	13,775,660	10,818,938	143,728,396	89,855,469	11,749,707	-5,111,362	22,837,173	5,045,349
1,703,852	142,445,571	109,942,471	25,469,532	7,033,568	163,176,551	78,983,465	13,111,855	58,389,633	22,674,785	23,720,500
0	91,065,816	79,120,404	5,138,508	6,806,904	738,802,086	388,309,629	68,777,245	146,531,251	123,153,562	261,451,440
NA	158,580,000	126,125,000	18,496,000	13,959,000	NA	NA	4,440,000	NA	NA	NA
390,880	175,183,166	142,651,448	4,291,841	28,239,877	945,315,356	435,951,433	15,592,527	349,322,109	141,971,565	94,006,992
0	149,542,750	108,490,806	26,672,630	14,379,314	222,433,986	71,474,607	-10,262,690	61,690,531	68,398,980	51,592,057
137,740,040	147,461,825	144,564,184	2,204,030	693,611	17,754,565	1,469,000	43,418	9,829,004	2,810,124	1,255,400
0	175,804,334	154,006,954	6,844,823	14,952,557	250,650,784	NA	279,796	136,032,824	45,799,083	37,060,347
0	172,970,192	147,265,017	17,008,918	8,696,257	499,428,198	128,784,706	-27,767,530	192,754,450	98,470,096	15,930,263
130,999,809	129,754,927	127,706,712	690,910	1,357,305	173,576,090	0	14,290,964	5,425,836	164,687,622	0
0	142,430,765	135,302,757	3,204,882	3,923,126	NA	NA	-15,320,674	12,946,901	0	0
21,732,323	121,888,316	101,210,362	6,586,791	14,091,163	117,548,196	63,974,623	19,818,822	61,822,151	31,853,060	1,048,300
33,472,187	138,678,168	127,653,394	3,718,933	7,305,841	47,876,740	407,901	1,158,272	4,928,428	2,923,588	0
5,339,670	131,721,032	91,939,324	18,967,903	20,813,805	175,289,555	36,262,694	8,732,313	95,605,809	37,616,829	9,210,488
0	112,604,353	95,435,735	4,963,038	12,205,580	379,752,503	124,604,465	26,351,436	142,550,220	0	0
2,851,863	132,976,714	109,770,728	11,217,564	11,988,422	107,423,724	31,046,281	3,634,466	87,099,221	6,930,545	91,000
65,801	118,043,695	80,076,658	33,077,801	4,889,236	347,607,364	322,386,480	10,154,427	231,060,249	0	0
0	123,675,975	109,405,383	626,042	13,644,550	159,763,977	82,623,285	4,030,784	36,287,832	27,467,722	7,439,003
0	114,400,857	94,324,120	13,149,790	6,926,947	176,376,573	92,543,401	7,850,489	60,321,819	28,599,740	47,727,942
37,458,618	123,417,193	108,424,803	3,496,046	11,496,344	305,146,140	79,146,010	-3,176,020	40,013,631	125,706,619	15,007,272
1,012,211	125,142,366	86,975,080	25,318,697	12,848,589	165,664,652	49,185,738	-3,881,126	126,515,013	12,641,593	5,374,373
2,175,852	105,080,508	86,490,629	11,567,969	7,021,910	620,279,542	553,291,035	77,082,769	419,193,572	45,884,788	105,589,203
2,192,595	108,866,000	81,253,733	4,306,321	23,305,946	188,280,000	85,777,000	10,786,042	69,397,000	29,722,000	29,097,000
81,850,929	127,984,857	119,281,556	4,913,130	3,790,171	44,338,110	9,897,747	-10,711,812	12,167,294	22,704,489	1,462,394
111,028,528	111,678,370	110,606,140	486,786	585,444	24,688,430	5,353,053	NA	22,652,640	166,539	0

Member Growth Pushes Big Capital Campaigns

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He explained, "Our strategy was to look at a combination of who (among the branches) had the best connection to the donor – be it a foundation or an individual – and what was the magnitude of the ask. That was the criteria we used for allocating prospects when several branches wanted to approach the same prospect. In some cases, however, there would be a joint ask."

Putting the \$50 million to use, the YMCA of Greater New York is currently in the process of building three new Ys. The branches had previously existed, but had either existed as a leased space, or the buildings were run down, said Stromece.

Schmidt of Y-USA attributes the growth in capital campaign revenues to both the desire of Ys to expand their reach – due to and resulting in the increase in membership – and to the stronger

economy, which is "making it possible to do some of the things that were maybe put on hold.

"Up until (Hurricane) Katrina – which we don't know yet how that's going to affect the capital campaigns – the economy has really sort of swung back," she said. "And when the economy starts to come around again, you can see the dollars sort of loosen up again."

Indeed, numbers that have been dropping in recent years are now rising. From 1997 until 2000, the YMCA showed a continual incline in capital campaign revenue, reaching a high of more than \$370 million in fiscal year 2000. Although the numbers dropped in 2001 and further in 2002 – to \$258 million – things are beginning to turn around. In 2004, the YMCA experienced a revived capital campaign revenue of \$287 million.

It's not just cash

More than just to raise money to fund building projects, capital campaigns are known to raise awareness of the issues at hand, which usually entails more than, again, simply building a building.

"As Ys continue to become more important in the community, and as they serve more and more people, there is a need to do capital campaigns to support what they're doing and increase their reach," said Kate Coleman, executive vice president of financial development, marketing and communications at the YMCA of Metropolitan Chicago (Y-Chicago).

"The capital campaign would allow us to further our mission through building new facilities, or creating funds to support scholarships or new programs," said Coleman.

In 1998, Y-Chicago ran a capital campaign with a \$55 million goal. A prosperous economy allowed the organization to close its "Be A Neighborhood Hero" campaign in 2001 with approximately \$63 million in capital funds, annual support, and endowment funds. The capital portion of the campaign came to approximately \$42 million.

The organization hit a rough patch in the years following, incurring an operating loss of close to \$16 million in 2002, the year capital campaign revenues for the YMCA were the lowest. But the group turned that around, and is now in the process of determining whether running another campaign is feasible.

As part of the "silent phase" of a potential capital campaign, during which the organization determines if and to what extent it can run a campaign, the Y-Chicago will hold a series of celebrations for its upcoming 150th anniversary in 2008. It will hold these events in communities throughout the city to highlight the services and programs it provides, said Coleman. These programs include, "the social work, the housing, the child care, Head Start, (a comprehensive

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child development program that serves children from birth to age five, pregnant women, and their families.” According to Coleman, the campaign, if run, will serve to put a spotlight on the fact that the YMCA does more than just facilitate exercise and run day camps.

Building is hot

Running more ambitious capital campaigns is very popular in a year of low interest rates.

When John Malcolm, vice president of philanthropy at the Philadelphia-based Big Brothers Big Sisters of America (BBBSA), joined the organization in 2004, it was with the explicit knowledge that the organization was planning an aggressive capital campaign.

“My role was two-fold,” said Malcolm. “One, to launch the campaign and raise the capital that we need to invest in agencies - the driver of the campaign - and, second, to work as a consulting and training resource for agencies as they build their own fund development capacities.”

Malcolm said he knows that the only way to grow a program in both quality and size is to develop revenues, and to treat that revenue development as a core business function, rather than an addendum or an afterthought. Thus, he proceeded to launch a comprehensive fund development campaign, with a significant capital component.

“Traditionally, (BBBSA) was not a fundraising organization. It grew up organically around the country,” said Malcolm. He explained that the organization commissioned a study to examine the impact of all of its mentoring programs.

“And in the context of having a measurable impact, the national board (of governors) said, ‘We really have to take this to a much larger scale. We’ve been satisfied with not growing much historically. That has to change,’” said Malcolm.

The first part of the “silent” or “growth” phase of the campaign was launched in 2000, with a goal not only of raising capital, but one of doubling the number of children the organization serves. That goal was met four years later in 2003, at which time a second part was launched, to again double the service.

“But in this (second part), we’re really at a point where without having much deeper pockets, much more substantial revenues, we simply can’t grow the organization,” said Malcolm. So, inevitably, a capital campaign component was envisioned.

Malcolm said that he anticipates the capital campaign to be a four-year public campaign, and the goal to be set at \$150 million plus, although the board of directors has yet to come to a decision. He expects a vote to occur in February, 2006.

Although not yet officially launched, the campaign amassed close to \$7 million in 2004, and has exceeded its 2005 goal of \$9 million, reaching \$14 million so

far this year. The goal for 2006 is currently set at around \$14 million.

This is a very new direction for an organization that was more events-driven. “It’s a newer trend, capital campaigns,” said Tony DiSpigno, Boys & Girls of America (BGCA) vice president for resource development at the national headquarters in Atlanta. “At (BGCA), we have never done a campaign like this before.”

Taking the lead of academia, BGCA launched in early 2005, a three-year “centennial campaign” with a \$200 million capital component, part of which will be used to fund a building project,

another part to be funneled to the clubs affected by Hurricane Katrina.

“These colleges and universities are doing these big campaigns, and now the nonprofits are looking at them and saying, ‘Hey, why can’t we do that,’” said DiSpigno, who joined the organization in January, 2005. For BGCA, DiSpigno said the decision to run the campaign “was a combination of it being our centennial (in 2006) and realizing what other organizations had done.”

Already, close to \$75 million of the goal has been raised so far, said DiSpigno, \$40 million coming from the organization’s board of governors. *NPT*

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