Slowing Growth among Public Charities:
Implications of Increasing Concentration of Donations to America’s Largest Charities

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Abstract: Growth among 501(c)(3) charitable organizations is generally taken for granted. However, there is almost no scholarship that systematically examines the trend of growth in this critical portion of the nonprofit sector. My research examines the change over a twenty year period in number of economically significant charities, their total revenue, and donations they received while adjusting for inflation and growth in both the economy and within the population of charitable organizations. Data from Forms 990 is compared alongside the consolidated data of America’s largest fundraising charities in the Philanthropy 400, an annual ranking published by The Chronicle of Philanthropy. Inflation adjustment of the filing threshold is imperative because the cheapening effect inflation nearly guarantees growth if all filers are indiscriminately included. Categorization of organizations based on the National Taxonomy of Exempt Entities reveals different patterns within the population of charitable organizations. Growth slowed for the population of charities over the last twenty years in terms of number of organizations and total revenue, while concentration is revealed by the largest fundraising charities received an increasing share of overall donations and revenue. Sensitivity analysis reveals the growth trend has nothing to do with the recent recession. A much longer trend suggests the population of charities is reaching a point of industry maturation in an extremely similar trajectory to that previously observed in the market structure of other industries like brewing and automobile manufacturing. This study provides a context for better understanding short term changes among charities and changes among subpopulations of charitable organizations. This study raises significant implications about how the nonprofit sector is measured, the competitiveness of fundraising, and the potential growth of various categories of charities in the coming years.
Introduction

Some charitable organizations have become very proficient at soliciting donations. This dissertation starts with the discovery that the leading public charities in the United States increased their share of donations since 1990, despite a doubling in the number of charities vying for those donations. I stumbled across this concentration of financial resources, an outsized share of resources controlled by a small number of organizations, when I explored an unexploited data set, the Philanthropy 400, to better understand the finances of American charities. While concentration of financial resources has been observed by other researchers, there has never been any exploration about how financial concentration affects the wider population of public charities (Boris, 2006; Bowen, Nygren, Turner, & Duffy, 1994; Horne, 2005; Jenkins, 1950; Lecy & Van Slyke, 2012; Pollak & Pettit, 1997; Salamon, 1992, 1999, 2002, 2012a, 2012b; Tuckman and Chang, 1998). The trend in concentration of donations is counterintuitive, since charities are often primarily dependent upon donations when they are small (Horne, 2005; Lecy & Van Slyke, 2012). What happened among the largest charities that allowed them to increase their share of donations despite the birth of a multitude of charities?

Organizational ecology theory predicts that concentration of financial resources among the largest members of a population, when a small number of organizations control an outsized portion of that resource, suggests the population should be approaching a level of zero net growth in terms of number of organizations and collective total revenue. This raises another question: what does this increasingly lopsided share of donations going to the largest charities mean for growth among all public charities? Population growth can be measured in many ways, including the number of people involved in an organization, such as employees, volunteers, or members; financial measures for the organization, such as revenues, assets, or expenses; and organizational counts, such as the total number or organizations, counts of a subset of the total, or counts taking into consideration the number of affiliates that sprawling organizations include. In this study, the measures used are the count of organizations along with the financial measures of private support and total revenue.

Importance of organizations and finances

Charitable organizations are the primary actors in contemporary American philanthropy. Donors interested in affecting social change, and especially in social change beyond an individual scale, are compelled to establish or support organizations to carry out their values. Not only do organizations provide a mechanism for individuals to express their values, but organizations help shape the interests of donors through the articulation of organizational visions, specific activities performed to carry out their missions, and through the content of their solicitations. Even public policy favors donations to charitable organizations over giving directly to individuals. For instance, donations to charitable organizations, but not individuals, are eligible for federal tax deduction. While I recognize that American philanthropy supports a far wider range of missions that aiding the poor, donor contact with those in need was common in
the first half of the nineteenth century (Clement, 1985), but local ordinances limiting panhandling arose at the end of the Civil War (Schweik, 2009) and persist today. These public policies helped donors to move away from direct almsgiving to support of structured charities. Organizations are not neutral actors in philanthropy, and they are the central point of implementation for charitable impulses.

While I recognize that revenue to charitable organizations is an input rather than an output, financial resources are the only metric common to all charities. Charitable organizations have access to a wide range of financial resources including fees for service; government funding; debt financing; returns on assets such as investment income, royalties, or facility rentals; and donations. Donations are a primary point of inquiry in this dissertation because they are the one form of income common to the largest number of charities and are closely identified by the public as characteristic of charitable organizations. Donations allow organizations to provide services at below-market prices, a key difference between charities and commercial firms. Fundraising and solicitation of donations is a fundamental way that charities educate the public about their missions. Donations are especially important in understanding the willingness of donors to support specific missions and categories of organizations with similar missions. Trends in these patterns of donations provide insight into the values of donors and the emphasis that donors place on specific missions. This willingness to donate is, in large part, dictated by the success of an organization’s solicitation efforts.

**About the Philanthropy 400 rankings**

The public charities receiving the greatest value of donations were identified by inclusion in the Philanthropy 400 rankings. The Philanthropy 400, first published by The Chronicle of Philanthropy in 1991, annually ranks the charities in the United States generating the most private support in the previous fiscal year. *Private support* includes inter vivos gifts and bequests from individuals, cash and in-kind gifts from corporations, and grants from foundations. *Donations* and *contributions* are terms I use interchangeably with private support, even though I recognize that charities may receive donations in the form of *government grants* that may come from local, state, or federal governmental bodies. *Public support* is private support plus government grants. *Fundraising* is the activity that charities engage in to generate public support. In addition to the amount of private support, the published rankings for most organizations provide the total revenue, program expenditures, fund raising expenses, and total expenses. The published rankings also include information about the category in which the organizations operated, whether the presented figures represented consolidated information from affiliates, headquarters location, and the fiscal years of the organizations’ data.

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1 The American Civil Liberties Union website reported active litigation between 2004 and 2014 against panhandling regulation in seven states: Arizona, Colorado, Massachusetts, Michigan, New Mexico, Ohio, and Virginia; [https://www.aclu.org/](https://www.aclu.org/) visited May 21, 2014.
The Philanthropy 400 rankings are unique in their size, inclusiveness, and accounting scope. The Philanthropy 400 reports consolidated financial reporting for many of the ranked organizations that have affiliates. Consolidated financial reporting presents a single set of financial results for an entire organization, including all affiliates. The use of consolidated financial information is controversial because affiliates are separately incorporated and operate cooperatively yet independently, similar to how commercial franchises operate. Therefore, an organization like the American Red Cross that issues a single Form 990 is represented on the same basis as Habitat for Humanity that files over 1,500 separate Forms 990 to report for the international headquarters and all local affiliates. Since many affiliated organizations have payments made from affiliates to the national headquarters, it is not possible to simply add up the figures from all the Forms 990 from all of the organization’s entities and arrive at an accurate number for the entire organization.

Beyond the comparability facilitated by consolidated financials, using consolidated financials from organizations with affiliates provides a measure of the collective impact of these organizations, which are typically nationally recognized by a common brand. Consolidated reporting of all an organization’s affiliates impacts the order and collective magnitude of the rankings. As an example, since the United Way started reporting consolidated figures in the 2005 ranking, it was ranked first every year. Over this time, the United Way averaged $4.2 billion in total revenue, of which $4.0 billion was private support. Prior to 2005, between 21 and 52 of the approximately 1,200 United Way affiliates were ranked each year in the Philanthropy 400, and the cumulative total of their reported private support averaged $1.5 billion. This contrasts with the centrally-controlled Salvation Army, consistently the top-ranked organization prior to 2005. The Salvation Army ranked second or third since 2005, always reported consolidated financials, and averaged $3.4 billion in total revenue and $2.0 billion in private support. Prior to 2005, the consolidated figure reported for the Salvation Army rarely surpassed even the sum of the United Way’s ranked affiliates.

Membership in the annual rankings was steady but not constant. Organizations ranked in the Philanthropy 400 increasingly received more donations than a growing number of rival charitable organizations. Do the 400 ranked organizations represent the same organizations from year to year? From 1991-2013, the Philanthropy 400 demonstrated stability in the individual organizations included in its rankings. Lenkowsky (2010) observed, in its twentieth year of publication, that the top 20 organizations ranked in the Philanthropy 400 appeared to have less turnover in its membership than the analogous Fortune 500 ranking of commercial firms. Over two decades of publication, the Philanthropy 400 rankings included 900 individual entities, and over three-quarters of these organizations were ranked fourteen or more years. An equivalent number of organizations are ranked all 22 years compared to those ranked only once, and the continuously-ranked organizations comprised nearly half of any year’s ranking. The organizations ranked in the Philanthropy 400 collectively increased their receipt of private giving in the United States over the last two decades, from just less than one-fifth of the total in 1991 to
just over one-quarter in 2013. At the same time, the lower bound represented by the 400th organization ranked on the list rose from an inflation-adjusted $19.7 million in 1991 to $51.5 million in 2013, indicating a broad increase in capacity for the most fruitful fundraising organizations. During this period, the number of public charities competing for donations more than doubled. Over the span of two decades, in other words, the share of private support received by organizations ranked in the Philanthropy 400 – and the lower bound for ranking in it – increased despite a contemporaneous doubling in the number of competing nonprofits.

Research question

Rather than a snapshot of just one year, my research examines the trends over two decades. This span of time provides a context for comparing changes in individual organizations and categories of organizations to the wider population of public charities. Understanding these changes provides a baseline of change to provide context for case studies, single-year analyses, or individual sub-sector analyses.

This dissertation asks the broad question: what are the trends of growth among public charities? This question was generated by the discovery that private support is concentrated among a very small population of public charities. As a result of this concentration, a reduction in donations available to other organizations should have inhibited the entry of new public charities, but the opposite appears to have happened. More charities were founded since 1990 than existed in 1990. The trends of growth are explored by examining the number of organizations, financial resources generated by those organizations, and the industry or category in which various charities operate.

The broad question of growth trends will be examined at three levels of analysis. The first level of analysis examines the dynamics of organizations moving within the Philanthropy 400, addressed by two questions. First, did organizations persisting in the rankings or new entrants to the rankings drive the increased share of private support for organizations ranked in the Philanthropy 400? Second, do organizations ranked in the Philanthropy 400 demonstrate

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2 This calculation is made by dividing the sum of the contributions to the 400 ranked organizations by the similarly-timed information for total private support calculated by Giving USA. The imprecise estimates such as one-fifth and one-quarter are used to reflect the asynchronism between donors and receiving organizations having different fiscal years. The numerator sums the organizations’ reports of donations based on their fiscal years, which end on the last day of 11 of the 12 months (February is excluded). Half of the Philanthropy 400 organizations use a June 30 fiscal year end and one quarter use December 31. The denominator is based on donor-derived figures and on a calendar year as reported on page 264 of Giving USA 2012 (McKitrick, 2012)


4 The NCCS website lists 519,456 public charities registered as 501(c)(3)s in 1994 and 1,014,816 in 2010. I need to get the figures for 1990 and 2011 but was unable to locate them on the NCCS website. However, 464,138 501(c)(3) organizations are identified in 1989 in a table on page 68 of (Boris & Steuerle, 2006) One aspect of this comparison that requires adjustment is the revocation of 501(c)(3) status for over 200,000 organizations by mid-2011.
increased or decreased dependence on private support? A second level of analysis seeks to confirm, using comprehensive data for all public charities required to file a Form 990, if the concentration of private support signals slowing growth across the population of public charities. In this level of analysis, a pair of questions is asked. First, is there slowing growth in total number of public charities and total revenue generated by those charities? Second, are there different patterns of growth in numbers of public charities considering the amount of total revenue and category of organization? A third level of analysis examines how representative the Philanthropy 400 organizations are compared to a wider population of public charities, comparing ranked organizations with all organizations exceeding the Form 990 filing threshold. Are certain categories of public charities disproportionately driving the increase in private support received by the organizations ranked in the Philanthropy 400?

Literature Review

Comprehensive, national growth trends for public charities are nearly unstudied. Charitable organizations merit comprehensive study due to their centrality to American philanthropy, but we know little about the priorities collectively expressed by donors through their giving to different organizations. Nor do we know much about the trends in donations received by specific organizations or collectively by categories of organizations. We also know very little about real growth trends in numbers of charitable organizations or the revenues they generate. These lacunae are striking not only because charities, rather than individuals, receive the vast majority of donations, but the fundraising solicitations of charities are essential in educating the public about charitable missions and generating contributions. The missions inspiring charities go far beyond redistributing resources to the needy, including pursuits as diverse as the arts, education, environmental protection, health research, medical care, public affairs, and religion. Given the breadth and complexity of charitable activity, understanding trends affecting charitable organizations provides insight into the context in which charities operate, the competitive pressures they face, and the growth patterns among different categories of organizations.

Financial measures used to describe populations of charities

Financial measures are commonly used to compare charitable organizations. While financial measures are clearly applicable to profit-seeking businesses, the applicability for charities is less clear. Financial measures do not reflect the full impact of a charity’s performance since the generation of revenue is not strictly tied to the provision of services. This is particularly true of donations, a primary variable of interest for this dissertation. Donations are particularly relevant for studying public charities due to the receipt of donations by a majority of charities (Horne, 2005), the public education and brand building done by organizations through the solicitation process (Laidler-Kylander, Quelch, & Simonin, 2007), and the interactive nature of soliciting and donating between organizations and donors (Hodge, 2013; Seymour, 1966). Reporting variations for financial measures can substantially influence their values. For instance,
consolidated financial results from sprawling networks of affiliates of an organization provide
different information than data from each individual affiliate. As well, data derived from donor-
based sources, such as individual tax returns, provide different information than data derived
from organization-based Forms 990 due to the different sources of data. This section also
addresses fundamental issues when using aggregated data, such as double counting donations in
a given year as money transfers between charities along with systematic problems found with
reported financial statistics such as expenses.

Studies of nonprofit organizations using consolidated financial information are nearly
nonexistent (the only examples encountered were Jacobs & Marudas, 2006; Marudas & Jacobs,
2008a, 2008b, 2010). This is curious given the size and recognizability of large, affiliated
networks such as Boys & Girls Clubs, Ducks Unlimited, and the YMCA. Not only are these
networks large, each having over 1,000 affiliates, they are also among the most recognized
charity brands in the United States (Cleveland, 2010). While introducing an encyclopedic set
of statistics that included consolidated financial information for some organizations, Hall & Burke
(2006) noted “[d]espite their obvious prominence, these large structures have been almost
entirely ignored in favor of studies of particular chapters, lodges, or units” (p.2-844). Hall and
Burke acknowledged the value of consolidated statistics to provide insights about both the
individual organizations and the entire nonprofit sector. This view was contested by scholars
who stated local-level financial reporting was superior to enterprise-level consolidated financial
data due to the independent nature of affiliates and the granularity of the data (Horne, 2005).
Naturally, the research question should be the main influence in selecting the type of data used.

Either through consolidated or disaggregated financial information, we know almost
nothing about the population of organizations that are very good at soliciting by the virtue of
their receiving large amounts of donations. Scholars examining solicitation found a positive
correlation between solicitation and donating (Bryant, Jeon-Slaughter, Kang, & Tax, 2003;
Delaney, 2012; Hodgkinson, Nelson, & Sivak, 2003; Kotzebue, 2014; Van Slyke, 2006; Yörük,
donations, the results of solicitation remains understudied. A thorough review of approximately
500 studies of donor behavior delineating eight mechanisms driving charitable giving revealed
the relative dearth of inquiries about solicitation (n=19) (Bekkers & Wiepking, 2011); this
paucity of inquiry was only rivaled by the few studies about donor values (n=21), while the other
six mechanisms had two to six times as many citations. Perhaps explaining this dearth, Andreoni
(2006) noted that fundraising practices were hard to study due to lack of data and theoretical
difficulties, despite the “iron law of fund-raising is that people tend not to give unless they are
asked” (p. 1257). Expanding on this iron law, practitioner-oriented guidance noted that “[p]eople
seldom give serious sums without being asked to do so directly. This principle holds even for
trustees and all others at the very heart of the cause” (Seymour, 1966, p. 29). This phenomena
persists today, with an estimated 5% to 10% of the number of gifts and less than 5% in the value
of gifts made to the Mayo Clinic were unsolicited (Hodge, 2013). Even within the understudied,
but operationally essential area of solicitation, “[m]uch of the literature related to individual contributions centers on fundraising as opposed to the funds raised” (Froelich, 1999, p.250). While we may understand something about the “how-to” of fundraising, the general ignorance of the organizations receiving large values of donations leaves growth trends as unfamiliar to us as the dark side of the moon.

Concentration of financial resources

Scholars rarely observed occurrences, less frequently identified trends, and never performed analyses of concentration of financial resources among public charities. In a few instances, researchers observed concentrations across various measures including donations, revenues, expenses, assets, and employment. Most often, when there was comment, it was about the negative impact dominant organizations posed rather than on the benefits of organizations amassing sufficient resources to rise to scale, enabling them to better address serious social issues.

Data shows that concentration of donations increased during the twentieth century, although scholarship discussing this trend is entirely absent. A century ago, King and Huntley (1928) found no increase of concentration in donations because there was no systematic shift in giving that favored large organizations over small ones in the New Haven, Connecticut, depicted as a representative city at the time. However, this changed in the next quarter century, since between 1924 and 1948 there was an unacknowledged concentration of donations nationally. Consolidated financial information from the Community Chest with 7%, the American Red Cross with 4%, and the United Jewish Appeal with 1.5% revealed a substantial concentration among leading charities (Jenkins, 1950). Shares of donations fell off quickly, with the next highest organizations receiving 0.60% for the National Tuberculosis Association and 0.38% for the National Foundation for Infantile Paralysis. However, completeness of this data is questionable due to the absence of major organizations such as the YMCA, YWCA, and universities. Indicating the persistence of leading fundraising organizations, all five of the organizations mentioned by Jenkins remain leading fundraisers today.

The concentration observed by Jenkins, with five organizations receiving 13.5% of donations – just over one-eighth of the total –increased by the end of the twentieth century, when concentration of giving was quantified in two studies. Tuckman and Chang (1998) found that 1% of organizations received 69% of donations, 5% received 90%, 10% received 96%, and 20% received 99%. Using slightly different sampling parameters, Horne (2005) found that 20% of the organizations received 90% of donations. One methodological problem comparing these national studies is that Jenkins used consolidated figures while the more recent scholars used disaggregated Form 990 data of individual affiliates within larger organizations. Lecy and Van Slyke (2012) found that the largest 20% of human services organizations by revenue received

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5 It is very possible the denominator of total giving is understated, which would reduce the measured percentages.
80.5% of private support based on 2003 data. In each of these studies mentioning the concentration of donations, the observation was a tangential point and received no serious exploration about the meaning of the concentration.

Scholars more frequently observed concentration of revenue and expense measures among public charities. Lecy and Van Slyke’s (2012) observation of concentration in private support was accompanied by an observation that the largest 20% of organizations commanded an even greater percentage of total revenue (87.4%), government grants (89.6%), and program revenues (90.2%). Concentration of total revenues and expenses were observed without much comment in the annual *The Nonprofit Sector in Brief* (2007-2013), Boris (2006), Pollak and Pettit (1997), and with Salamon’s summaries of the sector (1992, 1999, 2002, 2012a, 2012b). Reflecting the effect of this concentration, Salamon and Dewees (2002) noted that 10 to 15% of nonprofit organizations controlled the vast majority of resources, such that fewer than 175,000 organizations employed even a single person, and most employment was with a small number of organizations. Some studies examined concentration within categories of organizations and found a skewed distribution even among the very largest organizations (Foster, Dixon, Hochstetler, 2003). Among the largest 5% of organizations within a category, the budget of the largest organization was eight to fifteen times larger than the budget of the organization at the 95th percentile (Bowen et al., 1994). Total revenue among the top four environmental conservation groups revealed significant concentration (Armsworth et al., 2012).

Only two studies observed trends in the concentration of resources among charities rather than simply presenting a snapshot. Galaskiewicz and Bielefeld (1998) observed increasing revenue concentration among Minneapolis area charities without any explanatory speculation. Lecy (2010) observed a trend of increasing concentration of revenues in a cadre of international development charities, raising the concern of a top-heavy industry in which the largest organizations commanded a disproportionate share of resources.

Increased competition is an expected outcome of concentration of financial resources into the control of a small number of organizations, especially given simultaneous growth in the population of the organizations requiring financial resources for survival. Scholars have characterized competition for fundraising as either beneficial or detrimental. Rose-Ackerman (1982) demonstrated that increased competition for donations reduced the level of services provided, largely due to increased fundraising expenses. Reflecting Rose-Ackerman’s support of federated fundraising as a way to lower costs, Philipson and Posner (2009) noted that monopolies for fundraising do lower costs and increase services on a focused basis and found competition for service delivery was particularly good for increasing output of services. Others argued that increased fundraising expenditures help access otherwise untapped donations (Pallotta, 2008). Thornton (2006) found that additional fundraising expenditures made by competitors most likely stole donors away from other charities rather than expanding charitable resources. These differences of opinion about competition, often piqued by the costs of raising money, have contributed to an image and perception problem for public charities (Carson, 2002).
Management strategies influencing diversification of revenue sources

Public charities have many options for generating revenue including commercial or program service revenue; government contracts or grants; issuing debt; return on assets such as investment returns and rental income; and private support. The common wisdom encourages charities to diversify their income across these various sources (for example, Olglive, n.d.), although this strategy depends on the abilities and goals of the organization. Managers must decide what sources of revenue to pursue based on an organization’s ability to access a revenue source, the stability of that source, constraints the source may place on an organization, and the ability to grow that source or use it to improve access to other resources. Grønbjerg (1993) discussed how a revenue source was considered important if it was commonly used among many charities, comprised a significant proportion of income, and fit the ability of management to handle its complexity and uncertainty. Charity CEOs conceptualized fundraising options based on the likelihood the source led to additional resources, aligned with the organization’s mission, and created a sustainable funding source (Kearns, Bell, Deem, & McShane, 2012). Charity managers make conscious choices about pursuing revenue sources. Some managers choose private support as a primary source of revenue, while others do not.

Revenue diversification among charities is not a new phenomenon, with most charities more dependent on earned income rather than contributions for about a century (Griffith, Jeter, & McMillen, 1930a, 1930b; Hall & Burke, 2006). Many organizations were highly dependent on donations when they were small (Bowen et al., 1994; Horne, 2005; Lecy & Van Slyke, 2012). Regardless of size, some organizations were highly dependent on donations, with 20% of organizations relying on contributions for more than 50% of total revenue and 12% of organizations receiving more than 75% of total revenue from donations (Horne, 2005). Organizations changed their revenue diversification over an extended period, with older and larger organizations more likely to diversify their revenue sources away from only donations (Horne, 2005). Variation in fundraising results encouraged organizations to establish commercial revenue sources in order to stabilize total revenue (Bennett, Iossa, & Legrenzi, 2010). However, earned-income ventures, especially those divergent from an organization’s mission, distracted management, and became financially draining (Foster & Bradach, 2005; Frumkin & Keating, 2011).

These findings may confuse charity managers about the wisdom of diversifying revenue sources. Adding clarity to this apparent dilemma, Horne (2005) found consistency between categories of organizations and the types of relationships they were most likely to have with their clients. For instance, organizations with client relationships that were the most customer-like, such as health care providers, universities, housing providers, and recreation organizations, were the most likely to rely on program service revenue and least on contributions. Conversely, organizations with client relationships that were the least customer-like relationships, such as advocacy groups, international organizations, and youth development, were most likely to rely on contributions with far less emphasis on program fees. These category-specific patterns must
be considered when analyzing revenue diversification within the overall population of public charities.

When choosing a revenue strategy, organizations may broadly diversify or narrowly focus their efforts among several revenue sources. As outlined above, the variables of age and category for the organization influence the revenue diversification decision. The importance of diversification versus focus of revenue sources for individual organizations is a hotly debated topic. Practitioners and scholars alike predominantly consider revenue diversification to be a superior management strategy. Practitioner-oriented material promoted revenue diversification without question (Olglive, n.d.). Several studies espoused the helpfulness of diversifying revenue streams (Carroll & Stater, 2009; Kingma, 1993; Froelich, 1999; Moulton & Eckerd, 2011). Tuckman & Chang (1991) were sufficiently convinced of the importance of revenue stream diversification that they incorporated it into their method for calculating financial vulnerability. This calculation method was used as the basis for several subsequent studies (Chang & Tuckman, 1991, 1994; Greenlee & Trussel, 2000; Trussel, 2002; Trussel & Greenlee, 2004).

However, a series of studies articulated a seemingly contradictory finding (Foster, Dixon, & Hochstetler, 2003; Foster & Fine, 2007; Kim & Bradach, 2012). Rather than promoting diversification of revenue sources, these studies observed that large, relatively young organizations founded later than 1970 and with annual revenues exceeding $50 million, typically mastered and fully exploited a narrow set of revenue sources. This finding reinforced an observation made by Galaskiewicz and Bielefeld (1998), who found that organizations focusing on a narrow range of funding sources grew more quickly than organizations diversifying revenue sources. More recently, Chikoto and Neely (2013) found that a narrowly focused set of revenue sources led to increased financial capacity for public charities, particularly for total revenue.

Despite their contrary appearances, diversification and narrow focus of revenue sources by public charities reflect the dual nature of risk and reward for charity revenue strategies. Diversification of revenue streams reduced the risk of failure for organizations and slowing growth, while concentration of revenue streams rewarded organizations by enabling fast growth while simultaneously exposing them to a greater risk of failure. Grønbjerg (1993) observed two decades ago this dual nature of revenue strategies:

High reliance on one single funding stream is likely to have fateful consequences for an organization, because it becomes dependent on a relatively narrow range of environmental factors or on idiosyncratic events associated with the stream. However, while that increases risks, it also greatly simplifies management tasks and allows the organization to specialize and fine-tune its management efforts (p. 56).

While there may be nuances based on an organization’s age or category, the breadth of findings show the focus of revenue strategies and its impact on speed of an organization’s growth applies across the population of public charities. Unfortunately, research regarding this important
observation remained relatively sparse until recently, and no scholarship explicitly identified this dual nature of risk and reward for charity revenue strategies, instead limiting inquiry into either on reducing the risk of failure or enhancing growth through focused revenue strategies.

**Theory Explaining Dynamism within the Rankings**

With so little trend analysis of financial measures among public charities, appropriate theory is needed to explain these phenomena. In any population of organizations, there is differential growth between individual organizations that affects population-level trends. To properly understand changes among public charities, “we must pay attention not just to the evolution of density and mass but also to changes in the size distribution of organizations in a population” (Barron, 1999, p. 427). Organizational ecology provides a theoretical framework and necessary levels of analysis to explain the mobility of organizations within their industries and broader populations. Carroll (1984) specified three levels of analysis for organizational ecology: organizational demographics examining the life cycle and developmental characteristics affecting individual organizations, population ecology examining the growth and decline of discrete populations, and community ecology examining the emergence and disappearance of organizational forms. In this theoretical framework, these three levels of analysis align with the research questions posed in the Introduction.

Organizational ecology and resource dependence theories can help us understand trends of growth among charities. Within organizational ecology, population density theory can explain the dynamics of growth among organizations ranked in the Philanthropy 400, such as the differential growth among incumbents and newly-ranked organizations. It is important to control for situations where older organizations fall in the rankings simply because they diversify revenue sources away from donations or rise in the rankings due to increased dependence on donations. Resource dependence theory provides insight into the relative dependence of organizations on donations as a portion of total income. Organizational ecology theory explains growth dynamics among the broader population of charities over the decades-long observation period through a variety of mechanisms explained by population density. These theories also help explain how different industries within the population of charities rise and fall, generating different levels of private support.

**Demographics of individual organizations contributing to population-level changes.**

Changes occurring within individual organizations are the only way that populations can change. Understanding changes at the organization level is essential for understanding changes occurring at the population and community levels through organizational demographics. Theoretical explanation of the age of organizations and their survival frames discussion of persistence of organizations in the Philanthropy 400 rankings. Theoretical explanation of revenue diversification frames the discussion of how management decisions may impact the Philanthropy 400 rankings.
Population density and age-dependent characteristics. Within organizational ecology, the theory of population density explains changes in the population of organizations. Population density measures the net survival of organizations in any particular population (Hannan & Freeman, 1989). Population density theory postulates that the founding and net entry of organizations into an industry is controlled by density dependence and is expected to climb until the combined number and size of organizations grows too great to support with available resources (Barron, 1999; Carroll & Hannan, 2000). The three elements affecting this density are the entrance or founding of organizations, the growth of existing organizations measured along the variable of a growth-limiting resource, and the exit or failure of organizations. Measuring entrance, growth, and exit quantifies the relative abundance, size, and diversity of organizations within a population. Baum (2001) noted that growth was the least studied of these three elements; most of the research conducted in population density, especially in regards to nonprofit organizations, was on founding and failure of organizations (for example, see Anderson, Martinez, Hamar, Hoebeman, Adler, & Chaves, 2008; Bielefeld, 1994; Bowen et al., 1994; Brown, McKeever, Dietz, Koulish, & Pollak, 2013; Chambré, 2002; Hager, 1999, 2001; Hager, Galaskiewicz, Bielefeld, & Pinn, 1996; Hager, Pinn, & Jorgensen, 1997; Helmig, Ingerfurth, & Pinz, 2013; Maier, 2010; Twombly, 2003). This dissertation focuses on growth among public charities through the limiting variables of donations and total revenues, although the endpoints in an organization’s history are not ignored.

In another elaboration of organizational ecology, legitimation theory posits that organizations entering an industry after similar organizations are established have higher rate of survival (Wiewel & Hunter, 1985). Wiewel and Hunter described how existing organizations help the entry of new organizations through defining the functional category, providing legitimation, and exchanging resources. Charities spurred the creation of new American industries, such as the founding of Harvard College in 1636 (higher education), the Cleveland Community Foundation in 1914 (community foundations), and the Bank of America Charitable Gift Fund in 1957 (commercially-affiliated donor-advised funds). After these initial organizations became established (although not necessarily immediately after the initial organization is founded), new organizations followed in quick succession. Existing organizations create legitimacy by providing a familiar reference that makes it easier to understand the role of the new organization. Legitimation makes it easier for new organizations to access previously untapped resources. New entrants often fill functional niches adjacent to incumbents, and these slight differences may open up resources unavailable to incumbents, such as the emergence of the commercially-affiliated donor-advised funds after the community foundations. In the case where the geographic reach of an organization may be limited, such as an educational institution or a community foundation, new organizations often emerge in cities with no incumbents.

Beyond legitimation, there are advantages and disadvantages contributing to the survival and growth of both new entrants and established incumbents. Stinchcombe (1965) posited that organizations reflect their founding environment, and the founding structure and technologies are
difficult for an organization to change. As an industry evolves, recently-formed organizations have certain advantages. New organizations are better suited to the contemporary environment, because they are not burdened with the legacy of outdated bureaucratic and physical infrastructure. New organizations can focus their mission on the most pressing issues of the time, tailored to appeal to contemporary stakeholders. New organizations also benefit from the “honeymoon effect,” when the positive influences of new relationships and high expectations outweigh any negatives associated with poor performance (Baum, 1989; Fichman & Leventhal, 1991). In addition to the benefits of legitimation, new entrants are better positioned to replicate success and avoid failure due to identifiable unoccupied niches, models to imitate, and pitfalls to avoid. Contributing to this, resources are often exchanged either directly or indirectly between existing and new organizations, such as technology, personnel, and material resources (Wiewel & Hunter, 1985). In some cases, new entrants may prosper by introducing disruptive innovations (Christensen & Bower, 1996).

There are, however, some disadvantages for new organizations entering an already-established industry. New organizations suffer from a liability of newness due to a poor network. A new organization is relatively unknown, lacks resources, has no established procedures, cannot point to successful results, and may demonstrate inadequate performance (Stinchcombe, 1965). Exploring the liability of newness, the most critical factor may be the liability of smallness – the lack of resources and an inadequate network – that makes the organization vulnerable to short term reduction in resources (Aldrich & Auster, 1986). This could illuminate why some organizations live for many years and then expire: the organization stays small and cannot recover from a crisis. While many organizations start small, some organizations were born large, such as Federal Express, the March of Dimes, and the Gates Foundation. In some industries, a barrier to entry is created with a minimum efficient size (Barron, 1999), such as universities, hospitals, and independent endowments. This requires new organizations to amass significant resources before a successful launch can be made. While not burdened with an outdated infrastructure, new organizations lack an efficient bureaucracy suited to its environment and must invest resources to develop effective policies and procedures. While a specialized niche can protect a nascent organization, the inability to expand past this niche can limit an organization’s growth (Carroll & Hannan, 2000).

It is common for large organizations to dominate industries, regardless of age (Barron, 1999). Large incumbents have advantages for growth, such as financial resources, an established model to manage existing operations, and the ability to protect their positions (Ranger-Moore, 1997). Financial resources can be transferred within an organization to help expand operations. It is more common that large organizations have slack resources available that can be used to finance growth or change (Pfeffer & Salanick, 1978). Structural inertia describes the characteristics of organizations that do not change quickly that both help to define the organization and aid in its survival (Hannan & Freeman, 1989). Large size, especially with the structural inertia it offers, provides market power for organizations (Baum, 2001). Relationships
may also be leveraged to expand access to resources to facilitate growth. An organization usually maintains the structural model selected early in its development to guide its expansion (Stinchcombe, 1965).

Public charities have several ways they are organized (Oster, 1992, 1996; Wiewel & Hunter, 1985; Young, 1989). Multiple locations can be managed through a centrally-managed corporate structure, similar to the Salvation Army, where there is direct line of responsibility connecting all locations to the headquarters. The United Way and Habitat for Humanity offer an affiliated model, in which independently incorporated affiliates across the country all have a very similar business model. Goodwill Industries has a contrasting affiliated model, in which independent affiliates each engage in a unique variety of activities. Last are unaffiliated but comparable organizations, like community foundations, that work cooperatively through trade organizations for information exchange, political activity, and other mutually-beneficial outcomes. For affiliated organizations, it is easier to establish new affiliates in different locations due to the preexisting network of support and the legitimacy offered by the organization’s brand. Legitimacy travels across geography much more easily than expendable resources, and competition for resources tends to be focused locally (Baum, 2001). Large incumbents can protect and grow their positions with a strong brand, better personnel, and effective technology (Ranger-Moore, 1997). In addition to facilitating expansion, large charities can protect their existing positions with strategies such as solidifying relationships with supporters, amassing information used to further their cause, and influencing the legislative environment.

Older, larger organizations also suffer from several disadvantages. With growth occurring at different rates, many organizations eventually begin to decline, which may lead to complete failure, merger, or fading into obscurity. Structural inertia may negatively affect older organizations that tend to follow their existing trajectory rather than change quickly enough to adapt to social change (Hannan & Freeman, 1989). Gilbert (2005) broke structural inertia into two categories: resource rigidity, in which an organization fails to change its investment patterns, and routine rigidity, in which processes are not adequately changed to adjust to shifting circumstances. I will discuss resource rigidity later in the context of resource dependence. Structural inertia and routine rigidity postulate that inefficient and ineffective bureaucratic procedures consume too many resources without generating adequate results (Gilbert, 2005). Since these procedures were established in the past, they may not be suited for contemporary reality. These procedures may block, or at least impede, needed adaptations due to the complexity and specialization within the organization. At worst, these structural precedents limit an organization’s ability to change quickly due to internal political forces, reluctance to abandon sunk costs, and pressure from existing external relationships to maintain the status quo. Routine rigidity goes as far as postulating that outdated procedures become embedded in the thought processes of managers, which makes obsolete methods difficult to properly identify, much less change (Gilbert, 2005). Even for organizations that do change, Baum (2001) described a
hazardness of change, in which changes may not be made, they may be the incorrect change for the circumstances, or they may be ineffectively implemented.

The declining ability of an organization to adapt to new circumstances was also described as the liability of aging (Aldrich & Auster, 1996; Barron, West, & Hannan, 1999; Baum, 1989; Ranger-Moore, 1997). In the liability of aging, internal frictions and inefficiencies accumulate to the point that established policies and systems become ossified, so the organization is no longer nimble enough to respond to changes in the environment (Baum, 1989). Examining this more closely, the liability of aging was broken into the liability of senescence, echoing the concept of structural inertia, in which an organization becomes resistant to change, along with the liability of obsolescence, in which an organization’s mission no longer meets contemporary social needs, and the organization does not sufficiently adjust to these changes (Baum, 1989). The change in mission from polio to birth defects at the March of Dimes from 1952-1964 became the poster child of an organization facing mission obsolescence after the development of the Salk polio vaccine (Baghdady & Maddock, 2008; Sills, 1957). While the March of Dimes successfully transitioned over 3,000 local branches in this 12-year period to a new mission, poorer performance after a change at the core should be more evident for organizations with many independent affiliates than with a centrally-managed corporate organization (Baum, 2001).

My research studies only the most recent two decades of a history spanning centuries. Many organizations were decades or centuries old when the Philanthropy 400 was first published. Social change has been a remarkable and constant phenomenon in American history. During this history, many venerable organizations were established and persisted, despite many similar organizations emerging and failing. Organizations that successfully navigated social changes survived, while those that stumbled failed. New organizations that grow quickly to great size have advantages that outweigh the counterbalancing disadvantages, and large incumbents facing difficulty in changing to adjust to the accumulating social changes and internally constraining disadvantages, the following hypothesis will be tested:

H1: New entrants to the rankings will surpass incumbents in amount of private support received and standings in the rankings.

H2: Organizations in categories with the youngest median age will enter the rankings most frequently.

H3: The youngest organizations in the rankings will ascend most quickly.

H4: The oldest organizations in the rankings will descend most quickly.

H5: The oldest organizations will drop out of the rankings.

H6: Organizations in the categories with the oldest median ages will drop out the most frequently.
Resource dependence and revenue diversification. Organizations diversify their revenue sources for a variety of reasons, including maximizing total revenue by exploiting different revenue sources, protecting against catastrophe if a single revenue source fails, and gaining independence through access to a variety of revenue sources. Regardless of the driving force, diversification of financial resources can take several forms. One form is to diversify between different sources of income, such as adding earned revenue or government contracts to existing private support. An organization may also diversify by increasing its investment in an existing stream of revenue. Another way to diversify revenue is within a stream of revenue, such as pursuing corporate donations in addition to donations from individuals. Within donations to individuals, an organization may diversify by soliciting small, medium, and large donations rather than just one size of donation. In this dissertation, the primary focus is on the diversification between different income sources. Revenue diversification can be explained by resource dependency theory, resource rigidity, and concepts of institutional isomorphism.

Resource dependence theory states that organizations become dependent on certain resource providers and build relationships to maintain access to those resources (Pfeffer and Salancik, 1978). However, if an organization becomes overly dependent on a limited number of resource providers, those providers gain power over the organization, placing them in a position to require the organization to take certain actions or make undue concessions. To counter this potential external control of the organization, managers will seek other suppliers to provide related resources. To reduce external control, organizations usually diversify resource providers, reducing dependence on any single supplier.

Resource rigidity connects external resource dependence to internal resource allocation decisions within the organization. Structural inertia, as mentioned earlier, can be broken into resource rigidity and routine rigidity (Gilbert, 2005). While rigidity can help organizations by developing efficient processes and procedures, rigidity may slow innovation and create unforeseen resource dependence. Resource rigidity extends the thinking of resource dependence into the structure of an organization. Resource rigidity posits that more organizational resources are allocated to satisfy the desires of the largest stakeholders who supply resources to the organization (Christensen & Bower, 1996). In the case of charities, especially those that are highly dependent on donations, more resources would be directed toward fulfilling the wishes of donors, especially the largest donors, as exemplified through coercion forced with a restricted gift. Additional resources would be dedicated to seeking large donors as the lowest-cost capital, which could be the result of structuring operations to favor donor-centered operations compared to other potential revenue streams. Routine rigidity would slow down the investment in developing new revenue sources (Gilbert, 2005). As articulated by Hannan and Freeman (1989), structural inertia internally constrains organizational change due to investment in infrastructure and personnel, constraints on information received by decision makers, and internal politics over resource control and allocation. However, managers may believe that existing resources from a particular revenue stream are maximized, presenting an incentive to diversify.
Organizations competing in the same industries, whether directly competing or providing similar services in different geographies, face similar organizational pressures and often begin to resemble one another. Institutional isomorphism is the process by which organizations pursuing similar missions begin to resemble one another. Isomorphism helps explain some of the influences affecting similar organizations. Organizations may face coercive, normative, or mimetic isomorphism (DiMaggio & Powell, 1983). Coercive isomorphism represents the legal and political constraints that steer organizations to similar structures. For example, organizations like universities and hospitals face similar types of constraints when navigating accreditation and pursuing similar sources of financing. These forces would be different from the coercive forces shaping the behavior of environmental organizations or community foundations. Normative isomorphism is largely driven by professionalization in a field, facilitated by formal education and professional networks. Normative isomorphism is most powerful where there are formal credentials required for employment, such as within universities or hospitals, than in organizations subject to less formal credentials, like environmental organizations or community foundations. Mimetic isomorphism occurs when organizations copy elements of their competitors’ strategies and structures. Copying successful innovations allows competitors to adopt changes proven elsewhere, adapting to change with less risk.

My research focuses on organizations with a proven ability to attract high values of donations. Since many of these organizations persist in the Philanthropy 400 rankings, is this persistence achieved by an increasing reliance or fundraising, or in spite of diversifying revenue sources away from donations? Theory suggests that organizations should trend toward revenue source diversification, resulting in these hypotheses:

H7: Organizations increasingly diversify their income streams, relying less on private support as a percentage of total income over a period of decades.

H8: Younger organizations will have a greater increase in diversification of revenue sources compared to older organizations over the 20-year observation period.

H9: Organizations in categories with the youngest median age will show a greater increase in diversification than organizations in categories with the oldest median age over the 20-year observation period.

H10: Organizations in the same category will behave more similarly to each other than to organizations in different categories.

H11: There will be more variation in industries with fewer isomorphic forces.
Distribution of resources and implications for population growth.

This section utilizes the second level of Carroll’s (1984) analyses, the population-level changes. Population ecology examines population growth and change for identifiable populations of organizations. In the case of public charities, these organizations can be recognized as a single population and they can be subdivided into the industries in which they directly compete for service provision.

Previously, I discussed various effects of population density and related theory on the selection of individual organizations, focused mainly on the effects of age. Some theory looks not only at age, but also how crowded an industry is. The growth in number of organizations often follows a similar evolution across industries including both commercial firms and nonprofit organizations (Barron, 1999). The rate of growth slows until the population density reaches some sort of equilibrium, at which the net change in number of organizations remains stable and may cycle around a central point (Barron, 1999). This growth rate occurs at a point where there is a balance between the entry of new organizations and exit of incumbents. This equilibrium favors growth of certain organizations over others. At this point of equilibrium, there tends to be increasing concentration, with resources accruing to the largest organizations in the industry (Barron, 1999; Carroll & Hannan, 2000).

The population of public charities has organizations that compete in a variety of industries, from higher education and hospitals to environmental protection and religion. However, most charities compete for donations. These donations serve as a limiting resource for organizational growth across the population of charities. Therefore, it is appropriate to examine changes in the population of charities in terms of number of organizations and availability of financial resources such as donations and total revenue. Since charities can be subdivided into discrete industries, it is equally appropriate to examine similar changes in number of organizations and their finances at the industry, or category, level. Therefore, these hypotheses will be tested:

H12: There will be slowing growth in the number of public charities required to file Form 990 commensurate with the increasing concentration of donations.

H13: Different categories of organizations will show different patterns of growth depending on the level of concentration of donations among organizations within that category.

Comparative representation of organizations in two populations.

This final theoretical section utilizes the third level of analysis outlined by Carroll (1984), community analysis. Community ecology examines the emergence and disappearance of
organizational forms. There are forms, or at least categories of organizations, that entered the Philanthropy 400 rankings after they were first published. With the entrance of new types of organizations, existing types of organizations must be displaced.

Signs of decline for a population of organizations are the decreasing number of organizations and their economic importance, especially in comparison to closely-related organizations (Carroll & Hannan, 2000). Subpopulations of nonprofit organizations have emerged and disappeared in accordance with social changes. Examples of types of organizations that have disappeared include organizations advocating abolition of slavery, universal suffrage, and temperance. More recently, populations of fraternal organizations continue their decline (Beito, 2000; Kaufman, 2002; Putnam, 2000; Skocpol, 2003). The emergence and decline of subpopulations is clearly revealed by ascending and descending fortunes among the largest organizations within a population. Declining economic vibrancy among the largest organizations may be accompanied by a less obvious decline in the number of organizations in that subpopulation and their collective economic strength.

Since concentration of financial resources is expected in all organizational populations, the changing representation of different subpopulations among the very largest organizations in the overall suggests different growth among those categories of organizations (Barron, 1999). When a population reaches a density in which growth has slowed to near zero net growth, changes within subpopulations, or categories of organizations within that population, still occur. Some of these subpopulations may grow while others decline. Since the largest organization continue to concentrate resources even in a declining population, the growing subpopulations will increase membership in the largest echelon of organizations while declining subpopulations will lose membership among the largest organizations. Therefore, this hypothesis will be tested:

**H14:** Categories of organizations with increased representation in the Philanthropy 400 rankings will show a greater increase in overall population growth rate than categories of organizations with decreasing representation in the rankings.
Methods and Preliminary Findings

These preliminary findings are presented to provide directional information about this research. These findings were calculated based on the Philanthropy 400 as they were published. The rankings frequently carried data over from one year to the next for organizations not supplying information to The Chronicle of Philanthropy. Since these preliminary analyses were performed, data has been manipulated in several ways to make it more accurate. Data from the same fiscal year were aligned in the same ranking year to match, as much as possible, data covering the same calendar period. Where there were voids in the data from the rankings, data were obtained from other sources such as the Nonprofit Times NPT Top 100 rankings, Forms 990 from Guidestar and the National Center for Charitable Statistics, and other organizational financial reports.

First level of analysis.

At the first level of analysis, age, donations, and total revenue are the critical demographic variables. These variables describe specific changes in the population of charities ranked in the Philanthropy 400. To illustrate preliminary findings, a series of graphs displays the essential trends and attributes of the population of charities ranked in the Philanthropy 400.

The first of these graphs shows how the concentration of donations concentrated among the organizations ranked in the Philanthropy 400. This is calculated by dividing the total private support received by ranked organizations and dividing it by the corresponding national figure for overall donations calculated by Giving USA. This method has problems because the fiscal years of donors is based on a calendar year while organizations may choose to end their fiscal year on a date of their choosing. Organizations may also change their fiscal year end, which creates a year with more or less than 12 months in the year of the change. For organizations ranked in the Philanthropy 400, about half of the organizations have a June 30 fiscal year end, about a quarter end their fiscal year on December 31, nearly 10% use September 30. Organizations use no other month more than 5% of the time as a fiscal year end. These proportions of use of various dates for fiscal year ends have remained consistent for the period under study for the ranked organizations. Despite this methodological weakness, this data provides a clear picture that there has been concentration in private support. However, I do not use the decimal descriptors, but the more general fractions: the organizations ranked in the Philanthropy 400 received less than one fifth of donations until 2002, at which time the share of donations received by this population rose to over one quarter of all U.S. private support.

During this same period, and reinforcing the finding that private support became concentrated among a very small group of organizations, the value of donations raised by the organization ranked in 400th place more than doubled on an inflation-adjusted basis. This figure increased from less than $20 million in the 1991 ranking to nearly $50 million in the 2012 ranking. This finding reveals that the concentration of private support was not restricted to the very largest of the large organizations, but reflects a broader trend involving hundreds of organizations.
The membership in the Philanthropy 400 has remained fairly consistent in over twenty years of publication. About half of each ranking is comprised of the same organizations every year. As the graph indicates, just over 200 organizations have been ranked 19 or more years. For some of these organizations, they should have been ranked every year, but were omitted from the first or second ranking. Taking the organizations ranked 14 or more years, this constitutes about three-quarters of the rankings in any year. Organizations ranked less than five years, suggesting they hit the “donation jackpot” with a very large donor at one point, represents the highest number of organizations ever ranked. However, these infrequently-ranked organizations represent no more than 20% of any individual ranking.
The age of organizations was determined using the founding year of the organization, regardless of when the organization received recognition as a public charity. With the persistent presence of around three-quarters of the ranked organizations, and each of these organizations increasing in age by one year in each ranking, it is not unreasonable to expect that the average and median ages would increase for the ranked organizations over two decades. This was not the case. As illustrated by the black lines in the graph, the median and average ages for all ranked organizations stayed stable over the study period. This occurred because the average and median ages of the new entrants, the red lines in the graph, declined fairly precipitously during the study period. While the analysis has not yet been run, this also suggests that older organizations dropped out of the rankings. The blue lines in the graph indicate that new entrants have remained fairly constant over the study period, declining slightly overall. This constancy in new entrants reinforces the importance of the ages of the entering and exiting organizations.

Revenue diversification is the last demographic element to be examined with the first level of analysis. Theory is mildly conflicted on this point, with resource dependence theory suggesting that organizations will diversify revenue sources while resource rigidity theory suggests that organizations will maintain or increase their reliance on a successful revenue procurement strategy. Common wisdom promotes revenue diversification among charities to avoid financial failure. The organizations ranked in the Philanthropy 400 have a proven ability to raise substantial value in donations. This selection of organizations may cloud the results, since organizations must achieve a high level of donations to be included in the rankings.
An examination of the preliminary results shows that all the hospitals combined are the only category of organizations that reduced their dependence on private support relative to total revenue over the study period. Organizations in the following categories increased their dependence on private support as a proportion of total revenue: community foundations, international relief and development, arts and culture, museums and libraries, colleges and universities, and public broadcasting. Organizations that neither trended upwards or downwards in private support as a percentage of total revenue included social service, Jewish federations, education, public policy, and health advocacy.

\[ y = -0.0025x + 0.1478 \]
Second level of analysis.

In the second level of analysis, theory suggests that the concentration of private support leads to slowing growth in the broad population of public charities. This was demonstrated in a number of ways. Since public charities have a wide range of revenue options, total revenue was examined to get a broader understanding of the finances available to charities. In addition the total number of organizations was examined in two ways. First, all public charities are counted. Second, only organizations required to file Form 990 by virtue of exceeding the reporting threshold were counted. The reporting threshold was inflation adjusted to ensure that a constant threshold for this population was considered. For each of these variables, estimates were made from the Business Master Files obtained from the National Center for Charitable Statistics.

In these analyses, slowing growth is evident among public charities. In this first graph of the total number of charities, total number of charities required to file Form 990, and the total revenue reported by organizations required to file Form 990 reported on an inflation-adjusted basis, all three variables show clearly flattening levels starting in 2008. This flattening of growth is independent of the revocation of nonprofit status of organizations by the IRS in 2011.
This graph shows the trend line of growth shown by the year-to-year percent change for the total number of public charities, organizations exceeding the reporting threshold to file Form 990, and the total revenue reported by organizations required to file Form 990. This trend clearly shows slowing growth for all three variables. Separate analyses, not shown here, demonstrate that the slowing growth started before the recession commencing in 2008, indicating that this process of slowing growth was independent of the most recent economic downturn.
Theory states that as organizational populations reach a period of no net growth, the largest organizations will continue to accrue an increasing share of financial resources mainly at the expense of organizations in the middle. Therefore, estimates of the number of organizations in three revenue bands were created to understand the relative abundance of public charities of different sizes. To perform these calculations, the revenue bands were inflation adjusted and then applied to the summary statistics to estimate the changes in populations within these bands. As shown in the graph, the middle tier of organizations, those with total revenue of one million to ten million dollars showed a striking decline in total number of organizations. Organizations with total revenue of more than ten million dollars also showed a slight decline. Through simple subtractions, this leaves the smallest organizations, those with less than one million dollars in total revenue, as the growing portion of the population of public charities.

Using a similar analysis, the total revenue generated by public charities in the three revenue bands showed a similar pattern. In this case, the total revenue reported by the organizations was taken cumulatively for each revenue band. As indicated in this graph, both the middle tier and smallest organizations received a progressively smaller share of total revenue while the largest organizations increased their share of total revenue.
Third level of analysis.

No preliminary results are available for the third level of analysis, the changing representation of categories of organizations in the Philanthropy 400 and the broader population of public charities.

Next Steps

There are several steps to be taken to finish my research. First, the data manipulation aligning reported figures from the corresponding fiscal years for the rankings must be completed. To further enhance the data, any voids in the data need to be filled as appropriate data is available. Where data is not available, estimates of the probable reported financial results will be added when the reported revenue is sufficiently stable to allow responsible interpolation.

Once the data has been updated, all organizations will be re-ranked according to the data they should have been ranked by in the first place. From that point, all analyses will be re-computed.

Analyses involving the Business Master Files need to be recomputed as well. This involves securing data from the month and year closest to the reporting dates. These files will then use the actual individual reports to make computations, rather than estimating from the aggregated statistics.
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