Governance Issues in Nonprofit Organizations – An Exploratory Study

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Abstract

Nonprofit organizations are a great asset to our society, providing essential services to communities around the world. The nonprofit sector is varied, complex, and ever-changing, and few individuals truly understand it. I have a personal interest in nonprofit organizations, and for my senior capstone project, I wanted to conduct an exploratory study that would look at the governance aspects of nonprofit organizations. I developed a set of assumptions based on my own understanding of governance concepts and my personal experience with nonprofit organizations. In order to explore and test my assumptions, I conducted a set of interviews with local nonprofit experts, the outcome of which was later used to develop a survey. The survey, which would be distributed to nonprofit organizations in the DeKalb/Sycamore area, was designed to measure which governance factors organizations placed the most importance on, as well as the factors organizations deemed to be least important. The overall research objective was to explore factors relating to nonprofit governance, and how these factors may shape an organization’s Board of Directors. While some of the information I gathered was consistent with my prior assumptions, I learned that there were a great deal of other factors that influenced the makeup of a nonprofit organization’s Board of Directors, including the organization’s maturity, complexity, program needs, and its revenue portfolio. However, due to the unusual circumstances in the latter half of the Spring 2020 semester, I was unable to send out my survey. Instead, I created a small database which I used to gather available online data from nonprofit organizations to better understand the board makeup of some organizations within the community. Based on this information, I concluded that organization size is not the driving factor in board makeup, but it should still be considered for future research projects and analysis.
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I. Introduction

So many of the world’s issues are addressed collaboratively\(^1\), and every community requires a combination of government and private sector investment. However, there is a middle ground, a gray area where both these sectors collide—and this middle ground is made up by one of the most important and complex business structures: the nonprofit organization. Nonprofits address important social issues, and form the backbone of the community in which they operate, providing necessary services to the multitude of individuals who need them. They feed our nation’s poor, provide shelter for the homeless, healthcare and rehabilitation services to the downtrodden, and all the while they reduce the burden of government-funded welfare programs from the taxpayer.

Despite the immense impact they have in our lives and our communities, nonprofits face many issues. They cannot be managed like a for-profit business, because the focus and mission of the organization is entirely different. The nonprofit business model is one of the most nuanced and complex of all, as well as one of the most interesting. No two nonprofits are exactly the same, making the individual organizational structure of one nonprofit completely different from the next. Each requires a team of people who understand that organization’s unique needs and challenges, as well as individuals who understand the organization’s impact. At the center of it all is the organization’s board of directors, a governing body whose purpose is to provide guidance, support, and expertise to help further the organization’s mission.

In this project, I wanted to explore issues related to nonprofit governance, most specifically factors related to an organization’s Board of Directors. The Board of Directors is one of the most common forms of governance, not only in nonprofit organizations but in all business forms. In for-profit companies, board members represent the shareholders, acting in the best interests of the company’s owners. Nonprofit boards members, on the other hand, have slightly different interests in mind. Because there are no owners to represent in a nonprofit, the board members act as fiduciaries, representing broader society and also acting on behalf of beneficiaries of the organization’s mission. In nonprofits, most boards are made up of members of the community, who are chosen on a volunteer basis and later elected into more specific positions. What I wanted to know, however, was how organizations determined which individuals to reach out to and invite onto their boards. Was there a specific skillset possessed by some individuals that was more valuable to the organizations than others?

To answer this question, I began by developing two preliminary research questions:

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\(^1\) Dan Pallotta, “The Way We Think About Charity is Dead Wrong,” March 2013. Long Beach, CA, United States of America, 18:39, [https://www.ted.com/](https://www.ted.com/).
RQ1: Does the size of the nonprofit organization influence the size of its Board of Directors?

RQ2: Are larger nonprofits more likely to have board members with financial and/or accounting backgrounds?

Both of these research questions were based on my own knowledge and understanding of nonprofit organizations. Prior to doing any further research, I decided to explore these research questions by setting up interviews with two local non-profit experts. I then developed two sets of interview questions, based on some preliminary research I had done. My faculty advisor and I thought that interviewing nonprofit experts was a great first step into developing the rest of my research process, because they would be able to give me insight into issues faced in the nonprofit sector today. From these interviews, I would go on to develop a thirty-question survey using NIU Qualtrics, which would be distributed to a sample of fifty local nonprofit organizations. I planned to obtain the contact information for the executive directors of these organizations, either through available data on the organization’s websites, or through my interview contacts.

After collecting this survey, I planned to analyze the data I gathered in order to draw conclusions about my research questions as well develop ideas for future research. Due to the limited scope and timeline of this capstone project, my faculty advisor and I thought it best to keep the sample size small. However, while I was in the process of developing my survey, the COVID-19 pandemic broke out, and work on this project was suspended for a few weeks. After much consideration, my faculty advisor and I agreed that it was not in our best interests to send out the survey, as the operations of many businesses and nonprofits has been upended by the pandemic, and it was unlikely that we would have gotten any responses.

To revise the project and hopefully still gain an understanding of local nonprofit organizations, my faculty advisor and I decided to obtain what data we could from LinkedIn. To do this, I developed a simple database using Microsoft Excel and gathered information on the board members from ten nonprofits. I then used the data to perform a simple analysis, which will be discussed in further detail later on in this paper. However, prior to this, I would like to discuss the results of the two interviews I did, which can be found in the next section.
II. Background

In this section, I will describe a number of issues faced by nonprofit organizations today. These issues were discussed in both the interviews I gave as well as in a variety of outside sources. Many of the issues faced by nonprofits today arise from the complexity and variety of organizations that exist. There is not a broad, “blanket solution” that will work for all organizations across all industries—instead, each issue must be addressed separately on an organization-by-organization basis. Throughout both my interviews, I learned that the needs of the organization often depend on the services it provides, the geographical region in which it operates, its capital structure (revenue portfolio) and the maturity of the organization.

The number of nonprofit organizations is increasing, something that is both a blessing and a curse to the nonprofit sector. While the sector itself appears to be growing, the amount of capital within the sector isn’t. An increasing number of nonprofits is left to compete for limited resources, such as donors, volunteers, board members, and staff. DeKalb nonprofits are not exempt—for example, Give DeKalb County is a 24-hour fundraising event held annually that provides donors with a single point of donation². There are 112 local organizations involved, and they are all competing for the finite financial resources of the DeKalb County area. Because nonprofits are trying to solve world problems and social issues that are massive in scale with limited resources, their effectiveness is often crippled³.

The donors themselves are becoming more particular about the organizations they choose to support, looking for organizations that are highly transparent and able to measure the impact that they have on those they serve. However, most nonprofit organizations do not have the tools to quantify this impact, which would require the use of complex data analysis tools and potentially the help of a specialist. While some larger nonprofit organizations do have access to these resources, it’s important to note that the majority of nonprofits are small and likely do not have the excess funding available to accurately measure their impact.

There is also an outdated narrative that surrounds nonprofits. While I discussed this topic at length with both individuals I interviewed, it was also recommended that I watch a TED Talk by Dan Pallotta on the subject, which proved to be very interesting and informative. Dan Pallotta discussed the many misunderstandings that society has about nonprofits. Many individuals do not understand the general operations of nonprofits as well, and we want to see that every dollar of our donation is going to helping people—but this is not realistic. In fact, this way of thinking can be dangerous, and often prohibits

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nonprofits from making the investments they need to grow. Society tends to place a double-standard on nonprofits, and a lot of what society deems acceptable for for-profit companies is just as often deemed unacceptable for nonprofits. For example, it is often considered taboo for nonprofit and charity organizations to pay their employees well, despite the fact that the incentive of compensation would attract some of the best and the brightest minds—the minds of people who could make real-world change⁴.

One of the most dangerous double-standards placed on nonprofits today is the way we view overhead. There is a common mindset of overhead versus “the cause”⁵, which are often understood to be two separate things. However, overhead is part of the cause, especially if it’s used for growth, and nonprofit organizations who make real investments into overhead can see exponential returns. These returns can then be turned into programs that reach more people and make real change. Both individuals I interviewed also confirmed this, stating that many donors do not understand that a nonprofit, for the most part, functions just like a normal business, and cannot run without accruing expenses. Nonprofits are trying to solve large-scale world problems but possess just a small share of the market. The current narrative and public misunderstanding of nonprofit organizations prohibits growth, which in turn prohibits real, systematic change.

Nonprofits are also struggling to find and retain donors. As the number of nonprofit organizations continues to increase, many potential donors are stretched thin. With vast amounts of information available online, donors are able to pick and choose between organizations to support, making it increasingly important for nonprofits to be able to measure their impact and remain transparent. Additionally, donor perceptions are changing—they are beginning to see the contributions they make to a nonprofit as “investments” rather than donations. As investors, they want to see where their money is going, and the “returns” or impact it will have upon the community the nonprofit serves. The communities, too, are changing—many donors do not live in a single place for long, and do not bear the same loyalty or attachment to a particular community as they once did. Younger donors, too, are contributing to an increasing number of causes overseas.

However, I would argue that the largest issue faced by nonprofits today is the need for transparency, which encapsulates many of the issues discussed earlier. There are several factors thought to contribute to this growing pressure, with one of the largest being the growth of the nonprofit sector, which has brought

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⁵ Pallotta.
concerns about nonprofit accountability to the forefront\textsuperscript{6} of many donor’s minds. The development of technology has also increased the demand for transparency in nonprofits\textsuperscript{7}. Many nonprofits are not equipped to handle the sudden increase in demand for transparency, and do not have the resources to produce complex analytical reports on impact that donors are looking for. It’s important to note that nonprofits operate in a gray area—they are not public companies, and yet they are often expected to operate as such, providing information on their inner workings and governance in order to attract donors.

Additionally, transparency and good governance go hand in hand. An organization with sound governance practices and an active board of directors is better able to keep track of its funds, further its mission, and improve its transparency. It’s interesting to not that many of the steps organizations take towards increasing transparency and improving governance are voluntary. There is some incentive for the government to perform audits of the form 990, and they are often done to ensure the nonprofit’s activities are consistent with those described by the organization when it was given its tax-exempt status. The IRS wants to be sure that nonprofit organizations are not unfairly competing with for-profit businesses that are paying taxes, and they also want to be sure private inurement is not taking place. However, oversight is limited, in part due to budget cuts that have stretched the IRS thin. This often leads to organizations turning towards third-party “watchdog” organizations, such as Charity Navigator and Guidestar, to demonstrate some level of transparency. While there are mixed opinions on the effectiveness of these third-party organizations, a large part of a nonprofit’s transparency lies in its form 990.

All tax-exempt organizations are required to file a form 990 annually. Public disclosure of the 990 is required by the IRS, although this can take many forms. Organizations must either make their 990 widely available to the public by either posting a copy on their own website or on a website maintained by another entity\textsuperscript{8} (such as third-party organizations like Guidestar). If an organization does not list its 990 in a way that is considered “widely available,” they must provide a copy of their most recent 990 whenever it is requested of them. Additional disclosure policies can be found in the instructions for the form 990.

Larger donors often turn to the form 990 for information about the organization, but both individuals I interviewed considered the form 990 to be a poor representation of nonprofit organizations. As one of my interviewees stated, “990s don’t show the impact, they just show how much was spent and how much was brought in.” Many questions arise about a nonprofit’s financial reporting because the


\textsuperscript{7} Young-Joo Lee: 95.

organization’s objectives are not easily translated into financial terms. Additionally, both agreed that the governance questions on the form 990 are not always accurate because the data is self-reported, and organizations often aren’t required to verify. As discussed previously, IRS oversight is also limited as well.

This intrigued me, and I decided to do a little further research into the form 990. As with most reforms, the need for nonprofit governance became apparent after the passage of the Sarbanes-Oxley Act in 2002, following a string of accounting scandals. The form 990 was redesigned in 2008 (however, the 990-EZ was not changed), and had not been significantly updated since 1979. It was felt that the old form had failed to keep pace with both changes in the law and the increasing size and complexity of the nonprofit sector.

According to the IRS, the 990 was revised based on three guiding principles:
1. Enhancing transparency
2. Promoting tax compliance
3. Minimizing the burden on the filing organization

It’s important to note that one of the major features of this revision was the inclusion of a governance section. While few governance policies and practices are actually required by the IRS, the IRS does provide guidelines in terms of the adoption of good governance practices. Additionally, the instructions for the form 990 explain that organizations should consider its own facts and circumstances when considering the adoption or revision of its governance practices, such as the organization’s size, type, and culture.

It also appears that the IRS did take into account the so-called “representativeness” of the form 990 while making revisions. At the time, public commentators on the revision stated that the form 990 did not allow an organization to truly show its impact, and insisted that the organization be able to “tell its story” prior to reporting other information. The IRS responded by moving the “Statement of Program Service Accomplishments” to the front of the form, where it could be read prior to other disclosures.

In addition to the revision of the form 990 in 2008, the nonprofit sector saw the rise of third-party “watchdog” organizations, such as Charity Navigator and Guidestar. The emergence of these third-party organizations is thought to be evidence of donor demand for financial information, and these “watchdog” organizations would also come to play a role in nonprofit governance. Since their beginning, the role of

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10 “Form 990 Redesign for Tax Year 2008 Background Paper” (Internal Revenue Service, 2007), 1.
11 “Summary of Form 990 Redesign Process” (Internal Revenue Service, 2008), 3.
12 “Form 990 Redesign for Tax Year 2008 Background Paper” (Internal Revenue Service, 2007), 3.
charity “watchdog” organizations has grown\textsuperscript{14}, and work to increase transparency in the nonprofit sector by making information about nonprofits available to donors. Similar to how auditors strive to increase the comparability of financial statements, these third-party organizations attempt to make a nonprofit’s information easier to understand and use to its investors—the donors. Due to the increase in the number of nonprofit organizations, donors are becoming increasingly concerned about where their funds are going. Charity watchdogs emerged in response to this “information problem” in order to provide easily interpretable information to donors about how nonprofits deploy funds\textsuperscript{15}.

These “watchdog” organizations work in a variety of ways. Organizations such as Guidestar strive to increase nonprofit transparency by providing a public place for organizations to publish their filed 990s. However, the individuals I interviewed stated that the best transparency practice would be for an organization to publish its 990s on its own website in an easily-accessible format. Again, there is some criticism as to what this actually achieves, as many see the 990 to be an inaccurate representation of the nonprofit as a whole. Furthermore, the 990 can be misleading and difficult to fully comprehend, which does nothing to improve donor understanding of the organization.

Other organizations, such as Charity Navigator, provide nonprofit organizations with “ratings” based on two things: the organization’s financial health, and its accountability and transparency. Interestingly enough, Charity Navigator evaluates an organization’s accountability and transparency by reviewing its form 990 and the information it has available on its website, a statement in line with the opinions of the two individuals I had interviewed. The purpose of these watchdogs is very succinctly put by Charity Navigator—they are in place to help the nonprofit community effectively monitor itself\textsuperscript{16}. While the individuals I interviewed stated that many nonprofits saw an increase in donations after receiving a favorable Charity Navigator rating, research has yet to support this conclusion. A study done by Rebecca Szper and Aseem Prakash found that the ratings given by Charity Navigator tend to have little to no effect on donor support, and that donors instead assess an organization’s effectiveness and trustworthiness through other means, such as familiarity with the organization, word-of-mouth, and the visibility of the organization within the community\textsuperscript{17}.

\begin{thebibliography}{99}
\bibitem{16} “How do We Rate Charities?” Charity Navigator, August 7, 2017. \url{https://www.charitynavigator.org/index.cfm?bay=content.view&cpid=1284}
\end{thebibliography}
III. Research Process

When I began this research project, I had a broad question: what does nonprofit governance look like, and how can individuals with an accounting or finance background improve the governance of a nonprofit organization? Based on my own experiences working for a nonprofit, I understood the value a CPA could bring to a nonprofit board. CPAs and other financially-minded individuals understand the importance of governance, independence, and internal controls, and they have the training and expertise necessary to help a nonprofit organization better manage their expenses.

However, after spending some time with my faculty advisor, we reached the conclusion that my original question had been much too broad for a semester-long project. Under her guidance, I decided to narrow my focus to nonprofit governance, and the factors that could potentially influence whether or not an organization had a Board of Directors member with a financial background. Thus, my original two research questions were born:

**RQ1**: Does the size of the nonprofit organization influence the size of its Board of Directors?

**RQ2**: Are larger nonprofits more likely to have board members with financial and/or accounting backgrounds?

At the time, I thought that these were two of the most important factors regarding an organization’s governance practices. In my mind, larger boards were logically more favorable because they would be more effective at overseeing the organization and guiding it towards furthering its mission. Additionally, I thought that larger organizations would more likely have individuals with financial or accounting backgrounds, because larger nonprofits tend to generate more revenues through government grants, donations, or even selling goods for a small profit (i.e., Girl Scouts of the USA sells its iconic cookies, which are used to raise funds for individual troops and the organization as a whole). Due to their high revenue streams, I assumed these organizations would have individuals on their boards who understood how to best manage their finances. It made sense that they were more likely to have board members who were CPAs or financial experts.

Armed with these questions, I decided to explore them by going out and gathering some background knowledge on nonprofits and the factors that influenced their governance. To do this, I decided to interview some local nonprofit experts. The first individual I interviewed was Dr. Alicia Schatteman of...
the NIU Center for Nonprofit and NGO Studies. Dr. Schatteman has worked with the department for several years and was recently named acting director of the center. She has also served on several nonprofit boards throughout her career. The second individual I interviewed was Gretchen Sprinkle, the finance assistant at the Kishwaukee United Way. The results of these two interviews challenged my previous assumptions about nonprofit governance. I had been approaching the issue with an accountant’s mindset, which operates under a very different set of guidelines than a nonprofit organization. Nonprofit organizations, as mentioned earlier, are not as concerned with the bottom line, although they do not want to be operating at a loss. Instead, they are focused more on furthering the organization’s mission and addressing the needs of the community in which they operate.

I knew that for me to best understand the needs of nonprofit organizations in terms of governance, I had to change my mindset. If nonprofits were not as concerned with finances, there were likely other, more important factors that influenced their decisions when assembling their boards. This is not to say that finances are not important—as discussed in previous sections, maintaining transparency is crucial in order for organizations to be able to attract and retain donors. This means that organizations must be able to track how funds are being used, and how much of every donor’s dollar is going towards furthering the mission. Organizations must also be able to put together a set of financial statements in order to be eligible for certain types of grants and other funding opportunities.

This is not to say that the size of the board is not an important factor when it comes to governance. One of my interviewees mentioned that the state regulation for nonprofit boards is that they must have three active members, and that this regulation stands for all nonprofits in Illinois, regardless of size. Additionally, it is common to find board members who are family members or close friends of the organization’s founder during the start-up phase of the organization’s life cycle.

However, it is unlikely that you will find boards this small in older organizations. Initially, boards will grow as the organization’s revenue grows, which supports my first research question, although this growth plateaus over time, according to one of the individuals I interviewed. Boards, too, fall victim to group dynamics, and larger boards may experience higher rates of free-riding. As the organization gets older, however, size is not so much of a factor in determining the board’s makeup, refuting my second research question and my assumption that larger boards are more likely to have individuals with financial backgrounds on their boards. Instead, the organization’s maturity and complexity changes the need for certain board members. More mature organizations often have boards that are more policy-oriented and

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mission-focused. The board must also be able to represent the service area and the geographic regions the organization serves. For example, if the nonprofit is serving a predominantly Latino community, it then becomes important to have a board member of Latino descent. The board must be representative of the community it serves.

Having board members with financial backgrounds is not entirely unimportant, either. The need for these individuals depends on the needs of the organization at the time, rather than being kept on the board as a general rule. Organizations entering a capital campaign may have a greater need for financially-minded individuals to manage it. Additionally, different organizations may have different revenue portfolios—different ways of generating “revenues.” For example, museums and zoos are often organized as nonprofit organizations, but they generate revenues through the sale of tickets. On the other hand, a homeless shelter generates revenues through donor contributions and grants. More complex revenue portfolios may increase the need for board members with a financial or accounting background.

Both individuals I interviewed agreed that while having a board member with a financial or accounting background may be important, it is even more important that organizations have board members with a background in nonprofit finances or accounting. Traditional accountants and other business people typically do not have the knowledge necessary to successfully run a nonprofit. As one interviewee said, “a person running the local Jewel Osco won’t know how to run a homeless shelter.” Additionally, nonprofits have a very different set of financial statements that a traditional accountant may not understand. While the skills may be transferrable, the mindset is not. One must be able to understand the multiple “bottom lines” of the nonprofit, as well as its mission, in order to be an effective board member.

Lastly, it’s important to note that the majority of board members are volunteers. Most are unpaid, with the exception of individuals who work in banking, who are usually allowed to include volunteer hours as a part of their salary. Board members who are employed part-time by the nonprofit may also receive compensation. Generally, board members are not paid by the nonprofit organization, as this creates a conflict of interest within the nonprofit and may discourage donors.

After my interviews, I identified the following factors as ones that may influence the makeup of an organization’s Board of Directors:

1. **Organizational maturity**: an organization that is older and more mature has different needs than a younger organization (for example, a startup vs. a mature organization).
2. **Current organizational needs**: the needs of the organization at the time are likely to determine the Board’s makeup. Examples of organizational needs include geographic representation, strategic planning, campaign management, and ethnic and gender diversity.

3. **Type of organization**: the type of organization also impacts the makeup of the Board of Directors. Organizational types include service-based organizations, like homeless shelters, which tend to rely more heavily on donations, versus revenue-generating organizations, like animal shelters, which generate some form of revenue from adoption fees.

4. **Revenue portfolio**: an organization’s revenue portfolio (how they raise money—what percent comes from grants, donor contributions, sale of goods, etc.) may impact the Board of Directors. Organizations with a certain revenue portfolio may have a greater need for board members with a financial background.

I then transformed these factors into the following research questions:

**RQ3**: Does the organization’s current programming needs influence the occupational background of its board members?

**RQ4**: Is it more valuable for a nonprofit to have board members of a certain occupational background over another, and what factors determine that?

**RQ5**: Does the geographical region served by the nonprofit organization play a role in determining board members?

**RQ6**: How does the makeup of an organization’s Board of Directors change as it goes through different stages of the business life cycle (startup, growth, maturity, decline)?

To answer this question, I took the knowledge I had gained from my two interviews and developed a 30-question survey, which will be discussed in the following section.

**IV. Survey Development**

In order to gather data on which factors nonprofit organizations found most important when it came to developing their Board of Directors, I decided to create a survey. In this section, I will discuss the
process I went through in developing my survey, the final form of which is attached in the Appendix. While I was ultimately unable to distribute my survey due to the COVID-19 pandemic, I wanted to include it to summarize the work I had done prior to the onset of the pandemic, and suggest this as an opportunity for future research.

The survey was developed through a mixture of literature review and interview responses, and was revised several times before its final form was decided upon. The first place I went when developing my survey were Page 6, Part VI, Sections A and B of the form 990, where there is a series of questions on governance and organization policies for nonprofits to complete upon filing. From this, I created a series of questions that asked organizations to reveal whether or not they had a whistleblower policy, a written code of conduct, or financial statements that had been complied or audited in the last decade, among other things. Essentially, I was asking them to report to me the same information they would have reported on their 990s.

![Form 990](image)

Fig. 1: Page 6, Part VI, Section A of the 2019 Form 990—a series of governance questions I used to develop the first draft of my survey.
After further consideration, I realized that the questions I developed using the form 990 would not be able to answer my research questions, and that the survey I had initially created deviated from the project’s overall objective. The form 990 did provide a good starting point, but its governance questions focus more on an organization’s internal controls than its board makeup, and while they do provide good data on governance practices, it wasn’t what I was looking for. Additionally, modeling questions after those asked on the form 990 was slightly counter-intuitive, since that data could have been collected directly from the form 990. Lastly, I felt that the form 990 did not tell the organization’s “whole story.”

What really inspired my survey were the two interviews I was able to conduct with local nonprofit experts. They gave me a better understanding of what issues nonprofits were currently facing, and some factors that might actually be influencing their governance, such as organizational maturity, the nonprofit’s mission/services provided, and the geographical region in which it operated, among other things. I also changed the structure of the survey itself. Instead of asking participants a series of questions, I created a

Fig. 2: Page 6, Section VI, Part B of the 2019 Form 990—a series of policy questions I used when initially developing my survey.
series of statements based off what I had learned, and then asked participants to state how much they agreed or disagreed with each statement. Please see the Appendix for the full survey.

V. A Broad View of Nonprofits

As stated in previous sections of this paper, this project was revised due to the development of the COVID-19 pandemic. The distribution of a survey was not feasible, so my faculty advisor and I returned to the drawing board to see if we could find a way to somehow still gather data on nonprofit boards. We decided that an acceptable survey substitute for a project of this scope was to develop a small database and gather data on local nonprofit organizations from their websites and from LinkedIn. The organizations chosen provide a diverse array of services within the community, such as legal services, resources for those experiencing homelessness, programs for differently-abled individuals, and transitional shelters for those in need.

I began by establishing a list of individuals currently serving on nonprofit boards, categorizing them by organization within the database. I developed this list using information given on the respective organization’s website. Almost all organizations will post the names of individuals currently serving on their board of directors on their website, and some will go a step further, publishing information about their board members’ occupational backgrounds and related experiences. When I was unable to gather data directly from the organization’s website, I turned to LinkedIn to see what additional information would be available there. I determined a person’s occupation from what they had listed as their most recent job. I was also interested in information about education, and gathered data on individuals’ highest degree level and area of study.

I quickly learned that determining a person’s occupational background can be very difficult. It’s not as simple as classifying people into categories such as “finance” or “accounting” or “general business,” and I think it was very narrow-minded of me to assume so. People’s backgrounds can be very nuanced and multifaceted, people often change careers, and people do not necessarily get a job in the field they studied in school. For example, an individual may have begun his or her career in public accounting, but they may have spent the majority of their career as a superintendent of a school district. I’m not sure how often this actually occurs, but let’s consider it for argument’s sake. Those are both very different careers that likely require a very different skill set. It then becomes difficult to determine which skill set they are bringing to the board of directors—are they needed for their accounting skills, or their managerial skills?

For the sake of this project, I decided that the best measure of an individual’s occupational background would be what he or she spent the majority of their career in—something very difficult to
determine from LinkedIn or a resume. For future research, in order to gain the most accurate understanding of an individual’s background, I think it would be best to go directly to the source and ask board members about their backgrounds and which skills they bring to their respective board. While the COVID-19 pandemic prevented me from distributing it for this project, I developed a survey that could be given to nonprofit board members in the future.

This being said, I did the best with what I had, and was able to derive some interesting insights from the publicly available information I was able to obtain. Of the ten organizations I looked at, average board size was about 11 members, with the smallest board containing only 8 members and the largest 15. I obtained the organization’s board size from what they had listed on their website.

I determined the size of the organization using information from the form 990. All 990s were obtained from either Guidestar or the organization’s website, if listed. The most recent available copy of the form 990 was used, ranging from the tax years 2016-2018. An organization’s size was determined from its current year (CY) revenues, as found on Page 1, Part I, Line 12 of the form 990. One organization filed a form 990-EZ, which listed its CY revenues on Page 1, Part I, Line 9.

The CY revenues for all ten organizations ranged from a minimum of $137,528 to a maximum of $6,647,814, with an average of $2,239,211 in CY revenues. While the largest organization did have the highest number of board members (15), the second-largest organization, with CY revenues greater than $5 million, only had 8 board members. Thus, size of the organization did not seem to be highly correlated with the number of members on the board, something I confirmed by running creating a correlation matrix in Excel.

As seen in Figure 3, the correlation between an organization’s board size and its CY revenues was found to be about 0.376 (highlighted). This showed that board size and organization size (determined by CY revenues) were not strongly correlated.
I was able to obtain complete data on about 57 of the 113 individuals I was interested in. After gathering raw data from LinkedIn, I spent some time cleaning up the data in order to gain more meaningful insights from it when performing my short analysis. I recorded the individual’s job title, the company they worked for, the highest educational degree earned (when applicable), and area of study. From there, I sorted individuals into five categories, based on their job title:

1. **Managers**: this category includes individuals who are managers within their respective fields, indicating that they likely have the skills to lead and manage other people.

2. **Administrators**: individuals in this category provide administrative services to an organization, such as HR functions. They can also be school administrators, such as principals and superintendents.

3. **Operations**: this category includes individuals who perform day-to-day operations, such as firefighters, staff members, and teachers.

4. **Professionals**: these include individuals who belong to a specific profession, for example, CPAs, lawyers,

5. **Self-Employed**: individuals in this category are self-employed and include independent consultants or other business advisors.

I followed a similar process with each individual’s degree and area of study. When collecting the data, I recorded whatever the individual had listed on their LinkedIn page as their area of study. In order to make my analysis easier to understand, I created seven different categories for area of study.

![Fig. 3: Correlation matrix for Board Size and CY Revenues.](image)
study. To keep things simple, I created categories similar to which college each major would logically fall into. The categories I used are:

1. **Business**: any business degrees, including finance, accounting, management, and operations management.
2. **Law**: all law degrees.
3. **Education**: all educational degree paths, including elementary and secondary education, as well as those in administration.
4. **Higher Education**: all higher educational degrees, including those in administrative roles.
5. **Healthcare**: any healthcare profession, including nurses, doctors, and healthcare administrative officials.
6. **Engineering**: any type of engineering degree, including mechanical, electrical, and civil.
7. **Other**: all other degree paths.

The next data cleaning activity I did was creating a clear list of board roles. There are several different titles for the same role, for example, some organizations labeled the role of president as “chair,” vice president as “vice chair,” and so on and so forth. To create some sort of consistency, I defined all board roles as follows:

1. **President**: any individual listed as “president” or “chair” of the board will get the designation of president in the database.
2. **Vice President**: any individual listed as “vice president” or “vice chair” will get the designation of vice president in the database.
3. **Treasurer**: any individual listed as “treasurer” within the organization will get this designation in the database.
4. **Secretary**: any individual listed as “secretary” within the organization will get this designation in the database.
5. **Director**: any individual listed as “director” or “member” will get the designation of director in the database.
6. **Other**: all other individuals will get this designation, including those listed as past presidents.

My last step was to sort the organizations into groups. To preserve the confidentiality of
each organization, I assigned it first a random letter (A-J) and then a group number based on its current year (CY) revenues. The group designations were as follows:

**Group 1:** CY revenues > $3 million  
**Group 2:** CY revenues < $3 million and > $1 million  
**Group 3:** CY revenues < $1 million

In the end, there were three organizations within each group (I had to throw out organization J due to lack of data). After much trial-and-error, I found that grouping the organizations by CY revenues was the most effective way to do my analysis. I felt that it was most useful to compare the breakdown of board members’ occupations and educational background across organizational size, rather than organization by organization. In the following paragraph, I will discuss the results of my analysis.

The main tool I used to collect data was Microsoft Excel. To analyze the data, I felt that creating meaningful visuals would be more informative and impactful, so I used Tableau, a program that is much better equipped to create such visuals than Excel. I began by creating the following three visuals to represent a high-level view of board members across all organizations. The first broke down board members by their occupation, the second by education level, and the third by area of study.

![Occupation](image)

*Fig. 4: Breakdown of board members by Occupation.*
In terms of occupation, I noticed that the majority of board members were categorized as “managers,” which is a positive finding because this means that most individuals serving on a nonprofit board likely have the skills to lead a team of people (Figure 4). The second highest category were professionals, followed by administration. When I broke down this overall visual into each respective group, I found that this overall trend continued (Figure 5). These results surprised me, because I had expected the majority of board members to fall in the “professional” category. I was also surprised because this showed no preference for one occupation over another based on board size—regardless of how large or small the organization was, the majority of board members were categorized as managers.

![Occupation by Organization Size](image)

*Fig. 5: Occupational breakdown for Groups 1, 2, and 3.*
In terms of education level, I found that the majority of individuals had Bachelor’s degrees (Figure 6). This was followed, predictably, by master’s degree, PhDs, and finally, Associate’s. Again, this trend continued among all three groups, with the majority of board members having Bachelor’s degrees. However, there were significantly more individuals with bachelor’s degrees over any other degree type in Group 3, where there was some disparity between individuals with Bachelor’s degrees and those with a Master’s degree. Additionally, there are significantly less individuals with Doctorate degrees in Group 3 than in Groups 1 and 2.

Overall, it seems that Groups 1 and 2 appear to have more individuals with higher degree levels (Figure 7). In Group 2, the number of individuals with Master’s degrees is actually the same as the number of individuals with Bachelor’s degrees. Upon breaking down this chart further by filtering the results by Role on Board, it appeared that the majority of board presidents for Group 1 and 2 had Master’s degrees, compared with Group 3, who saw only individuals with Bachelor’s degrees as presidents (Figure 8). When sorting the chart by directors (also known as members), this trend continued. Group 1 had a significantly higher number of directors with Doctoral degrees.

![Education Level Chart](chart.png)

*Fig. 6: Breakdown of board members by Educational Level.*
Fig. 7: Education level breakdown for Groups 1, 2, and 3.

Fig. 8: Highest education level of board presidents, broken down by organization size.
Based on the above three charts, I believe that organizational size may play a role in terms of the education level of the board members. Larger organizations, as represented by Groups 1 and 2, seemed to have greater number of board members with degrees beyond a Bachelor’s degree, and these members also seemed more likely to be in leadership roles. However, it’s important to note that this sample comes from local organizations within a university town, which may result in a higher proportion of individuals with advanced degrees, thus skewing the data. While my sample size is too small to draw a significant conclusion, I still believe this is an interesting trend that could be explored in future research projects.

The last factor I looked at was Area of Study. Related to both education level and occupation, I was curious as to the number of individuals who had a background in a particular area of study. Please note that area of study refers to what a person studied while earning their highest degree level. As you can see from the chart below, the majority of individuals earned a degree in business, whether this was accounting, finance, management, or another business field (Figure 9). The next highest category was other, followed by education and then law. When broken down by organization size, business was still the most common area of study. There is seemingly no trend in terms of an individual’s role on the board and what they study, suggesting that their role isn’t determined by area of study. However, Group 2 had a significantly higher number of people who studied law (Figure 10). I found this interesting and would love explore the reasons behind this in future research.

![Fig. 9: Breakdown of board members by Area of Study.](image-url)
Before I conclude this section, I would like to acknowledge the limitations of the data I collected. I do have some concerns regarding the “highest education level” and “area of study” categories. In order to complete my analysis, I had to delete nulls out of the data, taking only complete records (i.e., those who had an occupation, degree, and area of study listed on their LinkedIn). However, this does not create an accurate representation of the population, since it is incorrect to assume that every board member has an Associates’ Degree or higher. Due to the nature of LinkedIn, most individuals do not list anything in the Education category if their highest level of education was a high school diploma or equivalent. Since I could not assume that individuals who did not list a degree on LinkedIn had a high school diploma, I was forced to leave this category blank, creating nulls in the data population. Additionally, as mentioned before, I believe the LinkedIn data to be limited. For future research purposes, I believe a survey would be the most accurate way to gather this information.

Based on the data sample I collected from LinkedIn, I do not think that board size is an all-inclusive factor when it comes to influencing an organization’s board makeup. While some of the charts indicated that larger organizations (indicated by Groups 1 and 2) may have more highly educated board members, however, the majority of the visuals I created showed that a board member’s area of study and occupation were not influenced by overall organization size. Instead, they followed the same general trends for Groups 1, 2, and 3. These conclusions were similar to what I had learned during my interviews, and I believe that

Fig. 10: Area of Study broken down into Groups 1, 2, and 3.
while board size is not driving factor in determining board makeup, it does have some influence, and should not be ignored.

VI. Conclusion

I have been interested in nonprofits for a long time. I don’t know what it is exactly that draws me to them—their ingenuity, perhaps, or their ability to inspire others to do good—but to me they are fascinating. The possibilities are endless, and there is no limit to the impact a nonprofit organization can have. I don’t think that true change will come to this world through governments or great leaders—it will come through the small people, through businesses and people willing to do good.

Nonprofits are everywhere. I doubt there is a single person in today’s world who has not come into contact with a nonprofit organization at least once in their life. We are a volunteer society, and live in a world where both people and businesses strive to give back. The number of nonprofits is continually growing, all of them providing a range of services—from helping the homeless to feeding the hungry to cleaning up the world’s oceans—creating a very unique and diverse business sector. While the nonprofit sector is still growing—still developing—I believe that real and lasting change will come through these organizations.

The more I learn about nonprofits, the more I am fascinated by them. They are so simple, so ingenious, and yet so complex, and it often takes a unique type of individual to be able successfully manage one. Writing this paper has been a great learning experience for me, and everywhere I turn there is a rabbit hole to dive down—the possibilities are endless. There is so much to learn, to understand. There are so many factors that contribute to a nonprofit’s success, and at the same time, there are also many challenges.

This project taught me a great deal, not only about nonprofit organizations but about the research process as a whole. As I mentioned earlier, this was the first self-directed research project that I have ever done. While at first a semester-long project seemed daunting, I quickly learned that sixteen weeks was not much time at all, and that such time was severely limited for a research project. I had no idea that most research projects and peer-reviewed papers are actually the product of years and years of development, research, and analysis. This project, while small in scope, gave me insight into that world.

Even just developing the project with my faculty advisor taught me a lot. Prior to beginning the project, my idea of research was juvenile—my expectation was to find sources, read them, and synthesize them into a full-length research paper. Within the first week of the project I realized this was not what research was about at all, and I worked hard to define my project, my hypotheses, and what the research process was going to look like. I completed by IRB training and learned about the importance of ethics,
consent, and confidentiality, as well as the many considerations that must be taken into account prior to doing research with human subjects.

I also found that there is a lot more research that can be done concerning nonprofits, and that the nonprofit sector needs well-educated professionals to address the many issues they face. I would love to do further research into nonprofit governance, and further explore factors that not only influence the board makeup, but the effectiveness of that Board of Directors as well. I also think it would be extremely interesting to look more into the effectiveness of 990s as well, and see where they could improve in order to more accurately represent nonprofit organizations.

Although it was cut short, I really enjoyed being able to work on this project, and am grateful for the opportunity to have done so. The accounting curriculum is designed to give students an understanding of critical accounting concepts so that they might pass their CPA exams and be successful professionals. The coursework is highly technical and does not often allow students much of a chance to participate in research. The accounting profession, however, is highly research-based, and just like many others, change and adaptation comes through the work of professors and other accountants working in academia. As someone who aspires to this profession someday, I was excited to have been able to do my own research project and learned a great deal along the way.

I would also like to take this time to thank my faculty advisor for this project. Despite many setbacks and trials, we came through together and she was a great help along the way. Dr. M was highly dedicated to my project and it was clear that she wanted me to be able to have the best experience possible. She was always patient with me, exceptionally kind, and just as passionate about the project as I was. I learned a lot from her and am so grateful that we had the chance to work together.

I wish I had more time to complete this project. I wish I had been able to do more, to learn more, because the truth is, nonprofits need experts. They need educated people, people with an understanding of business, of nonprofit management, people with the ability to get things done. And while I was limited by time and circumstance, I hope to someday pick up where this project left off, and do further research that might make a real impact in the nonprofit world.

In the time that I spent working for a nonprofit organization, and while I learned many things, the most important was this: you must never forget the mission. You can never forget that it is people you serve, not the bottom line. And that, I think, is where the value of a nonprofit truly comes from—its ability to serve others selflessly, to do good in the world without pursuing its own interests, and, above all, create change that might actually last.
VII. Bibliography


“How Do We Rate Charities?” Charity Navigator, August 7, 2017.


“How Do We Rate Charities?” Charity Navigator, August 7, 2017.


VIII. Appendix 1: Interview Questions

Interview 1

Introductory Questions
1. Is it possible for me to record this interview, so that I may go back and review it when developing my report?
2. I will be writing a research paper with the information I gather and I just wanted to ask if it was possible for me to quote you in my paper. I would most likely be quoting you anonymously, so I wouldn’t tag your statement to your name or the organization.
3. How long have you been working with the NIU Center for Nonprofit and NGO Studies, and what made you want to get involved with the Center?
4. Why do you think it’s important for students to learn about your organization?

Questions about Community Engagement and Outreach
5. I saw on your website that the Center does a lot of community engagement and outreach. What kind of outreach does the Center do? What kind of organizations are served?
6. Does the Center partner with any other organizations in the area?

Questions about the Advisory Committee
7. What is the Advisory Committee’s main role at the Center?
8. How are committee members chosen? Is there a specific process, or is it simply on a volunteer basis? If there is a specific process, what does this process look like?
9. How does the Committee determine what the needs of the nonprofit community are? (What are their resources, and would they be able to share those resources with me to use in my project?)
10. I read on the website that the Committee helps make sure the Center’s teaching is relevant to the community’s needs. How does the Center adjust their curriculum based on the Committee’s recommendations?

Questions about Nonprofit Governance
11. Have you ever served on/worked with a Board of Directors for a nonprofit?
12. In terms of the nonprofits you work with, do you feel that many of them have Boards of Directors consisting of members with financial backgrounds?
13. Do you feel it is important for a nonprofit’s Board to have members with financial backgrounds?
14. What guidance would you give a nonprofit about the appropriate size for the BOD?
15. What do you think is the difference between an effective BOD versus an ineffective one?
16. Are most BODs made up of volunteers?
17. How much experience with the nonprofit does a board member have to have? Do they simply have to be familiar with the organization, or do they need more experience than that?

Other Questions
18. What is the most common issue that you and your students run into when working with nonprofits and other governmental organizations?
19. When working with nonprofits, what are some recommendations you typically make in terms of improving the organization’s governance?
General Questions

20. Do you believe the size of the nonprofit will influence the number of people on the Board of Directors who have financial backgrounds? What about the number of individuals with business backgrounds?

21. Have you heard of something called “free riding” in terms of board members? I came across the term while doing some literature review and wanted to get your input on it.

22. What are the factors that determine whether a nonprofit might have people with financial backgrounds on their board?

23. Do you believe it is important for a board member to have a business background? A financial background?

24. Do you believe it is substantially more important for a board member to have a financial background over a business background?

25. Obviously, it is important to have board members with a wide variety of expertise and talents. In your opinion, what is the right proportion/ratio of board members having a business background? A financial background?

Possible Requests

26. Are there any events you would recommend that I attend to help further my own research?

27. Is there any way I could get the contact information for personnel at any of the nonprofit organizations you have worked with? I am hoping to send out a survey in order to gather more data on local nonprofits in the area. I would be happy to provide you with a copy of the survey prior to obtaining the contact information. Responses to the survey will remain confidential, and survey results would only be reported in summary form.
**Interview 2**

**Introductory Questions**
1. Is it possible for me to record this interview, so that I may go back and review it when developing my report?
2. I will be writing a research paper with the information I gather and I just wanted to ask if it was possible for me to quote you in my paper. I would most likely be quoting you anonymously, so I wouldn’t tag your statement to your name or the organization.
3. How long have you been working with the Kishwaukee United Way (KUW), and what made you want to get involved with the KUW?
4. Why do you think it’s important for students to learn about your organization?

**Questions about the Allocation Committee**
5. What is the process for applying for an allocation? What documentation must be provided?
6. How does the allocation committee determine which organizations the grants will go to?
7. How does the KUW determine who will be on the allocation committee? I saw on the website that the committee is comprised of members of the Board of Directors, but I was just wondering if there were any additional criteria?
8. What type of reporting do organizations have to do after an allocation has been distributed?

**Questions about the KUW’s BOD**
9. In terms of choosing who will be on the Board of Directors, are there any certain characteristics/requirements that you look for?
10. In terms of members of the Board of Directors, does the KUW prefer members to have a background in any certain field?
11. Are there committees of the Board of Directors, and does the KUW prefer members of the committees to have a background in any certain field?

**Questions about Partner Agencies**
12. Just to be clear, what is the definition of partner agencies?
13. What does the approval process look like for the Board of Directors when they are deciding to approve an organization for admission? Are there governance or other requirements that all organizations receiving allocations must meet?
14. Are partner organizations required to file any sort of documents with the KUW, such as tax returns (form 990), financial statements, an annual report, etc.?
15. Are there any expectations in terms of internal controls for partner agencies?
16. Is there anything in particular that would cause an organization to get denied as a partner organization by the KUW?
17. How does the KUW determine how to allocate funds? Is there a specific process that is used?
18. Are there certain characteristics of a partner agency that would make it a better candidate for receiving funds?
19. Are partner agencies required to have some sort of accountability as to where the funds are going?

**General Questions**
20. Do you believe the size of the nonprofit will influence the number of people on the Board of Directors who have financial backgrounds? What about the number of individuals with business backgrounds?
21. Do you believe that larger nonprofits tend to have larger BODs?
22. What are the factors that determine whether a nonprofit might have people with financial backgrounds on their board?
23. Do you believe it is important for a board member to have a business background?
24. Do you believe it is important for a board member to have a financial background?
25. Do you believe it is substantially more important for a board member to have a financial background over a business background?
26. Obviously, it is important to have board members with a wide variety of expertise and talents. In your opinion, what is the right proportion/ratio of board members having a business background? A financial background?

Possible Requests

27. Does the KUW gather any sort of data on its partner agencies? If so, would it be possible for me to have access to that information for the purpose of my research? (If not, that is totally okay!)
28. Is there any way I could get the contact information for personnel at any of the partner agencies? I am hoping to send out a survey in order to gather more data on local nonprofits in the area. The results of the survey will remain totally anonymous!
IX. Appendix 2: Survey

Background Information
1. Which of the following categories best describes your employment background prior to working at your current organization?
   a. Self-employed
   b. Governmental role
   c. Previous nonprofit experience
   d. Healthcare
   e. Education
   f. Higher Education
   g. Business
   h. Financial
   i. Other (please specify)
2. Please select your highest education level.
   a. High School Diploma or Equivalent
   b. Associate’s Degree
   c. Bachelor’s Degree
   d. Master’s Degree
   e. PhD
3. How long have you been employed at your current organization?

Organizational Questions
4. Are you currently serving on a Board of Directors (for your organization or some other)?
   a. Yes
   b. No
5. Have you ever served on an organization’s Board of Directors?
   a. Yes
   b. No
6. If yes to either of the previous two questions, what was your role?
   a. President/Chair
   b. Vice President/Chair
   c. Past President/Chair
   d. Treasurer
   e. Secretary
   f. Director/Member
   g. Other
7. How long is the term of members chosen to serve on your organization’s Board of Directors?
8. Is there a limit to the number of terms a member can serve?
9. Which of the following do you believe to be the best measure of your organization’s size?
   a. Current year revenues
   b. Number of individuals employed
   c. Geographic area served
   d. Number of organizational chapters
   e. Number of locations
   f. Other
10. When selecting new board members for your organization, rank the following considerations in order from most to least important:
a. Will the new board member contribute to the ethnic diversity of the board?
b. Will the new board member contribute to the gender diversity of the board?
c. Does the new board member represent the geographical area we serve?
d. Does the new board member have a personal passion for the mission of the organization?
e. Does the new board member have a history of financial support for the organization?
f. Does the new board member have an educational or occupational background that contributes to the diversity of the board?
g. Does the new board member have an educational or occupational background that contributes to the mission of the organization?
h. Does the new board member have an educational or occupational background in business?

11. What level of involvement do external independent accountants have with your organization’s financial statements? (Check all that apply.)
a. We do not engage with external independent accountants
b. They compile our financial statements.
c. They review our financial statements.
d. The audit our financial statements.
e. They prepare our tax returns.
f. They process our payroll.
g. They complete consulting projects for us.
h. Other (please specify):

On a scale of 1-5, please state how much you agree with the following statements:

12. It is important for every nonprofit organization to have some sort of finance and/or audit committee in addition to its Board of Directors.
   a. 1 – Completely disagree
   b. 2 – Somewhat disagree
   c. 3 – Neutral
   d. 4 – Somewhat agree
   e. 5 – Completely agree

13. The management of a nonprofit organization is very different from the management of a for-profit organization.
   a. 1 – Completely disagree
   b. 2 – Somewhat disagree
   c. 3 – Neutral
   d. 4 – Somewhat agree
   e. 5 – Completely agree

14. Individuals with a business/financial background don’t always understand the operations of a nonprofit organization.
   a. 1 – Completely disagree
   b. 2 – Somewhat disagree
   c. 3 – Neutral
   d. 4 – Somewhat agree
   e. 5 – Completely agree

15. The maturity of a nonprofit organization strongly effects the financial needs of the organization.
   a. 1 – Completely disagree
   b. 2 – Somewhat disagree
   c. 3 – Neutral
   d. 4 – Somewhat agree
16. The makeup of an organization’s Board of Directors is strongly influenced by the organization’s financial needs.
   a. 1 – Completely disagree
   b. 2 – Somewhat disagree
   c. 3 – Neutral
   d. 4 – Somewhat agree
   e. 5 – Completely agree

17. It is important for a nonprofit organization to be able to quantify its impact upon the community it serves.
   a. 1 – Completely disagree
   b. 2 – Somewhat disagree
   c. 3 – Neutral
   d. 4 – Somewhat agree
   e. 5 – Completely agree

18. It is important for a nonprofit organization to maintain some degree of transparency with regard to its finances (i.e., posting the form 990, distributing an annual report, etc.)
   a. 1 – Completely disagree
   b. 2 – Somewhat disagree
   c. 3 – Neutral
   d. 4 – Somewhat agree
   e. 5 – Completely agree

19. When considering making a contribution, potential donors are influenced by being able to find information about the organization online (i.e., list of Board Members, annual report, etc.)
   a. 1 – Completely disagree
   b. 2 – Somewhat disagree
   c. 3 – Neutral
   d. 4 – Somewhat agree
   e. 5 – Completely agree

20. The IRS’s guidelines on nonprofit governance are sufficient.
   a. 1 – Completely disagree
   b. 2 – Somewhat disagree
   c. 3 – Neutral
   d. 4 – Somewhat agree
   e. 5 – Completely agree

21. All nonprofit organizations should have a CPA on their Board of Directors.
   a. 1 – Completely disagree
   b. 2 – Somewhat disagree
   c. 3 – Neutral
   d. 4 – Somewhat agree
   e. 5 – Completely agree

22. It is important for nonprofit organizations to have at least one person with a financial background on the Board of Directors.
   a. 1 – Completely disagree
   b. 2 – Somewhat disagree
   c. 3 – Neutral
   d. 4 – Somewhat agree
   e. 5 – Completely agree
23. The tax form 990 is an accurate representation of a nonprofit organization’s performance for the year.
   a. 1 – Completely disagree
   b. 2 – Somewhat disagree
   c. 3 – Neutral
   d. 4 – Somewhat agree
   e. 5 – Completely agree

24. A nonprofit organization going through a capital campaign is more likely to have a Board member with a financial background.
   a. 1 – Completely disagree
   b. 2 – Somewhat disagree
   c. 3 – Neutral
   d. 4 – Somewhat agree
   e. 5 – Completely agree

25. The larger a nonprofit organization is, the larger its Board of Directors should be.
   a. 1 – Completely disagree
   b. 2 – Somewhat disagree
   c. 3 – Neutral
   d. 4 – Somewhat agree
   e. 5 – Completely agree

26. The governance structure of a nonprofit organization can help reduce the risks associated with improper accounting or fraud.
   a. 1 – Completely disagree
   b. 2 – Somewhat disagree
   c. 3 – Neutral
   d. 4 – Somewhat agree
   e. 5 – Completely agree

27. It is important for nonprofit organizations to have a written whistleblower policy.
   a. 1 – Completely disagree
   b. 2 – Somewhat disagree
   c. 3 – Neutral
   d. 4 – Somewhat agree
   e. 5 – Completely agree

28. It is important for a nonprofit organization to provide some form of ethics training to its staff and board members.
   a. 1 – Completely disagree
   b. 2 – Somewhat disagree
   c. 3 – Neutral
   d. 4 – Somewhat agree
   e. 5 – Completely agree

29. There is a great need for research and data analytics professionals within the nonprofit sector today.
   b. 1 – Completely disagree
   c. 2 – Somewhat disagree
   d. 3 – Neutral
   e. 4 – Somewhat agree
   f. 5 – Completely agree
   g.
30. It is important that a nonprofit organization’s Board members do not have any conflicts of interests, and if they do, they should disclose them immediately.

c. 1 – Completely disagree

d. 2 – Somewhat disagree

e. 3 – Neutral

f. 4 – Somewhat agree

h. 5 – Completely agree
X. Appendix 3: IRB Application

Application for Institutional Review of Research

Involving Human Subjects

Note: Please complete this form thoroughly keeping in mind that the primary concern is the potential risk (economic, ethical, legal, physical, political, psychological/emotional, social, breach of confidentiality, or other) to the participants. Include attachments of all materials to be used in the investigation (PDF preferred). The Institutional Review Board (IRB) must have enough information about the transactions with the participants to evaluate the risks of participation.

Names and employee IDs for all investigators (Z-IDs for students)

| Julia Meyer z1788125 |

Status (select all that apply): [ ] Faculty [ ] Graduate Student [x] Undergraduate Student [ ] Non-NIU Affiliate

Department (main PI):

| Accountancy |

Phone (main PI):

| 815-756-0508 |

E-mail address (for all investigators):

All communications will occur via NIU email accounts (for all NIU affiliates).

| Z1788125@students.niu.edu |

Project Title:

| Governance Issues in Nonprofit Organizations – An Exploratory Study |

Note: All projects involving human subjects research must receive formal written clearance from the IRB prior to the start of data collection.

Type of Project (Check one)

[ ] Departmental Research (faculty/student projects not externally funded and not indicated below)

[ ] Graduate Thesis/Dissertation (IRB application should be submitted AFTER proposal defense)

Advisor/Committee Chair (& e-mail):

[ ] DNP Project (Doctor of Nursing Practice)

[ ] Undergraduate Project (Senior thesis/capstone, research rookies, independent study)

Advisor/Committee Chair (& e-mail): Linda Matuszewski lmatus@niu.edu

[ ] Externally Sponsored Research

A complete copy of the grant proposal or contract must accompany this application form for IRB review to take place.

- Source of Funding:

- Title of grant proposal (if different from IRB protocol):

- Name of principal investigator on grant proposal:

- Sponsored Programs Administration file number (or grant number if awarded):

SPA#

[ ] Other

Specify:
Part I. Purpose and Procedures:

1) Describe the purpose of your study and the reason(s) this study is needed. Include any necessary background information and a description of your hypothesis or your research question.

The nonprofit sector in the United States has experienced rapid growth in the past few decades due to the deregulation of government and the decreased spending on welfare programs. Nonprofits fill a crucial role in society, as they serve a variety of communities in different ways, and provide important services to those in need while relieving the burden of welfare from taxpayers. Nonprofits today face several issues as their role in society changes, particularly in terms of governance. In this study, I would like to explore factors that influence a nonprofit organization’s governance, particularly factors concerning its Board of Directors. Factors I will explore include the Board’s size (number of members), organizational maturity, the organization’s revenue portfolio, as well as a variety of organizational needs such as capital campaigning and program expansion. I will look for patterns and associations between these variables and whether or not the organization has people with financial expertise on their Board.

2) The following items will help the IRB reviewers understand the step-by-step procedures of your study:

   2A) Explain the participant eligibility and exclusion criteria that will be used.

   I will be sending my survey to staff members a number of different nonprofit organizations. The only criteria is that the participant be a staff member at a nonprofit organization.

   2B) Explain the recruitment procedures (how will participants learn about the study?). If using the snowball technique, please explain who contacts potential participants (other participants or the researcher). Please attach recruitment scripts, flyers, or postings.

   I will email my survey to contacts at local nonprofits. I will collect the email addresses to send my survey to in a number of ways. First, I will attempt to establish local contacts with large nonprofits in the area, such as the Kishwaukee United Way and the DeKalb County Community Foundation. I will also work with the Center for Nonprofit and NGO Studies here at NIU. I will ask these organizations for a potential list of contacts to send my survey to. Additionally, I will collected emails listed on the websites of local nonprofits.

   2C) Explain the consent process (verbal and/or written procedures for informing participants of the nature of the study and what they will do).

   [Please attach all documents (assent, consent, parent permission) that are appropriate for each group of subjects participating in the study. Consent forms should be prepared for adult participants (age 18 or over). Assent forms should be prepared for minor subjects appropriate to their ages, and permission form(s) for parents or legally authorized representatives should also be prepared. For children too young to comprehend a simple explanation of participation, parental permission is sufficient only if the research will provide direct benefit to the subject, a member of the subject's family, or other children with the same condition as the subject.]

   Participants will give their consent upon completion of the survey. Consent form, which is a part of the survey, will be attached in addition to the survey.

   2D) Describe the data collection procedures including what data will be collected, how it will be collected (include a description of any interventions to be used), the duration of participation in the study session(s), and how the session(s) will end.
I will primarily collect data for my study in one of two ways: interviews and survey questionnaires. Interviews will be approximately one hour in length and consist of a list of questions which will be emailed to the interview subject prior to the interview. Interviews will be conducted either in-person or over the phone. In-person interviews will be recorded and participants will sign a consent form, which is provided. I will gain the participant’s consent to use their responses in my paper. The participant may consent to their responses being presented anonymously if they wish.

I will also conduct a survey, which will be sent out to contacts at local nonprofits. This survey will consist of a list of questions seeking to help me gain a better understanding of the nonprofit organization’s governance structure and factors that may impact its governance. The survey is designed to give a better understanding of the organization as a whole. The survey responses will be confidential and all data collected from the surveys will be presented in my paper in summary form. The survey will be designed using Qualtrics. The survey is attached.

2E) If applicable, explain the procedures for providing compensation.
N/A

2F) If applicable, explain the procedures for debriefing participants. Please attach a debriefing script or sheet
N/A

Reminder: Include copies of all questionnaires, surveys, interview questions, listing of all information/data to be collected, etc. with this application. It is the responsibility of the researcher to obtain any relevant permission for copyrighted materials. If the research involves an oral interview or focus group discussion that could evolve as it progresses, include a list of discussion topics and any “starter” questions for each topic that can reasonably be expected to be covered. If a draft of a written questionnaire or survey is attached, it should be clearly labeled as such and a final version must be submitted before data collection begins.

Part II: Research Participants

3) Participant demographics:
   - Gender: All ☒ M ☐ F ☐ Trans M ☐ Trans F ☐ Nonconforming ☐
   - Estimated age(s):
     - 30-65
   - Are any subjects under age 18? Yes ☐ No ☒
   - Potentially vulnerable populations (please indicate if any of the following groups are the target population of the study)
     - Pregnant women & fetuses
     - Prisoners
     - Decisionally impaired/mentally disabled
     - Specific racial or ethnic group(s) (list in box):
       N/A
     If any potentially “vulnerable populations” will be the target of the study, be sure to include a response to 2A above explaining eligibility criteria.
   - Target number of participants in the entire study (including controls) from start to finish (keep in mind that this is just an estimate of the total):
     - 50

4) Please explain any outside institutional (e.g., schools, hospitals) approval you will need to obtain and how approval will be sought. Provide scripts, letters, or emails providing any information that will be used to obtain needed approvals/permission. It is the responsibility of the researcher to follow all applicable policies of any outside institution(s).
N/A
Part III: Risk/Benefit assessment

5) What knowledge/benefit(s) to the field will be gained from the study?

A better understanding of nonprofit organizations currently in operation today, including insights into factors influencing their governance and issues they are facing.

6) What direct benefit(s) are there to the participant(s) (if any) from the proposed research? [For example, learning a new skill, psychological insight, teaching experience] [Please note that compensation is NOT considered a direct benefit.]

No direct benefit to the participants.

7) Describe any potential risks (breach of confidentiality, economic, ethical, legal, physical, political, psychological/emotional, social, etc.) to the subjects posed by the proposed research. (Note: Some studies may have “no reasonably foreseeable risks.”) Investigators are required to report all unexpected and/or adverse events to the IRB. Therefore, it is important that you list all reasonably anticipated risks because unanticipated adverse events may need to be reported by NIU to OHRP.

No reasonably foreseeable risks.

8) Federal regulations require that researchers use procedures that minimize any risks to participants. What procedures will be used to minimize each risk and/or deal with the challenge(s) stated in “7” above?

N/A

9) If support services are required to minimize risk of harm, explain what will be provided (list of services available). [DeKalb area resource list: https://www.niu.edu/divresearch/compliance/resources/files/Counseling-Resource-DeKalb.pdf If using this, please include with your application.]

N/A

10) How do the potential benefits of the study justify the potential risks to the participants?

N/A

Part IV: Consent Document Variations

11) Will audio, video, or film recording be used? Yes ☒ No ☐

If yes, specify the recording format to be used.

Audio/video recording will be used to record interviews.

Please keep in mind that specific consent must be sought in the informed consent document(s) by including a separate signature/date line giving consent for recording. This is in addition to the signature/date line giving consent to participate in the research project.

12) Will this project require the use of consent/assent documents written in a language other than English? Yes ☐ No ☒

Reminder: If non-English documents will be used, please have the document translator provide documentation (email or written) that the translation is equivalent to the English version. [This can be done after the protocol is approved in order to minimize the number of changes needed.]

13) Are you requesting a waiver of a signature on the informed consent document? Yes ☒ No ☐
Please indicate the justification for requesting this waiver:

☐ The only record linking the subject to the research would be the signed consent document and the principal risk of the research would be breach of confidentiality.

☒ The research involves minimal risk to the subjects and involves no procedures for which written consent is normally required outside of the research context (e.g., online surveys).

14) Are you requesting a waiver/alteration of some other aspect of the informed consent document? [This section is particularly relevant for studies involving deception.]

Yes ☐

No ☒

14a) Please explain which aspects of informed consent will be missing or altered along with a justification for the change.

N/A

14b) Please explain how the project meets all of the following criteria:

1) The research presents no more than minimal risk of harm to the participants.

No foreseeable risks.

2) The waiver/alteration will not adversely affect the rights or welfare of the participants.

N/A

3) The research could not practicably be carried out without the waiver or alteration.

N/A

4) Whenever appropriate, the participants will be provided with additional pertinent information after participation.

N/A

15) Will any HIPAA protected health information be collected as part of the data? Yes ☐

No ☒

If yes, describe the procedures for protecting the information.

N/A

[Please provide a copy of your HIPAA disclosure form to be given to participants.]

16) Will any protected school records be collected as part of the data? Yes ☐

No ☒

If yes, describe the procedures for protecting the information.

N/A

Part V: Confidentiality and Anonymity

17) Will identifying information be connected to the data, or is there a way to re-identify the data through pseudonyms or a code that is kept separate from the data? Yes ☒ (confidential data) No ☐ (anonymous data)

QUALTRICS USERS: You may want to keep your survey anonymous by allowing student participants to access a second Qualtrics survey where they enter their name and student ID if needed. This would
require clear instructions in the original survey along with a link to the second survey where they enter the identifiers for course credit or entry into a drawing.

18) If you answered yes to question #17, describe precautions to insure the privacy of the subjects, and the confidentiality of the data, both in your possession and in reports and publications.

Data will be presented in summary form with no way to identify individual participants. All data will be kept on my laptop, which I will keep locked at all times. Data collected from the Qualtrics survey will be imported into an Excel document, which will be encrypted with a password only I will know.

19) If you are collecting your data through an on-line survey tool, will the survey instrument collect email and/or IP addresses with the data?

- No  The survey will be set so that email/IP addresses are NOT collected (in Qualtrics: within a survey select “survey options” then “anonymize responses” toward the bottom)
- Yes  IP and/or email addresses WILL be collected with the data
- N/A  I am not using an online survey tool.

Please Note: Some electronic survey items may not be accessible to people who use screen readers as a way of accommodating their visual impairments. We recommend that you follow the link below to check the accessibility of your Qualtrics survey items: https://www.qualtrics.com/support/survey-platform/survey-module/survey-tools/check-survey-accessibility/

20) How will the records (data, recordings, and consent forms) be stored? Also indicate how long records will be kept and how and when they will be disposed of.

[Note: Signed informed consent documents must be maintained for 3 years following completion of the study.]

All data will be stored on my personal laptop, which will be locked at all times. No data will be stored online or in a cloud-based application. All data collected will be kept in an Excel spreadsheet, which will be encrypted with a password only I will know. All records will be disposed of following completion of the study on June 1, 2020.

Part VI: Projects Involving Deception [complete only if your study includes deception]

21) Describe the deception being used. Be sure to clarify whether this is deception by omission (an important aspect of the study is withheld from the participants) or commission (the participant is misled about some aspect of the study) or both. [Complete item 14 if aspects of consent are missing.]

22) Why is deception a necessary and unavoidable component of the experimental design?

23) Debriefing of participants will be:

- Immediate (directly following the research session)
- Delayed
- Full (all aspects of deception will be revealed)
- Partial (some aspects of deception will remain unexplained)

  a) If debriefing is delayed, why is the delay necessary, and when will it occur?

  b) If debriefing is not full, why is partial debriefing necessary? Would the participant be harmed in any way by full debriefing?
24) Who will provide the debriefing?

Reminder: Please include a copy of your debriefing script/sheet with this application.

Part VII: Credit and Compensation

25) If participants will receive course credit for participation, please describe it below.

26) If participants will receive some other form of compensation for participation, please describe it below.

27) Describe any alternative tasks that will be available for participants to earn the credit or compensation.

Part VIII: Conflict of Interest

28) Do any of the researchers conducting this study have any potential conflicts of interest? [Conflicts of interest may include financial or personal interest, or any condition in which the investigator’s judgment regarding a primary interest may be biased by a secondary interest.]

Yes ☐ No ☒

29) If yes to the above question, please describe the nature of the conflict of interest.

Part IX: Researcher Qualifications

30) In addition to listing the investigators’ names, indicate their qualifications to carry out the research described in this application.

Undergraduate Honors student studying Accountancy with a minor in Business Analytics. Additionally, I am working with Dr. Linda Matuszewski of the accounting department at NIU. Dr. M is my faculty advisor for this project. Dr. M is a PhD and has completed the CITI Human Subjects Protection training program.

31) State the date of completion of the CITI Human Subjects Protection training program(s) for the individuals listed in the question above. The required course is “Social & Behavioral Research - Basic/Refresher, Basic”.

Course. The required CITI training is accessible from the ORCIS website at https://www.niu.edu/divresearch/compliance/human/training/index.shtml

If you have comparable training elsewhere, please include the certification with this application. [Note: NIU policy requires that research investigators must complete appropriate training before conducting human subjects research.]
To be completed by investigator and confirmed by advisor (if student project) and departmental reviewer.

Check the items that are accompanying this completed application form:

1. [ ] Subject recruitment/introductory materials
2. Informed consent documents (select at least one):
   - ☒ Consent form for adults (if participants are age 18 or over)
   - [ ] Assent form for minors (if participants are under age 18)
   - [ ] Parental permission form (if participants are under age 18)
3. ☒ All surveys, questionnaires, interview questions, or other instruments to be used
4. [ ] Grant proposal SPA# included on front of application (for externally funded projects)

REQUIRED SIGNATURES: ALL PROJECTS

CERTIFICATION
I certify that I have read and understand the policies and procedures for research projects that involve human subjects and that I intend to comply with Northern Illinois University Policy. Any changes in the approved protocol will be submitted to the IRB for approval prior to those changes being put into practice unless it involves an immediate safety issue for a subject during a procedure. (In such instances, the researcher is required to promptly notify the IRB after the fact.) I also understand that all non-exempt projects require review at least annually.

_________________________________________________________
* Investigator(s) Signature(s) Date

_________________________________________________________
* Signature of Faculty Advisor Date
(Student Projects Only)

_________________________________________________________
* Signature of Authorized Departmental Reviewer Printed name Date

* PIs (both faculty and students), faculty advisors, and ADRs may choose to send an email statement (or email thread) indicating acknowledgement of the certification statement above in lieu of signatures.

Return this form, together with necessary documentation, to the Office of Research Compliance, Integrity, and Safety at researchcompliance@niu.edu (a single PDF is preferred, but we can work with multiple files and Word documents). For information or additional assistance with the approval process, please call our office at (815) 753-8588 (Lowden Hall, 301) or access the ORCIS web page at https://www.niu.edu/divresearch/compliance/index.shtml