NONPROFIT GOVERNANCE IN THE UNITED STATES

Findings on Performance and Accountability from the First National Representative Study

Francie Ostrower

THE URBAN INSTITUTE

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Nonprofit boards are ultimately responsible for the organizations that they oversee, and are one of the primary vehicles through which citizens participate in the nonprofit sector. In recent years, nonprofit boards have become an increasing focus of those interested in nonprofit accountability and transparency, including policymakers, the media, and the public. Legislative reforms have been proposed, nonprofit associations are calling on their members to review and strengthen nonprofit governance practices, and the Internal Revenue Service has released a draft paper on "Good Governance Practices for 501(c)(3) Organizations."

It is critical that both proposed policy reforms and best practice guidelines be informed by solid knowledge about how boards currently operate and what factors promote or hinder their performance. To help ensure the availability of such knowledge, in 2005, the Urban Institute conducted the first-ever national representative study of nonprofit governance. Over 5,100 nonprofit organizations of varied size, type, and location participated in our study, making it the largest sample studied to date.

Our survey covered a wide array of topics but included a special focus on practices related to current policy proposals and debates. This focus was in keeping with one of our primary goals—to draw attention to the links between public policy and nonprofit governance. Attention to the influence of organizational environments on boards has declined significantly in the board research literature,[1] and when attention is given, it is typically to the financial context (Ostrower and Stone 2006; Stone and Ostrower forthcoming). Funding relations are important, but the environment includes far more. As organizational theorists remind us, nonprofits face normative pressures to adopt certain policies and practices in order to demonstrate their public legitimacy (DiMaggio and Powell 1983). Nonprofits today are facing pressures to be more accountable and transparent, which has had a profound impact on discussions of appropriate board roles and policies.

This study draws attention to the relationships between the public policy environment and nonprofits. A major point of this study, however, is that the impact of public policy extends beyond legislative proposals aimed specifically at nonprofits. One of the most important developments to shape thinking about nonprofit governance today was the passage of the Sarbanes-Oxley Act, legislation intended to deter fraud in the corporate sector. Developments in the corporate sector not only shape wider expectations about governance that influence nonprofits, but as our findings show, board members that sit on both corporate and nonprofit boards serve as a channel through which corporate practices are brought into the nonprofit world.

Another major purpose of this study is to identify factors associated with promoting or impeding boards' performance of basic stewardship responsibilities related to overseeing and supporting the organization and its mission. Attention to accountability and concerns about loss of public legitimacy have dominated the dialogue about nonprofit governance in recent years. Concerns about accountability, however, should not obscure attention to performance and effectiveness. We have to ask not only whether nonprofit boards have various practices and policies in place to avoid malfeasance but whether they are actively serving the organization's mission and ensuring that the organization is accomplishing its mission. Here we find wide variations, including evidence that significant percentages of boards are not very active when it comes to carrying out some basic stewardship responsibilities.

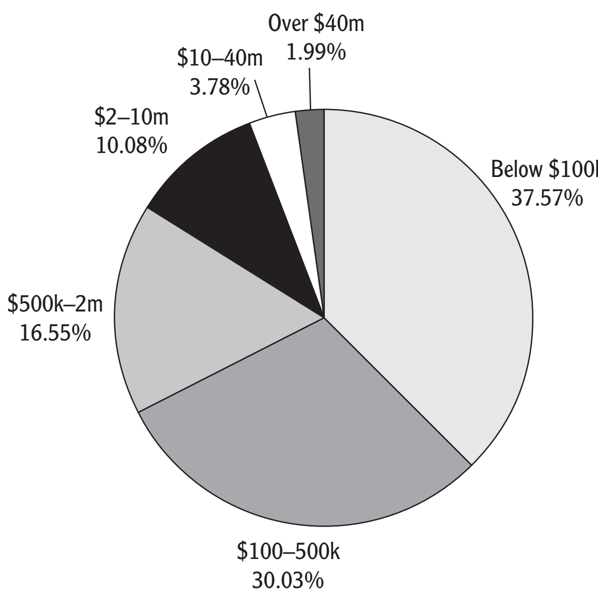
A third and related purpose of this study is to draw greater attention to board composition and recruitment processes. Our findings show that efforts to strengthen nonprofit governance have insufficiently dealt with the fact that many nonprofits are having difficulty finding board members and that this is one important factor associated with lower levels of board engagement. To promote not just adoption of strong practices and policies in theory but to implement them in practice requires an engaged and dedicated board. The dramatic growth in the number of nonprofit organizations over the past decade (Pollak and Blackwood 2006) means that greater numbers of board members are needed, which may contribute to greater competition in recruitment. Whatever the

Study Design

We fielded the Urban Institute *National Survey of Nonprofit Governance* in 2005. The survey was mailed to a stratified random sample of nonprofits drawn from the Urban Institute's 2002 NCCS–GuideStar National Nonprofit Research Database of public charities that file Internal Revenue Service Form 990. This means that all potential sample members had at least $25,000 in annual receipts, the threshold for the filing requirement. We stratified the sample by organizational size, measured as annual expenditures, to ensure adequate numbers of large organizations. Therefore, descriptive analyses in this report are based on analyses weighted to adjust for differential probabilities of selection by size as well as nonresponse patterns (figure 1).

We mailed the survey to the nonprofit's chief executive officer (CEO)/executive director. Keep in mind that responses will reflect their perspective. Respondents were also provided the option of completing the survey online. We received responses from 5,115 nonprofits, a response rate of 41 percent. The questionnaire may be found in the appendix at http://www.urban.org/url.cfm?ID=411479.

Figure 1. Organizations by Annual Expenditures



Source: 2005 Urban Institute *National Survey of Nonprofit Governance* reasons for the difficulty, initiatives are clearly needed to enlarge the available pool of board members. Furthermore, our findings concerning high levels of ethnic homogeneity on many boards raise questions about nonprofit boards' ability to be responsive to the diversity of the constituencies served by their nonprofits.

As rich as these data are, keep in mind that these data come from self-reports. As is true in all such surveys, including those that assure confidentiality as this one did, respondents may be inclined to choose answers that are more favorable to their organizations and thus the percentage reporting positively on board practices may be biased upward. Since there is no reason to believe that this tendency is more or less prevalent among particular subgroups, however, any upward bias should not influence conclusions about relationships between various factors and board practices.

The Legislative and Policy Environment: Sarbanes-Oxley and Nonprofits

One of the major developments to shape contemporary thinking about nonprofit governance originated in legislation aimed at businesses, not nonprofits. The Sarbanes-Oxley Act was passed in 2002 in the wake of Enron and other corporate scandals. The Act was intended to strengthen corporate governance and deter fraud in the corporate sector, but it quickly sparked questions about nonprofit governance and whether nonprofits should comply with its standards.

At the same time, the nonprofit world was experiencing highly publicized scandals of its own, fostering questions about the need for additional regulation of nonprofits. In 2004, the Senate Finance Committee issued a draft paper calling for stronger nonprofit governance and has shown ongoing concern about perceived governance failures.[2] Some states, such as California, have proposed or passed regulations extending certain Act provisions to nonprofits. The Internal Revenue Service, through changes to the Form 990, such as the introduction of a question requiring nonprofits to report on whether they have a conflict of interest policy, and its recent release of draft governance guidelines, has evidenced clear concern about strengthening nonprofit governance.[3]

Even if the Sarbanes-Oxley Act per se is never formally extended to nonprofits, its provisions have altered expectations and standards about nonprofit governance, and the climate in which nonprofits operate. Scores of professional associations have issued guidelines to nonprofit members about "compliance." A case in point is the recent draft guidelines issued by the Panel on the Nonprofit Sector that was convened by Independent Sector, a coalition of nonprofits and foundations, at the request of the Senate Finance Committee. Among other guidelines, the principles call on all nonprofits to adopt written conflict of interest, document retention, and whistleblower policies, and, for nonprofits that have an audit, to consider establishing an independent audit committee—all provisions of Sarbanes-Oxley.[4] These ongoing elements testify to a growing recognition that nonprofits are under greater scrutiny and must demonstrate their public accountability.

Our findings are consistent with the idea that this climate of increased scrutiny is prompting nonprofits to revisit and reassess policies. For instance, 47 percent of the nonprofits in our sample that have a conflict of interest policy had created or revised it since the Act's passage. This was also true for 46 percent that have a whistleblower policy and 54 percent that have a separate audit committee.

One of the questions posed by this study was how much of a difference it would make if compliance with various components of the Act were to become the norm for nonprofits, whether through legislation or shifting norms. We found that the impact would vary considerably depending on the practice and the characteristics of the nonprofit. For instance, 67 percent of nonprofits have audits, but 33 percent do not. Half of nonprofits have a conflict of interest policy, but half do not. In only one instance did we find near uniformity: fewer than 1 percent of nonprofits made loans to board members, something prohibited by the Act.

In an earlier paper, we showed that organizational size (measured as annual expenses) was a critical factor associated with variations in current levels of compliance, typically rising among larger nonprofits (Ostrower and Bobowick 2006).[5] Yet variations also existed among nonprofits of the same size, indicating that other factors have an influence. Thus, in this report, we analyze the multiplicity of factors associated with variations in the following six practices, each related to a provision of Sarbanes-Oxley:

- Having an external audit
- Having an independent audit committee
- Rotating audit firms and/or lead partners every five years
- Having a written conflict of interest policy
- Having formal process for employees to report complaints without retaliation (whistleblower policy)
- Having a document destruction and retention policy

Even after taking size into account, we find that attributes of the board itself, other organizational characteristics, and elements of the organization's environment are associated with whether or not nonprofits engage in these practices. The results are summarized in table 1.[6]

Several elements of board composition had an impact, even after taking size and other factors into account. Having corporate members on the board was one of the most consistently influential factors and was positively associated with engagement in each of the six practices except having a document retention policy.[7] This finding supports the idea that corporate board members serve as one vehicle through which developments and practices in the corporate sector are imported into the nonprofit boardroom. More broadly, it calls attention to the fact that the external environment influences nonprofits through board composition, and that the connection between the two needs to be taken into account when recruiting board members.

By no means, however, should we conclude that adopting more corporate practices would always be beneficial. The practice of having the CEO/executive director serve as a

Table 1. Factors Associated with Variations in Adoption of Sarbanes-Oxley-Type Practices

	Audit committee	Have audit	Use same audit firm 5+ years	COI policy	Document policy	Whistle-blower policy
Board size	+	+		+		
CEO voting board member		–		–	–	–
Corporate board members	+	+	–	+		+
Have paid CEO		+	–	+	+	
Organization members elect 1+ board members	+					
Percent minority	+	+		+		+
Percent female	–			+		+
Age		+			+	+
Organization size						
$100–500,000		+		+	+	+
$500,000–2 million	+	+		+	+	+
$2–10 million	+	+		+	+	+
$10–40 million	+	+		+	+	+
Over $40 million	+	+	–	+	+	+
Field						
Culture				–	–	–
Education				–	–	–
Health			–		+	
Other	+				–	–
Funding						
Fees		–				
Government	–	+		+	+	+
Foundations	–				–	
Individuals		–				
Endowment						
State law		+				

Source: 2005 Urban Institute *National Survey of Nonprofit Governance*

Notes: A + indicates that a variable was positive and significant at the .05 level or below. A – indicates that a variable was negative and significant at the .05 level or below. A blank space indicates no significant relationship was found. Full logistic regression results with parameter estimates are included in the appendix.

voting board member—which is more common in the corporate sector than the nonprofit sector, but was more common among nonprofit boards with corporate members—is a case in point. Having the CEO/executive director as a voting board member was *negatively* associated with having an outside audit, a conflict of interest policy, a document retention policy, and a whistleblower policy (and was unrelated to adopting other practices). Coupled with our findings about the negative impact on board performance (discussed below), our study suggests that conflating executive director and board positions in this way detracts from the board carrying out its stewardship responsibilities, and that nonprofits should think carefully before adopting this corporate practice.

Ethnic and racial diversity was another element of board composition that proved consequential: the percentage of board members from ethnic and minority groups was positively associated with having an outside audit, a separate audit committee, a conflict of interest policy, and a whistleblower policy. The reason for these relationships and the mechanism through which they operate is difficult to establish with these data, but the findings do suggest an intriguing link between diversity and accountability practices that bears further investigation.

Boards do not exist in a vacuum, and environmental factors can also play a role independent of board composition. It is important to bear in mind that many of the legal regulations that impact nonprofits are at the state, rather than the federal, level. Some states, for instance, require nonprofits over a certain size, or that raise a certain percentage of funds from the public (or meet various other conditions), to have an outside audit. Based on the state they were in and their annual expenses, we created a variable for whether the nonprofit was subject to such a state requirement,[8] and, as we would expect, it was positively associated with whether the nonprofit had an annual audit.

A nonprofit's level of reliance on government funding also was positively associated with having an audit and conflict of interest, document retention, and whistleblower policies (but negatively associated with having a separate audit committee). This was the only funding source that was consistently and positively related to adoption, which may at least partly reflect the fact that government funding often carries requirements similar to those mandated by Sarbanes-Oxley (such as the requirement to have an audit).[9] It may also indicate a more formal accountability and reporting culture among nonprofits that receive high levels of government funding. The extent to which the various relationships reflect compliance with formal requirements and/or a more subtle influence bears further investigation.

With respect to organizational characteristics, size was the most consistently influential and was related to adoption of every practice, even after other factors were taken into account. Professionalization and organizational age, however, also proved important. Professionalization, measured as whether the nonprofit had a paid professional CEO/executive director or not, was positively associated with having an audit, rotating the lead partner or accounting firm conducting the audit at least once every five years, and having conflict of interest and document retention policies. Age was positively associated with having a separate audit committee and with document retention and whistleblower policies. Here too the mechanisms and reasons behind these relationships bear further investigation. Even in the case of size, reasons for some of the relationships, such as having a conflict of interest policy, cannot be explained solely in financial terms. One possibility of interest to explore is whether larger nonprofits are more engaged in professional networks and associations and through them are made more aware of rising public scrutiny and calls for nonprofits to adopt these accountability-related practices.

In general, the organization's field of activity (e.g., culture, education) had less importance than the factors discussed above, but there were some noteworthy differences. Health nonprofits were more likely than others to have a document retention and destruction policy. Cultural and educational nonprofits were less likely than others to have document retention and conflict of interest policies. Cultural nonprofits were also less likely to have a whistleblower policy. While educational nonprofits were more likely than cultural ones to have a whistleblower policy, they were less likely than either health or human service organizations to have one. Here too, additional research would be useful to understand the reasons for these patterns and the extent to which they reflect environmental differences, such as field-wide norms and regulations.

Financial Transactions between Nonprofits and Board Members

Under the law, board members owe the nonprofit a duty of loyalty, which requires them to act in the nonprofit's best interest rather than in their own or anyone else's interest (Brody 2006). The IRS Good Governance guidelines caution that "in particular, the duty of loyalty requires a director to avoid conflicts of interest that are detrimental to the charity."[10] Against this background, the purchase of goods or services by nonprofits from board members or their companies raise special concerns about who such transactions really benefit. In a guide for board members, one state attorney general's office warns that "caution should be exercised in entering into any business relationship between the organization and a board member, and should be avoided entirely unless the board determines that the transaction is clearly in the charity's best interest."[11]

In 2004, a proposal to restrict nonprofits' ability to engage in these transactions was included in the Senate Finance Committee's draft white paper but met with considerable opposition from some nonprofit representatives. The president and CEO of Independent Sector, for instance, warned that prohibiting economic transactions "could be extremely detrimental to a number of charities. . . . Public charities, particularly smaller charities, frequently receive from board members and other disqualified parties goods, services, or the use of property at substantially below market rates." A similar objection was voiced by the executive director of the National Council of Nonprofit Associations, which is composed primarily of smaller and mid-size nonprofits.[12] There has also been concern over the impact on nonprofits in rural and smaller communities, where a trustee's law firm or bank may be the only one in the area.[13]

Regardless of disagreement over whether public charities should be allowed to engage in financial transactions with board members, there is agreement on the fact that any such transactions should be transparent to the board, and that policies are in place to ensure that such transactions are in the nonprofit's best interest. Recent IRS draft guidelines are emphatic on this point. They call on boards to require members to disclose annually any financial interest that they or a family member has in a business that transacts with the charity, and to "adopt and regularly evaluate an effective conflict of interest policy" that, among other things, includes "written procedures for determining whether a relationship, financial interest, or business affiliation results in a conflict of interest" and specifies what is to be done when it does.[14] Furthermore, as noted earlier, the IRS has instituted a question on the Form 990 asking nonprofits whether they have a conflict of interest policy in place.

Results from our survey shed light on (a) how extensive such transactions actually are; (b) whether or not they provide claimed benefits for nonprofits; and (c) how nonprofits' current practices measure up against the standards for conflict of interest policies put forward by the Internal Revenue Service and others.

Frequency and Consequences of Financial Transactions

According to respondents' self-reports, financial transactions between organizations and board members are extensive, particularly among large nonprofits. Overall, 21 percent of nonprofits reported buying or renting goods, services, or property from a board member or affiliated company during the previous two years. Among nonprofits with more than $10 million in annual expenses, however, the figure climbs to more than 41 percent.[15] Note, however, that among those nonprofits that say they did not engage in transactions with board members or affiliated companies, fully 75 percent also say they do not require board members to disclose their financial interests in entities doing business with the organization, and thus, respondents may have been unaware of transactions that do exist.

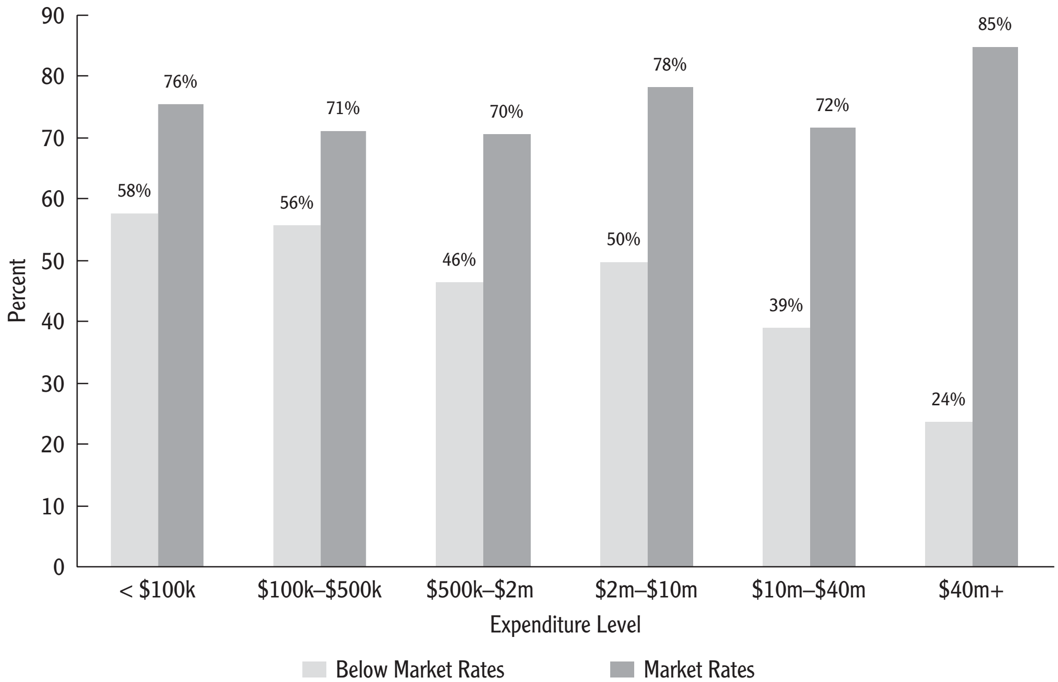
According to respondent reports, among nonprofits engaged in financial transactions, most obtained goods at market value (74 percent), but a majority (51 percent) did report that they obtained goods below market cost. Under 2 percent reported paying above market cost.[16] Keep in mind, too, that these are self-reports, and thus, if anything, the figures are likely to underreport transactions resulting in obtaining goods at above market value or at market value and overreport transactions resulting in obtaining goods below market cost.

Among nonprofits that engaged in financial transactions with board members, smaller nonprofits were considerably more likely than larger ones to obtain goods and services from board members at below market cost: 58 percent of nonprofits with under $100,000 in expenses obtained goods or services at below market cost from a board member, but the percentage drops to a low of 24 percent among nonprofits with over $40 million in expenses. The percentage of nonprofits that received goods or services at market value, in contrast, was over 70 percent among nonprofits of every size (see figure 2). The percentage reporting they obtained goods at above market value was under 3 percent for every size group.[17]

We also found no evidence that bans on financial transactions would disproportionately affect rural nonprofits. There was no significant difference between nonprofits inside and outside metropolitan statistical areas either in the percentage engaged in financial transactions or in their perceptions of how difficult it would be for them were such transactions prohibited.

Forty-five percent of the nonprofits that engaged in business transactions with trustees said it would be at least somewhat difficult were they prohibited from purchasing or renting goods from board members, but only 17 percent said it would be very difficult. Percentage differences by size were not statistically significant. As one would

Figure 2. Percentage of Organizations Obtaining Goods or Services Below and at Market Rates from Board Members (Organizations Engaged in Financial Transactions Only)



Source: 2005 Urban Institute *National Survey of Nonprofit Governance*

Note: Percentages obtaining goods at market rates and below market rates exceed 100 because nonprofits could engage in multiple financial transactions with board members, and therefore any single nonprofit could report in both categories.

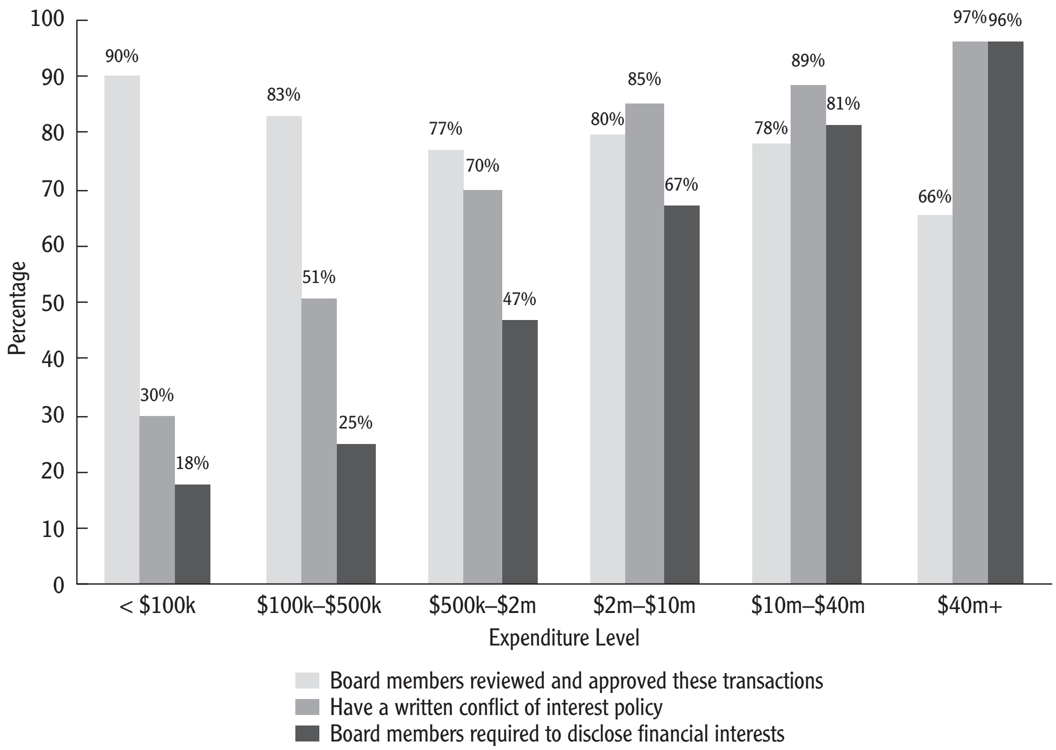
expect, the comparable figures do rise among those who obtained goods or services at below market value. Fifty percent of them said it would be at least somewhat difficult and 19 percent said it would be very difficult.

Policies to Regulate Financial Transactions and Conflicts of Interest

Among respondents as a whole, only half had a written conflict of interest policy and only 29 percent required disclosure of financial interests. Among nonprofits that reported financial transactions with board members, 60 percent have a conflict of interest policy and 42 percent require board members to disclose the financial interests they have in companies that do business with the nonprofit. As we can see, substantial percentages of nonprofits—including those engaged in financial transactions with board members—do not meet the standards laid out in the IRS draft and various other good governance guidelines in these areas. However, the majority of nonprofits engaged in such transactions (82 percent) did report that other board members had reviewed and approved the transactions beforehand.

Substantial variations do exist by size (figure 3). Larger nonprofits are more likely to have a written conflict of interest policy. Among those engaged in financial transactions,

Figure 3. Policies of Organizations that Purchased or Rented Goods or Services from Board Members or Associated Companies



Source: 2005 Urban Institute *National Survey of Nonprofit Governance*

almost all nonprofits with over $40 million in expenses have a written conflict of interest policy (97 percent), but the figure drops to only 30 percent among nonprofits with under $100,000. Financial disclosure requirements also vary considerably by size. Among nonprofits engaged in financial transactions with board members or associated companies, the percentage that require disclosure ranges from a low of 18 percent among the smallest nonprofits (under $100,000 in expenses) to a high of 96 percent of nonprofits with over $40 million in annual expenses. Substantial minorities in the $2–40 million size categories and majorities in all size groups under $2 million do not require disclosure.

Although formal policies are more common among larger nonprofits, smaller nonprofits were more likely to report that other board members reviewed and approved transactions. Ninety percent of nonprofits with under $100,000 had other board members review transactions beforehand, but the figure declines to 66 percent among those in the over $40 million category. In the case of smaller nonprofits, one issue therefore is that while board members may be reviewing the transactions, there frequently are no written guidelines to inform their review. In the case of larger nonprofits that do have formal policies, an issue appears to be that significant percentages of nonprofit boards are not reviewing transactions beforehand to ensure that the formal policies are being met.

Board Compensation

Board compensation is a controversial practice among nonprofits. The draft IRS Good Governance Guidelines state that "charities should generally not compensate persons for service on the board." Recent draft principles issued for comment by the Panel on the Nonprofit Sector convened by Independent Sector note that board members are generally expected to serve without compensation and propose that those who do compensate be able to provide detailed documentation to justify compensation levels and rationale.[18]

Nonprofits in our study rarely reported compensating board members—only 2 percent did so.[19] The percent is higher among larger nonprofits, reaching a high of 10 percent among nonprofits with over $40 million in expenses.[20] The propensity to compensate was also higher among health organizations (4 percent) than nonprofits in other fields (2 percent). Bear in mind that this study was confined to public charities and does not include private foundations (which more often compensate).[21] Among the small percentage of nonprofits that do compensate, about half said it would be at least somewhat difficult were they prohibited from doing so, and 25 percent said it would be very difficult.

Although the percentage is so small, these data offered an opportunity to explore the possible impact of compensation on boards. We generally found no indication that compensating trustees promotes higher levels of board engagement. Boards that compensate were not more or less likely to be actively engaged in financial oversight, setting policy, planning, monitoring programs, or evaluating the CEO/executive director. They were no more or less likely to evaluate whether the organization is achieving its goals at least every two years. Compensation was negatively associated with levels of board activity in fundraising, community relations, and educating the public about the organization and its mission. Boards that compensate were more likely to be active to try and influence public policy, but this relationship disappears with controls for other variables. However, compensation was positively associated with attendance at board meetings, and this relationship held even after controls for other variables.[22]

We did not find evidence that compensating trustees help nonprofits attract board members with particular expertise. Boards that compensate were actually *less* likely to have members with professional backgrounds or expertise in management, law, or accounting, and no more or less likely to have members with expertise in the organization's field of activity. Furthermore, compensation was not associated with achieving greater racial or ethnic diversity.

Board Performance

Accountability concerns have been predominant in current policy discussions of board governance, and nonprofits are clearly feeling considerable pressure to demonstrate that they are accountable. Issues of accountability, however, should not overshadow concern with board performance or the board's oversight of organizational performance. To this point, we have focused primarily on policies adopted by the board. In this section, we turn to focus on what boards do—specifically, how actively they are carrying out their various roles. We found considerable variation in levels of board engagement among nonprofits. These variations partially reflect differences in roles relevant to different types of nonprofits, but we also found that substantial percentages of nonprofits report that their boards are not actively engaged in basic stewardship responsibilities.

Levels of Board Activity in Different Roles

We asked how active boards are in a series of duties traditionally considered to be part of the board's basic responsibilities, including the following: fundraising; financial oversight; evaluating the CEO/executive director; planning for the future; setting organizational policy; monitoring programs and policies; community relations; educating the public about the organization and its mission; monitoring the board's own performance; and acting as a sounding board for management.[23] We asked about how actively boards were engaged in carrying out each of these functions on a four point scale ranging from "not at all active" to "very active." While some version of these functions would be on most lists of standard board responsibilities, we also asked about a less typical activity, trying to influence public policy, to see what types of boards were more likely to engage in this unusual activity.[24]

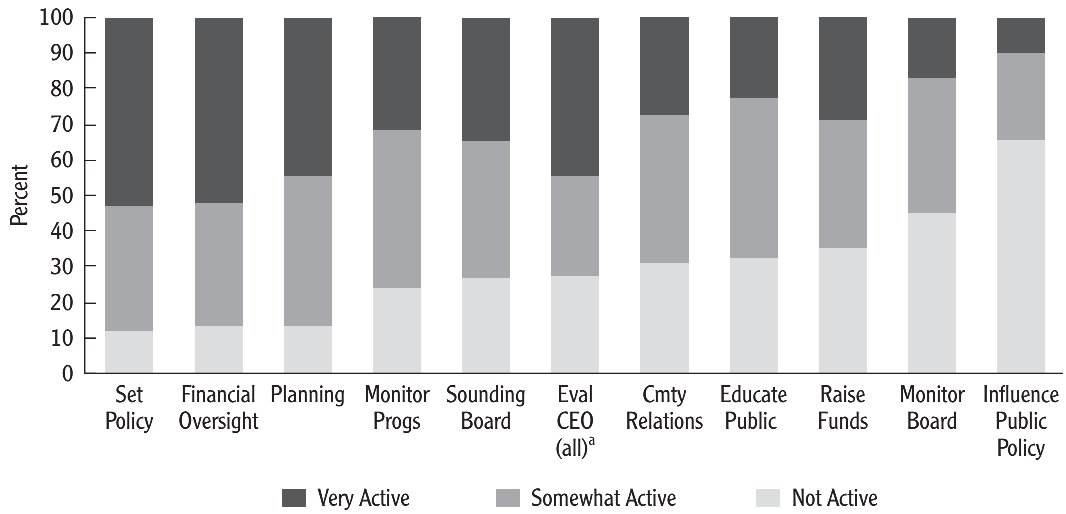
There were only two activities that over half of all respondents said that their boards were very actively engaged in—and even these were only slight majorities: fifty-two percent said their boards are very actively engaged in financial oversight and 52 percent said they are very active in setting organizational policy. Among nonprofits with a paid professional CEO/executive director, a comparable percentage (54 percent) said their boards were very actively engaged in evaluating the CEO/executive director (figure 4).

Only a minority of boards were very active when it came to most of the activities we asked about, including fundraising (29 percent), monitoring the organizations programs and services (32 percent), monitoring the board's own performance (17 percent), planning for the future (44 percent), community relations (27 percent), and educating the public about the organization and its mission (23 percent).

In some activities, substantial percentages of boards were not even rated as "somewhat active." These activities included fundraising (35 percent), monitoring programs and services (24 percent), community relations (31 percent), educating the public about the organization (33 percent), and, as noted, monitoring the board's own performance (45 percent).[25] Furthermore, responses to another survey question indicate that a substantial percentage of boards (26 percent) do not evaluate whether their organization is accomplishing its mission at least once every two years.

Most respondents rated their boards as doing a "good" or "excellent" job in all areas except fundraising, but in no area did a majority rate their board's performance as excellent.[26] Furthermore, large minorities (and in the case of fundraising, a majority) rated their boards' performance as only fair or poor in many areas: fundraising (51 percent), monitoring the board's own performance (51 percent), educating the public about the organization and its mission (42 percent), community relations (36 percent), planning

Figure 4. Board Activity Levels



Source: 2005 Urban Institute ***National Survey of Nonprofit Governance***
Note: "Not active" combines "not at all active" and "not very active."
a. Among those with a paid CEO only, the percentage very active in evaluating the CEO is 54 percent.

for the future (30 percent), and monitoring programs and services (29 percent). As we can see, boards were more likely to receive low performance ratings in areas where they were also reported to be less active. The percentages rated fair or poor are lower but still significant for areas where directors are more active: financial oversight (18 percent), setting organizational policy (21 percent), and among those with a paid CEO, evaluating the CEO/executive director (26 percent).[27]

Variations in Levels of Board Activity in Different Roles

We examined a host of factors to understand which are associated with higher or lower levels of board activity in performing different roles. Table 2 summarizes the results.[28] Factors associated with variation in activity levels in the largest numbers of board roles included organizational size (annual expenses), professionalization (whether the organization has a paid professional CEO), whether organizational members elect one or more board members, criteria emphasized when recruiting new members, and level of difficulty in recruiting board members. Field of activity, funding sources, and whether the CEO/executive director is a voting board member were also associated with numerous activities (though the influence of particular funders and fields varies for different roles). Thus:

- Organizational size was generally positively associated with board activity in carrying out internally oriented activities (e.g., financial oversight, planning, acting as a sound-

Table 2. Factors Associated with Levels of Board Activity in Different Areas

	Raise funds	Financial over	Evaluate CEO	Future planning	Monitor programs	Set policy	Community relations	Influence public policy	Educate the public	Monitor the board	Sounding board for management
Board size	+							+	+		
Number of meetings per year	+						+				
CEO voting board member		–				–	–	–			
Corporate board members		+									
Field											
Culture	–	–	–					–			
Education			–				–	–			
Health						–		+			
Other	–								+		
Organization members elect 1+ board members	+	+		+	+	+		+	+	+	
Percent minority		–		–							–
Percent female	+			+			+		+		
Percent working for a business	+						+		+		–
Age						+					
Organization size											
$100,000–500,000	–				–			–	–		
$500,000–2 million	–	+	+		–		–	–	–		+
$2–10 million	–	+	+		–		–	–	–		+
$10–40 million	–	+	+	+			–		–		+
Over $40 million	–	+	+	+				+	–	+	+
Fundraising ability	+				–	–	+		+		
Finanical/business skills		+	+	+	+	+	+		+	+	+
Know of mission area				+	+	+		+	+	+	+
Prior volunteer work for organization	+				+		+	+	+		

Willing to give time	+	+	+	+	+	+	+		+	+	+
Member of group served	–				+			+			
Community reputation			+				+	+	+		+
Friend of a board member		–	–	–	–	–	–	–	–	–	–
Ethnic diversity	–										
Gender diversity	+					+					
Difficulty recruiting	–	–	–	–	–	–	–	–	–	–	–
Plan to expand programs				+			+			+	
Plan to change staff structure	–						–	–	–	–	
Have a paid CEO	–	+	+		–		–			–	+
Funding											
Fees			+				+			+	
Government							+	+	+		+
Foundations	+			+					+		
Individuals	+										
Endowment	–							–			

Source: 2005 Urban Institute *National Survey of Nonprofit Governance*

Notes: A + indicates that a variable was positive and significant at the .05 level or below. A – indicates that a variable was negative and significant at the .05 level or below. A blank space indicates no significant relationship was found. Full regression results with parameter estimates are included in the appendix.

ing board for management), but negatively associated with activity levels in externally oriented roles (e.g., fundraising, community relations, and educating the public about the organization).[29]

- Having a paid professional executive director was negatively associated with board activity levels in fundraising, monitoring programs, community relations, and monitoring the board's own performance—but positively associated with financial oversight, evaluating the CEO/executive director, and acting as a sounding board for management. These findings indicate that with professionalization, the CEO assumes more direct organizational responsibilities while the board's role shifts to oversight of the CEO.
- Recruitment criteria used to select new members are consistently associated with levels of board activity. For instance:
  - Emphasizing a willingness to give time was positively associated with activity levels in every role except trying to influence public policy.
  - Other recruitment criteria with a positive association with activity levels in several board roles were having business or financial skills, prior volunteer work for the organization, and knowledge of the organization's mission area.
  - An emphasis on friendship or acquaintanceship with current board members had a *negative* association with activity in every board role except fundraising (where it had no impact).
  - An emphasis on fundraising ability had a positive association with fundraising, community relations, and educating the public about the organization, but a negative association with monitoring programs and setting organizational policy.
- The degree of difficulty experienced by the nonprofit in recruiting new members was negatively associated with levels of board engagement in every role. This is highly significant because 70 percent of nonprofits say it is difficult to find board members and 20 percent say it is very difficult.
- Having the CEO/executive director serve as a voting board member was negatively related to board activity level in financial oversight, setting policy, community relations, and trying to influence public policy, and positively related to none.
- Gender diversity was positively associated with activity in fundraising, planning, community relations, and educating the public about the organization.
- Having organizational members that elect one or more board members was positively associated with activity in multiple internal and externally oriented roles (e.g., fundraising, financial oversight, planning, monitoring programs, setting policy).
- Organizational lifecycle (whether the nonprofit was in a period of change) proved more consequential than age per se. Planning a major program expansion was positively associated with activity in planning for the future, and planning changes to internal staff structure was negatively associated with activity in the externally oriented roles of fundraising, educating the public, and community relations. Organizational age, however, was related solely (and positively) to setting policy.[30]

- Funding relationships were primarily significant for activity in externally oriented functions:
  - Greater reliance on private funding (individuals and foundations) was positively associated with more activity in fundraising.
  - Greater reliance on government funding was positively associated with activity in community relations, educating the public, and trying to influence public policy.
- There are some substantial differences among nonprofits in different fields of activity, although some of these reflect factors other than the field per se:
  - Human service boards were more likely to be active in financial oversight than cultural ones, in evaluating the CEO than cultural or educational boards, in trying to influence social policy than arts or educational boards (but less than health boards), and in community relations than educational boards.
  - Looked at alone arts boards are significantly more likely to be actively engaged in fundraising, but this difference reflects their greater reliance on private funding. Once other factors are taken into account so that arts organizations are compared with other comparable nonprofits, being in the arts actually was negatively associated with levels of fundraising activity. This is consistent with the lower rating that arts organizations gave their boards' fundraising performance.[31]

Our analyses yielded an interesting finding about one board attribute that has been the subject of some controversy—board size. Large board size has been cited as contributing to governance failures in some of the more highly publicized scandals at nonprofits, and occasionally proposals have been floated to impose an upper limit.[32] The IRS draft guidelines propose no limits but caution that "large boards may be less attentive to oversight duties." While large board size may contribute to problems at some nonprofits, our findings do not indicate larger board size per se detracts from board engagement. Indeed, to the extent that it had any association with activity levels (and usually it did not), it was a positive one: board size was positively associated with board activity in fundraising, educating the public about the organization and its mission, and trying to influence public policy. As this shows, nonprofits use large boards as a fundraising tool, and nonprofits with large and active fundraising boards were indeed more likely to say it would be difficult for them were they required to limit board size to 15, as has sometimes been proposed.[33]

Some potential influences looked at also had more limited and mixed associations: emphasizing membership in the group served by the nonprofit had a positive association with activity in two roles (monitoring programs and trying to influence public policy) but a negative association with fundraising. Ethnic and racial diversity, which was positively related to adoption of many Sarbanes-Oxley practices, was usually unrelated to levels of board performance, but where it was, had a small but negative association (with financial oversight, planning, and acting as a sounding board for management).[34] Likewise, the presence of corporate board members, which had a consistent association with adoption of Sarbanes-Oxley related practices, was unrelated to active performance of all roles except for financial oversight. We considered the potential impact of term limits as well, but these proved to have no statistically significant association with board activity except for a positive association with evaluating the CEO/executive director and a negative one with trying to influence public policy.

Board Composition

Most previous research on nonprofit boards concludes that they are largely white, male, and upper-middle and upper class. These studies had focused primarily on large nonprofits, and thus, a major question for this study was whether or not a more heterogeneous picture would emerge from looking at a more representative array of nonprofits.

Racial and Ethnic Diversity

With respect to race and ethnicity, we find even more homogeneity. This study raises basic questions about the ability of many boards to truly represent and respond to the diversity of the public they serve. On average, 86 percent of board members are white, non-Hispanic; 7 percent are African-American or black; and 3.5 percent are Hispanic/Latino (the balance are from other ethnic groups). Medians convey even greater homogeneity—96 percent for white members and zero for African-Americans and Hispanics. Fifty-one percent of nonprofit boards are composed *solely* of white, non-Hispanic members. A minority of nonprofits say that ethnic or racial diversity is a somewhat important (25 percent) or very important recruitment (10 percent) criterion.

Boards of smaller nonprofits are more likely to be predominantly white. Sixty-four percent of nonprofits with under $100,000 have only white, non-Hispanic members, but that figure drops to 31 percent or less for nonprofits in size categories over $10 million. As one might expect, nonprofits located in metropolitan statistical areas (MSA) are more racially and ethnically diverse. Nonetheless, 45 percent of them are still entirely composed of white, non-Hispanic members (the figure is 66 percent outside MSAs).

Nonprofits that serve higher percentages of minorities are far more likely to include board members from those minority groups on their boards, but even notable percentages of them include no corresponding minority group board members. Among nonprofits whose clientele is over 50 percent black or African-American, 18 percent include no African-American or black trustees. Among nonprofits whose clientele is 25 to 49 percent black or African-American, 36 percent have no black or African-American board members. The percentages are even higher for Hispanics/Latinos: among nonprofits whose clientele is over 50 percent Hispanic/Latino, 32 percent have no Hispanic/Latino members, and the figure climbs to 52 percent among those whose clientele is 25 to 49 percent Hispanic/Latino.

In addition to organizational size, location in an MSA, and the percentage of those served who are members of minority groups, the following factors were positively associated with having any minority group members on the board (based on logistic regression analysis): funding source (specifically the percentage of funding from fees, from government, and from foundations); percentage of women on the board; board size; a national geographic scope; and the importance of racial and ethnic diversity as a board recruitment criterion. By contrast, emphasizing friendship with existing board members as a recruitment criterion was negatively associated with having any minority members, as was emphasizing gender diversity.[35] Educational nonprofits were more likely than health nonprofits to have minority members.

The factors positively associated with the percentage of minorities on boards overlap with the factors associated with having any minority representation, but are not entirely the same. Board size was negatively associated with the ratio of minorities on the board, and age was also negatively associated. Organizational size was not related overall once other factors were controlled for,[36] nor was an emphasis on gender diversity as a recruitment criterion, and locally focused as well as nationally focused nonprofits were likely to have a higher ratio than regionally focused ones. While there are differences in field of activity, the relationship is no longer significant once controls for other factors are taken into account.[37]

Gender

Our representative sample of organizations results in a radically different picture of representation by women. Almost all nonprofit boards include women (94 percent) and as a whole they are almost equally balanced with respect to gender. On average, boards are composed of 46 percent women (the median is a close 44 percent). The percentage of women on boards, however, is inversely related to organizational size. The average percentage of women is 50 percent among nonprofits with expenses under $100,000, but drops to a low of 29 percent among the largest nonprofits (over $40 million in expenses). Clearly, conclusions about gender composition based on larger nonprofits will be quite different than those that include smaller ones. These findings are consistent with the contention that women are less likely to serve on boards of large and prestigious nonprofits.[38]

Factors that were positively associated with the percentage of women on boards included the percentage of clientele served by the nonprofit that are female, funding sources (percent of funding from government and foundations), term limits, a local or regional geographical focus, placing importance on willingness to give time, knowledge of the organization's mission area, racial and ethnic diversity as a recruitment criterion, and organizational age. Cultural nonprofits were also more likely than nonprofits in other areas, except for education, to have higher percentages of women, while human service and educational nonprofits were more likely to have a higher percentage than nonprofits in health.

By contrast, emphasis on financial skills and reputation in the community as recruitment criteria were negatively associated with the percentage of women, as was being in the health field, reliance on endowment funding, and location in a metropolitan statistical area.[39]

Other Dimensions of Board Composition

Our data do not allow us to identify the socioeconomic standing of board members to a comparable extent because we do not have information on their income or wealth. The data do, however, confirm that boards of larger, wealthier nonprofits tend to draw more heavily from members of elite groups. This is indicated by the fact that the percentage of members that also serve on corporate boards rises from 31 percent among the smallest nonprofits to 80 percent among larger ones. At the same time, the figure of 31 percent on corporate boards even among the smallest nonprofits suggests that substantial percentages of even smaller boards are drawn from relatively well-off groups. However, we cannot estimate what percentage, if any, may be working class, poor, or even middle class.

Most board members are employed (75 percent on average, with a median of 82 percent).[40] Of those employed, on average more than half (55 percent) work for a business. On average, another 18 percent were self-employed, 12 percent work for another nonprofit, 11 percent work for government, and 3 percent worked for the nonprofit itself.[41] As we can see, most nonprofit board members work in settings outside the nonprofit sector.

The practice of including the executive director as a voting board member is less common on nonprofit boards than on corporate boards, but we did find it among a substantial minority (33 percent) of respondents, including 21 percent of those with a paid CEO/executive director.[42] Our numerous findings about the negative relationship between this practice, adoption of accountability practices, and levels of board engagement raise serious questions about the advisability of this practice for nonprofits.

An area in which the representative nature of our sample also reveals an interesting finding concerns board member age. Most nonprofit boards are composed of members between the ages of 36–50 (37 percent) and 50–65 (41 percent). On average, only 16 percent are older than 65 (the median is an even lower 8 percent), and an even lower 7 percent are under the age of 36 (median of 0). It is fair to say that one more often hears about the need and importance of recruiting younger members to boards. The average percentage of older members, however, is higher on boards of large nonprofits. Although the average percentage of board members over age 65 for the smallest nonprofits (19 percent) is comparable to that of the two largest size categories (18 percent for $10–40 million, and 21 percent for over $40 million), the percentage is only between 13 and 14 percent for smaller size categories between $500,000 and $10 million. Furthermore, the median for the smallest drops to 8 percent, indicating that the overall average is inflated by a small number of nonprofits with many members 65 and over. Particularly for small and midsize nonprofits, individuals over 65 may be an important and under-tapped pool of potential board members.

Another facet of board composition that varies considerably with size is the inclusion of members who are relatives of other board members, a characteristic more common in small organizations and in cultural organizations. Fully 26 percent of boards of nonprofits with under $100,000 in expenses have members who are related to one another, as do 19 percent of boards of nonprofits with $100,000 to $500,000. The percentage drops to

15 percent for the next two size groups and down to 10 percent for nonprofits with $10 million to $40 million and 11 percent for those with over $40 million. Even after taking size into account, boards of cultural organizations are also more likely to include relatives, a finding consistent with the greater likelihood of donors to culture to be couples rather than individuals and the propensity of cultural boards to maintain family connections (Ostrower 1995, 2002). The reasons for, and consequences of, these findings bear further investigation.

Conclusions and Implications

This study has presented findings from the first national representative study of nonprofit governance. Our findings confirm that one cannot generalize automatically from studies of one particular type of nonprofit (such as the large, predominantly human service boards studied in the past) to nonprofit boards in general because the variations are so extensive. Therefore, those proposing policy initiatives and good governance guidelines to strengthen nonprofits must assess the differential impacts on various types of nonprofits and weigh these carefully beforehand. Our findings offer several other implications for policy and practice, and allow us to assess the prevalence and assumptions of some of the themes that have dominated recent discussions.

Findings indicate that the impact of the public policy environment on nonprofit governance goes beyond formal legislation and regulations aimed at nonprofits. Therefore, researchers and others concerned with public policy and management need to consider the potential impacts of policy developments in other sectors for nonprofit boards.

Sarbanes-Oxley, directed at corporate governance, is a case in point. Policy developments and discussions in other sectors, as it shows, can have an impact on the general climate, wider norms, and expectations about organizational behavior that influence nonprofits. Furthermore, nonprofit trustees move between different sectors and, therefore, bring norms and practices from other sectors with them—as witnessed by the impact of having corporate board members on nonprofit boards.

Indeed, even the perceived potential for additional legislation and scrutiny can apparently mobilize various associations of nonprofits to promulgate major debate and new sets of guidelines to members, as witnessed in the plethora of guidelines and assessments issued in the wake of Sarbanes-Oxley and ongoing reaction to hearings and statements by the Senate Finance Committee. In this respect, it will be of great interest to follow whether the mere inclusion of questions about certain practices (such as the conflict of interest policy) on the annual IRS Form 990 that nonprofits are required to file will promote adoption of those practices—even though these are not mandatory.

An important area for future research, too, would be to assess the extent to which nonprofit associations have an impact on nonprofits' governance practices through the mediating role they play between their nonprofit members and the public policy environment. One of the reasons that smaller nonprofits may be less likely to have adopted even less costly accountability practices advocated is that they may not be as likely to be members of such associations and, thus, may feel less aware of, or impacted by, concerns about potential legislation conveyed by associations to their members. They may also be less aware of or have less access to the types of model templates (e.g., for conflicts of interest policies) made available by such associations.

Our findings indicate that considerable caution should be exercised, however, before adopting practices from other sectors. In the case of the corporate sector, having the CEO/executive director serve as a voting board member is a case in point. While a substantial minority of nonprofits have adopted this corporate-style practice, our findings repeatedly show that to do so results in a less engaged board and may undermine the very stewardship role with which board members are charged.

Results show that some debates over policy and practice make questionable assumptions about what strengthens and weakens board performance. The assumption that larger board size weakens boards was not supported, and apparently has some positive impact—including higher fundraising levels and greater diversity. Study findings also underscore the need for efforts to strengthen nonprofit governance to distinguish practices that are limited to fairly small percentages of nonprofits from those that are widespread and therefore truly have implications for the operation of the sector as a whole. Whether or not the practices of making loans or compensating board members are objectionable ones or result in abuses that need to be corrected at some nonprofits, action taken in these areas will not have an impact on the vast majority of nonprofits who do not make such loans. On the other hand, our findings show that many nonprofits are engaged in buying or renting goods or services from board members, which sometimes does apparently yield savings in the way of below market rates—but more often does not.

Our data do not (and cannot given their nature) tell us whether or not these practices are in the best interest of the nonprofit, but they strongly confirm that this is an important area in which appropriate policies and procedures need to be in place among more nonprofits. Smaller nonprofits that engage in financial transactions need to have more formal policies in place to regulate these and larger ones need to more often have other board members review such transactions for appropriateness. Furthermore, research is needed to determine what the content of these policies and procedures are in order to determine whether they are adequate to help ensure that these transactions do not undermine board members' duty to act in the organization's best interest. Our research, however, offers some support for the argument that prohibiting or penalizing such transactions would disproportionately hurt small nonprofits, and thus argues for the need to recognize the potential negative impact of imposing legal restrictions

Our findings further imply that even as accountability dominates the agenda, attention must be focused on performance. Substantial percentages of boards are simply not actively engaged in various basic governance activities—and if anything, this study, based on self-reports, likely understates the problem. Furthermore, we find a level of insularity among nonprofit boards in certain respects that is not consistent with their public-interest-serving mandate. This is true in the areas of composition, where we saw high levels of ethnic and racial homogeneity. It is also true in terms of the board's engagement in externally oriented activities, particularly among larger nonprofits. Failure to engage more extensively in community relations may contribute to boards' seeming lack of awareness about potential public reaction to some of the controversial practices and decisions that have been widely publicized in various scandals.

Regardless, the need for public legitimacy and support is important for nonprofits as a whole, including those faithfully and prudently carrying out their mission—and an isolated board does not help to advance that mission. Likewise, boards are supposed to help nonprofits bring in resources and support from the environment; our findings about fundraising certainly confirm a widespread lack of engagement in that area.

Our findings indicate that as important as they may be, best practice guidelines or adopting new policies will not be sufficient to strengthen board performance and accountability. Our findings repeatedly emphasize the importance of various recruitment criteria and the ability to obtain board members willing and able to carry out board functions. Our findings point to the positive value of certain recruitment criteria, such as a willingness to give time, but sound a strong caution against recruiting people because they are friends of current board members. The findings further demonstrate the negative consequences of focusing too exclusively on individual criteria. For instance, too much focus on fundraising ability negatively bears on the board's performance of some internal oversight responsibilities. While this may sound obvious, it is surprising how many boards seem not to attend adequately to who and how they recruit, and whether their selection processes align with intended goals—even nonprofits that can pick and choose from prospective members.

Finally, and particularly in light of the growth in the nonprofit sector, this study's findings point to the need for major public and private initiatives to increase the availability of board members. Seventy percent of nonprofits are having difficulty recruiting board members, and 20 percent are finding it very difficult. Greater difficulty obtaining board members was negatively related to board engagement in every board practice. Additional research is needed to better understand the barriers to obtaining board members. Sound practices and policies must be coupled with investment in people, by helping nonprofits obtain individuals willing and able to serve and implement those practices.

Notes

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1. See Ostrower and Stone (2006) for a review of the board research literature.
2. See Senate Finance Committee Staff Discussion Draft at http://www.finance.senate.gov/hearings/testimony/2004test/062204stfdis.pdf.
3. See "Good Governance Practices for 501 (c)(3) Organizations" at http://www.irs.gov/charities/charitable/article/0,,id=167626,00.html.
4. See "Draft Principles for Effective Practice" at http://www.nonprofitpanel.org/selfreg/all_principles_revised.pdf.

5. This publication presents frequencies of current adoption of Sarbanes-Oxley related practices among respondents as a whole, and by organizational size.
6. Full logistic regression results are presented in the appendix at http://www.urban.org/url.cfm?ID=411479. Here and elsewhere in this report, when we say that two variables are related it means that the relationship is statistically significant at or below the .05 level.
7. The relationship with having a document retention policy disappeared once size was taken into account.
8. We are grateful to Marion Fremont-Smith for providing us with information about state laws regarding audits. Given the multiplicity of conditions in addition to size that trigger the audit requirement in some states, our coding represents an approximation. If we had more detailed data that would allow a precise determination, the relationship found would probably be even larger.
9. Given reporting requirements imposed by some foundations, we expected to see a positive relationship between foundation funding and having an audit, but that proved not to be the case.
10. http://www.irs.gov/pub/irstege/good_governance_practices.pdf.
11. New Mexico Attorney General, http://www.ago.state.nm.us/divs/cons/charities/nmboardguide.htm
12. "Comments on Discussion Draft on Reforms to Oversight of Charitable Organizations" at http://www.independentsector.org/PDFs/roundtable.pdf. See also the statement submitted by Audrey R. Alvarado, executive director of the National Council of Nonprofit Associations, to the Senate Finance Committee, which cautions against the "undue hardship" for small and mid-size nonprofits at http://www.senate.gov/~finance/Roundtable/Audrey_A.pdf.
13. See, for example, Marion R. Fremont-Smith's comments at http://www.senate.gov/~finance/Roundtable/Marion_F.pdf.
14. http://www.irs.gov/charities/charitable/article/0,,id=167626,00.html.
15. By size categories, the percentages are as follows: under $100,000 (15 percent); $100,000 to $500,000 (18 percent); $500,000 to $2 million (27 percent); $2 million to $10 million (34 percent); $10 million to $40 million (42 percent); and over $40 million (45 percent).
16. Percentages exceed 100 because nonprofits could engage in multiple financial transactions with board members so that any single organization could report up to three categories.
17. See previous endnote.
18. http://www.nonprofitpanel.org/selfreg/
19. Approximately 1 percent compensated some board members and approximately 1 percent compensated all board members.
20. The percent drops to 6 for nonprofits with $10 to 40 million, to 3 percent for those with $2 to 10 million, and then under 2.2 percent for all other size categories.
21. For figures on compensation at private foundations see Boris et al. (2006).
22. Average attendance among boards that compensate no members is 77 percent, compared with 81 percent among those that compensate some or all members and 88 percent among those that compensate all members.
23. These responsibilities are rooted in the legal definition of board's basic duties (Brody 2006; Ostrower and Stone 2006).
24. Only 10 percent were very active and another 26 percent were somewhat active. The percentages were somewhat higher, though, among nonprofits that consider advocacy one of their major activities (13 percent were reported as very active and 35 percent as somewhat active).
25. One hypothesis is that nonprofits use their advisory committees for external activities in lieu of the board, but this was not supported. Having an advisory committee was positively associated with board activity in educating the public. In the case of community relations, boards of organizations with advisory boards were somewhat less likely to be very active (26 versus 28 percent), but more likely to be somewhat active (45 versus 41 percent), and less likely to be inactive (29 versus 31 percent).
26. The areas that received "excellent" ratings from the highest percent were financial oversight and setting policy (42 percent), and for those with a paid CEO, evaluating the CEO/executive director (48 percent).

27. "Not applicable" was offered as an option, so respondents would not have to rate their board's performance on activities that were not considered part of the board's responsibilities. Cases that responded "not applicable" are excluded from the base for calculating percentages.
28. Full OLS regression results are available in the appendix at http://www.urban.org/url.cfm?ID=411479.
29. Two exceptions were the negative association between size and monitoring programs, and the greater likelihood for nonprofits with $40 million or more in annual expenses to actively try to influence public policy.
30. Our age variable is constructed from the ruling date (i.e., the date the nonprofit obtained formal recognition of its tax exempt status) in the IRS Business Master Files, which Urban Institute National Center for Charitable Statistics (NCCS) "typically uses … as a proxy for age." NCCS advises bottom coding dates prior to 1970 (to 1970) due to less reliable data for prior years, and we did. NCCS reports that most nonprofits (85 percent) have rule dates of 1970 or later (and 92 percent of 1960 or later). See http://nccsdataweb.urban.org/faq/detail.php?linkID=762&category=83. Still, there may be variations among boards of older organizations that our analyses do not capture.
31. That is, by comparison with non-arts organizations that are comparable with respect to size, reliance on private funding, and emphasis on fundraising as a criterion for recruitment.
32. As in the Senate Finance Committee's white paper draft, which proposed limiting size to 15. Board size and the appropriateness of limiting it continued to be debated, for instance, at a roundtable convened by the Senate Finance Committee staff in March, 2006. See http://www.independentsector.org/programs/gr/governance.html.
33. On average, boards had 13 members, with a median of 11. Twenty-six percent had more than 15 members, most of whom (59 percent) said it would be difficult for them if they were required to limit board size.
34. When multinomial logistic analysis was used instead of OLS regressions, this last relationship, with acting as a sounding board for management, was no longer significant.
35. The relationship with emphasizing gender diversity warrants further investigation. Considered alone, emphasizing gender diversity was positively associated with having minorities on board, but the relationship becomes negative once a control for emphasizing racial and ethnic diversity, with which emphasizing gender diversity is positively associated, is entered.
36. However, one exception is that even with controls for other variables, organizations in the $10–40 million range did remain significantly more likely to have a higher ratio of minority members on the board than were organizations in the under $100,000 category, but did not differ from those in other size groups.
37. The adjusted r-square for the model was 34. Other variables in the model, including whether the organization has term limits, other funding variables, other recruitment criteria, and whether organizational members elect one or more members, were not significant.
38. Summarized in Ostrower and Stone (2006).
39. Other variables, including board size, whether members elect one or more board members, other recruitment criteria, and other funding sources were not significant. The adjusted r-square for the model was 21.
40. The percentage was 69 for nonprofits with under $100,000 and between 77 and 80 percent for all other size groups.
41. Medians indicate even more concentration in business (60 percent). The median for self-employed is 13 percent and zero for other categories.
42. Among nonprofits with no paid CEO/executive director, the figure is considerably higher—61 percent.

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