## NEEDS ASSESSMENTS

# Capital and technical assistance needs of Georgia's health-related nonprofits: An exploratory study

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**ABSTRACT**

**Background:** Nonprofit organizations, particularly those related to health and human services, are involved in addressing needs of the American population. They provide an array of services in small and large communities throughout the United States. Compared to for-profit organizations, health-related nonprofits are increasing in number. Despite having a substantial share of the health care market, nonprofit organizations face difficulties delivering services to those in need. The difficulties faced by rural nonprofits may be greater than those for their urban counterparts. The impetus for this study came from Healthcare Georgia Foundation's goal of strengthening nonprofits to address the burgeoning health inequities in Georgia. The purpose was to gain a better understanding of the capital and technical assistance needs of health-related nonprofits. The specific aim was to answer a set of exploratory questions.

**Methods:** This study utilized exploratory, descriptive methodology to examine the capital and technical assistance needs of health-related nonprofits in the state of Georgia. Organizational management staff was used as the unit of analysis. A cross-sectional, correlational design was used to gauge participants' views about their organization's current needs. The sample consisted of 48 rural and 45 urban/metropolitan nonprofits.

**Results:** The findings provide information related to the capital and technical assistance needs of rural and urban health-related nonprofits in Georgia and reveal specific needs of nonprofits focusing on health and social services.

**Conclusions:** The results have public health implications for a state that currently faces various public health challenges. Nonprofits located in rural areas could use more technical assistance in reaching their funding goals.

**Key Words:** nonprofits; health; capital needs; technical needs; rural; health equity

**doi: 10.21663/jgpha.5.416**

## INTRODUCTION

Nonprofit organizations, particularly those that are related to health and human services, are involved in addressing needs of the American population. They provide an array of services in small and large communities throughout the United States. When compared to for-profit health and human service organizations, health-related nonprofits are growing (Dees & Anderson, 2004; Hodgkinson, Weitzman, Abrahams, Crutchfield, & Stevenson, 1996; Metcalfe, 2002), and they have a substantial share of the U.S. health care market. For example, health-related nonprofits care for approximately 70 percent of all inpatient cases in acute care hospitals (Wyland, 2014). Additionally, they provide a considerable share of specialty mental health treatment and substance abuse treatment (Frank & Salkever, 1994).

Despite having a substantial share of the health care market, nonprofit organizations face difficulties delivering services to those in need. Although many nonprofits are finding an increased demand for their services, they are faced with shrinking budgets (Kirchhoff, 2003; Wyland, 2014). For nonprofits, the two largest revenue sources, fee-for-service and government contracts, have declined in recent years (Kirchhoff, 2003; Respaut, 2014). The creation and sustaining of nonprofits relate to their access to capital (Needleman, 2001). As with for-profit organizations, nonprofits must have capital to achieve their goals. Hence, distinctive funding mechanisms must be utilized to assist nonprofits in obtaining needed capital (Garthwaite, Gross, & Notowidgdo, 2015; Katz & Sims, 2015; Respaut, 2014; Schlesinger & Gray, 2005).

The purpose of this study was to gain a better understanding of the capital and technical assistance needs of health-related nonprofits in the state of Georgia. Special emphasis was placed on the differences in assistance needs of urban and rural health-related nonprofits. The specific aim was to answer a set of exploratory questions:

1. What are the capital needs of health-related nonprofits in the state of Georgia?
2. What are the technical assistance needs related to obtaining capital?

3. Do health-related nonprofits located in rural and urban settings differ in capital and technical assistance needs?

## METHODS

### Research Design
This study utilized exploratory, descriptive methodology to examine the capital and technical assistance needs of health-related nonprofits in the state of Georgia. Organizational management staff were used as the unit of analysis. A cross-sectional, correlational design was employed to gauge participants' views about their organization's current needs.

### Operationalization of the Research Procedures
The Georgia Small Business Lender, Inc. (GSBL) (a Certified Development Company for the Small Business Administration (SBA) 504 loan program in the state of Georgia) along with one of the authors secured funding for this study via the Healthcare Georgia Foundation. Prior to conducting the study, a meeting was held between Mercer University School of Medicine faculty members and GSBL staff, who were introduced to the study methods. During this time, questions were encouraged, and any points of confusion were clarified. The study questionnaire was pilot tested prior to being mailed to potential study participants.

The data came from health-related nonprofits in the state of Georgia. Organizational managers/executives were invited to participate, but were not compensated for their participation. A cover letter attached to the questionnaire explained the purpose of the study. The Mercer University School of Medicine Institutional Review Board (IRB) approved the procedures.

### Study Sample
The study sample consisted of a list of health-related nonprofit organizations in Georgia, as compiled by members of the research team. The final list consisted of organizations that were included in the Guide Star and Melissa databases, which list various nonprofit organizations in the U.S. A probability sample was used to select participants for the study and a two-stage systematic random sample to select the participants. The first stage consisted of choosing every third name on the final list. To ensure that rural nonprofits had proportional representation, they were over-sampled. Hence, the second stage of the sample selection consisted of choosing additional rural nonprofits. This stage involved choosing every third rural nonprofit that was not chosen in the first stage.

Questionnaires were mailed to 621 potential participants, 330 rural and 291 urban/metropolitan. Of these, 71 were undeliverable. Thus, the researchers had a possible sample of 550. The final sample consisted of 48 rural and 45 urban/metropolitan nonprofits. After completion, the questionnaires were returned to the investigators in sealed envelopes. No information was obtained on any of the nonparticipants. For the purposes of statistical analyses, each nonprofit served as the unit of analysis.

### Measures
The questionnaire consisted of four sections: 1) fund development issues, 2) need as related to fund development, 3) technical assistance needs, and 4) organizational background information. A letter was attached explaining the purpose of the study and providing instructions on how to complete the questionnaire. Respondents were informed that participation was on a voluntary basis and that all information was confidential. The questionnaire was pilot-tested with health-related nonprofits in the middle Georgia area. Completion of the 6-page questionnaire required approximately 15-20 minutes.

Since the study was exploratory, the research team did not engage in testing of a hypothesis. A literature search was conducted to assist in selection of variables, which were chosen based on those that were pertinent to capital (funding) needs of nonprofits.

*Fund Development Focus*. A Likert-type rating scale of seven items was created to assess each organization's focus on fund development. The ratings were made on seven-point scales ranging from *strongly disagree* (1) to *strongly agree* (7). Items that were worded positively indicated that the organization had a more "progressive" approach to fund seeking. That is, the organization tended to do a better job at seeking funding consistent with the organization's mission. Items that were negatively worded indicated that organizations needed help when seeking funds to carry out their mission. Prior to summing the items, negative items were reverse-coded. The 7-item scale had an alpha reliability of 0.52, indicating that the internal consistency of the scale was somewhat low. Higher scores indicated a stronger fund development focus, and lower scores indicated a weaker focus. Sample questions are included in the Appendix.

*Needs as Related to Fund Development*. This section of the questionnaire pertained to the funding needs of the organizations. Respondents were asked to answer six questions related to their organization's funding needs. The first question focused on the organization's greatest problem in serving rural and underserved communities. The second focused on the organization's short-term needs or plans. The third focused on the amount of financing required to address any short-term need or plans. The fourth focused on the organization's long-term needs or plans. The fifth focused on the amount of financing required to address any long-term need or plans. Finally, the sixth question focused on features the organization looked for in private loans/banks for addressing its capital needs. Sample questions are included in the Appendix.

*Technical Assistance/Training Needs*: A Likert-type rating scale was created to assess the technical assistance/training needs as related to fund development. This scale consisted of eight items, and ratings were made on seven-point scales ranging from *strongly disagree* (1) to *strongly agree* (7). Items that were worded positively indicated that the organization did not need extensive technical assistance/training in fund development. Items that were

negatively worded indicated that the organization needed technical assistance/training in fund development. Prior to summing the items, negative items were reverse coded. The 8-item scale had an alpha reliability of 0.64, indicating that the internal consistency of the scale was somewhat low. Higher scores indicated less technical assistance/training needs, and lower scores indicated more technical assistance/training needs. Sample questions are included in the Appendix.

*Background Information*: This section, with 17 questions, ascertained descriptive information about each organization. Sample questions related to: 1) the respondent's position in the organization, 2) the mission of the organization, 3) services provided by the organization, 4) the year the organization was established, 5) full-time equivalent employees, 6) organization location (i.e., county), and 7) source funding for the prior year. This section included qualitative questions, which added a "richer" dimension to the overall study.

## Data Analysis

Univariate analyses (i.e., descriptive statistics) were primarily used to analyze and interpret the data. Bivariate correlational analyses, however, were conducted to investigate relationships between selected study variables. The bivariate analyses were not based on any particular theory or model but were conducted from an exploratory basis. The data analyses were conducted with the statistical package for the social sciences (SPSS).

## RESULTS

### Characteristics of the Respondents and Organizations

The sample characteristics include the background variables. As noted above, the rural and urban distinction was based on the 2000 U.S. Census definition. Urban was defined as an area with a population above 50,000 persons; rural was defined as an area with a population below 50,000 persons. Based on this definition, there were nine cities listed as urban (U.S. Census Bureau 2000).

The sample respondents were almost evenly split between rural and urban settings (Table 1). Of the respondents, 80 percent considered themselves to be executive-level managers (e.g., CEO or president); 7 percent reported that they were board members; and 6 percent stated that they were mid-level managers (e.g., coordinators or program directors). The remaining respondents, 4 percent, stated that they were direct line staff (e.g., counselors) (data not shown).

The respondents were asked to give the date that their organization was created. Based on the responses, the researchers calculated the number of years an organization had been in existence. The range was 99 years, with the oldest organization being 100 years old. The mean number of years was 18; the median was 13. Of the organizations, 24 percent had been in existence for more than 25 years; 39.7 percent had been in existence for 10 years or less.

Overall, there was considerable variation in how long the organizations had been in existence.

Most of the organizations had a small number of full-time equivalent employees. Of the respondents, 48 percent reported that they employed fewer than 5 full-time employees (data not shown). The number of employees ranged from 1 to more than 3,000. Overall, there was considerable variation in the number of full-time employees.

Of the respondents, 50.1 percent reported that their organization's annual budget was greater than $325,000 (Table 1). Some organizations had budgets greater than $1,000,000. In contrast, 18.3 percent of the organizations had a budget under $25,000; 27.5 percent reported an annual budget between $25,000 and $325,000.

Of the participants, 34.4 percent indicated that government contracts and grants were the most common sources for funding (Table 1). Fee-for-service, at 29.0 percent, was the second most common source. Of the respondents, 13.9 percent reported that their organization received private donations. The remaining sources of funding included private donations (4.3 percent), special fund-raising events (6.4 percent), and other sources (9.6 percent). Of the respondents, 2 percent reported that their organizations were evenly split on the types of funding received (government contracts/grants and fee-for-service). Consistent with the most common sources of funding, respondents were asked to give their preference for the source of funding. Of the respondents, 30.1 percent preferred fee-for-service; 24.7 percent preferred private donations. Government contracts (18.3 percent) and foundation grants (14.0 percent) were the next most preferred sources of funding.

Given the challenges to balancing budgets in tight fiscal times, particularly for nonprofits, study participants were asked about how well their organization performed during the last fiscal year. Of the respondents, 35.4 percent reported that their organization operated at a net financial loss; 33.3 percent stated that their organization operated at a gain; 29.0 percent stated that their organization had neither a surplus or a gain.

The number of persons being served by each organization varied considerably, ranging from one to 125,000. Much of this variation probably had to do with the way respondents viewed how the organization accomplished its services. Some organizations were probably focused on specific issues within the community; others, such as nonprofit hospitals, focused on various issues across one or more counties. The median number of persons served was 500. Of the respondents, 46.2 percent reported that the largest percentage of their agency's clients/patients/consumers were White; 26.8 percent reported that the largest percentage of their clients/patients/consumers were Black; 13.9 percent believed that their clients/patients/consumers were evenly split between Blacks and Whites. Hispanics comprised 5.4 percent. No other racial/ethnic groups represented a large percentage of clients/patients/consumers. These percentages

are similar to Georgia's overall population (U.S. Census Bureau, 2014).

Study participants were also asked to list the largest percentage of clients who were female or male; 63.9 percent reported that most of their clients are female. Hence, many of the nonprofits are providing gender/sex-specific services. Table 1 summarizes the characteristics of the entire sample.

**Table 1. Characteristics of the study sample**

| Characteristics | Frequencies | % |
|---|---|---|
| **Location** | | |
| Rural | 48 | 51.6 |
| Urban | 45 | 48.4 |
| **Position within organization** | | |
| Executive-level management | 74 | 79.5 |
| Board member | 7 | 7.5 |
| Mid-level management | 6 | 6.5 |
| Direct line staff | 4 | 4.3 |
| Missing | 2 | 2.2 |
| **Number of years in existence** | | |
| 1 - 10 | 37 | 39.7 |
| 11 - 20 | 28 | 30.1 |
| 21 - 30 | 10 | 10.7 |
| 31 - 40 | 5 | 5.4 |
| 41 - 50 | 6 | 6.5 |
| 51+ | 5 | 5.4 |
| Missing | 2 | 2.2 |
| **Number of full-time staff** | | |
| 1 - 50 | 74 | 79.5 |
| 51+ | 17 | 18.3 |
| Missing | 2 | 2.2 |
| **Annual budget** | | |
| Under $25,000 | 17 | 18.3 |
| $25,001 to $75,000 | 9 | 9.6 |
| $75,001 to $125,000 | 6 | 6.4 |
| $125,001 to $175,000 | 3 | 3.1 |
| $175, 001 to $225,000 | 4 | 4.3 |
| $225,001 to $275,000 | 3 | 3.1 |
| $275,001 to $325,000 | 1 | 1.0 |
| $325,000+ | 47 | 50.1 |
| Missing | 3 | 3.1 |
| **Most common funding sources** | | |
| Fee for service | 27 | 29.0 |
| Gov't contracts and grants | 32 | 34.4 |
| Foundation grants | 4 | 4.3 |
| Private donations | 13 | 13.9 |
| Special fund-raising | 6 | 6.4 |
| Other sources | 8 | 9.6 |
| Missing | 3 | 3.1 |
| **Preferred funding sources** | | |
| Fee for service | 28 | 30.1 |
| Government contracts and grants | 17 | 18.3 |
| Foundation grants | 13 | 14.0 |

| Characteristics | Frequencies | % |
|---|---|---|
| Private donations | 23 | 24.7 |
| Special fund-raising | 3 | 3.1 |
| Other sources | 6 | 6.4 |
| Missing | 3 | 3.1 |
| **End-of-year operating outcome** | | |
| Net financial loss | 33 | 35.4 |
| Net financial gain | 31 | 33.3 |
| Neither a surplus or gain | 27 | 29.0 |
| Missing | 2 | 2.1 |
| **Number of persons served** | | |
| 1 – 100 | 29 | 31.2 |
| 100+ | 58 | 62.3 |
| Missing | 6 | 6.5 |
| **Race/ethnicity of majority population served** | | |
| African American/Black | 25 | 26.8 |
| Hispanic | 5 | 5.4 |
| White (non-Hispanic) | 43 | 46.2 |
| Evenly split | 13 | 13.9 |
| Missing | 7 | 7.5 |
| **Sex of majority population served** | | |
| Female | 55 | 63.9 |
| Male | 13 | 15.1 |
| Evenly split (female/male) | 18 | 21.0 |

## Fund Development Focus

A total scaled score was calculated for each participant. The highest possible score was 49, and the lowest possible score was 7. Lower scores indicated a weaker fund development focus; higher scores indicated a stronger focus. The scores ranged from 32 to 49, with a mean score of 42.7 (SD = 3.5). The median score was 42, and the mode was 40. Overall, the scores were somewhat normally distributed. Kurtosis and skew were, respectively, 0.29 and -0.18, suggesting a relatively normal distribution.

## Need as Related to Fund Development

This section of the questionnaire sought to determine the funding needs of the organizations. To assess these needs, six questions were developed. The first focused on the greatest problem in serving rural and underserved communities. Study participants could choose one of three responses: 1) lack of funding to provide service, 2) increasing customer/client/patient base, and 3) other. Of the respondents, 70 percent believed that their largest problem was a lack of funding to provide services.

## Technical Assistance/Training Needs

Similar to the section on fund development, a scale was created to examine technical assistance/training needs as related to fund development. As with fund development, a scaled score was also obtained for technical assistance related to fund development. The highest possible score was 56; the lowest possible score was 8. Lower scores indicated a lesser need for technical assistance; a higher score

indicated a greater need for technical assistance. The scores ranged from 34 to 56, with a mean score of 45.8 (SD = 4.5). The median score was 46, and the mode was 48. Overall, the scores were somewhat normally distributed. Kurtosis and skew were, respectively, 0.27 and 0.07, suggesting a relatively normal distribution.

Bivariate analyses were conducted on selected variables. Since this study did not set *a priori* presumptions, all bivariate analyses were conducted from an exploratory standpoint. Additionally, only selected variables were chosen for bivariate analyses. Specifically, bivariate analyses were conducted on each question within two scales: fund development and technical assistance. Comparisons were made between nonprofits located in rural and urban settings. T-tests were conducted to assess differences in rural and urban settings.

As related to questions in the fund development scale, there were no statistically significant differences between rural and urban settings or between rural and urban settings related to the overall fund development score. Thus, nonprofits located in rural and urban settings faced similar fund development issues.

There were no statistically significant differences related to questions in the technical assistance scale. There was, however, a statistically significant difference between rural and urban nonprofits as related to the question of whether an organization meets its funding goals ($p < 0.05$). The mean

scores for respondents in rural settings (M = 3.54) were significantly higher than for respondents in urban settings (M = 2.63). These results indicate that nonprofits located in rural areas could use more technical assistance in reaching their funding goals.

## DISCUSSION

The impetus for this study came from Healthcare Georgia Foundation's goal of strengthening nonprofits in the state of Georgia. Healthcare Georgia promotes activities that improve health and healthcare among underserved individuals and communities (Healthcare Georgia Foundation, 2016). The present study focused on capital and technical assistance needs of health-related nonprofits. The purpose was to identify needs as related to funding and technical assistance needed to obtain funding. Analyses were conducted to address a set of exploratory research questions.

The findings of the study provide information related to the capital and technical assistance needs of health-related nonprofits in Georgia. The first question related to the capital needs of health-related nonprofits. Although nonprofit health and social service organizations struggle financially, there are no recent data for policy-makers and potential funding organizations to evaluate from a state-wide perspective. Most financial needs are communicated anecdotally at best – usually in the form of grant proposals.

For this exploratory study, there are limitations relating to study participants and the measures used. First, the participants were primarily executive-level managers and "front-line" staff, who may give biased opinions. Ideally, a study should compare the opinions of various persons within an organization. Such a study could be conducted via face-to-face interviews within each organization.

Additionally, the lack of association observed for some of the background variables with fund development and technical assistance may be related to operational precision. As noted earlier, the internal consistency in each of the scales was somewhat low. However, the question items in the scales are indicators of need. Additional qualitative work may discover indicators that would provide a higher internal consistency.

## CONCLUSIONS

These findings provide a better understanding of the capital and technical assistance needs of health-related nonprofits in Georgia. Further study and discussion should be related to marketing of funding and technical assistance sources to health-related nonprofits. Despite the recent implementation of the Affordable Care Act, it is not clear how health-related

nonprofits, especially nonprofit hospitals, will continue to serve in today's health care marketplace (Rothberger, 2013). Since nonprofits rely heavily on traditional funding to operate (Kirchoff, 2003; Schlesinger & Gray, 2005; Wyland, 2014), other sources, such as low interest loans, may be a viable choice for some nonprofits.

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# APPENDIX

*Fund development focus* sample items include:
1. This organization regularly applies for grants that are outside the mission of the organization.
2. In tight fiscal times, it is necessary to secure any grant that becomes available.
3. This organization systematically seeks funds that reinforce the mission of the organization.
4. This organization has a heavy reliance on one primary source of funds.
5. Staff members of this organization are discouraged from seeking grants that might distract the organization from its mission.
6. This organization adheres to a strong fiscal plan for seeking funds.
7. This organization regularly collaborates with other organizations when seeking funds.

*Need as related to fund development* sample items include:
1. What is your biggest problem in serving rural and underserved communities?
2. Does your organization have any short-term need or plans for any of the following? (Check all that apply)
3. What is the total amount of financing required for the above short-term project(s)?
4. Does your organization have any long-term need or plans for the any of the following? (Check all that apply)
5. What is the total amount of financing required for the above short-term projects(s)?
6. What features do you look for in private loans/banks for capital needs?

*Technical assistance/training needs* sample items include:
1. This organization does a good job with debt management.
2. This organization could use assistance on how to deal with grant/equity challenges.
3. This organization does a good job on locating potential funding sources.
4. This organization could use assistance on strategic planning.
5. This organization does a good job on developing business plans.
6. This organization could use assistance on grant writing.
7. This organization has established funding goals.
8. This organization never meets its funding goals.