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**Comparative Analysis of the Financial Performance of Nonprofit Organizations:
Focusing on the Franklin County Senior Activity Center.**

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April 21, 2010**

**Capstone in Public Administration
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Executive Summary

The Franklin County Senior Activity Center is a nonprofit organization founded in 1966 to provide services to help older residents lead independent lives. Cooperating with twelve board members, a staff of 24 people operates the Center and makes huge efforts to accomplish its mission. The mission of the Center is to contribute to and empower the quality of life of the aging citizens in Frankfort and Franklin County, Kentucky. The Center delivers various public services to them including opportunities for socialization, health promotion, benefit counseling, transportation service, home care service, recreation and exercise programs, adult day care, caregiver support, and nutritious meals. However, the Center is facing a deficit in its operating budget, and board members want to know how the Center manages its financial performance.

Using the line items of IRS Form 990s this study evaluates the financial performance of the Center, and compares it with other similar organization's financial performance. This study chooses seven organizations that are categorized as same nonprofit organizations, and that have similar size of budget. Financial performance of all organizations is measured by three sub-financial performance ratios: fiscal performance, fundraising efficiency, and public support ratio. Compared with other organizations, the result of measuring the financial performance of the Center indicates that the Center is a little behind in all three financial performance categories.. To improve its financial performance, the Franklin County Senior Activity Center and other organizations may be required to follow the recommendations that this study suggests. First, all organizations, except Guardia Care Services Inc, need to create an effective management strategy in program expenses. Second, all organizations, except Guardia Care Services Inc, need to recognize the importance of fundraising activity. Finally, all organizations need to invite board members who have some financial institution background to discuss the management strategy for improving its financial performance.

Introduction

Generally, the financial weakness of a non-profit organization limits the quality and quantity of services that it provides to people. Especially, during the era of economic crisis, like today, a non-profit organization may be in a difficult financial condition as a result of decreasing funding from the government or donors. Thus, nowadays, it is more important for a non-profit organization to maintain strong financial condition to sustain its existing level of services. If a nonprofit organization reduces its service offerings when an external financial shock like the economic crisis occurs, the organization can be defined as financially vulnerable (Tuckman and Chang, 1991). To understand whether an organization is financially vulnerable or not, an organization should know its current financial performance. Of course, most directors and staff members of non-profit organizations usually monitor their organizations' revenue and expenditure. However, as Siciliano (1996) empirically studied, some organizations have board members, staffs and directors who have financial management training, while other organizations have board members, staff members and directors with limited backgrounds in financial management. As a result, board members, staff and directors who have limited backgrounds in financial management have difficulty understanding and improving their organization's financial performance.

Why is financial performance of nonprofit organizations important? First, nonprofit organizations have substantial employment impacts. In 2001, the number of employed persons in nonprofit organizations was already approximately 12.5 million (www.colliers.com/04/08/2010). If many nonprofit organizations are under financial vulnerability, they may have to cut the number of staff members, as well as their service offerings. Thus, the financial performance of nonprofit organizations has significant impacts on employments. Also, reducing

service offerings to respond financial pressures will increase the demand for delivering those services by the government. This situation might increase the government's expenditures to deliver those services. Or, if the government does not deliver those services, people will have to live without the services.

Moreover, as Douglas (1987) and Weisbrod (1988) pointed out, nonprofit organizations play an important role in satisfying the minority's demands for public goods and services. During the economic crisis, the minority such as the elderly, the disabled, and the poor, will go through underprovided public services, as well as economic hardship, when financial vulnerability makes nonprofit organizations decide to reduce their service offerings.

Based on this background, this study measured non-profit organizations' financial performance based on financial analysis. Financial analysis uses financial statements and other sources of information that show the financial condition of an organization. Specifically, focusing on the financial analysis of the Franklin County Senior Activity Center, this study measured the financial performance of the Franklin County Senior Activity Center, and compared its result with similar organizations' results.

Overview of the Franklin County Senior Activity Center

Established in 1966, the Franklin County Senior Activity Center Board is composed of twelve board members and two advisers, all serving without pay. Also, a staff of twenty-four people operates the Center in the cooperation with twelve board members. Its mission is to enable and empower the aging citizens of Frankfort and Franklin County, Kentucky to maintain dignity and independence, in their homes, as long as possible by providing opportunities for

socialization, health promotion, benefit counseling, transportation service, home care services, recreation and exercise programs, adult day care, caregiver support, and nutritious meals.¹

The Franklin County Senior Center has had an operating deficit for the last few years. Specifically, in the 2008-2009 fiscal year, the operating deficit was \$31,895. Also, it is projected that the operating deficit will increase to \$58,207 in 2009-2010 fiscal year and \$63,231 in 2010-2011 fiscal year.² Board members want to know how the management of the Franklin County Senior Center compares to others in the region because it will help the board members better direct staffs' financial management. Also, they want to have a sense of what aspects of financial performance might be improved by looking at the practices of others.

Table 1. Expected Net Budget of the Franklin County Senior Activity Center

	2008-2009	2009-2010	2010-2011
(Deficit)	(\$31,859)	(\$58,207)	(\$63,231)

Research Question

Based on this background information, the research question of this study is: ‘compared to other non-profit organizations, where does the Franklin County Senior Activity Center stand financially?’ To answer this question, this study examined the financial performance of the Franklin County Senior Activity Center in three sub-categories of financial ratios: fiscal performance ratio, fundraising efficiency ratio, and public support ratio category.³ After that, the result of its financial performance was compared with other organizations’ financial performance.

¹ www.fcco.com (03/16/2010)

² Franklin County Council on Aging, Budget Subcommittee Analysis, (February 9, 2010.)

³ The reason why three ratios are used is suggested below in the section of Literature Review and Research Design.

Literature Review

The comparisons of financial performance among nonprofit organizations gained popularity in the 1960s and 1970s as the method to prevent publicized fundraising abuses. Since IRS Form 990 was required in the early 1940s, “the availability of IRS Form 990 and the accessibility of research datasets generated from these forms have substantially increased the comparison of the finances of nonprofit organizations.” (Nonprofit Overhead Cost Project, 2004) Especially, through the investigation of 350 organizations, Froelich et al. (2000) compared “the adequacy, reliability, and appropriate interpretation” of IRS Form 990 with each organizations’ audited financial statements. They concluded that IRS 990 Form has an adequacy and reliability for measuring financial performance of nonprofit organizations. Basically, IRS 990 form requires nonprofit organizations to report more detailed components of revenue and expenses than audited financial statements.

Since 1990s, there have been several empirical studies that measured the financial performance of nonprofit organizations using various financial ratios. (Green and Griesinger 1996; Greenlee and Bukovinsky 1998; Siciliano 1996, 1997) Among many studies, Tuckman and Chang (1991) mentioned the unreliability of applying financial ratios derived from private sector to nonprofit organizations and developed financial ratios applicable to nonprofit organizations firstly. They suggested four financial ratios to define whether a charitable nonprofit organization is financially vulnerable or not and applied the ratios to the sample organizations of 4,730 U.S charitable nonprofit organizations. The developed financial ratios are ‘Inadequate Equity Balances,’ ‘Revenue Concentration,’ ‘Low Administrative Costs,’ and ‘Low or Negative Operating Margins.’ Greenlee and Bukovinsky (1998) also attempted to provide key financial ratios for different types of charitable organizations. They pointed out that many

traditional financial ratios are not applicable to nonprofit organizations because “charities lack the profit motive common to for-profit organizations,” and “many charities rely on voluntary contributions from individuals and corporations rather than the sale of products or services.” They used the data of IRS Form 990 submitted by 20,000 charitable organizations, and suggested six financial ratios including ‘Defensive Interval,’ ‘Liquid Funds Indicator,’ ‘Accounts Payable Aging Indicator,’ ‘Savings Indicator,’ ‘Contributions \$ Grants Ratio,’ ‘Endowment Ratio,’ and ‘Debt Ratio.’ Also, they calculated the average ratio values of the sample groups, believing that the values “may be useful to auditors conducting analytical reviews of charitable organizations.”

However, as Ritchie and Kolodinsky (2003) said, there has not been enough empirical research to show the confidence in measuring financial performance of nonprofit organizations, while the importance of financial performance has been emphasized continuously. Thus, we need to consider which ratios are appropriate to measure financial performance of non-profit organizations. Using factor analytic techniques, Ritchie and Kolodinski (2003) examined financial performance ratios with data from IRS Form 990 line items. They analyzed sixteen financial performance ratios based on two phases, an exploratory phase and an application phase. In exploratory phase, they used factor analyses of sixteen financial performance ratios using both cross-sectional and longitudinal university foundation data. In an application phase, they applied the measures resulting from an exploratory phase using financial data of IRS Form 990. From the sixteen financial performance ratios suggested by various studies (Siciliano, 1996, 1997; Greenlee and Bukovinsky, 1998), they found that three ratios are useful to evaluate financial performance of non-profit organizations, and categorized those ratios as fiscal performance ratio, fundraising efficiency ratio, and public support ratio. Especially, their study supports the view of Herman and Renz (1999) that “nonprofit organizational effectiveness is multidimensional and

will never be reducible to a single measure.” That is, their study shows that the financial performance of an organization cannot be simply measured by a single ratio.

Research Design

Identification of units of analysis

The basic units of analysis are non-profit organizations, and the main focus of this study is the Franklin County Senior Activity Center. Specifically, the financial performance of the Franklin County Senior Activity Center was compared with that of other organizations. Basically, as Finkler (2004) said, financial comparison should be conducted among the organizations that have similarities in mission, size and budget. Thus, to compare financial performance of the Franklin County Senior Activity Center with others, this study selected other organizations that are classified in the same category with the Franklin County Senior Activity Center on the ‘GuideStar.org.’ ‘GuideStar.org’ is the website of GuideStar USA, Inc. It provides an informational service specializing in U.S. non-profit organizations. It updates information on more than 1.7 million IRS-recognized nonprofit organizations.

According to the ‘GuideStar.org’, the Franklin County Senior Activity Center is classified in the category of ‘Senior Center/Services.’ There are seventy-two organizations involved in this category in Kentucky. Among those organizations, twenty-one organizations did not provide IRS Form 990s that show their financial information, so those organizations were dropped from the objectives of an analysis in this study. Fifty-one organizations provide the elderly with social services such as health/nutrition care, home-care, home-meal, and recreation/socialization services.

Next, the organizations that have similar size budgets were selected. Including the Franklin County Senior Activity Center, a total of eight organizations were selected as the units of analysis of this study. Among them, however, ‘the Kings Daughter & Sons’ organization was dropped from the comparison group because it is a residential facility so it is not really comparable to the other centers that only offer day time services. The average budget of the organizations is \$788,244 and the range of their budget is from \$684,155 to \$934,454. Their total budgets are shown in Table 2.

Table 2. The Budget of Selected Organizations.

No	Name	Total Budget
1	Guardia Care Service Inc	\$934,454
2	Fivco Service Agency Inc	\$737,938
3	Christian County Senior Citizens Inc	\$747,843
4	Danville-Boyle County Senior Citizens Inc	\$684,155
5	Pike County Senior Citizens Program Inc	\$896,121
6	Franklin County Senior Activity Center	\$830,528
7	Paducah McCracken County Senior Citizens Inc	\$686,672

* Source: IRS Form 990s (2009)

Structure of the design

The basic structure of the research design is comparative analysis. This study measured the financial performance of each organization, and compared the results with others’. As Finkler (2004) said, comparisons in financial performance can be made with the industry, other organizations or with an organization’s own data over a 3 to 5 year period. Thus, this study

measured the financial performance of each organization yearly and compared its average and trend.

How to measure

Basically, financial performance in this study was measured from 2007 to 2009 in three sub-categories of financial ratios: fiscal performance, fundraising efficiency, and public support category. Of course, there are many financial ratios to measure an organization's financial performance. However, the line items of IRS 990 Form that are required by the ratios suggested in 1990s do not match with current line items of IRS 990 Form. Also, using both cross-sectional and longitudinal data, Ritchie and Kolodinsky (2003) concluded that they could have the confidence that three financial ratios are reliable and appropriate to evaluate financial performance of nonprofit organizations. Thus, in this study, fiscal performance, fundraising efficiency, and public support ratios suggested by Ritchie and Kolodinsky (2003) are used. However, in the case of fundraising efficiency ratio, current IRS Form 990 does not provide the line items for that ratio, so the fundraising efficiency ratio suggested by 'Standards for Charity Accountability' (2003) will be used.

First, the fiscal performance ratio shows the fiscal-management status of each organization, and this category is calculated as the ratio of total revenues to total expenses (Siciliano, 1997). However, in this study, the fiscal performance ratio needs the adjustment to reflect additional revenue sources of nonprofit organizations that are separately filled in balance sheet in 990 Forms. Basically, all nonprofit organizations keep their reserves like cash and bequests. These reserves are used to offset the operating deficit. Without considering reserves, the fiscal performance ratio can give an incorrect view of the fiscal performance of nonprofit organizations. Thus, in this study, the fiscal performance is calculated by the ratio of the sum of

total revenue and reserves to total expenses. A ratio of 1.00 means that total revenue including reserves equals total expenses. If the ratio is higher than 1.0, an organization could save some revenues. On the contrary, if the ratio is less than 1.0, an organization might fall in a deficit.

Second, the fundraising efficiency ratio measures the relationship between fundraising costs and total contributions and indicates the amount of contributions raised for each dollar of fundraising cost incurred (Greenlee and Bukovinsky, 1998). This ratio is calculated as the ratio of fundraising expenses divided by total contributions. As the ratio becomes lower, it shows greater efficiency (Hager and Flack, 2004). Typical standards say that nonprofits should spend no more than 25 to 50 percent of contributions on fundraising (Hager and Flack, 2004). Especially, Hager and Flack (2004) used 35 percent of contributions on fundraising as basic standard in their research. Also, 'Standards for Charity Accountability' by 'Better Business Bureau' (2003) emphasizes that a nonprofit organization should spend no more than 35% of contributions on fund raising.

Third, the public support ratio indicates the extent of an organization's dependency on direct public support and is calculated as the ratio of total contributions divided by total revenue. Public support includes gifts, grants, and other contributions from government and donors. A ratio that is high or increasing is not desirable because the contributions are very flexible and unpredictable (Greenlee and Bukovinsky, 1998). As Denison and Beard (2003) mentioned, an organization can be more vulnerable to financial shock when revenue sources are concentrated on a specific source. There is no standard for this ratio, but usually the lower ratio means the better performance because a nonprofit organization can be less vulnerable to financial shock when revenue sources are not concentrated on only a specific source like public support. Specific details of financial ratios and corresponding IRS Form 990 line items are in Table 3.

Table 3. Three Categories of Financial Ratios and Line Items of IRS Form 990

Fiscal Performance*	Total revenue plus Reserves divided by total expenses ((line 12+line 22)) ÷ line 17)
Fundraising Efficiency**	Fundraising expenses divided by total Contribution (gifts, grants, and other contributions) (line 44D ÷ line 1E)
Public Support*	Total contributions (gifts, grants, and other contributions) divided by total revenue (line 1E ÷ line 12)

* Source: Ritchie and Kolodinsky, 2003, 371p

** Source: ‘Standards for Charity Accountability’ (2003)

Source of the data

To measure financial performance, this study used historical data of IRS Form 990s from 2007 to 2009 on the web page of the ‘GuideStar.Org.’ IRS Form 990 is an annual document used by approximately one-third of all public charities to report information about their finances and operations to the federal government. As mentioned above, this study used yearly numbers of each organization’s IRS Form 990.

Analytical techniques

This study used financial analysis techniques. Financial analysis helps managers and outsiders to understand an organization’s financial condition, make decisions about the organization, and compare an organization’s financial performance to other organizations’ financial performance (Finkler, 2004). Through these comparisons, if the Franklin County Senior Activity Center is better in a specific category, it would be useful to understand a little about what the Center are doing right. On the other hand, if the Center is worse in some categories, we can make recommendations what the Franklin County Senior Activity Center could specifically do to improve its financial performance.

Results

Overview

The financial performance of the Franklin County Senior Activity Center can be explained through two overall trends. First, as calculated in Table 4, the fiscal performance ratio has decreased from 1.41 to 1.18, while the public support ratio has increased from 0.94 to 0.99. This trend indicates that the gap between total revenues and expenses has decreased, and that the Center has increasingly depended on public support. Second, the Franklin County Senior Activity Center has never spent its revenue on fundraising activity. The amount of fundraising expenses is zero every year during 2007 ~ 2009. This result shows that the Center does not pay attention to fundraising activities, or that the Center does not have any surplus for financing fundraising activities in its revenues.

Table 4. Financial Performance of the Franklin County Senior Activity Center

	2007	2008	2009	Average
Franklin County Senior Activity Center				
Fiscal Performance	1.41	1.24	1.18	1.28
Fundraising Efficiency	0.00	0.00	0.00	0.00
Public Support	0.94	0.91	0.99	0.95

Fiscal Performance

The fiscal performance ratio indicates the status of fiscal management of an organization. In the case of the Franklin County Senior Activity Center, the fiscal performance ratio had decreased from 1.41 in 2007 to 1.18 in 2009. This result indicates that the Center has maintained good position in fiscal management. From 2007 to 2009, total revenues had exceeded total expenses, so it has maintained surplus status in its budget. That is, the Center has shown good

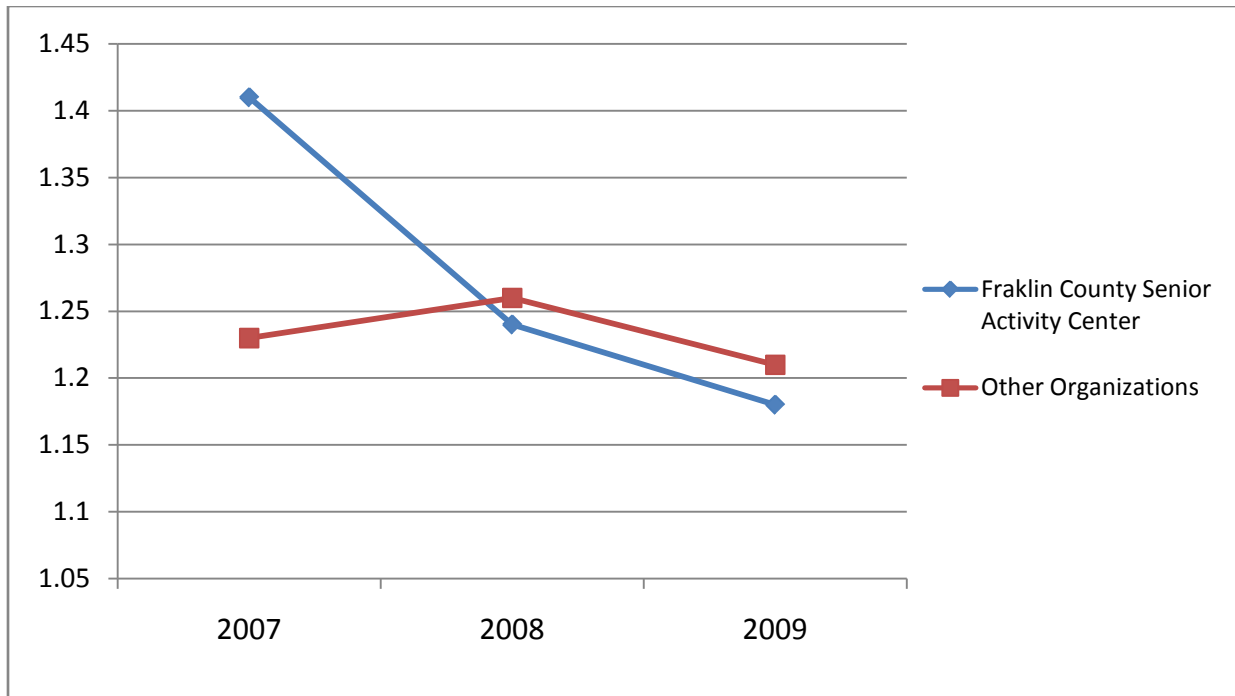
performance in fiscal performance. However, the Franklin County Senior Activity Center has faced decreasing surplus in its budget. The details of the fiscal performance ratio are in Table 5.

Table 5. Comparisons of the Average Value of the Fiscal Performance Ratio

	2007	2008	2009	Average
Franklin County Senior Activity Center	1.41	1.24	1.18	1.28
Guardia Care Service Inc.	1.00	1.43	1.43	1.28
Fivco Service Agency Inc.	1.34	1.42	1.27	1.34
Christian County Senior Citizen Inc.	1.27	1.29	1.14	1.23
Danville-Boyle County Senior Citizen Inc.	1.02	1.03	1.05	1.03
Pike County Senior Citizens Program Inc.	1.12	1.03	1.18	1.11
Paducah McCracken County Senior Citizens	1.47	1.41	1.24	1.37
The Average of All Organizations	1.23	1.26	1.21	1.24

Comparing with other organizations, the Franklin County Senior Activity Center is in a strong position in fiscal performance. Based on Table 5, the average of the Franklin County Senior Activity Center is higher than the average of other organizations. Also, the average ratios of all seven organizations (Franklin County Senior Activity Center, Guardia Care Service Inc, Fivco Service Agency Inc, Christian County Senior Citizens Inc, Danville-Boyle County Senior Citizens Inc, Pike County Senior Citizens Program Inc, Paducah McCracken County Senior Citizens Inc) are higher than 1.0. The ratio indicates that those organizations have not spent more than their revenue, and they have maintained the surplus in their budget. Especially, the ratio of Guardia Care Services Center has considerably increased from 1.0 in 2007 to 1.43 in 2008 and in 2009, while the ratio of some organizations including the Franklin County Senior Activity Center has considerably decreased in 2009. The comparison of the trend of the fiscal performance ratio is in Figure 1.

Figure 1. Comparisons of the Trend of the Fiscal Performance Ratio



Fundraising Efficiency

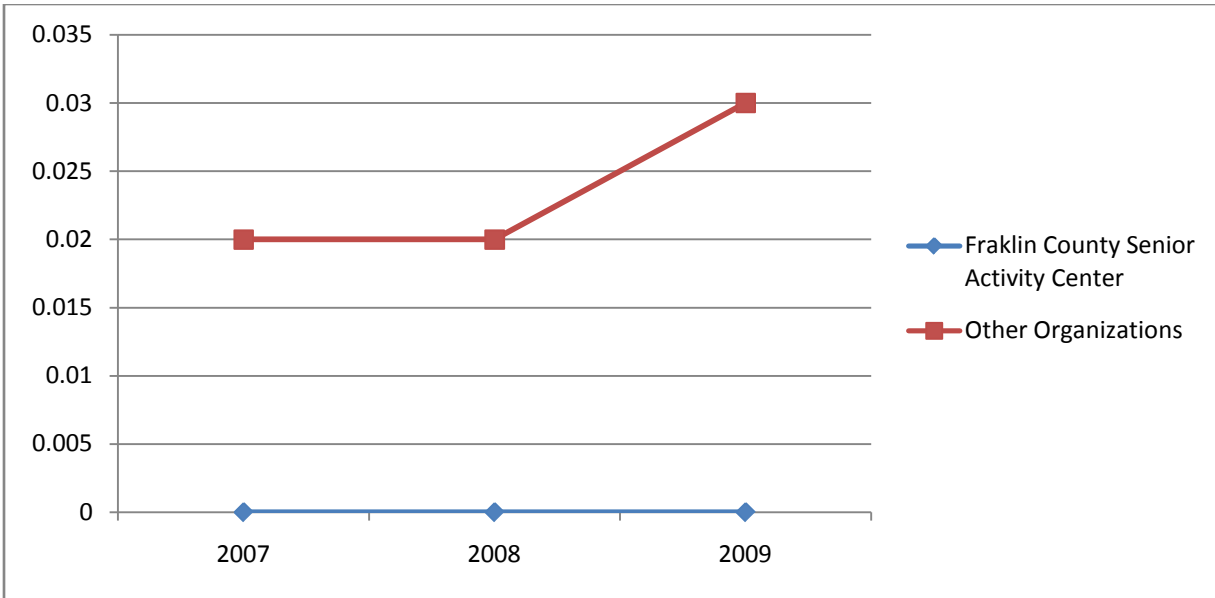
Fundraising efficiency shows whether a non-profit organization is spending excessive contributions to raise donations through fundraising activities. Basic standard is that a nonprofit organization should not spend more than 35 percent of total contributions. As shown in Table 6, the Franklin County Senior Activity Center has never spent its revenue on fundraising activities. This result definitely shows that the Center follows the basic standard. However, this result may indicate that the Center does not pay attention to the importance of fundraising activities. In 2008, the Center received the donations of \$35,900 without any costs for fundraising activities. Thus, if the Center decides to allocate some of their total contributions on fundraising expenses, it would attract more donors. The details of comparisons of the fundraising efficiency ratio are in Table 6.

Table 6. Comparisons of the Average Value of the Fundraising Efficiency Ratio

	2007	2008	2009	Average
Franklin County Senior Activity Center	0.00	0.00	0.00	0.00
Guardia Care Service Inc.	0.09	0.07	0.11	0.09
Fivco Service Agency Inc.	0.00	0.00	0.00	0.00
Christian County Senior Citizen Inc.	0.00	0.01	0.04	0.02
Danville-Boyle County Senior Citizen Inc.	0.00	0.00	0.00	0.00
Pike County Senior Citizens Program Inc.	0.00	0.00	0.00	0.00
Paducah McCracken County Senior Citizens	0.01	0.01	0.00	0.01
The Average of All Organizations	0.01	0.01	0.02	0.02

As shown in Figure 2, compared with other organizations, the center follows the basic standard like most of organizations. All organizations had not spent more than 35% of their contributions on their fundraising activities. The average ratio of the Franklin County Senior Activity Center, 0, is below the average ratio of other organizations, 0.02. On average, other organizations spend 2% of their contributions on their fundraising activities, but the Franklin County Senior Activity Center does not spend any contributions at all. Specifically, while three organizations (Guardia Care Service Inc, Christian County Senior Citizens Inc, Paducah McCracken County Senior Citizens Inc) are increasing their fundraising expenses, the Franklin County Senior Activity Center, like the rest of organizations (Franklin County Senior Activity Center, Fivco Service Agency Inc, Danville-Boyle County Senior Citizens Inc, Pike County Senior Citizens Program Inc) is not spending any money on fundraising. Especially, among all organizations, the Guardia Care Services Center has the highest position in spending its contributions on fundraising activities.

Figure 2. Comparisons of the Trend of the Fundraising Efficiency Ratio



Public Support

The public support ratio indicates the dependency of a non-profit organization on the financial resources from the public and government. As the ratio becomes higher, it shows that the organization is depending on a single revenue source, public support. “Multiple revenue sources may enable organizations to protect themselves from the turbulence of a single revenue source.” (Yan et al. 2009) As mentioned, if a non-profit organization has high dependency on public support, it will be under a weak position against financial shocks. In the case of the Franklin County Senior Activity Center, the dependency ratio decreased from 94% in 2007 to 91% in 2008, but it increased by 99% in 2009. Overall, the Center had depended above 90% of its total revenue on the public support including gifts, grants, and other contributions. This result indicates that the Franklin County Senior Activity Center has highly depended on public support, and suggests the possibility that the Center may have a difficult time overcoming financial constraints caused by financial shocks.

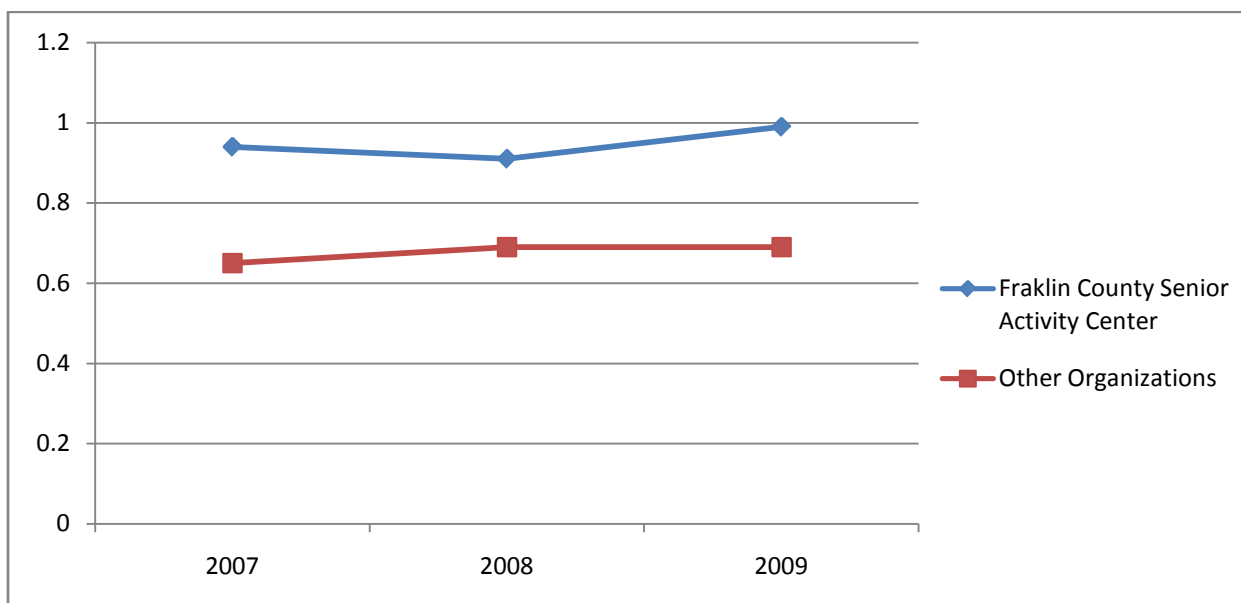
Table 7. Comparisons of the Average Value of the Public Support Ratio

	2007	2008	2009	Average
Franklin County Senior Activity Center	0.94	0.91	0.99	0.95
Guardia Care Service Inc.	0.46	0.39	0.36	0.40
Fivco Service Agency Inc.	0.99	0.96	0.99	0.98
Christian County Senior Citizen Inc.	0.06	0.06	0.06	0.06
Danville-Boyle County Senior Citizen Inc.	0.64	0.62	0.65	0.64
Pike County Senior Citizens Program Inc.	0.55	0.99	0.88	0.81
Paducah McCracken County Senior Citizens	0.91	0.92	0.92	0.91
The Average of All Organizations	0.65	0.69	0.69	0.68

Compared with other organizations, the Franklin County Senior Activity Center is among the organizations that are more dependent on public support than other organizations. On average, four organizations (Guardia Care Service, Christian County Senior Citizen Inc, Danville_Boyle County Senior Citizen Inc, Pike County Senior Citizens Program Inc) have received below 70% of their revenues coming from public support, while the Franklin County Senior Activity Center, Fivco Service Agency Center, and Paducah McCracken County Senior Citizens have depended on public support for 90 percent of their revenue. This result shows that other organizations have other possible options to finance their revenues, in addition to public support, while the Franklin County Senior Activity Center does not. Among seven organizations, Christian County Senior Citizens Center has the lowest public support ratios of 6% each year, and the results indicate that the organization is relatively free from any financial constraints caused by decreasing public and government support by financial shock in the future. On the other hands, five organizations (Franklin County Senior Activity Center, Fivco Service Agency

Inc, Danville-Boyle County Senior Citizens Inc, Pike County Senior Citizens Program Inc, Paducah McCracken County Senior Citizens Inc) have relatively higher public support ratios. These organizations are in a weak position to maintain their financial stability against any financial shock in the future. The comparison of the trend of the public support ratio is shown in Figure 3.

Figure 3. Comparisons of the Trend of the Public Support Ratio



Recommendations

Recommendations from the Results

From the analysis of financial ratios, three possible recommendations can be suggested. First, in the case of fiscal performance, all organizations, except the Guardia Care Service Inc, has faced the decreasing surplus in their budgets, and this trend may be getting worse in the future because of running out of their reserves to cover the operating deficit exacerbated by

current economic crisis. Thus, those organizations including the Franklin County Senior Activity Center need to benchmark the fiscal management of the Guardia Care Service Inc. It is helpful for them to examine how the Guardia Care Service Inc. is managing its revenues, reserves and expenses. Also, they should do efficient management of program expenses to decrease their operating expenses. Basically, the costs to deliver public services increase as the demand of public services increases during economic crisis era (Tuckman and Channg 1991). Especially, home-meal and home-care services are the main services of the Center, and they are delivered by vehicles. Bräysy and et al. (2009) emphasized the importance of using systematical routing schedules to deliver home-meal service, and raised the significance of efficient routing schedule to deliver home-meal and home-care services by routing program.

Second, five organizations (Franklin County Senior Activity Center, Fivco Service Agency Inc., Danville-Boyle County Senior Citizen Inc., Pike County Senior Citizens Program Inc., Paducah McCracken County Senior Citizens) that have not spent any money on fundraising activities should pay attention to the importance of fundraising activities. Of course, this suggestion might be contradictory because of the requirement of multiple revenue sources. However, as shown in fundraising efficiency ratio, those organizations do not allocate any amount of their revenue on fundraising expenses. It will be beneficial for those organizations to raise more donations through fundraising activities while they try to diversify revenue sources. As many articles (Siciliano 1996, 1997; Hager and Flack 2004; Standard for Charity Accountability 2003) suggested, fundraising activity may be the only impetus for donations from

the public. ‘Standard for Charity Accountability’ (2003) suggests some recommendations for effective fundraising, and the recommendations applicable to those organizations are following:⁴

- A nonprofit organization should have an annual report available to all, on request, that includes: a. the organizations’ mission statement, a summary of the past year’s program service accomplishments, a roster of the officers and members of the board of directors, and financial information that includes (i) total income in the past fiscal year, (ii) expenses in the same program, fundraising and administrative categories as in the financial statements, and (iii) ending net assets.
- A nonprofit organization should address privacy concerns of donors by: a. providing in written appeals, at least annually, a means (e.g., such as a check off box) for both new and continuing donors to inform the organization if they do not want their name and address shared outside the organization, and b. providing a clear, prominent and easily accessible privacy policy on any of its websites that tells visitors (i) what information, if any, is being collected about them by the charity and how this information will be used, (ii) how to contact to review personal information collected and request corrections, (iii) how to inform the charity (e.g., a check off box) that the visitor does not wish his/her personal information to be shared outside the organization, and (iv) what security measures the charity has in place to protect personal information.
- A nonprofit organization should clearly disclose how the charity benefits from the sale of products or services (i.e., cause-related marketing) that state or imply that a charity will benefit from a consumer sale or transaction. Such promotion should disclose: a. the actual or anticipated portion of the purchase price that will benefit the charity, b. the

⁴ The following materials were retrieved from <http://www.bbb.org/us/Standard-Charity/>

duration of the campaign, and c. any maximum or guaranteed minimum contribution amount.

Third, it may be beneficial if all organizations have board members with some financial management background to discuss the management strategy for improving its financial performance. In the study field of nonprofit and voluntary sector, many researchers (Herman and Renz, 1998, 1999; Siciliano 1996, 1997; Green and Griensinger 1996) empirically proved that the composition and educational backgrounds of board members have an impact on the performance of their organization.

Conclusion

The findings of this study indicate that the financial performance of the Franklin County Senior Activity Center is a little behind the average of other organization's financial performance in fundraising efficiency and public support performance. It can be said that the Center shows worse financial performance than other organizations. This study suggested three recommendations to improve the Center's financial performance. Those recommendations are also applicable to other organizations. First, the Franklin County Senior Activity Center may need to make strategic management plan for its expenditure structure. Reducing program expenses or administrative costs may bring the positive net budget. Second, the Center needs to allocate some of its revenues for fundraising activities. 'Standard for Charity Accountability' shows various strategies related to fundraising activities. Third, the discussion with board members or experts who have backgrounds related to financial management will be beneficial for the Center to make strategic management plan for improve its financial performance.

Even though this study suggests some findings and valuable recommendations, there are some limitations. First, some organizations provide the different time period of the IRS Form 990s. Basically, the time period of this study is from 2007 to 2009, but some organizations provide their financial statements from 2006 to 2008. So, if the financial statements of the organizations were for the same time period for all of the studied organizations, the results might differ from the current result. Second, this study shows only the financial performance of sampling organizations in the past. As Finkler (2004) mentioned, the financial ratios only provide an organization's past financial situation. Thus, only based on the financial ratios, we are not easily able to predict the financial performance of an organization. Third, the financial comparison in this study does not explain the reasons of the differences in the financial performance among nonprofit organizations. Thus, to know the reason, we need to study the reasons that brought the differences among organizations.

Appendix A: Specific details of budget and service category of 51 organizations.*

No	Name	Total Budget	Category
1	Elderserve Inc	\$2,784,448	SeniorCenter/ Services
2	Senior Service of Northern Kentucky	\$3,625,057	
3	SeniorCare Expert Inc	\$1,123,686	
4	Guardia Care Service Inc	\$934,454	
5	Kings Daughters & Sons, Inc. Home for Aged	\$704,564	
6	Bluegrass Community Services Incorporated	\$1,783,395	
7	Fivco Service Agency Inc	\$737,938	
8	Christian County Senior Citizens Inc	\$747,843	
9	Danville-Boyle County Senior Citizens Inc	\$684,155	
10	Pike County Senior Citizens Program Inc	\$896,121	
11	Franklin County Senior Activity Center	\$830,528	
12	Paducah McCracken County Senior Citizens Inc	\$686,672	
13	East Kentucky Independent Service Organization Inc	\$520,541	
14	Henderson County Senior Citizens Inc	\$288,366	
15	Lincoln County Senior Citizens Center Inc	\$319,491	
16	Bell County Senior Citizens Program Inc	\$294,941	
17	Rockcastle County Senior Citizens Inc	\$322,224	
18	Harlan County Committee on Aging Inc	\$360,809	
19	Marshall County Senior Citizens Inc	\$224,494	
20	Mayfield Graves County Senior Citizens	\$313,957	
21	Laurel County Older Persons Activity Center Inc	\$290,468	
22	Geri-Young House Inc	\$252,781	
23	Murray-Calloway County Senior Citizens Inc	\$280,297	
24	Senior Citizens of Whitley County Incorporated	\$231,089	
25	Harrison County Commision on Aging Inc	\$469,534	
26	Johnson County Senior Citizens Program Inc	\$257,972	
27	Elizabeth Munday Multi-Purposed Senior Center Inc	\$368,349	
28	Senior Wellness Inc	\$21,308	
29	Waylan Area Senior Citizens Inc	\$82,580	
30	Wheelwright Senior Citizens Program Inc	\$64,685	
31	Magoffin County Senior Citizens Inc	\$96,447	
32	McDowell Senior Citizens Community Center Inc	\$79,074	
33	Mud Creek Senior Citizens Program Inc	\$81,066	
34	Faith in Action Elder Outreach Inc	\$69,225	
35	Betsy Layne Senior Citizens Inc	\$84,341	
36	Breathitt County Senior Citizens Center Inc	\$82,107	
37	Wesley Hilltop House Inc	\$129,074	
38	Corbin Senior Citizens Center Inc	\$114,996	
39	Boyd County Council on Aging Inc	\$61,841	
40	Carlisle County Senior Citizens Inc	\$73,614	

41	Ballard Senior Citizens Advisory Council Inc	\$141,666
42	Senior Citizens of Fullton County Inc	\$160,257
43	Mason County Interagency Council Inc	\$162,785
44	Hazard-Perry County Senior Citizens Inc	\$63,025
45	Hickman County Senior Citizens Inc	\$145,243
46	Jackson County Committee on Intergenerational Care Inc	\$89,701
47	Owensboro-Daviess County Committee on Aging Inc	\$109,992
48	Mercer County Senior Citizens Inc	\$222,514
49	Prestonsburg Senior Citizens Inc	\$99,118
50	Martin County Senior Citizens Corporation	\$160,064
51	Martin Area Senior Citizens Center Inc	\$147,716

* Currently, there are total 72 organizations that fall into the category of ‘senior center/services,’ but 21 organizations were dropped because they do not provide their financial statements.

Appendix B: Specific Financial Performance of Compared Organizations.

	2007	2008	2009	Average
Guardia Care Service Inc*				
Fiscal Performance	1.00	1.43	1.43	1.28
Fundraising Efficiency	0.09	0.07	0.11	0.09
Public Support	0.46	0.39	0.36	0.40
Fivco Service Agency Inc*				
Fiscal Performance	1.34	1.42	1.27	1.34
Fundraising Efficiency	0	0	0	0
Public Support	0.99	0.96	0.99	0.98
Christian County Senior Citizens Inc*				
Fiscal Performance	1.27	1.29	1.14	1.23
Fundraising Efficiency	0	0.01	0.04	0.02
Public Support	0.99	0.96	0.99	0.98
Danville-Boyle County Senior Citizens Inc*				
Fiscal Performance	1.02	1.03	1.05	1.03
Fundraising Efficiency	0	0	0	0
Public Support	0.64	0.62	0.65	0.64
Pike County Senior Citizens Program Inc				
Fiscal Performance	1.12	1.03	1.18	1.11
Fundraising Efficiency	0	0	0	0
Public Support	0.55	0.99	0.88	0.81
Paducah McCracken County Senior Citizens				
Fiscal Performance	1.47	1.41	1.24	1.37
Fundraising Efficiency	0.01	0.01	0	0.01
Public Support	0.91	0.91	0.92	0.91

* These organizations provide IRS Form 990s from 2006 to 2008.

Appendix C: Numbers of Line Items of IRS Form 990s: All Organizations.

	2007	2008	2009
The Franklin County Senior Activity Center			
1E. Total Contribution	843,768	742,689	816,644
12. Total Revenue	901,855	815,909	822,854
17. Total Expenses	782,191	830,528	854,761
44D. Fundraising Expenses	0	0	0
22. Reserves	233,310	211,913	187,863
Guardia Care Service Inc*			
1E. Total Contribution	385,750	387,504	377,811
12. Total Revenue	829,570	997,410	1,046,260
17. Total Expenses	899,529	866,546	934,454
44D. Fundraising Expenses	36,167	29,017	42,616
22. Reserves	66,723	240,380	287,283
Fivco Service Agency Inc*			
1E. Total Contribution	690,587	705,485	710,719
12. Total Revenue	694,804	737,051	717,411
17. Total Expenses	690,745	713,499	737,938
44D. Fundraising Expenses	0	0	0
22. Reserves	233,961	274,388	219,955
Christian County Senior Citizens Inc*			
1E. Total Contribution	35,631	44,802	40,503
12. Total Revenue	635,524	697,093	733,906
17. Total Expenses	618,313	667,618	747,843
44D. Fundraising Expenses	0	337	1,696
22. Reserves	149,414	162,303	119,951
Danville-Boyle County Senior Citizens Inc*			
1E. Total Contribution	419,172	443,765	440,472
12. Total Revenue	659,106	712,906	681,227
17. Total Expenses	682,664	725,222	684,155
44D. Fundraising Expenses	0	0	0
22. Reserves	34,472	31,553	36,014
Pike County Senior Citizens Program Inc			
1E. Total Contribution	450,000	844,424	827,924
12. Total Revenue	820,023	851,073	936,884
17. Total Expenses	854,525	896,121	941,646
44D. Fundraising Expenses	0	0	0
22. Reserves	140,383	70,189	173,016

Paducah McCracken County Senior Citizens			
1E. Total Contribution	773,875	785,369	820,433
12. Total Revenue	848,784	863,478	891,734
17. Total Expenses	615,209	686,672	818,542
44D. Fundraising Expenses	6,199	8,846	0
22. Reserves	53,020	103,236	122,869

* These organizations update IRS Form 990s from 2006 to 2008.

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