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Understanding Transient-Member Nonprofit Organizations

Ozer Asdemir
University of St. Thomas, Minnesota, oasdemir@stthomas.edu

Rich S. Sathe
University of St. Thomas, Minnesota

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Ozer Asdemir
Richard S. Sathe
University of St. Thomas, Minnesota

This paper reports on an examination of membership nonprofits whose members are committed for a relatively short period—"transient-member nonprofits." These organizations are pressured to attend to the current membership and long-term projects are difficult to plan, execute, and finance. While a number of organizational types are transient-member nonprofits, youth sports organizations, are an archetype.

This paper's exploratory study sought to determine how such organizations' transient characteristics appeared in their financial reports. It considered whether transient-member nonprofits report different profits, net assets, and liabilities when compared to more dedicated nonprofits. Transient-member nonprofits report lower net assets than do other nonprofits. An analysis of the degree to which organizations are transient found that the most transient organizations tend to have significantly lower net assets and liabilities. However, organizations that are relatively more transient do not report lower annual profits than other organizations.

Introduction

Nonprofit organizations span a wide variety of types. Some, like hospitals and universities, with their physical presences of buildings and workforces, appear to be symbols of permanence. At the other end of the spectrum, a type of nonprofit organization exists that we term the "transient-member" nonprofit. Transient-member nonprofit organizations are typically mutual, or membership-based, nonprofits whose members are committed for a relatively short period. They experience relatively rapid turnover of members and, when the organization is volunteer-led, rapid turnover of leaders. While a number of organizational types are transient-member nonprofits, youth organizations, especially youth sports organizations, are an archetype.

While a nonprofit organization may be organized for a specific short-term purpose, and thus have a planned transient existence, transient-member nonprofits are organized to exist in perpetuity, yet their short-term membership commitment leads to transient characteristics. To use youth sports organizations as exemplars, first, they are often volunteer-led by parents whose commitment to the organization typically coincides with that of their children. Volunteer/parent-led transient-member nonprofits typically have few, if any, long-term, full-time employees. Second, such organizations face challenges in the construction or acquisition of capital assets due to the disruption of current programming caused by construction and their inability to obtain external financing, the latter due to their transient-member nature. Third, long-term internal financing (through retained earnings) runs contrary to current members' interests in the organization using current revenues for the benefit of current members.

This paper reports on an exploratory study to determine whether these characteristics manifest themselves in the financial reports of transient-member nonprofit organizations. We found that transient-member nonprofits report lower net assets than do other nonprofits. Our analysis of the degree to which organizations are transient found that the most transient organizations tend to have significantly lower net assets and liabilities. However, organizations that are relatively more transient do not report lower annual profits than other organizations.

The remainder of the paper is organized as follows: The next section provides background and literature review. The third section describes the research design. The fourth section provides results and analysis. The last section presents concluding comments.

Background and Motivation

This section provides background and theoretical foundation for the examination of transient-member nonprofit organizations. We begin with a general discussion of nonprofit organizations followed by a discussion of profit and net asset accumulation. The final subsection defines transient-member nonprofits.

Nonprofit organizations

Nonprofit organizations may take different forms (e.g., corporation, voluntary association, etc.) and they are governed by the state in which they are registered. According to US Generally Accepted Accounting Principles (US GAAP), a nonprofit organization is an entity that possesses the following characteristics, in varying degrees, which distinguish it from a business entity: (1) contributions of significant amounts of resources from resource providers who do not expect commensurate or proportionate pecuniary return, (2) operating purposes other than to provide goods or services at a profit, and (3) absence of ownership interests like those of business entities(FASB, ASC Master Glossary).

The fact that these three characteristics may be present *in varying degrees* yields a spectrum of nonprofit organizations. While some organizations depend entirely on charitable contributions, others may derive significant income from sales of goods or services. Hansmann (1981) called these "donative" and "commercial," respectively. In addition to this classification by means of support, Hansmann also categorized organizations based on their governance structure. He termed member-governed organizations as "mutual" and those with self-perpetuating boards as "entrepreneurial." These classifications resulted in a matrix as shown in Figure 1.

Figure 1: Hansmann's (1981) Nonprofit Organization Typology

		Governance	
		Mutual	Entrepreneurial
Means of Support	Donative	Political Clubs	Museums
	Commercial	Country Clubs	Hospitals

Similar to US GAAP's varying degrees, organizations may fit Hansmann's typology in varying degrees. For example, a hospital charges fees for services (commercial) but may also receive donations (donative).

While the nonprofit organization exists under state law, the term "tax exempt" refers to the Internal Revenue Service's (IRS) recognition of exemption from US federal income tax. To be recognized as exempt, an organization must show that all of the following are true: (1) the organization is organized exclusively for, and will be operated exclusively for, one or more specified purposes (religious, charitable, etc.); (2) no part of the organization's net earnings will inure to the benefit of private shareholders or individuals; and (3) the organization will not, as a substantial part of its activities, attempt to influence legislation or participate to any extent in a political campaign for or against any candidate for public office (IRS, 2010). While the terms nonprofit and tax exempt are not synonymous, tax exemption is a significant reason organizations choose the nonprofit form. We assume nonprofits are tax exempt.

Profit and net asset accumulation

Profit is the excess of revenues over expenses during a fiscal period.[1] While US GAAP refers to "operating purposes other than to provide goods or services at a profit," it does not insist that an organization must be operated, or even attempt to be operated, to earn no profit.

> A nonprofit organization is not, it should be noted, prohibited from earning a profit ... all net earnings, however, must be plowed back into financing the goods and services that the nonprofit was formed to provide. (Hansmann, 1981, p. 56-57)

The IRS provisions are silent on the issue of profits.

> Neither the tax codes that define the obligations of nonprofits nor the courts that rule on acceptable nonprofit behavior have set forth specific standards for equity

1. We use the term "profit" although the many sources use different terms: US GAAP uses "change in net assets," IRS Form 990 uses "revenue less expenses," Tuckman & Chang (1992) used "surplus." We use the term "net assets," for the accumulation of profit over a nonprofit organization's life. Both US GAAP and IRS Form 990 use net assets while Hansmann (1981) used "retained earnings" and Tuckman & Chang used "equity."

> accumulation and growth. ... As long as a nonprofit's activities are consistent with its charitable mission, equity accumulation is not judged to be inappropriate, even if large amounts are involved. (Tuckman & Chang, 1992, p. 84)

While neither US GAAP nor the IRS require a nonprofit to earn zero profit, Tuckman and Chang (1992) found the extant research showed some nonprofit managers attempted to set expenses equal to revenues to result in zero profit and thus accumulate zero net assets. Profit or loss resulted from a failure to predict revenues and expenses accurately. Weisbrod (1988) noted that club-type nonprofits are likely to have little, or zero, profit because they can set their membership dues and program fees to break even. Tuckman and Chang noted two other categories of research: One found managers who gained satisfaction from the accumulation of net assets, and the other found managers who attempted to accumulate net assets as an internal source of funds.

There are a number of reasons a nonprofit attempts to accumulate net assets as an internal source of funds. One reason is sustainability. Struthers defined sustainability as "financial vibrancy ... the capacity of an organization to make the transition from one sustainable moment to the next," (2004, p. 244). Bowman (2011b) defined sustainability as the rate of change in net assets. Sustainability is a particular challenge for nonprofits because

> a nonprofit pursues a mission that is neither financially sustainable using a for-profit business model, nor for which there is public support sufficient to move government to action and the expenditure of taxpayer funds. (Weerawardena, McDonald, and Sullivan Mort, 2010, p. 347)

Sustainability ensures the organization's continued ability to fulfill its mission in the face of rapid decreases in revenues and support or increases in costs. "The core issue is *the need to build a sustainable organization that can continue to deliver social value via the pursuit of its social mission*," (Weerawardena *et al.*, 2010, p. 347, emphasis in original). A number of publications have pointed out that many nonprofit organizations' sustainability, *vis-à-vis* operating reserves (typically some derivative of net assets) is at risk (Moulton, 2009; NORI Workgroup, 2008; Worland, 2011).

However, net asset accumulation may be deemed excessive. Tuckman and Chang (1992) argued that excessive net asset accumulation is not in the social interest and constitutes a form of contract failure in cases in which donations were made under the assumption that the organization would use them immediately. They enumerated five criteria that suggest excessive net asset accumulation: (1) net assets widely in excess of nonprofits in the same industry; (2) large annual profits accumulated over four consecutive years; (3) net assets in excess of programmatic needs; (4) no specific plans for use of accumulated net assets; and (5) rate of net asset accumulation disproportionate to program expenditure growth.

The propriety of nonprofits' net asset accumulation is contested ground. The Better Business Bureau's *Standards for Charitable Accountability* state that organizations should avoid accumulating funds that could be used for current program activities. To meet this standard, the charity's unrestricted net assets available for use should not be more than three times the size of the past year's expenses or three times the size of the current year's budget, whichever is higher. (Better Business Bureau, 2011)

Other rating agencies echo the general concept that a nonprofit should maintain reserves that do not exceed three times annual expenses (see Charities Review Council, 2011; American Institute of Philanthropy, 2011). These agencies assume Tuckman and Chang's (1992) position, that accumulation of net assets is not in the public interest and organizations that accumulate net assets are taking more than they need from the contributing public, leaving less for other organizations.

Charity Navigator, however, takes a positive view of accumulation:

> Charities depend upon their reserves of liquid assets to survive downward economic trends and sustain their existing programs and services. If a charity has insufficient working capital, then it faces the difficult choice of eliminating programs or staff, amassing debts and liabilities, or dissolving. On the other hand, when giving flows, those charities that build working capital develop a greater capability for expanding and improving their programs. (Charity Navigator, 2011)

Charity Navigator gives its highest working capital ratio score[2] to organizations that exceed their sector median, or amass $250 million in working capital regardless of the ratio (Charity Navigator, 2011).

A second reason for a nonprofit to accumulate net assets is as an internal source of funds to finance expansion, or for the replacement or improvement of fixed assets. The alternative financing decision for nonprofit organizations, to borrow, has been explored (Bowman, 2002; Denison, 2009). Bowman (2011a) addressed sustainability and financial capacity. Calabrese (2011) studied nonprofits' unrestricted net asset[3] accumulation and found that nonprofits attempt to accumulate unrestricted net assets, albeit at low levels, and that they do so to reduce financial vulnerability. He also concluded that nonprofits view borrowing and unrestricted net assets as substitutes.

Transient-member nonprofit organizations

While prior research and rating agency criteria provide guidance for an analysis of profits, net asset balances, and borrowing, this study investigates a specific nonprofit type—the transient-member nonprofit. A nonprofit that fits Hansmann's (1981) entrepreneurial/commercial category of Figure 1, a hospital for example, is "longitudinal." Its long-term, full-time workforce and investment in fixed assets give it permanence. Its constituents (e.g.,

2. Charity Navigator defines "working capital ratio" as "how long (in years) a charity could sustain its level of spending using only its net available assets, as reported on its most recently filed Form 990" (Charity Navigator, 2011). This definition appears to equate "working capital" with net assets rather than the common accounting definition of working capital (current assets less current liabilities).
3. US GAAP classifies net assets as (1) permanently restricted—net assets received through donation which the donor has forbid spending the donation and the nonprofit must retain it (i.e., an endowment); (2) temporarily restricted—net assets received through donation which the donor has required spending the donation in a specific way; and (3) unrestricted—net assets not subject to donor-imposed restrictions.

the community, employees) likely favor its accumulation of net assets for expansion or modernization or by not having to reduce services or by avoiding layoffs to weather economic challenges. Its permanence facilitates its ability to borrow should management prefer that alternative.

A nonprofit that fits Hansmann's (1981) mutual/commercial category of Figure 1—for example, a youth sports organization, is less longitudinal—and more transient. It may be run by parent volunteers and have few, if any, full-time employees. It may rent its physical space needs (fields, courts, etc.) from a community provider and have few or no fixed assets. We name this type of organization a "transient-member" nonprofit. We differentiate transient-*member* nonprofits from other nonprofits in which the entire organization might be transient. For example, an organization may be established for a short, fixed duration. For example, an organizing committee for a political convention may form a nonprofit organization for the purposes of planning, organizing, and running that convention. When the convention is over, and all its tasks completed, the organization terminates.

We have focused this paper on organizations established to exist in perpetuity, but ones in which individual member interactions with them are short in duration. While many nonprofits, and other youth nonprofits (e.g., arts organizations), may be transient-member nonprofits, youth sports organizations provide an archetype. Many youth sports organizations serve adolescents—for example, youth aged 13-18. While some may serve youth for longer periods, adult member clubs (e.g., golf country clubs) may serve individual members from young adulthood until later life, or for decades. Such different time horizons yield different issues for organizations. An organization with adult members committed for a long term can more readily engage in long-term projects. For example, a golf country club can commit to building additional golf holes or a clubhouse because the members' long-term commitment tolerates the disruption caused by construction since it is a relatively short portion of their overall membership period. In addition, the organization can borrow because its members' long-term commitment provides confidence to fellow members and lenders. Such an organization can also commit to long-term employment and establish other longitudinal relationships.

In contrast, it is more difficult for transient-member nonprofits to engage in long-term projects. Members (and/or their parents) believe that their dues and fees should support current programs, rather than accumulating net assets to finance projects that benefit future members. A construction project that disrupts a transient-member organization for one or two years constitutes a significant portion of a member's total engagement with the organization.

While borrowing conceptually matches financing to the life of the asset (Denison, 2009), transient-member nonprofits are often unable to borrow. Creditors are unlikely to lend on a long-term basis to an organization whose current members may all have left the organization prior to the debt's maturity. Bowman (2011b) specifically focused on cooperatives (which he defined as a subset of membership associations) and noted that banks are reluctant to lend to such organizations because of the breadth of control and members' ability to opt out. Denison found that mutual membership nonprofit organizations were less likely to have mortgages when compared to the arts sector, his benchmark. Bowman's studies of nonprofit borrowing focus on large nonprofits (2002) and "ordinary" nonprofits—i.e., excluding membership organizations (2011a).

As a result, transient-member nonprofits often must collaborate with a local government unit in order to finance a project (Sawyer, 2006). A common scenario is for the parties to share the cost, but the government unit finances the nonprofit's share because of the latter's inability to obtain its own financing. The government unit recovers the nonprofit's share through higher fees or separate payments. While the transient-member nonprofit may not incur the debt itself, it faces higher payments to the government unit, and its committing of future members to debt service can prove problematic. While Weisbrod (1988) stated that club-type organizations could set membership dues to break even, such debt service may raise the cash-flow break-even point to a level that discourages membership. If membership declines, the organization must raise fees further. Rey and Tirole's (2007) work on cooperatives provides parallels to transient-member nonprofit organizations. They point out that debt makes such organizations sensitive to "runs" by members—and that this desertion increases the costs on remaining members, providing the latter an incentive to leave.

Therefore, the purpose of this paper is to examine the following questions regarding transient-member nonprofits:

1. Given their short time horizons, do transient-member nonprofits report lower annual profits than other nonprofits? In other words, do transient-member nonprofits tend to operate closer to break-even, closely matching expenses to revenues?
2. Do transient-member nonprofits tend to accumulate lower net assets than other nonprofits?
3. Do transient-member nonprofits incur less debt than other nonprofits?

Research Design

Sample

To examine our research questions, we selected a sample of nonprofit organizations from the GuideStar database, using the following criteria. First, we included only 501(c)(3) public charities because we wish to focus on publicly supported organizations to the exclusion of private foundations. Second, we included only Minnesota organizations because nonprofits are established under state law, making one state's nonprofits more homogenous. Third, while transient-member nonprofits may include a variety of organizations, we focused on youth sports organizations. We used the National Center for Charitable Statistics' National Taxonomy of Exempt Entities (NTEE) to categorize organizations. Since youth sports organizations are not a specific NTEE classification, we included the following classifications:

- N60 Amateur Sports Clubs, Leagues
- N61 Fishing and Hunting Clubs
- N62 Basketball
- N63 Baseball, Softball (includes Little Leagues)
- N64 Soccer Clubs/Leagues
- N65 Football Clubs/Leagues

- N66 Tennis and Racquet Sports Clubs/Leagues
- N67 Swimming, Water Recreation
- N68 Winter Sports (Snow and Ice)
- N69 Equestrian, Riding
- N6A Golf (excludes Country Clubs which use N50)
- N99 Other Recreation, Sports, or Leisure Activities N.E.C. (not elsewhere classified)

The selection criteria yielded 892 organizations. We eliminated the following organizations:

- Form 990-N filers (this "postcard" electronic filing for small organizations contains no financial data). This resulted in the largest number of eliminations (223).
- Tax-exempt status revoked.
- NTEE classification in error (e.g., church, service club, etc.).
- Affiliate organizations whose parent files Form 990.
- Organizations with net asset deficits (these 14 organizations' data resulted in distorted ratios, and caused an overall distortion in the sample data—i.e., the overall sample Total Liabilities to Net Assets exceeded Total Liabilities to Total Assets).
- Form 990 otherwise unusable.

This yielded 517 "amateur sports organizations." We reviewed the mission and program description in the Form 990 filing in the GuideStar database for each of the 517 amateur sports organizations to determine whether the organization was a youth sports organization. We separately categorized organizations with youth missions from those with either adult missions or mixed adult and youth missions. We assumed that the adult mission dimension of a mixed mission organization implied a long-term membership orientation that would provide a longitudinal bearing. This yielded 421 "Youth" and 96 "Adult/Mixed" sports organizations. This categorization into Youth and Adult/Mixed allows comparison between the types.

We obtained the following financial data from the GuideStar database for the 517 amateur sports organizations: Total Revenues, Total Expenses, Total Assets, and Total Liabilities. Using this data, we computed Profit (Total Revenues – Total Expenses) and Net Assets (Total Assets – Total Liabilities).

To examine our research questions, we computed several financial ratios. For our first research question, we calculated Profit to Total Revenues (Profit ÷ Total Revenues). For our second research question, we calculated three ratios: (1) Net Assets to Total Expenses (Net Assets÷ Total Expenses); (2) Net Assets to Total Assets (Net Assets ÷ Total Assets); and (3) Net Assets to Total Revenues (Net Assets ÷ Total Revenues). Our rationale for using Total Expenses as a scaling variable is based on the Better Business Bureau's criteria for excess net asset accumulation. We also used Total Assets and Total Revenues to provide more robust results. For our last research question, we also calculated three ratios: (1) Liabilities to Net Assets (Total Liabilities ÷ Net Assets); (2) Liabilities to Total Assets (Total Liabilities ÷ Total Assets); and (3) Liabilities to Total Revenues (Total Liabilities ÷ Total Revenues).

To further analyze our research questions, we categorized organizations on the extent to which they are transient. Our basis for classification is total fixed assets, obtained from the Form 990 filing in the GuideStar database. We consider the level of fixed assets as a proxy for dedication, by an organization's current members and/or its community, to its sustainability. We classified organizations that reported zero in fixed assets as "None." We divided organizations with non-zero reported fixed assets into two equal-sized groups which yielded a cutoff point between the two groups of $40,000. We classified organizations with less than $40,000 as "Low," and those with $40,000 or more as "High." We assumed that an organization with less than $40,000 in fixed assets likely had little, if any, land and buildings. We argue that organizations with no fixed assets (i.e., the None group) are the most transient and those in the High group are the least transient (or most dedicated).

Table 1 presents the descriptive statistics for our sample organizations. On average, Adult/Mixed organizations have higher revenues ($360,886 versus $216,527), and profits ($16,020 versus $7,391) when compared to Youth organizations. In addition, Adult/Mixed organizations are more than two times larger than Youth organizations in terms of total assets ($403,836 versus $177,188).

Research methodology

We utilized t-tests and ANOVA analysis to compare sample means for our ratios of interest. We used t-tests when comparing two groups and ANOVA when comparing more than two groups. The next section provides our results.

Table 1: Descriptive Statistics

	Youth	Adult/Mixed
N	421	96
Sample Means:		
Total Revenues	216,527	360,886
Total Expenses	209,136	344,866
Profit	7,391	16,020
Total Assets	177,188	403,836
Total Liabilities	51,159	47,709
Net Assets	126,030	356,126

Table 2: Transient-member Organizations and Financial Characteristics

	Sample Means			
	Youth	Adult/Mixed	T-statistic	P-value
Profit/Total Revenues	0.052	0.050	-0.02	0.981
Net Assets/Total Expenses	1.071	2.411	2.53	0.012
Net Assets/Total Assets	0.921	0.904	-0.85	0.394
Net Assets/Total Revenues	0.809	1.854	4.01	<.0001
Total Liabilities/Net Assets	0.203	0.170	-0.40	0.690
Total Liabilities/Total Assets	0.083	0.096	0.61	0.544
Total Liabilities/Total Revenues	0.125	0.328	1.80	0.073

Results and Analysis

Results

Table 2 presents the t-tests for the equality of our ratios. Transient-member nonprofits and profits. Mean Profit to Total Revenues for Youth organizations is not statistically different from the Adult/Mixed organizations. This indicates that transient-member nonprofits do not report lower annual profits than other nonprofits.

Transient-member nonprofits and net assets. Mean Net Assets to Total Expenses is lower for Youth organizations than the Adult/Mixed comparison group as evidenced by a t-statistic of 2.53. Mean Net Assets to Total Revenues is lower for Youth organizations than the Adult/Mixed comparison group as evidenced by a t-statistic of 4.01. However, mean Net Assets to Total Assets is not significantly different between Youth and Adult/Mixed organizations. Overall, these results provide support for the idea that transient-member nonprofits tend not to build reserves when compared to more longitudinal organizations. The lack of significant results for Net Assets to Total Assets is consistent with transient-member organizations' inability to obtain debt financing. Hence, higher Net Assets to Total Assets for transient-member organizations does not necessarily mean they build reserves similar to more longitudinal organizations.

Transient-member nonprofits and total liabilities. Consistent with the lack of significant results for Net Assets to Total Assets, both mean Total Liabilities to Total Assets and mean Total Liabilities to Net Assets for Youth organizations are not statistically different from Adult/Mixed organizations. These results indicate that transient-member nonprofits incur similar debt to other nonprofits. However, the accumulation of greater net assets by Adult/Mixed organizations combined with Youth organizations' inability or unwillingness to acquire debt would lead to relatively similar liability levels. Hence, we cannot necessarily conclude that transient-member nonprofits incur similar debt to other nonprofits based on analysis of these two ratios. We find some evidence that transient-member nonprofits incur lower debt than other nonprofits from our test of Total Liabilities to Total Revenues. Mean Total Liabilities to Total Revenues for Adult/Mixed organizations is more than twice of that for Youth organizations, but the difference is significant only at the ten percent level. Overall, we cannot conclusively answer our third research question.

Additional analysis

Dedication to sustainability. To provide further evidence, we repeated our analyses for the dedication to the sustainability classifications within the Youth and Adult/Mixed classifications separately. We used reported total fixed assets as an indicator of the degree to which an organization is transient. Table 3 provides the results.

Panel A reports the results of the ANOVA analysis for Youth organizations. These results are consistent with our prior findings. Organizations that are relatively more transient do not report lower annual profits than organizations that are relatively less transient. Also, organizations that are relatively more transient tend to have significantly lower net assets and liabilities.

Panel B of Table 3 reports the results of the ANOVA analysis for Adult/Mixed organizations. Since organizations in the Adult/Mixed group are more longitudinal organizations, we expected not to observe significant differences among the levels of reported fixed asset groups. Other than the significant difference in Net Assets to Total Revenues among the three subcategories, our results support our expectation of no significant differences.

More transient Youth organizations versus Adult/Mixed organizations. We compared the Youth organizations that reported no fixed assets to the entire sample of Adult/Mixed organizations. Since Youth organizations with no fixed assets would be the most transient in terms of dedication of their members to the sustainability of the organizations, we expected the results to be more pronounced. Table 4 provides our results. As we expected, the results are more salient than the results from our analyses for all Youth organizations. Organizations that are more transient accumulate significantly lower reserves (Net Assets to Expenses and Net Assets to Revenues) and they have significantly lower debt than other organizations. Similar to our results for all Youth organizations, profits are not significantly different across categories and the significantly higher Net Assets to Total Assets for Youth organizations is due to their lower liabilities, and not higher net asset accumulation.

More dedicated Youth organizations versus Adult/Mixed organizations. Lastly, we compared the Youth organizations that reported fixed assets to Adult/Mixed organizations. Youth organizations that acquire fixed assets would be less transient (more dedicated to the organization's sustainability). We expected not to find significant differences between dedicated Youth organizations and the Adult/Mixed group. Table 5 provides our results. Other than Total Liabilities to Total Assets and Total Liabilities to Net Assets, which are significant only at the ten percent level, our results are not different than expected.

Table 3: Dedication to Sustainability

Panel A: Youth Organizations

	None	Low	High	F-value	P-value
Profit/Revenues	0.041	0.065	0.074	0.12	0.890
Net Assets/Expenses	0.649	0.829	2.621	6.73	0.001
Net Assets/Assets	0.960	0.878	0.844	17.23	0.000
Net Assets/Revenues	0.456	1.017	1.701	18.23	0.000
Liabilities/Net Assets	0.127	0.240	0.404	4.22	0.015
Liabilities/Assets	0.044	0.122	0.166	16.30	0.000
Liabilities/Revenues	0.050	0.039	0.443	18.75	0.000

Panel B: Adult/Mixed Organizations

	None	Low	High	F-Value	P-Value
Profit/Revenues	0.077	-0.016	0.073	0.48	0.622
Net Assets/Expenses	2.123	1.600	3.651	0.87	0.422
Net Assets/Assets	0.912	0.873	0.920	0.49	0.616
Net Assets/Revenues	0.664	1.790	3.811	5.83	0.004
Liabilities/Net Assets	0.155	0.264	0.104	0.84	0.435
Liabilities/Assets	0.088	0.127	0.080	0.49	0.616
Liabilities/Revenues	0.061	0.855	0.244	1.29	0.280

Table 4: Youth (Fixed Assets = None) vs. Adult/Mixed

	Sample Means			
	Youth	Adult/Mixed	T-statistic	P-Value
Profit/Revenues	0.047	0.050	0.12	0.905
Net Assets/Expenses	0.693	2.411	4.50	0.000
Net Assets/Assets	0.940	0.904	-3.09	0.002
Net Assets/Revenues	0.593	1.854	5.19	0.000
Liabilities/Net Assets	0.155	0.170	0.51	0.608
Liabilities/Assets	0.063	0.096	2.73	0.007
Liabilities/Revenues	0.048	0.328	2.17	0.031

Table 5: Youth (Fixed Assets = Low and High) vs. Adult/Mixed

	Sample Means			
	Youth	Adult/Mixed	T-statistic	P-Value
Profit/Revenues	0.070	0.050	-0.49	0.626
Net Assets/Expenses	1.725	2.411	0.83	0.409
Net Assets/Assets	0.862	0.904	1.60	0.111
Net Assets/Revenues	1.357	1.854	1.29	0.120
Liabilities/Net Assets	0.321	0.170	-1.81	0.071
Liabilities/Assets	0.144	0.096	-1.75	0.082

Conclusion

This paper attempts to characterize certain membership-based nonprofits—termed transient-member nonprofits. It is an exploratory study to determine whether characteristics of transient-member nonprofits manifest themselves in the organizations' Form 990s. Specifically, the study sought to determine whether transient-member nonprofits report different profits, net assets, and liabilities when compared to more dedicated nonprofits. The results show that transient-member nonprofits report (1) lower net assets as a percentage of expenses, (2) lower net assets as a percentage of revenues, and (3) lower liabilities as a percentage of total revenues, than do other nonprofits—albeit the last difference is only marginally significant.

Our analysis of the degree to which organizations are transient (versus dedicated), based on the level of reported fixed assets, found that Youth organizations that are relatively more transient tend to have significantly lower net assets and liabilities, as we expected. However, Youth organizations that are relatively more transient do not report lower annual profits than Youth organizations that are relatively less transient. With respect to Adult/Mixed organizations, we generally found no significant differences. This was expected due to the more longitudinal nature of Adult/Mixed organizations.

Our comparison of Youth organizations that are the most transient to the entire sample of Adult/Mixed organizations generally found significant differences, as expected, except with respect to profits. Our comparison of Youth organizations that are the most dedicated (least transient) to the entire sample of Adult/Mixed organizations found only two marginally significant differences with respect to liabilities.

The relationships we found were generally as expected: transient-member nonprofits are less likely to report debt, and they tend to have accumulated lower net assets. The latter result in spite of no corresponding difference in profit as a percentage of revenue raises the question of why the situation exists. This question is an area for further research.

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