
FUNDS' DIVERSIFICATION CHALLENGES IN PUERTO RICAN NPOS: 2008-2018

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Abstract

Fundraising and diversifying to reduce fund-dependency are challenging for non-profit organizations (NPOs). However, challenges change over the years based on internal and external conditions. This paper analyzes 2018 data from a survey administered to NPOs located in the top five municipalities with NPOs and compared it to their 2008 data captured in López-Rodríguez (2010) to explore the fundraising behavior of the Puerto Rican non-profit sector. Findings show changes in their primary revenue sources from 2008 to 2018, with state grants declining and individual donors increasing. In 2018, the lack of staff with fundraising knowledge surpassed the 2008 main challenge of funding source reduction. That said, grant writing remained as the primary funding technique, and expenses reduction continued as the immediate effect of funding problems. **[Keywords:** fundraising, non-profit organization, dependency resources, Puerto Rico].

Resumen

La recaudación de fondos y la diversificación para reducir la dependencia de los fondos externos es un desafío para las organizaciones sin fines de lucro (OSFL). Sin embargo, los desafíos cambian a través de los años debido a las condiciones internas y externas de la organización. Para explorar el comportamiento de recaudación de fondos del sector sin fines de lucro en Puerto Rico, este artículo analiza los datos de 2018 de una encuesta administrada a las OSFL ubicadas en los cinco principales municipios con OSFL y los compara con los datos de 2008 en López-Rodríguez (2010). Los hallazgos muestran cambios en sus principales fuentes de ingresos de 2008 a 2018, con una disminución en las subvenciones estatales y un aumento en los donantes individuales. En 2018, la falta de personal con conocimiento de recaudación de fondos superó a la reducción

de las fuentes de financiación, el principal reto de financiación de 2008. Dicho esto, la redacción de propuestas de recaudación de fondos se mantuvo como la principal técnica de financiación y la reducción de gastos continuó siendo el efecto inmediato de los problemas de financiación. **[Palabras claves:** Recaudación de fondos, dependencia de recursos, organizaciones sin fines de lucro, municipios].

I. CONTEXT

NPOs experience diversification of funds challenges irrespective of their size or years of experience, as shown in López-Rodríguez (2010) study. The purpose of López-Rodríguez (2010) study was to determine the state of funding sources and fundraising challenges in NPOs located in San Juan, Puerto Rico. Based on the responses received from 31 NPOs, the main challenges related to their fundraising efforts were: reduction of funds, late disbursements of grants, competition for funds, lack of staff with fundraising knowledge, and limited unrestricted funds. The study also identified state government grants, fundraising activities, and corporate grants as the principal funding sources. This study also shows that, at the time, organizations did not implement new trends such as mergers, partnerships, commercial activities, and e-philanthropy.

After a decade of data compiled by López-Rodríguez, it is essential to assess the evolution of fund diversification and fund-dependency in Puerto Rico's non-profit sector. This study pretends to determine if, despite the known fundraising challenges and strategies to address them, diversification and fund-dependency are still problematic for NPOs. This objective will be achieved by determining the current fundraising state and comparing it to 2008's (López-Rodríguez, 2010). This study captures fundraising challenges, levels of diversification and fund-dependency, and the effects on the organizations. In the first part of the article, we discuss the resource dependence theory and the diversification concept, followed by an overview of the fundraising sources, trends, and challenges. In the second part, we describe the status of funding in Puerto Rican NPOs, the methodology, and the findings.

II. RESOURCE DEPENDENCE THEORY AND DIVERSIFICATION

Dependence is "the product of the importance of a given input or output to the organization and the extent to which it is controlled by a relatively few organizations" (Pfeffer & Salancik, 1978, p. 51). According to Pfeffer and Salancik (1978), resource

dependence occurs not only when there is a concentration of resource control of one organization but also when the resources become vital to the organization's survival. The authors' statements established the resource dependence theory, where organizational survival and success depend (among other things) on their independence and the control of their resources. For NPOs, donors are external factors that could restrict their independence and control (discretion) since they must meet those donors' specific requirements.

Some strategies employed by NPOs to reduce resource dependence are "alignment, subcontracting, perseverance, revenue diversification, commercialization, funding liberation, geostrategic arbitrage, specialization, selectivity, donor education, and compromise" (Mitchell, 2014, p. 74). Of all these strategies, diversification prevailed among 87 of the 129 NPOs leaders' responses (Mitchell, 2014). Diversification is a way of "generating revenue from different types and an increased number of sources" (Sacristán López de los Mozos, Rodríguez Duarte, & Rodríguez Ruiz, 2016, p. 2643). It means having a variety of income sources to diminish the risk of losing operational control of the organization. Combining revenues from different sources, such as the government, individual donors, private corporations, and foundations, increases the NPOs' probability of receiving unrestricted funds to address dire necessity areas. It is presumed that having several revenue sources instead of one lead to sustainability (Zhu, Ye & Liu, 2018). Having multiple revenue sources also suggests the likelihood of longevity "by reducing risk and leads to greater stability during economic volatility" (Arik, Clark, & Raffo, 2016, p. 56).

One period of economic volatility was the Great Recession financial crisis that started in 2008 and affected all sectors, including the non-profit. Lin & Wang (2016) conducted a study related to the effectiveness of several financial strategies for NPOs during an economic crisis, in this case, during the Great Recession. The authors analyzed the 2008 - 2011 financial period by administering a questionnaire and examining secondary data of 501 NPOs (44.9% response rate) in New Jersey. The study determined that the more diversified the revenue structure during that period, the higher the perceived fiscal stress level. This finding contradicts the greater stability and likelihood of longevity and sustainability suggested by Arik, Clark, & Raffo (2016). However, Lin & Wang (2016) rationalized that the benefits of diversification may impact the fiscal volatility in the long-term and not in the immediate crisis period. This

position concurs with Despard, Nafziger-mayegun, Adjabeng, and Ansong (2017). They suggest that having a proportional share of total revenue from different sources to reduce financial vulnerability is a diversification benefit.

Diversification reduces fund-dependency, specifically “in deciding their core mission, goals, priorities, and operating methods” (Sim, Loh, & Hoe, 2017, p. 108) and in fulfilling their mission (Shon, Hamidullah, & McDougale, 2019). Gronbjerg (as cited in Hung & Hager, 2018) indicated that the challenges of acquiring funds might push some NPOs to drift their “mission direction in exchange for contributions or contracts” (p. 5). This risky action might undermine the organization’s purposes and even result in identity loss.

Some researchers suggest that having more and diversified revenue sources might increase an NPO’s spending flexibility (Hung & Hager, 2018; Shon et al., 2019). To determine the association between funding source diversification and spending behavior and flexibility, Shon et al. (2019) analyzed 16,035 NPO’s financial data from 2008 to 2012 from the Internal Revenue Service (IRS). Among the findings, the study revealed that resource diversification increased NPO’s spending on administrative expenses while decreasing program service expenses. Investing more in administrative activities rather than in programs can be perceived negatively by many donors because the proportion of program expenses to total budget decreases, which sometimes is not well received by donors. Although having a high administrative budget allows for better program management, donors limit funding to cover this type of expense. The study also points out that diversifying funds is also a helpful financing strategy to engage in indirect spending activities limited by restricted funds. On the other hand, Swiss NPOs grew stronger by strengthening their revenue concentration from 2005 to 2012 (von Schnurbein & Fritz, 2017). Instead of having many revenue sources, they showed a preference to sustain and stabilize their selected sources.

According to Sacristán López de los Mozos et al. (2016), one disadvantage of diversification is that changing “revenue structure by increasing diversification may disrupt the NPO’s organizational ability to obtain resources” (p. 2644). This argument suggests that NPOs need to establish funding strategies based on their organizational capacity and efficiency to reduce resource dependence. Clearly, the greater the fund diversification, the more complex the organizational systems and procedures to manage them will be. Also, as income

sources increase, the level of complexity to address compliance requirements set by donors increases (Hung & Hager, 2018). There is no consensus on a perfect resource diversification plan. An analysis of 40 original studies published between 1994 and 2017 suggests that diversification “holds value for NPOs” (Hung & Hager, 2018, p. 17). However, it is still necessary to explore whether it contributes to the NPO’s financial health.

The board of directors, executive directors, and professional fundraising staff contribute to the diversification effort of NPOs. As the resource dependence theory suggests, the board of directors has an important role in mitigating NPOs’ dependence, increasing the flow of resources and contacts, and representing the organization to external constituencies (Callen, Klein, & Tinkelman, 2010). The board size and its involvement in the acquisition of funds process is a “driver of revenue diversification” (Zhu et al., 2018, p. 1179). In a study conducted with 102 Slovak’s NPOs, 52% mentioned having an active member of the board managing the organization effectively and ensuring its long-term institutional and financial stability (Gajdová & Majdúchová, 2018). Besides, a study about NPOs in the United States revealed the positive impact of the board of directors on unstable organizations for the growth of their direct revenues (Callen et al., 2010). Resource independence remains challenging to NPOs mainly because they rely on external sources to operate and not in self-income.

III. FUNDRAISING AND TRENDS

NPOs, like any other organization, need sources of income to operate. The private sector sells goods or services to obtain such income, and the public sector mainly receives individual and corporate income taxes. Historically, NPOs’ primary income sources are government (state, local, and federal), private sector, foundations grants, and fundraising activities. However, this is changing. For example, although government grants are the primary source of income in the Czech Republic, they decreased by 1.4 percentage points (60.5% to 59.1%) from 2008 to 2013 (Fonadova, 2016).

On the other hand, sales of goods and services fees increased 5.9 percentage points (23.1% to 29%) in the same period. This finding stands for a quasi-representative sample of 246 Czech NPOs representing diverse sectors, such as culture, sports, recreation, health, social, law, and environment. One conclusion in Fonadova’s (2016) study suggests that the revenue structure of the Czech Republic’s NPOs varies based on the

type of service, activities, and the influence of the institutional environment. Fonadova's (2016) conclusion was sustained, showing a substantial increase in fee income and reduction in grants in the cultural and law services organizations.

Fonadova places fees as the trending source of income for NPOs. According to Mikolajczak (2018), charging fees is a commercialization activity, lately implemented by NPOs to diversify their revenue and maintain some level of independence. This strategy evolved in the 2000s due to the increasing costs and constraints associated with funding from the government and other external funders (Scott, 2004; Zappala & Lyons, 2006). However, as external support from private individuals and institutional donors increases, the likelihood of commercial activities in NPOs diminishes (Mikolajczak, 2018). For some donors, the perception that NPOs are shifting to a commercial instead of focusing on service activities might impact their decision to continuing supporting them.

Online donations through charitable marketing and fundraising campaigns in social media are trends that help their NPOs fundraising efforts and reduce fundraising costs (Nageswarakurukkala, Gonçalvesb & Moshtari, 2019). Since 2016, Nonprofit Tech for Good prepared the annual Global NPO Online Technology Report to understand the non-profit sector's use of technology. Comprising data from NPOs from six regions (Africa, Asia, Australia & New Zealand, Europe, Latin American and the Caribbean, and United States and Canada), the 2019 report found that 90% of NPOs use social media to engage their supporters and donors; 64% accept online donations on their website; and 68% utilize recurring monthly giving, such as tribute giving, crowdfunding, peer-to-peer fundraising, a mobile card reader, or a text-to-give. Furthermore, 76% of Latin American and Caribbean NPOs and 69% in the United States and Canada agree that social media is effective for online fundraising.

IV. OVERVIEW OF PUERTO RICAN NPO'S FUNDING TENDENCIES

From 1970 to 1990, private corporations provided between 41% and 45% of NPOs revenues in Puerto Rico, becoming their primary funding source (Hennig, 1991). The author also stated that from 1983 to 1990, individual donors provided nearly 27% of NPOs revenues and the government between 16% and 27%. This scenario shifted in the late '90s when the government became NPOs' most significant contributor in Puerto Rico (Rivera, 1999; TSSC, 2004). TSSC (2004) indicated the disparity between

government funds and other revenue sources, as well as the tendency of NPOs to depend on government grants to continue their operations. According to Laborde (2002), the fundamental problem of NPOs in Puerto Rico is their financial dependence on government funds from both federal and local sources. Laborde (2002) suggested that NPO's historical dependence on government funds hinders accessing other sources, critical for their economic self-sufficiency. The government in Puerto Rico has offered legislative grants to NPOs since the 1970s. In 1970, this grant provided an average of \$27,302 per NPOs to 40 of them and a reserve of \$55,000 to cover electrical and water bills among social services organizations (House of Representatives Joint Resolution 168, 1969). By 2019, the number of NPOs receiving these funds increased to 560, with an average of \$35,437 per NPO (House of Representatives Joint Resolution 368, 2018). In almost 50 years (from 1970 to 2019), the government budget contribution to NPOs increased from 0.22% to 1.18%.

Estudios Técnicos (2015) shows changes in the sources of revenue of NPOs in Puerto Rico. In this study, a sample of 400 NPOs positioned individual donors (43.3%), fundraising activities (41.8%), and self-sustainable programs (31.3%) at their top three revenue sources. NPOs indicated that some of the reasons for the origins of revenue changes are the government's (1) funds disbursements delay, (2) bureaucratic processes, and (3) lack of economic support. Also, 42% (167) of NPOs have alliances with other NPOs, of which 30.5% (51) are for writing joint grants and 24.6% (41) for developing fundraising activities (Estudios Técnicos, 2015). It is also important to note that 45.5% of NPOs' boards of directors are involved in identifying funding sources. Despite the economic fragility in the island and the competition for funds, the sector continues growing and providing services not supplied by the government.

V. METHODOLOGY AND FINDINGS

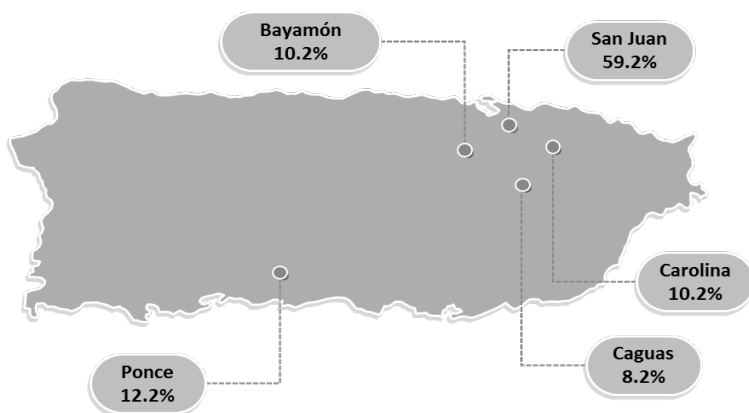
This descriptive quantitative study collected NPOs' 2018 fiscal year-end data and compared it with 2008 data (López-Rodríguez, 2010). An online survey was administered to NPOs in the five municipalities in Puerto Rico with the most significant number of registered organizations: San Juan, Bayamón, Ponce, Caguas, and Carolina. According to Estudios Técnicos (2015), who prepared an inventory of NPOs in Puerto Rico by analyzing the NPO registry at the State Department, IRS statistics, and several directories of foundations and organizations, these municipalities have 3,857 organizations. An initial partial list of

1,801 organizations in these five municipalities resulted in 264 organizations, after eliminating those that were canceled, that never operated, with income derived mainly from their members, or with no email. The survey opened on January 30, 2019, and closed 29 days later, on February 28. NPOs received an initial invitation and three reminders by email. Forty-nine (49) organizations responded, obtaining a response rate of 18.9%. It represents a response rate increase of 2.9 percentage points compared to the 2008 survey, on which 31 NPOs responded.

Participants' profile findings

NPOs participating in this study were incorporated between 1939 and 2013, meaning that they have between 6 to 80 years of experience. The mode is 27 years, and the average is 28.5 years. As shown in Figure 1, San Juan has the largest number of respondents (59.2%) and Caguas, the lowest (8.2%).

Figure 1. Percentage of participation by municipalities, 2018



The operational budget among these NPOs are between \$100,000 - \$250,000 (26%); less than \$100,000 (18%); and more than \$1,000,000 (18%). The least frequent budget is between \$500,001 - \$750,000 (8%). The NPOs have from none to 300 employees, with a mean of 21, a median of 9, and a mode of 0. Two organizations stand out with 100 and 300 employees, compared to the remaining 61 as the highest number of employees among the other 47 organizations. The board of directors' composition varies from 3 to 25 members, with a mean and a mode of 9. Comparing this profile with the 2008 data, it

shows a reduction in the average years of experience, the board of directors' size, and the number of employees, being this last one the most different.

It should be noted that the 2008 study analyzed only NPOs in the municipality of San Juan, while in this study, we included four additional municipalities. The number of ONG's in San Juan is almost similar: 31 in 2008 and 29 in 2018. Table 1 segregates this data for San Juan relative to all respondents to explore the particularities of the participants' profile. It shows an increase in the average years of experience and size of the board of directors and no changes in the number of employees. In terms of the operational budget, in 2008, the extremes seemed to be predominant (less than \$100M and more than \$1MM), while in 2018, it was between \$100M and \$250M, both in the total sample and in San Juan.

Table 1. Participants' profile comparison

Indicators	2008	2018			
		All	Change	San Juan	Change
Years of experience*	25.8	28.5	-3	29	+0.5
Board of directors*	11	9	-2	11	+2
Employees*	31	21	-10	21	0
Operational budget	< than \$100M; >than \$1MM	\$100M-250M	/	\$100M-250M	
N	31	49	-	29	-

Note. *Average

From a selection of 12 service categories, social (48.9%), education (40.8%), and health (34.6%) are the top services provided by participants' NPOs. The same services were the top three in 2008, but education led (54.8%), followed by health (51.6%) and social (48.4%). Between 2008 and 2018, as appreciated in Table 2, housing services experienced the most percentage points increase (9.8) and professional services the most percentage points reduction (-19.4). Social is the one service with a similar frequency in both years. Economic development is the only service not previously registered in 2008. However, it had a 20.4% frequency in 2018. On the other hand, professional and religious services had a frequency of 19.4% and 6.5%, respectively, in 2008 and 0% in 2018.

Table 2. Services offered by organizations

Services	2008		2018		Percentage points difference
	Frequency	%	Frequency	%	
Education	17	54.8	20	40.8	(14.0)
Health	16	51.6	17	34.7	(16.9)
Social service	15	48.4	24	48.9	0.5
Advocacy	7	22.6	2	4.0	(18.5)
Professional	6	19.4	/	/	(19.4)
Recreation	5	16.1	3	6.1	(10.0)
Civic/Art and culture	5	16.1	5	10.2	(5.9)
Philanthropy	2	6.5	4	8.1	1.7
Religious	2	6.5	/	/	(6.5)
Housing	2	6.5	8	16.3	9.8
Environment	1	3.2	4	8.1	4.9
Economic development	/	/	10	20.4	/

Note. $N = 31$ (2008), $N=49$ (2018).

Due to the diversity of services, the total of this table exceeds 100%.

Funding findings

In 2008, the primary sources of income of the organizations were state grants (71%), fundraising activities (58.1%), and corporate (54.8%), and foundation grants (51.6%). Ten years later, individual donors (73.5%), foundations grants (61.2%), fundraising activities (59.2%), and state grants (57.1%) are the most frequent sources of income (see Table 3). The individual donor category deserves attention, after a significant increase of 50.9 percentage points, from 22.6% in 2008 to 73.5% in 2018. Municipal grants and investments were the least frequent sources of income in 2018, showing percentage points reduction of 17.6 and 4.7, respectively, compared to 2008. Likewise, in 2008 product sales obtained 45.2%, but in 2018 it had the biggest percentage points' decrease (24.7).

The variety or number of sources of income in NPOs shows their level of diversification. In 2018, the sources of income that predominated among NPOs were four (20%), eight (18%), and six (16%), with an average of 6 sources of income. In 2008, organizations had seven (23%), six (19%), and five (16%)

sources of income with an average of 7. This tendency shows an average reduction of one (1) in the level of diversification from 2008 to 2018.

Table 3. Sources of income distribution

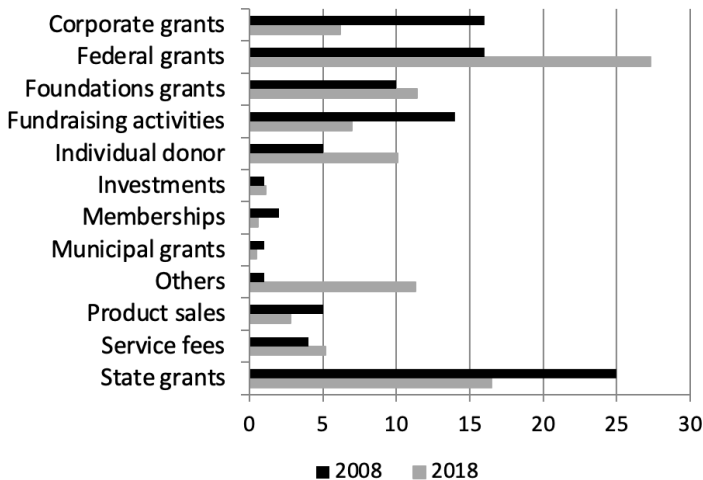
Sources of income	2008		2018		Percentage points difference
	Frequency	%	Frequency	%	
State grants	22	71.0	28	57.1	(13.9)
Fundraising activities	18	58.1	29	59.2	1.1
Corporate grants	17	54.8	22	44.9	(9.9)
Foundations grants	16	51.6	30	61.2	9.6
Product sales	14	45.2	10	20.4	(24.7)
Federal grants	13	41.9	23	46.9	5.0
Service fees	11	35.5	17	34.7	(0.8)
Municipal grants	8	25.8	4	8.2	(17.6)
Individual donor	7	22.6	36	73.5	50.9
Investments	4	12.9	4	8.2	(4.7)
Others	2	6.5	13	26.5	20.0
Memberships	1	3.2	7	14.3	11.1

Note. N = 31 (2008), N=49 (2018).

Due to the diversity of sources of income, the total of this table exceeds 100%.

In terms of the percentage that each source of income represents the total organization's budget, in 2008, the state government was the highest income source (25%), followed by corporate grants (16%) and federal grants (16%). Although fundraising and foundation grants were highly frequent within NPOs, the proportion to the budget was not significant. However, this allocation has also changed, as shown in Figure 2. Federal funds increased 11.3 percentage points from 16% in 2008 to 27.3% in 2018. On the other hand, state funds moved to second place, reducing 8.5 percentage points from 25% in 2008 to 16.5% in 2018. This finding is consistent with the Czech Republic, where state grants also decreased between 2008 and 2013 (Fonadova, 2016).

Figure 2. Percentage of sources of income to total budget, 2008 and 2018



Like the significant increase of individual donors in the income category sources, it also increased its percentage of income sources relative to the total budget from 5% to 10.1%. Although more organizations incorporate membership fees as a source of income (3% in 2008 and 14% in 2018), they do not represent a significant percentage of the total budget (2% in 2008 and 0.6% in 2018).

Funding strategies and challenges

Having a fundraising plan is vital for NPOs, as it provides strategic direction for the organization. As of 2018, 49% of the NPOs have a funding process strategy. Although it seems an acceptable percent, it is 18.7 percentage points less (67.7%) than in 2008. The fundraising process requires the intervention of the board of directors and the executive directors. The board of directors is currently preparing more grant proposals (18.3%) than in 2008 (9.7%) and the executive director less (90.3% in 2008 and 85.7% in 2018). The active participation in the acquisition-of-funds process is lower for both the board of directors (-1.1 percentage points) and the executive director (-9.9 percentage points)

Organizations were able to select from 13 funding techniques and add others in the write-in space. Table 4 shows the frequency of techniques used by organizations in 2008 and 2018. Grant writing continues as the number one funding technique. Eight out of 13 techniques reduced their percentage points from 2008 to

2018. The 2018 emerging techniques with the most percentage points increased are collection boxes, media advertising, special events, and e-philanthropy. Although door-to-door solicitation is the least used technique, it increased five percentage points. On the other hand, phone call solicitation and a personalized letter had the most percentage points' reduction.

Table 4. Funding techniques

Sources of income	2008		2018		Percentage points difference
	Frequency	%	Frequency	%	
Grant writing	29	93.5	45	91.8	(1.7)
Personalized letter	27	87.1	28	57.1	(30.0)
In-kind donation	25	80.6	37	75.5	(5.1)
Face-to-face meeting	22	71.0	24	48.9	(22.1)
Phone call solicitation	21	67.7	14	28.5	(39.2)
Special events	20	64.5	34	69.3	4.8
Via word of mouth	18	58.1	28	57.1	(1.0)
Corporate sponsorship	13	41.9	14	28.5	(13.4)
Direct mail	13	41.9	13	26.5	(15.4)
Collection boxes	10	32.3	21	42.8	10.5
Media advertisement	9	29.0	17	34.6	5.6
E-philanthropy	6	19.4	12	24.4	5.0
Door-to-door	1	3.2	4	8.1	4.9

Note. $N = 31$ (2008), $N=49$ (2018).

Due to the diversity of funding techniques, the total of this table exceeds 100%.

The average amount of fundraising techniques implemented by the NPOs was six, ranging from one to 12. In 2008, the average was seven, ranging from two to 11. While organizations implement various fundraising techniques, 90% expressed having challenges in the process. Although this number is high, it is an improvement compared to 2018, when all surveyed responded to having experienced fundraising challenges. From a list of 13 funding problems, the average number of issues selected was 4.4, unlike 6.7 in 2008, which is also an improvement. This result is supported by the percentage points' reduction in all the options provided for funding problems, as shown in Table 5. This table reveals a contradiction given

49% (24) of NPOs affirmed having a funding process strategy in another question. The remaining 51% (25) do not have one (44.9%) or did not answer (6.1%). Despite this tendency, just 12 NPOs (24.4%) considered not having an established fundraising program a funding problem. The data suggest that NPOs do not consider the lack of a funding process strategy a problem and do not see the direct relationship between a fundraising program and a fundraising strategy. In López-Rodríguez (2010), bureaucratic processes, not recurrent funds, and not much access to the media were other funding problems mentioned by the organizations. However, they were not identified as funding problems on this one.

Table 5. Funding problems

Funding problems	2008		2018		Percentage points difference
	Frequency	%	Frequency	%	
Reduction of other funds	27	87.1	25	51.0	(36.1)
Late disbursements of grants	24	77.4	27	55.1	(22.3)
Competition for funds	23	74.2	26	53.0	(21.2)
Lack of staff with fundraising knowledge	23	74.2	28	57.1	(17.1)
Limited unrestricted funds	22	71.0	20	40.8	(30.2)
Not established fundraising program	19	61.3	12	24.4	(36.9)
Implementation of different techniques	15	48.4	11	22.4	(26.0)
Lack of involvement of the board of directors	15	48.4	21	42.8	(5.6)
Government legislations	14	45.2	7	14.2	(31.0)
Lack of knowledge about the funding process	12	38.7	11	22.4	(16.3)
Reduction of government funds	10	32.3	13	26.5	(5.8)
Lack of involvement of the executive director	2	6.5	2	4.0	(2.5)
Bureaucratic processes	2	6.5	/	/	/

No Internet access	1	3.2	1	2.0	(1.2)
Not recurrent funds	1	3.2	/	/	/
Not much access to the media	1	3.2	/	/	/

Note. $N = 31$ (2008), $N=49$ (2018).

Due to the multiplicity of funding problems, the total of this table exceeds 100%.

These problems caused specific effects in organizations, such as reduction of expenses (51%), reduction of services (44.8%), and loss of professional employees (36.7%). In 2008, these three and debt increases were the top effects. However, they all experienced a reduction in their percentage points by 2018 (see Table 6). On the other hand, service fees and partial closing increased from 2008 to 2018. Service fees are a source of revenue for 17 NPOs (as presented in Table 3), but just 13 implement this type of income to address the consequences of funding problems.

Table 6. Effects as a consequence of funding problems

Effects in the organization	2008		2018		Percentage points difference
	Frequency	%	Frequency	%	
Reduction of expenses	27	87.1	25	51.0	(36.1)
Reduction of services	18	58.1	22	44.8	(13.3)
Loss of professional employees	15	48.4	18	36.7	(11.7)
Debt increase	15	48.4	7	14.2	(34.2)
Service fees increase	7	22.6	13	26.5	3.9
Partial closing	4	12.9	8	16.3	3.4
Total closing	1	3.2	0	0	(3.2)

Note. $N = 31$ (2008), $N=49$ (2018).

Due to the diversity of effects, the total of this table exceeds 100%.

The study incorporated two cross-tabulation analyses. First, it combined the variables for years of experience, funding challenges, and effects but showed no correlation. Second, it combined the variables for several challenges and fundraising techniques, but we did not find a correlation.

VI. CONCLUSIONS AND RECOMMENDATIONS

The purpose of this analysis was to establish the current fundraising state, compare it to the results from 2008, and determine the diversification and fund-dependency level in Puerto Rican NPOs. The study examined current fundraising revenue sources, trends, and challenges. It also examined the role of the executive director and the board of directors in the fundraising process. During a decade, the non-profit sector had some changes. Findings show a shift in their primary revenue source from state grants to individual donors. Individual donors increased as a percentage of income sources relative to the total budget, and some organizations are incorporating membership fees as a source of income. Lack of staff with fundraising knowledge surpassed the reduction of funding sources as the primary funding challenge. However, grant writing continues as the primary funding technique, and reducing expenses is the immediate effect of funding problems. The diversification level shows no significant changes, having an average of seven sources of revenue in 2008 and six in 2018. Instead of diversifying, NPOs are concentrating their revenue sources on public funds. They are still dependent on the government but are shifting their primary revenue source from state to federal grants.

Although the study consists of 49 NPOs located in five of 78 municipalities, a limited number of participants, the results are aligned with most findings in the literature review, such as the incorporation of commercial trends as a revenue source and increased participation of the board of directors in the funding process. Further studies exploring the policies that impact funding trends and the income diversification level regarding the percentage of income sources to the total budget are necessary to continue strengthening the non-profit sector.

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