2020

Nonprofits' Financial Health and Healthy People 2020 California Program Outcomes

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This is to certify that the doctoral dissertation by

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MPA, California State University San Bernardino, 2014

BBA, National University, 1987

Dissertation Submitted in Partial Fulfillment

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PhD in Public Policy and Administration

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Abstract

Nonprofit organizations (NPOs) are essential for implementing U.S. health promotion policies such as the Healthy People 2020 Nutrition and Weight Status 9, 10.4, and 15.1 program goals. Obtaining and sustaining NPO funding are pervasive problems. Prior research has focused primarily on NPO financial measures without taking into consideration a conjoint assessment of program outcomes connected to their primary mission. This study examined the influence of financial, accountability, and transparency measures on a selection of California NPOs whose program goals focused on Healthy People 2020 nutritional outcomes. Using Mohr's program theory lens, this quantitative study examined financial strategies and administrative components of 63 California NPOs and numbers of participants served, controlling for income, ethnicity, and urbanicity. Data from Charity Navigator, NPOs' Form 990 filings, websites, annual reports, and direct communications were used for regression modeling. NPOs' financial measures significantly predicted the numbers of participants served (F (1, 61) = 5.54, p = .022). Accountability and transparency and community covariates were not significant in model testing. Potential social change can be achieved through improved NPO fiscal management, complete Form 990 reporting, evaluation, and policies to address persistent funding challenges while employing operational safeguards preserving limited funding resources essential to sustaining program outcomes.

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Dedication

This dissertation is dedicated to my late mother and father, Vernice E. Johnson and Richard M. Johnson, Sr. whose intellect, perseverance, hopes, and prayers have been manifested in my ability and desire to complete it. Further dedicated to my grandmothers, Clara Bell Barnes (CB) and Mollie Johnson (MJ), although both gone before me, they dedicated the senior part of their lives to raising me (CB) with watchful care (MJ) long after they were obligated to do so. To my son, Larry and my grandsons, Elijah, Javon, Lorenzo, and Denver whose very existence have inspired me to be the best and reach for greater heights as an example to you. And most deeply, I dedicate this dissertation to my husband, Steven A. Lozolla, who went with me on the journey every step of the way and always believed when I did not. Connected to my Lozolla family's heritage of love and care is my father-in-law and mother-in-law, Rosalio and Adela Lozolla whose love was demonstrated to me and in raising a son that practices unselfish love. This accomplishment is 'because of you' and I share this with you, Stevie.

Acknowledgments

I acknowledge that without a divine assignment from God through the power of Christ and the Holy Spirit, none of this effort was possible. I extend an acknowledge also to my late grandfather, Jack Johnson (whom I never met) whose tenacity to build a family legacy for his offspring that would bring honor to the men and women of our family before him in their struggle, and a heritage to the future for me and his children's children. God's love, along with the encouragement of all of my siblings, especially my sisters Pamela, Rachel, Veronica, Tanya and Sabrena who listened to my doubts with responses that shrugged them off without hesitation to confirm their assurance that it was "already done". I also acknowledge my committee member, Dr. Ross Alexander and my URR committee member, Dr. Melanie Smith for their review and contributions especially after the reading of my Proposal, because it confirmed that the essence of the work was recognizable. I am grateful to acknowledge committee chair, Dr. Steven A. Matarelli, who had the insight to suggest a topic that united my present profession and burgeoning passion for my community. Dr. M, your steady guidance and intuitiveness was important in my formula for success.

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Chapter 1: Introduction to the Study

The nonprofit sector is an essential and involved participant in terms of accomplishing public societal benefits and solving problems, such as those pursued in Healthy People 2020 initiative's vision of all people living healthy-long lives (ODPHP, 2020). Funding is a crucial resource to achieve program outcomes and accomplish objectives that combat obstacles and reach the nation's health goals (Arteaga et al., 2015; Haslam, Nesbit, & Christensen, 2019). Nonprofit organizations (NPOs) galvanize when the for-profit sector and government fail or are unable to address social and public concerns (Haslam et al., 2019).

NPOs are required to operate within parameters that limit the pursuit of profit-making and restrict their ability to obtain, maintain, and strategize for scarce funds (Mitchell & Calabrese, 2018; Ryan, 2018). According to Burkart, Wakolbinger and Toyasaki (2018), the focus of NPOs' mission is increased programs and services versus for-profit organizations' focus on increased profits. This focus and other limitations such as minimization of administrative costs could limit financial potency and also hinder the potential for adequate management (Burkart et al., 2018).

I examined connections between the fiscal health of NPOs and outcomes of the numbers of participants served in an NPO. These are further refined as components in evaluation and assessment, which influence funding decisions, program planning, and other considerations such as suitability of management (see Mitchell & Calabrese, 2018; Rey-Garcia, Liket, Alvarez-Gonzales, & Mass, 2017). Funders and leaders rely on watchdog organizations such as Charity Navigator (2020) to assist with evidence that

supports decision-making. Few studies have examined the relationship between fiscal health and program outcomes using the lens of the nation's leading and largest rating systems of charities as key predictive variables. My study provides information regarding financial support of NPOs who deliver and implement programs and services to ideally improve the quality of Americans' lives.

Background of the Study

Communities across America implement policies and programs to address health issues such as the obesity epidemic. The national Healthy People 2020 is a 10-year evidence-based framework agenda established over 3 decades with benchmarks and monitored progress. Managed by the Office of Disease Prevention and Health Promotion (ODPHP) at the U.S. Department of Health and Human Services (HHS), the Healthy People 2020 initiative established a set of evidence-based health objectives with measurable targets. The first Healthy People iteration started with *Healthy People: The Surgeon General's Report on Health Promotion and Disease Prevention* in 1979, and continued to Healthy People 2020 to emphasize where action must be taken if the United States is to achieve better health by the year 2020. Healthy People 2020 attempts to identify health improvement, increase public awareness, provide measurable objectives and goals, engage multiple sectors, and identify relevant research in health (Centers for Disease Control and Prevention [CDC], 2015).

One identified example of an obstacle to good health is obesity. Obesity has become an international epidemic (Youfa, 2017). The CDC (2015) calculated 2011-2014 U.S. prevalence rates for adult obesity were 36.5%, and a prevalence rate of

approximately 17% was calculated for children and adolescents during this same timeframe. Although national obesity prevalence rates among youths are lower than adults, children and adolescents have suffered disproportionate obesity prevalence increases. Wolstein, Babey, and Diamant (2015) said in California, the frequency of adult obesity is 33.2%, while for children and adolescents it is 30.5%. Consequently, obesity prevention and intervention has become an intercontinental, national, and local public health issue. In 1993, California was the first state in the United States to convene a Heathy Communities initiative founded by the World Health Organization (WHO) in the 1970s and 1980s. Many other states subsequently followed California's lead with Healthy Communities initiatives implemented throughout the United States.

The history of NPOs' role in public service goes back to the colonial period in 1636 with the establishment of Harvard College, Andrew Carnegie's public library undertaking, and most recently the Melinda and Bill Gates Foundation's activities improving K-12 education. Cheng (2018) suggested that, widely-used financial measures used by for-profit organizations to gauge success are complicating metrics within NPOs due to the need to include mission and program fulfillment. The achievements for NPOs are based on service outcomes required by NPOs' tax exempt status, as well as an ever-present tension between complex financial and social values. Healthy People 2020's program planning goals include requirements for inputs and resources that enhance the probability of program performance, such as resource funding levels and collaboration. Mitchell (2017) noted that NPOs must be financially strategic while conforming to norms and constraints to maximize program impact.

Clarity of characteristics of financially-efficient NPOs that accomplish health planning and program goals provides leadership with additional information to accomplish an appropriate balance and blend of activities and interventions for unique communities. The results of interventions that prevent, mitigate and eradicate health issues such as obesity have had mixed reviews, with varied financial stratagem and approaches. The gap of research associating NPOs' financial metrics with program outcomes has minimal coverage in studies, although agreement is found throughout literature in the necessity that adequate fiscal standing is key to support NPOs' intervention efforts. My study will offer evidence to donors, managers, and leaders an information source on behalf of NPOs that are under pressure to evaluate their outcomes, specifically when evaluating for initial or ongoing donor funding streams.

Problem Statement

NPOs that respond to community health goals and objectives, such as those addressed with Healthy People 2020's programs and services, affirm that lack of funding is a continuing impediment. The general problem facing NPOs' foundational goals of providing maximum societal benefit versus the conflicting goal to maximize fiscal achievement can present barriers to efficiently achieve meaningful program outcomes (Mitchell & Calabrese, 2018). These conflicts are the unique complexities that donors, funders and leaders' face in the evaluation and scrutiny of NPOs' fiscal health in the ultimate realization of program outcomes. Yet outcomes of NPO programs can shape how coveted resources are allocated.

The specific problem is that popular evaluation strategies of fiscal strength fall short in providing leaders and vital funders evidence that program outcome goals are being met. Burbaugh et al. (2017) acknowledged that processes and activities that can assist to strengthen fiscal viability should be elucidated and evaluated. My study was intended to yield information associated with NPOs' scoring of their financial and administrative health.

I tested the primary assumption that financially stable and efficient NPOs would show better program outcomes. The approach of measuring program outcomes of NPOs allowed analysis of actual program outcomes as a function of NPOs' financial attributes. I have modeled my study to address finance and funding measures as well as program evaluation. This study can accomplish a blend of fiscal and administrative resources which may lead to improved understanding of the relationship between fiscal health and achieving positive changes to America's health outcomes.

Purpose of the Study

The purpose of my quantitative study was to explore any predictive relationships between NPOs' efficiency measures (independent variable [IV]) involving financial health and accountability and transparency with the outcome measure (dependent variable [DV]) of numbers of participants served. My focus was on NPOs' Form 990-reported outcome in terms of numbers of participants served.

Research Questions and Hypotheses

The following research questions and related hypotheses involved investigating the predictive relationships from Charity Navigator's financial health ratings

accountability and transparency ratings and program outcomes of NPOs measured separately as the numbers served (DV) as publicly reported via the Internal Revenue Service's (IRS) Annual Exempt Organization Informational Form 990 while controlling for community demographics such as urbanicity, income, and ethnicity:

RQ1: Do financial health ratings significantly predict percent change in R^2 variance in terms of program outcomes among participating Charity Navigator NPOs when controlling for urbanicity, income, and ethnicity?

$H_0$1: Financial health ratings do not significantly predict percent change in R^2 variance in terms of program outcomes among participating Charity Navigator NPOs when controlling for urbanicity, income, and ethnicity.

H_a1: Financial health ratings do significantly predict percent change in R^2 variance in terms of program outcomes among Charity Navigator NPOs when controlling for urbanicity, income, and ethnicity.

RQ2: Do accountability and transparency ratings significantly predict percent change in R^2 variance in terms of program outcomes in Charity Navigator NPOs when controlling for urbanicity, income, and ethnicity?

$H_0$2: Accountability and transparency ratings do not significantly predict percent change in R^2 variance in terms of program outcomes among Charity Navigator NPOs when controlling for urbanicity, income, and ethnicity.

H_a2: Accountability and transparency ratings do significantly predict percent change in R^2 variance in terms of program outcomes among Charity Navigator NPOs when controlling for urbanicity, income, and ethnicity.

Theoretical Foundation

Mohr's (1999) program theory is the theoretical foundation for my study. Causation is important in program evaluation where cause is the activities or efforts involved in programs and effect is the outcome of the program. Mohr's observations, discussed further in Chapter 2, of the relationship of the cause and effect or impact look to provide an explanation for the effect, not the worthiness of the program. Mohr posited that the cause and effect in conjunction with examination of the counterfactual may be useful to assist in judging impact on outcomes.

Following Mohr's theory model of the counterfactual, exploring NPOs where leadership and administrative practices have consequences of substandard fiscal standing versus NPOs deemed as fiscally sound presumably would show impact results of superior program outcomes in the latter scenario. Mohr's theory allows a study design that can evaluate program assumptions and results of goals and objectives through impact analysis. Figure 1 shows a pictorial representation of the outcome line where various activities may have subobjectives that lead to achieve outcome of interest and ultimate objective.

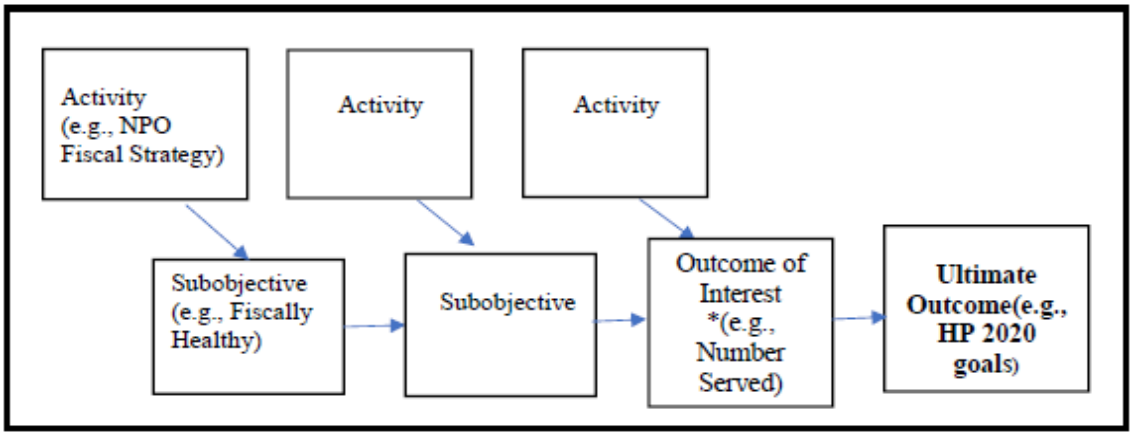

Figure 1. Outcome line with numerous activities and subobjectives.

Nature of the Study

My explanatory study involved using a quantitative design with secondary data from 1.57 million registered U.S. charities. My units of measure were the rating scores of financial health and accountability and transparency (IVs) from Charity Navigator (2020) rated California NPO; and the numbers of participant served (DV) by these California NPOs. Access to the research-vetted data set provided operational, financial, and programmatic material which was useful in presenting reliable data for my analysis. The use of Charity Navigator's secondary data was suitable to address my research questions by providing background information and measured content collected by Charity Navigator.

The selection technique permitted a correlated nonexperimental design to illustrate relationships and predictive associations using statistical tests. Statistical methods such as linear regression assisted to explain quantitative data by exploring hypotheses, testing and comparing associations of variables, and analyzing assumptions.

This approach can provide answers to my research questions involving financial indicators and obesity and health-related outcomes. Linear regression measures test whether data appropriately describes population characteristics to help explain how variance in the DV associates with or is explained by IVs. I conducted linear regression modeling using financial condition and accountability and transparency (IVs) and program outcome results of numbers served (DV) while controlling for urbanicity, income, and ethnicity. According to O'Sullivan, Rassel, Berner, and Taliaferro (2017), descriptive inquiry approaches provide information that is clearly understandable and easily interpreted to assist with planning, evaluation and monitoring as it guides decision-making.

Definitions

Nonprofit organization (NPO): An IRS 501(c)(3) public charity that files an Annual Informational Form 990 and is tax-exempt and eligible to receive tax-deductible contributions. Earnings from a 501(c)(3) do not benefit private individuals, activities are not substantially used to influence legislation, and they do not participate in political campaigns or endorsements (Charity Navigator, 2020).

Charity Navigator-rated NPO: U.S.-based NPOs generating at least $1 million in revenue for 2 consecutive years with at least $500,000 in public support which must account for at least 40% of the organization's total revenue for at least 2 consecutive years (Charity Navigator, 2020).

Public support: Combination of gifts, grants, contributions and membership fees from donors, foundations, and corporations (Charity Navigator, 2020).

Funding: Public, private, and governmental support including in-kind donations of value and cash.

Outcomes: A comprehensive indicator of output or impact which are the results of program efforts toward NPOs' mission (Rey-Garcia et al., 2017).

Numbers served: Outcome of interest identified by NPOs on their Form 990 as the numerical value of participants served by the NPO during a fiscal year (Rey-Garcia et al., 2017).

Financial/fiscal health: Measures of financial efficiency and capacity as calculated using Charity Navigator' (2020) scoring of each NPO's financial performance.

Accountability and transparency: Charity Navigator's (2020) defined measures of NPOs that follows best practices of governance and ethics, and whether the NPO makes it easy for donors to find critical information about the organization.

Assumptions

Assumptions in research include conditions that are critical to the study relating to procedures that are not under the control of the researcher. I assumed that the records were accurate and reflected authentic financial and program information. Since Form 990 misreporting and underreporting occurs, caution in terms of analyzing and interpreting is recommended.

Charity Navigator's (2020) NPO rating methodology assists and guides donors toward increased confidence in terms of giving while highlighting effective NPOs' operations. I relied on Charity Navigator's nationally renowned and industry accepted reputation as an unbiased and objective rating system for NPOs. For my research, the

practicality of applying financial measurements and rating system from a source widely used by donors, funders, and leaders in the nonprofit sector helps to confirm Charity Navigator's usefulness and value in terms of assisting in funding decisions.

Healthy People 2020's topic areas of Nutrition and Weight Status (NWS) 9, 10.1 and 15.1 have objectives to reduce obesity amongst adults and children and increase vegetable intake as a part of a nutritionally-balanced diet. The goal of health interventions concerning obesity and other health challenges require that NPO programs reach the maximum numbers of individuals for realization of objectives. This is accomplished by providing health interventions within communities to as many community members as possible.

Scope and Delimitations

I used IRS Form 990 sourced data to meet the challenge of collecting comparative program performance for a large number of NPOs across nonprofit types and services. Charity Navigator's (2020) platform for rating NPOs served as the foundation for my statistical analyses to support the validity of my interpretations and insights. NPOs selected for my study were California NPOs that offer programs and services aligned with Heathy People NWS 9, 10.1 and 15.1 as determined by their mission statements, and who had filed Form 990s or had a viewable website with annual reported numbers of participants served.

Additionally, my data set was selected from NPOs that have met Charity Navigator's (2020) rating criteria. The unique and varying characteristics of NPO programs along with the prescribed quality of program outcomes may not be synonymous

with the numbers of participants served since different localities and their programs meet different needs. However, program outcome success is generalizable to the extent that increased numbers served will allow greater access to participants for potential outcomes attainment in any of the wide-ranging objectives of NPOs.

Limitations

According to Mohr (1995), internal validity of relational inferences is based on research. Although, many studies have researched the fiscal health of for-profit and NPOs, limited studies have examined relational inferences that the financial condition of NPOs will produce some result or change in program outcomes. This gap is reflected in the widely acknowledged experience that acquiring primary data of NPOs that implement, track and identify direct financial and actual program data is challenging. These circumstances are reflected in my study's limitations. Burkholder et al.'s (2016) remedy is to design research that eliminates the threat of alternative explanations for the causes of an observed outcomes to enhance experimental findings.

Secondly, Charity Navigator's (2020) procedure for any of the nearly 1.6 million registered charities is based on IRS status, revenue, length of operations, location, level of public support, fundraising expense, and administrative expenses of the NPO. Thus, all NPOs are not present in the sample. Also, not all NPOs within Charity Navigator's rated charities reported numbers served on IRS filed Form 990, which precluded them from my study. My strategy is to expand my selection of NPOs that fit Charity Navigator's criteria and report numbers served to encompass a range of localities to address unrepresented selection. My study's rigor through planned enhancements of triangulation (data across

various sources is interpreted and analyzed) includes both financial data ratings as well as accountability and transparency, covering administrative practices rating that also impact program outcomes.

Significance of the Study

My study will add to the body of information and provide NPO leaders and administrators, funders, and researchers with insights regarding financial management as it relates to accomplishing varied NPO missions benefitting the public sector. Since, resources and inputs make it possible to implement programs and sustain NPOs, I recognized the necessity to elucidate the importance of adequate economic resources to show support and bolster knowledge of the impact of financial subobjectives.

Significance to Theory

Approaching the funding problem with additional study that connects fiscal health with program outcomes through quantitative methodology is practical. The approach analyzing more cost-effective existing data can allow researchers and scholar-practitioners to inform and confirm theoretical constructs by analyzing available data in fresh ways. A study supported by Mohr's (1999) theoretical construct can elucidate the counterfactual or impact of the lack of presences of a desirable conditions (e.g. fiscal health as an IV) which can be useful to build theory with new knowledge that refute or support existing theories.

Significance to Practice

The ability of NPOs to maintain economic wellbeing that would support program goals can provide motivation for NPO leadership to implement fiscal and administrative

strategies that encourage fiscal health as well as accountability and transparency. Confirming the link between subobjective inputs, such as fiscal health, to ultimate outcomes can validate the need for leaders to have strategies for fiscal welfare that are congruent with their unique programs, services, community, and environment. The use of watchdog organizations such as Charity Navigator (2020) to assist with verification of funding assessment investigations and strategies could lead to appropriate funding decisions. Managers of NPOs who understand and can articulate fiscal strategies to administrators, potential supporters, and sponsors that may be within or beyond the norm of NPO fiscal metrics can also be reinforced. These could lead to sounder practices that support the importance of adequate funding of NPOs.

Significance to Social Change

The ability of NPOs to respond to society's problems is presumed to be associated with having strong fiscal strategies and backing from all sectors of the society. A concerted effort is required for complex health issues such as obesity. The potential for positive social change is the contribution to the mitigation of the persistent problem of funding challenges faced by NPOs. The change, with more evidence from this study, has the capacity to create environments where adequate funding is the norm, which could in turn could positively impact funding determinations and ultimately program outcomes.

Summary and Transition

My research addressed the problem of necessary resources that are needed to implement and sustain NPO programs and services and explored using existing data from an industry leading watchdog organization that evaluates NPOs' financial data from IRS

Form 990 and NPO web sites. These can inform the practices and policies of NPO managers, leaders, and resource providers to encourage NPOs' commitment to the betterment of society. Chapter 2 includes a critical literature review involving NPOs' roles in health intervention programs such as Healthy People 2020. Furthermore, Chapter 2 also includes current and seminal research on financial measures use to evaluate NPOs' fiscal health along with the numbers served, my outcome of interest.

Chapter 2: Literature Review

Introduction

The national Healthy People 2020 initiative identifies health improvement opportunities, increases public awareness, provides measurable objectives and goals, engages multiple sectors, and identifies relevant research in health (CDC, 2015). Communities across America implement policies and programs to address the prevalence of health deterrents. Healthy People 2020 is the nation's leading health promotion and disease prevention initiative. The implementation of Healthy People 2020 in cities across the United States, accomplished through Healthy Communities projects, provides a model of public health, community development, finance and funding, health care, and other assistance in local coalitions.

Finances and funding of NPOs that implement programs and interventions is relevant in terms of community impact. My literature review was intended to explore how fiscal efficiency, framed in terms of financial health and accountability and transparency exhibited within NPOs is relevant in terms of community impact as defined and measured by community members served by NPO programs. Arteaga et al. (2015) said that factors used to predict implementation of community programs and policies can include level of funding and other resources available, leadership, existing partnership, level of collaboration, and level of planning.

Interventions and policies that address societal, economic, environmental, and political factors can advance effective solutions and strategies to address health disparities. The disconnect between health spending and healthy outputs and outcomes

presents challenges in terms of funding to implement and sustain Healthy Communities programs in order to meet intended health goals. Funding levels can determine NPOs' implementation of interventions and influence financial stability or vulnerability. Level of financial diversity and NPOs' revenue streams can also impact execution of program and services. I addressed numbers served which may impact short, intermediate, or long-term outcomes depending on the organizations and institutions involved in health efforts involving planning, collaborative efforts, and funding. Financial cost indices to assess the economic health of programs and organizations as well as resource diversification strategy indicators are explained through published research. The literature review can be used to explain vital research which can further improve and advance progress for NPOs and vital partners to reinforce health and deter disease.

This literature review has nine sections which focused and guided my literary search. This first section includes a general introduction of the problem with a brief history of Healthy People 2020's objectives. This is followed by a list of databases and search engines as well key terms. Next is an outline of Mohr's theoretical framework. This is followed by limitations of literature.

Next is an analysis and rationale of Mohr's program theory, taking account the history of NPOs and the importance of fiscal health relationships. This is followed by an examination of Healthy People 2020 goals and objectives. Next is a description of Charity Navigator (2020), the data platform used in my study. This section highlights charitable decision makers and performance guidance for nonprofit sector members. This

is followed by descriptions of literature involving NPOs' efficiency as developed using Charity Navigator's rating system.

Next is an outline of early and developing literature that informs community efforts related to funding. This section addresses NPOs' financial indicators and seminal and current literature involving NPOs' financial support or funding and financial capacity, as well as studies cataloging the consequences of stability or vulnerability that financial resources afford. Next is my conceptualization of numbers served along with research questions in related studies. This is followed by a summary of major literary themes and my study's relevance to unresolved issues.

Literature Search Strategy

The Walden University Library as well as academic dissertations Google Scholar, Google, PUBMED, Thoreau, SAGE Publications, EBSCOHost, ProQuest, Science Direct, and Scholar Works were searched using a combination of the following terms: *nonprofit*, *nonprofit organizations*, *fiscal health*, *not-for-profit*, *numbers served*, *impact*, *nonprofit financial performance*, *accounting ratios*, *financial measures*, *efficiency*, *corporate philanthropy*, *charitable foundations*, *nonprofit performance*, *nonprofit efficiency*, *nonprofit financial health*, *financial growth capacity*, *financial stability*, *financial performance*, *community programs and policies*, *performance measurement*, *performance assessment*, *performance evaluation*, *outcomes*, *inputs*, *output*, *program ratio*, *program ratio management*, *diversification*, *diversity*, *financial indicator*, *cost effectiveness*, *community prevention*, *childhood obesity*, *health promotion*, *Healthy*

People initiative, health policy, financial stability, financial vulnerability, theory, program theory, *theory of change,* and *logic model*.

The first cycle of examining the literature of peer-reviewed articles was focused from 2015 to present on the scholarly models related to the IVs and DV, NPOs finances, program theory, and related matters to gain an understanding of the applications and attention of current studies. Boolean terms assisted to create refined and effective searches. Citation chaining was applied to assist in facilitating the second cycle of my search. The citations from the reference lists of the articles in the first cycle were searched backward and forward in time to link to a chain of related citations connected to the study topic. This method facilitated an exhaustive search for both contemporary and important seminal studies which provided a foundation to my investigated topics.

There were no major limitations to the literature available related to NPOs' financial health and program evaluation. Studies that looked at the prediction of how the input of NPOs' financial health is applied to NPOs' health efforts outputs of numbers served were sparse. Although articles related to Mohr's program theory conceptualization evaluated the benefits of quantitative studies, their emphasis was to defend or encourage the use and usefulness of qualitative approaches of impact analysis.

Theoretical Foundation

Mohr (1999) builds from Weiss' (1995) theory of change (TOC) where program processes and program outcomes provide expectations for evaluating achievement of goals and impacts. Theory-based evaluation, including the TOC, program theory and others, seeks to understand the processes of change as they are supported by resources to

obtain intended outcomes (see Breuer, Lee, De Silva, & Lund, 2015; Coryn, Noakes, Westine, & Schroter, 2011). The TOC's benefits alongside the emphasis of specific elements can assist in the identification of mechanisms leading to desired outcomes as demonstrated in Burbaugh et al.'s, (2017) participatory approach.

The program theory of impact's suitability to my research is best addressed in the explanation of the *counterfactual*, which Mohr (1999) posited as the uncertainty if a particular program component, such as a named outcome (X), would not occur without the inclusion of a defined program component input (Y). The factual causal reasoning within this theory seeks to clarify what would happen in reaching an outcome such as the numbers served (X), if a program component input which I conceptualize as fiscal health (Y), was not present. Mohr's impact and program theory are illustrated with a visual logic model that includes of Inputs and Resources, Activities, Outputs and Outcomes to assist program impact analysis by observing expectation of events. An example of an adapted logic model related to obesity health outcomes for Healthy People 2020 is shown in Figure 2 where the critical input and resource of funding is shown necessary to likelihood implementation of NPOs' community programs.

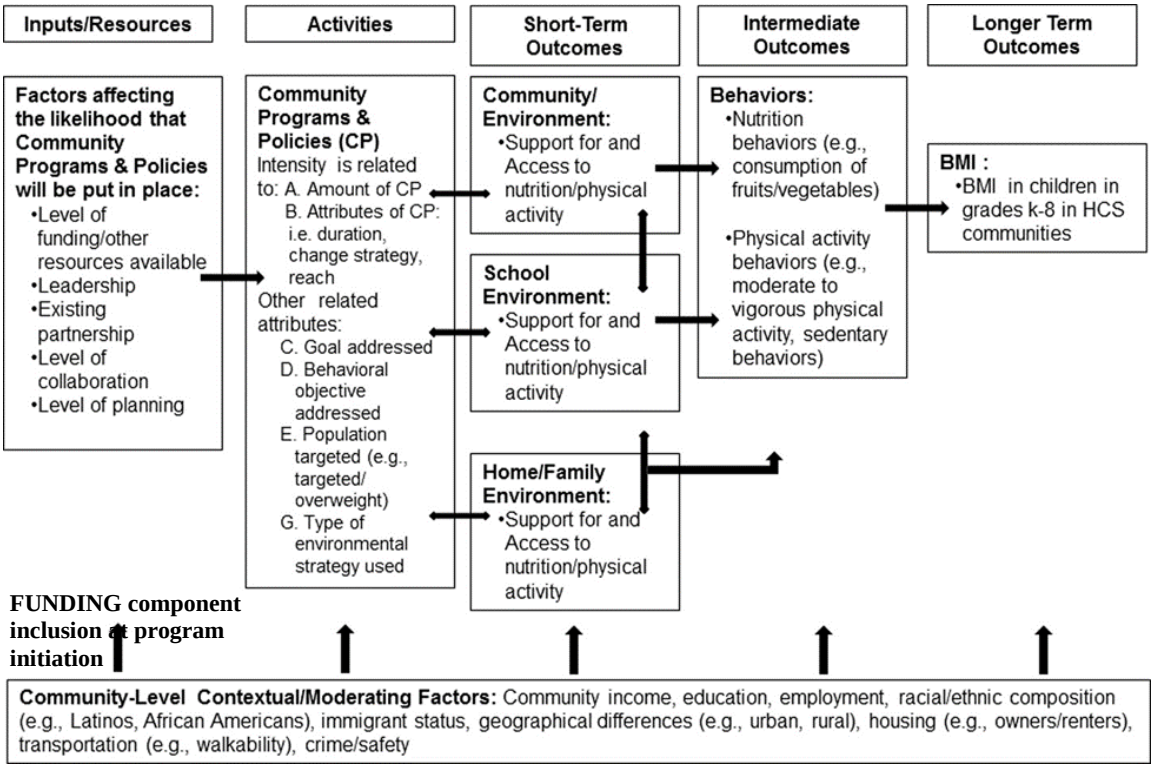

Figure 2. Illustrated logic model.

Isolating program input components such as funding can allow focus and illuminate important aspects of my identified IVs of NPOs' efficiency comprised of financial health and accountability and transparency factors that can encourage or thwart funding decisions. Fiscal health and accountability and transparency planning as understood by Ridings (2015) can support measures identifying the elements that lead to change in behaviors or strategies. NPOs' leaders can implement financial strategies, policies and procedures to plan for positive outcomes related to specific input of funding (see Figure 3).

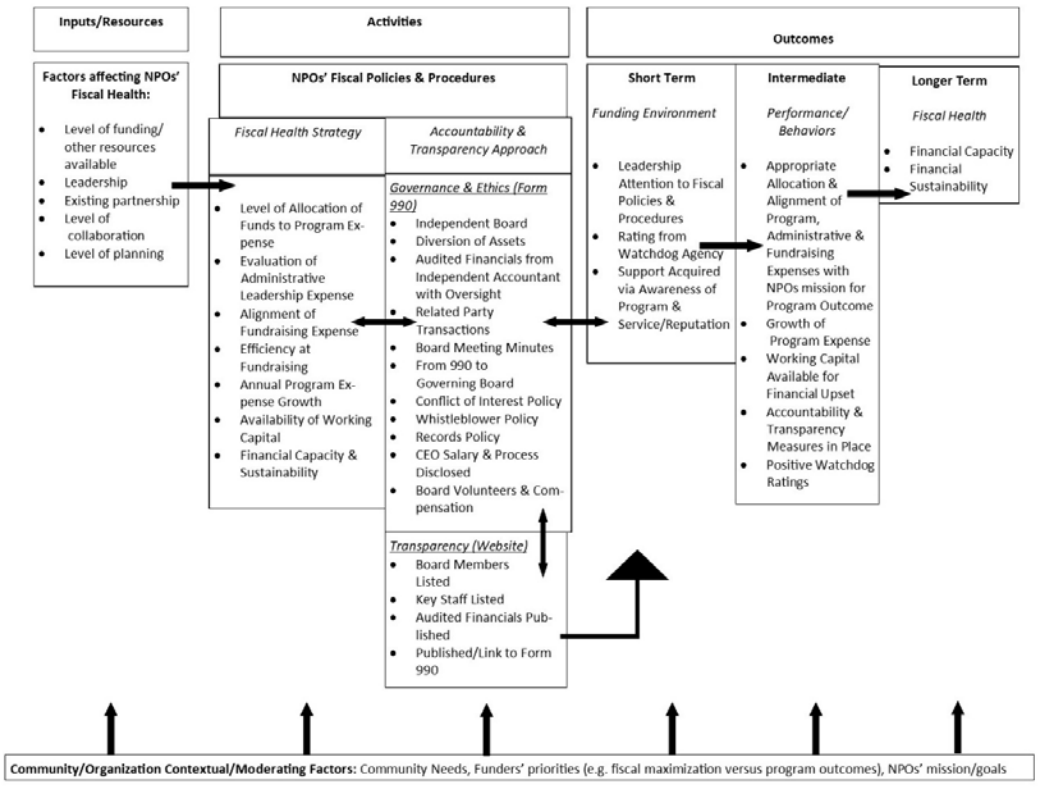

Figure 3. Fiscal health planning logic model.

I considered Peterson and Skolits' (2019) application of the grounded theory to ripple effects mapping (REM), which assisted in evaluating unintended consequences of TOC to successful fiscal program planning strategies. I also examined fiscal mechanisms from a system theory approach to encompass the broad interaction of multiple factors of change that can build capacity efforts (see Cheskin et al., 2017; Devin, 2016). Campbell and Lambert's (2017) approach considered funders' experiences of the input of finances which utilized the stewardship and agency theories to establish trust and shared goals for measuring NPOs' program performance.

Mitchell and Calabrese's (2018) utilization of the standard theory of nonprofits reflected on NPOs' mission to provide benefits to society and to donors. These are important considerations in financial management given the tension between scarce resources and meaningful outcomes. The significance of the institutional theory informed by adjustments to conform to recognized norms and values for instituting policies in program funding, evaluation, and decision making was also appreciated (see Jeong & Kim, 2019; Kavanagh et al., 2017; Lee & Nowell, 2015). Herman and Renz (1999) posited control for significant differences of various types of NPOs with multi-constituency needs and missions. They also warned of the advantages of standardized measures of fiscal effectiveness and outcomes to avoid fractionating of knowledge and incommensurability of theories and findings.

Given the wide theoretical reasoning of current and past studies, Mohr's (1999) program theory was determined to best illuminate the impact of the absence of fiscal leanness as it highlights the counterfactual in a useful logic map to understand and adjust for improved financial strategies. Mohr's theoretical approach highlights the possible alternatives to the differences-in- differences narrative for considering fiscal health impacts. Within Mohr's theory's impact analysis, components include 1) impact (problem, activities, outcome of interest), 2) design (to determine if theory is correct) and 3) statistical (quantify efficacy i.e. regression coefficient). Mohr's approach was facilitated through rating mechanisms of NPO watchdog organizations that evaluate financial health on multi-dimensional metrics thus providing insights that other studies have not fully considered. It is important to understand the regulations and purposes that

NPOs are founded upon that can limit and control planning inputs, activities and ultimate outcomes. The next section explores some of the foundational parameters of NPOs.

Literature Review

NPOs

NPOs must apply and be recognized under the 25 categories within the federal U.S. Internal Revenue Code (IRC) as a public charity (Ryan, 2018). The National Archives (2020) acknowledged one of those categories of NPOs codified as U.S. policy under Section 501(c)(3) of the IRC contained in Title 26 Code of Federal Regulation (CFR), part 1. This policy allows an organization the benefit of exemption status from federal and state income tax if they meet certain conditions (OLRC, 2019). According to IRS guidelines, conditions placed on 501(c)(3) organizations include prohibition from private inurement on activities or interest that may benefit controlling individuals or shareholders. Ryan (2018, p. 7) reiterated the published exemption purposes specifically defining that NPOs must be organized and operated solely for, and as: “religious, scientific, charitable, testing for public safety, education, literacy, fostering national and international sports competition, or the prevention of cruelty to children and animals”.

The preferential tax treatment of NPOs’ requires filing annual financial informational returns, known as federal Form 990, Return of Organization Exempt from Income Tax, registering for state solicitation, and adhering to an established a list of disallowed acts and practices that include misrepresenting purposes for donations and making deceptive or distorting solicitation requests (Ryan, 2018). The required annual financial informational returns can provide insight to the priorities and practices of NPOs

since the annual returns presents information about the purposes, mission, numbers served, board practices, as well as the financial representations. The federal government approves NPOs as 501(c)(3) organizations, however the federal government assigns state governments the responsibility for regulation, accountability enhancement and oversight of NPOs with states' Attorney Generals (AG), secretaries of state, state tax authorities, boards of education, and insurance commissioners. Generally, most states require charitable organizations to register and file financial reports with the appropriate state agency, yet some will grant state exemption approval after an organization has obtained federal exemption. States' Attorney Generals and other states' regulatory authority have the responsibility to enforce the laws, regulate charitable organizations, and to ensure the appropriate administration of funds committed to charitable purposes (OLRC, 2019; Ryan, 2018).

The history of NPOs' introduction into American society has roots in the failure of government and business to address community services and social concerns, conceding that NPOs can positively address community health-related outcomes (Haslam, Nesbit, & Christensen, 2019). Although NPOs subsist to deliver a benefit to the public, they are neither government entities nor private businesses, yet they have to compete for limited operational funds in those same market arenas (Keating et al., 2005). Over the past 20 years, the necessity for NPOs has increased as the federal and state governments continue to rely on a shared responsibility factor to meet public needs due to budget constraints, which in turn has increased the need for impact evaluation and

assessment to ensure the NPO's mission, vision, and outcomes are aligned and meaningful (Willems, Jurgens, & Faulk, 2016).

NPOs are not structured or organized for quid pro quo relationships and must operate regardless of their participants' ability to pay (Tuckman & Chang, 1991). Accordingly, the mission of NPOs are not necessarily paired to operational or funding resources. These subtleties produce increasing challenges with competition for scarce funds further complicated with manipulation of financial reporting and scandal (Garven et al., 2016). Funders utilize watch dog agencies to rate and evaluate NPOs effectiveness and fiscal health to provide vetting and gauge expected impact (Garven et al., 2016; Lecy & Searing, 2015; Mitchell & Calabrese, 2018). NPOs' imperatives including contending with financial subventions to exhibit efficient and adequate fiscal health to attract and maintain funding decisions, since positive funding decisions, in turn, impacts implementation of programs and services and ultimately program outcomes.

The outcomes and goals of health policies, such as Healthy People 2020's topics and objectives—Nutrition and Weight Status (NWS) 9, 10.4, and 15.1, concerning obesity, require collaborations—multisectoral and multidisciplinary including NPOs, to be successful accomplishing the impact and intended objectives (ODPHP, 2020). The nonprofit sector has an array of organizations which includes charitable organizations, religious and church organizations, private foundations, political organizations and other NPOs (civic leagues, business leagues, social clubs, social welfare, and labor unions) that encompass various sizes, and undertake a wide variety of activities (Internal Revenue Service, 2019). Public charities, the largest category of tax-exempt organizations, are

classified under section 501(c)(3) alongside private foundations (McKeever, 2019). Public charities allowed tax-deductible donations include arts, culture, and humanities organizations; education organizations; health care organizations; human services organizations; and other types of organizations composed about 66.7% of all registered nonprofits.

According to the National Center for Charitable Statistic (NCCS), the number of NPOs registered with the Internal Revenue Services (IRS) in the United States rose 10.5% from 2005 to 2015 to over 1.5 million (McKeever, 2018). However, the actual numbers of U.S.-based NPOs is unknown since some NPOs, such as churches, are not required to register with IRS. Of the NPOs registered with the IRS, 34% are required to file annual informational tax returns. In 2015, the registered NPOs reported $2.54 trillion in revenues and $5.79 trillion in assets. In 2015, the nonprofit sector comprised 5.4% ($985.4 billion) of the U.S.' gross domestic product (GDP), increasing in revenues and assets at a rate greater than the GDP in the same reporting period. The value of NPOs to U.S. citizens' health, economy, and culture can be seen in the increase in the number, finances, and size of the nonprofit sector over time, as well, NPOs play important roles in this country's economy and to lives domestically and abroad (Charles & Kim, 2016)

Thus, NPOs' inclusion in the accomplishment of Health In all Policies (HiAP) with institutional systems coordination and intersectoral cooperation can improve output and outcomes through better implementation of community programs and services (Holt & Ahlmark, 2018). Holt and Ahlmark (2018) suggested a management approach to

studying the vast and complex assortment of NPOs' programs and services by selecting focused, traceable evaluation variables and fewer causal relations.

Attention on a focused imperative of funding, reflected in the variables of NPOs' fiscal health, can offer added insight for evaluation of funding decisions impacting directly and indirectly influences between fiscal health and outcomes. Singling out the input and resource component of funding and evaluating adequacy using a purpose-designed program theory logic model can simplify certain complexities associated with NPOs evaluation. The next section conveys how the Healthy People initiatives take aim at the complicated and multidimensional problem of endorsing better health policies to a nation.

Healthy People 2020

Healthy People is known as America's preeminent health promotion and disease prevention initiative over each decade of the past 40 years (ODPHP, 2017). The Health People's strategy evolution and progression are a result of learned-lessons and innovation from community-based health promotion programs to government deployed public health strategies. One such innovation is Health People's online community access to data and resources harnessing public access and grassroots initiatives (Heffernan, 2019). As a roadmap for the nation's health, Healthy People is led by the federal government at the U.S. Department of Health and Human Services (HHS) Office of Disease Prevention and Health Promotion (ODPHP), where a federal interagency workgroup (FIW); representatives from more than 30 departments, agencies, and offices provides ongoing guidance to the initiative with leadership and support from ODPHP, the CDC, and the

National Center for Health Statistics (NCHS) to address America's public health and health policy (McGowan, Kramer, & Teitelbaum, 2019).

The present iteration of Healthy People, known as Healthy People 2020, contains more than 1,200 objectives covering 42 topic areas, including disease prevention, specific health behaviors and conditions (ODPHP, 2020). The Healthy People's leading heath indicators (LHI) are high priority health issues that communicate determinants of health, which can encourage or suppress life quality, and health behaviors. These LHI are presented in 26 action subsets across 12 topic areas (McGowan et al., 2019). The goal of the HHS, continued in Healthy People 2020, was to develop and enact policies to avoid preventable disease from occurring in the first place, and to create environments that support health by giving public health practitioners and policy makers an opportunity to learn from community-based efforts (CDC, 2009). Healthy People 2020's outcomes are based on the accomplishment of four previous Healthy People initiatives: (a) 1979 Surgeon General's Report: *Healthy People: The Surgeon General's Report on Health Promotions and Disease Prevention*; (b) *Healthy People 1990: Promoting Health/Preventing Disease: Objectives for the Nation*; (c) *Healthy People 2000: National Health Promotions and Disease Prevention Objectives*; and (d) *Healthy People 2010: Objectives for Improving Health* (ODPHP, 2020).

Each of the more than 1,200 objectives of the Healthy People 2020 policy was designed with reliable data sources, baseline measures, and target for specific improvements to be achieved by the year 2020. The objectives-focused interventions intended to reduce or eliminate illness, disability, and premature death among individuals

and communities focusing additionally on broader issues eliminating health disparities, addressing social determinants of health, improving access to quality health care, strengthening public health services, and improving availability and dissemination of health-related information. The Healthy People 2020 initiative includes required local government level objectives: (a) enacting policy and environmental initiatives, (b) partnering with a variety of local agencies and partners to leverage scarce resources, (c) setting feasible goals to address needs of the specific community, and (d) measuring community's performance and adjust goals as necessary.

Progress toward the objectives and outcomes targeting obesity can be difficult with slow social, structural, and environmental development (Thompson & Madsen, 2017). LHI's within Healthy People 2020 support continued efforts toward outcomes of complex health issues such as obesity. The midcourse review provided by Healthy People 2020 presents a snapshot of the progress made and the progress needed during the first and second half of the decade.

The comprehensive goals of Healthy People 2020 include efforts to elevate quality and length of life, provide health equity, create healthy environments, and promote healthy behaviors over the entire span of life (ODPHP, 2020). Blair (2001) theorized that complex health issues require a search for policy tools and solutions which first address issues relating to the structure and scope of the policy problem itself. Adequate financial health is a rudimentary aspect of resources to ensure favorable implementation and continuation of any health policy.

Table 1 displays the persistence of obesity in America within my focused NWS objectives despite the numerous and varying interventions that are implemented to address the issues. The Healthy People (see Figure 4) initiative addresses policy tools and solutions through collaborations to stimulate various approaches in communities across the country in an effort to integrate organizational, institutional, and environmental structures toward successful and sustainable outcomes (McGowan et al., 2019). The benefits of program-implemented health outcomes may take equally as long to realize, however the program logic spectrum from relationship building, planning, implementation, evaluation, and financial support is crucial to consider when supporting change efforts (Elias & Moore, 2017).

My study's emphasis on the input of NPOs' financial health (IV) to implement programs and services can build on efforts to understand the importance of financial support realization and project efficiency to potential funders. Agencies such as BBB Wise Giving Alliance, Charity Watch, The National Center for Charitable Statistics, GuideStar, *Forbes* Magazine, *Christian Science Monitor* and Charity Navigator, have bolstered reliance through transparency on financial indicators for donation decisions (see Garven et al., 2016; Lecy & Searing, 2015; Mitchell & Calabrese, 2018). The next section presents my use of Charity Navigator (2020), as the selected scoring tool for rating NPOs'.

Table 1

Midcourse Review of Progress toward Target of Leading Health Indicators

Objective	Status**	Baseline value (Year)	Midcourse value (Year)	Target for the year 2020
Nutrition and Weight Status Reduce Obesity among adults (age-adjusted, percent, 20+ years) [NWS-9] *LHI Topic: Nutrition, Physical Activity, and Obesity	Little or no detectable change	33.9% (2005-2008)	35.3% (2009-2012)	30.5%
Nutrition and Weight Status Reduce Obesity among children and adolescents (percent, 2–19 years) [NWS-10.4] LHI Topic: Nutrition, Physical Activity, and Obesity	Little or no detectable change	16.5% (2005-2008)	16.9% (2009-2012)	14.5%
Nutrition and Weight Status Increase Mean daily intake of total vegetables (age-adjusted, cup equivalents per 1,000 calories, 2+ years) [NWS-15.1] LHI Topic: Nutrition, Physical Activity, and Obesity	Little or no detectable change	0.8% (2005-2008)	0.8% (2009-2012)	1.16%

*Note: * LHI – Leading Health Indicators **Categories of Progress Toward Objectives: Target met or exceeded; Improving; Little or no detectable change; Getting worse.* Adapted from U.S. Department of Health and Human Services, Healthy People 2020 https://www.healthypeople.gov/2020/data-search/midcourse-review

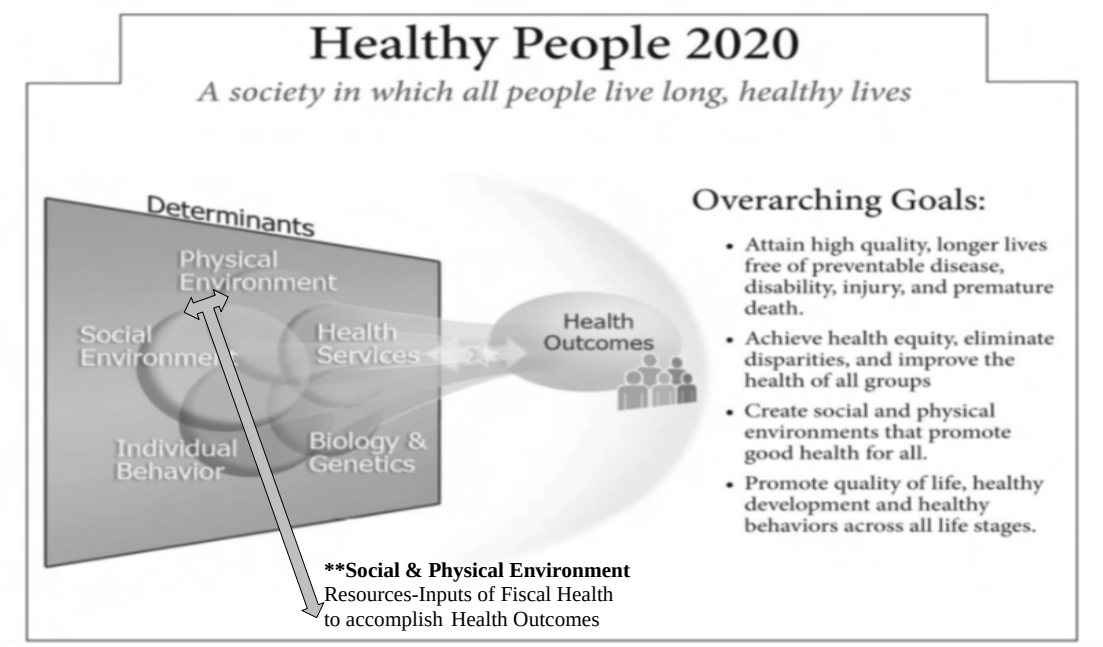

Figure 4. Graphic model of Healthy People 2020 National Health Objectives.

Charity Navigator

Charity rating systems are useful and may provide donors and funders a level of scrutinizing NPOs' for potential donations. Normative financial standards and grantor's eligibility conditions compel NPOs to conform anticipating performance appraisals (Mitchell, 2017). The Charity Navigator (2020) system has been described as the U.S.' leading and highest-utilized rating website of charities. Kavanagh et al. (2017) encouraged the use of evidence-based rigorous evaluation for program funding decisions such as Charity Navigator rating metrics. Manipulation, misclassification, misreporting and highly publicized scandals have added to donor skepticism and reliance on 'watch dog' agencies that allow financial information to be more available for public assessment and evaluation (see Garven et al., 2016; Lecy & Searing, 2015). Organizations that provide data platforms such as the National Center for Charitable Statistics (NCCS),

GuideStar, and Charity Navigator can illuminate the efforts of NPOs that have a responsibility as fiscal stewards of public funds and private donations and can promote mechanisms to help evaluate for continued funding decisions (see Barnhill et al., 2018; Lecy & Searing, 2015).

Charity Navigator's (2020) website documented that, as of January 2020 the agency rated 9,241 charities, has more than 10 million visits annually, and has more than 752,000 registered users over its 18-year existence. Charity Navigator's rating system examines two general areas of a NPO's accomplishment: financial health, and accountability and transparency. Charity Navigator's rating system provides the public a judgement of the NPO's efficiency in the current use of a) support, b) how capably the NPO has maintained its programs and services over time, and c) the NPO's level of commitment to governance, best practices and transparency. Charity Navigator has information on more than 1.6 million NPOs registered with IRS. Their rating criteria for U.S. 501(c)(3) NPOs limits the number of IRS registered NPOs in their dataset. These criteria include (a) revenue of $1million, (b) at least 7 years of operation, (c) a minimum of $500,000 public support over two consecutive years, and (d) at least 1% of expenses allocated separately to both administrative and fundraising expenses. Charity Navigator's Advisory Issuance Committee may decline to rate NPOs that meets their inclusion criteria and instead issue an advisory when information of concern about the conduct, operations or management of a charity comes to their attention.

The Charity Navigator's (2020) rated NPOs are categorized by (a) alignment of causes and activities, and (b) their financial health score. A financial health score is

comprised of seven financial ratios based on seven key areas providing donors with a relatable and visual metrics for vetting and assessing fiscal health prior to funding or offering 'in kind' donations, grants, or gifts. Additionally, NPOs that fit Charity Navigator's criteria are assigned accountability and transparency measurements using data found on NPOs' federal annual Form 990 informational returns and their websites. Charity Navigator's accountability and transparency score encompass 17 metrics (see Figure 5) which consider best practices of governance and ethics along with ease of accessing information about the NPO.

Seven Financial Health Measurements

Financial Efficiency Performance Metrics
1. Program Expense Percentage
2. Administrative Expense Percentage
3. Fundraising Expense Percentage
4. Fundraising Efficiency

Financial Capacity Performance Metrics
5. Program Expenses Growth
6. Working Capital Ratio
7. Liabilities to Assets Ratio

Seventeen Accountability & Transparency Measurements
(# 1-12 from NPOs' IRS Form 990 — # 13-17 on NPOs' Website)

1. Independent Board	15 points	10. CEO Name and Salary	4 points
2. Diversion of Assets	22 points	11. CEO Salary Process	4 points
3. Audited Financials	22 points	12. Board Members and Compensation	4 points
4. Related Party Loans	4 points	13. Board Members Listed	4 points
5. Documented Board Minutes	4 points	14. Key Staff Listed	3 points
6. Advance Copy of Form 990	4 points	15. Audited Financials	4 points
7. Conflict of Interest Policy	4 points	16. Form 990	3 points
8. Whistle Blower Policy	4 points	17. Privacy Policies	7 points
9. Records Policy	4 points		

Figure 5. Listing of financial performance metrics and accountability and transparency metrics.

The seven key financial performance scores along with the 17 accountability and transparency scores are used to calculate an overall score, which is then converted into the 1 to 4-star financial rating scale as described in Table 2 with points deducted for NPOs that do not meet the performance metric. The usefulness of watchdog organizations, such as Charity Navigator (2020), is they provide transparency and information utilizing approaches of broad-based evaluation leading which can lead to comprehensive funding evaluation and decisions (Garven et al., 2016; Lecy & Searing, 2015). I included these rating as additional support to financial and outcome data to bolster and provide data triangulation combining NPO measurement from different fiscal angles. Using various data perspectives and diverse sources of information enhances research outcome interpretation and understanding, and increases internal and external validity (see Fielding, 2012; Kern, 2016; King, Keohane, & Verba, 1995).

Table 2

Description of Charity Navigator's Ratings

Number of Stars	Overall score	Qualitative rating	Description
	≥ 90	Exceptional	Exceeds industry standards and outperforms most charities in its Cause.
	80-90	Good	Exceeds or meets industry standards and performs as well as or better than most charities in its Cause.
	70-80	Need Improvement	Meets or nearly meets industry standards but underperforms most charities in its Cause.
	55-70	Poor	Fails to meet industry standards and performs well below most charities in its Cause
0 Stars	<55	Exceptionally Poor	Performs far below industry standards and below nearly all charities in its Cause.
Charity Navigator's Advisory		No Rating	Serious concerns have been raised about this charity which prevents the issuance of a star rating

Fiscal Health

Funding is an input component of NPOs' program-implementation logic model fundamental to be included in programs. In spite of this, NPOs cite lack of funding as one of their major persistent obstacles to continuing their healthy community efforts (John Snow, Inc., 2017). Although the program planning components of inputs and resources forecast stable funding streams, the reality of funding availability can be unpredictable (Chikoto, Ling, & Neely, 2016). Similarly, the constraints placed on NPOs to avoid private inurement may bolster the funders trust, however it can also be a disincentive for efficient resource management given the need to consider program outcomes versus financial health aims (Mitchell & Calabrese, 2018). Funders and donors desire information that accurately provide insight to program results as well as overall financial management.

The IRS requires NPOs to use Form 990 to identify expenses across administrative, program operations, and fundraising categories allowing public ease of access to financial information for evaluation prior to and during donor funding activities. In contrast, access to a NPOs' outcomes and output data can be more problematic, unreported, or unreliable which adds to donors' uncertainty of what was gained from their contributions (Mitchell & Calabrese, 2018). Using comparative and available quantitative financial ratios is an easier financial metric for donors to understand than the alternative option of qualitative and normative evaluative standards specific to organizational goals, leadership, descriptive data, and community reputation (Liket & Maas, 2015). NPO leaderships are challenged with allocating donations amongst

increased programs, more fundraising or raising administrative capacities, which can positively or negatively impact fiscal rating and program results (Burkart, Wakolbinger, & Toyasaki, 2018).

Weisbroad (1978) offered that the role of NPOs is to provide goods and services that support the collective society beyond government assistance, dissimilar to private organizations' goal of profit maximization. Approaches that consider multiple measures of effectiveness, such as financial, accountability and transparency in conjunction with intervention outcomes, provide a more compelling prediction for evaluation and measurement (see Gazley & Abner, 2014; Herman & Renz, 2008). The evaluation of NPOs is complex, costly, and has limitations (see Kanter & Summers, 1987; Liket & Maas, 2015; Mitchell & Calabrese 2018). Nevertheless, these studies all offered that financial metrics and ratios are the main indicators for NPO evaluation and are efficient proxies to assess program and process outcomes.

Seminal work using financial metrics to evaluate NPOs' financial character includes Kanter and Summer's (1987) research addressing the difficulty in quantifying the diverse and differing outputs and outcomes of NPOs. Kanter and Summer's study also advocated for NPOs' balanced scorecard where processes of fiscal health strategies and program activities are considered with outcomes of meeting mission goals and constituency needs. Tuckman and Chang's (1991) research focused on the vulnerability of NPOs when undergoing reductions of programs and services after a financial upset. Tuckman and Chang's four indicators of a NPO's financial vulnerability are: 1) equity ratio which measures the relative amount of equity in a NPO, 2) revenue concentration

index which measures the amount and variety of revenue sources, 3) administrative cost ratio which measures the percentage of revenues spent on administrative, and 4) the surplus margin which measures the excess of revenues over expenses relative to revenues. Greenlee and Trussel (2000) expanded Tuckman and Chang's research by looking specifically at program expenditures over an expanded period of 3 consecutive years, rather than NPO income in the same 3-year timeframe given NPOs focus on programs and mission rather than income generation alone.

Greenlee and Trussel (2000) further expanded Tuckman and Chang's (1991) research indicators to incorporate methods for-profit sectors use to predict, plan and evaluate financial risk noting how output quantification is disparate and complicated. Greenlee and Trussel's model worked relatively well for 3/4s of their sampled NPOs with probabilities more than 10% or less than 7%, however probabilities between 7% and 10% were interpreted as no strong suggestion of predictability. The findings of Greenlee and Trussel's predictive model was significant and able to forecast with reasonable accuracy whether a charity was financially vulnerable providing managers, policy makers and donors information for decision making. Keating et al.'s (2005) studies also based their predictive model of NPOs in financial distress on Tuckman and Chang's work highlighting NPOs' difficulty competing for scarce funds. The findings of Keating et al.'s expanded model offered significant explanatory power of the measures of financial health and financial vulnerability to assess risk, enable predictions, and guide governance.

According to Prentice (2016), financial measures capture margins, solvency, profitability and liquidity to evaluate NPOs' efficient use of resources, debt accrued,

stability with time, and the adequacy of cash on hand. Later studies have referred to standards for measuring NPOs' financial condition addressed by previous studies vulnerability ratios. There are accepted tenets for NPOs that minimize overhead, diversify revenues, show fiscal leanness and avoid debt (Mitchell & Calabrese, 2018). My use of Charity Navigator's (2020) financial health metrics to conceptualize financial efficiency (IV) builds from previous research processes of financial evaluation as shown in Table 3.

The public charity arena is an environment of limited resources with needed reliance on NPOs to deliver public services, as well as necessary attention to the influence of current and potential donors (Lee & Nowell, 2015). NPOs' complexities and challenges are extensively documented in literature covering the determinants of NPOs' effectiveness, navigating the extent to which NPOs put into practice the evidence-based tools, the tools available and employed to determine the quality of interventions to accomplish policies and program goals, and funders ability to interpret worthy recipients. The formative and current studies on financial evaluation synthesize subjective expectation and intention of funders together with program managers' need to meet funders' requirements.

Table 3

Charity Navigator's Financial Health Methodology

Charity Navigator's financial health methodology	**Description**	Formula: ***Location on Form 990***	**Reviewed study**	**Corresponding formula descriptors from literature review**
1. Program Expense Percentage (3yr*)	Allocation of budget toward Mission	Average Program Expense: ***Avg. Part IX line 25B*** ÷ Average Total Expense: ***Avg. Part IX line 25A***	Greenlee and Trussel (2000)	Ratios to predict nonprofit financial distress indicated in a decline in program expenses during a 3-year period
2. Administrative Expense Percentage (3yr*)	Reasonable expenses to recruit, develop and retain talent	Average Admin Exp: ***Avg.* Part IX line 25C** ÷ Average Total Expense: ***Avg. Part IX line 25A***	Tuckman and Chang (1991); Gaven, Hoffman and McSwain (2016)	Measures of vulnerability or flexibility i.e. inadequately spending on organizational infrastructure /High administrative costs- Have room to cut back without reducing programs
3. Fundraising Expense Percentage (3yr*)	Fundraising in line with functional expenses	Average Fundraising Exp: ***Avg. Part IX line*** ÷ Average Total Expense: ***Avg. Part IX line 25A***	Chikoto-Schultz and Neely (2016)	Pursuit of diversified funding sources can help reduce financial volatility
4. Fundraising Efficiency (3yr*)	Amount spent to raise $ 1 in contribution	Average Fundraising Exp: ***Part IX line 25D*** ÷ Average Total Contributions: ***Avg. Part VII line 1h***	Mitchell (2017) and Kim (2017)	Overhead minimization efficiently to respond to economic environments in the pursuit of organizational growth. Signifies an organization's managerial efficiency in raising donations

Charity Navigator's financial health methodology	**Description**	Formula: ***Location on Form 990***	**Reviewed study**	**Corresponding formula descriptors from literature review**
5. Program Expenses Growth	Adequate growth to cover inflation and continued operation	[(Yn/Yo) $^{(1/n)}$]- 1 **n**=length of the interview in years (range 3 to 5 yrs) **Yo**=Oldest year of the interval: ***Part IX line 25B*** **Yn** =Most recent year in interval: ***Part IV line 25***	Mitchell (2017); Mitchell and Calabrese (2018)	Fiscal leanness – Balancing reserves with current program spending
6. Working Capital Ratio	Adequate liquidity to sustain economic downturn and sustain existing programs	Working Capital: ***Part X line 27 + Part X line 28*** ÷ Average Total Expense: ***Avg Part IX 25A***	Prentice (2016)	Primary reserve ratio to demonstrate liquidity
7. Liabilities to Assets Ratio	Comparing metric that measures long term sustainability	Total Liabilities: ***Part X line 26*** ÷ Total Assets: ***Part X line 16***	Prentice (2016)	Flexibility, solvency, equity, debt

Note: *Charity Navigator's (2020) explanation of 3-year averaging: 42 months is used in order to capture data from a third IRS Form 990 in the event of a fiscal year change. The most recent Form 990 is used and then include all full year Form 990s within the 30 months preceding it. This will usually result in three Form 990s, except in cases of fiscal year changes that are more than six months, if a Form 990 was not filed, or if a Form 990 EZ was filed. Partial year Form 990s are not used in the evaluation. Charity Navigator financial health measurements descriptions compared to selective review on financial indicator for nonprofit sector: Adapted from Charity Navigator's website Note: Representative not exhaustive list of literature review.

Using Charity Navigator (2020), the most popular charity evaluation processor, can provide the reputable evidence. Prentice (2016) described this as helpful to accomplish careful contemplation for managers and funders toward budgets assessment, finance monitoring, financial progress measurement, and consideration of sufficient financial reserves for the future. In the effort to examine fiscal health and program

performance, I modeled my study most closely to Kim's (2017) research into arts and cultural NPOs, and the assumption that financially stable organizations would be reflected in better program outcomes. This aligns with Devine's (2016) contention that improvements in fiscal health and financial strategy approaches can ultimately result in better and more sustainable programs and programmatic outcomes.

Following Kim's (2017) research approach, focused on assessments of the arts and culture, NPOs' outcomes provide increasing empirical evidence of whether, and to what extent, financial measures indicate or predict program success. Rey-Garcia et al. (2017) reminded to put the beneficiaries of NPOs programs at the fundamental program core level, and that output, outcomes, and reach data effectively evaluate NPOs program and service effectiveness. I mitigated the challenge of direct connection of program outcomes information with fiscal health, by utilizing the numbers served from NPOs self-reporting of their beneficiaries of programs and services on federal annual Form 990 informational returns.

Numbers Served-Program Outcomes

Terms such as reach, output, outcome, and impact are used to describe evaluation indicators of effectiveness of NPOs to measure and report on mission accomplishments related to funding support and unique organizations' characteristics (see Rey et al., 2017; Rey-Garcia et al., 2017). Carman's (2010) research shaped my conceptualization of outcome distilled to numbers served to indicate the intended benefactors of the results of activities associated with the accomplishment of NPOs programs and services. Rey et al. defined numbers served as the total beneficiaries of NPOs' programs and services and the

building blocks to more extensive measurement of competence and accountability efforts. As well, numbers served provide donors answers about beneficiaries to measure and indicate how many individuals were involved in NPOs' programs. Numbers served is an important beneficiary metric for funders as it helps to evaluate program relevance and impact (Rey et al., 2017). The motivation of NPOs to provide programs and services to recipients is aligned with the importance of capturing numbers served (Wellens & Jegers, 2016).

Some NPOs sectors, such as arts organizations, have voluntary reporting of financial data and results of outcomes, but many other NPOs do not monitor or track program results (Kim, 2017). Charles and Kim's (2016) study focused on the numbers served as an outcome indicator in the numbers of websites visits, numbers of free tickets redeemed, and the numbers of attendees endorses the generalization characteristic of using numbers served as an indicator given the wide array of NPOs' objectives.

The IRS annual informational return, Form 990, requests 501(c)(3) NPOs to report numbers served, yet the requirement of reporting numbers served may not fully establish the quality of beneficiary programs and services. Moreover, the data that are filed are limited, because existing tax forms are designed for meeting the compliance requirements of the U.S. IRC and not for encouraging careful studies of the finances of nonprofit organizations (Tuckman & Chang, 1991). With an understanding of this reporting limitation, I have chosen to use numbers served as an indicator of outcomes, since the goal of NPOs, especially health-related NPOs involved in Healthy People 2020 policies, is to attract and serve increased numbers of beneficiaries. Kim (2017) offered

that numbers served helps to quantify program outcomes and service activities, which is a useful proxy to promote HiAP's influence to larger audiences.

Outcomes identification within logic models can elucidate the application of Mohr's program theory and help explain theory-driven evaluation approaches by a) illustrating the ideas and assumptions followed by b) evaluation of the level of accomplishment within the complex context of implementation (Wellens & Jegers, 2016). According to Ebenso et al. (2019), logic models are essential development tools to understanding how organizational characteristics and context determine and influence TOC outcomes in program service delivery and numbers served. The association and interaction amongst the three categories of expenses that NPOs report on Form 990 and the interface with numbers served is depicted in the logic model shown in Figure 6.

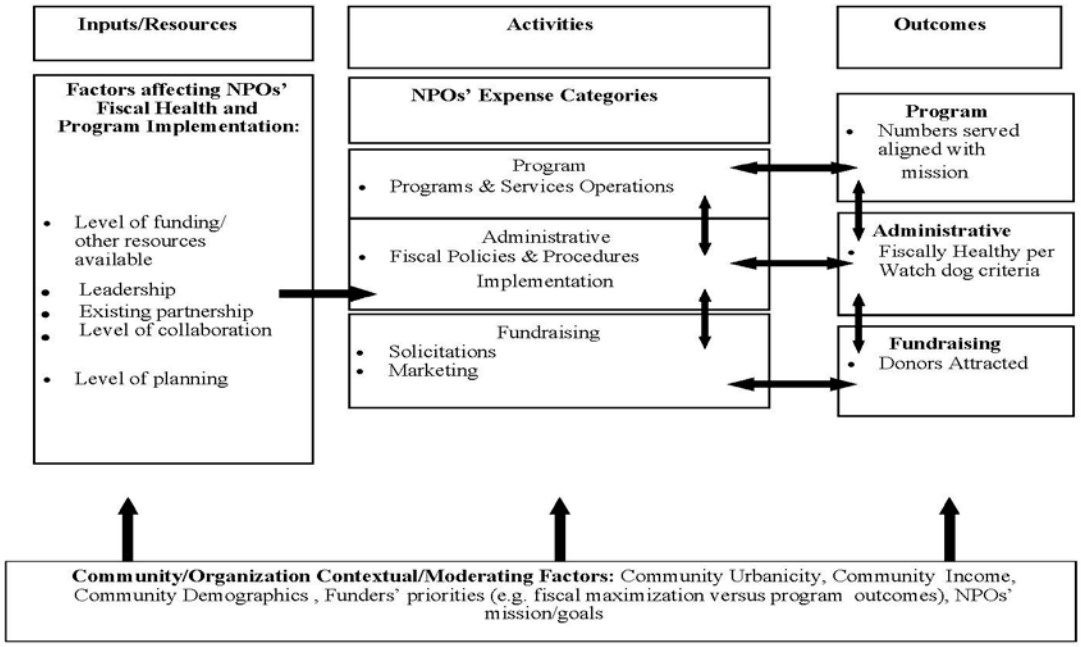

Figure 6. Logic model for nonprofit organizations program, administration, and fundraising planning.

Covariates

My covariates are centered around the moderating factors that impact the inputs or resources, activities and outcomes that are depicted in Figure 6. Control variables can eliminate rival hypothesis and specify the relationship of the IV and DV (O'Sullivan et al., 2017). Community demographic such as community urbanicity, community income, and community ethnicity may influence health and prevention efforts (Woodward-Lopez et al., 2018). These covariates can provide the perspective and motivations that surround the implementation of NPOs' program delivery and can include other factors such as funder' priorities and NPOs priorities of mission goals. As NPOs strive to address the health issues within communities, the environment can have a bearing on the level and degree of each component of the logic model and the ultimate achievement of the outcome of interest. The following sections discusses the covariates of community urbanicity, community income and community ethnicity examined.

Community Urbanicity

My description of the community demographic of urbanicity follows Woodward-Lopez et al.'s (2018) description utilizing the USDA Rural-Urban Commuting Area's (RUCA) guide depicting locations as rural, suburban or urban. The most recent RUCA codes, based on data from the 2010 decennial census, classify U.S. census tracts using measures of population density, urbanization, and daily commuting (USDA.gov, 2020). Rural locations were delineated to areas with populations less than 49,999 people and limited commute to Urban Core areas; suburban locales are delineated to areas with 30-

49% of the population that commutes to Urban Core areas for work; and urban localities are delineated as developed, contiguous areas containing 50,000 or more people.

Community Income

Once every decade the U.S. census counts every resident in the United States. This U.S. Constitution-mandated event collects data that determine states' U.S. House of Representative seats, subsequent allocation of federal funds, and provides a treasure trove of statistics. Overseen by the Economic and Statistic Administration within the U.S. Department of Commerce, the U.S. Census Bureau's mission is to serve as the leading provider of quality data, current facts and figures about America's people, places, and economy (Census.gov, 2020). I included low and higher community income examination based on 2010 U.S. Census data. Low income was defined as areas that qualify within U.S. Department of Housing and Urban Development's (HUD) 80% low-income limit. This low-income classification was based on 80% of the median family income for the county or metropolitan area. All others NPOs was classed as higher income communities.

Community Ethnicity

This community demographic of interest was categorized by race and ethnicity using U.S. Census Bureau classification definitions. The U.S. Census Bureau captures self-identification information to allocate the population's racial and ethnic categories (Sink, 1997). Office of Management Budget (OMB) Statistical Policy Directive No. 15 set the guideline for the current race categories into four classifications: White, Black, American Indian and Alaska, and Asian and Pacific Islander (Census.gov, 2020; Sink, 1997). In keeping with OMB Direct 15, self-reported ethnicity classification permits

classification of all individuals as either Hispanic or non-Hispanic. Within my research, NPOs locations were categorized by population density with categories consisting of (a) 30% or more Black, (b) 30% or more Hispanic, and (c) any remaining NPOs were designated as ‘Others’.

Summary and Conclusions

The objective of national health initiatives such as Healthy People 2020 can be accomplished with multi-sectoral collaboration that reach the population with interventions that promote health (McGowen et al., 2019). The design and purpose of NPOs is to address and solve monumental social problems, such as obesity, and to provide benefits to society while operating in an environment of limited resources (Mitchell & Calabrese, 2018). The connection of success in NPOs’ program outcomes that address the problems with implemented sound fiscal practices seem intuitive. Few studies have examined this relationship from the perspective of the public information that is reported by NPOs on annual IRS Form 990 in conjunction with the funding rating metrics from prevalent watchdog organizations. This approach can assist with informing imperative funding decisions, add to the analysis of theory-driven evaluation and contribute to the discussion of NPOs leaders’ accountability to funders and beneficiaries. The next chapter describes my research design and methodology to consider the relationship of NPOs’ fiscal health to their program outcomes as measured by numbers served.

Chapter 3: Research Method

Purpose of the Study

The goal of my quantitative study is to encourage strategies and policies involving NPOs' financial standing. The mission of NPOs to provide maximum services to society may not be represented solely through financial measurements which involve profits. This study is crucial to NPOs who exist with the persistent threat of funding attainment and sustainability, as well as citizens and communities that rely on NPOs to solve and mitigate public health problems such as obesity.

This chapter discusses each of the IVs and DV that were introduced in Chapter 1 and expanded upon in Chapter 2, as well as covariates. The study's methodology is described and summarized to facilitate study replication. The target population, locality, selection strategy, and sampling process were also disclosed in this chapter.

Charity Navigator's (2020) data sets are the source of archival or secondary data. This chapter includes discussions of reliability and validity of information used from this source. Statistical analyses were conducted using SPSS v. 25 software. Finally, threats to validity, rigor, and compliance are presented.

Research Design and Rationale

My explanatory study included a quantitative program evaluation design using secondary data from NPOs' IRS Form 990 web sites. My research design was appropriate for the study of presumed predictive relationships between NPOs' fiscal health and delivery of program services. This design used for my research allows study of several variables to determine degrees of relationships using linear regression analysis.

Public information reports involving NPOs' financial, administrative, and program data are available from various sources. These sources include the IRS Statistics of Income (SOI) program, the Digitized Database assembled by the National Center for Charitable Statistics (NCCS), and watchdog organizations such as GuideStar (Candid, 2020) which gather, organize, and distribute information about U.S. charities. Similarly, Charity Navigator (2020) provides numbers-based assessments of an international array of charities. I selected Charity Navigator as my data source, because not only does Charity Navigator and GuideStar provide data about NPOs in a user- and research-friendly format, but also offers an unbiased and objective rating system of NPOs.

NPOs are required to report and describe accomplishments of each of their three largest program services on annually required IRS Form 990. In my research, I collected my sample using Charity Navigator's (2020) database to study financial health accountability and transparency ratings which was sourced from Form 990 information. Only California NPOs were included. The IRS requests NPOs to describe, as part of their description of program services, accomplishments through specific measurements such as clients or numbers served. I identified numbers served as my DV.

Although the IRS requests detailed information from NPOs on submitted Form 990s, data inaccuracies and omissions exist in Form 990 reporting. Therefore, only California NPOs that reported numbers served on their Form 990 within their description of program services or that could be obtained from alternative sources were included in my data set. Other variables might influence outcomes of numbers served. Related covariates discussed in Chapter 2 include community urbanicity, income, and ethnicity.

Methodology

The methodology for my research design is a program evaluation perspective. The design involves taking a systematic assessment of an operation to support a particular subobjective which in turn can influence expected accomplishments. A created logic model was used to illustrate progression within a program to impact change. The evaluation focused on the specific subobjective of fiscal health to evaluate associations between program objectives of numbers served. This evaluation will be discussed further in my data analysis plan.

Population

The target population for my study is Charity Navigator-rated NPOs located in the state of California. The population of rated NPOs in California is approximately 1,100. My area of interest was NPOs located within the Riverside-San Bernardino-Ontario metropolitan area, comprised of Riverside and San Bernardino Counties. Simple random sampling was used to assist in identifying a representative sample that was generalizable to a larger population. Consideration of my study design involved a nonprobability sampling technique called purposive sampling.

Sampling and Sampling Procedures

Factors addressed in my study that influenced an adequate sample size include effect size, power and significance level or alpha. Sample size considerations are relevant to avoiding type 2 errors, defined as the probability of accepting a false null hypothesis. The probability of committing a Type II error can be decreased by increasing the sample size at or above the calculated minimum threshold (Cohen, 1992). Power or the strength

of relationships between variables was also considered when computing sample sizes. A 0.80 power level as the minimum acceptable tolerance was used to compute my minimum sample size. My alpha level was set at 0.05 with medium effect size and power to achieve an adequate sample size for statistical analyses.

A minimum sample size of 68 was calculated using linear multiple regression to gauge for a sufficient sample. The calculation included two IVs, an alpha of .05, effect size of $f^2 = .15$, and power of .80. A second sample statistical test yielded a sample size of 92 using the same parameters but with a total of five IVs including the three covariates. A third reverse-power statistical test analysis was constructed to meet an alpha of .05, effect size of $f^2 = .15$ with an assigned sample size of 110 and a total count of five predictors. This calculation held the prospect of a more robust study with the significantly stronger computed power of .96 (see Figure 7).

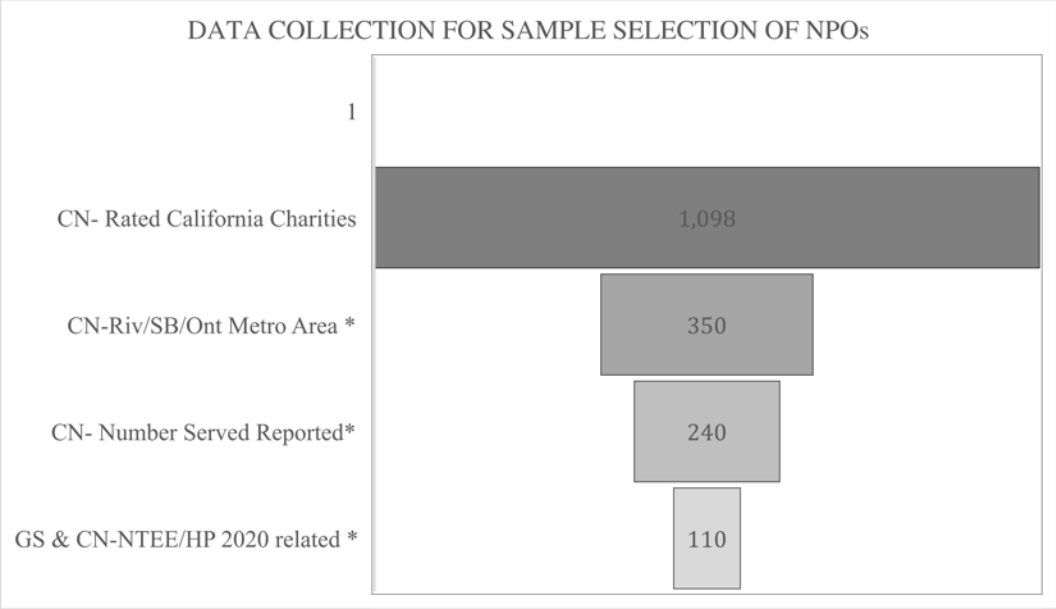

Figure 7. Funnel of the sample selection of NPOs that depicts the narrowed subset of sample count.

The National Center for Charitable Statistics developed the NTEE Classification System, a three-digit code system that consist of letters and numbers to generally summarize charitable organizations' purposes. Figure 8 lists the NTEE codes that are fitting and were included for data sourcing. California NPOs within the locality, whose programs' description include terminology that accomplishes one or more of the targeted NWS objectives or with a related NTEE code, which have documented numbers served on Form 990 represented my sample population. This purposive sampling technique meets Burkholder et al.'s (2016) description of fit for purpose inclusion.

Codes		Codes	
Health - General and Rehabilitative		**Recreation, Sports, Leisure Athletics (Cont.)**	
	Research Institutes and/or Public Policy		Physical Fitness and Community
E05	Analysis	**N30**	Recreation Facilities
E21	Community Health Systems	**N31**	Community Recreational Centers
	Public Health Program-Incl General		
E70	Health & Wellness Promotion Svc	**N32**	Parks and Playgrounds
Food, Agriculture and Nutrition		**N40**	Sports Training Facilities, Agencies
	Research Institutes and/or Public Policy		
K05	Analysis	**N50**	Recreational, Pleasure Or Social Club
	Food Services, Free Food Distribution		
K30	Programs	**N60**	Amateur Sports Clubs, Leagues N.E.C.
K40	Nutrition Programs	**N62**	Basketball
	Food, Agriculture, and Nutrition		
K99	N.E.C.*	**N62**	Baseball, Softball
Youth Development		**N64**	Soccer Clubs, Leagues
O50	Youth Development Programs, Other	**N65**	Football Clubs, Leagues
O99	Youth Development Programs, N.E.C.	**N66**	Tennis, Racquet Sports Clubs, Leagues
Recreation, Sports, Leisure Athletics		**N67**	Swimming, Water Recreation
N01	Alliance/Advocacy Organizations	**N68**	Winter Sports
N02	Management & Technical Assistance	**N6A**	Golf
N03	Professional Societies, Association	**N70**	Amateur Sports Competition
	Research Institutes and/or Public Policy		
N05	Analysis	**N72**	Special Olympics
			Recreation, Sports, Leisure Athletic
N11	Single Organization Support	**N99**	N.E.C.
N12	Fund Raising and/or Fund Distribution	**Human Services - Multipurpose and Other**	
N19	Nonmonetary Support N.E.C.	**P30**	Children Youth Services
N20	Recreational and Sporting Camps	**P40**	Family Services

Figure 8. NTEE codes subset.

Procedures for Data Collection

Charity Navigator's (2020) publicly accessible data set provides limited Form 990 information on NPOs they rate. Charity Navigator offers more extensive information of the data reported on NPOs' Form 990s in low-cost customized comprehensive datasets, which were used in my final research. I accessed Charity Navigator's website and performed an advanced search of their Charity Directory with the location delimiter set to the state of California. This search yielded a list of 1,099 California rated NPOs and 178,362 not rated charities. The resulting list of NPOs provided the parameters from which I requested a customized data set from Charity Navigator. Charity Navigator's dataset provided my IVs of financial health rating and accountability and transparency rating, while the Charity Navigator's website profile of charities with attached copies of NPOs' filed Form 990 provided the source of the DV of numbers served.

Archival Data

The archival data used in my data set is practical for my research study. Raw data sets of the publicly available information of NPOs' financial data reported to the IRS and existing database analysis requires fewer researcher's resources. Secondary data sources can have superior quality information given that outside organizations can enlist professionals to independently verify data validity and reliability. Charity Navigator's (2020) professional analysts compiled my customized data set. GuideStar (Candid, 2020) gathers, organizes, and distributes individualized and customized data sets for NPOs formatted as organization profiles. These profiles are available for purchase through

GuideStar website and other affiliated partnership sites. Charity Navigator's data set was purchased, and both Charity Navigator's and GuideStar's free resources were used.

The purchased Charity Navigator data set using the organization's ordering processes provided the data for my IVs. A request for GuideStar (Candid, 2020) data required a web-based application and a signed license agreement outlining terms and conditions for use, however cost and data accessibility issues made it necessary to eliminate the use of GuideStar as a data source for the DV. GuideStar's publicly accessible website was used to obtain data related to NTEE codes or as needed for missing data not accessible from Charity Navigator.

Instrumentation, Operationalization, and Measurement Analysis

Charity Navigator's (2020) scoring and rating methodology protocol served as the instrument for determining the values of the IVs of financial health and accountability and transparency as publicly accessible information obtained in the customized data set. Charity Navigator's rating methodology has been demonstrated in the review of tens of thousands of NPOs' financial documents with unbiased, uniformed financial analysis of NPOs (see Charity Navigator; Mitchell & Calabrese, 2018). Charity Navigator's presented measurements are recognized as clear, objective, and reliable assessments that are widely utilized by donors, NPOs, and researchers (see Garven et al., 2016; Lecy & Searing, 2015; Mitchell & Calabrese, 2018). Charity Navigator's protocol was the study's instrumentation basis (detailed below) to provide reliable quantitative data for analyses.

As previously presented in Table 2, rating from one to four stars is assigned by Charity Navigator (2020) to each NPO based on their overall financial health score and

separately on their accountability and transparency score. These overall ratings, based on stars, appear to be ordinal level Likert-like rankings. However, the total financial health scores and the total accountability and transparency scores measured as interval data were used for my inferential analysis.

Charity Navigator (2020) evaluates NPOs in the seven financial performance metrics described previously in Table 3 to obtain a raw score. This score is converted to a numerical score ranging between 0 and 10. The final score for each NPO's financial health is calculated by combining the scores of the seven performance categories and adding 30 points to standardize the scores on a 100-point scale.

In Charity Navigator's (2020) protocol, each NPO starts with an accountability and transparency score of 100. Points are potentially deducted for each accountability and transparency performance metric that is not present during Charity Navigator's evaluation process (See Table 2). The computed tally of the 17 performance areas after any scoring deductions accounts for the NPO's accountability and transparency final score.

Data obtained from the purchased Charity Navigator's (2020) master data set listed the most recent scoring of financial health, accountability, and transparency. These scores (IVs) was aligned with the same year of the most recently reported Form 990 numbers served (DV) on Charity Navigator's website. In the event there was not a Form 990 reporting numbers served for a given year to match to the recent Charity Navigator scores on the master data listing, I sought alternative methods to obtain the corresponding year's Form 990 information for numbers served. These methods included searching

publicly available information from the NPO's website, IRS Business Master File, GuideStar, or contacting the NPO directly by email or phone.

When these efforts failed to obtain the numbers served for the appropriate year, I proceeded with a second option using the most recent complete scoring data year to obtain the associated Form 990 numbers served. I then accessed the charity search record portal for that NPO on Charity Navigator's (2020) website site and looked back in one sequential year steps to locate the associable Charity Navigator scores with a reported Form 990 numbers served. I documented my data content process to manage and organize the data to connect the data collection and issues to the analysis process (Appendix A).

The values for NPO's numbers served was obtained from actual NPOs' reported data. Since greater values of the DV signified higher attainment of outcome goals, variable validity was anticipated. Additionally, data reliability to address stability, equivalence, and internal consistency are considerations of research design (O' Sullivan, 2017). My research design was constructed to maintain stability and replicability to yield the same result for the specific NPO's data that is publicly reported and available. A consistent and equivalent count of numbers served is based in my definition of numbers served. This count is each individual person served as reported by the NPO on Form 990. Internal consistency was checked through the process of retrieving the value of numbers served only from self-reported Form 990 data or reliable alternative sources.

A combined data set included my study's IVs and DVs, and covariates. The covariates fields of community urbanicity was classified with three assigned nominal

variables of rural, suburban, or urban. Community income was classified with two assigned ordinal variables of low-income or high-income, while community ethnicity was classified with three coded nominal level data with either (a) more than 30% Black, (b) more than 30% Hispanic, or (c) Other. All fields were reviewed for data completeness with selected NPOs with missing variables data removed.

Data Analysis Plan

The planned data download, data inspection and cleaning methods, as well as manual and automated import function from Microsoft Excel to SPSS v. 25 were completed. SPSS v. 25 was used to analyze descriptive frequencies of all variables of interest, data assumptions to meet linear regression requirements for inferential analyses, and regression modeling to evaluate for statistical significance from any variable in the percent change of R^2 variance between the IVs of financial health ratings and DV of program output. I incorporated covariates defined as community income, community urbanicity, and community ethnicity to hold steady any potential influencing conditions.

The following research questions were addressed using multiple regression analysis:

RQ1: Do financial health ratings significantly predict percent change in R^2 variance in terms of program outcomes among participating Charity Navigator NPOs when controlling for urbanicity, income, and ethnicity?

$H_0$1: Financial health ratings do not significantly predict percent change in R^2 variance in terms of program outcomes among participating Charity Navigator NPOs when controlling for urbanicity, income, and ethnicity.

H_a1: Financial health ratings do significantly predict percent change in R^2 variance in terms of program outcomes among Charity Navigator NPOs when controlling for urbanicity, income, and ethnicity.

RQ2: Do accountability and transparency ratings significantly predict percent change in R^2 variance in terms of program outcomes in Charity Navigator NPOs when controlling for urbanicity, income, and ethnicity?

$H_0$2: Accountability and transparency ratings do not significantly predict percent change in R^2 variance in terms of program outcomes among Charity Navigator NPOs when controlling for urbanicity, income, and ethnicity.

H_a2: Accountability and transparency ratings do significantly predict percent change in R^2 variance in terms of program outcomes among Charity Navigator NPOs when controlling for urbanicity, income, and ethnicity.

Threats to Validity

External Validity

My study findings are generalizable to larger populations, other locales, and other NPOs with diverse mission focus. The relevance of research finding to extend or generalize to entities or groups further than those encompassed in a study describes external validity (O'Sullivan et al., 2017). The pertinent external validity for my study findings centers on the common and reoccurring need of the full universe of NPOs to acquire and maintain financial resources for sustainable programs and obtainable mission goals.

My approach of a sample selection of NPOs from locations throughout the state of California, along with the planned inclusion of wide-range programs and services types (e.g. those that have a wide range of health focus from policy, youth, family, recreation, physical activity, nutrition, recreation and research), addressed external validity threats. O'Sullivan et al. (2017) offered that threats, such as variable uniqueness, can affect variable selection and these threats should be considered in study designs. The various conditions presented in my study's design provide reasonable evidence of transferability of the findings. As well, regardless of the specific type of outcome measure my study design could allow observation across different types of NPOs' programs and services.

Internal Validity

Internal validity has been referred to as evidence that the observed IVs of interest are responsible for the relationship or prediction relationship between variables (O'Sullivan et al., 2017). Previous studies have documented a litany of interacting factors (social, behavior, cultural environment, individual, family, school, environment) including economics that contribute to health-intervention program outcomes, such as obesity (Strauss et al., 2018). I planned my study to control for subtle differences of influencing variables of health interventions programs and focus on the direct fiscal health rating numbers along with specific accountability and transparency rating numbers. These rating numbers were matched to each California NPO within my focused sample program outcome of numbers of participants served to evaluate for any significant predictive relationships.

O’Sullivan et al. (2017) posited that internal threats of instrumentation and statistical regression warrant attention to data collection and extreme cases. I addressed these two potential threats through rigor in the measurement of the IVs from impartial calculated sources, and the use of a variation of arithmetic means to limit influence by outliers that are beyond a range. Another internal threat of concern is variable selection where a difference in the way cases are selected can alter comparisons (O’Sullivan et al., 2017). The threat of selection was resolved with reliance on the continuity and consistency of Charity Navigator’s (2020) methodology and selection criteria for inclusion of rated NPOs.

Construct Validity

Burkholder et al. (2016) explained construct validity as referring to how well the underlying ideas in a study are conceptualized and operationalized. Accepted methods of evaluation utilizing financial metrics procured from one of the largest and popular charity rating systems allow straightforward interpretation of concepts to thwart construct validity threats of the IVs. A foundational and important goal of most NPOs is to reach as many individuals as possible with interventions to address societal health issues. This philosophy adds validity to my selection of NPO numbers served as an appropriate and logical DV. Deductive testing of my hypotheses to examine the predictive relationships of the variables under Mohr’s (1999) theoretical lens of the counterfactual can accurately represent these concepts. Further, the threats of concern to statistical conclusion are mitigated by design with data cleaning, outlier analyses, and an increase in the statistical power. The planned use of a 0.96 statistical power over the minimum acceptable 0.80

addressed potential threats that my conclusions are incorrect when examining the predictive relationships, if any, between my selected IVs and DV of interest.

Ethical Procedures

O'Sullivan et al. (2017) detailed the need for responsible conduct in research to employ standard ethical practices and appropriate procedures. My data set contained publicly identifiable information of NPOs found on websites which O'Sullivan et al. (2017) described as research records gathered and maintained for the purpose of describing or generalizing. Normally researchers would not seek informed consent or be concerned about privacy for research records (O'Sullivan et al., 2017), however I considered permission for archival data use, conflict of interest, and professional reputation.

Documented permission for the data set was requested and acquired from Charity Navigator (Appendix B). A potential conflict of interest was the shared locality of my research setting, the Riverside–San Bernardino–Ontario metropolitan area, and my residential and professional base. Care was taken with my data sample selection given that I have both a professional and charitable relationship with the tri-county area. I employed deidentification of NPOs names, addresses, and program results are in aggregate form only.

Walden University Institutional Review Board (IRB) reviewed and approved my archival study (06-26-20-0658217) before I began my research. A 5-year data storage plan using a password-protected digital storage device is in place. At the conclusion of the required storage period data will be destroyed through encrypted destruction methods

and storage drive reformatting. My ethical concerns and procedures are mindful of the risks and benefits of data analysis to amplify the problem of inadequate financial support and appropriate evaluation surrounding NPOs' mission accomplishment.

Summary

I sought to examine the predictive relationship between fiscal practices of NPOs and their health-promotion program outcomes. This chapter described my implementation plan illustrating how I conducted my research using a quantitative design and third party archival and secondary data. I used a widely accepted design in a predictive approach which facilitated the inclusion of covariate control. This approach provides thorough and consistent scientific-supported results and analysis. In Chapter 4, I present a detailed description of the execution of the research approach with actual research results and the analysis of the research questions and hypotheses.

Chapter 4: Results

My study addressed relationships between finances and funding among California NPOs in relation to their implementation of health missions and goals as promoted by Healthy People 2020. The objective of Healthy People 2020's NWS is to reduce obesity in adults and children and increase the daily intake of vegetables. Healthy People 2020's baseline measurements and targets that seek specific improvements to be achieved by 2020 require NPO involvement. Accordingly, NPOs require adequate support to carry out program and services to lead to improved health outcomes. I selected California NPOs from Charity Navigator involving nutrition, physical activity, and obesity.

I investigated the predictive relationships between financial health, and accountability and transparency with the outcome measure of numbers of participants served. This study addresses the following research questions and hypotheses:

RQ1: Do financial health ratings significantly predict percent change in R^2 variance in terms of program outcomes among participating Charity Navigator NPOs when controlling for urbanicity, income, and ethnicity?

$H_0 1$: Financial health ratings do not significantly predict percent change in R^2 variance in terms of program outcomes among participating Charity Navigator NPOs when controlling for urbanicity, income, and ethnicity.

$H_a 1$: Financial health ratings do significantly predict percent change in R^2 variance in terms of program outcomes among Charity Navigator NPOs when controlling for urbanicity, income, and ethnicity.

RQ2: Do accountability and transparency ratings significantly predict percent change in R^2 variance in terms of program outcomes in Charity Navigator NPOs when controlling for urbanicity, income, and ethnicity?

$H_0$2: Accountability and transparency ratings do not significantly predict percent change in R^2 variance in terms of program outcomes among Charity Navigator NPOs when controlling for urbanicity, income, and ethnicity.

H_a2: Accountability and transparency ratings do significantly predict percent change in R^2 variance in terms of program outcomes among Charity Navigator NPOs when controlling for urbanicity, income, and ethnicity.

Data Collection

After Walden University's IRB approval, data collection was performed over a 6-week time frame. The original data set obtained from Charity Navigator (2020) listed California NPOs (N = 1,082) which documented financial health and accountability and transparency scores for years between 2017 and 2019 was sorted by causes related to family health and wellness. A resultant sample of 307 California NPOs was obtained. Further refinement of the sample was accomplished by reviewing each NPO's mission statement and verifying types of programs on their respective web sites for key words. This exclusion criteria resulted in a reduced potential participant sample (PPS; n = 134).

IRS Form 990 was obtained for each of the 134 NPOs within the PPS. For NPOs that did not report number of unique individuals served on Form 990, emails, phone calls, and visits to web sites were used to obtain information. This yielded an interim sample (IS) of NPOs (n = 76). I was able to acquire responses or information regarding numbers

served from 70% of PPS members using Form 990 (30%), contact by email and phone (13%), information from web sites (18%), and information that was unsuitable or refused (9%). The rate of refusals to provide information was initially at 10%. This rate was reduced to 5% by accessing alternative website sources. The primary reason according to those who provided explanations for refusal was shortage of staff resources due to the global pandemic, which may have had an impact on overall telephone and email responses.

My plan to investigate a more robust power measurement of strength of variable relationships was modified due to the smaller available IS. In Chapter 3, my *a priori* standard convention was a G*power of .80. I originally proposed a minimum sample size of 68 calculated using linear multiple regression. My IS size (n = 76) was above the minimum 68 sample size for participant NPOs; therefore, I proceeded to conduct descriptive and inferential statistical assumptions and analyses with the smaller sample.

Methodological Changes

Adjustments were made to methods previously outlined in Chapter 3 involving up-to-date 2010 census data, measurement selection for OSR, and NTEE classification. Specifically, my IS data included covariate information involving urbanicity, income, and ethnicity. These data were obtained from the 2018 American Community Survey as sourced from the legitimate annual survey conducted by the Census Bureau from responses collected to create more updated statistics of 2010 Census data, which are used by many federal, state, tribal, and local leaders.

The OSR, while appearing to be ordinal level Likert-like values, were treated as interval level data for my analyses as agreed by Frankfort-Nachmias and Leon-Guerrero (2015) that the cumulative property levels of measurement allow interval-ratio to be measured at lower ordinal level. The OSR is based on Charity Navigator's (2020) two-dimensional rating system of the financial health score and the accountability and transparency score was calculated ranging from 0 to 100, the perfect score. Although the OSR may not be precisely measurable, the nebulous value between the star ratings can be connected to the scale overall score ranges. The basis of OSR from interval-ratio level data allows pertinent interpretation of these data in my analyses.

Although the plan was to classify the NPOs by NTEE codes obtained from Guide-Star, Charity Navigator's (2020) protocol was used to classify NPOs. Charity Navigator provided groupings considered functions and finances of NPOs employing a two-tier system of common charitable activity categories narrowed to defined causes within each category. During Charity Navigator's rating protocol, the activity code from NPOs' IRS filing, examination of programs and services of the NPO, and assessment of financial to are converted to Charity Navigator's defined cause areas. Charity Navigator cause areas that aligned with my inclusion criteria were utilized to classify my sample NPOs.

Initial Descriptive Statistics

I extracted the masked NPOs' data (n = 76) from the Excel spreadsheet into SPSS v. 25. Initial descriptive statistics were processed to evaluate frequency distributions, evaluate for outliers or missing data, and to describe data generalities. Further, descriptive statistics were generated to evaluate skewness and kurtosis data distribution.

Babbie (2017) identified the standard assumption for explanatory univariate analysis within the ±2.0 standard and acknowledged that some theoretical statistician allows ±3.0 as suitable. Following Babbie, I have operationalized skew and kurtosis values between ±3.0 as acceptable for inferential analyses that fall within the upper threshold value of Babbie's theoretical argument. The skewness distribution, indicating the measure of variance, was examined in the two primary IVs, the DV, and three covariates. Selected frequency statistics for the data set characteristics are displayed in Table 4.

Table 4

Statistics for IV, DV, and Three Covariates

	IV		DV	Covariates		
	Financial health score	Accountability & transparency score	Number of participants served	Community income- 80% of median household	Community ethnicity - race of population	Community urbanicity- location of NPO
N	76	76	76	76	76	76
Mean	87.95	94.30	104,814			
Mode				1	2	1
Std. Deviation	7.21	7.04	247,804.84			
Skewness	-0.66	-1.55	3.60	-4.83	-.65	.11
Kurtosis	-0.07	2.54	14.41	21.87	-.67	.52
Range	30.15	33.0	1,468,634.00	1	2	2

The assessment showed standard of skewness violations of the DV, numbers of participants served and, in the covariate, community income. Similarly, the kurtosis distribution looked at the sufficiency in data peaks as they gathered around the mean;

data were slightly kurtotic for accountability and transparency scores (IV). Substantial violations of the standard of kurtosis was shown in both the DV, numbers of participants served, and in the covariate, community income. In the next section, the contravention in both the skewness and kurtosis of the numbers of participants served (DV) were investigated and the data set was adjusted.

Assumption Testing and Data Set Changes

In Chapter 3, a minimum sample size of 68 was planned to meet assumption requirements for linear multiple regression including two IVs, an alpha of .05, effect size of $f^2 = .15$, and power of .80. A second sample statistical test model with five IVs, taking was computed with minimum sample size of $n = 92$ needed. A planned stronger powered model (.96) to achieve a prospective sample size of 110 was calculated. While conducting assumption testing of the initial data set, the sample size was reduced ($n = 76$).

The initial descriptive analyses and other factors restrained the IS ($n = 76$). There were over 1.5 million U.S. NPOs registered with the IRS in 2015 (McKeever, 2018). According to the California Association of Nonprofits [CalNonprofits] (2019), more than 110,000 public charities were located in the state of California with over 44,500 required to report financial information. However, only 1,082 California NPOs were rated by Charity Navigator (2020) and included in my original data set. Additionally, NPOs with programs and services not related to the focus of Healthy People 2020's health objectives, NWS 9, 10.4 and 15.1, and those whose numbers of individuals served was not obtainable were excluded.

I reconsidered my IV after analytic discoveries of the descriptive frequencies, which had skewed and kurtotic distributions. I attempted a DV log transformation to smooth data variability which proved unsuccessful with DV data that remained significantly skewed and kurtotic. I used crosstab analyses to examine for outliers that might be confounding the data. The covariate crosstabs revealed significant data outliers between organizations, and I concluded these outliers may not be representative of the wider total population and California NPOs.

As a result of the above considerations, a modified data set approach was adopted. The process of excluding outlier NPOs began with evaluating the mean DV scores from the IS data (Table 4). I excluded NPOs with the number of participants served above 110,000 (the mean rounded to the up to the nearest 10,000th) from the final data which reduced the final sample size to n = 63 for further statistical analyses. Ethics is necessary in the presentation of research study procedures to reach professional research findings. Although my original research plan anticipated a different data set size, my adjustments related to 'following the data' using ethical processes and means.

New Descriptive Statistics

The IVs of financial health score and accountability and transparency, and the DV of numbers of participants served, the OSR, as well as the three hypothesized covariates were all evaluated in the final data set (n = 63) descriptive statistics. The total revenue and the 6 NPOs' cause areas were included in the descriptive statistics and will be discussed further in Chapter 5. Tables 5 and 6 below present the descriptive frequencies of the final (n = 63) data set.

Table 5

Descriptive Frequencies of California NPOs Rated by Charity Navigator

Descriptive variables	Frequency	Percent
Overall Star Rating		
Needs Improvement	7	11.1
Good	19	30.2
Exceptional	37	58.7
Total	63	100.0
Community Income – 80% of Median Household Income		
Low	2	3.2
Higher	61	96.8
Total	63	100.0
Community Ethnicity-Race of Population		
Black	1	1.6
Hispanic	27	42.9
Other	35	55.6
Total	63	100.0
Community Urbanicity-Location of NPO		
Rural	4	6.3
Suburban	45	71.4
Urban	14	22.3
Total	63	100.0
NPOs 6 Cause Areas		
Children and Family Services	6	9.5
Food Banks, Food Pantries and Food Distribution	2	11.1
Multipurpose Human Service Organizations	9	3.2
Social Services	23	36.5
Youth Development, Shelter, and Crisis Services	22	34.9
Youth Education Programs and Services	3	4.8
Total	63	100.0

The descriptive frequencies in Table 5 provides updated itemized characteristics of my study variables. The data depicted that a majority (88.9%) of Charity Navigator's rated California NPOs primarily have good and exceptional OSR (30.2% and 58.7%, respectively) and predominately (71.4%) served suburban location. These characteristics will be further discussed. According to the CalNonprofits (2019), when comparing "low" income to higher income communities, disparities existed. Data illustrated this trend with less NPO's in rural and urban communities than suburban communities.

Assumption Testing

Before conducting regression modeling, interpretations, and rendering subsequent findings, normalcy distribution were considered in the final sample. Tables 6 and 7 display the final sample data's descriptive statistics. The higher income designation was defined as those that do not qualify as low-income limit based on 80% of a family of four median household income.

Table 6

Statistics for IVs, DV, and Overall Star Ratings

	IV		DV	
	Financial health score	Accountability & transparency score	Number of participants served	Overall star ratings
N	63	63	63	63
Mean	87.91	94.03	20,337	3.48
Std. Deviation	7.53	7.33	26,574	0.69
Skewness	-0.68	-1.57	1.46	-0.97
Kurtosis	-0.102	2.45	0.89	-0.29
Range	30.15	33.0	95,307	

Table 7

Statistics for Covariates, NPO Causes, and Total Revenue

	Covariates				
	Community income- 80% of median household	Community ethnicity -race of population	Community urbanicity- location of NPO	NPO Causes	Total Revenue
N	63	63	63	63	63
Mean					$ 8,718,277
Median					$ 4,903,671
Mode	1	2	1	3	
Skewness	-5.47	-0.49	0.24	-1.04	2.48
Kurtosis	28.87	-1.072	0.46	0.63	6.34
Range					1,155,851

Higher income communities had a disproportionate percentage (97.8%) of participants and the proposed covariate of community income lacked normal distribution. While lack of normal distribution for an input variable is not an absolute cause to remove the variable, I suspected that community income was unlikely to be a suitable control variable as the data dispersion likely did not represent the wider California population income distribution. The covariate of community ethnicity and community urbanicity were within normal distribution measures.

Further assessments of the influence or significance of the variables on the DV were conducted. Table 8 displays the initial regression evaluations with model 1 displaying covariates alone, model 2 displaying the covariates along with the IV of financial health score, and model 3 displaying the covariates along with both IVs of financial health score and accountability and transparency.

In the regression output the covariates of community income, community ethnicity and community urbanicity were all lacking significance in each of the three models. As well, in model 3 the three covariates in the presence one primary IV, accountability and transparency, lacked model significance. The IV of financial health score remained significant in models 2 and 3.

Table 8

Multiple Regression Coefficients for Initial Model – All Predictors

Model	Unstandardized coefficients		Standardized coefficients		
	B	*SE*	β	*t*	Sig.
1 (Constant)	46,097.075	22,274.972		2.069	.043
Community Income	-10,077.334	19,689.677	-.067	-0.512	.611
Community Ethnicity	-9,345.141	7,026.561	-.188	-1.330	.189
Community Urbanicity	-1,392.433	7,172.890	-.027	-0.194	.847
2 (Constant)	-57,004.271	44,807.908		-1.272	.208
Community Income	-4,793.128	18,891.908	-.032	-0.254	.801
Community Ethnicity	-11,981.713	6,778.630	-.241	-1.768	.082
Community Urbanicity	-348.287	6,854.391	-.007	-0.051	.960
Financial Health Score	1,147.078	438.895	.325	2.614	**.011**
3 (Constant)	-42.927.655	63,788.738		-.673	.504
Community Income	-5,330.498	19,118.114	-.035	-0.279	.781
Community Ethnicity	-12,375.464	6,947.228	-.248	-1.781	.080
Community Urbanicity	-885.251	7,118.873	-.017	-0.124	.901
Financial Health Score	1,163.255	445.370	.330	2.612	**.011**
Accountability & Transparency	-146.225	467.971	-.040	-.312	.756

Note: significant model findings in bold

As a result of evaluating the variables and previous comprehensive processes, a solid argument to excluded all of the covariates along with the primary IV of accountability and transparency was apparent. Although I hypothesized that these variables would influence the DV, their significance model testing did not confirm my assumptions. Removing nonsignificant variables from the regression yielded two remaining variables for final model testing: a primary IV of financial health score and the DV.

Multicollinearity

Multicollinearity assumption testing to examine relational influence was conducted. A statistical correlation between two variables has been described as the changes or attributes of one variable that are associated with particular attributes or changes in other variables (Babbie, 2017). Coefficient correlation assumption testing to examine for multicollinearity estimates the independence of the relationship of variables (O'Sullivan et al., 2017). A Pearson 2-tailed correlation coefficient test at .05 level was used to evaluate variable correlations. According to Frankfort-Nachmias and Leon-Guerrero (2015) characteristics of the convention for *r* values range from +1 to -1; the closer an *r* value approaches 0 the weaker the associated correlation between variables. Conversely, the closer an *r* value approaches +/- 1 the stronger the associated correlation between variables. A significant relationship between financial health score (IV) and number of participants served (DV; $r = .288$) was present but theoretically aligned with a weak correlation. Therefore, I retained financial health score as a sufficiently independent predictor in my regression model.

Hypothesis Testing Results

My two research questions were addressed with linear regression involving NPOs' data from Charity Navigator's (2020) scoring and rating protocol, collected from NPOs' Form 990s and alternative sources. Prediction of the impact of changes of the IVs on the DV can assist in explaining their relationship. According to O'Sullivan et al. (2017), nonrandom relationships should be statistically significant to assist in understanding relationships and bolster the reasoning to retain or drop one or more variable in statistical analyses.

Financial Health

A multiple regression test was constructed which included a first model with only the covariates for community demographics of urbanicity, income and ethnicity and second model with those covariates along with financial health score (IV) as the sole predictor variable to encompass the variables in *RQ1* and facilitate hypothesis testing. The first model illustrated that no covariate combinations were significant predictors of number of participants served. This model displayed a Durbin Watson value of 1.807.

The Durbin Watson output assists with detecting regression models' autocorrelation to avoid violations of independence assumptions in residuals. A Durbin Watson value of 2.0 indicates no autocorrelation detected in the sample (Kenton, 2019; O'Sullivan et al., 2017). Table 9 illustrates the final regression model testing where financial health score was regressed on the DV with a resulting Durbin Watson value of 1.930; highly conclusive of no autocorrelation. The R^2, the coefficient of multiple determination, and the R^2 change, both with a value of .083, illustrated that financial

health score accounted for, or explained, 8.3% of the variance in the number of participants served, with 91.7% not accounted for or explained by other factors. Although financial health score did not account for the majority of the influence on numbers served, the results confirmed a meaningful influence.

Table 9

Linear Regression Coefficients for Final Variable Model

					Change Statistics					
Model	*R*	R^2	Adjusted R^2	*SE* of the estimate	R^2 change	*F* change	*df1*	*df2*	Sig. *F* change	Durbin Watson
1	.288	.083	.068	25,652.584	.083	5.538	1	61	.022	1.930

Predictor: Financial Health Score; DV: Number of participants served

The coefficient model in Table 10 confirmed significance of financial health score (.022 < .05), as well the notable unstandardized *B*-value illustrated the predictive direction relationship of the variables. For every incremental increase in the financial health score, it was predicted that 1,108 additional number of participants would be served. The null hypothesis was rejected when I considered the IV of financial health score without the need to control for the covariates.

Table 10

Regression Coefficients for Final Model – One Predictor

Model	Unstandardized coefficients		Standardized coefficients		
	B	*SE*	β	*t*	Sig.
1 (Constant)	-69,163.45	38,170.86		-1.812	.075
Financial Health Score	1,108.15	432.67	.288	2.35	**.022**

Dependent Variable: Number of Participants Served; significant values in bold

Accountability and Transparency

Evidence to disconfirm the null hypothesis is needed to assert support of the research question in hypothesis testing and tests of statistics significance (O'Sullivan, 2017). Results from regression modelling with accountability and transparency as a primary predictor variable failed to provide evidence to reject the null hypothesis for *RQ2.* Therefore, I conclude that the expected relationship between this primary IV does not exist and I retained the null hypothesis as true.

Summary

I examined the influence of NPOs' financial health scores and accountability and transparency scores to predict numbers of participants served in California NPOs. The covariates of community income, community ethnicity and community urbanicity (location) were initially selected to be included. The covariates lacked significant contribution to R^2 variance in all regression models and were removed from analyses. Financial health score of NPOs' significantly predicted number of participants served (*F*

= 5.538, p = .022). Accountability and transparency did not significantly predict the number of participants served.

In Chapter 5, I discuss the interpretation of these findings through the lens of Mohr's program theory and the reviewed literature taking into consideration identified study limitations. I present recommendations for public policy applications, implications for positive social change are deliberated and suggest prospective future research.

Chapter 5: Discussion, Recommendations and Conclusion

Introduction

The viability of NPOs to accomplish health outcomes requires successful management and policymaking to accomplish critical fiscal and necessary program goals. Beneficial program outcomes are the underlying intention of federal policy permitting NPOs' authorization for preferential tax relief status, as well as the aim of Healthy People 2020 in terms of reducing obesity and increasing daily intake of vegetables. The purpose of this quantitative study was to explore predictive relationships between financial health measures and accountability and transparency measures and numbers of participants served. I hypothesized that financial health scores, accountability and transparency scores, and covariates of community income, community ethnicity, and community urbanicity would influence the DV.

I acquired datasets of financial health scores and accountability and transparency scores from Charity Navigator (2020). Over a 6-week period, I endeavored to collect data from IRS Form 990s and alternative sources for 134 NPOs that met the study eligibility criteria. I obtained complete information regarding number of participants served for 76 of the eligible NPOs. After removing outliers, statistical analyses were performed with the final data set of 63 NPOs.

Using linear regression to predict the strength and direction of relationships, higher financial health scores were found to significantly predict a positive relationship with number of participants served. Accountability and transparency scores were not a significant predictor in terms of numbers of participants served. Covariates were

excluded from the final model, as they did not offer any significant predictive relationships. This chapter will include interpretations of findings, limitations of the study, recommendations for future research, implications for positive social change, and a summary.

Interpretations of Findings

My study results support previous research involving the significance of higher financial heath scores in terms of higher number of participants served in NPO programs. My study results did not support a relationship between higher accountability and transparency scores and number of participants served. The findings illustrated that management strategies addressing relevant components of program implementation are important to lead to improved program outcomes.

Covariates

The absence of influence of these covariates may have a bearing on program outcomes. If NPOs are tasked with a responsibility to assist in the easing of disparities, limited attention to concerns related to lower income communities, people of color or rural locations is further exposed.

Community income. There are well-established indicators of disparities in health within communities with concentrated disadvantages such as those with low incomes. Two of the 63 NPOs (see Table 5) were located in communities with low income levels based on HUD's low-income limit of 80% of the median family income within the NPO's ZIP code. These results align and illustrate disparities that are prevalent within the distribution of NPOs.

In my study, the covariate of community income did not significantly influence the DV (see Table 8). The relatively small number of NPOs that were categorized as low income within the dataset may contribute to the lack of influence. Given Charity Navigator's (2020) restricted protocol to only rate charities within certain parameters, these qualifications may limit the relevance of community income as a confounding variable.

Community ethnicity. In my study, NPOs groupings of ethnicity based on location were 30% Black, 30% Hispanic, or designated as others. The lack of significance of this covariate that focuses on the characteristics of community participants in lieu of measurement of participants in NPO programs may contribute to the influence deficiency.

Community urbanicity. NPO programs that focus on health concern of Healthy People 2020 should include program and services to a diverse set of prospective participants. Woodward-Lopez et al. (2018) suggested that varied approaches to health programs and outcomes are likely needed depending on region and urbanicity of program implementation. In my study, community urbanicity was subdivided into three locations: rural, suburban, and urban, with more than 71% of NPOs located in suburban settings. My study results reflected that community urbanicity did not influence the DV.

Financial Health

Coveted funders and donors that seek to support NPOs efforts look to evaluate the worthiness of NPOs in order to make funding decisions. Many enlist agencies, such as, to gain information for funding decisions. Charity Navigator (2020), the largest rater of U.S.

NPOs, performs financial and administrative evaluation of NPOs, however information on program outcomes is not included. Kim (2017) also exposed this gap in NPO evaluation. My study addresses the gap by linking Charity Navigator ratings of financial health outcomes to program outcomes as identified within numbers of participants served.

My dataset encompassed Charity Navigator's (2020) measures of financial health, which embraces many of the same metrics found in literature (Table 3). Kim's (2017) study, which extended prior research on how NPOs' fiscal indicators are linked to program outcomes, had findings that demonstrated that not all financial qualities enhance program performance. Likewise, in my study financial health scores was shown to have a significant relationship, yet weak correlations (r = .288) to the number of participants served. This is reflected in the results that a meaningful influence of 8.3% of the variance in the number of participants served is explained by the financial health scores of NPOs with 91.7% of the influence unexplained. This is informative as it predicts that for each increase to a NPO's financial health score an additional 1,108 number of participants could be served to accomplish and fulfill health programs' outcomes and goals. Consequently, following Mohr's rationale, poorly performing financial measures have the potential to significantly impact the potential to served greater numbers for needed health interventions.

Accountability and Transparency

The accountability and transparency focus are related to the administrative responsibility of NPOs' leaders to provide information of their operations as required by

IRS rules. This same administrative responsibility can expand to the NPO's reputation, positive or negative, with direct linkage to NPO's credibility. Charity Navigator's (2020) 17 accountability and transparency measurements (Figure 5) consider NPOs' administrative governance, ethics and public availability of access to information. Kim (2017) and Liket and Maas's (2015) studies described how the reputation of NPOs are utilized to evaluate NPOs. A negative reputation or lack of accountability and transparency could potentially impact resource decisions and future donor funding streams.

My study results, similar to Kim's (2017) findings, were that accountability and transparency had no significant influence on the NPOs' program numbers of participants served. Using Mohr's lens and highlighting the results of the limited influence of accountability and transparency may present opportunities for NPOs' leaders to educate supporters of the importance of NPOs' efforts to meet these responsibilities and possibly provide an advantage in resource selection decisions.

Limitations of the Study

Relevant financial metrics were involved to calculate financial health scores based on Charity Navigator's (2020) protocol. My study's focus was on the relationship of suitable financial strategy represented by financial health scores to predict program outcomes, not to evaluate or examine the appropriateness of specific financial metrics within NPOs' financial strategy. The full universe of California NPOs that ascribe to Healthy People 2020's NWS 9, 10.4, and 15.1 are not included in my analyzed data set. The limiting protocol of Charity Navigator contributed to excluded NPOs.

NPOs that did not describe their program and services with on their respective website with specific key words (nutritious food, nutrition, physical activity, sports, exercise, movement, healthy meals, obesity prevention, fruits and vegetables, nutrition classes and nutrition education) would not have been included. Other restricting factors, involving unreported information on Form 990 or unobtainable through other means, of the data on the numbers of participants served excluded NPOs. Nevertheless, the obligation of NPOs to report complete and accurate information regarding operations to the public is tied to the conditioned benefits of preferential tax treatment of exemption status afforded in the federal policy contained in Title 26 CFR (Ryan, 2018). Monitors and safeguards to determine compliance with completeness and accuracy appear lacking.

Another limitation stems from quantitative research design whose advantage is to compare many cases on several variables where variable uniqueness and individual context are often ignored in exchange for flexibility in the type of data obtained from case to case in the same study (O'Sullivan et al., 2017). Consequently the 6 cause areas comprise a wide range of NPOs that serve distinctive participants within their special area. The three most represented cause areas (Table 5) Social Service (36.5), Youth Development (34.9), and Food Banks (11.1) accounted for 82.5% of my study's sample population (n = 63).

The unique numbers of participants served reported may have variations in the extent of services. For example, a food bank may count unique number of served as an individual that was fed on a particular day in a given time period, and alternatively a youth education program may count unique numbers served as an individual who

enrolled and attended a 4-week tutoring program where that participation counted as “1” rather than a multiplier of each tutoring session attended across the 4 weeks.

The NPO self-reported information regarding number of participants served whether on their websites, from communication, or on their IRS Form 990 should be considered as a limitation. Lack of transparency and adequate mechanisms to verify reported information on Form 990 present limitations. Bergmark, Bejerholm, and Markström (2019) provided insight on policy implementation to assess the extent that policies have been put into practice. A deficiency in obtaining required Form 990 information is, at a minimum, a lack of standardized reporting when it comes to an NPO’s submission of numbers of participants served. Likewise, this policy flaw could indicate this lack of oversight or scrutiny solicits manipulation of program outcomes to attract unwarranted openness to give. As a consequence, these lapses in oversight of federal policy might allow vulnerable or susceptible donors to be subjected to exploitations and corruption.

A final limitation is presented when NPOs that have multiple programs provide responses to numbers of participants served that includes participant counts from programs not related directly to my Healthy People 2020’s focus. Head and Alford (2015) noted that the interpretation, perception, and reality of data are not always congruent. My inclusion of the financial information for the total of all programs and operations for each NPO responded to the challenge of navigating through the obscurities and uncertainties in the NPO the data. My technique was to match total number of

participants served in all programs to the comprehensive financial information reported by NPOs.

Recommendations

The limitations and my reflections regarding significant and insignificant findings were useful to formulate recommendations for action and future research. The perspective as a professional involved in NPOs' statutory compliance reporting, my relationship as an NPO leader, as well as my study's findings and reviewed literature helped shape the recommendations.

Action

There is a need to strengthen policies that govern NPOs' oversight, assessment, and management of reported compliance information. Guidance on clear and consistent reporting of Form 990 information, specifically the numbers of participants served is justified. Currently, on Form 990 the numbers served is requested, not required, to be documented within an opened ended descriptive text field for each program services' accomplishments. Modifying the Form 990 requirement of the responses to numbers of participants served to a mandatory numeric field using discrete responses could encourage NPOs to accumulate this information for reporting. The formatting of these required fields should distinctly differentiate between the unique numbers of participants served across a NPO's entire program portfolio. This could be accommodated with a separate and distinct field for number counts particularly describing units of measure, such as days of care provided, number of sessions, or events held. If responses to these

specific fields relating to numbers served are not incorporated, the required electronic Form 990 filing would be rejected.

The voluntary compliance and self-reported information by NPOs on Form 990 is subject to education, enforcement, and oversight by the IRS (Clark Nuber PS, 2019). Voluntary compliance and self-reporting aspects may require additional scrutiny given the weight of reliance on Form 990s by the public and watchdog organizations (see Lecy & Searing, 2015; Mitchell, 2017). Professionals, such as Certified Public Accountants (CPAs) that prepare Form 990s on behalf of NPOs, have mandated standards for reasonable efforts to obtain appropriate responses on tax returns (AICPA, 2010). Yet the mandate does not require examination or verification of the information CPAs are provided to complete Form 990. Action for added inspection policies by the IRS, such as a requirement to enlist CPAs in completion of Form 990 for added credibility and better oversight of reported information, can improve Form 990 reporting integrity.

NPOs' competition for scarce funds and adherence to compliance reporting requirements should warrant attention to accurate and complete publicly available and scrutinized Form 990s. Availability and access to experts and guidance on the wide range of NPOs matters are necessary to educate and introduce many NPOs' manager to the importance of proper and strategic Form 990 presentation. This is especially essential for smaller as well as newly formed NPOs as their need for support is especially critical.

CalNonprofits (2019) provided information that the average NPO's revenue is just over $6 million, yet revenue is not evenly distributed within NPO sectors. In my sampled NPOs (n = 63), after adjusting for outliers, the average total revenue was more

than $8.7 million (Table 5). In Charity Navigator's (2020) protocol, larger NPOs get the attention from watchdog organizations, with smaller NPOs falling outside of the scrutiny and benefits of ratings. The focused attention for smaller NPO leaders is often concentrated on programming issues and program growth, however proper and intentional completion of Form 990 should be encouraged with equal importance. Suggested action for policymakers, funders, and donors is addressing the need for resources and reporting training on Form 990, especially to smaller and start-up NPOs.

Most NPO studies utilize information from the publicly available data in IRS files from Form 990 reporting (Mitchell, 2017; Prentice, 2016). However limited data sources contain both detailed financial and program information. Actions to gather data that corresponds to the various categories of NPOs with similar missions, focus, and planned outcome measures would provide a valuable research resource.

Future Research

Mohr's program theory was used to conceptualize this quantitative study, while future studies using qualitative and mix methods approaches of impact analysis could add to this information base. This prospective research could also provide enlightenment on the advantages and challenges of predicting financial health strategy's impact to program outcomes. My quantitative approach was to examine the link between financial health and program outcomes for California NPOs that focused on specific health outcomes. Future studies covering other NPO sectors, as suggested by Kim's (2017), should attempt additional quantitative approaches given the scarcity of research.

My study's focus on financial heath strategy's utilizing financial health scores indicated no predictive significance or controlling influence relation covariates associated with community demographics. Prior studies have noted the influence of community demographics on health programs outcomes (Arteaga et al., 2015; Woodward -Lopez et al., 2018). This may suggest that additional research may confirm how differencing communities respond to specific and blended strategic considerations.

Implications for Positive Social Change

The desire and need for NPOs to serve communities have not diminished as communities' problems and disparities continue. This is evidenced by the growth of California NPOs now generating 13.5% of total U.S. NPO's revenue compared with the state's 2012 trend at 12.9%. Enduring funding concerns in order to accomplish program and service needs and solutions remains a central challenge (Arteaga et al., 2015; Haslam, Nesbit, & Christensen, 2019; John Snow, Inc., 2017). Research and responses addressing the effectiveness of financial strategy to impact program outcomes will not serves as a 'one size fits all' solution.

My research findings provide information and support to enable NPOs' managers to navigate complexities and nuances of NPOs' interests. With this information leaders can potentially provide programs and services that address specific community problems and increase attainment of program outcomes. Response to community concerns in tandem with credible presentations to donors, funders, government, and other stakeholders of the worthiness of NPOs may be accomplished. My research findings are also significant to local, state, and federal governments that, according to CalNonprofits

(2019), often have contradictory relationships with NPOs where governments partner and collaborate with NPOs and also have the role of funders to NPOs.

Positive social change for NPO management, funders, donors, governments, policymakers and evaluators are the provided information and awareness of benefits and limitations utilizing financial measures to predict expected program outcomes. Although financial health can significantly predict program outcomes, the shortcoming of the majority of unexplained factors that influence program outcomes are competing concerns. Knowledge that financial data and its evaluation are available and frequently referenced from Form 990 may allow valuable insight into NPO operations, if properly and adequately reported. This information has the potential to lead to environments where information for funding decisions are readily reported and available for evaluation tailored to each NPO sector. Further, this information could allow rapid delivery and response for funds supporting NPOs' programs requirements and outcomes.

My study supports the assumption that adequate financial resources and associated sustainable fiscal strategies are part of the fundamental inputs and activities that can lead to greater numbers served and ultimate attainment of health goals such as those advocated in Healthy People 2020 (Figure 1). Conversely, the counterfactual, fiscally vulnerable and inadequately managed organizations could perpetuate failure of program efforts to mitigate health problems, lead to forced closures of NPOs, and possibly enable deceptive or fraudulent activities. The absence of more stringent oversight of Form 990 can also contribute to under achievement of public beneficial interventions. Policy corrections can lead to impediments to manipulation and

malfeasance on Form 990 reporting. This positive social change supports improvement opportunities for appropriate, credible management of the resources and rights granted to NPOs. These changes may allow safeguards of the necessary, pursued and limited funding resources to be directed to merited community services and programs.

Community-based enhancements to social change includes the potential for better health outcomes that lead to longer, healthier and more productive lives for all. Communities can utilize my findings as necessary resources, especially for communities where disparities persist, to spotlight program evaluation and social benefit. The findings could bolster requests involving support, particularly when those NPOs seek community funding for program implementation and sustainability.

My study helped to highlight the prevalent issues of minimized rights to access health treatments. CalNonprofits (2019) reported that few NPOs served low income populations, communities of color have a little over half the resources of NPOs elsewhere. The potential for positive change of dwarfed intervention accessibility to health promotion programs serving the poor, people of color, and rural and urban communities is underscored and brought forth.

Conclusion

Many disputes have ensued contrasting the importance of financial survival versus health subsistence. Both are important, however financial or fiscal metrics are the popular choice for measuring NPOs' success. Yet, the fundamental purpose or motivation for the existence of NPOs is to provide and promote the well-being of communities as measured in my study by program outcomes. My study was designed to include an

assorted sample of U.S. NPOs that facilitated drawing conclusions about multiple approaches and strategies that are related to financial health results and program outcomes. These conclusions can inform policies that address health interventions implemented by NPOs.

The unconfirmed influencers in my study—accountability and transparency, community income, community ethnicity and community urbanicity have been captivated as under-estimated. Using Mohr's theoretical lens, the circumstance that allow these factors to not have relevance can be daunting and presents an opportunity to shed light on these absences to address elements connected to them. Thus, attention to accountability and transparency should be instrumental and required to allow the public view of how openness should influence funding decisions and ultimately programs outcomes. As well, disparities within demographics of lower income, minority, urban and rural communities should be front and center as foci to garner support to address and increase the potential for better health outcomes.

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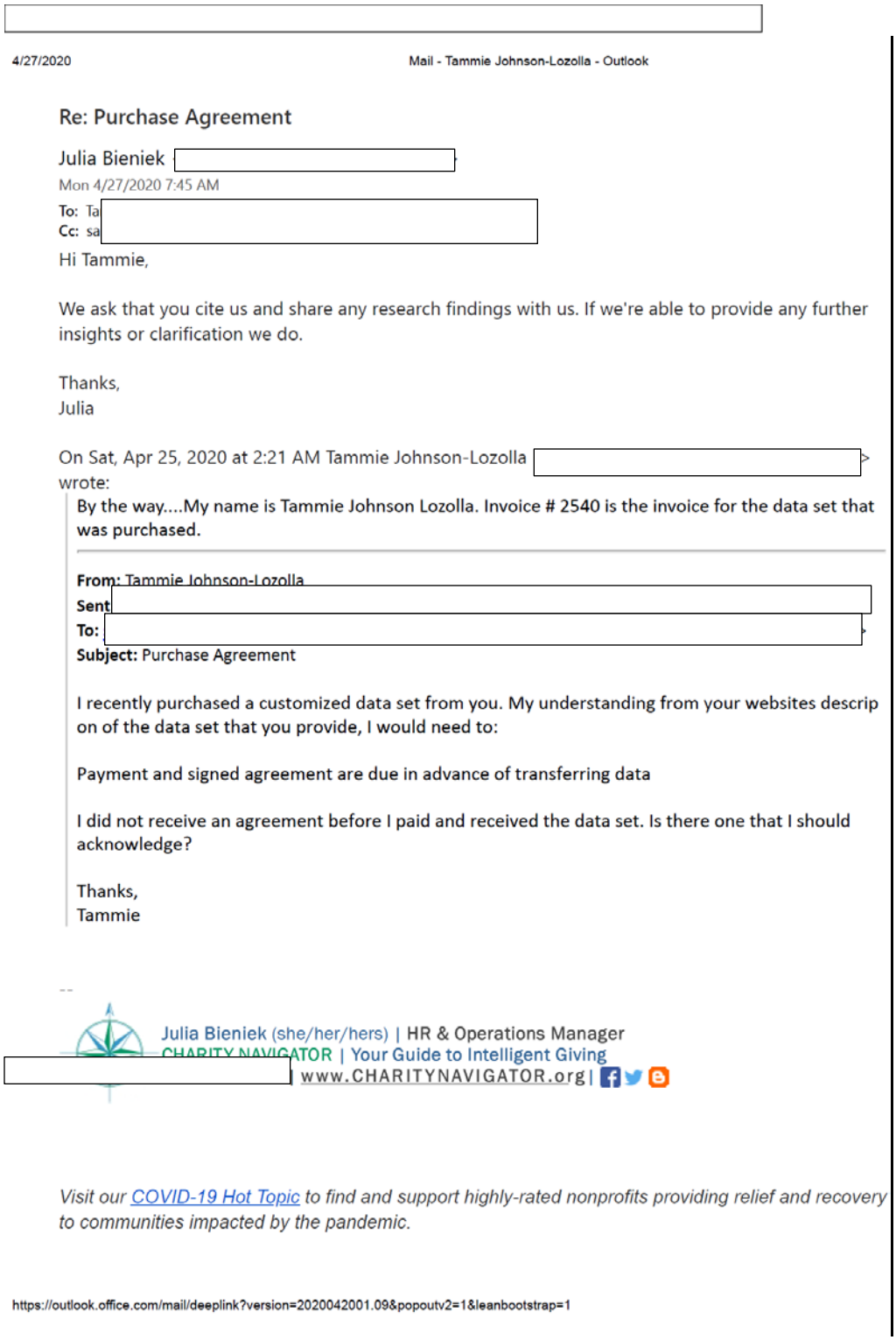
Appendix A: Data Management and Organizer

T. Johnson-Lozolla - Data Management

LEGEND : CN-Info from Charity Navigator's data set ~ IV-Independent Variable ~ DV-Dependent Variable ~ RI-Researcher Inputted

OrgID	Charity Name	Overall Rating	Financial Score (IV-1)	AT Score (IV-2)	Score Year	Matched Year	#Served DV	Results of 1st # Served Search	Results of Subsequent# Served Search	Quick Notes
9999	CN	CN	CN	CN	RI	RI	RI	Source described	Source described	Notes/Follow-up

Appendix B: Charity Navigator Permission



4/27/2020 Mail - Tammie Johnson-Lozolla - Outlook

Re: Purchase Agreement

Julia Bieniek
Mon 4/27/2020 7:45 AM
To: Ta
Cc: sa

Hi Tammie,

We ask that you cite us and share any research findings with us. If we're able to provide any further insights or clarification we do.

Thanks,
Julia

On Sat, Apr 25, 2020 at 2:21 AM Tammie Johnson-Lozolla wrote:

> By the way....My name is Tammie Johnson Lozolla. Invoice # 2540 is the invoice for the data set that was purchased.
>
> **From:** Tammie Johnson-Lozolla
> **Sent:**
> **To:**
> **Subject:** Purchase Agreement
>
> I recently purchased a customized data set from you. My understanding from your websites descrip on of the data set that you provide, I would need to:
>
> Payment and signed agreement are due in advance of transferring data
>
> I did not receive an agreement before I paid and received the data set. Is there one that I should acknowledge?
>
> Thanks,
> Tammie

--

Julia Bieniek (she/her/hers) | HR & Operations Manager
CHARITY NAVIGATOR | Your Guide to Intelligent Giving
www.CHARITYNAVIGATOR.org |

Visit our COVID-19 Hot Topic to find and support highly-rated nonprofits providing relief and recovery to communities impacted by the pandemic.

https://outlook.office.com/mail/deeplink?version=2020042001.09&popoutv2=1&leanbootstrap=1