Problems with Government Contracts and Grants

<table>
<thead>
<tr>
<th>PROBLEM</th>
<th>NOT A PROBLEM</th>
<th>SMALL PROBLEM</th>
<th>BIG PROBLEM</th>
<th>STATE RANK**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments do not cover full cost of contracted services</td>
<td>61%</td>
<td>22%</td>
<td>17%</td>
<td>46</td>
</tr>
<tr>
<td>Complexity of/time required by application process</td>
<td>34%</td>
<td>35%</td>
<td>31%</td>
<td>34</td>
</tr>
<tr>
<td>Complexity of/time required by reporting process</td>
<td>37%</td>
<td>38%</td>
<td>25%</td>
<td>43</td>
</tr>
<tr>
<td>Government changes to contracts/grants midstream</td>
<td>67%</td>
<td>10%</td>
<td>22%</td>
<td>38</td>
</tr>
<tr>
<td>Late payments (beyond contract specifications)</td>
<td>58%</td>
<td>21%</td>
<td>21%</td>
<td>24</td>
</tr>
</tbody>
</table>

Nonprofits Reporting Limitations on Full Costs in Government Contracts and Grants

- Percent of nonprofits reporting limits on program administrative/overhead: 40%
- Percent of nonprofits reporting limits on general administrative/overhead: 42%
- Contracts require matching or sharing costs: 27%
- Grants require matching or sharing costs: 47%

Organizations Reporting Overhead Limits, by Limit Amount and Type***

- 15% +: 4 Program overhead, 7 General overhead
- 11-15%: 11 Program overhead, 17 General overhead
- 8-10%: 13 Program overhead, 17 General overhead
- 4-7%: 6 Program overhead, 11 General overhead
- 1-3%: 14 Program overhead, 25 General overhead
- 0%: 38 Program overhead, 37 General overhead
Overview of Nonprofit Contractors and Grantees

Nonprofits with government contracts and grants: 1,024

Million dollars in contracts and grants: $1,432

Financial Status of Nonprofits with Government Contracts and Grants

Types of Organizations
- Arts, culture, and humanities: 8%
- Education: 6%
- Environment and animals: 7%
- Health: 9%
- Human services: 58%
- Other: 12%

Actions Taken by Nonprofits

- Reduced number of employees: 25% (Tennessee), 26% (National)
- Reduced number of offices or program sites: 11% (Tennessee), 7% (National)
- Reduced health, retirement, or other staff benefits: 11% (Tennessee), 12% (National)
- Drew on reserves: 46% (Tennessee), 42% (National)
- Borrowed funds or increased lines of credit: 24% (Tennessee), 22% (National)
- Reduced number of programs or services: 11% (Tennessee), 11% (National)
- Froze or reduced employee salaries: 45% (Tennessee), 53% (National)

Expenditure Size of Nonprofits with Deficits

- $100,000 to $249,999: 23% (Tennessee), 17% (National)
- $250,000 to $999,999: 28% (Tennessee), 36% (National)
- $1 million or more: 48% (Tennessee), 48% (National)

Tennessee Nonprofits Experiencing Declines in Revenue from

- Local government agencies: 36%
- State government agencies: 42%
- Federal government agencies: 55%
- Individual donations: 35%
- Private foundations: 36%
- Corporate donations: 35%
- Investment income: 56%


* Data reported are based on a national survey of 501(c)(3) public charities with expenses of $100,000 or more. Hospitals and higher education as well as nonprofits not likely to have government contracts and grants were excluded from the sample. Analysis is limited to nonprofits reporting government contracts or grants. See Methodology section for more details on response rate and data weights.

**State rankings: 1=highest percentage of nonprofits reporting problem; 51=lowest percentage of nonprofits reporting problem. See appendix for more details.

***Organizational overhead or administrative expenses include costs associated with the organization as a whole that cannot be attributed to a program (such as utilities, accounting staff, or a receptionist). Program overhead or administrative expenses refer to administrative expenses directly related to programs and services (that is, program administration, such as computer use, copying, rent, and telephone use).

††† Data not reported or too few respondents answered the question.

Note: Percentages may not sum to 100 because of rounding. The full report on the national survey is available at www.urban.org/publications/412962.html.