Governance 2001-2021:
The Changing Nature of
Jackson Hole's Nonprofit Boards

Jonathan Schechter – November 12, 2021

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Summary

This study examines 22 prominent Jackson Hole-based nonprofit organizations operating in both 2001 and 2021. For both years, basic financial data were collected for each organization, as well as information about its board members (profession, gender, and whether they earned their livelihoods in Jackson Hole or elsewhere).

The table on the next page summarizes this paper's basic statistical findings. In both 2001 and 2021, 336 people belonged to the 22 boards examined. In 2001, 70% of all board members worked for some type of for-profit business, including 9% who worked in Finance. In 2021, 82% of all board members worked in some type of for-profit business, including 25% who worked in Finance.

The membership of the boards examined went from being 41% female in 2001 to 52% female in 2021. In 2001, 53% of all board members earned their livelihoods in the Jackson Hole area. In 2021, that figure was 47%.

Between 2001 and 2019 (the most recent financial filing year), the 22 nonprofits saw their combined revenues go from \$100 to \$105 million; their combined expenses go from \$55 to \$94 million; their combined net "profit" fall from \$44 to \$11 million; and their combined net assets grow from \$105 to \$326 million.

The preponderance of the net asset growth was enjoyed by the eight largest nonprofits examined in this study, whose collective net assets grew from \$95 million in 2001 to \$290 million in 2021. There were also significant differences in board composition between the bigger and smaller nonprofits, with the bigger organizations' boards tending to be larger, more male, with more members with Business/Finance backgrounds; and with more members earning their livelihoods from non-local sources.

Understanding the composition of a nonprofit board is important because members' backgrounds and perspectives affect how a board evaluates their organization's performance and guides its future.

In America, we look to for-profit businesses to provide those goods and services that can earn a financial profit; i.e., that can be sold for more than they cost to produce. In turn, financial profit is the fundamental metric boards and, by extension, society uses to judge the success of for-profit businesses.

Not all goods and services can be produced profitably, however. To provide these non-profitable products, society turns to government or, failing that, nonprofits. By extension, because governments and nonprofits provide goods and services that cannot be produced profitably, their performance must be judged using other, non-financial metrics. Unfortunately, no single metric for judging nonprofit and governmental performance is as easy to understand, easy to use, and ubiquitously used as financial profit. As a result, nonprofit boards must guard against using financial profit or other related metrics to fill the "evaluation void," for such tools will, by definition, inevitably result in the organization being judged a failure.

Put another way, while it is necessary for a nonprofit board to assess their organization's financial performance, it is not sufficient. In addition, the board must also evaluate the organization's performance vis-a-vis its mission, a task for which financial profit and related metrics are not well-suited. Alternative tools such as the Toyota Production System and its Statement of Ideal can help address the evaluation void. Like financial profit, such assessment tools are both aspirational and operational; unlike financial profit, they allow an organization's board and management to focus on the qualities driving its mission.

Table 2
Governance 2001-2021
Basic Findings, by Organizations' 2019 Net Asset Size
("Smaller 14" <$10 million; "Bigger 8" >$10 million)

	Smaller 14				**Bigger 8**				**Total**			
			Change				***Change***				***Change***	
	2001	***2021***	***#***	***%***	***2001***	***2021***	***#***	***%***	***2001***	***2021***	***#***	***%***
Total Board Members	149	158	***9***	***6%***	187	178	***(9)***	***-5%***	336	336	***0***	***0%***
Gender												
Female	63	89	***26***	***41%***	76	86	***10***	***13%***	139	175	***36***	***26%***
Male	86	69	***(17)***	***-20%***	111	92	***(19)***	***-17%***	197	161	***(36)***	***-18%***
Income Source												
Local	115	105	***(10)***	***-9%***	64	53	***(11)***	***-17%***	179	158	***(21)***	***-12%***
Non-local	34	53	***19***	***56%***	123	125	***2***	***2%***	157	178	***21***	***13%***
Occupation												
Finance	11	25	***14***	***127%***	20	60	***40***	***200%***	31	85	***54***	***174%***
Other Business	102	102	***0***	***0%***	101	88	***(13)***	***-13%***	203	190	***(13)***	***-6%***
Non-Business	36	31	***(5)***	***-14%***	66	30	***(36)***	***-55%***	102	61	***(41)***	***-40%***
Finances (millions)												
Revenues	$7.9	$25.1	***$17.2***	***218%***	$92.0	$79.6	***($12.4)***	***-13%***	$99.9	$104.7	***$4.8***	***5%***
Expenses	$7.9	$23.7	***$15.8***	***200%***	$47.6	$69.8	***$22.2***	***47%***	$55.5	$93.5	***$38.0***	***68%***
Net Gain/Loss	$0.0	$1.4	***$1.4***	***??***	$44.4	$9.8	***($34.6)***	***-78%***	$44.4	$11.2	***($33.2)***	***-75%***
Net Assets	$9.9	$35.8	***$25.9***	***262%***	$95.2	$290.5	***$195.3***	***205%***	$105.1	$326.3	***$221.2***	***210%***

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Introduction

In its Summer 2015 edition, the *Stanford Social Innovation Review* published an article entitled "The Wall Street Takeover of Nonprofit Boards."

In it, author Garry W. Jenkins and his colleagues compiled the 1989 and 2014 rosters of the board members of 23 major private US research universities, 29 noted liberal arts colleges, and 15 prominent New York City-based nonprofits. They then identified the professions of each institution's board members, and analyzed the results.

The paper had two primary findings, which held true for all three categories of nonprofits examined.

First, in 2014, a much larger percentage of all board members had backgrounds in finance than in 1989.

Second, in 2014, a much larger percentage of the institutions' executive board members had backgrounds in finance than in 1989. Table 1 shows the findings.

Table 1
Findings from "The Wall Street Takeover of Nonprofit Boards"
Percentage of Board Members with Backgrounds in Finance Industry

	Total Board					Executive Board			
			Increase					*Increase*	
	1989	*2014*	*Absolute*	*Relative*		*1989*	*2014*	*Absolute*	*Relative*
Research Universities	19%	40%	21%	111%		28%	59%	31%	111%
Liberal Arts Colleges	19%	34%	15%	79%		28%	44%	16%	57%
New York City Nonprofits	19%	40%	21%	111%		29%	44%	15%	52%

The paper theorized that the large increase in board members affiliated with finance was a result of the fact that, during the 25 year span covered by the research, a great deal of America's wealth concentrated in the finance sector. As a result, eager to raise money, nonprofit organizations turned to people working in finance for the same reason the bank robber Willie Sutton robbed banks (Sutton was apocryphally quoted as answering the question: "Why do you rob banks?" by responding "Because that's where the money is.").

As this concentration of wealth occurred, boards in general, and executive boards in particular, saw sharp rises in the proportion of members with backgrounds in finance (while the paper does not discuss any particular reasons driving this shift, the obvious explanation is that having big donors join the boards worked for both the donors and organizations).

The bulk of the paper considers the implications of having people with a background in finance playing increasingly large roles in nonprofit governance. Jenkins's particular concern is this:

> *"Numerous critics have written thoughtfully about the ways in which market-based thinking and approaches applied to the nonprofit sector provide false promise, with the potential to dilute charitable values, undermine long-term mission focus, incentivize small, incremental goals, and threaten shared governance and other forms of participatory problem-solving.*
>
> *"Beyond leading to the borrowing of financial concepts and tools in the boardroom, the rise in the number of nonprofit directors with ties to finance may also contribute to deeper changes in the underlying institutional values and motivations, a trend that economic sociologists refer to as the financialization of the nonprofit sector."*

Jenkins concludes by observing:

> *"Boards and board governance are inevitably shaped by the identity and background of those who make up the boards themselves. Board members carry with them interests, priorities, mental maps, systems, expectations, and cultural norms undoubtedly shaped by their own experiences and professional backgrounds, all of which certainly affect the ways in which they carry out their duties. This is not to say that finance professionals care less (or more) about a nonprofit organization or its mission. Nor do I believe that all finance professionals think alike. But if boards are to operate as designed, and if they are to be maximally effective, then the composition of nonprofit boards must be more diverse and not dominated by financiers."*

Jenkins's article raises the question of whether a similar phenomenon has occurred in Jackson Hole.

Home to around 200 nonprofits, Jackson Hole has historically looked to the nonprofit sector to both address the community's critical needs and enhance its quality of life. To explore the question of whether local nonprofit board membership has changed over the past two decades, this paper emulated the methodology of "The Wall Street Takeover of Nonprofit Boards," looking at the professions of the members of 22 Jackson Hole-based nonprofit boards in both 2001 and 2021.

Before presenting the findings of the research, it's important to first understand the "why" of nonprofits: what they do, why they do it, and how nonprofits' missions differentiate them from other types of organizations.

<u>Nonprofits, and the Spectrum of Economic Activities</u>

At its essence, the economy is the mechanism humans have created for addressing our needs and wants.

Broadly speaking, the goods and services produced to address those needs and wants can be categorized across a spectrum of economic activities. At one end of the spectrum are products that can clearly be made profitably; i.e., goods and services that can clearly be sold for more than they cost to make. At the other end of the spectrum are those products that clearly cannot be made profitably (Figure 1)

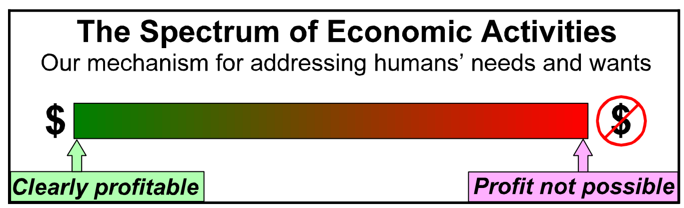

Figure 1

In America, as a rule of thumb we look to business to provide the products that can be made profitably, and to government to provide those which can't. (Figure 2)

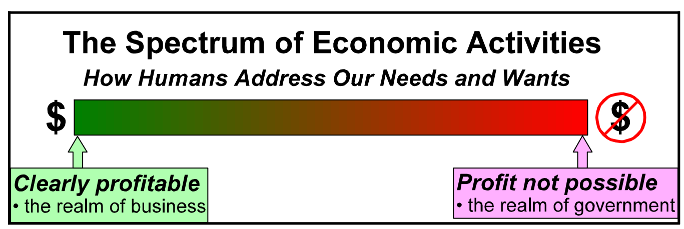

Figure 2

This system is dynamic in two different ways:

- At the "clearly profitable" end of the spectrum, innovations in technology and business practices are always pushing the boundary of what is profitable toward the "not profitable" end of the spectrum.
- At the "profit not possible" end of the spectrum, the services a given government provides depends on factors ranging from what is legally possible to the philosophies of those holding political power. (Figure 3)

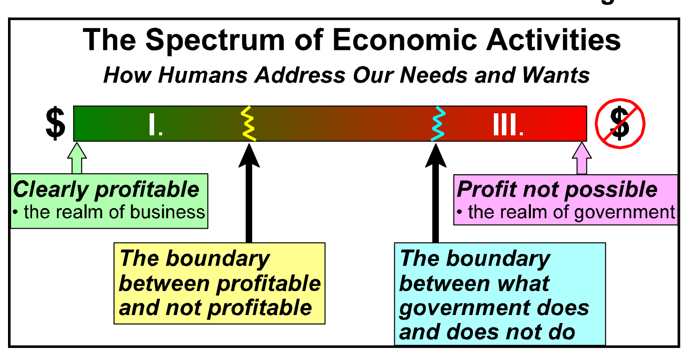

Figure 3

There is also a third type of product – those goods and services that fall into the "business-government gap." These are products people want, or even need, but which business doesn't produce (because they cannot be provided profitably), and government doesn't provide (because a governing body chooses not to do so). Such products are either provided by the nonprofit sector or not provided at all. (Figure 4)

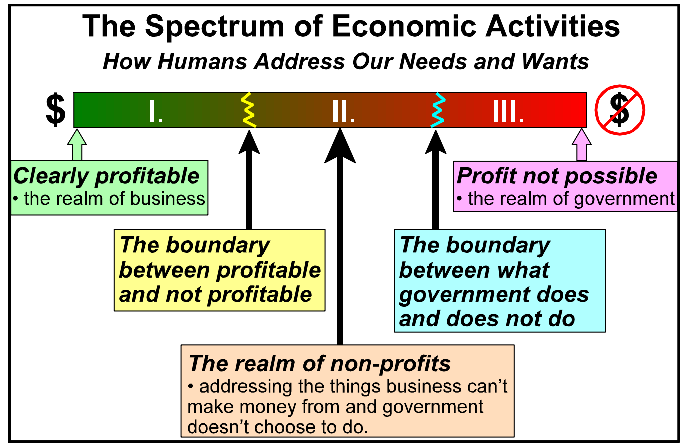

Figure 4

Measuring success

The foundation of the economic spectrum is financial profit; i.e., whether a good or service can be sold for more than it costs to produce it.

As a concept, the beauty of financial profit is threefold: it's easy to understand, easy to use, and can be applied to any organization or activity, regardless of size or location. As a result, it is used ubiquitously, serving as the lodestar of every business and business decision. Measuring and increasing financial profit is also the focus of entire industries and academic disciplines. Put simply, no other economic concept has nearly the reach or penetration of financial profit.

These qualities, however, also disguise two fundamental problems with the concept of financial profit.

First, because it does not measure all of an organization's activities, focusing on financial profit can lead managers and board to ignore or downplay other performance indicators.

Second, as the Economic Spectrum construct suggests, despite the fact that many economic activities don't make a financial profit, there is still a demand for them. Yet because no other evaluation metric shares financial profit's ease and ubiquity of use, the basic question underlying financial profit – "Does this product make money?" – is often asked about nonprofit and governmental efforts, *even though by definition the answer is "no."*

This reality highlights the fact that society has different expectations for each of the three economic sectors.

There is universal agreement about the role of private sector organizations – businesses exist to make money, and their success is evaluated by how much financial profit they make. Society doesn't ask businesses to do things that don't make money, nor does it ask them to justify their actions in any way except for financial profit.

None of this is true for governmental and nonprofit organizations. The goods and services produced by government and nonprofits are defined by what they don't do; i.e., generate financial profit. Beyond that, though, there is no common standard for judging what governments and nonprofits should do, actually do, or how well they do it.

This absence of a common evaluation tool creates a vacuum. Since nature abhors a vacuum, a fundamental challenge facing those involved in governing public or nonprofit organizations is to fill that "evaluation vacuum." Absent a better tool, though, in many cases the evaluation vacuum is filled by calls to "run government like a business," or, as Jenkins suggests, by efforts to bring business perspectives and rigor to the missions and management of nonprofit organizations. While there is no disagreement that, regardless of sector, every organization should be run efficiently, what is concerning is that applying business perspectives to public and nonprofit organizations can set up those organizations to be judged as failures.

Why? Because every decision made by a business's management and board will ultimately be viewed through the lens of one foundational question – "How will this affect our bottom line?" – as measured by one foundational metric – the easy-to-understand, easy-to-use tool that is financial profit. Those actions and products that will improve profitability are generally undertaken; those that don't are generally not.

In contrast, by definition nothing a governmental or nonprofit organization will make a financial profit – if it does, the private sector will look to take it over (think of prisons, or outpatient surgery centers). Hence, whatever benefit a money-losing governmental or nonprofit activity might have inevitably be found wanting if it's judged through the lens of financial profit.

Board mindsets

This "you can't use private sector metrics or mindsets to evaluate public or nonprofit activities" reality is why it is important to understand the backgrounds of people serving on nonprofit boards. To repeat, nonprofits exist because they provide goods or, more commonly, services which neither the private nor public sectors choose to provide (the former because the product can't turn a financial profit; the latter because it is not a priority for the government). As a result, anyone governing a nonprofit board needs to be acutely aware that the organization will, by definition, be pursuing a goal which cannot be adequately evaluated using traditional business tools or mindsets.

Yet as Jenkins suggests in "The Wall St. Takeover,“ we humans bring our past perspectives and mindsets to our new experiences. Artists view the world through one lens, accountants through another. As a result, for nonprofit boards the importance of diversity – in backgrounds, opinions, and perspectives – lies in the fact that, in contrast to the private sector, there is no clear, readily agreed-upon metric for judging nonprofit performance.

In such an environment, if a nonprofit board's collective mindset is dominated by those viewing an organization's mission and activities through a business-oriented lens – i.e., through a lens in which all activities are ultimately judged vis-a-vis financial profit – the board stands the risk of, at some level, setting up the organization to be considered a failure.

Put another way, American society has two very clear expectations for any private sector organization.
- We expect it to make a financial profit.
- We do not ask it to provide goods or services that do not make a financial profit.

In contrast, the only thing we clearly ask of the public and nonprofit sectors is that they do things that don't make a financial profit. Beyond that, there is no consensus on what nonprofit and governmental organizations should do or not do, or on how their activities should or should not be measured. Instead, in diametric contrast to how we view the private sector, public and nonprofit sector success is very much in the eye of the beholder.

This is why Jenkins felt it important to consider the proportion of nonprofit board members who work in finance. In many ways, finance is the distilled essence of the private sector. Trading a security – the quintessential financial activity – is a purely transactional, purely one-off event, one in which every transaction can be judged by a a clear and simple way of measuring success: Did you sell the security for more than it cost you?

In contrast, there is far more ambiguity in nonprofit and governmental work, raising the question of how board members – or anyone else – should assess such organizations' efforts.

In the absence of other concepts and tools, people tend to use the ones they are comfortable with, even if they are not appropriate for the job. In the case of nonprofit governance, using ill-suited tools may affect the decisions boards make about their organizations' strategic direction, as well as how they evaluate performance.

Methodology

This paper focuses on 22 Jackson Hole, Wyoming-based nonprofit organizations. They represent 11% of the 206 nonprofit organizations listed with the Community Foundation of Jackson Hole as of November 2021.

Three criteria were used in selecting the organizations. Objectively, they are based in Jackson Hole, and were in operation in both 2001 and 2021. Subjectively, they are prominent enough in their respective fields to be representative of the entire community, or at least important subsets.

As Table 2 indicates, the 22 organizations are active in six different fields of interest integral to the community's well-being: Arts, Conservation, Education, Human Services, Philanthropy, and Recreation.

Table 2
Organizational Focus

	Arts (5)	**Conservation (4)**	**Education (4)**	**Human Services (5)**	**Philanthropy (2)**	**Recreation (2)**
1	Art Association	Grand Teton National Park Foundation	Children's Learning Center	Curran-Seeley Foundation	Community Foundation of Jackson Hole	Friends of Pathways
2	Center for the Arts	Jackson Hole Conservation Alliance	Jackson Hole Historical Society	Community Safety Network	St. John's Health Foundation	Jackson Hole Ski Club
3	Dancers Workshop	Jackson Hole Land Trust	Teton Literacy Project	Jackson Hole Community Counseling Center		
4	Grand Teton Music Festival	Jackson Hole Wildlife Foundation	Teton Science Schools	Senior Center of Jackson Hole		
5	National Museum of Wildlife Art			Teton Youth and Family Services		

For each nonprofit, the rosters of 2001 and 2021 board members were obtained through a combination of listings on their websites, listings in their 2001 IRS 990 forms, and by directly asking the organizations. Also gleaned from the 2001 and 2019 990s were four pieces of financial data for each organization: annual total revenues, annual total expenses, net gain/loss, and net asset value. (Note: the 2019 990s were used because they were the most current ones available for all 22 organizations.)

The financial data allowed the nonprofits to be categorized by board size and net assets. (Tables 3 and 4)

Table 3
2021 Board Size
(336 total members in both 2001 and 2021)

	0-9 Members (4)	**10-14 Members (10)**	**15-19 Members (1)**	**20-29 Members (6)**	**>=30 Members (1)**
1	Curran-Seeley Foundation *(10 in 2001; 8 in 2021)*	Art Association *(9; 11)*	Jackson Hole Historical Society *(11; 15)*	Center for the Arts *(19; 20)*	St. John's Health Foundation *(18; 33)*
2	Dancers Workshop *(8; 8)*	Children's Learning Center *(8; 13)*		Community Foundation of Jackson Hole *(20; 25)*	
3	Jackson Hole Ski Club *(12; 9)*	Community Safety Network *(12; 13)*		Grand Teton Music Festival *(29; 21)*	
4	Senior Center of Jackson Hole *(9; 8)*	Friends of Pathways *(10; 13)*		Grand Teton National Park Foundation *(25; 21)*	
5		Jackson Hole Conservation Alliance *(18; 10)*		Jackson Hole Land Trust *(20; 23)*	

6		Jackson Hole Community Counseling Center *(7; 12)*		National Museum of Wildlife Art *(26; 22)*	
7		Jackson Hole Wildlife Foundation *(14; 11)*			
8		Teton Literacy Project *(8; 13)*			
9		Teton Science Schools *(30; 13)*			
10		Teton Youth and Family Services *(13; 14)*			

<u>Table 4</u>
Organizations Evaluated; by 2019 Net Asset Size
(assets listed in millions; 2001 total = $105.1 million; 2019 total = $326.2 million)

	<$1 Million (6)	**$1-$10 Million (8)**	**$10-$25 Million (2)**	**$25-$50 Million (5)**	**>$50 Million (1)**
1	Art Association *($0.2 in 2001; $0.40 in 2021)*	Children's Learning Center *($0.9; $7.7)*	Grand Teton Music Festival *($6.7; $19.6)*	Center for the Arts *($5.3; $26.9)*	Community Foundation of JH *($41.8; $85.1)*
2	Curran-Seeley Foundation *($0.2; $0.6)*	Community Safety Network *($2.3; $2.1)*	Grand Teton National Park Foundation *($1.1; $12.5)*	JH Land Trust *($13.2; $28.9)*	
3	Dancers Workshop *($0.0; $0.3)*	JH Conservation Alliance *($1.5; $1.3)*		National Museum of Wildlife Art *($12.7; $39.2)*	
4	Friends of Pathways *($0.3; $0.9)*	JH Community Counseling Center *($0.1; $4.1)*		St. John's Health Foundation *($3.6; $31.5)*	
5	JH Ski Club *($0.1; $0.6)*	JH Historical Society *($1.4; $6.1)*		Teton Science Schools *($10.7; $46.8)*	
6	JH Wildlife Foundation *($0.1; $0.1)*	Senior Center of JH *($2.5; $6.0)*			
7		Teton Literacy Project *($107; $3.1)*			
8		Teton Youth & Family Services *($605; $2.4)*			

Once the names and financial data were collected, each board member was categorized three ways:

1) Profession (26 different categories were created, which were eventually summarized in six different master categories – see Table 5 below)
2) Geographic source of income (those people whose primary income source was from a locally based job were labeled "Local"; those people whose primary income source was from investments and/or a non-locally based job were labeled "Non-local")
3) Gender

Table 5
Board Members' Professions; Aggregated into Master Categories

	Finance (1)	**Business (9)**	**Specific Skill (6)**	**Donations (2)**	**Local (4)**	**Nonprofit/Government (4)**
	Sub-Categories					
1	Finance	Agriculture	Design	Philanthropy	Clergy	Arts
2		Construction	Education	Scion	Long-time Local	Conservation
3		Consulting	Journalism		Parent	Government
4		Corporate	Law			Nonprofits
5		Engineering	Marketing			
6		Healthcare	Medicine			
7		Hospitality				
8		Local Business				
9		Real estate				
10		Technology				

Findings

Coincidentally in both 2001 and 2021, the combined memberships of the 22 boards evaluated in this study totaled 336 people. Evaluating the information gathered about those members yielded four general findings.

1. Representation: More Business And A Lot More Finance

In 2001, 70% of the people serving on the nonprofit boards examined in this study worked for some type of private sector business. In 2021, the figure was 82%.

Consistent with Jenkins's finding in "The Wall St. Takeover," the shift towards Business in the nonprofits examined in this study was driven by the increase in board members whose income was/is derived from working in Finance-related jobs. In 2001, 31 of the 336 total board members – 9% – worked in Finance. Twenty years later, the figure had nearly tripled to 85, a full one-quarter of the 336 total board members examined in this study. In contrast, the proportion working in the catchall "Business" category fell 24%, from 140 to 108.

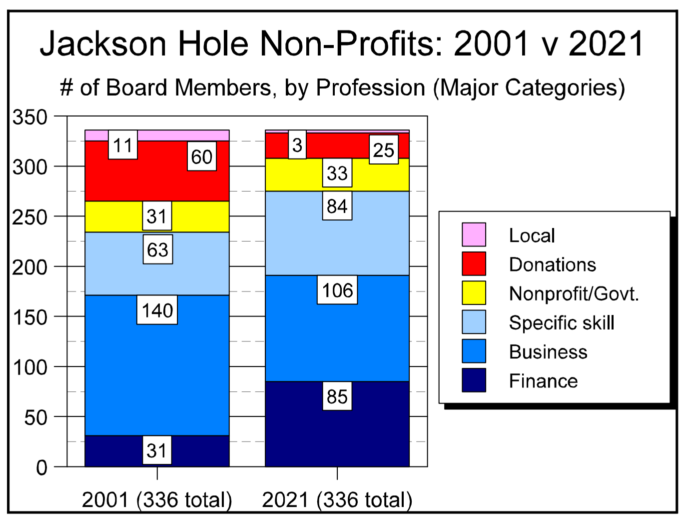

Figure 5

Today, more of the nonprofit board members are associated with Finance than any other single profession, and trail only this study's catchall "Business" category in terms of overall representation on the 22 boards examined.

Mirroring a trend in nonprofits nationally, a larger proportion of the 2021 board membership worked in fields this study labeled "Specific Skill"; i.e., professions such as law where members can contribute a specific, and presumably needed, skill to a board. In 2001, this figure was 19%; today it is 25%.

In 2001, 21% of all board members were in categories this study labeled "Local" or "Donations." The former were people not actively employed; the latter were people whose family connections allowed them to focus a goodly amount of their time on philanthropic efforts. In 2021, that figure had fallen roughly two-thirds, to 8%.

The number working in the "Nonprofit/Government" category was similar during the two years. (Table 8)

Table 6
Board Members' Professions: by Year and Major Category

	2001		2021		2001-2021	
	#	%	#	%	#	%
Finance	31	9%	85	25%	54	174%
Business	140	42%	105	31%	-32	-25%
Specific skill	63	19%	84	25%	21	33%
Sub-total: Business	***234***	***70%***	***275***	***82%***	***43***	***17%***
Donations	60	18%	25	7%	-35	-58%
Local	11	3%	4	1%	-10	-64%
Nonprofit/Govt.	31	9%	33	10%	2	6%
Sub-total: Non-business	***102***	***30%***	***62***	***18%***	***-43***	***-39%***
Total	**336**	**100%**	**336**	**100%**		

2. More Female; Less Local

In 2001, 59% of the people serving on this study's boards were male, and 41% female. In 2021, 47% were male, and 53% female. (Figure 6)

In 2001, 53% of the people serving on this study's boards earned their incomes from local employment, and 47% earned their incomes from non-local sources (non-local employment and/or investment income). In 2021, those figures reversed, with 47% earning their incomes locally and 53% from non-local sources. (Note: these figures do not address the amount of income earned, just whether it was generated in Jackson Hole.)

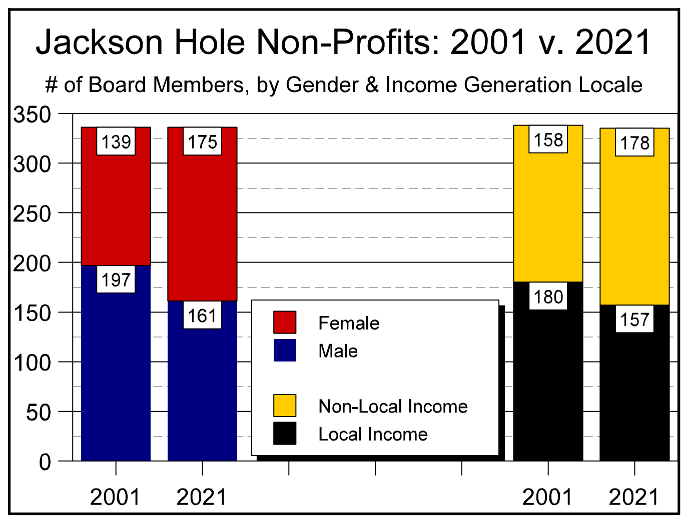

Figure 6

3. Significant Financial Growth

In 2001, the combined gross revenue of the 22 nonprofits in this study totaled $100 million. Because this included a significant amount of revenue earmarked for capital campaigns and other non-operating expenses, the organizations' combined expenses totaled only $56 million, leaving a surplus of $44 million

In 2019, the organizations' combined gross revenues were only 5% higher, at $105 million. Their combined expenses nearly doubled, however, to $94 million, dropping their combined surplus by three-quarters. (Figure 7)

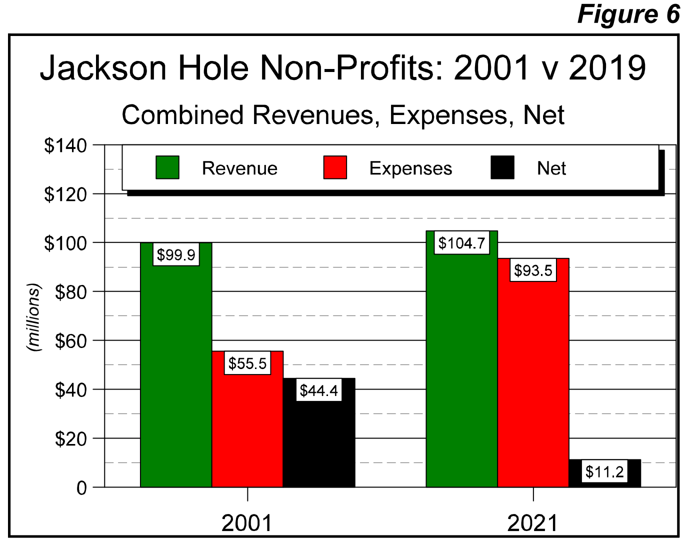

Figure 7

It is not clear how much of the sharp rise in expenses was due to spending more on operations, and how much due to spending money on capital efforts. What is clear is that between 2001 and 2019, the net assets of this study's 22 nonprofits skyrocketed.

In 2001, the 22 nonprofits' combined net assets totaled $105 million, coincidentally about the same amount as their gross revenues that year. In 2019, their combined net assets totaled $326 million. This more-than-tripling represented a compounded annual growth rate of 6.5%, and was over three times their combined revenues. (Figure 8)

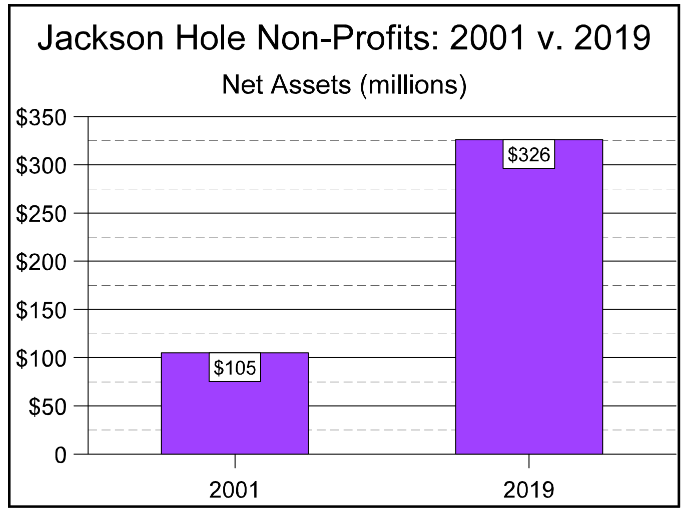

Figure 8

4. The Great Divides: Bigger v. Smaller; Philanthropic v. Services

When viewed through the combined lenses of net assets and mission, the 22 nonprofits evaluated in this study can be grouped into three categories:

1. "Smaller 14"
2. "Bigger 6"
3. "Philanthropic 2"

The Smaller 14 organizations are those distinguished by having net assets, in 2019, of under $10 million (the range was from $149,801 for the Jackson Hole Wildlife Foundation to $7.74 million for the Children's Learning Center). As a rule of thumb, these organizations have relatively low net assets because they do not own the buildings they occupy.

The Bigger 6 are those organizations with net assets between $12.5 million (the Grand Teton National Park Foundation) and $46.8 million (Teton Science Schools). These organizations are distinguished by two qualities: all have net assets of more than $10 million; and most own very valuable buildings and/or land holdings and/or tangible assets (e.g., the National Museum of Wildlife Art's collections).

The Philanthropic 2 are the two organizations with net assets of over $30 million, which focus on philanthropic giving, and whose assets are primarily cash: the Community Foundation of Jackson Hole, and the St. John's Health Foundation.[1]

Table 7 shows which organizations fall into which categories.

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[1] Three notes.

1) The three categories discussed in this section were developed in part because of the nature of the Philanthropic 2's missions, and in part because of how the IRS's 990 forms require organizations to report revenue and expenses on a cash basis. As a result, items such as the pass-through donations the Community Foundation takes in for Old Bill's Fun Run and the donor advised fund-related donations it receives are counted as revenue, which greatly skews any attempt at apples-to-apples financial comparisons. Similarly, capital campaign donations received in a one year but not spent in later years are counted as revenues in that year, but do not show up as expenses until the money is spent.

2) In this paper, the "Bigger 8" designation refers to the combination of the Bigger 6 and Philanthropic 2.

3) In this study, the Grand Teton National Park Foundation is classified as a Conservation organization. Arguably it can also be considered akin to this study's two Philanthropy organizations: Community Foundation of Jackson Hole and St. John's Health Foundation. Had the Grand Teton National Park Foundation been categorized as a Philanthropy organization, it would not have affected this study's basic findings.

	Table 7 **Nonprofits Grouped by 2019 Net Asset Size**		
	Smaller 14	***Bigger 6***	***Philanthropic 2***
1	Art Association	Center for the Arts	Community Foundation of JH
2	Children's Learning Center	Grand Teton Music Festival	St. John's Health Foundation
3	Community Safety Network	Grand Teton National Park Foundation	
4	Curran-Seeley Foundation	JH Land Trust	
5	Dancers Workshop	National Museum of Wildlife Art	
6	Friends of Pathways	Teton Science Schools	
7	JH Conservation Alliance		
8	JH Community Counseling Center		
9	JH Historical Society		
10	JH Ski Club		
11	JH Wildlife Foundation		
12	Senior Center of JH		
13	Teton Literacy Project		
14	Teton Youth & Family Services		

These categories shed light on two significant differences between the organizations in each group.

First, all of the Human Services and Recreation organizations are in the Smaller 14 category. Save for Tetons Science Schools, so too are all of the organizations focused on education (including the education-oriented Arts organizations). Many of these organizations exist to help people not having their needs met through private sector solutions, and almost all of the Smaller 14's clientele is local. Conversely, the Bigger 6 organizations tend to provide services enhancing residents' quality of life, and their clientele is a local/non-local mix.

Second, the organizations in the three different categories have markedly different board compositions.

For both 2001 and 2021, Figure 9 shows the composition of the "average" board for each category, and how it changed between the two years.

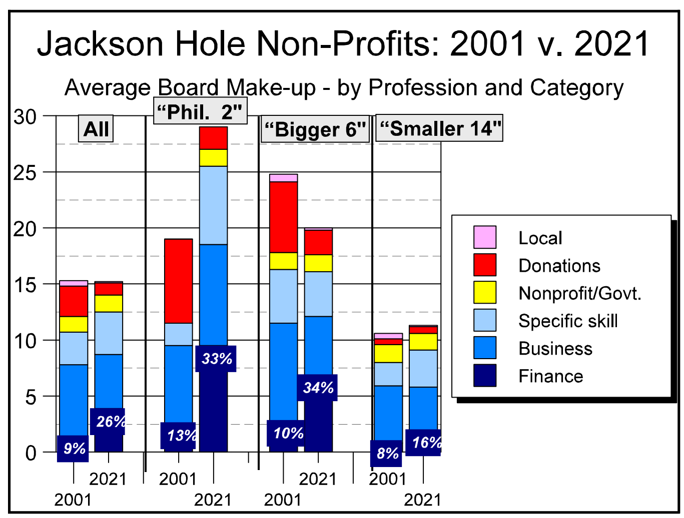

Figure 9

Four points stick out:

1. While the total number of board members for all 22 organizations stayed the same, things differed among the different categories: the Philanthropic 2 boards grew in size; the Bigger 6 shrank; and the Smaller 14 stayed about the same.
2. The two categories of larger organizations (Philanthropic 2 and Bigger 6) saw a substantial shift from "Donation" board members to those involved in Finance.
3. The Philanthropic 2 also saw significant growth in their Specific Skill members, mirroring the national trend towards recruiting board members who can bring particular perspectives to a board.
   a. The shrinkage of Donation members and the virtual disappearance of "Local" members also may speak to the growing professionalization of the boards of the community's larger nonprofits.
4. With the exception of a growth in Finance-related members, the size and professional profile of the typical Smaller 14 board is essentially unchanged since 2001.

Figure 10 shows how the gender makeup of the average organization in each category changed between 2001 and 2021.

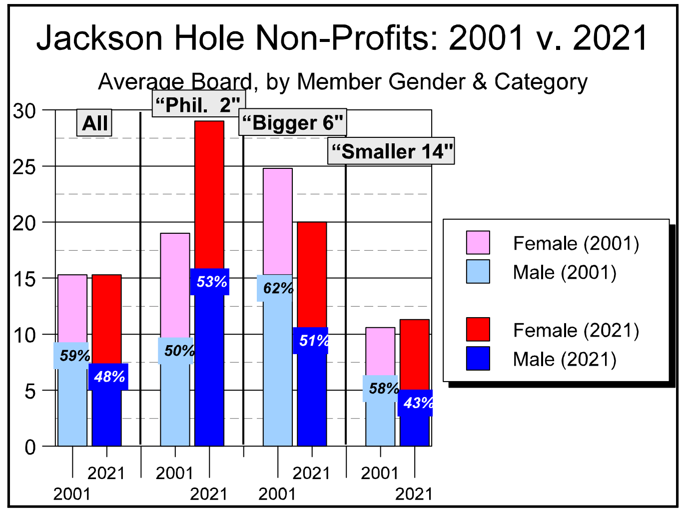

Figure 10

As noted above, during that time, the overall gender composition of the 22 organizations examined changed from 41%/59% female/male to 52%/48% female/male.

Within the three different categories, however, the splits were different:

- In 2001, 50% of Philanthropic 2's board members were female. In 2021, the figure was 47%
- In 2001, 38% of the Big 6's board members were female. In 2021, the figure was 49%
- In 2001, 42% of the Smaller 14's board members were female. In 2021, the figure was 57%.

Given the large number of organizations in the Smaller 14 category, the increased numbers of females on those boards account for the preponderance of the overall change in board gender composition.

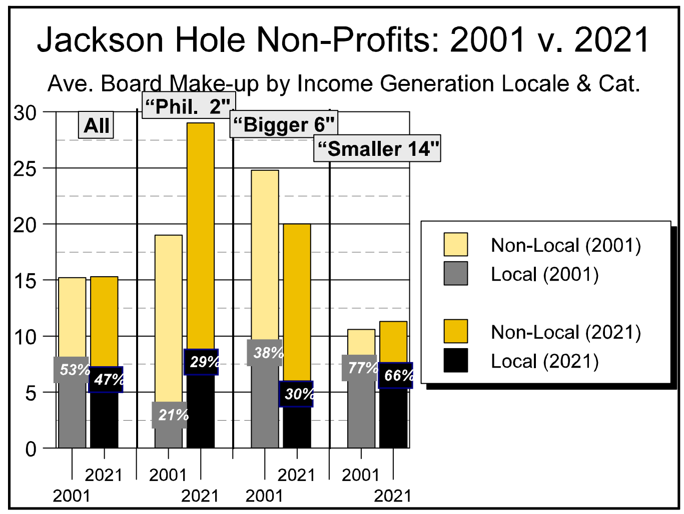

Figure 11

Figure 11 shows how the location of where board members earn their livelihoods changed between 2001 and 2021.

As noted above, between 2001-2021 the overall “income origin locale” composition of the 22 organizations examined changed from 53%/47% local/non-local to 47%/53% local/non-local.

Within the three different categories, however, the splits were different:

- In 2001, 21% of Philanthropic 2's board members earned their livelihoods in Jackson Hole. In 2021, the figure was 29%
- In 2001, 38% of the Big 6's board members earned their livelihoods in Jackson Hole. In 2021, the figure fell to 30%
- In 2001, 77% of the Smaller 14's board members earned their livelihoods in Jackson Hole. In 2021, the figure was 66%.

The different categories also have very different financial profiles.

For both 2001 and 2019 (the most recent year for which figures are available), Figure 12 shows the revenues, expenses, and net gain/loss of the average nonprofit in each of this study’s categories: All nonprofits, the Philanthropic 2, the Bigger 6, and the Smaller 14.

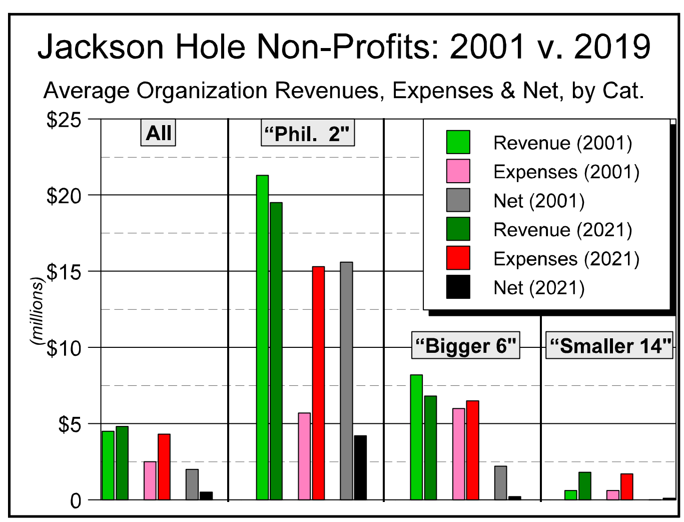

Figure 12

Overall, in 2001 the 22 organizations examined in this study spent only 55% of their total revenue. In contrast, in 2019 they spent 89%.

Both of these outcomes were driven by the Philanthropic 2 which, between them, accounted for 43% of the total revenues taken in by all 22 nonprofits in 2001, and 37% in 2019.

At the other end of the spectrum were the Smaller 14 organizations, which tend to spend all the money they take in during a given year on the services they deliver. Further, when they do conduct capital campaigns, those campaigns tend to be more modest.

Spanning the two extremes are the Bigger 6 organizations, which take in significant amounts of money each year, some of which goes to operations and, not infrequently, some of which is part of capital campaigns.

This reality is reflected in Figure 13, which shows the average net assets for all of the 22 organizations in this study, as well as the three sub-categories. It also shows how assets have grown in relationship to revenues.

In short, as with revenues, the asset gap between the community's larger and smaller nonprofits grew markedly between 2001 and 2019. In particular, because the Smaller 14 organizations spend essentially everything they take in each year, their net assets grow very little, if at all. This stands in marked contrast to the community's larger nonprofits. As a result, in 2019, because of their singular missions, the Philanthropic 2 were sitting on millions in cash, the typical Bigger 6 organization had significant land and/or building assets on its books, and the average Smaller 14 organization had relatively few assets because such a large proportion of its annual revenues went to cover expenses.

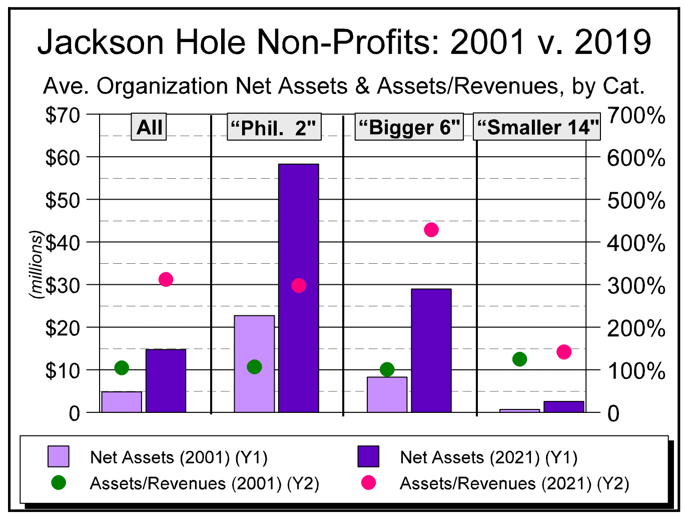

Figure 13

<u>Discussion</u>

The data lend themselves to three major observations and one foundational question.

Observation 1: Less local; more Finance and Specific Skills

In 2001, 53% of the board members in this study earned their livings from Jackson Hole-based jobs. The remaining 47% earned their livings from investments and/or jobs based outside of the area.

Today, those percentages have flipped: 47% are local, and 53% non-local.

That noted, as indicated in Figure 11, the Smaller 14 boards are dominated by people earning their livelihoods in Jackson Hole, while the boards of the Bigger 8 organizations are dominated by people earning their livelihoods outside the area.

Board members working in Finance offer a great example of this phenomenon.

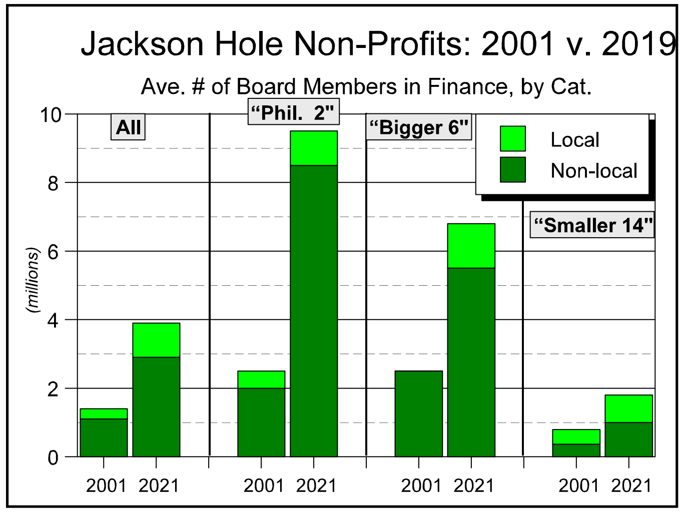

Figure 14

For both 2001 and 2021, Figure 14 shows the profile of the average board in each category, focusing on the number of people on those average boards who earned their livelihoods in Finance. For the 8 larger organizations, the growth in Finance-based members on the various boards saw a huge jump, particularly among people earning their livelihoods outside of Jackson Hole. In contrast, the number of people working in Finance on the typical Smaller 14 board is much more locally focused, and three to four times smaller than the figure for the typical Bigger 8 board.

Whether local or non-local in 2001 9% of all board members worked in finance, 19% worked in areas offering skills of particular interest to nonprofit governance, 41% in other businesses, and 30% in other, non-business backgrounds. Today, those percentages are 25% Finance, 25% Specific Skills, 32% other Business, and 19% other backgrounds.

The non-local emphasis also manifested itself in the category of board members with Specific Skills. Between 2001-2021, the proportion of board members with locally based Specific Skills incomes grew from 13% to 14%, but the percentage of board members with non-locally based Finance incomes grew from 6% to 11%.

The other four professional categories all saw declines:

- Locally based Business members fell from 25% to 18%
- Non-locally based Business members fell from 16% to 14%
- Locally based members in all other occupational categories combined fell from 13% to 9%
- Non-locally based members in all other occupational categories fell from 17% to 10%.

Observation 2: Changes in board membership reflect changes in the larger community

Economically, Jackson Hole's great paradox is that its tax-generating economy is dwarfed by its non-taxed economy.

The foundation of Jackson Hole's tax-generating economy is tourism-related industries such as retail sales, lodging, and restaurants. Because taxable sales provide the majority of local government revenue, those sales are measured and reported every month. Businesses generating taxable sales gain additional prominence because tourism and related industries are advocated for by groups such the Chamber of Commerce and the Wyoming state Office of Tourism.

The foundation of Jackson Hole's non-taxed economy is investment income, finance, professional services, and real estate sales. Most of this is location-neutral, and none of these is taxed. As a result, neither state nor local government has any incentive to measure or report activity in these sectors. Further, with the exception of real estate, there is no formal advocacy group bringing attention to these activities. As a result, information about Jackson Hole's non-taxed economy is more difficult to come by than information about its taxable economy.

That noted, using available data, Figure 15 shows that, over the past two decades, Jackson Hole's major areas of socio-economic growth have been in areas related to the non-taxed economy. In fact, not only does Teton County lead the nation in both per capita income and investment income, it also ranks fourth among all 3,113 counties in its number of Finance jobs per capita (trailing only New York City and two mid-western counties which are home to major insurance companies). In 2001, roughly one in every 27 jobs in Teton County was in the Finance sector. Today, the figure is closer to one in 10.

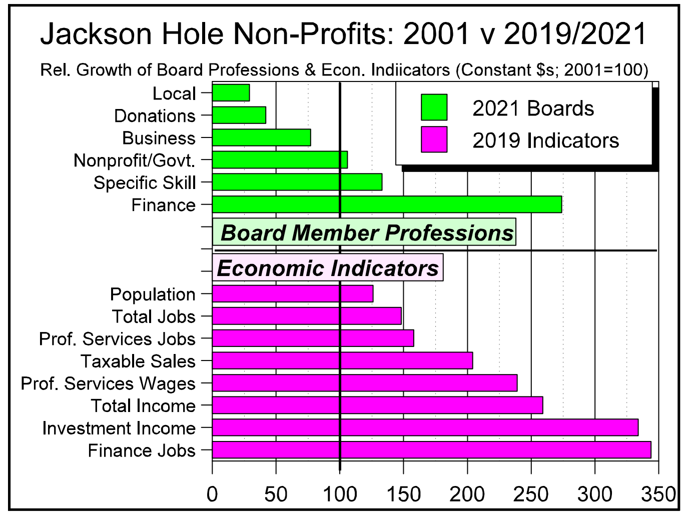

Figure 15

The growth in Professional Services jobs has not been as robust, but is still very strong.

The growth and increased importance to Teton County's economy of finance, professional services, and other "location neutral" income sources is reflected in the composition of nonprofit board membership over the past 20 years. As noted in Observation 1, in 2001 9% of all the board members in this study's nonprofits were in Finance, and 19% were in the Specific Skills category. Today, the figures are 25% for both Finance and Specific Skills, coinciding with the sharp rise in local job numbers in those industries.

Further, much higher percentages of today's board members earn or have earned their incomes from non-local sources, suggesting a growing cosmopolitan flare in board composition and a concomitant reduced emphasis on having members closely aligned with the local economy.

The rise in Finance-based board members also coincided with the sharp decline in the number of board members falling into the "Donors" category. In 2001, 18% of all board members in this study were Donors; i.e., people whose income came from family-related sources. Today the figure is just 7%.

Combined, Observations 1 and 2 suggest that it's highly probable that the sharp rise in the number of Finance-based board members is related to two phenomena: the increase in residents and second home owners working in the financial field, and nonprofits' desires to tap into the wealth associated with Finance.

Similarly, the rise in board members from Specific Skills category also has two likely explanations: a rise in their numbers locally, and the desire of local nonprofits to structure their boards in a way that views their rapidly growing assets and increasingly complex challenges through an increasingly professional lens.

This theory could also explain why the number of Donor members has declined, and why the number of "Local" board members has dropped from 11 in 2001 (3%) to just 3 today (<1%).

Observation 3: Jackson Hole's larger nonprofits focus on enhancing the community; smaller ones on addressing the community's challenges

Table 8 (below) re-creates Table 7, excluding the Philanthropic 2 nonprofits.

Besides net assets, Table 8 applies two filters to the remaining 20 nonprofits:

- Whether it focuses on Education or Human Services
- Whether its target audience is Local, Non-Local, or a mix.

Viewed this way, the data clearly show the smaller nonprofits included in this study focus on local audiences, particularly those with needs that aren't met by the private sector or government. These are also the organizations whose boards are, on average, smaller, more female, more closely tied into the local economy, and with smaller budgets and net assets. (Note: Determining what effect, if any, these differences make on board perspectives and performance is beyond the scope of this study.)

Table 8
Organizations Evaluated; Grouped by 2019 Net Asset Size and Focus
Focus: Education Human Services
Target Audience: Non-Local or Local/Non-Local Mix

	Smaller 14	*Bigger 6*
1	Art Association	Center for the Arts
2	Children's Learning Center	Grand Teton Music Festival
3	Community Safety Network	Grand Teton National Park Foundation
4	Curran-Seeley Foundation	JH Land Trust
5	Dancers Workshop	National Museum of Wildlife Art
6	Friends of Pathways	Teton Science Schools
7	JH Conservation Alliance	
8	JH Community Counseling Center	
9	JH Historical Society	
10	JH Ski Club	
11	JH Wildlife Foundation	
12	Senior Center of JH	
13	Teton Literacy Project	
14	Teton Youth & Family Services	

Foundational Question: How well are local nonprofits reconciling having increasingly business-dominated boards with missions that don't lend themselves to being evaluated favorably using business-oriented standards?

In 2001, 70% of the board members in this study earned their livings in the business world: 9% in Finance, 19% in Specific Skills businesses, and 42% in other types of Business. The remaining 30% earned their livelihoods in the combined categories of Nonprofit/Government, Donations, and Local.

Twenty years later, 82% of the board members earned their livings in the business world: 25% in Finance, 25% in Specific Skills businesses, and 32% in other types of Business. The remaining 18% was split between the other three categories.

In "Wall St. Takeover," Jenkins warns of the challenges that can occur when decision-making bodies consist of too many people with similar backgrounds or mindsets. This study confirms that the trends described in "Wall St. Takeover" are occurring in Jackson Hole, albeit at a less dramatic scale.

What Jenkins doesn't consider, though, is how – or even whether – a board with a business-oriented mindset affects a nonprofits pursuit of its "we fail if you judge us by for-profit standards" mission.

To give a sense of how things have changed, as noted above, in 2001 70% of this study's nonprofit board members worked for private sector businesses. In 2021, the figure had risen to 82%.

In light of the differences in organizational missions and board composition, has this shift toward having more businesspeople on the boards affected all local nonprofits similarly? The answer is a qualified "no."

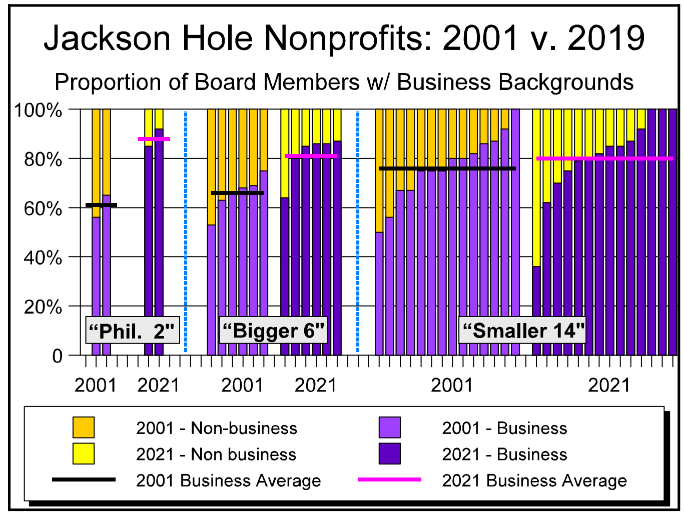

Figure 16

The two categories of organizations with the greatest increases in net assets – the Philanthropic 2 and the Bigger 6 – have seen sharp increases in the proportion of board members coming from the business world. In 2001, 61% of the the Philanthropic 2's board members had a business background; today, the figure is 88%. Perhaps coincidentally, these two organizations also saw the largest increases in their net assets during that period. (Figure 16)

The striking thing about the Smaller 14's relatively minimal change in average board composition is that one organization – the Jackson Hole Wildlife Foundation – is the one nonprofit among the 22 with more non-businesspeople on its board than businesspeople. Eliminate them from the mix and the overall proportion of businesspeople on the Smaller 14 boards goes to from 81% to 84%, roughly halfway between the figures Philanthropic 2's 88% and the Bigger 6's 80%. This suggests the Smaller 14 are following the general pattern of filling their boards with more businesspeople, but drawing from a different pool, namely that of local businesses.

So what? Why does it matter that local nonprofit boards are made up of such a large proportion of businesspeople, particularly those in Finance?

At a certain level it arguably doesn't matter, particularly if the change in board composition reflects changes in the community. Unfortunately the data are not entirely clear on how well changes in board composition match those in the community. What the data do make clear, however, is that local nonprofit boards have seen a sharp drop in the proportion of members whose connection to the community is *not* related to business; i.e., people who are not employed but spend a lot of time working in the community as volunteers or in other, less formal means.

Where the concentration of members from the business world holds the greatest potential to make a difference, though, is when considering the four critical points made above in the "Nonprofits, and the Spectrum of Economic Activities" section of this paper.

The first critical point made in that section was that, in the for-profit world, the question underlying every business decision is "Does this make a financial profit?"

The second point was that financial profit is the ubiquitously used metric because it is easy to understand, easy to use, and equally applicable to every business and every business decision, regardless of size or location.

Third, the things we ask government and nonprofits to do are the things that do not, by definition, make a financial profit – if they did, the private sector would be doing them. Therefore, using business-related tools – particularly financial profit – to measure the success of a governmental or nonprofit effort will almost certainly lead to that effort being considered a failure.

Fourth, without universally embraced tools for measuring governmental and nonprofit success – especially tools that are as easy to understand, easy to use, and ubiquitously used as financial profit – those charged with running a nonprofit or governmental entity must create their own tools, or turn to existing ones which may not be appropriate for the circumstances. If those tools are, in fact, not appropriate, then it increases the likelihood of the nonprofit's efforts being judged a failure, even if they are directly addressing the organization's mission.

Thus, as business representation increasingly dominates board make-up, it becomes incumbent on boards to ask themselves whether they are judging the organization's efforts through lenses appropriate to its mission.

This task will be far more challenging if boards have no clear alternative for evaluating success – which in all likelihood they won't, because as noted, such tools are not readily available, much less universally agreed upon.

As also suggested in the "Nonprofits, and the Spectrum of Economic Activities" section, the fact that people with Finance backgrounds have become such a major force in local board membership holds the potential to make it even harder for boards to get away from a financial profit focus, for Finance's essential qualities – short-term, transaction-oriented, success clearly measured using the financial profit metric – are not transferable to, and often stand in sharp contrast with, the missions of most nonprofits.

Throw in the fact that those with successful careers in Finance in particular, and Business in general, tend to have commanding personalities, and it becomes clear that in their current manifestation, the voices of the average board's 2.8 non-Business members will likely be drowned out its 3.9 Finance members and 9.6 Business members. (Figure 17)

Which in and of itself is not necessarily a bad thing. Any nonprofit leader will remind you that "no margin, no mission" – without revenue, the organization cannot accomplish its mission. And it's equally true that any organization – private, public, or nonprofit sector – needs to be run as efficiently as possible, something at which businesses excel.

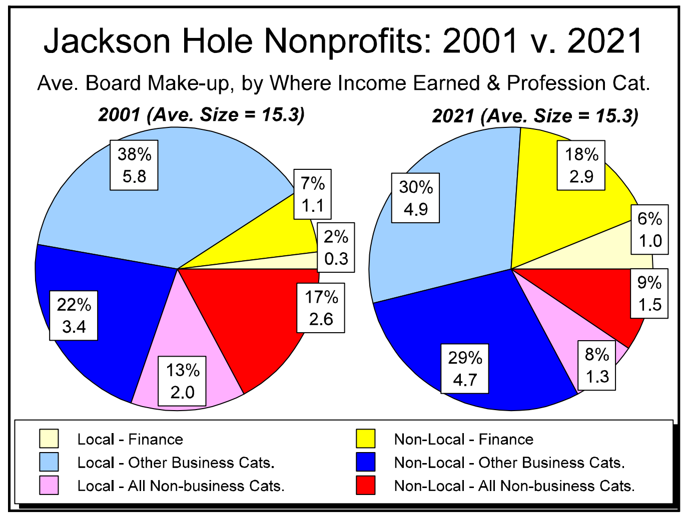

Figure 17

The challenge, however, lies in being able to recognize the fundamental difference between governing a business and governing a nonprofit. While both have to be run efficiently and bring in revenue, the nonprofit also has to pursue its mission, which most likely will not lend itself to an evaluation tool as easy to understand and easy to use as financial profit.

So what to do?

As its pervasiveness makes clear, financial profit is the global benchmark of business success. Perhaps most critically, financial profit is so integral to the functioning of the modern world that it's taken for granted. That ubiquity is reinforced by an entire infrastructure that exists to study it, teach it, refine it, and improve it: over 1,500 business schools worldwide; numerous academic disciplines and sub-disciplines; and hundreds of industries and sub-industries. As a result, the concept of financial profit undergirds decisions made at every level, from household budgets and lemonade stands to the operations of the world's largest companies.

In that context, the ultimate goal for judging nonprofit and government success is to create a tool that shares financial profit's fundamental qualities. Because no such measure currently exists, though creating one will require a Herculean effort on the part of scholars, practitioners, and others who care about the kinds of goods and services nonprofits and governments provide to our society and world.

Until such a tool is created, the best solution lies in nonprofits developing an organizational culture hallmarked by two qualities: a crystal-clear mission, and the ability to unfailingly inculcate that mission into every new board member.

How might this happen? For starters, by acknowledging that, as a concept, one of financial profit's many strengths is that it is both aspirational and operational – aspirational because it motivates people; operational because boards and managers can use it to assess performance.

For these reasons, any standard a nonprofit establishes to measure its performance should also be both aspirational and operational. How might that work? To envision the answer, consider a nonprofit hospital.

Every hospital aspires to provide excellent care, and nonprofit and public hospitals want to do so without regard to financial profit (if financial profit were integral to their missions, they would be private sector hospitals).

The problem with simply striving for "excellence," however, is that the concept lacks rigor, with its definition too often lying in the eye of the beholder (while you and I might disagree whether something is "excellent," it's much harder for us to disagree whether something has made a financial profit).

Rather than use excellence or some other subjective concept as its goal, an alternative approach for the hospital would be to adopt what the Toyota Production System refers to as a "Statement of Ideal," a concept which combines both inspiration and rigor. For example, a hospital that adopted a Statement of Ideal that "Every patient, every time, gets exactly the care they need, at exactly the right time, with no waste, with complete safety for everyone involved: patient, provider, family, and staff" would provide its community both a clear understanding of what it wanted to accomplish and a binary tool for judging its actions (e.g., Yes or no: Did every patient receive exactly the care they need? At exactly the right time? Without waste? In a completely safe way?).

Critically, all the components of a Statement of Ideal share the essential qualities of financial profit: easy to understand, easy to use, and easy to measure. Equally critically, none involves measuring financial profit. As a result, a nonprofit hospital adopting this Statement of Ideal would have a tool that, if used properly, gave it all the aspirational-cum-operational benefits financial profit offers a private sector business, but without the inappropriate-for-nonprofits focus on financial performance. Put another way, it would be a tool much better aligned with the organization's mission than is financial profit.

Applying this concept to Jackson Hole's nonprofits, the goal would be for every organization to develop a Statement of Ideal that not only captured what the organization was trying to accomplish, but did so in a way that provided board and management with one or more clearly understood, clearly measured, binary, and non-financial metrics to use for evaluating the organization's success.

More desirable still would be a tool which, like financial profit, could be used by boards, management, donors, and other funders to judge any nonprofit's performance, regardless of its mission.

With these in hand, focusing on appropriate metrics would become integral to every board effort, from strategic discussions and regular meetings all the way through to on-boarding new members.

Equally critically, these efforts would not replace regular financial reporting, but instead complement it, providing balance to an evaluation effort which, by default, might end up leaning too heavily toward judging success on financial terms alone.

Conclusion

In "The Wall Street Takeover of Nonprofit Boards," Garry Jenkins chronicled the rise in the number of people with finance backgrounds serving on nonprofit boards. As he noted, this rise wasn't the result of a conspiracy or orchestrated plan, but instead a reflection of the fact that, like ecosystems and communities, industries and economic sectors evolve.

The same thing applies locally. That Jackson Hole's nonprofit boards have seen a near-tripling in members with backgrounds in finance over the past 20 years is due to a variety of forces, all playing out independently and simultaneously, producing a particular result that becomes clear only with the benefit of hindsight.

Put another way, the Jackson Hole of today is different from that of the past. It's also different from what Jackson Hole will be in the future. Nonprofit board membership has evolved along with the community, reflecting changes in organizational needs, governance philosophies and, most critically, the area's demographics and socio-economics. In particular, the sharp rise in the number of people with finance backgrounds serving on Jackson Hole's nonprofit boards has coincided with a sharp rise in the community's finance jobs and wealth (both overall and from investments), as well as nonprofits' net assets.

Which leads to a critical point. For those who live in and visit the area, Jackson Hole offers an embarrassment of riches. Some of Jackson Hole's nonprofits exist to help steward the region's ecological bounty; some to enhance the community's social and cultural life; and still others to assist those who, despite the area's wealth, find themselves struggling.

Over the past 20 years, local nonprofits have seen their net assets triple. And not just the big nonprofits: between 2001-2019, the net assets of the Bigger 8 nonprofits grew 305%; those of the Smaller 14 grew 362%.

While different nonprofits have seen different types and rates of asset growth, that growth has been commensurate with the organizations' missions. For example, philanthropic organizations' assets have primarily grown in cash, because their missions involve the raising and redistribution of funds. In contrast, the asset growth for museums and performing arts organizations has been concentrated in the physical assets they need to present their works.

Bigger picture, nonprofits' asset growth has paralleled the growth of the local financial sector, which in turn has helped power nonprofits' asset growth. Which, in turn, makes it easier for these organizations to perform their missions. Which is the chicken, and which is the egg?

All of this provides a cautionary tale, however, about relying on financial metrics to judge nonprofit success.

It's easy to discuss net asset growth because, as with financial profit, net assets is a metric that is easy to understand, easy to use, and ubiquitously used. The asset gap between the Bigger 8 and the Smaller 14 is so large, though, that at first blush it disguises the fact that the Smaller 14's assets grew at a faster rate than did the Bigger 8's.

It's also critical to note that, when juxtaposed with the growth in Finance-based nonprofit board members, focusing on financial metrics can also lead to demagoguery around wealthy people in general, and those working in Finance in particular. As with most things in life, there are some very good things about Jackson Hole's increasing wealth and focus on finance, some not-so-good things, and some that are not a big deal one way or the other. The same can be said about any other demographic group.

The really critical point, however, is that using financial metrics doesn't answer the fundamental question we need to ask about our nonprofits: How well are they accomplishing their missions? Here, unfortunately, there are no handy metrics, and no easy answers.

As noted earlier, society doesn't ask business to do things which won't make money. Instead, these unprofitable tasks – tasks which are often far harder, far more complicated, far messier, and far less prone to tidy solutions and clear metrics of success– are placed in the hands of government or, failing that, nonprofits.

The difficulties inherent in these unprofitable tasks are made more difficult still if we use inappropriate tools to evaluate them. Thus the risk of the growing concentration of businesspeople on Jackson Hole's nonprofit boards – should a board struggle when deciding how to judge success, and through groupthink decide to use business-oriented metrics, it will make the nonprofit's already-difficult mission that much harder to pursue.

So how might a nonprofit develop tools appropriate for evaluating its mission? We know the qualities such tools must possess: non-financial, data-driven, and both aspirational and operational. Beyond that, in an ideal world any tool used to evaluate nonprofit success would be as easy to understand, easy to use, and ubiquitously used as financial profit.

Through its Statement of Ideal, the Toyota Production System offers an example of a non-financial evaluation tool that checks the three "at-a-minimum" boxes. Developing such an evaluation tool, though, requires a great deal of work, and it's an open question whether most local nonprofits' part-time, volunteer boards have the time and energy to pursue the task.

When considering that question, though, it's vital to remember that evaluations will inevitably be made. By boards and staff. By donors and clients. By peers and the community. The question then becomes how accurately those evaluations will assess the organization's pursuit of its mission. Mission is every nonprofit's raison d'etre, and the more closely its evaluation tools are aligned with its mission, the more successful the organization will be.

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This study would not have been possible without the help and support of Clare Payne Symmons and Wayne Turner. Additional assistance and encouragement were provided by Bill Collins, Amy King, and several current and former Jackson Hole nonprofit leaders. Finally, inspiration for conducting this study came from Lea Shlachter, organizer of the Teton County Library's "Swap Meet" program. Deepest thanks to all.