

CHARITY NAVIGATOR

2014 Charity CEO Compensation Study

October 2014



Introduction

This report represents Charity Navigator's ninth CEO Compensation Study. This year's study examined the compensation practices at 3,946¹ mid to large sized U.S. based charities that depend on support from the public. Our analysis revealed that the top leaders of these charities earned a median salary in the low to mid six figures² in 2012 representing a compensation increase of just 2.6% over the previous year³.

We know that many donors continue to be concerned by what they believe to be excessive charity CEO pay. Many donors assume that charity leaders work for free or minimal pay and are shocked to see that they earn six figure compensation packages. But well-meaning donors sometimes fail to consider that these CEOs are typically running multi-million dollar operations that endeavor to help change the world. Leading one of these charities requires an individual that possesses an understanding of the issues that are unique to the charity's mission as well as a high level of fundraising and management expertise. Attracting and retaining that type of talent requires a competitive level of compensation as dictated by the marketplace. While there are nonprofit salaries that most of us would agree are out-of-line, it is important for donors to understand that a six-figure compensation package is not necessarily a sign of excessive earnings for CEOs of charities of \$1 million in revenue.

This report offers insight into how a charity's mission, size, and location impact its CEO's compensation. It also highlights some questionable payouts, such as those that approach and exceed a million dollars, and suspect compensation policies, such as charities that have multiple highly-paid family members on staff. We round out the report by offering advice for judging the appropriateness of a nonprofit executive's compensation.

Footnotes

¹Data from the 2014 study is based on the 2012 salary data provide on their FYE 2012 and FYE 2013 Forms 990 by 3,946 charities in Charity Navigator's database of nearly 8,000 charities. For more information on what types of organizations Charity Navigator evaluates, please click [here](#). Also, read the appendix to learn which charities were excluded from the study.

²Based on the data found in each charity's most recently filed Form 990, we include salary, cash bonuses, and expense accounts when we measure a CEO's compensation. We do not include contributions to benefit plans or deferred compensation that is allocated to be paid in later years. Deferred compensation is often accrued over many years and then is paid as a lump sum in one year. As such, we do include deferred compensation as part of the compensation figure in the year in which it is actually paid out to the employee and/or when it is expensed per the 990.

³Based on comparison salary data for the 2,582 charities that report the same person as CEO for both all of 2012 and 2011. As such, charities were excluded in year-over-year salary comparisons if the CEO changed and/or if the CEO was only employed for part of 2011.

Methodology

Median versus Mean

In earlier versions of this study, we reported on the mean value of CEO compensation (simple average). Since our 2010 study, we've been reporting on the median value (the middle value of a set of numbers) of CEO compensation. We prefer to use the median (meaning half the salaries in the dataset are greater and half are lower) as it is less sensitive to extreme compensation packages than the mean and is a more representative figure of the center of a series of salaries.

Exclusions

To paint a more accurate picture of the compensation landscape among mid to large public charities, we eliminated a number of charities from our sample (see the Appendix for more information on exclusions). Instead of looking at all of the nearly 8,000 charities in our database, we've restricted our analysis to 3,946 charities (and 2,582 when looking at year-over-year comparisons) which is still the largest sample of its kind that is available at no cost. Therefore, the sample has ample data to draw some significant conclusions.

Comparisons to Prior Studies

Changes made to the methodology starting with the 2010 study make it impossible to draw comparisons to iterations of this report prior to 2010.

Geography

Just like the for-profit sector, salaries at nonprofits differ based on the part of the country in which the entity is located. Here's how the median pay for the various regions⁴ compare to the overall median compensation (\$120,396) for 2012:



Higher CEO Compensation: Northeast (\$148,250), Mid-Atlantic (\$141,907) and Pacific West (\$125,000)



Lower CEO Compensation: Mountain West (\$101,589), Midwest (\$108,687), South (\$109,508) and Southwest (\$113,888).

In comparison to 2011 compensation data (only for those 2,582 charities that had the same CEO in place for the full two years), each region experienced an increase in median compensation. The Southwest (3.2%) reported the greatest increase in median compensation and the Mountain West (2.0%) and the South (2.0%) reported the smallest increase.

Region	2012 Median Compensation	2012 Maximum Compensation	# of Charities/ Region	Median Raise	# of Charities included in year- over-year com- parison
Mid-Atlantic	\$141,907	\$1,162,696	573	2.9%	390
Midwest	\$108,687	\$3,394,434	729	2.7%	468
Mountain West	\$101,589	\$729,337	215	2.0%	137
Northeast	\$148,250	\$3,733,930	681	2.9%	457
Pacific West	\$125,000	\$1,088,883	593	2.6%	391
South	\$109,508	\$1,220,305	814	2.0%	513
Southwest	\$113,898	\$841,397	341	3.2%	226
<i>Grand Total</i>	<i>\$120,396</i>	<i>\$3,733,930</i>	<i>3,946</i>	<i>2.6%</i>	<i>2,582</i>


Footnote


⁴The Appendix at the end of this study includes a description of the states included in each region.

Geography (cont.)

Location and Size

To assist Board compensation committees and others who use this study as part of their benchmarking analysis, we drill down further in the data to examine the variation that occurs not just by location, but also by size.⁵

 **Highest CEO Compensation is in the** Mid-Atlantic for small (\$113,026), Northeast for medium (\$172,274) and Northeast for large (\$307,756) charities

 **Lowest CEO Compensation is in the** Midwest for small (\$87,048), Mountain West for medium (\$119,104) and large (\$174,209) charities

Region	Size					
	Large		Medium		Small	
	Median Compensation	# of Charities	Median Compensation	# of Charities	Median Compensation	# of Charities
Mid-Atlantic	\$291,773	82	\$170,244	197	\$113,026	294
Midwest	\$241,645	112	\$131,100	237	\$87,048	380
Mountain West	\$174,209	29	\$119,104	57	\$87,120	129
Northeast	\$307,756	119	\$172,274	244	\$106,037	318
Pacific West	\$234,955	83	\$152,072	199	\$97,500	311
South	\$226,615	127	\$130,488	246	\$95,296	411
Southwest	\$264,547	44	\$135,506	119	\$90,724	178

The max compensation reported by size/ region is as follows:

Max CEO Compensation for Large Charities is in the Northeast (\$3,733,930)

Max CEO Compensation for Medium Charities is in the Pacific West (\$840,000)

Max CEO Compensation for Small Charities is in the Southwest (\$435,000)

Footnote

⁵Size is defined by total expenses such that small are charities with total expenses between \$1 million and \$3.5 million, medium charities are those with total expenses between \$3.5 and \$13.5 million and large charities have total expenses >\$13.5 million.

Charitable Mission

The compensation a CEO receives depends, in part, on the types of programs and services offered by the charity. And the difference in compensation across categories can be significant. For example, the median CEO compensation at an educational institution is nearly \$74,000 more than that paid to the typical leader of a religious charity. Here's how the median compensation for the various categories compare to the overall median compensation (\$120,396):



Higher CEO Compensation: Education (\$158,847), Arts, Culture and Humanities (\$150,000), Health (\$135,000) and Public Benefit (\$133,011)





Lower CEO Compensation: Religion (\$85,387), Animals (\$105,865), Human Services (\$110,100), International (\$120,000) and Environment (\$120,101)

In comparison to 2011 salaries, all but one of the categories experienced an increase in median compensation. Median compensation increased the most among Animal (3.5%) charities and the least among International (1.7%) charities. For the third year in a row, median compensation was essentially flat among Religious charities.

Category	2012 Median Compensation	2012 Maximum Compensation	# of Charities/ Category	Median Raise	# of Charities included in year-over-year comparison
Animals	\$105,865	\$3,394,434	257	3.5%	168
Arts, Culture, Humanities	\$150,000	\$840,000	351	3.3%	213
Education	\$158,847	\$1,150,927	244	2.7%	166
Environment	\$120,101	\$616,146	229	2.8%	151
Health	\$135,000	\$2,731,016	422	2.5%	270
Human Services	\$110,100	\$3,206,088	1,069	2.8%	711
International	\$120,000	\$942,089	372	1.7%	249
Public Benefit	\$133,011	\$3,733,930	748	2.6%	471
Religion	\$85,387	\$533,819	254	0.4%	183

Size

Not surprisingly, there is a predictable relationship between the size of a charity and the CEO's compensation - the larger the charity the higher the median compensation. Here's how the median compensation for the various sizes of charities compare to the overall median compensation (\$120,396):

-  **Higher CEO Compensation:** Large organizations with total expenses greater than \$13.5 million (\$256,143) and medium sized charities with total expenses between \$3.5 and \$13.5 million (\$148,659)
-  **Lower CEO Compensation:** Small charities with total expenses between \$1 million and \$3.5 million (\$97,158)

Size	2012 Median Compensation	2012 Maximum Compensation	# of Charities/ Size	Median Raise	# of Charities included in year-over-year comparison
Large	\$256,143	\$3,733,930	596	3.9%	443
Medium	\$148,659	\$840,000	1,299	2.9%	899
Small	\$97,158	\$435,000	2,051	2.0%	1,240

These figures demonstrate that as the size and to some degree the complexities of running a non-profit increases, so does the salary of the institution's top executive. So much so that if we probe deeper into the top tier of charities (by size), we see even larger salaries. Charities with total expenses of \$13.5 million and greater, pay their CEOs upwards of a quarter million dollars. In illuminating this information, it is not our intention to give donors a reason to not support a great charity. Rather, we want donors to understand and appreciate that the top nonprofit leaders, those who are sought after for their ability to manage multi-million to multi-billion dollar institutions, and who are tasked with the mammoth goal of helping to make the world a better place, command significant salaries. On the other hand, in our opinion, it is evident that seven-figure salaries do not seem warranted, even in the largest sized charities.

Size	2012 Median Compensation	# of Charities
\$13.5 - \$25 Million	\$221,777	238
\$25 - \$50 Million	\$263,094	195
\$50 - \$100 Million	\$297,917	91
\$100 - \$200 Million	\$410,652	40
Over \$200 Million	\$526,679	32

Largest Compensation Packages

Some CEO compensation packages raise more eyebrows than others. The following list reveals which charity within each category provides its CEO the highest compensation package for the year 2012. We have filtered out cases of retirement benefit payouts from this list. Such payouts typically are rewards for many years of work, and consequently are not really comparable to the other CEOs' compensation.

Category	Median Compensation/Category	Highest Compensation (exclusive of one-time payments)	Charity	Charity's Total Expenses	Supplemental Information Provided By Charity on Form 990 ⁶
Animals	\$105,865	\$815,402	Shedd Aquarium	\$53,510,492	\$475,042 Base compensation; \$317,500 Bonus & incentive; \$22,500 Other
Arts, Culture, Humanities	\$150,000	\$748,740	Solomon R. Guggenheim Foundation	\$74,249,962	
Education	\$158,847	\$1,599,911	Icahn School of Medicine at Mount Sinai	\$1,497,892,572	\$735,500 Base compensation; \$750,000 Bonus & incentive; \$114,411 Other An additional \$1,599,911 in compensation was provided by a related organization, bringing his total reportable compensation to \$3,199,822.
Environment	\$120,101	\$616,146	The Nature Conservancy	\$752,216,964	\$520,249 Base compensation; \$80,000 Bonus & Incentive; \$15,898 Other
Health	\$135,000	\$999,428	Cystic Fibrosis Foundation	\$176,170,472	\$547,489 Base compensation; \$107,531 Bonus & incentive; \$344,408 Other

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Largest Compensation Packages (cont.)

Category	Median Compensation/ Category	Highest Compensation (exclusive of one-time payments)	Charity	Charity's Total Expenses	Supplemental Information Provided By Charity on Form 990 ⁶
Human Services	\$110,100	\$751,184	Motion Picture and Television Fund	\$100,526,884	\$493,920 Base compensation; \$250,000 Bonus & incentive; \$7,264 Other
International	\$120,000	\$942,089	Council on Foreign Relations	\$61,627,218	\$375,000 Base compensation; \$235,000 Bonus & incentive; \$332,089 Other
Public Benefit	\$133,011	\$1,220,305	United Way Worldwide	\$93,874,399	\$520,043 Base compensation; \$180,657 Bonus & incentive; \$519,605 Other
Religion	\$85,387	\$533,819	Educational Media Foundation	\$81,732,687	\$403,413 Base compensation \$122,652 Bonus & incentive; \$27,754 Other

Footnote

⁶ Other compensation refers to compensation that the CEO must report to the IRS as taxable income in the current year, other than base salary and bonuses. Examples are perquisites such as housing allowances and club memberships.

Largest Compensation Packages (cont.)

Seven Figure Compensation Packages

Of the 3,929 charities included in the study, only 12 rewarded their top executive with \$1 million or more in compensation (when including one-time payouts). In comparison, last year's study (which examined 2011 data) there were just 9.

- All 12 are large charities (total expenses >\$13.5 million)
- They are located in the Pacific West (1), South (2), Northeast (3), Mid-Atlantic (3), and Midwest (3).
- This list is comprised of 1 Animal charity (Shedd Aquarium), 1 Human Service charity (Goodwill Industries of Southeastern Wisconsin), 1 Health charity (Alzheimer's Association), 4 Education charities (Icahn School of Medicine at Mount Sinai, Hackley School, UNCF, Episcopal High School), and 5 Public Benefit charities (The Heritage Foundation, Anti-Defamation League, United Way Worldwide, Prostate Cancer Foundation, American Association for the Advancement of Science).

Half A Million In Pay

The study also revealed that 67 charities paid their CEOs between \$500,000 and \$1 million. In our review of 2011 compensation packages there were 78.

- 63 of these are large charities (total expenses >\$13.5 million), 3 of are medium sized charities (total expenses between \$3.5 and \$13.5 million) and 1 is a small charity (total expenses between \$1 million and \$3.5 million).
- They are located in the Mountain West (2), Pacific West (3), Southwest (5), Midwest (8), Mid-Atlantic (9), South (13) and Northeast (27)
- This group is diverse in its area of focus as it consists of 2 Religious charities, 3 Animal charities, 7 International charities, 8 Education charities, 9 Health charities, 10 Human Service charities, 12 Arts, Culture, Humanities charities and 16 Public Benefit.

Other Salaries of Note

When relevant, our charity reports also include information on salaries paid to top executives and Board Directors, not just the CEO. For example, there are a number of charities that have members of the same family on the payroll. In fact, there are 43 organizations that compensate at least one of the CEO's relatives, with that relative earning over \$100,000.

Process for Determining CEO Compensation

CEO compensation shouldn't be set in a vacuum of information. Rather, nonprofit Boards should have a documented policy for establishing the CEO's compensation. That objective process should include a review of the CEO's performance and benchmarking against comparable organizations. At Charity Navigator, we track whether or not a charity has such a process. Our findings show that among the charities in this study, less than 5% (191) do not have a process for setting CEO compensation. This is an improvement over last year when 6% (244) of the charities reported not having a compensation policy.

Of those 191 charities in this year's study without a process:

- CEO pay increased at more than half of the charities (112) without such policies
- CEO pay increased by more than 2.6% (median compensation increase for all charities in this study) for 89 of these charities
- CEO pay increased by more than 10% for 38 of these charities

Loans to Related Parties

Making loans to related parties such as key officers, staff, or Board members, is not standard practice in the sector as it diverts the charity's funds away from its charitable mission and can lead to real and perceived conflict-of-interest problems. This practice is discouraged by sector trade groups which point to the Sarbanes-Oxley Act when they call for charities to refrain from making loans to directors and executives. The IRS is concerned enough with the practice that it requires charities to disclose on their Form 990 any loans to or from current and former officers, directors, trustees, key employees, and other "disqualified persons." Some state laws go so far as to prohibit loans to board members and officers.

In our entire database of charities, nearly 5% (375) charities report loans to their officers.⁷

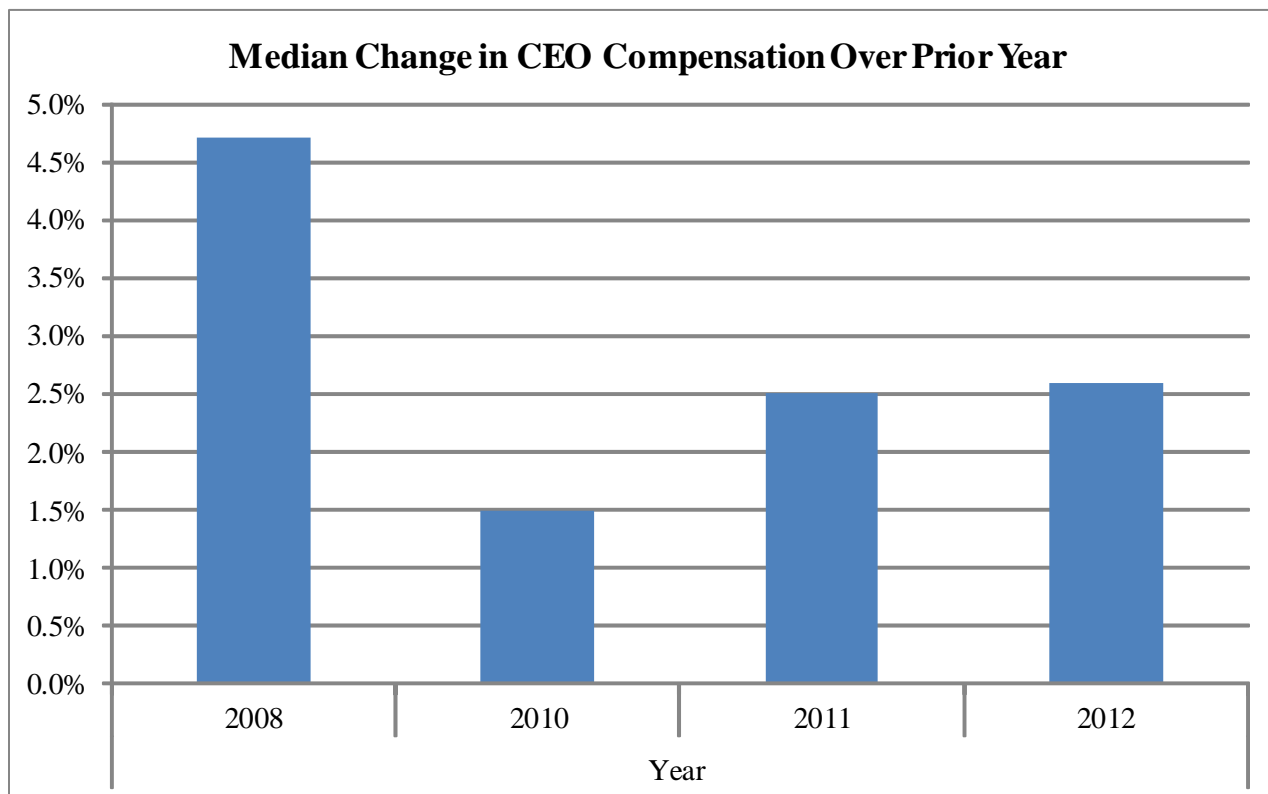
Footnote

⁷Our analysis does not distinguish between loans to CEOs versus other key officers, staff and Board members so this figure doesn't specifically indicate only loans to CEOs.

Compensation Trends

The following graph shows the trends in charity CEO compensation for the years 2008 (corresponds to the 2010 CEO Compensation Study), 2010 (corresponds to the 2012 Study), 2011 (corresponds to the 2013 Study) and 2012 (from this Study). This graph specifically shows the percent change in compensation for the same CEO from one year to the next. The graph is consistent with what we've heard from compensation experts in the field. That is, charity CEO salaries are beginning to increase since the recession, but only moderately so and they haven't returned to pre-recession levels.

	2008	2010	2011	2012
Median Change in CEO Compensation over Prior Year	4.7%	1.5%	2.5%	2.6%



Conclusions

While it is true that the paychecks of some nonprofit executives are outrageously high, this study confirms that those receiving excessive pay are in the minority. The data also shows that top pay at charities can vary greatly by location - with CEOs in the Northeast earning roughly \$47,000 more than their peers in the Mountain West - by mission - with the heads of Education charities earning about \$74,000 more than those running Religion charities - and by size - with CEOs managing large charities earning nearly \$160,000 more than those at small charities. Finally, the study shows that with a 2.6% median increase in pay from 2011 to 2012, charities are still being conservative with compensation increases.

We recognize that many donors will be hesitant to agree that the CEO of their favorite charity deserves a six figure salary. To the skeptics, we ask that you keep in mind that most of the charities included in this study are multi-million dollar operations. Leading one of them requires an individual that possesses both an understanding of the issues that are unique to the charity's mission as well as extensive management and fundraising expertise. Even so, charities tend to pay less than private sector firms for similar competencies. For example, the charities in our study pay a median total compensation of roughly \$120,000, compared to median salaries at S&P 500 companies of \$9.7 million in 2012 (which represents a 8% increase over the prior year).⁸

Footnote

⁸USA TODAY's analysis of data from GMI for 2012 is accessible [online](#).

Appendix

Advice for Donors

We offer the following tips to help you assess the compensation of a charity's top leader.

1. *Obtain comparison data.*

Use the information provided in this study to compare a CEO's salary to other similarly sized charities, as well as those in the same category and region.

- i. Our 2014 [Metro Market Study](#) provides median CEO salaries for 30 large cities.
- ii. [Charity Navigator registered users](#) can compare the CEO salaries of specific charities on their "My Charities" page and on each charity's rating page by clicking on the "Compare These Charities" link.
- iii. Registered users can also access Charity Navigator's [Sector Analysis Tool](#) to calculate the *average* CEO pay by cause and state.

2. *Find out if the charity has a Compensation Committee.*

Drawing on its experience in investigating charities, the IRS has redesigned the Form 990 (the informational tax return that charities must file annually and the document that Charity Navigator utilizes to obtain a majority of the necessary data to rate each charity) to provide more transparency regarding executive compensation practices. At Charity Navigator we agree with the IRS that it is important for each charity to conduct an independent review of its CEO's compensation using comparative data. As such, we have included this as part of our [Accountability & Transparency Methodology](#) (launched in September 2011) so you can determine if a charity follows this best practice. If the charity you are considering has not yet been rated by us, then we encourage you to review its Form 990 or contact it directly to inquire if it has a compensation committee in place and how it makes salary decisions.

3. *Be cautious if the charity has given the CEO a loan.*

If one of a charity's top leaders received a loan, then you may want to think twice about supporting it. While in some rare cases it may be necessary to provide a temporary housing loan for a CEO to move to an expensive housing area, we maintain that a charity isn't in business to provide low or no-interest loans to its CEO or other senior staff. If the CEO's compensation is reasonable, then why does he/she require a discount loan to work for that charity? We track this information as part of our Accountability & Transparency rating analysis. However, if the charity you are considering isn't rated by us, then check its Form 990 to see if the CEO or other leadership received a loan.

(tips continue on next page ⇒)

Appendix (cont.)

Advice for Donors

4. ***Consider the performance of the charity in relation to the CEO's pay.***

If you come across a charity whose CEO pay is higher than other similar charities, don't immediately dismiss that charity's request for funding. You're better off supporting a charity that is fiscally efficient, accountable and transparent, achieving its programmatic goals and paying its CEO well, than a charity that has substandard fiscal health, fails to live up to its mission, but under-pays its CEO. Charity Navigator's ratings can be of help in your re-search into the charity's Financial Health and commitment to being Accountable & Transparent. If possible, also conduct your own review of the charity's performance to determine if it is delivering on its intended results.

5. ***Be skeptical of charities that report zero CEO compensation.***

There are very few individuals that can afford to work full-time managing complex, multi-million dollar organizations without receiving any compensation. If a charity you are considering reports no compensation for its CEO, then we recommend you contact it directly- using the information we provide- to learn how it has been able to attract and retain a competent leader without paying that individual. It might have a legitimate answer. However, it may be that the charity failed to appropriately report the CEO's salary to the IRS or respond to our analysts' requests for that data.

Advice for Charities

We are not alone in recommending that charity Boards include an independent compensation committee which is responsible for reviewing the CEO's performance and ensuring that the CEO's compensation is appropriate. We offer this report and the other tools available on our free website as a starting point in that committee's endeavors to set a reasonable level of pay. But this study should not be a substitute for hiring an outside expert to conduct a compensation study (especially for charities over \$1 million in annual revenue).

Appendix (cont.)

Exclusions

Charity records that were excluded from this study include:

- **Fiscal Year Ends**—This study examines 2012 CEO compensation for charities in Charity Navigator’s database that have Forms 990 for the fiscal years ending 2012 and 2013. Other fiscal years were excluded.
- **No CEO Reported**– The organization either did not report any leadership information on its Form 990 or it only reported the board of directors (no compensated staff).
- **No Compensation Reported** – Although there are a few actual volunteer CEOs that receive no pay, the current process by which we collect data precludes us from identifying which charities have nonpaid CEOs versus those that simply failed to report compensation on their Form 990. In the future, we may be able to isolate each group and offer some analysis on volunteer CEOs.
- **Affiliate Pay** – Some charities pay their leaders through multiple affiliated organizations. In these cases, we do publish the affiliate pay on the charity’s ratings page. However, we’ve excluded those records from this study, since we currently can not confirm how much of the affiliate pay is compensation for the CEO position as opposed to a separate job.
- **Older Data** – This study excludes the few charities in our database whose most recent financial data is from their fiscal year ending 2011 or earlier.
- **Prior or Interim CEO** – If the organization reported a prior or an interim CEO on the current Form 990, then there is a good chance that the current CEO served a partial term with partial pay. Including such records would skew the data towards lower pay and would be less accurate. So we have excluded these records.
- **New CEO with Lower Salary** – Similarly, if the current CEO is different than the prior CEO and has a salary at least 20% lower, we assume that there’s a good chance that the current CEO served a partial term and thus didn’t receive a full year’s pay. Again, we exclude these records so as not to skew the data to lower pay.

As a result of these exclusions, we restricted our analysis to 3,946 charities overall. And when we examined changes in compensation from 2011 to 2012, the exclusions reduced the sample size to 2,582.

Appendix (cont.)

Regions

The various regions in our study are defined as follows:

- **Mid-Atlantic:** New Jersey, Maryland, West Virginia, Washington, DC, Pennsylvania, Delaware
- **Midwest:** Ohio, Illinois, Missouri, Indiana, Michigan, Minnesota, Wisconsin, Kansas, Nebraska, Iowa, North Dakota, South Dakota
- **Mountain West:** Montana, Idaho, Wyoming, Utah, Colorado, Nevada
- **Northeast:** Rhode Island, New York, Connecticut, Maine, New Hampshire, Massachusetts, Vermont
- **Pacific West:** Oregon, Washington, California, Hawaii, Alaska
- **South:** Florida, Georgia, Mississippi, South Carolina, North Carolina, Virginia, Alabama, Tennessee, Louisiana, Arkansas, Kentucky, Virgin Islands, Puerto Rico
- **Southwest:** Oklahoma, New Mexico, Texas, Arizona

Additional Reading

See Charity Navigator's President & CEO's blog, Ken's Commentary, for more on the topic of [CEO Compensation](#).