

# **CHARITY NAVIGATOR**

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## **2010 CEO Compensation Study**

**August 2010**



## Introduction

Charity Navigator has completed its sixth annual CEO Compensation Study. This year's study examined the compensation practices at 3,005<sup>1</sup> 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 of \$147,273<sup>2</sup> in 2008 representing a pay raise of 4.7% over the previous year.

We know from the conversations taking place in the comment section of our charity ratings pages that many donors continued 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 salaries. But these well-meaning donors fail to consider that these CEOs are running multi-million dollar operations that endeavor to 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 we would all agree are out-of-line, it is important for donors to understand that since the average charity CEO earns roughly \$150,000, a six-figure salary is not necessarily a sign of excessive pay for a mid to large sized charity.

This report offers insight into how a charity's mission, size, and location impact its CEO's salary. It also highlights some questionable salaries, 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 pay.

### Footnotes

<sup>1</sup>Data from the 2010 study is based on the financial data provide on their FYE 2008 Forms 990 by 3,005 charities in Charity Navigator's database of 5,500 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.

<sup>2</sup>Based 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.

## Methodology

This year we refined our methodology to improve the quality of information that we provide to donors, regulators and to the nonprofit community. We want to thank our pro bono advisor, [Pete Smith](#), for his assistance in making this our most precise report to date.

## Median versus Mean

In the past, this study focused on the mean value of CEO pay. This year, we decided to look at the median. In contrast to the mean, which is a simple average, the median is the middle value of a set of numbers such that in this report half of the salaries are higher and half are lower than the median figure. The median is less sensitive to extreme salaries 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 5,500 charities in our database, we've restricted our analysis to 3,005 charities which is still the largest sample of its kind and ample data to draw some significant conclusions.

## Comparisons to Prior Studies


Changes made to the 2010 study make it impossible to draw comparisons to prior iterations of this report. However, in this report, we are able to offer valid and insightful comparisons between 2008 and 2007 compensation levels.<sup>3</sup>


### Footnotes

<sup>3</sup>We re-evaluated our 2007 data, using the same methodology as this year, to make some meaningful comparisons.

## 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 regions compare to the overall median pay (\$147,273):

 **Higher CEO Pay:** Northeast (\$185,000) and Mid-Atlantic (\$164,575)

 **Lower CEO Pay:** Mountain West (\$108,000), South (\$128,678), Southwest (\$130,505), Midwest (\$139,012) and Pacific West (\$139,066).



In comparison to last year's data, each region experienced an increase in median pay. Median pay increased the most in the Mid-Atlantic (5.5%) and the least in the Mountain West (3.7%).

Region	2008 Median Salary	# of Charities	Median Raise	Median Total Expenses
Mid-Atlantic	\$164,575	443	5.5%	\$5,247,075
Midwest	\$139,012	490	4.2%	\$5,990,281
Mountain West	\$108,000	107	3.7%	\$3,752,524
Northeast	\$185,000	645	5.1%	\$6,807,934
Pacific West	\$139,066	543	4.1%	\$4,934,564
South	\$128,678	525	4.4%	\$4,954,985
Southwest	\$130,505	252	4.9%	\$4,822,989
<i>Grand Total</i>	<i>\$147,273</i>	<i>3,005</i>	<i>4.7%</i>	<i>\$5,321,963</i>

## Geography (cont.)

### Location and Size

This year, in response to requests from Board compensation committees and others who use this study as part of their benchmarking analysis, we drilled down further to examine the variation that occurs not just by location, but also by size.<sup>4</sup> We determined that regardless of size, charities in the Northeast have the highest median pay and charities in the Mountain West have the lowest.

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**Highest CEO Pay is in the Northeast** for small (\$120,000), medium (\$178,620) and large (\$351,539) charities
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**Lowest CEO Pay is in the Mountain West** for small (\$80,790), medium (\$120,000) and large (\$194,374) charities



Region	Size					
	Large		Medium		Small	
	Median Salary	# of Charities	Median Salary	# of Charities	Median Salary	# of Charities
Mid-Atlantic	\$300,000	121	\$172,500	165	\$105,530	157
Midwest	\$255,861	144	\$152,737	173	\$84,215	173
Mountain West	\$194,374	20	\$120,000	37	\$80,790	50
Northeast	\$351,539	210	\$178,620	246	\$120,000	189
Pacific West	\$267,048	121	\$155,442	207	\$95,939	215
South	\$269,057	129	\$145,701	184	\$91,750	212
Southwest	\$229,009	54	\$139,925	100	\$90,555	98

#### Footnote

<sup>4</sup>Size is defined by total expenses such that small are charities with total expenses <\$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 pay across categories can be significant. For example, the median CEO pay at an educational institution is \$182,645 more than that paid to the typical religious leader. Here's how the median pay for the various categories compare to the overall median pay (\$147,273):


-  **Higher CEO Pay:** Education (\$272,645), Arts, Culture and Humanities (\$190,550), Public Benefit (\$168,490)
-  **Lower CEO Pay:** Religion (\$90,000), Animals (\$106,030), Environment (\$120,000), Human Services (\$122,082), International (\$136,771) and Health (\$144,080)


In comparison to last year's data, each region experienced an increase in median pay. Median pay increased the most among Education (5.9%) charities and the least among Religious (1.0%) charities.

Category	2008 Median Salary	# of Charities	Median Raise
Animals	\$106,030	210	5.0%
Arts, Culture, Humanities	\$190,550	415	4.8%
Education	\$272,645	300	5.9%
Environment	\$120,000	187	4.1%
Health	\$144,080	331	5.3%
Human Services	\$122,082	614	4.5%
International	\$136,771	274	5.3%
Public Benefit	\$168,490	485	4.5%
Religion	\$90,000	189	1.0%

## Size

Not surprisingly, there is a predictable relationship between the size of a charity and the CEO's salary - the larger the charity the higher the median pay. Here's how the median pay for the various sizes of charities compare to the overall median pay (\$147,273):

 **Higher CEO Pay:** Large organizations with total expenses greater than \$13.5 million (\$280,000) and medium sized charities with total expenses between \$3.5 and \$13.5 million (\$157,056)

 **Lower CEO Pay:** Small charities with total expenses under \$3.5 million (\$95,481)

Size	2008 Median Salary	# of Charities	Median Raise
Large	\$280,000	799	6.0%
Medium	\$157,056	1,112	4.4%
Small	\$95,481	1,094	3.9%

These figures demonstrate that as the size, and thus 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 in the range of a quarter million dollars to almost three quarters of a million dollars. In illuminating this information, it is not our intention to give donors, who often bemoan this level of pay, 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 dollar institutions and who are tasked with the mammoth goal of making the world a better place, command significant salaries. On the other hand, it is evident that seven-figure salaries do not seem warranted, even in the largest sized charities.

Size	2008 Median Salary	# of Charities
\$13.5 - \$25 Million	\$211,899	266
\$25 - \$50 Million	\$265,005	229
\$50 - \$100 Million	\$336,104	139
\$100 - \$200 Million	\$378,942	81
\$200 - \$500 Million	\$429,754	46
Over \$500 Million	\$695,379	38

## Biggest Paychecks

Some CEO salaries raise more eyebrows than others. The following list reveals which charity within each category pays its CEO the most. For context and comparison purposes, the table includes the median pay for each category as well as the total expenses for the charity with the highest salary in each category.

Category	Median Pay/ Category	Highest Salary	Charity Name	Total Expenses	Supplemental Information Provided By Charity on Form 990
Animals	\$106,030	\$725,485	Wildlife Conservation Society	\$197,389,730	Base compensation: \$503,927; Expense account and other allowances: \$221,558 which includes estimated value of housing provided as condition of employment
Arts, Culture, Humanities	\$190,550	\$2,649,540	New York Philharmonic	\$65,067,908	Base compensation: \$850,000 plus distribution of deferred compensation (includes contri- butions and earnings on such amounts)
Education	\$272,645	\$2,049,976	Evans Scholars Foundation	\$15,216,197	Base compensation: \$195,000; Bonus & incentive compensation: \$160,000; Other compensation: \$1,694,976 which consists of one time distribution of deferred compensation.
Environment	\$120,000	\$454,125	Conservation International	\$135,290,726	
Health	\$144,080	\$1,024,776	The Scripps Research Institute	\$364,666,641	

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## Biggest Paychecks (cont.)

Category	Median Pay/ Category	Highest Salary	Charity Name	Total Expenses	Supplemental Information Provided By Charity on Form 990
Human Services	\$122,082	\$661,634	YMCA of Greater Houston	\$109,098,649	
International	\$136,771	\$683,014	Foreign Policy Association	\$4,604,348	
Public Benefit	\$168,490	\$947,999	The Heritage Foundation	\$64,645,625	Base compensation: \$413,856; Bonus & incentive compensation: \$521,300; Other compensation: \$12,843
Religion	\$90,000	\$648,537	Educational Media Foundation	\$68,990,148	Base compensation: \$320,414; Bonus & incentive compensation: \$85,231; Other compensation: \$242,892; Additional Note: CEO received non-fixed bonus as part of compensation.

While this list is sure to astound many donors, salaries really should be judged in the context of the charity's overall performance.

## Biggest Paychecks (cont.)

### Seven Figure Salaries

Of the 3,005 charities included in the study, 14 paid their top executive more than \$1 million. Those charities range in total expenses from \$13.5 million to \$3.5 billion. This list is comprised of 8 Education charities, 5 Arts, Culture, Humanities charities and 1 Health charity.

### Half A Million In Pay

The study also revealed that 106 charities paid their CEOs between \$500,000 and \$1 million. Total expenses among these organizations ranges from \$3.8 million to \$3.6 billion. This group consists of 47 Education charities, 24 Arts, Culture, Humanities charities, 13 Public Benefit charities, 8 Health charities, 7 Human Services charities, 3 International charities, 3 Animal charities and 1 Religion charity.

## Other Salaries of Note

### Organizations that Compensate Relatives over \$100,000

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. Here are some of the organizations that compensate at least two of the CEOs relatives, with at least one relative earning over \$100,000.

Charity	Person	Title	Relationship	Salary
American Endowment Foundation	Philip T. Tobin	President, Chairman, Co-Founder	CEO	\$134,620
	Thomas Tobin	Executive Vice President, COO, Co-Founder	Relative of the CEO	\$111,300
	John Tobin	Executive Vice President	Relative of the CEO	\$111,300
	Gail Tobin	Treasurer	Relative of the CEO	\$84,800
Christian Relief Services Charities	Paul Krizek	Executive Director/ General Counsel	CEO	\$151,800
	Eugene Krizek	President, Founder	Relative of the CEO	\$152,100
	Bryan Krizek	Vice President of Housing	Relative of the CEO	\$166,600
Feed The Children <sup>5</sup>	Larry Jones	President	CEO	\$258,562
	Frances Jones	Executive Vice President	Relative of the CEO	\$205,347
	Larri Sue Jones	Vice President	Relative of the CEO	\$167,520

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#### Footnote

<sup>5</sup>Larry Jones was terminated from Feed The Children in November of 2009. His daughter, Larri Sue Jones, was fired in August of 2010. At the time of this report's publication, Frances Jones, Larry Jones' wife, was still employed by the charity.

## Other Salaries of Note

### Organizations that Compensate Relatives over \$100,000 (cont.)

Charity	Person	Title	Relationship	Salary
Hosanna/Faith Comes By Hearing	Gerald Jackson	President	CEO	\$76,837
	Morgan Jackson	International Director	Relative of the CEO	\$116,147
	Clay Jackson	Secretary, Treasurer	Relative of the CEO	\$110,934
Messenger International	John P. Bevere Jr.	President, CEO	CEO	\$299,407
	Lisa Bevere	Vice President	Relative of the CEO	\$128,695
	Addison Bevere	Manager	Relative of the CEO	\$75,978
Pediatric Brain Tumor Foundation	Mike E. Traynor	President	CEO	\$138,544
	Dianne Traynor	Secretary, CFO	Relative of the CEO	\$103,254
	Brian Traynor	Executive Director	Relative of the CEO	\$109,167
Trinity Broadcasting Network	Paul F. Crouch Sr.	President, Director	CEO	\$419,500
	Janice Crouch	Vice President, Director	Relative of the CEO	\$361,000
	Paul Crouch	Vice President, Director	Relative of the CEO	\$214,137
	Ruth Brown	Secretary, Treasurer	Relative of the CEO	\$98,780
Turning Point	David P. Jeremiah	President, CEO	CEO	\$107,038
	David Jeremiah	Vice President, Director	Relative of the CEO	\$185,867
	Donna Jeremiah	Secretary, Director	Relative of the CEO	\$63,965

## 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 typically earning \$77,000 more than their peers in the Mountain West - by mission - with the heads of Education charities earning \$182,645 more than those running Religion charities - and by size - with CEOs managing large charities earning \$184,510 more than those at small charities. Finally, the study shows that with a 4.7% median increase in pay from 2007 to 2008, the beginning of the recession appears to be having a minor effect on raises.

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 \$150,000, compared to median salaries at S&P 500 companies of \$1 million, excluding bonus packages and stock options that drive the median compensation up to \$6.6 million.<sup>6</sup>

### Footnote

<sup>6</sup>To view USA Today and the Associated Press complete study, please click [here](#).

## Appendix

### Advice for Donors

We offer the following tips to help you critique 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. Our 2010 [Metro Market Study](#) provides median CEO salaries for 30 large cities. [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. 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 recently redesigned the Form 990 (the informational tax return that charities must file annually and the document that Charity Navigator utilizes to obtain 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 pay using comparative data. As such, we have included this as part of our newly launched [Accountability & Transparency Methodology](#). Within the year, we will publish this information for each of the 5,500 charities in our database. If the charity you are considering has not yet been reviewed for Accountability & Transparency, then we encourage you to contact the charity 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 a charity's top leader received a loan, then you may want to think twice about supporting that charity. We maintain that a charity isn't in business to provide low or no-interest loans so its CEO can move into an exclusive neighborhood or purchase a new, luxury car. If the CEO's compensation is reasonable, then why does he/she require a discount loan to work for that charity? Therefore, this information will be included among the new Accountability & Transparency information that we will track for all 5,500 charities in our database.

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 financial ratings and new Accountability & Transparency data can be of help in your research.

## Appendix (cont.)

### Advice for Donors

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 salary 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 pay 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 substitution for hiring an outside expert to conduct a compensation study.

## Appendix (cont.)

### Exclusions

Charity records that were excluded from this study include:

- **Fiscal Year Ends**—This study examines CEO compensation for charities in Charity Navigator's database that have Forms 990 for the fiscal year ending 2008 .
- **No CEO Reported**– The organization either did not report any leadership information on its most recently filed 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 2007 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.