

NONPROFIT INVESTOR

INDEPENDENT RESEARCH FOR PHILANTHROPY

National Military Family Association

Nonprofit Investor Rating:

BUY

Mission Statement

To fight for benefits and programs that strengthen and protect uniformed services families and reflect the Nation's respect for their service

Financial Overview

\$ in MM, Fiscal Year Ended December 31

	2008	2009	2010
Revenue and Support	\$10.7	\$9.1	\$11.5
Operating Expenses	\$9.3	\$9.2	\$10.2
% of Total:			
Program Expenses	91.4%	91.3%	90.0%
G&A	5.5%	6.3%	6.3%
Fundraising	3.1%	2.4%	3.6%

Year Founded: 1969

Contact Details

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SUMMARY

The National Military Family Association ("NMFA") represents officer and enlisted families of the Army, Navy, Air Force, Marine Corps, Coast Guard, National Oceanic and Atmospheric Administration, and Public Health Service. NMFA assists those seeking resources for: themselves and combat-weary service members returning home from war with fragile mental health, children separated from parents during deployments, spouses forging ahead with educations to build better lives for their families or to prepare for the unthinkable, widows seeking information about benefits available to them as they cope with their losses, and for proud parents of single service members. The NMFA identifies and works with others to resolve emerging military family-related issues.

STRENGTHS

- ▲ **High level of organizational transparency.** The NMFA offers clearly detailed and quantifiable program results to prospective donors via its website and annual report.
- ▲ **High impact, leveragable expense structure.** Over the past several years, the NMFA has created a greater impact per dollar spent, with allocating more spend towards program expenses relative to administrative or fundraising expenses.
- ▲ **Strong balance sheet and effective cash management.** The NMFA maintains a strong balance sheet with minimal liabilities, large cash balances, and a well managed investment portfolio.

CAUTIONS

- **Miscellaneous expense trends.** While the NMFA has generally managed expenses well, increasing travel and outside services costs should continue to be closely monitored.
- **Diversifying high value sponsors.** While the NMFA has 12 sponsors contributing greater than \$100K each in 2010 alone, a single contributor accounted for greater than half of revenues from 2008-2010 will not be continuing its support.

RECOMMENDATION: BUY

The NMFA offers an effective channel to assist military families. The organization has a long track record of success and effectively deploys its resources to create an outsized impact towards its goals.

OVERVIEW OF CHARITY'S ACTIVITIES

Since 1969, the NMFA has offered support programs to heal, strengthen, and comfort military families struggling with uprooting and wartime stress, separations, wounds, and loss. As part of its advocacy program, the NMFA works with and testifies before Congress to fight for legislation that is important to military families. Furthermore, the organization helps military families recognize their potential to be their own advocates.

The NMFA offers several programs to help sustain military families, primarily through military spouse scholarships and its Operation Purple program. Last year, through 15,000 volunteer hours, the NMFA helped 400,000+ family members by providing financial aid, education, workforce readiness, children and family programs, guidance, and advocacy. Priority areas were:

- 1) Strengthening children and families strained by departures to and from combat zones
- 2) Rebuilding families scarred by physical and psychological war wounds
- 3) Preparing spouses for jobs to reduce financial stress or be breadwinners given the unthinkable

NMFA's Military Spouse Scholarship and Employment Program helps spouses deal with frequent moves, service-member absences in combat zones, and struggles raising young children far from trusted family and friends around the world as they pursue school and jobs. The program also supports spouses of the wounded and fallen to face the stress of becoming family breadwinners. NMFA offers the Joanne Holbrook Patton Military Spouse Scholarship to spouses of all uniformed Services members in active duty, the National Guard and Reserve, retirees, and survivors. The scholarship funds may be used for tuition, fees, and school room and board for GED or ESL classes, vocational training, professional certification, post-secondary school, graduate school, in-class or on-line classes, full-time or part-time classes.

Representative Military Spouse Scholarship Sponsors

The logo for BAE SYSTEMS, featuring the company name in white capital letters on a red rectangular background.The logo for FLUOR, featuring the word 'FLUOR' in a bold, blue, sans-serif font.

NMFA also hosts the Operation Purple program, which was created in 2004 to provide free week-long summer camps to empower military children and their families to develop and maintain healthy and connected relationships. Operation Purple focuses on the healing and holistic aspect of the natural world and is open to children and families of active duty,

National Guard or Reserve service members from the Army, Navy, Air Force, Marine Corps, Coast Guard, or the Commissioned Corps of the US Public Health Service and NOAA. Since its creation in 2004, the Operation Purple program has grown to serve approximately 45,000 military children and teens. The Operation Purple program also includes family retreats at national parks and specialized family camps geared to address the needs of children and families of our nation's wounded service members.

In addition to these programs, the NMFA conducts studies and produces white papers to educate the public about the impact of deployments on military families and related topics. The results of these studies are used in advocacy work on behalf of military families. The NMFA uses its expertise in such topics to provide input and advisory to government programs and public organizations. The organization also provides and maintains a wealth of information on its website such as survey reports, research studies, eNewsletters, and toolkits to support military youth and communities.

The NMFA has also been investing significant resources in developing an “Online Support Tool” resource, intended to facilitate the efficient delivery of resources provided by government entities and support organizations to those in need via both a smartphone application and internet browsers. The resource would differentiate itself by focusing on service members’ spouses and providing customized support to navigate the milestones specific to their current situation and needs. The NMFA has been working with ConvergeUS, the nonprofit arm of TechNet, and is being advised by technology leaders including Google and Cisco, and is planning to publicly launch this application in October 2012.

PROGRAM RESULTS AND EFFECTIVENESS

Operation Purple camps have provided 45,000 children a break from war, friends to confide in, and coping skills for parent separations. Last year, 3,500 kids attended, including 350 whose parents were wounded. NMFA’s family retreats helped hundreds of family members reconnect and heal from the strains of war.

The NMFA has awarded almost 600 scholarships and has given more than \$2.3 million in aid to military spouses since 2004. More than 200 scholarships went to spouses whose service members were wounded or killed and another 200 scholarships were given to spouses pursuing GEDs, English-as-a-Second-Language, vocational, licensing, and certification programs to help them find jobs.

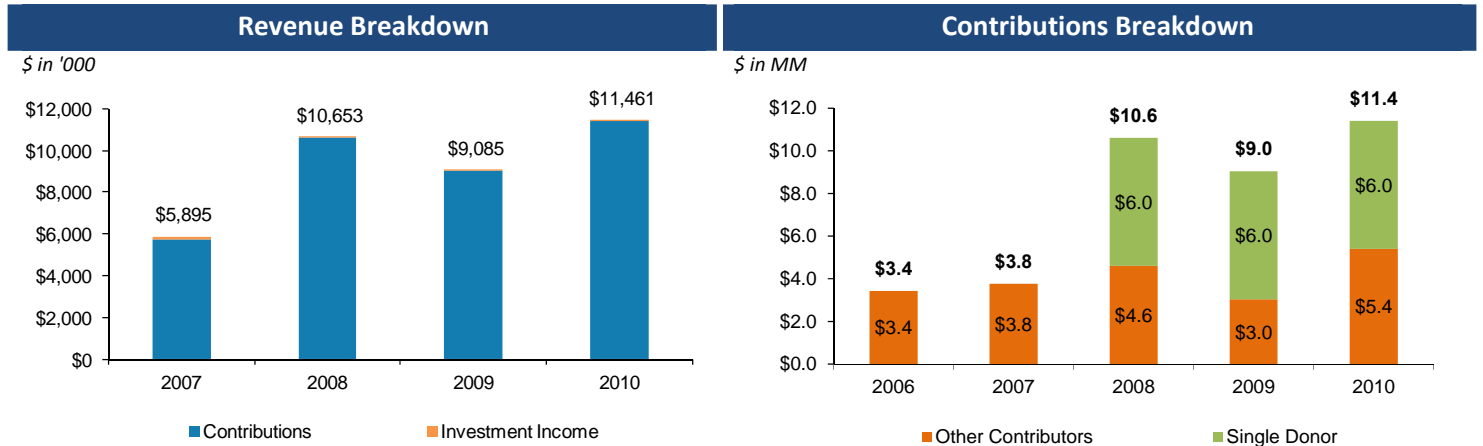
NMFA’s advocacy programs launched in 1969, when Congress determined that military widows deserved national support. Last year, the NMFA helped secure: 1) more financial help for widows and children of fallen service members, 2) more childcare programs for extended wartime shifts and deployments of troops, 3) additional laws letting family members caring for the wounded and tending to children of the deployed more unpaid time from work without fear of losing their jobs, and 4) more counseling for families of combat-weary service members returning home with fragile mental health.

TRANSPARENCY

The NMFA’s website offers many resources, including the organization’s bylaws, policies, 2010 audit, Form 990, and annual report. However, no access to reports prior to 2010 is provided via the website. The annual report provides specific data points detailing and quantifying the organization’s achievements and milestones reached over the past year, as well as setting goals for the next year.

The NMFA provided historical financial information and participated in a diligence discussion, answering key questions and providing any requested data. Management was forthcoming about the increasing need for operational clarity and mentioned their continued efforts to improve transparency.

FINANCIAL OVERVIEW



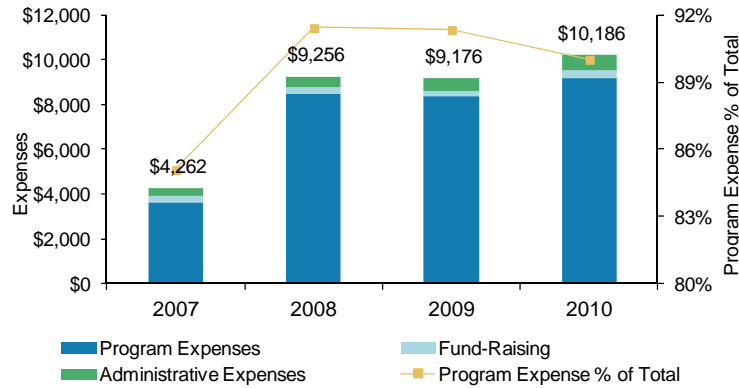
Revenue

The NMFA is almost exclusively reliant on contributions (99.5% of total) for its revenues. The organization uses these funds to pay for its Military Spouse Scholarship and Employment Program and Operation Purple Program. While contributions have been strong over the past several years, increases have been largely correlated with the war in Iraq and are expected to decline as the U.S. withdraws troops next year. Due to uncertainty and reductions in federal defense spending, many defense contracts may be affected, along with the associated corporate funding. The outlook and fundraising landscape NMFA has become more uncertain as a result of these factors.

The NMFA has a dedicated and diversified network of sponsors, with 12 sponsors contributing greater than \$100K each in 2010 alone, including BAE Systems, Newman's Own Foundation, and the Sierra Club Foundation. From 2008 to 2010, a single large donor contributed \$18MM (\$6MM per year), however it will not continue due to the war withdrawal. The exclusion of this donor implies that the NMFA will be losing more than half of its total revenue, implying a \$5-\$6M run-rate revenue. The organization has maintained strong efforts in growing its donor base, hiring fundraising consultants and hosting fundraisers, growing contributions at a CAGR of 35% from FY2006 to FY2010.

Expense Breakdown

\$ in '000



Expenses

The NMFA’s largest expense comes from its Operation Purple program, generally comprising more than half of total expenses (54% of expenses in 2010). While annual camp costs have doubled from 2007 to 2010, camp attendees have increased by a greater factor and the program has effectively maintained its incremental costs at approximately \$600 per camp attendee. The NMFA has also expanded its Military Spouse Scholarship program by a factor of eight since 2007, awarding 565 scholarships averaging \$777 (reflects awarded amount as opposed to redeemed amount) each in 2010.

Cost Per Beneficiary

	2007	2008	2009	2010
Military Spouse Scholarships				
Scholarships Awarded (\$)	\$63,000	\$394,890	\$232,760	\$439,000
Number of Scholarships	65	360	308	565
Average Scholarship (\$)	\$969	\$1,097	\$756	\$777
Operation Purple				
Annual Camp Costs	\$2,446,279	\$4,584,424	\$5,139,214	\$5,468,364
Camp Attendees	4,000	9,935	8,986	9,336
Cost per Attendee (\$)	\$612	\$461	\$572	\$586

Source: Management.

As the organization has grown its contributions over the years, it has scaled its overhead, with salaries, wages, and benefits declining (currently at 18.5% of total expenses) relative to gradually increasing grants and assistance. The NMFA employs more than 30 part and full-time employees. While this headcount seems high relative to other nonprofits operating on a similar scale, the organization’s focus on specific advocacy areas requires several employees dedicated to working with government entities, as well as direct-service programs.

According to the Form 990, of all the organization’s officers and directors, only the Executive Director and the CFO received compensation (totaling ~\$150K) in 2010, indicative of an efficient compensation structure. While expenses appear to be prudently managed overall across the organization, other expenses should continue to be monitored, specifically related to travel, outside services, and “other” categories. Overall, the NMFA has become more efficient since 2006, making more effective use per dollar of its administrative and fundraising expenses, allowing program related expenses to increase above 90% in 2010. In an effort to reduce its dependence on large donors, the NMFA hired a fundraising consultant in 2010 as a one-time expense of \$198K.

Fiscal Year Ended December 31

	2007	2008	2009	2010	Source:
Revenue and Expenses					
Support:	97.9%	99.5%	99.5%	99.5%	
Contributions	\$5,771,949	\$10,603,034	\$9,038,007	\$11,405,210	IRS Form 990 (Tax)
Revenue					
Investment Income	123,090	49,589	46,542	56,119	IRS Form 990 (Tax)
Total Support and Revenues	\$5,895,039	\$10,652,623	\$9,084,549	\$11,461,329	
% Growth	76.0%	80.7%	(14.7%)	26.2%	
Expenses:					
Program Expenses	\$3,626,898	\$8,462,340	\$8,381,751	\$9,169,984	IRS Form 990 (Tax)
Administrative Expenses	358,942	509,154	575,277	645,561	IRS Form 990 (Tax)
Fundraising Expenses	275,999	284,150	218,824	370,331	IRS Form 990 (Tax)
Total Expenses:	\$4,261,839	\$9,255,644	\$9,175,852	\$10,185,876	
% of Revenue	72.3%	86.9%	101.0%	88.9%	
Revenue Less Expenses	\$1,633,200	\$1,396,979	(\$91,303)	\$1,275,453	

Expenses by Category

Grants and Assistance	\$59,240	\$408,140	\$228,531	\$410,231	IRS Form 990 (Tax)
Camp Costs (Operation Purple)	2,446,279	4,584,424	5,139,214	5,468,364	IRS Form 990 (Tax)
Salaries, Wages & Benefits	1,184,004	1,563,213	1,657,303	1,881,118	IRS Form 990 (Tax)
Other	572,316	2,699,867	2,150,804	2,426,163	IRS Form 990 (Tax)
Total Expenses	\$4,261,839	\$9,255,644	\$9,175,852	\$10,185,876	

Expenses by Function (% of Total Expenses)

Program Expenses	85.1%	91.4%	91.3%	90.0%
Administrative Expenses	8.4%	5.5%	6.3%	6.3%
Fundraising Expenses	6.5%	3.1%	2.4%	3.6%
Total	100.0%	100.0%	100.0%	100.0%

Expenses by Category (% of Total Expenses)

Grants and Assistance	1.4%	4.4%	2.5%	4.0%
Camp Costs (Operation Purple)	57.4%	49.5%	56.0%	53.7%
Salaries, Wages & Benefits	27.8%	16.9%	18.1%	18.5%
Other	13.4%	29.2%	23.4%	23.8%
Total	100.0%	100.0%	100.0%	100.0%

Abridged Balance Sheet

Cash and Short Term Investments	\$3,096,502	\$4,603,495	\$4,345,110	\$4,120,688	IRS Form 990 (Tax)
Grants Receivable	--	--	100,000	80,000	IRS Form 990 (Tax)
Investments	803,899	526,284	1,003,857	1,653,804	IRS Form 990 (Tax)
Other Assets	64,674	56,437	313,019	1,164,449	IRS Form 990 (Tax)
Total Assets	\$3,965,075	\$5,186,216	\$5,761,986	\$7,018,941	
Accounts Payable	\$108,856	\$146,127	\$484,852	\$295,416	IRS Form 990 (Tax)
Loans Payable & Other	--	--	53,832	19,980	
Fund Balances	3,856,219	5,040,089	5,223,302	6,703,545	IRS Form 990 (Tax)
Total Liabilities and Net Assets	\$3,965,075	\$5,186,216	\$5,761,986	\$7,018,941	

The NMFA has maintained a strong balance sheet over the past several years with minimal liabilities, large cash balances, and a well managed investment portfolio.

THIRD PARTY RATINGS

- **Charity Navigator** rates the NMFA with an Overall score of 67.52 out of 70.00, or a 4-star (out of 4) rating. NMFA is also assigned a 66.50 for Financial and 70.00 for Accounting and Transparency. The NMFA satisfies Charity Navigator’s checklist for all information provided on the organization’s Form 990 as well as information accessible on its website
- **American Institute of Philanthropy** rates NMFA as an A+ organization

GET INVOLVED

- Join or renew as a member or free supporter: <http://www.militaryfamily.org/get-involved/join/>
- Donate to NMFA: <http://www.militaryfamily.org/get-involved/donate/>
- Apply to volunteer: <http://www.militaryfamily.org/get-involved/volunteer/>
- Job opportunities: <http://www.militaryfamily.org/about-us/work-with-us/>
- General information: Info@MilitaryFamily.org

DISCLOSURES

James Peng certifies that he does not have any affiliation with the National Military Family Association and has never made a donation to the organization. Additionally, James has not supported directly competing organizations in a greater capacity than a nominal donation. NPI analysts and NPI as an organization do not receive any form of compensation from reviewed charities.

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