



Learning LAB - 2019 State of the Sector Script

Welcome – Autumn

Hello, my name is Autumn Lee and I am the Communications Director at the Nonprofit Center of Northeast Florida. Thank you for joining us for this Essentials training. This series is designed to cover fundamental, wide-ranging topics in an accessible manner that allows organizations of all sizes and backgrounds to participate and engage. As a valued member of the Nonprofit Center this series is included in your membership and accessible to you and your organization at no additional cost.

Over the next 30 minutes you will hear from a Nonprofit Center staff expert and learn more about how you can take these learnings back to your organization to help you in the important work you do for our communities. At the top of this page you will find additional tips and tricks for getting the most out of this session. You will also find any referenced handouts or materials in the “downloads” section directly below this video. With that, let’s get started!

State of the Sector – Deirdre

Hi, and welcome to this presentation of the 2019 State of the Sector Report! This report contains valuable data about nonprofit organizations in Northeast Florida. We'll cover the top findings of the State of the Sector Report, and talk about how you can use this information.

This research is a joint project of the Nonprofit Center and the Jessie Ball duPont Fund, and goes back more than 20 years.

My name is Deirdre Conner, and I'm Senior Director of Strategic Initiatives and Evaluation here at the Nonprofit Center. Feel free to reach out to me any time to learn more about our research initiatives, consulting practice, or programming!



All of the work we do and resources we develop here at the Nonprofit Center are created through the lens of our Stronger Nonprofits Framework. This framework outlines our capacity building philosophy and defines the core pillars we believe are foundational to an organization's success. Those pillars consist of:

- High performing Leadership Teams
- Organizational Learning and Measurement
- Access to Capital
- And the pillar that today's session falls under: External Awareness and Advocacy

For more information on our Stronger Nonprofits Framework please visit nonprofitctr.org.

Slides 1 - 8

To understand the nonprofit sector in our region, we start with a fundamental understanding of what a nonprofit is. Today, we will be talking specifically about 501(c)3 tax-exempt charities. What all of these nonprofits have in common is a tax status, specific regulations about how organizations can operate politically, and most importantly, the requirement that they exist to benefit the community. But as we'll learn in this presentation, there is much diversity and variation in the sector in terms of how organizations serve the community and how they generate revenue.

No one owns a nonprofit. Instead of generating value for shareholders, they generate value for the community. In fact, they are a significant economic powerhouse, representing the second-largest employer of the paid, private workforce in Northeast Florida, and representing 13 percent of all jobs. In Florida, the sector's employment is as large as construction and manufacturing.

It's not just economics, though — nonprofits are also the number one most trusted source to take action on local issues in our community.



Our public polling has shown that nonprofit organizations are the most trusted institution in Northeast Florida when it comes to whom residents trust to take action on issues that affect the community.

They are followed by individual volunteers, which includes nonprofit board members! As you can see from this graphic, nonprofits and individual volunteers rank higher than any other institution, including faith-based organizations, police, military, colleges, businesses, and local and state government.

It adds up to a powerful message about the important role that nonprofits play in community leadership.

With a stronger understanding of what nonprofits are and what they do for our community, let's dive into what we know about the organizations located here.

The State of the Sector report looks at 501(c)3 charities based in the five-county region that file annual 990 or 990EZ tax returns with the IRS: Baker, Clay, Duval, Nassau and St. Johns counties.

Keep in mind that nonprofits who generate less than \$50,000 in annual revenue are not required to file these forms and are not included here. Also not included are any national organizations whose headquarters are located outside the region but may have a presence here.

Slides 8 - 12

You may have heard people say before, "There are so many nonprofits!" But what does that actually mean?

Well, let's look at the data. The chart in front of you shows all organizations that have a 501(c)3 tax exemption versus those that file a 990 or 990EZ return. When we look at how many organizations have a 501(c)3, it's around 8,000. But in any given year, only about 1,300 file a 990 or a 990-EZ, which is required if they have more than \$50,000 in annual revenue.



So we see that the number of organizations who have ever received an exemption is much, much higher than those who are actively generating revenue. Certainly there may be plenty of organizations that are very active without generating much revenue, but it's safe to assume that many of those 8,000 organizations are dormant.

The State of the Sector report looked at all organizations who filed at least once between 2013 and 2017, the most recent years for which data was available when the report was released in late 2019. By 2019, we had most, but not all, of the 2017 data available.

And we have data going back many years. This chart looks at the number of filing nonprofits going back to 1998 with 427 organizations. Through the late 1990s and early 2000s, there was a steady increase of organizations filing with the IRS as compliance improved. Since then, there has been a leveling off to growth that is consistent with population growth in the area.

In the three years since the previous State of the Sector report, the local nonprofit sector added many organizations. The highest number, 51, have come from the field of Education Birth to 12th Grade, and another 44 from organizations devoted to religious causes. These are nonprofits devoted to missions and proselytizing, but not houses of worship, which are not included in this report. That's followed by 38 in Human Services General, 33 in Health General, 30 in Sports and Recreation, and 28 in Arts and Culture.

When we look across the nation, we see the number of nonprofits per 1,000 population, and we see that Northeast Florida, at 3.99 nonprofits per 1,000, in fact matches the national average for the number of nonprofits per capita. Florida as a whole actually has fewer than the national average. States like New York, Delaware, and Virginia have more than the national average.

That's a great talking point to have at your fingertips the next time someone complains to you that our community has "too many nonprofits!"



Slide 13-17

So what kind of work do nonprofits in our community do? The State of the Sector report uses about two dozen broad categories to break it down.

These mission areas range from Arts & Culture to Human Services to Housing and even Booster Clubs. This chart shows that the categories with the largest share of organizations include Religion, Health General, Human Services for Adults, Arts and Culture, and Education.

If you want to take a deeper dive on any specific subsector, you can find a report on every single one of these categories on our website.

These categories are key to understanding more about the nonprofit sector. Together, the sector has a huge economic impact on our community. Aggregate annual revenue tops \$8.5 billion, while aggregate assets are \$7.3 billion. And 72,188 people are employed in the sector, based on our data.

However, we also know that a lot of that revenue comes from a small number of organizations.

When we look across the 990 and 990EZ filers, we see that just 5 percent of organizations have revenue of more than \$10 million annually. Another 14.7 percent have revenue between \$1 million and \$10 million. 8.1 percent have revenue between \$500,000 and \$1 million.

The vast majority — 71.9 percent — take in revenue of less than \$500,000 per year.

The reason that the 5 percent of organizations with the highest revenues make up so much of the annual aggregate is because our community has many nonprofit regional health institutions, such as hospitals. This chart shows that they account for the majority of the revenue we just talked about.



Without health institutions, annual revenue for the sector as a whole is \$2.71 billion. That's still a lot!

We can see the impact here with these two lists of the largest nonprofit organizations by annual revenue. On the left, all but three are health institutions. Some of the largest include Nemours, Baptist, Shands, and St. Vincent's.

On the righthand side, you can see the largest nonprofits by annual revenue excluding health institutions. They include Step Up for Students, Wounded Warrior Project, Jacksonville University and Flagler College, and philanthropic funds such as the Community Foundation for Northeast Florida and the Dechomai Asset Trust.

Slide 18-22

Although the health institutions are large by annual revenue, we know that other nonprofits also have a big impact on our community in terms of employment and revenue.

This chart shows us nonprofit employment by field excluding health institutions. Human Services for Adults, Youth, and Elders are by far the largest employers, followed by Education Birth to 12, Higher Education, Health General, and Arts and Culture.

In addition to wide diversity in terms of the community benefit that nonprofits provide, there is also significant variation in terms of how they earn revenue to operate.

There are three buckets of revenue that are tracked through the IRS 990 data, and each is important to understand. The green box is earned income. That's everything from ticket sales to insurance reimbursements. The orange box is government funds, which includes government grants and sometimes services that nonprofits perform for the government. Finally, in the blue box is contributions. That includes charitable donations, grants from foundations, and other gifts to organizations.



When we look at how an organization generates income and the various sources of that income, that's what we refer to as its business model.

This chart shows that, similar to the national average, First Coast nonprofits generate the largest share of revenue, 69 percent, from earned income. The next highest, at 22 percent, comes from contributions, and then a small slice from government funds at 5 percent.

However, when we exclude health institutions, we see those proportions change a lot. Health institutions of course have quite a bit of earned revenue as their business model depends on reimbursements from health insurance, including Medicare and Medicaid.

Here we see that when we remove that from the equation, nonprofits outside of health institutions still get 27 percent of their income from earned revenue. But contributions rise to 55 percent. Government funding remains a small proportion overall, at 14 percent.

What we also know is that this business model varies *a lot* by the organization's service area category.

Here at the top, we see that health institutions get more than 90 percent of their revenue from earned income. With higher education, it's nearly 80 percent.

Education and Human Services are more likely to get a larger share of their revenue from government grants, while Arts and Culture and Religion depend more heavily on contributions. The reports looking at the different service areas break this down for each of the two dozen categories. This can be useful if you're looking to benchmark your business model against peer organizations. If you want to see the revenue breakdown for all service areas, you can find that in the research at nonprofitctr.org.

Slide 22 - 27



NonprofitCenter
of Northeast Florida

Connect • Strengthen • Advocate

Thanks to the Jessie Ball duPont Fund, the State of the Sector report goes back even beyond the birth of the Nonprofit Center in 2002, and that has enabled us to use the data to track the financial health of the sector over the years. This chart tells us the percentage of organizations that expend more revenue than they take in every year and tends to fluctuate between 30 and 44 percent operating in the red, depending on the year.

What this tells us is that on any given year, about a third of organizations operate in the red.

This isn't necessarily a bad thing! It's very common for an organization to budget to be in a deficit position one year and a profit position another year. However, if an organization runs a deficit for three or more years that's where you might start to become concerned.

The chart also shows that in recession years, the proportion of organizations operating at a deficit tends to climb, and then fall back down when the economy improves. We expect that trend to continue in our next report as we start to better understand the impact of COVID-19 on the sector.

What we also know from the 2019 report is that total contributions in our region had just rebounded to pre-recession levels after the housing crash of 2008 to 2009. Inflation-adjusted contributions in 2016 were at \$1 billion, nearly the same level as 10 years before, when they were at \$978 million.

More significantly, we saw that contributions were coming from a smaller donor pool than 10 years before, a loss of 30,000 donors in our community. In 2007, about 26 percent of tax filers reported charitable giving, which declined to 20 percent in 2016.

For more about charitable giving, you can check our website for a recent report from the Florida Nonprofit Alliance.



NonprofitCenter
of Northeast Florida

Connect • Strengthen • Advocate

What the data also showed us — and is a trend likely to continue into the next report — is that growing income inequality is continuing to shift the bulk of charitable donations to upper-income donors, whose average adjusted gross income in 2016 was about \$500,000. Those donors contributed \$443 per household in 2016, up from an inflation-adjusted \$376 in 2007.

This chart shows that inflation-adjusted giving has declined from \$388 to \$320 per household between 2007 and 2016.

So to recap, the 2019 State of the Sector data tells us a lot about the diversity of the nonprofit sector. Anecdotally, we're seeing that impact of the COVID-19 pandemic is as diverse as the business models. Though the sector is large, its financial heft comes from a very small group of entities. Most nonprofits are small in terms of budget size, and we're seeing that they experienced a disproportionate impact from the pandemic.

While contributions are an important income stream, nonprofits earn a large portion of their revenue. We'll learn in the next report how much the pandemic limited their ability to generate revenue.

And finally, we'll be looking at how charitable contributions, already affected by a declining donor pool, were affected in recent years.

This data is free for you to use and share with your staff, board members, and donors!

If you have any questions about this data or would like to schedule a presentation, please don't hesitate to reach out to me at the contact information below. Thanks for joining me for a look at the local nonprofit sector!

Close Out - Autumn

That was great! Thank you for joining us for this Essentials training. We can't wait to see how you take this knowledge back to your organizations! Be sure to fill out the short survey at the bottom of this page; your feedback is important to us! To learn

40 E Adams St, Suite 100, Jacksonville, Florida 32202 | 904-425-1182 | nonprofitctr.org



NonprofitCenter
of Northeast Florida

Connect • Strengthen • Advocate

more about what we do at the Nonprofit Center, follow us on social media — you can find us on Instagram, Facebook, LinkedIn and Twitter. To learn more about other Nonprofit Center events visit our website at nonprofitctr.org and click on "Events & Programming."

See you next time!