

## Impact of the Nonprofit Sector: New Study

12.26.19 | Linda J. Rosenthal, JD



“Think you know everything about charitable nonprofits? Think again!”

That’s the teaser on the home page of the new micro site of the National Council of Nonprofits (NCN). It debuts an important new report: *Nonprofit Impact Matters: How America’s Charitable Nonprofits Strengthen Communities and Improve Lives*. This 44-page publication, written by NCN leadership and staff, includes (at a single mouse click) “... the latest data on the national scope and impact of charitable nonprofits.”

NCN believes the new publication “tells the nonprofit story from the nonprofit perspective for a nonprofit audience.” It’s facts and figures, certainly, but the analyses of the data are told “in today’s context.” It identifies “challenging trends” in the sector and presents “action steps that those who care about nonprofits can take together to overcome these challenges.”

### Nonprofit Impact

The micro site already includes an impressive array of links to detailed statistics and resources, including state-by-state indexing. But in the coming weeks and months, the National Council of Nonprofits will add much more. This is no dry-as-toast report for insiders only. Written in plain English and presented with engaging visuals, *Nonprofit Impact Matters* is meant for the “stakeholders of America’s 1.3 million charitable nonprofits that enrich the lives of everyone in our country, upholding our nation’s bold ideals and big-hearted spirit through practical and effective action.” According to NCN’s figures, that’s “12.3 million nonprofit employees, more than 64 million nonprofit board members and volunteers, and tens of millions of donors who generously support the work of nonprofits.” But NCN wants others to read it, too: “journalists, policymakers, government partners of nonprofits, for-profit businesses, educators, students, and the general public.”

There are hard numbers, to be sure, collected primarily from IRS Form 990 data for Fiscal Year 2016, released by the IRS in June 2018. There are also hard truths about gathering storm clouds for the sector. In the end, though, this publication is an uplifting call-to-action to pull together to continue making the impact that American society needs.

### *Nonprofit Ripple Effect*

A central theme is that, while “nonprofits directly improve the lives of individuals, their positive contributions to the U.S. economy are often overlooked.”

To drive home this point, NCN describes how the payroll of the nonprofit sector is larger than for most other parts of the U.S. economy including construction and finance. Nonprofits spend almost \$3 trillion annually for compensation and in payroll taxes. And there is additional benefit because nonprofits create “work opportunities for millions of individuals above and beyond the millions they employ” as well as job-training for people who would otherwise not be working. On top of that, nonprofits spend more than \$1 trillion each year for goods and services “that create more jobs,” “attract other employers,” and otherwise have a ripple-effect throughout their communities. For instance, when you attend a play at a nonprofit community theater, you not only support the production and everyone associated with it, but you also buy new clothing, pay for parking, and go out to dinner nearby. You get the idea....

There are some important statistics in *Nonprofit Impact Matters: How America’s Charitable Nonprofits Strengthen Communities and Improve Lives*. The “typical” nonprofit is community-based and small. About 97% of nonprofits in the United States have annual budgets smaller than \$5-million. And there’s the troubling confirmation that “relatively few nonprofits” have endowments and over half have less than one month’s cash reserve. There is also an interesting chart demonstrating that “foundations couldn’t possibly replace cuts in government funding, even if they wanted to.” Referring to a current example in the news, the data show that generating revenue to replace proposed drastic cuts in the SNAP (food stamp) program would eat up “the equivalent of cashing out all the assets and forever closing the doors of the nation’s 15 largest foundations.”

### *Challenges for Impact*

This new NCN report identifies “current sector-wide challenges” including:

- Changes in tax laws on charitable deductions

- Back-door taxation of nonprofits (e.g., reducing property tax exemptions)
- Inadequate reimbursement of nonprofits for contracted costs
- Cuts in government budgets
- Attempts to “politicize nonprofits”

In elaborating on these obstacles, NCN takes the opportunity to dispel long-held misconceptions that get in the way of nonprofit impact. Most particularly, the National Council of Nonprofits goes after the destructive “overhead myth.” In no uncertain terms, NCN explains that “[o]verhead costs have no relation to an entity’s level of effectiveness or outcomes.”

The final section is a strong – and detailed – call-to-action for nonprofits, their stakeholders, and everyone else who recognizes the important role of “the extraordinary American treasure known as charitable nonprofits.”

### *Conclusion*

Using an expansive concept of “advocacy” that goes well beyond the term “lobbying,” the National Council of Nonprofits presents a compelling and optimistic path for the sector as a united front to move ahead into the future, succeeding even in the face of daunting obstacles and having an impact on the growing needs of our society.