



Condition of the Nonprofit Sector 2019



United Way
of East Central Iowa

ENGINES OF A THRIVING COMMUNITY: THE NONPROFIT SECTOR

United Way of East Central Iowa (UWECI) has been a champion of the human service sector in Eastern Iowa for over 100 years. This sector is charged with healing and helping many of our most vulnerable citizens. Nonprofit organizations funded by UWECI alone reported serving more than 80,000 individuals in 2018. The Alliance report, *A National Imperative: Joining Forces to Strengthen Human Services in America* prompted us to take a closer look at the condition of the sector here in Eastern Iowa.

The national report found several disturbing trends:

- Grant and contract funding rarely cover all direct and indirect program costs.
- Nearly one in eight human service nonprofits are technically insolvent (meaning liabilities exceed assets).
- Three in ten nonprofits have cash reserves that cover less than one month of operating expenses.
- Nearly half of nonprofits have a negative operating margin over a three-year period.¹

Similar trends are impacting Eastern Iowa.

According to the most recent available data from 2017, the United States Bureau of Labor Statistics (BLS) indicates 347 nonprofit organizations exist in the Cedar Rapids Metro Statistical Area (MSA) and those organizations employ 13,882 individuals. Expanding to the five-county service area covered by UWECI, there are 400 organizations employing 14,667 individuals.²

Throughout this assessment, nonprofit organizations will be considered as only those with 501(c)3 status. This refers to section 501(c)3 in the Internal Revenue Service (IRS) code which allows an organization to be exempt from paying income taxes if it is operated and organized strictly for the purposes allowed in the code. Further, none of a 501(c)3 organization's earnings shall benefit any private shareholder or individual and influencing legislation or campaigning for/against a political candidate shall not be a substantial portion of its activities. A distinguishing factor of organizations with this status is the federal income tax deductibility of donations.³ This means a donor can deduct his or her donation from their individual income taxes up to

a certain amount. Specifically, in the State of Iowa, the organization is also exempt from state income tax if granted by the IRS.⁴

Other statuses exist, such as 501(c)4, with different benefits and requirements, however, an overwhelming majority of nonprofit organizations are filed under 501(c)3. Public charities, private foundations, and private operating foundations are the three types of organizations that exist under the 501(c)3 status.⁵

1. Public charities are the most common type of nonprofit organization with a 501(c)3 status. One third of a public charity's donated revenue must come from a broad public support base and a governing body of unrelated individuals must be maintained. These organizations have active programs. Examples include churches, animal welfare agencies, and educational organizations.
2. Private foundations are considered non-operating and generally do not have active programs. They usually provide financial support to other programs through grants. Donation revenue may come from a narrow support base and a closely related governing body is allowed. A family foundation is an example of this structure.
3. Private operating foundations combine the active program administration of public charities with the closely held governing body of private foundations. It is the least common type of nonprofit. Examples include museums, zoos, research facilities, and libraries.

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Economic Profile

According to the National Council of Nonprofits, in 2012, approximately 77% of nonprofits throughout the United States maintained budgets under \$1 million and employed 10.3% of the American workforce.⁶ By comparison, in 2016, 86% of nonprofit organizations in Linn County maintained budgets under \$1 million⁷ and employed 10.6% of the workforce.⁸ These statistics for Linn County are similar to many other counties across the nation. In 2016, nonprofit employment represented over 10% of total private employment in almost half of all U.S. counties.⁹ By these standards, the Linn County nonprofit sector is very closely related to the national profile. This is confirmed by the 2017 location quotient of Linn County's nonprofit sector, which is 1.1 when compared to the United States.¹⁰ This means Linn County's share of nonprofit workers relative to its total workforce is just slightly greater than the national share. In other words, Linn County's total workforce is made up of a greater percentage of nonprofit workers than the U.S.

Figure 1

2017 Nonprofits & Employees by County

| County | Organizations* | Employees** |
|--------------|----------------|---------------|
| Benton | 20 | 297 |
| Iowa | 21 | 248 |
| Jones | 29 | 605 |
| Cedar | 32 | 536 |
| Linn | 298 | 12,981 |
| Total | 400 | 14,667 |

Source: Nonprofit Establishment Employment and Wage Estimates, Obtained 2019

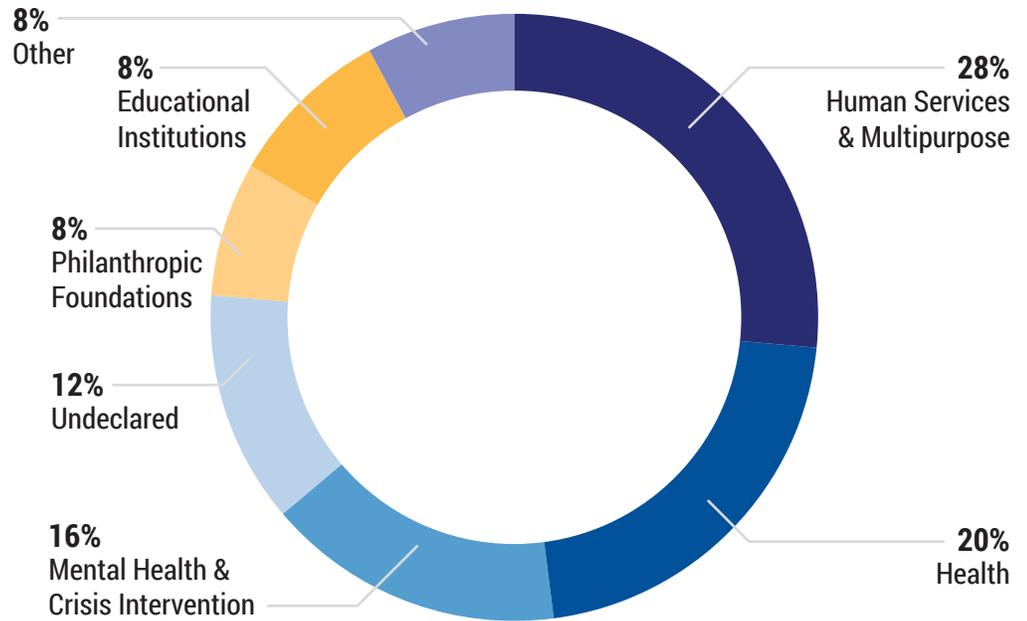
* 4-quarter avg number of establishments in 2017

** 12-month avg employment in 2017

The Cedar Rapids MSA and Linn County are the only areas broken down to more specific industries within the nonprofit sector from the data provided by the BLS. Nursing and residential care facilities account for 58 of the 347 nonprofit organizations in the Cedar Rapids MSA while arts, entertainment, and recreation account for 23. Health care and social assistance account for 164 of the 298 nonprofit organizations in Linn County while educational services account for 34.¹¹ The total number of organizations and employment in the nonprofit sector, by county, can be found in **FIGURE 1**. Linn County is home to almost 75% of all nonprofit organizations and almost 89% of all nonprofit employment in the five-county East Central Iowa (ECI) region.

Information on individual nonprofit organizations is made available to the public by the IRS. Only 501(c)3 organizations are considered in this report. Places of worship, booster and sporting clubs and unions were removed from analysis because organizations with less than four employees are not required to participate in the unemployment insurance system which inhibits the recording of key statistics.¹² Educational institutions were removed from analysis as well. The top 25 organizations in Linn County with the highest revenues to date were isolated and researched further as a representative collection of the nonprofit sector. **FIGURE 2** breaks down the different services these organizations provide. Human services – multipurpose – is the most common followed by health – general, rehabilitative – and mental health, crisis intervention.

Figure 2
Top 25 Linn County
Nonprofit Organizations
by Revenue
Service Description



Key Trends

In recent years, the number of individuals employed in the nonprofit sector increased at a substantially greater rate than the overall economy. Between 2015 and 2017, Linn County nonprofit employment increased by 6% while total employment increased by 0.2%. This trend of higher employment in the nonprofit sector, when compared to overall employment, is true for Cedar Rapids, the ECI five-county region, the state of Iowa, and the United States.

While the number of jobs in the nonprofit sector increased steadily, compensation unfortunately decreased in most instances. In Linn County, nonprofit wages dropped 3.8% between 2015 and 2017 when adjusted for inflation.¹³ This means an individual employed by a nonprofit organization was able to purchase more with his/her income in 2015 than with the income he/she made in 2017.

Figure 3
Employment & Wage Change for Nonprofit Sector & Overall Economy (2015-2017)

| Location | Nonprofit Employment % Change* | Overall Employment % Change* | Nonprofit Wage % Change** | Overall Wage % Change** |
|--------------|--------------------------------|------------------------------|---------------------------|-------------------------|
| Cedar Rapids | 5.6% | 0.2% | -3.4% | 0.4% |
| Linn County | 6.0% | 0.2% | -3.8% | 0.3% |
| Iowa | 1.3% | 0.5% | -0.6% | 0.7% |
| U.S. | 4.6% | 3.5% | 1.2% | 0.7% |

Source: (Nonprofit Establishment Employment and Wage Estimates, Obtained 2019)

* The 12-month avg employment

** Wages adjusted for inflation with January base month; Wages = total annual wages / avg annual employment

Figure 4

Nonprofit to For-Profit Wage Ratios

| | 2015* | 2017 |
|-------------|-------|------|
| Linn County | .85 | .82 |
| US | .96 | .97 |

Source: (Nonprofit Establishment Employment and Wage Estimates, Obtained 2019)

* Wages adjusted for inflation with January base month;
Wages = total annual wages / avg annual employment

This trend is reiterated when analyzing wage ratios for adjusted 2015 and 2017 wages. In 2015, individuals working in the nonprofit sector made 85 cents for every dollar made by those working in the for-profit sector throughout Linn County. This decreased to 82 cents for every dollar in 2017. These ratios are drastically different than the ratios experienced by the United States where, in 2015, nonprofit sector workers made 96 cents for every dollar made by those in the for-profit sector. This already greater ratio increased to 97 cents per dollar for 2017.¹⁴

Financial Condition and Importance to Region

Total revenue generated by nonprofits in UWECI's five-county region exceeds \$820 million and these same nonprofits report over \$1.5 billion in assets. Only 284 nonprofits reported revenue for 2018. The average was \$2.9 million with the median just \$175,000. Of those that reported revenue, 37% earned less than \$100,000.¹⁵

The nonprofit sector is resilient, showing strength while others collapsed during the 2008 financial crisis. Any recovery required was quick for nonprofit organizations while others struggled to achieve pre-recession success. U.S. job growth between 2007 and 2012 was 8.5% in the

nonprofit sector while for-profit organizations experienced a 4.1% decline. Further, between 2007 and 2016, nonprofit job growth was 16.7% while for-profit job growth was 4.6%.¹⁶ The ability for nonprofit organizations to adapt to changing market structures is the key to success. The most impactful adaptation is the embrace of commercialism/managerialism. Research indicates that the nonprofit sector is becoming much more innovative and entrepreneurial in meeting public demand for its variety of services as well as efficient and disciplined in its operations and resource development.¹⁷

This strength will be challenged with potentially large negative implications from the Federal Tax Cut and Jobs Act passed in 2017. The increased standard deduction is expected to reduce the incentive for individuals to donate tax deductible income to nonprofit organizations. As well, the increased exemption from estate taxes is expected to reduce the incentive for high net-worth individuals to form charitable foundations.¹⁸

Employment and payroll information from 2016 can be seen in **FIGURES 5 AND 6**. The nonprofit sector is in the top five for both categories in Linn County and, therefore, must be considered as a strong economic player. Policies detrimental to its success and/or lack of deserving attention are serious mistakes which should be avoided. The nonprofit sector employed a greater number of individuals in 2016 than the finance and insurance industry as well as others not listed such as professional, scientific, and technical services, accommodation and food services, and construction. Further, the nonprofit sector accounted for more payroll in 2016 than professional, scientific, and technical services as well as other industries not listed such as retail trade and construction.



Figure 5
Top 5 Linn County Industries by Employment

| Industry | Total Employment (2016) |
|-----------------------------------|-------------------------|
| Health Care and Social Assistance | 16,541 |
| Manufacturing | 16,445 |
| Retail Trade | 15,526 |
| Nonprofit | 12,981 |
| Finance and Insurance | 11,092 |

Sources: United States Census Bureau, County Business Patterns Table: CB1600A13, 2016; Nonprofit Establishment Employment and Wage Estimates, Obtained 2019

Figure 6
Top 5 Linn County Industries by Payroll

| Industry | Total Payroll (2016) (in thousands) |
|--|-------------------------------------|
| Manufacturing | \$1,346,800 |
| Finance and Insurance | \$793,213 |
| Health Care and Social Assistance | \$719,282 |
| Nonprofit | \$543,402 |
| Professional, Scientific, and Technical Services | \$429,506 |

Sources: United States Census Bureau, County Business Patterns Table: CB1600A13, 2016; Nonprofit Establishment Employment and Wage Estimates, Obtained 2019

Additional Figures

Figure 7

Top 25 Linn County Nonprofit Organizations by Revenue

| Organization | Revenue |
|--|---------------|
| St. Lukes Methodist Hospital | \$396,581,702 |
| Mercy Medical Center | \$330,527,136 |
| Four Oaks Family and Children Services | \$41,177,822 |
| Hawkeye Area Community Action Program Inc | \$33,874,701 |
| Greater Cedar Rapids Community Foundation | \$17,823,121 |
| Meth-Wick Community | \$16,626,493 |
| Stl Care Company | \$16,570,975 |
| Cottage Grove Place | \$13,559,239 |
| Abbe Center for Community Mental Health Inc | \$12,899,657 |
| Tanager Place | \$11,845,935 |
| Eastern Iowa Health Center | \$11,574,246 |
| Family Resources Inc | \$11,024,281 |
| Area Substance Abuse Council | \$10,254,721 |
| United Way of East Central Iowa | \$9,740,397 |
| Discovery Living Inc | \$8,596,120 |
| Penn Center Inc | \$7,599,265 |
| MercyCare Service Corporation | \$6,582,485 |
| Area Ambulance Authority | \$6,573,582 |
| Waypoint Services for Women, Children and Families | \$6,236,234 |
| Affordable Housing Network Inc | \$5,762,485 |
| Horizons A Family Service Alliance | \$5,118,301 |
| Cedar Rapids Medical Education Foundation | \$4,804,713 |
| The Arc of East Central Iowa | \$4,553,910 |
| Oneota Riverview Care Facility Inc | \$4,544,029 |
| Foundation 2 Inc | \$4,427,873 |

Source: (Nonprofit Establishment Employment and Wage Estimates, Obtained 2019)

Figure 8

Top 25 Linn County Nonprofit Organizations by Revenue: Human Services - Multipurpose

| Organization | Revenue |
|---|--------------|
| Four Oaks Family and Children Services | \$41,177,822 |
| Hawkeye Area Community Action Program Inc | \$33,874,701 |
| Meth-Wick Community | \$16,626,493 |
| Cottage Grove Place | \$13,559,239 |
| Discovery Living Inc | \$8,596,120 |
| Waypoint Services for Women Children and Families | \$6,236,234 |
| Horizons A Family Service Alliance | \$5,118,301 |
| Aging Services Inc | \$3,432,691 |
| IWLC | \$1,658,019 |
| Cedar Rapids Community Cancer Center Foundation | \$1,230,312 |
| The Catherine McAuley Center Inc | \$1,194,643 |
| Harvest Christian Daycare and Learning Center Inc | \$1,192,427 |
| Jane Boyd Community House | \$1,094,588 |
| Limitless Potential Inc | \$990,030 |
| Grace C Mae Advocate Center Inc | \$989,912 |
| Bridgehaven Pregnancy Support Center | \$769,292 |
| Tanager Place Endowment Foundation | \$745,083 |
| Young Parents Network Incorporated | \$664,809 |
| Matthew 25 | \$469,765 |
| FCFH Iowa Inc | \$365,727 |
| Deaf Iowans Against Abuse | \$347,469 |
| Area Payee Services | \$276,392 |
| The Freedom Foundation | \$242,671 |
| Intercultural Center of Iowa | \$202,744 |
| Families Helping Families | \$172,099 |

Source: (Nonprofit Establishment Employment and Wage Estimates, Obtained 2019)

Figure 9

Top 10 Linn County Nonprofit Organizations by Revenue: Health – General, Rehabilitative

| Organization | Revenue |
|---|---------------|
| St. Luke's Methodist Hospital | \$396,581,702 |
| Mercy Medical Center | \$330,527,136 |
| Stl Care Company | \$16,570,975 |
| Eastern Iowa Health Center | \$11,574,246 |
| Penn Center Inc | \$7,599,265 |
| St. Luke's Health Care Foundation | \$4,153,585 |
| Mercy Medical Center Endowment Foundation Inc | \$3,475,032 |
| St. Luke's Healthcare | \$1,740,376 |
| Community Health Free Clinic | \$1,552,903 |
| Spanda Inc | \$491,811 |

Source: (Nonprofit Establishment Employment and Wage Estimates, Obtained 2019)

Figure 10

Top 5 Linn County Nonprofit Organizations by Revenue: Mental Health, Crisis Intervention

| Organization | Revenue |
|---|--------------|
| Abbe Center for Community Mental Health Inc | \$12,899,657 |
| Tanager Place | \$11,845,935 |
| Area Substance Abuse Council | \$10,254,721 |
| Oneota Riverview Care Facility Inc | \$4,544,029 |
| Chatham Oaks Inc | \$4,049,659 |

Source: (Nonprofit Establishment Employment and Wage Estimates, Obtained 2019)

Foundation 2 is not listed in Figure 10 because they did not have an NTEE (National Taxonomy of Exempt Entities) Code for this category at the time the data was compiled.

Learn more about NTEE codes at nccs.urban.org/project/national-taxonomy-exempt-entities-ntee-codes.

Several UWECI's partners are not listed on page 8 or 9 due to the organizations' county of primary operation or NTEE code.

- Willis Dady Emergency Shelter: Their revenue is \$2,267,989 which is too low to be listed in the overall top 25 table (Figure 7). Their NTEE codes are not one of the three categories highlighted in Figures 8-10.
- Goodwill of the Heartland: Their location is Johnson County.
- Big Brothers Big Sisters: Their revenue is \$893,146 which is too low to be listed in the overall top 25 table (Figure 7). They do not have an NTEE Code so they are not listed in Figures 8-10.
- Kids First Law Center: Their revenue is \$586,309 which is too low to be listed in the overall top 25 table (Figure 7). Their NTEE Code is I80 "Crime, Legal-Related" which was not a subject broken down further in Figures 8-10.
- Boys and Girls Club: Their revenue is \$1,462,173 which is too low to be listed in the overall top 25 table (Figure 7). Their NTEE Code is N31 "Recreation, Sports, Leisure, Athletics" which was not a subject broken down further in Figures 8-10.



UWECI funded partners represent a significant part of the local economy. Twenty-three agencies reported over \$150 million in total revenue for the 2018 fiscal year. Nine partners are listed in **FIGURE 7** and ten partners are listed in **FIGURE 8**. Yet, there is a great diversity among the UWECI agencies with a range of annual revenue between \$85,000 and \$396 million.

Using UWECI's annual accountability review data, it is easy to see disturbing trends that mirror the concerns raised by the Alliance report. These include increases in receivables due to changes in the Medicaid payor system, decreases in defensive intervals (the number of days an organization can operate using current liquid assets), and increasing volatility in the funding environment with shifts often occurring with little warning. Financial risks have multiplied for the sector and resulted in underfunded services and critical community partners lacking necessary capacity for innovation.

However, the sector is resilient and creative. Volunteers are deployed to increase the capacity of local agencies. UWECI and UWECI partners together engage over 10,000 volunteers annually. As a result, it is unsurprising that in 2015, Cedar Rapids achieved the 7th highest volunteer rate (37.6%) among mid-size cities across the United States.¹⁹

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THE CALL TO ACTION FOR OUR COMMUNITY

In order for Eastern Iowa communities to realize their vision to be a diverse and thriving region, we must support the sustainability of this critical sector. The Alliance recommends, and UWEI agrees, on the following priorities:

- Focus on outcomes and accountability with funding that aligns with those outcomes.
- Help the human service ecosystem develop its capacity for innovation through better data sharing and analysis as well as technology and knowledge exchange.
- Create deeper partnerships and networks across the human service sector and related systems.
- Help agencies develop more robust finance and financial risk management capabilities.²⁰

CITATIONS

- ¹(Oliver Wyman, 2018)
- ²(Nonprofit Establishment Employment and Wage Estimates, Obtained 2019)
- ³(Exemption Requirements - 501(c)3 Organizations, 2019)
- ⁴(Iowa Tax Issues for Nonprofit Entities, 2019)
- ⁵(What is a 501(c)3?, 2019)
- ⁶(The Nonprofit Sector: An Economic Engine, 2019)
- ⁷(The Exempt Organization Business Master File Extract, Updated and Obtained 2019)
- ⁸(United States Census Bureau, American Community Survey 5-Year Estimate: Table DP03, 2012-2017) – nonprofit workforce percentage (10.6%) calculated by Author
- ⁹(Salamon & Newhouse, The 2019 Nonprofit Employment Report, 2019)
- ¹⁰(Nonprofit Establishment Employment and Wage Estimates, Obtained 2019) – location quotient (1.1) calculated by Author
- ¹¹(Nonprofit Establishment Employment and Wage Estimates, Obtained 2019)
- ¹²Author Note: A union employee such as an executive director, administrative assistant, or in-house attorney is not the same as a union member which works for another entity but receives benefits from the union.
- ¹³(Nonprofit Establishment Employment and Wage Estimates, Obtained 2019)
- ¹⁴(Nonprofit Establishment Employment and Wage Estimates, Obtained 2019)
- ¹⁵(The Exempt Organization Business Master File Extract, Updated and Obtained 2019)
- ¹⁶(Salamon & Newhouse, The 2019 Nonprofit Employment Report, 2019)
- ¹⁷(Salamon, The Resilient Sector Revisited: The New Challenge to Nonprofit America, 2015)
- ¹⁸(Salamon & Newhouse, The 2019 Nonprofit Employment Report, 2019)
- ¹⁹(Corporation for National & Community Service, 2019)
- ²⁰(Oliver Wyman, 2018)

We fight for the education, financial stability,
and health of every person in our community



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