

APRIL 2019

nonprofit impact

A Report on the
Nonprofit Sector
in Franklin County

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PARTNERS



INTRODUCTION

Nonprofit organizations have a direct impact on a large portion of the population in Central Ohio, both through employment and services offered. Whether through the provision of crucial services such as healthcare or housing, or by inspiring and entertaining people through arts performances, the nonprofit sector makes a difference to many of those who live here in the region. More than this, local nonprofits also have a substantial and positive economic impact on Central Ohio.

Franklin County accounts for more than one in ten tax-exempt organizations in Ohio and employs a significant percentage of the state's nonprofit workforce. In addition, there are numerous private foundations in Franklin County that provide key support to residents.

This report describes the current state of the nonprofit sector in Central Ohio as well as trend data from 2007 and 2011 that provides a snapshot of how the nonprofit world has changed in recent years. Data from 2007 is included to show the state of nonprofits prior to the Great Recession; 2011 represents the beginning of the recovery; and by 2015 employment and wages were beginning to improve substantially. Throughout the report are quotes from local nonprofit leaders that provide insights into the human impacts as well as the challenges of the area's nonprofit work.

In addition to the nonprofit sector as a whole, the analysis also looks at two key subsectors of nonprofits, human service and arts organizations. This report considers the well-being of these two subsectors in comparison to the broader sector, and two companion documents, for human service and arts organizations respectively, provide more detailed summaries about each subsector.

- **Franklin County's nonprofit sector has grown more quickly than the sector has across the rest of Ohio.**
- **The human service subsector is very large, representing nearly 70% of Franklin County nonprofits, while the arts organizations compose just 8% of nonprofits in the County.**
- **Assets of Franklin County's nonprofits have been steadily climbing, increasing by 70% between 2007 and 2015.**
- **Program revenues make up the majority of funding for the nonprofit sector, and nearly 80% of revenues for human service organizations. Arts organizations, on the other hand, receive over half of their revenues from contributions.**
- **Health-related nonprofits in Franklin County have revenues and assets far ahead of other organization types, while education nonprofits are the most numerous in the county.**
- **The nonprofit sector is one of the largest employment sectors in Franklin County, providing over 75,000 jobs.**

ABOUT THE DATA

The Urban Institute's National Center for Charitable Statistics (NCCS) collects Form 990 filings by nonprofit organizations from the IRS Business Master Files (BMF) several times per year. For year-over-year comparisons of total nonprofit organizations in Ohio and Franklin County, IRS BMF data from the month of September were used as this was the only month available for each of the years analyzed.

The NCCS Core Files are the primary data source used for this analysis. NCCS cleans and combines multiple IRS datasets to produce the Core Files, which present a robust financial picture of the nonprofit organizations that are included. It is important to note that only organizations that are required to file IRS Form 990, a subset of all charitable organizations, are included in the Core Files. As of the date that this analysis was prepared, the latest year for which the NCCS Core Files were available was 2015.

To best reflect the diversity of nonprofits providing direct service support to Franklin County residents and to represent the membership of the Human Service Chamber, a more expansive definition of human service organization was used than is included in the National Taxation of Exempt Entities (NTEE) definition for the human service subsector. For this report the human service subsector comprises the following NTEE organization types: Education; Health; Mental Health, Crisis Intervention; Diseases, Disorders, Medical Disciplines; Crime, Legal Related; Employment, Job Related; Food, Agriculture, and Nutrition; Housing, Shelter; Recreation, Sports, Leisure, Athletics; Youth Development; Human Services – Multiple and Other; International, Foreign Affairs, and National Security; Civil Rights, Social Action, Advocacy; Public, Society Benefit – Multipurpose and Other.

The Bureau of Labor Statistics produces research on employment and wages of the nonprofit sector using data from the Quarterly Census of Employment and Wages (QCEW) on an intermittent basis as funding is available. The most recent research (2016) includes national-, state-, and certain county-level data, including Franklin County. This research dataset was combined with other QCEW data to analyze Franklin County's nonprofit sector employment and wages.

FRANKLIN COUNTY

Franklin County's 7,013 total nonprofit organizations accounted for 11.3% of the state total in 2007. By 2015, the County had gained over 1,000 nonprofits and accounted for 12.8% of the statewide total.

Franklin County has a population of nearly 1.3 million, accounting for more than 10% of Ohio's statewide population. As with population, the nonprofit sector in Franklin County has grown overall and as a share of the rest of Ohio over the past decade. Franklin County's 7,013 total nonprofit organizations accounted for 11.3% of the state total in 2007; by 2015, the County had gained over 1,000 nonprofits and accounted for 12.8% of the statewide total. When looking at charitable organizations required to file annual tax returns with the IRS, organizations on which this report is focused (see About the Data), the concentration in Franklin County is even greater, increasing from 13.1% in 2007 to 14.3% in 2015.

TABLE 1: OHIO AND FRANKLIN COUNTY NONPROFIT ORGANIZATIONS

	2007		2011		2015	
	Franklin County	Ohio	Franklin County	Ohio	Franklin County	Ohio
Public Charities (PC)	4,547	36,405	4,615	38,392	5,038	40,290
990 Filing PCs	1,850	14,107	2,075	15,102	2,294	16,084
Private Foundations	327	4,046	357	3,986	376	3,761
Other Nonprofit Orgs.	2,139	21,574	2,404	19,903	2,619	18,574
TOTAL	7,013	62,025	7,376	62,281	8,033	62,625

Source: National Center for Charitable Statistics (NCCS) IRS Business Master Files; NCCS Core Files

From 2007 to 2015, the number of human service nonprofits in Franklin County increased by nearly 300 and remained consistent as a share of all Franklin County nonprofits at about 69%. Over that same period, the number of arts organizations increased marginally, and they decreased as a share of all Franklin County nonprofits from 8.8% to 7.8%. As with the rest of the nonprofit sector, Franklin County's human service subsector grew more quickly than the rest of the state, going from 13.5% of the state total in 2007 to 14.8% in 2015. Conversely, arts organizations decreased slightly as a share of the state total during that period, going from 11.9% to 11.4%.

TABLE 2: OHIO AND FRANKLIN COUNTY NONPROFIT SUBSECTORS 990 FILING ORGANIZATIONS ONLY

	2007		2011		2015	
	Franklin County	Ohio	Franklin County	Ohio	Franklin County	Ohio
Human Service	1,280	9,488	1,420	10,142	1,575	10,671
Arts	163	1,372	173	1,475	180	1,582
Other Nonprofit Orgs.	407	3,247	482	3,485	539	3,831
TOTAL 990 Filing PCs	1,850	14,107	2,075	15,102	2,294	16,084

Source: NCCS Core Files

“Nonprofits like us only work in silos.”

The faster growth of nonprofits in Franklin County compared to the rest of the state is indicative of Central Ohio’s broader prosperity in recent years, even as most other areas of the state face shrinking economic and population bases. Such growth, however, does not come without challenges, one of which is the potential for a more fragmented sector.

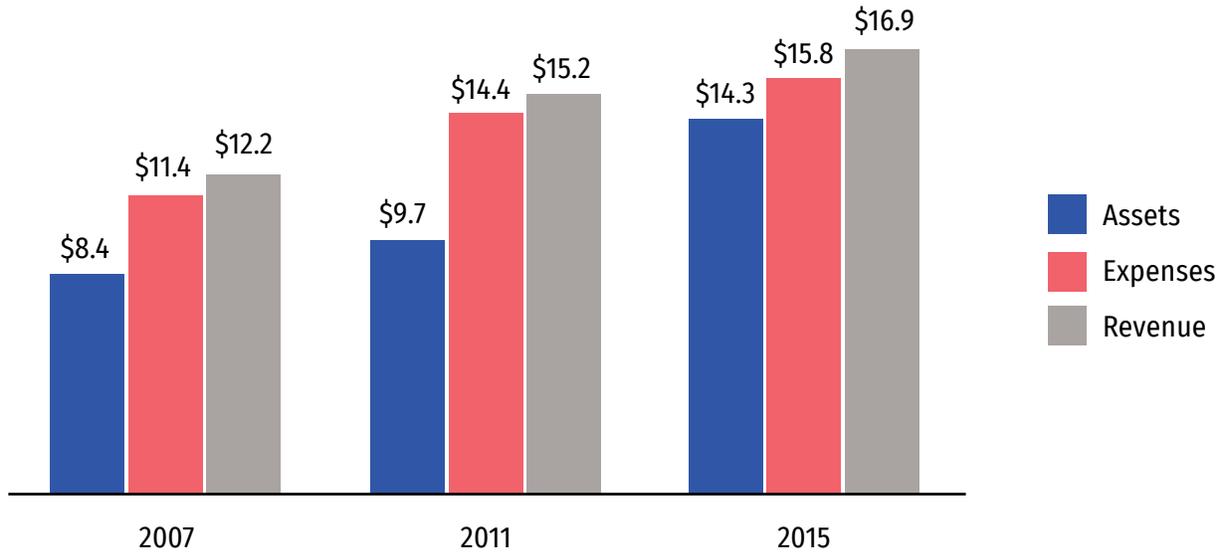
Many local organizations feel isolated from one another and do not share goals. The organization leader who shared this also said they believe nonprofit leaders have a “scarcity mindset”: meaning these leaders assume resources are meager and insufficient for nonprofits to work collaboratively. This lack of collaborative work results in constant competition for the same pool of resources (funding, employees, etc.), which can lead to swings in financial security for small nonprofit organizations. Building on this contextual framework, the following section summarizes how these factors have influenced revenue, expenses, and assets since 2007.

NONPROFIT ASSETS, EXPENSES, AND REVENUES

Since 2007, net assets of charitable nonprofits have risen substantially, from a total of \$8.4 billion in 2007 to \$14.3 billion in 2015, an increase of 70%. While assets are not necessarily a good indicator of the financial wellbeing of a single nonprofit, the nearly 7% annual growth in assets of the sector as a whole suggests increasing financial stability, especially since the end of the Great Recession.

Expenses and revenues have increased steadily as well, growing by \$4.4 and \$4.8 billion respectively from 2007 to 2015. Both grew at a rate of just over 4% annually, and the margin between revenues and expenses expanded from \$782 million in 2007 to over \$1.1 billion in 2015.

FIGURE 1: TOTAL ASSETS, EXPENSES, AND REVENUES OF REPORTING NONPROFITS
in billions



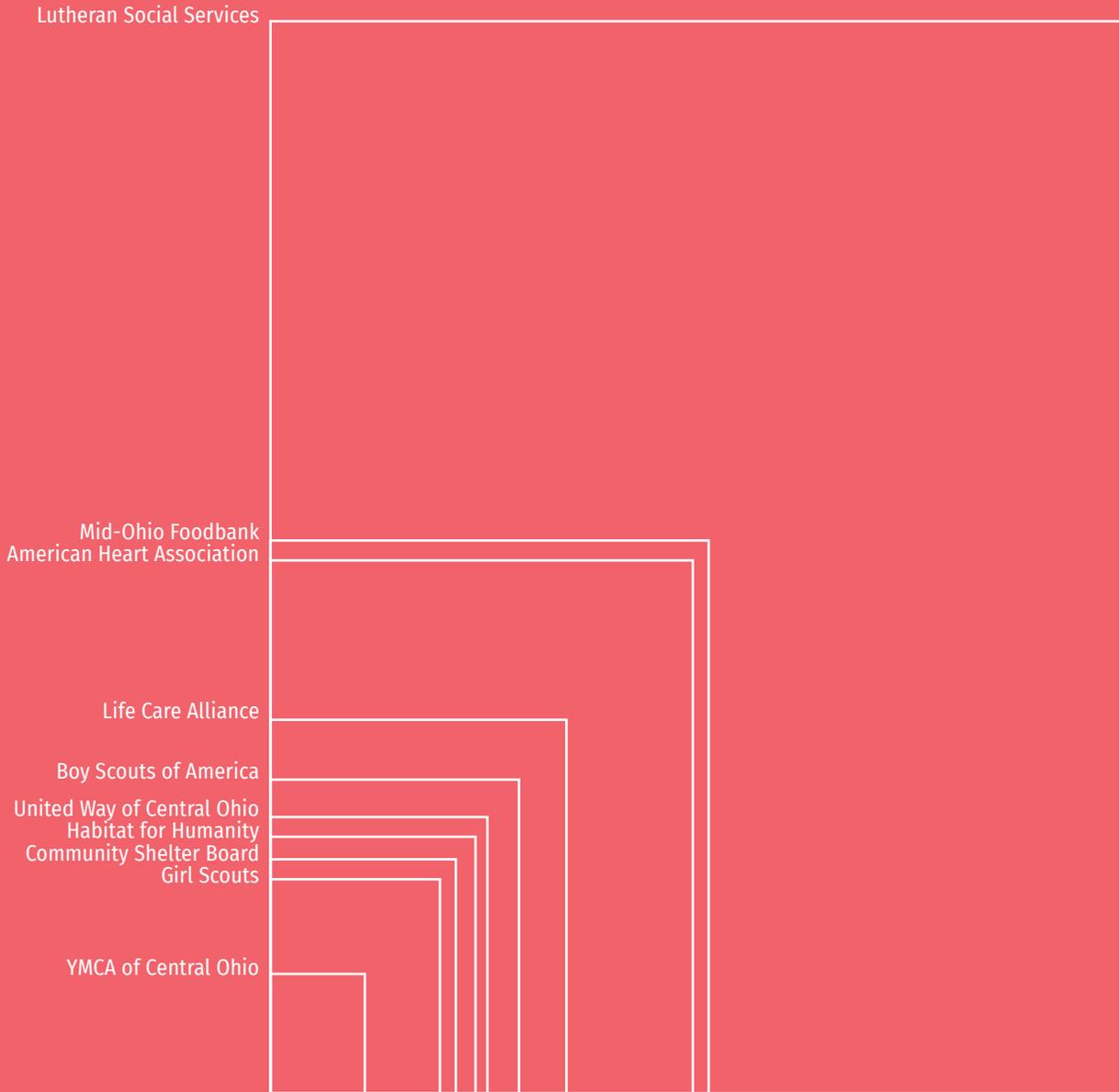
Source: NCCS Core Files

As overall revenues for Franklin County's nonprofit sector has steadily increased since 2007, the sources of revenues have remained generally steady. Program revenue (including dues revenue), in particular, consistently accounted for 53% to 56% of nonprofit revenues across the three years. Contributions did grow from 38% of revenues in 2007 to 42% in 2011, an increase of almost \$2 billion, followed by a decrease of \$0.2 billion to 36% of revenues in 2015. However, other revenue sources more than made up for reduced contributions, growing by nearly \$0.6 billion from 2011 to 2015. Other revenue sources include income from investments, sales of securities and other assets, rent, special events, and other sources.

The varying in revenue mixes seen among different organization types highlights the diversity of business models across the nonprofit sector. Overall, human service nonprofits saw steady increases in revenues across revenue types, and general consistency in revenue mix from 2007-2015. They received nearly 80% of revenues from program sources, a number that remained consistent from 2007 to 2015. Contributions increased slightly as a percent, from 11.7% in 2007 to 14.3% in 2015, while other revenue sources decreased slightly from 9.4% to 7.5%.

Arts organizations experienced much more fluctuation in overall revenue and revenue mix during and after the Great Recession. From 2007 to 2011, revenues at arts nonprofits actually decreased by \$16 million, followed by an increase in revenues of \$39 million from 2011 to 2015, resulting in a net increase of \$23 million. Unlike other types of nonprofits, arts organizations rely on contributions for more than half of total revenues. Contributions dropped by over \$13 million in total dollars and as a share of revenues (58.8% to 55.7%) from 2007 to 2011, then increased by nearly \$33 million in 2015 to account for 62.2% of revenues.

SNAPSHOT: NONPROFIT ORGANIZATIONS BY NUMBER OF VOLUNTEERS IN 2017



See Table 3 on page 13 for detailed figures.

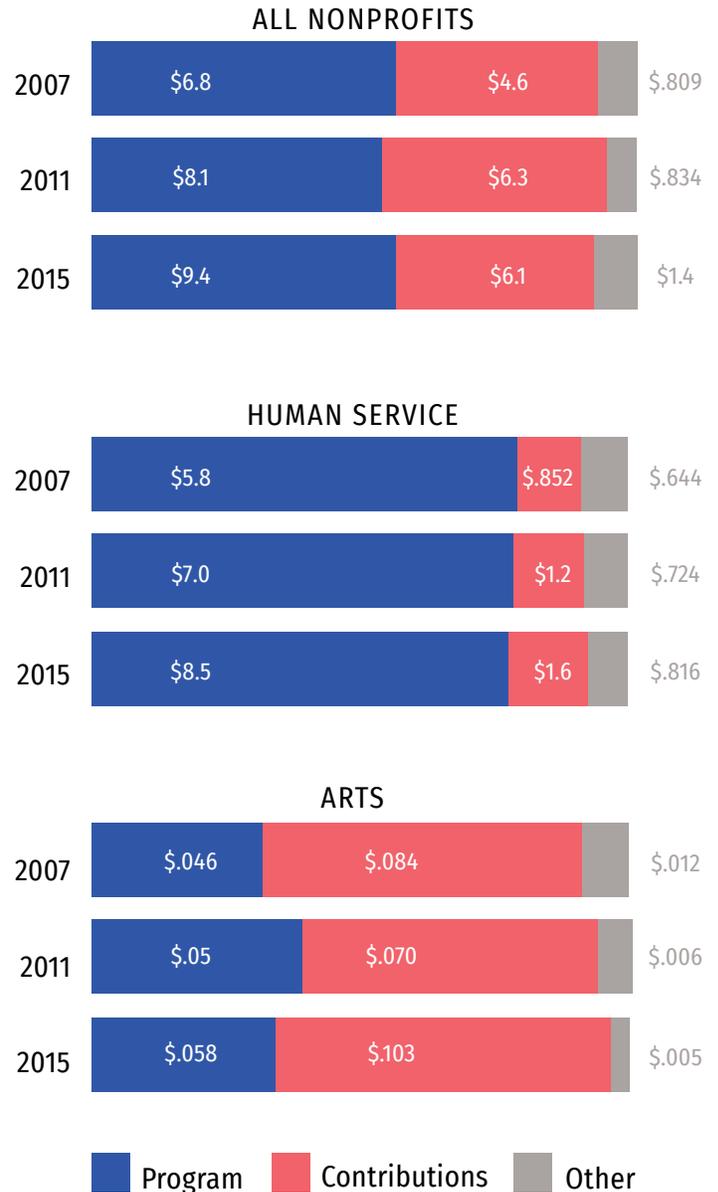
The volatility in revenues for arts nonprofits is likely due, in part, to their reliance on contributions and the recession's impact on the willingness and ability of individual and organizational donors to maintain contributions at prior years' levels. This is supported by the strong rebound in contributions in more recent years, corresponding to the economic recovery. The small size of the arts subsector also likely contributes to revenue volatility. Large increases or decreases at a single organization could have an outsized impact on the entire subsector. The opposite is the case for the human service subsector – it consists of many organizations, including a few very large nonprofits, which lends to stability in revenues. Aside from the very large organizations, most human service nonprofits are also small organizations that may be prone to revenue volatility. The growth and stability of different sized nonprofits is discussed in greater detail below.

“Donor contributions are not enough: how do we learn how to be a business and run a business while still being a nonprofit and making sure we serve the people we need to serve well?”

In spite of sector-wide revenue growth, several leaders emphasized the need for nonprofits to diversify their revenue streams and run more like businesses. The nonprofit leader quoted above said their organization operates as a social enterprise with leadership focused on business strategy and growth. They believe this business model is essential for the organization to operate sustainably and serve more people.

The distribution of nonprofits by size, calculated here by total expenses, in Franklin County has remained remarkably consistent. In 2007 about 38% of nonprofits had expenses less than

**FIGURE 2:
NONPROFIT REVENUES BY TYPE**
in billions



Source: NCCS Core Files

\$100,000 per year, while only 4% had expenses greater than \$4 million. In 2011 and 2015, those percentages have remained nearly identical with 41% (2011) and 40% (2015) very small nonprofits and 4% very large in both years. The interim size groupings were equally similar across all three years. Figure 3 shows a full breakdown of the size of area nonprofits based on 2015 full year expenses.

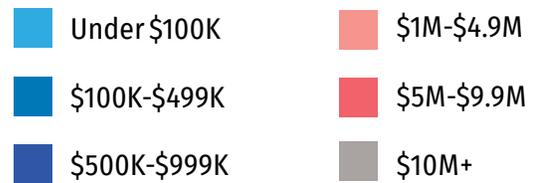
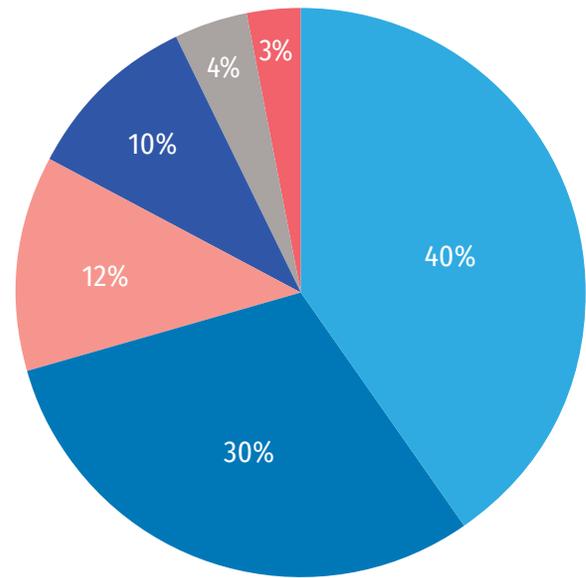
For nonprofits of all sizes in Franklin County, revenues in 2015 continued to exceed expenses, a sign of financial sustainability. However, for three size groups, increases in expenses outpaced growth in revenues from 2007 to 2015. This is a trend that should be watched, as it could indicate challenges for the sector should it continue.

Although the mix of nonprofits by size remains consistent, the growth of the sector has not been evenly distributed. The largest organizations (over \$10 million in expenses) saw assets grow by 8% per year from 2007 to 2015, while assets for all other size groups grew by less than 5%. This resulted in an increased concentration of assets among the largest nonprofit organizations; the percent of sector-wide assets held by the largest nonprofits increased from 75% in 2007 to 82% in 2015, and the share of total assets shrank for all other size groups.

That the largest nonprofits grew assets more quickly than their smaller counterparts is neither concerning nor surprising, as very large nonprofits generally devote significant resources to development and asset management. The sub-5% growth rate of assets for the rest of the sector does represent a concern, as many organizations struggle to keep pace with the rest of the economy and build financial resilience. It is important to note that some of Franklin County's largest nonprofits maintain significant endowed assets, which account for much of this growth. Some of these organizations, such as the United Way of Central Ohio and The Columbus Foundation, are also funders of many smaller nonprofit organizations in Central Ohio, and thus some of the concentration of funds at the top of the sector is redistributed through their grantmaking.

Health-related nonprofit organizations are the most economically influential in Franklin County, with a total of \$7.4 billion in revenue and nearly \$8 billion in assets (Table 2). Two other categories, science/technology-, and education-related nonprofits each brought in total revenues of more than \$1 billion in 2015 as well. Each of these categories has a small number of very large organizations that account for an outsized share of total revenues and assets. On average, health-

FIGURE 3: SIZE OF FRANKLIN COUNTY NONPROFITS BY EXPENSE LEVEL, 2015



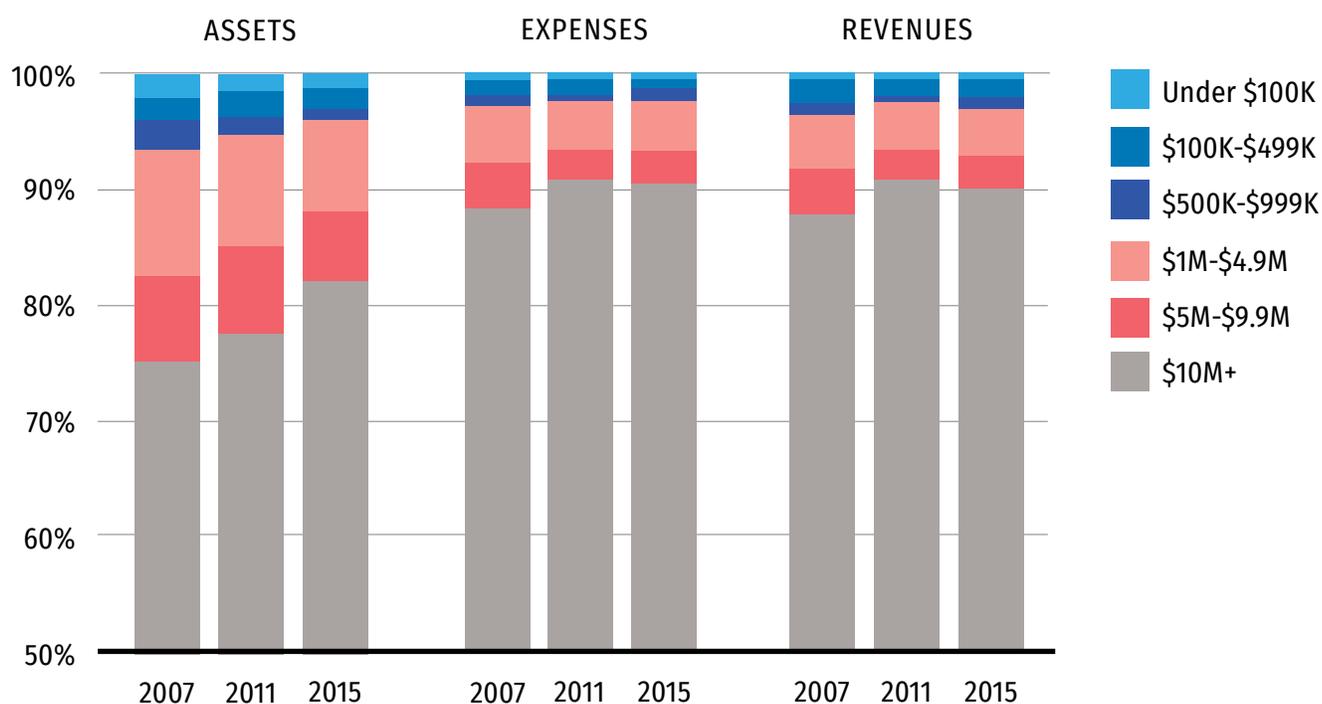
Source: NCCS Core Files

related nonprofits have the highest revenues of any organization type as well, with a median of \$500 thousand, while the average science/technology- and education-related nonprofits are much smaller, each with median revenues under \$150 thousand.

Three categories had total assets in excess of \$1 billion: health, education, and philanthropy. In fact, organizations in these three categories, for which it is common to maintain and grow significant endowed assets, represented 83% of total assets held by Franklin County nonprofits.

Education and housing/shelter nonprofits, were the two most numerous categories. While housing/shelter as a category had far lower revenues and assets in 2015 than did education nonprofits, the median revenue for housing/shelter organizations was more than twice that of education organizations.

FIGURE 4: CHANGE IN ASSETS, EXPENSES, AND REVENUES FOR NONPROFITS BY EXPENSE LEVEL



Source: NCCS Core Files

**TABLE 2:
TOP TEN NONPROFITS BY TOTAL REVENUE, 2015
in billions**

Type of Organization	Count	Total Revenue	Total Assets	Median Revenue	Median Assets
Health	117	\$7.4B	\$7.8B	\$500k	\$384k
Science and Technology Research Institutes, Services	14	\$4.8B	\$0.4B	\$107k	\$241k
Education	373	\$1.5B	\$2.1B	\$139k	\$56k
Human Services - Multipurpose and Other	273	\$0.8B	\$0.5B	\$278k	\$81k
Community Improvement, Capacity Building	138	\$0.6B	\$0.2B	\$124k	\$91k
Housing, Shelter	314	\$0.4B	\$0.3B	\$351k	-\$48k
Philanthropy, Voluntarism, and Grantmaking Foundations	107	\$0.3B	\$1.9B	\$153k	\$788k
Mental Health, Crisis Intervention	54	\$0.2B	\$0.1B	\$368k	\$185k
Arts, Culture, and Humanities	180	\$0.2B	\$0.3B	\$106k	\$68k
Food, Agriculture, and Nutrition	22	\$0.1B	\$0.1B	\$138k	\$115k
NONPROFIT SECTOR TOTAL	2,294	\$16.9B	\$14.3B	\$177k	\$63k

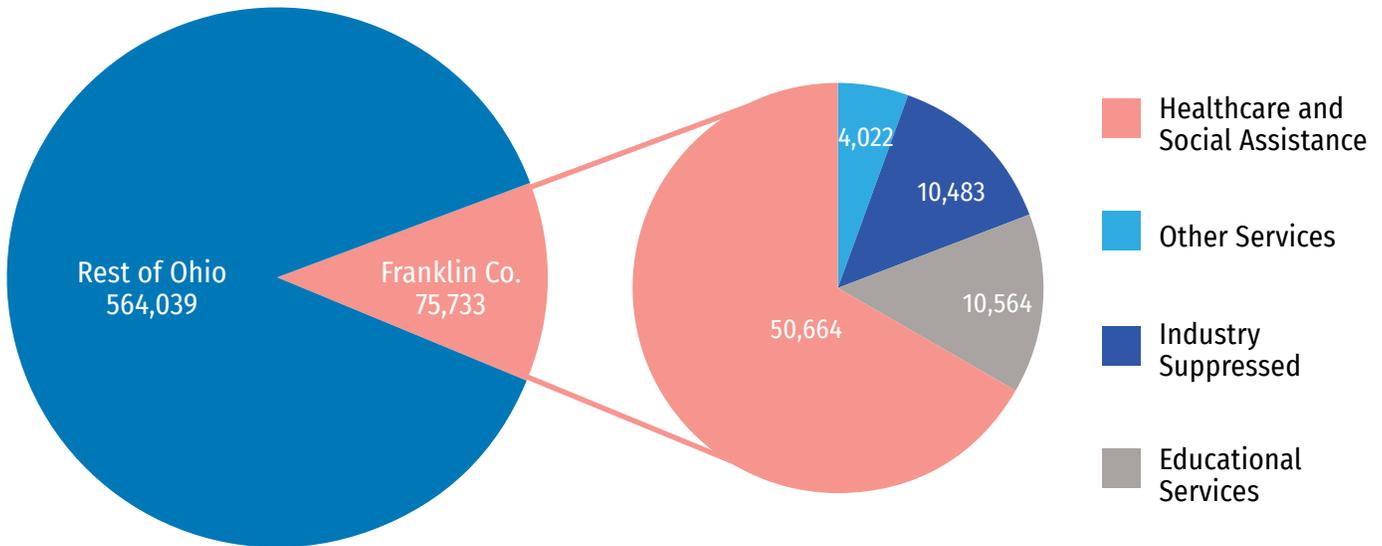
“Fundraising is a challenge...every nonprofit is competing for all the same sets of money.”

While collaboration in the nonprofit sector is often desirable and leaders unanimously said they benefit from partnerships, ultimately the competition for funding among nonprofits is a challenge. Sources of funding include large foundations, corporate donors, public agencies, and individuals. While substantial funds are gifted to nonprofits, in the Central Ohio economy over eight thousand public charities compete for finite resources.

EMPLOYMENT AND WAGES BY SECTOR

The nonprofit sector is a large employer in Franklin County, employing over 75,000 people in 2016. In fact, over 13% of all nonprofit jobs in Ohio were located in Franklin County (Figure 5). Those 75,000 people also accounted for about one in ten jobs in Franklin County.

**FIGURE 5:
SHARE OF OHIO’S NONPROFIT JOBS IN FRANKLIN COUNTY AND
NONPROFIT JOBS BY INDUSTRY FOR FRANKLIN COUNTY, 2016**



Source: Bureau of Labor Statistics

The data shown in Figures 6-8 provide context about employment in the nonprofit sector compared to other sectors in Franklin County. Due to suppression of certain industries in the nonprofit employment dataset (Figure 5) it is not possible to remove the nonprofit sector employment from the other industries shown in the figures below. Thus, the nonprofit sector employment is duplicative of employment in the other industries and cannot be directly compared. Despite this limitation, this data does provide insight into the scale of employment and wages in Franklin County’s nonprofit sector in relation to other industries.



volunteers



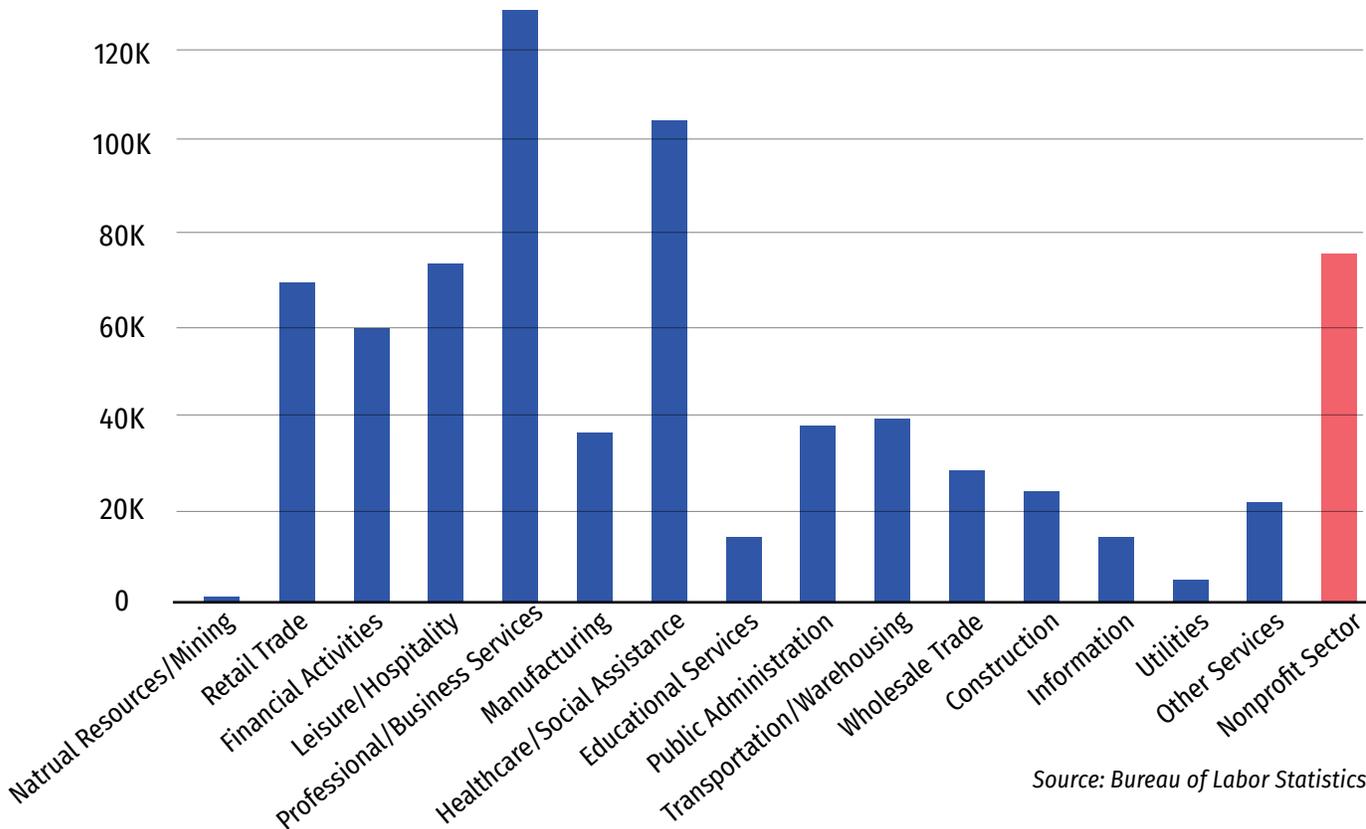
change



lives

Employing over 75,000 people in 2016, the nonprofit sector is one of the largest in Franklin County, comparable in size to the retail trade and leisure/hospitality industries. Among the three industries for which nonprofit jobs are specifically identified, nonprofit organizations account for a significant proportion of each industry’s total employment: educational services (76%), healthcare/social assistance (48%), and other services (18%). Statewide, one in four nonprofits employ people in human service-related fields, 12% do work in arts and culture, and 10% provide health care or mental health support.

**FIGURE 6:
EMPLOYMENT IN FRANKLIN COUNTY BY SECTOR, 2016**



Looking at total wages, nonprofit organizations are again among the largest sectors in Franklin County. In 2016, Franklin County nonprofit organizations paid employees nearly \$3.8 billion in total wages. Total wages do not always align with employment as some sectors such as financial activities, professional/business services, and utilities pay employees higher wages on average than sectors such as retail trade and leisure/hospitality. On a per employee basis, Franklin County’s nonprofit sector falls in the bottom third of wages, with annual average wages of just under \$50,000.

Given Franklin County’s competitive employment market, the ability to attract and retain talented staff is a key concern of nonprofit organizations. Nonprofit leaders who spoke with Thoughtwell noted that, although there are a lot of nonprofit employees in Franklin County, applicants do not always have the needed skills and background. One leader noted: “Being able to attract and retain a qualified workforce. The pool of available talent in Franklin County is very shallow.”

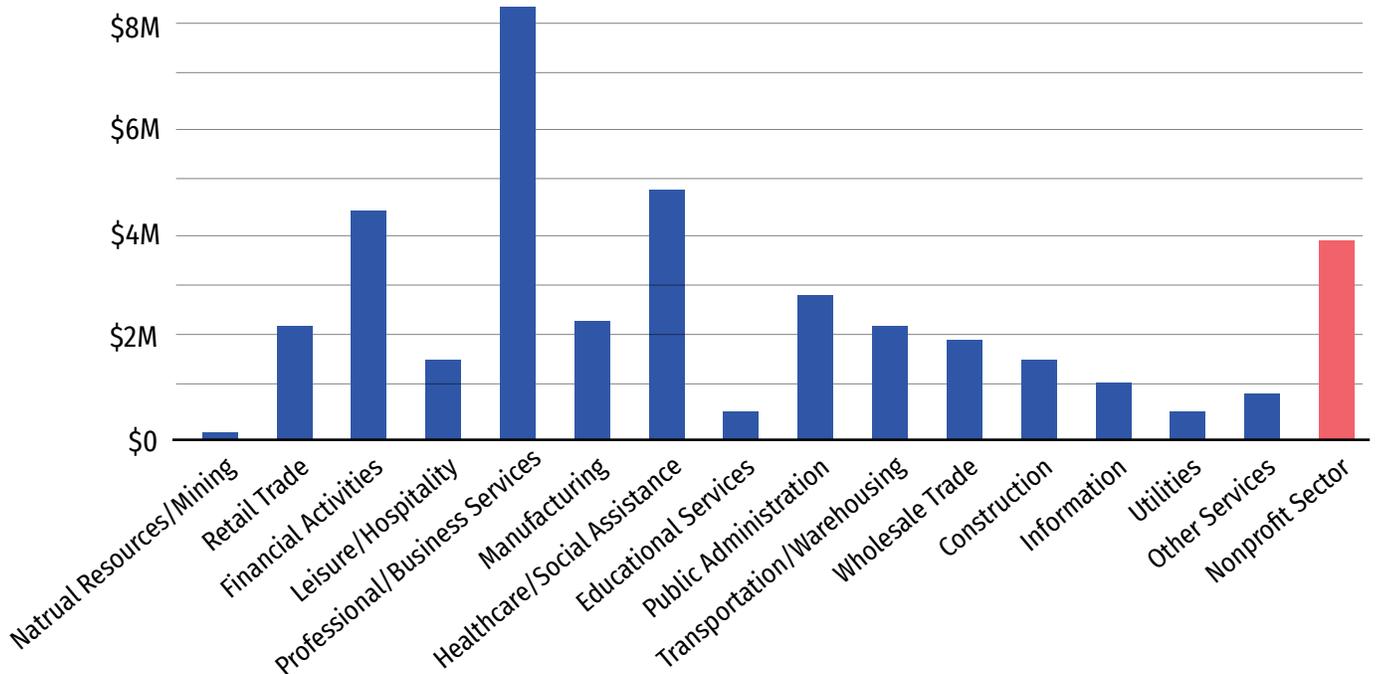
Source: Ohio Nonprofit Sector Report, Ohio Association of Nonprofit Organizations. Data are from 2013.

“Being able to attract and retain a qualified workforce. The pool of available talent in Franklin County is very shallow.”

The leader of a health organization echoed this concern, as they require a skilled and specialized workforce. The need for a specialized workforce makes recruiting for many nonprofit jobs more difficult because nonprofit organizations cannot always compete with for-profit businesses in terms of salary and benefits. This reality means that nonprofit leaders often struggle to find skilled workers to meet their employment gaps.

Volunteers are another important backbone partner of Franklin County nonprofits. In 2017 Lutheran Social Services alone had assistance from 40,000 volunteers, and two other organizations had more than 10,000 volunteers.

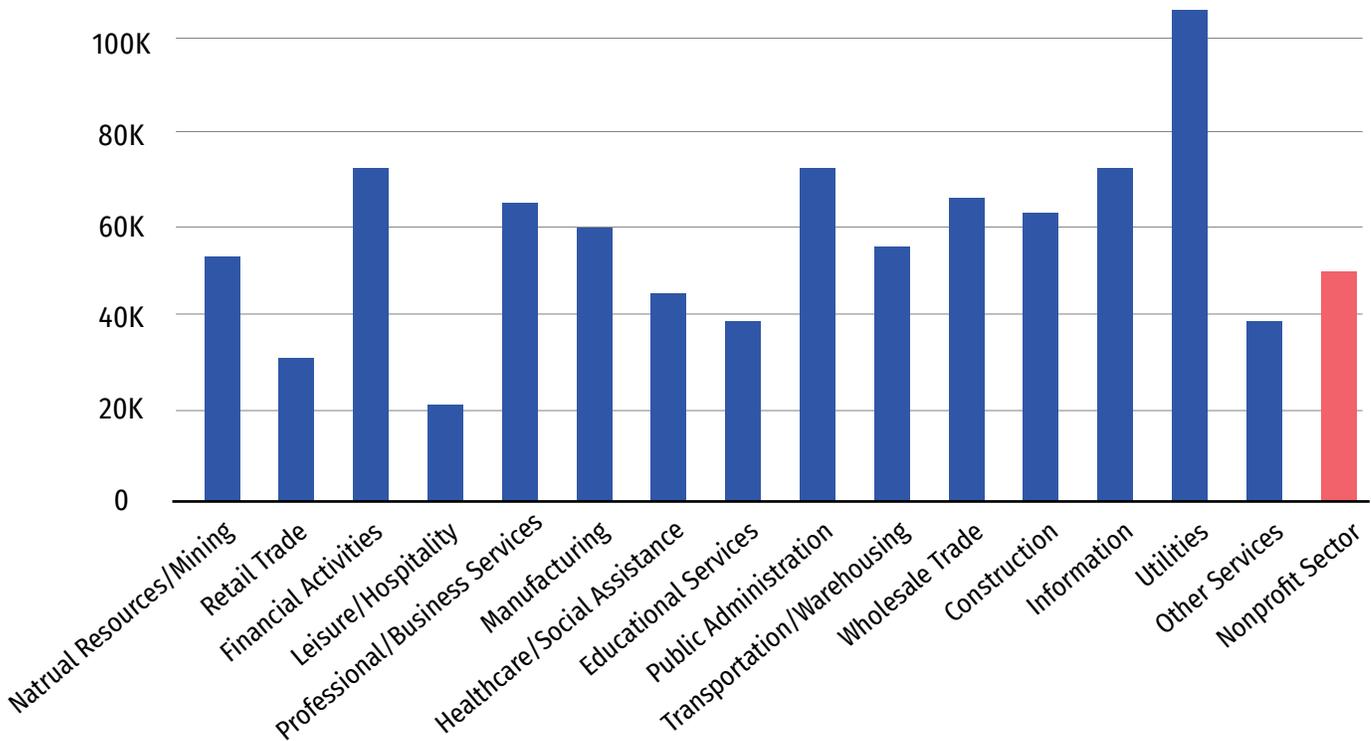
**FIGURE 7:
TOTAL ANNUAL WAGES (IN THOUSANDS) IN
FRANKLIN COUNTY BY SECTOR, 2016**



Source: Bureau of Labor Statistics

**FIGURE 8:
ANNUAL WAGES PER EMPLOYEE IN FRANKLIN
COUNTY BY SECTOR, 2016**

Source: Bureau of Labor Statistics



**TABLE 3:
TOP TEN NONPROFITS, BASED ON NUMBER OF VOLUNTEERS, 2017**

Organization	Number of volunteers
Lutheran Social Services	40,000
Mid-Ohio Foodbank	11,203
American Heart Association, Central Ohio	10,800
Lifecare Alliance	7,600
Boy Scouts of America - Simon Kenton Council	6,347
United Way of Central Ohio	5,624
Habitat for Humanity - MidOhio	5,294
Community Shelter Board	4,800
Girl Scouts of Ohio Heartland Council	4,357
YMCA of Central Ohio	2,625

Source: Columbus Business First

CONCLUSIONS

In recent years, the nonprofit sector has benefited from the general economic growth experienced throughout the country, growth which has been especially strong in Franklin County. The growth of sector-wide assets points to more stability, and comparable increases in expenses and revenue since 2007 indicate sustainable increases in service offerings to the local community. Human service nonprofits as a subsector weathered the Great Recession well, while arts organizations were particularly hard hit but have seen a strong recovery since 2011.

Perhaps unsurprisingly, the strongest growth occurred among the County's largest nonprofit organizations. Much like the private sector, large organizations dominate the nonprofit sector economically, but the vast majority of Franklin County nonprofits are small organizations. These small nonprofits provide the bulk of employment in the sector and deliver a diverse range of services to the Franklin County community and beyond. To continue the success Franklin County's nonprofit sector has experienced over the past decade, it is important to ensure an environment exists where organizations across the size spectrum can survive and thrive.

With over \$14 billion in assets and nearly \$17 billion in revenues in 2015, and employment of over 75,000 people (2016), there is no question that the nonprofit sector is a key economic driver in Franklin County. Yet, Central Ohio's flourishing economy has resulted in a tight labor market where employers must compete for top-level talent. The need for specialized skillsets and average wages lower than most other sectors presents an ongoing challenge for area nonprofits to attract and retain the staff they need. Going forward, Franklin County nonprofits will need to consider ways to offer higher wages, modern and flexible work options, and robust benefits to compete with their public and private sector peers.

“We believe that the kind of changes our community needs are only going to come about through creative thinking, and we need to play a significant role in developing the thinkers.”

When speaking with local leaders, in addition to mentioning the direct impact of their organizations and some of the challenges to service provision, several leaders mentioned the need to be nimble and creative to continue having a broad impact. One leader said: “We believe that the kind of changes our community needs are only going to come about through creative thinking, and we need to play a significant role in developing the thinkers.”

Franklin County is resource-rich both in terms of the public charities and private foundations it houses. The sector is supported by a robust and talented workforce, and a vast number of volunteers who work to support nonprofit organizations annually. With a continued focus on creatively addressing workforce gaps and service needs the sector will continue to promote well-being in Franklin County and throughout Central Ohio.

