Understanding the Nonprofit Landscape in Northwest Ohio

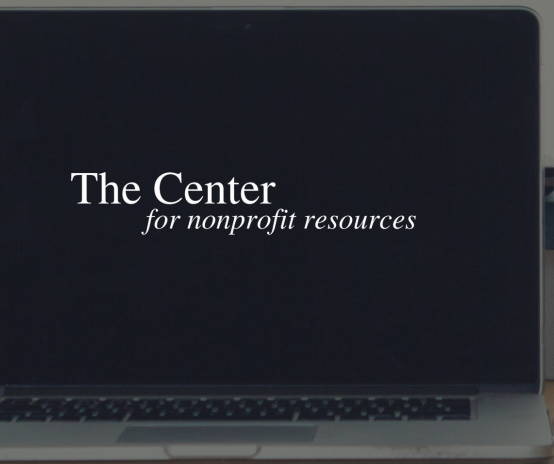Heather Bradley, Director
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The Center
for nonprofit resources

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Executive Summary

The Center for Nonprofit Resources ("The Center") was established in 2002 with the mission to ensure nonprofit organizations in northwest Ohio and southeast Michigan have the information and resources required to operate in an efficient and effective manner.

In 2018, The Center identified the need to better understand the nonprofit landscape in northwest Ohio and southeast Michigan (Toledo Community Foundation's service area). The research was conducted from January 2018 through June 2019.

Research Goals

1. Understand the nonprofit landscape in northwest Ohio.

2. Identify data to use for analyses that is publicly available and not subject to potential changes in tax laws.

3. Develop a methodology to establish a data baseline(s) for the target community that allows for replication and comparison on a periodic basis.

4. Develop a methodology to generate a profile of a sub-sector of the nonprofit community committed to a specific issue/area.

Summary

From this research, The Center for Nonprofit Resources developed a reliable, data-driven method to measure and understand the local nonprofit landscape. The establishment of baseline metrics allows for replication of the analysis over time to identify and understand changes and trends. Further, The Center has gained the ability to generate sub-sector metrics requested by local funders or leaders of initiatives to gain an understanding of the use of current community resources focused on one issue/area.

Next Steps

The Center plans to continue the research, building on the findings by developing new practical applications. Next steps include:

1. Scale the production of nonprofit profiles with the development and implementation of an automated system.

2. Explore the opportunity to monetize the production of nonprofit profiles to assist local, regional and national organizations and communities to examine their nonprofit landscape.

3. Continue the research in Phase III to develop *Key Indicators* for individual 501(c)3 nonprofit organizations.

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Background

The Center for Nonprofit Resources ("The Center") was established in 2002 as a result of a study commissioned by the United Way of Greater Toledo and the Toledo Community Foundation. Its mission is to ensure 501(c)3 nonprofit organizations in northwest Ohio and southeast Michigan have the information and resources required to operate in an efficient and effective manner.

Since its launch, The Center has undergone three distinct evolutions in its history. This has included the initial program years (2002- 2006); the years in which programming was driven by a federal grant (2007- 2011); and the present era started in January 2012 and defined by the end of the federal grant, creating the need to create a new business and service delivery model. In 2018, the need to better understand the nonprofit landscape was identified as a priority. This clarity became even more imperative as The Center entered a fourth evolution in July 2019, with funding from the United Way of Greater Toledo discontinued effective June 30, 2019. Revenue from United Way represented approximately 36% of the operating budget.

Research Purpose

In 2018, The Center for Nonprofit Resources identified the need to better understand the nonprofit landscape in northwest Ohio and southeast Michigan (Toledo Community Foundation's service area). An initiative was launched for the purpose of shifting the community dialogue regarding the state of the local nonprofit landscape beyond anecdotal evidence to a data-driven conversation. Practically, the findings would inform the strategic planning process to develop a sustainable business model for The Center given changing funding conditions.

Research Goals

1. Understand the nonprofit landscape in northwest Ohio.

2. Identify data to use for analyses that is publicly available and not subject to potential changes in tax laws.

3. Develop a methodology to establish a data baseline(s) for the target community that allows for replication and comparison on a periodic basis.

4. Develop a methodology to generate a profile of a sub-sector of the nonprofit community committed to a specific issue/area.

Data Source

Researchers at The Center selected data provider TaxExemptWorld.com after verifying the original data source to be publicly available data published by the Internal Revenue Service. The data set analyzed included 501(c)3 nonprofit organizations registered in the Toledo Metro area. This area is defined by TaxExemptWorld.com to include Lucas, Wood and Fulton counties. The data set analyzed was as of 03-28-18.

The service footprint for The Center extends beyond the three counties identified; however, almost all service requests are generated from nonprofits based in the Metro Toledo area.

Data for 501(c)3 organizations is available at no charge from the Internal Revenue Service website. A data set for the State of Ohio was purchased and downloaded from this source. It was determined that the target data could be extracted and manually manipulated to the same format available from TaxExemptWorld.com; however, the labor required to generate the same end result and the risk of manual error did not offset the cost of purchasing the download for the segmented data.

The analysis was conducted in multiple phases.
- Phase I (January 2018 through June 2018)
- Phase II (July 2018 through August 2018)
- Pilot projects (August 2018 through June 2019)

Phase I (January 2018 through June 2018)
Phase I was conducted in two parts (I-A and I-B)

- Research Goal 1 - Identify a reliable data source
- Research Goal 2 - Identify data fields for analysis
- Research Goal 3 - Develop a methodology to establish a baseline which could be replicated

Part I-A

Methodology

An analysis of all tax-exempt organizations in Metro Toledo as of 03-28-18 was conducted, including the number of organizations, assets and liabilities. The total number of organizations with tax-exempt status was 4,884, with total assets of $10.7B and total liabilities of $8.1B.

Figure 1 – 501(c)3 Data Fields

Nine data fields (Figure 1) were identified to analyze the 501(c)3 nonprofit landscape in Metro Toledo.

501(c)3 Key Indicators
Number of organizations
City
Ruling Date
Classification
Revenue
Contributions

Findings Part I-A

Of the 4,884 tax-exempt organizations in Metro Toledo, 501(c)3 organizations represent 68% or 3,328 entities.

Fifty-one percent (51%) of the existing 501(c)3 organizations received their letter of determination from the Internal Revenue Service on or after 01/01/2000.

The combined 2016 reported revenue for the 3,328 nonprofits was $3.9B; however, 82% of the organizations report less than $50K revenue or were not required to report to the Internal Revenue Service. At the time of this analysis, the revenue threshold requiring annual reporting to the Internal Revenue System was $25,000.

In June 2018 The Center for Nonprofit Resources convened a public forum to share the findings from Part I-A. The group of interested community members (n=64) included nonprofit staff, nonprofit board chairs, nonprofit board members, funders, local agencies, academicians and members of the public. Feedback

and questions were collected from attendees. Input was transcribed and analyzed to inform the research in subsequent phases. A digital overview of the research briefing for Part I-A was shared via The Center website and e-newsletter.   A more detailed summary of the analysis for Part I-A is also available on the C4NPR website.

Results Part I-A

Figure 2 – Infographic
Nonprofit Landscape
Profile

- A set of metrics named the *Nonprofit Landscape Profile* was established and published to the local community via a public forum, as well as The Center website, e-newsletter and blog.

- The Center gained the ability to monitor the metrics annually to identify trends and publish the findings to the community.

- Data for Metro Toledo was re-cast as of 12-31-18 and a baseline was established for the Metro Toledo nonprofit landscape. An infographic (Figure 2) was created to provide an at-a-glance review of the landscape.

Enlarged Image

Part I-B

Based on input from the public forum convened by The Center in June 2018, two main questions emerged:
1. How do the very large 501(c)3 organizations impact the *Nonprofit Landscape Key Indicators*?
2. How many of the 501(c)3 organizations are no longer operating?

Methodology

Data for the very large 501(c)3 organizations was extracted using the following criteria: Assets + Revenue > $90 million. The group was assigned the label "Uber Producers". Characteristics for this group include operations that more closely resemble corporations than traditional nonprofit organizations, reliable service fee income streams and access to sophisticated fundraising systems.

Building on the community question regarding 501(c)3 organizations no longer in existence, data was also segmented and extracted for 501(c)3 organizations not required to report annually to the Internal Revenue Service. The group of nonprofit organizations not required to report included organizations not meeting this threshold revenue amount and religious organizations. At the time of the analysis the revenue threshold requiring annual reporting to the Internal Revenue Service was $25,000.

With the data extracted for the Uber Producers and those organizations not required to report, the data was re-cast and the analysis replicated.

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Findings Part 1-B

While this group labeled "Uber Producers" represents only two percent (2%) of the organizations identified, it represents approximately 75% of the total revenue of the sector. Removing data for Uber Producers reduced the total revenue from $3.9 billion to $961.8 million.

The group not required to report represents 73% of the nonprofit organizations in the sector. When data for this group and Uber Producers was extracted, the total number of nonprofit organizations was reduced from 3,328 to 893. A digital overview of the research briefing for Part I-B was shared via The Center website and e-newsletter. A more detailed summary of the analysis for Part I-B is also available on the C4NPR website.

Results Part 1-B

- A set of metrics named the *ADJUSTED Nonprofit Profile* was established and published to the local community via The Center website, e-newsletter and blog.

- The Center gained the ability to monitor the updated metrics annually to identify trends and publish the findings to the community.

- Data for ADJUSTED Metro Toledo was re-cast as of 12-31-18 and a baseline was established for the ADJUSTED Metro Toledo nonprofit landscape. An infographic (Figure 3) was created to provide an at-a-glance review of the landscape.

Figure 3 – Infographic ADJUSTED Nonprofit Landscape Profile

Enlarged Image

Phase II (July 2018 through August 2018)

- Research Goal 4 – Develop a methodology to create a profile for a nonprofit sub-sector committed to a specific issue/area

Methodology

A protocol was developed to conduct a more in-depth analysis of a sub-sector of the local nonprofit community. The data field set identified in Phase I-A was expanded to include operational data such as executive compensation, legal fees, accounting fees and marketing expenses. A financial ratio, the *Contribution Ratio*, was added to measure donor dependence of individual organizations and the sub-sector as a whole.

Three main criteria were used to identify the sub-sector to pilot the methodology:
1. the IRS Taxonomy code as determined by IRS specialists to identify organizations
2. a group of nonprofits small enough to conduct an accelerated analysis, and
3. a group of nonprofits large enough to better understand the community resources committed to a specific issue/area.

The sub-sector selected was 501(c)3 organizations with the Taxonomy code description "Animal Protection and Welfare".

Findings Phase II

With the analysis complete, The Center for Nonprofit Resources convened a working session (n=26) including nonprofit staff, nonprofit board chairs, nonprofit board members, funders, local agencies, academicians and members of the public.   The working session was designed to encourage key community stakeholders to adopt a systems approach when examining the data. Participants worked in teams to collectively analyze multiple layers of data without knowing which sub-sector they were analyzing. This blind analysis helped mitigate the bias participants could bring if they knew the sub-sector they were analyzing.

The concept of financial ratios was also introduced to the group. An analysis of the Contribution Ratio was conducted for individual organizations and the sub-sector as a whole.


Teams were tasked with identifying opportunities for the sub-sector committed to a specific issue/area.

The activities simulated the type of analysis that groups of funders or those responsible for initiatives would conduct based on identified data. A digital overview of the research briefing for Phase II was shared via The Center website and e-newsletter. A more detailed summary of the analysis for Phase II is also available on the C4NPR website.

Results Phase II

- A set of metrics named the *Nonprofit Sub-Sector Profile* was established and published to the local community via a public working group as, well as The Center website, e-newsletter and blog.

- The Center gained the ability to generate sub-sector metrics requested by local funders or leaders of initiatives to gain an understanding of the use of current community resources focused on one issue/area.   Two such potential applications are presented as case studies at the end of this white paper.

- Data for the identified sub-sector was re-cast as of 12-31-18 and a baseline was established for the sub-sector landscape. An infographic (Figure 4) was created to provide an at-a-glance review of the landscape.

Figure 4 – Infographic Nonprofit Sub-Sector Profile
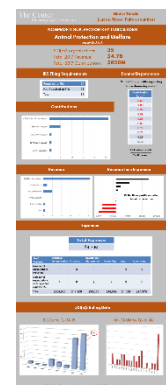
Enlarged Image

Case Study #1 – Strategic Alliance Partnership Grant Committee

The Strategic Alliance Partnership grant was created to support the exploration and formation of collaborations that would enable Toledo area nonprofits to achieve more efficient use of financial and human resources.

The Strategic Alliance Partnership grant encourages community-level systems thinking to strengthen nonprofit capacity and improve service delivery. Since the process of forming partnerships can be complicated, the Strategic Alliance Partnership will make funds available for non-recurring costs associated with feasibility studies, professional or technical assistance fees, as well as staff and board training.

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Funding Guideline Goals of Strategic Alliance Partnership include:

- To create economies of scale among nonprofits, resulting in cost savings and/or service enhancements (e.g. shared administrative services, shared staff to serve common constituencies, costs related to mergers).

- To strengthen infrastructure, management capacity and/or service delivery systems by supporting alliances among nonprofit organizations.

- To encourage collaborative partnerships that employ comprehensive strategies to strengthen community systems (such as improved education, employment, housing and/or health).

Upon learning of the *Nonprofit Sub-Sector Profile* in the spring of 2019, the committee identified a short list of priority nonprofit sub-sectors and tasked the staff of The Center for Nonprofit Resources to generate the *Nonprofit Sub-Sector Profile* for each.

In July 2019, the first such sub-sector analysis was delivered to the committee to evaluate the collective investment to provide services to the homeless in our community. It is assumed feedback on the process and tools will be provided by the committee. Adjustments may be made to the process and/or the sub-sector profile before the next area of focus is selected.

Case Study #2 – City of Toledo, Department of Neighborhoods and Economic Development

The [Department of Neighborhoods and Business Development](#) provides and assists with the development of quality affordable housing and collaborates with community partners to support quality of life initiatives and programs. The department strives for code compliance on properties in the community and works to eliminate blight affecting our neighborhoods.

The City of Toledo (COT), Department of Neighborhoods and Business Development funds with Community Development Block Grant (CDBG) and Emergency Solutions Grant (ESG) dollars from various agencies can assist the COT/DON meet the National Objectives set by U. S. Department of Housing and Urban Development (HUD). These Agencies, known as Third-Party Partners, undertake activities that assist the COT with providing suitable living conditions, affordable housing and job creation. The activities must address the U. S. HUD National Objectives of (a) benefitting low/moderate income individuals or families, (b) eliminating slum & blight conditions and/or (c) meeting an urgent-emergency need.

Currently, the CDBG funded partners are divided into two groups:
- 3rd Party Partners (n=20) and
- 3rd Party Partners – Homelessness (n=10)

At the request of Amy Odum, Director of Neighborhoods and Economic Development, a sub-sector analysis was conducted for both groups. Having reviewed the results, Ms. Odum stated the following:

> "*The data profiles developed by The Center help to inform planning for priorities in our funding cycle and the re-design of the application process.*

In addition, sub-sector profiles help us gain a data-driven system view of our partner groups, which was previously not available. Sub-sector profiles also help us measure the collective health of the community development partners selected to address the identified challenges. More information about the partner groups as a whole supports our migration to an RFP-based application focusing on outcome based analysis."

Moreover, the Director has a keen interest in the next phase of research intended to develop metrics to measure the operational health of individual nonprofit organizations and has committed her time and expertise to collaborate in the development of such metrics. She also offered the Community Development Block Grant groups for a case study in the next phase of the research.

Summary

From this research, The Center for Nonprofit Resources has a reliable, data-driven method to measure and understand the local nonprofit landscape. The establishment of baseline metrics allows for replication of the analysis over time to identify and understand changes and trends.

Next Steps

The Center plans to continue the research, building on the findings by developing new practical applications. Next steps include:

1. Scale the production of nonprofit profiles with the development and implementation of an automated system. During the research phase, the analyses were conducted manually and required a 100% quality check process. Infographics and supporting materials were also created manually. Automation is required to scale the volume of profiles produced.

2. Explore the opportunity to monetize the production of nonprofit profiles to assist local, regional and national organizations and communities to examine their nonprofit landscape. Initial feedback has been favorable, including from entities and individuals expressing a desire to access the profiles for their areas of interest and their communities. This potential new income stream could contribute to the sustainable business model in development for The Center.

3. Continue the research with Phase III to develop *Key Indicators* for individual 501(c)3 nonprofit organizations. Profiles will assist funders in assessing the operational health of a nonprofit when considering an investment in their mission. Such a product also has the potential to be monetized, providing a new income stream for The Center.

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Questions regarding this white paper can be directed to –

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