

"NPQ's Illustrated Nonprofit Economy, 3rd Edition" portrays the

revenue flows of the nonprofit sector.

New Developments

When comparing the third edition of this chart to the previous two, a few themes are worth highlighting. There is continued dominance of health organizations, earned income from program fees, and federal funding. Revenue from interest, dividends, and sale of assets has shot up following a rebound in the economy (with a reported net loss of \$3 billion in 2009 but \$36 billion in revenue in 2015). Charitable giving from federated drives was the only source of nonprofit revenue to decline, shrinking from \$22 billion in 2009 to

\$15 billion in 2015. And the tremendous growth of donoradvised funds (DAFs) warrants a separate portrayal as a source of nonprofit revenue.

How to Read the Chart

The chart features the ten major sources of revenue for U.S. nonprofits (top row), the ten major activity areas of charitable organizations (bottom row), and pipelines indicating the relative amount of money flowing from each source to each activity area. The chart

was developed using 2015 data from the National Center for Charitable Statistics—a program of the Center on Nonprofits and Philanthropy at the Urban Institute—as well as Internal Revenue Service data from individual tax returns and nonprofit Form 990 and 990-PF filings by 501(c)(3) public charities and private foundations. The chart was categorized using the national taxonomy of tax-exempt entities (publicly accessible data sets available at nccs-data.urban.org and www .open990.com).

NPQ's Illustrated

Nonprofit Economy

3rd Edition

Federal government. At \$491 billion federal government funding is the second-largest source of nonprofit funds. The funding comes largely in the form of program service fees for Medicare and Medicaid. Hospitals and nursing homes are the major recipients (receiving 57 percent of federal funds), followed by human services and other health organizations.

Individual donations. At \$265 billion, individual donations are the third-largest source of funds, nearly 40 percent of which goes to religious congregations. While approximately 70 percent of charitable contributions comes from individuals, donations from individuals equal just 13 percent of total nonprofit revenue. This is a relative decrease from the second edition of this chart featuring 2009 data, when individual donations accounted for 20 percent of total nonprofit revenue.

Sources

Interest, dividends, and sale of assets. At \$36 billion, revenue from interest, dividends, and the sale of assets is the revenue source with the most dramatic growth since the second edition of this chart, which reported a net loss of \$3 billion in 2009. Healthcare is the largest recipient. receiving \$13 billion, followed by education (\$12 billion), and then community services (\$5 billion).

Corporate contributions. At \$18 billion, corporate contributions provide the most support to education (\$5 billion), community services (\$4 billion), international (\$3 billion), human services (\$2 billion), and healthcare (\$2 billion).

> Federated drives. At \$15 billion, federated drives (i.e., indirect public support such as that from the United Way) are mechanisms sources, including individuals, corporations, and foundations. These federated drives are most significant for human services (which

Program fees

from private sources

Program fees. At \$1 trillion, program fees from private sources are the largest source of nonprofit funding. Hospitals and nursing homes are the largest recipients (from private insurance carriers and HMOs), followed by higher education, health promotion organizations, and, finally, human services. Program fees represent 48 percent of total nonprofit revenue, and include private insurance payments for medical care, college tuition, concert tickets, and other services that are sold

as part of organizational mission.

State and local government. At \$187 billion, state and local government is also a major funder of nonprofits. Human services receive 33 percent of that funding, followed by hospitals and nursing homes, other health

organizations, and higher education.

Foundations. As a beneficiary and a source of funds, foundations receive \$100 billion in revenue from interests and dividends, bequests, and individual contributions, but they also provide \$44 billion in contributions to nonprofit organizations.

Human services. Receiving a total of \$236 billion, the human services sector is a broad activity area with one of the most varied revenue profiles. Its multiple activities include legal services, employment, housing, public safety, and many more.

Community services. At \$114 billion. community services receive funds for a variety of services related to civil rights, social action and advocacy, community improvement and capacity building, philanthropy, voluntarism, grantmaking, social science and technology, and more.

services

Recipients

Donor-advised funds. The rapid growth of donor-advised funds (DAFs) in recent years has garnered the attention of researchers, sponsors, and nonprofit fundraisers. With nearly \$15 billion in contributions to nonprofit organizations (and \$79 billion in assets), DAFs are an increasing source of revenue for nonprofits. DAFs provide the most support to education (\$4 billion), community services (\$3 billion, which includes contributions to sponsoring foundations), religious congregations and activities (\$2 billion), and human services

to bundle contributions from a variety of receive \$5 billion), community services (\$4 billion), and other health organizations (\$2 billion). This is the only source of nonprofit revenue that has declined since the second edition of this chart in 2009, reflecting changes in contributing behavior.

Charitable bequests. At \$32 billion, charitable bequests are deductible from the estate tax, and \$7 billion goes to education, \$6 billion to community services (including foundations), \$5 billion to healthcare, \$5 billion to human services, and \$2 billion to arts organizations.

¹ Bureau of Labor Statistics, nonprofit employment of 501(c)(3) organizations in 2015. Data were mostly taken from Urban Institute's National Center for Charitable Statistics (NCCS) 2015 Form 990 PC core files (file "nccs.core2015pc. csv" is available at nccs-data urban.org/data.php?ds=core). The total number of nonprofit organizations reported in this chart is slightly higher than the NCCS data set, because the authors adjusted the numbers to include religious congregations based on estimates from the American Church List.

² Brice S. McKeever, The Nonprofit Sector in Brief 2015: Public Charities, Giving, and Volunteering (Washington, DC: Urban Institute's National Center for Charitable Statistics [NCCS], 2015).

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Revealing the size and diversity of the nonprofit economy, "NPQ's Illustrated Nonprofit Economy, 3rd Edition" depicts the various flows into the nonprofit sector, with more than 679,000 U.S. nonprofits, \$2 trillion in revenue, 12 million employees, and 63 million volunteers.2

The width of each pipeline is proportionate to the dollar amount of the revenue stream (streams of \$1 billion or less are not shown). The emerging picture is a complex set of revenue sources, with variations depending on activity area.

Each funding source—individuals, investments, government, fees for ser-

vice, et cetera-has inherent characteristics, with distinct acquisition costs and conditions for recipients. (Often, the funding sources with the fewest conditions are the most expensive to acquire—such as individual small donations-while federal funding is free to submit but arduous to receive.) A central issue not depicted in the chart is each revenue source's downstream effect

on organizations—let alone the cumulative effect of multiple (and sometimes contradictory) sources of funding.

For many nonprofit managers, this complexity is a defining fact of life particularly for nonreligious activity areas that generate less revenue than do hospitals and nursing homes and colleges and universities. Organizations active in health, human, or community services frequently face convoluted combinations of funding sourceseach with its own set of transaction costs, qualifications, time line, politics, and so on. Making matters worse is the fact that many revenue sources impose unwieldy restrictions that make compliance a tightrope act.

We round out the landscape with two additional views of the ten activity areas: total assets and ten-year revenue growth, which generally mirror the distribution of annual resources, as illustrated in the chart.