



INDEPENDENT
SECTOR

Health of the U.S. Nonprofit Sector

OCTOBER 2021



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Letter from the President and CEO

Dear IS community:

As we approach the end of 2021, the nonprofit sector continues to face challenges that became even more acute in the last year: Higher demands, fewer workers and volunteers, insufficient funding, and despite it all, our ongoing mission to build healthy, equitable communities for all.

As we continue to cope with COVID-19 and everything it brings – as well as ongoing racial injustice, economic hardship impacting millions of people, and our environment at risk – the need for everyone to thrive in the United States has become sharper.

Since the pandemic began, we now have access to life-saving vaccines and deeper levels of awareness about where we must do better. Our sector of changemakers – at nonprofits, foundations, and corporate giving programs – is working relentlessly to open more doors in communities and bolster public policies that support our efforts to strengthen civil society so we all can enjoy full, productive lives.

Aiding us in this endeavor is a trove of nonprofit, government, and academic data. When used to further the common good, data enables us to engage in deeper discussions and make better collective decisions for our sector and the abundant, diverse communities we take pride in serving.

Independent Sector is pleased to release our second annual Health of the U.S. Nonprofit Sector report, a collection of original and aggregated data from multiple sources to further our collective enterprise. It includes valuable, original analyses from Independent Sector of federal data about the nonprofit sector's economic impact and demographic composition – both of which are crucial for us to make greater progress.

This report focuses on four foundational indicators that help power the more than 1.8 million nonprofits serving people in our nation: Financial Resources, Human Capital, Governance and Trust, and Public Policy and Advocacy.

In the pages that follow, we provide insight, analysis, and recommendations. Among the highlights:

- COVID-19 brought monumental change to nonprofits, but the experience of individual organizations varied by subsector and size. For example, nonprofits serving the arts – vital for creative expression and connecting people – suffered disproportionately than other subsectors.
- The pandemic caused nonprofit budgets to shrink, especially for organizations that rely on fees-for-service. Many nonprofits used reserve funds to stay open but risked financial stability.
- The nonprofit workforce – which initially lost 1.6 million jobs last year – isn't expected to return to pre-pandemic levels until July 2022, though community needs nationwide have grown.
- Our sector needs to work toward creating a more racially diverse and equitable workforce. We must also support women, who make up a large percentage of our workforce, and face unique burdens during the pandemic.

Our report also spotlights potential and progress, even in the face of what might seem to be insurmountable challenges:

- Nonprofits still succeeded in contributing to civil society and our economy during the pandemic and recession.
- Nonprofit gross economic value to the nation increased last year, even as the U.S. Gross Domestic Product declined.
- Though 40% of nonprofits reported serving fewer people last year, they still had significant reach – with 57% of people in the nation saying they received services from a sector organization.
- In terms of advocacy and civic engagement, nonprofits secured life-saving financial and programmatic support, protected more than 4 million nonprofit jobs, and helped increase voter participation.
- More people in the U.S. reported they're confident nonprofits can strengthen our society.
- For the first time in years, our sector witnessed an increase of people donating – creating an opportunity to communicate our societal value to new and returning donors.

How is our sector doing?

To borrow the words of Amir Pasic, the Eugene R. Tempel Dean of Indiana University's Lilly School of Philanthropy, on the topic of philanthropic revenues: Uneven – in impact and recovery.

We also want to hear from you. Read the report. Share your insights about the sector with us: Where do you think our sector is doing well? Where can we do better? What are we overlooking? How can we be more inclusive? And how do we know when we've arrived at our goals?

As comprehensive as this report is, given available information, we identify existing gaps – in overall and specific data, government release of statistics, and timeliness for our sector to respond, build, and support communities.

We also offer recommendations for improvement for each foundational category – encompassing research, practice, and policy. They, as well as others in our sector, can help bring more of us together and support our efforts for collective action and visibility to strengthen sector health and the communities we serve.

We do know the reality of when everyone is not thriving – when structural barriers remain, when policies need improvement, and when racism continues to negatively affect communities.

We have much to do to build the nation we, as changemakers, dream of becoming. What can galvanize us to greater positive action? It's that the everlasting human qualities of resilience, kindness, and collaborating for collective progress do not fade easily. They are within our grasp every day, giving all of us hope and confidence.

The health of our nation is the sum of the richness and diversity of our members and sectors working together, elevating dignity, honoring our differences, and building for the common good. It's alchemy – when done right.

We welcome your feedback. We also welcome working with government, academia, and new or existing partners to generate and secure better, timelier data to use in service of nonprofits, people, communities, and our nation. Our moment to thrive is still before us. Join us.

Warmly,



Daniel J. Cardinali
President and CEO

Snapshot: Health of the U.S. Nonprofit Sector



ECONOMIC VALUE OF SECTOR

Nonprofits made up 5.9% of Gross Domestic Product (GDP) in 2020, an increase of 0.4 percentage points from 2019.



FINANCIAL RESOURCES

In 2020, 40% of nonprofits surveyed reported a loss in total revenue and 47% reported serving fewer people by the end of the year.



HUMAN CAPITAL

It will take the sector 11.4 months to return to its pre-COVID-19 level of employment, placing full recovery around July 2022.



GOVERNANCE AND TRUST

57% of the U.S. public trust nonprofits to do what is right in 2021, a decrease of 2 percentage points from 2020.



PUBLIC POLICY AND ADVOCACY

When nonprofits engage voters, they turn out at rates 3 percentage points higher than comparable voters, with an even larger impact in underrepresented communities.

Advocacy in 2020 secured notable federal resources that served as financial lifelines to nonprofits, particularly through the Paycheck Protection Program, payroll tax credits, and temporary universal charitable deduction.

Introduction

The U.S. nonprofit sector serves as the civic infrastructure of our local communities and national democracy. In the past year, nonprofits demonstrated our value as economic drivers, employers, life-saving service providers, cultural and social catalysts, educators, and conservationists. A clear understanding of that “state of health” is critical for policymakers, donors, and nonprofit leaders to effectively respond to continuing shifts in nonprofit operations and environment.

Last year, nonprofits experienced dramatic shocks to their finances, human capital, and programming. Many organizations saw drastic declines in fees-for-service, while others benefited from an increase in donations. As nonprofits continue to cope with a global pandemic well into its second year, the extent to which their resources will keep pace with community needs is unclear. Policymakers and sector leaders, including nonprofit executives, staff, volunteers, donors, board members, and foundations, need a better understanding of how nonprofits’ recovery and current capacity vary by subsector, size, geography, and other factors. The ability to assess trends across all corners of the sector is fundamental to equipping nonprofits to continue to meet immediate needs, dismantle systemic inequities, and rebuild our communities.

Independent Sector’s second annual “Health of the U.S. Nonprofit Sector” report is an evolving resource that collects the most current data on the health of the U.S. nonprofit sector across multiple dimensions in a single, accessible format. Most information on the health and well-being of nonprofits is found in single-issue reports, which makes it difficult to get a complete picture of overall sector health. This annual review curates a broad set of measures that is easily accessible and presented side-by-side, so stakeholders and key decisionmakers can see a broad view of the state of civil society.

“A society decays when its institutions and individuals lose their vitality.”

– JOHN W. GARDNER, COFOUNDER OF INDEPENDENT SECTOR

While there are many ways to assess the health of a system as large and complex as the sector, we have chosen to focus on health indicators in four categories: Financial Resources, Human Capital, Governance and Trust, and Public Policy and Advocacy. The first three categories assess the internal health of nonprofit institutions, looking across a range of measures of organizational assets and management practices. The fourth category, Public Policy and Advocacy, aims to assess the environment in which nonprofits do their work and the extent to which they advocate to shape that environment. For each category, the first section of the report aims to:

- Convey what we know regarding the sector’s health by way of available data;
- Identify what we don’t know and where more frequent, reliable data is needed;
- Establish a set of health indicators that can be improved upon in future reports;
- Shed light on systemic inequities at play in our sector and increase accountability to the communities that nonprofits serve; and
- Highlight the impacts of COVID-19 on the sector.

The report's second section, unlike other data-focused reports on sector health, focuses on initial actions the sector can take based on existing data and how we can improve sector health over time. The 2021 report shows there is essential work ahead for nonprofit leaders to retain new donors, stabilize nonprofit finances, diversify the nonprofit workforce and leadership, strengthen public trust, and continue leveraging advocacy and civic engagement so that everyone in the United States can thrive. In future years, we seek to continually improve both the data inputs and the processes by which we engage sector leaders in interpreting data.

About the Data Cited

This report includes original research from Independent Sector, specifically an annual survey on public trust in nonprofits and analyses of second quarter 2021 government data from the U.S. Bureau of Economic Analysis and U.S. Census Bureau. All other data is sourced from a wide range of existing research on nonprofit institutions.

Although numerous variables impact nonprofits' capacity to advance their missions, this report primarily focuses on annual, national measures of the inputs, assets, and activities of nonprofit institutions. Data is pulled from various research, spanning academic studies to annual reports produced by researchers and sector infrastructure organizations. Where possible, each section includes disaggregated data across organization size and budget; demographic data of staff, leadership, and board members; and the communities served by nonprofits. Disaggregated data aids our understanding of which groups, communities, or institutions face the greatest challenges associated with a given health metric. These groups should be targeted when advancing solutions to increase sector health. Unfortunately, disaggregated data is not available for every indicator due to research limitations, as well as a lack of consensus on the most accurate equity measures for nonprofit institutions. There also is variation in how studies categorize and cite this type of data (i.e. BIPOC, communities of color, Latinx, Latino, Hispanic). Because studies may differ in how they collected and analyzed the data, this report uses the terms from the original data sources.

Not all the data used for this report is available annually. It includes older data to illustrate where the sector will need to invest for a timelier understanding of nonprofit health in the future. Similarly, some data are from convenience sample surveys (non-probability data) collected from a population close at hand. This type of research methodology may result in findings that are skewed, because it is not clear whether they represent the full sector. However, looking at findings from a series of convenience sample surveys can still provide value if alignment across studies indicates the direction in which data may be trending. When possible, the report cites multiple sources of non-probability data to illustrate potential trends.

It is important to note that sector impact measures are not included in the report. This is not an oversight. Clear, data-driven metrics on the collective impact of our sector have been a goal of researchers and practitioners alike for decades. That work – and even debates about the best way to approach impact assessment – continues to evolve. Therefore, this report focuses on the “inputs” that create a healthy sector capable of achieving long-term impact. It remains a challenge for the sector to come to a shared view of impact measures.

In sum, there are large holes in our knowledge of the sector's health because there are disparities in the type, frequency, and quality of data we have available to measure our health. A goal of this report is to call out those data gaps and begin a conversation within the sector and policymakers about how best to close them. Closing these knowledge gaps is a long-standing strategic aim of Independent Sector, and this report will help us advance this goal through practice and advocacy.

Acknowledgments

We have received tremendous intellectual and moral support for this project from Alan Abramson, a professor of Government and Politics and Founding Director of the Center for Nonprofit Management, Philanthropy and Policy at George Mason University. His contribution to the research and thought partnership led to the origin and development of this report. We appreciate analysis of U.S. Census

Bureau data conducted by Lilliandra Schaffer, PhD Candidate with American University. We also received a significant amount of technical advice from a range of academic and practitioner experts to inform analyses and action in the report. Most importantly, we are incredibly grateful to all the institutions and researchers that produce the data cited in this report. Specifically, we would like to honor the late Lester Salamon for nonprofit employment data cited in the report and his contribution to our overall understanding of the nonprofit sector. We hope this publication highlights the critical importance of all the nonprofit research cited in telling the story of the sector's health and well-being. Independent Sector looks forward to using this report as a vehicle for strengthening the bonds and collaboration among the research, practitioner, and funder communities – all in service to the sector and the populations we serve.

Independent Sector also acknowledges the following staff members for their contributions:

- Dan Cardinali, President and CEO
- Kristina Gawrgy, Chief Communications and Community Building Officer
- Allison Grayson, Director, Policy Development and Analysis (Lead Author)
- Ben Kershaw, Director, Public Policy and Government Relations
- Ana Montañez, Manager, Government Relations
- Jeffrey Moore, Chief Strategy Officer
- Debra Rainey, Manager, Communications
- Emily Rogers, Manager, Policy Research
- Chris Ryan Rubio, Associate
- Bradley Wong, Director, Strategic Communications and Public Relations

Design by Shannon Ryan, Made with Relish



2021 Sector Health Indicators

Across all four categories of health indicators that we have chosen for this report – Financial Resources, Human Capital, Governance and Trust, and Public Policy and Advocacy – the overall health of the sector appears mixed. It is important to note that, to date, there are no mutually agreed upon benchmarks for what constitutes good, fair, or poor “health.” However, we can draw some initial conclusions.

The COVID-19 pandemic significantly impacted all nonprofits and the communities they serve, but an individual organization’s experience varied by subsector and size. The global pandemic devastated the capacity of many nonprofits. A sizeable portion of the sector showed an overall loss in revenue, particularly in organizations reliant on fees-for-service. Many others were forced to use reserve funds to make ends meet. The sector also lost 1.6 million jobs, and it will be nearly a year before we return to our pre-pandemic workforce capacity.

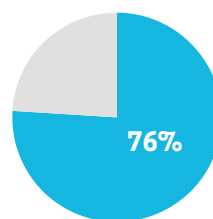
Despite operating at reduced capacity, nonprofits continue to demonstrate their ability to shape our economy and civil society. Significant advocacy in 2020 secured life-saving government support for nonprofits and the communities they serve and helped close voter participation gaps. The sector continues to struggle with issues of board and staff diversity, particularly with the prospect that nonprofit layoffs could have disproportionately impacted women and employees of color.

The pandemic also placed a spotlight on the vital need for real-time, accurate data about the well-being of the nonprofit sector serving on the frontlines, especially during recent economic, public health, racial justice, and environmental crises. Although the sector made some strides in the past year to identify new, regular data sources, we also lost existing sources of critically important information. Going forward, it is essential for the sector to work in partnership with government and academia to identify the most efficient, timely methods for understanding the state of the nonprofit sector, ideally on a quarterly basis.

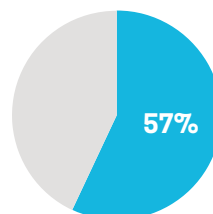
Before delving into indicators examining the collective health of nonprofits, it would be helpful to first describe the size and scope of the sector.

1,812,473 nonprofits

were registered with the IRS in 2020, across Section 501(c) status¹



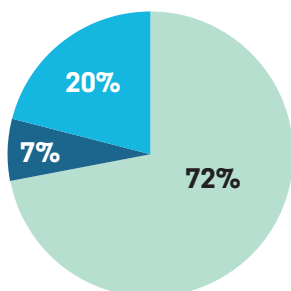
Percent of 501(c)(3) public charities with annual revenues under \$100,000.²



In early 2021, percent of Americans reporting regularly receiving some type of service from a nonprofit.³

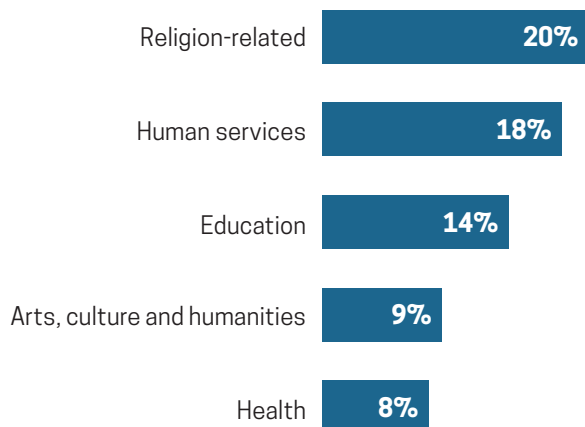
Types of nonprofits⁴

- 501(c)(3) public charities
- 501(c)(3) private foundations
- All other 501(c)s*



* There are more than 30 other types of 501(c) nonprofits in the U.S., including social welfare groups, business associations, veterans' organizations, labor unions, and federal credit unions.

Note: Numbers do not add to 100% due to rounding.

Top public charity subject areas, by number of organizations, 2020⁵



Financial Resources

The financial health of nonprofits, which often is tied to the state of the economy, is the most prominent indicator of nonprofit well-being. As businesses closed in 2020, nonprofits and government increased their contributions to the economy, with nonprofits' gross outputs increasing even as the GDP declined. Sector leaders, policymakers, and donors sought information on nonprofit finances in the past year as a proxy for organization capacity and to gauge the need for policy or philanthropic intervention. Overall revenue for nonprofits took a significant hit in 2020, particularly for organizations reliant on fees-for-service. For the first time in many years, the number of people giving increased along with the amount given. However, the data also showed the biggest ever difference between the sector's giving levels and the experience of individual organizations, demonstrating that the rising tide of giving did not lift all boats. In fact, arts organizations, small organizations, and organizations led by Black, Indigenous, and other people of color (BIPOC) found financial resilience particularly challenging last year. Organizations already struggling with capacity issues prior to the COVID-19 pandemic may not have been able to pivot quickly to new revenue strategies or ramp up fundraising in 2020, despite being in subsectors that saw increased giving.

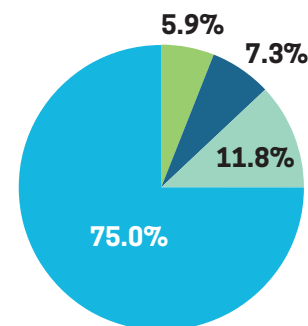
U.S. nonprofit economic contribution in 2020⁶

\$1.2 trillion

Nonprofits as a share of the U.S. Gross Domestic Product in 2020⁷

● Nonprofits ● Households ● Government ● Business

The nonprofit sector's contribution to the U.S. economy increased from 4.9% of GDP in 2000 to 5.5% of GDP in 2009 – a 12% rise – and has held relatively steady around 5.5% since 2009.⁸



As a share of the economy, the nonprofit sector grew by 0.4 percentage points and government grew by 0.5 percentage points. Alongside government, nonprofits' contribution to the economy plays a significant role as businesses and households contract.

Change from 2019-2020⁹

U.S. GDP

-3.9%

Gross value added by nonprofits

+0.1%

All changes from 2019-2020 in this section are real (inflation-adjusted)

Nonprofit gross output

	Annual change from 2019 to 2020 ¹⁰	Q2 change from 2019 to 2021 ¹¹
All nonprofits	▼ -2.6%	▼ -1.9%
Social service nonprofits	▲ +1.1%	▼ -0.1%
Health	▼ -2.3%	▼ -0.4%
Religion	▼ -1.8%	▼ -3.7%
Recreation	▼ -22.2%	▼ -19.7%
Education	▼ -5.2%	▼ -3.8%
Civic and social	▼ -19.0%	▼ -14.4%
Foundations, grantmaking and giving	▼ -12.1%	▼ -12.4%

FINANCIAL HEALTH

Nonprofits suffered from the disruption of their programs and funding in 2020:¹²

57% decreased overall expenses in 2020

64% suspended or paused services at some point in 2020

44% reduced the number of programs or services

47% served fewer people by the end of the year

- In 2020, around 40% of nonprofits surveyed reported an overall loss in total revenue. Of the organizations that reported losses, they lost an average of 31% of total revenue and 7% of their paid staff by the end of the year.¹³
- To weather the pandemic, 40% of nonprofits surveyed drew from “rainy day” funds and 19% used loans or increased lines of credit.¹⁴
- Arts and entertainment organizations are identified as the most financially vulnerable.¹⁵

Before 2020, several studies found disparities in financial well-being across different types of organizations, particularly for organizations led by people of color.

- White-led nonprofit budgets were 24% larger than budgets of organizations led by people of color.¹⁶
- Unrestricted assets of organizations led by people of color were 76% smaller than those led by whites.¹⁷
- 1.3% of all philanthropic dollars are granted to Latinx communities between 1999-2009, while those same communities now represent 18% of the U.S. population.¹⁸

EARNED REVENUES

The 2020 pandemic also disrupted nonprofit services across the U.S. – leading to a related decline in program-related income. Fees-for-service in 2020 declined by 30% for the median organization that reported fees-for-service in 2019.¹⁹

- Declines in fees-for-service were more dramatic for smaller organizations.
- Arts and culture organizations were hardest hit by declines in fees-for-service, as compared to other types of organizations.
- Nonprofits in the urban core of the largest U.S. cities and rural areas report experiencing more declines in fees-for-service than those in smaller cities and suburban areas.

Nonprofit receipts from sales of goods and services to households^{*20}

\$954 million

in 2020—a decrease of 9.4% since 2019

Receipts of sales of goods and services^{*21}

Share of nonprofit receipts	Annual change from 2019 to 2020 ²²	Q2 change from 2019 to 2021 ²³
All nonprofits	▼ -9.4%	▼ -5.1%
Social service nonprofits: 6.5%	▲ +2.1%	▼ -1.0%
Health: 78.0%	▼ -9.2%	▼ -3.2%
Religion: 0.7%	▼ -1.8%	▼ -3.4%
Recreation: 1.6%	▼ -33.4%	▼ -38.0%
Education: 10.0%	▼ -5.5%	▼ -5.8%
Civic and social: 0.4%	▼ -40.8%	▼ -41.3%
Foundations, grantmaking and giving: 0.3%	▼ -34.8%	▼ -38.6%

* Nonprofit receipts include charges to households made by nonprofits for health, education, human, and other services. Includes membership dues and fees, but excludes unrelated sales, secondary sales, and sales to businesses or government.

PHILANTHROPIC REVENUES

According to Amir Pasic, the Eugene R. Tempel Dean of the Indiana University Lilly Family School of Philanthropy, “In some ways, 2020 is a story of uneven impact and uneven recovery. Many wealthier households were more insulated from the effects of COVID-19 and the ensuing economic shock, and they may have had greater capacity to give charitably than households and communities that were disproportionately affected and struggled financially... Still, for many people and communities, the need remained great throughout the year and beyond.”²⁴

Charitable giving, adjusted for inflation

2020 \$471.4 B ▲ **+3.8%** over 2019

- Charitable giving in 2020 totaled \$471.4 billion, an increase of 3.8% over 2019 (adjusted for inflation).²⁵
 - Although growth in charitable giving historically tracks with the economy and income, the S&P 500 (+16.3%) and personal income (+6.1%) grew at much faster rates than giving in 2020.²⁶
 - Individual giving increased just 1% over 2019, but if MacKenzie Scott’s gift is not included, individual giving decreased by nearly 0.8%.²⁷
- Many donors shifted their giving to pandemic-related causes in 2020, with big gains in “new donor” acquisition (+53% revenue gain compared to 2019) largely offset by big drops in “donor retention” (-38% of total revenue gain compared to 2019).²⁸

Who gave (adjusted for inflation, percent change compared to 2019)²⁹

Giving by:	Change since 2019
Individuals: \$324.1 billion	▲ +1.0%
Foundations: \$88.6 billion	▲ +15.6%
Bequest: \$41.2 billion	▲ +9.0%
Corporations: \$16.9 billion	▼ -7.3%

- The number of donors increased by 1.3% in 2020 compared to 2019.³⁰
 - The number of households giving to charity has declined almost 14 percentage points between 2002-2016, particularly among households donating small and mid-sized gifts.³¹
 - Growth in the number of donors in 2020 is almost completely driven by an 11% increase in small donations between \$101 and \$500 – higher than the past five years in this size bracket.³²
 - The smallest donations (<\$100) broke a five-year trend in losses, increasing by 0.5%.³³
 - It is too early to know whether 2020 reversed the downward trend in the declining numbers of donors, or whether it will prove to be an anomaly.

Who received (adjusted for inflation, percent change compared to 2019)³⁴

Share of receipt by nonprofit type	Change since 2019
Religion	▼ -0.2%
Education	▲ +7.7%
Human services	▲ +8.4%
Foundations	▲ +0.8%
Health organizations	▼ -3.0%
Public-society benefit organizations	▲ +14.3%
International affairs	▼ -7.8%
Arts, culture, humanities	▼ -8.6%
Environment and animal organizations	▲ +10.3%

- In 2021, 64% of individual survey respondents reported donating to a nonprofit organization in the past 12 months. This is unchanged from 2020 when the same percentage reported monetary giving.³⁵
 - **Gender:** Men (66%); Women (61%)
 - **Race:** White (62%); Black (69%); Hispanic (69%); Asian (67%)
 - **Education:** Non-college (58%); College (79%)
 - **Income:** Household income under \$35,000 (55%); \$35,000–\$75,000 (65%); above \$75,000 (75%)
- By cause, winners and losers tracked societal challenges.
 - While total giving was up, some cause areas saw significant gains, while others suffered lost revenue.³⁶
 - Health and human services showed the most growth in individual donations to small and mid-sized organizations, which mirrored the increased demand for services due to COVID-19 and the groundswell of response in pursuit of racial justice.³⁷ However, other research reports giving to health organizations of all sizes declining, possibly attributed, in part, to the cancellation of many in-person walks, runs, or other fundraising events hosted by disease-related health organizations.³⁸
 - Arts and culture showed clear declines in giving and grants, reflecting lost access to stakeholders due to stay-at-home orders, social distancing, and reduced event-based fundraising opportunities.³⁹
 - Among all philanthropic funding, 23% of dollars were designated to communities of color. When excluding high net-worth donors, the proportion is 13%. Of U.S. COVID-19 philanthropy to specific recipients, 35% of dollars were designated for communities of color.⁴⁰
- Widening inequality affects smaller nonprofits with less revenue.⁴¹
 - Even in cause areas that experienced increased individual giving in 2020, most of that giving focused on organizations with the greatest fundraising totals.
 - The typical nonprofit experienced much lower fundraising results during 2020. Data also showed a dramatic increase in the percentage of nonprofits that did not fundraise each month, particularly for smaller nonprofits.
- Stimulus checks and tax policy positively affected giving, but with different levels of impact.⁴²
 - Stimulus payments evoked a clear increase in donations of \$1,200 and \$2,400 per person. Although the total impact of those donations is not significant, the added funds from the stimulus also may have driven up other donation amounts.
 - The impact of the \$300 charitable deduction was less clear in the data. There was a small spike in \$300 donations on December 31 above the expected range, but lower than the increase in \$500 gifts.

DATA RECOMMENDATIONS FOR FINANCIAL RESOURCES

1. The sector needs to create a representative, annual survey of nonprofits that includes a single question of whether government funding has increased, decreased, or remained the same in the past year. There is no need to collect responses specifically for local, state, and federal levels, because nonprofit respondents may not know the original source of their government funding. The need for this data is particularly acute for 2020 to fully understand how a historic infusion of federal funding into the sector through loan programs, giving incentives, and relief funding helped nonprofits not only survive, but provide essential services to their communities.

2. An annual analysis of Form 990 data on government grants and contracts would provide a more accurate measure of government funding to nonprofits, but the form will need to be revised to do this type of analysis well.

3. Annual, nationally representative research and analysis of sector finances disaggregated by organization size, geography, and leader demographics will help identify important variations or disparities across nonprofits.



Human Capital

The charitable sector's human capital "resource" contains both the paid and voluntary workforce. Human capital data simultaneously demonstrates nonprofits' contribution to the economy as employers, as well as provides an indication of organizations' capacity to fulfill their missions. As policymakers and community leaders continue to look to nonprofits to respond and recover from the pandemic and natural disasters and address racial disparities, it is important to know that they are relying on a sector still struggling to meet significant needs with fewer people.

Human capital for the nonprofit sector took a significant hit in 2020, as many nonprofits were forced to lay off employees and suspend volunteer programs. The sector initially lost 1.6 million jobs due to COVID-19. Although about 1 million jobs came back, experts estimate the sector will not return to pre-COVID-19 employment levels until mid-2022. In the past year, the sector workforce grew less diverse, possibly due to layoffs impacting a disproportionate number of women and employees of color. Regarding volunteers, it is not surprising that social distancing likely caused the number of people volunteering to decline, but it is promising that those who continued to volunteer increased the hours they contributed.

PAID WORKERS

Nonprofits compared to overall workforce, June 2021⁴³

Includes nonagricultural wage and salary workers, and excludes military, family, and self-employed workers.

Overall workforce ⁴⁴	Change compared to June 2020
Nonprofits 6.3%	▼ -0.2%
Businesses 80.4%	▲ +1.2%
Government 13.3%	▼ -0.1%

Race/ethnicity in the nonprofit workforce ⁴⁵	Change compared to June 2020	Overall workforce
White 77.7%	▲ +0.4%	77.4%
Black 12.5%	▼ -0.4%	12.4%
Hispanic 10.3%	▲ +0.2%	17.9%
Asian/Pacific Islander 6.9%	▲ +0.6%	6.9%
American Indian 0.7%	▼ -0.2%	1.1%
Multiple Races 2.29%	▼ -0.5%	2.3%

Gender in the nonprofit workforce ⁴⁶	Change compared to June 2020	Overall workforce
Female 65.1%	▼ -0.3%	46.8%
Male 35.0%	▲ +0.3%	53.2%

Family income from nonprofit employment ⁴⁷	Change compared to June 2020	Overall workforce
Less than \$40,000 14.9%	▲ +2.5%	19.5%
\$40,000–\$74,999 22.9%	▼ -1.6%	25.4%
\$75,000–\$149,999 38.6%	▲ +1.5%	34.0%
\$150,000 and over 23.6%	▼ -2.3%	21.1%

* Hispanic ethnicity data collected in a question separate from race. As a result, categories add up to over 100%.



Nonprofit employees worked an average of 39 hours each week in June 2021.⁴⁸



Average weekly pay comparing June 2020 to June 2021 is \$1,097.77, a decrease of \$69.30.⁴⁹

- Nonprofits compared to private workforce
 - Nonprofits are 10.2% of private workforce and employed 12.5 million paid workers in 2017.⁵⁰
 - Nonprofits paid over \$670 billion in wages in 2017.⁵¹

* Estimates of nonprofit percent of private workforce vary from 6-10%, depending on data source.

- Impact of COVID-19 on nonprofit employment
 - The nonprofit sector lost 1.6 million jobs in the first three months of COVID-19 (March-May, 2020).⁵²
 - As of August 2021, 606,895 jobs remain lost.⁵³



Estimates show the sector will not return to its pre-COVID-19 level of employment until around

July 2022⁵⁴

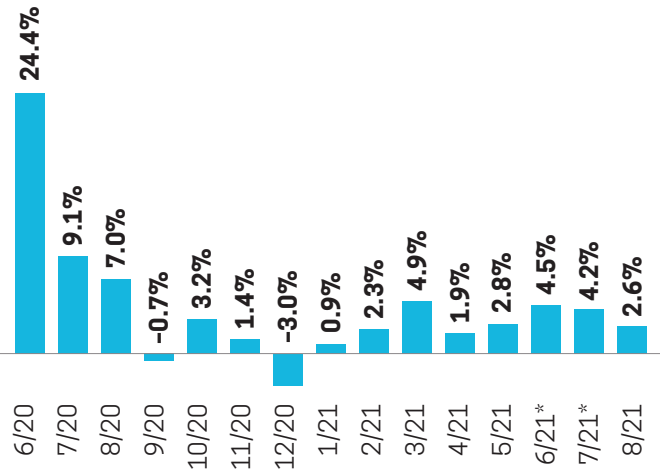
Estimated nonprofit job losses, August 2021 versus February 2020, by field⁵⁵

Subsector Field	Estimated job losses August 2021 vs. February 2020
Educational services	-157,060
Social assistance	-75,032
Arts, entertainment, and recreation	-67,310
Religious grantmaking, civic, professional, similar	-37,385
Health care	-221,734*
Total, all nonprofit fields (including those not listed)	-614,866

* Health care was the only field to see a percent decrease (-1% or a loss of 2,129 jobs) from July to August of 2021.

Percent of initial 1.64 million nonprofit job losses recovered each month, June 2020-August 2021⁵⁶

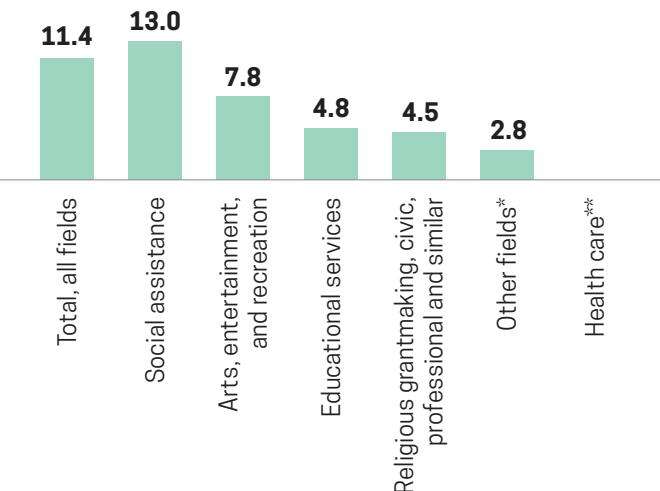
% recovered



* Reflects BLS adjustments for June and July 2021.

Projected months to full recovery of nonprofit jobs, by field, based on average job recovery rates from January through August 2021⁵⁷

Months to full recovery



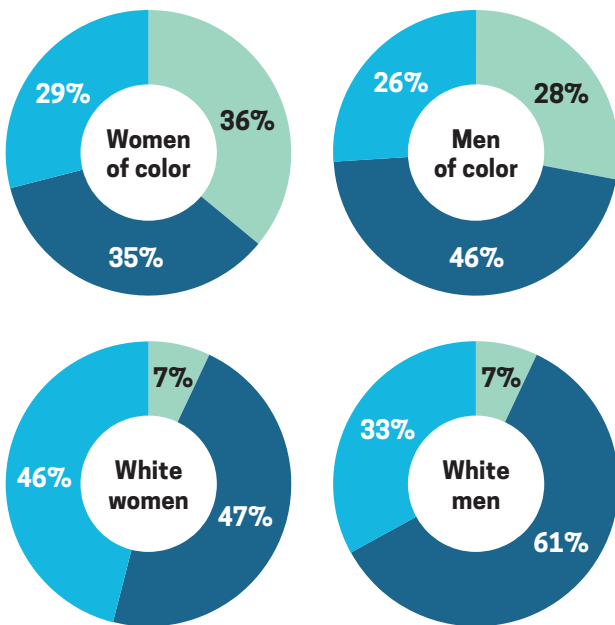
* Includes: Construction; Manufacturing; Wholesale trade; Retail trade; Professional and technical services; Transportation and warehousing; Information; Finance and insurance; and Accommodation and food services. Totals ~4.4% of total nonprofit employment.

** Due to an overall loss of jobs over the 2021 estimation period, we cannot determine time-to-recovery for the health care field.

NONPROFIT WORKFORCE EQUITY AND DISPARITY

Share of nonprofit employees who think race or ethnicity has impacted their career advancement⁵⁸

- Very or slightly negative
- Very or slightly positive
- No impact

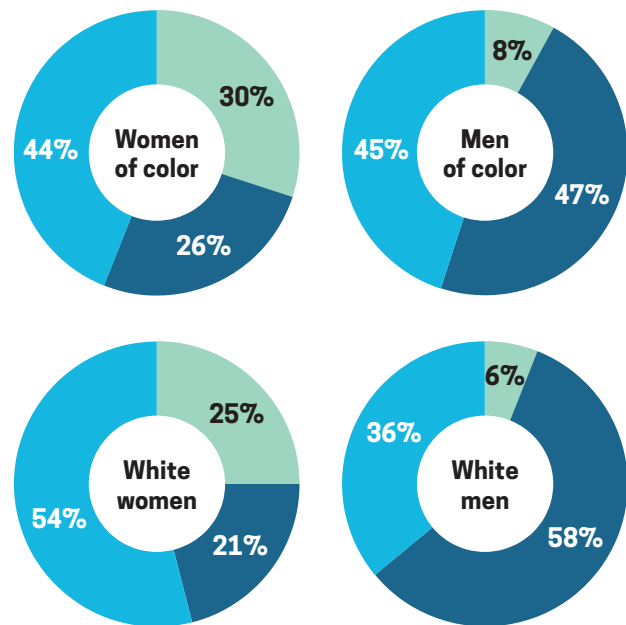


Note: Numbers may not add to 100% due to rounding.

- 49% of nonprofit employees of color feel race had a very or slightly negative impact on their career advancement in 2019.⁵⁹
- The impact of COVID-19 on nonprofit leaders of color, particularly women of color leaders, is immense.⁶⁰

Share of nonprofit employees who think gender has impacted their career advancement⁶¹

- Very or slightly negative
- Very or slightly positive
- No impact



- Since nearly three quarters of nonprofit employees are women, they are likely to have borne the brunt of sector job loss during COVID-19.⁶²
- Women nonprofit CEOs earn 75% of what men earn.⁶³ Women of color and white women are most likely to earn less than \$50,000 a year and least likely to earn more than \$100,000 a year.⁶⁴ These pay disparities impact not only annual income but contribute to the gender wealth gap.⁶⁵
- Prior to 2020, racial and gender bias created overlapping discrimination for women of color.⁶⁶ **Findings show education and training did not provide equity for women of color to advance within the sector.**⁶⁷

UNDERLYING FACTORS FOR WORKFORCE DISPARITIES

- Board composition appears to play a significant role in both the racial and gender diversity of nonprofit leaders.

75% of respondents report that their organization's leadership team is more than half white.⁶⁸

45% of respondents reported working for organizations in which both the board and senior leadership are less than 25% people of color. These organizations also showed the greatest gap between whites and people of color in terms of their employee experience.⁶⁹

- Boards are more likely to hire female leaders if some of their members are women, but other variables also impact the likelihood of women being hired.⁷⁰
- Fields in which nonprofits compete against businesses for employees show greater rates of gender pay disparity.⁷¹



VOLUNTEERS

- In 2021, 46% of respondents reported volunteering for a nonprofit organization at least once in the past 12 months, slightly down from the share who said the same in 2020 (49%).⁷²
- However, among those who volunteer, the median time spent volunteering per month increased to five hours in 2021 from four hours in 2020.⁷³
 - Nonprofit survey respondents report volunteering declining by 33% in 2020.⁷⁴

DATA RECOMMENDATIONS FOR HUMAN CAPITAL

- 1.** Sector leaders need more up-to-date, real-time data of nonprofit employment rates, disaggregated by level of employment, race, age, gender, income, geography, and education level. For 2020, the Community Population Survey (CPS) data from the U.S. Census Bureau showed the nonprofit sector became whiter and more male. The sector lacks causal data telling us the extent to which these changes may be due to layoffs of entry and mid-level staff that are more likely to be women and people of color. However, because CPS data also includes the almost 1 million jobs that the sector has regained since the start of the pandemic, there is a question as to why the disparities continue to exist. The sector would benefit from a better understanding showing not only the demographic breakdown of who lost jobs, but also who is being hired. This information would help nonprofit leaders better identify not only sector disparities in reductions in force, but also potential barriers preventing women or people of color from re-entering the workforce.
- 2.** Over the past year, nonprofits and policymakers relied on monthly estimated updates of sector employment to assess the impact of COVID-19 and the state of nonprofit capacity. The sector is dependent on the Bureau of Labor Statistics (BLS) to access accurate, timely information on nonprofit employment. BLS has made clear it may be inclined to release data on a more regular basis if there is a clear demand, which likely would be voiced by nonprofit advocates. This need is more acute in 2021, because the sector lost the lead researcher responsible for analyzing sector employment data and filling gaps in BLS data. The loss of such a singular resource on nonprofit employment increases the urgency for BLS to release quarterly updates.
- 3.** A publicly available analysis of nonprofit sector compensation and any accompanying pay gaps is needed to track progress in closing the gap and holding sector leaders accountable.
- 4.** American Indian and Alaska Native populations frequently are excluded from regularly reported national data sets, as well as the sector-specific data included in this report. More work is needed to measure and understand the unique experience of American Indians and Alaska Natives in the U.S. nonprofit sector.
- 5.** Disaggregated volunteer data across nonprofit surveys reveals conflicting trends. This challenge highlights the need for regular, valid data on volunteerism rates at both the individual and institutional levels. Improving methodology of individual, nonprofit, and AmeriCorps surveys of volunteer behavior are needed to fully understand changing trends. The research needs to be prioritized within AmeriCorps, and Congress needs to provide sufficient funding to increase the quality of the research design to consistently capture a more complete picture of the state of volunteerism in America.
- 6.** The sector would benefit from the continued inclusion of researchers' questions about the demographics of nonprofit boards and executive staff as part of a nationally representative panel survey of nonprofits.



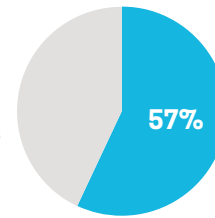
Governance and Trust

Public trust is the currency upon which nonprofits conduct their work. The extent to which the public believes nonprofits lead ethically and transparently impacts whether individuals will invest in or utilize services from nonprofits. It also impacts the extent to which nonprofits can legitimately represent and are accountable to the communities they serve. As the public observed nonprofits serving on the frontlines of the global pandemic and economic crisis, their trust in nonprofits (and other institutions) initially increased. By 2021, that trust bubble burst, despite local nonprofits visibly responding to their communities' public health, economic, and racial justice needs. Public trust in nonprofits fell to slightly below pre-COVID-19 levels, while trust in philanthropy showed greater declines.

Although data indicates sector leadership is becoming slightly more diverse since 2005, composition of nonprofit executives and boards do not necessarily reflect the diversity of the U.S. population or communities served by nonprofits. In 2019, employees of color reported organizations with more diverse leadership demonstrated a greater commitment to equity. It will be interesting to observe in future data the extent to which public pressure on nonprofits in 2020 led to more action and meaningful commitments to racial equity and healthy governance.

PUBLIC TRUST

Percent of the public in the United States that trusts nonprofits to do what is right.⁷⁵



▼ **-2 percentage points from 59% in 2020**

- Trust is concentrated among individuals with high incomes and levels of education.⁷⁶
- Rural Americans and those with lower incomes and education are more likely to express skepticism about nonprofits.⁷⁷

Respondents who are confident in the ability of nonprofits to strengthen American society.⁷⁸

84%

▲ **+3 percentage points over 2020**

Respondents who believe the sector is headed in the right direction.⁷⁹

50%

▲ **+3 percentage points over 2020**

Respondents who trust philanthropic institutions.⁸⁰

30%

▼ **-6 percentage points from 2020**

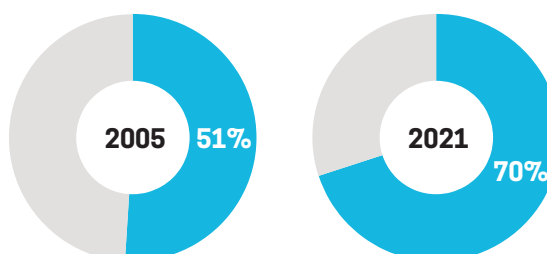
- A high level of trust leads to more giving and volunteering, but positive engagement with nonprofits also reinforces trust.⁸¹ Specifically, respondents to a 2020 Give.org survey selected trust most frequently as a very important aspect of the giving process.⁸²
- The 2021 snapshot of public trust indicates that the sector may need to fortify the public's perception to continue supporting nonprofits' important roles in their communities. Research shows nonprofits can strengthen trust by conveying integrity and clarity of purpose.⁸³

BOARD OF DIRECTORS/LEADERSHIP

Research shows the demographic composition of board members influences the health and well-being of staff and equitable pursuit of nonprofit missions. Including communities served in nonprofit decision-making also may be an indicator of fair, equitable governance. According to BoardSource, “blind spots created by a lack of racial and ethnic diversity are particularly concerning, as they may result in strategies and plans that ineffectively address societal challenges, inequities, or even reinforce them.”⁸⁴ Diversity on nonprofit boards still falls short of reflecting the diversity of the overall United States.

- A 2019 survey of foundation and public charity CEOs and board chairs found diversity in the sector only improved slightly since 1994.⁸⁵
- Around 2% of executive directors and board chairs in 2021 identify as transgender, nonbinary/nonconforming, or other gender.⁸⁶
- 10% of executive directors and 6% of board chairs identify as LGBTQ+, and 44% of nonprofits have at least one board member who identifies as LGBTQ+.⁸⁷
- Around 9% of executive directors and 6% of board chairs have a disclosed disability. 34% of nonprofits have at least one board member who has a disclosed disability.⁸⁸
- Over half of nonprofits (55%) in 2021 have at least one board member under the age of 35, and around half of nonprofit boards include a member who receives or has received services from the organization.⁸⁹
- There has been an increase in representation of women in positions of nonprofit leadership since nationally representative data were collected in 2005. 62% of executive directors identify as women in 2021, compared to 66 percent of employment in national employment data on the sector. Around half of nonprofit board members and board chairs identify

Nonprofits with board members of color⁹⁰



as women in 2021, and the median nonprofit board is over half women. By comparison, nonprofit boards were an average of 46 percent (and median of 44%) women in 2005. Only 1% of organizations have no women on their board in 2021, and 4% of nonprofits have all-women boards.^{91,92}

- The average nonprofit board in 2021 is between 10-20 percent people of color,⁹³ which is similar to the representation of board members of color in 2005, when the average nonprofit included 14 percent of board members who were people of color.⁹⁴
- People of color are less represented in nonprofit positions of leadership in rural communities. Only 8 percent of rural organizations have leaders of color as executive directors and board chairs in 2021, and 57 percent have no people of color as board members.⁹⁵
- People who identify as Black or African American are more likely to be represented in positions of leadership than other people of color, with 8 percent of executive directors and 11 percent of board chairs identifying as Black or African American.⁹⁶
- Data from a 2021 survey shows there has been growth in people of color representation on nonprofit boards since 2005, with 70% of nonprofits having boards with at least one person of color board member,⁹⁷ compared to 51% of nonprofit boards in 2005.⁹⁸

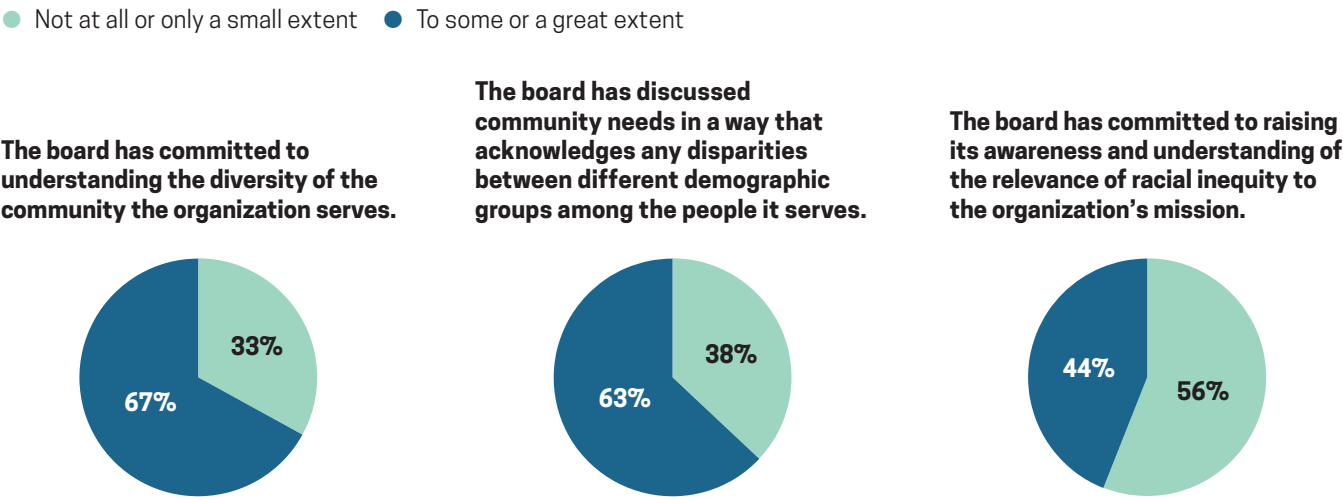
Board composition, 2019⁹⁹

Race and ethnicity	CEO	Board members	Board chair
White/Caucasian/European	87%	78%	83%
Black/African American/African	5%	10%	6%
Hispanic/Latinx	3%	5%	5%
Asian/Pacific Islander	2%	4%	2%
Multi-Racial/Multi-Ethnic	3%	1%	2%
Native American/Indigenous	0.3%	1%	0.4%
Other race/ethnicity	1%	2%	1%
Gender	CEO	Board members	Board chair
Female	74%	53%	53%
Male	26%	47%	47%
Non-Binary	0.3%	0.1%	0.1%
Not Transgender (Cisgender)	99.3%	99%	99.6%
Transgender	0.3%	0.1%	0.1%
Disability status	CEO	Board members	Board chair
Without disability	95%	95%	97%
With disability	5%	5%	3%
Sexual orientation	CEO	Board members	Board chair
Heterosexual or Straight	90%	94%	94%
Gay, Lesbian, Bisexual	9%	6%	6%
Other	1%	0.1%	0.1%
Does your board represent the demographics of the population served by your organization?	CEO	Board members	Board chair
Yes	38%	N/A	29%
No	62%	N/A	71%

RACIAL EQUITY

One best practice to support equity and inclusion across board leadership, staff, and the communities that nonprofits serve is to formally incorporate equity into organizations’ operations. Nonrepresentative surveys of nonprofits indicate that 63%-74% of organizations engage in diversity, equity, and inclusion (DEI) activities.^{100,101} Boards that include people of color are more likely to have adopted DEI practices than boards that do not include people of color.¹⁰²

Board activities supporting DEI: CEO responses¹⁰³



DATA RECOMMENDATIONS FOR GOVERNANCE AND TRUST

- 1.** Despite the nonprofit sector promoting board diversity through capacity-building training for over two decades, there has not been a significant increase in board diversity at the aggregate level. Detailed research and qualitative analysis identifying the barriers to board diversity would help nonprofit leaders better understand how to make measurable progress on this foundational indicator of sector health.
- 2.** Because public trust is a community-level indicator of the health of nonprofit governance, the sector will need continued annual assessments of the U.S. public's views on the trustworthiness of nonprofits. Future assessment may benefit from continued a quantitative representative survey, but adding qualitative research to gain a better understanding of why perceptions of trust in nonprofits change from year to year.
- 3.** Data records of staff satisfaction, equity initiatives, and many other variables of nonprofit health depend upon the composition and decisions of nonprofit leadership and board governance. Therefore, the sector would benefit from a nationally representative, annual survey of nonprofit organizations and their board members to better track the extent to which nonprofits are moving the needle in terms of diversifying their leadership. It would be helpful if these studies measure not only the composition of boards, but also analyze the potential impact of board composition.
- 4.** American Indian and Alaska Native populations are frequently excluded from regularly reported national data sets, as well as the sector-specific data included in this report. More work is needed to measure and understand the unique experience of American Indians and Alaska Natives in the U.S. nonprofit sector.



Public Policy and Advocacy

Public policy defines what it means to be and operate as a nonprofit and is a key determinant of an organization's ability to deliver its mission. Public policy and advocacy also are critical to addressing the systemic inequities and structural racism that impact the ecosystems in which all nonprofits operate. Therefore, the state of the public policy and advocacy "environment" in which we operate gives the sector critical insight into its overall health.

Prior to 2020, data indicated that nonprofit public policy and advocacy efforts were not as healthy or active as the sector needs to strengthen nonprofit capacity and impact. Many nonprofits reported advocacy played a small or non-existent role in their overall strategy. The crises from 2020 prompted an apparent surge in advocacy and voting by individuals, driven at least in part by nonprofit organizations. Nonprofit advocacy also resulted in the passage of legislation that provided lifelines to nonprofits and the communities they serve. Unfortunately, the temporary measures passed last year may not be enough to help the sector and communities endure the prolonged impact of the pandemic and rebuild. Future studies will reveal whether policy and civic engagement wins from 2020 will increase nonprofit leaders' prioritization of advocacy going forward.

NONPROFIT PARTICIPATION IN PUBLIC POLICY OR ADVOCACY



In 2019, **41%** of nonprofit chief executives report that public policy/advocacy is a part of their organization's strategy to some or a great extent.¹⁰⁶

- 59% of CEOs report that public policy/advocacy is a part of their organization's strategy to a small extent or not at all.¹⁰⁷

ADVOCACY

Advocacy is the act of ensuring community voices are included in decisions that impact the people, animals, and natural environment located within those communities. This type of civic participation strengthens the quality of corporate and government decisions, so it behooves the sector to maximize the number of volunteers, donors, and staff engaged in advocacy.

ADVOCACY OVERVIEW

Return on investment in nonprofit advocacy¹⁰⁸

\$115 to \$1 return on investment

\$26.6 B total benefits for communities and taxpayers

Individuals advocating for a cause, 2021

51% of survey respondents reported advocating for issues or causes.¹⁰⁹

35% of survey respondents reported advocating specifically through nonprofits, indicating organizations may serve as key infrastructure supporting overall community advocacy.¹¹⁰

3 hours Survey respondents reported dedicating three hours per month advocating for a cause through a nonprofit.¹¹¹

15-26 million Number of people engaged in protests for racial equity in the summer of 2020, the largest in the country's history.¹¹²

ADVOCACY DRIVERS

The extent to which nonprofits engage in advocacy is directly dependent on other determinants of health outlined in this report: financial resources, human capital, and governance.

- A wide range of research demonstrates nonprofit participation in advocacy is dependent upon available resources, which is one reason why the level of a nonprofit’s advocacy is dependent upon its budget size.¹¹³
- “A more direct role for members and citizens in the governance and operations of nonprofits [i.e. community participation] would produce more involvement by these organizations and their volunteers in advocacy.”¹¹⁴

BOARD POLICY AND ADVOCACY ENGAGEMENT

“By engaging in public policy through advocacy, nonprofit leaders ensure their mission and the people the organization serves are not forgotten when important decisions are made.”¹¹⁵



- Organizations with higher revenues tend to have boards that are more engaged with policymakers and advocacy.¹²⁰

VOTING PARTICIPATION

Voting is the most direct form of advocacy.

- Voters contacted by nonprofits turn out at rates 3 percentage points higher than comparable voters.¹²¹
- Nonprofits effectively reach underrepresented populations.¹²²

Voters engaged by nonprofits are:¹²³

2.4 times
more likely to be voters of color

1.6 times
more likely to be under 25 years old

2.1 times
more likely to have less than \$30,000 in household income.

Voters engaged by nonprofits had higher turnout rates

Voters engaged by nonprofits ¹²⁴	Change in turnout (compared to comparable voters)
Asian American/Pacific Islander	▲ +6 percentage points
Hispanic	▲ +5 percentage points
Non-college	▲ +4 percentage points
Young voters	▲ +5 percentage points
Low-income	▲ +7 percentage points

- Nonprofits closed voter turnout gaps among low-propensity Black and Hispanic voters. They also closed the gap among low-propensity, non-college educated Asian American/Pacific Islander voters.¹²⁵
- Nonprofits that identified as doing “client advocacy” demonstrated a 6.6 percentage point boost among the voters they engaged, compared to comparable voters.¹²⁶

NONPROFIT OVERSIGHT

Because public trust is the currency of the nonprofit sector, it is critically important that there is sufficient oversight of the sector to guard against waste, fraud, or other wrongdoing that could undermine the public's trust. Unfortunately, government entities responsible for nonprofit oversight have seen their resources steadily decline for many years, undermining their ability to oversee a rapidly growing sector.

- IRS funding/oversight data¹²⁷
 - IRS appropriations have fallen by 20% in inflation-adjusted dollars since 2010, resulting in the elimination of 22% of its staff.



The amount of funding and staff allocated to oversight has declined by about 30% since 2010.

GOVERNMENT SUPPORT FROM ADVOCACY, 2020

Thanks to significant levels of advocacy by nonprofits, the sector secured a range of critical financial and programmatic support to sustain their organizations, missions, and communities. The list of support includes:

- Employee Retention Tax Credit, which provides employers, including nonprofits, with a tax credit against payroll taxes for retaining workers;
- Refundable payroll tax credits for paid sick and family leave;
- Partial reimbursement of unemployment payments for self-insured nonprofits;
- Enhanced unemployment insurance;
- Temporary increase in Medicaid funding;
- Economic impact payments to households, including mixed-status families, nonprofit employees, and constituents;
- Temporary suspension of eviction and foreclosures;
- Funding for emergency and long-term broadband infrastructure;
- Emergency funding for the child care sector and Head Start, which directly supports nonprofit child care providers and indirectly supports parents employed and served by nonprofits;
- Emergency funding for safe, healthy elections;
- Emergency funding for the U.S. Postal Service;
- Grants for clean, healthy transportation;
- Higher education emergency relief funding;
- Increased support through the Supplemental Nutrition Assistance Program (SNAP) and nutrition assistance in U.S. territories;
- Emergency food assistance through food banks;
- Additional support for utilities through Low-Income Home Energy Assistance Program (LIHEAP);
- Additional funding for programs serving children and families, runaway and homeless youth, child welfare, aging and disability communities, and survivors of domestic violence;
- Additional funding for the National Endowment for the Arts, National Endowment for the Humanities, Institute of Museum and Library Services; and Smithsonian Institution;
- Funding for international disaster assistance; and
- Additional funding for community development block grants and Veterans Affairs Homelessness Assistance.



For the first time, nonprofits were included in emergency Small Business Administration (SBA) programs, with particular focus on the Paycheck Protection Program (PPP).

60%

of social services, arts, and culture organizations reported obtaining PPP grants.¹²⁸ This finding is consistent with other research that estimates 63% of eligible nonprofit jobs were protected by PPP loans.¹²⁹

- The 181,680 loans made to nonprofits represented 3.7% of all loans made under the program, but nonprofit organizations received a larger share of the high-dollar loans (over \$150,000) than all other entity types.¹³⁰

4.1 million

nonprofit jobs were protected by 181,680 nonprofit PPP loans.¹³¹

- Approximately 40% of eligible nonprofits received a PPP loan, but the success rate varied across states.¹³²

In 2020, Congress passed a temporary universal charitable deduction for non-itemizers to encourage more giving during the COVID-19 crisis.

- The incentive initially was capped at a total of \$300, later increased to \$600 for married couples. In 2020, research indicated that the effects of the policy, as designed, would not yield significant results. Other action would be necessary to stimulate more giving. Even before the passage of the 2017 tax law raising the standard deduction, the amounts given by non-itemizing households averaged around \$1,000. The marginal tax subsidy for these households remained at zero under this new tax policy.¹³³
- Giving at the end of 2020 shows a small increase in the number of \$300 donations, above the expected range, but researchers remain unsure how much this increase was driven by policy change.¹³⁴
- Research from 2019 shows incentivizing more giving through tax policy requires Congress to significantly increase or eliminate the cap on the incentive.¹³⁵

Federal policy changes also raised great concerns for nonprofits in 2020. President Trump's Executive Order on Combating Race and Sex Stereotyping threatened to cancel government contracts and grants to organizations (including nonprofits) that engage in diversity trainings with staff that explore such concepts as systemic racism and intersectionality.¹³⁶ Several nonprofits used judicial advocacy and filed lawsuits against the Trump Administration to block the implementation of the Executive Order.¹³⁷ In January 2021, President Biden repealed this Executive Order and created a new one asserting a commitment to racial equity within the Administration.¹³⁸

DATA RECOMMENDATIONS FOR PUBLIC POLICY AND ADVOCACY

- 1.** To better understand the health of nonprofit advocacy and influence on the policy process, the sector needs a nationally representative survey of nonprofits to collect an annual measure of advocacy participation, nonpartisan civic engagement, and to determine whether barriers identified 20 years ago persist.
- 2.** Research and analysis on the relationships between advocacy and voter engagement and other measures of nonprofit health may identify potential barriers to nonprofit participation in these activities. This type of research also may identify possible positive correlations the sector could use to encourage more nonprofits to engage in advocacy and voter engagement.
- 3.** The sector also would benefit from a nationally representative survey of individual civic participation, including volunteerism, advocacy, and voting. This survey would serve as a compliment to a national survey of nonprofit advocacy and the two sets of findings may identify potential gaps in civic action reported by nonprofits versus individuals.
- 4.** Infrastructure practitioners can partner with researchers to identify evidence-based practices to increase advocacy participation rates or clarify data gaps that need to be addressed on this issue.
- 5.** Relying on levels of IRS funding does not provide enough of the information for nonprofits to determine the actions needed to protect the public's trust in the sector. The sector would benefit from practitioners and researchers working together to aggregate data about the nonprofit regulatory framework, identify a data development agenda, and create a streamlined system of measurement to assess the "health" of nonprofit oversight on a regular basis.
- 6.** The simultaneous timing of a global economic and health crisis, cases of racial and social injustice, and natural disasters created a list of nonprofit and community needs so great, advocacy to engage support or systemic change became a necessity rather than a best practice. It would be helpful for researchers to examine 2020 as a case study to understand the extent the sector and individuals increased advocacy, mechanisms or practices may have supported that increase, or barriers that continued to discourage civic action even in a time of crisis. An analysis of how the sector and individual advocates used coalitions to support new or expanded advocacy in 2020, including as a form of cost-sharing, may inform future financial investments in advocacy and best practices.

Action and Research Next Steps

This report reflects our best understanding of the health and well-being of the U.S. nonprofit sector currently. Although limitations in available data and no mutually agreed upon “health” benchmarks highlight the need for improved health metrics in the future, they cannot be the cause for inaction. In fact, a significant amount of data is available to begin informing decision-making and advocacy across the sector. Therefore, the second half of the report is divided into two sections:

- **Translating Metrics into Action:** The first section includes initial recommendations for how the sector may begin translating findings in this report into immediate action.
- **Long-term Progress on Nonprofit Research:** The second section outlines next steps to improve the collection and dissemination of data on nonprofit health in the future.

Translating Metrics into Action

These recommendations are based upon what trends Independent Sector sees in the available data and how we can use the information to improve individual organizations and sector health through research, practice, and policy.

We look forward to these recommendations forming the basis of sector-wide conversations in the months to come.

FINANCIAL RESOURCES

- **Prioritize Flexible Funding:** Research on the impact of COVID-19 showed a wide range of nonprofits struggled financially, reporting significant declines in earned income. To the greatest extent possible, it is critical for all funders (donors, foundations, and government) to continue to provide flexible funding for nonprofits to help them not only regain their financial footing, but also adapt operations so they can improve their resilience in future crises.
- **Retain and Recruit New Donors:** Giving in 2020 showed a reversal of a long-running downward trend of fewer households giving to charity. It remains unclear the extent to which this recent change is the temporary result of giving during a crisis, or whether it will be sustained without intentional action by both nonprofits and policymakers. New donors gave to nonprofits in 2020 for a reason, but it is up to individual organizations to continue to demonstrate their relevance. At the same time, policymakers clearly recognize their role, as evidenced by the creation, extension, and minor expansion of a universal charitable deduction. They must act by extending the deduction and raising the cap to a level that can effectively incentivize more giving.

- **Clarify Form 990 Collection of Financial Data:** It always has been difficult to fully understand some measures of nonprofit finances, such as government funding, due to how the revenue is reported on Form 990s. Government grants, contracts, and reimbursements often are combined with other forms of revenue on Form 990s, making it difficult for researchers to easily identify the full role government revenue plays for nonprofits. Clarifying existing reporting practices for Form 990s may improve the sector's understanding of some measures of financial health. Nonprofits and researchers can advocate for the IRS to modify Form 990 to collect clearer, more accurate data on earned income and government grants and contracts.
- **Create Common Core Financial Metrics for Research:** This report pieces together financial data across a wide range of research. The collaboration between researchers and practitioners, through identifying the best annual measures that track the overall financial well-being of nonprofit institutions, could create efficiencies and even new learnings if collected alongside other organization characteristics and activities.
- **Establish Methodology to Capture Impact of Financial Changes:** In order to improve nonprofit financial health, the sector needs to understand how financial changes impact human resources, governance, service provision, and advocacy. Often, research on nonprofit finances is limited to descriptive financial measures that are not connected to data on operations. Without more regular research exploring correlations between finance and mission, it is difficult to accurately communicate the “so what” element of nonprofit finance research findings. It would be extremely helpful for future research of nonprofit finances to capture how different types of revenue flow through the sector and the extent to which revenue shifts the impact of other aspects of nonprofit operations and activities.
- **Develop a Shared Understanding of Equitable Financing:** Aggregated financial resource data provides a general description of the state of nonprofit revenue. However, it remains difficult to apply an equity analysis to these metrics without a shared understanding across nonprofits and researchers of what equitable financial resourcing of the sector looks like and how it may be measured. A collaborative process to develop shared benchmarks and measures for equitable financing of nonprofits will significantly help nonprofits and other stakeholders better understand how to improve equity in this area.

HUMAN CAPITAL

- **Create Shared Understanding of “Healthy” Workforce Diversity:** Although there is data on the diversity of the sector, it is difficult to gauge exactly how to improve the demographics of nonprofit staff without mutually agreed upon definition of “healthy” workforce diversity. Currently, there is not a shared understanding of whether the nonprofit workforce should equal diversity of other sectors, correlate with the demographics of the U.S. population, reflect the communities that nonprofits serve, and/or vary by subsector or geography. Collectively, the sector could benefit from engaging in a collaborative process to establish a common vision or goals for nonprofit employee diversity.
- **Promote Evidence-Based Practices to Close Diversity and Equity Gaps:** Data indicates that although the nonprofit workforce is becoming more diverse, there was a decline in the proportion of Black, Native, multi-racial, and women represented in the sector workforce. These also happen to be populations disproportionately impacted by COVID-19. Researchers can help nonprofits understand underlying drivers of these changes. Even before this data is available, nonprofit leaders can work together to quickly identify and mitigate potential barriers that may be preventing women and communities of color from returning to the nonprofit workforce. In the long-term,

nonprofits can prioritize practices, such as board and executive diversity, to help close some pay gaps and lead to higher job satisfaction rates. Nonprofit leaders would benefit from working with researchers to understand existing data to promote concrete, sector-wide practices that improve equity-based metrics in their own organizations, as well as the broader nonprofit workforce.

- **Advocate for Timely Release of Workforce Data:**

The pandemic highlights the critical importance of timely data on the current status of the nonprofit workforce. The Bureau of Labor Statistics (BLS) has committed to release nonprofit employment and wage data on a five-year cycle (with the next release scheduled for 2024). BLS has made clear it would consider more regular releases of this data if there were enough demand. Nonprofit advocacy calling on BLS to release more timely nonprofit workforce data may be the most efficient, low-cost way to improve our collective understanding of nonprofit employment.

- **Build Capacity for Virtual Volunteerism:** In the first months of COVID-19, the sector observed a drop in volunteerism. This is attributed, in part, to many volunteer opportunities focusing on in-person participation. As the sector began to figure out how to pivot to virtual volunteer projects, volunteer rates appeared to improve. As the pandemic continues through its second year, nonprofits may need strategies, skills, and technological knowledge to build more robust virtual volunteer programs.

- **Advocate for Government Funding to Improve Volunteer Capacity:** Data on the impact of COVID-19 shows that the pandemic reduced both the staff and volunteer capacity of nonprofits at a time when many organizations struggled to provide essential services to their communities. Public policies to improve training and technical assistance to nonprofits for volunteer management and the establishment of a national digital volunteerism platform could better support volunteerism in times of crisis, with particular emphasis on building capacity for more virtual volunteer opportunities.

- **Improve National Research on Volunteerism:** AmeriCorps (formerly the U.S. Corporation for National and Community Service) is responsible for collecting national data on volunteerism rates in the U.S. The scope and methodology of this research recently has changed, making it more difficult to gain a clear picture of the health of volunteerism over time. Nonprofits have an opportunity to advocate for improvements to AmeriCorps volunteerism research to ensure it provides policymakers and the sector with actionable data. An example of an improvement is the regular release of disaggregated data to identify potential inequities in volunteer engagement across organization size, volunteer demographics, geography, and communities served.

GOVERNANCE AND TRUST

- **Protect Public Trust of Nonprofits:** As predicted in the previous annual report, the nonprofit sector saw a brief increase in the public's trust, but trust returned pre-COVID-19 levels as early as Spring 2021. Needs created by the pandemic, racial injustice, and natural disasters continue, which provide nonprofits new opportunities to visibly demonstrate their value to communities and local leaders. The sector will need to collectively identify the actions necessary to grow trust in the future and protect those gains, rather than allowing the next "trust bubble" to burst.

- **Leverage Spotlight on Equity:** Although most nonprofits surveyed in 2019 report their organization has a diversity, equity, and inclusion initiative, the sector may need to improve efforts to convert that commitment to action, advance more equitable systems, and be transparent about them to preserve public trust. The pandemic placed a spotlight on social inequities and structural racism, generating overwhelming buy-in across the sector to prioritize equity in our work. This creates an opportunity to help nonprofits take their equity work to the next level, including collective action to advance equity outside of an individual organization. This work will take deep reflection and focus on trust and reparative practice.

- **Improve Quality and Depth of Equity Metrics:** Although surveys ask nonprofits if they have equity initiatives, they are not considering a representative sample of nonprofits. Therefore, it is difficult to confidently extrapolate the findings for the entire sector. In addition, responses to this question could include a wide range of activities. As a result, it is difficult to get an exact sense of where nonprofits are working on equitable change and measure progress. Therefore, it would be helpful for future research to include questions about specific activities to better understand how equity is included in nonprofit work. Specifically, it would be helpful to understand the extent to which nonprofits integrate community voice into their governance and decision-making processes.
- **Evaluate More Complete Measures of “Healthy” Governance:** Researchers can help nonprofits consider what additional data points are needed to understand nonprofit governance/decision-making to ensure it is supporting the health of the whole. Specifically, this report is comprised of available data, but would benefit input from experts who regularly study nonprofit governance about the core metrics that could provide the most accurate picture of health governance. Once the sector has a picture of an ideal data set on healthy governance, it can work toward supporting the regular collection of that type of data through a variety of data collection strategies.
- **Identify Definition of Healthy Board Diversity at Sector Level:** Given the data showing board composition impact on nonprofit governance and staffing, it would be helpful for the sector to engage in a dialogue about how the sector knows when board demographics may be considered “healthy.” This may include the development of sector-wide standards for individual nonprofits or aggregate, national goals.
- **Improve Digital Access and Literacy:** In 2020, nonprofits reported concerns about their ability to continue providing services and transitioning to virtual service provisions proved difficult if the communities they served lacked access to the internet or technology. As a result, nonprofits joined businesses and policy leaders to call for expanding broadband access to reduce inequity and enable more households to access nonprofit and government services. However, newly connected nonprofits and communities also require resources to understand how to safely use technology, including protecting their privacy. A significant policy investment in digital literacy is required to complement policies to expand access.

PUBLIC POLICY AND ADVOCACY

- **Improve Research on Nonprofit Advocacy:** National, comprehensive research on nonprofit advocacy participation has not been conducted in over 20 years. Consequently, it is difficult to gauge whether many of the efforts of the last two decades to overcome barriers to advocacy have succeeded or whether new barriers may have emerged. To understand the extent to which nonprofits are engaging in advocacy, as well as drivers behind their engagement, the sector needs much more regular research on nonprofit advocacy. In particular, the sector would benefit from an annual measure of nonprofit advocacy engagement from a representative sample of organizations.
- **Identify Relationship between Advocacy and Other Health Indicators:** “In order for non-profits to be a positive force for democracy, they need to align their mission, governance, resources, and relationship to the community in ways that support more advocacy and community engagement.”¹³⁹ In other words, the sector would benefit from research to identify how other indicators of health correlate to an organization’s nonpartisan civic engagement and advocacy. It also would be beneficial to know the direction of those relationships. Do certain financial or governance structures increase the likelihood organizations advocate or does an organization starting nonpartisan voter engagement show increases in donations or grants?

Understanding the relationship of advocacy to other health indicators may help nonprofit leaders and staff connect policy to nonprofit missions to increase the relevance and prioritization of advocacy by nonprofits.

- **Understand Intersection between Equity and Nonprofit Advocacy:** Most data on nonprofit equity initiatives focus on operations. It is unclear the extent to which nonprofits integrate equity into the development of their policy agendas and advocacy. Nationally representative research on this topic would improve sector-wide understanding of the scope of nonprofit activity to promote equity and potentially identify best practices to share with organizations seeking guidance.
- **Establish Advocacy as Norm:** Over half of CEOs report public policy and advocacy playing little or no role in organization strategy. Public policy literally defines all nonprofits, and it is a characteristic of highly effective organizations. Therefore, it is appropriate for significantly more organizations to prioritize policy and advocacy as a part of their work. It could be helpful for educators and nonprofit leaders to determine how to establish advocacy as a core competency of nonprofit management and governance, rather than an activity pursued only if there are excess resources.
- **Advocate for Better Voting Policies:** Nonprofits play a crucial role in democracy through educating and mobilizing existing voters and closing voting disparities. In 2020, a series of policy changes due to COVID-19, including early voting and mail-in voting, made it easier for nonprofits to engage voters in their communities. In 2021, some state and local governments began rolling back 2020 policies and created new barriers to nonprofit voter engagement. As a central player in the

democratic process and the source of millions of dollars of philanthropic and voluntary resources, charitable organizations have a vested interest in public policies that make their nonpartisan voter engagement work easier or more difficult. The year after federal elections and a U.S. Census is when policymakers decide voting policies for the next four to 10 years. Now is the time for nonprofits to make clear to policymakers our valuable contribution to the democratic process and the policies the sector needs to serve our communities.

- **Increase Funding for Nonprofit Regulators:** The Internal Revenue Service (IRS) is one of two key entities responsible for enforcing laws to protect the public's trust in nonprofits. Unfortunately, data shows funding in the IRS has been declining for years, hindering the agency's capacity to provide adequate oversight of the sector. Although the sector can accomplish a great deal through shared standards and self-regulation, nonprofits also need state and federal regulators to have enough resources to enforce laws that guard against fraud and abuse, because scandal often negatively impacts public trust in the entire sector.
- **Study Impact of Income Inequality on Sector:** Experts hypothesize that income inequality may indirectly impact a wide range of sector health indicators, including charitable giving rates, public trust in institutions, staff compensation, and board diversity. If broader systemic inequities directly impact indicators of nonprofit health, the sector will not be able to make significant progress on these issues until they address those systemic barriers. Therefore, the sector would benefit from additional research on the potential impact of income inequality on sector health to better identify if, when, and where collective action is needed.

Long-term Progress on Nonprofit Research

This report reflects our best understanding of the health and well-being of the U.S. nonprofit sector today.

Independent Sector looks forward to improving and evolving this report over time by partnering with funders, practitioners, researchers, and government officials to:

- Improve the quality and timeliness of data that informs our understanding of the sector's health.
- Engage members and other stakeholders to make sense of what the data is telling us and jointly identify the highest-priority opportunities for the sector to act through policy and practice.

“If we want to have a deep understanding of our sector’s health that can lead to policy and other actions that improve our health, we must have a shared understanding of the value of data, a uniform and ongoing commitment to gathering those data, and a robust and sustained response from philanthropy to support the sector’s efforts to put data-driven insights into action.”

– DAN CARDINALI, PRESIDENT AND CEO,
INDEPENDENT SECTOR

IMPROVING DATA QUALITY AND TIMELINESS

Independent Sector aims to work with all institutions seeking to produce regular research on the state of nonprofits to develop the collective funding and infrastructure needed to improve the frequency and quality of sector health data in the future. Specifically, this report highlights nonprofit survey data that would be even more valuable if it were from a random sample of respondents that looked like the broader nonprofit sector.

It is important for researchers, particularly practitioner organizations, to request funders cover the real costs associated with an annual survey of a nationally representative sample of nonprofits. At the same time, Independent Sector will work with the research community and prospective funders to build new research infrastructure that may lower the aggregate cost of fielding these types of surveys. One particularly exciting example of such research infrastructure is currently underway in the build out of an annual panel survey from a nationally representative sample of nonprofits.

Independent Sector also believes it is essential that academic and practitioner researchers establish shared principles when collecting national, sector-wide nonprofit data. Those principles should include a shared commitment, whenever possible, that nonprofit research include the collection and analysis of disaggregated data to identify potential inequities across types of institutions, donors, volunteers, or communities served.

Although our understanding of the state of the nonprofit sector will be dramatically improved with regular, representative data, 2020 demonstrated the critical value of nonprofit surveys using convenience samples. The ever-changing crisis of a global pandemic made it difficult to know at any point in time how the nonprofit sector was coping. Policymakers, advocates, funders, and donors were seeking quick, real-time data to make critical decisions on how to best support the sector. Thankfully, many practitioner organizations were able to field a series of convenience sample surveys to shed light on nonprofit needs. It is possible to look across these surveys to get a general sense of the direction of

key indicators, like organization revenue, employment, volunteerism, service provision, and demand for services. This type of flexible, timely, and relatively inexpensive research will continue to serve an important role in our ongoing understanding of nonprofits, particularly in a rapidly changing environment.

The federal government is an essential data source for nonprofits and our sector should regularly and energetically advocate for improved collection and reporting of nonprofit data. Some of the most

compelling data included in this report is from government sources. In fact, in 2021 Independent Sector began releasing quarterly reports highlighting government data on nonprofits. Calling on the federal government to release nonprofit data more frequently allows researchers to produce more timely, useful reports. Requesting small changes to how government collects nonprofit data also may notably improve its value for research purposes, such as revising Form 990s and tagging data from nonprofit organizations within larger government databases.

ENGAGING IS MEMBERS AND OTHER STAKEHOLDERS IN LEARNING

Data can raise as many questions as it answers, which is why it is important to engage peers. The academic community integrates peer feedback and review into multiple stages of research development to improve the ability of research to advance learning across a community. In the same spirit, Independent Sector seeks to create regular engagement opportunities with our members and other nonprofits to process what we can learn from current data on nonprofit health, how we can improve future reports, and how we might best act on what we are learning. For example, Independent Sector will host convenings where the sector recommends how we define “health” for individual metrics and collective action the sector can take to reach those goals.

In sum, Independent Sector is committing not only to producing a data-infused report of increasing quality, but to using that report as an agile and responsive mechanism to engage the sector as we work together to improve our shared health so we can accelerate the advancement of organizational missions.

We look forward to doing this work with you and your continued recommendations for how this report can be enhanced over time.

Sources

Financial Resources

TOTAL RESOURCES AND EARNED REVENUES

Data for these sections is drawn from the U.S. Bureau of Economic Analysis (BEA). Figures were calculated from tables released July 29, 2021, which can be accessed at: <https://apps.bea.gov/iTable/iTable.cfm?reqid=19&step=2#reqid=19&step=2&isuri=1&1921=survey>.

- Gross value added by nonprofits; change from 2018-2019
 - Table 1.3.6, “Real Gross Value Added by Sector, Chained Dollars”
- Gross value added by sector, as a share of GDP
 - Table 1.3.5, “Gross Value Added by Sector”
- Gross output of nonprofits; earned revenues
 - Table 2.4.6U, “Real Personal Consumption Expenditures by Type of Product, Chained Dollars”

For data on the nonprofit sector, BEA generally reports on “Nonprofit Institutions Serving Households” (NPISH), which it describes as including tax-exempt health, recreation, arts, education, social services, religious, grant-making, social advocacy, civic and social, legal services, and professional labor and political and similar organizations. NPISH does not include organizations, like chambers of commerce and other business associations, which mainly serve businesses. NPISH also does not include tax-exempt entities, like cooperatives, credit unions, and mutual financial institutions, which sell goods and services in the same way as for-profit businesses. BEA includes these business-serving and business-like organizations in the business sector, even if they are tax-exempt entities. According to BEA: “Because NPISHs produce services that are not generally sold at market prices, the value of these services is measured as the costs incurred in producing them.” See the following:

- U.S. Bureau of Economic Analysis, NIPA Handbook: Concepts and Methods of the National Income and Product Accounts, available at: <https://www.bea.gov/resources/methodologies/nipa-handbook>
- Charles Ian Mead, Clinton P. McCully, and Marshall B. Reinsdorf, “Income and Outlays of Households and of Nonprofit Institutions Serving Households,” Survey of Current Business (April 2003), pp. 13-14, available at: <https://apps.bea.gov/scb/pdf/2003/04April/0403household.pdf>

Human Capital

PAID WORKERS

Figures in this section are calculated from Current Population Survey (CPS) data publicly available through IPUMS-CPS, which is accessible at: <https://cps.ipums.org/cps/>.

CPS is hosted by the U.S. Census Bureau and the U.S. Bureau of Labor Statistics, and collects information monthly from a probability selected sample of about 60,000 U.S. households. Households are in the survey for four consecutive months out of eight months, and then return for another four months before leaving the sample permanently. One person generally responds for all eligible members of the household (see <https://www.census.gov/programs-surveys/cps/technical-documentation/methodology.html>).

In recent years, an alternative source of information on nonprofit employment has been available through a collaboration of the U.S. Bureau of Labor Statistics and the Center for Civil Society Studies at Johns Hopkins University and their analysis of data from the Quarterly Census of Employment and Wages (QCEW). The most recent report from this collaboration indicates that, in 2017, nonprofit establishments in the U.S. employed 12.5 million paid workers, which account for 10% of the total private workforce. (see <http://ccss.jhu.edu/2020-nonprofit-employment-report/>).

In contrast to the CPS, which surveys a sample of 60,000 households, the QCEW draws on quarterly reports submitted by almost 10 million U.S. establishments. With the differences in the ways that the CPS and QCEW collect data, it is perhaps not surprising that they report somewhat different estimates of nonprofit employment. In particular, it appears that the CPS nonprofit employment figures are lower, perhaps by a couple of percentage points, than the QCEW figures. For example, in 2017, the April CPS had nonprofit employment as 8.2% of private workers, while the BLS/QCEW put nonprofit employment at 10.2% of private employment in 2017. Note that the 7% figure shows nonprofit employment as a percentage of nonprofit, business, and government workers, and not just as a percentage of private — that is, nonprofit and business — workers.

- For a detailed comparison of the CPS and QCEW, see <https://www.bls.gov/cew/publications/employment-and-wages-annual-averages/2019/home.htm>
- For BLS/QCEW data on nonprofit employment for 2013 - 2017, see <https://www.bls.gov/bdm/nonprofits/nonprofits.htm>.

Endnotes

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1602 L Street NW, Suite 900
Washington, DC 20036
202-467-6100

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