

# Nonprofit Sector Overview

Prepared for S368  
Strategic Management of  
Nonprofit Organizations and Social Ventures

Bill Meehan

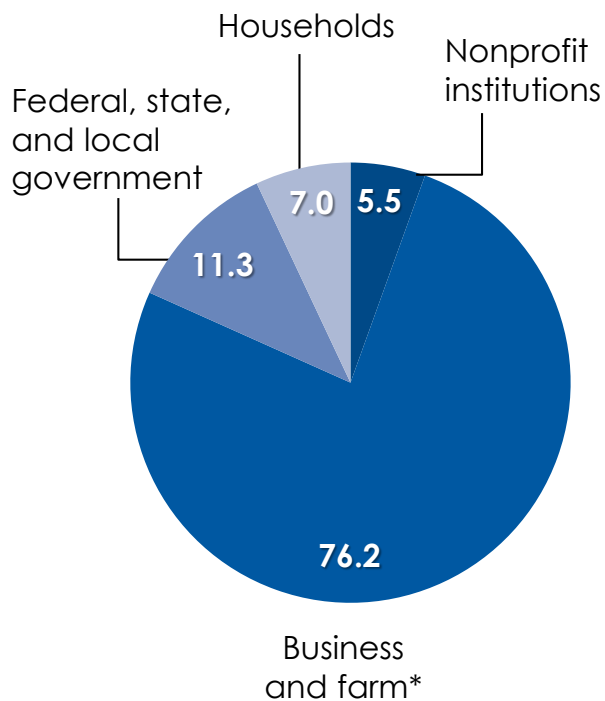
Raccoon Partners Lecturer in  
Strategic Management



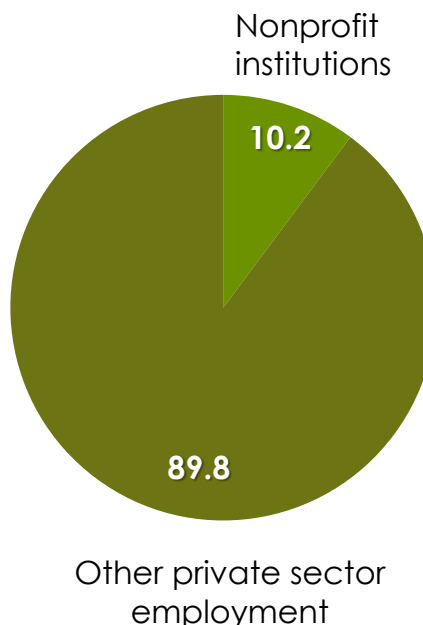
**STANFORD GRADUATE SCHOOL OF BUSINESS**  
*Winter Quarter 2020*

# SIZE AND IMPORTANCE OF THE NONPROFIT SECTOR IN U.S.

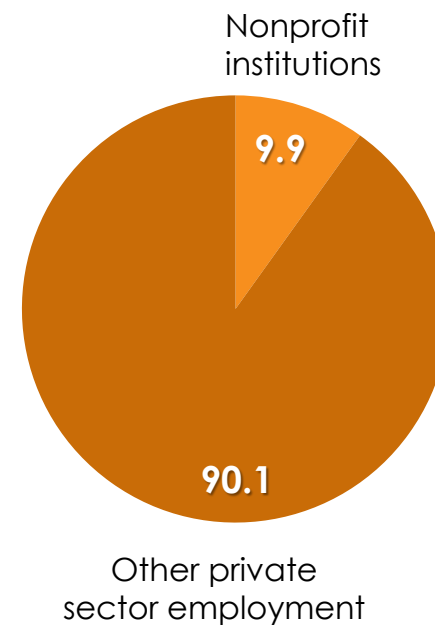
**GDP 2018**  
100% = \$20.580 trillion



**Private Employment 2017**  
100% = 122.38 million



**Private Employment Wages and Salaries 2017**  
100% = \$6,722 trillion



\*Farm is <1%

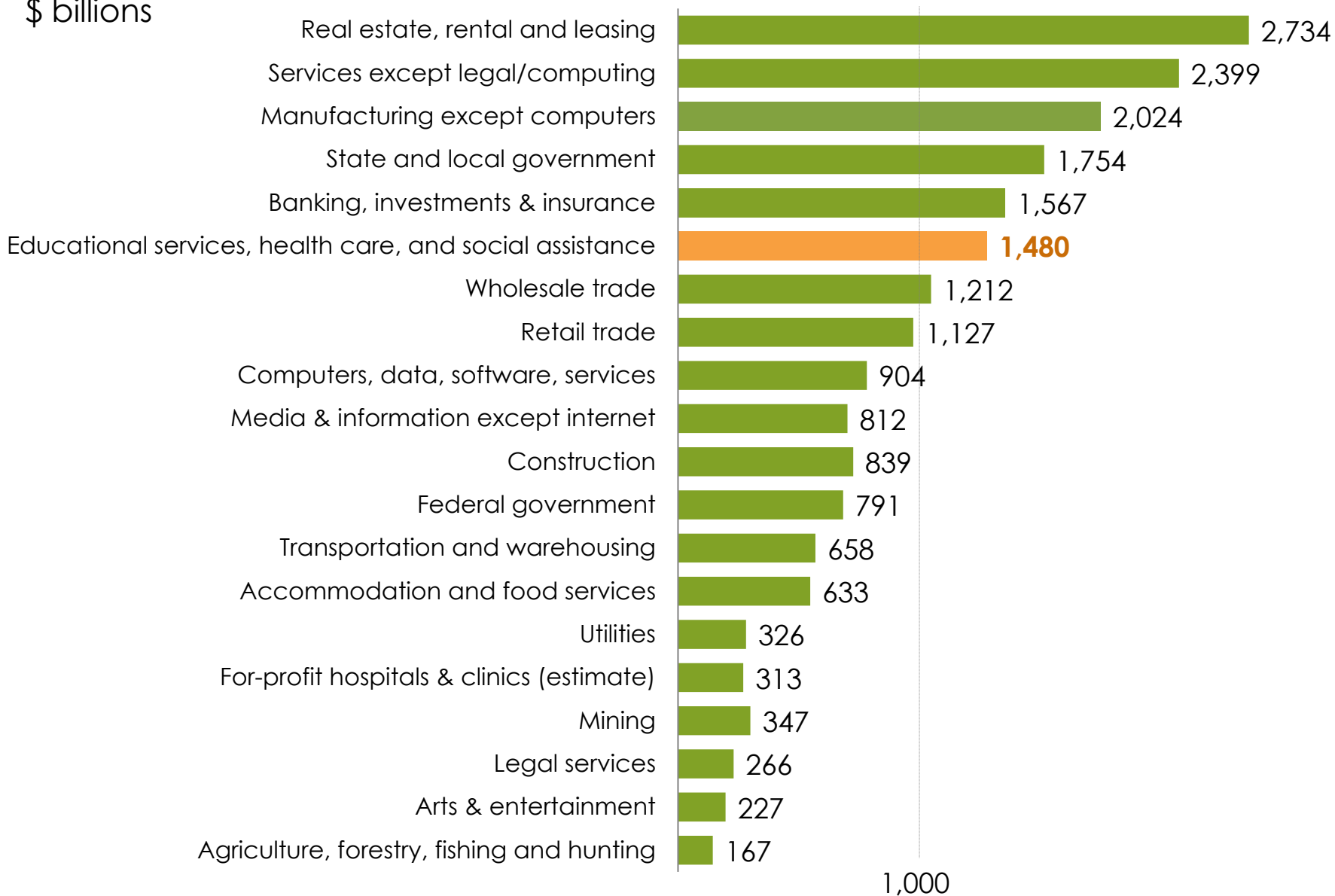
Sources: U.S. Department of Commerce, Bureau of Economic Analysis, National Income and Products Accounts, Gross Domestic Product Value added by Sector, Table 1.3.5 November 2019.

Bureau of Labor Statistics, Research Data on the Nonprofit Sector, 2017, Released November 26, 2019.

<https://www.bls.gov/bdm/nonprofits/nonprofits.htm>

# CONTRIBUTIONS TO U.S. GDP BY INDUSTRY – 2018

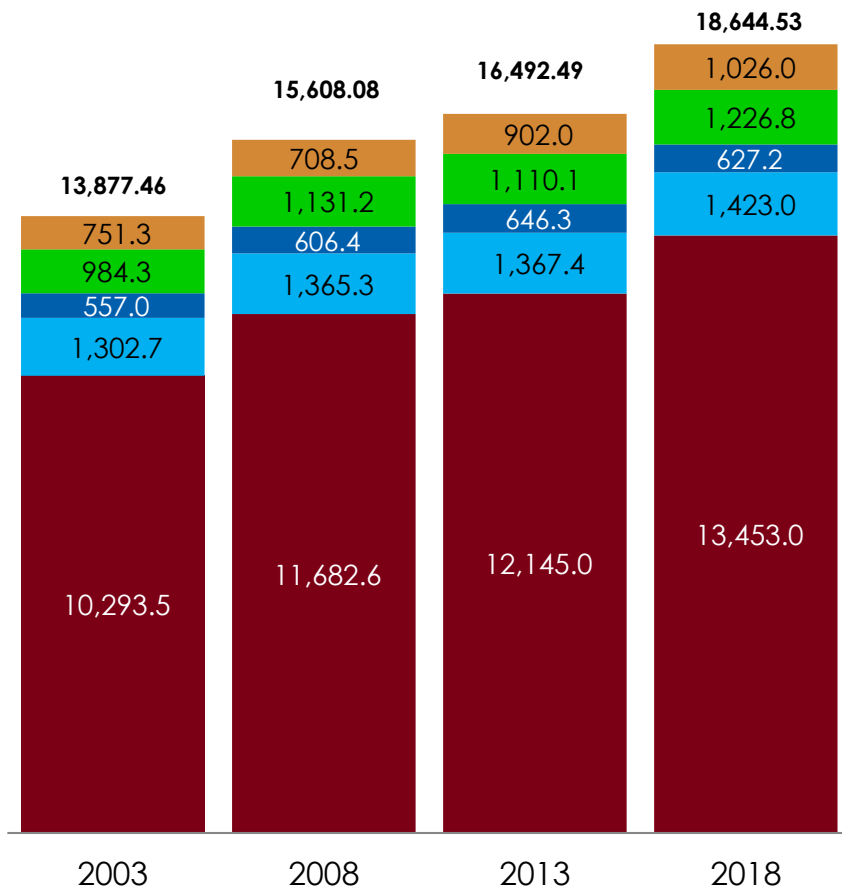
\$ billions



Source: U.S. Department of Commerce, Bureau of Economic Analysis, National Income and Products Accounts, GDP by industry, Value added by industry. Health care is 75% of the values for hospitals and ambulatory care to adjust for for-profit enterprises, based on data from the American Hospital Association.

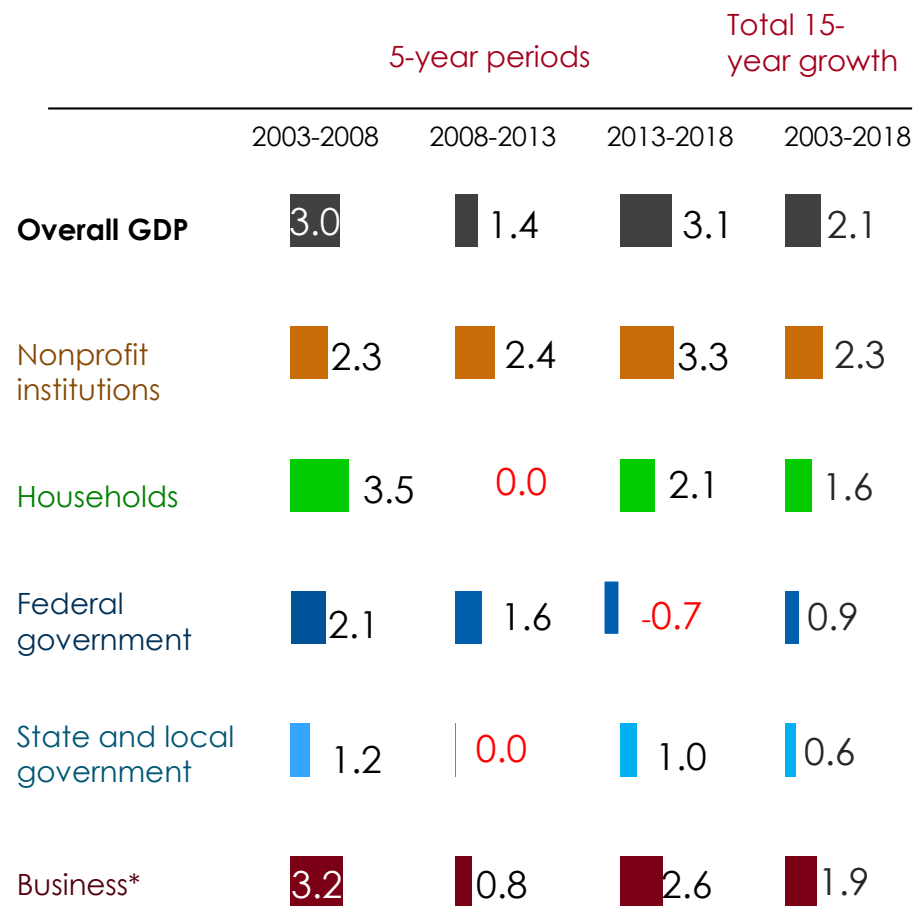
# GDP GROWTH

Real GDP by sector  
2012 \$ billions



\*Business includes farms (less than 1% of business sector)

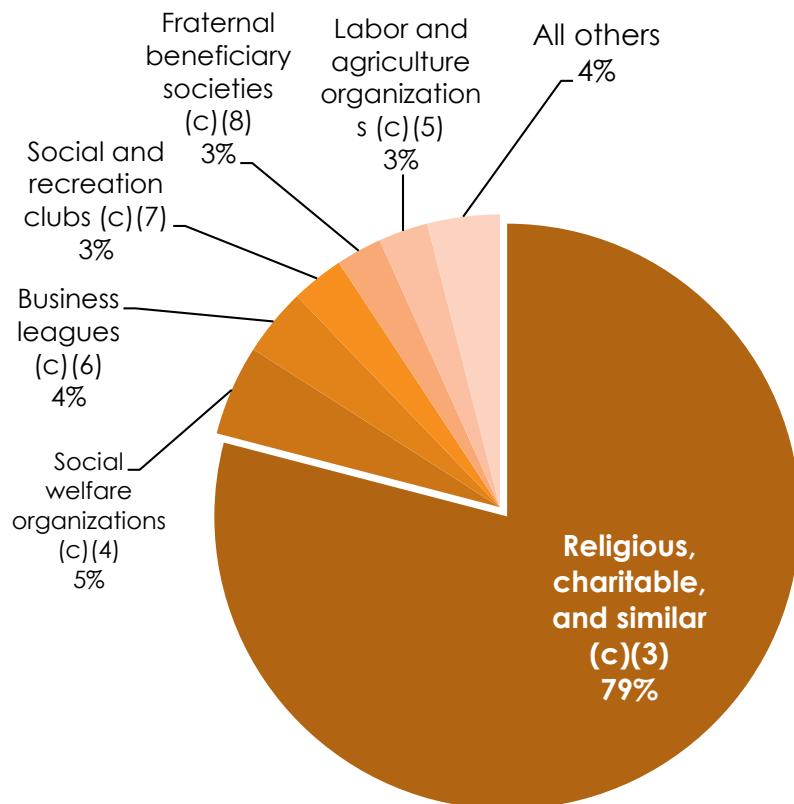
Differential GDP real growth by sector, 2003-2018  
Percent CAGR



Source: U.S. Department of Commerce, Bureau of Economic Analysis, National Income and Products Accounts, Tables 1.3.5 (gross value added by sector) and inflation-conversion based on 2012=100 from Price Expenditures Index, Table 1.3.4.

# TAX-EXEMPT NONPROFIT ORGANIZATIONS IN 2018\*

Nonprofits registered under IRS Tax Code, Sec. 501(c)  
100% = 1,682,091



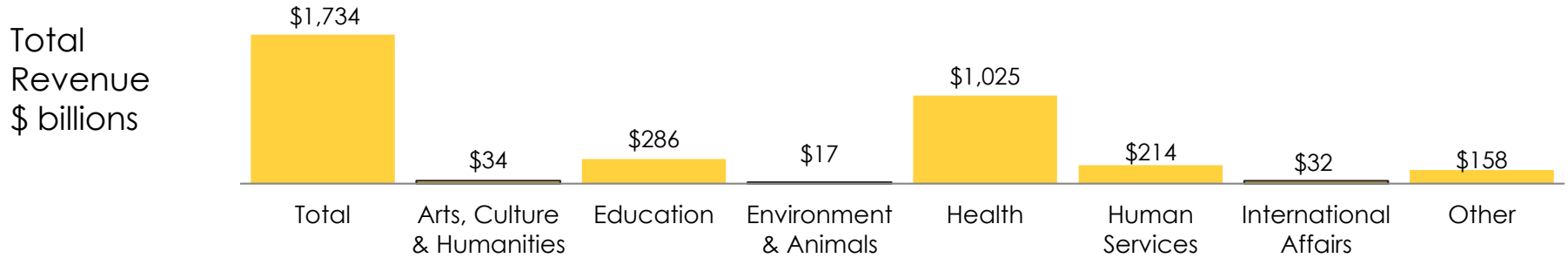
Total is not 100% due to rounding

Sub-section	Number of exempt organizations by 501(c) subsection – only c(3) are “charities”	
(1)	Corporations organized under act of Congress	654
(2)	Title-holding corporations	4,436
<b>(3)</b>	<b>Religious, charitable, and similar**</b>	<b>1,327,714</b>
(4)	Social welfare organizations	80,197
(5)	Labor and agriculture organizations	46,094
(6)	Business leagues	62,884
(7)	Social and recreation clubs	49,096
(8)	Fraternal beneficiary societies	42,522
(9)	Voluntary employees' beneficiary associations	6,192
(10)	Domestic fraternal beneficiary societies	15,952
(12)	Benevolent life insurance associations	5,341
(13)	Cemetery companies	9,291
(14)	State-chartered credit unions	1,599
(15)	Mutual insurance companies	681
(17)	Supplemental unemployment benefit trusts	94
(19)	Veterans' organizations	28,537
(25)	Holding companies for pensions and other entities	742
	All other 501(c) subsections	65
<b>Total 501(c) exempt organizations</b>		<b>1,682,091</b>

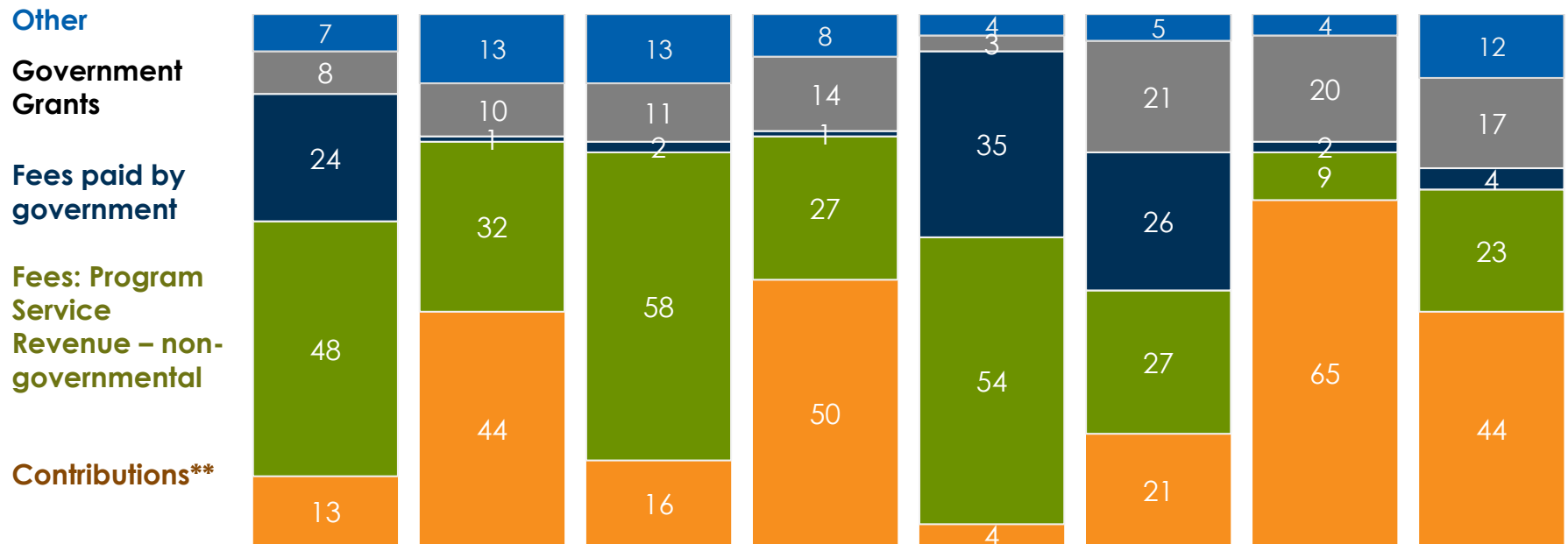
\*\*\*Includes private foundations. Not all Internal Revenue Code section 501(c)(3) organizations are required to apply for recognition of tax exemption, including churches, integrated auxiliaries, subordinate units, and conventions or associations of churches

Source: Internal Revenue Service, *Data Book*, 2018 Table 25. <https://www.irs.gov/statistics/soi-tax-stats-tax-exempt-organizations-and-nonexempt-charitable-trusts-irs-data-book-table-25>

# PUBLIC CHARITIES: Funding sources by subsector – 2013\*



## Percentage by source



\*Most recent data available.

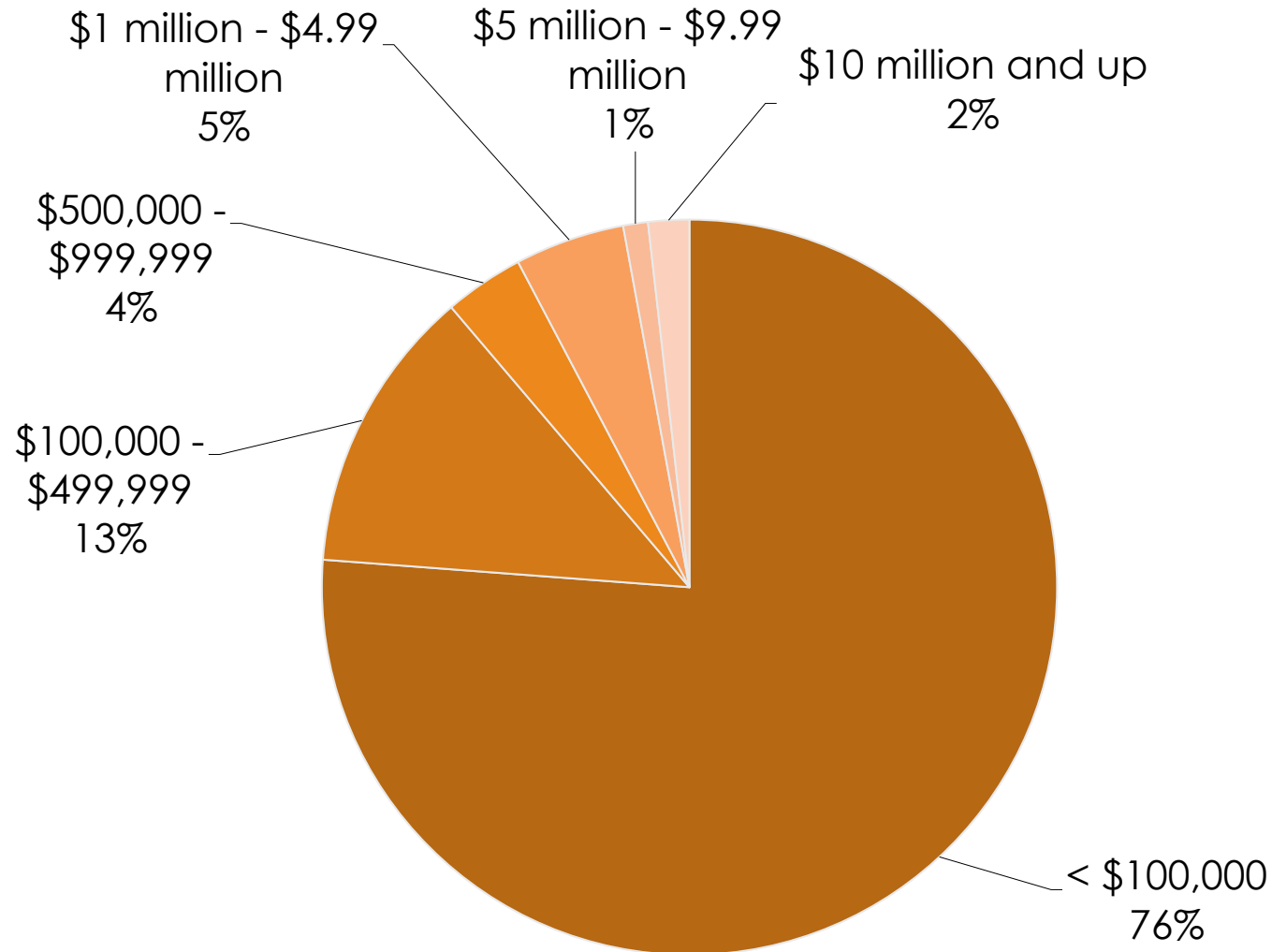
Includes 501(c)(3) organizations and religious congregations that choose to report on IRS Form 990. Religious organizations appear in "other."

\*\*Private contributions and transfers from other charities such as United Way, supporting organizations, donor-advised funds, congregations, etc.

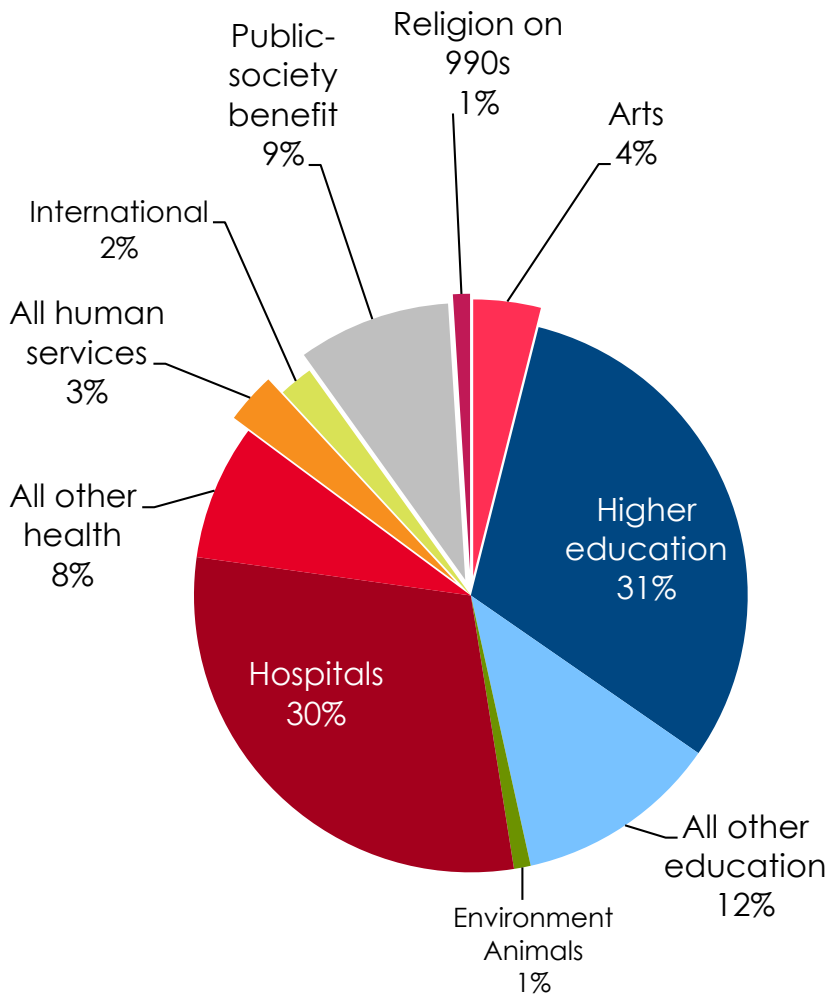
Source: National Center for Charitable Statistics (NCCS). *The Nonprofit Almanac 2016* All data are circa 2013 and include estimates by NCCS.

# MOST REGISTERED CHARITIES HAVE LOW REVENUE

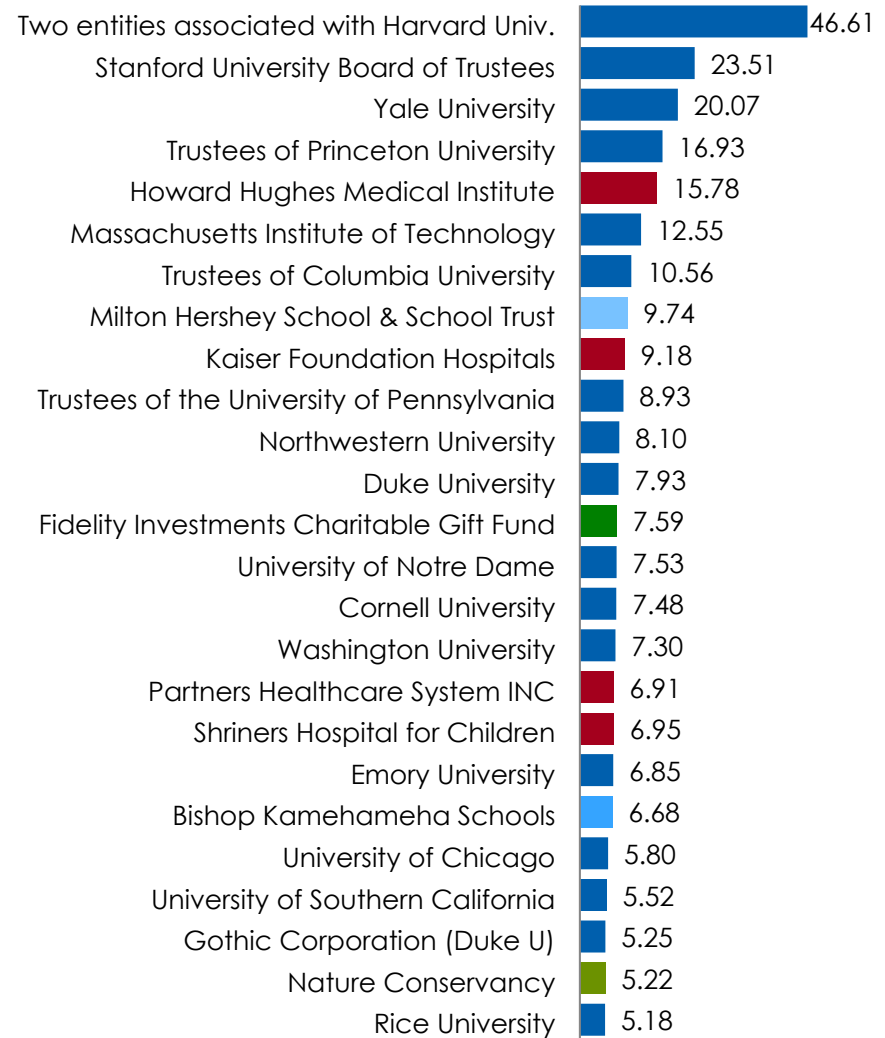
Percentage of the number of charities in each revenue category



## LARGEST SHARE OF NET ASSETS BY SUBSECTOR, CIRCA 2012\*



## TOP 25 CHARITIES BY NET ASSETS, CIRCA 2012\* \$B



\* Most recent data available.

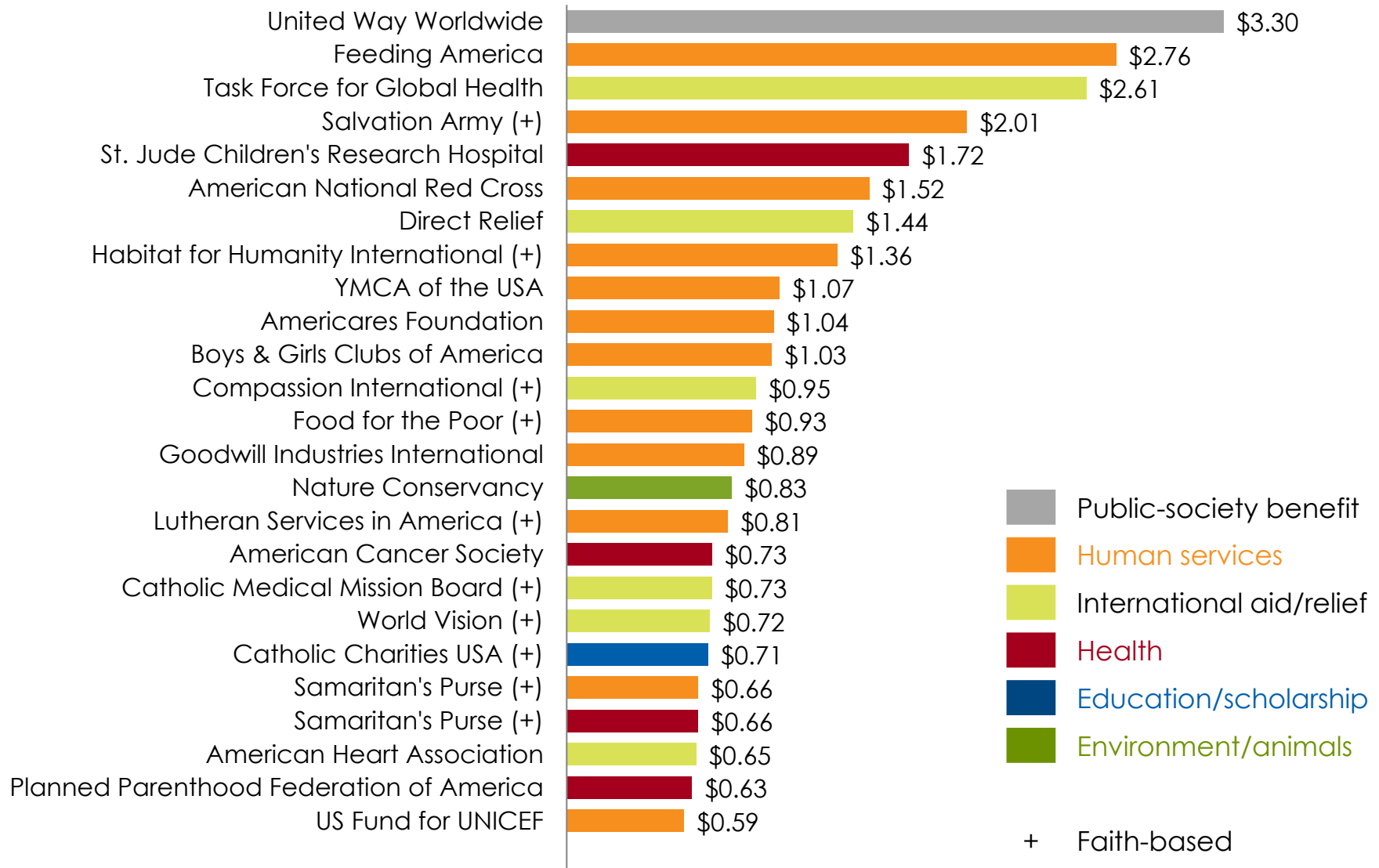
IRS Statistics of Income Division, Sample of Charitable Organizations, 2012.

Percentages are based on 4,343 charities, each with net assets of \$50 million or more, based on IRS Forms 990.



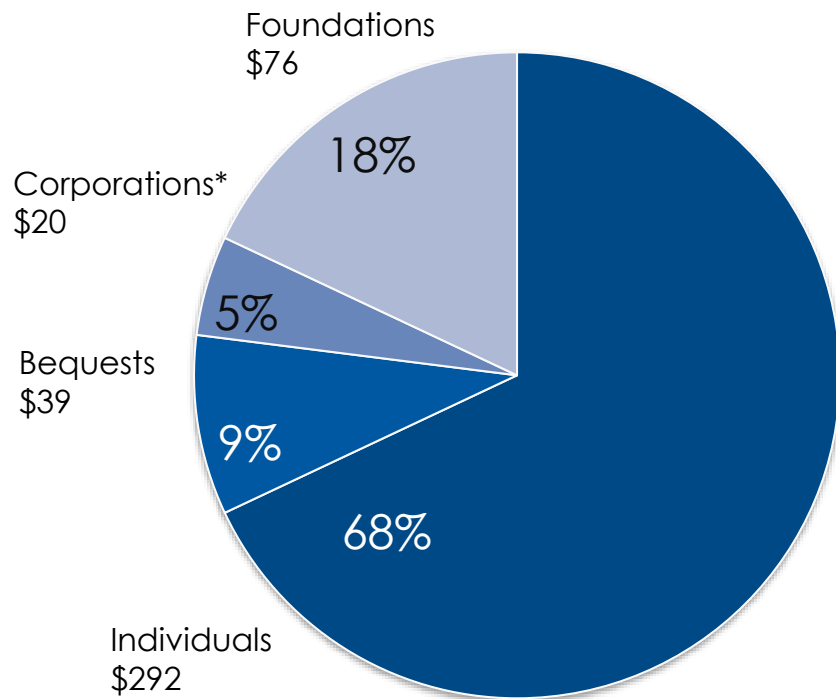
# BY AMOUNT RAISED, LARGEST CHARITIES\* 2018

\*excludes higher education, donor-advised funds, and community foundations

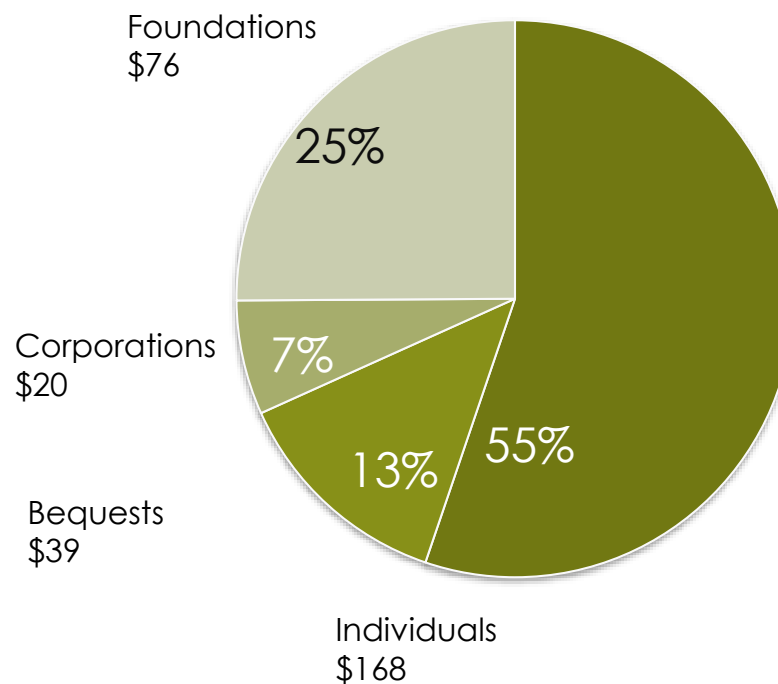


# SOURCES of PHILANTHROPIC GIVING - 2018

WHERE THE MONEY CAME FROM  
100% = \$427.71 billion



ADJUSTED TO REMOVE GIVING TO RELIGION  
100% = \$303 billion  
Estimated

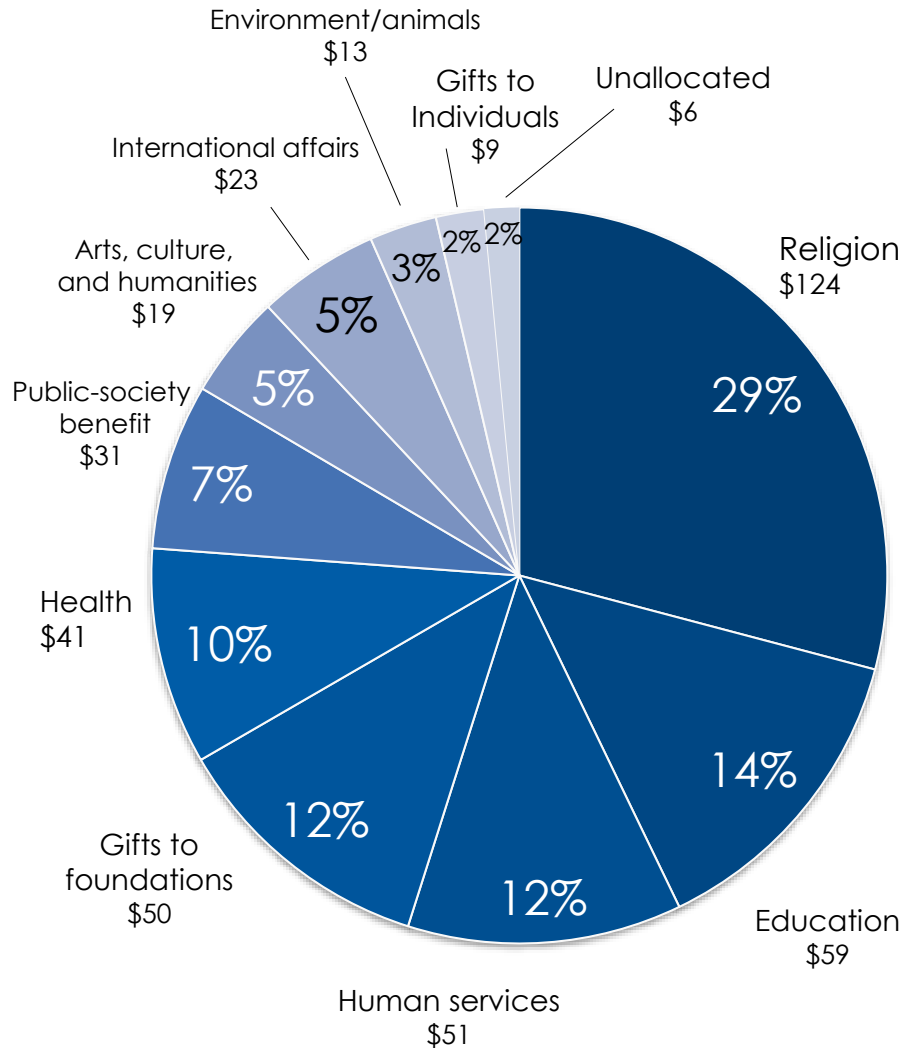


\* Includes corporate foundation giving

Source: Giving USA Foundation, *Giving USA 2019...*  
Secular giving estimate: Melissa S Brown & Associates.

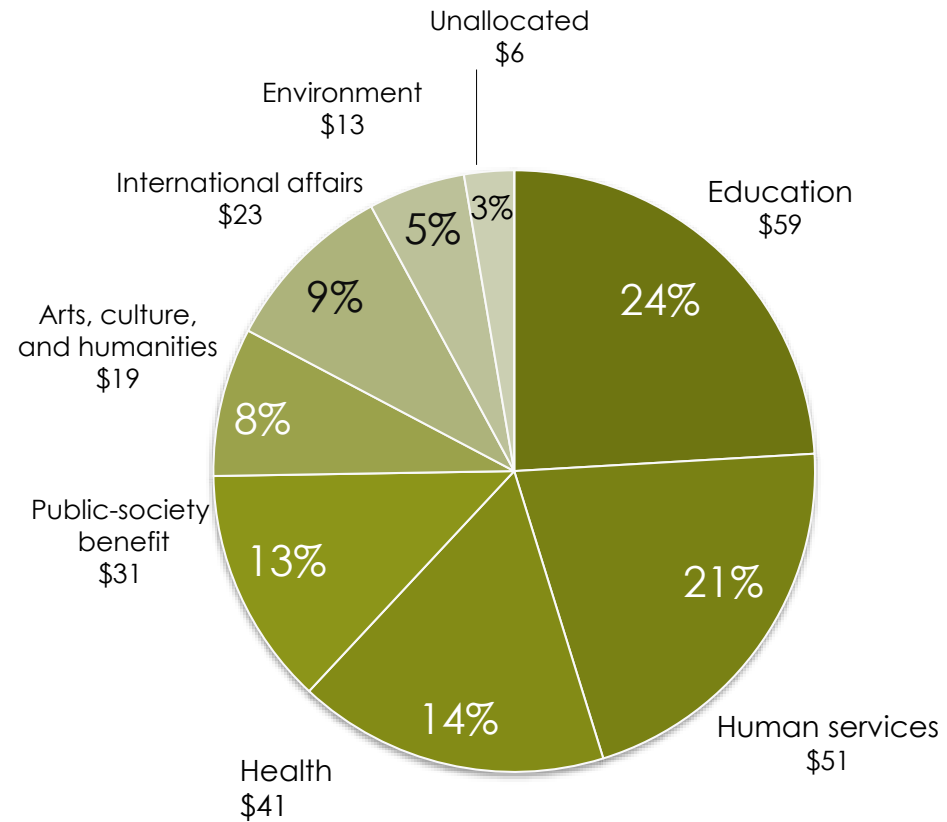
## WHERE THE MONEY WENT

100% = \$427.71 billion



## ADJUSTED TO REMOVE GIVING TO RELIGION, FOUNDATIONS, & INDIVIDUALS

100% = \$242 billion



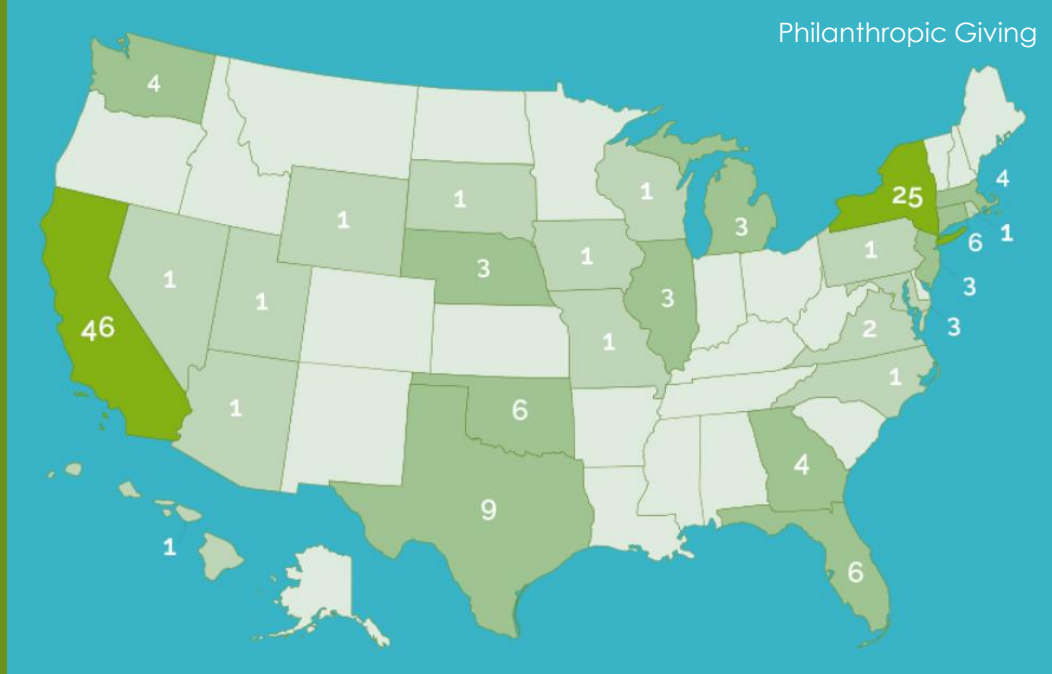
# THE GIVING PLEDGE

World's wealthiest dedicate the **majority of wealth** to philanthropy.

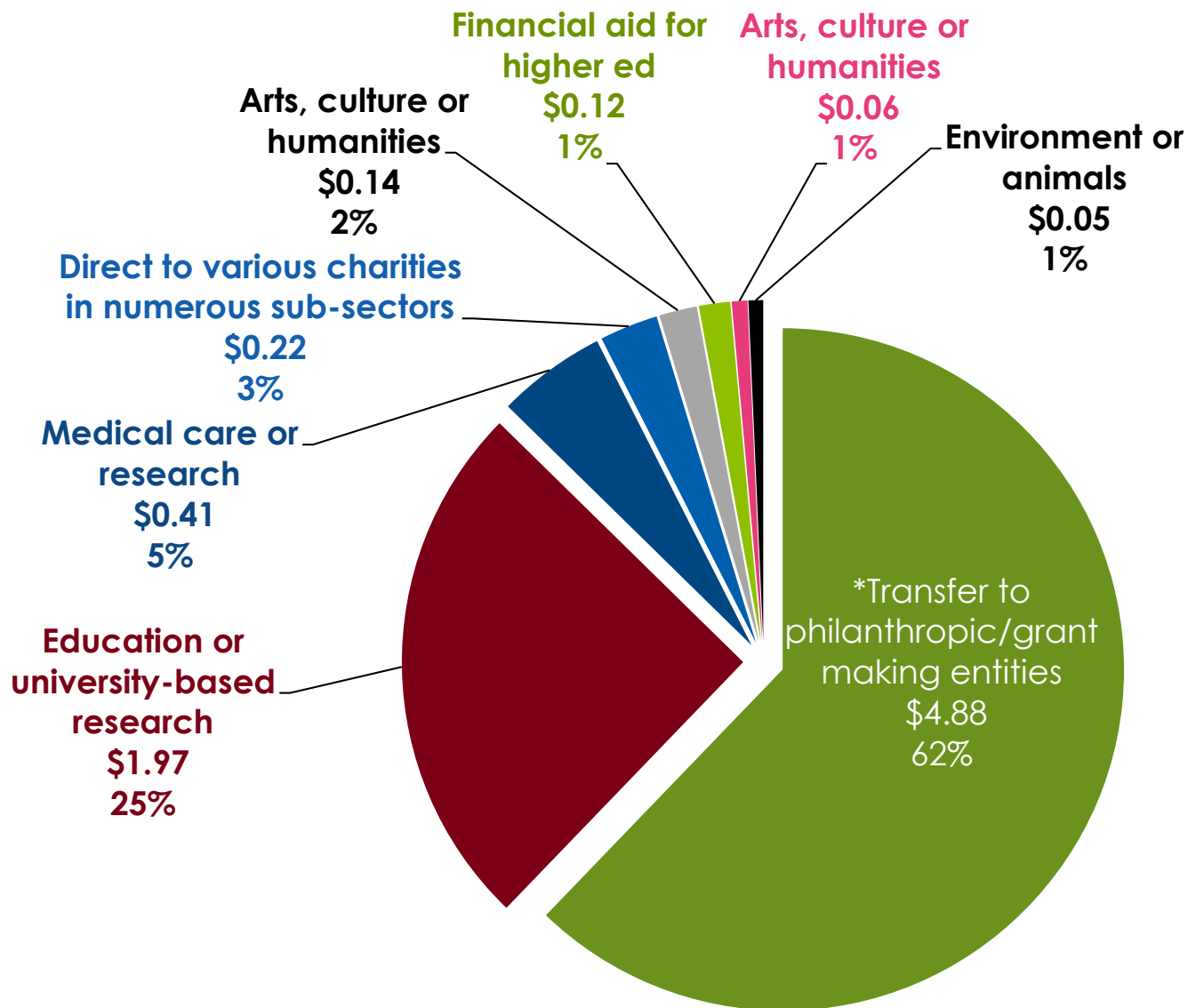
**201** signatories (Nov 2019)

**155** in USA

**~\$1 trillion**  
in assets worldwide

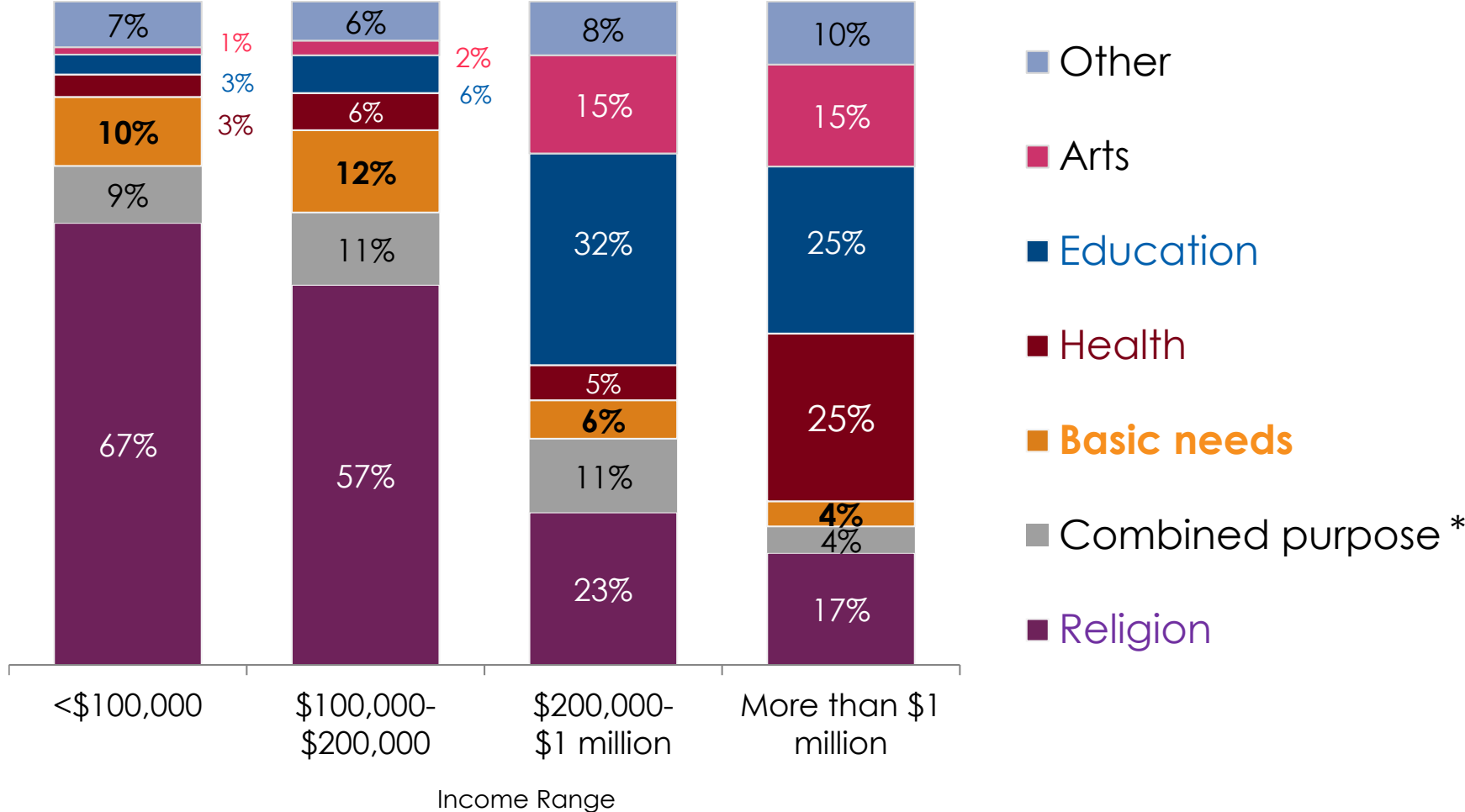


# DONORS OF THE HIGHEST AMOUNTS IN 2018 & WHERE THEIR GIFTS WENT



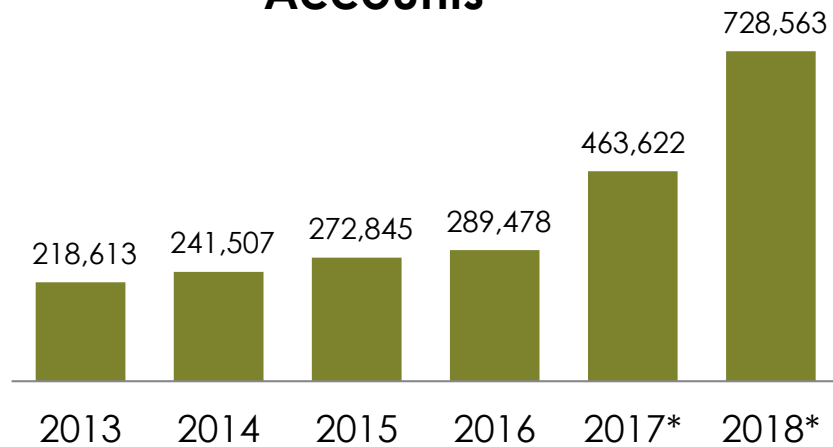
\* Gates, Omidyar, Dell, Zuckerberg/Chan, Soros, Sandberg, Arnold, and others gave to a foundation, donor-advised fund, or charitable company  
Data: *Philanthropy 50*, February 12, 2019, *Chronicle of Philanthropy*

# GIVING FOR BASIC NEEDS (SHELTER, FOOD, CLOTHING, SAFETY, ETC.) AS % TOTAL GIVING BY DONOR INCOME

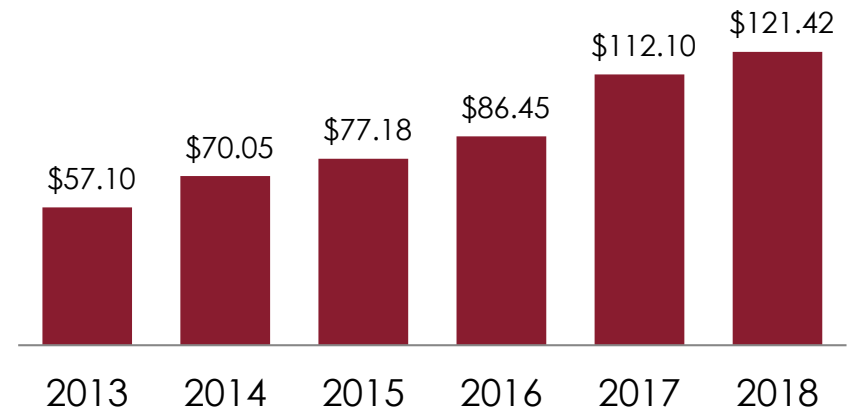
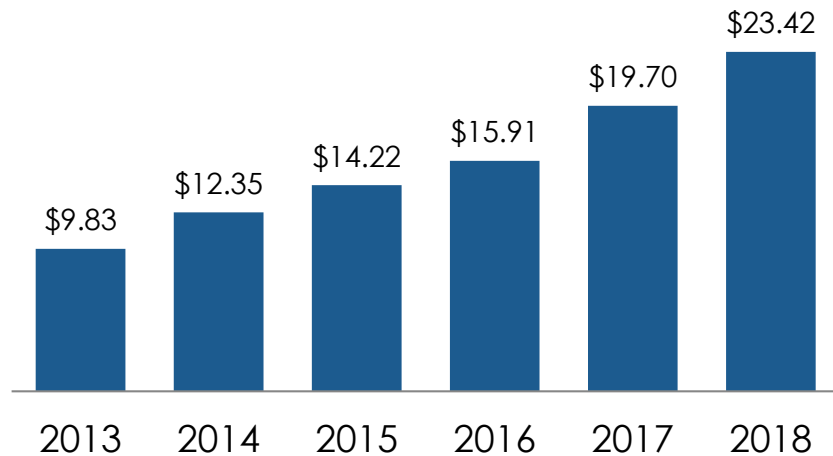
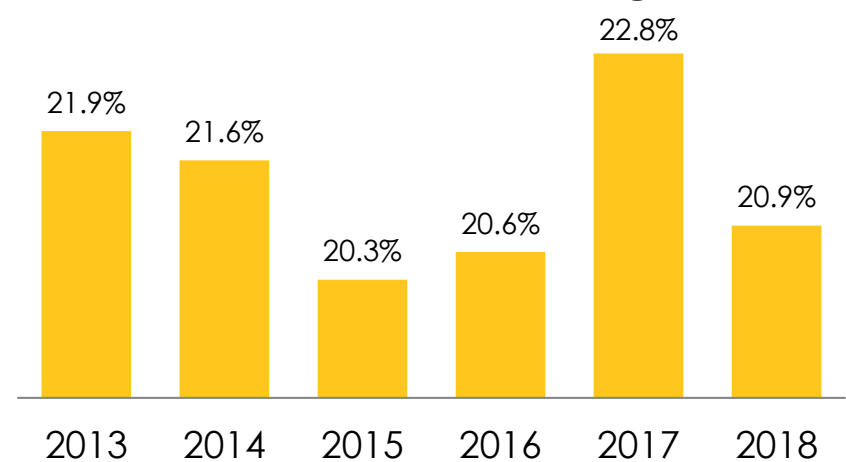


\* Funds collected for distribution to other charities, such as by United Way, Jewish federation, etc.

Source: "Patterns of Household Charitable Giving by Income Group, 2005," The Center on Philanthropy at Indiana University, Summer 2007. Reproduced in R. Reich, "Philanthropy in Service to Democracy," *Stanford Social Innovation Review*, December 2018.

DONOR-ADVISED FUNDS 2018 PER THE *DONOR ADVISED FUND REPORT***Accounts**

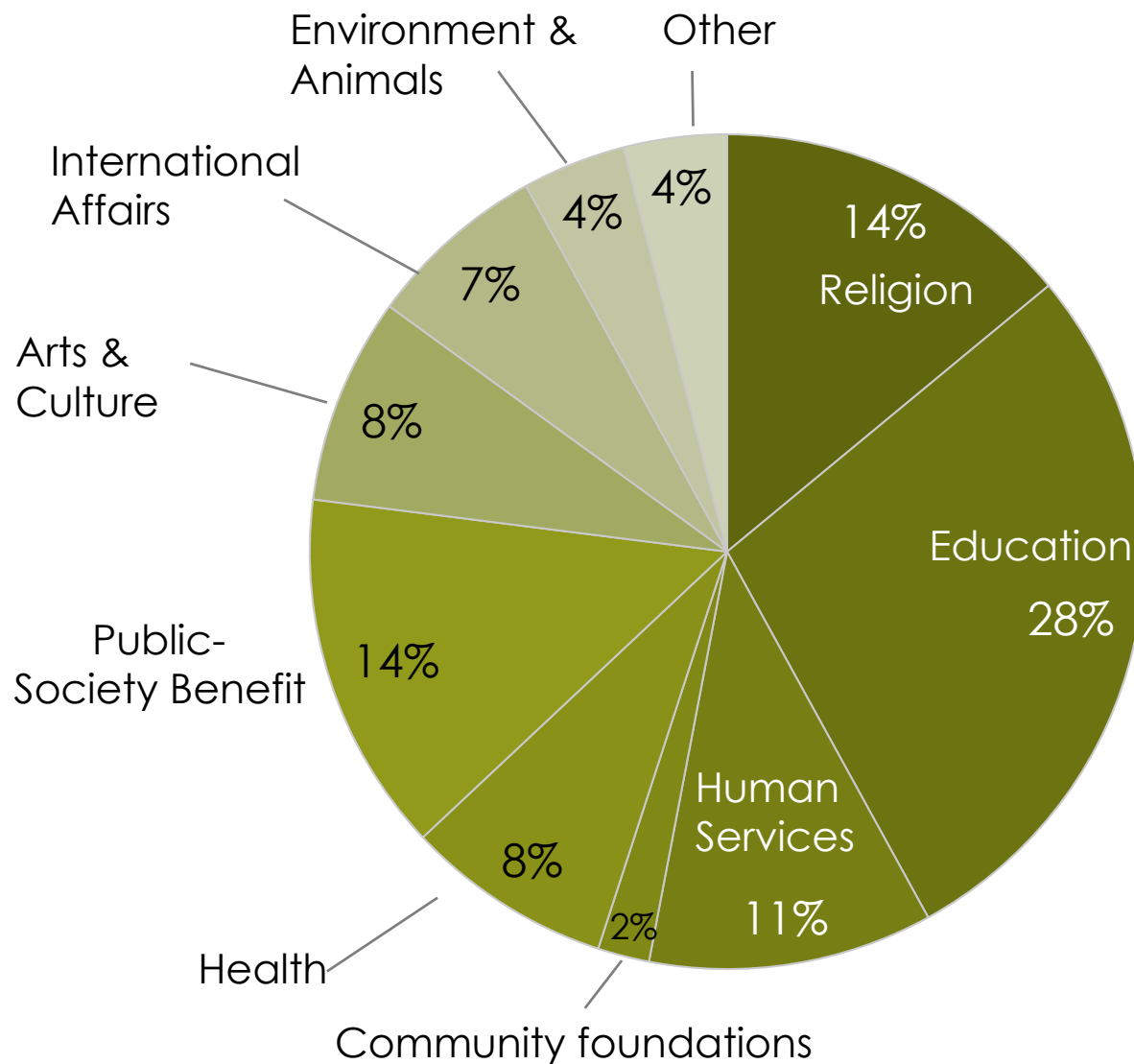
\* Reflects emerging models such as workplace and online.

**Assets (\$ b)****Grants Made (\$ b)****Payout Rate Percentage\***

• Payout = Grants in current year divided by assets from prior year.

• Source: National Philanthropic Trust. *Donor-Advised Fund Report*, 2019, Includes more than 1,000 fund sponsors.

# DONOR-ADVISED FUNDS 2012–2015, AVERAGE SHARE OF CONTRIBUTIONS BY TYPE OF RECIPIENT ORGANIZATION

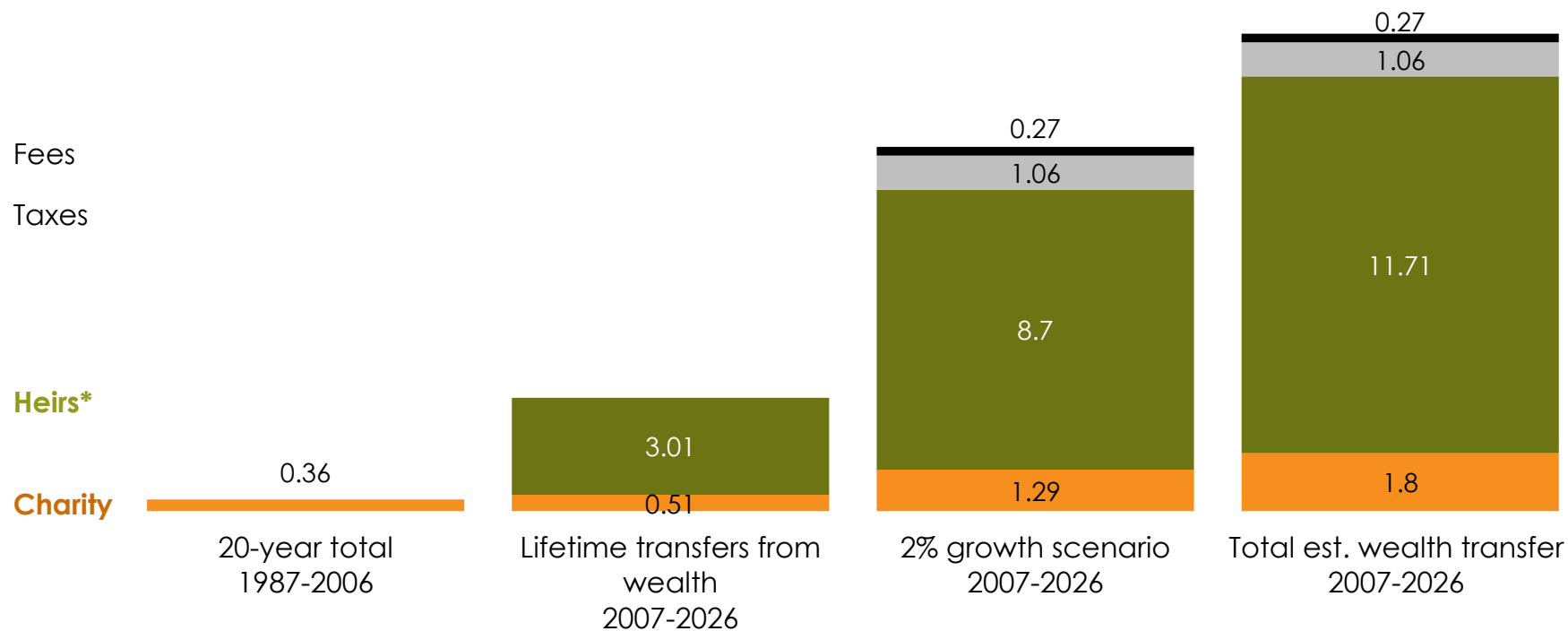




# ESTIMATES OF WEALTH TRANSFER

20-YEAR ACTUAL  
BEQUESTS TO CHARITY  
1987-2006  
\$ TRILLIONS – 2007 \$

20-YEAR ESTIMATED CUMULATIVE DISTRIBUTION OF ESTATES  
ASSUMING \$5 MILLION ESTATE TAX THRESHOLD AND 2% GROWTH  
2007-2026  
\$ TRILLIONS – 2007 \$



\* These estimates do not include lifetime gifts from heirs after they benefit from transfer.. Most research shows that heirs are unlikely to give inherited wealth. 20-year cumulative estimates from the 20-year growth scenario, 2007-2026 and an estate tax exemption for estates of less than \$5 million. Sources: Havens and Schervish. 2014. "A Golden Age of Philanthropy Still Beckons: National Wealth Transfer and Potential for Philanthropy: Technical Report. Table 4.0. [http://www.bc.edu/content/dam/files/research\\_sites/cwp/pdf/A%20Golden%20Age%20of%20Philanthropy%20Still%20Bekons.pdf](http://www.bc.edu/content/dam/files/research_sites/cwp/pdf/A%20Golden%20Age%20of%20Philanthropy%20Still%20Bekons.pdf) Actual data: Giving USA 2014 adjusted for inflation to 2007 = 100.

# CHARACTERISTICS OF FOUNDATIONS

1969 Tax Reform Act Classification				As of 2015*			
Category <sup>1</sup>	Type	Funding sources	Resource uses	Number	Assets \$B	Giving <sup>2</sup> \$B	Examples
Private, nonoperating <sup>3</sup>	Independent, grant-making foundation	Typically single source of funding (an individual, family, or business)	<ul style="list-style-type: none"> <li>Uses income from investments to make grants to other nonprofits</li> </ul>	79,489	\$734.1	\$44.1	<ul style="list-style-type: none"> <li>Bill &amp; Melinda Gates Foundation</li> <li>The Ford Foundation</li> <li>The Robert Wood Johnson Foundation</li> </ul>
Private, nonoperating <sup>3</sup>	Company-sponsored foundation	Receives funding from corporation	<ul style="list-style-type: none"> <li>Makes grants on behalf of a corporation</li> <li>Many corporations have in-house giving programs instead of, or in addition to, their foundations</li> </ul>	2,468	\$27.80	\$5.5	<ul style="list-style-type: none"> <li>Levi Strauss Foundation</li> <li>Transamerica Foundation</li> <li>UPS Foundation</li> </ul>
Private, operating <sup>3</sup>	Operating foundation <sup>4</sup>	Typically single source of funding	<ul style="list-style-type: none"> <li>Uses bulk of resources to carry out its own internal charitable programs</li> <li>Typically awards few, if any, grants</li> </ul>	3,451	\$43.9	\$6.2	<ul style="list-style-type: none"> <li>J. Paul Getty Trust</li> <li>Ewing Marion Kauffman Foundation</li> <li>Casey Family Programs</li> </ul>
Publicly supported charities	Community foundation	Resources of many donors pooled	<ul style="list-style-type: none"> <li>Focuses grant making on a particular city or geographic region</li> </ul>	795	\$84.3	\$7.0	<ul style="list-style-type: none"> <li>Tulsa Community Foundation</li> <li>The Cleveland Foundation</li> <li>The Chicago Community Foundation</li> </ul>

\* Most recent data available

<sup>1</sup> Grant-making foundations only

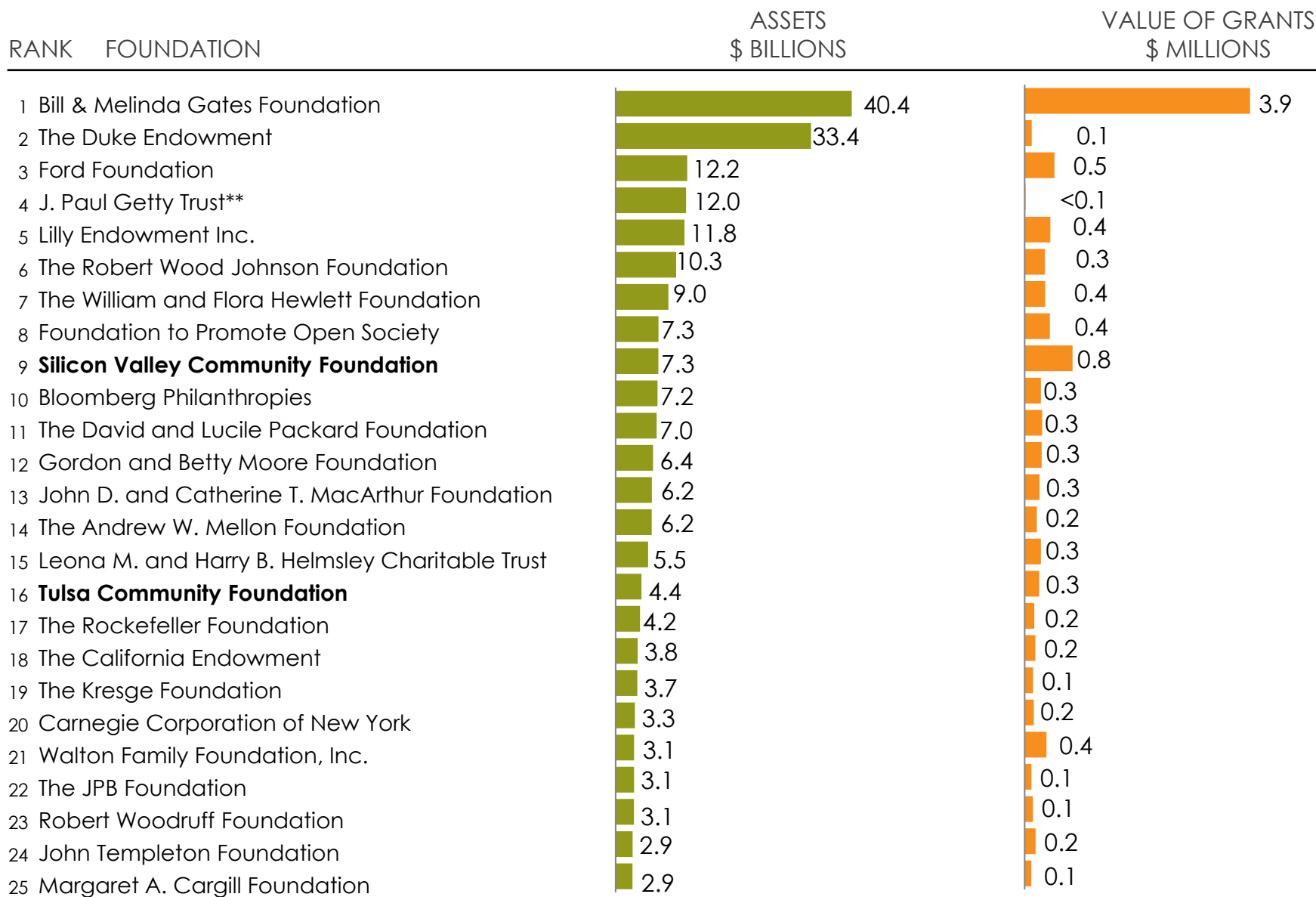
<sup>2</sup> Includes grants, scholarships, and employee matching gifts; excludes set-asides, loans, PRIs, and program expenses

<sup>3</sup> Private foundations are subject to more stringent regulation and reporting requirements than other types of nonprofits

<sup>4</sup> The data for operating foundations (number, assets, and giving) includes only information from those foundations that made grants in 2015.

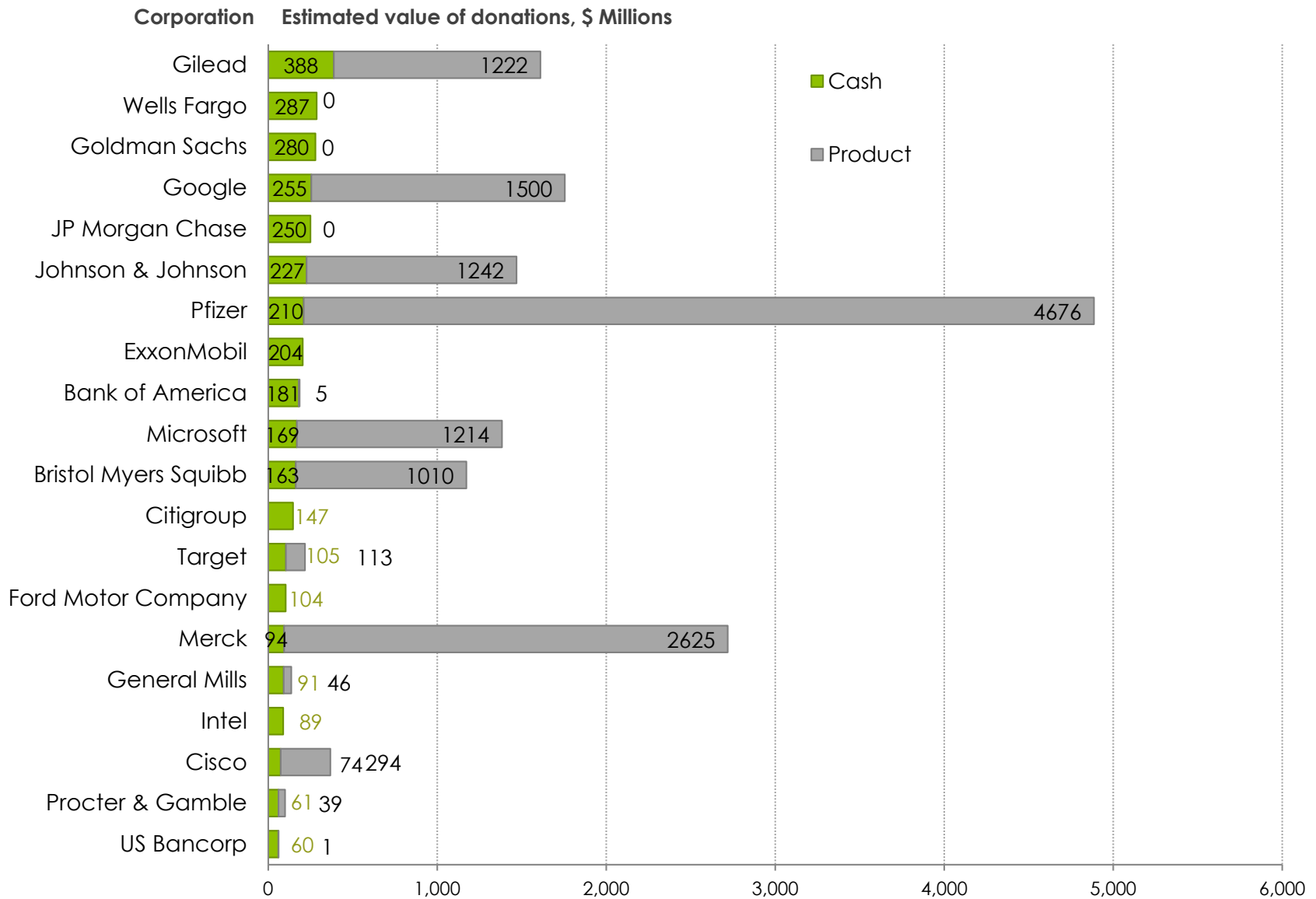
Source: The Foundation Center, Foundation Stats, accessed December 20, 2018. , <http://data.foundationcenter.org>.

## WEALTHIEST GRANT-MAKING FOUNDATIONS – 2015\*



\* Most recent data available \*\* Indicates an operating foundation **Bold = Community Foundation**  
 Foundation Stats, FoundationCenter.org, accessed December 20, 2018

# THE TOP 20 CORPORATE DONORS OF CASH + PRODUCT GIFTS - 2017\*

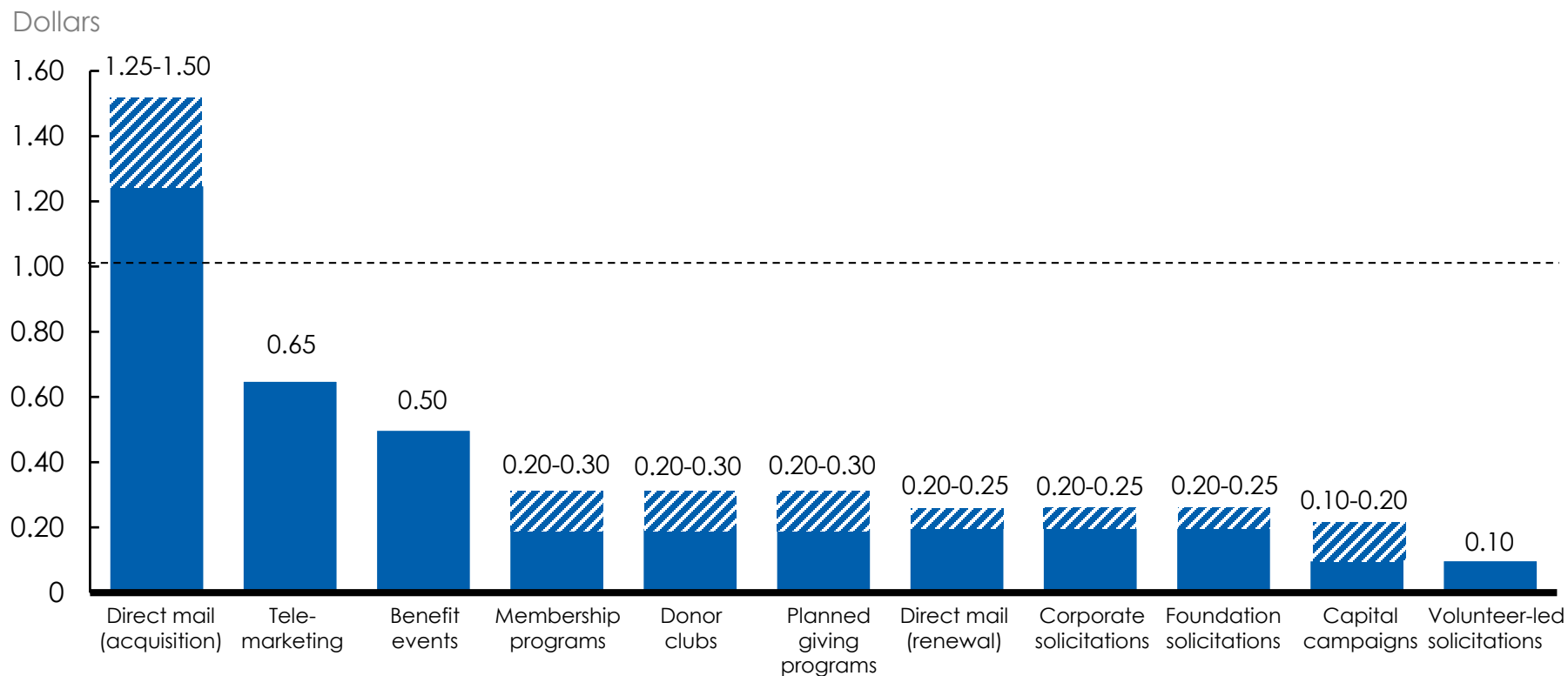


\* Most recent data available.

Source: *Chronicle of Philanthropy*, September 5, 2018. [https://www.philanthropy.com/interactives/corporate-giving#id=table\\_2017](https://www.philanthropy.com/interactives/corporate-giving#id=table_2017)

# GUIDELINE FUNDRAISING COSTS BY FORM OF SOLICITATION

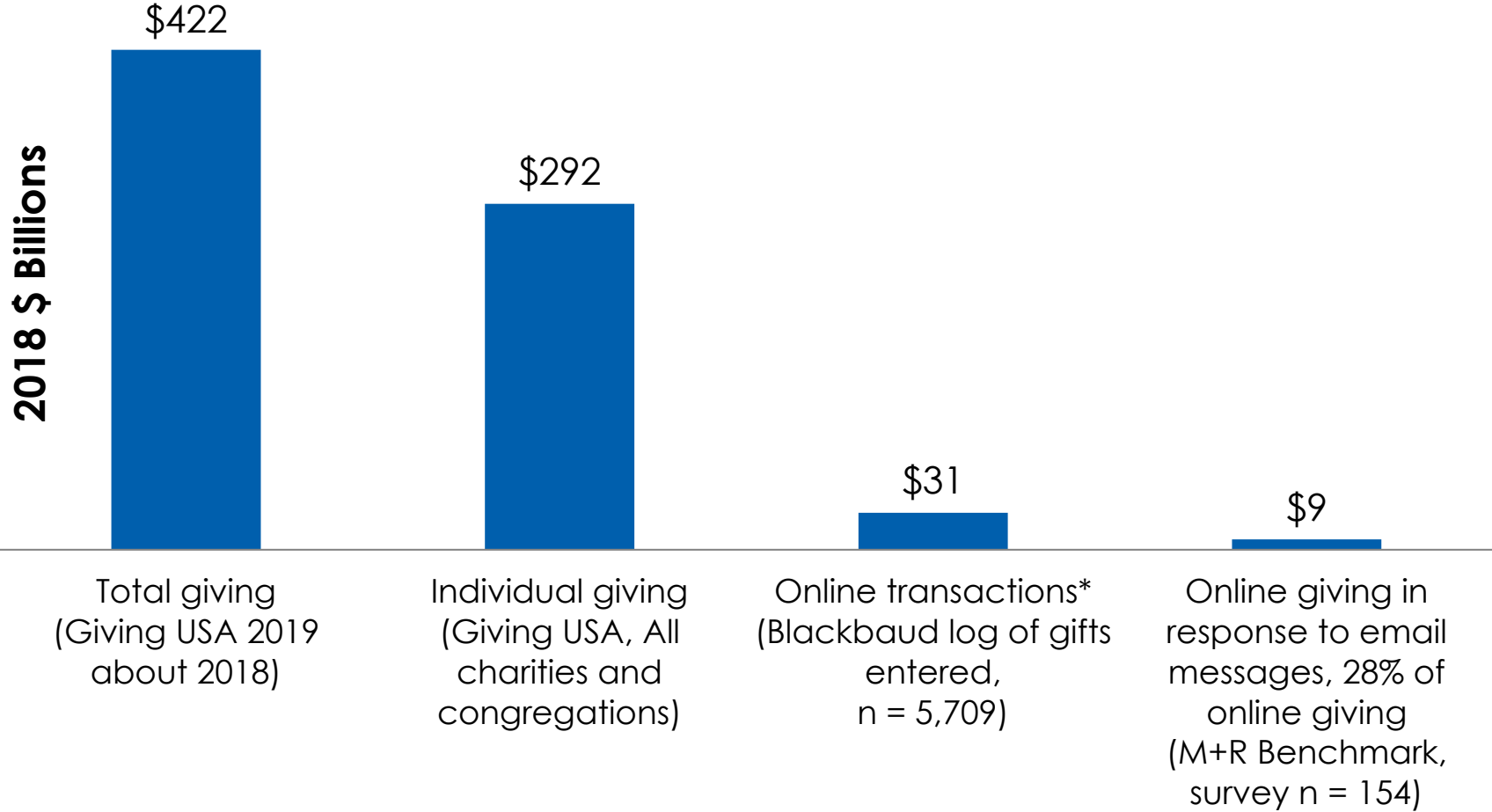
## COST TO RAISE \$1.00



Note: Guidelines are helpful but not necessarily applicable to particular organizations, or fundraising environments, or campaign designs; allocation of costs by fundraising charities is also highly individualistic; comparisons with individual fundraising efforts generally should be applied to programs with several years' active operation

Source: Telemarketing costs estimated from average of 10 years' experience 1999-2008, in New York State Department of Law, Charities Bureau, *Pennies for Charity: Where your Money Goes*, November 2009; all other experience-based benchmarks from James M. Greenfield, "Fundraising Cost Effectiveness and Reliable Performance Measurements," June 2005

# GIVING IN RESPONSE TO ALL EMAIL APPEALS - ESTIMATED



Value shown is online percentage of 7.2% applied to total of \$428 B.

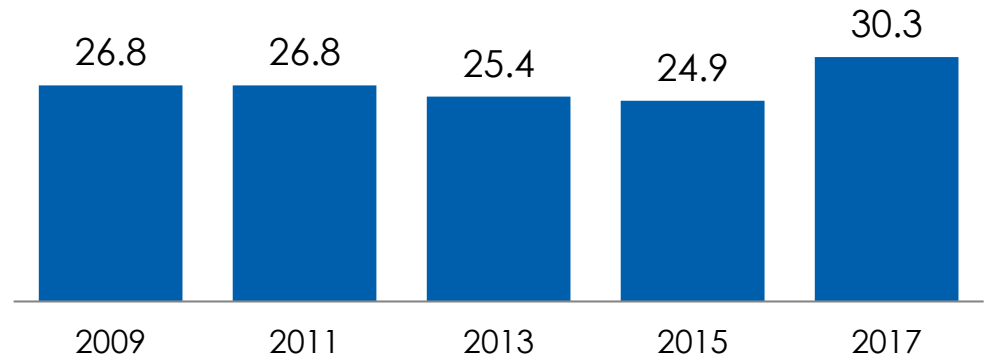
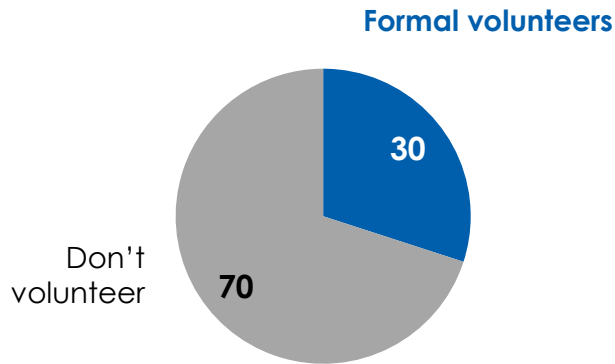
\* Online includes peer-to-peer fundraising ("a-thons"), unsolicited contributions at the website, online contribution in response to mailed letters, add-on gifts with ticket purchase, and more

Value shown is survey finding of 28% applied to \$31B, as at left.

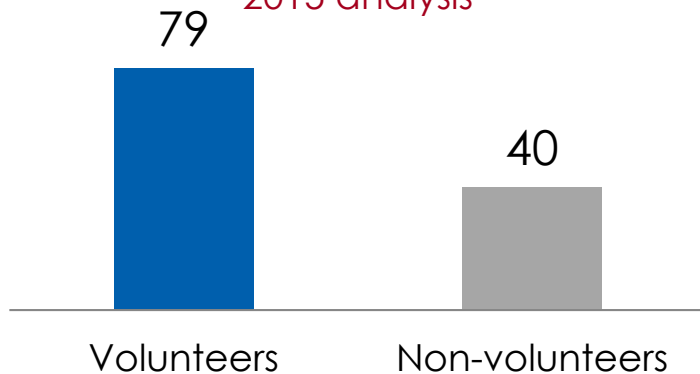
# VOLUNTEERS – 2017\*

% of U.S. population\*\* 16 years and over

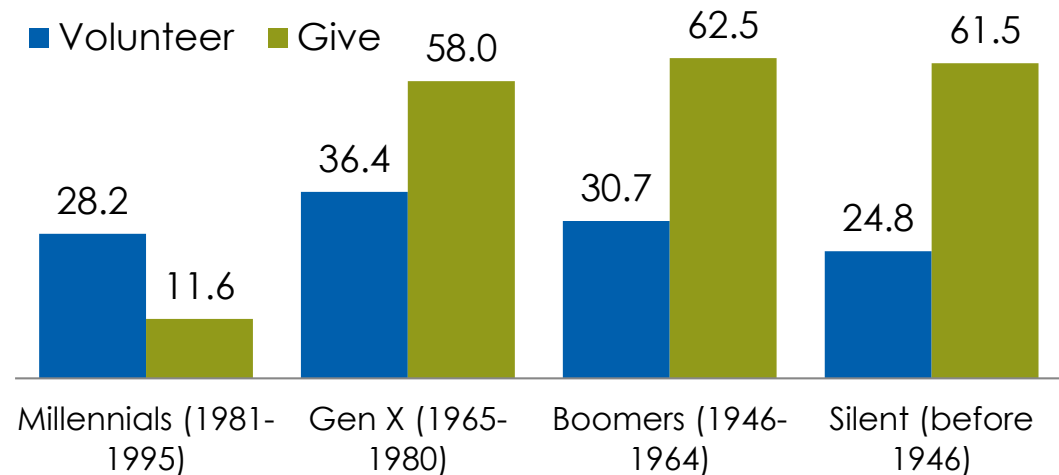
% of U.S. population\*\* 16 years and over, trend



% who donate \$, by volunteering status, 2015 analysis



% who volunteer and % who give \$25+, 2017

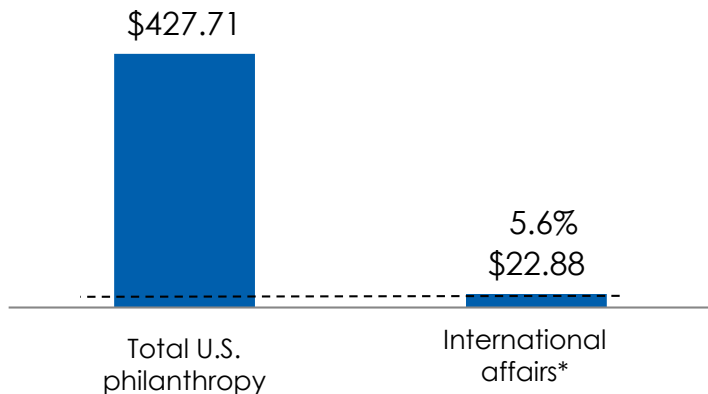


\* Most recent data publicly available \*\* Non-institutionalized resident civilians

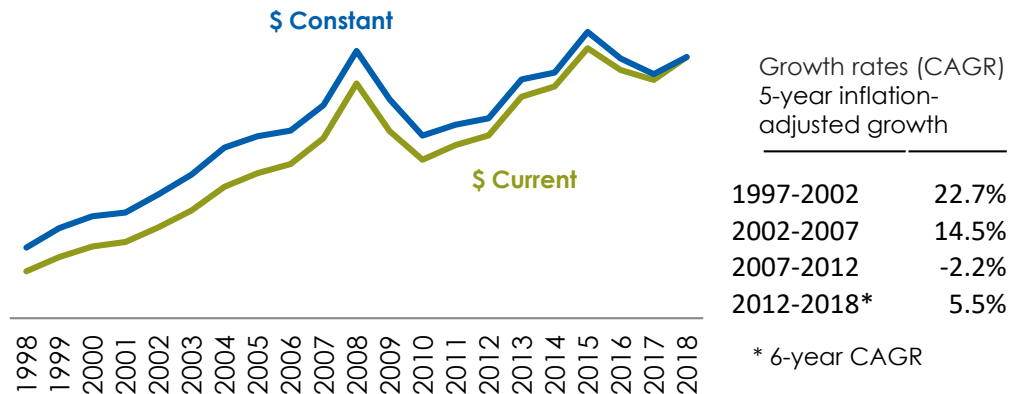
Sources: Corporation for National and Community Service. <https://www.nationalservice.gov/serve/via/research> and data from the U.S. Bureau of Labor Statistics for trend data

# U.S. GIVING TO “INTERNATIONAL AFFAIRS”

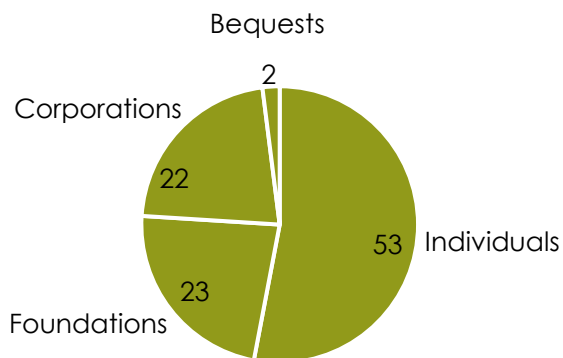
Proportion of total giving - 2018  
\$ billions



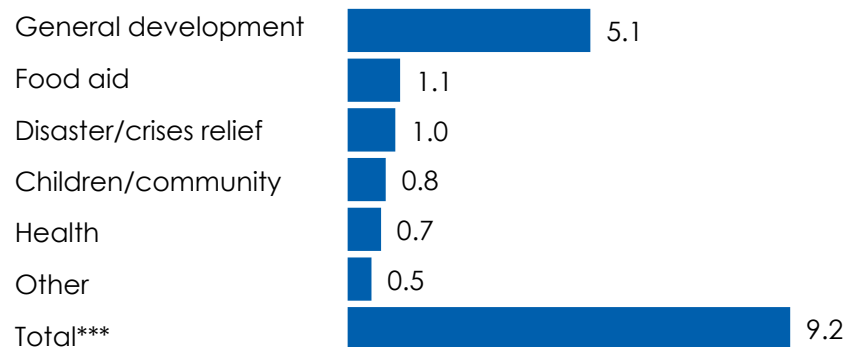
Trend in U.S. contributions\*  
\$ billions



Sources of donations (2005 estimates\*\*)  
100% = \$5.9 billion



Organizations categorized by primary purpose of donations (2006 estimates\*\*) \$ billions



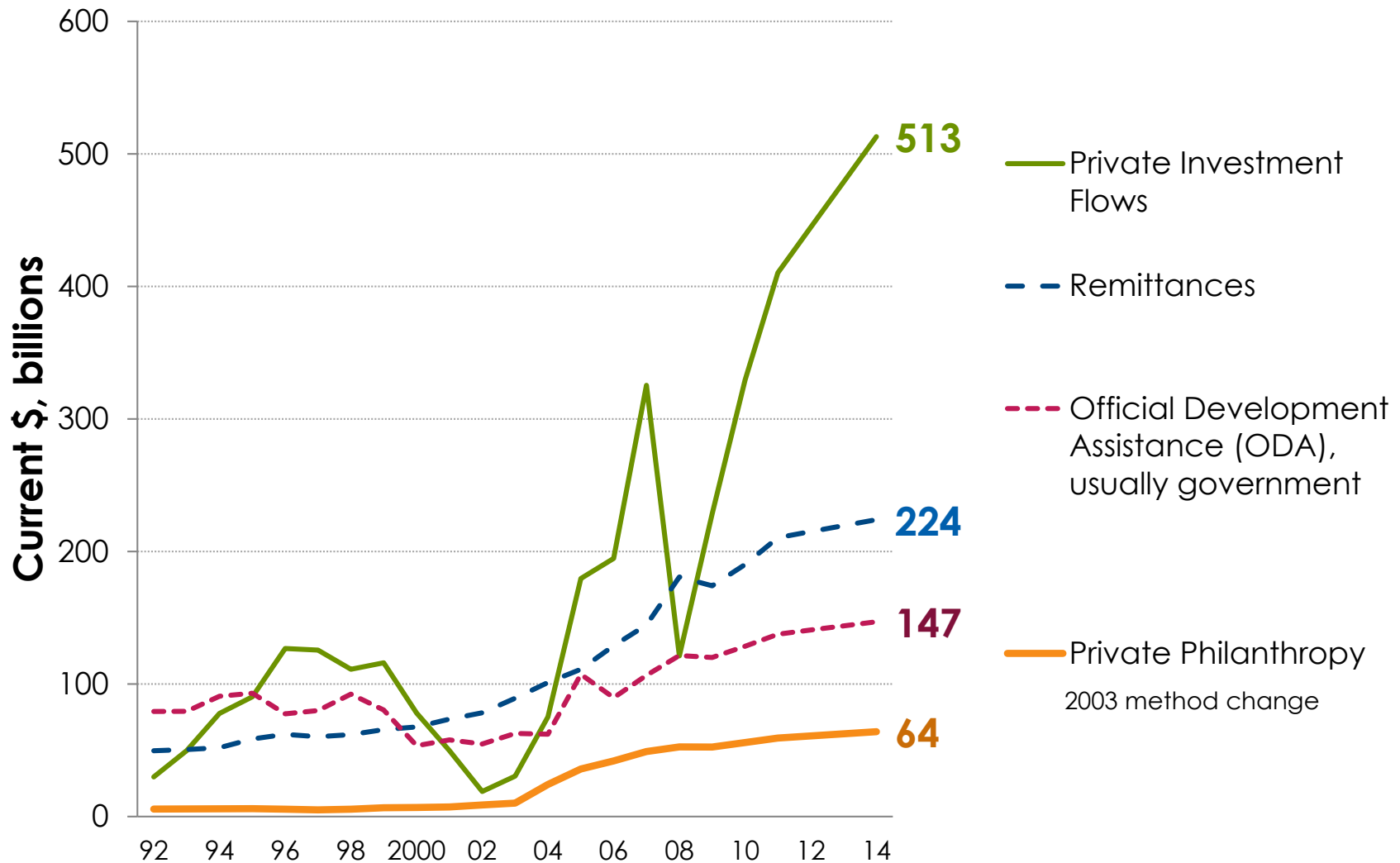
\*Contributions to recipient organizations identified as “international”

\*\*Best estimates available based on donor-level data

\*\*\*Represents ~60% of total giving to international affairs



# GOVERNMENT AND PRIVATE CAPITAL FLOWS TO DEVELOPING COUNTRIES: INDEX OF GLOBAL PHILANTHROPY, 1992-2014\*



• Most current available

Center for Global Prosperity. *Index of Global Philanthropy and Remittances*. Accessed 1.3.19

<https://scholarworks.iupui.edu/bitstream/handle/1805/15876/2016%20IGPAR.pdf?sequence=1&isAllowed=y>.