

An Overview of Nonprofit Organizations in the United States

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Key Points:

- Overview and History of the Nonprofit Sector
- Relationship to Government and Business
- Key Laws and Regulations
- Key Expectations and Requirements
- How Nonprofits in the US are Funded
- The Role of the Board and Other Volunteers
- Special Topics: Small CBOs and Refugee and Immigrant CBOs, and their Capacity Building Needs



Overview: Key Facts

- Millions of organizations – formal and informal – that exist for the public good
- Range from soccer leagues, literary clubs, self-help groups to day care centers, social service providers, hospitals, universities, and museums
- Of these, 1.6 million are nonprofits officially registered with the Internal Revenue Service (IRS)
- In 2009, nonprofits accounted for 5.5% of GDP
- Nonprofit workforce about 10% of the workforce
- Of the 1.6 million registered, about 1 million are very small (budgets less than \$25,000)



Overview: Range of Activities

- Arts, Culture, Humanities
- Education and Research
- Environment and Animals
- Health Services
- Human Services
- International and Foreign Affairs
- Public and Societal Benefits
- Religion



Overview: Brief History

- Voluntary groups came into existence before the government did
- 1st “nonprofit” established through state charter is Harvard College
- 1791 – Bill of Rights guarantees the right to assemble peacefully
- 1800’s – Growth of faith-based charitable organizations to help the poor and sick, many formed after the Civil War to help widows, orphans, and freed slaves



Overview: Brief History, Contd.

- Earliest Nonprofits: Goodwill, the Salvation Army, YMCA and YWCA
- Late 1800's/Early 1900's – Voluntary efforts cannot keep pace with needs, demands for government assistance
- 1933 – Roosevelt's "New Deal" creates large role for government in providing social services
- 1965 – Law creates Medicare/Medicaid and creates large government role in providing health care



Overview: Brief History, Contd.

- 1960's-70's – Growth of public/private partnerships to provide range of health/human services/housing; rapid growth of nonprofits
- 1980's – Government begins cuts to services, including funds to nonprofits to provide services, nonprofits must raise more non-government funds
- 1990's – Growth of Community Service, Clinton establishes Corporation for National Service
- 2000's – Obama signs Kennedy Serve America Act, increasing support for nonprofits



Summary of Government – Nonprofit Relationship

- The Nonprofit Sector plays four critical roles (from Lester Salamon, Johns Hopkins):
 - Service Role: nonprofits often first to step in to address a need, provide a service
 - Value Guardian Role: nonprofits reflect US values of individual initiative
 - Advocacy Role: nonprofits as vehicles for communities to have a voice
 - Community Building Role: nonprofits as vehicle through which people build trust and “social capital”



Summary of Government – Nonprofit Relationship, contd.

- Government-Nonprofit relationship:
 - Long history of partnership, with government raising funds to support private delivery of services through nonprofits
 - Also, some conflict with nonprofits advocating for change



Key Laws and Regulations

- Each state has its own laws – nonprofits incorporate at the state level
- By incorporating, a nonprofit becomes a legal entity, liability of individuals is limited
- Nonprofits must file annual reports with their state to maintain registration
- Nonprofits obtain tax-exempt status from the Internal Revenue Service, must file annual tax return with IRS
- New regulations after corporate scandals (Sarbanes-Oxley)



Key Expectations and Requirements

- Exist for the public good
- No financial benefit to individuals
- Be governed by volunteers
- Be independent
- Be nonpartisan
- Be accountable to the public
- Be transparent - ensure fiscal responsibility



How Nonprofits in the U.S. Are Funded

- Government – grants and contracts with local, state, and federal levels
- Foundations – large national foundations, small family foundations, community foundations
- Corporations and local businesses
- Individuals – through letters, special events
- Earned Income – programs fees, revenue generating activities



Nonprofit Funding, contd.

- Overall income for nonprofits (in 2008):
 - 46% from earned income, fees
 - 32% from government
 - 12% from private contributions (individuals, foundations, corporations)
 - 10% from other, including investment income
- \$304 billion contributed by individuals, corporations, and foundations in 2009



Key Roles for Nonprofit Board Members

1. Overall legal responsibility/accountability
2. Fiscal oversight
3. Resource development
4. Hiring, supervision, and evaluation of the chief executive
5. Setting organizational direction: vision, goals, program authorization, policies
6. Evaluation of agency and BOD performance
7. Personnel policies and last point of appeal



Roles of Volunteers and Voluntarism

- Long history of volunteering in the U.S.
- In 1990's, Major federal support to build infrastructure for “community service” through the Corporation for National Service

According to the Corporation for National Service:

- Nearly 61 million people – or 26% of population aged 16+ - volunteered in 2007
- Gave 8.1 billion hours of services worth more than \$158 billion
- Volunteers perform wide range of functions



Special Topics

- Role of Small CBOs and Refugee/Immigrant CBOs
 - Closer connection to the community
 - Important voice for the community
 - More flexible and innovative
- Capacity Building Needs
 - Boards and governance
 - Fiscal management
 - Resource development
 - Program planning and evaluation