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Sent: Thursday, October 22, 2020 2:00 PM
To: Yukilei Sugimura; Riki Hokama; Maui_County Council_mailbox; HFC Committee
Subject: Addendum to testimony for 10-22-2020 healthy families/communities committee
Attachments: The-Financial-Health-of-Nonprofits-in-Hawaii.pdf

Aloha Council Member Hokama and Council Member Sugimura,

I submitted testimony for the committee meeting earlier today. In my testimony, I mentioned the financial challenges that nonprofits are facing and how essential their viability is to meeting the needs of Maui County families. If our nonprofit organizations are forced to close or cut back on services, families will suffer from a lack of resources and services and will turn to government for assistance.

Please see the attached report, "The Financial Health of Nonprofits in Hawaii," published by HANO, the Hawai'i Alliance of Nonprofit Organizations, that was published in January 2019, *before the pandemic*. Please note the overview on pages 3-4, which concludes that roughly 5%-6% of Hawaii nonprofits are technically insolvent, and that Health and Human Services nonprofits are heavily reliant on government funding rather than philanthropic dollars. This means that when government contracts are cut, direct services and supports for residents that are provided by nonprofits are reduced.

A key recommendation to government entities is to "explore more sustainable funding models – more flexible and less restrictive terms, provision of general operating support to vital nonprofit partners, etc." Because of what we know from the pandemic, the County FY2022 budget would be an excellent budget cycle in which to explore implementing less restrictive grants and move away from cost-minus contracts and reimbursement-only contracts.

Best regards,
Karen

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RECEIVED AT HFC MEETING ON 10/22/2020
~~10/22/2020~~



THE FINANCIAL HEALTH OF NONPROFITS IN HAWAII

RESEARCH NOTE | January 2019



Aloha,

It is HANO's pleasure to introduce The Financial Health of Nonprofits in Hawaii to our community. This report is a supplemental, Hawaii focused report that should be read in conjunction with A National Imperative: Joining Forces to Strengthen Human Services in America. Together, these reports provide relevant and current data as well as actionable information for nonprofit organizations, their leaders, funders, policymakers and the general public.

Hawaii is a special place where our business, philanthropic, healthcare, nonprofits and government all strive to work together to meet community needs. It is time for all of us to come together and support nonprofits to ensure their viability in the long-term.

We are well aware that nonprofit organizations in our community face many challenges. All strive for fiscal, governance and leadership practices that allow for a high level of quality; however the challenges for success are very real. This report provides guidance and recommendations that will help ensure that our community's nonprofits are thriving organizations that will continue to meet the needs for many years to come.

The time is now. Let's work together to ensure these vital services for our community are thriving so that our community can thrive.

Mahalo nui loa,

Lisa Maruyama

President and CEO

Hawaii Alliance of Nonprofit Organizations

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THE STATE OF THE SECTOR

This analysis is based on the 1,292 nonprofit organizations in Hawaii that filed the full IRS Form 990 electronically in one or more of the years from 2009-2015. These organizations had a total budget of \$7.0 billion (2015) and represent the vast majority of the nonprofit activity in Hawaii (by dollars) although probably less than half of nonprofits operating in the state by number. (For example, a further 519 smaller organizations filed the more limited Form 990EZ but their total budget is only \$18.9 million.)

The complete data set (see **Table 1A**) includes Hospitals and Care Organizations, and Educational Institutions. The “Eds and Meds” constitute more than two-thirds of the spending, differ from other nonprofits in significant ways, and tend to dominate any financial analysis. As a result, they have been excluded from the analysis as have International organizations, Mutual Benefit organizations, and organizations that are unclassified in the publicly available data.

The resulting “core” sector represents 542 organizations with a total budget of \$1.2 billion in 2015. About 50% of these organizations (by number and budget) work in the field of health and human services. More than half of these health and human service nonprofits have budgets of under \$1.0 million though these represent only 7% of total spending. By contrast, the 16 nonprofits with budgets over \$10 million represent close to 50% of all health and human service spending. (**Table 1B/C/D**)

In 2015, the core nonprofits had aggregate revenues of \$1.2 billion and a positive net income margin of 3.9%. The aggregate balance sheet for the sector looks reasonably healthy based on the three most important measures of a risk-bearing capacity: **cash and savings** to cover immediate needs; **unrestricted net assets** to bear losses or make investments; and **operating reserves** (the portion of the unrestricted net assets that are available in the short term, estimated as net unrestricted assets less fixed assets and the associated debt).

In aggregate, Hawaii’s nonprofits have over three months of cash in the bank and unrestricted net assets of almost one year. While the cash reserves are substantially lower than the six-month level that many nonprofit experts suggest is appropriate, it at least suggests a modest degree of financial cushion. (**Table 2A**) The aggregate Health and Human Service sector – representing \$669 million of revenue – looks very similar though with a lower net income margin of 2.4% and slightly lower reserves. (**Table 2B**)

But the aggregate statistics conceal the very different circumstances facing individual organizations (and even entire fields) as becomes clear when the data are disaggregated. The disaggregated statistics also provide an indication of the level of risk in the sector:

- **Roughly 5%-6% of Hawaii’s nonprofits are technically insolvent** (i.e., their liabilities exceed their assets). Mid-sized organizations (\$1MM-\$10MM) have lower levels of insolvency than smaller and larger organizations. In health and human services, the insolvency rate is greater (8%-9%) particularly for those organizations working in housing and shelter. (**Table 3**)
- **Many organizations have virtually no margin for error.** While the nonprofit community as a whole has slightly more than three months of cash in the bank, 20% of nonprofits have one month or less of cash and 30% have negative operating reserves. On the other hand, 40% of organizations appear to be financially strong, with more than six months of cash or operating reserves. Smaller organizations tend to have more cash than their larger brethren. (**Table 4**)

- **While nonprofits earned an aggregate net income margin of 3.9%, the median nonprofit had a margin of only 2.2% and over 40% of nonprofits had a zero or negative margin.** In other words, almost half of Hawaii's nonprofits are running at breakeven or a loss. The health and human service sector has lower margins than other fields (1.3% vs. 2.2%). (**Table 5**)
- **Most nonprofits are small but the large ones provide the vast majority of services:** The smallest 50% of organizations (budgets under \$500,000) represent 4.8% of aggregate spending while the largest 5% (budgets over \$10.7 million) represent 43.7% of spending. While there is some evidence of economies of scale operating in larger nonprofits (for example, they tend to have slightly lower overhead expenses, expressed as a percentage of revenue), 20% to 30% of large organizations still have negative margins and very limited cash or operating reserve cushions. (**Table 6**)
- **Nonprofits differ greatly in their reliance on philanthropy.** The median nonprofit earns 23% of its revenue from philanthropy but this varies greatly by field and size. The median health and human services nonprofit earns only 11.5% of revenue from philanthropy, compared with nearly 40% for the median environmental or arts, culture and humanities nonprofit. Similarly, the median small (<\$1MM) organization receives 31% of revenue from philanthropy, while the median large (\$10MM+) one receives less than 6%. (**Table 7A**)
- **Health and Human Services nonprofits are heavily reliant on government funding.** Almost 9% of health and human service spending is by organizations that receive 1% (or less) of their revenue from philanthropy, close to one-third comes from groups receiving less than 5%, and two-thirds comes from groups receiving less than 20%. (**Table 7B**)
- **The median nonprofit allocates about 14% of its expenses to overhead.** As with other metrics, there is considerable variation across organizations. The 30th percentile spends only 7.4% on overhead expenses while the 70th percentile spends 22%. More remarkably, the bottom 10% of nonprofits claim to spend nothing (which is likely an illustration of something we all know to be true – 990 data isn't perfect!)

Although this seems like a pretty dismal picture, it is consistent with what we see across the country. In fact, Hawaii's health and human service nonprofits appear to be in better shape than those in the United States as a whole: insolvency is lower (7.8% vs 11.6%), cash reserves are larger (3.2 vs 2.4 months) and margins are higher (2.3% versus 0.9%).

CALL TO ACTION

As we have described in detail elsewhere (see [Risk Management for Nonprofits](#)), it is no surprise that many nonprofits are living close to the edge. Nonprofits tackle the hardest problems, receive “cost-minus” funding from government and restricted grants, often provide face-to-face, labor-intensive services that suffer from “cost disease”, face structural challenges in recruiting and retaining high-quality back-office staff, and operate in a dynamic environment of technological, demographic and political change.

In light of these challenges, and the fragile financial condition of many organizations, it is vital that nonprofit leaders understand and implement best practices for risk management. These include establishing governance and accountability for risk management, scenario planning, recovery and continuity planning, setting financial stability targets, benchmarking and self-rating, etc. While few nonprofits will be able to implement all of these practices, all will benefit from spending more time anticipating and preparing for risks. Organizations and the people entrusted to govern and lead them must also recognize that mergers, divestments, and even orderly wind-downs are a normal part of a vibrant nonprofit sector.

At the same time, funders – both public and private – must acknowledge that nonprofits simply cannot build necessary reserves when substantially all their revenue comes in the form of restrictive grant and cost-minus contracts. Funders must begin to explore more sustainable funding models – more flexible and less restrictive terms, provision of general operating support to vital nonprofit partners, etc.

TABLE 1 shows the distribution of nonprofits in Hawaii based on data from the IRS Form 990 (2015).

Table 1A: Distribution of All Nonprofits by Sector				
Field	Count	Expenses	Count (%)	Expenses (%)
Arts, Culture & Humanities	94	\$187,110	9.1%	2.7%
Community Capacity	48	\$67,554	4.7%	1.0%
Educational Institutions	113	\$1,109,308	11.0%	15.8%
Environment and Animal-Related	64	\$84,567	6.2%	1.2%
Health & Human Services	245	\$639,186	23.8%	9.1%
Hospitals & Care Organizations	70	\$3,631,509	6.8%	51.7%
Other	50	\$329,400	4.9%	4.7%
Philanthropy	26	\$77,726	2.5%	1.1%
Religious Institutions	27	\$17,422	2.6%	0.2%
Science, Technology & Social Sciences	26	\$75,707	2.5%	1.1%
Unknown	227	\$717,544	22.1%	10.2%
Youth Development	38	\$81,358	3.7%	1.2%
Total	1028	\$7,018,390	100.0%	100.0%
Education & Hospitals	183	\$4,740,818	17.8%	67.5%
Other	845	\$2,277,573	82.2%	32.5%
Total	1028	\$7,018,390	100.0%	100.0%

Table 1A: Distribution of All Nonprofits by Size				
Size	Count	Expenses	Count (%)	Expenses (%)
Small (<\$1MM)	644	\$197,563	62.6%	2.8%
Mid-Size (\$1MM-\$10MM)	296	\$907,944	28.8%	12.9%
Large (\$10 MM)	88	\$5,912,883	8.6%	84.2%
Total	1028	\$7,018,390	100.0%	100.0%

Table 1B: Distribution of "Core" Nonprofits (excluding Eds & Meds, etc)				
Field	Count	Expenses	Count (%)	Expenses (%)
Arts, Culture & Humanities	94	\$187,110	17.3%	16.2%
Community Capacity	48	\$67,554	8.9%	5.9%
Environment and Animal-Related	64	\$84,567	11.8%	7.3%
Health & Human Services	245	\$639,186	45.2%	55.4%
Religious Institutions	27	\$17,422	5.0%	1.5%
Science, Technology & Social Sciences	26	\$75,707	4.8%	6.6%
Youth Development	38	\$81,358	7.0%	7.1%
Total	542	\$1,152,903	100.0%	100.0%

Table 1C: Health and Human Services by Sub-field				
Sub-sector	Count	Expenses	Count (%)	Expenses (%)
Crime and Legal Related	12	\$16,194	5.1%	2.6%
Employment	10	\$38,151	4.3%	6.1%
Food, Agriculture and Nutrition	9	\$22,616	3.8%	3.6%
General Human Services	104	\$340,729	44.3%	54.1%
Housing and Shelter	57	\$100,003	24.3%	15.9%
Mental Health & Crisis Intervention	23	\$89,762	9.8%	14.2%
Youth Development	20	\$22,771	8.5%	3.6%
Total	235	\$630,226	100.0%	100.0%

Table 1D: Health and Human Services by Size				
Size	Count	Expenses	Count (%)	Expenses (%)
Small (<\$1MM)	128	\$44,092	54.5%	7.0%
Mid-Size (\$1MM-\$10MM)	91	\$294,564	38.7%	46.7%
Large (\$10MM+)	16	\$291,571	6.8%	46.3%
Total	235	\$630,226	100.0%	100.0%

TABLE 2A shows Hawaii's "core" nonprofits as if they were a single organization.

Income Statement (\$000's)					
	2011	2012	2013	2014	2015
Programs Revenues & Fees	\$502,529	\$467,907	\$484,370	\$524,185	\$593,041
Government Grants	\$251,872	\$227,548	\$255,159	\$311,441	\$305,344
Philanthropy & Net Fund Raising	\$256,275	\$275,280	\$274,712	\$276,739	\$234,684
Investments, Rentals & Others	\$61,888	\$54,037	\$97,847	\$78,709	\$82,318
Gain / (Loss) on Assets Sales	\$5,674	\$8,291	\$(1,556)	\$13,245	\$7,262
Total Revenue	\$1,078,238	\$1,033,063	\$1,110,531	\$1,204,319	\$1,222,649
Program	\$721,168	\$779,799	\$847,503	\$905,049	\$894,253
Overhead	\$132,557	\$145,810	\$152,816	\$156,811	\$166,990
Other	\$224,693	\$36,448	\$78,343	\$58,669	\$113,296
Total expenses	\$1,078,417	\$962,056	\$1,078,663	\$1,120,529	\$1,174,539
Net Income	\$(179)	\$71,007	\$31,869	\$83,791	\$48,110

Balance Sheet (\$000's)					
Assets (selected)	2011	2012	2013	2014	2015
Cash and Savings	\$336,408	\$319,084	\$296,173	\$332,392	\$335,564
Pledges and Grants Receivable	\$51,514	\$399,360	\$296,439	\$362,061	\$349,735
Accounts receivable (net)	\$78,364	\$70,137	\$76,873	\$80,867	\$89,331
Land / Fixed Assets	\$1,183,797	\$1,243,369	\$1,298,583	\$1,322,670	\$1,325,828
Total Assets	\$2,310,566	\$2,444,962	\$2,419,498	\$2,561,588	\$2,554,199

Liabilities (selected)	2011	2012	2013	2014	2015
Accounts Payable	\$70,761	\$74,256	\$75,759	\$114,155	\$112,687
Tax Exempt Bonds	\$146,508	\$137,567	\$130,595	\$118,498	\$116,301
Mortgages & Notes Payable	\$216,559	\$211,459	\$221,817	\$249,872	\$190,199
Total Liabilities	\$779,542	\$790,430	\$849,479	\$928,755	\$852,541

Net Assets	2011	2012	2013	2014	2015
Unrestricted Net Assets	\$976,610	\$973,880	\$1,029,035	\$1,083,324	\$1,105,439
Temporarily Restricted	\$142,221	\$145,646	\$137,859	\$139,774	\$139,837
Permanently Restricted	\$199,079	\$224,367	\$243,736	\$245,541	\$243,942
Unallocated	\$213,115	\$310,638	\$159,389	\$164,194	\$212,441
Total Net Assets	\$1,531,024	\$1,654,532	\$1,570,020	\$1,632,833	\$1,701,658
Note: Operating Reserves	\$155,881	\$79,537	\$82,864	\$129,023	\$86,111

Key Ratios					
	2011	2012	2013	2014	2015
Cash & Savings (Months)	3.7	4.0	3.3	3.6	3.4
Unrestricted Net Assets (Months)	10.9	12.1	11.4	11.6	11.3
Operating Reserves (Months)	1.7	1.0	0.9	1.4	0.9
Net Income Margin	0.0%	6.9%	2.9%	7.0%	3.9%
Overhead Rate	16%	16%	15%	15%	16%
Philanthropy (% of Revenue)	24%	27%	25%	23%	19%

TABLE 2B shows Hawaii's Health and Human Services nonprofits as if they were a single organization.

Income Statement (\$000's)					
	2011	2012	2013	2014	2015
Programs Revenues & Fees	\$260,124	\$270,477	\$301,704	\$328,886	\$364,284
Government Grants	\$181,402	\$138,069	\$190,791	\$229,017	\$202,340
Philanthropy & Net Fund Raising	\$81,215	\$143,700	\$94,179	\$60,870	\$66,881
Investments, Rentals & Others	\$17,867	\$8,235	\$41,963	\$25,830	\$28,543
Gain / (Loss) on Assets Sales	\$4,617	\$2,907	\$3,143	\$6,484	\$6,985
Total Revenue	\$545,226	\$563,389	\$631,780	\$651,087	\$669,033
Program	\$449,235	\$482,174	\$523,359	\$547,217	\$538,814
Overhead	\$71,382	\$79,217	\$80,587	\$81,919	\$87,418
Other	\$29,378	\$(41,747)	\$(3,452)	\$369	\$26,678
Total expenses	\$549,995	\$519,644	\$600,494	\$629,505	\$652,910
Net Income	\$(4,769)	\$43,745	\$31,286	\$21,583	\$16,122
Balance Sheet (\$000's)					
Assets (selected)	2011	2012	2013	2014	2015
Cash and Savings	\$132,798	\$146,424	\$136,570	\$153,061	\$175,416
Pledges and Grants Receivable	\$32,359	\$29,603	\$33,580	\$34,827	\$29,774
Accounts receivable (net)	\$47,402	\$43,498	\$52,511	\$51,559	\$55,982
Land / Fixed Assets	\$610,749	\$638,813	\$686,202	\$678,766	\$707,726
Total Assets	\$1,155,524	\$1,188,442	\$1,280,414	\$1,360,083	\$1,406,498
Liabilities (selected)	2011	2012	2013	2014	2015
Accounts Payable	\$70,761	\$74,256	\$75,759	\$114,155	\$112,687
Tax Exempt Bonds	\$146,508	\$137,567	\$130,595	\$118,498	\$116,301
Mortgages & Notes Payable	\$216,559	\$211,459	\$221,817	\$249,872	\$190,199
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Permanently Restricted	\$199,079	\$224,367	\$243,736	\$245,541	\$243,942
Unallocated	\$213,115	\$310,638	\$159,389	\$164,194	\$212,441
Total Net Assets	\$1,531,024	\$1,654,532	\$1,570,020	\$1,632,833	\$1,701,658
Note: Operating Reserves	\$102,742	\$84,220	\$45,291	\$92,124	\$74,324

Key Ratios					
Sector	2011	2012	2013	2014	2015
Cash & Savings (Months)	2.9	3.4	2.7	2.9	3.2
Unrestricted Net Assets (Months)	8.7	9.9	8.6	8.7	9.7
Operating Reserves (Months)	2.2	1.9	0.9	1.8	1.4
Net Income Margin	-0.9%	7.8%	5.0%	3.3%	2.4%
Overhead Rate	14%	14%	13%	13%	14%
Philanthropy (% of Revenue)	15%	26%	15%	9%	10%

TABLE 3 shows the percentage of nonprofits that were insolvent in a given year. For example, 3.5% of Environment and animal-related nonprofits were insolvent in 2014.

Insolvency by Field & Year					
Sector	2011	2012	2013	2014	2015
Arts, Culture & Humanities	0.0%	4.2%	1.2%	2.3%	1.1%
Community Capacity	0.0%	0.0%	0.0%	0.0%	2.1%
Environment and Animal-Related	2.2%	2.0%	0.0%	3.5%	1.6%
Health & Human Services	7.1%	8.0%	10.5%	10.9%	7.8%
Religious Institutions	0.0%	5.0%	4.3%	4.8%	7.4%
Science, Technology & Social Sciences	0.0%	0.0%	0.0%	3.4%	3.8%
Youth Development	4.3%	4.2%	7.7%	12.9%	10.5%
Total	4.1%	5.3%	5.7%	7.1%	5.4%

Insolvency by Size & Year					
Sector	2011	2012	2013	2014	2015
Small (<\$1MM)	4.2%	6.7%	7.6%	9.1%	6.1%
Mid-Size (\$1MM-\$10MM)	2.9%	2.1%	1.8%	3.4%	3.5%
Large (\$10MM+)	9.5%	8.3%	10.0%	7.7%	7.1%
Total	4.1%	5.3%	5.7%	7.1%	5.4%

Insolvency by Size (Health and Human Services)					
Sector	2011	2012	2013	2014	2015
Small (<\$1MM)	8.3%	10.3%	15.8%	17.1%	11.0%
Mid-Size (\$1MM-\$10MM)	3.8%	3.6%	3.2%	3.0%	2.2%
Large (\$10MM+)	16.7%	14.3%	16.7%	13.3%	12.5%
Total	7.1%	8.0%	10.5%	10.9%	7.8%

Insolvency by Health and Human Service sub-field					
Sub-Sector	2011	2012	2013	2014	2015
Crime and Legal Related	0.0%	14.3%	0.0%	7.1%	0.0%
Employment	0.0%	0.0%	12.5%	22.2%	20.0%
Food, Agriculture and Nutrition	0.0%	0.0%	0.0%	0.0%	0.0%
General Human Services	4.8%	4.5%	7.6%	8.7%	8.2%
Housing and Shelter	19.6%	18.5%	22.4%	24.1%	12.3%
Mental Health & Crisis Intervention	4.2%	4.3%	4.8%	4.5%	4.2%
Public Safety, Disaster Preparedness and Relief	0.0%	0.0%	0.0%	0.0%	0.0%
Youth Development	0.0%	0.0%	6.3%	0.0%	0.0%
Total	7.1%	8.0%	10.5%	10.9%	7.8%

TABLE 4 shows the months of different forms of financial reserves that nonprofits hold, by decile. For example, 60% of nonprofits had 4.4 months of cash or less, while the top 20% has almost one year (11.1).

Months of Reserves by Type									
Distribution (2015)	10%	20%	30%	40%	50%	60%	70%	80%	90%
Cash	0.4	1.0	1.5	2.3	3.2	4.4	6.6	11.1	21.3
Unrestricted Net Assets	-	-	0.1	2.6	4.7	7.4	14.6	25.8	77.2
Operating Reserves	(4.8)	(0.1)	-	0.7	2.1	3.7	5.8	9.8	25.2
Cash & Investments	0.4	1.1	1.7	2.8	4.1	6.0	10.0	16.2	33.1

Months of Reserves by Type (in Health and Human Services)									
Distribution (2015)	10%	20%	30%	40%	50%	60%	70%	80%	90%
Cash	0.3	0.8	1.3	1.9	2.8	3.7	5.9	10.6	16.0
Unrestricted Net Assets	-	-	1.9	3.8	6.1	8.6	15.0	24.3	90.6
Operating Reserves	(2.8)	-	0.4	2.1	3.0	4.6	6.3	10.4	21.5
Cash & investments	0.3	0.9	1.5	2.3	3.3	5.1	7.2	12.6	24.4

Cash Reserves by Sector									
Sector	10%	20%	30%	40%	50%	60%	70%	80%	90%
Arts, Culture & Humanities	0.5	1.2	2.1	2.8	3.7	4.8	6.6	17.7	36.3
Community Capacity	0.9	1.5	2.2	3.0	5.4	7.0	10.6	15.5	61.2
Environment and Animal-Related	1.2	2.5	3.0	4.2	6.0	7.3	11.9	17.1	20.6
Health & Human Services	0.3	0.8	1.4	1.9	2.8	3.7	5.9	10.4	15.5
Religious Institutions	0.3	0.4	0.8	1.7	2.6	3.9	6.6	15.2	34.3
Science, Technology & Social Sciences	0.7	1.2	1.4	2.1	2.7	3.0	3.5	7.3	15.3
Youth Development	0.2	0.8	1.0	1.5	4.0	5.0	6.4	7.8	22.0
Total	0.4	1.0	1.5	2.3	3.2	4.4	6.6	11.1	20.9

Cash Reserves by Size									
Size	10%	20%	30%	40%	50%	60%	70%	80%	90%
Small (<\$1MM)	0.3	1.0	1.9	3.1	4.8	6.6	10.7	16.5	32.0
Mid-Size (\$1MM-\$10MM)	0.5	0.9	1.3	1.7	2.3	3.0	3.5	5.6	8.5
Large (\$10MM+)	0.8	1.1	1.5	2.0	2.6	2.7	3.2	3.8	4.4
Total	0.4	1.0	1.5	2.3	3.2	4.4	6.6	11.1	20.9

Cash Reserves by Size (in Health and Human Services)									
Size	10%	20%	30%	40%	50%	60%	70%	80%	90%
Small (<\$1MM)	0.1	0.7	1.5	2.6	4.3	6.0	10.6	14.1	28.7
Mid-Size (\$1MM-\$10MM)	0.4	0.8	1.3	1.5	2.0	2.8	3.2	5.6	10.0
Large (\$10MM+)	0.8	1.2	1.6	1.9	2.2	2.8	3.1	3.5	4.5
Total	0.3	0.8	1.4	1.9	2.8	3.7	5.9	10.4	15.5

TABLE 5 shows the distribution of nonprofits by margin (as measured by net income divided by revenue, by sector, by decile). For example, the median margin for Environment and Animal-Related nonprofits was 6.6%.

Margin (Net Income / Revenue)									
By Sector	10%	20%	30%	40%	50%	60%	70%	80%	90%
Arts, Culture & Humanities	-21.9%	-10.8%	-3.1%	0.3%	3.8%	7.8%	13.4%	25.7%	42.0%
Community Capacity	-30.1%	-7.3%	-2.2%	0.8%	3.5%	7.6%	12.0%	23.3%	44.3%
Environment and Animal-Related	-17.9%	-5.8%	0.4%	4.0%	6.6%	9.0%	16.3%	26.6%	46.7%
Health & Human Services	-22.3%	-9.8%	-4.0%	0.0%	1.3%	4.1%	9.1%	13.7%	26.0%
Religious Institutions	-15.6%	-7.7%	-3.1%	-0.4%	0.2%	1.0%	15.8%	36.9%	72.5%
Science, Technology & Social Sciences	-51.1%	-11.5%	-4.0%	-2.5%	-0.6%	0.0%	2.0%	19.2%	296.4%
Youth Development	-26.6%	-7.3%	0.1%	3.1%	6.1%	11.5%	13.2%	15.9%	30.0%
Total	-23.5%	-9.6%	-3.4%	0.0%	2.2%	6.1%	10.5%	16.7%	35.3%

By Size	10%	20%	30%	40%	50%	60%	70%	80%	90%
Small (<\$1MM)	-35.3%	-15.5%	-6.7%	-0.7%	1.2%	6.4%	10.9%	19.6%	44.2%
Mid-Size (\$1MM-\$10MM)	-8.8%	-3.5%	0.0%	1.4%	4.0%	7.1%	11.7%	15.9%	33.9%
Large (\$10MM+)	-12.3%	-3.4%	0.1%	0.5%	1.1%	1.7%	2.7%	4.9%	9.9%
Total	-23.5%	-9.6%	-3.4%	0.0%	2.2%	6.1%	10.5%	16.7%	35.3%

By Size (in Health and Human Services)	10%	20%	30%	40%	50%	60%	70%	80%	90%
Small (<\$1MM)	-37.4%	-17.7%	-9.7%	-2.3%	0.0%	3.8%	8.5%	16.2%	44.2%
Mid-Size (\$1MM-\$10MM)	-8.4%	-4.1%	-0.3%	0.6%	2.4%	7.5%	11.2%	14.9%	23.2%
Large (\$10MM+)	-3.4%	-1.0%	0.9%	1.5%	2.0%	2.7%	3.6%	6.1%	9.8%
Total	-22.3%	-9.8%	-4.0%	0.0%	1.3%	4.1%	9.1%	13.7%	26.0%

TABLE 6 Shows the distribution of nonprofits by size (as measured by functional expenses, by sector, by decile). For example, the median human service organization has expenses of \$731,000. The largest 5% of human service organizations represented 37.6% of all human service spending.

Distribution of Spending (2015)						
Organization Size (\$000's)	10%	20%	50%	80%	90%	95%
Arts, Culture & Humanities	\$30	\$108	\$320	\$1,479	\$4,917	\$11,040
Community Capacity	\$103	\$146	\$295	\$894	\$2,190	\$13,298
Environment and Animal-Related	\$122	\$191	\$456	\$1,831	\$4,439	\$8,197
Health & Human Services	\$116	\$211	\$731	\$3,342	\$7,489	\$11,711
Religious Institutions	\$49	\$139	\$255	\$1,217	\$2,723	\$3,280
Science, Technology & Social Sciences	\$176	\$334	\$1,357	\$3,559	\$16,812	\$22,592
Youth Development	\$95	\$159	\$335	\$4,054	\$8,697	\$11,308
Total	\$97	\$178	\$503	\$2,630	\$5,599	\$10,702

Total Spending (\$000's)	10%	20%	50%	80%	90%	95%	Total
Arts, Culture & Humanities	\$40	\$664	\$6,571	\$28,677	\$56,077	\$85,314	\$181,473
Community Capacity	\$296	\$919	\$3,988	\$10,809	\$18,657	\$23,940	\$63,511
Environment and Animal-Related	\$434	\$1,368	\$6,436	\$20,144	\$37,539	\$57,160	\$81,376
Health & Human Services	\$1,299	\$5,237	\$35,261	\$161,558	\$278,936	\$393,384	\$630,226
Religious Institutions	\$35	\$224	\$1,794	\$5,854	\$10,917	\$14,103	\$17,415
Science, Technology & Social Sciences	\$285	\$752	\$4,833	\$21,623	\$28,984	\$49,048	\$71,922
Youth Development	\$216	\$600	\$2,839	\$19,942	\$43,388	\$61,286	\$77,770
Total	\$2,058	\$9,045	\$54,173	\$245,165	\$432,951	\$633,193	\$1,123,692

Percentage of Spending	10%	20%	50%	80%	90%	95%	Top 5%
Arts, Culture & Humanities	0.0%	0.4%	3.6%	15.8%	30.9%	47.0%	53.0%
Community Capacity	0.5%	1.4%	6.3%	17.0%	29.4%	37.7%	62.3%
Environment and Animal-Related	0.5%	1.7%	7.9%	24.8%	46.1%	70.2%	29.8%
Health & Human Services	0.2%	0.8%	5.6%	25.6%	44.3%	62.4%	37.6%
Religious Institutions	0.2%	1.3%	10.3%	33.6%	62.7%	81.0%	19.0%
Science, Technology & Social Sciences	0.4%	1.0%	6.7%	30.1%	40.3%	68.2%	31.8%
Youth Development	0.3%	0.8%	3.7%	25.6%	55.8%	78.8%	21.2%
Total	0.2%	0.8%	4.8%	21.8%	38.5%	56.3%	43.7%

TABLE 7 Shows the percentage of nonprofits' revenue that are accounted for by philanthropy - by sector, size and decline. For example, 40% of Human Service nonprofits receive 4.4% or less of its revenue from philanthropy.

Distribution (2015)									
Sector	10%	20%	30%	40%	50%	60%	70%	80%	90%
Arts, Culture & Humanities	0.0%	2.6%	18.0%	31.0%	38.9%	50.3%	57.5%	70.6%	98.6%
Community Capacity	0.0%	0.0%	4.4%	10.0%	29.2%	47.0%	86.4%	96.2%	100.0%
Environment and Animal-Related	0.0%	0.8%	6.7%	27.3%	53.1%	63.1%	85.2%	96.4%	99.5%
Health & Human Services	0.0%	0.0%	0.0%	4.4%	11.5%	21.5%	37.0%	63.0%	86.6%
Religious Institutions	0.0%	9.1%	41.1%	55.3%	74.0%	91.3%	98.7%	99.9%	100.0%
Science, Technology & Social Sciences	0.0%	0.2%	5.8%	13.0%	27.1%	50.3%	62.5%	90.5%	99.4%
Youth Development	0.0%	0.0%	0.0%	0.9%	27.6%	55.9%	73.8%	90.0%	98.3%
Total	0.0%	0.0%	1.7%	9.9%	23.0%	38.1%	59.0%	80.1%	98.4%

Size	10%	20%	30%	40%	50%	60%	70%	80%	90%
Small (<\$1MM)	0.0%	0.0%	2.5%	14.1%	31.1%	53.6%	68.2%	90.2%	100.0%
Mid-Size (\$1MM-\$10MM)	0.0%	0.0%	2.1%	9.2%	17.8%	26.8%	41.0%	63.8%	87.9%
Large (\$10MM+)	0.0%	0.0%	0.9%	1.9%	5.6%	10.1%	27.7%	37.9%	64.8%
Total	0.0%	0.0%	1.7%	9.9%	23.0%	38.1%	59.0%	80.1%	98.4%

TABLE 7B Shows the percentage of spending in each field that is accounted for by nonprofits receiving less than a given percentage of revenue from philanthropy. For example, 32.3% of total health and human service spending is accounted for by groups receiving less than 5% of their revenue from philanthropy.

Distribution (2015)									
Sector	<1%	<5%	<10%	<20%	<50%	<80%	<70%	<80%	<90%
Arts, Culture & Humanities	2.8%	10.9%	15.9%	19.0%	68.9%	96.5%	57.5%	70.6%	98.6%
Community Capacity	0.5%	4.1%	17.6%	50.1%	56.9%	59.2%	86.4%	96.2%	100.0%
Environment and Animal-Related	0.0%	4.9%	6.3%	9.3%	30.4%	80.3%	85.2%	96.4%	99.5%
Health & Human Services	8.8%	32.3%	49.7%	67.4%	86.2%	91.1%	37.0%	63.0%	86.6%
Religious Institutions	0.0%	2.8%	18.8%	20.3%	31.9%	78.0%	98.7%	99.9%	100.0%
Science, Technology & Social Sciences	54.3%	57.7%	57.9%	58.3%	77.6%	81.7%	62.5%	90.5%	99.4%
Youth Development	42.7%	46.3%	68.9%	73.3%	74.6%	81.4%	73.8%	90.0%	98.3%
Total	0.0%	0.0%	1.7%	9.9%	23.0%	38.1%	59.0%	80.1%	98.4%

TABLE 8 Shows the overhead ratio, defined as the sum of administrative and fund-raising expenses, divided by total functional expenses, by sector, size and decline. For example, the median arts and culture organization has a reported overhead ratio of 21.4%

Overhead Ratio 2015									
Field	10%	20%	30%	40%	50%	60%	70%	80%	90%
Arts, Culture & Humanities	4.8%	11.9%	14.9%	17.3%	21.4%	25.7%	33.4%	37.0%	78.2%
Community Capacity	0.0%	0.4%	5.3%	7.4%	9.8%	14.4%	27.6%	31.4%	81.4%
Environment and Animal-Related	4.4%	6.8%	12.0%	13.9%	16.4%	20.2%	21.8%	27.4%	34.2%
Health & Human Services	0.0%	3.1%	6.5%	10.3%	12.6%	15.1%	18.4%	23.2%	30.6%
Religious Institutions	0.0%	2.1%	3.7%	5.6%	13.4%	18.6%	21.8%	31.9%	67.7%
Science, Technology & Social Sciences	2.9%	7.6%	9.7%	10.3%	15.9%	17.2%	25.3%	34.4%	49.9%
Youth Development	0.0%	0.0%	0.0%	3.3%	12.2%	19.0%	25.7%	36.1%	69.1%
Total	0.0%	3.4%	7.4%	11.3%	14.3%	17.3%	21.8%	28.0%	36.7%

Size	10%	20%	30%	40%	50%	60%	70%	80%	90%
Small (<\$1MM)	0.0%	2.7%	6.8%	10.5%	15.1%	19.7%	25.2%	31.1%	52.1%
Mid-Size (\$1MM-\$10MM)	0.1%	5.2%	7.9%	12.1%	14.3%	16.4%	20.0%	23.9%	31.8%
Large (\$10MM+)	6.5%	7.7%	10.0%	11.0%	11.7%	12.7%	15.1%	18.3%	33.1%
Total	0.0%	3.4%	7.4%	11.3%	14.3%	17.3%	21.8%	28.0%	36.7%

ABOUT THIS REPORT

[The Financial Health of Hawaiian Nonprofits](#) is intended to present valuable background information for nonprofit leaders, funders, and policymakers. This report follows from similar studies by SeaChange Capital Partners in New York City ([Risk Management for Nonprofits](#)), Philadelphia ([The Financial Health of Philadelphia-Area Nonprofits](#)), and nationally ([The Financial Health of the United States Nonprofit Sector](#)). It is also intended as a complement to a comprehensive study of human services – [A National Imperative: Joining Forces to Strengthen Human Services in America](#) – commissioned by the Alliance for Strong Families and Communities (“Alliance”) and the American Public Human Services Association (APHSA) – two leading association networks representing human service organizations. Much of this work has been generously supported by the Kresge Foundation. Each of these reports were done at different times and with slightly differing methodologies making precise comparisons difficult.

Form 990 information was provided by [CitizenAudit.org](#). The field in which nonprofits operate was identified based on NTEE code, as indicated by the IRS Exempt Organizations Business Master File (EO-BMF). Human services NTEE codes include Mental Health & Crisis Intervention (F), Crime & Legal-Related (I), Employment (J), Food, Agriculture & Nutrition (K), Housing & Shelter (L), Public Safety, Disaster Preparedness & Relief (M), Youth Development (O), and Human Services (P). Other fields map as follows: Arts, Culture and Humanities (A), Community Capacity (R/S), Environment and Animal-Related (C/D), Religious Institutions (R), Science/Technology/Social Science (U/V), Youth Development (N), Hospitals and Care Organizations (E), Educational Institutions (B), and Philanthropy (T). “Other” include Social Benefit (W), Membership Benefit (Y) and International organizations (Q) all of which were excluded from most analyses in this report as were groups without an identifying NTEE code.

Form 990 information is the broadest, deepest data set available. However, it comes with important limitations: incomplete coverage of small nonprofits (only nonprofits with revenues over \$200,000, or assets over \$500,000, are required to file), imperfect coverage (e.g. churches and other places of worship are not required to file), time lags (990 data are generally made available to the public on an 18-24 month lag) and uneven data quality. In addition, some important information – for example the availability of undrawn lines of credit – is not reflected on the 990. Given these limitations, 990 data alone should never be used to make important decisions about any particular nonprofit. However, analysis of 990 data can yield meaningful, high-level insights about the financial health of the sector as a whole and subsectors within it.

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