

Financial Health of CBDOs in the US, 2018

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Total revenues

\$25.7 billion (\$916,000 median,
\$3.9 million average)

Total expenses

\$23.8 billion (\$854,000 median,
\$3.1 million average)

Total assets

\$54.2 billion (\$916,000 median,
\$3.3 million average)

Total liabilities

\$27.5 billion (\$821,000 median,
\$3.0 million average)

Total real estate assets

\$19.4 billion (\$728,000 median,
\$2.4 million average)

Size, by total expense quartile

Smallest: \$0 to \$266,549
 Mid-small: \$266,581 to \$854,080
 Mid-large: \$854,515 to \$3.3M
 Largest: \$3.3M to \$479.0M

No. of CBDOs by census region

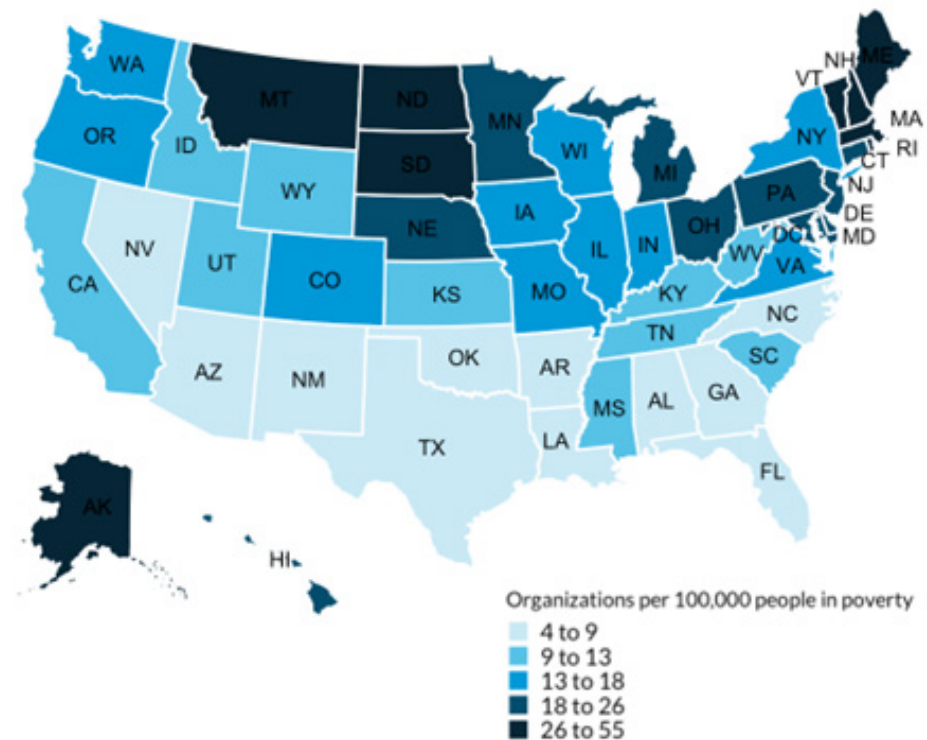
South: 1,670
 Midwest: 1,535
 Northeast: 1,396
 West: 1,105

Nonprofit community-based development organizations (CBDOs) work in low-income communities and communities of color to implement development projects, such as affordable housing and community facilities, and provide programs and activities that meet community needs. Understanding the current financial health of this sector is key to planning for its sustainability.

WHERE ARE CBDOS LOCATED?

The 5,720 CBDO tax filing records in the study (called “organizations” here) are in the South (29 percent), Midwest (27 percent), Northeast (25 percent), and West (19 percent). The District of Columbia, South Dakota, Rhode Island, Montana, Maine, Vermont, and Massachusetts have the highest number of CBDOs per 100,000 people with income below the federal poverty level (figure 1). The southeastern and southwestern US have the smallest concentration.

FIGURE 1
Number of CBDOs per 100,000 People with Income below the Federal Poverty Level, 2018



Source: Authors’ analysis of [IRS registry of open data on Amazon Web Services](#) and [Statistics of Income IRS 990 and 990EZ data](#) and the 2016–20 American Community Survey.

WHAT DOES THE SECTOR LOOK LIKE FINANCIALLY?

In terms of annual funding flows, CBDOs bring in about \$25.7 billion in annual revenue, receiving 51 percent through donations, 45 percent from earned income from program services, and 4 percent from investments. About 30 percent of a CBDO’s total revenues come from government sources, on average. On average, CBDO earned income covers 35 percent of their total expenses. Forty-seven percent of CBDOs nationally reported negative net revenues—spending more than they earned—but this circumstance is common among nonprofits year to year (Lecy 2010). Less common but more disruptive, 12 percent of CBDOs experienced a 25 percent drop in revenues during the year, and 7 percent experienced a similar drop in expenses, potentially indicating curtailed services to their communities (table 1).

TABLE 1

Share of CBDOs Experiencing Select Financial Shocks by Organization Size, 2018

	All	Small	Mid-small	Mid-large	Large
N	5720	1430	1430	1430	1430
Insolvency (net assets less than \$0)	15%	23%	12%	10%	6%
Funding disruption (25% drop in total revenues within 12 months)	12%	20%	12%	10%	6%
Finance disruption (25% drop in net assets within 12 months)	9%	9%	10%	9%	6%
Program disruption (25% drop in total expenses within 12 months)	7%	16%	7%	5%	2%

Source: Authors’ analysis of IRS registry of open data on Amazon Web Services and Statistics of Income IRS 990 and 990EZ data.

Note: The expense quartiles are small (\$0 to \$266,549), mid-small (\$266,581 to \$854,080), mid-large (\$854,515 to \$3,329,914), and large (\$3,330,877 to \$479,000,000).

Nationally, CBDOs hold \$54.3 billion in total assets. Around 35 percent of these assets (\$19.4 billion) are in land, buildings, and equipment, an important asset type for CBDOs engaged in real estate ownership and development; the other 65 percent are in cash and savings, investments, supplies, and lending to other organizations. The average CBDO’s total liabilities (debt) represent 47 percent of their total assets, and their short-term assets are 20 times as large as their short-term debt. Thirty-six percent of CBDOs have fewer than three months of cash on hand to cover ongoing operating expenses. About 9 percent of all CBDOs experienced a 25 percent drop in their net assets during the year, with a full 15 percent reporting that their liabilities exceeded their assets (table 1), threatening the ability of these organizations to grow by leveraging assets.

DO SIZE AND REGION MATTER TO FINANCIAL HEALTH?

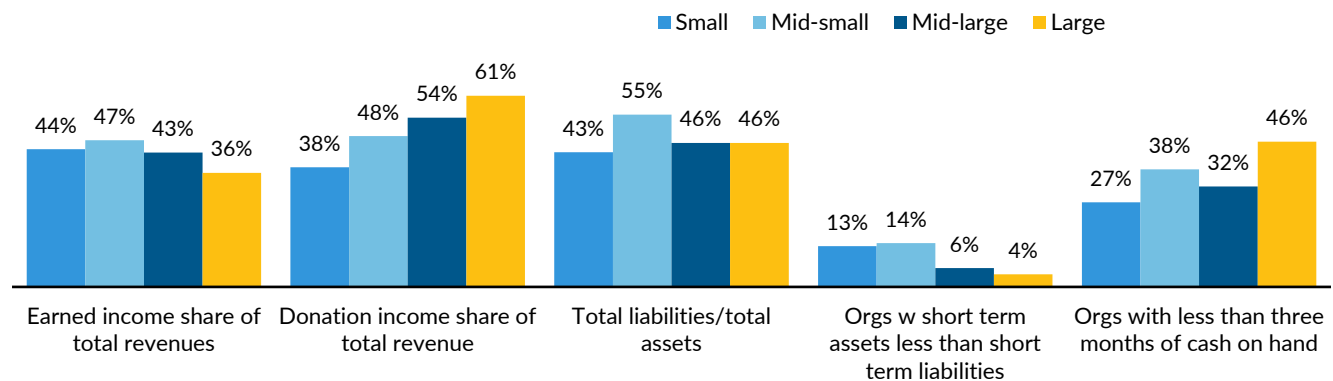
Small CBDOs average around \$154,000 in total revenues; large CBDOs average \$10.4 million. Small organizations tend to rely more on earned income than large organizations or the sector overall; large organizations rely more on donation income (figure 2). Fewer small organizations receive government donations or contracts than large CBDOs (22 percent versus 78 percent), and the grants they receive represent a smaller share of their revenues than large organizations (17 percent versus 46 percent). Small CBDOs are more likely to have at least three months of cash on hand and hold less debt relative to their assets than larger CBDOs. But a larger share of small CBDOs hold high levels of short-term debt (figure 2), making them financially vulnerable to insolvency (table 1).

ABOUT THE GROUNDING VALUES STUDY

Grounding Values was launched by the National Alliance of Community Economic Development Associations in partnership with the Urban Institute in 2021 to study the financial health, production, programs, and services of CBDOs throughout the United States. The research includes tax data analysis, a national census survey, and qualitative interviews around key themes. The study is informed by a notable advisory committee of national community development and affordable housing experts, advocates, and institutions. Products will release through 2023, including reports, fact sheets, policy briefs, and public-use datasets; they are available at <https://www.urban.org/projects/grounding-values-cbdos>.

FIGURE 2

Select Average Financial Management Metrics by Organization Size, 2018

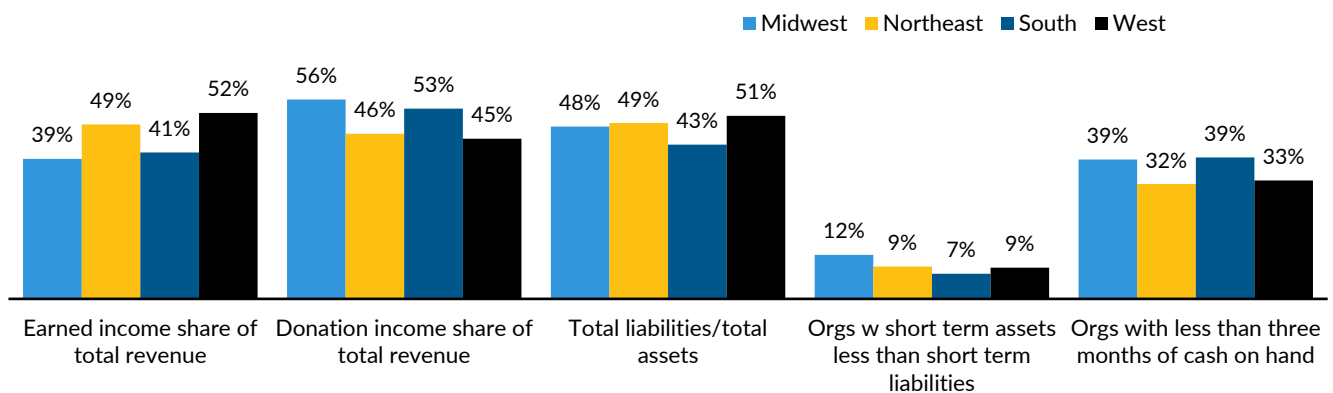


Source: Authors' analysis of IRS registry of open data on Amazon Web Services and Statistics of Income IRS 990 and 990EZ data.
 Note: The expense quartiles are small (\$0 to \$266,549), mid-small (\$266,581 to \$854,080), mid-large (\$854,515 to \$3,3M), and large (\$3,3M to \$479 M).

In terms of regional differences, Midwestern CBDOs receive a higher share of revenues from donations (56 percent), followed by the South (54 percent). In comparison, Western and Northeastern CBDOs receive a higher share from earned income (49 and 47 percent, respectively; figure 3). Western CBDOs have at least 50 percent more land, building, and equipment assets (\$3.2 million) on average than the other regions, which range from \$1.8 million in the Midwest to \$2.1 million in the Northeast. Western CBDOs are more highly leveraged (13 percent), on average, while Midwestern CBDOs struggle the most with cash on hand and short-term liability coverage (figure 3). There were no major differences across regions in the share of their CBDOs experiencing within-year drops in revenues, expenses, or assets, or in the number reporting that their liabilities had surpassed their assets.

FIGURE 3

Select Average Financial Management Metrics by Census Region, 2018



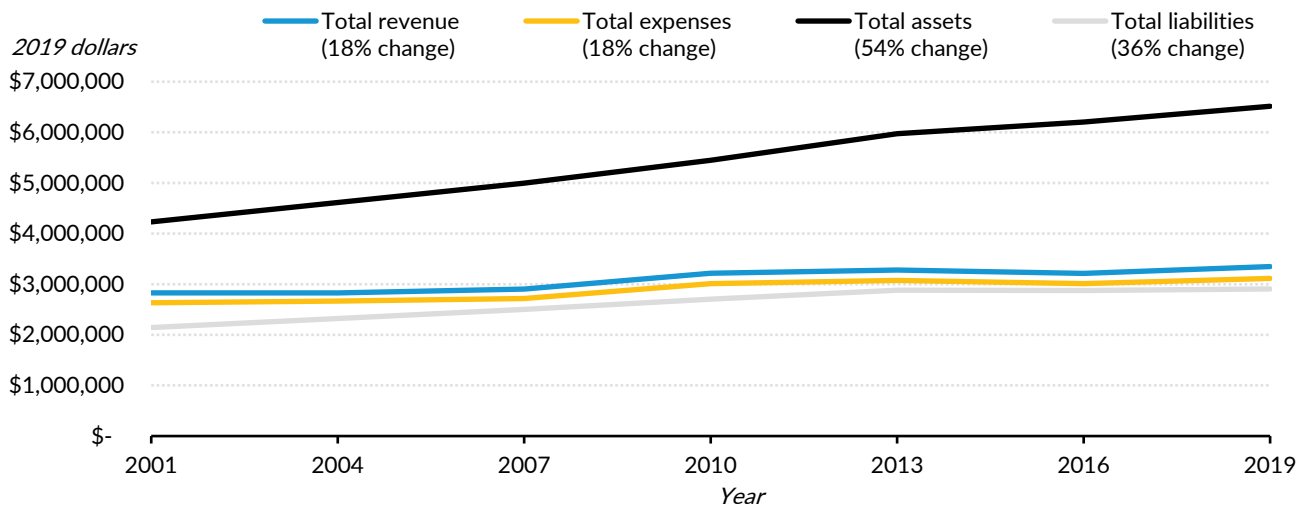
Source: Authors' analysis of IRS registry of open data on Amazon Web Services and Statistics of Income IRS 990 and 990EZ data.
 Notes: Fourteen CBDOs in US territories and protectorates are not included in census regional analysis (N = 5706 CBDOs).

HOW HAVE CBDOS' FINANCIAL EXPERIENCES CHANGED OVER TIME?

CBDO revenues and expenses grew about 18 percent between 2001 and 2018, though their total liabilities and assets grew at much higher rates (figure 4). CBDOs have come to rely more on earned income and less on donations. Although the average ratio of total liabilities to total assets has remained between 0.45 to 0.48, the median CBDO is less leveraged than in 2001 (table 2). The share of insolvent CBDOs and CBDOs experiencing a year of negative revenues has remained fairly steady since 2004 (table 2).

FIGURE 4

CBDO Financial Characteristics over Time, 2001 to 2019



Source: Authors’ analysis of National Center for Charitable Statistics Core Files, IRS registry of open data on Amazon Web Services, and Statistics of Income IRS 990 and 990EZ data.
 Notes: An active CBDO is one that has filed taxes in at least one of the past three years. For limitations on this analysis, see the technical report.

TABLE 2

CBDO Financial Management Metrics over Time, 2001 to 2019

	2001	2004	2007	2010	2013	2016	2019
Share with negative net income	36%	44%	42%	44%	47%	45%	46%
Earned income/total revenue	33%	36%	38%	39%	41%	43%	43%
Donated income/total revenue	62%	58%	55%	57%	54%	52%	51%
Debt-to-asset ratio (average)	0.48	0.48	0.48	0.48	0.48	0.46	0.45
Debt-to-asset ratio (median)	0.42	0.42	0.42	0.41	0.40	0.38	0.35
Share of insolvent CBDOs	10%	12%	13%	13%	13%	13%	13%

Source: Author analysis of National Center for Charitable Statistics Core Files, IRS registry of open data on Amazon Web Services and Statistics of Income IRS 990 and 990EZ data.
 Notes: An active CBDO is one that has filed taxes in at least one of the last three years. For limitations on this analysis, see the technical report.

ADDITIONAL READING

The Financial Health of Community-Based Development Organizations: Using Internal Revenue Service Tax Data to Assess Sector Health

Lydia Lo, Corianne Payton Scally, Jesse Lecy, and Shubhangi Kumari (<https://urban.is/3wvrt2u>)

The Financial Health of Community-Based Development Organizations: Technical Report

Lydia Lo, Jesse Lecy, and Corianne Payton Scally (<https://urban.is/3Kplhy0>)

ACKNOWLEDGMENTS

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