



A Portrait



OF NONPROFITS SERVING CHILDREN IN THE WASHINGTON, D.C., AREA

Nonprofit organizations in the Washington, D.C., region are vital players in the lives of local children and youth; they provide a multitude of much needed services, such as after school programs, tutoring and mentoring, youth development activities, child care, and many more. These nonprofit providers currently face difficult social and economic challenges. From rising social service needs that impact demand for services to state and local budget shortfalls that can jeopardize funding flows, child and youth nonprofits in the region confront tough choices about how to maintain service levels.

In total, there are more than 1,100 local nonprofit providers of child and youth services in the region that includes the District of Columbia and surrounding parts of Maryland and Virginia. The Urban Institute has conducted the first systematic examination of the fiscal picture of these nonprofits by monitoring their changing finances from 1998 to 2000. Understanding their financial strengths and weaknesses can facilitate strategic grantmaking and effective public policy. The findings include the following:

Did You Know?

Local nonprofit organizations that serve children and youth in the D.C. region generated more than \$1.5 billion in revenue in 2000.

- Despite comprising a billion-dollar service field, nonprofit child and youth providers are significantly smaller, on average, than other types of nonprofits in the region. In 2000, the more than 1,100 local providers had combined total expenses of \$1.3 billion and assets of \$1.9 billion.

- Client fees accounted for more than half of the providers' income in 2000.

- Spending on fundraising and administration was relatively low in 2000, with 83 cents of every dollar going directly to programs and services.

Many child and youth nonprofits in the region showed signs of fiscal stress in 2000.

- Nearly one-third of child and youth nonprofits in the area lost money in 2000.

- Nonprofit primary and secondary (noncharter) schools, however, fared well financially.

- Compared with local private schools, most child and youth nonprofits in the region ended 2000 with few assets.





The fiscal health of child and youth nonprofits varied widely across communities.

- Among the 11 jurisdictions included in this study, Manassas and Fairfax had the financially strongest nonprofit child and youth sectors in 2000.
- The District, Montgomery County, Alexandria, and Falls Church had reasonably strong sets of child and youth nonprofits.
- Loudoun, Arlington, Prince George's, Prince William, and Frederick counties had child and youth nonprofits that, on the whole, ranked near the bottom among all jurisdictions in the region.

For many child and youth nonprofits in the region, fiscal stress increased between 1998 and 2000.

- Expenses grew faster than revenues from 1998 to 2000 at the typical child and youth nonprofit.
- Local child and youth nonprofits became slightly more reliant on user fees between 1998 and 2000. Heavy dependence on user fees can be troublesome for organizations when the ability of clients to pay is reduced.
- There was little change in the proportional spending on programs, administration, and fundraising by child and youth nonprofits between 1998 and 2000. The percentage spent on management and fundraising costs remained low.
- The percentage of local child and youth nonprofits that lost money was higher in 2000 than in 1998.
- Although operating margins at many local providers shrunk, net assets in the child and youth service field increased substantially between 1998 and 2000.

The Bottom Line

Taken together, the findings show that many nonprofits that serve children and youth in the Washington, D.C., area exhibited signs of fiscal stress in 2000, one year before the 9/11 attacks on the Pentagon and the World Trade Center. The attacks exacerbated the decline in the D.C. regional economy and likely increased the fiscal stress evidenced in the study.

Looking Ahead

In the end, the disparities in the fiscal health of child and youth nonprofits across jurisdictions in the region highlight the need for public action, although the applicability of policy choices varies by type of community. For jurisdictions with financially weak child and youth service fields, for example, local officials may need to review carefully the structural relationships among local child welfare agencies and frontline nonprofit providers to determine if regulatory or contractual changes are needed. For communities that have fiscally strong providers, local officials might consider a strategy that monitors the financial health of child and youth nonprofits and acts quickly with infusions of funding or regulatory changes if the fiscal viability of local providers begins to decline.



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Data source: D.C. Regional Nonprofit Database, The Urban Institute. Derived from the IRS Form 990 and information provided by local agencies and grantmakers.

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