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Understanding the East Central Illinois Nonprofit Sector

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SECTION I: INTRODUCTION

EXECUTIVE SUMMARY

This report has been commissioned by the Community Foundation of East Central Illinois (CFECI) as a final deliverable for Gies College of Business students in an experimental learning class, BUS 301. This report was made to understand the depth and breadth of the nonprofit sector in our 9-county service area.

To address this problem, the authors have compiled 501(c)(3) data from multiple sources to recognize trends within the various sectors and counties while determining the overall constitution of the nonprofits within the service area.

METHODOLOGY

To compile the information for nonprofits within the Community Foundation of East Central Illinois's service area, an archive of exempt organizations and IRS Form 990 and 990-EZ databases of the last ten years was used. With the exempt organizations archive, all 501(c)(3)s within the Community Foundation of East Central Illinois's service area for the last ten years were found. Then, using Form 990 and 990-EZ databases, ratios and benchmarks were calculated and compared across nonprofit sectors and counties to determine several trends.

INSIGHTS

From this report, readers will be able to answer pressing concerns about the nonprofit industry such as the sustainability of nonprofit growth and the sectors and counties that are in the direst need of funds.

KEY FINDINGS

- There are a total of 1894 501(c)(3) public charity nonprofits in East Central Illinois
- Of the nine counties in the East Central Illinois region, Champaign County has the most nonprofits (876)
- The Human Services Sector contains the most nonprofits, comprising 30% of total nonprofits
- The annual revenue of nonprofits in East Central Illinois is $3.5 billion
- 65% of organizations in East Central Illinois operate with annual revenues under $25,000
- 91% of total revenue is earned by the Health Sector and Education Sector
- Compared to Midwest university towns, Champaign-Urbana has a low number of nonprofits per capita (3.29)

Insights gained from this report should lay the groundwork for further research and action.

IMPLEMENTATION CONSIDERATIONS

When moving forward with decisions based on these insights, it is important to realize that the most recent ratios and benchmarks used are from 2019 due to the bottleneck of ample Form 990 and 990-EZs being filed within their respective tax year. However, the growth in overall nonprofits is current and suggests that the general trends are likely still in place. Additionally, these insights are based on segments in the nonprofit industry and should not be significantly relied on when looking to send endowment funds to specific nonprofit organizations.

OVERVIEW

The findings in this report, although not totally comprehensive, deeply signify the attributes of nonprofits within the industry at varying scopes.

While it is nearly impossible to distinguish trends that apply to every nonprofit within a group, even with some of the most concentrated groupings we utilize, this report will still aid readers in a better understanding of the nonprofit industry within east-central Illinois, helping donors and endowment fund managers prioritize the most ailing portions of the industry.

Sector Guide

In this report, nonprofits are grouped within eight sectors, as identified below. To decide which nonprofits should be included in each sector, the NTEE code that is declared by all 501(c)(3)s to fit their mission with the general mission is used to group sectors. For an understanding of which NTEE codes are attributed to each sector, refer to Section VI.

SECTOR	EXAMPLES	DESCRIPTION
ARTS, CULTURE, AND HUMANITIES	40 North-88 West Inc Monticello Railway Museum	Promote and encourage development of artistic organizations.
EDUCATION	University of Illinois Foundation CU Schools Foundation	Educate the public and provide resources for the development in both children and adults.
ENVIRONMENT AND ANIMALS	Grand Prairie Friends Land Trust Champaign County Humane Society	Provide resources and money to causes related to animals and environmental education.
HEALTH	The Carle Foundation Hospital Kirby Medical Center	Promote health equity, increase awareness of conditions, and provide medical support.
HUMAN SERVICES	Eastern Illinois Foodbank Developmental Services Center	Provide a wide variety of services ranging from after-school care to job development services.
INTERNATIONAL, FOREIGN AFFAIRS	Children of Hope and Faith Caring for Kenya	Provide humanitarian aid and explore policy development in foreign countries.
PUBLIC, SOCIETAL BENEFIT	United Way of Champaign County Illinois Business Elevator	Promote civil rights, philanthropy, voter education, and other societal improvements.
RELIGION RELATED	Sinai Temple CU Christian Church	Connected or associated with a specific religious group or affiliation.

County Guide

To define east-central Illinois, CFECI's service area was used, which composes the following nine counties: Champaign, Coles, Douglas, Edgar, Ford, Iroquois, Moultrie, Piatt, and Vermilion.

Report Guide

First, the report will highlight the nonprofit size of the service area, such as highlighting the number of nonprofits, employees, and the revenue amounts of nonprofits.

The second part of the report will discuss the nonprofit health, which focuses on metrics that measure liquidity, fundraising effectiveness, and more.

Third, the report will detail the trends observed within the nonprofit industry over the last decade in the nonprofit evolution section, such as change in number of nonprofits, change in liquidity, and more.

The final section of the report will conclude with key findings and suggest actions that may be taken.

Acknowledgements

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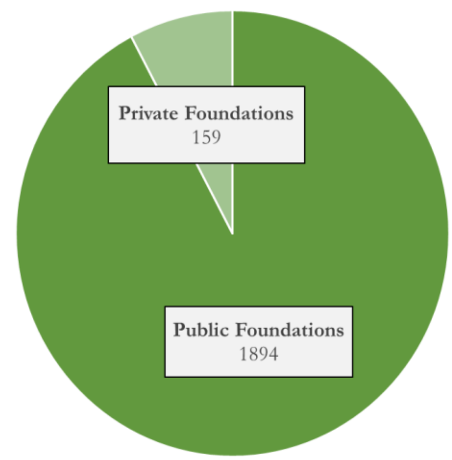
SECTION II: INDUSTRY SIZE

SERVICE AREA OVERVIEW

Nonprofit Type Composition of Service Area

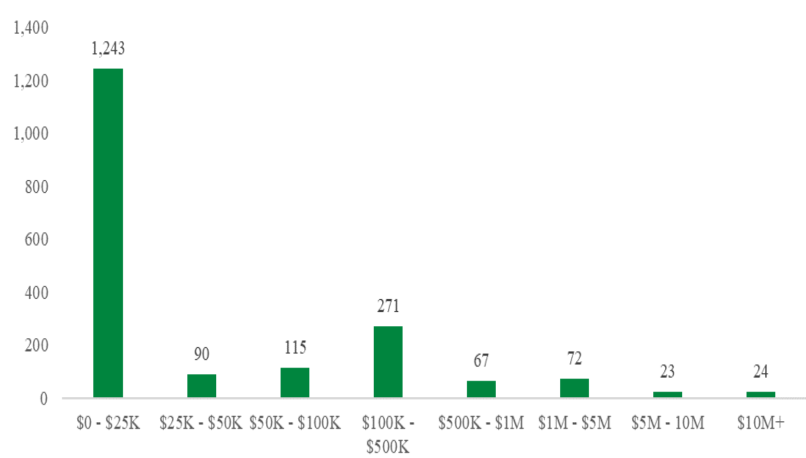


As of 2021, most nonprofits operating in this service area were public foundations, which are the focus of the report. There are a total number of 2,053 nonprofits comprised of 1,894 public charities and 159 private foundations. Private foundations usually raise funds through a single endowment of funds, which differs from the multiple sources that public charities raise funds from. Thus, many nonprofits within the service area are reliant on the funds raised from the public.

Looking deeper at the nonprofits operating within the service area, the size of the average nonprofit can be determined. In the entire service area, there are around four nonprofits for every 1,000 inhabitants, which is very similar to the nation average of 4.51. Additionally, the average nonprofit in the service area has around 13 employees, which demonstrates the general operational size of nonprofits within the service area.

Nonprofits Per 1,000 Capita	Employees Per Nonprofit
4.37	**12.62**

Revenue Range of Nonprofits Within Service Area

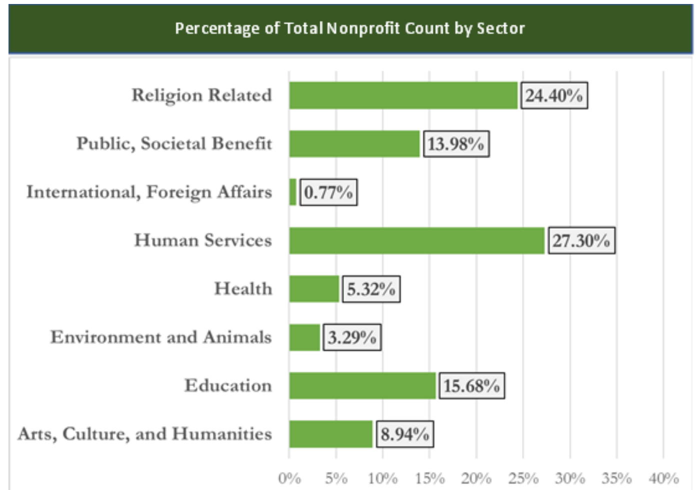


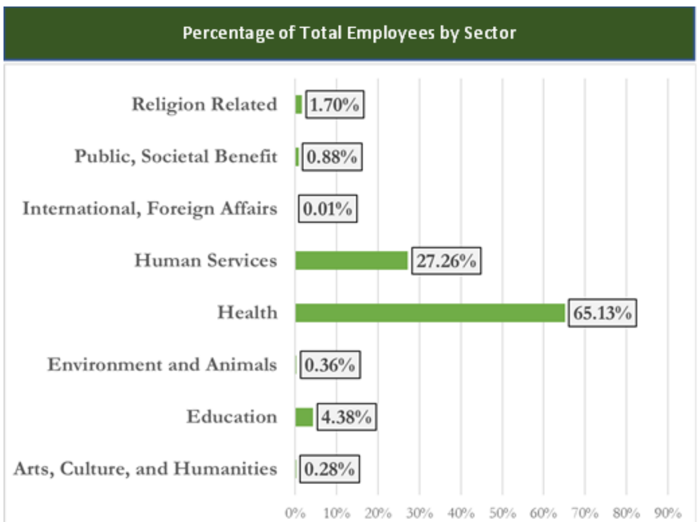
The nonprofits in the service area have varying degrees of operational size, as seen when evaluating the annual revenue of all nonprofits. Most nonprofits earn under $25,000 in revenue; however, a significant portion earn between $100,000 and $500,000 annually. Meanwhile, there are a few significant outliers that earn millions of dollars, mainly from the Health Sector, which dominates the list of the largest organizations by annual revenue.

20 Largest 501(c)(3) Nonprofits in East Central Illinois			
	Organization	**Sector**	**Revenue (2022)**
1.	The Carle Foundation Hospital	Health	$1,085,020,210
2.	The Carle Foundation	Health	$432,389,749
3.	University of Illinois Foundation	Education	$391,520,907
4.	Carle Healthcare Incorporated	Health	$307,892,914
5.	Gibson Area Hospital	Health	$115,966,891
6.	Carle BroMenn Medical Center	Health	$108,794,100
7.	Hospital & Medical Foundation of Paris	Health	$79,037,595
8.	Hoopeston Community Memorial Hospital	Health	$66,049,970
9.	Kirby Medical Center	Health	$58,289,315
10.	Richland Memorial Hospital	Health	$54,890,414
11.	Eastern Illinois Foodbank	Human Services	$26,487,103
12.	Iroquois Memorial Hospital and Resident Home	Health	$26,357,941
13.	Clark-Lindsey Village	Human Services	$21,972,386
14.	Cunningham Children's Home of Urbana Illinois	Human Services	$20,378,694
15.	Carle West Physician Group	Health	$13,651,776
16.	Developmental Services Center of Champaign County	Human Services	$12,930,237
17.	Crosspoint Human Services	Health	$10,453,933
18.	Carle Eureka Hospital	Health	$10,058,652
19.	Eastern Illinois University Foundation	Education	$9,820,600
20.	Big Ten Academic Alliance	Education	$9,203,675
	Total		**$2,861,167,062**
	% of total service area revenue		***82.0%***

SECTOR OVERVIEW

When looking at the sectors present in the service area, varying conclusions can be made on the size of each sector. By comparing size through the count of nonprofits within the service area that are part of each sector, the Religion Related Sector and the Human Services Sector are the largest among all sectors. However, this information can easily be skewed by a multitude of nonprofits with extremely small operations, leading to differing conclusions on sector size when looking at different metrics.

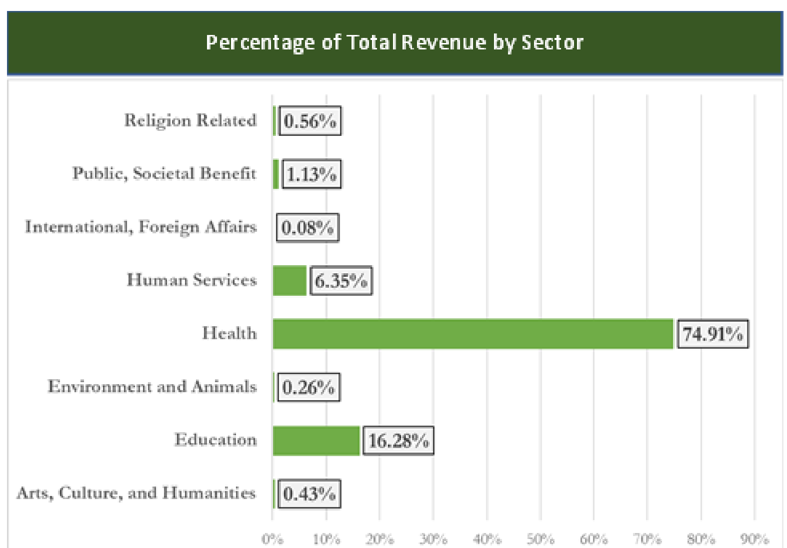




By judging the sizes of sectors through the total employees, the Health Sector impressively proves itself as the largest despite its low percentage of total nonprofit count, mainly due to the large workforce among the largest Health Sector organizations. Meanwhile, the Human Services Sector is still seen as an organization of impressive size, which agrees with the conclusion derived from the nonprofit count.

Through judging employee counts, it can be determined which sectors employ the most to fulfill their missions.

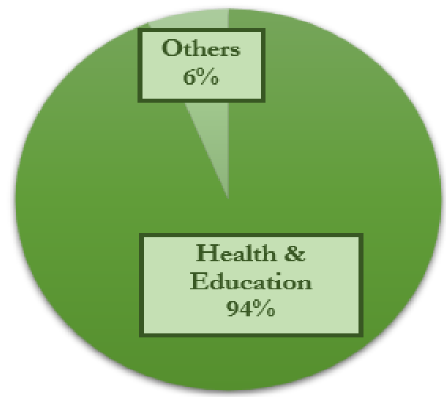
Comparing the percentage of total revenue by sector shows again that the Health Sector leads all other sectors in size. With 75% of total revenue, the Health Sector dominates all other sectors, with the Education Sector also proving itself as a significant player when analyzing the sources of total revenue. Despite the notable percentages in the earlier comparisons, the Human Services Sector and the Religion-Related Sector do not hold significant percentages of total revenue, showing that the average organization within these sectors have relatively small operations.



HEALTH AND EDUCATION SECTOR

Although the Health Sector and the Education Sector combine to only constitute 21% of the nonprofits within the service area, they are among the largest nonprofits and contribute 94% of the service area's GDP attributable to nonprofits. When looking at individual nonprofits within these sectors, this result is unsurprising. The Health Sector constitutes most of the largest nonprofits by revenue, such as the Carle Foundation, and the Education Sector predominately consists of school districts and significant organizations like the University of Illinois Foundation. Despite their similarity in economic impact, the Health Sector and Education Sector differ in their size.

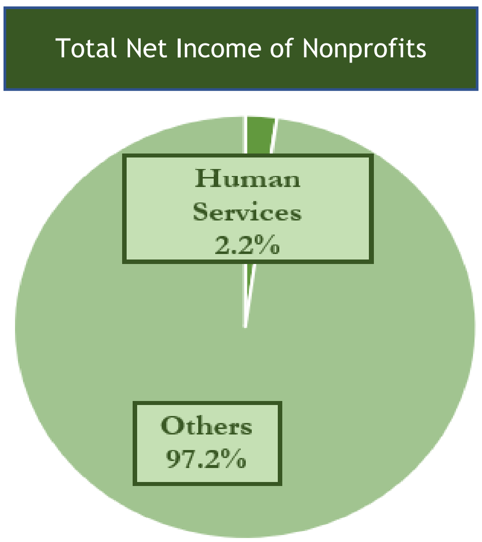
GDP Contributed to Service Area

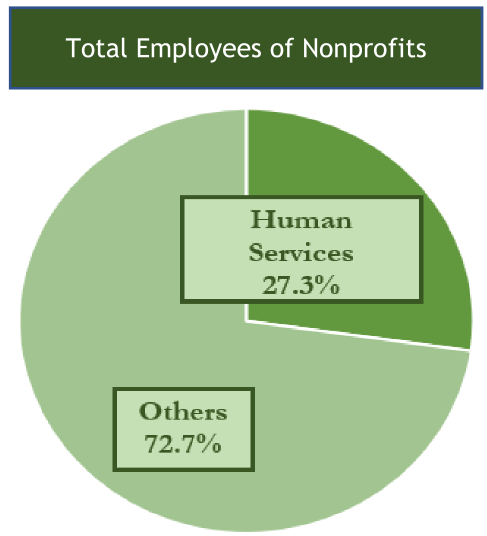


Health Sector	**Education Sector**
Average Employees: **349** ▪ The Health Sector requires many employees to remain operational. % of Nonprofit Total Revenue: **75%** ▪ A significant majority of revenue generated is from the Health Sector. % of Nonprofit Total Net Income: **56%** ▪ Contributes the most net income, but at a lower amount than revenue.	Average Employees: **20** ▪ Despite similar value added, significantly less workers are needed. % of Nonprofit Total Revenue: **16%** ▪ The Education Sector has much less revenue despite their similar size. % of Nonprofit Total Net Income: **36%** ▪ Higher than for revenue, showing that much less expenses are incurred.

HUMAN SERVICES SECTOR

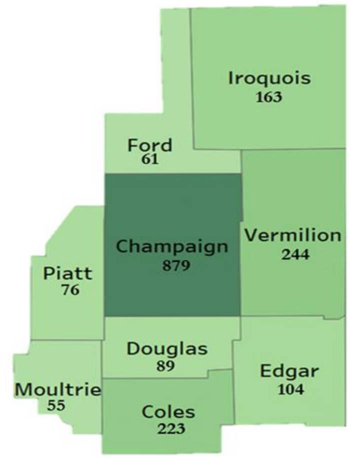
The Human Services Sector, while not generating a significant amount of income in relation to other sectors, stands out due to their size. As of 2021, 27% of nonprofits in CFECI's service area are in the Human Services Sector, the most of any sector. As a result of the many nonprofits, the Human Services Sector employs 6,276 workers, which is only outdone by the Health Sector. Ostensibly, the Human Services Sector's small portion of total net income signals that the large number of workers are due to the Human Services Sector having the biggest number of nonprofits, however the average employee's metric disproves this. The Human Services Sector has an average of 57 employees, which is much higher than all sectors besides the Health Sector. Therefore, the Human Services Sector is generally labor-intensive with little profitability. Despite these apparent shortcomings, The Human Services Sector has proven to be sustainable, with continuous increases in the number of nonprofits in this sector.





COUNTY OVERVIEW

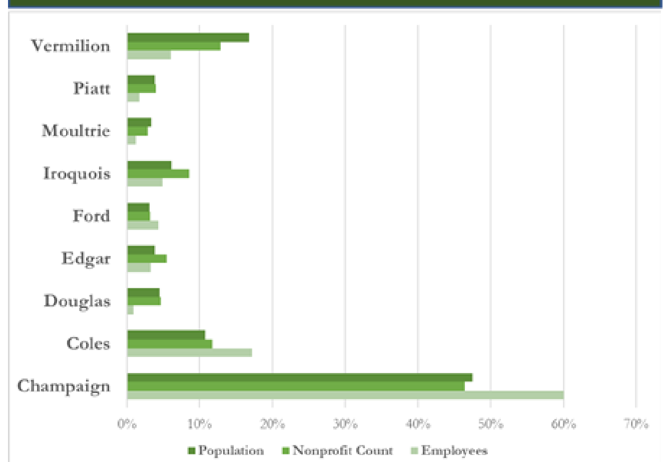
Nonprofit Count by County



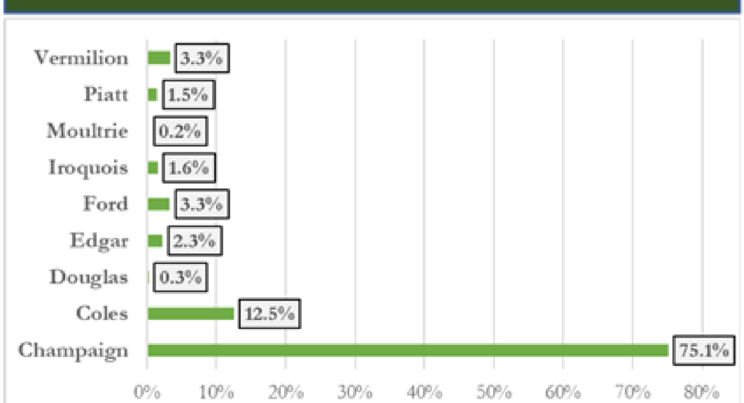
In the nine-county service area, nonprofits vary in their location, however three counties hold considerably more nonprofits than the other counties: Champaign, Coles, and Vermilion County. Champaign County is by far the county with the most nonprofits, proving themselves to be the main hub of the nonprofit industry within CFECI's service area. When looking deeper at the nonprofits within these counties, the proportions of nonprofits within each sector can be compared by other size factors.

When comparing the nonprofit count to employee and population share of the service area, the counties generally share the same proportions for each measure. However, some dissimilarities appear. For example, Vermilion and Douglas County have significantly less of a total share of employees than their count or population, which signals that the nonprofits of the counties require much less employees. Coles and Champaign County have substantially more employees than their share of nonprofits and population, meaning they require more employees. Meanwhile, the share of population and nonprofits maintain a very similar correlation.

Percentage of Total Population, Nonprofits, and Employees by County



Service Area Total Nonprofit Revenue Percentage by County

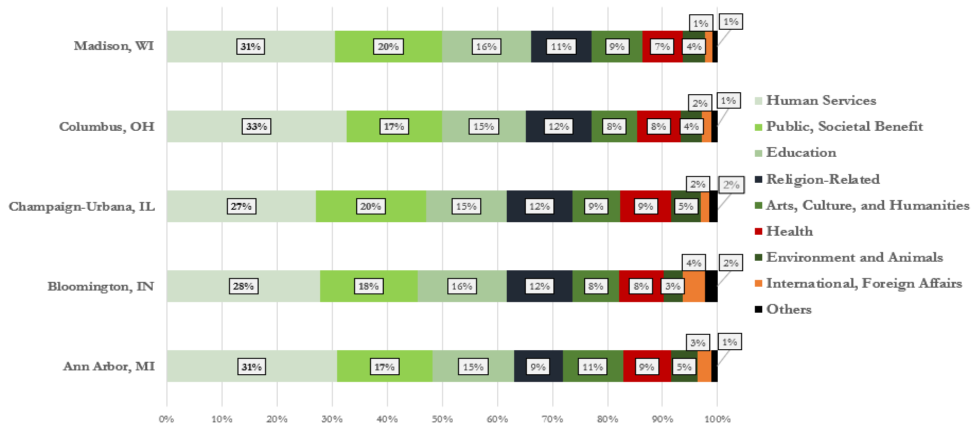


Additionally, when looking at the counties' share of total nonprofit revenue within the service area, the point that Champaign County is the hub of nonprofits is reinforced. With 75% of total nonprofit revenue, Champaign County is proven to consist of multiple nonprofits, including some of the largest. Additionally, counties like Douglas and Moultrie County contribute extremely little to total nonprofit revenue, even when considering their relatively low population and nonprofit count.

CHAMPAIGN COUNTY

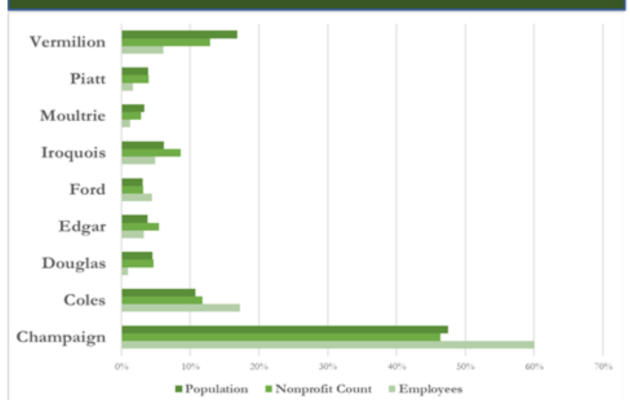
To properly evaluate the nonprofit industry size within Champaign County, a comparison of similar regions will prove useful. Since most nonprofits within Champaign County are in Champaign-Urbana, a comparison of nonprofits within Champaign-Urbana and other Midwest college towns will allow for similar markets to be closely analyzed to identify any differences.

Sector Composition of University Towns

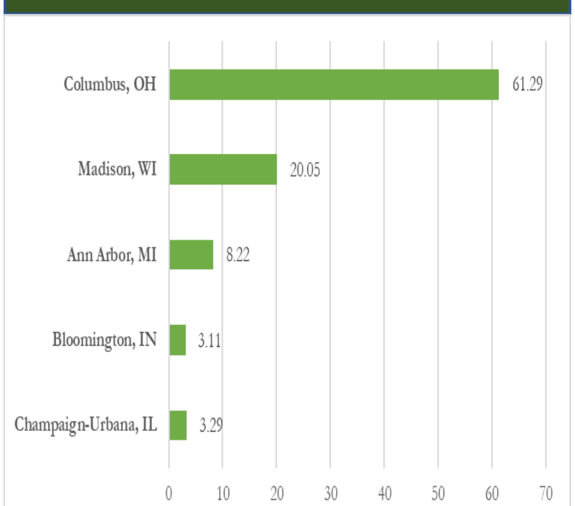


When comparing the different university town regions, very little variance is seen in the composition of sectors. The Human Services Sector is the most prominent in all regions and every region has similar proportions of sectors. All regions share a correlation of at least 97% with the sector composition of Champaign-Urbana, with Madison having the strongest correlation of 99.3%. With this information, the similarity of these regions is reinforced, strengthening the findings when analyzing the similarities and differences between regions.

Percentage of Total Population, Count, and Employees by County



Nonprofits Per 1,000 Capita by University

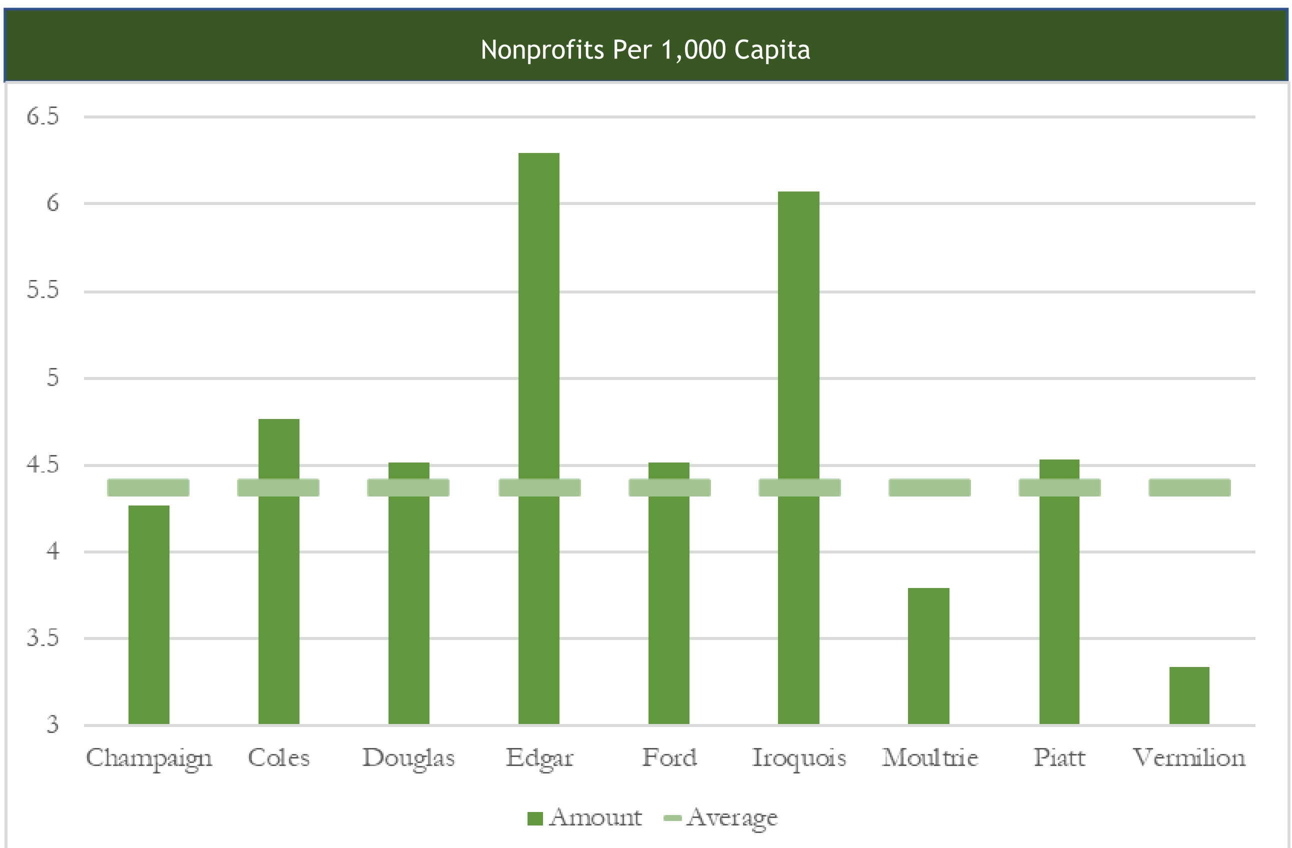


Looking at the number of nonprofits in relation to population, Champaign-Urbana has a lower ratio than others, meaning that there are significantly less nonprofits within Champaign-Urbana than similar regions such as Columbus, Ohio. Champaign-Urbana holds the second-lowest number of nonprofits among its comparison group, which suggests that the nonprofit industry within Champaign-Urbana is dominated by larger players than other regions and thus requires fewer organizations to fulfill the nonprofit market. Another significant driver of Champaign-Urbana's low ratio is their population of 210,006, which is the largest among the comparative regions. It could be inferred that the demands for nonprofits within regions like Champaign County is less reliant on the overall population, which would explain Champaign-Urbana's lower nonprofits-per-thousand measure.

EDGAR COUNTY

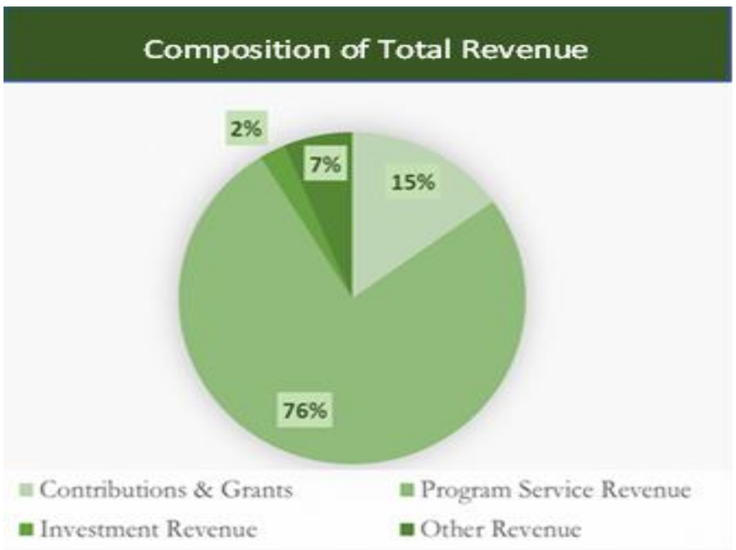
The nonprofits of Edgar County can be highlighted for their size. Despite Edgar County being among the sparsest populated counties with a population of 16,250 representing nearly 4% of the service area's total population, the nonprofits within this county are rather large. The average total revenue for nonprofits in Edgar County is $2.3 million, while the two closest counties in population - Moultrie and Piatt - have total revenue of $0.5 million and $1.8 million, respectfully, signifying the sizeable operational size of nonprofits within Edgar County in comparison to their comparative county regions.

Although the percentage of the service area's total employees and revenue are proportional with Edgar County's percentage of the service area's population, nonprofits in Edgar County are much more prominent in proportion to the county's population with a nonprofit count per 1,000 capita of 6.3, which is 44% higher than the service area average. While the large number of nonprofits in relation to population may suggest that Edgar County houses unsustainable or smaller nonprofit organizations, the previous highlight of average total revenue proves that the nonprofits within Edgar County, despite their crowded regional market, succeed financially in comparison to their peers.



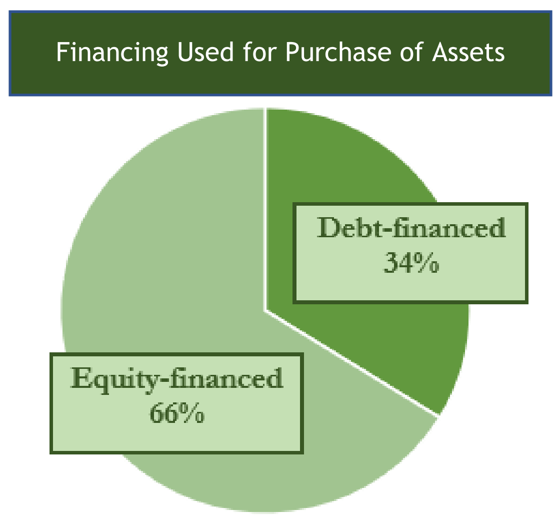
SECTION III: INDUSTRY HEALTH

SERVICE AREA OVERVIEW



Within CFECI's service area, the majority of revenue earned comes from program services, while the next-significant source of revenue comes from contributions and grants. Thus, although many organizations are extremely reliant on donations, the total revenue from the nonprofit industry within the service area is dominated by program service revenue, suggesting that the nonprofit industry is able to sustain themselves to a large degree through their operations. However, much of this program service revenue contributed comes from the Health Sector, which earns the most revenue of all sectors and also derives most of their revenue through program service revenue. Therefore, while most earned revenue is from program services, it is not helpful information when applied at a smaller scale than the entire service area.

Another interesting assessment of the service area is the nonprofit industry's financing. Looking at the overall nonprofit industry, one-third of the financing used for their operations came from debt with the remaining two-thirds being financed through equity, which is much more sustainable and has a lower cost. With financing dominated by equity, the overall nonprofit industry in this service area is rather healthy by using profits to fund the purchase of assets more commonly than incurring debt to purchase assets, which requires additional payments for return of capital and interest. Thus, the service area's nonprofit industry has favorable financing, especially for the nonprofit industry, which ostensibly struggles more than other industries to gather equity.

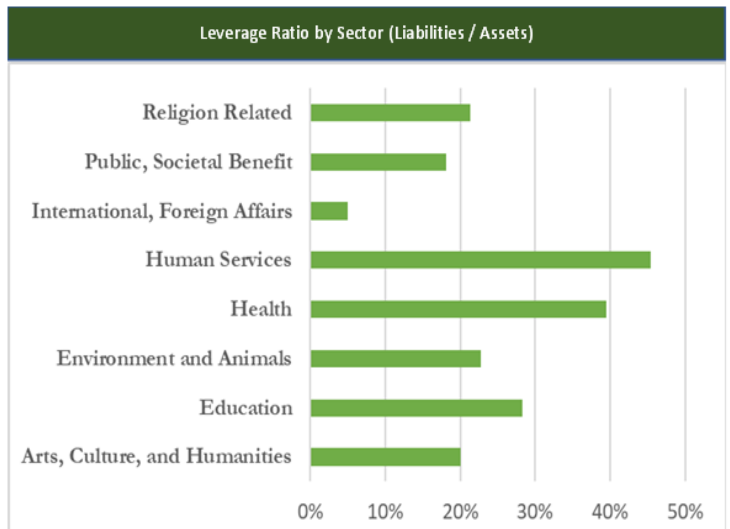


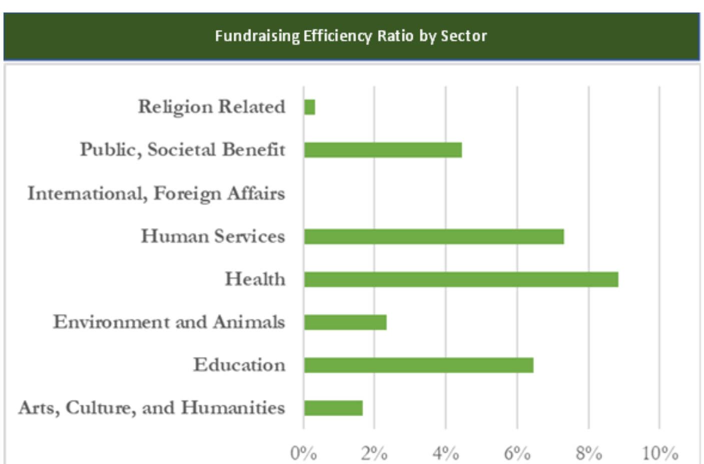
SECTOR OVERVIEW

In classifying sectors, distinctions can be made between organizations that are reliant on contributions, reliant on program service revenue, or balanced in their revenue reliance. To determine if a sector is overly reliant on a source of revenue, that specific source of revenue makes up at least 60% of a sector's total revenue.

Sector Revenue Reliance		
Reliant on Contributions & Grants	**Balanced**	**Reliant on Program Services**
Arts, Culture, and Humanities	Public, Societal Benefit	Human Services
Education	Religion-Related	Health
Environment and Animals		
International, Foreign Affairs		

The leverage ratio represents how reliant an organization is on debt to finance their operations. With a higher leverage ratio, creditors will be more hesitant to extend credit at favorable rates to an organization. Thus, it is very concerning that the two organizations reliant on program service revenue, the Human Services Sector and the Health Sector, have the highest leverage ratio. Since these organizations have very little revenue coming from contributions, which are much less costly for an organization than debt, they have to instead rely on obtaining additional funding through the use of debt. As their leverage ratio has risen above other sectors, these sectors will struggle and incurr higher rates for additional debt financing, making debt financing a much weaker option, further restricting the sources for funds.

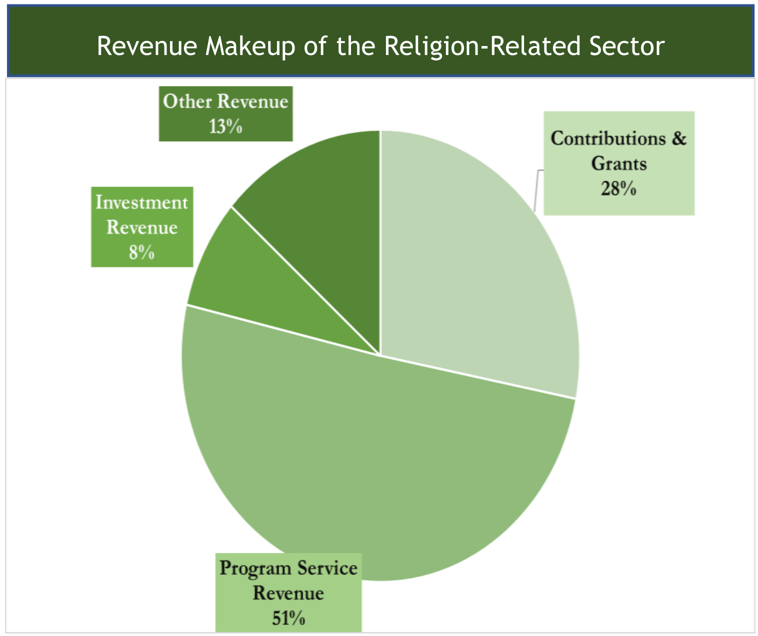




Another key metric is the fundraising efficiency ratio, which represents how effective a company is at raising contributions from their fundraising efforts, with a low ratio being more effective. The Human Services Sector and the Health Sector struggle the most, which explains why they are more reliant on program services. However, the ratio is extremely concerning for the Education Sector, which is heavily reliant on contributions. With the third-highest fundraising efficiency ratio, the Education Sector struggles to attract contributions through their fundraising efforts, which makes their primary source of revenue marginally uncorrelated with the efforts of the Education Sector, which threatens their funding.

RELIGION-RELATED SECTOR

The Religion-Related Sector has many favorable health metrics. Firstly, the sector is not overly reliant on one classification of revenue. With program services constituting 51% of total revenue for the Religion-Related Sector and contributions making up 28%, the Religion-Related Sector can effectively draw funds from multiple sources, making their funds less risky than other sectors, which generally rely heavily on one revenue source.



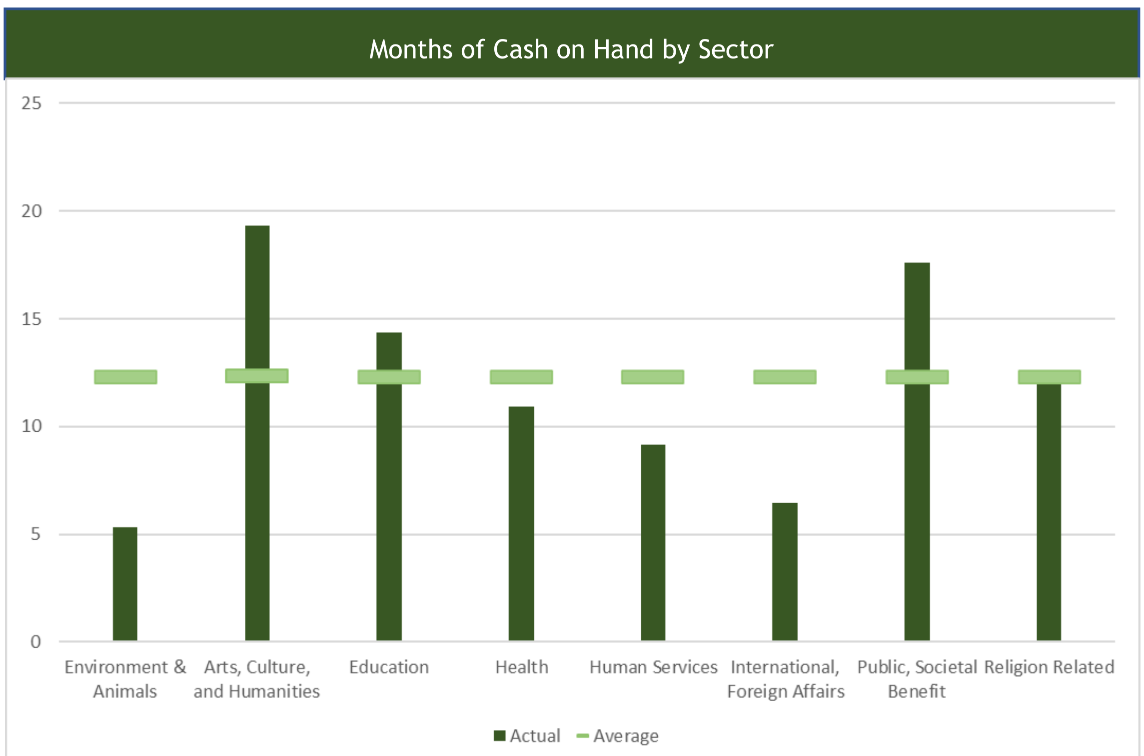
An additional benefit that the Religion-Related Sector has in comparison to the other sectors within the service area is a profit margin of 6.06%. In a service area with an average profit margin of -2.94%, this sector significantly outperforms the other sectors and proves their ability to earn more than they expense.

One of the Religion-Related Sector's greatest strengths is its fundraising efficiency ratio, which stands at 0.32%, the lowest among all sectors. Effectively, this ratio states that three dollars is earned through contributions for every cent spent on fundraising expenses for the Religion-Related Sector. With such an impressive ratio, this sector demonstrates the ability to effortlessly raise funds through fundraising that is irreplicable among other sectors.

ENVIRONMENT & ANIMALS SECTOR

Like the Religion-Related Sector, the Environment & Animals Sector has an extremely high profit margin of 7.2%, which is the highest among all sectors. With this great profit margin, the Environment & Animals Sector appears to be among the most financially healthy sectors due to their unequalled power to generate more than they expend, however further analysis uncovers high risk that the Environment & Animals Sector faces.

The Environment & Animals Sector ranks the lowest in months of cash on hand, an important financial metric that showcases the prudence of organizations. Months of cash on hand demonstrates the number of months that an organization could cover monthly expenses using their existing cash reserves. Despite an overall average of twelve months, the Environment & Animals Sector only has five months of cash on hand, which signifies that the sector would immensely struggle if they received no funds for half of a year. An amplifying variable to this financial weakness is the sector's heavy reliance on contributions, which make up 62% of their total revenue. Because contributions are much more cyclical than program service revenue, the possibility of the sector experiencing extended periods of limited funding is prominent. Although the Environment & Animals Sector collects a considerable amount of funds after expenses, it clearly lacks enough unrestricted assets to satisfy a cautious outlook.

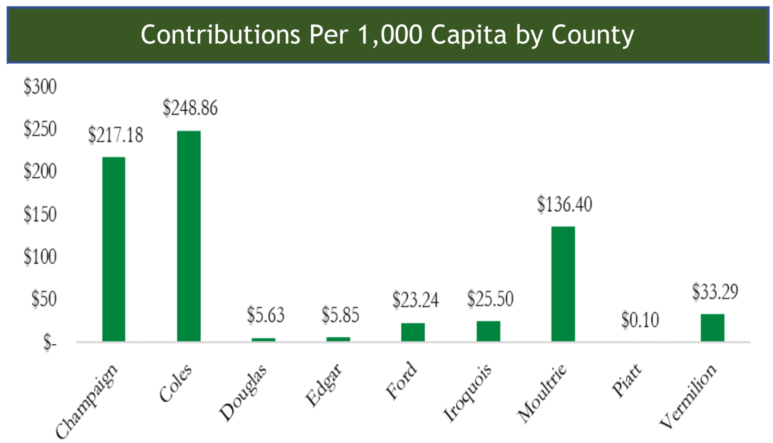


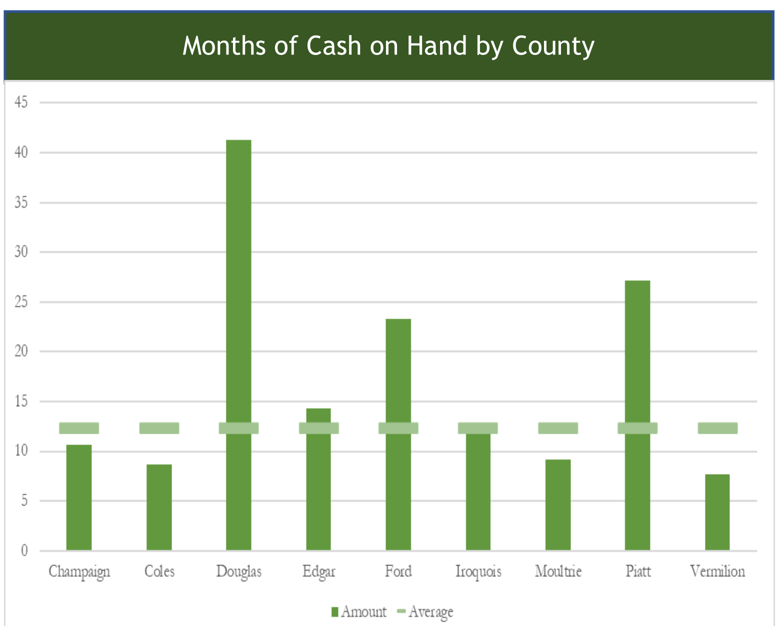
COUNTY OVERVIEW

The nonprofit market for each county has been categorized as small, medium, or large based on the county's GDP, allowing for deeper analyses by identifying comparative groups.

County Market Size		
Small ($0-$750,000 GDP)	**Medium ($750,000-$1,000,000 GDP)**	**Large ($1,000,000+ GDP)**
Piatt	Edgar	Coles
Ford	Moultrie	Vermilion
	Iroquois	Champaign
	Douglas	

The counties with a large market – Champaign, Coles, and Vermilion – receive the most contributions of the other counties. Even when viewing the number of contributions in relation to county population, all the counties within the large market size group still outrank nearly every other county, with Moultrie County serving as an anomaly with the third-highest contributions per capita of $136.40. Meanwhile, the counties with smaller markets struggle greatly to gather contributions proportional to their population size within the service area, signaling their struggle to compete against the larger counties.

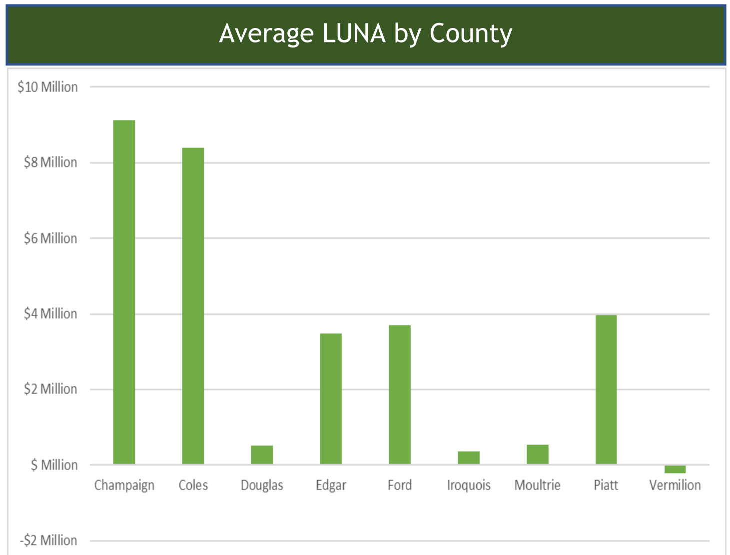




However, the counties with small and medium markets have better liquidity than the larger counties. With Champaign, Coles, and Vermilion County having months of cash on hand below-average, nonprofits within these counties are less likely to sustain current operations during extended periods of financial downturns. On the other hand, smaller counties like Douglas and Piatt County can cover their monthly expenses significantly longer using their cash reserves.

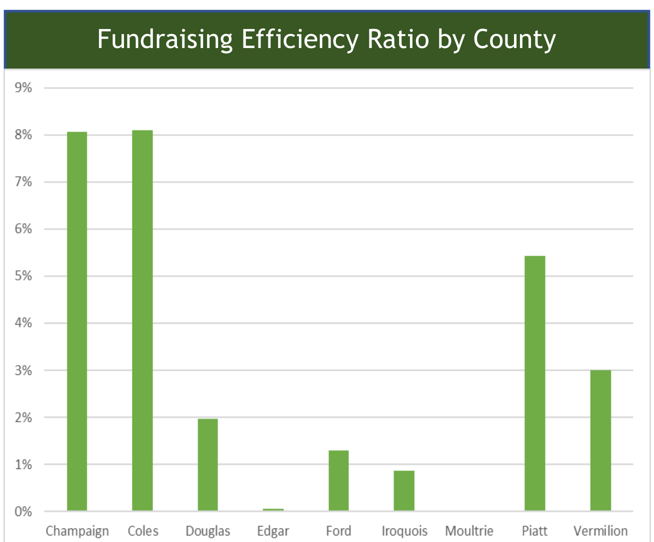
The propensity to hold larger liquidity reserves among smaller markets may derive from their difficulty to attract contributions away from the larger markets. Regardless, the large market counties lack a comfortable liquidity reserve, making their operations more susceptible to reductions during economic struggles.

CHAMPAIGN COUNTY



As the main hub for nonprofits within CFECI's service area, Champaign County has attracted many nonprofit organizations and tends to draw the largest nonprofits in the service area. With the highest average nonprofit net income of all counties at around $1.1 million, Champaign County has proven itself as the most common region for large nonprofits. The nonprofits within Champaign County also have the best average liquid unrestricted net assets (LUNA) among all counties, signifying their ability to expand to new missions without undertaking debt or reductions in current operations. With the largest average net income and LUNA, the nonprofits within Champaign County are among the healthiest in the service area, however other drivers of financial performance must be considered.

Despite their impressive liquidity and profits, the nonprofits within Champaign County have shortcomings. One such shortcoming is their leverage ratio, which measures an organization's reliance on debt financing and suggests how difficult additional debt financing would be. With an above-average leverage ratio in comparison to the other counties, the average nonprofit within Champaign County will struggle to respond to economic or operational downturns because of higher interest rates due to their already high undertaking of debt.



Another shortcoming to Champaign County's overall health is their fundraising efficiency ratio, which is among the highest of all counties in the service area. The fundraising efficiency ratio states how effective an organization is at receiving contributions from their fundraising expenses, with a lower percentage being more favorable than a higher percentage. Likely stemming from competition for donations from the numerous nonprofits that populate Champaign County, the average nonprofit must spend much more on fundraising than nonprofits in other counties, making contributions a much more difficult source of revenue. Luckily, contributions only make up 17% of total revenue of nonprofits in Champaign County, reducing the significance of this downside.

VERMILION COUNTY

As a county that has been classified in this report as a large market size, Vermilion County should have similarly impressive health. Its peers in the large market size group - Champaign and Coles County - both have very strong financial health. Thus, it would be assumed that larger total county GDP and population positively contributes to the performance of nonprofit organizations. The nonprofits within Vermilion County do produce a net profit and have a comparatively strong leverage ratio, reinforcing the idea that nonprofit health is more likely counties with larger markets. However, Vermilion County has many flaws in their metrics that need to be remedied to mirror the positive financials of its peers.

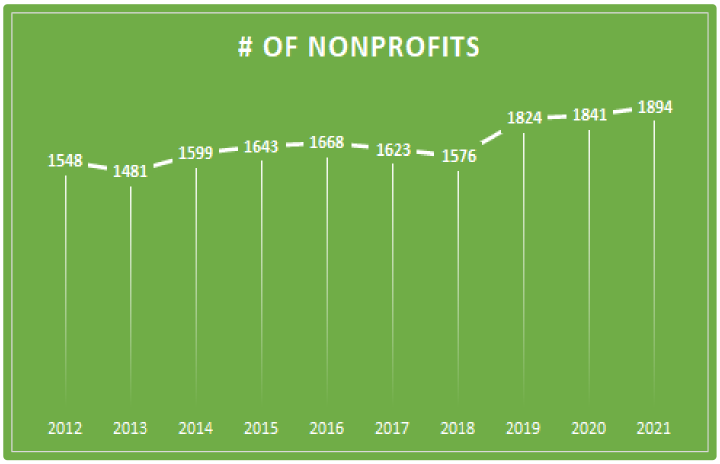
The largest threat to nonprofits within Vermilion County is their negative LUNA. Representing the liquid assets available to dedicate to new missions, a negative LUNA suggests that Vermillion does not have enough funds to dedicate to their main mission, let alone any expansions. With such a grim outlook, Vermilion will be required to increase their unrestricted asset reserves to sustainably address their mission. However, the nonprofits in Vermilion County have consistently demonstrated negative LUNA, suggesting that internal efforts are ineffective at addressing this unrestricted asset problem.

In addition to the negative LUNA, Vermilion County nonprofits also has the least months of cash on hand among all counties. Months of cash on hand represent the number of months that an organization could cover monthly expenses with the existing cash reserves. With eight months of cash on hand, Vermilion County underperforms the average of twelve months in the service area, meaning that, in the event of limited cash inflows, the nonprofits of Vermilion County will struggle the earliest among other counties to maintain operations.

	Profit Margin	Leverage Ratio	LUNA	Months of Cash on Hand
Vermilion	6.61%	22.82%	-$209,874.55	8

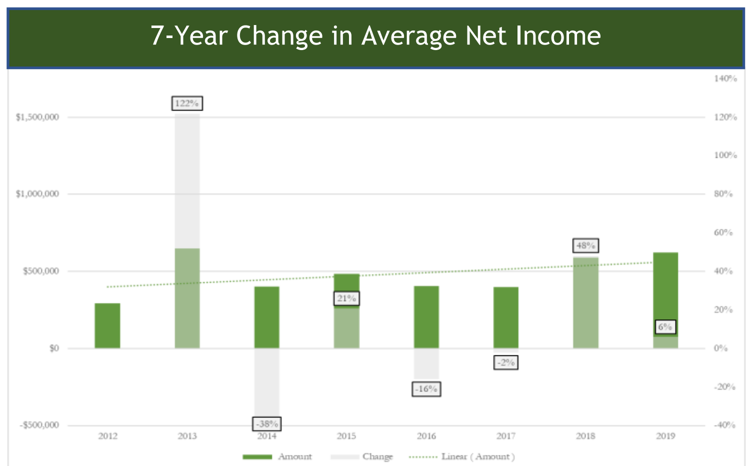
SECTION IV: INDUSTRY EVOLUTION

SERVICE AREA OVERVIEW

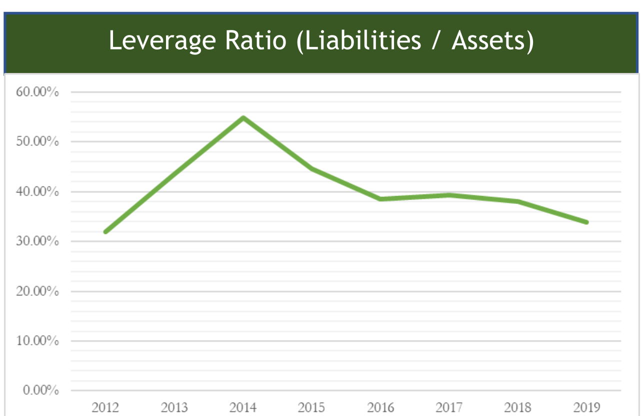


Over the last ten years, the number of nonprofits within CFECI's service area has grown 22% with nearly constant growth year-over-year. Thus, despite observable short-term decreases in liquidity metrics such as months of cash on hand, the nonprofit industry within the service area provides a healthy environment for nonprofit sustainability and growth.

Even when facing the recent economic downturns, the nonprofit industry has proven their resilience through constant growth in the number of nonprofits. However, this trend does not properly diagnose the health of existing nonprofits.



Looking at the change in average net income, a general trend of growing profit can be deduced. Over the seven years of discernable data, average net income has increased by 113% with four years of year-over-year growth and three years of year-over-year decline, demonstrating that, while short-term changes may be negative, there is still a significant long-term growth in net income among the average nonprofit organization. With this information, it can be determined that the existing nonprofits within the sector area have generally grown their profits.

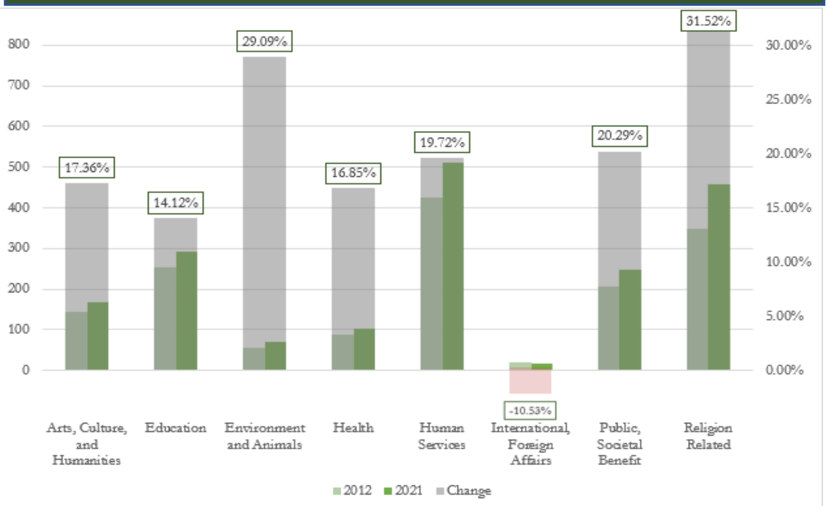


From the trend over the last seven years, nonprofits have become less reliant on debt financing, signifying that the profit growth seen over the same period is not a result of irreplaceably heavy reliance on debt, making the growth seem much more sustainable.

Additionally, the decreasing trend in leverage ratio means that nonprofits within the service area are more appealing to creditors, allowing them to fund their new missions or existing missions during economic downturns with improved rates than would be received previously.

SECTOR OVERVIEW

10-Year Change in Nonprofits by Sector



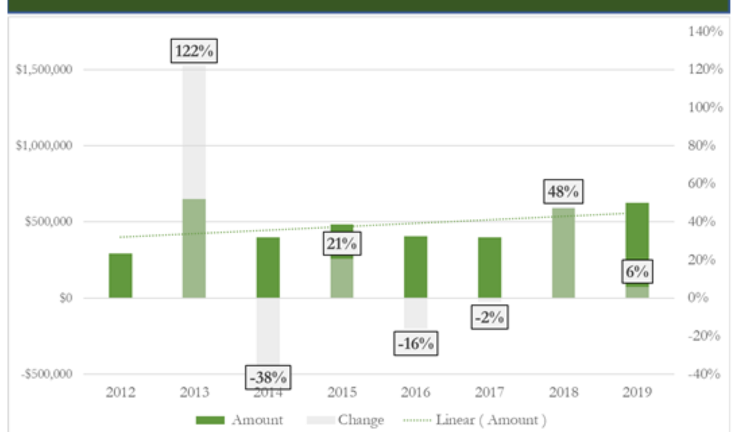
Among all sectors except the International, Foreign Affairs Sector, there has been an increase in the number of nonprofits within each sector over the last ten years.

The Environment and Animals Sector and the Religion Related Sector have witnessed the most impressive growth of around 30%, although all sectors regardless of their financial or numerical size have seen impressive growth excluding the International, Foreign Affairs Sector.

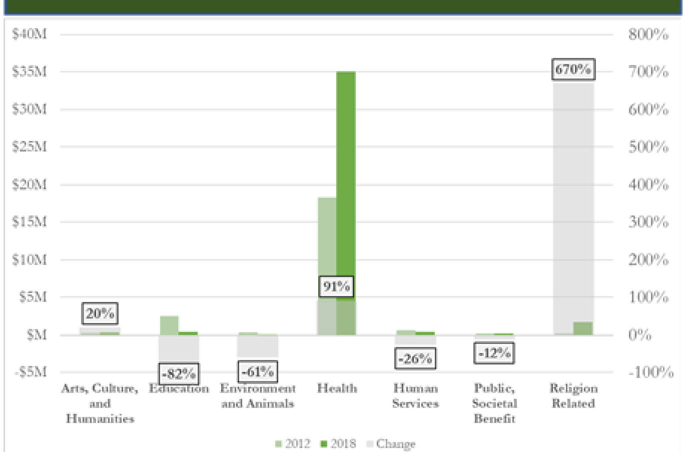
Representing the evolution of nonprofits' financial size, all sectors besides the Human Services Sector have seen an increase in total revenue over the last seven years, showing varying stages of growth.

The Education Sector and the Health Sector, the two sectors that total over 90% of the total revenue earned by nonprofits within the service area, have grown in total revenue the most over this seven-year period, signifying that the largest sectors continue to grow at a faster rate than others, further distancing the gaps between them and other sectors.

7-Year Change in Average Net Income



6-Year Change in LUNA by Sector

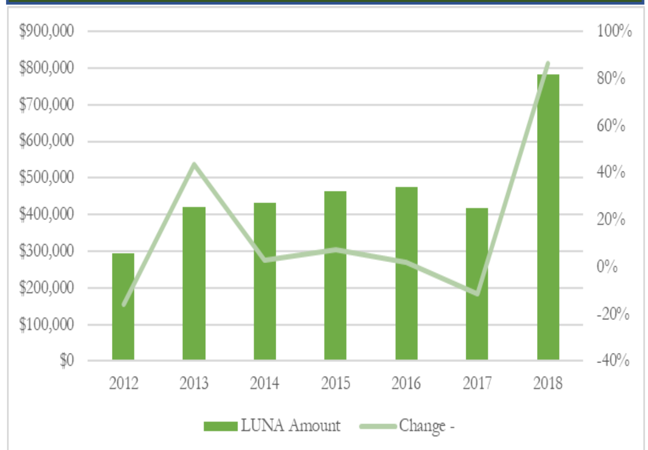


While most sectors have seen increases in the number of organizations and total revenue, most sectors have seen decreases in their liquid unrestricted net assets, signaling that organizations in all sectors except the Arts, Culture, and Humanities Sector, Health Sector, and Religion-Related Sector have less funds to dedicate to future operations than six years ago despite general growth in total revenue.

With most sectors seeing decreases in LUNA, they will be less capable of dedicating themselves to new missions due to a lack of unrestricted funds.

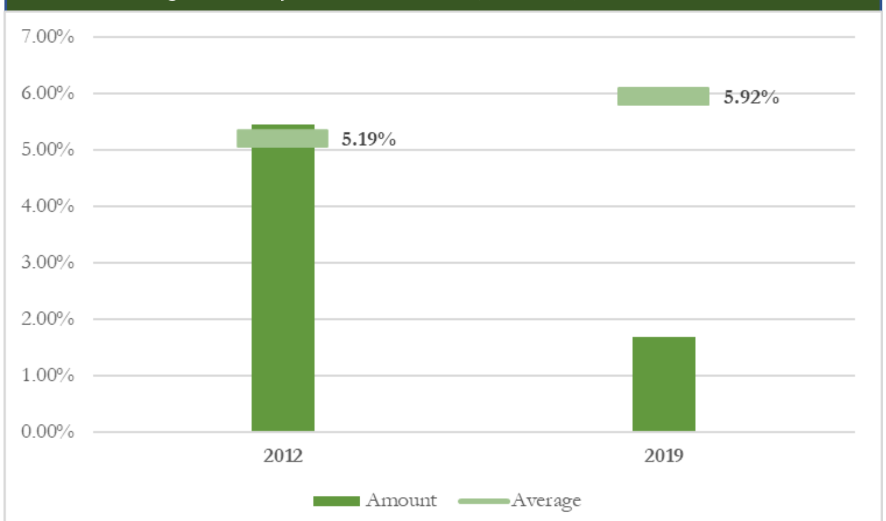
ARTS, CULTURE, AND HUMANITIES

Liquid Unrestricted Net Assets (LUNA) of the Arts, Culture, and Humanities Sector



Of all the sectors, the Arts, Culture, and Humanities Sector appears to have one of the most successful periods. One such example of their success is their increase in LUNA over time, which represents the value of assets that are not already dedicated to their missions. From 2012 to 2019, LUNA increased 124%, signifying that the Arts, Culture, and Humanities Sector has greatly increased their available funds. However, reporting requirement changes were implemented in 2019 that materially reduced the number of organizations that would report necessary values to calculate LUNA, which raises concerns that 2019 has too small of a sample size to adequately compare to previous years. Regardless, the Arts, Culture, and Humanities Sector grew LUNA by 20% from 2012 to 2019 while most sectors had decreases in their LUNA, signifying a healthy trend for unrestricted funds.

Fundraising Efficiency Ratio of the Arts, Culture, and Humanities Sector



Another beneficial trend for this sector is the fundraising efficiency ratio, which has improved by 70% from 2012 to 2019. Originally, the Arts, Culture, and Humanities Sector had a higher-than-average ratio, which demonstrates their struggles to effectively obtain contributions through their fundraising endeavors. However, the sector now holds a fundraising efficiency ratio of 1.7%, which is among the lowest of all sectors. With this improvement, the Arts, Culture, and Humanities Sector has demonstrated its ability to effectively raise contributions through fundraising.

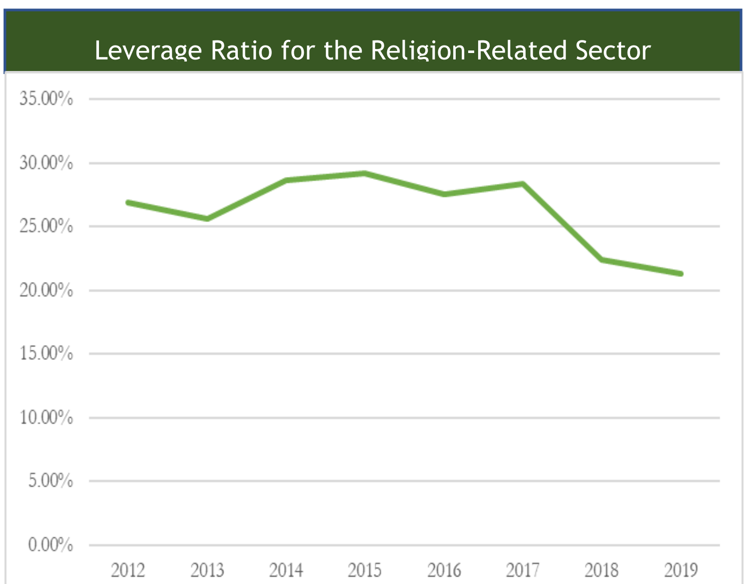
The Arts, Culture, and Humanities Sector also benefits financially from their reduction in expenses. From 2012 to 2019, average expenses for this sector have decreased by 8%, which is extremely impressive given the increase in average expenses of 70% across the entire service area. A significant portion of this decrease in costs appears to derive from the reduction in employees. In the same period, the average employees for organizations within the Arts, Culture, and Humanities Sector decreased by 65%, suggesting that its workforce has become much more efficient.

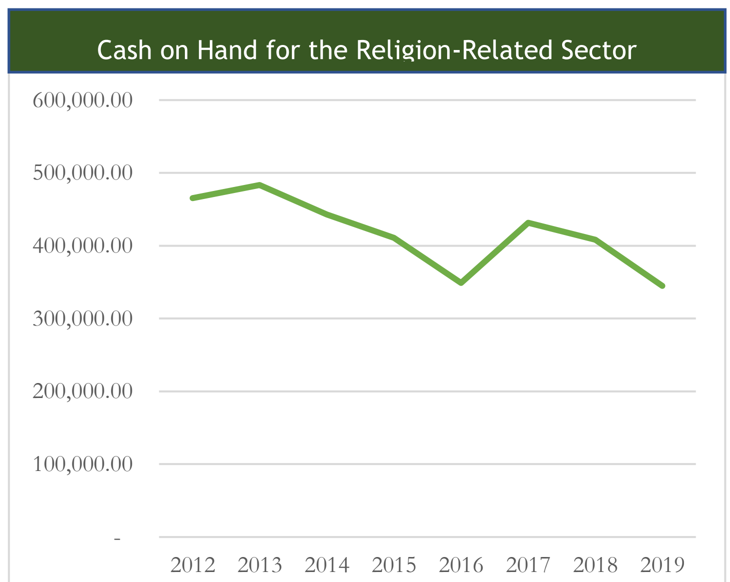
RELIGION-RELATED SECTOR

Over the last decade, the Religion-Related Sector has shown significant growth, however certain trends establish a more complicated analysis. In the last ten years, the Religion-Related Sector grew in the number of organizations by 32%, the most of any other sector. In addition to the influx of new organizations, the average nonprofit within the Religion-Related Sector employs triple the number of workers than it did in 2012, denoting that the average nonprofit has grown immensely in operational size. With this growth in number and average size, the Religion-Related Sector has conflicting metrics to infer the overall health of this growing sector. Ostensibly, this sector obviously operates under a supportive environment to gain such an increase in size and number. However, questions of sustainability are justified when dealing with such large changes.

In support of the view that the Religion-Related Sector can sustain the impressive increases, the average leverage ratio for the Religion-Related Sector has decreased by 20% from 2012 to 2019, which signifies how this sector has become less reliant on debt financing regardless of their rapid expansion. If the Religion-Related Sector faces economic uncertainty and is unable to fully contribute to their expenses and planned expansions, they will likely find much more favorable creditors than other sectors due to their largely unleveraged position.

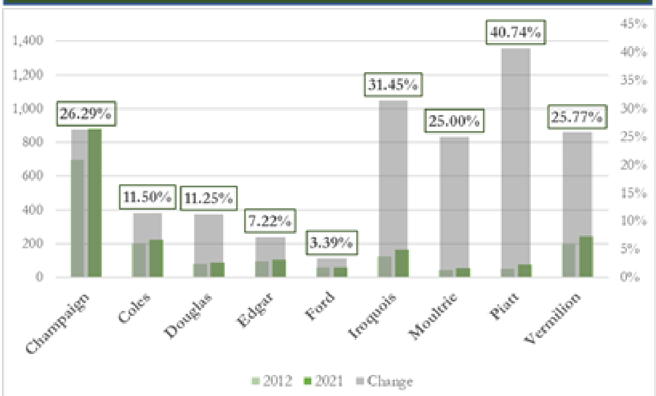
Contrasting the previous view, the Religion-Related Sector's average cash on hand has decreased by 25%, which is the largest decrease among all sectors. By holding less cash, the Religion-Related Sector will struggle to commit funds to new missions or address economic downturns. With wages being a possible driver in the decrease of cash on hand, it is questionable if the Religion-Related Sector will continue to earn enough revenue to cover their rapidly growing workforce in addition to addressing new missions.





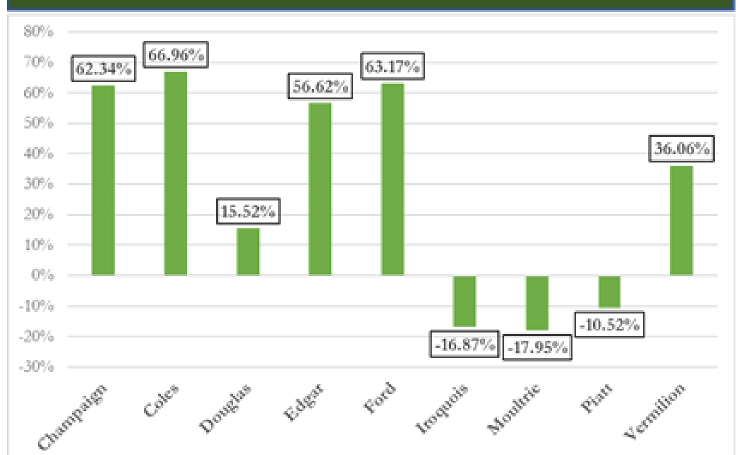
COUNTY OVERVIEW

10-Year Change in Number of Nonprofits by County



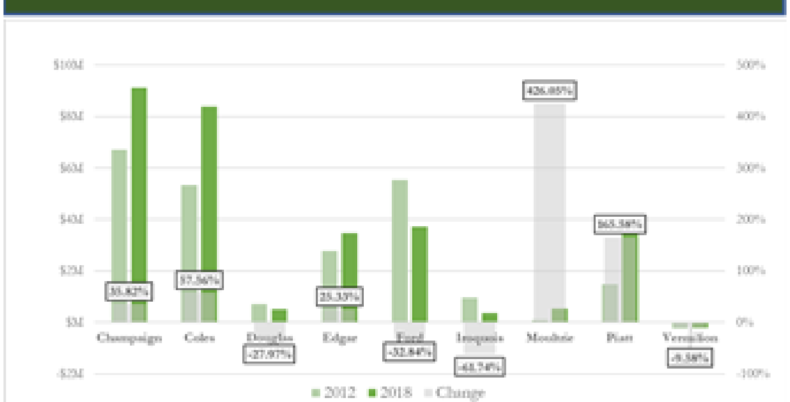
Over the last ten years, all counties have seen increases in the number of nonprofits. Piatt County witnessed the most significant change with 41% more nonprofits than ten years ago, however counties with larger populations like Champaign and Vermilion County have also seen above-average increases, showing that growth is not limited based on the size of the counties.

7-Year Change in Total Revenue by County



Over the last seven years, Iroquois, Moultrie, and Piatt County have seen drops in their total nonprofit revenue, signifying a decrease in nonprofit operations within these counties. Notably, these decreases come from three of the least-populous counties. While other small counties like Ford County have seen impressive growth in total revenue over the last seven years, nonprofits in smaller counties seem to be more susceptible to decreases in total revenue.

6-Year Change in LUNA by County



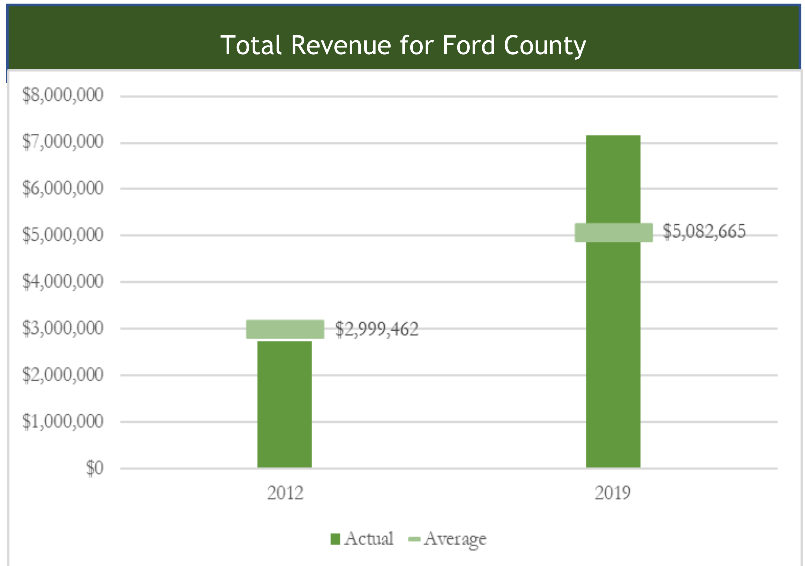
In the last six years, counties have seen increases and decreases in their unrestricted assets, however there is no discernable correlation between the size of the counties and the performance of the LUNA metric.

As an important measure to allow for new missions to be properly funded, the significant decreases seen by Iroquois and Ford County in their LUNA potentially foretells the struggle of nonprofits within these counties to fund expansions to their operations.

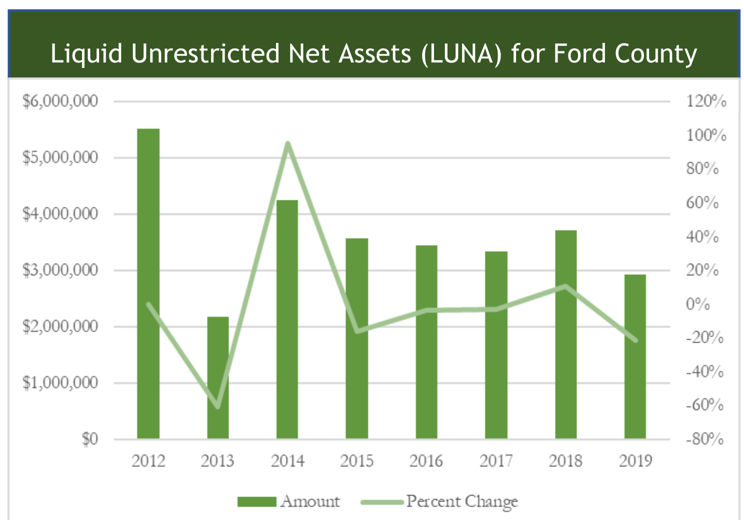
Community Foundation of EAST CENTRAL ILLINOIS

FORD COUNTY

Ford County's organizations has proven its ability to grow over the last decade. Although very few nonprofits have entered Ford County in the past decade, the existing organizations have shown an impressive increase in revenue. The total revenue of nonprofits within Ford County have increased by 161% from 2012 to 2019. In addition, Ford County has transitioned from having below-average revenue compared to the service area to significantly above-average revenue. As such, it can be inferred that Ford County provides a very hospitable environment for existing organizations to grow even if very few new nonprofits are introduced over this period.

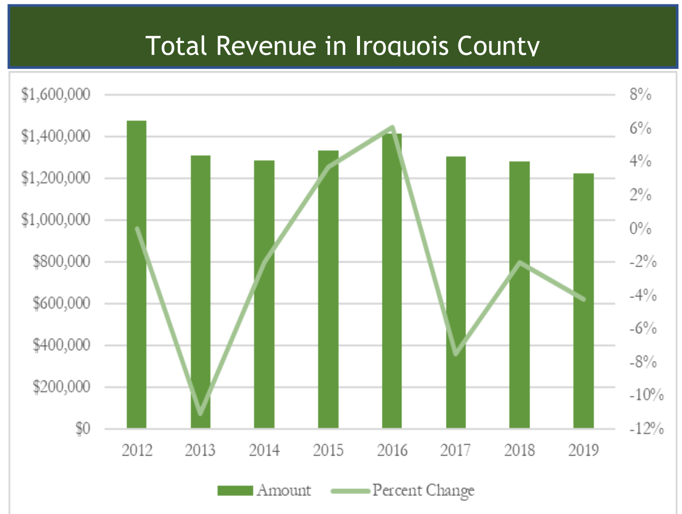


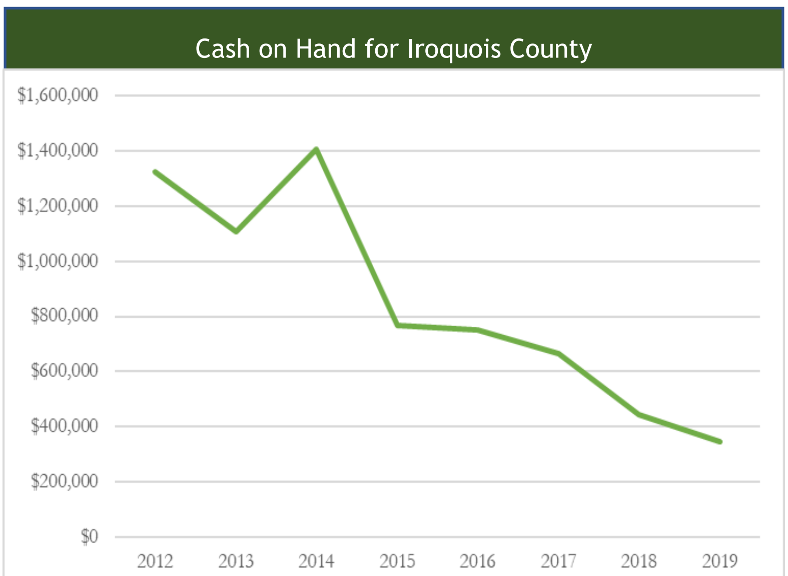
However, this revenue growth may only be the result of imprudent depletion of reserves. Over this same period, Ford County nonprofits' LUNA has faced a constant, significant decrease. This demonstrates the County's propensity to funnel their increased revenues to their existing missions and expenses rather than funding reserves for the future. If this continuous decrease in LUNA persists, the nonprofits within Ford County will be unable to dedicate enough capital to their missions.



IROQUOIS COUNTY

When comparing counties, Iroquois County stands out as the most struggling county for nonprofits over the last decade despite the increase of nonprofits operating in this county. Although the overall service area has witnessed strong growth, Iroquois County has had dire issues over the last decade. Total revenue has been decreasing most of the years, creating a total decrease from 2012 to 2019 of 17%. Thus, although total expenses have stayed relatively constant, Iroquois County nonprofits' inability to raise revenue as effectively as previous years has produced losses for these organizations. In fact, the average nonprofit in Iroquois County had seven straight years of negative net income from 2013 to 2019 with little evidence of a trend reversal.





As a symptom of Iroquois County nonprofits' revenue struggles, their cash on hand has been significantly depleted. From 2012 to 2019, it has fallen by 74% to continue operations despite net losses. As the organizations within Iroquois County continue to suffer losses and substitute their shortcomings with cash reserves, cash on hand will shortly be reduced to a redundant amount, forcing the organizations to incur debt or abandon areas of their mission. With this imminent struggle, these organizations will have to drastically restructure their operations and revenue generation to effectively respond.

SECTION V: CONCLUSION

SUMMARY

The East Central Illinois region is composed of thousands of diverse nonprofits. Over the past decade, this region has seen a great amount of growth in number of nonprofits and their associated revenues. However, a concentrated look at individual sectors and counties highlights that, while some areas have thrived within the service area over the last ten years, others have struggled.

NEXT STEPS

This report is not exhaustive and does not include all available information, thus detailed recommendations are unable to be derived simply from this report. However, this report does include guiding details and evidence that should be used to make informed decisions, both for general donors and for the Community Foundation.

Donors

- When choosing a cause to donate to, consider the sectors that have high fundraising efficiency ratios.
    - Organizations with low fundraising efficiency ratios have a much easier time fundraising.
- Additionally, consider donating to sectors that are heavily reliant on donations to maintain operations.
    - Reliant Sectors: Arts, Cultures, and Humanities Sector, Education Sector, Environment and Animals Sector, and International, Foreign Affairs Sector.

Community Foundation

- For unrestricted endowments, prioritize the sectors and counties with high leverage ratios.
    - Otherwise, these organizations will have to incur high-interest debt to grow their mission.
- In the Center of Nonprofit Excellence, demonstrate the best methods to fundraise.
    - Counties like Champaign County and Coles County and sectors like the Health Sector and Human Services Sector struggle with high fundraising efficiency ratios.
- Additionally, give guidance to organizations in smaller markets on how to remain operational.
    - Organizations operating in counties with a lower GDP such as Iroquois, Piatt, and Ford have seen their net income falling significantly over the last ten years.

From this report, many similar suggestions can be arrived at. It is the authors' hope that this report can help the reader identify worrisome trends and arrive at more informed conclusions for future donations.

SECTION VI: REFERENCES & APPENDIX

SECTOR	NTEE CODES
Arts, Culture, and Humanities	A
Education	B
Environment and Animals	C, D
Health	E, F, G, H
Human Services	I, J, K, L, M, N, O, P
International, Foreign Affairs	Q
Public, Societal Benefit	R, S, T, U, V, W, Y
Religion Related	X

DATA TYPE	SOURCE	
Form 990s and 990ezs (2012-2021)	https://www.irs.gov/statistics/soi-tax-stats-annual-extract-of-tax-exempt-organization-financial-data	
501(c)(3) Illinois Count (2012-2021)	https://nccs-data.urban.org/	
County GDP (2021)	https://www.bea.gov/tools/	
Graduate Student Research data (2021)	CFECI_data.xlsx	
10-Year Trend Data and Graphs (2012-2021)	form990s_fully_macroed.xlsx	*Macros disabled