

• The Impact and
Opportunity of Our
Nonprofit Sector



Texas is a big state.

Everyone knows that. We have big cities, big farms, big corporations, big personalities, and big hair. We also have big needs. Luckily, we have big hearts responding to those needs.

As the economy changes, that gap is getting wider and harder to fill. In an effort to meet these new challenges a new statewide effort was launched in 2018 to understand the nonprofit sector's capacity and strengthen our collective impact. Nonprofits work at the macro and micro levels, leading communities throughout Texas—from providing school supplies for kids in need to protecting our water quality; from neighborhood associations to professional associations. Some are household names like Big Brothers Big Sisters, Future Farmers of America, and Meals on Wheels, while some are off of most people's radar, such as Groundwork Music, Families in Nature, and Divine Canines. With strong nonprofit leadership and commitment, we build stronger communities; and with stronger communities, we build a stronger Texas.

With
1.4 MILLION EMPLOYEES
in almost **110,000**
nonprofits, we spend
\$217 BILLION
and drive
\$110 BILLION
toward Texas' GDP
serving our residents,
communities, and
resources.
By leveraging
\$4.89 BILLION
government dollars
with investments
from donors, nonprofit
organizations help
bridge the gap for
Texans' needs.

In 2010 a statewide task force issued a set of recommendations to strengthen nonprofit capacity in Texas. Since then, much has changed in our state. This report builds on the 2010 efforts, providing an up to date picture of our nonprofit sector to position our state to leverage and engage the nonprofit sector constructively. In the past decade, our nonprofit sector has more than doubled—the number of organizations in Texas is growing by almost 10% per year. The changing landscape and dynamics have presented us with more problems to solve—and more opportunities to make our communities stronger and more vibrant. Luckily, Texans like to solve problems. We see gaps as opportunities. Nonprofits are our communities' response to significant challenges and opportunities to raise up our neighbors.

Nonprofits play a critical role in our state—addressing these challenges, creating jobs, leveraging public dollars well, delivering critical services, providing opportunities for communities to support themselves and engage in philanthropy, and partnering across sectors. And we are ready to do more.

We are in this together, and together we have even greater potential with you.

Who are Texas Nonprofits?

When most people think about nonprofits or charities, they are more than likely referring to a 501(c)(3): charitable nonprofits with missions like health, arts, conservation, or education, as defined by the Internal Revenue Service (IRS). Moreover, most people do not know that there are many types of nonprofits or 501(c)(3)s. For example, while Texas' nonprofit sector is mostly made up of charitable organizations in the traditional sense, there are also other types of nonprofits that are significant contributors to our economy, including:



501(c)(4)

organizations like civic leagues and volunteer fire departments



501(c)(6)

business leagues like chambers of commerce



501(c)(12)

entities such as electric utilities



501(c)(14)

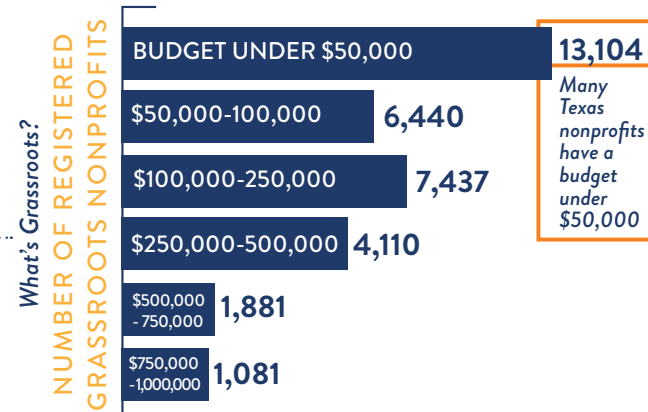
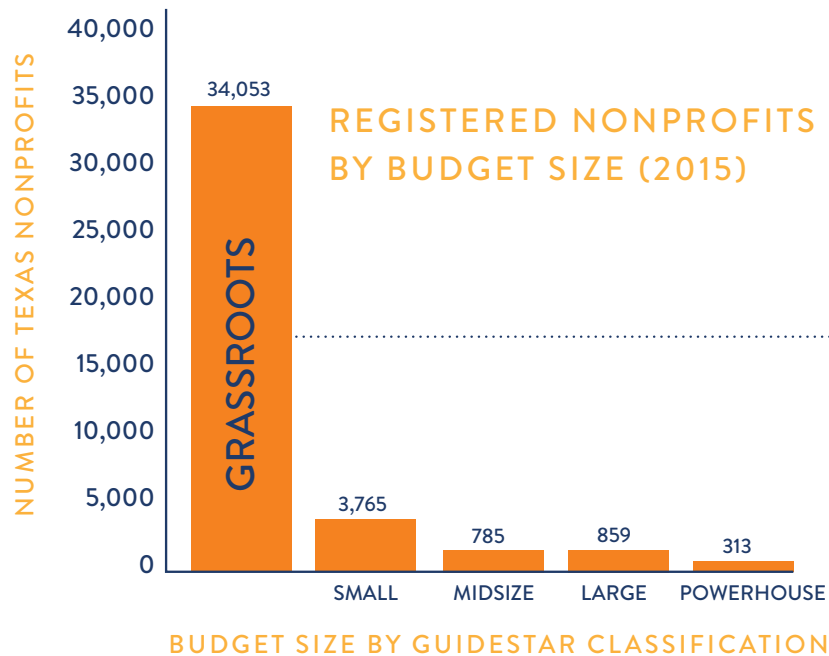
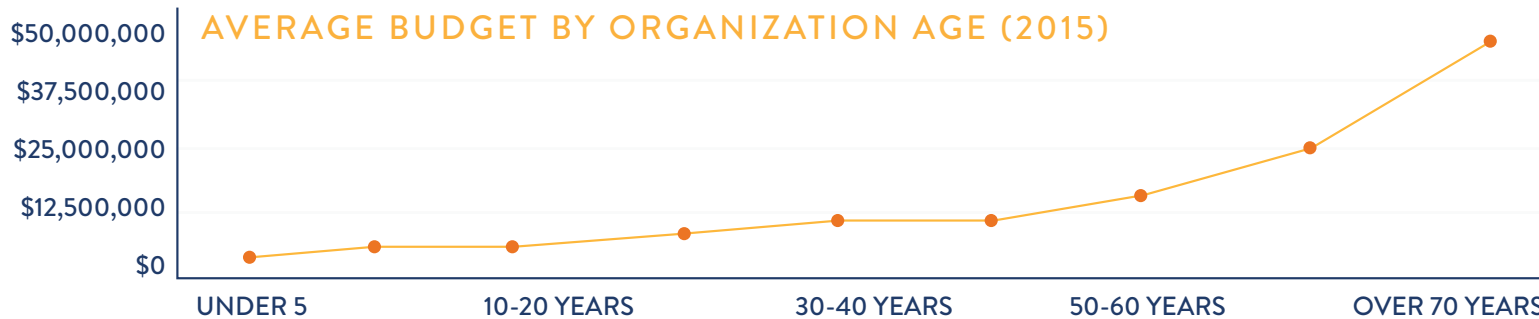
entities like state-chartered credit unions

We know that nonprofits impact Texans in a myriad of important, and often unrecognized ways. We encourage you to look around you and see how Texas nonprofits impact your life every day. We work hard alongside you to make Texas strong.

The economic prosperity of Texas and the resiliency of communities across our state relies on strong partnerships between the public sector (government), private sector (business), and nonprofit sector. Much of the work of the private sector is accomplished through nonprofits, whether it's volunteer fire departments providing a safety net in rural counties or the state contracting with nonprofit residential treatment centers so Texas foster children have a safe place to thrive. Likewise, our state's private sector calls on nonprofits when developing innovative solutions to health care, transportation, community and economic development, cultural and eco-tourism, and much more. This symbiotic relationship between nonprofits and the public and private sectors creates a prosperous Texas where we can all live, work, and thrive.

There is No Typical Nonprofit

Nonprofits have unique business models, each with a diverse mix of funding. They are able to leverage funding sources, including individual contributions to also attract corporate and government dollars.



GUIDESTAR CLASSIFICATIONS OF ANNUAL OPERATING BUDGETS

- Grassroots Organizations** are under \$1,000,000
- Small Organizations** are between \$1,00,001-\$5,000,000
- Mid-Size Organizations** are between \$5,000,001-\$10,000,000
- Large Organizations** are between \$10,000,001-\$50,000,000
- Powerhouse Organizations** are between \$50,000,001-\$500,000,000
- Economic Engine Organizations** are above \$500,000,001

A relatively small number of large, complex nonprofits have the capacity to also manage the complicated processes attached to receiving public dollars.

Texas Nonprofits at a Glance

23,515
Religion
Related

23,422
Other

Including, Community/Neighborhood-Based, Membership Organizations, Local Associations + Institutions, Military + Veterans, Environment + Animal Causes

106,764
TOTAL NUMBER
OF NONPROFITS

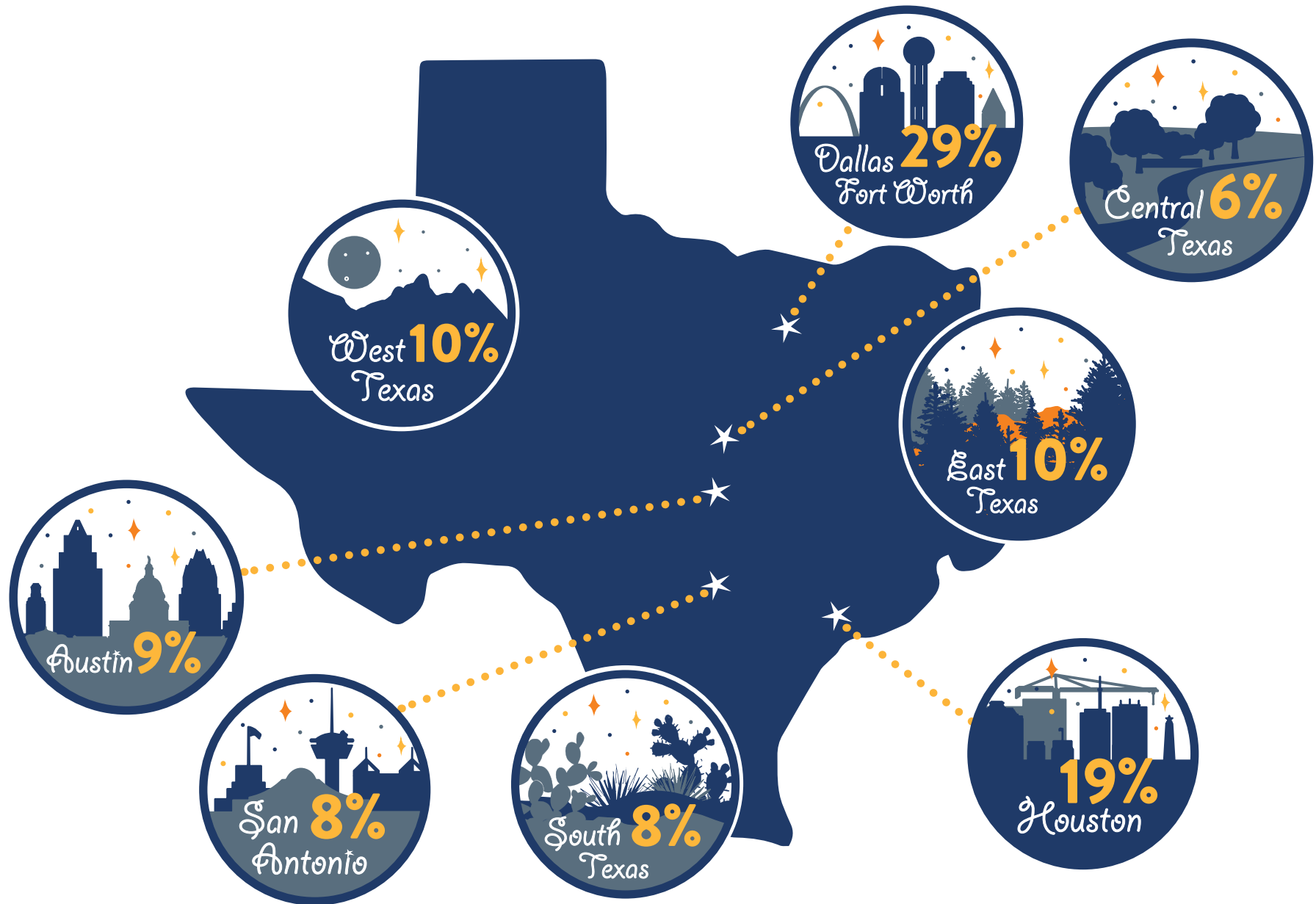
6,986 Humanities
6,555 Philanthropy
5,223 Education
360 Higher Education
220 Hospitals

25,015
Human
Services

15,448
Health

Reference: National Taxonomy of Exempt Entities

Where are Texas Nonprofits?



Texas Nonprofits Connect

At our core, nonprofits are connectors. Governed by volunteers, staffed by professionals, funded by government and philanthropy, and serving our neighbors and land, it is not possible to succeed without a collaborative outlook. With a role for everyone, there are no outsiders, so nonprofits are able to work elegantly across diverse groups.



WE CONNECT PEOPLE

In a state known for our vast masses of land, about 95% of Texas' land is privately owned. Suburbanization and fragmentation can be a threat. In 2005, the Texas Agricultural Land Trust was created by landowners to stem the irreversible loss of rural land in Texas. Created by farmers and ranchers for farmers and ranchers, the Texas Agriculture Land Trust plays a role in conserving part of Texas' legacy of wide open spaces.

Empathetic nonprofit professionals extend their hands and hearts directly to those in need and walk side-by-side in their journeys. In Austin, Manos de Cristo supports the working poor with sliding scale dental care, education for job and life skills, food and clothing pantries, and backpacks for school-aged children. Their commitment to each individual and family's education, health, and nourishment changes lives with respect.



WE CONNECT COMMUNITIES

Community collegiality and leadership intersect in nonprofits, leveraging resources and opportunities to benefit entire communities. South Dallas is an area that historically is known for crime, drugs, gangs—certainly not an area known for agriculture. Bonton Farms is located in a “food desert” with staggering health issues: a cardio-vascular disease rate 54% higher than the rest of Dallas, a diabetes rate 45% higher, stroke 61% higher, cancer 58% higher. Bonton Farms is more than just a farm, it is an agricultural intervention to restore lives, create jobs and ignite hope in the most forgotten and neglected neighborhoods for the most marginalized and vulnerable people.

After the unprecedented devastation of Hurricane Harvey, the help needed throughout communities was also unprecedented. The Michael and Susan Dell Foundation and the OneStar Foundation came together to create the Rebuild Texas Fund to help people, organizations, businesses, and communities recover and rebuild. Over 33,000 individual and corporate donors raised over \$100M dollars to award throughout the impacted communities.

In the past decade, the number of nonprofits has increased by 20%. The rapid growth of the sector correlates with increased community need and opportunity—from natural disasters, changing regulations, and changing perspectives. Texans' drive to launch new nonprofits to address community issues illustrates our deep sense of partnership and commitment.



WE CONNECT THE PRIVATE SECTOR

The nonprofit sector generates revenue and jobs in the private sector. Some of this is through linear activities like increasing literacy, teaching English, and providing job training programs, and some is through more systemic efforts such as increasing awareness of Texas' vulnerable workforce.

On the Road Lending helps Texans overcome transportation challenges by finding them affordable, fuel-efficient cars that are under warranty, providing them with a reasonable loan and mentoring them throughout the loan to ensure client success. Toyota has partnered with On the Road Lending by investing funds in the organization to scale their work and build efficiencies.

Partnerships like these contribute to the economic success of our state as Texas nonprofits generate \$110 billion in gross revenue. Further, the nonprofit governance structure engages thousands of business and for-profit sector leaders as members of boards of directors, generating and leveraging cross-sector leadership.



WE CONNECT THE PUBLIC SECTOR

In Texas, we care about efficiency, so it is natural that our government contracts with nonprofits to provide critical services. In 2016, the United Way of Lamar County partnered with local groups including the Ark-Tex Council of Government, the Paris Regional Medical Center, Paris Junior College and others to leverage a grant from the Texas Department of Transportation to launch the city's first fixed-route public transportation system. Aligning local expertise with state resources, these nonprofits efficiently and effectively created a reliable transportation system for residents to get to and from work, medical appointments, school and the grocery store—a first for the city of Paris, thanks to nonprofits partnering with government.

The state contracts with more than 100,000 nonprofit organizations annually, with a huge financial return.

*Through these partnerships, we can do more.
Through more partnerships, we can do even more.*

The Sector's Reach:

Beyond
“Charity”
and
“Bleeding
Hearts”

Nonprofits support and contribute to every one of Texas’ major industries.



AGRICULTURE + RANCHING + FOOD

Emphasizing Sustainable Practices
Streamlining Distribution
Community Based Food Supplies
Healthy Nutrition
Research
Addressing Food Deserts
Waste Reduction and Management
Improve Food Security



BANKING + FINANCIAL SERVICES

Credit Unions
Asset and Capital Building
Community Development Financial Institutions
Financial Education and Coaching
Debt Assistance
Volunteer Income Tax Assistance
Associations for Bankers and Financial Professionals



CONSTRUCTION

Associations for Contractors and Homebuilders
Homeowner Associations
Workforce/Trade Development
Affordable Housing



EDUCATION + GOVERNMENT

Professional Development
Learning Programs and Curricula
Educational Foundations
Mentorship Programs
Voter Engagement
Civic/Neighborhood Associations
Out-of-School Time
Parent/Teacher Organizations
Booster Clubs
First Responder Foundations
Veteran Support
Youth/Young Leadership Development



ENERGY + UTILITIES

Industry Associations
Vendor/Supplier Associations
Workforce Development
Green Energy Diversification
Energy Efficiency Expansion
Energy/Electric Cooperatives



HEALTHCARE

Hospitals
Patient and Caretaker Support
Research
Behavioral and Mental Health
Management of Chronic Conditions
Senior Care
Workforce Development
Fundraising and Sustainability
Innovative Delivery Models



MANUFACTURING

Apprenticeship Programs
Workforce/Trade Development
Worker-Owned Cooperatives
Skill-Building/Upskilling



NATURAL RESOURCES + ENVIRONMENT

Environmental Education
Land Conservation
Park Protection and Preservation
Habitat and Biodiversity



TECHNOLOGY + COMMUNICATIONS

Industry Associations
Expanding Access
Skill Development
STEM Expansion Research
Telephone Cooperatives



TRANSPORTATION

Industry Associations
Medical Care Transport
Access Expansion



TOURISM + RECREATION

Youth Sports
Arts and Culture: Museums, Performing Arts
Local Convention and Visitors Bureaus
Hospitality Management
Industry Associations
Historical Societies

Texas Nonprofits Intersect

Nonprofits operate at the intersection where solutions are generated. This cross-sector collaboration is both unifying and efficient, as we work with others on initiatives and to solve problems. The nonprofit sector is a ready link and leverage point for state and local government, businesses, and individuals.

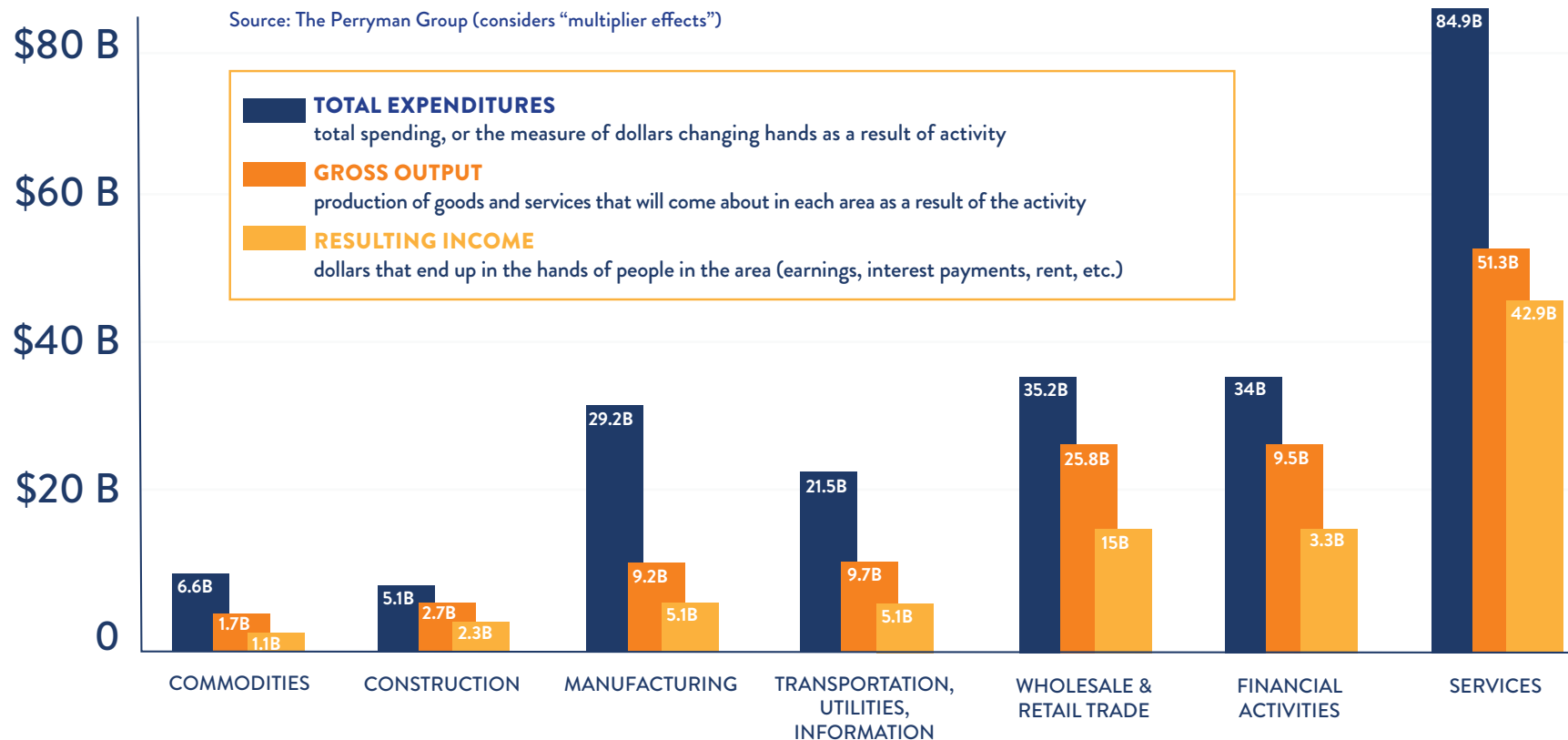
The nonprofit sector leverages government and business investments. We stretch limited dollars to go further. We are the go-to authority on need and what works (i.e., best practices), guidance on scaling services, and connecting social and financial return on investment to bridge gaps. Our nonprofit status ensures these activities are based upon mission, which is also a strategic tool to unify stakeholders.

Even when we're not in the driver's seat, the nonprofit sector drives cross-sector collaboration, bringing diverse groups together to find solutions to complex challenges. Nonprofits serve as backbone organizations for collective impact: All In brings together school districts in Brownsville, Haven for Hope brings 140 partner entities together to effectively serve individuals who are homeless in San Antonio, and the Texas Living Waters Project brings competing interests together to transform the way Texas manages water.

These connections run deep. Caring for our communities unites our communities.

Through these daily efforts, nonprofits connect basic tools and resources to create thriving communities.

In addition to providing critical services for communities, Texas nonprofits provide a significant benefit to the state economy. The economic benefits from the ongoing operations of Texas nonprofits include **\$1 out of every \$16** (\$216.6 BILLION) in annual expenditures and **\$1 out of every \$13** (\$110 BILLION) in annual gross product.



NONPROFITS
employ more than
540,000 PEOPLE

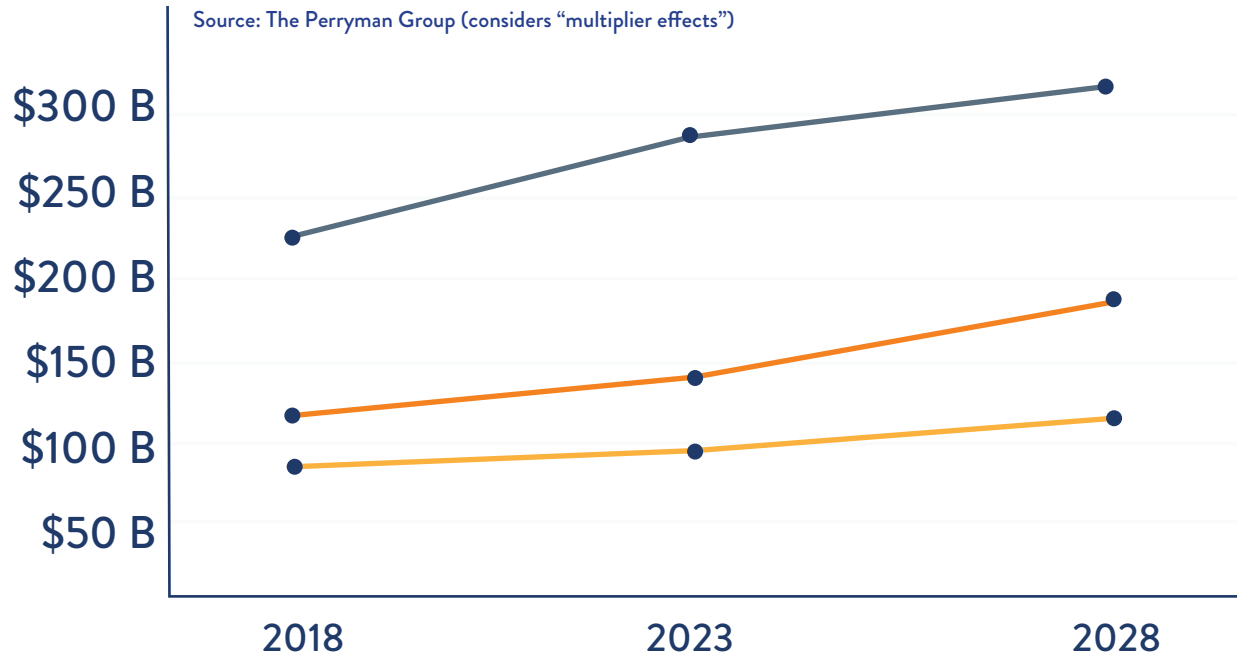


Permanent jobs associated with the
NONPROFIT INDUSTRY
are almost **1.4 MILLION**

1 IN 8 Texas jobs
(private) are in or
tied directly to
**THE NONPROFIT
SECTOR**

Current and Projected Economic Benefit of Texas Nonprofits

Source: The Perryman Group (considers "multiplier effects")



In 2028...

+48.8%

TOTAL EXPENDITURES

total spending, or the measure of dollars changing hands as a result of activity

+48.9%

GROSS OUTPUT

production of goods and services that will come about in each area as a result of the activity

+49%

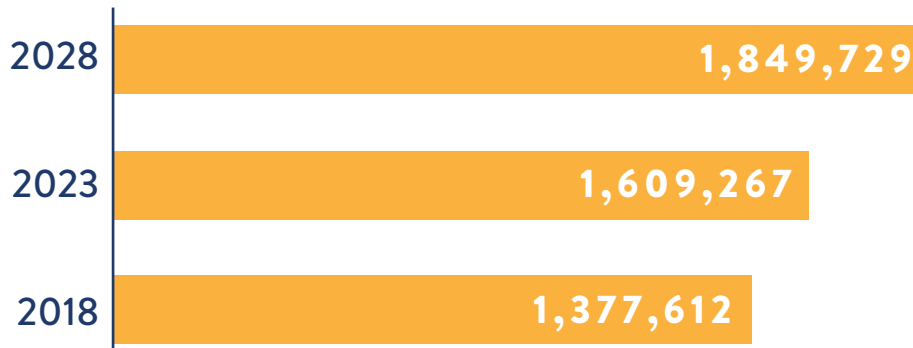
RESULTING INCOME

dollars that end up in the hands of people in the area (earnings, interest payments, rent, etc.)

+39.3%

JOB GAINS

permanent, point-in-time jobs



Texas Nonprofits Innovate

We leverage our resources as legitimate business entities, benefitting our state, communities, and neighbors in exchange for a tax benefit. In addition to the responsibility of running a business well, nonprofits also deliver on a mission. A nonprofit is a business entity that pledges to benefit the public good and not share profits with individuals—whether they be staff, board, or community members. Essentially, nonprofits have a double-bottom line: accountability for delivering their mission and running a successful business.

Funding can be unpredictable and inconsistent. Because nonprofits must serve their clients and mission regardless of the ups and downs, a best practice among nonprofits is to build financial reserves so they can maintain consistent staffing and services as funding sources shift. **Approximately two-thirds of Texas' nonprofits currently bring in more funds than they spend annually to build financial reserves, and our state's nonprofits collectively have more than \$300 billion in assets. As responsible stewards with a business model of increased checks and balances, more than 95% of Texas' nonprofits have a healthy debt to asset ratio—they have more assets than liabilities.** Of course, with so many of our nonprofits being relatively new and small, those assets are not necessarily liquid, and not representative of bulging bank accounts, but both point to the sector's responsibility and commitment. This commitment to solvency is basic risk management, and it illustrates nonprofits' understanding of business management. Given the number of nonprofit leaders with graduate degrees, this level of expertise does not surprise us, but it often surprises others!

The Better Together Fund exemplifies this resourcefulness. A collaborative between United Way of Metropolitan Dallas, The Meadows Foundation, The Dallas Foundation, and the Lyda Hill Foundation, this pilot program encourages nonprofits to explore formalized, long-term collaborations as a way to maximize impact. The effort funds big ideas between organizations that can bring about bigger impact, as well as efforts focused on greater efficiency.

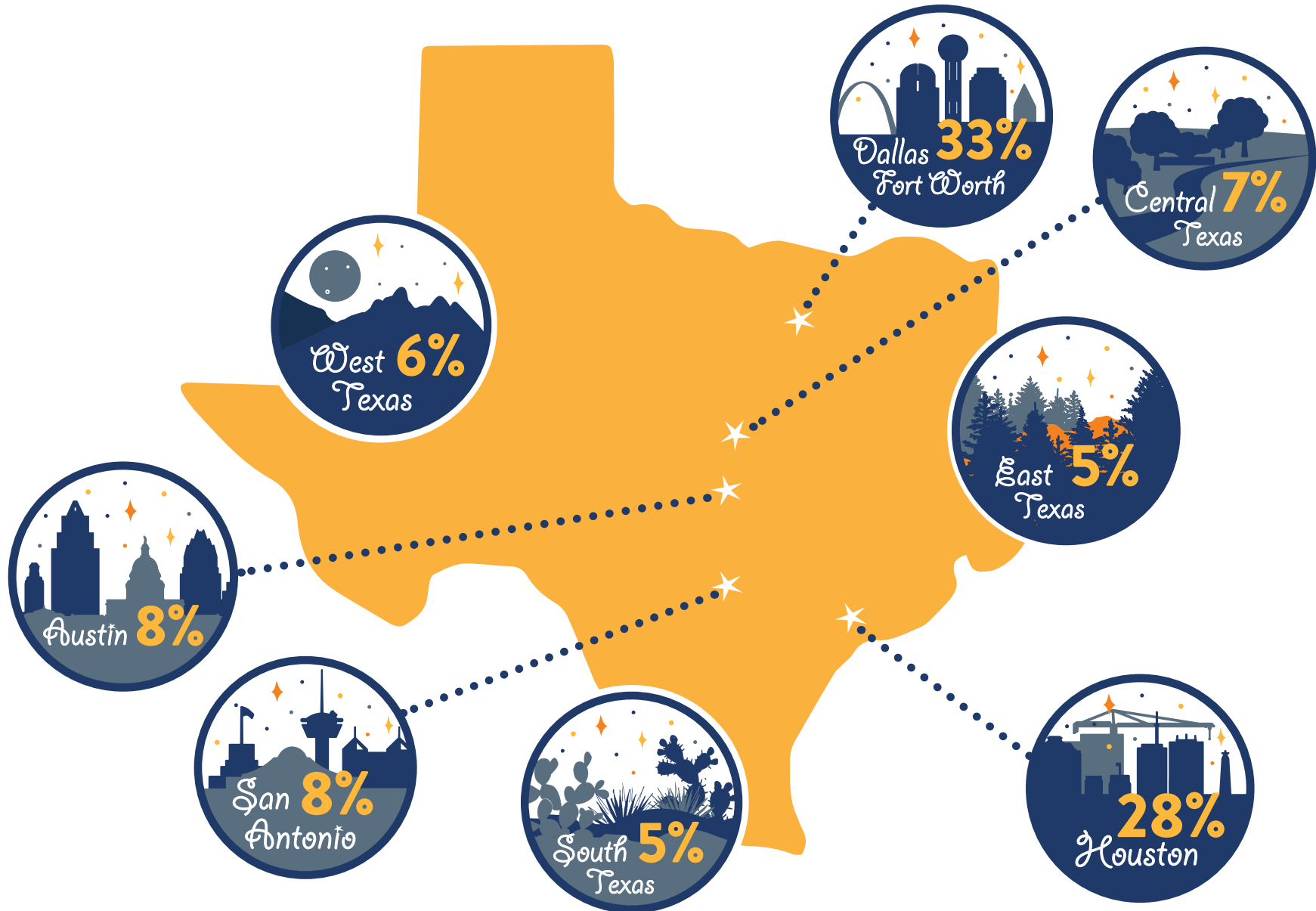
As such, nonprofits are economic drivers. Investing in nonprofits generates a real return on investment socially and economically. We are smart people running smart businesses in smart ways. This drives millions of dollars through our communities annually, despite the challenge of our economy hampering individual contributions—the value of median contribution to a specific nonprofit has decreased by 1/3 over a decade. In addition to \$1.02 billion invested in Texas' nonprofits by Texas foundations in 2017, an additional \$326 million was awarded by foundations outside the state (in the form of 2,290 grants).

This double-bottom line demands additional accountability and attention—and it also leads to additional innovation. Nonprofits are problem-solvers. As mission-driven organizations, we are driven to make limited resources go further and make big impacts on communities while imposing business-like standards.

The value we deliver is more than financial. We are impact.

Nonprofit Revenue By Region

Texas' nonprofit revenue is concentrated in large, metropolitan areas, but we know community needs exist across our state.



Texas Nonprofits Are Foundational

We are made by communities, and we make community. The sector is an eminently Texan approach with local voices, local knowledge, local values, local leadership, and local solutions driving our work. Nonprofits are integral to how communities solve problems.

Nonprofits lift up people and communities, meeting them where they are. Almost one-third of Texas' nonprofits were founded after 2010, demonstrating both the need for support and the growing willingness of our communities to respond. Our communities and individuals thrive when nonprofits convene and serve.

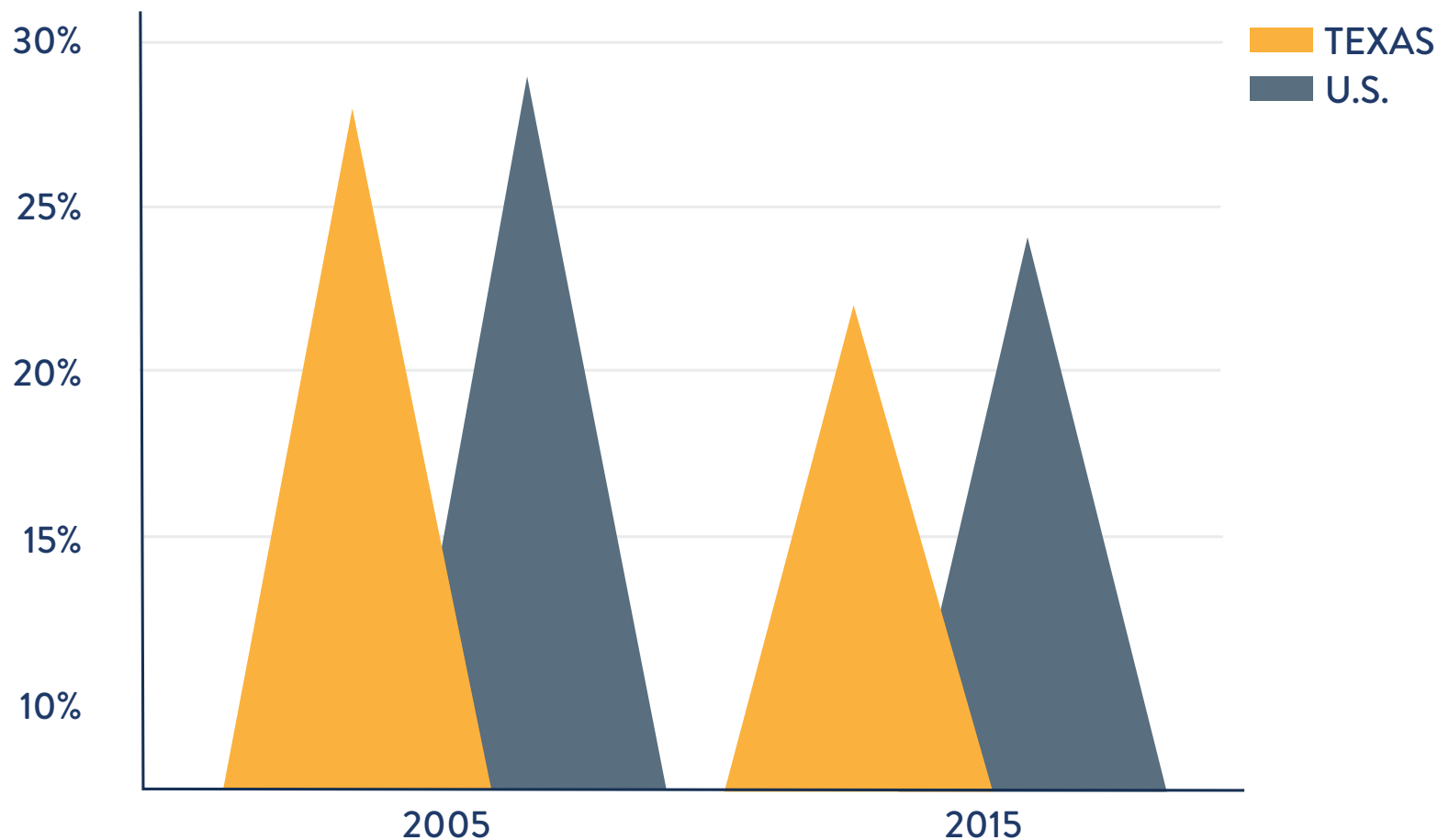
Promoting values and ideals that improve and support our quality of life, we know that strengthening local organizations strengthens local communities with mission-driven, community-infused solutions.

The **Volunteer Income Tax Assistance Program** offers free tax help to people who make less than \$55,000, persons with disabilities and limited English speakers. Nonprofit partners across the state recruit and train volunteers to be Internal Revenue Service-certified to provide free basic income tax return preparation to qualified individuals. Tax returns can be the largest influx of dollars to working families across our state, and thanks to volunteers supporting their fellow Texans throughout our state, individuals and families draw down thousands of dollars every year.

Whether it's a sudden medical bill, a natural disaster, worry about an aging parent, or a veteran returning to civilian life, people from all walks of life can find themselves in need of assistance and are confronted with a maze of agencies and programs that can be difficult to navigate. **2-1-1** is the 3-digit phone and online service helping Texans connect to a range of community-based services and resources. In Texas, 2-1-1 is a public-private partnership between the Texas Health and Human Services Commission and a network of 25 call centers, including local United Ways. United Way of Greater Houston manages the largest 2-1-1 help line in the country. 2-1-1 is a navigation resource connecting all individuals and families in need with organizations in their community—local public, nonprofit or faith-based organizations—who can ensure those needs are met. 2-1-1 also plays a critical role in disasters as a communication tool for impacted individuals. Calls are answered 24 x 7 by professional information and referral specialists who are trained to assess caller needs, and to refer callers to the most appropriate resources.

Volunteer Rates Across the U.S. and Texas are Declining

In addition to dollars, nonprofits rely on Texans to donate their time as volunteers, and yet volunteer rates across the nation and our state are declining.



While the rate of volunteering in Texas was at pace with the whole nation in 2002, both the Texas and national rates of volunteers giving their time and talent to nonprofits have declined since then. Moreover, **Texans have stopped participating at a higher rate than the rest of the country.** Today, Texas' volunteer rate is lower than it's been this millennium, and we are on a path of continual decline. Volunteer engagement is a strong indicator of local leadership, but Texans are pulling back.

Texas Nonprofits Have So Much Potential




The nonprofit sector does a lot of heavy lifting—and we are resolutely committed to continuing this work, finding answers, and delivering solutions for communities and for Texas. But our increasingly complex challenges demand increased investment and connections. We must work together in new ways as changes to funding, assets, and volunteerism in our state create a tenuous situation.

The first step is recognizing Texas nonprofits as local leaders, resources, and experts. They are trusted in their communities to drive impact, and we must support and empower them to do this statewide. Government and business leaders' investments are leveraged by nonprofit expertise and community connections. As the experts in so many fields, it is time to make an official seat at the table for nonprofit leaders in decision-making at all levels of government.

As demonstrated in this report, nonprofits are critical to our economy. We are a cost-efficient, business-minded solution—we deliver a high return on investment and are trusted community partners. Anyone can invest in local community capacity through nonprofits.

A healthy, engaged nonprofit sector correlates to a healthy, productive Texas, and every Texan has a role in ensuring nonprofits continue to work for Texas.





Together, we can work to ensure that the nonprofit sector continues to play a vital role in building Texas into a vibrant place for Texans to work, grow and thrive.

Texans understand the importance of tourism, oil & gas, or trade & technology in our communities, but it is also important to understand the significant role that nonprofits play in Texas' economic landscape and quality of life. This report aims to foster a deeper understanding of the social resource that is the Texas nonprofit sector. Not solely a data project, we hope that as a result of this report, Texans will step up to ensure that nonprofits in our state are supported and continue to have a seat at key decision-making tables.

BUSINESS OR CORPORATE LEADERS

As evidenced by this report, the Texas nonprofit sector plays an integral role in our economy. It is in our best interest as Texans to consider and engage nonprofits when making business decisions, especially given the impact these decisions have on nonprofits themselves and the communities that they serve. Nonprofits can contribute a critical perspective that will aid in the implementation of important business decisions.

We call on Texas business leaders to:

- 1 Use the data in this report to better understand the value of nonprofits to communities and the impact business decisions have on the Texas nonprofit sector.
- 2 Invite the nonprofit sector to be at the table when making business or economic decisions.
- 3 Incorporate the work of nonprofits into economic and workforce development strategies.
- 4 Understand the return on investment of the nonprofit sector, as well as the opportunities for innovation that exist within the sector. At the same time, consider the limitations of the nonprofit sector's business model when looking for ways to partner and think about ways you can support them in building their capacity.

ELECTED OFFICIALS AND POLICYMAKERS

As demonstrated by this report, the nonprofit sector plays a significant role in policy – from the identification of solutions to address community challenges to the implementation of policy in communities.

We call on Texas elected officials and policymakers to:

- 1 Use the data in this report to better understand how nonprofits are engaged in policy and how public policy decisions impact their organizations, and consequently, their communities.
- 2 Engage nonprofit leaders in finding solutions to your community's challenges.
- 3 Understand the role that nonprofits play in innovation and encourage these efforts.
- 4 Use your position of influence to support the nonprofit sector as it works to build its capacity, so that it can continue to step up and respond to community needs.
- 5 Engage nonprofits as civic leaders on issues of importance to your voters.

NONPROFIT AND PHILANTHROPIC LEADERS

This report and data presents an opportunity for each of us as a sector to better articulate our strengths as well as the challenges and opportunities that we face.

We call on Texas nonprofit leaders to:

- 1 Convene peer nonprofit and philanthropic leaders in your respective communities to better understand our sector.
- 2 Identify ways to better articulate our sector's role in solving community dilemmas: Form new partnerships, ask to be invited to decision-making tables, and think outside of the box to ensure that our sector is well-represented.



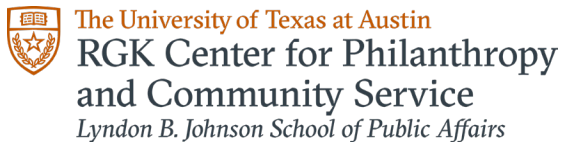
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The Meadows
Foundation

Serving the People of Texas



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