

POINT OF VIEW

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# THE FINANCIAL HEALTH OF THE UNITED STATES NONPROFIT SECTOR

## FACTS AND OBSERVATIONS

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# EXECUTIVE SUMMARY

Nonprofits play a critical social role in improving education, alleviating poverty, providing economic opportunities, supporting the health care system, and sustaining the arts. Their health is vital to our nation. So, when they face financial distress, it creates hardship for some of the most vulnerable and fragile segments of society. It also means that hardworking staff may lose paychecks or pensions and that trustees may be exposed to personal liability.

Our analysis shows just how fragile the nation's nonprofits really are:

- **7-8% are technically insolvent with liabilities exceeding assets**
- **30% face potential liquidity issues with minimal cash reserves and/or short-term assets less than short-term liabilities**
- **30% have lost money over the last three years**
- **~50% have less than one month of operating reserves**

The scale of the problem is vast. In fact, just restoring currently insolvent nonprofits to solvency would require an injection of **\$40 to \$50 billion** dollars. Changes to federal tax code may exacerbate the issue, by changing charitable donations and/or by increasing the likelihood of future pressure on federal budgets for human services.

Risk management can reduce the likelihood of financial distress. It should be an important part of every trustee's duties of care, loyalty, and obedience. In this report, we offer a set of recommendations for organizations serious about adopting robust, "best in class" processes to manage risk: scenario planning, benchmarking, and environmental scans.

However, risk management by individual organizations is only part of the solution. Funders – both government and philanthropic – must also change their policies and practices for nonprofits to be financially healthy and stable in the long-term. We suggest some ways they might do this, including changing the nature of funding and creating sector-wide infrastructure.

In this report, we provide some **context setting** with a brief overview of the size and scale of the US nonprofit sector and why its financial health matters. We look at the **financial vital signs** of the sector, analyzing key financial metrics segmented by size, sub-sector, and geography<sup>1</sup>. We describe **practical steps that trustees and their organizations** can take to strengthen their financial position. Finally, we offer some **long-term ideas for how funders and the rest of the ecosystem** can actively reduce the risks of financial distress in the nonprofit sector. We conclude with an **appendix** of tables summarizing key financial health indicators for the sector.

<sup>1</sup> A more detailed examination of the financial health of one specific subsector (human services) will be contained in Oliver Wyman & SeaChange's upcoming report "**A National Imperative: Joining Forces to Strengthen Human Services in America**", sponsored by the Alliance for Strong Families and Communities and the APHSA, publication expected January 2018

# CONTEXT SETTING

## WHY DOES NONPROFIT FINANCIAL HEALTH MATTER?

Nonprofits are central to American society. They address society's toughest challenges – from the provision of healthcare and education, to the preservation of the environment, to the enrichment of the arts and our culture. Economically, they are very significant, accounting for 5.5% of GDP, employing a little over 10% of the workforce, and paying nearly 10% of wages<sup>2</sup>.

Given the importance of nonprofits, and motivated by some recent high-profile failures in the sector, financial health and risk management have become more urgent concerns for many trustees, funders, regulators, and policymakers. We hope that our analysis of IRS Form 990 filings ("990") will provide a data-driven, comparative basis for these stakeholders to consider the financial health of the nonprofits they govern or support. Using 990 data, we outline the size and scope of the sector and then examine its financial health along four key dimensions:

- **Solvency:** Total assets relative to its total liabilities.
- **Liquidity:** Short-term assets relative to its short-term liabilities<sup>3</sup>.
- **Net income margin:** Ability to generate surpluses – measured by total revenue relative to total expenses over a three-year period<sup>4</sup>.
- **Reserves:** Financial capacity to withstand negative events and stress scenarios, and to self-fund large expenditures. Indicators include months of cash, months of cash and liquid investments, and months of operating reserves.

2 US Bureau of Economic Analysis NPQ, <https://nonprofitquarterly.org/2016/03/10/nonprofits-in-america-new-research-data-on-employment-wages-and-establishments/>.

3 Liabilities cannot be reliably classified as short-term vs. long-term on the 990s. We assume the majority of liabilities are relatively short-term. This assumption holds less true for service-based nonprofits (e.g. Hospitals), which tend to use more debt.

4 A three-year measure for net income margin was selected to address the cyclical nature of many nonprofits. Often times, funding (revenues) are received in one year, and spent across future years.

## UNDERSTANDING 990 DATA

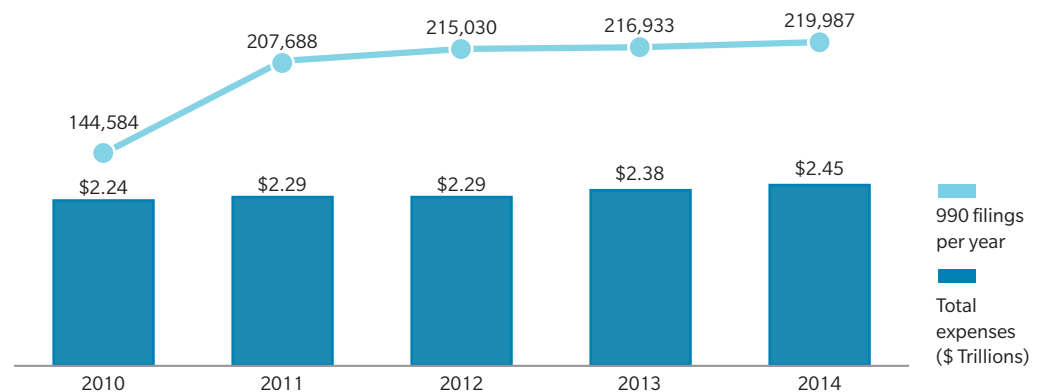
The information from 990s is the broadest, deepest data set available. However, it comes with important limitations:

- **Incomplete coverage of small nonprofits.** Only nonprofits with revenues over \$200,000, or assets over \$500,000, are required to file a 990<sup>5</sup>.
- **Imperfect coverage.** There are different filing requirements for certain types of nonprofits. Most notably, churches and other places of worship are not required to file a 990.
- **Time lag.** 990 data are generally made available to the public on an 18-24 month lag; available 990s may not reflect the most current condition.
- **Uneven data quality.** Nonprofits exercise their own judgment when filing in the 990 without an independent audit. Although the largest nonprofits generally have financial statements prepared by an outside accounting firm, some of the information on the 990 is not taken from these statements. In addition, some important information – for example the availability of undrawn lines of credit – is not reflected on the 990.
- **Finance-only focus.** The 990 is a financial document. It says little, if anything, about the nature, quality, or effectiveness of a nonprofit's programs.

Given these limitations, 990 data alone should never be used to make important decisions about any particular nonprofit. But analysis of 990 data can yield meaningful, high-level insights about the financial health of the sector as a whole and subsectors within it.

In this analysis, we utilize 990 filings in the United States between 2010 and 2014, which were collected and maintained by GuideStar. In 2014, these covered 219,987 organizations with \$2.45 TN dollars of total expenses.

Figure 1: Form 990 Coverage of the Nonprofit Sector, 2010-14



5 Nonprofits below this threshold file an abbreviated 990EZ form, if they file at all

## STRUCTURAL FEATURES OF THE NONPROFIT LANDSCAPE

Our analysis highlights several structural features of the nonprofit sector to keep in mind when considering the financial health of the sector or that of any particular organization.

### 1. The nonprofit sector is large, diverse, and highly concentrated

Most nonprofits are small: two-thirds have operating budgets of less than \$1 MM, but these account for only 2% of the sector’s total spending. By contrast, only 2% of nonprofits have budgets of over \$50 MM, but these represent 80% of total spending

Hospitals, Health and Human Services (“HHS”), and Educational Institution nonprofits account for nearly half of the organizations in the sector and 80% of its expenditures.

Table 1: Distribution of nonprofits

SEGMENTATION	COUNT	EXPENSES
<b>SIZE</b>		
Very Small (\$0–\$1 MM)	66%	2%
Small (\$1–\$5 MM)	21%	4%
Mid-Sized (\$5–\$10 MM)	5%	3%
Large (\$10–\$50 MM)	6%	11%
Very Large (\$50 MM–\$5 BN)	2%	58%
Supersized (>\$ 5 BN)	0.02%	21%
<b>SUBSECTOR</b>		
Arts, Culture & Humanities	9%	2%
Community Capacity	9%	2%
Educational Institutions	16%	25%
Environment and Animal-Related	4%	1%
Health & Human Services	27%	9%
Hospitals & Care Organizations	9%	46%
Other	5%	3%
Philanthropy	5%	3%
Religious Institutions	5%	1%
Science, Technology & Social Sciences	2%	4%
Unknown	3%	2%
Youth Development	8%	1%
<b>TOTAL</b>	<b>219,987</b>	<b>\$2.45 TN</b>

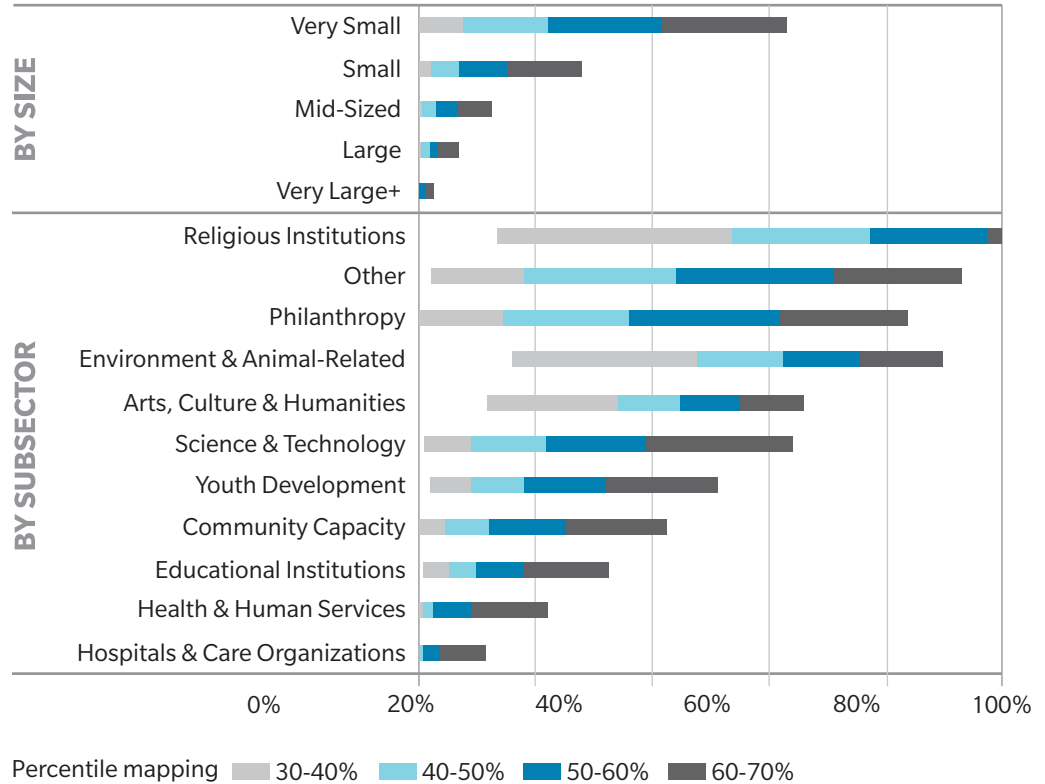
### 2. Funding models vary by size and subsector

Funding models vary widely by subsector. Some nonprofits rely heavily on charitable donations from individuals. Others are primarily funded by large philanthropic grants from foundations. Still others provide services in return for fees which are paid by individuals or through government contracts.

For example, Religious Institutions and Environment & Animal-related nonprofits are predominantly funded by philanthropy, whereas Educational Institutions, Hospitals, and Health and Human Services receive the vast majority of their funding from government contracts and fee-based services.

Larger nonprofits generally receive very little of their funding – at least in percentage terms – from philanthropy. [Figure 2: Philanthropy as a % of revenues].

Figure 2: Philanthropy as a percent of revenues (2014)<sup>6</sup>



This simple analysis should remind trustees, funders, and policy makers that it makes little sense to assess the financial health of any given nonprofit relative to the sector as a whole; it is too broad a landscape, encompassing too many different funding models. Sector-wide analyses can be dominated, in particular, by large educational institutions and hospitals. The analysis is more appropriately done by size and subsector. Interestingly, the nonprofit sector appears to be broadly similar across the country with very little variation by geographic location.

<sup>6</sup> The bars show the distribution of Philanthropy as a percentage of revenue by size and sector. The left edge of the light gray bar is the 30th percentile. The right edge of the dark gray bar is the 70th percentile.

# FINANCIAL HEALTH CHECK-UP

It's no surprise that many nonprofits operate close to the edge financially. They address our most difficult problems, compete for a fixed pool of funding (that often pays on a cost-minus<sup>7</sup> reimbursement basis) and struggle to recruit and retain finance, technology, and back office staff<sup>8</sup>. And although nonprofits should not be judged on their ability to build large surpluses our analysis of 990 data reveals how fragile and profoundly undercapitalized the sector really is.

- **7–8%** of nonprofits have liabilities greater than assets, making them **technically insolvent**, and translating roughly into a **\$40–50 billion** funding gap. [Table 1: Solvency ratio, by size, sector, geography]
- 30% face potential **liquidity issues** because short-term assets are less than short-term liabilities. [Table 2: Quick ratio, by size, sector, geography]
- 30% of organizations have **negative 3-year net income margins** (revenues are less than expenses). [Table 3: 3-year margin, by size, sector, geography]
- The majority of organizations have **limited reserves** to buffer against stress scenarios or invest for the future. Half of nonprofits have less than one month of operating reserves and less than six months of cash. [Table 4: Months of excess reserves, by size, sector, geography]

The aggregate financial health profile is **not evenly distributed**. There are notable differences by subsector and size, though not by geography.

7 i.e. the funding comes after the expenses are incurred and is guaranteed to be less than the fully-loaded costs of delivering the supported program

8 <http://seachangecap.org/wp-content/uploads/2016/03/SeaChange-Oliver-Wyman-Risk-Report.pdf>.

## FINANCIAL HEALTH PROFILE BY SIZE

Scale does not always translate into financial stability. Larger nonprofits, which are most often reliant on government funding or service fees, are not financially healthier than smaller ones.

- The proportion of Very Large organizations that are technically insolvent is similar to the sector-wide total (i.e. roughly 7%). This represents nearly 80% of the aggregate \$40-\$50 BN solvency gap for the sector as a whole. Larger organizations also carry higher debt levels, relative to their assets, than smaller ones.
- Larger organizations may have more liquidity constraints: 40%-50% of Very Large and Large organizations' short-term liabilities exceed short-term assets compared with 30-40% for smaller organizations.
- Margins are slightly lower for larger organizations. However, larger organizations have a narrower range of margins and fewer Very Large nonprofits have negative margins (10%) compared to 20-40% for smaller nonprofits.
- Larger organizations have considerably less cash (one month versus four months), though this gap largely disappears when considering cash plus investments. Median operating reserves are approximately one month for nonprofits of all sizes.

## FINANCIAL HEALTH PROFILE BY SUBSECTOR

Financial health varies significantly across subsectors – particularly across those that have different funding models.

- Nonprofits reliant on government contracts and fee-for-service revenue (Hospitals, Health and Human Services, and Educational Institutions) use debt more often, operate in a tighter liquidity range, and have smaller reserves. Their ability to generate consistent revenues throughout the year may allow for greater access to credit from banks or the debt capital markets.
- Nonprofits more reliant on private philanthropy (Environment and Animal-related, Science and Technology, Community Capacity) have less debt and larger reserves. It may be that private philanthropy allows these organizations to build prudent reserves in a way that government contracts do not.

We hope that our analysis will provide organizations with rough benchmarks against which to judge their financial position<sup>9</sup>.

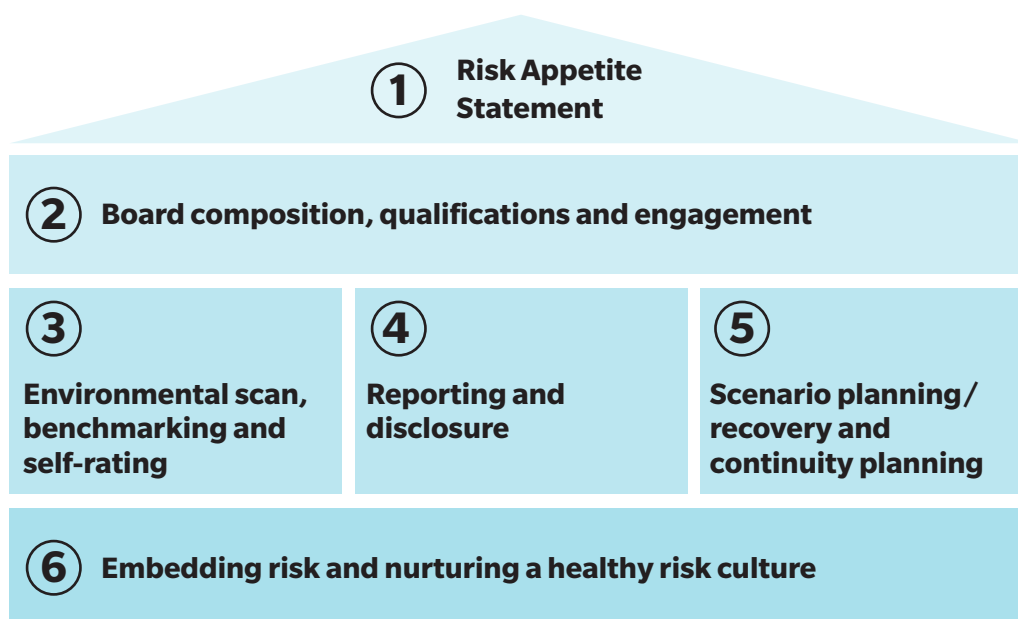
<sup>9</sup> Overhead is a common question for trustees as well. A full discussion of overhead is beyond the scope of this report. However, a fuller analysis can be found here (<http://seachangecap.org/wp-content/uploads/2017/05/Overhead-for-Trustees.pdf>) and here ([www.overheadmyth.com](http://www.overheadmyth.com)).



# WHAT CAN TRUSTEES DO?

Given the financially precarious position of many nonprofits, we believe that leadership – both trustees and executives – should put in place a holistic Risk Management Framework that includes “top of house” activities as well as practices that embed risk management into all levels of the organization<sup>10</sup>.

Figure 3: Risk Management Framework



## 1. Risk Appetite Statement

Risk management should be an explicit responsibility of the audit and/or finance committees. And the organization, led by this committee, should develop an explicit risk appetite statement. This is similar to a mission or vision statement. It indicates the appetite to take on major risks facing the organization and to trade short-term programmatic impact for long-term sustainability. Where appropriate, risk appetite may be expressed as specific thresholds for measurement either in absolute terms or on a scale (e.g. High, Medium, and Low); examples include financial stability targets (e.g. no multi-year deficits, minimum unrestricted net asset levels, establishing access to credit).

<sup>10</sup> This framework build upon our earlier report: <http://www.oliverwyman.com/content/dam/oliver-wyman/global/en/2016/mar/SeaChange-Oliver-Wyman-Risk-Report.pdf>.

## **2. Board composition, qualifications, and engagement**

Keeping risk management top of mind, without over-inhibiting day-to-day operations, requires a careful partnership between trustees and staff. Trustees must ask difficult questions about risk, but at the same time, need to have the right context to understand the complex financial and operational challenges nonprofits face<sup>11</sup>. Organizations serious about risk management must redouble their efforts to recruit trustees with a wide range of experiences. They also need to empower high-functioning committees. Many organizations would benefit from an experienced nonprofit executive on the board with expertise in both program needs and the sub-sector's funding landscape.

## **3. Environmental scan, benchmarking, and self-rating**

Organizations and their trustees must be aware of the longer-term trends in the operating environment to inform strategic actions (e.g. collaborations, mergers, acquisitions, joint ventures, managed dissolutions, etc.) and understand the implications for financial health (e.g. trends in government contracting, indirect cost recovery, endowment investment performance). In addition, nonprofits should compare their financial performance to peers based on annual 990 filings to see if challenges are unique to the organization or indicative of a shift for the whole sector.

## **4. Reporting and disclosure**

Data provided through 990s, annual reports, and "rearview mirror" budgets, do not adequately present the nuances of financial health to stakeholders. Larger organizations should summarize their financial and programmatic results in a short plain-English report similar to the management discussion and analysis section of the SEC's Form 10-K. This report should also cover opportunities and risks in the context of external and internal conditions.

## **5. Scenario planning**

Organizations should keep a running list of the major risks they face. For each, they should indicate the likelihood and expected loss in terms of unrestricted net assets. They should consider actions to reduce the likelihood of each risk and mitigate the potential damage. Risks may include a wide range of things including, lease renewal, cost overruns on a capital project, the non-renewal of an important funder, investment performance, and succession.

Organizations should also do Recovery and Program Continuity Planning to maintain services in the event of a financial disaster. Large organizations should consider developing "living wills" to expedite program transfer. These living wills should be discussed with government agencies and partners during stable times so everyone is prepared to act in a crisis.

<sup>11</sup> <http://www.oliverwyman.com/content/dam/oliver-wyman/global/en/2016/mar/SeaChange-Oliver-Wyman-Risk-Report.pdf>.

## 6. Embedding risk and nurturing a healthy risk culture

Organizations must work hard to build a healthy risk culture where everyone, from Trustees to the staff, understands their role in contributing to the organization's risk profile. A mature risk culture is not necessarily a risk-averse culture. Instead, it encourages everyone within the organization to help manage risk. For example, fundraisers and grant writers should understand how funding terms explicitly impact key financial health indicators; program staff know when higher indirect costs in one area require subsidies from another other, etc.

## 7. Saying "No"

Many nonprofits that provide services on behalf of public agencies (e.g. human services, community and youth development) are funded through contracts that reimburse for work at rates substantially lower than the actual costs of providing services. The contracts come with built-in deficits and are often paid 60-90 days after the work has been completed. Nonprofits must raise funds from philanthropy or other sources to close the long-term funding gap and manage the working capital need. These contracts significantly erode the long-term sustainability and financial health of nonprofits. Trustees must work with leadership to evaluate contracts to determine if contacts are financially viable and empower executive directors and CEOs to say "no" to those with unsustainable economics.

It is important to recognize that even the best risk management strategy does not guarantee survival. Consolidation, mergers and acquisitions, divestments, and orderly wind-downs are part of a healthy, evolving nonprofit sector. However, it is tragic when distress causes an organization to lose the capacity – money and time – to make wise choices.

In the next section, we consider what funders and other stakeholders can do to help improve the financial health and stability of nonprofits.

# WHAT CAN FUNDERS, REGULATORS, AND POLICY-MAKERS DO?

A nonprofit's ability to substantially improve its financial situation is often limited. Taking action to enhance risk management practices is important, but may not be enough. Improving the financial health of the nonprofit sector will require coordination between nonprofits, funders, regulators, and policy-makers. In this section, we provide a few ideas to stimulate constructive brainstorming and debate:

## **1. Provide adequate funding for overhead**

Many organizations are overwhelmingly funded by the government. These organizations will never be stable unless government funding covers the full-costs of providing the services for which it contracts. In particular, many contracts (and grants) do not cover the overhead necessary to efficiently and effectively run a nonprofit (i.e. indirect costs of providing the services). All government agencies should work in good faith to implement the OMB guidance on indirect cost coverage.

## **2. Provide more flexible funding**

Many grants and contracts include restrictions on how nonprofits are allowed to spend the money. Typically, the majority of funding must be spent directly on program expenses and there are often compensation caps for staff. Most funding does not allow for the necessary investments in infrastructure, innovation, and new program development. Nonprofits are complex businesses that provide valuable services. Their leadership must be afforded more trust and flexibility to manage their organizations appropriately. They know which investments are necessary to best pursue their missions. Even if funders cannot give all nonprofits more flexibility, they should be willing to distinguish between those of higher and lower capacity.

## **3. Encourage nonprofit restructurings, closures and/or mergers**

It is incumbent on Trustees to determine whether to explore mergers, acquisitions, divestments, restructurings, and the like. However, funders and the government can make this process easier by providing dedicated funding and technical assistance for these type of transactions and streamlining the approval processes.

## **4. Create a rescue fund for strategically important nonprofits**

When a nonprofit fails – particularly one that is important to its subsector and/or geography – it is often a chaotic scramble as government agencies (local, state, and federal) and other funders try to figure out what do. A centralized, multi-agency “rescue fund” should be created to help maintain critical services while programs are transferred. The FDIC, which is funded by fees collected from banks, plays a similar role as a rescue fund for bank depositors. Another option would be to set up an organization to make grants restricted to rescue situations. The goal would be to rescue critical programs, rather than the nonprofits delivering them.

## **5. Increase the funding pools available to nonprofits**

Although grants will always be the most important type of private funding for nonprofits, funders – in particular foundations – should be open to providing other types of funding where appropriate. Non-grant funding might include social impact bonds, loans, guarantees, and other types of program-related investment. Despite the increase in interest in “impact investing”, the amount of program-related investment remains unchanged<sup>12</sup>. Foundations and the government should work to build the infrastructure to make it easier for funders to provide this type of structured financing.

## **6. Transfer nonprofit programs to the government when the provider is wholly dependent on government funding**

Some nonprofits are effectively appendages of the government: close to 100% government funded and providing statutorily mandated services. Today, government-funded nonprofit services are delivered by a large, distributed network of nonprofits, many of which are financially vulnerable. The network requires an extensive, expensive system of legal, accounting, and IT services to support it. Rather than dealing with the costs of managing funding and information flow between these nonprofits and the government, it might be better or necessary for some services to be provided directly by the government if the government is unwilling to fund them on a sensible and sustainable basis.

## **7. Lower operating costs by creating shared service utilities**

Most nonprofits outsource payroll processing to third-party providers (e.g. ADP, TriNet, etc.). What if other financial, technology, or human resource activities were handled by firms created by nonprofits for nonprofits? Typically, there are scale benefits from creating industry utilities that are big enough to offset the costs associated with outsourcing. To build these sort of shared-service utilities for nonprofits will require support and funding from outside stakeholders as nonprofits seldom have the required capital. In addition to reducing costs, a shared service utility might increase the quality of some activities by reducing errors, providing benchmarks, and raising standards.

## **8. Increase contracting with for-profits**

Most of us believe that many vital educational, health, and human services are best provided by nonprofits rather than for-profits. The mission orientation of nonprofits and the restriction they face on distributing any surplus provide important protections for clients and other stakeholders. However, if even the best governed, most efficient nonprofits cannot provide services on a sustainable basis given the nature of government contracts and the realities of nonprofit financing, then the government must, as a policy matter, consider using for-profit providers. Although the experience with for-profit providers in higher education and charter-schools has often been poor, the nonprofit sector cannot be expected to bankrupt itself on the basis of inadequate financing.

Some of these ideas (such as changing permissible administrative expense levels) would be relatively easy to implement; others (such as the transfer of programs, or the creation of utilities) would require significant structural change. We have neither detailed them, nor evaluated their pros and cons rigorously, but suggest them here for consideration<sup>13</sup>.

<sup>12</sup> A program-related investment is an investment made to advance the charitable purpose of a foundation which does not have as a significant purpose income or capital gains.

<sup>13</sup> For more detailed recommendations with respect to Human Services see [\(link to Alliance Report\)](#)

# A CALL TO ACTION

## WHAT TO DO?

If you lead or govern a nonprofit, look at these data with your own organization in mind. Where does your organization fit among your peers? Awareness is the first step toward action. And make every effort to adopt the risk management practices and develop the associated capabilities recommended in this report. Be prepared to face the reality that even stronger risk management will not guarantee survival. But knowledge is power. Knowledge may lead your organization to explore – in a timely and directive manner – consolidation, mergers and acquisitions, divestments, and orderly wind-downs as a normal part of a vibrant nonprofit sector, just as they are in the for-profit sector.

If you are a private funder, recognize that nonprofits simply cannot build necessary reserves when substantially all revenue comes in the form of restrictive grant and government contracts. Begin to explore more sustainable funding models – more flexible and less restrictive terms, provision of general operating support to vital nonprofit partners, addition of specific overhead funding vehicles, or creation of “rescue” funds to shore up distressed nonprofits.

If you are in the government, must recognize that the nonprofits to which you have, in effect, outsourced important work cannot do that work over the long-term under the current cost-minus contracting regime. Where possible, government must change the nature of your contracts and/or be willing to explore some of the more “out of the box” ideas we outline.

# APPENDIX

Appendix Table 1: Solvency ratios, by Subsector, by Size, by Geography (2014)

SOLVENCY RATIO - DEBT TO ASSETS									
Distribution (2014)	0.10	0.20	0.30	0.40	0.50	0.60	0.70	0.80	0.90
Philanthropy	0.00	0.00	0.00	0.00	<b>0.01</b>	0.03	0.09	0.21	0.49
Environment and Animal-Related	0.00	0.00	0.00	0.01	<b>0.02</b>	0.05	0.10	0.21	0.47
Religious Institutions	0.00	0.00	0.00	0.00	<b>0.02</b>	0.06	0.16	0.35	0.72
Educational Institutions	0.00	0.00	0.00	0.02	<b>0.07</b>	0.17	0.31	0.50	0.82
Science, Technology & Social Sciences	0.00	0.00	0.00	0.01	<b>0.05</b>	0.10	0.20	0.36	0.71
Other	0.00	0.00	0.00	0.01	<b>0.03</b>	0.07	0.16	0.34	0.70
Community Capacity	0.00	0.00	0.01	0.04	<b>0.08</b>	0.16	0.27	0.44	0.75
Youth Development	0.00	0.00	0.00	0.00	<b>0.02</b>	0.05	0.11	0.24	0.54
Arts, Culture & Humanities	0.00	0.00	0.00	0.02	<b>0.04</b>	0.09	0.17	0.32	0.66
Hospitals & Care Organizations	0.00	0.01	0.03	0.09	<b>0.18</b>	0.29	0.44	0.63	0.98
Health & Human Services	0.00	0.01	0.03	0.08	<b>0.16</b>	0.29	0.47	0.75	1.16
Very Small	0.00	0.00	0.00	0.00	<b>0.02</b>	0.06	0.15	0.35	0.83
Small	0.00	0.02	0.05	0.10	<b>0.16</b>	0.26	0.39	0.59	0.92
Mid-Sized	0.02	0.06	0.11	0.17	<b>0.25</b>	0.36	0.49	0.65	0.91
Large	0.03	0.09	0.16	0.24	<b>0.33</b>	0.42	0.54	0.70	0.95
Very Large	0.06	0.15	0.23	0.31	<b>0.38</b>	0.46	0.56	0.70	0.93
Supersized	0.17	0.19	0.26	0.34	<b>0.38</b>	0.41	0.48	0.54	0.62
West	0.00	0.00	0.00	0.02	<b>0.06</b>	0.13	0.26	0.47	0.85
South	0.00	0.00	0.00	0.02	<b>0.06</b>	0.13	0.26	0.47	0.86
Northeast	0.00	0.00	0.01	0.04	<b>0.10</b>	0.20	0.36	0.57	0.95
Midwest	0.00	0.00	0.01	0.03	<b>0.07</b>	0.14	0.26	0.46	0.84
International	0.00	0.01	0.05	0.11	<b>0.21</b>	0.33	0.50	0.66	0.97
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>	<b>0.01</b>	<b>0.03</b>	<b>0.07</b>	<b>0.15</b>	<b>0.28</b>	<b>0.49</b>	<b>0.88</b>

Appendix Table 2: Liquidity ratios, by Subsector, by Size, by Geography (2014)

CURRENT ASSETS/CURRENT LIABILITIES									
Distribution (2014)	0.10	0.20	0.30	0.40	0.50	0.60	0.70	0.80	0.90
Philanthropy	0.3	1.0	1.8	3.4	<b>6.3</b>	12.5	26.8	63.5	232.2
Environment and Animal-Related	0.3	1.0	2.1	4.0	<b>7.2</b>	13.3	25.4	56.7	175.9
Religious Institutions	0.1	0.2	0.6	1.2	<b>2.7</b>	6.4	14.3	34.5	114.6
Educational Institutions	0.2	0.4	0.8	1.3	<b>2.2</b>	4.0	8.1	20.7	83.7
Science, Technology & Social Sciences	0.3	1.0	1.6	2.7	<b>4.5</b>	8.4	15.1	31.6	118.5
Other	0.2	0.7	1.3	2.4	<b>4.3</b>	7.8	16.0	34.9	103.5
Community Capacity	0.2	0.5	0.9	1.5	<b>2.5</b>	4.6	9.0	19.6	61.0
Youth Development	0.2	0.6	1.2	2.2	<b>4.0</b>	7.4	14.2	30.3	95.3
Arts, Culture & Humanities	0.1	0.5	1.0	1.9	<b>3.6</b>	6.9	14.4	33.8	108.2
Hospitals & Care Organizations	0.2	0.4	0.7	1.1	<b>1.7</b>	2.8	5.7	14.5	54.5
Health & Human Services	0.0	0.1	0.3	0.7	<b>1.3</b>	2.4	4.8	10.9	34.6
Very Small	0.1	0.3	0.8	1.6	<b>3.4</b>	7.3	15.6	36.1	119.4
Small	0.1	0.4	0.7	1.3	<b>2.1</b>	3.6	6.4	13.3	40.0
Mid-Sized	0.2	0.4	0.6	1.0	<b>1.5</b>	2.3	3.8	7.0	19.4
Large	0.2	0.4	0.6	0.8	<b>1.2</b>	1.6	2.6	4.6	12.0
Very Large	0.2	0.4	0.6	0.8	<b>1.0</b>	1.3	1.8	2.7	6.4
Supersized	0.4	0.7	0.8	1.0	<b>1.1</b>	1.2	1.5	1.7	1.9
West	0.1	0.4	0.8	1.5	<b>2.7</b>	5.1	10.0	23.3	78.9
South	0.1	0.3	0.7	1.3	<b>2.4</b>	4.6	9.7	23.7	79.3
Northeast	0.1	0.3	0.7	1.1	<b>1.9</b>	3.5	7.1	17.2	61.1
Midwest	0.1	0.3	0.7	1.3	<b>2.3</b>	4.4	9.0	21.0	73.5
International	0.1	0.4	0.6	1.0	<b>1.4</b>	2.2	4.0	8.3	27.0
<b>TOTAL</b>	<b>0.1</b>	<b>0.3</b>	<b>0.7</b>	<b>1.3</b>	<b>2.3</b>	<b>4.3</b>	<b>8.9</b>	<b>21.2</b>	<b>73.0</b>



Appendix Table 3: 3 Year Margin, by Subsector, by Size, by Geography (2014)

3 YEAR NET INCOME MARGIN									
Distribution (2014)	0.10	0.20	0.30	0.40	0.50	0.60	0.70	0.80	0.90
Philanthropy	-19.4%	-5.4%	-0.9%	1.4%	<b>4.4%</b>	8.2%	13.1%	22.0%	37.1%
Environment and Animal-Related	-12.6%	-4.0%	-0.4%	2.0%	<b>5.0%</b>	8.4%	13.6%	21.1%	36.6%
Religious Institutions	-13.8%	-4.2%	-1.0%	1.0%	<b>3.1%</b>	6.1%	10.3%	17.4%	32.1%
Educational Institutions	-9.6%	-3.1%	-0.5%	1.2%	<b>3.1%</b>	5.5%	8.5%	13.6%	25.4%
Science, Technology & Social Sciences	-20.8%	-7.3%	-2.1%	0.5%	<b>2.8%</b>	5.5%	9.2%	15.0%	26.0%
Other	-16.0%	-5.2%	-1.5%	0.3%	<b>2.3%</b>	5.0%	8.5%	14.2%	25.2%
Community Capacity	-15.9%	-5.5%	-1.5%	0.3%	<b>2.2%</b>	4.8%	8.5%	14.2%	26.1%
Youth Development	-10.2%	-4.0%	-1.1%	0.6%	<b>2.3%</b>	4.5%	7.2%	11.2%	20.4%
Arts, Culture & Humanities	-16.4%	-6.4%	-2.2%	0.3%	<b>2.5%</b>	5.3%	9.1%	15.6%	29.1%
Hospitals & Care Organizations	-14.8%	-4.7%	-1.2%	0.6%	<b>2.4%</b>	4.6%	7.3%	11.8%	22.5%
Health & Human Services	-20.8%	-7.1%	-2.6%	-0.4%	<b>1.0%</b>	2.9%	5.5%	10.0%	20.0%
Very Small	-20.9%	-7.1%	-2.3%	0.3%	<b>2.7%</b>	5.6%	9.9%	16.9%	31.9%
Small	-10.6%	-4.1%	-1.3%	0.2%	<b>1.7%</b>	3.6%	6.2%	10.1%	18.0%
Mid-Sized	-7.8%	-2.8%	-0.7%	0.3%	<b>1.6%</b>	3.2%	5.3%	8.3%	14.7%
Large	-5.9%	-1.9%	-0.3%	0.6%	<b>1.7%</b>	3.2%	5.1%	7.8%	12.9%
Very Large	-3.8%	-0.4%	0.5%	1.6%	<b>2.9%</b>	4.4%	6.0%	8.1%	11.9%
Supersized	0.6%	1.1%	1.9%	2.4%	<b>2.7%</b>	3.5%	4.4%	5.4%	8.2%
West	-15.0%	-4.8%	-1.3%	0.5%	<b>2.3%</b>	4.7%	7.9%	13.2%	25.1%
South	-16.5%	-5.6%	-1.8%	0.2%	<b>2.2%</b>	4.6%	8.0%	13.5%	25.8%
Northeast	-16.3%	-5.6%	-1.7%	0.2%	<b>2.0%</b>	4.3%	7.5%	12.8%	24.7%
Midwest	-15.1%	-4.9%	-1.3%	0.6%	<b>2.5%</b>	5.0%	8.4%	14.0%	26.8%
International	-20.7%	-7.4%	-2.8%	0.0%	<b>1.6%</b>	4.2%	7.9%	13.6%	28.6%
<b>TOTAL</b>	<b>-15.8%</b>	<b>-5.3%</b>	<b>-1.5%</b>	<b>0.4%</b>	<b>2.2%</b>	<b>4.6%</b>	<b>7.9%</b>	<b>13.4%</b>	<b>25.7%</b>

Appendix Table 4A: Months of cash, by Subsector, by Size, by Geography (2014)

MONTHS OF CASH RATIO									
Distribution (2014)	0.10	0.20	0.30	0.40	0.50	0.60	0.70	0.80	0.90
Philanthropy	0.3	1.1	2.3	3.7	<b>5.4</b>	7.7	11.1	16.7	37.1
Environment and Animal-Related	0.6	1.3	2.3	3.4	<b>4.6</b>	6.4	9.2	13.6	26.1
Religious Institutions	0.2	0.7	1.3	2.0	<b>2.9</b>	4.3	6.3	10.3	22.3
Educational Institutions	0.3	0.9	1.7	2.5	<b>3.7</b>	5.1	7.3	11.2	21.4
Science, Technology & Social Sciences	0.5	1.3	2.1	3.2	<b>4.7</b>	6.6	9.7	14.7	29.2
Other	0.3	1.0	1.8	2.7	<b>3.8</b>	5.3	7.6	11.7	22.9
Community Capacity	0.4	1.1	2.0	3.1	<b>4.5</b>	6.4	9.2	13.8	25.7
Youth Development	0.4	1.0	1.6	2.4	<b>3.3</b>	4.5	6.0	8.3	13.9
Arts, Culture & Humanities	0.4	0.9	1.6	2.4	<b>3.4</b>	4.8	7.0	10.8	20.6
Hospitals & Care Organizations	0.1	0.4	0.9	1.4	<b>2.2</b>	3.4	5.4	9.0	19.4
Health & Human Services	0.2	0.5	0.9	1.5	<b>2.3</b>	3.3	4.9	7.6	14.0
Very Small	0.3	1.0	1.8	2.9	<b>4.3</b>	6.2	8.9	13.7	28.0
Small	0.2	0.6	1.1	1.7	<b>2.4</b>	3.3	4.5	6.4	10.7
Mid-Sized	0.2	0.5	0.9	1.3	<b>1.8</b>	2.6	3.5	5.0	8.4
Large	0.2	0.4	0.7	1.1	<b>1.5</b>	2.1	2.9	4.2	7.0
Very Large	0.0	0.3	0.5	0.8	<b>1.1</b>	1.6	2.2	3.1	5.2
Supersized	0.1	0.2	0.4	0.5	<b>0.7</b>	1.0	2.0	2.3	3.7
West	0.3	0.8	1.5	2.3	<b>3.3</b>	4.7	6.6	10.1	19.1
South	0.2	0.7	1.3	2.1	<b>3.2</b>	4.6	6.8	10.5	20.1
Northeast	0.3	0.8	1.4	2.2	<b>3.2</b>	4.7	6.9	10.8	21.1
Midwest	0.2	0.7	1.3	2.1	<b>3.1</b>	4.6	6.7	10.4	20.1
International	0.2	0.6	1.1	1.7	<b>2.5</b>	3.7	5.4	7.8	14.2
<b>TOTAL</b>	<b>0.2</b>	<b>0.7</b>	<b>1.4</b>	<b>2.2</b>	<b>3.2</b>	<b>4.6</b>	<b>6.8</b>	<b>10.4</b>	<b>20.1</b>

Appendix Table 4B: Months of cash and investments, by Subsector, by Size, by Geography (2014)

MONTHS OF (CASH + INVESTMENTS) RATIO									
Distribution (2014)	0.10	0.20	0.30	0.40	0.50	0.60	0.70	0.80	0.90
Philanthropy	0.6	2.2	4.4	7.7	<b>12.4</b>	22.8	57.4	133.6	246.2
Environment and Animal-Related	0.7	1.8	3.1	4.7	<b>6.9</b>	10.1	15.0	24.8	56.7
Religious Institutions	0.2	0.8	1.5	2.4	<b>3.6</b>	5.4	8.6	16.0	57.9
Educational Institutions	0.4	1.3	2.3	3.6	<b>5.4</b>	8.1	12.7	24.8	89.8
Science, Technology & Social Sciences	0.7	1.9	3.5	5.7	<b>8.6</b>	12.8	19.5	33.9	80.2
Other	0.4	1.2	2.2	3.4	<b>5.0</b>	7.2	10.7	18.2	48.5
Community Capacity	0.5	1.3	2.4	3.8	<b>5.5</b>	8.1	11.8	19.0	41.7
Youth Development	0.4	1.1	1.9	2.8	<b>4.0</b>	5.4	7.3	10.7	20.9
Arts, Culture & Humanities	0.5	1.2	2.2	3.5	<b>5.3</b>	7.9	12.4	21.7	52.2
Hospitals & Care Organizations	0.1	0.6	1.3	2.3	<b>3.7</b>	5.8	9.4	18.2	60.0
Health & Human Services	0.2	0.6	1.1	1.9	<b>2.9</b>	4.3	6.4	10.3	21.4
Very Small	0.3	1.1	2.1	3.5	<b>5.2</b>	7.8	11.9	21.4	64.5
Small	0.3	0.8	1.5	2.3	<b>3.3</b>	4.8	7.2	12.2	31.6
Mid-Sized	0.3	0.7	1.3	2.0	<b>3.1</b>	4.5	6.9	12.1	35.9
Large	0.3	0.7	1.2	2.0	<b>3.0</b>	4.6	7.3	12.8	32.6
Very Large	0.1	0.6	1.4	2.5	<b>4.1</b>	6.2	9.3	14.8	38.9
Supersized	0.6	2.0	5.8	6.8	<b>8.1</b>	9.9	12.2	16.5	31.1
West	0.4	1.0	1.8	2.9	<b>4.2</b>	6.1	9.1	15.2	41.0
South	0.3	0.8	1.7	2.7	<b>4.2</b>	6.3	9.7	16.7	46.6
Northeast	0.3	1.0	1.9	3.2	<b>4.9</b>	7.3	11.5	20.2	56.1
Midwest	0.3	1.0	1.9	3.0	<b>4.6</b>	6.9	10.9	20.2	74.2
International	0.2	0.8	1.4	2.3	<b>3.7</b>	5.9	9.3	14.1	42.1
<b>TOTAL</b>	<b>0.3</b>	<b>1.0</b>	<b>1.8</b>	<b>2.9</b>	<b>4.4</b>	<b>6.6</b>	<b>10.2</b>	<b>17.9</b>	<b>52.5</b>

Appendix Table 4C: Months of operating reserves, by Subsector, by Size, by Geography (2014)

MONTHS OF OPERATING RESERVE									
Distribution (2014)	0.10	0.20	0.30	0.40	0.50	0.60	0.70	0.80	0.90
Philanthropy	-17.9	-5.6	0.0	0.0	<b>0.0</b>	1.5	4.7	10.7	31.8
Environment and Animal-Related	-22.6	-4.9	-0.2	0.0	<b>1.0</b>	3.1	6.0	12.0	29.1
Religious Institutions	-21.4	-3.9	-0.2	0.0	<b>0.0</b>	1.1	3.1	7.2	21.8
Educational Institutions	-14.3	-3.1	-0.3	0.0	<b>0.1</b>	1.7	3.9	7.8	19.7
Science, Technology & Social Sciences	-19.2	-3.6	0.0	0.0	<b>1.0</b>	3.0	6.4	12.0	28.6
Other	-10.6	-0.5	0.0	0.0	<b>0.8</b>	2.3	4.6	8.9	20.2
Community Capacity	-14.1	-2.2	0.0	0.1	<b>1.6</b>	3.5	6.2	11.2	27.3
Youth Development	-10.2	-1.2	0.0	0.0	<b>0.4</b>	2.1	4.1	7.2	16.1
Arts, Culture & Humanities	-20.5	-6.0	-1.2	0.0	<b>0.1</b>	1.7	4.2	9.4	27.4
Hospitals & Care Organizations	-19.2	-6.8	-1.0	0.0	<b>1.1</b>	2.9	5.7	10.7	25.6
Health & Human Services	-12.3	-2.7	-0.3	0.0	<b>1.2</b>	2.9	5.5	11.1	30.6
Very Small	-14.5	-2.6	-0.1	0.0	<b>0.3</b>	2.3	5.2	10.6	29.1
Small	-15.2	-3.5	-0.5	0.0	<b>1.1</b>	2.5	4.5	8.1	19.2
Mid-Sized	-18.7	-4.7	-0.6	0.1	<b>1.2</b>	2.4	4.3	7.9	19.3
Large	-20.5	-5.8	-0.9	0.2	<b>1.2</b>	2.6	4.6	9.0	22.1
Very Large	-25.5	-10.5	-3.7	-0.4	<b>0.3</b>	1.7	4.4	9.6	24.4
Supersized	-7.1	-0.5	0.7	2.1	<b>2.8</b>	3.7	5.5	8.3	25.7
West	-12.6	-1.6	0.0	0.0	<b>0.7</b>	2.3	4.6	8.7	21.7
South	-14.9	-2.9	-0.2	0.0	<b>0.6</b>	2.2	4.8	9.5	24.6
Northeast	-17.5	-4.8	-0.6	0.0	<b>0.8</b>	2.5	5.1	10.3	27.9
Midwest	-17.2	-4.1	-0.5	0.0	<b>0.6</b>	2.4	5.2	10.6	27.7
International	-15.3	-3.5	-0.7	0.0	<b>0.0</b>	1.1	2.9	6.7	21.5
<b>TOTAL</b>	<b>-15.5</b>	<b>-3.2</b>	<b>-0.2</b>	<b>0.0</b>	<b>0.7</b>	<b>2.4</b>	<b>4.9</b>	<b>9.7</b>	<b>25.3</b>

Appendix Table 5: Financial Health Metrics, Hospitals and HHS by Size (2014)

<b>DEBT TO ASSET RATIO, HHS/HOSPITALS</b>									
Distribution (2014)	0.10	0.20	0.30	0.40	0.50	0.60	0.70	0.80	0.90
<b>Health &amp; Human Services</b>									
Very Small	0.0	0.0	0.0	0.0	<b>0.1</b>	0.2	0.4	0.8	1.3
Small	0.0	0.0	0.1	0.1	<b>0.2</b>	0.3	0.5	0.7	1.0
Mid-Sized	0.0	0.1	0.2	0.2	<b>0.3</b>	0.4	0.5	0.7	0.9
Large	0.1	0.1	0.2	0.3	<b>0.4</b>	0.5	0.6	0.8	1.0
Very Large+	0.1	0.2	0.3	0.4	<b>0.5</b>	0.6	0.7	0.9	1.0
<b>Hospitals &amp; Care Organizations</b>									
Very Small	0.0	0.0	0.0	0.0	<b>0.0</b>	0.1	0.1	0.3	0.7
Small	0.0	0.0	0.0	0.1	<b>0.2</b>	0.3	0.4	0.6	1.0
Mid-Sized	0.0	0.1	0.1	0.2	<b>0.3</b>	0.4	0.6	0.8	1.1
Large	0.1	0.1	0.2	0.3	<b>0.4</b>	0.5	0.6	0.8	1.2
Very Large+	0.1	0.3	0.3	0.4	<b>0.5</b>	0.5	0.6	0.8	1.0
<b>SHORT-TERM ASSETS TO SHORT-TERM LIABILITIES, HHS/HOSPITALS</b>									
Distribution (2014)	0.10	0.20	0.30	0.40	0.50	0.60	0.70	0.80	0.90
<b>Health &amp; Human Services</b>									
Very Small	0.0	0.1	0.2	0.6	<b>1.4</b>	3.2	7.4	17.9	55.6
Small	0.1	0.2	0.4	0.8	<b>1.4</b>	2.4	4.2	7.9	20.2
Mid-Sized	0.1	0.3	0.5	0.8	<b>1.1</b>	1.6	2.5	4.3	9.8
Large	0.1	0.3	0.5	0.7	<b>0.9</b>	1.2	1.8	2.9	6.6
Very Large+	0.2	0.3	0.5	0.6	<b>0.9</b>	1.2	1.5	2.4	5.2
<b>Hospitals &amp; Care Organizations</b>									
Very Small	0.1	0.6	1.4	3.0	<b>6.0</b>	12.2	24.6	53.4	161.8
Small	0.2	0.5	0.9	1.5	<b>2.4</b>	4.1	7.3	15.6	48.8
Mid-Sized	0.1	0.3	0.6	0.9	<b>1.3</b>	1.8	3.1	5.9	16.6
Large	0.1	0.3	0.5	0.7	<b>1.0</b>	1.4	2.0	3.4	7.7
Very Large+	0.2	0.3	0.5	0.6	<b>0.8</b>	1.0	1.3	1.8	3.1

Appendix Table 5: Financial Health Metrics, Hospitals and HHS by Size (2014)

<b>3 YEAR NET INCOME MARGIN, HHS/HOSPITALS</b>									
Distribution (2014)	0.10	0.20	0.30	0.40	0.50	0.60	0.70	0.80	0.90
<b>Health &amp; Human Services</b>									
Very Small	-31.1%	-12.7%	-4.8%	-1.2%	<b>0.9%</b>	3.4%	6.9%	12.7%	26.2%
Small	-9.7%	-4.1%	-1.6%	0.0%	<b>1.2%</b>	2.7%	4.7%	8.0%	14.9%
Mid-Sized	-5.7%	-2.3%	-0.7%	0.2%	<b>1.1%</b>	2.2%	3.9%	6.1%	11.2%
Large	-4.3%	-1.6%	-0.4%	0.3%	<b>1.1%</b>	2.0%	3.3%	5.2%	8.6%
Very Large+	-3.0%	-0.9%	0.0%	0.2%	<b>0.8%</b>	1.4%	2.3%	3.8%	6.2%
<b>Hospitals &amp; Care Organizations</b>									
Very Small	-20.4%	-7.4%	-2.2%	0.6%	<b>3.7%</b>	7.0%	12.6%	20.6%	38.2%
Small	-15.6%	-5.3%	-1.9%	0.0%	<b>1.6%</b>	3.6%	6.3%	10.8%	19.7%
Mid-Sized	-11.1%	-3.7%	-1.1%	0.1%	<b>1.6%</b>	3.3%	5.5%	8.6%	14.2%
Large	-9.9%	-3.4%	-0.9%	0.4%	<b>1.6%</b>	3.2%	5.1%	7.5%	11.9%
Very Large+	-6.1%	-0.6%	0.7%	1.9%	<b>3.2%</b>	4.6%	6.1%	8.0%	11.3%
<b>MONTHS OF CASH, HHS/HOSPITALS</b>									
Distribution (2014)	0.10	0.20	0.30	0.40	0.50	0.60	0.70	0.80	0.90
<b>Health &amp; Human Services</b>									
Very Small	0.2	0.6	1.1	2.0	<b>3.1</b>	4.6	6.7	10.2	19.5
Small	0.2	0.5	0.9	1.3	<b>1.9</b>	2.6	3.5	5.0	8.1
Mid-Sized	0.2	0.4	0.7	1.1	<b>1.4</b>	1.9	2.6	3.6	6.1
Large	0.2	0.4	0.6	0.9	<b>1.2</b>	1.6	2.2	2.9	4.7
Very Large+	0.1	0.3	0.5	0.7	<b>0.9</b>	1.3	1.7	2.3	3.7
<b>Hospitals &amp; Care Organizations</b>									
Very Small	0.3	1.2	2.4	3.8	<b>5.7</b>	8.3	12.3	20.0	45.1
Small	0.1	0.5	0.9	1.5	<b>2.2</b>	3.1	4.5	6.8	12.0
Mid-Sized	0.1	0.3	0.5	0.9	<b>1.2</b>	1.8	2.6	4.1	6.9
Large	0.0	0.2	0.4	0.7	<b>1.1</b>	1.6	2.2	3.3	5.9
Very Large+	0.0	0.1	0.3	0.5	<b>0.8</b>	1.1	1.6	2.2	3.7

Appendix Table 5: Financial Health Metrics, Hospitals and HHS by Size (2014)

<b>MONTHS OF CASH AND INVESTMENT, HHS/HOSPITALS</b>									
<b>Distribution (2014)</b>	<b>0.10</b>	<b>0.20</b>	<b>0.30</b>	<b>0.40</b>	<b>0.50</b>	<b>0.60</b>	<b>0.70</b>	<b>0.80</b>	<b>0.90</b>
<b>Health &amp; Human Services</b>									
Very Small	0.2	0.6	1.3	2.2	<b>3.5</b>	5.2	7.8	12.4	27.4
Small	0.2	0.6	1.1	1.7	<b>2.4</b>	3.4	4.9	7.5	14.1
Mid-Sized	0.2	0.6	1.0	1.4	<b>2.1</b>	3.0	4.2	6.4	12.5
Large	0.3	0.6	1.0	1.4	<b>2.0</b>	2.8	4.2	6.7	13.1
Very Large+	0.2	0.5	0.8	1.3	<b>2.0</b>	3.2	5.4	8.8	19.7
<b>Hospitals &amp; Care Organizations</b>									
Very Small	0.4	1.5	2.9	4.8	<b>7.3</b>	11.1	18.0	36.4	105.1
Small	0.2	0.6	1.3	2.2	<b>3.2</b>	5.1	8.1	15.9	51.7
Mid-Sized	0.1	0.4	0.7	1.2	<b>1.9</b>	3.1	4.9	9.1	32.2
Large	0.1	0.3	0.7	1.1	<b>1.8</b>	2.7	4.2	7.2	21.1
Very Large+	0.0	0.3	0.7	1.3	<b>2.3</b>	3.5	5.1	7.6	13.6
<b>MONTHS OF OPERATING RESERVE, HHS/HOSPITALS</b>									
<b>Distribution (2014)</b>	<b>0.10</b>	<b>0.20</b>	<b>0.30</b>	<b>0.40</b>	<b>0.50</b>	<b>0.60</b>	<b>0.70</b>	<b>0.80</b>	<b>0.90</b>
<b>Health &amp; Human Services</b>									
Very Small	-11.6	-2.8	-0.5	0.0	<b>0.7</b>	2.8	6.0	12.8	37.6
Small	-13.7	-3.0	-0.3	0.4	<b>1.6</b>	2.9	5.0	9.1	20.5
Mid-Sized	-14.1	-1.9	0.0	0.9	<b>1.8</b>	3.0	5.0	8.9	21.6
Large	-12.7	-1.3	0.1	1.0	<b>1.9</b>	3.2	5.2	9.9	25.0
Very Large+	-16.6	-1.5	0.0	0.4	<b>1.1</b>	2.0	3.8	8.0	20.5
<b>Hospitals &amp; Care Organizations</b>									
Very Small	-16.9	-4.6	-0.1	0.0	<b>1.2</b>	3.7	7.4	13.7	36.6
Small	-17.9	-5.9	-0.8	0.0	<b>1.4</b>	2.9	5.0	9.0	20.7
Mid-Sized	-18.7	-6.4	-1.1	0.0	<b>1.3</b>	2.6	4.4	8.0	18.2
Large	-21.1	-8.4	-1.9	0.0	<b>1.2</b>	2.8	4.8	8.7	20.1
Very Large+	-26.0	-11.8	-4.9	-1.1	<b>0.2</b>	1.7	4.8	9.6	23.4

Appendix Table 6: Philanthropy as a percentage of total revenues (2014)

PHILANTHROPY AS A PERCENTAGE OF GROSS REVENUE									
Distribution (2014)	0.10	0.20	0.30	0.40	0.50	0.60	0.70	0.80	0.90
Religious Institutions	0%	13%	40%	64%	<b>85%</b>	97%	100%	100%	100%
Environment and Animal-Related	3%	16%	31%	46%	<b>60%</b>	74%	87%	96%	100%
Philanthropy	0%	0%	14%	36%	<b>61%</b>	83%	95%	100%	100%
Arts, Culture & Humanities	3%	12%	22%	33%	<b>43%</b>	54%	67%	81%	97%
Science, Technology & Social Sciences	0%	1%	8%	21%	<b>38%</b>	63%	86%	99%	100%
Other	0%	2%	15%	42%	<b>69%</b>	91%	99%	100%	100%
Youth Development	0%	2%	7%	16%	<b>30%</b>	49%	70%	89%	100%
Community Capacity	0%	0%	4%	11%	<b>24%</b>	42%	64%	88%	100%
Educational Institutions	0%	1%	4%	9%	<b>17%</b>	32%	55%	83%	100%
Health & Human Services	0%	0%	0%	2%	<b>9%</b>	22%	44%	76%	99%
Hospitals & Care Organizations	0%	0%	0%	1%	<b>3%</b>	11%	31%	69%	98%
Very Small	0%	0%	8%	22%	<b>41%</b>	63%	85%	98%	100%
Small	0%	0%	2%	7%	<b>15%</b>	28%	46%	69%	94%
Mid-Sized	0%	0%	1%	3%	<b>6%</b>	13%	23%	42%	74%
Large	0%	0%	0%	2%	<b>3%</b>	7%	13%	26%	59%
Very Large	0%	0%	0%	0%	<b>1%</b>	3%	6%	13%	34%
Supersized	0%	0%	0%	0%	<b>2%</b>	2%	3%	7%	8%
West	0%	1%	6%	16%	<b>32%</b>	53%	77%	96%	100%
South	0%	0%	4%	14%	<b>29%</b>	50%	75%	95%	100%
Northeast	0%	0%	2%	8%	<b>19%</b>	37%	60%	86%	100%
Midwest	0%	0%	2%	8%	<b>20%</b>	38%	60%	84%	99%
International	0%	0%	3%	10%	<b>21%</b>	41%	67%	91%	100%



Appendix Table 7: Solvency Statistics by Segment

SEGMENTATION	% INSOLVENT	% OF SOLVENCY GAP
<b>SIZE</b>		
Very Small (\$0–\$1 MM)	7%	11%
Small (\$1–\$5 MM)	8%	9%
Mid-Sized (\$5–\$10 MM)	7%	6%
Large (\$10–\$50 MM)	8%	25%
Very Large (\$50 MM–\$5 BN)	7%	49%
Supersized (>\$ 5 BN)	0%	0%
<b>SUBSECTOR</b>		
Arts, Culture & Humanities	5%	1%
Community Capacity	5%	3%
Educational Institutions	6%	6%
Environment and Animal-Related	3%	0%
Health & Human Services	13%	28%
Hospitals & Care Organizations	9%	53%
Other	5%	3%
Philanthropy	3%	1%
Religious Institutions	5%	1%
Science, Technology & Social Sciences	5%	2%
Unknown	7%	2%
Youth Development	4%	0%
<b>TOTAL</b>	<b>7.4%</b>	<b>\$50.6 BN</b>

## ABOUT THE AUTHORS

Oliver Wyman is a global management consulting firm, and part of the Marsh & McLennan Companies (MMC), a global professional services network with brands and affiliates in more than 100 countries. Oliver Wyman's management consulting business has more than 4,000 consultants working out of offices in over 50 cities, spread across some 26 countries. Oliver Wyman Group also includes NERA Economic Consulting and the brand and identity consultancy Lippincott.

Guidestar is the world's leading provider of information about the nonprofit sector. Guidestar is a 501(c)(3) public charity that collects, organizes, and presents nonprofit data, including 990 tax filing data as well as additional information directly sourced from nonprofits, in an easy-to-understand, searchable, and analyzable format. The organization seeks to disseminate nonprofit information to a broad audience at no costs, as a public service.

SeaChange Capital Partners is a merchant bank focused exclusively on the nonprofit sector and itself a nonprofit. SeaChange assesses nonprofit risk in all aspects of its business – mergers and collaborations, lending/investment, and advisory work – and has observed first-hand both the critical difference that risk management can make for nonprofits and the wide range of risk-related practice in the sector.

This report was funded by The Philadelphia Foundation (TPF), which was founded in 1918 and strengthens the economic, social and civic vitality of Greater Philadelphia. TPF grows effective philanthropic investment, connects individuals and institutions across sectors and geography, and advances civic initiatives through partnerships and collaboration. A publicly supported foundation, TPF manages more than 900 charitable funds established by its donors and makes over 1,000 grants and scholarship awards each year. To learn more, visit [www.philafound.org](http://www.philafound.org).

The report draws on SeaChange's experience and Oliver Wyman's 30+ years of experience advising the largest global financial institutions and regulators with respect to risk management; a 2016 rigorous analysis of the most comprehensive data set on the financial performance of New York's and Philadelphia nonprofits provided by GuideStar, the largest source of information on nonprofit organizations; in-depth interviews with more than 20 executive directors, board members, and funders involved with nonprofits in distress; and discussions with the Human Services Council and the Center for an Urban Future, both of which have undertaken related projects to understand and improve the financial health of the nonprofit community

We wish to thank everyone who participated in these interviews and discussions, as well as those people who provided feedback on earlier drafts of the report. This work is motivated by our recognition that nonprofits play a critical social role improving education, alleviating poverty, providing economic opportunity, supporting our healthcare system, sustaining the arts -- their health is vital to us all. We hope to have contributed to the important discussion about how to mitigate the likelihood of acute financial distress for nonprofits of any size or sector. All are indebted to nonprofit board members who take seriously their duties of care, obedience, and loyalty to govern their organizations well, striving to maximize the good they do while managing the risks they face. We hope that this report will prove useful to at least a few of them.

Oliver Wyman is a global leader in management consulting that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation.

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