

Clay County

State of the Sector Shows Nonprofits on Track With Region; Individual Giving Remains Soft

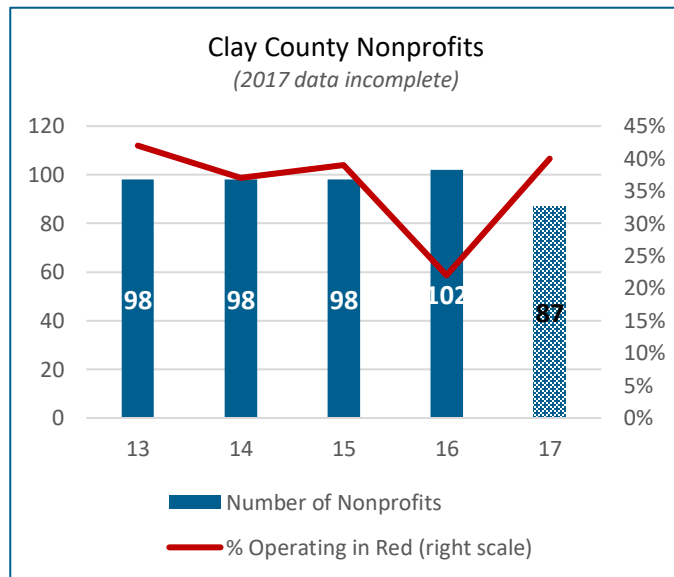
Clay County is home to about 100 nonprofits that filed with the Internal Revenue Service in recent years. While a relatively small component of the First Coast nonprofit sector, which has more than 1,300 nonprofits, Clay County nonetheless is home to some of the region’s significant nonprofit institutions.

As a group, Clay County nonprofits reflect the suburban character of the county. There are numerous organizations focused on Arts & Culture, Sports & Recreation, Religion and Environment & Animal Protection, while nonprofit health care institutions and institutions of higher education are located elsewhere – primarily in neighboring Duval County, the metropolitan center of the region.

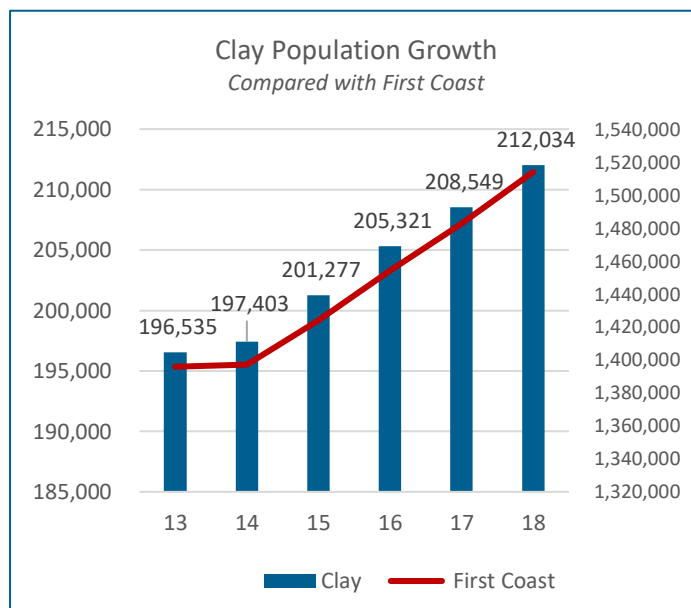
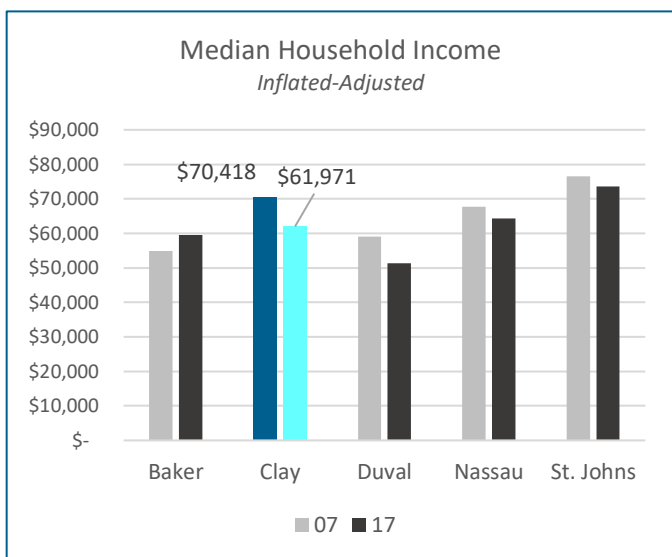
As a suburban county, Clay County has enjoyed steady population growth – up 8% since 2013, roughly the same rate of growth as the First Coast region.

Median household income in Clay County, after being adjusted for inflation, is in the mid-range for the region and, as in every other county except Baker, has not yet reached levels seen prior to the Great Recession of 2008.

About 22,000 Clay County residents – 10% of the population – lived in poverty in 2017. That represented an increase of about 600 impoverished residents over 2007. This is a critical statistic, as this



universe of individuals and families in poverty so often strain nonprofits providing human services, health care, housing and job training, child care and educational supports and a host of other services.



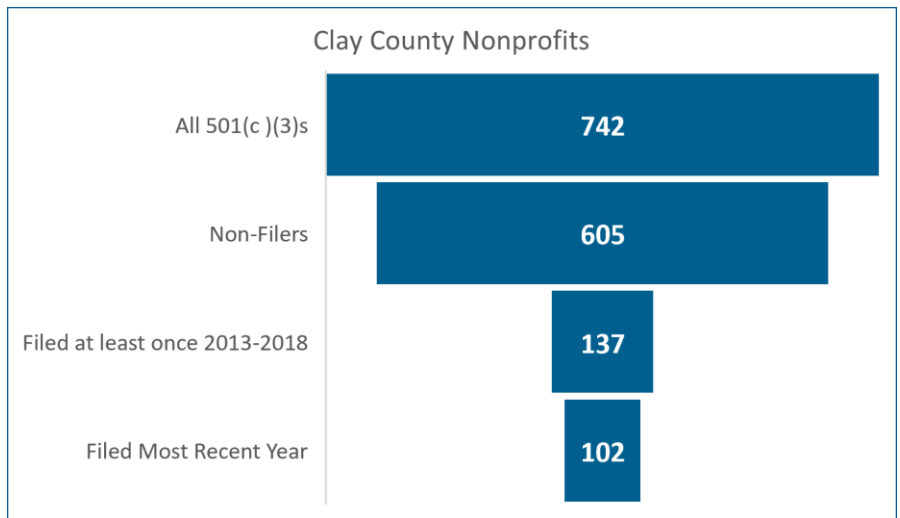
HOW MANY NONPROFITS?

In the most recent year with full data, 102 nonprofits based in Clay County filed tax returns with the Internal Revenue Service.

In total, the IRS reports 742 public charities based in Clay County have 501 (c)(3) nonprofit tax-exempt status. But most of these organizations are so small they are not required to report annually to the IRS. Others have relocated out of the area or gone out of business but not had their status updated in the IRS database. Still others have had their tax exemption revoked for noncompliance at some point during the 2012-2017 period.

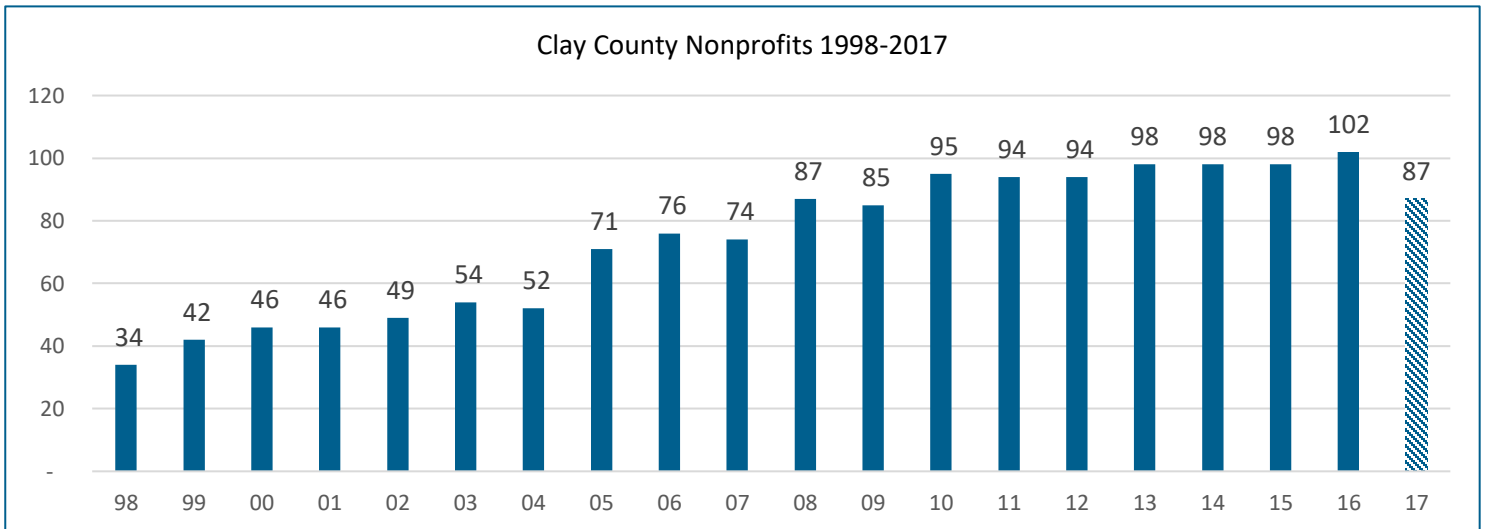
The nonprofits counted in the most recent year have active tax exemptions, were based in Clay County in the most recent year and filed either a Form 990 or a Form 990EZ with the IRS for that year. Annual filing generally is required of any active nonprofit with revenues of \$50,000 or more.¹ In other words, these are the organizations that provide the bulk of nonprofit services in the county.

Since 1998, the first year for which State of the Sector data was gathered, the number of Clay nonprofits meeting these criteria (active exemption, based in county, filed in most recent year) has



increased 200%.² But much of the growth in the early years was the result of increased filing compliance rather than creation of new organizations. In the last decade, Clay’s nonprofit sector has grown 38%.

The sector is not a static cohort. Organizations are created, go out of business, move away or become idle, changing the makeup of the sector. Since 2012, about 32% of Clay County’s nonprofit organizations have changed for one or more of these reasons, a churn rate that is consistent with that of the First Coast sector as a whole,



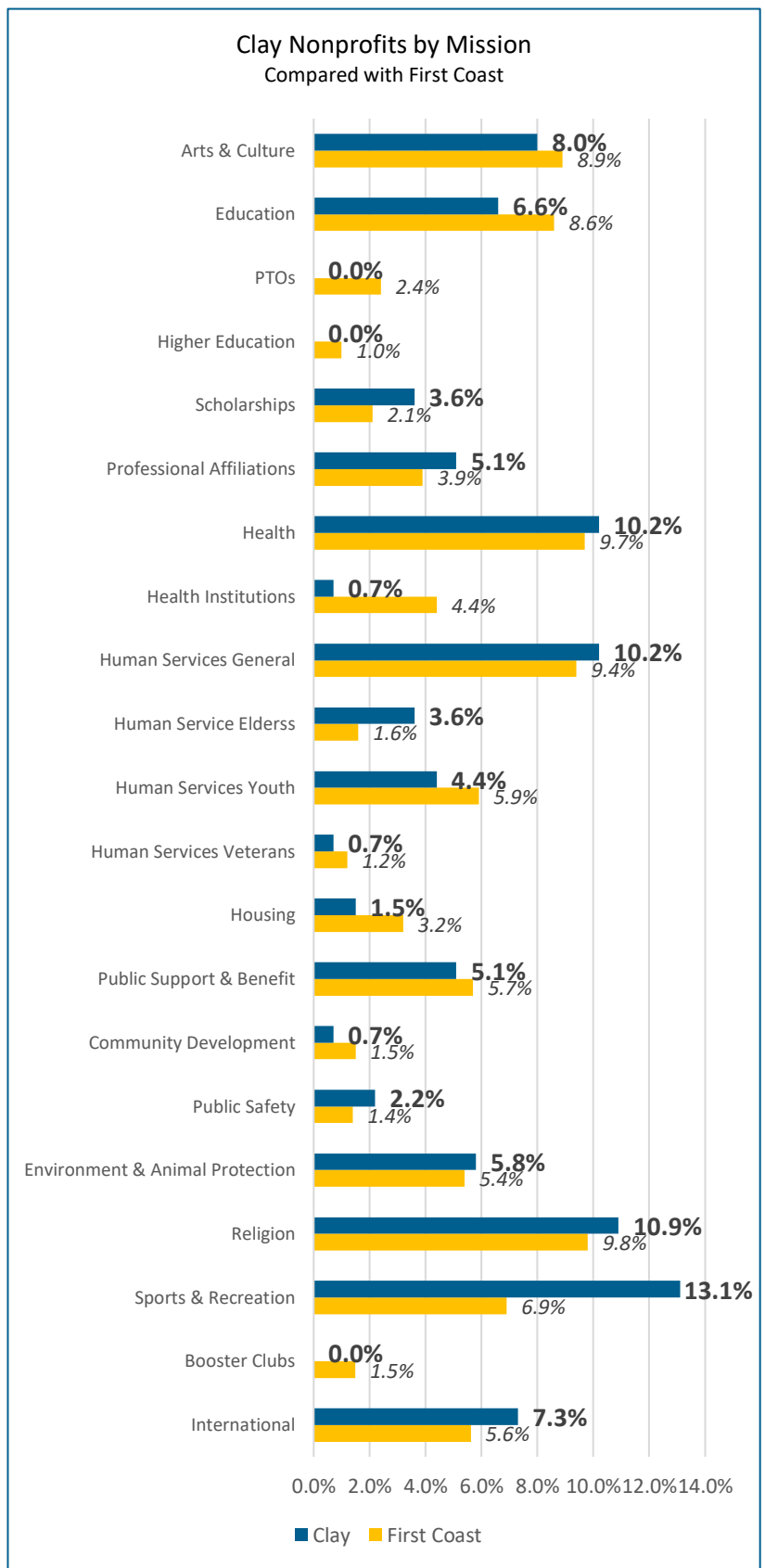
¹ The threshold was increased to \$50,000 from \$25,000 about 2010.

² 1998-2016; 2017 data is still somewhat incomplete. 110 is the number of unduplicated entities that filed in either 2016 or 2017.

NONPROFIT MISSIONS

The mix of missions for the Clay County nonprofit sector differs from that of the region’s sector, a reflection of Clay County’s status as a suburban county. Residents rely on services from other areas – particularly metropolitan Jacksonville in Duval County – and many of the larger nonprofit institutions, such as hospitals, nursing homes, colleges and universities, are located there.

The nonprofits that are located in Clay County tend to be smaller and more community based.



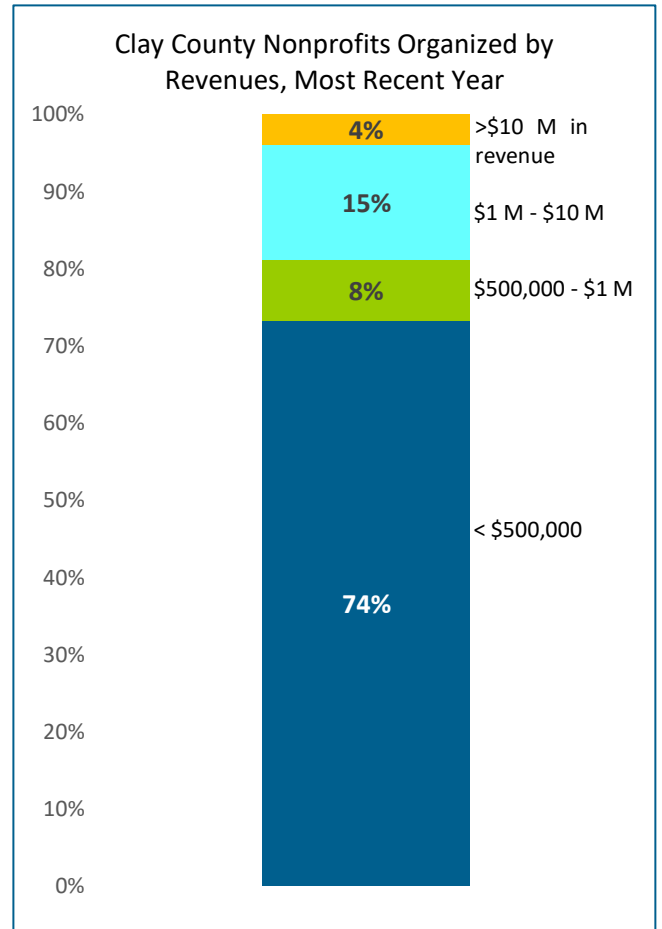
FINANCES AND SIZE

Collectively, nonprofits based in Clay County had revenues of \$130.7 million in the most recent year and held assets of \$105.99 million.

As in the broader First Coast nonprofit sector, nonprofits in Clay County tend to be small. Almost three-quarters had annual revenues of less than \$500,000 in the most recent year, and more than half of those had revenues of less than \$100,000.

Across the First Coast, the aggregate financial wealth of the nonprofit sector is enhanced significantly by the presence of large, nonprofit health institutions – hospitals, nursing homes, specialty residential health care facilities and the many supporting institutions affiliated with these nonprofits.

In Clay County (as in many other First Coast counties), these health institutions are not present or, if they are present, are linked to a parent institution that is based in another county. In Clay County, for instance, the relatively new St. Vincent’s Medical Center Clay County near Middleburg is part of the larger St. Vincent’s/Acension Health institution that is based in Duval County.



Largest Clay County Nonprofits Ranked by Revenues

1. First Coast Workforce Development
2. Penney Retirement Community
3. Moosehaven
4. St. Johns Country Day School
5. Kids First of Florida
6. Challenge Enterprises of North Florida
7. Clay Behavioral Health Center
8. Clay County Council on Aging
9. Waste Not Want Not
10. Broach School of Jacksonville
11. St. Johns Classical Academy
12. Clay County Humane Society
13. BASCA
14. Park of the Palms
15. Clay County Fair Association

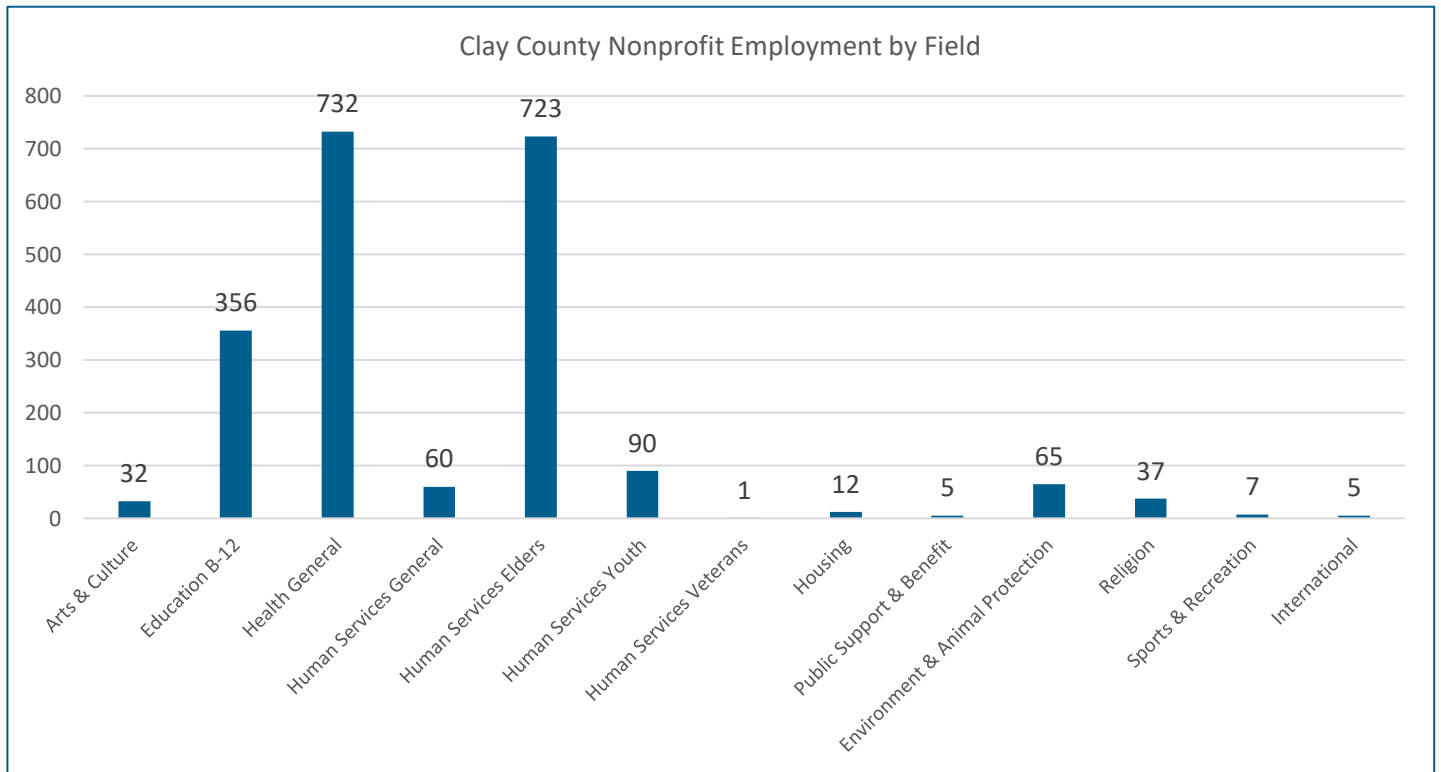
NONPROFIT EMPLOYMENT

In the most recent year, Clay County nonprofits employed 2,125 individuals, a smaller percentage of the total workforce when compared to the same statistic for the region. Across the First Coast, nonprofit employees account for 13% of the total paid employees in the five counties. In Clay County, nonprofit employees account for 5.3% of the county's total paid employees.³

Three quarters of the Clay County nonprofit workers were employed by seven Clay County nonprofits. Only 17% of Clay nonprofits reported employment of 10 or more workers. And 67% of the county's nonprofits reported having no paid employees.

These statistics are in keeping with nonprofit employment trends region-wide. In the most recent year, 66% of First Coast nonprofits reported having no paid employees,

Largest Nonprofit Employers in Clay County	
	Employment, Most Recent Year
Challenge Enterprises of North Florida	444
Penney Retirement Community	275
St. Johns Country Day School	234
Moosehaven	197
Clay County Council on Aging	174
Clay Behavioral Health Center	168
BASCA	100



³ Based on U.S. Census data

HOW NONPROFITS ARE FUNDED

Clay County nonprofits, like their peers across the country, rely on three primary revenue streams:

CONTRIBUTIONS – Gifts from individuals, charitable foundations and grantmaking entities, including for-profit businesses.

GOVERNMENT FUNDS – Government funding comes in many forms. For the most part, this report recognizes government funding as government grants, whether they are relatively small Public Service Grants made by the City of Jacksonville, or multi-million-dollar grants awarded by the State of Florida or the federal government.

EARNED INCOME – Many nonprofits charge fees for their services and many nonprofits receive third-party reimbursement for their services (insurance payments, Medicare/Medicaid, rental subsidies, etc.).

Clay County Nonprofits Filing in Most Recent Year		
Income from Contributions	Income from Government	Earned Income
20%	32%	46%

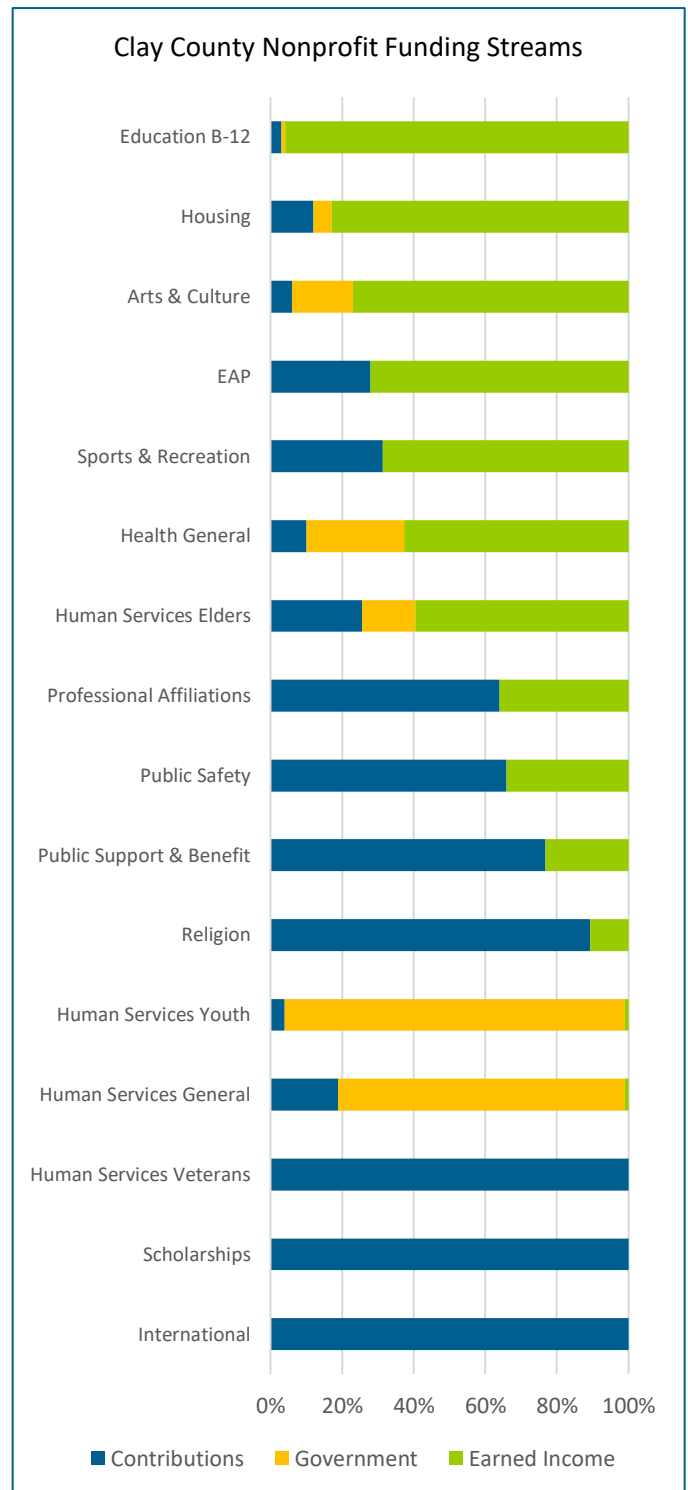
For Clay County nonprofits reporting in the most recent year, earned income was the largest aggregate income stream. In fact, 35% of the nonprofits earned more than half of their income, comparable to statistics for the five-county region.

Nine of those nonprofits earned *all* of their income. How? One exists solely to provide administrative services, for a fee, to two other large Clay nonprofits. One earns all of its income operating bingo games and giving the net profits to charities. One is a recreational sports entity that earns income from player fees. Others are schools, professional training entities and health programs that receive a mix of fees and third party payments.

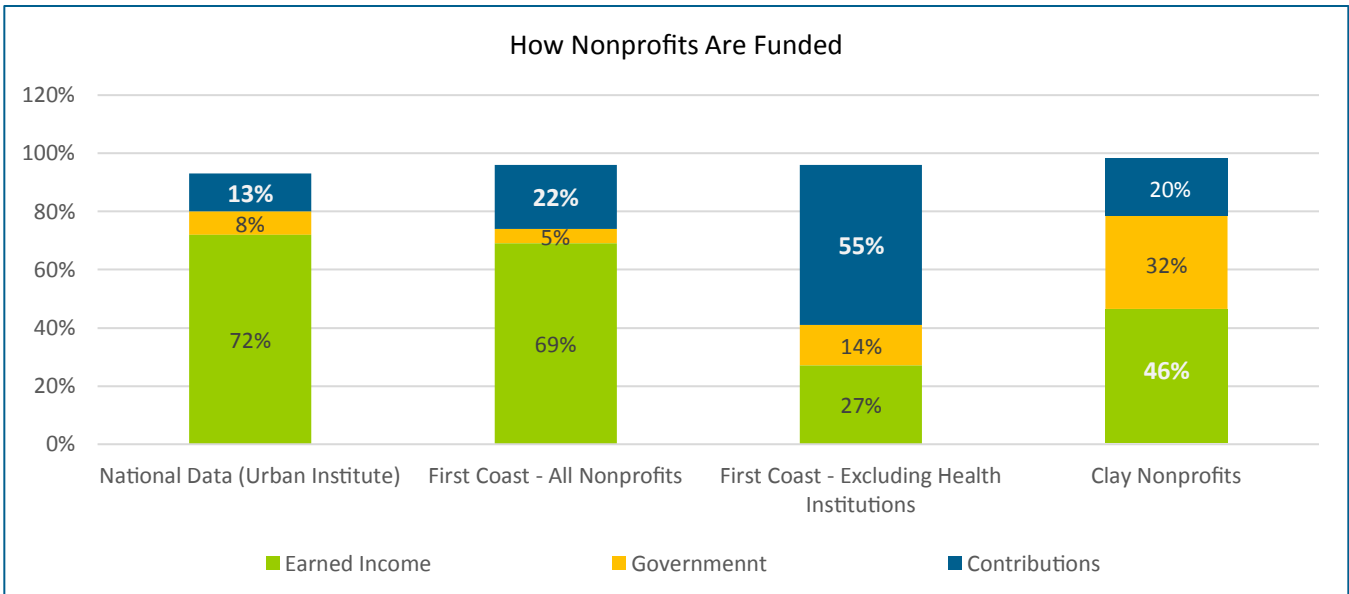
These are the outliers, however. Typically, nonprofits rely on all three revenue streams and across the sector, the mix of income varies greatly among different types of nonprofits, as shown in the table at right.

GOVERNMENT FUNDING

In the aggregate, Clay County nonprofits appear more reliant on government funding than the overall First Coast sector. Clay nonprofits received 32% of their revenue from government grants in the most recent year, while all First Coast nonprofits, excluding health institutions, received 14% of revenue from government grants.



One nonprofit is largely responsible for this apparent distortion. First Coast Workforce Development – now known as CareerSource Northeast Florida – is headquartered in Clay County and provides workforce-related services to six counties in Northeast Florida – Baker, Clay, Duval, Nassau Putnam and St. Johns. It is publicly funded, with 98% of its \$20 million budget coming from government sources. This accounts for 48% of all government funding coming to Clay County nonprofits in the most recent year.



Without First Coast Workforce Development, Clay County nonprofit funding streams look somewhat different:

- 23% of funding from contributions;
- 20% of funding from government contracts;
- 54% of funding from earned income.

This is more in line with the funding distribution of the sector region-wide, excluding health institutions.

NONPROFIT FINANCIAL HEALTH

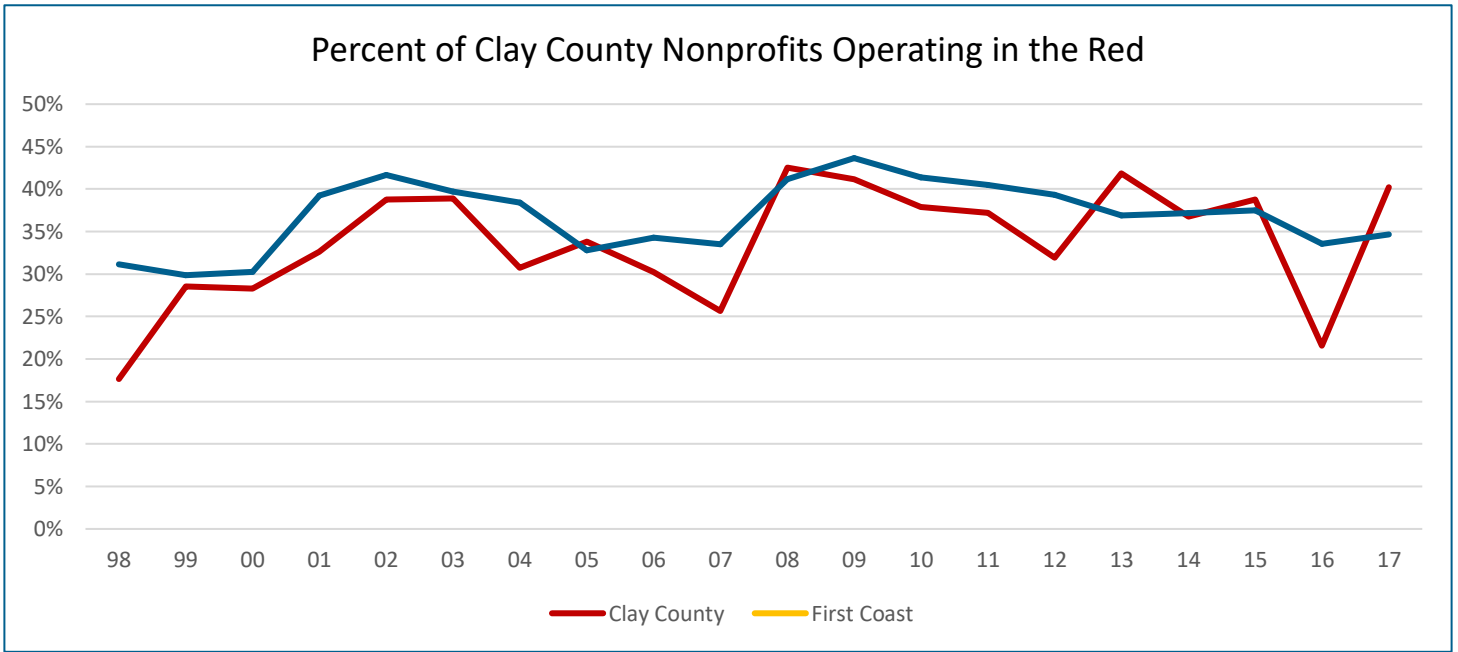
One measure of nonprofit health is the degree to which nonprofit organizations operate in the black – taking in more money than they spend in a given year, saving the excess as reserves to be used for special needs or in times of stress.

Through the years, the State of the Sector has tracked the percentage of nonprofits operating in the black vs. in the red. This trendline clearly shows the impact of the recession in the early 2000s, as well as the impact of the Great Recession in 2008 and the years following.

Clay County nonprofits generally track the performance of the larger First Coast cohort on this measure. The more ragged trajectory of the trendline is due primarily to the fact that Clay County nonprofits constitute a much smaller cohort; changes in a few organizations' status can cause dramatic statistical shifts.

This body of data has revealed some fundamental truths:

- About one in three nonprofits will operate in the red in any given year – even in normal, or prosperous, times. This is not the result of poor management necessarily; often it is because an organization is drawing on its reserves to finance a special project or expansion or other activity.
- Similarly, any given nonprofit is likely to operate in the red at least one out of every three years. Again, this often reflects the need to extend financially one year before recouping those extraordinary expenses in subsequent years.



INDIVIDUAL GIVING in CLAY COUNTY

Contributions to nonprofit organizations can come from multiple sources – charitable foundations, charitable giving funds such as United Ways, donor-advised funds or giving circles, corporate giving programs, or individuals. Historically, the largest source of charitable giving comes from individuals. Giving USA estimates that 70% of all charitable giving in 2017 came from gifts from individuals⁴.

Individual charitable contributions for tax years prior to 2018 can be monitored by analyzing IRS reports on itemized deductions on individual tax returns⁵. While this analysis does not capture all contributions (those not claimed on individual tax returns are not captured), it provides a consistent year-to-year picture of giving at a local level and, arguably, captures the bulk of individual giving in terms of value.

IRS data for tax year 2006 through tax year 2016 (the latest year available) reveals the following trends for giving by individuals on the First Coast:

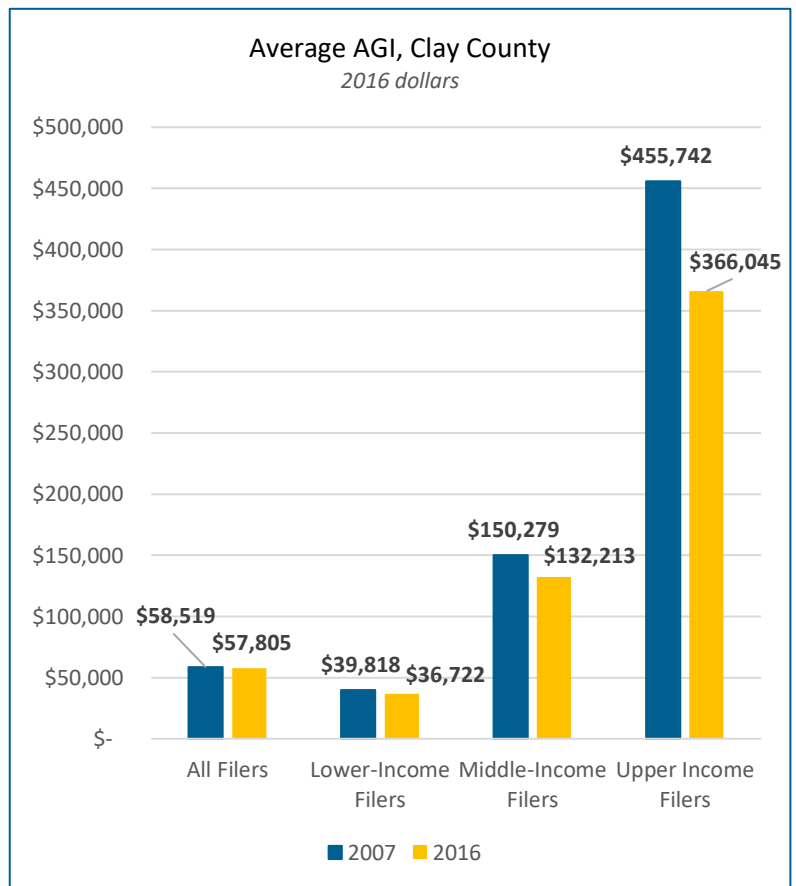
INDIVIDUALS IN CLAY COUNTY WERE NOT AS WEALTHY IN 2016 AS THEY WERE BEFORE THE RECESSION.

When adjusted for inflation, average AGI (adjusted gross income) of tax filers in Clay County in 2016 was lower than in 2007. Average AGI was down 3% among lower-income filers, down 12% among middle-income filers and down 20% among upper-income filers.

Lower-income filers are those with AGI of \$100,000 or less.

Middle-income filers have an AGI of \$100,000 to \$200,000.

Upper-income filers have an AGO of more than \$200,000.



⁴ Giving USA 2018: The Annual Report on Philanthropy for the Year 2017. Researched and written by Indiana University Lilly Family School of Philanthropy. Sponsored by Giving USA Foundation, a public service initiative of The Giving Institute. © 2018 Giving USA Foundation

⁵ The Tax Cut and Jobs Act of 2017, which dramatically reduces the percent of taxpayers who itemize deductions, likely will render these comparison invalid for tax years 2018 and beyond.

WHILE THE POOL OF POTENTIAL DONORS GREW, THE NUMBER OF ACTUAL DONORS DID NOT KEEP PACE.

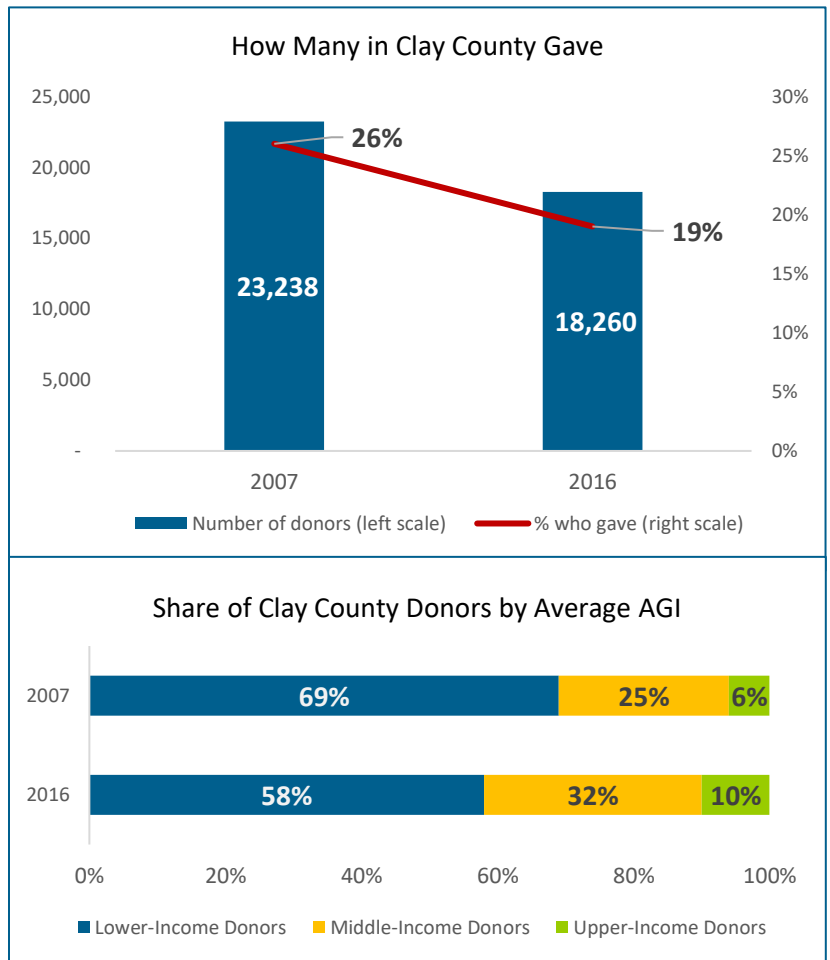
The total number of tax filers in Clay County grew 10% between 2007 and 2016. Yet the number of donors in that same period declined, both in absolute numbers and in the proportion of filers who gave.

The greatest loss of donors was among lower-income filers: 5,500 fewer gave, a drop of 34%.

Middle-income filer participation was relatively flat.

Among upper-income filers, almost 500 more gave, an increase of 37%, but that was below the pace of growth in the number of all filers and insufficient to overcome the losses among lower-income filers.

Consequently, the overall makeup of the donor pool changed. By 2016, there were proportionately fewer lower-income donors and more middle- and upper-income donors.

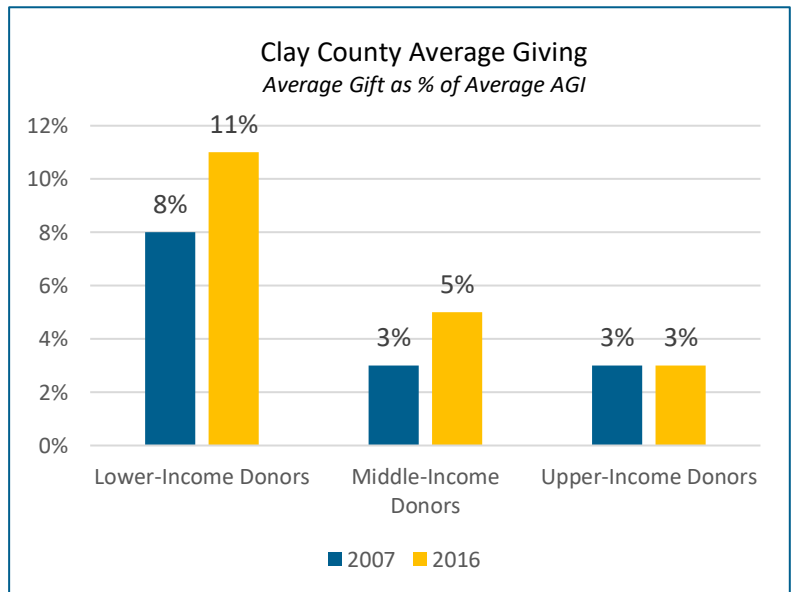


MANY OF THOSE WHO GIVE ARE GIVING MORE.

Among all Clay County donors, the average contribution expressed as a percent of average AGI, when adjusted for inflation, increased from 7% in 2007 to 9% in 2016.

Among lower- and middle-income donors, the average contribution increased both in actual dollars (adjusted for inflation) and as a percent of average AGI.

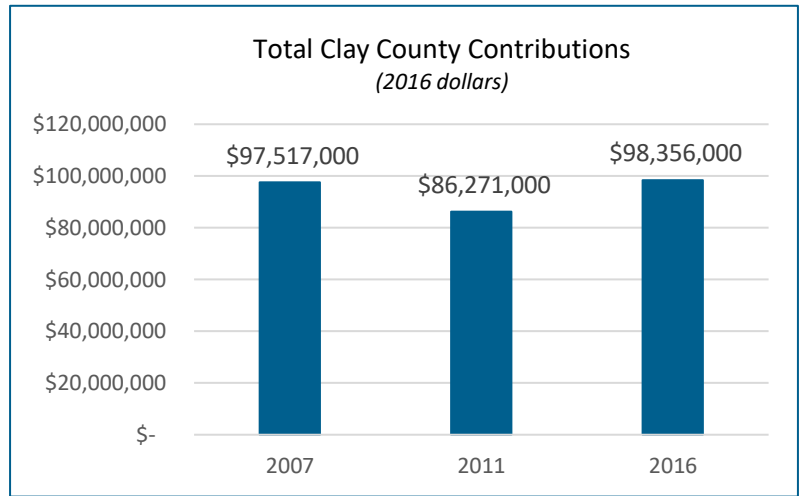
Among upper-income donors, however, the average contribution declined 16%, adjusted for inflation, from \$13,932 to \$11,428. Expressed as a percentage of average AGI, contributions by this group were unchanged, at 3% in both 2007 and 2016. This is related to the significant drop – 20% -- in average AGI among the upper-income group, referenced previously.



TOTAL CHARITABLE CONTRIBUTIONS HAVE BARELY RECOVERED FROM THE GREAT RECESSION.

Thanks to that increase in average giving, total charitable contributions in Clay County have recovered slightly from the Great Recession.

Adjusted for inflation, contributions are up almost 1% since 2007.

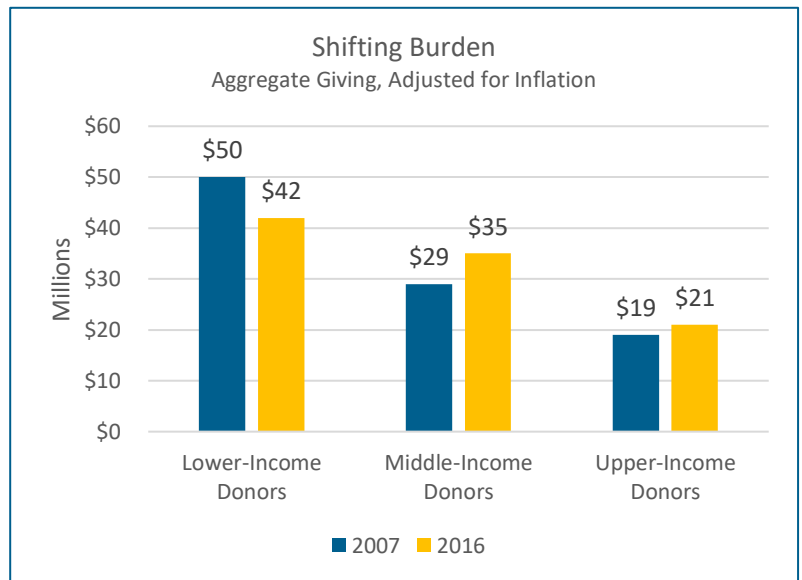


THE BURDEN OF CHARITABLE GIVING SHIFTS TO MIDDLE- AND UPPER-INCOME DONORS.

In 2007, lower-income donors in Clay County gave more, collectively, than their wealthier peers.

But by 2016, that balance had shifted, with middle- and upper-income donors out-giving their lower-income peers.

Middle- and upper-income donors now are responsible for 57% of all giving in Clay County – middle-income donors alone are responsible for more than one-third of all giving.



FORECAST FOR FUTURE GIVING IS UNCERTAIN, ANALYSTS SAY.

Several factors cause analysts to be cautious about future giving trends. Giving USA reported that, for 2018, charitable giving nationwide declined 1.7% when adjusted for inflation. “The environment for giving in 2018 was far more complex than most years, with shifts in tax policy and the volatility of the stock market,” said Rick Dunham, chair of Giving USA Foundation and CEO of Dunham + Company.

In particular, the changes in tax law under the Tax Cut and Jobs Act of 2017 will cause unknown shifts in giving as fewer taxpayers are required to itemize deductions. More than 45 million households itemized deductions in 2016, Giving USA reported; numerous studies suggest that number may have dropped to approximately 16 to 20 million households in 2018, reducing an incentive for charitable giving.

“With many donors experiencing new circumstances for their giving, it may be some time before the philanthropic sector can more fully understand how donor behavior changed in response to these forces and timing,” said Amir Pasic, Ph.D., the Eugene Tempel Dean of the Lilly Family School of Philanthropy.

CLAY COUNTY INDIVIDUAL GIVING		
	<i>All Dollar Amounts Adjusted for Inflation</i>	
2007	ALL TAX FILERS	2016
88,460	Number of returns	97,370
\$5,176,595,000	Total AGI	\$5,628,464,000
\$58,519	Average AGI	\$57,805
23,238	Number of Donors	18,260
\$97,517,000	Total Contributions	\$98,356,000
26%	% who give	19%
\$4,197	Average Contribution	\$5,386
	Lower-Income Filers	
	AGI <\$100,000	
78,248	Number of returns	82,190
\$3,115,631,000	Total AGI	\$3,018,180,000
\$39,818	Average AGI	\$36,722
16,066	Number of Donors	10,560
\$49,691,000	Total Contributions	\$42,397,000
21%	% who give	13%
\$3,093	Average Contribution	\$4,015
	Middle-Income Filers	
	AGI \$100,000-\$200,000	
8,489	Number of returns	12,600
\$1,275,717,000	Total AGI	\$1,665,889,000
\$150,279	Average AGI	\$132,213
5,840	Number of Donors	5,870
\$29,271,000	Total Contributions	\$35,046,000
69%	% who give	47%
\$5,012	Average Contribution	\$5,970
	Upper-Income Filers	
	AGI >\$200,000	
1,723	Number of returns	2,580
\$785,245,000	Total AGI	\$944,395,000
\$455,742	Average AGI	\$366,045
1,332	Number of Donors	1,830
\$18,557,000	Total Contributions	\$20,913,000
77%	% who give	71%
\$13,932	Average Contribution	\$11,428