



The Facts About Charitable Nonprofits, Federal Funding & Why It Matters to You: **An Impact Report on What's at Risk for Kentuckians**

In the wake of unprecedented federal funding cuts and uncertainty, Kentucky Nonprofit Network (KNN), the state association of charitable nonprofits, has published a comprehensive impact report illustrating the critical role nonprofit organizations play in communities across the Commonwealth — and the risks associated with limiting their ability to carry out their missions of serving you, your neighbors, and our communities. Key highlights included in this report:

Kentuckians Trust Nonprofits

Charitable nonprofits provide essential services that enhance quality of life. 81% of all voters report trusting them to engage in nonpartisan advocacy and address needs that government cannot or should not provide.

Critical Service Delivery

Nonprofits are providing services on the government's behalf with 66% at financial risk due to funding pauses and cuts, impacting vital services across the Commonwealth.

Effects on Employment & the Economy

Charitable nonprofits are a major economic force, employing one in ten Kentuckians and generating \$27.4 billion in annual expenditures and payroll. Federal funding cuts impact nonprofits directly, as well as significantly impact workforce participation in the Commonwealth fueled by nonprofit services, as well as the bottom line of businesses where nonprofits buy goods and services.

Nonprofit Accountability & Transparency

Charitable nonprofits are committed to the public good and reliant on public trust. Oversight of these organizations includes regulations and reporting requirements to ensure accountability, transparency, and responsible use of public and donor funding.



"The funding pauses and cuts facing charitable nonprofits are not just a problem for a few or for 'someone else.' This impacts everyone. Every Kentuckian benefits from the programs and services provided by charitable nonprofits, and they are also essential to our economy as employers, consumers of goods and services, strong community partners with local businesses, and key to tourism and attracting businesses to Kentucky. This report underscores the importance of the need for Kentuckians to voice their support for these organizations because when nonprofits are hurting, Kentuckians are hurting. The helpers need help to continue to make Kentucky communities good places to live, work, and raise a family."

Danielle Clore, KNN CEO

KNN is the trusted resource strengthening and advancing Kentucky's charitable nonprofits through a unified public policy voice and nonprofit management resources. KNN's 1,100 members statewide and the charitable nonprofit sector are critical to Kentucky's quality of life and are an important economic engine, employing one in 10 of the state's private sector workforce.



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www.kynonprofits.org



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emailus@kynonprofits.org



The Facts About Charitable Nonprofits, Federal Funding & Why It Matters to You:

Kentuckians at Risk

Recent executive orders and policy shifts have left charitable nonprofits grappling with significant uncertainty. Funding cuts and unpredictability place nonprofits' ability to effectively accomplish their missions of serving you, your neighbors, and your community at risk.

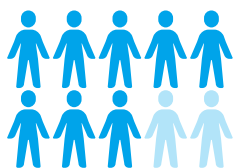
Charitable nonprofits in the U.S. date back to the 1800s with roots in the traditions of philanthropy and voluntarism. The sector grew significantly in the 1960s as a result of steadily increasing affluence of the American people and the Civil Rights movement. Today, charitable nonprofits are the lifeblood of communities - providing a way for people to work together for the common good. **Even if you don't realize it - you have, are, or will benefit from the work of charitable nonprofits!**



100% OF KENTUCKIANS ARE IMPACTED BY THE WORK OF CHARITABLE NONPROFITS.

Government often partners with charitable nonprofits to provide essential services to residents and communities on its behalf through grants and contracts. Government contracts with charitable nonprofits to provide legally required services, as well as provides grants and contracts to support programs deemed necessary for thriving communities such as those providing food security for hungry children, housing assistance for veterans, affordable access to the arts and cultural activities, disaster relief, child care, elder care, transportation, and mental health care. Nonprofits are a valued government partner because they can provide these services more effectively and more efficiently while leveraging other partners including donors and volunteers to accomplish their missions. When government, nonprofits, and community work together, we meet our most complex, vital needs with agility, urgency, and innovation. These partnerships help make Kentucky a great place to live, work, and visit.

KENTUCKIANS TRUST NONPROFITS



Trust in Nonprofit Policy Engagement: 81% of all voters in the last election, regardless of party affiliation, trust charitable nonprofits to engage in policy work that cuts through the mess of politics and serve their community in a nonpartisan way.



Nonprofits' Role in Filling the Gap: 81% of all voters agree that charitable nonprofits address vital needs that government either cannot or should not provide. They also believe the nonpartisan nonprofit engagement in policy work reduces government interference and makes organizations more effective in meeting community needs.

[Source: "New Poll: Voters Want Policymakers to Support Nonprofits in an Uncertain Time." *Independent Sector*, 18 Feb. 2025]



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The Facts About Charitable Nonprofits, Federal Funding & Why It Matters to You:

Critical Service Delivery

Federal funding cuts to nonprofits mean a decline in critical services provided to Kentuckians. These cuts not only impact charitable nonprofits; they impact people, families, and communities, creating a ripple effect across our entire economy. Funding interruptions for charitable nonprofits increase pressure on community resources, strain public assistance programs, negatively impact for-profit vendors and their employees, and ultimately, create significant challenges and risks for you and your neighbors.



ON OUR DOORSTEP

"In addition to potential cuts to direct federal funding, 20% of the food Dare to Care distributes to the community comes from the U.S. Department of Agriculture. This loss in food, coupled with the funding loss, will severely impact food accessibility to our food insecure neighbors."

Dare to Care, Louisville, KY - serving Jefferson & seven surrounding Kentucky counties

FEDERAL FUNDING OF CHARITABLE NONPROFITS: A CRITICAL LIFELINE FOR MILLIONS

66% of Kentucky nonprofits face potential loss of government funding - putting Kentuckians at risk.

(Source: <https://www.urban.org/research/publication/what-financial-risk-nonprofits-losing-government-grants>)

Government sources account for **33%** of annual revenue for Kentucky nonprofits.

(Source: <https://www.urban.org/research/publication/government-grants-and-contracts-nonprofits-2023>)

For every \$1 Kentuckians pay in federal taxes, the state receives \$3.35 in federal funds. Kentucky ranks second overall among states most dependent on federal funds, which account for roughly **46%** of the state's revenue.

(Source: "Kentucky Among the 'Most Federally Dependent States'." Lexington Herald-Leader, March 25, 2025. <https://www.kentucky.com/news/state/kentucky/article302508724.html>)

Data from tax year 2021 shows that 1,138 nonprofits in Kentucky received federal, state, and local government grants totaling \$2.43 billion on their IRS Form 990 filings to address government priorities for safe, healthy, thriving communities. This amount is for grants only and/or does not include the significant amount of contracts nonprofits receive to perform services on government's behalf.

(Sources: Urban Institute. Nonprofit Trends and Impacts 2021-2023: National Findings on Government Grants and Contracts, 2019-2023.)

More recent data (2023-2024) shows that Kentucky nonprofits received 1,385 direct federal grants and contracts totaling \$834 million. This does not include additional federal funding distributed through state and local government partnerships for programs like affordable housing and early childhood education.

(Source: U.S. Department of the Treasury. *USAspending.gov: Official Source for Federal Spending Data*. U.S. Government, 2024)



FACES BEHIND THE FUNDING

"Our organization doesn't receive direct federal funds, yet a significant percentage of our 330 partners across Kentucky would be catastrophically impacted by permanent cuts to federal funds. For these partners and the families and children they serve, this means children will go hungry, families will not have a roof over their heads, children and youth will be exposed to the dangerous world of cyberbullying which may result in the need for significant mental health assistance. Families will be devastated by the loss of assistance that gives them a hand up."

Prevent Child Abuse Kentucky - serving 120 Kentucky counties



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The Facts About Charitable Nonprofits, Federal Funding & Why It Matters to You: Effects on Employment & the Economy

Kentucky is home to more than 21,400 registered tax-exempt organizations, of which 63% are charitable 501(c)(3) nonprofits. Charitable nonprofits employ nearly 163,000 Kentuckians or nearly 9% of the state's workforce. **These organizations are the fourth largest private sector employer in the state, and in some Kentucky communities, among the largest employers.**

(Source: Kentucky Nonprofit Network. *More Than Charity: The Economic Impact of Kentucky's Nonprofit Sector*. Kentucky Nonprofit Network, kynonprofits.org.)



Collectively, charitable nonprofits generate \$27.4 billion in annual expenditures and payroll – money that is directly pumped back into Kentucky's economy, benefitting us all.

(Source: Kentucky Nonprofit Network. *More Than Charity: The Economic Impact of Kentucky's Nonprofit Sector*. Kentucky Nonprofit Network, kynonprofits.org.)

While Kentucky's 162,863 nonprofit employee jobs are potentially at risk as a result of federal funding uncertainty, hundreds of thousands of Kentuckians are **ABLE TO WORK** as a result of the supports they receive from charitable nonprofits - child care, transportation, after-school programs, mental health services, job training, housing assistance, and more. These supports help increase Kentucky's workforce participation, which is currently 44th in the nation.

(Source: <https://www.jec.senate.gov/public/index.cfm/republicans/ky/>)

THE REALITIES OF POVERTY

Over 40% of Americans report living paycheck to paycheck.

(Source: Bank of America Institute. *Paycheck to Paycheck: Lower-Income Households*. Bank of America, 2024.)

According to the U.S. Census Bureau, the overall poverty rate in Kentucky is the 5th highest among states at 16.4%. Additionally, 20% of the counties in the nation with the **lowest** median household income are located in Kentucky.

(Source: U.S. Census Bureau. "Kentucky QuickFacts." *QuickFacts*, 2024, www.census.gov; "SAIPE State and County Estimates for 2023". United States Census Bureau. December 2024.)

"WE SERVE 500+ SURVIVORS OF SEXUAL ASSAULT YEARLY."

NOT JUST NUMBERS

"Over 75% of our staff salaries are funded, at least partially, by federal grants. We will be unable to provide critical direct support services, which would require us to close our doors and, most importantly, leave survivors of sexual assault without needed services."
Eastern KY Sexual Violence Resource Center [The Rising Center], Hazard, KY - serving Perry & seven surrounding Kentucky counties



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The Facts About Charitable Nonprofits, Federal Funding & Why It Matters to You:

Accountable, Transparent Partners Serving You and Your Neighbors

Simply put – Kentucky cannot afford to lose charitable nonprofits due to federal funding uncertainty and cuts.

Charitable nonprofits operate under strict government regulation and public scrutiny to ensure financial accountability. This is for good reason as 501(c)(3) nonprofits are exempt from federal corporate taxes and have access to public funding. These benefits are not typically available to for-profit businesses, so laws are in place to protect the public and guarantee nonprofits do not abuse these financial privileges. Charitable nonprofits are also required to remain nonpartisan and are not permitted to endorse candidates for public office. These and other regulations ensure transparency and safeguard taxpayer dollars:

- The majority of federal grants and contracts are reimbursable - which means nonprofits must provide services first and then submit documentation to receive funds covering allowable expenditures.
- Charitable nonprofits are also required to file annual financial reports to the IRS, and these must be provided to the public upon request. These reports are also publicly available on nonprofit websites like Candid.
- Charitable nonprofits receiving federal funds undergo rigorous applications processes and adhere to extensive regular reporting requirements.
- Charitable nonprofits with federal grants and/or contracts of \$1 million or more must conduct annual audits.

THERE IS A MYTH THAT PRIVATE PHILANTHROPY CAN FILL IN THE GAP AND MAINTAIN SERVICES. THIS IS FALSE.

Private foundations currently contribute around **\$107 billion annually** to U.S. charitable nonprofits. To replace lost government funding, they would need to increase their giving by a staggering **282% per year**, which is not feasible.

(Source: Falldin, Kate. "How Many Nonprofits Rely on Government Grants? Data from Candid." *Candid Blog*, 23 May 2023, blog.candid.org.)



Federal funding **UNCERTAINTY** and cuts **AFFECT** more than impacted nonprofits. When nonprofits are at risk, **YOU, our KENTUCKY NEIGHBORS AND OUR KENTUCKY COMMUNITIES** are at risk.



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