

The Facts About Charitable Nonprofits, Federal Funding & Why It Matters to You: Talking Points for Nonprofit Leaders



Kentuckians Trust Nonprofits

- **100%** of Kentuckians are impacted by the work of nonprofits.
- **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.
- **81%** of 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.

Shifted Financial Responsibility to State and Local Resources

- In Kentucky, nonprofits receive 33% of their revenue from government sources, compared to the national average of 25%.
- In Kentucky, 66% of nonprofit organizations are at financial risk due to the potential loss of government funds.
- For every \$1 Kentuckians pay in federal taxes, the state receives \$3.35 in federal funds. Federal funds account for roughly 46% of Kentucky's revenue which is the second highest in the nation.
- 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.

Private Philanthropy Implications

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

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Accountability and Partnership

- Nonprofits operate under strict government regulation and public scrutiny to ensure financial accountability. This is for good reason, as 501(c) 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 ensure nonprofits do not abuse their financial privileges.
- The majority of federal grants and contracts are reimbursable - which means nonprofits must provide services first and then submit documentation to receive funds.
- Charitable nonprofits are also required to file annual financial reports to the IRS and these must be provided to the public upon request. Many are also available on nonprofit websites or platforms like Candid.
- Those receiving federal funds undergo rigorous applications processes and require regular reporting
- Most grants or contracts totaling \$1 million or more are typically required to conduct annual audits, ensuring transparency and safeguarding taxpayer dollars.

Economy and Employment Impacts

- Nonprofits in Kentucky employ nearly 163,000 individuals, accounting for almost 9% of the state's workforce – 1 in 10 Kentuckians. Funding cuts will directly impact job security for many nonprofit employees. Job losses equal increased unemployment, decreased consumer spending and decreased taxable wages.
- The nonprofit sector has annual expenditures totaling over \$27.3 billion, with \$10.4 billion allocated to wages. Closure of nonprofits, and subsequent job losses, equals the loss of payroll taxes and decreased consumer spending.
- 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.