



PROVIDER FINANCIAL PERFORMANCE

A LONGITUDINAL STUDY OF 500 NONPROFIT HUMAN SERVICES ORGANIZATIONS 2015-2022

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Inperium (www.inperium.org) and Angler West (www.anglerwestconsultants.com) have collaborated since 2015 on a study intended to inform each of human services industry trends. This effort has included a study of the financial performance, based on consolidated audit data, of a national sample of 500 service providers. The purpose of the study is to monitor financial performance, as determined by calculations of the compound annual growth rates of revenues and net assets from 2015 over a ten-year period. This interim report summarizes certain data for periods beginning in 2019 through 2022.

AT A GLANCE...

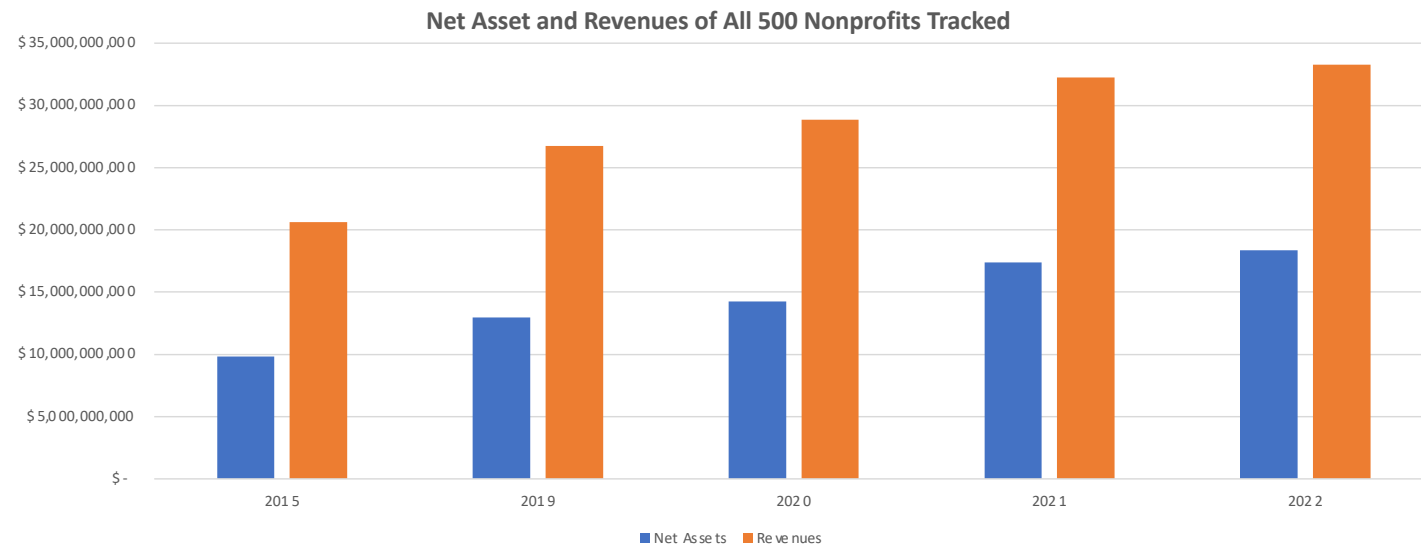
- 500 Nonprofits included
 - Financial performance measured over a 7-year period, 2015-2022
 - Metrics: CAGR of Net Assets (profitability) and Revenues (growth)
 - Markets included: 39 States and D.C.
 - Provider types/services:
 - I/DD and autism
 - Behavioral health and SUD
 - Child welfare
 - Special or alternative schools
 - Unaccompanied minors / other
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This slide describes the universe of nonprofit human services providers included in the study. The compound annual growth rate (CAGR) of Net Assets is a proxy for profitability; while the CAGR of Revenues is a proxy for growth. Profitability and growth are generally considered touchstones of financial performance, which together with duration form the basis of value creation and capture..

The providers included in the study vary in size. Notably, high growth rates are more readily achieved by small firms than for large ones. To some degree, this factor may be balanced by the challenges and higher risks faced by newly established organizations compared to older, more established ones. These challenges arise because new organizations often lack the resources, routines, and credibility that established firms have developed over time.

In any event, an average of many flawed measures yields averages of greater precision.

Consistent CAGR Growth Rates: Net Asset and Revenues



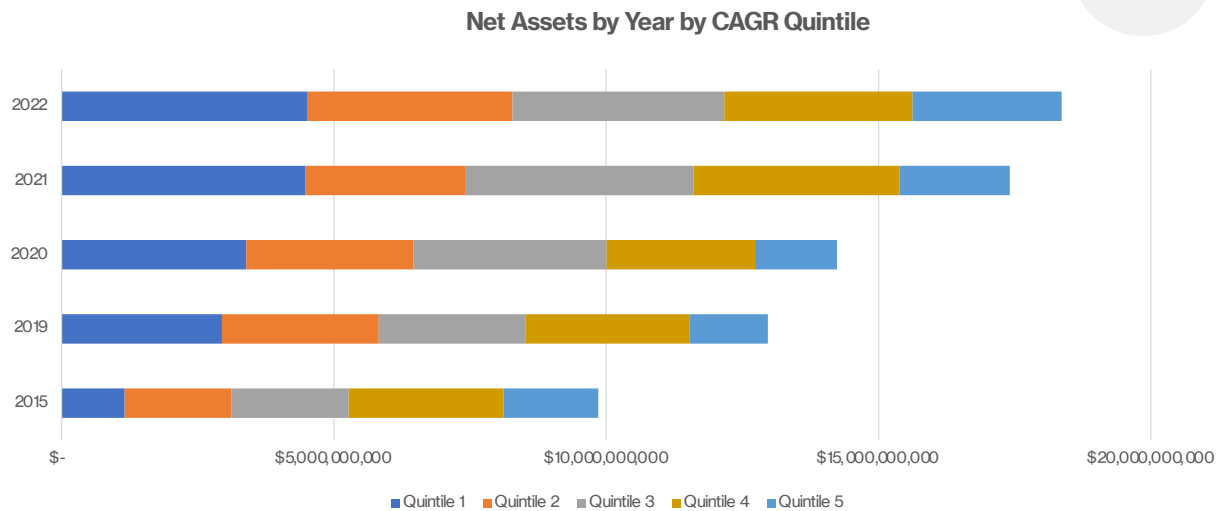
Both total net assets and total revenues of the 500 organizations grew during the interval studied – the CAGR of net assets between 2015 and 2022 grew a robust 9.3% and the CAGR of revenues for the same period was 7.1%.

Net Assets and Revenues are growing... but with Negligible Impact?

Year		<u>YOY</u>		<u>YOY</u>	Revenues per \$
<u>Ending</u>	<u>Revenues</u>	<u>Increase (%)</u>	<u>Net Assets</u>	<u>Increase (%)</u>	<u>of Net Assets</u>
2015	\$ 20,601,958,261		\$ 9,851,141,900		\$ 2.09
2019	\$ 26,756,517,016		\$ 12,964,472,082		\$ 2.06
2020	\$ 28,845,631,070	7.8%	\$ 14,240,802,938	9.8%	\$ 2.03
2021	\$ 32,249,707,033	11.8%	\$ 17,404,752,424	22.2%	\$ 1.85
2022	\$ 33,271,153,639	3.2%	\$ 18,363,449,909	5.5%	\$ 1.81
CAGR (2015-2022)	7.1%		9.3%		

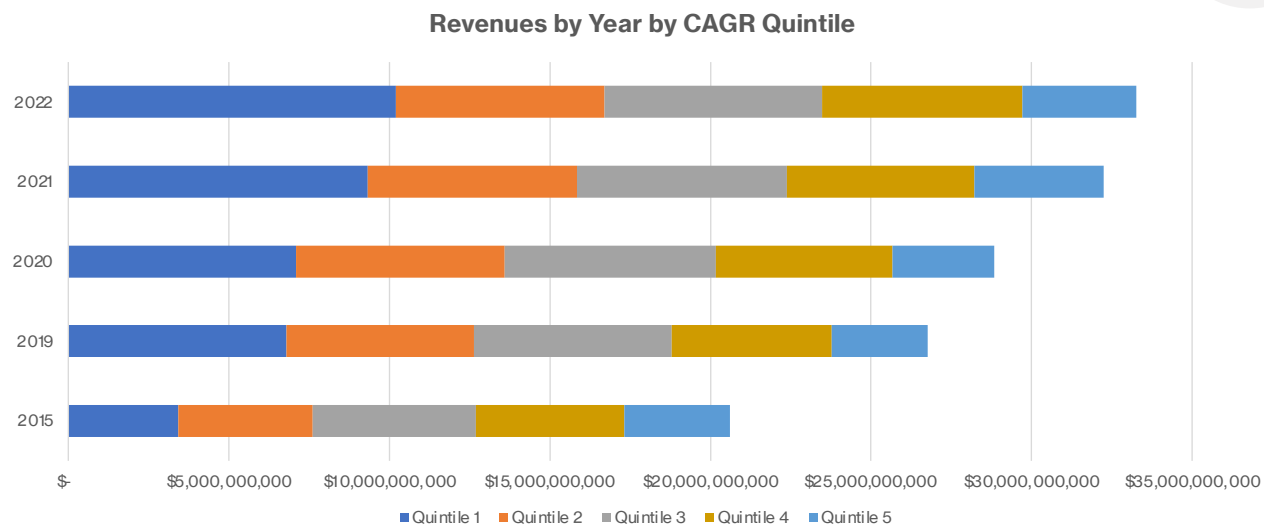
This slide highlights the variation in growth rates with the 2021 year being noteworthy because of the likely impact of COVID-related support from governments.... and the puzzling, and perhaps disturbing, consistent decline in revenues per dollar of net assets.

Top Quintile garnering > share of net income



The 100 fastest growing nonprofits included in the study during the 2015-2022 period grew net assets at an average CAGR of 28.5%, which was two times the growth rate of the second fastest growing quintile, and three times the average for the 500 nonprofits in the study.

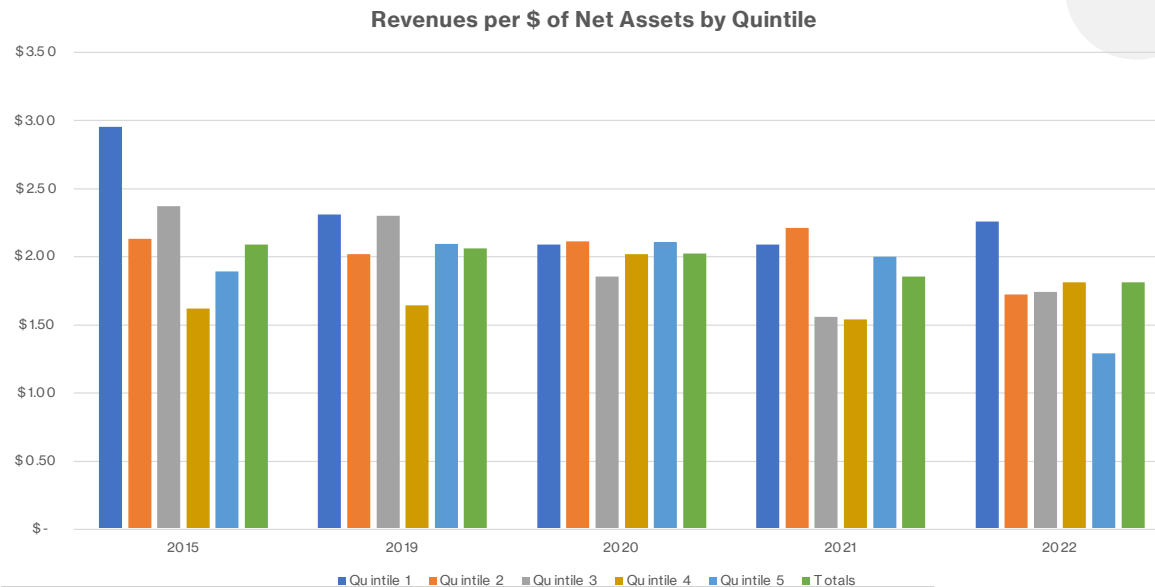
Top Quintile garnering > share of revenues



The consolidation of the hugely fragmented human services industry proceeds, albeit at a snail's pace. The 100 fastest growing nonprofits period grew revenues at an average CAGR of 18.3% during the 2015-2022 but accounted for only 26% of the total revenues of the 500 nonprofits in the study.

Generally, the top 10 firms in mature industries account for between 40% and 80% of total industry revenues.

Revenue Per \$ of Net Assets by Quintile



Revenue per dollar of net assets measures the volume of services delivered per dollar of resources available to the provider. While different services – e.g., residential, outpatient – differ significantly by this metric, it is noteworthy that the population of nonprofits in the study reported \$2.09 per dollar of revenue in 2015, declining to \$1.81 by 2022, a decrease of 13.4%. The top quintile in 2022 delivered \$2.26 of revenue per dollar of net assets.

Notably, 82 of the 500 nonprofits delivered less than \$1.00 of revenue per dollar of Net Assets. This suggests that available resources are not being fully deployed by many nonprofits in pursuit of their charitable missions. In commercial settings this circumstance would be curtailed by a robust market for corporate control, and in extreme circumstances, by activist investors. No comparable mechanism has evolved in the voluntary sector to ensure that charitable resources are transitioned to the providers whose managements are best qualified to deploy them, based upon relative past performance.

CAGRs for Select States...

CAGR of Net Assets and Revenues for Select States			
	# of	CAGR of...	
	<u>Providers</u>	<u>Net Assets</u>	<u>Revenues</u>
California	47	16.6%	7.3%
Florida	41	7.6%	5.4%
Illinois	23	5.0%	4.4%
Massachusetts	26	8.9%	7.9%
New Jersey	19	10.7%	7.8%
New York	62	10.5%	7.8%
Pennsylvania	41	9.2%	4.9%
Texas	19	20.9%	27.7%

The atypically large increases in California and (especially) Texas may be related to the substantial growth in funding for programs serving unaccompanied minors.

Top 10 Performers – CAGR of Net Asset Growth (7 Years Ended in 2022)

Top Ten Performers Based on Net Asset Growth (Seven Years Ended in 2022)					
		<u>STATE</u>	<u>2022</u>	<u>2015</u>	<u>CAGR</u>
1	Endeavors Inc	TX	\$ 458,420,813	\$ 8,747,213	76.0%
2	Inperium	PA	\$ 82,570,392	\$ 1,814,169	72.5%
3	Berks Counseling Center	PA	\$ 16,686,069	\$ 951,984	50.5%
4	Community Access Inc	NY	\$ 62,883,769	\$ 3,698,114	49.9%
5	Vibrant Emotional Health	NY	\$ 73,001,329	\$ 5,219,479	45.8%
6	Benefits Data Trust	PA	\$ 31,701,025	\$ 2,282,700	45.6%
7	Shatterproof	MA	\$ 16,436,817	\$ 1,197,032	45.4%
8	Care Resource Community Health Centers	FL	\$ 115,074,976	\$ 8,980,848	44.0%
9	Livwell Community Health Services	KY	\$ 6,446,489	\$ 572,913	41.3%
10	Viability (f/k/a/ Community Enterprises)	MA	\$ 30,476,441	\$ 2,866,600	40.2%

While nonprofits with modest net assets in 2015 predictably have higher CAGRs than their counterparts; the performance of these top performers is exceptional by any measure – and that performance is measured over an extended (i.e., seven-year) period.

Top 10 Performers – CAGR of Revenue Growth (7 Years Ended in 2022)

Top Ten Performers Based on Revenue Growth (Seven Years Ended in 2022)					
		<u>STATE</u>	<u>2022</u>	<u>2015</u>	<u>CAGR</u>
1	Endeavors Inc	TX	\$ 1,191,287,408	\$ 22,877,292	75.9%
2	Childrens Cabinet Inc	NV	\$ 164,466,673	\$ 16,182,331	39.3%
3	Grand Lake Mental Health Center	OK	\$ 136,621,090	\$ 19,267,459	32.3%
4	Inperium	PA	\$ 282,202,981	\$ 40,581,255	31.9%
5	Livwell Community Health Services	KY	\$ 12,448,768	\$ 2,091,446	29.0%
6	Family Services Of Montgomery County	PA	\$ 22,433,483	\$ 4,182,818	27.1%
7	Alta Care Group Inc.	OH	\$ 19,845,529	\$ 3,815,063	26.6%
8	ARVAC Inc.	AR	\$ 20,416,659	\$ 3,943,426	26.5%
9	Benefits Data Trust	PA	\$ 45,298,913	\$ 9,174,356	25.6%
10	Cayuga Centers	NY	\$ 118,410,497	\$ 24,506,805	25.2%

Again, while nonprofits with relatively modest revenues in 2015 tend to have higher CAGRs, the performance of these top performers over a seven-year interval is impressive.

Super Stars: CAGR of Net Assets > CAGR Revenue > 20%

Providers With CAGRs of Net Assets > Revenues that were > than 20%				
			CAGR	
		STATE	Net Assets	Revenues
1	Endeavors Inc	TX	76.0%	75.9%
2	Inperium	PA	72.5%	31.9%
3	Vibrant Emotional Health	NY	45.8%	24.1%
4	Benefits Data Trust	PA	45.6%	25.6%
5	Shatterproof	MA	45.4%	22.7%
6	Livwell Community Health Services	KY	41.3%	29.0%
7	Independent Group Home Living Program	NY	39.6%	23.9%
8	Cayuga Centers	NY	38.5%	25.2%
9	ARVAC Inc.	AR	36.1%	26.5%
10	Community Health Association of Spokane	WA	34.9%	23.0%
11	ADAPT	OR	27.6%	24.6%
12	InterCommunity, Inc.	CT	26.2%	20.3%

These providers grew revenues at a rapid pace – and net assets even more quickly. From a financial point of view, super stars grow profitably and rapidly over an extended duration. In contrast, 21 nonprofits experienced **negative CAGRs of BOTH net assets and revenues** over the seven year period.

This study will be updated once 2025 audited data becomes available for all study participants but be forewarned.....the past is not always prologue. Two of the Super Stars listed above have faced **disastrous performance shortfalls subsequent to 2022 (with one no longer in business)**, while one reports sustained excellence – even besting the extraordinary performance highlighted above.

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