

Transforming Communities:

A Characterization of Community-Based Development Organizations in Arizona

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GROUNDING VALUES IN RESEARCH

Resources to Cultivate Community-Based Development Organizations

Community-Based Development Organization (CBDO)

AKA **community economic development (CED) organization**

Private, nonprofit, community-based organizations whose work is aimed at improving the lives of lower-income people or the communities they live in and that either

- 1) develop housing, commercial, industrial or community facilities
- 2) support business development

Goals for Grounding Values in Research



Raise the visibility of Community Based Development Organizations (CBDOs) and the essential role they play in implementing community development projects & initiatives in low-income communities and communities of color.

Understand and distinguish the critical role they play in the community development system (connection to community, production, policy, barriers, trends, human capital, etc.)

Identify ways in which community economic development organizations **advance racial equity** both locally and within the community development system.

Inform federal policy and how it can support these organizations.

Sustain actionable research into the field as a whole.

Produce strategies for resource-holders to **develop better investment strategies**.

Actionable Research



[Financial Health of Community-Based Development Organizations](#)



[The State of Community-Based Development Organizations](#)



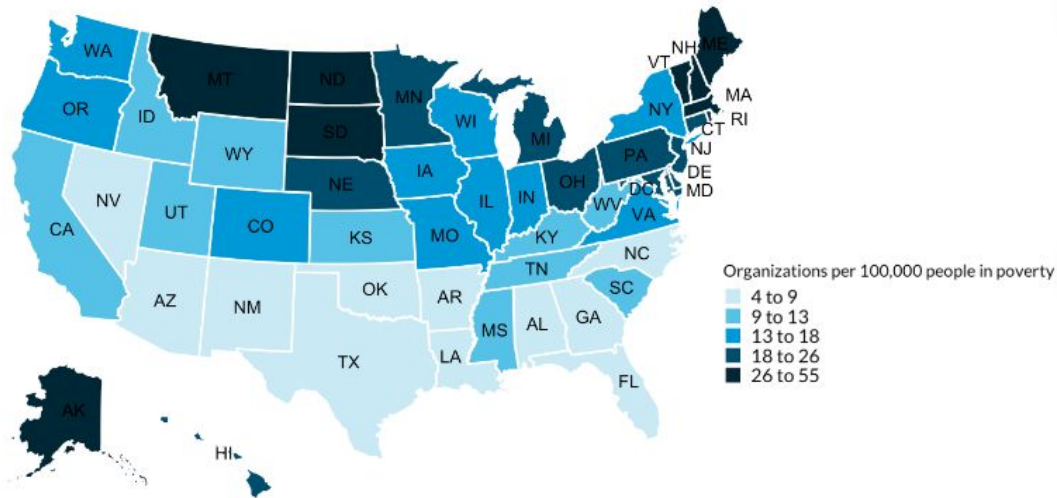
[Money Meets Community series](#)

State of the Field



The Financial Health of Community-Based Development Organizations

Number of CBDOs per 100,000 population living below the federal poverty line, 2018



**5,720
Organizations**

**\$54.2 B in
assets**

**\$22.9 B in
revenues**

Source: Author analysis of IRS registry of open data on AWS and Statistics of Income (SOI) IRS 990 and 990EZ data and the 2016-2020 American Community Survey

The Financial Health of Community Based Development Organizations - Arizona



57
Organizations

\$583 Million
in assets

\$217 Million
in revenues

Arizona Cities Included in Metropolitan Area Types

Large Metro

Med. Metro

Small Metro

Non Metro

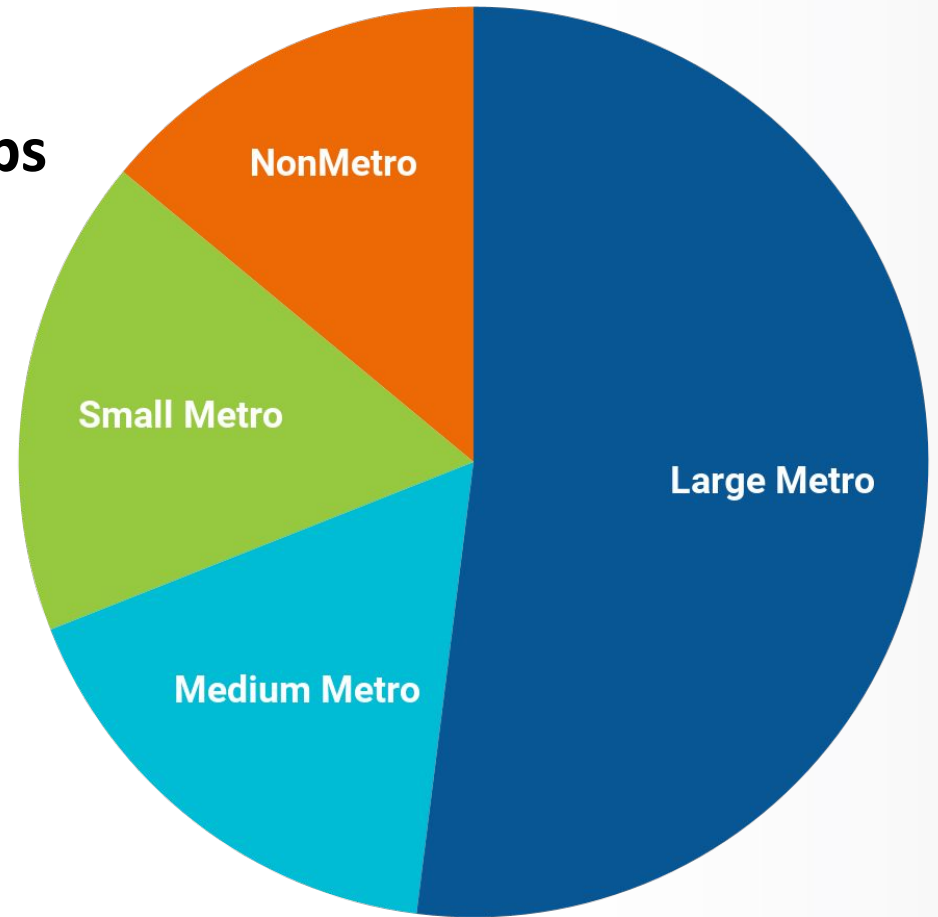
Phoenix–Mesa
–Scottsdale

Tucson

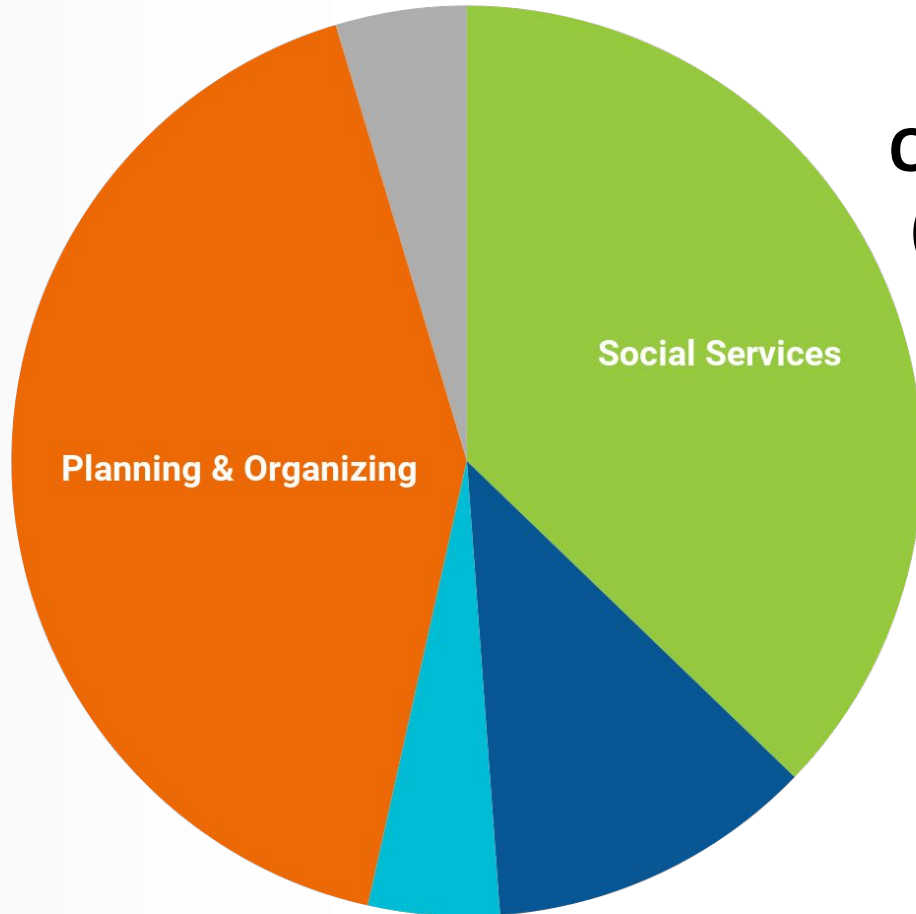
Sierra Vista–Douglas
Flagstaff
Lake Havasu
City-Kingman
Prescott
Yuma

Payson
Safford
Show Low
Nogales

Distribution of Arizona Community Development Groups by Metro Area Type, 2018 (% of Total Groups Statewide)



Primary Activity Type of Organizations in Arizona, 2018 (% of Total Groups Statewide)



- Social Services
- Real Estate Development
- Real Estate Management
- Planning & Organizing
- Lending

Financial Health

Community development
organizations

How financially healthy is the field?

How does Arizona's health compare nationally?

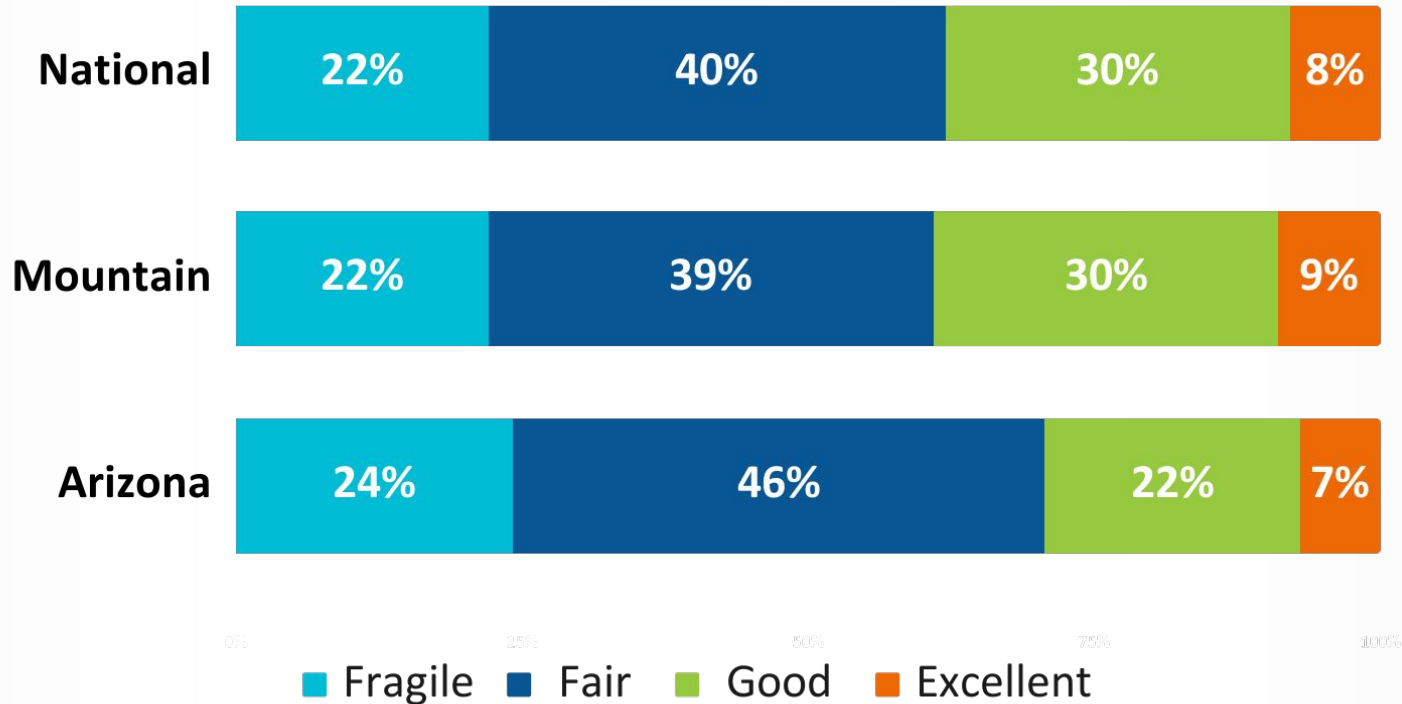
How does that health differ by geography?

How does that health differ by size of organization?

What percentage of organizations in Arizona/nationally do you think are in “fragile” financial health?

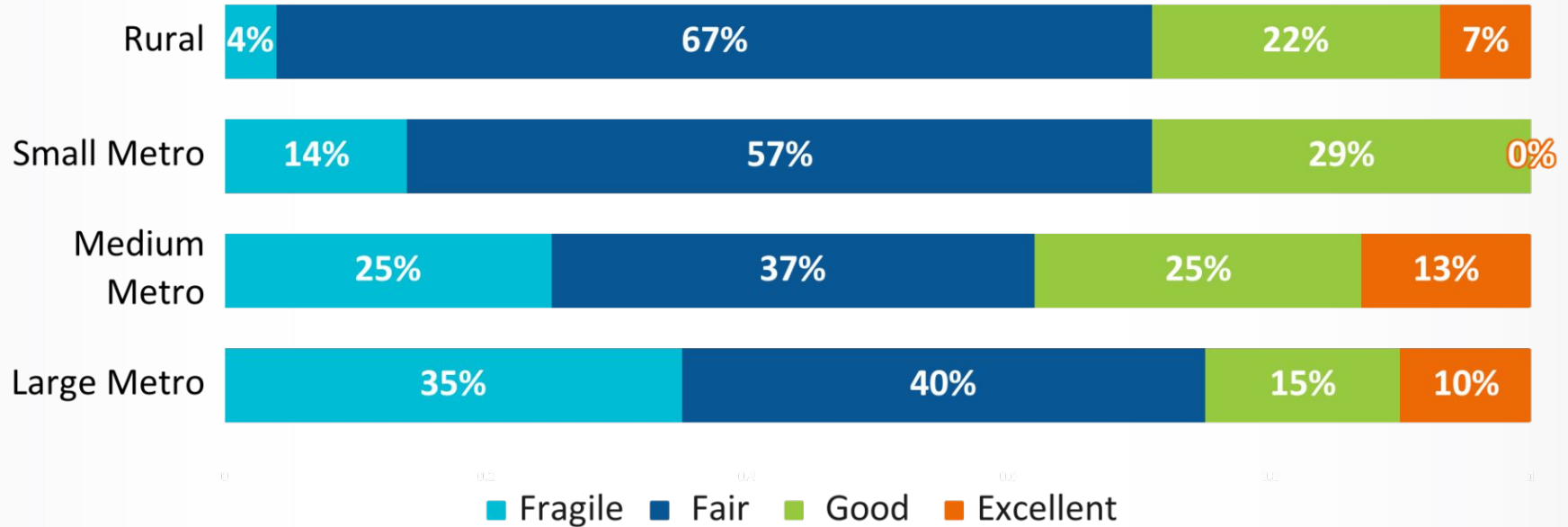
Financial Health of CED Groups, 2018

(% of Groups)



Financial Health of Arizona CED Groups by Metro Area Size, 2018 (% of Total Groups Statewide)

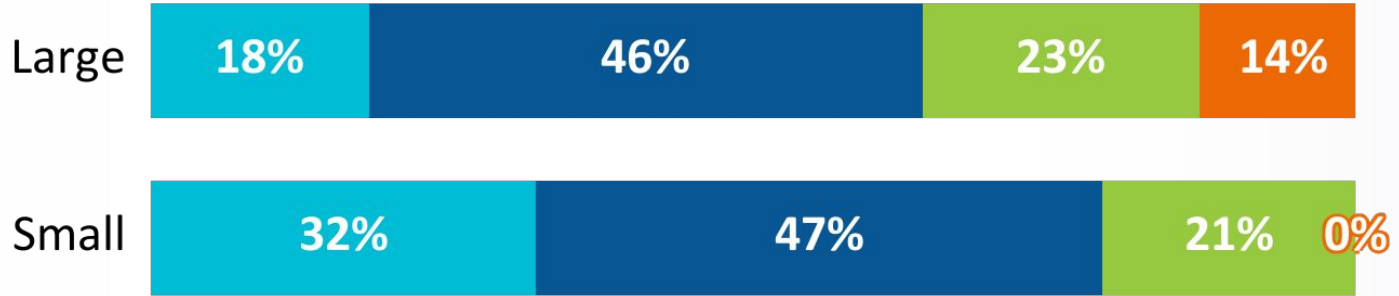
Metropolitan Area Status



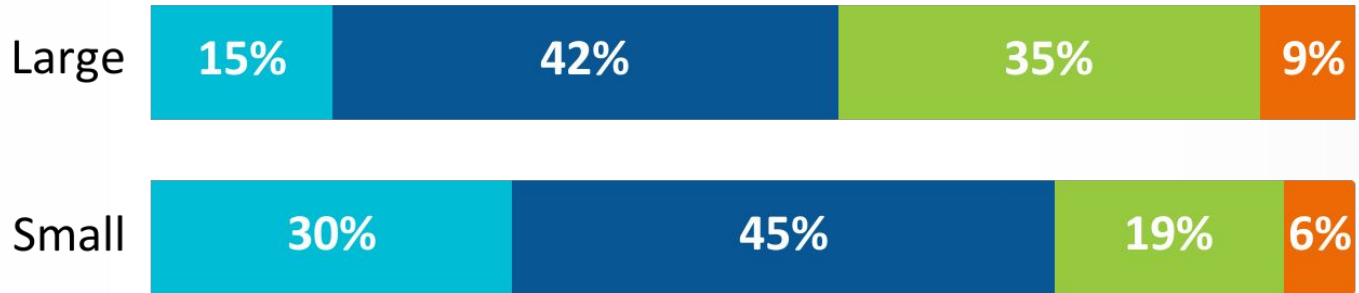
Financial Health of CED Groups by Size, 2018

(% of Groups)

Arizona



National



■ Fragile ■ Fair ■ Good ■ Excellent

How are resources distributed across different Arizona communities?

How does this compare to what you know of Arizona?

Chris: In Arizona, we don't see funding for rural communities at the same rate as other states. Has that been your experience?

What changes need to be made and who needs to be making them to more equitably distribute funding among community development organizations?

Arizona Resource Flows

Community development
organizations

Who is providing resources?

Where does it go?

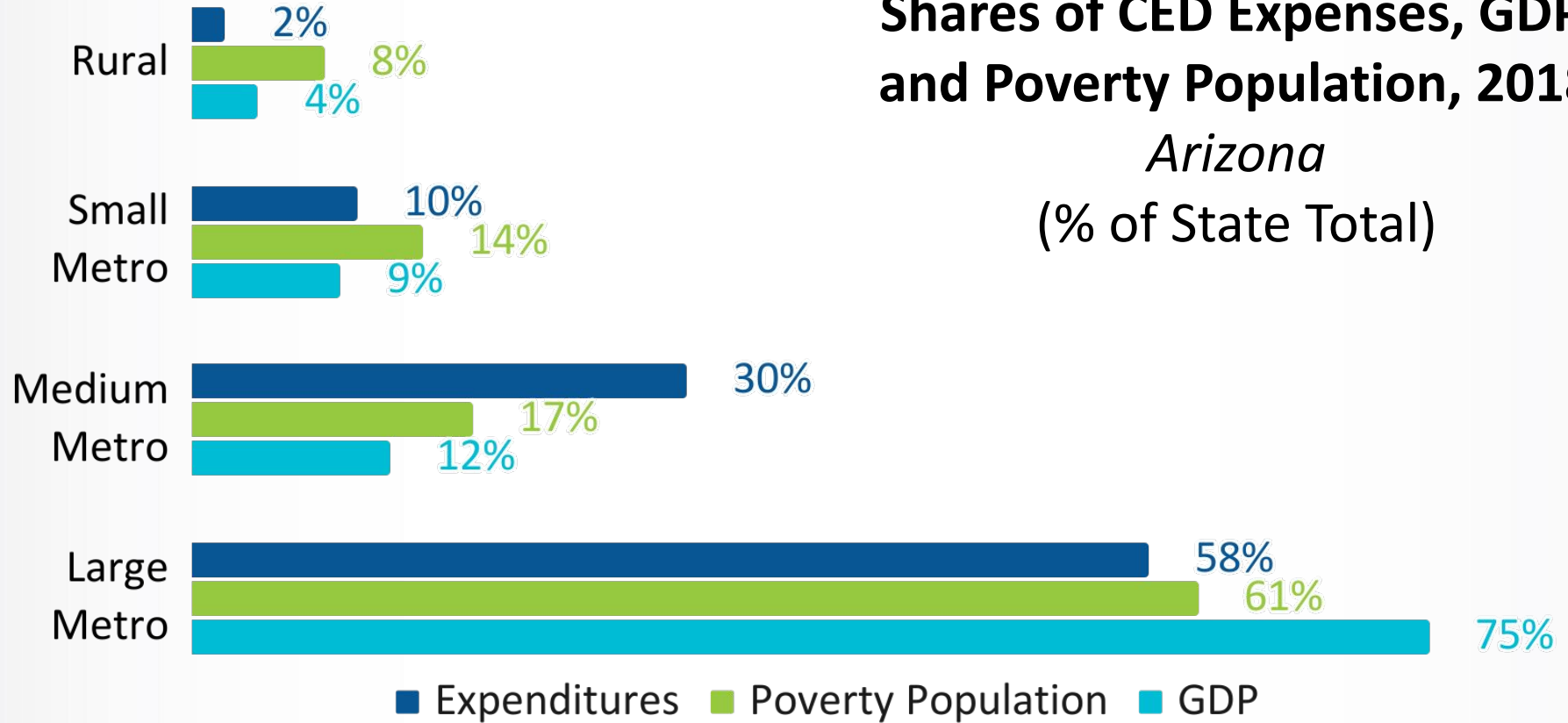
What does it fund?

How does that compare
nationally?

Shares of CED Expenses, GDP, and Poverty Population, 2018

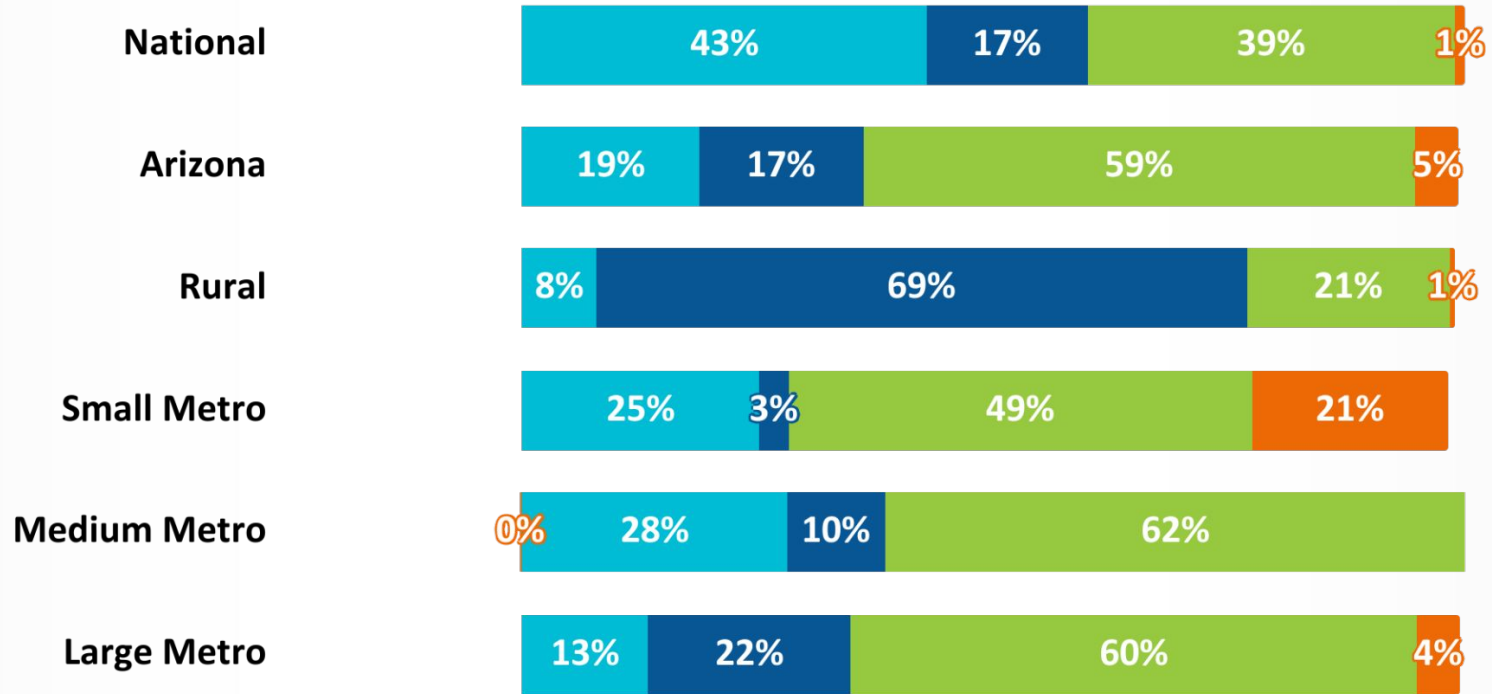
Arizona

(% of State Total)



Sources of Revenue by Region and Metro Area Type , 2018

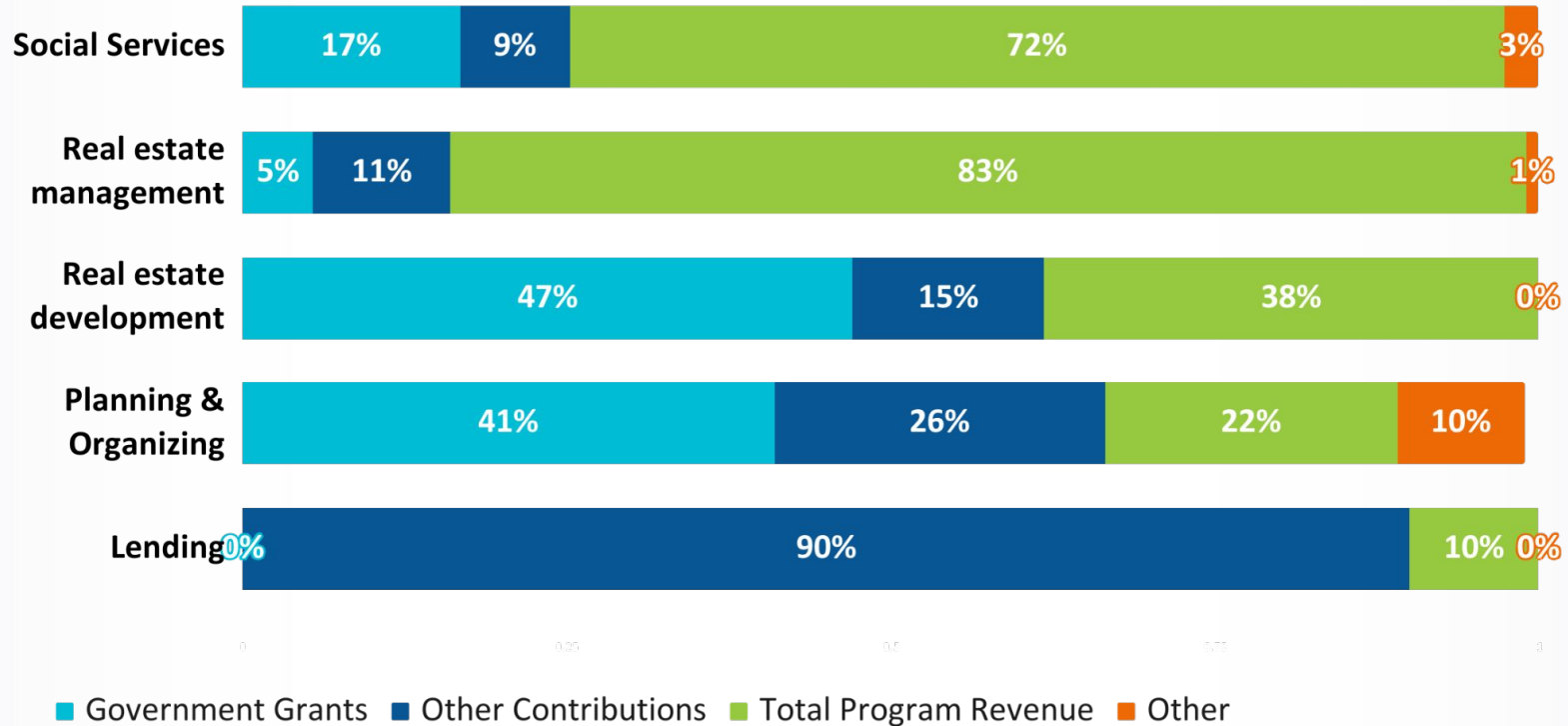
(% of Total Revenues)



■ Government Grants
 ■ Other Contributions
 ■ Total Program Revenue
 ■ Other

Sources of Revenue by Activity Type , 2018

(% of Total Revenues)



What role does funding play in shaping the field in Arizona?

How does this compare to what you know of Arizona?

Community development organizations in Arizona spend much less on real estate development and management compared to other states. What role does that play in Arizona's housing issues?

As a sector, why do you think Arizona spends more time and resources on planning and organizing?

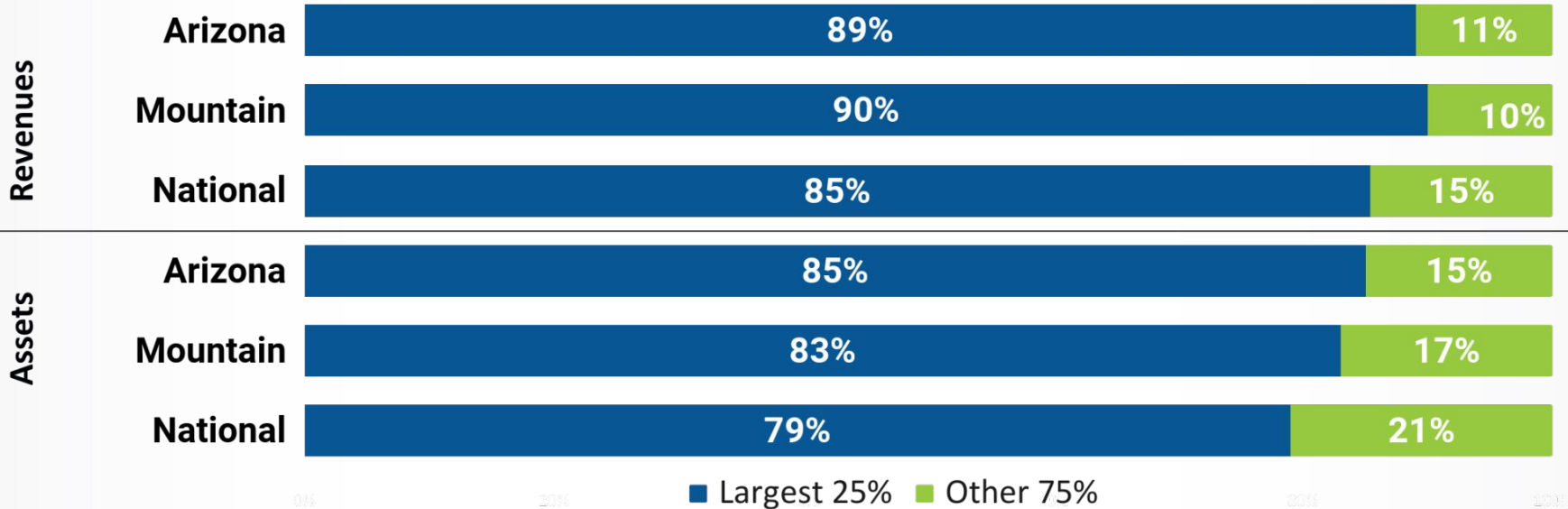
Resource Concentration

Community development
organizations

What are the consequences
for smaller organizations?

What elements of the
community development
finance and policy systems
may be causing these
imbalances?

Share of Resources – Largest 25% v Other Organizations, 2018 (% of Total)



Who is funding these organizations? What organizations are receiving the funding?

How does this compare to what you know of Arizona?

79% of funding goes to the top 25% largest organizations nationally vs. 85% in Arizona. Why do we think that is? What is the on-the-ground impact?

Rural communities receive government grants at a much lower rate than other areas. What are the underlying reasons? What can be done to solve that?

Q&A

Scan the QR code to read the reports for yourself!



Experimental Metrics of Fragile Financial Health

- Negative cash flow from operating in two of three years
- Negative Net Asset Change in two of three years
- Negative net income
- Less than three-months' cash on hand
- Less than 90 days cash in two of three years
- Current ratio less than 3*
- Negative Unrestricted Net Assets in two of three years
- One-year 25 percent drop in total revenues
- One-year 25 percent drop in total assets
- One-year 25 percent drop in total expenses

How can we support tribal-serving organizations?

How does this compare to what you know of Arizona?

It's harder to gather data for tribal serving organizations. What kind of information do we have about the resources available to tribal-serving organizations? What more needs to be done to ensure that resources are going to tribal communities?

Experimental Metrics of Excellent Financial Health

Passing 4 or fewer metrics = Watchlist

- Positive cash flow from operations in at least 2/3 years
- Growth in net assets in at least two / three years
- Current ratio over 1:1
- Stable or positively trending days cash
- Positive and growing unrestricted net assets
- Positively trending capital ratio for 2016-17 and 2017-18
- Financial sustainability ratio at or above peer group