



The Nonprofit Sector of Mecklenburg County 2009-2010

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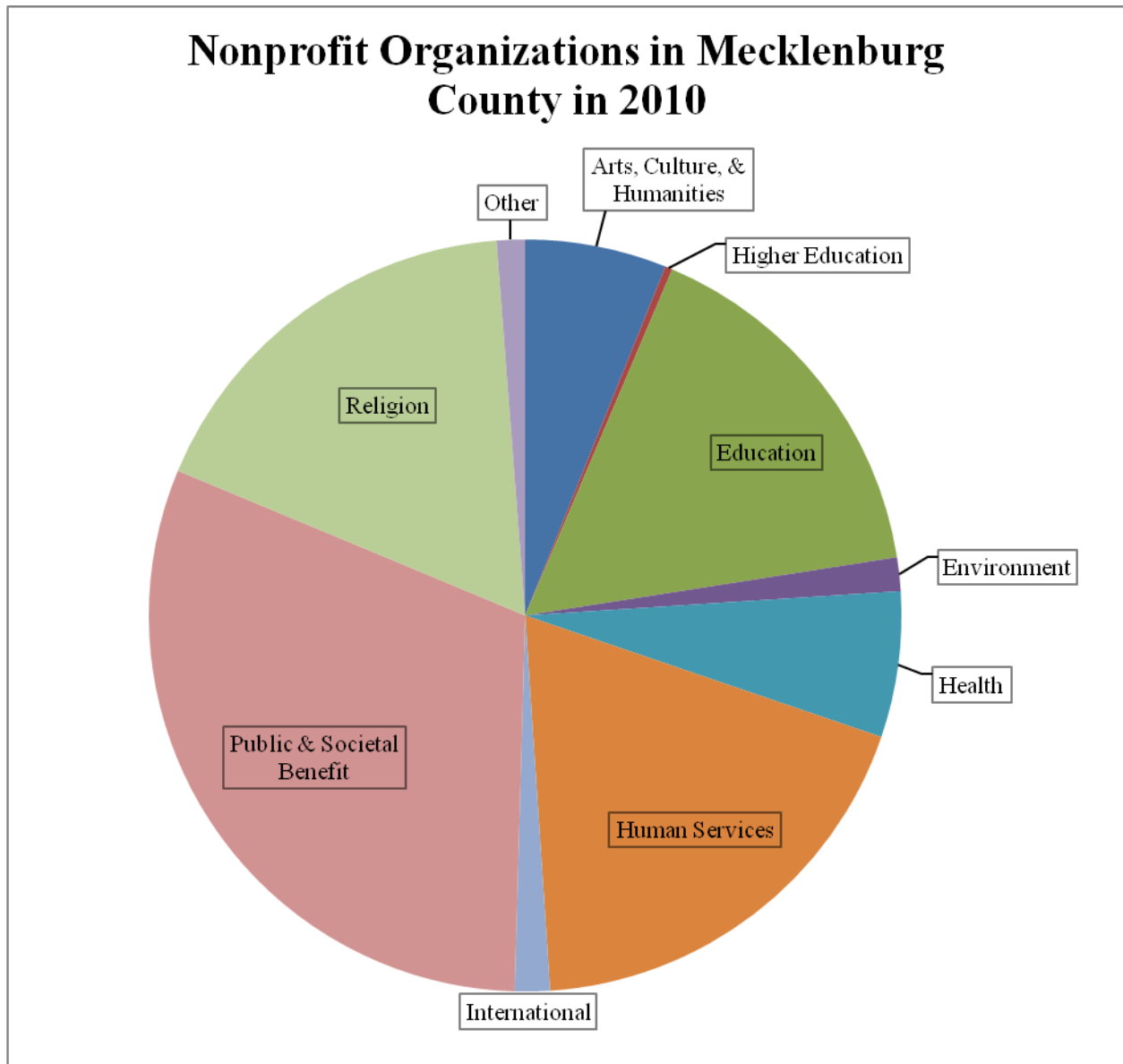
Purpose

The purpose of this report is to examine the state of the nonprofit sector in Mecklenburg County. Specifically, this report examines the number and types of nonprofit organizations in the county and how those numbers have changed from 2009 to 2010. This report also investigates how the gross receipts of these organizations have changed during this same time period as a means of assessing the overall financial health of the sector. This report provides valuable information about how the beginning of the recession has affected Mecklenburg County nonprofit organizations.

Data and Methodology

The data used in this report are from the Business Master File obtained from the National Center for Charitable Statistics. The Business Master File reports basic organizational information reported by nonprofit organizations to the IRS. This information comes from two sources: (1) information shared by the nonprofit at the time of incorporation, such as organization's name and address, and (2) information from the organization's most recent Form 990, which includes some basic financial information as reported to the IRS. We used data from the April 2009 and April 2010 Business Master File for Mecklenburg County for this report.

Figure 1: Percentage of Nonprofit Organizations by Type in Mecklenburg County in 2010



Types of Nonprofit Organizations

- Arts, Culture & Humanities organizations make up around 8-10% of all nonprofit organizations in Mecklenburg County, including Queen City Theatre Company Inc. and NODA School of Arts, and the number of Arts, Culture & Humanities organizations grew from 2009 to 2010 by 21%.
- There are very few Higher Education non-

profit organizations in Mecklenburg County (e.g., Davidson College and Queens University in Charlotte). The number of nonprofit Higher Education organizations decreased minimally from 2009 to 2010.

- Education organizations make up about 15% of all nonprofit organizations in Mecklenburg County, including Teachers for Change, Inc. and grew in number from 2009 to 2010.
- A small number of nonprofit organizations were Environmental, including the American Iris Society and the Wing Haven Foundation Inc. Although the number of Environmental organizations grew in number from 2009 to 2010, the overall percentage of Environmental nonprofit organizations in Mecklenburg County decreased during that time period.
- There is a small number of nonprofit Health organizations in Mecklenburg County, including the National Kidney Foundation Inc. and Autism Services of Mecklenburg County. Similar to Environmental organizations, although the number of Health organizations increased from 2009 to 2010, the overall percentage of Mecklenburg County nonprofit Health organizations decreased.
- Human Services organizations make up over 20% of nonprofit organizations in Mecklenburg County, including the Rainbow House Inc. and Davidson Farmers Market Inc. Simi-

lar to Environment and Health organizations, the number of nonprofit organizations increased from 2009 to 2010, but the percentage of nonprofits that are considered Human Services decreased.

- A very small percentage of nonprofit organizations in Mecklenburg County are International, including Helping Hands Inc. and Harvests of Hope International Inc. There was very little change in the percentage of nonprofits that are International between 2009 and 2010.
- In 2009, 21% of nonprofit organizations in Mecklenburg County were Public and Societal Benefit organizations, including Toastmasters International and Seeds of Hope Inc.; in 2010, the percentage of nonprofit organizations that were Public and Societal Benefit organizations increased to 31%. Public and Societal Benefit organizations include organizations focused on civil rights or liberties, community improvement, research or the promotion of philanthropy.
- In 2009, 21% of nonprofit organizations in Mecklenburg County were Religious organizations, including Elevation Church and Church at Charlotte. The percentage of Religious nonprofit organizations in Mecklenburg County *decreased* from 2009 to 2010, such that only 18% of nonprofit organizations in Mecklenburg County were Religious

organizations. When interpreting these data, however, keep in mind that religious organizations are not required to file with the IRS, so these numbers only represent those organizations that choose to report to the IRS. The actual universe of religious organizations is larger than what it appears to be in these data.

- A very small number of nonprofit organizations in Mecklenburg County were deemed “Other,” including Light of the World and Clayworks Inc. There was minimal change in the percentage of nonprofit organizations from 2009 to 2010 that were deemed “Other.”

Table 1: Number of Nonprofit Organizations by Type in Mecklenburg County				
	April 2009	April 2010	Percentage Change	Example Organizations
Arts, Culture, & Humanities	240	290	+20.8%	Queen City Theatre Company Inc. NODA School of Arts
Higher Education	18	15	-16.7%	Davidson College Queens University of Charlotte
Education	483	770	+59.4%	Davidson Middle School Teachers for Change Inc.
Environment	46	69	+50%	American Iris Society Wing Haven Foundation Inc.
Health	222	299	+34.7%	National Kidney Foundation Inc. Autism Services of Mecklenburg County
Human Services	730	893	+22.3%	Rainbow House Inc. Davidson Farmers Market Inc.
International	45	72	+60%	Helping Hands Inc. Harvests of Hope International Inc.
Public and Societal Benefit	663	1472	+122%	Toastmasters International Seeds of Hope Inc.
Religion	672	835	+24.3%	Elevation Church Church at Charlotte
Other	36	58	+61.1%	Light of the World Clayworks Inc.
Total	3155	4773	+51.3%	

Note: Hospitals and Health organizations were combined due to the small sample of hospitals (1 in 2009 and 6 in 2010). Similarly, organizations classified as “Other” also include Mutual Benefit organizations due to the small sample of Mutual Benefit organizations (3 in 2009 and 9 in 2010).

Key Findings

- Overall, the number of nonprofit organizations in Mecklenburg County grew from 3155 organizations in 2009 to 4773 organizations in 2010, an increase of 51%.
- The greatest amount of growth is evidenced in Public and Societal Benefit organizations (e.g., Toastmasters International, Seeds of Hope Inc.), which saw an increase of 809 organizations, or 122%.
- Similarly, there was a substantial increase in the number of education organizations from 2009 to 2010, in that 283 additional organizations filed in 2010 compared to 2009, or an increase of 59%.
- Some organizational categories saw a substantial increase in *percentage change*; however, few of these categories grew by a large number of organizations. For example, environmental organizations increased by 50% from 2009 to 2010, but this increase only represents an additional 23 organizations.
- Only higher education organizations saw a small decrease from 2009 to 2010, although the decrease consisted of only 3 support-type organizations.

Overall Status of Mecklenburg County Nonprofit Sector

Mecklenburg County appears at first to have a healthy and growing nonprofit sector, as evidenced by the increase in nonprofit organizations filing between 2009 and 2010. This may seem counterintuitive considering the devastating effect that the economic recession has had on nonprofit organizations across the country; however, a substantial portion of this sudden growth can be explained by a change in IRS reporting requirements for non-

profit organizations [see the methodology section of this report for greater detail]. Changes in reporting standards have caused an increase in nonprofit organizations filing with the IRS, particularly from 2009 to 2010. The growth in nonprofit organizations in Mecklenburg County from 2009 to 2010 should therefore be interpreted in light of these changes in IRS reporting rules.

Of those organizations that did not file in 2009 but did file in 2010, 49% are classified as public and societal benefit organizations. Following public and societal benefit organizations, educational organizations (16%), human service organizations (12%), and religious organizations (9%) made up the large majority of “new filers in 2010.” In other words, the majority of organizations who filed in 2010 but not 2009 are in fact support organizations whose primary role is to provide services and resources to others.

The average “new filer in 2010” reported gross receipts of \$673,912; however, only 73% of these new filers reported gross receipts greater than \$0, with 86 of these organizations reporting between \$0 and \$25,000, and only one organization reporting negative gross receipts. Those organizations that did not file in 2009 but did file in 2010 could have simply failed to file in 2009, in which case they are not technically “new organizations.” Since new organizations likely have small operating budgets and consequently will report a low amount of gross receipts, it is appropriate to examine that group of 86 organizations who reported gross receipts between \$0 and \$25,000 under the assumption that those organizations are “new organizations.”

The average reported gross receipts for these 86 organizations is \$11,536. The most represented type of organization were public and societal benefit organizations (44%), followed by human services organizations (16%) and education organizations (15%). Additionally, the quite low number of “new organizations” is another indication of the adverse effect that the economic conditions have had on Mecklenburg County and local nonprofit organizations.

We now turn back to the overall count of organizations and the changes that occurred between 2009 and 2010. It appears that organizations dedicated to public and societal benefit have grown the greatest amount, more than doubling the number of organizations in this category from 2009 to 2010. Additionally, education organizations increased nearly 60% from 2009 to 2010. Other categories of nonprofit organizations that grew substantially by percentage may be misleading because although the growth by percentage from 2009 to 2010 was high, the growth was actually small in number (e.g., environment and international organizations).

Additionally, only higher education organizations decreased in number from 2009 to 2010, although this decrease was very small

(only 3 organizations). One might expect that this change is characterized by 3 of the 18 filing organizations in 2009 not filing in 2010. A closer look at those organizations in both 2009 and 2010, however, reveals a surprising finding; *many* organizations filed in one year and not the other. Specifically, a group of seven organizations filed in 2009 and not in 2010, one organization filed twice in 2009 and not in 2010, and four organizations filed in 2010, but not 2009. Thus, the decrease of 3 organizations does not reflect the true difference between Higher Education organizations in Mecklenburg County that filed in 2009 and 2010. Further exploration into this distinct category is needed.

Mecklenburg County leadership has called for a greater focus on encouraging nonprofit organization collaboration to reduce redundancies in service, increase organizational and personal networking among organizational staff and volunteers as well as consumers, and decrease costs for those nonprofit organizations that may be duplicating services provided by others. In order to truly examine whether or not nonprofit organizations are in fact duplicating services, one must undertake a more in-depth exploration to determine not just demographic information about nonprofit organizations, but also the organizations' mis-

sion, vision, consumer-base, funding source, and volunteer base, among other factors that likely tell us about duplication of services in Mecklenburg County.

Although there are nearly 4,800 nonprofit organizations that filed with the IRS in March, 2010, this does not necessarily mean that services are being duplicated. For example, public and societal benefit organizations make up a great percentage of all nonprofits in Charlotte (1472 organizations, or 31% of all nonprofit organizations in Mecklenburg County that filed in 2010). Some might argue, based solely on the substantial number of organizations that are classified similarly, that it is likely that these organizations fulfill similar missions and provide similar services in doing so. This, however, is not necessarily the case. In fact, a more specific examination of these organizations reveals that the majority are classified as either trusts or foundations. Although these organizations do serve similar purposes, their service is to provide resources or other kinds of support to other nonprofit organizations, a service that many would likely desire to be duplicated.

Table 2: Gross Receipts for Mecklenburg County Nonprofit Organizations						
	2009			2010		
	Number Reporting Non-Zero Gross Receipts	Total Reported Gross Receipts	Average Reported Gross Receipts	Number Reporting Non-Zero Gross Receipts	Total Reported Gross Receipts	Average Reported Gross Receipts
Arts, Culture, & Humanities	104	\$114,724,508	\$1,103,120	132	\$156,087,727	\$1,182,483
Higher Education	11	\$613,410,071	\$55,764,552	10	\$689,138,416	\$68,913,842
Education	251	\$383,418,778	\$1,527,565	469	\$465,345,166	\$992,207
Environment	23	\$14,018,720	\$609,510	40	\$25,001,583	\$625,040
Health	107	\$912,193,424	\$8,525,172	169	\$664,845,083	\$3,933,995
Human Services	308	\$550,396,874	\$1,787,003	396	\$670,393,604	\$1,692,913
International	20	\$4,786,604	\$239,330	27	\$12,362,397	\$457,867
Public and Societal Benefit	426	\$4,288,197,692	\$10,066,192	1216	\$3,349,852,884	\$2,754,813
Religion	114	\$248,620,365	\$2,180,880	186	\$475,033,129	\$2,553,942
Other	6	\$1,627,040	\$271,173	17	\$43,493,723	\$2,558,454
Total	1370	\$7,131,394,076	\$5,205,397	2662	\$6,551,553,712	\$2,461,140

Note: Average Reported Gross Receipts is calculated excluding those who reported zero gross receipts. Hospitals and Health organizations were combined due to the small sample of hospitals (1 in 2009 and 6 in 2010). Similarly, organizations classified as “Other” also include Mutual Benefit organizations due to the small sample of Mutual Benefit organizations (3 in 2009 and 9 in 2010).

Key Findings

- Just over 56% of nonprofits organizations in Mecklenburg County either do not annually file a Form 990 with the IRS or report no gross receipts on their 990 Form in 2009. In 2010, the number of organizations that either did not annually file a Form 990 with the IRS or reported no gross receipts on their 990 Form decreased to 44.23%.
 - The only category of nonprofit organization that did not increase in the number of organizations that either filed a Form 990 with the IRS from 2009 to 2010 was higher education organizations; this decrease, however, reflects a decrease of only one organization, and the higher education category was the only category to experience a decrease in the number of nonprofit organizations that filed from 2009 to 2010.
 - International organizations and organizations classified as “Other” report the smallest average gross receipts overall in both 2009 and 2010.
 - Higher education organizations report the highest average gross receipts in both 2009 and 2010 by a significant amount.
 - The average gross receipts for nonprofits in all categories decreased from 2009 to 2010. This is likely a reflection both of economic circumstances and changes in IRS reporting rules [see Methodological Notes].
 - Interestingly, although the number of nonprofit organizations that filed in 2010 when compared to 2009 almost doubled, the total reported gross receipts actually *decreased* from 2009 to 2010.
 - Public and societal benefit organizations reported the largest *decrease* in average gross receipts from 2009 to 2010.
- Overall, nonprofit organizations in Mecklenburg County saw a 52.72% *decrease* in average gross receipts from 2009 to 2010.

Financial Health of Mecklenburg County Nonprofits

According to Table 2, nonprofit organizations in Mecklenburg have experienced adverse outcomes during the economic downturn. Remarkably, despite an additional 1,292

organizations reporting gross receipts in 2010, there was a *decrease* in total gross receipts reported across all nonprofit organizations of \$579,840,364. In other words, more organiza-

tions are reporting gross receipts, but even the addition of these organizations cannot supplement the loss in gross receipts for all nonprofit organizations in Mecklenburg County. Table 2 makes it very clear that although there is a strong presence of nonprofit organizations in Mecklenburg County based on the number of filing organizations alone, these organizations are experiencing the negative impact of the economic downturn.

Organizations categorized as “Other” saw the greatest increase in average gross receipts reported (an increase of 130% in average reported gross receipts). Public and societal benefit organizations saw a decrease of just over 70% in average reported gross receipts, whereas international organizations saw an increase of over 91% in average reported gross receipts. Environmental organizations, human service organizations, and arts, culture, and humanities organizations saw less change in average reported gross receipts, all totaling less than 10% change in either direction.

More interestingly, if we look at the reported gross receipts of *only* those organizations that filed with the IRS in both 2009 *and* 2010, we see an interesting trend. Specifically, 2,686 organizations filed with the IRS in both 2009 and 2010, and the average organization that filed in both 2009 and 2010 saw a decrease of \$369,510 in reported gross receipts. This value, however, includes those organizations that filed in both years but also reported gross receipts of \$0 in one or both of

these years. Of those 2,686 organizations, 1,532 reported gross receipts of \$0 in at least one of the two years. Of the remaining 1,154 that reported a non-zero gross receipts in both 2009 and 2010, we find that the average organization reported a decrease of \$992,150 in gross receipts. This statistic may paint a more realistic picture of the current economic condition’s effect on nonprofit organizations in Mecklenburg County by highlighting the drastic conditions under which nonprofit organizations are operating.

Similar to the discussion of Table 1, it is important to examine the types of organizations that are deemed “Public and Societal Benefit” because a great deal of these organizations are foundations or trusts, and the gross receipts reported by these organizations may be reported more than once if these organizations give grants to other nonprofit organizations which then report these grants as gross receipts. For example, a large, regional Foundation in 2010 reported gross receipts of \$1,571,564,213, and likely gave a portion of that amount to other organizations. In doing so, the money that is given to those organizations is likely reported to the IRS, and is therefore counted twice (by the Foundation as well as the organization that received part of the endowment). Thus, these numbers should be interpreted with caution until one can explore in greater depth how organizations generate and allocate resources.

Methodological Notes

NTEE Codes

For this analysis, we categorized organizations based on the classification given to the organization by the National Taxonomy of Exempt Entities (NTEE). [For a complete list of the NTEE organization codes, go to <http://nccs.urban.org/classification/NTEE.cfm>] For ease of analysis, we used the NTEE12 classification, which classifies the organizations based on the organization's mission and purpose. Specifically, the following codes were used (remember, however, that for our analyses, we combined Health & Hospitals as well as Mutual Benefit and Other):

Changes in Filing Requirements

Up until 2007, only charitable organizations with more than \$25,000 in revenue were required to file an annual Form 990 with the IRS. Those organizations with annual revenues less than \$25,000 were not required to file annually. In 2007, the IRS changed these requirements so that nonprofit organizations with revenues less than \$25,000 would be required to file a Form 990, or at least a Form

990 postcard, by 2010 or they would lose their exempt organization status. Thus from 2008-2010, we have seen an increase nationwide in organizations filing a Form 990. Churches and organizations that file with a group are not required to file a Form 990 with the IRS.

Therefore in this report, we make the distinction between filers—those that annually file a Form 990—and non-filers—those that for whatever reason have not filed or were previously exempt from filing. For non-filers, we do not have any up-to-date financial information for the obvious reason that they have not provided that information to the IRS; these organizations are thus excluded from the analysis in Table 2.

<i>NTEE12 Code</i>	<i>Organization Type</i>	<i>NTEE12 Code</i>	<i>Organization Type</i>
AR	Arts, Culture, & Humanities	HU	Human Services
BH	Higher Education	IN	International
ED	Education	MU	Mutual Benefit
EH	Hospitals	PU	Public & Societal Benefit
EN	Environment	RE	Religion
HE	Health	UN	Other

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About NVAC

The Nonprofit and Voluntary Action Center (NVAC) in the Political Science Department of UNC Charlotte was formed in 2008 to connect faculty members and graduate students on UNCC's campus who share research and teaching interests in nonprofit organizations, philanthropy and voluntary action. NVAC is intended to be a hub to facilitate communication across many different disciplines. NVAC is an opportunity for faculty and graduate students to network with each other, learn more about nonprofit organizations, engage in interdisciplinary research, and provide outreach to the local nonprofit community.

Mission

NVAC's mission is to promote relationships among UNC Charlotte faculty and graduate students with research and teaching interests in nonprofit organizations, philanthropy and voluntary action with the aim of increasing our knowledge of the nonprofit sector, fostering interdisciplinary research and engaging in community outreach in the Charlotte Metropolitan area.

NVAC Working Papers

As part of our mission, NVAC is sponsoring a set of working papers discussing the state of the nonprofit sector in Mecklenburg County. These papers are specifically written for community leaders and those employed in the local nonprofit sector.

For more information about NVAC and to view our working papers series, please visit our website at <http://politicalscience.uncc.edu/nvac/>

NVAC also maintains a listserv to communicate with community affiliates about upcoming events, research projects and community reports produced by NVAC (nvacnews-l@uncc.edu). To subscribe to the listserv or if you have any other questions about NVAC, you can email us at nvac-info@uncc.edu.