



The Nonprofit Arts and Cultural Sector of Mecklenburg County 2009-2010

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Purpose

The purpose of this report is to examine the state of the nonprofit arts and cultural sector in Mecklenburg County and how that sector has changed from 2009 to 2010. We are interested in understanding the number and types of nonprofit arts organizations, and we seek to determine whether the arts sector in Mecklenburg County has grown during the past year. We also wanted to understand how the economic recession has been impacting arts organizations in Mecklenburg County, so we examine changes in revenue levels for various types of arts 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.

Table 1: Number of Arts, Culture and Humanities Organizations in Mecklenburg County

	April 2009	April 2010	Percent Change	Reported to IRS in 2009 and 2010
Arts Support Organizations	17	34	+100%	16
Awareness and Education Organizations	48	57	+19%	42
Media and Communications	11	14	+27%	11
Visual Arts	8	9	+13%	5
Museums and Museum Support Organizations	10	16	+60%	9
Performing Arts	92	98	+7%	78
Humanities	8	9	+13%	8
Historical Organizations	46	55	+20%	39
Total	240	292	+22%	208

Key Findings

- The number of arts and cultural nonprofit organizations in Mecklenburg County has grown overall from 240 organizations in April 2009 to 292 organizations in April 2010—an increase of 22 percent.
- The most growth has been in the area of Arts Support Organizations, which grew by 100 percent during the past year.
- The Museums/Museum Support Organizations category also grew by 60 percent to include 16 organizations in 2010.
- A modest amount of growth was also seen in the area of Media and Communications—an increase of 27 percent—and Historical Organizations—an increase of 20 percent.
- The areas of the arts with the most organizations in Mecklenburg County are the Performing Arts, Historical Organizations, and the Awareness and Educational Organizations.
- Only 208 nonprofit arts organizations reported to the IRS in both 2009 and 2010.
- The greatest amount of stability (meaning that organizations that filed in 2009 also filed in 2010) is in Media and Communications and the Humanities.
- Most of the organizations that filed in 2009 but not in 2010 were in the Performing Arts, Historical Organizations, and Awareness and Educational Organizations.

Changes in Arts Sector 2009-2010

Where is the Growth Taking Place?

It may seem surprising that the number of arts and cultural organizations in Mecklenburg County has increased from 2009 to 2010, despite the financial difficulties created by the economic recession. However, upon closer examination, much of this growth has been in organizations that are devoted to supporting and raising funds for another nonprofit organization.

For instance, the Charlotte Opera is itself a nonprofit organization, but there are other nonprofits organizations that function in supporting roles to the opera, such as Friends of the Charlotte Opera, Opera Guild of Charlotte, and the Opera Carolina Endowment. This is very common in the nonprofit world, especially for museums and performing arts organizations. It makes sense, then, that during challenging economic times we might see more of these supporting organizations appear—especially those devoted to fundraising.

Impact of Changes in Filing Requirements

It is also very important to note that changes in IRS reporting requirements for nonprofits organizations make this growth to look larger and more robust than it really is. [For an explanation of these changes, see the methodology section of this report.] These changes have caused an increase in the number of reporting nonprofit organizations across the country, especially from 2009 to 2010. Thus, what appears to be growth in this table is partly a reflection of the change in IRS rules. In fact, closer analysis revealed that of the 84 organizations that filed in 2010 but not in 2009, 76 organizations reported less than \$25,000 in revenues on their 2010 Form 990. Therefore, the growth in the arts nonprofit sector in Mecklenburg County from 2009 to 2010 is composed primarily of older organizations that are now filing under the new IRS rules and fewer legitimately new nonprofit arts organizations.

Stability in Arts Sector

Still, the arts nonprofit sector in Mecklenburg County has a great deal of stability. Two hundred and eight organizations filed a Form 990 in both 2009 and 2010. This means that only 32 organizations filed in 2009, but not in 2010. These organizations have not necessarily gone out of existence. It is most likely that they are late in filing their Form 990 in 2010. Closer analysis of the NCCS nonprofit data in 2011 will better reveal what has happened to these organizations.

Is There Duplication of Services?

Is there duplication of services among arts nonprofits in Mecklenburg County? This question cannot be answered solely by looking at the number of arts-related nonprofits in the County. In fact, this question can only be properly answered by more in-depth interviews with these organizations. The fact that there are almost 300 documented arts organizations in Mecklenburg County as of April 2010 should not cause immediate alarm that there might be duplication of services among arts organizations.

For instance, Mecklenburg County has many ethnic awareness organizations, but lists of names of these organizations shows the great variety of the missions of these organizations. Mecklenburg County has a Japanese Association, Indian Association, Vietnamese Association, Chinese American Association, an Indonesian American Association, and many other ethnically-based organizations. The number of ethnic awareness organizations in Mecklenburg County represents the diversity of world-wide ethnic cultures rather than a proliferation of organizations providing the same services or serving the same group of people.

Table 2: Changes in Revenue for Mecklenburg County Arts and Cultural Organizations, 2009-2010

	2009			2010			Percent Change in Average Revenue
	Number Reporting Zero Revenue	Total Reported Revenue	Average Reported Revenue	Number Reporting Zero Revenue	Total Reported Revenue	Average Reported Revenue	
Arts Support Organizations	10	\$21,805,121	\$2,180,512	15	\$17,481,992	\$1,165,466	-47%
Arts, Cultural and Ethnic Awareness and Education	16	\$3,308,498	\$206,781	19	\$4,311,775	\$226,936	10%
Media and Communication	7	\$14,406,750	\$2,058,107	8	\$11,870,980	\$1,483,873	-28%
Visual Arts	2	\$2,221,625	\$1,110,813	3	\$2,430,622	\$810,207	-27%
Museums and Museum Support Organizations	7	\$19,644,646	\$2,806,378	10	\$30,791,138	\$3,079,114	10%
Performing Arts	42	\$39,862,516	\$949,108	38	\$48,255,688	\$1,269,887	34%
Historical Organizations	10	\$8,670,826	\$876,083	13	\$7,411,024	\$570,079	-35%
Overall¹	94	\$109,990,256	\$1,157,792	108	\$122,697,260	\$1,136,086	-2%

¹ Humanities organizations are not included in this table because there is only one humanities organization that files a Form 990

Key Findings

- Over half of the arts-related nonprofits organizations in Mecklenburg County either do not annually file a Form 990 with the IRS or report no revenue on their 990 Form.
- Historical Organizations and Ethnic and Awareness Organizations report the smallest average revenue overall in both 2009 and 2010.
- Museums report the highest average

revenue in both 2009 and 2010.

- Arts Support Organizations, Media and Communications Organizations, Visual Arts Organizations, and Historical Organizations reported the largest decrease in average revenue from 2009-2010.
- Performing Arts Organizations saw a 34% increase in average revenue.
- Overall, the arts sector saw a 2% decrease in average revenue from 2009 to 2010.

Changes in Arts Sector Revenue 2009 to 2010

Table 2 clearly shows that the arts sector has suffered overall during the economic downturn. Average revenues have decreased overall. Some types of arts organizations have suffered more than others. Arts Support Organizations reported a 47% decrease in average revenues. Media and Communications Organizations and Visual Arts Organizations report over a one-quarter decrease in average revenues. Historical Organizations lost over one-third of their average revenues. Some segments of the arts sector appear to have been more

buffered from the recession, such as Performing Arts Organizations. However, it is important to note that fewer Performing Arts Organizations reported to the IRS in 2010 compared to 2009.

One note of caution when interpreting the figures in Table 2 pertains to potential double-counting of revenue that can make it look like the arts sector has more money than it does. Grant-making organizations, such as the Arts and Sciences Council, or fundraising organizations, such as the Friends of the Mint, are required to

report their revenue to the IRS. However, if they turn around and grant much of that money to other nonprofit organizations, then these nonprofits must also report this money as revenue to the IRS. Thus, if the Arts and Sciences Council makes a grant of \$1 million to a specific arts organization, then this \$1 million is actually likely reported twice to the IRS—once through the

grantmaking organization and once through the grantee. So please use caution when interpreting these numbers. In all likelihood the amount of money in the arts nonprofit sector in Mecklenburg County is probably less than the \$122 million reported in 2010.

Examples of Different Types of Arts Organizations

Arts Support Organizations include arts councils, fundraising entities and other organizations that are specifically incorporated to provide financial, technical or other support to another nonprofit organization. This category can also include professional artist associations. Examples of Arts Support Organizations in Mecklenburg County are the Arts and Sciences Council, Friends of the Charlotte Opera, and the American Guild of Organists.

Awareness and Educational Organizations are comprised primarily of ethnic awareness organizations—groups that are dedicated to preserving the culture and heritage of a particular ethnic identity.

Some of these organizations in Charlotte include the India Association, American Indian Heritage Council, the Ghana Mens Association, and the Japanese Association in Charlotte. Arts education organizations also fall in this category, such as Noda School of the Arts.

Media and Communications organizations are focused primarily on the arts through radio, film and related media. Some Mecklenburg County organizations that would fit within this category are University Radio Foundation and the North Carolina Center for Educational Films.

Visuals Arts organizations are organizations that are related to any type of visual art, such as photography, painting, and sculpture. Some notable organizations in Mecklenburg County are The Light Factory and the McColl Center for Visual Arts.

Museums can include a wide of museums, such as historical, natural museums, art museums, science and technology museums and children's museums. Some local museums include the Levine Museum of the New South and Discovery Place. However, smaller museums and supporting organizations can also be included in this category, such as the Charlotte-Mecklenburg Fire Museum.

Performing Arts organizations include dance, theater, opera, music, ballet, symphonies, bands and choral groups. Mecklenburg County has many performing arts

organizations, from the Children's Theater and the Charlotte Symphony, to smaller organizations like the Ballet Folklorico Las Americas.

Many **Humanities** organizations are focused on literacy and the written word, such as the Charlotte Writers Club. However, other organizations can fall into this category, such as the Foundation for Reformed Theology.

Historical organizations primarily deal with the preservation of a history in different forms. This can include organizations like various chapters of the Daughters of the American Revolution, the Historic Rosedale Foundation, and the Mint Hill Historical Society.

Note: The IRS categorizes organizations by their names, and many organizations can fall into more than one category. For instance, the Charlotte Museum of History is classified under Historical Organizations rather than Museums by the IRS.

Methodological Notes

NTEE Codes

For this analysis, we focused only on those organizations that were classified by the IRS as falling into the “A” category of 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>] We grouped organizations in a manner very similar to the breakdowns created by the IRS. The Arts Support Organizations group represents all A01-A19 organizations as well as A26, A90, and A99. Awareness and Educational Organizations fall into the A20-A29 groupings. Other groupings include Media and Communication (A30-A39), Visual Arts (A40), Museums (A50-A59), Performing Arts (A60-A69, A6A-A6E), Humanities (A70), Historical Organizations (A80-A89).

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 organiza-

tions 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 a 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. Therefore, these organizations are excluded from the analysis in Table 2.

Publication Information

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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.