



# **The Nonprofit Poverty Relief Sector of Mecklenburg County 2009-2010**

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## Purpose

The purpose of this report is to examine the state of the nonprofit poverty relief 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 organizations dedicated to alleviating poverty, and we seek to determine whether the poverty relief sector in Mecklenburg County has grown during the past year. We also want to understand how the economic recession has impacted poverty relief organizations in Mecklenburg County, so we examine changes in revenue for various types of organizations dedicated to alleviating poverty.

It is valuable to study poverty relief organizations as a separate category be-

cause they consume a large share of the resources received in the nonprofit sector in Mecklenburg County. In 2010, poverty relief organizations accounted for 8% of the total number of nonprofits and 28% of the total revenue reported by nonprofits in Mecklenburg County. In addition, we would expect to see that poverty relief organizations would be hit hard by an economic recession because their work runs counter-cyclical to the economy. When the economy falls into recession, poverty relief organizations see greater demand for their services at a time when corporate and individual charitable giving, as well as local and state government grants, are in decline.

## Data Source

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 non-

profit at the time of incorporation, such as organizations 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.



## Categories of Poverty Relief

The factors that contribute to poverty are varied and complex, as are the challenges faced by individuals living in poverty. Therefore, the organizations that work to alleviate poverty fall into many different classifications.

For this analysis, we created categories of poverty relief organizations by combining organizations from seven separate classifications in the National Taxonomy of Exempt Entities (NTEE) – Health Care; Crime & Legal-Related; Employment; Food, Agriculture & Nutrition; Housing & Shelter; and Human Services.

From these classifications, we created seven categories of poverty relief based on the type of services provided –

Employment and Food Programs; Housing and Economic Assistance; Human Services; Children & Youth Services; Family Services; Residential & Adult Day Programs; and Independence Support Centers.

The categories we used are very similar to the breakdowns created by the IRS, though we combined several of the codes from classifications with fewer poverty relief organizations into larger categories, and divided the codes from the “P” category of Human Services into several smaller categories. See the methodological notes section for a complete list of core codes used to create the categories in this report.

**Table 1: Number of Poverty Alleviating Organizations in Mecklenburg County**

|                                    | April 2009 | April 2010 | Percent    | Reported to IRS in 2009 and 2010 |
|------------------------------------|------------|------------|------------|----------------------------------|
| Employment and Food Programs       | 24         | 28         | 17%        | 21                               |
| Housing and Economic Assistance    | 77         | 83         | 8%         | 65                               |
| Human Services                     | 59         | 72         | 22%        | 49                               |
| Children and Youth Services        | 47         | 54         | 15%        | 41                               |
| Family Services                    | 44         | 43         | -2%        | 39                               |
| Residential and Adult Day Programs | 53         | 57         | 8%         | 48                               |
| Independence Support Centers       | 34         | 40         | 18%        | 29                               |
| <b>Total</b>                       | <b>338</b> | <b>377</b> | <b>12%</b> | <b>292</b>                       |



## Key Findings

- The number of organizations in Mecklenburg County dedicated to alleviating poverty has grown from 338 organizations in April 2009 to 377 organizations in 2010 – an increase of 12 percent.
- The most growth has been in the area of Human Services, which grew by 22 percent during the past year.
- A modest amount of growth was also seen in the areas of Independence Support Centers – an increase of 18 percent – and Employment and Food Programs – an increase of 17 percent.
- Family Services was the only category to exhibit negative growth in the past year. Even so, the category declined by only one organization, or 2 percent.
- The areas of poverty relief with the most organizations in Mecklenburg County are Housing and Economic Assistance, Human Services, and Residential and Adult Day Programs.
- Overall, organizations dedicated to alleviating poverty exhibited stability, with 86 percent of organizations that filed in 2009 also filing in 2010. The greatest amount of stability is in Residential and Adult Day Programs, with 91 percent of organizations that filed in 2009 also filing in 2010.
- Almost half the organizations that filed in 2009 but not in 2010 are in the areas of Housing & Economic Assistance and Human Services.

## Changes in Nonprofit Poverty Relief Sector 2009-2010

### Growth in a Recession?

Table 1 illustrates an overall growth of 12 percent in the number of nonprofit organizations in the poverty relief sector in Mecklenburg County from 2009 to 2010. In the current economic recession, growth of any amount in any nonprofit sector may

seem surprising. Before examining this growth further, it is very important to evaluate how changes in IRS reporting requirements for nonprofit organizations have affected the data. New reporting requirements for organizations generating less than \$25,000 in revenue have caused



an increase in the number of reporting organizations in all nonprofit sectors across the country, especially from 2009 to 2010. [For a full explanation of these changes, see the Methodological Notes section of this report.]

Thus, what appears to be growth in Table 1 is partly a reflection of the change in IRS rules. Closer analysis reveals that of the 85 organizations that filed in 2010 but not in 2009, 84 percent - or 72 organizations - reported zero revenue on their 2010 Form 990, and 88 percent - or 76 organizations - reported less than \$25,000 in revenue on their 2010 Form 990. Therefore, the growth in the poverty relief sector in Mecklenburg County from 2009 to 2010 is composed primarily of older organizations that are now filing under the new IRS rules.

### **Stability in the Poverty Relief Sector**

Rather than indicating new growth, the numbers in Table 1 actually point to a great deal of stability in the poverty relief nonprofit sector in Mecklenburg County. Given the current recession, this is still remarkable. Of the 292 organizations that filed Form 990 with the IRS in 2009 and

2010, 139 of those organizations reported zero revenue for both years. Of the remaining 153 organizations, 81 percent - or 124 organizations - reported revenue in both 2009 and 2010. Only 12 organizations - less than 8 percent - reported positive revenue in 2009 and zero revenue in 2010. To understand this trend more fully, it would be necessary to examine growth over a longer period of time than two years.

Of the 377 organizations that filed IRS Form 990 in 2010, there appear to be only 10 legitimately new organizations - those that filed in 2010 but not in 2009, and reported more than \$25,000 in revenue in 2010. The majority of these organizations are in the areas of Human Services and Children & Youth Services. However, it is interesting to note that while the number of organizations in these two areas increased, combined they saw an overall decrease in total revenue of 5 percent.



| Table 2: Changes in Revenue for Poverty Alleviating Organizations in Mecklenburg County for 2009 and 2010 |  |                              |                                |  |                              |  |
|---|--|------------------------------|--------------------------------|--|------------------------------|--|
|   | 2009   |                              |                                | 2010   |                              |  |
|   | Organiza-<br>tions Re-<br>porting<br>Non-Zero<br>Revenue | Total<br>Reported<br>Revenue | Average<br>Reported<br>Revenue | Organiza-<br>tions Re-<br>porting<br>Non-Zero<br>Revenue | Total<br>Reported<br>Revenue | Average<br>Reported<br>Revenue           |
| Employment and Food Programs  | 13   | \$64,558,650                 | \$4,966,050                    | 16   | \$89,981,946                 | \$5,623,872                              |
| Housing and Economic Assistance   | 24   | \$55,445,975                 | \$2,310,249                    | 30   | \$58,040,344                 | \$1,934,678                              |
| Human Services  | 22   | \$93,579,996                 | \$4,253,636                    | 22   | \$85,199,688                 | \$3,872,713                              |
| Children and Youth Services   | 22   | \$64,588,943                 | \$2,935,861                    | 25   | \$65,345,444                 | \$2,613,818                              |
| Family Services   | 11   | \$6,291,040                  | \$571,913                      | 12   | \$9,556,331                  | \$796,361                                |
| Residential and Adult Day Programs  | 29   | \$124,560,106                | \$4,295,176                    | 27   | \$149,597,326                | \$5,540,642                              |
| Independence Support Centers  | 9  | \$26,537,232                 | \$2,948,581                    | 11   | \$21,207,056                 | \$1,927,914                              |
| <b>Overall</b>  | <b>130</b>   | <b>\$435,561,942</b>         | <b>\$3,350,476</b>             | <b>143</b>   | <b>\$478,928,135</b>         | <b>\$3,349,148</b>                       |
|   |  |                              |                                |  |                              | <b>Percent Change in Average Revenue</b> |
|   |  |                              |                                |  |                              | 13%                                      |
|   |  |                              |                                |  |                              | -16%                                     |
|   |  |                              |                                |  |                              | -9%                                      |
|   |  |                              |                                |  |                              | -11%                                     |
|   |  |                              |                                |  |                              | 39%                                      |
|   |  |                              |                                |  |                              | 29%                                      |
|   |  |                              |                                |  |                              | -35%                                     |
|   |  |                              |                                |  |                              | 0%                                       |

Table 2 only includes the 292 organizations that were included in both the 2009 and 2010 dataset. When including organizations that filed in 2009 or 2010, we see an average increase in revenue 2% from 2009 to 2010. In 2009, 146 organizations filed with an average revenue of \$3,013,577. In 2010, 157 organizations filed with an average revenue of \$3,062,266.

Source: Business Master File, National Center for Charitable Statistics, 2009 and 2010.



## Key Findings

- Overall, poverty-alleviating organizations in Mecklenburg County experienced no change in average revenue from 2009 to 2010. However, the total revenue reported by organizations in this category increased 10% from 2009 to 2010.
- The share of organizations reporting non-zero revenue remained consistent in both years. In 2009, 38% of poverty-alleviating organizations in Mecklenburg County reported non-zero revenue followed by 37% in 2010.
- Residential and Adult Day Programs maintained the highest total revenue for both years, generating nearly 30% of the total revenue earned by poverty relief organizations. It is also the only category that had fewer organizations report non-zero income in 2010 than 2009.
- Organizations in the Employment and Food Programs category had the highest average revenue in both years.
- Although Family Services organizations reported the lowest total revenue and lowest average revenue for both years, they experienced the highest percentage increase in average revenue from 2009 to 2010 at 39 percent.
- Independence Support Centers experienced the largest percentage decrease in average revenue from 2009 to 2010. The categories of Housing and Economic Assistance, Human Services, and Children and Youth Services also saw a decrease in average revenue from 2009 to 2010.

## Revenue of Poverty Relief Sector 2009-2010

### Growth or Stability?

While total nonprofit revenue in Mecklenburg County declined 18 percent from 2009 to 2010, Table 2 indicates that organizations dedicated to alleviating pov-

erty in Mecklenburg County saw almost no change in average revenue and a 10% growth in total revenue during this same period. A possible explanation for this overall growth is that because of this re-



cession, the higher demand for services from poverty relief organizations has provided strong justification for governments, businesses, and individual donors to support poverty-alleviating organizations instead of other types of nonprofit organizations.

However, upon closer analysis of the data, it appears that growth in total revenue from 2009 to 2010 is largely driven by just a few organizations. The organizations driving the growth are large, well-established and well-known organizations in Charlotte that form a critical component of the local poverty relief sector. The large revenue growth of 39 percent in the area of Family Services can be accounted for by just one organization that reported zero revenue in 2009 and more than \$3 million in revenue in 2010. And the growth in average revenue in the categories of Employment & Food Programs (13 percent) and Residential & Adult Day Programs (29 percent) can be attributed to just six organizations that had a combined revenue growth of \$47 million from 2009 to 2010.

The growth of these organizations is remarkable considering that the overall revenue growth in the poverty relief sector

from 2009 to 2010 was only \$43.8 million.

Further examination of these organizations and their revenue sources for 2010 will be required to get a better understanding of what is truly driving the apparent growth in the nonprofit poverty relief sector in Mecklenburg County.

By the same token, the areas of the nonprofit poverty relief sector that experienced a decline in average revenue from 2009 to 2010 can also be accounted for by just a few organizations. These organizations are also large, well-established organizations that form a critical component of the local poverty relief sector. The decline in average revenue in the areas of Independence Support Services (-35 percent) and Human Services (-11 percent) is largely driven by four organizations that had a combined revenue decrease of \$16.4 million from 2009 to 2010.

These areas are also the only two in the poverty relief category to have a decline in total revenue from 2009 to 2010. The specific circumstances of these organizations need to be investigated further before we can fully understand the reasons for the decline in revenue for Human Services or Independence Support organizations.



Further, although the areas of Housing & Economic Assistance and Children & Youth Services both experienced a decline in average revenue is largely explained by the increase in the number of organizations in these areas reporting non-zero revenue from 2009 to 2010.

In large part, this sums up the experience of the overall poverty relief sector from 2009 to 2010. When the eleven organizations that experienced large increases or decreases in revenue are excluded from this analysis, the remaining organizations saw a zero percent total revenue change and a 9 percent average revenue decline from 2009 to 2010. In the poverty relief sector in Mecklenburg County, the same number of dollars are being spread over a larger number of organizations.

Given the current economic recession and the overall decline in nonprofit revenue in Mecklenburg County, this shows some community response to help these organizations. It appears that the community responded to the need to shore up the poverty relief sector against the declining economy by concentrating resources in six of the larger, well-known

poverty relief organizations. For example, many of these organizations received grants from the Critical Need Response Fund administered by the Foundation for the Carolinas.

Although the poverty-relief nonprofit sector has not had a change overall in average revenues, demand for services have increased. Without increased revenues, these organizations will be unlikely to respond to greater need. With the recession lingering and demand for poverty relief services increasing, it is important to continue to focus on strengthening the nonprofit poverty relief sector in Mecklenburg County. Strategies to achieve this may include: focusing resources on the large nonprofits that lost substantial revenue from 2009 to 2010; continuing to focus community attention on needs of the poverty relief sector through vehicles such as the Critical Need Response Fund; looking for ways to provide new or expanded services in existing organizations before establishing new nonprofits; and evaluating impacts of service provision to focus resources on those programs that demonstrate a measurable impact on the alleviation of poverty.



# Methodological Notes

## 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. In 2007, the IRS changed these requirements so that non-profit 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 the number of organizations filing a Form 990. Churches – which often have robust poverty relief outreach – and other 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.

## NTEE Codes

The IRS codes nonprofit organizations into a taxonomy called the National Taxonomy of Exempt Organizations. For this report, we used those organizations that have missions related to relieving poverty. A full list of those NTEE codes for organizations used in this report are shown on the next page.

For a complete list of the NTEE organization codes, go to <http://nccs.urban.org/classification/NTEE.cfm>.



# NTEE Codes for Poverty Relief Organizations

## EMPLOYMENT & FOOD PROGRAMS

- J20 Employment Preparation & Procurement
- J21 Vocational Counseling
- J22 Job Training
- J30 Vocational Rehabilitation
- J32 Goodwill Industries
- J33 Sheltered Employment
- K30 Food Programs
- K31 Food Banks & Pantries
- K34 Congregate Meals
- K35 Soup Kitchens

## HOUSING & ECONOMIC ASSISTANCE

- L20 Housing Development, Construction & Management
- L21 Low-Income & Subsidized Rental Housing
- L25 Housing Rehabilitation
- L30 Housing Search Assistance
- L40 Temporary Housing
- L41 Homeless Shelters
- L80 Housing Support
- L81 Home Improvement & Repairs
- L82 Housing Expense Reduction Support
- P50 Personal Social Services
- P51 Financial Counseling
- P52 Transportation Assistance
- P60 Emergency Assistance
- P61 Travelers' Aid
- P62 Victims' Services
- P85 Homeless Centers

## HUMAN SERVICES

- P20 Human Services
- P21 American Red Cross
- P22 Urban League
- P24 Salvation Army
- P26 Volunteers of America
- P27 Young Men's or Women's Associations
- P28 Neighborhood Centers
- P29 Thrift Shops

## CHILDREN & YOUTH SERVICES

- P30 Children & Youth Services
- P31 Adoption
- P32 Foster Care
- P33 Child Day Care

## FAMILY SERVICES

- P40 Family Services
- P42 Single Parent Agencies
- P43 Family Violence Shelters
- P44 In-Home Assistance
- P45 Family Services for Adolescent Parents
- P46 Family Counseling
- P47 Pregnancy Centers

## RESIDENTIAL CARE & ADULT DAY PROGRAMS

- P70 Residential Care & Adult Day Programs
- P71 Adult Day Care
- P73 Group Homes
- P74 Hospices
- P75 Supportive Housing for Older Adults

## CENTERS TO SUPPORT THE INDEPENDENCE OF SPECIFIC POPULATIONS

- P80 Senior Centers
- P82 Developmentally Disabled Centers
- P84 Ethnic & Immigration Centers



## **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](mailto: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](mailto:nvac-info@uncc.edu).