



Essential:

Our State's Nonprofit
Sector Is a Vital
Economic Engine



N.C. Center for Nonprofits

Essential:

Our State's Nonprofit Sector Is a Vital Economic Engine

A report by the
North Carolina Center for Nonprofits

David Heinen, Jane Kendall, and Trisha Lester



N.C. Center for Nonprofits

www.ncnonprofits.org

1110 Navaho Drive, Suite 200

Raleigh, NC 27609

919.790.1555, info@ncnonprofits.org

© North Carolina Center for Nonprofit Organizations, Inc., 2015

We encourage you to use this report and copy it freely if you credit the N.C. Center for Nonprofits.

Thanks to these sponsors for helping to make this report possible:



Table of Contents

Introduction and Key Findings

Introduction	2
Key findings	3
What are nonprofits? How do they differ from for-profit businesses?	4

Nonprofits Are a Significant Part of North Carolina's Economy

Percentage of North Carolina's share of Gross Domestic Product (GDP)	6
How nonprofit employees add to the economy and increase revenue for state and local government	6
A major industry in North Carolina	7
Nonprofit employment compared to other North Carolina industries	7
Jobs created in all regions of the state	8

North Carolina's Nonprofit Sector Is Large and Diverse

Number of nonprofits and their budget sizes	10
Nonprofits by field and growth of the nonprofit sector	11

Nonprofits Touch the Lives of Every North Carolinian

A few things nonprofits help us with	13
Positive public perception of nonprofits	14
Public opinion that nonprofits should be exempt from paying taxes	14

Nonprofits Involve People in Their Communities

North Carolinians trust nonprofits with their own time and money	16-17
--	-------

Nonprofits Continue To Feel the Strain of the Economy

Growing needs and declining resources	19
Financial risks for nonprofits due to late payments by government agencies	20
The impact of strains on nonprofits	20

Table of Contents Continued

Nonprofits Are Shaping North Carolina's Future

Essential to the fabric of North Carolinians' lives 22

Appendices

Data by County: Number of nonprofits and nonprofit jobs provided 24-29

Snapshot of North Carolina nonprofits by type of tax exemption 30

Sources of Data 31-32

Acknowledgments

We extend special thanks to Katelin Bartley, Michelle Beck, Creighton Blackwell, Caitlin Clinard, Sharon Allred Decker, Sarah Easley, Cody Hand, Logan Griffin, Leanne High, Devyn McDonald, Caroline McDowell, Tim McDowell, Sandy Pickett, Michael Schoenfeld, Kylie Sieb, Ellie Snow, Hugh Tilson, Tim Tompkins, Paul Vick, Brendan Ward, Tom West, Hope Williams, and Kelly Williamson. This report would not be possible without the expertise and partnership of the National Council of Nonprofits, the National Center for Charitable Statistics at the Urban Institute, the Nonprofit Finance Fund, and the North Carolina Department of Commerce.

Design by Studio Harbor in Durham, NC, studioharbor.com



1

Introduction & Key Findings



Cape Fear Botanical Garden

Nonprofits touch the life of every North Carolinian.

Nonprofits from daycare centers and museums to colleges, hospitals, and YMCAs are part of our daily lives. They are an essential part of what makes North Carolina a great place to live, work, and raise a family.

The nonprofit sector also is a significant part of North Carolina's economy. This economic report describes the stunning size, variety, and impact of North Carolina's large and diverse nonprofit sector. The information shows why a healthy nonprofit sector is critical to our state's prosperity.

This report is for leaders in nonprofits, business, government, and philanthropy, as well as everyone else who cares about North Carolina's economy and quality of life. You can use it to educate yourself and others about how nonprofits impact your county and state.

The N.C. Center for Nonprofits prepared this report using data gathered in collaboration with the National Council of Nonprofits, the Urban Institute's National Center for Charitable Statistics, the Nonprofit Finance Fund, the N.C. Department of Commerce, and nonprofits throughout the state.

ABOUT THE N.C. CENTER FOR NONPROFITS

Founded in 1990, the N.C. Center serves as a:

- Statewide learning network for nonprofit board and staff members. Nonprofits working in all 100 counties are members of the Center.
- One-stop information center on effective practices in governing and managing nonprofits.
- Advocate for North Carolina's nonprofit sector.



N.C. Center for Nonprofits



Winston-Salem Symphony

Nonprofits contribute
\$38.5 billion
annually to the state's
economy.

2.5 million
people volunteer each
year in North Carolina.
That is 26.4% of the state's
entire population.

Nonprofits employ
>400,000
North Carolinians,
providing more than
one out of every 10
jobs in the state.

1 OUT
OF 10 JOBS



Key Findings

This report reveals powerful information on the scope and economic power of North Carolina's nonprofits, but also that they do not have enough resources to be able to meet the growing needs in our state's communities.

A statewide poll found that
**North Carolinians have
a favorable view of non-
profits** and see nonprofits'
missions as critical for NC.

78% of nonprofits
experienced an increase
in demand for their services
in 2014 alone, and 60% were not
able to meet those demands.

What are nonprofits?

This report focuses on nonprofit organizations that are tax-exempt under Section 501(c)(3) of the Internal Revenue Code. To receive and keep this status, their primary objective must be to benefit the public. They exist to achieve charitable, religious, educational, scientific, or literary purposes. In exchange, these nonprofits receive the privilege of exemption from most taxes. They are required to operate very differently from for-profit businesses (see box). They agree to give up these basic privileges that for-profits have:

Profits. No one “owns” a nonprofit. They are required by federal law to reinvest all of their net earnings back into their missions. By contrast, for-profit businesses may distribute their profits to shareholders or owners. Financially sound nonprofits do, however, need more revenue than expenses in order to continue their work from month to month. They should strive to maintain about six months’ operating reserves to be able to maintain their programs in case of any emergency.

Privacy. Many of nonprofits’ documents must be available to the public. These are available free at www.guidestar.org. These documents include their annual IRS returns and their application for tax exemption, which provides their basic governing documents. Those with average expenses above \$50,000 must make public their annual Form 990 filed with the IRS, which includes information on their programs, revenue and expenses, governance, directors’ and officers’ identities, and key employees’ salaries. Smaller nonprofits are required to identify their board officers and attest to their budget size.

Politics. Engaging in partisan politics is absolutely prohibited for 501(c)(3) nonprofits. They can lose their tax-exempt status if they make political contributions or coordinate activities with political parties or candidates for office. Very importantly, 501(c)(3) nonprofits are allowed and encouraged to take positions on public policy issues, educate elected officials about their causes, and spend a portion of their expenses to lobby.

HOW DO NONPROFITS DIFFER FROM FOR-PROFIT BUSINESSES?

Both are private organizations, but they have these fundamental differences.

Nonprofits with 501(c)(3) status:

- Primary objective is public benefit.
- Must be organized and operated for charitable, educational, religious, scientific, or literary purposes.
- Must reinvest net earnings back into the mission (but do need net earnings to be able to continue their work).
- In exchange for this public benefit, they are exempt from federal and state income taxes, most are eligible to request refunds of sales tax, and many are exempt from property tax.
- Donors may deduct some of their contributions from their income taxes.

- Financial data on IRS forms is public.
- Allowed to advocate and lobby, but prohibited from partisan politics.

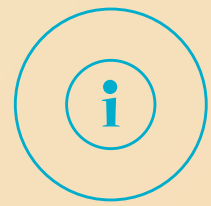
For-profits:

- Primary objective is profit.
- Net earnings can be distributed to shareholders, employees, owners, and other private individuals.
- Pay taxes on income, purchases, and property owned.
- Financial information is private except for publicly-traded corporations.
- May engage in partisan politics.

2

Nonprofits are a significant part of North Carolina's economy.





North Carolina nonprofits add \$38.5 billion to the state's economy each year.¹ The latest information shows North Carolina's share of the Gross Domestic Product (GDP) as \$430 billion in 2012², so nonprofits' \$38.5 billion generates approximately 9% of the state's total economic activity.

Nonprofits provide jobs for more than 400,000 workers in North Carolina – more than 10% of our state's total workforce.³ This includes 367,229 employees of nonprofits that report to the IRS, plus an estimated 72,000 additional employees of nonprofit churches, religious congregations, and other religious organizations.⁴

The average weekly wage of nonprofit employees was \$837 in 2011.⁵ This translates to more than \$15 billion in annual wages generated for workers in our state. These nonprofit workers then generate billions of dollars in revenue for government and business. They pay state income tax on their wages, plus sales taxes to state and local governments, plus property taxes to local governments. Throughout North Carolina, they also support businesses by buying homes, vehicles, food, clothing, and other consumer goods and services. These businesses can then create more jobs and further build the economy.

DID YOU KNOW?

Nonprofit employment grew by nearly 18% between 2007 and 2013, a period when overall employment in North Carolina declined by 2%.



How Nonprofit Jobs Boost State and Local Tax Revenues and the Economy

Pays income, sales, and property taxes to state/local governments.

Economic Growth

Nonprofit Employee

Supports businesses by buying homes and consumer goods. Then businesses can create more jobs.

1. National Center for Charitable Statistics at The Urban Institute.
2. Bureau of Economic Analysis, U.S. Department of Commerce, estimate 2012.
3. N.C. Department of Commerce, 2nd quarter of 2013.
4. N.C. Department of Commerce (see p. 7)
5. Average annual wages in nonprofits were \$43,534 in 2nd quarter 2011; Quarterly Census Employment and Wages, N.C. Department of Commerce.

Nonprofits Are a Major Industry in North Carolina



Nonprofits provide more than 400,000 jobs in North Carolina. That is more than one out of every 10 jobs in the state. Over the past seven years, employment by nonprofits has grown by nearly 18% during a period when overall state employment has declined.⁶

Official economic reports often overlook the nonprofit sector's role as a major employer in North Carolina. The reason is that the nonprofit sector is not classified as an "industry" in the codes used by federal and state government when reporting labor statistics. To get an accurate count, the N.C. Department of Commerce decided to conduct additional research. For 2013, it found that 367,229 workers were employed by the state's nonprofits that file tax returns with the IRS.⁷

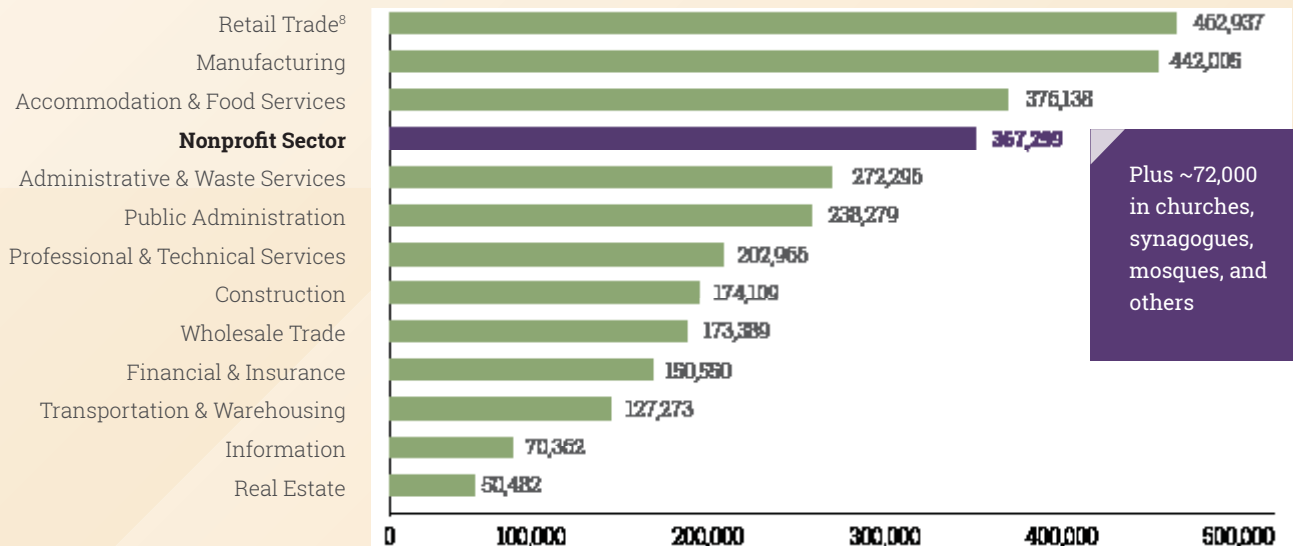
DID YOU KNOW?

Nonprofits provide 1 of every 10 jobs in NC.

But, the total count requires adding approximately 72,000 employees of religious organizations. These include churches, synagogues, mosques, and other religious and spiritual congregations that are not required to file for tax exemption or file annual reports to the IRS. The Division of Employment Security at the N.C. Department of Commerce conducted a survey of religious congregations in 2006 and estimated that these entities employed at least 72,000 North Carolinians, the number used conservatively in this report.



Nonprofit Employment Compared to Other North Carolina Industries, 2013⁸



6. N.C. Department of Commerce, 2nd quarter of 2013.

7. Includes all employees at nonprofits covered by the N.C. unemployment insurance laws in the 2nd quarter 2013. This means that employees of religious organizations and of nonprofits with three or fewer employees are not included in these numbers.

8. Industries are based on the North American Industry Classification System (NAICS).

Nonprofits create jobs in all regions of the state.

Nonprofits are significant employers in all regions of North Carolina, and all have seen growth in nonprofit jobs in the past five years. The largest concentrations are in the urban areas of the Triangle, Piedmont Triad, and Charlotte. See page 24 for why our state's portion of Carolinas Healthcare System's 59,000 employees are not included here.

While health organizations account for the majority of nonprofit jobs, employment is spread throughout the sector.

In addition to providing paid jobs, North Carolina's nonprofit sector also relies on a labor force of more than 2.5 million unpaid volunteers. See page 16 for details.

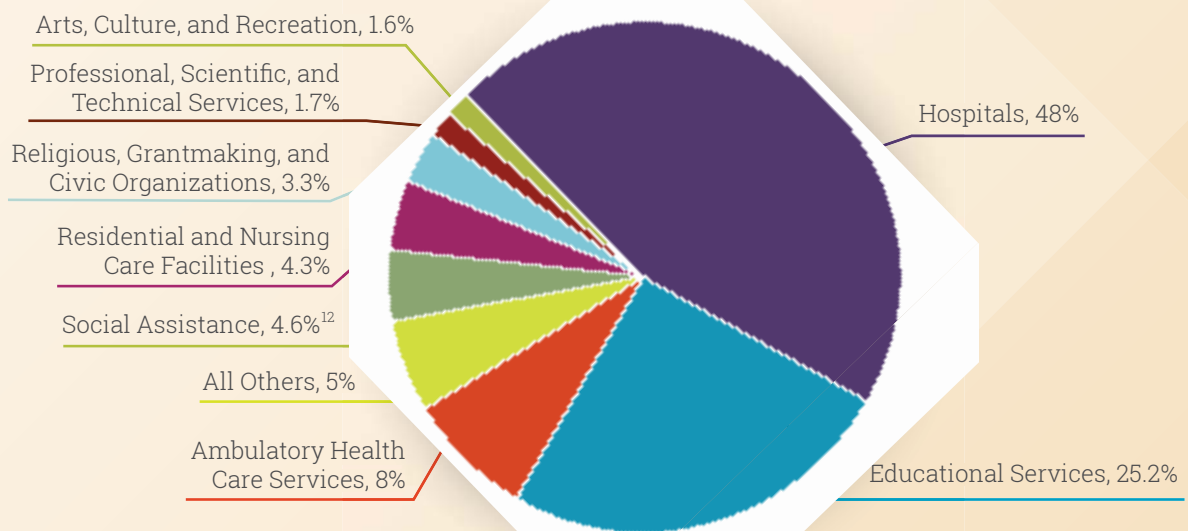


Change in Nonprofit Employment by Region, 2007 to 2013⁹

REGION	NONPROFIT JOBS (2013)	CHANGE FROM 2007
Charlotte Area	59,507	8.3%
Eastern NC	32,866	26.1%
Northeastern NC	7,247	10.8%
Piedmont Triad	72,504	19.4%
Triangle Area	121,413	19.9%
Southeastern NC	30,175	27.8%
Western NC	43,518	18.3%
North Carolina	367,229¹⁰	18.5%



Nonprofit Employment in North Carolina by Field¹¹



9. These regions are based on N.C.'s seven often-used economic development regions.

10. Difference due to rounding.

11. Fields indicate three-digit North American Industry Classification System (NAICS) codes.

12. Social assistance jobs include those in individual and emergency and relief services, youth services, senior services, community food services, family services, and community housing services.

3

North Carolina's nonprofit sector is large and diverse.



Asheville Green Works



North Carolina is home to 10,633 tax-exempt 501(c)(3) nonprofits that file annual financial reports to the IRS.¹³ These nonprofits spend a total of \$38.5 billion, or 9% of the gross state product.

North Carolina's nonprofits range from small organizations with no staff and minimal budgets to large, multi-million dollar hospitals and universities.¹⁴ These nonprofits serve a wide array of missions. They spend money and create jobs in all 100 counties of North Carolina.

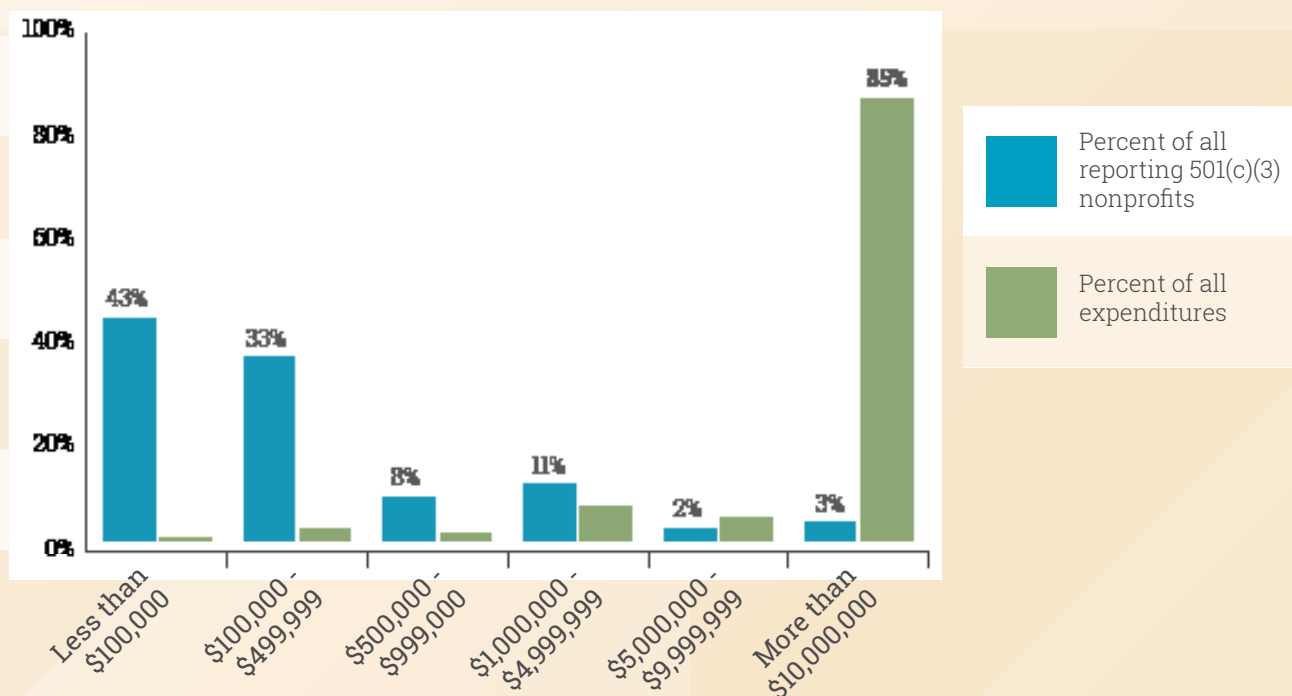
The majority of nonprofits are small, with 43% of organizations having budgets under \$100,000 and 84% having budgets under \$1 million. But North Carolina's largest nonprofits – those with annual budgets over \$10 million – make up 85% of the total expenditures of all 501(c)(3) organizations in the state. The 104 nonprofit hospitals in North Carolina account for 38% of nonprofit spending, and the 70 nonprofit colleges and universities comprise 11% of total nonprofit spending.

DID YOU KNOW?

Nonprofits in North Carolina spend a total of \$38.5 billion a year, or 9% of the gross state product.



North Carolina Nonprofits by Budget Size and Total Expenditures, 2012



13. The number of nonprofits used throughout this report is 10,633 because 501(c)(3) nonprofits that file annual financial reports to the IRS are the only nonprofits for which aggregate financial information is available. See Appendix C for details.

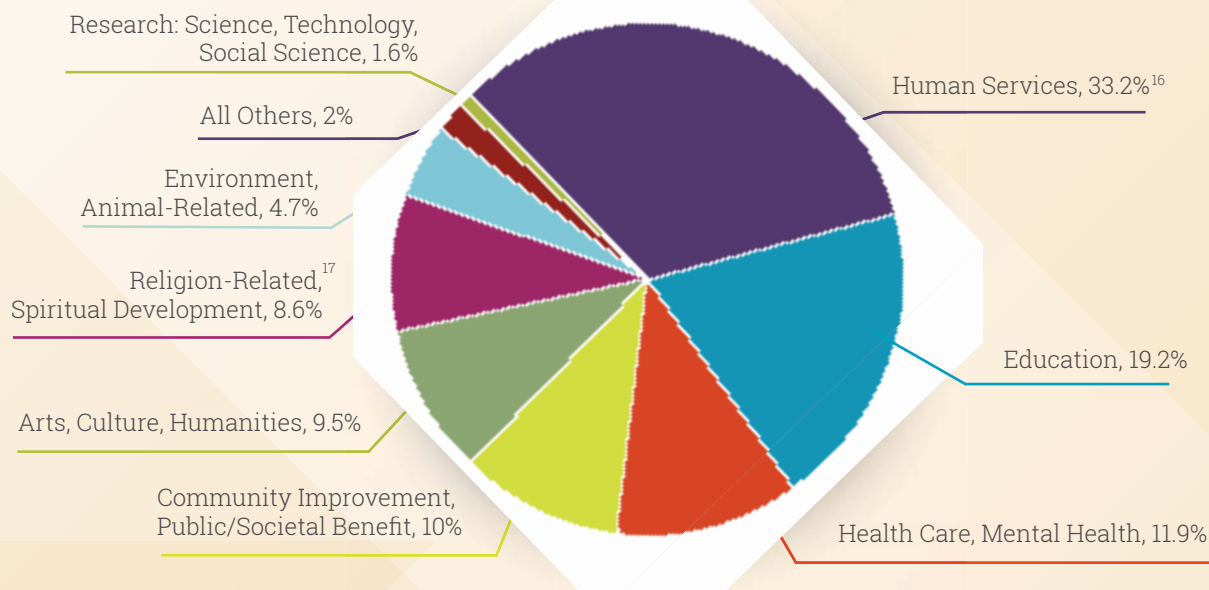
14. From tax filings for nonprofits' Fiscal Year 2012 as compiled by the National Center for Charitable Statistics at The Urban Institute (See pg. 31).

North Carolina nonprofits serve a wide variety of missions. One-third provide human services, and about one-fifth focus on education. Other large parts of the nonprofit sector include health care and mental health; community improvement, such as economic development and housing; and arts, culture, and humanities.

North Carolina's nonprofits are also geographically diverse. Nonprofits contribute to the economy in every county and region in the state. The greatest concentrations of nonprofits – and the areas where nonprofits have the greatest overall economic impact – are in the urban regions of the Triangle, Charlotte, and the Triad.



North Carolina Nonprofits by Field¹⁵



North Carolina's Nonprofit Sector Is Growing

The number and size of nonprofits has risen sharply in North Carolina over the past decade. The number grew by 32% in the decade between 2002 and 2012, but has leveled off around 10,000 nonprofits since 2007.

Overall nonprofit employment grew by 18% between 2007 and 2013, a period when total employment in North Carolina declined.

Nonprofit expenditures almost doubled from 2002 to 2012, from \$19.7 billion to \$38.5 billion.

15. FY 2012 tax filings compiled by National Center for Charitable Statistics, Urban Institute (See pg. 31).
 16. Human services organizations, the largest category of North Carolina nonprofits, provide a broad spectrum of services, such as youth development, disaster relief, housing services, and family support.
 17. Religion-related nonprofits that provide specific programs, such as mental health services or day care, are placed with organizations providing similar services, not under Religion-related.

4

Nonprofits touch the lives of every North Carolinian.



Hospice and Palliative Care Center

The value that nonprofits create goes far beyond dollars and jobs in North Carolina. They enrich the quality of life for all North Carolinians.

Nonprofits deliver food for the hungry, educate the public on vital issues, protect our environment, improve government policies, and provide faith-

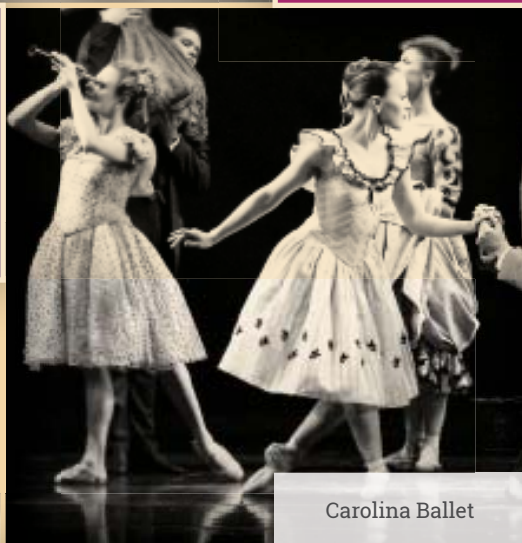
based activities. They bring us the arts and preserve our culture. They advocate for reforms to improve public health, expand access to financial services, and provide homes for the homeless. They deliver essential services for veterans and help retirees remain connected to, and active in, their communities.

A Few Things Nonprofits Help Us With



Deliver our babies.

Educate our children.



Carolina Ballet

**Nurture
our
culture.**

**Enjoy
clean air
& water.**

**Provide
health
care.**



The Public Perception of Nonprofits Is High

Nonprofits are viewed favorably by North Carolinians. People see nonprofits' missions as critical in our state, especially in the current economic climate. Support for nonprofits is high across every demographic group.

Nearly eight in ten North Carolinians (78%) think that nonprofits should remain free from paying taxes, including 54% who strongly agree. A majority of North Carolinians believe that if nonprofits are required to pay taxes, then most nonprofits would serve fewer people as a result. There is strong support for nonprofits among North Carolinians who donate or volunteer for nonprofits, as well as those who do not. The people of North Carolina trust nonprofits with their own money and with their free time.



DID YOU KNOW?

Nearly 8 in 10 North Carolinians (78%) think that nonprofits should remain free from paying taxes.



Down East Partnership for Children

5

Nonprofits involve people
in their communities.



Crisis Control Ministry



North Carolinians give their valuable time through nonprofits.

North Carolina's nonprofits provide a wealth of opportunities for public service. They leverage the time of one out of every four North Carolinians by providing opportunities for them to work in their communities as volunteers. Each year, 2.5 million people in North Carolina volunteer, representing 26.4% of the state's entire population that take on jobs voluntarily to improve people's lives and build the economy.¹⁸

Volunteers' total of 228.6 million hours of work represent the equivalent of 109,903 full-time employees. With the nonprofit sector employing more than 400,000 paid workers, this brings the total number of North Carolinians performing paid or unpaid work in nonprofits to about 3 million people.

For example, when state funding for the Down East Partnership for Children's was cut, the staff was able to engage volunteers in the community to lead classes on money management and conduct registration campaigns.

DID YOU KNOW?

Nonprofits engage more than **2.5 million** people as volunteers in North Carolina.



Rutherford Housing Partnership

Carolina Tiger Rescue's day-to-day operations are only possible through the creative management of more than 150 committed volunteers. Local contractors build cages, and animal care volunteers cover shifts seven days a week, including holidays.

The Down East Partnership for Children and Carolina Tiger Rescue have both been winners of the N.C. Center's Nonprofit Sector Stewardship Award.



North Carolinians Trust Nonprofits with Their Own Money

People demonstrate that they value nonprofits by giving their own funds to support these organizations' work. North Carolina taxpayers who itemize their deductions contributed an average of \$1,323 to nonprofits in 2012,¹⁹ or 2.5% of their total income. North Carolinians contributed more than the national average, which is \$1,024, or 2.1% of income.

Lower and middle-income North Carolinians are also generous in their contributions to nonprofits.

Until 2013, North Carolina had a state income tax credit for individuals and families that contribute more than 2% of their income to nonprofits, but do not itemize deductions on their federal income taxes. More than 70% of individuals and families who are non-itemizers had adjusted gross incomes below \$40,000. In 2009, these taxpayers received a total of \$36.8 million in credits for their charitable contributions.²⁰ This represents a total of \$525 million they gave to nonprofits from their relatively small incomes.

19. Analysis of IRS Form 1040 data by the National Center for Charitable Statistics at the Urban Institute.
20. Data on the non-itemizer tax credit are from the 2011 North Carolina Biennial Tax Expenditure Report prepared by the N.C. Department of Revenue.

Nonprofits continue to feel the strain of the economy.



Growing Needs and Declining Resources for Many Nonprofits

Although the nonprofit sector as a whole is growing, the majority of North Carolina nonprofits lack the resources necessary to meet the growing need for their services. Research shows that nonprofits, their employees, and the North Carolinians they serve are all feeling the impact of this financial strain.

In 2014 alone, 78% of North Carolina nonprofits experienced an increase in demand for services, but 60% were unable to meet the demands. This increase in the need for nonprofits' services is tied to the slow economic recovery and to substantial cuts in state funding of public services. Two out of five North Carolina nonprofits (40%) expected the 2014 financial outlook to be even harder for the communities they serve, and 46% say the financial outlook is getting worse for their organizations.²¹

North Carolina nonprofits cite their top financial challenge as "achieving long-term financial

sustainability." Other challenges include meeting community demand for their services and programs, diversifying their funding sources, handling cuts in government funding, and raising unrestricted revenue to operate their primary programs.²²

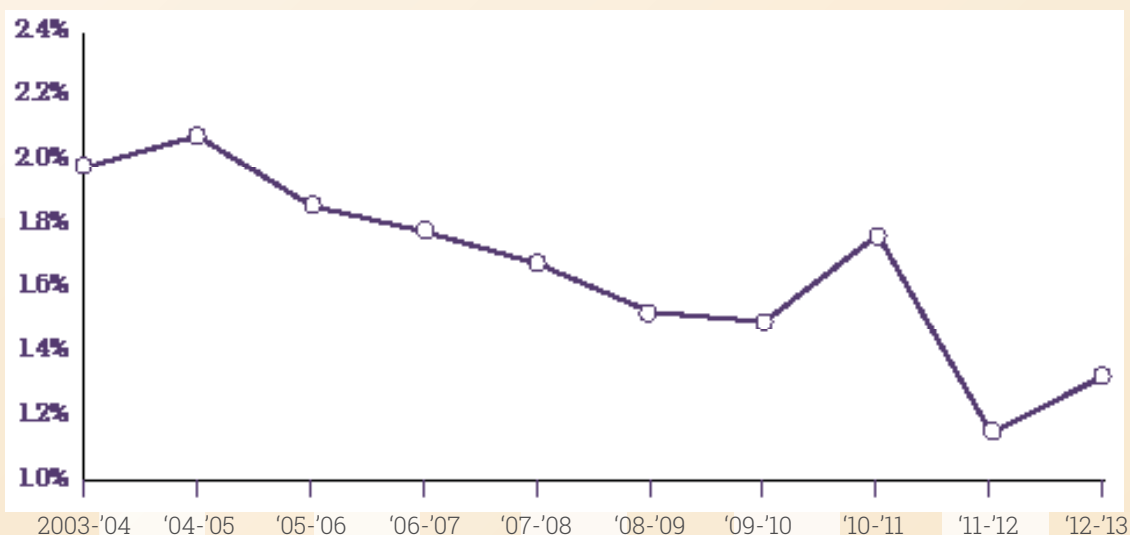
The approaches that many foundations and corporations take in making grants also create some challenges for nonprofits. Nonprofits report that funders "rarely or never" cover the full cost of the projects that they support. For decades, nonprofits have reiterated that the most helpful grant investments focus on supporting their core programs, not on funding new projects.

Government grants are also declining.

The actual dollar amount of state grants to nonprofits in 2012-13 was almost exactly the same as in 2003-04.²³ This reflects a 40% reduction relative to inflation and population growth in this period.



State Grants to Nonprofits as a Percentage of Total State Budget



Late payments create financial risks for nonprofits. About 50% of the time, state agencies pay nonprofits more than a month late for work they do for the state. To try to manage this significant cash flow problem, nonprofits took these steps in 2014, all of which put their organizations' finances at risk:

- 35% of nonprofits used emergency reserves if they had them;
- 21% paid the delayed funds from their own budgets;
- 27% used other unrestricted or earned income;
- 9% delayed payments to vendors; and
- 12% relied on loans or lines of credit, for which the nonprofits themselves had to pay the interest.²⁵

The Impact of Strains on Nonprofits

Most nonprofits have tried to absorb the financial losses internally, but the results have weakened the financial condition of many.

In 2014 alone, for example:

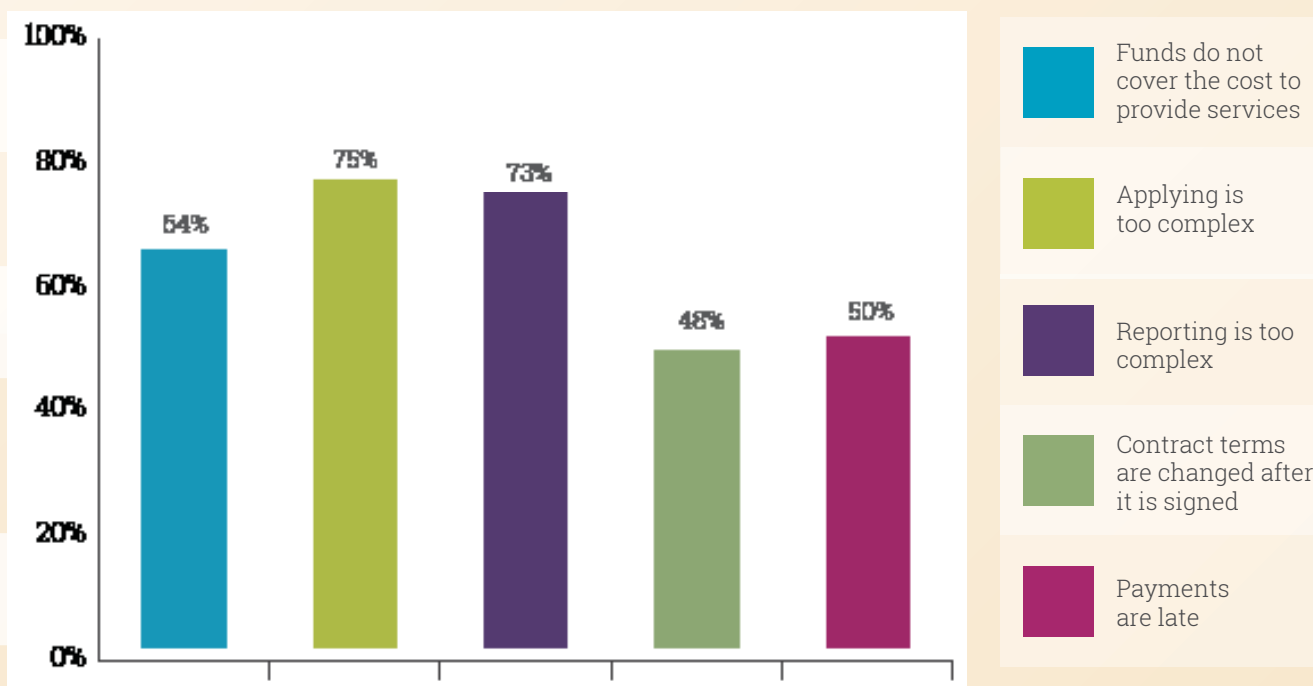
- More than a sixth of North Carolina nonprofits (17%) had an operating deficit.
- More than half (54%) did not have enough cash on hand to operate for more than three months.
- One in ten (10%) reduced staff, 5% reduced staff hours, and 2% froze vacant positions. This comes on top of the 60% of nonprofits that froze or reduced wages in 2009, plus 62% that did so in 2010, another 40% in 2011, and an additional 14% in 2012.²⁶

Despite these cumulative cuts, 2014 was the second year showing some positive changes. Of the state's nonprofits, 46% hired staff for new positions, and 39% made replacement hires. Twenty-two percent were able to give raises, some for the first time since 2008.

With 78% of North Carolina nonprofits facing a jump in demand, 48% served more people or locations in 2014. More than half (57%) collaborated with another organization to improve or expand services.



Problems with Government Contracts Experienced by North Carolina Nonprofits, 2013²⁴



24. The Urban Institute, National Study of Nonprofit-Government Contracts and Grants, 2013.

25. Nonprofit Finance Fund, 2015 State of the Nonprofit Sector, 2015.

26. Nonprofit Finance Fund, 2015 State of the Nonprofit Sector, 2015 and surveys of nonprofits conducted by the N.C. Center for Nonprofits in 2010, 2011, and 2012.

7

Nonprofits are shaping
North Carolina's future.



This report reveals just how essential nonprofits are to the fabric of our lives in North Carolina.

They make a difference every day by improving the quality of life in our state.

Most people are aware that nonprofits address basic needs such as food, clothing, shelter, child care, senior care, and health care. But, nonprofits also help to bring education, jobs, arts, culture, safety, clean air and water, and spiritual support through houses of worship. They are the lifeblood of our communities.

North Carolina's economy depends on nonprofits for many of the drawing cards that make it attractive to business. Nonprofits themselves also employ one out of every 10 workers in North Carolina and add more than \$38 billion a year directly to the economy.

Despite their social and economic impact, nonprofits are under tremendous stress. They are struggling as more North Carolinians turn to them for services.

Now more than ever, it is critical that our people, businesses, and government officials understand that nonprofits are essential for making North Carolina a good place to work, live, and raise a family. We all have a stake in the health and vitality of our state's nonprofits.



Appendices



Davidson Housing Coalition

Appendix A

Region and Counties	Number of 501(c)(3) Nonprofits ²⁷	Total Nonprofit Expenditures ²⁸	Total Nonprofit Employment²⁹	Nonprofit Employment as Percent of Total Employment	Average Annual Wages for Nonprofit Employees ³⁰
Charlotte Area	2,247	\$4,651,565,375	59,507 ³¹	5.65%	\$38,521.91
Alexander	21	\$5,741,418	253	2.85%	\$22,711.00
Anson	18	\$4,395,594	240	3.18%	\$33,065.76
Cabarrus	170	\$160,074,013	1,978	3.05%	\$24,478.48
Catawba	125	\$208,329,486	4,563	5.66%	\$35,380.28
Cleveland	97	\$131,997,574	3,852	11.54%	\$32,830.20
Gaston	159	\$311,446,314	7,003	10.37%	\$40,064.96
Iredell	147	\$98,084,597	3,328	5.04%	\$32,825.00
Lincoln	47	\$19,051,592	761	3.60%	\$26,460.72
Mecklenburg	1,121	\$3,104,239,444	30,080	5.16%	\$42,691.48
Rowan	129	\$228,334,143	3,574	8.02%	\$34,806.72
Stanly	63	\$249,186,563	2,394	12.77%	\$32,996.08
Union	150	\$130,684,637	1,481	2.66%	\$36,121.28
Eastern NC	882	\$2,958,780,853	32,866	8.81%	\$40,035.88
Carteret	76	\$38,155,191	1,951	8.60%	\$28,444.52
Craven	83	\$85,522,749	2,862	7.59%	\$38,777.96
Duplin	30	\$28,348,225	2,173	10.81%	\$34,983.52
Edgecombe	46	\$37,478,287	1,263	7.03%	\$34,585.72

Eastern NC continues on next page.

27. Includes all tax-exempt 501(c)(3) nonprofits in North Carolina filing Form 990 or 990-EZ for FY 2012. This includes organizations other than religious congregations (such as churches, synagogues, and mosques) with annual gross revenues of \$50,000 or greater for their Fiscal Year 2012.

28. Includes FY 2012 expenditures for the nonprofits described above.

29. Includes all employees at tax-exempt nonprofits of any type covered by the N.C. unemployment insurance laws in the second quarter of 2013. A 2006 survey by the Division of Employment Security of the N.C. Department of Commerce found that there are at least 72,000 employees at religious nonprofits in North Carolina. Thus, total nonprofit employment in the state is more than 400,000.

30. N.C. Department of Commerce. Average wages as of 2011.

31. Carolinas Healthcare System's is a Hospital Authority, not a 501(c)(3) nonprofit organization, so its 59,000+ employees in N.C. and S.C. are not included in this data.

Appendix A continued

Region and Counties	Number of 501(c)(3) Nonprofits	Total Nonprofit Expenditures	Total Nonprofit Employment	Nonprofit Employment as Percent of Total Employment	Average Annual Wages for Non-profit Employees
Greene	11	\$12,089,647	131	3.30%	\$39,150.80
Jones	8	\$7,700,099	170	9.95%	\$37,321.44
Lenoir	55	\$176,432,478	1,827	6.54%	\$33,610.72
Nash	80	\$124,018,147	3,046	8.45%	\$36,541.96
Onslow	89	\$45,344,195	2,279	4.72%	\$36,177.44
Pamlico	21	\$6,616,736	519	15.55%	\$22,042.80
Pitt	177	\$1,781,095,538	10,447	14.44%	\$51,135.24
Wayne	93	\$373,550,803	3,510	8.15%	\$34,122.40
Wilson	113	\$242,428,758	2,688	7.06%	\$36,203.96
Northeastern NC	421	\$335,574,525	7,247	6.09%	\$34,451.59
Beaufort	85	\$24,390,087	1,226	7.80%	\$31,902.00
Bertie	17	\$6,278,373	351	5.78%	\$30,440.28
Camden	4	\$2,242,540	81	5.13%	\$24,064.56
Chowan	24	\$15,302,200	522	11.37%	\$41,564.12
Currituck	14	\$3,448,663	108	1.63%	\$17,494.36
Dare	71	\$14,029,837	677	3.32%	\$36,908.56
Gates	7	\$1,331,397	7	0.53%	\$0.00
Halifax	50	\$154,483,991	1,665	10.18%	\$38,630.80

Northeastern NC continues on next page.

Appendix A continued

Region and Counties	Number of 501(c)(3) Nonprofits	Total Nonprofit Expenditures	Total Nonprofit Employment	Nonprofit Employment as Percent of Total Employment	Average Annual Wages for Non-profit Employees
Hertford	29	\$48,037,486	1,242	13.91%	\$40,126.32
Hyde	11	\$2,558,029	70	3.10%	\$32,004.44
Martin	21	\$13,696,438	227	3.16%	\$25,784.72
Northampton	17	\$16,055,576	241	4.44%	\$26,629.20
Pasquotank	39	\$27,398,315	599	3.82%	\$22,780.68
Perquimans	14	\$899,062	49	2.51%	\$48,635.08
Tyrrell	9	\$2,926,381	89	7.05%	\$18,833.36
Washington	9	\$2,496,150	92	2.49%	\$24,619.40
Piedmont Triad Area	1,791	\$10,709,425,498	72,504	10.71%	\$42,527.47
Alamance	141	\$571,283,829	5,385	9.38%	\$38,169.56
Caswell	11	\$4,452,182	157	5.04%	\$34,057.92
Davidson	115	\$156,232,191	3,055	7.39%	\$31,530.20
Davie	45	\$24,197,124	413	4.11%	\$22,961.12
Forsyth	491	\$6,638,097,813	32,987	18.89%	\$50,387.48
Guilford	672	\$2,794,247,571	22,935	8.59%	\$38,400.44
Montgomery	19	\$4,472,763	382	4.17%	\$31,274.36
Randolph	74	\$206,169,386	2,488	5.71%	\$33,267.00
Rockingham	74	\$141,223,948	2,201	8.43%	\$32,161.48

Piedmont Triad Area continues on next page.

Appendix A continued

Region and Counties	Number of 501(c)(3) Nonprofits	Total Nonprofit Expenditures	Total Nonprofit Employment	Nonprofit Employment as Percent of Total Employment	Average Annual Wages for Non-profit Employees
Stokes	41	\$8,078,949	337	4.99%	\$20,799.48
Surry	73	\$143,269,506	1,837	6.73%	\$32,245.20
Yadkin	35	\$17,700,236	327	3.07%	\$14,961.96
Southeastern NC	864	\$2,129,117,460	30,175	7.92%	\$40,661.12
Bladen	22	\$3,223,603	156	1.29%	\$29,100.24
Brunswick	72	\$20,703,553	1,228	4.16%	\$31,251.48
Columbus	50	\$109,994,543	1,089	6.58%	\$35,059.96
Cumberland	195	\$1,013,865,427	8,399	7.06%	\$46,531.16
Hoke	20	\$5,506,333	1,858	16.82%	\$28,714.92
New Hanover	274	\$334,314,488	9,608	9.63%	\$40,746.16
Pender	35	\$17,631,889	701	6.57%	\$30,442.88
Richmond	43	\$9,421,915	1,028	7.68%	\$34,526.44
Robeson	92	\$395,711,981	3,384	8.84%	\$41,370.16
Sampson	22	\$28,336,264	1,217	6.48%	\$35,721.40
Scotland	39	\$190,407,464	1,505	12.96%	\$34,019.96
Triangle Area	2,794	\$13,716,153,865	121,413	13.27%	\$50,666.02
Chatham	83	\$91,897,110	1,681	11.72%	\$28,869.36
Durham	485	\$8,209,522,001	42,373	22.96%	\$56,585.36

Triangle Area continues on next page.

Appendix A continued

Region and Counties	Number of 501(c)(3) Nonprofits	Total Nonprofit Expenditures	Total Nonprofit Employment	Nonprofit Employment as Percent of Total Employment	Average Annual Wages for Non-profit Employees
Franklin	38	\$21,264,925	1,594	14.06%	\$36,300.16
Granville	34	\$22,979,108	194	0.95%	\$44,238.48
Harnett	90	\$311,174,265	2,444	10.92%	\$42,896.36
Johnston	107	\$445,344,087	1,537	3.63%	\$28,082.08
Lee	58	\$17,804,342	761	3.10%	\$20,153.12
Moore	137	\$661,761,287	5,210	16.08%	\$41,461.16
Orange	303	\$522,651,838	29,808	46.59%	\$58,849.96
Person	35	\$14,708,898	367	3.82%	\$32,260.28
Vance	39	\$40,669,842	562	3.90%	\$35,349.08
Wake	1,370	\$3,754,102,251	34,766	7.38%	\$42,469.96
Warren	15	\$2,273,911	115	3.30%	\$20,251.92
Western NC	1,634	\$3,961,915,988	43,518	11.35%	\$34,811.91
Alleghany	19	\$16,635,686	496	15.49%	\$24,247.08
Ashe	40	\$45,299,175	730	10.34%	\$32,642.48
Avery	46	\$83,412,654	974	14.45%	\$28,801.76
Buncombe	449	\$1,781,530,053	16,196	13.83%	\$35,274.20
Burke	88	\$229,543,244	2,235	7.64%	\$37,846.64
Caldwell	81	\$150,744,664	1,702	7.35%	\$34,678.28

Western NC continues on next page.

Appendix A continued

Region and Counties	Number of 501(c)(3) Nonprofits	Total Nonprofit Expenditures	Total Nonprofit Employment	Nonprofit Employment as Percent of Total Employment	Average Annual Wages for Non-profit Employees
Cherokee	32	\$77,387,596	969	12.35%	\$31,847.40
Clay	14	\$7,947,380	66	3.46%	\$25,990.12
Graham	11	\$1,398,146	37	1.69%	\$18,806.32
Haywood	65	\$71,489,731	1,117	6.77%	\$27,246.96
Henderson	126	\$247,729,555	4,336	12.34%	\$37,216.40
Jackson	67	\$171,087,867	1,514	11.95%	\$36,303.80
Macon	79	\$52,465,468	1,383	12.99%	\$37,381.24
Madison	29	\$56,279,560	735	19.44%	\$29,289.52
McDowell	32	\$14,015,296	782	5.21%	\$28,504.84
Mitchell	30	\$19,388,347	680	13.50%	\$33,808.32
Polk	53	\$79,226,721	883	17.65%	\$31,399.16
Rutherford	79	\$207,542,835	2,148	11.88%	\$37,043.24
Swain	30	\$34,358,724	771	8.72%	\$36,575.76
Transylvania	71	\$56,301,291	1,364	16.05%	\$36,581.48
Watauga	79	\$521,321,882	2,602	12.32%	\$38,664.08
Wilkes	82	\$28,110,507	1,540	7.42%	\$29,692.00
Yancey	32	\$8,699,606	256	6.85%	\$31,578.56
NC Total	10,633	\$38,462,533,564	367,229 jobs ³² +72,000 in religious institutions	9.41%	\$43,079.37

32. Difference due to rounding.

Appendix B A Snapshot of NC Nonprofits by Type of Tax Exemption, December 2013

Types of Tax-Exempt Organizations ³³	Registered with IRS ³⁴	Filing Annual IRS Form 990, 990-PF, and 990-EZ Report ³⁵
IRC Subsection 501(c)(3) Public Charities ³⁶	27,975	10,633
IRC Subsection 501(c)(3) Private Foundations	2,407	2,341
Under Other IRC 501(c) Subsections ³⁷	9,430	3,308
501(c)(4) social welfare organizations	2,401	813
501(c)(5) labor/agricultural unions	631	284
501(c)(6) business leagues and trade associations	1,580	911
All other 501(c) organizations, including veterans organizations and social clubs, among many others	4,818	1,300

33. Except otherwise noted, the source for data in this chart is the December 2013 IRS Business Master Files (BMF).

34. Does not include all religious congregations that meet the requirements of subsection 501(c)(3) of the Internal Revenue Code (IRC), because they are automatically considered tax-exempt and are not required to register with the IRS or file Forms 990. Religious congregations that do register and file are included.

35. National Center for Charitable Statistics at the Urban Institute. Includes all tax-exempt 501(c)(3) public charities in North Carolina that filed Form 990 or 990-EZ for their 2012 fiscal years.

36. Organizations described in section 501(c)(3) of the Internal Revenue Code (IRC) are recognized as having tax-exempt status as either a public charity or a private foundation. Most 501(c)(3) organizations are Public Charities, which means they are eligible to receive tax-deductible contributions.

37. 501(c) tax-exempt organizations other than 501(c)(3) public charities and private foundations are commonly referred to as "Other 501(c)" or "Non-(c)(3)" organizations. These include social welfare organizations, business leagues and trade associations, social clubs, and veterans' organizations, among many others. Most are not eligible to receive tax-deductible contributions (with a few exceptions, such as volunteer fire departments and similar groups that collect funds to be used for public purposes).

Appendix C Sources of Data

Data on Tax-Exempt Entities

The number of nonprofits used throughout this report is 10,633, which is the total number of 501(c)(3) nonprofits that filed annual financial reports with the IRS in 2012. These are the only nonprofits for which aggregate financial information is available. It is worth noting that:

- In December of 2013, the Internal Revenue Service (IRS) recognized 39,812 North Carolina nonprofits as tax-exempt under various subsections of the Internal Revenue Code (IRC). These include social welfare organizations, labor unions, business leagues and trade associations, social clubs, and veterans' organizations, among many others. Most are not eligible to receive tax-deductible contributions.
- According to 2014 data from the N.C. Secretary of State Corporation Division, North Carolina has 109,022 nonprofit corporations. Most of these 109,022 are probably no longer operating. Unlike most states, North Carolina does not require nonprofit corporations to file annual reports, so many defunct ones remain on file with the N.C. Secretary of State.

The National Center for Charitable Statistics (NCCS) at the Urban Institute provided most of the information in this report on the number, size, and fields of tax-exempt nonprofits. For its data, NCCS begins with the information in the IRS Business Master File (BMF) on tax-exempt organizations. This includes information about the identity, location, and finances of all organizations that have received a determination of tax-exemption from the IRS. Churches, synagogues, mosques, and other religious congregations are not required to file for tax exemption with the IRS, so they are generally excluded from this data. NCCS distills the IRS BMF data by removing duplicate records and other information known to be inaccurate.

This report focuses on nonprofits that are exempt from federal income tax under Section 501(c)(3) of the IRC and that file Form 990 annually. These 501(c)(3) nonprofits include charitable, educational, religious, scientific, and literary organizations whose annual gross receipts are

normally more than \$50,000. At the time data were collected for this report, tax-exempt nonprofits with annual budgets under \$50,000 were required to file Form 990-N (e-Postcard), which verifies their continued existence, but has no financial information. NCCS provided aggregated data on 501(c)(3) nonprofits filing the Form 990, based on county, region, National Taxonomy of Exempt Entity (NTEE) activity classification, and budget size.

This report is based on 2012 nonprofit data. Nonprofits generally file Forms 990 in the fifth month after the end of their fiscal years, and they often get six-month extensions. Consequently, data for Fiscal Year 2012 provide the most current information available.

Employment Data

Employment data were obtained from the Quarterly Census Employment and Wages (QCEW) database in the Demand Driven Data Delivery System (D4) maintained by the Division of Employment Security (DES) of the N.C. Department of Commerce, formerly known as the N.C. Employment Security Commission. This includes data on employers that participate in the unemployment insurance system. Religious organizations and employers with fewer than four employees are not required to participate, so jobs in small nonprofits and religious organizations are generally excluded from the employment data in this report. The DES conducted a survey of religious congregations in 2006 and estimated that these entities employed at least 72,000 North Carolinians. Consequently, total nonprofit employment in North Carolina is more than 400,000.

Aggregated labor data on North Carolina employment and wages in the business sector, state government, local government, federal government, and overall workforce are publicly available through the D4 system at: <http://esesc23.esc.state.nc.us/d4>. For this report, employment and wage information was sorted by county, economic development region, sector, and industry.

Appendix C continued

The nonprofit sector is not identified as a sector in the QCEW system, however. Nonprofits also are not grouped as an industry in the North American Industry Classification System (NAICS) used by federal agencies in classifying business establishments in order to collect, analyze, and publish statistics on the U.S. business economy. As a result, nonprofit employment and wage information cannot be found by searching the D4 or NAICS systems. For this report, the DES contributed data on nonprofit employment by comparing the IRS BMF with employment and wage information in the DES database. The N.C. Center for Nonprofits provided the DES with the NCCS listing of all tax-exempt nonprofits in the IRS BMF, which DES then used in its comparison. For this report, this data on tax-exempt nonprofits were sorted by county, economic development region, and industry.

In October 2014, the U.S. Department of Labor's Bureau of Labor Statistics (BLS) released its first-ever estimates of nonprofit employment. It estimates that in 2011, North Carolina had about 277,949 employees in 501(c)(3) nonprofits that file federal tax returns, and nonprofit employees earned average weekly wages of \$807.

The BLS methodology varies slightly from the methodology used by DES. This report uses the data from DES because the state identified all 501(c)(3) nonprofit employers based on each nonprofit's specific Employer Identification Number from the IRS. The DES data can be broken down by county or region, whereas the BLS total only provides for statewide data.

Labor statistics in this report are from the second quarter of 2013. This quarter is less affected by seasonal employment than other quarters or average annual data.

Data on Nonprofits and the Economy

Data on nonprofit-government contracting issues are

based on a May 2014 report from the Urban Institute about systemic problems experienced by nonprofits that provide public services through contracts with federal, state, and local governments. The full report is available at: <http://www.urban.org/publications/412949.html>.

Additional 2014 data on the impact of the economy come from the Nonprofit Finance Fund's 2015 State of the Nonprofit Sector Survey published in May 2015. A total of 122 North Carolina nonprofits participated in this survey.

Other Data

Data on volunteers in North Carolina reflect 2012 estimates of volunteerism from the 2013 Volunteering in America report, conducted annually by the Corporation for National and Community Service. Total North Carolina population is based on the U.S. Census Bureau's most recent estimate of North Carolina's 2012 population.

Information on charitable contributions is from NCCS's analysis of IRS Form 1040 data. For this report's conservative estimate of contributions by North Carolinians, the total amount of the tax credit was divided by .07, since the credit equals 7% of charitable contributions in excess of 2% of adjusted gross income. In reality, total giving by non-itemizers is much more than this, since this estimate only includes contributions above 2% of adjusted gross income and does not include individuals and families that made smaller charitable contributions or did not claim the credit. Data on the non-itemizer tax credit are from the 2011 N.C. Biennial Tax Expenditure Report by the N.C. Department of Revenue.

A Report By the



N.C. Center *for* Nonprofits

www.ncnonprofits.org
1110 Navaho Drive, Suite 200
Raleigh, NC 27609
919.790.1555, info@ncnonprofits.org

