

Nonprofit Research Abridged

Connecting nonprofit sector research and leadership

The Scope of the Arizona Nonprofit Sector: Selected Highlights

This issue of *Nonprofit Research Abridged* highlights three dimensions of the Arizona nonprofit sector: the number and type of operating nonprofits in the state, the economic impact of the nonprofit workforce, and an overview of 501(c)3 revenues. Capturing information about the scope and impact of the Arizona nonprofit sector is an ongoing research project of the ASU Center for Nonprofit Leadership and Management. To view the most recent *Scope of the Sector* full report and find other related information, please visit our web site at www.asu.edu/copp/nonprofit.

The Number and Type of Nonprofit Organizations Operating in Arizona

Nonprofit organizations are classified under the 501 section of the federal tax code. There are many different classifications, however, **charitable nonprofits**, classified under section 501(c)3, are distinct from other tax-exempt organizations. To receive recognition from the Internal Revenue Service (IRS) as a 501(c)3 charitable nonprofit, an organization must exist to serve a public purpose and may not substantially engage in unrelated activities (unrelated income is taxed).

The remaining 7,446 nonprofits are all other nonprofit designations, including organizations not commonly thought of as nonprofits, such as credit unions, business leagues, associations, and country clubs. The table below shows the list of IRS nonprofit designations and the estimated number of Arizona entities within each designation. Only designations with more than 20 organizations are listed, those with less than 20 are grouped under "all other designations."

An estimated 18,950 nonprofit organizations were operating in Arizona as of November 2002. This estimate is derived from data provided by the Arizona Corporation Commission, which registers corporate entities. There are nearly 29,000 nonprofit corporations on file, however, many are no longer operating, and this figure removes them. This estimate does not include the unknown number of unincorporated, informal organizations that operate in many ways like nonprofits. Of the 18,950, approximately 11,504 organizations are 501(c)3 charitable nonprofits--61 percent of all organizations. These estimates should be cited with caution due to inherent data limitations.

IRS 501 Classifications	Estimated % of Nonprofit Organizations	Number Estimated in Arizona
c(2) Title-holding companies	0.52%	98
c(3) Religious, charitable, etc.	60.71%	11,504
c(4) Social welfare	10.16%	1,926
c(5) Labor, agricultural organizations	4.72%	894
c(6) Business leagues	5.82%	1,102
c(7) Social and recreation clubs	4.86%	920
c(8) Fraternal beneficiary societies	6.15%	1,166
c(9) Voluntary employees beneficiary associations	1.04%	196
c(10) Domestic fraternal beneficiary societies	1.60%	303
c(12) Benevolent life insurance associations	0.47%	89
c(13) Cemetery companies	0.71%	135
c(14) State-chartered credit unions	0.32%	60
c(19) War veterans' organizations	2.60%	492
All other designations	0.33%	63
Total	100%	18,950

The Economic Impact of the Arizona Nonprofit Sector Workforce

The Arizona nonprofit sector, including all designations, paid an estimated 3.24 billion dollars in wage compensation in 2002. Wages paid by organization type are depicted in the first section (grey) of each bar in the graph below. Data were obtained from the most recent (1997) U.S. Economic Census, and were adjusted to 2002 amounts using employment cost trend information provided by the Bureau of Labor Statistics.

Health Care nonprofit organizations, predominately nonprofit hospitals, lead all other organization types in wages paid, an estimated 2.5 billion dollars in wages in 2002.

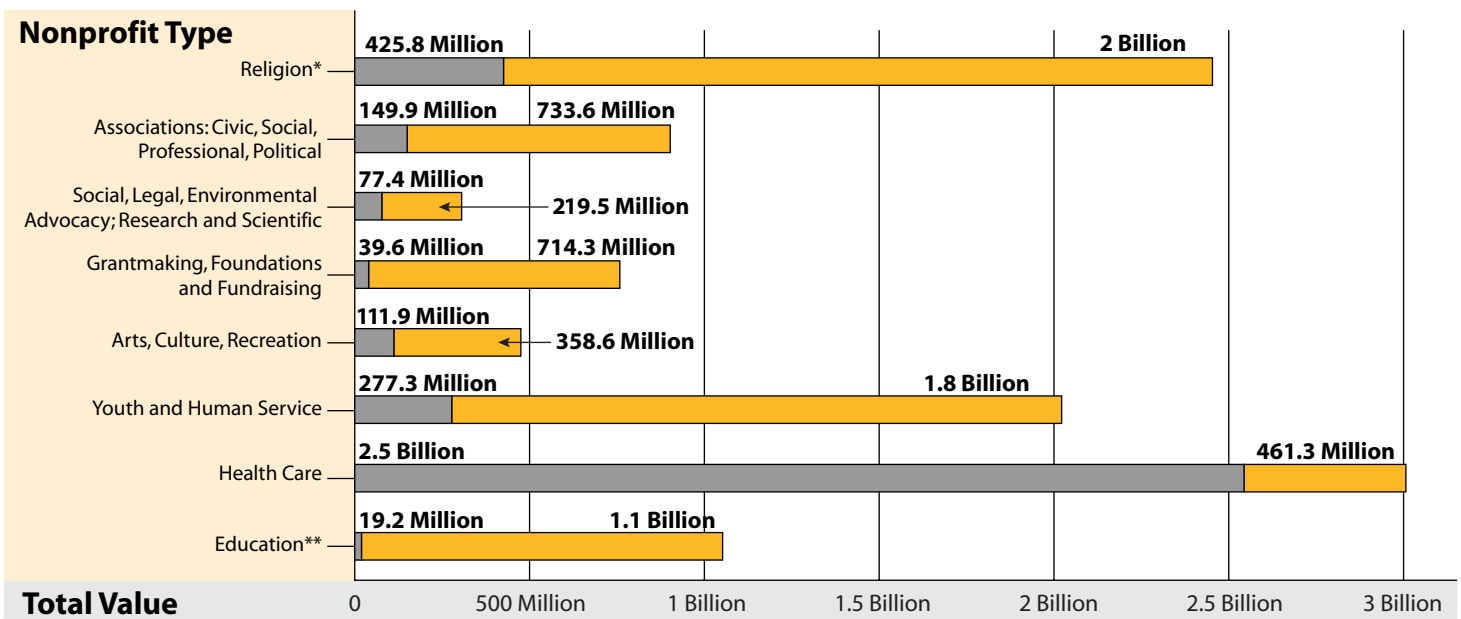
In addition to paid employees, nonprofit organizations accomplish much of their work through the efforts of volunteers. Volunteers add considerably to the total value of the nonprofit workforce. As documented in the Center's recent *Arizona Giving and Volunteering Report*, 55.5 percent of Arizona adults reported volunteering with a nonprofit, contributing an average of 3.74 hours per week. Volunteer contributions to each nonprofit organization type are illustrated in the second section (gold) of each bar in the graph below, using the Independent Sector's calculation of the value of volunteer time for 2002, \$16.54 per hour.

Religion is the leading recipient of volunteer contributions, receiving an estimated 2 billion dollars worth of donated labor. Youth and Human Service and Education organizations are also frequent recipients of volunteer efforts, receiving 1.8 billion and 1.1 billion dollars in volunteer labor respectively.

The value of volunteer labor contributed to nonprofit sector in 2002 is an estimated 7.33 billion. This adds significantly to the nonprofit workforce value, bringing the total economic impact of the Arizona nonprofit workforce to nearly 11 billion dollars annually.

Nonprofit Workforce Economic Value

■ Wages ■ Value of volunteer time



*Religion wages estimated; information is not included in the Economic Census (for information on estimate see full report)

**Volunteer value estimate may include volunteering to public schools as well as nonprofit schools and educational organizations

501(c)3 Organizations

Growth

As stated on page one, 501(c)3 organizations represent approximately 61 percent of all nonprofit entities in Arizona, an estimated 11,504 organizations.

The IRS form 990 is the tax return for nonprofit 501(c)3 organizations. Private foundations file a 990PF. Religious institutions and organizations with under \$25,000 in revenue are not required to file a 990, although some do. In 1992, 2,378 Arizona nonprofit 501(c)3 organizations filed a 990 form; by 2000 that number had grown to 3,806--a nearly 60 percent growth rate (data provided by the National Center for Charitable Statistics). These figures indicate dramatic growth of Arizona's charitable nonprofit sector.

Revenues

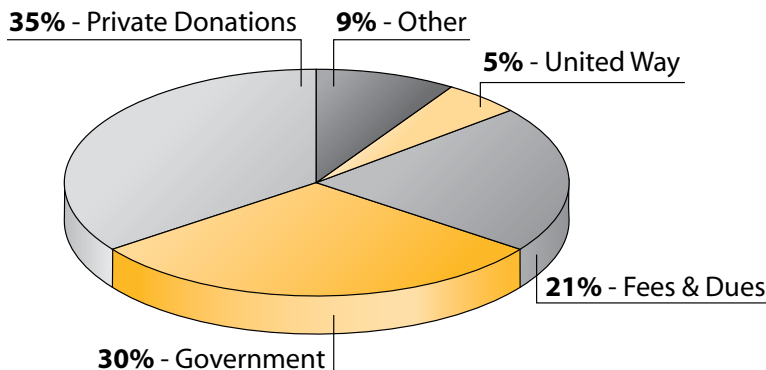
In 2001 the Center for Nonprofit Leadership and Management conducted a survey of Maricopa County nonprofit organizations who had at least one paid employee and fell into one of the following National Taxonomy of Exempt Entities (NTEE) classifications: arts, community improvement, human service, youth, and recreation. Of the 516 organizations mailed a survey, 123 useable responses were received. The survey asked about budget size and revenues.

Participant organizations received revenue from the following sources:

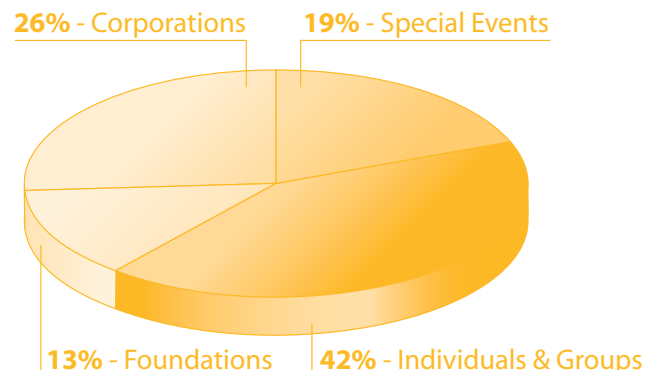
- private donations
- government grants and contracts
- fees from services and/or membership dues
- the United Way
- other sources (e.g., interest and sales of non-related goods).

The charts below depict the breakdown of revenue sources as well as the sources of private donations. In Maricopa County, the largest private sector donations came from individuals and groups, followed by corporations, special events, and foundations. Over half of the respondents indicated that for the previous fiscal year (circa 2001) their organizations operated at a net financial surplus, 30 percent indicated neither a loss nor surplus, while 16 percent of organizations indicated they operated at a net loss.

Revenue Sources



Private Donations



Center for Nonprofit Leadership and Management

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Arizona Giving and Volunteering, a landmark research report on charitable giving and volunteering in Arizona, is now available to view or print on the CNLM web site.

www.asu.edu/copp/nonprofit

Nonprofit Research Abridged is published by the ASU Center for Nonprofit Leadership and Management as a service to the nonprofit sector and contains summaries of nonprofit research studies. The full research report, related resources, and past issues are available on our web site. For questions, please contact Stephanie Hiatt, Editor, at hiatt@asu.edu.

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