



Grassroots Civil Society *The Scope and Dimensions of Small Public Charities*

Elizabeth T. Boris and Katie L. Roeger

The organizations of civil society permeate communities. Among the approximately 1.5 million nonprofits documented by the National Center for Charitable Statistics (NCCS), nearly 925,000 are registered public charities of every kind around the United States. Many of these nonprofits are very small.¹ In 2007, only about 37 percent of public charities met the IRS threshold for filing the annual Form 990 or 990EZ by having \$25,000 or more in gross receipts.

We focus here on the 3 in 10 public charities that meet the filing threshold and have less than \$100,000 in revenues, expenses, and assets. These organizations are the sources of community support and social interaction—the stuff of civil society. They have modest resources but engage their communities in myriad activities. Many provide programs that forge the connections and trust that are the bedrocks of our civic culture.

These small organizations are below the radar in most analyses of the nonprofit sector. Research and media reports usually focus on the larger nonprofits with household names—American Red Cross, Habitat for Humanity, American Cancer Society. Yet the smaller organizations include parent and teacher groups, sports teams and clubs, animal protection groups, scholarship funds, community service clubs, community arts groups, preschools and day cares, fairs and recreation groups, professional associations and business groups, and many more.

We discuss data from the NCCS files and summarize the highlights of extensive data analysis, thereby opening the door to

further and deeper research on small public charities.

We found that small public charities have different revenue profiles than the broader group of public charities and, not unexpectedly, they grew more quickly in number but experienced lower rates of financial growth from 1997 to 2007. They also have a slightly different mix of organizational types than public charities overall. Finally, we see that over the decade organizations that started small mostly grew out of the category, although almost 17 percent dissolved. All of these were more than replaced by new small organizations, revealing the dynamic cycle of creation and change that is the hallmark of the nonprofit sector.

Definitions

The technical IRS term for the organizations we focus on in this report is *public charity*. This term is not commonly used except to differentiate the IRS categories. In this report we refer to nonprofits in the following categories:

- *Nonprofit organizations* are all categories of 501(c) organizations including public charities, associations, congregations, and foundations.
- *501(c)(3) organizations* include all organizations eligible for tax-deductible contributions, including public charities and private foundations.

- *Public charities* are 501(c)(3) organizations, excluding private foundations. They are tax exempt and eligible to receive tax-deductible contributions.
- *Registered public charities* are public charities that sought and obtained tax-exempt status with the IRS.
- *990 N filers* are the smallest public charities required to register and annually file Form 990-N with the IRS because they have less than \$25,000 in gross receipts.
- *Reporting public charities* are charities required to report annually to the IRS on Form 990 or 990-EZ because they have gross receipts (revenues) of \$25,000 or more.
- *Small public charities* are the focus of this report; they are reporting public charities with \$25,000 or more in gross receipts and less than \$100,000 in each financial category, revenues, expenses, and assets.

Number of Small Public Charities

The number of small public charities has grown steadily from 1997 to 2007, the latest year for which IRS data are available; except for a loss of about 2,000 organizations in

the year 2000. In 1997, there were 63,493 organizations and in 2007 there were 104,536, an increase of almost 65 percent. This compares to increases of 57 percent among all reporting public charities and 59 percent of all the larger registered public charities.

These small organizations represent about 30 percent of reporting public charities, but they account for a minute proportion of the resources (less than 1 percent).

Types of Small Public Charities

Almost 30 percent of small public charities are human services organizations, and about a quarter are education related. The arts make up the third largest category, with about 13 percent. The proportion of small public charities across the major types—arts and culture, education, environment and animals, health, human services, inter-national and foreign affairs, public and societal benefit, religion-related, and others—has been relatively unchanged over the past decade. The same is true for all reporting public charities. Although the proportions are similar, the small public charities average a lower percentage of health and human services organizations and a higher percentage of education and arts organizations than the reporting sector as a whole. If we look at all registered public charities, which include

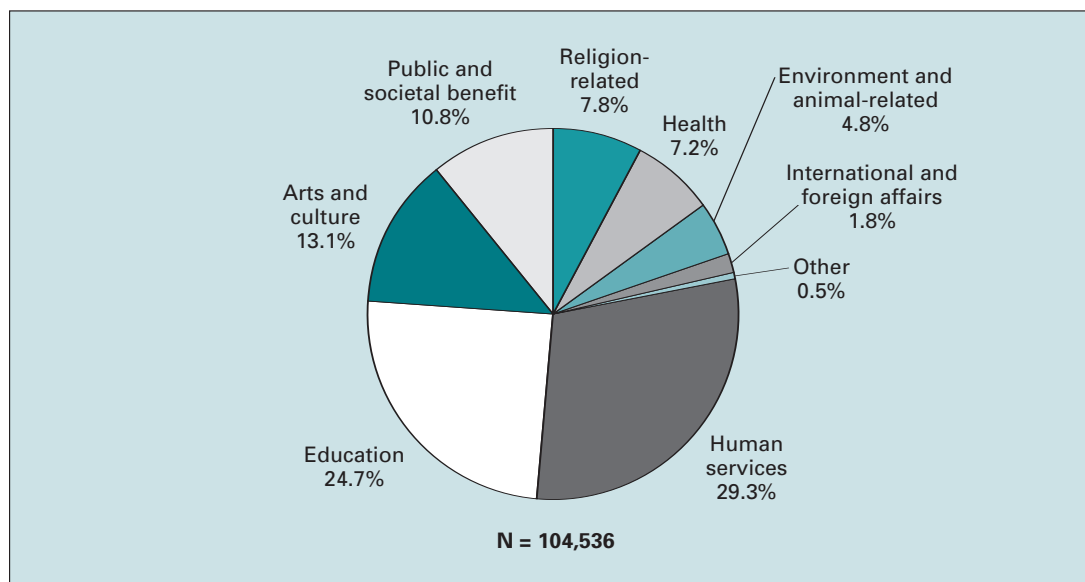
TABLE 1. Number of Public Charities by Year, 1997–2007

Year	Number of small public charities	Number of reporting public charities	Number of registered public charities
1997	63,493	218,112	581,733
1998	64,376	227,339	606,632
1999	72,234	248,869	645,091
2000	69,847	250,586	658,008
2001	74,187	264,076	719,730
2002	79,397	277,546	750,870
2003	83,475	288,283	791,556
2004	89,388	301,916	831,007
2005	93,823	313,692	856,067
2006	98,869	326,950	912,429
2007	104,536	343,277	924,796

Source: The Urban Institute, National Center for Charitable Statistics, Core Files (Public Charities, 1997–2007); Internal Revenue Service Business Master File, Exempt Organizations (1997–2008).

Notes: Small is defined as having less than \$100,000 in total revenue, less than \$100,000 in total assets, and less than \$100,000 in expenses. The number of small public charities is included in the total number of public charities reporting.

FIGURE 1. Percentage of Small Public Charities by Type, 2007



Source: The Urban Institute, National Center for Charitable Statistics, Core Files (Public Charities, 2007).

the smallest organizations, there is a similar consistency, but the proportion of religious organizations is almost three times as large in most years.

Over the 1997–2007 period, there has been differential growth by types of organizations. Environmental organizations, for example, grew by almost 109 percent at one extreme, while health organizations grew by only 38 percent. Religion-related groups posted a strong growth rate at almost 88 percent. The number of health and human services groups increased more slowly in the first half of the period and accelerated in the second half, international organizations did the reverse.

Finances

Small nonprofits represent less than 1 percent of the revenues, expenses, and assets of all filing public charities. Although their numbers increased from 1997 to 2007, their revenues and expenses (in inflation-adjusted dollars) increased at less than half the pace of other reporting public charities. However, there does not appear to be any systematic difference between these rates of growth.

In 2007, the 104,536 small public charities had \$4.75 billion in revenues, \$4.36 billion in expenses, and \$2.93 billion in assets, compared with 63,493 small public chari-

TABLE 2. Change in the Number of Small Public Charities by Organization Type, 1997–2007

Type of organization	1997–2002 (%)	2002–2007 (%)	1997–2007 (%)
Arts and culture	24.1	26.3	56.7
Education	34.1	32.2	77.3
Environment and animal-related	47.2	41.8	108.6
Health	10.8	24.7	38.1
Human services	17.8	33.1	56.8
International and foreign affairs	55.0	25.0	93.8
Public and societal benefit	19.7	29.9	55.4
Religion-related	39.3	34.8	87.9
Other	-18.6	196.9	141.7
All small public charities	25.0	31.7	64.6

Source: The Urban Institute, National Center for Charitable Statistics, Core Files (Public Charities, 1997–2007).

Note: All figures are in percents.

TABLE 3. Change in Number and Finances of Small Public Charities and Other Reporting Public Charities, 1997–2007

Year	Small Public Charities				Other Reporting Public Charities			
	Number (%)	Total revenue (%)	Total expenses (%)	Total assets (%)	Number (%)	Total revenue (%)	Total expenses (%)	Total assets (%)
1997–2002	25.0	9.9	11.2	15.8	28.2	14.6	22.4	12.0
2002–2007	31.7	13.9	12.4	13.9	20.5	33.6	23.3	36.5
1997–2007	64.6	25.2	25.0	31.9	54.4	53.1	51.0	52.8

Source: The Urban Institute, National Center for Charitable Statistics, Core Files (Public Charities, 1997–2007).
Notes: All figures are in percent. All financial amounts were converted to 2007 dollars before comparison.

ties in 1997 with \$3.79 billion in revenues, \$3.49 billion in expenses, and \$2.23 billion in assets (in 2007 dollars). Between 1997 and 2007, revenues grew by 25 percent, expenses by 25 percent, and assets by 32 percent. The average organization in 1997, however, had higher revenues, expenses, and assets than in 2007. Compared to the finances of the average reporting charity in 2007, which had about \$4 million in revenues, the small nonprofits averaged \$45,000, underlining the modest resources available to these organizations.

Sources of Revenue

Small public charities have very different revenue patterns than the reporting public charity sector as a whole. These organizations are more likely to raise money from members and community events

than from government sources. They are much less reliant on fee-for-service income (20 percent vs. 70 percent for reporting public charities in 2007) and much more reliant on contributions (more than 50 percent vs. 20 percent of their income in 2007). Government grants and investment income are minor sources for small public charities, but dues income (8 percent) and other revenues (more than 16 percent) are more important for small public charities than they are for the sector as a whole. These patterns are remarkably stable, with only a slight decline in fee-for-service and slight increase in private contributions from 1997 to 2007.

Survival of Small Public Charities

Finally, we trace the creation and growth patterns of small public charities. As table 6

TABLE 4. Finances of Small Public Charities by Year, 1997–2007

Year	Number	Total revenue (in billions of 2007 dollars)	Total expenses (in billions of 2007 dollars)	Total assets (in billions of 2007 dollars)
1997	63,493	3.79	3.49	2.23
1998	64,376	3.82	3.49	2.27
1999	72,234	4.16	3.79	2.46
2000	69,847	3.92	3.55	2.40
2001	74,187	4.01	3.68	2.47
2002	79,397	4.17	3.88	2.58
2003	83,475	4.27	4.00	2.62
2004	89,388	4.47	4.17	2.72
2005	93,823	4.55	4.21	2.78
2006	98,869	4.64	4.27	2.85
2007	104,536	4.75	4.36	2.93

Source: The Urban Institute, National Center for Charitable Statistics, Core Files (Public Charities, 1997–2007).

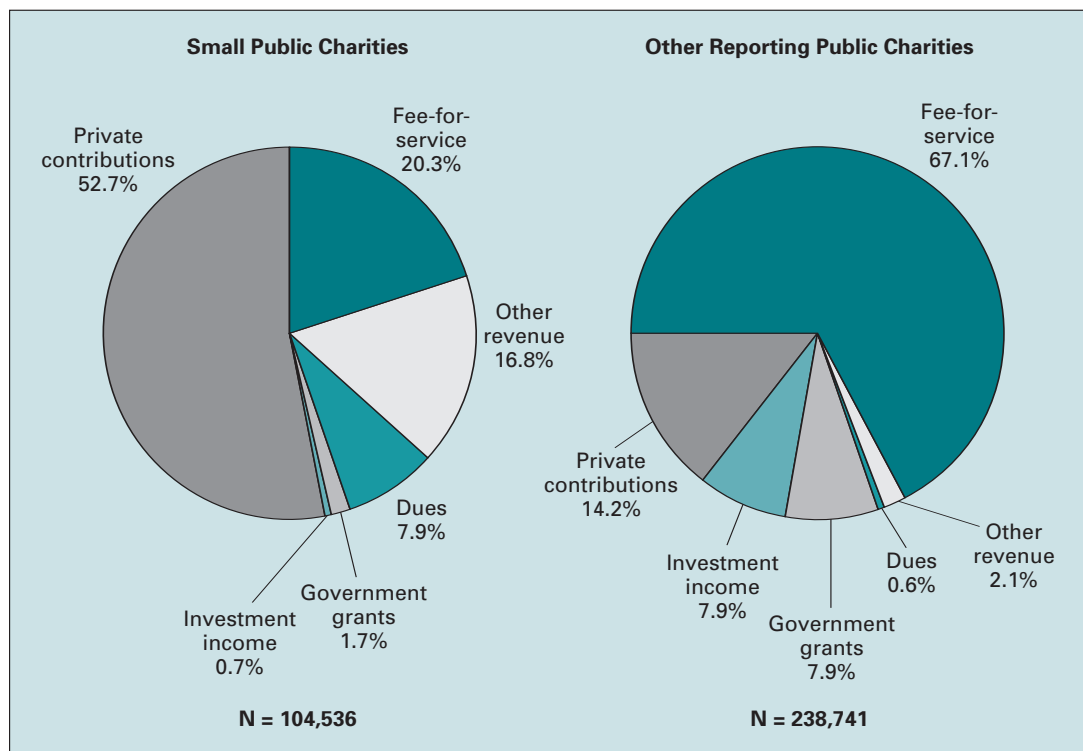
TABLE 5. Sources of Revenue for Small Public Charities by Year, 1997–2007

Year	Number	Total revenue (in billions of 2007 dollars)	Percent of Total Revenue					
			Government grants	Private contributions	Fee-for- service	Investment income	Dues	Other revenue
1997	63,493	3.79	3.5	46.2	23.5	1.6	8.4	16.8
1998	64,376	3.82	2.8	47.2	23.0	1.6	8.4	17.0
1999	72,234	4.16	2.6	48.0	22.5	1.5	8.4	17.0
2000	69,847	3.92	2.6	48.4	22.0	1.5	8.4	17.1
2001	74,187	4.01	2.6	49.3	21.5	1.2	8.2	17.1
2002	79,397	4.17	3.3	49.7	21.5	0.1	8.2	17.2
2003	83,475	4.27	3.0	49.8	21.5	0.0	8.2	17.4
2004	89,388	4.47	2.6	50.4	21.3	0.2	8.2	17.3
2005	93,823	4.55	2.3	51.0	21.2	0.4	8.0	17.1
2006	98,869	4.64	2.1	52.1	20.7	0.5	7.9	16.8
2007	104,536	4.75	1.7	52.7	20.3	0.7	7.9	16.8

Source: The Urban Institute, National Center for Charitable Statistics, Core Files (Public Charities, 1997–2007).

Notes: The value of government grants is an estimate. Fee-for-service includes revenue from both individuals and the government. Other revenue includes net income from special events and activities, gross profit from sale of inventory, and other revenue.

FIGURE 2. Sources of Revenue for Small Public Charities and Other Reporting Public Charities, 2007



Source: The Urban Institute, National Center for Charitable Statistics, Core Files (Public Charities, 2007).

Notes: The value of government grants is an estimate. Fee-for-service includes revenue from both individuals and the government. Other revenue includes net income from special events and activities, gross profit from sale of inventory, and other revenue. Percentages may not sum to 100 because of rounding.

TABLE 6. Distribution of Public Charities by Size, 1997–2007

Size of organization	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Small											
Newly registered and small	0.9	0.9	1.0	1.2	1.1	1.2	1.0	1.1	1.0	1.1	1.1
First time filing and small	5.4	3.6	3.7	3.9	3.9	3.9	3.7	4.1	3.9	3.8	4.3
Still small	21.8	22.7	23.1	21.5	21.7	22.0	22.8	22.9	23.6	23.9	23.6
Was large but now small	1.1	1.1	1.1	1.2	1.3	1.5	1.5	1.4	1.4	1.4	1.4
Total small organizations	29.1	28.3	29.0	27.9	28.1	28.6	29.0	29.6	29.9	30.2	30.5
Large											
Was small but now large	2.5	2.8	2.7	2.9	2.6	2.6	2.4	2.5	2.5	2.6	2.8
Newly registered and large	0.9	1.0	1.0	1.0	0.9	1.0	0.8	0.8	0.7	0.7	0.8
First time filing and large	3.9	2.9	3.0	2.8	3.0	2.9	2.7	2.7	2.5	2.5	2.6
Still large	63.7	65.0	64.3	65.5	65.3	64.9	65.2	64.5	64.4	63.9	63.3
Total large organizations	70.9	71.7	71.0	72.1	71.9	71.4	71.0	70.4	70.1	69.8	69.5
<i>Total organizations that filed</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Source: The Urban Institute, National Center for Charitable Statistics, Core Files (Public Charities, 1997–2007).

Note: All figures are in percent. Percentages may not sum to totals shown because of rounding.

reveals, between 21 and 24 percent of charities were small in every year of the 1997–2007 period and 63 to 66 percent of charities were large in every year. Roughly 5 to 7 percent of the organizations were new and small in any one year (almost 20,000 in 2007), and either they were newly created and filed a Form 990 the same year or they had been created earlier and first reported to the IRS in a particular year. In addition, between 3 and 5 percent were new and large or newly reporting and large (almost 13,000 in 2007). There were also large charities that became small (1 to 1.5 percent per year) and small charities that became large (2.4 to 2.9 percent per year).

If we consider the 63,493 organizations that reported in 1997, we find that one year later, only 81 percent still fall into the “small” category. Each year the number diminishes until, by 2007, there are only 21,500 of the original group in the pool of small organizations. More than 18,100 of the originally small organizations became larger by 2007. Roughly 13,300 organizations fell below the \$25,000 filing threshold. Nearly 10,600 of the original group of small public charities did not survive the 10-year period. We feel there is a need for additional investigation into the causes and outcomes of these patterns.

The influx of new organizations and turnover of old ones is a source of dynamism. What is remarkable is that

with so many new organizations being created each year the overall patterns are so stable. This appearance of stability invites research that delves more deeply into finer categories of organizations and regional analyses—topics that we will take up in the future.

Note

1. Data on these very small organizations are available for the first time as a result of the Pension Protection Act’s requirement that nonprofits with revenues less than \$25,000 file a new form, the 990-N, also known as E-postcard, annually. Katie Roeger has drafted the first analysis of these data, newly available to NCCS.

About the Authors

Elizabeth T. Boris, director of Urban Institute’s Center on Nonprofits and Philanthropy, is a national expert on the charitable sector. She is also coeditor of *Nonprofits and Government: Collaboration and Conflict* (UI Press, 2006).

Katie L. Roeger is assistant director of the National Center for Charitable Statistics (NCCS), a program in the Center on Nonprofits and Philanthropy at the Urban Institute. She manages the NCCS national database on nonprofits and provides statistical support for surveys and other research studies.

Address Service Requested

For more information, call
Public Affairs:
202-261-5709
or visit our web site,
<http://www.urban.org>.

To order additional copies
of this publication, call:
202-261-5687
or visit our online bookstore:
<http://www.uiPress.org>.

The Urban Institute's **Center on Nonprofits and Philanthropy** conducts research on the nonprofit sector to inform decisionmakers in government, nonprofits, foundations, and business. Our mission is to create an objective picture of the nonprofit sector, advance transparency and accountability, and assess consequences of public policies on the sector through rigorous research. We facilitate dialogue on pressing issues by hosting policy briefings and by disseminating findings widely. Our publications are available on the Urban Institute web site, at <http://cnp.urban.org>.

Through the **National Center for Charitable Statistics** (NCCS), we create and maintain the National Nonprofit Data System, a research-quality data source on the nonprofit sector. NCCS translates data on the sector's size, scope, and financial trends into accessible information for local, state, and national policymakers and provides data and technical assistance to scholars and the public. NCCS databases can be accessed at <http://www.nccs.urban.org>.

The Urban Institute is a nonprofit, nonpartisan policy research and educational organization that examines the social, economic, and governance problems facing the nation. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders.

THE URBAN INSTITUTE

2100 M Street, NW
Washington, DC 20037

Copyright © 2010

Phone: 202-833-7200

Fax: 202-467-5775

E-mail: pubs@urban.org