



The International Charitable Nonprofit Subsector

Scope, Size, and Revenue

JANELLE A. KERLIN AND SUPAPORN THANASOMBAT

Though international nonprofits are just 2 percent of the U.S. charitable nonprofit sector, they have continued to grow in size and scope to meet pressing demands around the world.

International organizations are a growing part of the U.S. nonprofit sector and play a vital role here and abroad, connecting Americans to the world and the world to Americans. Whether arranging international student exchanges, assisting victims of foreign disasters, or influencing policy between nations, U.S.-based international nonprofits are expanding the interactions that Americans have with people, places, and ideas from around the world. They contribute to, and are shaped by, the globalization that is redefining the world in which we live.

Despite their increasing importance, these organizations have largely been understudied as a subsector of U.S. nonprofits. Newly available data from the Urban Institute's National Center for Charitable Statistics/GuideStar database make it possible to profile important characteristics of this set of organizations, as a whole and by major subgroups. The data consist of information that 501(c)(3) organizations, with \$25,000 or more in annual revenue, have filed on Forms 990 with the Internal Revenue Service. Information gathered represents the most comprehensive nonprofit data yet assembled on the U.S. international nonprofit sector.

This policy brief provides a snapshot of the international subsector through an analysis of trends in their size, resources, and scope from FY 2001 to FY 2003 in three major areas of operation: international development and relief assistance, international understanding (e.g., educational exchanges), and interna-

tional affairs. It gives an overview of the geographic concentrations and the depth of U.S. international nonprofit activities and enumerates the importance of small organizations in international operations. The report also confirms the central role of private support and financing for foreign aid and provides a window into the financial health of these organizations.

OVERVIEW OF THE U.S. INTERNATIONAL NONPROFIT SUBSECTOR

While their influence is widespread, only about 5,600 nonprofits (with annual revenue over \$25,000) work in the international arena, making up 2 percent of all nonprofit organizations and 2 percent of the revenue of the charitable nonprofit sector in the United States.¹ These groups are mainly concentrated in the New York/New Jersey area (16 percent), the Washington, D.C., area (15 percent), and California (13 percent). Although most of the organizations provide direct services, in FY 2001 an estimated 14 percent of international nonprofits acted solely as financial support or fundraising entities for other institutions and groups around the world. Additionally, the mix of organizations in the international nonprofit sector has grown younger, as newer organizations in areas like democracy and civil society building, the environment, and human rights join more traditional forms of development assistance, foreign policy think tanks, and mainstream organizations promoting international understanding.

Three major categories of international nonprofits operate in the United States. The largest, international development and assistance organizations, makes up 74 percent of organizations and 89 percent

of the sector's revenue. These organizations provide direct services to individuals, as well as technical assistance, training, and material resources to support institutional capacity building and domestic improvements in countries outside the United States. Examples include World Vision International, Physicians for Human Rights, and Freedom House.

The second largest category, international understanding organizations, sponsors events and forums, conducts trainings, and facilitates exchanges to build positive relations among peoples and nations. These organizations account for a much smaller proportion of international nonprofits, making up 16 percent of the sector's organizations and 6 percent of its revenue. Examples include Intercultural Student Exchange,

Sister Cities, and the International Visitors Council of Philadelphia.

The third category, international affairs, includes organizations for international affairs education, economic and trade policy, national security, and peace and arms control. This category accounts for 11 percent of the organizations and just under 5 percent of the revenue of the international nonprofit sector. Examples include the Council on Foreign Relations, the Mid-America World Trade Center Institute, Americans for Peace Now, and the United Nations Association of Greater Boston.

The number of international nonprofit organizations has increased steadily, led by strong growth in the number of development and assistance

TABLE 1.
Types of Organizations in the International Nonprofit Subsector, circa 2003

Type of nonprofit	Number	% of total int'l nonprofits	Total revenue (\$)	% of total revenue
International development and assistance				
General	866	15.0	2,770,563,787	15.7
Agricultural development	65	1.0	202,131,615	1.1
Economic development	200	4.0	383,579,680	2.2
International relief	1,200	21.0	6,412,788,171	36.2
Educational development	491	9.0	791,543,584	4.5
Health development	738	13.0	2,455,202,841	13.9
Science and technology development	53	1.0	46,948,625	0.3
Democracy and civil society development	93	2.0	251,277,539	1.4
Environment, population, and sustainability	209	4.0	1,483,349,607	8.4
Human rights, migration, and refugees	212	4.0	941,816,849	5.3
International development and assistance subtotal	4,127	74.0	15,739,202,298	89.0
International understanding				
General	342	6.0	349,814,542	2.0
International cultural exchange	120	2.0	56,155,559	0.3
International academic and student exchange	263	5.0	561,544,247	3.2
International exchanges N.E.C.	161	3.0	136,662,235	0.8
International understanding subtotal	886	16.0	1,104,176,583	6.3
International affairs				
General	165	3.0	151,034,905	0.9
Peace and arms control	205	4.0	122,172,999	0.7
International affairs education	103	2.0	486,660,673	2.7
National security	37	1.0	44,019,940	0.2
International economic and trade policy	75	1.0	52,795,144	0.3
International affairs subtotal	585	11.0	856,683,661	4.8
Total international nonprofits	5,598	100.0	17,700,062,542	100.0

Source: National Center for Charitable Statistics/GuideStar National Nonprofit Database.

N.E.C. = not elsewhere classified

Note: Percentages do not add to 100 due to rounding.

TABLE 2.

International Nonprofits with Government Grants by Size of Organization, circa 2003

	Small		Medium		Large	
	Less than \$500,000		\$500,000–\$1,999,999		\$2 million and above	
Government-funded international nonprofits	#	%	#	%	#	%
International development and assistance	93	24	95	24	203	52
International understanding	62	49	32	25	33	26
International affairs	39	49	21	26	19	24
Total government-funded international nonprofits	194	32	148	25	255	43

Source: National Center for Charitable Statistics/GuideStar National Nonprofit Database.

nonprofits. Revenue has also grown, with a slight increase from FY 2001 (\$15.4 billion) to FY 2002 (\$15.9 billion), and a 11 percent jump in FY 2003 over FY 2002 levels to \$17.7 billion. Table 1 is a snapshot of U.S. international nonprofits in our dataset for FY 2003. It indicates the number, percentage, and overall revenue of international organizations by category and subcategory.

SMALL ORGANIZATIONS ARE A MAJORITY OF THE INTERNATIONAL NONPROFIT SECTOR

The widespread contributions of small, grassroots international organizations are often overlooked in favor of highly visible efforts by global mega-organizations in the field of development and relief. Our analysis of the U.S. international nonprofit sector reveals that 75 percent of its organizations are small, with less than \$500,000 in revenue. The number of small organizations suggests the civic depth and programmatic diversity of U.S. involvement with causes abroad. Located mainly on both coasts and to a smaller extent in Florida and Texas, these organizations often draw on financial resources and local support from concentrated ethnic communities to serve related areas of the world. Their predominance throughout the United States signals the increasing importance of diaspora communities in channeling small private donations to their homelands through international nonprofits. Additional inquiry into small organizations can offer a window into social capital building on an international scale, where person-to-person exchanges build goodwill and meet need.

The large proportion of small nonprofits in the United States is also significant because organizational size is a factor in government grantmaking. Currently, government grants make up 20 percent of the revenue

for the sector. Table 2 illustrates the percentage of international organizations with government grants by size of organization and reveals a bias towards funding larger nonprofits. While large organizations make up only 11 percent of international organizations, they make up 43 percent of those receiving government grants.

PRIVATE CONTRIBUTIONS REMAIN A KEY FUNDING SOURCE

Though larger organizations may receive sizable amounts of government funding, the most significant source of funding for U.S. international nonprofits is private contributions. In FY 2003, private contributions made up 70 percent of total revenue in the sector. Indeed, a study recently released by the Hudson Institute shows that all global philanthropy and private giving from the United States, including private donations, volunteerism, public-private partnerships, and private investment, amounts to at least \$71 billion per year—over three and a half times U.S. official government development aid (Hudson Institute 2006). Table 3 shows the sources of revenue as a percentage of total revenue for three main categories of the international nonprofit subsector.

International affairs organizations received the highest percentage of revenue (74 percent) from private contributions. This included both direct contributions, funds raised in the name of the organization, and indirect contributions, funds received indirectly through solicitation campaigns by federated fundraising agencies. The amount of private contributions to these organizations is proportionately more than twice that of international understanding organizations (29 percent) whose funding comes largely from program service revenue, funds collected

directly from recipients receiving services from the organization. Additionally, Americans' generosity for causes beyond their borders can be measured in both the cash and non-cash private contributions. Nearly 15 percent of the organizations, primarily from the international development and assistance category, reported receiving non-cash contributions with an estimated total value of over \$6 billion, or approximately one-third of total revenue for the subsector.

INTERNATIONAL NONPROFITS ARE IN PRECARIOUS FINANCIAL HEALTH

Recent scandals in the nonprofit sector have resulted in increased pressure on international organizations to limit spending on administration and direct fundraising (especially by public campaigns), leaving more funds available for programs and services (InterAction 2004). Table 4 shows the breakdown of total expenditures into program, administration, and fundraising and reveals that the vast majority of international nonprofits' funds go to program activities. For all nonprofits shown, 89 percent of expenses reportedly go to program costs, 7 percent to administrative expenses, and 4 percent to fundraising expenses. Although expenditures seem to support high levels of program activity, some degree of caution must be exercised when examining administrative and fundraising costs reported on the IRS Form 990. Previous research (Hager, Pollak, and Wing 2004) suggests that nonprofit organizations may be keeping administrative and fundraising costs excessively low to attract private contributions and may be jeopardizing their core organizational structures and administrative capacities.

TABLE 3.
Sources of Revenue by Percentage of Total Revenue for Three Main Categories of International Nonprofits, circa 2003

Type of international nonprofit	N	Percentage			
		Private contributions	Government grants	Program services	Other revenue
International development and assistance	3,061	71	20	6	2
International understanding	666	29	25	41	5
International affairs	472	74	8	13	6
Total international nonprofits	4,199	70	20	9	3

Source: National Center for Charitable Statistics/GuideStar National Nonprofit Database.

Notes: *Private contributions* combine direct and indirect contributions. *Other revenue* includes small revenue categories such as membership dues, interest, dividends, rental income, other investment, sales of goods, and revenue from special events and activities. Additionally, those nonprofits in the database filing the 990-EZ could not be included in the analysis (990-EZ forms do not provide information on specific sources of revenue).

Despite low levels of administrative and fundraising expenses, the international nonprofit sector operates on a slim cash margin, with annual revenues (\$17.7 billion) just outpacing annual expenses (\$17.2 billion) for FY 2003. Thirty-nine percent of all development and assistance organizations and forty-four percent of international understanding organizations had negative operating margins for FY 2003. The financial outlook for international affairs organizations seems especially dismal, with 47 percent operating in the red. Some of this can be attributed to the cash flow imbalances in revenue and program expenditures that most nonprofits show from year to year, which are often reconciled over two or more subsequent years (Kerlin and Reid 2005). Nonetheless, many of these nonprofits seem to be running bare-bones operations, which could result in program cuts if they fall on serious financial difficulties.

Assets provide a more encouraging view of the sector's financial health and may offset the negative operating balance that many of these organizations report. Ninety-two percent of all international nonprofit organizations report positive net assets. Nonprofits with more equity are better able to weather financial shocks. Should the need arise, they are in a better position to borrow money or convert equity and assets to cash.

Interestingly, international relief organizations, a subcategory of international development and assistance, had the second lowest average net assets as a subcategory (\$1.5 million). Low assets provide little cushion for organizations expected to respond quickly to large-scale disasters, often before there is time to

TABLE 4.

Types of Expenditures by Percentage of Total Expenditures for Three Main Categories of International Nonprofits, circa 2003

Type of international nonprofit	N	Percentage		
		Program	Administration	Fundraising
International development and assistance	3,061	90	6	4
International understanding	666	85	13	2
International affairs	472	83	11	6
Total international organizations	4,199	89	7	4

Source: National Center for Charitable Statistics/GuideStar National Nonprofit Database.

Note: Those nonprofits in the database filing the 990-EZ could not be included in the analysis (990-EZ forms do not provide information on specific sources of revenue).

obtain contributions and grants from donors. This finding underscores earlier research by the Center on International Cooperation (1999) that found most humanitarian relief organizations have inadequate reserves even though they must rely on their own funds in the immediate aftermath of a crisis.

REGIONAL PRIORITIES

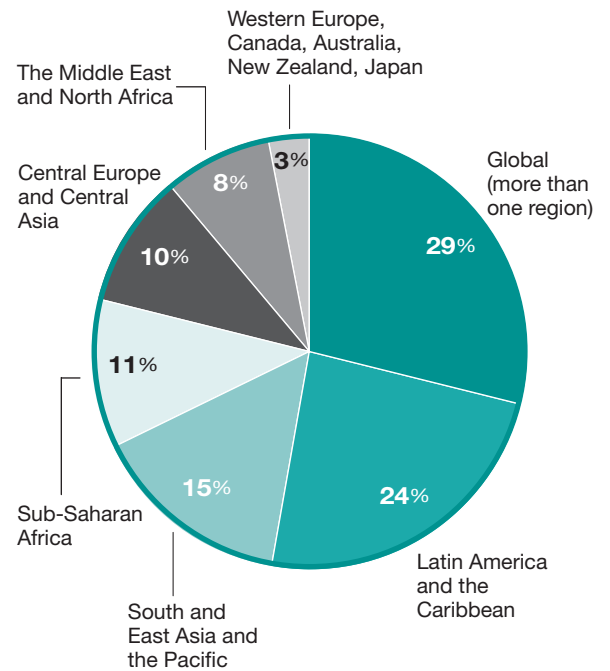
Development and assistance organizations comprise the largest category of international nonprofits in the United States, providing direct services to individuals, as well as technical assistance, training, and material resources to support institutional capacity building abroad. Nearly 3 in 10 (29 percent) of all U.S. development and assistance organizations provide assistance to more than one region of the world or do not identify their work in a specific region, making it difficult to determine the exact extent of aid reaching various regions (figure 1). Nonetheless, global organizations seem to predominate in all areas of international development and aid except in the area of education, where smaller organizations prevail in single regions. The second largest concentration of U.S.-based international nonprofits works in the Latin America and Caribbean region. Many are small organizations.

Examining development and assistance organizations with a single-region focus provides further insight on various types of international aid. Organizations focused on health, agriculture development, and environment and sustainability are concentrated in Latin America. Economic development nonprofits are primarily found in Latin America, Central Europe, and Central Asia. Education development

organizations are most prevalent in three broad regions: Latin America and the Caribbean, South and East Asia and the Pacific, and the Middle East and North Africa. Twenty-eight percent of U.S. international nonprofit organizations focused on democracy and civil society are found in Central Europe and Central Asia, though this figure is down slightly from 2001 levels (when democracy and civil society objectives shifted to the Middle East and Asia).

FIGURE 1. International Development and Assistance Nonprofits by Region of Operation, circa 2003

Source: National Center for Charitable Statistics/GuideStar National



Nonprofit Database.

CONCLUSION

Though international nonprofits are just 2 percent of the U.S. charitable nonprofit sector, they have continued to grow in size and scope to meet pressing demands around the world. They mobilize 2 percent of total U.S. nonprofit sector revenue in three major areas of operation: international development and assistance, promotion of international understanding, and international affairs. The high percentage of small organizations in the international nonprofit sector reveals the depth of its civic support and programmatic diversity. Largely funded by cash and non-cash private contributions with smaller but significant funding from government, international nonprofits report that the vast majority of their funds go to programs and services. There are signs, however, of some financial vulnerability in this sector. A sizable percentage show slim cash margins each year, but the high percentage of organizations with positive net assets may counterbalance this picture of financial distress. Overall, these organizations have a far-reaching impact in various regions of the world, especially through their largest category of activity, international and development assistance nonprofits.

FOR MORE INFORMATION

A complete review of data from the National Center for Charitable Statistics/GuideStar database can be found in the report *The International Charitable Nonprofit Subsector in the United States*, available on the Urban Institute web site at <http://www.urban.org/url.cfm?ID=411276>.

NOTE

1 *Nonprofit sector* generally refers to all formally organized U.S. tax-exempt organizations, though the data used in this study are limited to charitable tax-exempt organizations, that is, 501(c)3 organizations. *International nonprofit subsector* refers to U.S.-based charitable organizations whose primary purpose or mission is international in scope. The dataset itself does not include

organizations with revenue below \$25,000 and many religious nonprofit organizations (regardless of revenue size) because they are exempt from filing IRS Form 990. Only organizations that filed Form 990 (as opposed to Form 990-EZ) are considered; the 990-EZ does not provide a separate line for government grant revenue.

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ACKNOWLEDGMENTS

The authors would like to thank Elizabeth Reid for her many contributions in the development of this policy brief. Kendall Golladay and Kanisha Bond also provided invaluable assistance with data analysis and classification of organizations.

ABOUT THE AUTHORS

Janelle A. Kerlin is a research associate in the Center on Nonprofits and Philanthropy at the Urban Institute, where she conducts research on politics and policy related to nonprofit development and operation. She is coauthor of the report *U.S. Government Funding for International Nongovernmental Organizations*, and has authored a book chapter and several conference papers on international organizations. Dr. Kerlin holds an M.S. from Columbia University and a Ph.D. in political science from the Maxwell School at Syracuse University.



Supaporn Thanasombat is an emerging scholar in the Center on Nonprofits and Philanthropy at the Urban Institute and a master of public policy student at the University of Michigan's Gerald R. Ford School of Public Policy, focusing her degree on public and nonprofit management and international policy. She is a recipient of the 2006 Foreign Language and Area Studies Fellowship and is a 2002 Public Policy and International Affairs fellow at the Richard and Rhoda Goldman School of Public Policy. She holds a B.A. in Development Studies with a minor in City and Regional Planning from the University of California–Berkeley.



THE URBAN INSTITUTE
2100 M Street, N.W.
Washington, D.C. 20037



Phone: 202-833-7200
Fax: 202-467-5775
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