



The Impact of Charitable Nonprofit Organizations on Iowa's Economy and Quality of Life

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The report, including an additional Appendix and Methodology, is available on the Iowa Department of Economic Development website at www.iowalifechanging.com/nonprofit and the Larned A. Waterman Iowa Nonprofit Resource Center website at <http://nonprofit.law.uiowa.edu>.

Introduction

In January of 2004, Governor Vilsack appointed the Governor's Task Force on The Role of Charitable Nonprofit Organizations in Iowa to "assess the present and potential role of Iowa's Nonprofit Sector in advancing the vitality of communities throughout the state." As a result, the Task Force presented a list of 12 recommendations to Governor Vilsack that would enhance the effectiveness and services of Iowa's charitable nonprofit organizations. One recommendation of the Task Force was to "create and publish an annual report on the economic and programmatic impact of the charitable nonprofit sector in Iowa."

The data and findings in this report will contribute to an understanding of the charitable nonprofit sector in Iowa and its contribution to the state's economy and general quality of life. The Report should be useful in a variety of ways:

- By informing local elected officials, legislators, business leaders, and key decision-makers at all levels about the charitable nonprofit sector generally, and its specific impact on the state's economy and quality of life;
- By encouraging the consideration of the charitable nonprofit sector in policy decision-making by government leaders on the state and local levels;
- By informing the general public, potential donors, and professional advisors, of the size and impact of the charitable nonprofit sector, illustrating what impacts are already occurring, and especially the potential of the sector for influencing future quality of life in the state.

The Larned A. Waterman Iowa Nonprofit Resource Center and the Iowa Department of Economic Development developed this report. Principal authors were Jill Smith with the Larned A. Waterman Iowa Nonprofit Resource Center, and Catherine Bierling and Michael Miller at the IDED. The Report utilizes information obtained from Iowa Workforce Development and the Urban Institute's National Center for Charitable Statistics.



This report is divided into four sections: Executive Summary, Statewide Overview, Financial Characteristics, and Wages and Employment.

Executive Summary

This report illustrates the significant economic contribution of Iowa's charitable nonprofit organizations to the state's economy. Although agriculture, business, and government in Iowa receive the most attention, charitable nonprofit organizations also play a crucial role in the state. Charitable nonprofit organizations provide vital services in every Iowa community and county.

- In 2005, charitable nonprofit employment represented 8.9% of total employment for the state of Iowa.
- In 2005, there were only four industry groups that employed a larger number of employees than the total number of employees in the entire nonprofit sector in Iowa.
- In 2005, charitable nonprofit employees earned \$3.7 billion in wages or nearly 8% of the state's total wages.
- Public charities in Iowa had \$20.7 billion in total assets in 2004.
- Public charities in Iowa spent more than \$8.3 billion in 2004.
- The number of Iowa public charities with more than \$25,000 in gross receipts increased by 21.9% between 2001 and 2005.
- Iowans contribute an estimated 99 million hours of volunteer time and labor each year.

Beyond Charity

Nonprofit Organizations:

- Improve the character and quality of communities.
- Make communities attractive to businesses seeking cultural richness and essential services.
- Provide direct job training programs to improve Iowa's workforce.
- Provide jobs for the underemployed and unemployed members of the workforce.
- Provide opportunities for people to become more active in their own communities through volunteerism and other cooperative efforts.
- Attract foundation and federal grant dollars into the state.

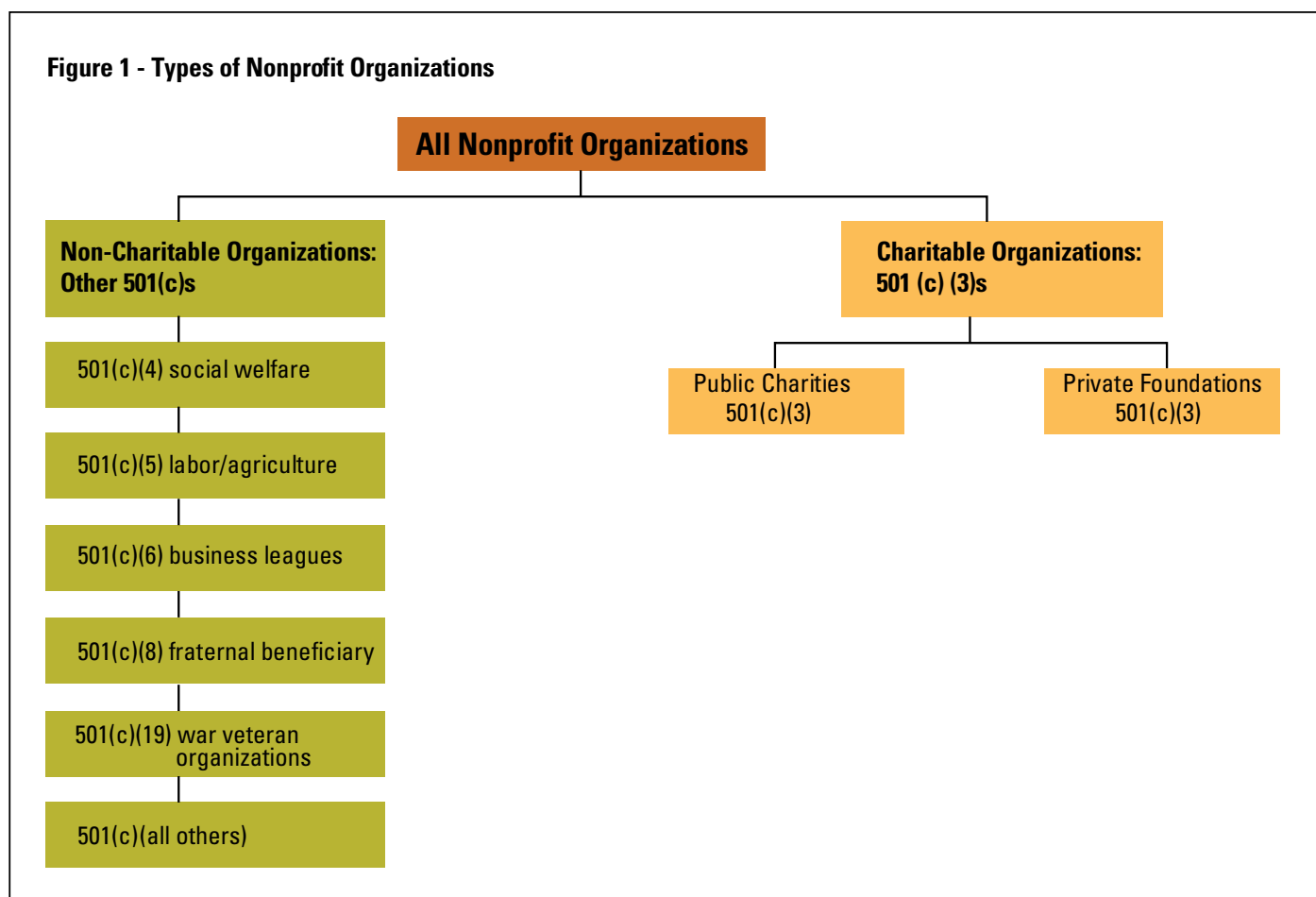
Statewide Overview: Numbers of Nonprofit Organizations

Although the terms nonprofit and charitable are often used as if they are interchangeable, there are practical and legal distinctions within the nonprofit sector. Some nonprofits are charitable and some are non-charitable (refer to Figure 1).

Section 501(c) of the federal tax code categorizes all of the different types of nonprofit organizations. The 501(c) designated organizations range from 501(c)(1) through 501(c)(27). Some of the main categories are seen in Figure 1. Charitable organizations are classified as 501(c)(3)s. The IRS description of these organizations is “religious, educational, charitable, scientific, literary, testing for public safety, to foster national or amateur sports competitions, or prevention of cruelty to children or animals...”

Although all nonprofit organizations are exempt from paying federal income taxes, the 501(c)(3) charitable organizations have an additional feature; donations to their organizations are also tax deductible to the donor.

These 501(c)(3) charitable nonprofits are the focus of this report.



Overall Totals of Nonprofit Organizations

Some indication of the size of the nonprofit sector in Iowa is gained simply by noting the number of nonprofit organizations operating within the state as shown in Table 1. There were a total of 27,704 registered nonprofit corporations in Iowa in 2005. Over 40% were 501(c)(3) organizations: public charities and private foundations.

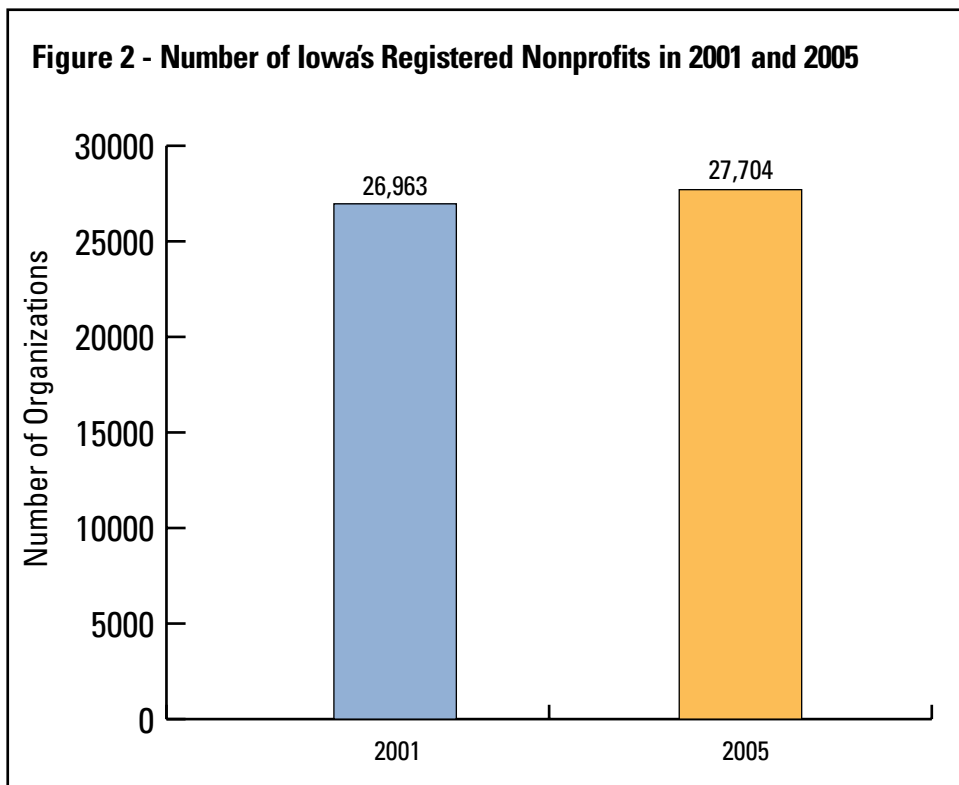
- In 2005, there were 12,425 organizations in Iowa with 501(c)(3) status, consisting of 11,370 public charities and 1,055 private foundations.
- While 11,370 public charities having more than \$5,000 in gross receipts were registered with the IRS, only 4,000 plus were required to file an annual IRS 990 report because they had more than \$25,000 in gross receipts, the amount at which filing is required.
- The largest other 501(c) subsection is 501(c)4 civic leagues and social welfare organizations, followed by 501(c)(5) labor, agriculture and horticulture organizations; and 501(c)(19) war veterans organizations.

Tax Exempt Organizations	Registered with the IRS	Filing Annual IRS Report
501(c)(3)s:	12,425	4,908
Public Charities	11,370	4,035
Private Foundations	1,055	873
Other 501(c) Subsections:	15,279	2,637
501(c)(4) social welfare	7,985	648
501(c)(5) labor/agriculture	1,445	472
501(c)(6) business leagues	1,133	529
501(c)(8) fraternal beneficiary	1,374	124
501(c)(19) war veterans orgs.	1,425	152
501(c)(all others)	1,917	698
Total Number of Nonprofit Organizations	27,704	7,545

Source: IRS Business Master Files December 2005 (with modifications from the National Center for Charitable Statistics)

Overall Growth of Iowa Nonprofit Organizations

- There were a total of 27,704 nonprofit corporations in Iowa in 2005 compared to 26,963 in 2001.
- The overall number of nonprofit corporations in the State of Iowa increased 2.7% from 2001 to 2005.
- Iowa's 2.7% overall increase in the number of nonprofit corporations was substantially lower than the 11.9% national average from 2001 to 2005.



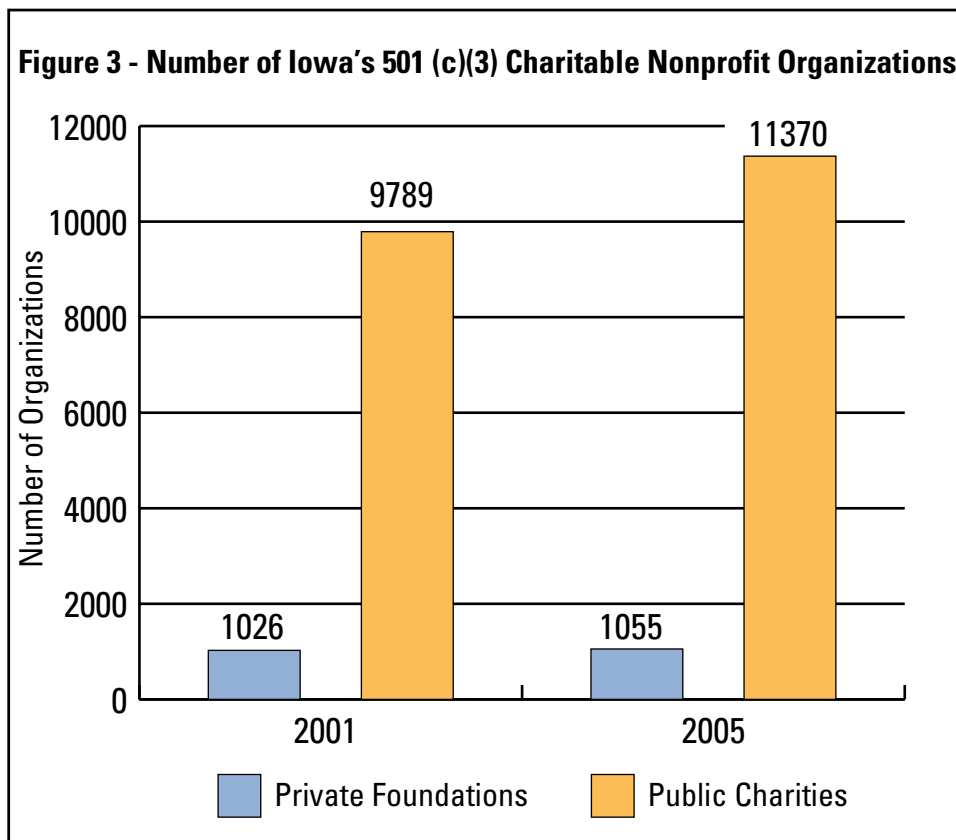
Source: National Center for Charitable Statistics

Iowa's 501(c)(3) Nonprofit Organizations: Public Charities and Private Foundations

501(c)(3) charitable nonprofit organizations encompass both public charities and private foundations. The Internal Revenue Service (IRS) recognizes 501(c)(3) "public charities" when they meet the "public support test" and are committed to serving a broad public purpose. Iowa's public charities range from churches to schools, from hospitals to local community health clinics, from emergency housing shelters to organizations serving the elderly. One of the ways private foundations differ from public charities is that they are required by the IRS to distribute part of their assets annually to public charities or individuals.

Total Number of 501(c)(3) Nonprofit Corporations: Of the total 27,704 nonprofit organizations in the state of Iowa in 2005, there were 12,425 organizations classified by the IRS as 501(c)(3) organizations: public charities and private foundations. Both public charities and private foundations have experienced significant growth in Iowa recently.

- There were a total of 11,370 public charities in Iowa in 2005 compared to 9,789 in 2001.
- This represents a 16.1% increase in the total number of public charities in Iowa from 2001 to 2005.
- There were a total of 1,055 private foundations in Iowa in 2005 compared to 1,026 in 2001.
- This represents a 2.8% increase in the total number of private foundations in Iowa from 2001 to 2005.



Source: National Center for Charitable Statistics

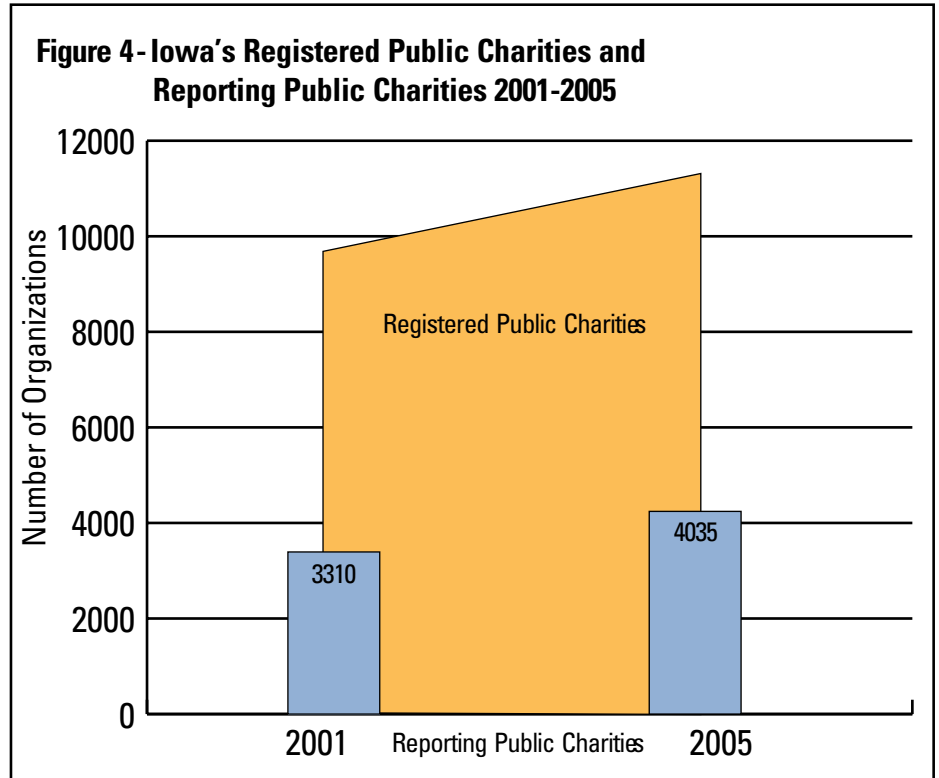
Iowa's 501(c)(3) Charitable Nonprofit Organizations: Public Charities

Public charities benefit communities across Iowa by providing services relating to the arts and culture, education, environment, health care, human service, housing and community improvement. Private foundations are discussed in the Wage and Employment section of this report.

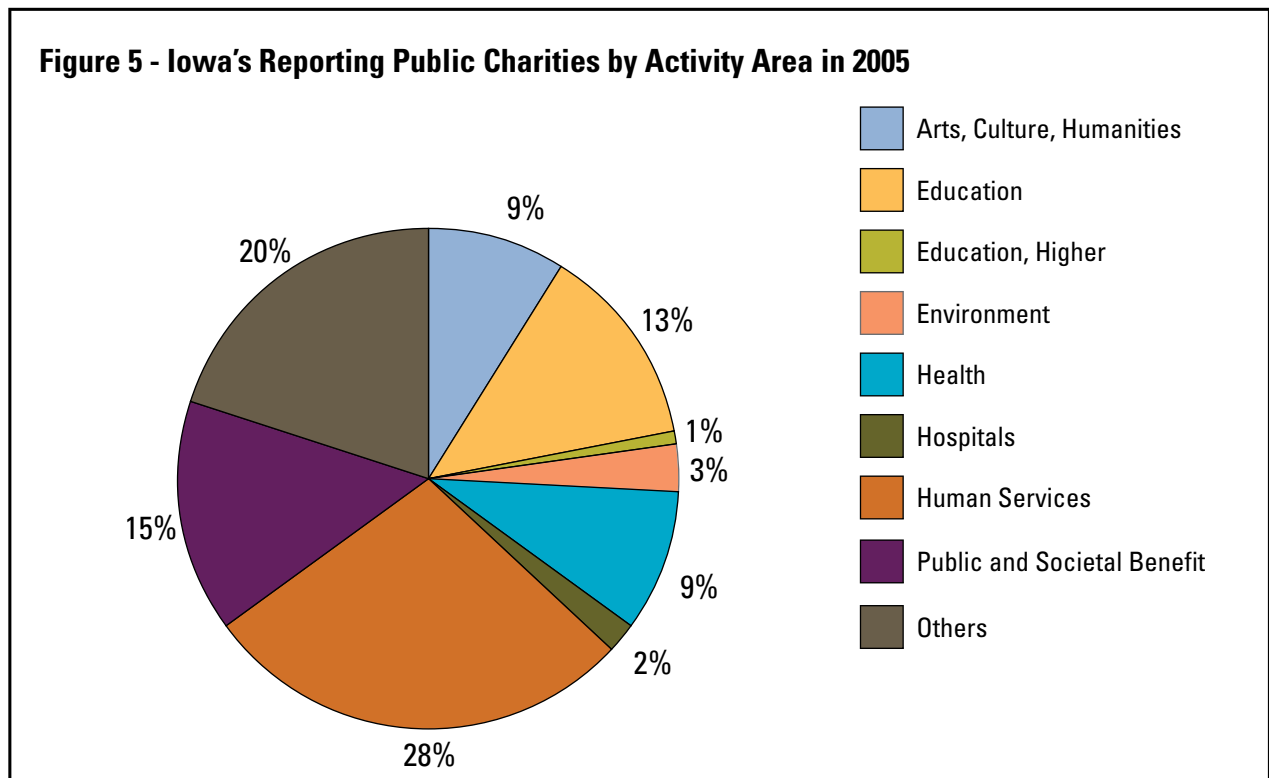
Registered and Reporting Public Charities:

All 501(c)(3) organizations with gross receipts more than \$5,000 are required to register with the IRS and 501(c)(3) organizations with gross receipts more than \$25,000 are required to file Form 990 with the IRS.

- There were 11,370 public charities registered with the IRS in 2005 while only 35.4% or 4,035 were required to file an annual IRS 990 report (figure 4).
- The number of reporting public charities increased from 3,310 in 2001 to 4,035 in 2005 — a 21.9% increase (figure 4).
- In 2005, the largest categories of Iowa's reporting public charities were Human Services organizations (28%), Public and Societal Benefit organizations (15%) (Figure 5).



Source: National Center for Charitable Statistics

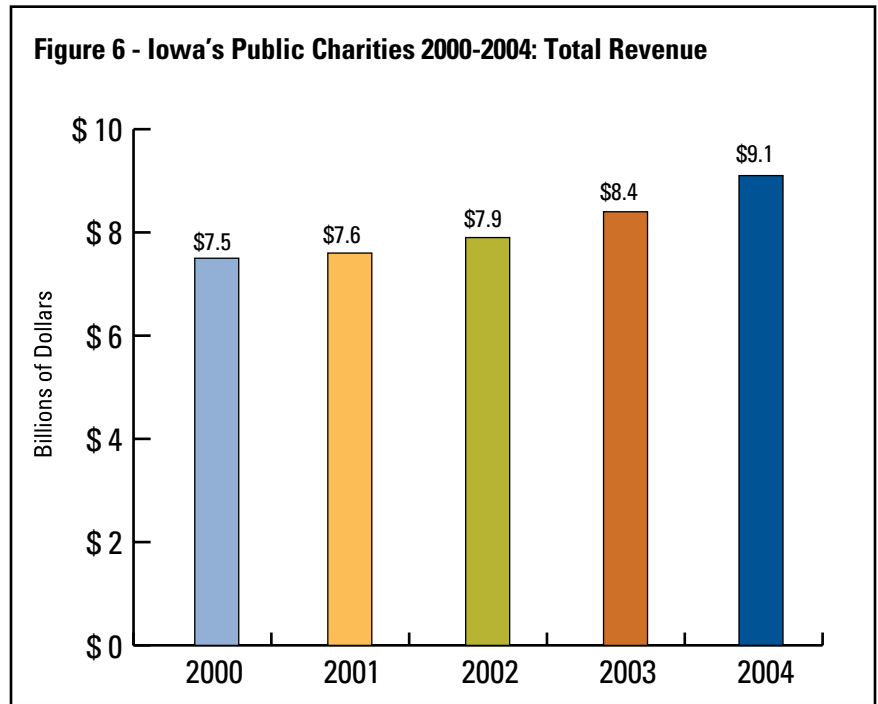


Financial Characteristics of Iowa's Public Charities: Revenues, Expenditures and Assets

The focus of this section of the report is limited to Iowa's public charities reporting to the IRS and filing annual IRS Form 990. These are the larger charitable organizations with more than \$25,000 in gross annual receipts. These IRS Form 990s are the primary data source for information about public charity revenues, expenses and net assets. It is important to keep in mind that the data will generally be undercounting the actual number and impact of nonprofits in Iowa due to this more limited scope of study. It is also important to note the time shift that has occurred in this section. This section will cover the five-year period of 2000 to 2004 instead of 2001 to 2005 from the previous section. Revenue, expenditure, and asset information is not available for 2005. County level data is available about the number of organization and financial characteristics online: www.iowalifechanging.com.

Total Revenue: The total revenues are comprised of various revenue sources (such as contributions and fees for services) that result in the total income the organization receives. The amounts vary by organization type. Revenues received by Iowa's public charities increased dramatically over the five-year period.

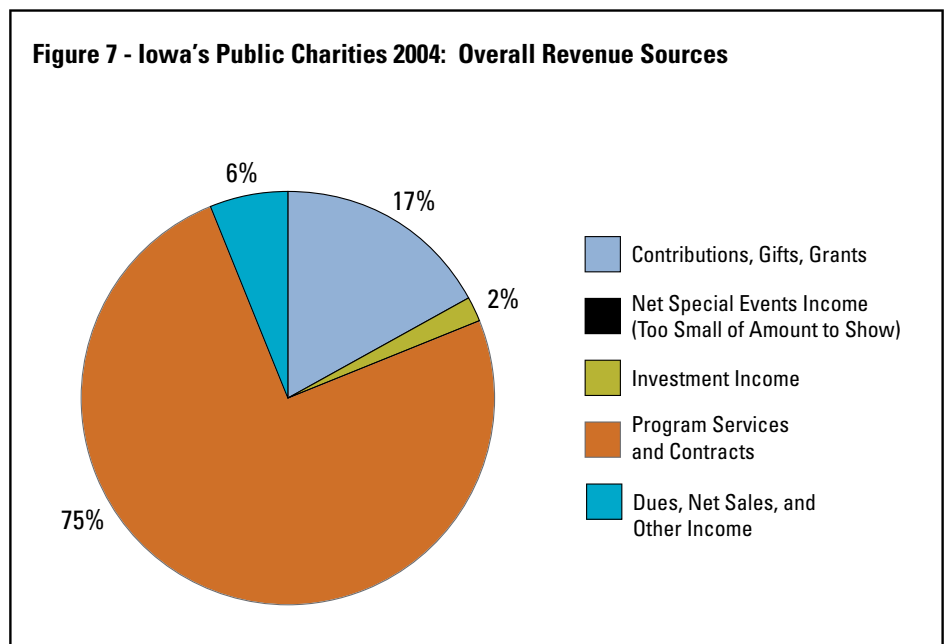
- Iowa's reporting public charities received \$9.1 billion in total revenues in 2004 compared to \$7.5 billion in 2000. This is an increase of \$1.6 billion.
- This represents a 21.9% increase in total revenues received by Iowa's public charities from 2000 to 2004.



Source: National Center for Charitable Statistics

Revenue Sources: There are diverse sources of funding for Iowa's nonprofits that include contributions, gifts, and grants; special event income; investment income; program services and contracts; and dues, net sales and other income.

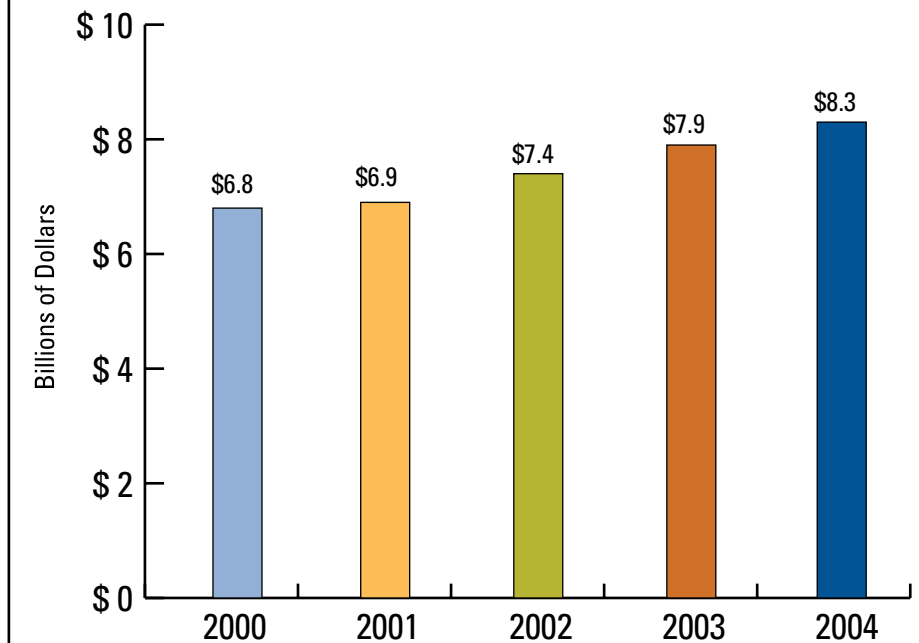
- In 2004, Program Services, Fees and Contracts totaled \$6.8 billion or 75% of all revenue sources.
- Contributions, gifts and grants totaled \$1.5 billion or 17%.
- Other revenue sources (dues, net sales and other income; investment income; and net special events income) made up the remaining 8%.



Expenditures: One of the ways of assessing the impact of Iowa's public charities is by looking at the dollars spent annually. These expenses include program, infrastructure, and fundraising expenses.

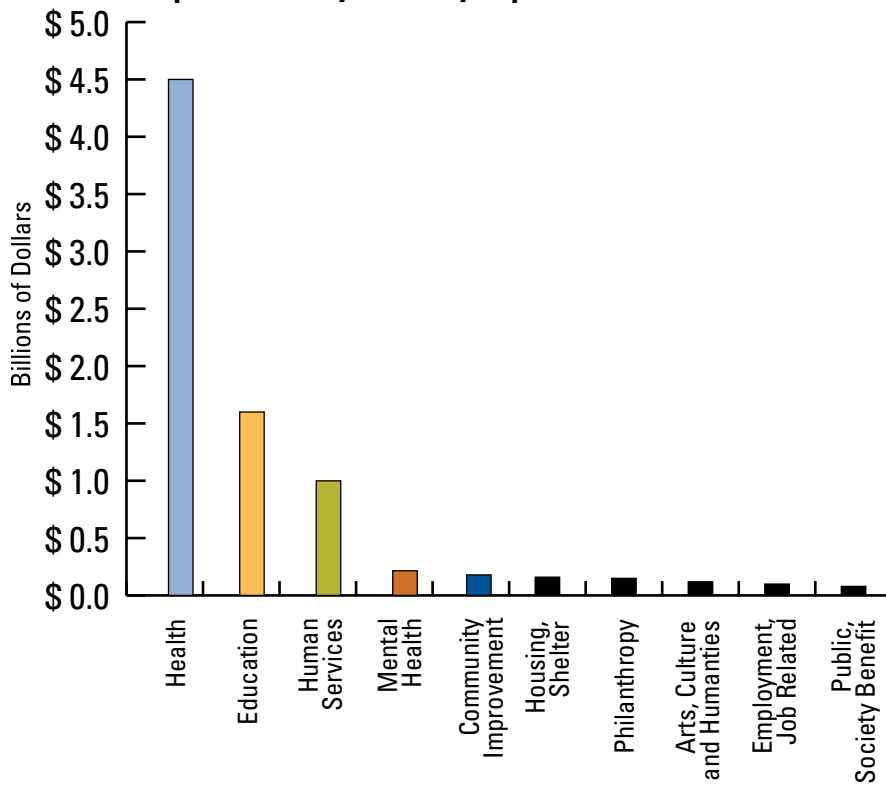
- Iowa's reporting public charities spent \$8.3 billion in 2004 compared to \$6.8 billion in 2000.
- This represents a 21.8% increase in expenditures from 2000 to 2004.

Figure 8 - Iowa's Public Charities 2000-2004: Total Expenditures



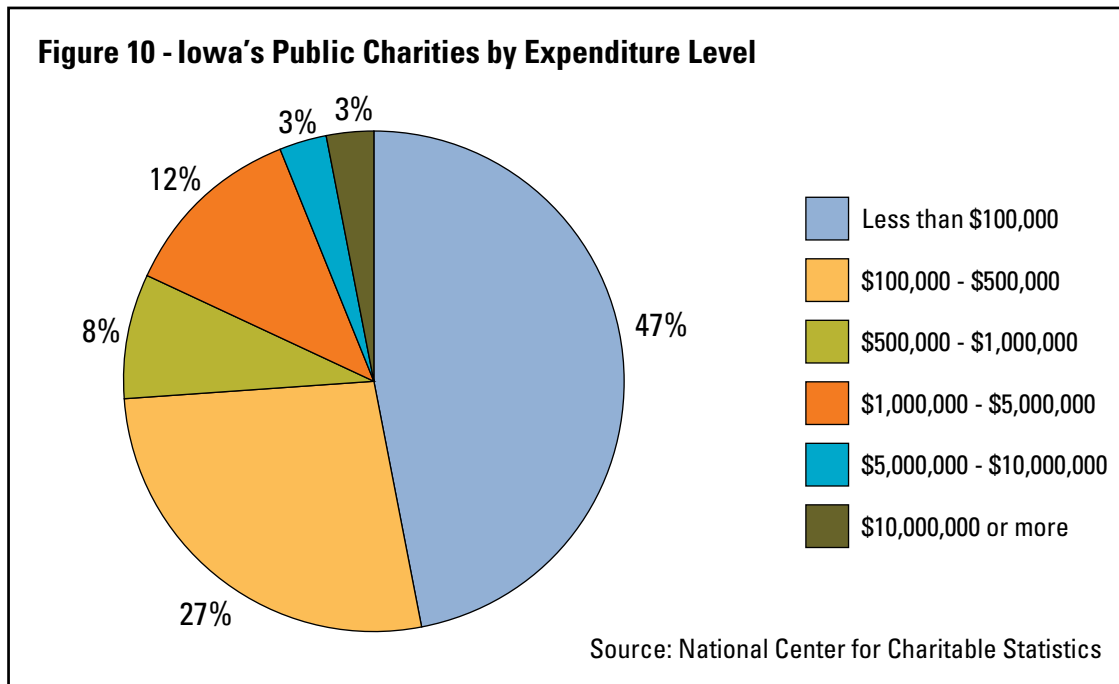
Source: National Center for Charitable Statistics

Figure 9 - Iowa's Public Charities 2004: Top Ten Activity Areas by Expenditures in 2004



- In 2004 the top activity level by expenditure was Health, spending approximately \$4.5 billion.
- The next highest group, Education, spent \$1.6 billion, followed by Human Services at \$1 billion and Mental Health at \$216.6 million.

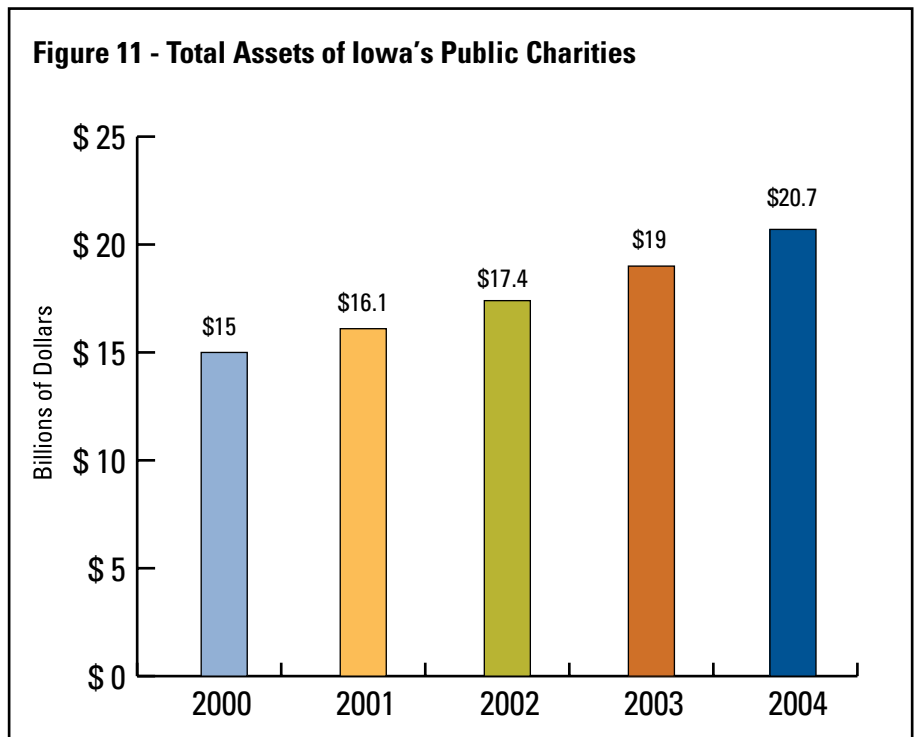
Reporting Public Charities by Expenditure Level in 2004



- The largest percentage of reporting public charities have annual expenditures of less than \$100,000 (47%).
- 74% of Iowa's reporting public charities have annual expenditures of less than \$500,000.
- Only 6% of Iowa's reporting public charities have annual expenditures of more than \$5 million.

Total Assets: Total assets are all items owned by the organization that have value (including cash, property, equipment, etc).

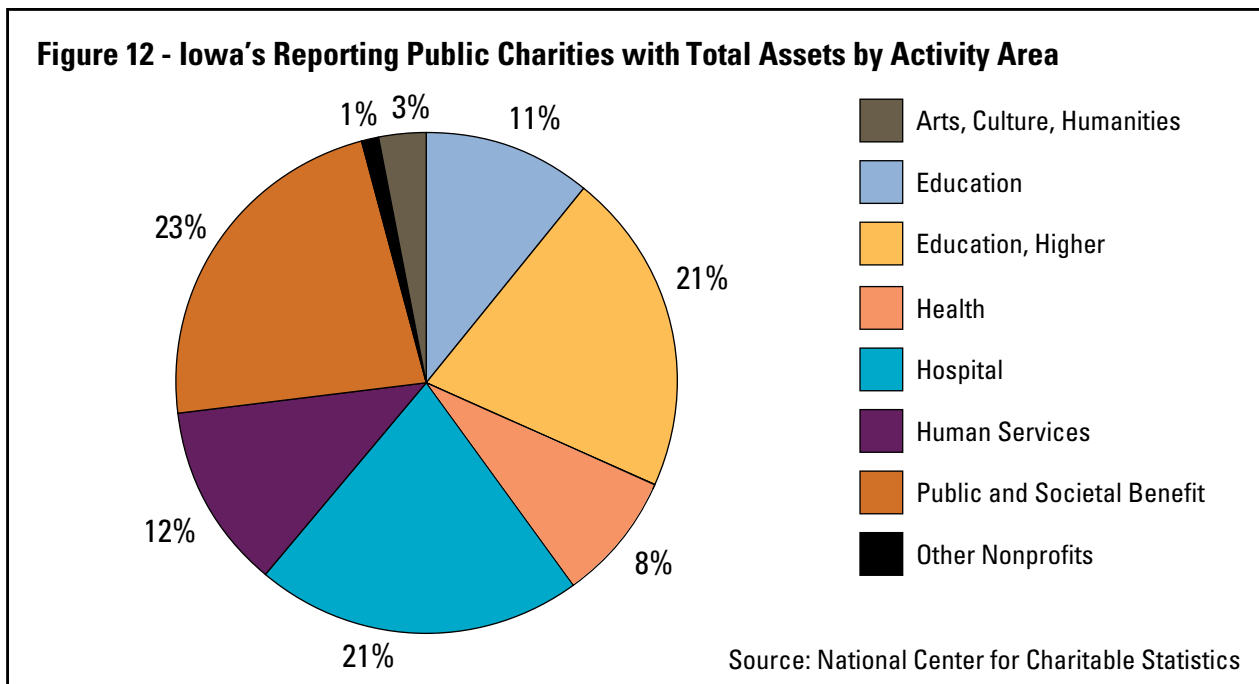
- Iowa’s reporting public charities had \$20.7 billion in total assets in 2004 compared to \$15 billion in 2000.
- This represents a 38% increase in total assets from 2000 to 2004.
- Total assets should not be confused with net assets (total assets minus total liabilities) Reporting public charities had net assets totaling \$11.7 billion in 2004, compared to \$8.8 billion in 2000.



Source: National Center for Charitable Statistics

Assets by Activity Area: Each organization type will hold a different amount of assets. For organization types with large amounts of expenditures and revenues, there will also tend to be a higher level of assets.

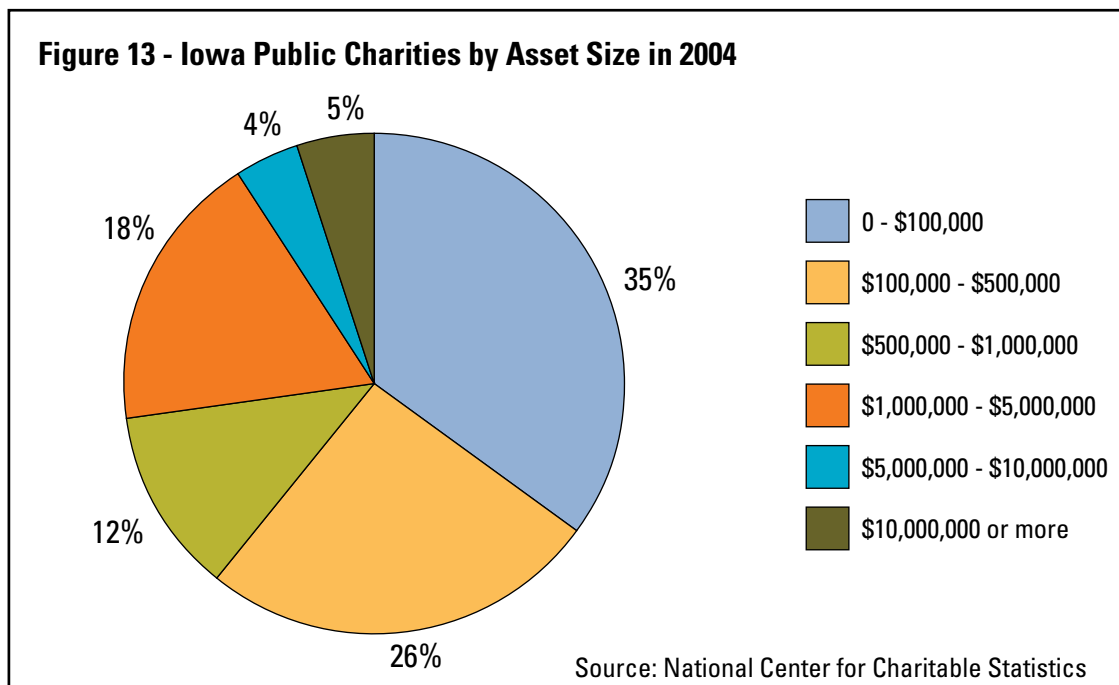
- The sector with the highest amount of total assets at the end of 2004 was Public and Societal Benefit Organizations with \$4.8 billion or 23% of total assets for all sectors.
- Hospitals and Higher Education were second highest with 21% each.
- The sectors with the lowest amount of total assets were Arts, Culture, Humanities (3%) and Other Nonprofits (1%).



Source: National Center for Charitable Statistics

Reporting Public Charities by Level of Assets in 2004

The total amount of assets held by public charities is often a little misleading. Although the total amount of assets held by all of Iowa's public charities is substantial, on an individual basis the majority of Iowa's public charities do not hold a large amount of assets.



- The largest percentage (35%) of public charities have less than \$100,000 each in total assets.
- Over half of all public charities have less than \$500,000 each in total assets.
- Only 9% of all public charities have more than \$5 million each in total assets.

Iowa's Foundations

According to the National Center for Charitable Statistics, in 2004, there were \$1.9 billion in total assets held by Iowa's private foundations and approximately \$160 million in contributions, gifts, and grants allocated by them to other organizations or individuals. Private foundation data for 2005 was not available at the time of this printing.

These statistics on foundations do not include the many community foundations in the state. Community foundations and their affiliate organizations have seen substantial growth in Iowa in the 2005-2007 period, due in part to state programs providing support for their creation and growth. The two major state programs are the Endow Iowa Tax Credit Program and the County Endowment Fund Program. Future Impact Reports should provide comparative data on this subset of nonprofits to the degree possible.

Wages and Employment

One way that the economic impact of the nonprofit sector can be seen is through the number of people that it employs and the wages paid. This section of the report presents a five-year comparison of the size, composition, and distribution of paid employment in Iowa's 501(c)(3) charitable nonprofit sector (public charities and private foundations) in 2001 and 2005. The data for this section was obtained from the National Center for Charitable Statistics (NCCS) and Iowa Workforce Development.

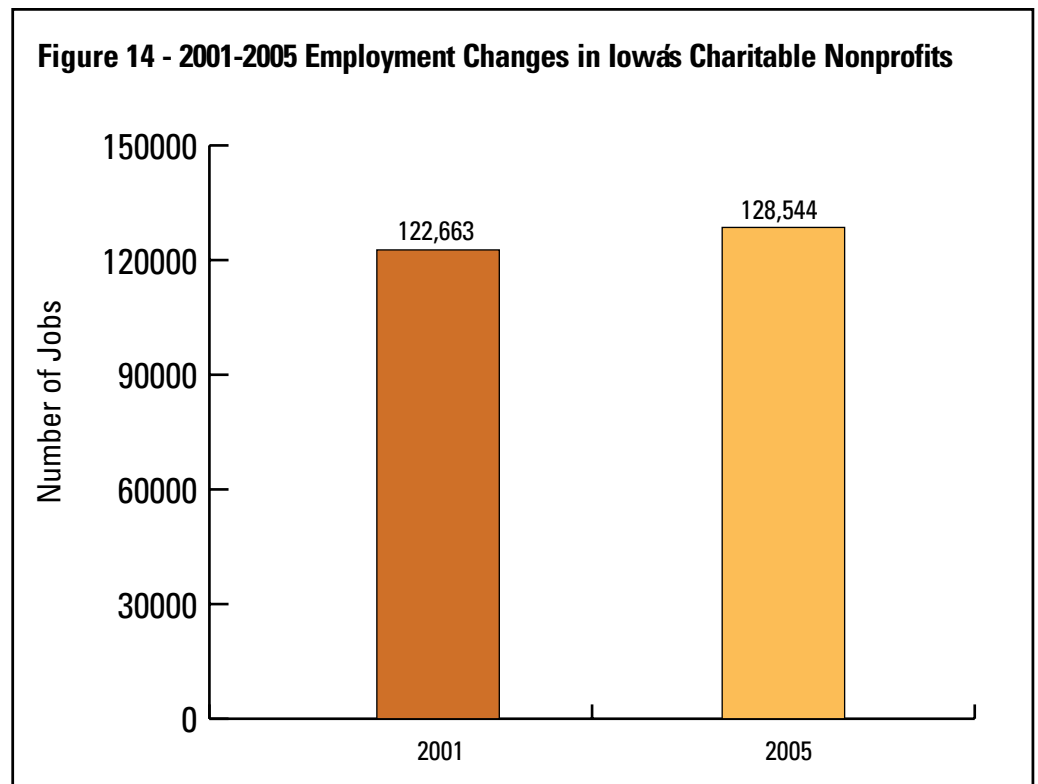
Charitable Nonprofit Organizations: Number of Jobs

Using Unemployment Insurance forms, the Iowa Workforce Development approximated the number of jobs within the charitable nonprofit sector in 2001 and 2005.

Of the 4,952 reporting charitable nonprofits in 2005, at least 1,892 organizations, or 38%, have one or more employees covered by the Unemployment Insurance law of Iowa. These organizations employed 128,544 people in 2005 who earned \$3.7 billion in wages or nearly 8 % of the state total. The balance of these organizations may use volunteers for their services or have employees not covered by the Unemployment Insurance law of Iowa.

- In 2005, there were 1,892 charitable nonprofit organizations with 128,544 paid jobs, compared to 122,663 jobs in 2001.

- Between 2001 and 2005, charitable nonprofit employment in Iowa grew by 4.7%.
- In 2005, charitable nonprofit employment represented 8.9% of total employment for the state of Iowa.



Source: Iowa Workforce Development

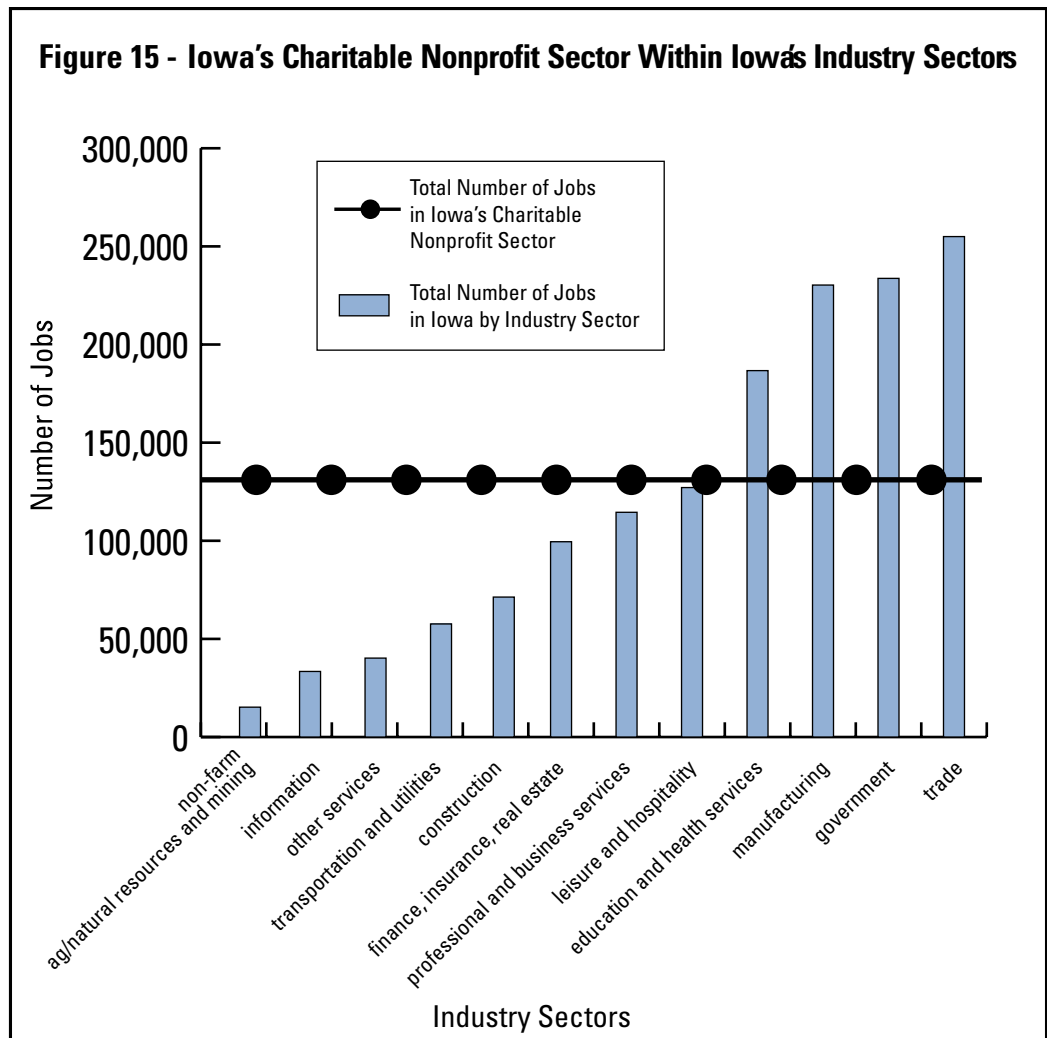
Number of Jobs in 2005: Iowa's Charitable Nonprofit Organizations, Within Industry Sectors

Figure 15 presents the number of jobs in Iowa within each industry sector, each sector having both nonprofit and for-profit businesses. Because the charitable nonprofit organization jobs are found within each industry sector, a separate line shows the total number of charitable nonprofit organization jobs in Iowa (if treated as a separate category), underlining the significance of the charitable nonprofit sector in Iowa's total employment.

- In 2005, there were only four industry groups that employed a larger number of employees than the total number of employees in the entire nonprofit sector in Iowa.
- Trade employment, both wholesale and retail, made up the largest employment area with 247,798 jobs, followed by Manufacturing (229,171 jobs), Government (228,081 jobs), and Education and

Health Services (183,386 jobs).

- Iowa's nonprofit sector creates:
 - More than eight times as many jobs as the state's non-farm Agriculture/Natural Resources and Mining industry.
 - Approximately twice as many jobs as the state's Transportation industry.
 - About 1.8 times as many jobs as the state's Construction industry.

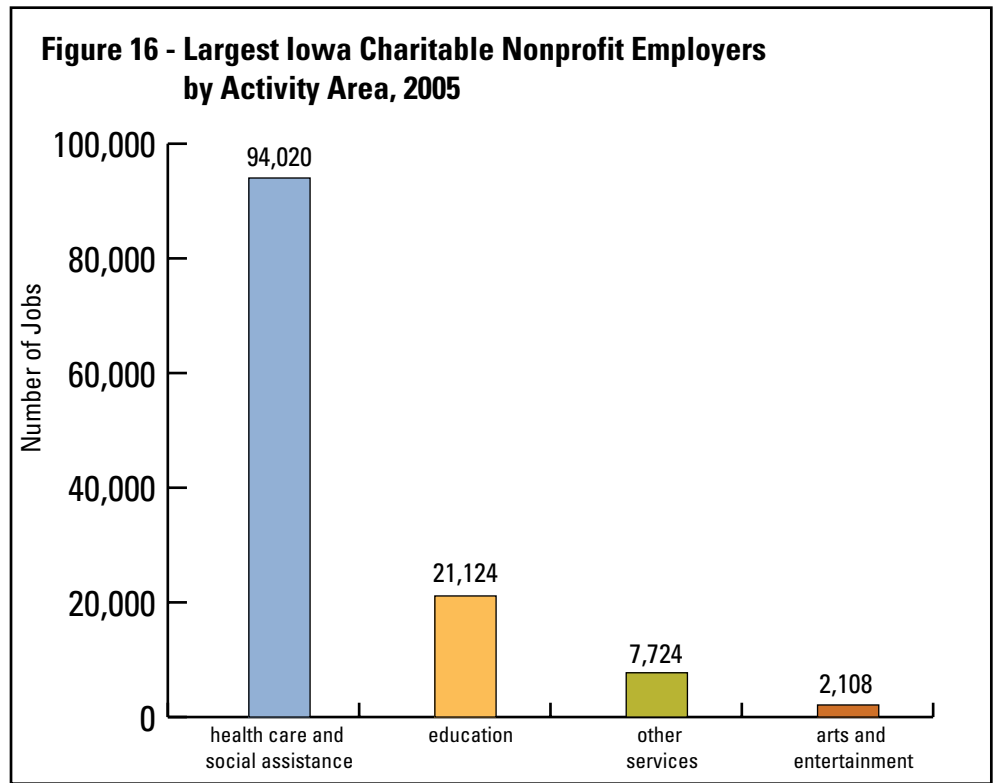


Source: Iowa Workforce Development

Iowa's Charitable Nonprofit Employment by Activity Areas

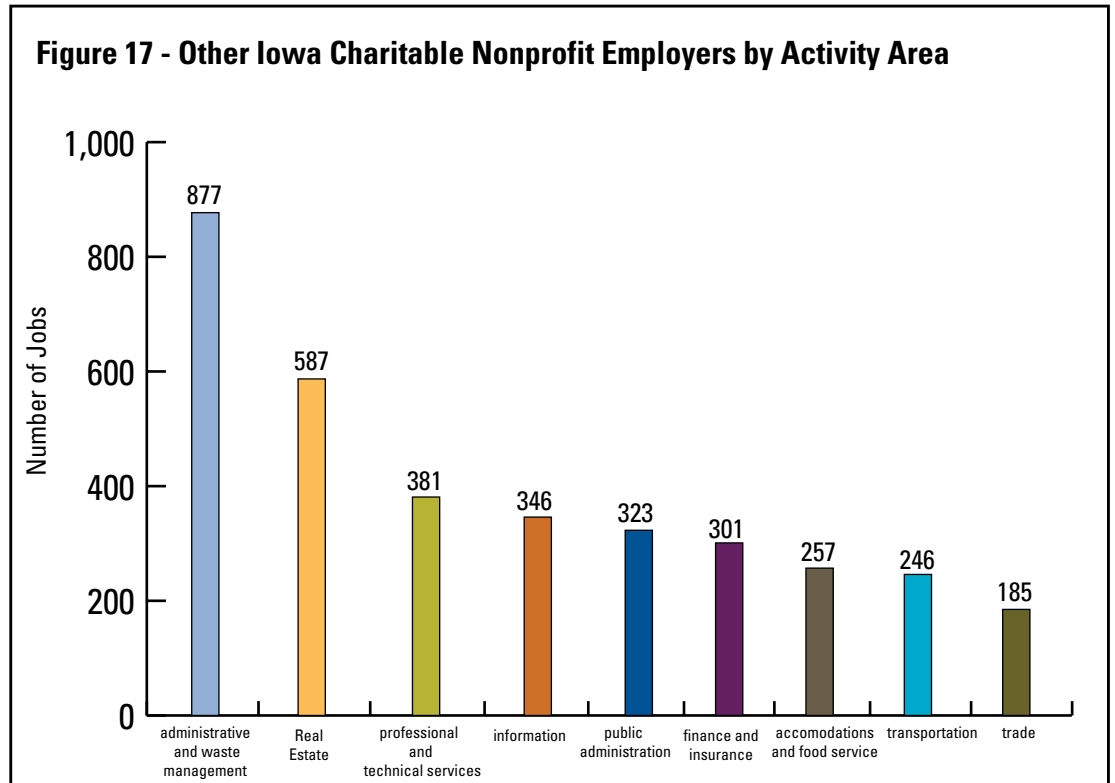
The number of jobs within the charitable nonprofit sector varies widely by field of activity. The vast majority of charitable nonprofit jobs are in four key activity areas: Health Care and Social Assistance, Education, Other Services, and Arts and Entertainment.

- More than three fifths, or 73%, of all charitable nonprofit jobs in the state are in Health Care and Social Assistance.
- Education, which includes private colleges, private schools, and some daycares, makes up the next largest with 21,124 jobs or 16.5%.



Source: Iowa Workforce Development

- The four activity areas in Figure 16 make up 97% of all jobs in the charitable nonprofit sector.
- In addition to the 124,976 employees in the largest four activity areas (see Figure 16), Iowa's other charitable nonprofit organizations employ 3,656 people in a variety of other activity areas.
- These sectors may rely on a large number of volunteer workers. Refer to the Volunteer Section.

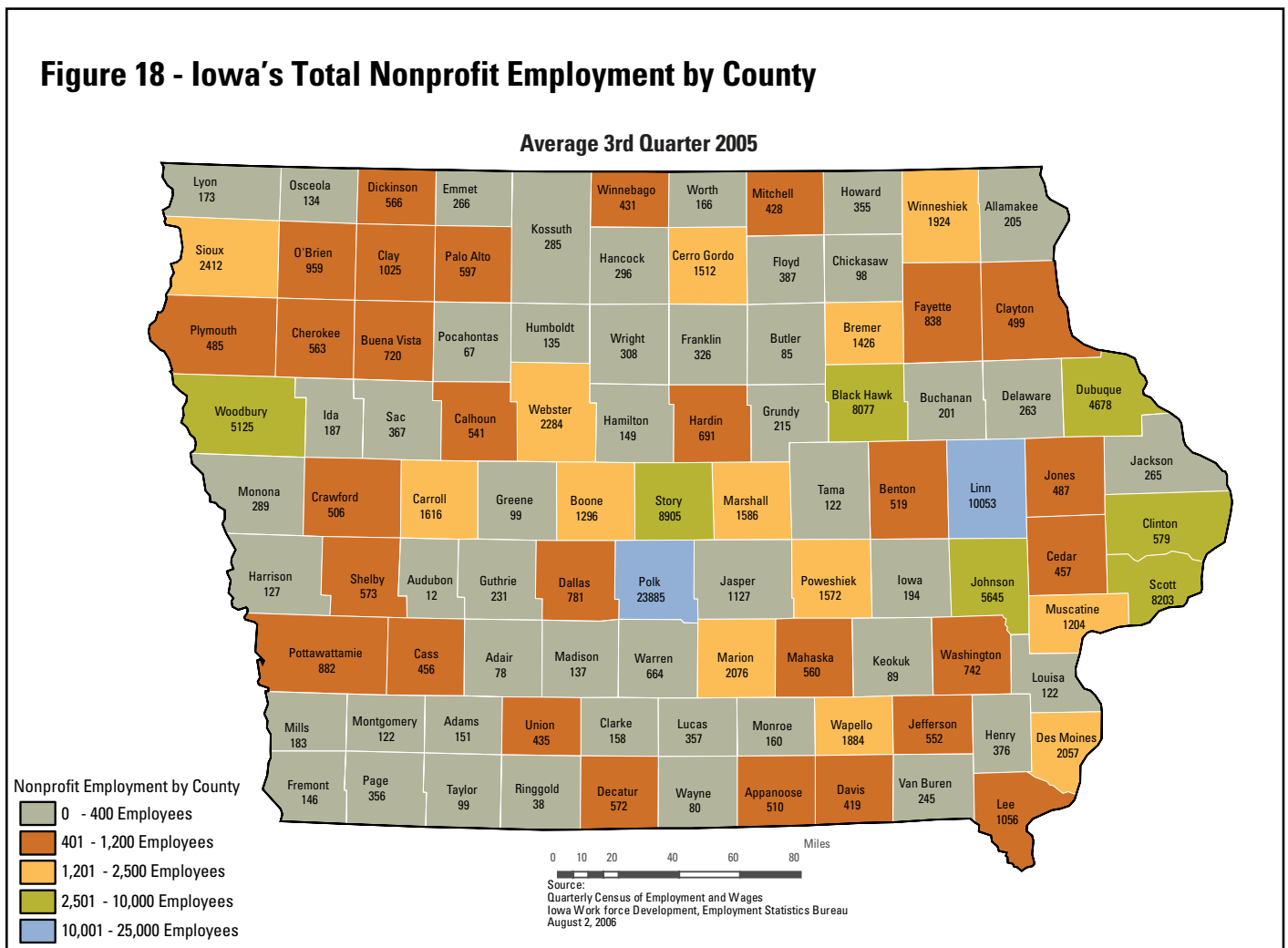


Source: Iowa Workforce Development

Iowa's Total Charitable Nonprofit Employment by County

Although Iowa's charitable nonprofit jobs are dispersed broadly throughout the state, most of the state's nonprofit jobs are located in counties with the largest population.

- Polk County has the highest number of charitable nonprofit jobs per county (23,885) in the state, followed by Linn (10,053), Story (8,905), Scott (8,203), Black Hawk (8,077), Johnson (5,645), Woodbury (5,125), and Dubuque (4,678) Counties.
- These eight counties represent almost 60 percent of the total number of charitable nonprofit jobs in Iowa.



Source: Iowa Workforce Development

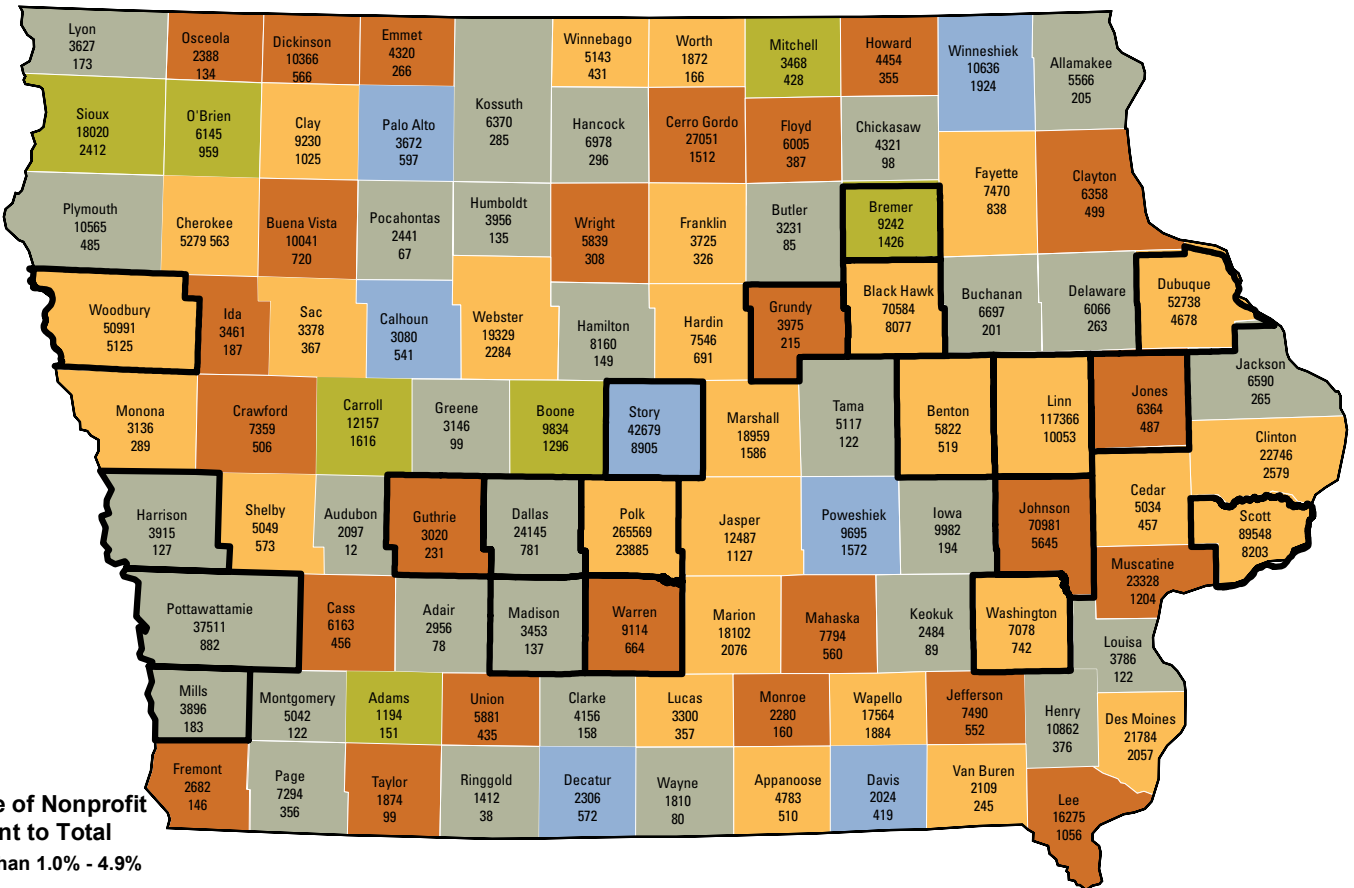
Percentage of Iowa's Charitable Nonprofit Employment by County and Metropolitan Statistical Areas (MSA)

The Metropolitan Statistical Area (MSA) designation is used to define urban versus rural areas. An MSA is defined as a core urban area with a population of 50,000 or more and may include multiple county areas. This maps shows how many of each county's jobs are charitable nonprofit-created jobs within Iowa's MSAs and rural designated areas.

- Decatur County has the highest percentage of charitable nonprofit jobs per county at 24%, followed by Davis (20%), Story (20%), Winneshiek (18%), Calhoun (17%), Palo Alto (16%), and Poweshiek (16%) counties.
- Charitable nonprofits accounted for a significant share of Iowa's total employment in both urban and rural areas. The charitable nonprofit share of Iowa's total employment in Metropolitan Statistical Areas was 9.2% versus 8.1% in rural areas.

Figure 19 - Percentage of Iowa's Nonprofit Employment to Total Employment by County

Average 3rd Quarter 2005



Percentage of Nonprofit Employment to Total

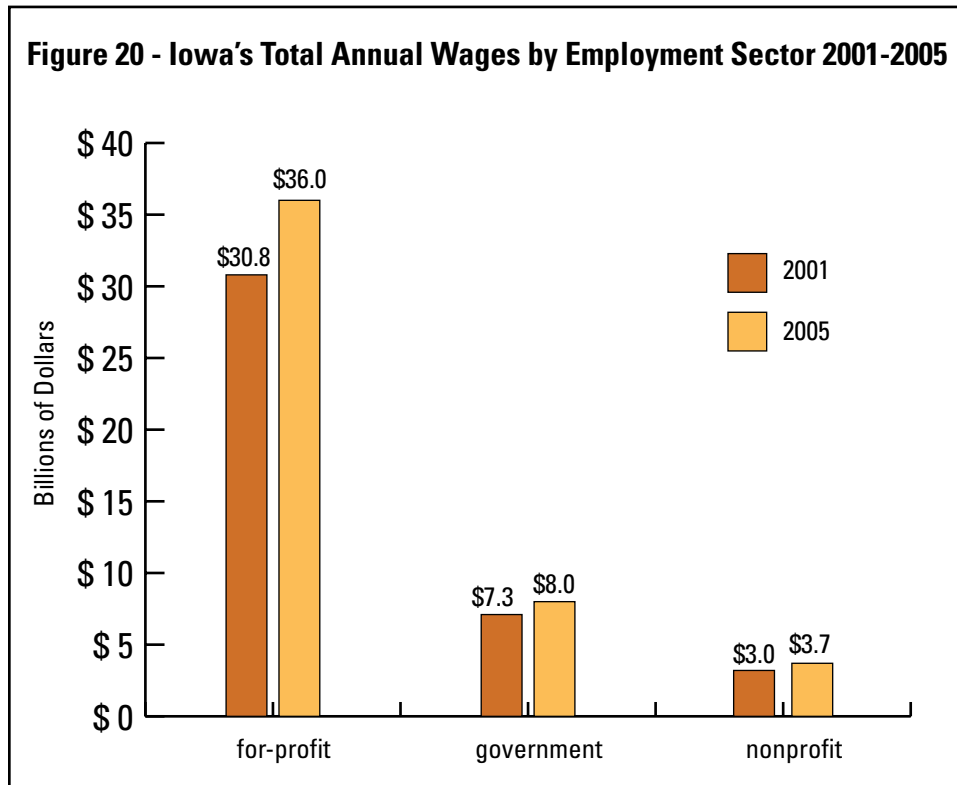
- Less than 1.0% - 4.9%
- 5.0% - 7.9%
- 8.0% - 11.9%
- 12.0% - 15.9%
- 16.0% - 24.0%
- MSA Borders

NOTE: Top number in each county is total county employment. Bottom number is nonprofit employment.

Source: Quarterly Census of Employment and Wages
Iowa Workforce Development, Employment Statistics Bureau
August 2, 2006

Source: Iowa Workforce Development

A Comparison of Wages in Iowa in 2001 and 2005: Charitable Nonprofit Organizations, Government and For-Profit

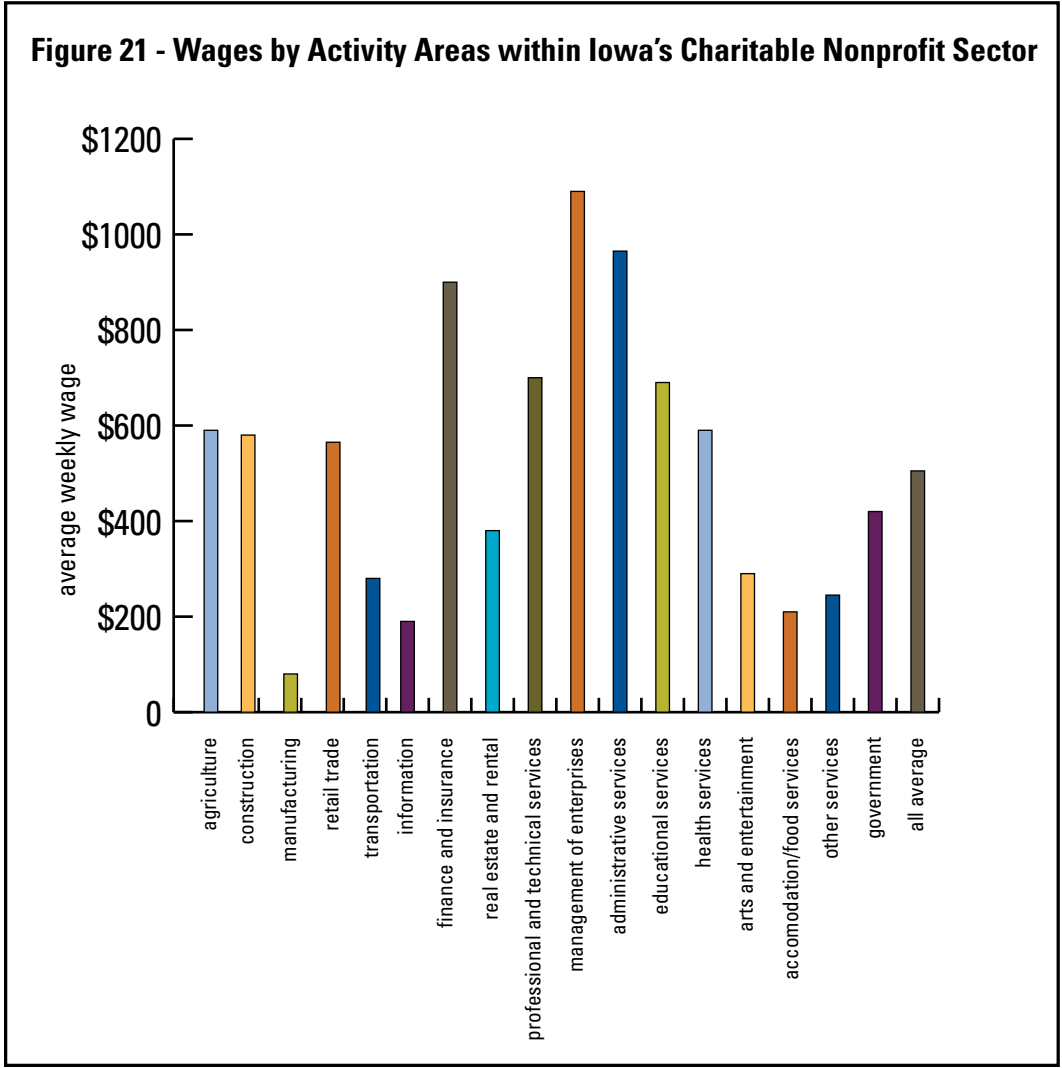


Source: Iowa Workforce Development

- In 2005, charitable nonprofit employees earned \$3.7 billion in wages or nearly 8% of the state's total wages.
- Between 2001 and 2005, overall total charitable nonprofit wages in Iowa grew by 22.1%.
- For-profit wages grew by 16.8% from 2001 to 2005 and government wages grew by 12.9%.
- Iowa's reliance on volunteer service contributes to lower total annual wages in the nonprofit sector.

Wages by Activity Areas within Iowa's Charitable Nonprofit Sector

- Within the charitable nonprofit sector, Management of Enterprises activity area (which includes officers and executives) are the highest paid followed by Administrative Services, Finance and Insurance, and Professional and Technical Services.
- The wage disparity between activity areas is similar to the government and for-profit sectors, with the exception of the Educational Services sector. Nonprofit education jobs report a wage that is 25 percent higher than the average for the industry, statewide.
- Within Iowa's charitable nonprofit sector, Educational Services and Health Services make up the largest employment activity areas and are the fifth and seventh highest paying, respectively.

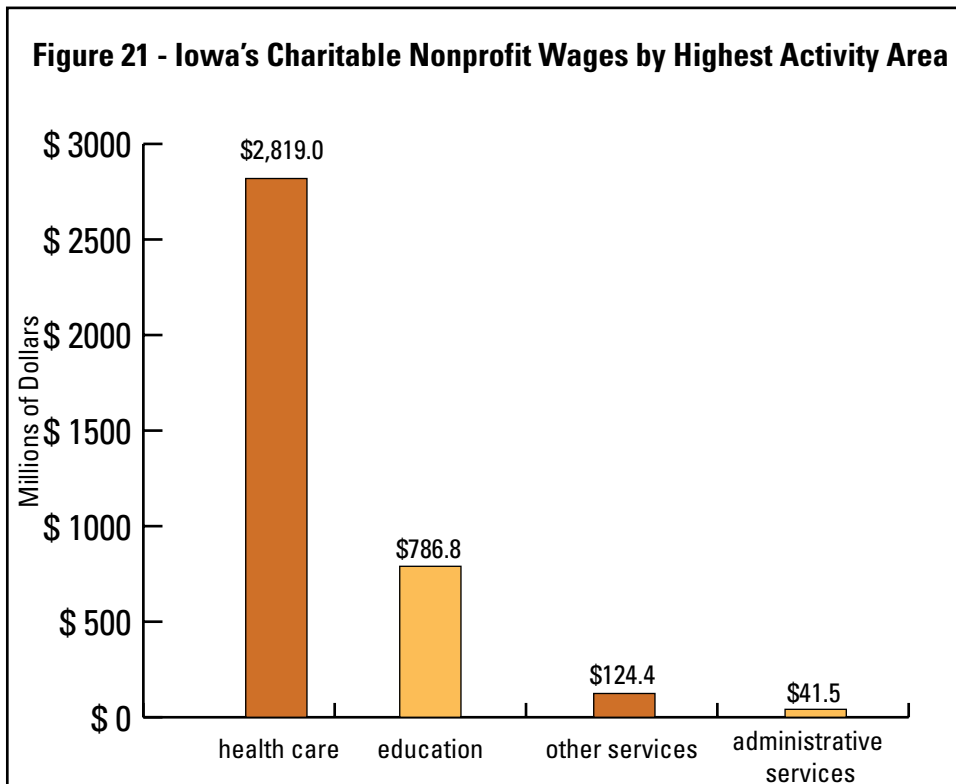


Source: Iowa Workforce Development

Iowa's Charitable Nonprofit Wages by Activity Areas

The amount of wages within the charitable nonprofit sector varies widely by field of activity. The vast majority of charitable nonprofit wages are in four key activity areas: Health Care, Education, Other Services, and Administrative Services.

- More than three fifths, or 73%, of all charitable nonprofit sector wages in the state are in Health Care. This activity area makes up \$2.71 billion of the total state charitable nonprofit wages of \$3.7 billion.
- Education, which includes private colleges, private schools, and daycares, makes up the next largest with \$786.8 million or 20.3%.
- The four activity areas in Figure 21 make up 97% of all wages in the charitable nonprofit sector.



Source: Iowa Workforce Development

Volunteers and Public Charities

VOLUNTEERISM

Apart from the actual employment and wages generated through nonprofits, they are also a major catalyst for and recipient of unpaid volunteer time and activity.

A new study released in June of 2006 by the Corporation for National and Community Service attempts to quantify the amounts and value of this volunteer service. The title of the report is "Volunteering in America: State Trends and Rankings."

The report has several interesting findings for Iowa. Based on an average of the data from 2002-2005, it estimates that 39.2% of Iowa's population volunteers their services. The report estimates the total annual number of hours contributed by these individuals in Iowa to be over 99 million hours. Finally, using an estimate of the value of the volunteer's time of \$18.04 per hour, the report estimates an "imputed value" for that volunteer service to be almost \$1.8 billion. (The value per hour comes from Independent Sector, a coalition of 550 charities and foundations.)

The full report includes other interesting data about volunteering in Iowa, and all the other states as well. The report can be found on the Corporation's website at <http://www.nationalservice.gov>.



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