

# NONPROFIT RESEARCH ABRIDGED

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## Arizona Nonprofits: Scope of the Sector

The nonprofit sector in Arizona is a rapidly expanding, tremendously diverse, and significant force for social and economic success. Nonprofit organizations provide a wide variety of services which contribute to the educational, social, physical, and spiritual well-being of the entire society. This study serves to highlight the size, scope, location, and impact of nonprofits throughout the state of Arizona.

### Understanding the Numbers

As of October 2006, there were approximately 40,579 tax-exempt entities located within the state of Arizona. The figure below illustrates that this number was determined through a combination of the two most common sources of data available on Arizona nonprofits: the Arizona Corporation Commission (AZCC) and the National Center for Charitable Statistics (NCCS).

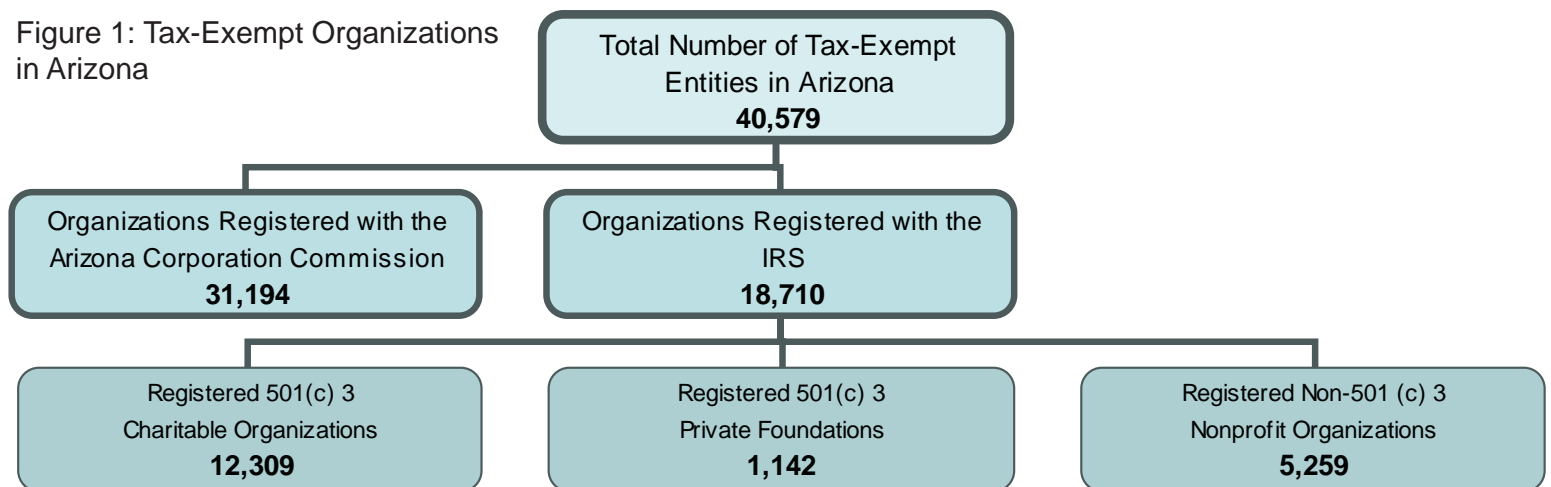
According to the AZCC files, there are 31,194 tax-exempt organizations in Arizona. An organization cannot formally

operate in Arizona without receiving incorporation or authority from the Arizona Corporation Commission. For this reason, this data file is considered the most complete registry of Arizona tax-exempt organizations. Even so, it should be noted that many nonprofits have several branches or affiliates but are listed with the AZCC as one organization.

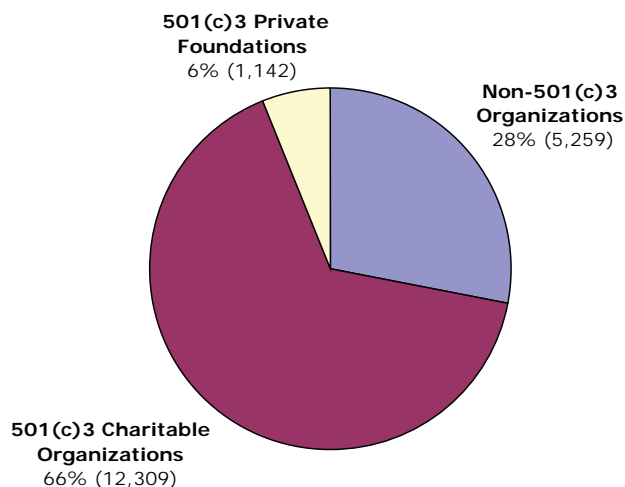
The most descriptive and financial information on nonprofit organizations is compiled by the National Center for Charitable Statistics, a division of the Urban Institute. The NCCS numbers include all organizations who have registered with the Internal Revenue Service and filed IRS 990 forms, the tax return for 501(c) organizations. According to the NCCS, as of May 2006, there were 18,710 nonprofit organizations located in Arizona and registered with the IRS.

Nonprofit organizations are classified under the 501 section of the federal tax code. While there are many different 501 classifications, charitable nonprofits, classified under section 501(c)3, are the most common. To receive recognition from

Figure 1: Tax-Exempt Organizations in Arizona



**Figure 2: Total Registered Nonprofit Organizations in Arizona (18,710 registered with the IRS as of May 2006)**



the Internal Revenue Service (IRS) as a 501(c)3 charitable nonprofit, an organization must exist to serve a public purpose. 501(c)3 charitable nonprofits are the only tax-exempt entity that can receive tax deductible donations.

As the pie chart above illustrates, 501 (c) 3 charitable organizations account for 66% of Arizona nonprofits. An additional 28% of the nonprofit organizations in Arizona are classified as non-501 (c) 3 organizations. This includes organizations that exist primarily to provide benefits to members, such as trade and labor unions, business leagues, and social clubs. Private foundations, while classified as 501(c)3 organizations, are considered unique entities by the IRS and they make up 5% of the nonprofit organizations in Arizona.

It is important to remember that any estimate on the scope and size of the nonprofit sector is just that: an estimate. The total number of tax-exempt entities and the breakdowns by 501(c) status should be cited with caution due to the inherent data limitations. For example, religious congregations and very small charitable nonprofit organizations (less than \$5000 in revenue) do not have to obtain official IRS 501(c)3 recognition. As a result, the IRS data file systematically under-represents religious congregations and very small nonprofits.

## Arizona Nonprofit Sector Growth 1996-2006

In the past ten years, the Arizona nonprofit sector has experienced tremendous growth, mirroring the growth of the sector nationwide. As Figure 3 shows, in 1996, there were 13,057

nonprofit organizations registered with the IRS and 5,082 filed a 990 form with the IRS. In 2006, 18,710 nonprofits were registered with the IRS and 7,494 of those filed a 990 form. This represents a 43% growth.

**Figure 3: Nonprofits Registered and Filing with the IRS 1996-2006**

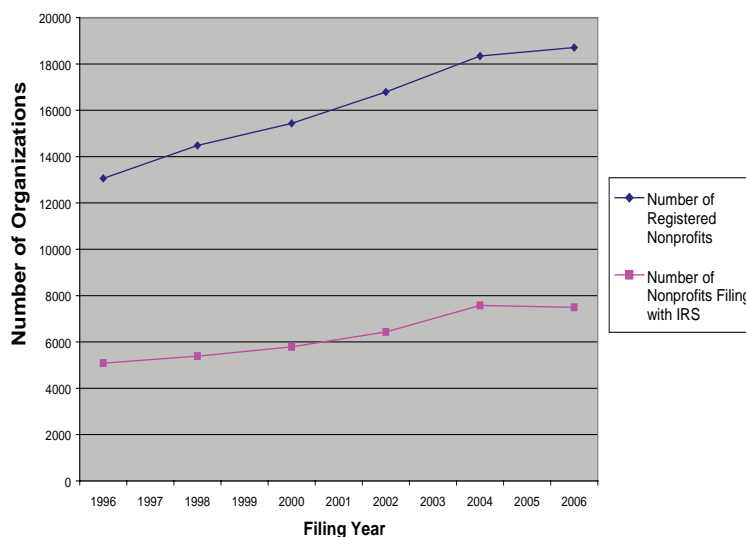


Figure 4 shows that there has been similar growth in terms of nonprofit revenue and assets over the last ten years. In 1996, Arizona nonprofits and foundations raised more than \$8 billion in revenue and maintained approximately \$11.7 billion in assets. By 2006, that number rose to more than \$17 billion in revenue and over \$27 billion in assets. In sum, there has been a 47% increase in the revenue and a 43% increase in the assets of the Arizona nonprofit community over the past 10 years.

**Figure 4: Arizona Nonprofit Revenue and Asset Growth 1996-2006**

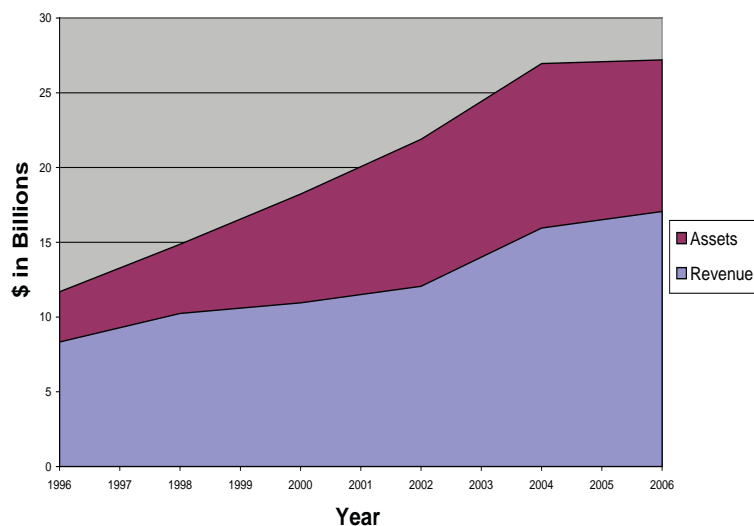
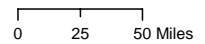
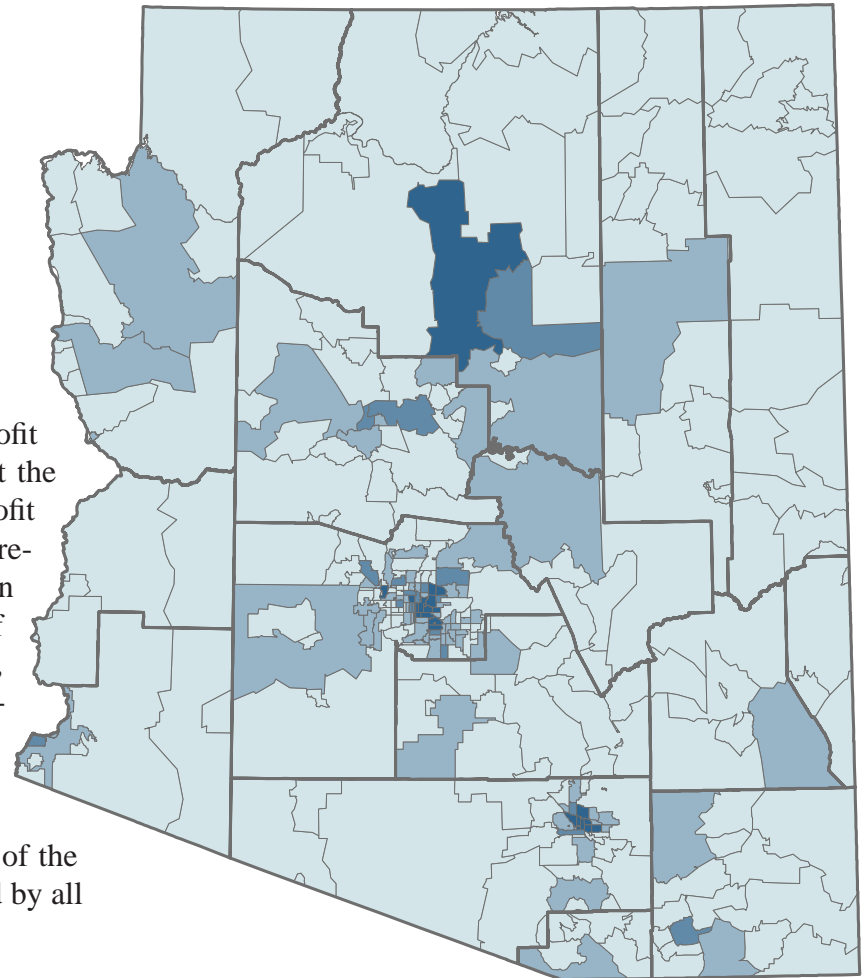
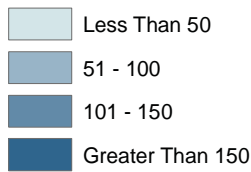


Figure 5: Number of Nonprofit Organizations by Zip Code



### Arizona Nonprofits by Location

When mapped by zip code, it is apparent that nonprofit organizations exist and provide services throughout the state. While Figure 5 only shows the density of nonprofit organizations statewide, the full *Scope of the Sector* report delves into further detail concerning the location of nonprofit organizations per capita and by area of emphasis. Even given this geographical distribution, Figure 6 reveals that approximately 3/4 of all registered nonprofits and 87% of the nonprofit organizations that file 990 tax returns in Arizona are located in either Maricopa county or Pima county. Similarly, those two counties account for approximately 86% of the revenue generated and 88% of the assets maintained by all Arizona nonprofits.

Figure 6: Total Nonprofits by County

County	Number Nonprofit Organizations Registered with IRS	Approximate % of Total Organizations	Number of Nonprofits Filing IRS 990	Total Revenue Reported on IRS 990	Approximate % of Total Revenue	Total Assets Reported on IRS 990	Approximate % of Total Assets
Apache	178	1	52	64,694,123	0.4	61,920,032	0.2
Cochise	591	3.2	164	267,904,550	1.6	477,131,025	1.8
Coconino	613	3.3	254	553,876,075	3.2	612,162,200	2.3
Gila	253	1.4	83	66,004,953	0.4	59,023,511	0.2
Graham	108	0.6	41	47,888,943	0.3	92,325,785	0.3
Greenlee	40	0.2	8	6,254,026	0	8,410,404	0
La Paz	94	0.5	30	19,339,085	0.1	12,513,178	0
Maricopa	10,335	55.2	4,411	11,514,912,986	67.5	19,921,253,588	73.2
Mohave	574	3.1	199	266,759,977	1.6	320,878,632	1.2
Navajo	351	1.9	98	171,028,965	1	209,527,806	0.8
Pima	3,520	18.8	1,451	3,082,343,311	18.1	4,071,809,342	15
Pinal	483	2.6	140	207,928,951	1.2	169,309,625	0.6
Santa Cruz	172	0.9	71	59,842,296	0.4	48,204,480	0.2
Yavapai	1,013	5.4	356	432,156,171	2.5	691,168,214	2.5
Yuma	382	2	134	299,190,384	1.8	445,761,505	1.6
Not Specified	3		2	207,493		281,651	
<b>Total</b>	<b>18,710</b>		<b>7,494</b>	<b>\$ 17,060,332,289</b>		<b>\$ 27,201,680,978</b>	

## Arizona Nonprofits by Area of Emphasis

Nonprofit organizations operate across a wide variety of service and programmatic areas. The National Taxonomy of Exempt Entities (NTEE) is a classification system developed by the National Center for Charitable Statistics. The NTEE divides the vast array of nonprofit organizations into 10 major groups based upon the broad subsectors of the field. Additionally, organizations are further subdivided and classified based on specific type of activity and organization.

For the purposes of this study, organizations were examined at the major group levels as seen in Figure 7. As the table below illustrates, human service organizations are the most common type of nonprofit in the sector, accounting for over 20% of all registered nonprofits and 16% of those that file 990 tax returns. Although health care organizations represent between 4-7% of the nonprofits in the state they account for almost 60% of the revenue.

Figure 7: Total Nonprofits by NTEE Code

NTEE Major Groups & Fields	Numer of Registered Nonprofit Organizations	Number of Registered Organizations Filing Form 990	Revenue Reported on IRS 990	Assets Reported on IRS 990
Arts, Culture, and Humanities	851	475	177,928,420	325,917,218
Education	1,391	945	1,067,335,636	2,066,339,153
Environment and Animals	418	217	112,701,147	293,548,772
Health	799	543	9,671,650,655	9,778,697,548
Human Services	3908	2054	2,731,427,424	3,675,773,866
International, Foreign Affairs	125	86	109,165,508	43,431,597
Public, Social Benefit	1,382	944	1,679,504,433	3,065,996,749
Religion Related	1,048	310	175,274,255	177,107,894
Mutual/Membership Benefit	61	36	97,867,604	161,665,692
Unknown, Unclassified	8,727	1884	1,237,477,207	7,613,202,489
<b>TOTAL</b>	<b>18,710</b>	<b>7,494</b>	<b>\$ 17,060,332,289</b>	<b>\$ 27,201,680,978</b>

NOTE: All Figures in this publication are based on data from the National Center for Charitable Statistics Core Files. The Arizona Corporation Commission provided data for Figure 1



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