

# Texas Nonprofit Sector: Describing the Size & Scope



*Report of the*

**NONPROFIT  
MANAGEMENT  
PROGRAM**

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## Executive Summary

All findings presented in this report build on data assembled by the National Center for Charitable Statistics (NCCS), which is based on tax documents filed with the Internal Revenue Service. This report contains data for the entire state as well as regional profiles and comparisons among four major metropolitan areas (Dallas/Fort Worth, Houston, San Antonio, and Austin) and four geographical areas (East, West, South, and Central).

1. There are nearly 100,000 nonprofit organizations in the State of Texas and the vast majority of these organizations are 501c(3) public charities (approximately 70%).
2. Public charities held more than \$180 billion in assets and reported more than \$100 billion in revenue in 2012. However, nearly 60% of tax-exempt organizations report holding no assets; and less than 10% have assets over \$1 million.
3. There has been a massive growth in the number of charitable nonprofit organizations in Texas. Four out of every ten nonprofit organizations were established in the last decade (2000-2010).
4. Nonprofits across the state differ greatly with regard to age, size, and financial status. Older organizations (twenty years and older) hold close to 70% of assets and generate nearly 60% of total revenues.
5. Human services organizations and religious organizations account for the greatest number of nonprofit organizations in Texas followed by education and public/social benefit organizations.
6. Hospitals represent less than 1% of all nonprofits in the state and yet report 42% of revenues and hold nearly 28% of all assets.
7. More than half of all nonprofit organizations operate in the Dallas/Fort Worth and Houston metropolitan areas, and nonprofits in these regions hold close to 60% of total assets in the state.
8. The Austin area has the highest per capita ratio, with 55 nonprofits for every 10,000 residents. The South Region reports the lowest per capita ratio with just 23 nonprofits per 10,000 residents .
9. Close to 60% of nonprofit organizations reported having an operating surplus. Of these organizations, about a third have surpluses of 10% or less of total revenue, while just over 40% have surpluses over 25% of total revenue.
10. Of 40% of nonprofits reporting an operating deficit, more than a third have deficits of 10% or less of total revenue; and about 40% report operating deficits of 25% or more of total revenue.

## Introduction

Today an estimated 2.3 million nonprofit organizations operate in the United States, and approximately 1.6 million nonprofits were registered with the Internal Revenue Service (IRS) in 2010.<sup>1</sup> Overall, the sector has grown 24% since the year 2000. Currently, the nonprofit sector contributes over \$800 billion to the US economy, thereby making up 5.5% of the country's gross domestic product.<sup>2</sup> The nonprofit sector in America encompasses a diverse set of organizations. These organizations vary enormously in scale and scope, ranging from small grassroots associations to billion-dollar foundations, universities, and health care complexes. Because of their numbers, range, and diversity, nonprofits touch on multiple levels of our daily lives and institutions. Nonprofits—whether public charities, congregations, or mutual benefit organizations—represent an integral and fundamental part of the economic, service, and civic infrastructure of the State of Texas. Every day, Texas nonprofits provide an enormous range of important social and health services, function in strengthening civic engagement, promote the arts and personal development of thousands of people, and help educate the next generation workforce.

There are nearly 100,000 IRS-registered nonprofit organizations (excluding many congregations and small grassroots organizations and community groups) in Texas.<sup>3</sup> Nonprofit organizations are a major force in the state's economy, employing more than 400,000 people (or 3.8% of the total Texas workforce and 4.6% of the state's private workforce), making the Texas nonprofit workforce the fifth largest nonprofit workforce in the nation.<sup>4</sup> The nonprofit employees in Texas earned nearly \$16.8 billion in wages, which translates into roughly \$1.6 billion in state and local tax revenues.<sup>5</sup>

However, the sector is still in the aftermath of one of the most challenging and troubling economic times this country has witnessed, and the results and implications of this difficult era for the nonprofit sector are yet to be fully comprehended. What is clear is that Texas nonprofits are facing a range of challenges and that Texas—like most other states in the nation—must deal with major economic and fiscal questions that most certainly will have serious implications for the state's nonprofit sector. For example, today many nonprofit agencies face growing demands for their services but also stiffer competition and intensified pressure to perform and demonstrate their effectiveness.<sup>6</sup> Ultimately, the ability of nonprofit managers, funders, and policy makers to address these challenges as well as explore emerging opportunities depends critically on how well prepared they are. In order to assist the Texas

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<sup>1</sup> Blackwood, A., Roeger, K.L., & Pettijohn, S.L. (2012). *The nonprofit sector in brief: Public charities, giving and volunteering*, 2012. Washington DC: Urban Institute.

<sup>2</sup> Ibid.

<sup>3</sup> The National Center for Charitable Statistics <http://nccsdataweb.urban.org/PubApps/profile1.php?state=TX>

<sup>4</sup> Salamon, L.M., & Geller, S.L. (2010). Texas nonprofit employment update. *Nonprofit Employment Bulletin* #35. Johns Hopkins Center for Civil Society Studies and the OneStar Foundation.

<sup>5</sup> Ibid.

<sup>6</sup> Salamon, L.M. (2010). "The changing context of nonprofit leadership and management," in D.O. Renz (ed.) *The Jossey-Bass Handbook of Nonprofit Leadership and Management* (3<sup>rd</sup> edition), pp. 77-100. San Francisco: Jossey-Bass.

nonprofit sector to develop effective and/or new strategies and capacities for the future, it is essential that those working in and around nonprofits have access to strong and valid information about Texas nonprofits and the context in which they operate. Today this type of information is indeed available but is often scattered or inaccessible for many nonprofit managers or boards. This report is one of several publications seeking to address this situation by providing key information about the scope, size, composition, and other basic characteristics of the Texas nonprofit sector. We hope and believe that this report will be of utility not just for nonprofit leaders but also for other various stakeholder groups, including funders and policy makers. This report is the first in a series of reports based on information from the National Center for Charitable Statistics. It contains basic, yet comprehensive, descriptive information about the Texas nonprofit sector and presents various compositional factors, including size, mission type, and geographic location. Future reports will focus on long-term trends of the Texas nonprofit sector, Texas foundations, and findings from surveys conducted with nonprofit managers regarding their current capacities and capacity needs.

The next section will discuss the data and methodology utilized in this report and begins with a brief overview of the historical reporting of nonprofit sector statistics.

## Data and Methodology

In-depth examinations of the nonprofit sector emerged during the late 1960s and the early 1970s with the so-called *Filer Commission* and its subsequent report. Since issuing that report in 1975, the IRS has consistently reported an increase in the number of filings by tax-exempt organizations. The need for a greater understanding of the scope, size, and impact of the nonprofit sector, espoused by the Filer Commission, is indeed amplified by the continuous growth of the sector. However, studying the nonprofit sector from a macro perspective is not without difficulty. Perhaps the most significant methodological issue is incomplete data. All data used for this report come from data assembled for the state by the National Center for Charitable Statistics (NCCS) in 2012. NCCS provides a range of data sets drawn from the required annual filings of organizations in the United States that have filed for tax-exempt status with the IRS. These filings are not a perfect method for sampling the entire Texas nonprofit sector; some religious organizations and small agencies are not covered. Further, it is important to notice that the information on the tax forms sometimes shows significant discrepancies between the information provided on the 990 and other financial documents such as audits.<sup>7</sup> Still, the

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<sup>7</sup> See for example Abramson, A. J. (1995). Sources of data on nonprofit finance. *Nonprofit Management and Leadership*, 5(4), 443-451; Gordon, T., Khumawala, S. B., Kraut, M. A., & Meade, J. A. (2007). The quality and reliability of Form 990 data: Are users being misled. *Academy of Accounting and Financial Studies Journal*, 11, 27-49.



use of 990 data as reported by NCCS has generally been accepted as the best information source available, subject to caveats,<sup>8</sup> and therefore is considered appropriate for this study as the basis for analysis.

Three data sets were used for this report: the Business Master Files, Core 990 data, and Core 990 PF data.

The **Business Master Files** contain descriptive information for **all** active organizations that have registered for tax-exempt status with the IRS. The Business Master Files go back to 1995 and are made available monthly. According to NCCS, this data set is appropriate for tracking the number of nonprofits operating in the United States, checking the tax-exempt status of organizations, and creating lists of organizations by region.

The **Core Data Files** contain detailed financial information from the tax returns of 501(c)3 organizations. Consistent with the federal tax code, only tax-exempt organizations with income over \$25,000 (for the tax year 2010, this threshold increased to \$50,000), excluding religious congregations, are required to file the 990 tax form. This leaves out a significant population of grassroots organizations, community organizations, and churches that contribute to the social capital in their respective areas.<sup>9</sup>

The **Core PF Data Files** contain detailed financial information from grant-making private foundations. Private foundations are a particular type of 501(c)3 organization. The distinct requirements of private foundations are reflected in this form.

*Charitable organizations*, organizations with 501(c)3 status, must be organized and operated exclusively for one or more of the purposes outlined under this section of the tax code; and none of the earnings of the organization may inure to any private shareholder or individual. In addition, charitable organizations may not attempt to influence legislation as a substantial part of their activities. The exempt purposes set forth in tax code 501(c)3 are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and the prevention of cruelty to children or animals. The term *charitable* is used in its generally accepted legal sense and includes relief

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<sup>8</sup> Froelich, K. A., Knoepfle, T. W., & Pollak, T. H. (2000). Financial measures in nonprofit organization research: Comparing IRS 990 return and audited financial statement data. *Nonprofit and Voluntary Sector Quarterly*, 29(2), 232-254; Krishnan, R., Yetman, M. H., & Yetman, R. J. (2006). Expense misreporting in nonprofit organizations. *Accounting Review*, 399-420.

<sup>9</sup> Recently a new rule was implemented so that small tax-exempt organizations (under \$50,000), other than churches and church-related organizations, are required to file an annual notice (990-N or e-postcard) with the IRS.

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of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erection or maintenance of public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; elimination of prejudice and discrimination; defense of human and civil rights secured by law; and combating community deterioration and juvenile delinquency.

Before presenting data, a few additional points of clarifications, first, with regard to geographical focus. This report utilizes eight geographical areas in Texas: Dallas/Fort Worth, Houston, San Antonio, and Austin and four regions (South, West, East, and Central). These regions are based on the Council of Governments service areas. Second, due to lags in reporting, the latest data provided from the IRS typically has a two-year lag. Also, any IRS data set for a particular year will have a range of fiscal year information.

## Number and Type of Tax-Exempt Organizations in the State

The first section of this report profiles the number and type of tax-exempt organizations in the State of Texas. This information is compiled in the Business Master File, which contains a list of all tax-exempt organizations registered with the Internal Revenue Service (IRS) as of 2012. There are 97,807 tax-exempt nonprofit organizations in Texas. Table 1 shows the distribution across 501c designations. Most tax-exempt organizations are 501c(3) public charities (such as churches, social service organizations, and many health-care entities), which account for 72.8% of the entire number of nonprofit organizations in the state (over 70,000 entities).

**Table 1 IRS 501(c) Classifications**

	Number	%
<b>c(3) Public charities and private foundations</b>	71,234	72.8
<b>c(4) Social welfare</b>	5,172	5.3
<b>c(5) Labor, agricultural organizations</b>	1,686	1.7
<b>c(6) Business leagues</b>	5,132	5.3
<b>c(7) Social and recreation clubs</b>	2,471	2.5
<b>c(8) Fraternal beneficiary societies</b>	2,644	2.7
<b>c(9) Voluntary employees beneficiary associations</b>	261	0.3
<b>c(10) Domestic fraternal beneficiary societies</b>	1,254	1.3
<b>c(12) Benevolent life insurance associations</b>	698	0.7
<b>c(13) Cemetery companies</b>	1,165	1.2
<b>c(14) State-chartered credit unions</b>	206	0.2
<b>c(19) War veterans' organizations</b>	1,314	1.3
<b>All other designations</b>	4,570	4.7
<b>Total</b>	97,807	100.0

Source: Business Master File, 2012, National Center for Charitable Statistics

**Revenue and Assets**

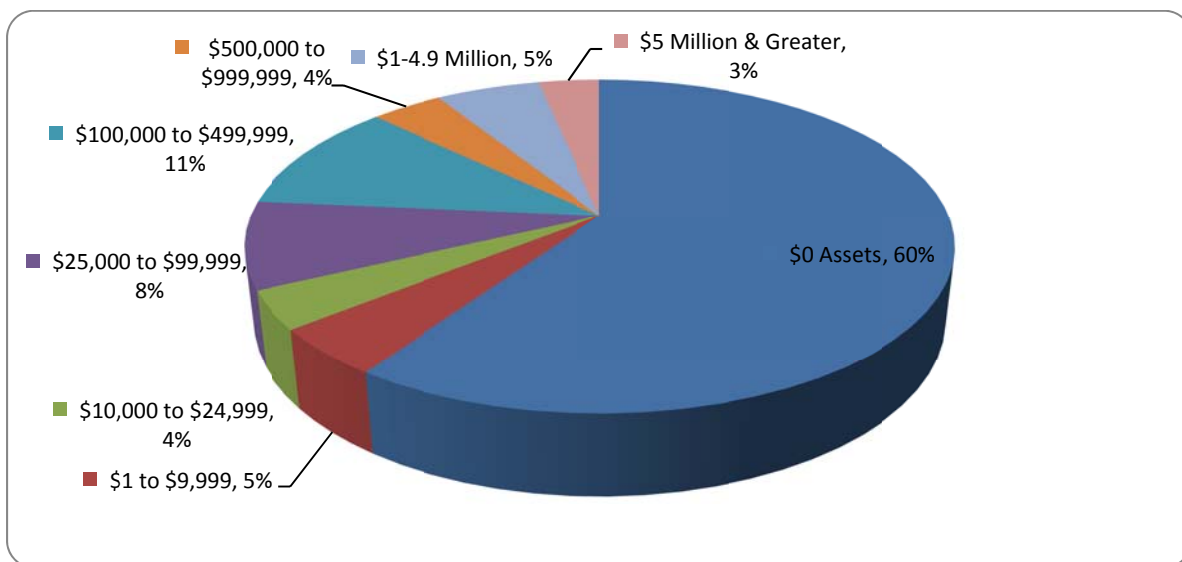
The vast majority of tax-exempt organizations (60%) hold no assets (see Table 2). Another 17% have assets of less than \$100,000. Just under 10% of tax-exempt organizations have assets of \$1 million or more.

**Table 2 Asset Size of Tax-Exempt Organizations in Texas**

	Number	%
<b>0</b>	58,276	59.6
<b>\$1 to \$9,999</b>	4,545	4.6
<b>\$10,000 to \$24,999</b>	3,635	3.7
<b>\$25,000 to \$99,999</b>	8,299	8.5
<b>\$100,000 to \$499,999</b>	10,485	10.7
<b>\$500,000 to \$999,999</b>	3,858	3.9
<b>\$1,000,000 to \$4,999,999</b>	5,449	5.6
<b>\$5,000,000 to greater</b>	3,260	3.3
<b>Total</b>	97,807	100.0

Source: Business Master File, 2012, National Center for Charitable Statistics

**Figure 1 Assets of Tax-Exempt Organizations in Texas**



Source: Business Master File, 2012, National Center for Charitable Statistics

**Information about Year Established**

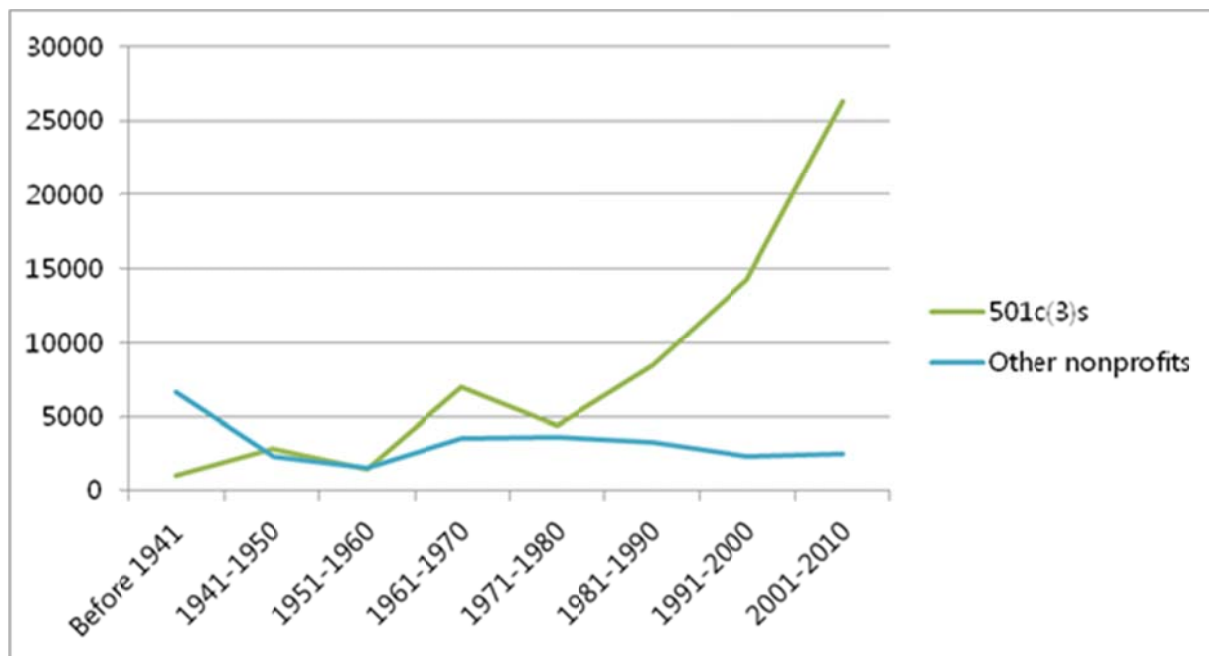
The average age for tax-exempt organizations in Texas is almost 25 years. Since 1981, there has been a massive increase in the number of 501c(3) organizations established (see Figure 2). Forty percent of 501c(3) organizations were established in the last decade (2001-2010) as shown in Table 3. This reflects the growth of just over 12,000 new organizations from 2001-2010.

**Table 3 Number of Tax-Exempt Nonprofits Established Each Decade: Before 1940-2010**

Year established	Total	Percent change	501c(3)s	Percent change	Other nonprofits	Percent change
<b>Before 1941</b>	7,678		1,037		6,641	
<b>1941-1950</b>	5,169	-33%	2,813	171%	2,356	-65%
<b>1951-1960</b>	3,011	-42%	1,483	-47%	1,528	-35%
<b>1961-1970</b>	10,508	249%	6,988	371%	3,520	130%
<b>1971-1980</b>	7,987	-24%	4,402	-37%	3,585	2%
<b>1981-1990</b>	11,793	48%	8,506	93%	3,287	-8%
<b>1991-2000</b>	16,656	41%	14,303	68%	2,353	-28%
<b>2001-2010</b>	28,842	73%	26,334	84%	2,508	7%
<b>Total</b>	91,644		65,866		25,778	

Source: Business Master File, 2012, National Center for Charitable Statistics

Figure 2 Number of Tax-Exempt Nonprofits Established in Texas: Before 1940-2010



Older organizations tend to report higher assets. Organizations over 30 years old hold, on average, \$4.5 million in assets. By contrast, organizations that have been established for 10 years or less hold, on average, about \$1.3 million in assets (see Table 4). Revenue also tends to relate to organizational age such that organizations that have been established for more than 50 years report average revenue of just over \$3 million a year (\$3,144,128), while organizations established in the last 10 years report just over \$800,000 in annual revenue.

**Table 4 Financial Information by Number of Years Established**

	<b>Number</b>	<b>%</b>	<b>Assets</b>	<b>%</b>	<b>Average assets</b>	<b>Revenues</b>	<b>%</b>	<b>Average revenues</b>
<b>0-5 years</b>	13,913	15.0	17,243,876,532	6.6	1,239,407	13,674,744,443	8.8	982,875
<b>6-10 years</b>	13,339	14.4	17,876,769,680	6.8	1,340,188	9,444,688,297	6.1	708,051
<b>11-20 years</b>	20,159	21.7	50,004,901,050	19.1	2,480,525	40,637,586,399	26.1	2,015,853
<b>21-30 years</b>	12,552	13.5	29,721,945,045	11.4	2,367,905	25,607,569,670	16.4	2,040,119
<b>31-50 years</b>	21,091	22.7	79,623,750,707	30.4	3,775,248	29,685,049,622	19.1	1,407,475
<b>51+ years</b>	11,655	12.6	67,320,262,721	25.7	5,776,084	36,644,820,016	23.5	3,144,129
<b>Total</b>	92,709	100.0	261,791,505,735	100.0		155,694,458,447	100.0	

## Revenue and Assets across IRS Classifications

Table 5 shows assets and revenues by IRS classifications. Public charities (501c(3) organizations) held more than \$180 billion in assets (67.5% of total assets held by tax-exempt organizations) and had over \$100 billion in revenue in 2012. Tax-exempt employee trust accounts (501c(9) organizations) account for 18.2% of the total revenues (almost \$30 billion), despite representing just 0.3% (n=261) of the organizations. This is accounted for by a few very large organizations such as AT&T Veba Trust, which is a benefits trust fund for employees (and dependents) of AT&T. It had total revenue of just over \$11 billion in 2012. Credit Unions (501c14) as well maintain a large percentage of assets, almost 10% (\$26.2 billion) of assets held by tax-exempt organizations, while representing just 0.2% of all tax-exempt organizations.



Table 5 Financial Information by IRS Classifications

	Number	%	Total assets	%	Average assets	Total revenues	%	Average revenues
<b>c(3) Public charities and foundations</b>	71,234	72.8	182,911,459,694	67.5	2,567,755	104,785,940,156	67.1	1,471,010
<b>c(4) Social welfare</b>	5,172	5.3	2,843,259,383	1.1	549,741	3,076,704,210	2.0	594,877
<b>c(5) Labor, agricultural organizations</b>	1,686	1.7	1,462,282,577	0.5	867,309	693,085,085	0.4	411,082
<b>c(6) Business leagues</b>	5,132	5.3	3,667,896,123	1.4	714,711	2,949,315,418	1.9	574,691
<b>c(7) Social and recreation clubs</b>	2,471	2.5	1,050,320,604	0.4	425,059	711,282,202	0.5	287,852
<b>c(8) Fraternal beneficiary societies</b>	2,644	2.7	1,558,142,640	0.6	589,313	503,669,627	0.3	190,495
<b>c(9) Employee benefit assoc.</b>	261	0.3	16,150,608,444	6.0	61,879,726	28,361,875,584	18.2	108,666,190
<b>c(10) Domestic fraternal societies</b>	1,254	1.3	165,910,293	0.1	132,305	75,979,411	0.1	60,590
<b>c(12) Benevolent life insurance assoc.</b>	698	0.7	17,714,126,852	6.5	25,378,405	8,029,287,446	5.2	11,503,277
<b>c(13) Cemetery companies</b>	1,165	1.2	432,036,416	0.2	370,847	75,974,573	0.1	65,214
<b>c(14) State-chartered credit unions</b>	206	0.2	26,276,218,661	9.7	127,554,460	1,851,199,976	1.2	8,986,408
<b>c(19) War veterans' organizations</b>	1,314	1.3	103,423,599	0.0	78,709	139,881,497	0.1	106,455
<b>All other designations</b>	4,570	4.7	16,838,549,139	6.2	3,684,584	4,805,009,856	3.1	1,051,424
<b>Total</b>	<b>97,807</b>	<b>100.0</b>	<b>271,174,234,425</b>	<b>100.0</b>		<b>156,059,205,041</b>	<b>100.0</b>	

Source: Business Master File, 2012, National Center for Charitable Statistics

## Types of Tax-Exempt Organizations

The National Taxonomy of Exempt Entities (NTEE) provides twenty-six broad categories with multiple sub-groups to classify all tax-exempt organizations. Table 6 provides information on the number, financial assets, and revenue across thirteen commonly used categories (ten major categories and three additional categories of interest: higher education, hospitals, and foundations). Human services organizations and religious organizations account for the greatest number of organizations (21.3% and 20.3%, respectively). It is noteworthy that churches are not required to file with the IRS, although many do; but this number probably underrepresents the actual number of religious organizations in Texas. Among these categories, higher education and hospitals stand-out as they have significant assets and revenues, in spite of a small number of organizations (215, 0.2%, and 352, 0.4%, respectively). Higher education entities on average have just over \$100 million in assets, while hospitals average almost \$150 million in assets. Additionally, the revenues of mutual benefit organizations account for 21.1% of total revenue, although only 5.3% of nonprofit organizations fall into this category. This category includes the 501c(9) organizations discussed earlier.

# Texas Nonprofit Sector: Defining the Size and Scope **2013**

**Table 6 Financial Information by Organizational Types (NTEE 13)**

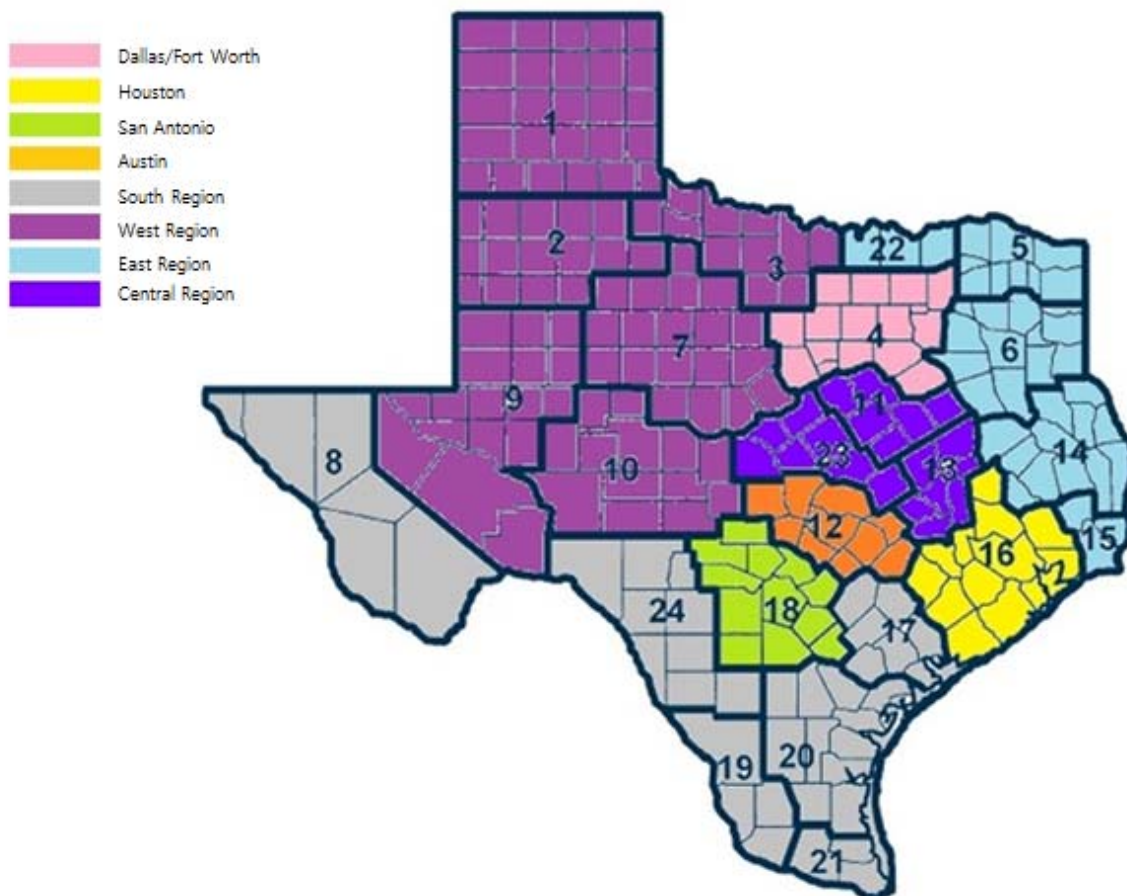
	Number	%	Assets	%	Average assets	Revenues	%	Average revenues
<b>Arts, culture, and humanities</b>	6,379	6.5	6,298,435,526	2.3	987,370	2,294,548,494	1.5	359,703
<b>Higher education</b>	215	0.2	21,849,336,276	8.1	101,624,820	8,233,291,367	5.3	38,294,378
<b>Education</b>	13,960	14.3	28,404,812,469	10.5	2,034,729	8,768,962,653	5.6	628,149
<b>Hospitals</b>	352	0.4	51,359,788,292	18.9	145,908,489	38,793,449,850	24.9	110,208,664
<b>Environment</b>	2,746	2.8	1,287,956,551	0.5	469,030	777,667,134	0.5	283,200
<b>Health</b>	4,630	4.7	18,466,713,379	6.8	3,988,491	18,430,086,266	11.8	3,980,580
<b>Human services</b>	20,804	21.3	20,807,117,470	7.7	1,000,150	14,794,411,144	9.5	711,133
<b>International</b>	1,047	1.1	430,799,870	0.2	411,461	369,525,795	0.2	352,938
<b>Mutual benefit</b>	5,225	5.3	23,596,424,827	8.7	4,516,062	32,973,954,591	21.1	6,310,805
<b>Public and societal benefit</b>	12,695	13.0	54,191,670,387	20.0	4,268,741	15,038,845,587	9.6	1,184,627
<b>Religion</b>	19,878	20.3	2,203,360,213	0.8	110,844	1,290,067,605	0.8	64,899
<b>Foundations</b>	9,643	9.9	42,270,518,121	15.6	4,383,544	14,281,904,641	9.2	1,481,064
<b>Unknown</b>	233	0.2	7,301,044	0.0	31,335	12,489,914	0.0	53,605
<b>Total</b>	97,807	100.0	271,174,234,425	100.0		156,059,205,041	100.0	

Source: Business Master File, 2012, National Center for Charitable Statistics

### Regional Profile of Exempt Entities

This part of the report explores regional variation in the number and type of nonprofit tax-exempt organizations across the state. To facilitate analysis, eight regions were developed using established Council of Government regions (see Figure 3 and Table 8). This resulted in four major metropolitan areas (Dallas/Fort Worth, Houston, San Antonio, and Austin) as well as four geographic regions (North, South, East, and West). Two metropolitan regions (Dallas/Fort Worth and Houston) have 50% of the population of the state. The four geographic regions reflect significantly larger land area and less dense populations (see Table 8). Thirty-four percent of the population lives across the four rural geographic regions. These rural regions reflect 83% of the geographic area of the state. The rural regions have low population densities, averaging just 38 residents per square mile compared to metropolitan densities that average 370 residents per square mile.

Figure 3 Map of Eight Regions of Texas



**Table 7 Texas Regional Councils of Governments and State Planning Regions**

No.	Region Name	No.	Region Name
1	Panhandle Regional Planning Commission	13	Brazos Valley Council of Governments
2	South Plains Association of Governments	14	Deep East Texas Council of Governments
3	Nortex Regional Planning Commission	15	South East Texas Regional Planning Commission
4	North Central Texas Council of Governments	16	Houston-Galveston Area Council
5	Ark-Tex Council of Governments	17	Golden Crescent Regional Planning Commission
6	East Texas Council of Governments	18	Alamo Area Council of Governments
7	West Central Texas Council of Governments	19	South Texas Development Council
8	Rio Grande Council of Governments	20	Coastal Bend Council of Governments
9	Permian Basin Regional Planning Commission	21	Lower Rio Grande Valley Development Council
10	Concho Valley Council of Governments	22	Texoma Council of Governments
11	Heart of Texas Council of Governments	23	Central Texas Council of Governments
12	Capital Area Council of Governments	24	Middle Rio Grande Development Council

Source: Texas Association of Regional Councils. "Regions." Accessed: 10 March 2013.  
 <[http://www.txregionalcouncil.org/display.php?page=regions\\_map.php](http://www.txregionalcouncil.org/display.php?page=regions_map.php)>

**Table 8 Regional Population and Density per Square Mile**

Region	Council of Government Regions	Population	%	Area (square mile)	Density (per sq mile)
Dallas/Fort Worth	4	6,539,950	26	12,800	510.93
Houston	16	6,087,133	24	12,444	489.16
San Antonio	18	2,249,011	9	11,354	198.08
Austin	12	1,830,003	7	8,480	215.80
South	8, 17, 19, 20, 24	3,287,249	13	63,528	51.74
West	1, 2, 3, 7, 9, 10	1,961,707	8	106,991	18.34
East	5, 6, 14, 15, 22	2,072,147	8	31,260	66.29
Central	11, 13, 23	1,118,361	4	17,275	64.74
<b>Total</b>		<b>25,145,561</b>		<b>264,132</b>	<b>95.20</b>

Source: Texas Association of Regional Councils. "Regions." Accessed: 10 March 2013.  
 <[http://www.txregionalcouncil.org/display.php?page=regions\\_map.php](http://www.txregionalcouncil.org/display.php?page=regions_map.php)>  
 Texas State Library and Archives Commission. "United States and Texas Populations 1850-2012." Accessed: 10 March 2013. <<https://www.tsl.state.tx.us/ref/abouttx/census.html>>

Overall, there are 38.9 nonprofit organizations for every 10,000 residents in Texas. This is below the national average of 50 nonprofits per 10,000 residents. Texas ranks 46th out of 50 states and the District of Columbia. More than 50% of nonprofit organizations are operated in two major metropolitan areas, Dallas/Fort Worth and Houston (see Table 9 and Figure 4). Austin area reports the highest number of tax-exempt organizations per capita, with over 55.9 organizations per every 10,000 residents.

The South Region reports the lowest number of organizations per capita, with just over 23 organizations per 10,000 residents.

**Table 9 Number of Tax-Exempt Organizations per Region**

	Number	%	Population	All NP per 10,000	501c(3) per 10,000	All other NP per 10,000
<b>Dallas/Fort Worth</b>	27,889	28.5	6,539,950	42.64	32.01	10.63
<b>Houston</b>	21,599	22.1	6,087,133	35.48	28.15	7.34
<b>San Antonio</b>	7,877	8.1	2,249,011	35.02	29.24	16.25
<b>Austin</b>	10,230	10.5	1,830,003	55.90	32.78	14.91
<b>East Region</b>	8,728	8.9	2,072,147	42.12	26.74	9.94
<b>West Region</b>	8,853	9.1	1,961,707	45.13	30.95	14.18
<b>South Region</b>	7,601	7.8	3,287,249	23.12	17.62	6.34
<b>Central Region</b>	5,029	5.1	1,118,361	44.97	28.49	16.48
<b>Total</b>	97,806	100.0	25,145,561	38.90	28.33	10.57

Source: Business Master File, 2012, National Center for Charitable Statistics

**Figure 4 Percent of Nonprofits in Eight Regions**

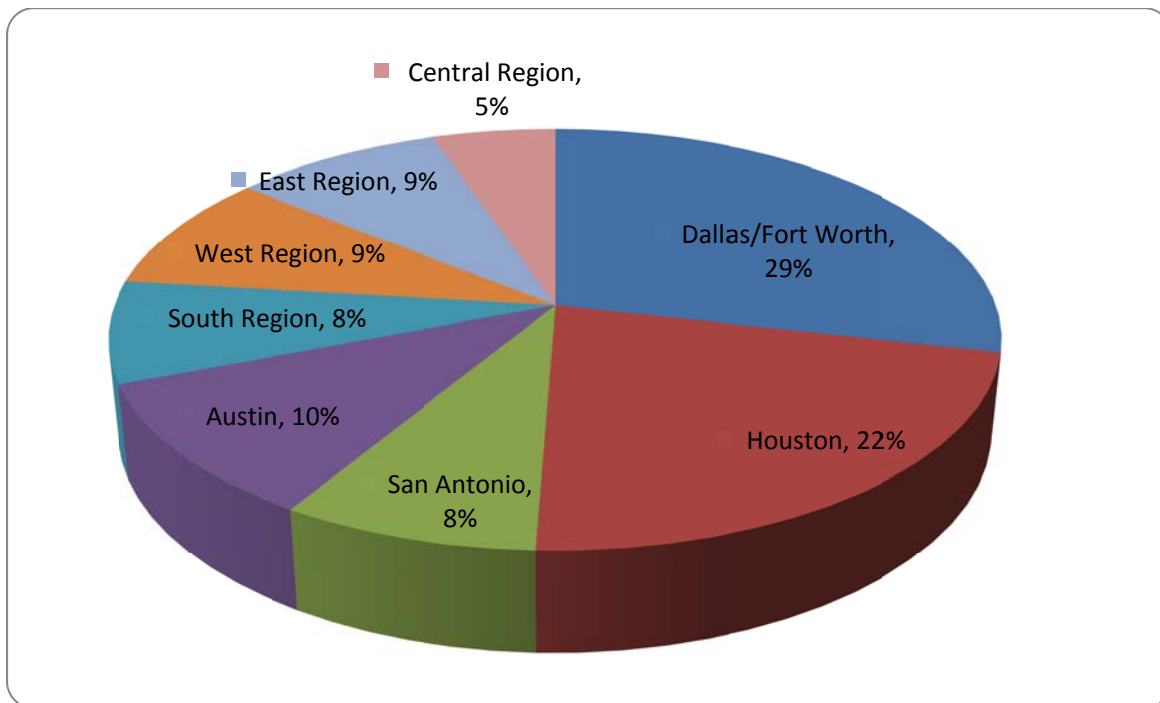


Figure 5 Number of Nonprofit Organizations per 10,000 Residents

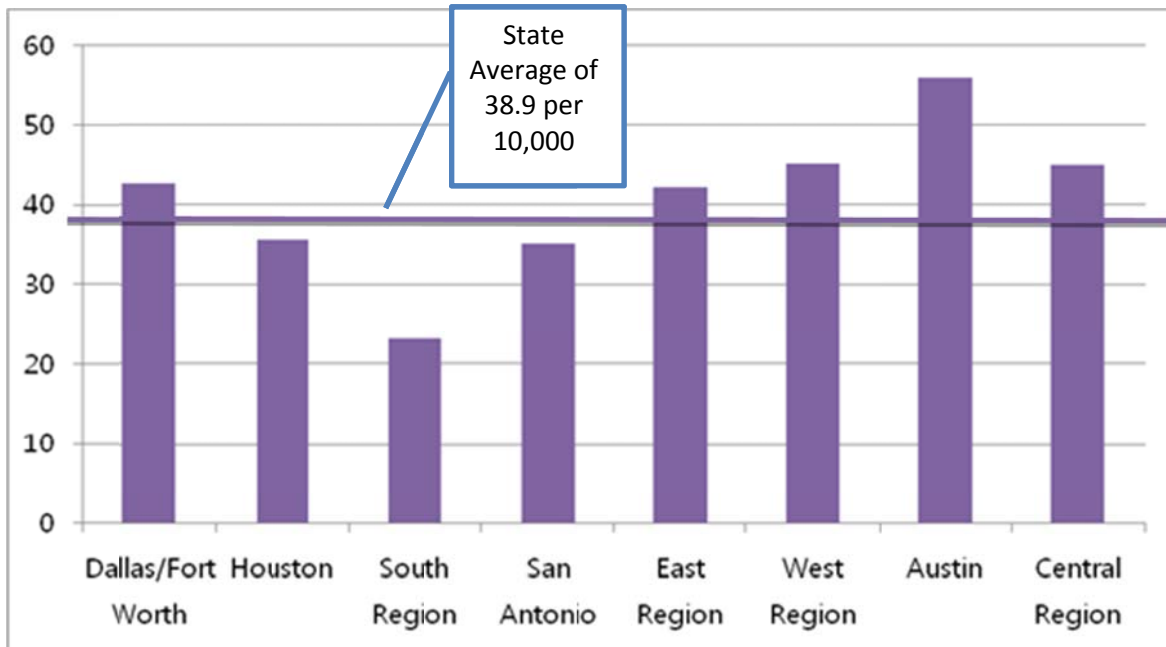


Table 10 shows the types of 501c organizations across the eight regions. Although distributions of 501c organizations in each region are similar, some percentages should be noted. For example, Austin has 14.97% of 501c(6) organizations, which is a relatively large percentage compared to other regions. This reflects the fact that many of these organizations serve as statewide business and professional associations that might also have lobbying or advocacy initiatives.

# Texas Nonprofit Sector: Defining the Size and Scope | 2013

**Table 10 IRS Classifications by Regions**

	Dallas/ Fort Worth	Houston	San Antonio	Austin	South Region	West Region	East Region	Central Region	Total
<b>c(3) Public charities and private foundations</b>	20,934	17,134	5,792	6,575	5,541	6,072	5,999	3,186	71,233
	75.06%	79.33%	73.53%	64.27%	72.90%	68.59%	68.73%	63.35%	72.83%
<b>c(4) Social welfare</b>	1,034	1,154	445	480	527	633	565	334	5,172
	3.71%	5.34%	5.65%	4.69%	6.93%	7.15%	6.47%	6.64%	5.29%
<b>c(5) Labor, agricultural organizations</b>	361	253	114	151	188	275	227	117	1,686
	1.29%	1.17%	1.45%	1.48%	2.47%	3.11%	2.60%	2.33%	1.72%
<b>c(6) Business leagues</b>	1,050	890	342	1,531	355	451	309	204	5,132
	3.76%	4.12%	4.34%	14.97%	4.67%	5.09%	3.54%	4.06%	5.25%
<b>c(7) Social and recreation clubs</b>	726	469	217	227	174	275	237	146	2,471
	2.60%	2.17%	2.75%	2.22%	2.29%	3.11%	2.72%	2.90%	2.53%
<b>c(8) Fraternal beneficiary societies</b>	768	386	264	345	219	188	235	239	2,644
	2.75%	1.79%	3.35%	3.37%	2.88%	2.12%	2.69%	4.75%	2.70%
<b>c(9) Voluntary employee beneficiary associations</b>	111	61	28	14	13	12	16	6	261
	0.40%	0.28%	0.36%	0.14%	0.17%	0.14%	0.18%	0.12%	0.27%
<b>c(10) Domestic fraternal beneficiary societies</b>	260	174	76	61	113	222	218	130	1,254
	0.93%	0.81%	0.96%	0.60%	1.49%	2.51%	2.50%	2.59%	1.28%
<b>c(12) Benevolent life insurance associations</b>	84	40	36	44	50	94	237	113	698
	0.30%	0.19%	0.46%	0.43%	0.66%	1.06%	2.72%	2.25%	0.71%
<b>c(13) Cemetery companies</b>	227	93	53	70	64	148	320	190	1,165
	0.81%	0.43%	0.67%	0.68%	0.84%	1.67%	3.67%	3.78%	1.19%
<b>c(14) State-chartered credit unions</b>	44	51	6	15	15	34	29	12	206
	0.16%	0.24%	0.08%	0.15%	0.20%	0.38%	0.33%	0.24%	0.21%
<b>c(19) War veterans' organizations</b>	245	179	143	105	177	182	164	119	1,314
	0.88%	0.83%	1.82%	1.03%	2.33%	2.06%	1.88%	2.37%	1.34%
<b>All other designations</b>	2,045	715	361	612	165	267	172	233	4,570
	7.33%	3.31%	4.58%	5.98%	2.17%	3.02%	1.97%	4.63%	4.67%
<b>Total</b>	27,889	21,599	7,877	10,230	7,601	8,853	8,728	5,029	97,806



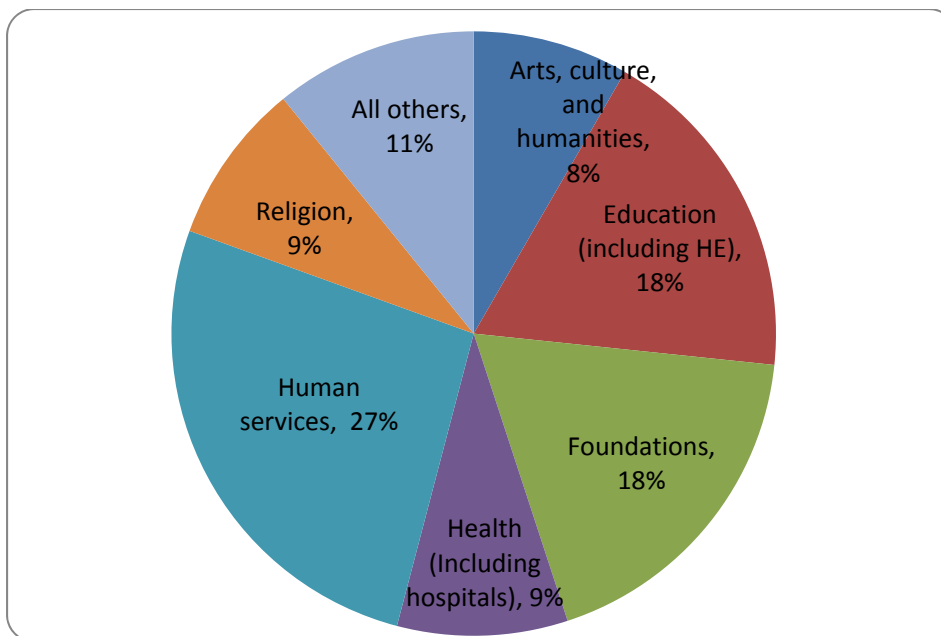
## Analysis of Public Charities – 501(c)3 Nonprofits

This section of the report explores the size and scope of 501(c)3 public charities and foundations that report a minimum of \$25,000 in annual revenue. Detailed analysis of these organizations provides insight into how financial capital is utilized and distributed across nonprofit organizations in the state. This analysis is based on data from form 990 and form 990-PF tax-returns.

### Types of 501(c)3 and Assets

There were 28,281 tax-exempt 501(c)3 organizations that filed a tax return<sup>10</sup> in 2010. Just over a quarter (26.4%) of these organizations are classified as human service organizations, which include a whole range of social service, youth development type organizations (see Figure 6). These organizations hold about 10% of the total assets in the sector. 501(c)3 organizations held \$175 billion in assets in 2010 (see Table 11). There are over 5,000 foundations in the state, and they hold over \$30 billion in assets (about 18% of total assets).

Figure 6 501(c)3 Nonprofits by NTEE Classification



Source: Core & Core PF Data Files, National Center for Charitable Statistics, 2010

<sup>10</sup> This includes form 990, form 990 EZ, and form 990PF

Median assets for 501(c)3 charities in the State of Texas is just over \$120,000. This reflects that half of the charities in the state, which file tax returns, hold relatively limited assets. There are two types of nonprofits (institutions of higher education and hospitals) that are distinctive and require separate analysis. Hospitals and institutions of higher education are just over 1% of the total number of organizations, but they hold 40% of the assets (see Table 11). Institutions of higher education hold over \$20 billion assets, just over 10% of the total the sector. This means that institutions of higher education hold, on average, over \$200 million in assets per institution. Similarly, hospitals represent less than 1% of the tax-exempt organizations, but hold over 25% of the assets, almost \$50 billion. Hospitals in the state hold on average over \$225 million in assets. The average capital holdings of these entities are in stark contrast to all other nonprofit organizations (99%), which average under \$4 million in assets per entity.

**Table 11 Types and Assets of 501c(3) organizations in Texas**

	Number	%	Total assets	%	Average Assets
Arts, culture, humanities	2,358	8.3	5,779,751,215	3.3	2,451,124
Education	5,080	18.0	26,340,811,853	15.1	5,185,199
Higher education	99	0.4	20,550,386,454	11.8	207,579,661
Health	2,370	8.4	15,836,868,309	9.1	6,682,223
Hospitals	210	0.7	48,023,781,129	27.5	228,684,672
Environment	933	3.3	1,037,199,416	0.6	1,111,682
Foundations	5,180	18.3	30,660,923,705	17.6	5,919,097
Human services	7,476	26.4	18,227,642,415	10.4	2,438,154
International	475	1.7	260,252,066	0.1	547,899
Mutual benefit	55	0.2	237,616,357	0.1	4,320,297
Public benefit	1,552	5.5	5,639,896,972	3.2	3,633,954
Religion	2,441	8.6	1,961,098,848	1.1	803,400
Unknown	52	0.2	6,790,035	0.0	130,578

<b>Total</b>	28,281	100	174,563,018,774	100
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Source: Core & Core PF Data Files, National Center for Charitable Statistics, 2010

## Revenue and Net Income by Organizational Type

Nonprofits can and do generate surplus revenue. In 2010, tax exempt organizations reported over \$4 billion in net revenue (see Table 12). Revenue is disproportionately concentrated in hospitals and the health care industry (just over \$39 billion in 2010), which account for over half (56.6%) of the revenue generated by nonprofits. It is notable that 210 hospitals posted nearly \$2 billion in net revenue, 44% of the total retained income in the sector and an average of over \$9 million per entity.

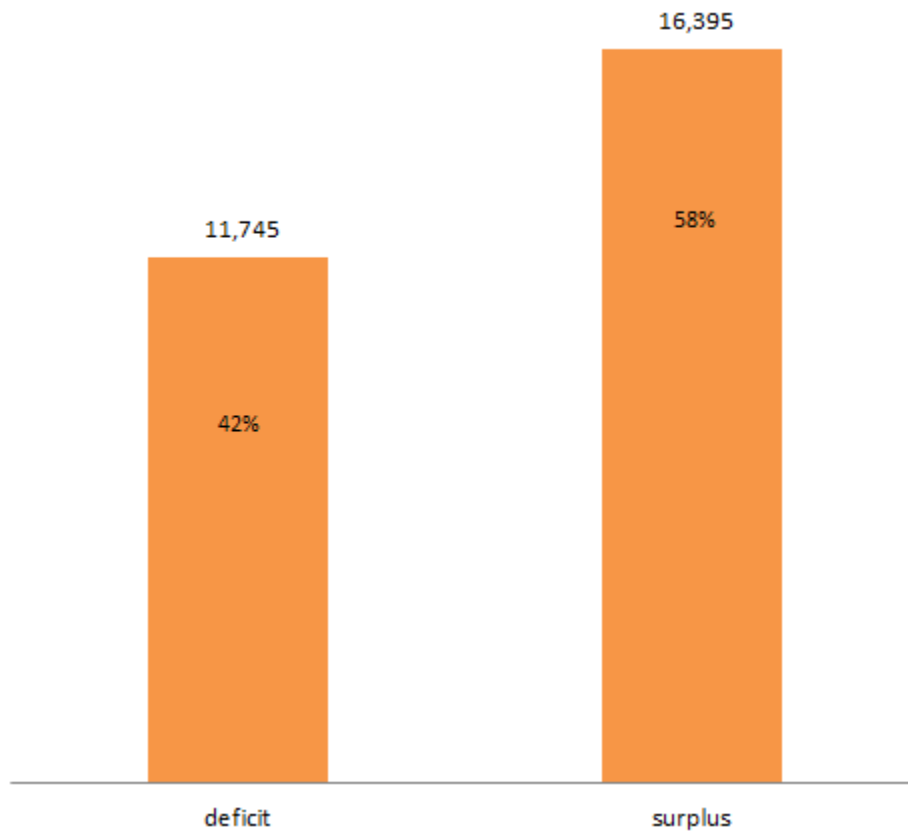
**Table 12 Type and Revenue of 501c(3) Reporting Organizations in Texas 2010.**

	Number	%	Total revenue	%	Average revenues	Total expenses	%	Average expenses	Total net	Average net
<b>Arts, culture, humanities</b>	2,358	8.3	1,577,864,817	2.3	669,154	1,405,901,115	2.2	596,226	171,963,702	72,928
<b>Education</b>	5,080	18.0	5,155,052,447	7.5	1,014,774	4,694,897,472	7.3	924,192	42,395,441	45,440
<b>Higher education</b>	99	0.4	5,165,943,017	7.5	52,181,243	5,203,647,559	8.0	52,562,097	460,154,975	90,582
<b>Health</b>	2,370	8.4	9,666,198,746	14.0	4,078,565	9,296,907,883	14.4	3,922,746	817,576,072	157,833
<b>Hospitals</b>	210	0.7	29,370,891,253	42.6	139,861,387	27,466,354,640	42.4	130,792,165	-37,704,542	-380,854
<b>Environment</b>	933	3.3	468,336,727	0.7	501,969	425,941,286	0.7	456,529	369,290,863	155,819
<b>Foundations</b>	5,180	18.3	4,148,838,768	6.0	800,934	3,331,262,696	5.1	643,101	1,904,536,613	9,069,222
<b>Human services</b>	7,476	26.4	10,446,020,111	15.1	1,397,274	10,081,177,666	15.6	1,348,472	364,842,445	48,802
<b>International</b>	475	1.7	275,660,353	0.4	580,338	264,869,993	0.4	557,621	10,790,360	22,717
<b>Mutual benefit</b>	55	0.2	40,475,227	0.1	735,913	33,756,769	0.1	613,759	6,718,458	122,154
<b>Public benefit</b>	1,552	5.5	1,710,416,920	2.5	1,102,073	1,601,482,111	2.5	1,031,883	108,934,809	70,190
<b>Religion</b>	2,441	8.6	985,436,288	1.4	403,702	898,008,993	1.4	367,886	87,427,295	35,816
<b>Unknown</b>	52	0.2	9,150,025	0.0	175,962	7,828,825	0.0	150,554	1,321,200	25,408
<b>Total</b>	28,281	100	69,020,284,699	100		64,712,037,008	100		4,308,247,691	

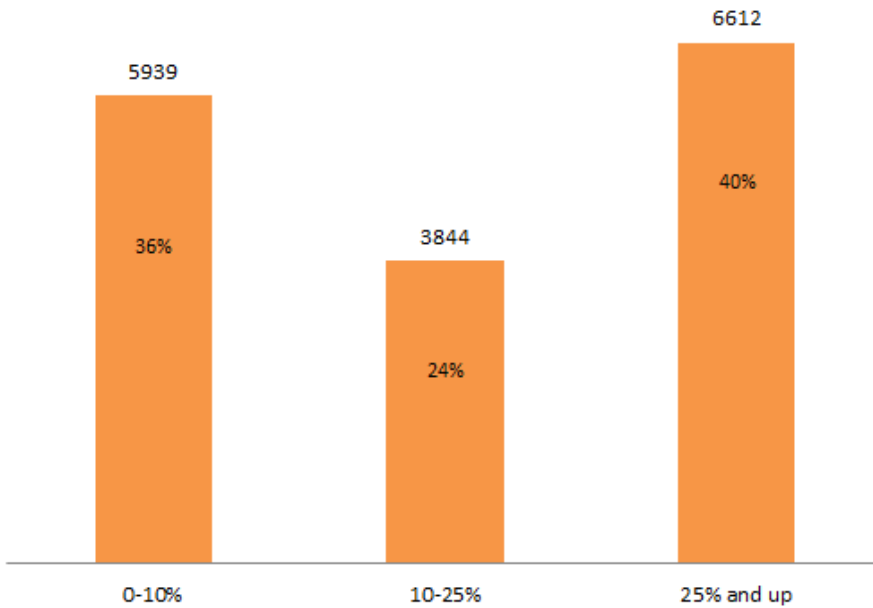
Source: Core Data File, National Center for Charitable Statistics, 2010

Almost 60% of nonprofit organizations reported operating a surplus (see Figure 7). Of the organizations that operate at a net surplus, about a third have surpluses of 10% or less of total revenue, while just over 40% have surpluses over 25% of total revenue (see Figure 8).

**Figure 7 Number of Organizations Operating in a Deficit or Surplus**

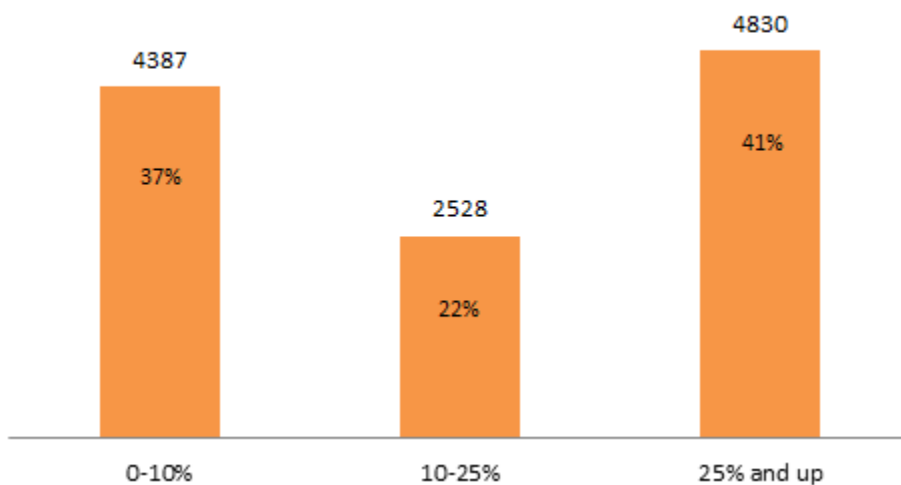


**Figure 8 Surplus Margins of 0-10%, 10-25%, or 25% and Up**



Of those organizations that operate a deficit, just over a third (37%) have deficits of 10% or less of total revenue, while a full 40% report operating deficits of 25% or more of total revenue. That is, just under 5,000 nonprofits reported a significant operating deficit in 2010.

**Figure 9 Organizations with Deficit Margins of 0-10%, 10-25%, or 25% and Up**



**Operating Surplus or Deficit by Organizational Type**

Foundations were most likely to report operating a deficit; over 50% of the foundations in the state reported a net deficit in 2010 (see Table 13). This is probably reflective of the poor financial returns reported during that time. Many of these foundations attempted to retain granting levels that exceeded investment returns. Hospitals, by comparison, seemed most able to weather the poor financial condition of 2010, with 30% of hospitals reporting a net deficit.

**Table 13 By Organizational Types (NTEE 13)**

	Negative	%	Positive	%	Total N
<b>Art, culture, and humanities</b>	980	41.7	1,371	58.3	2,351
<b>Higher education</b>	34	34.3	65	65.7	99
<b>Other education</b>	1,937	38.3	3,122	61.7	5,059
<b>Environment</b>	340	36.5	591	63.5	931
<b>Foundations</b>	2,620	51.3	2,492	48.7	5,112
<b>Health</b>	988	41.9	1,371	58.1	2,359
<b>Hospitals</b>	67	31.9	143	68.1	210
<b>Human services</b>	2,962	39.8	4,489	60.2	7,451
<b>International</b>	179	37.8	295	62.2	474
<b>Mutual benefit</b>	19	34.5	36	65.5	55
<b>Public and societal benefit</b>	595	38.5	951	61.5	1,546
<b>Religion</b>	1,007	41.3	1,432	58.7	2,439
<b>Unknown</b>	17	32.7	35	67.3	52
<b>Total</b>	11,745	41.7	16,393	58.3	28,138

## Regional Comparison of Reporting 501c(3) Charities

More than half of the reporting 501c(3) nonprofits (53%) are in Houston or Dallas/Fort Worth, and they hold 60% of the assets (see Table 14). Houston nonprofits tend to hold higher assets, with average assets of over \$8 million per nonprofit in Houston. Only the central region reports more affluent entities, with average assets of almost \$20 million.

**Table 14 Reporting 501c(3) by Region**

	Number	%	Per 10,000	Total assets	%	Average assets	Average revenue	Average expenses
<b>Dallas/Fort Worth</b>	8,367	29.6	12.8	50,028,365,978	28.4	5,979,248	2,489,073	2,299,958
<b>Houston</b>	6,737	23.8	11.1	55,755,648,307	31.6	8,276,035	2,881,160	2,710,939
<b>San Antonio</b>	2,484	8.8	11.0	11,762,291,772	6.7	4,735,222	1,969,537	1,794,000
<b>Austin</b>	2,856	10.1	15.6	10,894,187,796	6.2	3,814,492	1,791,297	1,689,401
<b>South Region</b>	2,096	7.4	6.4	5,804,403,421	3.3	2,769,276	1,920,257	1,838,321
<b>West Region</b>	2,528	8.9	12.9	12,153,576,769	6.9	4,807,586	1,839,135	1,681,769
<b>East Region</b>	2,094	7.4	10.1	8,085,020,280	4.6	3,861,041	2,874,181	2,752,653
<b>Central Region</b>	1,116	3.9	10.0	21,886,843,910	12.4	19,611,867	4,353,937	4,272,092
<b>Total</b>	28,278	100.0	11.2	176,370,338,233	100.0	6,237,015	2,468,224	2,313,633

Source: Core data and 990PF data files, National Center for Charitable Statistics, 2010

The South Region is significantly under represented, with just 6.4 reporting nonprofits per 10,000 residents compared to the state average of just over 11 per 10,000 and significantly lower than the Austin area, which has 15.6 nonprofits per 10,000 residents. Austin area nonprofits also tended to operate more effectively, with 37 % reporting a net deficit, which is better than the state average of just over 40% reporting a deficit in 2010 (see Table 15).



**Table 15 Number of Organizations That Exhibit Negative or Positive Net Revenue by Regions**

	Negative	%	Positive	%	Total N
<b>Dallas/Fort Worth</b>	3,602	43.2	4,729	56.8	8,331
<b>Houston</b>	2,808	42.0	3,870	58.0	6,678
<b>San Antonio</b>	1,048	42.3	1,428	57.7	2,476
<b>Austin</b>	1,051	36.9	1,796	63.1	2,847
<b>South Region</b>	861	41.3	1,226	58.7	2,087
<b>West Region</b>	1,038	41.2	1,482	58.8	2,520
<b>East Region</b>	864	41.4	1,222	58.6	2,086
<b>Central Region</b>	473	42.6	638	57.4	1,111
<b>Total</b>	11,745	41.7	16,391	58.3	28,136

There are modest regional differences in the types of nonprofits that operate across the state (see Table 16). For instance, Austin area reports a slightly higher percentage of arts and environmental organizations when compared to the other regions. Educational organizations and foundations are slightly under represented in rural regions when compared to the major metropolitan areas. Rural regions tend to report a higher percentage of human service organizations when compared to the metropolitan regions.

Table 16 NTEE Classifications by Regions

	Dallas/ Fort Worth	Houston	San Antonio	Austin	South Region	West Region	East Region	Central Region	Total
<b>Arts, culture, and humanities</b>	652	541	220	284	196	206	165	94	2,358
	7.8%	8.0%	8.9%	9.9%	9.4%	8.1%	7.9%	8.4%	8.3%
<b>Higher education</b>	29	23	9	12	4	7	10	5	99
	0.3%	0.3%	0.4%	0.4%	0.2%	0.3%	0.5%	0.4%	0.4%
<b>Education</b>	1,656	1,274	416	566	289	389	293	196	5,079
	19.8%	18.9%	16.7%	19.8%	13.8%	15.4%	14.0%	17.6%	18.0%
<b>Hospitals</b>	44	38	18	9	18	25	44	14	210
	0.5%	0.6%	0.7%	0.3%	0.9%	1.0%	2.1%	1.3%	0.7%
<b>Environment</b>	223	206	87	133	100	69	73	41	932
	2.7%	3.1%	3.5%	4.7%	4.8%	2.7%	3.5%	3.7%	3.3%
<b>Health</b>	591	591	193	273	202	253	176	91	2,370
	7.1%	8.8%	7.8%	9.6%	9.6%	10.0%	8.4%	8.2%	8.4%
<b>Human services</b>	1,915	1,661	689	710	672	793	696	339	7,475
	22.9%	24.7%	27.7%	24.9%	32.1%	31.4%	33.2%	30.4%	26.4%
<b>International</b>	154	118	36	57	37	25	27	21	475
	1.8%	1.8%	1.4%	2.0%	1.8%	1.0%	1.3%	1.9%	1.7%
<b>Mutual benefit</b>	18	9	6	7	3	4	4	4	55
	0.2%	0.1%	0.2%	0.2%	0.1%	0.2%	0.2%	0.4%	0.2%
<b>Public and societal benefit</b>	375	374	137	214	122	121	130	78	1,551
	4.5%	5.6%	5.5%	7.5%	5.8%	4.8%	6.2%	7.0%	5.5%
<b>Religion</b>	893	533	217	141	175	216	189	77	2,441
	10.7%	7.9%	8.7%	4.9%	8.3%	8.5%	9.0%	6.9%	8.6%
<b>Foundations</b>	1,803	1,360	445	445	275	412	285	154	5,179
	21.5%	20.2%	17.9%	15.6%	13.1%	16.3%	13.6%	13.8%	18.3%
<b>Unknown</b>	14	8	11	5	3	8	2	1	52
	0.2%	0.1%	0.4%	0.2%	0.1%	0.3%	0.1%	0.1%	0.2%
<b>Total</b>	8,367	6,736	2,484	2,856	2,096	2,528	2,094	1,115	28,276
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

## Conclusion

The State of Texas has a vibrant and rapidly growing nonprofit sector. There is a wide range of tax-exempt organizations in the state, with significant diversity across the state in the size and scope of nonprofits. Texas ranks 46th out of 50 states and the District of Columbia in the number of nonprofits per capita. The South Region is particularly underrepresented in the number of nonprofits. With just 23 nonprofits per 10,000 residents, the region lags behind the state average and national averages.

501c(3) public charities are the most common type of tax-exempt organization in the state (just over 70,000 entities), and this type of organization saw significant growth during the last decade (40% growth from 2001-2010). The vast majority of these organizations have limited assets and revenue, with nearly 60% of nonprofits indicating no assets; and they do not file any regular tax documents. Of the almost 30,000 501c(3) reporting entities, about a quarter are classified as human service nonprofits. Many nonprofits struggled in 2010, with just over 42% operating at a deficit. Nearly all types of nonprofits operated at similar margin levels.

Nonprofit hospitals and institutions of higher education hold a significantly higher asset level when compared to other nonprofits. Hospitals and institutions of higher education hold 40% of the assets but represent just over 1% of the nonprofits in the state. Hospitals as well account for just over 40% of the total revenue received in the state. A separate report will explore hospitals in more detail. With over 5,000 foundations in the state, Texas foundations hold over \$30 billion in assets. Foundations as well will be explored in greater detail in a separate report.



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