



Many missions | 100 counties | One voice

# Quick Facts

## Nonprofits' Impact on North Carolina

### Nonprofits are essential for North Carolina's quality of life and for attracting business and keeping it here

- Delivering needed services – food banks feeding the hungry, hospices providing end-of-life care.
- Educating the public on vital issues – the dangers of smoking, how to stop child abuse.
- Finding solutions – cleaning up polluted streams, providing day care for working families.
- Nurturing our culture – providing music, theatre, arts, and ways to learn about our history.
- Engaging people in the community – volunteering with Habitat, serving on boards.
- Providing a voice for the voiceless – speaking out for children or seniors with disabilities.
- Improving government policies – researching and advocating ways to improve education.
- Providing faith-based activities – houses of worship, community service projects.

### Nonprofits provide 400,000 jobs in our state

- Nonprofits employ about 10% of North Carolina workers.
- Nonprofit employees are highly-educated and committed to their organizations' missions. They are private entrepreneurs working in the public interest to solve tough problems.

### Nonprofits put \$46.3 billion directly into North Carolina's economy each year

- The nonprofit sector pays more than \$15 billion in wages to North Carolinians. Though nonprofit organizations are tax-exempt, nonprofit employees pay taxes – state income taxes, local and state sales taxes, and property taxes. They add to the economy by buying houses, cars, food, computers, clothes, home products, and other consumer items.
- This economic impact has nearly doubled in a decade. Nonprofits' \$46.3 billion annual impact on the state's economy compares to \$29.0 billion just 10 years earlier. The nonprofit sector's economic footprint has grown 4.8% per year in that time.

### Nonprofits form a very large and diverse sector

- Most nonprofits are very small. North Carolina has 11,415 organizations that are 501(c)(3) nonprofits with annual revenues over \$50,000. Even very small community groups can be an important part of our civic life.
- But, nearly 400 very large nonprofits put more than \$10 million each into the state's economy annually – e.g., private schools, universities, and hospitals.

### Nonprofits are struggling to respond to skyrocketing needs, but with much less funding

- 79% of NC nonprofits saw more demand for their services in 2017, but only 44% were able to meet the demands. Economic stress, population growth, and social problems increase the demands on nonprofits. Record numbers of people across the state are seeking help at food banks, crisis assistance centers, homeless shelters, and consumer credit counseling services.
- At the same time, nonprofits struggle to raise funds. Charitable giving and government contracts are both down. Recent research has estimated that 2017 changes to federal tax laws – which will mean that fewer taxpayers will use the charitable deduction – will reduce individual charitable giving by about 4% in 2018.

## What are 501(c)(3) nonprofits?

Nonprofits that are tax-exempt under Section 501(c)(3) of the Internal Revenue Code must **operate for the public benefit**. They must be organized to achieve specific charitable, religious, educational, scientific, or literary purposes. They are required to operate very differently from for-profit businesses. They agree to **give up three fundamental rights** that for-profit businesses have:

1. **Profits.** No one “owns” a nonprofit. They are required by federal law to reinvest all of their net earnings back into their missions. By contrast, for-profit businesses distribute their profits to shareholders or owners. Financially sound nonprofits do, in fact, need more revenue than expenses in order to continue their work from month to month. To be sustainable, it is important for them to maintain financial reserves as a “rainy day fund” that can cover several months of operations.
2. **Privacy.** Many documents of 501(c)(3) nonprofits are available to the public. They are required to provide their applications for tax-exempt status, which includes their basic governing documents. Those with annual budgets over \$50,000 are required to make public the Form 990 that they file every year with the IRS. The 990 includes information on their programs, revenue and expenses, key employees’ salaries, governance, and the identity of directors and officers. Smaller nonprofits are also required to identify their board officers and attest to their budget size.
3. **Politics.** Engaging in partisan politics is absolutely prohibited for 501(c)(3) nonprofits. They can lose their tax-exempt status if they make political contributions or coordinate activities with political parties or candidates for office. Very importantly, 501(c)(3) *are* allowed and encouraged to take positions on policy issues, educate elected officials about their issues, and lobby.

### How Do Nonprofits Differ from For-Profit Businesses?

Both are private organizations, but they have these fundamental differences.

#### Nonprofits with 501(c)(3) status:

- Primary objective is public benefit.
- Must be organized and operated for charitable, educational, religious, scientific, or literary purposes.
- Must reinvest net earnings back into the mission (but do need net earnings to be able to continue their work).
- In exchange for this public benefit, they are exempt from federal and state income taxes, most are eligible to request refunds of sales taxes they pay, and most are exempt from property tax on land and buildings they own and operate.
- Donors may deduct some of their contributions from the federal and state income taxes.
- Financial data on IRS forms is public information.
- Allowed to advocate and lobby, but prohibited from partisan politics.

#### For-profit businesses:

- Primary objective is profit.
- Net earnings may be distributed to shareholders, employees, owners, and other private individuals.
- Pay taxes on income, purchases, and property owned.
- Financial data is private except for publicly-traded corporations
- May engage in partisan politics.

For more information, David Heinen, Vice President Public Policy and Advocacy, NC Center for Nonprofits, 919-790-1555, ext. 111 (office), 919-986-9224 (cell), or [dheinen@ncnonprofits.org](mailto:dheinen@ncnonprofits.org).