



Economic Impact of New Hampshire's Nonprofit Arts and Cultural Institutions: A 1998 Update

Some Background

The updated information reported in the tables below indicates that spending and revenue for non-profit cultural organizations in New Hampshire grew considerably between 1997 and 1998. Total spending increased by 12.77 percent while total revenue increased by 9.32 percent between 1997 and 1998.

This update is based on information contained in the non-profit cultural organizations' required filings of Internal Revenue Service Form 990, the form required by the IRS to be filed by all organizations exempt from federal income taxation

The estimates below are drawn from National Center for Charitable Statistics files of cultural organizations created from IRS Form 990s. Specifically, these are files of New England's non-profit organizations that appeared in the IRS database for both 1997 and 1998. Those organizations categorized as cultural were extracted from this data base for analysis.¹

It is important to understand the nature and composition of the cultural organizations in the IRS database. These are organizations which, as noted, file an annual Form 990. Certain types of non-profit cultural organization are not found in this database. First, organizations with revenues under \$25,000 are not required to file this form. Second, "embedded organizations" are not reflected in this report. Embedded organizations are cultural activities or organizations structurally contained within a non-cultural, non-profit organization, such as a music school in a university, or a performing arts program in a community center. They are not captured by this analysis, because it is the parent organization which files the IRS form. Third, government agencies do not file this form, whether cultural or not. Finally, even organizations which file annually occasionally do not show up in the data base due to a delayed filing or related factors.

To attach some numbers to these comments, in our 1996 survey² we identified

¹ The non-profit cultural industry, as reported in our 1996 study, is comprised of the following types of organization: ethnic, fair, historical society, humanities, library, media, multi-disciplinary, museum, performing, school, service, and visual arts. In culling information from the IRS data base, we have relied on the use of NTEE cultural codes and the state agency's own list of cultural organizations.

² Gregory H. Wassall, and Douglas DeNatale, *Arts, Cultural, and Humanities Organizations in the New England Economy*, 1996 (Boston: New England Foundation for the Arts, 1997).

1,061 non-profit cultural organizations in New Hampshire. Of these, 591 were recognized by the IRS, 163 as filing a form 990, and the remainder as reporting less information in the form required of under \$25,000 organizations. One must assume that of the 470 identified organizations that did not appear in the IRS database, most are either embedded or government organizations, are exceedingly small, or have not commenced filing.

It should also be noted that every year new organizations are created and some go out of existence. In order to achieve consistency in the analysis, only those organizations filing in both 1997 and 1998 were compared, a total of 156 organizations.³

Relationship to the 1997 Survey

In New Hampshire, not only did spending and revenue increase, but there also was an improvement in the net asset position of its non-profit cultural organizations. Detailed information from the NCCS file of IRS data are shown in Tables 2 and 3 below. Again, it must be kept in mind that this is not a random sample; the overall results between the two years as shown below can be significantly influenced by large changes in a few large organizations.

We used the IRS data to project the aggregate size of the non-profit cultural “industry” in New Hampshire in 1998. This was done by incrementing aggregate spending and revenue reported in our 1997 study by the growth rates in average spending and average revenue reported in the IRS data over the past two years. The results since 1997 are in Table 1. This projection is based on the assumption that the average growth rate of all firms in the industry is the same as those in the sample. This translates into aggregate spending of \$87.4 million and aggregate income of \$75.6 million for non-profit cultural organizations statewide in 1998. Since the number of cultural organizations in Vermont is constantly growing, basing this 1998 projection on the total spending and incomes of organizations in existence in 1996 imparts a conservative bias to these estimates.

Detailed Findings from the IRS Data

The NCCS file permits a detailed examination of changes in sources of income between 1997 and 1998. Using data reported on Form 990s it is possible to reconstruct the same categories of revenue reported in our 1996 survey. Breakdowns of expenditures into any meaningful category, let alone the spending categories used in the 1996 study, are not possible. No information is reported on salaries or number of employees. However, this file also has information, which we are exploiting for the first time on the balance sheet position of cultural organizations from year to year.

³In fact, there are 43 more organizations in the 1998 IRS file that were not in the 1997 file.

In Table 2 a breakdown of sources of revenue into unearned, earned, and investment revenue is shown. Reporting organizations showed an increase in all sources of revenue, with the largest increase of 16.5 percent reported for earned revenue. Unearned revenue rose by 0.2 percent, and investment revenue increased by 13.3 percent. Overall, total revenue rose by 9.3 percent. As noted a breakdown of total expenditures is not possible. Average expenditure for all organizations rose by 12.8 percent between 1997 and 1998 (Table 3).

Last, in Table 3 we also compare balance sheet positions of these organizations between the end of 1997 and the end of 1998. There was a slight improvement in the balance sheet positions of the New Hampshire organizations. Between the two years assets grew at the rate of 11.8 percent, while liabilities grew by 11.7 percent.

TABLE 1
**FORECASTED CHANGE IN FINANCIAL STATUS OF
NEW HAMPSHIRE'S CULTURAL ORGANIZATIONS, 1997-98**

# OF ORGS. REPORTING TO IRS	1997-98 PERCENTAGE CHANGE IN IRS REPORTED:		1997 FORECASTED:		1997 FORECASTED:	
	EXPENDITURE/ ORGANIZATION	REVENUE/ ORGANIZATION	TOTAL SPENDING (\$000)	TOTAL REVENUE (\$000)	TOTAL SPENDING (\$000)	TOTAL REVENUE (\$000)
156	12.77%	9.32%	\$77,530	\$69,161	\$87,432	\$75,607

SOURCE: For the percentage change in expenditure and revenue per organization: IRS Information extracted and prepared from Form 990 filings by the National Center for Charitable Statistics. Percentage changes are also reported in tables 2 and 3. For the reported 1996 aggregate cultural organization spending and income, which forms the basis of the 1997 and 1998 forecasts: Gregory H. Wassall, and Douglas DeNatale, *Arts, Cultural, and Humanities Organizations in the New England Economy*, 1996 (Boston: New England Foundation for the Arts, 1997), various tables.

DEFINITIONS: Using the NCCS IRS Form 990 data extract, total expenditure is the sum of program, fund-raising, management and general expenses, as well as payments to affiliates, plus the following expenses which are deducted from revenues on the Form: expenses incurred while earning rental income, selling assets, staging special events, and selling goods (i.e., cost of goods sold); total revenue is gross receipts from all sources of income with no expense deductions made. In our 1996 report, total spending is defined as the sum of operating expenses, outside fees, and capital expenses; total revenue is defined as the sum of earned income, unearned income, and endowment income. The definitions derived from the IRS data are chosen in order to make spending and revenue amounts comparable between the two sources of data.

TABLE 2				
SOURCES OF REVENUE TO NEW HAMPSHIRE CULTURAL ORGANIZATIONS, 1997 AND 1998 AVERAGES				
YEAR/ CHANGE	UNEARNED REVENUE	EARNED REVENUE	INVESTMENT REVENUE	TOTAL REVENUE
1997	\$153,491	\$182,723	\$21,288	\$357,503
1998	153,831	212,881	24,111	390,823
% CHANGE	0.22%	16.50%	13.26%	9.32%
# ORGS. REPORTING	156	156	156	156
<p>SOURCE: Information is from IRS Form 990 filings for 1997 and 1998 as tabulated by the National Center for Charitable Statistics.</p> <p>DEFINITIONS: <i>Unearned revenue</i>: total public support (line 1d) from the IRS form 990. <i>Earned revenue</i>: total revenue (as defined herein) less unearned revenue and investment revenue (as defined herein). <i>Investment revenue</i>: the sum of interest on savings and temporary cash investments (line 4), dividends and interest from securities (line 5), and other investment income (line 7). <i>Total revenue</i>: total revenue (as reported on line 12) plus all deductions for costs of earning that total revenue (lines 6b, 8b, 9b, and 10b) added back.</p>				

TABLE 3
EXPENDITURES AND FINANCIAL STATUS OF
NEW HAMPSHIRE'S CULTURAL ORGANIZATIONS, 1997-98 AVERAGES

# OF ORGS. REPORTING	TOTAL EXPENDITURES			ASSETS AT END OF YEAR			LIABILITIES AT END OF YEAR		
	1997	1998	% CHANGE	1997	1998	% CHANGE	1997	1998	% CHANGE
163	\$291,798	\$329,068	12.77%	\$899,173	\$1,005,170	11.79%	\$80,754	\$90,226	11.73%

SOURCE: Information is from IRS Form 990 filings for 1997 and 1998 as tabulated by the National Center for Charitable Statistics

DEFINITIONS: Total expenditure: the sum of total expenses (line 17) and rental expenses (line 6b), sales expenses (line 8b), direct expenses from special events (line 8b), and cost of goods sold (line 10b).