Community-Oriented Nonprofits and Neighborhood Poverty

Spatial Patterns

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Executive Summary

Literature on low-income communities has hypothesized that the number and mix of nonprofit institutions located in a neighborhood influences its wellbeing and future prospects; this idea has never been adequately examined empirically. This report offers a simple descriptive analysis of the National Center for Charitable Statistics (NCCS) Core Financial Files database as a way of testing its potential usefulness for research on this topic.

The NCCS database has shortcomings, but it is an essential place to start this work because it contains data from the IRS forms of virtually all nonprofits required to file them and is the only file that even approximates a national inventory of nonprofit institutions. This report examines NCCS data showing how nonprofit densities (number of nonprofits per 100,000 population) relate to poverty rates at the census tract level in America's 100 largest metropolitan areas. We look only at data for "community-oriented" nonprofits (excluding nonprofits such as major universities, hospitals, headquarters of national associations, pension funds, and research institutes) and examine the data for eight different categories: Health, Education, Children and Youth Services, Employment and Financial Services, Human and Emergency Services, Public Safety, Community Improvement, and Community Activities (arts and recreation).

Main Findings and Implications

Neighborhood densities of community-oriented nonprofits generally increase as poverty rates increase. In 2010, average nonprofit densities increased from 62 per 100,000 population in low-poverty tracts (poverty rates of 0 to 10 percent) to 173 per 100,000 population in high-poverty tracts (poverty rates of 40 percent or more), a ratio of 2.8 times the low-poverty density. The basic pattern—densities increasing with poverty rates—held for all eight categories, but the extent of the variation differed markedly by type. Those with the highest densities in the highest poverty neighborhoods were the Employment and Financial group (job training, financial counseling, etc.) and the Community Improvement group (such as community development corporations). Their densities in such neighborhoods were respectively 5.5 and 5.2 times their densities in the lowest-poverty neighborhoods. In contrast, the high-poverty tract density for the Education group was only slightly (1.2 times) above that for low-poverty tracts; and the high-poverty density for the Community Activities group was only 1.8 times the low-poverty density.

Nonprofit densities vary dramatically across America's metropolitan areas. We define "nonprofit-rich" metros as those with overall nonprofit densities in the top quarter of America's largest 100 metros (average density of 95 per 100,000 population) and "nonprofit-thin" metros as those in the bottom quarter (average density of 45 per 100,000 population, less than half that of the top group). We found that in the nonprofit-thin metros, there is less comparative concentration in higher-poverty neighborhoods (although this pattern too varies by nonprofit type). Nonprofit-rich metros are generally found in the northeast and north central regions as well as selectively along the Pacific coast. Nonprofit-thin metros are prevalent in the south and southwest.

Community-oriented nonprofits grew rapidly in the past decade, especially in places where their densities had been lower in the past. In America's 100 largest metros, the total number of community-oriented nonprofits grew by almost one-third from 2002 to 2010. Growth rates by category ranged from 4 percent for Employment and Financial Services to 45 percent for Community Activities. With respect to spatial variations, the most rapid growth over this period occurred in places with the lowest nonprofit densities in 2010; that is, the dramatic variations in 2010 densities noted above were being modestly reduced. At the metro level, the number of nonprofits in the nonprofit-thin metros grew by 41 percent, more than twice the 19 percent rate for the nonprofit-rich metros. Across census tract poverty ranges, nonprofits grew by 37 percent in the lowest (0-10 percent) poverty range, but only by 16 percent in the highest (40 percent and higher) poverty range. Important, however, is that the number of nonprofits was still growing solidly in distressed neighborhoods, albeit not as rapidly as elsewhere.

Implications. While we recommend further testing, we find no reason to suspect that the shortcomings of NCCS data might cause any systematic bias affecting the broad findings of this analysis. The main findings reported here indicate that community-oriented nonprofits tend to be concentrated in low-income neighborhoods. Further, the numbers of such nonprofits are growing rapidly everywhere, and they are still growing solidly in distressed neighborhoods, if not as rapidly as elsewhere. We believe this provides a strong motivation for further research and policy analysis related to how the density and mix of nonprofits in a neighborhood can play a role in neighborhood improvement.

Community-Oriented Nonprofits and Neighborhood Poverty

Research on the relationship between nonprofits and neighborhood conditions has been sparse, but a few examples suggest that the topic could be an important one. Sampson (2012) for instance, related densities of all NCCS nonprofits to a variety of other indicators for Chicago Community Areas.[1] He found several important relationships and concluded that, " . . despite persistent poverty, racial diversity and other social challenges, community based organizations strongly predict collective-efficacy and collective civic action, durably so." (p. 209). In another example, Roman and Moore (2004), examined variations in outcomes for a community in Southeast Washington DC and also found generally positive relationships between organizational densities and indicators of community wellbeing (like collective-efficacy).

These findings and others prompted an Urban Institute team to recommend broader research on the issue (Tatian et al, 2012). In response, the What Works Collaborative supported a study focusing on two questions: (1) *What mix of community oriented nonprofit institutions exist in low-income neighborhoods?*, and (2) *What are the relationships between the level and mix of neighborhood serving nonprofits and conditions and trends in such neighborhoods?* As work on the broader study continues, this report breaks out findings pertaining to the first of these questions—on spatial patterns - in the hope of securing feedback that will inform further work in this area.

The next section discusses our data sources and approach in the context of previous research on nonprofit locations. That is followed by three sections presenting findings (on the neighborhood patterns of nonprofits related to poverty levels, on how this pattern varies across metropolitan areas, and on how all of these relationships changed between 2002 and 2010) and a final section discussing implications.

Data Sources and Approach

Our analysis of the spatial distribution of nonprofits relies on the source most prominently used for this purpose: the National Center for Charitable Statistics (NCCS) Core Financial Files data system maintained by the Urban Institute's Center on Nonprofits and Philanthropy. This system contains data

from the IRS Forms 990 for virtually all nonprofits required to file them - identifying their location, their type of organizational mission, and income and expenditure amounts by category.[2]

Issues Raised by Prior Research

A number of scholars have used the NCCS files to study locational patterns of nonprofits at various levels, normally looking at just one or a small number of urban areas. They have typically sought only to describe patterns and to learn more about why nonprofits locate where they do. None has focused on the broader question that motivated this work; i.e., how varying densities and mixes of nonprofits may influence conditions in the neighborhoods that surround them.

The earlier research has consistently found that the spatial distribution of nonprofits is markedly uneven; they are much more concentrated in some places than others. Several of the studies found that nonprofits are more prevalent in affluent areas than low income areas (Bielefeld, 2000; Gronbjerg and Paarlberg, 2001; Joassart-Marcelli and Wolch, 2003), but others found the opposite, notably Peck, 2008. Much of this difference is probably explained by the fact that different researchers have done their analysis for different geographic levels. It is quite possible, for example, for nonprofit densities to be higher in the more affluent "counties" of a state, where there are more wealthy donors, (as found by Gronbjerg and Paarlberg, 2001) while they are higher in low-income "neighborhoods" within counties, where there are more individuals needing service (as found by Peck, 2008, looking at the census tract level).

Another reason for variation in findings is that different studies have used different groupings of nonprofits. Nonprofits differ markedly from each other along many dimensions, certainly including the factors that motivate their location decisions. Analyses that incorporate data for all nonprofits on the file are particularly hard to interpret. The full list includes community oriented nonprofits like soup kitchens, which are likely to locate close to the populations they serve, but it also includes nonprofit scientific research centers, whose ideal location might be near a major university or the region's airport. The list includes others that vary yet more dramatically in terms of purpose and scale: e.g., a community sports club, the region's largest hospital, and the national headquarters of a pension fund or a foundation.

Given our purposes related to neighborhood change, we considered it essential to: (1) conduct our analysis of the distribution at the neighborhood (census tract) level;[3] (2) exclude from the dataset all nonprofits that are not "community oriented" (see definitions below), and (3) further subdivide the

community oriented group that remains into categories that are reflective of their functions (and their likely locational orientations).

The NCCS database does have shortcomings for this work. McDougle (2015) concludes: "Perhaps the most challenging of the limitations associated with the Core Files for studying nonprofit locations include; (a) the validity of the address information; (b) the presence of post office (PO) boxes, and (c) the use of headquarters addresses to account for nonprofits operating in multiple service locations. In her own work (on patterns in San Diego County, CA), she took on considerable additional work to identify the extent of these problems and attempt to correct for them. Her analysis found the database shortcomings associated with each of these three to be sizeable. For example, she identified other service locations (e.g., "branch offices") of the nonprofits on her file and found that adding them in would expand the total number of entities on the file by 11 percent. She states that: "Without an attempt to address each of these limitations, studies . . . may fail any to capture the full extent of nonprofit activity in an area . . .may create issues for generalizability and could increase the possibility of making incorrect inferences . . ."

These problems could be serious, particularly in local research. Later in this report we recommend further work to identify any effect they might have on findings from national studies like this one and steps that might be taken to address them in local studies. Pending this work, this report only offers simple descriptive analyses of our adjusted NCCS data as a crude first test of their plausibility. However, we find no reason to suspect that the limitations noted by McDougle might cause any systematic bias that would alter the basic findings of this analysis.[4]

Defining Community-Oriented Nonprofits

As noted, we are interested in nonprofits whose missions are oriented to serving their surrounding communities (e.g., health centers, workforce development programs, recreation centers, soup kitchens). Thus we removed from the dataset nonprofits that serve a broader user-base (e.g., state, national or even international) or in other ways do not fit the community service model (e.g., accountants and others that serve the nonprofits themselves rather than serving their communities directly). To do this, we adapted a previously developed method to identify NCCS nonprofits that are likely to be community-oriented, using the NTEE primary function codes (by which all NCCS nonprofits classify themselves).[5] Appendix A at the end of this report explains more about how this was done and contains a table showing detailed subcategories defined to be a part of the "community-

oriented" group. Our data on census tract populations and poverty rates are from the 2005-2009 American Community Survey.

Subcategories

There are likely to be important differences even within the "community oriented" group in terms of the way different nonprofit activities influence neighborhood change; e.g., the differential impacts of a nonprofit that provides a service (like a homeless shelter) and one that works to improve neighborhood conditions (like a community development corporation). To explore such differences we defined eight sub-categories (detailed subcomponents of these categories are shown in the table in Appendix A).

Basic Services

Nonprofits in the first five of these categories provide different types of services directly to individuals, generally that live nearby. These services range from advice and counseling, to medical care, to the provision of food and shelter.

1.0 Health

2.0 Education

3.0 Children and Youth Services

4.0 Employment and Financial Services

5.0 Human and Emergency Services

Other Community-Oriented Programs The last three either work to improve neighborhood conditions or promote cultural or sports activities.

6.0 Public Safety. While there are exceptions, these nonprofits, unlike the service providers, generally work to modify the institutional and physical environment in a neighborhood (to make it safer) rather than providing services to neighborhood residents individually (e.g., child abuse counseling, legal services).

7.0 Community Improvement. Like the public safety group, these nonprofits generally work directly to improve the neighborhood environment along many dimensions rather than providing services directly to individuals (e.g., community development corporations).

8.0 Community Activities. These nonprofits do work with neighborhood residents individually, but rather than providing anything to them one-by-one, they encourage and facilitate the residents' own participation in cultural and recreational activities.

Appendix B to this report is entitled "Pathways to Influence." It offers hypotheses as to how the activities of these differing types of nonprofits may influence conditions and change in their neighborhoods to stimulate ideas about further research in this area.

Nonprofit Densities and Neighborhood Poverty

A total of 136,600 community oriented nonprofits in the 100 largest metros filed Forms 990 for fiscal year 2010, (table 1). Among the eight categories, Community Activities was by far the largest in terms of number of institutions, accounting for 28 percent of the total. Education came next (20 percent) followed by human and emergency services (17 percent). Employment and Financial Services was smallest at 2 percent.

TABLE 1

Nonprofits by Type, 2010 (America's 100 Largest Metropolitan Areas)

	No. of nonprofits		Expenditures	
	Thous.	Pct.	$ billion	Pct.
Total	136.6	100	237.3	100
Health Services	10.5	8	71.1	30
Education Services	27.6	20	32.9	14
Children & Youth Services	9.3	7	12.9	5
Employment & Financial Services	2.9	2	9.5	4
Human & Emergency Services	22.7	17	70.5	30
Public Safety	6.0	4	4.6	2
Community Improvement	19.8	14	19.3	8
Community Activities	37.9	28	16.5	7

These nonprofits reported expenditures of $237.3 billion in 2010. The distribution of expenditures was starkly different than that for the number of institutions. Two categories dominated the expenditure side accounting for 30 percent each: Health Services and Human & Emergency

Services. Community Activities accounted for only 7 percent of the expenditure total even though it was the largest in terms of institutional counts. Expenditures per institution in Health Services were dramatically higher than the average but quite small in Community Activities. In this report, we only examine densities of nonprofit institutions; not the densities of their expenditures. In future research we hope to look at expenditure densities as well, but for this initial exploration we felt that knowing the density of institutions in a neighborhood would be a reasonable starting place.

Table 2 provides the answer to the central inquiry of this section: the distribution nonprofit densities according to neighborhood poverty rates. "Nonprofit density" is defined as the number of nonprofit institutions that filed Forms 990 per 100,000 population. This figure was calculated for all eight categories in all census tracts in the 100 largest metropolitan areas.

TABLE 2

Nonprofit Density, 2010 (Number of Nonprofits per 100,000 Population, America's 100 Largest Metropolitan Areas)

|		Tract Poverty Rate, 2005/09				
	Total	0-10%	10-20%	20-30%	30-40%	40% +
Total	69	62	66	86	116	173
Health Services	6	4	6	9	12	16
Education Services	13	15	11	11	12	18
Children & Youth Services	5	4	5	7	10	15
Employment & Financial Services	2	1	2	3	4	5
Human & Emergency Services	12	9	12	18	24	38
Public Safety	3	3	3	4	6	9
Community Improvement	10	7	11	17	23	36
Community Activities	19	19	17	18	24	35

Overall, community-oriented nonprofit densities in neighborhoods increase as poverty level increases; i.e., there are many more of these nonprofits per capita in high poverty areas than in lower poverty areas. The average nonprofit density in the 100 metros was 69 nonprofits per 100,000 population, increasing from 62 in low poverty tracts (poverty rates of 0-10 percent) to 173 in high poverty tracts (poverty rates of 40 percent or more), a ratio of 2.8 times the low poverty density (table 2).

This basic pattern—densities generally increasing with poverty rates—held for all of the eight nonprofit types. In all categories, the highest densities were found in tracts with poverty rates of 40 percent or more. The highest densities at that level were for Human and Emergency Services (38), Community Improvement (36) and Community Activities (35). The highest densities in the lowest poverty neighborhoods were for Community Activities (19) and Education Services (15).

Noting densities in this way, however, masks striking differences in degrees of concentration in high poverty areas. Concentration patterns are shown more directly in figure 1 which plots the densities for each group in each poverty range as a multiple of their average density in the lowest poverty tracts. For example, as mentioned earlier, among all of the categories, the density in the highest poverty range was 2.8 times that in the lowest.

FIGURE 1

Nonprofit Density in Category Relative to Density in 0 to 100 Percent Poverty Tracts
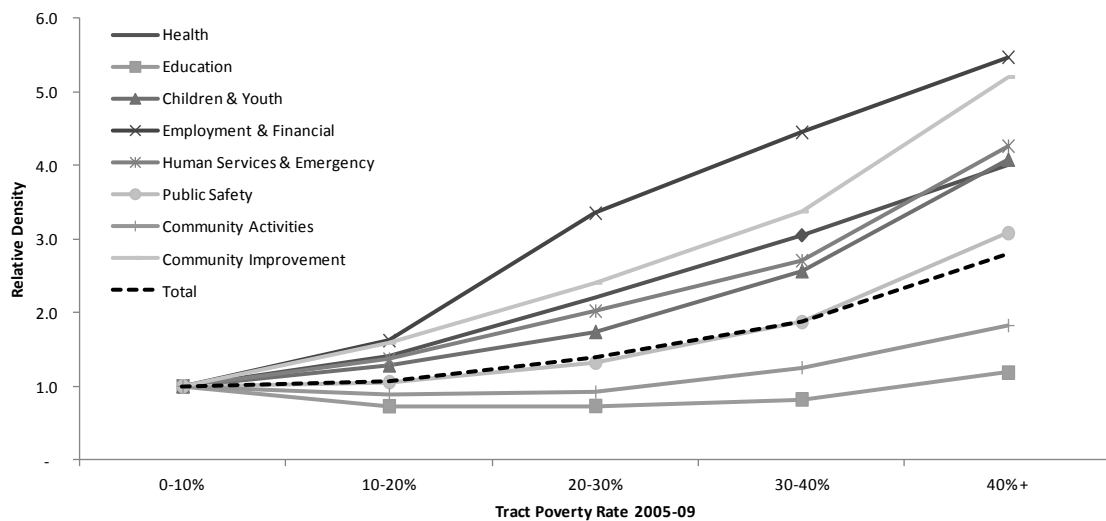
The differences are substantial. Those with the highest concentrations in the highest poverty neighborhoods were Employment and Financial Services and Community Improvement. Their densities in such neighborhoods were respectively 5.5 and 5.2 times their densities in the lowest poverty neighborhoods. But in contrast, the high poverty tract density for the Education Services group was only slightly (1.2 times) above its densities in the low poverty tracts; and the high poverty density for Community Activities was only 1.8 times its low poverty density.

These patterns seem reasonable, given what we expect about differences in the activities of nonprofits in each category. The functions of Employment and Financial Services and Community

Improvement are clearly oriented to work in distressed communities as are the functions of the Human and Emergency Services and the Youth Services groups which come next in terms of concentration ratios. The sports clubs, arts organizations and other recreational activities in the Community Activities group, however, are likely to be serving all income groups.

Differences between Metropolitan Areas

The density of locally oriented nonprofits varies dramatically across America's metropolitan areas. Some metros have a strong nonprofit culture and support extensive work by nonprofits in many fields, while in others nonprofits play a comparatively minor role. We define "nonprofit-rich metros" as those among the largest 100 that are in the top quarter by nonprofit density (average of 95 establishments per 100,000 population); "nonprofit-thin metros" are in the bottom quarter (average density of 45, less than half the average for the top group). Since impacts on neighborhood conditions could differ in these two types of metros, it is worth exploring any contrasts in the patterns of their nonprofit densities.

FIGURE 2

Density of Nonprofits in America's 100 Largest Metropolitan Areas
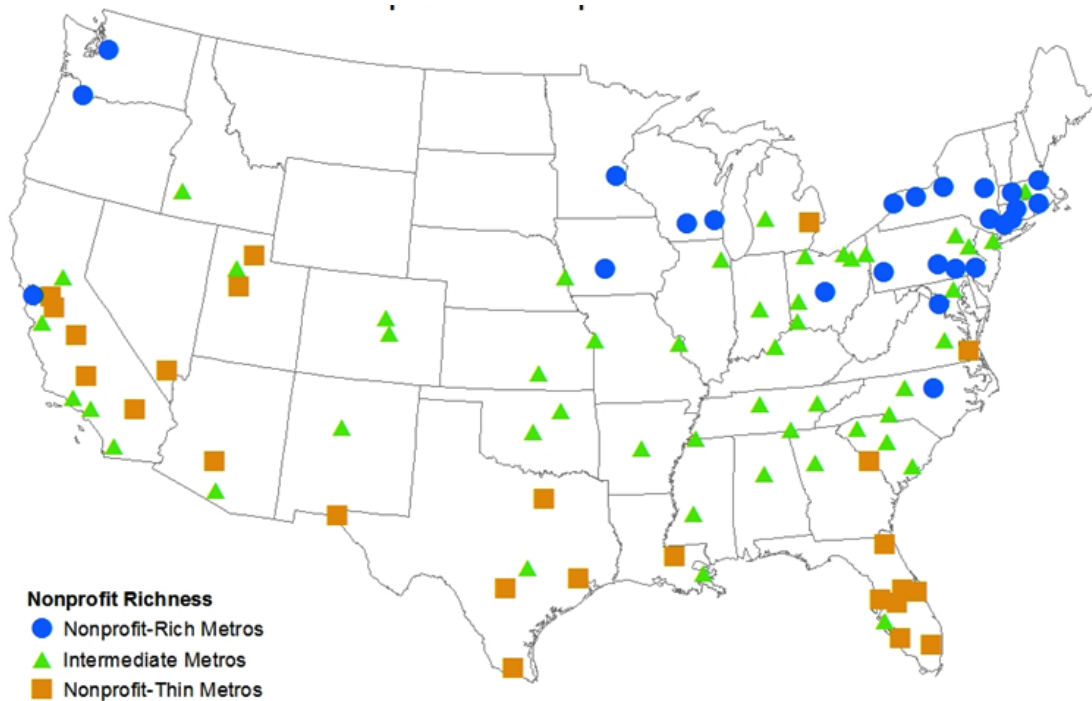

Source: National Center for Charitable Statistics Database 2010 and American Community Survey 2005–2009.

The first thing to point out is that these two categories are geographically quite distinct (figure 2). Nonprofit-rich metros are generally found in the northeast and north central regions and selectively along the Pacific coast. Examples (in the top ten) include Boston, Albany, Minneapolis-St. Paul and San Francisco. Nonprofit-thin metros, however, are consistently prevalent in the south and south west. Examples (in the bottom ten) include Las Vegas, El Paso, Phoenix, and Orlando. The only nonprofit-thin metro in northern tier of states is Detroit.

In both the nonprofit-rich and nonprofit-thin metros, the basic pattern observed above still prevails: densities increase with poverty rates. However, in the nonprofit-thin metros show much less comparative concentration in higher poverty neighborhoods.

FIGURE 3

Nonprofit Density (Nonprofits per 100,000 Population) for Differing Types of Metropolitan Areas
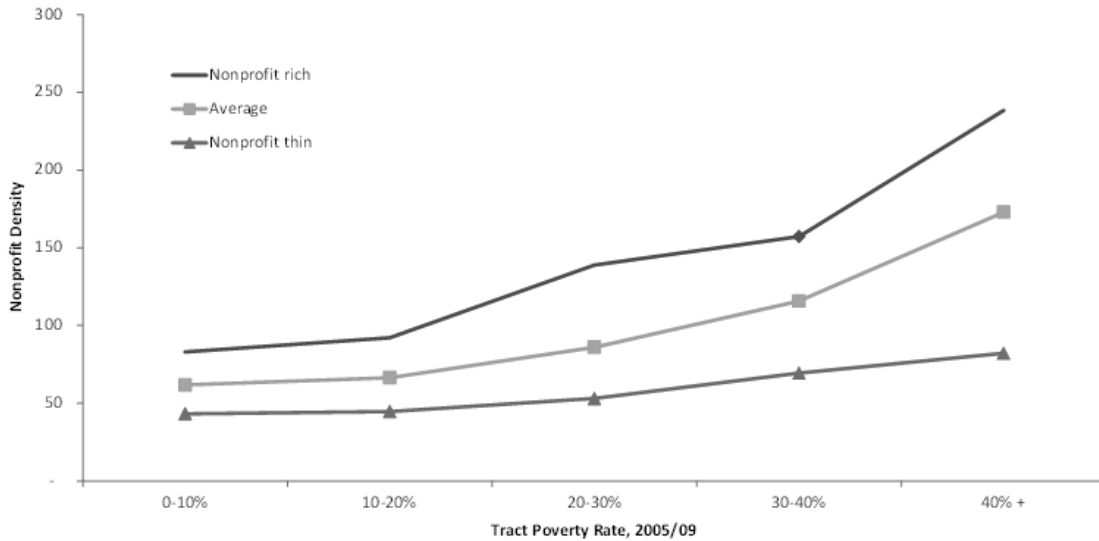
In the nonprofit-rich metros, the nonprofit density in high poverty tracts was 239, 2.9 times the 83 average for the low poverty neighborhoods (figure 3). In the nonprofit-thin metros, the density in the high poverty tracts was 82, only 1.9 times the 43 average for the low poverty neighborhoods in those metros. Thus the higher poverty areas in the weak nonprofit metros were served by slightly fewer nonprofits than the low poverty neighborhoods in the stronger nonprofit metros.

Growth in Community-Oriented Nonprofits, 2002 to 2010

The nonprofit sector has grown dramatically over the past decade. In the 100 largest US metros, the total number of nonprofits expanded from 104,500 in 2002 to 136,300 in 2010, an increase of almost one third (31 percent). The most often cited reason for this growth is the decision by governments at all levels to contract with some types of nonprofits to deliver a much larger share of all public services. However, there has also been considerable growth in the number of nonprofits performing nongovernmental functions; such as private recreation associations and arts groups. Growth occurred in all categories, although the rates of growth varied widely; ranging from a low of 4 percent (Employment and Financial Services) to a high of 45 percent (Community Activities) (table 3). There has been much discussion of the weakening of some of these categories in recent years (such as,

community development), but over the 2002 to 2010 period at least, this took the form of slower growth rates rather than absolute declines. Growth rates of rapidly accelerating subgroups within the most rapidly growing categories were:

- *Community Activities* (45 percent overall): Recreational Clubs (88 percent); Amateur Sports (67 percent); Performing Arts (46 percent); Arts and Culture (41 percent)

- *Education Services* (36 percent overall): Charter Schools (138 percent); Educational Services (e.g., tutoring - 67 percent); Adult Education (50 percent)

- *Public Safety* (34 percent overall): Protection Against Abuse (82 percent); Disaster Preparedness and Relief (60 percent)

- *Human and Emergency Services* (28 percent overall): Personal Social Services (64 percent); Emergency Assistance (48 percent); Food Programs (44 percent)

With respect to spatial variations in growth, it appears that nonprofit growth rates over the past decade were generally most rapid in places with the lowest nonprofit densities in 2010. In other words, the recent growth spurt is acting to reduce the dramatic variations in densities observed earlier in this section.

TABLE 3

Growth (Percent Change) of Nonprofits in America's 100 Largest Metropolitan Areas from 2002 to 2010

	Number (thous.)		%
	2002	2010	change
By Nonprofit Type			
Health Services	9.5	10.5	11
Education Services	20.3	27.6	36
Children & Youth Services	7.9	9.3	17
Employment & Financial Services	2.7	2.9	4
Human & Emergency Services	17.8	22.7	28
Public Safety	4.5	6.0	34
Community Improvement	15.6	19.8	26
Community Activities	26.0	37.9	45
Total	104.5	136.6	31
By Metro Type			
Nonprofit rich	37.3	44.3	19
Intermediate	25.3	34.5	36
Nonprofit thin	16.6	23.3	41
Total	104.5	136.6	31

Table 3 shows this to be the case at the metropolitan level. The number of nonprofits in the nonprofit-thin metros grew by 41 percent from 2002 to 2010, more than twice the 19 percent rate for the nonprofit-rich metros. This has reduced the difference, but the gap is still substantial. The number of nonprofits in the nonprofit-rich metros grew from 37,300 to 44,300 while that in the nonprofit-thin metros increased from 16,600 to 23,300, still only just over half the total in the top quartile.

The changes in nonprofit densities by census tract poverty category are shown in table 4. Here too, growth was reducing previous variations in density. From 2002 to 2010, nonprofits in the lowest poverty tracts grew by 37 percent compared to only 16 percent in the highest poverty tracts, where the density was 2.8 times the low-poverty category in 2010.

Among the categories, the Education group stands out because growth rates were not only high, but fairly uniform across poverty levels (in the 34 to 41 percent range). The Employment and Financial Services group was unusual in that it had a high growth rate in the 30 to 40 percent poverty range (11 percent) but low growth in the lowest poverty category and (actually declining slightly in the highest poverty rate category).

But in all of the other nonprofit categories, the pattern was more consistent, with faster growth in more affluent census tracts. Health Services exhibited comparatively low growth at all ranges with rates dropping from 14 percent for tracts with less than 10 percent poverty rate category to only 2 percent in the high-poverty category. In contrast, the Community Activities group grew more rapidly everywhere, but with a similar pattern; rates dropped from 52 percent in the 0 to 10 percent poverty category to only 27 percent in the 40 percent and above category. Even the community improvement group was growing faster in better-off areas; rates dropping from 34 percent in the 0-10 percent poverty category to 15 percent in the 40+ category.

TABLE 4

Growth (Percent Change) of Nonprofits in America's 100 Largest Metropolitan Areas from 2002 to 2010 by Type and Tract Poverty Rate

	Tract Poverty Rate, 2005/09					
	Total	0-10%	10-20%	20-30%	30-40%	40% +
Total	31	37	28	23	19	16
Health Services	11	14	12	6	6	2
Education Services	36	35	34	41	38	35
Children & Youth Services	17	25	13	9	9	7
Employment & Financial Services	4	7	3	0	11	(1)
Human & Emergency Services	28	34	25	23	19	15
Public Safety	34	38	35	27	22	17
Community Improvement	26	34	29	19	12	15
Community Activities	45	52	39	36	34	27

Implications

We believe the findings reported above are plausible - consistent with our expectations about the way different types of nonprofits are likely to behave. As noted, we find no reason to suspect the

limitations of the NCCS file noted by McDougle might cause any systematic bias that would counter them. In fact there are reasons to suspect that two of them (incorrect addresses and PO boxes) might be less prevalent among community oriented nonprofits we have analyzed than the other types we have excluded.

Nonetheless, we recommend further testing of these hypotheses. The types of verification and supplementation performed by McDougle should be carried out in a sample of urban areas, with results reported for the specific categories of nonprofits we have used in this analysis so they can be compared.

In our view, however, it would be wrong to recommend that such verification be performed everywhere before NCCS data can ever be used in locational research. Doing so would unreasonably curtail the use of a remarkably valuable resource. That type of verification is extremely expensive, whereas the direct analysis of a reasonably structured NCCS file can be performed at a very low cost. The idea in such work at all levels should be to use the NCCS file first for exploratory analysis and then do additional verification and supplementation only where it is shown to be necessary.

The main findings reported here indicate that community-oriented nonprofits tend to be locationally concentrated in low-income neighborhoods. Further, the numbers of such nonprofits is growing rapidly everywhere, and they are still growing solidly in distressed neighborhoods, if not as rapidly as elsewhere. We believe this provides a strong motivation for further research and policy analysis related to our central interest: how the density and mix of nonprofits in a neighborhood can play a role in neighborhood improvement.

Appendix A. Data Sources and Definitions

Guide to Using NCCS Data. Definitions and descriptive materials needed to understand the National Center for Charitable Statistics data set as used in this report are provided in this Guide (National Center for Charitable Statistics, 2013, found at http://nccs.urban.org.)

The first section of this Guide introduces IRS Forms 990 and the NCCS databases. The second section goes in depth to define the financial data that are provided on these files. Section three explains the system by which nonprofits are classified as to function: the National Taxonomy of Exempt Enterprises (NTEE), and the fourth section reviews other NCCS definitions (public charities and private foundations; operating, supporting and mutual benefit public charities; non-reporting organizations and zero-filers; and out-of-scope organizations).

Much of the data can be accessed via the NCCS Table Wizard which can be found on the web at http://nccsdataweb.urban.org/nccsTools.php.

Classification of "Community Oriented Nonprofits." As noted earlier in this section, we classify nonprofits in this report as community-oriented or not using a scheme adapted from one developed by Blackwood and Pollak (2009). The subcategories that are included as community-oriented are identified specifically in table 1.1 with NTEE codes as selected from the full NTEE system presented in the Guide cited in the paragraph above.

In this classification, the following major NTEE categories were excluded entirely: D-Animal Related; G-Diseases, Disorders and Medical Disciplines; H-Medical Research; Q-International, Foreign Affairs; T-Philanthropy, Voluntarism and Grantmaking Foundations; U-Science and Technology; V-Social Science; W-Public and Societal Benefit; X-Religion Related; Y-Mutual and Membership Benefit; and Z-Unknown.

Summary of Nonprofit Categories Influencing Community Conditions and Change

1.0 HEALTH
1.1 Health - General
E30 - Ambulatory & Primary Health Care
E40 - Reproductive Health Care
E50 - Rehabilitative Care
E60 - Health Support
E70 - Public Health
E92 - Home Health Care
E99 - Health Care N.E.C.
1.2 Mental Health
F20 - Substance Abuse Dependency, Prevention & Treatment
F30 - Mental Health Treatment
F40 - Hot Lines & Crisis Intervention
F50 - Addictive Disorders N.E.C.
F60 - Counseling
F70 - Mental Health Disorders
F99 - Mental Health & Crisis Intervention N.E.C.

2.0 EDUCATION
B20 - Elementary & Secondary Schools
B30 - Vocational & Technical Schools
B60 - Adult Education
B70 - Libraries
B90 - Educational Services
B99 - Education N.E.C.

3.0 CHILDREN & YOUTH ACTIVITIES & SERVICES
O20 - Youth Centers & Clubs
O30 - Adult & Child Matching Programs
O40 - Scouting
O50 - Youth Development Programs
O99 - Youth Development N.E.C.
P30 - Children & Youth Services

4.0 EMPLOYMENT & FINANCIAL TRAINING & COUNSELING
J20 - Employment Preparation & Procurement
J30 - Vocational Rehabilitation
J40 - Labor Unions
J99 - Employment N.E.C.
L82 - Housing Expense Reduction Support
P51 - Financial Counseling

5.0 HUMAN SERVICES & EMERGENCY SUPPORT
P20 - Human Service Organizations
P40 - Family Services
P50 - Personal Social Services
P99 - Human Services N.E.C.
K30 - Food Programs
K40 - Nutrition
K50 - Home Economics
K99 - Food, Agriculture & Nutrition N.E.C.
L30 - Housing Search Assistance
L40 - Temporary Housing
P60 - Emergency Assistance
P70 - Residential Care & Adult Day Programs
P80 - Centers to Support Independence Specific Populations

6.0 PUBLIC SAFETY
6.1 Public Safety - Crime Related
I20 - Crime Prevention
I30 - Correctional Facilities
I40 - Rehabilitation Services for Offenders
I50 - Administration of Justice
I60 - Law Enforcement
I70 - Protection Against Abuse
I80 - Legal Services
I99 - Crime & Legal-Related N.E.C.
6.2 Public Safety - Disaster Preparedness & Other
M20 - Disaster Preparedness & Relief Services
M40 - Safety Education
M60 - Public Safety Benevolent Associations
M99 - Public Safety, Disaster Preparedness & Relief N.E.C.

7.0 COMMUNITY IMPROVEMENT
7.1 Community Improvement - General
S20 - Community & Neighborhood Development
S30 - Economic Development
S80 - Community Service Clubs
S99 - Community Improvement & Capacity Building N.E.C.
C20 - Pollution Abatement & Control
C40 - Botanical, Horticultural & Landscape Services
C50 - Environmental Beautification
C60 - Environmental Education
C99 - Environment N.E.C.
7.2 Community Improvement - Housing
L20 - Housing Development, Construction & Management
L50 - Homeowners & Tenants Associations
L80 - Housing Support
L99 - Housing & Shelter N.E.C.

8.0 COMMUNITY ACTIVITIES
8.1 Arts & Culture
A20 - Arts & Culture
A40 - Visual Arts
A60 - Performing Arts
A70 - Humanities
A80 - Historical Organizations
A90 - Arts Services
A99 - Arts, Culture & Humanities N.E.C.
8.2 Sports & Recreation
N20 - Camps
N30 - Physical Fitness & Community Recreational Facilities
N40 - Sports Associations & Training Facilities
N50 - Recreational Clubs
N60 - Amateur Sports
N99 - Recreation & Sports N.E.C.

Within the other major categories, the following subcategories were excluded: Support functions 01-19 (in all major categories); A30-Media and Communications; A50-Museums; B40-Higher Education; B50-Graduate and Professional Schools; B80-Student Services; C30-Natural Resources, Conservation and Projection; E20-Hospitals; E80-Health (General and Financing); E91-Nursing Homes; F80-Mental Health Associations; K20-Agricultural Programs; N70-Amateur Sports Competitions; N80-Professional Athletic Leagues; P60-Travelers' Aid and Victims' Services; P70-Residential Care; P80-Centers to Support the Independence of Specific Populations; S40-Business and Industry; and, S50-Nonprofit Management.

Appendix B. Pathways to Influence Hypotheses

Community development practitioners generally consider nonprofits located in a neighborhood to be assets. But it should be useful to consider how such assets may actually work to influence neighborhood conditions. These pathways to influence can either be direct or indirect.

Direct Versus Indirect Benefits

Direct effects arise from nonprofit programs intended to directly benefit the residents or physical environment of the neighborhood where they are located; for instance, a health clinic providing care to neighborhood residents, a CDC building a new housing project in the neighborhood.

We expect that a neighborhood in which a sizeable number of nonprofits are located is likely to be receiving substantial *direct benefits* from those nonprofits. However, as pointed out earlier, the fit will be an imperfect approximation at best since the service areas of those nonprofits are unlikely to match neighborhood or census tract boundaries in a precise way. A nonprofit located in a neighborhood may well be serving residents in some surrounding neighborhoods as well (including having branch offices there). And the possibility must be recognized that some nonprofits do not directly benefit the neighborhoods in which they are located at all; that is, they serve other parts of the city.

The early studies of nonprofit locations in urban areas suggested that nonprofit service recipients were unwilling to travel very far to receive services, implying that direct benefits in the immediate neighborhood might be most intense. Wolpert (1993), for example, portrayed the nonprofit sector as community based, operating in geographically-restricted areas. Bielefeld, et al, (1997) report statistical associations showing that nonprofits are most influenced by factors closest to their locations. These assumptions may no longer be as valid as they once were, however, as nonprofit growth has recently accelerated in the suburbs where accessing services at greater distances is more commonplace even for lower income populations.

Nonprofits also can confer substantial *indirect benefits* to the neighborhoods in which they are located, regardless of the location of their service areas. These benefits can be economic or social:

- Nonprofits provide job opportunities, some of which may be made available to neighborhood residents, and which will strengthen the regional economy.

- Nonprofits purchase some types of supplies and services from other neighborhood businesses and employees of the nonprofits spend money in neighborhood shops and restaurants.

- The managers and other lead staff of the nonprofits bring linkages to outside institutions and civic leaders that can be taken advantage of to strengthen the neighborhoods own linkages to outside supports.

- Some of the managers and other lead staff of the nonprofits have valuable skills and may participate on a voluntary basis (as leaders and workers) in neighborhood improvement efforts.

- Organizations may serve as a gathering place that connect neighbors and builds social capital and a sense of community.

Variations in Types of Direct Benefits

Expectations about how our eight categories of nonprofits confer direct benefits on neighborhood vary depending on variations in the way they perform their core functions, discussed earlier.

The services nonprofits (categories 1-5) all work directly with individuals and families to improve their circumstances. Although other factors (such as characteristics of the regional economy, culture, etc.) also have important influences on outcomes, we would expect that an ample representation of service providers in or near a neighborhood should contribute to improved performance for its residents in each area (better health, better education, etc.).

Some of these services are much more focused on needs of lower income families than others, so we would anticipate those categories to have higher densities in higher poverty neighborhoods. The category most focused on the needs of the poor is probably the Human and Emergency Services group (5), followed by Employment and Financial Services (4). At the other extreme, nonprofits in Health (1) and Education (2) may serve families in all income groups though subsidy programs should skew their service to low income families. For the latter two, then we would expect a much flatter curve with densities only somewhat higher in high poverty neighborhoods than in lower poverty areas.

It seems likely that the curve for the children and youth services group might fall somewhat in between.

The goal of the nonprofits in the next two categories is explicitly to improve conditions in the neighborhood: Public Safety (6) and Community Improvement (7). If they are adequately represented and do their work well, we would look for effects in indicators like reduced crime rates, for the former, and a series of measures of community wellbeing for the latter (such as reductions in housing deterioration and improvements in property values).

Many of today's community development programs also work to support and motivate better service provision and, where they do, CDCs and other nonprofits operating these programs may also be partially responsible for changes in health, education, employment-linkage and other indicators on the "people-side." Both of these categories emphasize improvement to conditions in distressed neighborhoods, so we would expect their locational densities to be much higher in those neighborhoods than elsewhere.

Of all of these categories, the final one, Community Activities, is most likely to take advantage of initiative and leadership of the residents. It includes a broad range of endeavors in arts, culture, sports and recreation. One might expect high densities of these nonprofits to be reflective of strong resident networks and social capital. Here, one would expect that low-income groups would not be dominant. Densities in low poverty neighborhoods might be as high, or higher, than in high poverty neighborhoods

Notes

1. NCCS data were supplemented by local data on nonprofit religious institutions, but data on other types of organizations as in the Roman and Moore study were not included.

2. Organizations not included in NCCS because they do not have to file IRS returns include all with gross annual receipts below $25,000, and most churches and other religious institutions.

3. Even the zip-code level would be too large a scale to meet our purposes. Zip code areas vary dramatically in size but most are so large that there can be substantial variations in neighborhood conditions within them.

4. In fact, since there are good reasons to believe that nonprofits with multiple service locations are likely to be community-oriented and they are likely to want their additional locations placed where they can better serve populations in need, correcting this shortcoming would probably reinforce our main finding on higher nonprofit densities in low-income neighborhoods.

5. The scheme is adapted from the approach developed by Blackwood and Pollak, 2009. The full name of the function classification system is the National Taxonomy for Exempt Entities-Core Codes system (NTEE-CC). See discussion in Appendix A.

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