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Challenges in Assessing the Scope and Dynamics of the Nonprofit Sector

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How many nonprofits operate in your community? How many closed during the pandemic? These questions are not as easy to answer as you might think. Production of demographic data for the nonprofit sector has been a challenge for nonprofit researchers. Scholars frequently rely on administrative records, but they sometimes make leaps without evaluating the shortcomings of their data. Our exploration documents the challenges researchers should confront when they seek to produce accurate demographics of the nonprofit sector. We compare administrative records and lists (core files, full Form 990 digitized, Business Master Files) with online footprints (news, websites, state records) to account for the variety of ways that living organizations get mislabeled as dissolved. We urge researchers to approach administrative lists critically when using them to paint pictures of community ecology.

Keywords: Community Ecology, IRS Records, Administrative Data

Introduction

This is a cautionary tale. We frequently see researchers using administrative records to document, measure, or evaluate the scope of nonprofit organizations in a community. We like the idea. However, our efforts on this front uncover a variety of shortcomings in the data that researchers need to confront. In this paper, we document our experience and outline how the presence or absence of organizations in administrative lists are not always reliable indicators of their active presence or absence in our communities.

Nonprofit organizations can be found in every municipality in the United States. They provide avenues for civic engagement, deliver services, propagate local culture and values, and allow communities to remake themselves (Frumkin, 2002). The number of organizations in a given space, their resources, growth, decline, competition, and collaboration are basic to assessments of scope, scale, behavior, and impact of community organizations. Paarlberg and Hwang (2017) make this point explicitly, pointing to population ecology, network, and institutional arguments regarding the density and legitimation of organizations in U.S. counties. They rely on the only consistent source of counts of U.S. charities: those that register with and report to the Internal Revenue Service (IRS). Indeed, federal government data provides the foundation for scholarship on the ecology of nonprofit organizations in the United States.

In this paper, we document challenges to the reliability of this data in assessing nonprofit organization ecology. By *ecology*, we refer to the teaming milieu of organizations in a

particular field or space. Populations of organizations grow and decline through a churn of foundings and closures. They collaborate and compete in a community space, or at least in a particular niche of that community. Scholarship that describes or assesses the scope and dynamics of a field helps us to understand its ecology (Hannan & Freeman, 1988; 1989). In this paper, we are principally concerned with efforts to document the counts of nonprofits in a given time and space, especially the difficulty of documenting which organizations have left that space. Our goal is to encourage care by nonprofit sector scholars who rely on administrative data to study the scope and dynamics of the nonprofit sector. Other efforts have raised healthy questions about the accuracy of key information reported in annual regulatory reports (Qu et al., 2020; Trussel, 2003). While the issue of data accuracy persists, our current inquiry focuses on gaps in using U.S. regulatory reports to assess the scope and churn of organizations, which we consider an ecological issue. Our interest in this question grew from two roots, both of which began as unassuming questions that blossomed into more difficult ones. The first concerns the number of organizations in the sector over time, and the second concerns the reliability of counting (or discounting) organizations that stop operating.

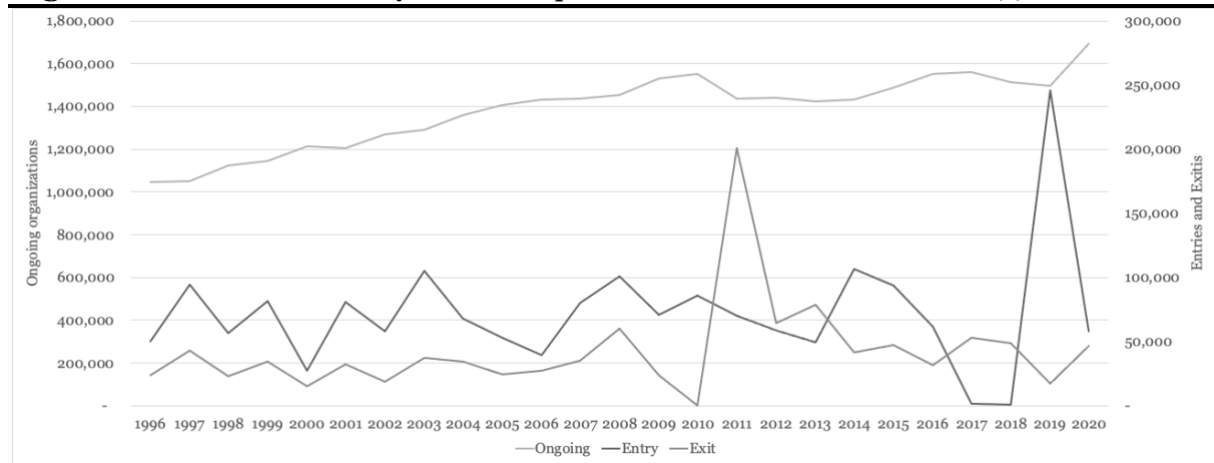
First Root: Numbers of Organizations

The most well-developed scope-of-the-sector assessments in the United States have been published by Grønbjerg (e.g., Grønbjerg & Kurt, 2021; Grønbjerg et al., 2021), who provides careful detail on operations of nonprofits in Indiana. Perhaps more vital, however, is that project's lessons on the challenges of relying on incorporations and state and federal registrations and filings for an accurate count of nonprofit organizations. Grønbjerg et al. (2010) document that nearly a third of Indiana nonprofits are registered with the state but not with the federal government (i.e., the IRS), sounding an alarm that reliance on federal registrations provides a badly biased view of the sector. That is a lesson that should be front-of-mind for scholars who rely on federal data for assessment of community ecologies.

However, researchers under demands to publish quickly (among other things) may rely on existing administrative data available even when the quality of this information is limited. Some states make their lists of nonprofits publicly available, but they vary in what they collect and distribute. This complicates national (or state comparative) pictures of nonprofit ecologies. We could identify no efforts to assemble state reports for a full national (U.S.) picture of foundings, ongoing counts, or failure of nonprofit organizations. Rather, ecological summaries typically rely on federal data. Prevailing national snapshots rely on regular reports from the Urban Institute (2022a), which in 2019 last reported 1.54 million federally registered nonprofits, but only around 533,000 are required to report details on their activities to the IRS. Their occasional counts provide the beginnings of an ecological assessment of the sector but do not illuminate the evolution of organizational populations over time or the churn of foundings and dissolutions that characterize any count. To our surprise, we could identify no descriptive time-series on U.S. public charities built from federal lists. Colleagues urged us in a predictable direction: Build your own series from public charities documented in annual IRS Business Master Files (BMFs). We noted Grønbjerg's important caveat that these counts overlook organizations without federal registrations, but the project provided a basis for documenting other limitations of the list.

Figure 1 provides the result of this data exercise. The Urban Institute's National Center for Charitable Statistics warehouses periodic extracts of charitable organizations listed in the IRS BMF (Urban Institute, 2022b), which we were able to access through their public links. We downloaded the latest abstract for each year from 1995 to 2020 and matched organizations by Employer Identification Number (EIN). By comparing year-over-year, we classified organizations into three categories: (i) *entries* that appear in the BMFs for the first time, (ii) *ongoing* organizations that were listed in previous years, and (iii) *exits* that fall out of subsequent BMFs. Figure 1 graphs these time series. The column on the left (primary axis)

Figure 1. Statistical Summary of the Nonprofit Sector in the U.S. Between 1996 and 2020



indicates the number of *ongoing* organizations, while the column to the right (secondary axis) indicates the number of *entries* and *exits*.

Figure 1 suggests a dynamic nonprofit sector. For example, in 1996, we observe about 50,000 new organizations that were not in the 1995 file (*entries*), 1.05 million organizations that continued from 1995, and more than 23,000 organizations that were in the 1995 file but not in the 1996 file (*exits*). For 2020, we observe more than 58,000 entries, bringing the 2020 total to the familiar 1.75 million organizations, excluding the 46,000 that fell out of the 2019 file.

Figure 1 documents both growth and degree of churn (creative destruction) over the past two decades but also highlights several data quality questions. The analogy of *creative destruction* comes from Schumpeter (1942/1975) who proposes that organizational change in industries may come from disruptive and discontinuous trends fostering innovation and dismantling existing practices. In other cases, population changes seem to result from administrative decisions. For example, see in Figure 1, what should we make of the spike in exits and decline in the number of nonprofits in 2011? This is almost certainly an artifact of the IRS decision to purge organizations that failed to file Form 990 over a period of several years, the ‘auto-revocation’ event (Lu et al., 2020). This decision improved the data by removing dead organizations from the roster but also harmed it by removing nonprofits that were simply delinquent in their filing. In any case, any ecological snapshot based on administrative data will be subject to such history.

Indeed, this example highlights a thorny issue in documenting the ecology of nonprofit organizations: Knowing whether they are truly alive or dead. This challenge is not only associated with the availability and quality of administrative records but also with the diversity of livelihood status that nonprofits might experience. We take up this issue next.

Second Root: The Livelihood Status of Organizations

Assuming one could compile a full national list of nonprofit organizations, a second problem presents itself. In the last decade, the use of administrative information to study the demographics of the nonprofit sector has been popular. Most studies have used financial information reported by nonprofits in Form 990 to study the financial capacity and growth of the sector (Chikoto & Neely, 2014; Lecy & Van Slyke, 2013; Paarlberg et al., 2018). Other researchers have even explored IRS listings to study nonprofit *exits*, or at least *exits off* the IRS radar. For instance, Lu et al. (2020; see also Park et al., 2021, or even Hager, 2001) used

a list of nonprofits that had not filed Form 990 for three consecutive years as a proxy for dissolution. We believe this assumption highlights problems endemic to administrative data.

Some other studies have gone the extra mile and combined administrative information with surveys or interviews with members or former members of organizations to shed light on the status of registered nonprofits. For instance, Garrow (2015) combined administrative information with primary and secondary sources to determine whether an organization was active or disbanded. As Searing (2020) notes, this is a rabbit hole that uncovers ‘living’ organizations with no activity (zombies), organizations that fully change their mission and direction (reincarnation), and organizations that close and later return to operation (resurrection). Case analysis of closed organizations that still appear on active lists, or living organizations that escape these lists, provide lessons on the messy fringe of community ecologies. Scholars of nonprofit demography ignore this messiness at their peril.

Our goal in this section is to document our efforts to explore this fringe, including documentation of the variety of livelihood statuses for nonprofit organizations. When we see counts, we might ask what is missing. When we see organizations labeled as *alive* or *dead*, we might inquire about the lengths that researchers went to document an organization’s status. We focus on *exits* because this determination has been identified as problematic in previous studies of sector dynamics (Helmig et al., 2014; Searing, 2020). Our effort to raise your concern on these counts follows.

Exploring Operational Status

Our inquiry started in 2003 when we sampled 3,000 public charities from a population of 214,995 IRS Form 990 filers in 2000 (Hager & Brudney, 2004). The focus of the original project was on volunteer management; the current research re-approaches the sample with an eye toward exploring the dynamics of the nonprofit sector. The volunteer administration project meant to exclude grantmaking foundations, so 7 sampled organizations that crept into the initial sample were removed. The remaining 2,993 subjects were drawn within expenditure and subsector strata. Princeton Survey Research Associates, a professional research firm, tried to track down and call all of these. They were able to verify that 73 organizations identified as ‘closed,’ but many others fell into a gray space between life and death. More than 230 others defied initial contact, including 92 with a disconnected phone and 47 that never picked up the ringing phone. We might assert that 12% of organizations had ceased operating between filing their Form 990 in 2000 and awaiting our call in 2003, but this assertion would be a leap of faith. Nearly a decade later, we looked to see how many of these 310 organizations ‘presumed dead’ in 2003 had filed a Form 990 in 2006, 2007, or 2008. As it turns out, most of them showed signs of life: 191, or 62%. Presbyterian Elders in Prayer, in Kansas City, had an October 2009 newsletter online. River Vale PTA, in New Hampshire, was alive at a working URL, but operating under a new EIN. Clearly, establishment of the operating status of nonprofits can be a challenge.

The original sample of 2,993 nonprofits received new attention in our current inquiry. We should underline that our study organizations are drawn from Form 990 filers. We concentrate our analysis on such organizations since they are trackable in administrative records. Nonetheless, we recognize that concentrating on this group only captures the experiences of Form 990 filers and not all charities. What’s more, since we drew our study sample from the list of Form 990 filers in 2000, our analysis includes organizations that were created before or in 2000. Our study does not include newer organizations (those created after 2000).

Relying on our BMF time series (described above), we identified 733 of 2,993 organizations that fell out of the BMF between 2000 and 2020. If we assume that absence from administrative lists is indicative of closure (an assumption that runs through the

Table 1. Datasets Used for the Analysis

Dataset	Description of the Dataset	Period Available/ Under Study
Business Master Files (BMF)	List of nonprofits that are recognized as tax-exempt entities by the IRS. Focus on identifying information.	2000 to 2020
Forms 990 digitized of electronic filers	List of nonprofits that submit the electronic version of Form 990 or Form 990-EZ. Provides information on most of the sections reported on Form 990 and Form 990-EZ.	2012 to 2017
The cumulative list of Form 990-N (e-postcard) filers	List of nonprofits that submit Form 990-N (e-Postcard), which is the requirement for most small tax-exempt organizations. Focus on identifying information.	2007 to 2020
Core files	List of nonprofits that submit either Form 990 or Form 990-EZ. Provides basic financial information for the period 2000 to 2011, and several Form 990 sections starting in 2012.	2000 to 2017

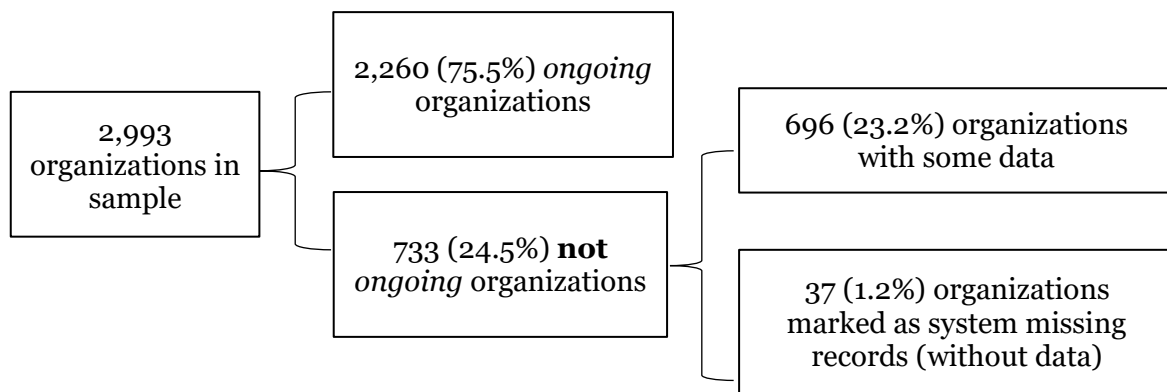
organizational population ecology literature), then approximately 24% of charities churned out of the sector over a period of two decades. How accurate is this assumption?

We explored four data sources to triangulate information about the current state of the nonprofits in our probe. We used information from i) Business Master Files from 2000 to 2020, ii) Forms 990 digitized from 2012 to 2017, iii) the cumulative list of Form 990-N (e-postcard) filers from 2007 to 2020, and iv) Urban Institute core files from 2000 to 2017. At the time of our analysis, data from Form 990 digitized and core files were not available for 2018 and subsequent years; consequently, the analysis of core files ends in 2017. We download BMFs, core files, and Forms 990 digitalized from Urban Institute (Urban Institute, 2022b; 2022c). The cumulative list of nonprofits that submitted Form 990-N (e-postcard) was available for download from the IRS website (IRS, 2022a).

In the following sections, we describe our process for studying the current disposition of cases of organizations that were presumably alive in 2000. As we proceed with the analysis of data, we present assumptions regarding the activity or inactivity of these nonprofits. No assumption stands by itself: We present a narrative of the pieces of information we found and how we interpreted each piece.

Business Master Files

First, as is common in nonprofit scholarship, we started with the BMFs. This is a publicly available list of federally recognized nonprofit organizations in the United States. If an organization terminates or fails to submit annual reports for three consecutive years, it is no longer listed. The list of tax-exempt organizations is provided to the public by the IRS (IRS, 2022b). As described above, we compiled a longitudinal file of BMF filers; this provided us a basis to infer the status of organizations that fell out of this listing.

Figure 2. Disposition of Cases Based on Business Master Files from 2000 to 2020

We created flags to identify which of our 2,993 study organizations entered or left the longitudinal BMF file. For each year, we created a *demographic* variable and assigned 1 for *entry*, 2 for *ongoing*, 3 for *exit*, and 4 for *post exit*. *Entry* means organizations that entered the dataset with a unique employer identification number (EIN) not used before. We assigned *ongoing* for those organizations that appear on the BMFs for at least two consecutive years. *Exit* means that an organization was not listed on the BMF in a given year. We assigned *post-exit* for the subsequent years that an organization exited the BMFs unless they regained their tax-exempt status.

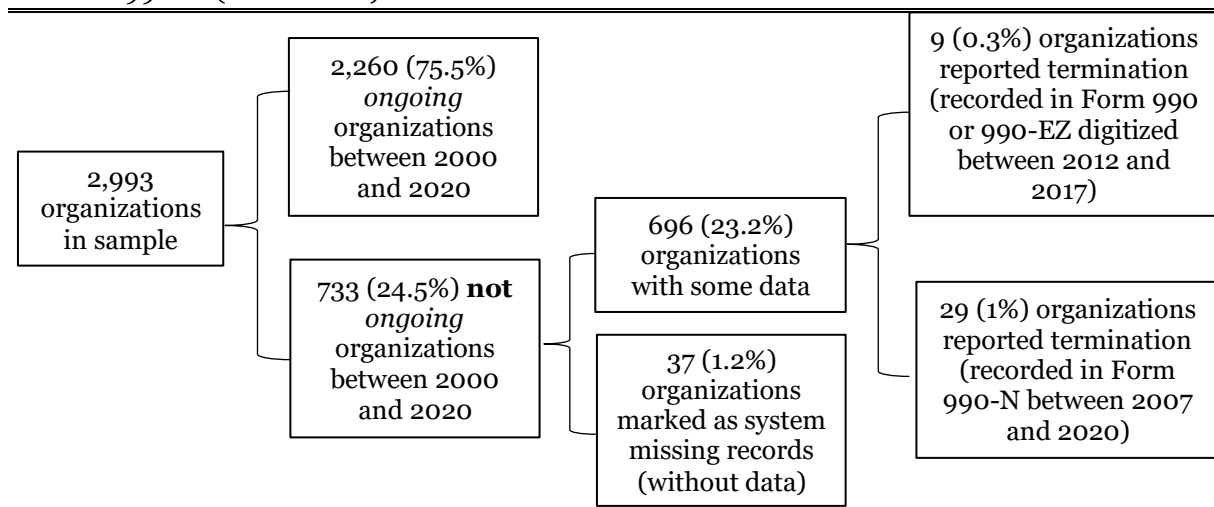
These flags assisted in exploration of the disposition of cases. Most of the organizations *appear continuously* on the BMFs (2000–2020). The IRS has improved its maintenance of the BMF over the last several decades, so we assume that organizations continue *active* if they maintain their tax-exempt status with the IRS through 2020. Of the 2,993 organizations in our sample, 2,260 organizations (75.5%) were continuously listed in the Business Master Files for the period 2000 to 2020. However, organizations with missing entries, especially if they fall off the list and do not return, could be closed, lost tax-exempt status, or are simply delinquent in filing. The other 733 organizations left IRS records some time between 2001 and 2020 (see Figure 2). Out of these cases, 37 organizations never reported activities to the IRS. Although these cases were originally drawn from a list of Form 990 filers, they escaped future federal oversight. These 37 cases might correspond to administrative record issues or organizations that never reported activities to the IRS once they obtained their EIN. We proceed to explore additional information to determine the fate of the remaining 696 records.

Reported Termination: Form 990 Digitized and Form 990-N (E-Postcard)

We explored the instances where nonprofits can formally report termination. At the top left of the front page of Form 990 and 990-EZ, in section B, organizations can check ‘terminated.’ The most current version of the Form reads ‘Final return/terminated’ (IRS, 2022c). Smaller organizations that file Form 990-N (the e-postcard, aimed at organizations with less than \$50,000 in annual gross receipts) can also report termination. Nonprofits that report formal termination are likely to have stopped operations or undergone some form of transformation such as a merger or a change to a for-profit entity. We identified those organizations that marked termination and no longer reported activities under the same EIN.

We identified two datasets where the *termination box* data is digitized and proceeded to verify the validity of this information. The Urban Institute keeps records of Form 990 and 990-EZ digitized from 2012 to 2017. We identified organizations that marked ‘Final return/terminated’ in this file and noted the year. We expected that nonprofits that were closed or on the verge of closing would typically report *termination* in its final Form 990 or

Figure 3. Disposition of Cases Based on BMFs, Form 990 Digitized, and the Cumulative List of Form 990-N (E-Postcard) Filers



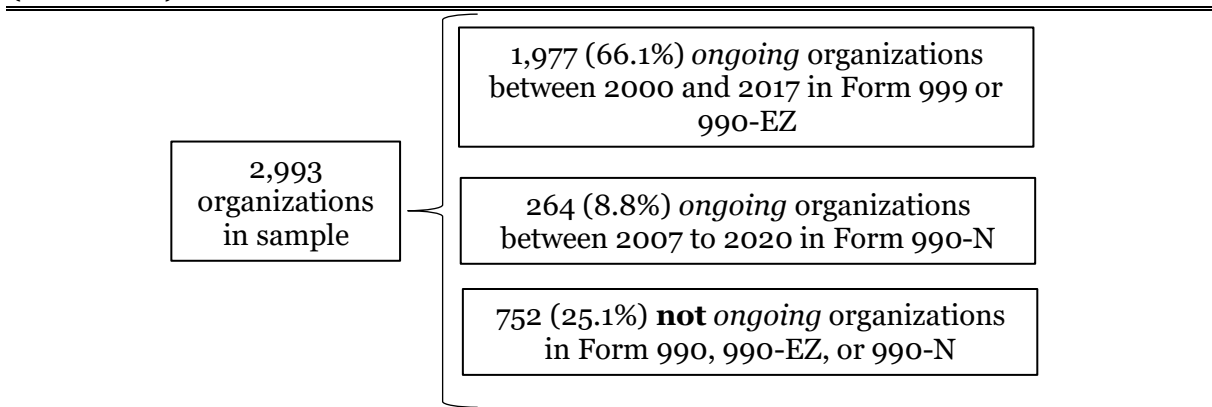
990-EZ. However, this was not the case. Out of the 696 cases in this stage of the probe, only nine organizations formally reported termination.

We presumed that noncompliance was rampant, meaning that organizations ceased operations without bothering to transmit this event to the IRS. However, this also was not the case. Some of these organizations *did* report termination, but this notation is not properly recorded in the digitized files. We can hope for improved capture of data as electronic filings become more universal; For instance, the Nonprofit Open Data Collective (NODC) plans to publish the revised records of electronic filers of Form 990 and 990-EZ digitized from 2009 to 2017 (NODC, 2022). However, even with that advance, our probe will suffer from unreliable data between 2000 and 2008. Moreover, the focus on Form 990 and 990-EZ would not be able to capture reported termination on Form 990-N (e-postcard).

Most small nonprofits report termination in Form 990-N (e-postcard), which is our second source of formal termination information. The IRS publishes the list of nonprofits that filed Form 990-N between 2007 to 2020. This list indicates which organizations marked *termination*. Using this information, we found that 29 more of our study organizations reported termination between 2007 and 2020. Considering the 9 organizations identified in the digitized Form 990 data, we only identified 38 organizations that formally reported *termination* sometime between 2007 and 2020. This means that for only 5% of nonprofits that no longer appear on the BMF were we able to assert termination using the digitized information from Forms 990, 990-EZ, and 990-N (e-postcard). Figure 3 presents the disposition of cases in the datasets used. Our exploration of additional sources of information to triangulate the initial diagnoses of BMFs continued.

Last Place Seen Active: Core Files and Form 990-N

To triangulate the disposition of cases, we look for the administrative records where nonprofits were last active in the federal files. We might assume that nonprofits are active until they no longer file the required regulatory reports. So, we look for the last return submitted by nonprofits to the IRS. We inspected the list of nonprofits on the core files and the list of Form 990-N (e-postcard) filers. We created demographic variables that flagged *ongoing* cases. Following this process, we found that out of the 2,993 cases under study only 1,977 (approximately 66%) reported activities in Form 990 or 990-EZ for consecutive years in the period 2000 to 2017.

Figure 4. Disposition of Cases Based on Core Files and the Cumulative List of Form 990-N (E-Postcard) Filers

Small nonprofits can maintain federal tax-exempt status by submitting Form 990-N (e-postcard). As we described in the above section, the IRS publishes the list of nonprofits that have filed Form 990-N from 2007 to 2020. Out of the 2,993 cases under analysis, we found that 264 organizations submitted Form 990-N sometime between 2007 to 2020. Of these, 29 reported *termination* and 235 did not. Figure 4 reports the disposition of cases as documented from these two exercises.

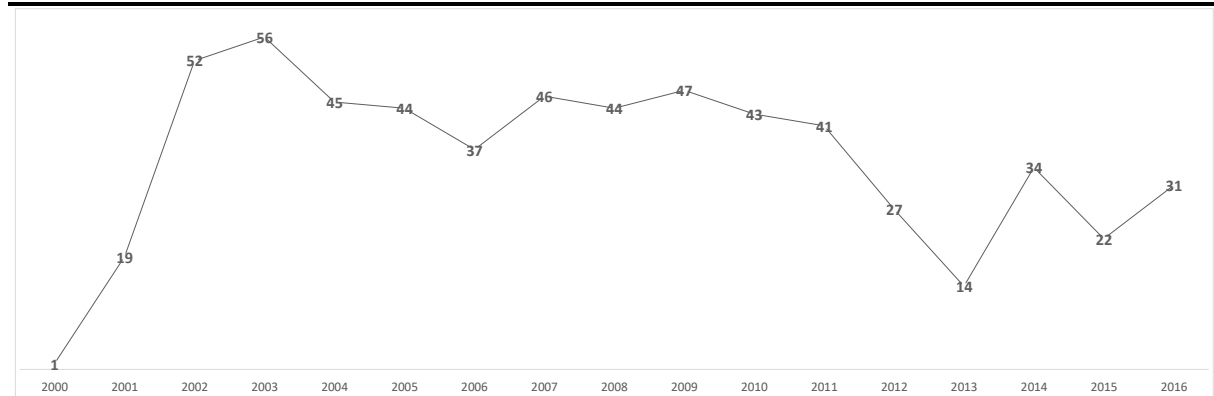
Last Time Seen Active: The Exit Year

While some organizational ecologies rely on single-time snapshots, others (such as our BMF time-series) describe change in populations over time. Based on our exploration of BMF, core, 990-EZ digitized, and Form 990-N files, we sought to assign an *exit year* to the cases under analysis. For each of the processes described above, we create dummy year exit variables: *ExitYear1* for the year that nonprofits reported termination on Form 990-N, *ExitYear2* for the year nonprofits reported termination on Form 990 or 990-EZ digitized, *ExitYear3* for the year nonprofits submitted their last Form 990 or 990-EZ and this is listed on core files, and *ExitYear4* for the year nonprofits last reported activities using Form 990-N. Note that for *ExitYear3* and *ExitYear4* we took the last Form 990 submitted even if organizations did not mark termination or final return.

We compared the different *exit years* and created an *Exit Final* variable with the last year nonprofits reported activities to the IRS. We followed the prevailing assumption that nonprofits are active until they no longer report activities (including organizations that did report termination). In Figure 5, we present the disposition of cases for the period 2000 to 2016. Our analysis runs from 2000 to 2017, but we only present data through 2016 that account for 603 organizations that administratively *exited* the study. We observe that many organizations seem to exit in 2017, but this is a problem of the availability of information we used (particularly core files and Forms 990 digitized that are only available until 2017). These organizations have probably stopped reporting activities to the IRS between 2017 and 2020. However, core files and Forms 990 digitized for 2018 to 2020 were not available to approximate the year of exit at the time of our analysis. Therefore, we only report the *exit year* until 2016.

Recall that this national sample was drawn based on charities that filed Form 990 with the IRS in 2000. The sample included nonprofits of different ages, sizes, and subsectors. We observe that several nonprofits *exit* the records of the IRS around the first three years (2000 to 2003) and then the *exits* slow down, perhaps reflecting the liability of newness. Exits accelerate again in the Great Recession, 2009–2011, reflecting environmental conditions. That

Figure 5. Number of Exit Cases Between 2000 and 2016 in the Sample Under Analysis



these inflection points can be explained by theory and history bodes well for a general longitudinal study of organizational ecologies.

We might stop the explanation here and suggest that we triangulated enough sources of information to approximate which cases *exited* the sample and their year of exit. However, we took one last step: individual inspection of nonprofits marked as *exits*.

Case-by-Case Sleuthing

So far, we have described an effort to document the administrative trajectory of the original 2,993 organizations drawn into the study. The original purpose for drawing the sample was a 2003 survey that drew 1,753 respondents. Of those returning surveys, 399 were out of scope for the inquiry on volunteer administration, leaving 1,354 cases for longitudinal study. Hager and Brudney (2021) endeavored to return to these cases for further study in 2019 and found that only 773 of the 1,354 original respondents continued activities with the same EIN. This means that approximately 581 organizations (or 42%) did not continue activities during the period 2003–2019.

We made this determination through a process we call *sleuthing for internet traces*. An internet survey requires names and email addresses, but these are not readily available in administrative records. Compilation of such contacts requires internet searches and phone calls. Sometimes the sleuthing is easy: Googling of an organization name hits an active web page, leading to an active contact name and working email address. Sleuthing is harder when organizations do not want to be found, websites are out of date, or email addresses are not forthcoming. However, sleuthing is hardest when the operational status of an organization is unknown. Occasionally, an archived website, news story, or call to a former board member will reveal that an organization is closed. Too often, a lack of information or contact left us uncertain of the fate of a given organization. Even with recent Form 990s in hand, internet searches and phone calls left us unable to uncover even generic email addresses for 176 cases.

Exemplary Cases

Previous studies in nonprofit demise and closure have noted that qualitative methods such as case study are useful in assessing the fate of subject nonprofits (Fernandez, 2008, Lena, 2018; Searing, 2020). To assess whether the cases that left the sample actually ended their activities or not, we further explored organizations and carried out two explorations on the suspected cases. The first effort was based on a purposeful selection of cases from the case-by-case sleuthing described above. The second effort explored a random sample of cases that are no longer listed on the BMFs (see Figure 2). We randomly selected 3% of the cases (21 organizations). Based on both explorations, we present eight scenarios that complicate the use

Table 2. Characteristics of Organizations Used as Examples

Org.	NTTE code	State	Ruling Year	Last Form 990 Submitted	Marked Termination
1	Big Brothers, Big Sisters	TX	1967	2003	Yes
2	Ambulatory Health Center, Community Clinic	LA	1946	2015	No
3	Ballet	CA	1982	2009	Yes
4	Parent Teacher Group	AL	1951	2008	Yes
5	Environmental Quality, Protection, and Beautification	MI	2000	2004	Yes
6	Urban, Community	TX	1981	2015	No
7	Emergency Assistance	MD	2003	2017*	No
8	Nursing, Convalescent	CA	1967	2017*	Yes
9	Nursing, Convalescent	PA	1999	2012	Yes
10	Theater	OR	1985	2014	No
11	Hospital	OH	1991	2013	No

of administrative information to study *exits* of nonprofits. We acknowledge that the selection of cases is restricted and may not be statistically representative of the population of nonprofits. The exemplary cases reported have the goal of documenting types of transitions experienced by nonprofits. The characteristics of organizations used as examples are presented in Table 2.

Mergers. We found *mergers*: Most cases correspond to non-surviving organizations in merger scenarios. This finding leads to a conceptual question of whether *exits* from merger processes can be equated to exits due to closure. On paper (Form 990), they look similar. In both cases, they can check the *final return box*, and at least one organization disappears from the rosters. Only when we carefully review the last Form 990 submitted can we distinguish between *exits* associated with closures and *exits* associated with mergers. For instance, Organization #1 marked as final return its last Form 990 submitted (2003) and attached its Certificate of Merger.

Starting in 2008, the IRS requires nonprofits that file Form 990 or 990-EZ to use Schedule N to provide information about disposition of more than 25% of their net assets in event of termination (IRS, 2022d). This means that if they merged and transferred final resources to surviving organizations, they need to report this information in Schedule N and support their claims by providing certified copies of their articles of dissolution or merger (IRS, 2022d). We found cases of organizations that did not include such certificates. Only by reading statements and other clues in the filings could we determine that they merged. This is the case of Organization #2. This organization did not include its Certificate of Merger; it only included a statement in Part III of Schedule N where it mentioned that their administrator and accounting manager would have the *same positions after the merger as before the merger*. We present this as an example of the difficulties in assessing the last statuses of organizations and distinguishing among types of *exits*: mergers (as non-surviving organizations) or dissolutions.

Reincarnations. We also found *reincarnations*. As defined by Searing (2020), nonprofits *reincarnate* when they disband the original organization and create another organization with a similar purpose. This means that an organization looks like an *exit* in the records of the IRS, but in reality, they just dissolved the original organization and obtain a new EIN for the latest organization. This might be as simple as a move from one state to another, where new incorporation requires new organizing documents at the federal level, necessitating a new EIN.

As an example of *reincarnation*, Organization #3 checked the *termination* box in their last Form 990-EZ submitted (2009). They did not attach any certificate of merger or dissolution. We Googled the name and last address of this organization. What we found is a similar organization associated with this address. We searched this name on GuideStar and found a new EIN and new official name. The ruling year of this *new* organization is 2011 and the first Form 990 submitted was 2010. When comparing the purposes of both organizations stated on Schedule O of last and first Form 990, we observed clear similarities in terms of goals and targeted beneficiaries. In addition, we also found that three out of the five board members continued in the *new* organization. It is a reincarnation rather than a termination.

PTA and PTO Cases. A wave of dissolution of *Parent-Teacher Associations (PTA)* and establishment of new *Parent-Teacher Organizations (PTO)* might be considered reincarnation, but it is a special case. The difference between PTAs and PTOs is that PTAs are required to pay dues to the state and national parent organization, while the PTO remains independent to these associations. We documented several cases of dissolutions of PTAs where PTOs were immediately created. For instance, Organization #4, a PTA, checked the termination box in its 2008 Form 990. They attached a Resolution stating that the dues that they annually paid to the National and State PTA would be better utilized in their school system. As a result, they approved the dissolution of the organization. While they did not explicitly mention the PTO re-constitution in the latest Form 990 (2008), we did find an active PTO chapter associated with the school that the PTA used to report to, and a controlling PTO created in 2009. Similar to the *reincarnation* case described above, Organization #4 looks like an *exit* case when casually inspecting the IRS records, but actually, a new and virtually identical controlling organization was created in its place.

Migration. We documented cases of organizations that *migrated*. This is the case of organizations that continued operations but in a different location. Cases included migration within U.S. territory and outside the United States. For instance, Organization #5, an international professional association, marked the final return box in its final Form 990-EZ submitted (2004). In Statement 2, they indicated that assets, liabilities, and their fund balance were transferred to another organization abroad. In the webpage of the society, we found that the operations of the organization effectively transferred abroad around 2004 and that the organization continues to be active.

In the case of migrations, we recognize that such a phenomenon may be marked as *exits* of the community space. This is especially true when researchers study changes at the local or state level. Rather than offering a definitive definition of the phenomenon of migration in nonprofits, we document this event as a way to show the various transformations that nonprofits may experience.

Informal Operations. We also documented cases of nonprofits that *continued informally* without being tax-exempt entities. This includes organizations that once had federal tax-exempt status, but the IRS revoked it. Take the case of Organization #6, which lost its tax-exempt status due to failure to file its regulatory forms; the IRS listed it on the auto-revocation list in 2019. With the help of Google, we triangulated the name and address of this organization and found it with activities in 2020. In our final follow-up of this organization, we also found statements about virtual gatherings due to COVID-19. Operating informally, it flies under the IRS radar.

Transformations. We found *transformations* inside and outside the nonprofit sector. This means that the organizational structure continued but probably with a different purpose or legal requirement. Within the nonprofit sector, we documented cases of conversions from public charities to private foundations. This is the case of Organization #7. Until 2007, this organization, a fund, operated as a public charity, but in 2008 they started to report activities as a private foundation (on Form 990-PF). This was also the case of Organization #8: This

organization filed Form 990 as a public charity until 2007 but in 2008 they reported activities in Form 990-PF as a private foundation.

We documented cases of organizations that disbanded to become *for-profit organizations* or *public/government entities*. While for-profit transformations are harder to corroborate when they skirt regulatory requirements, we found statements of organizations being ‘sold.’ For instance, consider Organization #9, which specified in Schedule N of their final submitted Form 990 (2012) that all assets were sold, and the name of the recipient appears to be associated with a business entity rather than a nonprofit. In a different case, Organization #10 did not mark the final return box in its final Form 990-EZ (2014), but they stopped filing. Consequently, the IRS revoked its tax-exempt status in 2019. What we found by a general Google search using the last reported name and address of the organization was a fully operational theater now under the control of a city. It apparently operates now as a public rather than a private entity.

Controlled Organizations. Finally, we found *nonprofits controlled by parent organizations*. While nonprofits in this group did not necessarily exit the records of the IRS (meaning that they are up-to-date tax-exempt entities), they are somehow lost in the administrative records of parent organizations. This limits the ability of researchers to know about the workings of the organization as a separate entity. This is especially true when nonprofits have been controlled for several years. As an example, consider the case of Organization #11, a foundation. This organization filed Form 990 by themselves until 2013. After that year, another charity controlled the foundation and submitted compiled financial reports of all of its controlled entities under Section 512(b)(13). The organization did not close: It only disappeared under the administrative umbrella of a parent corporation.

Summation

We present the results of multiple exercises in which we triangulate administrative data and online secondary data to determine whether organizations that exited public records closed or continued on. Some of them certainly closed. As documented in the last two subsections, other nonprofits disappear from administrative lists (or out of administrative data files) but are still contributing mission efforts and resources to their communities. From these observations, the main takeaway of this work is an invitation for researchers to carefully assess the quality of the administrative data used to study the dynamics of the nonprofit sector. We present evidence that shows that disappearance from list to list is not necessarily evidence of failure, closure, or dissolution.

To explore the quality of administrative data in assessing the ecology of nonprofit organizations, we triangulated BMF, NCCS core, full Form 990 digitized, and listings of Form 990-N e-post card filers. We used numerous data points to produce a determination of the *exits* of nonprofits from a study sample. We did not stop there: We were curious about the accuracy of our determinations. Consequently, we investigated selected cases to evaluate our initial determinations by comparing administrative information with secondary online data.

The lessons are clear. One, our exploration’s focus on public charities ignores the swath of nonprofits that are incorporated at the state level but do not seek federal recognition (the charitable exemption). These organizations do not appear in the Business Master File because they do not aspire to it. Two, determining whether an organization is alive or dead is not as simple as inspecting lists. We learned that public charities are unreliable in reporting their dissolution to the IRS. Despite clear regulations and guidelines, we suspect that organizations undergoing substantial change (dissolution, merger, or otherwise) have little incentive to comply, and the IRS has little incentive to regulate. The consequence is a fundamental lack of

clarity on how and how many organizations actually disappear from our community ecologies over time.

Rather than preventing the use of administrative data, we hope to re-open existing discussions on the reliance on administrative data while studying the dynamics of the nonprofit sector. Previous studies have proposed triangulating federal and state records to determine the status of nonprofits (e.g., Grønbjerg et al., 2010; Smith, 1997). We also identify online secondary data (e.g., websites) as a useful source of information. Used in conjunction with administrative data, internet traces provide a better understanding of the types of *exits* that nonprofits experience. We hope that researchers can benefit from assessing and exploring data sources to study the ecology of the nonprofit sector. Realistically, such data triangulations may be conducted in subsamples of larger samples and may be oriented to establish estimates of administrative data errors. The research processes mentioned above are time intensive, but they are worthy investments if we value accurate representations of the ecology of the sector.

Regarding federal administrative data, we see promise in using Form 990 digitized files and the listings on small nonprofit filers (e.g., Form 990-N e-postcard). However, there are still several limitations on the accuracy of aggregated data, such as how electronic fields sometimes differ from the information actually reported by nonprofits on Form 990 and its variants. The main contribution of our cautionary tale lies in the emphasis on the limitations of using *only* IRS records and using them uncritically. We propose that researchers complement and triangulate their determinations through a careful investigation of cases. Data limitations and proposals for detailed explorations have been extensively discussed and documented in the nonprofit research field (Grønbjerg et al., 2010; Searing, 2020; Smith, 1997). Such diligence requires time, but a more judicious process will improve studies of organizational demise and our portraits of community ecology. We advocate also for a methodological pluralism in nonprofit sector research. As Searing and Berkovich (2021) argued in their study of nonprofit finance, methodological pluralism is helpful for cultivating stronger theoretical roots and richer practical insights. For the study of the dynamics of the nonprofit sector, we recommend a combination of quantitative and qualitative data and research methods that help to expand our understanding on the different ways nonprofits evolve.

We recommend that the IRS revise the information requested from nonprofits in Form 990 (and its variants). An ideal form would allow nonprofits to report better the transformations they experience. Form 990 only allows organizations to report if the report submitted is *the final return*. This information has limitations for observers who use the forms to document the dynamics of the nonprofit sector. An opportunity for nonprofits to report dissolutions, mergers, and other transformations would be valuable for researchers studying organizational dynamics and decision-makers trying to understand the implications of economic trends and policies in the nonprofit sector.

While our exploration focuses on the *exit* side, several research paths are contingent on the quality and availability of data but are still open for further exploration. First, the research field would benefit from a further discussion on the categorization of terminal phenomena usually characterized as *exits* but that, in reality, apprehends not only closures but also mergers, migrations, rebrandings, reincarnations, etc. Only a handful of studies have focused on this aspect (e.g., Hernandez Ortiz, 2022; Searing, 2020). Second, a typology of *exits* would allow researchers to compare different trajectories of nonprofits and the elements that influence such trajectories, such as size, leadership, and funding. Third, as the data quality evolves, studies of the *exits* of nonprofits will be useful to identify trends and changes in the nonprofit sector at large. Examples of the possibilities are studies on survival expectations, corporatization, and conglomerations. Specifically, efforts have been made around exit and entry rates in the nonprofit sector (e.g., Harrison, 2007; Harrison & Laincz, 2008). Future studies should also explore the characteristics and dynamics associated with the *entry* or

creation of nonprofits. Such explorations would help to have a comprehensive understanding of the ecology of the nonprofit sector.

Disclosure Statement

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