Getting It Right: Verifying the Classification of Public Charities in the 1994 Statistics of Income Study Sample

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Charitable organizations play a vital role in this country. They include health, human services, arts and culture, education, research, and advocacy organizations and range in size from the neighborhood homeless shelter to the largest hospitals and universities in the United States. Because of the wide range of activities, services, and programs, it is difficult to understand the work of the nonprofit sector without a classification system that groups similar charities by purpose, type, or major function. The National Taxonomy of Exempt Entities (NTEE) offers a definitive classification system for nonprofit organizations recognized as tax-exempt under Internal Revenue Code 501(c)(3). The system, developed by the National Center for Charitable Statistics (NCCS), with the guidance of leading nonprofit scholars and practitioners, is used by the Internal Revenue Service to code all new organizations and all the organizations in the annual Statistics of Income (SOI) study sample. It is also used by the NCCS, Independent Sector, the Foundation Center, AAFRC Trust for Philanthropy, and many grantmakers, foundations, researchers, and others working with nonprofit organizations. A description of the structure of the system and a list of the major groups can be found in the Appendix. The complete manual is on the NCCS web site at http://www.nccs.urban.org.

The Service had originally classified the charities using the Standard Industrial Classification (SIC) system, the standard for all Federal government reporting of economic activity. Because the broad SIC codes were not detailed enough to adequately describe the varied activities of the charities, however, the Service developed its own system of Activity Codes to provide the additional information it needed. The Service later added NTEE codes, the system specifically designed for tax-exempt entities, as it became more widely used within the nonprofit sector.

Two major changes in the classification systems used for charities by the Internal Revenue Service occurred in 1999. First, the SIC coding system was replaced by the North American Industry Classification System (NAICS). NAICS, created as a result of the North American Free Trade Agreement, was designed to measure all inputs and outputs for the economies of the United States, Canada, and Mexico. Like SIC, its focus is on economic activity; it does not provide for detailed descriptions of nonprofit activities, services, and purposes. In fact, charities classified under NAICS occupy eleven different (two-digit) major Economic Sectors. Of the 200,465 nonprofit organizations that filed IRS Forms 990 in 1996, there were 68,514 (35 percent) classified in the "Other Services" category in NAICS; these nonprofits are mostly human service providers which serve a vital function in the nonprofit sector.

Second, to provide an appropriate level of detail for IRS needs, NCCS redesigned NTEE and created NTEE-Core Codes (NTEE-CC), a streamlined version of the classification system. The new system was developed at the request of the Service (seeking a smaller and more concise coding system) and the research community (seeking a more consistent system with greater intercoder reliability). Its creation eliminated little-used categories, strengthened the hierarchical nature of the system, aligned it closely with the North American Industry Classification System (NAICS), created full definitions for each category, and developed rules for placing an entity with a particular classification.

The new system is now used by the Exempt Organizations/Employee Plans Division of the Service to classify exempt organizations as they apply for tax-exempt status. Since the use of NAICS is required, the Service dropped its Activity Codes. Starting in January 1999, newly-applying organizations receive both an NTEE-CC classification and a NAICS classification. IRS reports will be completed using the NAICS classifications, as required, but the more comprehensive portrait of the sector will also be available using the NTEE-CC codes.

■ Research Questions

With the increasing use of the NTEE-CC by the Service and in the nonprofit sector, NCCS undertook the task of verifying the NTEE code of each record in the 1994 Statistics of Income (SOI) study sample of 501(c)(3) organizations. The resulting study allowed NCCS to:

❑ test the new NTEE-CC system with a large dataset;

❑ establish a verified dataset for use by nonprofit researchers; and

❑ identify common errors in using the system.

Testing NTEE-CC with a Large Dataset

The SOI file is a weighted sample of 10,980 public charities filing Forms 990 and 990-EZ in 1994. It includes all filing organizations with assets over $10 million (defined as "asset level 7") and a representative sample of all other filing 501(c)(3) organizations, based on asset levels. Though there are other data bases with larger numbers of nonprofit organizations, the SOI file is often used for research, because the data are double-entered and meticulously checked for errors. While the SOI Division and NCCS have participated in a number of studies to check the inter-coder reliability of NTEE codes on the file, no checks of the classifications using outside sources had been completed using such a large or popular dataset.

A test of the new codes and definitions in NTEE-CC, which contains over 475 codes and over 1,000 possible permutations of the 4th digit common code (see Appendix), required a sample file that is large and diverse enough to contain several examples of all available codes and organizations that are large enough to be found in secondary sources like directories of associations and/or web pages. The SOI sample met both criteria.

Creating a Verified Dataset for Research

Verifying the NTEE-CC classifications of organizations in the SOI file was necessary to produce a more accurate file for the research community. Past efforts to correct classifications have met with limited success, as the only information available to coders was the organization name and the often inaccurate IRS Activity Code, a category that the organization self-selects on Forms 1023 and 1024. At the SOI Division, coders had information from an organization's Form 990, but their classifications were never able to be verified because no one else had wide access to those forms.

In addition, definitions of the NTEE codes themselves were problematic. The NTEE existed for almost 15 years without comprehensive definitions. During that period, rules of thumb proliferated among the organizations and agencies that use the system, with serious consequences for the reliability of the system. For example, during the creation of the NTEE-CC, five practitioners, each with at least three full years of experience with the system, used five separate and distinct definitions for "voluntary health organization."

Another problem area was education and health nonprofits, organizations that constitute a sizable proportion of the SOI sample. Although the definitions of major categories for these types of organizations are clear, very fine distinctions in the descriptions of their purposes or activities may affect their placement in one centile level code versus another. For example, the NTEE-CC now has clear definitions of "hospital system" (E21) and "hospital" (E22), but distinguishing between them in practice is more difficult. Different interpretations could easily shift hundreds of millions of dollars of assets into the wrong category.

The use of secondary sources to verify the classification of SOI records permitted us to test the codes and definitions and thereby improve the reliability of the file.

Identifying Common Errors

The last goal of the study was to permanently improve both the codes and the system for coding for the future, not just for the 1994 SOI sample. The lessons learned while working on the 1994 file were transferred in two ways. First, codes for large organizations that were difficult to classify were hard-coded into future SOI files. For example, the Aeneas Venture

Corporation's Form 990 contains little information useful for accurate classification, but a phone call revealed that it is a supporting foundation of Harvard College. That organization will never have to be researched again, correcting an ongoing error. Second, common pitfalls such as the distinction between a retirement home (L22) and a continuing care facility (P75) were explored during the verification. NCCS has now developed prescriptive rules to increase the accuracy of classification.

■ Methodology

NCCS staff created a data base containing the SOI records and all codes that had been assigned on other files and in other verifications, including a major project funded by the Mellon Foundation. The person completing the verification added a new code and noted the source of information. As much information as possible was appended to the file—down to page numbers of individual directories—so that future researchers could replicate and verify the NCCS work. A total of 42 different research tools, from directories to web pages to other government datasets, were used by the verification team.

The verification consisted of three distinct phases. First, sources such as higher education directories and health directories were used to enhance definitions and test the rules for commonly used codes (such as distinctions between day camps for children and bible camps), as well as verify existing codes. The very largest organizations, more than half of the file, were verified in this manner.

Next, smaller organizations were tracked down in secondary sources. Records were found in such sources as listings of Roman Catholic retirement facilities and museums, the Conservation Directory, and Galenet's *Encyclopedia of Associations*. Almost 90 percent of the organizations in the SOI file were verified within these first two phases.

The remaining 10 percent of organizations included several hundred organizations from asset level 7 that could not be located in directories. For example, the Aeneas Venture Corporation required looking at the zip code and the assets-to-expenses ratio in the SOI file.

The organization appeared to be a foundation in support of Harvard or the Massachusetts Institute of Technology. Eventually, a paper trail led to contact with a person who confirmed its status.

The remainder were small organizations that could not be found, including many without phone numbers and with bad addresses. All had low asset levels, and it is possible that they were not even active four years after the date of the sample. Where no information was available, coders again used the name and NTEE codes assigned by other organizations like Independent Sector and the Foundation Center to check the classification, noting that no additional information could be obtained. For five organizations, the original SOI classification of Z—Unknown was not changed.

All told, the project used 42 different methods of verification. Ten coders spent over 1,000 hours of staff time coding and then rechecking the work.[1]

■ General Findings

Intercoder Reliability

In addition to accuracy of codes assigned, it was important that coders working with the same information would apply the same code to a given organization. Reliability among coders working on the project, based on internal checks on work completed, was about 90 percent. The rate approached 100 percent for phase one, over 90 percent for phase two, and just below 80 percent for phase three. As phase three included verification using little or no secondary data, this drop was considered reasonable. In addition, the phase three organizations had few assets, so the impact on the allocation of sector finances was limited. As the historic rate of agreement in classification at the NTEE Major Group level had been 80 percent for the organizations in the whole file, these rates were actually a major achievement and evidence of the improvements in NTEE-CC.

As a further check, the Foundation Center[2] reviewed NCCS classifications of about 1,250 of the largest organizations in the file. They differed with NCCS on only two percent of the codes. On the basis of this project, NCCS is confident that the new structure of the system

will help coders consistently find the same codes, assuming adequate information is available.

Veracity of Classification

For the first time, notes on the sources of information used for classification and an indication of the confidence level of the code have been recorded in a file. About 81 percent of the file was verified with "high confidence." Confidence levels were assigned according to the amount of information available on a given record. The percentage records grows to 88 percent when organizations classified with "high or fair confidence" are grouped. This is a big achievement for a sector that formally used codes based only on information from one Form 990 or very often just the organization name. For the larger organizations, with assets over $10 million, NCCS coded 89 percent with "high" and 93 percent with "high or fair confidence." This is the best classified and most completely documented dataset of public charities ever assembled.

Impact on Portrait of Nonprofits

There were few dramatic changes in the portrait of public charities using the newly verified SOI sample. NCCS did verify that the SOI editors were producing quality codes using a system that, at the time, was less than ideal. The changes made in the file have been documented so that the research community can use the file with more confidence than ever before.

Even more importantly, NCCS concluded that the new NTEE-CC system did not radically change the overall profile of the sector. Table 1 details the NTEE breakout of the SOI sample before and after the verification. As one would expect, the two groups which saw the most change in raw numbers were the largest; P—Human Services (195) and E—Health (142). In terms of percentage change, the table shows that the Social Research (52.9 percent) and Civil Rights (33.3 percent) Major Categories saw the most adjustment. These categories, however, tended to describe relatively few organizations having low assets.

Next, we found that the new system of common codes (see Appendix), which is vital for separating rev-

enue streams, is being used with almost zero error. Last, more than a dozen types of common errors were identified. NCCS will emphasize these areas in training sessions and is planning a guidebook on using the NTEE system to accurately classify the sector.

■ Specific Findings

Relationship between Verified and Original Coding of SOI Sample

Figure 1 illustrates the percentage of codes changed through the verification process for the major groups, and the decile and centile level changes within the major groups, listed by the NTEE major categories (with the exception of "Unknown," which was not included in this analysis). Overall, over 30 percent of the codes at the major group, decile level, or centile level were changed. But the rate of concurrence at the major group level was 81 percent, with agreement approaching 90 percent for the major groups within the major categories of Arts, Education, Environment, and Health. More changes were made in the more detailed decile and centile levels of codes. Other major groups tended to have more changes, particularly International; Public, Societal Benefit; and Religion. Major Group Y—Membership, Mutual Benefit has high and consistent match rates, but only accounted for one percent of the whole sample.

These results are typical of past studies. Organizations in the human services, international, public/societal benefit, and religion categories historically tend to be more difficult to code correctly and consistently, partly because of the very nature of multipurpose charities. For example, the NTEE system is designed to address a number of needs in its classification of organizations that deliver human services. For selecting the correct code for a youth camp that teaches citizenship, a decision must be made about the basis for classification—should it be the services provided by an organization (citizenship education) or the type of organization (camp) or population served (youth)? Should a housing facility for the elderly be classified differently than one for children? With the prescriptive definitions now included in the NTEE-CC, such decisions are no longer up to individual coders, and these organizations will be

more consistently coded in the new system.

Changes in Codes by Major Groups

Table 2 shows the differences in the classification groupings of the charities before and after the verification process. While there was little net change in terms of the number of organizations in any one major group as shown by Table 1, hundreds of code changes within the Major Groups were made. The major groups with the highest percentage of changes were Z—Unknown (as NCCS was able to classify all but five organizations); V—Social Service Research Institutes, Services (88.2%); and T—Philanthropy, Voluntarism, and Grantmaking Foundations (90.2%). The number of organizations in each of these major groups is quite small, excepting a large number changed in Major Group T to move public charities described under a code reserved for Private Foundations (T20). The major groups with the greatest number of changes were E—Health—General and Rehabilitative and B—Education, but the changes represented a small percentage of the categories. In these groups, most change occurred in distinguishing between colleges, universities, and support groups; and hospitals, hospital systems, and hospital foundations. These two major groups containing most of the largest nonprofit organizations were, thus, subjected to the greatest scrutiny by the classification team.

The new and more complete definitions in NTEE-CC allowed greater accuracy in coding, particularly in major groups Q through W. Although the classifications of the higher education organizations and health facilities that dominate asset level 7 in the file, accounting for almost 60 percent of the assets reported by all organizations in the unweighted SOI file, were scrutinized carefully and much more accurately defined at the decile and centile levels, there was little net change in the total numbers in those major groups.

Clarification of Elderly Care Classifications

The most significant coding changes came in elderly housing categories described in Table 3. Because of the lack of precise definitions, prior to the creation of NTEE-CC, coders would use a number of classifications for elder care facilities, including E91—Nursing,

Convalescent Facilities; P75—Senior Continuing Care Communities; or L22—Senior Citizens' Housing/Retirement Communities. After the verification and discussion with the SOI editors, NCCS created prescriptive rules for coding that will ensure consistency and accuracy in the future. This accomplishment is significant because current policy developments regarding long-term care for the elderly demand clear accounting of charitable capacity to serve this population.

Changes in Assets by Major Group

The changes in coding, found in Table 4, led to little overall impact in distribution of assets of charities within the major groups. The only large change was in S—Community Improvement, Capacity Building, because one organization with large assets was moved to another group. The outlier is discussed as an issue for further study below.

The fact that the project resulted in little net change is encouraging, as it means the existing SOI file presented a reasonably accurate portrait of the charities' assets. The changes made in the verified file were often subtle, yet add value to the file in the form of robust and definitive codes. Certainly, the confidence level of researchers using the file will be greatly enhanced.

■ Issues for Discussion and Future Study

Changing the Measure of Classification Quality

When the NTEE (and now NTEE-CC) codes are checked on any given dataset, about 80 percent of the codes will typically match at the major group level. In the past, disagreement at the major group level was used to indicate the quality of the data. It was thought that if the coders cannot even agree on the first level, then more precise classifications were virtually useless. This led to skepticism of the entire NTEE system and, indeed, was a major factor in the creation of NTEE-CC.

The verification project has allowed NCCS to study common major group ambiguity and identify patterns. The vast majority of the differences in classification at the major group level are not gross errors, but differences in shades of meaning. For example, Senior Care

facilities might be classified in one of three major groups (E—Health—General and Rehabilitative; L—Housing, Shelter; or P—Human Services—Multipurpose and Other). The classification chosen by any given coder would depend on the description provided of the organization's activities and purposes. Another example is the placement of residential and custodial care organizations, which could be in one of five major groups (F—Mental Health, Crisis Intervention; I—Crime, Legal-Related; J—Employment, Job-Related; L—Housing, Shelter; or P—Human Services— Multipurpose and Other). There is an even finer distinction between voluntary health organizations and services to promote the independence of specific populations, located in major groups G—Diseases, Disorders, Medical Disciplines and P—Human Services—Multipurpose and Other, respectively.

If these types of differences in major groups are not counted as major errors, which of course they are not, inter-coder reliability rises above 90 percent. Because strengthening the hierarchical structure of the system is not an attractive option due to the careful balance of the existing system, NCCS plans a future project to define more useful error measures for coders and data users.

Controlling for Errors

The NCCS analysis of errors in coding found a number of recognizable patterns in the appropriate use of certain codes. This is especially true of Major Group P—Human Services—Multipurpose and Other, rather than more specific major groups like I—Crime, Legal-Related or L—Housing, Shelter.

In addition, errors are more common with major groups Q—International through X—Religion. Through that range of codes, the average agreement rate in the NCCS study was below 50 percent. This rate may be even more problematic as the SOI editors begin to classify organizations tax-exempt under IRC Sections 501(c)(4) through (9) in the 1997 study sample. NCCS will focus on these groups in training and will develop rules to help counter ambiguity. As usage of the NTEE-CC system expands, NCCS will work to devise solutions and publish guides to promote consistent and reliable usage.

Studying Placement of Community Improvement Organizations

Major Group S—Community Improvement, Capacity Building includes community development councils, economic development organizations, trade groups, service clubs, and nonprofit management services. Prior to the verification project, this major group had about $2 billion in assets, but its new total in the verified file is $13.8 billion. Much of the change code occurred when the Common Fund for Nonprofit Organizations (with $10 billion in assets) was moved from Major Group B—Education, as a result of tighter definitions of educational support services. But this dramatic change in assets masked a much more profound change in this group as a whole.

Many small community organizations were reclassified from Major Group S into more specific major groups within human services. At the same time, new definitions of foundations, common codes, and Major Group S itself resulted in very large organizations being added to the group, such as the Common Fund for Nonprofit Organizations and Fidelity Investments Charitable Gift Fund (formerly in Major Group T—Philanthropy, Voluntarism, and Grantmaking Foundations). The change in definitions recognized that smaller community organizations do give grants as well as perform direct service. Likewise, larger organizations like those mentioned above have expanded their foundation roles to include portfolio management and a full range of nonprofit management (S50) services. As a result, Major Group S now includes grantmaking and support organizations not elsewhere defined in Major Group T and the common codes. Examples include Community Development Corporations that are by nature grantmaking but also provide direct service and trade organizations that often hold significant assets for the benefit of for-profit organizations.

Groups that perform services and support other organizations are becoming more prominent with the increased reliance on pass-through and block grants by governments. Future research on these types of organizations might call for disaggregating Major Category VII—Public, Societal Benefit, which currently groups a number of widely varying types of organizations, in-

cluding R—Civil Rights, Social Action, Advocacy; S—Community Improvement, Capacity Building; T—Philanthropy, Voluntarism, and Grantmaking Foundations; U—Science and Technology Research Institutes, Services; V—Social Science Research Institutes, Services; and W—Public, Society Benefit—Multipurpose and Other. Separating these disparate activities into new Major Categories would enhance the quality of research on the sector as a whole.

■ Conclusion

The verification of the classification of organizations in the 1994 Statistics of Income study sample of public charities was a long and difficult process. As a result of that work, NCCS has shown that the new NTEE-CC system is reliable and easier to use for organizational coding than the older version. In addition, the nonprofit research community has a dataset that can be used with increased confidence. Also, future SOI studies will be affected as the benefits of this verification are carried into the next year's sample. Last, NCCS has also been able to identify areas of the system that need more detailed attention for training of coders, and potential areas for future modifications of the system.

The verified SOI file, complete with annotations on the changes and sources of information, is available on the NCCS web site at http/nccs.urban.org, along with NTEE-C manual and complete definitions.

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■ Footnotes

[1] We want to thank NCCS staff members Amanda Ahlstrand, Emily Finnin, Marie Gantz, Sho Shauna McCoy, Kathy Pettit, and Patrick Sweetman. Without their conscientious and dedicated efforts, this massive task could not have been completed.

[2] Special thanks to Ruth Kovacs of the Foundation Center for her help on this project.

Table 1.--Public Charities in SOI File Before and After Verification by NTEE Major Group

NTEE Major Group	Before Verification		After Verification		% Change
	Original SOI File	% of Original SOI File	NCCS - Verified SOI File	% of NCCS - Verified SOI File	
A - Arts	643	5.9	613	5.6	4.7
B - Education	2265	20.6	2219	20.2	2.0
C - Environment	126	1.1	122	1.1	3.2
D - Animals	89	0.8	84	0.8	5.6
E - Health, General	3964	36.1	3822	34.8	3.6
F - Mental Health	183	1.7	187	1.7	2.2
G - Disease	137	1.2	135	1.2	1.5
H - Medical Research	111	1.0	117	1.1	5.4
I - Crime	44	0.4	46	0.4	4.5
J - Employment	86	0.8	76	0.7	11.6
K - Food	22	0.2	24	0.2	9.1
L - Housing	447	4.1	411	3.7	8.1
M - Public Safety	32	0.3	33	0.3	3.1
N - Recreation	123	1.1	126	1.1	2.4
O - Youth Development	119	1.1	121	1.1	1.7
P - Human Services	1281	11.7	1476	13.4	15.2
Q - International	107	1.0	100	0.9	6.5
R - Civil Rights	15	0.1	20	0.2	33.3
S - Community Improvement	171	1.6	224	2.0	31.0
T - Philanthropy	579	5.3	540	4.9	6.7
U - Science Research	110	1.0	128	1.2	16.4
V - Social Research	17	0.2	26	0.2	52.9
W - Public Benefit	50	0.5	62	0.6	24.0
X - Religion Related	134	1.2	150	1.4	11.9
Y - Mutual Benefit	105	1.0	113	1.0	7.6
Z - Unknown	20	0.2	5	0.0	75.0
Total	**10980**	**100**	**10980.0**	**100.0**	

Source: 1994 Statistics of Income Study Sample of Public Charities with NTEE codes adjusted at NCCS.

Figure 1.--Percentage of Codes Changed in NCCS Verified 1994 SOI File by NTEE Major Category
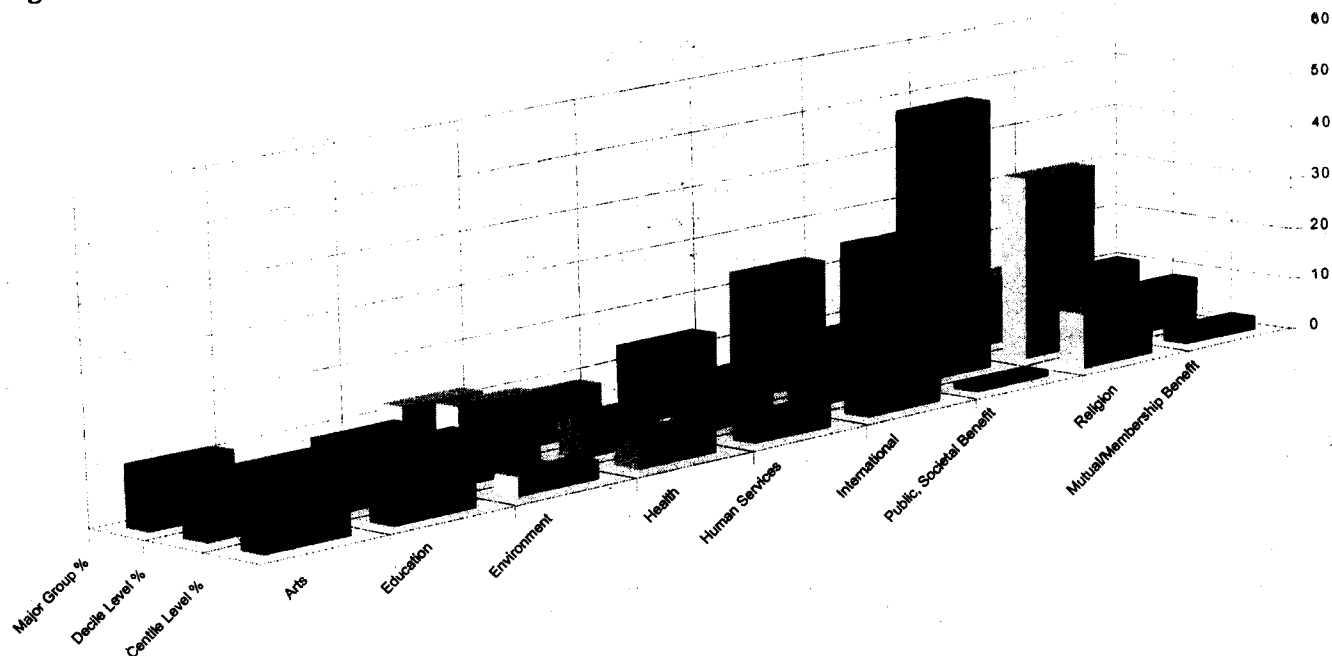

Table 2.--Number of Codes Changed by Verification Project by NTEE Major Group

NTEE Major Group	Original SOI File	Major Group Changes	Decile Level Changes	Centile Level Changes	Total Number Changed	% Changed
A - Arts	643	74	73	59	206	32.0
B - Education	2265	165	298	314	777	34.3
C - Environment	126	18	22	8	48	38.1
D - Animals	89	9	9	0	18	20.2
E - Health, General	3964	304	268	224	796	20.1
F - Mental Health	183	26	16	34	76	41.5
G - Disease	137	48	19	3	70	51.1
H - Medical Research	111	30	21	6	57	51.4
I - Crime	44	7	7	2	16	36.4
J - Employment	86	24	9	3	36	41.9
K - Food	22	4	2	1	7	31.8
L - Housing	447	77	22	20	119	26.6
M - Public Safety	32	4	14	2	20	62.5
N - Recreation	123	15	22	11	48	39.0
O - Youth Development	119	11	15	2	28	23.5
P - Human Services	1281	160	127	57	344	26.9
Q - International	107	25	14	8	47	43.9
R - Civil Rights	15	5	3	1	9	60.0
S - Community Improvement	171	42	35	4	81	47.4
T - Philanthropy	579	125	397	0	522	90.2
U - Science Research	110	26	39	6	71	64.5
V - Social Research	17	13	2	0	15	88.2
W - Public Benefit	50	21	8	2	31	62.0
X - Religion Related	134	18	47	14	79	59.0
Y - Mutual Benefit	105	11	9	3	23	21.9
Z - Unknown	20	18	0	0	18	90.0
Total	10980	1280	1498	784	3562	32.4

Source: 1994 Statistics of Income Study Sample of Public Charities with NTEE codes adjusted at NCCS.

Table 3.--Changes in Elderly Care Classifications

Senior Citizens' Housing / Retirement Communities originally coded as L22
(n=149)

Codes after Verification	Number of Organizations	% of Organizations
No Change — L22 - Senior Citizens Housing / Retirement Communities	92	61.7
Change to — P75 - Senior Continuing Care Communities	42	28.2
Change to — E91 - Nursing Homes	0	0.0
Change to — supporting organizations - common codes 11 & 12	1	0.7
Change to — other	14	9.4

Senior Continuing Care Communities orginally coded as P75
(n=462)

Codes after Verification	Number of Organizations	% of Organizations
No Change — P75 - Senior Continuing Care Communities	413	89.4
Change to — L22 - Senior Citizens Housing / Retirement Communities	13	2.8
Change to — E91 - Nursing Homes	19	4.1
Change to — supporting organizations - common codes 11 & 12	1	0.2
Change to — other	16	3.5

Nursing / Convalescent Facilities originally coded as E91
(n=432)

Codes after Verification	Number of Organizations	% of Organizations
No Change — E91 - Nursing Homes	211	48.8
Change to — L22 - Senior Citizens Housing / Retirement Communities	2	0.5
Change to — P75 - Senior Continuing Care Communities	167	38.7
Change to — supporting organizations - common codes 11 & 12	4	0.9
Change to — other	48	11.1

Source: 1994 Statistics of Income Study Sample of Public Charities with NTEE codes adjusted at NCCS.

Table 4.--Assets by Public Charities in 1994 SOI File Before and After Verification by NTEE Major Group
(in millions of dollars)

NTEE Major Group	Original SOI File	NCCS - Verified SOI File	% Change
A - Arts	18,998.8	17,655.6	-7.1
B - Education	182,495.7	171,992.5	-5.8
C - Environment	3,190.3	3,019.6	-5.4
D - Animals	1,989.2	1,752.4	-11.9
E - Health, General	171,686.7	170,621.9	-0.6
F - Mental Health	1,461.0	1,492.4	2.1
G - Disease	3,254.8	2,588.9	-20.5
H - Medical Research	11,843.3	12,643.7	6.8
I - Crime	277.4	291.4	5.1
J - Employment	605.8	447.8	-26.1
K - Food	122.8	79.0	-35.6
L - Housing	849.2	740.0	-12.9
M - Public Safety	168.8	160.8	-4.7
N - Recreation	1,258.2	1,324.6	5.3
O - Youth Development	1,148.8	1,157.9	0.8
P - Human Services	12,739.5	14,748.2	15.8
Q - International	2,977.5	2,966.1	-0.4
R - Civil Rights	132.9	121.4	-8.7
S - Community Improvement	2,129.2	13,831.8	549.6
T - Philanthropy	19,202.3	17,863.7	-7.0
U - Science Research	4,519.5	5,281.1	16.8
V - Social Research	395.0	585.1	48.1
W - Public Benefit	1,875.3	1,114.0	-40.6
X - Religion Related	3,392.6	3,467.5	2.2
Y - Mutual Benefit	6,438.9	8,788.1	36.5
Z - Unknown	1,627.6	45.6	-97.2
Total	**454,781.0**	**454,781.0**	**0.0**

Source: 1994 Statistics of Income Study Sample of Public Charities with NTEE codes adjusted at NCCS.
NOTE: The increase in Major Group S is largely attributable to an outlier moved from Education--The Common Fund for Nonprofits.

Appendix—A Brief Guide to the NTEE System[*]

Designed by a team of experts, the new NTEE-CC includes approximately two-thirds, or about 400, of the 645 categories in the original NTEE. Though the majority of the differences in the NTEE-CC are a result of collapsing lesser-used codes, improvements were also included. With its ease of use and consistent hierarchical logic, the new NTEE-CC will serve as the best instrument for tax-exempt status determination, NAICS linkage, and nonprofit organizational classification.

■ Using the NTEE-CC

The NTEE-CC classification system divides the universe of nonprofit organizations into 26 major groups under 10 broad categories as follows:

		Major Group
I.	Arts, Culture, and Humanities	A
II.	Education	B
III.	Environment and Animals	C, D
IV.	Health	E, F, G, H
V.	Human Services	I, J, K, L, M, N, O, P
VI.	International, Foreign Affairs	Q
VII.	Public, Societal Benefit	R, S, T, U, V, W
VIII.	Religion-Related	X
IX.	Mutual/Membership Benefit	Y
X.	Unknown, Unclassified	Z

Within the major groups, organizations are broken down according to logical divisions (decile level codes) and subdivisions (centile level codes). Organizations that exist across all or most of the 26 major groups are treated separately and are given what are known as "common codes."

Major Groups (1st Digit)	Alphabetic
Decile Codes (2nd Digit)	Numeric
Centile Codes (3rd Digit)	Alphanumeric
Common Codes (2nd-4th Digit)	Numeric

Major Groups. The major groups represent broad subsectors, such as health, education, and youth development, of the charitable organization universe. For descriptions, see the Definitions section.

Decile Codes. Decile codes subdivide organizations in the major groups by specific activity areas, such as Higher Education within the Education major group. See the Definitions section for a full listing of decile codes.

Centile Codes. Centile codes subdivide organizations in the decile codes into specific types of organizations. For example, junior colleges, undergraduate colleges, and universities have separate centile codes within Higher Education (B40). See the Definitions section for a full listing.

Common Codes. Common codes represent activities of organizations, such as research, fundraising, and technical assistance, which are common to all major groups. The seven common codes used are:

01	Alliance/Advocacy Organizations
02	Management and Technical Assistance
03	Professional Societies/Associations
05	Research Institutes and/or Public Policy Analysis
11	Monetary Support—Single Organization
12	Monetary Support—Multiple Organizations
19	Nonmonetary Support Not Elsewhere Classified (N.E.C.)

Common codes differ from other codes in that a fourth digit is available. This digit, used within the common code framework, indicates a kind of organization within a group of organizations. For example, B114 would designate college and university fundraising under B11 Monetary Support. The "4" was chosen from the decile level, B40 Higher Education Institutions. Conversely, high school booster clubs would be classified as B112 (B11 Monetary Support—Single Organization plus B20 Elementary, Secondary Education, K-12.)

Another example of coding is classifying the tax-exempt "St. Christopher Hospital" as E22; the major group is E for Health, and the decile and centile codes (22) designate a General Hospital. A professional society called "The Learned Society of Landscape Photog-

raphers" would be given an NTEE-CC code of A034; the major group is A for Arts, the common code 03 designates the organization as a professional society, and the fourth digit (4) signifies visual arts organizations.

An organization that raises funds for a specific organization, such as a single hospital ("Friends of St. Christopher Hospital"), receives a code of E112; an organization that raises funds for several hospitals ("Friends of Memphis Hospitals") receives a code of E122.

When a coder knows the appropriate major group category for an organization but is not sure of decile or centile designation, the decile and centile codes of 99 should be assigned.

National Taxonomy of Exempt Entities—Core Codes

■ Summary

A   Arts, Culture, and Humanities

A01 Alliance/Advocacy Organizations

A02 Management & Technical Assistance

A03 Professional Societies, Associations

A05 Research Institutes and/or Public Policy Analysis

A11 Single Organization Support

A12 Fundraising and/or Fund Distribution

A19 Nonmonetary Support N.E.C.**

A20 Arts, Cultural Organizations—Multipurpose

A23 Cultural, Ethnic Awareness

A25 Arts Education

A26 Arts Council/Agency

A30 Media, Communications Organizations

A31 Film, Video

A32 Television

A33 Printing, Publishing

A34 Radio

A40 Visual Arts Organizations

A50 Museum, Museum Activities

A51 Art Museums

A52 Children's Museums

A54 History Museums

A56 Natural History, Natural Science Museums

A57 Science and Technology Museums

A60 Performing Arts Organizations

A61 Performing Arts Centers

A62 Dance

A63 Ballet

A65 Theater

A68 Music

A69 Symphony Orchestras

A6A Opera

A6B Singing, Choral

A6C Music Groups, Bands, Ensembles

A6E Performing Arts Schools

A70 Humanities Organizations

A80 Historical Societies, Related Historical Activities

A84 Commemorative Events

A90 Arts Service Organizations and Activities

A99 Arts, Culture, and Humanities N.E.C.

B   Education

B01 Alliance/Advocacy Organizations

B02 Management and Technical Assistance

B03 Professional Societies, Associations

B05 Research Institutes and/or Public Policy Analysis

B11 Single Organization Support

B12 Fundraising and/or Fund Distribution