
Week 2 review · Mon Aug 31 & Wed Sep 2, 2026

Why so many nonprofits?

SPEA-V221 Nonprofit and Voluntary Sector · Ji Ma · O'Neill School, Indiana University

Week 2 at a glance

Mon Aug 31 · Map your town

Four ways to draw the line around the sector, the five-part test, the three tax-exempt forms, and the Monroe County map you built yourselves.

Wed Sep 2 · Teams and the AI log

The sector in Indiana, teams assigned, Studio #1, and a live AI-process log on a real Bloomington organization.

- **Readings.** Anheier, “Defining the Nonprofit Sector,” **pp. 66–73**, plus the IRS page on 501(c)(3) exemption requirements. Then Grønbjerg and Shanahan, *Indiana Nonprofit Employment* (Report 19), **pp. 9–16**.
- **Due. A1 On-Ramp, 5 points, due Sun Sep 6:** candidate organization plus backup with EINs and 990 links, your first outreach email actually sent, and your team’s three candidate problems.
- **Coming.** Plank 1, the need statement, is built in studio on Mon Sep 21 and banked later in the concept brief.

EIN Employer Identification Number · IRS Internal Revenue Service

v221.jima.me/week/w02 · the A1 spec

Week 2, Session 1

Map your town

Ji Ma · O'Neill School, Indiana University

Monday, August 31, 2026

This week's big question

Why does a town like Bloomington end up with so *many* nonprofits,
and how does the law tell them apart?

- Wednesday's sheet ended with a strip for the cases that would not sort. Today we settle what those arguments were about.
- Anheier gives four different ways to draw the boundary. **None of them is the true one**, and that turns out to be the useful fact.
- Then you build the map yourselves, and we look hard at what a count of local nonprofits does and does not tell you.

Definitions are not true or false

“Definitions do not exist in the abstract. They serve specific purposes and objectives.”

a tax lawyer needs a statute	an economist needs a revenue rule	a statistician needs a sector boundary	a compar- ativist needs a test that travels
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Before counting nonprofits, choose the definition your question needs.

Four ways to draw the line

legal

what the statute says it is

functional

what purposes it serves

economic

where its money comes from

structural–operational

how it is built and run

Your reading covers the last three. The IRS page you skimmed supplies the first. The fourth is the one to memorize, because it is the only one built to cross borders.

IRS Internal Revenue Service

The legal way

IRS · Exemption requirements, section 501(c)(3)

Organized and operated
exclusively for an exempt purpose. Your articles must say it *and* your activities must match.

No private inurement
no earnings may benefit a private shareholder or individual.

Not an action organization
no substantial lobbying, and no campaign activity for or against a candidate.

The upside
donors deduct their gifts. That is why so much fundraising lives here.

*Charitable purpose alone is insufficient; **conduct and political activity** matter too.*

And it stops at the border

- The IRS test applies to the United States. Comparing countries requires a definition that crosses legal systems.
- The differences are not cosmetic. In France an *association reconnue d'utilité publique* must be three years old with at least 200 members: of roughly 1.5 million associations, about 2,000 held that status in 2011.
- Anheier also compares rules governing conduct. The next frame contrasts Germany and France.

BRING YOUR OWN

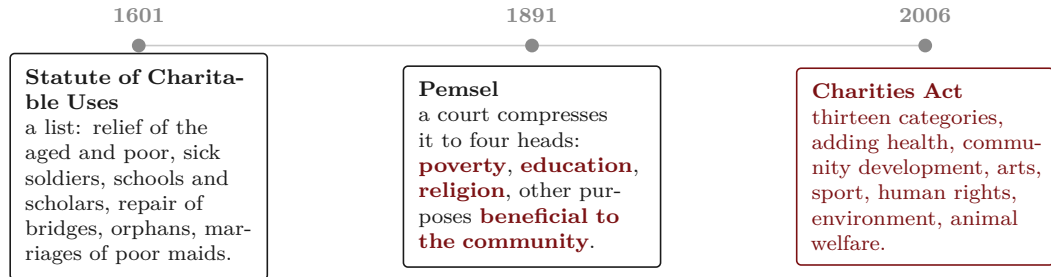
Turn to someone from somewhere else. Where you grew up, who decides an organization is charitable: a court, a tax authority, a ministry, or nobody?

ARUP association reconnue d'utilité publique · IRS Internal Revenue Service

Anheier, ch. 3: the French ARUP figures p. 69, the German conduct tests p. 68

The functional way

Which purposes count as public benefit?



Lists of charitable purposes reflect decisions about what counts as public benefit.

And civil-law systems test the *manner*, not only the purpose

Germany

activity must be *selfless* (no profit to members), *exclusive* (only public-benefit purposes), *direct* (served by the organization itself), and *timely* (spent within the fiscal year, not accumulated).

France, the “four P” rule

the *produit* meets a need the private sector does not, the *public* cannot afford the private alternative, the *prix* is lower, and the *publicité* does not market like a corporation.

The same activity can qualify as charitable in one legal system and fail in another.

Anheier, ch. 3: the German conduct tests p. 68, the four P rule p. 69

The economic way

Classify organizations by revenue and government control.

all nonprofit institutions

filter 1: formal? significant?

formal NPIs

filter 2: sells at market prices?

non-market NPIs

filter 3: government-controlled?

NPISH

On this view nonprofits live on **dues and contributions** rather than on sales or taxes. The UN System of National Accounts turns that into three filters.

Watch what falls out. A nonprofit funded mainly by *fees* is sorted into the **corporate** sector. One funded mainly by *government grants* is sorted into the **government** sector. NPISH is the small residual left over.

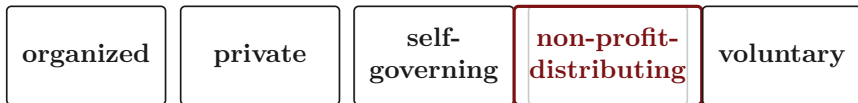
So the economic definition recognizes a large number of nonprofit organizations but a much smaller nonprofit *sector*. Look at your own list: how many rows survive all three filters?

NPISH non-profit institutions serving households · NPI non-profit institution · UN United Nations

Anheier, pp. 70–71, and Figure 3.1

The structural–operational way

Salamon and Anheier's five criteria



- **Organized:** rules, meetings, members, a boundary between the group and a friendship circle. Incorporation is a signal, not the requirement.
- **Private:** institutionally separate from government. It may take state money and seat officials on its board; it may not exercise governmental authority.
- **Self-governing:** it controls its own activities, under its own governance.
- **Non-profit-distributing:** surplus goes to the mission, not to owners, members, or the board. Frumkin's constraint, restated as a criterion.
- **Voluntary:** meaningful voluntary input, and *non-compulsory* membership. A bar association you must join to practise law fails this one.

Run the test on something you know

BRING YOUR OWN

Take the organization you brought from home last Wednesday, and walk it through all five criteria out loud with your neighbour.

- Which criterion is hardest to answer, and why?
- Does it pass the five-part test but fail its own country's legal test, or the reverse?

Cases worth trying if yours passes cleanly: a state-registered youth organization (*private?*), a compulsory professional body (*voluntary?*), a temple or church association that files nothing anywhere (*organized?*), a village fund with no written rules and no bank account (*organized, self-governing?*).

The five-part test lets researchers compare organizations across different legal systems.

So which definition is right?

Domestic questions

the *legal* and *functional* definitions,
whichever your jurisdiction uses

National accounts, economic analysis

the *economic* definition and the SNA

Comparison across countries or sectors

the *structural–operational* test

The UN later published a simplified version of the fifth criterion set: organizations that are **self-governing, not-for-profit and non-profit-distributing, institutionally separate from government, and non-compulsory**. “Non-compulsory” replaced “voluntary” to make the test cleaner across legal systems.

*Choose the definition that answers **your research question**.*

SNA System of National Accounts · UN United Nations

Anheier, pp. 78–79

Three cases that break the test

Apply each criterion aloud.

A student club with no bank account

Passes all five. Invisible to the IRS. The definition you choose decides whether it exists at all.

Indiana University

Holds a 501(c)(3) determination, so gifts are deductible. But it fails *private*: a state university is an instrumentality of government.

... and it files no 990

Search IU on ProPublica and you get a record with **no filings**. Real, exempt, and absent from the tool you use for everything else.

Greater Bloomington Chamber of Commerce

Passes all five, is tax-exempt, and is not a charity. Files under 501(c)(6), so your gift is not a deductible charitable contribution.

Tax-exempt status, charitable status, and an available filing are three separate questions.

EIN Employer Identification Number · IRS Internal Revenue Service · IU Indiana University

Verified 2026-08-19 on **ProPublica Nonprofit Explorer**: Indiana University EIN 35-6001673, subsection 3, no filings on record; Greater Bloomington Chamber of Commerce EIN 35-0183215, subsection 6

Three tax-exempt forms you will meet this term

Bloomington examples, with EINs for lookup

501(c)(3) charitable, educational, religious

Donations **are** deductible.
Lobbying limited, no campaigns.

Middle Way House · 23-7300355

Hoosier Hills Food Bank · 31-1051402

501(c)(4) social welfare organizations

Donations are *not* deductible.
May lobby freely; politics limited.

Bloomington Bicycle Club · 35-1716510

501(c)(6) business leagues, chambers

Donations are *not* deductible.
Serves members' shared business interest.

Greater Bloomington Chamber of Commerce · 35-0183215

The word “nonprofit” covers all three. The word “charity” covers only the first. When someone quotes a sector statistic, ask which of these they counted.

EIN Employer Identification Number

Names, EINs, and subsections verified on [ProPublica Nonprofit Explorer](#), 2026-08-23

Map your town

twenty-five minutes, in trios, on sheet 1 of your handout

Map your town

Trios; laptops or phones open. Sheet 1, collected.

IN CLASS

1. **Your trio takes one subsector**, from the row I read out: human services, health, education, arts and culture, environment and animals, religion, or advocacy.
2. **Find four real organizations** in it operating in Monroe County. Start at the **Volunteer Network** or the **Community Foundation grant list**, then confirm each on **ProPublica**.
3. **One row each on the sheet**: name, **EIN**, and the neighbourhood or town it actually operates in. **No EIN, no row.**
4. **Bottom row: one counterpart from abroad.** Somebody in your trio names an organization doing the same work where they are from. Name, place, and whether you think it would pass the five-part test.

Record each EIN so another reader can identify the organization. We will compare the collected lists.

EIN Employer Identification Number

Now read your own map skeptically

Check what the list includes and misses.

We under-counted

Everything below the filing threshold, every unincorporated group, every congregation that does not file.

Did we double-count?

A national organization with a local chapter may file once or separately. Look for both in your rows.

Registered $\neq$ operating

The IRS list includes organizations that have done nothing for years. A registration is a piece of paper.

Address $\neq$ service area

Check your third column: a P.O. box, an accountant's office, or a founder's house?

*Ask of any nonprofit count: **which list, which year, which threshold?***

And now the counterparts from abroad

Apply the same questions to a different legal system.

- **Some counterparts are not in our sector at all.** A clinic run by a local authority, a state-funded youth organization, a religious welfare arm inside a national church. Same work, different column.
- **Some are invisible to any list.** If a country has no public register, or registers only names and purposes, you cannot build the list we just built. Try it and you get an impression, not a count.
- **And some are counted twice, internationally.** An INGO with country offices may file in each, in one, or in none of them.

Cross-country comparisons need a shared definition and a record of what each list misses.

INGO international nongovernmental organization

Vocabulary, settled

Part 1: these two describe how an organization behaves

Word	It is about	So watch for
voluntary	compulsion	nobody is required by law to join, give, or serve. Says nothing about whether the staff are paid
nonprofit	the distribution of surplus	the widest of the four. It covers every (c) category, charitable or not, and says nothing about purpose

Vocabulary, settled

Part 2: legal decisions

Word	It is about	So watch for
charitable	purpose, legally defined	in the US it points at 501(c)(3); in England, at the Charity Commission's public-benefit test
tax-exempt	treatment by a revenue authority	more than twenty US categories qualify. Most are not charities, and most gifts are not deductible

Check behavior through the work; check legal status through official records.

What is due

IN CLASS

A1 On-Ramp · 5 points · due Sun Sep 6 · credit / no-credit

- Your candidate **Bloomington-area** organization *and* a backup, each with **EIN** and a link to its **Form 990** (a full 990 or a 990-EZ, not the 990-N), plus one sentence on subsector and why.
- Your **first outreach email, actually sent**, pasted in with the date.
- Your team also posts **three candidate problems** after Wednesday's studio.

Sheet 2 of today's handout is your Rail A scouting worksheet. Same steps you just ran, for the organization you actually want to visit: find it, confirm it exists, pull its EIN, open its 990, and identify a named person to write to. Keep that one.

For Wednesday: Grønbjerg and Shanahan, *Indiana Nonprofit Employment*, pp. 9–16. We put a number on the sector where we live, teams get assigned, and I run an AI-process log live on the projector.

EIN Employer Identification Number

v221.jima.me/assignments/site-visits

Week 2, Session 2

Teams form, and we catch an AI lying

Ji Ma · O'Neill School, Indiana University

Wednesday, September 2, 2026

Today

count what the sector is worth in jobs, where we live	team up assignments read out, working agreement written	studio #1 three candidate problems on the board	catch it a chatbot describes a real local organization, live
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In the live demo, record each claim, its source, and your verdict.

The sector, in Indiana

Grønbjerg and Shanahan, Report 19, July 2026

How big is the sector where we live?

300,000+

paid nonprofit jobs statewide, 2019 and
again by 2023

manufacturing

the *only* one of Indiana's six largest
for-profit industries that employs more

Only manufacturing, among these six large for-profit industries, employs more people than nonprofits.

Grønbjerg and Shanahan, pp. 11–13 · **Indiana Nonprofits Project**

Then March 2020

–15,000 jobs
a **5 percent** fall in
nonprofit paid em-
ployment between
2019 and 2020.

**First loss since
1995**
the first year-over-
year decline in the
whole data series.
For-profits lose jobs
in every recession.
Nonprofits had not.

**Recovery took
until 2023**
only then did total
nonprofit employ-
ment pass its 2019
level again.

**And it was un-
even**
health care was
relatively insu-
lated; education
and membership as-
sociations each lost
more than 4,000
jobs.

In 2020, Indiana nonprofit employment fell 5 percent; restaurant employment fell 15 percent.

All four figures are in Grønbjerg and Shanahan, Key Findings, p. 9

Layoffs, not closures

Compare the number of worksites with the number of jobs.

If organizations had closed
you would see the *count* of establishments fall.



What actually happened
the count held steady or grew,
while the average establishment
size fell.

- So the losses came from organizations **shrinking**, not from organizations **disappearing**. Establishment counts fell only slightly in social assistance and membership associations, and grew in the other three industries.
- That matters for what comes next. A sector that shrank in place can rehire. A sector that closed has to be rebuilt.

One number that looks like good news

average wages +\$4,000 to \$5,000 per employee, 2019 to 2020

What it is not

a higher average does not establish that individual workers received raises.

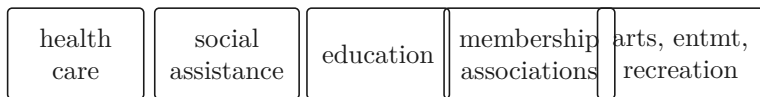


What it is

lower-wage positions were cut first, so the average of *what remained* went up.

Grønbjerg and Shanahan, p. 9

Where Indiana's nonprofit jobs actually are



these five = about **91 percent** of Indiana's nonprofit paid employment and payroll in 2023

- Everything else, across every other industry in the state, is the remaining 9 percent. Mining is the only Indiana industry with no paid nonprofit employees at all.
- Across those five, the **nonprofit share of employment held near 35 percent** from 2018 to 2023. Government slipped from 30 to 29 percent; for-profits rose from 35 to 36.
- And **nonprofit workers generally out-earn for-profit workers** in most of these industries, an advantage that held steady. That is not the story most people expect.

Is that shape universal?

BRING YOUR OWN

In the country or region you know best, which fields does the nonprofit or NGO sector actually *employ* people in? Compare with your neighbour.

- Is health care the biggest employer there too, or does the state run it directly?
- Are schools mostly public, mostly religious, or mostly private?
- Does anyone even publish the number?
- The US shape, with two thirds of nonprofit employment inside health and social assistance, is a product of **how this country chose to deliver services**: through tax-exempt organizations paid largely by public insurance and government contracts.
- Where a state delivers health care directly, those same jobs are government jobs and the nonprofit sector looks tiny by comparison. **The work did not move; the accounting did.**

In Week 7, we examine how government funding shapes nonprofit work.

Why we read this report and not a national fact sheet

- **It is about here.** Grønbjerg's Indiana Nonprofits Project sits at O'Neill. Several of the organizations on Monday's map are inside these counts.
- **It shows its denominators.** Every claim names the years, the industries, and the sectors compared, which is what makes the “don't be fooled” moves visible rather than hidden.
- **It models the discipline you owe your own writing.** The authors explicitly decline to conclude anything about the 2025 federal funding shifts, because the data are not in yet.

*Write “**we do not know yet**” when evidence is missing; say what would answer the question.*

The 2025 caveat is stated in the report's own introduction, p. 10

Rail B begins

teams of up to five, assigned at random

Your team

Randomly assigned, up to five people per team

- **Up to five people**, for Rail B only. Rail A stays individual all term, so your site visits are still yours.
- **One plank per module**, built in six studio sessions; the three credit checkpoints bank what the studios built. **Studio work is that session's in-class work**: presence requires it, and there is no make-up.
- **Individually accountable**. Each teammate presents the section they authored at the pitch, and a confidential peer evaluation runs at the end of the term.

IN CLASS

Ten minutes, now that you are sitting together. Agree on three things and write them down: **how you communicate** and how fast you answer; **who does what** for the first plank, the need statement, built in studio Mon Sep 21; and **what happens** the first time somebody misses something. Use the agreement when a problem arises.

Studio #1: problems we care about

Sheet 1; 20 minutes. Three candidate problems, collected.

IN CLASS

1. **Five minutes, alone.** Each of you writes down two community problems you actually care about. They can be here, or where you are from.
2. **Ten minutes, as a team.** Read them out. Look for overlap, and for the ones that make somebody lean forward.
3. **Post three candidate problems** to the shared board, one sentence each: *who* is affected, *where*, and *what goes wrong for them*.

Choose a place by Week 5 so you can gather local evidence. The startup may be outside the United States.

A topic is not a problem

A topic

“Homelessness.” “Youth unemployment.” “Access to clean water.”

You cannot find out whether it is true, because it is not a claim.



A problem

“People leaving the county jail have nowhere to sleep the first night out.”

Narrow, local, observable. You can check it, find who already works on it, and see what they spend.

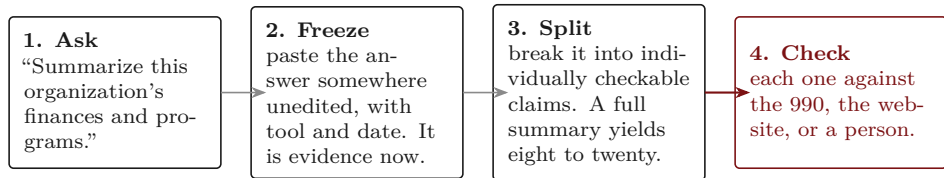
*A workable problem names **who**, **where**, and **what evidence would test it**.*

The AI-process log

live, on the projector, with a real organization

Watch me do it

One real organization, one chatbot, and the 990 open in the next tab



- Save the exact output before editing: a later response may differ.
- **Step 3, because errors hide inside true sentences.** “Founded in 1971 to serve survivors of domestic violence, the organization now runs a shelter and a transitional housing program” is **four claims**.

Enacts the four rules from Week 1 · v221.jima.me/assignments/ai-process-log

Fill this in while I work

Sheet 2; record the demo in the verification table.

The AI claimed	What I checked, and where	Verdict, and what I did
_____	_____	_____
_____	_____	_____
_____	_____	_____

- **Middle column, not the first.** Anyone can quote a chatbot. “I checked the 990” is not a citation; **“Part VIII, line 12, FY2023”** is, and that is the half that earns points.
- **Unverifiable** is a legitimate verdict, and it is not the same as false. Name the sources you checked and drop the claim.

Plausible is not the same as true

- A fluent AI answer can invent a program or revenue figure. Check each claim against a source.
- Which gives you a testable prediction: fabrication should be **worst where the public record is thinnest**. A small local organization, a group that operates in a language with less material online, a country whose register publishes nothing.
- **Test it in Week 3.** Roughly half of you will be handed a well-known organization and the rest a tiny one, and we will see whether the pattern holds in this room.

Next week, test whether thinner public records lead to more AI errors.

What is due

IN CLASS

A1 On-Ramp · 5 points · due Sunday, September 6

- Candidate **Bloomington-area** organization *and* backup, each with **EIN** and a link to its **Form 990** (a full 990 or a 990-EZ, not the 990-N), plus one sentence on subsector and why.
- Your **first outreach email, actually sent**, pasted in with the date.
- Your team's **three candidate problems**, posted to the shared board.

If nobody writes back, that is expected. Say so at a progress check-in; it is not held against you.

Next week is Wednesday only, since Monday September 7 is Labor Day. Read Bromley, pp. 123–137, and click around the **NCCS *Sector in Brief* dashboard** once.

From next week the last few minutes of every Wednesday is a **progress check-in**: ungraded, thirty seconds each, and where a stalled site visit gets fixed in September instead of November.

NCCS National Center for Charitable Statistics · EIN Employer Identification Number

v221.jima.me/week/w03

Week 2 review

test yourself before Week 3

Can you define these without looking?

Drawing the line

Term	You should be able to say
the four definitions	legal, functional, economic, structural–operational, and what each is for
the five-part test	organized, private, self-governing, non-profit-distributing, voluntary
public benefit	who decides it, and how the list changed after 1601
Pemsel's four heads	poverty, education, religion, other purposes beneficial to the community
NPISH	why it is a small residual, and which nonprofits fall out of it

NPISH non-profit institutions serving households

All five are Anheier's own terms, ch. 3: functional and public benefit pp. 66–68, economic and NPISH pp. 70–71, the five-part test pp. 72–73

Can you define these without looking?

Legal forms, and reading numbers

Term	You should be able to say
private inurement, action organization	the two conduct limits on a 501(c)(3)
501(c)(3), (c)(4), (c)(6)	which allows a deductible gift, and a real local example of each
voluntary, charitable, tax-exempt, mission	why these four are not synonyms
composition effect	why an average moves when nothing happened to any individual
establishment <i>vs</i> organization	why counting them separately showed layoffs rather than closures

IRS Internal Revenue Service

Rows 1–2: the IRS 501(c)(3) page; the (c)(4) and (c)(6) examples are from class, verified on ProPublica. Rows 4–5: Grønbjerg and Shanahan p. 9. *Composition effect* is our shorthand, not the report's phrase.

Six questions you should be able to answer

1. You want to compare the nonprofit sector in Indiana with the one in France. **Which of the four definitions do you reach for, and why do the other three fail?**
2. Under the System of National Accounts, a nonprofit funded mainly by fees is sorted into the **corporate** sector. Explain why, and say what that does to the sector's apparent size.
3. Name a real Bloomington **501(c)(4)** and a real **501(c)(6)**. For each, say whether a donation is deductible.
4. The map of Monroe County you built in class undercounts, and may double-count. Name **all four ways** a map like it misleads.
5. Indiana nonprofits lost about 15,000 jobs in 2020, and **average wages went up**. Explain, in one sentence, without using the word “raise.”
6. What are the **three ingredients** of a strong AI-process log entry?

Answers: Q1–Q2 in Anheier ch. 3, pp. 70–73 and p. 78; Q3 verified on ProPublica; Q4 from class; Q5 in Grønbjerg and Shanahan p. 9; Q6 in the AI process log how-to

Carry into Week 3

- **Week 3 is Wednesday only.** Monday September 7 is Labor Day, no class.
- **Read** Bromley, “The Organizational Transformation of Civil Society,” **pp. 123–137**, and read the section called *Counting and Accounting* hardest: it is the argument behind Wednesday’s activity. Click around the NCCS *Nonprofit Sector in Brief* dashboard once.
- **A1 is due Sunday Sep 6**, and the site-visit window opens Mon Sep 14.

NCCS National Center for Charitable Statistics

v221.jima.me/week/w03 · NCCS Sector in Brief