



## **Prototype Account of Non-profit Institutions Serving Households in the United States, 1992-2019**

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## **Abstract**

This paper constructs a prototype account for nonprofit institutions serving households (NPISH) in the United States for 1992-2019 following the SNA guidelines and analyzes the sector's characteristics in the U.S. economy. In nominal terms, the NPISH sector accounts for about 5.5 percent of Gross Domestic Products (GDP) in 2019, an increase from 4.7 percent in 1992. This growth contrasts with the stagnant growth viewed in real terms because the inflation rate of the NPISH sector has been much higher than the economy-wide inflation. The sector is dominated by health and education services, in terms of both output and employment and is acyclical, not influenced by fluctuations of the overall economy. One of the most striking aspects of the U.S. NPISH sector is that the sector was a net lender to the rest of the economy until 2000 but turned a net borrower consistently since 2001. Analyzing together with the Financial Accounts of the nonprofit sector available from the Federal Reserve Board of Governors, I show that negative net saving has arisen from increases in NPISH final consumption expenditures and transfer payments. Although running persistent negative net saving, the sector's balance sheet appears healthy with a low and declining debt-to-equity ratio and leverage.

Keywords: Nonprofit institutions, tax-exempt organizations, national income, the National Income and Product Accounts

JEL Codes: E01, L31, Z31

In the U.S. national accounts, the institutional sector accounts (i.e., the Integrated Macroeconomic Accounts) combine the household sector and the nonprofit institutions serving households (NPISH) sector in a single sequence of accounts. This paper pulls together separate series for NPISH available from the National Income and Product Accounts (NIPAs), organizes them according to the System of National Accounts (SNA) in a separate prototype sequence of accounts, and analyzes them to illustrate salient characteristics of the NPISH sector within the U.S. economy for 1992-2019.

The paper starts with the review of the SNA's treatment of nonprofit institutions, how the different Federal statistical agencies treat the nonprofit sector, and how the NIPAs estimate NPISH output. I then analyze the account to show the growth of the NPISH sector within the U.S. economy and its salient characteristics. One striking fact that emerges from this exercise is that the NPISH sector has been a net borrower since 2001 and has consistently had negative net saving since 2006. I illustrate that the decline in net saving arises from increases in net transfers paid by NPISH, particularly to households. I then study how NPISH finance the increased transfers despite persistent negative saving and examine the role of capital gains. Finally, I present the balance sheet of NPISH to evaluate the financial health of the sector.

## **I. History of NPISH in the United States**

Voluntary associations of individuals to provide services to the public and their members are as old as human civilization. In the United States, charitable organizations existed in the colonial time to provide community services. The earliest known charitable trust was established in 1616 to provide education to local children. In today's discussion, however, non-profit institutions mean tax-exempt organizations, which in turn presume the existence of government

sector and corporate income tax. NPISH are thus a modern form of business that is still evolving.

In the United States, the structure of tax exemption granted to religious organizations, charities, and voluntary associations was developed through legislation from 1894 to 1969 (Amsberger, 2008). The Tariff Act of 1894 made the first statutory reference to tax-exempt charitable organizations and established the requirements for operating charitable organizations. Throughout the 20<sup>th</sup> century, various laws expanded the coverage and scope of tax-exempt organizations as well as introducing some restrictions on activities allowed under tax-exempt status, culminating in the Tax Reform Act of 1969.

The Tax Reform Act of 1969 (TRA69) introduced sweeping reforms to the charitable sector and set the basic framework of the present-day nonprofit institutions. It created Internal Revenue Code section 501(c) designated for different types of tax-exempt organizations and expanded the maximum deductions for individual contributions with a view to encouraging contributions to charities. TRA69 for the first time defined private foundations with an array of stringent requirements specific to such foundations. It also expanded the tax on income that exempt organizations earned from unrelated business activities. Since 1969, Congress has made a number of small changes to the laws governing exempt organizations, but the basic framework remains similar.

With the legal framework in place, the number of nonprofit institutions increased considerably over the past five decades. The number of tax-exempt organizations increased from 416,291 in 1969 to 1.87 million in 2019 (annualized growth rate of 3.1%). However, certain tax-exempt organizations are not required to file annual information returns (IRS Form 990)<sup>1,2</sup> and

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1 Examples of such tax-exempt organizations include churches, church-affiliated organizations, religious schools below the college level, and political organizations that are state or local committees of a political party.

2 There are several categories of Form 990: 990, 990-EZ, 990-N, and 990-PF. Tax-exempt organizations

thus the Federal statistical agencies are not able to capture the entire universe of tax-exempt organizations. Between 1992 and 2019, a subset of tax-exempt organizations that we normally associate as nonprofit<sup>3</sup> grew from 997,867 to 1.65 million (annualized growth rate of 1.8%). Keeping pace with the number of tax-exempt organizations, value added created by such institutions increased from \$60.1 billion to \$97.8 billion in real terms during the same period (annualized growth rate of 1.8%)<sup>4</sup> while total assets owned by nonprofit institutions more than tripled, from \$26.3 trillion to \$88.6 trillion (in 2012 constant dollars; annualized growth rate of 4.8%).<sup>5</sup> While the importance of nonprofit institutions appears to have grown in the U.S. economy, we know less about nonprofit institutions relative to the other sectors of the economy, as statistics on nonprofit institutions are spread in various places within the NIPAs. Earlier attempts to estimate contributions of the NPISH sector in the national income framework include Rudney and Young (1989) and Ruggles and Ruggles (1989). Methodological and statistical advances have been made since then and new estimates of the NPISH sector account was published in 2003 which covered from 1992 to 2001 (Mead, McCully and Resindorf 2003). This paper updates the sector account to 2019 and organizes the sequence of the account following the

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with gross receipts of \$200,000 or more and total assets of at least \$500,000 have to file the full Form 990. Smaller organizations, with gross receipts less than \$200,000 but more than \$50,000 and total assets of less than \$500,000 are required to file an abbreviated version with fewer financial details, Form 990-EZ. Organizations with gross receipts with \$50,000 or less are required to file only 990-N (electronic postcard that informs IRS that the organization is under operation confirming that the organization's annual gross receipts are less than the stipulated threshold amount). Private foundations must file Form 990-PF regardless of their financial status.

3 I limit the organizations to those organized under IRS 501(c) subsections (3) to (9). Tax-exempt organizations organized under other subsections include state-chartered credit unions, mutual insurance companies, veterans' organizations, and holding companies for pension funds, which the NIPAs don't consider as NPISH.

4 NIPA Table 1.3.6, real value added by sector in chained dollars.

5 The number of filers is taken from SOI's Table 3: Form 990 Returns of 501(c)(3)-(9) Organizations: Balance Sheet and Income Statement Items for tax year 1998 and 2019, the figures for total assets come from FRB's Financial Accounts of the United States, deflated by BEA's implicit price deflator for GDP (NIPA table 1.1.9 line 1).

SNA framework.

## II. Definition

The SNA defines nonprofit institutions (NPIs) as entities created to produce goods and services but are not allowed to be a source of profit or financial gains for those who control them. Recent guidelines for establishing satellite accounts for NPIs (United Nations, 2018) spell out in detail five characteristics that define the non-profit sector: legally separate organization, private, non-profit distribution, self-governing, and noncompulsory, each of which is described below.

- **Separate Organization:** NPIs are legal entities and must possess a significant degree of permanence, an internal organizational structure, and meaningful organizational boundaries. In the United States, establishment of NPIs is dictated by state law. Depending on the state, NPIs may choose different legal forms: corporation, limited liability company (LLC), charitable trust, or unincorporated associations. The most common choice for NPIs is incorporation, thus separating the institution from personal liability of members.
- **Private:** No NPI should be controlled by government.
- **Self-governing:** Many NPIs are controlled by associations whose members have equal rights, including equal votes on all major decisions affecting the affairs of the NPI. Members enjoy limited liability with respect to the NPI's operations.
- **Non-compulsory:** Participation in a NPI's activities must be voluntary and any individual must be able to choose not to become a member of it.
- **Non-profit distribution:** A NPI does not have shareholders and its members are not

entitled to a share in any profits, or surplus, generated by activities of the NPI. If profits are generated, they are retained within the NPI. The term “non-profit institution” derives from the fact that the members of the association controlling the NPI are not permitted to gain financially from its operations and cannot appropriate any surplus that it may make.

It does not imply that a NPI cannot make an operating surplus on its production.

There is no mention of taxation on income generated by NPIs in the above definition whereas many people use the term nonprofit interchangeably with tax-exempt status. Strictly speaking, these terms are different: nonprofit status refers to incorporation status under state law (in the United States) while tax-exempt status means exemption from Federal income tax under the Internal Revenue code. In particular, the tax-exempt status is not a determining characteristic of NPIs (SNA2008 para 23.3). However, in practice, government agencies collect data on various establishments depending on their tax status and classify tax-exempt organizations as “nonprofit.” In all practical purposes tax-exempt status and NPIs may be considered interchangeable.

### **III. Universe of Tax-Exempt Organizations by U.S. Government Agencies**

A handful of U.S. government agencies collect information on the nonprofit sector and provide statistics regarding the sector. However, different agencies employ different criteria to the definition of nonprofit, and hence the universe of nonprofit institutions vary depending on the agency and source data used. As data from different agencies do not necessarily cover the same universe of nonprofit institutions, users of such data must be aware of small differences and discrepancies that may arise when analyzing the sector using different data sets. Definition and coverage of nonprofit status used by different agencies are described as follows.



- **Internal Revenue Services (IRS):** IRS grants tax-exempt status to private organizations based on their line of business. Such tax-exempt organizations primarily provide services to households in one of the following categories: religious and welfare (including social services, grant-making foundations, political organizations, museums and libraries, and some civic and fraternal organizations); medical care; education and research; recreation (including cultural, athletic, and some civic and fraternal organizations); and personal business (including labor unions, legal aid, and professional associations). Table 1 provides a snapshot of such organizations in 2019 (Internal Revenue Service Data Book 2019, 2020). Currently there are more than 1.8 million tax-exempt organizations in the United States, 80% of which are granted tax-exempt status under section 501(c)(3) of the Internal Revenue code.
- **Census Bureau:** Census Bureau conducts quinquennial economic censuses and annual surveys of the service sector (Service Annual Survey, or SAS) to collect information on the nonprofit sector. Different questionnaires are sent out depending on the North American Industry Classification System (NAICS) code of a business establishment's main line of business. Neither Economic Census nor SAS covers certain sectors, such as religious organizations and certain educational institutions such as colleges and universities. The question regarding an establishment's tax-exempt status is asked only in certain sectors. They are selected sectors in NAICS, mainly in education, health, arts and entertainment, social and personal services (i.e., NAICS 61, 62, 71, 72, and 81).
- **Bureau of Labor Statistics (BLS):** BLS publishes an experimental nonprofit project data set as part of the Quarterly Census of Employment and Wages (QCEW) in

collaboration with Johns Hopkins University’s Center for Civil Society Studies. The data cover only 501(c)(3) organizations. Researchers have published findings from the data in BLS’s *Monthly Labor Review* (e.g. Salamon and Sokolowski 2008, Butler 2008, Warren 2008, Friesenhahn 2016). I reproduce the nonprofit table from the most recent year in table 2. BLS data reveal several intriguing facts that are not necessarily captured in data from the other agencies. First, NPIs are represented in every sector of the economy including agriculture, manufacturing, retail trade, etc., that are not normally considered as “nonprofit” in other data sets. Second, the NPI sector dominates in both employment and average wages in certain industries, such as education and health and social assistance. In particular in education, employees at NPIs earn on average 50% more than their for-profit sector counterparts. Third, more than four-fifths of NPISH employees work either in education or in health and social assistance and earn more than 85% of NPISH wages.

- **Federal Reserve Board of Governors (FRB):** FRB publishes the financial accounts of nonprofit institutions in the Financial Accounts of the United States (FAUS). The source data come from the IRS’s Statistics of Income (SOI), Form 990 returns of 501(c)(3) – (9) organizations. This means that FRB’s financial accounts of the nonprofit sector includes nonprofit institutions serving business and excludes religious institutions that are not required to file Form 990 for informational purposes. Table 3 presents the financial accounts for nonprofit institutions from the financial transaction account down to the balance sheet. At the end of 2019, nonprofit institutions had \$7,887.4 billion in net worth. To put this number in perspective, this accounts for 3.1% of net worth of the households and nonprofit institutions sector.

- **Bureau of Economic Analysis (BEA) and the NIPAs:** Of many entities that are exempt from income taxes under Internal Revenue Code section 501(c), not all are classified in NPISH by BEA. Some nonprofit institutions, such as chambers of commerce and trade associations serve businesses rather than households and are included in the business sector. Some other tax-exempt organizations that sell goods and services in the same way as for-profit businesses are also classified in the business sector. Such businesses include tax-exempt cooperatives, credit unions, mutual financial institutions, and tax-exempt manufacturers (such as university presses). Institutions that are recognized as NPISH are defined as private organizations with tax-exempt status that primarily provide services to households in one of the following six categories: health care, recreation, including libraries and museums, education and research (including day care and nursery schools), social services, religious organizations, foundations, social advocacy, civic and social organizations, and professional advocacy including nonprofit legal services.

#### **IV. Current NIPA Tables with NPISH Statistics**

BEA began publishing separate estimates of NPISH income and outlays from the 2003 comprehensive revision of the NIPAs (Mead, et al. 2003). The NIPAs have several tables that identify NPISH as separate line entries. Table 4 lists the NIPA tables that include separate estimates related to NPISH and table 5 lists the Fixed Assets Account tables that have estimates for NPISH.

Many types of services provided by NPISH are purchased with explicit payment by persons. NPISH may also provide services free of charge or below market prices as many of

them rely on other sources of income to cover at least a portion of their expenses. In such a case, revenues from sales may not represent a good measure of the value of NPISH output but the expenses that are incurred to produce their output could be a better measure of the value of their output. Therefore, the output of NPISH is valued at its cost of production in the NIPAs. Specifically, gross value added (GVA) of NPISH in the NIPAs (Table 1.3.5, line 7) is estimated by summing compensation of employees, the rental value of nonresidential fixed assets, and rental income of persons for tenant-occupied housing.

NPISH are accounted for in personal consumption expenditures (PCE) by their final consumption expenditures that represents the services that are provided to households by NPISHs without explicit charge (such as the value of the education services provided by a nonprofit college or university that is over and above the tuition and other costs paid by or for the student's household). It equals their gross output minus the sum of sales to other sectors of the economy (such as sales of education services to employers), sales to households, and the value of any investment goods (such as software) that are produced directly by the NPISH. The gross output of NPISH is equal to their current operating expenses less sales to households that are not related to the NPISH's primary activity (such as room and board charges by colleges and universities). Operating expenses consist of compensation costs, purchased goods and services except for capital outlays, and the imputed rental value of structures and equipment owned by NPISH. Capital outlays consist of the value of purchased buildings and of equipment and software as well as the value of investment goods such as software that are produced directly by the NPISHs. The imputed rental value of structures and of equipment and software owned by NPISHs equals the sum of interest paid, depreciation at current replacement cost, and property taxes. Sales of services by NPISHs to households are subtracted from the NPISH expenses

because these sales are accounted for in household consumption expenditures in PCE.

The primary source of data used to estimate the expenditures of NPISH are the Census Bureau's Economic Census and SAS that collect information on expenses and receipts of NPISH. Estimates of expenses of organizations not covered by Census Bureau's surveys come from alternative data sources such as the National Council of Churches (for religious organizations) and the National Center for Education Statistics (for educational institutions). Additional data sources include the National Center for Charitable Statistics at the Urban Institute, the Giving Institute, Independent Sector, QCEW, and the Federal Election Commission.<sup>6</sup>

## **V. Prototype Account of the NPISH Sector**

I compile a prototype sequence of accounts that separates the NPISH sector from the personal sector from 1992 to 2019 combining data from various published NIPA tables. The results are presented in table 6. This table follows the SNA principles that are used to create the Integrated Macroeconomic Accounts (for the Integrated Macroeconomic Accounts, see Yamashita 2013). The third column of the table gives the content of the series and the second column shows the corresponding SNA codes. The fourth column indicates where the series are taken from the NIPA tables and the fifth column denotes the years the series are available in the NIPAs. While some aggregates (e.g., gross value added, consumption of fixed assets, net value added) are available from 1929, some crucial sources of income and expenses for the sector such as current transfers are available only after 1992. Therefore, a complete account could only be created for 1992 and after.

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6 For more details of source data, refer to Technical note to Chapter 5 of Concepts and Methods of the National Income and Product Accounts, 2017.

The sequence starts from the generation of income account followed by distribution of income to arrive at net national income. Then payments and receipts of property income and current transfers are recorded to arrive at net disposable income and net saving. The sequence proceeds to the capital account to record capital transfer received, gross fixed capital formation and estimate net lending/borrowing of the sector from the current and capital account.

Although most series in this table are published or safely assumed to be zero, one series has to be estimated as the NIPAs do not record capital transfers received by households and NPISH separately. However, capital transfers received by persons, which include NPISH, mostly consists of disaster-related insurance benefits (NIPA Table 5.11 line 45). Assuming that disaster-related insurance benefits are usually paid out for property damages, I prorate the capital transfers received by persons with the ratio of market value of real estate owned by NPISH to that owned by households and NPISH available from the FAUS. Specific calculation of capital transfers received by NPISH is illustrated in the following table.

**Estimation of Capital Transfers Received by NPISH (in millions of current dollars)**

	<b>Item</b>	<b>Source</b>	<b>2018</b>	<b>2019</b>
(1)	Disaster-related insurance benefits received by persons	NIPA Table 5.11, line 45	11,952	0
(2)	NPISH: Real Estate at Market Value <sub>(t-1)</sub>	USFA FL165035005	3,201,864	3,285,004
(3)	Households and NPISH: Real Estate at Market Value <sub>(t-1)</sub>	USFA FL155035005	30,044,101	3,250,275
(4)	(1) × (2)/(3)		1,274	0

Estimation of capital transfers paid by NPISH, on the other hand, is simpler. Capital transfers paid by persons are estate and gift taxes at both the Federal and state and local levels (NIPA Table 5.11 lines 11 and 12). We assume NPISH as tax-exempt institutions do not pay such taxes. While there is a concern that philanthropies and private foundations make donations for acquisition of capital goods (for example, Oprah Winfrey Foundation’s donation of \$12

million to the National Museum of African American History and Culture, a government institution, whose auditorium is named after the philanthropist), such donations often include overhead and administrative expenses to manage the donations, which should be counted in current transfers. To complicate the measurement further, one of the main source data of philanthropic donations, Giving USA by the Giving Institute, classifies donations by sector of donations (e.g., education, arts) not by recipient's ownership (e.g., University of Washington, a government institution or Johns Hopkins University, a NPISH). Large philanthropic donations are often between NPISHs (e.g., Bill and Melinda Gates Foundation to MIT), and thus should not be recorded as transfers paid out by the sector. As long as the NIPAs capture donations from NPISH to government institutions and households in current transfers, it would be safe not to count capital transfers paid by NPISH to avoid double counting.

## **VI. Analysis of the NPISH Sector in the U.S. Economy**

Equipped with the prototype account presented in the previous section, I analyze the place of the NPISH sector within the U.S. economy. Main questions I ask include: how big is the sector? Is the sector growing or shrinking? What are characteristics of the NPISH sector that stand out?

Panel (a) of figure 1 presents the share of the NPISH sector in gross value added (GVA) from 1929 to present, both in nominal and real terms. Surprisingly, presented in two different measures, the size of the NPISH sector within the overall U.S. economy seems different. In nominal terms, the sector has been steadily growing from the low of 1.1% during WWII to 5.5% in 2019. On the other hand, in real terms, the NPISH sector contributed most to GDP during the early years of the Great Depression and its share within the national economy has shrunk since

then, from the post-World War II high of 6.4% in 1993 to 5.1% in 2019. The large share of the sector during the early years of the Great Depression is well documented in Geddes (1937): Relief funds from private sources increased from \$10.3 million in 1929 to \$71.6 million in 1932. However, as the Federal government stepped in to provide public funds for relief activities, private relief activities waned quickly to \$36.9 million in 1933, \$18.8 million in 1934, and to \$14.5 million in 1935.<sup>7</sup> The role of the government further expanded during WWII and the NPISH sector has become less important in the economy.<sup>8</sup>

The difference between the nominal and real series can be explained by price indices. Panel (b) of figure 1 plots annual rates of change in deflators for GDP and NPISH GVA. The deflator for NPISH has been higher than that of GDP consistently for most years, and significantly higher in some years. Inflation measured by the GDP deflator is higher than that of the NPISH deflator only in 13 out of 75 years between 1946 and 2020. The GDP deflator becomes higher than the NPISH deflator in years when there is a spike in inflation due mainly to external events such as the post-WWII period, Oil Shocks in 1974-75 and 1979. In other years, NPISH deflator inflation is significantly higher than GDP inflation, particularly at the time of TRA69 when the definition of tax-exempt organizations is expanded. In 1970, NPISH inflation is 5.3 percentage points higher than GDP inflation.

The NIPAs also offer a glimpse into which subsector within the NPISH sector is contributing to the higher inflation. Figure 2 plots deflators for gross output of different subsectors within the NPISH sector. Panel (a) plots deflators for health, religious and civic organizations, and social services against the GDP deflator. Panel (b) plots the remaining

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7 All figures are in constant 1929 dollars and limited to relief funds in 120 urban areas.

8 This pattern is consistent with the theoretical model of Roberts (1984) in which households and government jointly determine the amount of charity giving. Households react to increased government spending to charities and reduce private transfers to charities.



subsectors, i.e., education, private foundations, social advocacy, and professional advocacy. Both figures show that not only the NPISH deflator is higher but the deflators of all subsectors within the NPISH sector grew considerably faster than the GDP deflator. It is curious that private foundations, a small subsector within the NPISH sector that do not sell direct services to households, have the highest inflation rate at the annualized rate of 3.2% between 1992 and 2020 vis-a-vis 2.6% of the total NPISH sector and 1.9% of the GDP deflator. As I explain later, this may have something to do with the change in tax laws governing private foundations in the late 1990s.

Although the inflation rates of certain subsectors within the NPISH sector are high, the overall inflation of the NPISH sector follow closely the two biggest subsectors within NPISH, health and education. Panel (c) illustrates each subsector's share in terms of gross output within the NPISH sector.<sup>9</sup> The pie chart is based on the 5-year average of gross output in each subsector between 2015 and 2019. As in employment and wages shown in table 2, the health and education subsectors account for 59.3% and 12.6%, respectively, of total NPISH gross output.

A curious picture of the U.S. NPISH sector starts to emerge with the information provided so far. The sector is dominated by two main subsectors, namely health and education services, in terms of employment, wages earned, and output produced. Both subsectors have experienced a rapid rise in cost of production than total GDP while workers in the two sectors earn substantially more than their for-profit sector counterparts. They enjoy tax-exempt status, receive funds from the government while their services are mostly enjoyed by the better-off segment of the population while government entities provide similar services at a lower price for less well-to-do. What are NPISH charging consumers?

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9 Other includes professional advocacy (3.2%), private foundations (2.7%), social advocacy (1.5%), and civic organizations (0.9%).

It is important to recognize that the nonprofit status, or tax-exempt designation, is different from the consideration whether an entity is a market producer. In the SNA, nonmarket producers are those who provide goods and services at the prices that are not economically significant. Economically significant prices are prices that have significant effects on quantity of goods and services supplied and demanded. Is Mayo Clinic or Harvard University providing services at an economically significant price?<sup>10</sup>

To answer this question, I calculate how much each subsector within NPISH recovers its cost of production from consumers. Figure 3 shows the ratio of receipts from households that NPISH earn to their gross output, which is the sum of their cost of production, calculated over five-year average. On average, the NPISH sector recovers 73% of the cost of production from sales to consumers. In the health subsector, the recovery rate is 94%. Social advocacy, education, and civic organizations recover more than 50% of their cost of production from sales. The SNA recommends that NPIs that provide goods and services to households at economically significant prices be classified in the corporate sector and expenditures on their output is treated as final consumption expenditure by households. (SNA 23.7 and 23.8). Such a task is beyond the scope of this paper but will be an important research topic for the future.

Another question one may be interested in would be the cyclical behavior of the NPISH sector. We can think of two possible stories to explain cyclical movements of the sector vis-à-vis the overall economy. One may conjecture that NPISH may expand their activities when they receive more funds from households in the form of current transfers when the economy is good and stock markets boom (i.e., the sector is procyclical). On the other hand, NPISH provide much needed services at prices lower than for-profit businesses offer and step in at the times of

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10 While the SNA does not offer a quantitative measure of economically significant prices, the European System of Accounts (ESA) 2010 provides the quantitative criterion of 50% using the ratio of sales to production cost. I use the 50% criterion in the following paragraph.

economic hardship to help households in need (i.e., the sector is countercyclical). This is an empirical question that we can answer with data. I plot the growth rate of real GVA of the NPISH sector against that of the overall economy and present it in figure 4. It turned out that there is no correlation between the growth of the economy as a whole and the NPISH sector, implying the sector is acyclical. This makes sense considering the fact that the largest subsectors of the NPISH sector are health and education. The health subsector is considered to be acyclical as people utilize its services independent of economic circumstances. The education subsector, particularly at the post-secondary level, is considered to be mildly counter-cyclical as people tend to go back to school when the economy is in recession. However, most fluctuations of demand at the post-secondary education are borne by public institutions, a less-expensive alternative to private schools. Demand for primary and secondary education services depends on the population of school-age children and is therefore acyclical.

One striking characteristic in this account is that the NPISH sector has been a net borrower since 2001. A large part of it is because the saving rate of the NPISH sector plummeted in the early 2000s and kept going down until 2009. Figure 5 compares the NPISH net saving to that of the household sector (panel (a)) and the NPISH saving rate to the household saving rate (panel (b)).<sup>11</sup> A large decline in net saving between 2005 and 2009 is often attributed to the decline in transfers from households and increase in outlays during the financial crisis of 2008/09. For example, Dietz et al (2014) report closures of some NPISH and Salamon et al. (2011) describe economic hardship of NPISH based on surveys.

While the financial crisis of 2008/09 exerted some economic hardship on some subsectors within NPISH, it might be premature to attribute negative net saving to the financial

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11 The household saving rate is calculated as net saving over households' disposable income while the NPISH saving rate is calculated as NPISH net saving over its income (sum of rental income, property income and transfers received) plus receipts from sales of goods and services.

crisis entirely. First, as seen before, the NPISH sector is dominated by health and education services that depend less on transfers from government or households than other subsectors within NPISH but sell their services at economically significant prices. Second, the sector as a whole is acyclical and immune from recessions. Third, the decline in net saving started much earlier in the late 1990s and net saving turning negative in 2006 predating the financial crisis. Fourth, even after the economy recovered, the NPISH saving rate has not recovered and is still below  $-8\%$ . We need to explore factors behind such a long declining trend in saving.

One possible culprit for the decline in net saving could be the expansion of private foundations. The Tax and Trade Relief Extension Act of 1998 allowed donors to deduct the full market value of donations of stocks to private foundations.<sup>12</sup> As a result, a record number of new foundations were filed in 1999, when the number of new filers increased by 11 percent from 1998 (Arnsberger, et al. 2008). Together with the Internet boom and subsequent booms in stock markets, the number of private foundations kept increasing and their total asset size expanded. In terms of gross output, private foundations accounted for less than 2.0% of the total NPISH gross output in 1992-1996 but grew to account for 2.7% in 2015-2019. Although small in total output, private foundations are in the business of receiving funds from wealthy individuals and giving them out to achieve their objectives. It is thus not surprising that private foundations could play an outsized role in increasing transfer payments from the NPISH sector.

To probe this point, I plot the share of transfers paid and received by NPISH in the total inflow of funds that NPISH receive in figure 6 panel (a). The total inflow includes income of NPISH (rental income, property income, and transfers received) and receipts from sales of goods and services. The ratio of transfers paid to inflow increases rapidly from 0.052 in 1992 to 0.077

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12 This provision was first introduced under the Deficit Reduction Act of 1984 but expired in 1994. TTREA made this provision permanent.

in 1999. While the trend decelerates after 2000, the share of transfer payments in income increases to 0.09 in 2019. On the other hand, transfers received peaks at 0.285 in 2000 and declines in the early 2000s to the low of 0.219 in 2009 and stays around 0.23 until now. Note that NPISH that receive transfers from the government and households (health, education, civic organizations, social services) and those who pay out transfers (private foundations) are different. In panel (b), I plot the trend in receipts from sales and NPISH income from 1992-2019. I convert the dollar amount into a logarithmic scale to better understand the growth trend. NPISH receipts from households grow steadily without much perturbation. On the other hand, NPISH income shows more fluctuations. Analyzing each component of NPISH income, the slowdown in income after 2008 comes primarily from reduction in interest income from the low interest rate environment and flattening of government transfers. Of the seven components of income, rental income, dividend income and transfers from private businesses are the most volatile components as measured by the coefficient of variation.

To further examine the role of increased NPISH outlays, I plot change in net saving to change in different categories of NPISH outlays in figure 7. In this figure, final consumption expenditure numbers are calculated as gross output of NPISH minus receipts from sales of goods and services, and net transfers numbers are calculated as transfers paid minus transfers received. The larger the number, the larger the increase of the outlays from the previous year. If an increased outlay is related to a decline in net saving, we would expect a negative relationship between the two variables. The largest contributors to the decline in net saving is the increase in NPISH's final consumption expenditures, particularly the sectors other than health and education, followed by the increase in net transfers to households.

## VII. Financing of NPISH Activities and Financial Health of the NPISH Sector

With persistent negative saving, one might want to know how NPISH manage to continue operating. To evaluate how NPISH finance their activities, I turn to the financial accounts and see if any financing activities are correlated with changes in net saving. In figure 8, I present such analysis.<sup>13</sup> In these figures, the horizontal axes represent financing activities from the financial transaction account. As in the cash flow analysis of corporate finance, an increase in liability means a source of new funds. So do sales (or decreases) in assets. Each panel considers different forms of financing from bank loans, new incurrence of municipal securities, sale of government bonds and corporate equities. The vertical axes plot net saving.<sup>14</sup> If a type of financing is used to finance a decrease in net saving, I would expect a negative relationship between that type of financing and net saving changes. In panel (a), which shows financing total, there is a positive relationship between an increase in financing and net saving. Increased financing, therefore, does not contribute to the decline in net saving. In each type of financing, I fail to detect any negative relationship for most except two. The only negative relationship between the two ratios is found in panel (b), bank loans and panel (d) unidentified miscellaneous liabilities.<sup>15</sup> The unidentified miscellaneous liabilities is the largest item in the balance sheet of the NPI sector. This is a residual that is obtained by subtracting other liabilities from total liabilities and further research is needed to understand what constitutes the unidentified liabilities.

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13 Please note that the universe of NPIs covered by the NIPAs and the FAUS is not exactly the same as explained earlier.

14 Note that unlike figure 7, which plots change in net saving (change in flow) against change in outlays (change in flow), the vertical axis in figure 8 are the level of net saving (flow) as it is contrasted to financial transactions (flow) or holding gains over a year (flow).

15 While one may want to argue that unidentified miscellaneous liabilities in panel (d) displays a negative relationship because of one influential observation in 1998 when unidentified miscellaneous liabilities decreased by \$187 billion while net saving was positive \$33 billion. Even if I delete this observation, there is still a negative association between the two variables.

Another question is whether holding gains of the balance sheet plays a role in increased spending and the decline in net saving. If NPISH behave like households who exhibit wealth effects from increased value of the balance sheet to increased consumption expenditures and decreased saving, we would expect a negative association between increased holding gains and lower net saving. Panels (g) to (i) of figure 8 plot net saving against different types of unrealized holding gains. However, none of the holding gains show expected negative relationships, thus holding gains do not seem to contribute to negative net saving of the NPISH sector.

To further explore possibilities of the wealth effect on NPISH saving, I plot the NPISH saving rate against the net-worth-to-income ratio in panel (a) of figure 9. If there is a wealth effect from the balance sheet, an increase in the net-worth-to-income ratio would contribute to higher spending thus reducing net saving. If this relationship holds, then we would expect a negative relationship between the two variables. The figure shows that a decline in net saving is strongly associated with an increase in NPISH net worth relative to income. Panel (a) also plots the same relationship for households. Both NPISH and households have a similar range of fluctuations of net-worth-to-income ratio (NPISH between 2.7 to 4.3 while households between 4.7 to 6.3). However, variation in saving rate is far greater for NPISH than for households. Does this mean that NPISH are sensitive to improvements in the balance sheets and react strongly to appreciation in asset values?

If the wealth effect is strong in NPISH, we would expect they would react strongly to holding gains in the balance sheet. In other words, are capital gains directly associated with the decline in net saving? To examine this possibility, panel (b) of figure 9 plots change in the net-worth-to-income ratio against the ratio of capital gains from financial assets to income. Surprisingly, there seems no discernible positive or negative relationship between the two. This

is surprising, because for households, there is a strong positive association between holding gains and change in the net-worth-to-income ratio (see p. 15 of Yamashita 2013), indicating that holding gains play a crucial role in wealth accumulation of households. For NPISH, on the other hand, there seems little association between holding gains and changes in the net-worth-income ratio. This may have something to do with the fact that NPISH are required to spend a fraction of their returns on investment on their main activities.

As NPISH are running persistent negative saving that appears to be financed by incurring more bank loans, what can we infer about long-run financial solvency and overall health of NPISH's financial condition? Panel (a) of figure 10 presents the leverage (total assets to net worth) ratio and debt-to-equity ratio of the NPISH sector for 1992-2019. Despite negative saving, NPISH have a very low leverage ratio of about 1.3x compared to the other sectors of the economy. Furthermore, while the sector sustains negative saving, the leverage ratio has been improving since 2009. The same applies to the debt-to-equity ratio. Looking at the balance sheet of the sector in panel (b), NPISH seem to have a conservative portfolio with less than a quarter of the total assets invested in risky assets and a very low level of borrowings.

## **VIII. Conclusions**

This paper reviews the treatment of NPISH in the NIPAs and creates a prototype account of the NPISH sector. Putting together many series from different parts of the NIPAs to create a separate account for the NPISH sector is useful to answer questions about the role of the NPISH sector in the U.S. economy. Analyzing the account, several stylized facts emerge: the sector is growing steadily in nominal terms but has been stagnant in real terms in recent years, principally because of higher inflation rates on their cost of production. The sector is dominated by health



and education services that charge economically significant prices for their services. The sector has been a net borrower since 2001 and the decline in saving is a long trend of the NPISH sector since the late 1990s. The decline in saving appears to be related to a rapid rise in transfers payments after the 1990s, increases in final consumption expenditures of the sector, and stagnant growth in property income in the 2010s. To finance their activities, NPISH seem to rely on bank loans and unidentified miscellaneous liabilities. Despite the long trend in declining saving, NPISH as a whole appear to have healthy balance sheets with low and declining leverage and debt-to-net worth ratios.

The prototype account and the analyses presented in this paper offer guidelines for future research. First, to be consistent with the SNA guidelines, we would like to separate market producers, particularly the health and education sectors, from the rest of NPISH. There are data limitations and more research is needed to examine the feasibility of such an endeavor and possibly to produce new methodologies to estimate some series for market producers that are currently not available in the NIPAs or source data. Second, if private foundations play an outside role in declining net saving of the NPISH sector, we would like to know more about their operations and finances. This would require further research on filing of private foundations (IRS Form 990-PF) and their balance sheet. Third, this paper has not completely answered the puzzle of how NPISH keep improving their balance sheet positions while sustaining negative saving over a decade, particularly when holding gains do not seem to be related to negative saving. We need to explore more to understand what comprise unidentified miscellaneous assets and liabilities that account for a considerable fraction of the NPISH balance sheet.

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**Table 1 IRS Data Book Information on Tax-Exempt Organizations, 2019**

	Total	New Applications in 2019			
		Applied	Approved	Disapproved	Other
<b>Tax-exempt organizations, nonexempt charitable trusts, and split-interest trusts</b>	<b>1,870,666</b>	<b>101,880</b>	<b>92,439</b>	<b>66</b>	<b>9,375</b>
<b>Recognized section 501(c) by subsection, total</b>	<b>1,718,233</b>	<b>101,875</b>	<b>92,434</b>	<b>66</b>	<b>9,375</b>
(1) Corporations organized under an Act of Congress	668				
(2) Title-holding corporations	4,421	160	147	0	13
(3) Religious, charitable, and similar organizations	1,365,744	95,251	86,383	39	8,829
(4) Social welfare organizations	79,808	1,636	1,442	7	187
(5) Labor and agriculture organizations	45,888	519	491	d	d
(6) Business leagues	62,700	1,553	1,432	13	108
(7) Social and recreation clubs	49,126	1,265	1,153	d	d
(8) Fraternal beneficiary societies	41,756	308	287	0	21
(9) Voluntary employees' beneficiary associations	6,050	116	98	0	18
(10) Domestic fraternal beneficiary societies	15,560	170	153	0	17
(12) Benevolent life insurance associations	5,373	d	0	0	d
(13) Cemetery companies	9,406	113	102	0	11
(14) State-chartered credit unions	1,677	254	248	0	6
(15) Mutual insurance companies	659	35	d	0	d
(17) Supplemental unemployment compensation trusts	88	d	d	0	0
(19) Veterans' organizations	28,575	463	439	0	24
(25) Holding companies for pensions and other entities	671	d	d	0	d
Other 501(c) subsections	63	d	d	0	0
<b>Section 501(d) Religious and apostolic associations</b>	<b>214</b>				
<b>Section 527 Political organizations</b>	<b>39,167</b>				
<b>Number of Returns Filed</b>	<b>1,590,421</b>				
<b>Number of Returns Examined</b>					
Forms 990, 990-EZ, and 990-N	1,335				
Forms 990-PF, 1041-A, 1120-POL, and 5227	302				

Other includes incomplete, withdrawn, and applications that did not include required information.

d indicates cells not shown to avoid disclosures of information.

Source: IRS Data Book 2019 Tables 2, 12, 21

**Table 2 Total Employment and Annual Wages of 501(c)(3) Organizations by Industry, 2017**

NAICS Code	Industry	Employment ('000)	Share of NPIs in Private Employment	Share of Sector within 501(C)(3)	Annual Wages (million)	Share of NPIs in Private Wages	Share of Sector within 501(C)(3)	Wage Ratio
10	Total Private	12,488.6	10.2%	100.0%	670,218.1	9.9%	100.0%	0.97
11	Agriculture, Forestry, Fishing and Hunting	3.0	0.2%	0.0%	104.1	0.2%	0.0%	1.02
23	Construction	9.3	0.1%	0.1%	429.8	0.1%	0.1%	0.76
31-33	Manufacturing	7.5	0.1%	0.1%	285.4	0.0%	0.0%	0.57
42	Wholesale Trade	4.0	0.1%	0.0%	228.0	0.1%	0.0%	0.75
44-45	Retail Trade	93.5	0.6%	0.7%	2,100.3	0.4%	0.3%	0.72
48-49	Transportation and Warehousing	21.2	0.4%	0.2%	732.9	0.3%	0.1%	0.67
51	Information	68.1	2.4%	0.5%	3,583.2	1.2%	0.5%	0.49
52	Finance and Insurance	43.7	0.7%	0.4%	4,189.3	0.7%	0.6%	0.90
53	Real Estate and Rental and Leasing	36.4	1.7%	0.3%	1,412.8	1.1%	0.2%	0.68
54	Professional, Scientific, and Technical Services	270.1	3.0%	2.2%	21,796.0	2.6%	3.3%	0.86
55	Management of Companies and Enterprises	281.1	12.3%	2.3%	19,434.2	7.1%	2.9%	0.54
56	Administrative and Support and Waste Management and Remediation Services	100.9	1.1%	0.8%	5,418.1	1.5%	0.8%	1.36
61	Educational Services	2,003.6	70.9%	16.0%	110,978.5	78.5%	16.6%	1.50
62	Health Care and Social Assistance	8,306.7	43.0%	66.5%	454,724.5	48.0%	67.8%	1.22
71	Arts, Entertainment, and Recreation	356.0	15.5%	2.9%	10,611.3	12.3%	1.6%	0.76
72	Accommodation and Food Services	38.1	0.3%	0.3%	793.2	0.3%	0.1%	1.01
81	Other Services (ex. Public Administration)	837.7	18.9%	6.7%	32,834.3	19.8%	4.9%	1.06

Source: Bureau of Labor Statistics Research Data on the Nonprofit Sector, 2017

**Table 3 Financial Accounts of Nonprofit Institutions, 2018-2019**

Line	FAUS Code		available	2018	2019
<b>FINANCIAL TRANSACTION ACCOUNT</b>					
1	FA162000005	<b>total assets</b>	1988~	<b>(641,577)</b>	<b>(658,705)</b>
2	FA164090005	<b>total financial assets</b>	1988~	<b>281,146</b>	<b>305,666</b>
3	FA163020005	cash and non-interest-bearing deposits; asset	1988~	11,284	11,252
4	FA163030205	other deposits and short-term investments; asset	1988~	5,677	(29)
5	FA163034003	money market fund shares; asset	1985~	9,683	17,345
6	FA164022005	debt securities; asset	1988~	15,352	16,972
7	FA163061005	U.S. government and municipal securities; asset	1988~	2,916	3,688
8	FA163063005	corporate and foreign bonds; asset (market value)	1988~	12,436	13,284
9	FA164023005	loans; asset	1988~	727	1,142
10	FA163065013	total mortgages held by private foundations; asset	1988~	46	54
11	FA163066223	consumer credit, student loans; asset	2006~	(3,875)	(3,616)
12	FA164041005	other notes and loans receivable; asset	1988~	4,556	4,704
13	FA163064005	corporate equities and mutual fund shares; asset	1988~	92,772	101,580
14	FA163070005	grants and trade receivables; asset	1988~	6,700	7,616
15	FA163093005	unidentified miscellaneous assets	1988~	138,951	149,788
16	FA162010005	<b>nonfinancial assets</b>	1946~	<b>(922,723)</b>	<b>(964,371)</b>
17	FA165035005	real estate at market value	1946~	23,765	22,020
18	FA165035023	residential structures	1946~	2,904	2,741
19	FA165035033	nonresidential structures	1946~	20,861	19,279
20	FA165015205	equipment, current cost basis	1946~	22,039	21,251
21	FA165013765	nonresidential intellectual property products, current cost	1946~	5,950	6,390
22	FA164190005	<b>total liabilities</b>	1988~	<b>68,208</b>	<b>68,732</b>
23	FA163162003	municipal securities; liability	1973~	(2,461)	(3,282)
24	FA164123005	loans; liability	1988~	13,944	14,056
25	FA163165505	commercial mortgages; liability	1946~	9,688	9,352
26	FA163168005	depository institution loans n.e.c.; liability	1988~	4,256	4,704
27	FA163169385	other loans and advances (Sallie Mae financing)	1983~2004	0	0
28	FA163170005	trade payables; liability	1946~	9,140	8,072
29	FA163193005	unidentified miscellaneous liabilities	1988~	47,585	49,886
30	FA162090005	<b>net worth</b>	1988~	<b>(709,785)</b>	<b>(727,437)</b>
31	FA165000005	<b>net lending (+) or borrowing (-) (financial account)</b>	1988~	<b>212,938</b>	<b>236,934</b>
<b>REVALUATION ACCOUNT</b>					
1	FR162000005	<b>total assets</b>	1988~	<b>991,562</b>	<b>1,456,846</b>

Line	FAUS Code		available	2018	2019
2	FR164090005	<b>total financial assets</b>	1988~	<b>(44,596)</b>	<b>181,083</b>
3	FR163020005	cash and non-interest-bearing deposits; asset	1988~	0	0
4	FR163030205	other deposits and short-term investments; asset	1988~	0	0
5	FR163034003	money market fund shares; asset	1985~	0	0
6	FR164022005	debt securities; asset	1988~	<b>(3,804)</b>	6,396
7	FR163061005	U.S. government and municipal securities; asset	1988~	<b>(276)</b>	794
8	FR163063005	corporate and foreign bonds; asset (market value)	1988~	<b>(3,528)</b>	5,602
9	FR164023005	loans; asset	1988~	0	0
10	FR163065013	total mortgages held by private foundations; asset	1946~	0	0
11	FR163066223	consumer credit, student loans; asset	1946~	0	0
12	FR164041005	other loans and advances (Sallie Mae financing)	1988~	0	0
13	FR163064005	corporate equities and mutual fund shares; asset	1988~	<b>(40,792)</b>	174,687
14	FR163070005	grants and trade receivables; asset	1988~	0	0
15	FR163093005	unidentified miscellaneous assets	1988~	0	0
16	FR162010005	<b>nonfinancial assets</b>	1946~	<b>1,036,158</b>	<b>1,275,763</b>
17	FR165035005	real estate at market value	1946~	59,345	262,511
18	FR165035023	residential structures	1946~	35,165	35,330
19	FR165035033	nonresidential structures	1946~	24,180	227,181
20	FR165015205	equipment, current cost basis	1946~	<b>(932)</b>	<b>(2,794)</b>
21	FR165013765	nonresidential intellectual property products, current cost	1946~	3,268	2,014
22	FR164190005	<b>total liabilities</b>	1988~	<b>0</b>	<b>0</b>
23	FR163162003	municipal securities; liability	1973~	0	0
24	FR164123005	loans; liability	1988~	0	0
25	FR163165505	commercial mortgages; liability	1946~	0	0
26	FR163168005	depository institution loans n.e.c.; liability	1988~	0	0
27	FR163169385	other loans and advances	1983~2003	0	0
28	FR163170005	trade payables; liability	1946~	0	0
29	FR163193005	unidentified miscellaneous liabilities	1988~	0	0
30	FR162090005	<b>net worth</b>	1988~	<b>991,562</b>	<b>1,456,846</b>
31	FR165000005	<b>net lending (+) or borrowing (-) (financial account)</b>	1988~	<b>(44,596)</b>	<b>181,083</b>
<b>BALANCE SHEET</b>					
1	FL162000005	<b>total assets</b>	1987~	<b>9,150,993</b>	<b>9,949,134</b>
2	FL164090005	<b>total financial assets</b>	1987~	<b>5,243,309</b>	<b>5,730,058</b>
3	FL163020005	cash and non-interest-bearing deposits; asset	1987~	180,267	191,519
4	FL163030205	other deposits and short-term investments; asset	1987~	279,745	279,716
5	FL163034003	money market fund shares; asset	1985~	96,711	114,056

Line	FAUS Code		available	2018	2019
6	FL164022005	debt securities; asset	1987~	330,509	353,877
7	FL163061005	U.S. government and municipal securities; asset	1987~	118,027	122,509
8	FL163063005	corporate and foreign bonds; asset (market value)	1987~	212,482	231,368
9	FL164023005	loans; asset	1987~	180,967	182,109
10	FL163065013	total mortgages held by private foundations; asset	1987~	1,133	1,187
11	FL163066223	consumer credit, student loans; asset	2006~	31,275	27,659
12	FL164041005	other notes and loans receivable; asset	1987~	148,559	153,263
13	FL163064005	corporate equities and mutual fund shares; asset	1987~	1,934,713	2,210,980
14	FL163070005	grants and trade receivables; asset	1987~	262,070	269,686
15	FL163093005	unidentified miscellaneous assets	1987~	1,978,327	2,128,115
16	FL162010005	<b>nonfinancial assets</b>	1945~	<b>3,907,684</b>	<b>4,219,076</b>
17	FL165035005	real estate at market value	1945~	3,285,004	3,569,535
18	FL165035023	residential structures	1945~	553,510	591,581
19	FL165035033	nonresidential structures	1945~	2,731,494	2,977,954
20	FL165015205	equipment, current cost basis	1945~	438,592	457,049
21	FL165013765	nonresidential intellectual property products, current cost	1945~	184,088	192,492
22	FL164190005	<b>total liabilities</b>	1988~	<b>1,993,034</b>	<b>2,061,766</b>
23	FL163162003	municipal securities; liability	1973~	215,088	211,806
24	FL164123005	loans; liability	1987~	346,701	360,757
25	FL163165505	commercial mortgages; liability	1945~	269,070	278,422
26	FL163168005	depository institution loans n.e.c.; liability	1987~	77,631	82,335
27	FL163169385	other loans and advances	1983~2003	0	0
28	FL163170005	trade payables; liability	1945~	365,027	373,099
29	FL163193005	unidentified miscellaneous liabilities	1987~	1,066,218	1,116,104
30	FL162090005	<b>net worth</b>	1987~	<b>7,157,959</b>	<b>7,887,368</b>
31	FL165000005	<b>net lending (+) or borrowing (-) (financial account)</b>	1987~	<b>3,250,275</b>	<b>3,668,292</b>



**Table 4 NIPA Tables with Separate Entries for NPISH**

Category (Frequency)	Available	Nominal	Real Quantity Index	Real Chained Dollars	Price Index	Remarks
Gross Value Added by Sector (A, Q)		1.3.5	1.3.3	1.3.6	1.3.4	Line 7: GVA equals compensation of employees of nonprofit institutions, the rental value of nonresidential fixed assets owned and used by nonprofit institutions serving households, and rental income of persons for tenant-occupied housing owned by nonprofit institutions.
Gross Domestic Product, Expanded Detail (A, Q)		1.5.5	1.5.3	1.5.6	1.5.4	
Gross Domestic Purchases (A, Q)					1.6.4	
Net Value Added by Sector (A, Q)		1.9.5	1.9.3	1.9.6	1.9.4	Net value added (line 7) for the sector is identical to national income (table 1.13: line 49). Line 7 = gross value added of nonprofit institutions excluding CFC.
National Income by Sector, Legal Form of Organization, and Type of Income (A)		1.13				National income (line 49) is identical to net value added (table 1.9.5: line 7). Rental income of persons (line 53) is same as table 2.9: line 48 & table 7.9: line 14, net interest (line 16) from table 7.11: line 104.
Personal Consumption Expenditures by Major Type of Product (A, Q)		2.3.5 2.3.5U	2.3.3	2.3.6 2.3.6U	2.3.4 2.3.4U	Final consumption expenditures (line 22) = Gross Output (line 23) – Receipts from sales (line 24); same as tables 2.4.X. & 2.5.X.
Personal Consumption Expenditures by Type of Product (A)		2.4.5 2.4.5U	2.4.3 2.4.3U	2.4.6 2.4.6U	2.4.4 2.4.4U	Final consumption expenditures (line 111) = Gross Output (line 112) – Receipts from sales (line 113); same as tables 2.3.X & 2.5.X.
Personal Consumption Expenditures by Function (A)		2.5.5	2.5.3	2.5.6	2.5.4	Final consumption expenditures (line 132) = Gross Output (line 133) –

Category (Frequency)	Available	Nominal	Quantity Index	Real Chained Dollars	Price Index	Remarks
						Receipts from sales (line 134); same as tables 2.3.X & 2.4.X.
Personal Income and Its Disposition by Households and by Nonprofit Institutions Serving Households (A)		2.9				Rental income of persons (line 48) is the same as table 1.13 line 53 and table 7.9: line 14. Transfer receipts from business (net) (line 54) includes net insurance settlements and thus is slightly higher than donations by corporate businesses to NPISH (table 7.7: line 7).
Consumption of Fixed Capital by Legal Form of Organization and Type of Income (A, Q)		7.5				Line 20: CFC is used to arrive at net value added in table 1.9.5. The figure is identical to FA table 6.4 line 8.
Business Current Transfer Payments by Type (A)		7.7				Donations by corporate businesses to NPISH (line 7) is slightly lower than NPISH transfer receipts from business (net) in table 2.9 line 54, which includes net insurance settlements.
Rental Income of Persons by Legal Form of Organization and by Type of Income (A)		7.9				Rental income from tenant-occupied housing owned by NPISH (line 14). The number is the same as table 1.13 line 53 and table 2.9 line 48.
Interest Paid and Received by Sector and Legal Form of Organization (A)		7.11				Net interest (line 104) is the sum of monetary interest paid (line 18) and imputed interest paid (line 90) but does not include imputed interest received (line 71).
Comparison of Income and Outlays of Nonprofit Institutions Serving Households with Revenue and Expenses as Published by the Internal Revenue Service (A)		7.19				

**Table 5 Fixed Assets Accounts Tables with Separate Entries for NPISH**

Category	Current Cost	Chained Quantity Index	Historical Cost	Remarks
Net Stock of Private Nonresidential Fixed Assets by Industry Group and Legal Form of Organization	4.1	4.2	4.3	
Depreciation of Private Nonresidential Fixed Assets by Industry Group and Legal Form of Organization	4.4	4.5	4.6	
Investment in Private Nonresidential Fixed Assets by Industry Group and Legal Form of Organization	4.7	4.8		
Average Age at Yearend of Private Nonresidential Fixed Assets by Industry Group and Legal Form of Organization	4.9		4.10	
Net Stock of Residential Fixed Assets by Type of Owner, Legal Form of Organization, and Tenure Group	5.1	5.2	5.3	
Depreciation of Residential Fixed Assets by Type of Owner, Legal Form of Organization, and Tenure Group	5.4	5.5	5.6	
Investment in Residential Fixed Assets by Type of Owner, Legal Form of Organization, and Tenure Group	5.7	5.8		
Average Age at Yearend of Residential Fixed Assets by Type of Owner, Legal Form of Organization, and Tenure Group	5.9		5.10	
Net Stock of Private Fixed Assets by Industry Group and Legal Form of Organization	6.1	6.2	6.3	
Depreciation of Private Fixed Assets by Industry Group and Legal Form of Organization	6.4	6.5	6.6	Line 8 is identical to NIPA table 7.1 line 20.
Investment in Private Fixed Assets by Industry Group and Legal Form of Organization	6.7	6.8		
Average Age at Yearend of Private Fixed Assets by Industry Group and Legal Form of Organization	6.9		6.10	

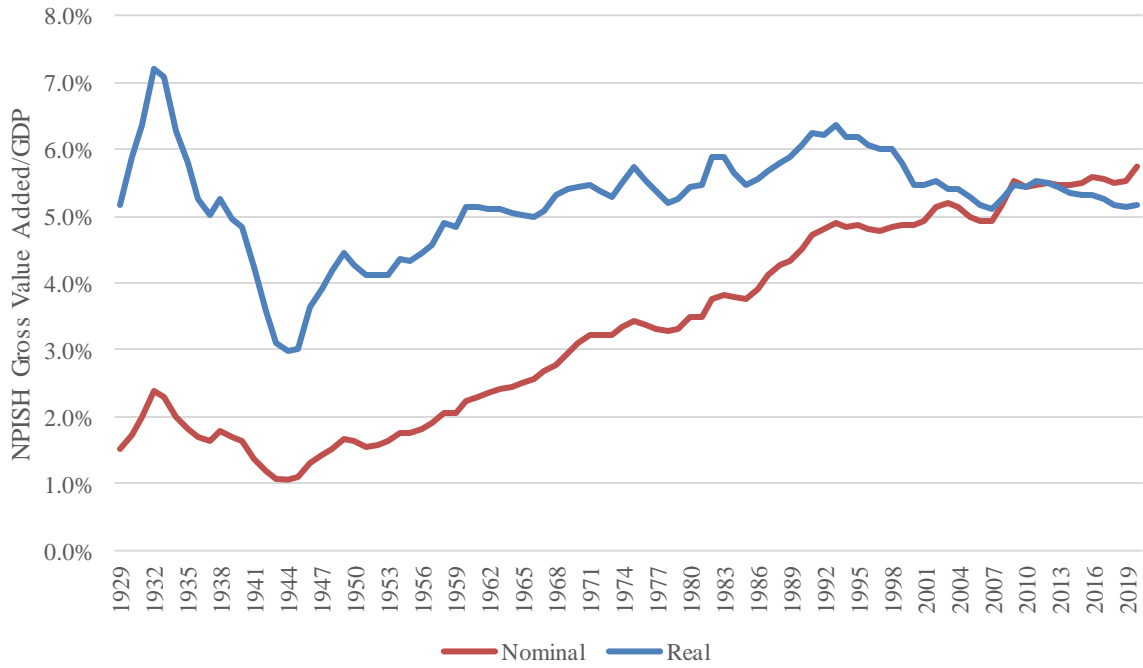
**Table 6 Prototype Account for NPISH, 2018-2019**

Line	SNA Code			available	2018	2019
<b>Current Account</b>						
1		<b>Sales of Goods and Services</b>	NIPA Table 2.3.5 line 24	1959~	<b>1,158,172</b>	<b>1,218,934</b>
2	P3	Final Consumption Expenditure	derived (line 3- line 1)	1959~	438,765	439,157
3	P1g	<b>Gross Output</b>	NIPA Table 2.3.5 line 23	1959~	<b>1,596,937</b>	<b>1,658,091</b>
4	P2	Intermediate Consumption	derived (line 3 - line 5)	1959~	462,657	472,761
5	B1g	<b>Gross value added</b>	NIPA table 1.3.5 line 7	1929~	<b>1,134,280</b>	<b>1,185,330</b>
6	P51c	Less: Consumption of fixed capital	NIPA table 7.5 line 20	1929~	161,409	169,880
7	B1n	<b>Equals: Net value added</b>	NIPA table 1.9.5 line 7	1929~	<b>972,871</b>	<b>1,015,450</b>
8	D1	Compensation of employees (paid)	NIPA table 1.13 line 50	1948~	942,330	984,474
9	D11	Wages and salaries	NIPA table 1.13 line 51	1948~	774,676	809,855
10	D12	Employers' social contributions	NIPA table 1.13 line 52	1948~	167,653	174,619
11	D2-D3	Taxes on production and imports less subsidies	NIPA table 1.13 line 55	1948~	12,214	12,600
12	B2n	Operating surplus, net	derived (= line 7 - line 8 - line 11)	1948~	18,327	18,376
13	B5n	<b>Net national income/Balance of primary incomes, net</b>	derived (= line 14 + line 15 - line 18)	1992~	<b>73,497</b>	<b>74,282</b>
14	B2n	Operating surplus, net	= line 12	1948~	18,327	18,376
15	D4_r	Property income (received)	derived (line 16 + line 17)	1992~	60,951	61,264
16	D41_r	Interest	NIPA table 2.9 line 50	1992~	24,247	24,405
17	D42_r	Distributed income of corporations (dividends)	NIPA table 2.9 line 51	1992~	36,704	36,859
18	D4_p	Less: Uses of property income (paid)	derived (= line 19+ line 20)	1946~	5,781	5,358
19	D41_p	Interest	NIPA table 7.11 line 18 + line 90	1946~	5,781	5,358
20	D42	Distributed income	assumed zero		0	0
21	B5n	<b>Net national income/Balance of primary incomes, net</b>	= line 13	1992~	<b>73,497</b>	<b>74,282</b>
22	D75_r	Plus: Current transfers (received)	derived (=line 23 + line 24 + line 25)	1992~	378,917	378,058
23	D75g_r	From government	NIPA Table 2.9 line 53	1992~	24,284	25,630
24	D75pc_r	From business (net)	NIPA Table 2.9 line 54	1992~	26,353	19,079
25	D75ph_r	From households	NIPA Table 2.9 line 55	1992~	328,280	333,349

Line	SNA Code			available	2018	2019
26	D75_p	Less: Other current transfers (paid)	derived (line 27 + line 28 + line 29)	1992~	146,146	150,585
27	D75g_p	To Government	NIPA Table 2.9 line 79	1992~	578	598
28	D75pc_h	To Households	NIPA Table 2.9 line 81	1992~	34,334	34,561
29	D75f_p	To the Rest of the World	NIPA Table 2.9 line 80	1992~	111,234	115,426
30	B6n	<b>Equals: Disposable income, net</b>	derived (= line 21 + line 22 - line 26)	1992~	<b>306,268</b>	<b>301,755</b>
31	P3	Less: Final consumption expenditures	NIPA Table 2.3.5 line 22	1929~	438,765	439,156
32	B8n	<b>Equals: Net saving</b>	NIPA Table 2.9 line	1992~	<b>(132,496)</b>	<b>(137,401)</b>
<b>Capital account</b>						
33		<b>Net saving less capital transfers</b>	derived (line 35 + line 36 - line 37)		<b>(133,770)</b>	<b>(137,401)</b>
34	B8n	Net saving	= line 32	1992~	<b>(132,496)</b>	<b>(137,401)</b>
35	D9_r	Plus: Capital transfers received	NIPA table 5.11 line 45 prorated by NPIISH-HH ratio of market value of real estate (t-1)	1989~	1,274	0
36	D9_p	Less: Capital transfers paid	assumed zero		0	0
37		<b>Capital formation, net</b>	derived (line 38 - line 39 + line 40)	1946~	<b>51,753</b>	<b>49,662</b>
38	P51	Gross fixed capital formation	unpublished details (NIPAs) - FA165019005	1946~	213,162	219,542
39	P51c	Less: Consumption of fixed capital	= line 2	1929~	161,409	169,880
40	NP	Plus: Acquisition of nonproduced non-financial assets	assumed zero		0	0
41		<b>Net lending (+) or borrowing (-), capital account</b>	derived (= line 34 - line 38)		<b>(185,523)</b>	<b>(187,063)</b>

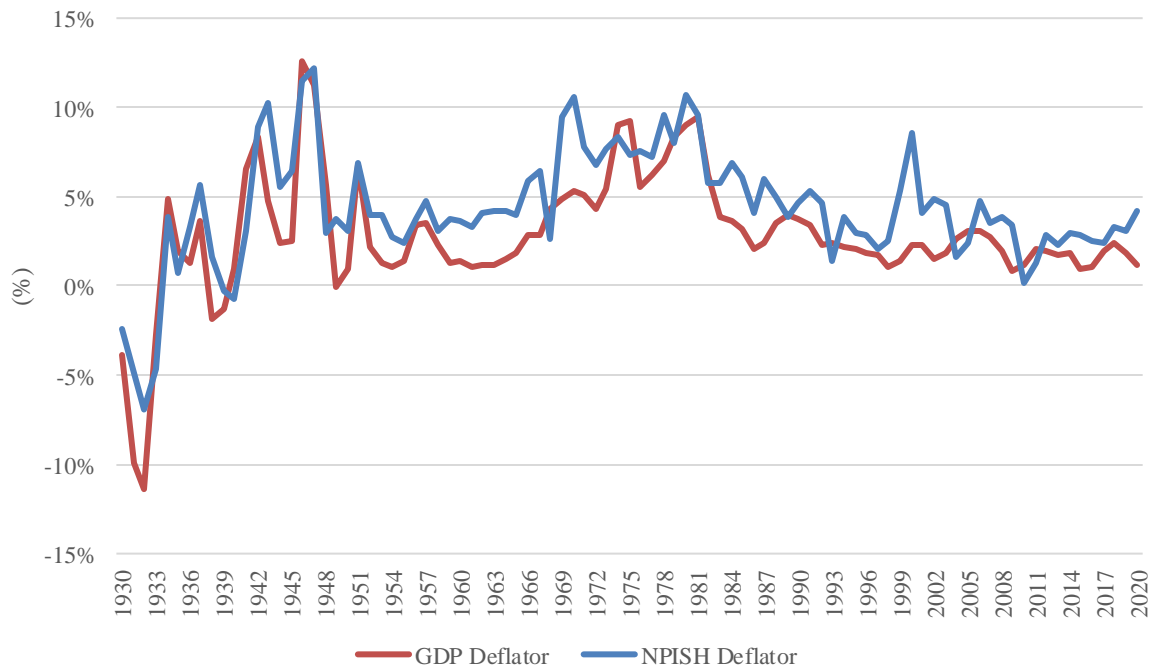
**Figure 1 Size of the NPISH Sector in the Economy**

(a) Share of NPISH Gross Value Added in GDP, Nominal and Real



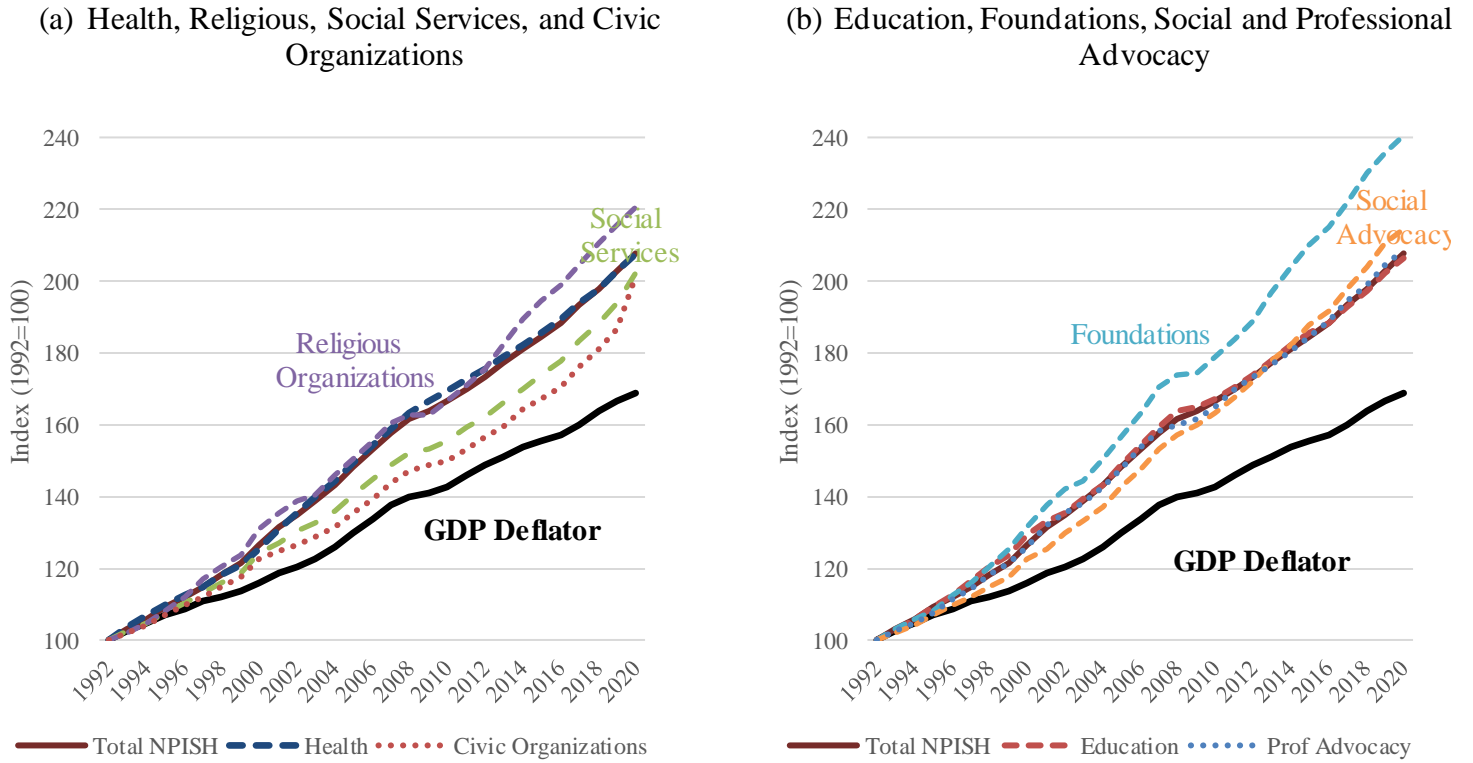
Source: NIPA Tables 1.3.5 and 1.3.6

(b) Annual Change in Deflator

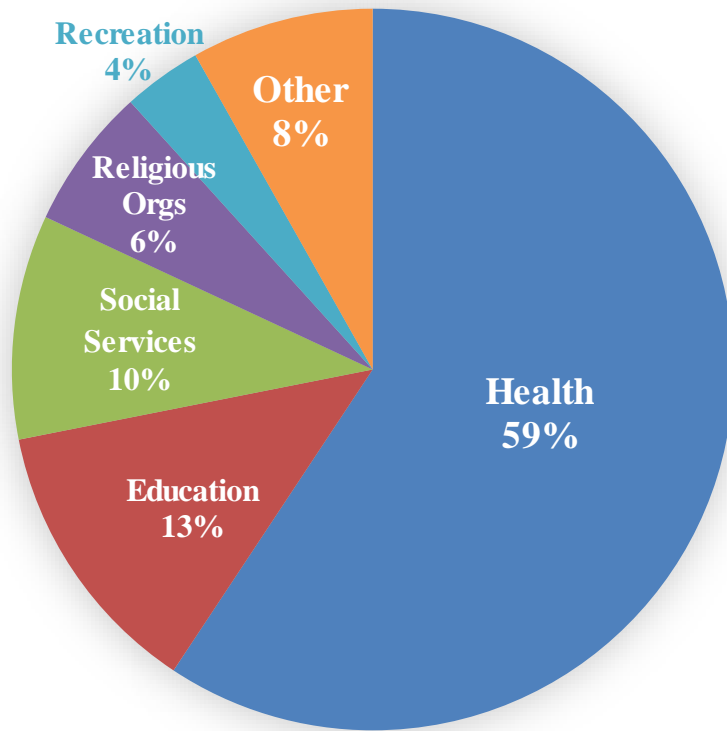


Source: NIPA Table 1.3.4

**Figure 2 Deflators for Different Sectors within NPISH Sector**

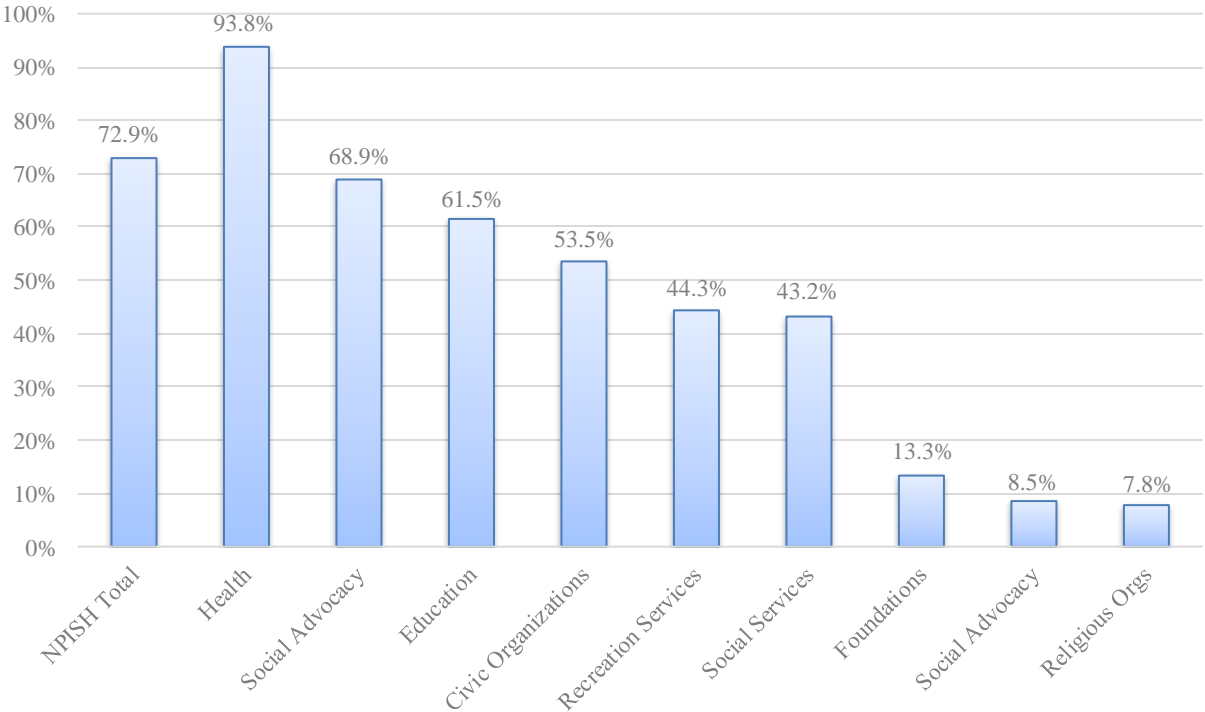


(c) Gross Output of NPISH by Sector, 2015-2019 Average



Source: NIPA Tables 2.4.4U and 2.4.5U

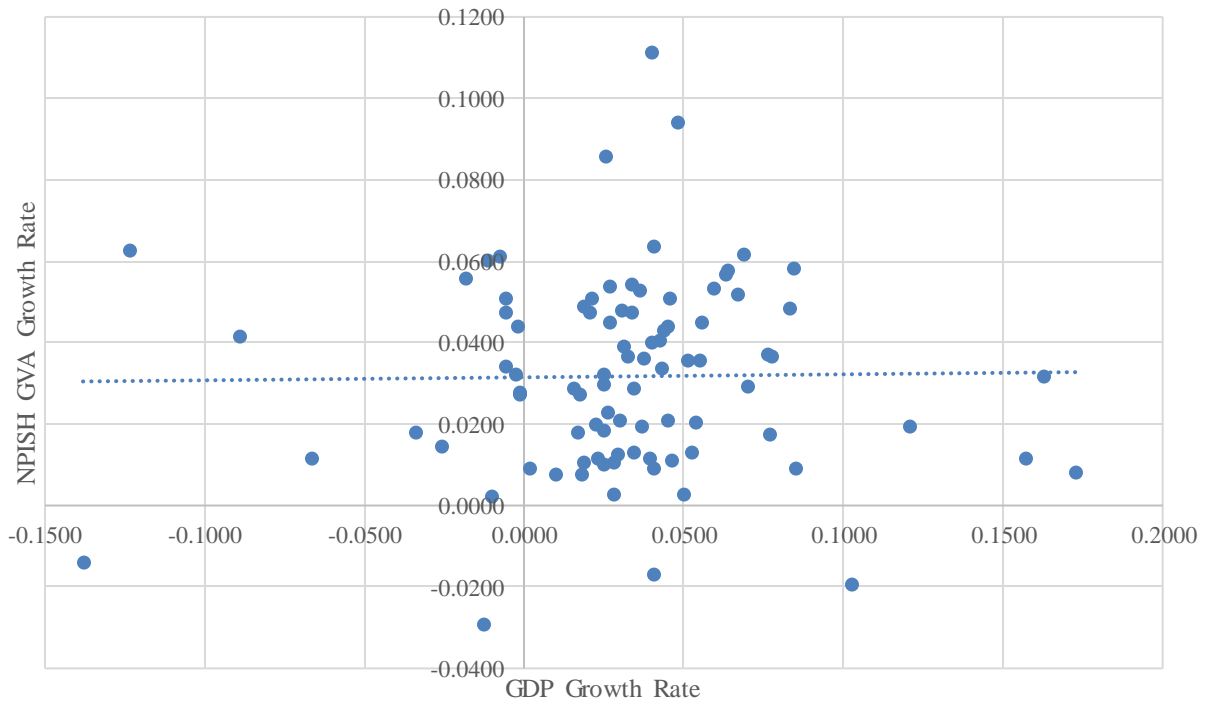
**Figure 3 Ratio of Receipts from Sales of Goods and Services to Gross Output by Sector, 2015-2019 Average**



Source NIPA Table 2.4.5U



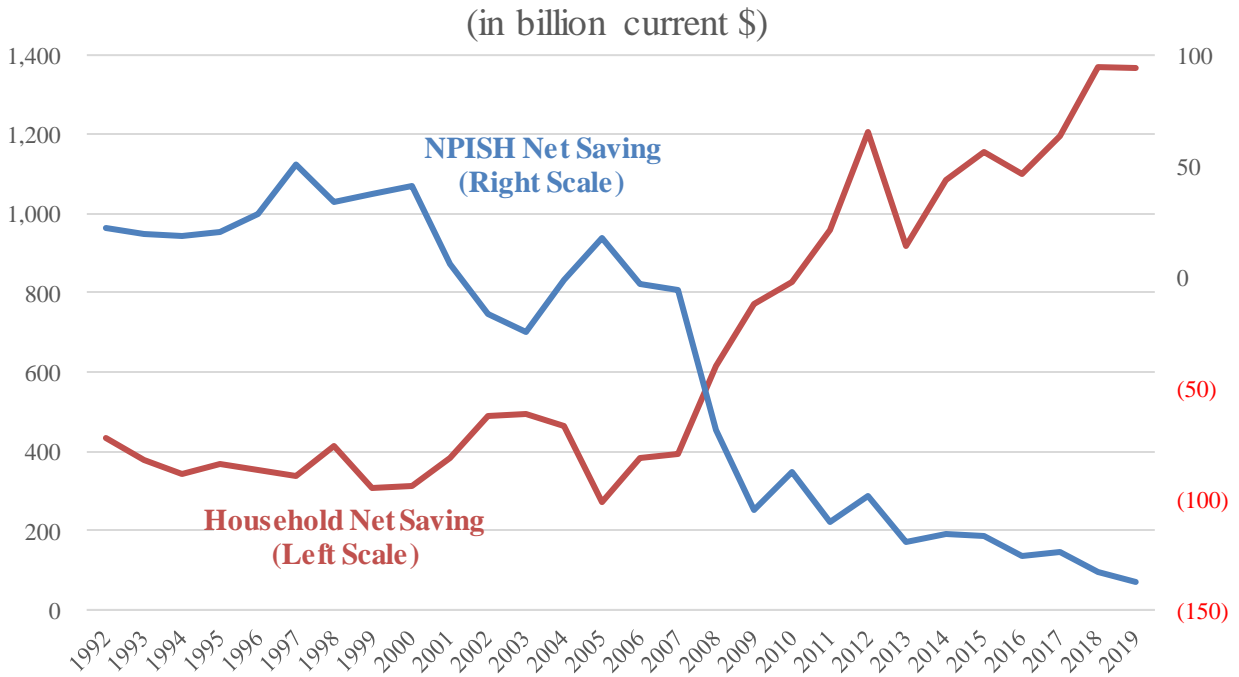
**Figure 4 Real GDP Growth Rate vs Real NPISH Gross Value Added Growth Rate**



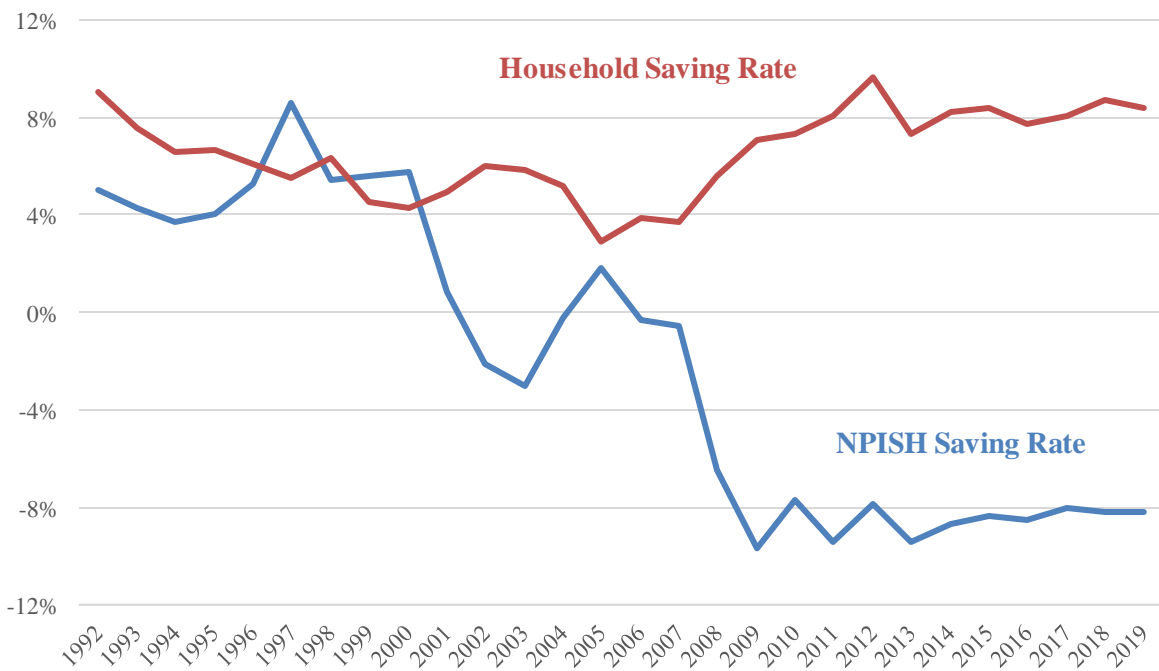
Source: NIPA Table 1.3.6

**Figure 5 Net Saving of NPISH Sector**

(a) Net Saving of NPISH vs Households



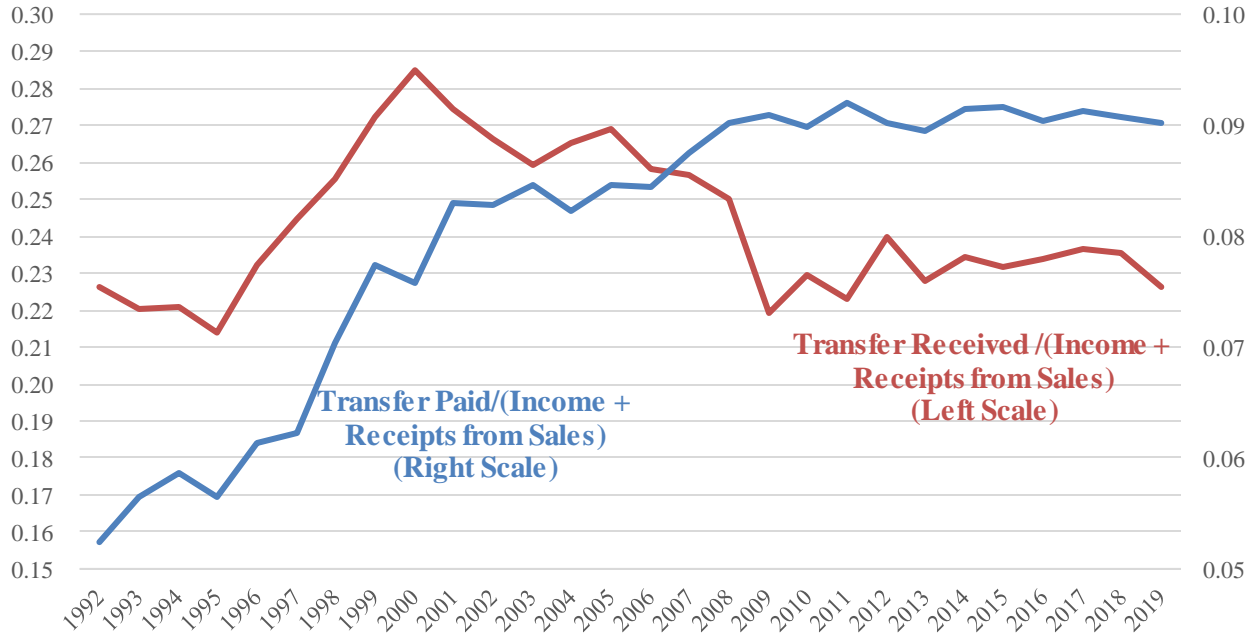
(b) Saving Rate of NPISH vs Households



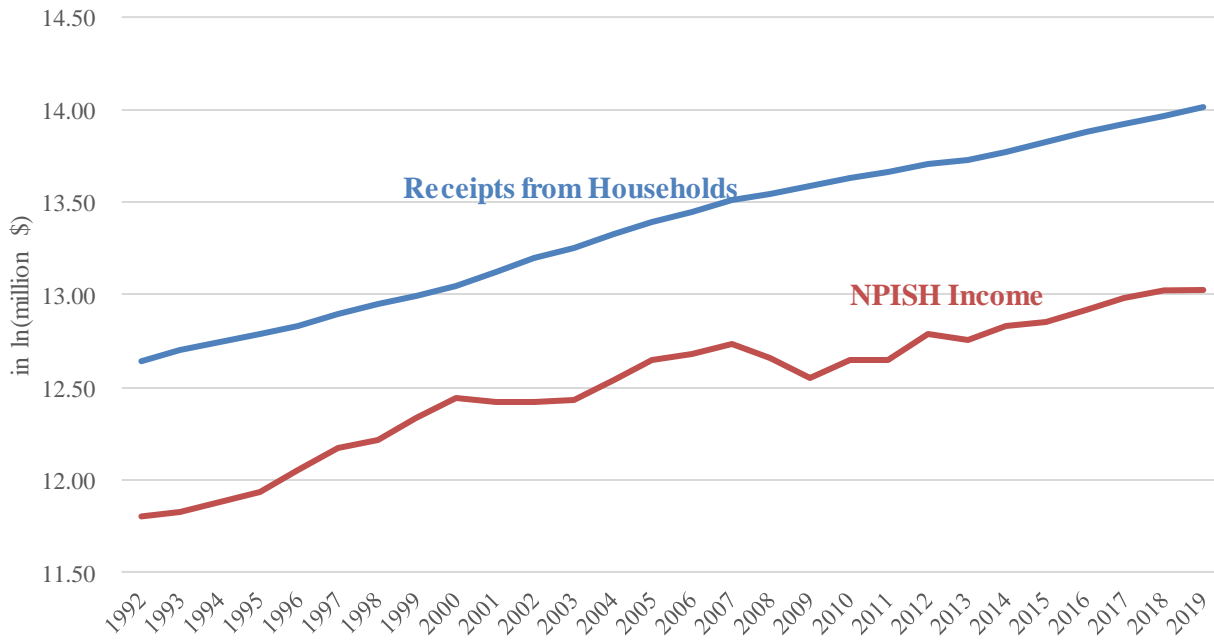
Source: NIPA Tables 2.9

**Figure 6 Share of NPISH Transfer Income/Payments in NPISH Income & Receipts**

(a) Transfer Paid and Received relative to Income



(b) Growth of NPISH Income and Receipts from Households



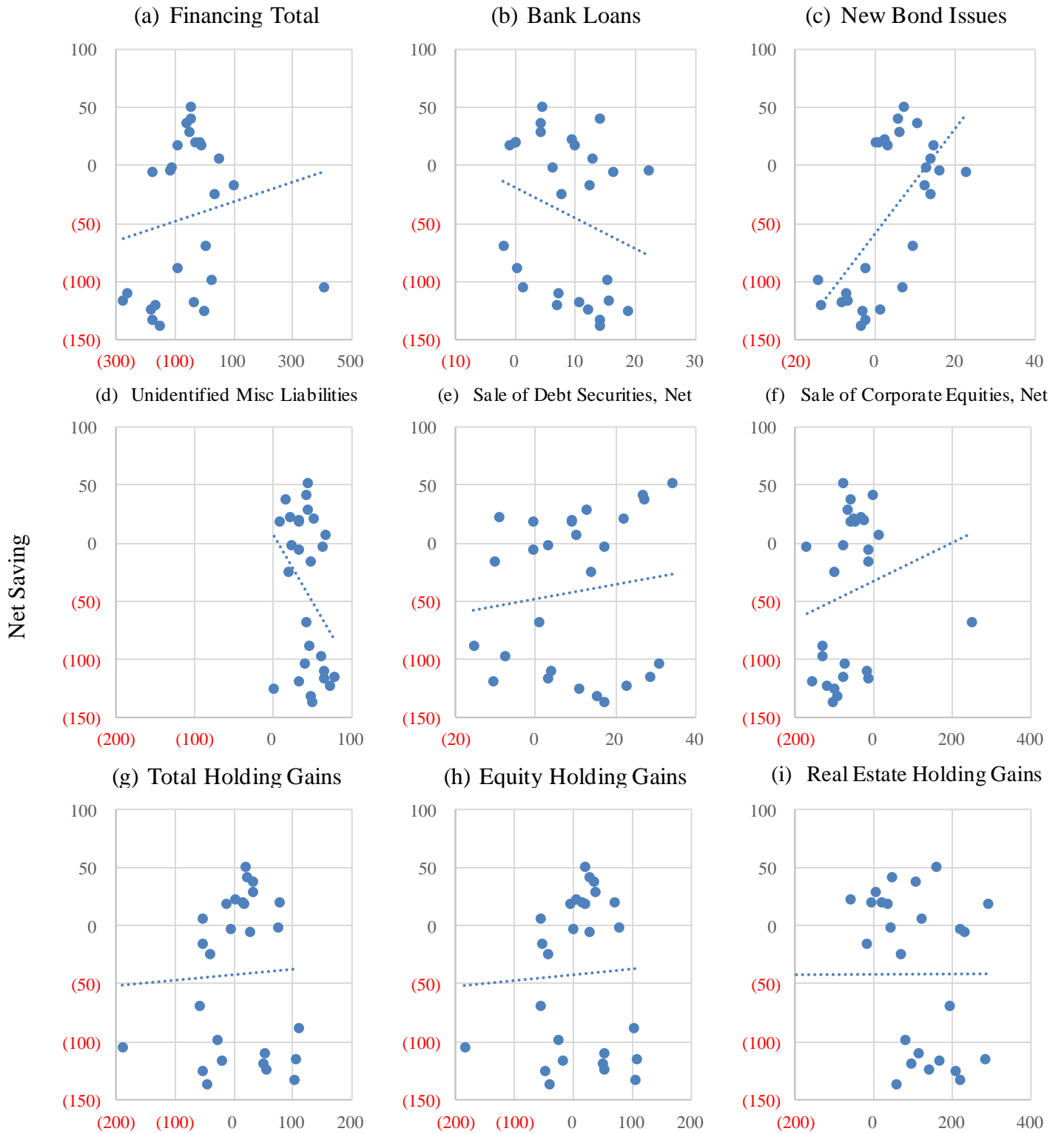
Source NIPA Table 2.9

**Figure 7 Change in NPISH Outlays and Changes in Net Saving, 1993-2019**



Source: NIPA table 2.9

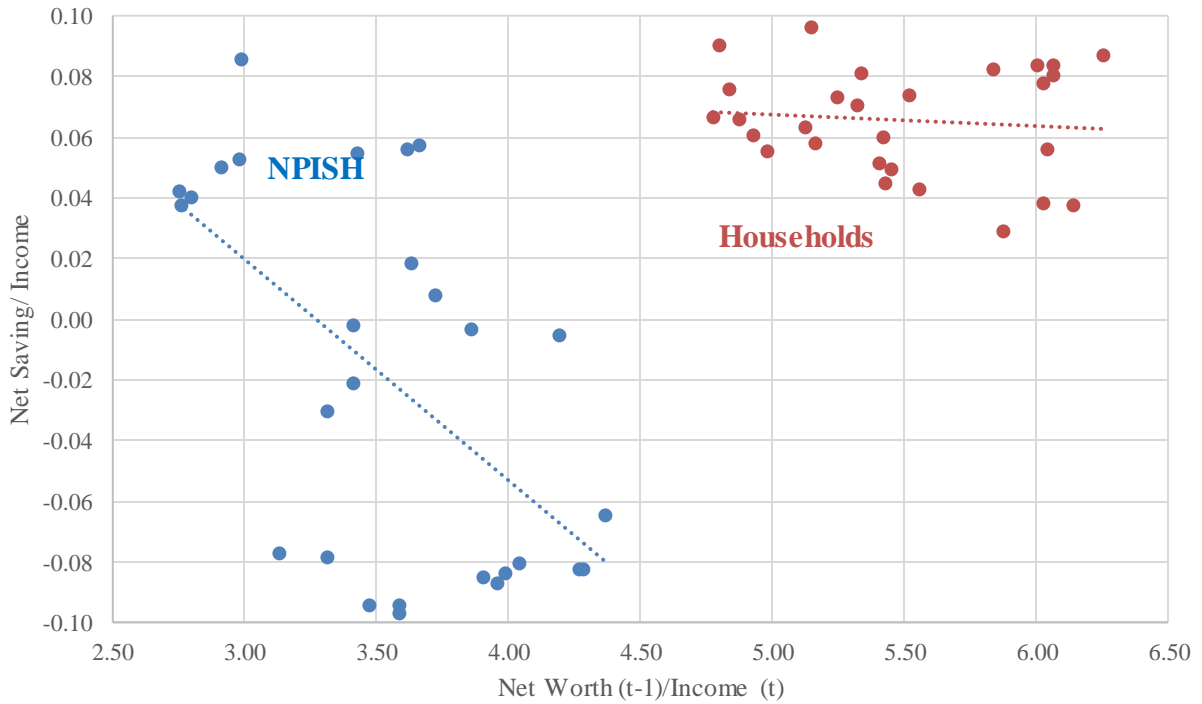
**Figure 8 Net Saving and Financing Activities, 1992-2019**



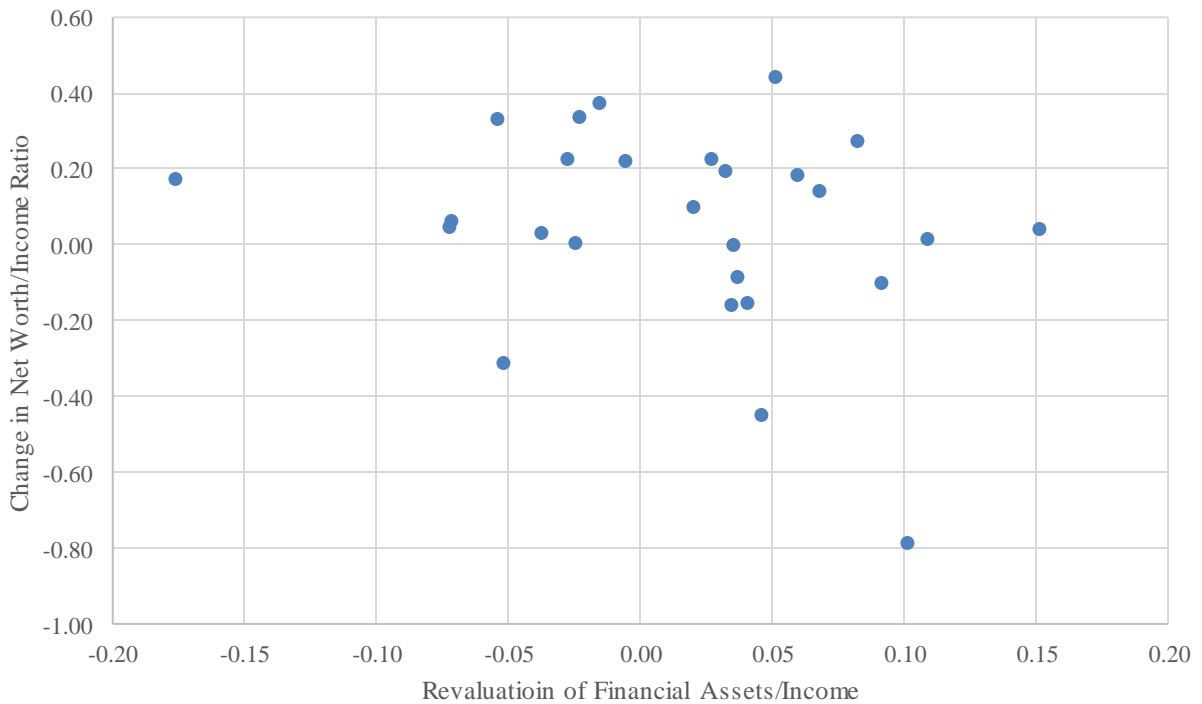
Source: FAUS and NIPA Table 2.9

**Figure 9 Saving, Net Worth, and Role of Capital Gains**

**(a) Net-Worth-to-Income Ratio and Net Saving Rate**



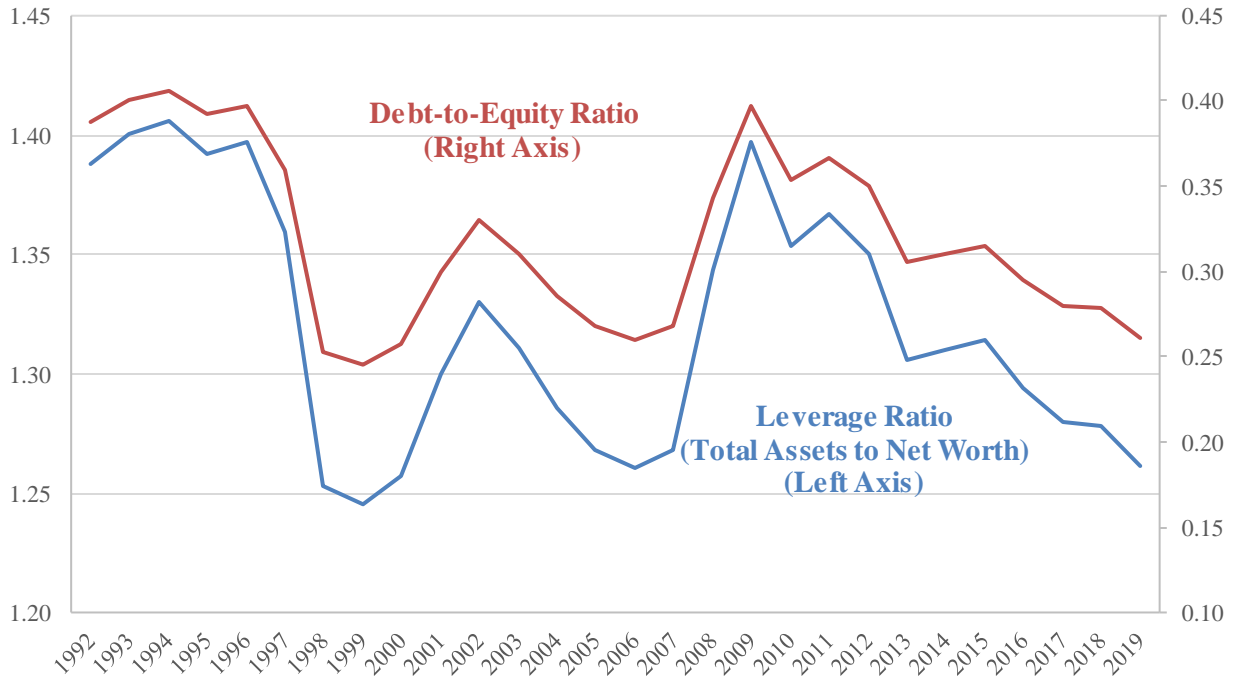
**(b) Capital Gains from Financial Assets and Change in Net Worth**



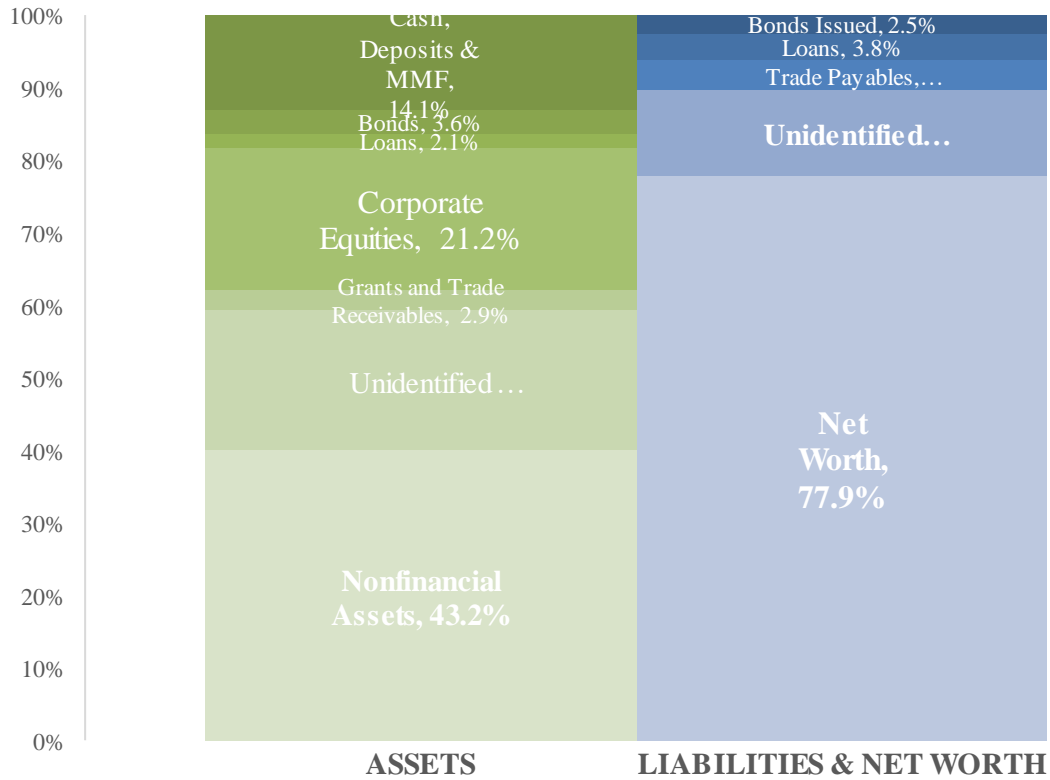
Source: FAUS and NIPA Table 2.9

**Figure 10 Leverage and Balance Sheet of NPISH**

(a) Leverage Ratio and Debt-to-Equity Ratio, 1992-2019



(b) Balance Sheet of NPISH, 2015-2019 Average



Source: FAUS