

Whatcom County's Nonprofit Sector: A Profile of Activities and Finances

Submitted to Whatcom Community Foundation and Whatcom Council of Nonprofits

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July 2000, Bellingham, Washington

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1 Executive Summary

The nonprofit sector is an important contributor to the quality of life in Whatcom County and a large and important component of the County's economy. Charitable organizations that have obtained 501(c)(3) status under federal IRS rules make up a primary component of the nonprofit sector. The activities and finances of the charitable sector are the focus of this report.

Background and Purpose

Whatcom County communities benefit from a diverse mixture of nonprofit organizations. Human services agencies provide care and shelter for our neighbors with special needs, environmental groups help us to preserve our natural heritage, arts and cultural organizations provide essential cultural outlets that make our community all the more livable, and nonprofits focused on education prepare young and old for new adventures and an increasingly complex world.

Unprecedented efforts to increase collaboration among County charities and to organize the charitable sector resulted in the formation of several sectorwide training and advocacy organizations including the Whatcom Fund Development Association (WFDA), the Whatcom Council of Nonprofits (WCN) and the MATRIX Project, an 18-month program designed to increase management competency among selected human service organizations.

In October 1998 WFDA members, Whatcom Community Foundation (WCF) staff and other nonprofit community leaders engaged a larger group of nonprofit agency directors in organizing the County's nonprofits. Planning over the next six months produced a work plan by four WCN Action Teams. High on the list of WCN objectives was the development of a profile of the County's nonprofit sector and a description of its role in the local economy. Prior to this report there has been no effort to systematically study the County nonprofit sector as a whole. This study is a starting point for serious inquiry into the nature and role of the nonprofit sector countywide.

The Whatcom Community Foundation, St. Joseph Hospital and the Whatcom Council of Nonprofits sponsored, this study in order to promote a better understanding of the make-up and role of the nonprofit sector in our local community.

Nonprofit Sector Studies

Interest in nonprofits, charitable organizations, and charitable giving is not new, but studies such as this are; and they are part of a national trend. Beginning in the 1980's, prompted by federal government cutbacks in social spending and the concurrent notion "of an independent charitable social safety net," there has been much serious study of the role of nonprofits in the economy and society. Most studies have examined data at the international, national, or state level. This study relied on local-level data from sources including the Internal Revenue Service, the National Center for Charitable Statistics, Washington State Office of the Secretary of State, the Evergreen State Society, St. Joseph's Hospital, the Interfaith Coalition, and the U.S. Bureau of the Census, to explore Whatcom County's nonprofit sector.

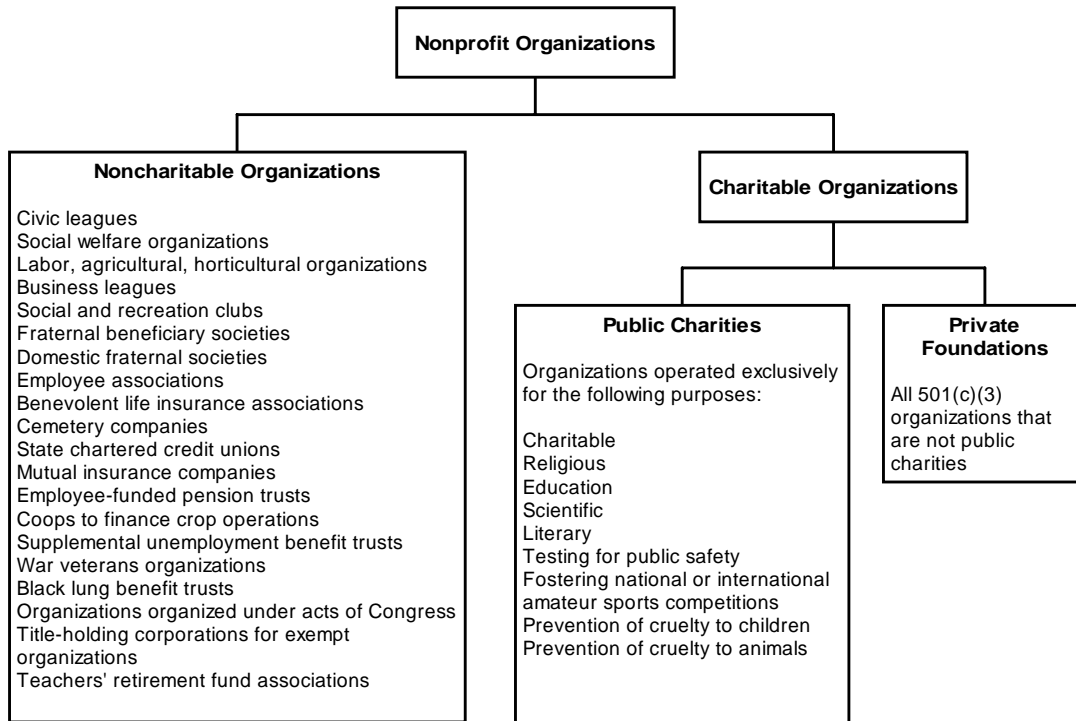
Key Findings

This study addresses several key questions:

What constitutes Whatcom County's nonprofit sector and how can it be classified?

The nonprofit sector includes a large assortment of organizations that undertake many activities. The goods and services provided by nonprofit organizations are as diversified as those of their profit-oriented counterparts. Where nonprofits differ, in theory, is in their organizational objectives, primarily the absence of a profitability goal and the fact that nonprofits are prohibited from distributing profits to their operators.

Nonprofits can be distinguished from for-profit enterprises because they place less emphasis on immediate financial returns and their access to volunteer labor, grants and donations give some nonprofits more freedom to experiment with new and adaptive public benefit programs. Nevertheless, on all levels – organization, community, economy – nonprofits act and have impacts that are identical to for-profit organizations. They employ people, purchase goods and services, invest in buildings and equipment, supply goods and services. And like their for-profit counterparts, nonprofits need access to capital, technical and professional expertise and a stable, supportive regulatory environment (Evergreen State Society 1994).

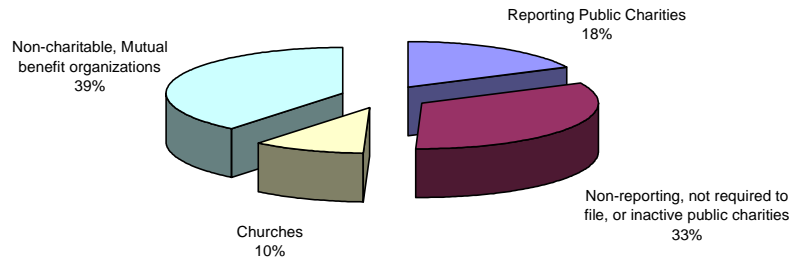


Conceptual Breakdown of Tax Exempt Organizations Classified Under Section 501(c) of the U.S. Tax Code

According to Federal and State Law, nonprofits cover a broad spectrum of organizations, including Non-Charitable Organizations (that pursue activities to benefit their own members, e.g. civic leagues, social clubs, fraternal societies, retirement fund associations, etc.) and Charitable Organizations (that serve broad public purposes and pursue charitable goals). Charitable Organizations are further divided into two groups: Public Charities and Private Foundations. Generally, public charities provide services and private foundations fund charitable activities.

- In 1997, 1,250 County organizations were registered with the Washington State Secretary of State as nonprofit corporations.
- 836 nonprofits were tax-exempt corporations registered with the IRS. This group can be further classified as follows: Non-charitable, or mutual benefit organizations 39%, Churches 10%, Public Charities 51%. All of these organizations except those that are considered noncharitable obtained 501(c)(3) status.
- 149 of the 501(c)(3) organizations received sufficient income (at least \$25,000 in 1997) to require annual reporting to the IRS. This report refers to these 501(c)(3) charitable organizations as *reporting public charities*. The annual information returns filed by these organizations comprise the database used to analyze the finances of the nonprofit sector in later sections of this report.

Types of Tax-Exempt Nonprofit Organizations in Whatcom County, circa 1997



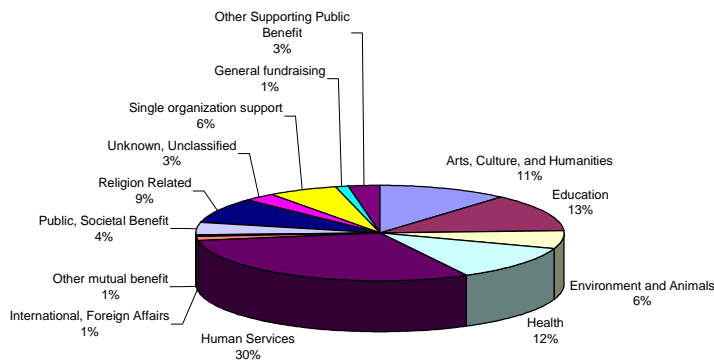
- The number of reporting public charities grew at an average annual rate of 6.4% between 1992 and 1997, nearly three times the County's population growth rate (2.4%).
- This report further examines public charities in seven ways: percentages of primary activity, geographic distribution in the county, growth and change, recent trends, comparisons to other counties in the state, organization age, and financial activity.

What does the nonprofit sector contribute to our community?

- Quality of life. Life in Whatcom County without nonprofits would be life without museums, schools, libraries, local orchestras, churches, hospitals, social service groups, emergency shelters, foundations, the United Way, etc.
- The embodiment of a fundamental value that emphasizes philanthropy, serving others, volunteerism, and the concept of the public good.
- Solutions to societal problems. Nonprofits can respond quickly, without having to muster a majority of voters, and they are vehicles that can deliver publicly funded services without relying on the enlargement of government bureaucracies.
- Nonprofits help to sustain a sense of community.
- Nonprofits are a strong sector of the local economy providing jobs, goods, and services.

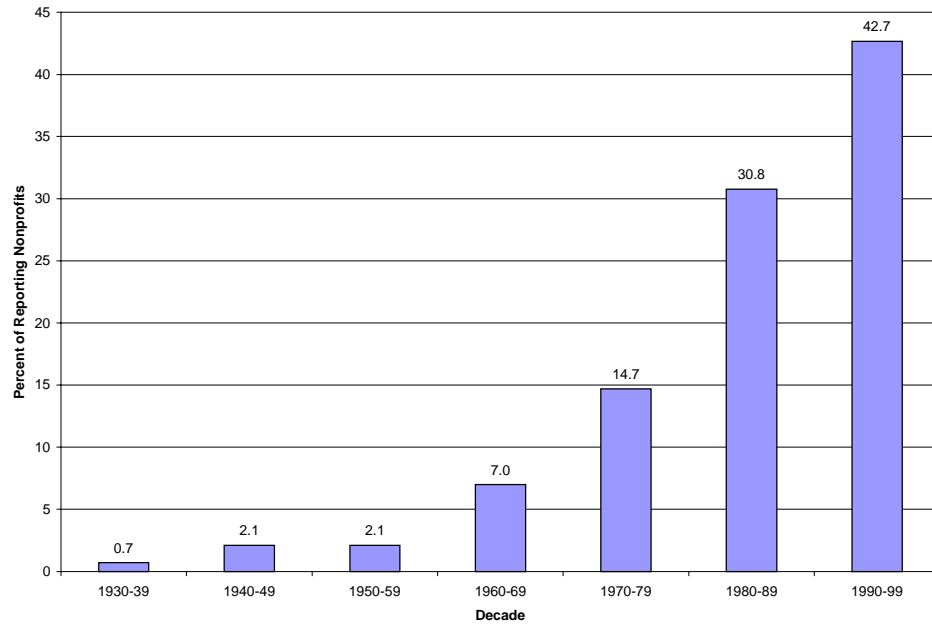
Specifically, what services and activities does the nonprofit sector provide that enhance the quality of life in Whatcom County?

- Human services organizations are the most common type of nonprofit organization in Whatcom County, accounting for 30% of the reporting public charities. Education organizations account for (13%), followed by health organizations (12%) and arts, culture and humanities organizations (11%).



Primary Activities of Whatcom County Reporting Nonprofits, 1997

- Bellingham is home to 78% of reporting public charities. Most of the remaining public charities are divided among the County's next largest cities: Lynden, Ferndale, Blaine and Everson.
- Whatcom County's public charity sector is young. Less than a third of reporting public charities incorporated prior to 1980. The Bellingham Theatre Guild (1933) and the YWCA (1942) are the County's oldest reporting public charities; the Lummi Island Heritage Trust and Whatcom County Amateur Hockey Association (1998) are the youngest public charities in the database used for this report.



Organization Age, Whatcom County Reporting Nonprofits

- Churches are not required to file information returns to the IRS, making them nearly invisible to the databases used to compile this report. The role of churches and faith-based organizations in the community and local economy should not be overlooked; however, the data collection methods needed for this subject are beyond the scope of this report.

How large is the nonprofit sector and how does it affect the local economy?

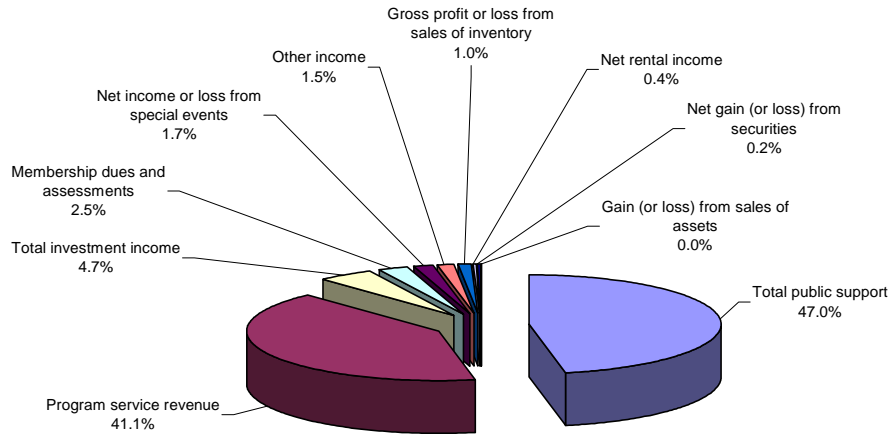
- In 1997, Whatcom County's reporting public charities spent nearly \$100 million, collected \$104 million in revenues, and held assets worth \$131 million. The hospital contributes a large share of additional financial activity so that the combined public charity sector spent over \$200 million in 1997 and held assets worth \$248 million.

Combined financial activity of reporting public charities including St. Joseph Hospital, 1997

	ST. JOSEPH HOSPITAL	OTHER REPORTING PUBLIC CHARITIES	COMBINED PUBLIC CHARITY SECTOR
Total revenue	\$ 109,063,604	\$ 104,632,157	\$ 213,695,761
Total expenses	\$ 104,705,050	\$ 96,167,287	\$ 200,872,337
Total assets	\$ 116,622,843	\$ 131,636,428	\$ 248,259,271

Source: NCCS Core Files, 1998; PeaceHealth memo to author, 2000

- In 1997 the nonprofit sector employed 3,457 people in Whatcom County at an average annual wage of \$22,668, or total annual payroll of \$78 million. The nonprofit sector is a larger employment sector than each of the following local for-profit sectors: agriculture, forestry, mining, fishing, transportation and public utilities, finance, insurance, and real estate.
- The nonprofit sector revenue stream is derived primarily from *public support* (48%), which includes private gifts, contributions and government grants. Most of the remaining revenue is derived from *program service revenue* (41%), the income received by organizations in exchange for the performance of their tax-exempt activities.



Source of Revenue, Whatcom County Reporting Nonprofits, 1997

- Large shares of public support and program service revenue originate outside of Whatcom County. These include payments from the federal and state government in the form of grants or payment for services (such as Medicare and Medicaid). County charities also attract large contributions from private foundations and individuals located outside the County. Though not quantified in this study, revenue from outside the County allows the nonprofit sector to operate as an export sector – attracting dollars from outside of the local economy -- and a significant contributor to the growth of the local economy.
- Finances and support sources of the County's public charities are unevenly distributed among nonprofit subsectors. Human service organizations account for 30% of reporting public charities, yet they garnered over half of the public support dollars in 1997. Arts and education organizations represent 11% and 13% of reporting public charities, yet they received only 2-3% of 1997 public support.

What are the relationships between government, business, the community-at-large, and nonprofits, and how can they be improved?

The relationships between the nonprofit sector and the two other economic sectors – private (for-profit businesses) and public (government) - are complex and interwoven:

- For example, the State and Federal governments grant nonprofits a measure of privileges, such as tax exemptions that make it possible for nonprofits, that are traditionally lean organizations to exist. In turn, nonprofits help to serve citizens, and alleviate social problems in a less cumbersome way than government can.

- The community-at-large benefits from the work of the nonprofit sector, socially and economically. One incomplete measure of the nonprofit sector's value is the amount of revenue collected by nonprofits: over \$200 million. This figure is impressive, despite the fact that it does not account at all for the amount of volunteer hours contributed to nonprofit services by community members. Nor does it account for services provided by important nonprofit sector organizations that are invisible to the data sources used to create this report: churches and the many small nonprofits that are not large enough to report to the IRS. These services are extremely important to quality of life in Whatcom County.
- The business community in Whatcom County has long recognized the relevance of nonprofits to a thriving, livable community. Examples are easy to find. St. Joseph Hospital provides essential services and is one of the major employers in our local economy. The Mount Baker Theatre is regularly recognized as one of the County's most valued public assets. Whatcom Land Trust, often in collaboration with the public and private sectors, conserves the County's natural capital for present and future generations, a service that contributes immeasurably to the attractiveness and health of the area as a place to live, work and play.
- In turn, local nonprofits, including the majority that are smaller entities, are aware of their dependence upon strong support from the business community that has a history of supporting nonprofits.
- A greater awareness of the role of nonprofits by government, business and the community, when setting public policy and economic development goals, could improve the ability of nonprofits to accomplish their missions and deliver their services.

In exploring these questions more completely, we found impressive indicators of the economic value of the nonprofit sector in Whatcom County, and the immeasurable, intangible ways that nonprofits contribute to the quality of life in our community.

Finally, this study presents a detailed, precise picture of Whatcom County's overall nonprofit sector. It is hoped that this will be a useful, working document for the Whatcom County community. It can serve as a baseline snapshot from which the community can measure progress in the delivery of services and amenities vital to a livable community that nonprofits are uniquely suited to provide.

Summary of Recommendations

Readers should consider this a baseline study and the Whatcom Council of Nonprofits' first report, from which future trends in the charitable sector may be monitored. The following recommendations are offered for further research and monitoring.

- 1 **Share the information in this and future reports with public and private sector leaders and the community at large.** The nonprofit sector is mysterious due to its diversity and to the complex state and federal regulations that create a confusing array of corporate structure and taxonomy within the sector. What emerges from studying the nonprofit sector in Whatcom County is how marvelously diverse it is, the number and types of services it provides to residents, and its important role in the local economy providing jobs and acting as an engine for economic growth in precisely the same ways as the private sector. Even though nonprofits are largely self-sufficient, the sector also relies on public support in the forms of federal, state and local government grants, and contributions from individuals, foundations and corporations. Providing current and potential supporters with additional information on the sector as a whole will give them additional reasons to support nonprofits in their communities.

- 2 **Monitor trends in public support for the nonprofit sector.** Nonprofit organizations, their staff and volunteers, form a large share of the social capital that is necessary for Whatcom County communities to address societal problems. The health of these communities is, therefore, intimately connected to nonprofit organizations. To a great extent, the health of the nonprofit sector and its constituent organizations is tied to continued and increasing public support as the County's population grows and attendant demand for nonprofit sector services increases. Statistics on public support that are more detailed than those presented in this report are elusive. However, such statistics will become increasingly easy to obtain. The Whatcom Council of Nonprofits should track trends in specific components of public support, including government grants and private contributions, separating, if possible, public support from within and outside Whatcom County. Falling public support or contributions that do not keep pace with the demand for services may signal problems to which WCN membership can respond.
- 3 **Investigate the role of faith-based organizations absent from the IRS database.** Future profiles of the County's nonprofit sector should attempt to examine the role of faith-based organizations which are absent from the IRS database. Other studies estimate that only 10% of churches file information returns to the IRS. Given the important community services offered by faith-based organizations, studies that ignore their role produce an incomplete profile of the nonprofit sector.
- 4 **Monitor volunteer resources.** Volunteer labor is a critical input in the production of nonprofit products and services. It is also the most invisible to the more easily accessible databases. Additionally, volunteerism is a useful indicator of a community's social capital and community capacity to respond to societal problems. Future nonprofit sector reports should attempt to develop baseline data on volunteer resources, making it possible to track along with financial measures of public support.
- 5 **Collaborate with organizations performing community needs assessments and social welfare indicator studies.** At a minimum, Whatcom County nonprofit sector data should be shared with organizations that plan to conduct issue-specific or more comprehensive community needs assessments. Over time, it will be relatively easy to track the dollar value of resources within the nonprofit sector that is targeted toward various community goals (e.g., housing, youth programs, environmental protection). Decision makers will find it useful to track indicators of social problems along with indicators of the level of resources being devoted to solving them.
- 6 **Support the movement to improve the accuracy and usefulness of nonprofit sector data by participating in the *Quality 990 Project*.** The quality and quantity of data available on nonprofit organizations has increased dramatically in recent years. However, the reliability, consistency, timeliness, usefulness, accessibility, and cost-effectiveness of the data remain problematic. The primary source of data on nonprofits and nonprofit sector finances is the annual information return known as IRS Form 990. Poor quality data have serious implications for the entire nonprofit sector because they serve as a baseline for making fundamental decisions, such as day-to-day resource allocations by program administrators, gift and grant decisions by donors, and long-term public policy decisions. To address these concerns, nonprofit leaders have launched the Quality 990 Project, sponsored by the Urban Institute, National Society of Fundraising Executives, Independent Sector and the National Council of Nonprofit Associations. Quality 990 data is important for several reasons:
 - Compliance—Filing an accurate and complete Form 990 with the IRS and state charity officials is the law.

- Public Accountability—With the new IRS regulations, anyone can request a copy of any nonprofit organization's Form 990.
- Public Relations—The Internet is making the Form 990 more available than ever before.
- Primary Source of Data—Form 990 is the most commonly used data source about nonprofit organizations
- Policy Making—Accurate Form 990 data will help policy makers develop the most effective ways of helping the sector, and allow nonprofits to better defend themselves against ill-advised legislative initiatives (Urban Institute, 1999).

Additional information on the Quality 990 Project can be found at the internet web site: www.qual990.org

2 Acknowledgements

The author would like to thank the following organizations and individuals for assistance in the development of this report:

Whatcom Community Foundation, St. Joseph Hospital and Paul Schissler provided the necessary financial support to pay for this study.

The Urban Institute's National Center for Charitable Statistics, the Internal Revenue Service, Washington State Office of the Secretary of State, U.S. Census Bureau, St. Joseph Hospital, Whatcom Council of Nonprofits, and the Bellingham Public Library provided various databases used to prepare this report, often incurring costs borne by these agencies.

The following individuals provided advice and counsel during the preparation of this report: Putnam Barber (The Evergreen State Society), Marie Gantz (National Center for Charitable Statistics), Kathleen Costello (Center for Nonprofit Sector Research, California State University, Fullerton), Patti Prouty (Corporations Division, Washington State Office of the Secretary of State), Chris Philips (St. Joseph Hospital), Don Drake and Marlene Robinson (Whatcom Community Foundation), Jonathan Hoskins, Sue Parrot, Manca Valum, Byron Manering, Marty Snyder (members of the Whatcom Council of Nonprofits Funddevelopment Action Team), Pamela Jons (Community Health Partnership) and Sue Willis (Paul Schissler Associates).

3 Preface

Why this study?

The sponsors of this report believe that a better understanding of the nonprofit sector – particularly, an understanding of this sector's role in the local economy -- can lead to increased cooperation for mutual benefit between Whatcom County nonprofits and local governments, businesses and the community at large.

Nonprofits can be distinguished from for-profit enterprises because they place less emphasis on immediate financial returns and their access to volunteer labor, grants and donations give some nonprofits more freedom to experiment with new and adaptive public benefit programs. Nevertheless, on all levels – organization, community, economy – nonprofits act and have impacts that are identical to for-profit organizations. They employ people, purchase goods and services, invest in buildings and equipment, supply goods and services. And like their for-profit counterparts, nonprofits need access to capital, technical and professional expertise and a stable, supportive regulatory environment (Evergreen State Society 1994).

This report is just one of several ways that the Whatcom Council of Nonprofits hopes to foster a better understanding in the community about the roles of local nonprofits in Whatcom County by addressing key questions. What is the nonprofit sector and how can it be classified? What role does this sector play in fulfilling community objectives? In economic terms, how large is the nonprofit sector? How does the nonprofit sector affect the local economy? What are the relationships between governments, businesses the community at large, and nonprofits, and how can those relationships be improved?

Study objectives

The search for ways to strengthen the relationships between nonprofits and other community organizations begins with a search for answers to those questions. Essentially, the objectives of the proposed project are to provide such answers. Specifically, the key objectives include:

1. Identify and describe the findings and recommendations of other state and local nonprofit sector studies.
2. Describe, quantitatively, the services provided by Whatcom County nonprofits by using a standard taxonomy to classify nonprofits by field of service.
3. Provide an economic profile of the County's nonprofit sector using key indicators including, but not limited to, financial activity, revenue, asset value, employment and wages.
4. Create a database that can be used to (1) establish baseline indicators of nonprofit sector size, service activity, level of community service, and financial management; (2) compare the characteristics and financial performance of individual nonprofits with sector and sub-sector averages; (3) monitor indicator trends over time.

4 Introduction

Imagine life in Whatcom County without hospitals, schools or museums. Without libraries, jazz music, an orchestra or churches. Without social service groups or emergency shelters. These nonprofits contribute enormously to the quality of life in Whatcom County. What is not well known is that Whatcom County nonprofits which impact the quality of life in our community also contribute heavily to the County's economic activity. By one measure, the nonprofit sector provides 3,457 direct jobs, making it a larger employment sector than the following business sectors: mining, agriculture, forestry, fishing, transportation and public utilities, and finance, insurance and real estate (**Table 1**).

Table 1. Nonprofit and Major Industry Sector Employment in Whatcom County, 1997

INDUSTRY	NUMBER OF EMPLOYEES
Services	13,129
Retail trade	16,008
Manufacturing	9,767
Construction	4,777
Wholesale trade	3,472
Nonprofit	3,457
Finance, insurance, and real estate	2,622
Transportation and public utilities	2,613
Agricultural, forestry, and fishing	389
Mining	38
Unclassified establishments	32
TOTAL	56,304

Source: U.S. Bureau of the Census, 1997 Economic Census

What is the nonprofit sector?

The three major sectors in the United States are the **private sector**, the **public sector** and the **nonprofit sector** (also called the independent, not-for profit, benefit or third sector). The private sector generates profits from the sale of products and services. The public sector refers to the government's responsibility for defense, law and order, and the general welfare. The nonprofit sector is a mix of "private organizations working in voluntary association to advance a cause or service for the betterment of others and the improvement of the community." (Freeman and Payne, 1999)

The nonprofit sector is a local hospital and it is a neighborhood association. It is a service club and it is a self-help group meeting in a church basement. It is a major foundation giving thousands of dollars to restore salmon habitat and it is a youth athletic drive with a goal of \$500.

The nonprofit sector is the home of philanthropy, which embraces the notions of voluntary service, voluntary association and voluntary contribution of time, effort and gifts to nonprofit organizations.

Sixty percent of nonprofits, nationwide, are public charities. The remaining 40% of nonprofits include social welfare organizations, labor organizations, social clubs, fraternal societies, credit unions and others that do not have tax-exempt status and cannot receive charitable donations (Freeman and Payne).

Giving, volunteering and public charitable activity are not unique to the United States. What is unique is the extent of this activity. An impressive array of services is created and maintained by a partnership of public sector, private sector, and nonprofit groups. Consider these facts:

- There are more than one million nonprofit organizations in the U. S.
- Total annual revenues from the nonprofit sector in the US exceed \$500 billion.
- Nonprofits employ 9.7 million American workers representing 6.7% of all employed persons in the U.S.
- Voluntary contributions to gift-supported organizations, institutions and agencies totaled \$150 billion in 1998 (and include non-monetary contributions such as volunteer work or free corporate services)
- The yearly budget of the nonprofit sector in the U.S. exceeds the budgets of all but seven nations in the world. (Freeman and Payne).
- What does the nonprofit sector contribute to society?

Discussions about the value of the nonprofit sector should not be limited to these impressive economic indicators. For one thing, small, community-based entities with scant resources make up the bulk of the sector and even among those with revenues large enough to meet IRS reporting requirements, most have modest budgets, use only volunteer labor, and operate locally (Boris, 1998). Most economic indicators do not include these small organizations, and because of their meager finances, the value of their important services would be poorly captured by such proxy measures as revenue and expenditures. Furthermore, religious congregations – nonprofits that often perform a wide variety of important community services – are not required to report to the IRS, so most economic indicators fail to capture measures of this nonprofit subsector.

Also, the many ways that nonprofits contribute to the quality of life in communities cannot be captured easily (or at all) by these measures. Lester Salamon, a leading nonprofit sector researcher identifies several distinctive types of contributions that nonprofits make to society, and that define the stakes that citizens have in this sector.

First, nonprofits provide services that offer solutions to societal problems. The nonprofit sector can respond to these problems immediately, without having to muster a majority of citizens to act. Nonprofits are also vehicles that can deliver publicly financed services without relying on an enlargement of government bureaucracies. Furthermore, nonprofits can often be relied on to provide collective goods that only a portion of a community considers essential, thus overcoming inherent limitations of the market and state in responding to such needs. For example, nonprofits are active in providing cultural, artistic, recreation, education and environmental resources.

Second, nonprofits identify problems and engage in advocacy, drawing attention to emerging social problems and mobilizing public support toward solving them. In this way, voluntary association gives real meaning to free expression, each right being effectively meaningless without the other. Most social and political movements have operated through private, nonprofit organizations.

Third, nonprofits create and sustain “social capital,” – the “bonds of trust and reciprocity that are pivotal for a democratic society and a market economy to function effectively, but that the American ethic of individualism would otherwise make it difficult to sustain.” Thus, a nonprofit sector is vital to developing and sustaining a sense of community, “which is required to uphold contracts and make it possible for both a market system and democratic polity to operate.” (Salamon, undated).

Recent nonprofit sector trends

Essential as the nonprofit sector is to the preservation of these American traditions, recent economic and political upheavals present challenges to the continued vitality of the nonprofit

sector or subsectors. Shifts in political leadership and economic growth have given rise to changing revenue bases for the nonprofit sector, and to attendant changes in the organizational and administrative practices of nonprofit organizations.

Federal budget cuts, beginning in the early 1980s were designed to dismantle ineffective and inefficient government social programs, with the hope that charities, relying on volunteerism and philanthropy, would fill these service voids. What was not generally known at the time was that government grants and contracts were significant and growing shares of nonprofits' revenues and that private donations accounted for a small and decreasing proportion. "The notion of an independent charitable social safety net that can offset decreasing government support for social services has persisted through the 1990s. Nonprofits are expected to become less dependent on a shrinking and devolved government sector and more businesslike: lean, efficient, effective." (Boris, 1998).

With the strong economic growth of the 1990s, nonprofits saw philanthropic giving by foundations and corporations grow by 21% from 1992 to 1997. At the same time, private and community foundation grants also increased sharply over the same period (Boris).

Nonprofit organizations are also facing market pressures to work more efficiently, with grantmakers applying the business acumen of the for-profit sector to nonprofits. Nonprofit researcher, Elizabeth Boris of The Urban Institute offers that this new expectation, "may be a good thing. But community rather than business oversight is probably more appropriate in a sector where building communities through shared efforts – and not the 'bottom line' – is the goal." (Boris).

Other state and local nonprofit studies

Interest in nonprofits is not new; however, serious inquiry about nonprofits as an economic sector is very recent with most published studies appearing since the 1980's (O'Neill 1989). Since that time several academic and advocacy centers of nonprofit sector research emerged (e.g., at the Urban Institute and John Hopkins University).

Recent interest in nonprofits as an economic sector has been prompted by continuing cutbacks in social spending by government, a recognition of the role played by nonprofits in the economy, competition between the for-profit and nonprofit sectors, and increased interest in the study of altruism in economic behavior (Center for Nonprofit Sector Research 1996). Most of the few in-depth nonprofit sector studies examined data at the international, national or state levels (e.g., Salamon 1997, Salamon 1992, Pratt and Sullivan 1995).

Local and regional studies are far harder to come by. The reasons for such scarcity include (1) the relatively recent interest in the topic, (2) local studies are less likely to be published and distributed widely, and (3) most of the data used for these studies are not easily resolved to the local level (e.g., city, county). Nevertheless, a few local studies have surfaced recently for New York City (Haycock 1992), Detroit (Marsh 1995), and Orange County, California (Center for Nonprofit Sector Research 1996). These provide valuable guidance for organizations interested in obtaining local-level data.

5 Data: sources and limitations

The data provided in this report were obtained from several sources including the Internal Revenue Service (IRS), National Center for Charitable Statistics (NCCS), Washington State Office of the Secretary of State, Corporations Division, Washington State Department of Employment Security, and estimates from the Evergreen State Society's recent report, *Nonprofits in Washington 1999*. The Bellingham Public Library, St. Josephs Hospital and the Interfaith Coalition also provided local data. The type of data provided by each organization, and the limitations of the data are discussed here.

Internal Revenue Service and National Center for Charitable Statistics.

The Internal Revenue Service (IRS) is the only primary source of data on tax exempt organizations. Using tax records filed by tax-exempt organizations, the IRS produces a database known as the Business Master File for Exempt Organizations and the IRS Return Transactions file. The Business Master File is derived from IRS administrative records of organizations that file an annual information return called the IRS Form 990 (filers) and organizations that are not required to file a 990 tax return but that have applied for and received tax-exempt status (nonfilers). The master business file provides some information on all tax-exempt organizations regardless of whether the organization is required to file a 990 tax return. The Return Transactions files from the IRS contain financial variables from Form 990 for all 501(c)(3) organizations with over \$25,000 in gross receipts that filed in a given year.

For this study, IRS data from the Business Master Files and from the Return Transaction files were obtained from the National Center for Charitable Statistics (NCCS). NCCS is a program of the Center on Nonprofits and Philanthropy at the Urban Institute. Its mission is to build compatible national, state, and regional databases and to develop uniform standards for reporting on the activities of charitable organizations. The NCCS Core Files, produced annually, combine descriptive information from the Business Master Files and financial variables from the Return Transaction Files after they have been cleaned by NCCS. Only 501(c)(3) organizations required to file Form 990 are included in the files.

Although the IRS database files are the most complete and thorough source of readily available information, as with any data set, it has limitations. Most of these shortcomings are inherent in U.S. tax reporting regulations. Some are the result of manpower limitations at the IRS. The most significant limitations and shortcomings include (1) Lack of information on religious organizations and their instrumentalities, (2) Lack of information on small organizations, (3) Little verification of information contained on the IRS Form 990 tax return, or updating of organization information, (4) Use of omnibus 990 returns from some national organizations with affiliates, and (5) Failure to remove inactive organizations from the database in a timely manner.

Lack of information on religious organizations

One of the larger segments of the nonprofit sector-churches, religious organizations and instrumentalities of religious organizations-are under represented in the IRS database. Religious organizations can either file for individual tax exemption or file an omnibus return for all their congregations and affiliated organizations in the entire denomination. They do not have to file 990 returns. Some religious organizations may voluntarily file 990 returns, but most do not. As a group, religious organizations may constitute the largest segment of the nonprofit sector, in both number of organizations and volume of economic activity.

Lack of information on small organizations

Organizations with annual revenues of less than \$5,000 are not required to apply for non-exempt status with the IRS, or to file a 990 tax return. There are no reliable estimates of the number of these small nonprofit organizations. Further, the IRS does not require organizations with gross

receipts of more than \$5,000 but less than \$25,000 to file a 990 tax return, although these organizations are required to file for tax exempt status. While some organizations with gross receipts of less than \$25,000 may complete the form 990, their financial information is not reported by the IRS in the Master Business File.

Limited data verification

The IRS does not verify information contained on the Form 990. The data submitted to the IRS is subject to coding errors at regional IRS centers and errors made by the reporting institution itself. Moreover, the Master Business File is cumulative and includes the most recent financial information available on an exempt organization. Sometimes, that information may be several years old. For example, if an organization meets the \$25,000 revenue threshold one year and files a Form 990, that information is entered in the database. If the same organization never meets the minimum threshold again, information in the database remains unchanged.

Use of omnibus 990 returns from some national organizations with affiliates

The IRS allows national organizations to file either an omnibus return for all affiliates or separate returns for each incorporated affiliate. In cases where an organization files an omnibus return, the organization's activities will only show up in the state where the organization's national headquarters are located. While the name of each affiliate will be included in the omnibus filing, no specific data are available on that affiliate at the state or local level.

Failure to remove inactive organizations in a timely manner

The IRS Master Business File is cumulative. Once an organization receives a tax-exempt status, that status is in effect throughout the life of the organization as long as the organization complies with the provisions of its exemption. A business may be registered with the IRS as a nonprofit organization but never start doing business. Alternatively, organizations may cease operating but not be deleted from the IRS Master File unless (1) the IRS revokes an organization's 501 (c)(3) status, (2) the organization formally requests a revocation of its 501 (c)(3) exemption, or (3) the organization formally notifies the IRS of its dissolution. Upon receiving such requests, the IRS removes information on the organization from its Master File database. However, little incentive exists for an organization that ceases operating to undergo the formal process of notifying the IRS of its dissolution. Consequently, the number of nonprofit organizations reported by the IRS is overstated by an unknown factor.

6 Describing Whatcom County's Overall Nonprofit Sector

Defining the Nonprofit Sector: State and Federal Law

The nonprofit sector includes a broad spectrum of organizations that undertake many activities. The goods and services provided by nonprofit organizations are as diversified as those of their profit-oriented counterparts. Where nonprofits differ, in theory, is in their organizational objectives, primarily the absence of a profitability goal and the fact that nonprofits are prohibited from distributing profits to their operators.

Nonprofit organizations that are federally recognized as public charities are the special type of nonprofit organization that is most familiar to the general public. These organizations exhibit just one of many forms of legal structure that make the nonprofit sector so diverse. Nonprofit corporations in Washington State do share at least one common feature in that they are all registered as nonprofit corporations with the Secretary of State's Corporations Division. Most of the diversity among nonprofit sector organizations stems from complex federal tax laws.

Federal policies established the nonprofit organization as a legal form of incorporation exempt from paying federal income tax. State statutes exempt nonprofits from property taxes and other state designated taxes.¹ Approval of legal nonprofit status is contingent on the type of activities in which an organization is engaged, and the assumption of the nonprofit organizational form. There are 25 different categories of tax exempt organizations under section 501 of U.S. tax law, all of which are exempt from federal income taxes and property taxation at the local level. The body of nonprofit organizations can be further divided into two major categories: charitable and noncharitable organizations. **Figure 1** shows a conceptual breakdown of nonprofit organizations by type based on IRS rules and definitions.

Noncharitable Organizations. Noncharitable nonprofit organizations pursue activities that primarily benefit their own members. Organizations that serve the public benefit according to guidelines developed for 501 (c)(3) organizations but engage in substantial lobbying efforts are classified as noncharitable nonprofit organizations and have a 501 (c)(4) designation.

Charitable Organizations. Charitable organizations are covered by section 501 (c)(3) of the Internal Revenue Code. These organizations are organized to serve broad public purposes and pursue charitable goals. As such, they receive extra tax privileges under the law. Besides the exemption from federal income taxes and property taxation at the local level, exemption under subsection (3) of Section 501 (c) allows donors to make tax-deductible contributions to the organization.

Charitable organizations are divided into two separate and distinct groups: public charities and private foundations. Generally, public charities provide services and private foundations fund charitable activities although there are exceptions, such as private operating foundations that use their resources to conduct research or provide services.

Public Charities. Public charities are the most visible public-serving nonprofit organizations. Public charities include organizations formed for religious, educational, literary and scientific purposes. They also include organizations that conduct public safety testing, foster certain types of sports competitions, and work to prevent cruelty to children and animals.

¹ For a concise treatment of this subject see, Barber (2000).

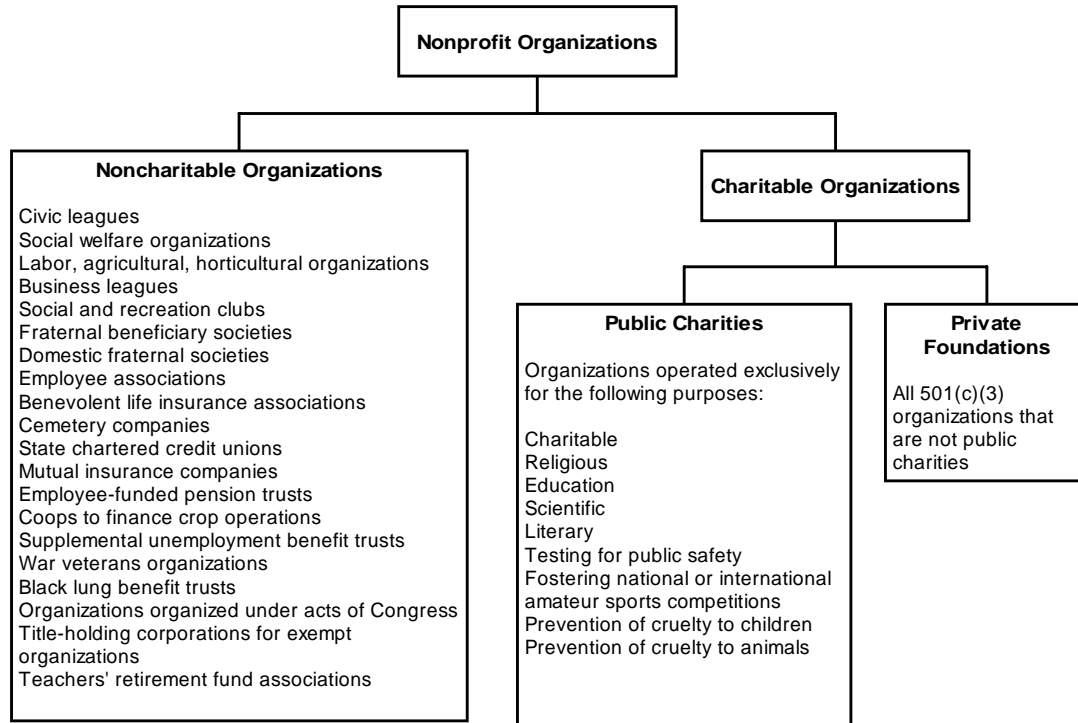


Figure 1. Conceptual Breakdown of Tax Exempt Organizations Classified Under Section 501(c) of the U.S. Tax Code

Public charities can be further delineated (**Figure 2**). Within public charities are three primgroups: operating public charities, mutual benefit public charities, and supporting public charities.

Operating public charities provide a wide range of services and programs to the public. Mutual benefit public charities include pension and retirement funds and other activities designed primarily for their members. Supporting public charities collect funds and distribute them primarily to operating public charities. Supporting public charities generally do not operate service delivery programs.

Private Foundations. Private foundations are separate entities within the group of 501 (c)(3) organizations that typically support the activities described above. Although they are considered charitable organizations, their activities, patterns of spending and sources of revenues are quite different from that of the public charities. Private foundations also receive less favorable tax treatment than do public charities and are subject to a greater level of federal regulation of their activities.

Private Foundations can be either operating foundations or nonoperating foundations. Operating foundations devote most of their earnings and assets to conducting their own programs rather than making grants to others.

Nonoperating foundations make grants to other organizations that provide goods and services. Nonoperating foundations can be independent foundations or company-sponsored foundations. The assets of independent foundations are derived primarily from a gift made by an individual or family member. Company-sponsored foundations derive their funds from a profit-making organization.

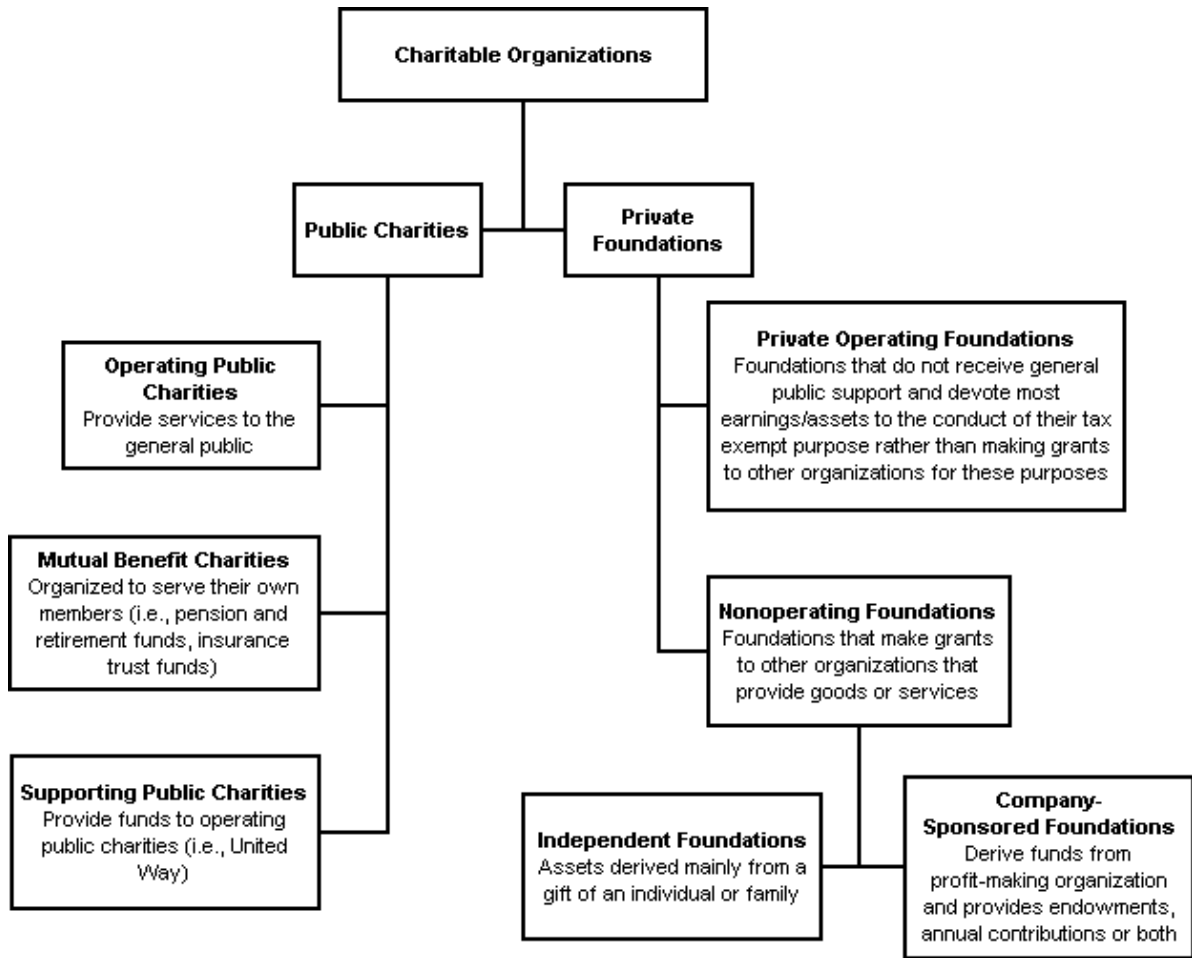


Figure 2. Conceptual Breakdown of Charitable Organizations

(Source: Bureau of Economic and Business Research. 1998. *The Economic Impact of Utah's Nonprofit Sector*).

Washington State's Nonprofit Sector

“Nonprofits in Washington,” the first report to characterize the State’s nonprofit sector using statistics from a number of agencies, resulted from a meeting between the Evergreen State Society and the Washington State Department of Community Trade and Economic Development (CTED). “The purpose of the meeting was to explore ways the nonprofit sector might work more closely with [the] Department in support of a strong economy in Washington State and to further the work of the Department” (Evergreen State Society, 1994). The 1994 report was followed recently by an updated report in 1999. Among the more recent report’s findings are the following:

- On May 1, 1999, there were 39,677 nonprofit corporations registered with Washington’s Secretary of State.
- 7,855 nonprofit organizations in Washington were exempt from state and local property taxes; 4,767 of these were churches and related facilities.
- The total of all exemptions from state and local taxes comes to about \$354 million per year. This amount is about 1.7% of the total of all the various exemptions from taxes provided by Washington State law.
- Figures from 3,340 Washington nonprofit employers show average employment during 1998 of 193,580 workers, with total wages of \$5.4 billion and average wages of \$27,857 for the year.

- 1,418 charitable trusts, with total assets of almost \$14 billion, were registered with State authorities in 1999.
- Internal Revenue Service records tallied 16,286 federally recognized tax-exempt organizations in Washington. Financial reports from 5,045 of these show they held total assets of \$16.3 billion, made expenditures of \$11.4 billion in the previous fiscal year, and received donations and grants in that year of \$2.4 billion (Evergreen State Society, 1999).

The earlier report contained a number of recommendations for ways that nonprofits and CTED could help fulfill the Department's community and economic development mission:

- Extend the range and expand the size of Washington's nonprofit sector by bringing to the state organizations that draw major support from and primarily deliver services in other communities. Include such organizations (especially those with Pacific international programs) in lists of prospects which might consider relocating in Washington.
- Include the widest range of Nonprofit enterprises in the definition and description of key sectors for evolution of "vertical" development strategies for key sectors of the Washington economy.
- Open and broaden and continuing channels of communication at the local, statewide, and international levels to allow the department to draw upon the strengths and talents of nonprofits of all types, and to assist them in meeting their goals and challenges. Develop these channels with an eye to establishing a pattern of easy tactical collaboration that can readily be expanded when opportunities appear or difficulties threaten the achievement of the department's mission.
- Explicitly include strategically selected nonprofit enterprises within the scope of the department's capacity-building activities: management assistance, entrepreneurial training, conferences and training workshops, network development, and related activities.
- Include attention to the impact on nonprofit organizations (for both good and ill) in the early discussions of potential policy initiatives and program activities of the Department of Community, Trade and Economic Development. Select those options which are more likely to help nonprofits (or less likely to hurt them) whenever possible. And work to reduce the perceived barriers between nonprofit and for-profit enterprises within CTED and among its counterparts and constituencies statewide. (Evergreen State Society, 1994).

Whatcom County's Nonprofit Sector

Establishing a nonprofit organization in Washington State – whether or not the organization will be come a public charity – begins by registering the organization as a corporation with the Washington Secretary of State. That's also a good place to begin developing a profile of the County's nonprofit sector. Organizations that seek the benefits of federal tax exempt status must, by law, be a subset of those nonprofit corporations registered with the Secretary of State.

Nonprofit corporations registered with Washington Secretary of State

In 1997 there were 1,250 nonprofit corporations registered with the Washington Secretary of State, an increase of 34% over the previous five year period when only 931 such organizations were registered (**Table 2**). The majority of nonprofits were located in Bellingham (about 60%); however, the remaining organizations were distributed throughout the incorporated and unincorporated areas of the County. Since the Secretary of State does not immediately know when nonprofits become inactive or dissolve, a subset of this group of organizations is probably inactive.

Table 2. Nonprofit Corporations Registered with Washington Secretary of State, 1992, 1997

CITY	NUMBER OF NONPROFIT CORPORATIONS*	
	1992	1997
Acme	6	6
Bellingham	562	792
Blaine	63	83
Custer	10	10
Deming	17	25
Everson	52	62
Ferndale	88	116
Lummi Island	9	12
Lynden	101	125
Maple Falls	6	5
Nooksack	5	4
Sumas	12	10
TOTAL	931	1,250

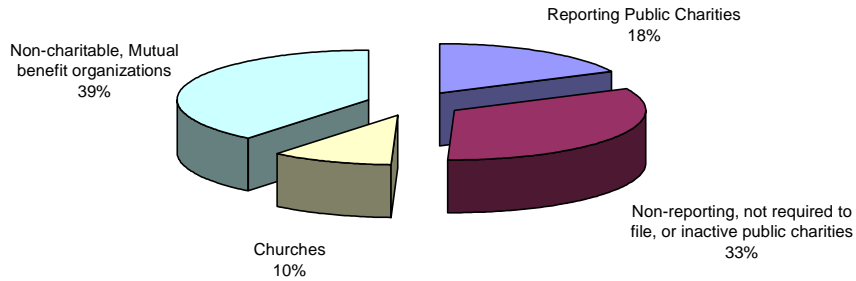
* The numbers for each city are the approximate number of organizations that were registered as nonprofit corporations with the WA Secretary of State as of 12/31/1992 and 12/31/97 respectively. They could be active or inactive.

Nonprofit corporations registered with the Internal Revenue Service

Washington State registration, alone, confers no federal tax benefit to nonprofit corporations. Organizations seeking such benefits must register with the Internal Revenue Service (IRS) and those that receive tax exempt status fall generally into one of four categories as shown in **Figure 3. Reporting public charities** (also known as filers) are nonprofit organizations with annual income of at least \$25,000 that are tax-exempt and whose donors may receive a tax deduction in the amount of monetary or tangible in-kind gifts. The next category includes (1) public charities with incomes less than \$25,000 but more than \$5,000; these organizations are not required to file the annual information returns (Forms 990 and 990EZ); (2) public charities that fail to file an information return (even though required); (3) inactive organizations still registered as public charities. **Churches** are another category of tax-exempt nonprofits; however, these are underrepresented in the IRS database because (1) they are allowed to file for an individual tax exemption or an omnibus exemption for all of their congregations, and (2) they are not required to file annual information returns. **Non-charitable** and **mutual benefit organizations** make up the remaining category of nonprofits registered with the IRS.

IRS-registered nonprofits in Whatcom County totaled 836 in 1997; only 18%, or 149 organizations (**Table 3**) were reporting public charities, the category for which we have access to financial information. One third (33%) of the IRS-registered organizations are too small to file information returns, inactive or non-reporting. More than a third (39%) are non-charitable or mutual benefit organizations.

Figure 3. Types of Tax-Exempt Nonprofit Organizations in Whatcom County, circa 1997



Source: IRS Business Master File; NCCS Core Files, 1998

Table 3. Whatcom County Tax-Exempt Corporations Registered with the IRS, 1997

CATEGORY	NUMBER
Reporting Public Charities	149
Non-reporting, not required to file, or inactive public charities	274
Churches	85
Non-charitable, Mutual benefit organizations	328
Total number of IRS-registered, tax exempt nonprofits	836

Whatcom County's Reporting Public Charities

The IRS database contains financial information for 149 Whatcom County public charities that submitted Forms 990 or 990 EZ circa 1997. This group of organizations account for 2.95% of the 5,054 reporting public charities that submitted financial information to the IRS, statewide, that year (**Table 4**), a proportion roughly equal to the County's share of the State's population (2.79%).

One way to compare Whatcom County's nonprofit sector to other counties is to calculate the density of organizations with respect to population, that is, the number of reporting public charities per 10,000 residents (**Table 4**, far right column). San Juan County had the highest density with 32 reporting public charities per 10,000 residents, followed by King County with the 2nd highest density, 12.7 organizations per 10,000. Out of the 38 counties Whatcom County ranks 9th in reporting public charity density with 9.5 organizations per 10,000 residents. Douglas County had the lowest density, only 1.6 reporting public charities per 10,000 residents.

Whatcom County's share of statewide totals for reporting public charity expenditures, assets and revenue are less than 1% (0.84%, 0.81% and 0.85%, respectively). The County's share of public support is 2.06%, still disproportionate to its population. Considering the figures for larger metropolitan counties, that's not surprising. King County contains 29% of the State's population, but is home to 42% of the State's reporting public charities, which garner 61% of total public support statewide.

WHATCOM COUNTY'S NONPROFIT SECTOR: A PROFILE OF ACTIVITIES AND FINANCES

Table 4. Washington Counties Reporting Public Charities Finance Summary, 1997

PLACE	ORGANIZATIONS		(DOLLARS IN MILLIONS)								RESIDENT POPULATION		
			EXPENSES		ASSETS		PUBLIC SUPPORT		TOTAL REVENUE				
	SUM	PERCENT	SUM	PERCENT	SUM	PERCENT	SUM	PERCENT	SUM	PERCENT	SUM	PERCENT	RESIDENTS/ORG.
Washington	5,054	100.00%	\$11,398.5	100	\$16,279.1	100.00%	\$2,391.5	100.00%	\$12,244.4	100.00%	5,604,400	100.00%	1109
Adams	8	0.16%	\$5.4	0.05%	\$4.5	0.03%	\$1.7	0.07%	\$5.6	0.05%	15,800	0.28%	1975
Asotin	7	0.14%	\$16.6	0.15%	\$18.1	0.11%	\$0.7	0.03%	\$18.0	0.15%	19,700	0.35%	2814
Benton	94	1.86%	\$133.7	1.17%	\$140.9	0.87%	\$19.1	0.80%	\$145.9	1.19%	134,100	2.39%	1427
Chelan	75	1.48%	\$90.2	0.79%	\$122.6	0.75%	\$18.3	0.77%	\$97.9	0.80%	62,200	1.11%	829
Clallam	64	1.27%	\$15.8	0.14%	\$18.2	0.11%	\$13.7	0.57%	\$18.8	0.15%	66,400	1.18%	1038
Clark	145	2.87%	\$219.5	1.93%	\$438.9	2.70%	\$60.0	2.51%	\$245.5	2.00%	316,800	5.65%	2185
Columbia	4	0.08%	\$0.2	0.00%	\$0.4	0.00%	\$0.1	0.01%	\$0.2	0.00%	4,200	0.07%	1050
Cowlitz	63	1.25%	\$31.1	0.27%	\$42.0	0.26%	\$12.2	0.51%	\$32.7	0.27%	92,000	1.64%	1460
Douglas	5	0.10%	\$0.9	0.01%	\$0.9	0.01%	\$0.0	0.00%	\$1.0	0.01%	30,800	0.55%	6160
Ferry	6	0.12%	\$0.8	0.01%	\$0.9	0.01%	\$0.7	0.03%	\$0.8	0.01%	7,300	0.13%	1217
Franklin	28	0.55%	\$66.1	0.58%	\$56.3	0.35%	\$12.6	0.53%	\$71.7	0.59%	43,900	0.78%	1568
Grant	37	0.73%	\$13.5	0.12%	\$14.4	0.09%	\$5.2	0.22%	\$14.2	0.12%	68,300	1.22%	1846
Grays Harbor	54	1.07%	\$26.4	0.23%	\$23.6	0.15%	\$15.9	0.66%	\$27.4	0.22%	68,300	1.22%	1265
Island	49	0.97%	\$9.6	0.08%	\$13.3	0.08%	\$6.6	0.28%	\$12.9	0.11%	71,600	1.28%	1461
Jefferson	32	0.63%	\$12.8	0.11%	\$8.0	0.05%	\$8.1	0.34%	\$13.4	0.11%	26,300	0.47%	822
King	2,098	41.51%	\$6,873.0	60.30%	\$9,033.1	55.49%	\$1,466.4	61.32%	\$7,381.1	60.28%	1,646,200	29.37%	785
Kitsap	173	3.42%	\$168.3	1.48%	\$219.0	1.35%	\$35.9	1.50%	\$181.3	1.48%	229,400	4.09%	1326
Kittitas	36	0.71%	\$7.8	0.07%	\$15.2	0.09%	\$4.3	0.18%	\$7.7	0.06%	31,500	0.56%	875
Klickitat	15	0.30%	\$3.6	0.03%	\$8.0	0.05%	\$1.9	0.08%	\$4.3	0.04%	19,000	0.34%	1267
Lewis	38	0.75%	\$8.8	0.08%	\$18.0	0.11%	\$4.2	0.17%	\$9.6	0.08%	68,300	1.22%	1797
Lincoln	7	0.14%	\$0.8	0.01%	\$3.1	0.02%	\$0.2	0.01%	\$0.9	0.01%	9,800	0.17%	1400
Mason	27	0.53%	\$6.4	0.06%	\$5.9	0.04%	\$5.8	0.24%	\$7.0	0.06%	47,900	0.85%	1774
Okanogan	23	0.46%	\$13.6	0.12%	\$7.3	0.05%	\$7.1	0.30%	\$13.9	0.11%	38,400	0.69%	1670
Pacific	24	0.47%	\$4.4	0.04%	\$9.1	0.06%	\$2.6	0.11%	\$5.4	0.04%	21,300	0.38%	888
Pend Oreille	9	0.18%	\$0.7	0.01%	\$1.6	0.01%	\$0.4	0.02%	\$0.8	0.01%	11,200	0.20%	1244

WHATCOM COUNTY'S NONPROFIT SECTOR: A PROFILE OF ACTIVITIES AND FINANCES

PLACE	ORGANIZATIONS		(DOLLARS IN MILLIONS)								RESIDENT POPULATION		
			EXPENSES		ASSETS		PUBLIC SUPPORT		TOTAL REVENUE				
	SUM	PERCENT	SUM	PERCENT	SUM	PERCENT	SUM	PERCENT	SUM	PERCENT	SUM	PERCENT	RESIDENTS/ORG.
Pierce	565	11.18%	\$1,115.8	9.79%	\$1,803.6	11.08%	\$194.1	8.12%	\$1,222.7	9.99%	674,300	12.03%	1193
San Juan	40	0.79%	\$6.0	0.05%	\$18.8	0.12%	\$5.1	0.21%	\$8.5	0.07%	12,500	0.22%	313
Skagit	81	1.60%	\$33.3	0.29%	\$35.5	0.22%	\$16.2	0.68%	\$37.1	0.30%	96,900	1.73%	1196
Skamania	6	0.12%	\$1.2	0.01%	\$7.7	0.05%	\$0.5	0.02%	\$1.1	0.01%	9,900	0.18%	1650
Snohomish	312	6.17%	\$322.9	2.83%	\$375.2	2.31%	\$73.5	3.07%	\$333.9	2.73%	551,200	9.84%	1767
Spokane	359	7.10%	\$1,456.8	12.78%	\$2,554.9	15.69%	\$146.3	6.12%	\$1,478.2	12.07%	409,900	7.31%	1142
Stevens	19	0.38%	\$13.1	0.12%	\$8.2	0.05%	\$9.1	0.38%	\$13.8	0.11%	37,400	0.67%	1968
Thurston	168	3.32%	\$119.2	1.05%	\$179.5	1.10%	\$38.1	1.59%	\$124.4	1.02%	197,600	3.53%	1176
Wahkiakum	2	0.04%	\$0.3	0.00%	\$0.1	0.00%	\$0.2	0.01%	\$0.3	0.00%	3,900	0.07%	1950
Walla Walla	56	1.11%	\$190.4	1.67%	\$427.7	2.63%	\$28.1	1.18%	\$237.0	1.94%	54,000	0.96%	964
Whatcom	149	2.95%	\$96.2	0.84%	\$131.6	0.81%	\$49.2	2.06%	\$104.6	0.85%	156,200	2.79%	1048
Whitman	35	0.69%	\$35.0	0.31%	\$152.9	0.94%	\$29.8	1.25%	\$56.3	0.46%	41,200	0.74%	1177
Yakima	137	2.71%	\$278.0	2.44%	\$360.1	2.21%	\$97.3	4.07%	\$308.2	2.52%	208,700	3.72%	1523

Primary Activities of Reporting Public Charities

The most common activity of Whatcom County's reporting public charities is human services (**Table 5, Figure 4**). Almost a third of these organizations (30%) are classified as such. Human services includes a wide variety of organizations and activities including Boys and Girls Clubs, food banks and youth services. The next most common primary activities include education (13%), health-related (12%), and arts, culture and humanities (11.4%). The fewest number of reporting public charities were involved in "other mutual benefit" (0.7%), and international, foreign affairs (1.3%) activities.

Table 5. Reporting Public Charities, Distribution by Primary Activity, 1997

PRIMARY ACTIVITY	FREQUENCY	PERCENT
Arts, Culture, and Humanities	17	11.4
Education	19	12.8
Environment and Animals	9	6.0
Health	18	12.1
Human Services	45	30.2
International, Foreign Affairs	2	1.3
Other mutual benefit	1	0.7
Public, Societal Benefit	6	4.0
Religion Related	13	8.7
Unknown, Unclassified	4	2.7
Single organization support	9	6.0
General fundraising	2	1.3
Other Supporting Public Benefit	4	2.7
TOTAL	149	100.0

Source: PSAI using data from National Center for Charitable Statistics, Washington, DC

The distribution of primary activities at the County level is similar to the state-level profile (**Table 6, Figure 5**), the major difference being that Whatcom County lacks organizations that report primary activities in seven categories: scientific research activities, business and professional organizations, farming and related activities, mutual organizations, employee of membership benefit organizations, civil rights activities, legislative and political activities. However, this difference may be an aberration that is related more to the manner in which the primary activity data is collected than to the actual variety of activities and services offered in Whatcom County. Organizations reporting to the IRS include up to three activity codes, in order of importance. The data presented in this report is only for the first – or, primary – activity listed on an organization's original Form 1023 (Application for Recognition of Exemption).

WHATCOM COUNTY'S NONPROFIT SECTOR: A PROFILE OF ACTIVITIES AND FINANCES

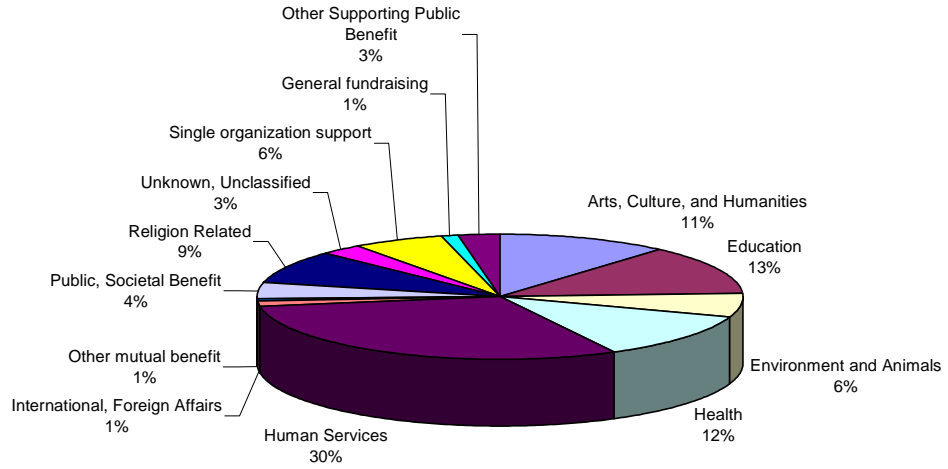


Figure 4. Primary Activities of Whatcom County Reporting Nonprofits, 1997

Table 6. Whatcom County and Washington State Reporting Public Charities by Activity, 1997

MAJOR ACTIVITY GROUP	WASHINGTON STATE		WHATCOM COUNTY	
	FREQUENCY	PERCENT	FREQUENCY	PERCENT
Schools, Colleges And Related Activities	2,370	17.8	27	19.3
Youth Activities	2,549	19.2	27	19.3
Other Purposes And Activities	2,210	16.6	22	15.7
Health Services And Related Activities	1,322	9.9	10	7.1
Activities Purposes And Activities	689	5.2	10	7.1
Cultural, Historical Of Other Educational Activities	895	6.7	8	5.7
Other Instructions And Training Activities	616	4.6	8	5.7
Religious Activities	565	4.3	7	5.0
Sports, Athletic Recreational And Social Activities	363	2.7	6	4.3
Other Activities Directed To Individuals	683	5.1	5	3.6
Conservation, Environmental And Beautification Activities	170	1.3	3	2.1
Housing Activities	390	2.9	3	2.1
Inner City Or Community Activities	250	1.9	2	1.4
Litigation And Legal Aid Activities	44	0.3	1	0.7
Advocacy/ Attempt To Influence Public Opinion Concerning:	45	0.3	1	0.7
Scientific Research Activities	18	0.1	0	0.0
Business And Professional Organizations	39	0.3	0	0.0
Farming And Related Activities	12	0.1	0	0.0
Mutual Organizations	3	0.0	0	0.0
Employee Of Membership Benefit Organizations	26	0.2	0	0.0
Civil Rights Activities	31	0.2	0	0.0
Legislative And Political Activities	2	0.0	0	0.0
TOTAL	13,292	100.0	140	100

WHATCOM COUNTY'S NONPROFIT SECTOR: A PROFILE OF ACTIVITIES AND FINANCES

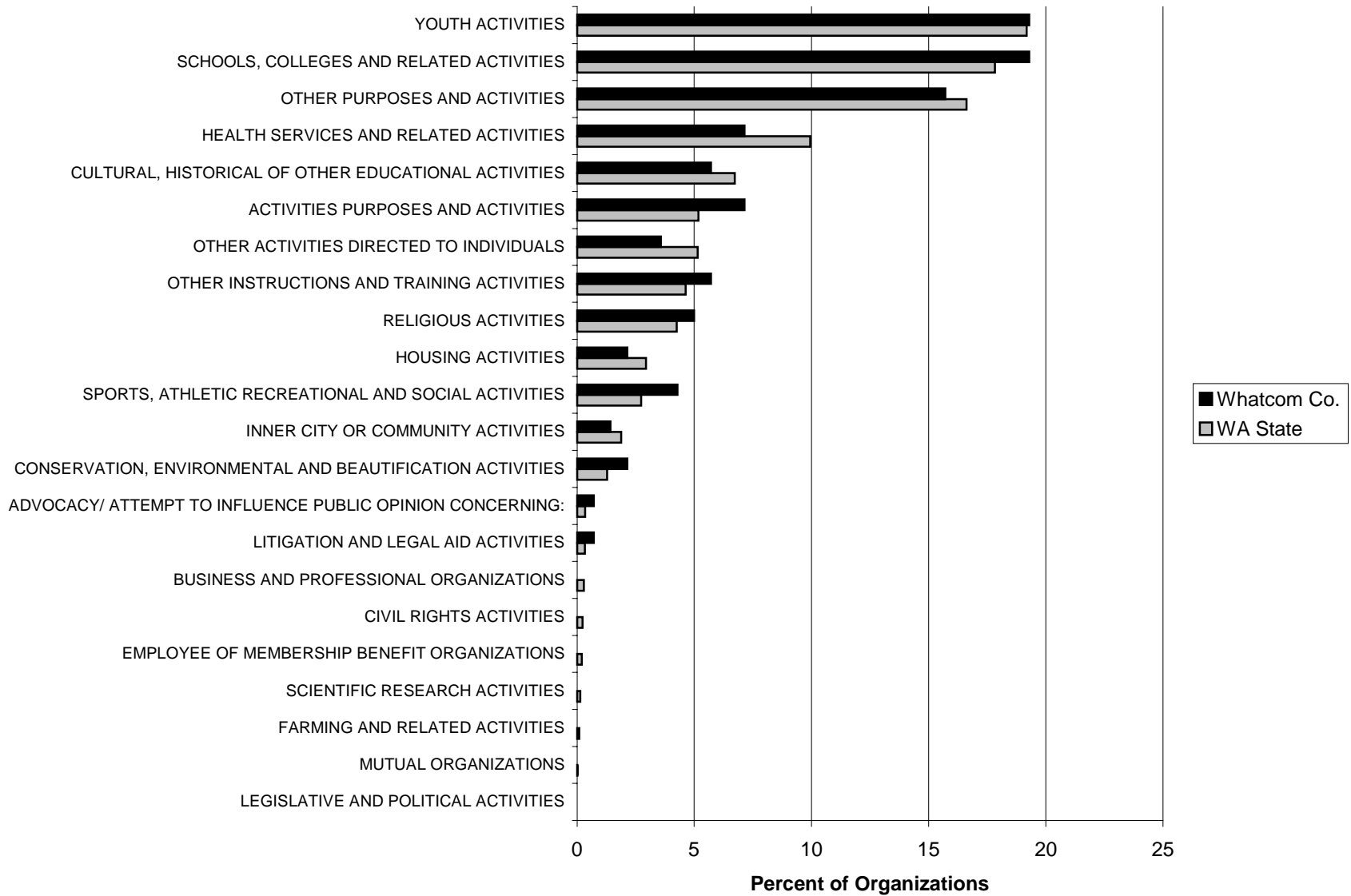


Figure 5. Washington State and Whatcom County Reporting Nonprofits by Program Activity

Growth in Reporting Public Charities and Changes in Distribution by Primary Activity

The number of reporting public charities in Whatcom County grew at an average annual growth rate of 6.4% during the five-year period 1992-1997. In 1992 there were 113 such organizations in the County compared to 149 that existed in 1997 (**Table 7**). This rate of growth is nearly three times the County's population growth during the same period (2.4%). Some portion of this growth may have been the result of better compliance with reporting regulations, but the growth rates observed in Whatcom County are similar to those reported elsewhere (though for overlapping time periods) for Washington State and National studies (Evergreen State Society, 1999; Stevenson, Pollak, and Lampkin, 1997). Because the growth in public charities was faster than population growth, organizations density also increased, from 8.0 per 10,000 residents in 1992 to 9.5 in 1997.

Table 7. Distribution of Whatcom County Reporting Public Charities by activity, 1992, 1997

NTEE-CC MAJOR GROUP	1992		1997	
	NUMBER	PERCENT	NUMBER	PERCENT
B - Educational institutions	18	15.9%	25	16.8%
P - Human services - multipurpose	17	15.0%	21	14.1%
A - Arts, culture, humanities	12	10.6%	17	11.4%
X - Religion related, spiritual development	10	8.8%	15	10.1%
O - Youth development	9	8.0%	6	4.0%
E - Health - general, rehabilitative	8	7.1%	10	6.7%
C - Environmental quality, protection	4	3.5%	7	4.7%
F - Mental health, crisis intervention	4	3.5%	5	3.4%
N - Recreation, sports, leisure, athletics	4	3.5%	9	6.0%
T - Philanthropy, grantmaking	4	3.5%	8	5.4%
J - Employment, job related	3	2.7%	3	2.0%
Q - International, foreign affairs	3	2.7%	2	1.3%
U - Science and technology research	3	2.7%	2	1.3%
D - Animal related	2	1.8%	2	1.3%
G - Disease, disorders, medical disciplines	2	1.8%	3	2.0%
I - Crime, legal related	2	1.8%	2	1.3%
Z - Unknown/unclassified	2	1.8%	4	2.7%
Not classified	1	0.9%	1	0.7%
H - Medical research	1	0.9%	0	0.0%
K - Food, agriculture, nutrition	1	0.9%	2	1.3%
L - Housing, shelter	1	0.9%	1	0.7%
S - Community improvement	1	0.9%	3	2.0%
Y - Mutual, membership benefit organizations	1	0.9%	1	0.7%
TOTAL	113	100.0%	149	100.0%

Source: National Center for Charitable Statistics, Core Files, 1993, 1998

Charitable organizations within different subcategories of activity grew at different rates (**Table 7, Figure 6**). Recreation oriented organizations comprised 3.5% of all reporting public charities in 1992. Over the next five years the number of organizations in this group grew from 4 to 9, accounting in 1997 for 6% of all reporting public charities. The philanthropy and grantmaking subsector experienced similar growth, doubling in size from 4 to 8 organizations over the same

time period. Youth development organizations saw a 33% decrease in number of organizations with the loss of three reporting public charities in the five-year period.

WHATCOM COUNTY'S NONPROFIT SECTOR: A PROFILE OF ACTIVITIES AND FINANCES

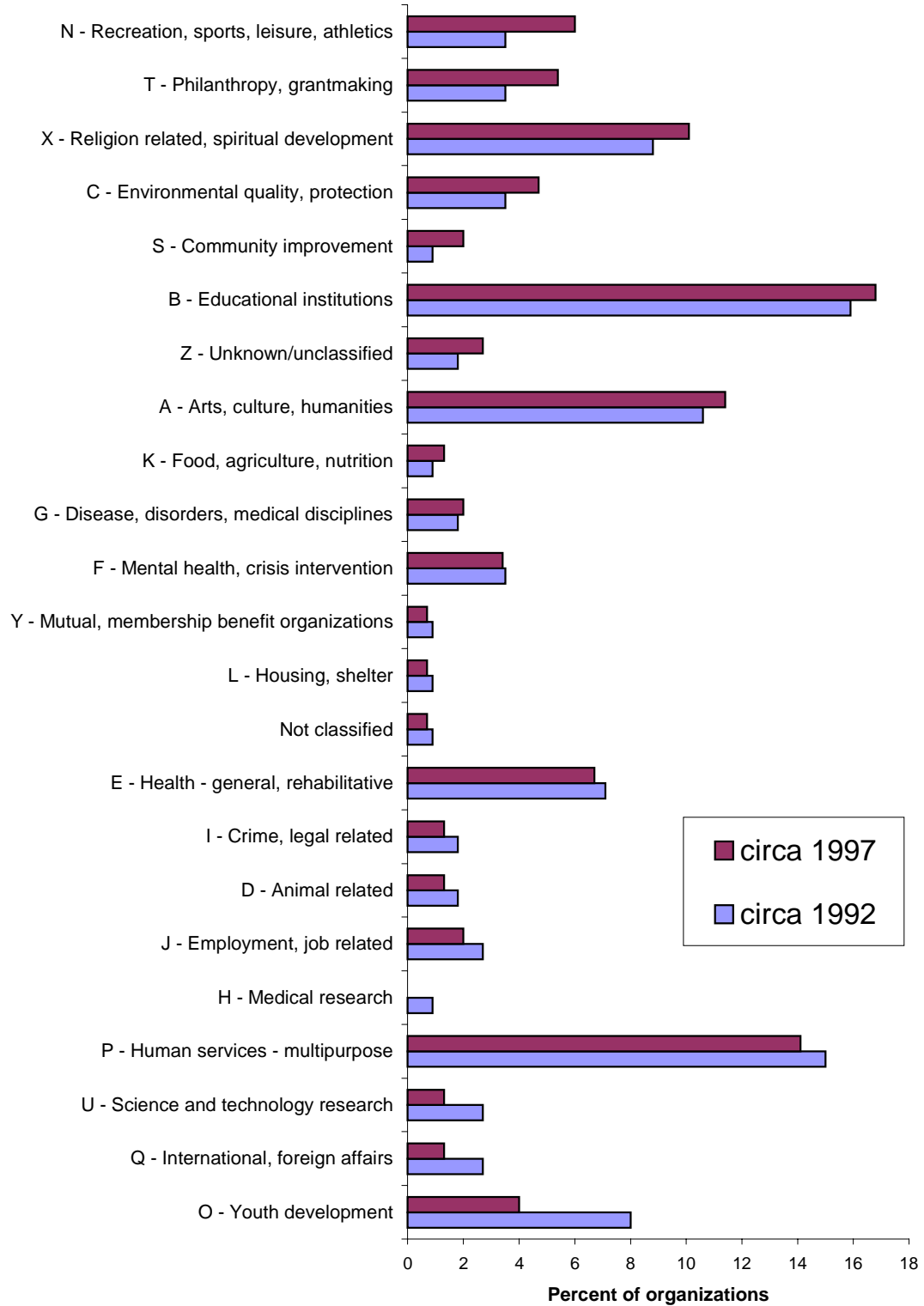


Figure 6. Whatcom County Reporting Nonprofits Program Activities, Percent Change 1992-1997

Geographic distribution of nonprofit organizations

Nonprofit organizations and its public charities subsets are distributed among the County's communities in rough proportion to population (**Table 8**). Bellingham, the County's largest population center, is home to nearly two thirds of all state-registered nonprofits and more than three quarters of reporting public charities. The major share of the remaining nonprofits and public charities are divided between the County's next largest cities: Lynden, Ferndale, Blaine and Everson.

Table 8. Geographic Distribution of Whatcom County Nonprofits

COMMUNITY	ALL NONPROFITS*		PUBLIC CHARITIES		REPORTING PUBLIC CHARITIES	
	FREQUENCY	PERCENT	FREQUENCY	PERCENT	FREQUENCY	PERCENT
Bellingham	792	63.4	501	60.7	116	77.9
Lynden	125	10.0	83	10.1	16	10.7
Ferndale	116	9.3	83	10.1	6	4.0
Blaine	83	6.6	53	6.4	4	2.7
Everson	62	5.0	29	3.5	3	2.0
Deming	25	2.0	14	1.7	0	0.0
Lummi Island	12	1.0	9	1.1	1	0.7
Custer	10	0.8	16	1.9	0	0.0
Sumas	10	0.8	15	1.8	1	0.7
Acme	6	0.5	0	0.0	0	0.0
Maple Falls	5	0.4	6	0.7	0	0.0
Noocksack	4	0.3	5	0.6	0	0.0
Point Roberts	0	0.0	9	1.1	2	1.3
Glacier	0	0.0	2	0.2	0	0.0
TOTAL	1250	100.0	825	100.0	149	100.0

* Registered with WA Secretary of State

** Registered with IRS

*** Registered with, and reporting to IRS

Organization Age

Whatcom County's public charity sector is young (**Figure 7**). Less than a third of reporting public charities incorporated prior to 1980 and 43% incorporated during the last decade. The Bellingham Theatre Guild (1933) and the YWCA (1942) are the County's oldest reporting public charities in the IRS database. The youngest organizations in the database used for this study are the Lummi Island Heritage Trust and Whatcom County Amateur Hockey Association (both, 1998).

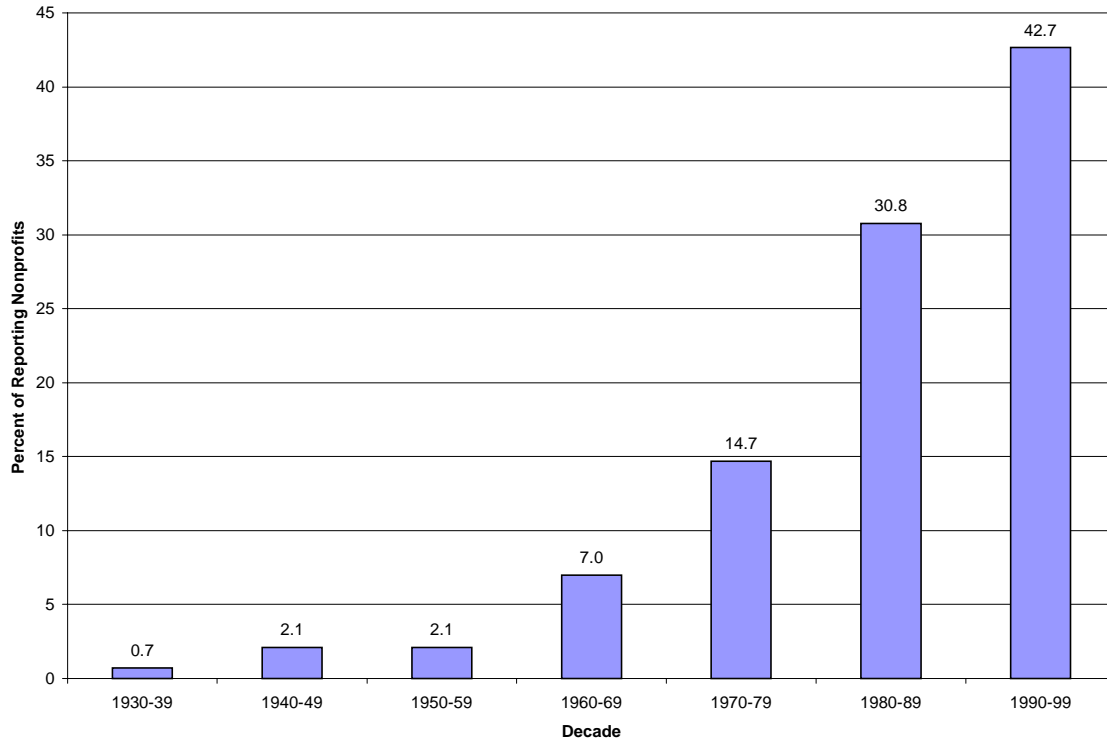


Figure 7. Organization Age, Whatcom County Reporting Nonprofits

Finances of Whatcom County Public Charities

Whatcom County’s nonprofit sector is a large and important element of the local economy. The financial activity of Whatcom County’s public charity sector provides important indicators of the nonprofit sector’s size and strength. The primary component of the County’s nonprofit sector is the group of charitable organizations regulated under IRS regulations, section 501(c)(3). Available data on nonprofit finances necessarily limits the analysis presented in the following section of the report to the 150 public charities that regularly report financial activity to the IRS.

Given the large number of nonprofit organizations that are not required to report financial activity, the following measures are almost certainly underestimates of overall nonprofit sector financial activity; however, the information that follows shows that a large percentage of all financial activity occurs within the larger organizations that do report through annual information returns to the IRS.

St. Joseph Hospital, the County’s largest public charity is not included in the Whatcom County subset of the IRS database. The IRS allows charitable organizations with affiliates, or branches, to report financial activity separately for each affiliate organization or to report one omnibus information return that includes aggregate data for the entire organization. PeaceHealth, the parent nonprofit corporation that owns and operates St. Joseph Hospital, submits an omnibus information return from its headquarters in King County. PeaceHealth offered to provide separate data on St. Joseph Hospital to ensure that this important contributor of community services and financial activity could be included in this study. In most cases, the aggregate data that follow do not include the financial activity for St. Joseph Hospital; however, where appropriate, the narrative accompanying tables and figures reports the impact of the hospital’s financial activity on these aggregate measures.

Financial Measures

Public Support is collected from public charities' IRS Forms 990, line 1d. It includes private gifts and contributions (both cash and in-kind) and government grants.

Program service revenue figures are from Form 990, line 2, and include the income received by organizations for the performance of activities that form the basis of its tax exemption. For example, a hospital would report all of its charges for medical services (direct payments by patients and third parties such as Medicaid and Medicare and private insurers). Other examples of program service revenue include: tuition received by a school, or admission fees for performing arts events or museums.

The distinction between these two revenue streams is not always clear and not all organizations interpret them in the same way. For example, rules that determine whether government revenue should be called a government grant, another type of public support, or program service revenue can be difficult to interpret (NCCS, 1998).

Total Revenue is equal to gross income plus public support and membership dues, minus rental and fundraising expenses.

Total expenses, from Form 990, line 17, is the sum of program, fundraising and general expenses, as well as payments to affiliates.

Total assets, from Form 990, line 59, include real estate, accounts receivable, pledges receivable, grants receivable, inventories and other assets. This represents the total assets at the end of an organization's fiscal year. Organizations may choose whether they report investment assets according to cost or end-of-year market value. Total assets should not be confused with net assets, the balance of total assets and liabilities (NCCS, 1998)

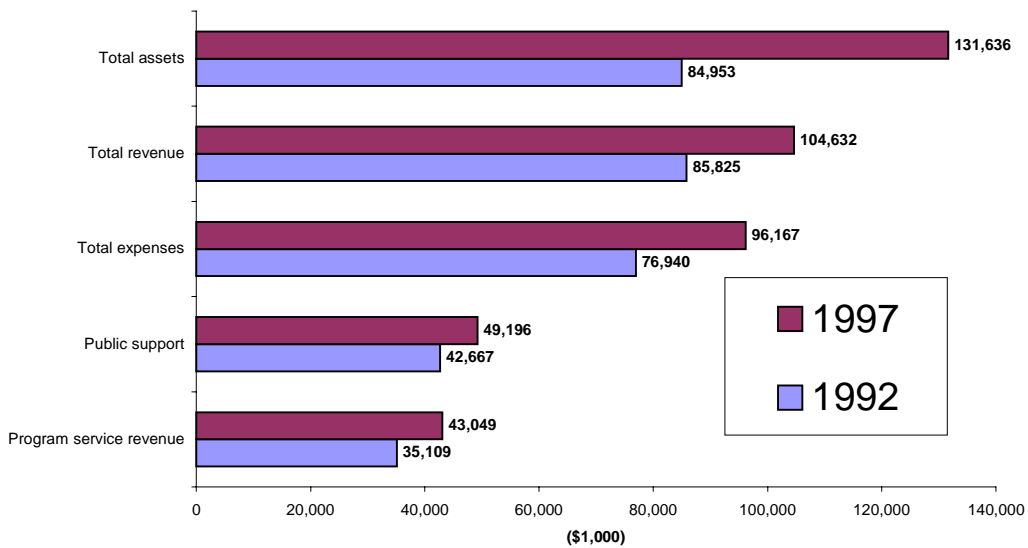


Figure 8. Finances of Whatcom County Reporting Public Charities, 1992, 1997

Total revenue, assets and expenditures of reporting public charities grew considerably over the five year period from 1992 to 1997. Revenue increased 22% from approximately \$ 86 million to over \$104 million in 1997. Expenses increased by 22% and assets increased by 55% (Figure 8). Revenue sources in 1997 were primarily public support (47%) and Program service revenue (41%). Investment income (5%), membership dues (3%) and net income from special events accounted for most of the remaining revenue sources (Figure 9).

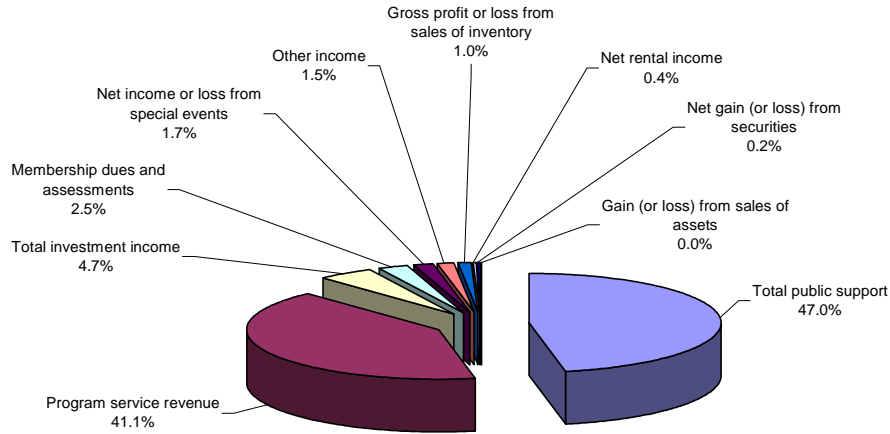


Figure 9. Source of Revenue, Whatcom County Reporting Nonprofits, 1997

For reasons stated at the beginning of this section, St. Joseph Hospital finances are not included in the aggregated financial measures just presented. PeaceHealth, the hospital's parent organization, supplied financial figures for this study to supplement the 1997 data on the other 149 reporting public charities (Table 9). The hospital's revenue and expenses exceeded those of all of the remaining reporting public charities combined in 1997, and the hospital's assets (\$116 million) nearly matched those of the rest of the sector (\$131 million), resulting in combined asset holdings of nearly a quarter of a billion dollars. Combining the financial activity of all reporting public charities, including the hospital, revenue, and expenses each exceeded \$200 million.

Table 9. Combined financial activity of reporting public charities including St. Joseph Hospital, 1997

	ST. JOSEPH HOSPITAL	OTHER REPORTING PUBLIC CHARITIES	COMBINED PUBLIC CHARITY SECTOR
Total revenue	\$ 109,063,604	\$ 104,632,157	\$ 213,695,761
Total expenses	\$ 104,705,050	\$ 96,167,287	\$ 200,872,337
Total assets	\$ 116,622,843	\$ 131,636,428	\$ 248,259,271

Source: NCCS Core Files, 1998; PeaceHealth memo to author, 2000

Finances and support sources of the County's public charities are unevenly distributed among categories of organization activities (Figure 10, Figure 11). For example, human service organizations account for 30% of reporting public charities, yet they garnered over half of the public support dollars in 1997. On the other hand, arts and education organizations represent 11% and 13% of reporting public charities, respectively; however, their shares of public support were only 2% and 3%, respectively.

Spending is dominated by health organizations and human services charities. Figure 10 shows that human services organizations were responsible for the largest share of expenditures (38%) in 1997. However, as stated earlier, these figures are based on a database that does not include St. Joseph Hospital, which alone accounts for more than half of the expenditures of all reporting public charities (Table 9), making health organizations the subsector responsible for most of the nonprofit sector expenditures in Whatcom County.

Asset holdings were also dominated by health organizations when including St. Joseph Hospital, which held nearly half of nonprofit sector end-of-year assets in 1997 (Table 9). Single organization support public charities, as a group, held the largest share of assets (24%) in 1997. It should also be noted that the finance measures for single organization support charities are dominated by figures for the Western Foundation, one of the County's largest public charities by

revenue and asset measures. This charitable category also contains much smaller organizations such as the Ferndale Band Boosters and the Whatcom Soccer Commission (**Appendix A**).

More detailed breakdown of finance measures by organization activity is shown in **Table 10** where the major activity classification are further classified by the next level of NTEE activity class.

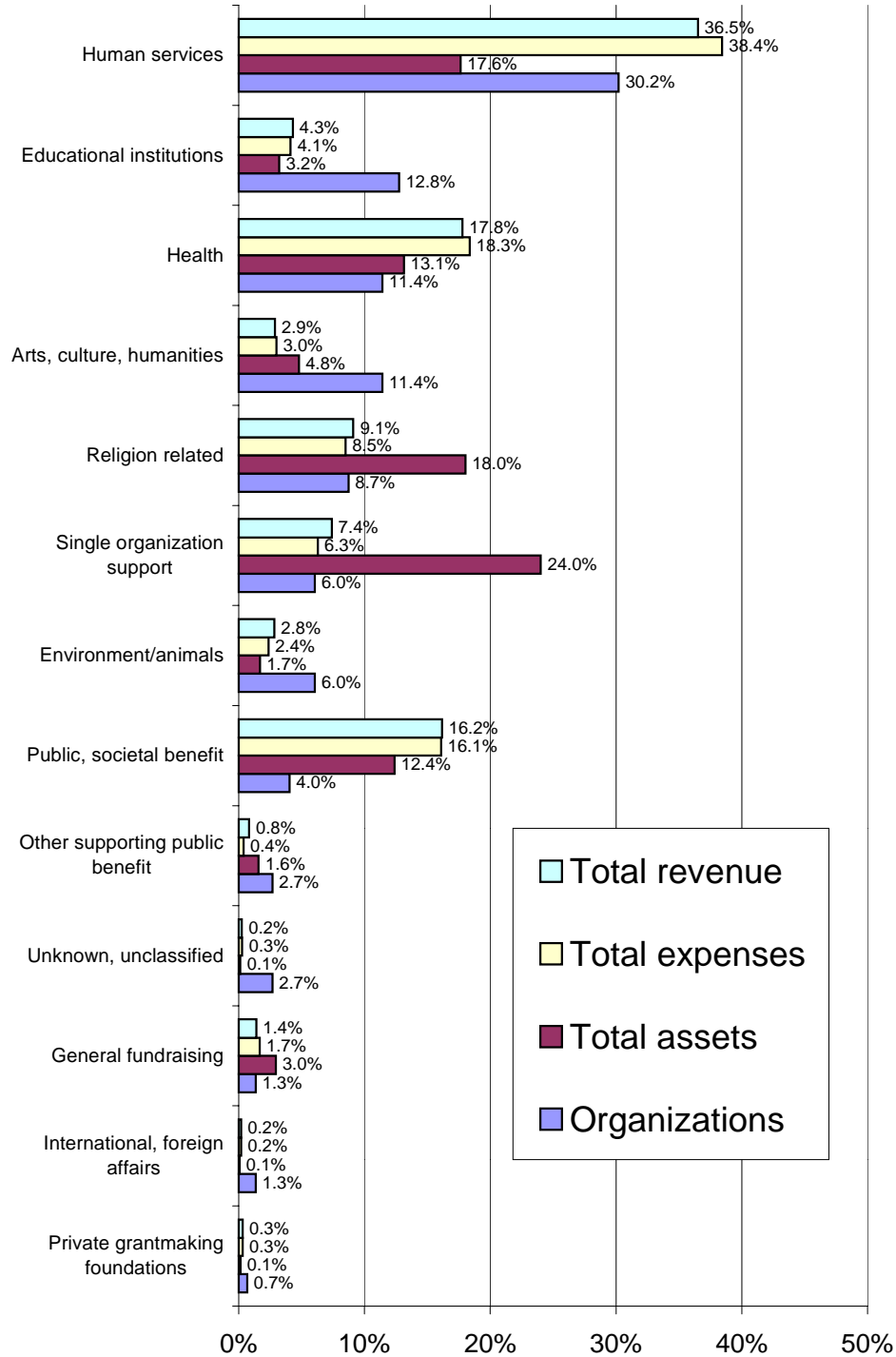


Figure 10. Reporting Public Charity Finances by NTEE Major Category, 1997

WHATCOM COUNTY'S NONPROFIT SECTOR: A PROFILE OF ACTIVITIES AND FINANCES

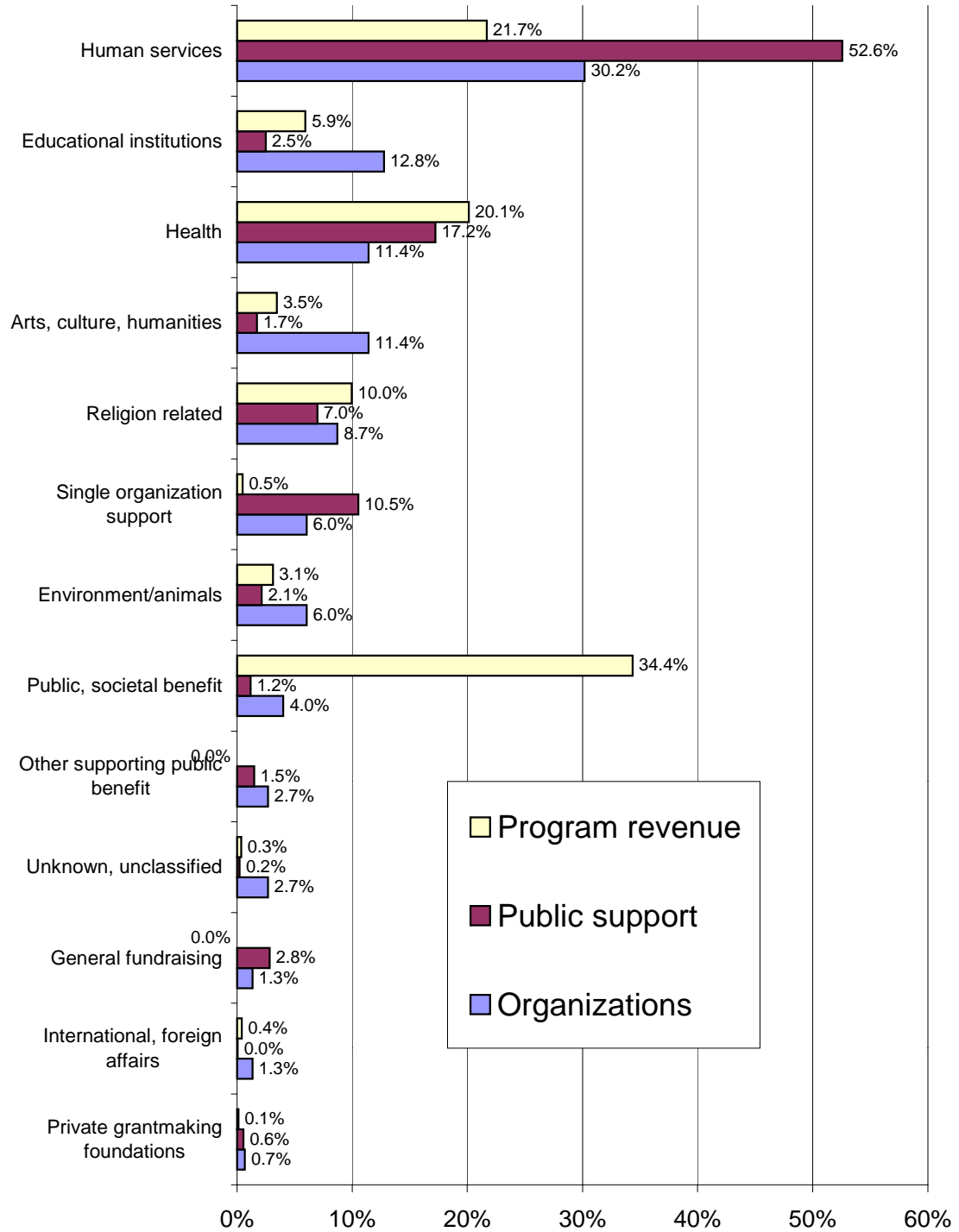


Figure 11. Reporting Public Charity Revenue Sources by NTEE Major Category, 1997

Most of Whatcom County's reporting public charities are small. More than half (56%) had gross receipts under \$250,000 in 1997 (Figure 12). Despite their large numbers, as a group, these organizations reported only about 7% of the public charities' total expenses, public support, and assets. On the other hand, large organizations (\$1,000,000 or greater in gross receipts) comprise only 18% of reporting public charities, yet report 78% of the total assets, 77% of public support and 78% of expenses.

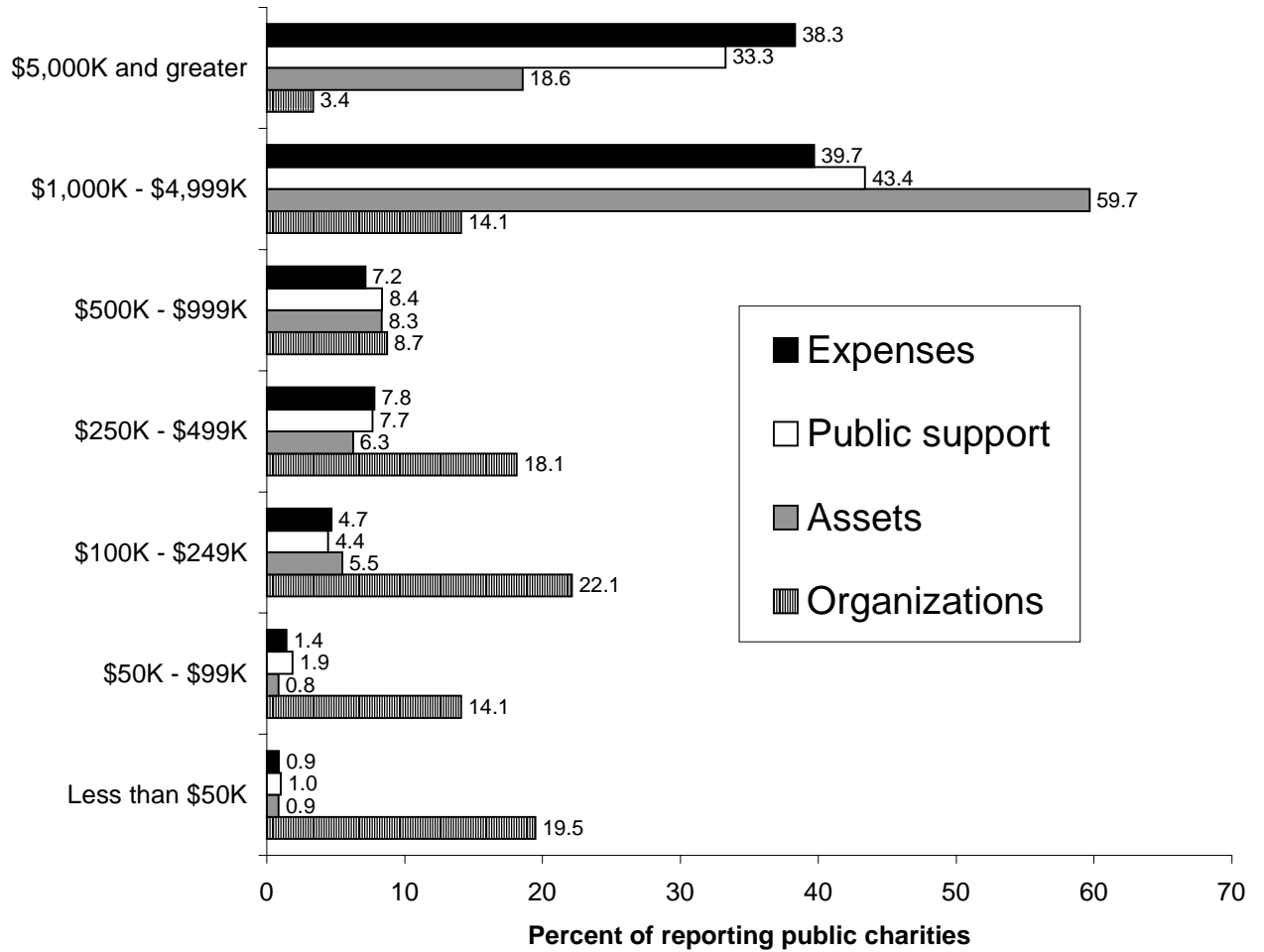


Figure 12. Whatcom County Reporting Public Charities and Their Finances by Gross Receipts

WHATCOM COUNTY'S NONPROFIT SECTOR: A PROFILE OF ACTIVITIES AND FINANCES

Table 10. Distribution of Whatcom County Reporting Public Charity Finances by Activity, 1997

	ORGANIZATIONS		EXPENSES		ASSETS		PUBLIC SUPPORT		TOTAL REVENUE	
	NUMBER	PERCENT	SUM	PERCENT	SUM	PERCENT	SUM	PERCENT	SUM	PERCENT
Operating public charities	132	88.59%	\$87.80	91.30%	\$93.58	71.09%	\$41.62	84.60%	\$94.18	90.01%
Human services -	21	14.09%	\$26.46	27.51%	\$12.91	9.81%	\$18.68	37.97%	\$27.05	25.85%
Educational	19	12.75%	\$3.95	4.11%	\$4.24	3.22%	\$1.22	2.48%	\$4.51	4.31%
Arts, culture,	17	11.41%	\$2.88	2.99%	\$6.30	4.79%	\$0.86	1.74%	\$3.01	2.87%
Supporting	16	10.74%	\$8.30	8.63%	\$37.74	28.67%	\$7.58	15.40%	\$10.39	9.93%
Religion related,	14	9.40%	\$8.22	8.55%	\$23.74	18.03%	\$3.46	7.04%	\$9.59	9.17%
Health - general,	9	6.04%	\$11.23	11.68%	\$5.37	4.08%	\$3.83	7.79%	\$11.83	11.30%
Recreation, sports,	8	5.37%	\$1.56	1.62%	\$3.40	2.58%	\$0.24	0.48%	\$1.80	1.72%
Environmental quality,	7	4.70%	\$1.73	1.80%	\$1.49	1.13%	\$0.95	1.93%	\$2.40	2.30%
Youth development	6	4.03%	\$1.67	1.73%	\$4.42	3.36%	\$0.91	1.86%	\$2.07	1.98%
Mental health, crisis	5	3.36%	\$6.02	6.26%	\$11.70	8.89%	\$4.33	8.80%	\$6.41	6.13%
Unknown/unclassified	4	2.68%	\$0.26	0.27%	\$0.16	0.12%	\$0.11	0.23%	\$0.26	0.25%
Disease, disorders,	3	2.01%	\$0.39	0.41%	\$0.22	0.17%	\$0.32	0.65%	\$0.38	0.36%
Employment, job	3	2.01%	\$4.86	5.05%	\$1.53	1.16%	\$4.10	8.34%	\$4.83	4.61%
Community	3	2.01%	\$0.38	0.40%	\$0.86	0.65%	\$0.27	0.55%	\$0.36	0.34%
Animal related	2	1.34%	\$0.55	0.57%	\$0.72	0.55%	\$0.10	0.20%	\$0.55	0.53%
Crime, legal related	2	1.34%	\$0.53	0.55%	\$0.06	0.05%	\$0.07	0.14%	\$0.53	0.51%
Food, agriculture,	2	1.34%	\$1.71	1.78%	\$0.40	0.30%	\$1.70	3.46%	\$1.71	1.64%
Housing, shelter	2	1.34%	\$0.11	0.12%	\$0.50	0.38%	\$0.13	0.26%	\$0.14	0.13%
International, foreign	2	1.34%	\$0.19	0.19%	\$0.08	0.06%	\$0.02	0.04%	\$0.19	0.19%
Science and	2	1.34%	\$14.87	15.47%	\$15.41	11.70%	\$0.08	0.16%	\$16.32	15.59%
Philanthropy,	1	0.67%	\$0.22	0.23%	\$0.06	0.04%	\$0.23	0.47%	\$0.23	0.22%
Mutual benefit	1	0.67%	\$0.07	0.07%	\$0.32	0.24%	\$0.00	0.00%	\$0.06	0.06%

Source: National Center for Charitable Statistics, Core Files, 1998

Employment and Payroll

Most nonprofit organizations have few paid employees. The 1997 U.S. Economic Census, limited to those businesses/organizations with a payroll, reports only 180 non-taxable establishments in Whatcom County (**Table 11**), compared to over 800 organizations listed by the IRS as tax-exempt nonprofits for the same year. The non-taxable industries sector includes nonprofit establishments, some of which would be grouped into the other industry sectors in **Table 11**, were it not for their tax-exempt status. These other sectors from which the “non-taxable” industries sector was compiled includes Professional, scientific and technical services, health care and social assistance, arts, entertainment and recreation, educational services, and other services.

The nonprofit sector employed 3,457 people (full- or part-time) at an average annual wage of \$22,668, or total annual payroll of \$78 million. Within the nonprofit sector, St. Joseph Hospital is the largest employer, providing more than a third of nontaxable industry jobs (1,351) in 1997 and paying half of the sector's annual payroll (\$39 million).

Table 11. Annual Payroll and Wages for Whatcom County Industry Sectors, 1997

INDUSTRY SECTOR	NUMBER OF ESTABLISHMENTS	NUMBER OF EMPLOYEES	ANNUAL PAYROLL (\$1,000)	AVERAGE ANNUAL WAGE
Professional, scientific, & technical services	390	2,615	109,046	41,700
Wholesale trade	308	2,451	76,002	31,009
Non-taxable industries	180	3,457	78,363	22,668
Health care & social assistance	406	3,627	82,105	22,637
Retail trade	840	9,758	165,652	16,976
Administrative & support & waste management	187	1,643	27,363	16,654
Real estate & rental & leasing	220	877	12,331	14,060
Arts, entertainment, & recreation	69	1,674	19,523	11,662
Educational services	24	163	1,855	11,380
Accommodation & foodservices	429	5,926	52,793	8,909

Source: U.S. Bureau of the Census, 1997 Economic Census

7 Recommendations

This report does little to draw attention to the many individual accomplishments and poignant stories that contribute immeasurably to the overall quality of life in Whatcom County. To do so would require a Herculean task and would produce an enormous volume. Nevertheless, giving attention to the nonprofit sector as a whole – its size, services and benefits – contributes to an understanding of the overall effect of this mysterious sector on our local economy.

Readers should consider this a baseline study and the Whatcom Council of Nonprofits' first report from which future trends in the charitable sector may be monitored. Combined with other community development initiatives, needs assessments and social capital monitoring, this report and related future research can inform decision makers in all three economic sectors: public, private and nonprofit. To that end, the following recommendations are offered for further research and monitoring.

- 1 **Share the information in this and future reports with public and private sector leaders and the community at large.** As an economic sector distinct from the public (government) and private sectors, the nonprofit sector is mysterious due to its diversity and to the complex state and federal regulations that, combined, create a confusing array of corporate structure and taxonomy within the sector. What emerges from studying the nonprofit sector in Whatcom County is how marvelously diverse it is, the number and types of services it provides to residents, and its important role in the local economy, providing jobs and acting as an engine for economic growth in precisely the same ways as the private sector. Even though nonprofits are largely self-sufficient, the sector also relies on public support in the forms of federal, state and local government grants, and contributions from individuals and corporations. Providing current and potential supporters with additional information on the sector as a whole will give them additional reasons to support nonprofits in their communities.
- 2 **Monitor trends in public support for the nonprofit sector.** Nonprofit organizations, their staff and volunteers, form a large share of the social capital that is necessary for Whatcom County communities to address societal problems. The health of these communities is, therefore, intimately connected to nonprofit organizations. To a great extent, the health of the nonprofit sector and its constituent organizations is tied to continued and increasing public support as the County's population grows and attendant demand for nonprofit sector services increases. Statistics on public support that are more detailed than those presented in this report are elusive. However, such statistics will become increasingly easy to obtain. The Whatcom Council of Nonprofits should track trends in specific components of public support, including government grants and private contributions, separating, if possible, public support from within and outside Whatcom County. Falling public support or contributions that do not keep pace with the demand for services may signal problems to which WCN membership can respond.
- 3 **Investigate the role of churches and faith-based organizations absent from the IRS database.** Future profiles of the County's nonprofit sector should attempt to examine the role of churches and faith-based organizations which are absent from the IRS database. Other studies estimate that only 10% of churches file information returns to the IRS. Given the important community services offered by faith-based organizations, studies that ignore churches produce an incomplete profile of the nonprofit sector.
- 4 **Monitor volunteer resources.** Volunteer labor is a critical input in the production of nonprofit products and services. It is also the most invisible to the more easily accessible databases. Additionally, volunteerism is a useful indicator of a community's social capital and community capacity to respond to societal problems.

Future nonprofit sector reports should attempt to develop baseline data on volunteer resources, making it possible to track along with financial measures of public support.

- 5 **Collaborate with organizations performing community needs assessments and social welfare indicator studies.** At a minimum, Whatcom County nonprofit sector data should be shared with organizations that plan to conduct issue-specific or more comprehensive community needs assessments. Over time, it will be relatively easy to track the dollar value of resources within the nonprofit sector that is targeted toward various community goals (i.e., shelter housing, youth programs, environmental protection). Decision makers will find it useful to track indicators of social problems along with indicators of the level of resources being devoted to solving them.
- 6 **Support the movement to improve the accuracy and usefulness of nonprofit sector data by participating in the *Quality 990 Project*.** The quality and quantity of data available on nonprofit organizations has increased dramatically in recent years. However, the reliability, consistency, timeliness, usefulness, accessibility, and cost-effectiveness of the data remain problematic. The primary source of data on nonprofits and nonprofit sector finances is the annual information return known as IRS Form 990. Poor quality data have serious implications for the entire nonprofit sector because they serve as a baseline for making fundamental decisions, such as day-to-day resource allocations by program administrators, gift and grant decisions by donors, and long-term public policy decisions. To address these concerns, nonprofit leaders have launched the Quality 990 Project, sponsored by the Urban Institute, National Society of Fundraising Executives, Independent Sector and the National Council of Nonprofit Associations. Why is quality 990 data important:
 - Compliance—Filing an accurate and complete Form 990 with the IRS and state charity officials is the law.
 - Public Accountability—With the new IRS regulations, anyone can request a copy of any nonprofit organization's Form 990.
 - Public Relations—The Internet is making the Form 990 more available than ever before.
 - Primary Source of Data—Form 990 is the most commonly used data source about nonprofit organizations
 - Policy Making—Accurate Form 990 data will help policy makers develop the most effective ways of helping the sector, and allow nonprofits to better defend themselves against ill-advised legislative initiatives (Urban Institute, 1999).

Additional information on the Quality 990 Project can be found at the internet web site: www.qual990.org

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WHATCOM COUNTY'S NONPROFIT SECTOR: A PROFILE OF ACTIVITIES AND FINANCES

NTEE MAJOR GROUP, 1997

NAME

Environment/animals	Nooksack Salmon Enhancement Association
Environment/animals	Northwest Ecosystem Alliance
Environment/animals	Re Sources
Environment/animals	Whatcom Land Trust
Health	Alzheimer Society Of Washington
Health	Central Auxiliary Of St Josephs Hospital
Health	Christian Health Care Center
Health	Emergency Medical Services Council Of Whatcom County
Health	Evergreen Aids Foundation
Health	Health Support Center
Health	Institute For Emergency Medical Education
Health	Interfaith Coalition
Health	Lake Whatcom Residential & Treatment Center
Health	Lummi Cedar Project
Health	Mt Baker Planned Parenthood
Health	S T A R Task Force
Health	Sun Community Service
Health	Visiting Nurses Personal Services
Health	Whatcom Counseling & Psychiatric Clinic
Health	Whatcom County Crisis Services
Health	Whatcom Skagit Orthopedic Assn
Human services	Alternatives To Hunger
Human services	Bellingham Bay Swim Team
Human services	Bellingham Community Child Care Center
Human services	Big Brothers Big Sisters Of Whatcom County
Human services	Blaine Community Senior Center
Human services	Blaine Food Bank Association
Human services	Bob Mclaughlin Evangelistic Association
Human services	Boys & Girls Club Of Ferndale
Human services	Boys Clubs Of Whatcom Co Inc
Human services	Brigid Collins House
Human services	Camp Fire Inc
Human services	Camp Horizon Foundation
Human services	Cascade Christian Services
Human services	Childcare International
Human services	Community Work Training Association
Human services	Current Industries
Human services	Family Foundation
Human services	Gods Eagle Habitat
Human services	Habitat For Humanity International Inc
Human services	Kidstown Romania Inc
Human services	Kylies Project
Human services	Lets Face It U S A

WHATCOM COUNTY'S NONPROFIT SECTOR: A PROFILE OF ACTIVITIES AND FINANCES

NTEE MAJOR GROUP, 1997

NAME

Human services	Lydia Place A Nonprofit Corporation
Human services	Lynden Y M C A
Human services	Men For Nations
Human services	Multiple District 19 Lions Hearingconservation Foundation
Human services	Northwest Services Council
Human services	Northwest Washington Fair Association
Human services	Northwest Youth Service
Human services	Senior Community Services
Human services	Sonfest
Human services	St Francis Foundation
Human services	Vangard Northwest
Human services	Whatcom Association Of Training Centers Inc
Human services	Whatcom County Amateur Hockey Association
Human services	Whatcom County Commission On Children And Youth
Human services	Whatcom County Council On Aging Inc
Human services	Whatcom County Opportunity Council Inc
Human services	Whatcom County Pregnancy Center
Human services	Whatcom County Volunteer Lawyer Program
Human services	Whatcom County Youth Soccer Association
Human services	Whatcom Family Young Mens Christian Association
Human services	Whatcom Parks & Recreation Foundation
Human services	Womencare Shelter
Human services	Young Womens Christian Assoc Of Bellingham
International, foreign affairs	Experience International
International, foreign affairs	International Christian Development Association
Other mutual benefit	Deming Logging Show Inc
Public, societal benefit	Local Focus
Public, societal benefit	National Association Of Geoscience Teachers
Public, societal benefit	Sean Humphrey House A Nonprofit Corporation
Public, societal benefit	Society Of Photo Optical Instrumentation Engineer
Public, societal benefit	The Whatcom Dispute Resolution Center
Public, societal benefit	Whatcom Volunteer Center
Religion related	Blaine Christian Fellowship
Religion related	Bridging Counseling Ministries
Religion related	Child Evangelism Fellowship Inc
Religion related	Churchhealth
Religion related	European Christian Mission
Religion related	Firs Bible & Missionary Conference
Religion related	Firs Foundation
Religion related	Genesis Ii
Religion related	International Needs Inc
Religion related	Pathfinders Ministries
Religion related	Society For Christian Instruction Of Lynden Washington

WHATCOM COUNTY'S NONPROFIT SECTOR: A PROFILE OF ACTIVITIES AND FINANCES

NTEE MAJOR GROUP, 1997

NAME

Religion related	St Lukes Foundation Of Bellingham
Religion related	Worldserve Ministries
Unclassified	Arc Of Whatcom County
Unclassified	Florence R Kluckhohn Center
Unclassified	More Maximum Opportunity
Unclassified	Society For Protestant Reformed Education In Lynden
Single organization support	Ferndale Band Boosters
Single organization support	Ferndale Ffa Boosters Club
Single organization support	Northwest Indian College Foundation
Single organization support	St Sophia Greek Orthodox Church
Single organization support	Trinity Western University Foundation U S
Single organization support	Visiting Nurse Foundation
Single organization support	Western Foundation
Single organization support	Whatcom Community College Foundation
Single organization support	Whatcom Soccer Commission
Private grantmaking foundations	Whatcom Self-Help Homes
General fundraising	Thetis Foundation
General fundraising	United Way Of Whatcom County
Other supporting public grantmaking	Life Story Foundation
Other supporting public grantmaking	Old Settlers Association Of Whatcom County
Other supporting public grantmaking	Pacific Maring Trust Group Inc
Other supporting public grantmaking	Whatcom Community Foundation