

Nonprofit Sector: Orange County

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3181
NONPROFITS



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Accelerating Nonprofit Success



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The Wells Fargo logo, consisting of the words "WELLS" and "FARGO" in a bold, yellow, serif font, stacked vertically within a red square.

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Nonprofit Sector: Orange County

The decade between 2000 and 2010 was a boom period for the nonprofit sector in Orange County, where the number of financially active charitable organizations increased nearly 70 percent (from 1,899 to 3,181), twice the rate of growth in the number of such organizations across the U.S. (28 percent, from 246,733 to 315,662)¹.

Despite the global economic crisis that characterized the latter years of the decade, Orange County nonprofits' financial resources doubled: from \$4.2 billion to \$8.2 billion (revenues), and from \$7.1 billion to \$16.5 billion (assets). However, the gains were not realized across the board: in 2010, 43 percent of nonprofits tapped accumulated reserves to cover the difference between total revenues and total expenses (1,194 of the 2,790 organizations that itemized expenses).

The sector is not evenly distributed across service categories or revenue ranges: although most nonprofits (80 percent) are small (less than \$500,000 in total revenues), they claim only 3 percent of all nonprofit revenues. By contrast, the 10 largest organizations (9 of which are hospitals) claim more than half of all nonprofit revenues.

Growth in the sector from 2000 to 2010 was inconsistent, with some service categories doubling in size but not always showing the same growth patterns in total revenues.

The way organizations attract resources also differs widely depending on size and service category, with organizations much more reliant on contributions when they are small, and progressively showing more ability to earn program service revenue as they grow. The following sections cover these phenomena in detail.

- 3,181 charitable 501(c)(3) organizations reporting for 2010 (excludes Private Foundations)
- \$8.2 billion in revenues (up 96 percent from 2000)
- \$16.5 billion in assets (up 132% from 2000)
- 10.57 active charitable organizations per 10,000 residents (up from 6.7 in 2000)
- \$2,739 revenues and \$5,479 assets per 10,000 residents

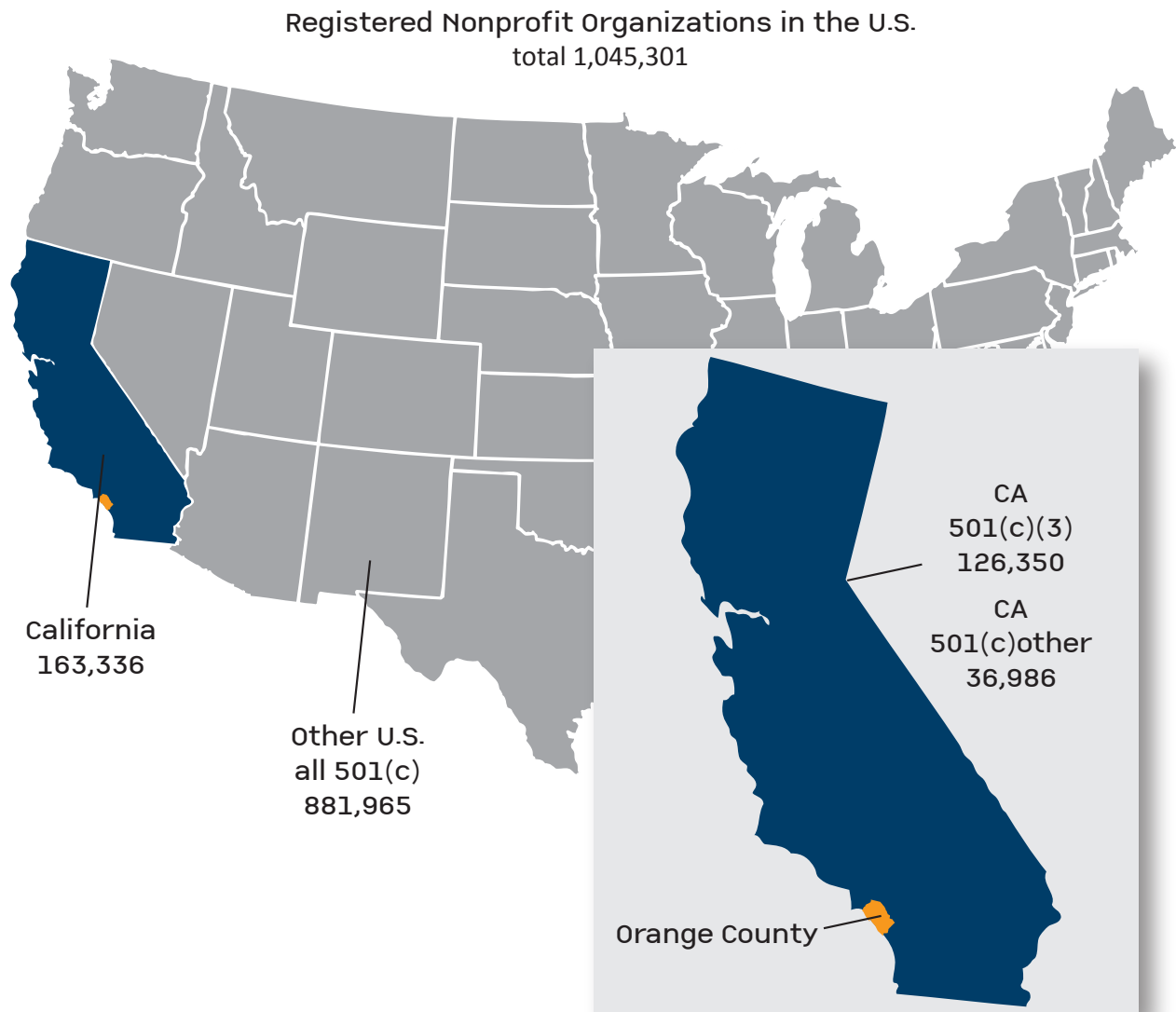
AN EXPLAINER: NONPROFITS BY THE NUMBERS

The nonprofit sector includes formal and informal organizations, from very small grassroots operations to those with thousands of employees and millions or even billions in revenue. There are strictly neighborhood or local efforts; some with larger and more complex structures; and some with affiliates across many counties and states. Many organizations incorporate and register with the Internal Revenue Service, which classifies them across more than 20 subsections of IRC §501(c). Others function without IRS recognition. Of those registered with the IRS, only about 60 percent are required to file an annual return; the remaining 40 percent are not required to file (e.g., religious congregations, or those with less than \$25,000 in gross receipts).

¹ This is a subset of all registered nonprofits across all subsections of IRC §501(c), which numbered more than 1 million in 2010.

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FIGURE 1



This report looks at financially active organizations that reported for the year 2010. At that time, there were more than one million U.S. organizations registered with the IRS. Only about 60 percent of those, though, reported to the IRS for that filing year. And only about 60 percent of those are religious, educational and charitable nonprofits — 501(c)(3) — that met the filing threshold of \$25,000 in gross receipts. Of that total — 375,922 financially active U.S. filers — nearly 12 percent are in California.

Figure 1 shows California's share of all registered nonprofits in the U.S., and breaks out charitable 501(c)(3) nonprofits.

FIGURE 2

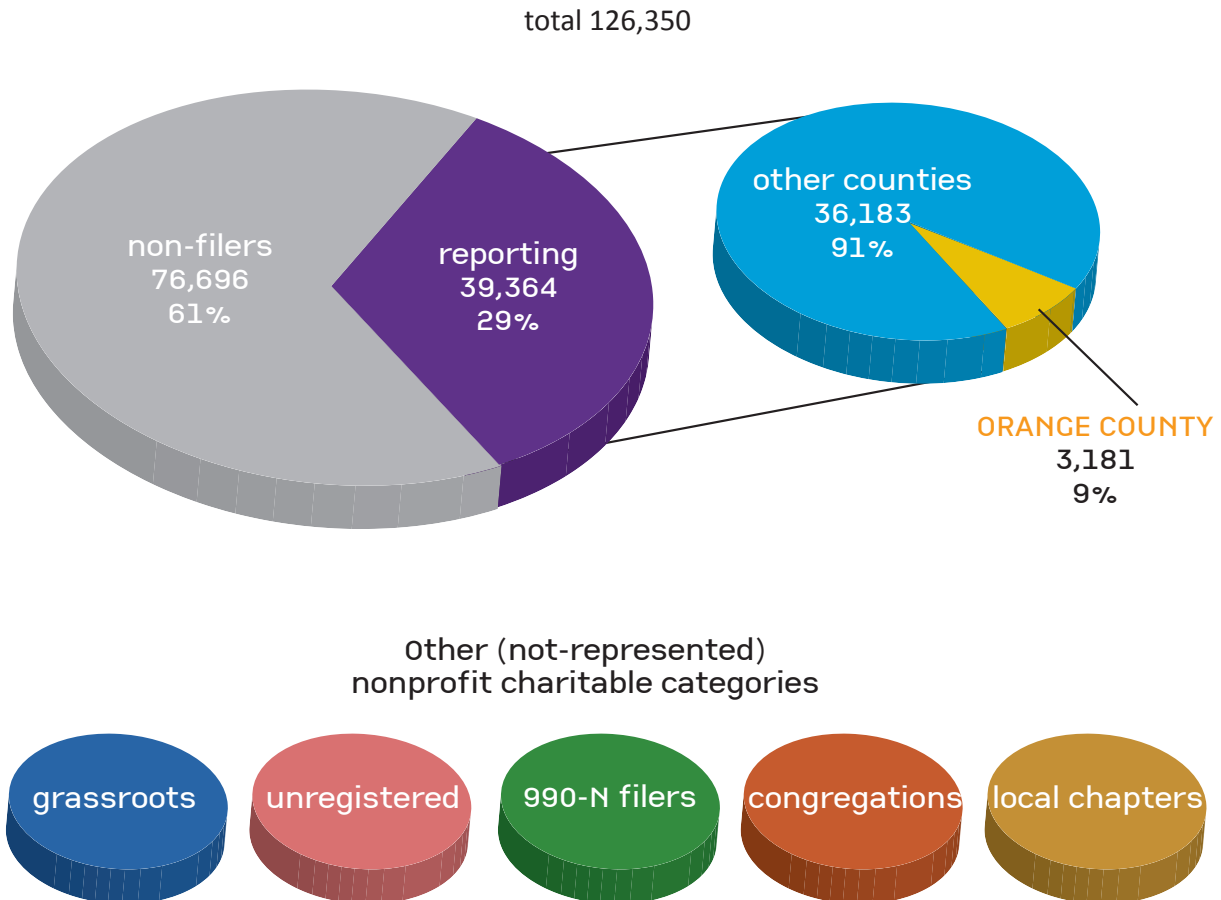


Figure 2 shows that only about a third of registered public charities file an annual return with the IRS.² About 9 percent of the state’s public charities have filing addresses in Orange County. The 3,181 organizations that are the focus of this report do not reflect the sum of nonprofit charitable activity in Orange County, as there are many other organizations active here that are not captured in the filing data. This includes local chapters or affiliates that are active here but whose parent, headquarter or fiscal agent organizations have filing addresses outside of Orange County; non-filers such as religious congregations and very small groups; registered organizations that don’t meet the minimum filing threshold; and other non-filers.

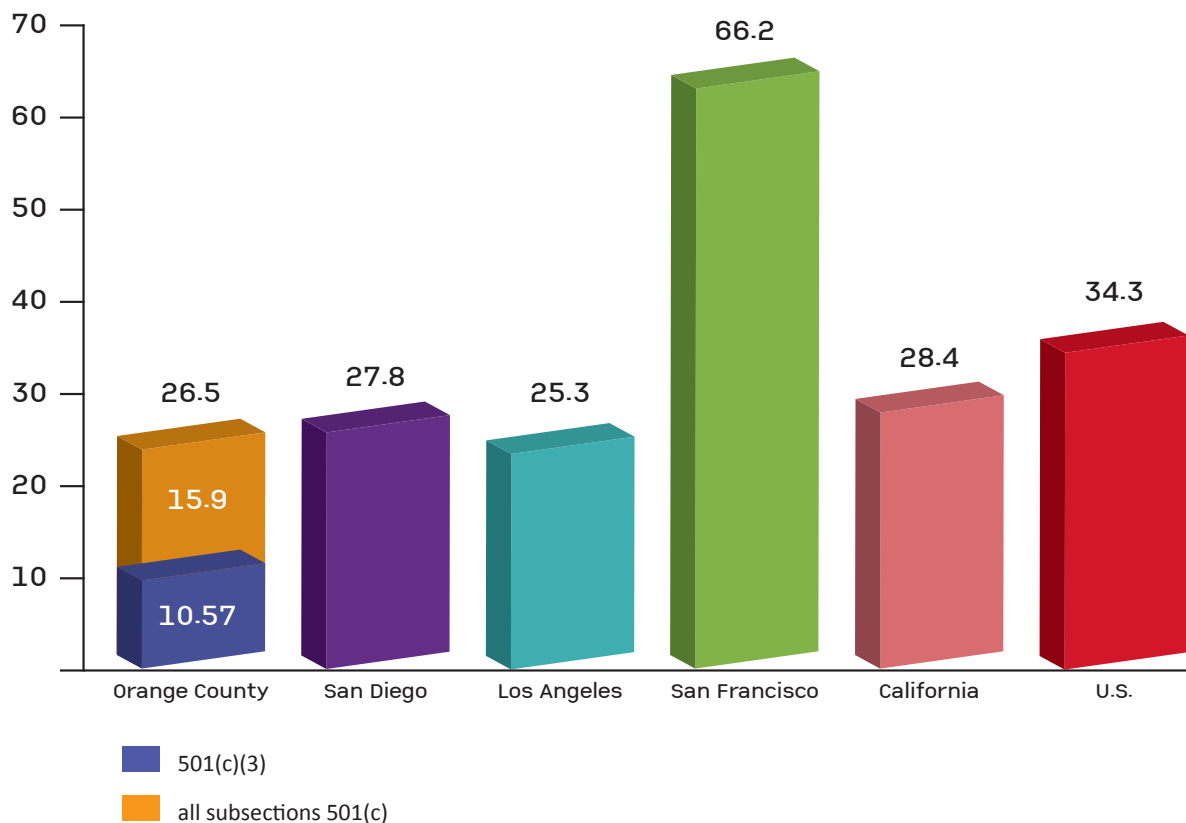
² Not all organizations are required to register or to file annual returns (e.g. religious congregations, organizations not meeting the minimum filing threshold in gross receipts). Registered organizations that don’t file annual returns were required to file the new Form 990-N confirming that they are still operational; those that failed to file were removed from the IRS registration rolls in 2011, including 1,724 whose last filing addresses were in Orange County.

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ORANGE COUNTY POPULATION AND NONPROFITS

Both the county's resident population and the number of charitable nonprofits grew over the decade: population by 68 percent, and nonprofits by 70 percent. A good way to understand the relationship is to consider the number of all nonprofit organizations per capita (using the measure of per 10,000 residents), as shown in Figure 3. The rate of active charitable organizations per capita increased from 6.7 to 10.57 for Orange County between 2000 and 2010, as shown in the shaded area for Orange County.

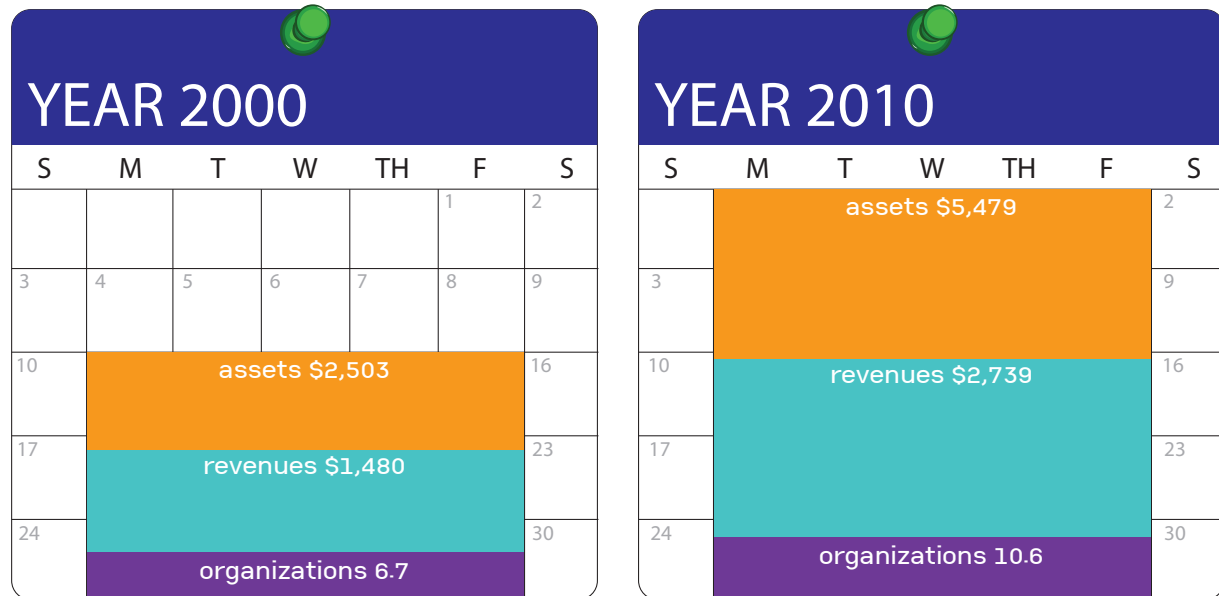
FIGURE 3 Reporting Nonprofits per 10,000 Residents
(all subsections of 501(c))



As was the case in 2000, Orange County's 2010 population and nonprofit characteristics are closely comparable to San Diego County's. Figure 3 uses this measure to show Orange County's total nonprofit sector (all reporting subsections of §501(c)) relative to other California counties. Los Angeles County claims a disproportionately large share of the state's population, nonprofits, and nonprofit resources, yet its rate of all §501(c) organizations per capita is lower than Orange County's. San Francisco county's small population but large number of nonprofits makes its per capita rate unusually large.

FIGURE 4

Orange County Charities' Resources per 10,000 residents



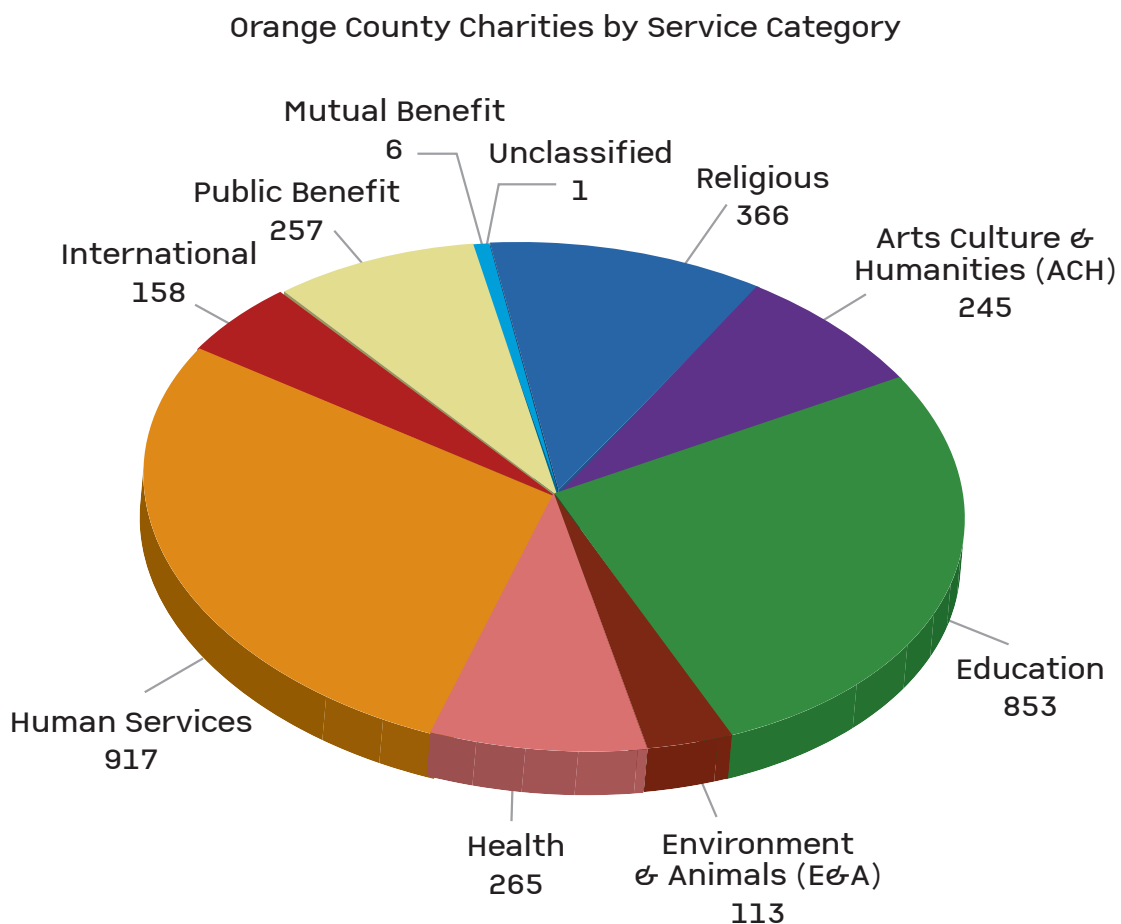
Per capita distribution also is a useful way to consider how resources are distributed. Figure 4 shows the growth in Orange County's revenues and assets per 10,000 residents between 2000 and 2010. Resources for the county's 3,181 reporting charitable organizations doubled in that period: from \$4.2 billion to \$8.2 billion (revenues), and from \$7.1 billion to \$16.5 billion (assets).

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ORANGE COUNTY'S NONPROFITS BY SERVICE CATEGORY

Orange County's 3,181 reporting charitable organizations can be categorized according to the types of services they provide, using the National Taxonomy of Exempt Entities. As seen in Figure 5, the Human Service and Education categories each claim about a third of the sector, and the remaining third is split across six other categories.

FIGURE 5



Orange County is home to an unusually large number of education-related organizations including individually incorporated PTA, booster clubs, and auxiliaries supporting specific schools and student activities, as well as supporting organizations, scholarship funds, and school district foundations. The Human Services category contains a wide variety of organizations providing food, housing, employment services, shelter and counseling, resource distribution, and recreational and youth development opportunities.

Comparison to 2000

The distribution of organizations by service category remained rather stable between 2000 and 2010, with a couple of exceptions in certain categories. Changes in the distribution of organizations across service categories may be due to actual increases or decreases in the number of organizations; or due to more precise classification; or a combination of both. This may be due to several factors, not the least of which is a far more robust and accessible environment and better tools for researching organizations' mission, services, and clients.³ Taking all these factors into consideration, it is interesting to note that some service categories differ markedly in growth since 2000.

Growth in the International category was nearly 5 times larger than for the sector overall (485 percent), thanks to better information about the offshore beneficiaries and services conducted by organizations that previously may have been classified in other categories such as Human Services or Religious. The growth rates of both the Environment & Animals and Religious categories were unusually high as well (both at 98 percent). Categories whose growth rate was lower than the sector overall include Arts Culture & Humanities (52 percent), and Health (29 percent). Although the number of Environment & Animals organizations doubled, that category's share of the overall sector did not change since 2000.

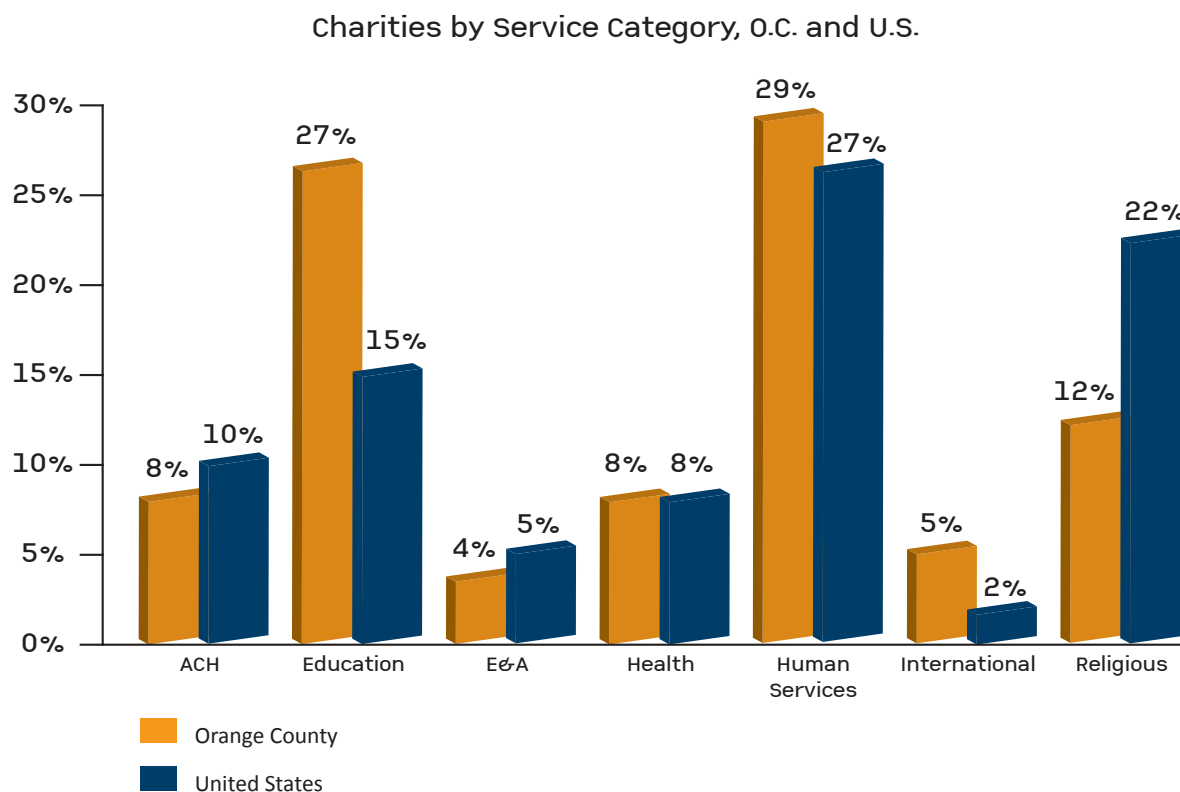
³ Growth rates are for the sector in the aggregate, and do not describe the extent of change among individual organizations across the two studies. There can be many explanations for variation in datasets from one time period to another, including missing or late filings; changes in operating status and revenues affecting filing requirements; relocations; consolidation or cessation of operations, etc.

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Comparison to U.S.

As has been the case across past studies, the way nonprofits are distributed across service categories is different for Orange County than for the U.S. Figure 6 shows that the Education and International categories have significantly larger shares of Orange County's sector — about twice as large — as the nation's, while Religious organizations claim only about half the usual share.

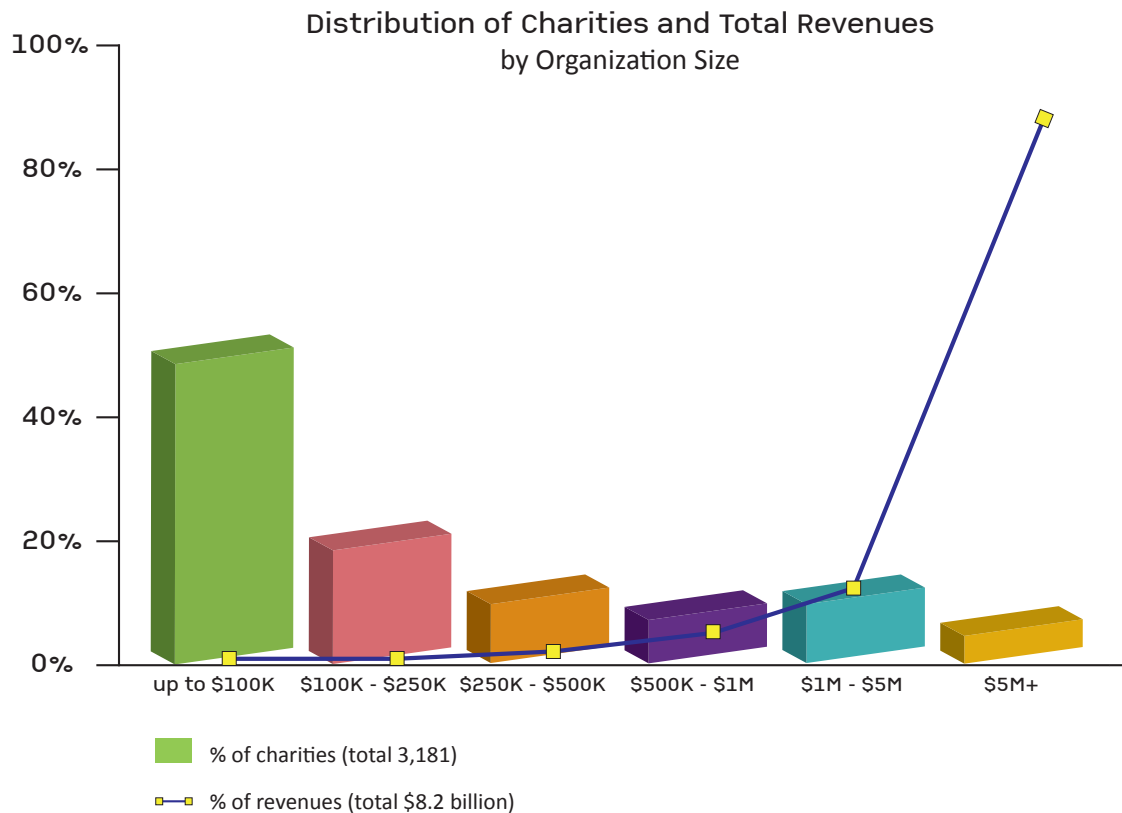
FIGURE 6



ORANGE COUNTY'S NONPROFIT REVENUES AND ASSETS

- \$8.2 billion in 2010 revenues reported by 3,181 charitable 501(c)(3) organizations
- \$16.5 billion in assets
- median revenues \$98,183; median assets \$59,901
- 43 percent of itemizers reported net losses (total revenue less expenses) for the year

FIGURE 7a

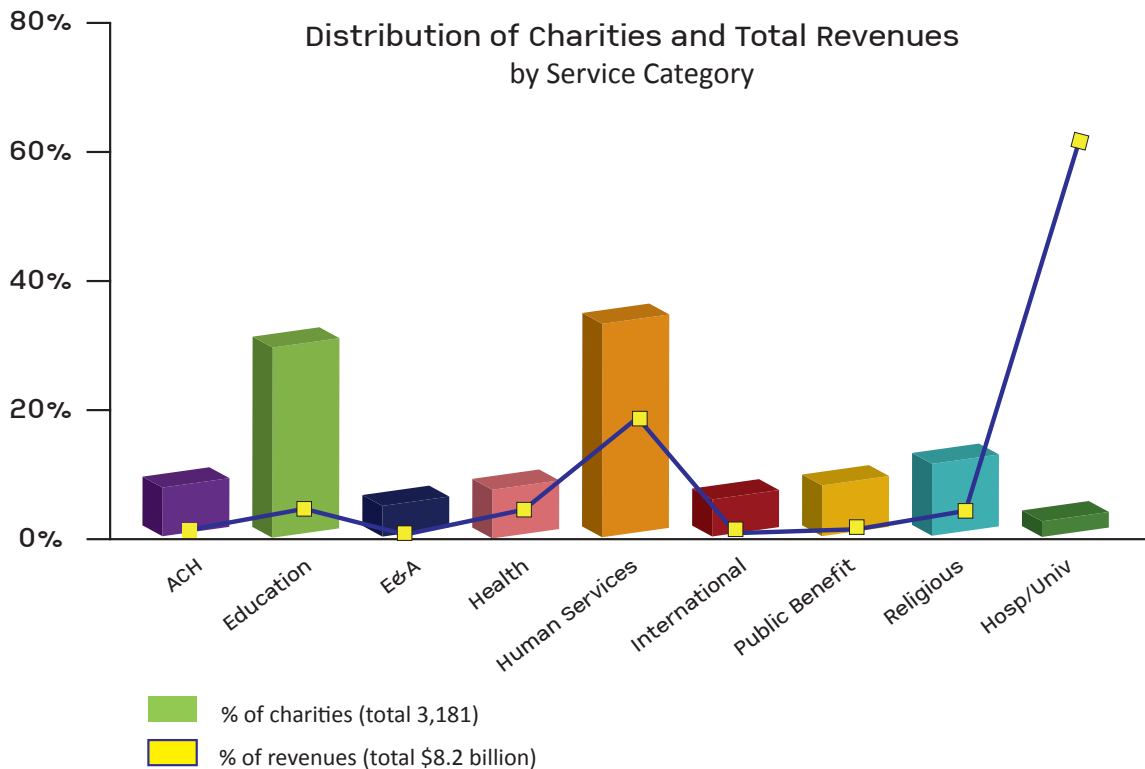


Other than very large organizations that operate with multiple millions of dollars in resources, nonprofit revenues and assets are distributed somewhat proportionally across service categories, with a couple of exceptions. Primary among these exceptions are the Human Services and Education categories, which claim more than half of the number of nonprofits but only a fifth of the revenues.

The main reason for this is the number of organizations overall, and in service categories, with less than \$500,000 in total revenues. As can be seen in Figure 7a, these organizations represent the vast majority of charities — a full 80 percent of the population — yet they shared only 3 percent of all revenues reported. Although large organizations represent only 4 percent of the population, they reported 88 percent of charitable revenues in 2010.

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FIGURE 7b



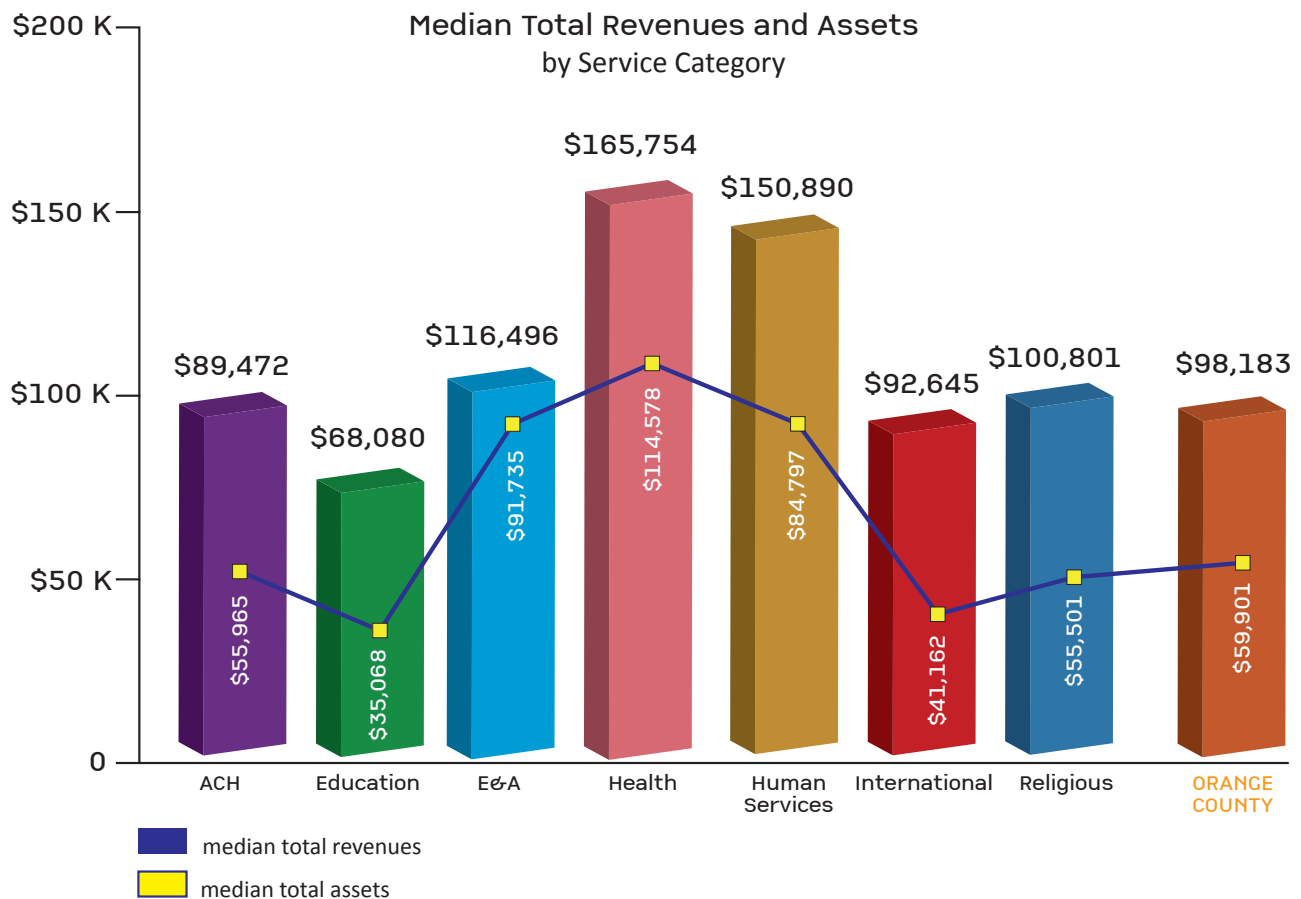
Size is a variable factor, too, when considering organizations by service category. Figure 7b shows that the highest proportion of small organizations is in the Education category (89 percent). Health and Human Service categories tend to have somewhat smaller proportions of small organizations (73 and 72 percent respectively). The glaring exception to the rule is among hospitals and universities, in which small organizations represent only 18 percent of the category.

This disproportionate inventory of small and large organizations explains the uneven distribution of total revenues across service categories. Although the Education and Human Services categories have more than the usual number of organizations, they are sharing about the same proportion of the sector's total revenues as other categories. Hospitals and universities claim 63 percent of all Orange County nonprofit revenues.

Comparison to 2000

Revenues are distributed across service categories in about the same way in 2010 as in 2000, with some notable exceptions. Although there were twice as many Religious organizations in 2010, they shared 42 percent less in total revenues than in 2000. Likewise, there were 52 percent more Arts Culture & Humanities organizations sharing 5 percent less in total revenues than reported for 2000. By contrast, there were twice as many Environment & Animals organizations, but their combined revenues were nearly 3 times as large as in 2000. The number of Health organizations (including hospitals) increased by a third, with total revenues doubling.

FIGURE 8



MEDIAN RESOURCES

Another way to compare the distribution of nonprofit resources across various categories is the median. Medians are a better basis than averages for comparing total revenues and total assets, because the performance of the largest organizations so outstrips that of all others that it distorts the average (mean). Figure 8 shows that the median total revenues for all Orange County nonprofits in 2010 are \$98,183, and median assets are \$59,901. Categories with larger than usual medians include Health, Human Services, and Environment & Animals. The Education category has the lowest medians.

Comparison to 2000

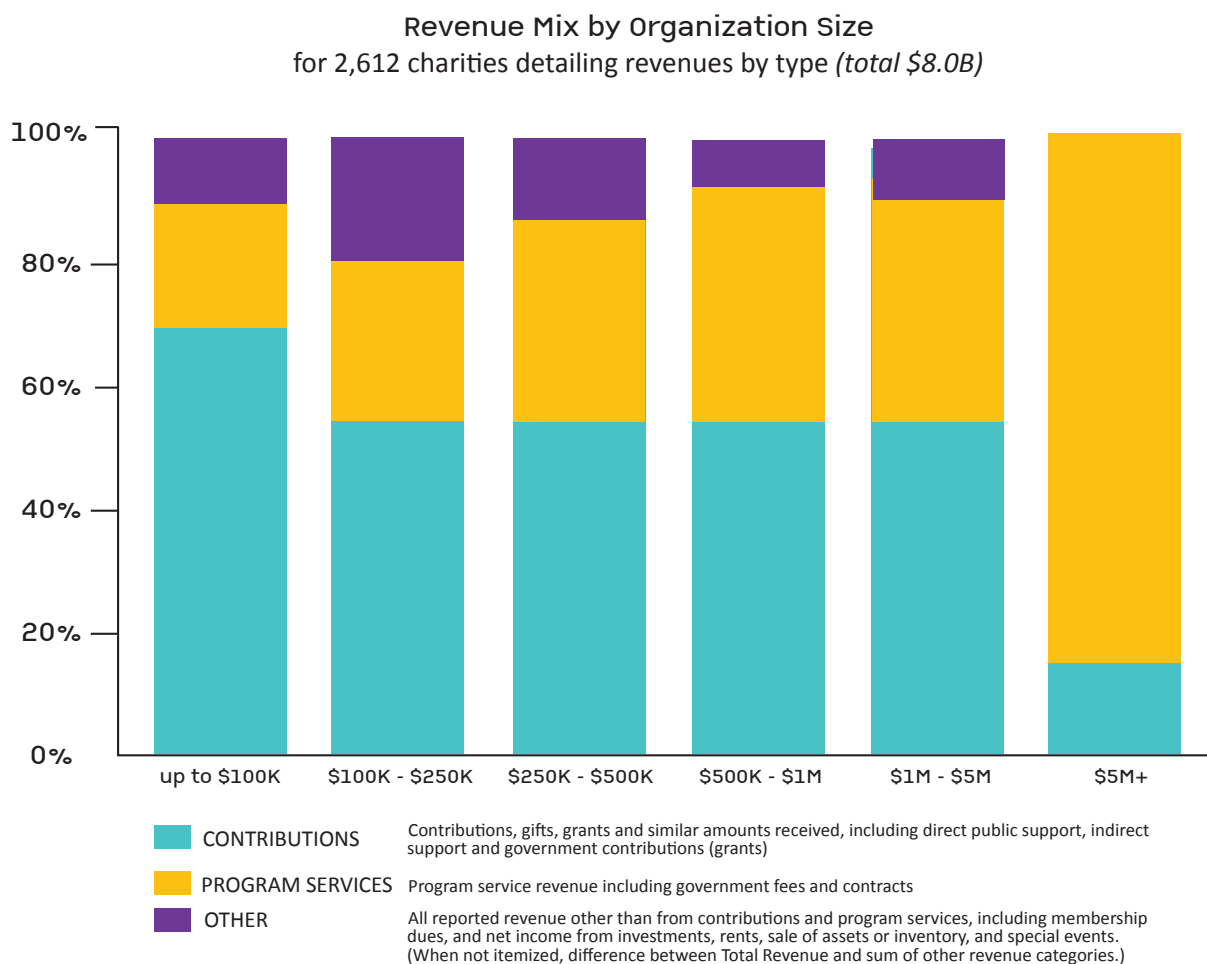
Although there are more organizations in 2010 than in 2000 and larger total revenues and asset overall, the average organization's resources are smaller: median revenues in 2000 were 14 percent larger than in 2010 (\$114,426) and assets were 7 percent larger (\$64,426). Thanks to the growth in overall revenues, though the ratio of median assets to revenues — an approximate indicator of operating reserves — grew from 56 percent in 2000 to 61 percent in 2010.

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REVENUE MIX

Of the 3,181 nonprofits reporting in 2010, only 2,612 itemized their total revenues⁴. Combined, this subset of filers reported \$8 billion in total revenues. Of that amount, \$1.7 billion was reported as contributions (22 percent), and \$6.2 billion (77 percent) as program service revenues.

FIGURE 9a

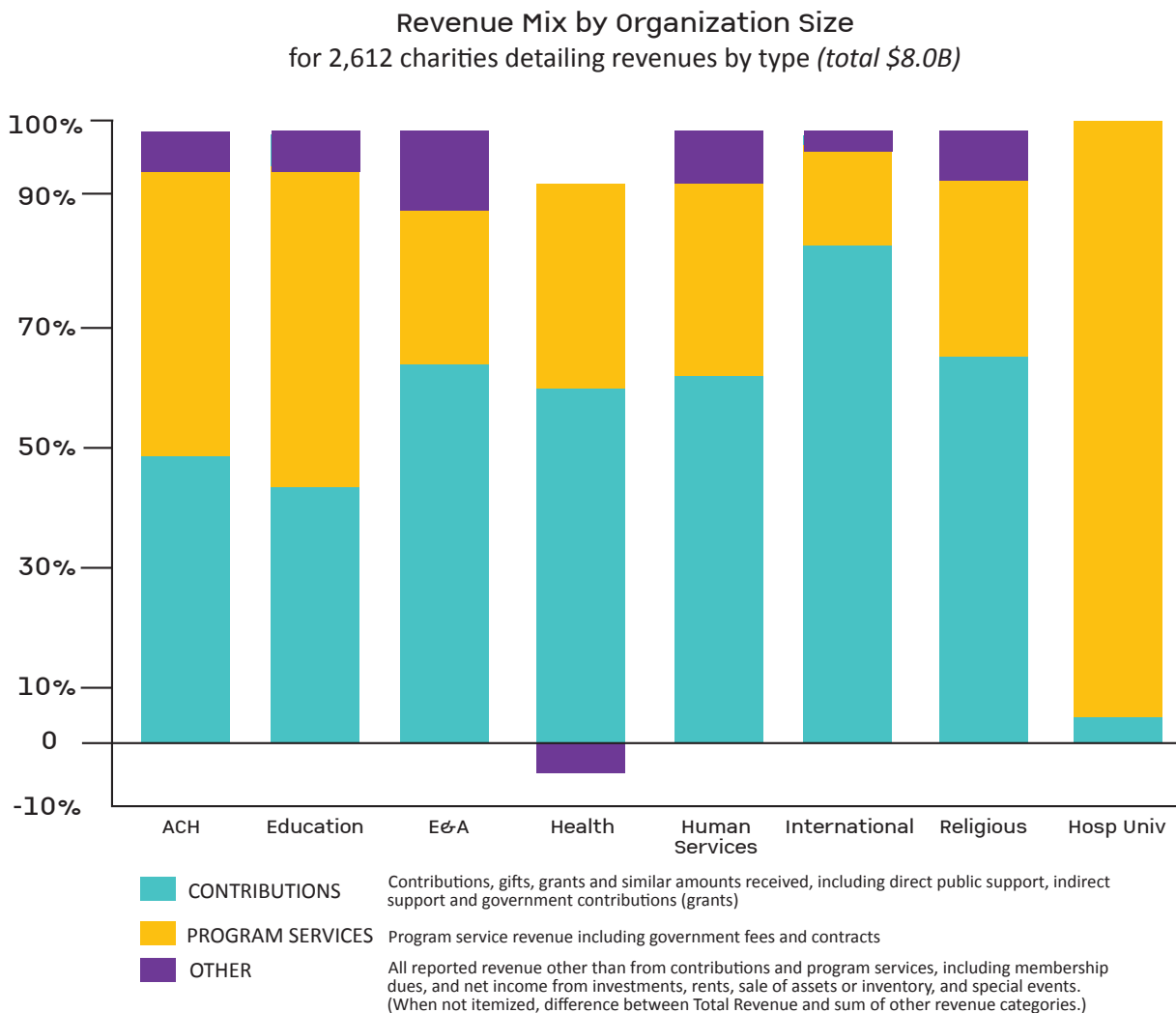


How revenues are earned differs markedly, depending on the size of the organization. Figure 9a shows how revenue types are distributed across various sizes of organizations. The smaller the organization, the more likely it is to depend on contributed income and other means of fundraising such as special events and product sales. Organizations tend to book greater proportions of income for program services as they grow, with the largest organizations relying on earned revenues for the majority of their income.

⁴ Not all organizations are required to itemize (e.g., those eligible to file the short form, Form 990-EZ).

When examining the revenue mix by service category type instead of organization size, the differences are not so pronounced. It is useful to note how differently revenue mixes are achieved depending on the type of services an organization provides. Opportunities to secure grants or fees for service, to attract a consistent base of private contributions, and procure the wherewithal to finance and manage income-producing activities varies widely across service categories. Organizations with a large base of program service revenues (such as patient charges or student tuitions, as with hospitals and universities) have a very different revenue mix from International organizations that may rely largely on private contributions in order to deliver aid overseas. Figure 9b shows these trends across the major service categories.

FIGURE 9b



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Large organizations are the exception rather than the rule, but their effect is considerable. When including hospitals and universities, the 10 largest organizations alone accounted for \$4.6 billion — more than half of all Orange County nonprofits' revenues in 2010. They are listed in Table 1 in order of total revenues.

TABLE 1

ORANGE COUNTY'S LARGEST CHARITIES

Total Revenues \$4.56B

(54.2% of all OC nonprofit revenues)

- 1 Memorial Health Services, Fountain Valley (Long Beach Memorial Medical Center)
- 2 Hoag Memorial Hospital Presbyterian
- 3 St. Joseph Hospital of Orange
- 4 Children's Hospital of Orange County
- 5 St. Jude Hospital Inc.
- 6 Mission Hospital Regional Medical Center
- 7 Memorial Health Services, Fountain Valley (Saddleback Memorial Medical Center)
- 8 St. Jude Hospital Yorba Linda
- 9 Regional Center of Orange County
- 10 Anaheim Memorial Medical Center

Because they can be so much larger than other nonprofits, hospitals and universities skew the data for the sector overall. When excluding them from the tally, the picture is quite different. The top 10 non-hospital/university organizations combined reported only 17 percent of the amount that their counterparts did: \$766 million, or 9 percent of all Orange County nonprofit revenues. They are listed in Table 2 in order of total revenues.

TABLE 2

ORANGE COUNTY'S LARGEST CHARITIES EXCLUDING HOSPITALS, UNIVERSITIES, AND AUXILIARIES

Total Revenues \$766M

(9.1% of all OC nonprofit revenues)

- 1 Regional Center of Orange County
- 2 Trinity Christian Center of Santa Ana, Inc.
- 3 Global Operations and Development- Giving Children Hope
- 4 Goodwill Industries of Orange County CA
- 5 J. David Gladstone Institutes
- 6 Orange County Performing Arts Center
- 7 Tiger Woods Charity Event Corp
- 8 Easter Seals Southern California, Inc.
- 9 Orange County Head Start
- 10 THINK Together

A NOTE ABOUT METHODS

The economic sector comprised by charitable organizations — as distinct from government agencies and public or private businesses — is poorly understood because there are so many seemingly conflicting measures of its size, characteristics, and economic scope.

There are two main reasons for this confusion: first, because people outside the sector don't understand it well if at all; and second, because the descriptors that are available are used inconsistently by those inside the sector. Thanks to the good work of academic and industry researchers over the past two decades there is more and better information about nonprofit organizations and their share of the economy. Just as their research tools and documentation have helped shape our understanding of the sector, they will continue to help us develop a common language and set of reference points when we speak about the sector.

This is the fourth in a series of reports published by Cal State Fullerton's Gianneschi Center since 1995 to document Orange County's nonprofit sector. The reports clarify what organizations constitute the nonprofit sector overall; and which of them are the subset of religious, charitable and educational organizations that most of us think of when we think of nonprofits. Further, the reports document the economic scope of that subset's financially active organizations.

While many data sources help researchers compile an overview of the nonprofit environment in their respective geographic or service fields of interest, there is one source that all researchers rely on because it is compiled nationally and annually for all nonprofits recognized as such by the Internal Revenue Service. The Form 990 in its various iterations is the most comprehensive source of data about the sector, and is the foundation upon which all research about it is built. Along with this strength come several known weaknesses.

- Returns may be filed from months to years after the close of a fiscal year, making it difficult to develop a definitive accounting of a single year's financial activity for the sector.
- Organizations without permanent operating locations (including the many volunteer-run ones) may use individual board or volunteer members' personal addresses as their filing addresses; when the individual who reports for the organization changes, or when that person's residence changes, the organization may appear to have moved as well. Because this type of organization makes up such a large portion of the sector, the sector appears to be far more fluid than it is.
- While Form 990 returns were always available to the public, they were not widely accessible until the advent of the Internet and the introduction of such sites as GuideStar which allow users to view returns online. Accessibility and public disclosure have been powerful allies in researchers' efforts to improve the quality and accuracy of reported data. E-filing is another key resource that has affected the quality of data positively in recent years.
- Although it is the best source of information about most nonprofits, the Form 990 does not capture the sector in its entirety. "Known unknowns" are organizations that are not required to report their annual financial activity, such as religious congregations and those receiving less than \$25,000 in gross receipts.⁵
- Research tools such as the National Taxonomy of Exempt Entities (NTEE)⁶ have helped researchers improve the reliability of information about the various types of nonprofits (education, arts, health, etc.), and to correct errors in previous coding efforts.

For this and its prior reports, the Gianneschi Center relies on a number of data sources as well as its own research, along with local records and references from partners and collaborators. The primary data sources are Core Files from the National Center for Charitable Statistics referencing the IRS Business Master File. The source of organization type classifications and historical data is the Gianneschi Center's research database, which represents original, ongoing research of a wide variety of descriptive materials to designate NTEE classifications that may or may not agree with those contained in national-level data.

⁵ The filing threshold increases to \$50,000 for fiscal years 2010 and later.

⁶ Developed by the National Center for Charitable Statistics

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The Center is a program of CSUF's Center for Internships & Community Engagement and was created by Kathleen Costello under the leadership of Harry Gianneschi, former Vice President of Advancement for CSUF. The Center's research publications are available free of charge online. The Center hosts the annual Gianneschi Summer School for Nonprofits, a series of professional development classes that serves over 1,000 nonprofit managers every year and whose proceeds fund annual Gianneschi Fellowships in Nonprofit Leadership for CSUF graduating seniors at local nonprofit host sites.

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