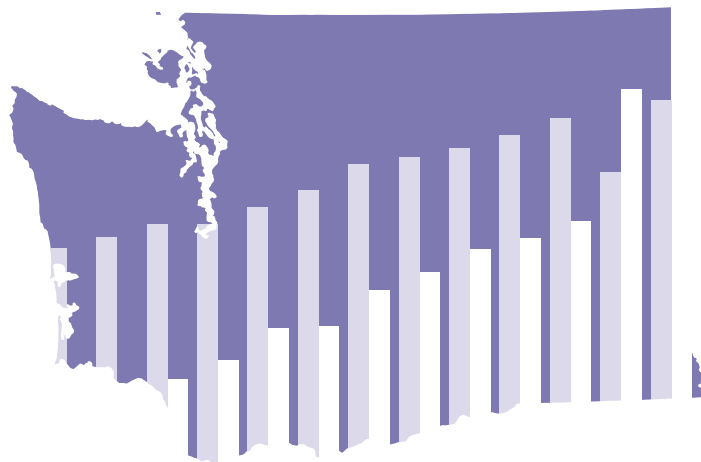




EVANS SCHOOL OF PUBLIC AFFAIRS

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Nancy Bell Evans Center on Nonprofits & Philanthropy



NONPROFITS IN WASHINGTON

2009

A STATISTICAL PROFILE AND SUMMARY

PUTNAM BARBER, PRINCIPAL AUTHOR

WITH ASSISTANCE FROM MPA CANDIDATES

ANDREA VALDEZ AND TIM CORMIER

AND A CONTRIBUTION FROM MARK HUGH, CPA

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INTRODUCTION

Nonprofits in Washington 2009 offers a current statistical and informative profile about the contributions of nonprofits to the quality of life in Washington communities. The preparation of this report is a project of the Nancy Bell Evans Center on Nonprofits and Philanthropy at the Evans School of Public Affairs, University of Washington. Earlier versions of this report are available at the Center's website at <http://evans.washington.edu/nbec/nonprofits-in-washington>.

ACKNOWLEDGEMENTS

This report is based on data used for administrative purposes by the State of Washington and the Internal Revenue Service (IRS). Mark Hugh of Mark Hugh & Associates PLLC provided information on Washington taxes and recent developments that apply to nonprofit organizations.

We are grateful to the following departments and individuals for their assistance:

CORPORATIONS DIVISION, STATE OF WASHINGTON OFFICE OF THE SECRETARY OF STATE	<i>Pam Floyd, Director</i>
CHARITIES PROGRAM, STATE OF WASHINGTON OFFICE OF THE SECRETARY OF STATE	<i>Rebecca Sherrell, Manager</i>
LABOR MARKET & ECONOMIC ANALYSIS, STATE OF WASHINGTON EMPLOYMENT SECURITY DEPARTMENT	<i>Michael Moores, Research Analyst</i>
NATIONAL CENTER FOR CHARITABLE STATISTICS, DATAWEB (IRS FORM 990 FILINGS)	<i>Tom Pollak, Program Director</i>

The interpretation of data contained in this report is entirely the responsibility of the authors.

ABOUT THE DATA

Tallies from the Office of the Secretary of State used in this report have been adjusted to exclude most "inactive" nonprofits, particularly those that have never completed the incorporation process. As a result, the counts shown here are smaller than those that appear in previous editions of this report. It is important to note that this change does not reflect a reduction in the number of nonprofits active in the state; on the contrary, the number of nonprofit corporations continues to grow, albeit at a slower rate. A similar slowing in the number of federally recognized "exempt entities" suggests that current economic conditions are affecting the nonprofit organizations of the state. However, the routine lag in the compilation of data from administrative records means that relatively little information is available today about any lasting effect of the current economic downturn.

WASHINGTON NONPROFIT CORPORATIONS

There were 52,045 “regular” nonprofit corporations in the Office of the Secretary of State’s administrative file on April 30, 2009. In addition, there were 4,921 nonprofit corporations of other types in the file.¹

Table 1 uses the addresses included in the state administrative files to sketch the distribution of regular nonprofit corporations across the state. (A “ZIP Region” includes all the addresses with the same first three digits in the Postal Service delivery zone code.) There is a strong correlation between the numbers of nonprofits and the population found in these regions.²

TABLE 1
Washington Nonprofit
Corporations

ZIP REGION	REGION NAME	REGULAR NONPROFIT CORPORATIONS		POPULATION (2000)
980xx	King Co. (Excluding Seattle)	9,911	19.0%	19.9%
981xx	Seattle & Bainbridge Island	8,952	17.2%	13.8%
982xx	North West	7,305	14.0%	12.8%
983xx	Pierce County	5,207	10.0%	10.5%
984xx	Tacoma and Vicinity	2,594	5.0%	6.6%
985xx	Thurston County	4,081	7.8%	6.9%
986xx	South West	3,059	5.9%	8.2%
988xx	North Central	1,710	3.3%	3.3%
989xx	South Central	1,571	3.0%	4.4%
990xx	Spokane Vicinity	740	1.4%	1.9%
991xx	North East	1,143	2.2%	1.8%
992xx	Spokane (City)	2,143	4.1%	5.4%
993xx	South East	1,796	3.4%	4.1%
994xx	South East Corner	113	0.2%	0.4%
xxx	Out of State	512	1.0%	—
—	Geographic Information N/A	1,208	2.3%	—
TOTAL		52,045	100.0%	100.0%

HISTORICAL SUMMARY

Although the growth in the number of nonprofit organizations is of interest to many observers, it is difficult to derive a consistent series of data over time, as discussed earlier in this report. As a result, the figures in **Table 2** overstate the rate of growth in the number of nonprofit corporations by an amount that cannot be determined—i.e., the numbers for earlier years in the right-hand column would have been larger if the total number of corporations active at the end of the indicated year could be retrieved from presently available records. (For future years, consistent data will be available from state sources.)

TIME PERIOD	TOTAL NONPROFITS IN DATABASE	ACTIVE NONPROFITS AS OF 5/27/09
05/01/04 - 04/30/05	59,722	37,957
05/01/05 - 04/30/06	63,778	41,010
05/01/06 - 04/30/07	68,308	44,259
05/01/07 - 04/30/08	72,946	48,108
05/01/08 - 04/30/09	77,126	52,045

TABLE 2
Historical Summary

DISSOLUTIONS

Nonprofit corporations are dissolved in Washington state for a wide variety of reasons: some nonprofits are formed with a specific goal and cease operating when it has been achieved; others merge into other organizations; some find the going rough and cease to operate. As of April 30, 2009, there were 52,045 active nonprofit corporations in the Office of the Secretary of State's database, an increase of 1,659 (a little over 3%) over the two previous years (see **Table 3**).

That relatively small increase represents, however, a much larger rate of turnover in the roster of nonprofit corporations. The number of new corporations formed in the year ending April 30, 2008 represented over 9% of the total on the rolls at the start of the year, while the dissolutions in the same period amounted to almost 7%. In the following year, new corporations came to about 8% of the number at the start of the year, while dissolutions again amounted to almost 7%.

Active Nonprofit Corporations, 05/01/07 (est.)	50,386
New Nonprofit Corporations to 04/30/08	+ 4,607
Dissolved Nonprofit Corporations to 04/30/08	- 3,469
New Nonprofit Corporations, 05/01/08 - 04/30/09	+ 4,111
Dissolved Nonprofit Corporations, 05/01/08 - 04/30/09	- 3,590
Active Nonprofit Corporations, 04/30/09	= 52,045

TABLE 3
Creation and Dissolution, 2007-2009

EMPLOYMENT STATISTICS

Using a different method of identifying nonprofit organizations, the Washington State Employment Security Department tallied 2,793 nonprofit employers at the end of the first quarter of 2008. These firms employed an average of 186,759 workers during that period—about 6% of the labor force—and paid a total of \$2.1 billion in wages.³ A table showing these nonprofit employment statistics by county is online at <http://evans.washington.edu/nbec/nonprofits-in-washington>.

CHARITABLE TRUSTS

The State of Washington requires (per RCW 11.110) that trusts be registered with the state when they are exclusively for charitable purposes and have assets over \$250,000. As of April 30, 2009, the Office of the Secretary of State had registration data from 1,924 charitable trusts with a total asset value of \$95,448,805,050.⁴

FEDERAL TAX-EXEMPT ORGANIZATIONS

The number of organizations in Washington state recognized as tax-exempt by the IRS has rapidly grown. The number of “501(c)(3)s”—“public charities” and “private foundations” in the IRS classifications—recorded for 2009 is almost twice as large as the number a decade and a half ago. The growth in assets has been even faster—due in part to the creation of the Bill and Melinda Gates Foundation and the commitment of additional resources by Warren Buffett. In April 2009 the IRS data files included 25,362 charitable exempt organizations (501(c)(3)s) in the State of Washington and 4,835 other categories of exempt organizations, for a total of 30,197 exempt organizations. Among the charitable organizations, only those with revenue over \$25,000 report financial details. For those that did, assets totaled \$126 billion dollars, and they received \$36 billion in revenues during their fiscal years. **Table 4** tallies exempt entities from the IRS Business Master File in the listed years while **Charts 1 and 2** show the year-by-year change in the same tallies.

TABLE 4
Number of 501(c)(3)
Organizations

MONTH AND YEAR	NUMBER	CHANGE	TOTAL ASSETS (IN BILLIONS)	CHANGE
August 1995	13,763	—	\$15	—
September 1998	16,063	16.7%	\$19	26.7%
January 2003	20,983	30.6%	\$51	168.4%
November 2008	24,931	18.8%	\$110	115.7%
April 2009	25,362	1.7%	\$126	14.5%

Organizations in the five most urbanized counties in the state have, as shown in **Table 5**, about 90% of the total revenues received and about 95% of the total assets (including, of course, the assets of the Bill and Melinda Gates Foundation and The Seattle Foundation). Similar information for all 39 Washington counties is available online; see <http://evans.washington.edu/nbec/nonprofits-in-washington>.

The IRS assigns each reporting organization to a broad service category (such as “health care” or “international”). An online table shows revenue and asset data for organizations in the state and in each county classified into the 25 service categories; see <http://evans.washington.edu/nbec/nonprofits-in-washington>.

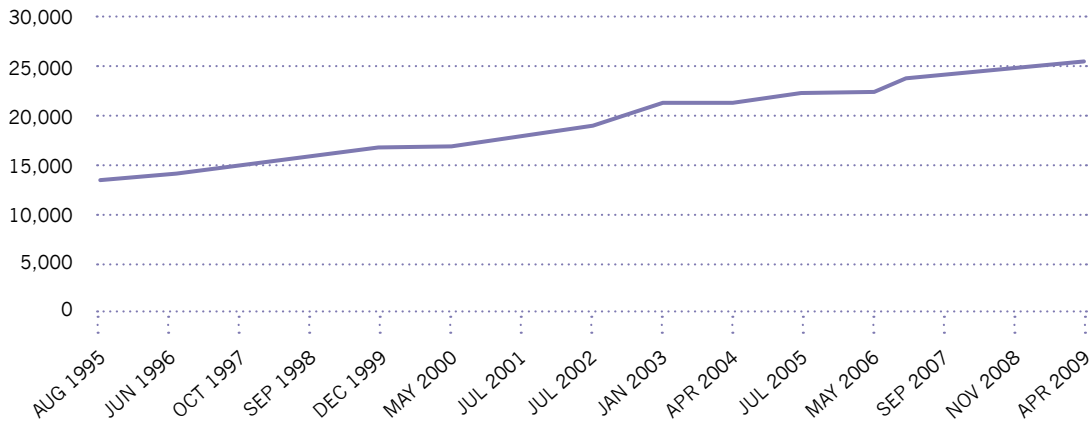


CHART 1
Number of Tax-Exempt Organizations

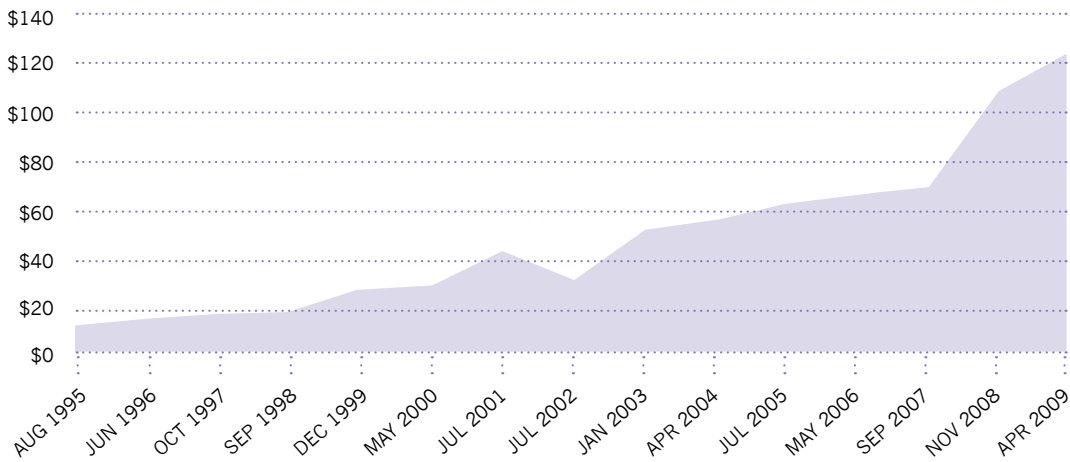


CHART 2
Total Assets of Tax-Exempt Organizations (In Billions)

COUNTY	NUMBER	REVENUE		ASSETS	
Clark County	1,086	\$896,927,568	2.5%	\$2,779,296,083	2.2%
King County	9,366	\$27,234,142,831	75.4%	\$108,585,721,591	86.1%
Pierce County	2,666	\$2,504,287,331	6.9%	\$4,657,605,605	3.7%
Spokane County	1,505	\$1,333,861,936	3.7%	\$3,577,431,355	2.8%
Snohomish County	1,900	\$415,676,662	1.2%	\$673,429,344	0.5%
Other Counties	8,839	\$3,749,292,224	10.4%	\$5,914,664,979	4.7%
TOTAL	25,362	\$36,134,188,552	100.0%	\$126,188,148,957	100.0%

TABLE 5
501(c)(3) Total Revenue and Assets by County

STATE AND LOCAL TAXES

“Taxation is the rule and exemption is the exception. Anyone claiming a benefit or deduction from a taxable category has the burden of showing that he qualifies for it.”

– WASHINGTON SUPREME COURT (1972)

Washington’s approach to taxes differs from the practices of many other states and is often a surprise for people who have worked or volunteered for nonprofit organizations elsewhere.⁵

State of Washington taxes affecting many nonprofits fall into four broad categories:

B&O TAXES (GROSS RECEIPTS OR “BUSINESS AND OCCUPATION”)

Nonprofits do not pay B&O taxes on membership support, donations and grants. Most retailing activities and training fees are subject to B&O tax.

SALES TAXES

Purchases by cultural organizations for performances or exhibitions are exempt, as are payments by participants in programs of youth organizations. With limitations, sales at charity auctions are not subject to sales tax (purchasers may owe an equal amount in use taxes).

USE TAXES

Collected when sales taxes have not, for some reason, been paid. An important exception applies to donated goods; neither the donor nor the recipient pays use tax on donated property. Purchases from out-of-state vendors often create an obligation to pay use tax on items like computer software, remote access software and other online services, other supplies and newsletter subscriptions.

PROPERTY TAXES

There are many specific exemptions for nonprofits. Approximately 8,000 organizations across the state own property that has been exempted by application to the Department of Revenue (see http://dor.wa.gov/docs/reports/2008/tax_exemptions_2008/tax_exemptions_2008.pdf). In general, these exemptions require that the property be used exclusively for the exempt purpose. Several exceptions allow a limited number of space rentals for nonexempt purposes under specific conditions.

RECENT CHANGES

Effective in July of 2009, performing arts organizations and museums may rent their facilities for purposes consistent with their mission up to 50 days a year. Fifteen of those days can be for any use (including commercial gain). There can be unlimited rentals to government entities or to other nonprofits that qualify for property tax exemption. Also from July of 2009, Washington will apply the sales and use tax to “digital goods.” These include electronic books and publications, electronic or online services, and remote access software.

Effective in January of 2010, Washington will abolish resale certificates that allow purchasers who resell goods to buy the goods free of sales tax. Instead, the Department of Revenue will issue "Seller's Permits" to retailers and wholesalers. Service businesses without significant retailing or wholesaling activity, such as many nonprofits, will not be allowed Seller's Permits and will have to pay the sales tax at the time of purchase. If the item is subsequently resold, the service business may claim a credit for the tax paid when it files its Washington State tax return.

CHARITABLE SOLICITATIONS

Washington, like more than 30 other states, requires registration and reporting for most forms of charitable solicitations and regulates the behavior of individuals, firms, and nonprofit organizations that make charitable appeals to the public. As of April 30, 2009, 8,435 registrations had been filed.⁶ 1,208 of these organizations registered for the first time during the preceding twelve months. Washington's program permits organizations that are not required to register to instead file an optional statement to reassure prospective donors that they are in compliance with the program's requirements. 1,847 organizations had current optional statements on file. The details of the program are discussed in a briefing paper available at <http://www.tess.org/docs/S4CW.pdf>.

REVISED FORM 990 AND 990-EZ; 990-T

During 2007 and 2008, the IRS developed an entirely new long-form version of Form 990; the first significant revision of the document and its instructions since the 1970s. The new version requires significantly more detail on a long list of topics of concern to the IRS, policymakers, and observers of nonprofits more generally. The IRS website presents detailed explanations of these changes at <http://www.irs.gov/charities/article/0,,id=176613,00.html>.

Beginning with the 2010 tax year, any organization with more than \$200,000 in receipts or more than \$500,000 in assets will be required to use the new, more detailed form, while organizations between the 990-N level (currently \$25,000 per year) and those limits will be allowed to use the shorter Form 990 EZ; higher thresholds apply during a transition period for tax years 2008 and 2009. These changes will present future difficulties in tracking developments over time in reports like this one.

Nonprofits with taxable income (i.e., income not related to their exempt purposes) file an additional return called 990-T. Beginning in 2009, those returns are available to any member of the public on request (previously, they were handled by the IRS as confidential), though they are not tallied in a way that makes statistical summaries possible.

FOUNDATIONS

Philanthropy Northwest's 2008 *Trends in Northwest Giving* report analyzes more than \$1.1 billion in grants made to Northwest nonprofits during 2006. There were 14,280 grants totaling \$667 million in Washington state. It is worth noting that although the average grant was

for nearly \$50,000, the median was actually smaller, with over half the reported grants amounting to \$4,174 or less. The report is published online at: http://www.philanthropynw.org/s_pnw/bin.asp?CID=6393&DID=17242&DOC=FILE.PDF.

Community foundations are a distinctive kind of grantmaking organization because they usually focus their grantmaking, fundraising, and other activities in a defined area. Many community foundations encourage donors to stay actively involved in the disposition of donated funds through recommendations for grants and other connections. There are twenty community foundations registered in Washington state, the largest being The Seattle Foundation with assets of \$676.6 million reported for 2007. Further details about Washington community foundations can be found at The Grantsmanship Center website at <http://www.tgci.com/funding/cfs.asp?statename=Washington&statecode=WA>.

NONPROFIT SUPPORT ORGANIZATIONS

Nonprofit organizations in many communities of the state benefit from training, technical assistance, networking and critical information provided by resource organizations (see **Box 1**). These organizations have a loose linkage through an annual meeting and various agreements, such as cooperation in encouraging attendance at scheduled conferences and joint distribution of a quarterly newsletter called "Northwest Nonprofit" (produced by Northwest Nonprofit Resources).

BOX 1 Nonprofit Support Organizations

CENTER FOR NONPROFIT AND SOCIAL ENTERPRISE MANAGEMENT

Seattle University
<http://www2.seattleu.edu/artsci/mnpl/>

EXECUTIVE ALLIANCE

Seattle, WA
<http://www.exec-alliance.org/>

EXECUTIVE SERVICE CORPS OF WASHINGTON

<http://www.escwa.org/>

NANCY BELL EVANS CENTER ON NONPROFITS AND PHILANTHROPY

University of Washington
<http://evans.washington.edu/nbec>

NONPROFIT ALLIANCE

Port Angeles, WA
http://www.jccfgives.org/jccf_gives_back/jc_nonprofitalliance.html

THE NONPROFIT CENTER

Tacoma, WA
<http://www.npcenter.org/>

THE NONPROFIT NETWORK

Vancouver, WA
<http://nonprofitnetworkwa.org/>

NORTHWEST NONPROFIT RESOURCES

Spokane, WA
<http://www.nnr.org/>

UNITED WAY OF KING COUNTY

<http://www.uwkc.org/>

WHATCOM COUNCIL OF NONPROFITS

<http://www.wcnwebsite.org/>

CONCLUSION

The category “nonprofit organizations” in Washington state encompasses an astonishing diversity and range, and poses a challenge for any attempt at concise summary. At the same time, this variety lends urgency to the need to understand the thousands of organizations, their tens of thousands of employees and volunteers, and their hundreds of thousands of clients, customers, founders, and backers. This report aims to provide a useful sense of the scope of nonprofit activities, but it cannot convey the importance to individuals and communities of the work they do. It must leave that next level of understanding to the knowledge, recollections, and imagination of its readers.

Nonprofits serve many masters—and none. For that reason it is important that the framework of laws and regulations that shape their work be developed with sensitivity and commitment—sensitivity to the need to maintain morale and initiative among board members, staffers, and volunteers; commitment to foreseeing and preventing the ever-present risks of abuse of public confidence and misappropriation of charitable resources. An important objective for *Nonprofits in Washington 2009* is to give observers, nonprofit leaders, and policymakers concrete data about the nonprofits serving Washington to assist in meeting these complementary, but not always perfectly aligned, goals.

NOTES

- 1 Special tabulations courtesy of the Corporations Division of the Office of the Secretary of State. “Regular” nonprofit corporations are formed pursuant to RCW 24.03. Washington statutes permit formation of nonprofit corporations in several other sections that set forth specific standards linked to distinct corporate purposes.
- 2 Calculated from information from the 2000 Census available from the Census Bureau website at <http://www.census.gov/epcd/www/zipstats.html>.
- 3 Special tabulation courtesy of the Labor Market & Economic Analysis Section of the Department of Employment Security.
- 4 Special tabulation courtesy of the Charities Program of the Office of the Secretary of State.
- 5 Mark Hugh, CPA, provided information for this section.
- 6 Special tabulations courtesy of the Charities Program of the Office of the Secretary of State.



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UNIVERSITY *of* WASHINGTON

Nancy Bell Evans Center on Nonprofits & Philanthropy

203 Parrington Hall, Box 353055
Seattle, WA 98195-3055
<http://evans.washington.edu/nbec>

P 206.221.4629
F 206.685.9044
E nbec@u.washington.edu