



Revealing Orange County's Nonprofit Sector

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Nonprofit organizations are private, voluntary, self-governing organizations that exist to serve some public benefit, and whose profits may not be distributed among their leaders. In these key respects, nonprofits differ from private businesses or governmental entities, and thus can be considered to compose a distinct economic and social sphere often referred to as the "third sector."

INTRODUCTION

The effort to document the size, scope, and economic characteristics of Orange County's nonprofit sector began in 1995, when the county government's bankruptcy generated questions about how nonprofit service delivery might be impacted by the crisis. At that time, knowledge about the sector was anecdotal at best, with estimates of the number of nonprofits ranging from a few hundred to over 20,000. In 1996, Cal State Fullerton released the first formal report produced on the size, scope, and economic characteristics of Orange County's nonprofits, and formed the Gianneschi Center for Nonprofit Research to continue that work.

This profile documents what is known about Orange County's largest nonprofits, but that is not the complete picture. In addition to these 1,899 reporting nonprofits, there are thousands of active, non-reporting congregations whose contributions to the economy are considerable. There also are many grassroots and volunteer-driven organizations that may be quite active and productive despite falling below the \$25,000 gross receipts filing threshold. Volunteers are a vital and necessary

force in most nonprofits, but the value of their labor generally goes unreported, and this constitutes a major gap in estimates of nonprofit employment. These are some of the "known unknowns" that should be considered along with what we do know and can report on.

BACKGROUND

This issue of *Orange County Profiles* presents findings about the nonprofit sector in Southern California. This sector is not well understood, largely because the vastly different types and sizes of organizations that comprise it usually are not regarded as constituting a sector. But like the government and business sectors, nonprofits are a vital part of the economy and society. It is as difficult to imagine a community without local governance or private enterprise as it is to imagine one without the charitable, religious and educational services that nonprofit organizations provide.

As Southern California's population has grown in size and complexity, the region's voluntary associations have proliferated in number, variety, and economic scope. Southern California communities increasingly rely on nonprofits to address changing service needs along with rising economic and social inequality. To meet the increasing demands for service delivery, it is essential for nonprofits, policy makers and community leaders to work together to make the best use of the resources entrusted to nonprofits. Until the last few years, not much has been known about the number of nonprofits or services offered in Southern California.

This *Profiles* excerpts findings from *Southern California's Nonprofit Sector*, a report published in 2005 by the Gianneschi Center and the

Figure 1
Southern California Counties



Center for Nonprofit Management in Los Angeles. The report documents the number, characteristics, and economic scope of nonprofit organizations in Southern California's 10 counties (Figure 1). Data were compiled from registered nonprofits' annual information returns submitted to the Internal Revenue Service for the filing year 2000 (See page 6 for details). The research project included: verifying the service classifications of 13,370 active nonprofits; data and address cleaning and geo-coding; and analysis of over 200 financial variables reported by each agency. The full report is accessible using Adobe Acrobat Reader at: www.fullerton.edu/gcnr/SoCalNonprofitSectorReport.pdf

SOUTHERN CALIFORNIA

The Southern California region is home to nearly two-thirds of the state's population and more than half of its reporting 501(c)(3) nonprofit organizations. Southern California nonprofits reported total revenues of over \$38 billion and nearly \$62 billion in assets for 2000. The distribution of Southern California population, nonprofits and resources is shown in Table 1.

More than half of the region's nonprofits and 60% of its resources are located in Los Angeles County. Another quarter is split between Orange and San Diego counties. The remaining quarter is distributed among the seven other Southern California counties.

Because population size varies so dramatically from one county to another, it is more useful to compare nonprofits and their resources on a per capita

basis. For the Southern California region overall, the rate of nonprofit organizations per 10,000 residents is 6.48 — lower than the rate for California (7.67) and the United States (7.97). Figure 2 shows that two of the least-populous counties, Santa Barbara and San Luis Obispo, have significantly higher rates than the region's average of 6.48 organizations per 10,000 residents. Santa Barbara also outpaces the region in terms of per capita revenues: \$2,845 versus a regional average of \$1,843. Orange County has about the same number of nonprofits per capita (6.67) as the Southern California average, but per capita revenues of \$1,480 are 20% below the regional average.

ORANGE COUNTY

- Includes one of the 10 largest nonprofit organizations in Southern California, the largest religious nonprofit, and the largest mutual benefit organization in the region
- \$4.2 billion in revenues and \$7.2 billion in assets in 2000—up 48% from 1997
- \$1,480 in revenues and \$2,503 in assets per resident
- \$1.3 billion in personnel expenses
- The 10 largest nonprofits in the county are 8 hospitals, a university and a religious organization
- The proportion of nonprofits in the Religious and Education categories much larger than the regional average

Orange County's 1,899 reporting 501(c)(3) organizations represent slightly less than 1% of the nation's nonprofits, about 7% of the state's, and 14% of the Southern California region's. These proportions are roughly consistent with the county's share of the population.

Service Categories

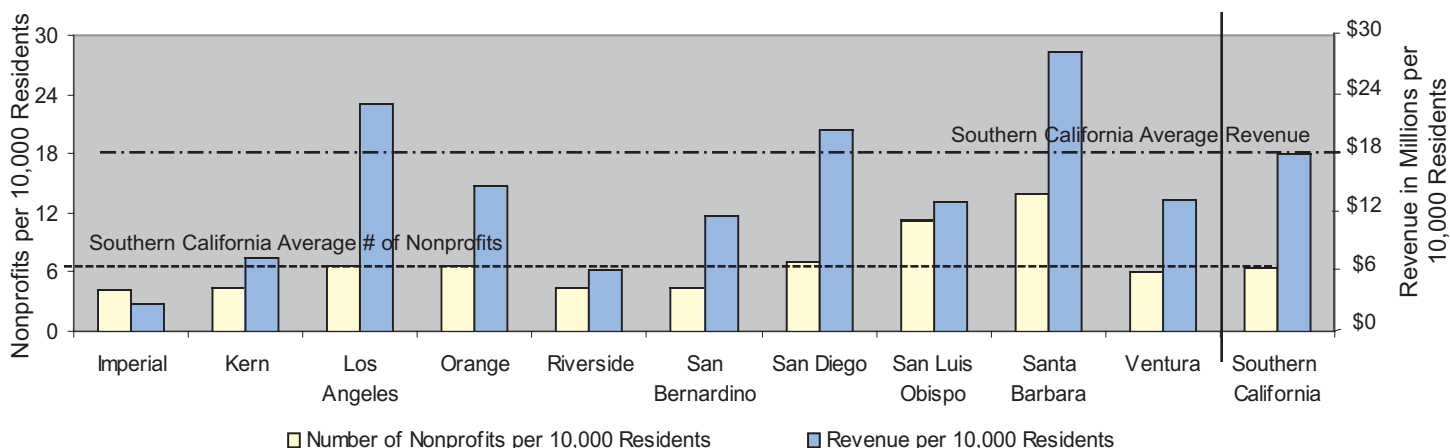
The distribution of Orange County organizations by service category differs somewhat from national and regional patterns. There are more Education and Religious nonprofits than the average for the region, and fewer in the categories of Arts/Culture/Humanities, Health, and Human Services. The distribution of Orange County's 1,899 filing nonprofits is shown in Figure 3. We have slightly fewer Human Services organizations than the regional average; twice as many Religious

**Table 1
Population, Nonprofits and Resources by Southern California Counties, 2000**

County	Population	Nonprofits	Total Revenues	Assets
Imperial	142,361	61	\$39,789,851	\$39,780,893
Kern	661,645	294	\$492,226,765	\$490,897,828
Los Angeles	9,519,338	6,398	\$21,996,118,297	\$38,237,253,397
Orange	2,846,289	1,899	\$4,212,005,118	\$7,124,151,180
Riverside	1,545,387	689	\$979,689,046	\$1,695,624,473
San Bernardino	1,709,434	760	\$2,007,239,024	\$2,516,938,452
San Diego	2,813,833	1,972	\$5,847,453,526	\$7,894,821,463
San Luis Obispo	246,681	279	\$326,996,674	\$460,157,943
Santa Barbara	399,347	561	\$1,136,130,535	\$2,071,589,614
Ventura	753,197	457	\$1,003,671,843	\$1,156,434,066
Southern California	20,637,512	13,370	\$38,041,320,679	\$61,687,649,309

Sources: NCCS-GuideStar National Nonprofit Organization Research Database, Center for Nonprofit Management/Gianneschi Center for Nonprofit Research

Figure 2
Distribution of Nonprofits and Total Revenues per 10,000 Residents, Southern California Counties, 2000



Sources: U.S. Census 2000, The New Nonprofit Almanac & Desk Reference, Center for Nonprofit Management/Gianneschi Center for Nonprofit Research

organizations; and about a third more Education organizations.

Revenues and Assets

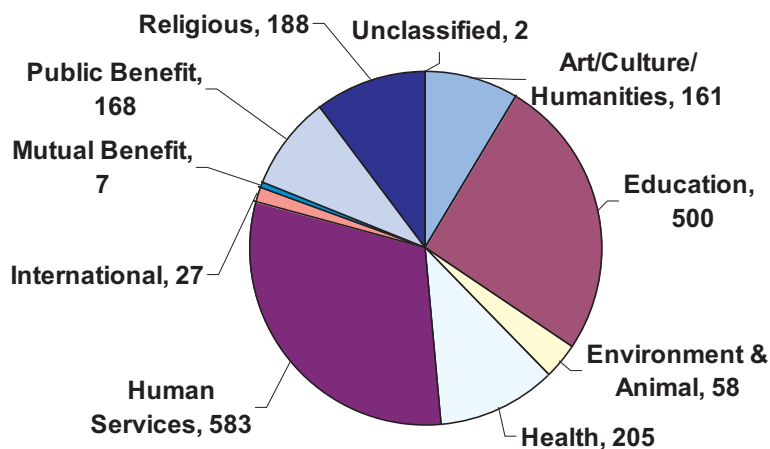
Orange County nonprofits reported a total of \$4.2 billion in revenues and \$7.1 billion in assets for the year 2000. This is 11% of Southern California’s revenues and assets — a less-than-proportional share considering that the county claims 14% of the region’s nonprofits.

Revenues, assets and expenses are not distributed evenly among all types of nonprofits (Figure 4). There are fewer Health organizations but they tend to report a larger share of revenues and expenses. Specifically, Health organizations claim over half of the financial resources for the county, though they are only 11% of the organizations. Human Services organizations tend to be smaller in size but more numerous. And although there are a few very large Education nonprofits, such as universities, there are 351 supporting organizations such as PTAs and booster clubs in the category whose activities are quite modest, so that the category as a whole claims only 13% of Orange County revenues.

Expenses

Orange County nonprofits reported \$3.9 billion in expenses for 2000. More than half of this amount (\$2.3 billion) was reported by Health organizations (and more than 95% of Health expenses were reported by very large organizations). Of the remaining categories, the

Figure 3
Number of Orange County Religious, Educational and Charitable Nonprofits Reporting over \$25,000 in Gross Receipts In 2000 by NTEE Major Category, Total: 1,899

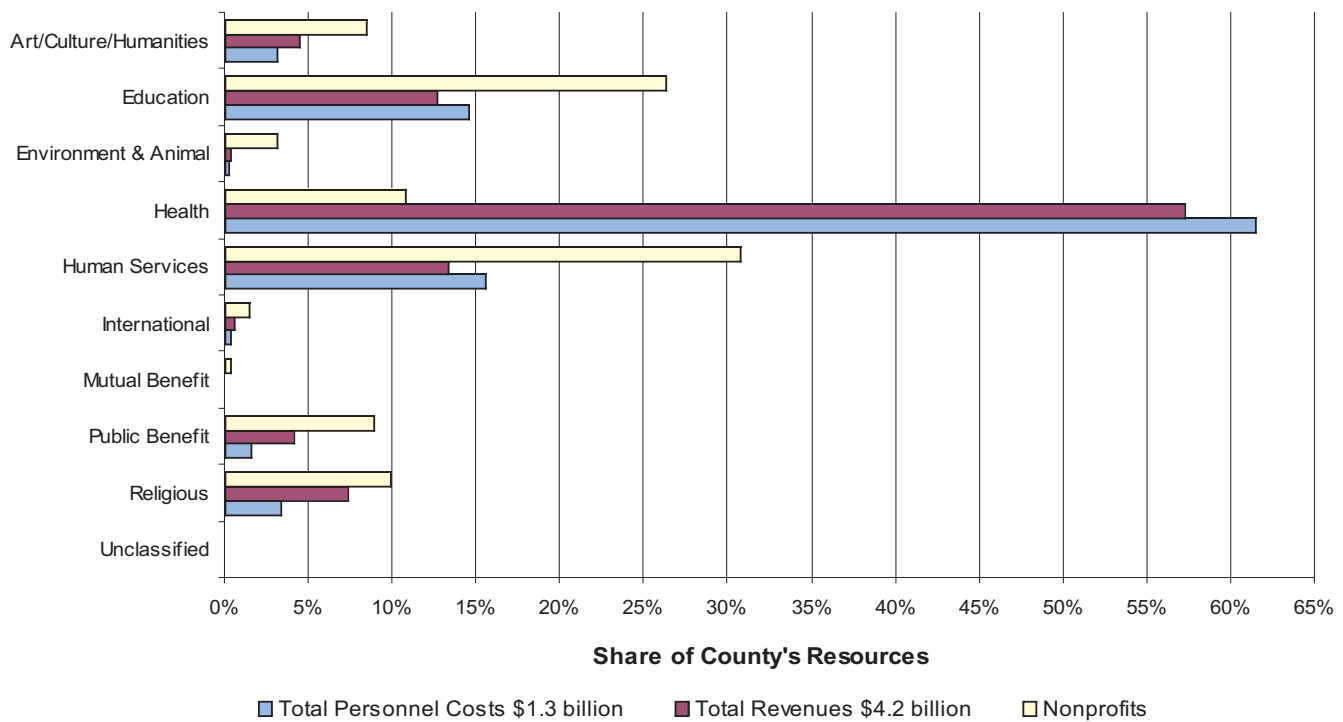


Sources: NCCS-GuideStar National Nonprofit Organization Research Database, Center for Nonprofit Management/Gianneschi Center for Nonprofit Research

Service Categories

The National Taxonomy of Exempt Entities (NTEE) classifies nonprofits according to their primary services. Some nonprofits do not provide services, but are formed to support another nonprofit. Examples of these supporting organizations are hospital auxiliaries (included in the Health category); and university bookstores, PTAs and booster clubs (included in the Education category).

**Figure 4
Distribution of Orange County Nonprofit Resources by Service Category, 2000**



Sources: NCCS-GuideStar National Nonprofit Organization Research Database, Center for Nonprofit Management/Gianneschi Center for Nonprofit Research

largest spenders were those in the Human Services, Education, and Religious categories.

Employment

Despite reporting larger total expenses than other categories, Education and Religious organizations claim lower shares of total personnel expenses, relative to those categories' shares of the number of the county's nonprofits. This is likely due to the many organizations in those categories with few or no paid staff members.

Reporting on overall nonprofit employment is challenging because the data on the number of paid employees are not readily available, and because volunteer hours generally are not reported. However, we can use reported personnel expenses to estimate and compare nonprofit employment.

Orange County's nonprofits reported \$1.3 billion in personnel expenses in 2000. This is about 10% of personnel expenses reported by all Southern California nonprofits for the period - a smaller-than-proportional share considering the county claims 14% of the region's nonprofits.

Health organizations claimed more than 61% of nonprofit personnel expenses for Orange County - a very high share considering they are only 11% of organizations,

but likely due to higher costs for larger and highly professional staffs.

Contributions

Over \$1.1 billion in contributions was reported by Orange County nonprofits in 2000. This is about 27% of their total revenues. An unusual pattern of contributions occurs among Orange County's religious organizations, which include some very large nonprofits. Because contributions are unusually high for these very large organizations, the category claims 20% of Orange County's nonprofit contributions (as compared to only 4% of Southern California's). Human Services organizations claim a smaller share of the county's contributions than the region's: 26% versus 30%. The Health and Education categories also claim lower-than-usual shares of the county's revenues from contributions (by contrast, these categories report higher program service revenues).

Size

Orange County is home to one of the 10 largest nonprofits in Southern California: Hoag Memorial Hospital Presbyterian. The 10 largest within the county are 8 hospitals, a university and a religious organization (Table 2).

These 10 organizations alone reported combined revenues of \$2.2 billion — over half of the total for the county’s 1,899 organizations, and 6% of all Southern California revenues.

Large organizations are the exception rather than the

rule, and they claim a hugely disproportionate share of resources: although they account for only 5% of Orange County’s organizations, those reporting more than \$5 million in gross receipts claimed 83% of all Orange County revenues. The remaining 95% of organizations report median revenues of \$114,426, and median assets of \$64,426. Most organizations are small: 76% of all active nonprofits report less than \$500,000 in gross receipts. Small organizations are even more prominent in certain categories: Arts/Culture/Humanities (83%), Education (87%), and Environment & Animal (88%). The number of organizations in each revenue range is shown in Figure 5.

CONCLUSION

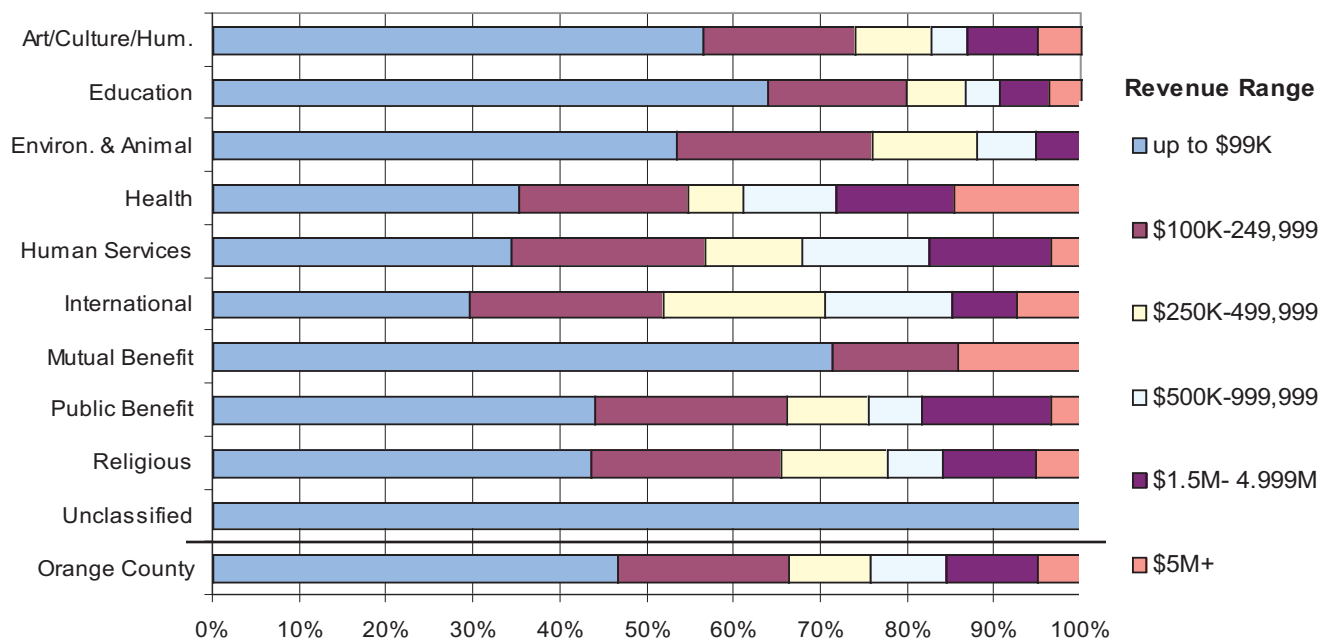
Orange County’s nonprofit sector mirrors the area’s sprawling geography, ethnic diversity, and economic disparities. The nonprofit sector includes congregations of all denominations and faiths; sustains a range of advocacy groups representing many sides of current issues; and addresses international causes while being mindful of local needs. These groups find time to lead the PTAs, Little Leagues, and Boys and Girls Clubs that make a future for our children; and are as likely to create means of using and enjoying the beauty of the natural environment as they are to work to preserve it. Some of our organizations, like some of our residents, are of only modest means although their potential is great. The nonprofit structure is sufficiently elastic to embrace all the complexity and diversity of a region like Orange County.

Table 2
Ten Largest Orange County Nonprofits by Total Revenues, 2000

Rank	Organization
1	Hoag Memorial Hospital Presbyterian
2	St. Jude Hospital Yorba Linda DBA: St. Jude Heritage Health Foundation
3	Children’s Hospital of Orange County
4	St. Joseph Hospital of Orange
5	Mission Hospital Regional Medical Center
6	St. Jude Hospital, Inc. DBA: St. Jude Medical Center
7	Trinity Christian Center of Santa Ana, Inc.
8	Chapman University
9	Saddleback Memorial Medical Center
10	Anaheim Memorial Medical Center

DBA: Doing Business As
Sources: NCCS-GuideStar National Nonprofit Organization Research Database, Center for Nonprofit Management/Gianneschi Center for Nonprofit Research

Figure 5
2000 Distribution of Orange County Nonprofits by Revenue Range and Service Category, Total: 1,899



Sources: NCCS-GuideStar National Nonprofit Organization Research Database, Center for Nonprofit Management/Gianneschi Center for Nonprofit Research

Characteristics of Filing Organizations and Data Sources

The Internal Revenue Service recognizes up to 30 different categories of nonprofit purpose and tax-exempt status in various subsections of Internal Revenue Code 501(c). Subsection 3 is used to designate organizations that are nonprofit and tax-exempt in recognition of their religious, educational, charitable, scientific, literary or other public benefit purposes. When people refer to nonprofits, generally it is these types of organizations that they mean, and they are commonly referred to by their subsection: 501(c)(3). They are distinct from other nonprofits classified under IRC 501(c) because they are entitled to offer donors a charitable deduction on their income taxes. Other subsections of the 501(c) code are used to designate mutual benefit organizations (such as country clubs, chambers of commerce or credit unions) that are tax-exempt but may not be entitled to offer tax deductions.

Once recognized by the Internal Revenue Service, nonprofits and foundations file an annual information return on Form 990, 990-EZ, or 990-PF. There are two important exceptions to the filing requirement:

- organizations with total revenues of less than \$25,000
- religious congregations

The first category is important because the majority of recognized nonprofits (71% of Orange County's recognized 501(c)(3) organizations) have very small revenues and thus fall under this filing threshold. Other non-filers are inactive or defunct organizations. Individually they do not claim a significant share of nonprofit sector revenues, but in the aggregate their contributions to the overall picture of the sector represent an important missing piece.

The second "known unknown" represents a substantial gap in nonprofit sector measurement, since religious congregations are quite numerous and because most of the tax-deductible contributions claimed by U.S. taxpayers go to religious congregations (some estimates claim as much as 35%).

Among filers, very large organizations are the fewest but claim by far the greatest proportion of all nonprofit revenues (although they are only 6% of reporting nonprofits in Southern California in 2000, those with over \$5 million in total revenues reported 85% of all nonprofit revenues).

Gianneschi Center for Nonprofit Research

The Gianneschi Center for Nonprofit Research is the site for research about charitable nonprofit organizations located in Orange County, California. The Center was founded by and named for Harry R. Gianneschi, Ph.D., CSUF Vice President for University Advancement, who retired in 2001.

The GCNR welcomes inquiries about the Center's groundbreaking research projects, comprehensive nonprofit sector database, surveys about funding and charitable services, and special projects of interest to the entire nonprofit and service community.

The Center exists to support and encourage the work of Orange County's many charitable organizations as the repository for data about the sector. Helping nonprofits and the entire community to better understand the work of this important sector is our primary mission. Ongoing activities include:

- maintaining the Orange County nonprofit database,
- encouraging scholarly research of the sector,
- involving practitioners and funders in designing future research projects, and facilitating meaningful discussion of issues affecting the nonprofit sector.

The Center's reports and papers, and links to other CSUF resources about and for nonprofits, are available online at www.fullerton.edu/GCNR.

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