

Whatcom County's Nonprofit Economy:

Public Charity Finances and Individual Giving

Executive Summary

Commissioned by Whatcom Community Foundation

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Cornerstone Strategies, Inc

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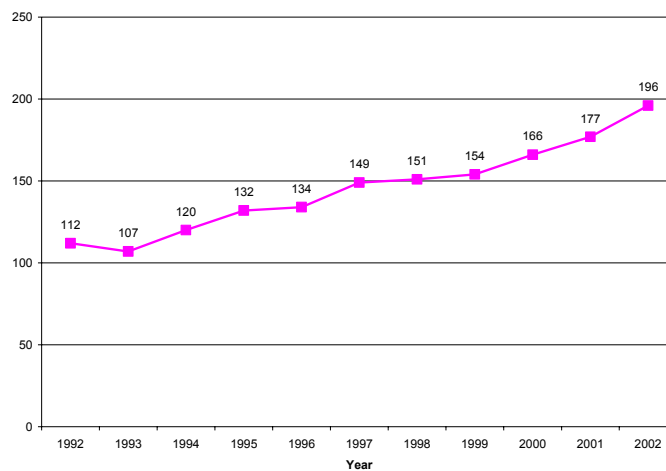
Introduction

Nonprofit organizations 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.

Whatcom County's Nonprofit Sector Experiences Rapid Growth

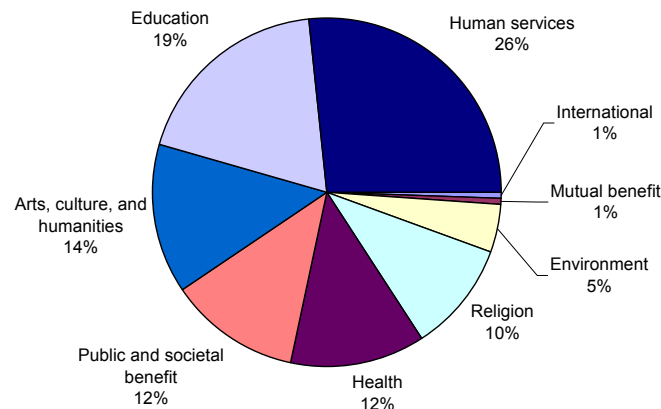
- Between 1992 and 2002, the number of reporting public charities in Whatcom County increased by 75% (Figure 1). That's three times the population growth rate over the same period.
- In 1992 there were 113 such organizations in the County compared to 196 in 2002.

Figure 1 Number of Whatcom County Reporting Public Charities



- The largest increases occurred in the education, arts/culture, human services, philanthropy/grantmaking, religion-related, and health categories.
- About a quarter of nonprofit organizations (26%) are classified as providing human services. These includes a wide variety of organizations and activities including senior centers, food banks and youth services.

Figure 2 Whatcom County Reporting Public Charities by major activity (2002)

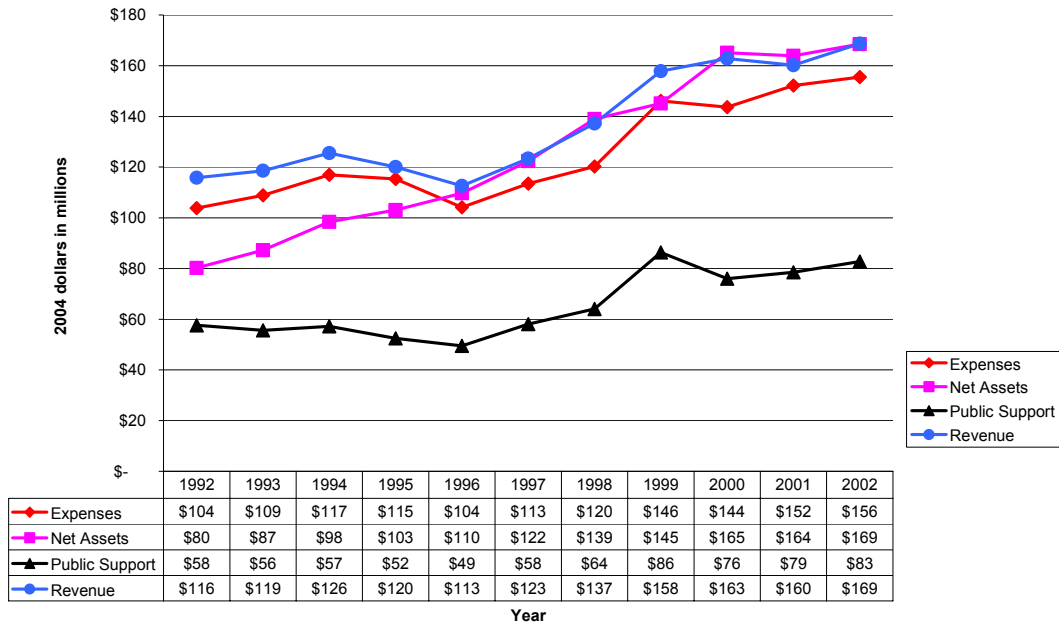


Finances of Whatcom County Public Charities

Whatcom County's nonprofit sector is a large and important element of the local economy. The financial activity of the county's public charity sector provides important indicators of its size and strength.

- Public support, total revenue, net assets and expenditures of reporting public charities grew considerably over the ten-year period from 1992 to 2002. Revenue increased 46% from approximately \$ 116 million to \$169 million in 2002 (in constant 2004 dollars). Public support grew by 44%, expenditures increased by 50% and net assets increased by 110% (Figure 3).

Figure 3 Whatcom County Reporting Public Charity Finances



- In 2002, reporting public charities in Whatcom County received more than half (52%) of all revenue from public support (contributions, gifts and grants), followed by program service revenue (41%). Investment income (3%), membership dues (3%) and net income from special events (1%) accounted for the remaining revenue.

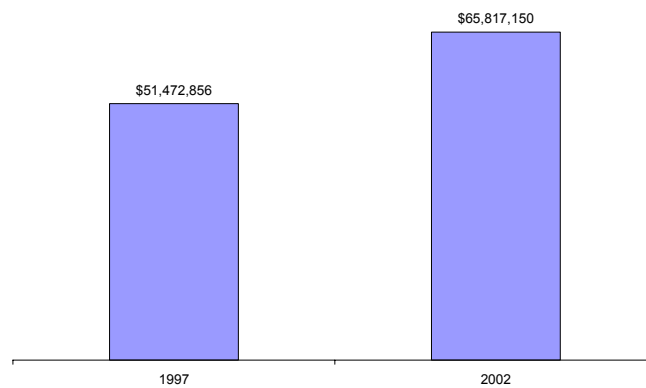
Charitable Giving by Individuals

Charitable giving by individuals fuels the nonprofit sector. In 2003, individuals provided 75% of the \$240 billion in contributions received by public charities in the United States.¹ Charitable giving is also strongly associated with volunteerism. People who give to charity are much more likely to volunteer their time to charitable causes, and vice versa. Giving and volunteering is what we do to serve our communities. Increasing charitable giving enhances the capacity of communities to improve their welfare.

This report compares our local communities' charitable giving performance with each other and with that of other counties in Washington State. The resulting statistics are meant to serve as the beginning of a system from which charitable giving benchmarks can be developed and monitored over time.

How much do we give?

- Whatcom County tax filers who itemize charitable deductions gave over \$65 million to charities in 2002, up 29% since 1997



- Contributions from local individuals amount to 75% of all public support contributed to Whatcom County charities.
- Whatcom County contributed 2.31% of all Washington State charitable contributions, a proportion that is lower than the county's share of Washington State itemizers (2.56%).

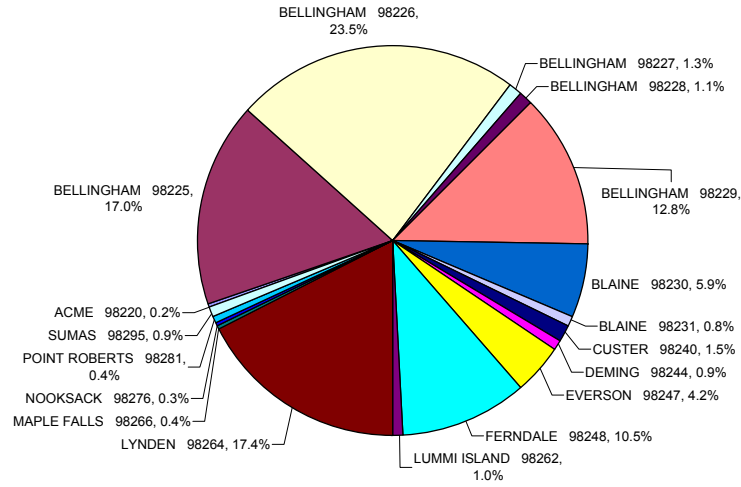
Where do the contributions come from?

- In 2002, Bellingham's 98226 zip code contributed the largest share (24%) of the \$66 million donated to charity. Bellingham's 98225 area and Lynden each contributed about 17% of the total (Figure 4). The next highest shares of charitable giving came from Bellingham's 98229 area (13%), Ferndale (11%) and Blaine (6%). The rest of the zip code areas contribute less than 5% each of the total.

¹ Foundations gave 11%, bequests provided 9%, and corporations contributed 6%.

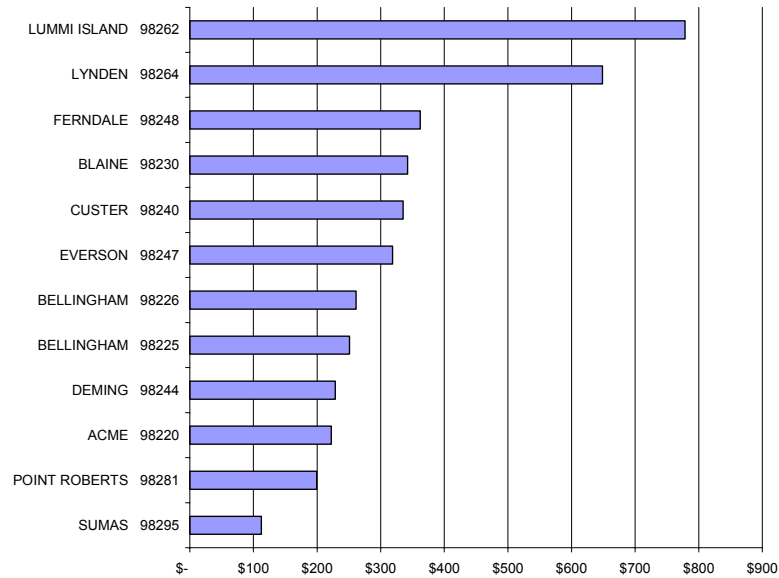
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Figure 4 Distribution of charitable contributions by Whatcom County itemizers (2002)



- On a per capita basis, charitable giving ranged from \$113 per person in Sumas to \$778 on Lummi Island (Figure 5).² Average per capita giving for 2002 was \$338.

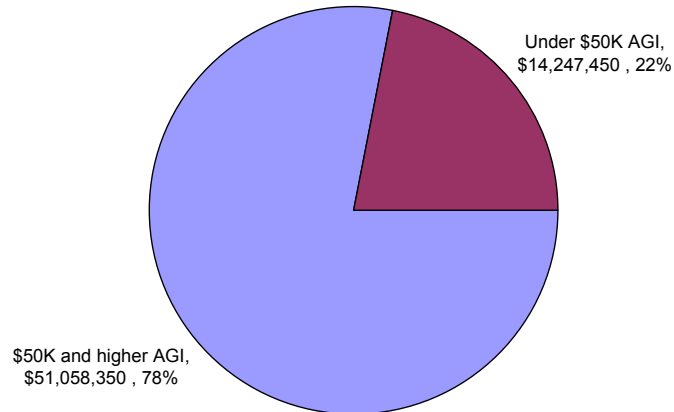
Figure 5 Total 2002 giving per capita (based on 2000 Census population)



² This number was derived by dividing total charitable giving for a zip code by that zip codes 2000 Census population; therefore, it is not equivalent to the average gift per itemized tax deduction filer. Also, Census population data is not available for all zip codes.

Income groups. This report separates the county's charitable itemizers into two household income groups: those with adjusted gross income (AGI) less than \$50,000 per year and those with AGI \$50,000 and higher. In 2002, the high-income group represented 64% of charitable itemizers and they contributed 78% of the contributions (Figure 6).

Figure 6 Distribution of 2002 Charitable Contributions Among Income Groups in Whatcom County



Indicators of charitable giving performance

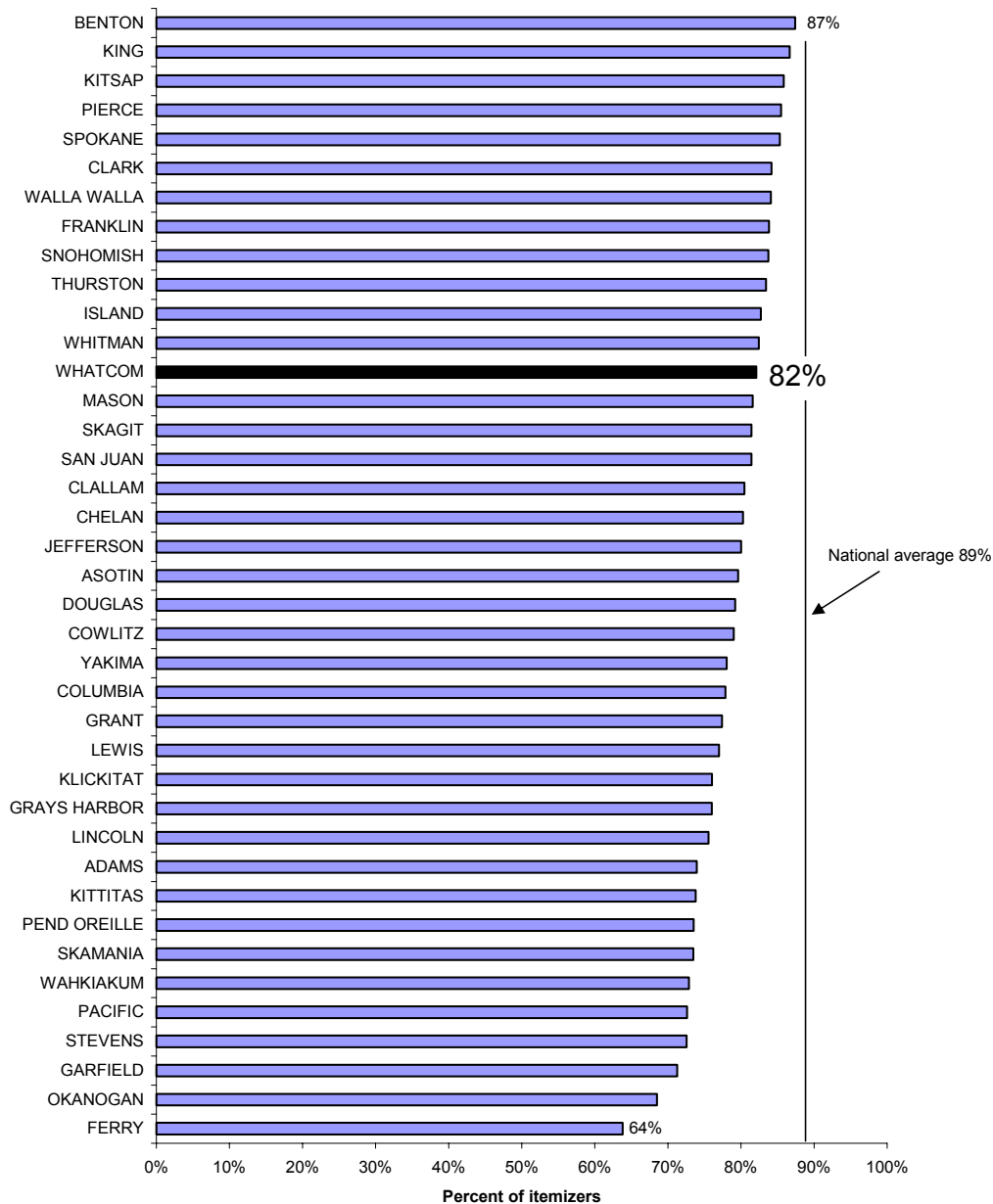
Three indicators will be useful to monitor charitable giving performance over time: *participation*, *average contribution amount*, and *average contribution as a percent of adjusted gross income*, or AGI.

Indicator #1: Participation

Of the three indicators, participation in charitable giving is, perhaps, the most important. It tells us, albeit roughly, the proportion of the population that gives to charity. Of all the indicators, this is the one that the community should hope to see increase. Higher participation will increase the aggregate amount of dollars invested in philanthropy and because of the links between giving and volunteering, added volunteer effort should also accrue as a result of increased giving. Furthermore, children of givers are more likely to be givers themselves, so higher participation in philanthropy should have long-lasting positive reinforcing effects across generations.

- Nationwide, 89% of adults contribute money to charity (Independent Sector, 2001).
- Among Washington counties, the proportion of givers ranges from a low of 64% in Snohomish County to 87% in Walla Walla County, a range which is entirely below the national participation rate (Figure 7).
- Whatcom County ranks 13 of 39 in participation with 82% of itemizers reporting charitable contributions.

Figure 7 Percent of itemizers reporting charitable contributions (2002)

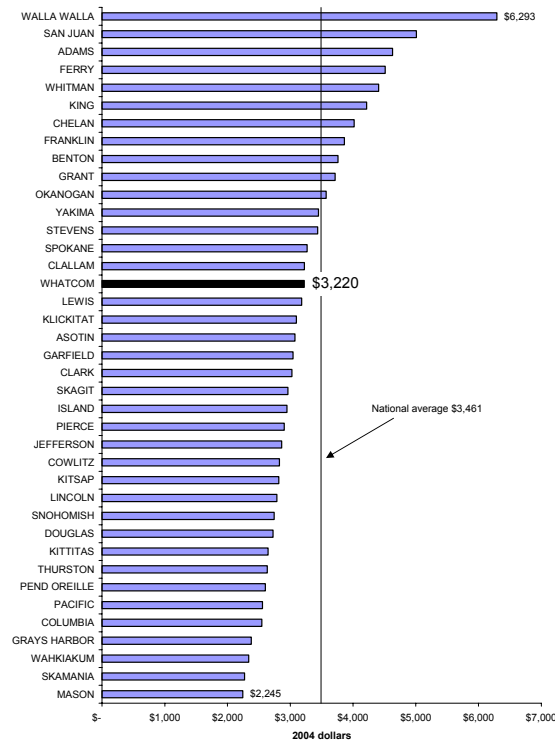


- Within Whatcom County, only Lynden, Lummi Island, and Bellingham's 98229 area come close to the national participation rate of 89%.
- Point Roberts and Maple Falls had the lowest participation rates.
- The areas that reached or exceeded the county's overall participation rate of 82% include Bellingham (98225, 98226 and 98229), Ferndale, Lummi Island, and Lynden.
- Participation in charitable giving is apparently more responsive to the business cycle among lower-income givers. The United States, Washington State and Whatcom County experienced high unemployment in 2002 compared to 1997. Participation among low income filers decreased substantially; however, higher-income households' participation rates changed relatively little over this period.

Indicator #2: Average contribution

- Nationwide, in 2002, the average contributing itemizer gave \$3,461 to charity.
- Whatcom County itemizers gave close to the national average that year (\$3,220).
- Statewide, the average charitable contribution ranged from \$2,245 in Mason County to a whopping \$6,293 in Walla Walla County (Figure 8).

Figure 8 Average Charitable Contribution by Itemizers

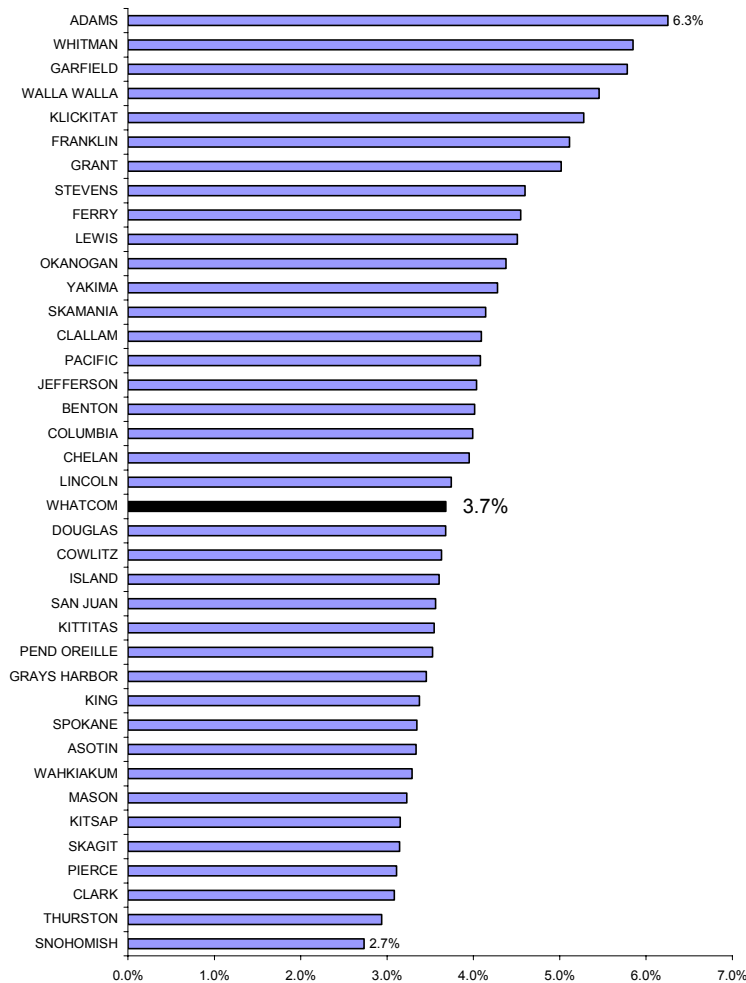


- In 2002, four areas of the county met or exceeded the national average contribution for itemizers: Lynden, Lummi Island, Bellingham 98228, and Everson.
- Lower-income itemizers tend to give significantly less than higher-income itemizers, but their average contributions tended to increase over the five year period from 1997-2002. The largest increases occurred among Blaine 98231 and Lummi Island itemizers.
- Interestingly, over the same period and even in some of the same areas, higher-income itemizers tended to reduce their average contributions. Bellingham 98225, Deming, Lummi Island and Point Roberts show the most dramatic decreases.
- National studies find that households that give the most (those with incomes of more than \$75,000) when not concerned about the economy, decrease their giving the most when they become concerned about their finances.

Indicator #3: Charitable contributions as a percent of AGI

- The average U.S. household gives 3.2 percent of its income to charity. But that statistic is based on the entire population, including non-itemizers. So the national average among tax itemizers is likely to be considerably higher.
- Among Washington counties in 1997, the average percent of AGI itemizers give to charity ranges from 2.7% in Snohomish County to 6.3% in Adams County (Figure 9).³
- Whatcom County ranks 21st out of 39 counties with its itemizers giving 3.7% of AGI to charity.

Figure 9 Charitable Contributions as a Percent of AGI (1997)



- In most areas of Whatcom County, lower-income households give higher proportions of their income to charity. The exceptions are Bellingham 98225, Deming, and Lummi Island.
- The average share of AGI that low-income households gave to charity in 1997 was 4.2% (ranging from 2.1 - 7.3%), while high-income households gave, on average, 3.1% to charity (ranging from 0.9-6.4%).

³ The AGI of itemizers who contribute to charity is not currently available for 2002, so data is only presented for 1997.

Implications for Whatcom County Philanthropy

The data show that Whatcom County giving by individuals is low based on national averages and low-to-average compared to other Washington Counties. Efforts to improve charitable giving participation from the 2002 rate of 82% to the national average of 89% would result in a net annual gain of \$5.5 million. And increasing the average gift from \$3,220 to the national average of \$3,461 would increase that gain to \$5.9 million, or a 9% increase overall to charities.

Nationally, more than three-quarters of individual charitable giving comes from tax itemizers, and high-income itemizers give a disproportionate share of all charitable giving (Giving New England Summit Report 2001). High-income households in Whatcom County appear to have the capacity to give more to charity. This suggests that it would be most cost-effective to target these relatively few households in efforts to increase local philanthropy.