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THE NONPROFIT SECTOR IN WEST VIRGINIA

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Revenues flowing to nonprofit organizations in the United States reached a record high of \$849 billion in 2001, yet less than one percent of the money supported organizations in West Virginia. Perhaps this reflects the fierce independence of Mountaineers; perhaps it is because West Virginia has been off the radar screen of philanthropists. In either case, the United Way of Jefferson County is working to build a strong, viable not-for-profit sector to serve the basic human service needs of people in the Panhandle.

Below is a statistical profile of the nonprofit sector in West Virginia and Jefferson County, including information on the number of organizations, types of activities, and annual revenues. The findings will be of interest to the many citizens, practitioners, and leaders who are part of the growing nonprofit sector in our state.

What is the Nonprofit Sector?

The United States economy is comprised of three sectors: government (23%), business (67%), and nonprofits (10%) as measured by national income. Since colonial times, the sectors have worked together to promote a healthy, well-balanced economy. According to the U.S. Internal Revenue Service (IRS), there are 1.2 million nonprofit organizations in the country, up from 309,000 organizations in 1967. Nonprofits contribute to society by offering services that cannot be provided profitably by private enterprise and are outside the domain of government.

The nonprofit sector represents a mix of organizations, ranging from animal rights groups, to hospitals, schools, research firms, theaters, trade unions, social clubs, religious congregations, and more. In the early 1980s, the United Way of America and the United Way International developed a taxonomy to classify not-for-profit organizations. The IRS incorporated the resulting National Taxonomy of Exempt Entities (NTEE) into the federal classification system in 1995. The 10 major NTEE categories are: arts, education, environment and animals, health, human services, international, public societal benefit, religion related, mutual/membership benefit, and an unclassified category. Local United Ways are classified as public societal benefit organizations.

What is a Public Charity?

Only 20 percent of nonprofit organizations are considered by the IRS to be public charities. These organizations are IRS-designated 501(c)(3) entities and are exempt from federal income, property, and sales taxes. Public charities exclude religious congregations, private foundations, and organizations with annual gross receipts of less than \$25,000. Also excluded are 501(c)(4) social welfare organizations, 501(c)(5) labor and agricultural associations, 501(c)(6) business leagues, and 501(c)(8) fraternal beneficiary organizations. A total of 243,233 public charities were registered with the IRS in 2001.

American public charities received \$849 billion in revenues in 2001 from a host of sources such as government contracts, individual contributions, foundation grants, corporate donations, the United Way/ Combined Federal Campaign, membership dues, and service fees.

Public Charities in West Virginia

In West Virginia, there were 1,526 public charities in 2000, the latest year of state-level data. The focus of these organizations ranged from human services (44%), to health care (18%), public societal benefit (12%), education (10%), and the arts (8%). West Virginia nonprofits received \$4.28 billion in revenues, representing 10 percent of gross state product in 2000 (\$42.3 billion). Almost three-quarters of revenues went to health-related organizations, 12 percent to human service providers, and 8 percent to educational institutions (see Table 1).

Table 1
Size and Scope of West Virginia Public Charities
(circa 2000)

Category	Organizations		Annual Revenues	
	Number	Percent	Dollars	Percent
Arts, Culture and Humanities	119	8	39,032,036	1
Education	156	10	361,926,267	8
Environment and Animals	51	3	15,734,574	<1
Health	276	18	3,154,427,462	74
Human Services	673	44	526,658,989	12
International	4	<1	180,617	<1
Public Societal Benefit	186	12	165,462,043	4
Religion	52	3	10,850,771	<1
Mutual / Membership Benefit	4	<1	3,930,430	<1
Unknown	5	<1	246,969	<1
Total	1,526	100%	\$4,278,450,158	100%

Source: Internal Revenue Service, Exempt Organizations/Business Master File. Compiled by FLYNN RESEARCH.

Jefferson County charities received \$36.6 million in revenues in 2000. As expected, the distribution of revenues does not correspond with the number of organizations given that the costs associated with delivering services varies by program. For example, human service organizations comprised one-third of all nonprofits in Jefferson County, but received only 16 percent of revenues in 2000. Health organizations comprised 11 percent of total organizations and received 68 percent of revenues (see Table 2).

IRS data further reveal that the largest concentration of public charities in West Virginia is in Kanawha County where 263 public charities received \$1.1 billion in revenues in 2000, followed by Monongalia County with 110 organizations (\$588 million) and Cabell County with 107 organizations (\$470 million).

Table 2
Size and Scope of Jefferson County Public Charities
(circa 2000)

Category	Organizations		Annual Revenues	
	Number	Percent	Dollars	Percent
Arts, Culture and Humanities	6	17	859,326	2
Education	4	11	3,309,660	9
Environment and Animals	4	11	438,641	1
Health	4	11	24,859,500	68
Human Services	12	33	5,862,621	16
International	1	<1	49,645	<1
Public Societal Benefit	6	17	1,228,023	3
Religion	1	<1	24,868	<1
Mutual / Membership Benefit	0	0	0	0
Unknown	0	0	0	0
Total	38	100%	\$36,632,284	100%

Source: Internal Revenue Service, Exempt Organizations/Business Master File. Compiled by FLYNN RESEARCH.

Participating in the Nonprofit Sector

Through the work of dedicated employees, volunteers, donors, and board members, West Virginia reaches out to thousands of children, adults, and elderly people during times of need. In 2000, West Virginia provided services through 1,526 public charities with a budget of \$4.3 billion. Jefferson County hosts 38 of these charitable organizations, which focus on health, recreation, religion, human services, arts, education, environmental protection, and civic engagement.

While the nonprofit sector in the United States has been growing over the past three decades, resources flowing into the state of West Virginia remain at less than one percent of total nonprofit sector revenues despite the attendant poverty, poor health, lack of affordable housing, and other basic human needs that go unmet in our community (see Table 3).

Table 3
Summary Statistics on Public Charities:
United States, West Virginia, and Jefferson County
(circa 2000)

	United States	West Virginia		Jefferson County	
	Total	Total	Percent of U.S.	Total	Percent of W.V.
Organizations	243,233	1,526	0.6	38	2.5
Revenues	\$849 billion	\$4.3 billion	0.5	\$36.6 million	0.9

Source: Internal Revenue Service, Exempt Organizations/Business Master File. Figures represent activities of IRS-designated 501(c)(3) public charities, excluding foundations and religious congregations.

For those who want to participate in building the nonprofit sector in West Virginia, there are three direct ways to assist. First, use the services offered by charities in your community as needed. Refer friends, neighbors, and family members who may not be aware of the valuable resources available. Second, make financial contributions when possible to support local activities. Third, volunteer your time and energy with a charity of your choice. Together we can help improve the quality of life in our community.

Dr. Flynn is a board member of the United Way of Jefferson County. For more information on the 25 partner agencies of the United Way of Jefferson County, please contact Sue Pellish, the executive director, at 304-725-4483 or www.JCUnitedWay.org.

NOTES

1. In order to best represent the population of nonprofits, the IRS extracts data from the most recent report filed by each organization in the last three years. Hence 'circa 2000' data include information on activities in 1998, 1999, and 2000.
2. Many thanks to Linda Lampkin and Phomika Palmer with the Urban Institute for providing the data for this article and to Marybeth Anderson with FLYNN RESEARCH for assisting with the statistical analysis.