

Philanthropy Corner – May 9, 2010
“The Changing Face of Charity in Today’s World”
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With nearly 100 percent of charitable nonprofit organizations feeling the effects of the economic downturn, many are left with no choice but to reduce services even as the numbers of people requesting these services increase.

As nonprofits attempt to survive the sudden decline of charitable giving, this decline is renewing the theory that the wealth of the past two decades has generated an over abundance of charitable nonprofits. In fact, there are many donors who argue that there are just too many charitable nonprofits and not enough funding to go around. The rapid increase in these organizations is a complicated issue, and addressing it calls for careful consideration of a number of aspects.

Consider first that Pew Center statistics reveal Florida ranks among the ten states in the worst financial condition based on a combination of distress indicators, including budget deficit, unemployment, and foreclosure rates. Florida has cut public health programs, services to the elderly and disabled, funding for K-12 and early education programs, and sharply raised tuition for higher education. With a projected FY 2011 deficit in the billions, the struggling nonprofit sector has a rocky future ahead due to funding cutbacks and increased need for services.

Also consider the claims that nonprofits are skillfully exploiting the tax code’s broad definition of what comprises a charity, and as a result reduced federal revenue by an estimated \$50 billion last year. A Stanford University study found that the IRS approved 99 percent of 501(c)(3) applications, granting tax exemption for more than 50,000 new organizations in 2008. In the past 15 years, the IRS has approved more than 1.1 million organizations that employ an estimated 12 million people or 10 percent of America’s workforce. It’s estimated that nearly 350 charitable non-profit organizations operate in the Florida Keys, and the number is on the rise. However, with five to ten percent of the nation’s economy and more civilian employees than the federal government and 50 state governments combined, the economic impact and importance of the nonprofit sector to a community’s workforce and quality of life cannot be dismissed.

This growth in the nonprofit sector coincided with the advent of the national economic crisis resulting in the biggest reduction in US foundation giving on record. According to the 2010 Foundation Growth and Giving Estimates, 2009 saw more than 75,000 grant making foundations cut their giving by an estimated 8.4 percent, or \$3.9 billion. In addition, the annual Wealth and Values Survey shows 28 percent of wealthy Americans claim the recession caused them to cut back on the amount of money they give to charity. Donors surveyed gave a total of \$4.1 billion in 2009, compared to \$15.5 billion in 2008.

In response to this decline in giving, a solution for many struggling nonprofits comes in the form of mergers and collaborations. Here in Monroe County two national nonprofits, the Easter Seals and the Boys and Girls Club of the Keys, are doing just that.

Both have joined forces to cut costs to maximize fundraising power and community effectiveness. While they both service the area of disadvantaged children, they look to keep their separate identities while making cost effective choices to combine offices, services and fundraising efforts. Also, a recent collaborative effort between the Community Foundation for the Florida Keys (CFFK) and Leadership Monroe County has resulted in combining two part time positions into one fulltime Program Coordinator, allowing for maximum development and leadership building within the community. The position will now smartly encompass overall management of Leadership Monroe County and the Center for NonProfit Excellence programs operating within the CFFK.

No matter what side of the nonprofit debate you agree with, it is clearly evident that philanthropy is going through a serious evolution. Technology may play a key role in the evolution. In today's world of instant – and constant -information, the Internet might play an important role as websites revolutionize the way donors review nonprofits and decide donations. Web sites such as Philanthropedia, Guidestar.com and our very own CFFK.org exemplify how organizations can educate and empower potential donors, thus enabling them to make the most of their donations. The trend is leaning towards a virtual world where donors can grade and rate their nonprofit experience. Web-based dissemination of nonprofit information is making great strides in matching organizations with donors, while measuring the success, legitimacy and service overlap of organizations. In effect, it will identify the weak and encourage nonprofit organizations to discover new opportunities to merge and collaborate.

In summary, no one can say with certainty what will come of U.S. charitable giving, other than a strong nonprofit sector is important to our country's infrastructure. The ability to marshal private resources through nonprofits for the public good provides a means to meet local challenges and take advantage of opportunities that neither government nor business can easily address. It is critical to the quality of life in the Keys for donors and nonprofits to find ways through collaboration and analysis, in order to maintain the most effective of our charitable nonprofit organizations and invest in their growth.

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