

# **PHILANTHROPY IN THE FIRST STATE**

*DELAWARE'S NONPROFITS,  
INDIVIDUAL DONORS  
AND  
GRANTMAKING ORGANIZATIONS*

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## INTRODUCTION

Delaware's philanthropic sector is a complex tapestry of organizations and individuals, rich with history, that is an integral part of this three-county state. It is a mature sector, lacking either the "upstart" qualities found in some younger communities, or the "hot growth" qualities found in some burgeoning metro areas. The philanthropic sector in Delaware is solid, reserved and traditional.

Unfortunately, today's world is not.

The end of the 20<sup>th</sup> century and the beginning of the 21<sup>st</sup> century have brought profound changes to American communities. Populations are more diverse and with that diversity come challenges in education, employment, religion and overall cultural assimilation. The population is aging, challenging family and social structures as well as health care systems. Economic upheaval - from the excesses of the late 1990s to the dual severe recessions of this decade - has left greater numbers of people struggling to make ends meet.

Delaware has not been immune to these changes. In the 17 years between 1990 and 2007:

- Delaware's non-white population has increased by 77%;
- Delaware's senior (age 65 and older) population has increased by 38%;
- The poverty rate for individuals has grown by 22%;
- The poverty rate for families has grown by 17%.<sup>1</sup>

Delaware's economic infrastructure has experienced equally dramatic changes. Globalization has dispersed corporate resources and jobs that once were Delaware's alone. Mergers, downsizing and recession have resulted in the loss of all or significant portions of some of the state's biggest employers.

The Delaware of today is, like many other American communities, a place of much need and too few resources. It is a place that needs a strong philanthropic sector to partner with government and the for-profit sector to serve, engage and sustain its citizens.

Delaware's existing philanthropic sector, however, faces a number of challenges in fulfilling that role:

Nonprofit organizations, while plentiful in number and generally well capitalized, are, as a group, financially fragile. **More than 35% of Delaware nonprofits operated in the red each year from 2002-2007.**

The universe of private foundations available to support those nonprofits is small. **Only eight private foundations in Delaware made**

significant investments in Delaware nonprofits in 2007. And many of those foundations restrict their giving to non-program, non-operational support.

Corporate giving, though widely thought to be a major factor in Delaware, may provide less support than imagined. Documented corporate giving from Delaware-based entities comprised less than 2% of the state's organized philanthropy in 2007.

Individual donors in Delaware, while numerous, are less generous than donors nationwide. Though Delaware incomes are 3% higher than the national average, Delaware donors, on average, give 9% less than the national average.

While strategies exist to address each of these shortcomings, Delaware lacks the strong philanthropic infrastructure to strengthen the sector and provide much-needed community leadership.

#### IMAGINING A DIFFERENT ROLE FOR PHILANTHROPY IN DELAWARE

American communities, whether large or small, rely on a triad of sectors to serve, engage and sustain their citizens.

The government sector uses public money to provide for the common good.

The business, or for-profit, sector, uses private money for private good.

And the independent, or philanthropic, sector fills in the gaps - using mainly private money for the common good.

It is that philanthropic sector - the nonprofit organizations and the individual and institutional donors that support them - that for generations has provided many of the resources that undergird the quality of life in our communities - education and health care, services to the young and the elderly, care for the needy, arts and cultural activities, and protection of natural resources, among others.

In recent years, the lines separating these three sectors have blurred. Government increasingly has contracted with nonprofits to deliver services: foster care, prevention and intervention programs for at-risk juveniles, early childhood education, and an array of health care programs, to name a few. Corporations have found value in community investment through charitable giving programs and initiatives that encourage employees to volunteer with nonprofits. Nonprofits have adopted for-profit business models to generate revenue to help sustain their operations.

Given this context, the philanthropic sector has begun to demand a voice in community conversations. Nonprofit organizations and the entities that fund them are becoming forces for community change, seeking seats at the public-

policy table, advocating not only for their constituents but for innovation in the way communities address public issues. They come with resources - financial, intellectual and experiential - and are emerging as leaders in many communities:

*The **Benwood Foundation** (2007 assets of \$134 million) in Chattanooga, Tennessee, initiated work with the Hamilton County public schools to develop an intensive, systematic program of improving elementary student performance. In the past decade, the gains in student achievement as a result of this collaboration have made it a model of community-driven public education reform. ([www.benwood.org](http://www.benwood.org))*

*The **Minnesota Council of Nonprofits** provides a powerful and active collaborative voice for the state's nonprofits ([www.mncn.org](http://www.mncn.org)), advocating on state budget issues, supporting voter registration initiatives and encouraging development of new revenue sources for communities. The Council's disciplined and organized approach has resulted in significant legislative victories for nonprofits, from maintaining public funding streams to blocking policy changes that would have negative consequences for nonprofits.*

***D.C. Central Kitchen**, in Washington, D.C., has revolutionized that community's approach to meals and nutrition. Through collaborations with restaurants, schools, public agencies and other nonprofits, it has moved from soup kitchen to nutrition center, providing food for the hungry, job skills for the unemployed and homeless, more nutritious meals for school children, and reduced waste and improved use of resources for the entire community. ([www.dccentralkitchen.org](http://www.dccentralkitchen.org))*

*The **Community Foundation of Greater Greensboro** (N.C., 2007 net assets \$105 million) led a partnership with other funders to address the economic challenges caused by restructuring of the textile industry in North Carolina. Today, the partnership funds Action Greensboro, which works to increase the amount of capital investment in Greensboro and Guilford County, and to help leverage the creation of high-technology, high-wage jobs through traditional economic development efforts. ([www.cfgg.org](http://www.cfgg.org))*

In these and other communities, civic leaders recognize the valuable role that the nonprofit sector can play in addressing contemporary challenges - challenges that many feel are beyond the scope of government alone to resolve.

“The issues and challenges that our country currently faces are far more complex, pressing and demanding than ever before,” said Pablo Eisenberg, Senior Fellow at the Center for Public & Nonprofit Leadership at Georgetown University. “Since our public and corporate sectors cannot resolve these problems by themselves, foundations and a few major individual donors

increasingly are being moved to engage in policy activities and community activism. Independent from the marketplace and politics, they can sometimes do what government cannot.”<sup>2</sup>

“This is an all-hands-on-deck economy,” said Robert Egger, nonprofit activist and founder of D.C. Central Kitchen. “America’s economy cannot begin to be healed without the full participation of the nonprofit sector.”<sup>3</sup>

## **BUILDING A STRONGER PHILANTHROPIC SECTOR IN DELAWARE**

The broad-scale engagement of nonprofits, funders, business and government in a community does not happen overnight. It requires committed leadership, patience and tenacity. It also requires some level of infrastructure within the nonprofit and funding community.

Just as the for-profit community has a chamber of commerce and industry groups to speak for its interests, communities with strong independent sectors have organizations that represent sectoral interests:

**Nonprofit centers or councils** often serve as a primary voice for the sector. While some nonprofit centers focus chiefly on training and skill-building, those that are most effective as community leadership organizations adopt a broader mission that includes public education and advocacy on behalf of the sector.

**Donor forums** provide a center of gravity for organized philanthropy in a community - a place where foundations and large private donors can exchange ideas, learn about opportunities for community investment and expand their knowledge of the field of philanthropy.

**Community foundations** are major community leadership institutions in some communities. They can provide leadership in identifying critical community issues, serve as a neutral convener for community partners interested in addressing those issues, and aggregate much-needed resources - local and national.

While Delaware has some existing philanthropic infrastructure, it generally lacks the robust level of infrastructure needed to aggressively meet its philanthropic challenges.

The Delaware Association of Nonprofit Agencies is an affiliate of the Maryland Association of Nonprofit Organizations, which makes its programs and resources available to Delaware nonprofits. With a focus primarily on training, DANA has one staff member in Wilmington. Because it is chiefly dependent on member dues for income, it lacks the capitalization required to broaden its scope of services.

Delaware foundations and major donors have met intermittently through the years, but the effort has not been sustained. While there currently is a move to establish a Delaware Grantmakers Association “to encourage philanthropy in

Delaware through education and networking opportunities for members,” it is unclear whether all of Delaware’s largest philanthropies are engaged in this effort.

Delaware’s leading community foundation is financially strong - more than \$230 million in assets (2007) - but its commitment to large-scale community leadership on critical issues - leadership beyond grantmaking - is uncertain.

Delaware needs a strong philanthropic sector. It needs to strengthen its nonprofit organizations, grow organized philanthropy and encourage individual giving. To accomplish those goals, Delaware needs to build philanthropic infrastructure.

**Delaware needs philanthropic leadership** willing to step forward and give initial voice to the sector, champion the need for this infrastructure, and financially seed its construction.

**Delaware needs a strong donors forum**, one that includes active participation by all of the state’s leading foundations, that has staff adequate to support its work, and that offers a regular agenda of educational and networking activities designed to enrich, enlighten and encourage organized philanthropy in Delaware.

**Delaware needs a more vigorous, sophisticated nonprofit support organization** that focuses on civic engagement of nonprofits, advocacy and constituent education as much as on skill-building within the sector.

**Delaware needs a partnership between government and the nonprofit sector**, to maximize effective use of resources and ensure a high quality of life for all.

**Through these changes, Delaware can create a healthy nonprofit marketplace**, where efforts can be coordinated and services aligned to most effectively meet community needs.

The challenges that face Delaware are not greatly different from those facing a host of other American communities. Many of these communities have built philanthropic infrastructure and offer models and examples for Delaware. The task ahead of Delaware is neither unique nor insurmountable. It simply requires the will and the leadership to get it done.

## **KEY FINDINGS**

### **DELAWARE'S PHILANTHROPIC SECTOR IS DECEPTIVELY LARGE.**

With about 1,000 active nonprofit organizations and 390 private foundations based in Delaware, the sector appears large. But within that sector is a sizable subset of organizations that are based in Delaware only to take advantage of the state's unique legal and financial environment and provide no substantive services to the citizens of Delaware. This "foreign" sector includes more than half of the private foundations and at least 7% of all nonprofits.

### **DELAWARE'S NONPROFITS ARE FINANCIALLY FRAGILE.**

More than 35% of Delaware nonprofits operated in the red each year from 2002-2007.

### **FEW PRIVATE FOUNDATIONS PROVIDE SIGNIFICANT SUPPORT TO DELAWARE ORGANIZATIONS.**

Though Delaware is home to hundreds of private foundations, only eight private foundations in Delaware made significant investments in Delaware nonprofits in 2007, and many of those foundations restrict their giving to non-program, non-operational support.

### **CORPORATE GIVING PROVIDES LESS SUPPORT THAN MAY BE IMAGINED.**

Corporate giving is widely thought to be a major component of Delaware philanthropy. But corporate giving is difficult to document. What can be documented comprised less than 2% of the state's organized philanthropy in 2007.

### **INDIVIDUAL DONORS IN DELAWARE ARE LESS GENEROUS THAN THOSE NATIONWIDE.**

Though Delaware incomes are 3% higher than the national average, Delaware donors, on average, give 9% less than the national average.

### **DELAWARE LACKS THE NECESSARY PHILANTHROPIC INFRASTRUCTURE TO ADDRESS ITS CURRENT CHALLENGES.**

Delaware lacks a coordinated, public voice for its philanthropic sector, a vibrant donors forum and a high-capacity nonprofit support organization, one that can provide high-level leadership for the sector.



## **RECOMMENDATIONS**

Delaware's small size and the relative intimacy of its civic networks provide a landscape ripe with opportunity. That, coupled with the commitment of the informal group that commissioned this research, suggests potential to strengthen the philanthropic sector.

### **IDENTIFY AND ENCOURAGE LEADERSHIP**

Delaware should identify philanthropic leadership willing to step forward and give initial voice to the sector, champion the need for infrastructure, and financially seed its construction.

### **BUILD A STRONG DONORS FORUM**

Delaware needs a strong donors forum, one that includes active participation by all of the state's leading foundations, that has staff adequate to support its work, and that offers a regular agenda of educational and networking activities designed to enrich, enlighten and encourage organized philanthropy in Delaware.

### **EXPAND AND STRENGTHEN THE NONPROFIT SUPPORT ORGANIZATION**

Delaware needs a more vigorous and sophisticated nonprofit support organization that focuses on civic engagement of nonprofits, advocacy and constituent education as much as on skill-building within the sector.

### **WORK TO STRENGTHEN THE FINANCIAL HEALTH OF EXISTING NONPROFITS**

Delaware's primary funders should re-examine their traditional grantmaking approaches and identify more ways to support the work of nonprofits as well as the organizations' capital needs.

Delaware's nonprofit support center and sector leadership should work to educate nonprofit leaders about strategies to build financial health.

Delaware philanthropic leaders should work to educate media and the public about the importance of adequate cash reserves and administrative funding to healthy nonprofit operations.

### **ENCOURAGE GREATER FOUNDATION INVESTMENT IN DELAWARE NONPROFITS**

Delaware's donors forum should seek to engage other foundations, work to educate the foundation community about the importance of investing in Delaware, and identify opportunities for local investment.

### **INCREASE TRANSPARENCY OF DELAWARE FOUNDATION GRANTMAKING**

Delaware's major grantmaking foundations each should make available annual reports that provide details on the grants awarded during the year, and provide information on the timetable and policies that govern their grantmaking.

**GROW INDIVIDUAL GIVING**

Delaware's donors forum should develop strategies, supported by the nonprofit support center, to encourage and grow individual giving in Delaware.

**BUILD RELATIONSHIPS WITH GOVERNMENT**

Leaders of Delaware's philanthropic sector should build relationships with government, to maximize effective use of resources and ensure a high quality of life for all.

**BUILD A HEALTHY NONPROFIT MARKETPLACE**

Through the nonprofit support center and other networks, nonprofits should find ways to align their work, collaborate when appropriate and work together for the good of the community.

## **THE RECESSION OF 2008-2009**

*Philanthropy in the First State* was commissioned in September 2008, as recession was just beginning and the scope of financial upheaval that lay ahead was largely unknown.

All of the data included in this report predates that recession. Just how different the current economic reality is from that which is portrayed in this report remains difficult to quantify. Most organizations have yet to file the informational tax returns - Form 990 - required by the IRS that will reflect the changes that occurred in late 2008.

But from a few early filings, and emerging national research, some insights into the impact of the recession on philanthropy are coming to light.

### **NONPROFIT ORGANIZATIONS**

The recession has taken its toll on nonprofit organizations just as it has on businesses and individuals. An April 2009 study by the Center for Civil Society Studies at Johns Hopkins University<sup>4</sup> shows that:

- 37% of nonprofits surveyed experienced severe or very severe financial stress between September 2008 and March 2009.
- 37% reported experiencing delays in government payments, resulting in cash flow problems.
- 51% of the organizations reported declining revenues, with the greatest decline coming in the area of private individual contributions.
- 60% of the organizations expect revenue declines to continue through 2009 and to deepen.
- 53% of the organizations have experienced increased costs, chiefly in the areas of wages and health benefits.

While these findings do not bode well for Delaware's nonprofit sector, there are some hopeful notes:

The study indicates that the smallest revenue losses occurred in the area of fee-for-service income, member dues and other commercial income. *Philanthropy in the First State* notes that Delaware nonprofits receive more of their revenue from these sources than from individual giving, which may modify somewhat the degree to which revenues decline for these nonprofits.

The study also indicates that the proportion of organizations reporting severe or very severe financial stress in 2008-2009 is significantly lower than those reporting that level of stress in 2003. That suggests that the negative impact of this recession on Delaware nonprofits may be less than that felt by the earlier recession.

## INDIVIDUAL GIVING

Giving USA reports that nationwide individual giving for 2008 declined by 2.7% in 2008 (-6.3% when adjusted for inflation). Overall, the group reports, giving (including giving by individuals, corporations, bequests and foundations) declined 2% in 2008. This marked the first drop in overall giving since 1987 and only the second since 1956, when the organization began collecting data.<sup>5</sup>

## GRANTMAKING INSTITUTIONS

The Commonfund Institute reported in June 2009 that its survey of charitable foundations showed that foundation endowments, on average, lost 26% of their value during 2008.<sup>6</sup>

Consistent with those findings are early 2008 990 filings from two of Delaware's largest private foundations:

The Longwood Foundation, Delaware's largest, operates on a fiscal year that ends September 30, thus, its 2008 990 reflects the first 30 days of the recession. That report reveals that, between 2007 and 2008, the value of the Foundation's assets dropped 27%, or \$245 million.

Similarly, the Welfare Foundation, which operates on a calendar year, reports in its 2008 990 that its assets at year end were valued at \$40 million less than the prior year, a 26% decline.

Private foundation asset value is critical to nonprofit sector support. To retain tax-exempt status, private foundations are required to distribute a minimum of 5% of their assets. A declining asset base, consequently, can result in significantly reduced grant support for nonprofit organizations.<sup>7</sup>

If the Longwood and Welfare foundations were to adhere to a 5% payout, the amount available for grants from these two entities alone would decline by about \$14 million as a result of their declining asset value.

Community foundations, which operate under different IRS regulations than private foundations, do not have a payout requirement. However, May 2009 Foundation Center survey indicated that 74% of community foundations expect to decrease their giving in 2009.<sup>8</sup>

Corporate foundations often do not retain assets but are funded only to the extent of their grantmaking activity. In 2008, corporate foundation giving experienced a 3% decline (inflation adjusted) according to The Foundation Center<sup>9</sup>, considered a positive sign given the overall beleaguered state of the economy, particularly the banking and finance industry, which traditionally had been a major player in corporate giving. While there is no data on giving by corporations through vehicles other than foundations, the weak economy and diminished state of corporate finances overall suggests that charitable giving also has diminished.

## BY THE NUMBERS

**DELAWARE  
NONPROFIT ORGANIZATIONS**  
*501 (c)(3) active nonprofits* **958**  
(2007)

**DELAWARE  
INDIVIDUAL DONORS**  
*Number of Donors* **131,922**  
(2006)  
*Total Amount Contributed* **\$529 million**  
*to Delaware and non-Delaware organizations* (2006)

**DELAWARE  
GRANTMAKING INSTITUTIONS**  
*Private Foundations*  
*with assets of \$1 million or more* **390**  
*NOTE: 199 of these are “foreign” foundations,*  
*based in Delaware only for financial or legal*  
*reasons.* (2007)

*Community Foundations* **2**  
*with assets of \$1 million or more* (2007)

*Corporate Foundations* **9**  
*Source: The Foundation Center.* (2007)

## DELAWARE'S NONPROFITS

### KEY FINDINGS:

- ❑ Delaware's nonprofit universe, though growing, is expanding at a slower rate than sectors in comparable communities.
- ❑ Delaware's core nonprofits are small -- less than 25% had budgets of \$1 million or more in 2007.
- ❑ More than 35% of Delaware nonprofits operated in the red each year between 2002 and 2007.
- ❑ More than 1/3 of Delaware nonprofit revenues are self-generated - coming from program service revenues, dues or sales of goods.

**N**onprofit organizations are the engines of the philanthropic sector. It is these organizations, large and small, that care for the sick, feed the hungry, nurse the young and the old, educate people of all ages, care for animals, preserve the environment, provide places to worship, and celebrate the creative spirit through the arts.

While it is common to hold a rosy view of nonprofit organizations - organizations fueled by charity and volunteers, committed to mission rather than profit - it is important to remember that they are businesses. Their presence in a community not only helps insure a high quality of life, but a healthy economic infrastructure as well. Nonprofit organizations are employers, they pay payroll taxes, they produce goods and services, and they have a positive economic impact.

Their economic vitality, not to mention their ability to provide services to individuals and the community, is directly related to their financial and operational health.

In this report, we examine three critical aspects of Delaware's nonprofit sector:

**The size of the sector:** how many nonprofits are operating in Delaware, how has that number changed in recent years and what is the financial capacity of those organizations?

**The composition of the sector:** what types of nonprofit organizations are present in Delaware?

**The financial health of the sector:** how healthy are Delaware's nonprofits and what are the revenue streams that sustain them?

For this report, the term “nonprofit organization” refers to those organizations that are classified by the Internal Revenue Service as 501(c)(3) organizations and are not private foundations. (See About the Study, on Page 56.)

### **WHO GETS COUNTED?**

There are two methods of identifying the universe of nonprofit organizations in a particular geographic area:

The Internal Revenue Service maintains records of all organizations that have been awarded tax exempt status under Section 501(c)(3) and have not been deemed inactive. As of 2006, the IRS reported about 2,800 nonprofit organizations based in Delaware.<sup>10</sup>

However, most of these organizations are very small - less than \$25,000 in annual revenue - and many of them are no longer active, as the IRS tends to be conservative in purging its listings.

A more relevant count - and the one used for this study - is the number of organizations that file informational tax returns with the IRS. Any nonprofit with revenue of \$25,000 or more in a given year is required to file such a return - called a Form 990 - in that year. These returns are available for public review, and, collectively, they reveal the universe of nonprofits with substantial capital that are active in their communities. The data in this report reflects only those organizations that filed Form 990 tax returns during the study period.<sup>11</sup>

### **PROFIT OR NOT?**

Nonprofits are not distinguished by their inability to “turn a profit.” In fact, nonprofit organizations in the United States are free to generate revenues well in excess of expenses. To qualify for status as a 501(c)(3) “public charity,” or nonprofit, under the U.S. tax code, an organization must demonstrate that it serves a broad public purpose and, according to the IRS, that it is “not organized or operated for the benefit of private interests, such as the creator or the creator’s family, shareholders of the organization, other designated individuals, or persons controlled directly or indirectly by such private interests. No part of the net earnings of a section 501(c)(3) organization may inure to the benefit of any private shareholder or individual.”

Within those boundaries, many feel the strong nonprofit should strive to generate excess revenues, and hold them as reserves against leaner times.

Charity Navigator, the widely-respected evaluator of charity performance, awards its highest points to charities that, in general, have reserves adequate to sustain existing operations for one year, noting: “Charities depend upon their reserves of liquid assets to survive downward economic trends and sustain their existing programs and services. If a charity has insufficient working capital, then it faces the difficult choice of eliminating programs or staff, amassing debts and liabilities, or dissolving. On the other hand, when giving flows, those charities that build working capital develop a greater capability for expanding and improving their programs.”

## SIZE OF THE SECTOR

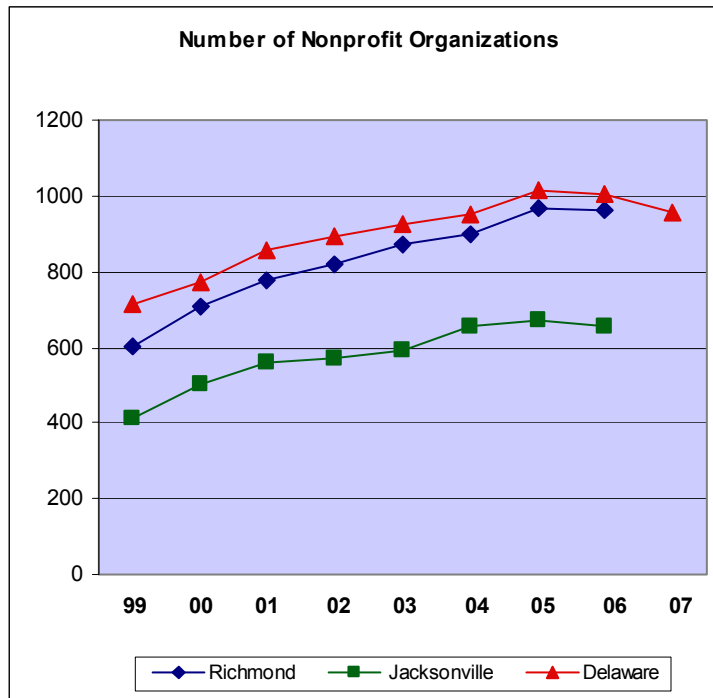
About 1,000 nonprofits with substantial capital were active in Delaware in 2006-2007. Collectively, they generated about \$4.5 billion in revenues and \$4 billion in expenses in fiscal 2007.

In isolation, those numbers may have little meaning. Are 1,000 nonprofits enough, to few or too many? Are their revenues adequate or inadequate? It is only by looking at the sector from multiple perspectives that we gain a real sense of its size, its import and its health.

## GROWTH

Delaware's nonprofit sector appears to be growing at a steady pace.

From 2003-2007, growth was a modest 3.8%, with the number of nonprofits peaking in 2005 at 1,017. Looking back to 1999, however, Delaware's nonprofit universe grew by 41%.<sup>12</sup>



## A WORD ABOUT LATE FILERS

Nonprofit organizations, particularly large institutions, often are slow to file Form 990 with the IRS. Consequently, it is not uncommon for the most recent year to reflect a drop in the number of nonprofits.

Between 2006 and 2007, data indicates the number of Delaware nonprofits dropped from 1,002 to 958. In all likelihood, the number filing in 2007 will increase over time as delinquent organizations file their reports with the IRS.



In many fields, a 41%, eight-year growth rate would be considered robust. However, it is soft when compared with the growth of comparable nonprofit sectors in Richmond, Virginia and Jacksonville, Florida, two other communities studied by KBT & Associates.

In both of those communities, the number of nonprofits grew by 60% between 1999 and 2006 (2007 studies have not yet been completed).

Though the three communities vary, they are similar in size:

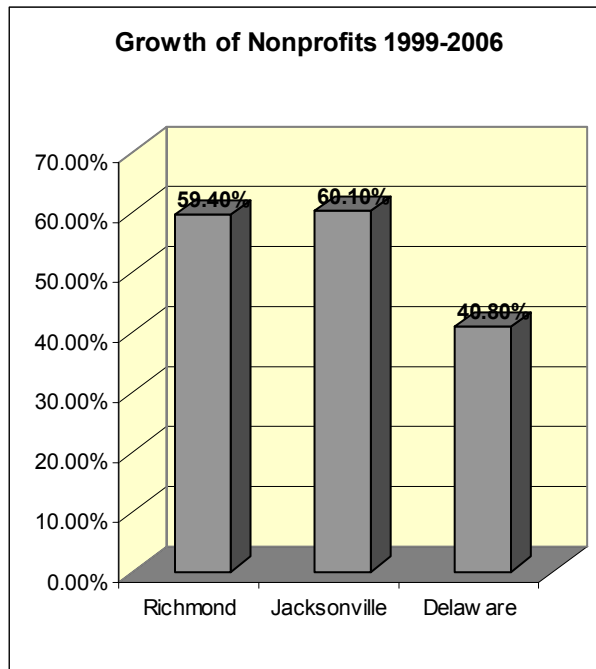
- Richmond, a core city and two suburban counties, has a population of 798,000.
- Jacksonville, a single sprawling county with consolidated city/county government, has a population of 850,000.
- Delaware, a state of three counties, has a population of 873,000.

Between 2000 and 2006, each of the three communities experienced slightly more than 8% overall population growth.

So why did the number of nonprofits grow more slowly in Delaware?

Perhaps the slower growth rate reflects the presence of a more mature sector in Delaware. In absolute numbers, the nonprofit sector in Delaware was the largest of the three communities in 1999 - 30% larger than Jacksonville's sector and 18% larger than Richmond's. It seems reasonable to conclude that the Delaware sector was more established and required less growth to accommodate changing needs.

A slower growth rate also could reflect a sector making good use of existing resources - choosing to expand the reach of established nonprofits to meet new need rather than adding new organizations.



## GEOGRAPHY

Most of Delaware's nonprofits - 70% - are based in New Castle County. Of the 958 nonprofits reporting in 2007, only 12% were located in Kent County and 18% were located in Sussex County.

In a small state such as Delaware, many nonprofits operate statewide. Nonprofits that are based in New Castle County often provide services in Kent and Sussex counties as well. Consider United Way of Delaware, Boys and Girls Clubs of Delaware, the Food Bank of Delaware, Ronald McDonald House of Delaware, and Goodwill Industries of Delaware. Each is a New-Castle-County based nonprofit providing services for the entire state.

Moreover, the City of Wilmington in New Castle County is the cultural center of the state, home to museums, historical organizations and arts groups that provide entertainment and resources statewide.

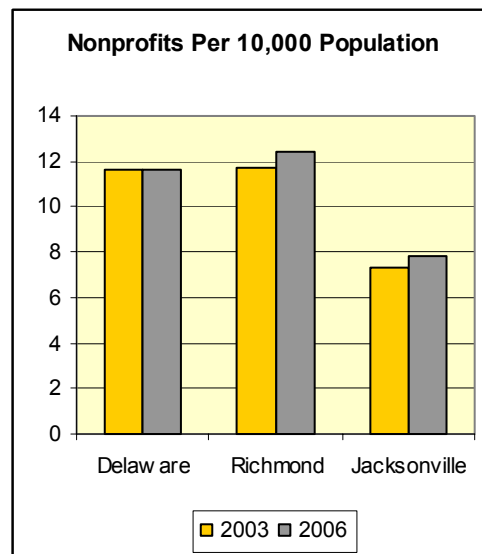
Thus the sector is well positioned to *expand* rather than *multiply* to meet changing needs.

## DENSITY

Looking at the number of nonprofits per capita reveals the concentration of nonprofits in a given area. Delaware's sector has a density similar to or higher than that of other communities.

Delaware and Richmond each are home to about 12 nonprofits per 10,000 residents, while Jacksonville's concentration of nonprofits is considerably lower.<sup>13</sup>

Between 2003 and 2006, Delaware remained stable at 11.6 nonprofits for every 10,000 residents. In Richmond and Jacksonville, nonprofit concentration increased during the period.



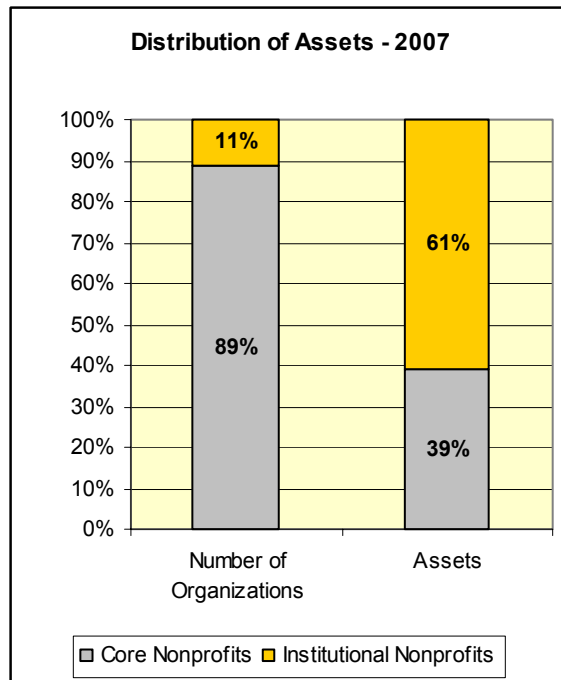
## FINANCIAL CAPACITY

Delaware's nonprofits held \$8.2 billion in assets in 2007, a 42% increase over 2003. (Inflation was about 12.5% during that period.)

Those assets, however, are not evenly distributed.

"*Institutional*" nonprofits - hospitals, higher education and a unique category of charitable trusts (see Page 22) - hold a disproportionately large share of assets while "*core*" nonprofits - arts organizations, general education organizations, human service organizations and the like - hold a disproportionately small share of assets.

In 2007, the 107 institutional nonprofits in Delaware comprised 11% of the nonprofit universe, but held 61% of the assets. The remaining 39% of assets were distributed among the other 851 nonprofits in the state.



Most of the state's core nonprofits have limited financial capacity.

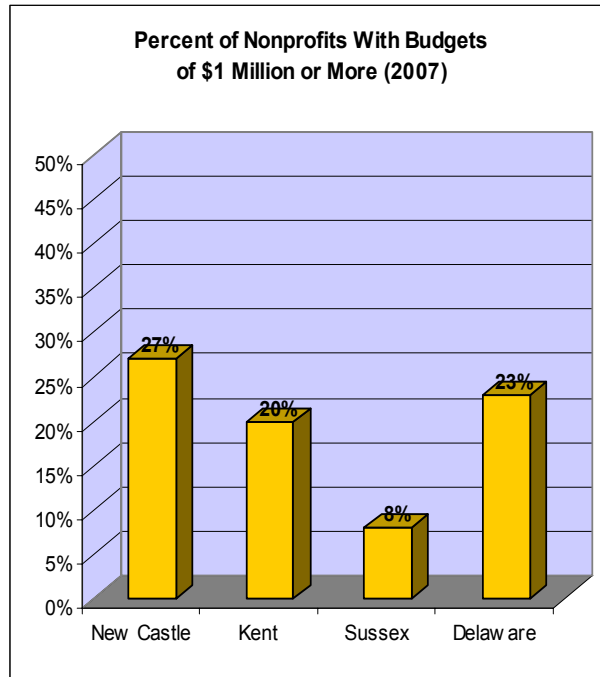
For core nonprofits in Delaware in 2007:

- Median assets were \$246,117;
- Median revenues were \$238,191;
- Median expenses were \$224,958.

In fact, only 22% of core nonprofits statewide had 2007 expenditures in excess of \$1 million, and most of those were located in New Castle County. In Sussex County, only 10 core nonprofits had 2007 expenditures of \$1 million or more.

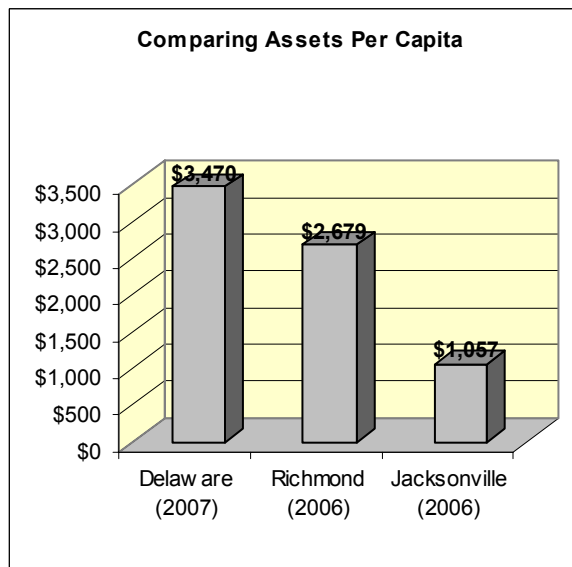
While bigger is not always better, it is true that many activities in which core nonprofits engage - providing health care, housing, or services for children and

youth, for example - can be expensive propositions. “Mom-and-Pop” nonprofits typically have greater difficulty sustaining services in these areas than more highly capitalized organizations.



One means of assessing the capitalization of a sector is by measuring nonprofit assets per capita. This gives a proportional sense of the nonprofit resources available across communities of different sizes.

In 2007, Delaware core nonprofits held \$3,470 in assets for every person in Delaware - a greater amount than comparable sectors in either Richmond or Jacksonville.



## COMMUNITY NEED

One expects the size of a community's nonprofit sector to bear some relationship to the needs of that community.

Measures of wealth and poverty often are used as proxies for need, as they give a thumbnail view of the prosperity of a given place. Typically, less prosperous communities have greater social needs.

For Delaware, Richmond and Jacksonville, data on median household income and persons living in poverty show three communities with different characteristics, but strikingly similar results.

Delaware has a more prosperous core county - New Castle - and less prosperous downstate communities. Richmond has a high-need core city surrounded by two more prosperous suburban communities. Jacksonville and Duval County are a single political entity.

Yet the bottom line is that Delaware's overall "need" is less than Jacksonville's and comparable to that of Richmond.

<b>COMPARING COMMUNITIES - 2007</b>		
	<b>Median Household Income</b>	<b>% Living in Poverty</b>
Delaware (New Castle)	\$59,871	10.1%
Delaware (Kent)	\$47,407	12.1%
Delaware (Sussex)	\$50,132	9.7%
Jacksonville (Duval)	\$49,175	12.4%
Richmond (City)	\$38,301	22.4%
Richmond (Chesterfield)	\$69,583	5.8%
Richmond (Henrico)	\$58,194	8.5%
Source: US Census		

## COMPOSITION OF THE SECTOR

What type of nonprofits comprise Delaware’s nonprofit sector? Are there more health organizations or more cultural organizations? More environmental organizations or more religious organizations?

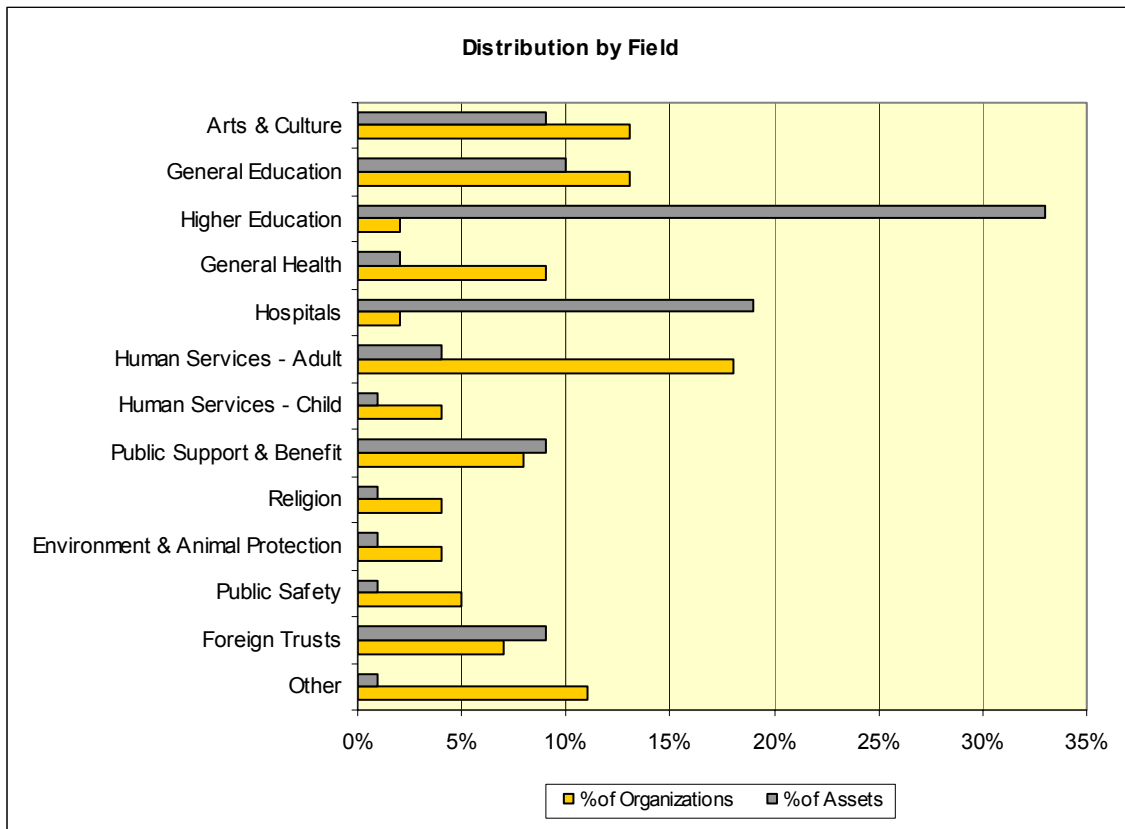
What is unique about Delaware’s nonprofit sector?

For this and similar studies, nonprofits are grouped into broad categories that reflect the taxonomy used by the field, with some variations:

KBT & Associates distinguishes the institutional nonprofits by designating categories for Hospitals and Higher Education, in order to highlight the disparity in capitalization of those organizations compared with non-institutional nonprofits.

Human Services is separated into those whose primary mission is serving children, and those who serve adults and children, to reflect the unique interests of some communities.

In Delaware, the category of Foreign Trusts was added to capture the large number of trusts based in Delaware whose mission is primarily to serve interests outside of Delaware, interests as diverse as a church in Texas, a university in North Dakota, a hospital in Colorado and needy persons in New York. The presence of these trusts is unique to Delaware (almost all are in New Castle County), and is another reflection of the favorable legal and financial



environment offered by the First State. (See Page 44 for more details.) Seven percent of Delaware’s nonprofits, and 9% of nonprofit assets, fall into this Foreign Trust category, and provide virtually no benefits to Delaware citizens.

The largest group of nonprofits falls into the category of human services - 22% of all Delaware nonprofits provide human services to adults and/or children.

Another 13% of Delaware’s nonprofits provide general education services; and 13% are categorized as arts and culture organizations.

The fourth largest category is “other,” which primarily includes PTAs, youth sports leagues and booster clubs - 11% of Delaware nonprofits fall into this category.

No other category comprised more than 10% of Delaware’s nonprofits.

## **PUBLIC SUPPORT AND BENEFIT**

In every community, there are nonprofit organizations that exist not to provide direct services but to support the efforts of other entities that provide direct service.

For this analysis, these organizations are classified as “Public Support & Benefit” organizations.

The category includes a broad array of organizations, among them:

- Scholarship funds, such as the AAUW Wilmington Delaware Scholarship & Memorial Fund;
- Community volunteer organizations, such as Junior League of Wilmington;
- Community-based grantmaking organizations, such as the Holly Ball Foundation, various Lions Club and Rotary Club foundations;
- Charitable trusts that support Delaware-based organizations, such as the David duPont Charitable Trust Fund;
- Corporate foundations not organized as private foundations, such as the ING Direct Kids Foundation;
- Large philanthropic organizations, such as the Delaware Community Foundation, United Way of Delaware and the U.S. Charitable Gift Fund;
- Charitable foundations not organized as private foundations, such as the Rodel Charitable Foundation.

In Delaware, some of the most notable philanthropic initiatives are being carried out by organizations that fall within this classification:

Since 1999, the **Rodel Foundation of Delaware** has spearheaded efforts to improve public education in Delaware, with its most significant investment going into **Vision 2015**, a statewide public education reform initiative.

During 2008 and 2009, **United Way of Delaware** launched **Delaware Does More**, a broad initiative to provide emergency food, shelter and utility support to people in need throughout the state.

Comparing this distribution with Richmond and Jacksonville reveals a few notable differences.

Delaware has more public safety nonprofits than either Richmond or Jacksonville, due chiefly to the presence of a host of volunteer rescue squads and fire departments. In many urban areas, these responsibilities are carried out by government rather than nonprofits.

While Delaware has roughly the same percentage of nonprofits in the human services fields, Delaware has fewer nonprofits focused exclusively on children than Richmond or Jacksonville, and more that describe their mission as serving children and adults.

Delaware has more nonprofits in the field of Arts & Culture than do either Richmond or Jacksonville. This is particularly notable given Wilmington’s proximity to Philadelphia and the comparative isolation of both Richmond and Jacksonville.

Finally, Delaware has fewer nonprofits classified as religious organizations than either Richmond or Jacksonville. In the greater Jacksonville area, 13% of all nonprofits are religious organizations, a reflection of the strong church culture of the south.

**How Delaware Compares**  
*Distribution of Nonprofits by Field*  
*Compared with Richmond and Jacksonville*

Arts & Culture	more
General Education	even
Higher Education	even
General Health	fewer
Hospitals	even
Human Services - Adults	more
Human Services - Children	fewer
Public Support & Benefit	fewer
Religion	fewer
Environment & Animal Protection	even
Public Safety	more
Foreign Trusts	more
Other	fewer



## FINANCIAL HEALTH OF THE SECTOR

How financially healthy are Delaware's nonprofit organizations? What constitutes financial health and how is that measured?

Regardless of the size of a community's nonprofit sector, the financial health of the organizations within that sector is critical. Nonprofits must be financially healthy to sustain themselves and provide services to their communities.

At its most basic level, financial health means having adequate financial resources to meet expenses and sustain operations. An organization that, at the end of the year, has revenues that are equal to or exceed expenditures is considered financially healthy.

To determine the financial health of the sector, we look at the ratio of revenues to expenses. Organizations with revenues exceeding expenses have a ratio of 1.0 or higher; those with expenses exceeding revenues have a ratio of less than 1.0.

We then calculate the percentage of nonprofits in a given community that operated in the red - had a ratio of less than 1.0 - in a given year.

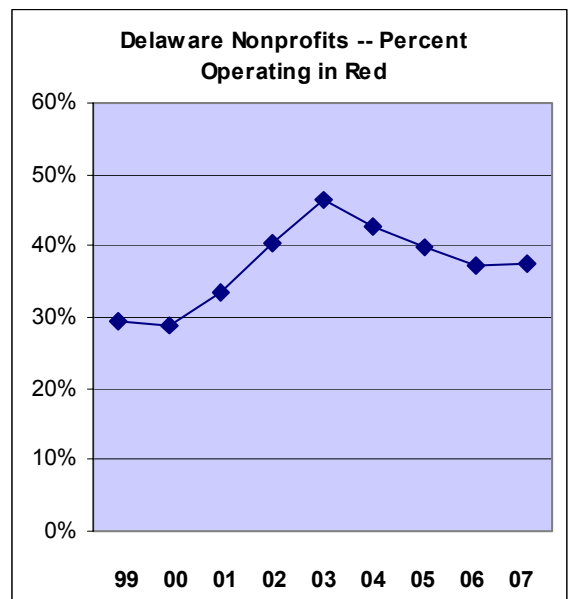
After tracking nonprofit financial health across four communities over nine years, some fundamental patterns have emerged:

It is not unusual for one-third of a community's nonprofits to operate in the red in any given year.

It is not unusual for an otherwise healthy nonprofit to operate in the red one out of every three years.

Given those benchmarks, how do Delaware nonprofits compare?

As the chart indicates, more than 35% of Delaware nonprofits operated in the red each year from 2002 to 2007. Thus, the financial health of Delaware nonprofits is slightly below the benchmark - though it has improved steadily since 2003.



## A BROADER PERSPECTIVE

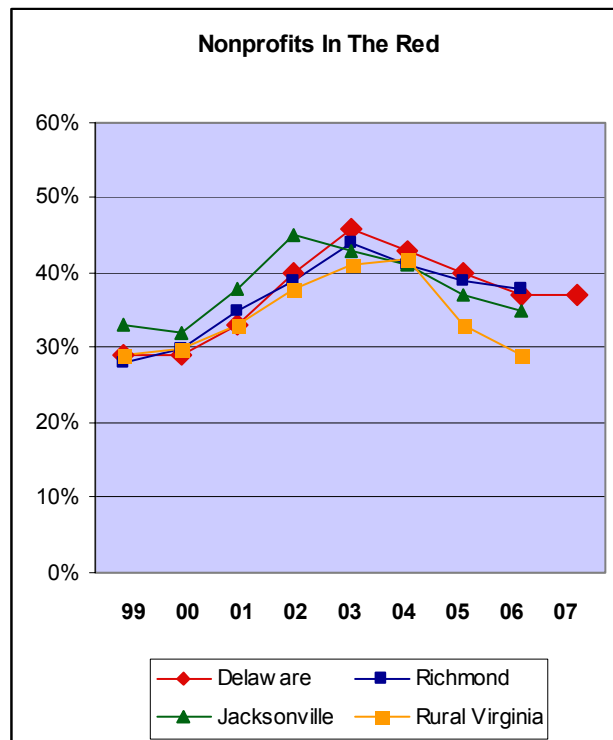
All communities studied by KBT & Associates show a sharp spike in the percent of nonprofits operating in the red during 2001-2003. The market erosion that began in early 2001 coupled with the calamity of September 11, 2001 and its aftermath had a very real and negative effect on nonprofit financial health. The trend that we see for Delaware nonprofits is consistent with trends in every other community we have studied.

What varies from community to community is the severity of the spike, the timing of the spike and the rate of recovery from the spike.

In 1999, Delaware's nonprofits were healthier than those in Jacksonville and as healthy as those in Richmond and the one rural community that KBT has studied, located in eastern Virginia.

Nonprofits in Jacksonville were the first to show a spike of negative financial health, related in part to the impact of state funding cuts. The remaining communities all spiked in fiscal 2003.

At the worst point, almost 47% of Delaware nonprofits were operating in the red - in New Castle County in 2003, 49% of nonprofits operated in the red. In the other three communities, 40%-45% of nonprofits were in the red at the worst point in time.



By 2006, the picture in Delaware had improved - only about 37% of nonprofits operated in the red, about the same proportion as in Richmond. However, the sectors in Jacksonville and the rural community had experienced a stronger recovery, and by 2006 35% or fewer of their nonprofits were in the red.

## DWINDLING ASSETS

In times of financial stress, organizations may turn to reserves, or spend down assets to raise the cash needed to sustain operations.

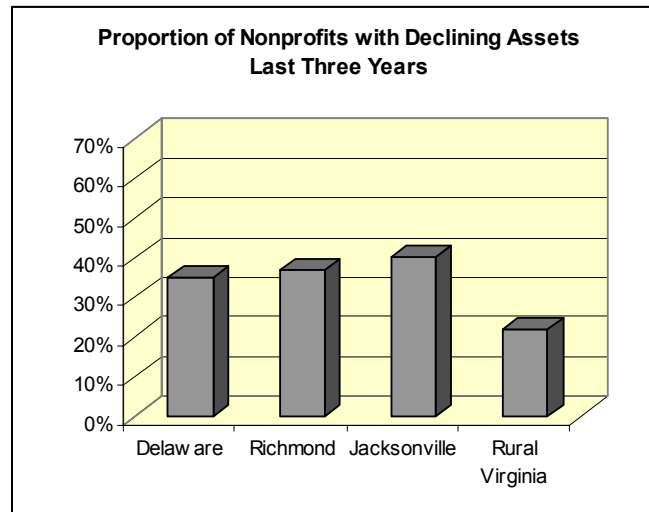
As part of the financial health exam, we look at the change in an organization's assets in the last three fiscal years to determine if assets are deteriorating or remaining stable.

In Delaware, between 2005 and 2007, 35% of nonprofits showed declining assets.

As disappointing as that may seem, it is better that the performance posted by nonprofits in either Richmond or Jacksonville.

In Richmond, 37% of nonprofits showed declining assets from 2004-2006. And in Jacksonville, 40% of nonprofits showed declining assets during the same period.

In the rural Virginia community, however, only 22% of nonprofits experienced a decline in assets from 2004-2006.



## SOURCES OF REVENUE

A financially healthy organization in all likelihood maintains multiple revenue streams. What are the major sources of revenue for Delaware nonprofits?

To explore this, KBT & Associates conducted a detailed financial analysis of 2007 revenue for a sample of 72 New Castle County nonprofits. The sample, which represents more than 10% of nonprofits in New Castle County in 2007, was apportioned by field to be reflective of that universe of organizations, excluding hospitals, higher education and foreign trusts.

Revenue was classified into four categories:

Contributions: all direct public support, indirect public and revenue from special events.

Government funds: Government grants and contracts.

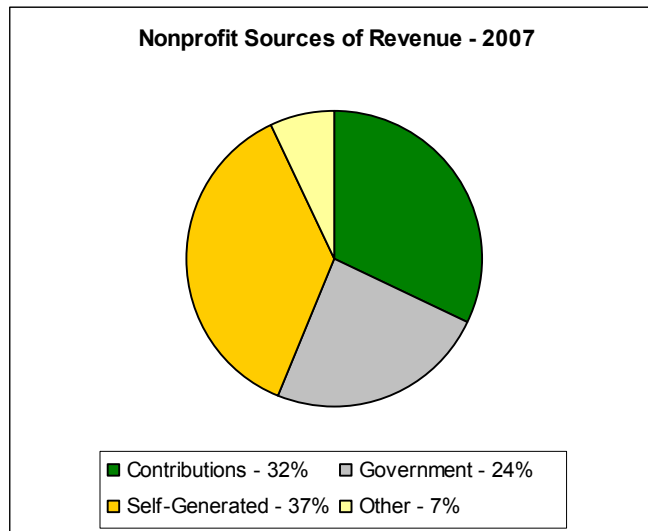
Self-generated: Program-service revenue and revenue from dues and sale of goods.

Other: all other sources, including investment income.

The largest revenue stream for these organizations was self-generated revenue - 37% of the revenue received in 2007 came from fees for delivery of services (exclusive of Medicare and Medicaid reimbursements), dues or sales of goods.

Contributions were the second largest revenue stream, amounting to 32%.

Government grants and contracts provided 24% of revenue.



The mix of revenue sources varied from field to field.

General education organizations, for instance, generated more than 57% of their own revenue thanks in large part to tuition and fees charged by private schools.

Child-serving human service organizations received the largest proportion of their revenue from government funding - 41%.

Adult serving human service organizations were largely sustained by contributions and government funding, except for membership organizations, such as the YMCA, which generated 80% of its revenue through membership fees.

Arts and culture organizations received about one-third of their support from contributions and another third from government funding, generating only about 22% of their income themselves.

Nine of the 72 organizations in the sample received 70% or more of their revenue from government sources. If recent experience is a guide, organizations such as these place themselves and their constituents at risk by

becoming overly reliant on a single source of funding that can be drastically reduced in the event of fiscal crisis.

Conversely, 23 of the 72 organizations received 70% or more of their revenue from contributions. While many of these were small youth sports organizations or PTAs, some were large human service organizations. Relying on the vagaries of contributions to provide core human services to people in need would seem a high-risk proposition.

## MYTHS & REALITIES

**MYTH:** *Delaware has more nonprofit organizations than it can afford.*

**REALITY:** As the table below shows, Delaware has fewer nonprofits per capita than Richmond, but nonprofits in the First State are better capitalized and have larger budgets than those in either Richmond or Jacksonville.

	Delaware	Richmond	Jacksonville
<i>Nonprofits Per 10,000*</i>	10.8	12.4	7.8
<i>Assets Per Capita**</i>	\$3,470	\$2,670	\$1,057
<i>Expenses Per Capita**</i>	\$2,165	\$1,500	\$1,450
<i>*Foreign trusts excluded; ** Core organizations only</i>			

**MYTH:** *Delaware has more arts organizations, specifically, than comparable states and we can't afford them.*

**REALITY:** While Delaware has proportionately more arts & culture organizations by number, they hold a smaller proportion of revenues and assets than their counterparts in Richmond and Jacksonville.

<b>Arts &amp; Culture Organizations</b>			
	% of Organizations	% of Revenues	% of Assets
Delaware*	13%	3%	9%
Richmond*	11%	7%	16%
Jacksonville*	8%	2%	9%
<i>* Delaware data circa 2007, Richmond and Jacksonville data circa 2006</i>			

# INDIVIDUAL GIVING

## KEY FINDINGS:

- ❑ Adjusted Gross Income of Delaware tax filers is more than 3% higher than the national average.
- ❑ The average charitable gift of Delaware donors is 9% lower than the national average.
- ❑ A higher proportion of Delawareans - 33% - make charitable contributions than the national average -30%.
- ❑ Philanthropic output (amount of charitable contributions per capita), as a percent of the U.S. average, declined from 2002 to 2006 in Delaware.

Individual giving is not only the backbone, but much of the muscle of philanthropy in America.

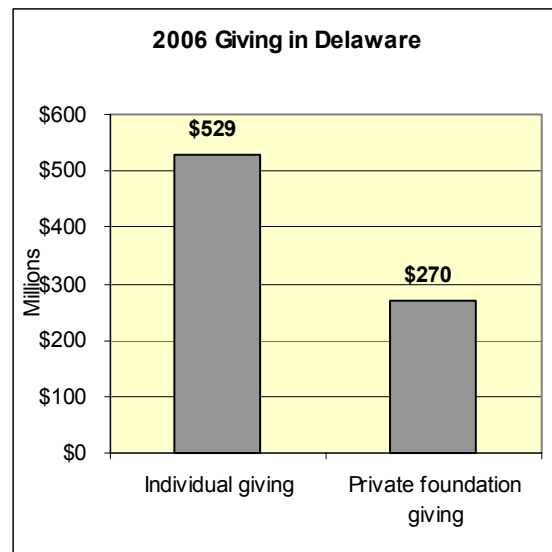
Nationally, individuals are responsible for 75% of all charitable giving, and that excludes the increasing proportion of individual giving that is made through family foundations. In 2006, \$229.3 billion (current dollars) was given by individuals nationwide, compared with \$35 billion given by foundations in the same year.<sup>14</sup>

Similarly, individual giving in Delaware dwarfs giving by charitable foundations.

In 2006, Delawareans gave more than \$529 million in charitable contributions, while private charitable foundations in the state gave \$270 million in the same year.<sup>15</sup>

Individual giving in Delaware - as in all communities - is a function of available wealth and willingness to give. Some communities have a strong culture of giving but lack great wealth. Other communities have considerable wealth but lack a strong giving ethic.

Delaware is blessed with both



a strong culture of giving and significant available wealth. But while a high proportion of Delawareans give, and Delawareans, as a whole, are wealthy, the average contribution in Delaware is below the national average. Thus, Delaware's challenge is in encouraging donors to give more.<sup>16</sup>

This study of individual giving is based on an analysis of data from individual tax returns for tax year 2006 provided by the Internal Revenue Service. For more information on methodology and terminology, see About the Study on Page 56.

### **WHAT DO INDIVIDUALS SUPPORT WITH THEIR GIFTS?**

The IRS only provides information on the amount of individual giving, not on the nature of individual gifts. In fact, there is very little data available to enlighten us about how Americans target their individual gifts. Here is what we do know:

Giving USA reports that, when all charitable giving is considered (gifts made by individuals, foundations, corporations and bequests), gifts are apportioned as follows:

- 33.4% of all gifts go to religious organizations
- 14.1% go to educational organizations or institutions
- 9.7% go to human service organizations
- 9.1% go to foundations
- 7.6% go to health-related organizations or institutions
- 7.4% go to public support and benefit organizations
- 4.5% go to arts and culture organizations
- 2.3% go to environmental/animal organizations

The remainder goes to international organizations and other miscellaneous organizations. Since individual giving comprises 75% of all charitable giving in the United States, it is reasonable to assume that individual giving is distributed roughly along these lines.

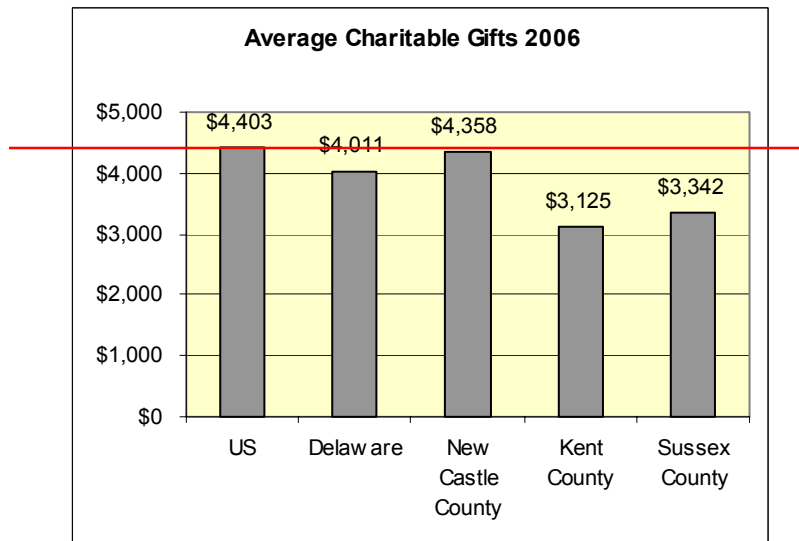
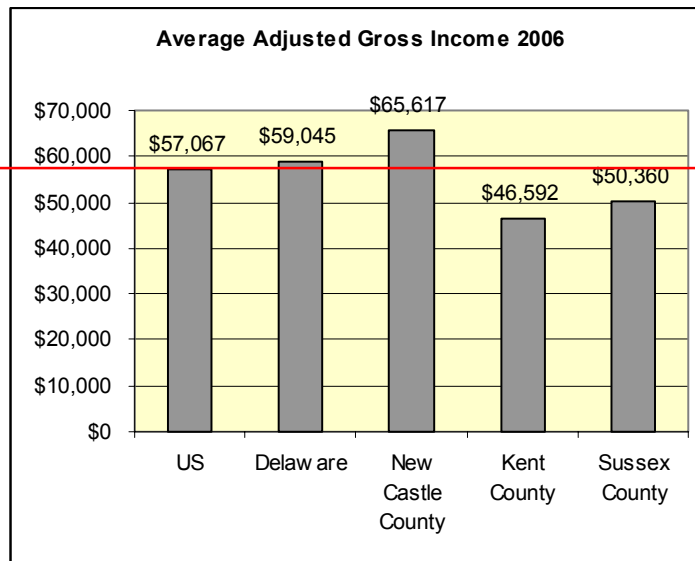
## AVAILABLE WEALTH

In 2006, 404,000 individuals and/or families living in the State of Delaware filed personal tax returns with the Internal Revenue Service. These 404,000 tax filers had an average Adjusted Gross Income (AGI) of \$59,045 - more than 3% higher than the national average (\$57,067).

But this higher-than-average income did not translate into greater-than-average charitable giving in 2006. In fact, Delaware's tax filers, on average, gave smaller gifts than their counterparts nationwide.

For the 132,000 Delaware tax filers who made charitable gifts, the average charitable contribution in 2006 was \$4,011, compared with a national average of \$4,403.

In New Castle County, where the average AGI was 15% *above* that for the U.S., the average charitable gift was about \$50 *below* the U.S. average.





## DISTRIBUTION OF WEALTH

Wealth never is distributed evenly, and that is as true in Delaware as anywhere.

Wealth in Delaware appears to be concentrated around Wilmington, in New Castle County, and on the state's southeastern shore, in Sussex County.

There are 14 communities in Delaware with an average AGI of \$75,000 or higher - all are located in those two areas.

<b>WEALTHIEST DELAWARE COMMUNITIES</b>			
<b>Zip Code</b>	<b>Community</b>	<b>County</b>	<b>Average AGI</b>
19710	Montchanin	New Castle	\$549,691
19732	Rockland	New Castle	\$489,096
19714	Newark	New Castle	\$481,571
19890	Wilmington	New Castle	\$417,887
19807	Wilmington	New Castle	\$371,123
19898	Wilmington	New Castle	\$220,222
19707	Hockessin	New Castle	\$111,084
19803	Wilmington	New Castle	\$101,893
19736	Yorklyn	New Castle	\$100,133
19930	Bethany Beach	Sussex	\$98,433
19899	Wilmington	New Castle	\$96,032
19806	Wilmington	New Castle	\$93,496
19944	Fenwick Island	Sussex	\$82,176
19971	Dewey Beach	Sussex	\$76,928

## WEALTHY DONORS

High wealth donors, regardless of where they live, hold the key to charitable giving in Delaware, as in most communities.

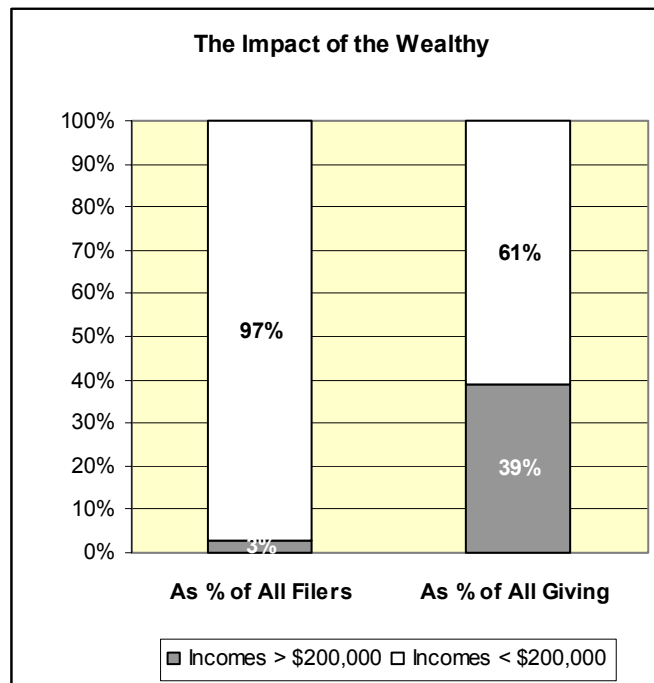
That is not to say that wealth is a prerequisite for giving - certainly, in every community there are examples of individuals of modest means who give generously.

But in the aggregate, charitable giving rides on the shoulders of the wealthy in Delaware.

That is abundantly evident in studying the giving patterns of those Delawareans with a total income of \$200,000 or more.

Statewide, of the 404,000 tax filers, only 11,000 - 2.7% - have a total income of \$200,000 or more.

Yet these 11,000 tax filers are responsible for 39% of all individual charitable giving in the state.



These high-wealth citizens are not widely dispersed throughout the state. Of the 79 communities (defined by zip code) in Delaware, fully one third have no tax filers with incomes greater than \$200,000.

But 12 of these communities are home to 77,927 tax filers, of whom 5,688 - 7.3% - have incomes greater than \$200,000. And these 12 communities generated 43% of all individual charitable contributions in 2006.

Zip Code	Community	County	# Wealthy Filers	% of All Filers	Avg AGI
19707	Hockessin	New Castle	950	11.7%	\$426,224
19710	Montchanin	New Castle	59	30.8%	\$1,663,661
19711	Newark	New Castle	1,123	5.2%	\$362,297
19714	Newark	New Castle	179	22.2%	\$1,991,637
19732	Rockland	New Castle	67	42.9%	\$1,045,015
19803	Wilmington	New Castle	1,060	9.8%	\$462,995
19805	Wilmington	New Castle	136	0.8%	\$915,074
19807	Wilmington	New Castle	1,333	31.7%	\$1,049,085
19810	Wilmington	New Castle	587	4.6%	\$371,784
19890	Wilmington	New Castle	65	43.3%	\$861,000
19898	Wilmington	New Castle	95	45.9%	\$352,537
19899	Wilmington	New Castle	34	6.3%	\$995,618

Lest it appear that all wealthy tax filers are generous donors, note:

Of the 5,688 wealthiest tax filers in Delaware, 347 - about 6% - did not report any charitable giving in 2006.

### **A WORD ABOUT 'GENEROSITY'**

One way to analyze giving is to consider the size of the gift in proportion to the donor's means.

In Delaware, the average charitable gift is about 3.4% of the average adjusted gross income of donors. This percentage changes very little from county to county:

New Castle County – 3.5%

Kent County – 3.5%

Sussex County – 3.2%

## WILLINGNESS TO GIVE

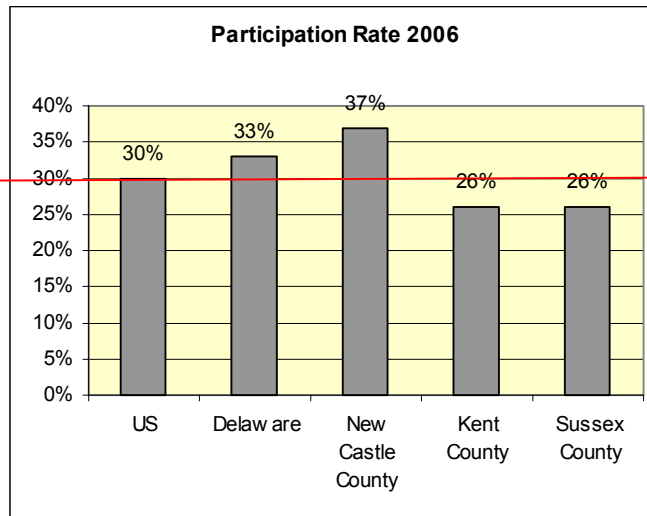
While available wealth certainly fuels philanthropy, it is the culture of giving that lights the fire.

Merely having money does not motivate one to give. The motivation to give transcends wealth and has its roots in personal values, family traditions, faith traditions, and community norms and expectations.

In analyzing giving patterns, the culture of giving is measured by the percentage of tax filers who give in any community - referred to as the "participation rate."

Delaware can boast a healthy culture of giving as evidenced by a higher than average participation rate.

Statewide, the participation rate for Delaware is 33%, compared with 30% nationwide.



Thirteen of the state's 79 communities have a participation rate of 40% or higher, with four of those having participation rates in excess of 50%.

While many of these high-participation communities also are high-wealth communities, five of the 13 are not.

Consider the community of Bear, located about 10 miles southwest of downtown Wilmington.

Average adjusted gross income in this community is \$58,750, slightly below the state average of \$59,045. Among donors, the average AGI is \$92,817 - well below the state average of \$116,654 for donors. Only 1.7% of tax filers in this community have a total income of more than \$200,000.

Yet, 44% of the tax filers in this community made a charitable contribution in 2006 - 10+ percentage points higher than the participation rate for all of Delaware.

The average contribution was relatively small - \$2,857 in Bear compared with \$4,011 statewide. But the charitable spirit of the Bear community resulted in a total of \$23.6 million being given by tax filers in 2006.

The community of Bear also illustrates a less positive trend: declining participation rates. In Bear, the participation rate dropped more than four percentage points - from 48.3% in 2002 to 44% in 2006.

Between 2002 and 2006, more than half of the Delaware communities saw participation rates decline. Statewide, the participation rate dropped from 34% to 33%; in New Castle County, it dropped from 39% to 37%. These changes are not unique to Delaware - participation rates nationally declined during the period.

What is the cause of this decline? Overall economic health may be a factor. Participation rates generally rose between 1997 and 2002 - and certainly the economic climate of the late 1990s was more positive. From 2002 -2006, the nation was recovering from the market slump of 2001 and the shock of 9/11 and the overall economic climate was more uncertain.

<b>COMMUNITIES WITH HIGHEST PARTICIPATION RATES</b>				
Zip Code	Community	County	Participation Rate	Avg AGI
19732	Rockland	New Castle	63.5%	\$489,096
19807	Wilmington	New Castle	57.4%	\$371,123
19707	Hockessin	New Castle	56.2%	\$111,084
19890	Wilmington	New Castle	54.7%	\$417,887
19803	Wilmington	New Castle	49.8%	\$101,893
19709	Middletown	New Castle	49.5%	\$69,812
19710	Montchanin	New Castle	48.7%	\$549,691
19930	Bethany Beach	Sussex	46.5%	\$98,433
19701	Bear	New Castle	44.0%	\$58,750
19810	Wilmington	New Castle	43.4%	\$73,342
19734	Townsend	New Castle	42.0%	\$58,124
19806	Wilmington	New Castle	40.9%	\$93,496
19711	Newark	New Castle	40.8%	\$70,538

## PHILANTHROPIC OUTPUT

How much individuals give and how many individuals give are important measures. But the ultimate measure of philanthropic health for a community is philanthropic output - the resources available for the population at hand.

To determine philanthropic output from individual giving, we look at the amount of individual charitable giving per capita.

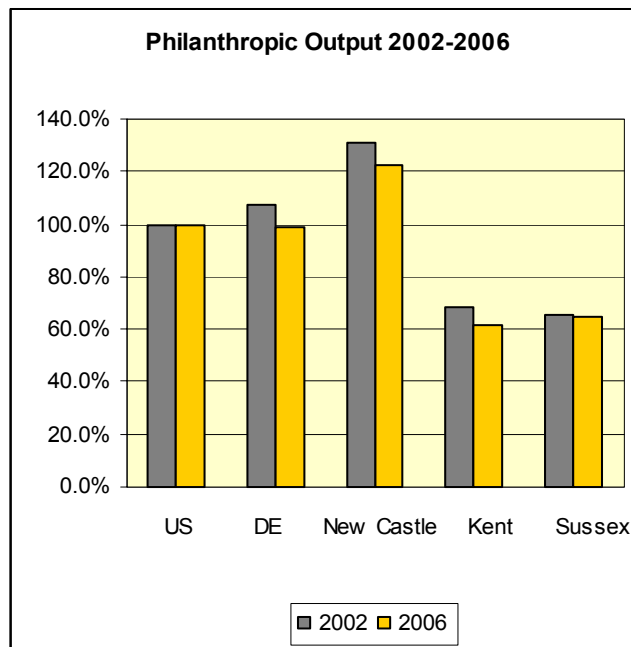
In 2006, individual charitable giving in Delaware amounted to \$602 per capita, a healthy increase over the \$521 per capita posted in 2002.

Giving per capita also increased in each of the state's three counties.

GIVING PER CAPITA		
	2002	2006
New Castle County	\$635	\$744
Kent County	\$333	\$374
Sussex County	\$317	\$395

But when compared with changes in giving per capita at the national level, Delaware fell somewhat short.

In 2002, statewide giving per capita was well ahead of the national average; by 2006, it was slightly behind the national average. Similarly, giving per capita in New Castle and Kent counties showed declines when expressed as a percent of the national average.



The chart shows Delaware's philanthropic output (charitable giving per capita) expressed as a percent of the national average for 2002 and 2006. Both at the state and county levels, philanthropic output declined over the period, compared with the national average.

This may be an early warning sign for Delawareans.

Though the state is blessed with significant and growing wealth, it cannot afford to continue the decline in participation rates, without jeopardizing the welfare of its citizens and communities.

## MYTHS & REALITIES

**MYTH:** *Individual Delaware donors are not as generous as those in other states and cities.*

**REALITY:** As measured by the size of the average gift, individual donors in Delaware give less than the national average.

**MYTH:** *People downstate expect people in New Castle County to carry the financial burden of downstate charities; and downstate people won't contribute to statewide charities.*

**REALITY:** Downstate residents lack the wealth of their counterparts in New Castle County. Of the 14 wealthiest communities in the state, 11 are in New Castle County, three are in Sussex County and none is in Kent County.

Tax filers in Kent and Sussex counties are less likely to make charitable contributions than their counterparts in New Castle County, and their average gifts reflect their lower incomes.

# GRANTMAKING ORGANIZATIONS

## KEY FINDINGS:

- ❑ Private foundations represent the lion's share of organized philanthropy in Delaware.
- ❑ Of the 390 private foundations based in Delaware, 51% are located in the state strictly for tax or legal reasons and do not declare themselves registered with the state of Delaware.
- ❑ Of the 191 private foundations that are registered with the state of Delaware, only eight made significant (greater than \$500,000) gifts to Delaware-based organizations during 2007.
- ❑ More than 60% of private foundation grant dollars in 2007 went to Environment & Animal Protection, Education and Human Services.

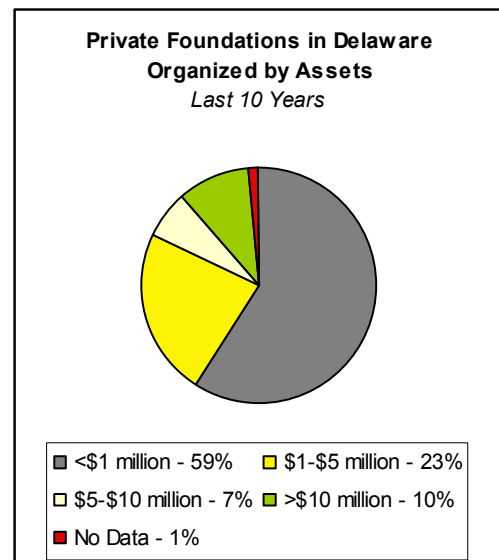
**P**ivate foundations are the bright stars in the galaxy of individual donors. They are the product of the same charitable impulse that fuels the widow's mite, but with greater scale and staying power.

Foundations, collectively, do not give as much as individuals. Nationally, foundations account for about 12% of all charitable giving.<sup>17</sup> But their ability to target large philanthropic investments to particular issues and locales over a period of time gives them a strategic leverage that, in general, individual donors lack. Thus, private foundations play a critical role in both setting and implementing philanthropy's agenda.

Private foundations are not the only vehicle for institutional grantmaking, but they are the primary vehicle for large-scale philanthropy. Private foundations in Delaware gave more than \$333 million in 2007. That same year, Delaware's two major community foundations gave about \$12 million, and corporate foundations gave less than \$5 million<sup>18</sup>.

## PRIVATE FOUNDATIONS

Just as each individual donor is unique, each private foundation is unique. Most are created by a donor





with a particular idea or vision, and that “donor intent” influences the foundation’s personality in a host of ways, from the issues on which it focuses to the types of grants that it makes.

More than 1,200 private, independent, non-operating foundations have called Delaware their official home at some point during the last decade.<sup>19</sup> Most of these are small foundations - almost 60% have assets of less than \$1 million.

While small foundations are important seedlings for philanthropy, their financial limitations generally inhibit their ability to have significant impact on issues or communities.

In examining private foundations, this study looks at those private non-operating foundations that meet the following criteria:

- Filed an informational tax return in either 2002, the base year for this study, or the most recent of 2006 or 2007;
- Were based in Delaware in any of those time periods;
- Held more than \$1 million in assets in any of those time periods.

For more details on methodology, see About the Study on Page 56.

## WHAT TYPE OF FOUNDATION?

The Internal Revenue Code classifies virtually all charitable foundations as 501 (c)(3) tax-exempt entities and goes on to delineate criteria for three broad classes of foundations:

**THE PRIVATE INDEPENDENT FOUNDATION:** The private foundation can be formed as a corporate entity or a trust, but it is expected that virtually all of its funding will come from a single source: either an individual or family or a business. Private foundations are not expected to solicit funds from the public.

Not all private foundations hold permanent endowments. Some receive gifts from their funding source annually and distribute those funds during the same year. Foundations supported by businesses frequently operate in this manner.

The private independent foundation has the most restrictive rules of all of the charities. Its income is subject to a 2% percent excise tax each year; it is required to distribute 5% percent of its investment assets each year for charitable purposes; it cannot hold private closely-held corporation stock beyond a limited period of time; it cannot engage in any political activities; and it must adhere to strict rules relating to conflict of interest transactions between the private foundation and any disqualified persons.

**THE PRIVATE OPERATING FOUNDATION:** The operating foundation conducts its own charitable programs, either alone or in partnership with other entities. This is unlike the private independent foundation, which generally will grant its funds to other charitable organizations to conduct the charitable activity.

**THE PUBLIC-SUPPORTED FOUNDATION:** Many foundations operate under the broad tax-exempt 501 (c)(3) classification. Public foundations are free to solicit funds from the public and generally do not face the distribution requirements of private foundations. A community foundation is an example of a public foundation.

Source: The Foundation Law Center

## A GROWING UNIVERSE

Delaware's foundation universe appears large at first glance.

In 2006-2007, the most recent period for which comprehensive data are available, there were 390 unduplicated private, non-operating foundations with more than \$1 million in assets based in Delaware.

Collectively, these foundations held more than \$6 billion in assets and awarded more than \$332 million in grants during that period.

And this universe appears to be thriving: Between 2002 and 2007, the number of Delaware-based foundations increased 57%, with the value of assets (not adjusted for inflation) growing by 63%.

<b>PRIVATE FOUNDATIONS IN DELAWARE</b> <i>(with assets &gt;\$1 million)</i>		
	<b>2002</b>	<b>2006-2007</b>
<b>Number of Private Foundations</b>	249	390
<b>Assets</b>	\$3,752,237,195	\$6,121,906,918
Source: Guidestar		

## 'FOREIGN' FOUNDATIONS

The private foundation universe in Delaware is unlike that of virtually any other state.

Delaware's unique court system, its corporate laws and its historic role as a corporate and financial center make the state an attractive legal home for private foundations, regardless of their philanthropic focus. Thus, Delaware is the legal home to many foundations that fund exclusively in states far from Delaware.

In fact, the majority of private foundations that are based in Delaware are domiciled in the state strictly for business or legal reasons, not because of any philanthropic affiliation. These are Delaware's "foreign" foundations.

Delaware's foreign foundations can be identified through the informational tax return that they must file annually with the Internal Revenue Service.

The IRS asks private foundations to list the states to which they report or with which they are registered. The State of Delaware requires foundations doing business in Delaware to file a copy of their tax return with the state Attorney General's office.

More than half of the private foundations with more than \$1 million in assets based in Delaware do not list Delaware as a state to which they report and thus are considered “foreign” foundations. In 2007, 199 of the 390 Delaware-based private foundations - 51% - were foreign foundations.

These 199 foreign foundations reported to or were registered with one or more of 26 other states, from Maine to Washington, Florida to Hawaii.

Almost all - 88% - of these foreign foundations were housed at one of three Delaware offices: Foundation Source, Inc., a national firm providing back-office services for foundations; J.P. Morgan, one of the nation’s leading financial services firms; and Wilmington Trust Co., one of the nation’s largest personal trust providers.

<b>DELAWARE FOUNDATION HOMES</b>	
<b>Foundation ‘Home’</b>	<b>Number of Foreign Foundations</b>
<b>Foundation Source</b> 501 Silverside Road Suite 123 Wilmington, DE 19809	61
<b>J.P. Morgan</b> P.O. Box 6089 Newark, DE 19714	109
<b>Wilmington Trust Co.</b> 1100 North Market St. Wilmington, DE 19890	11
<b>Total</b>	181

#### **ABOUT FOUNDATION SOURCE, INC.**

Headquartered in Fairfield, Connecticut, Foundation Source bills itself as “the silent partner behind America’s foundations” and “the number one provider of support services for private foundations.”

Through its Delaware office, located at 501 Silverside Drive, north of downtown Wilmington, Foundation Source managed the back office operations, to one degree or another, for more than 130 Delaware-based private foundations in 2006-2007. That represents 34% of Delaware-based private foundations reporting during that period.

Foundation Source offers expertise in foundation administration, compliance monitoring, transaction processing, tax preparation and filing, and financial and activity reporting. It does not custody assets or provide investment, tax or legal advice.

Foundation Source promotes the use of Delaware corporate structures in establishing new foundations, stating that it can provide a Delaware corporate structure “in as few as three business days.”

While these foreign foundations, no doubt, favorably impact Delaware's economy, they do not necessarily impact Delaware philanthropy. A random sample of 30 of these foreign foundations revealed that of the \$25 million in grants awarded, less than 1% - \$163,267 - went to entities based in Delaware.

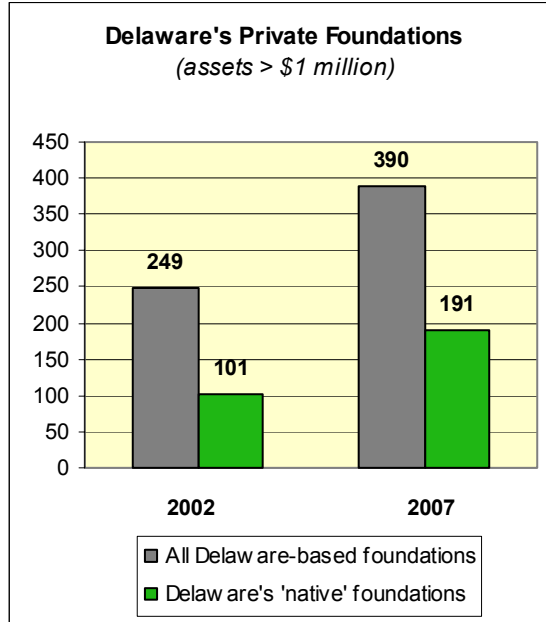
Why do foundations choose to locate themselves in Delaware when the focus of their philanthropy is in Florida or Maine? For the same reasons that so many corporations choose to incorporate in Delaware:

- Delaware general corporate law is considered by many in the legal community to be one of the most advanced and flexible corporate statutes in the nation.
- Delaware's Court of Chancery, which hears only cases involving corporate law issues, is known for its skilled and knowledgeable judges, expedient processes and wealth of expertise in corporate matters.
- Delaware's rich tradition as a corporate legal center keeps state officials and legislators alert and responsive to the changing needs of the corporate community.

## NATIVE FOUNDATIONS

Delaware's 'native' foundations - those that do report to the state - are most likely to impact the quality of life for Delaware's citizens.

In 2007, there were 191 native private foundations with assets greater than \$1 million. Collectively, they held \$3.7 billion in assets and awarded \$168 million in grants.



Seven of these foundations hold assets of more than \$100 million each. Another five hold assets of \$50 million- \$100 million. The overwhelming majority - 138 - of Delaware's native foundations hold less than \$10 million in assets.

Dominating the group is the Longwood Foundation, located in Wilmington. With \$906 million in assets, it ranked among the 100 largest private independent foundations in the United States and was more than 2 ½ times the size of Delaware's second largest foundation - the Mt. Cuba Center, Inc., with \$357 million in assets.

<b>DELAWARE'S LARGEST NATIVE PRIVATE FOUNDATIONS</b> (Circa 2007)	
Longwood Foundations Inc.	\$906,176,301
Mt . Cuba Center, Inc.	\$356,811,738
Stephen & Mary Birch Foundation Inc.	\$240,074,847
Welfare Foundation Inc.	\$174,652,844
Crystal Trust	\$153,984,393
Raskob Foundation for Catholic Activities Inc.	\$153,435,967
Champlin Foundation	\$118,985,068

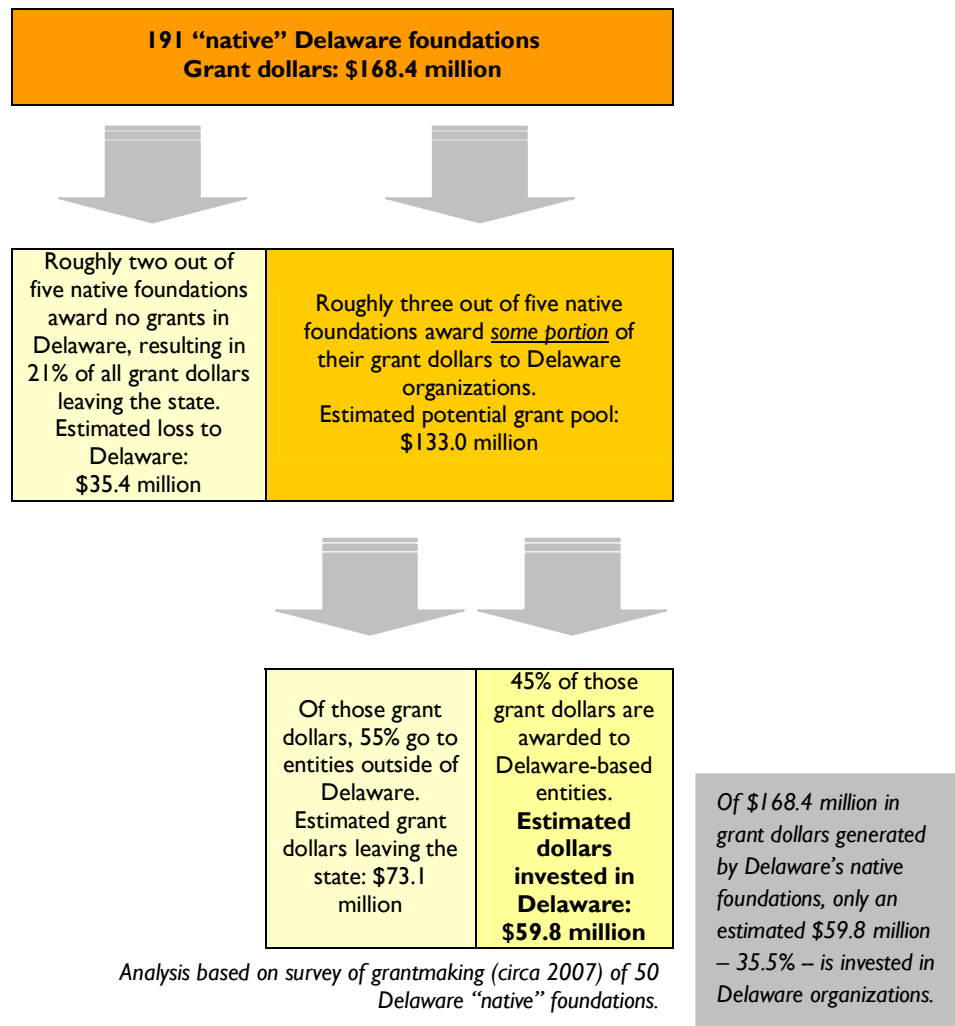
Native foundations, however, do not always support Delaware’s native nonprofit and community organizations.

Many foundations that report to the state of Delaware, and thus are considered native foundations, give few or no gifts to Delaware-based organizations. Their donors’ generosity, instead, is focused on worthy causes in other locales.

As part of this study, we examined in detail the grantmaking of a random sample of 50 native foundations in both 2002 and 2007.

In both time periods, almost half - 24 out of 50 - of those native foundations awarded no grant dollars, or token (\$5,000 or less) grant dollars, to Delaware-based organizations.

It is worth noting that of the seven native foundations holding assets of \$100



million or more, three do not appear to make significant grants in Delaware.

In the most recent year:

- The Stephen & Mary Birch Foundation awarded less than 1% of its grants to Delaware-based entities;
- The Raskob Foundation for Catholic Activities supported Catholic institutions nationwide, allocating \$1.86 million for the entire eastern half of the country, from Boston to New Orleans.
- The Champlin Foundation awarded less than 1% of its grants to Delaware-based entities.

Of the private foundations that did award grant dollars to Delaware-based organizations, fewer than half of the total grant dollars stayed in state.

In other words, only about one-third of the grant dollars expended by Delaware's native foundations are invested in Delaware-based organizations.

Delaware is not the only state to experience such an exodus of philanthropic resources. *Philanthropy in the Sunshine State*, published in 2003 by the Florida Philanthropic Network, reported that 61% of Florida foundation grant dollars left the state.

In Florida's case, the flight of grant dollars is driven by the fact that many of the foundations based in the state are controlled by philanthropists who are new to Florida - they made their fortune elsewhere, "retired" to Florida, and their grantmaking reflects their roots rather than their new community.

In Delaware's case, it appears that the majority of foundations based in the state - native and foreign foundations alike - choose Delaware as a home for legal and financial reasons, not philanthropic ones.

## DELAWARE'S PRIMARY FUNDERS

At the heart of Delaware's organized philanthropy are eight private foundations that, together, held about \$1.8 billion in assets in 2007. That year, they provided more than \$43.5 million in grant dollars to Delaware-based organizations. These are the only native foundations whose known Delaware-directed grantmaking exceeded \$500,000 in 2007.

<b>DELAWARE'S MAJOR FUNDERS - 2007</b>		
<b>Foundation</b>	<b>Native Grants</b>	<b>% of total grants</b>
Longwood Foundation, Inc.*	\$17,490,016	39%
Mt. Cuba Center, Inc	\$10,933,500	100%
Welfare Foundation	\$5,892,087	90%
Laffey-McHugh Foundation	\$2,990,091	84%
Crystal Trust	\$2,693,155	88%
Chichester duPont Foundation, Inc.	\$1,702,000	62%
Marmot Foundation	\$929,500	49%
Crestlea Foundation	\$858,000	68%
<b>Total</b>	<b>\$43,488,349</b>	
<i>*The Longwood Foundation's Delaware grants represent a small proportion of its overall grantmaking due to the large investment the Foundation makes in Longwood Gardens, which is located in Pennsylvania.</i>		

### THE duPONT INFLUENCE

Woven throughout the major foundations and funders in Delaware is the name duPont – the family whose legendary members have shaped the face of Delaware since the 18<sup>th</sup> century.

The Longwood Foundation, Delaware's largest, was created by Pierre duPont, great grandson of Eleuthere Irenee duPont, who first came to Delaware in the 18<sup>th</sup> century. Pierre bought the Longwood property in 1906 and, in 1946, turned over the extensive gardens to the foundation that bears its name.

Mt. Cuba Center, Inc., Delaware's second largest foundation, has its roots in the home and gardens of Lamot duPont Copeland, who served as president and chair of the DuPont Company in the mid-1900s.

The Welfare Foundation was established by Pierre duPont as a vehicle for his charitable giving long before he established the Longwood Foundation.

The Crystal Trust, the fifth largest Delaware foundation, was established in 1947 by Irenee duPont.

The Chichester duPont Foundation is comprised of two funds, one established in 1946 by Mary Chichester duPont Clark, and the other formed on the death of Lydia C. duPont in 1958.

The Marmot Foundation was established by the will of Margaret F. duPont.

And the Crestlea Foundation was established by Henry Belin duPont, Pierre's younger brother.



In addition, there exists a second group of about 15 foundations that each gave more than 50% of their grant dollars to Delaware-based organizations. These “second-tier” funders are smaller foundations - all have assets of \$10 million or less - and their aggregate Delaware giving amounted to only \$2.3 million in 2007.

In many states, small foundations are often young foundations - having been established in the last 15 years - that hold the promise of growing assets significantly over time. In Delaware, however, most of these 15 second-tier foundations are well-established - only two (Gilliam and Kimmel-Spiller) have ruling years of 1995 or later - suggesting that these assets may not grow appreciatively in the future.

<b>DELAWARE'S 'SECOND-TIER' FUNDERS - 2007</b>		
<b>Foundation</b>	<b>Native grants</b>	<b>% of total grants</b>
Choptank Foundation	\$285,100	100%
Crittenton Foundation	\$54,000	100%
Frank & Yetta Chaiken Foundation	\$225,640	99%
Milton & Hattie Kutz Foundation	\$176,250	99%
Edgar A Thronson Foundation	\$178,100	99%
Carpenter Foundation	\$94,000	98%
Gilliam Foundation	\$159,634	91%
Ida J Miller	\$93,526	86%
Kimmel-Spiller Charitable Foundation	\$49,690	75%
Shrieking Meadows Foundation	\$232,467	73%
Louisa Morse Charitable Trust	\$86,000	68%
Ellason Downs Perpetual Trust	\$260,400	67%
Samuel J Lefrak Foundation	\$235,000	61%
Red Mens Fraternal Home of Delaware	\$29,200	53%
R Elizabeth Ewart Casey Trust	\$120,507	50%
<b>Total</b>	<b>\$2,279,514</b>	

## HOW DELAWARE COMPARES

How does Delaware compare with other states in terms of the availability of philanthropic resources?

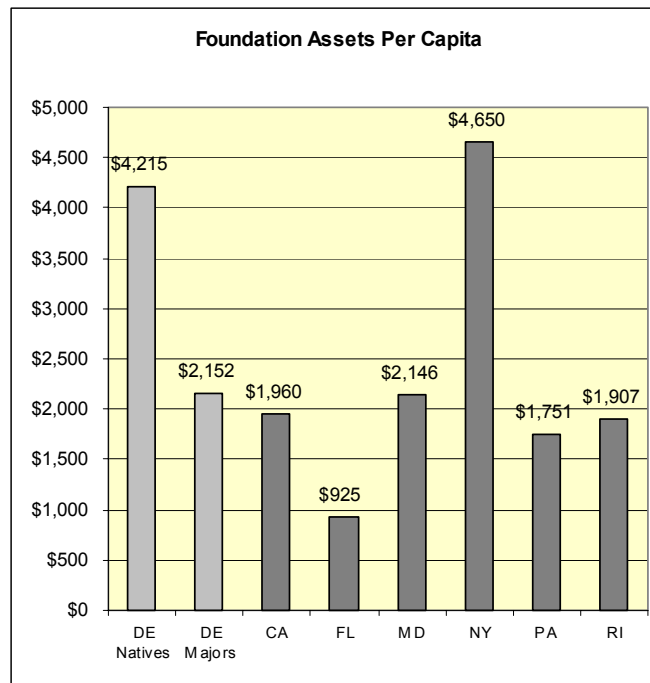
Calculating “assets per capita” provides a means of comparing available philanthropic resources from place to place.

Studies of other states reveal philanthropic assets per capita of \$2,500 or less. Florida, a large state with moderate wealth, has assets per capita of \$925, while Maryland, a smaller state with relatively high wealth, has \$2,146.

When counting all of Delaware’s native foundation assets, the First State’s assets per capita comes in at \$4,215.

This is comparable to New York, which has \$4,650 in assets per capita and likely benefits from some of the same “domicile effects” as Delaware.

When counting only those predominant Delaware funders, Delaware’s assets per capita drop to \$2,152 - still generous compared with many other states.



## GRANTMAKING

How do those funders who invest grant dollars in Delaware-based organizations target their philanthropy?

Not surprisingly, a large percentage of grant dollars in both 2002 and 2007 went to support organizations working in the fields of general education, human services and arts & culture.

In addition, a substantial percentage of grant dollars were allocated to “public support & benefit,” reflecting large grants awarded to United Way of Delaware and The Delaware Community Foundation.

Changes in grantmaking focus between 2002 and 2007 can be explained by examining the grant decisions of two critical funders.

In 2002, the Longwood Foundation awarded more than \$4 million to health-related enterprises in Delaware, making General Health one of the most generously supported fields of endeavor that year.

By 2007, however, Delaware philanthropy felt the impact of the Mt. Cuba Center, Inc., whose grantmaking did not reach significant levels until 2005. In 2007, Mt. Cuba Center awarded virtually all of its grant dollars to environmental and conservation organizations.

<b>WHAT NATIVE FOUNDATIONS' GRANT DOLLARS TO DELAWARE SUPPORTED</b>	
<b>2002</b>	
General Education	31%
Human Services	22%
Public Support & Benefit	13%
General Health	12%
Arts & Culture	11%
<b>2007</b>	
Environment & Animal Protection	30%
General Education	21%
Human Services	19%
Public Support & Benefit	11%
Arts & Culture	10%

## CHANGING PHILANTHROPY

Organized philanthropy has changed significantly in Delaware since 2002.

In 2002, there were four native foundations that awarded more than \$10 million in gifts each. By 2006-2007, only one of those foundations remained as a major funder in Delaware.

**The Jurodin Foundation**, a Delaware-registered foundation with ties primarily to New York, received the proceeds of the estate of its founder, Julius Silver, in 2002 and awarded almost \$72 million in grants (\$70 million of which went to New York University) making it the largest Delaware-based grantmaker that year. At year-end, the foundation had assets of \$20 million. By 2007, this foundation's assets were less than \$1 million and it awarded no grants.

**The Rowland Foundation's** 2002 giving proved to be an aberration: \$20 million of that giving went to Harvard University in 2002 and the foundation's giving has hovered in the \$1 million and below range since then.

And then there is MBNA.

**The MBNA Foundation**, a private foundation established and funded by banking giant MBNA, had an enormous impact on philanthropy in Delaware. It awarded \$51 million in grants in 2002, making it the second-largest grantmaker that year. By 2007, it was gone, the result of corporate merger and relocation.

Only the **Longwood Foundation**, with 2002 giving of \$30.8 million, remained as a major funder in 2006-2007.

The only other foundation that gave more than \$10 million in the most recent year was the Stephen & Mary Birch Foundation, (\$12.1 million), which gave less than 1% of its grant dollars to Delaware organizations.

## MYTHS & REALITIES

**MYTH:** *Delaware foundations give capital, but they don't support operations, so agencies are at risk of going broke.*

**REALITY:** Of the eight dominant Delaware funders, there appears to be a bias toward capital grants. However, the Welfare Foundation, the Laffey-McHugh Foundation, the Crestlea Foundation and the Chichester duPont Foundation each awarded a healthy mix of capital and operating grants during 2007.

Unfortunately, the limited public reporting by these foundations makes it difficult to discern their grantmaking interests and/or restrictions. Only Mt. Cuba Center and Chichester duPont maintain web sites. The remaining six foundations provide only very limited information about their grantmaking activities within their informational tax returns (Form 990).

## **COMMUNITY FOUNDATIONS**

Community foundations also provide important philanthropic assets to communities.

Community foundations are structured differently than private foundations, and thus are classified differently by the IRS.

Community foundations receive contributions from a broad array of donors. Consequently, they are considered public-supported foundations. As such, they are not required to pay out any particular percentage of their assets.

Community foundations manage these charitable funds on behalf of the donors, who may be individuals and/or families, organizations or businesses. Donors determine the extent to which they wish to advise the grantmaking from their funds.

Community foundations typically hold a mix of endowed and non-endowed assets. Assets may be targeted to support a particular organization or cause, or left to be distributed at the discretion of the foundation.

Delaware has two foundations with assets greater than \$1 million that are classified as community foundations.

**THE DELAWARE COMMUNITY FOUNDATION**, based in Wilmington, holds more than 900 funds with assets of \$237.8 million, according to its 2007 annual report. It awarded in excess of \$15 million in grants.

According to its tax return, donors contributed more than \$15 million to the Foundation during 2007.

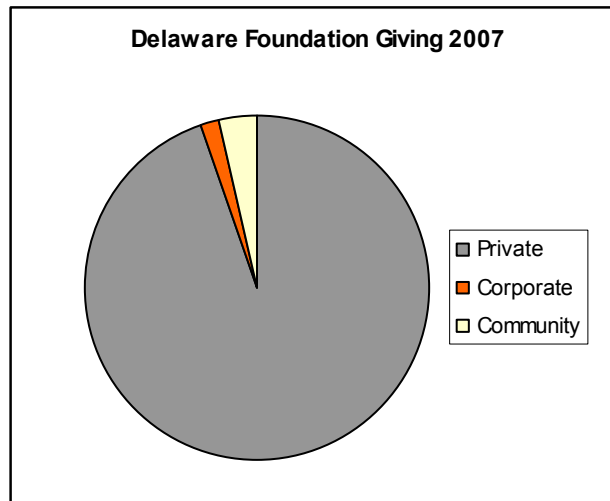
**THE GREATER LEWES FOUNDATION**, based in Lewes, held more than \$1.2 million in assets and awarded more than \$500,000 in grants in 2007.

## CORPORATE GIVING

Corporations conduct their charitable giving in various ways. Some establish private foundations to serve as their charitable giving vehicles. Some establish charitable giving funds at community foundations, using these as tools for giving. Some establish 501(c)(3) nonprofits as their charitable vehicles, encouraging other donors to join them in their charitable efforts. Still others make charitable gifts directly from their operating budgets, much as an individual might make a contribution from his or her checking account.

Because corporate giving takes so many forms - and most are not open to public scrutiny - there is virtually no reliable aggregate data available about corporate giving. There is data on corporate foundations, available through the Form 990 they must file with the IRS. But the remainder of corporate giving is documented largely through anecdotes.

Nationally, giving by corporate foundations amounts to less than 10% of giving by all major foundations, according to The Foundation Center. In Delaware, however, Foundation Center data shows that corporate foundation giving amounted to less than 2% of total foundation giving in 2007.



As with private foundations, a corporate foundation's presence in Delaware does not indicate the foundation gives *in* Delaware. Consider the Presto Foundation, a corporate foundation registered in both Delaware and Wisconsin, with assets (2007) of \$19 million and giving in excess of \$733,000. It made no grants to Delaware-based organizations in 2007.

Similarly, the CTW Foundation, also a Delaware-registered corporate foundation with \$17 million in assets (2007) and more than \$765,000 in giving, made less than \$10,000 of those gifts to Delaware-based organizations.

Conversely, Delaware today benefits greatly from the giving of corporate foundations based outside of the state.

Perhaps most synonymous with corporate giving in Delaware is former banking giant MBNA, which, between 2000 and 2006, channeled millions of charitable dollars into Delaware-based nonprofits.

Founded in Newark, Delaware in 1982 by Charles Cawley, MBNA used direct marketing and affinity cards to attract affluent new customers and grew into one of the nation's financial services giants. In 1995, the company relocated its headquarters to downtown Wilmington, sparking a revival of the city's urban business district.

The MBNA Foundation was established in 2000 and became a major philanthropic engine, awarding \$25 million to \$50 million in grants annually, about one-third of which went to Delaware-based entities. The MBNA Foundation gave generously, because Cawley and MBNA gave generously. The Foundation routinely received revenue of \$25 million to \$60 million each year, with the major contributors listed as MBNA America Bank, N.A. and the Cawley Family Foundation. Cawley, himself, was widely recognized as a generous donor to nonprofits in and around Wilmington. And he is reported to have strongly encouraged his executive team members to follow in his footsteps.

In 2005, Bank of America acquired MBNA and by 2007, the MBNA Foundation had transferred all of its assets to the Bank of America Charitable Foundation, Inc., based in Charlotte, N.C. Delaware still benefits, however: the Bank of America Foundation awarded \$190 million in grants in 2007, about \$8 million of which went to Delaware-based entities.

In addition to those corporations that formalize their giving through foundations, many Delaware corporate citizens give through their operating budgets. The DuPont Company, Delmarva Power and Wilmington Trust, for example, are active and generous grantmakers, supporting a range of nonprofits from United Way to Habitat for Humanity and West End Neighborhood House.

#### **ASTRAZENECA'S PHILANTHROPY**

Pharmaceutical giant AstraZeneca bases its U.S. operations in Wilmington, making it a critical component of the Delaware corporate community. It also is a major national philanthropic player, contributing hundreds of millions of dollars to help patients afford medications and educate communities about health issues.

Between 1998 and 2005, AstraZeneca conducted its patient-focused philanthropy primarily through a private foundation – the AstraZeneca Foundation. The foundation retained no assets, granting out 100% of the annual corporate contribution. Grants grew from \$42 million in 1998 to a high of \$398 million in 2005.

In 2006, the company began to transition its philanthropy from the private foundation to the AstraZeneca Patient Assistance Organization, a nonprofit with a 501(c)(4) designation (civic leagues and social welfare organizations). By fiscal 2007, the AstraZeneca Foundation was reported to be “inactive” and the Patient Assistance Organization had expenses of \$290 million. Like the foundation, it retained no assets.

## ABOUT THE STUDY

*PHILANTHROPY IN THE FIRST STATE* is a comprehensive look at the nonprofit organizations active in Delaware and the individual giving and organized philanthropy that support them.

The study was produced by KBT & Associates, Jacksonville, Florida, with analysis and writing by Mary Kress Littlepage. Assisting in the research were:

Tim Murphy of L&M Associates, Jupiter, Florida.

Ray Oldakowski, Professor of Geography, Department of Social Science, Jacksonville University, Jacksonville, Florida.

The report was made possible through the generous support of the Delaware Nonprofit Working Group.

## METHODOLOGY

### NONPROFIT ORGANIZATIONS

**METHODOLOGY:** Analysis is based on the universe of 501 (c)(3) organizations based in Delaware with revenues in excess of \$25,000 that filed a Form 990 informational tax return with the Internal Revenue Service during the study period. The database of information is assembled by Jacksonville University researchers based on copies of tax returns provided by Guidestar.

**LIMITATIONS:** The snapshot of organizations was taken during the first quarter of 2009. Organizations file tax returns at varying times during the year. Identical searches conducted at different points during the year will yield differing results as additional organizations file their returns.

### INDIVIDUAL GIVING

**METHODOLOGY:** Analysis is based on reports of individual giving and wealth as reported by the Internal Revenue Service for tax years 2002 and 2006. The IRS de-identifies and aggregates the data included in all personal income tax returns. Data is provided by zip code and extrapolated to produce county-level results.

**LIMITATIONS:** Data on charitable giving reflects only those gifts reported to the IRS via Schedule A of the personal income tax return. Admittedly, this collection method omits much charitable giving - it fails to capture giving by anyone who does not itemize deductions. However, it is the most accurate, most readily available and most accessible data on individual giving available.



## TERMINOLOGY

Tax Filer - any individual or group of individuals who file a tax return. A tax filer can be a single individual, a couple or a family. Tax filer is not synonymous with “household” - a household may contain one or more tax filers.

Adjusted Gross Income - the amount of income reported on Lines 37 and 38 of IRS Form 1040.

Average Gift - the aggregate amount of charitable contributions reported by all tax filers, divided by the number of tax filers.

Total Income - the amount of income reported on Line 22 of IRS Form 1040.

Participation Rate - the number of tax filers who report charitable contributions expressed as a percentage of the total number of tax filers.

Philanthropic output - the aggregate amount of charitable contributions divided by the total population.

## GRANTMAKING INSTITUTIONS

**METHODOLOGY:** The study is based on a comprehensive list of private, non-operating foundations provided by Guidestar, a database of more than 1.8 million nonprofit organizations. That list included all private, non-operating foundations based in the State of Delaware in either 2002, 2006 or 2007, with assets of \$1 million or more in any of the three years, which had filed an informational tax return (Form 990PF) with the Internal Revenue Service in any of those three years.

For foundations that met the criteria in both 2006 and 2007, only the 2007 data was used in the study.

Foundations were classified as “native” (filed with the state of Delaware) and “foreign” (did not file with the state of Delaware) based on their responses to Question 8a, Part VII-A of the IRS Form 990PF. The 33 foundations that failed to answer Question 8a, Part VII-A, were deemed “foreign” or “native” based on their 2007 grantmaking.

Of the native foundations present in both 2002 and the most recent year, a random sample of 50 foundations was selected for a grantmaking analysis.

All 50 foundations were invited to classify their grants in both 2002 and the most recent year along two criteria:

Geographic location of grantee - inside Delaware or outside of Delaware.

Primary field of interest of grantee, using the following classifications:

Arts & Culture

General Education

Higher Education  
General Health  
Hospitals  
Human Services - Adult Serving  
Human Services - Child Serving  
Public Support & Benefit  
Religion  
Environment & Animal Protection  
Public Safety  
Other

For those foundations that did not provide a grants classification, classification was done based on the data available in the organization's informational tax return.

## ENDNOTES

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<sup>1</sup> U.S. Census.

<sup>2</sup> *The Role of Philanthropy in Public Policy*, Waldemar Nielsen Issue Forums In Philanthropy, Pablo Eisenberg, October 2008.

<sup>3</sup> Robert Egger, address to the Donors Forum of Northeast Florida, May 2009.

<sup>4</sup> Listening Post Project, Communique No. 14: Impact of the 2007-2009 Economic Recession on Nonprofit Organizations, Lester M. Salamon, Stephanie L. Geller, Kasey L. Spence.

<sup>5</sup> Giving USA, June 10, 2009.

<sup>6</sup> *Foundation Investment Returns Were -26% in Fiscal Year 2008*, Commonfund Institute.

<sup>7</sup> Many foundations have chosen to increase their payout rates during the recession to mitigate the impact of declining endowment values. Commonfund found that the average payout in 2008 was 5.8%.

<sup>8</sup> *Key Facts on Community Foundations*, The Foundation Center, May 2009

<sup>9</sup> *Foundation Growth and Giving Estimates*, The Foundation Center, 2009

<sup>10</sup> The National Center for Charitable Statistics reports that, in 2006, there were 2,865 501(c)(3) public charities in Delaware registered with the IRS.

<sup>11</sup> In some cases, the local chapters of national nonprofits are not included in this count because the national office files a single consolidated 990 for all chapters. Thus, Delaware chapters of the Red Cross, Salvation Army, American Heart Association and American Cancer Society are not included in this report, while Boy Scouts, Girls Scouts and American Lung Association are included.

<sup>12</sup> Though the period for this study was 2003-2007, KBT & Associates has records for Delaware going back to 1999 through its work for other clients, who agreed to share that data for this report.

<sup>13</sup> When Foreign Trusts are omitted from the count of Delaware's nonprofits, the number of nonprofits per 10,000 residents drops from 11.6 to 10.8 in both 2003 and 2006. Conversely, when the more than 1,800 nonprofits that do not file 990s are included, the number of nonprofits per 10,000 residents jumps to 33.6, comparable to the states of Rhode Island (33.7), Maryland (36.1), Virginia (31.5) and New York (31.2) but well ahead of Florida (25.3) and Pennsylvania (29.1).

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<sup>14</sup> Giving USA 2008, The Annual Report on Philanthropy for the Year 2007, Giving USA Foundation.

<sup>15</sup> Guidestar

<sup>16</sup> While there is no data available on how Delaware's individual donors target their gifts, the Indiana University Center of Philanthropy reports that 46% of donors give to religious causes, though not exclusively to religious causes. Moreover, the study shows that the average gift to religious causes is almost twice as large as the average gift to secular causes.

<sup>17</sup> Giving USA 2008.

<sup>18</sup> The Foundation Center, 2007 data.

<sup>19</sup> Guidestar has records on 1,210 private, non-operating foundations based in Delaware.