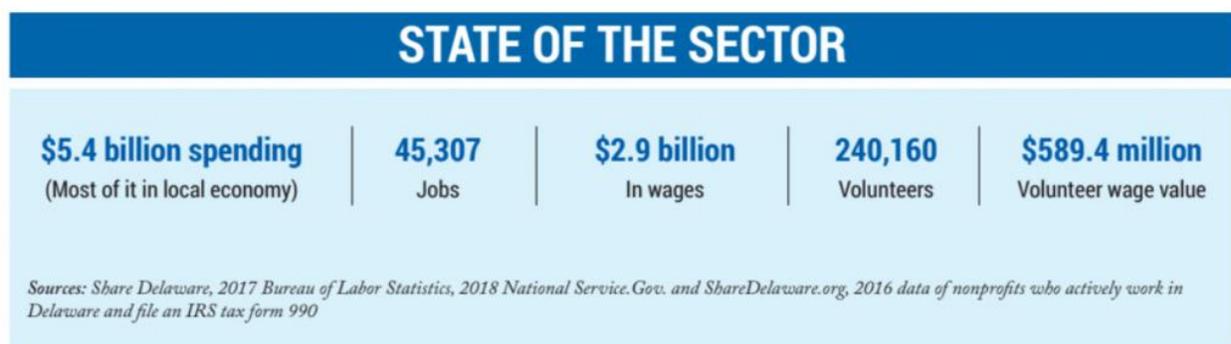


# DELAWARE BUSINESS TIMES

## Delaware nonprofits struggle with diversity, tax changes and funding shortfalls

Alex Vuocolo June 14, 2019

2019 IMPACT Delaware, delaware alliance for nonprofit advancement, Department of Technology, Philanthropy Delaware



Delaware nonprofits are focusing on ways to innovate through diversity and innovation, even as they struggle to maintain funding for key programs and create new ones.

The Delaware nonprofit sector employs 45,307 people and generates \$2.9 billion in wages, generating \$5.4 billion in spending, says Sheila Bravo, president of the [Delaware Alliance for Nonprofit Advancement](#) (DANA), citing data from the 2017 Bureau of Labor Statistics and other federal sites.

Bravo says she believes nonprofits need to adapt if they're going to remain relevant and deliver their services efficiently, thanks to a changing community landscape and the continuing impact of the loss of statewide funding in 2017. A DANA survey found that nonprofits lost an estimated \$25 million between state grants, contracts and grant-in-aid.

"We're seeing a greater reliance on private and corporate donations, since anecdotally we believe the number of donors has dropped," Bravo said. "The demand for services is not declining but some people still haven't figured out how to increase their funding streams."

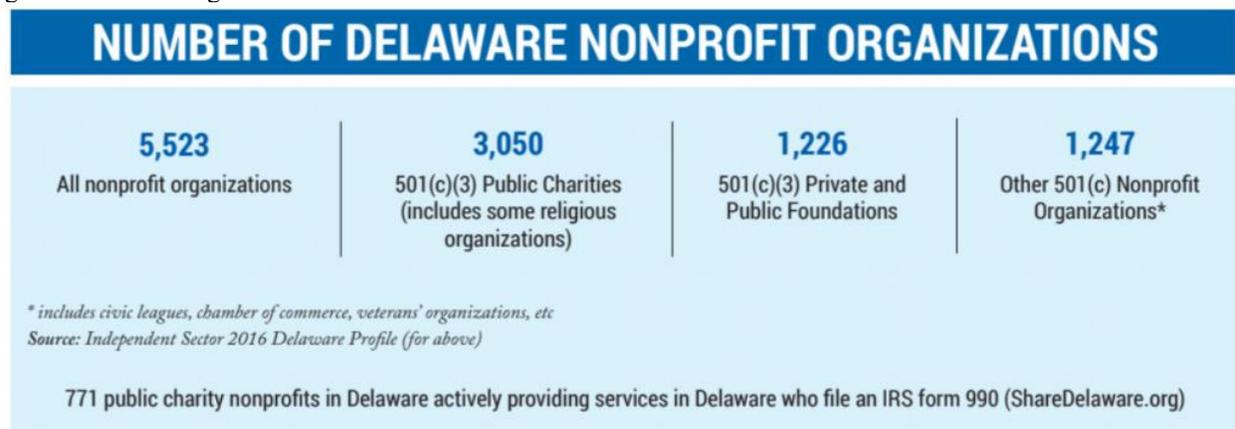
"We're seeing long-tenured executives announce their retirement," she added. "Agencies working with vulnerable populations are dealing with regulatory changes and differences in the way the game is played. And our senior population in Delaware is growing, but the funding is not keeping pace."

More than 200 people gathered for the [2019 IMPACT Delaware](#) annual conference on May 2 and heard from Facebook's Amira Bliss, who co-authored a study on nonprofit innovation for the Rockefeller Foundation. That study found that diverse teams composed of people with wide-ranging perspectives and skills are critical for innovation.

"Diversity actually introduces conflict," James Collins, secretary of the Delaware Department of Technology, told the crowd. "It's only when we work through the conflict in an inclusive way that we get to enjoy the values that diversity delivers."

Share Delaware has published a survey that shows the diversity of the Delaware nonprofit sector using data from the IRS master file of registered 501(c)3 organizations in 2016. Although more than 6,900 nonprofits are registered in Delaware, Share Delaware, a collaborative enterprise of DANA and [Philanthropy Delaware](#), found 876 that provide direct services in Delaware and have filed a 990 or 990EZ tax form in the past three years. Of the 876, 621 were in New Castle County, with the remaining 255 split fairly evenly between Kent and Sussex counties.

The updated figures provided by DANA also show 240,160 volunteers with a wage value of \$589.4 million. The deep cuts the Delaware General Assembly imposed on nonprofits in 2017 have put those organizations in a better position to cope with the impact of the 2018 federal tax bill and the reality that the pie isn't growing even though the need for critical services is. Delaware nonprofits "had to expand their donor bases, improve their websites and communications to donors, and do a better job stewarding their donors and sharing successes," Bravo told the Delaware Business Times earlier this year. "So, hopefully they're a bit better prepared to deal with drops in government funding."



The 2018 tax bill eliminated the personal exemption but nearly doubled the standard deduction to \$12,000 for single people and \$24,000 for married couples filing jointly. For taxpayers who are 65 or older, blind, or disabled, an additional \$1,300 is available.

While the charitable deduction was left unchanged, the ability to claim the charitable contribution deduction depends on whether the taxpayer has enough other itemized deductions to exceed the standard deduction. The changes have been most apparent to taxpayers who have traditionally itemized their deductions and give small to moderate amounts to charity.

Local nonprofits are still waiting to see how the tax changes affected their 2018 taxes and how they'll react when they are solicited to support their favorite causes.

Nationwide, nonprofits are receiving more revenue from a smaller group of donors. Charitable giving in the United States rose a paltry 1.6 percent last year, despite a strong economy — a sign that the 2018 tax code overhaul could be hurting donations, according to a study by the Fundraising Effectiveness Project that also reported a shift away from smaller and middle-class donors in favor of wealthy donors. Money coming from donations under \$1,000 fell by more than 4 percent. But gifts from major donors jumped 2.6 percent.

A study last year by Indiana University predicted the new tax code would cause donations to fall 4.5 percent, off by at least \$13 billion. It also said the decline would be concentrated among gifts from the middle of the income scale.

Those predictions appear to be initially supported by the new study — put together by the Association of Fundraising Professionals and the Center on Nonprofits and Philanthropy at the Urban Institute. The new study also reported that the number of donors fell 4.5 percent last year, indicating a shrinking pool of people involved in philanthropy.

One of the challenges that DANA and other organizations that support Delaware nonprofits is that each organization has a different funding model. Overall, the **National Council of Nonprofits** says member organizations receive 50 percent of their revenues from fees such as ticket sales, 30 percent comes from government support, and 20 percent comes from donations. But for some Health and Human Services organizations, those percentages may be very different.

It can also be difficult to spot trends across the nonprofit sector since there's often a lag in their tax filings, in part because of different fiscal-year end dates. Our list of largest nonprofits on page 17 is based on 2017 filings and many of the 2018 numbers won't be available until the fourth quarter, if then.

"One of our roles at DANA is to remind policymakers that the same level of funding they have given to a nonprofit for the past 10 years doesn't go as far as it used to with rising costs and more people to serve," Bravo said.

Despite the concerns about tax laws, the economy and shrinking donor lists, Bravo sees reasons for optimism.

“The challenges are a function of resources not value,” she says. “I’m finding that volunteers and staff people continue to be very passionate and proud about the work they’re doing. There may not be as many resources, but they’re focused on making a difference. The key to success is resource allocation and who they partner with to be as efficient as possible.

– *By Peter Osborne*

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