



Philanthropy on Nantucket

Insight into Trends in Giving on Nantucket, and Political and Economic Influence over Donations

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Submitted by:

Peter Chambers, pgchambers@wpi.edu
Harry Lanphear, halanphear@wpi.edu
Domenic Mucci, djmucci@wpi.edu

Submitted to:

Project Advisors:

Prof. Fred Looft
Prof. Brigitte Servatius

Project Sponsor:

Margaretta Andrews, Community Foundation for Nantucket

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Executive Summary

In 2012 charitable organizations in the US collected more than \$316.23 Billion, representing 7% of the total wealth in the country. This level of giving was aided, in part, by the US government, in 2001, removing certain restrictions on the level of giving to charitable organizations that was tax deductible. However, for 2013 the deduction limitation was reinstated, which will likely lead to a decline in charitable giving. Charities are worried that the reinstatement of the charitable deduction limitation will result in a decrease in donations.

Organizations have expressed concern about the reduction in philanthropic giving, and have sought additional information and support. Support came in the form of studies done in various parts of the country, which have reported the trends in donations to their respective regions and the influence that proposed tax code changes will have. For example, there were two studies done in 2012, one in Ohio and the other in Oregon that mapped philanthropic giving in the two states.

Nantucket is a small island with 110 philanthropies, with gross receipts of donations to these organizations over \$104 Million in 2012. One of the relatively new Nantucket organizations is the Community Foundation for Nantucket (CFNan), founded in 2006. The mission of CFNan is “To enhance the quality of life in the Nantucket community by using a variety of funds entrusted to its stewardship to address community problems and opportunities”. Inspired by the Ohio and Oregon studies, the Community Foundation charged the WPI team to create a database of trends in donations to the Nantucket nonprofit organizations.

The purpose of this project was to understand trends in donations and awareness of organizations on Nantucket to charitable giving tax code changes. To gain a better understanding of nonprofit organizations on Nantucket, the team analyzed the past and present state of expenses and donations of organizations. The team also mapped

awareness of proposals to the tax code and sentiment from organizations on whether or not they will be affected by tax code changes.

The first objective of the project was to develop a detailed database to study donation trends to Nantucket nonprofit organizations in 2010, 2011, and 2012. The local Nantucket charities received the CFNan Survey from the Community Foundation regarding the project in April of 2013.

After filling out the CFNan Survey, organizations reported issues about how long it took to complete the survey and how the definitions of donation sources were confusing. The time required to fill out the survey ranged from 4 hours all the way to 120 hours, depending on the size and set-up of the organizations. Another problem with the CFNan Survey was a lack of consistency in data received. Some organizations supplied all of the data requested, while other organizations omitted some information. For example, twenty percent of the surveys did not report the number of donations when requested.

The analytics extracted from the database of CFNan Survey results introduced many different statistics that revealed island trends and trends in different types of organizations. One statistic calculated was the Expense to Donation Revenue Percentage (EDRP) which displays abridged cash flow information from the organizations. After reviewing the EDRPs of the 20 organizations, 7 had EDRPs less than 100% and were unable to cover all of their operating costs through donations alone. In order to clarify and ensure that the data received from the CFNan Survey was accurate we interviewed directors from NPOs that replied to the survey. We attempted to interview all 20 respondents to the CFNan Survey particularly focusing on the 7 nonprofits with an EDRP of less than 100% and any organization that did not fully complete the survey.

The analyses of the nonprofit organizations were grouped into different categories for comparisons. All of the organizations' analyses were combined for an island-wide category. Groupings were then made by budget class. Class A organizations' expenses were less than \$50,000, Class B expenses were between \$50,000 and \$250,000, and Class

C expenses were greater than \$250,000. Organizations were also grouped into their respective sector, as defined by the Community Foundation for Nantucket.

Public data, collected by the group through 990 forms, projected that Nantucket NPOs had increased their revenue by over 30% between 2010 and 2012. Additionally, the Average Revenue Growth Percentage (ARGP) by organizations surveyed showed an 11.45% increase from 2010 to 2011 and a 31.45% increase from 2011 to 2012. The team observed that single organizations could skew the ARGP for one year, due to capital campaigns or large appeals. For example, the ARGP for 2012 would decrease to 1.37% if the organization with the highest RGP was removed from the calculation. When we further examined the data, we found that the GRP of most organizations underperformed nominal donation amount changes when outlying data sets were removed.

During the interviews for the CFNan Survey the group collected additional information on how aware the leaders of organizations were of the impending tax code changes, how they felt the changes would affect their donations, and how they thought donations to all the island philanthropies would change. The group scaled the answers from these questions to quantify the sentiment of interviewees, referred to as the Sentiment Survey. The Sentiment Survey results identified the need for the directors of organizations to have greater awareness of policy changes. Organizations' staffs should all take possible tax policy changes more seriously. Even though nearly 55% of participants believed their organization would not be affected by policy changes, 63% of participants felt changes to the charitable deduction would affect giving to on-island organizations in at least some way. This is a case of blissful ignorance, where those interviewed felt like there will be implications of charitable deduction policy change, but it would not affect them.

The team had many issues with their sample sizes throughout the project. Out of the 110 philanthropic organizations identified by the Community Foundation for Nantucket, and of the 85 that were invited the survey, only 20 responses were recorded. Similar issues presented themselves when collecting publicly available information by requesting 990 tax forms. When using Guidestar, an online NPO database, 53 forms were available for

2010, 50 for 2011, and 11 in 2012. Only 10% of philanthropies on Nantucket responded for interviews on the Sentiment Survey. These small sample sizes could have a large impact on our results. However, data was still collected for all of the sectors, in every year, and produced conclusive meaningful results that identify important information on the state of philanthropies on Nantucket.

This project was meant by the sponsor and the team to be a first look into the state of philanthropic giving on Nantucket, and provide a basis for future projects to continually build a more robust database. In future years, teams should collect data from the same three years to increase the sample size and discount outlying data trends before moving forward. We also recommend that nonprofits' leaders educate themselves to become aware of how pending charitable donation deduction policy changes will affect giving across the country.