

STATE
OF THE
SECTOR

*Exploring the Health
and Vitality
of the Independent Sector
in Northeast Florida*

FEBRUARY 2005

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INTRODUCTION

Viewed from 10,000 feet, the independent sector in Northeast Florida is easily underestimated. A few large institutions stand out – the Jessie Ball duPont Fund and The Community Foundation, Baptist Health, Jacksonville University, the YMCA or the Jacksonville Symphony. But the whole sector is difficult to see from a distance.

Look more closely, however, and the full scope and breadth of the sector becomes apparent. And, in many ways, it is breathtaking:

- ⊕ There are 318 private foundations on the First Coast, holding roughly \$1.2 billion in assets. For perspective: the 2003 assets of the St. Joe Co., from the Florida Panhandle to the Atlantic, were \$1.3 billion.ⁱ
- ⊕ The First Coast is home to more than 3,500 public charities. In Duval County alone, 572 of those were large enough to be required to file an informational tax return in 2002. Those 572 organizations – *none* of which are private foundations – had combined revenues in 2002 of \$3.8 billion. For perspective: 2003 total revenues for Royal Caribbean Cruises Ltd. were \$3.7 billion; for NASCAR, \$3.2 billion; for Stein Mart, Inc., \$1.4 billion; and for Gate Petroleum Co., \$634 million.ⁱⁱ
- ⊕ The sector, in 2000, was estimated to have an annual economic impact of \$4.04 billion. For perspective: the Super Bowl in February 2005 was expected to have an economic impact of more than \$250 million.ⁱⁱⁱ

The independent sector is more than “service-providing nonprofits.” It includes a wide range of organizations with varying missions that generally fall into three categories:

- ⊕ Those that make charitable gifts. This includes the 318 private foundations on the First Coast. In addition, numerous organizations that technically are not part of the sector have a direct impact on the sector, such as corporations that make charitable gifts out of operating budgets and funders that disperse public money, such as the Jacksonville Children’s Commission.
- ⊕ Those that receive charitable gifts. This includes all 501(c)(3) organizations, including institutions of higher education, hospitals and large nationally-affiliated nonprofits such as the Boys & Girls Clubs, as well as smaller nonprofits such as Tree Hill or Magnolia Row.
- ⊕ Those that straddle the line between giving and receiving. These are organizations such as The Community Foundation or United Way of Northeast Florida, and some civic groups such as Rotary and the Junior League of Jacksonville. These organizations both accept charitable contributions and, in turn, make charitable gifts.

In addition, the Sector includes some “intermediary” organizations, such as the Nonprofit Center of Northeast Florida and Volunteer Jacksonville Inc., which essentially exist to support the sector.

This large and remarkably diverse universe of organizations is growing rapidly. The number of private foundations on the First Coast has increased 85 percent since 1996. The number of Duval County nonprofits large enough to require a tax return has increased 38 percent since 1998.

Yet the same close examination that reveals the depth and breadth of the sector, reveals its shortcomings. The sector – and the community that it serves – is facing a number of significant challenges.

- ⊕ We must help nonprofit organizations improve their financial condition, by growing revenues, managing expenses and accumulating and protecting reserves. A disturbing number of Duval County nonprofits are experiencing deteriorating financial health. Between 1998 and 2002, the percent of nonprofits operating in the red increased from 31 percent to 43 percent. And 38 percent showed negative asset growth during the same period.
- ⊕ We must grow individual giving if we are to generate adequate funds to support the sector. Donors on the First Coast are generous – there just aren't enough of them. Only 20.8 percent of those who file tax returns declare charitable contributions; far below the 27 percent nationally, and well below our peer communities in the South.
- ⊕ We must prepare boards of directors for a sea change of leadership within nonprofit organizations by teaching them to anticipate and constructively manage executive transitions. Sixty-four percent of area nonprofits expect to experience an executive transition in the next five years. That rate of turnover has the potential to create significant instability in the sector.
- ⊕ At the same time, we must address the lack of diversity among leaders in the nonprofit sector. Only 1 percent of nonprofit executives are people of color, yet 48 percent of nonprofits serve primarily communities of color.
- ⊕ We must educate leaders of the scores of new foundations being formed. Almost half of all First Coast foundations have been created since 1996 and these new foundations attract more than half of all gifts to foundations. They represent enormous future giving potential and demand our thoughtful attention today.

Northeast Florida's independent sector, though healthy in many respects, is not as robust as we would like. While we can take pride in our accomplishments, we must be quick to acknowledge that much work remains if we are to support and sustain a group of organizations that help provide a high quality of life for all of our citizens.

ⁱ “Florida Public 150” and “Florida Private 200,” *Florida Trend*, May 2004.

ⁱⁱ *Ibid.*

ⁱⁱⁱ Jacksonville Super Bowl Host Committee, www.jacksonvillesuperbowl.com