

Friday, February 10, 2006

## Features And Opinions

### Our community's quality of life

COMMENTARY BY PAT WICK

HERALD/REVIEW

It was several months ago that I attended an event in Bisbee at which I met Carla Roberts, vice president of Affiliates for the Arizona Community Foundation, Phoenix, of which our Cochise Community Foundation is affiliated.

We sat down to talk about this community — yours and mine — Cochise County and Southeastern Arizona. Most of us think this is a special place. We enjoy the weather, the mountains and a lifestyle that has a lot to offer.

I consider myself fortunate to live here and if you're a regular reader you are probably more highly educated, well traveled and also live the kind of lifestyle that we consider somewhat ordinary, but is what has made America famous.

As I talked to Carla about my involvement with non-profits on a personal level and my work at the Herald/Review as a guide to our advertising support for their events, the subject of the tremendous advantage of national non-profits to swoop in and draw out large amounts of cash from our community came up.

I talked about my efforts to bring up the subject again and again in my column — how large the amounts of money from their one-day events are, how easily they seemed to increase their gains, and how little they spend to do it (at least locally). Yes, those entities put money into research and education, but millions and millions go to fund-raising and administrative costs.

For example, of the \$90,000 raised by the Relay for Life last year, only 67 percent is required to go to their programs, or just more than \$60,000. These percentages are according to their own annual reports, which I have not checked in the last year or two, but which are standard percentages.

That means nearly \$30,000 may go to administration and fund-raising, while they spend next to nothing to put on those events.

I've encouraged people to recognize "the great drain of cash from our community coffers" these events are and ask them to balance their giving. If you help a national entity raise \$17,000, do you help a local entity raise a like amount?

From our conversation, Carla was inspired to coin a new phrase "philanthropic leakage" and do research to compare it to the economic leakage many of us are familiar with — and to write about it. I hope you'll look for our four-part series starting this Sunday. It continues on Monday, Tuesday and Wednesday in the Herald/Review.

Think of this: Our lifestyle does not protect us from all that befalls most humans. In every family people suffer from illness, substance abuse, the stress of managing money in and money out, the ups and downs of employment and business, and strained marital or family relationships. Perhaps you have a child who may have an illness or abuse substances, suffer from the stress of managing their money, their career, their

marriage, or have a best friend, co-worker or boss who is suffering from an illness, substance abuse, the stress of managing money or relationships and on and on.

Then there is suicide, being the victim of crime, suffering a serious accident, loss of a loved one or being the recipient of Mother Nature's wrath.

Much of this has befallen my own family; at one time or another.

For my family there was help, whether it was the passage of time, counseling, rehab, divorce, or assistance from a friend. We solve the problems that give us the most pain and we move on, making our way forward as best we can.

But there are those among us who do not have the benefit of all that I have or you have — loving family, good health, supportive spouse or friend, talent, good job, money in the bank, food in the refrigerator, parents who provide for their children, a place to live, emotional stability or the wherewithal to get through one day at a time or to ask for help when even that is not attainable.

For them, this community offers additional help in the form of the Forgach Domestic Crisis Shelter, St. Vincent de Paul Food Bank, Habitat for Humanity, Good Neighbor Alliance's Samaritan Station, Naco Wellness Clinic, Boys & Girls Clubs, Child & Family Resources, Salvation Army, Volunteer Interfaith Caregiver Program, Alcoholic's and Narcotic's Anonymous groups, and many others.

For those who do not need such services, there are also the cultural contributions of non-profits such as the Sierra Vista Symphony, Cowboy Poetry & Music Gathering, Friends of the Library, numerous choirs, and museums, such as the Bisbee's Mining and Historical Museum and the Fort Huachuca Museum, to name just a few.

You are a benefit to this community, and I encourage you to make sure that your dollars so generously given are, too.

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Sunday, February 12, 2006

## Features And Opinions

### Philanthropic leakage drains impact of local nonprofits

COMMENTARY BY CARLA ROBERTS

SPECIAL TO THE HERALD/REVIEW

When we think about the nonprofit sector, most of us think charity and consider groups that operate on donations as economic drains rather than economic engines.

In fact, the nonprofit sector is a major economic force in Sierra Vista and Cochise County. Consequently, the potential impact on the entire community is worthy of consideration whenever making a tax deductible donation. As local residents, we can ensure that our charitable gifts not only satisfy our personal concerns, but also provide maximum benefit for the places where we live and work.

This means being aware of our options for supporting charitable causes that most benefit our communities, and guarding against what I term philanthropic leakage — the diversion of philanthropic resources away from those organizations whose programs bring immediate benefit to the local community.

#### **Economic leakage in the nonprofit sector**

Philanthropic leakage occurs whenever potential resources for the nonprofit sector leave the local community.

The primary forces creating philanthropic leakage are:

- Limitations in staff or other capability that prevent local grassroots organizations from engaging in cost effective activities to encourage local giving.
- Competition from larger nonprofit agencies — often from outside the area — that are better equipped to capture local giving.
- Limitations in planned giving opportunities, such as options in estate planning that appeal to local residents.

Why is it important for communities to stop philanthropic leakage? Let us take the example of retail trade to demonstrate the point. Until recently economic development efforts had little concern with retail activity, focusing instead on manufacturing. That has changed with projects such as the Sierra Vista Mall that have proven that retail development is not only an enhancement to the area, but also creates significant economic benefits. Prior to the creation of the Sierra Vista Mall — the largest retail complex in Southeastern Arizona outside of a major metropolitan area — it was obvious that retail dollars were leaving Cochise County.

With a local source to meet the demand for goods and services, not only has trade leakage been reduced, but the mall also attracts new money to the area. Shoppers are drawn into the community, be they tourists, seasonal residents, retirees, or residents of nearby communities. With Sierra Vista's enhanced reputation as a shopping area, the mall itself has become an engine for expanded retail activity. In addition, the Mall created more than 450 jobs by the end of 2000, according to a report produced for the Sierra Vista Economic Development Foundation.

This example of the Sierra Vista Mall is easily understood. It is obvious that the quality of life in the local community is improved when we can keep customers from leaving, attract trade from outside, and create jobs.

What is less readily understood is that the nonprofit sector serves a similar role in building community and enhancing quality of life for Sierra Vista and Cochise County.

In Part II, we will examine the economic impact of the local nonprofit sector to see why philanthropic leakage is important to Sierra Vista and Cochise County.

In her role as vice president of affiliates for the Arizona Community Foundation, Carla Roberts works closely with the Cochise Community Foundation and 10 other affiliated foundations in small towns, rural and tribal **communities** across the state. She can be contacted at [croberts@azfoundation.org](mailto:croberts@azfoundation.org), or 1-800-822-8221.

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**Monday, February 13, 2006**

## **Features And Opinions**

### **Nonprofit sector: Economic engine in rural communities**

COMMENTARY BY CARLA ROBERTS

SPECIAL TO THE HERALD/REVIEW

A recent report, "The Spirit of Arizona," published by the Arizona Community Foundation and The Center for Leadership, Ethics and Public Service, highlights the economic impact of the nonprofit sector and demonstrates that nonprofits are major players in the state's economy.

Author Tim Delaney cites several statistics from 1997 Economic Census: Comparative Statistics which is the most recently published Standard Industry Classification census data report quantifying tax-exempt employment. Among the findings:

- Arizona nonprofits employ more people (105,500) than the mining industry (12,900), wholesale trade (93,600), and a combination of transportation, communications and utilities industries (92,700).
- The nonprofit sector payroll in Arizona totals \$2.6 billion.
- The sector imports money into Arizona through public and private grants.
- The work force is improved through experiences and job training provided to nonprofit employees and volunteers.
- Additional jobs are generated through the purchase of real property and supplies used in the course of business, as well as the renovation and construction of buildings.

Harder to measure — but no less tangible — outcomes of the nonprofit sector allow parents to work because their children have safe care alternatives outside of the family, reduce future expenses when youth are mentored and channeled into activities that contribute to society, and create innovations that have the potential for positive impact on all sectors.

Cochise County and Sierra Vista nonprofits are therefore important contributors to the local economy and drivers of the local economic engine that deserve serious consideration. The most current information from The Urban Institute's National Center for Charitable Statistics indicates that there are 202 registered nonprofits in Cochise County. Of those, 48 are large enough to file a 990, which is the annual IRS reporting form filed by nonprofits.

Medical facilities, such as Southeast Arizona Medical Center, Healthcare Innovations, Northern Cochise Community Hospital and the Sierra Vista Regional Health Center, are among the largest nonprofit agencies. There are also key nonprofit players in environmental concerns and economic development such as the Malpai Borderlands Group and the Sierra Vista Economic Development Foundation. There are also groups with an educational mission like the Cochise College Foundation and others such as the United Way that raise funds in support of diverse community needs. The annual budgets of nonprofit agencies in Cochise County range from as small as \$1,500 to over \$56 million.

The tax return for nonprofits (990's) filed in Cochise County indicate gross receipts of \$270 million for 2004 and assets exceeding half a million. The nonprofit sector in the County represents about 3.8 percent of Arizona's total nonprofit sector. John Eastwood, a lecturer in economics and statistics at Northern Arizona University, has calculated a multiplier effect of \$1.50 for the nonprofit sector in Cochise County. Using that figure to calculate the circulation of nonprofit dollars in the local economy means that the annual receipts of the Cochise County nonprofit sector create over a \$400 million impact on the local economy each and every year.

Even with these impressive numbers, local nonprofits continue to struggle. A recent survey of nonprofits by Guidestar, the national on-line service that provides public access to the annual tax filing of nonprofits, says almost half cited their greatest challenge as "finding the money to accomplish our mission."

In Part III, we will examine some of the challenges facing local nonprofit agencies in Cochise County that enable them to survive, but not to thrive.

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**Tuesday, February 14, 2006**

## **Features And Opinions**

### **Nonprofit sector in Cochise County: An issue of capacity**

COMMENTARY BY CARLA ROBERTS

SPECIAL TO THE HERALD/REVIEW

When nonprofit agencies are struggling to survive, they do not thrive. And whenever nonprofits do not thrive, they are not able to contribute their greatest potential to the local economy. This situation has been termed a lack of organizational capacity by nonprofit management experts.

A recent survey of nonprofits by Guidestar, the national online service that provides public access to the annual tax filing of nonprofits, says almost half cited their greatest challenge as “finding the money to accomplish our mission.”

Valerie Lancaster of the Sierra Vista Boys & Girls Club confirms that local organizations share in this struggle. She defines local grass-roots nonprofits as those funded through local efforts — donations, grant funds and program service revenue. Most do not receive a steady stream of income from any single source.

All nonprofits seek diversified sources of support, and national agencies raise funds in local communities for broader public concerns such as research and other uses outside of local communities. These are clearly important humanitarian concerns deserving of philanthropic support.

However, these are also dollars that leave the community without creating the same economic impact as those that circulate through local nonprofits. Just a few recent examples of national campaigns in Cochise County within the last year, according to press reports, were Relay for Life, which raised \$90,000, and the March of Dimes \$48,000 in 2005, an increase of about 30 percent from the prior year.

National groups also attract more support from national retail chains than local agencies. For example, the March of Dimes campaign is sponsored by a national chain. And while the local branch of national supermarkets chains may have a small local allocation for donations, they often assist national campaigns. One example is a recent campaign for attacking or alleviating the problem of prostate cancer that collected \$10,000 in Cochise County.

In the same period Forgach House, the local domestic violence shelter raised \$30,000 from on a three-day tennis tournament — making little more than the year before and in the face of a significant loss of state funding. Certainly these national agencies are collecting donations for worthy causes. But as larger, more sophisticated agencies, they often have greater organizational capacity than local groups.

Lancaster reports a constant struggle to compete with what she calls the giant nonprofits that develop national partnerships with business chains that operate in the local community.

“The giant non-profits — whose fundraising and overhead expenses sometimes are over 30 percent of the revenue they bring in — quite literally pull money out of the local community. And their positive financial impact to the local community is virtually non-existent,” she said.

Charity Navigator, a national charitable ratings agency, was cited in a recent article in the Wall Street Journal as judging “... the effectiveness of charities by using a financial formula that goes something like

this: Good charities devote at least 60 percent of their budgets to programs and services, leaving no more than 40 percent to pay for fund-raising and administrative costs. For instance, a charity that spends less than 60 percent of its budget on programs and services is tying too much donor money in with fund-raising and administrative costs — not where donors tend to want to spend their hard-earned money.”

And while the 60/40 ratio is an appropriate general guideline, it is important to consider the type of organization. A united fund drive, for example, might have a greater percentage for fundraising and very little for programmatic expenses, but distribute a substantial amount in grant funds to qualified agencies.

Smaller nonprofits often operate far below the 40 percent margin for fundraising and administration. Most small nonprofits in Cochise County report 20 percent to 25 percent administrative allocations.

“Given those percentages there is no way that a local grass-roots nonprofit could compete with the giants in marketing and selling the cause,” Lancaster said. “But the impact to the local communities by the local grass-roots nonprofits is huge.”

Certainly most, if not all, of the nonprofit endeavors that appeal to local residents and businesses are providing significant contributions to society. And with increased globalization charitable appeals come from around the world.

The problem is that organizations with greater organizational capacity overshadow the smaller, grass-roots organizations that deliver direct services. The impact of giving on the local economy may be an important consideration for those who want to contribute to the quality of life in the community where they live or work.

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**Wednesday, February 15, 2006**

## **Features And Opinions**

### **Community foundations: A local solution for philanthropic leakage**

This is the fourth and final in a series of articles examining the impact of the nonprofit sector on the local economy of Sierra Vista and Cochise County.

COMMENTARY BY CARLA ROBERTS

SPECIAL TO THE HERALD/REVIEW

After introducing and defining the concept of philanthropic leakage as analogous to the retail trade concept of economic leakage, the series presented statistics on the economic impact of the nonprofit sector. Then we explored the organizational capacity of local organizations compared to regional, statewide or national agencies that conduct local fund-raising campaigns.

Another area where local communities experience philanthropic leakage is through wills and bequests. When communities do not have a mechanism in place to encourage bequests, potential donors may not consider charitable gifts in their will, or if they do, those legacy gifts may leave the community.

Local vehicles such as the Cochise Community Foundation and the Bisbee Foundation provide another mechanism to stop philanthropic leakage from the local community. The community foundation provides a vehicle to encourage charitable bequests that can be directed to particular interests or even to a specific agency. The community foundation is a way to capture legacy gifts and keep the charitable portion of wealth that was created in Cochise County in service to the community forever.

Many people think that the concept of a legacy gift is only for the wealthiest of taxpayers, with estates valued at over \$2 million. Right now in the United States we are experiencing a generational transfer of wealth, and a recent study by Boston College predicts that \$41 trillion will pass from one generation to the next over the next 50 years. Only about 8 percent of the general population establishes a will or bequest to ensure that their wishes are followed. Legacy gifts are a powerful way to build local community philanthropy, not only for the wealthy but also for all residents who want to give back to their community by designating a portion of their estate for charitable gifts.

Whether you give to local agencies, to special event campaigns, or decide to leave a legacy, giving makes you feel good while it helps others. So continue to give where you most feel a charitable impulse. But give thoughtfully.

Before making a donation, here are some points to consider:

- Have I given where I feel most concerned?
- Where is my donation going?
- Where and how will it be used?
- How much will be used to cover the cost of the fund-raising and administration?
- Do I want to invest in organizational capacity to deliver services?

— How will this make my community a better place to live?

A balanced giving plan is one in which you gain the most satisfaction through your giving. Local nonprofit leaders can help you to make thoughtful decisions and explain how your contributions can make a difference in the community where you live. We have the opportunity to apply our experience in stopping trade leakage to the philanthropic sector. We can mitigate philanthropic leakage through well informed investments of our charitable donations that stay in our communities for the benefit of our communities.

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