BACK ON TRACK

THE STATE OF THE NONPROFIT SECTOR IN METRO MILWAUKEE

PUBLIC POLICY FORUM

About the Public Policy Forum

The Milwaukee-based Public Policy Forum, established in 1913 as a local government watchdog, is a nonpartisan, nonprofit organization dedicated to enhancing the effectiveness of government and the development of Southeastern Wisconsin through objective research of regional public policy issues.

Preface and Acknowledgments

Our nonprofit sector survey and this report were undertaken to provide citizens, policymakers, philanthropists, and nonprofit sector leaders in the Greater Milwaukee region with greater insight into the financial health of the nonprofit sector, the key challenges it is facing, and the general state of philanthropy in the region. This survey was based on our previous surveys of nonprofits for the *Annual Report Card on Charitable Giving.*

The survey and report were sponsored by the Association of Fundraising Professionals, Milwaukee Brewers Community Foundation, Greater Milwaukee Foundation, Johnson Controls, Milwaukee Bucks Foundation, Rockwell Automation Charitable Corporation, United Way of Greater Milwaukee and Waukesha County, United Performing Arts Fund, and the Zilber Family Foundation.

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The state of the nonprofit sector in Metro Milwaukee

November 2016

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Table of Contents

Introduction & Overview

Metro Milwaukee's nonprofit sector is integral to the region's quality of life – as an important partner to local government, a vehicle for community and civic engagement, and a provider of vital services in areas ranging from health, to education, to culture. In light of the sector's importance and its close relationship to government, the Public Policy Forum has a long history of keeping tabs on the sector's health and how it is being impacted by larger social and economic forces.

For several years – from the late 1990s through 2011 – our primary vehicle for doing so was an annual "report card on charitable giving" that surveyed nonprofit leaders and reported on their views on the state of the sector and its support from local philanthropies. More recently, we published *Give and You Will Receive*, a 2014 report that conducted an in-depth analysis of nonprofit revenue trends; and *How Much is Enough*, a 2015 analysis of the capacity of the region's philanthropic community to support nonprofit arts and cultural organizations.

After a five-year hiatus, we now return to a survey of nonprofit leaders. Our 2016 nonprofit survey – completed by 154 nonprofits throughout the four-county metro region – included many of the same questions as earlier surveys, allowing us to analyze differences in the sector's financial health and outlook since the conclusion of the Great Recession.[1]This latest survey also spotlights the nature and magnitude of major fundraising initiatives currently underway or forecasted to kick off in the near future.

We find that overall, while the sector as a whole is not without challenges, it appears to be back on track. Survey respondents generally are optimistic about charitable giving; they report healthy growth in demand for programs and services and corresponding gains in size of organizational budgets; and they signal a pivot from a focus on day-to-day survival to one aimed at building long-term organizational capacity.

Highlights from our 2016 survey of nonprofit leaders in Metro Milwaukee:

- **There is an enhanced sense of optimism about trends in charitable giving in the region.** The share of respondents saying they feel the state of philanthropy is improving more than doubled since we last surveyed nonprofit leaders in 2011. The strength of that sentiment varies by both organization size and subsector, however. For example, lower percentages of smaller entities and those from the workforce/economic/community development subsector share that optimism, while the education sector exudes higher levels of confidence.

- **Giving from individual donors is taking on increased prominence and importance.** More than half of our respondents say both contributed revenue and their number of individual donors have increased over the past five years. Respondents also cited gifts from individual donors as one of the sources of philanthropic support that is anticipated to trend upward in the future.

[1] Some 2011 survey figures that appear in this report do not match those appearing in the Public Policy Forum's 2011 Report, *2011 Report Card on Charitable Giving in Metro Milwaukee*. Selected 2011 results were recalculated to be consistent with changes we made in the methodology for calculating 2016 response rates.

- **The financial health of the nonprofit sector has improved when compared to five years ago.** Only about a third (31%) of respondents say they have substantially reduced annual expenditures over the past five years. When we asked a similar question in 2011, 60% of our respondents answered affirmatively.

- **Demand for nonprofit services continues to grow faster than charitable giving to meet that demand.** Although close to three-quarters of the 2016 sample said that demand for their services was on the rise, only 42% of respondents thought that charitable giving was rising commensurate with that demand. That 42% response rate far exceeds the one quarter of respondents who felt that way in 2011, however.

- **The appetite for collaboration among nonprofit organizations is mixed.** About two-thirds of our respondents recently have considered programmatic collaboration, but only a third recently have explored collaboration for administrative functions. Even fewer have considered merging with another nonprofit (14%).

- **Philanthropists should be prepared for an array of major fund development campaigns.** Close to two-thirds of respondents currently are conducting or are planning a special fund development campaign outside of their annual fundraising. The sample is split evenly between small campaigns (28 below $100,000) and larger campaigns (30 above $1 million), with 18 projecting campaigns of $5 million or more.

Survey Methodology and Responses

Between July 7, 2016 and July 29, 2016, the Public Policy Forum conducted an online survey of 1,242 nonprofit organizations within the four-county Milwaukee metro area (Milwaukee, Ozaukee, Waukesha, and Ozaukee counties), also known as the Milwaukee-Waukesha-West Allis Metropolitan Statistical Area[2]. Out of this list, 154 organizations completed the survey[3] (a response rate of 12%). This compares to the 95 respondents who completed our similar survey when we last conducted one in 2011. Where possible, as a way to compare the current state of Metro Milwaukee's nonprofit sector with that at the end of the Great Recession, we compare our 2016 survey results with those obtained in our 2011 survey.

Although these sample sizes are relatively small, precluding strict generalizations to the entire nonprofit population in the four-county Milwaukee metro area, we believe the survey results provide insight that will be useful to nonprofit leaders, institutional funders, and individual donors. In addition, given the extent to which local governments depend upon nonprofit organizations to perform a wide array of important functions on their behalf, we hope that public sector leaders also will obtain value from our survey.

In light of Milwaukee's long-standing struggles with racial and economic disparities, it also is worth noting that we were unable to analyze our results based on the populations served by survey participants (for example, by zip code or neighborhood). We will strongly consider including questions that will enable us to conduct such analysis in any future survey design.

Finally, it is important to emphasize that this report highlights and analyzes survey responses that we surmised would be of particular interest and importance to nonprofit, philanthropic, and local government leaders. The full survey results are attached as an appendix to the report to allow readers to consider for themselves which responses are of most interest to them.

Characteristics of Respondents

The Metro Milwaukee region has a large and diverse nonprofit sector – in fact, our 2014 analysis of the sector (*Give and You Will Receive*) reported that the four-county metro area housed 2,431 registered public charities. Our sample comprises only a small subset of the sector, and it is important to understand some of the basic characteristics of those who responded to our survey.

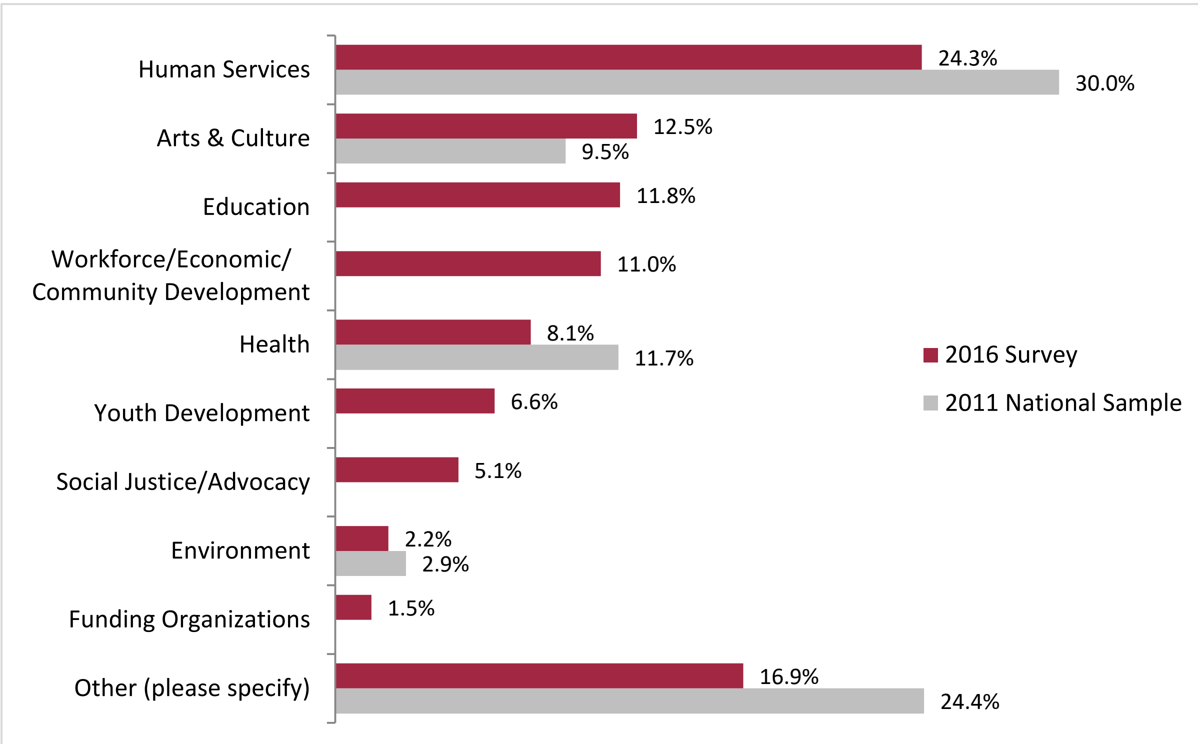
Chart 1 breaks down our survey respondents by nonprofit service subsector (survey respondents were provided a list of subsectors and self-identified their appropriate subsector). To assess how well our sample might represent the wider nonprofit sector in Metro Milwaukee, we compared our subsector breakdown to the 2011 sample of 2,431 Milwaukee-area nonprofits we used in our 2014 report.[4] Although the sample sizes differ and the subsector categories are not identical (our survey

[2] Office of Management and Budget (July 2015) OMB Bulletin 15-01: Revised delineations of metropolitan statistical areas. https://www.whitehouse.gov/sites/default/files/omb/bulletins/2015/15-01.pdf
[3] Not all participants provided responses to every question in either the 2011 or the 2016 survey. Unless otherwise noted, all response rates appearing in this report for individual questions are a percentage of respondents who answered a given question.
[4] The 2011 national comparison sample included registered public charities in the Milwaukee-Waukesha-West Allis metropolitan statistical area sourced from the National Center for Charitable Statistics.

made finer subsector distinctions), when comparing the 2016 subsector breakdowns to the 2011 sample we can see that our sample is roughly representative of the sector as a whole.

Human services comprises the largest share of both samples (24% in our survey as compared to 30% in the national sample). Arts and culture ranks second in the 2016 survey at 12.5% and third in the national sample at 10%. Following similar patterns, the health and environment subsectors further support our confidence in the survey sample's subsector representation.

Chart 1: Subsector representation, 2016 survey vs. 2011 national sample



It also is important to consider the size of the nonprofits that responded to our survey. As shown in **Chart 2**, 37.5% of our respondents had an operating budget of greater than $1 million, while 20% of respondents had budgets that exceeded $5 million.

Chart 2: Operating budget size of survey participants (2016)

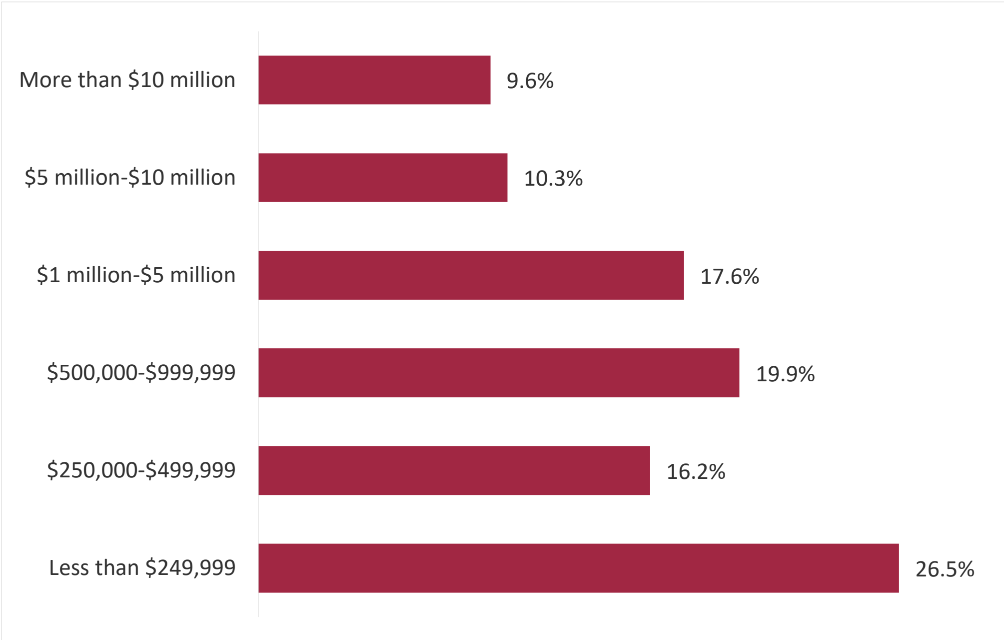
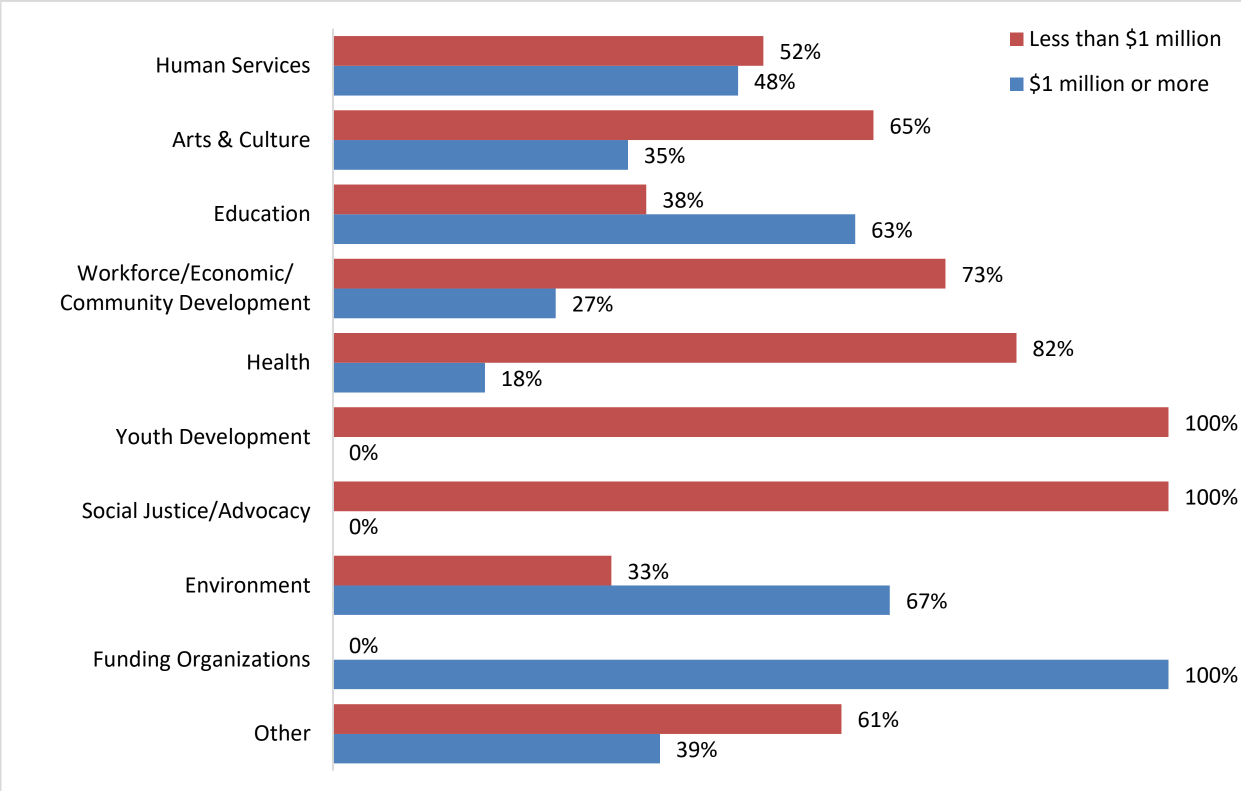


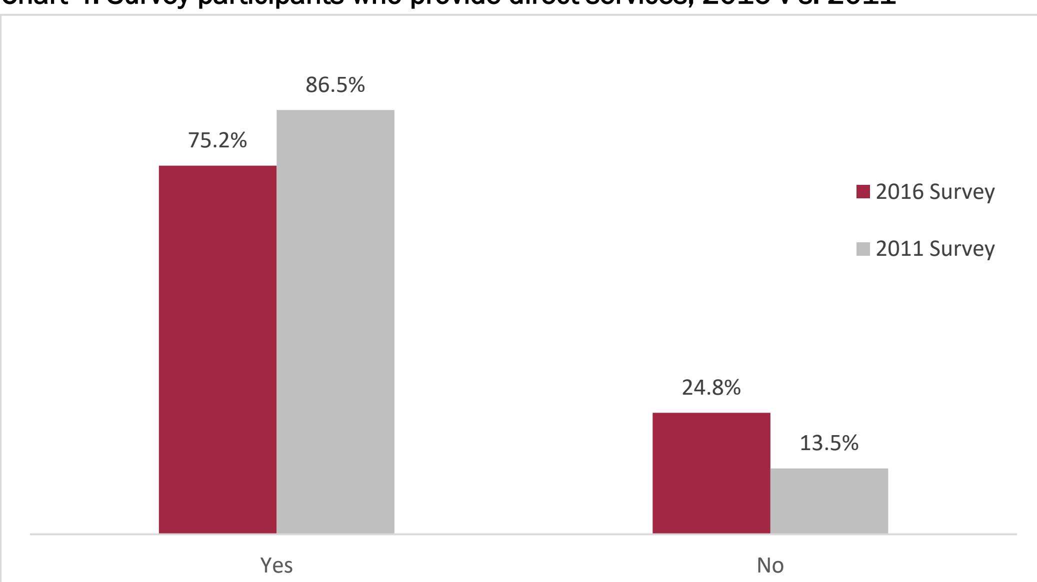
Chart 3 displays the size of respondents' annual budgets broken down by subsector. We see that some sectors, such as human services, contain a relatively broad mix of organizations of various sizes, while others consist either of mostly large or mostly small organizations. All respondents in youth development and social justice/advocacy, for instance, have budgets below $1 million, whereas all responding funding organizations, as might be expected, have budgets above $1 million. These distinctions between subsectors in terms of budget size provide context for our analysis of other indicators on the survey.

Chart 3: Operating budget size of survey participants by subsector (2016)



Finally, it is important to be aware of the distinction between respondents who are providing direct services to clients or patrons and those who are not. As shown in **Chart 4**, about three quarters of our respondents do provide direct services to clients or patrons. Interestingly, this is a lower percentage than our 2011 sample, which we use for comparison throughout this report.

Chart 4: Survey participants who provide direct services, 2016 v s. 2011

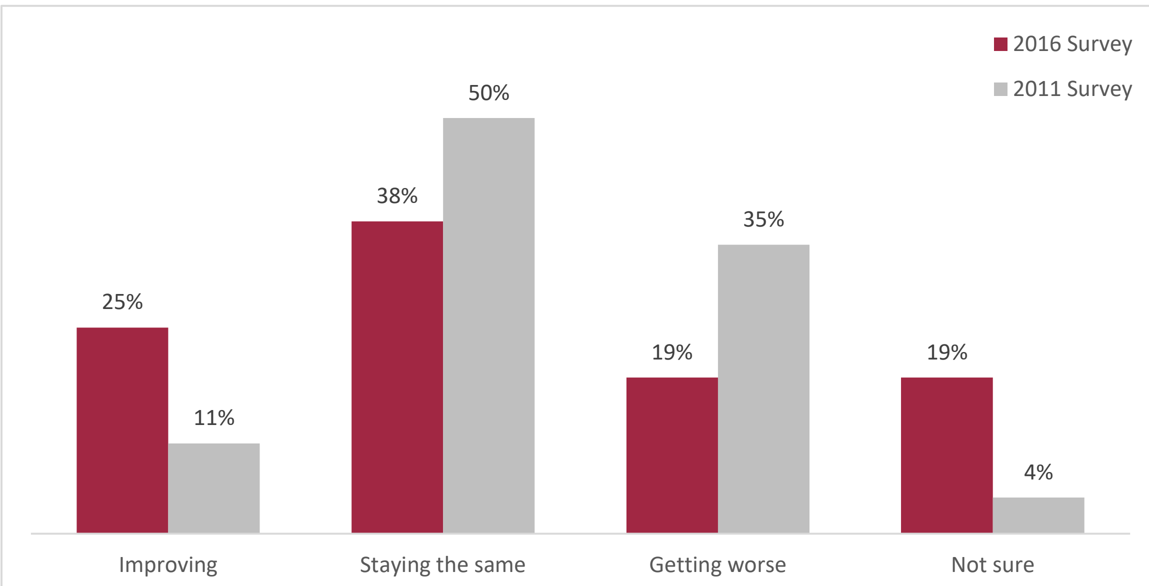


Giving to Nonprofits

The Overall State of Philanthropy

One of the primary motivations of our survey was to elicit the viewpoints of nonprofit leaders on the state of philanthropy in our region and how that assessment was impacting their day-to-day operations and their plans for the future. As shown in **Chart 5**, **respondents convey a more optimistic tone than they did in our 2011 survey with regard to the current state of philanthropy**, with 25% saying it is improving, 38% saying it is staying the same, and only 19% saying it is getting worse. The percentage of nonprofit leaders who think the state of philanthropy in Metro Milwaukee is getting worse has decreased by about half since 2011, when 35% expressed that sentiment.

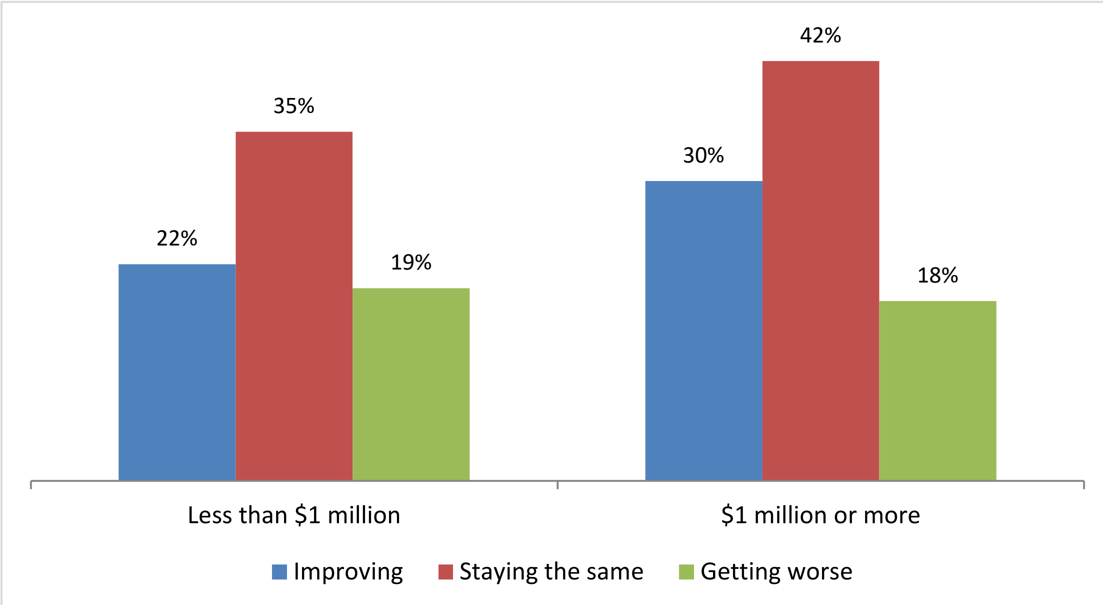
Chart 5: State of philanthropy, 2016 vs. 2011



It also is worth noting that despite the spike in those who think the state of philanthropy is improving, almost a fifth of our 2016 respondents indicated they were "not sure" where philanthropy in the region is trending, which is identical to the share of respondents who think it is getting worse. This sense of uncertainty should temper any sense that there is definitive optimism among nonprofit leaders about the state of philanthropy in our region.

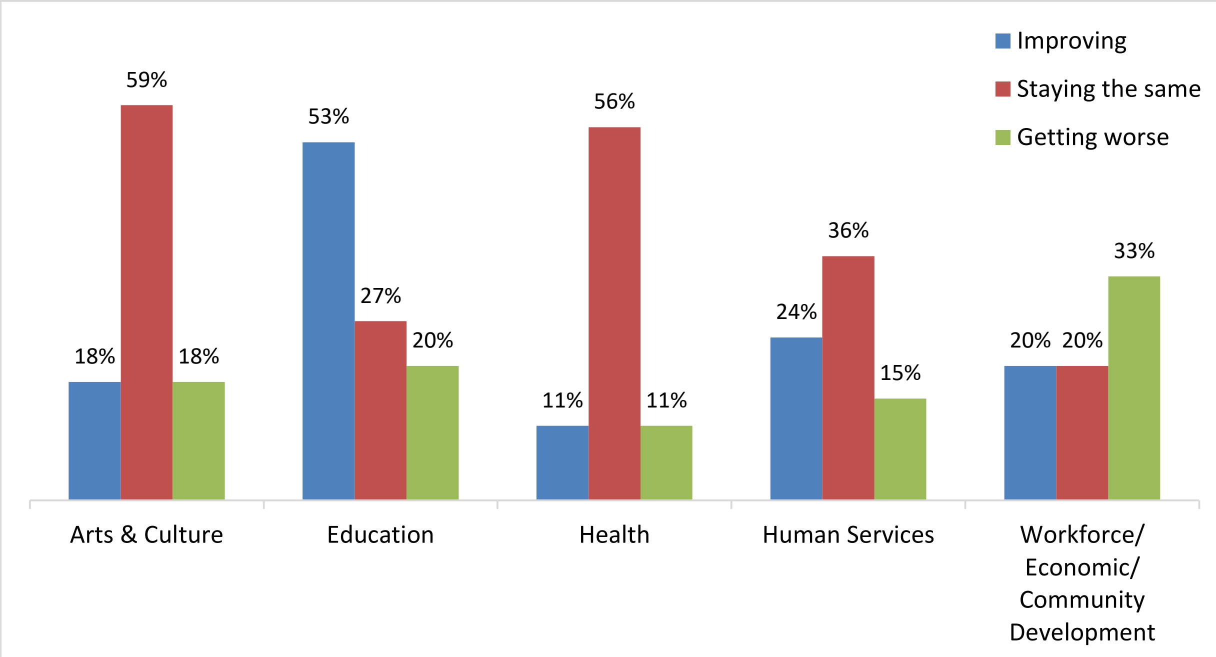
Curious as to whether views on the state of philanthropy might differ by the size of nonprofit organizations, we broke down responses to this question by operating budget size. As shown in **Chart 6**, the overall sentiment does not differ dramatically between organizations with operating budgets above or below $1 million, as the vast majority of respondents in both subsets indicate that the state of philanthropy either is improving or staying the same. As might be expected, however, smaller organizations have a slightly less optimistic point of view, with less than a quarter saying the state of philanthropy is improving and about 35% saying it is staying the same.

Chart 6: State of philanthropy by operating budget size (2016)



We also broke down the responses to this question by organizational subsector (**Chart 7**), and here we find greater diversity in the range of responses among the five largest subsectors. On the positive end of the optimism spectrum, over half of the respondents in the education subsector see the state of philanthropy as improving and only about a fifth say it is getting worse. Conversely, the vast majority of respondents in the arts and culture and health subsectors believe conditions are staying the same, with smaller but equal numbers saying it is either getting better or getting worse. The workforce/economic/community development subsector is the most internally divided subsector, with only about 20% feeling the state of philanthropy is improving and a third feeling philanthropic conditions are getting worse.

Chart 7: State of philanthropy by subsector (2016)



Revenue Sources

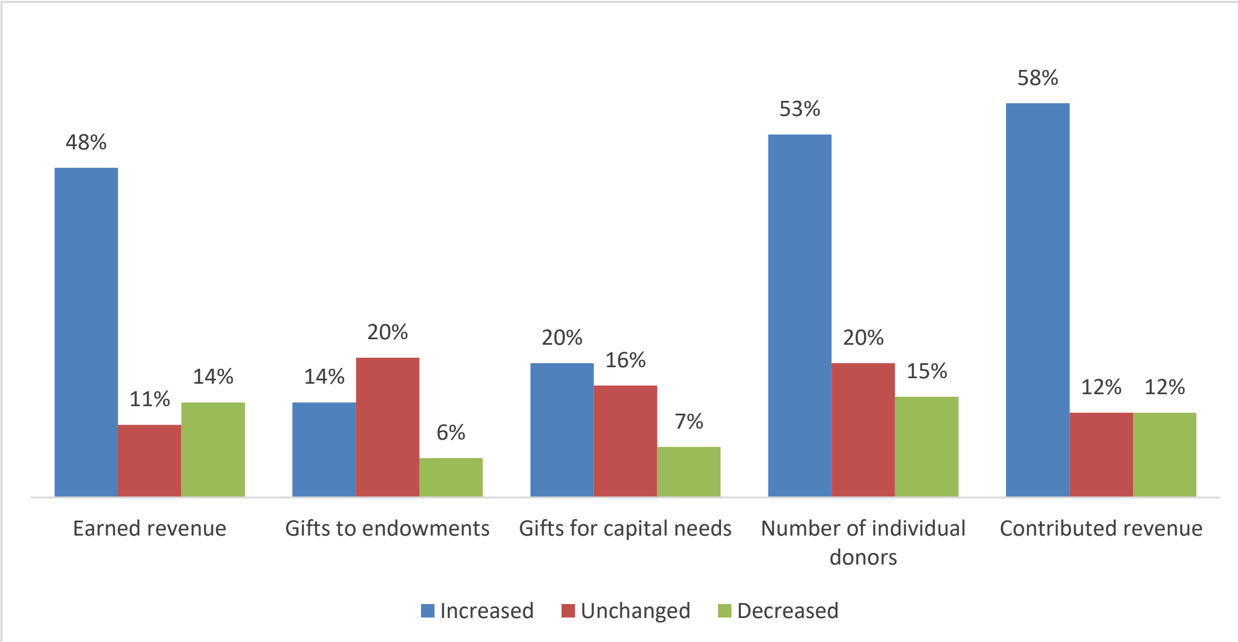
In addition to gleaning our respondents' sense of the general state of philanthropy in Metro Milwaukee, we were interested in diving deeper into the various sources of revenue on which they rely. Across the nonprofit sector, those revenue sources typically include "contributed revenue," which includes gifts from individuals, corporations, and foundations, as well as government grants; and "earned revenue," which includes funds derived from programmatic activities (e.g. ticket sales, admissions fee, fees for service, sale of goods), membership dues, sponsorships, and contracts.

We cited a variety of specific nonprofit sector revenue sources – including time given by volunteers – and asked our respondents to indicate whether they expected support from those sources to increase, decrease, or stay the same in the current fiscal year. As shown in **Chart 8,** three sources of support were seen as increasing by a majority of respondents: gifts from individual donors (57%), time given by volunteers (53%), and fundraising events (52%). **On the whole, very few respondents saw any of the revenue sources as likely to decrease in the coming year**, though relatively few respondents indicated that government grants and contracts, gifts from multi-purpose appeals, and membership dues would increase.

Chart 8: Expectations for various sources of support (2016)

We also sought respondents' perspectives on how giving trends in five specific revenue categories had changed compared to five years ago. Again, as shown in **Chart 9**, we see a relatively rosy picture. For three of the five categories, a large majority of respondents indicated that over the past five years, contributions either have increased or remained unchanged, and for each of the categories few responded that support had diminished. (The percentages for gifts to endowments and gifts to capital campaigns add up to less than 50% because those areas of support were not applicable to many respondents).

Chart 9: Various sources of support compared to five years ago (2016)



Responses to this question also were consistent with the views shared by philanthropic and nonprofit leaders interviewed for the Forum's 2015 report on philanthropic capacity for arts and culture in Greater Milwaukee. Those interviewees cited giving from individual donors as an area of untapped promise; in line with that sentiment, just over half of our survey respondents said the number of individual donors to their organizations had increased compared to five years ago, compared to only 15% who said the number had decreased.

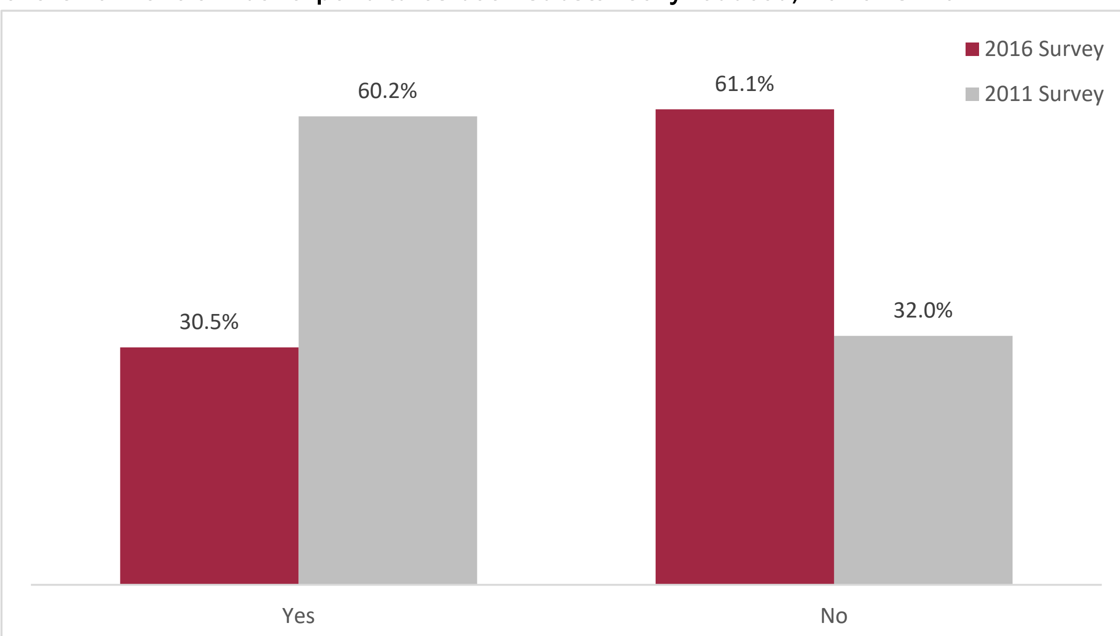
Gifts to endowments and capital needs –which are two important indicators of long-term fiscal strength – were the only two categories in which more respondents felt the trend is flat or decreasing than thought it was increasing. This is consistent with responses to our question on major and minor challenges, which is discussed in detail in a subsequent section of this report.

Nonprofit Spending, Staffing, and Demand for Services

After gauging how nonprofit leaders see the state of philanthropy and how confident they are about the various streams of revenue that finance their organizations, we next sought to understand how those issues might be impacting their expenditures, staffing, and services.

When we asked organizations whether they had substantially reduced annual expenditures over the past five years, 31% of our respondents indicated they had. As shown in **Chart 10**, this is a sharp reversal from 2011, when 60% of our respondents answered affirmatively.[5] **This distinction is one of the clearest indicators from our survey that the financial health of the nonprofit sector has improved when compared to five years ago.**

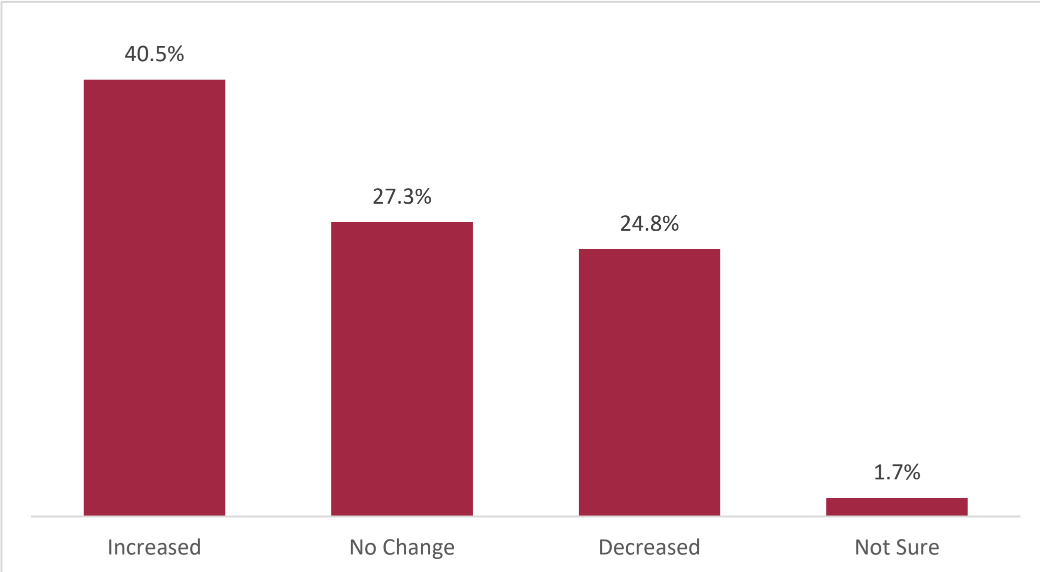
Chart 10: Have annual expenditures been substantially reduced, 2016 vs. 2011



We also asked respondents to reflect on changes in staffing over the past five years. As shown in **Chart 11**, over 40% of respondents said their organization experienced an increase in staffing, while about a quarter indicated they had experienced a decrease.

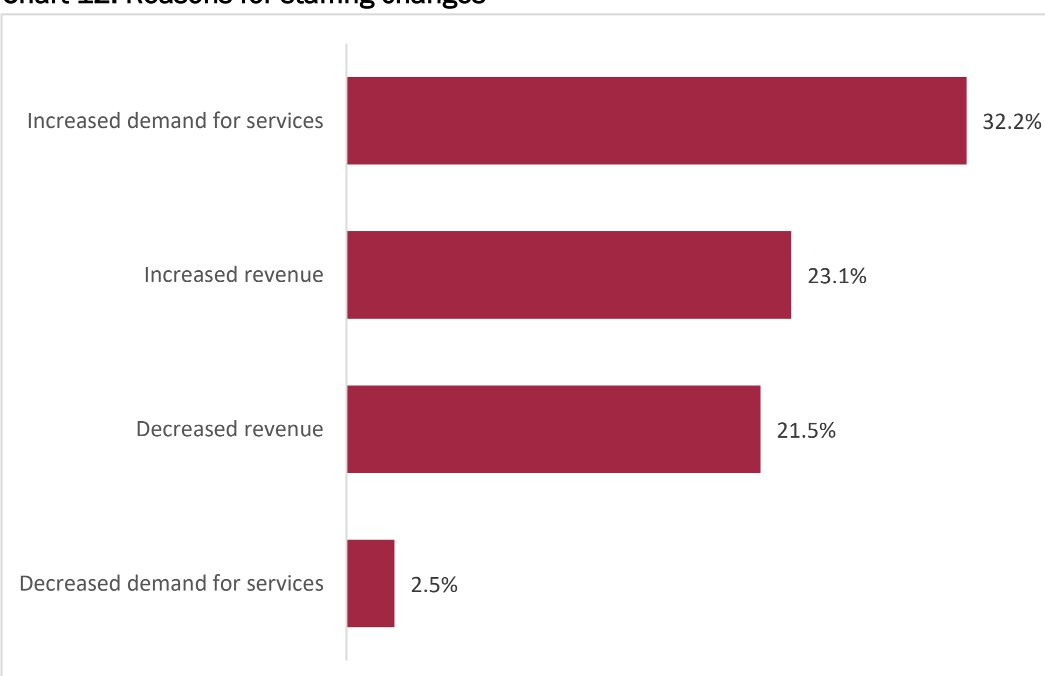
[5] The question was worded slightly differently in the two surveys. Whereas in 2016 we asked if organizations had substantially reduced annual expenditures in the past five years, in 2011 we asked whether they had substantially cut costs due to budget constraints.

Chart 11: Staffing changes during the past 5 years (2016)



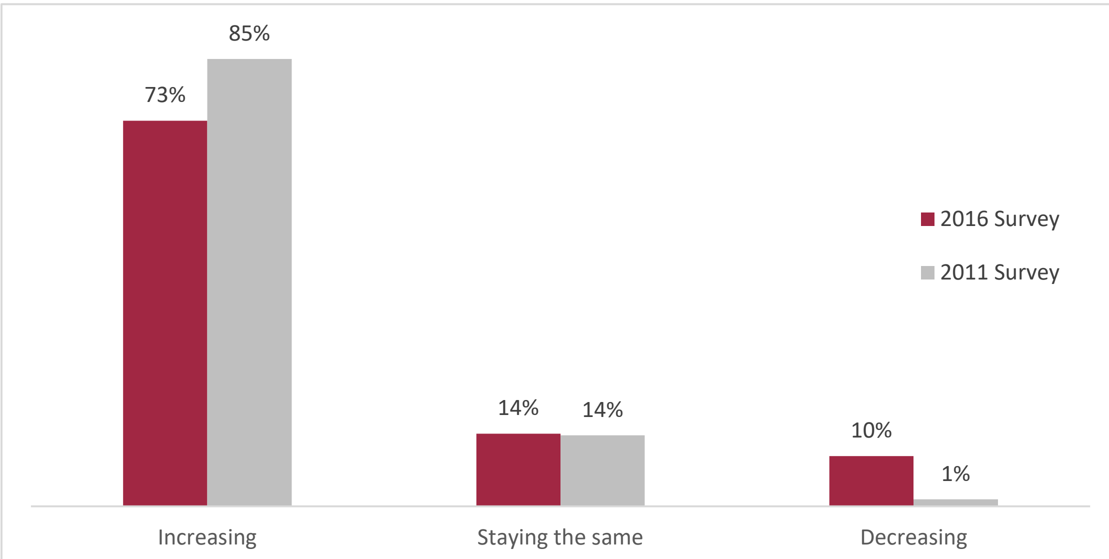
When asked what had led to staffing changes, respondents most commonly cited increased demand for services, with about a third giving that response (**Chart 12**). Both increased revenue and decreased revenue received a similar volume of responses (just over 20%) as causes for major staffing changes.

Chart 12: Reasons for staffing changes



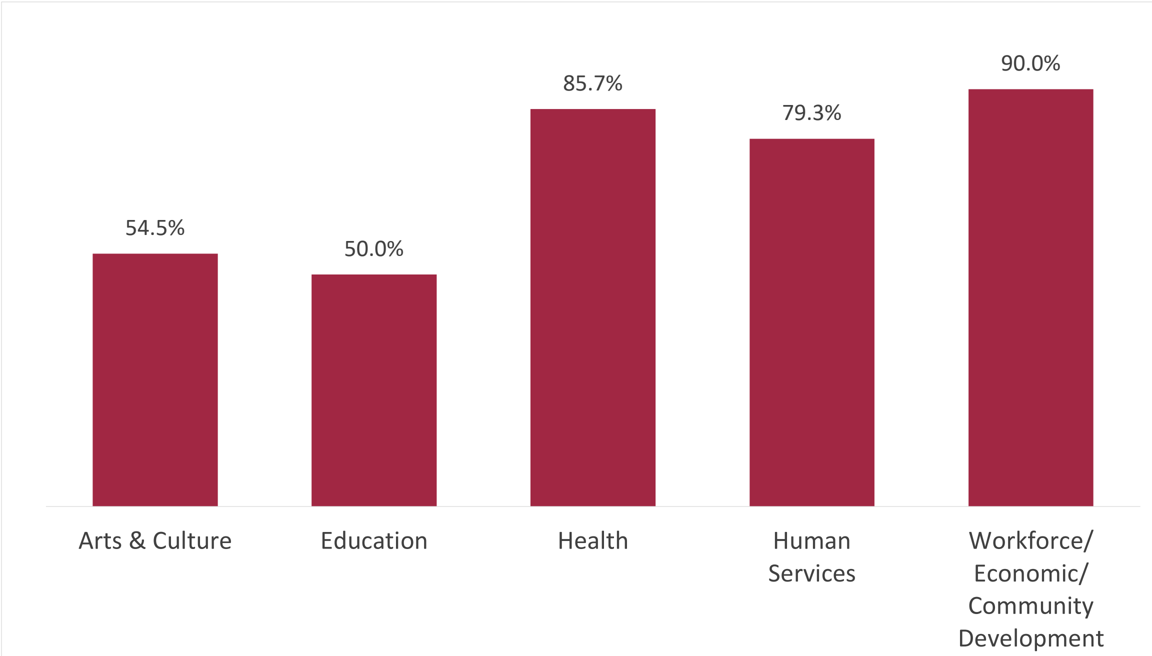
Turning to services, we asked those respondents who indicated they provide direct services to clients or patrons (about 75% of our sample, as described earlier) whether demand for their services had increased or decreased when compared to five years ago. As shown in **Chart 13, demand for services is high, with close to three quarters reporting that demand for their organization's services is increasing**. When compared to our 2011 survey, however, the number of respondents citing growing demand has decreased, from 85% to 73%. This could be explained by the improved economy, which has led to greater fiscal stability for residents, thus requiring less assistance from nonprofit service providers.

Chart 13: Demand for direct services compared to five years ago, 2016 vs. 2011



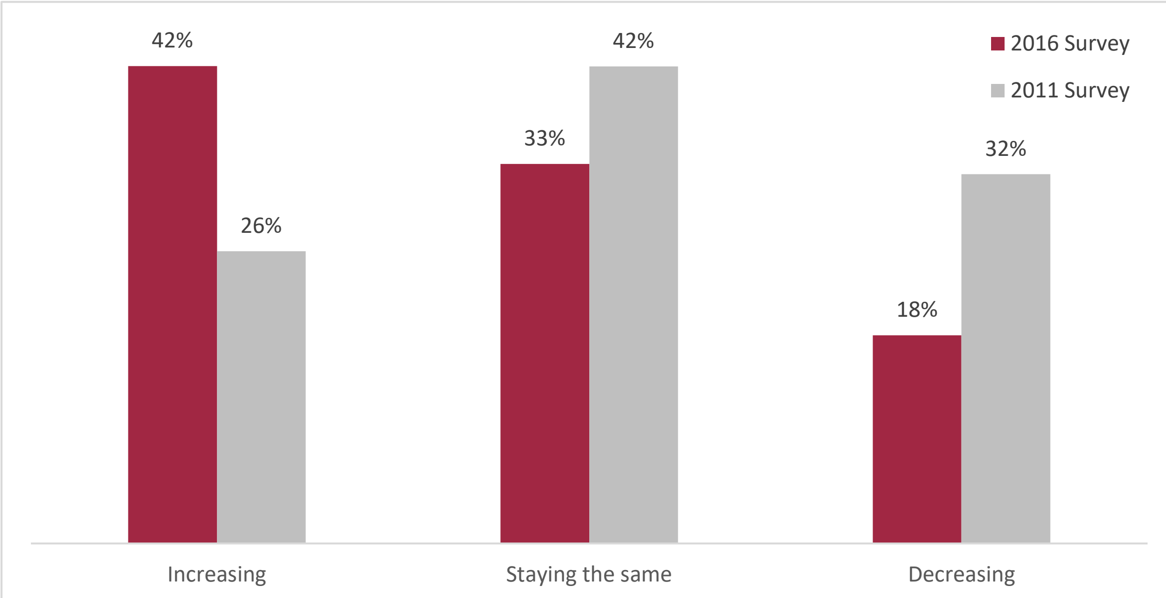
When we break down views on demand for direct services by the largest subsectors, we see that responses vary, as shown in **Chart 14**. The vast majority of respondents in the health, human services, and workforce/economic/community development subsectors indicated that demand for their services is on the rise. Conversely, only about half of respondents in the arts and culture and education subsectors voiced that belief.

Chart 14: Increased demand for direct services by subsector (2016)



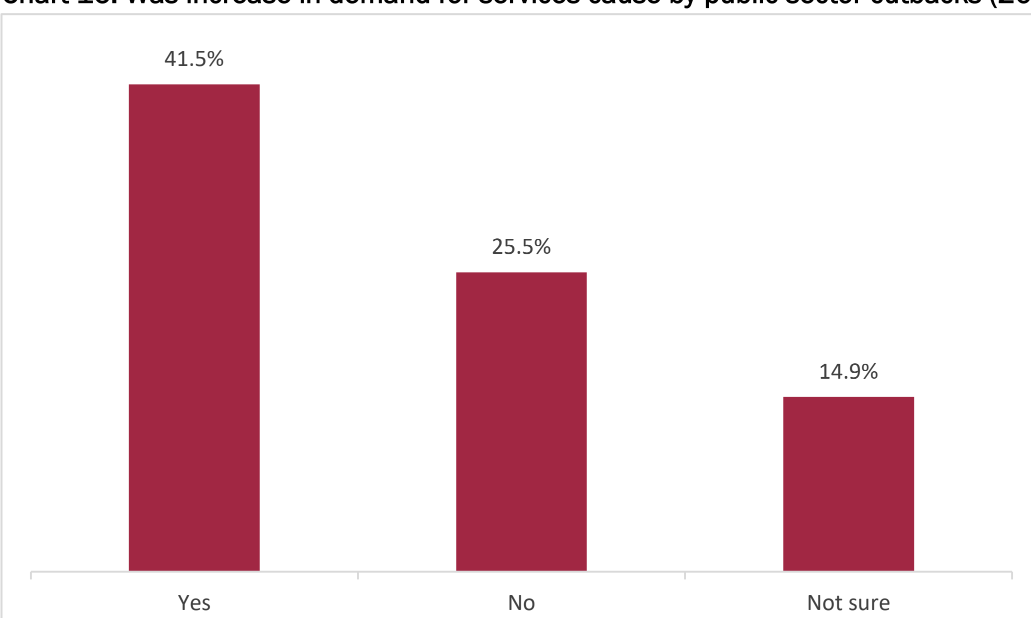
One of the most critical questions for nonprofit organizations that are experiencing increased demand for their services is whether their charitable gifts and donations are similarly increasing to meet that demand. As shown in **Chart 15**, **despite our earlier finding that 73% of 2016 survey respondents believe demand for their services is increasing, only 42% believe that charitable giving is increasing to meet that perceived climb.** The good news, however, is that this is a substantial improvement from the sentiment we found in 2011, when only about a quarter of the respondents felt giving was increasing to meet increased service demands. Similarly, about a third thought giving was decreasing in 2011, whereas only 18% of our 2016 respondents feel that way.

Chart15: Response of charitable giving to change in demand for services, 2016 vs. 2011



Finally, we asked respondents if the increase in demand for their services was caused by public sector cutbacks. As shown in **Chart 16**, 42% said yes, 26% said no, and 15% were unsure (the remainder said the question did not apply to them). This finding is consistent with the notion – discussed in our 2014 report on nonprofit revenue trends – that reductions in public sector services can lead to increased demands on the nonprofit sector, which are not always accompanied by increased resources to meet those demands.

Chart 16: Was increase in demand for services cause by public sector cutbacks (2016)

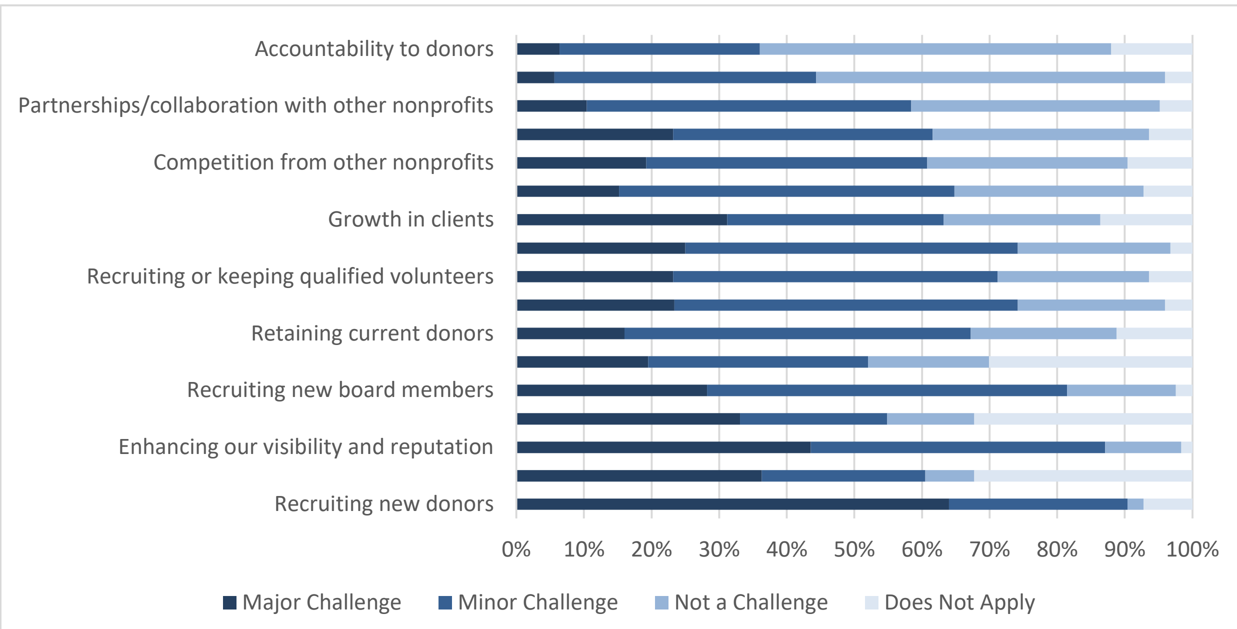


Major Challenges

Our responses thus far indicate relative optimism with regard to key revenue streams, relative stability with regard to expenditure and staffing levels, and heightened demand for services that is not always being met with an equivalent amount of increased resources. To provide further context for these findings, we asked respondents about the overall organizational challenges they are facing.

As shown in **Chart 17**, **the top four most frequently cited "major" challenges were recruiting new donors (64%), enhancing visibility and reputation (44%), building an endowment (36%), and initiating capital improvements (33%).** Those challenges most frequently cited as "minor" challenges included external relationship-building with board members and other volunteers, as well as retaining donors and clients and competition with other nonprofits (response rates in those areas all hover around 50%). For a good portion of our sample, it appears governance and accountability are well-managed – about half said both accountability to donors and retaining current board members were *not* a challenge.

Chart 17: Organizational challenges



Presuming that different subsectors might confront distinct challenges, we broke down responses to this question by the largest subsectors. In **Table 1**, we show the top three most frequently cited major challenges for each of the five largest subsectors (some subsectors show more than three because there were equivalent numbers of responses for more than three challenges). We see recruiting new donors is a frequently cited major challenge for each of the subsectors, as well as the nonprofit sector as a whole. Similarly, except for the education subsector, enhancing visibility and reputation was a frequently cited major challenge.

Table 1: Most frequently cited organizational challenges in largest subsectors (2016)

	Overall	Arts & Culture	Education	Health	Human Services	Workforce/ Economic/ Community Development
Recruiting new donors	X	X	X	X	X	X
Enhancing our visibility and reputation	X	X		X	X	X
Building an endowment	X	X			X	
Growth in clients			X	X		X
Initiating capital improvements	X		X			
Meeting needs/interests of clients/members				X		X
Succession planning		X				
Competition from other nonprofits			X			
Recruiting new board members		X				

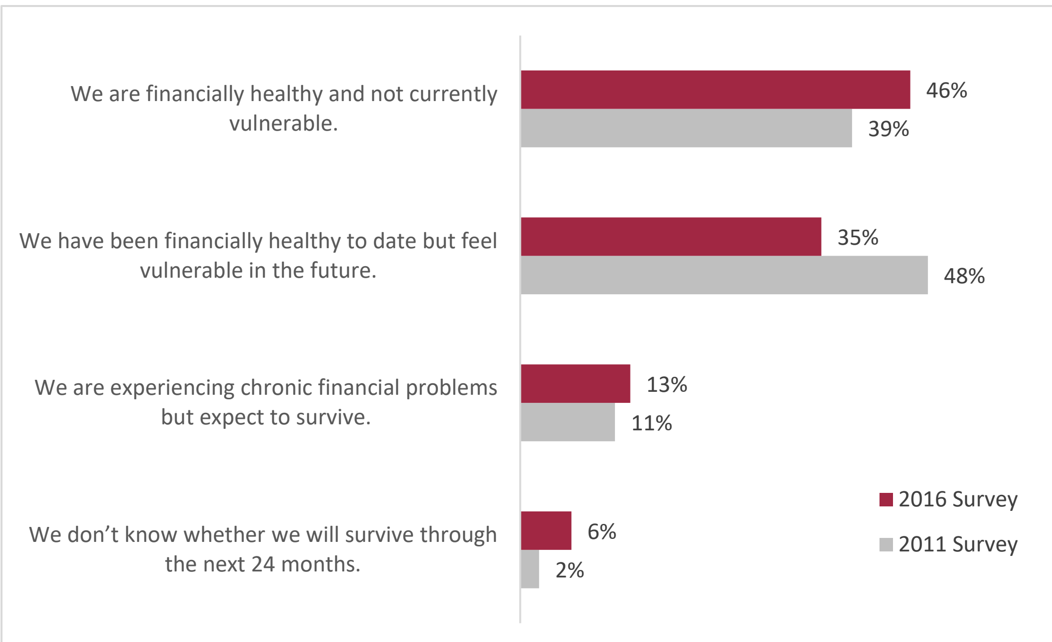
Conversely, building an endowment was one of the top three most frequently cited challenges only for the arts and culture and human services subsectors, while initiating capital improvements was one of the most frequently cited major challenges only by the education and human services subsectors, and meeting needs/interests of clients was frequently cited only by the health and workforce/economic/community development sectors.

The arts and culture subsector demonstrated some unique challenges, with almost half of its respondents indicating recruiting new board members and succession planning as major challenges. Interestingly, very few respondents in the education subsector rated any challenge as major.

Financial Health and Long-Term Outlook

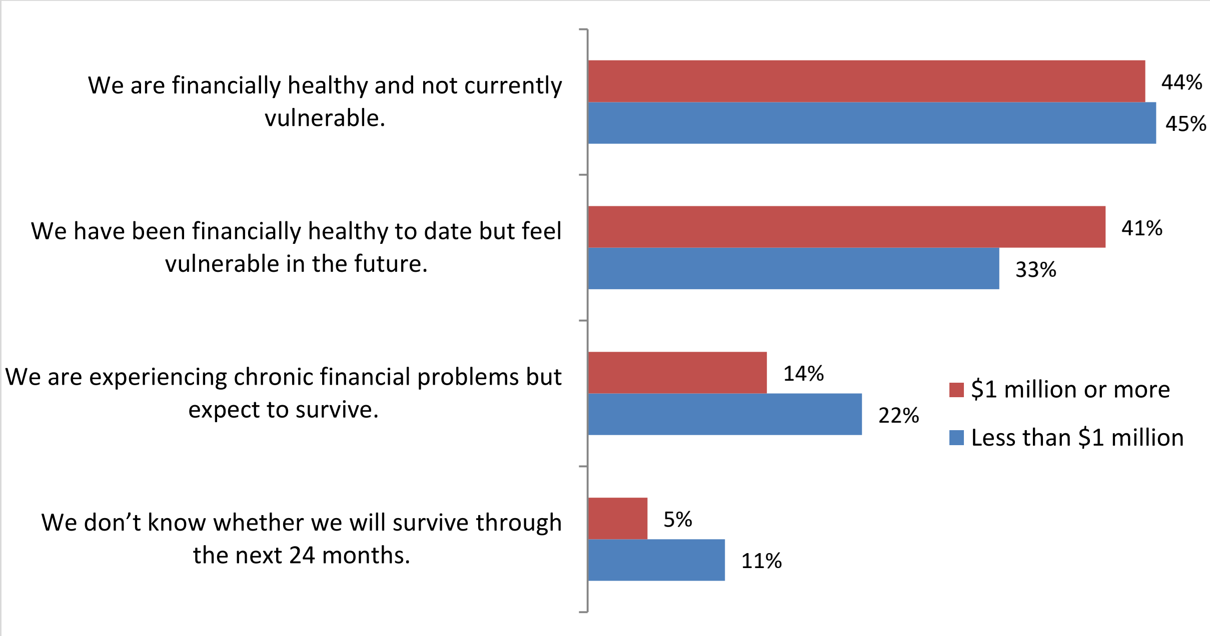
The previous areas of questioning build to a set of questions on the overall financial health and outlook of the nonprofit organizations that participated in our survey. Starting with current financial health, **Chart 18** shows that **46% of our respondents consider themselves financially healthy and not currently vulnerable, while an additional 35% consider themselves healthy but potentially vulnerable in the future.** When we compare those responses to our 2011 survey, we see that the combined share (81%) dropped slightly, but the percentage of organizations feeling no vulnerability increased by seven percentage points. Interestingly, while still a small percentage, the percentage of respondents indicating concern about surviving through the next 24 months climbed by four percentage points.

Chart 18: Current financial health, 2016 vs. 2011



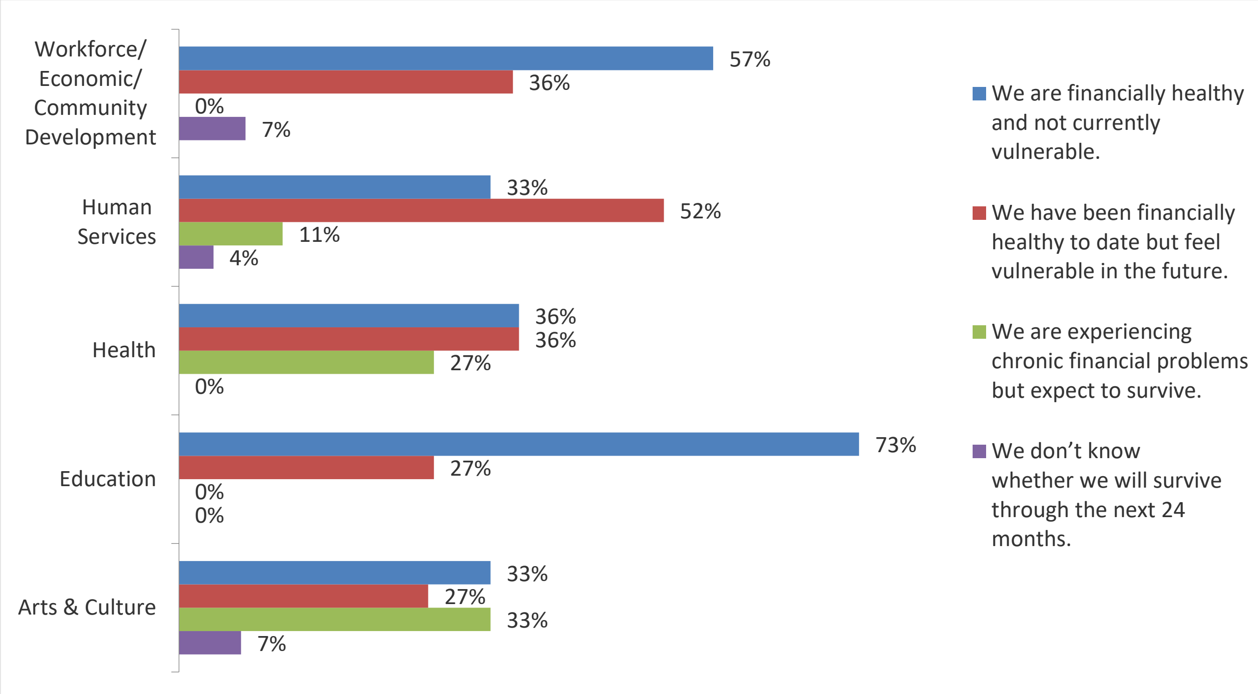
We were curious as to whether responses to this question would vary among large and small organizations, so we broke down the responses by organizations with budgets above and below $1 million. As shown in **Chart 19**, the trends we observe in the overall sector largely hold true regardless of organizational budget size, though we do note greater feelings of vulnerability among smaller nonprofits.

Chart 19: Current financial health by organizational size (2016)



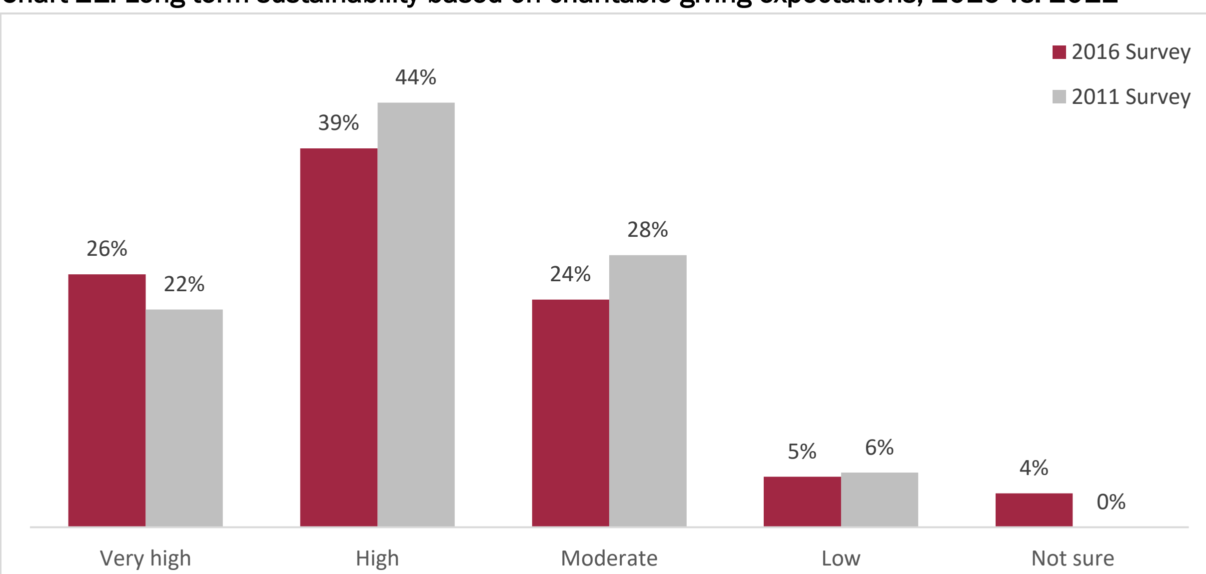
When breaking down the results by subsector, we observe greater differences. For example, as shown in **Chart 20**, the education sector outpaces the sector as a whole in terms of confidence in organizational fiscal health, with about 74% of respondents saying they feel financially healthy and not currently vulnerable. Over half of the organizations in the workforce/economic/community development subsector share that sentiment (57%), while only about a third each in the arts and culture, health, and human services subsectors feel the same way.

Chart 20: Current financial health by five largest sectors (2016)



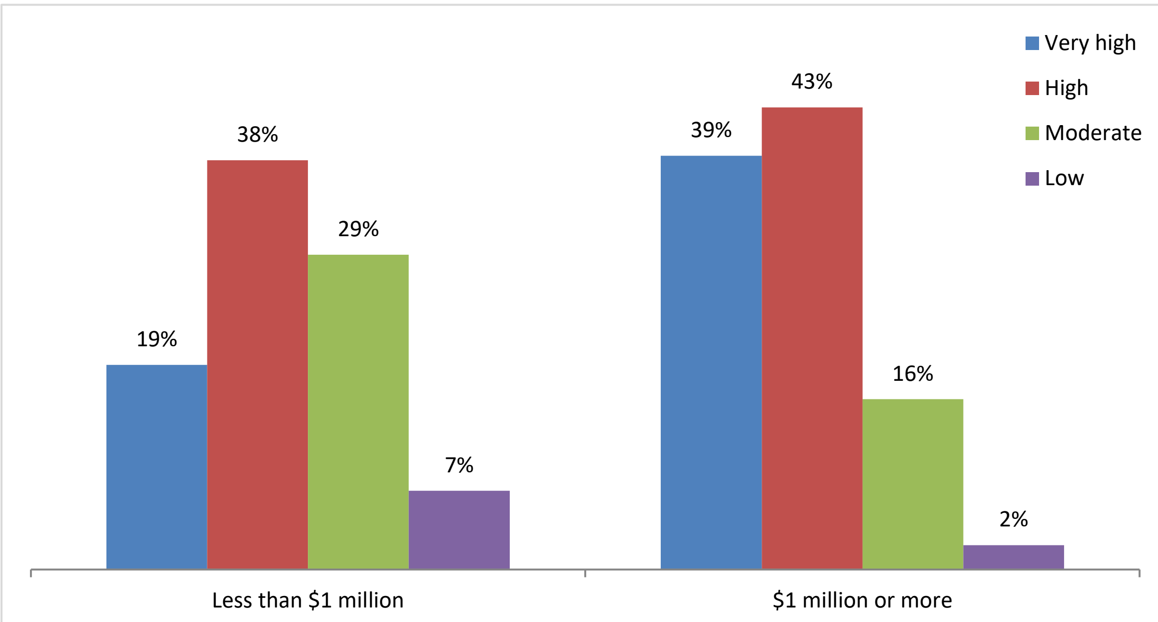
We also tested the long-term outlook of our respondents by asking their views on their organization's long-term sustainability in the context of their recent success in attracting charitable giving and their expectations about forthcoming support. As shown in **Chart 21**, **nearly two thirds (65%) rate their long-term sustainability as high or very high when viewed in the context of their outlook on charitable giving.** When we compare those results to results obtained in our 2011 survey, we note a small jump (four percentage points) in 2016 among those who responded "very high" and a corresponding slip in those who responded with "high".

Chart 21: Long term sustainability based on charitable giving expectations, 2016 vs. 2011



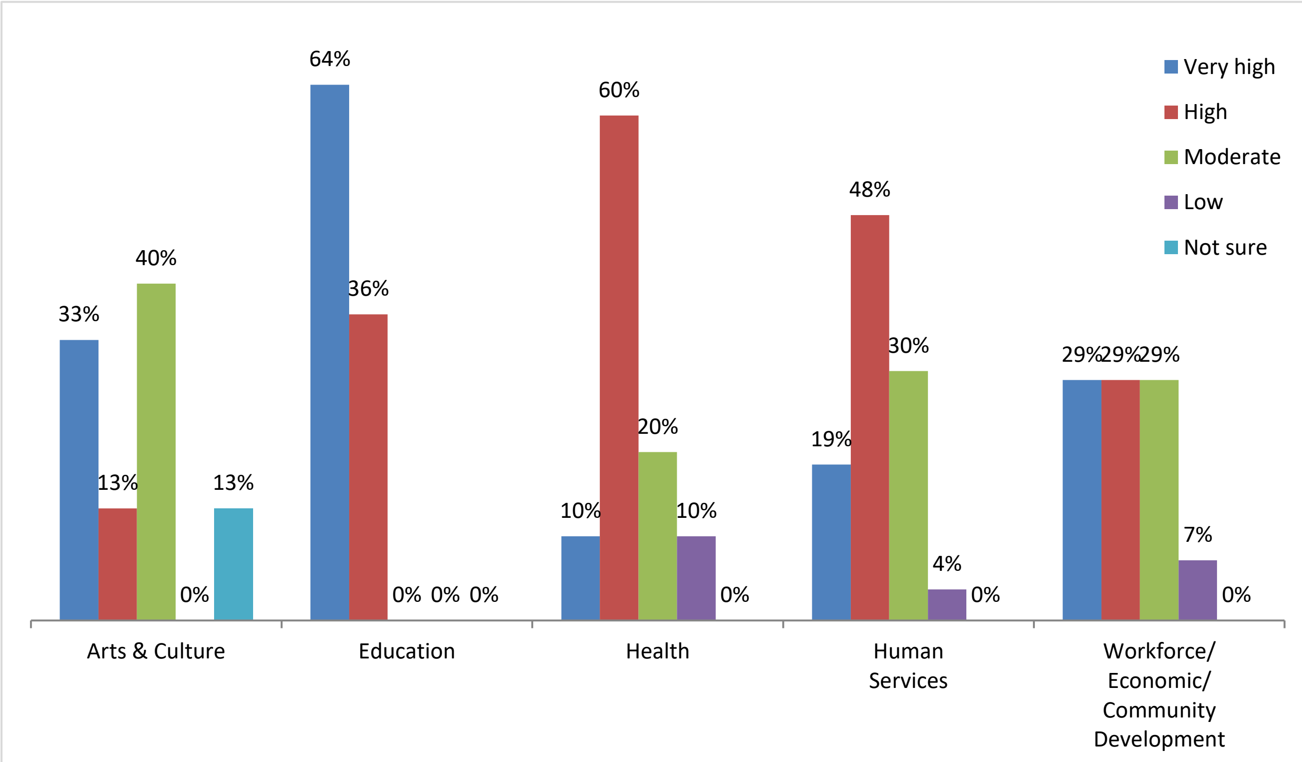
When breaking down responses to this question by organizational size, we find that confidence levels differ, as shown in **Chart 22**. Although confidence about long-term sustainability is relatively high in both size categories, smaller entities (not surprisingly) are about twice as likely to rate their long-term sustainability as moderate and over three times as likely to rate it low as compared to larger organizations. Similarly, fewer than a fifth of smaller organizations (19%) rate long-term sustainability as "very high" compared to about double that share among larger organizations (39%).

Chart 22: Long term sustainability based on charitable giving expectations by organizational size (2016)



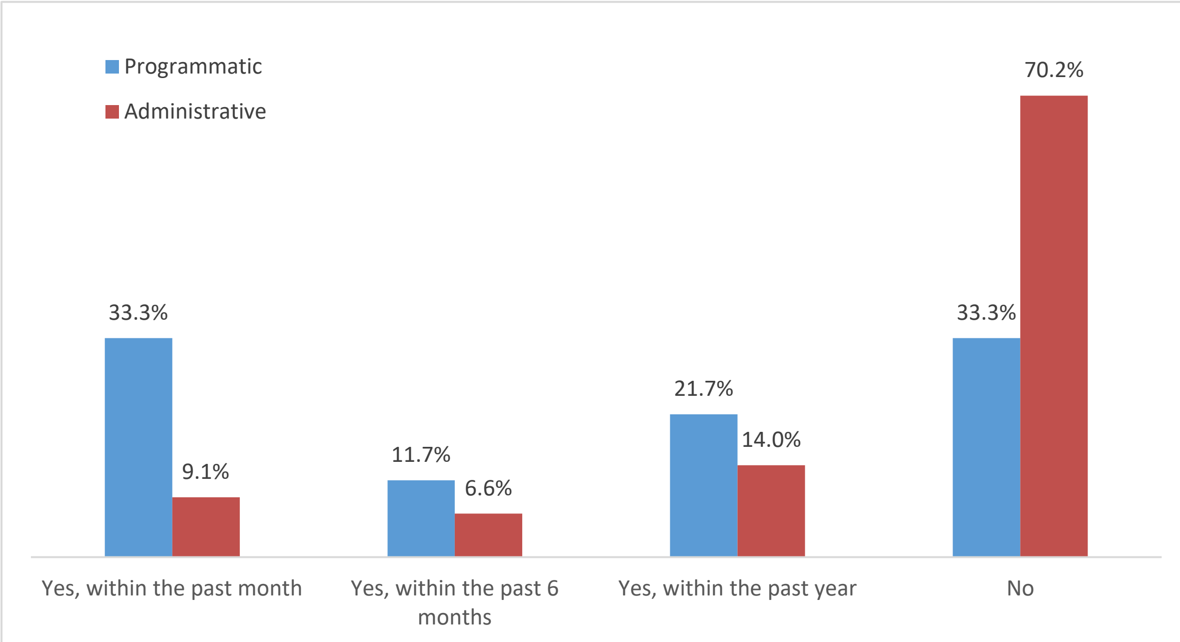
We similarly find that respondents' outlook on sustainability varies by subsector. As illustrated in **Chart 23**, respondents from the education subsector exhibit unequivocal confidence, with over 60% rating their outlook for long-term sustainability as very high, and 36% as high (no respondents in this subsector rated their sustainability outlook as moderate or low). Meanwhile, 40% of the respondents in the arts and culture subsector rated their outlook for long-term sustainability only as "moderate."

Chart 23: Long term sustainability based on charitable giving expectations by subsector (2016)



After inquiring about the financial health and outlook of area nonprofits, we were interested to learn whether sizable numbers were considering collaboration or consolidation as strategies to enhance their financial viability and sustainability. As shown in Chart 24, about two thirds of respondents have considered collaborating with another nonprofit within the past year with regard to programmatic functions, but only about a third have considered doing so with regard to administrative functions. Also, while not shown in the chart, we asked whether respondents had explored merging with another nonprofit in the prior year; 86% replied that they had not.

Chart 24: Collaboration with another nonprofit for programmatic or administrative functions (2016)

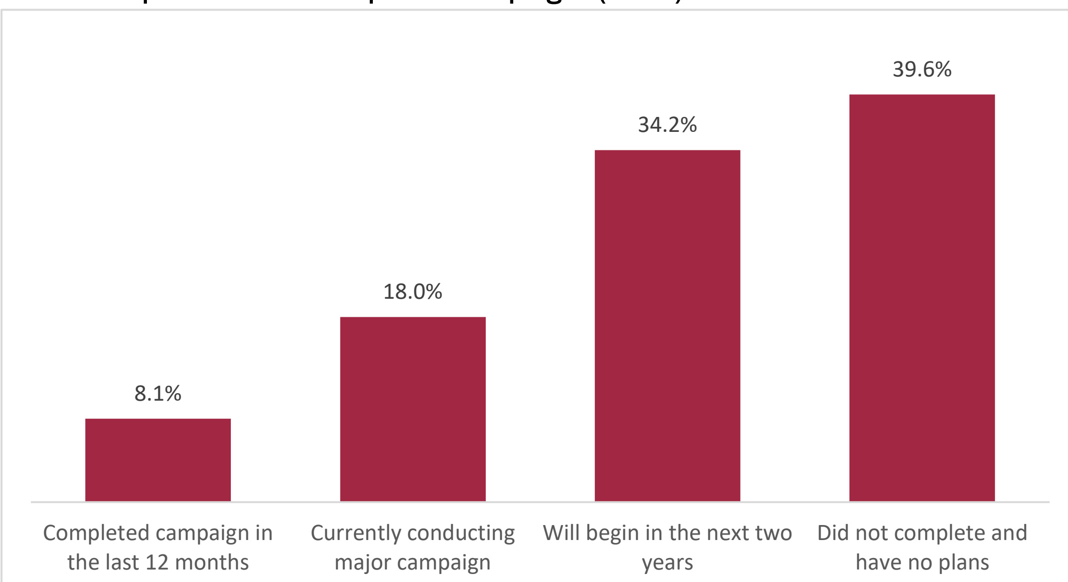


Special Fund Development Campaigns

Philanthropic donors have expressed concern that after deferring major fundraising campaigns for several years in the wake of the recession, an unusually high number of nonprofit organizations now are gearing up to initiate major appeals at about the same time. Consequently, we used our survey as an opportunity to probe that concern with a series of questions surrounding major fund development in Metro Milwaukee's nonprofit sector.

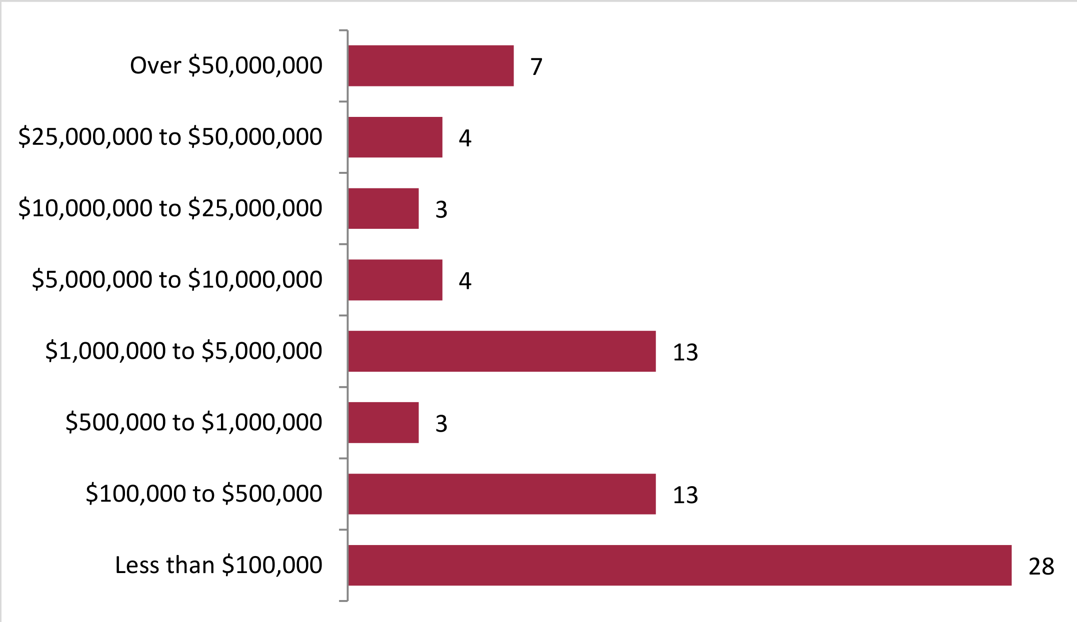
As shown in **Chart 25**, **about 60% of respondents either have recently completed, are currently conducting, or are planning a special fund development campaign outside of their annual fundraising.**

Chart 25: Special fund development campaigns (2016)



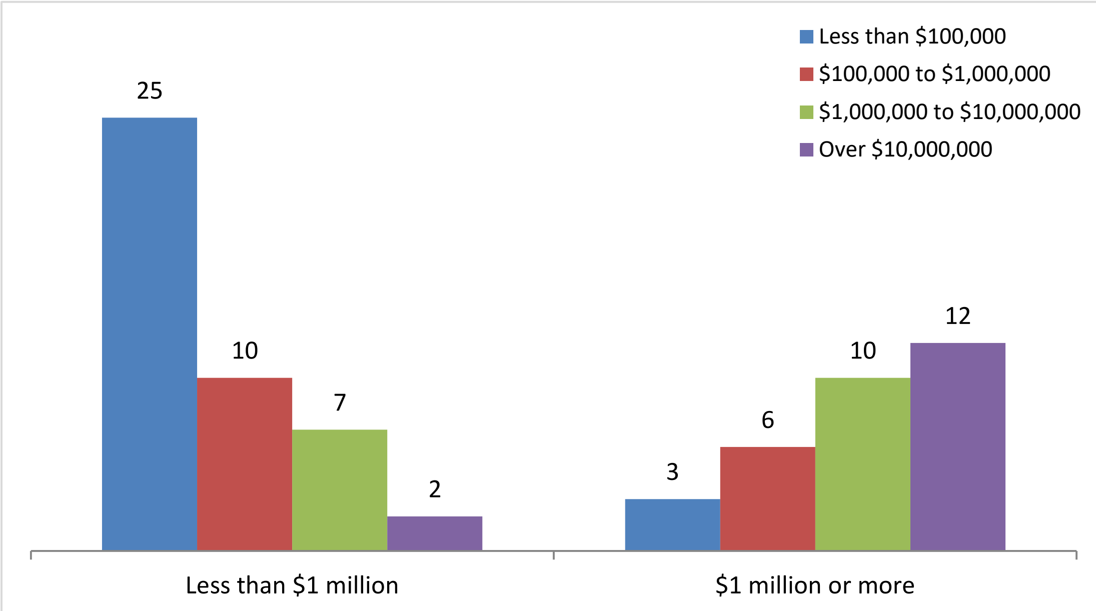
We also queried those respondents about the size of their campaigns. As shown in **Chart 26**, 31 of the 75 respondents (41%) cited campaigns with a goal of $1 million or more, with 18 of those aiming to raise in excess of $5 million. Meanwhile, roughly the same amount (28) of current and planned campaigns are raising or seeking to raise $100,000 or less.

Chart 26: Special fund development campaign goals (number of campaigns)



In **Chart 27**, we break down the size of the special fundraising campaigns by organizational size. As might be expected, the magnitude of the special fundraising campaign goal is directly related to organizational size. Respondents from smaller organizations are running 44 of the reported campaigns, and larger organizations are running 31 campaigns. Twenty-five of the respondents with operating budgets of less than $1 million stated they were running or anticipating campaigns under $100,000, whereas only three respondents with operating budgets of greater than $1 million were running similarly-sized campaigns. The reverse also is true, with 12 large organizations running campaigns aiming to raise more than $10 million and only two smaller organizations running such large campaigns.

Chart 27: Special fund development campaign goals by organization size (number of campaigns)



We also broke down the responses by the largest subsectors, as shown in **Chart 28.** While our sample size is small, we observe that arts and culture, human services, and workforce/economic/community development organizations tend to run relatively small campaigns, whereas education and health organizations appear to have more of a balance between larger and smaller campaigns.

Chart 28: Special fund development campaign goals by subsector (number of campaigns)

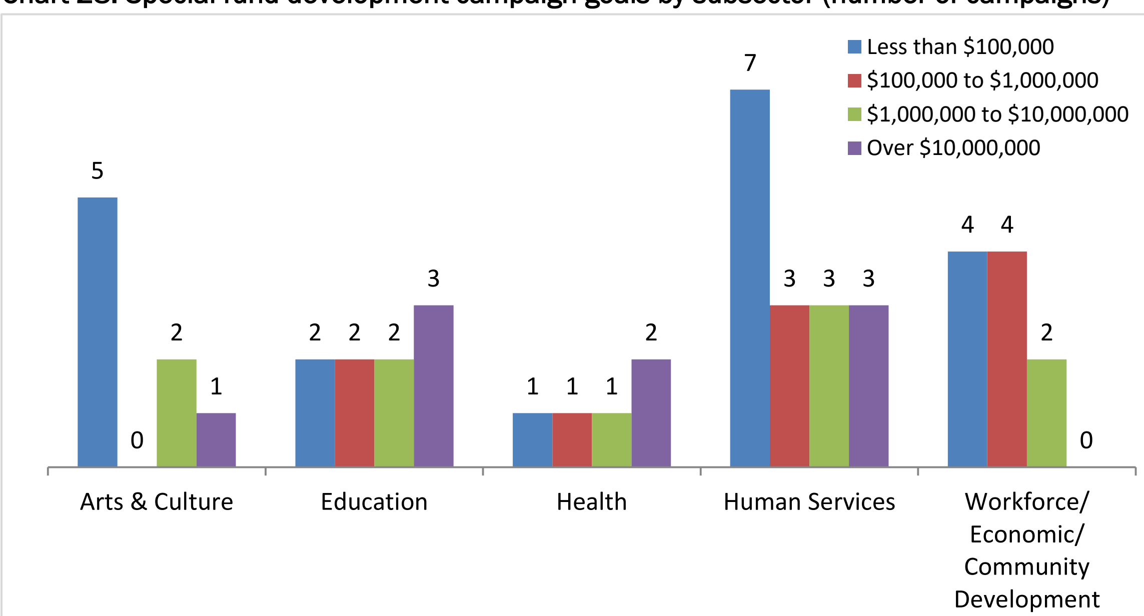
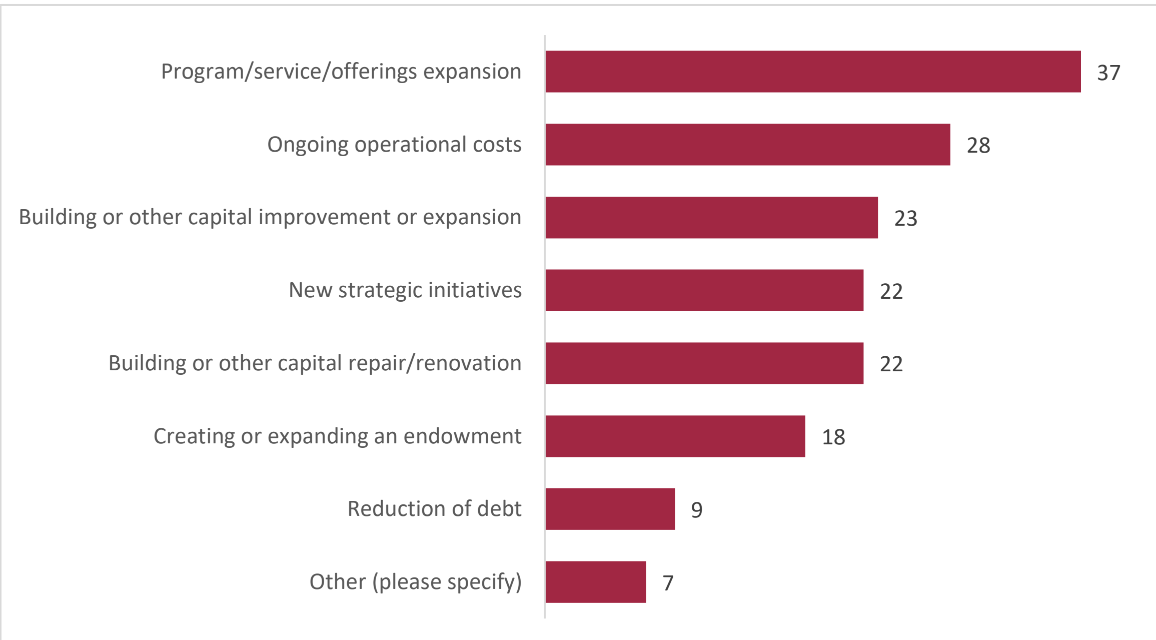


Chart 29 explores some of the reasons organizations are mounting major special fundraising appeals. Ranking first in terms of frequency of responses is expansion in programs, services, and/or offerings (47%). The second most frequently mentioned purpose was support of ongoing operating costs (35%). We found these results somewhat surprising, expecting instead to see special campaigns that distinguished themselves from seeking support for ongoing operations or programming. "Building or other capital improvement" ranked as the third most frequent response (cited by about 30% of respondents), while "creating or expanding an endowment" ranked as the fifth most frequent (23%). We might have expected those purposes to have been cited by a greater number of respondents given that they are purposes typically associated with major fundraising campaigns.

Chart 29: Planned use of special fund development campaign proceeds (number of campaigns)



Note: Respondents were able to choose more than one category.

Observations and Conclusion

Five years after the end of the Great Recession, this survey sought to explore any remaining effects of the economic downturn and assess the current state of Metro Milwaukee's nonprofit sector. We began with a broad view of nonprofit leaders' outlook on revenue and giving trends. From there, we probed their perceptions of trends in spending, staffing, and service provision. We then added context by exploring specific challenges nonprofits are facing as well as their long-term outlook on financial health and sustainability. Finally, we delved into the nature and magnitude of current and planned major fund development campaigns throughout the nonprofit sector.

Overall, we find that **for the region's nonprofit sector *in the aggregate*, the effects of the Great Recession appear largely to have worn off**. Based on our collective survey responses, we conclude that the region's nonprofits are enjoying far greater fiscal stability and enhanced optimism about the state of philanthropy – and about their own organizations' future – than we observed when we last surveyed nonprofit leaders in 2011.

Despite these overall favorable findings, however, divergences emerge when the field of vision narrows to organizations of different sizes or subsectors. For example, larger institutions and those in the education subsector appear to exhibit far more confidence than smaller organizations and those in most other subsectors. We also find that notwithstanding the sense of greater fiscal stability conveyed by a solid majority of respondents, both individual and institutional donors can expect a steady pipeline of appeals for support stemming from numerous major fund development campaigns on the horizon.

In addition, survey results suggest that the nature of the predominant challenges facing the nonprofit sector have shifted over the past five years. While recruiting and retaining donors remains the top challenge across the sector, the burden of meeting the needs of a growing number of clients has faded as a challenge since 2011. This suggests that many nonprofits now may be able to shift their focus from meeting immediate client or member needs to building longer-term fiscal and organizational capacity. Such activity could include building endowments, addressing capital needs, or enhancing overall visibility and reputation – all challenges commonly cited by our sample.

This finding also may dovetail with a sentiment uncovered in our previous research that the greatest opportunity for growth in contributed revenue lies not in shoring up support from institutional donors, but from expanding the base of individual donors. We have previously suggested that nonprofits across all subsectors may find it advantageous to build capacity to effectively engage in individual donor cultivation and relationship building. Similarly, expanded investment in marketing and communications capacity could confer meaningful benefit with respect to individual donors and other opportunities and challenges that emerged from this study.

In light of the importance of Metro Milwaukee's nonprofits to the region's quality of life, we hope this report informs the work of a variety of audiences, from nonprofit leaders and local governments to funding institutions and potential donors. Funding institutions, for example, may gain valuable grant-making insights related to trends in major fundraising campaigns set to launch in the near future. Individual donors and funding organizations alike may find it useful to see how optimism about trends in contributed revenue varies depending on a nonprofit's size or subsector. Finally, we hope that nonprofit and public sector leaders will glean strategic direction from these findings in terms of where to invest precious resources and how to strengthen the sector's long-term sustainability.

Appendix – Full Survey Results

Which sector best describes the primary work your organization does? If more than one, please choose the one that is most representative.		
Answer Options	**Response Percent**	**Response Count**
Arts & Culture	12.5%	17
Education	11.8%	16
Youth Development	6.6%	9
Environment	2.2%	3
Health	8.1%	11
Human Services	24.3%	33
Funding Organizations	1.5%	2
Workforce/Economic/Community Development	11.0%	15
Social Justice/Advocacy	5.1%	7
Other (please specify)	16.9%	23

What was your organization's operating budget in its most recently completed fiscal year?		
Answer Options	**Response Percent**	**Response Count**
Less than $249,999	26.5%	36
$250,000-$499,999	16.2%	22
$500,000-$999,999	19.9%	27
$1 million-$5 million	17.6%	24
$5 million-$10 million	10.3%	14
More than $10 million	9.6%	13

What percentage of your organization's overall operating budget comes from the following donation categories? (percentage does not need to add up to 100%)		
Answer Options	**Response Percent**	**Response Count**
Gifts from individual donors (not including bequests)	92.1%	116
Gifts from corporations and corporate foundations	80.2%	101
Foundation grants (other than corporate foundations)	87.3%	110
Government grants	81.7%	103

Overall, do you feel the state of philanthropy in the Milwaukee metropolitan area is...		
Answer Options	**Response Percent**	**Response Count**
Improving a great deal	4.5%	6
Improving somewhat	20.3%	27
Staying about the same	37.6%	50
Getting somewhat worse	15.0%	20
Getting a great deal worse	3.8%	5
Not sure	18.8%	25

Is your organization experiencing any of the following challenges?					
Answer Options	**Not a Challenge**	**Minor Challenge**	**Major Challenge**	**Does Not Apply**	**Response Count**
Growth in clients	29	40	39	17	125
Meeting needs/interests of clients/members	28	61	31	4	124
Enhancing our visibility and reputation	14	54	54	2	124
Recruiting or keeping qualified volunteers	28	60	29	8	125
Recruiting or keeping qualified staff	40	48	29	8	125
Conducting staff training and professional development	35	62	19	9	125
Recruiting new donors	3	33	80	9	125
Retaining current donors	27	64	20	14	125
Accountability to donors	65	37	8	15	125
Building an endowment	9	30	45	40	124
Initiating capital improvements	16	27	41	40	124
Addressing repair/maintenance needs	22	40	24	37	123
Recruiting new board members	20	66	35	3	124
Retaining current board members	64	48	7	5	124
Succession planning	27	63	29	5	124
Partnerships/collaboration w/ other nonprofits	46	60	13	6	125
Competition from other nonprofits	37	52	24	12	125

Do you expect that the support your organization receives from each of the following sources will increase or decrease in current fiscal year?							
Answer Options	**Increase A Lot**	**Increase Somewhat**	**Stay The Same**	**Decrease Somewhat**	**Decrease A Lot**	**Does Not Apply**	**Response Count**
Government grants	2	29	28	12	2	51	124
Government contracts	4	12	25	8	1	71	121
Foundation grants (other than corporate foundations)	8	45	40	10	2	18	123
Gifts from individual donors	10	59	42	5	0	6	122
Gifts from corporations and corporate foundations	4	52	44	7	2	14	123
Sponsorships	3	52	32	6	0	27	120
Gifts from multi-purpose appeals (such as United Way or UPAF)	1	19	29	14	1	58	122
In-kinds gifts	7	32	69	2	0	14	124
Membership dues	1	15	21	1	0	83	121
Program service revenues (fees, tuition, tickets, charges)	0	43	29	5	2	43	122
Fundraising events	7	57	37	6	1	15	123
Special events	4	48	35	2	1	30	120
Time given by volunteers	11	54	45	5	0	8	123

Compared to five years ago, how has the following changed?						
Answer Options	Increased	Unchanged	Decreased	Don't Know	Does Not Apply	Response Count
Contributed revenue	70	15	15	10	11	121
Earned revenue	59	13	17	4	29	122
Gifts to endowments	17	25	7	6	67	122
Gifts for capital needs	24	20	9	7	62	122
Number of individual donors	65	24	18	7	8	122

Do you offer direct services to clients/patrons?		
Answer Options	Response Percent	Response Count
Yes	75.2%	94
No	24.8%	31

Compared to five years ago, the demand for your services is...		
Answer Options	Response Percent	Response Count
Increasing a great deal	40.4%	38
Increasing somewhat	33.0%	31
Staying about the same	13.8%	13
Decreasing somewhat	7.4%	7
Decreasing a great deal	2.1%	2
Not sure	1.1%	1
Does not apply	2.1%	2

In relation to the change for demand for services, charitable gifts/donations are...		
Answer Options	Response Percent	Response Count
Increasing a great deal	8.6%	8
Increasing somewhat	33.3%	31
Staying about the same	31.2%	29
Decreasing somewhat	15.1%	14
Decreasing a great deal	3.2%	3
Not sure	5.4%	5
Does not apply	3.2%	3

Have you experienced an increase in demand for services due to public sector cutbacks?		
Answer Options	**Response Percent**	**Response Count**
Yes	41.5%	39
No	25.5%	24
Not sure	14.9%	14
Does not apply	18.1%	17

Compared to five years ago, what change have you experienced in your staffing levels?		
Answer Options	**Response Percent**	**Response Count**
Increased	40.5%	49
Decreased	24.8%	30
No Change	27.3%	33
Not Sure	1.7%	2
Does Not Apply	5.8%	7

Has the change in staffing levels been due to... (Check all that apply)		
Answer Options	**Response Percent**	**Response Count**
Increased revenue	23.1%	28
Decreased revenue	21.5%	26
Increased demand for services	32.2%	39
Decreased demand for services	2.5%	3
Change in mission/purpose	8.3%	10
Holding more/less events	7.4%	9
Increased funder/government reporting requirements	5.8%	7
Not sure	5.0%	6
Does not apply	31.4%	38

Compared to five years ago have you substantially reduced your annual expenditures?		
Answer Options	**Response Percent**	**Response Count**
Yes	30.5%	36
No	60.2%	71
Does not apply	9.3%	11

If yes to the previous question, have you (Check all that apply)		
Answer Options	**Response Percent**	**Response Count**
Reduced benefits	16.2%	6
Delayed major fundraising initiative***	16.2%	6
Eliminated benefits	18.9%	7
Frozen hires	21.6%	8
Reduced salaries	21.6%	8
Frozen salaries	27.0%	10
Reduced staff hours***	29.7%	11
Cut programming***	29.7%	11
Deferred capital expenditures***	29.7%	11
Laid off staff	48.6%	18
Other (please specify)		13

Who at your organization is primarily responsible for fundraising?		
Answer Options	**Response Percent**	**Response Count**
Executive Director	52.5%	63
Employed development staff	32.5%	39
Marketing staff	1.7%	2
Contracted development staff	2.5%	3
Board of Trustees	7.5%	9
Other volunteers	3.3%	4

Have you explored collaborating with another nonprofit for programmatic functions?		
Answer Options	**Response Percent**	**Response Count**
Yes, within the past month	33.3%	40
Yes, within the past 6 months	11.7%	14
Yes, within the past year	21.7%	26
No	33.3%	40

Have you explored collaborating with another nonprofit for administrative functions?		
Answer Options	**Response Percent**	**Response Count**
Yes, within the past month	9.1%	11
Yes, within the past 6 months	6.6%	8
Yes, within the past year	14.0%	17
No	70.2%	85

Have you explored merging with another nonprofit? If so, how recently?		
Answer Options	**Response Percent**	**Response Count**
Yes, within the past month	5.0%	6
Yes, within the past 6 months	4.1%	5
Yes, within the past year	5.0%	6
No	86.0%	104

Has your management team and/or Board of Directors considered closing your organization in the last 24 months?		
Answer Options	**Response Percent**	**Response Count**
Yes	7.4%	9
No	73.6%	89
Does not apply	19.0%	23

If you have discussed closing, has the decision been made to close your nonprofit...		
Answer Options	**Response Percent**	**Response Count**
Within the next month	4.0%	1
Within the next six months	0.0%	0
Within the next year	4.0%	1
Considered but decided not to close	92.0%	23

Which statement best describes your organization's current financial health?		
Answer Options	**Response Percent**	**Response Count**
We are financially healthy and not currently vulnerable.	45.7%	53
We have been financially healthy to date but feel vulnerable in the future.	35.3%	41
We are experiencing chronic financial problems but expect to survive.	12.9%	15
We don't know whether we will survive through the next 24 months.	6.0%	7

Given your organization's charitable giving record of the last five years, as well as your expectations about forthcoming support, do you anticipate that the long-term sustainability for your organization is...		
Answer Options	**Response Percent**	**Response Count**
Very high	26.1%	30
High	39.1%	45
Moderate	23.5%	27
Low	5.2%	6
Not sure	3.5%	4
Does not apply	2.6%	3

Have you recently completed or are you planning any special fund development campaigns outside of your typical annual fundraising?		
Answer Options	**Response Percent**	**Response Count**
We have completed a major fund development campaign in the previous 12 months	8.1%	9
We are currently conducting a major fund development campaign	18.0%	20
We plan to begin a major fund campaign in the next two years	34.2%	38
We did not complete a campaign in the previous 12 months and have no plans for one in the near future	39.6%	44

What is/was the fundraising goal of your special fund development campaign?		
Answer Options	**Response Percent**	**Response Count**
Less than $100,000	37.3%	28
$100,000 to $500,000	17.3%	13
$500,000 to $1,000,000	4.0%	3
$1,000,000 to $5,000,000	17.3%	13
$5,000,000 to $10,000,000	5.3%	4
$10,000,000 to $25,000,000	4.0%	3
$25,000,000 to $50,000,000	5.3%	4
Over $50,000,000	9.3%	7

How do you plan to use the proceeds from your campaign? (check all that apply)		
Answer Options	**Response Percent**	**Response Count**
Building or other capital repair/renovation	27.8%	22
Building or other capital improvement or expansion	29.1%	23
Program/service/offerings expansion	46.8%	37
Ongoing operational costs	35.4%	28
New strategic initiatives	27.8%	22
Creating or expanding an endowment	22.8%	18
Reduction of debt	11.4%	9
Other (please specify)		7

Who is responsible for managing the campaign?		
Answer Options	**Response Percent**	**Response Count**
100% in-house staff	37.0%	30
Joint effort of staff and volunteers, managed by staff	37.0%	30
Contracted professional fundraisers provide guidance, but staff and volunteers make "the ask"	12.3%	10
Contracted professional fundraisers manage campaign and make "the ask"	2.5%	2
Other (please specify)	11.1%	9

How long will your campaign last?		
Answer Options	**Response Percent**	**Response Count**
Less than 6 months	21.1%	16
6 months to 1 year	23.7%	18
1 year to 2 years	27.6%	21
More than 2 years	27.6%	21