2011

Report Card on Charitable Giving

Public Policy Forum

moving the region forward

2011 REPORT CARD ON CHARITABLE GIVING IN METRO MILWAUKEE

December 2011

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

In each of the past 15 years, the Public Policy Forum has surveyed nonprofit leaders in southeast Wisconsin to gain insight into the financial health of their organizations and their success in generating support from philanthropic and government entities in Greater Milwaukee. The Forum's effort to collect, synthesize and publish this information reflects the critical role played by nonprofit organizations in delivering a wide variety of services to southeast Wisconsin residents in areas like health, social services and the arts.

This year's 15th annual *Report Card on Charitable Giving* is based on the November 2011 survey responses of 95 nonprofit leaders. In a change from the previous two years, survey respondents this year report greater fiscal stability and more optimism about the future. In fact, it appears the nonprofit sector may have seen the bottom of the recession's impacts, with a greater number of nonprofit leaders reporting they are financially healthy – and fewer reporting chronic financial problems – than in 2009 or 2010. It is also clear, however, that nonprofit organizations have yet to bounce back to their pre-recession status, and that most continue to be challenged to meet increasing demands for their services within the context of their budget constraints.

Major Findings

- While about half of respondents feel the state of philanthropy in the metro Milwaukee area in 2011 did not change from the previous year, the percentage of those feeling it is getting worse decreased sharply from two years ago.

- The majority of respondents continue to feel the U.S. economic downturn has caused giving to be less generous than usual, yet the proportion of respondents feeling that way has declined in each of the past two years.

- A majority of respondents say the outlook for the long-term sustainability of their organization is high or very high. Very few have low expectations for long-term sustainability.

- Recession-driven demand for direct services continues to grow, but most respondents this year say they are at least somewhat confident they will be able to meet the demand. More respondents this year say they have been able to increase their staffing levels in response to increased demand and more say they feel donations are increasing relative to the increased demand for services than in the previous two years.

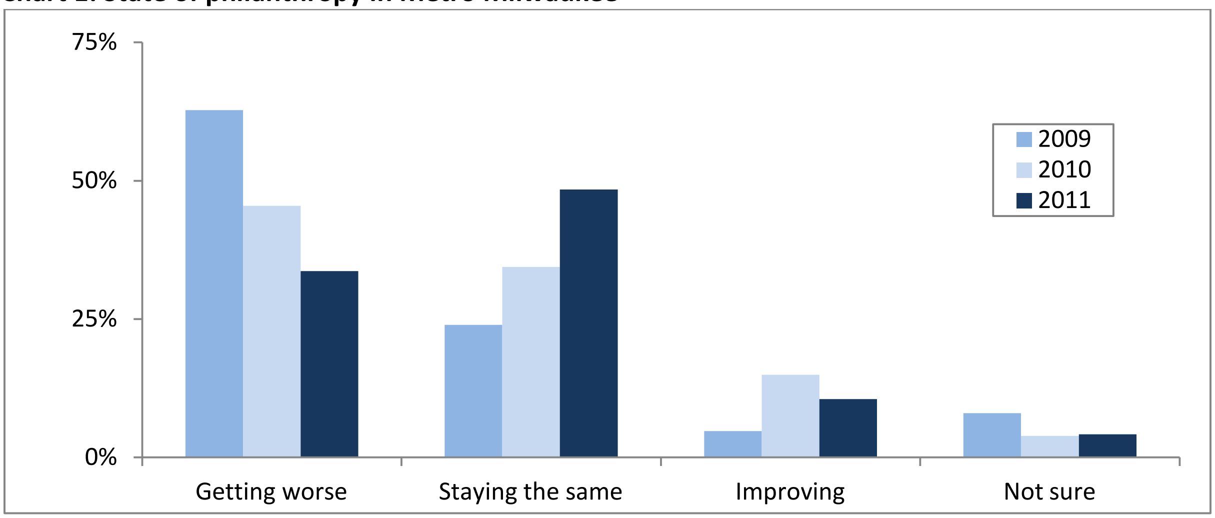
- Budget constraints continue to challenge nonprofit organizations, with many continuing to freeze salaries or take other steps to reduce expenses.

- More respondents in 2011 report overall revenue growth and growth in donations as compared to 2010.

GIVING TO NONPROFITS

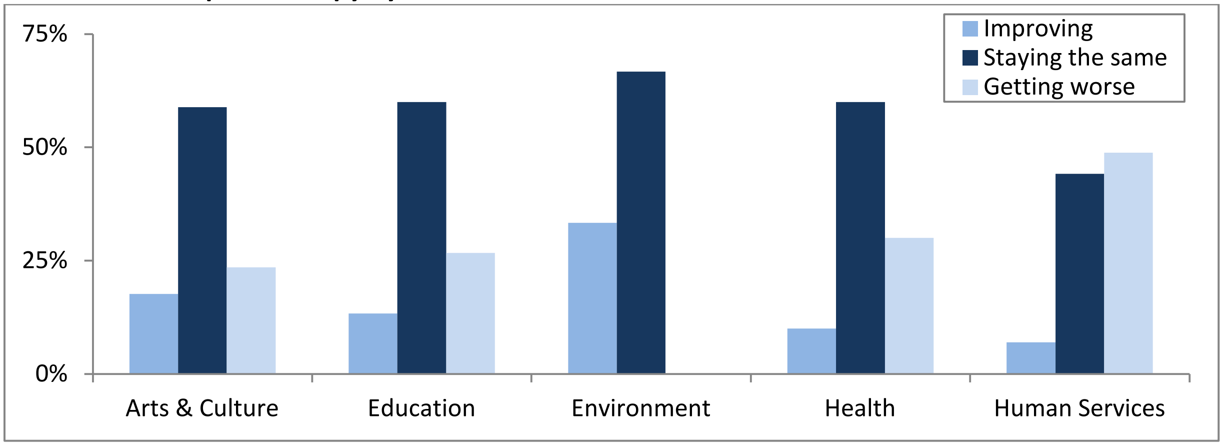
In 2011, fewer nonprofit organizations in metro Milwaukee see the state of philanthropy in the region as "getting worse" from the past year. In fact, about half (48%) feel philanthropy has stayed the same as in the previous year, indicating that perhaps the bottom of the recession-driven, downward trend in philanthropic giving has been hit (**Chart 1**). In 2009, the nonprofit leaders surveyed were very pessimistic towards the state of philanthropy in Milwaukee, with 63% feeling the state of philanthropy was getting worse. In addition, just 5% of 2009 survey respondents felt philanthropy in metro Milwaukee was improving. Today, 11% of those surveyed see improvement.

Chart 1: State of philanthropy in Metro Milwaukee



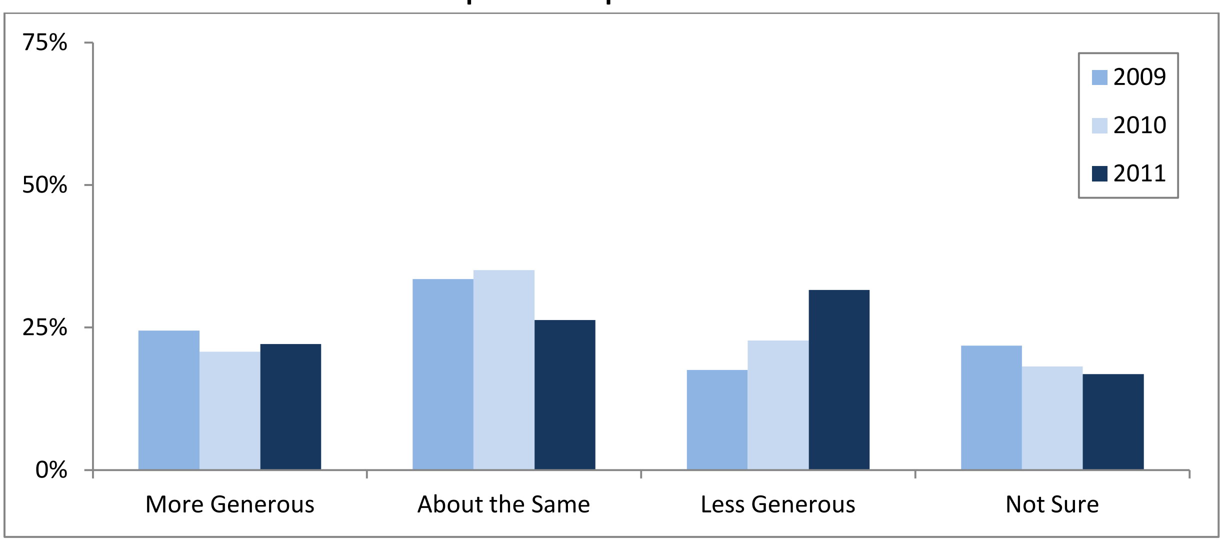
When analyzed by sector (**Chart 2**), it is clear that most types of nonprofit organizations believe the downturn in philanthropic giving has bottomed out, as only in the human services sector do more respondents feel the state of philanthropy is getting worse (49%) than staying the same (44%). A majority of the respondents in each of the other sectors say the state of philanthropy has stayed the same over the past year. The most optimistic sector is the environmental sector, with no respondents in the limited sample size reporting that things are getting worse. A majority of respondents from the health (60%), education (60%), and arts and cultural (59%) sectors feel the state of philanthropy has stayed the same as compared to the previous year.

Chart 2: State of philanthropy by sector



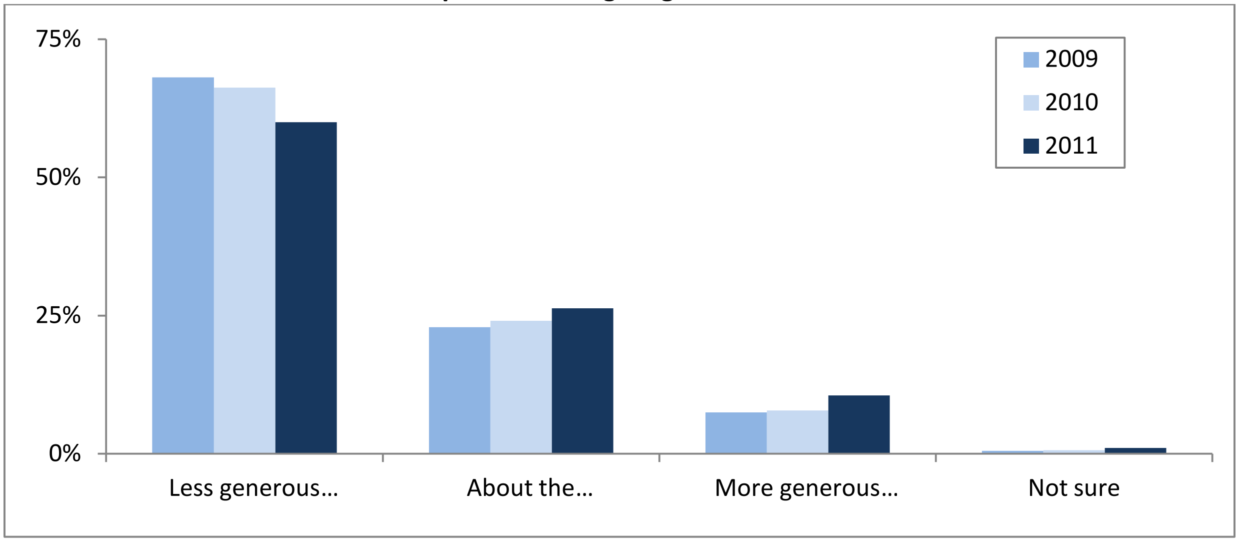
To provide additional context to the state of philanthropy in our region, we asked respondents for their views on how philanthropic giving in Milwaukee compares to other cities. There are mixed opinions on whether donations to metro Milwaukee non-profits are more or less generous than to those in other metro areas in the country (**Chart 3**). In contrast to previous years, slightly more respondents now feel donations are less generous in Milwaukee than the same or more generous when compared to other cities.

Chart 3: Donations to Milwaukee non-profits compared to other cities



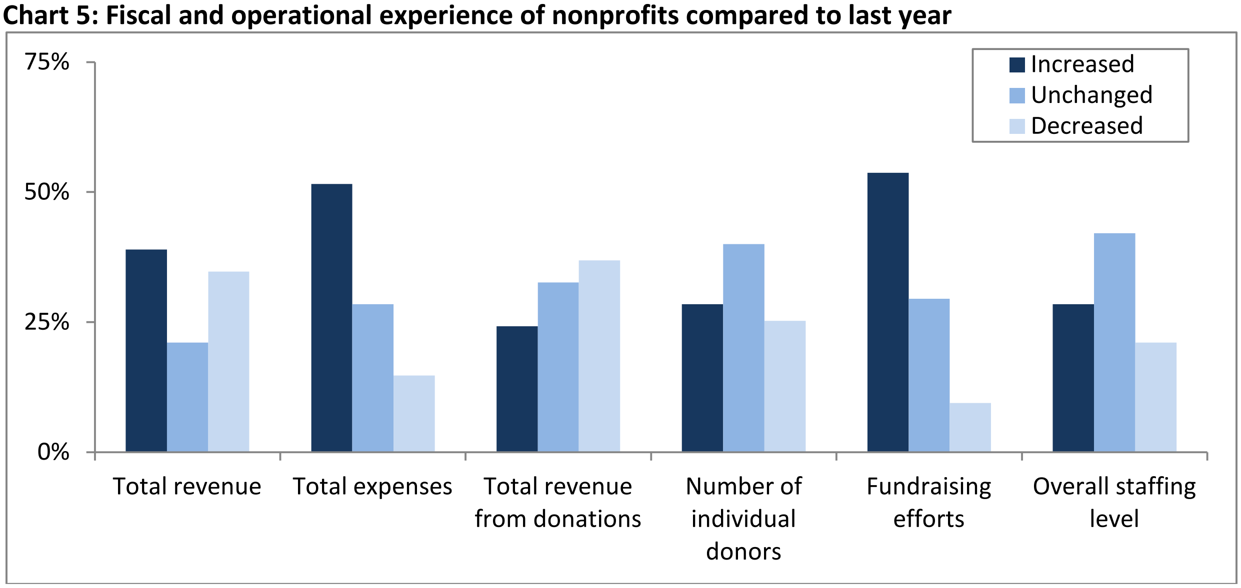
When specifically asked about the recession's effects on philanthropic giving, most respondents (60%) continue to say it has caused giving to be less generous than usual, indicating that even if the downward trend has bottomed out, giving has yet to return to pre-recession levels (**Chart 4**). The three-year trend in opinion shows improved optimism, however, with more respondents in each successive year reporting giving has been more generous than usual, and fewer each year reporting the opposite.

Chart 4: U.S. economic downturn impact on local giving



More than half (54%) of respondents say they have increased fundraising efforts this year (**Chart 5**). In addition, 39% of respondents report increased revenues in 2011. However, fewer (24%) report increased revenue from donations and only 28% report increased numbers of individual donors. In addition, while overall expenses have increased according to 52% of respondents, just 28% of respondents say they have been able to increase their organization's overall staffing level in the past year. Thus, while the outlook on the state of philanthropy in metro Milwaukee is brightening, most nonprofit organizations have yet to see increasing revenue and donors, and few are increasing staffing levels.

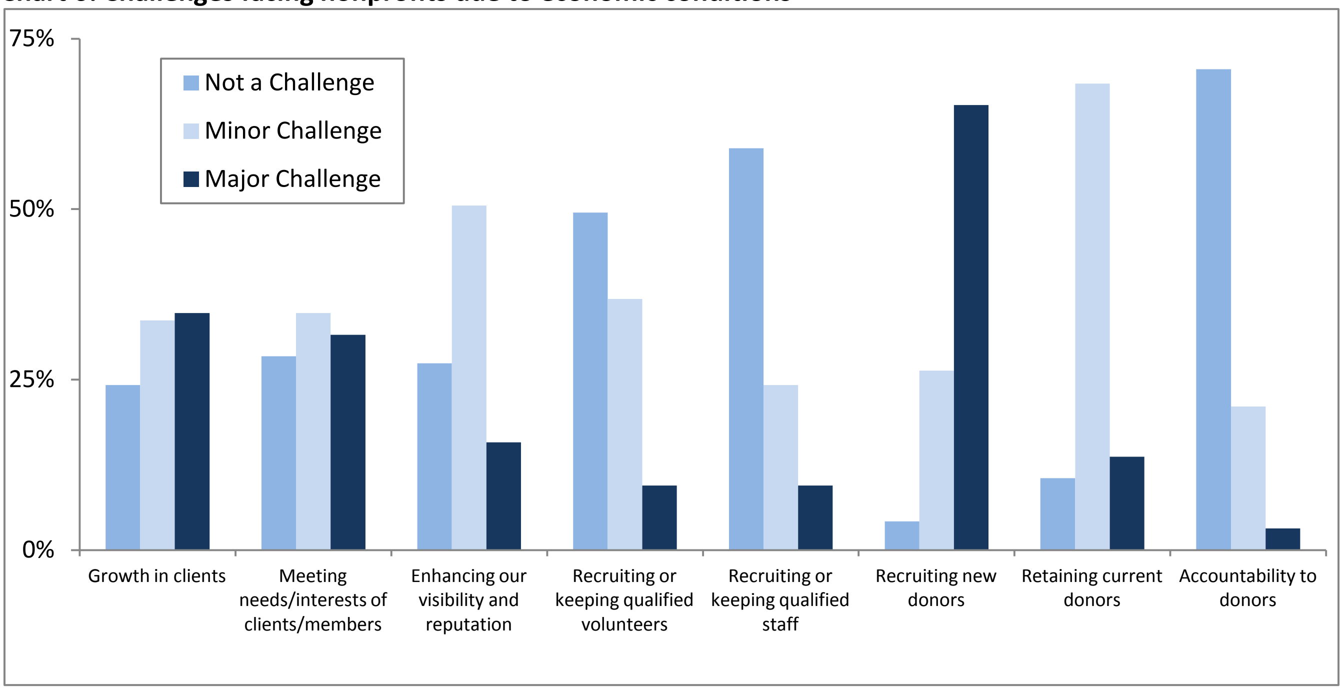
Chart 5: Fiscal and operational experience of nonprofits compared to last year



Indeed, recruiting new donors “due to current economic conditions” was cited as a major challenge by 65% of respondents (**Chart 6**). This was the same percentage that felt donor recruitment was a major challenge in 2010**.** On the other hand, most respondents (59%) say they do not find keeping or recruiting qualified staff a challenge due to the economy.

Growth in the client base due to the poor economy and being able to meet the needs of clients continue to be challenges for most respondents. Just under a quarter of respondents (24%) say they are *not* challenged by the growth in clients due to the recession, compared to 30% in 2010. Slightly more (28%) say they are *not* challenged to meet the needs of their clients, compared to 22% in 2010.

Chart 6: Challenges facing nonprofits due to economic conditions

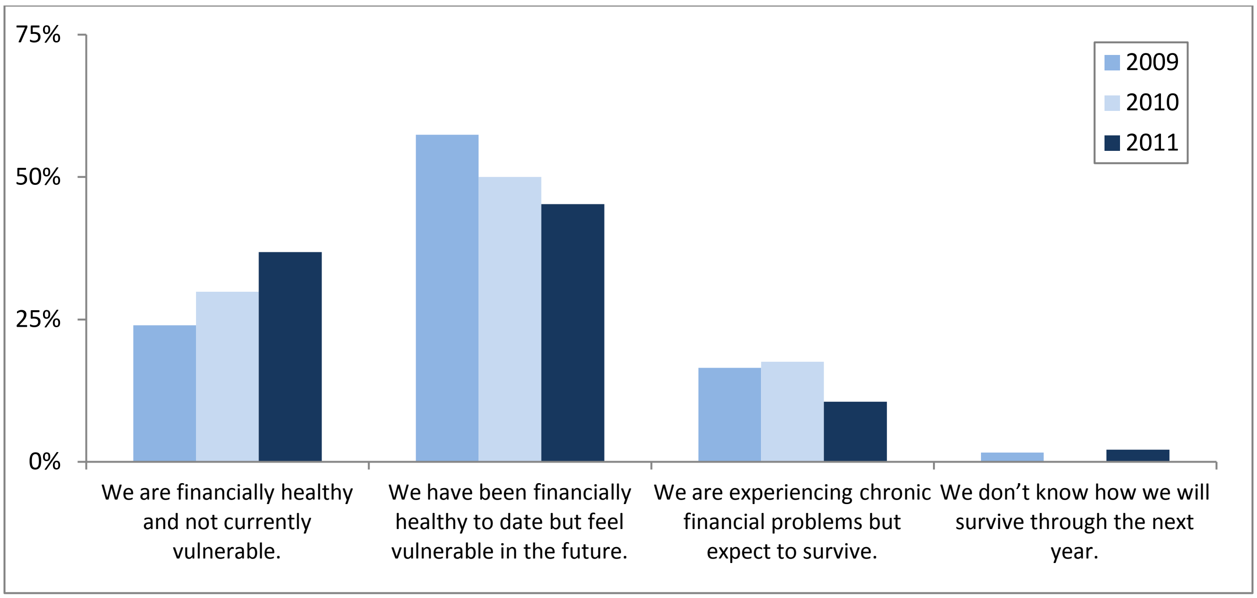


FINANCIAL HEALTH OF NONPROFITS

The financial health of nonprofits in metro Milwaukee is slowly getting better according the results of this year's survey, as shown in **Chart 7**. This year, 37% of respondents say they are financially healthy and not currently vulnerable, compared to 30% in 2010 and 24% in 2009. Meanwhile, the percentage of respondents who report they are financially healthy, but feel vulnerable about the future, dropped to 45%, compared to 50% in 2010 and 57% in 2009. The percentage of nonprofits reporting chronic financial problems also decreased, with 11% now saying they have chronic financial problems.

When asked about the size of their current operating reserves, 26% of respondents say they have at least nine months worth of reserves. That percentage is comparable to the two previous years, when 30% of respondents reporting having at least that much in reserve.

Chart 7: Financial health of nonprofits in Milwaukee

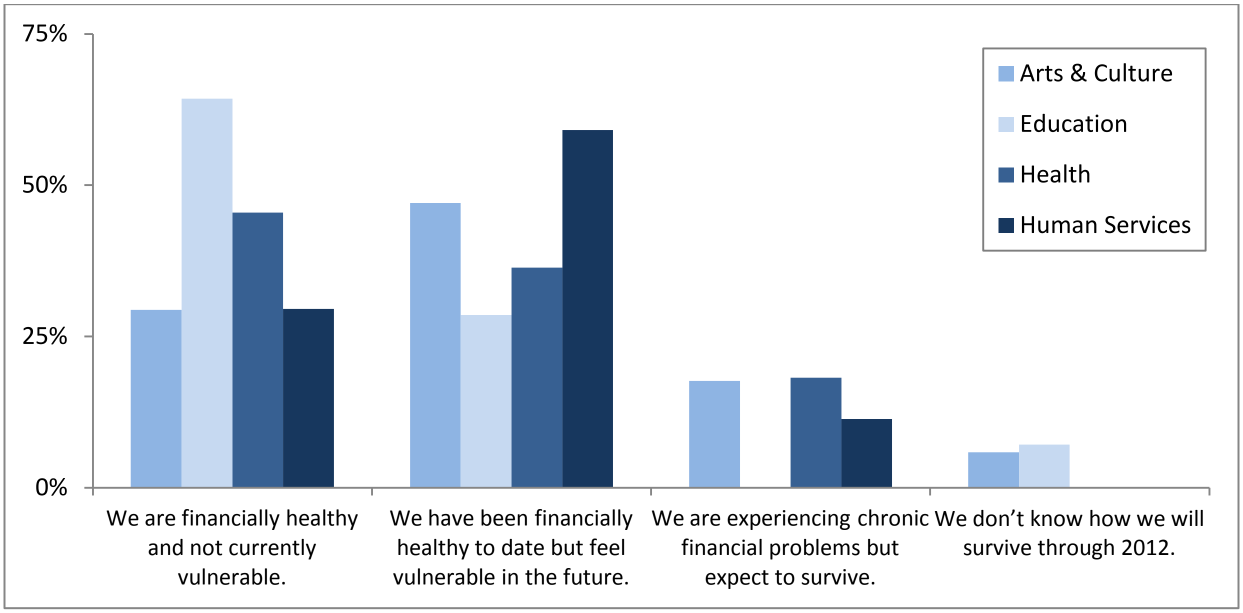


As **Chart 8** shows, the education sector reported the greatest financial health in 2011, while the human services sector reported the greatest feeling of vulnerability. This year, 64% of the respondents in the education sector reported being financially healthy. The health sector was next with 45% of the nonprofits reporting they are financially healthy.

A majority of the human services sector respondents report being fiscally healthy right now, but potentially vulnerable in the future. One arts and cultural organization and one educational organization responded they did not know if they would survive through 2012.

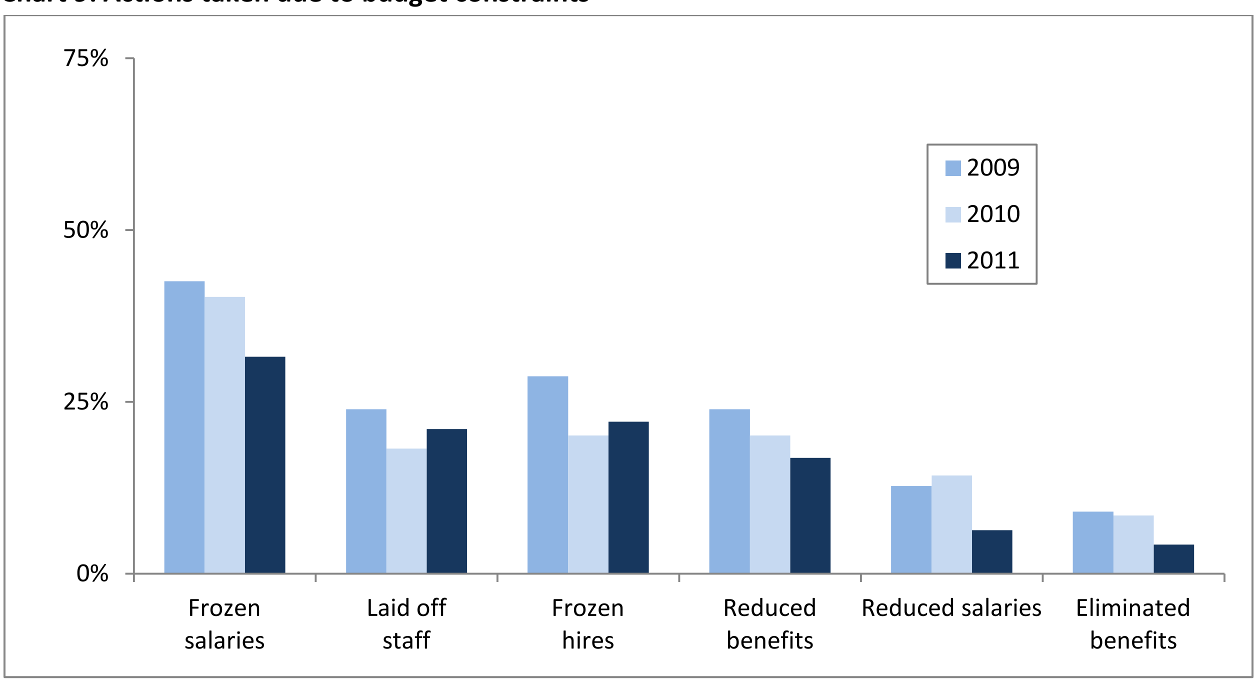
Consistent with the general improvement in feelings of financial health, more than two-thirds (68%) of respondents say they did not run a deficit in the past fiscal year. That figure is higher than in 2009 (62%) and 2010 (62%).

Chart 8: Financial health by sector



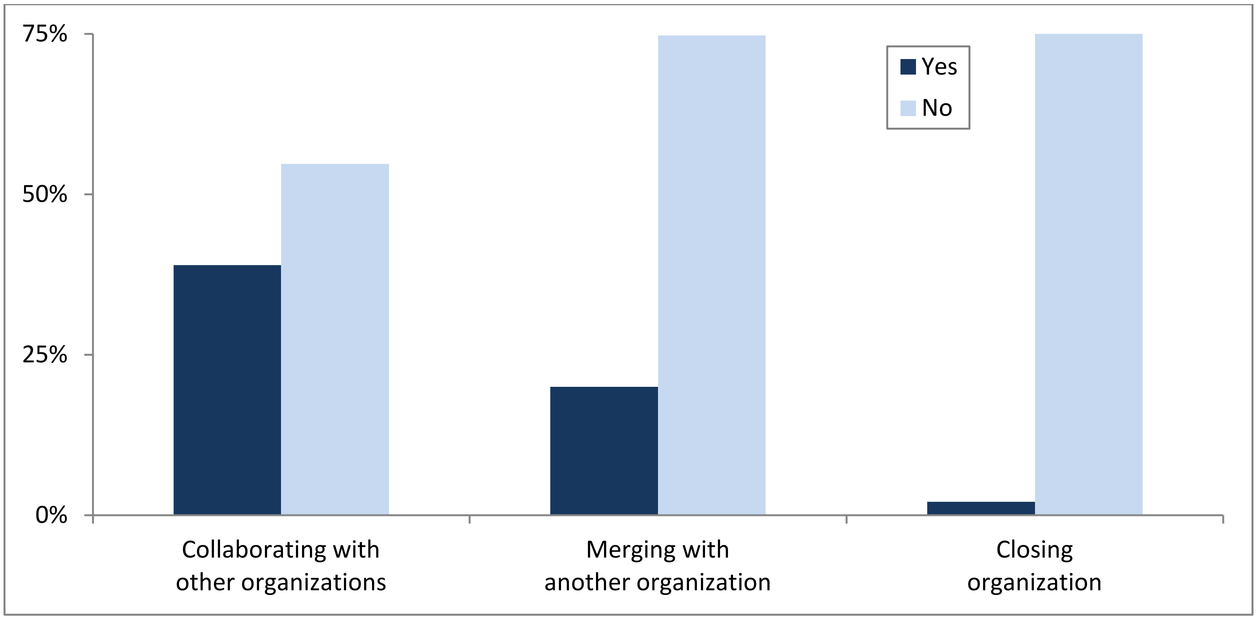
Despite improvements in fiscal stability, however, many organizations report having taken cost-saving actions to respond to budget constraints, including freezing salaries and laying off staff. On the positive side, the rate at which organizations report taking these steps has declined over the past three years (**Chart 9**). Freezing salaries continues to be the most frequently used action taken because of budget constraints, followed by hiring freezes and lay-offs.

Chart 9: Actions taken due to budget constraints



An additional indicator of increasing fiscal stability is the reduction in the percentage of respondents who say they have explored collaborating with other non-profit organizations in order to weather budget constraints (**Chart 10**). In 2011, 39% of respondents reported exploration of that possibility, down from 49% in 2010. The proportion of organizations exploring merging with other non-profits or closing is unchanged from 2010.

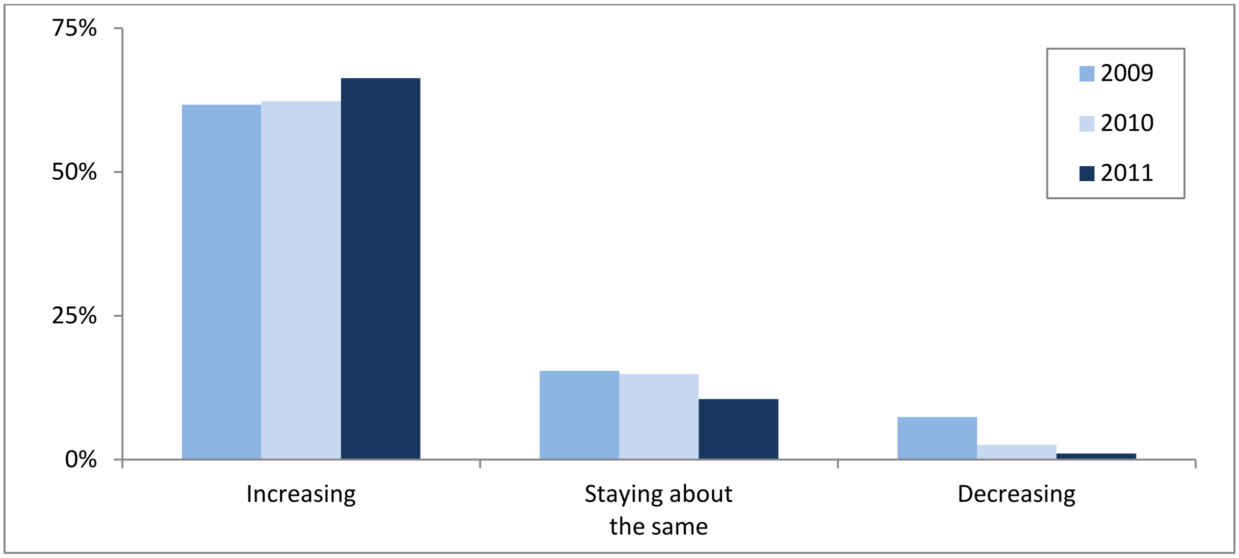
Chart 10: Options explored in response to budget constraints



DEMAND FOR SERVICES

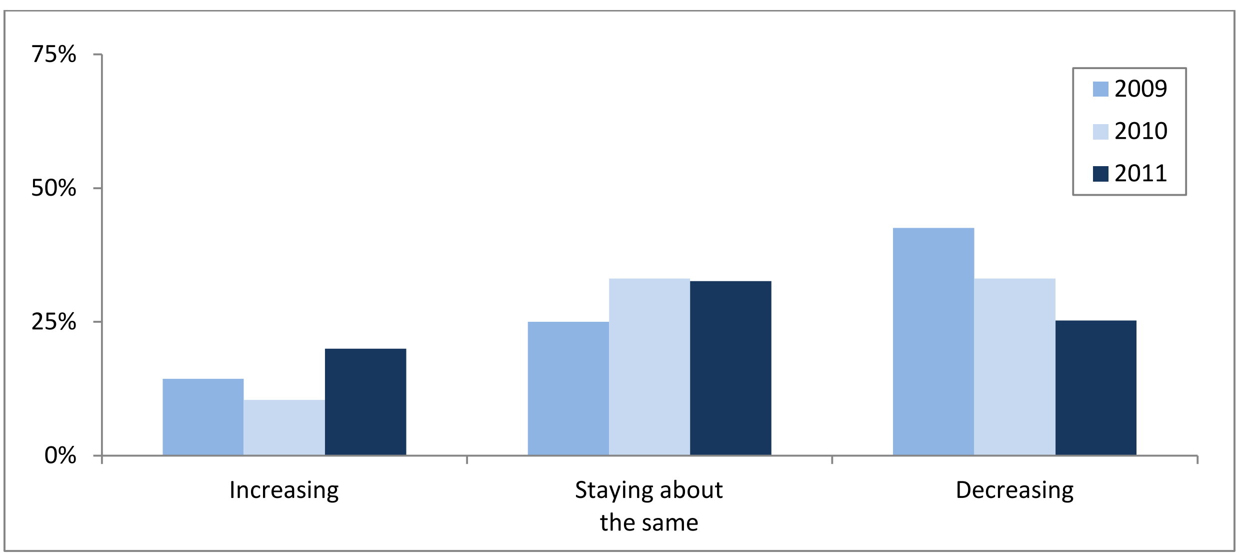
Most (81%) of the nonprofits surveyed in 2011 provide direct services to clients. As **Chart 11** shows, the demand for services in 2011 is increasing for a majority (66%) of the nonprofits surveyed. That percentage is up from 2010, when 62% reported that demand was increasing.

Chart 11: Demand for services



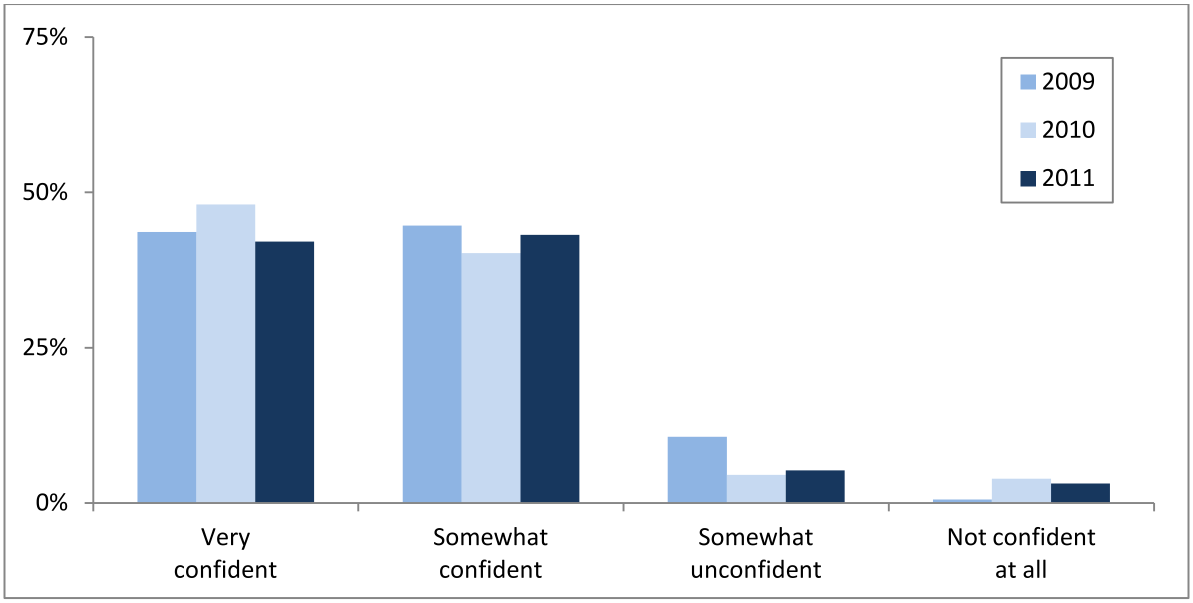
For most organizations, donations are either staying the same or increasing in relation to the increasing demand for services. As **Chart 12** shows, 20% of those surveyed this year are experiencing increasing donations in relation to the demand for services, up from 10% in 2010. About a quarter of respondents say donations are decreasing in relation to the demand for services, compared to 43% in 2010.

Chart 12: Donations in relation to the demand for services



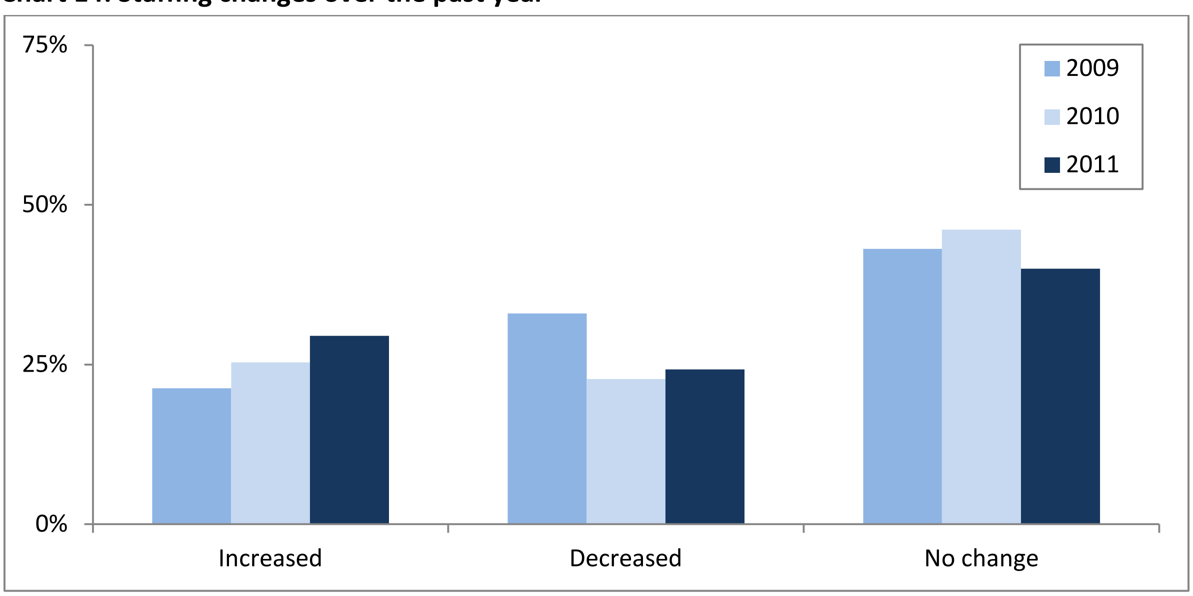
While **Chart 6** shows that meeting the needs of a growing client base is seen as a challenge by a majority of respondents, most are confident in the ability of their organization to meet the greater demand for services. **Chart 13** indicates that 85% of respondents are either very or somewhat confident they can meet the growing demand. This percentage is slightly lower than in the previous two years, however.

Chart 13: Confidence in meeting the demand for services



The high confidence levels regarding ability to meet service demands comes despite the fact that most (64%) organizations report having decreased or level staffing services this year (**Chart 14**). This would appear to indicate that many nonprofit organizations are making the most of their existing resources. It is also worth noting, however, that more organizations report increasing staffing levels in 2011 than in 2009 or 2010.

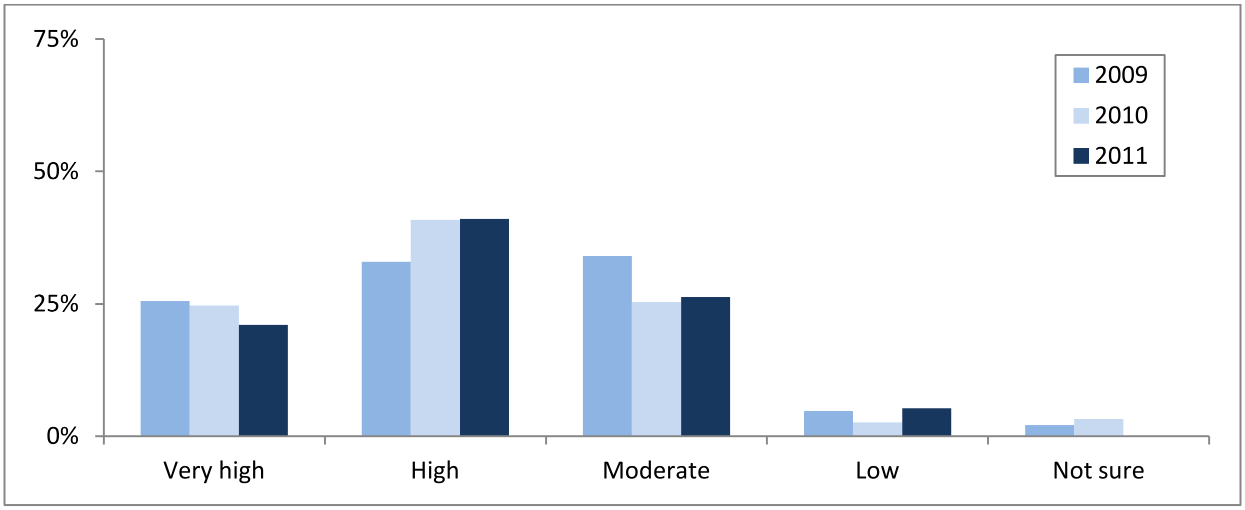
Chart 14: Staffing changes over the past year



LOOKING TOWARD THE FUTURE

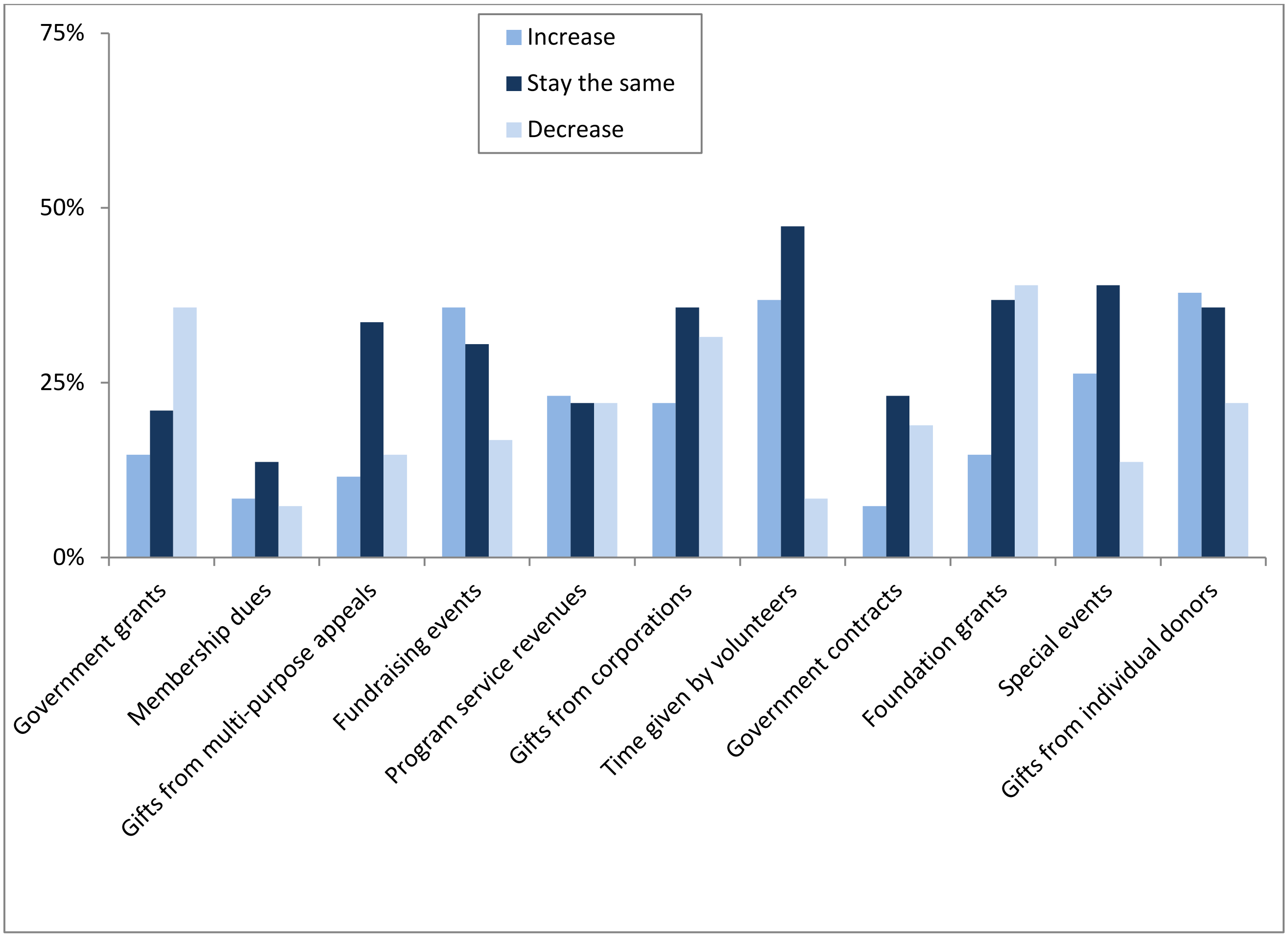
The survey responses indicate that the long-term sustainability of nonprofit organizations in metro Milwaukee remains high in 2011. As **Chart 15** shows, 61% of those surveyed feel the prospects for their long-term sustainability is high or very high. Meanwhile, only 5% of those surveyed feel their organization's long-term sustainability is low.

Chart 15: Expected long-term sustainability



While optimism is high for long-term fiscal stability, however, the outlook for revenue growth remains questionable. For nearly every type of revenue source, respondents expect that revenues will remain the same over the next year (**Chart 14**). In addition, two types of revenue streams are expected to decline over the next year: government grants and foundation grants. Consequently, respondents report they expect to increase revenues from fundraising events and gifts from individual donors. This finding is consistent with the results presented in **Chart 4**, which shows organizations are increasing their fundraising efforts.

Chart 16: Expected support from various sources



OPINIONS ON THE UTILITY OF THE ANNUAL REPORT CARD

For this year's survey, we asked nonprofit leaders to respond to questions regarding the usefulness of the annual survey and their familiarity with the *Report Card on Charitable Giving.* A little more than two-thirds (68%) of respondents say they are at least somewhat familiar with the *Report Card.* In addition, 69% feel the report has value to their organization and/or the broader community.

When asked how they use the information in the report, most (60%) say they glean general information about the Milwaukee non-profit sector; 43% say they compare their organization's experience to the general trends discussed in the report; and 40% say they keep track of trends over time. Respondents say they use this information in strategic planning (35%), reporting to their boards (34%), fiscal planning (27%), and grantwriting (21%). Just 17% say they do not use the report at all.

DATA AND METHODOLOGY

The 2011 survey was conducted online from November 1 through November 30, 2011. Emails were sent to 376 southeast Wisconsin nonprofit organizations in a database originally compiled by the Greater Milwaukee Foundation, inviting them to participate in the online survey. Of the 376 organizations, 95 completed the survey, for a response rate of 25%. This is slightly lower than the response rate in previous years.

Almost half (48%) of the responding organizations are from the human services sector, while 19% are from arts and culture, 16% are from education, 12% are health organizations, and 4% are in the environmental sector. In addition, most (55%) of the responding organizations have annual revenues less than $1 million; 32% have revenues between $1 and $5 million; and 12% have annual revenues greater than $5 million.

The preceding write-up reflects highlights and trend analysis from this year's survey. A complete compilation of survey results is contained in the Appendix to this report.

APPENDIX – SURVEY DATA

Which sector best describes the work your organization does?

Responses	Count	%
Arts & Culture	18	18.95%
Education	15	15.79%
Environment	4	4.21%
Health	11	11.58%
Human Services	45	47.37%
Funding Organizations	0	0.00%
(Did not answer)	2	2.11%
Total Responses	**95**	

What was your organization's operating budget in its most recently completed fiscal year?

Responses	Count	%
Less than $249,999	19	20.00%
$250,000-$499,999	12	12.63%
$500,000-$999,999	21	22.11%
$1 million-$5 million	30	31.58%
More than $5 million	11	11.58%
(Did not answer)	2	2.11%
Total Responses	**95**	

Overall, do you feel the state of philanthropy in the Milwaukee metropolitan area is...

Responses	Count	%
Improving a great deal	0	0.00%
Improving somewhat	10	10.53%
Staying about the same	46	48.42%
Getting somewhat worse	28	29.47%
Getting a great deal worse	4	4.21%
Not sure	4	4.21%
(Did not answer)	3	3.16%
Total Responses	**95**	

Compared to other metropolitan areas in the country, do you feel that donations to nonprofits in the Milwaukee metropolitan area are...

Responses	Count	%
Much more generous	1	1.05%
Somewhat more generous	20	21.05%
About average	25	26.32%
Somewhat less generous	23	24.21%
Much less generous	7	7.37%
Not sure	16	16.84%
(Did not answer)	3	3.16%
Total Responses	**95**	

Do you feel that the U.S. economic downturn caused giving to your organization to be...

Responses	Count	%
Much more generous than usual	0	0.00%
Somewhat more generous than usual	10	10.53%
About the same	25	26.32%
Somewhat less generous than usual	42	44.21%
Much less generous than usual	15	15.79%
Not Sure	1	1.05%
(Did not answer)	2	2.11%
Total Responses	**95**	

Is your organization experiencing any of the following challenges due to current economic conditions?

		Not a Challenge		Minor challenge		Major challenge		Did not answer	Total
(a)	Growth in clients	23	24.21%	32	33.68%	33	34.74%	7	95
(b)	Meeting needs/interests of clients/members	27	28.42%	33	34.74%	30	31.58%	5	95
(c)	Enhancing our visibility and reputation	26	27.37%	48	50.53%	15	15.79%	6	95
(d)	Recruiting or keeping qualified volunteers	47	49.47%	35	36.84%	9	9.47%	4	95
(e)	Recruiting or keeping qualified staff	56	58.95%	23	24.21%	9	9.47%	7	95
(f)	Recruiting new donors	4	4.21%	25	26.32%	62	65.26%	4	95
(g)	Retaining current donors	10	10.53%	65	68.42%	13	13.68%	7	95
(h)	Accountability to donors	67	70.53%	20	21.05%	3	3.16%	5	95

Do you expect that the support your organization receives from each of the following sources will increase or decrease in 2012?

		Increase A Lot		Increase Somewhat		Stay The Same		Decrease Somewhat		Decrease A Lot		Does Not Apply		Did not answer	Total
(a)	Government grants	1	1.05%	13	13.68%	20	21.05%	17	17.89%	17	17.89%	23	24.21%	4	95
(b)	Membership dues	0	0.00%	8	8.42%	13	13.68%	6	6.32%	1	1.05%	63	66.32%	4	95
(c)	Gifts from multi-purpose appeals	1	1.05%	10	10.53%	32	33.68%	11	11.58%	3	3.16%	34	35.79%	4	95
(d)	Fundraising events	3	3.16%	31	32.63%	29	30.53%	14	14.74%	2	2.11%	12	12.63%	4	95
(e)	Program service revenues	1	1.05%	21	22.11%	21	22.11%	19	20.00%	2	2.11%	26	27.37%	5	95
(f)	Gifts from corporations	1	1.05%	20	21.05%	34	35.79%	24	25.26%	6	6.32%	6	6.32%	4	95
(g)	Time given by volunteers	4	4.21%	31	32.63%	45	47.37%	7	7.37%	1	1.05%	3	3.16%	4	95
(h)	Government contracts	0	0.00%	7	7.37%	22	23.16%	11	11.58%	7	7.37%	44	46.32%	4	95
(i)	Foundation grants	3	3.16%	11	11.58%	35	36.84%	30	31.58%	7	7.37%	5	5.26%	4	95
(j)	Special events	3	3.16%	22	23.16%	37	38.95%	10	10.53%	3	3.16%	16	16.84%	4	95
(k)	Gifts from individual donors	7	7.37%	29	30.53%	34	35.79%	19	20.00%	2	2.11%	0	0.00%	4	95

During the calendar year 2011, compared to the calendar year 2010, how has the following changed?

		Increased		Unchanged		Decreased		Don't Know		Did not answer	Total
(a)	Total revenue	37	38.9%	20	21.1%	33	34.7%	0	0.0%	5	95
(b)	Total expenses	49	51.6%	27	28.4%	14	14.7%	0	0.0%	5	95
(c)	Total revenue from donations	23	24.2%	31	32.6%	35	36.8%	0	0.0%	6	95
(d)	Number of individual donors	27	28.4%	38	40.0%	24	25.3%	1	1.1%	5	95
(e)	Fundraising efforts	51	53.7%	28	29.5%	9	9.5%	1	1.1%	6	95
(f)	Overall staffing level	27	28.4%	40	42.1%	20	21.1%	1	1.1%	7	95

Do you offer direct services to clients?

Responses	Count	%
Yes	77	81.05%
No	12	12.63%
(Did not answer)	6	6.32%
Total Responses	**95**	

Compared to this time last year, the demand for your services is...

Responses	Count	%
Increasing a great deal	27	28.42%
Increasing somewhat	36	37.89%
Staying about the same	10	10.53%
Decreasing somewhat	1	1.05%
Decreasing a great deal	0	0.00%
Not Sure	0	0.00%
(Did not answer)	21	22.11%
Total Responses	**95**	

In relation to the change for demand for services, charitable gifts/donations are...

Responses	Count	%
Increasing a great deal	1	1.05%
Increasing somewhat	18	18.95%
Staying about the same	31	32.63%
Decreasing somewhat	19	20.00%
Decreasing a great deal	5	5.26%
Not Sure	0	0.00%
(Did not answer)	21	22.11%
Total Responses	**95**	

Have you experienced an increase in demand for services due to public sector cutbacks?

Responses	Count	%
Yes	45	47.37%
No	31	32.63%
(Did not answer)	19	20.00%
Total Responses	**95**	

Compared to this time last year, what change have you experienced in your staffing services?

Responses	Count	%
Increased	28	29.47%
Decreased	23	24.21%
No change	38	40.00%
Not sure	1	1.05%
(Did not answer)	5	5.26%
Total Responses	**95**	

Has the change in staffing services been due to...

Responses	Count	%
Increased revenue	13	13.68%
Decreased revenue	27	28.42%
Increased demand for services	22	23.16%
Decreased demand for services	1	1.05%
Not sure	12	12.63%
(Did not answer)	20	21.05%
Total Responses	**95**	

Have you cut costs due to budget constraints?

Responses	Count	%
Yes	58	61.05%
No	32	33.68%
(Did not answer)	5	5.26%
Total Responses	**95**	

To cut costs, have you (Check all that apply)

Responses	Count	%
Laid off staff	20	12.42%
Frozen hires	21	13.04%
Frozen salaries	30	18.63%
Reduced salaries	6	3.73%
Reduced benefits	16	9.94%
Eliminated benefits	4	2.48%
Other (please specify)	18	11.18%
(Did not answer)	46	28.57%
Total Responses	**161**	
Multiple answers per participant possible. Percentages added may exceed 100 since a participant may select more than one answer for this question.		

Have you explored collaborating with another nonprofit, i.e. sharing accounting, IT or HR services?

Responses	Count	%
Yes, within the past month	11	11.58%
Yes, within the past 6 months	8	8.42%
Yes, within the past year	18	18.95%
No	52	54.74%
(Did not answer)	6	6.32%
Total Responses	**95**	

Have you explored merging with another nonprofit? If so, how recently?

Responses	Count	%
Yes, within the past month	5	5.26%
Yes, within the past 6 months	3	3.16%
Yes, within the past year	11	11.58%
No	71	74.74%
(Did not answer)	5	5.26%
Total Responses	**95**	

Has your management team and/or Board of Directors considered closing your organization?

Responses	Count	%
Yes	2	2.11%
No	87	91.58%
(Did not answer)	6	6.32%
Total Responses	**95**	

If yes, has the decision been made to close your nonprofit... (Check all that apply)

Responses	Count	%
Within the next month	1	1.05%
Within the next six months	0	0.00%
By the end of 2012	0	0.00%
(Did not answer)	94	98.95%
Total Responses	**95**	

How confident are you that you can meet the demand for services in 2012?

Responses	Count	%
Very confident	40	42.11%
Somewhat confident	41	43.16%
Somewhat unconfident	5	5.26%
Not confident at all	3	3.16%
(Did not answer)	6	6.32%
Total Responses	**95**	

Which statement best describes your organization's current financial health?

Responses	Count	%
We are financially healthy and not currently vulnerable.	35	36.84%
We have been financially healthy to date but feel vulnerable in the future.	43	45.26%
We are experiencing chronic financial problems but expect to survive.	10	10.53%
We don't know how we will survive through 2010.	2	2.11%
(Did not answer)	5	5.26%
Total Responses	**95**	

How many months of an operating reserve does your organization currently have?

Responses	Count	%
Less than one month	10	10.53%
1-3 months	23	24.21%
3-6 months	21	22.11%
6-9 months	7	7.37%
9-12 months	4	4.21%
More than 12 months	21	22.11%
(Did not answer)	9	9.47%
Total Responses	**95**	

Are you running an operating deficit in the current fiscal year?

Responses	Count	%
Yes	33	34.74%
No	57	60.00%
(Did not answer)	5	5.26%
Total Responses	**95**	

Did you run a deficit in the past fiscal year?

Responses	Count	%
Yes	25	26.32%
No	65	68.42%
(Did not answer)	5	5.26%
Total Responses	**95**	

Given your organization's charitable giving record of the last three years, as well as your expectations about forthcoming support, do you anticipate that the long-term sustainability for your organization is...

Responses	Count	%
Very high	20	21.05%
High	39	41.05%
Moderate	25	26.32%
Low	5	5.26%
Not sure	0	0.00%
(Did not answer)	6	6.32%
Total Responses	**95**	

The results of this annual survey are published as the Report Card on Charitable Giving. How familiar are you with this report?

Responses	Count	%
Very familiar	26	27.37%
Somewhat familiar	39	41.05%
Not familiar	23	24.21%
(Did not answer)	7	7.37%
Total Responses	**95**	

Please click all the ways in which you use the report, if any.

Responses	Count	%
Don't use the report	16	9.30%
General information about nonprofit sector	57	33.14%
Comparing own organization to sector as a whole	41	23.84%
Keeping track of trends over time	38	22.09%
Other (please specify)	3	1.74%
(Did not answer)	17	9.88%
Total Responses	**172**	

Have you used information in the report when doing any of the following? (Check all that apply)

Responses	Count	%
Reporting to your board	32	20.13%
Strategic planning	33	20.75%
Grantwriting	20	12.58%
Fiscal planning	26	16.35%
Performance evaluations	2	1.26%
Other (please specify)	0	0.00%
(Did not answer)	46	28.93%
Total Responses	**159**	

Please rate the value of this report to your organization and the broader community.

Responses	Count	%
Very valuable	23	24.21%
Somewhat valuable	43	45.26%
Not valuable at all	7	7.37%
(Did not answer)	22	23.16%
Total Responses	**95**	