FOURTEENTH ANNUAL

REPORT CARD ON CHARITABLE GIVING

FOR METRO MILWAUKEE

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TABLE OF CONTENTS

INTRODUCTION

Dear Friends,

Hard times continue to hit metropolitan Milwaukee nonprofit organizations. The rocky economy has again resulted in increased demand for services at the same time support continued to decrease. If 2009 was a year most nonprofits would like to forget, 2010 will likely be a year that cannot end quickly enough.

The 14th annual *Report Card on Charitable Giving* found little positive change for most area nonprofits. While most did not rate the state of philanthropy as stressed as in 2009, the majority of those answering – 45 percent – believe the state of philanthropy is getting worse. That is the second highest percentage of pessimism in 14 years.

Other key findings from the 154 nonprofits responding to the survey include:

- Sixty-six percent of surveyed organizations feel economic conditions are causing giving to be less generous than usual. That's virtually the same percentage as last year.
- Nearly 80 percent of organizations have made budget cuts to bridge the gap between increased expenses and decreased revenue. Freezing salaries and hiring, reducing benefits and staff layoffs are the most common ways nonprofits have controlled costs.
- Despite taking tough steps to control expenses, one-third of agencies expect to run a deficit in 2010.
- Sixty-two percent of nonprofits providing direct services to clients indicate demand for these services has increased.
- Nearly half of all organizations have considered collaborating with other agencies to share services including accounting, information technology and human resources.
- While 44 percent of organizations say their long-term sustainability is high, arts and culture organizations continue to express greater concern about their financial health than other sectors. In 2010, 35 percent of arts and culture organizations report chronic financial problems, while another 50 percent report they are financially healthy but vulnerable in the future.

I would like to express my thanks to the area nonprofits who participated in this important survey and to the Public Policy Forum for conducting and interpreting this research. The Foundation is also fortunate to have Donors Forum of Wisconsin, The Faye McBeath Foundation and United Way of Greater Milwaukee as strong co-sponsors of the *Report Card*.

Sincerely,

Douglas M. Jansson, President
Greater Milwaukee Foundation

EXECUTIVE SUMMARY

The 14th annual *Report Card on Charitable Giving* is based on a comprehensive survey of nonprofit organizations in southeast Wisconsin that is designed to ascertain the changes and challenges faced by this critical sector of the local economy. Of the 412 local nonprofits who received the survey, 154 responded, for a response rate of 37 percent. More than half (52 percent) of the responding organizations are from the human services sector, while 17 percent are from arts and culture, 16 percent are from education, 10 percent are health organizations, and three percent are in the environmental sector. Seventy-eight percent of the 154 responding organizations service Milwaukee County.

Major findings

- For the second year in a row, nearly two-thirds of nonprofits in Metro Milwaukee feel that economic conditions are causing local giving to be less generous than usual. In 2010, 66 percent of those surveyed feel giving is less generous, slightly lower than the 68 percent who felt that way in 2009.

- More than a third of the 2010 respondents report decreased total revenue (38 percent), while half report increased total expenses.

- Half of those responding in 2010 feel they are financially healthy but vulnerable in the future, an improvement over the 57 percent who felt this way in 2009. Meanwhile, 30 percent of the survey respondents this year feel they are financially healthy with *no* foreseeable problems in the near future, also improved from the 24 percent who responded that way in 2009.

- Arts and culture organizations expressed the greatest concern about their financial health among the various nonprofit sectors. In 2010, 35 percent of arts and culture organizations report chronic financial problems, while another 50 percent report they are financially healthy but vulnerable in the future.

- Survey respondents cited the need for several personnel-related actions to address budget constraints, including salary freezes (40 percent), reductions in benefits (20 percent) and lay-offs (18 percent). More comprehensive strategies cited by respondents included consideration of collaborating with other organizations (48 percent) or merging with other organizations (22 percent).

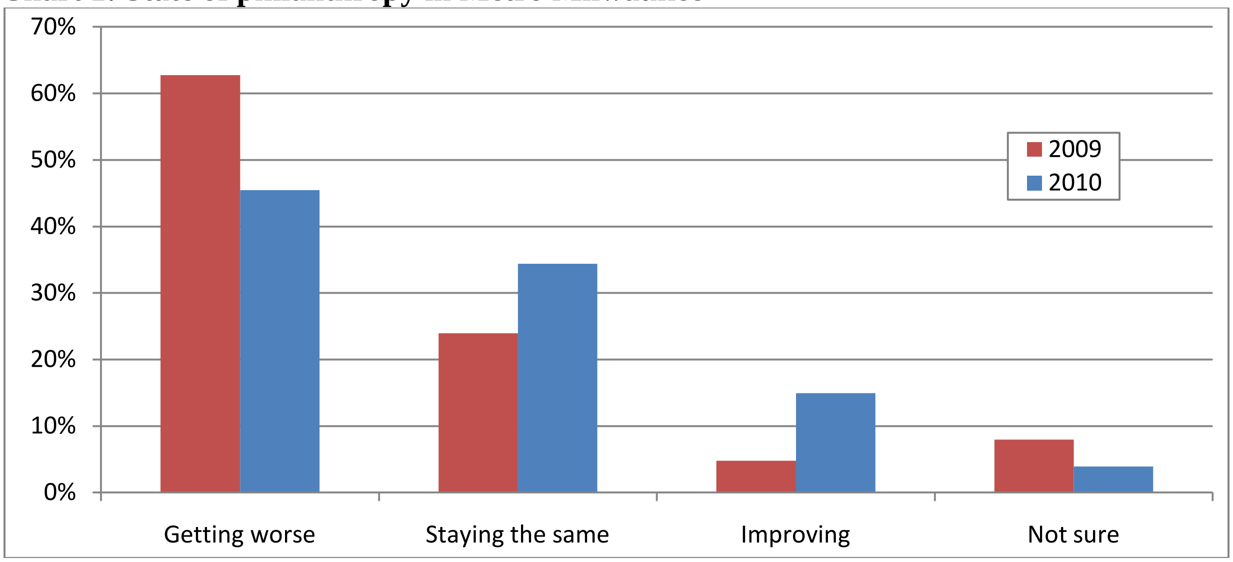
- A quarter of the respondents say their expectation of long-term sustainability is *very high*, while another 41 percent report that it is *high*. Only three percent have *low* expectations for long-term sustainability.

- Nearly half (46 percent) of the respondents say they expect gifts from corporations to decline, while 43 percent expect gifts from individual donors to decline and 41 percent expect foundation grants to decline.

GIVING TO NONPROFITS

In 2010, nonprofits in Metro Milwaukee remain pessimistic about the state of philanthropy, though that pessimism is less pronounced. As **Chart 1** shows, 46 percent of those surveyed feel the state of philanthropy is getting worse in Milwaukee, compared to 63 percent in 2009. Despite this improvement, 2010 represents the second most pessimistic year in this report's 14-year history. Fifteen percent of those surveyed in 2010 believe giving in Milwaukee is improving and 34 percent believe the state of philanthropy is staying the same.

Chart 1: State of philanthropy in Metro Milwaukee



As **Chart 2** shows, arts and culture organizations are the most pessimistic about the state of philanthropy in Metro Milwaukee, with 56 percent of those surveyed feeling the state of philanthropy is getting worse. Education and human service organizations are next in terms of degree of pessimism. Health organizations are the most optimistic about the state of philanthropy, with 25 percent feeling it is improving.

Chart 2: State of philanthropy by sector

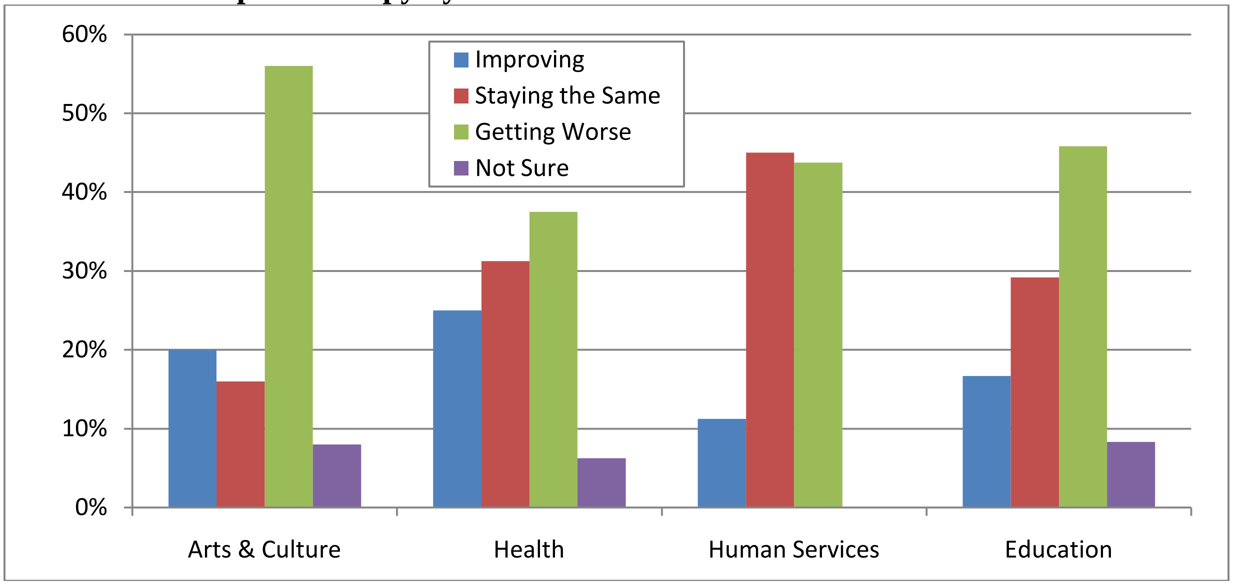
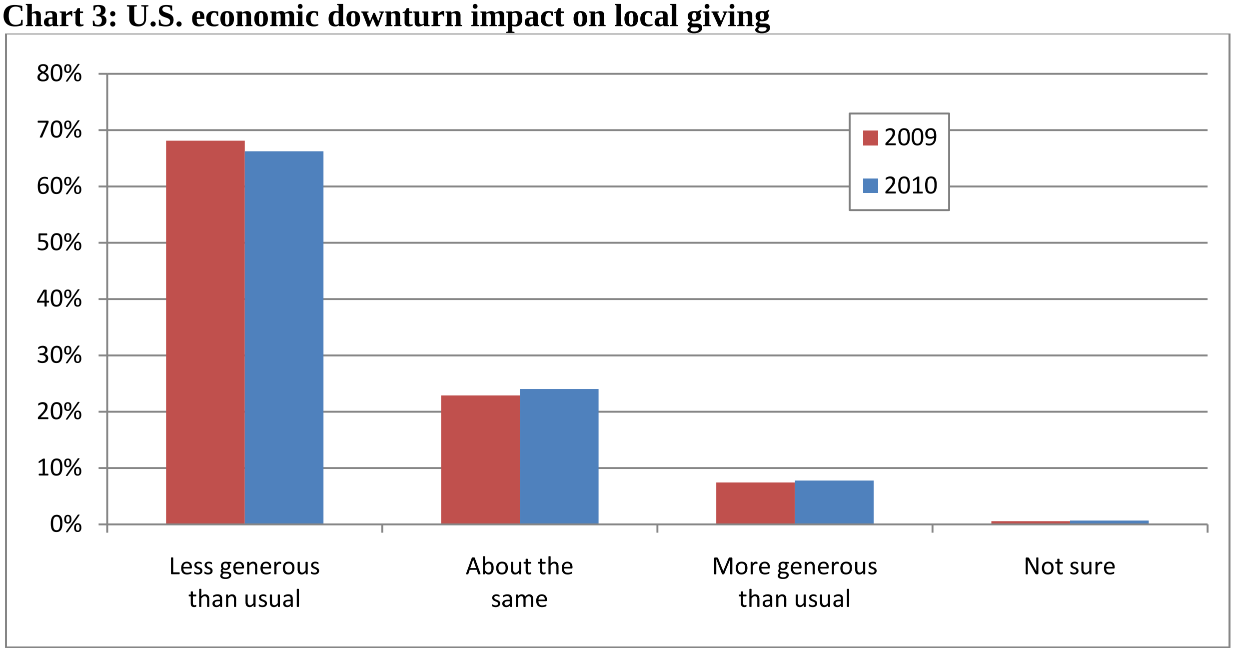


Chart 3 shows that for two years running, a majority of nonprofits in Metro Milwaukee feel that the national economic downturn is causing local giving to be less generous than usual. In 2010, 66 percent of those surveyed feel giving is less generous, slightly lower than the 68 percent who felt that way in 2009. Twenty-four percent of those surveyed in 2010 report there has been no change in local giving, nearly the same percentage as in 2009. Less than 10 percent of those surveyed in either year feel that local giving has been more generous than usual.

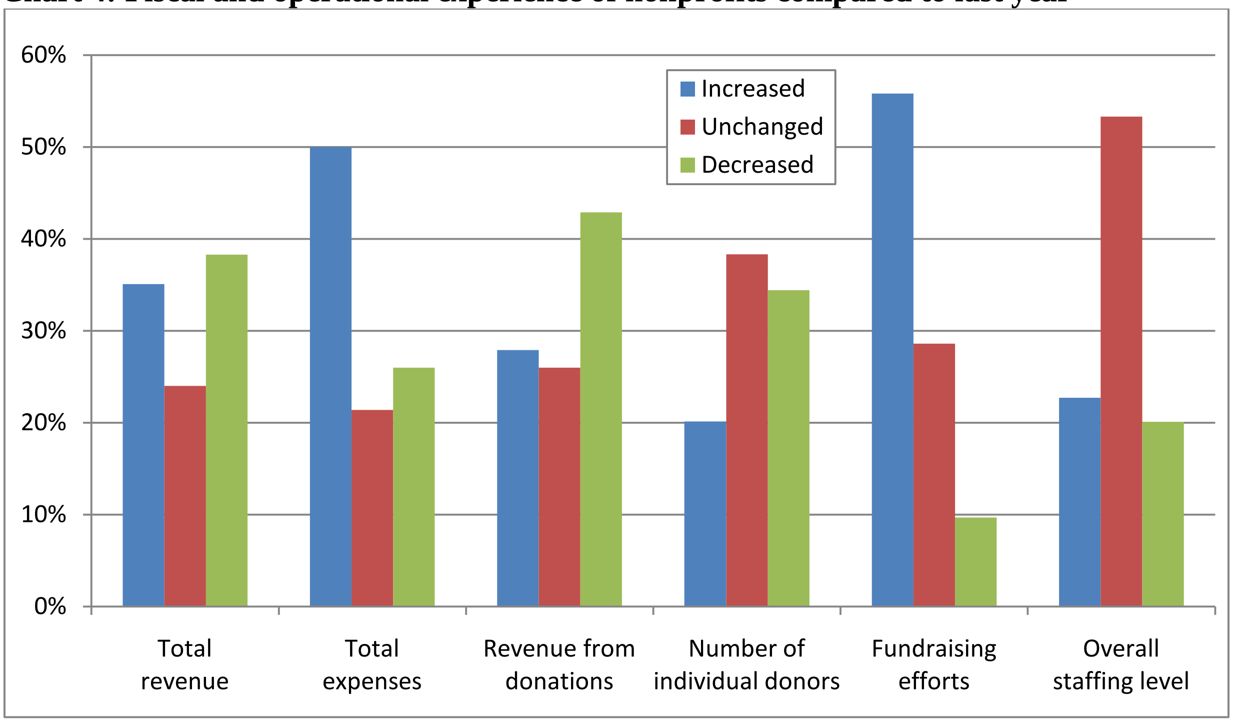
Chart 3: U.S. economic downturn impact on local giving



The pessimism reflected in the previous charts may be attributed to the recent fiscal and operational experience of nonprofits, which is reflected in **Chart 4**. This chart shows that 38 percent of those surveyed this year report declining revenue, while half report increased expenses. A factor in the decreased total revenue may be the decreased revenue from donations experienced by 43 percent of respondents. Another factor likely is the decline in the number of individual donors experienced by 34 percent of respondents.

More than half (56 percent) of the nonprofits surveyed in 2010 report increased fundraising efforts, compared to 50 percent in 2009. Only 10 percent of this year's survey respondents report decreased fundraising efforts. Meanwhile, staffing levels at a majority of the organizations (53 percent) in 2010 have stayed the same, while 23 percent say they have increased their staff levels over the past year.

Chart 4: Fiscal and operational experience of nonprofits compared to last year

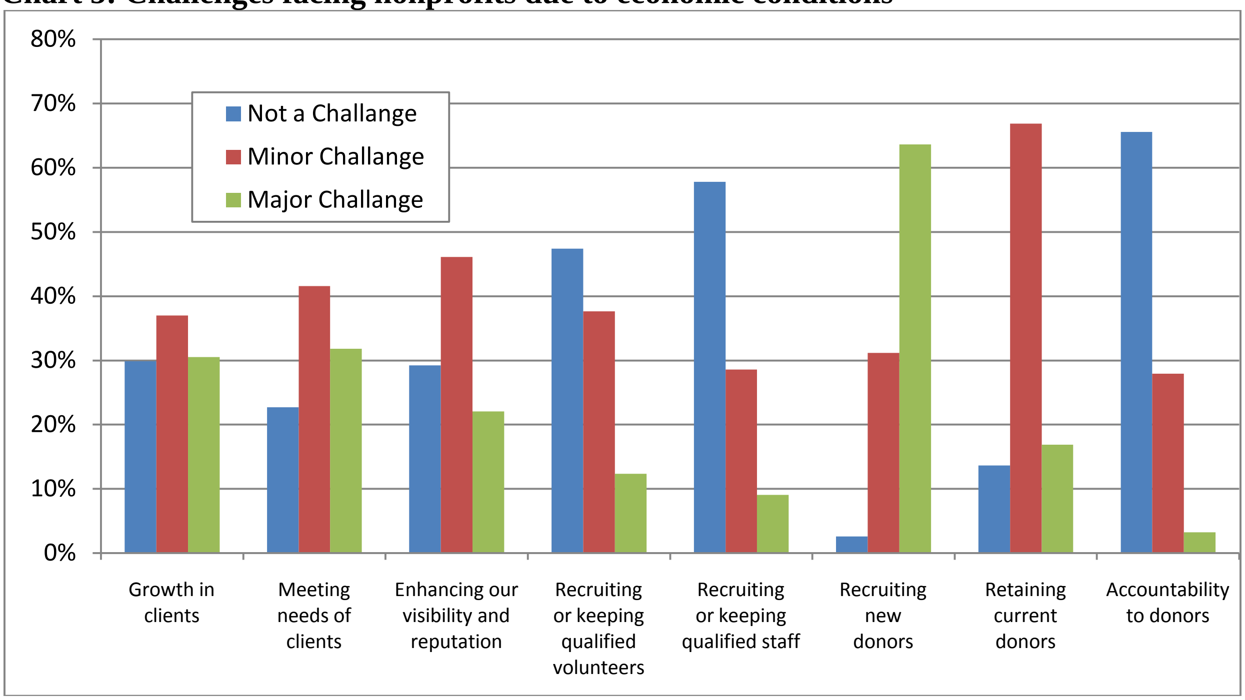


CHALLENGES FACING NONPROFITS

Chart 5 shows that nonprofits in Metro Milwaukee continue to face many challenges. Recruiting new donors continues to be the greatest challenge, with 64 percent of survey respondents feeling that is a major challenge, and another 31 percent feeling it is a minor challenge. Retaining current donors also is challenging, with 67 percent feeling it is a minor challenge and another 17 percent feeling it is a major challenge. Other significant challenges include meeting the needs of clients and growing the client base.

A more positive finding is that 58 percent of those surveyed feel it is not a challenge to recruit or keep qualified staff, and 47 percent feel it is not a challenge recruit or keep qualified volunteers.

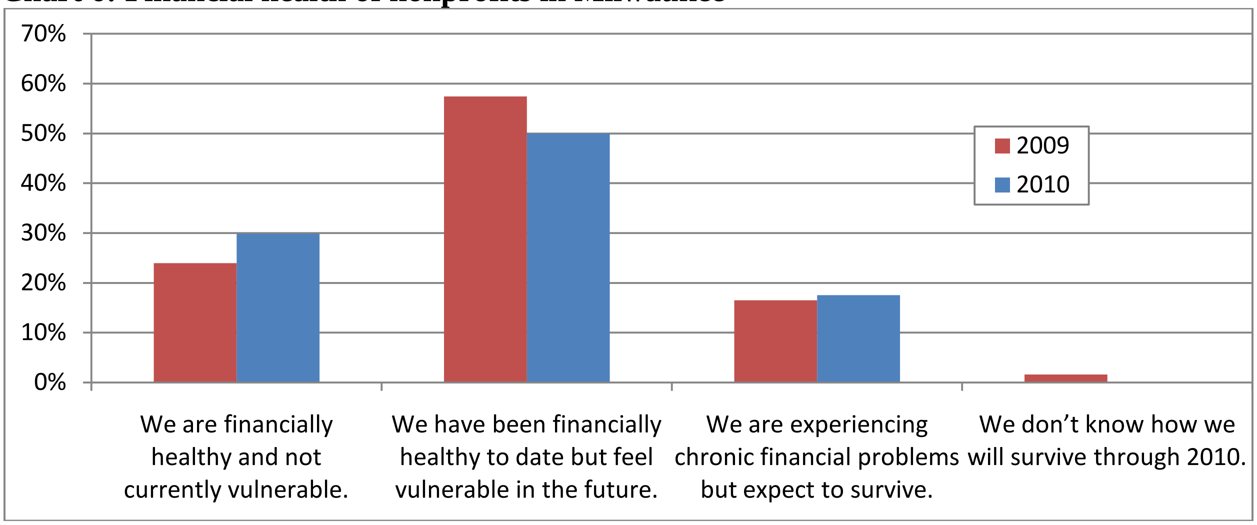
Chart 5: Challenges facing nonprofits due to economic conditions



FINANCIAL HEALTH OF NONPROFITS

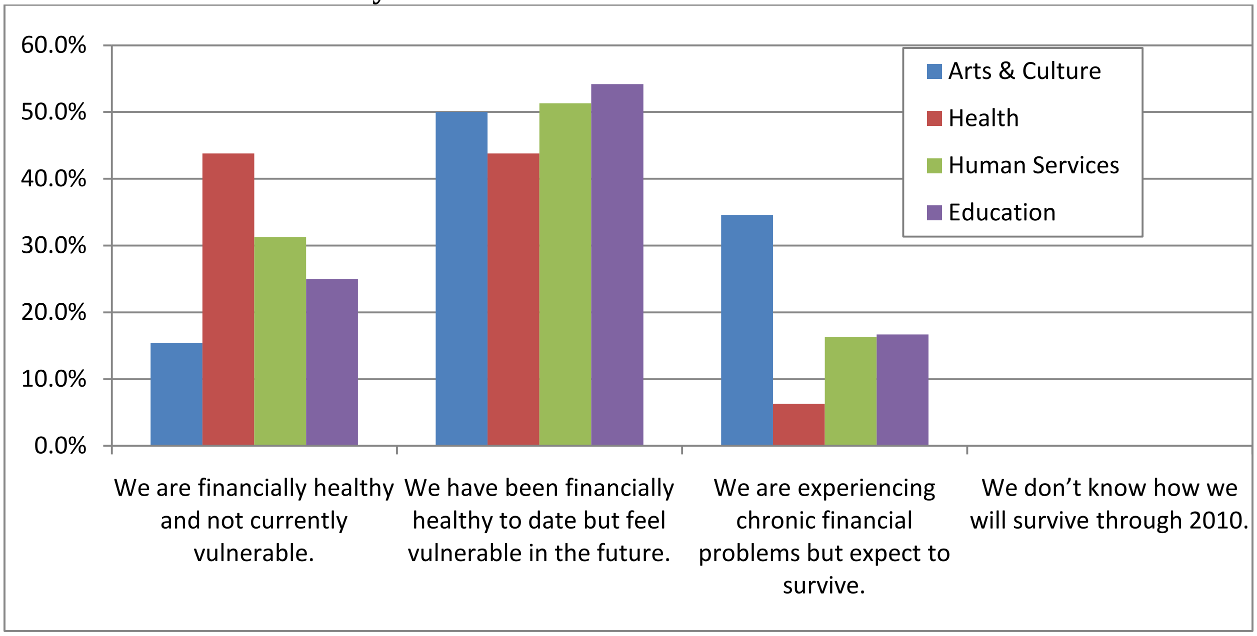
For the most part, while nonprofits in Metro Milwaukee are feeling financially healthy for now, they are worried about the future. Nonetheless, this level of concern has improved somewhat over 2009. As **Chart 6** shows, half of those surveyed in 2010 feel they are currently financially healthy but vulnerable in the future, which is down from 57 percent in 2009. Meanwhile, 30 percent of the survey respondents feel they are currently financially healthy and foresee no problems in the future, which is an improvement over the 24 percent who felt that way in 2009. Eighteen percent of those surveyed are experiencing chronic financial problems but expect to survive, about the same percentage as in 2009. This year, all of the organizations surveyed feel they will survive through 2010.

Chart 6: Financial health of nonprofits in Milwaukee



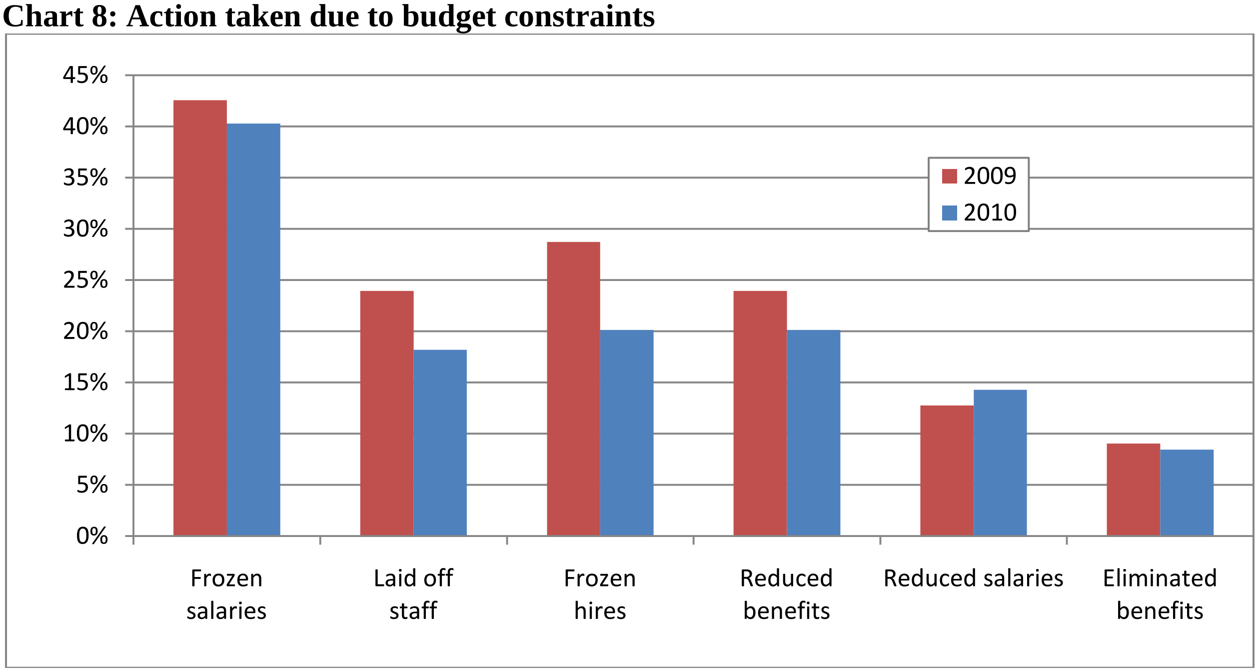
Among the various nonprofit sectors, **Chart 7** indicates that arts and culture organizations expressed the greatest concern about their financial health. In 2010, 35 percent of arts and culture organizations report chronic financial problems, while another 50 percent report they are financially healthy but vulnerable. Education organizations report the next highest level of concern. The health sector has the highest percentage of organizations (44 percent) reporting financial health and no vulnerability.

Chart 7: Financial health by sector



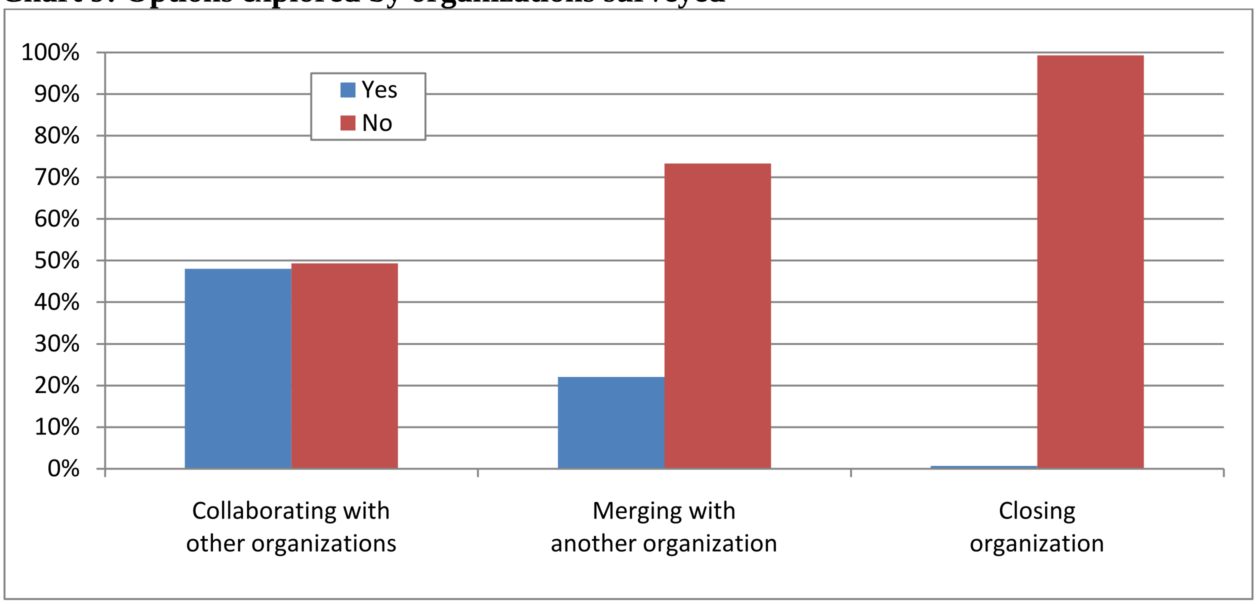
Nonprofit survey respondents have taken many different actions to relieve budget constraints. As **Chart 8** shows, 40 percent report freezing staff salaries in 2010. Meanwhile, one-fifth of respondents have not hired any new employees in 2010, and a similar percentage has reduced employee benefits. While 18 percent respondents reported laying off staff this year, that's an improvement over the nearly 25 percent who took that action in 2009. In fact, use of all of the budget constraint-related actions cited in the survey declined in 2010 except for salary reductions, which saw a slight increase.

Chart 8: Action taken due to budget constraints



With regard to more comprehensive cost-saving measures, almost half of all respondents report they have explored potential collaborations with other organizations. Meanwhile, 22 percent say they have considered *merging* with another organization, which is far below the more than 70 percent who said they considered that option in 2009. In 2010, no organizations say they are considering closure, which is an improvement over 2009, when 5 percent said they considered closing down their operations.

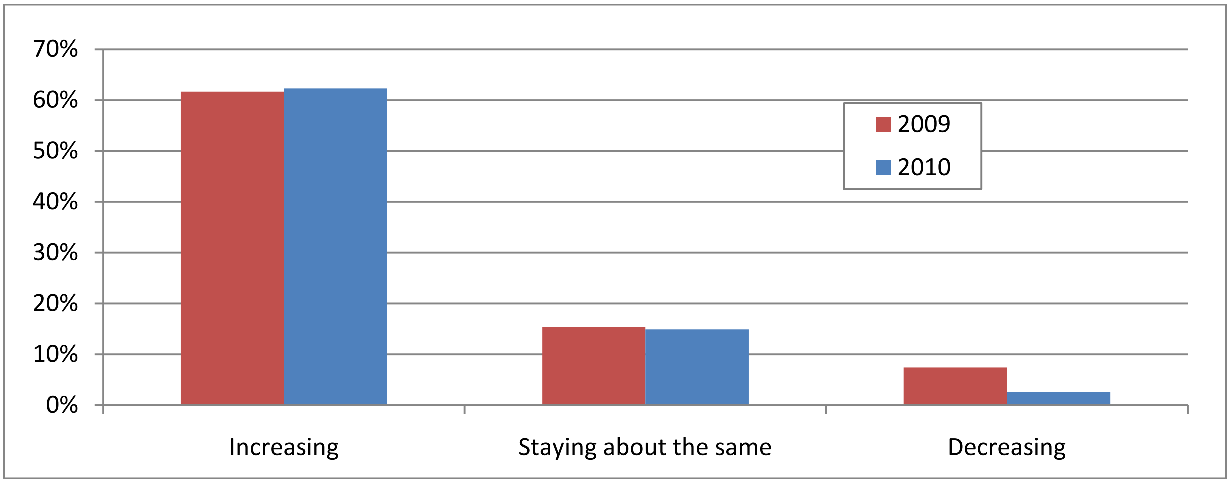
Chart 9: Options explored by organizations surveyed



DEMAND FOR SERVICES

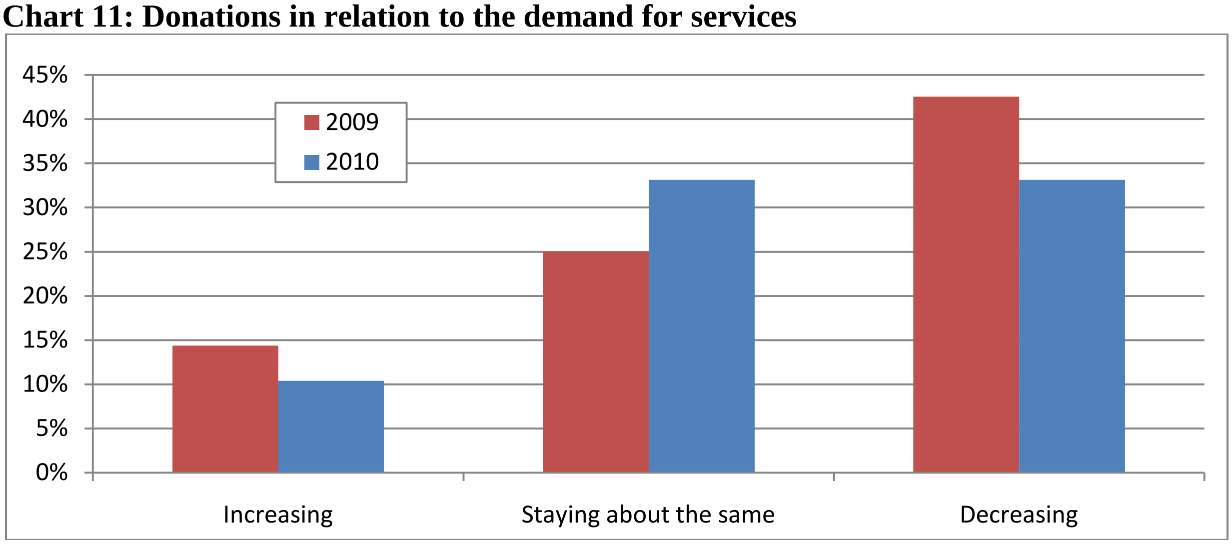
Many of the area's nonprofits provide services to populations at greater risk or in greater need during times of economic turbulence. Consequently, we asked a number of questions designed to measure whether those greater needs are being met, particularly by the 79 percent of 2010 respondents who are direct service providers. As **Chart 10** shows, 62 percent of those surveyed this year feel demand for their services is increasing, about the same percentage as in 2009. Fifteen percent of the nonprofits surveyed feel the demand for their services is not changing and three percent feel it is decreasing.

Chart 10: Demand for services



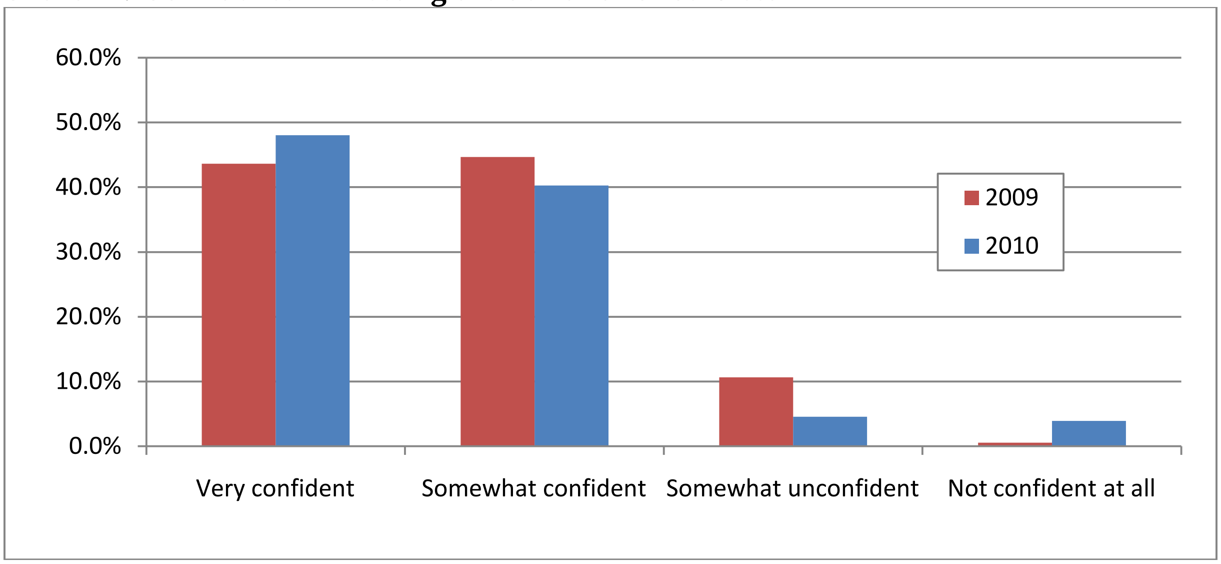
As **Chart 11** shows, donations are not keeping up with the demand for services. Only 10 percent of those surveyed in 2010 feel donations are increasing in proportion to the demand for services, which is even fewer than the 14 percent that felt that way in 2009. Thirty-three percent feel that donations are staying the same as compared to the demand for services, and 33 percent feel they are decreasing. In 2009, 43 percent felt donations were decreasing in relation to the demand for services.

Chart 11: Donations in relation to the demand for services



Despite these viewpoints on donations, most of the nonprofits surveyed are confident they can meet the demand for their services in 2010, as **Chart 12** shows. Nearly half (48 percent) say they are very confident in their ability to meet the demand for services, up from 44 percent in 2009. Forty percent are somewhat confident in their ability to meet the demand for services in 2010, while five percent are somewhat unconfident and four percent are not confident at all.

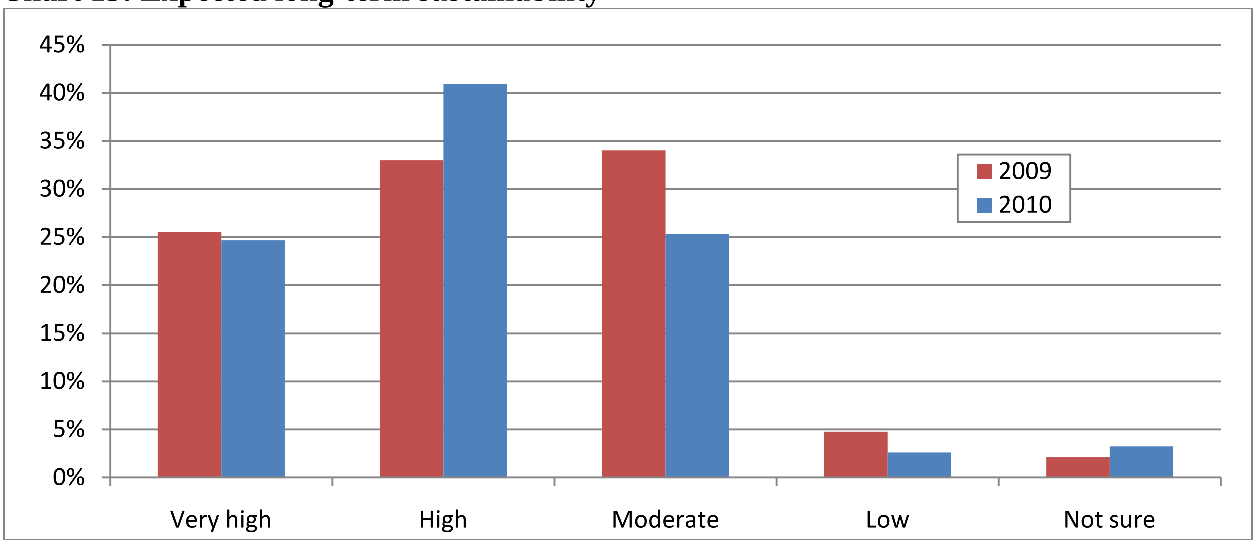
Chart 12: Confidence in meeting the demand for services



LOOKING TOWARD THE FUTURE

The likelihood of long-term sustainability for the nonprofits surveyed this is strong, as illustrated in **Chart 13**. A quarter of the nonprofits surveyed feel their expected long-term sustainability is *very high* and another 41 percent report *high* expectations for long-term sustainability. Three percent of the nonprofits surveyed in 2010 have low expectations for long-term sustainability, slightly less than last year.

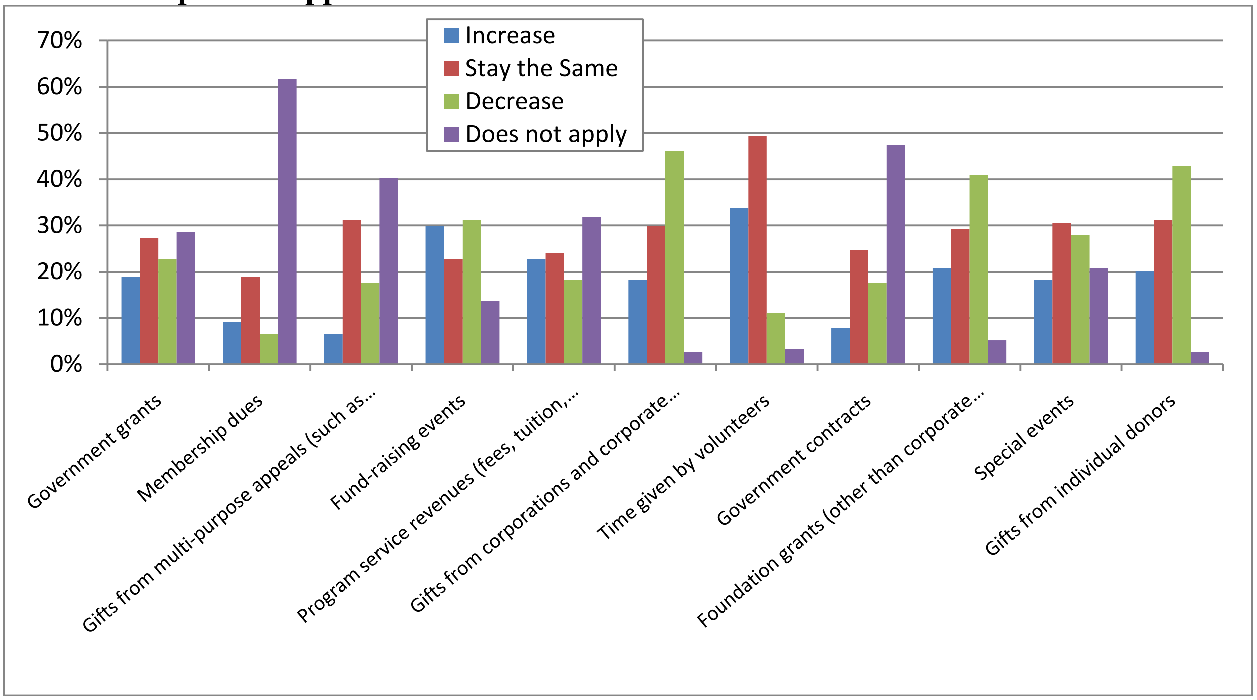
Chart 13: Expected long-term sustainability



This year's survey also shows, however, that nonprofits are reporting an expected decline in revenue from various sources, as **Chart 14** illustrates. Gifts from corporations are expected to decline for 46 percent of the nonprofits surveyed, while gifts from individual donors are expected to decline for 43 percent. Foundation grants also are expected to decline for many (41 percent) of the nonprofits surveyed.

Chart 14 also shows a variety of strategies utilized by nonprofits to counter the expected decline in revenue. Thirty percent of nonprofits surveyed expect to increase their fundraising events in 2010, while 34 percent expect to see an increase in the amount of time given by volunteers. Program service revenue, such as fees or tuition, is expected to increase for 23 percent of the nonprofits surveyed in 2010.

Chart 14: Expected support from various sources



APPENDIX – SURVEY DATA

Which sector best describes the work your organization does?

Responses	Count	%
Arts & Culture	26	16.88%
Education	24	15.58%
Environment	4	2.60%
Health	16	10.39%
Human Services	80	51.95%
Funding Organizations	2	1.30%
(Did not answer)	2	1.30%
Total Responses	**154**	

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

Responses	Count	%
Less than $249,999	38	24.68%
$250,000-$499,999	21	13.64%
$500,000-$999,999	26	16.88%
$1 million-$5 million	37	24.03%
More than $5 million	26	16.88%
(Did not answer)	6	3.90%
Total Responses	**154**	

Which counties does your organization serve? (Check all that apply.)

Responses	Count	%
Milwaukee	120	77.92%
Waukesha	70	45.45%
Ozaukee	63	40.91%
Washington	67	43.51%
Racine	46	29.87%
Kenosha	44	28.57%
Other (please specify)	42	27.27%
(Did not answer)	1	0.65%
Total Responses	**453**	
Multiple answers per participant possible. Percentages added may exceed 100 since a participant may select more than one answer for this question.		

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

Responses	Count	%
Improving a great deal	0	0%
Improving somewhat	23	14.94%
Staying about the same	53	34.42%
Getting somewhat worse	60	38.96%
Getting a great deal worse	10	6.49%
Not sure	6	3.90%
(Did not answer)	2	1.30%
Total Responses	**154**	

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	0	0%
Somewhat more generous	32	20.78%
About average	54	35.06%
Somewhat less generous	32	20.78%
Much less generous	3	1.95%
Not sure	28	18.18%
(Did not answer)	5	3.25%
Total Responses	**154**	

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

Responses	Count	%
Much more generous than usual	1	0.65%
Somewhat more generous than usual	11	7.14%
About the same	37	24.03%
Somewhat less generous than usual	80	51.95%
Much less generous than usual	22	14.29%
Not Sure	1	0.65%
(Did not answer)	2	1.30%
Total Responses	**154**	

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	46	29.87%	57	37.01%	47	30.52%	4	154
(b)	Meeting needs/interests of clients/members	35	22.73%	64	41.56%	49	31.82%	6	154
(c)	Enhancing our visibility and reputation	45	29.22%	71	46.10%	34	22.08%	4	154
(d)	Recruiting or keeping qualified volunteers	73	47.40%	58	37.66%	19	12.34%	4	154
(e)	Recruiting or keeping qualified staff	89	57.79%	44	28.57%	14	9.09%	7	154
(f)	Recruiting new donors	4	2.60%	48	31.17%	98	63.64%	4	154
(g)	Retaining current donors	21	13.64%	103	66.88%	26	16.88%	4	154
(h)	Accountability to donors	101	65.58%	43	27.92%	5	3.25%	5	154

Do you expect that the support your organization receives from each of the following sources will increase or decrease in 2010?

		Increase A Lot		Increase Somewhat		Stay The Same		Decrease Somewhat		Decrease A Lot		Does Not Apply		Did not answer	Total
(a)	Government grants	5	3.25%	24	15.58%	42	27.27%	23	14.94%	12	7.79%	44	28.57%	4	154
(b)	Membership dues	0	0%	14	9.09%	29	18.83%	8	5.19%	2	1.30%	95	61.69%	6	154
(c)	Gifts from multi-purpose appeals (such as United Way)	1	0.65%	9	5.84%	48	31.17%	23	14.94%	4	2.60%	62	40.26%	7	154
(d)	Fundraising events	7	4.55%	39	25.32%	35	22.73%	40	25.97%	8	5.19%	21	13.64%	4	154
(e)	Program service revenues (fees, tuition, tickets, charges)	1	0.65%	34	22.08%	37	24.03%	22	14.29%	6	3.90%	49	31.82%	5	154
(f)	Gifts from corporations and corporate foundations	1	0.65%	27	17.53%	46	29.87%	47	30.52%	24	15.58%	4	2.60%	5	154
(g)	Time given by volunteers	6	3.90%	46	29.87%	76	49.35%	15	9.74%	2	1.30%	5	3.25%	4	154
(h)	Government contracts	4	2.60%	8	5.19%	38	24.68%	24	15.58%	3	1.95%	73	47.40%	4	154
(i)	Foundation grants (other than corporate foundations)	4	2.60%	28	18.18%	45	29.22%	53	34.42%	10	6.49%	8	5.19%	6	154
(j)	Special events	4	2.60%	24	15.58%	47	30.52%	38	24.68%	5	3.25%	32	20.78%	4	154
(k)	Gifts from individual donors	0	0%	31	20.13%	48	31.17%	55	35.71%	11	7.14%	4	2.60%	5	154

During the first half of the calendar year 2010, compared to the first half of calendar year 2009, how has the following changed?

		Increased		Unchanged		Decreased		Don't Know		Did not answer	Total
(a)	Total revenue	54	35.06%	37	24.03%	59	38.31%	0	0%	4	154
(b)	Total expenses	77	50.00%	33	21.43%	40	25.97%	0	0%	4	154
(c)	Total revenue from donations	43	27.92%	40	25.97%	66	42.86%	1	0.65%	4	154
(d)	Number of individual donors	31	20.13%	59	38.31%	53	34.42%	7	4.55%	4	154
(e)	Fundraising efforts	86	55.84%	44	28.57%	15	9.74%	5	3.25%	4	154
(f)	Overall staffing level	35	22.73%	82	53.25%	31	20.13%	1	0.65%	5	154

Between June 2009 and June 2010, have you received...

		Yes		No		Don't know		Did not answer	Total
(a)	New sources of government funding	30	19.48%	118	76.62%	1	0.65%	5	154
(b)	One-time government funding due to economic recovery (i.e. Stimulus Money)	34	22.08%	114	74.03%	1	0.65%	5	154

Do you offer direct services to clients?

Responses	Count	%
Yes	122	79.22%
No	27	17.53%
(Did not answer)	5	3.25%
Total Responses	**154**	

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

Responses	Count	%
Increasing a great deal	45	29.22%
Increasing somewhat	51	33.12%
Staying about the same	23	14.94%
Decreasing somewhat	4	2.60%
Decreasing a great deal	0	0%
Not Sure	0	0%
(Did not answer)	31	20.13%
Total Responses	**154**	

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

Responses	Count	%
Increasing a great deal	2	1.30%
Increasing somewhat	14	9.09%
Staying about the same	51	33.12%
Decreasing somewhat	43	27.92%
Decreasing a great deal	8	5.19%
Not Sure	0	0%
(Did not answer)	36	23.38%
Total Responses	**154**	

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

Responses	Count	%
Yes	57	37.01%
No	65	42.21%
(Did not answer)	32	20.78%
Total Responses	**154**	

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

Responses	Count	%
Increased	39	25.32%
Decreased	35	22.73%
No change	71	46.10%
Not sure	4	2.60%
(Did not answer)	5	3.25%
Total Responses	**154**	

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

Responses	Count	%
Increased revenue	11	7.14%
Decreased revenue	28	18.18%
Increased demand for services	34	22.08%
Decreased demand for services	0	0%
Not sure	24	15.58%
(Did not answer)	57	37.01%
Total Responses	**154**	

Have you cut costs due to budget constraints?

Responses	Count	%
Yes	120	77.92%
No	29	18.83%
(Did not answer)	5	3.25%
Total Responses	**154**	

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

Responses	Count	%
Laid off staff	28	18.18%
Frozen hires	31	20.13%
Frozen salaries	62	40.26%
Reduced salaries	22	14.29%
Reduced benefits	31	20.13%
Eliminated benefits	13	8.44%
Other (please specify)	51	33.12%
(Did not answer)	36	23.38%
Total Responses	**274**	
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	15	9.74%
Yes, within the past 6 months	19	12.34%
Yes, within the past year	40	25.97%
No	76	49.35%
(Did not answer)	4	2.60%
Total Responses	**154**	

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

Responses	Count	%
Yes, within the past month	6	3.90%
Yes, within the past 6 months	10	6.49%
Yes, within the past year	18	11.69%
No	113	73.38%
(Did not answer)	7	4.55%
Total Responses	**154**	

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

Responses	Count	%
Yes	1	0.65%
No	149	96.75%
(Did not answer)	4	2.60%
Total Responses	**154**	

If yes to question 23, has the decision been made to close your nonprofit... (Check all that apply)

Responses	Count	%
Within the next month	1	0.65%
Within the next six months	0	0%
By the end of 2010	0	0%
(Did not answer)	153	99.35%
Total Responses	**154**	
Multiple answers per participant possible. Percentages added may exceed 100 since a participant may select more than one answer for this question.		

How confident are you that you can meet the demand for services in 2010?

Responses	Count	%
Very confident	74	48.05%
Somewhat confident	62	40.26%
Somewhat unconfident	7	4.55%
Not confident at all	6	3.90%
(Did not answer)	5	3.25%
Total Responses	**154**	

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

Responses	Count	%
We are financially healthy and not currently vulnerable.	46	29.87%
We have been financially healthy to date but feel vulnerable in the future.	77	50.00%
We are experiencing chronic financial problems but expect to survive.	27	17.53%
We don't know how we will survive through 2010.	0	0%
(Did not answer)	4	2.60%
Total Responses	**154**	

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

Responses	Count	%
Less than one month	13	8.44%
1-3 months	41	26.62%
3-6 months	26	16.88%
6-9 months	18	11.69%
9-12 months	14	9.09%
More than 12 months	34	22.08%
(Did not answer)	8	5.19%
Total Responses	**154**	

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

Responses	Count	%
Yes	47	30.52%
No	103	66.88%
(Did not answer)	4	2.60%
Total Responses	**154**	

Did you run a deficit in the past fiscal year?

Responses	Count	%
Yes	54	35.06%
No	95	61.69%
(Did not answer)	5	3.25%
Total Responses	**154**	

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	38	24.68%
High	63	40.91%
Moderate	39	25.32%
Low	4	2.60%
Not sure	5	3.25%
(Did not answer)	5	3.25%
Total Responses	**154**	