

REPORT CARD ON CHARITABLE GIVING IN ERIE COUNTY

ARTS & CULTURE ARTS & CULTURE
EDUCATION EDUCATION EDUCATIO
ENVIRONMENT & ANIMALS ENVIRO
HEALTH HEALTH HEALTH HEALTH H
HUMAN SERVICES HUMAN SERVIC
PUBLIC FUNDING ORGANIZATIONS

Community
Foundation
for Greater Buffalo

United Way
of Buffalo
& Erie County

**December
2004**



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In cooperation with:
Association of Fundraising Professionals,
Western New York Chapter
Leave a Legacy™
Western New York Grantmakers Association
Western New York Planned Giving Consortium

Researched and produced by:
Institute for Local Governance
and Regional Growth
University at Buffalo
The State University of New York

I. Introduction

This third iteration of the *Report Card on Charitable Giving in Erie County* represents the continuation of a critical, collaborative effort to measure trends in giving and the region's philanthropic commitment to its nonprofit sector.

As a quantitative assessment of important indices of performance in charitable giving, this report serves as a regular and reliable source of data to initiate community discourse and to guide community action in the area of philanthropy. The report addresses many issues, including:

- "How much do we give, and to whom?"
- "What are our sources of charity?"
- "How do we use these gifts?"
- "How does the region's philanthropy compare to that in other communities and the nation as a whole?"

Certainly these are important questions, especially as they relate to the nonprofits which depend upon charitable donations to fulfill their missions. Providing data-driven answers to these questions becomes even more critical in light of today's difficult economic and fiscal environment. Indeed, as this report shows, although charitable giving levels overall in Erie County showed progress over the last year, the progress was uneven and insufficient in some areas.

We would like to thank the 62 bellwether organizations that provided the data and insight which form the basis of this report. Without their continued participation and commitment, this report could not have been completed. Our appreciation also extends to several other philanthropic groups that continue to provide critical support to this effort:

- The Association of Fundraising Professionals, Western New York Chapter
- Leave a Legacy™
- Western New York Grantmakers Association
- Western New York Planned Giving Consortium

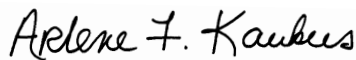
You have our pledge to continue publishing the annual *Report Card* as a barometer of Erie County's philanthropic climate. We believe it serves as a basis for community action as well. We ask you to use this report to spur discussion, to inform decision-making at both the agency and community level and, ultimately, to help change the region's future for the better.

Thank you for your interest in and commitment to philanthropy in Erie County.

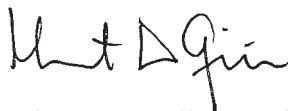
Sincerely,



Gail Johnstone, President/CEO
Community Foundation for Greater Buffalo



Arlene Kaukus, President
United Way of Buffalo & Erie County



Robert D. Gioia, Chair, Board of Directors
Community Foundation for Greater Buffalo



Jeremy M. Jacobs, Jr., Chair, Board of Directors
United Way of Buffalo & Erie County

II. Executive Summary

As Charles Dickens once said, "It was the best of times, it was the worst of times..." These words could summarize the 2004 *Report Card on Charitable Giving in Erie County*.

On the surface, results appear extremely positive:

- Total direct public contributions to the 62 Erie County nonprofit bellwethers were at a six-year peak of \$174.5 million – the first increase in three years and 11% higher than 2002, although only slightly higher than the \$173 million of 2000.
- Four of the six sectors received increases in direct public support, reaching levels above their respective six-year averages.
- Giving in 2003 exceeded 2002 levels from multiple sources of direct public support – businesses (up 128%), foundations (up 45%), individuals (up 14%), fundraising events (up 3%), and government (up 5%).
- Overall, the 8% inflation-adjusted gain in direct public support to the Erie County bellwethers surpassed the half percent gain experienced nationally.

Revealed below the surface, however, are several significant issues for concern:

- The overall positive results were primarily driven by an additional \$25 million in direct public support for capital purposes. In contrast, gifts for general operations or general use – those gifts which allow agencies to pay their bills, remain open and deliver core services – were down by 3% or \$4.0 million.
- Gains primarily went to the largest bellwethers, whose revenues from direct public support jumped 23% in 2003. In contrast, direct public support decreased to the medium-sized (-30%) and small (-12%) bellwethers that, together, account for 74% of the total 62 bellwethers.
- Only two of the bellwether sectors generated 50% or more (52% and 55%) of their own revenue in 2003; across all bellwethers, self-generated income sources accounted for only 49% of total revenues.
- Government (approximately 20%) and charitable contributions (approximately 30%) were the remaining revenue sources for bellwethers in 2003. Major cuts in government support are now looming and would create a revenue gap far beyond the capacity of charitable giving to fill.
- Individual donations accounted for almost half (48%) of total direct public contributions; nearly three quarters (74%) of these were under \$100. Bellwethers

are planning on increases in this area, however, with 42% identifying individual donations as their fundraising priority in 2005.

Such critical danger signs have not been met with bold actions from the nonprofit bellwethers as a whole. Forty percent of bellwethers reported no expense-reducing operations or actions taken or being considered, and almost 50% of bellwether CEOs in mid 2004 reported no actions from their boards related to these fiscal issues.

III. Process

DEFINITIONS

Below is a listing of terms relevant to the report, many of which are based on the additional data collected this year and thus new to the report.

Total Revenues – Includes contributed income (direct and indirect public support and government contributions) and earned revenues generated from non-grant sources. Total revenues are reported on Line 12 of Form 990.

Direct public contributions – Grants or gifts made directly and voluntarily to an organization by individuals, businesses, foundations or other entities for which the donor does not receive any goods or services from the recipient. Total direct public contributions are reported on Line 1a of Form 990.

Indirect public contributions – Grants or gifts made indirectly to an organization, usually through a multi-purpose solicitation campaign conducted by an agency such as the United Way, or by a national organization, on behalf of a local affiliate. Indirect public contributions are reported on Line 1b of Form 990.

Government funding – Grants from a government agency to an organization, the primary purpose of which is to enable the organization to directly benefit the public. Government contributions are reported on Line 1c of Form 990.

Scope. As the third iteration of the *Report Card on Charitable Giving in Erie County*, this analysis builds on a growing base of data on giving – how much is given, by whom, to whom, and how those dollars are used. As in the first two reports, 62 bellwether nonprofit organizations representing six philanthropic sectors – **Arts & Culture; Education; Environment-Animals; Health; Human Services; and Public Funding Organizations** – form the foundation of the analysis. For the third year in a row, these organizations have provided critical data on their charitable giving picture as well as valuable insight on the state of philanthropy in Erie County.

Representing a cross-section of the nonprofit community in Erie County, the 62 bellwether organizations vary in size, mission and other characteristics. Such diversity ensures that the report's data and findings reflect overall philanthropic trends. Most of the bellwethers have received a minimum of \$150,000 in contributions over each of the past three years.

It should be noted that this year's report includes data collected from Hispanics United of Buffalo, a Human Services agency that was unable to participate in the 2003 report. Prior-year data for this organization, which were deleted last year, have been reincorporated to ensure consistency in the report's year-to-year trend analysis.

With the addition of 2003 data, the report now covers the past six years, further assisting the region and its nonprofit community in discerning and responding to important trends in charitable giving.

Collecting the data. As in the first two reports, bellwethers completed a survey soliciting standardized financial data as submitted to the Internal Revenue Service on Form 990.¹ These data provide a valuable snapshot of trends in giving for all nonprofits and for each of the six sectors, including giving totals, the sources of such support, the type of donations received (general operations, capital projects or endowment), and the bellwethers' overall revenue picture. Bellwether executives were also asked to provide their assessment of the current picture and the future of philanthropy in the region. National trends reported herein are based on data from *Giving USA 2004*, an annual, national-level report on charitable giving published by the American

Association of Fundraising Counsel (AAFRC) Trust for Philanthropy.

There were several modifications and additions to the survey for the 2004 report, providing valuable new data for assessing the state of philanthropy in the region. Insight toward the modifications and additions was provided by bellwether directors and board chairs participating in two information sessions on the report held in April 2004. In sum, the 2004 report includes additional data on the following:

- Individual donations by size of gift;
- Separate data on giving for general operations, capital and endowment;
- Government funding;
- Earned revenues;
- Cost and net revenue associated with major fundraising events;
- The response of bellwether boards of directors to the current funding situation;
- The response of organizations to reduced levels of giving;
- Fundraising priorities over the next 12 months.

Also, in assessing trends, bellwethers were asked to evaluate the past year and look ahead to the next by indicating whether certain barometers of giving increased or decreased. The following scale was employed to ensure that common definitions were applied:

Decrease a lot	by more than 20 percent
Decrease somewhat	by between 6 and 20 percent
Stay the same	between a decline of 5 percent and an increase of 5 percent
Increase somewhat	by between 6 and 20 percent
Increase a lot	by more than 20 percent

The survey was distributed to the organizations in late April 2004.² Organizations were asked to return the survey by July 1, 2004. Team leaders for each of the six sectors were appointed to assist in the follow-up process and facilitate the timely return of the surveys. The deadline was extended (via letter to board chairs in mid-July) to July 31 for those organizations unable to meet the original deadline. All 62 surveys were completed and returned by September 27.

Report notes. All data – financial and otherwise – are reported in the aggregate, either for all 62 bellwethers, the six nonprofit sectors or the various topic areas (e.g.,

¹ Each of the bellwether organizations annually completes the Internal Revenue Service Form 990, which is required for non-exempt nonprofits with at least \$100,000 in gross receipts or \$250,000 in assets. Religious organizations are not included in this report because they do not complete the Form 990.
² Bellwethers were asked to provide their latest financial information as per this form. Due to varying fiscal years and filing deadlines for Form 990, there were 10 bellwethers whose most recently filed Form 990 was for the fiscal year ending in 2002 or the 2002 calendar year. Also, some bellwethers updated data on contributions which were supplied last year.

fundraising, government contributions). However, in the event that an individual bellwether's charitable giving data significantly influenced the aggregate findings or resulted in a trend deserving of further explanation, permission was obtained from that organization to note its specific circumstances in the report.

Trend analyses for contributions for capital and endowment were conducted using data for 2002 submitted on the 2004 survey. Although the 2003 survey also solicited giving for capital and endowment, it was reported in the aggregate.

Finally, it should be noted that for certain topics, such as perceptions of Erie County donors and the status of local philanthropy, bellwethers were asked to give their opinion. Opinions of bellwethers will be clearly distinguished from the report's factual information.

DEFINITIONS (cont'd)

Earned Revenues –
Income generated by programs and services, special events, memberships, sales of inventory, etc.

Capital contributions –
Contributions made by individuals, businesses, foundations and other entities that are restricted for capital projects and not available for an organization's general operations.

Fundraising events –
Activities intended primarily to raise revenue.

Special events – Activities intended primarily to raise awareness of an organization and its mission.

Gross revenues generated by fundraising events –
Total dollar amount generated through the sale of tickets and/or admissions.

Net revenues generated by fundraising events –
Dollar amount generated through the sale of tickets and/or admissions after accounting for all event-related expenses.

IV. Trends

Chart 4.1
Total Direct Public Contributions to Bellwethers, 1998 - 2003

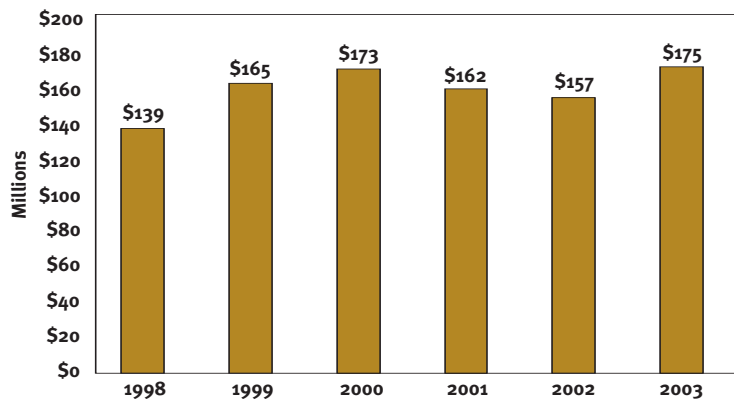
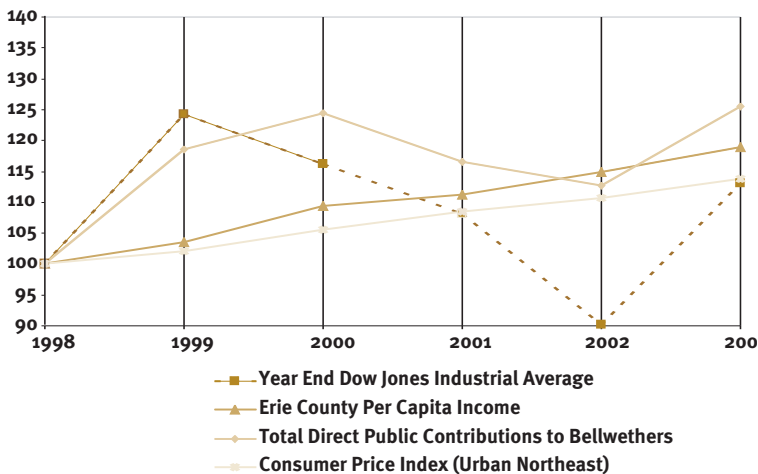


Chart 4.2
Total Direct Public Contributions Compared to Economic Indicators
(Base Year 1998 = 100)



A. Overall Trends

After two years of declines, charitable giving to Erie County bellwether nonprofits jumped 11 percent, from \$156.6 million in 2002 to \$174.5 million in 2003, surpassing a peak of \$173.0 million in 2000 (Chart 4.1).³ Charitable giving in 2003 was 8 percent higher than the six-year average of \$161.6 million. Erie County's forward progress, when adjusted for inflation, was 8 percent,⁴ a rate which exceeded by 16 times the one half percent increase in national charitable giving, as reported by *Giving USA*.

However, not all bellwethers were the recipients of higher levels of charitable giving. Two of the six sectors saw charitable donations decline. Also, the 11 percent increase in overall giving was driven primarily by increases experienced by the large bellwethers as a group. As discussed in more detail in the next section, small and medium-sized bellwethers, which account for the majority of the bellwether sample, experienced significant overall decreases in total direct public contributions. Finally, bellwethers are anticipating dramatic cuts in government funding, which, combined with charitable support, accounts for about half of the bellwethers' total revenues.

The region's charitable giving picture is perhaps more mixed in comparison to other relevant indices of economic trends. Erie County's 11 percent gain is less than half the Dow Jones Industrial Average's 25 percent rate of increase between 2002 and 2003. It is substantially greater, however, than the 3 percent increase in the Consumer Price Index for the Northeast-Urban area, as well as the estimated 3.5 percent increase in Erie County per capita income between 2002 and 2003.⁵ Compared to the report's 1998 base year, charitable donations in Erie County have risen to higher levels than these other indicators of economic strength (Chart 4.2).

Total revenue picture. In 2003 nonprofits very much relied on outside support for financial sustainability. Indeed, total public contributions constituted about one-third (30 percent) of total 2003 revenues reported by the bellwethers (Chart 4.3). Government revenues, after increasing 5 percent from 2002 levels, accounted for 21 percent of the total. On average, bellwethers were self-sufficient for only 49 percent of their total revenues in 2003. Earned revenues accounted for the bulk (45 percent) of total revenues, while interest and dividends accounted for the remaining 4 percent. These percentages have remained relatively steady since 2002.

Charitable giving (direct public contributions) as a proportion of total revenues also varied across the sectors (Chart 4.4). Public Funding Organizations, which by definition are supported primarily by

³ The University at Buffalo received a gift of software this year, valued at \$53.5 million, which has not been included in this year's numbers since it was a one-time gift from a corporation based outside Erie County; this report seeks to measure giving primarily within Erie County. Moreover, its inclusion would have skewed the trends observed, resulting in a 46 percent increase in giving over the previous year.

⁴ Inflation-adjusted rates of change between 2002 and 2003 reported herein for bellwethers within Erie County were calculated by converting 2003 dollars into 2002 dollars and then calculating the percentage change. 2003 dollars were converted into 2002 dollars by multiplying 2003 figures by the ratio of the annual Urban Northeast CPI for 2002 over that for 2003, as reported by the U.S. Bureau of Labor Statistics. This ratio is .97 [188.2/193.5], resulting in an overall inflation rate of 3 percent.

⁵ Because 2003 per capita incomes for Erie County have not yet been released, an estimate was made according to the average increase over the past four years.

charitable contributions, received the most revenue support, about 78 percent of the total, from direct public contributions. The Education sector relied least on charitable donations, and saw only 19 percent of its total revenues come from these sources.

Who gives to charity? In keeping with past years, donations from individuals provided the bulk, or almost half, of charitable donations to Erie County bellwethers. Individual donations again surpassed the combined total of all other sources (Chart 4.5). Compared to 2002, individual support jumped 14 percent, from \$74.2 million to \$84.6 million.

The biggest proportionate gain was in business donations, which, after falling for three consecutive years, more than doubled from \$14.7 million in 2002 to \$33.4 million in 2003, nearly a \$19 million increase, and representing about 20 percent of total direct public contributions in 2003.⁶ Driving this increase were very significant gains in corporate giving to the local Education sector.

Foundation donations also surged forward, climbing 45 percent from \$24.1 million to \$34.9 million in 2003.

The success of fundraising events slightly improved. Three percent more was generated in 2003 compared to 2002, though fundraising events have remained a relatively small proportion of total giving – never more than 3 percent of the total.

Giving by all sources is above the six-year average of each, excluding fundraising events, for which the level of giving was 2 percent below the 1998-2003 average.

Erie county donors compared to national donors. Compared to national donor trends, Erie County individuals, businesses and foundations were more generous this year.

Giving by individuals in Erie County (adjusted for inflation) was up 11 percent, while nationally it rose only 0.2 percent. Nationally, individual giving has been hurt by the lower tax rates, which lessen the financial incentives to give. Moreover, the growth of personal incomes between 2002 and 2003 was only modest. Having a counterbalancing influence was strong performance of the Standard & Poor's 500 Index.⁷

Locally, business giving surged in support of major capital projects in the Health and Education sectors. Businesses in the region more than doubled their contributions from 2002 levels, giving 122 percent more

⁶ With the \$53.5 million gift of software to the University at Buffalo, corporate giving would have increased nearly six-fold (from \$15 million in 2002 to \$87 million in 2003).

⁷ American Association of Fundraising Counsel Trust for Philanthropy, *Giving USA 2004*, 57.

Chart 4.3
Revenue of Bellwethers, 2002 and 2003

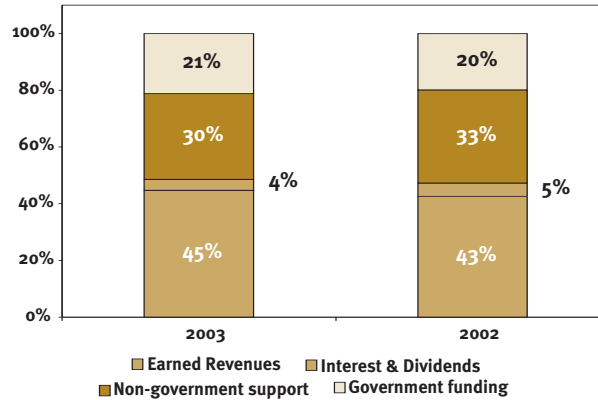


Chart 4.4
Revenue Components by Sector, 2003

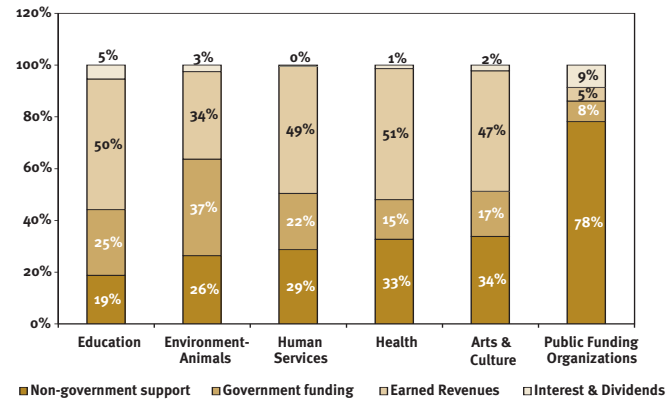


Chart 4.5
Total Direct Public Contributions to Bellwethers by Source, 1998-2003

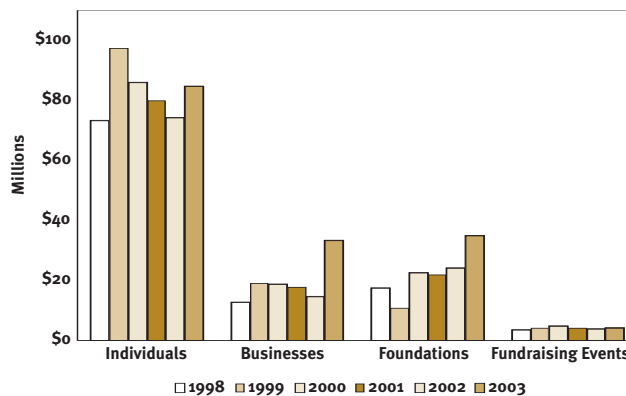


Chart 4.6
2003 Inflation-Adjusted Change in Total Direct Public Contributions by Source, U.S. and Erie County

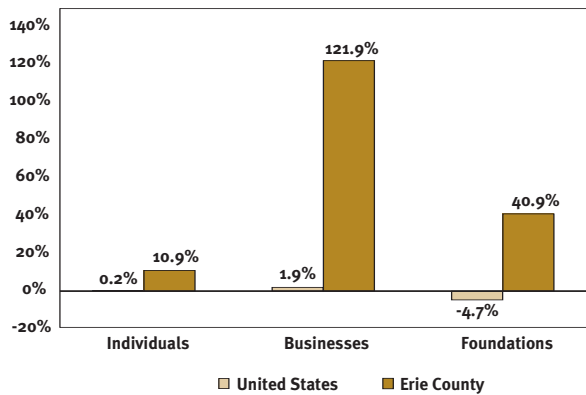
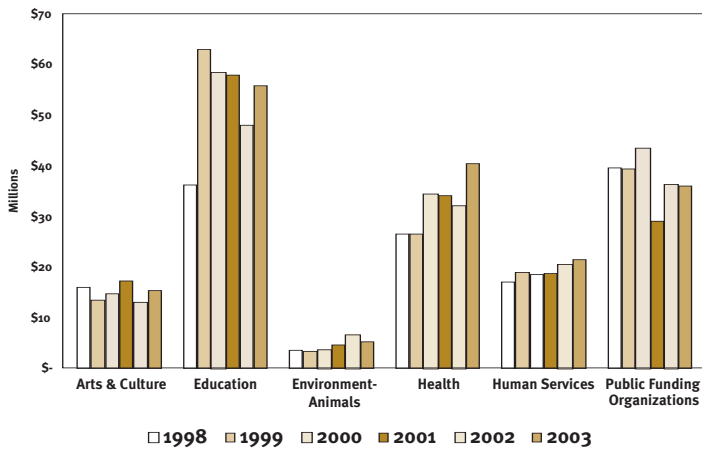


Chart 4.7
Total Direct Public Contributions to Bellwether Sectors by Year, 1998-2003



than they did the year before, after adjusting for inflation. Nationally, corporate sources gave only about 2 percent more. According to *Giving USA*, national business giving only crept forward, despite the strengthening U.S. economy and increases in business profits. This trend is the result of measuring such growth against 2001 and 2002 corporate giving levels, when businesses and corporate foundations donated unusually large amounts in response to September 11, 2001.⁸

Foundation giving in Erie County was up an inflation-adjusted 41 percent – driven by large capital grants to the local Health sector, especially to projects related to the Buffalo Niagara Medical Campus. On the other hand, foundation giving across the U.S. fell by about 5 percent (Chart 4.6). Perhaps explaining this national decline is that foundations across the U.S. in 2003 continued to feel the effects of three years of stock market declines. Many changed their grantmaking strategies, encouraging more collaboration or eliminating funding for certain programs or areas altogether.⁹ Some local funders made similar adjustments.

B. Contributions by Sector

The sectors in Erie County. The Education sector topped the list in total donations, receiving \$55.8 million, or 32 percent of all donations to the 62 bellwethers (with the University at Buffalo receiving about 70 percent of all direct public contributions to the Education sector). The six Environment-Animals organizations received the fewest charitable dollars, or \$5.4 million, accounting for 3 percent of total direct public contributions (Chart 4.7).

In comparison to 2002 giving levels and six-year averages, the Environment-Animals and Public Funding Organizations sectors did not fare as well as the others. Environment-Animals experienced a 19 percent drop in giving, though 2003 levels were 20 percent above this sector's six-year average. Direct public support for Public Funding Organizations slid 0.3 percent to a level 3 percent below this sector's six-year average.

On the positive side, the Health sector experienced the largest percentage and dollar increase. This sector's direct contributions surged 26 percent between 2002 and 2003 to a level 25 percent above its six-year average. After last year's slump, contribution levels to Arts & Culture rebounded 17 percent and resulted in a 3 percent increase over the sector's six-year average. However, half of the 11 Arts & Culture bellwethers saw donations fall.

⁸ *Ibid.*, 83.

⁹ *Ibid.*, 73.

Following a decline last year, Education also rebounded 16 percent to a level that exceeds the sector's six-year average by 5 percent. The Human Services sector also saw a slight 4 percent increase that put giving levels 11 percent above its 1998-2003 average.

A national comparison – distribution across the sectors. Three sectors in Erie County accounted for a smaller proportion of the overall charitable giving picture in relation to their national counterparts (Chart 4.8). These include Human Services (12 percent vs. 18 percent), Arts & Culture (9 percent vs. 13 percent) and Environment-Animals (3 percent vs. 7 percent). The following sectors fared better locally than nationally in terms of their giving as a proportion of the total: Health (23 percent vs. 20 percent), Education (32 percent vs. 31 percent) and Public Funding Organizations (21 percent vs. 12 percent). In Erie County, Public Funding Organizations received almost twice as much, proportionally speaking, as this sector did nationally.

A national comparison – sector changes in giving, 2002-2003. Changes in support levels from 2002 to 2003 by sector in Erie County and nationally are documented in Chart 4.9.

Four of Erie County's six nonprofit sectors saw proportionate increases in charitable giving that exceeded those sectors' performance on a national scale. The proportionate increase in charitable giving to the Health sector in Erie County exceeded by more than twofold that of national sector (26 percent vs. 11 percent). Arts & Culture also experienced a larger increase locally than it did nationally (17 percent vs. 7 percent). And while giving to the Education sector increased 16 percent in Erie County, it declined 1 percent across the U.S. The Human Services sector, which was up by 4 percent in Erie County, saw only a 1 percent increase nationally.

In comparison to the national Environment-Animals sector, which saw donations rise by 5 percent, the local sector experienced a steep decline of 19 percent. Public Funding Organizations also fared worse locally than nationally, with giving declining 0.3 percent compared to a 5 percent gain at the national level. These trends are a reverse of 2002, when both the Environment-Animals and Public Funding Organizations sectors saw charitable giving levels increase more in Erie County than they did nationally.

In sum, overall charitable giving in Erie County fared well in 2003, increasing 11 percent from 2002 levels and outpacing growth in charitable giving at the national level. It also outpaced local economic indicators. However, this growth varied by sector as well as by organizational size, both of which will be explored in greater detail in the next sections.

Chart 4.8
Distribution of Total Direct Public Contributions by Sector, U.S. and Erie County, 2003

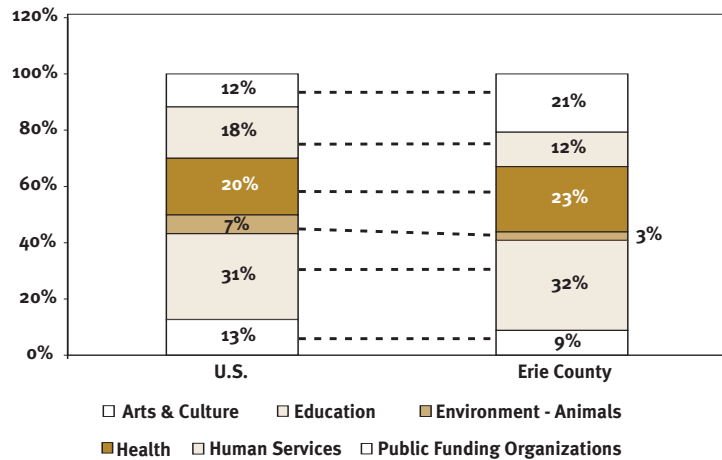
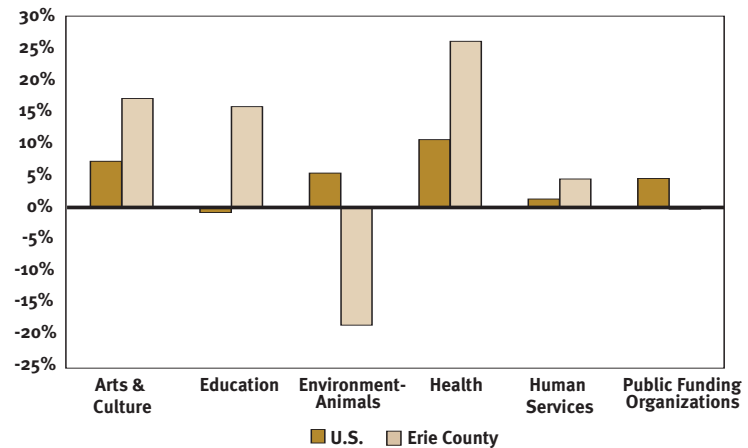


Chart 4.9
Changes in Total Direct Public Contributions by Sector, U.S. and Erie County, 2003



V. Analysis by Bellwether Size

Chart 5.1
Bellwether Distribution by Organizational Size, 2003

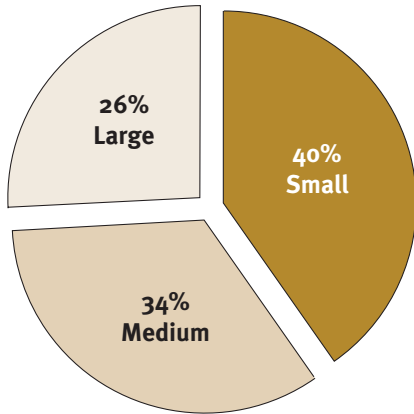


Chart 5.2
Distribution of Total Direct Public Contributions by Organizational Size, 2003

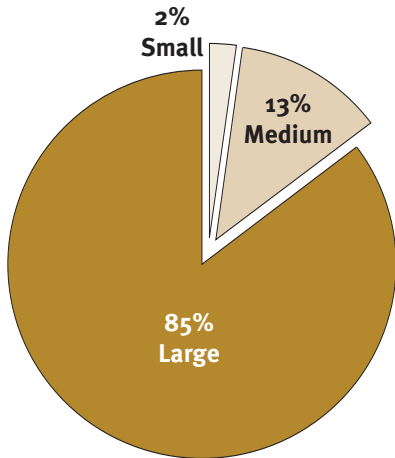
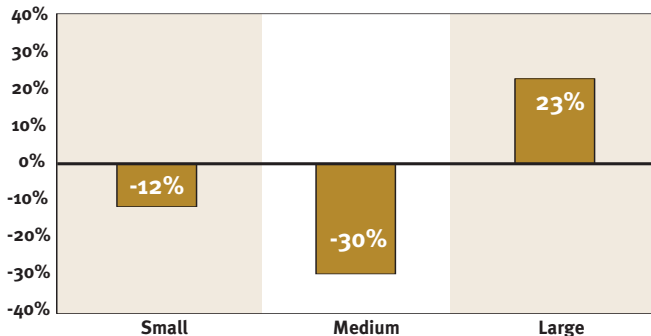


Chart 5.3
Change in Total Direct Public Contributions Between 2002 and 2003 by Organizational Size



For purposes of this analysis, large organizations are defined as those with direct public contributions totaling more than \$2 million in 2003. Medium-sized organizations received gifts totaling between \$500,000 and \$2 million, while small organizations' 2003 donations totaled less than \$500,000. Of the 62 bellwethers participating in this study, 25 are small, 21 are medium-sized, and 16 are large, accounting for 40 percent, 34 percent and 26 percent, respectively, of the total bellwether sample (**Chart 5.1**).

While the 62 bellwethers are relatively evenly divided among small, medium and large, charitable giving to these nonprofits is lopsided in favor of the large bellwethers. For instance, the 16 large bellwethers received 85 percent of total direct public contributions in 2003, though they account for only 26 percent of all bellwethers (**Chart 5.2**). Medium-sized bellwethers, which constitute 34 percent of the total number of bellwethers, received 13 percent of charitable funds; and small organizations – 40 percent of the bellwether sample – received only 2 percent of total direct public contributions.

It is not surprising, then, that overall trends in charitable giving in Erie County are defined primarily by developments in the large nonprofits. For example, the 11 percent increase in overall direct public contributions from 2002 levels was driven by the 23 percent increase experienced by large bellwethers. Obscured by this trend is the fact that both small and medium-sized bellwethers saw charitable giving totals decline – by 12 percent and 30 percent, respectively (**Chart 5.3**).

The sources of charitable giving also varied among the bellwethers of different sizes. As **Chart 5.4** shows, individual donors were the primary charitable source for the large and medium-sized bellwethers, accounting for about half of their total gifts in 2003; this source provided small organizations with only 32 percent of their total donations. Business charity was consistent across all bellwether sizes at roughly one-fifth of total giving. Small organizations were more dependent on foundation gifts and fundraising events (45 percent) than were medium-sized (20 percent) and large bellwethers (22 percent).

In terms of bequest gifts, large bellwethers received over four-fifths (82 percent) of the total, averaging more than \$91,000 per bequest. Medium-sized bellwethers received fewer than one-fifth of bequest gifts, averaging about \$43,000 per gift. The 25 small bellwethers reported only two bequests that averaged less than \$9,000. These findings are consistent with what has been observed across the nation. As reported by *Giving USA*, both the number and average size of bequest gifts are positively correlated with organizational size.

Per-ticket revenues for the large bellwethers' major fundraising events were significantly higher than those for small and medium-sized organizations. Indeed, median gross revenues per ticket ranged from \$167 for small organizations to \$264 for large organizations (Chart 5.5). Even after accounting for event-related costs, large organizations reported the highest net revenue from their fundraising events – or \$175 per ticket compared to \$141 per ticket for medium-sized organizations and \$90 per ticket for small organizations. Given that large bellwethers may be better recognized throughout the community and that they are often the leaders of high-profile projects, it is likely that these nonprofits can request a higher per-ticket price for major fundraising events. These larger organizations are also in a position to devote more resources to these events.

Although large organizations received the overwhelming majority – 85 percent – of charitable donations in 2003, and experienced significant gains in giving since 2002, a smaller proportion of their funds were available for general operations in comparison to small and medium-sized organizations. For instance, 61 percent of the large bellwethers' charitable dollars were unrestricted, compared to 78 percent for medium-sized bellwethers and 94 percent for small bellwethers. Large organizations received significantly more funds, proportionally speaking, for capital (23 percent) than medium-sized bellwethers (12 percent) or small bellwethers (6 percent) (Chart 5.6). Large bellwethers also received proportionally more for their endowments (16 percent of total direct public contributions) than medium-sized bellwethers (10 percent) or small bellwethers (none).

Chart 5.4
Total Direct Public Contributions by Source and Organizational Size, 2003

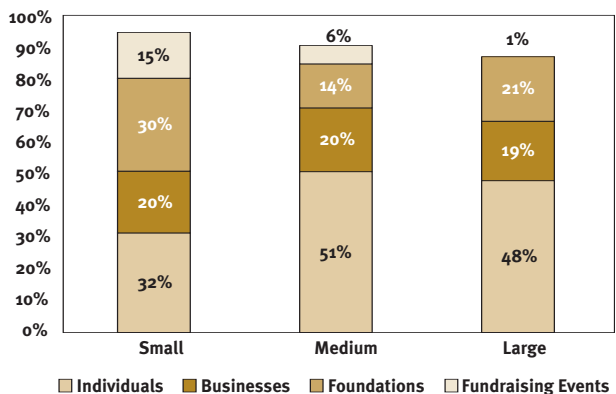


Chart 5.5
Fundraising Event Revenues by Organizational Size, 2003

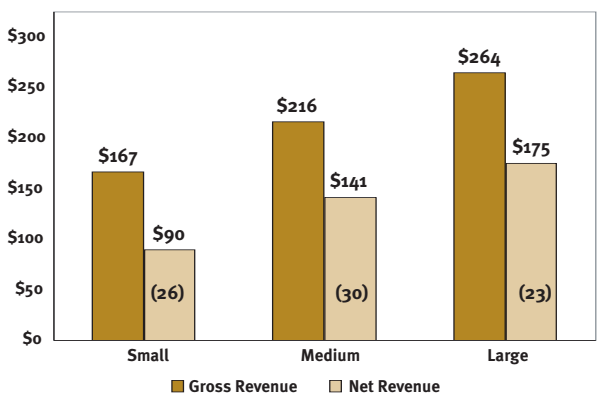
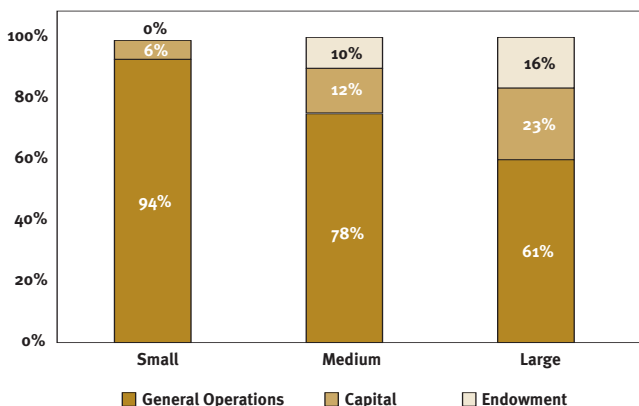


Chart 5.6
Percentage of Total Direct Public Contributions With Restrictions on Use by Organizational Size, 2003



VI. The Sectors Arts & Culture



Arts & Culture 11

African American Cultural Center

Buffalo and Erie County Historical Society

Buffalo Fine Arts Academy – Albright-Knox Art Gallery

Buffalo Philharmonic Orchestra Society

El Museo

Hallwalls

just buffalo literary center

Pick of the Crop Dance

Shea's Performing Arts Center

Studio Arena Theatre

Western New York Public Broadcasting Association

Total revenue picture. The Arts & Culture sector reported \$47.1 million in total revenues for 2003. The sector was self-sufficient for about half (49 percent) of its total revenues, with 47 percent from earned revenues and 2 percent from interest earnings and dividends on endowment. The balance – more than half – of sector revenues was supplied by outside support from charity (34 percent) and government aid (17 percent) (**Chart 6.1**).

Total direct public contributions. In terms of charitable giving, Arts & Culture rebounded considerably from 2002, when donations reached a low of \$13.1 million. Direct public support totaled \$15.4 million in 2003, up 17 percent from 2002 (**Chart 6.2**). Giving levels for 2003 were 3 percent over this sector's six-year average of \$15.0 million.

Driving this overall increase was a surge in foundation giving, which nearly doubled from \$1.8 million in 2002 to \$3.5 million in 2003 and accounted for nearly one quarter (23 percent) of total direct public contributions (**Chart 6.3**).

Individual donations, which accounted for 51 percent of total charitable dollars, totaled \$7.9 million. Rising 23 percent above 2002 levels, this increase helped to regain some of the ground lost in 2002, when individual donations plummeted to just under \$6.5 million from levels close to \$10 million in 2001.

For the second year in a row, business and corporate donations turned upward, increasing 13 percent, from \$2.7 million in 2002 to \$3.1 million in 2003, and accounting for approximately 20 percent of this sector's total direct public support in 2003. This is a five-year peak for business donations to Arts & Culture.

Fundraising events generated about \$420,000 for the Arts & Culture sector, or about 3 percent of total direct charitable dollars.

Operational support vs. support for capital.

Arts & Culture organizations saw total direct public contributions available for general operations increase 19 percent, from \$11.3 million in 2002 to \$13.4 million in 2003. As a proportion of total revenues, however, donations for general operations remained relatively steady, accounting for 87 percent of total direct public contributions in 2003 and 86 percent in 2002 (**Chart 6.4**).

Total direct public contributions dedicated to capital or endowment increased 6 percent to \$2.0 million in 2003.

Chart 6.1
Revenue of Arts & Culture, 2003

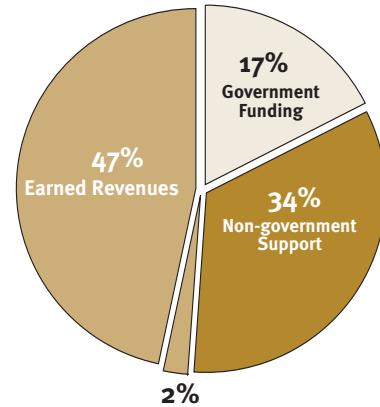
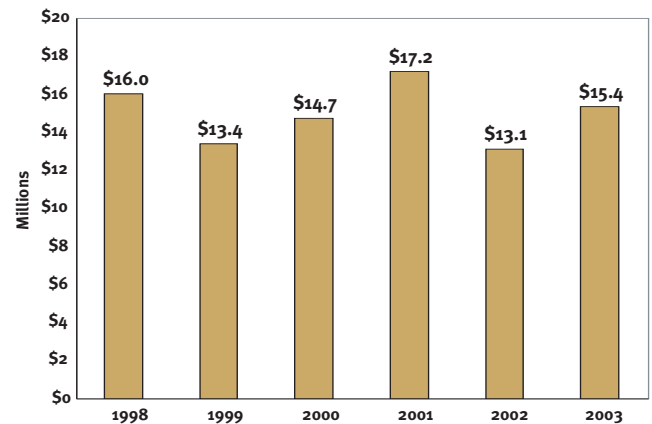


Chart 6.2
Total Direct Public Contributions to Arts & Culture, 1998 - 2003



This increase in restricted giving was driven in large part by two major capital campaigns, which raised a total of \$2.1 million. Restricted dollars represented 13 percent of total direct public contributions in 2003, down slightly from 14 percent in 2002.

Bequests to the 11 Arts & Culture bellwethers reflected one of the few decreases in giving within the sectors, falling 37 percent from 2002 levels to about \$144,000 in 2003. The rounded average of the 12 bequests reported by this sector was \$12,000.

Government funding. Government contributions totaled \$8.2 million, a 7 percent increase over 2002 levels. Government support accounted for less than one-fifth – 17 percent – of this sector's total revenues.

Chart 6.3
Total Direct Public Contributions to Arts & Culture by Source, 2003

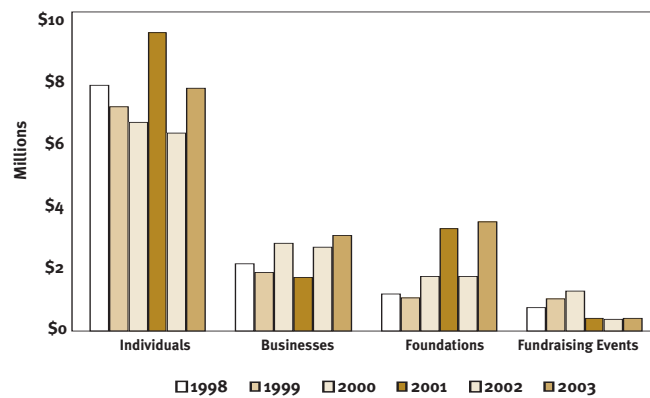
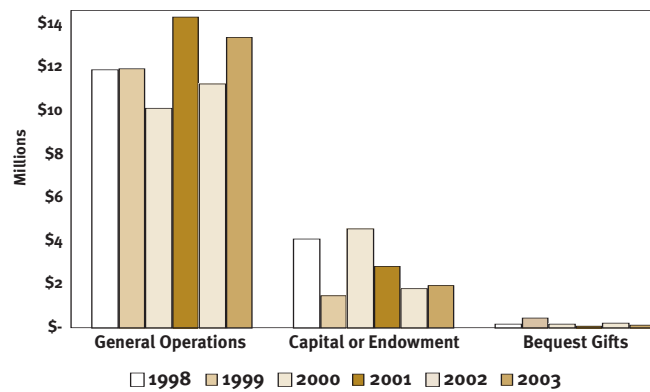


Chart 6.4
Total Direct Public Contributions for Capital or Endowment and Bequest Gifts to Arts & Culture, 1998 - 2003



VI. The Sectors **Education**



Education

Buffalo & Erie
County Public
Library

10

Buffalo Prep

Buffalo Seminary

Buffalo State College

Canisius College

The Gow School

King Urban Life Center

Nichols School of Buffalo

St. Mary's School for the Deaf

University at Buffalo

Total revenue picture. The Education sector was the most self-sufficient of all sectors in 2003, generating more than half (55 percent) of its total \$185.8 million in revenues reported for 2003, with 50 percent covered by earned revenues and another 5 percent received through interest and dividends on endowment. Outside support accounted for 45 percent of total revenues for the Education sector. Specifically, direct and indirect public support represented 19 percent of the total, making it the sector least dependent on charity in 2003. Government aid as a percentage of total revenue – 25 percent – was on the higher end relative to the other sectors (**Chart 6.5**).

Total direct public contributions. The Education sector, which has for the last five years received more charitable dollars than any other sector, saw donations increase 16 percent between 2002 and 2003, from \$48.1 million to \$55.8 million. This level of support was 5 percent above this sector's six-year average of \$53 million (**Chart 6.6**). The rise in charitable contributions was concentrated to a few of the bellwethers, as six of the 10 saw their levels of support fall from 2002 totals.

For the most part, the surge in overall giving to Education was propelled by a more than four-fold increase in corporate support – from \$4.2 million in 2002 to \$19.4 million in 2003¹⁰ (**Chart 6.7**). More than one-third of total direct public contributions to this sector came from businesses, though 86 percent of corporate support was received by one bellwether engaged in a multi-million dollar capital campaign.

The sector also saw increases in individual giving, up 7 percent from 2002 levels to \$24.1 million. Donations from individuals accounted for 43 percent of total direct public contributions to this sector.

The only giving source to decline was foundation giving, which fell 16 percent to \$9.4 million. Foundation

Chart 6.5
Revenue of Education, 2003

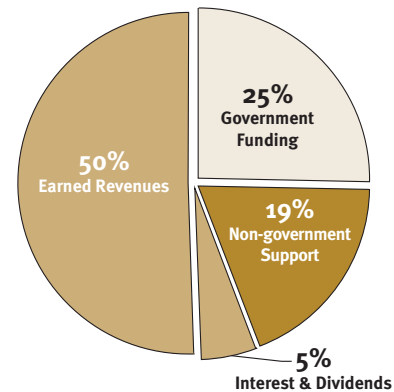
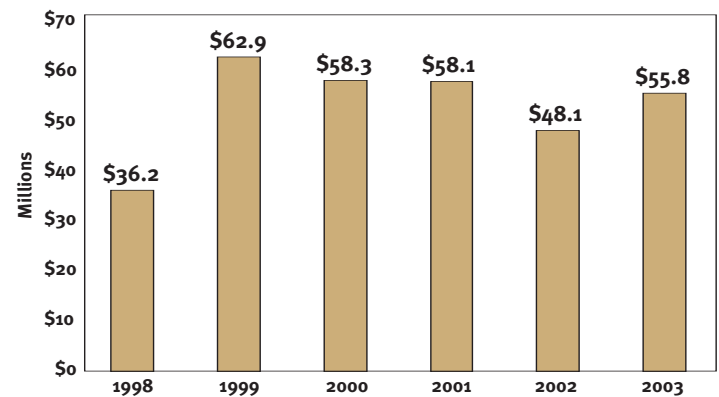


Chart 6.6
Total Direct Public Contributions to Education, 1998-2003



¹⁰ It should be noted that a corporate gift of software valued at \$53.5 million was reported by the University at Buffalo. This gift has not been included in the figures above since it was a one-time gift donated by a corporation headquartered outside Erie County, and this report attempts primarily to examine giving within the local community. Including this gift would have elevated total direct public contributions to the Education sector to \$109 million, and would have reflected a 127 percent increase over last year's giving level.

support accounted for 17 percent of all charitable giving to Education bellwethers.

Funds generated through fundraising events jumped 5 percent to almost \$400,000 in 2003, though fundraising constituted only 1 percent of the sector's total direct charitable donations.

Operational support vs. support for capital.

The Education sector saw a 15 percent decrease in total direct public contributions available for general operating expenses, from \$29.4 million in 2002 to \$24.9 million in 2003. Only 45 percent of total direct public contributions were available for general operations in 2003, compared to 61 percent in 2002 (Chart 6.8).

At the same time, donations restricted to capital or endowment increased from 39 percent of total support in 2002 to 55 percent in 2003, reflecting a \$12 million increase in such contributions (from \$18.7 million in 2002 to \$30.8 million in 2003). Driving this trend was a more than three-fold increase in capital dollars – from \$5.8 million in 2002 to \$19.2 million in 2003. Contributions dedicated to endowment fell \$1.3 million between 2002 and 2003.

Three Education bellwethers were engaged in major capital campaigns in 2003, with a combined total goal of \$316 million. The amount raised towards this goal in 2003 was about \$45 million, or 14 percent of the total.¹¹

Bequests increased 42 percent from 2002 levels, totaling \$8.2 million in 2003, compared to \$5.8 million in 2002. The rounded average of the 49 bequests received by the bellwethers in this sector was \$167,000.

Government funding. Government funds directed to the Education sector crept forward about 2 percent, still below the 3 percent inflation rate between 2002 and 2003. Contributions from federal, state and local governments totaled \$47.2 million in 2003, representing one quarter of total revenues, the highest of all six sectors in terms of the proportional level of government support.

Chart 6.7
Total Direct Public Contributions to Education by Source, 2003

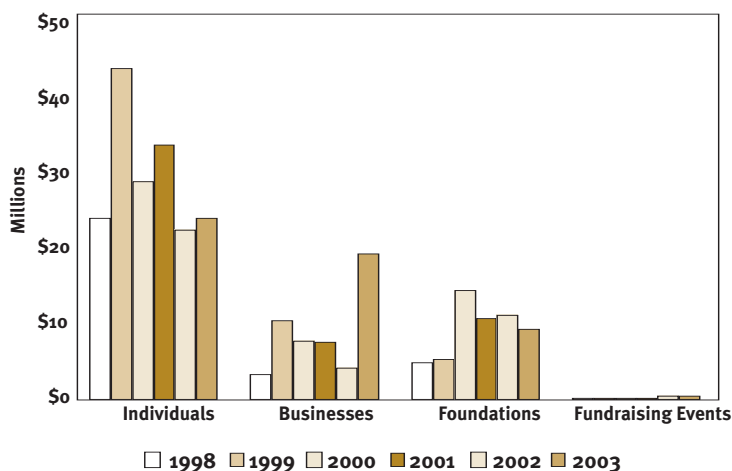
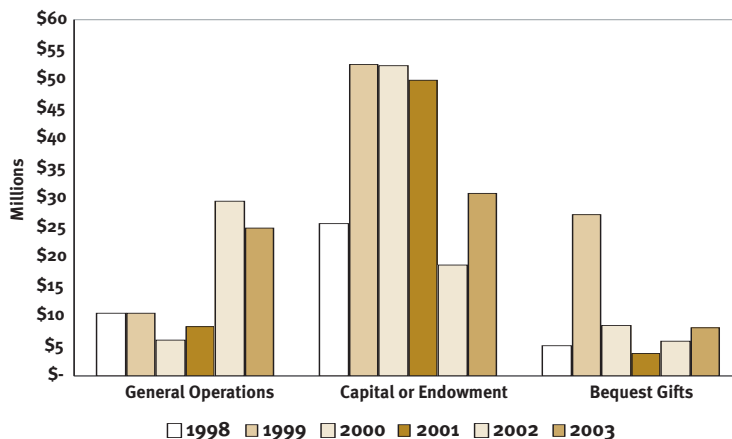


Chart 6.8
Total Direct Public Contributions for Capital or Endowment and Bequest Gifts to Education, 1998-2003



¹¹ Including the University at Buffalo's \$53.5 million gift of software, \$98 million, or 31 percent, was raised toward the total capital campaign goal of the Education bellwethers.

VI. The Sectors Environment-Animals



Environment-Animals

Buffalo Olmsted Parks Conservancy

6

Buffalo Society of Natural Sciences – Buffalo Museum of Science (including Tiff Farm Nature Preserve)

Hamburg Natural History Society

Hawk Creek Wildlife Center

Society for the Prevention of Cruelty to Animals

Zoological Society of Buffalo

Total revenue picture. The Environment-Animals sector was the least self-reliant of all sectors. Self-generated revenues accounted for 37 percent of the sector's \$144 million in total revenues. Earned revenues generated 34 percent, while another 3 percent was collected from endowment interest and dividends (**Chart 6.9**). Indeed, this sector was the most dependent on outside support, and received almost two-thirds (63 percent) of its revenue from external sources – 26 percent from direct and indirect public contributions, and 37 percent from government aid. The Environment-Animals sector's level of government aid exceeded that of all others as a proportion of total revenues.¹²

Total direct public contributions. One of only two sectors this year to experience an overall decline in direct public support, Environment-Animals saw total direct public contributions fall 19 percent, from \$6.6 million to \$5.4 million. However, this sector's adjusted level of support was still 20 percent higher than its \$4.5 million six-year average (**Chart 6.10**). Giving fell or remained flat for five of the sector's six bellwethers, although the sector's overall level of charitable support was most dramatically drawn down by a nearly \$1.5 million cut in contributions to one of its bellwethers.

In terms of the source of charitable giving, a precipitous 64 percent drop in foundation funding – from \$2 million in 2002 to \$716,000 in 2003 – accounted for the bulk of the sector's eroded financial support (**Chart 6.11**). In fact, foundation support was the only source of giving to register a decrease in 2003. It should be noted, however, that the 64 percent drop is primarily due to the conclusion of a major grant to one Environment-Animals bellwether which produced a spike in foundation giving in 2002. Yet even after this drop, foundation giving in 2003 remained slightly above the six-year average of \$710,000.

All other sources of public support for Environment-Animals turned upward. Individual donations, which accounted for 71 percent of total public support in 2003, climbed 62 percent from \$2.4 million in 2002 to \$3.8 million in 2003.

Business and corporate donations climbed 27 percent, from about \$360,000 in 2002 to about \$460,000 in 2003, accounting for just short of 10 percent of total direct

Chart 6.9
Revenue of Environment-Animals, 2003

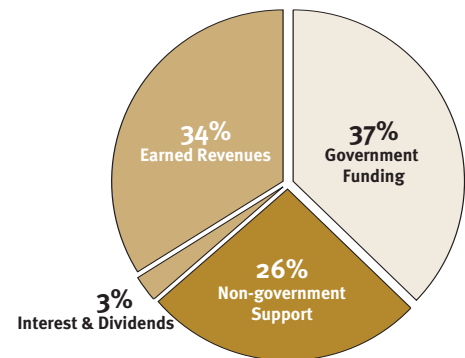
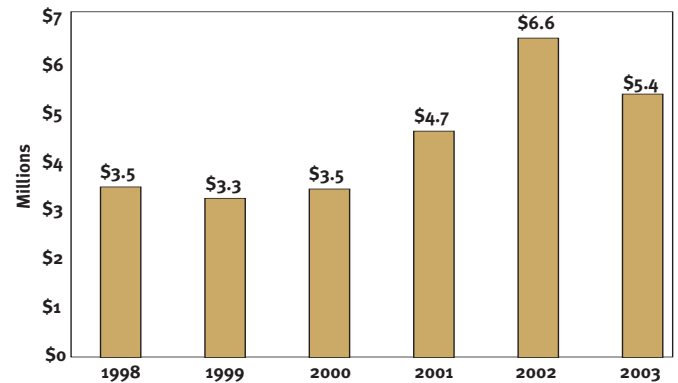


Chart 6.10
Total Direct Public Contributions to Environment-Animals, 1998-2003



¹² The Public Funding Organizations sector is not included in this comparison. The sector receives 86 percent from charitable and government support, most of which is then redistributed to other nonprofits in the region.

public support to Environment-Animals. Donations through fundraising events surged 65 percent to approximately \$235,000, accounting for 4 percent of total direct public support in 2003.

Operational support vs. support for capital.

Consistent with the overall trend in 2003, Environment-Animals had fewer dollars in 2003 available for general operating expenses compared to 2002. Unrestricted contributions decreased by \$1.6 million, or 31 percent, from \$5.2 million in 2002 to \$3.6 million in 2003. In 2003, donations available for general operations accounted for about two-thirds of total direct public contributions, down from 80 percent in 2002 (Chart 6.12).

On the other hand, restricted gifts, or those dedicated to capital or endowment, increased 30 percent between 2002 and 2003, from \$1.3 million to \$1.8 million, or from about one-fifth of total direct public support in 2002 to one-third in 2003. The overall increase in restricted giving was largely in the form of capital donations, which jumped from approximately \$441,000 in 2002 to \$1.2 million in 2003. The four bellwethers engaged in major capital campaigns raised \$243 million (including pledges and government grants) towards campaign goals totaling \$48.6 million. Total direct public contributions dedicated to endowment decreased from about \$907,000 in 2002 to \$578,000 in 2003.

Bequests to this sector sharply increased, nearly doubling from about \$837,000 in 2002 to \$1.6 million in 2003, close to the sector's six-year high of \$1.8 million in 1998. This total represents 33 bequests at a rounded average of \$49,000 each.

Government funding. Government contributions reported by this sector for 2003 totaled \$5.4 million, accounting for 37 percent of total revenues. Compared to 2002, government aid slumped 10 percent. Given the sector's dependence on outside support, the decline in both government aid and charitable contributions is a trend warranting attention.

Chart 6.11
Total Direct Public Contributions to Environment-Animals by Source, 2003

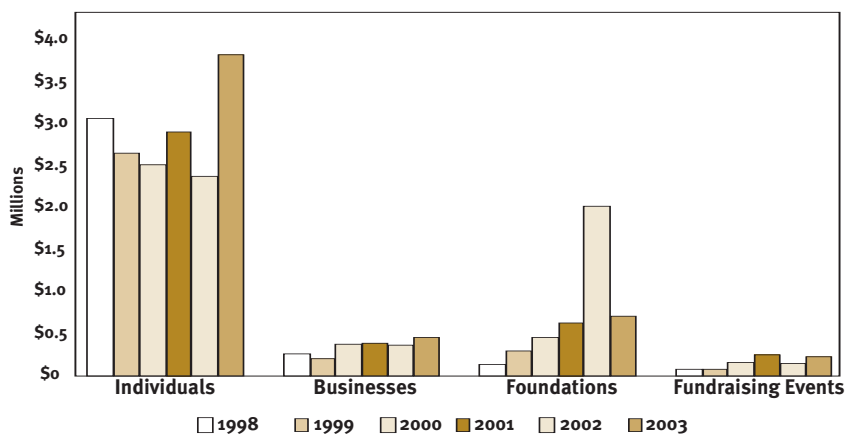
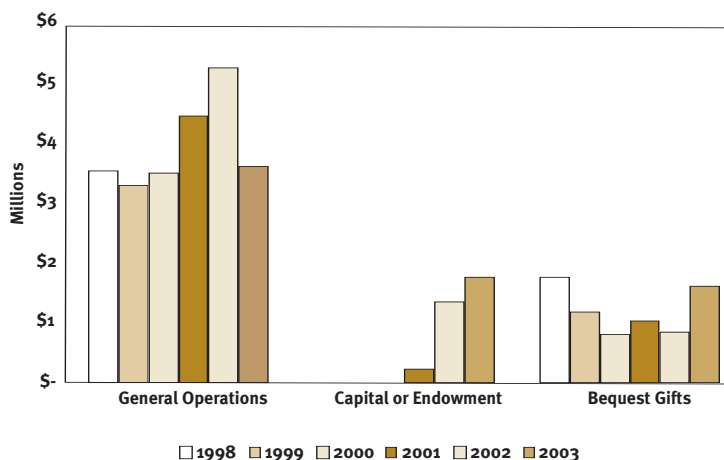


Chart 6.12
Total Direct Public Contributions for Capital or Endowment and Bequest Gifts to Environment-Animals, 1998-2003



VI. The Sectors **Health**



Health

AIDS Community Services of Western New York

11

American Lung Association of Western New York

American Red Cross, Greater Buffalo Chapter

Buffalo Hearing and Speech Center

Catholic Health System

Children's Hospital of Buffalo Foundation

Hauptman Woodward Medical Research Institute

Hospice Buffalo

Kaleida Health System

Elizabeth Pierce Olmsted, MD Center for the Visually Impaired

Roswell Park Cancer Institute

Total revenue picture. Next to Education, the Health sector was the most successful in generating revenues in 2003 independently, without outside support. Specifically, the Health sector was self-reliant for 52 percent of its \$47.8 million in total revenues; 51 percent was derived from earned revenues, and 1 percent from endowment interest and dividends (Chart 6.13). Also notable is the fact that, next to the Public Funding Organizations sector, Health bellwethers were least in need of government aid, as only 15 percent of their total revenue was covered by this source. Charitable support accounted for 33 percent of total 2003 income.

Total direct public contributions. After three years of relatively steady levels of giving, the Health sector experienced a sharp increase in charitable donations. Direct public support of the Health sector's 11 bellwethers increased 26 percent, from \$32.0 million in 2002 to \$40.4 million in 2003 (Chart 6.14). Direct public giving in 2003 was 25 percent above this sector's six-year average of \$32.3 million. The spike in charitable giving was largely due to large gifts to the Roswell Park Cancer Institute and Hauptman-Woodward Medical Research Institute, two leading organizations in the region's Buffalo Niagara Medical Campus initiative. However, these gains to two bellwethers overshadow a starker reality, as six of the 11 bellwethers in this sector experienced a decrease in total contributions.

A nearly six-fold surge in foundation funding for the Health sector, from \$2.7 million in 2002 to \$15.6 million in 2003, fueled the overall increase in charitable contributions (Chart 6.15). This increase in foundation support was heavily weighted (87 percent) to two of the 11 organizations (Roswell Park and Hauptman-Woodward). Foundation support represented 39 percent of total direct public contributions to this sector in 2003.

The sector also saw a rise in business giving, with business dollars more than doubling from \$2.2 million in 2002 to \$5.1 million in 2003; 65 percent of business support was contributed to the same two bellwethers. Businesses and corporate foundations provided 13 percent of total direct public contributions received by this sector.

Gifts from individuals increased 54 percent to \$15.0 million in 2003, accounting for 37 percent of the sector's total direct public contributions. Almost three-quarters

Chart 6.13
Revenue of Health, 2003

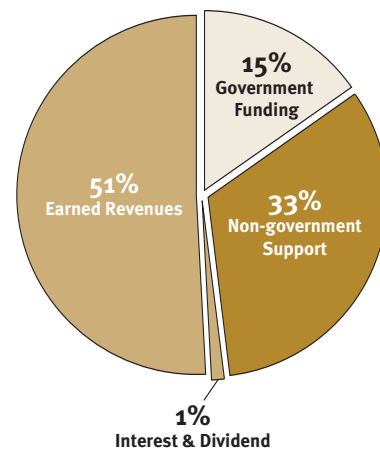
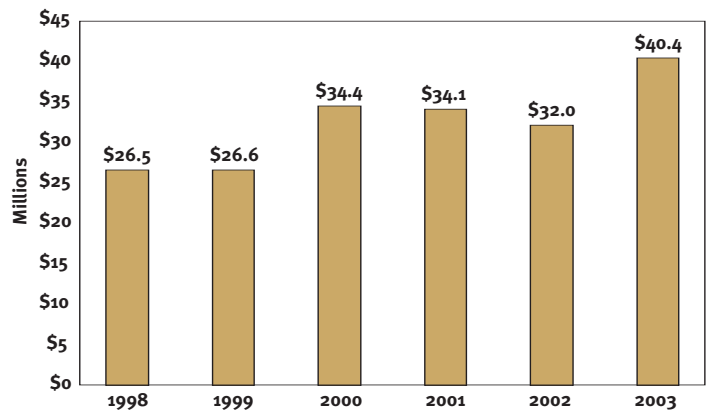


Chart 6.14
Total Direct Public Contributions to Health, 1998-2003



went to three bellwethers (Roswell Park, Hauptman-Woodward and Kaleida Health).

Fundraising events, which accounted for 5 percent of total direct public contributions, were the only revenue source to register a dip in 2003, falling 4 percent from 2002 levels to \$20 million.

Operational support vs. support for capital.

Between 2002 and 2003, total direct public contributions available for general operations decreased in absolute terms (down 8 percent from \$26.9 million in 2002 to \$24.7 million in 2003), and as a proportion of total giving (from 84 percent in 2002 to 61 percent in 2003) (Chart 6.16).

Not surprisingly, then, an increase in restricted dollars – to capital or endowment – drove the Health sector's overall increase in total direct public contributions. Indeed, total giving for capital and endowment more than tripled from \$5.2 million in 2002 to \$15.8 million in 2003. Contributions for capital projects alone increased from \$29 million in 2002 to \$14.1 million in 2003, while contributions dedicated to endowment fell from \$2.2 million in 2002 to \$1.6 million in 2003. Altogether, restricted donations accounted for 39 percent of total direct public contributions in 2003, up from 16 percent in 2002. Four of the 11 Health bellwethers were engaged in major capital campaigns in 2003, with goals totaling \$76.0 million. About \$13 million, or 17 percent, was raised toward this total.

Bequests to this sector decreased 47 percent from 2002 levels, totaling \$2.6 million in 2003. The 55 bequests represented a rounded average of \$48,000 per bequest.

Government funding. Funding from government sources increased 9 percent between 2002 and 2003, with grants from federal, state and local governments totaling \$7.3 million and accounting for 15 percent of total revenues for 2003.

Chart 6.15
Total Direct Public Contributions to Health by Source, 2003

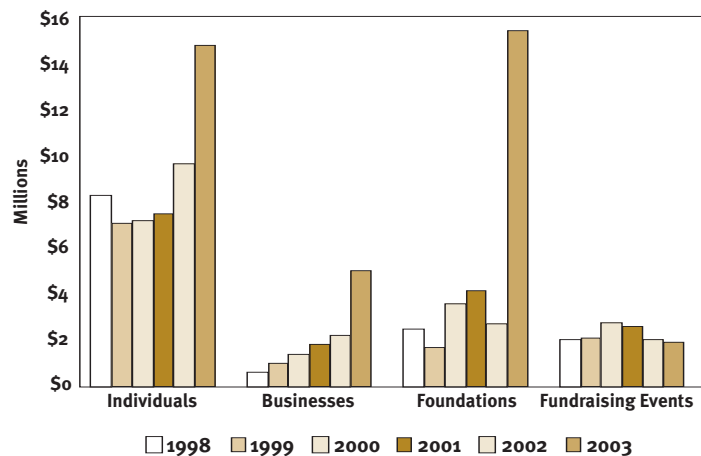
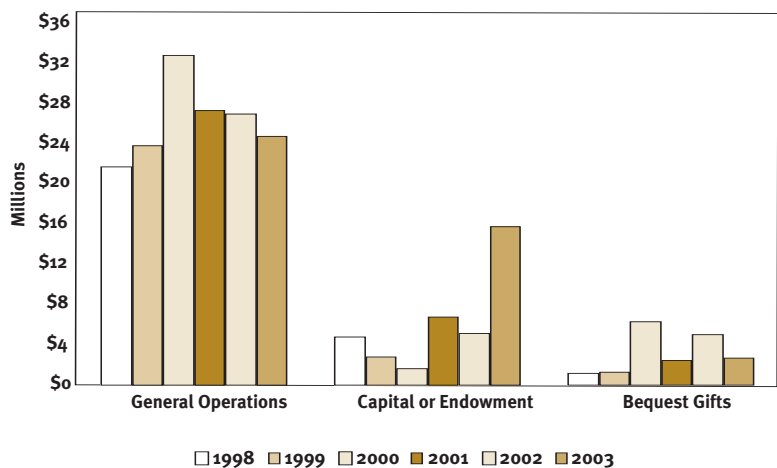


Chart 6.16
Total Direct Public Contributions for Capital or Endowment and Bequest Gifts to Health, 1998-2003



VI. The Sectors Human Services



Human Services

Boys and Girls Clubs of Buffalo & Erie County

18

Boy Scouts (Greater Niagara Frontier Council)

Buffalo Urban League

Child and Family Services

City Mission

Cradle Beach Camp

Food Bank of Western New York

Girl Scouts of Buffalo & Erie County

Harvest House

Hispanics United of Buffalo

Hopevale

International Institute

Meals on Wheels of Buffalo & Erie County

Mental Health Association of Erie County

Native American Community Services

Planned Parenthood of Buffalo & Erie County

YMCA of Greater Buffalo

YWCA of Greater Buffalo

Total revenue picture. The Human Services sector was self-reliant for 49 percent of its \$81.9 million in total revenues for 2003 (Chart 6.17). This portion was generated through earned revenues. Interest earnings and dividends contributed less than 0.5 percent to total revenues. Financial assistance from external sources was also an important component of the sector's overall revenue picture. More than one quarter (29 percent) was received in the form of direct and indirect public contributions. Government aid accounted for 22 percent of total earnings.

Total direct public contributions. For the third straight year, total direct public contributions to the Human Services bellwethers inched forward, rising 4 percent from \$20.5 million in 2002 to \$21.4 million in 2003 (Chart 6.18). This jump placed 2003 totals 11 percent higher than Human Services' six-year (1998-2003) average of \$19.2 million. Of the 18 bellwethers, nine saw an increase or no change in giving.

The overall increase in giving was fueled largely by a surge in individual donations, which climbed 32 percent, from \$4.6 million in 2002 to \$6.1 million in 2003, accounting for 28 percent of this sector's overall charitable dollars.

Businesses were also more generous in 2003, with their donation levels rising 41 percent from \$1.3 million in 2002 to \$1.8 million in 2003. Business support accounted for 8 percent of total donations to Human Services.

Fundraising events also increased 33 percent to about \$890,000, which accounted for 4 percent of total donations.

On the downside, a 59 percent drop in foundation support almost entirely negated increased support from individuals, business and fundraising event donations. The total fell from \$2.9 million in 2002 to \$1.2 million in 2003. It should be noted that foundation giving to this sector significantly increased in 2001 and then peaked in 2002. The \$1.2 million given in 2003 is more on par with giving levels between 1998 and 2000 (Chart 6.19).

Operational support vs. support for capital.

Relative to the other five sectors, Human Services received the highest proportion of unrestricted support. In 2003, 97 percent (\$20.8 million) of total direct public contributions to this sector was available for general

Chart 6.17
Revenue of Human Services, 2003

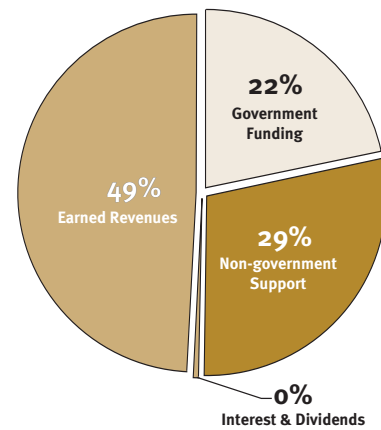
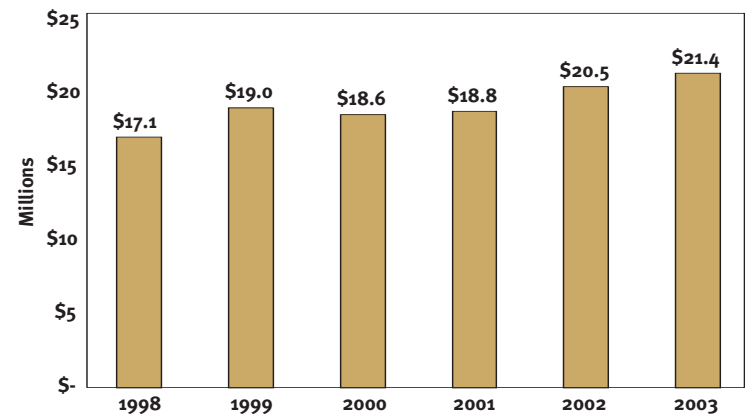


Chart 6.18
Total Direct Public Contributions to Human Services, 1998-2003



operating expenses. This represents an 11 percent increase from 2002, when \$18.7 million was available for general operations, accounting for 91 percent of total direct public contributions that year (Chart 6.20).

In 2003 less than 3 percent (\$554,000) of total direct public contributions was directed to capital, while less than 1 percent (\$103,000) was dedicated to endowment. This represents a decrease from 2002, when 8 percent of total giving was restricted to capital and less than 1 percent went to endowment. Overall, contributions for capital or endowment declined 63 percent between 2002 and 2003, from \$1.8 million to \$0.7 million.

The four bellwethers holding major capital campaigns fared well in progressing toward their campaign goals, which totaled \$20 million. About one-quarter (\$5 million) was raised in 2003 toward this goal, an amount that includes sizable government grants.

Bequests to this sector decreased 35 percent from 2002 levels (Chart 6.20) to \$333,000, reflecting a rounded average of \$15,000 for the 22 bequests.

Government funding. Government support increased 17 percent from 2002 levels to \$17.7 million in 2003, and represented more than one-fifth of total revenues. Contributing to this increase were several millions of dollars received for project-specific public grants for Child & Family Services' Haven House (from the New York State Homeless Housing and Assistance Program and the U.S. Department of Housing and Urban Development).

Chart 6.19
Total Direct Public Contributions to Human Services by Source, 2003

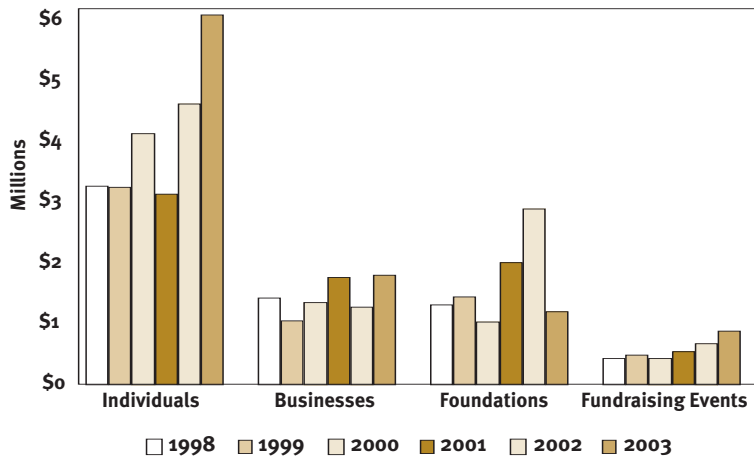
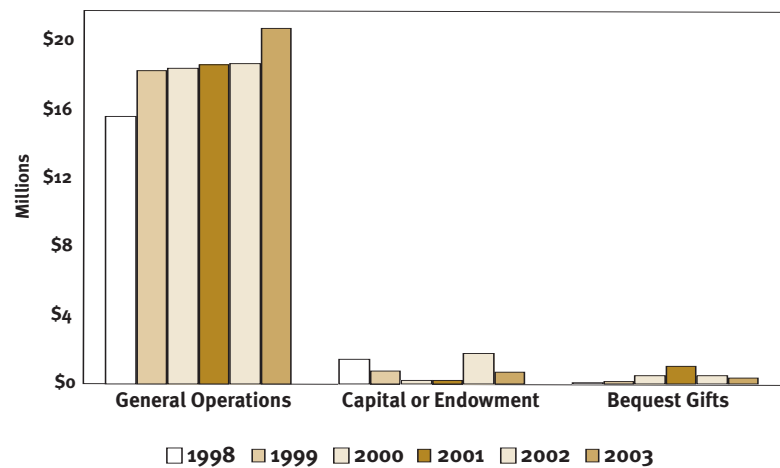


Chart 6.20
Total Direct Public Contributions for Capital or Endowment and Bequest Gifts to Human Services, 1998-2003



VI. The Sectors Public Funding Organizations



Public Funding Organizations

6

Arts Council in Buffalo & Erie County

Community Foundation for Greater Buffalo

Foundation for Jewish Philanthropies

Jewish Federation of Greater Buffalo

United Way of Buffalo & Erie County

United Way of the Tonawandas

Total revenue picture. Public Funding Organizations, which distribute their revenues to other community nonprofits and needs, typically receive the bulk of their budgets from outside sources. Self-generated revenues accounted for only 14 percent of total revenue in 2003, with 9 percent collected from interest and dividends – the highest endowment yield of all sectors – and 5 percent raised from earned revenues (Chart 6.21). In 2003, the sector derived 78 percent of its \$42.6 million total revenue from direct and indirect public contributions. At the same time, the Public Funding Organizations sector was least dependent on government aid, with only 8 percent of its total revenues covered by this source.

Total direct public contributions. After a spike in charitable donations last year, the Public Funding Organizations sector inched downward in 2003, one of only two sectors to register a decrease in giving this year (Chart 6.22). The decrease was minor – about 0.3 percent from \$36.2 million to \$36.1 million – but four out of the sector's six bellwethers saw charitable contributions fall in 2003. Moreover, direct public giving in 2003 was 3 percent below the sector's six-year average of \$37.3 million. Given the role of public funding organizations as funders of other nonprofits, the implications of this trend are felt across all sectors.

By the end of 2003, the United Way of Buffalo & Erie County had raised \$1 million less than it did in 2002 for part of its annual fundraising drive. As a result, several programs that had received funds in the past received less and, in some cases, no funding in 2004. The slower economy and higher levels of unemployment are likely related to Public Funding Organizations' difficulty in raising funds in 2003.¹³

The Public Funding Organizations sector saw foundation donations increase 28 percent from 2002 levels (Chart 6.23). The \$45 million in foundation support accounted for 12 percent of all total direct public support.

Chart 6.21 Revenue of Public Funding Organizations, 2003

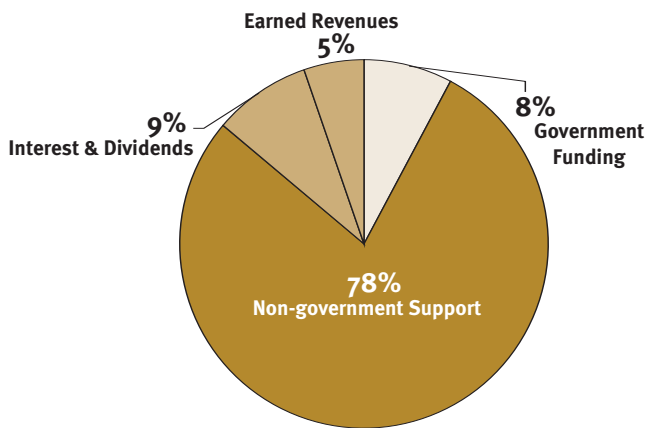
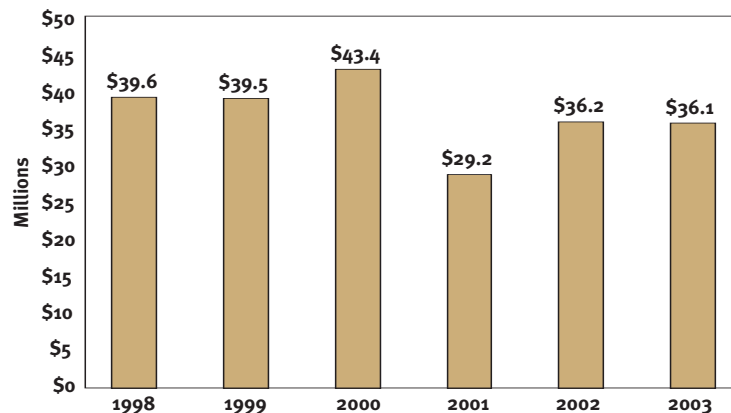


Chart 6.22 Total Direct Public Contributions to Public Funding Organizations, 1998-2003



¹³ American Association of Fundraising Counsel Trust for Philanthropy, *Giving USA 2004*, 154

Largely offsetting this increase in foundation support was a decrease in giving from every other source, including individuals, businesses and fundraising events.

Although contributions from individuals fell 3 percent to \$27.8 million, they were still the sector's most important source for giving, as would be expected, accounting for 77 percent of the sector's total charitable dollars.

Business support fell by 7 percent to \$3.6 million, and accounted for 10 percent of total direct public support.

Giving related to fundraising events decreased 53 percent, although fundraising contributed only a small portion (\$150,000) toward the sector's charitable giving totals.

Operational support vs. support for capital.

The public support received by bellwethers in this sector is primarily used to support other nonprofits and needs, although a small portion is available for general operations. In 2003, 76 percent of total giving – or \$27.4 million – was provided to these bellwethers for such non-capital uses. This represents a slight, 1 percent increase in mission-related dollars from 2002, when \$27.2 million (75 percent of the total) in total direct public contributions was available for general use (Chart 6.24).

In 2003, 2 percent of total direct public contributions were restricted to capital expenditures, while 23 percent went to an endowment. These figures are relatively stable compared, respectively, to 2002's 1 percent and 24 percent. Overall contributions to this sector for capital and/or endowment totaled \$8.7 million in 2003, down 3 percent from 2002 levels of \$9.0 million. Not one of the six bellwethers was engaged in a major capital campaign in 2003.

Bequests to this sector decreased 63 percent from 2002 levels, totaling \$1.8 million in 2003. The 23 bequests to Public Funding Organizations averaged \$77,000 per bequest.

Government funding. Government support reported by this sector for 2003 totaled \$3.4 million, constituting 8 percent of total revenues. This level of government support represents a 6 percent decline from 2002 levels.

Chart 6.23
Total Direct Public Contributions to Public Funding Organizations by Source, 2003

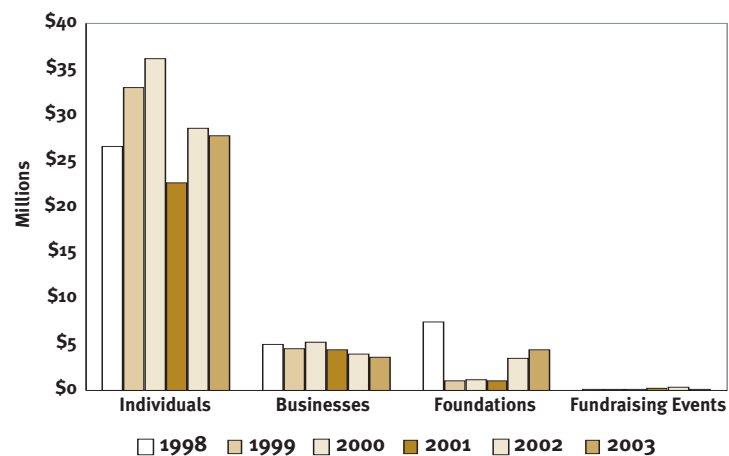
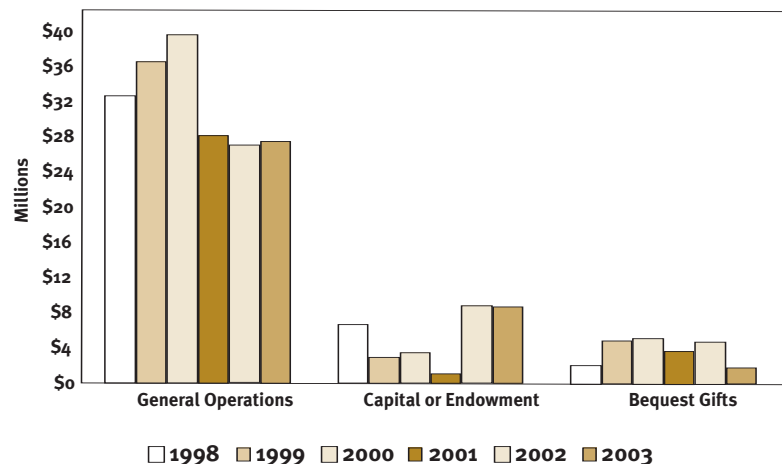


Chart 6.24
Total Direct Public Contributions for Capital or Endowment and Bequest Gifts to Public Funding Organizations, 1998-2003



VII. A Closer Look

Chart 7.1
Revenue of All Bellwethers, 2003

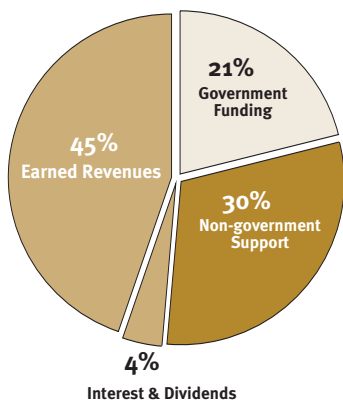


Chart 7.2
Self-Generated Revenues as a Percentage of Total Revenues by Sector, 2003

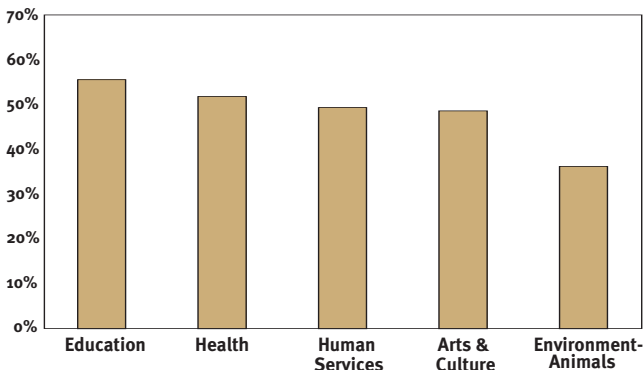
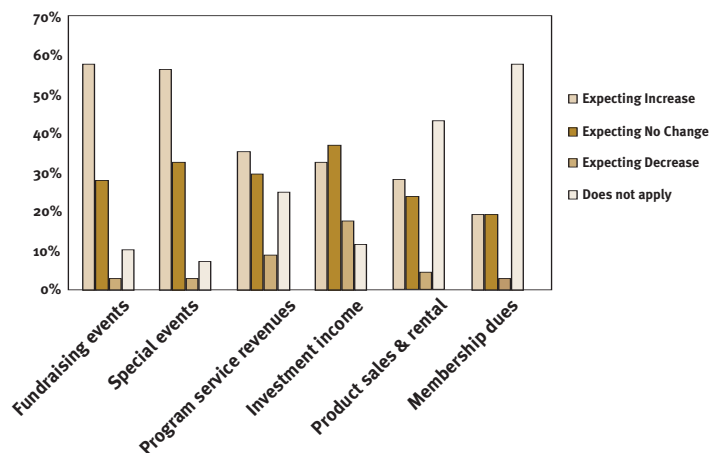


Chart 7.3
Agency Expectations for Self-Generated Revenue Over Next 12 Months



A. Bellwether Self-Sufficiency

Overview. As a group, the bellwethers generated almost half, or 49 percent, of the total \$420 million in revenues reported for 2003. The bulk, 45 percent, was received as earned revenues or income generated from events, program services, product sales, rental income and membership dues, while 4 percent came in the form of dividends and interest earnings (Chart 7.1). With respect to outside support, government provided 21 percent of bellwether revenues, while charitable contributions accounted for the remaining 30 percent.

As a percentage of total revenues, self-generated income varied by sector, with Education on the high end, at 55 percent self-sufficient, and Environment-Animals on the lower end, at 37 percent self-sufficient. It should be noted that the Public Funding Organizations sector is excluded from this comparison, as earning revenue from programs is not central to the missions of these organizations (Chart 7.2).

Expectations for the future. At the agency level, bellwethers indicate they are ramping up initiatives to maintain, if not enhance, their self-sufficiency, and they appear hopeful for positive results. As Chart 7.3 shows, over half of all bellwethers hope for major increases in returns from fundraising and special events over the next 12 months. About one-third expect similar increases from program service revenues and investment income, while slightly more than a quarter expect product sales and rental income to increase. Only about one-fifth expect increases from membership dues, although close to 60 percent of the bellwethers said this question did not apply to their organization, suggesting that many do not collect membership dues. With respect to expectations for reductions in giving, investment income was predicted to fall by the largest number of bellwethers – nearly 20 percent – as compared to other income sources. Indeed, fewer than 5 percent expect declines in revenue from fundraising and special events, membership dues and product sales.

Fundraising events. Fundraising events generated \$40 million in direct public contributions in 2003, reflecting a 3 percent jump over last year's totals, yet contributing just over 2 percent toward total direct public contributions. This finding is essentially consistent with the previous five years, for which fundraising event revenues contributed no more than 3 percent toward charitable giving totals. Nevertheless, fundraising events remain a revenue source for all bellwethers, from sector to sector. Indeed, nearly 60 percent of the bellwethers expect more from these events over the next 12 months.

At the same time, charitable contributions generated through fundraising events can involve significant outlays for food and drink, entertainment and other expenses. One-third of the bellwethers report that costs associated with fundraising escalated over the past 12 months. Hence, it is useful to take a closer look at the revenue and costs associated with fundraising events, as well as bellwethers' assessment of the success of fundraising events.

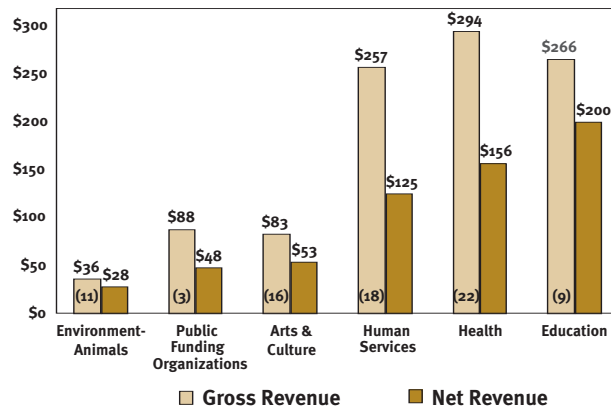
Fundraising revenues. Bellwethers reported 79 major fundraising events in 2003 with nearly 159,000 attendees and/or tickets sold. Per-ticket gross revenues varied, ranging from \$3 to \$1,007, with a median of \$168. After accounting for fundraising costs such as food and drink, marketing and rental, per-ticket net revenues ranged from a loss of \$8 to a gain of \$818, with a median of \$100. Education bellwethers earned the most per ticket after costs – \$200 – while Environment-Animals organizations collected the least – \$28 per ticket (Chart 7.4). It is important to note that per-ticket net revenues do not indicate total event earnings, as fewer tickets sold at a higher price could bring in less than many tickets sold at lower prices.

Fundraising costs. Bellwethers were asked to select the two largest event-related costs from a list of nine categories (Chart 7.5). Food and drink was most often cited as one of the largest event-related costs, for approximately two-thirds (54) of the 79 fundraising events. For one in six fundraising events, bellwethers pointed to marketing and entertainment as two significant event-related costs. Site rental and personnel were each rated as a costly expense for approximately 14 percent – one in seven – of the 79 fundraising events.

Evaluation of events' overall success. Most bellwethers said it was worthwhile to devote time and money to these 79 events. The average rating assigned to these events was 4.3 on a scale of 1 to 5 (with 1 "not worthwhile" and 5 "very worthwhile"). Ratings varied by sector, however. Arts & Culture organizations were the least satisfied, assigning a 3.7 to their 16 major events. Public Funding Organizations found their events most worthy – they gave their three major events a "perfect 5.0," with a portion of the funds raised returned to community programs.

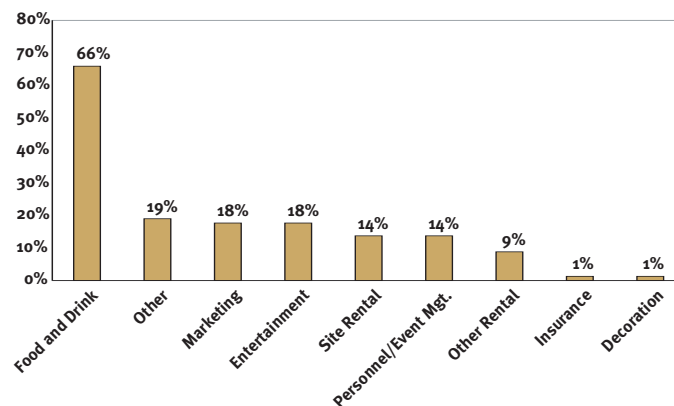
Worth mentioning is that at the national level nonprofits have indicated decreasing levels of success with special events. Just over half (55 percent) of a sample of nonprofits said in 2004 that they found their special events successful, representing a drop from 62 percent in 1998.¹⁴

Chart 7.4
Fundraising Event Revenues by Sector, 2003



*Numbers in parentheses represent the number of major fundraising events reported by each sector.

Chart 7.5
Largest Categories of Fundraising Expenses, 2003



*Total percentages exceed 100%, as bellwethers could check up to two of the largest expenses per event.

¹⁴ The Center on Philanthropy at Indiana University, *Philanthropic Giving Index: Summer 2004*, 2004. The *Philanthropic Giving Index* gauges, on a semiannual basis, the climate for philanthropic giving across the U.S.

Chart 7.6
Change in Government Funding Between 2002 and 2003 by Sector

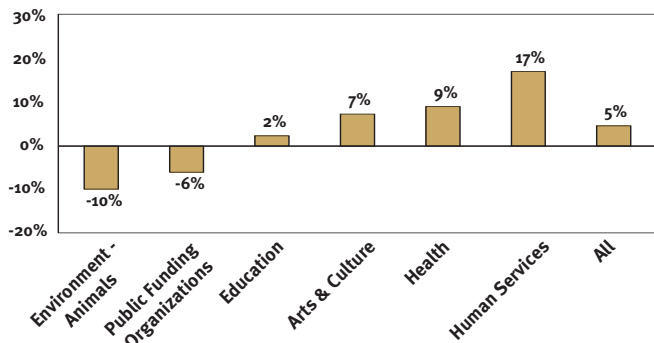
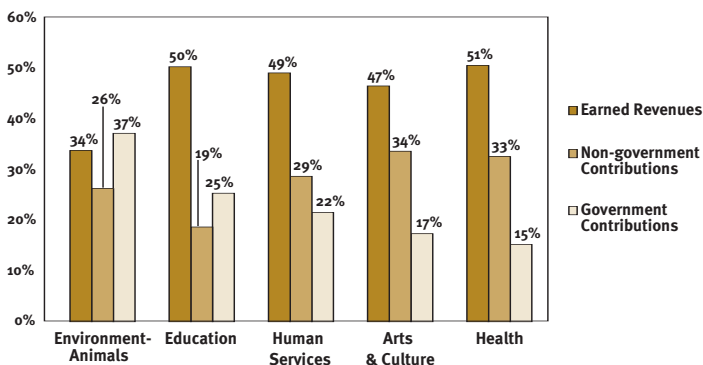


Chart 7.7
Components of Total Revenues by Sector, 2003



B. Government Funding

Change from 2002. Government aid to bellwethers – including grants from the city, county, state and federal level – increased 5 percent between 2002 and 2003.

The Human Services sector saw the greatest gain in government funding, with a 17 percent jump in contributions, fueled primarily by special project grants to two of its bellwethers from the federal and state government (**Chart 7.6**). Government support for the 11 Arts & Culture bellwethers increased 7 percent, driven in part by Erie County's support of programming related to Buffalo Niagara's designation as the 2003 "I Love NY Summer Festival" destination. In 2003 Erie County also prepared to inject millions of dollars into some of Buffalo's biggest cultural attractions, including Shea's Performing Arts Center, the Buffalo Philharmonic Orchestra and the Buffalo & Erie County Historical Society, recognizing their status as "regional assets." Government contributions to the Health sector climbed 9 percent, while Education saw a smaller, 2 percent increase.

Not all sectors saw government funding rise, however. The Environment-Animals sector experienced the steepest drop – a 10 percent decline. Yet even with fewer government dollars, such support as a proportion of total revenues was higher for this sector than all others. Moreover, the decline in government support was most likely painful for the Environment-Animals sector, which saw a 19 percent drop in total direct public contributions.

Decreases in government funding were also felt in the Public Funding Organizations sector, for which such contributions fell 6 percent. This sector received the fewest government dollars in 2003, proportionally speaking, and government aid accounted for less than 10 percent of overall revenue. Such a trend is to be expected, as these organizations receive the bulk of their revenues from charitable donations.

Significance of government funding. As illustrated in **Chart 7.7**, each sector (excluding Public Funding Organizations) is only about 50 percent self-sufficient with respect to revenues. Outside support in the form of public contributions and government aid accounts for the remainder. From this perspective, then, it is clear just how critical a role government funding plays in keeping the region's nonprofits financially afloat. As a proportion of total revenues, government aid ranged from a low of 15 percent in the Health sector to a high of 37 percent in the Environment-Animals sector.

Expectations for the future. Many bellwethers do not expect this positive trend in government funding to last. Indeed, government support of nonprofits in Erie County is likely to decrease in the coming years, especially at the local level. With nearly a \$130 million deficit, Erie County has proposed discontinuing millions of dollars in county aid typically delivered to libraries, museums, community groups and other nonprofits.

In response to questions regarding expectations for changes in government funding over the next year, many bellwethers say such questions do not apply to their organization, presumably because they are not recipients of government funding and/or do not expect to be new recipients in the coming year.¹⁵

For those responding to questions on government funding, the outlook for funding from different levels of government is not promising. For instance, 58 percent expect to see levels of city funding fall and, for the second consecutive year, not one expects to see an increase (Chart 7.8). Only 11 percent expect to see gains in county funding, down from last year, while about a quarter expect declines in such funding. Similarly, 28 percent of bellwethers expect a decline in federal funding. On the other hand, more than half anticipate county and federal funding to remain stable.

With respect to their evaluations of overall prospects for government funding, bellwethers are slightly more optimistic; however, only 38 percent expect increases in grants and contracts from all government levels, and about half as many anticipate decreases.

Given the significance of government funding as a part of bellwethers' overall revenue picture, nonprofits in Erie County will undoubtedly need to fill this funding gap with other revenues, including program-generated funds and charitable giving, or face the prospect of cutting programs and services.

C. Charitable Giving

Overall picture. In 2003, total direct public contributions increased 11 percent over 2002 levels, reaching a six-year peak of \$174.5 million. About two-fifths of bellwethers reported an increase in the number of donors to their organization and the size of the average gift from individuals over the past 12 months.

Individual gifts. Bellwethers reported nearly 338,000 gifts from individuals, excluding

Chart 7.8
Expected Government Funding Levels Over Next 12 Months

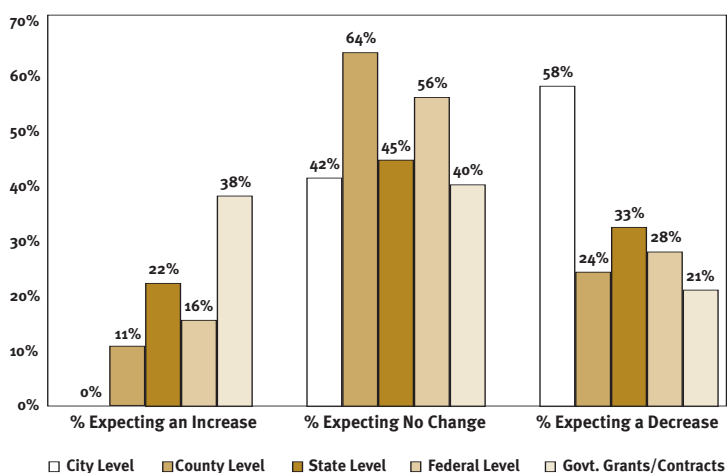


Chart 7.9
Individual Gifts to Sectors by Gift Size, 2003

Donation Size	Arts & Culture		Education		Environment - Animals		Health	
	%Total	No.	%Total	No.	%Total	No.	%Total	No.
\$0-100	67%	43,359	74%	32,146	92%	17,840	86%	73,402
\$101-500	31%	19,666	19%	8,454	6%	1,132	10%	8,670
\$501-1,000	1%	738	3%	1,158	1%	141	2%	1,802
\$1,001-5,000	1%	479	3%	1,243	1%	113	2%	1,386
\$5,001-10,000	0.1%	52	0%	169	0.1%	26	0.2%	211
\$10,001-25,000	0.0%	31	0%	120	0.1%	20	0.2%	136
\$25,001-100,000	0.0%	13	0%	54	0.1%	17	0.1%	101
\$100,001+	0.0%	2	0%	18	0.0%	4	0.0%	38
Total	100%	64,340	100%	43,362	100%	19,293	100%	85,746

¹⁵ Sixty-four percent of bellwethers state that the question regarding city funding does not apply; 52 percent report the same regarding federal funding. Regarding expectations at the county and state levels, 33 percent and 27 percent, respectively, say the question is not applicable to their organization. Thirty percent selected "does not apply" for questions on government grants and contracts.

Chart 7.9 (con't.)
Individual Gifts to Sectors by Gift Size, 2003

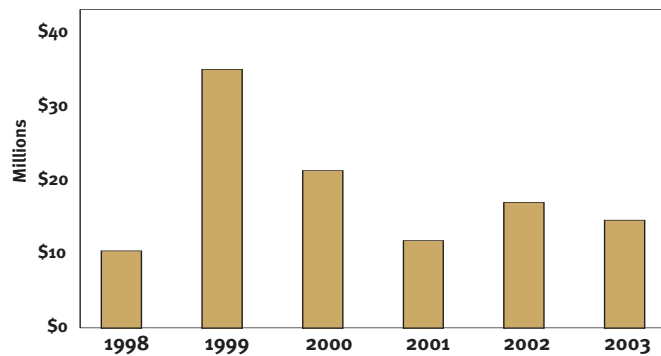
Donation Size	Human Services		Public Funding Organizations		All Bellwethers	
	%Total	No.	%Total	No.	%Total	No.
\$0-100	77%	22,197	62%	59,455	74%	248,399
\$101-500	17%	5,015	31%	30,117	22%	73,054
\$501-1,000	4%	1,041	3%	2,967	2%	7,847
\$1,001-5,000	2%	449	3%	2,870	2%	6,540
\$5,001-10,000	0.2%	59	0.4%	350	0.3%	867
\$10,001-25,000	0.1%	19	0.2%	224	0.2%	550
\$25,001-100,000	0.0%	4	0.1%	53	0.1%	242
\$100,001+	0.0%	2	0.0%	10	0.0%	74
Total	100%	28,786	100%	96,046	100%	337,573

bequests, for 2003. Almost three-quarters (74 percent) were gifts of \$100 or less. Slightly more than one-fifth ranged between \$101 and \$500. Although gifts of \$501 or more accounted for a smaller percentage, the numbers above that level are not insignificant. The gift distribution included:

6,540 gifts	\$1,001 to \$5,000
867 gifts	\$5,001 to \$10,000
792 gifts	\$10,001 to \$100,000
74 gifts	over \$100,000

The Public Funding Organizations sector received over one-quarter, or 28 percent, of all individual gifts reported – a larger share than any other sector. This sector also received the highest percentage of large individual donations of \$101 or more, which accounted for 38 percent of its total number of individual donations. Small contributions were proportionally highest among the Environment-Animals sector, where donations of \$100 or less accounted for 92 percent of that sector's individual gifts total.

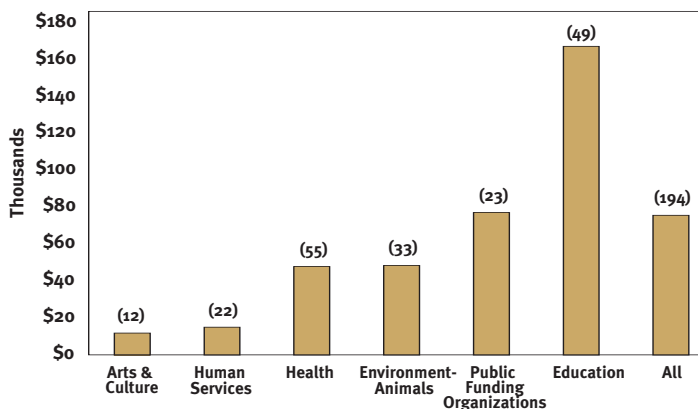
Chart 7.10
Bequest Gifts, 1998-2003



Bequests. Bequest gifts, which accounted for 8 percent of total direct public contributions, dropped 14 percent from 2002 totals to \$14.7 million in 2003. This level is 20 percent below the six-year average of \$18.8 million (Chart 7.10).

The drop in bequest gifts in 2003 continues a relatively steady decline since 1999, at which point bequest gifts reached their six-year peak of \$35 million. The decline in 2003 may suggest that, facing limited resources, some nonprofits have not invested in the development of a planned giving program. The decline comes at a time when Leave a Legacy™ is working to encourage the general public to consider charitable giving through a will or from an estate.

Chart 7.11
Average Bequest Gift by Sector, 2003



*Numbers in parentheses represent the number of bequest gifts reported by each sector.

Together, bellwethers reported 194 bequests in 2003 with a rounded average of \$76,000, varying from a low of \$12,000 in the Arts & Culture sector to a high of \$167,000 in Education (Chart 7.11).

The national trend in bequest gifts was more positive, as the total across the U.S. rose 13 percent, and increased from 8.2 percent of total giving in 2002 to 9 percent in 2003. According to the *Philanthropic Giving Index: Summer 2004*,¹⁶ national nonprofits anticipate that planned giving, particularly securing bequest commitments, will be one of their most successful fundraising techniques over the next six months. At the local level, only 4 percent of the bellwethers indicate that increasing bequest gifts and planned giving would be their organization's fundraising priority over the next 12 months.

¹⁶ The Center on Philanthropy at Indiana University, *Philanthropic Giving Index: Summer 2004*, 2004.

Many in the charitable giving community are predicting that bequest gifts will be affected by the repeal of the federal estate tax, which, according to federal legislation, is to gradually decline until it is eliminated in 2010. In 2011 it will return to previous levels, barring further action by U.S. Congress.¹⁷ A possible counterbalance to any downward trend in bequest gifts locally is the fact that Western New York's population is disproportionately older than that of the nation as a whole, although many among the wealthy elder population have left the state.

Operational support vs. Support for capital.

Compared to 2002, bellwethers had fewer charitable dollars available in 2003 for general operations. Total direct public contributions available for general operations decreased 3 percent between 2002 and 2003, from \$118.8 million to \$114.8 million (Chart 7.12). Unrestricted donations accounted for over three-quarters of total direct public contributions in 2002, compared to two-thirds of the total in 2003.

Related to the decrease in operating donations was the relative surge in giving for capital, which nearly tripled from \$127 million in 2002 to \$37.3 million in 2003. Donations dedicated to an endowment decreased from \$25.1 million in 2002 to \$224 million in 2003. Overall, gifts dedicated to capital or endowment increased 58 percent, from \$37.8 million in 2002 to \$59.7 million in 2003, returning to traditional, pre-2002 levels following a slump in 2002. Restricted gifts for capital and endowment accounted for about one-third of total direct public contributions in 2003, up from 22 percent in 2002 but similar in number to 1999, 2000 and 2001.

Driving the surge in capital donations were 17 bellwethers engaged in major capital campaigns in 2003. They raised \$89 million – about 20 percent – toward their total goal of \$480 million. Half of this was raised by the Education sector alone.

As a percentage of total direct public contributions, donations available for an organization's general operations varied by sector, from 97 percent in Human Services to 45 percent in Education (Chart 7.13). Those sectors that garnered the most capital dollars as a percentage of their total direct public contributions also tended to experience the greatest increases in overall giving in 2003. For instance, the Health sector saw the largest increase – 26 percent – in total direct public contributions. This sector received 35 percent of its total charitable dollars for capital, the highest level of all sectors. The Education sector, with 34 percent of total giving for capital, also saw donations rise 16 percent in 2003, the second-largest gain out of all six sectors. Public Funding Organizations and the Human Services sectors, where giving restricted to capital accounted for

Chart 7.12
Total Direct Public Contributions for General Operations and Capital or Endowment, 1998-2003

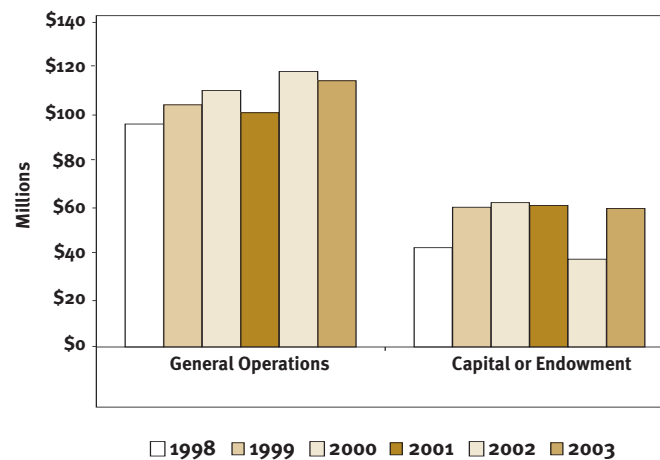
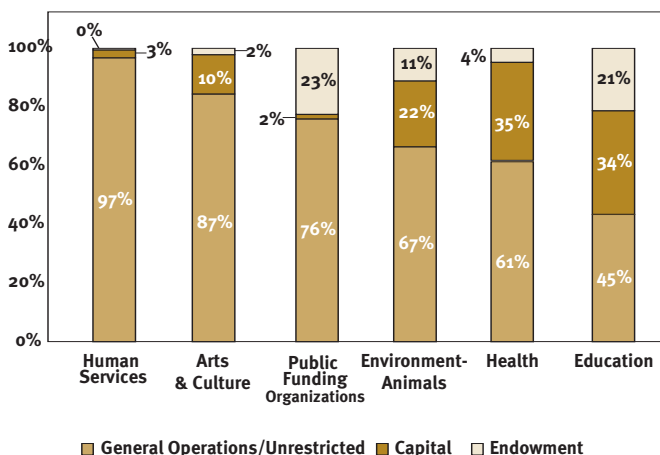


Chart 7.13
Restrictions on Total Direct Public Contributions by Sector, 2003



¹⁷ See *The Economic Growth and Tax Relief Reconciliation Act of 2001*, Public Law 107-16.

Chart 7.14
Expectations for Contributions to Capital and General Operations Over Next 12 Months

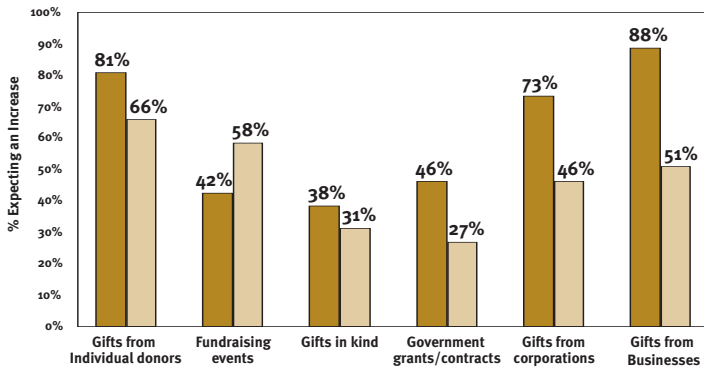


Chart 7.15
Expectations for Donor Source Over Next 12 Months

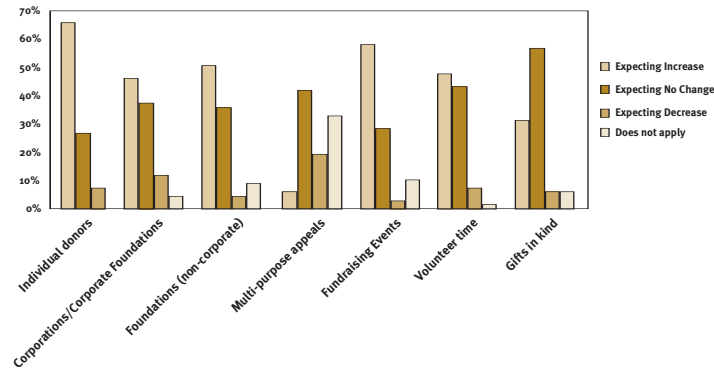
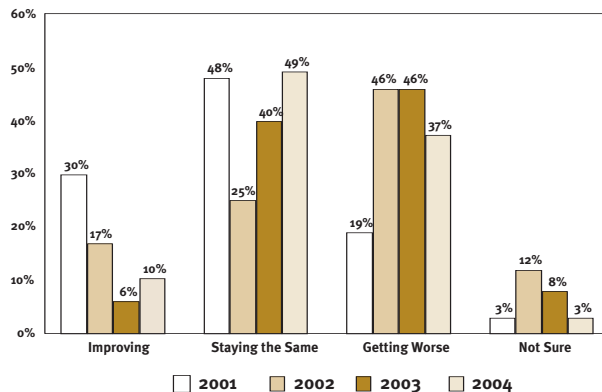


Chart 7.16
Views on the State of Philanthropy in Erie County, 2001 - 2004



only tiny percentages of all gifts (2 percent and 3 percent, respectively) gained less in overall giving (a decline of 0.3 percent and an increase of 4 percent, respectively). Although Environment-Animals had the third-highest level of capital giving (22 percent of total) as well as the largest decline in overall giving (19 percent), direct public support in 2003 remained 20 percent higher than the sector's six-year average.

Expectations for capital giving. Bellwethers anticipate that donations for capital will increase over the next 12 months, with unrestricted donations continuing to fall as a proportion of total giving. Indeed, of the 26 bellwethers involved in a major capital campaign this year, approximately three-quarters expect to see increases of 6 percent or more in contributions for capital from individual donors, businesses and foundations (Chart 7.14). If these expectations are realized, bellwethers seeking contributions for capital are more likely than others to see overall levels of giving increase in 2004.

However, only half or fewer bellwethers anticipate similar increases from individual donors, businesses and foundations in terms of contributions for general operations, a critical source of discretionary funds that support an organization's core mission.

D. Strategies for the Future

Expectations for public contributions. As previously discussed, nonprofits are not optimistic about the prospects for government funding over the next year. At the same time, bellwethers are hopeful public contributions could help fill the funding gap. Nearly half or more of the bellwethers hope for increases from individual donors, businesses and corporate foundations, fundraising events and foundation grants. The outlook for multi-purpose appeal gifts (e.g., United Way) is least promising, with only 6 percent planning for increases, and about 60 percent expecting these gifts to decrease or remain about the same (Chart 7.15).

Overall expectations. With respect to bellwethers' general view of the state of philanthropy, very few are looking forward optimistically. Only 10 percent believe that the state of philanthropy in Erie County is on the upswing, while 49 percent report that it is about the same, and slightly more than one-third perceive it is becoming worse. These results represent some progress in comparison to last year, when fewer bellwethers expected the local philanthropy scene to improve and more viewed the state of affairs as worsening (Chart 7.16).

At the national level, optimism by nonprofits about the current state of philanthropy and fundraising grew

almost 25 percent between 2003 and 2004, reaching its highest level since September 11, 2001, as measured by the *Philanthropy Giving Index*.¹⁸ Perhaps explaining the discrepancy in national and local nonprofits' expectations for the future is the fact that while the U.S. economy as a whole has begun to improve, the local economy remains sluggish.

Moreover, the Buffalo Niagara region was ranked as the fourth least generous U.S. metropolitan area, according to data reported in *The Chronicle of Philanthropy*. Regional residents earning more than \$50,000 annually give 5.8 percent of their discretionary income to charity, compared to about 15 percent in the most generous area (Salt Lake City/Ogden, Utah).

This stands in contrast to the *Report Card's* results, which found that the percentage of bellwethers rating Erie County donors as less generous than those in other metropolitan areas reached a four-year low. However, the 39 percent of bellwethers labeling local donors as "less generous" still exceeds the proportion perceiving donors as either more generous than or on par with those of other regions (27 percent each) (Chart 7.17).

E. Cost-Cutting Measures, Fundraising Priorities & Other Adjustments

Bellwethers are taking various steps to adapt to a more fiscally strained environment (Chart 7.18). One-third of the bellwethers already have instituted layoffs or cut employee hours, and 22 percent have increased their reliance on volunteers. More than one-quarter have reduced or eliminated program services, and close to one-third have increased collaborations with other organizations to cut costs. However, two-fifths of bellwethers indicated they have not taken any actions or that the question did not apply, suggesting perhaps that these bellwethers are either not fiscally impaired or are not ready to implement cost-cutting measures.

Bellwether boards of directors are also taking steps to mitigate reduced levels of charitable donations (Chart 7.19). More than one-third are developing new fundraising strategies, while one in six has increased financial support from board members. Only 1 percent of bellwethers are providing fundraising training, while close to half indicated that no actions have been taken by the board.

When asked about their fundraising priority for the coming year, 42 percent of the bellwethers indicated they will focus on individual donations, while about one-fifth reported that a capital campaign will be their priority

Chart 7.17
Comparison of Erie County Donations to Other Metro Areas, 2001 - 2004

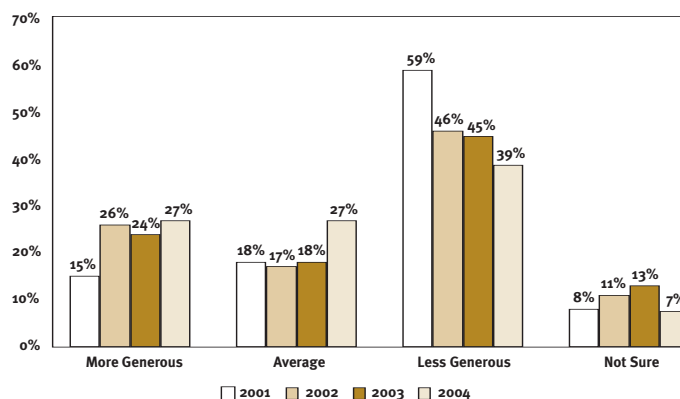


Chart 7.18
Cost-Containment Measures Taken by Bellwethers, 2003

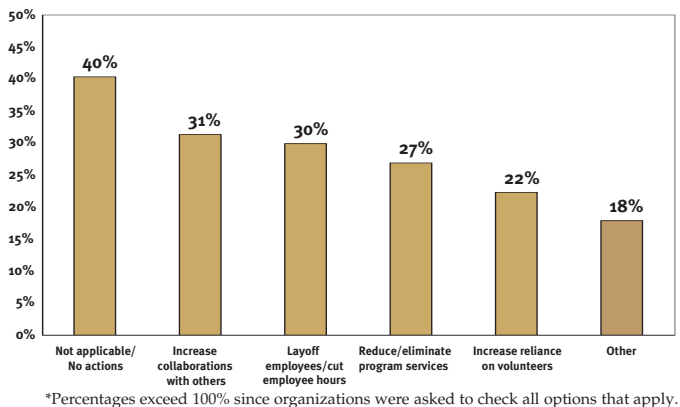
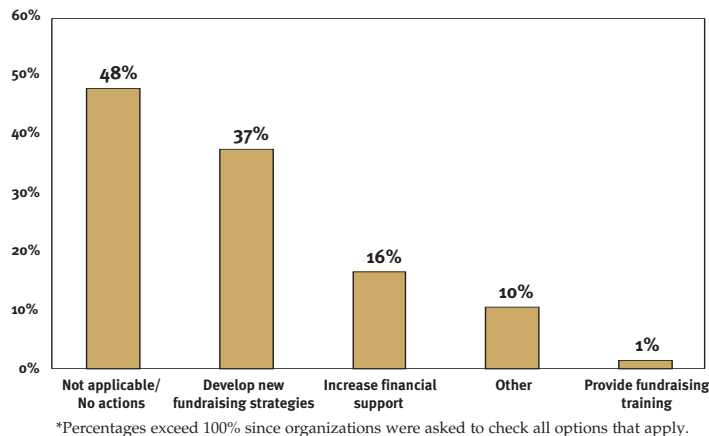
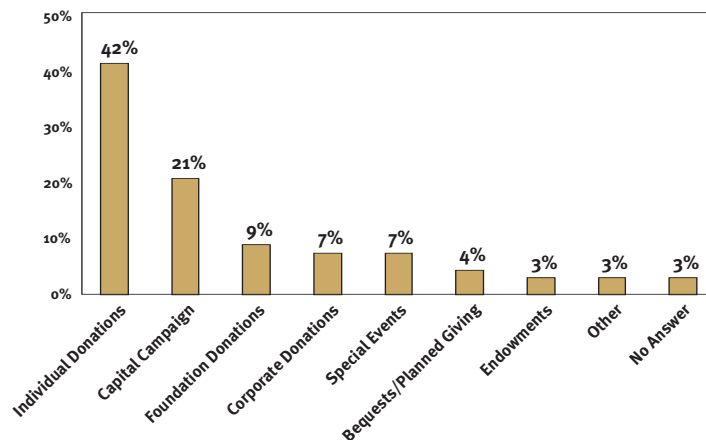


Chart 7.19
Revenue-Enhancing Measures Taken by Bellwether Boards, 2003



¹⁸ The Center on Philanthropy at Indiana University, *Philanthropic Giving Index: Summer 2004, 2004*.

Chart 7.20
Bellwether Fundraising Priorities Over Next 12 Months

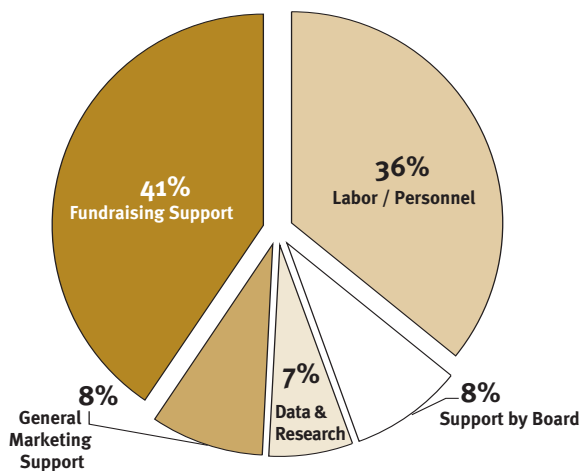


(Chart 7.20). Fewer than 10 percent will focus on foundation or corporate donations, special events, bequest/planned gifts or their endowment.

Fundraising assistance needs. With the focus on individual donations, it is perhaps not surprising that more than one-third of bellwether requests for assistance described a need for labor/personnel and related assistance if they are to reach their fundraising goals. Specifically, bellwethers pointed to deficiencies in staff and volunteer levels, labor with specialized skills and professional development, particularly in marketing, fundraising, donor cultivation, development, administrative support and general leadership.

More than two-fifths (41 percent) of the bellwethers' requests highlighted a need for additional fundraising support – finding new donors, cultivating relationships with donors and garnering increased levels of support. Bellwethers also cite a need for guidance on strategies to expand corporate giving, government support, bequests and leadership gifts.

Chart 7.21
Assistance Needed by Bellwethers to Accomplish Fundraising Goals



Eight percent of the requests stated a need for general marketing assistance to increase awareness of the organization's contributions to the community. Just as many bellwethers are calling for increased board support (particularly financial) and assistance in locating potential new donors. A final 7 percent related the need for more and better data, and assistance in data management, data analysis and planning, especially as it relates to marketing (e.g., conducting donor analyses, wealth research, software for donor management) (Chart 7.21).

In sum, Erie County nonprofits are faced with a challenging fiscal environment that could worsen in the coming years. Despite this, bellwethers are optimistic about their capacity to maintain or improve their levels of fiscal self-sufficiency. Many anticipate increased success with revenue-generating activities, including fundraising events and programs and services, although they say they need fundraising assistance to reach their goals. It is important to note that a majority of the bellwethers expect individual donations to rise next year, and nearly half have made individual giving their 2005 fundraising priority. To avoid redundancy in efforts and unnecessary competition for these limited dollars, nonprofits should collaborate in their fundraising approaches.

In terms of reducing costs, bellwethers are currently not aggressively pursuing efficiency measures. Indeed, nearly 50 percent of nonprofit boards have not taken steps to deal with the funding situation, and 40 percent of the organizations are not themselves acting to improve cost efficiency.

VIII. For the Future

This year's *Report Card on Charitable Giving in Erie County* tells an interesting story, and one that challenges us to take action. As pointed out in greater detail throughout the report, a number of issues and trends require our attention. What follows is an outline of the most critical issues, and the key questions that must be answered as the nonprofit sector navigates an uncertain future.

Charitable giving support to capital versus operating costs of the nonprofit sector.

The data indicate that support for operating costs of nonprofits is diminishing, while capital projects garnered increased support in 2003.

- How do we balance the demands for capital project funding against the ongoing operating costs of the nonprofit sector?
- How do we assess our community's capacity to sustain the operating costs of expanded capital infrastructure into the future?

Larger organizations faring better than mid-size and small organizations.

Larger bellwether organizations (those with total direct public contributions of over \$2 million) fared better in 2003, by a rather wide margin, than did either the mid-size or small organizations.

- How do we as a community agree on the necessary and realistic distribution of the nonprofit sector as it relates to the size of organizations?
- Given the increasing undercapitalization of small and mid-size organizations, are we prepared as a community for the possibility that only larger organizations can continue?
- Is this outcome optimal, or even acceptable?

Boards of Directors assessing the situation and acting responsibly - not only for their agency, but also for the community at large.

The report suggests that many boards of directors have not defined the current situation as a problem – and have not initiated actions to address the situation.

- What is the best way to prepare boards to govern through these challenging times?
- What actions do boards need to take?
- How might we develop a cross-sector dialogue aimed at creating solutions that are broad enough to address the best interest of the entire community as opposed to one agency or one sector?

Decline in government support of nonprofit sector organizations.

Government support in the aggregate has been either steady or slightly increasing. However, opinion data from bellwethers reveal the belief that significantly fewer government dollars will be available to support the nonprofit sector in 2005 – and this is borne out by the Erie County government's current budgetary picture.

- How will we, as a community, respond to diminishing government dollars available to all sectors?
- How do we reach agreement on what must be done?

Long-term sustainability of the nonprofit sector.

The data indicate that the nonprofit sector is not necessarily receiving increased support from endowment or planned giving strategies.

- Is there undercapitalization in building capacity for endowment development and planned giving?
- Does this undercapitalization exist across all sectors and agencies?
- How might the community invest in building this capacity to ensure our nonprofit sectors' future viability?

Increasing investment in fundraising in response to diminishing government support.

Information in the report suggests that agencies across all sectors intend to respond to diminishing government dollars by increasing their fundraising activity. They also indicate that in order to do so they will require additional support and investment in the capacity to raise the dollars. It is important to note that many agencies intend to focus on the market of individual donors as their primary target, which could lead to duplicative solicitations of this market.

- As organizations seek to expand their fundraising, is there a tipping point for these increased costs as a ratio of dollars raised?
- How might we better collaborate on fundraising goals and strategies that benefit the entire nonprofit sector, and ultimately the community as a whole?

Self-sufficiency of the nonprofit sector into the future.

The capacity of the various sectors to attain and maintain self-sufficiency is uneven at best. In fact, it appears that not one of the sectors will be able to sustain itself without significant adjustments in this era of funding shifts.

- How does the leadership of the nonprofit sector engage the community at large in a thoughtful dialogue about the long-term viability of each of the sectors?
- What is the relative priority of each sector given the needs of the community?
- What partnerships must be built to help sustain each sector?
- How best can we work together across agencies and sectors to achieve a sustainable nonprofit sector that adds continuing value to our community?

The challenges are real. The opportunities for community dialogue, collaboration and action are before us. This report is only the catalyst – what remains is for us, individually and collectively, to act.



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the Community Foundation for Greater Buffalo and the
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