

REPORT CARD ON CHARITABLE GIVING IN ERIE COUNTY

GIVING

ARTS & CULTURE
EDUCATION
ENVIRONMENT & ANIMALS
HEALTH
HUMAN SERVICES
PUBLIC FUNDING ORGANIZATIONS

Community
Foundation
for Greater Buffalo, Inc.

United Way
of Buffalo
& Erie County

Fourth Edition
Issued March 2006



Taken together, four key themes emerging from this year's *Report Card on Charitable Giving in Erie County* send mixed signals about giving and the health of our nonprofit sector, continuing a trend observed in past reports:

*key
themes*

Total direct public contributions to Erie County bellwethers reached a five-year high in 2004, but did not keep pace with inflation.

Overall giving trends masked uneven experiences for bellwethers categorized by sector, with nearly as many individual bellwethers seeing declines as gains in charitable giving.

Current fiscal and operational challenges were revealed in communications with bellwether CEOs in 2005.

In 2004 significantly more bellwethers had responded to trends in giving by taking cost-cutting and revenue-enhancing measures, as compared to 2003.

This report addresses these key themes. It also highlights significant short- and long-term trends, in answering the following questions relating to philanthropy in this region:

*short- and
long-term
trends*

What are our sources of charitable donations? How much do we give, and to which bellwethers?

How are these trends consistent with prior years and/or national trends, and how do they differ?

How have bellwethers responded to trends in giving?

How can these findings inform a strategy that addresses the most critical issues challenging this region's nonprofit sector?

We extend our sincere gratitude and appreciation for the continued participation, time and effort of this year's 60 participating bellwethers. We are also grateful to the following groups with whom we intend to work collaboratively in an effort to distribute the *Report Card* widely and facilitate learning and action:

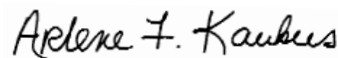
- The Association of Fundraising Professionals, Western New York Chapter
- Leave a Legacy™
- Western New York Grantmakers Association
- Western New York Planned Giving Consortium

Thank you for your interest in philanthropy and charitable giving as well as the long-term sustainability of our vital nonprofit sector in Erie County. Our organizations have been pleased to work together on this publication and will continue to explore ways in which we can collaborate to facilitate action that results from this report.

Sincerely,



Gail Johnstone, President/CEO
Community Foundation for Greater Buffalo, Inc.



Arlene Kaukus, President
United Way of Buffalo & Erie County



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



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

CHARITABLE
GIVING

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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. Executive Summary

This *Report Card*, the fourth in a series released since 2002, documents charitable giving in Erie County. Data cover the five years from 2000 through 2004 as reported by 60 bellwether nonprofit organizations representing five nonprofit service sectors (Arts & Culture, Education, Environment-Animals, Health, and Human Services) and one nonprofit funder category (Public Funding Organizations). Funding challenges at the time of the survey, conducted in summer 2005, prevented two of the study's 62 original bellwethers from participating; data for prior years have been adjusted to ensure comparability.

The report highlights key themes for 2004, short- and long-term trends since 2000 and relevant national comparisons. Among the findings:

Charitable Giving

key findings

Total direct public contributions to Erie County's 60 participating bellwethers totaled \$174.8 million in 2004, representing a 1.7 percent increase from 2003 and 1.6 percent since 2000. The increase did not keep pace with inflation, which was 3.5 percent between 2003 and 2004 and 11.6 percent between 2000 and 2004. It also trailed national gains of 5.0 percent from 2003 to 2004 and 8.0 percent from 2000 to 2004 (*Section III-1*).

Giving impact was mixed. Slightly more than half of Erie County's bellwethers—32 of 60—reported increased donations in 2004 relative to 2003, with the remainder receiving the same or a decreased level of contributions. Over one-third of bellwethers had lower contributions in 2004 than in 2000 (*Section III-2*).

Consistent with prior years and national patterns, individual donors were the largest source of giving, accounting for over half (53 percent) of total contributions to bellwethers. Individual giving levels were up 10.3 percent since 2003, outpacing the 4 percent comparable national increase. Most individual donations to Erie County bellwethers came in small amounts, with over 75 percent of 337,000 individual donations in 2004 under \$100 (*Section IV-2*).

Despite a slight 2 percent increase between 2003 and 2004 in bequest gifts (a subset of individual donations), bequest gift levels to Erie County bellwethers were down 29 percent since 2000 in contrast to stable national levels (*Section V-3*).

Businesses accounted for 19 percent of total contributions to Erie County bellwethers in 2004. Business giving was up 75 percent since 2000, far outpacing the comparable national increase of 12 percent. Foundation donations, which accounted for 16 percent of contributions, were down in 2004, but remained up 21 percent since 2000, a pace exceeding national levels (*Section V-2*).

Over forty percent of bellwethers identified individual donations as their single top fundraising priority over the next 12 months (*Section VI-4*).

Half of bellwethers reported that reductions in charitable giving or government funding in 2004 negatively affected service capacity and clients. One-third of bellwethers offered fewer program services and over one-third made layoffs (*Section VI-2*). Fewer clients received services and some had longer waits (*Section VI-1*).

Bellwethers pursued a multi-pronged approach to giving trends. Greater collaboration was the most frequently cited cost-containment measure, while increased fundraising, cited by 56 percent of bellwethers, was the most common revenue-enhancing response (*Section VI-2*).

The percentage of bellwethers taking some active response to adapt to trends in giving was up sharply, from 60 percent in 2003 to 98 percent in 2004 (*Section VI-2*).

Unseen in the data for 2004 in this report are significant ongoing challenges for Erie County nonprofits. Bellwethers reported that lack of funding, personnel cuts and reorganizations in 2005 made completing this year's survey more difficult than in the past and prevented two original bellwethers from participating. Continuing fiscal and operational challenges raise critical issues and questions. These questions require dialogue, collaboration and action at various levels—individual agencies, the six nonprofit sectors, the entire nonprofit community and the broader community as a whole. With action at every level, the future of our nonprofit community can be focused and self directed rather than one that simply happens.

II. Process

Scope. Because two of the original bellwethers could not participate this year, the 2004 *Report Card* draws on charitable giving data from 60 bellwether organizations in Erie County. Like the broader nonprofit community, the bellwethers vary in size, mission and organizational structure. Collectively they represent a cross-section of the nonprofit community across six philanthropic sectors: **Arts & Culture; Education; Environment-Animals; Health; Human Services; and Public Funding Organizations.** These bellwethers received the bulk of total philanthropic gifts to these six nonprofit sectors in Erie County.

This year's report covers five years of data from 2000 to 2004. Unlike prior years, data from 1998 and 1999 have been omitted to highlight the effects of (and potential recovery from) the significant factors that influenced levels of local charitable giving and demand for nonprofit services from 2000 to 2004. These factors include a major stock market decline between 2000 and 2002, the impact of events of September 11, 2001, and a local government funding crisis in recent years.

Collecting the data. A survey solicited data on philanthropic trends, including total direct public donations as reported on the Internal Revenue

Service Form 990, as well as the sources and uses of these donations. The survey also solicited bellwethers' responses to current levels of giving, the impacts on clients of cutbacks in government funding and anticipated sources for additional funding. Data on national trends for 2004 came from the 2005 *Giving USA* report, an annual national-level report published by the American Association of Fundraising Counsel (AAFRC) Trust for Philanthropy.

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



Education (10)

Buffalo & Erie County Public Library Foundation
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



To improve the efficiency of the data collection process, this year's survey was separated into two parts – one to be completed by the bellwether chief executive officer and the other by the bellwether board chair. The CEO survey provided most of the data, including all fiscal data and other information on trends in giving and bellwether responses to these trends.

The shorter board chair survey addressed issues of board governance and strategies for the future. Bellwethers could complete the survey online via a web-based interface. Nine bellwethers completed the survey online.

The survey was distributed to bellwethers in mid May 2005 with a request for completion by August 1, 2005. Response by this deadline was unusually low, perhaps due to the economic and operational difficulties experienced by many bellwethers, but by late September 2005 there were 60 completed surveys. Two of the original bellwethers, the American Lung Association of Western New York and the YWCA of Greater Buffalo, were unable to participate this year. Unlike past years, the Buffalo and Erie County Library submitted data for its Library Foundation only, rather than both the

Environment-Animals (6)

Buffalo Olmsted Parks Conservancy

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

Erie County Society for the Prevention of Cruelty to Animals

Hamburg Natural History Center

Hawk Creek Wildlife Center

Zoological Society of Buffalo



Health (10)

AIDS Community Services 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



Library itself and Foundation as separate entities. Consequent adjustments to the data are described in *Analyzing the Data* below.

Based on the unusually low survey response rate by the August 1 deadline, 14 bellwether executives were contacted to obtain insights on their organization's greatest challenges, opportunities and information needs in an uncertain current funding environment. Findings from these calls inform this year's *Report Card*.

Analyzing the Data. Analyses of charitable giving relied on data collected from this year's and previous surveys. Data are reported in the aggregate and, when

appropriate for a closer look, disaggregated by bellwether sector. **Because of the dominance of large bellwethers and the small sample size by sector, trends may reflect the experience of a single large bellwether having an exceptional year.** The report notes when this appears to be the case.

To ensure comparability of findings to earlier report cards, data for prior years were adjusted to exclude data for the bellwethers that were unable to participate this year. Prior years' data were also adjusted for one bellwether that had misreported contributions that flowed between its service-providing arm and foundation.

Data in this report also reflect a change in reporting by the United Way of Buffalo and Erie County—a change that has been implemented over the past five years—to exclude donations from individuals residing outside Erie County who are employed by local businesses and who have earmarked their donations for organizations located outside Erie County.

This year's report excludes an analysis of bellwether revenues. The change recognizes the complexity of comparing revenues between distinct types of bellwethers. For example, some bellwethers are foundations, whose primary goal is to raise funds, while others are service providing organizations that sustain their mission through fundraising conducted on their own or through support from other fundraising and grantmaking organizations. Moreover, variation in the ways bellwethers define and

Human Services (17)

- Boys and Girls Clubs of Buffalo & Erie County
- 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



Public Funding Organizations (6)

- Arts Council in Buffalo & Erie County
- Community Foundation for Greater Buffalo, Inc.
- Foundation for Jewish Philanthropies
- Jewish Federation of Greater Buffalo
- United Way of Buffalo & Erie County
- United Way of the Tonawandas



report revenues make comparisons problematic, even within bellwether sectors.

Recognizing significant variation in bellwether purpose and structure as well as considerable flux in the nonprofit community, this year's report foregoes much detail contained in last year's report to highlight

short- and long-term themes. The report also points out significant consistencies and peculiarities of Erie County bellwethers over time and relative to their national counterparts. Finally, the report takes advantage of a special survey of bellwether CEOs and board chairs to forecast the road ahead for nonprofits responding to a challenging funding environment.

Assumptions. This *Report Card* assumes that contributions to Erie County’s nonprofit bellwethers come primarily from sources in the eight counties of Western New York (Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Niagara, Orleans, Wyoming). However, a spot check revealed that many bellwethers do seek and have successfully obtained donations from outside the region. To the extent that this report’s assumption does not hold—that is, that significant donations come from sources beyond the region—the findings overstate region-based support of Erie County’s nonprofit sector even though they are an accurate gauge of total direct public support to Erie County’s bellwethers.

Definitions

Below are definitions of key terms used within this report.

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.

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. Governmental contributions are reported on Line 1c of Form 990.

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.

Bequests - Contributions made through a will.

C H A R I T A B

L E G I V I N G

G I V I N G C H

A R I T A B L E

G I V I N G C H

A R I T A B L E

CHARITABLE
GIVING
IN ERIE COUNTY

Four key themes

send mixed signals about

GIVING

and the health of our nonprofit sector

A R I T A B L E

G I V I N G C H

A R I T A B L E

I V I N G G I V

I N G G I V I N

III. Main Themes for 2004

1. Total direct public contributions reached a five-year high, but did not keep pace with inflation.

Total direct public contributions to Erie County’s bellwethers reached a five-year high of \$174.8 million in 2004. This was up a slight 1.7 percent from 2003 (and 1.6 percent from 2000) and represented a 14 percent rebound from the 2002 low of \$154 million (**Chart 1**).

This trend mirrored the direction of national charitable giving trends, which also reached a high in 2004. However, it did not keep pace with inflation, which was 3.5 percent between 2003 and 2004 and 11.6 percent between 2000 and 2004.¹ It also trailed the national rate of recovery, which has been more robust, with charitable donations increasing 5 percent from 2003 and 8 percent from 2000.

2. Overall trends masked uneven patterns of giving for individual bellwethers and bellwethers grouped by sector.

Although total direct contributions to the collective group of bellwethers registered a net gain between 2003 and 2004, nearly half of the individual bellwethers—28 of 60—reported a decrease or no change in their total direct public contributions between 2003 and 2004 (**Chart 2**). Among these 28, contributions to five bellwethers dropped below the *Report Card*’s minimum threshold requirement for participation, namely, \$150,000 in contributions over three years. Between 2000 and 2004, 22 bellwethers saw a decrease in contributions, while 37 reported an increase and one bellwether experienced no change.

These mixed experiences by individual bellwethers translated into mixed experiences by bellwethers grouped by sector, trends elaborated later in this report. Overall, four philanthropic sectors—Arts & Culture, Environment-Animals, Health, and Human Services—experienced increases in charitable giving between 2003 and 2004 and between 2000 and 2004, while two sectors, Education and Public Funding Organizations, experienced declines over these periods.

Chart 1
Total Direct Public Contributions to Bellwethers, 2000-2004

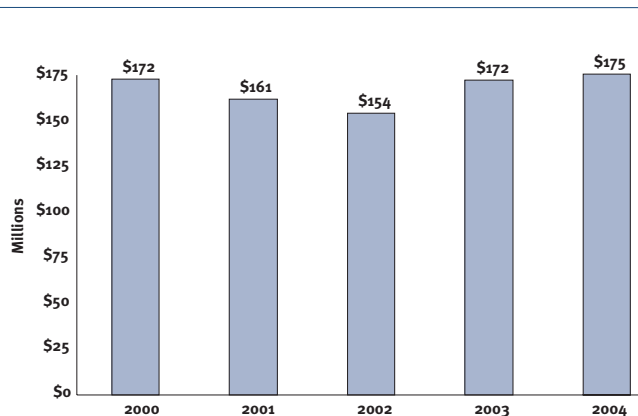
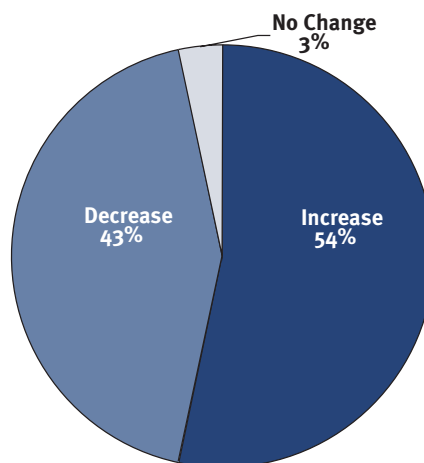


Chart 2
Bellwethers Reporting an Increase, Decrease or No Change in Total Direct Public Contributions Between 2003 and 2004



¹ Inflation figures are based on the Consumer Price Index for the Northeast Urban area, as reported by the U.S. Department of Labor’s Bureau of Labor Statistics.

3. Current fiscal and operational challenges were revealed in communications with bellwether CEOs in 2005.

Some bellwethers completing the survey in 2005 reported that lack of funding, personnel cuts and reorganizations made providing data for this year's *Report Card* much more difficult than in the past. Although such fiscal and operational challenges in 2005 are not revealed by data in this report for 2004, the current fiscal picture for area bellwethers reflects and foreshadows troublesome times.

Substantive follow-up conversations with a representative group of bellwether executives in the summer and fall of 2005 confirmed that while charitable giving overall continued to rise slightly, it did not make up for increased nonprofit expenses and declines in government support.

4. In 2004 significantly more bellwethers had responded to trends in giving by taking cost-cutting and revenue-enhancing measures, as compared to 2003.

Bellwethers responded much more proactively in 2004 compared to 2003 when 40 percent of bellwethers reported not yet taking any cost-containment measures (or saying that the survey question did not apply to them). In contrast, 98 percent of bellwethers reported acting in 2004 to adapt to reduced levels of charitable giving and/or cutbacks in government funding.

Bellwether boards of directors were also more responsive in 2004, compared to 2003 when nearly half had not taken any revenue-enhancing action to mitigate reduced levels of giving. In 2004, all reporting board chairs indicated that their board had responded (or had plans to respond) to decreases in charitable giving and/or cutbacks in government funding. Bellwethers' efforts to adapt to a fiscally strained environment are discussed in more detail in *Responses to Trends* below (*Section VI*).

IV. 2004 Key Findings Consistent with Prior Years and National Trends

1. Giving levels reflect macroeconomic factors.

Erie County charitable giving generally reflects broader indicators of macroeconomic health. Since 2000, total direct public contributions closely followed changes in the Dow Jones Industrial Average, albeit with less volatility (Chart 3). As the stock market has declined and rebounded, so too have total direct public contributions to Erie County bellwethers.

Since 2000, growth in consumer prices has slightly outpaced growth in Erie County's per capita income, implying scant new discretionary income available for increased charitable giving. Charitable givers not invested in the stock market may have been constrained by consumer prices that grew more rapidly than their incomes. The modest growth in the past year in total direct public contributions to bellwethers reflects this trend. Additional downward pressure on charitable donations stemmed from comparatively low local per capita incomes, which have consistently fallen below national averages for several decades (Chart 4).

Chart 3
Total Direct Public Contributions Compared to Economic Indicators
(Base Year 2000 = 100)

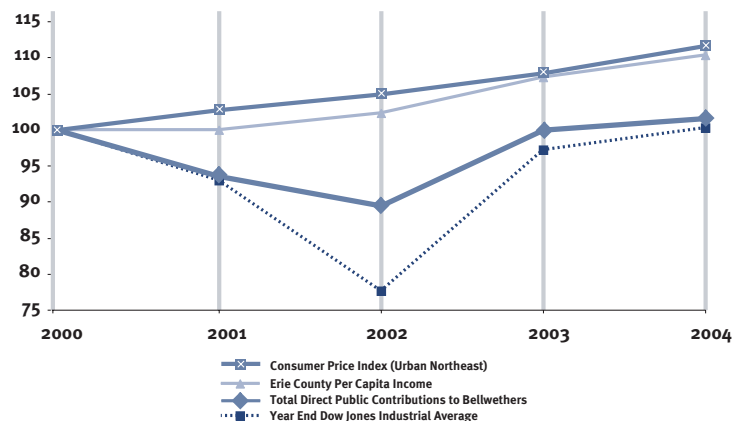
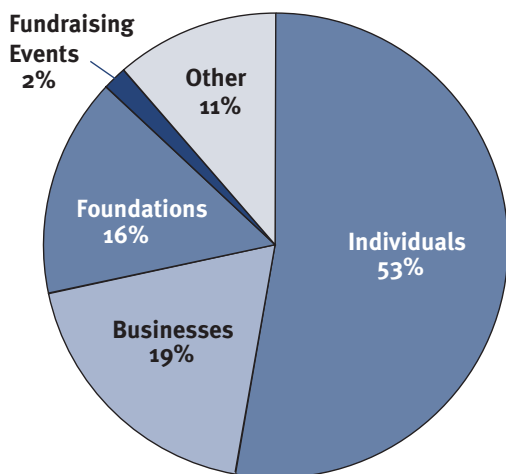


Chart 4
Per Capita Income, U.S. and Erie County

	Erie County	U.S.
1979	\$11,887	\$12,224
1989	\$13,560	\$14,420
1999	\$20,357	\$21,587

Chart 5
Distribution of Total Direct Public Contributions to Bellwethers by Source, 2004



2. Individuals remain the largest single source of charitable giving.

Consistent with past trends and national patterns, individual donors—as opposed to businesses, foundations and other sources—were the largest single source of direct charitable donations to nonprofits in Erie County. Gifts from individuals accounted for 53 percent of Erie County bellwethers' \$174.8 million in total direct public contributions in 2004, a percentage similar to that of past years (Chart 5). Similar to last year, 43 percent of bellwethers identified individual donations as their fundraising priority over the next 12 months, while over half of bellwethers planned to focus their fundraising efforts on other sources of donations.

Chart 6
Individual Donations by Size Category, 2004

Donation Size	All Bellwethers	
	%Total	No.
\$0-100	77%	258,905
\$101-1,000	21%	70,755
\$1,001-10,000	2%	6,822
\$10,001-100,000	<1%	740
\$100,001 or more	<1%	97
Total	100%	337,319

Donations from individuals in Erie County would account for an even larger percentage of total direct public contributions if this report included donations to religious organizations, which come nearly exclusively from individuals (versus businesses and foundations). According to national data, which include giving to religious organizations, individual donations (including bequests) accounted for 84 percent of total donations in 2004.

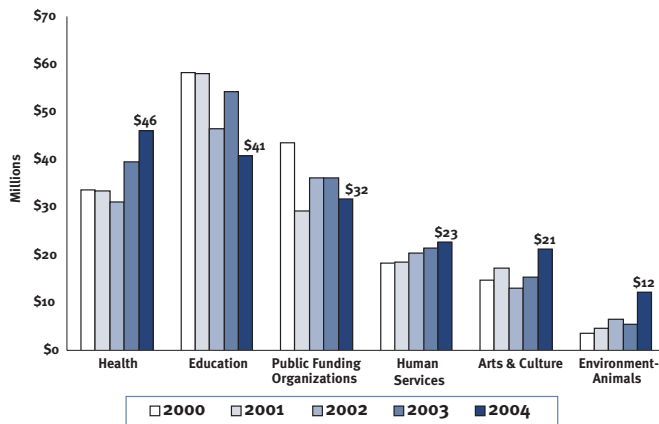
Most individual donations come in small amounts. In Erie County, over 75 percent of the 337,000 individual donations in 2004 were for an amount under \$100 (Chart 6). Only 2 percent of individual contributions—just under 7,700 out of 337,000—exceeded \$1,000.

3. Bellwethers in the Health and Education sectors received the majority of total direct public contributions.

Together, Health and Education bellwethers received half of total direct public contributions in 2004. This is similar to the past years during which these two sectors received between 50 and 57 percent of total direct donations to Erie County bellwethers (Chart 7).² Donations to Health exceeded those to Education for the first time in 2004 primarily as a result of the conclusion of a major capital campaign by a single Education bellwether, coupled with an increase in giving to Erie County’s Health sector.

This trend is consistent with national patterns, which show Health and Education receiving among the largest proportions of total direct public contributions among these six sectors over the five-year combined period from 2000 to 2004 (Chart 8). The Human Services sector also received among the highest donations overall between 2000 and 2004 – 19 percent, the same level as Health. This is probably due to a spike in giving to Human Services after the September

Chart 7
Total Direct Public Contributions to Bellwether Sectors by Year, 2000-2004



11, 2001 terrorist attacks, as donations to Health exceeded those to Human Services in all other years since 2001.

² Like those at the national level, several Health and Education bellwethers in Erie County are among the largest of the group of 60 nonprofits, not only in terms of charitable contributions received but also in terms of employment, total revenues, payments for services provided and other factors.

4. Four of Erie County’s six bellwether sectors have experienced recent and long-term increases in total direct public contributions, consistent with national trends.

Mirroring national trends, four of Erie County’s six bellwether sectors—Environment-Animals, Arts & Culture, Health, and Human Services—have experienced overall increases in total direct public contributions between 2000 and 2004 and in the one-year period from 2003 to 2004 (Chart 9).

While national and local trends have moved in the same direction, the magnitude of change has been more dramatic locally, reflecting the greater volatility across smaller numbers of bellwethers and exceptionally good years for several individual bellwethers.

Both nationally and in Erie County, the Environment-Animals sector saw the largest single-year percentage gain between 2003 and 2004 and the largest long-term percentage gain since 2000. Also seeing increases, although at sequentially lower levels of magnitude, were the Arts & Culture sector, Health sector and Human Services sector. In terms of absolute dollars, the Health Sector experienced the largest dollar gain between 2000 and 2004, both nationally and in Erie County. At the same time, despite apparent gains, national growth in giving to the Human Services sector has been negative, after adjusting for inflation.

Increases experienced by some sectors in Erie County, particularly Environment-Animals and Health, were positively affected by giving to major capital campaigns conducted by bellwethers in these sectors. In 2004, for instance, capital donations accounted for two-thirds of total direct support to Environment-Animals and over one-third of total direct giving to Health. These percentages are significantly higher than those reported by Erie County’s other four sectors. In these sectors, contributions for capital in 2004 ranged from a low of 1 percent of total donations to Public Funding Organizations to a high of 20 percent of total direct donations to Education. Of course, some sectors depend more than others on generating capital, explaining some of this variation across the six sectors.

Chart 8
Distribution of Total Direct Public Contributions by Sector, U.S. and Erie County, 2000-2004

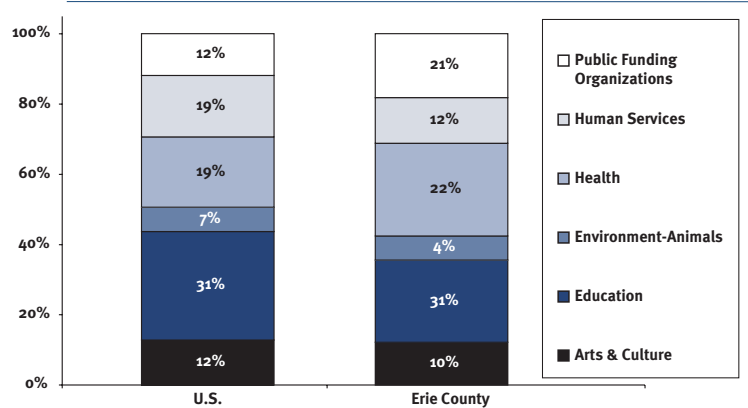
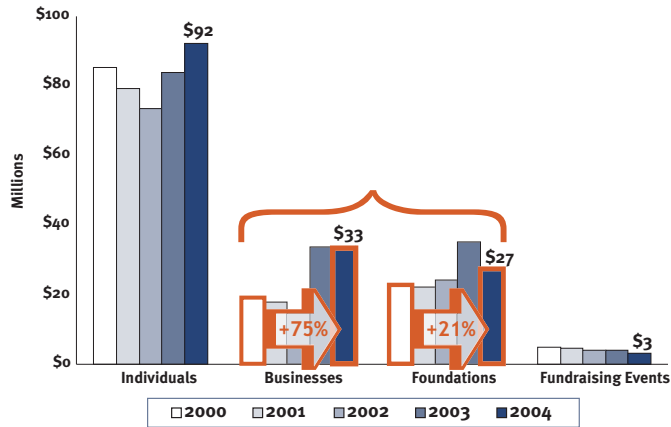


Chart 9
Change in Total Direct Public Contributions by Sector, U.S. and Erie County

Sector	2003-2004		2000-2004	
	Erie County	U.S.	Erie County	U.S.
Environment -Animals	126%	7%	247%	24%
Arts & Culture	38%	7%	44%	22%
Health	17%	5%	37%	17%
Human Services	6%	2%	24%	7%

V. 2004 Findings Differing from Prior Years and National Trends

Chart 10
Total Direct Public Contributions to Bellwethers by Source, 2000-2004



1. Unlike national trends, giving patterns by source were mixed with only individual donations registering absolute increases in 2004.

Charitable giving from foundations and businesses to Erie County bellwethers trended downward in 2004 after sharp rises in 2003 (Chart 10). Greatest in magnitude was the 22-percent decline in foundation giving from 2003 to 2004, although longer term foundation giving remained up 21 percent since 2000. Business donations saw a small 1 percent decrease, and therefore nearly sustained the record high levels of giving reported for this source for 2003. Donations generated through fundraising events declined by 25 percent, continuing a steady descent since 2000. Donations from individuals, up 10.3 percent (or \$8.6 million) from 2003, supported the overall increase in total direct public contributions to bellwethers in 2004.

These patterns differ somewhat from national trends showing increased giving from all charitable sources in both the short term and long term (Chart 11).

Chart 11
Change in Total Direct Public Contributions by Source, U.S. and Erie County

Source	2003-2004		2000-2004	
	Erie County	U.S.	Erie County	U.S.
Individuals	10%	4%	8%	8%
Businesses	-1%	7%	75%	12%
Foundations	-22%	7%	21%	17%
Fundraising Events	-25%	N/A	-39%	N/A

2. Nonetheless, giving from foundations and businesses in this region increased significantly over the long term and accounted for proportionally more of total public contributions than did foundations and businesses nationwide.

Charitable giving from local businesses and foundations surged 46 percent between 2000 and 2004, compared to the 16 percent gain reported nationwide. In 2000, giving from local

businesses and foundations accounted for about one-quarter of total donations, compared to 35 percent of total public contributions to Erie County bellwethers in 2004. In contrast, *Giving USA* reports that foundations and businesses accounted for 16 percent of total direct public contributions nationwide in 2004.

The larger reliance upon individual donors nationally—76 percent of total donations in 2004, rising to 84 percent including bequests—reflects, in part, donations to religion, which account for about one-third of total giving across the nation and come nearly exclusively from individuals. Such donations are not accounted for in the *Report Card*.

However, these figures are consistent with longer term trends. For the five year combined period between 2000 and 2004, donations from Erie County's businesses and foundations accounted for 30 percent of total donations to bellwethers (Chart 12). Across the nation, giving by businesses and foundations accounted for 16 percent over the same five-year combined period.

3. Bequest gifts to Erie County bellwethers, up slightly between 2003 and 2004, were down significantly between 2000 and 2004, in contrast to stable national levels.

As a subset of individual gifts, bequest gifts, which are received upon the death of donors who have named an organization in their will, rose a slight 2 percent from 2003-04, offsetting little of the longer-term decline of 29 percent between 2000 and 2004 (Chart 13). This pattern contrasts with national patterns which show bequest gift levels rising a robust 9 percent between 2003 and 2004 and completing a recovery to 2000 levels (Chart 14).

Without additional data, it is difficult to interpret Erie County's trends and differences from the national pattern. Local bellwethers appear to be placing less emphasis upon planned giving than their national counterparts. This year's data revealed that only 5 percent of bellwethers report planned giving as their top fundraising priority over the next 12 months. This may suggest that few bellwethers are targeting bequests and planned giving as a top fundraising priority. It further suggests that bellwethers have not aggressively pursued planned giving as a long-term strategy for sustaining the local nonprofit sector into the future.³

Chart 12
Distribution of Total Direct Public Contributions by Source, Erie County and U.S., 2000-2004

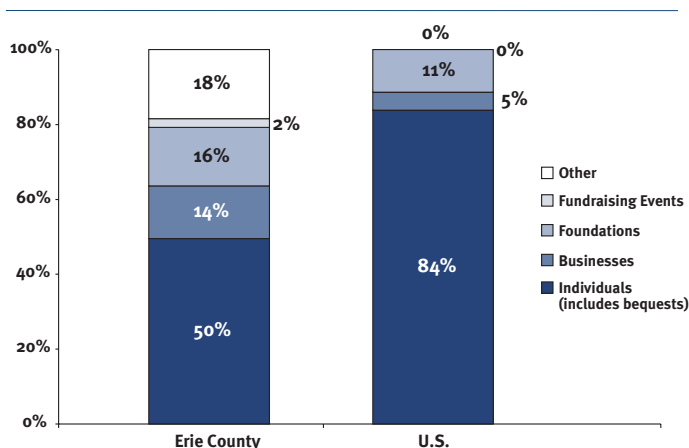


Chart 13
Bequest Gifts, 2000-2004



Chart 14
Change in Total Bequest Gifts, U.S. and Erie County

Source	2003-2004		2000-2004	
	Erie County	U.S.	Erie County	U.S.
Bequests	2%	9%	-29%	0%

³ While it is possible that many bellwethers have made bequests and/or planned giving a priority, only 5 percent selected it on the survey as their organization's single top fundraising priority over the next 12 months.

4. Inconsistent with national trends, two of Erie County’s six bellwether sectors experienced both short-term and long-term declines in total direct public contributions.

Total direct public contributions to Education and Public Funding Organizations in Erie County continued to slip from 2003 to 2004, intensifying long-term declines of 30 percent and 27 percent, respectively, since 2000 (**Chart 15**).

Chart 15
Change in Total Direct Public Contributions by Sector, U.S. and Erie County

Sector	2003-2004		2000-2004	
	Erie County	U.S.	Erie County	U.S.
Education	-25%	5%	-30%	7%
Public Funding Organizations	-12%	7%	-27%	12%

Although these one-year declines—down \$13.3 million for Education and \$4.4 million for Public Funding Organizations—reflect in part the conclusion of a major capital campaign by one large Education bellwether and a change in reporting of donations by one large Public Funding Organization, the trend remains contrary to the national picture, which recorded modest increases for both sectors.

Giving USA notes that the overall increase to the Education sector nationally reflects a mix of declines in alumni giving participation rates coupled with more than offsetting increases in the average dollar gift amount per alumnus.

The decrease reported by Erie County's Public Funding Organizations reflects in part an intentional strategy of the United Way of Buffalo & Erie County to emphasize undesignated giving (or Community Care) resulting in a reduction in designated giving. The decline also reflects that certain large corporate campaigns are now processed on a national basis, resulting in financial reporting containing only those contributions directed toward our local community.

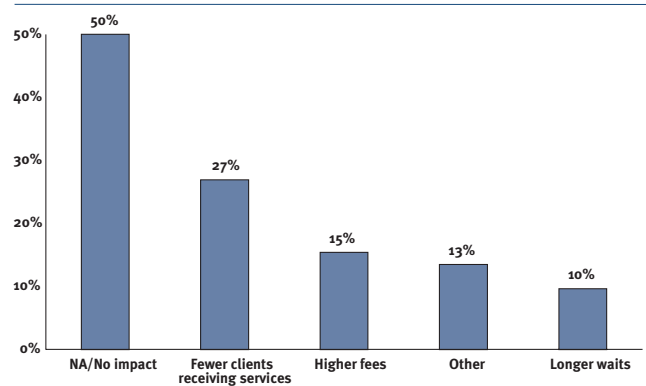
VI. Responses to Trends

1. Cutbacks in government funding have had varied impacts on client populations.

Among the 43 bellwethers that reported receiving government funding in 2003 and/or 2004, 23, or slightly more than half, reported declines, while 20 reported increases, with the percentage of bellwethers reporting decreases being highest in the Education and Public Funding Organizations sectors. It is therefore not surprising that half of bellwethers reported an impact on client populations from declines in government funding (Chart 16).

Bellwethers cited client impacts ranging from reductions in the number of clients receiving services (27 percent of bellwethers reporting), higher fees (15 percent) and longer waiting times (10 percent). Half of the bellwethers reported that the question was not applicable or that cutbacks in government funding had no impact on client populations. The size of this latter group of bellwethers could be overstated if bellwethers did not have in place the systems necessary to document, track and monitor impacts of government funding cutbacks.

Chart 16
Impacts of Declines in Government Funding on Client Populations, 2004

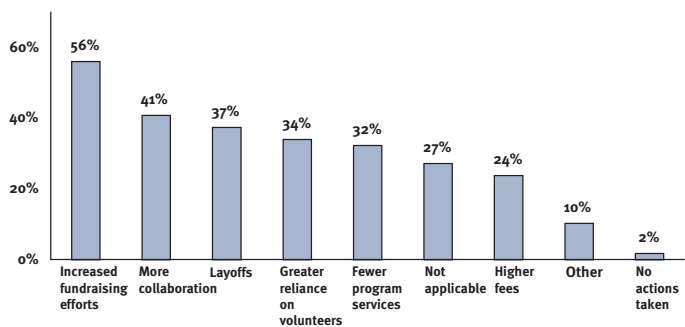


2. Bellwethers pursued a multi-pronged approach in adapting to reduced levels of charitable giving and/or cutbacks in government funding.

Bellwethers took multiple actions in 2004 to raise revenues and reduce expenditures in response to fiscal conditions and giving trends.

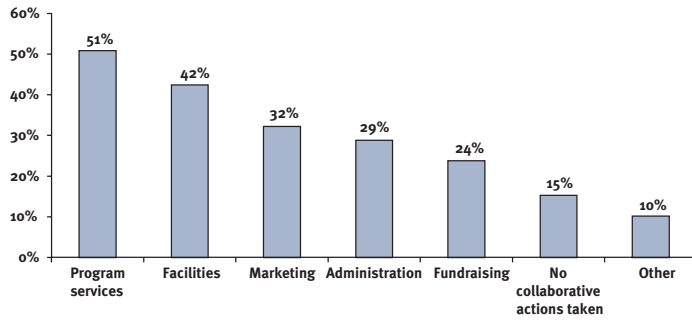
To raise revenues, more than half of bellwether CEOs reported stepping up fundraising efforts, while nearly one-quarter increased fees (Chart 17).

Chart 17
Responses to Reduced Levels of Charitable Giving and/or Cutbacks in Government Funding, 2004



To lower expenditures, over one-third of bellwether CEOs reported laying off workers and relying more on volunteers. Almost one-third reduced or cut program services. A somewhat more popular response, reported by 41 percent of bellwethers, was to pursue more cross-sector or cross-organization collaborations.

Chart 18
Areas of Collaboration With Other Organizations, 2004



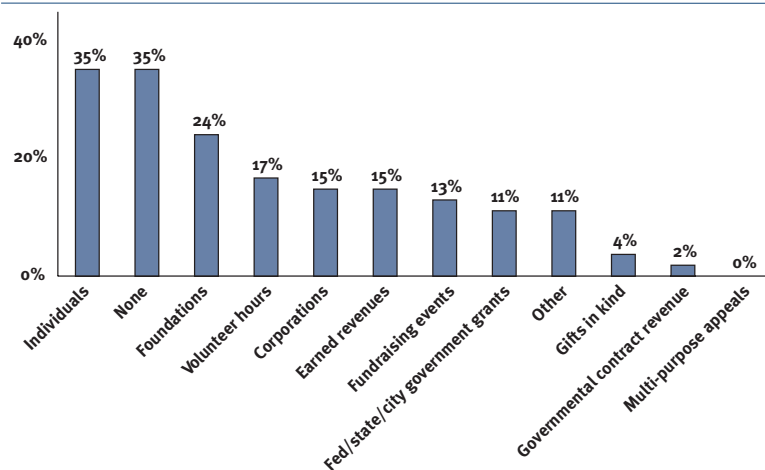
The most common form of collaboration involved program services and facilities, followed by marketing, administration and fundraising (**Chart 18**). Only 15 percent of bellwether CEOs reported taking no collaborative actions to reduce costs, increase revenues and/or improve service delivery.

At least half of participating board chairs cited the development of fundraising strategies, community engagement, greater collaboration and increased financial support by the board as ways in which their board responded (or planned to respond) in 2004 to decreases in charitable giving and/or cutbacks in government funding.

Bellwethers responded more proactively in 2004 compared to 2003 when 40 percent of bellwether CEOs reported not yet taking any cost containment measure (or reporting that the survey question did not apply to them). Only 2 percent reported taking no action in 2004. The percentage of bellwethers reporting increased reliance on volunteers increased 12 percentage points, from 22 percent in 2003 to 34 percent in 2004. The proportion of bellwethers reporting participation in more collaborations increased 10 percentage points, from 31 percent in 2003 to 41 percent in 2004. More bellwethers reported layoffs (37 percent in 2004 compared to 30 percent in 2003) as well as fewer program services (32 percent in 2004 compared to 27 percent in 2003).

Bellwether board chairs also responded (or had plans to respond) in greater numbers in 2004, compared to 2003 when nearly half indicated that no revenue enhancing

Chart 19
Sources of Higher Funding Levels, 2004



measures had been taken by the board. In 2004, not one reporting board chair indicated that no actions had been taken (or were planned for the future). Seventy-one percent said their board had responded (or had plans to respond) by developing new fundraising strategies, up from 37 percent in 2003. At the same time, 45 percent reported increased financial support by the board, up from 16 percent in 2003.

3. Bellwethers most frequently selected gifts from individuals as the source of funding that helped compensate for declines in government funding.

The most common sources of higher funding levels, which helped compensate for declines in government funding, were gifts from individuals, reported by 35 percent of bellwethers (**Chart 19**).

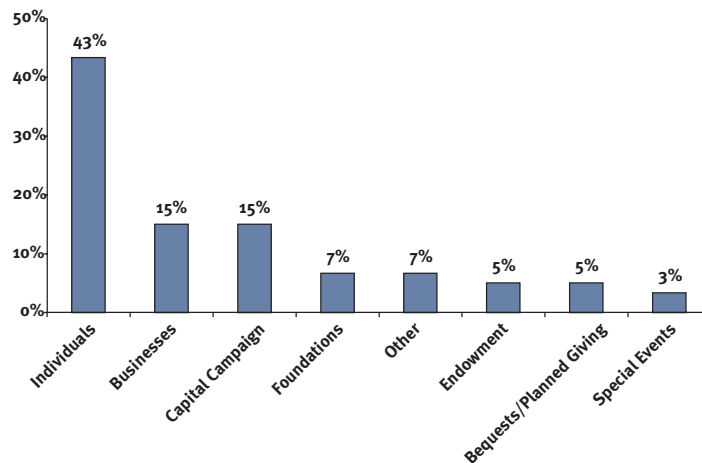
Bellwethers also drew upon greater foundation and corporate support with 24 and 15 percent of bellwethers, respectively, reporting higher funding levels from these sources. Other responses were additional volunteer hours (cited by 17 percent of bellwethers), increases in earned revenues through new memberships and ticket sales (15 percent), and increasing revenues from fundraising events (13 percent).

4. When asked to identify their organization’s single fundraising priority over the next 12 months, bellwethers most frequently reported individual donations as their top priority.

Consistent with these responses, 43 percent of bellwether executives and about the same percentage of board chairs reported that gifts from individuals would be their fundraising priority over the next 12 months (**Chart 20**).

The priority focus on individuals is consistent with that for 2003 and far outpaces the priority focus on businesses (15 percent of bellwethers), capital campaigns (15 percent) or foundations (7 percent). Whether the individual donor market has the capacity to fill the gap is uncertain.

Chart 20
Bellwether Fundraising Priorities Over Next 12 Months



VII. For the Future

A casual reader of this year's *Report Card on Charitable Giving* might think that our local nonprofit community is experiencing a rebound after weathering a few lean years. Indeed, a cursory glance at the data suggests that. Left with that impression, we might simply brush ourselves off, blink at the bright sun peeking over the horizon, and continue with business as usual. A deeper read of the data, however, brings us inevitably to the conclusion that we are in the tall weeds, and, unless we take quick and decisive action, in the tall weeds we shall remain.

For the past four years, these report cards have surveyed and analyzed the state of charitable giving in Erie County. The intent from the beginning was not only to present a snapshot of a given year's giving levels, but more importantly to develop an understanding of trends. The purpose? So that together we can work as a community to develop an agenda to address the ramifications of the trends we have been able to identify.

It's important to define the term "we" as it is used in this section of the report. As we see it, there are four levels of "we" who must both pay attention to and act on the very serious issues raised in this document:

- The individual agencies (both boards and staff)
- The six nonprofit sectors
- The entire nonprofit community, and
- The broader community as a whole

There is much that can be done to address our current situation, and all of us can play a role. What follows are some key questions posed to spur dialogue and action at each of the levels laid out above.

Individual Agencies

How might we ...

Expand on the recent successes in reducing operating costs within agencies, recognizing that securing operating funds continues to be a challenge?

Identify potential partners and/or collaborators in a systematic way?

Ensure that boards of directors understand they represent not only the organizations they lead but also the community at large?

Each Sector

How might we ...

Create ongoing networks among agencies to foster opportunities for collaboration and sharing?

Engage sector-specific funders in shaping a vision for the sector and their role in it?

Develop a standardized "state-of-the-sector" position statement to educate the broader community on the current conditions facing the sector as well as the sector's recent achievements, impacts (including fiscal), opportunities and challenges?

Foster an environment where program expertise is leveraged?

The Nonprofit Community

How might we ...

- Determine an appropriate and sustainable size for the nonprofit community as a whole?
- Create an environment where affinities are sought for innovative program concepts within existing agencies before creating new agencies to implement them?
- Engage the broader community in supporting the nonprofit sector into the future through bequest and planned giving?
- Advocate for fair and just allocation of government dollars to work in all sectors in concert with the broader community?

The Broader Community

How might we ...

- Awaken the community to the gravity of the threats to the long-term viability of the nonprofit sector?
- Define a new partnership with the media to educate people about the concerns and challenges faced by nonprofit agencies and consumers of the services they provide?
- Participate in the development of an agenda for change?
- Advocate for and ensure the implementation of that agenda?

These are some of the thought-provoking questions. You may have additions. Some of the questions may make us uncomfortable. However, our responses, at every level of “we,” will spell out the difference between creating our future and simply letting it happen to us.

Clearly, the current climate is daunting. While there is much work to be done, this *Report Card* gives evidence that the will and capacity to do things differently exists.

We look forward to continuing our dialogue about this report’s findings and responding effectively to its implications. *Thank you.*



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Copies of this Charitable Report Card may be downloaded from the Web sites of
the Community Foundation for Greater Buffalo, Inc. and the
United Way of Buffalo & Erie County