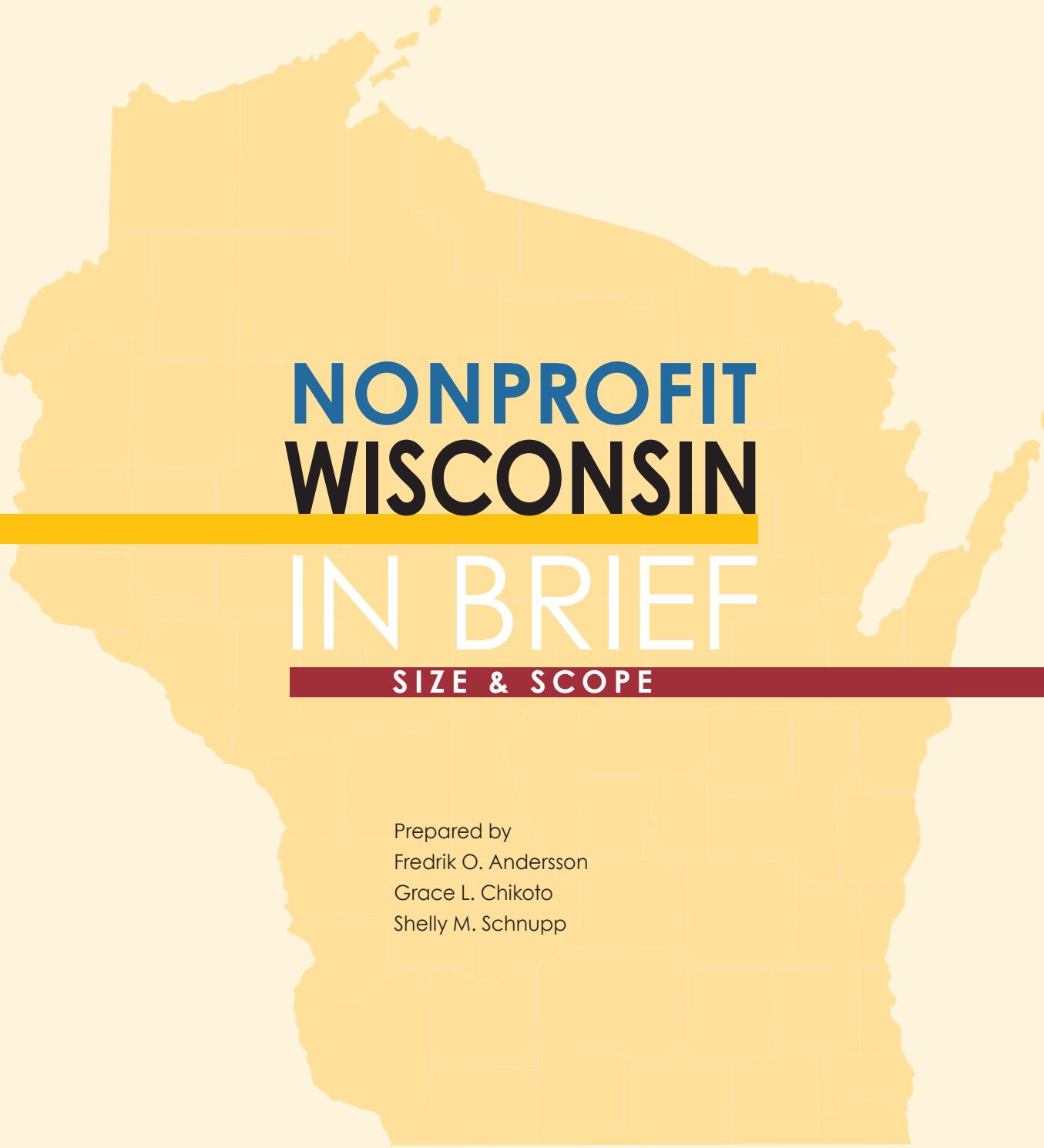




NONPROFIT WISCONSIN IN BRIEF

SIZE & SCOPE

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Commissioned by the **Wisconsin Nonprofits Association**
and **Forward Community Investments**
with generous support from **Spectrum Nonprofit Services**





This Wisconsin Nonprofit “Size & Scope” report provides an overview of the State’s nonprofit sector. The report is designed to promote an understanding of the importance of Wisconsin’s nonprofit sector to the well-being of Wisconsin’s citizens by providing the following:

- Background on how nonprofits are defined and classified
- Explanation of those nonprofits for which data are easily available—or not—and why
- Numbers and growth of Wisconsin’s nonprofit sector
- Information about nonprofit revenue -- amounts and sources
- Facts about nonprofits that correct common misunderstandings about the sector
- Highlights regarding unique and important aspects of the sector.

This report reveals the following (and more):

- *Wisconsin’s nonprofit sector is growing and there are many more nonprofits than we are able to easily count.*
- *Nonprofits rely on a broad array of revenue sources and amounts and sources of revenue vary significantly among different types of nonprofits.*
- *Government continues to rely on nonprofits to perform a number of key functions in our communities and challenges remain related to the contracts and grants involved.*
- *Both staff and volunteers play critical roles in carrying out nonprofit missions.*

“Nonprofits have long been viewed as catalysts for change and a mechanism for serving societal needs. Repeatedly and increasingly, public policymakers are turning to nonprofits to find local solutions for community problems.”

Boris, 2001



Nonprofit organizations are key community players frequently called upon to address critical community needs.

The nonprofit sector is an essential component of the civic infrastructure of Wisconsin playing an integral role in the delivery of services to people throughout the state. Nonprofit organizations not only provide an enormous range of important services but also enrich personal development, and play a critical role in strengthening civic engagement. Furthermore, the nonprofit sector is a major economic force both locally and nationally. Nonprofits have come to play significant supplementary, complementary, and confrontational roles to those of the state (Young, 2000), without which our world would be very different. They strengthen and contribute to the success of our democracy, providing vehicles for defining and promoting often competing visions of the public good (Boris and Steuerle 2006).

In order for the nonprofit sector to be effective in fulfilling its key roles and to prepare for the future, nonprofit leaders, board members, funders and other stakeholders must have reliable information about the state of Wisconsin nonprofits and the environment in which they operate. While there is much information available from various sources there are currently few places where one can get a solid overview of the Wisconsin nonprofit sector. This report seeks to address this gap by providing key information on the composition and basic characteristics of the Wisconsin nonprofit sector, broadly defined.

DEFINING “NONPROFIT”

The nonprofit sector is complex—and sometimes misunderstood. Some define nonprofits for what they are not (for-profit business or government), others for what they contribute. Many look to the IRS for clarity when defining nonprofits.

Section 501(c) of the federal tax code specifies 29 different classifications of nonprofits which can be grouped into two major types:

- Charitable (501(c)3 nonprofits serve the public and donations they receive are tax deductible. Charitable organizations include public charities and private foundations. They also include religious congregations that are not required to register with the IRS.
- Noncharitable nonprofits receive much of their funding from the members they serve, as opposed to the general public. Noncharitable entities are exempt from federal taxation but their donors are not permitted to deduct contributions from their federal taxes.

In addition, there are many informal associations often viewed as nonprofits that are not registered with the IRS. This report focuses on public charities for which IRS data are available.

WISCONSIN'S DIVERSE NONPROFIT SECTOR

The latest numbers released from the National Center for Charitable Statistics suggest there are nearly 19,000 public charities in Wisconsin registered with the IRS. This number excludes religious congregations. However, because many of these organizations are small they are not required to report their income and expenses to the IRS. While these small non-reporting charities are indeed part of the civic fabric of the state of Wisconsin this report will only cover charities for which data are available—those reporting gross receipts of \$25,000 or more.

Overall, Wisconsin is characterized by a robust charitable nonprofit sector, one that has seen a 13% growth since 2005. There were 7,944 reporting public charities in Wisconsin in 2011, a 0.5% rise from 2008. This sector is also characterized by significant diversity – in the nature of the fields in which they operate, the size of the “subsectors” (measured by total expenses) and the types of resources they attract.

As demonstrated in the Table on page 3, Human Services includes the largest number of public charities in Wisconsin, consisting of nearly 38% of public charities in 2011.

HOW MANY NONPROFITS?

Various reports about the nonprofit sector offer different numbers of nonprofits. Some include only those that report to the IRS. Others report on nonprofits but exclude the larger subsectors of education and hospitals. According to noted scholar, Lester Salamon (2002), “no one knows for sure how many nonprofit organizations exist in the United States...” Many are unincorporated, and others are not required to report to the IRS. In addition, IRS rules for reporting have changed over the years making comparable data hard to come by. If religious organizations and smaller nonprofits not required to report to the IRS are considered, the estimated number of nonprofits in the U.S. would be close to 2.3 million (Nonprofit Almanac, 2012).

Wisconsin's nonprofit sector includes 19,000 public charities and many more religious congregations and smaller or unincorporated groups.

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FACT: Nonprofits can and often should lobby, making their voices heard on issues that are important to their missions and to the people or causes they serve. However, partisan political activity, such as endorsing a candidate for public office, is prohibited conduct for charitable nonprofit organizations.

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WISCONSIN **NONPROFITS** BY SUBSECTOR

	2005	2008	2011	% CHANGE (2005 - 2011)
ARTS, CULTURE, & HUMANITIES	672	773	773 (9.73%)	13%
EDUCATION	987	1,220	1,167 (14.69%)	15%
ENVIRONMENT	343	415	439 (5.53%)	22%
HEALTH	751	836	843 (10.61%)	11%
HIGHER EDUCATION	32	34	37 (0.47%)	14%
HOSPITALS	148	137	137 (1.72%)	-8%
HUMAN SERVICES	2,640	2,842	2,993 (37.68%)	12%
INTERNATIONAL *	69	85	111 (1.4%)	38%
MUTUAL BENEFIT	26	31	24 (0.3%)	-8%
PUBLIC & SOCIETAL BENEFIT	969	1,150	1,020 (12.84%)	5%
RELIGION RELATED	300	364	391 (4.92%)	23%
OTHER	4	16	9 (0.11%)	56%
TOTAL	6,941	7,903	7,944 (100%)	13%

*INTERNATIONAL NONGOVERNMENTAL ORGANIZATIONS

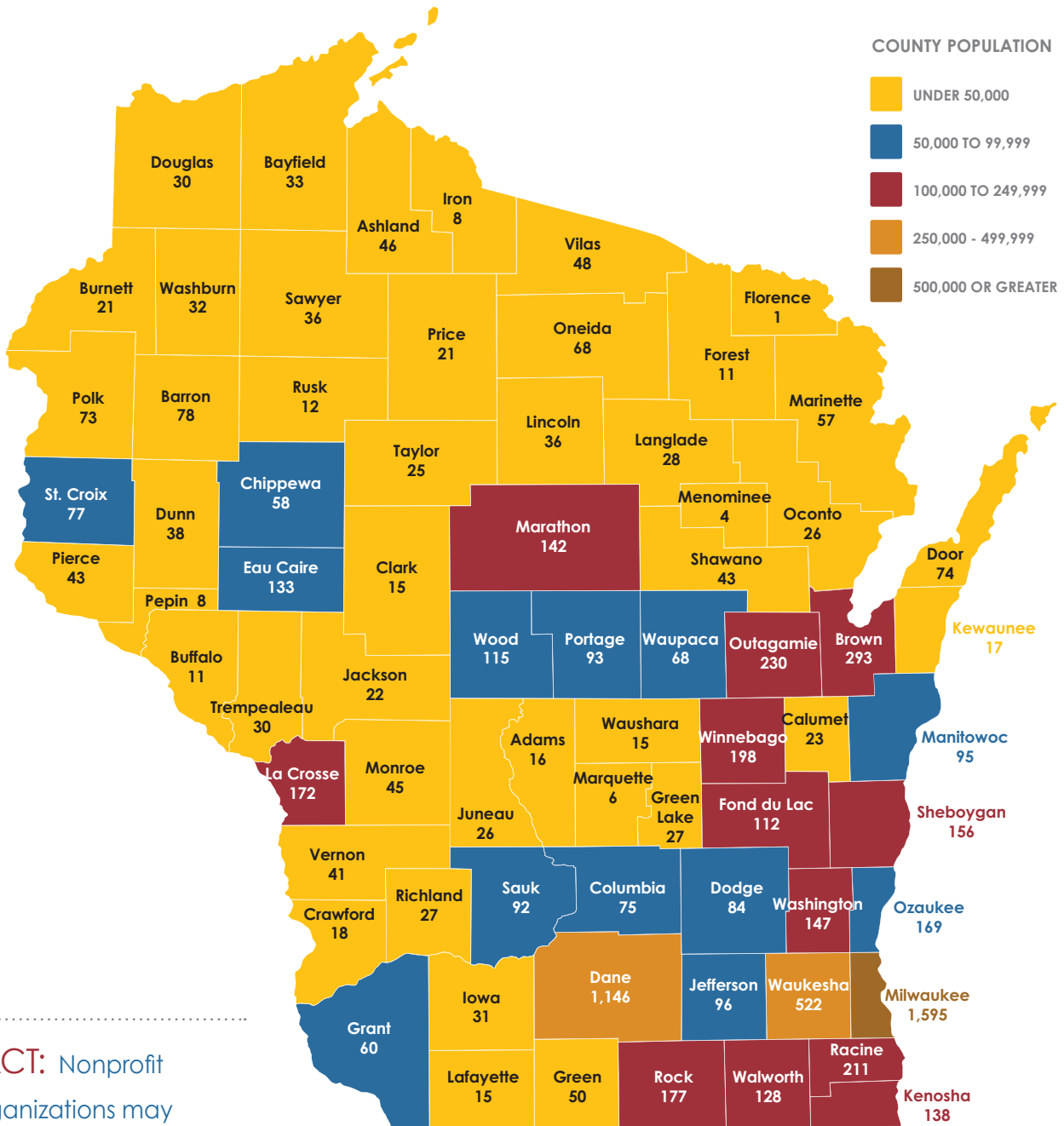
International Nongovernmental Organizations (INGOs) represent those nonprofits located in the U.S. that conduct the majority or all of their work in developing nations (Stoddard, 2012). This subgroup of nonprofits represents about 2% of all nonprofits in the U.S. (Reid & Kerlin, 2003).

For Wisconsin, INGOs make up only 1.4% of nonprofit organizations but showed significant growth from 2005 – 2011. These organizations represent the international reach of some of Wisconsin's nonprofits. INGOs located in Wisconsin include; Africa Youth Outreach Inc., Friends of Haiti, Inc., Global Outreach, Amigos De Las Americas, Grandmothers Beyond Borders, Worldwide Hunger Relief Inc., Andean Health and Development Inc., to name a few.

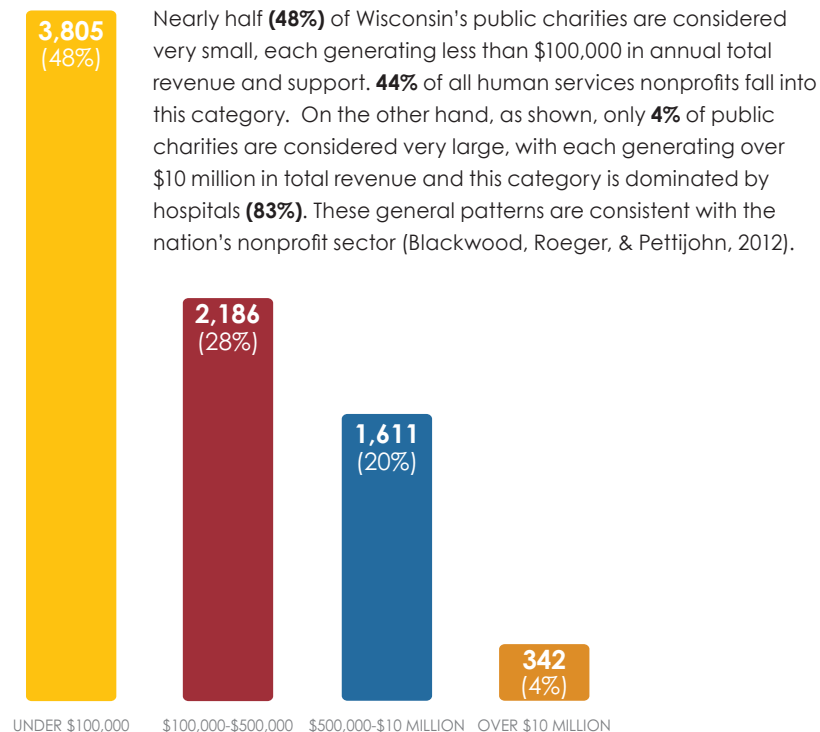


LOCATION OF WISCONSIN **NONPROFITS** BY COUNTY & POPULATION

Not surprisingly, the vast majority of nonprofits are located in Milwaukee, Dane, and Waukesha counties. These counties are also among the most populated.



NONPROFITS BY TOTAL REVENUE AND SUPPORT

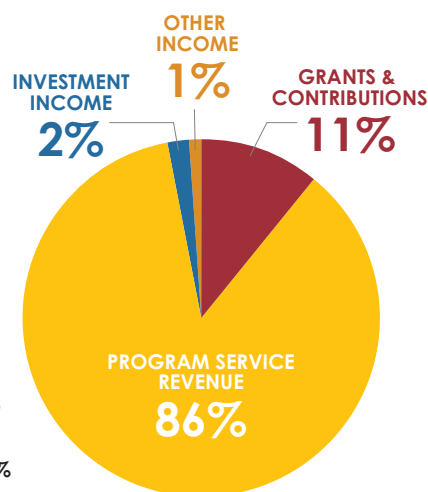


NONPROFIT REVENUE SOURCES

Wisconsin public charities raise significant revenue from multiple sources.

In 2011, Wisconsin charities raised a total of **\$38.6 Billion** in total revenue. Of this, **86%** came from program service revenue which includes fee-for-services paid for by nonprofit clients, fee-for-services paid by government (through contracts), membership dues, and profits from other mission-related business. Only **11%** of total revenue came from grants and contributions. It is important to note that grants and contributions include gifts and bequests from the public, gifts from private foundations (independent, corporate, and community foundations) as well as grants from federal, state and local governments.

Hence, the nonprofit sector is not primarily fueled by private contributions and grants, contrary to what many believe (Salamon, 2002). Sources and proportions of revenue differ significantly for different types of nonprofits.



WISCONSIN NONPROFITS AND GOVERNMENT FUNDING

Federal, state, and local governments have been entering into agreements with nonprofit organizations to deliver services for most of our country's history. Nonprofits deliver services that governments cannot or do not wish to provide and funding, in the form of contracts or grants, is critical but not without challenges. The Urban Institute has been studying nonprofit-government funding relationships nation-wide. Their 2013 study included 1,216 Wisconsin nonprofits with budgets greater than \$100,000 that had government contracts and grants.

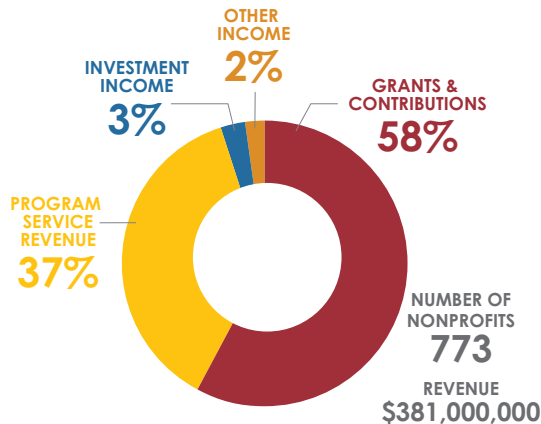
FOR WISCONSIN NONPROFITS:

- Late payments from government, reported as problematic by 35% of Wisconsin nonprofits studied, were not as great as reported by 45% of nonprofits nationwide.
- Wisconsin ranks among the top ten states with nonprofits reporting problems with the following: Payments covering the full cost of services; complexity of/time required for reporting; and government changes to contracts/grants midstream.
- 28% of Wisconsin nonprofits studied, compared to 21% of nonprofits nationwide, reported that their experience with government contracts and grants was worse in 2012 than in previous years.

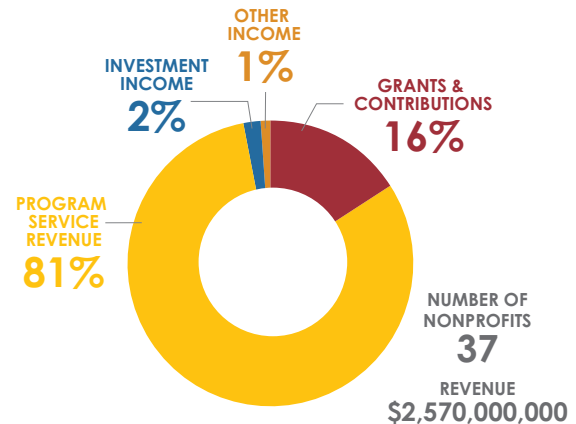
NONPROFIT REVENUE SOURCES

Nonprofits use a range of revenue types to carry out their missions and there is great variation among nonprofits and their revenue sources. These charts summarize the basic revenue sources for different types or “subsectors” of Wisconsin nonprofits.

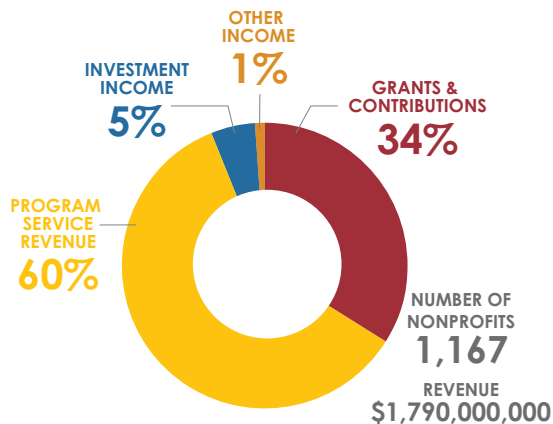
Arts, Culture, & Humanities (e.g., Milwaukee Art Museum, Milwaukee Public Museum, Cornerstone Theatre Company, Appleton Boys Choir, Chippewa Valley Cultural Association, etc.).



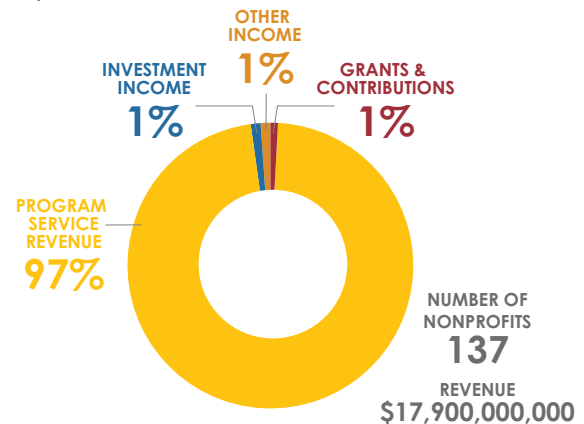
Higher Education (e.g., Milwaukee School of Engineering, Marquette University, College of the Menominee Nation, Robert Welch University, Columbia College of Nursing, The Medical College of Wisconsin).



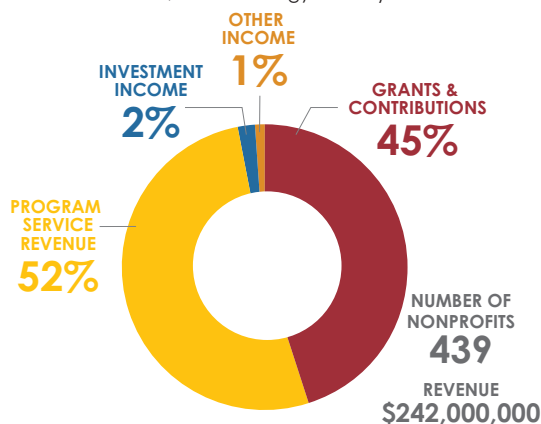
Education (e.g., Madison Montessori Society, Stout University Foundation, Friends of The Hank Aaron State Trail, Yeshiva Elementary School, Heritage Christian Schools).



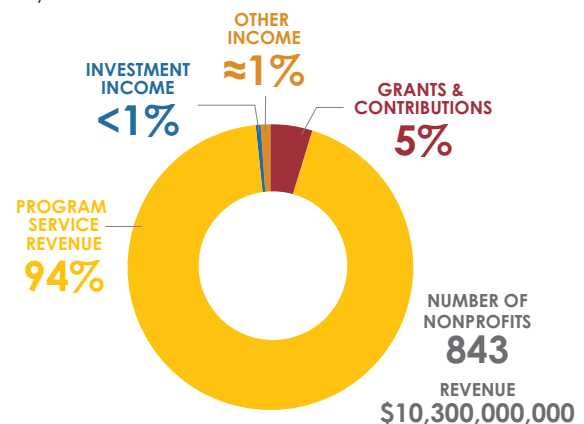
Hospitals (e.g., Columbia St. Mary's Hospital Milwaukee, St. Josephs Hospital-Hospital Sisters-Third Order of St. Francis, Holy Family Memorial, Watertown Memorial Hospital, Froedtert Health System).



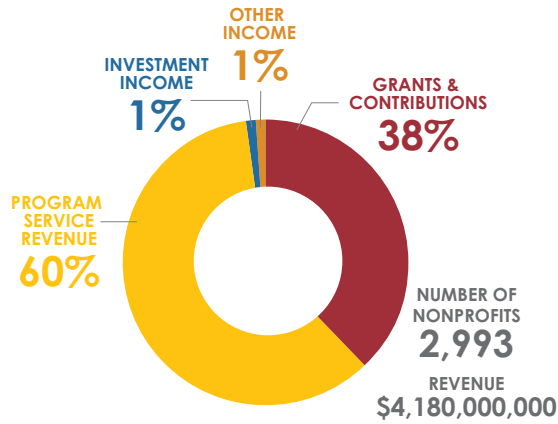
Environment (e.g., Mississippi Valley Conservancy, Milwaukee Area Land Conservancy, Fox Valley Humane Association, Green Bay Botanical Garden, Manitowoc County Fish and Game Protective Association, Urban Ecology Center).



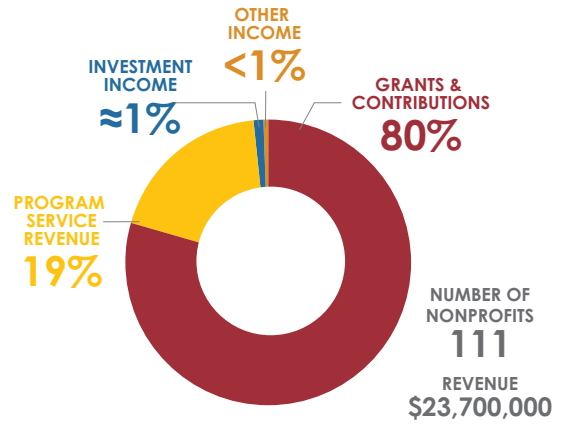
Health (e.g., Orange Cross Ambulance, United States Cancer Pain Relief Committee, Partners for St. Josephs Hospital, American Indian Council on Alcoholism, The Milwaukee Rehabilitation Center).



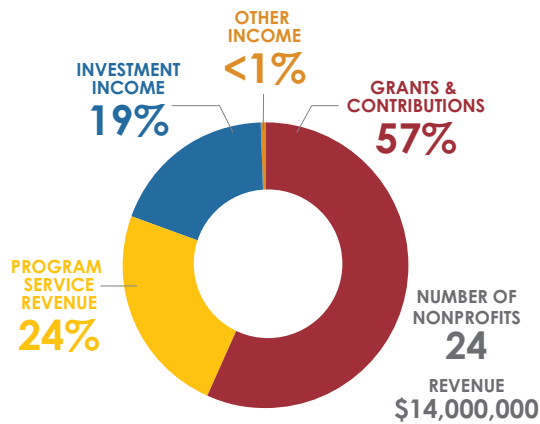
Human Services (e.g., St. Ann Center for Intergenerational Care, 4-H Clubs & Affiliated 4-H Organizations, Gildas Club Madison Wisconsin, Habitat For Humanity International, Caritas for Children, Big Brothers Big Sisters of Northwestern Wisconsin).



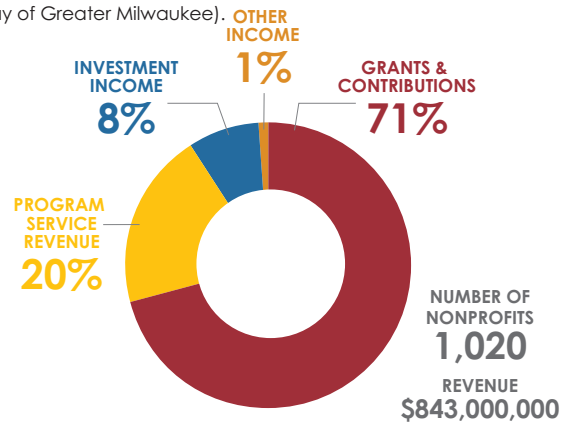
International (e.g., Friends of Guatemalan Children, Global Development Network Corporation, Africa Assistance Plan, Center For International Health).



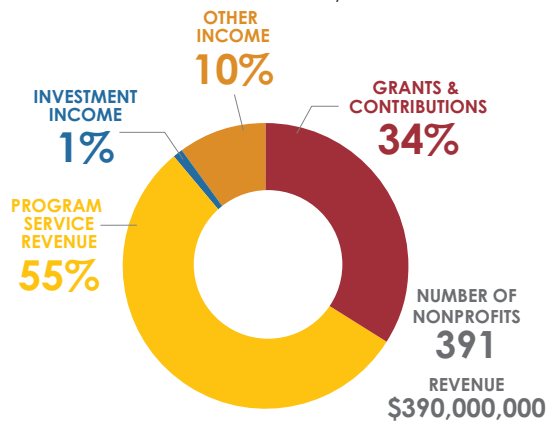
Mutual Benefit (e.g., Madison Masonic Center Foundation, Lutheran Cemetery Association, St. Vincent De Paul Society of Columbus, Hartford Rotary Foundation).



Public & Societal Benefit (e.g., North American Friends Of Oranim, Community Service Center, Centers For Prevention and Intervention, Urban Economic Development Association of Wisconsin, Wisconsin Council on Economic Education, United Way of Greater Milwaukee).



Religion (e.g., City on a Hill, Buddha Haksa Corporation, Eastbrook Church, Mt Sinai Congregation Foundation of North Central Wisconsin, Hayvanu Shalom Ahlaihlem, Word of The Lord Ministries, Interfaith, South Asian Ministries).



Grants, Gifts, & Contributions

Includes funding from federated campaigns and contributions received from individuals, foundations, corporations. This amount also includes grants from the federal, state, and local government.

Program Service Revenue

This category includes revenue generated from fee-for-service activities directly related to nonprofit missions such as museum and orchestra admission fees and tickets, payments for hospital medical services, sales from Girl Scouts cookies, nonprofit college and school tuition; membership dues including payments for nonprofit sport clubs, and government contracts (payments from state and federal medical insurance programs). This portion also includes revenue from unrelated business income.

Investment Income

Includes interest and dividends as well as capital gains. Endowments are likely to generate investment income.

Other Income

Includes rental income; royalties; income from special events and sales of inventory and goods.

All percentages may not add up to 100 due to rounding.



WISCONSIN VOLUNTEERING

Not all nonprofit support is in the form of dollars. Many nonprofits rely heavily (and some exclusively) on volunteers and in-kind donations.

Volunteers are a vital part of the nonprofit workforce, and it is estimated that one in four American adults volunteered in some form through an organization in 2013. The Corporation for National and Community Service (CNCS) is a federal agency that reports on volunteer activities at the national, state, and some metropolitan areas in the U.S. According to information from CNCS, Wisconsin is ranked 5th among the 50 states and Washington DC in terms of the percentage of state residents that volunteer. Wisconsin residents volunteered nearly 36 (35.9) hours (i.e. volunteer hours per capita) in 2013. The most common type of nonprofit for which Wisconsin residents volunteer is religious organizations (29.6%) followed by educational (27.4%) and social service organizations (19.6%).

FACT: Nonprofits are powered by paid staff in addition to volunteers. In 2010, nonprofits employed 13.7 million Americans, or about 10% of the work force and 9.2% of all wages and salaries paid in the US were from nonprofits.

CURRENT VOLUNTEERISM RATES



35.1%

OF WISCONSIN
RESIDENTS VOLUNTEER



163.8 MILLION

HOURS OF
VOLUNTEER SERVICE



\$3.7 BILLION

OF VOLUNTEER
SERVICES CONTRIBUTED

Source: Corporation for National and Community Service (2013).

DATA AND METHODS

This section provides background and basic information about the data used in this report, including some limitations and recent developments impacting the use of this data in assessing and analyzing the nonprofit sector.

Past decades have seen a growing body of statistical studies focusing on the nonprofit sector. These studies vary in scope and emphasis from estimations of the size of the nonprofit sector to topics such as nonprofit compensation, employment, and volunteerism. The National Center for Charitable Statistics (NCCS) has been a leader in this research. This report draws primarily on data generated by NCCS but also data and research conducted by The Urban Institute, The Corporation for National and Community Service, and others.

NCCS offers various types of data, obtained primarily from the IRS, that vary by the number and type of organizations included, and the number and type of variables examined. The NCCS *IRS Business Master Files* data contain descriptive information for all active organizations that have *registered* for tax-exempt status with the IRS, and is continuously updated by NCCS. The *NCCS Core Files* data is a combination of descriptive information from the Business Master Files *and* a number of financial variables from the IRS Return Transaction Files (Form 990, Form 990-EZ, and Form 990-PF). The Core Files are updated once a year.

This report concentrates on the Core File data for public charities 501(c)(3) in the state of Wisconsin. The 501(c)(3) covers the bulk of exempt organizations and includes the types of organizations that are perhaps most commonly associated with the nonprofit sector. Private foundations are excluded. From an economic perspective, the 501(c)(3) category also includes the largest nonprofits, most notably hospitals, universities, and major arts and cultural institutions. The choice to use this particular dataset is because it offers greater detail and thus allow for more in-depth financial analysis of revenues, expenses, and assets of Wisconsin nonprofits.

It is, however, important to acknowledge some of the limitations of using the Core File data. For example, it clearly underrepresents certain types of public charities (e.g. religious organizations) and overlooks a large number of small nonprofits because certain types of public charities are not required to obtain official recognition of their 501(c)(3) status. These organizations, unless they voluntarily choose to register, will not be included in the NCCS databases. This includes churches and religious organizations and their associations or auxiliaries as well as small nonprofits with less than \$5,000 in yearly gross receipts. Such organizations receive automatic tax exemption and are not required to seek tax-exempt status with the IRS or file an annual report.

Furthermore, starting in 2011, organizations with gross receipts of less than or equal to \$50,000 have the option of filing the 990-N, which does not require provision of financial information to the IRS. This ruling is important to keep in mind when looking at the size and growth of the nonprofit sector for the year 2011 and forward. It is likely one contributing factor to the reported modest growth of the Wisconsin nonprofit sector between 2008 and 2011 given that this report is only able to capture registered public charities in Wisconsin reporting income by filing a Form 990 or Form 990-EZ with the IRS. Thus, many nonprofits that filed a Form 990 or 990-EZ in 2008 are no longer included in the 2011 Core data because they have gross receipts of \$50,000 or less and therefore filed a 990-N. In addition to the changes made by the IRS it is also reasonable to think that the economic recession may have had a stifling effect on nonprofit sector growth. Research from the Urban Institute shows that during the recession period (2008-2012), 11.3 percent of nonprofits fell below the \$50,000 threshold, compared with 8.4 percent in the earlier four-year period. The same report also shows that the “death rate” for smaller nonprofits was only slightly higher during the recession (5% for 2008-2012, 4.3% for 2004-2008).

It is also important to note several things about reporting on nonprofit finances. First, the use of NCCS data involves a trade-off between depth and scope. For example, while the IRS Business Master Files could be used to obtain financial information for all active and registered nonprofits in Wisconsin the only information that could be shared are total revenue and total expenses. In contrast, the IRS Statistics of Income Sample contains more than 300 financial fields from the 990s but is a random sample drawn from all U.S. nonprofits; thus there will only be a small number of Wisconsin nonprofits in the Income Sample data. The Core files fall somewhere between the Business Master Files and the Income Sample with approximately 60 financial variables and good representation of medium to large-size nonprofits in Wisconsin. Although there are more financial data fields available there are still facets of nonprofit revenues and assets that are out of reach. For example, we are not able to separate government grants from government contracts using Core data. Further, one must treat the reported financial data with care. Nonprofit scholars have shown that the information on the tax forms frequently shows significant discrepancies between the information provided on the 990 and accurate numbers, such as findings from audits (Abramson, 1995; Froelich et al., 2000; Gordon, Khumawala, Kraut, & Meade, 2007).

National Study of Nonprofit-Government Contracts and Grants 2013: State Profiles.

Data reported are based on a national survey of 501(c)(3) public charities with expenses of \$100,000 or more, conducted by the Urban Institute. Hospitals and higher education as well as nonprofits not likely to have government contracts and grants were excluded from the sample. Analysis is limited to nonprofits reporting government contracts or grants.

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Through pioneering educational programs, applied research and active engagement with Wisconsin nonprofit organizations, the Helen Bader Institute for Nonprofit Management (HBI) develops nonprofit leaders who increase the effectiveness of nonprofits for which they work and volunteer. Founded in 2001, HBI is the first and only Nonprofit Academic Center in Wisconsin.

For more information: www.helenbaderinstitute.uwm.edu

WISCONSIN NONPROFITS ASSOCIATION

The Wisconsin Nonprofits Association (WNA) is a statewide membership organization whose sole mission is to strengthen individual nonprofits and the nonprofit sector in Wisconsin. Started in 2007, WNA provides: public policy information and advocacy on nonprofit issues; ensures access to education and training opportunities; delivers technical assistance, and offers a comprehensive package of cost-saving benefits for nonprofits.

For more information: www.wisconsinnonprofits.org

FORWARD COMMUNITY INVESTMENTS

Forward Community Investments is an investor, connector and advisor for organizations and initiatives that reduce social, racial and economic disparities in Wisconsin communities. FCI builds stronger, healthier communities by working with other organizations to understand the root causes of social issues and by encouraging and supporting initiatives that make positive change possible.

For more information: www.forwardci.org



“Nonprofits embody the best spirit and values of our nation. They turn our beliefs into action - as promoters of democracy, champions of the common good, incubators of innovation, laboratories of leadership, protectors of taxpayers, responders in times of trouble, stimulators of the economy, and weavers of community fabric. You would be hard pressed to find anyone who has not been touched in some way by a nonprofit organization, whether they knew it or not.”

National Council of Nonprofits, 2014





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