

# Setting the Record Straight on Michigan's Nonprofit Community

**Prepared by Erin Skene, Michigan Public Policy Initiative**

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Sam Singh  
President and CEO  
Michigan Nonprofit Association

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# Understanding the Nonprofit Sector in Michigan

Imagine Michigan without nonprofit organizations. Gone would be the church down your street, your children's youth league, and the public radio station you enjoy every morning. Hospitals, universities, homeless shelters, food banks, orchestras, and civic groups suddenly would cease to exist. The social and cultural terrain of the state would be so altered as to be almost unrecognizable.

Thankfully, this is not a prospect we have to face. This booklet celebrates the great success of the nonprofit sector in Michigan and throughout the country. It is an amazingly diverse sector, ranging from health care and the environment to entertainment and education. In Michigan, the important work of nonprofits does not go unnoticed. A survey by the Institute for Public Policy and Social Research (IPPSR) at Michigan State University found that 85 percent of all Michigan residents said they or their family members contribute to charitable organizations.<sup>1</sup>

**The time has come for nonprofits to take a more active role in telling their stories and affirm their important place in society.**

<sup>1</sup> Mark I. Wilson and Neal R. Hegarty, *Public Confidence in Michigan Nonprofit Organizations*, Briefing Paper 97-30 (East Lansing: Institute for Public Policy and Social Research, Michigan State University, 1997).

Despite widespread support, there are enduring misconceptions about the nonprofit sector. Another IPPSR survey asked Michigan residents to define nonprofits, and the



majority said they were organizations that do not seek to make a profit.<sup>2</sup> Yet, nonprofits represent more than a special tax status. It is likely that responses to a similar question about the business sector or government

would mention more than simply profit making or legislating. The time has come for nonprofits to affirm their important place in society and take a more active role in telling their stories. We hope this booklet will help people throughout the state gain a better understanding of the work of nonprofits in large and small communities.

Because of their commitment to various missions and their limited resources, too many nonprofits are unable or unwilling to engage in the public awareness campaigns that business and government routinely conduct. The need to do so, however, is great. In the face of continuing efforts to reduce or cut government programs, it has become almost commonplace to assume that nonprofits have a boundless ability to take on added responsibilities in dealing with the nation's most pressing social and community issues. The public needs to understand that nonprofits' resources are limited, and that nonprofits cannot shoulder all the tasks that were once the domain of government.

In no area is this more true than in human services. In 1993, for instance, the Michigan League for Human Services

<sup>2</sup> Mark I. Wilson and Neal R. Hegarty, *Public Perceptions of Nonprofit Organizations in Michigan*, Briefing Paper 97-28 (East Lansing: Institute for Public Policy and Social Research, Michigan State University, 1997).

issued a report on the effect of budget cuts in social services in 1991–92. During that fiscal year, funding for the Michigan Department of Social Services was cut by 15 percent—the largest in the department’s history at the time. General assistance was eliminated and emergency and health care services for the indigent were sharply curtailed. It was assumed that the private sector (the local job market), the private social service system (nonprofits), and extended family would make up for the losses.

The report found, however, that the labor market did not significantly absorb former general assistance recipients; that local communities and private providers of emergency services were unable to meet the increased need for services; and that the extended family did not or could not provide the necessary support.<sup>3</sup> Subsequent surveys of emergency service providers show that the need for services in local communities has not diminished. Even in today’s thriving economy, many families are forced to turn to private nonprofit agencies for help. Because these are such difficult and complex issues, an objective appraisal of government actions and their effect on communities and nonprofits is essential.

The nonprofit landscape today includes more than 1 million organizations nationwide. While it is true that some nonprofits are big institutions with substantial budgets, such as universities and hospitals, most are small, community-based groups, operating with a limited budget and small staff. Only 3.7 percent of all nonprofit organizations in the country had assets that exceeded \$10 million in 1998, the latest year for which figures are available. Furthermore, this 3.7 percent held 78 percent of total nonprofit assets and received 49.4 percent of all public financial support.

<sup>3</sup> *The Impact on Individuals and Communities of Reductions in Social Services in Michigan in 1991–1992* (Lansing: The Michigan League for Human Services, 1993).

Organizations with incomes under \$100,000 per year, such as the Jackson Education Fund and the Ionia County Chamber of Commerce, accounted for 43 percent of U.S. nonprofits in 1998. Although numerous, organizations like these held only 1.7 percent of total nonprofit assets nationwide and received only 2.9 percent of public support.<sup>4</sup> Exhibit I provides information on Michigan nonprofits in 1997.

Exhibit I

**Tax-Exempt Organizations Registered with the IRS, Michigan, 1997  
(tax years 1994–1996)**

Subsection	Description	Number
501(c)(2)	Title holding corporations	450
501(c)(3)	Charitable and religious organizations	19,522
501(c)(4)	Social welfare	4,431
501(c)(5)	Labor, agricultural, and horticultural	2,813
501(c)(6)	Business leagues	2,118
501(c)(7)	Social and recreational clubs	2,012
501(c)(8)	Fraternal beneficiary societies	3,508
501(c)(9)	Voluntary employees' beneficiary associations	441
501(c)(10)	Domestic fraternal beneficiary associations	539
501(c)(12)	Benevolent life insurance associations	23
501(c)(13)	Cemetery companies	98
501(c)(14)	State chartered credit unions	320
501(c)(15)	Mutual insurance companies	11
501(c)(16)	Corporations organized to finance crop operations	2
501(c)(17)	Supplemental unemployment benefit trusts	90
501(c)(19)	War veterans organizations	1,475
Other	Not specified	37
<b>TOTAL</b>		<b>37,890</b>

Source: U.S. Internal Revenue Service.

Nonprofits have a vital part to play in the twenty-first century. The deeply embedded tradition of Americans working together for the benefit of society will continue to enrich and ennoble us as a nation. Many nonprofits are prepared to assume a larger role, given a national commitment. According to Sam Singh, president and CEO of the Michigan Nonprofit Association, "Having the nonprofit sector play a

<sup>4</sup> U.S. Internal Revenue Service, Return Transaction File, 1998, as adjusted by the National Center for Charitable Statistics.

larger role may be the way we as a society want to go, but there hasn't been any real discussion or debate about it. And if that is what society wants—for nonprofits to step in for government—then government has some responsibility to help nonprofits provide those services.”

As shown in Exhibit 2, the nonprofit sector is growing and dynamic. It will be difficult for agencies that operate on meager budgets to meet the challenges of a diverse nation and state.

Exhibit 2

### Number of Operating Public Charities, by NTEE Major Category, 1993-1998

	Number in 1993	Number in 1998	Number Added 1993-1998	Percent Change
Arts, Culture and Humanities	16,990	22,754	5,764	34
Education				
Education (excluding higher ed)	20,606	30,744	10,136	49
Higher Education	2,127	2,399	272	13
Environment	4,658	7,215	2,557	55
Health				
Health (excluding hospitals)	21,410	24,703	3,293	15
Hospitals	5,043	5,250	207	4
Human Services	58,258	76,064	17,805	31
International and Foreign Affairs	1,642	2,022	380	23
Public and Societal Benefit	11,268	15,384	4,116	37
Religion	7,119	10,862	3,743	53
Unknown	3,324	3,833	509	15
<b>TOTAL</b>	<b>152,445</b>	<b>201,230</b>	<b>48,785</b>	<b>32</b>

Source: IRS Return Transaction File, 1994 and 1999, as adjusted by The National Center for Charitable Statistics.

Note: Operating public charities are a subset of reporting public charities and exclude supporting and mutual benefit organizations. Reporting public charities include only organizations that both reported (filed IRS Form 990) and were required to do so. Organizations not required to report include religious congregations and organizations with less than \$25,000 in gross receipts.

The task ahead is daunting, but there is reason for optimism. Between 1993 and 1998, the number of public charities reporting to the Internal Revenue Service grew by 32 percent annually. In addition, INDEPENDENT SECTOR—a na-

tional leadership forum that works to encourage philanthropy, volunteering, not-for-profit initiatives, and citizen action to help better serve people and communities—found in its biennial survey that volunteerism is on the rise. An estimated 109 million people volunteered in 1998, the highest number in the survey’s history. They represented the equivalent of more than 9 million full-time employees at a value of \$255 billion.<sup>5</sup> “Our survey findings give us good reason to be optimistic about the future of charities and nonprofit organizations,” said Dr. Sara E. Melendez, president and CEO of INDEPENDENT SECTOR.

There is no question that this is an exciting and challenging time for nonprofits in Michigan and throughout the country. This booklet attempts to capture some of the dynamism and innovation in the nonprofit world. Its publication is made possible by the Michigan Public Policy Initiative (MPPI), a joint venture of the Michigan Nonprofit Association (MNA) and the Council of Michigan Foundations (CMF). We hope the information will help readers gain a clearer picture of the sector. We believe knowledge can lead to a deeper appreciation of the vital role nonprofits play in society.

<sup>5</sup> *Giving and Volunteering in the United States* (Washington, D.C.: INDEPENDENT SECTOR, 1999).



# Setting the Record Straight

Because the role and capacity of nonprofits are not widely understood, it is easy for fallacies to take root. Some people believe that charities alone can provide for the country's needy. Others see them as wasteful and inefficient. Yet others think they help only the poor or the sick. Some people even question the importance and effectiveness of nonprofits. The best way to deal with these inaccuracies is to take a look at the facts.

## **Fact #1: The nonprofit sector is important to the economy**

Charitable organizations are sometimes called the "third economy" because of their financial prominence. Together, the annual budgets of the more than 1 million nonprofits in the country amount to \$700 billion.

- There are 1,530,000 nonprofits in the United States: 654,000 (43 percent) are 501(c)(3) organizations, 140,000 (9 percent) are 501(c)(4) organizations, 341,000 (23 percent) are religious institutions, and 395,000 (26 percent) are other tax exempt organizations.
- Nonprofits contribute 8 percent of gross domestic product.

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- This sector employs 10 percent of the nation’s work force—10.2 million people.<sup>6</sup>
- The average monetary contribution of a volunteering household is \$1,339, compared to \$524 for a nonvolunteering household.<sup>7</sup>

In Michigan, the nonprofit sector spends about \$27.5 billion annually, and roughly 95 percent of this remains within the state. According to the latest figures available, Michigan has nearly 38,000 nonprofits, among which are 19,522 active 501(c)(3) charitable organizations.

- The assets of Michigan nonprofits exceed \$60 billion.
- The nonprofit sector directly provides about 380,000 jobs in Michigan, an average annual wage of \$26,000, and nearly \$10 billion in personal income annually.
- Only durable manufacturing, services, government, and the retail trade sectors provide more jobs in Michigan.
- Michigan ranks ninth in the country in the number of charitable organizations, eleventh in the amount of assets, and eighth in the amount of annual expenditures.<sup>8</sup>

## **Fact #2: Nonprofits serve everyone**

Nonprofits are public benefit organizations that enrich all of society. Some serve a specific group within a community, others benefit their own members, and many serve the entire community.

<sup>6</sup> *America’s Nonprofit Sector—In Brief: Facts and Figures on the Independent Sector* (Washington, D.C.: INDEPENDENT SECTOR, 1998).

<sup>7</sup> *Giving and Volunteering in the United States*.

<sup>8</sup> *Economic Benefits of Michigan’s Nonprofit Sector* (Lansing: Public Sector Consultants, Inc., 1999).

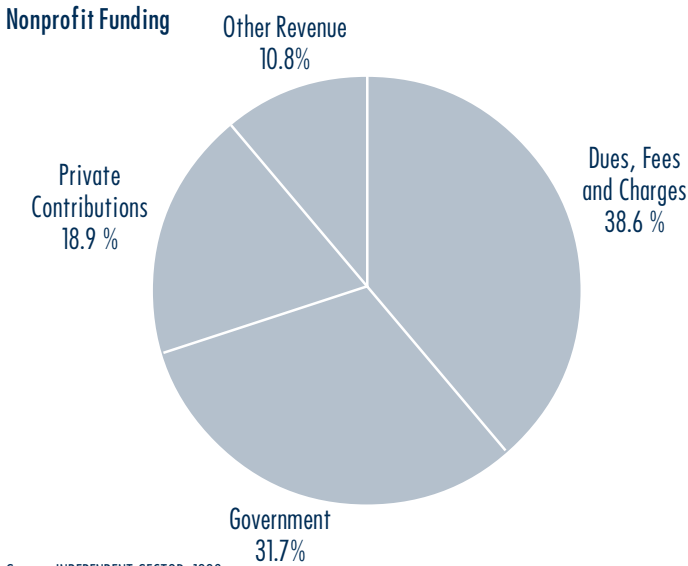
Examples abound of nonprofits that go beyond helping the poor. Your children may have learned to swim at a nearby YMCA, competed in a local soccer league, or enjoyed a science or historical museum. You may have attended Prentiss Religious School at Temple Beth El in Bloomfield Hills, or sent a son or a daughter to Calvin College. Tens of thousands of Michigan children are educated in nonprofit elementary schools, and thousands more receive their degrees from Michigan colleges and universities. All these are services of nonprofit institutions.

Nonprofits do not necessarily focus on human services. A visit to an unspoiled stretch of the Michigan coast or a wildlife preserve may well be possible because the area is protected by a nonprofit organization. A classic or foreign movie shown by a local film society, a symphony by a resident orchestra, or a play by a theater group are other benefits. Nonprofit staff may have treated you at a hospital emergency room, helped you adopt a pet, or provided a study in your area of interest. Even an article you read in your daily newspaper this morning may have come from a nonprofit—the Associated Press, the world’s largest newsgathering operation.

### **Fact #3: Most nonprofit funding does not come from government**

Public funding is an important source for nonprofits but is by no means the only revenue stream. Contributions from government have been increasing and currently comprise 31.7 percent of nonprofit support. As shown in Exhibit 3, however, the single largest block of revenue comes from dues, fees, and charges, which make up about 38.6 percent of revenues.<sup>9</sup>

<sup>9</sup> *America's Nonprofit Sector in Brief: Facts and Figures on the Independent Sector.*



Source: INDEPENDENT SECTOR, 1998

It is important to note that government funding has not increased steadily in all areas. Support has risen in some categories, such as education and health services, but public funding for social services, civic, and arts organizations has decreased.

#### **Fact #4: Most charitable gifts come from individuals**

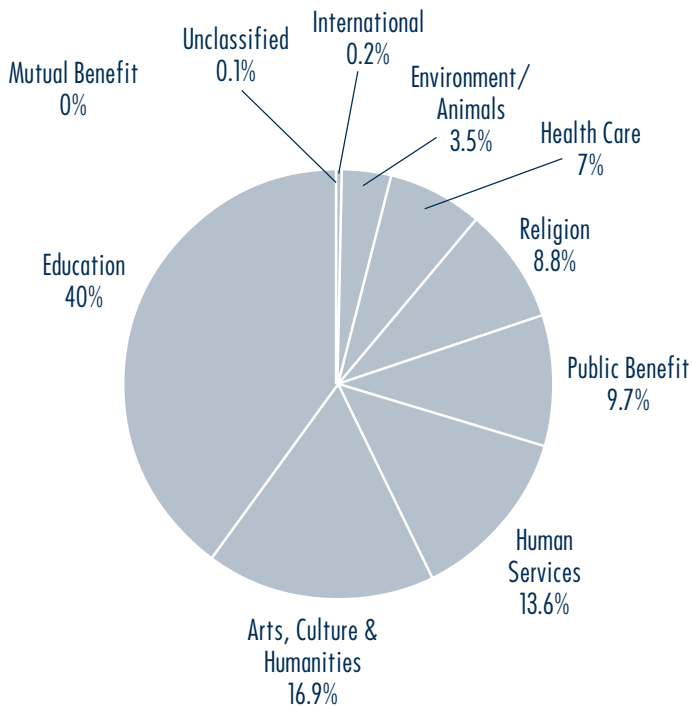
People like you and me continue to be the greatest single source of support for nonprofits, although the nation's strong economy has bolstered charitable gifts from foundations and corporations. In fact, in recent years, foundation giving has grown at a faster rate than individual giving. Between 1977 and 1997, charitable contributions by foundations rose by 152.8 percent, far outstripping the pace of individual giving. Across the nation, corporate contributions and grants from corporate foundations were about \$11.02 billion in 1999, a 14.3 percent increase over 1998.<sup>10</sup>

<sup>10</sup> *Giving USA 2000* (Indianapolis: American Association of Fund-Raising Counsel Trust for Philanthropy, 2000).

In Michigan, there are 1,790 grant-making foundations, with total assets of \$22 billion. Exhibit 4 indicates the types of nonprofits they helped fund in 1998.

Exhibit 4

Grant Distribution by Michigan Foundations in Major Subject Categories, 1999.



Source: *The Michigan Foundation Directory, 12th Edition*. (Grand Haven: Council of Michigan Foundations, 2000).

Nevertheless, individuals remain the largest source of financial support. According to Giving USA 2000, “giving by individuals has grown steadily over the past three decades, reaching \$143.71 billion in 1999.” Furthermore, “giving by individuals has always been the largest component of charitable giving. In 1999, individuals gave 75.6% of all contributions.”<sup>11</sup>

<sup>11</sup> Giving USA 2000.

## **Fact #5: Nonprofits operate on tight budgets that demand frugal spending**

It is important to keep in mind that nonprofits and businesses have different goals and purposes. Charitable organizations serve people and the community rather than generate profits. Therefore, nonprofit employees and volunteers must keep administrative costs low in order to maximize the benefit of each charitable dollar. Due to a changing economic and philanthropic environment, however, the nonprofit sector has placed more emphasis on business practices and outcomes. Nevertheless, a balance must be achieved between the bottom line and the mission of nonprofits. The Michigan Nonprofit Management Manual emphasizes commitment to ideals in the following passage:

It is important that paid staff and volunteers working for a charitable organization sense the ideal of philanthropy, are committed to the preservation and enhancement of volunteerism, and hold stewardship of these concepts as the overriding principle of professional life.<sup>12</sup>

## **Fact #6: Most nonprofits have few, if any, employees let alone pay high salaries**

Many nonprofits are run entirely by volunteers. Those that employ executives pay them much less than their counterparts in for-profit organizations. A compensation and benefit survey conducted in 2000 by the Michigan Society of Association Executives and the MNA, for instance, shows that salaries for nonprofit executive directors range from about \$40,000 to \$80,000.<sup>13</sup> By comparison, a national survey shows that the median salary plus bonuses of executives in small for-profit companies (annual sales of less than \$2

<sup>12</sup> *Michigan Nonprofit Management Manual* (Detroit: The Accounting Aid Society, 1999).

<sup>13</sup> *Michigan Association & Nonprofit Compensation & Benefits Survey* (East Lansing: Michigan Society of Association Executives and Michigan Nonprofit Association, 2000).

million) is \$148,000.<sup>15</sup> In fact, many jobs in the nonprofit sector pay so little that it is difficult to recruit and retain talented people. Salaries may become an increasingly important issue as nonprofits are asked to shoulder greater responsibility in a wide array of areas.

### **Fact #7: Michigan volunteers reflect the diversity of the state's population**

Volunteers in Michigan are 57.6 percent female and 42.4 percent male. Individuals with a household income of \$50,000 or more account for 59.2 percent of all volunteers. Most are between ages 30 and 49 and have a full-time job. Approximately two in five Michigan residents volunteer, and as education level increases, so does the likelihood of volunteering, except for those with graduate degrees, who are less likely to volunteer than those with some graduate work or a college degree.<sup>16</sup>

A study by Public Sector Consultants, Inc. found that charitable organizations in Michigan average 180 volunteers who contribute nearly 9,500 hours annually, the equivalent of 4.6 full-time workers per organization. It is estimated that the state's charities received about \$760 million in donated labor during 1997. The 1 million volunteers who contributed roughly 60 million hours translate into more than 28,000 full-time employees.<sup>17</sup>

### **Fact #8: Nonprofits are allowed to lobby**

Nonprofits can lobby or advocate for or against legislation or issues. There is a distinction between lobbying government and campaigning for specific candidates, however. Lobbying

<sup>15</sup> *1997 Official Compensation Report* (New York: Panel Publishers and Segal Co., 1998), as quoted in *National Business Employment Weekly*, Oct. 11–17, 1998, p. 43.

<sup>16</sup> *Michigan Giving and Volunteering* (Grand Haven: Council of Michigan Foundations and the Michigan Nonprofit Association, 1999).

<sup>17</sup> *Economic Benefits of Michigan's Nonprofit Sector*.

by the nonprofit sector is a legally protected right, but partisan electioneering is not allowed. Nonprofits use many methods to lobby. They may sponsor research, pay for litigation, launch public awareness campaigns, hold demonstrations, or simply voice their opinions through the news media. Regardless of how it is done, it is important for nonprofits to speak up within the parameters of federal and state lobbying laws.

There are many rules and regulations regarding nonprofit lobbying at both the state and federal level. For further information, please see the *MPPI's Public Policy Handbook: A Lobbying Guide for 501(c)(3) Nonprofits* at [www.mppi.mna.msu.edu](http://www.mppi.mna.msu.edu).

### **Fact #9: Nonprofits support a diverse number of causes**

There is no single ideology for all nonprofits. They have myriad missions and represent a variety of interests, from health care, to religion, to the arts and entertainment. The following organizations indicate the diversity of the nonprofit sector in Michigan:

- \* Albion College
- \* Lutheran Social Services of Michigan
- \* Planned Parenthood of Michigan
- \* Michigan State University
- \* Jewish Family & Children's Services
- \* Right to Life of Michigan

### **Fact #10: Nonprofits benefit society in a meaningful way**

The degree to which people use the services or activities of nonprofit organizations varies. It is hard to imagine a person whose life is not touched in some way by the nonprofit sector. Although it may never be possible to gauge completely in financial or other terms the full benefits of nonprofits, American society would be much diminished without the tireless commitment, creativity, and unique strengths of the nonprofit sector.



# The Nonprofit Sector in Michigan

The growth and development of the nonprofit sector is a great American success story of people who care about others and work together for the greater good. In Michigan, there are many examples of ingenious, exciting, fun, and committed nonprofits that marshal the resources of volunteers to make a difference in their communities.

- In northern Michigan, the Inland Seas Education Association has converted a schooner into a floating classroom where people—especially children—can gain first-hand training and experience in the Great Lakes ecosystem.
- Recycle Ann Arbor runs a center where people can donate appliances, toys, and other household items. The money from sales is used to maintain the facility, and the program helps reduce waste.
- Actor Jeff Daniels started the Purple Rose Theatre in his hometown of Chelsea, not as a moneymaking operation but as a nonprofit.

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- One of the most exciting developments in recent years is the CMF's K–12 Education in Philanthropy Project. It prepares field tests and disseminates high quality curriculum units and materials on philanthropy. The long-term goal is to perpetuate a civil society by teaching children about the independent sector.

Such energy and diversity in the nonprofit sector should not come as a surprise. People working together for the common good is as old as humankind is. In the United States and elsewhere, social organizations and self-help groups developed before governmental structures. Many of today's charitable and volunteer organizations actually predate the founding of the nation. Some of the country's oldest and most prestigious institutions—such as Harvard and Yale universities—are nonprofits.

A distrust of government and fear of centralized power in early America meant that mutual aid societies, social service organizations, and other groups flourished, although government began to play a larger role throughout the nineteenth century. According to Lester Salamon, director of the Center for Civil Society Studies, John Hopkins University, another factor in the development and continued existence of nonprofits is what economists call market and government failures. Market economies are effective in providing consumer goods, but they do poorly in areas that require collective action, such as national defense. In many cases government can step in, but it tends to move slowly, and action often requires a majority.

Salamon has written the following on the topic:

*By forming nonprofit organizations, smaller groupings of people can begin addressing needs that they have not yet convinced others to support. In short,*

*it is not market failure alone that leads to a demand for nonprofit organizations. Rather, it is the failure of both the market and the state to supply collective goods desired by a segment of the population, but not enough to trigger a governmental response.*<sup>17</sup>

In the twentieth century, the nonprofit sector has been deeply influenced by two movements, the New Deal and the Great Society. Scholars generally agree that events in the 1930s established the role of government as a social safety net. And in the 1960s, Great Society programs in a wide range of areas, from housing, to employment training, to preschool education, expanded the relationship between government and the nonprofit sector in supplying social needs.

The nonprofit sector in Michigan has a long and proud history. Today, the state ranks ninth in the nation in the number of such organizations. The largest concentration is clustered around Detroit, but even the smallest and most remote communities have nonprofit groups. Recent studies paint a more complete picture of this important aspect of Michigan life.

- The more than 37,000 nonprofit organizations in Michigan have total annual revenue of more than \$64 billion.
- Of these nonprofits, more than 19,500 are charitable organizations. Only about 7,500 reported assets or income in 1997.
- Michigan nonprofits account for 8.6 percent of total nonagricultural employment, and annually they generate \$9.6 billion in personal income.

<sup>17</sup> Lester M. Salamon, *America's Nonprofit Sector: A Primer* (New York: The Foundation Center, 1999).

- Health care organizations account for more than 70 percent of nonprofit employment.
- The number of charitable nonprofits reporting financial data increased more than 45 percent between 1987 and 1997.<sup>19</sup>

Following are brief profiles of organizations in eight major nonprofit subsectors that make a difference in Michigan communities. Most of the information was drawn from the report *Economic Benefits of Michigan's Nonprofit Sector*, by Public Sector Consultants, Inc.

## Health Care

Health care organizations are among the most recognizable of all nonprofits, and they play a vital role in the wellbeing of Michigan residents by delivering services to millions of people every year. Such organizations as the Ingham Regional Medical Center in Lansing, the Sisters of St. Joseph Health System in Nazareth, Henry Ford Hospital in Detroit, the Michigan Home Health Association in Lansing, and the Barbara Ann Karmanos Cancer Institute in Lathrup Village are just a few of the nonprofits engaged in health care, which is the largest subsector of nonprofits in the state. Among all operating public charities in Michigan, health care organizations account for 17.6 percent and hold more than 70 percent of total nonprofit assets. These institutions range from hospitals and nursing homes to medical clinics, health-based associations, and other services.

### Spotlight on Health Care

#### **A Michigan institute emerges as a national model**

The Michigan Public Health Institute (MPHI) is not a government agency or a private business; rather, it is a state

resource and think tank, and its nonprofit status is essential to everything it does. In addition to research, MPHI provides

<sup>19</sup> *Economic Benefits of Michigan's Nonprofit Sector*.

training and technical assistance, and it serves as an important facilitator among diverse partners—all in an effort to improve the health of Michigan residents.

The institute was the brainchild of Gloria Smith, a former director of the state Department of Public Health. Smith saw the power of an agency that could foster collaboration by partnering with government, research universities, and even businesses on public health issues, but still remain separate. Smith's vision was realized in 1989, when MPHI was founded by the state Department of Public Health, Michigan State University, University of Michigan, and Wayne State University. "The organization's nonprofit status created a new playing field," says Jeffrey Taylor, the institute's executive director since 1992. "This allowed for joint participation in creating MPHI. If it had been a government agency, it is likely the universities would not have been part of it, and if it had been part of a university, the state would not have been involved. The fact that we were a nonprofit and were going to engage in mission-directed activities related to improving health was the key."

MPHI has grown rapidly. In 1992 it had three funding sources and no employees, and annual income was \$371,056. By 1998 the institute had 40 funders, more than 120 full-time employees, and \$19 million in annual income. Today, the institute actively collaborates not only with its founding members but also with community groups and foundations throughout the state. Projects range from reducing child and family health risks to preventing chronic disease. For example,

MPHI works with communities in three areas—Detroit/Wayne County, Muskegon, and the Upper Peninsula—to provide low-income children with health insurance. The program has 30,000 enrollees. Another MPHI project is the Environmental Health Module, which will help communities assess and improve environmental conditions relating to outdoor air, water, land, waste disposal, food, and radiation. For each topic, information is provided on five key areas: risk factors, sources of hazards, effects on humans, effects on the environment, and established standards and guidelines.

The institute is moving away from a project-based orientation and hopes to become a major resource for communities that are trying to cope with the shift in federal and state government responsibilities. The new effort includes a greater focus on the learning and technical needs of communities. For example, MPHI operates the Interactive Learning Center, a state-of-the-art videoconferencing and satellite facility that provides research and training seminars for nonprofits and other organizations throughout the state. It has also developed the Michigan Community Health Electronic Library, a Web-based resource for health professionals and the public.

Taylor says it is critical for Michigan communities to have access to information about public health issues, as well as assistance in building greater capacity in the face of increased local responsibility. "Michigan has a wonderful economy, strong institutions, and very poor health status when compared to the rest of

country,” Taylor adds. “I think people find it surprising that such a strong state as Michigan would have such troubling public health issues. Our job is to help

communities prevent and control those health problems. No single party can do this. It takes partnerships.”

## Education

In addition to private schools at all grade levels, institutions such as libraries, vocational centers, and trade schools as well as other learning programs are grouped under education. The majority of nonprofit K–12 schools is affiliated with a religious organization, such as the Ivriah School in Flint. In higher education, Alma College, Northwood University in Midland, and Thomas M. Cooley Law School in Lansing, among others, are nonprofits.

In Michigan, more than 700 education organizations meet the \$25,000 income threshold to file Form 990 with the IRS. Their combined assets are \$2.9 billion. Only 34 of these organizations are Michigan colleges and universities, though they account for more than 60 percent of the subsector’s assets. Most education organizations in the state are small operations, for example, the 112 PTA and PTO group in Michigan.

### Spotlight on Education

#### **CLASS is a catalyst for school improvement**

In the state’s capital, a nonprofit organization has been established to help public schools improve. The Commission for Lansing Schools’ Success (CLASS) monitors the progress of the Lansing School District as it strives to fulfill a five-year strategic plan. Director Paula Gangopadhyay says the commission does more than hand out a report card on Lansing schools. She considers CLASS a catalyst for community involvement by students, parents, teachers, and a variety

of organizations and businesses. “We’re not just identifying the areas in which we need help,” says Gangopadhyay, “we’re also gathering resources to make a change in those areas.”

Concerned about low test scores and other problems in the Lansing schools, Mayor David Hollister formed the Blue Ribbon Panel in 1997, chaired by Peter McPherson, president of Michigan State University, and Abel Sykes, former

president of Lansing Community College. After months of work, the panel issued recommendations that included goals and standards for improvement in such areas as MEAP scores, student dropout rates, and community involvement. The panel also called for a committee to mobilize community resources and monitor the district's progress.

That mandate led in 1997 to the creation of CLASS, a nonprofit organization that documents schools' implementation of new programs and involvement in CLASS-sponsored events. CLASS also tracks the number of teachers who participate in training and inservice programs and students' MEAP results compared to overall state scores and CLASS goals. The organization issued its first report on the district's progress during the 1997–98 school year.

In addition, CLASS monitors its own progress toward the goals it has set for itself. An initial aim was to recruit 600 volunteers during its first year, a number surpassed by 400; the following year there were 1,150 volunteers. "That in itself is a wake-up call to the community that this is everyone's responsibility," Gangopadhyay says.

CLASS has participated in a number of projects, including such efforts as a districtwide inservice day for teachers, and has received several grants to teach parents of preschool and grade school children the importance of nutrition, reading, and regular school attendance, among other issues. Another major effort is the CLASS Act Mentoring Program at

Everett, Eastern, and Sexton high schools. The program is for African American males, who sign a contract committing themselves to attending school and striving for good grades. Participating students are assigned role models, many of whom are recruited from General Motors and the United Auto Workers.



Students who fulfill their promises earn opportunities for summer jobs and two-year scholarships at Lansing Community College. This is the kind of project that Gangopadhyay says will result in better academic achievement. So far about half the participants have improved their attendance and academic performance.

According to Gangopadhyay, "Now is the time to use the opportunity, think out of the box, welcome the community collaboration that is being offered, and strive for systemic change, which by the way, is not impossible to achieve, if planned and led well."

## Social Services

To the public, the social services subsector is perhaps the most ambiguous. The term itself is vague, and the diversity of groups is especially broad, even for the nonprofit sector. Yet, according to Salamon, “More people probably have contact with nonprofit social service agencies than with any other type, if for no other reason than that they are so numerous.”<sup>19</sup>

What are social service organizations? They are sometimes called human service organizations, and the simplest description is that they help families and individuals, especially those in poverty or with physical or other problems. How that assistance is delivered is as varied as a community’s needs are: through day-care services, senior citizen centers, refugee assistance, shelters for battered women, vocational rehabilitation, adoption assistance, family service agencies, and homeless shelters. In Michigan, examples include Starr Commonwealth in Albion, Goodwill Industries, and Big Brothers and Big Sisters.

Social service organizations—which number more than 2,200—are the largest single block of reporting public charities in the state and have assets of \$2.8 billion. They constitute 36 percent of all public charities in Michigan. Exhibit 5 lists the largest in terms of assets and expenditures.

### Spotlight on Social Services

#### **A harvest for the hungry**

For the staff of Forgotten Harvest, social or human service is not a remote concept but a very real experience. On any given day, Forgotten Harvest vans crisscross the Detroit area to ferry food from restaurants and other businesses to the soup kitchens and food banks that offer meals to the hungry. “What we provide

isn’t a solution,” says Chris Blakely, who organizes collection and delivery. “We are a Band-Aid in many ways. We are a meal—some food for someone who needs it that day. What we do is put the food on our trucks, and it is in somebody’s belly that same day.”

<sup>19</sup> *America’s Nonprofit Sector.*

## Largest Human Service Organizations in Michigan

### *Assets of More than \$50 Million*

Methodist Children's Home Society  
 Oakwood Health Promotions  
 Michigan Nonprofit Housing Corporation  
 Starr Commonwealth  
 Focus Hope  
 Michigan Masonic Home Charitable Foundation

### *Expenditures of More than \$50 Million*

Hospice of Michigan  
 Lutheran Social Services of Michigan  
 Wayne Community Living Services

Source: Public Sector Consultants, 1999.

When Forgotten Harvest began operations in 1990, it had \$1,000, one employee (Blakely), and a van. Last year it transported one million pounds of food, or one million meals for hungry people in Wayne, Oakland, and Macomb counties. There are now more than 60 food donors, ranging from such large corporations as Pizza Hut, Starbucks, and Northwest Airlines to small operations and other nonprofits, including Cranks Catering and Henry Ford Hospital. Delivery of the prepared and perishable food is made to 16 charitable organizations, such as the Detroit Rescue Mission Ministries, the Salvation Army, the Foodbank of Oakland County, and the Harbor Light Center. Over the years, Forgotten Harvest has devised creative ways to serve those in need. One year it teamed with Krispy Kreme for a "Doughnations for Doughnuts" drive, wherein people exchanged nonperishable



food items for glazed doughnuts, and Forgotten Harvest distributed the food.

Executive Director Lisa Wilkins says the search for funding and food donors is constant. The organization relies on foundation and corporate grants as well as individual gifts to cover operating expenses, and it receives help from some widely known figures: On the advisory

board are actor Tim Allen and sports columnist and best-selling author Mitch Albom, among others.

According to Wilkins, whatever the economic conditions, the need for not-for-profit organizations such as Forgotten Harvest never seems to go away. She cites a 1997 U.S. Department of Agriculture study, which estimated that more than one-quarter of all food produced in this country for human

consumption is wasted. That translates into about 96 billion pounds. The study also found that 12 million households (roughly 34 million people) face hunger or some type of food insecurity once a month. "There is so much talk about the booming economy and how well people are doing," Wilkins says, "but when you deliver food and go to these agencies, you realize it isn't that way for everyone. You are just amazed by the need."

## Religion

Religious institutions have a special place in the nonprofit sector. Both the U.S. Constitution and the First Amendment forbid legislation that might restrict "free exercise" of religion or advance one faith over others. Religious organizations are exempt from taxation, and they are not required to file IRS Form 990, which lists a nonprofit's annual revenues and expenditures. Both Congress and the courts have avoided defining what constitutes a religion or place of worship. Religious organizations are responsible for starting numerous charities, schools, hospitals, and a variety of other nonprofit groups that in many cases now operate as separate entities.

Religion is the single largest recipient of giving in America. According to Giving USA 1999, religious congregations and denominations received 43 percent of total giving in 1998, which far exceeds the 14 percent figure for the second largest recipient, education.

It is difficult to determine the number of religious institutions in Michigan. According to data collected in Churches and Church Membership in the United States 1990, there

are 7,229 churches in the state, serving more than 4.7 million adherents.

No specific figures are available for Michigan, but Giving USA 1999 and 2000 reports that nationally

- religious giving topped \$81.78 billion in 1999, an increase of 5.5 percent over the previous year;
- the mid-1970s through mid-1980s was a period of strong growth in religious giving; and
- in the 1990s, despite erratic growth, religious giving increased by nearly 69 percent.

#### Spotlight on Religion

### **Catholic organization commits to youths and communities**

“A part of your life, all your life,” is the motto of Catholic Youth Organization (CYO), a nonprofit that serves 175,000 young people every year in the Detroit area. Through sports programs, summer camps, scouting, drug prevention programs, and youth leadership, the organization plays a part in young people’s lives through adulthood.

“Many current volunteers, board members, and staff were involved in CYO themselves when they were young,” says Kathleen Bruton, director of development and public relations. “They stay involved because they believe in CYO’s mission.” The organization was started in 1933 to help young men who were out of work, and its consistent themes have been the faith-based values of justice, loyalty,



and love, according to Executive Director Suzanne Heath.

The goal is to “get kids and communities into something good,” often through athletic programs. Each year about

30,000 youths participate in baseball, football, cheerleading, soccer, basketball, and track through CYO leagues for boys and girls. In addition, the organization's Youth Recreation League works with communities to help them start their own leagues. After-school activities include the Renaissance Youth Center for children and teens, which provides homework assistance, recreation, counseling, and substance abuse prevention programs. The organization also runs two summer camps on Lake Huron; Boy Scout, Girl Scout, and Camp Fire programs for hundreds of children in the area; and leadership seminars, groups, and conferences involving thousands of teens.

Finally, CYO is piloting a nonviolence program, the Peace Curriculum, in two area Catholic schools.

Heath says that CYO's diversity reflects its efforts to respond to the needs of the many communities it seeks to serve. She adds that the start of the new century is an exciting time for the organization. The CYO Board of Directors has begun to redefine goals, a process that undoubtedly will involve change, but the commitment to serving young people will always remain at the organization's core. "Needs are changing all the time," she notes, "and CYO attempts to work in a conscious way to develop programs that respond to the changing needs."

## Foundation Grants

Grant-making foundations are established to aid social, educational, charitable, religious, or other activities that serve society. These institutions, also nonprofits, essentially fund other nonprofits. In the broadest sense, foundations are in the business of giving money to nonprofits that use the funds for the public good. In this category are private foundations, such as the Kellogg Foundation; community foundations such as the Kalamazoo Foundation; company-sponsored or corporate foundations, such as the General Motors Foundation; and federated giving programs such as the United Way. There are an estimated 47,000 grant-making foundations in the United States.

Philanthropy in Michigan has long played an important role in innumerable nonprofit programs and projects. According to the CMF, the state is home to more than 1,700 private, community, and corporate foundations. The largest of these, in terms of assets, are listed in Exhibit 6. The more

## The Largest Foundations in Michigan, by Assets, 1999

### *Independent Foundations*

W. K. Kellogg Foundation (Battle Creek)	\$6.4 billion
Charles Stewart Mott Foundation (Flint)	3.2 billion
The Kresge Foundation (Troy)	2.2 billion
The Skillman Foundation (Detroit)	610 million
The Herbert H. and Grace A. Dow Foundation (Midland)	571 million

### *Community Foundations*

Kalamazoo Foundation	\$268 million
Community Foundation of Southeast Michigan	260 million
The Fremont Area Foundation	197 million
The Grand Rapids Foundation	162 million
Community Foundation of Greater Flint	68 million

### *Company-Sponsored Foundations*

The Ave Maria Foundation (Ann Arbor)	\$250 million
General Motors Foundation	149 million
Steelcase Foundation	127 million
Ford Motor Company Fund	101 million
DaimlerChrysler Corporation Fund	89 million

Source: *Michigan Foundation Directory*, 2000.

Note: Numbers are rounded to the nearest million.

widely known are those established by families or individuals, such as Ford or Kellogg, but more than 90 community foundations have been created to benefit a defined geographic area. The Kalamazoo Community Foundation is one of the largest of its kind in the country.

- Michigan foundations have total assets of more than \$22 billion, and they made charitable expenditures in the last reporting year of over \$1 billion.
- The 402 largest Michigan foundations (23 percent) with assets of more than \$3 million control 97 percent of total assets.

- Even though they comprise over 77 percent of foundations in Michigan, the 1,385 smallest foundations (with assets below \$3 million) account for only 3.4 percent of the states foundation assets.
- Oakland County has the most foundations (469), followed by Wayne County (291) and Kent County (247).
- Michigan foundations in urban/metropolitan areas account for over 90 percent of all foundations in Michigan, hold over 97 percent of the overall Michigan foundation assets, and distribute over 97 percent of all Michigan foundation grants.<sup>20</sup>

#### Spotlight on Grant Making

### **Foundation engages community in child abuse prevention**

Concerned by the death of an abused child in the early 1990s, Grand Rapids civic leaders wanted an organization to unite people in dealing with the troubling issue of abused and neglected children. They needed an organization that could marshal resources, had credibility, and could elicit participation by all sectors of the community. They found that organization in the Grand Rapids Foundation.

The civic leaders' first order of business was to create the task force. It was essential that various agencies responsible for child protection have a role. Representatives from the Family Independence Agency (FIA) and family court, community leaders, and concerned citizens were asked to serve. "When we started there was a lot of tension between the community and its child

protective system," says Wendy Lewis Jackson, the foundation's Children and Family Services program director. "There was a lot of finger pointing, and we needed to focus on how to improve services so that tragedies wouldn't happen again. As a neutral convenor, we definitely had the capacity to bring attention to the issue and key players to the table."

The task force, which met weekly for eight months, reviewed data, discussed problem areas, and suggested possible solutions. The foundation put the panel through a methodical needs assessment that identified gaps in services. The result was 16 recommendations for improving the child welfare system in Kent County. After much work, the foundation and its 34-member task force officially set forth their Perspective 21

<sup>20</sup> *Michigan Foundation Directory.*

initiative, which has galvanized the community to identify and implement solutions for preventing child abuse and neglect.

Among these reforms was a call for the FIA to respond to all reports of abuse and neglect. When the recommendations were issued, the FIA was receiving 4,500 reports a year. Only about 1,800 qualified for investigation, and only one-third of these were substantiated and resulted in services or court action. "As far as the community was concerned, that was not acceptable," says Jackson, "so the foundation took a leadership role in working with the FIA to develop a program to provide services for at-risk families who have been reported to the FIA but whose case was not substantiated." The result was Early Impact Perspective 21, a program that allows the FIA to assess a family's risk factor. Caseworkers then offer to help families deal with issues such as a child's behavior problems or reducing stress. More than 66 percent of the families identified as being at significant risk have taken advantage of the services.

For the Grand Rapids Foundation, that was just the beginning. In a departure from its traditional role as funder, it committed itself to help advance some of the changes. For example, it teamed up with the Steelcase Foundation to fund

the Healthy Start program, which offers support to new parents based on in-hospital assessments of risk factors for abuse and neglect. Services range from referrals, health care, and parent support groups to more intense help from paraprofessionals who guide parents in developing healthy relationships with their children. Services can continue for up to five years.

Although the programs and changes resulting from Perspective 21 are critical to the wellbeing of all children in Kent County, Jackson believes the change in the community mindset is an equally important achievement. Prevention of child abuse and neglect is no longer seen as the responsibility of one agency but of the entire community. Likewise, the child welfare system has come to view community involvement as a positive rather than negative factor. The foundation is now about to launch a similar communitywide effort that focuses on public education. Jackson thinks much was learned from the Perspective 21 process: "We were very committed to the idea that this wasn't going to be just a report on a shelf collecting dust. It was unusual for us to play such an active leadership role. It really opened our eyes in terms of the potential of the Grand Rapids Foundation and the role it can play not just in funding, but in system change."

## **Community Service (Social Justice and Advocacy)**

Organizations in this subsector serve the community in a variety of ways. They may help low-income people buy homes, or protect the environment, or advocate for a spe-

cific state initiative. Some of the most widely known nonprofits in this category are the Humane Society and the Rotary and Kiwanis clubs.

Advocacy groups in this subsector tend to be the most politically active nonprofits. They can be classified as 501(c)(4), which limits the tax deductibility of donations but allows freer range for legislative and political lobbying. Included are the National Association for the Advancement of Colored People (NAACP), the National Rifle Association (NRA), and the National Organization for Women (NOW).

#### Spotlight on Community Service

### Helping people and serving Flint

A ride to Ann Arbor for medical treatment, a musical instrument for a child who cannot afford one, a crib for a newborn—these are the kind of requests the Resource Center of Flint, a 501(c)(3), receives on any given day. People call the organization when they have a need and are unsure who or what organization can help, and the center is there for them. According to Dale Weighill, executive director, “The ordinary citizen doesn’t know much about human services. We are the ones who steer you to the appropriate agency. Our approach is, ‘Tell me who you are and what you want, and we will find it for you.’” As a result, the center has become the place to call not only for people who need help but also for people who want to volunteer.

Volunteer and information services started in 1966 and for a time were part of the United Way. Then the program joined with the former Executive Services Corps, a management consulting group for nonprofits, and Leadership Flint, a

training program for people who want to serve on a nonprofit or governmental board. Since these agencies combined forces in 1997, they have cut down on overhead; received grants for a state-of-the-art computer system, copy machine, and software program; and moved to new headquarters that heighten visibility for all three organizations. Weighill calls the merger “a remarkable experiment that worked very well.” He adds, “It was a slow and gentle process that let everyone walk together.”

Centralization has also led to improved services. One of the most successful programs takes place during the holiday season, when the center compiles client needs from about 100 different agencies and, in cooperation with the Flint Journal, runs a “Wish List” in the newspaper every Sunday for four weeks. The center also has a column in the Journal throughout the year that draws attention to volunteerism and the needs of area nonprofit groups.

The center operates largely through fees charged for the leadership program and consulting services and for directories and lists of clubs and service organizations published by the volunteer and information division.

Are there people who simply cannot be helped? Weighill says that from time to

time someone has a need that no area agency can fill. Even in those instances, however, volunteers try to give the caller some idea about what to do. "We problem solve from your own resources—family, church, neighbors," says Weighill. "We try to think of alternatives that leave the caller in control."

## Environment

In a state bounded by Great Lakes, with more than 5 million acres of wetland and 3,288 miles of shoreline, it is no surprise that Michigan is home to a wide array of environmental nonprofits. Their efforts are sometimes targeted, such as protecting one of the state's 11,000 inland lakes, or may be much broader, such as a statewide campaign for or against an initiative.

Today, the state has 100 environmental nonprofits, with combined assets of more than \$137 million. The Michigan United Conservation Clubs, which is the largest organization of its kind in the United States, has more than 120,000 members and 470 affiliated clubs. Other nonprofits include the Mackinac chapter of the Sierra Club, Friends of the Detroit River, Republicans for Environmental Protection, and the Tip of the Mitt Watershed Council.

### Spotlight on the Environment

#### Conservancy preserves land for future generations

For the staff at the Little Traverse Conservancy, protecting the environment is a straightforward undertaking: They believe the best way to preserve northern Michigan's land is to own it. Few local conservancies in the state have been as successful in buying land. Since its founding in 1972, the Little Traverse

Conservancy has acquired more than 7,000 acres in the northern Lower Peninsula and parts of the Upper Peninsula.

According to Tom Bailey, executive director, "We're not out to get just any kind of land we can. We look for land for

which the highest and best use is conservation. Some of it might be wetlands, or valuable waterfront property, or forest property. But we also understand that other land is appropriate for development,” Bailey adds. “Our goal is not to stand in the way of that. Our goal is to establish a balance. For every parcel of land developed or new road or utility built, there might be an appropriate parcel set aside in some other area. So for us it is an issue of balance.”

While over the years the organization has emerged as the local conservancy in possession of the most acreage in the state, it also emphasizes environmental education. The programs it runs throughout the year give up to 7,000 school children an outdoor experience. Bailey states, “From our founding, we’ve believed that one of the primary groups we are preserving this land for is children, so that they can learn about and appreciate nature in natural settings.” Bailey adds, “We talk a lot about ‘from what’ and ‘for whom’ around here. What are we protecting these natural lands from? Well, it’s clear that we’re protecting them from development and destruction and so on. But for whom are we preserving them? Human use of natural land is important, too.”

Another important aspect of the organization is stewardship of property, which can involve active forestry management, building trails and parking lots, or leaving the land essentially as it

was when purchased. The conservancy maintains preserves throughout Emmet, Charlevoix, Cheboygan, Mackinac, and Chippewa counties.

According to Bailey, the mission has remained essentially unchanged, except for the decision to acquire what are known as conservation easements. These allow a landowner to retain the property but limit the type and amount of development. The organization now has secured more than 2,000 acres of conservation easements.

In addition, the growth of the conservation movement in Michigan has changed the organization’s operation over the years. When Bailey began working for the nonprofit in 1984, he was the only full-time staff member, and his only full-time colleagues were at the Nature Conservancy. Today, there are dozens of employees at about 40 local conservancies throughout the state. Bailey believes that this indicates a growing appreciation of the need to conserve Michigan’s natural resources as well as how much land there is to protect. “Our time frame is obviously very long,” he says, “but as time goes on, we will become more of a stewardship operation. We already have two full-time stewardship staff people, and that number is going to grow as we acquire more land. There is still a lot of land out there, and we are going to be acquiring it for a long, long time to come.”

## Arts, Entertainment, and Recreation

This category includes museums, zoos, athletic associations, parks, fairs, and the performing arts. It constitutes only 8 percent of U.S. nonprofits but is highly visible, because a large portion of cultural and artistic activity is sponsored by nonprofit organizations.

- Nonprofits account for 62 percent of employment in live theater.
- More than 90 percent of orchestras, opera companies, and chamber music groups in the country are nonprofits.
- Of the 3,553 private museums, art galleries, and zoological gardens in the United States, 87 percent are nonprofits.<sup>21</sup>

Michigan has more than 485 arts and cultural organizations, and their combined assets are \$681 million. Groups include the Detroit Institute of Arts, the Lansing Symphony Orchestra, the Purple Rose Theatre, and the East Lansing Film Festival. According to the latest figures available, this subsector is the fourth largest among public charities in Michigan.

### Spotlight on Arts, Entertainment, and Recreation

#### **Museum is a resource for U.P. families**

What if you could design a museum from the ground up? Better yet, what if you could get a community—especially children—involved in designing it? Is something like that even possible? In the late 1980s, Nheena Weyer Ittner asked herself these questions. A high school art teacher in Ishpeming and mother of two

young children, she wanted to create a place where families could go to learn and enjoy activities together. In 1997, Weyer Ittner and the nonprofit organization she founded opened the Upper Peninsula Children's Museum and Investigation Station.

<sup>21</sup> *America's Nonprofit Sector: A Primer.*

The museum is in Marquette in what was once a cold storage building. Completely renovated, the 32,000-square-foot facility is now a frenzy of activity. Children can take apart appliances at the "RecycloTorium" to see what is inside, drive mining trucks in the "WonderGround," or "flush" themselves down a slide from an enormous toilet bowl to follow the cycle of wastewater.



"The museum is about not just pushing buttons but doing more creative thinking and problem solving in the environment we provide," says Weyer Ittner, who is now executive director. "A lot of times in museums you'll see parents interpreting things to their children. That's not so here."

In fact, children and parents had an active hand in the design. "The thing that we thought was most important was including the children and families in the design process," says Weyer Ittner. The

organization worked with a variety of professionals, who helped with everything from building codes to plumbing. Young people made blueprints on computers and worked closely with the museum staff to come up with a final design. The community pulled together, and countless people contributed in one form or another to helping the museum open. Weyer Ittner believes that this kind of community investment and involvement makes a nonprofit endeavor special. "There's not one computer, table, or chair that we bought. Everything has been donated. We couldn't even hire an interior designer, but it was better that way because the community now takes a lot of pride in the museum. They made it happen."

Although most of the exhibits are geared for young children, many older kids participate in a variety of after-school programs. Teenagers can take part in the "solutions" group, where they make menus for a local restaurant, or the Youth Design Studio, where they learn product design and make the compact disc holders sold in the museum store. Other activities include writing radio spots or newspaper stories through the Children's Express News Bureau (housed at the museum), or learning to play banjos and dulcimers with visiting musicians. The museum also operates a mentorship program for troubled teens referred by the juvenile court.

Although relatively new, the museum already is a great success.



# The Future of Michigan Nonprofits

The new century holds much opportunity and promise. Technology is altering our lives in ways nothing short of amazing. Democracy has swept through parts of the world long closed to such a possibility. Strong economic growth in the United States has become almost commonplace. Nonetheless, our society faces challenges: the widening gap between rich and poor, inadequate health care for millions of Americans, the poor performance of many K–12 schools, and racial and ethnic disunity.

Nonprofits will surely be engaged in these issues and many others as they pursue their historical role as advocates, service providers, facilitators, and consensus builders. But in Michigan and elsewhere, nonprofits will face their own challenges. The four major issues confronting Michigan nonprofits in the immediate future are described below, followed by recommendations for action.

**The challenges that lie ahead will surely test Michigan nonprofits and their ability to meet the needs of an ever-diverse society.**

## **THE CHALLENGES AHEAD**

### **Challenge #1: Inadequate Resources**

Most nonprofits are small operations with tight budgets, and funding is always a difficult and complex problem. Government cutbacks add to the difficulty, but that is not the whole

story. In some ways, the quest for resources is changing the nature of nonprofits. Increasingly, many nonprofits are attempting to “turn a profit” to cover operating expenses, that is, establish moneymaking ventures as a source of revenue. This has led to some resentment among small business owners, who believe nonprofits have an unfair advantage because of their tax-exempt status. Although some in the nonprofit world are passionate advocates of moneymaking ventures, the approach is not universally accepted.

*Increasingly, many nonprofits are attempting to “turn a profit” to cover operating expenses, that is, establish moneymaking ventures as a source of revenue.*

The issue of “mission drift” is likewise controversial. Increasingly, foundations and donors are stipulating that their donations be directed to specific uses that may or may not directly correspond with the mission of the recipient nonprofit. This can cause a nonprofit organization to lose sight of (or “drift” away from) its original mission.

## **Challenge #2: Recruiting and Retaining Staff**

In a tight labor market, the traditionally low salaries of charitable organizations are a serious liability. Many Michigan nonprofits are struggling with the pay issue as the strong economy continues and the state hovers near full employment. Historically, the appeal of higher salaries in the business world could be offset to some degree by the better benefits offered by nonprofits. That is becoming less of an option, however, because the cost of health care and other benefits is rising at a rate greater than inflation. Furthermore, in a highly competitive labor market, nonprofits that do not offer skills development or other professional growth opportunities are likely to find it more difficult to attract and keep outstanding employees.

### **Challenge #3: Strong and Effective Board Membership**

A critical element in any organization is an effective leadership team, which includes not only the executive director and senior staff but also the board of directors. As the National Center for Nonprofit Boards points out, most nonprofits are corporations, which means they are legal entities distinct from the individuals who founded them. They are governed by a board of directors with legal and ethical responsibilities that cannot be delegated.

Strong and committed trustees are at a premium in the nonprofit sector today. Constant restructuring in the business world and shorter tenures for many in the private and public sector put increasing demands on the time and attention of people who are top-flight candidates for board membership. It will be imperative to find motivated, committed, and capable people to serve on nonprofit boards. Furthermore, they need effective training to carry out their duties, because many from business and industry are unfamiliar with nonprofit management and issues, such as recruiting and organizing volunteers and fundraising.

*It will be imperative to find motivated, committed, and capable people to serve on nonprofit boards.*

### **Challenge #4: Accountability and Organizational Identity**

Over the years, highly publicized scandals have raised questions about the oversight ability of nonprofits. In addition, there is growing demand from donors for proof of outcomes. The chief accountability document used by nonprofits, IRS Form 990, requires little performance information. In some quarters of the nonprofit sector, the issue is referred to as the “accountability crisis.”

Furthermore, in Michigan as elsewhere, the din from seemingly endless media messages and the increased demand on staff and resources make it difficult for many nonprofits to promote their successes and achievements. The challenge will be to define and refine missions and objectives, show measurable results, and strengthen community identity through effective communication.

## **A CALL TO ACTION**

The challenges that lie ahead will test the ability of Michigan nonprofits to meet the needs of an increasingly diverse society. Yet, new ideas about philanthropy, service delivery, and management are already altering the landscape. Six recommendations by the California Association of Nonprofits provide guidelines for action in Michigan and elsewhere that will convey a vision of what nonprofits can be.

### **Call to Action #1: Make accountability and ethical behavior a priority**

Nonprofits can no longer assume that the public good they do is self-evident. They need to communicate proactively about their programs and outcomes, making it clear that they are managing their resources with integrity. Results need to be measured at several levels. Program, organizational, and sectorwide evaluations should be an ongoing, public process, and the results should be widely distributed. Accountability also must be sensitive to the unique needs of cultural and ethnic groups.

### **Call to Action #2: Have a voice in political decisions**

The nonprofit sector should not be government's silent partner. It must have strong political leadership and an ongoing presence in political debates. Each nonprofit organization, whether alone or (preferably) in partnership

with others, needs to be assertive in representing its interests and those of its clients when important public policy is at stake.

The Filer Commission and others have called for representation of the nonprofit sector within the federal government in the form of a special office, an assistant to the president, a congressional subcommittee, or all three of these.

### **Call to Action #3: Resist attempts to limit nonprofit rights to lobby or advocate**

There is no logical reason to prevent nonprofit organizations from advocating for their constituencies or the sector as a whole. Although nonprofits have unique tax-exempt status, many of the individuals and groups that lobby various levels of government are seeking to receive or expand tax breaks. Nonprofit organizations should not be discouraged from or criticized for exercising their right to speak out on policies and legislative issues that affect their clients or communities.

### **Call to Action #4: Improve and expand funding and incentives for giving**

More is expected of nonprofits, and fewer dollars are available. An array of solutions should be developed. For example, foundations and government could help fund general operating costs, the most important and pressing need of nonprofit organizations. In view of the investment growth in foundation assets in recent years, many could give more than 5 percent annually and not reduce their principal.

Nonprofits must take the lead in urging corporations and individuals to increase donations. Also, federal and state legislators could be encouraged to devise incentives that will foster giving.

## **Call to Action #5: Form strategic alliances to enhance productivity and effectiveness**

The scale of the financial, physical, and human resources needed to address the critical issues in our state exceed the capability of any one sector. The health and sustainability of a community depend upon everyone working together, not just the efforts of a few nonprofits. It is essential to pool resources. Partnerships and collaborations among the public, private, and philanthropic sectors are most likely to produce successful and lasting results. Strategic alliances should be flexible, so that organizations can respond and change as needed to achieve the outcomes they seek. This new approach by government, business, nonprofits, funders, and the academic community will shift thinking away from the special interests of a particular segment toward new policies, programs, and methods of problem solving.

## **Call to Action #6: Reexamine the role and operations of nonprofits in light of new realities**

It is time for nonprofits to seek a new consensus, a new definition of what we do and how we do it, and how we will work with business and government. Traditional concepts of charity and volunteerism must give way to organizational structures that respond to current realities. We also need well-paid professionals who create services for the entire community, not just “those in need.” Long-term assumptions need to be rethought, sometimes from the ground up. The nonprofit emphasis on duty and self-sacrifice may have to be expanded to include new values, such as social entrepreneurship and even self-interest. For years, nonprofits have valued their independence, but close collaboration with business and government is becoming essential. Philanthropy in isolation must give way to community problem solving that involves the widest possible range of participants in order to achieve the public good.

# Appendix

## About the Michigan Public Policy Initiative

This booklet was made possible by the Michigan Public Policy Initiative (MPPI), a collaborative effort of the Michigan Nonprofit Association (MNA) and the Council of Michigan Foundations (CMF). MPPI is a voice for the nonprofit sector and works with leaders in the public and private sectors to influence public policy. The project's goal is to promote the involvement of Michigan's nonprofit community in public policy by training its leaders, building the capacity of its organizations and encouraging collaborations with public policymakers.

The initiative is a response to several needs.

- As the federal government shifts more of the responsibility for managing programs to the state and local level, a neutral public policy information source is required.
- Especially in view of term limits, new and prospective legislators need educational programs about the critical issues and challenges facing the nonprofit sector.
- A neutral communication link will enable academic researchers to help nonprofit practitioners improve public policy and managerial practice.

- The shift in public attitudes toward nonprofits and the changing relationships among the public, private, and nonprofit sectors are altering the availability and quality of services provided in communities throughout Michigan. These changes and possible solutions need to be explained to the public.

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## **The Michigan Nonprofit Association**

The MNA is a statewide organization with more than 600 members who represent every part of the state as well as the great diversity of the sector. The association's mission is to increase the awareness and promote the effectiveness of Michigan nonprofits and advance the cause of volunteerism and philanthropy in the state. Along with its two affiliates, the Michigan Campus Compact and the Volunteer Centers of Michigan, MNA provides members with a range of services

and information. The association believes that strong and vital nonprofit organizations are essential in helping to build healthy communities.

Based in East Lansing, the MNA has grown quickly since its founding in 1990. It is not only an important advocate for the nonprofit sector but also a clearinghouse where member organizations can share information, regardless of the barriers of distance or financial resources.

### **The Council of Michigan Foundations**

Established in 1973, the CMF is a nonprofit association of 400 private, family, community, and corporate foundations as well as corporate-giving programs that make grants for charitable purposes. The mission of CMF is to enhance, improve, and increase philanthropy in Michigan.

The council supports both existing and developing grant-making foundations with specialized publications, training events, a FAX-on-Demand Service, advocacy with state and federal policy makers, and on-site consultation. In addition, the CMF networks with organizations that serve the nonprofit sector and grant seekers.

The CMF has two affiliates. The Michigan AIDS Fund is a collaborative effort of public and private philanthropy to prevent the spread of AIDS and alleviate suffering for those infected or affected by it. The Michigan Community Foundation's Youth Project encourages the growth of community foundations by involving high school students as grant makers on youth advisory committees.