2017 Annual Report: State of Nonprofits in San Diego

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Nonprofits contribute $6B in total wages to the region

The San Diego region has a diverse and growing nonprofit community working on the front lines to address our communities’ most pressing challenges.

89% of leaders surveyed expect the general financial health of their nonprofit to be about the same or better in 2018 vs. 2017

Nonprofit leaders face internal challenges as they anticipate changes to federal policies along with growing demand for services that outpaces their capacity to respond.

70% of nonprofit leaders surveyed reported elevated staff anxiety about the future, in light of potential changes to federal laws and policies

In addressing community needs, nonprofits also make a significant impact on the region’s economy.

Footnotes:
1 PolicyLink and the USC Program for Environmental and Regional Equity. (2016). The National Equity Atlas.
6 California Community Foundation. (2014). Full Cost Project is a partnership between Northern, Southern and San Diego Grantmakers with the Nonprofit Finance Fund. More information can be found at FullCostProject.org
The region’s communities are changing, and nonprofit leaders recognize the need for greater focus on diversity, equity and inclusion (DEI) in their organizational policies and practices. 86% of nonprofit leaders surveyed have organizational policies that reflect a strong commitment to DEI – on average, they are only slightly to somewhat satisfied with their progress toward these goals.

The San Diego region is one of the most diverse in the country, with over half of the region’s population – 53 percent – comprised of people of color. Likewise, as San Diego’s population has grown, income inequality has widened, with poverty concentrated in communities of color.

As a result, nonprofits and philanthropy are wrestling with how to become more diverse and inclusive, to better reflect the communities that they serve. Yet many find it difficult to operationalize their commitment to diversity and inclusion, notably in hiring staff and recruiting board members. Recent research found that, despite high levels of dissatisfaction with board demographics among nonprofits, board diversity has remained the same and current recruitment policies are not likely to change.1 Another study on diversity in nonprofit and foundation leadership across the US found that 87 percent of all executive directors or presidents were Caucasian, with few people of color filling these roles.2

Building more diverse and inclusive leadership and boards are essential for positioning nonprofits and philanthropy to work with and understand how political, economic, and cultural shifts affect the communities they serve.3 However, more investment in resources is needed to develop effective policies and practices, set specific goals and objectives, foster accountability, design and conduct trainings, offer mentoring and fellowship programs, and other opportunities to support organizations in their efforts to become more diverse and inclusive.

“...We learned that it is one thing to believe in diversity, but it is a whole other thing to effect a strong commitment to DEI – on effective policies and practices, to effect the communities that they serve. Yet many...”

- Nonprofit Leaders Survey Respondent

San Diego’s diversity ranking among 150 US metro regions

9 out of 10 San Diegans believe climate change is happening

"Too much emphasis is placed on keeping your employee costs low... as the CEO, have passed up on raises multiple years just to ensure the staff was able to get an increase so our salary and compensation line item doesn’t get too high.”

- Nonprofit Leaders Survey Respondent

One measure of liquidity - unrestricted liquid net assets (ULNA) - suggests the region's nonprofits typically have less than two months of liquidity (1.52 months) to cover total expenses

"...If a funder wants measureable change in terms of outcomes, they should ... [provide] a minimum of 20% for measuring outcomes. Small nonprofits may not have an expert evaluator on staff, so a consultant will likely be needed...”

- Nonprofit Leaders Survey Respondent

Most San Diegans – 85 percent – expressed high confidence that public misconceptions about the nonprofit business model.

This perception stems, in part, from the widespread use of overhead as a measure of nonprofit efficiency. Third party watchdog groups have rated nonprofits based on overhead rates while government agencies have set fixed rates by which organizations can budget expenses not directly tied to program delivery. It is not surprising then, that two thirds of nonprofit leaders surveyed this year reported feeling pressure to conform to funders’ and the public’s expectations for low overhead. These operating pressures are amplified by increasing demand for services.

A growing number of nonprofit finance experts, funders, and nonprofits have come together to assess the detrimental impact of using overhead rates as a measure of efficiency, noting that a better measure of nonprofit effectiveness is in performance outcomes. In California, the Full Cost Project 4 was launched to inform the way grantmakers fund nonprofits, in an attempt to shift the emphasis away from murky definitions of overhead toward full cost accounting. San Diego Grantmakers, CalNonprofits and The Nonprofit Institute, among others, are working together to redefine nonprofit success using measures that track outcomes and impact. With this in mind, a number of nonprofit leaders reported the need for greater capacity in data collection and impact measurement and external evaluation support.

65% San Diegans are confident that nonprofits spend money wisely

"Moving Beyond the Overhead Myth as Demand for Services Outpaces Nonprofit Capacity

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