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ANNUAL REPORT

STATE OF NONPROFITS & PHILANTHROPY

IN SAN DIEGO

INTENTIONAL LEADERSHIP IN DYNAMIC TIMES

Presented by:
THE NONPROFIT INSTITUTE

OCTOBER 2022



University of San Diego
**SCHOOL OF LEADERSHIP
AND EDUCATION SCIENCES**



About The Nonprofit Institute

Mission: At The Nonprofit Institute (NPI), we partner with and advocate for the community through research, training and education to develop values-driven leaders and strengthen nonprofit organizations working towards transformational impact.

Vision: The Nonprofit Institute envisions a world where courageous and compassionate changemakers work together for a more equitable, just society and healthy planet.

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INTENTIONAL LEADERSHIP IN DYNAMIC TIMES

The past few years have been very difficult. San Diegans express growing alarm about the challenges we face as a region. At the same time, nonprofit leaders give mostly failing grades to our region's leadership in academia, business, government, and philanthropy in tackling difficult issues. The moment calls for leaders across our communities to look for new ways to work together in finding opportunities and solutions that create a brighter future for residents.

Nonprofits often address critical needs that the private and public sectors either cannot or will not meet. In fact, in a recent public opinion poll commissioned by The Nonprofit Institute, the issues that San Diegans list as top concerns are those where nonprofit organizations play a vital and leading role. Likewise, nonprofit leaders are developing innovative approaches and partnerships to amplify positive outcomes across our region. In keeping with their role as the "for benefit" sector, our nonprofit community is undertaking their work against all odds. Nonprofits face ever-increasing demands to deliver services while struggling to recruit and retain qualified staff to carry out those services. Perhaps even more concerning is that San Diegans appear to take the sector for granted, ranking the economic health of nonprofits lowest on their list of quality-of-life concerns.

As a leaderful community committed to advancing the social good of our region, we can no longer afford to take the nonprofit sector for granted. We risk losing what we most cherish about living in San Diego - the community of caring people who deliver vital services to those in need, as well as our array of arts, culture, educational, and outdoor amenities that enrich and make our lives meaningful. For better or for worse, it is up to all of us who work in this sector to tell our stories more loudly and clearly. We need to shout it out from the rooftops, to let San Diegans know about the many ways, both large and small, that we touch people's lives every day.

We must look beyond the barriers to meaningful change and problem-solving. We have energized leadership in our nonprofit organizations that is ready and willing to make change. With their missions for good and their dogged determination to improve the quality of life for all San Diegans, it is incumbent upon all of us to invest in nonprofits as our most trusted institutions. Now is the time for San Diegans to step up and give more to our nonprofit community. Now is the time for academia, business, government, and philanthropy to deepen their support of the sector. We owe it to future generations.



Emily Young, PhD
Executive Director, The Nonprofit Institute

EXECUTIVE SUMMARY

A Shifting Nonprofit Paradigm

This year's State of Nonprofits and Philanthropy report finds San Diego County nonprofits are well positioned to innovate to meet challenging community needs and advance the quality of life in our region. These findings are evidenced by:

- Unprecedented levels of cash reserves and healthy financial positions
- Effective collaboration strategies that improve impact
- A more productive dialog about equity and social justice issues within the sector and with foundation and government partners
- Increased recognition for the ways climate change intersects with the mission focus of all nonprofits
- A growing philanthropy sector focused on San Diego
- An increase in efficient philanthropy practices
- Significant allocations to nonprofits included in the most recent California state budget
- High levels of public trust in nonprofits
- San Diegans' strongly held belief that they can make a difference in their community through nonprofits

However, the sector's ability to realize its full potential is most immediately threatened by the impacts of inflation and competition for qualified workers. In the nonprofit sector, inflation increases the cost of delivering services and puts upward pressure on wages in an already tight labor market. A higher cost of living will likely erase any gains nonprofits have made to date toward pay equity. Inflation is eroding the value of nonprofit assets as well as the wealth of individual donors who support the sector, lessening their ability to make donations. Furthermore, as fewer people are able to make ends meet due to the impacts of inflation, demand for nonprofit services will continue to go up.

At the same time, San Diegans are growing increasingly concerned over a host of issues that impact our quality of life including housing, climate change and wildfires, and jobs that provide a livable wage. However, individuals don't seem to realize that the issues over which they express the most alarm are the ones addressed, in large part, by local nonprofits. As a result of growing concerns, the need for nonprofit services is also increasing. For example, over half of nonprofit leaders we surveyed reported a waiting list for services and programs. To effectively address increasing demands for service, the sector needs to grow. Indeed, 60 percent of nonprofit leaders predict they will need to hire for new positions in the coming year. Yet, two-thirds report difficulty hiring as they compete with the for-profit sector for talented staff on an unlevel playing field. Until individuals make the connection between the health and capacity of the nonprofit sector and their own quality of life, the sector will likely remain under-resourced.

Recommendations

In many ways, this is something of a watershed moment for all who derive benefits provided by the nonprofit sector. To temper the challenges in the current operating environment and fully capitalize on this moment in time, we make the following recommendations.

For Nonprofit Leaders and Boards:

- Assess and strategically deploy excess reserves to innovate and secure future revenue.
- Familiarize your organization with potential opportunities offered in the federal Inflation Reduction Act — especially those related to energy tax incentives and expanding outreach and service to underserved communities — and the newly approved California State budget which makes sizable allocations for nonprofits.
- Ensure sound financial planning to manage the effects of inflation and to prepare for a potential economic downturn.
- Let go of outdated ideas about nonprofit wages. Undertake a comprehensive wage and salary review and set goals to achieve competitive salaries at all levels.
- Advocate with foundation and government funders to invest in the nonprofit workforce.
- Double down on efforts to create more diverse and inclusive boards and organizations.

For Donors, Foundations, and Corporate and Government Funders:

- Recognize the outsized impact of inflation on nonprofits and increase your donations, grants, and reimbursement rates accordingly.
- Invest in the development of the nonprofit workforce the same as you would other sectors.
- Create more stability in the nonprofit sector by making recurring donations or multi-year commitments.
- Tell the story of the nonprofit sector.

For the San Diego Community:

- Be an advocate with your friends and elected officials for the causes you are concerned about and the nonprofits that advance those causes.
- Engage directly with the nonprofits that protect your quality of life in our region — ask them how you can help.
- Consider working for a nonprofit.

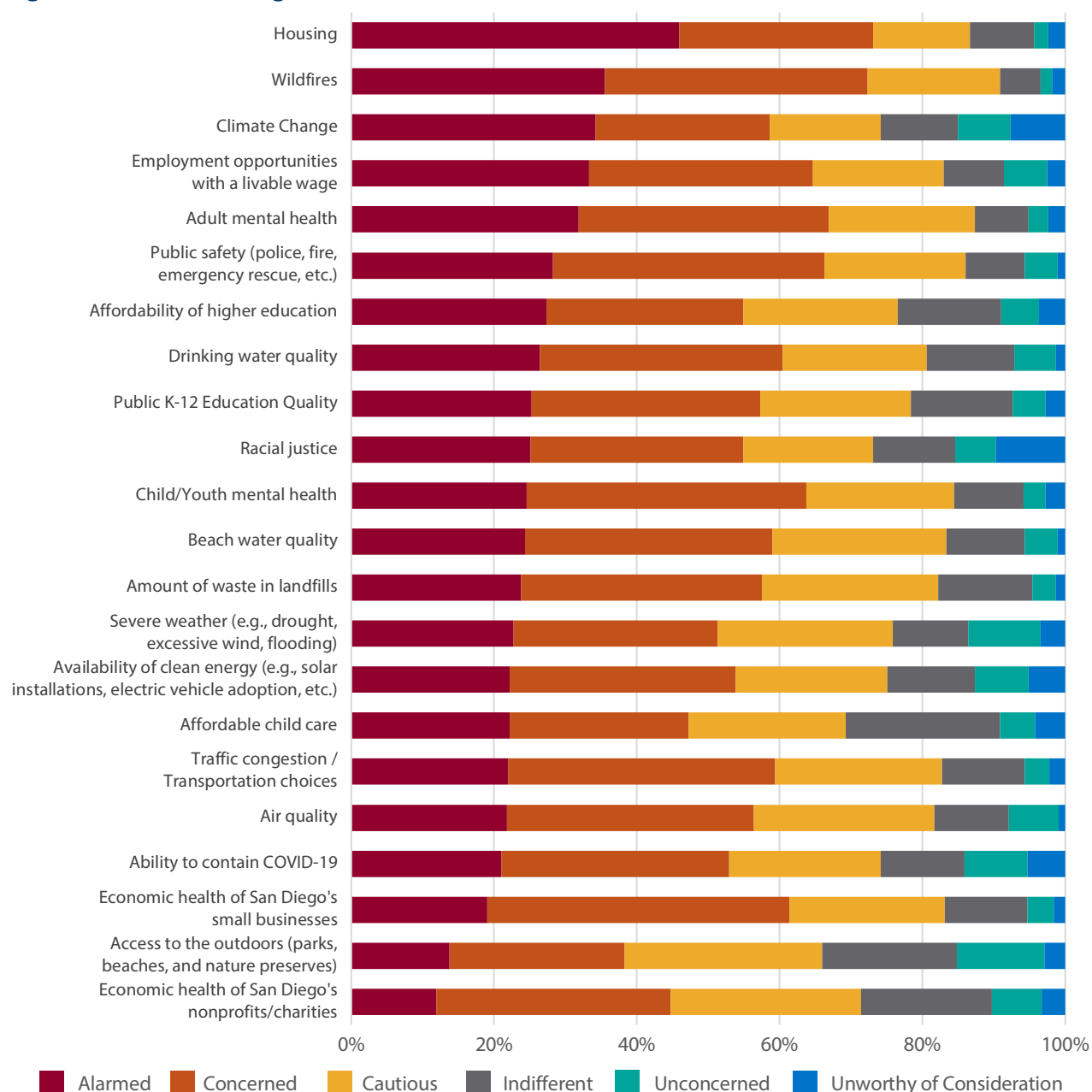
The background of the entire page is a repeating pattern of various San Diego neighborhood signs. These include 'Welcome to Borrego Springs', 'MISSION HILLS', 'HILLCREST', 'OCEANSIDE', 'NORTH PARK', 'ESCONDIDO', 'CARLSBAD', 'LAKEVIEW', 'ENCINITAS', 'Point Loma', 'BARRIO LOGAN', 'KENSINGTON', 'UNIVERSITY HEIGHTS', 'LITTLE ITALY', 'LINDA VISTA HOME OF THE UNIVERSITY OF SAN DIEGO', 'Ocean Beach', 'NORMAL HEIGHTS', 'THIRD AVENUE', 'IMPERIAL BEACH', 'LEMON GROVE', and 'Welcome to San Diego'. The signs are in various colors and styles, some with illustrations of landmarks or animals.

PART 1. INTRODUCTION

Growing Concerns in the Region

San Diego County residents are living in a time of dynamic change. The COVID-19 pandemic, economic volatility, climate change, and political polarization have contributed to uncertainty in our work and personal lives. In our quarterly polls of San Diego County residents, conducted in partnership with Luth Research, we have found that people are growing increasingly alarmed about many issues. As Figure 1 shows, access to housing, the effects of climate change, lack of employment opportunities with livable wages, and mental health are primary areas of concern. Despite this heightened apprehension over many of the issues that nonprofits are called upon to address, in our latest poll, San Diegans ranked the economic condition of nonprofits as their lowest issue of concern.

Figure 1. What San Diego Residents are Concerned about in 2022



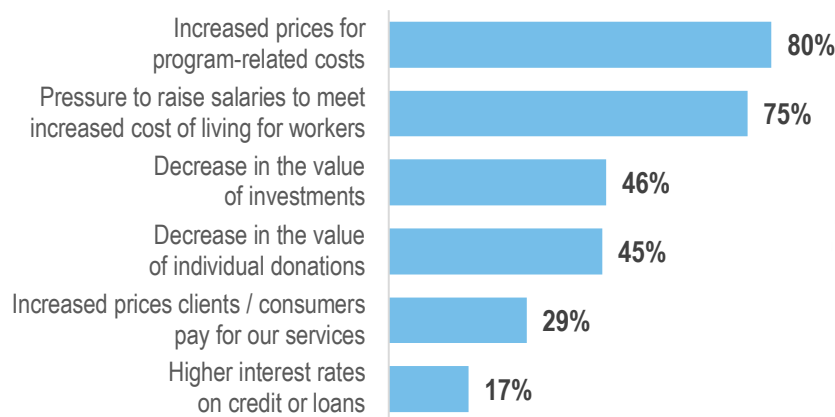
Effects of Inflation

Perhaps the most concerning trend in the sector this year is the rising costs of living in the region coupled with historic levels of inflation. These are especially detrimental to the nonprofit sector. Not only does inflation drive up the costs nonprofits incur when delivering their services, as Figure 2 shows, respondents in our nonprofit leader survey reported that inflation has put upward pressure on wages, eroded the value of nonprofit assets, and negatively influenced individual giving. Furthermore, as fewer people are able to make ends meet due to the impacts of inflation, demand for nonprofit services will go up.

"Inflation is a huge challenge for staff. We have staff calling out sick because they don't have gas to get to work."

Health
Organization

Figure 2. Current Impacts of Inflation on San Diego Nonprofits



"Don't underestimate the issue of hiring staff and the impact of inflation and the housing crisis. This is the #1 issue on the minds of NGO CEOs."

Environment
Organization

Perceptions of Regional Leadership

Nonprofits are working on the front lines of the region's most pressing issues while navigating a turbulent operating environment. Given that, we asked nonprofit leaders to rate the extent to which they believed local representatives of different groups demonstrate the leadership necessary to enact solutions to critical challenges in the region. As Figure 3 shows, at a time when San Diego residents have expressed concern about quality of life in the region, nonprofit leaders reported a lack of confidence in leadership across sectors to implement change.

Figure 3. Leadership Report Card
(on a scale of 1-10)

Community and Private Foundations	6.4	D
Individual Philanthropists	6.2	D-
Local Government	5.6	F
Institutions of Higher Education	5.5	F
Corporations	4.5	F

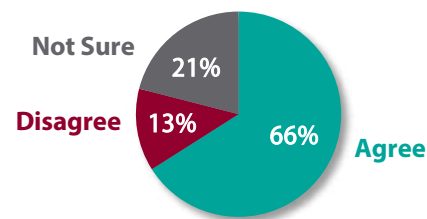
Confidence to Address Community Challenges

Despite the many challenges facing the region, San Diegans believe in themselves and in their local nonprofits to improve the welfare of all San Diegans.

Individual Ability to Make a Difference

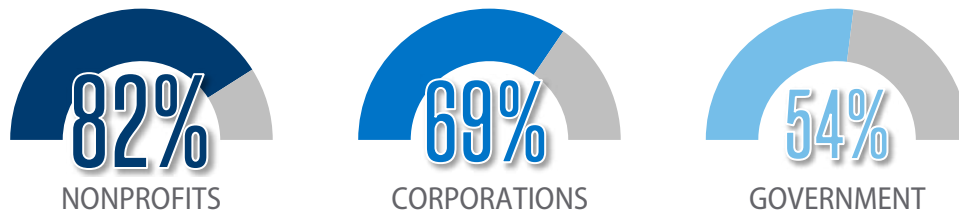
Based on our quarterly poll of San Diego residents, Figure 4 shows that most San Diegans (66%) believe they have the power to make a difference in their communities.

Figure 4. It is in my power to improve the welfare of others, by personally giving or volunteering.



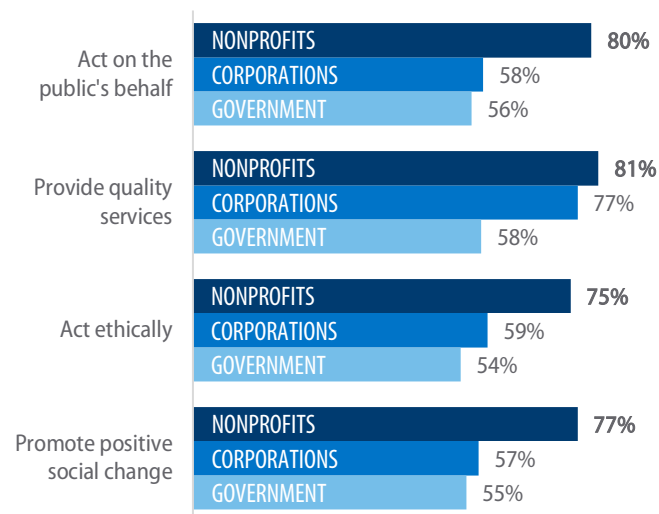
Institutional Ability to Make a Difference

Figure 5. San Diego Residents' Confidence in Local Institutions



Furthermore, our ongoing public opinion polls have documented unwavering and high levels of public confidence in the local nonprofit sector. As Figures 5 and 6 illustrate, compared to local government and businesses, nonprofits are most trusted to act on the public's behalf, provide quality services, act ethically, and promote positive social change.

Figure 6. San Diegans Rank Nonprofits Highest at Addressing Community Needs

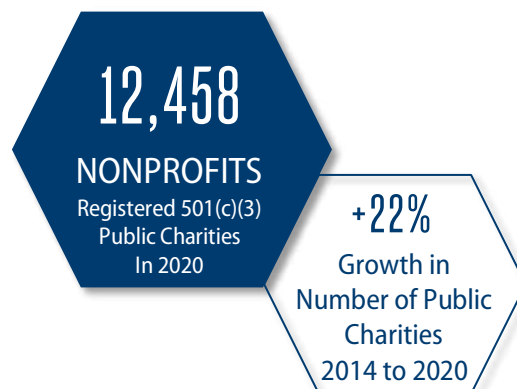


The background of the page is a repeating pattern of various San Diego neighborhood signs. These include "Welcome to Borrego Springs", "Mission Hills", "Hillcrest", "Oceanside", "North Park", "Escondido", "Carlsbad", "Lakeside", "Encinitas", "Ocean Beach", "Normal Heights", "University Heights", "Point Loma", "Barrio Logan", "Kensington", "Third Avenue", "Imperial Beach", "Lemon Grove", "Little Italy", "Ramona", and "Linda Vista". The signs are in different colors and styles, some with illustrations of landmarks or animals.

PART 2. SAN DIEGO'S EVOLVING NONPROFIT AND PHILANTHROPIC LANDSCAPE

Nonprofit Growth and Economic Stagnation

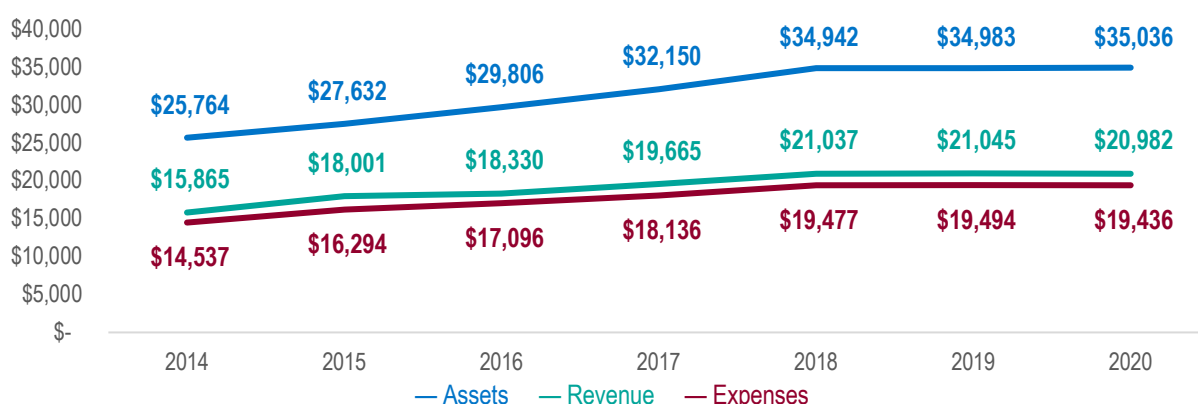
As our world has undergone dynamic large-scale changes over the past few years, San Diego County's nonprofit and philanthropic sectors are transforming to meet fluctuating and emerging community needs as well as shifting funding sources and donor priorities. The sector as a whole continues to grow, with growth concentrated in the largest organizations, which represent 9 percent of the overall sector.



Profile of San Diego's Nonprofit Sector

The number of nonprofits has steadily grown (22 percent growth since 2014), but as Figure 7 shows, growth in nonprofit assets, revenue, and expenses have leveled off since 2018. These measures of economic activity and health, taken from the most recently publicly available data, indicate the sector was experiencing a period of economic stagnation leading into the COVID-19 pandemic.

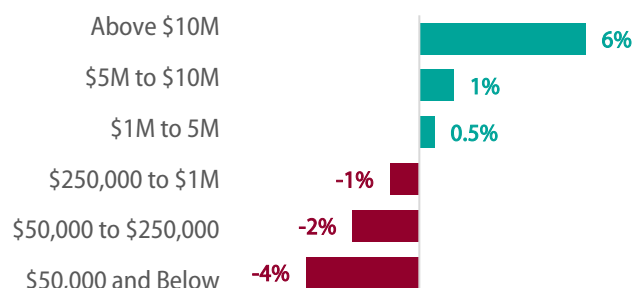
Figure 7. San Diego Public Charity Revenue, Expenses and Assets (in Millions), 2014 to 2020 (IRS Tax Form 990/990EZ Filings)



Growth in revenue has not been uniform across the sector. Although organizations with budgets less than \$5million comprise 91 percent of San Diego's nonprofit sector, Figure 8 shows that over the past five years, total revenue among these organizations has shrunk or remained about the same while revenue among the largest organizations has grown.

Figure 8. Five-Year Annualized Growth in Revenue by Budget Size, 2016 to 2020

(IRS Tax Form 990/990EZ Filings)

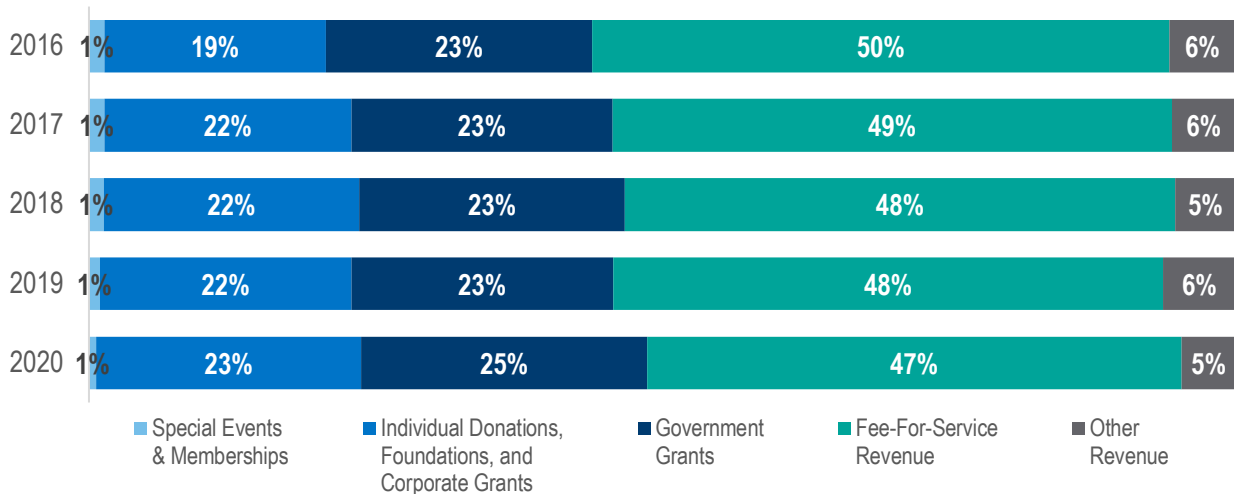


Changes and Disparities in Nonprofit Revenue

San Diego County nonprofits generate revenue from a variety of sources, including individual donations, government grants, and fee-for-service revenue. Figure 9 shows that, overall, in San Diego County, the sector has historically generated the majority of its revenue from fee-for-service activities, followed by government grants and philanthropic giving (donations from individuals, foundations, and corporations). Government grants and philanthropic giving were a larger source of revenue in 2020 than in the previous five years, likely as a result of COVID-19 emergency relief funding.

Figure 9. Primary Nonprofit Revenue Sources, 2016 to 2020

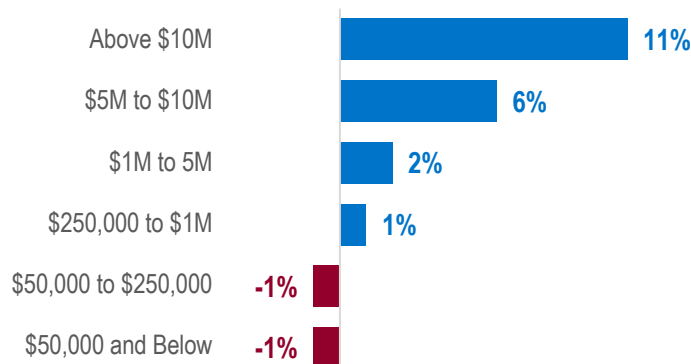
(IRS Tax Form 990/990EZ Filings: Excludes Hospitals and Higher Education)



As reported to the Internal Revenue Service, the contributions category includes revenue from individual donations; foundation, corporate and government grants; and special events. Figure 10 reflects a disparity in contribution growth between small and large organizations. Organizations with budget sizes over \$10 million have an annualized growth in their contribution revenue of 11 percent over the past five years, while the smallest organizations (budget size of \$50,000 and below) have experienced a decline in funding within this category.

Figure 10. Five-Year Annualized Growth in Contributions by Budget Size, 2016 to 2020

(IRS Tax Form 990/990EZ Filings)



Expanding the Footprint of Philanthropy

Profile of San Diego's Philanthropic Sector

In 2019, the Internal Revenue Service (IRS) recorded financial data for 951 foundations located within San Diego County, comprised of community, corporate, operating, and independent and family foundations. An analysis of these active filers is presented in Table 1 and shows total San Diego County foundation assets of \$7.5 billion. These assets provide the basis for grantmaking to nonprofits within and outside the county. Independent and family foundations represented 84 percent of all foundations and more than two-thirds of total assets. Although community foundations made up just 3 percent of all foundations in the county, they accounted for 22 percent of total assets. In contrast, corporate foundations were 2 percent of total foundations and held 2 percent of assets.

Table 1. Number, Percentage, and Assets of Foundations Located in San Diego County, 2019 (IRS Tax Form 990/990EZ Filings)

Foundation Type	Number of Organizations	Percentage of Organizations	Percentage of Assets
Community Foundation	27	3%	22%
Corporate Foundation	16	2%	2%
Operating Foundation	112	12%	4%
Independent & Family Foundation	796	84%	72%
Total	951	100%	100%

Independent & Family Foundations

Independent and family foundations have continued to grow in number and assets. Since 2014, the number of foundations has grown 14 percent.

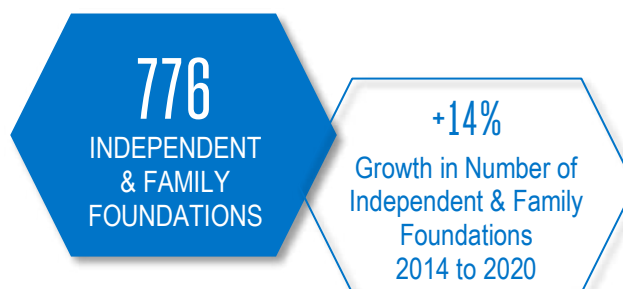


Figure 11. San Diego Independent and Family Foundations Assets (in Millions), 2014-2020 (IRS Tax Form 990/990EZ Filings)

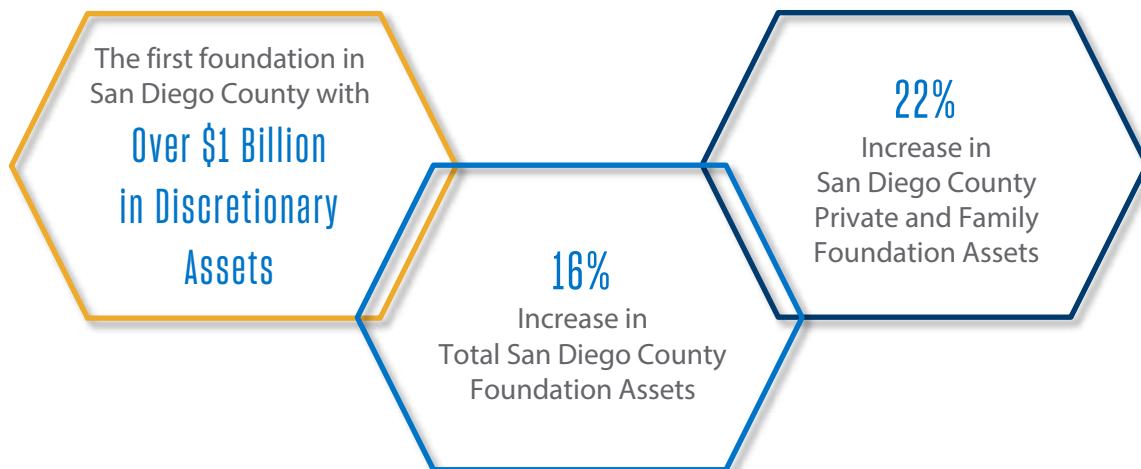


How the Launch of The Conrad Prebys Foundation Alters San Diego County's Philanthropic Landscape

Since 2005, the Nonprofit Institute has documented an under-resourced philanthropic landscape in San Diego County. For example, in 2016, per capita foundation giving was 10 times higher in the San Francisco Bay Area and 3 times higher in Los Angeles County than in San Diego County.¹ In the coming years, there is potential to narrow this gap with the formal establishment of The Conrad Prebys Foundation, an independent private foundation with a stated purpose to “create an inclusive, equitable, and dynamic future for all San Diegans.”²

In San Diego County, current grantmaking practices are highly influenced by the charitable priorities of individuals who engage in philanthropy through their family foundations and donor advised funds (DAFs) at community foundations. The launch of The Conrad Prebys Foundation establishes it as the only private foundation with discretionary assets exceeding \$1 billion in our county. It is estimated the addition of The Conrad Prebys Foundation will increase total foundation assets in the region by 16 percent and private and family foundation assets by an estimated 22 percent, greatly increasing the pool of discretionary grant dollars available to local nonprofits.³

Impact of The Conrad Prebys Foundation



¹ Candid (formerly The Foundation Center). (2019). Sources of data include IRS information returns circa 2016 (Form 990-PF for private organizations, Form 990 for community foundations) and foundation reports. Assets are stated at market value.

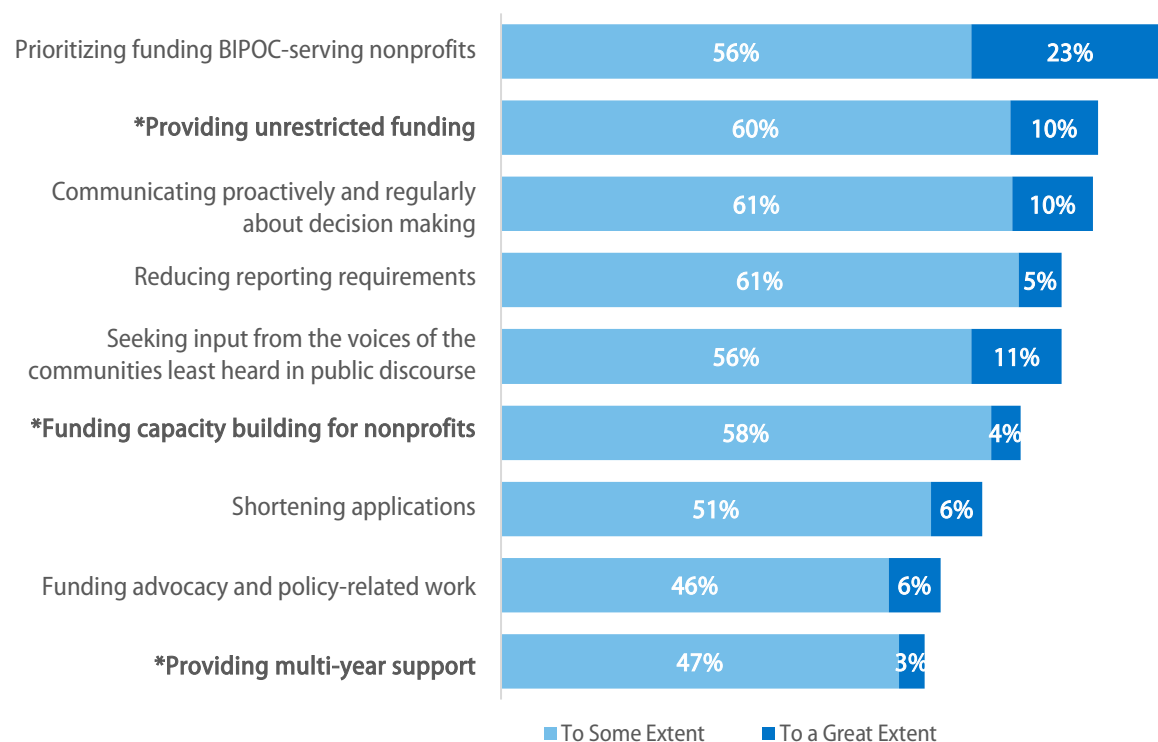
² See: <https://www.conradprebysfoundation.org/our-commitment>

³ Based on The Conrad Prebys Foundation's internal estimate of its assets as of spring 2022.

How Philanthropy is Responding to Meet Needs

As we moved through the COVID-19 pandemic, funders who make grants to nonprofits adjusted many of their traditional practices, making it easier to quickly deploy funding to meet growing and shifting needs in the community. In our 2021 survey, we asked nonprofit leaders to rank the changes they hoped funders would make permanent post-pandemic. Respondents prioritized providing unrestricted funding, funding capacity building for nonprofits, and providing multi-year support as practices they would like to see funders make permanent. In our 2022 survey, we asked respondents which grantmaking practices funders have actually been enacting or maintaining. As Figure 12 shows, the most observed practices were prioritizing support for BIPOC-serving organizations, providing unrestricted funding, and communicating proactively about decision-making. Respondents observed grantmakers offering multi-year support, but to a lesser extent than was desirable.

Figure 12. Percentage of Respondents Observing Funders Engaging in Practices to Some or a Great Extent




**Most desired funding practices in 2021 survey*

The Trust-Based Philanthropy Movement

Many of the funding practices nonprofit leaders would like to see more of fall into an emerging model of grantmaking called trust-based philanthropy. Trust-based philanthropy is an approach to grantmaking that values relationship-building with grantees, shifts power imbalances, and works to advance equity. Findings from a research study we completed with the San Diego Foundation (SDF) on trust-based approaches to grantmaking point to common practices foundations can engage in to build trust. These findings came from focus groups of 86 nonprofit grantees and additional surveys of 324 grantees that had received COVID-19 emergency relief funding from SDF. The findings are notably consistent with industry best practices in trust-based philanthropy.⁴

Mechanisms for Building Trust


- **Flexible funding** demonstrates that funders trust nonprofits to know their communities' needs and use the funds appropriately to address those needs'
- **Two-way communication** between grantee and funder should be ongoing and accessible. Personal connections are important, especially as some nonprofits feel like funders have predetermined plans for what they want to fund.
- **Simplification of reporting** requirements and the application process demonstrates trust in nonprofits to deliver programs as intended.
- **Transparency and feedback** from the funder are valued, even if an applicant is not selected for the grant.




"Flexible funding was a sign of trust."

Focus on Equity

- **Solicit nonprofit feedback** in forums like focus groups
- Hire a **diversity of staff** to make funding decisions, and invest in a **diversity of groups**.
- **Ensure stakeholders** have a seat at the table.
- **Make the application and reporting process simple**, especially for small grassroots organizations.
- **Make it easy to contact an actual person** who could respond to inquiries and discuss specific needs.



"Work collaboratively with local community-based organizations and community members all over the region to really learn what the community's needs are."



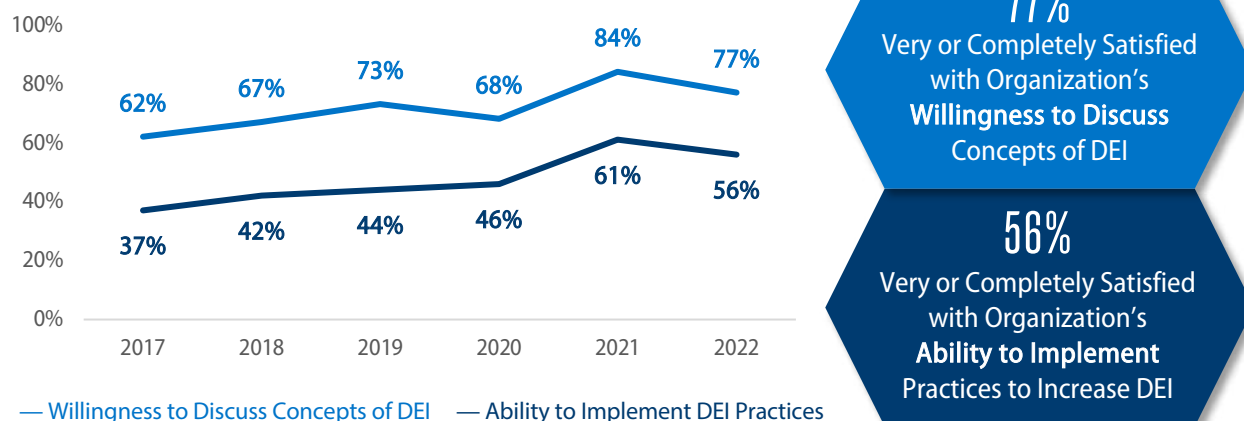
"Keeping the application / reporting process simple may be a way to allow more grassroots organizations who reach minority populations to participate."

⁴ See: <https://www.trustbasedphilanthropy.org/>

Nonprofit Focus on Diversity, Equity, and Inclusion (DEI)

For the past five years, we have documented the extent to which nonprofits are willing and able to address diversity, equity, and inclusion (DEI) practices within their own organizations. From 2017 to 2022, nonprofit leader survey respondents have expressed increased satisfaction in both their organization's *willingness to discuss* concepts related to DEI and their *ability to implement practices* to increase DEI, as illustrated in Figure 13. We have also documented a strong statistical relationship between the two concepts, indicating that organizations that are more willing to engage in conversations regarding DEI are more likely and able to make meaningful change.

Figure 13. Satisfaction with Progress in DEI



In terms of implementing DEI practices, Figure 14 shows that organizations were most frequently focused on increasing the diversity of job candidates (75%) and board members (73%). Nonprofit leaders identified several barriers to increasing diversity, including limited or unqualified applicant pools, geographically siloed demographics, and board/leadership resistance to change. Respondents more frequently expressed difficulty diversifying their boards than leadership teams.

Figure 14. DEI Practices Implemented

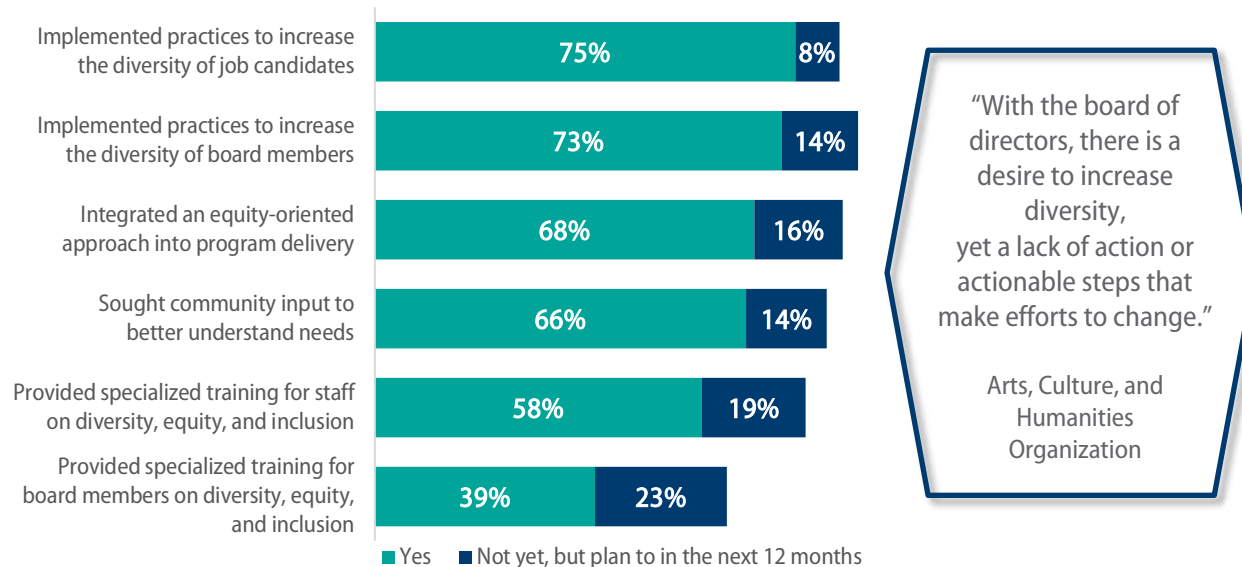
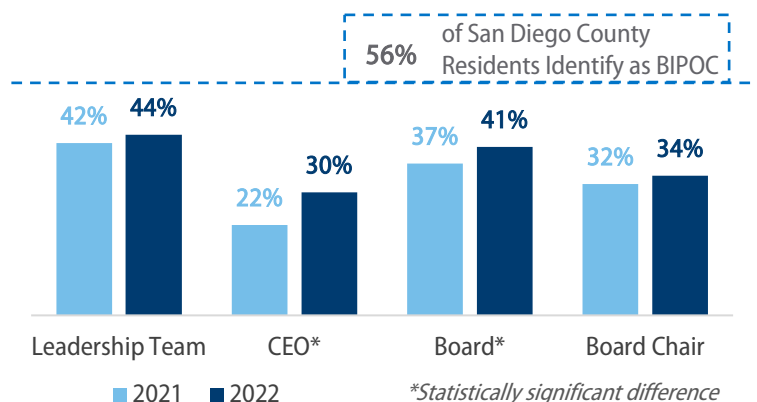


Figure 15. BIPOC Leadership in Nonprofits Compared to County's BIPOC Composition



While 56 percent of San Diego County's population identify as Black, Indigenous, People of Color (BIPOC), a far smaller percentage of CEOs, board chairs, leadership teams, and board members identify as BIPOC. However, as Figure 15 shows, a comparison of demographic leadership data for a sample of 68 organizations in 2021 and 2022 suggests that there have been small increases in BIPOC representation among nonprofit leadership. Most notably, there was a statistically significant increase in the percentage of BIPOC CEOs and board members between 2021 and 2022. The challenge, then, is closing the gap and moving toward a racial makeup of nonprofit leadership more representative of the San Diego region.

Increasing BIPOC leadership is important because, as Figures 16 and 17 show, within our survey sample, BIPOC-led organizations demonstrated higher percentages of BIPOC leadership team members and board members. In organizations where the CEO was BIPOC, the leadership team had on average 16 percent more BIPOC members than in organizations where the CEO was White. Similarly, in organizations where the Board Chair was BIPOC, the rest of the board had on average 30 percent more BIPOC members than when the board chair was White.

Intersectionality of leadership, in terms of racial and gender identity, also influenced the percentage of BIPOC representation in nonprofits. When **both** the CEO and board chair identified as **both** BIPOC and female:

- the leadership team had on average 24 percent more BIPOC members
- the board had on average 38 percent more BIPOC members

"Board has taken intention and effort. With leadership staff, we are having difficulty finding diverse staff with the needed qualifications. Among direct service staff, we are well-represented."

Human Services Organization

Figure 16. Percentage of Leadership Teams Who Identify as BIPOC by Ethnicity of CEO

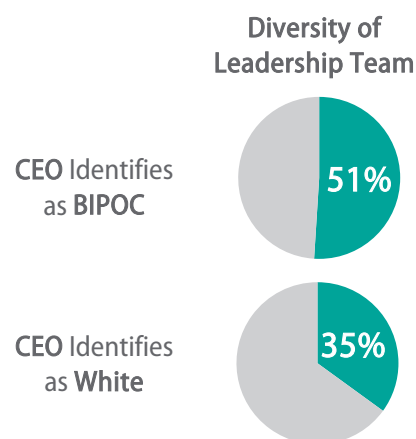
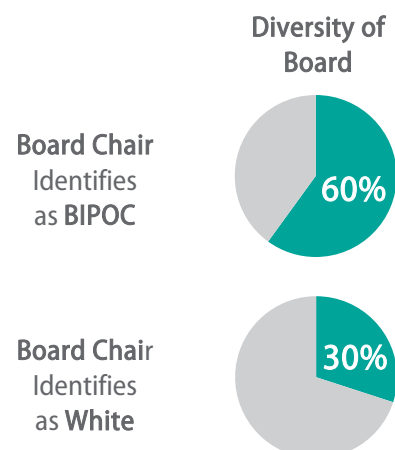


Figure 17. Percentage of Board Members Who Identify as BIPOC by Ethnicity of Board Chair



Addressing Climate Change

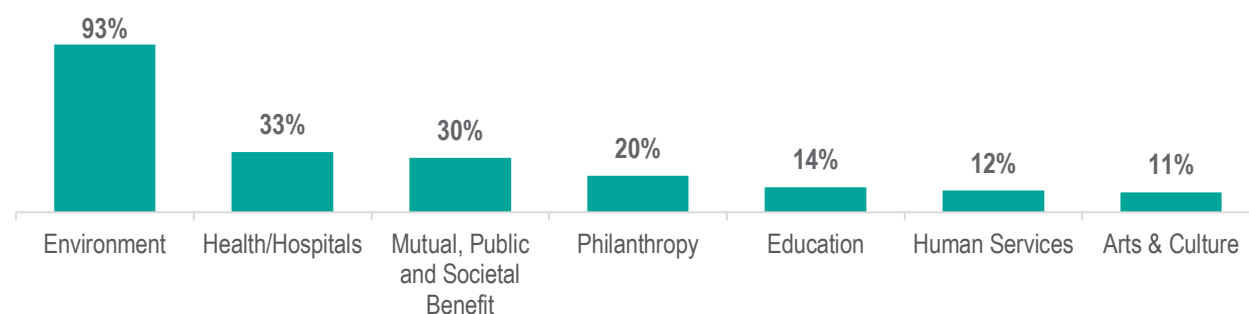
Similar to the San Diegans polled for this report, nonprofit leaders realize the effects of climate change on seemingly unrelated aspects of life like mental health, cost of living, and food security. However, organizations that do not directly work in the environmental area reported that they did not currently have the capacity or knowledge to take action. Although not core to their mission, one in five respondents acknowledged their organization's work intersects with environment or climate issues. Yet, Figure 19 indicates that efforts to address climate change are still primarily siloed within the work of environmental nonprofits. Overall, 26 percent of respondents reported that they considered the way climate change affected their constituents to be either "a lot" or "a great deal".

1 in 5
Respondents Said Their Organization's Work Intersects with Environment / Climate but It is Not Core to Their Mission

Figure 18. Extent to Which Nonprofits are Considering the Ways Climate Change Affects the Livelihood of the Constituents They Serve



Figure 19. Extent to Which Nonprofits are Considering the Ways Climate Change Affects the Livelihood of the Constituents They Serve by Subsector (% who reported "A Lot" or "A Great Deal")



The background of the page is a repeating pattern of various San Diego neighborhood signs. These include "Welcome to Borrego Springs", "Mission Hills", "Hillcrest", "Oceanside", "North Park", "Escondido", "Carlsbad", "Lakeside", "Encinitas", "Ocean Beach", "Normal Heights", "University Heights", "Point Loma", "Barrio Logan", "Kensington", "Third Avenue", "Imperial Beach", "Lemon Grove", "Little Italy", "Ramon", and "Linda Vista". The signs are in different colors and styles, some with illustrations of landmarks or animals.

PART 3. FINANCIAL HEALTH AND CAPACITY OF THE NONPROFIT SECTOR

Nonprofits Face Increased Demand for Services

As Figure 20 shows, nonprofit leaders reported increases in demand for their services. Notably, 39 percent reported that demand has increased substantially and 38 percent reported it has increased moderately. In particular, arts organizations reported the greatest increase in demand over the past two years, a sign that the public is feeling more comfortable engaging in live exhibitions and public gatherings at this point in the pandemic. Currently, nonprofits do not appear positioned to fully meet the needs of the community. Fifty percent of leaders reported having a waitlist for services and just 15 percent of respondents reported they have been able to meet all of the increased demand.

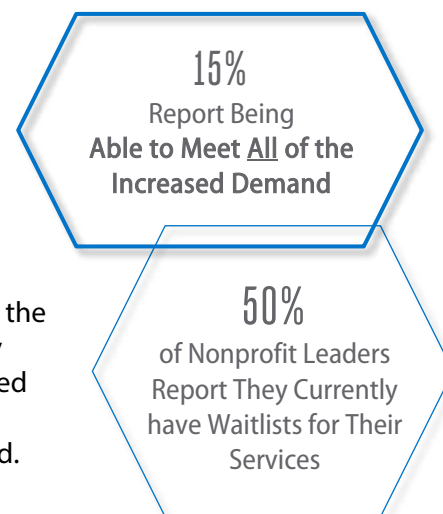
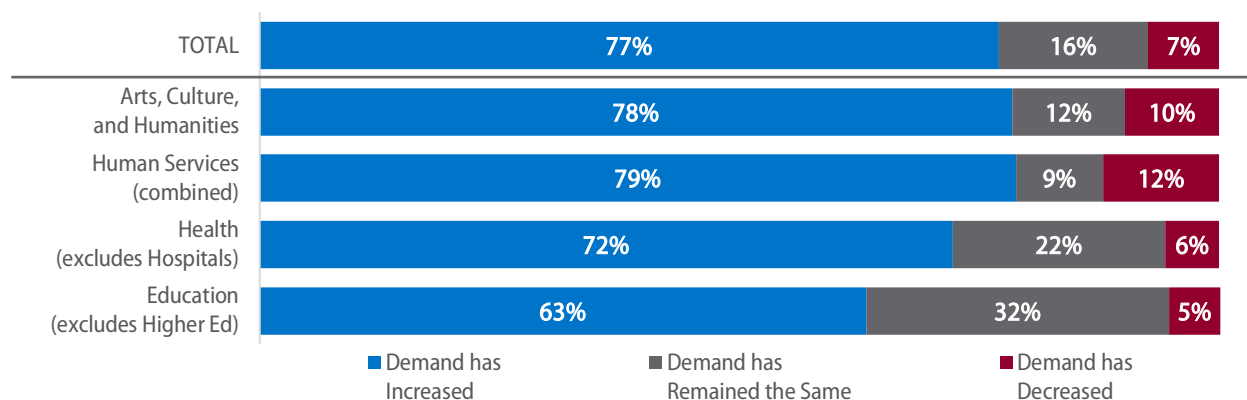


Figure 20. Demand for Services



Causes of Increased Demand for Services

Inflation, increased cost of living, and lack of housing has led to increased basic needs

"The continued rise in cost of living with little to no wage growth, coupled with the economic disparities felt disproportionately by low-income populations due to COVID fall out has led families to feeling the pinch far more now than they have before... People are struggling to survive... and turning to agencies like ours and other nonprofits to access the social safety nets they need to get by."

– Mutual, Public, and Societal Benefit Organization

National and international political forces such as women's and LGBTQ+ rights in other states, influx of immigrants and refugees, changes in climate policies

"New leadership in our Country. Laws changing on Immigrants and Refugees. The war in Ukraine."

– Human Services Organization

COVID fallout has led to a need for educational remediation, mental health support, healthcare, service backlogs, connection to arts and the outdoors, etc.

"Increased need for learning loss remediation services as well as increased need for social and emotional wellness support – both as a result of COVID and COVID recovery." – Education Organization

Collaboration as a Way to Meet Community Need

One way nonprofits meet increasing demand for their services is through collaboration. Such partnerships take myriad forms running the gamut from loosely structured collaborations to tight alliances, to formal mergers.⁵ During the COVID-19 pandemic, nonprofit leaders reported forming innovative partnerships to address changing community needs and operational challenges. This year, most of the nonprofits we surveyed reported being involved in a coalition or collaborative effort and nearly all have found that such partnerships improve outcomes for the communities they serve.

Table 2. Extent to Which Nonprofits Perceived Collaboration Improved Outcomes for Communities

Extent Outcomes Improved	Percentage
Not at All	2%
Little Extent	6%
Some Extent	37%
Great Extent	37%
Very Great Extent	18%

85%
of Nonprofit Leaders Reported
Their Organizations Currently
Participate in Networks,
Coalitions, or Collective
Impact Initiatives

56%
of Nonprofits Who Report
They Participate Said It
Improves Outcomes to a
'Great' or 'Very Great' Extent

98%
Said to 'At Least a
Little' Extent

36%
of Nonprofit Leaders
Reported **Wanting**
Support Collaborating
with Others

"Currently, we are working on collaboration efforts across disciplines. There is a lot of work that needs to be done on educating the next generation of conservation activists... The more we are able to collaborate with others the stronger we become in the fight to save the planet."

Environmental
Organization

"We also are seeing increased collaboration between nonprofits, and between nonprofits / for-profits / corporations /government, etc. I think there's more efforts are being made to cross those dividing lines to work towards common goals. That's really, really encouraging."

Human Services
Organization

⁵ See: <https://www.lapiana.org/the-collaborative-map-making-sense-of-nonprofit-partnerships/>

Nonprofit Workforce

Nonprofits are the third largest employer in the U.S., and one out of ten workers is employed at a nonprofit.⁶ Wages paid to nonprofit workers in San Diego County stimulate high levels of economic activity. In addition to economic benefits of nonprofit employment, a stable and talented workforce is needed to ensure a high quality of life for all in the region.

Nonprofit Employment at a Glance

Of the 12,458 nonprofits in San Diego County, 23 percent report paid employees. According to data from California's Employment Development Department, the nonprofit sector continues to employ a large share of the total private sector, with 10 percent of all San Diego employees working at a nonprofit.

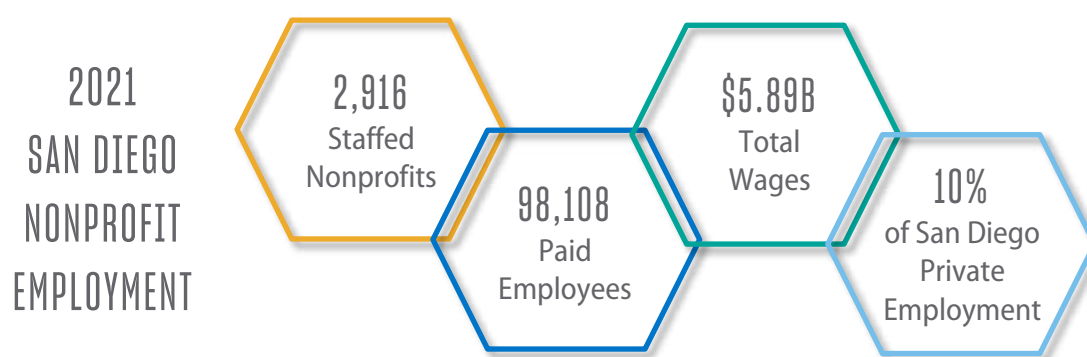
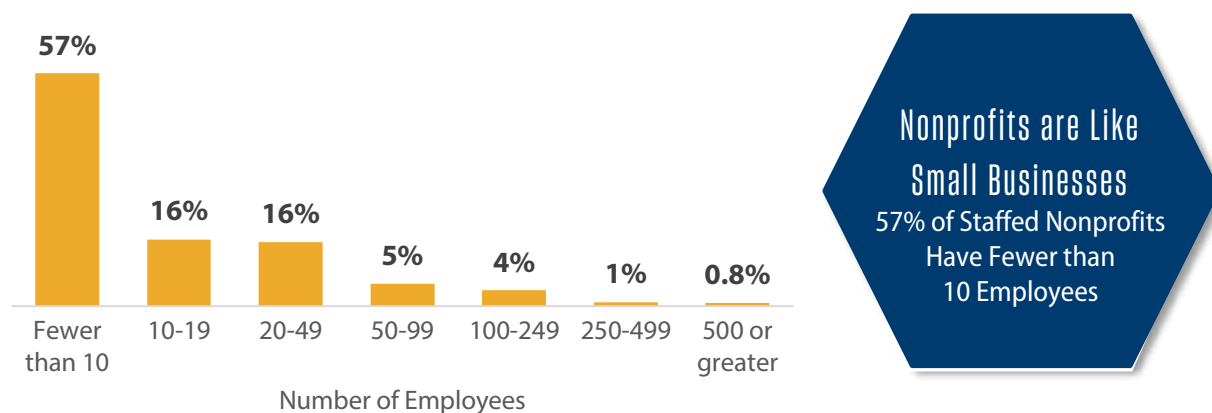


Figure 21. Percentage of Total Staffed Nonprofits Based on Number of Employees

(2021 California Employment Development Department: Quarterly Census of Employment and Wages)

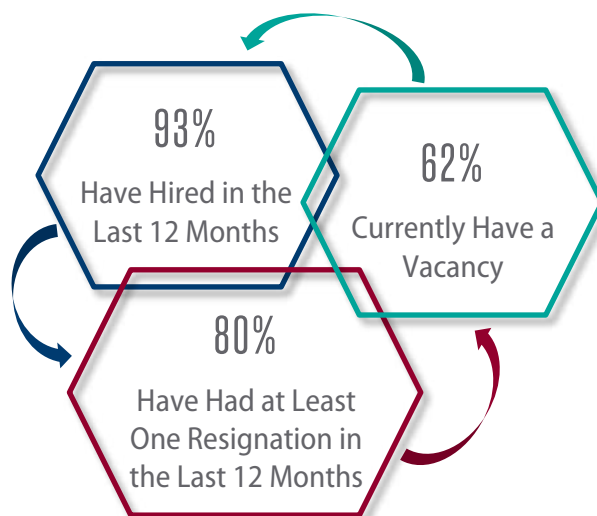
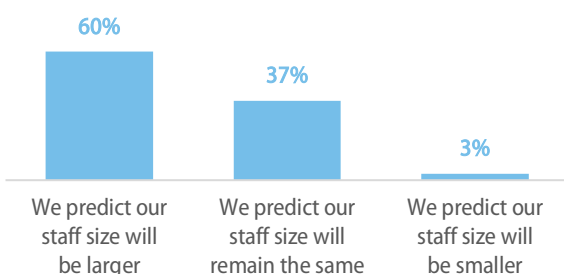


⁶ Lester M. Salamon and Chelsea L. Newhouse, "The 2019 Nonprofit Employment Report," Nonprofit Economic Data Bulletin no. 47. (Baltimore: Johns Hopkins Center for Civil Society Studies, January 2019). Available at ccss.jhu.edu.

Significant Workforce Fluctuations

The growing demands for nonprofit services in San Diego indicate this sector can and should grow. However, similar to other sectors of work, attracting talent to fill open positions is proving to be difficult as nonprofits often find themselves in fierce competition with for-profits for qualified employees. Figure 22 shows that despite nearly all nonprofits in our survey sample having hired in the past 12 months, 60 percent still plan to grow their workforce.

Figure 22. Looking forward to the next 12 months how do you predict your staff size will change?



Job Vacancies



Nonprofits reported difficulty attracting talent due to an inability to offer competitive wages and benefits that keep pace with inflation and a lack of affordable housing for employees in San Diego County. Nearly two-thirds (62%) of respondents reported a current job vacancy. Human Services and Health organizations were more likely to report a vacancy than other subsectors. Of those that had job vacancies, 74 percent reported it negatively impacted their ability to deliver services. Our findings indicate current vacancies are more related to hiring challenges than to retention challenges. For organizations that reported job vacancies, 80 percent said it was

difficult to **hire** qualified employees, while only 31 percent said it was difficult to **retain** qualified employees. This suggests that the vacancy rate is more likely caused by difficulty hiring qualified employees than it is by resignations from qualified employees.

Job Postings

Table 3 lists the three most common job types out of 419 posted from April-July 2022 on NPWorks.org, a San Diego-based nonprofit job search website. The majority of these positions were full-time (88%), and the work setting was evenly divided between onsite or hybrid. Four percent of the jobs were fully remote.

Table 3. Top 3 Categories of Nonprofit Job Postings
(NPWorks.org – April-July 2022)

Job Title	% of All Postings	Median Posted Salary
1. Program Staff	30%	\$39,520
2. Administrative / Operations / HR	23%	\$55,000
3. Development / Fundraising / Grants	19%	\$62,400

Difficulty Hiring

Regardless of vacancy rate, two-thirds of all survey respondents reported it has been difficult to hire qualified employees. Human Services and Arts organizations more frequently reported difficulty hiring. Larger organizations with budgets over \$1 million were also more likely to report hiring challenges.

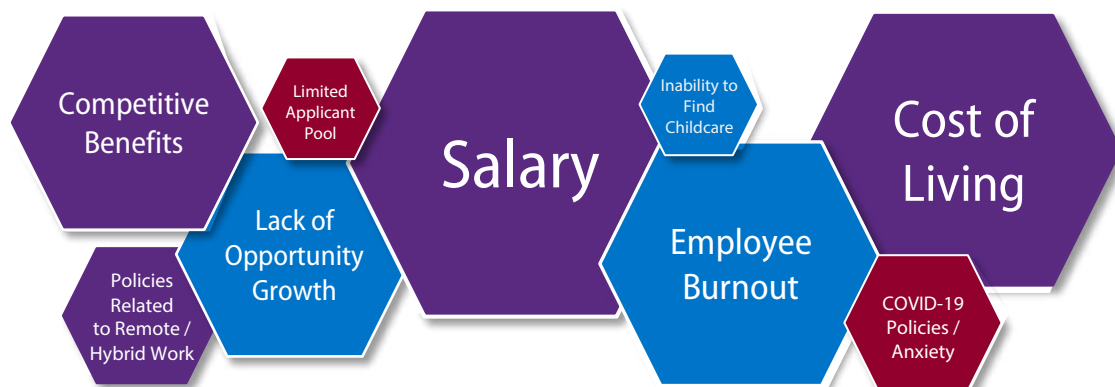
Hiring has Been More Difficult For:

Human Services
Arts and Culture
Organizations with Budgets Over \$1 Million

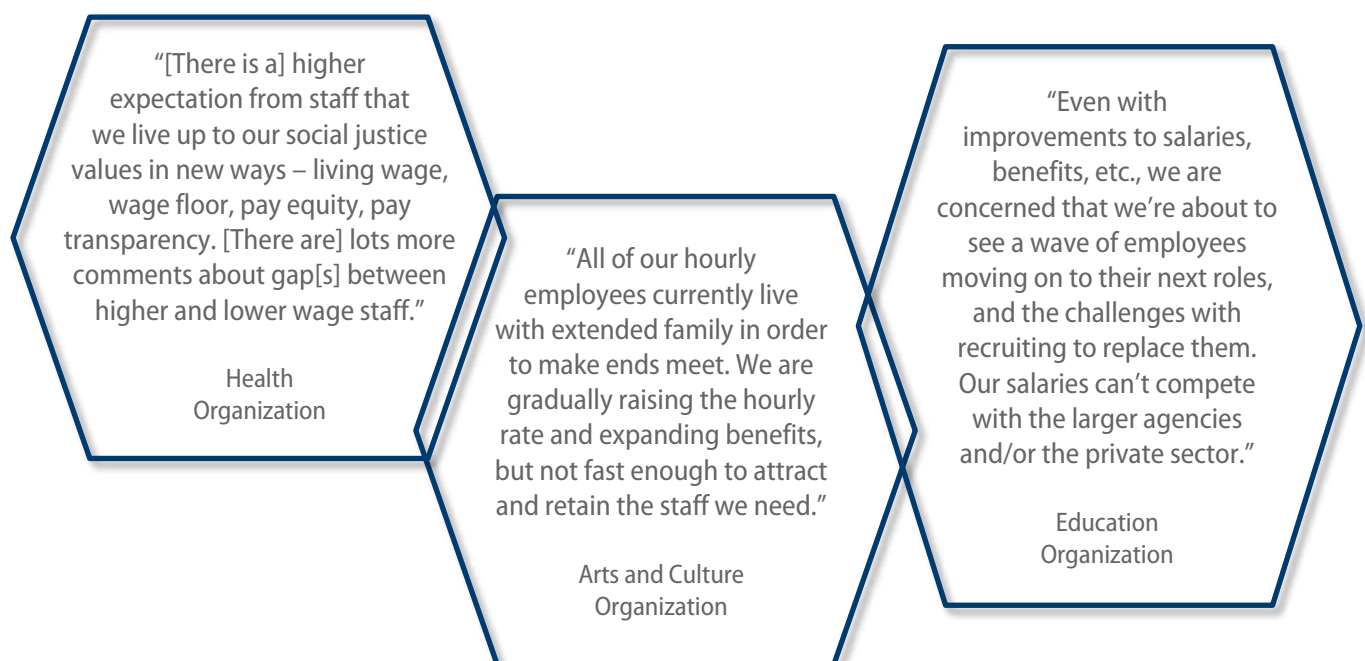
Factors Affecting Recruitment and Retention

Respondents cited salary and benefit competition, lack of affordable housing, and high cost of living as the primary factors affecting recruitment and retention. Many respondents also identified staff burnout and lack of opportunity for career growth as factors affecting retention.

Figure 23. Factors Affecting Ability to Recruit and Retain Staff (Size reflects frequency of responses)



Color Key: Recruitment Factor | Retention Factor | Recruitment and Retention Factor



Issues with Burnout

When nonprofits are not fully staffed, the work burden on existing employees increases which may contribute to employee burnout. For respondents that reported a problem with burnout, Table 4 describes some of the additional factors attributed to employee burnout.

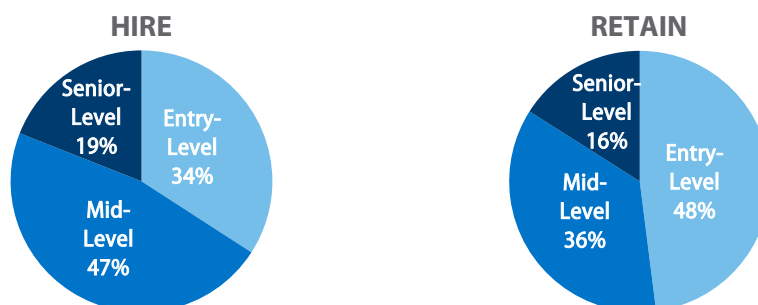
Table 4. Factors Contributing to Employee Burnout

Employee Burnout Factors	Percent
Staffing shortages leaves employees stretched too thin	84%
Dissatisfaction with work-life balance	68%
Mental health challenges	60%
Lack of motivation	48%

Areas with the Most Difficulty in Hiring and Retention

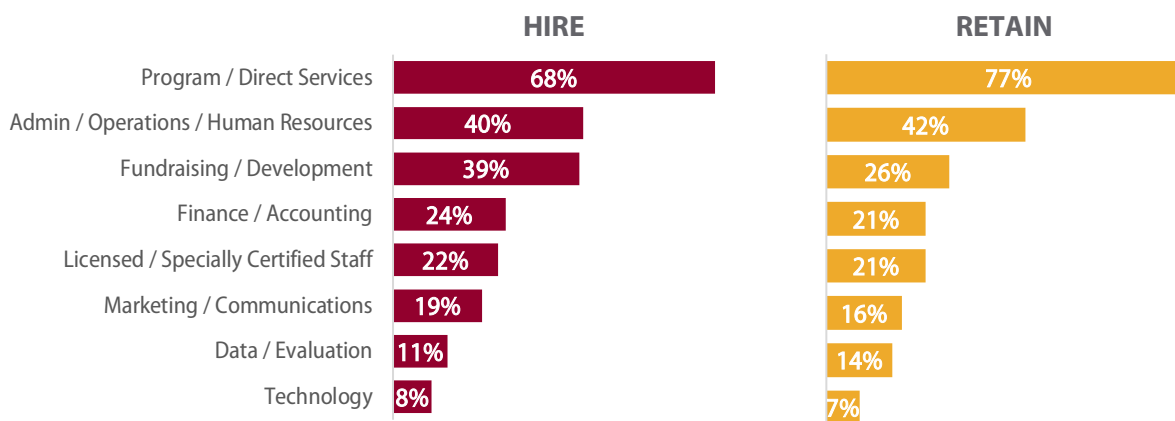
As Figure 24 illustrates, respondents reported that it was most difficult to hire for mid-level positions and it was most difficult to retain in entry-level positions. Ongoing turnover at the entry or frontline staff level can be disruptive to services and drive up costs for nonprofits.

Figure 24. Most Difficult to Hire and Retain Career Levels



In terms of position type, Figure 25 shows that respondents cited hiring and retaining in program/direct service, admin/operations, and fundraising/development as the most challenging.

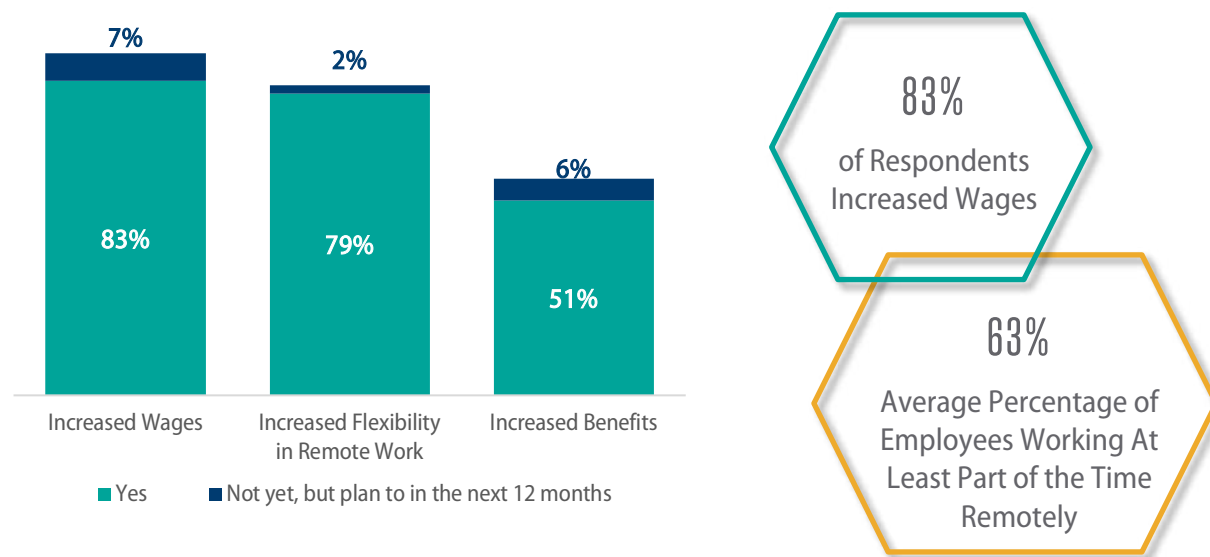
Figure 25. Position Types Most Difficult to Hire and Retain



Retention: Nonprofits Respond to Emerging Needs of Staff

Retention of existing employees was also reported as a workforce challenge, but to a lesser degree than hiring. Twenty-three percent of respondents reported it was difficult to retain qualified employees. As Figure 26 shows, nonprofit leaders reported responding to staffing needs by increasing wages and benefits and providing staff more flexibility in their work hours. The steps taken to retain employees seems to be paying dividends in retaining staff in the short term. However, respondents shared their concern that with rising inflation, current wage increases would not be enough to retain employees.

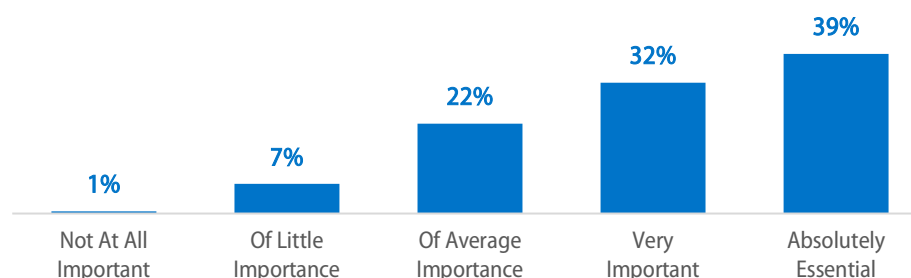
Figure 26. Actions Taken to Retain Employees Over the Past 12 Months



Volunteer Workforce

In addition to paid employees, nonprofits rely heavily on volunteers to deliver their programs. In this year's survey sample, 82 percent of respondents reported engaging volunteers, and 71 percent reported volunteers as "very important" or "absolutely essential" to delivering their mission (see Figure 27). Smaller organizations reported greater dependence on volunteers than larger organizations did. Although volunteers are very important for many organizations, 39 percent reported it was difficult to get the volunteers needed to deliver their mission.

Figure 27. Importance of Volunteers

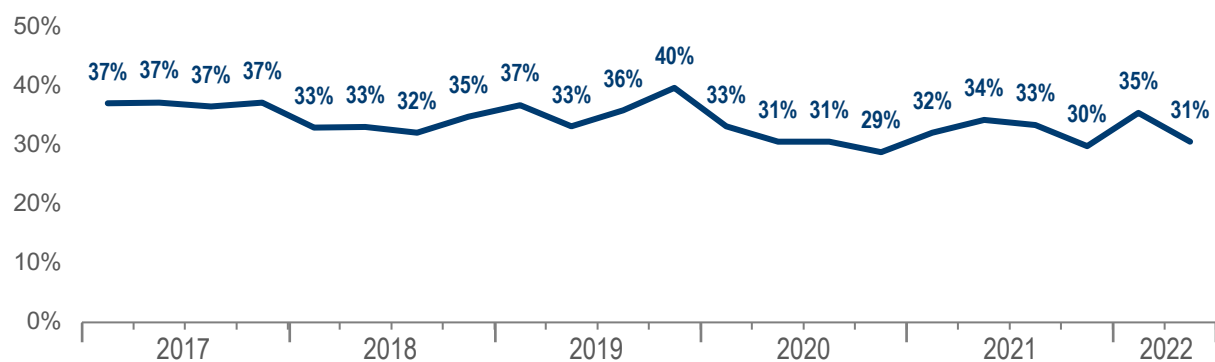


Trends in Volunteering



According to our quarterly polls of San Diego County residents, the percentage who volunteer has remained relatively stable for the past decade. In the second quarter of 2022, 31 percent of San Diego residents reported volunteering for a local nonprofit. Prior to 2020, quarterly volunteering rates were sometimes as high as 40 percent. It is likely that we have not seen similar numbers in recent years due to the COVID-19 pandemic, as stay-at-home orders and concerns about transmission while volunteering in person may have discouraged some residents from volunteering.

Figure 28. Average Quarterly Percentage of San Diego Households who Volunteered



Financial Health of Local Nonprofits

Prior to 2020, nonprofits typically reported having less than three months of cash reserves.⁷ Independent of access to emergency relief funding, organizations of all sizes and types reported unprecedented cash reserves. Now, 88 percent of the organizations we surveyed reported having more than 3 months of reserves, with an average of 8 months of reserves on hand.

Table 5. Nonprofit Cash Reserves as of July 2022

Number of Months	2022
Less than 3 months	12%
3-5 months	21%
6+ months	67%

On average,
Organizations Reported
**8 Months of
Cash Reserves**

Given higher than normal cash reserves, it is not surprising that nonprofit leaders assessed their financial health to be “somewhat” or “very strong”, as illustrated in Figure 29. The strength of an organization’s financial health varied by the budget size of the organization and its mission orientation. Figure 30 shows the status of financial health is positively correlated to organizational size. Human service nonprofits reported the highest levels of current financial strength.

Figure 29. How would you describe your organization’s financial health today?

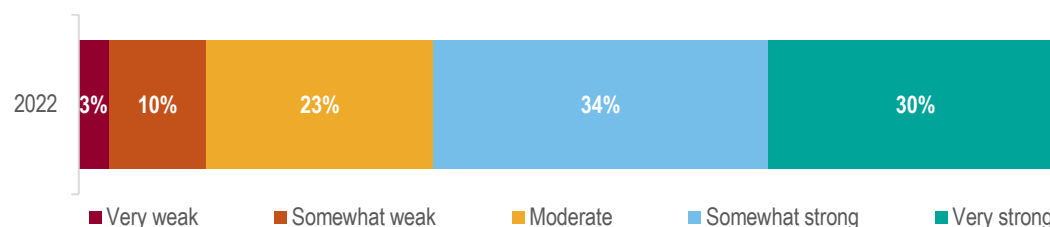
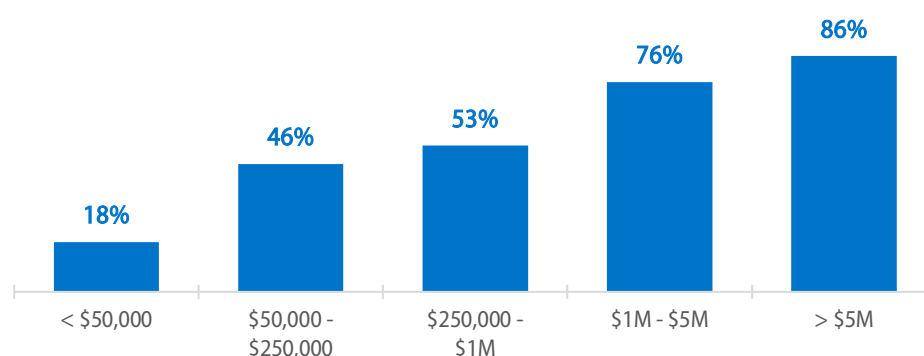


Figure 30. Somewhat or Very Strong Today by Budget Size

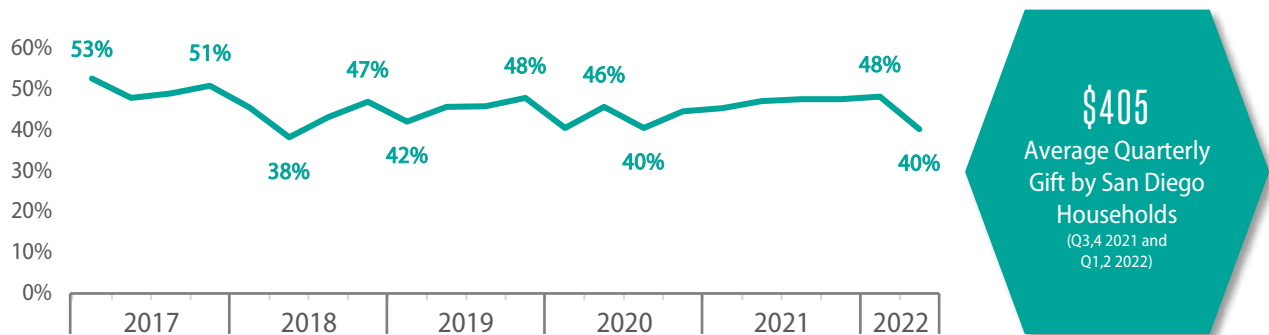


⁷ Deitrick, L., Durnford, J., and Young, E. (2017). *Annual Report: State of Nonprofits and Philanthropy in San Diego*. San Diego, CA: The Nonprofit Institute, University of San Diego

Trends in Individual Giving

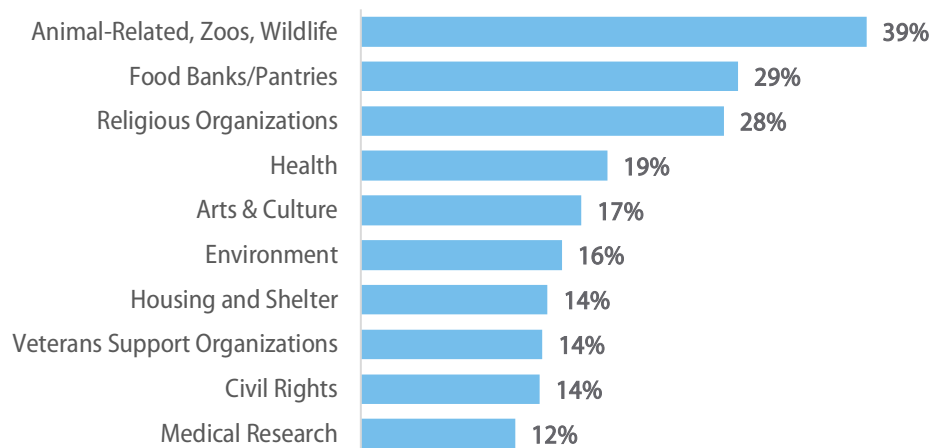
As part of our public opinion polling, each quarter we ask San Diegans about their charitable giving to local nonprofits. As Figure 31 shows, the percentage of people who reported donating to a charity has fluctuated marginally, and in the first two quarters of 2022 there is a noticeable downward trend. This year, there were some differences in giving trends between low-, middle-, and high-earning households. Middle-income households (\$50,000-199,000) were more likely to donate than the lowest-income and highest-income households. However, of those who donated, the more a household earned the larger the gift amount.

Figure 31. Average Quarterly Percentage of San Diego Households who Donated to Local Nonprofits



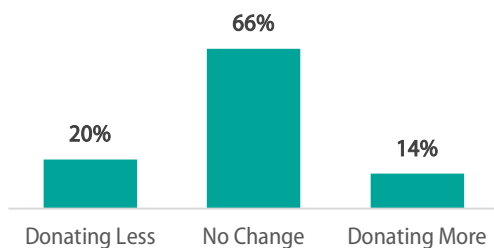
As Figure 32 shows, animal-related causes, food banks, and religious organizations were the top causes people donated to in 2022. High-income respondents were more likely to give to arts and culture, higher education, and international organizations than those earning less.

Figure 32. Causes San Diegans Donated To, 2022



San Diego residents have also reported some changes in their giving patterns in 2022, with two-thirds of those polled saying they were giving about the same amount to nonprofits as in previous years. As Figure 33 shows, 20 percent of those polled said they were donating less, and 14 percent said they have donated more than usual.

Figure 33. Changes in Giving Amount, 2022



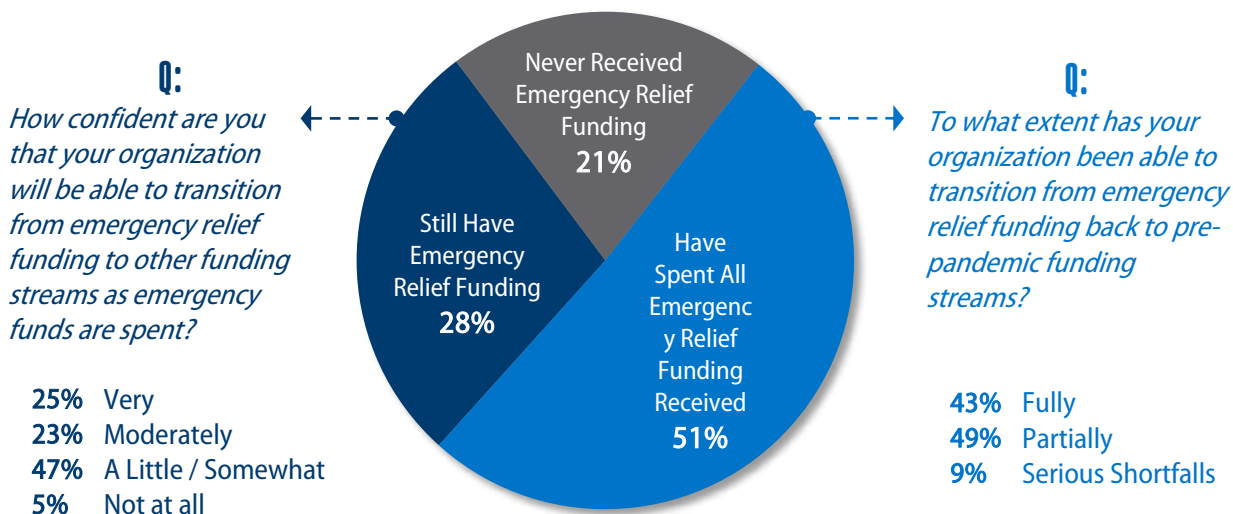
Changes in Causes Donated To:

Ukraine
Food Banks
Women's Rights
Climate Change / Environment
Local Community Needs
COVID-19
People Who are Unsheltered

Dwindling Emergency Relief

Similar to for-profit businesses, COVID-19 emergency relief funding, particularly the federal Paycheck Protection Program (PPP), allowed nonprofits to stay open and preserve their workforce during a time of great disruption. Sixty-nine percent of our survey respondents specifically reported receiving a PPP loan. Overall, 79 percent reported receiving some type of emergency relief funding, while 21 percent received none. Of those that did not receive emergency relief funding, three-quarters had budgets less than \$1million. As of this year, half of those nonprofits that received emergency relief funding had spent it all, and 43 percent were able to fully support their budgets without the funding. As shown in Figure 34, a portion of the sector is still operating with emergency relief funding, and a majority of those are not fully confident they will be able to make up budget shortfalls when the funding runs out.

Figure 34. Status of COVID-19 Emergency Relief Funding



Fundraising and Financial Predictions

Despite the compounding challenges of inflation and workforce shortages, nonprofit leaders are optimistic about the future as it relates to fundraising and financial health. However, that positive outlook is waning somewhat compared to 2021 as illustrated in Figures 35 and 36. Noticeably, the percent of nonprofit leaders who predict that fundraising will be somewhat or much worse in the next 12 months has doubled since 2021. This concern is also reflected in the prediction of overall financial health, although to a lesser degree, likely due, in part, to high levels of cash reserves reported by nonprofit leaders. Fundraising and financial outlooks were similar across subsectors and by size of organizational budget.



Figure 35. Compared to today, what do you expect the fundraising of your organization to be 12 months from now?

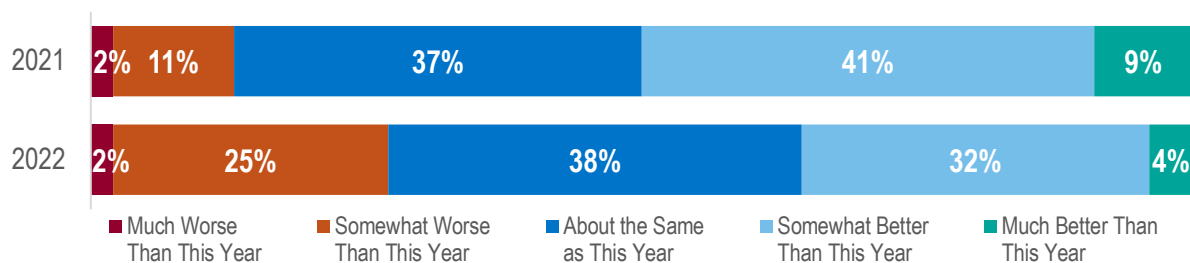
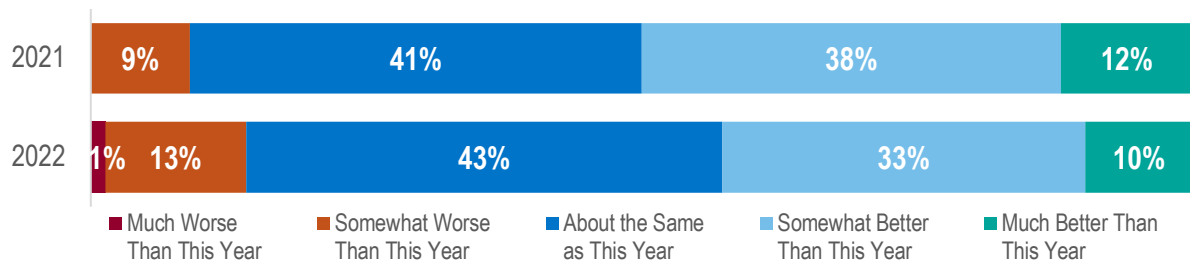


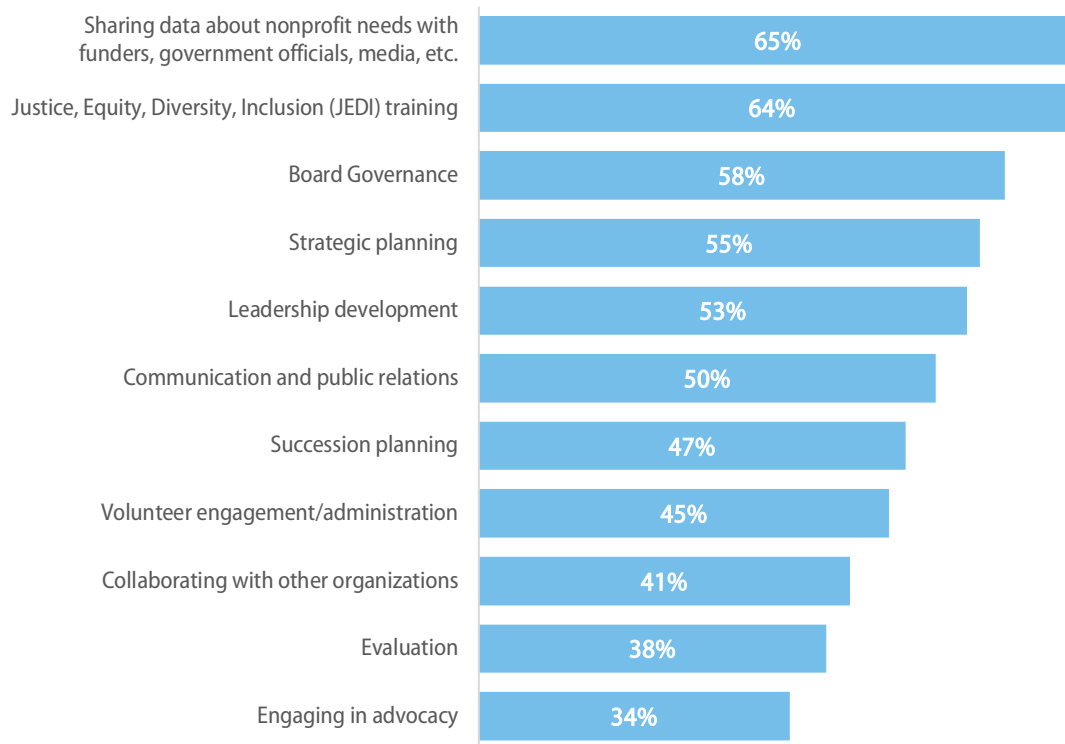
Figure 36. Compared to today, what do you expect the financial health of your organization to be 12 months from now?



Opportunities to Strengthen the Nonprofit Sector

In order for nonprofits to meet the increased demand for services, nonprofit leaders and staff must be supported to develop their organizations. Nonprofit leaders reported wanting assistance with telling their story and building their capacity. Respondents' highest priorities for support were sharing data about the nonprofit sector's needs with stakeholders, Justice Equity Diversity Inclusion (JEDI) training, and board governance.

Figure 37: Ranking of Areas Where Nonprofits Want Support (Percentage ranked first or second)



DATA SOURCES, METHODS, AND DATA LIMITATIONS

Data in this report draw on multiple sources. Information on grantmaking relies on IRS data, which have a significant time lag and are often incomplete. IRS data presented throughout the report are drawn from the most recently reported year. Due to the time lags, the more detailed the data (i.e., issue area data and data on location of grantmaking), the fewer organizations are included in the analysis. Due to rounding, some charts and tables may not add to 100%. Quotes have been edited for readability. For any methods or data questions, please contact The Nonprofit Institute at nonprofit@sandiego.edu.

Data Sources and Methods

DataLake Nonprofit Research (datalake.net)

Data on nonprofit revenue and foundation assets come from 2019 and 2020 IRS Form 990, 990PF, 990-EZ, and 990-Nelectronic (e-File) returns and exempt organization registration data archives. Data were compiled and analyzed by DataLake, LLC.

Candid (candid.org)

Data on foundations, their grantmaking activities, major giving categories, and geographic scope comes from 2018 and was generated by Candid (formerly GuideStar and Foundation Center). The Conrad Prebys Foundation's issue areas were coded using a combination of Candid's Philanthropy Classification System (PCS) and the National Taxonomy for Exempt Entities (NTEE).

California Employment Development Department

Labor Market Information Division, California Employment Development Department (2016-2022) – San Diego Nonprofit Employment Statistics come from the Quarterly Census of Employment and Wages (QCEW) developed through a cooperative program between the states and the U.S. Bureau of Labor Statistics.

The Nonprofit Institute

2021 and 2022 Annual Nonprofit Leader Survey - This annual survey of 248 nonprofit leaders collected information on nonprofits' demand for services, financial outlook, organizational capacity, leadership, and sector trends. The survey was administered online in June-July 2022 and is a convenience sample of the San Diego nonprofit sector. The survey is slightly overrepresented in Arts and Culture and Environment nonprofits and slightly underrepresented in Education nonprofits. The survey sample also has an overrepresentation of large nonprofits and an underrepresentation of the smallest nonprofits.

San Diego Foundation COVID-19 Community Response Fund: Final Evaluation Report, 2022 – These findings came from 324 grantees surveyed and 86 focus groups participants who received COVID-19 emergency relief funding from the San Diego Foundation in 2020 and 2021.

The Nonprofit Institute and Luth Research

2022 State of Nonprofits Quarterly Index - The Nonprofit Institute partners with Luth Research in the administration of a quarterly survey to gauge San Diegans' confidence in local institutions and to measure their giving and volunteering activities. The State of Nonprofits Quarterly Index is administered online to a panel of San Diego residents. The sample reflects the racial and ethnic distribution of the region.



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