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For the second consecutive year, the State of Nonprofits Annual Report chronicles the capacity, contributions, and overall economic health and well-being of the San Diego nonprofit sector over time.

It also documents the current state of the nonprofit sector in San Diego County based on perspectives of local nonprofit leaders in 2013.

The findings presented in this report are a culmination of various sources and represent different perspectives. Together, they help tell the story of the nonprofit sector in San Diego County (subsequently referred to as San Diego).

WHAT WAS HAPPENING DURING 2013

In San Diego
- Mayor’s resignation following sexual harassment allegations
- Turnover of leadership in several high-profile nonprofits
- Shift in funding availability and priorities

In U.S.
- Federal government shutdown and ensuing furlough
- Roll-out of the Affordable Care Act
- Proposal of higher minimum wage in several states
- Increase in federal regulations
- Shift in funding availability and priorities
MAJOR THEMES

1. Overall Economic Health of San Diego Nonprofits is Improving
2. Nonprofits are Continuing to Hire
3. Demand for Services is Shifting
4. Landscape of Giving and Volunteering is in Flux

HOW NONPROFIT LEADERS ARE RespondING

- Redesigning internal operations
- Focusing on staff development
- Improving measurement and communication of outcomes
- Enhancing donor engagement through social media
- Engaging in more strategic collaboration

SAN DIEGO NONPROFITS: BY THE NUMBERS

- **9,364** TOTAL 501(C)(3) NONPROFITS in San Diego
- **3,700** NONPROFITS >$50K that file IRS Form 990 or 990-EZ
- **2,140** NONPROFITS with Paid Employees
- **241** NONPROFITS with >50 Paid Employees
- **$5.20B** GENERATED in Wages
- **$19.77B** ACCOUNT FOR: in Total Assets
- **$13.77B** in Total Revenue
- **$12.52B** in Total Expenses

---

1. Data Source: National Center for Charitable Statistics, Urban Institute, Business Master Files, 1995-2013
2. Data Source: National Center for Charitable Statistics, Urban Institute, Core Files 2011
3. Data Source: California Economic Development Department
The total number of nonprofits in San Diego was on the rise from 1995, and peaked in 2010. Since then, there has been a decline in the number of nonprofits; there were 9% fewer in 2013 (n=9,364) than in 2010 (n=10,326).

**FIGURE 2**
501(C)(3) ORGANIZATIONS BY SUBSECTOR
Number and Percentage of San Diego Nonprofits in Each Subsector

<table>
<thead>
<tr>
<th>Subsector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>International (n=223)</td>
<td>2%</td>
</tr>
<tr>
<td>Health (n=419)</td>
<td>4%</td>
</tr>
<tr>
<td>Environment and Animals (n=618)</td>
<td>7%</td>
</tr>
<tr>
<td>Arts and Culture (n=880)</td>
<td>9%</td>
</tr>
<tr>
<td>Education (n=1,493)</td>
<td>16%</td>
</tr>
<tr>
<td>Mutual, Public, and Societal Benefit* (n=1,562)</td>
<td>17%</td>
</tr>
<tr>
<td>Human Services (n=2,011)</td>
<td>22%</td>
</tr>
<tr>
<td>Religion (n=2,158)</td>
<td>23%</td>
</tr>
</tbody>
</table>

Data Source: National Center for Charitable Statistics, Urban Institute, 2013 Business Master Files

* Mutual, Public, and Societal Benefit organizations include many different types of nonprofits such as professional associations, citizen participation groups, civil rights organizations, and economic development and neighborhood improvement associations.

Note: Hospitals and Higher Education institutions are included in the Health and Education sectors, respectively.
Nonprofit Revenue Sources

FIGURE 3
NONPROFIT REVENUES
Percentage of San Diego Nonprofit Revenues

Most nonprofits operate using a combination of donations and earned income. Earned income includes: fee-for-service paid for by clients, fee-for-service paid for by government, and mission-related business.

The proportion of revenue sources varies across subsectors.

Data Source: National Center for Charitable Statistics, Urban Institute, 2011 Core Files

TABLE 1
NONPROFIT REVENUE SOURCE BY SUBSECTOR
Total Revenue and Percentages of Revenue Sources in Each Subsector

<table>
<thead>
<tr>
<th>Subsector</th>
<th>Number of Filers</th>
<th>Percentage of NPOs</th>
<th>Total Revenue</th>
<th>Percentage of Revenue</th>
<th>Percentage of Program Revenue</th>
<th>Percentage of Donations Revenue</th>
<th>Percentage of Other Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts and Culture</td>
<td>428</td>
<td>12%</td>
<td>$262,744,584</td>
<td>2%</td>
<td>43%</td>
<td>46%</td>
<td>11%</td>
</tr>
<tr>
<td>Higher Education</td>
<td>19</td>
<td>1%</td>
<td>$784,586,671</td>
<td>6%</td>
<td>86%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Education</td>
<td>742</td>
<td>20%</td>
<td>$1,148,322,576</td>
<td>8%</td>
<td>38%</td>
<td>57%</td>
<td>5%</td>
</tr>
<tr>
<td>Hospitals</td>
<td>12</td>
<td>0.3%</td>
<td>$6,183,793,832</td>
<td>45%</td>
<td>95%</td>
<td>4%</td>
<td>1%</td>
</tr>
<tr>
<td>Environment and Animals</td>
<td>188</td>
<td>5%</td>
<td>$412,441,346</td>
<td>3%</td>
<td>59%</td>
<td>33%</td>
<td>8%</td>
</tr>
<tr>
<td>Health</td>
<td>347</td>
<td>9%</td>
<td>$1,966,731,324</td>
<td>14%</td>
<td>42%</td>
<td>52%</td>
<td>6%</td>
</tr>
<tr>
<td>Human Services</td>
<td>1,119</td>
<td>30%</td>
<td>$1,869,063,429</td>
<td>14%</td>
<td>44%</td>
<td>51%</td>
<td>6%</td>
</tr>
<tr>
<td>International</td>
<td>119</td>
<td>3%</td>
<td>$161,327,986</td>
<td>1%</td>
<td>8%</td>
<td>82%</td>
<td>10%</td>
</tr>
<tr>
<td>Mutual, Public, and Societal Benefit</td>
<td>443</td>
<td>12%</td>
<td>$871,578,434</td>
<td>6%</td>
<td>30%</td>
<td>55%</td>
<td>15%</td>
</tr>
<tr>
<td>Religion</td>
<td>283</td>
<td>8%</td>
<td>$105,791,127</td>
<td>1%</td>
<td>17%</td>
<td>78%</td>
<td>5%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,700</td>
<td>100%</td>
<td>$13,766,381,309</td>
<td>100%</td>
<td>67%</td>
<td>28%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Data Source: National Center for Charitable Statistics, Urban Institute, 2011 Core Files
FIGURE 4
NONPROFIT ASSETS
Percentage of Total San Diego Nonprofit Assets in Each Subsector

<table>
<thead>
<tr>
<th>Subsector</th>
<th>Total Assets</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>International</td>
<td>$81,561,599</td>
<td>0.4%</td>
</tr>
<tr>
<td>Religion</td>
<td>$115,435,486</td>
<td>1%</td>
</tr>
<tr>
<td>Environment and Animals</td>
<td>$597,882,213</td>
<td>3%</td>
</tr>
<tr>
<td>Arts and Culture</td>
<td>$753,293,211</td>
<td>4%</td>
</tr>
<tr>
<td>Higher Education</td>
<td>$1,846,580,135</td>
<td>9%</td>
</tr>
<tr>
<td>Human Services</td>
<td>$2,026,589,015</td>
<td>10%</td>
</tr>
<tr>
<td>Mutual, Public, and Societal Benefit</td>
<td>$2,096,188,472</td>
<td>11%</td>
</tr>
<tr>
<td>Education</td>
<td>$2,373,277,367</td>
<td>12%</td>
</tr>
<tr>
<td>Health</td>
<td>$2,462,788,340</td>
<td>12%</td>
</tr>
<tr>
<td>Hospitals</td>
<td>$7,421,421,018</td>
<td>38%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$19,775,016,856</td>
<td>100.4%</td>
</tr>
</tbody>
</table>

Data Source: National Center for Charitable Statistics, Urban Institute, 2011 Core Files

More than two-thirds of San Diego nonprofits are small, with 69% holding assets under $250,000.

Although only 7% of San Diego nonprofits are considered large (i.e., having $5M+ in total assets), these large organizations hold almost all (94%) of the sector’s total assets.

This pattern mirrors the nonprofit sector in the State of California and nationally.

FIGURE 5
RELATIONSHIP BETWEEN NUMBER OF NONPROFITS, ASSETS, AND FIRM SIZE
Percentage of San Diego Nonprofits

Data Source: National Center for Charitable Statistics, Urban Institute, 2011 Core Files

- Hospitals account for more than $7B in assets, constituting the highest percentage (38%) of total nonprofit assets in San Diego.
- Despite having the most nonprofits, the Religion and Human Services subsectors account for a small percentage of total nonprofit assets in San Diego.
Comparing San Diego and California nonprofit financial stability, San Diego has a higher level of nonprofit expenditures per capita. Median levels for both nonprofit revenue and expenses, however, are lower for San Diego than they are for California.
## Table 3
### San Diego Nonprofit Employment and Wages by Nonprofit Size – 2008 to 2012

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 4</td>
<td>602</td>
<td>807</td>
<td>34%</td>
<td>1,262</td>
<td>1,571</td>
<td>25%</td>
<td>$43,229,882</td>
<td>$63,985,266</td>
<td>$20,755,384</td>
</tr>
<tr>
<td>5 – 9</td>
<td>370</td>
<td>444</td>
<td>20%</td>
<td>2,512</td>
<td>3,018</td>
<td>20%</td>
<td>$71,057,089</td>
<td>$98,087,371</td>
<td>$27,030,282</td>
</tr>
<tr>
<td>10-19</td>
<td>300</td>
<td>347</td>
<td>16%</td>
<td>4,103</td>
<td>4,672</td>
<td>14%</td>
<td>$127,422,607</td>
<td>$165,067,451</td>
<td>$37,644,844</td>
</tr>
<tr>
<td>20 - 49</td>
<td>242</td>
<td>301</td>
<td>24%</td>
<td>7,371</td>
<td>9,357</td>
<td>27%</td>
<td>$255,912,505</td>
<td>$352,556,503</td>
<td>$96,643,998</td>
</tr>
<tr>
<td>50 - 99</td>
<td>88</td>
<td>99</td>
<td>13%</td>
<td>6,113</td>
<td>6,866</td>
<td>12%</td>
<td>$207,407,635</td>
<td>$256,177,556</td>
<td>$48,769,921</td>
</tr>
<tr>
<td>100 - 249</td>
<td>88</td>
<td>91</td>
<td>3%</td>
<td>14,079</td>
<td>14,568</td>
<td>4%</td>
<td>$480,153,953</td>
<td>$547,756,073</td>
<td>$67,602,120</td>
</tr>
<tr>
<td>250 - 499</td>
<td>15</td>
<td>26</td>
<td>73%</td>
<td>4,987</td>
<td>8,370</td>
<td>68%</td>
<td>$189,388,911</td>
<td>$337,159,306</td>
<td>$147,770,395</td>
</tr>
<tr>
<td>500 - 999</td>
<td>11</td>
<td>12</td>
<td>9%</td>
<td>7,505</td>
<td>8,277</td>
<td>10%</td>
<td>$259,031,319</td>
<td>$394,613,725</td>
<td>$135,582,406</td>
</tr>
<tr>
<td>1,000 +</td>
<td>12</td>
<td>13</td>
<td>8%</td>
<td>24,727</td>
<td>46,635</td>
<td>89%</td>
<td>$1,321,561,726</td>
<td>$2,980,538,700</td>
<td>$1,658,976,974</td>
</tr>
<tr>
<td>Total</td>
<td>1,728</td>
<td>2,140</td>
<td>24%</td>
<td>72,658</td>
<td>103,333</td>
<td>42%</td>
<td>$2,955,165,627</td>
<td>$5,195,941,951</td>
<td>$2,240,776,324</td>
</tr>
</tbody>
</table>

Data Source: California Employment Development Department

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### In San Diego

- **2,140** nonprofits with paid employees
- **13** of them have more than **1,000** employees
- **57%** of total nonprofit wages

**These 13 nonprofits generate**

- **23%** of San Diego nonprofits have paid employees
- **59%** of those organizations have less than ten employees

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**There was healthy growth in San Diego nonprofits of all sizes from 2008 to 2012:**

- **24%** increase in the total number of nonprofits with employees
- **42%** increase in the total number of nonprofit employees
- Total wages almost doubled in four years, increasing by more than $2B to a total of more than $5B in wages in 2012
Nonprofit Employment

TABLE 4
SAN DIEGO NONPROFIT EMPLOYMENT AND WAGES BY SUBSECTOR – 2008 to 2012
Total Number and Percent Change of Nonprofits, Employees, and Wages from 2008 to 2012*

<table>
<thead>
<tr>
<th>Subsector</th>
<th>Average Number of NPOs</th>
<th>Average Number of NPOs</th>
<th>Percent Change</th>
<th>Average Number of Employees</th>
<th>Average Number of Employees</th>
<th>Percent Change</th>
<th>Total Wages</th>
<th>Total Wages</th>
<th>Change in Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts and Culture</td>
<td>133</td>
<td>155</td>
<td>17%</td>
<td>2,541</td>
<td>2,537</td>
<td>-0.2%</td>
<td>$77,574,415</td>
<td>$82,357,343</td>
<td>$4,782,928</td>
</tr>
<tr>
<td>Higher Education***</td>
<td>30</td>
<td>48</td>
<td>66%</td>
<td>4,941</td>
<td>27,064</td>
<td>448%</td>
<td>$203,620,812</td>
<td>$1,762,785,389</td>
<td>$1,559,164,577</td>
</tr>
<tr>
<td>Education, Other</td>
<td>150</td>
<td>237</td>
<td>61%</td>
<td>7,551</td>
<td>8,999</td>
<td>2%</td>
<td>$269,200,946</td>
<td>$338,470,279</td>
<td>$69,269,333</td>
</tr>
<tr>
<td>Hospitals</td>
<td>67</td>
<td>87</td>
<td>26%</td>
<td>18,826</td>
<td>21,153</td>
<td>12%</td>
<td>$1,109,374,720</td>
<td>$1,393,807,685</td>
<td>$284,432,965</td>
</tr>
<tr>
<td>Environment</td>
<td>50</td>
<td>70</td>
<td>49%</td>
<td>2,975</td>
<td>3,177</td>
<td>7%</td>
<td>$94,179,801</td>
<td>$117,602,864</td>
<td>$23,423,063</td>
</tr>
<tr>
<td>Health, Other</td>
<td>368</td>
<td>456</td>
<td>26%</td>
<td>11,673</td>
<td>13,672</td>
<td>17%</td>
<td>$489,771,861</td>
<td>$657,073,440</td>
<td>$167,301,579</td>
</tr>
<tr>
<td>Human Services</td>
<td>729</td>
<td>804</td>
<td>10%</td>
<td>19,951</td>
<td>22,342</td>
<td>12%</td>
<td>$523,226,215</td>
<td>$618,500,774</td>
<td>$95,274,559</td>
</tr>
<tr>
<td>International</td>
<td>25</td>
<td>41</td>
<td>64%</td>
<td>314</td>
<td>341</td>
<td>9%</td>
<td>$14,319,020</td>
<td>$17,351,397</td>
<td>$3,032,377</td>
</tr>
<tr>
<td>Mutual, Public, and Societal Benefit**</td>
<td>133</td>
<td>178</td>
<td>34%</td>
<td>3,221</td>
<td>3,159</td>
<td>-2%</td>
<td>$152,315,991</td>
<td>$177,130,032</td>
<td>$24,814,041</td>
</tr>
<tr>
<td>Religion</td>
<td>43</td>
<td>64</td>
<td>56%</td>
<td>401</td>
<td>534</td>
<td>33%</td>
<td>$12,252,139</td>
<td>$19,689,442</td>
<td>$7,437,303</td>
</tr>
</tbody>
</table>

Total 1,728 2,140 24% 72,394 102,978 44% $2,955,165,627 $5,195,941,951 $2,240,776,324

Data Source: California Employment Development Department
* These yearly totals are taken from the average of the four quarters for the year.
**Excludes confidential employment and wage data. Therefore, some totals in Table 4 do not match the totals in Table 3.
***Much of the growth in higher education wages came from the addition of a small number of institutions in 2012. These institutions have existed since at least 1990, and filed with the EDD under their California employer account number; however, their federal identification number wasn’t officially on record with the EDD until second quarter of 2009. Therefore, they were not included in the 2008 nonprofit wage data reported here. For confidentiality reasons, no specific data on these institutions was available.

Other than a minimal decline in the average number of employees in a few subsectors (Arts and Culture; Mutual, Public, and Societal Benefit), there was growth in every other subsector.

NONPROFIT EMPLOYMENT IN SAN DIEGO SHOWED MUCH GROWTH IN FOUR YEARS

- More than 30,000 additional employees
- More than $2.2B in additional wages, most of which was in Higher Education
OVERVIEW

In December 2011, the Caster Center launched the State of Nonprofits Quarterly Index (SONP Index), the only index of its kind, designed to monitor the economic health of nonprofit organizations in San Diego County. The SONP Index is published quarterly, and tracks six distinct indicators that have a direct impact on San Diego nonprofits. The findings presented in this report represent the culmination of 11 quarters of data collected to date.

A detailed, systematic data collection and analysis process is used to generate each of the index components. A complete description of the SONP Index components and research methodology can be found online at www.stateofnonprofits.org.

Below is a brief description of each data source.

DATA SOURCES

CASTER CENTER QUARTERLY INDIVIDUAL GIVING AND VOLUNTEERING SURVEY

The Individual Giving and Volunteering Survey is administered online, on a quarterly basis, to a panel of San Diego County residents. Data is collected by Luth Research and approximately 500 panelists participate each quarter. The survey includes questions about public confidence in the local nonprofit sector, as well as household-level giving and volunteering. To generate the public confidence figures, data are weighted by race and ethnicity to more accurately represent San Diego’s population.

2-1-1 SAN DIEGO CALL DATA

The Demand for Services component of the SONP Index originates from 2-1-1 San Diego call data that includes approximately 40,000 calls per quarter that indicate individuals’ expressed needs for a variety of social services. The three areas of basic needs analyzed for this index include Food, Housing/Shelter, and Income Support/Employment.

TREND REPORTERS SURVEY

The Caster Center’s Trend Reporters are a select group of San Diego nonprofit leaders who volunteer to participate in the SONP Index’s CEO/ED online survey, which is administered quarterly. Trend Reporters also complete an annual online survey pertaining to Human Resources and Finance. The number of Trend Reporters varies each year, and this report summarizes survey data from 78 active Trend Reporters.

NONPROFIT JOB POSTINGS

This component of the SONP Index involves calculating and tracking the number of San Diego nonprofit job postings each quarter. Nonprofit job postings are collected from www.npworks.org, a job postings site hosted by Nonprofit Management Solutions.

SAN DIEGO COUNTY UNEMPLOYMENT

Unemployment data for the SONP Index originate from the California Employment Development Department’s (EDD) San Diego County Unemployment statistics. These figures are not exclusive to nonprofits.
Public confidence is very important to the nonprofit sector, and it has remained quite stable for San Diego nonprofits over the past three years. In all 11 quarters, at least eight out of ten respondents said they had a fair or great deal of confidence in San Diego nonprofits — ranging from a high of 89 percent in Q3 2012 to a low of 85 percent in Q4 2013 (see Figure 7).

**Public Confidence**

Confidence in the nonprofit sector is unwavering; in every quarter over the last three years, 85% to 89% of San Diego respondents expressed confidence in San Diego nonprofits.

Data Source: Caster Center Quarterly Individual Giving and Volunteering Survey, Quarter 2 2011 through Quarter 4 2013
As Figure 7 shows, there have been relatively small fluctuations over the last 11 quarters in the percentage of San Diego households that reported giving in any capacity. The level of giving ranged from a high of 52 percent in Q2 2013 to a low of 44 percent in Q4 2013. Figure 8 demonstrates that of those households who gave, the average quarterly amount given ranged from a high of $299 in Q1 2013 to a low of $179 in Q2 2013.
Volunteerism continues to fluctuate over time, yet shows upward trends in the third and fourth quarters of most years.

More San Diegans donate their treasure than their time.

As can be seen in Figure 7, the percentage of San Diego households who volunteered any amount ranged from a high of 37% in Q1 2012 to an all-time low of 30% in Q4 2013.

However, as indicated in Figure 9, the average number of hours spent volunteering per household was at an all-time high in Q4 2013 — 32 hours per quarter — almost twice as many as the 17-hour low in Q3 2012.
After a steady rise in the need for income support and employment over the past three years, there was a big decline in Q4 2013 – almost to the level it was in 2011.

The SONP Index tracks three specific areas of need: Income Support/Employment, Housing/Shelter, and Food to approximate demand for nonprofit services. The number of calls to 2-1-1 San Diego for each of the three areas of need over the past three years is shown in Figure 10. Also shown is the average of the three areas of need, which is what is tracked and presented in the SONP Index summary every quarter (www.stateofnonprofits.org).

These data are somewhat conflicting with Trend Reporter data (see page 19) that indicate demand for services is increasing. Looking at both Trend Reporter and 2-1-1 call data combined, it appears that actual demand for services experienced by the nonprofit sector may be shifting away from the critical needs captured in this component of the index and characteristic of the recession. Instead, these demand for services are returning to a new, post-recession norm.

Note that 2-1-1 San Diego call data may be sensitive to seasonal fluctuations in need, caller differences in familiarity with the County’s needs-based distribution system, and internal operator knowledge of available resources. Despite these complexities, 2-1-1 San Diego call data remains one of the most valuable publicly available indicators of expressed need in San Diego.
EMPLOYMENT: NONPROFIT JOB POSTINGS

San Diego nonprofit job growth slows in Q4 2013 after steady increases.

As can be seen in Figure 11, San Diego nonprofit employment has shown a steady increase since Q1 2012, with a large spike of 191 average postings in Q3 2013. Compared to two years ago, the average number of nonprofit jobs has increased by at least 50%. This trend of increases shows great promise for nonprofits and the overall economy in San Diego.

SAN DIEGO UNEMPLOYMENT

San Diego unemployment rate continues to decline.

This mimics national unemployment statistics.

FIGURE 12
SAN DIEGO UNEMPLOYMENT RATE OVER TIME
Average Rate of Unemployment

Data Source: California Employment Development Department
Another component of this ongoing study is to survey San Diego Executive Directors and CEOs (referred to as Trend Reporters) in order to collect specific quantitative data about their organizations, as well as qualitative information about the trends they observe in San Diego’s nonprofit sector. Trend Reporters in this report represent 78 San Diego-based nonprofit organizations, with collectively more than $1.1 billion in assets and $1.1 billion in annual revenue — accounting for approximately nine percent of all 501(c)(3) revenue in San Diego. The nonprofits are mostly medium to large sized organizations and they represent all subsectors, as shown to the right.

This section summarizes the results of the Trend Reporters Survey, and helps frame the aforementioned data in this report to help nonprofit practitioners put everything in perspective and apply it to practice.

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Data from Trend Reporters should be interpreted cautiously, as the sample size is small and not necessarily representative of San Diego nonprofit organizations.
ECONOMIC HEALTH IS IMPROVING
In Q4 2013, many Trend Reporters described the general economic health of their nonprofit organization as strong or very strong. Trend Reporters were more optimistic about the health of their own organization than they were about their subsector or the nonprofit sector as a whole. In general, Trend Reporters conveyed that funding remained steady across all revenue sources. They also discussed increasing capital expenditures, such as investment in facilities, and a renewed focus on building reserves and endowment.

“The consensus in our circle is that things are getting better, that the economy is strong, running on all cylinders. This is increasing confidence.”

NONPROFITS ARE CONTINUING TO HIRE
The average number of job postings has risen steadily from a low of 95 in Q1 2012 to a high of 191 in Q3 2013. In 2013, a small sample of Trend Reporters (n=34) hired 345 full-time equivalent employees (FTEs) and 348 part-time employees, increasing the total wages paid between 2012 and 2013 by five percent. Additionally, Trend Reporters expect to hire at least 64 new FTEs in 2014, potentially increasing total wages paid by an additional $1.1 to $3.1 million dollars.  

DEMAND FOR SERVICES IS SHIFTING
According to the SONP Index, it appears the severity of need experienced by many San Diegans at the height of the recession has abated somewhat, and is perhaps calibrating to a new normal. In contrast to the 2-1-1 San Diego data that show a decrease in demand for services for critical needs such as food and housing/shelter (see page 16), two-thirds (66%) of Trend Reporters said demand for services has moderately or greatly increased.

PHILANTHROPPIC LANDSCAPE IS CHANGING
Feedback from Trend Reporters reveals that there have been numerous changes to the philanthropic landscape over the last few years. First, philanthropic donors have become more focused on evaluation metrics and quantifiable results instead of anecdotal evidence. Second, individual donors, although giving at higher rates than a few years ago, are still cautious about long-term pledges. Third, nonprofits are experiencing an increased need to engage with donors via social media.

This range is calculated using a low of $9/hour (minimum wage) and a high of $49,000 per year average annual nonprofit salary estimated by Simply Hired, Inc., as of May 18, 2014.
**REDESIGNING INTERNAL OPERATIONS**

Trend Reporters observed nonprofits giving considerable attention to redesigning internal operations. While most nonprofits in San Diego may have already operated on slim margins, “all nonprofits that are going to survive the ‘economic crisis’ that we are emerging from are learning how to be more efficient.” This has included streamlining operations, investing in technology, developing new business strategies to complement existing fundraising plans, and re-evaluating strategic plans. The focus on internal operations is not a superficial solution, but rather a lasting change to how many of the nonprofits do business.

“We are in a totally reorganizing mode with a wide variety of specific strategic initiatives in the works.”

**FOCUSING ON STAFF DEVELOPMENT**

Trend Reporters observed an increased focus on leadership and staff development. It was noted that nonprofits are finding new ways to develop talent from within, retain high-performing staff, and recruit high quality board leadership. Yet, this is not easy to do. Trend Reporters observe a high turnover in Development Directors in particular and, in general, note that it is “increasingly more difficult to find good Board and professional talent.”

**IMPROVING MEASUREMENT AND COMMUNICATION OF OUTCOMES**

Many Trend Reporters have spent considerable time and money in the past year learning new techniques to evaluate and communicate impact. For one organization, this took the form of “an impact evaluation of all of our programs. This included an evaluation on both fiscal and program performance, which provided important feedback on program focus and resource allocation.” This trend appears to be driven largely by institutional funders and, as such, may prove critical to future funding. However, Trend Reporters also expressed concern that the cost of program evaluation is not always funded by those who want proof of results.

“The focus on measurement and evaluation is especially strong among funders. Organizations that can figure out how to evaluate their programs in meaningful ways will outperform others.”
Trends in Nonprofit Leadership

ENHANCING DONOR ENGAGEMENT THROUGH SOCIAL MEDIA

Amidst the internal restructuring, nonprofits are also experimenting with new ways to communicate with donors. Words like “creativity” and “innovation” were used with more frequency in 2013 than in the prior year, specifically in the context of programming, marketing and fundraising. In particular, social media is seen as the next frontier of meaningful donor engagement. Nonprofits are focusing on “storytelling and innovative reporting,” and looking for “new and creative ways to better connect with and inspire donors and supporters.” Some Trend Reporters have hired Public Relations firms to help with overall communication efforts, including social media. Others nonprofits are asking staff to translate program outcomes into meaningful donor engagement materials.

ENGAGING IN MORE STRATEGIC COLLABORATION

For the past two and a half years, Trend Reporters have identified collaboration as a primary strategy for weathering the economic crisis. Collaboration has helped improve outcomes and reduce costs. In recent months, nonprofits appear to be reevaluating how they engage in collaboration. “Collaboration is starting to look more strategic, moving beyond the opportunistic ‘get the funding’ and into a ‘get the outcomes’ mode.” Furthermore, there appears to be a movement toward cross-sectoral collaboration.

“We’ve seen a growing effort at cross-sectoral collaboration; nonprofits, businesses and government entities working together to achieve common goals.”

“In my small section of the nonprofit sector [social services for children and families], we are seeing a change in the way we work with children and families. The culture is shifting to understand that past trauma has dramatic and lasting effects that must be addressed in a more comprehensive and inclusive manner. This approach requires providers, funders and county representatives to have strong collaborations and ongoing dialogue. I believe this is reflective of a healthier system overall.”
CONCLUSION

The nonprofit sector is operating in a dynamic, often turbulent environment.

Yet, the outlook for San Diego nonprofits is hopeful.

With the economy on track for slow but steady improvement, nonprofits appear to be shifting from desperation (which characterized much of 2012) to redesigning their internal operations and seeking external cross-sector collaborative partners. By taking action – both proactively and reactively – nonprofit leaders and organizations can continue to enhance the overall economic and mission-focused capacity and impact of San Diego’s nonprofit sector.
Acknowledgements

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2013 TREND REPORTERS

2-1-1 San Diego
Advancing Students Forward
AVID Center
Boy Scouts of America
California Center for Sustainable Energy
Casa de Amparo
Casa Familiar
Catholic Charities
Christian Unified Schools of San Diego
Circulate San Diego
Community Interface Services
Consumer Advocates for RCFE Reform
Developmental Services Continuum, Inc.
Dreams for Change
Employment and Community Options
Escondido Humane Society
Feeding America San Diego
Francis Parker School
Gerson Institute
Girl Scouts San Diego
Goodwill Industries of San Diego County
Grid Alternatives
Home of Guiding Hands Corporation
Home Start Inc.
I Love a Clean San Diego
Jewish Family Service of San Diego
Jewish Federation of San Diego County
Kids for Peace
Kids Included Together
Kids Korps USA
La Maestra Family Clinic, Inc.
Legal Aid Society of San Diego
MAAC Project
Make-a-Wish Foundation San Diego
Metro United Methodist Urban Ministry
Mingei International, Inc.
Nonprofit Management Solutions
North County Lifeline
Plant with Purpose
Playwrights Project
Point Loma Nazarene University
Rancho Coastal Humane Society
Regional Task Force on the Homeless
Reuben H. Fleet Science Center
San Diego Archeology Center
San Diego Blood Bank
San Diego Coastkeeper
San Diego Council on Literacy
San Diego County Dental Society
San Diego Hunger Coalition
San Diego Imperial Counties Developmental Services, Inc.
San Diego Museum of Man
San Diego Natural History Museum
San Diego Opera Association
San Diego Youth Services
San Diego Youth Symphony
San Ysidro Education Vanguard Foundation
Social Advocates for Youth San Diego, Inc.
Special Olympics of Southern California
Stepping Stone San Diego
Support the Enlisted Project
SURFAID
Survivors of Torture
The Aja Project
The Arc of San Diego
The Boys and Girls Clubs of San Dieguito
The New Children’s Museum
United Way of San Diego County
US-Mexico Border Philanthropy Partnership
USS Midway Museum
Voices for Children
Wakeland Housing and Development Corporation
Walden Environment
WILDCOAST
Women’s Resource Center
YMCA of San Diego County
Young Audiences of San Diego
YWCA of San Diego County

For information about how to become a Trend Reporter, please visit www.stateofnonprofits.org.

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