



A SPOTLIGHT on SAN DIEGO'S THIRD SECTOR

MEASURING THE ECONOMIC IMPACT
OF SAN DIEGO'S NONPROFIT SECTOR

ASSESSING SECTOR CAPACITY
AND COMMUNITY NEEDS

GAUGING PUBLIC
CONFIDENCE
IN NONPROFITS



SCHOOL OF LEADERSHIP
AND EDUCATION SCIENCES
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A Spotlight on San Diego's Third Sector
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EXECUTIVE SUMMARY

This report seeks to answer four important questions concerning San Diego County's nonprofit sector. First, what is the current state of the nonprofit sector in terms of its size, scope, and contributions to San Diego's economy? Second, what is the capacity of the nonprofit sector to meet community needs? Third, what are San Diegans' opinions of the nonprofit sector; specifically, do they have confidence in the sector? Lastly, given the findings of this report, what trends must the sector consider to strategically position itself in order to meet the future needs of the community?

The above questions are addressed using the most recent available data from a variety of sources. The findings demonstrate that San Diego's nonprofit sector plays an integral role, along with government and business, in developing and maintaining the region's economy. In addition, San Diego's nonprofits provide critical services that support the overall welfare of the region.

In concert with this notion that nonprofit organizations provide critical services, the findings also reveal how nonprofits are viewed by the San Diego community at large, including opinions of the sector's reliability and integrity. The report also calls attention to areas of concern that should be addressed in order for the sector to effectively meet future service and resource demands.

In accordance with the mission of the Caster Family Center for Nonprofit and Philanthropic Research, this report is intended to inform and assist a broad audience. This audience includes nonprofit practitioners, policy makers, private service providers, business leaders, donors, and concerned citizens. All of these stakeholders are called upon to make decisions that critically affect the sector.

EXECUTIVE SUMMARY: KEY FINDINGS

The following observations indicate the notable contributions of the nonprofit sector to San Diego's economy and communities. San Diego's nonprofit sector is:

An important employer

Nonprofit organizations contributed more than \$743 million in wages to the San Diego economy and employed more than 75,000 people in the second quarter of 2009. This figure represented 6 percent of San Diego's workforce and was a larger percentage of the workforce than that of the state or federal government in San Diego.

A major provider of County services

In 2009, the County of San Diego contracted with local charities to provide more than \$222 million in services. Nearly \$128 million was held by the Health subsector and nearly \$68 million was held by the Human Services subsector.

Financially strong

In 2007, San Diego nonprofit organizations collectively held nearly \$15 billion in total assets, earned \$9.9 billion, and spent \$9 billion providing services. This represents 5.6 percent of San Diego's Gross Metropolitan Product.

Trusted by the general population

In a 2010 survey, over 80 percent of San Diegans reported having confidence in local nonprofits to act on the public's behalf and to provide quality services.

There were also the following areas of concern:

A substantial number of nonprofit organizations are working with a deficit

In 2007, nearly 38 percent of active charities in San Diego operated with a deficit. The Human Service subsector had the greatest number of organizations in this category—32 percent of Human Service nonprofits operated with a deficit.

The ability of nonprofits to operate effectively and to spend money wisely is not perceived to be as strong as that of the for-profit sector

In a 2010 survey, only 22 percent of San Diegans believed that nonprofits provided quality services, while 54 percent believed that for-profit organizations provided quality services. Similarly, 21 percent believed that nonprofits operated effectively, while 53 percent believed that for-profits operated effectively.

Some community needs are not being met

211 San Diego reports that the current nonprofit service delivery system cannot accommodate all needs. Additionally, some regions of the County appear to have less access to service providers than others.



STATE OF THE SECTOR

Dear Reader,

Much has changed about the world since we released our original **Spotlight on San Diego's Third Sector** in 2006. Since that time, we have witnessed a historical change in presidential leadership, lived through numerous natural disasters, seen the passage of comprehensive healthcare reform, and endured the Great Recession. Indeed, it has been a period of unprecedented change. In one way or another, those who work within the nonprofit sector have been at the heart of it all by actively promoting civic engagement, nurturing spirituality, serving meals and providing shelter, educating and healing, and even entertaining us. While periods of transformation can strain the fabric of any civil society, the nonprofit sector—the people who work in it and those that support it—provide the strength that ultimately reinforces that fabric and makes it stronger.

At the Caster Family Center for Nonprofit and Philanthropic Research, we are fortunate to be able to tell the story of this extraordinary sector through our research and reports. We believe that having the ability to describe and explain the dimensions and impact of the sector is vital to the work of nonprofits in our region. Similar to private and government organizations, nonprofits must have the capacity to accurately describe ourselves as a sector with numerous subsectors before more nuanced questions of policy, collaboration, funding, and strategy can be addressed.

Therefore, this report expands the investigation of the local nonprofit sector beyond the fundamental quantitative parameters presented in the original Spotlight report. To that end, the report considers aspects unique to San Diego's nonprofit sector such as government contracting, community needs, and public trust and confidence, thus, providing a more robust description of the sector and its activities. It is our hope that this report will lend valuable insight into the current and future state of San Diego's nonprofits and serve as a useful tool for leaders and decision-makers.

Laura Deitrick

Director, Caster Family Center for Nonprofit and
Philanthropic Research

DEFINING SAN DIEGO'S NONPROFIT SECTOR

Number of Organizations by IRS Subsection

More than 12,000 nonprofit organizations call San Diego County home. Table 1 highlights the most common classifications, otherwise known as subsections, among the more than 26 IRS designations for tax-exempt organizations. Between 2005 and 2009, San Diego realized a 14 percent increase in the total number of nonprofit organizations in the County. The growth was driven by an 18 percent increase in the total number of organizations in the 501(c)(3) classification. In fact, all other classifications demonstrated very little or negative growth during that time period.

As Table 1 demonstrates, there are almost 10,000 registered 501(c)(3) organizations in San Diego County. These “charitable” nonprofits make up the bulk of the total nonprofit sector and are the designation that people most often associate with a nonprofit organization. Foundations are also classified as 501(c)(3)s. To provide context, data for Orange County and the State of California as a whole have been included. Interestingly, from 2005 to 2009, Orange County realized a 26 percent increase in the total number of nonprofit organizations while the number of nonprofits state-wide increased by 9 percent.

San Diego's nonprofit sector comprises nearly 10,000 registered 501(c)(3) “charitable” organizations. The total number of these nonprofits grew by 18% over the last five years.

Table 1

Number of Organizations by Subsection, Per 1000 Persons and Growth, 2005-2009

501 (c) Class	San Diego County			Orange County			California		
	Number of NPOs	% Change 2005-2009	Total NPOs Per 1,000 People	Number of NPOs	% Change 2005-2009	Total NPOs Per 1,000 People	Number of NPOs	% Change 2005-2009	Total NPOs Per 1,000 People
(c)(3)	9,732	18%	3.24	9,592	26%	3.19	125,800	9%	3.4
(c)(4)	734	0.3%	0.24	584	3%	0.19	9,263	-2%	0.25
(c)(5)	219	2%	0.07	190	6%	0.06	4,853	9%	0.13
(c)(6)	540	7%	0.18	532	45%	0.18	6,940	-4%	0.19
(c)(7)	527	0%	0.18	462	8%	0.15	5,913	-9%	0.16
All Other	631	-4%	0.21	452	-3%	0.15	9,970	-6%	0.27
TOTAL	12,383	14%	4.13	118	21%	3.92	162,739	6%	4.40

Data: IRS Exempt Organizations Master Files

Table 2
Nonprofit Organizations by Subsector Field

Subsector	San Diego County		Orange County		California	
	Number of NPOs	% of Total	Number of NPOs	% of Total	Number of NPOs	% of Total
Arts, Culture, Humanities	966	10%	748	8%	12,861	10%
Higher Education	38	0.4%	47	0.5%	530	0.4%
Education	1,546	16%	1,491	16%	18,280	14%
Hospitals	19	0.2%	29	0.3%	381	0.3%
Environment / Animals	394	4%	281	3%	4,614	4%
Health	723	7%	597	6%	8,470	7%
Human Services	2,176	22%	2,101	22%	29,855	24%
International	211	2%	206	2%	2,415	2%
Mutual Benefit	11	0.1%	13	0.1%	198	0.2%
Public and Societal Benefit	1,698	17%	1,598	17%	20,613	16%
Religion	1,883	19%	2,423	25%	26,611	21%
Uncategorized	67	1%	58	1%	972	0.8%
TOTAL	9,732	100%	9,592	100%	125,800	100%

Data: IRS Exempt Organizations Master Files

Nonprofits by Subsector

From this point forward this report is focused on the 501(c)(3) public charities found in Table 2. This table further delineates the 501(c)(3) designation by major subsectors, based upon the typologies and classifications of the National Taxonomy of Exempt Entities Core Codes (NTEE-CC). Of San Diego's nearly 10,000 charitable nonprofit organizations, the largest concentration of total organizations is found in the Human Services subsector, followed by the Religious subsector,¹ Public and Societal Benefit, and Education subsectors. Arts and Culture organizations account for 10 percent of San Diego's nonprofit sector.

It should be noted here that the Public and Societal Benefit subsector generally comprises philanthropy and grantmaking organizations and organizations focused on civil rights, community improvement, and voluntarism. The Mutual Benefit subsector generally refers to membership organizations.

While there has been an 18 percent increase in the total number of charities in San Diego, growth among the subsectors has been fairly evenly distributed such that the percentage of organizations represented in each category has remained relatively stable over the last five years.

A Note About Nonprofit Data Sources and NTEE Codes

Data about the number of nonprofit organizations and their financials presented in this report are from the Internal Revenue Service (IRS) and the National Center for Charitable Statistics (NCCS) at the Urban Institute. This data is based on self-reported, nonprofit organization tax filings with the IRS, which is public information. The most recently available and complete file is from 2007. In that year, only organizations with revenue greater than \$25,000 were required by the IRS to file a tax return.

A full description of the typologies and classifications of the National Taxonomy of Exempt Entities (NTEE) may be found at www.nccs.urban.org

¹Religious organizations are not required by law to file with the IRS, although many do. Therefore, the total number of organizations in the Religion subsector and their financial data may be undercounted throughout the report.

MEASURING THE SCOPE OF THE SECTOR

Size and Activity Level

Measuring assets and expenditures is one method used to characterize a nonprofit organization's size and activity level. Table 3 presents assets and expenditure data that indicate most of San Diego's nonprofits remain small. Sixty-seven percent of all San Diego nonprofits are categorized as 'nonfilers,' meaning these organizations were not required to file an annual tax return with the Internal Revenue Service in 2007 because their revenues for that year were under \$25,000.

Furthermore, as Figure 1 shows, almost 85 percent of local nonprofits operate with assets of \$250,000 or less. Of the organizations with assets greater than \$5 million, the Hospitals and Higher Education subsectors hold the bulk of nonprofit assets in San Diego (47% and 16%, respectively).

Figure 1
Percent of San Diego County Nonprofit Sector Assets

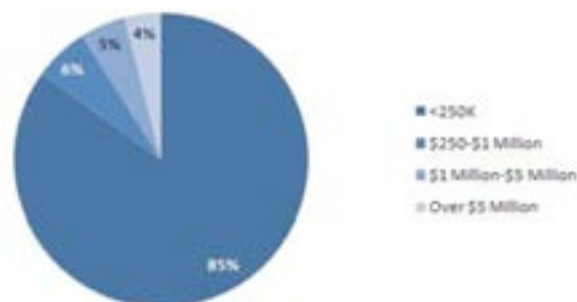


Table 3
Nonprofit Organizations by Subsector, Total Assets and Expenditures

Subsector	NONFILERS (%)	UNDER \$250K		250K - UNDER 1 MILLION		1 MILLION - 5 MILLION		OVER 5 MILLION	
		Assets	Expenses	Assets	Expenses	Assets	Expenses	Assets	Expenses
Arts, Culture, Humanities	60%	28%	30%	6%	7%	5%	3%	0%	1%
Higher Education	50%	21%	16%	5%	13%	5%	5%	16%	16%
Education	58%	31%	30%	5%	5%	4%	4%	2%	2%
Hospitals	53%	0%	0%	0%	0%	0%	5%	47%	42%
Environment / Animals	66%	24%	24%	5%	6%	5%	3%	3%	2%
Health	54%	26%	24%	9%	10%	5%	7%	6%	6%
Human Services	55%	11%	28%	11%	9%	11%	5%	12%	2%
International	52%	33%	31%	8%	9%	6%	5%	1%	3%
Mutual, Public and Societal Benefit	79%	13%	14%	4%	5%	3%	2%	2%	1%
Religion	89%	8%	9%	2%	1%	1%	1%	0%	0%
TOTAL	67%	18%	22%	6%	6%	5%	3%	4%	2%

Data: IRS Exempt Organizations Master Files, NCCS Core Files, 2007

FINANCIAL CAPACITY AND ECONOMIC IMPACT OF THE SECTOR

Table 4
Nonprofit Assets

Subsector	San Diego County	Orange County	California
Arts, Culture, Humanities	\$723,644,569	\$872,246,706	\$11,673,238,439
Higher Education	\$1,631,991,623	\$1,772,741,312	\$55,797,447,944
Education	\$1,895,772,593	\$1,239,306,203	\$19,949,471,647
Hospitals	\$4,487,418,224	\$5,667,508,993	\$56,451,538,980
Environment / Animals	\$641,157,342	\$135,800,457	\$4,194,757,224
Health	\$1,808,977,106	\$1,388,520,931	\$29,085,086,493
Human Services	\$1,774,120,761	\$1,637,355,375	\$28,025,358,851
International	\$61,593,455	\$69,357,596	\$1,309,237,534
Mutual, Public and Societal Benefit	\$1,816,128,072	\$1,403,751,827	\$30,947,406,014
Religion	\$100,044,985	\$1,187,389,784	\$3,394,039,532
Unclassified	\$0	\$36,407	\$18,109,583
TOTAL	\$14,940,848,730	\$15,374,015,591	\$240,845,692,241

Data: IRS Exempt Organizations Master Files, NCCS Core Files, 2007

Assets

In 2007, San Diego nonprofit organizations collectively held nearly \$15 billion in assets. This was a 27 percent, \$3.2 billion, increase in assets from 2004.

As can be seen in Table 4 and Figure 2, the largest share of assets, 42 percent, is held by the Health and Hospitals subsectors, with a collective total asset share in 2007 of over \$7 billion. The Education and Higher Education subsectors also had a substantial share of the nonprofit sector's total assets with \$3.5 billion.

**7% of San Diego's nonprofits
(Health and Hospitals subsectors)
hold 42% of the sector's assets.**

Figure 2
Percent of Nonprofit Assets by Subsector

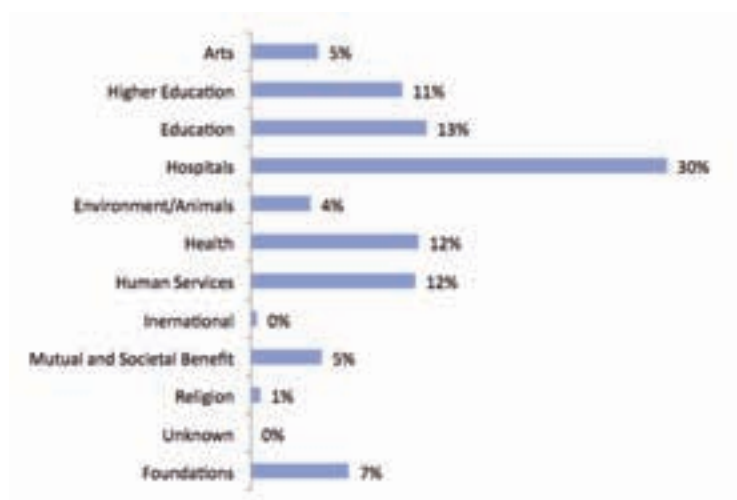


Table 5

Comparison of Revenue and Expenses by Region and State

	San Diego County	Orange County	California
Total Population	3,001,072	3,010,759	36,756,666
Total Revenue	\$9,862,999,066	\$6,182,167,144	\$147,272,388,574
Total Expenses	\$9,035,373,650	\$5,505,718,041	\$134,684,019,784
Expenditures Per Capita	\$3,011	\$1,829	\$3,664
Average Expenditures	\$3,032,098	\$2,038,263	\$3,602,502

Data: IRS Exempt Organizations Master Files, NCCS Core Files, 2007, and San Diego Association of Governments

Revenue and Expenses

San Diego still leads Orange County in nonprofit activity as evidenced by nonprofit expenditures per capita depicted in Table 5. Although San Diego's nonprofit activity still lags behind the state, its average expenditures fell in between the average expenditures of both the state and Orange County. In order to ensure that monies are not counted twice, all analysis related to revenue and expenditures treats organizations with a mission to support other nonprofits (such as foundations, federated giving programs, and fundraising groups) separately as supporting organizations.

Table 6

Total Expenditures (\$Millions)

Subsector	San Diego County		Orange County		California	
Arts, Culture, Humanities	\$227	3%	\$210	4%	\$3,145	2%
Education	\$488	5%	\$349	6%	\$5,380	4%
Higher Education	\$549	6%	\$406	7%	\$13,214	10%
Environment / Animals	\$266	3%	\$33	1%	\$1,390	1%
Health	\$1,325	15%	\$351	6%	\$42,069	31%
Hospitals	\$4,115	46%	\$2,597	47%	\$42,120	31%
Human Services	\$1,392	15%	\$1,061	19%	\$18,966	14%
International	\$168	2%	\$66	1%	\$3,090	2%
Mutual Benefit	\$0	0%	\$7	0%	\$190	0%
Public and Societal Benefit	\$419	5%	\$65	1%	\$3,834	3%
Religion	\$79	1%	\$361	7%	\$1,255	1%
Unknown	\$7	0%	\$0	0%	\$33	0%
TOTAL	\$9,035	100%	\$5,506	100%	\$134,684	100%
Supporting Organizations	\$875	10%	\$775	14%	\$3,516	3%

Data: IRS Exempt Organizations Master Files, NCCS Core Files, 2007

Tables 6 and 7 show San Diego's nonprofit sector expenditures and revenue compared to Orange County and the State of California. San Diego's nonprofit organizations earned \$9.9 billion in revenue in 2007, a 22 percent increase since 2004. These organizations also spent \$9 billion providing services in 2007, representing a 17 percent increase since 2004.

Overall, 2007 nonprofit expenses constituted 5.6 percent of San Diego County's Gross Metropolitan Product (GMP).² The majority of the sector's expenses are, not surprisingly, found in Hospitals, Health, and Human Service subsector organizations. Collectively, these subsectors report a cumulative expenditure total of nearly \$7 billion—a figure that represents three-quarters of total nonprofit expenditures in San Diego.

Since 2004, nonprofit revenue and expenditures have expanded by 22% and 17%, respectively.

In 2007, nonprofit expenses constituted 5.6% of San Diego County's Gross Metropolitan Product (GMP).

Table 7
Total Revenue (\$Millions)

Subsector	San Diego County		Orange County		California	
Arts, Culture, Humanities	\$255	3%	\$255	4%	\$3,866	3%
Education	\$523	5%	\$384	6%	\$5,963	4%
Higher Education	\$672	7%	\$510	8%	\$17,244	12%
Environment / Animals	\$313	3%	\$45	1%	\$1,750	1%
Health	\$1,464	15%	\$397	6%	\$43,697	30%
Hospitals	\$4,456	45%	\$2,913	47%	\$45,646	31%
Human Services	\$1,459	15%	\$1,143	18%	\$19,946	14%
International	\$172	2%	\$76	1%	\$3,121	2%
Mutual Benefit	\$0	0%	\$10	0%	\$396	0%
Public and Societal Benefit	\$457	5%	\$70	1%	\$4,218	3%
Religion	\$85	1%	\$379	6%	\$1,392	1%
Unknown	\$7	0%	\$0	0%	\$34	0%
TOTAL	\$9,863	100%	\$6,182	100%	\$147,272	100%
Supporting Organizations	\$1,083	11%	\$1,176	19%	\$5,811	4%

Data: IRS Exempt Organizations Master Files, NCCS Core Files, 2007

² GMP figures were provided by the San Diego Institute for Policy and Research.

Sources of Revenue

Where do nonprofits get their money? Table 8 presents the major revenue sources for San Diego nonprofits. Sixty-six percent of nonprofit revenue is generated through earned income. Earned income primarily includes revenue generated from programs—essentially through fees for services provided by the nonprofit. Other sources of earned income are dues, sales of goods, and an “other” income category that might include revenue from sources such as royalties.

When assessing revenue income by subsector, the Higher Education and Hospitals subsectors generate the highest percentage of program revenues. The International and Religion subsectors are the most heavily reliant on donations as a source of income. Arts organizations and Public Societal Benefit organizations (which include grantmaking foundations) generate more revenue from investment income than other nonprofits. This is likely related to the use of endowments by large arts and culture organizations and by foundations, which are included in the Public and Societal Benefit subsector.

Earned income generates 66% of all nonprofit revenue.

San Diego nonprofits receive 29% of their income from donations.

Table 8
Analysis of Major Revenue Sources, San Diego Operating Public Charities

Subsector	Earned Income				Donations	Investment Income
	Program Revenue	Dues	Goods	Other		
Arts, Culture, Humanities	35%	4%	3%	3%	45%	5%
Higher Education	79%	0%	0%	2%	7%	4%
Education	44%	1%	4%	1%	46%	3%
Hospitals	94%	0%	0%	1%	2%	2%
Environment/Animals	51%	6%	3%	1%	31%	3%
Health	36%	0%	0%	1%	56%	2%
Human Services	39%	2%	1%	1%	52%	1%
International	8%	0%	0%	0%	90%	1%
Mutual Benefit	35%	2%	18%	0%	46%	6%
Public and Societal Benefit	30%	1%	1%	1%	56%	6%
Religion	15%	0%	3%	1%	77%	2%
TOTAL (Operating Organizations)	63%	1%	1%	1%	29%	2%

Data: IRS Exempt Organizations Master Files, NCCS Core Files, 2007

Deficit Spending

Deficit spending continues to be a problem for San Diego nonprofits. Every year since 2000, 30 percent to 40 percent of San Diego nonprofit organizations have reported negative operating margins at the end of their fiscal year. As Figure 3 illustrates, 38 percent of local nonprofits reported a year-end deficit in 2007. This is an important trend to consider as deficit spending is one indicator of overall financial health in the nonprofit sector. Indeed, under good economic conditions there may be sound business reasons to access assets for capital improvements or program expansion. However, under poor economic conditions, deficit spending becomes a riskier proposition as the assets used to cover budget shortfalls often constrict as well. Indeed, a 2009 survey conducted by the Caster Center showed that 42 percent of respondents had used reserves to cover budget shortfalls, yet only a third of responding organizations reported having more than 6 months of operating reserves set aside. Table 9 gives some perspective to the deficit-spending activities across subsectors.

Figure 3

Percent of organizations reporting a year-end deficit, 2007

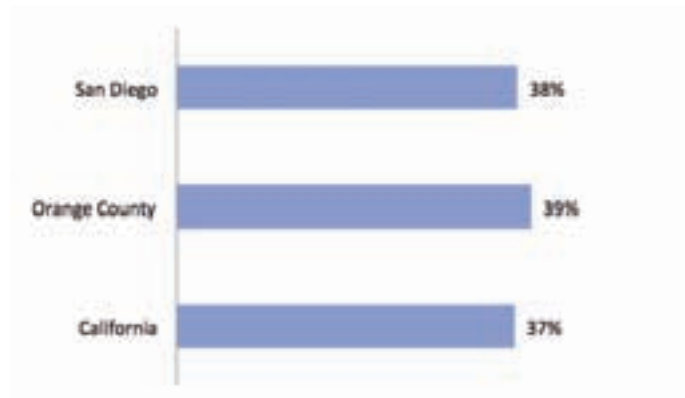


Table 9

Deficit Spending by Subsector, Median Deficits and Median Organizational Assets

Subsector	Number of Organizations Reporting a Year-End Deficit in 2007	Median Deficit	Median Assets
Arts, Culture, Humanities	133	\$10,560	\$41,661
Higher Education	4	\$3,928	\$65,000
Education	255	\$11,366	\$28,521
Hospitals	3	\$1,110,468	\$62,836,632
Environment/Animals	32	\$25,743	\$79,810
Health	117	\$31,813	\$104,283
Human Services	381	\$13,998	\$78,474
International	43	\$17,374	\$40,166
Mutual, Public and Societal Benefit	57	\$22,760	\$75,214
Religion	100	\$10,460	\$31,691

Data: IRS Exempt Organizations Master Files, NCCS Core Files, 2007

Nonprofit Employment

San Diego nonprofits are an important employer in the local economy. For this section of the report, quarterly labor data from 2007 and 2009 were provided by the California Employment Development Department (EDD) for analysis. As Table 10 indicates, San Diego's nonprofit sector, much like the local for-profit sector, is composed primarily of small to mid-sized firms with fewer than fifty employees. Despite this tendency towards smaller firm size, the region is home to what may be considered 122 "large" nonprofit firms. To give this data some context, consider that, nationally, firms with more than 500 employees are considered "large." The San Diego Workforce Partnership, however, generally considers local firms with more than 100 employees as "large."

1,832 nonprofit establishments employ over 75,000 people in San Diego county.

Longitudinal analysis of labor data show that from the first quarter of 2007 to the first quarter of 2009, the total number of nonprofit organizations with paid employees increased by 1.6 percent. In the same time period, the number of paid nonprofit employees increased by 5 percent and total wages rose by 7 percent. Employment in education-related nonprofits, especially Higher Education, was the driving force behind this growth.

Of note is a recent Caster Center survey assessing nonprofits' response to the economic downturn. Regarding nonprofit employment, nonprofits surveyed reported that the primary tactics for offsetting decreased revenue as a result of poor economic conditions include staff layoffs, hiring and pay freezes, and cuts to pay and benefits. This suggests that while there was a slight increase in employment and wages between 2007 and 2009, data for the third and fourth quarters of 2009 and the first quarter of 2010 may reflect a reduction in employment and wages in response to the present economic conditions. Those figures, however, were unavailable at the time of the writing of this report.

Table 10
San Diego Firm Size, Employment, and Quarterly Wages, First Quarter 2009.

Firm Size	Number of Establishments	Average Quarterly Number of Employees	Total Quarterly Wages
0-4	608	1,205	\$10,261,791
5-9	372	2,581	\$17,349,951
10-19	356	4,673	\$32,169,975
20-49	284	8,614	\$66,176,428
50-99	90	6,287	\$56,550,481
100-249	77	11,849	\$99,024,324
250-499	22	6,999	\$60,584,887
500-999	11	7,437	\$60,739,879
1000 or more	12	25,393	\$340,636,564
TOTAL	1,832	75,038	\$743,494,280

Data: California Employment Development Department, Labor Market Information Division

Table 11
Employment and Wages by Subsector

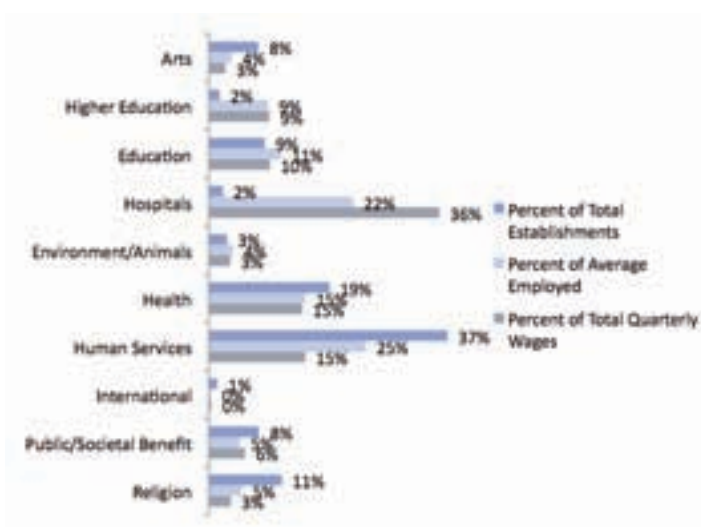
Subsector	Number of Establishments	Average Quarterly Number of Employees	Total Quarterly Wages
Arts, Culture, Humanities	141	2,639	\$19,236,477
Higher Education	31	6,892	\$70,169,097
Education	160	8,441	\$71,000,443
Hospitals	40	16,872	\$267,556,986
Environment / Animals	52	2,816	\$24,803,988
Health	345	11,300	\$108,325,147
Human Services	683	18,396	\$112,170,828
International	24	249	\$2,902,006
Mutual, Public and Societal Benefit	143	3,598	\$42,068,438
Religion	209	3,821	\$25,196,588
Uncategorized	4	15	\$64,282
TOTAL	1,832	75,038	\$743,494,280

Data: California Employment Development Department

Table 11 presents aggregate employment data for each nonprofit subsector. In San Diego, Hospitals and Human Services are the largest nonprofit employers.

Figure 4 demonstrates how wages fluctuate across the subsectors and illustrates some wage disparities between subsectors. For example, the Hospitals and Human Services subsectors employ somewhat similar numbers of people. However, the Hospitals subsector constitutes 36 percent of total wages while employees in the Human Services subsector only represent 15 percent of total wages.³

Figure 4
Percent of Establishments, Employment, and Wages by Subsector



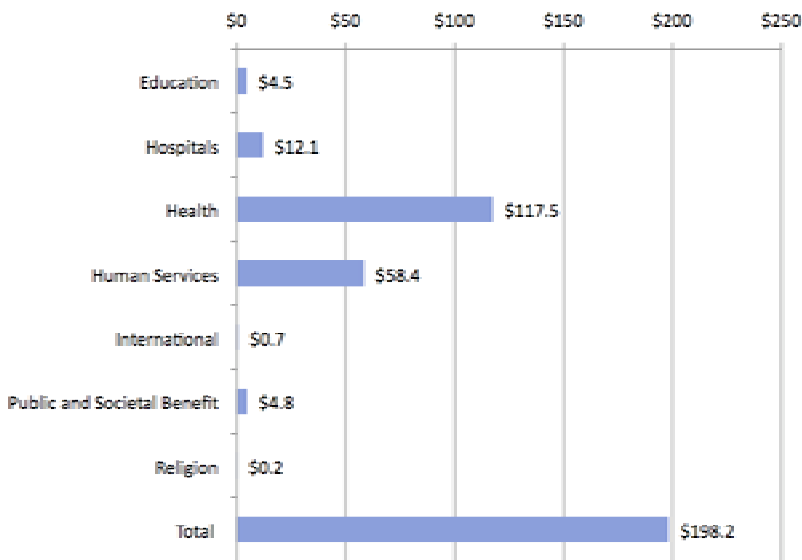
³ Employment figures from the EDD do not differentiate between full- and part-time employment; therefore, the extent to which these numbers are influenced by full- or part-time employment status cannot be determined.

COUNTY GOVERNMENT AND NONPROFITS

For a variety of historical and political reasons, the County of San Diego outsources many of its public services to private and nonprofit contractors, more so than other counties in the state. As a result of this arrangement, San Diego’s local nonprofit agencies regularly partner with the County in the delivery of critical health and human services. Since this unique relationship is an important component of community health and well being, gaining an understanding of this dynamic relationship is an important part of understanding the entire nonprofit sector in San Diego. While a full mapping of government funding for nonprofits is beyond the scope of this report, this section begins an exploration of this relationship presenting detailed information on two of the largest County contracting agencies, Health and Human Services (HHSA) and the First 5 Commission of San Diego.

The Health and Human Services Agency is the dominant contracting agency within the County. During the 2008-2009 fiscal year (July 1 through June 30), HHSA contracts represented 84 percent of total County contracting expenditures. During that time period, HHSA awarded a total of \$413,361,839 in contracts to private and nonprofit sector contractors. An analysis of contracting data provided by the HHSA shows that 48 percent of those contract dollars were awarded to local nonprofits. Overall, the vast majority of nonprofits that responded to an HHSA satisfaction survey report they are satisfied with the way HHSA interacts with their organizations and that County contracts are monitored fairly and accurately.⁴

Figure 5
2008-2009 HHSA Contracts by Subsector



As might be expected, the lion’s share of those nonprofit contracts, 89 percent, was awarded to organizations in the Health and Human Services subsectors. As Figure 5 shows, during the 2008-2009 fiscal year, Health-related nonprofits held contracts worth \$117.5 million; Human Service nonprofits maintained contracts worth \$58.4 million.

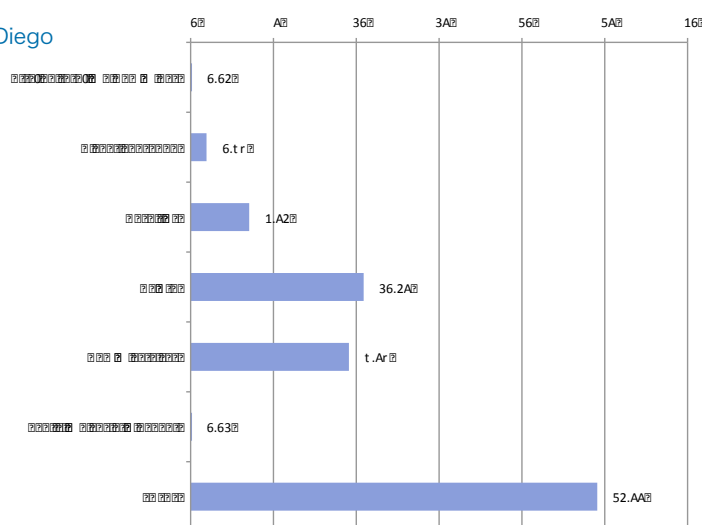
To understand the impact of County contracting on local nonprofits, the IRS data for nonprofits that held HHSA contracts were also analyzed. This analysis revealed that of the nonprofits that received HHSA contracts in 2008-2009, total nonprofit contract dollars accounted for 22 percent of the combined total revenues for these organizations. Furthermore, it appears that a few local nonprofits rely heavily on HHSA contracts as a primary revenue source. For instance, five of the nonprofits examined received over 90 percent of their annual revenue from HHSA contracts. It was calculated that nearly one-quarter of nonprofits receiving contract revenue from HHSA in

⁴ Source: County HHSA Contractor Survey, 2009

2008-2009 received more than 50 percent of their total revenue from those contracts. Of these particular organizations, the annual revenues range from \$200,000 to \$31 million. It is important to at least consider what might happen to these organizations should their County contracts not be renewed. This is especially important now while state and local governments are faced with unprecedented budget shortfalls.

Another important source of County contracts is the First 5 Commission of San Diego, which focuses on the health and development of local children ages zero to five. Through its funding of educational and health services, the Commission supports San Diego families and the community at large. In 2008-2009 the First 5 Commission managed 62 contracts; 44 of those contracts were awarded to 29 nonprofit organizations (some were awarded more than one contract). As can be seen in Figure 6, the total amount awarded to nonprofits exceeded \$24 million. Health subsector organizations received the most First 5 funding—nearly \$10.5 million.

Figure 6
2008-2009 First 5 Commission of San Diego
Contracts by Subsector

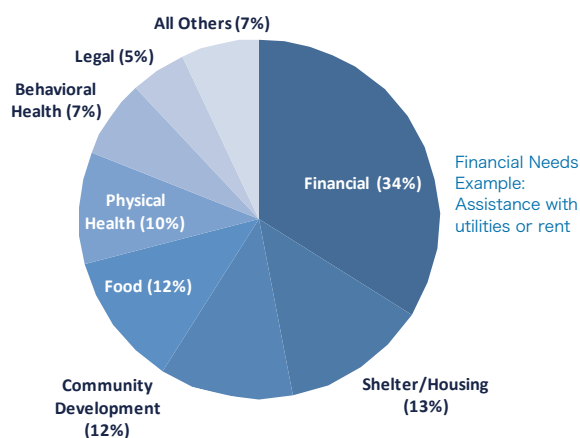


County government officials who were interviewed for this report spoke openly about their respect for the nonprofit sector as a whole. Several officials commented on the importance of trust as integral to the success of the nonprofit-government partnership that exists in the County. When asked for their perspective on what the future holds for nonprofits, every one of the officials who were interviewed predicted that the County will increase its outsourcing of services to private contractors—both nonprofit and for-profit—in the years to come. However, they also noted the need for nonprofits to remain competitive in the bidding process for County of San Diego contracts.

ASSESSING COMMUNITY NEED

The true measure of nonprofit-sector capacity is the sector's ability to meet community needs. Therefore, the ability to accurately gauge and understand community need is vital. Although many nonprofits do a good job of assessing community need at the neighborhood level, it would be ideal if this data could be shared throughout the region. Currently, the most comprehensive data about community need is compiled by 211 San Diego, a local nonprofit agency. 211 San Diego works closely with the County and other nonprofits to connect community members in need to critical services through its telephone hotline and searchable Web site. Figure 7 depicts the predominant community needs as measured by percentage of 211 call traffic in 2008-2009.

Figure 7
Needs Categories as
Percent of 211 Calls,
2008-2009



Furthermore, since 2007, 211 San Diego has documented changing needs in the community that are noteworthy. Specifically, from 2007/2008 through 2008/2009, the needs categories that experienced the largest increases in call volume were Financial (5,691 additional calls), Shelter/Housing (5,227 additional calls), Food (4,390 additional calls), and Physical Health (2,168 additional calls). These four needs categories, with the addition of Community Development, accounted for 77 percent of all calls received by 211 San Diego over the 2-year period.

The maps presented in Figures 8 and 9 demonstrate the usefulness of 211 San Diego data in conveying community needs for Housing and Shelter as well as Food. For example, the large concentration of Housing and Shelter and Food service providers located in Downtown and in City Heights suggests strategic placement of services. However, using Housing/Shelter and Food call concentration as a proxy for service need, the maps also demonstrate that the areas of greatest need do not always correspond with the regions offering the largest number of service providers. Nonprofits may use this data to make decisions about program services in high-need regions, where there are few providers currently available, such as in the eastern portion of the County.

Figure 8
211 Calls by ZIP Code and Service Provider Locations - Housing and Shelter - Fiscal Year 2007-2008 through 2008-2009

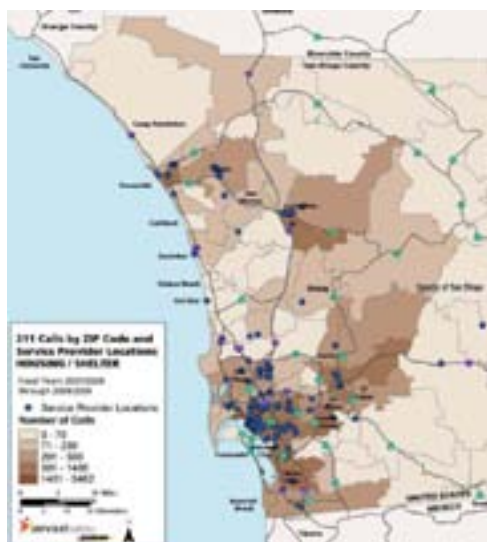


Figure 9
211 Calls by ZIP Code and Service Provider Locations - Food - Fiscal Year 2007-2008 through 2008-2009





In partnership with the Step Up San Diego initiative and Luth Research, the Caster Center has embarked on a year-long assessment of public trust and confidence in San Diego's nonprofit sector. Specifically, this assessment seeks to describe what people think about nonprofits in San Diego and to identify the mechanisms that influence their opinions. What follows in this next and final section of this report are the findings from a baseline first-quarter 2010 measure.

CONFIDENCE

IN THE SECTOR

“The concept of trust lies at the heart of charity. Confidence clearly affects the public's willingness to donate time and money, shapes the political and regulatory environment that governs charitable organizations, and has at least some influence on morale within the charitable workforce.”

—Paul Light

PUBLIC TRUST AND CONFIDENCE IN NONPROFITS

Figure 10
Confidence in providing
quality service

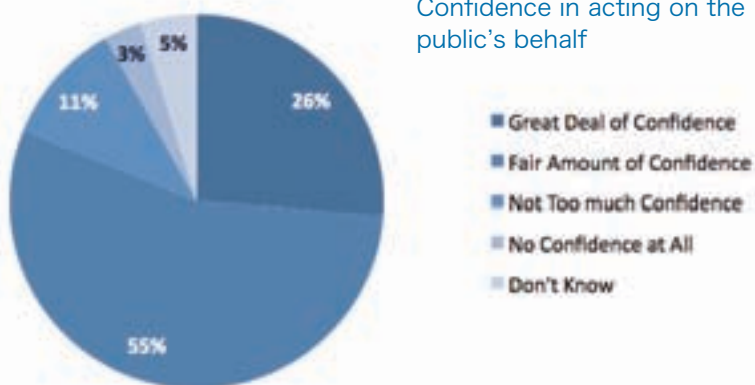


Public confidence in nonprofit organizations is often considered to be a crucial barometer of the health of the nonprofit sector. In fact, many would argue that confidence is among one of the sector's most important commodities. Confidence, it has been suggested, is what gives the public the willingness to assign nonprofits the responsibility for accomplishing many of society's most important functions—educating our children, caring for our health, providing arts and culture, and protecting our natural environment.

How much confidence do San Diegans have in local nonprofit organizations?

In order to determine the level of confidence San Diegans place in the local nonprofit sector, we asked a series of questions regarding public confidence in a variety of nonprofit performance areas as well as in a number of nonprofit subsector industries.

Figure 11
Confidence in acting on the
public's behalf



In assessing the performance of the nonprofit sector overall, we asked respondents to indicate their level of confidence in the ability of local nonprofit organizations to function in four specific areas of performance. These included: (a) providing quality services, (b) acting on the public's behalf, (c) operating effectively, and (d) spending money wisely.

By far, respondents expressed the most confidence in the abilities of local nonprofit organizations to function in two performance areas. These were: (a) the ability of local nonprofits to provide quality services (81% of respondents expressed either A Great Deal of

Confidence or A Fair Amount of Confidence in this area of performance), and (b) the ability of local nonprofits to act on the public's behalf (81% of respondents also expressed either A Great Deal of Confidence or A Fair Amount of Confidence in this area of performance as well).

Respondents expressed somewhat less confidence in the abilities of local nonprofits to function in the remaining two performance areas. Indeed, in the ability of local nonprofits to operate effectively, just 68 percent of respondents expressed either A Great Deal of Confidence or A Fair Amount of Confidence; and in the ability of local nonprofits to

spend money wisely, only 61 percent of respondents expressed either A Great Deal of Confidence or A Fair Amount of Confidence.

Although confidence levels clearly differ by area of performance, these findings still indicate that considerably more than half of respondents place either A Great Deal of Confidence or A Fair Amount of Confidence in the ability of San Diego County nonprofit organizations to function in all four areas of performance.

In assessing the performance of nonprofit subsector industries in each of the four areas of performance identified above, respondents consistently placed the most confidence in the abilities of local animal and animal rights-related nonprofit organizations. However, respondents placed the least amount of confidence in the abilities of local civil rights, social action, and advocacy-related nonprofit organizations, as well as in local housing and economic development-related nonprofit organizations.

Interestingly, respondents of lower income status were more likely to express Not Too Much Confidence or No Confidence at All in the ability of local civil rights, social action, and advocacy related nonprofit organizations in each of the four areas of performance. These findings seem to suggest that although many of these organizations may focus their programs and activities on disenfranchised and marginalized populations within the County—groups to which lower income residents may belong—they may be perceived as ineffective by those most in need of their services.

Which sector do San Diegans believe performs better and which sector do they prefer?

There are a number of areas where nonprofit, for-profit, and government sector organizations operate within the same industry. These industries, such as education, healthcare, and childcare are what are frequently referred to as “mixed-industry sectors.” Many of these industries account for a significant share of the financial resources within the nonprofit sector. In fact, colleges, universities, and hospitals are among the nonprofit sector’s largest and most profitable mixed industries.

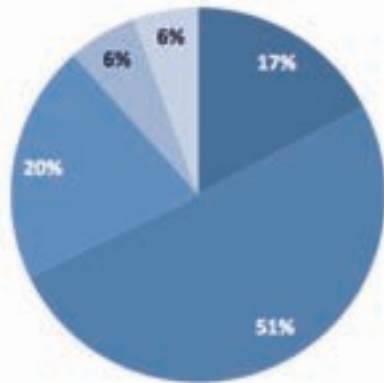


Figure 12
Confidence in operating effectively

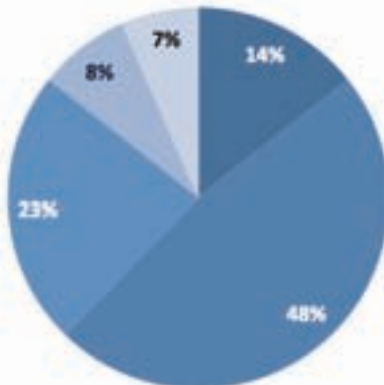
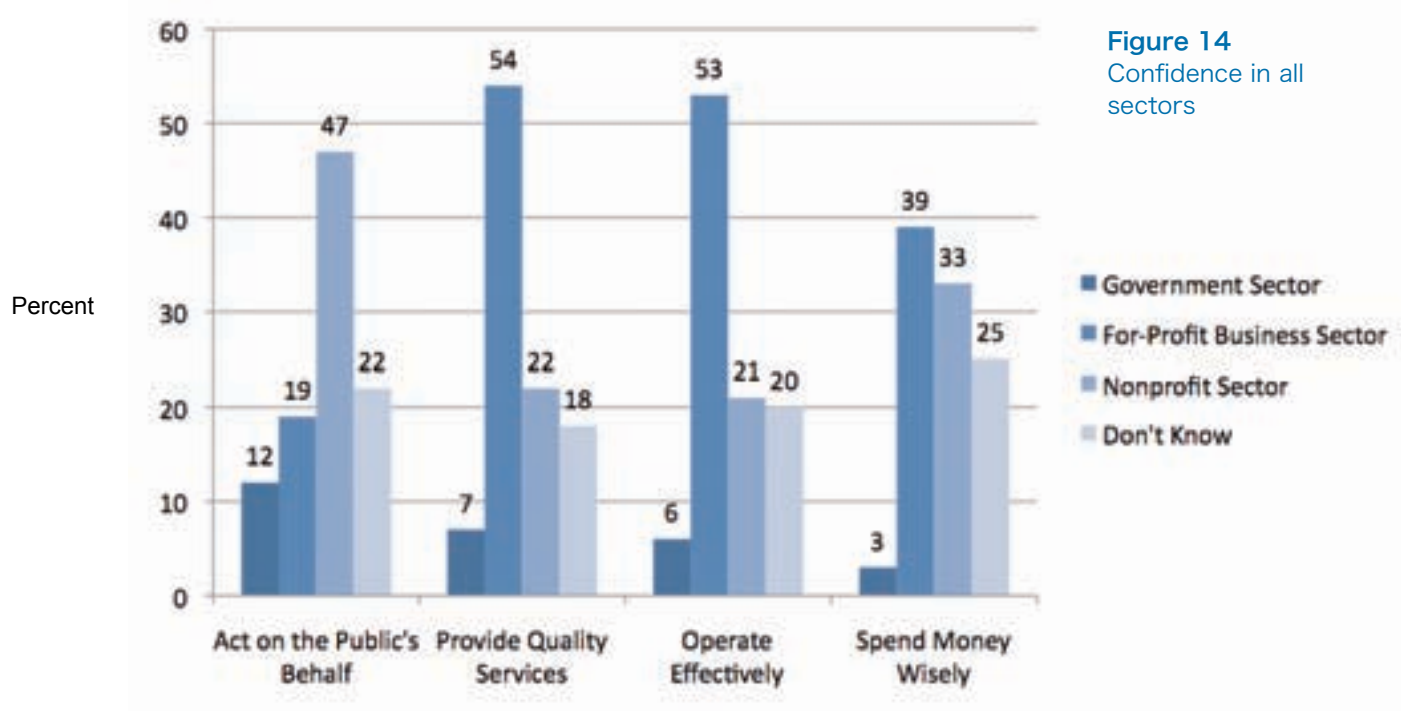


Figure 13
Confidence in spending money wisely

Nonprofits co-exist and often compete for customers with for-profit and government organizations. It is, therefore, important to understand how nonprofit performance is perceived relative to these sectors and to understand which sector individuals prefer when making purchase decisions. When assessing performance between the nonprofit, for-profit, and government sectors in each of the four performance areas previously identified, it is apparent that respondents do not believe that nonprofit organizations outperform the for-profit sector in most of these areas. Indeed, respondents overwhelmingly believe that the for-profit sector does a better job at providing quality services (54%), operating effectively (53%), and spending money wisely (39%). In only one area, acting on the public's behalf, did respondents believe that the nonprofit sector is able to outperform for-profit businesses.

In some ways this is a relief, since nonprofit organizations exist in many instances to meet the needs and preferences of community residents. If nonprofit organizations were perceived as unable to act on the public's behalf, then the entire *raison d'être* for the existence of the nonprofit sector would need to be questioned and re-evaluated. However, in other ways the fact that so many respondents believe that for-profit organizations outperform nonprofits (by quite a significant margin in most instances) is not a point that should be ignored or even taken lightly.

Given these results, it is not surprising that the majority of respondents, when choosing between nonprofit, for-profit, and government service providers in mixed-industries sectors, indicated that they would prefer to patronize a for-profit hospital and a for-profit secondary educational institution.



What nonprofit organizations do San Diegan's have in mind when thinking about San Diego County nonprofits?

Previous research conducted by the Caster Center in 2008 found that nearly one-third of San Diegans have either limited or no awareness of what constitutes a nonprofit organization—that is, when asked to name a nonprofit, they could not. For this survey, the Center again sought to ascertain whether individuals could identify local nonprofits, and to what extent identification was a result of interaction with the organization.

When asked to name nonprofit organizations that come to mind when thinking about local nonprofits, nearly 75 percent of respondents were able to correctly identify at least one nonprofit. Minimal variation was found with regard to the ability to name a nonprofit organization across demographic factors such as race of the respondent or part of the county in which the respondent resided. Overall, Father Joe's Villages/St. Vincent de Paul was the most frequently recognized nonprofit organization. In fact this organization was named by 50 percent more respondents than the next most frequently named nonprofit, The Salvation Army.

The ability of an individual to identify an organization via “top-of-mind awareness” may be due to a variety of factors. One reason, in particular, may be the individual's level of direct contact with the organization. This contact may either be in the form of volunteering, donating goods or money, or receiving and/or benefiting from services that are provided by the organization. Of the respondents that were able to correctly identify a nonprofit organization, nearly forty percent indicated having donated goods to at least one of the nonprofit organizations they named. Twenty-eight percent indicated having donated money to at least one of the nonprofit organizations, and 20 percent indicated having volunteered with at least one of the nonprofit organizations they were able to name. Considerably fewer respondents indicated that they had benefited from the services of the organizations they identified (15%).

The frequency of direct contact with a nonprofit is another factor that can influence an individual's level of familiarity with the organization. For example, a person who volunteered with a nonprofit last week may be more apt to recall the organization than would an individual who volunteered with the same organization one-year prior. Thus, in this survey we also asked respondents when was the last time they had either volunteered with, and/or made a financial contribution to, at least one of the nonprofit organizations that they were able to name.

In terms of making a financial contribution, the majority of respondents (28%) indicated that they last donated money more than 6 months ago to at least one of the nonprofits they named. In terms of volunteering, the majority of respondents, (21%), indicated that they volunteered within the past week with at least one of the nonprofits they named. However, twenty-one percent also indicated they volunteered more than 6 months ago with at least one of the nonprofits they named. These findings seem to suggest that individuals have a fairly strong familiarity with organizations they interact with regardless of when the interaction took place.

In addition to these direct forms of contact with a nonprofit, more indirect forms of contact, such as advertising and marketing initiatives by the organization, can also play a role in promoting public awareness of nonprofit organizations. Overall, given the high level of public confidence and awareness San Diegans appear to have, the findings from this report suggest that local residents place considerable value in San Diego's nonprofit sector.

CONCLUSIONS

As the report shows, San Diego's nonprofit sector undergirds the health and well being of our entire region. The breadth of the types of organizations that make up this sector is impressive, as are its economic contributions. Also, San Diego's nonprofit agencies are an important part of service delivery for the County of San Diego, and there is a likelihood that contracting activity between the County and nonprofits will expand in the foreseeable future. As such, nonprofits must remain competitive in the bidding process. Sector capacity, especially related to deficit spending by nonprofits, is a particular issue of concern.

In conclusion, the report raises several issues worthy of further consideration.

The nonprofit sector appears to suffer from something of an identity crisis. Although the vast majority of San Diegans express confidence in the sector, many are of the opinion that the sector is somehow less efficient with its resources than the for-profit sector. Yet most people who work or volunteer within the nonprofit sector could likely make compelling cases to the contrary. Therefore, it is important for nonprofit leaders and funders in the sector to understand how these perceptions are formed to create strategies to help change them. Furthermore, the data in this report seem to indicate that there is some public confusion about what a nonprofit organization is, so additional public education also seems warranted.

In many respects this report also underscores the need for high quality "real time" data about nonprofits. Since the release of the original Spotlight report in 2006, the quality of IRS data and EDD labor data has improved greatly and is expected to continue to improve with the use of technology. Additionally, in the years to come, new IRS filing requirements should yield more accurate data about the actual size and growth of the sector. Specifically, since nonprofits with revenues of less than \$25,000 have traditionally been exempt from filing tax returns with the IRS, it has been difficult to measure the extent to which such organizations are either dormant or defunct. Since all nonprofits are now required to file a return, it will now be possible to quantify and study small "grassroots" organizations. These small but important organizations are often understudied simply because data about such organizations is scarce.

While many local agencies collect data about their work and the communities they serve, these data remain underutilized as a resource for decision-making in our region. The growth of 211 San Diego presents an opportunity to leverage a unique data source to yield a wealth of information about community needs and access to services.

Finally, the impact of the recession and ongoing state budget crisis on local nonprofits is not yet fully known. As earlier research conducted by the Caster Center documented, increased demand for services coupled with shrinking sources of revenue are stretching the capacity of the sector. Yet in many ways these challenges have sparked innovation and introduced a new vitality into the sector that is virtually palpable. That said, it will be interesting to study the local sector's evolution in the coming years.

The mission of the Caster Family Center for Nonprofit and Philanthropic Research is to provide research that informs leaders, donors, policy makers and community members about the scope, strength, and activities of the local and national nonprofit sector. In addition to its many research projects, the Caster Center provides data, evaluation, and consulting services designed to build the strategic and evaluative-thinking capacity of nonprofit leaders.

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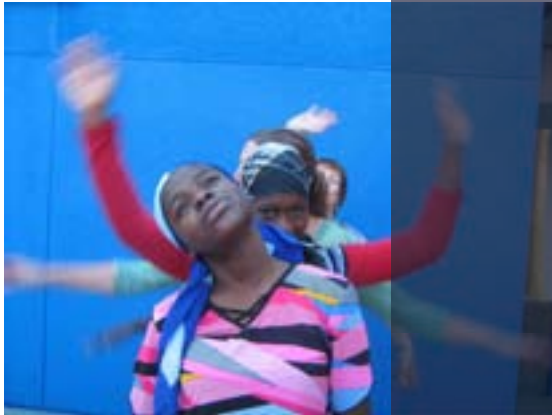
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Images for this report were provided courtesy of the AjA Project.

The AjA Project is a nonprofit organization headquartered in San Diego, California, that utilizes photography-based educational programs to transform the lives of displaced youth. Utilizing participatory photography methodologies, AjA's after-school programs encourage youth to reflect upon and think critically about their identities, increase their social capacity and to see themselves as agents of personal and social transformation. Since its founding, AjA has provided long-term, community-based programming for over 1,000 displaced youth, and has shared their visual narratives with over 750,000 viewers. In 2008, AjA received the prestigious Coming Up Taller award for excellence in youth programming, an award presided over by the President of the United States' Committee for the Arts and Humanities. Learn more about the AjA project at www.ajaproject.org.