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FOOTNOTES

¹ PolicyLink and the USC Program for Environmental and Regional Equity. (2016). *The National Equity Atlas*.

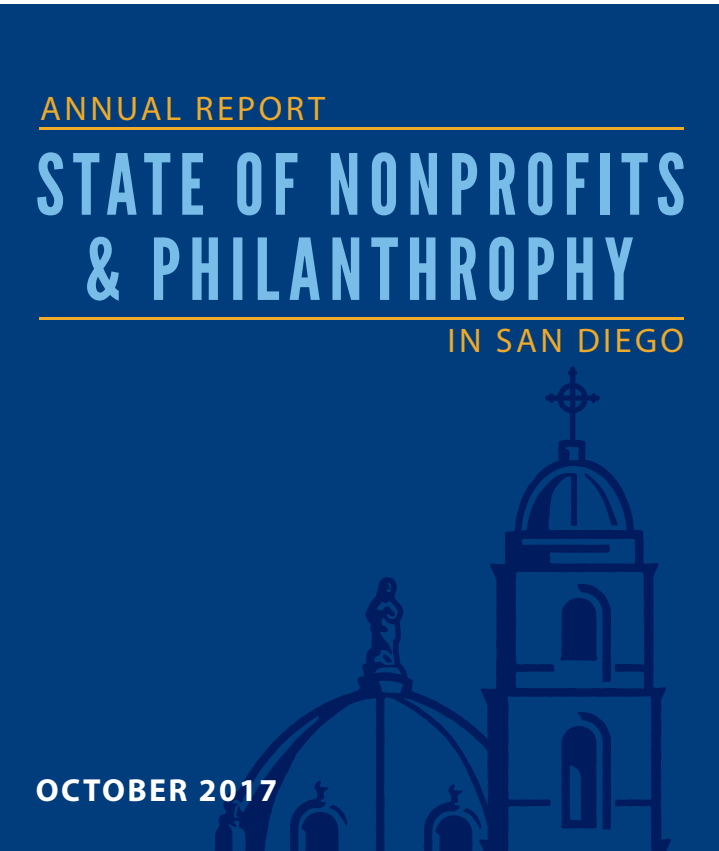
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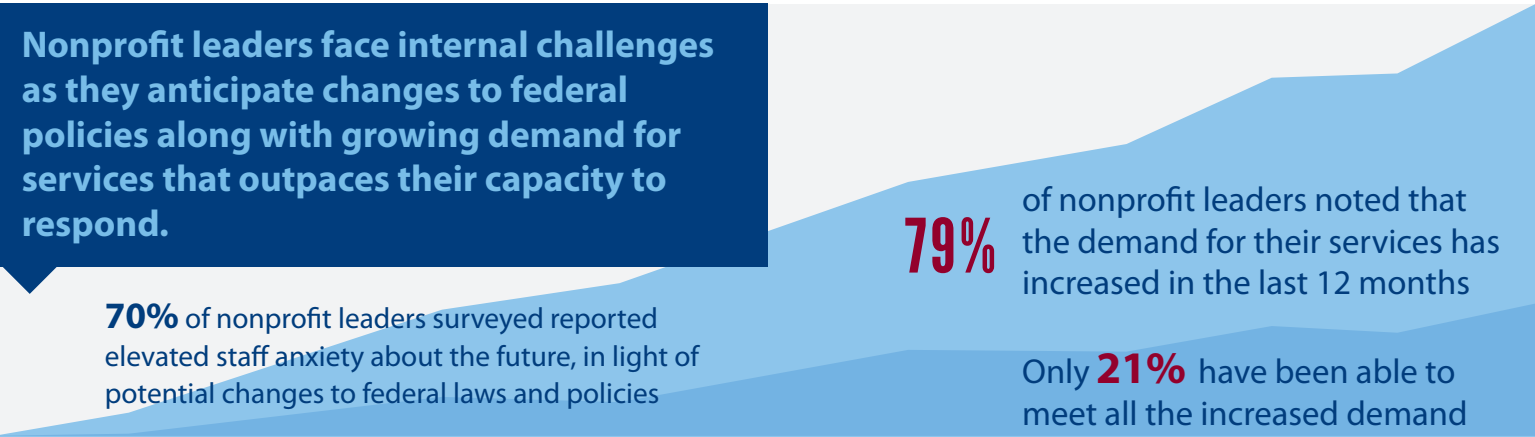
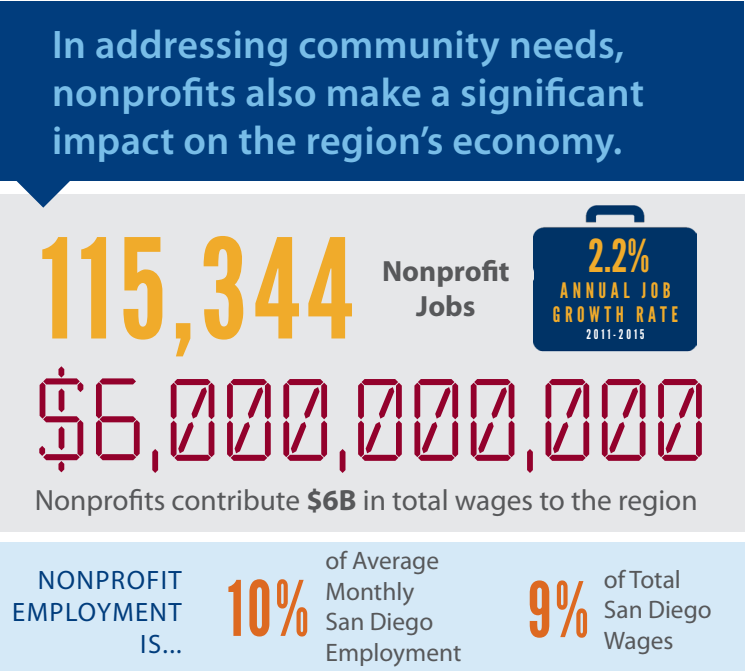
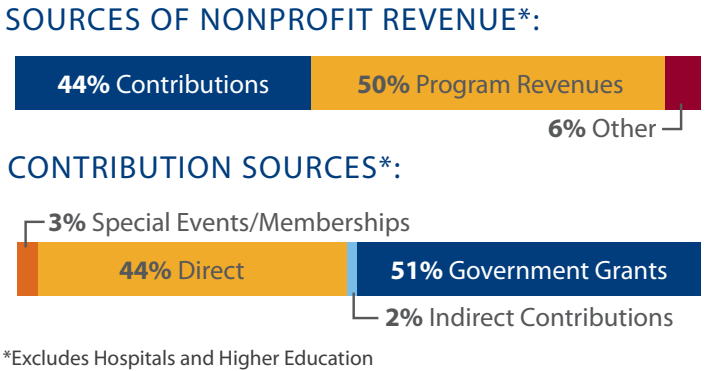
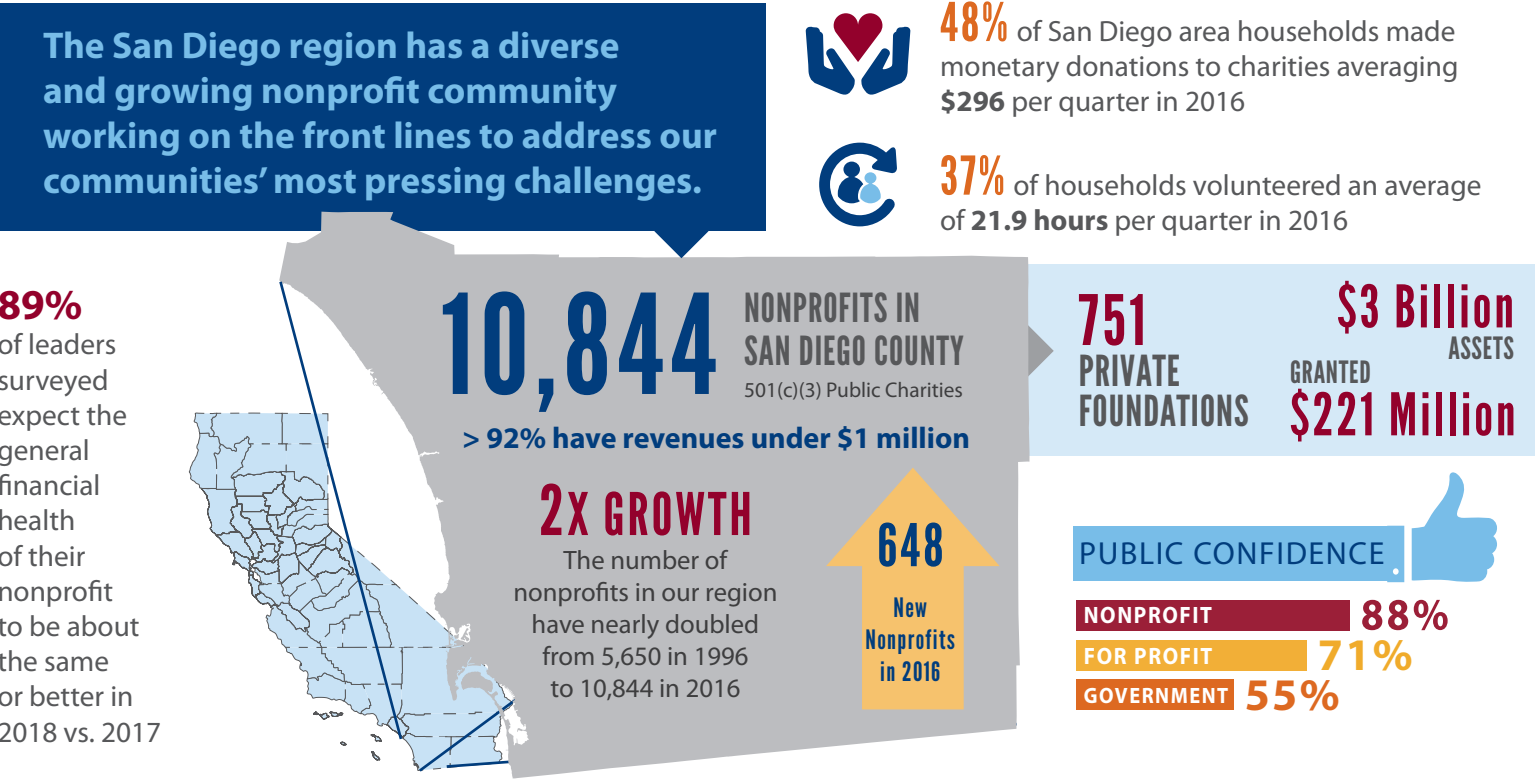
⁴ Climate Education Partners. (2014). *San Diego, 2050 is Calling. How Will We Answer? Facing the Future: How Science Can Help*.

⁵ Climate Education Partners. (Forthcoming). *2017 San Diego Public Opinion Poll on Climate Change. Public Opinion Strategies and FM3*.

⁶ Philanthropy California's Full Cost Project is a partnership between Northern, Southern and San Diego Grantmakers with the Nonprofit Finance Fund. More information can be found at fullcostproject.org



2017 STATE OF NONPROFITS AND PHILANTHROPY ANNUAL REPORT



The region’s communities are changing, and nonprofit leaders recognize the need for greater focus on diversity, equity and inclusion (DEI) in their organizational policies and practices.

86% of nonprofit leaders surveyed have organizational policies that reflect a strong commitment to DEI – on average, they are only slightly to somewhat satisfied with their progress toward these goals

1/3

reported having strategic plan objectives related to diversity, equity and inclusion

1/3

have specific targets for achieving diversity, equity and inclusion goals for recruiting board members

18%

have specific targets for achieving diversity, equity and inclusion goals in hiring of staff

Leading and Staffing Nonprofits and Philanthropy in an Increasingly Diverse Region

The San Diego region is one of the most diverse in the country, with over half of the region’s population – **53 percent** – comprised of people of color. Likewise, as San Diego’s population has grown, income inequality has widened, with poverty concentrated in communities of color.¹

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

presidents were Caucasian, with few people of color filling these roles.³

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

“...*We learned that it is one thing to believe in diversity, but it is a whole other thing to fight for diversity.*”

- Nonprofit Leaders Survey Respondent

15th

San Diego’s diversity ranking among 150 US metro regions

Advancing Regional Efforts to Address Our Changing Climate

In San Diego, our great outdoors and ideal climate are vital to our quality of life and thriving economy. Yet our region, like others around the world, faces challenges from a changing climate.⁴ A recent public opinion poll by Climate Education Partners has found that **nearly nine out of ten** San Diegans believe that climate change is happening, with a majority thinking that it will affect them a great deal or moderate amount.⁵

With the region anticipating growing threats from extreme weather and other climate change impacts, the nonprofit community may increasingly find themselves on the front lines addressing issues such as: disaster response and recovery, helping vulnerable populations at risk from heat waves and air pollution, workforce development for jobs in the fields of clean technology and green infrastructure, working with low income families to make their residences more energy and water efficient, promoting cleaner transportation options such as biking, walking and mass transit, among others.

While a majority of nonprofit leaders responding to our survey reported that they encourage energy and water conservation, waste reduction and recycling, climate change is not yet seen as a priority organizational concern.

Recent interviews with leaders of local environmental nonprofits reported that the impacts of a changing climate affect their work in conservation, air and water quality protection, and environmental justice. As a result, executives have identified a need for more leadership training and organizational capacity.

“*With global warming as a truly existential threat, the need for a strong suite of environmental work is exponentially mounting but the resources aren’t increasing with the pace of need.*”

- Nonprofit Leaders Survey Respondent

Our region’s climate is changing, posing risks to the communities served by nonprofits. However, climate change is not yet a significant organizational concern for many nonprofit leaders given the many other pressures they face.

Q:

How concerned is your organization about climate change?

27%

Not at all concerned

29%

Slightly concerned

16%

Moderately concerned

28%

Very much concerned

72%

of voters believe that the region should take a leadership position in setting goals for greenhouse gas emissions reduction

The region’s average annual temperature is increasing

2050

+4.8° F

2013

+1.7° F

1985 Baseline (Historical Average)

9 out of 10 San Diegans believe climate change is happening

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

- Nonprofit Leaders Survey Respondent

1.52 MONTHS

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

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

- Nonprofit Leaders Survey Respondent

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

Most San Diegans – **85 percent** – expressed high confidence in the nonprofit sector to deliver quality services. However, fewer – **65 percent** – expressed confidence that nonprofits spend money wisely, suggesting public misconceptions about the nonprofit business model.

This perception stems, in part, from the widespread use of overhead as a measure of nonprofit efficiency. Third party watchdogs groups have rated nonprofits based on overhead rates while government agencies have set fixed rates by which organizations can budget expenses not directly tied to program delivery.

It is not surprising then, that **two-thirds** of nonprofit leaders surveyed this year reported feeling pressure to conform to funders’ and the public’s expectations for low overhead. These operating pressures are amplified by increasing demand for services.

A growing number of nonprofit finance experts, funders, and nonprofits have come together to assess the **detrimental impact of using overhead rates as a measure of efficiency**, noting that a better measure of nonprofit effectiveness is in performance outcomes.

In California, the Full Cost Project ⁶ was launched to inform the way grantmakers fund nonprofits, in an attempt to shift the emphasis away from murky definitions of overhead toward full cost accounting. San Diego Grantmakers, CalNonprofits and The Nonprofit Institute, among others, are working together to redefine nonprofit success using measures that track outcomes and impact. With this in mind, a number of nonprofit leaders reported the need for greater capacity in data collection and impact measurement and external evaluation support.

65%

San Diegans are confident that nonprofits spend money wisely

Nonprofits are operating in an increasingly complex political environment. In light of this challenge, leaders are responding by...

77%

monitoring how their constituents may be affected by new federal laws and policies

64%

monitoring policy activity more than in the past

47%

increasing their public policy advocacy efforts

To amplify impact and strengthen nonprofits’ ability to meet the evolving challenges and needs of our communities, leaders have identified these priority areas for organizational development:

- Effectively implementing strategic planning
- Improving management skills
- Engaging board members and building strong board/staff relations
- Keeping up with technology
- Managing program-related data and measuring program outcomes
- Facilitating greater collaboration
- Diversifying revenue with fee-for-service and social enterprise activities