

EXECUTIVE SUMMARY

The 2018 State of Nonprofits and Philanthropy Report highlights the pivotal role nonprofits play in protecting and enhancing the well-being and prosperity of our region. The sector continues to grow in number of total organizations, size of the workforce, and total revenues and assets. Despite continued growth, demand for nonprofit services continues to outpace the sector's ability to meet growing needs. Additionally, the full impact of federal tax reform on charitable giving remains unclear. Moreover, nonprofit leaders are challenged with navigating an ambiguous policy environment at a time when the public is increasingly divided about how to help the constituents they serve to build a more courageous and compassionate society.

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RESEARCH TEAM

Emily Young, PhD
Executive Director
The Nonprofit Institute

Colton Strawser, MS
Doctoral Research Assistant
The Nonprofit Institute

Laura Deitrick, PhD
Associate Director
The Nonprofit Institute

Jon Durnford, MBA
Principal
DataLake, LLC
Research Associate

DESIGNED BY

Connelly Meschen, MArch
Coordinator
The Nonprofit Institute

SUPPORT FROM
Kimberly Fields
Coordinator
The Nonprofit Institute

CITE AS

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The Nonprofit Institute
School of Leadership and Education Sciences
University of San Diego



www.sandiego.edu/nonprofit

DATA SOURCES

The Nonprofit Institute. (2017). *2017 State of Nonprofits Quarterly Index*.

The Nonprofit Institute. (2018). *2018 Nonprofit Leader Survey*.

IRS Business Master File (BMF) of exempt organizations, circa 2018.

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Labor Market Information Division, California Economic Development Department (2016).

FOOTNOTES

¹ William G. Gale, Hilary Gelfond, Aaron Krupkin, Mark J. Mazur, and Eric Toder. 2018. Effects of the Tax Cuts and Jobs Act: A Preliminary Analysis. Tax Policy Center, June 13.

² Pew Research Center, October, 2017, "The Partisan Divide on Political Values Grows Even Wider."

³ APA Public Opinion Poll – Annual Meeting 2018. <https://www.psychiatry.org/newsroom/apa-public-opinion-poll-annual-meeting-2018>.

⁴ Craig L. Anderson, et al. 2018, June 21. Awe in Nature Heals: Evidence from Military Veterans, At-Risk Youth and College Students Emotion. Advance online publication. <http://dx.doi.org/10.1037/emo0000442>.

ANNUAL REPORT

STATE OF NONPROFITS & PHILANTHROPY

IN SAN DIEGO

OCTOBER 2018

LEADING WITH COMPASSION AND COURAGE IN DIVIDED TIMES

Since 2006, The Nonprofit Institute has studied and reported on major issues of importance to San Diego's nonprofit sector. This 2018 report presents findings from a variety of sources including our State of Nonprofits Quarterly Index and annual Nonprofit Leaders Survey, along with employment and financial trends data. Our goal is to provide community leaders and nonprofit stakeholders with a comprehensive analysis of the economic health of the sector, to document major trends, and to broadly share insights from those who are on the front lines.

HOUSEHOLD VOLUNTEERING AND GIVING



37% of San Diego area households volunteered with local nonprofits

50% of households made monetary donations to nonprofits

27 average quarterly hours volunteered by San Diego households

+22% compared to 2016

\$352 average quarterly gift*

*The State of Nonprofits Quarterly Index recorded a 4th quarter high of \$478.

+19% compared to 2016

PUBLIC CONFIDENCE AND LEADERSHIP

San Diegans express high confidence in the nonprofit sector



NONPROFIT
86%



FOR PROFIT
69%



GOVERNMENT
53%

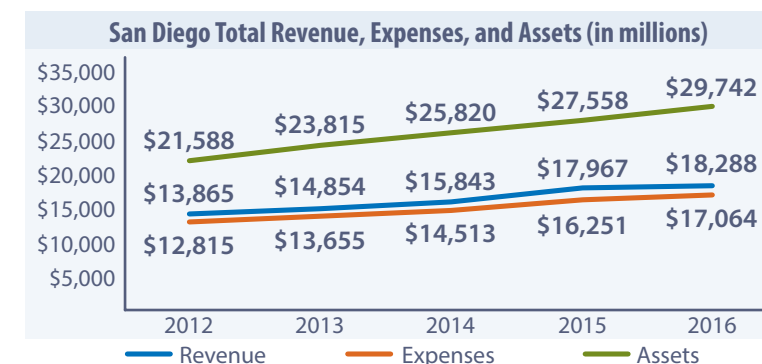
On a scale of 1-10, who demonstrates the leadership necessary to enact solutions to critical challenges in our region?

Federal Government	3.3	Institutions of Higher Education	5.9
Corporations	4.4	Private & Community Foundations	6.1
Local Government	5.1	Individual Philanthropists	6.2
State Government	5.2	Advocacy Groups	6.4
Membership Associations	5.6	Nonprofit Organizations	7.1

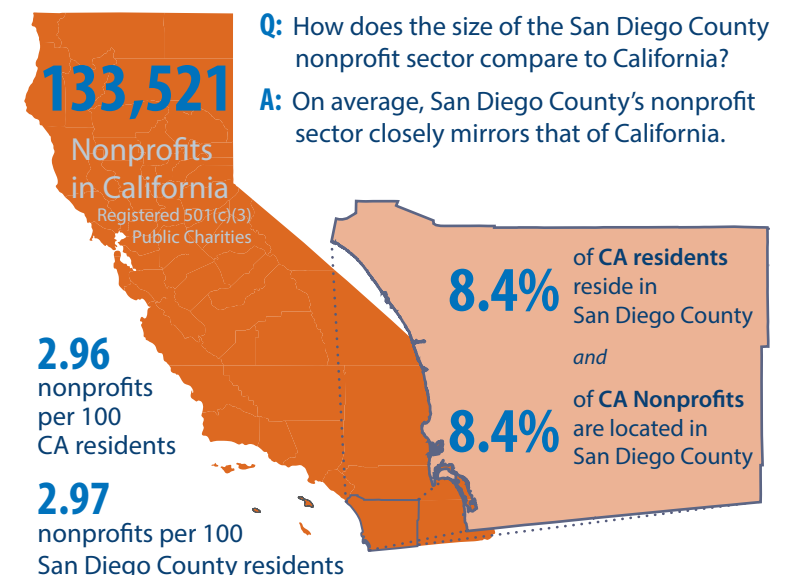
FINANCIAL HEALTH & GROWTH OF SECTOR

93%

of nonprofit leaders surveyed expect the general financial health of their organization to be about the same or better in 2019 vs. 2018



SECTOR AT A GLANCE: CA vs. SAN DIEGO



AS NONPROFITS AIM TO SERVE MORE, TAX REFORM MAY THREATEN NECESSARY RESOURCES

As the federal policy environment shifts, nonprofits are monitoring implications for how they fulfill their missions within the communities they serve.

While it remains to be seen how many households will itemize their charitable deductions with the doubling of the standard deduction, those households that become non-itemizers will see their after-tax cost of donating increase.¹ If expert estimates prove to be true, San Diego nonprofits stand to lose small to mid-size donations from millions of households. This is concerning given that nearly a quarter (27%) of survey respondents reported not meeting fundraising goals last year and less than half (47%) reported being on track for meeting fundraising goals this year.

However, when asked whether they had experienced a tangible impact from the 2017 Tax Reform Bill, most nonprofit leaders either had not (46%) or did not know if they had (47%). When asked whether or not their organization will experience any impact from the tax reform bill within the next six months, 58% responded that they did not know, while 23% reported they expected no impact.

CRITICAL QUESTION Is San Diego's nonprofit sector prepared for a potential sharp downturn in giving? Or are we hoping for the best but not quite prepared for the worst?

LEADING IN DIVIDED AND UNCERTAIN TIMES

Nonprofits are tackling society's most difficult issues at a time when the public is becoming increasingly divided over how to best address them. American attitudes have become more polarized around services to low income populations, race relations, and immigration.² Additionally, over two-thirds of US residents recently reported that they were extremely or somewhat anxious about their health, safety,

and finances and 39% are more anxious overall than last year.³

In light of these realities, it is not surprising that when asked about the federal policy environment, over half (55%) of San Diego nonprofit leaders surveyed reported increased levels of staff anxiety about the future. Many leaders reported they are more closely monitoring public policy activity and its potential impacts on constituents. As a result, 43% reported increasing their public policy advocacy efforts and 14% said they had engaged in public policy for the first time.

At a time of growing division and anxiety, there is heightened interest regarding where or to whom to turn for leadership that bridges difference and builds common ground towards solutions. In this year's survey, nonprofit leaders gave local representatives from a variety of institutions and organizations in government, business, and philanthropy a failing grade in their ability to enact solutions to critical challenges in our region.

CRITICAL QUESTION How do we engage and develop a more diverse array of leaders from academia, business, government, nonprofits, and philanthropy to create a better future for our region?

MORE DIVERSE VOICES NEEDED TO LEAD OUR WAY FORWARD

"We have just developed DEI plans for the agency. Historically, this was just talk and not action. We are very committed to moving the needle in this important area."
- Human Services Nonprofit Leader, Survey Response

Like California, San Diego County has a long and rich cultural history. While our border region and immigrant populations contribute to our diversity, it is not fully reflected in organizational leadership across all sectors. Particular to the nonprofit sector, diversity, equity, and

inclusion (DEI) among board and staff members is important to ensure informed decision making, culturally competent programming, and organizational effectiveness. In general, San Diego nonprofit leaders (67%) are satisfied with their organizations' willingness to discuss the concepts of DEI, and 42% are satisfied with their organizations' ability to implement DEI objectives. Yet, only 26% expressed satisfaction with the diversity of their boards and 33% with the diversity of their executive staff.

CRITICAL QUESTION If diversity, equity, and inclusion is so important, what can we do to accelerate progress in this area?

NONPROFITS COLLABORATING TO CREATE A BETTER FUTURE

Over the past few years, The Nonprofit Institute has sought to understand what nonprofits leaders have been doing to positively impact both the physical and social environments we inhabit. Environmental organizations are especially important for restoring and protecting the natural world around us. There is growing evidence that spending time in nature is calming and nurturing; in fact, being outdoors can be a spiritual and, even, a physically healing experience.⁴ Likewise, a strong majority of nonprofit leaders recognize that the health and vitality of our natural surroundings affects the people they serve. Nearly three-quarters (73%) of respondents recognize that extreme weather affects their constituents very strongly or moderately and 66% noted that access to parks affects their constituents very strongly or moderately.

Similarly, arts and culture organizations play a crucial, though frequently underestimated, role in enriching the social climate. A museum exhibit can help us see others—and even, at times, ourselves—in less stereotypical ways. Being part of a theater audience can provide a communal experience that transcends what is often the isolation of everyday life. This year's survey finds that arts and culture organizations have begun to work

with other key actors in the community to improve the education, mental and physical health of children and adults, and to broaden community understanding of troubling social issues and the policy options proposed to address them.

"As an arts organization, we are seeing increasing interest in music and dance programming that relates to current issues facing San Diego residents."
-Nonprofit Arts and Culture Leader, Survey Response

Despite the vital role that arts and culture and environmental organizations play in our communities, they only comprise 4.5% of contributions to nonprofits and 14% of all organizations serving San Diego County. These statistics are troubling. Hopefully, as nonprofits leverage the limited resources available to them through collaboration, San Diego's physical and social environments will continue to be enhanced.

CRITICAL QUESTION How can we adjust our mindset about the work of both arts and culture organizations and environmental nonprofits from "nice to have" to "need to have" partners that are vital to our quality of life?

BUILDING RESILIENCE: A PATH TOWARD OPPORTUNITY

Undeniably, our nonprofit leaders have many concerns: an uncertain policy environment, financial sustainability, political polarization, and the state of regional leadership. Yet there are also countervailing forces at play. Many nonprofit leaders noted they are finding new ways to align their work with the work of others. They are collaborating with different groups and utilizing fresh perspectives to develop new organizational strategies designed to positively impact our communities.

