

# **RESILIENCE AND VULNERABILITY**

*The State of the Nonprofit Sector in Los Angeles*

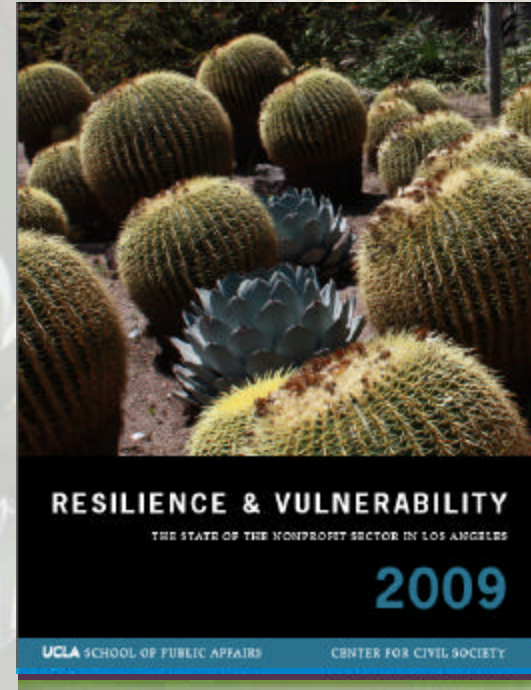
**2009**

**UCLA Center for Civil Society**  
**University of California, Los Angeles**  
**School of Public Affairs**

# Previous Focus Areas

- Human services
- 2003 budget crises
- Foundations
- Employment and wages
- Civic engagement
- Arts and culture
- Regional Differences

- Economic Crisis



# Context

## **Economic Crisis**

**Recession**

**State and local budget shortfalls**

**Foreclosures**



## **Resource/Demand Dilemma**

- Increased service demands
- Decreased resources available for nonprofits

# Los Angeles Nonprofit Survey

- **Representative sample of nonprofits**
  - Human Services, Education, Health, Arts and Culture, and Environmental
  - Excluded very large (\$10 million +) and very small (under \$50,000)
- **Telephone survey (June – August 2009)**
- **46% response rate (252 of 548)**

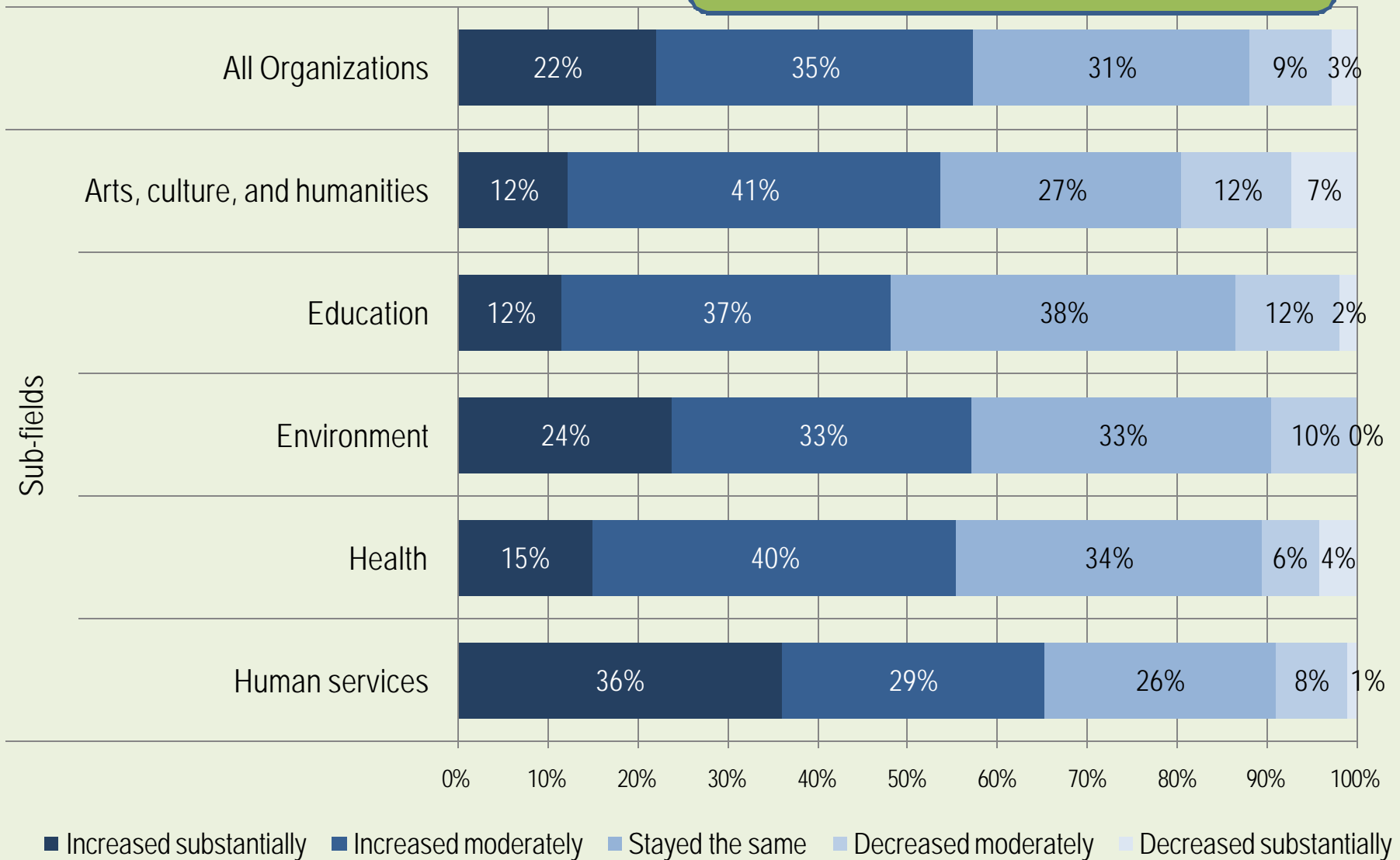
# Other Data Sources



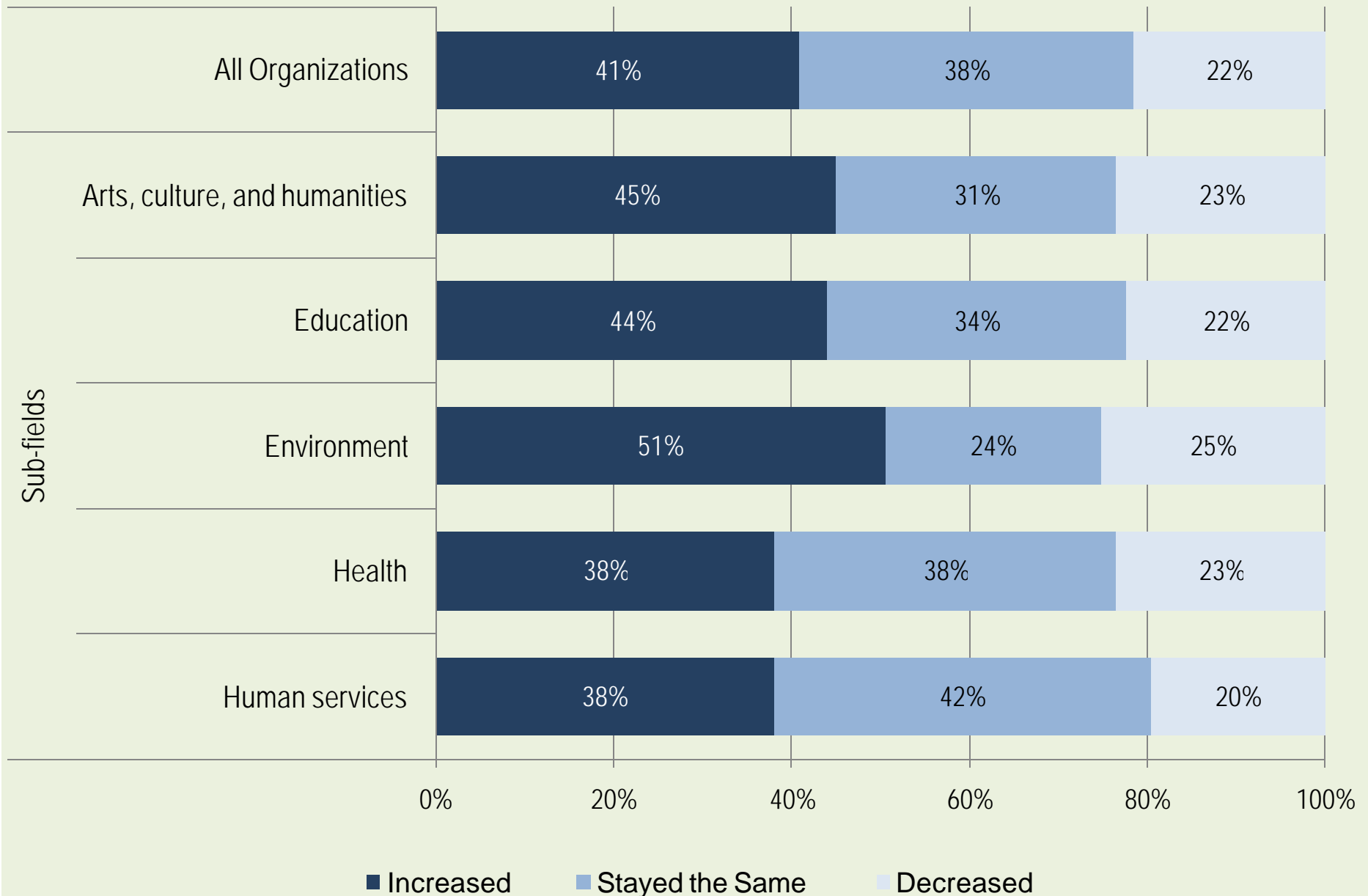
- **National Center for Charitable Statistics**
  - IRS 990 Forms
- **Foundation Center**
- **CA Employment Development Department**

# Demand Change

In 2010, survey respondents report a **59%** increase in demand for services.

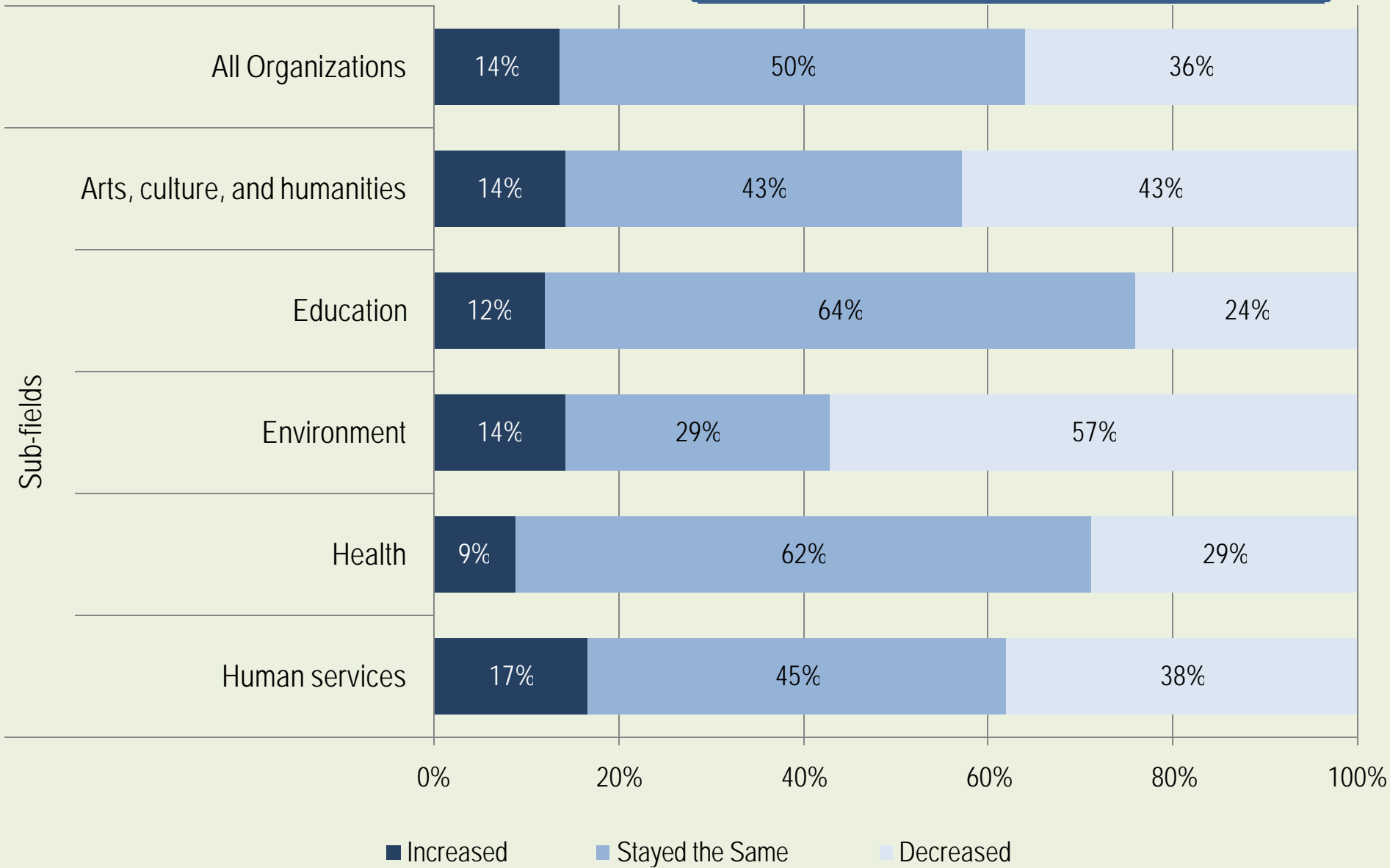


# Revenue Change, 2006 - 2007



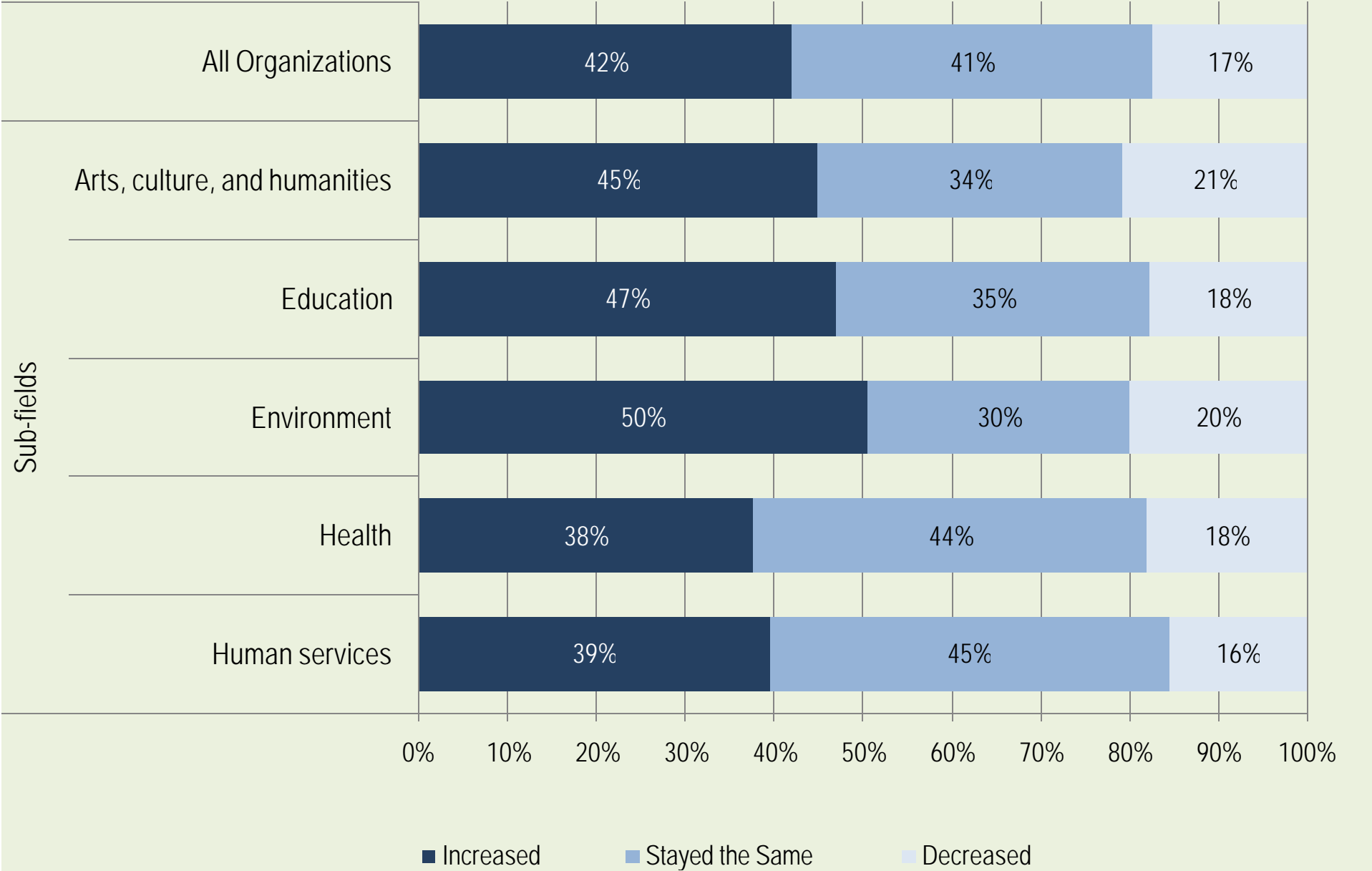
# Revenue Change

In 2010, **52%** of nonprofit organizations experienced decreased revenue.



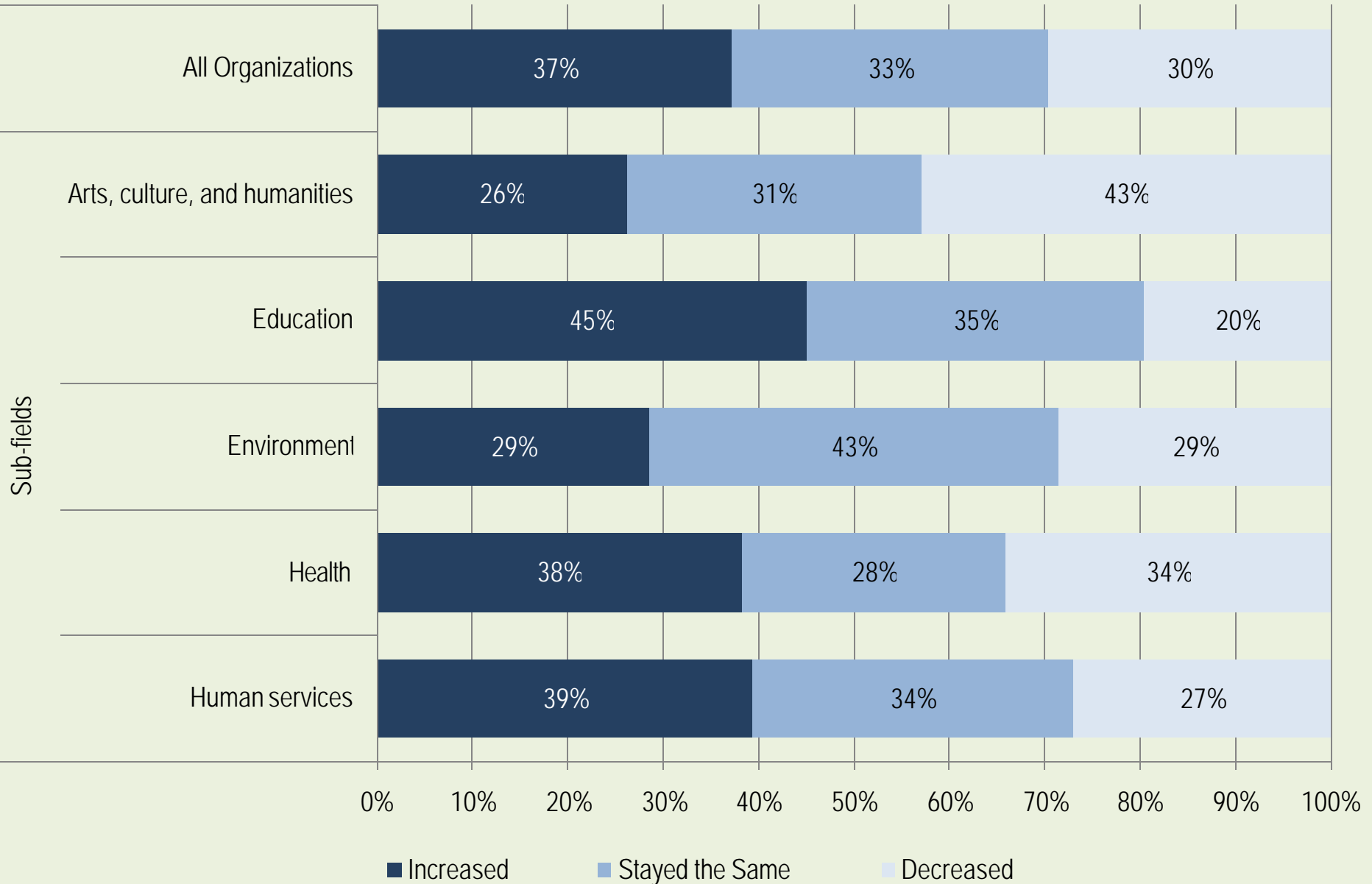
Source: 2009 Los Angeles Nonprofit Survey

# Expenditure Change, 2006-2007

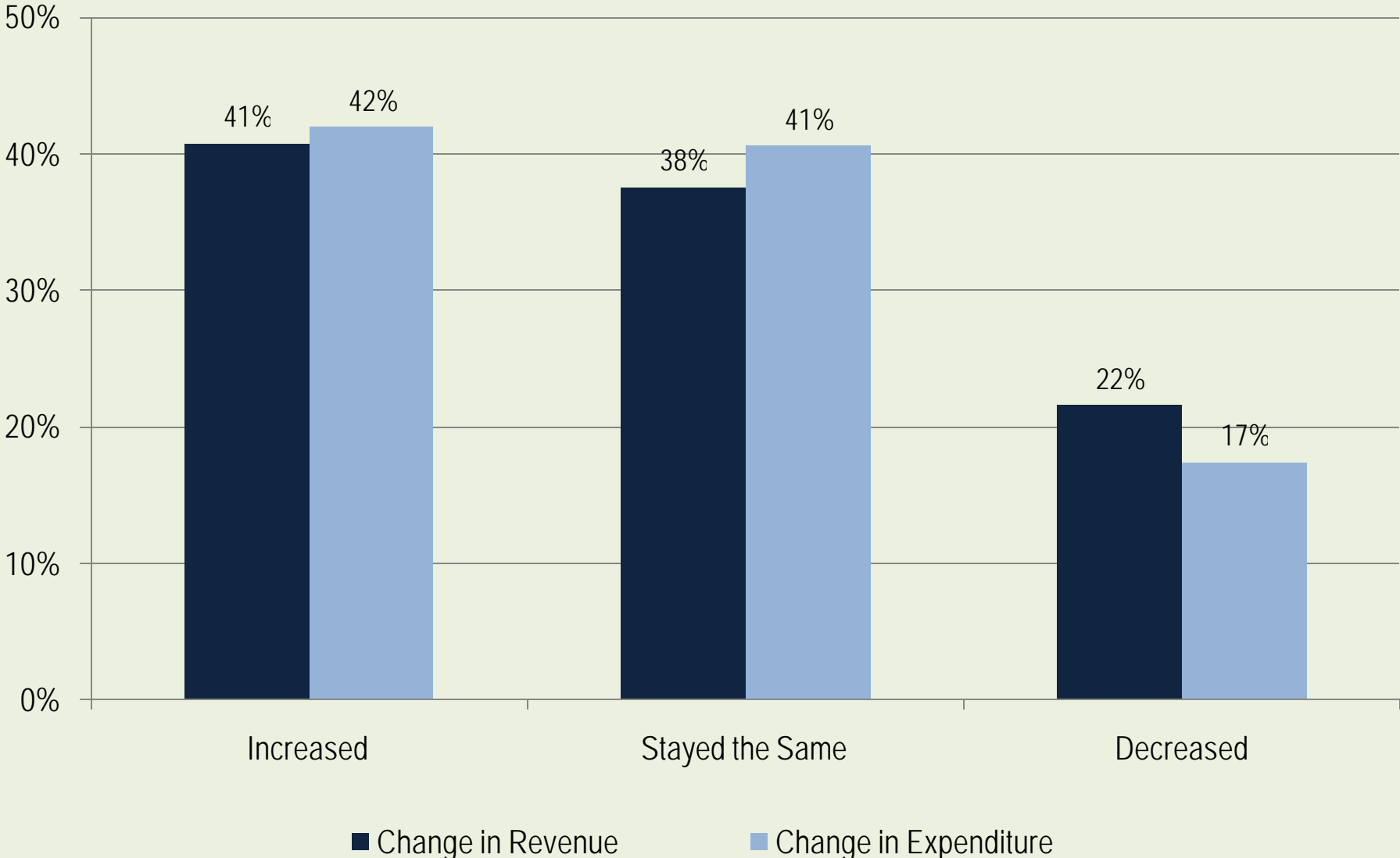


Source: NCCS IRS CORE Files

# Expenditure Change Over the Last Year

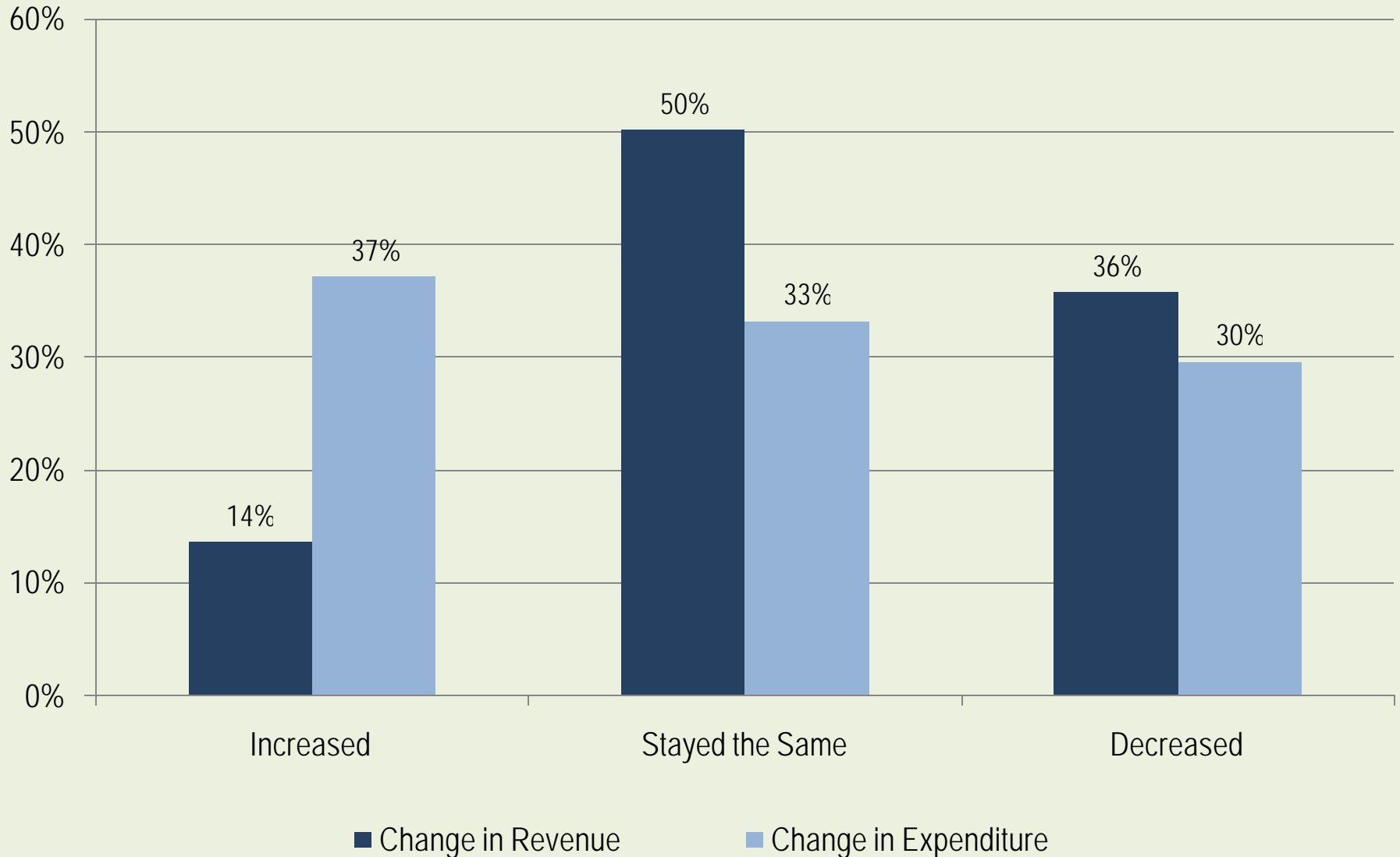


# Revenue and Expenditure Change, 2006-2007



Source: NCCS IRS CORE Files

# Revenue and Expenditure Change Over the Last Year



Source: 2009 Los Angeles Nonprofit Survey

# Revenue and Expenditures

- **Organizations that rely heavily on government funding most frequently indicated decreased revenues (46%)**
  - Nearly 2/3 of human service organizations received government funding and 40% relied on govt. more than other sources
- **Those that rely on fees, sales, dues or other earned income less frequently reported decreased revenues (26%)**
- **Higher percentage of environmental nonprofits (57%), arts, culture and humanities (43%), and human services (38%) experienced revenue decreases**

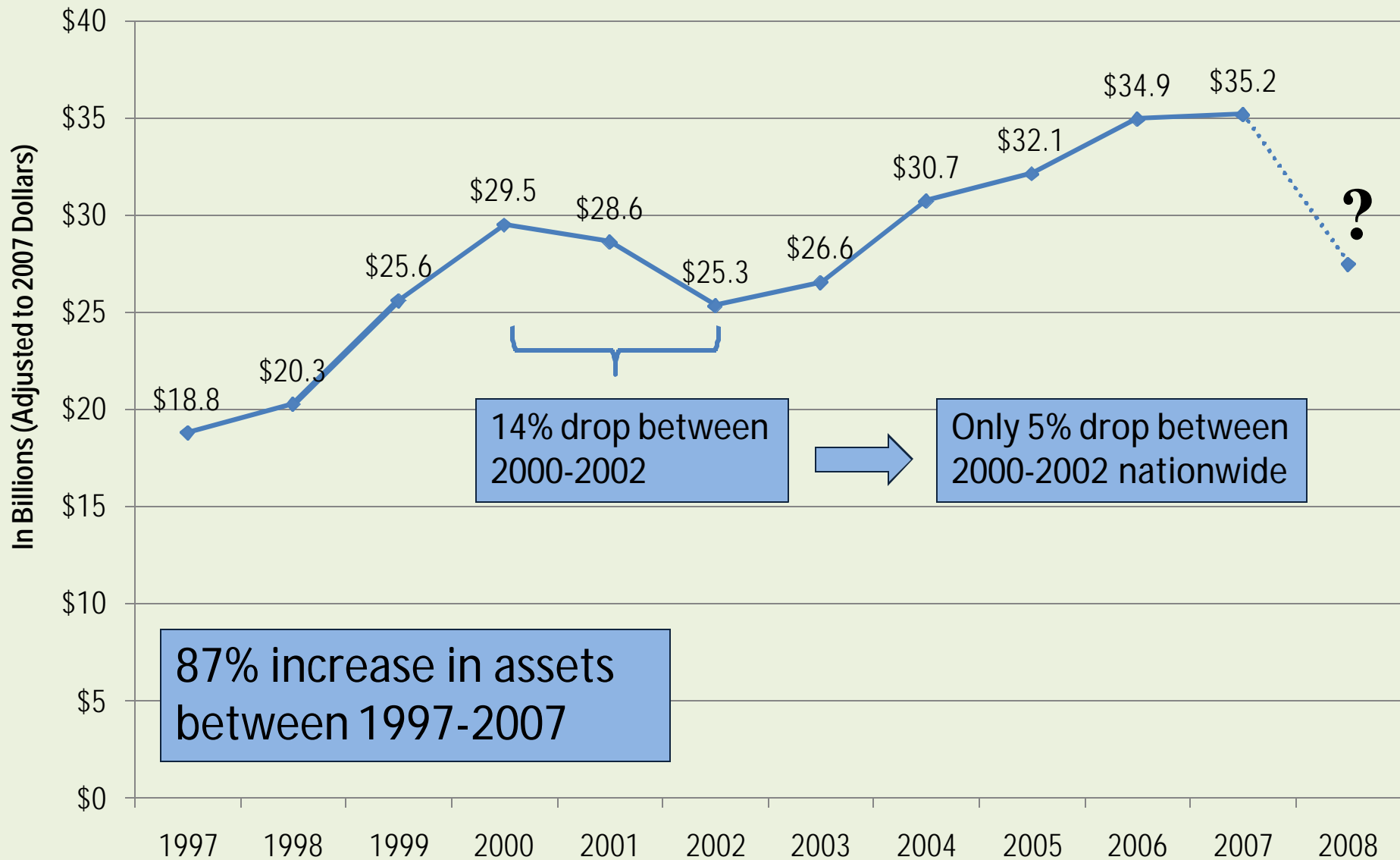
# Revenue and Expenditures

- **Donative income fluctuated the most over the past year**
- **Government income was the most stagnant**
- **Over a third of nonprofit organizations increased or maintained their expenditures with less funding ('doing more with less')**

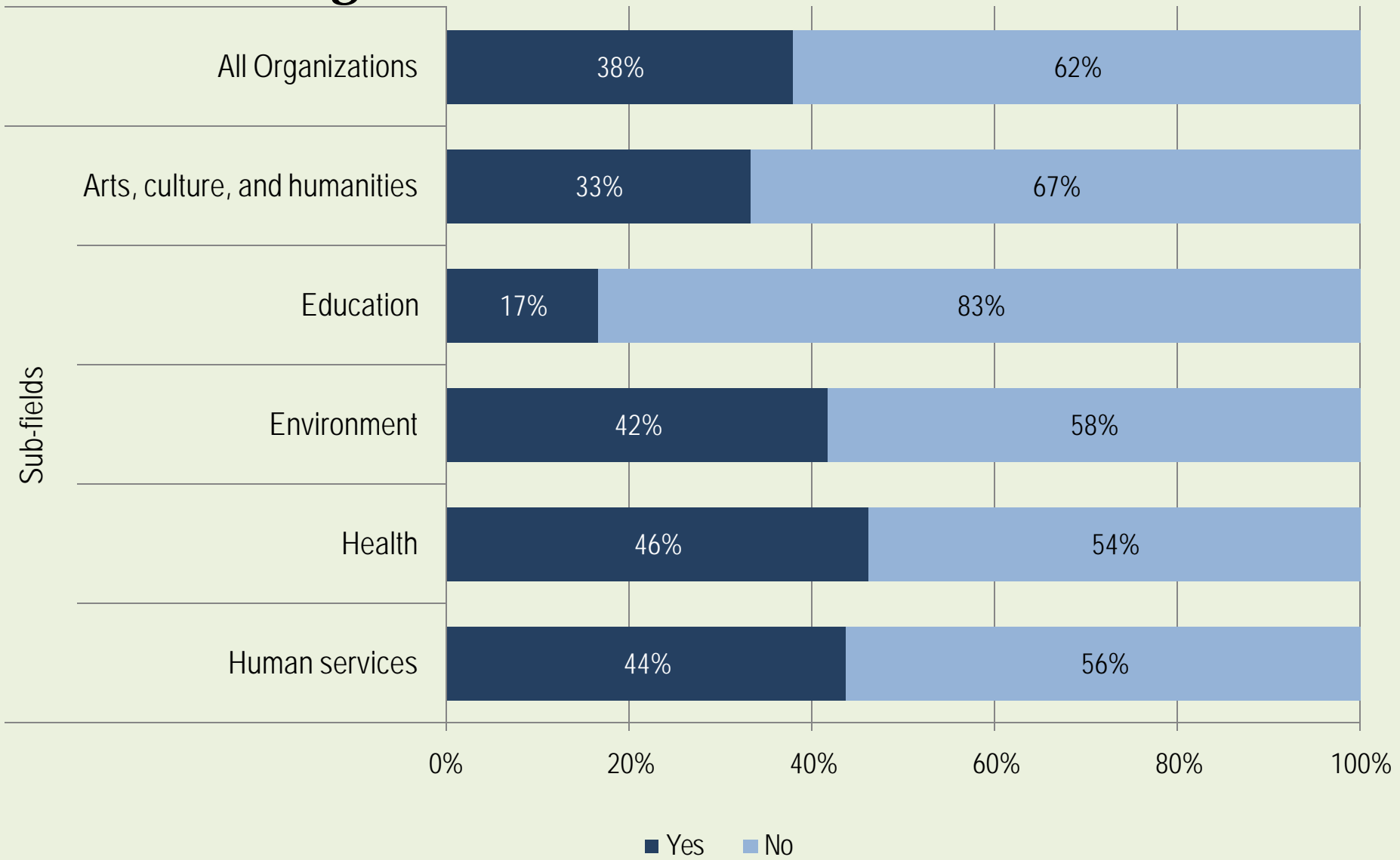
# **Note on Foundation Funding**

- **Nearly 2/3 of respondents reported receiving some foundation support, although not typically 'highly relied' upon**
- **31% of respondents stated that foundation revenue decreased in the past year, while only 11% reported an increase**
  - **Only government income (8.3%) was less frequently reported to have increased in the past year**

# Total Foundation Assets, LA County, 1997-2008

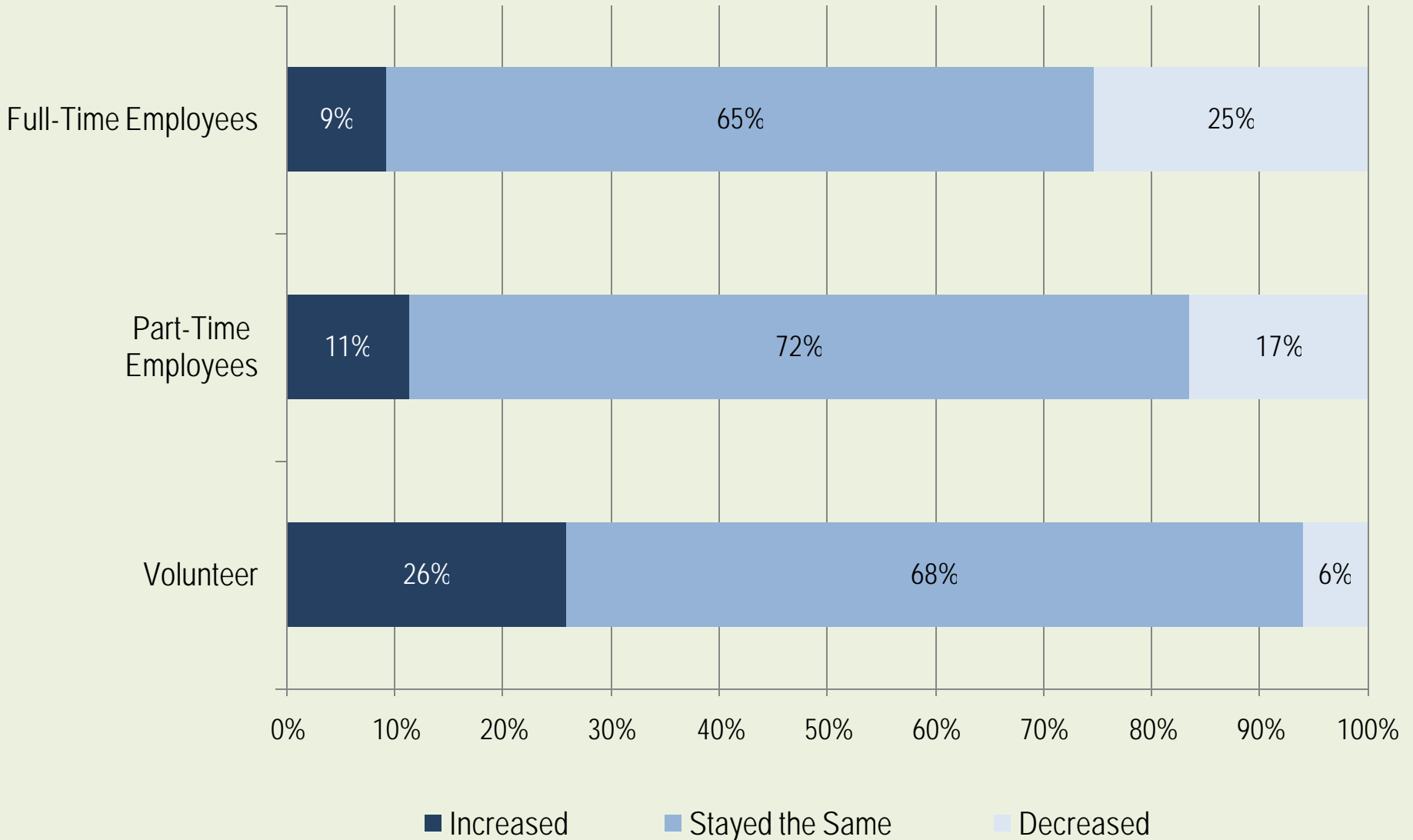


# NPOs with Decreased Revenue that Discontinued Programs/Services Over the Last Year

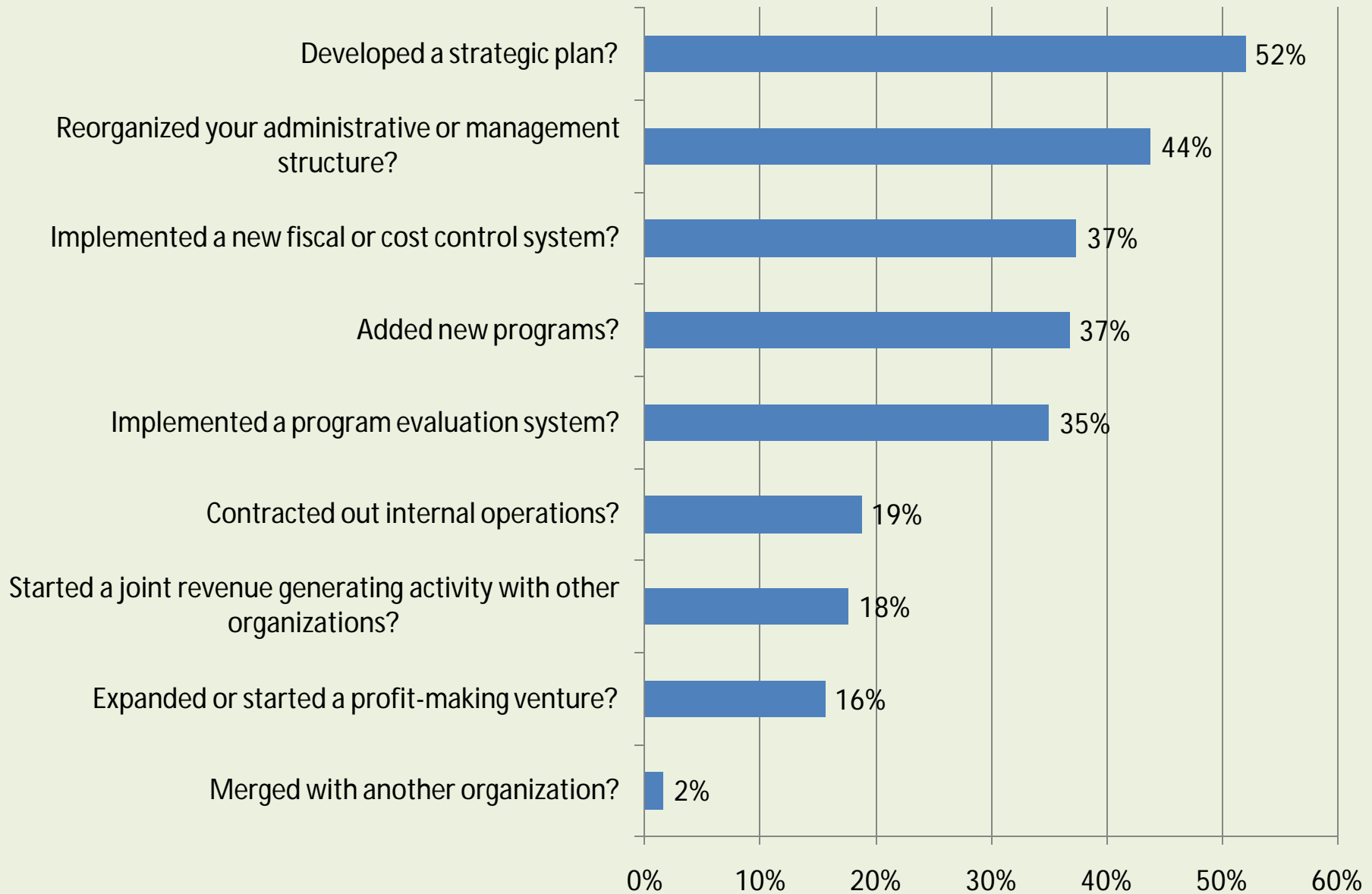


Source: 2009 Los Angeles Nonprofit Survey

# Change in Employees/Volunteers Over the Last Year

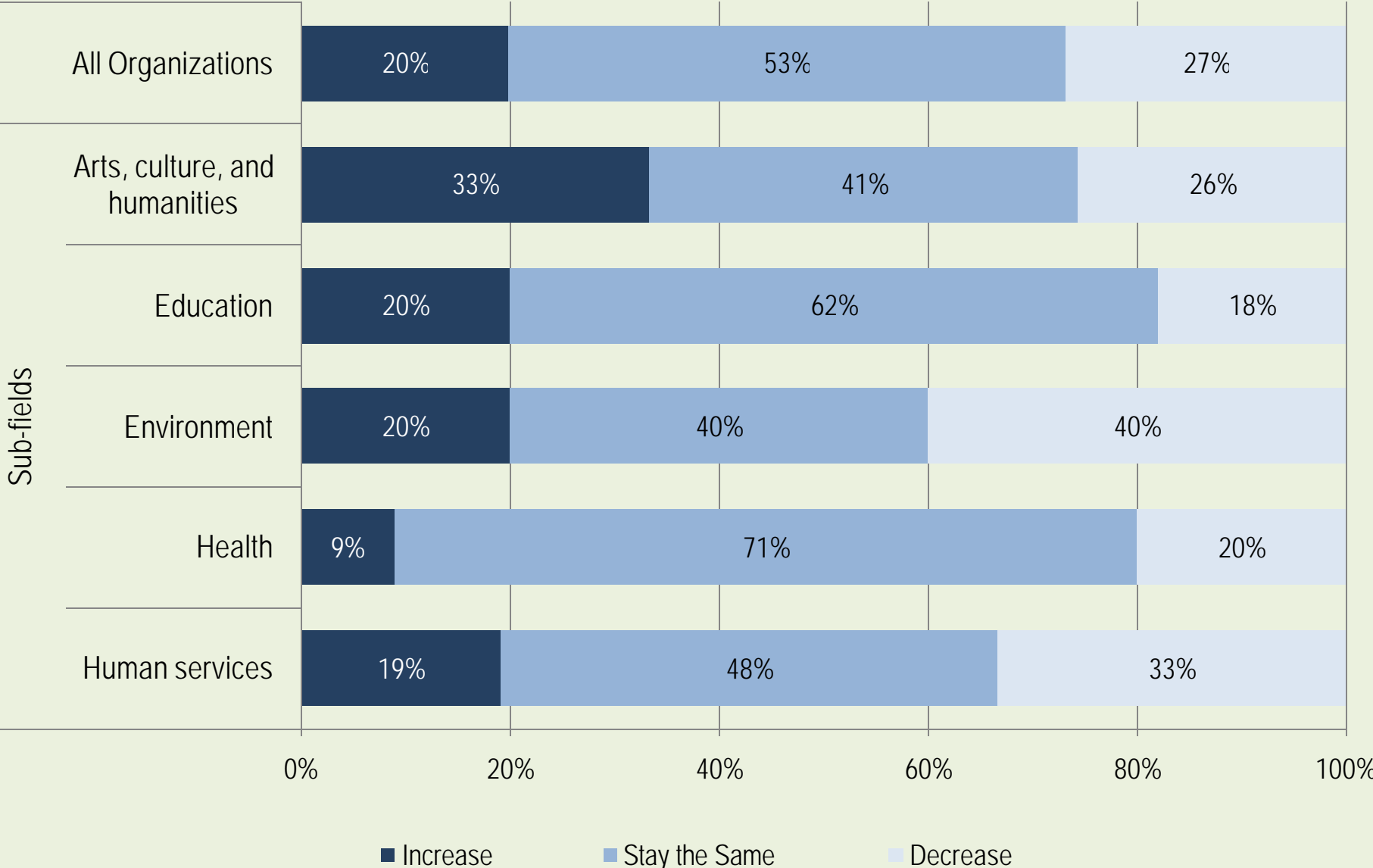


# Nonprofit Organization Activities during the Economic Downturn



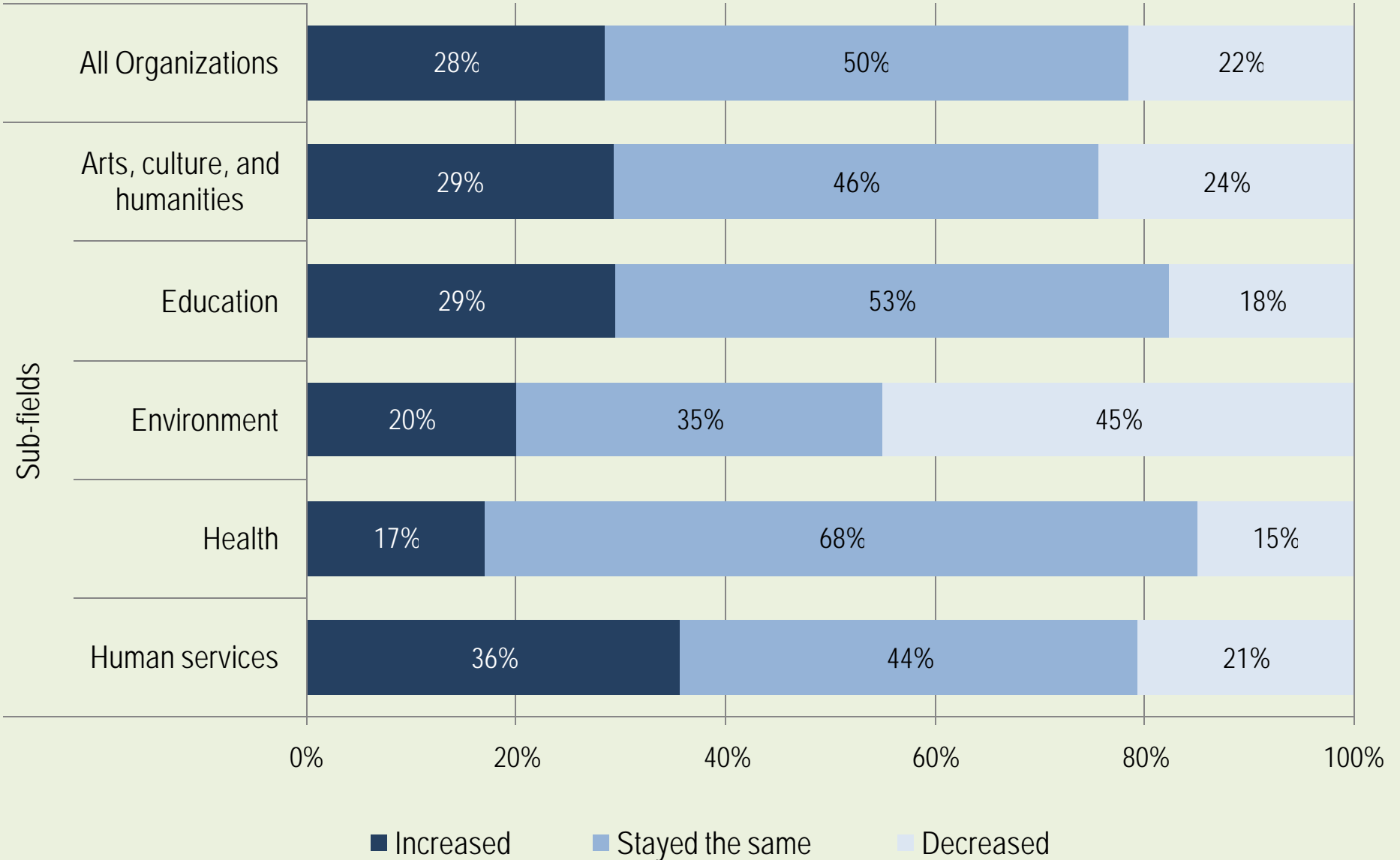
**LOOKING AHEAD**

# Expected Revenue Change Over the Next Year, by Subfield



Source: 2009 Los Angeles Nonprofit Survey

# Expected Expenditure Change Over the Next Year, by Subfield



Source: 2009 Los Angeles Nonprofit Survey

# Looking Ahead

- **Organizations tend to expect less of a decrease in revenue (36% decrease last year; 27% expect decrease next year)**
  - ‘cautious optimism’
- **Expectation that expenditures will still outpace income**
  - Sustainability issue

# Looking Ahead

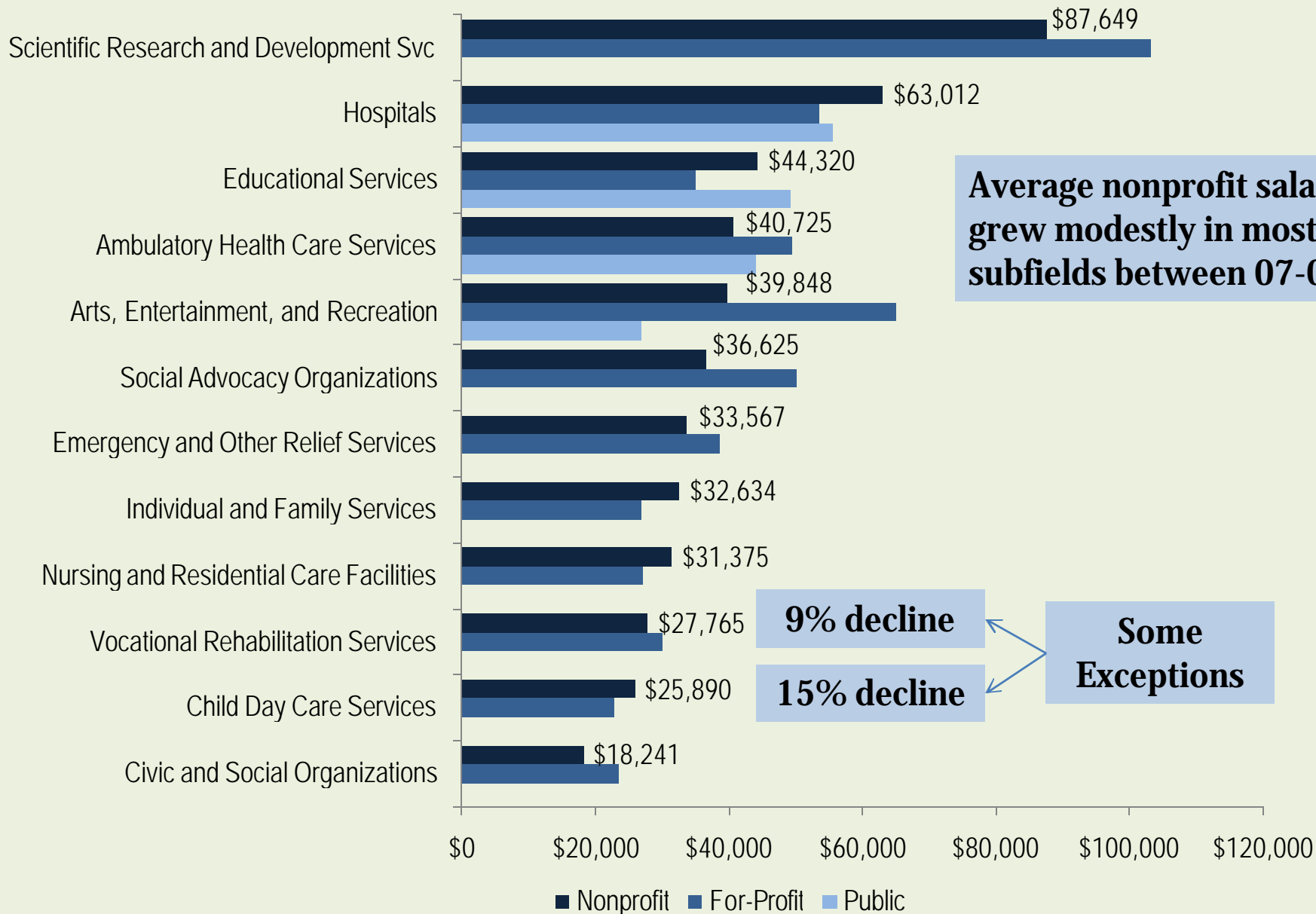
- **Strategies going forward**
  - **Most common response: fundraising**
  - **Other common responses:**
    - **cutting costs (e.g., laying off staff, discontinuing programs, etc.)**
    - **general cost control strategies (e.g., tighter fiscal monitoring)**
    - **expanding services**
    - **increasing visibility**
    - **no change needed**
  - **Least common: collaboration, program evaluation and advocacy**

# **Employment in the LA Nonprofit Sector**

# Nonprofit Employment

- **238,000 (or about 6% of the county's workforce) and accounts for about 6% of the county's total wages.**
- **Nonprofits experienced a 1.3% decline in total employment between October 2007 and September 2008 (fairing slightly better than forprofit firms 1.8% decline), while public sector employment experienced a 4.6% decline.**

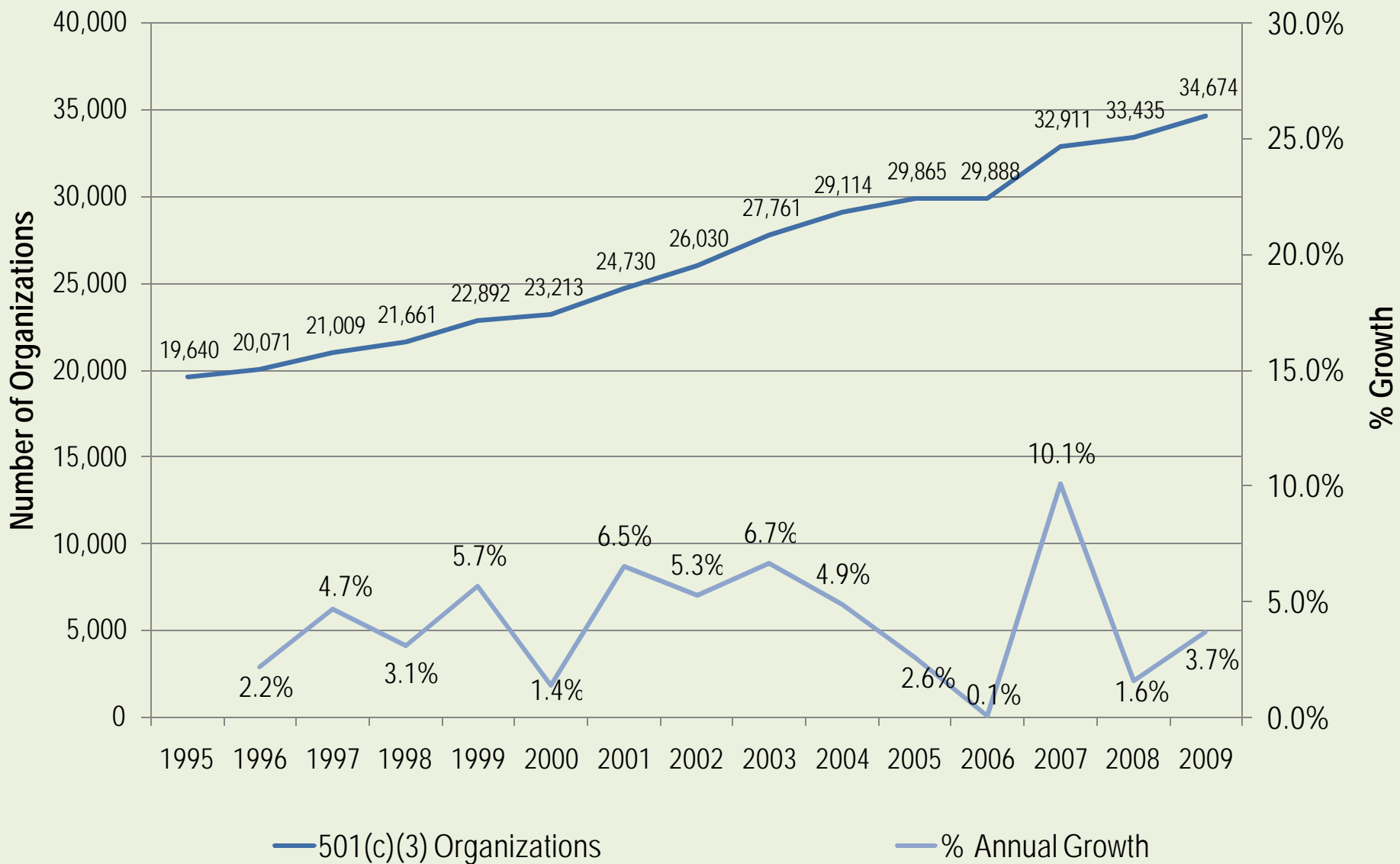
# Average Annual Wage of Nonprofit/For-Profit/Public Sectors, Selected Industries, 2008



Source: California Employment Development Department, 2nd Quarter, 2008

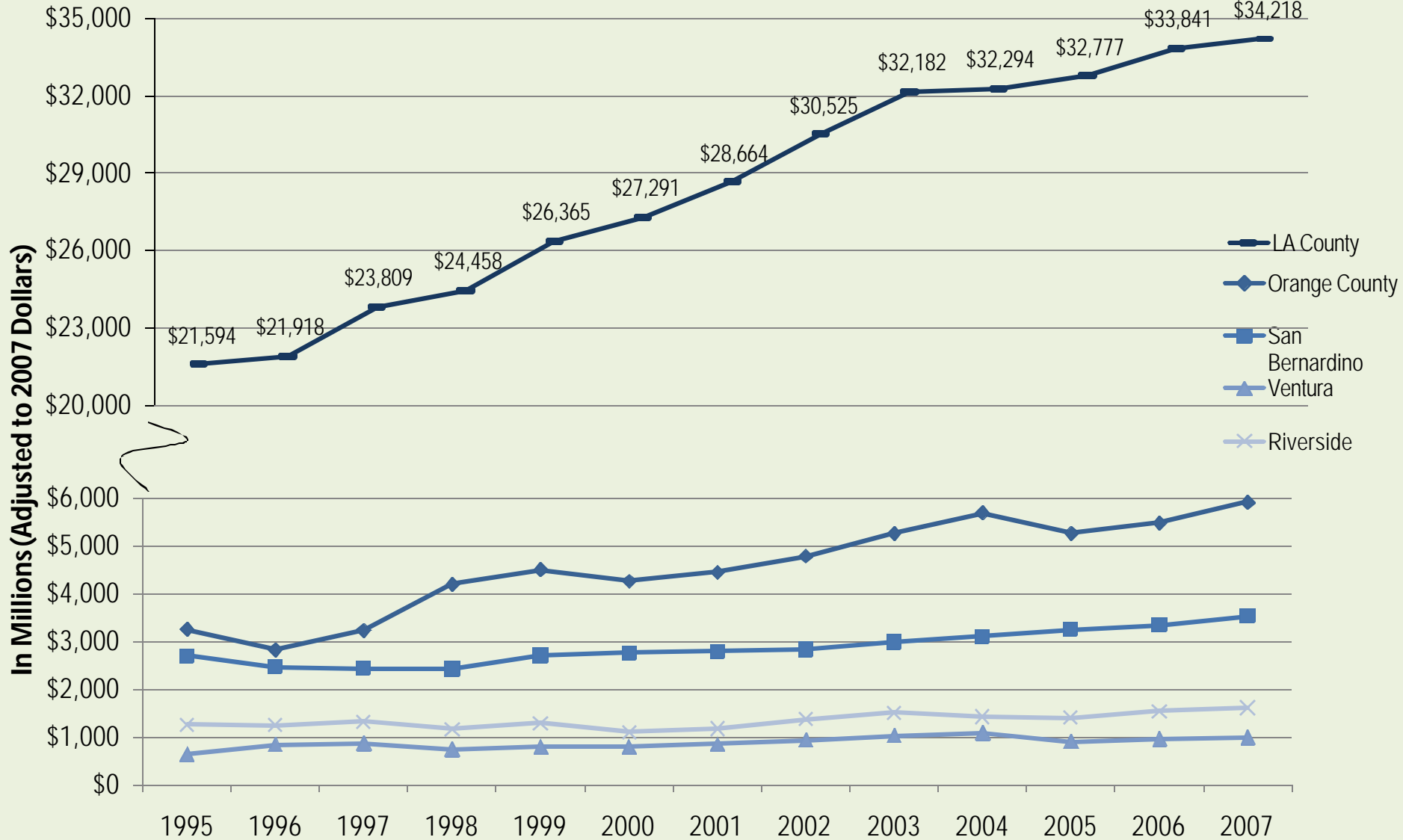
# **The LA Nonprofit Sector: A Look at the Numbers**

# Growth in the Number of 501(c)(3) Organizations in Los Angeles County



Source: NCCS IRS BMF Files

# Nonprofit Expenditure, 5-County Region, 1995-2007



# Number of Organizations

41,486 Registered Nonprofits



34,674 Registered 501(c)(3) Nonprofits



9,641 'Filers' (\$25,000+)



4,031 (\$100K and under)

3,796 (\$100K - \$1m)

1,430 (\$1m - \$10m)

384 (\$10 million+)

The 2010 Report will include estimates of the number of organizations with \$25K and under

# Conclusions

- **Formidable challenges: increased demands and decreased resources**
- **Sector's willingness to maintain or increase expenditures**
  - **Encouraging (resiliency), but also troubling (vulnerability)**

# Conclusions

- **Question: Who will pick up the slack?**
  - **Local and state budget cuts**
  - **Private donations from individuals or households increase only incrementally even in a good economy**
  - **Foundation asset losses**
  - **Corporate donors may very well deemphasize social responsibility and grant making in the face of thinning profit margins and shortfalls.**

# Conclusion

- **Question: How will nonprofits respond?**
  - ‘More with less’?
  - ‘Less with less’?
  - **Will nonprofits be forced to generate new forms of earned income in order to keep their doors open?**
    - **Organizations that rely most heavily on fees and other earned income fared better than organizations that rely more on government or donative revenue.**
    - **What implications does this trend have on a sector that is already becoming more professional and, in some ways, commercial?**

# Recommendations

- 1. Renewed focus on program evaluation.**
  - Strategic planning and re-focused missions not enough without evaluation.
  - Need to measure progress toward stated outcomes and measure the effectiveness of their programs and activities.
  - Difficult decisions about scarce resource allocation should be made based on sound data and results that can be reported clearly to stakeholders.

# Recommendations

## **2. More widespread advocacy efforts among nonprofits.**

- All nonprofits can engage in advocacy without penalty .
- There is need for a wider shared commitment to higher visibility and understanding of civil society and the nonprofit sector as a whole toward increasing civic engagement .
- Nonprofit voices need to infiltrate the debates around health care reform, economic recovery and other social issues.

# Recommendations

## **3. New modes of strategic collaboration and consolidation.**

- Collaborative efforts should decrease costs and increase efficiencies for involved parties—not the other way around.
- This economic downturn may very well require more widespread consolidation—voluntary and otherwise— of local nonprofits, and the sector needs information and guidance on how to most effectively pursue such avenues.



**Thank you.**

*The 2010 State of the Nonprofit Sector  
in Los Angeles Report will be released later this year.*

**All other reports are available online.**

**UCLA Center for Civil Society**

**University of California, Los Angeles**

**School of Public Affairs**

**[www.spa.ucla.edu/ccs](http://www.spa.ucla.edu/ccs)**