

## **State of the Nonprofit Sector in the San Fernando Valley - 2012**

### **Overview**

Since 2007, Valley Nonprofit Resources (VNR) has offered comprehensive capacity-building services and information to strengthen the more than 4,000 nonprofit organizations in the San Fernando Valley region of Los Angeles County. VNR serves nonprofit executive directors, staff and board members, plus leaders of volunteer groups and of smaller foundations in the Valley. Educational workshops, conferences (including the MENDING Poverty conference, to be offered for the sixth time in 2013), technical assistance, a website with more than 300 free downloadable publications, and an information and referral service are among VNR's offerings to Valley nonprofits.

VNR has provided capacity building for animal welfare agencies, theatres, affordable housing nonprofits and many other types of nonprofit organizations. It also has five special initiatives. The Burbank and Glendale Initiatives have included first-ever convenings of the nonprofit sector in these cities, as well as ongoing educational activities. The Latino Initiative, led by former VNR project coordinator Diana Medina Wiley, held workshops on leadership development for Latinos in 2011 and 2012, and plans another event in 2013. The Valley Philanthropy Initiative, conducted in collaboration with other infrastructure organizations in the Valley, had a successful 2012 conference and is planning another one in late 2013, as described further below.

Another of VNR's objectives is to publish this brief annual report updating the state of the Valley's nonprofit sector. The report is prepared each year in collaboration with the UCLA Center for Civil Society (CCS), and includes data both for Los Angeles County and for the Valley from CCS's annual nonprofit sector survey. The report concludes with a few observations and plans for the future, as VNR moves into its seventh year of operation in the San Fernando Valley.

### **Los Angeles County Findings of the CCS Study**

The UCLA Center for Civil Society (CCS) annual study of Los Angeles-area nonprofits found that almost 70 percent of the clients served by human services nonprofits are below the poverty line (Hasenfeld, Kil, Chen, Parent, and Guihama, 2013). About half of the human services nonprofits in Los Angeles are well-established, mid- and large-sized organizations with multiple funding sources. However, nonprofits in poor neighborhoods are quite small and often work in isolation from community resources and expertise. Moreover, these organizations face challenges of reaching poor and marginalized people, whose life circumstances can make it difficult to access the services offered.

A specific question that drove this study was: *How do nonprofits in poor areas respond to the needs of residents in that community?* The study approach imitates the *Los Angeles Times'* Mapping L.A. Project. It uses census tracts to provide statistical profiles, even though their boundaries may be out of sync with the geographical, historic and socioeconomic associations that define communities.

The CCS study was able to map 6,232 human services organizations in Los Angeles County by census tracts. It identified 724 census tracts as poor, and determined the number of human services nonprofits in each of these census tracts. CCS then surveyed a random sample of organizations in these census tracts over the summer of 2012. Interviews and surveys were completed for 213 organizations (51 percent). Major findings included:

- The spatial distribution of the nonprofit human services in Los Angeles County is quite unequal. Neighborhoods (i.e., census tracts) with a high concentration of poor residents have a much lower density of nonprofit human services while neighborhoods that are economically well off are also richer in the density of nonprofit human services. As a result, poor neighborhoods have less access to much needed human services and do not benefit from the potential contribution of these organizations to their quality of life.
- Almost 24 percent of the census tracts in Los Angeles County have no established nonprofit human service agencies. These “desert neighborhoods” are mostly concentrated in South Los Angeles and the San Fernando Valley. Compared with other neighborhoods on such measures as employment, median income, education, poor children younger than five, and single-parent households, desert neighborhoods are significantly higher in poverty and socially vulnerable.
- The survey shows that nonprofit human services in poor neighborhoods are relatively small. Their median annual revenue is \$430,160—less than half the median revenue of \$962,426 for all nonprofit human services organizations in Los Angeles County.
- Among nonprofit human services in poor neighborhoods there is greater emphasis on the provision of basic needs services, clinical services, and youth development and student services.
- Human services nonprofits in poorer neighborhoods are primarily dependent on private donations, including foundation support, and receive significantly less government funding than human services organizations throughout Los Angeles County.
- Forty three percent of nonprofit respondents mentioned reductions in government programs that affect their organizations. Often cited were cutbacks in funding through Community Development Block Grants, Housing and Urban Development (which funds services to the homeless and mortgage and foreclosure assistance), CalWorks, and California Department of Mental Health. The most frequent program cuts identified were in services to children and youth, housing assistance, and alcohol and substance abuse.
- In terms of race and ethnicity, the staff and board profiles of human services nonprofits tend to reflect the client profile. Staff turnover rates are lower in poor neighborhoods than in nonprofits serving higher income populations.
- In terms of advocacy, most human services organizations in poor neighborhoods are most actively involved in mobilizing local residents around issues, and in engaging with local elected officials for benefits for vulnerable populations.
- Nonprofit human services in poor neighborhoods, and particularly in extremely poor neighborhoods, are more likely to experience greater competition for resources. However, there also is a very high degree of collaboration among these agencies to obtain funding and develop services.
- The board of directors of nonprofit human services in poor neighborhoods are more racially and ethnically diverse. Still, the majority of board members are white, especially in extremely poor neighborhoods. A majority of board members come from the corporate world.

- Most nonprofit human services in poor neighborhoods are actively engaged in capacity-building activities such as strategic planning, program evaluation, and cost control.

Organizations serving poor and predominantly African American neighborhoods face distinct challenges:

- They are more likely to be smaller with median annual revenues of \$100,000, which is about one-fourth of the median revenue for all organizations serving poor people. Like all other organizations in poor neighborhoods, they depend largely on donations. Moreover, they are least likely to obtain government funding.
- The higher closure rate among African American-serving organizations during the recession is not due to a lack of capacity-building, advocacy, or collaboration activity. Most of the surveyed organizations engage in strategic planning, evaluation, and cost control. They work to mobilize local residents around issues, engage with local elected officials regarding benefits for vulnerable populations, and collaborate for funding, program development, coordinating services, and advocating for clients.
- They have considerably fewer staff members. Therefore, they are somewhat less likely to adopt management practices such as strategic planning. Nonetheless, their management practices are comparable to those for all the nonprofit human services in Los Angeles County.

The picture that emerges from the data is of underserved neighborhoods populated by small nonprofits that rely primarily on private donations. Most of these nonprofits have been active and sophisticated in engaging in capacity-building, but continue to struggle financially. Unfortunately, government cuts heighten the challenges for organizations serving poor neighborhoods, many of which provide programs like early childhood education, gang prevention, housing assistance, job training and substance abuse treatment. As the debate on the wealth divide continues at the federal and state levels, the Los Angeles community needs to consider whether lack of investment or disinvestment in these neighborhoods is a chronic condition and what more effective responses to poverty may be.

### **San Fernando Valley Findings from the 2011 Study**

The 2013 UCLA Center for Civil Society study results were sub-analyzed for findings specific to the San Fernando Valley. Major findings are presented in the three charts below.

#### ***Number of Valley Nonprofits by Major Subfield***

<i>Subfield</i>	2013
Arts, Culture, & Humanities	533
Education	620
Health	360
Human Services	808
Other	2207
<i>All Nonprofits</i>	4559

*Source:* National Center for Charitable Statistics - IRS Core Files, 2004, 2007, 2010 (adjusted to 2010 dollars)

***Nonprofit Median Expenditures, San Fernando Valley vs. Los Angeles County***

<i>Area</i>	2004	2007	2010
SFV	\$136,586	\$109,061	\$106,881
LA County	\$157,004	\$133,521	\$127,320

*Source:* National Center for Charitable Statistics  
IRS Core Files, 2004, 2007, 2010 (adjusted to 2010 dollars)

***Valley Nonprofit Total Annual Expenditures by Major Subfields***

<i>Subfield</i>	2004	2007	2010
Arts, Culture, & Humanities	\$73,819,097	\$54,262,984	\$99,868,161
Education	\$361,569,366	\$487,969,815	\$546,398,888
Health	\$1,843,735,713	\$1,075,852,869	\$2,575,013,247
Human Services	\$830,148,316	\$970,908,406	\$1,152,431,776

*Source:* National Center for Charitable Statistics  
IRS Core Files, 2004, 2007, 2010 (adjusted to 2010 dollars)

It already was mentioned that “desert neighborhoods” with no nonprofit human services agencies in them are more common in the San Fernando Valley than in many other parts of Los Angeles County. CCS did a sub-analysis by census tracts of these, which shows that the Northeast Valley (San Fernando, Pacoima, Sun Valley and Panorama City), Van Nuys, North Hollywood, and portions of the West Central Valley (Winnetka, Canoga Park, Reseda and the southwestern portions of Northridge) have the most desert neighborhoods.

**Observations and Plans for the Future**

To provide further context for understanding the UCLA study results, including those for the San Fernando Valley, some key findings from the Nonprofit Finance Fund’s (2013) national State of the Nonprofit Sector Survey are presented here:

- \* Need for nonprofit services continues to rise, and it’s harder than ever for nonprofits to keep up.
- \* Some organizations are seeing slight financial improvement, but the overall situation is still tough.
- \* Organizations are adapting to the new environment with a mix of creativity, determination and sweat equity.
- \* 90% of all survey respondents say things will be as hard or harder for their clients in 2013.
- \* Jobs and housing continue to be primary concerns for those in low-income communities.

- \* 78% of respondents saw an increase in demand for services in 2012; over half couldn't meet demand in 2012, and probably won't be able to in 2013; 85% expect demand to climb again in 2013.
- \* 29% of respondents received Federal funding; 47% received state or local contracts (payments rarely cover all costs, and payments come late for the majority of recipients).
- \* One in three organizations received less government money in 2012 than in 2011.
- \* 29% of organizations had a deficit in 2012; 31% broke even; 40% had a surplus.
- \* Many nonprofits feel uncomfortable talking with funders about core needs (for example, only 16% of respondents feel comfortable talking about cash flow concerns).
- \* 49% added/expanded programs; 41% increased the number of people served; 15% expanded geographies served .
- \* 39% partnered with another nonprofit to improve/increase services; 16% partnered to reduce administrative expenses.
- \* 30% upgraded technology to increase or improve services; 39% upgraded technology to improve organizational efficiency.
- \* In 2012, 54% of survey respondents were asked by funders to measure their long-term impact, and over half regularly measure long-term impact.

In summary, the Nonprofit Finance Fund study concluded that nonprofits that will continue to thrive and be effective are those that respond nimbly to the changed environment. They are measuring (and sometimes improving!) impact, partnering to deliver services, shifting their business models and communicating needs clearly and frequently. They are open to new ideas, partners, and funding sources to help address their cause, and to allow them to invest in themselves.

What was learned from both the UCLA study and the Nonprofit Finance Fund research gives a somber but cautiously hopeful "big picture" related to the state of the nonprofit sector in the San Fernando Valley. It is the picture to which the Valley community, its nonprofits and VNR must respond - to provide the best services possible to all community members, and to build the Valley nonprofit sector's infrastructure.

VNR will continue to offer its major programs, as described above, in 2013. The Sixth Annual MENDING Poverty conference will occur on June 13, 2013, and will focus on the impact of health care reform on people living in poverty and the nonprofits serving them. Also, under funding support from Weingart Foundation, VNR has been working with a cohort of 12 nonprofits in the Northeast sector of the Valley (which has traditionally been less active in seeking funding from philanthropy - foundation, corporate or individual/major donor, and which has the highest concentration of "desert neighborhoods" identified in the CCS study), building their fundraising skills and their overall infrastructure (e.g., helping nine of the 12 create strategic plans for their organizations). A proposal for a second phase of support for this project has been invited.

VNR also is exploring how it can better serve the "desert neighborhoods" in the West Central Valley. And specific cohorts of nonprofits in the Valley are being assisted through grants from Kaiser Permanente (health nonprofits) and ASPCA (animal welfare nonprofits).

Precisely because of the serious challenges illuminated by the research described above, VNR also launched its Sustainability Initiative in February 2013, with a special workshop conducted by CalNonprofits CEO Jan Masaoka and focused on improving nonprofit sustainability. For the next two years, long-term sustainability will be a main emphasis of VNR's activities - including strategies for implementing and refining strategic plans, approaching high-end donors, using social media for fundraising, and developing overall approaches for increasing sustainability. Among the workshops to be offered on these topics are events coordinated through a partnership with the Los Angeles Public Library and its Valley region.

VNR also is continuing its emphasis on *strategic planning* as a tool to help nonprofits adjust to the new realities they face. More educational workshops on strategic planning will be conducted in 2013, along with continued offering of individualized technical assistance. Leadership development for Latinos, technical assistance for small theatre and dance companies (done in partnership with Network of Ensemble Theatres) and several other special initiatives are expected to be launched as VNR continues its work to strengthen nonprofits in the San Fernando Valley region.

On a related front, VNR was a principal sponsor of a conference conducted in Fall 2012, *Hiding in Plain Sight: Engaging Philanthropy with San Fernando Valley Nonprofits*, intended to increase awareness and action among philanthropic funders (individuals and organizations) about the San Fernando Valley. The successful conference included action-oriented discussions among key funders about how they could become more engaged in strategic philanthropy in the Valley, and an analysis of the upcoming transfer of wealth as it affects the Valley. Results are summarized in an *Action Paper*, posted on a new section of VNR's website, devoted to the Valley Philanthropy Initiative, which was created to follow through on recommendations made in the *Action Paper*.

This conference was conducted by VNR in partnership with the San Fernando Valley Council of Governments, the San Fernando Valley Community Foundation, and the Valley Economic Alliance. Revitalization of the Community Foundation also will take place in 2013, to build its leadership and asset base directed towards improving the functioning of nonprofits based in the Valley. And a second *Hiding in Plain Sight* conference is planned for November 2013.

## References

Hasenfeld, Z., Chen, M., Garrow, E., Parent, B. & Guihama, J. (2013). *Spread thin: Human services organizations in poor neighborhoods*. Los Angeles: Luskin School of Public Affairs, UCLA Center for Civil Society.

Nonprofit Finance Fund (2013). *State of the nonprofit sector survey results*. New York: Author.

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