

The Nonprofit Sector

Silicon Valley Council of Nonprofits
2023

Our Agenda



- What is a nonprofit?
- What is the economic impact of nonprofits?
- What do nonprofits look like in our region?
- Q/A
- Nonprofit challenges
- Breakout
- Nonprofits in COVID and in recovery

What Makes a Nonprofit a Nonprofit?



- Nonprofit is a tax status (501c3)
- Nonprofits are businesses
- Nonprofits adhere to corporate law & regulations unique to this sector



Nonprofits Play a Vital Role



- Provide critical services that contribute to community and individual economic stability, mobility, and well-being
- Advocate for the communities they serve
- Connect government to community members
- Serve as experts on community needs

CONSIDER—there's a good chance you or a family member:



Entered the world born in a nonprofit hospital—nearly half of America's hospitals are nonprofit.



Developed life skills like conflict resolution and teamwork through Girl Scouts, Little League, 4-H, or other youth development organizations.



Enjoyed family vacations at nonprofits such as the San Diego Zoo, the Museum of Science and Industry in Chicago, or the Metropolitan Museum of Art of New York City.



Avoided polio because March of Dimes raised research funds to discover a safe and effective vaccine, and escaped other diseases because of scientific research by nonprofits.



Attended a nonprofit preschool, grade school, high school, college, or graduate school, perhaps with support of a nonprofit scholarship fund.



Inhaled cleaner air in tobacco-free restaurants thanks to the work of public health nonprofits.



Attended services at a house of worship maintained by one of the nearly 350,000 nonprofit religious congregations.



Exercised your rights to vote, to education, to travel, to equal treatment under the law and other rights secured and protected by nonprofits.



Enjoyed the natural wonder and splendor of America's rivers, forests, and open spaces due to the work of nonprofits committed to conservation and our environment.



Learned how to swim through lessons at the local JCC, YMCA, or scout camp.



Visited historic treasures and places of natural beauty preserved by nonprofits.



Laughed, relaxed, rejoiced, and were inspired at nonprofit arts performances.

▶▶ Of course, that's still just a short list of the many ways that nonprofits improve lives.

Evaluating Success: For-Profit vs. Nonprofit



FOR-PROFIT

A sustainable **for-profit** should be socially and environmentally responsible, but to be a success it **must deliver a financial profit**



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NONPROFIT

A sustainable **nonprofit** should make a financial profit, but to be successful it **must deliver on its social or environmental mission**

**NONPROFIT
BUSINESS DOUBLE
BOTTOM LINE:
MISSION & MONEY**

Profit Management: For-Profit vs. Nonprofit



FOR-PROFIT

For-profits can **pass along profits, property, or shares to individuals** who manage or govern the organization or invest profits in the organization

NONPROFIT

Nonprofits must reinvest profits in pursuing the organization's mission

Passing profits, property or shares to individuals is illegal

Economic Power of California's Nonprofit Sector

<https://calnonprofits.org/publications/causes-count>

Economic strength

Nonprofits are a large and vital part of California's economy, with nonprofit economic activity contributing

15%

– or 1/6 – of **California's Gross State Product** (GSP).

California foundations make nearly

\$2 billion in grants

to California nonprofits annually.

Nonprofits generate

\$208 billion in annual revenue

and hold \$328 billion in assets.

There are

25,000 nonprofits

with paid staff and 50,500 identified as grassroots or mostly voluntary.

The nonprofit sector is a growth industry: while the total number of nonprofits has leveled off since 2009, the California sector has **grown in revenue, assets, jobs, and wages.**

Despite being exempt from corporate income tax, nonprofits generated

\$37 billion in taxes

in 2012 at federal, state and local levels.

Each year California nonprofits bring in at least **\$40 billion in revenue from out-of-state sources.**



Major employer

Nonprofits rank as the

4th largest industry

in California by employment, producing more jobs than the construction, finance, or real estate industries.

On average, small nonprofits

employ more people

than for-profit small businesses.

Nearly

1 million people

are employed by nonprofits in California, accounting for six percent of total state employment.

There is greater racial/ethnic

workforce diversity

in the nonprofit sector when compared to the adult civilian workforce as a whole.

California volunteers contribute more than \$24.7 million in unpaid labor each year, the equivalent of

450,000 full-time jobs.



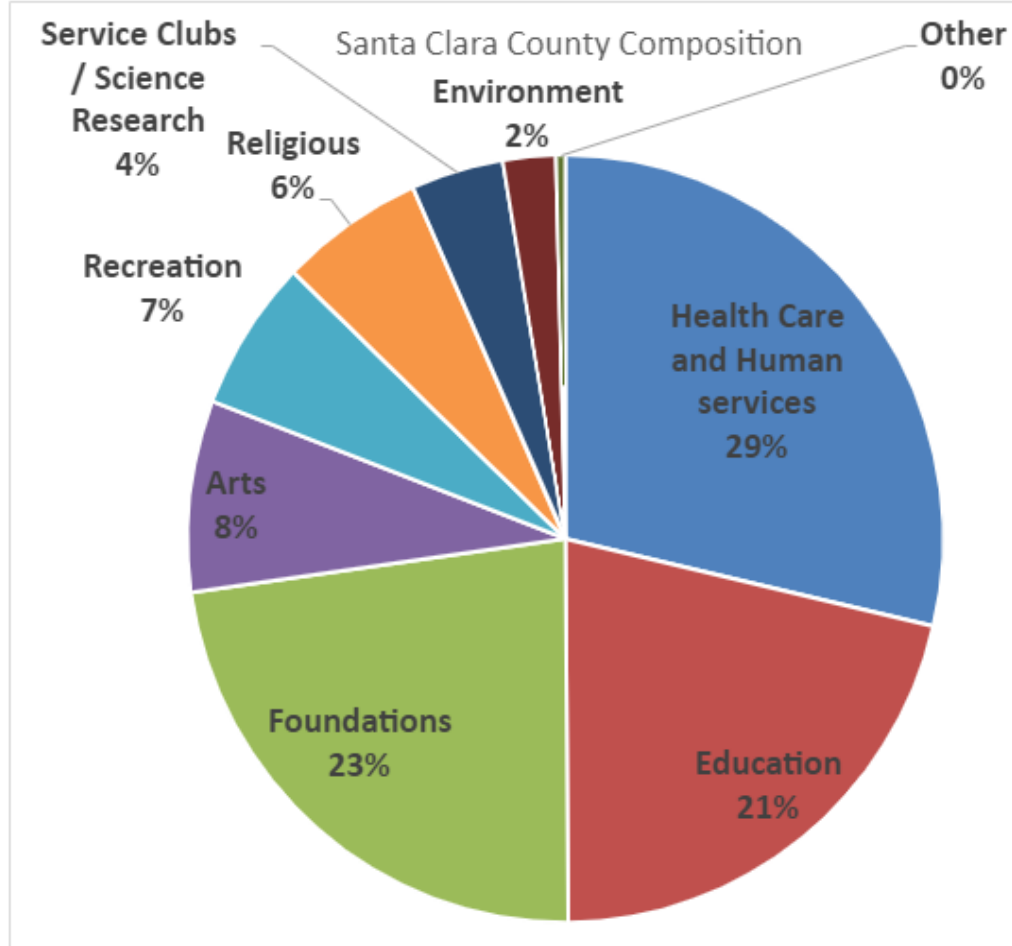
Nonprofits in Santa Clara County

Santa Clara County Overview



- There are nearly 14,000 nonprofits and foundations – with about 2,100 with budgets over \$100K
- 54% of all nonprofits are located in either San José or Palo Alto
- 39% of San José organizations have budget sizes between \$100K - \$500K
- Nonprofits with budgets between \$100k and \$500k represent 55% of all County nonprofits, but only .5% of the sector's total income
- Organizations with annual budgets over \$10M represent 8% of the total nonprofits, but 96% of the sector's total income

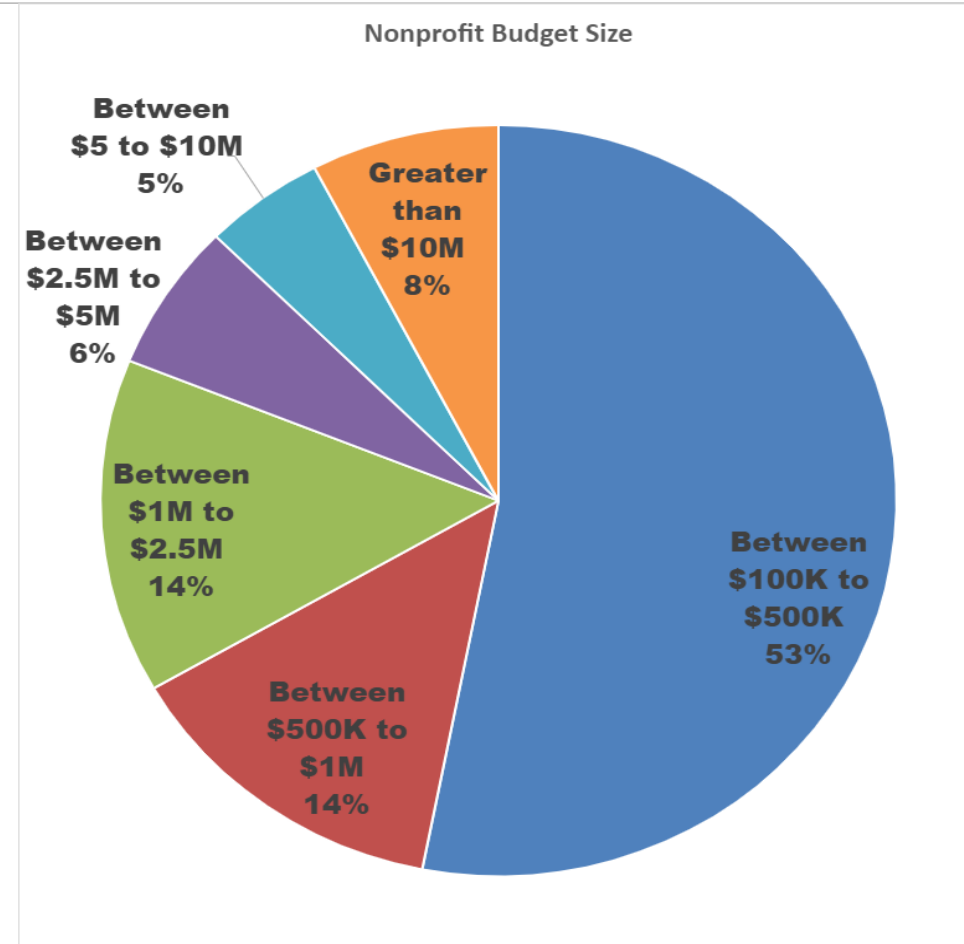
Nonprofit Areas of Service



Nonprofit Budget Size



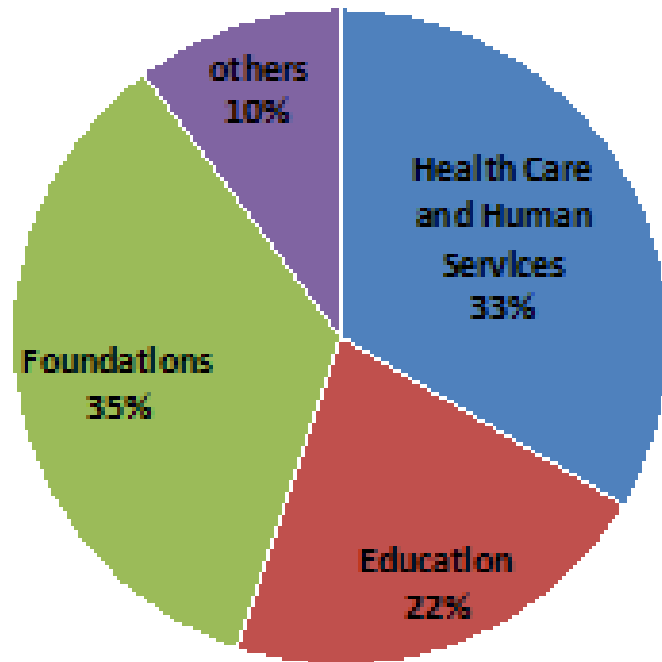
Organizations with budgets under \$100K tend to be service clubs, neighborhood associations, parent teacher associations, etc. We know anecdotally that others may be serving particular specific ethnic groups.



Nonprofit Budget Size (cont.)

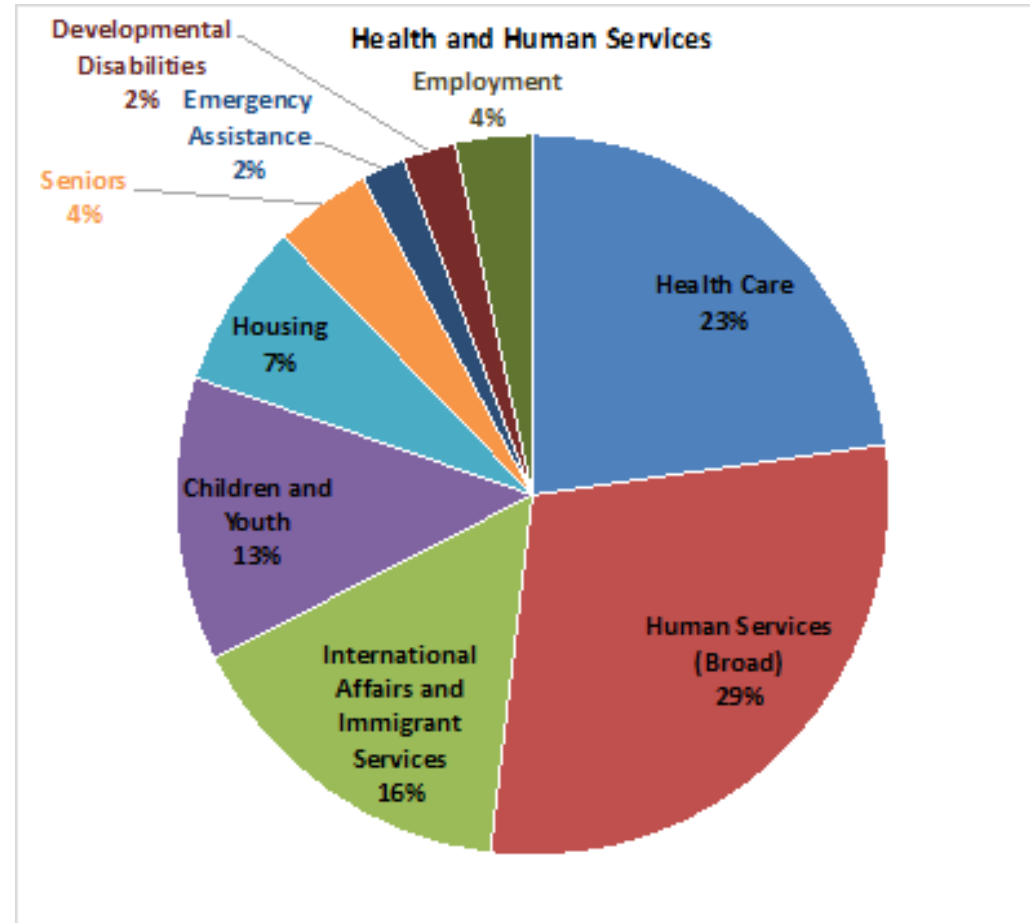


Organizations over \$10M Budget Size
Composition

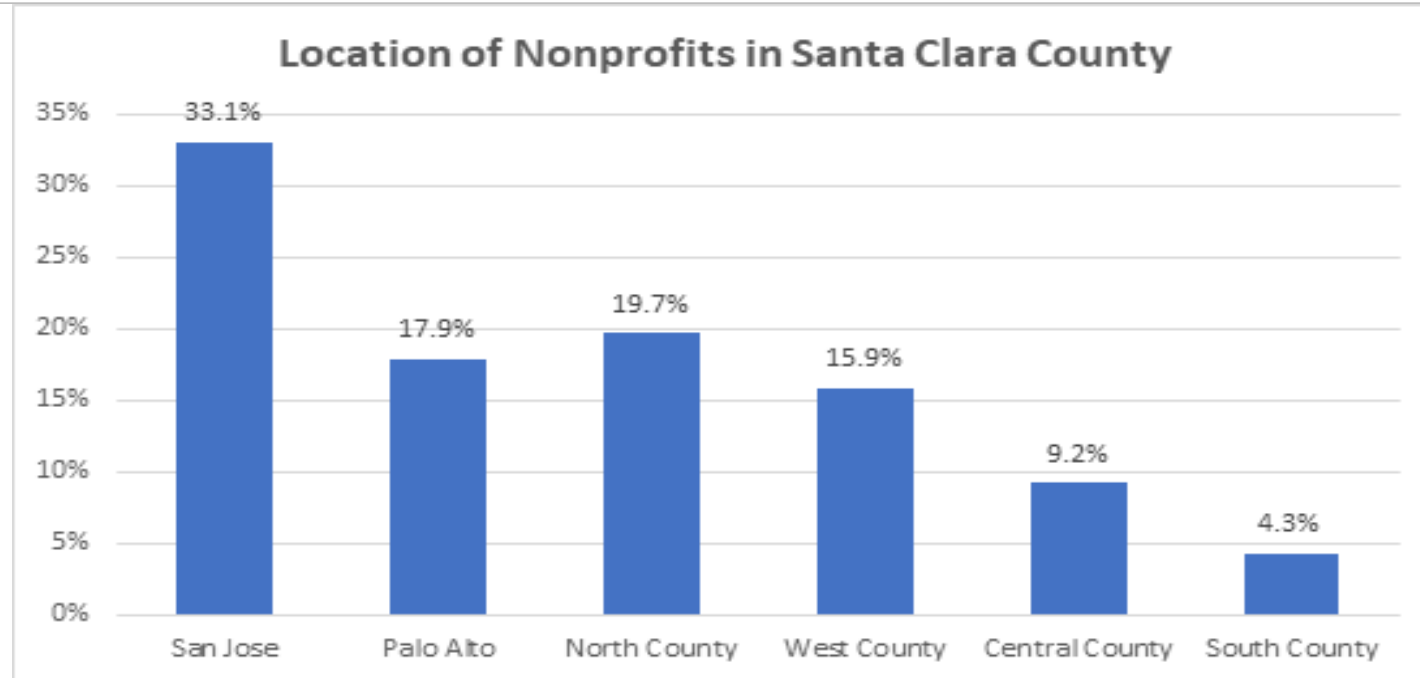


- *Health and Human Services* includes organizations such as **Stanford Health Care**, **Second Harvest Food Bank**, and **Goodwill**
- *Foundations* includes organizations such as **Silicon Valley Community Foundation**, **David and Lucile Packard Foundation**, and **Sobrato Family Foundation**
- *Education* organizations include **Stanford University**, **Santa Clara University**, and **Valley Christian Schools**

Health & Human Services \$100K+



Where Are Our Nonprofits?



South County has only 99 nonprofits with budgets greater than \$100k

SAN JOSE

- 12% are foundations
- 10% are arts organizations
- 33% are health & human services

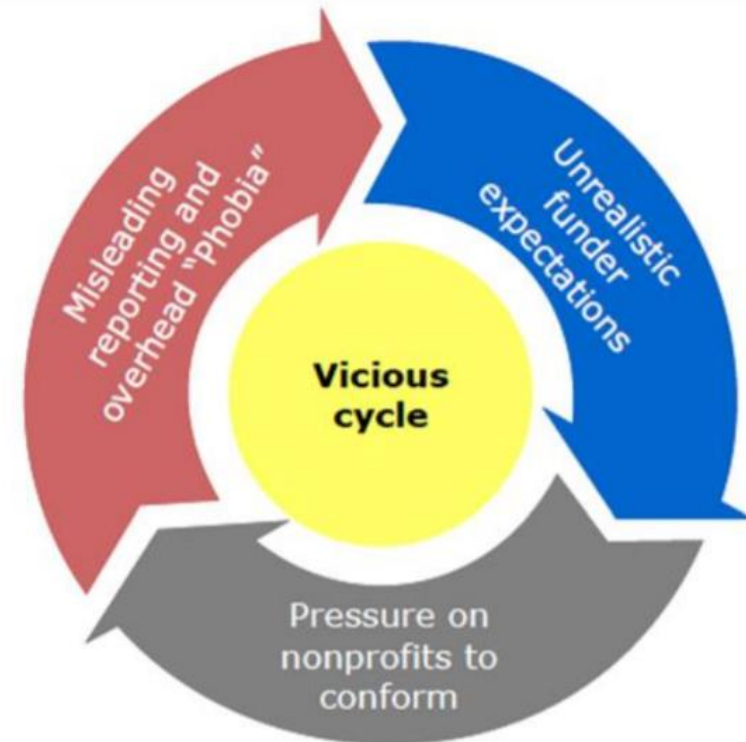
PALO ALTO

- 23% are foundations, the \$1M+
- 23% are health & human services
- 7% are arts organizations

Nonprofit Challenges

Nonprofit Funding

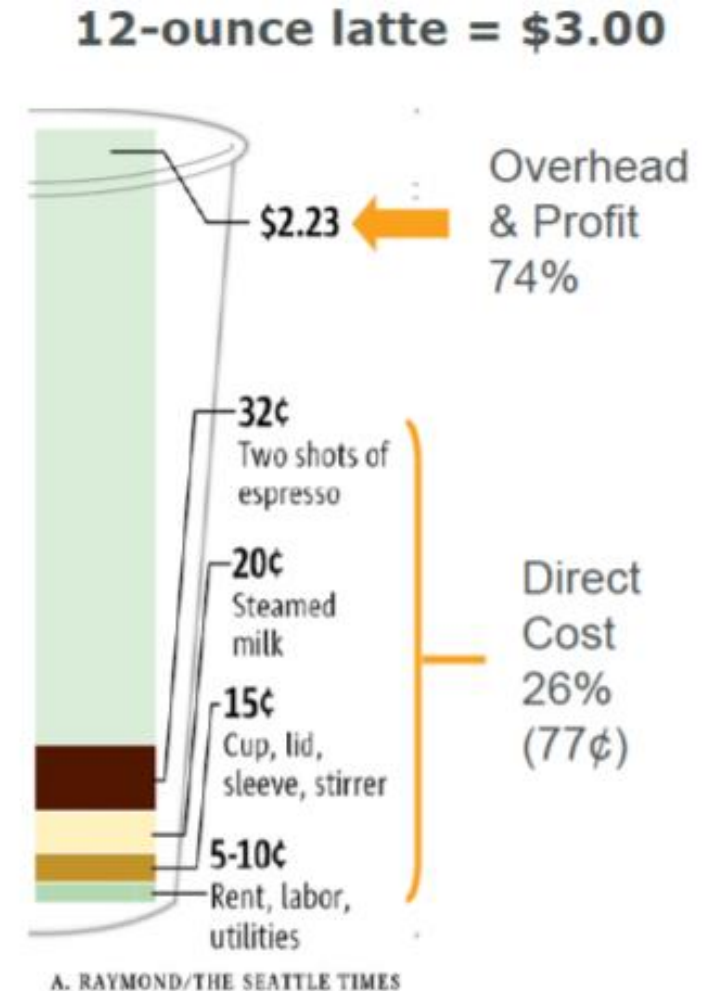
The **nonprofit starvation cycle** describes a phenomenon in which **nonprofit** organizations continuously underinvest in their organizational infrastructure in response to external expectations for low overhead expenditure.



The Myth of Overhead

For-Profit World

- Customer buys the product
- Price includes full cost of doing business
- Overhead and profits are seen as a necessary and regular part of the business



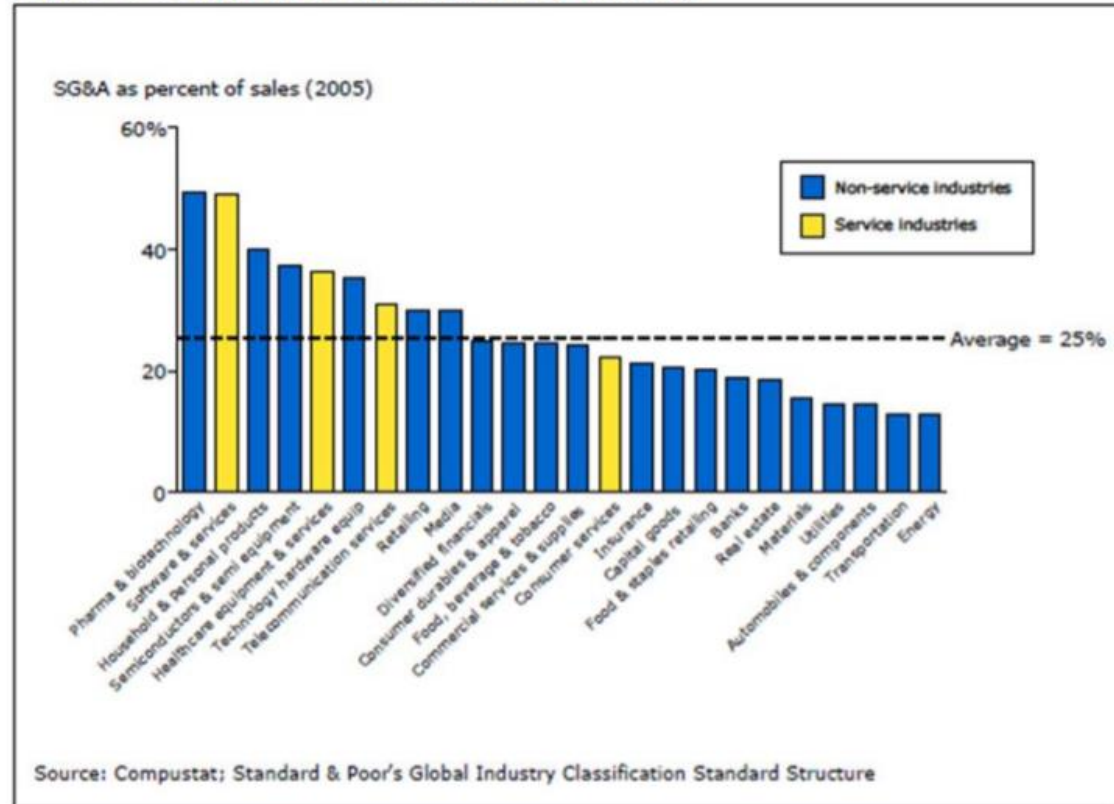
Source: Matt Milletto, Vice President of the American Barista & Coffee School

For-Profit v. Nonprofit Overhead



For-profit overheads average at 25% across industries whereas nonprofit overhead is often limited to 10 to 15% by funders, including foundations and government funders.

Figure 3: For-profit overhead rates by industry



9 Crappy Paradoxes that Shape Nonprofit and Philanthropy



Vu Le – Nonprofit AF

- 1. The Overhead Paradox: The focus on reducing overhead actually increases overhead.
- 2. The Sustainability Paradox: The focus on increasing organizational sustainability actually decreases organizational sustainability
- 3. The Capacity Building Paradox: Forcing nonprofits to focus on building organizational capacity reduces their ability to build organizational capacity.
- 4. The Data-Resource paradox: Organizations cannot get significant funding without good data, but they cannot get good data without significant funding
- 5. The Single Issues Paradox: Foundations that prioritize specific social issues lessen the chances of those issues being successfully addressed

9 Crappy Paradoxes that Shape Nonprofit and Philanthropy



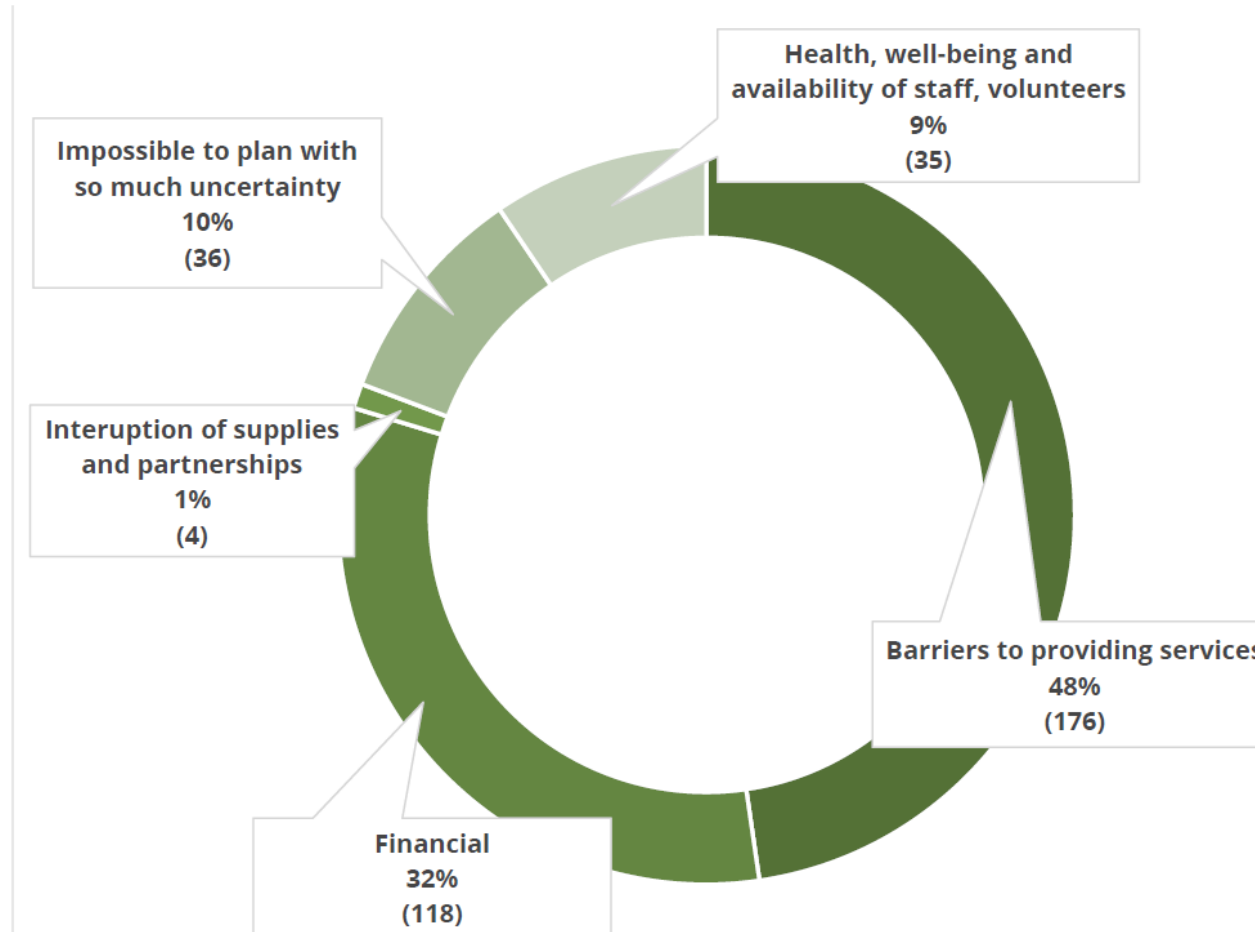
Vu Le – Nonprofit AF

- 6. The Strategic Planning Paradox: Being too strategic reduces organizations' ability to get stuff done
- 7. The Outcomes Paradox: The hyper-focus on outcomes often lessens the likelihood that there will be successful outcomes
- 8. The Innovation Paradox: Rewarding “innovative” programs and services ultimately reduces innovation in the sector
- 9. The Social Good Paradox: Focusing on the good to society instead of intrinsic values of individuals reduces social good

<https://nonprofitaf.com/2020/08/9-crappy-paradoxes-that-shape-nonprofit-and-philanthropy/>

Current State of Nonprofits

Challenges Facing Nonprofits in the Pandemic



<https://www.siliconvalleycf.org/sites/default/files/documents/general/svcf-nonprofit-emergency-fund-survey-sept2020.pdf>

CBO Story



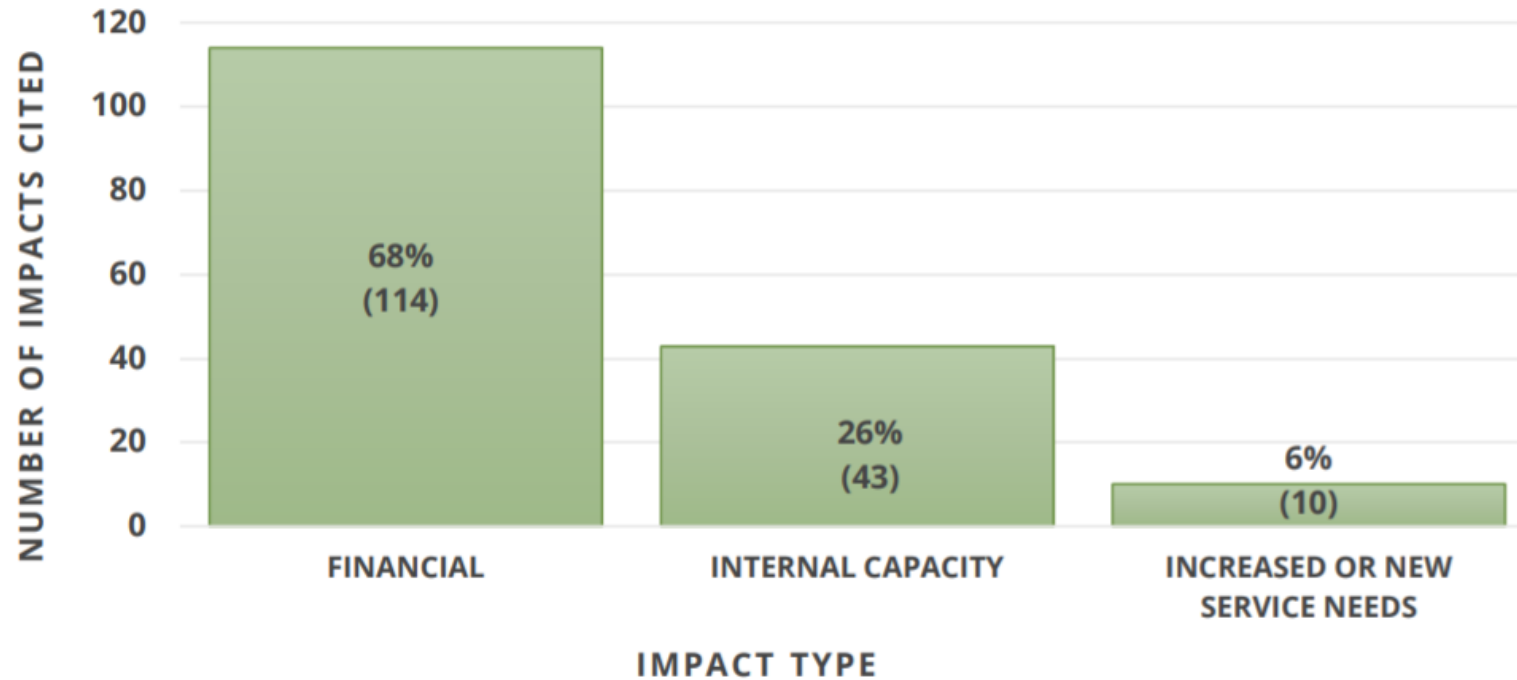
"We pivoted with our Promotores to train and deploy them to support COVID efforts, including connections to testing, vaccination and supportive services. We launched a mutual aid strategy by enhancing our efforts in community to develop supported and self-supported units/pods of families to support each other during the pandemic. We increased our partnership with Public Health department and other key allies to provide access to COVID related supports but also basic necessities, like food, diapers, hygiene products, etc."

Impacts Since Shelter-in-Place



1. SINCE APPLYING, HAVE THERE BEEN ADDITIONAL UNFORESEEN IMPACTS SINCE THE SHELTER IN PLACE?

N (total number of issues cited) = 167
177 Respondents

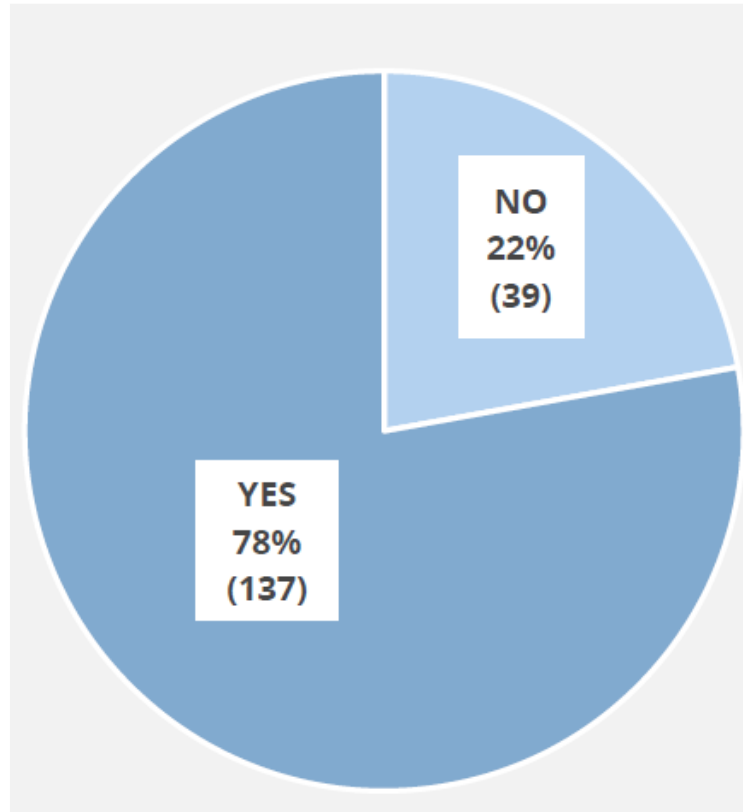


CBO Story



"We shut down in March. Got PPP loan. Started remote services in April. Lost half our staff in June. Reopened to in-person services slowly starting in May 2021. Continuing the remote services. Demand is high-cannot meet it due to lack of staff and volunteers"

New Services During Pandemic

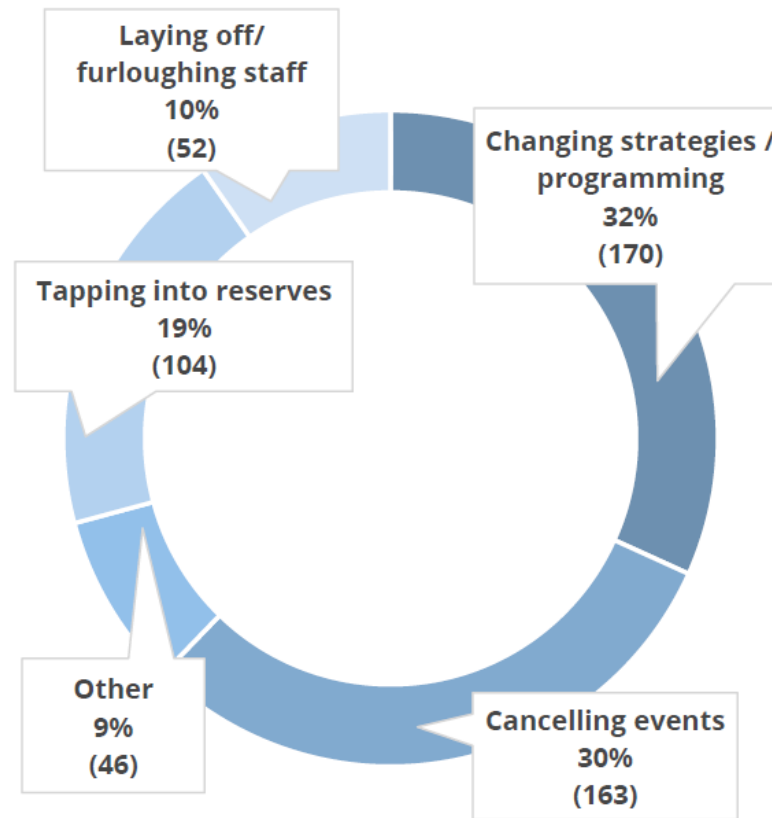


CBO Story



"Our organization had to completely rethink our business model as a result of the pandemic. We simply could not tackle the challenges facing our community without robust partnerships and without the guidance of community. We reached out to our constituents and those of partner organizations directly impacted by the pandemic to ask for their input on how to deliver assistance in a way that felt safe, accessible, and impactful. That guided us in developing a robust network of trusted CBO partners capable of serving the most vulnerable in our community. The result was an unprecedented and powerful network that reached tens of thousands of vulnerable families and new relationships with organizations closer to the pain that we hope to sustain over the long haul."

Pandemic Impact on Organizational Health



Current Challenges ('22 Survey)



How has the frequency and volume of your overall programs and services changed in the past year?

66%

Increased

24%

Stayed the same

10%

Reduced

Current Challenges ('22 Survey)



Which of the following workforce challenges have impacted your organization in the past year?



Difficulty hiring
new staff



Unable to offer sufficient
compensation and
benefits



Low staff morale
and / or burnout

Equity and Nonprofits



- A recent survey by the Silicon Valley Community Foundation found that only 36% of nonprofits receiving recent COVID grants have Board majorities of people of color – while 67% of those same nonprofits have staff majorities of people of color.
- Among respondents, CEOs who are white and male are more likely than anyone else to lead older organizations with larger staff sizes and bigger budgets
- Asian and Latinx CEOs are more likely to lead younger organizations that have smaller staffing.
- Black CEOs tend to lead smaller-staffed organizations with budgets of less than \$5 million
- Among respondents, organizations whose boards are majority people of color tend to be smaller in staffing size and budget.

About SVCN

Our Mission



To advance the role, voice, and capacity of the nonprofit community so it can be a force for positive social change and support the creation of equitable, vibrant, and thriving communities.

About Us



- Represents an alliance **of over 170 nonprofits**
- **Unifies the voice** of local nonprofits on addressing community challenges
- **Builds leaders** as effective advocates, partners and collaborators
- **Advocates on policies** that impact nonprofits
- **Educates members and policymakers** on legislation and budget impacts at city, county and state levels
- Builds **organizational effectiveness** through learning programs

SVCN & REAL Coalition



“My vision for REAL is to build meaningful relationships that foster a circle of advocates who can be the disruptors of power, privilege, and inequitable practices, policies, and laws. To harness the power and wisdom of our ancestors and elders to co-create healing spaces that facilitate equitable, just and humane practices to include the voices of those impacted especially young people who need to be included in decision making that is healing, sustainable and equitable.”

-Susie Rivera