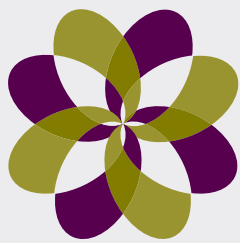


2018/2019

STATE OF STANISLAUS COUNTY'S NONPROFIT SECTOR



Stanislaus
Community
Foundation

WHY DOES THIS REPORT MATTER?

Nonprofit organizations play a vital role in building healthy communities by providing critical services that contribute to economic stability and mobility. In many cases, nonprofit leaders are the voice of the people they serve. Thanks to the combination of strong relationships and intimate local knowledge, nonprofits often understand the needs of our community along with the best way to meet those needs.

HEALTHY, WELL-RESOURCED NONPROFIT ORGANIZATIONS BRING PEOPLE TOGETHER TO CATALYZE GROWTH AND OPPORTUNITY IN OUR LOCAL COMMUNITY.

NONPROFITS IN AMERICA*



Employ more than
11 million people
(10 percent of the
country's workforce)



Contribute roughly
\$900 billion to the
economy each year

To put it plainly, nonprofit organizations are a major economic force both locally and nationally.

*According to the Bureau of Labor Statistics.

As a local funder, Stanislaus Community Foundation convened a group of nonprofit leaders in Fall 2017 to pose the question: **"What is the overall health of Stanislaus County's nonprofit sector?"**

Along with Sutter Health Foundation, CSU Stanislaus, United Way of Stanislaus County and American Leadership Forum: Great Valley Chapter, we sought to fulfill the following project outcomes:

- ▶ **Educate local donors, and the community at large, about timely, relevant and substantive data related to Stanislaus County's nonprofits**
- ▶ **Respond to overall nonprofit trends affecting our community**
- ▶ **Develop partnerships and engagement opportunities to effectively support local nonprofit organizations over time**

HOW WAS INFORMATION COLLECTED?

More than 120 Stanislaus County nonprofit organizations – excluding schools and faith-based organizations offering no direct-service programs – were emailed an online survey. The survey was sent to each organization's CEO/Executive Director and included questions ranging from the size of their staff and budget, to the three biggest financial challenges they'll face in the coming years. Additionally, Stanislaus Community Foundation hosted three "listening sessions" with nonprofit leaders to dive into the survey's initial findings.

RESPONDENT DATA: AT A GLANCE

PARTICIPATION



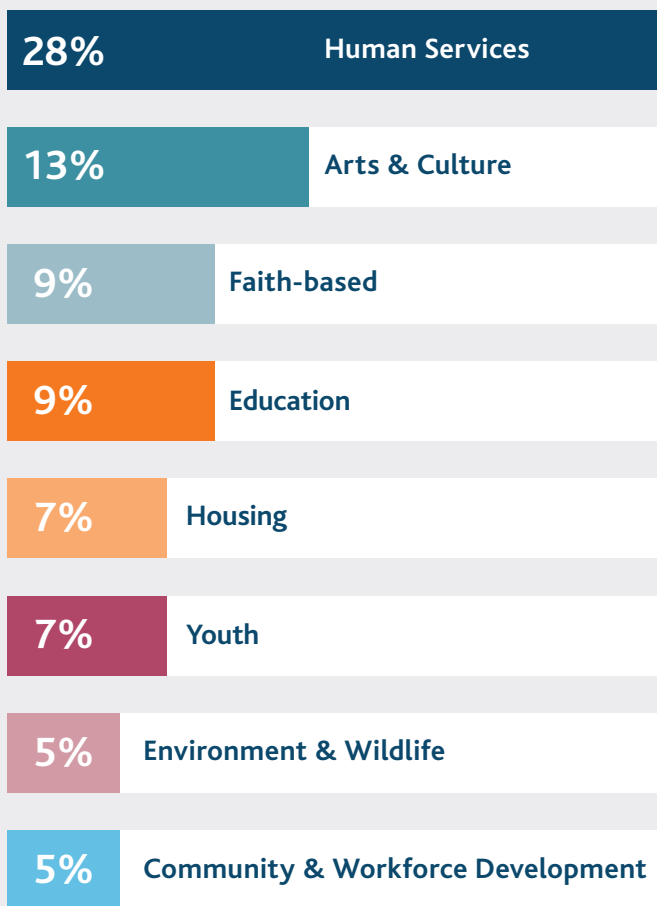
Nonprofit executives completed survey



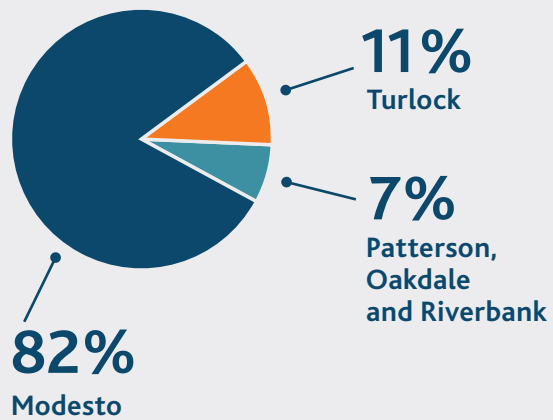
Attended one listening session

KEY CHARACTERISTICS

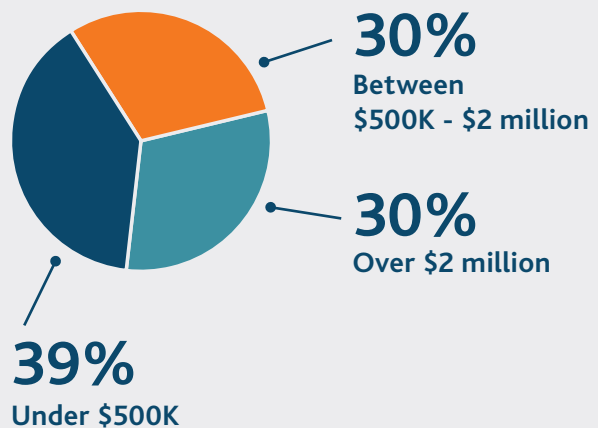
AREAS OF FOCUS



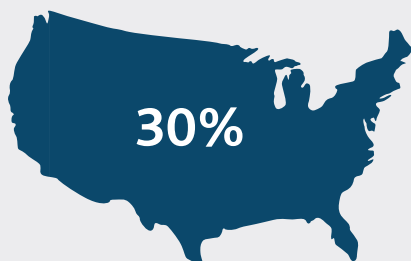
PRIMARY SERVICE AREA



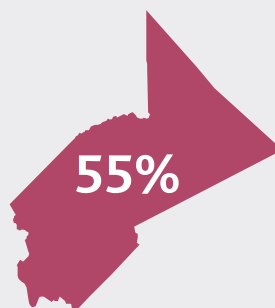
ORGANIZATION BUDGET



GEOGRAPHIC SCOPE



Local chapter or affiliate of a national organization



Provide services county wide



Provide services at the city level

Theme 1: Demand for Services



THE MORE WE DIG OUT, THE MORE IS SHOVELED IN.

INCREASING NEED

Now more than ever, our community is turning to nonprofit organizations to provide a widening gap of services traditionally fulfilled by business or government agencies. Organizations are experiencing an increased demand for an array of programs and services, from enriching early-learning opportunities to basic human needs, such as food and shelter. As need continues to grow, so too do expectations, expenses and overall output.

Root Causes For Regional Demand:

- ▶ Access to affordable healthcare
- ▶ Increased housing costs
- ▶ Shifts in state and federal policies
- ▶ Proliferation of methamphetamine and opioids
- ▶ Aging "Baby Boomer" population



WHAT WE LEARNED

THREE MOST CRITICAL CLIENT NEEDS

1



Affordable Housing and Homeless Services

2



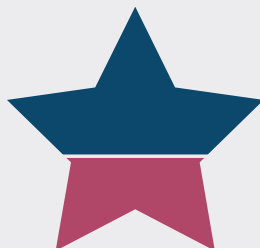
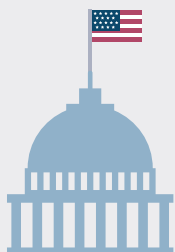
K-12 Education

3



Youth Programs and Services

CURRENT POLITICAL CLIMATE



39%

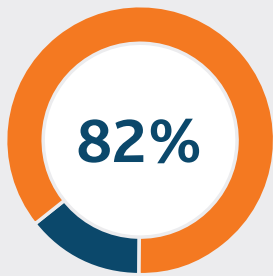
Say changes in federal funding has made life harder for their clients



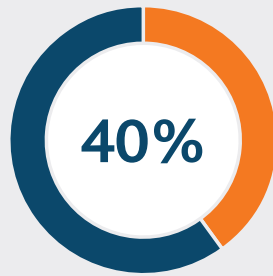
67%

Plan to formally engage in advocacy and/or policy in 2018

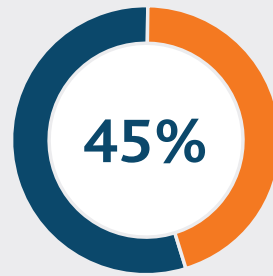
DEMAND IS RISING FASTER THAN NONPROFITS' ABILITY TO MEET IT



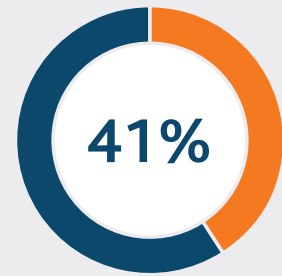
Of respondents say demand for services keeps rising



Expanded services in 2017

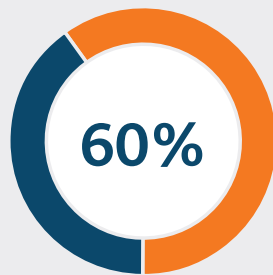


Increased staff in 2017



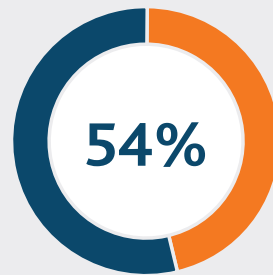
Say they can't employ enough staff to do all the work

AND



Planned to expand services in 2018

AND



Planned to increase staff in 2018



WHAT WE HEARD

- *"We're seeing an increase in demand for our services, and obviously, growth is exciting, but it is also scary. We are growing consistently, and it seems like the more we dig out, the more is shoveled in."*
- *"We know the need is there. But how can we fund the staff and have all the supplies we really need to provide the services?"*
- *"Many of the individuals we serve, very low-income working people, have stopped seeking assistance from us for food insecurity, domestic violence shelter, etc., due to immigration policies and governmental stance."*
- *"There's a disconnect between what the community thinks we can do and what we can actually do."*
- *"We don't have the resources to meet the need we've identified. And that's the challenge."*
- *"When we promote who we are and what we do, we're actually creating problems for ourselves."*
- *"This year we went from a 12-hour to a 24-hour operation. Specifically in California, we're seeing the number of people experiencing homelessness grow at exponential rates. It's a considerable challenge."*

Theme 2: Availability of Resources



WHY CAN'T YOUR ORGANIZATION DO MORE?"

STAFFING

Employees form the core of all organizations. The ability of a nonprofit to meet its goals is mainly determined by the efforts of its workers. In these challenging times, it's critical that organizations fully engage an employees' talent, passion and intellect to produce meaningful results, prevent burnout and reduce staff turnover. Nurturing nonprofit talent is important not only for the current workforce, but also for the recruitment of future sector leaders and employees.

Nonprofit Workforce National Trends:

- ▶ Nonprofit employees feel they're underpaid
- ▶ Offering employee benefits is key to attracting and retaining nonprofit staff
- ▶ Nonprofit organizations experience a higher staff turnover rate than for-profit businesses
- ▶ Minimum wage increases will likely impact nonprofit hiring
- ▶ Most nonprofit employees are driven by a sense of purpose, rather than monetary gain

WHAT WE LEARNED

STAFF COMPENSATION



51%

Increased staff compensation in 2017



62%

Planned to freeze compensation in 2018

THREE GREATEST STAFFING CHALLENGES

- 1 Competitive pay
- 2 Hiring enough staff
- 3 Offering comprehensive benefits

WHAT WE HEARD

- *"I've worked at this organization for nearly eight years... and I haven't had a raise in eight years."*
- *"Not only do you have to maintain minimum wage, but your other employees are going, 'well, minimum wage is only two dollars less than I make, and so I should make four dollars more.' Nobody at the state level seems to think about the real impact."*
- *"We're taking care of people every single day of the year. Every moment. So trying to find staff that's invested, but doesn't burn out, is really hard."*
- *"We balance our budgets on the backs of our people. At the end of the day, what do you do? You don't replace the person who just left, and you work twice as hard. But you can only do that so long, and then you lose good people. And you don't provide great service, and it's just – it's a cycle."*
- *"Our staff are saving lives. They are working with people in life or death situations and they're making the same money you can make at a burger place. That's not okay."*

FUNDRAISING AND DONOR ENGAGEMENT

You cannot run any business without money. Most organizations survive by raising funds from a variety of sources, typically broken down into three categories: individuals, corporations and government. Depending on the services provided, each organization develops its own unique business model and fundraising formula. However, many organizations get trapped in a cycle where they cannot invest money in staff to attract fundraising dollars; affecting their ability to meet the community's demand.

Sector Best Practices

HEALTHY NONPROFIT ORGANIZATIONS:

- ▶ Diversify their revenue stream
- ▶ Engage current and prospective donors to raise funds
- ▶ Communicate need to help achieve their mission
- ▶ Utilize multiple channels to effectively reach an audience

WHAT WE LEARNED

FUNDRAISING AND DONOR RELATIONS



Half of respondents reported that one revenue stream funded more than **75%** of their operating budget

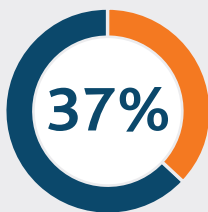


43% cite fundraising as a financial challenge

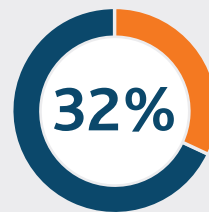


36% indicated they'd invest in funder relationships and development with more unrestricted funds

MARKETING AND COMMUNICATION



List community engagement as a significant operating challenge



Need marketing and communications support

WHAT WE HEARD

- *"It's the chicken and egg question. You have to generate the revenue before you can hire the people, but you need the people to generate the revenue."*
- *"To say we're naive at this, and to say we don't know how to fundraise and market, is an understatement."*
- *"We have no marketing staff at all. We don't have funding for that, so we really struggle to get our message out."*
- *"We don't know how to go out and find the donors."*
- *"There's government funding available, but it's so restricted. Plus, it requires so much work from our staff that it almost feels like it's interfering with our mission instead of supporting it."*

Theme 3: Sustainability + Strategic Planning

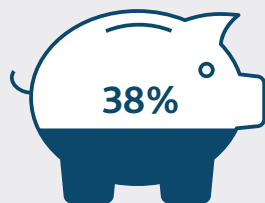


IT'S HARD TO SHARPEN YOUR AX WHEN TREES ARE FALLING ALL AROUND YOU."

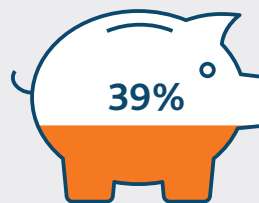
FINANCIAL STABILITY

By definition, nonprofit organizations reinvest all annual profits into resources that will help it achieve its mission. However, many nonprofit organizations struggle to turn a profit, let alone balance their budgets. Ironically, available public and private funding tends to focus on building and expanding an organization's programs, as opposed to supporting its core infrastructure, organizational growth and leadership development. As a result, many nonprofits are starved for dollars that can strengthen their operations, enable them to deliver their services more effectively and, ultimately, create long-term sustainability.

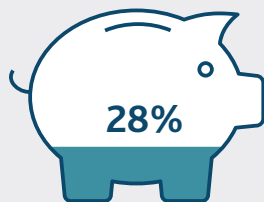
WHAT WE LEARNED



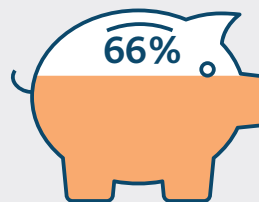
Have more than six months of cash on hand



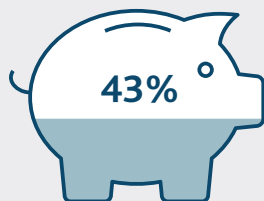
Cite raising unrestricted revenue as a real financial challenge



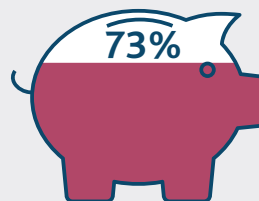
Have less than two months of cash on hand



View achieving long-term financial sustainability as a challenge



Do not have reserves specifically designated for emergencies and/or opportunities, separate from operating cash on hand

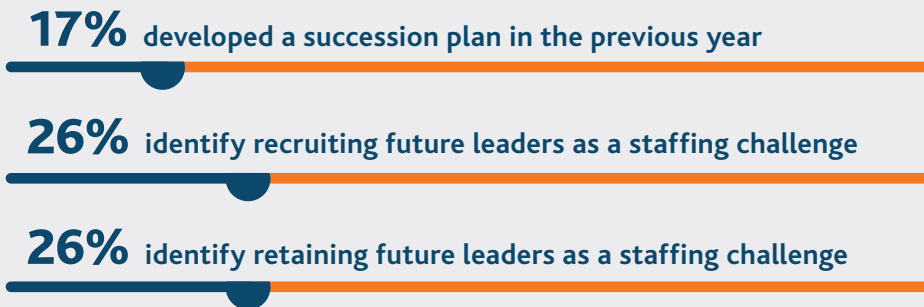


Do not have an endowment

SUCCESSION PLANNING

Executive transitions occur regularly in the sector and regularly in our region. These changes in leadership often prove disruptive for long-range plans, strategies and – equally important – an organization’s financial health. During times of executive change, and even in pre-emptive succession planning, it’s crucial for leaders to prioritize sharing of institutional knowledge and anticipating how the change may affect financial performance.

WHAT WE LEARNED



"I don't see how we have ever, in our history, planned for the future."

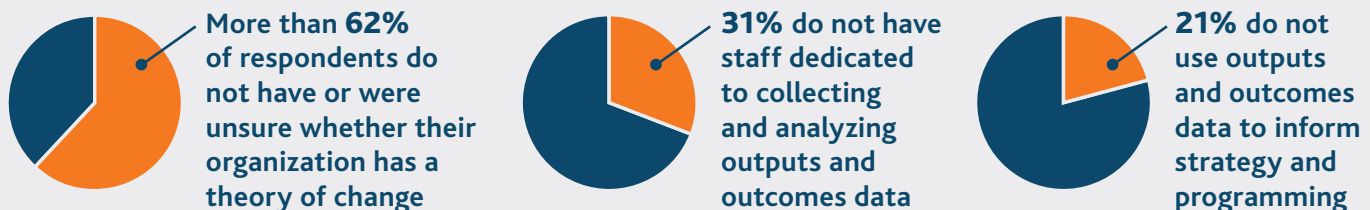
Theme 4: Evaluation & Innovation

"WE DON'T HAVE THE TIME OR MONEY TO REALLY EVALUATE OUR IMPACT."

IMPACT

Every organization, no matter its mission or scope, should measure its progress in fulfilling its mission. Many nonprofits face growing pressure from government, philanthropic organizations and individual donors to show quantifiable outcomes – but it’s a difficult task given how long it can take to solve many of the problems facing the social sector. Developing a theory of change, which defines goals and articulates how an organization’s efforts leads to positive community results, helps nonprofits make strategic decisions about how to best use its time, talent and dollars to generate maximum impact.

WHAT WE LEARNED



IDENTIFYING THE PATTERN

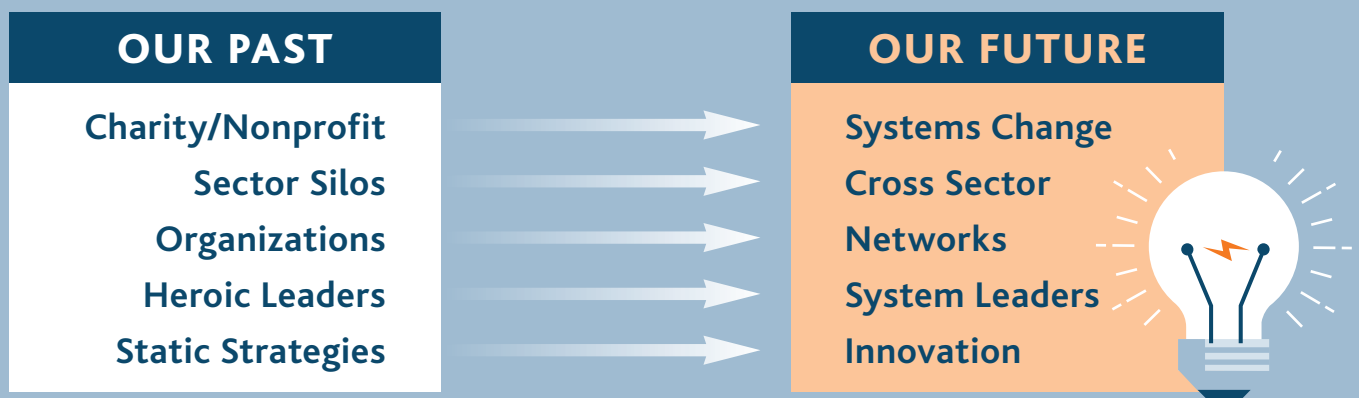


Until an organization can build the capacity to reach the "point of innovation" – and stay there – it's unlikely to be able to meet the needs of the population it serves in the long term. Identifying the cycle that may hamper an organization's ability to achieve its mission, in truth, is the first step to breaking it.

DISRUPTING THE STATUS QUO

There are no simple solutions to the challenges facing our nonprofit sector and community at large. Our problems grow increasingly complex, cross over sector and regional boundaries, and are simply too big for any one organization to take on alone. Given the rising demand for services, along with limited resources, how can nonprofits get ahead of the curve and even disrupt the status quo?

An Initial Step For All of Us - Nonprofits and Donors - Is To Shift How We Think About Social Change



* Created by Heather Mcleod Grant & Adene Sacks

Taking Action

Recommendations for Donors

Individuals, foundations and businesses can support nonprofits in many ways. Better understanding the struggles faced by our community's organizations may help you reflect on your own giving patterns. We encourage donors to consider the following:

Engage in inquiry

- What does your contribution support?
- How is the organization being impactful with your philanthropic dollars?

Provide unrestricted and/or general operating support

- General operating support provides flexibility for an organization to build capacity
- Multi-year grants help organizations budget and plan for subsequent years

Support reserve and endowment funds

- Building operating reserves is a key indicator of a healthy and well-managed organization
- Endowment funds help sustain long-term success and reduces dependency on annual fundraising

Fund the full costs of doing business

- Consider making grants that support overhead costs associated with programs and services

Recommendations for Nonprofits

For board members, consider the following:

- Can improving financial practices impact the short-term health and the long-term sustainability of our organization?
- Are we generating the financial and status reports needed to make the best decisions?
- Are we budgeting for growth, surplus and adequate reserves?
- Do we have the right funding mix for our organization at this stage of its development?
- Do we request funding that covers the full cost of doing business?
- Are we doing enough to support staff, in particular, the Executive Director?

As an Executive Director, consider the following:

- How can I foster a learning environment for our staff and board?
- Am I investing enough resources into fundraising and engagement?
- Do I have the right mix – by occupation, background and skillset – of board members?
- How can we expand collaboration and partnership within the community?
- Are there opportunities to share services (office space, bookkeeping, IT) with other nonprofits working in the sector?

Stanislaus Community Foundation and our partners will continue soliciting input from nonprofits and donors to best inform long-term strategic investments and learning in our community. Based on the initial findings of this report, we know that local nonprofit board and staff seek to learn more about:

Financial Management • Fundraising • Community Engagement • Technology

STANISLAUS COMMUNITY FOUNDATION'S COMMITMENT

- ▶ Provide grant funding to support nonprofit capacity building throughout the region
- ▶ Support the launch of a nonprofit CEO peer group
- ▶ Nurture nonprofit relations through ongoing site visits
- ▶ Build tools to better engage and inform our fundholders about the community's needs
- ▶ Regularly survey the nonprofit community to identify trends and areas of concern



OUR PARTNERS

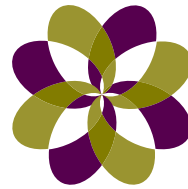


About Stanislaus Community Foundation

Stanislaus Community Foundation helps individuals, families and corporations achieve their philanthropic goals by offering tools and resources that make giving easy, flexible and impactful.

WE CAN HELP WITH:

- Year-End Tax Solutions
- Donor Advised Funds
- Scholarship Funds
- Corporate Giving Programs
- Charitable Gift Annuities
- Required Minimum Distributions
- Complex Charitable Gifts



Stanislaus
Community
Foundation

Learn more at StanislausCF.org
or by calling 209.576.1608.

100 Sycamore Ave., Suite 200 | Modesto, CA 95354 | 209.576.1608 | StanislausCF.org

ACKNOWLEDGMENTS

Stanislaus Community Foundation would like to thank the many nonprofit organizations that took the time to participate in our survey and subsequent listening sessions. We would also like to acknowledge the publications and people that helped inform some of the content found within this report, with special thanks to Dr. Umar Ghuman and Kate Trompetter:

"A Strong Nonprofit Sector Is Key to Thriving Communities." *The Aspen Institute*, 30 June 2016

Cohen, Rick. "Mulling the Effects of a Minimum Wage on Nonprofits." *Non Profit News | Nonprofit Quarterly*, 28 Aug. 2018

"Engaging the Nonprofit Workforce: Mission, Management and Emotion." *The Georgia Center For Nonprofits*, 12 Mar. 2014

"Funding Matters - The Importance of Revenue Diversification." *Squar Milner*, 7 Aug. 2015

McCambridge, Ruth. "High Nonprofit Frontline Turnover Rates Require Focus and Collective Chutzpah." *Non Profit News | Nonprofit Quarterly*, 3 Jan. 2017

"Nonprofit Marketing 2017: Challenges, Strategies & Examples." *Content Marketing Institute*, 9 June 2017

Sawhill, John, and David Williamson. "Measuring What Matters in Nonprofits." *McKinsey & Company*

"Why Every Nonprofit Needs an Integrated Communication Strategy." *Pursuant*, 11 Apr. 2018

"Why Nonprofits Must Innovate." 7 July 2016