

The State of Nonprofits in Santa Barbara County

Highlights of the 2021 Research Findings



ACKNOWLEDGEMENTS

The Nonprofit Institute at the University of San Diego and the Santa Barbara Foundation would like to acknowledge all the Santa Barbara County nonprofits who took the time to participate by providing valuable information on the state of their organizations. We would also like to acknowledge the nonprofit professionals who participated in breakout sessions at the Partnership for Excellence, sharing their experience and expertise on various matters that arose from our other research.



DATA SOURCES



- IRS Business Master File (BMF) of exempt organizations, circa 2021
- IRS Form 990 and 990-EZ public charity returns, circa 2012-2019 (IRS e-File and GuideStar digitized datasets)
- Labor Market Information Division, California Economic Development Department (2020)
- 2021 Annual Nonprofit Leader Survey of Santa Barbara County
- 2021 Partnership for Excellence Breakout Session Focus Groups



HOW TO USE THE REPORT



- Educate donors, funders, public officials, nonprofit professionals and the communities they serve to develop a more comprehensive understanding of both the strength of the nonprofit sector and the challenges it faces
- Incorporate the findings into the development of programs to strengthen organizational leadership and management
- Advocate for additional and/or focused investments in the nonprofit sector
- Use the data to identify critical areas in need of further inquiry



SIZE OF SANTA BARBARA COUNTY'S NONPROFIT SECTOR

- According to 2021 data from the IRS, Santa Barbara County's nonprofit sector is comprised of 2,029 nonprofits and 279 private foundations.
- Santa Barbara County is unique in that it saw a decrease in the number of registered nonprofits in 2021 while all comparison counties as well as the state and nation continued to experience growth. Although this decrease in the number of nonprofits is small and may be an anomaly, it is a trend to monitor in the future.

Number of Registered 501(c)(3) Nonprofits in Santa Barbara County by Subsector, June 2021

	2017	2018	2019	2020	As of Oct. 2021	Pct Change 2020 to 2021	Pct Change 2017 to 2021
Santa Barbara County	1,919	1,968	2,017	2,056	2,029	-1.31%	5.7%
Arts & Culture	240	254	260	268	260	-2.99%	8.3%
Higher Education	7	8	8	9	9	0.00%	28.6%
Education (other)	290	291	294	296	288	-2.70%	-0.7%
Environment	118	117	120	127	130	2.36%	10.2%
Hospitals	4	4	4	5	5	0.00%	25.0%
Health (other)	126	131	134	139	135	-2.88%	7.1%
Human Services	486	491	521	521	519	-0.38%	6.8%
International	40	40	39	39	34	-12.82%	-15.0%
Public & Societal Benefit	246	250	247	251	242	-3.59%	-1.6%
Religion	350	371	380	389	396	1.80%	13.1%

SIZE OF SANTA BARBARA COUNTY'S NONPROFIT SECTOR

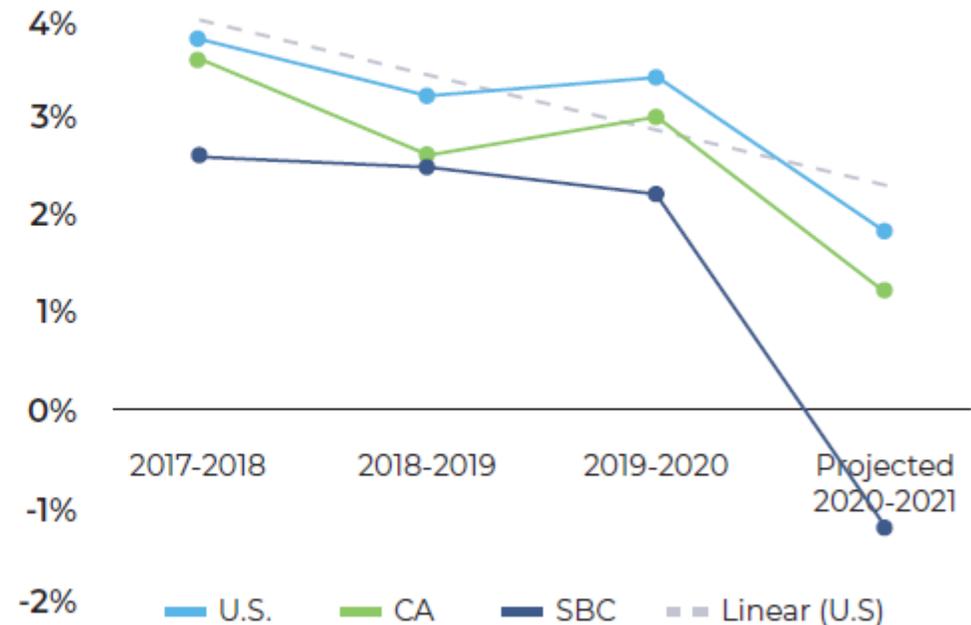


SBF Reflection

From 2017-2020, SB County nonprofit sector saw year over year growth, but that growth declined each year and was lower than the overall growth in CA and in the US.

If current trends continue, we will likely see a decline in the number of nonprofits from 2020 through the end of 2021.

Growth in the Number of Nonprofits (% Change)



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OPERATIONAL STATUS AND ABILITY TO DELIVER PROGRAMS

To what extent are you currently delivering your normal programs and/or services during the COVID-19 pandemic?

Description	Frequency	Percent
To a greater extent than usual	52	28.3%
To the same extent as usual	30	16.3%
In a moderately reduced capacity	62	33.7%
In a severely reduced capacity	35	19.0%
Not at all	5	2.7%
Total	184	100.0%

SBF Reflection

Overall, while the pandemic has negatively impacted the nonprofit sector, there is some promising news. Most nonprofits (95%) are open, though many have altered their service structure or emphasis based on changing needs, comfort levels, and other pandemic factors.

All told, 28% of non-profits responding to the survey increased their services during COVID-19, while 19% severely reduced operation. Only 3% have ceased operations.

Even though nearly 1/3 of nonprofits increased their services during the pandemic, demand increased at 58% of orgs. This means there likely was still a lot of unmet needs in the community due to an imbalance of supply and demand. Alongside, the strain of expansion and contraction on organizations should be monitored and supported with more flexible general operating support.

OPERATIONAL STATUS AND ABILITY TO DELIVER PROGRAMS

SBF Reflection

It is not surprising to see that one of the subsectors that relied heavily on earned income strategies through public event ticket purchases, Performing Arts and Cultural Venues, was significantly impacted. In response, during the reopening phase, the County Office of Arts & Culture collaborated with organizations to provide technical assistance on Strategic Communications, which resulted in a joint announcement by several of our arts venues on their common reopening policies.

Subsector Differences in Ability to Provide Programs

Subsector	Not at all/ Severely reduced	Moderately Reduced	Same as usual	Greater extent than usual
Arts and Culture (n=26)	77%	19%	4%	0%
Environment (n=14)	14%	36%	14%	36%
Education (n=28)	21%	29%	25%	25%
Health, other than hospitals (n=19)	16%	37%	26%	21%
Human Services (n=68)	12%	35%	16%	37%
Public and Societal Benefit/ Grantmaking (n=20)	5%	45%	5%	45%

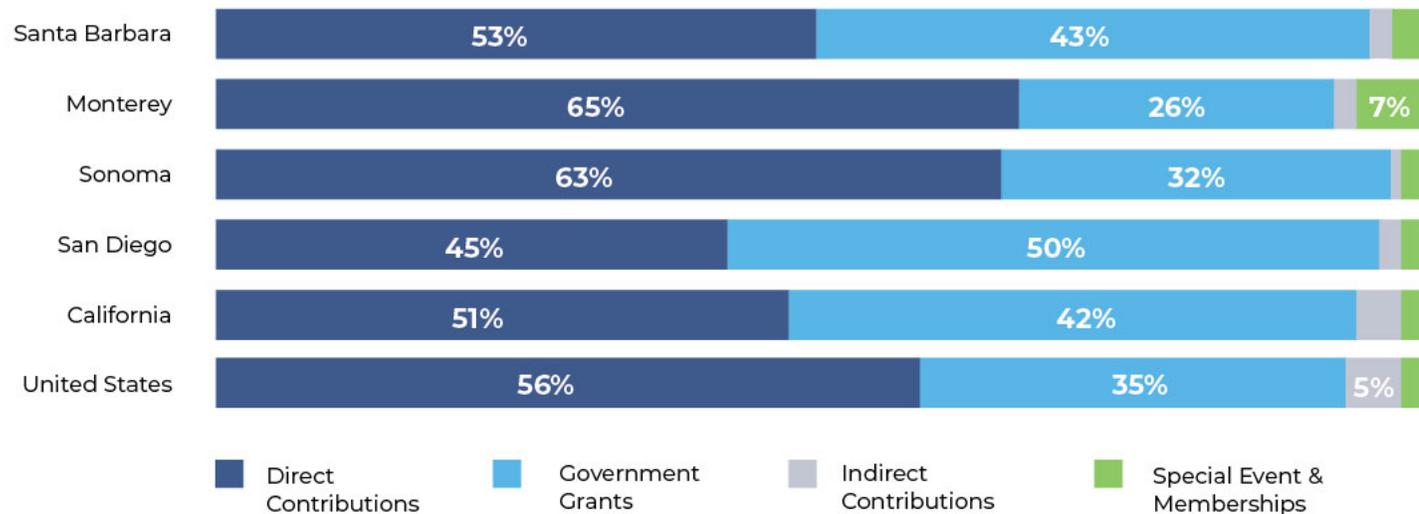
DEMAND FOR SERVICES

Subsector Differences in Demand for Services

Subsector	Demand increased	Demand remained the same	Demand decreased
Arts and Culture (n=22)	23%	36%	41%
Environment (n=14)	79%	14%	7%
Education (n=26)	65%	27%	8%
Health, other than hospitals (n=19)	58%	26%	16%
Human Services (n=68)	62%	24%	15%
Public and Societal Benefit (n=15)	47%	33%	20%

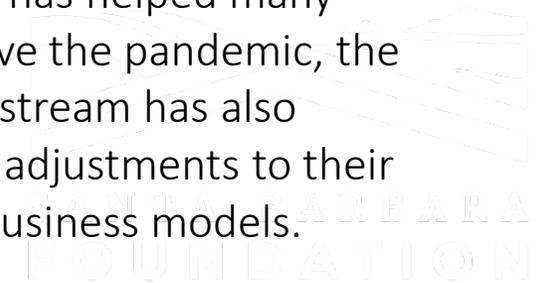
FINANCIAL HEALTH OF THE SECTOR

Contribution Revenue by Source



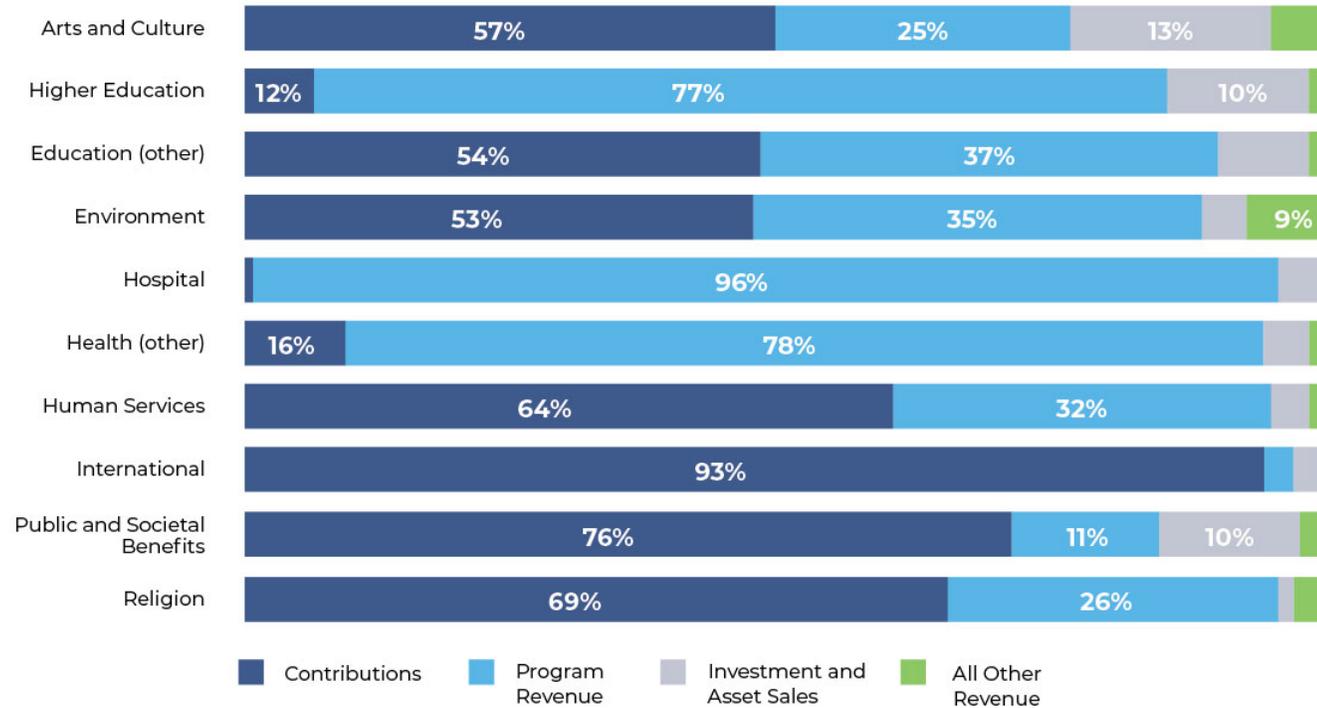
SBF Reflection

Due to Santa Barbara County Nonprofits' heavy reliance on contributions, and the impact COVID-19 has on those contributions, many area nonprofit organizations have had to change their revenue model, increasing the amount of income from government sources, and decreasing reliance on service fees, individual donations, events, and other sources. While this has helped many organizations survive the pandemic, the change in revenue stream has also necessitated other adjustments to their strategic plans or business models.



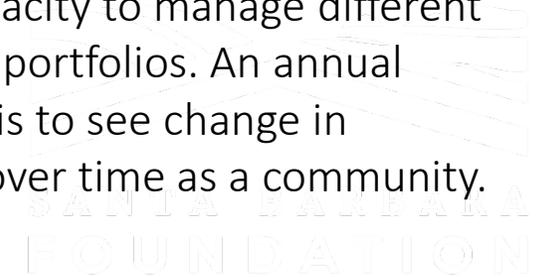
FINANCIAL HEALTH OF THE SECTOR

Nonprofit Revenue Distribution by Subsector



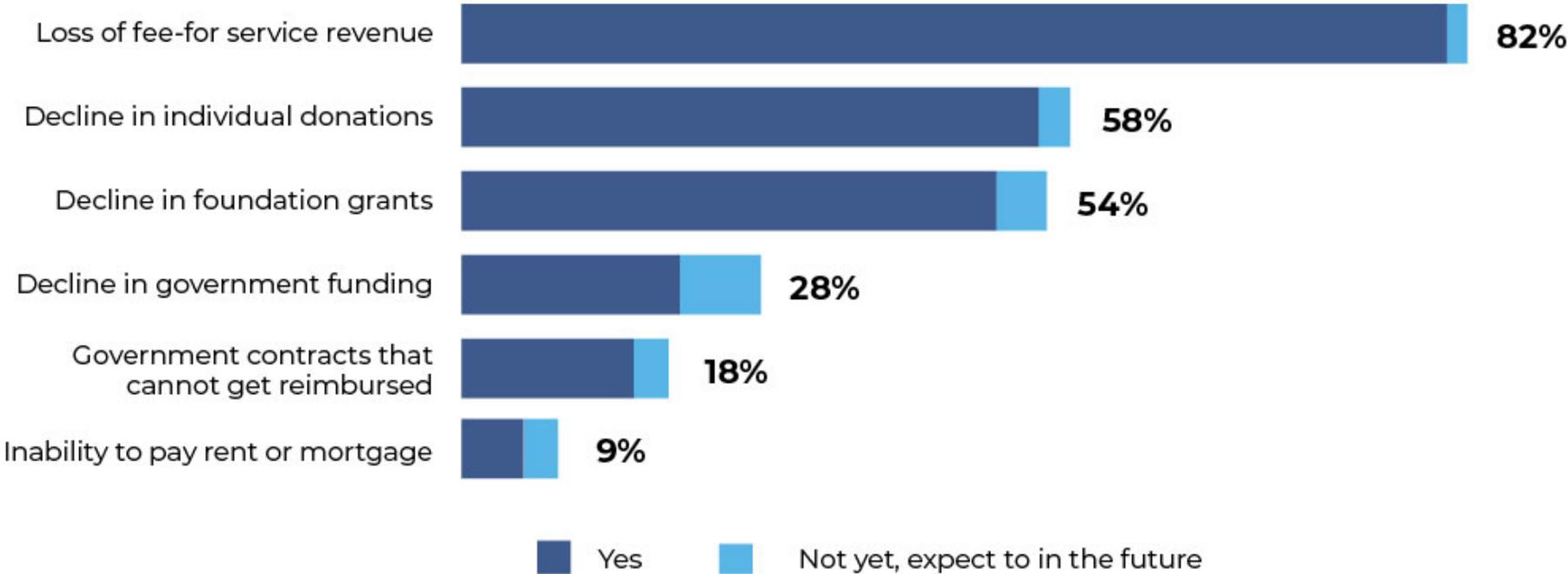
SBF Reflection

As the pandemic persisted, regulations and available resources continued to shift, requiring the social sector to continuously adjust and adapt. Funders, donors, and public officials should be empathetic to these changes and should continue to modify expectations to avoid causing additional stress on already overburdened nonprofits. Organizations, especially the smaller to medium sized, will also need help to build capacity to manage different types of development portfolios. An annual assessment will allow us to see change in revenue and sources over time as a community.



FINANCIAL HEALTH OF THE SECTOR

COVID-19 Financial Impacts



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FINANCIAL HEALTH OF THE SECTOR

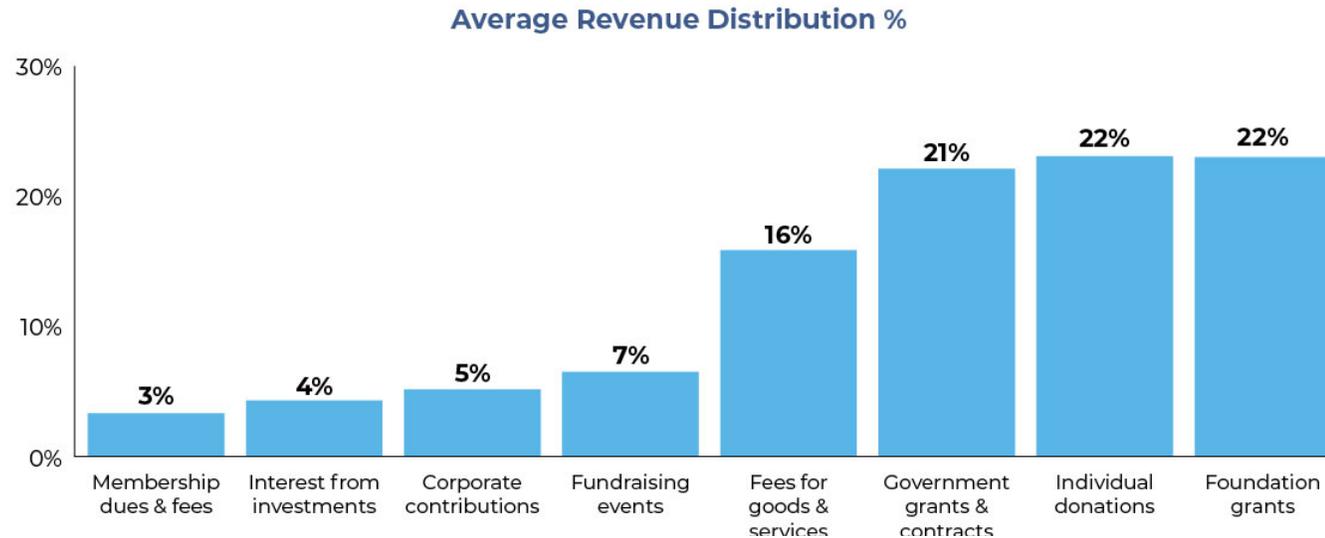
Subsector Differences in Financial Impacts of COVID-19

Subsector	Loss of Fee for Service	Decline in Donations	Decline in Foundation Grants
Arts and Culture (n=27)	93%	56%	58%
Environment (n=14)	79%	43%	36%
Education (n=27)	70%	60%	44%
Health, other than hospitals (n=18)	56%	61%	78%
Human Services (n=68)	62%	50%	40%
Public and Societal Benefit (n=15)	60%	67%	43%



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FINANCIAL HEALTH OF THE SECTOR



SBF Reflection

The drop in revenue from fees for service from 43% in 2019 (as reported by the IRS data) to 16% in 2021 (as reported in the leadership survey), makes sense in light of the 80% of nonprofits who also reported a drop in revenue from program fees. This dramatic shift in revenue mix reaffirms the need nonprofits have for capacity building support to manage a newly shifting development portfolio. Organizations may also have need of capital support for hybrid events and fundraising, especially as government sources, which had been picking up the slack for other lost revenue, dry up or are not renewed.

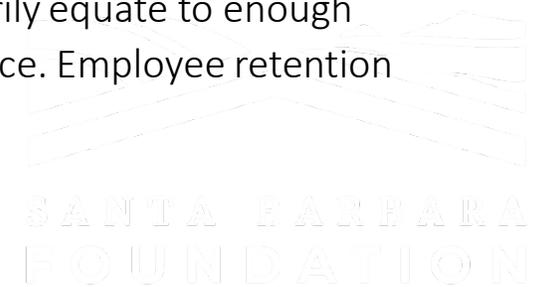
NONPROFIT SECTOR EMPLOYMENT



SBF Reflection

Average wages in 2019 and 2020 for SB county nonprofit employees were lower (across firm size) than nonprofit wages in CA overall, but this varied by region within the county. Average wages in 2019 and 2020 in South County were equal to or higher than CA averages. North county average wages in 2019 and 2020, on the other hand, were lower than South County wages and the CA average overall. This difference held true across all organization types and sizes.

We are also happy to report, that average annual wages went up from 2019-2020 in both North and South County in almost all firm sizes. That said, please note that we acknowledge that higher wages than the CA average, and even increased wages over time, does not necessarily equate to enough money to constitute a living wage or for nonprofits to retain a strong workforce. Employee retention and recruitment is a significant challenge being experienced sector wide.



NONPROFIT SECTOR EMPLOYMENT

Nonprofit Employment by Organization Size

Organization Size: Number of Paid Employees	Total Organizations	2020 Percent of Total Organizations with Paid Employees
0-4	273	46%
5-9	107	18%
10-19	95	16%
20-49	70	12%
50-99	28	5%
100-249	22	4%
250-499	5	1%
500-999	-	0%
1,000 or more	1	0.2%
	600	100%



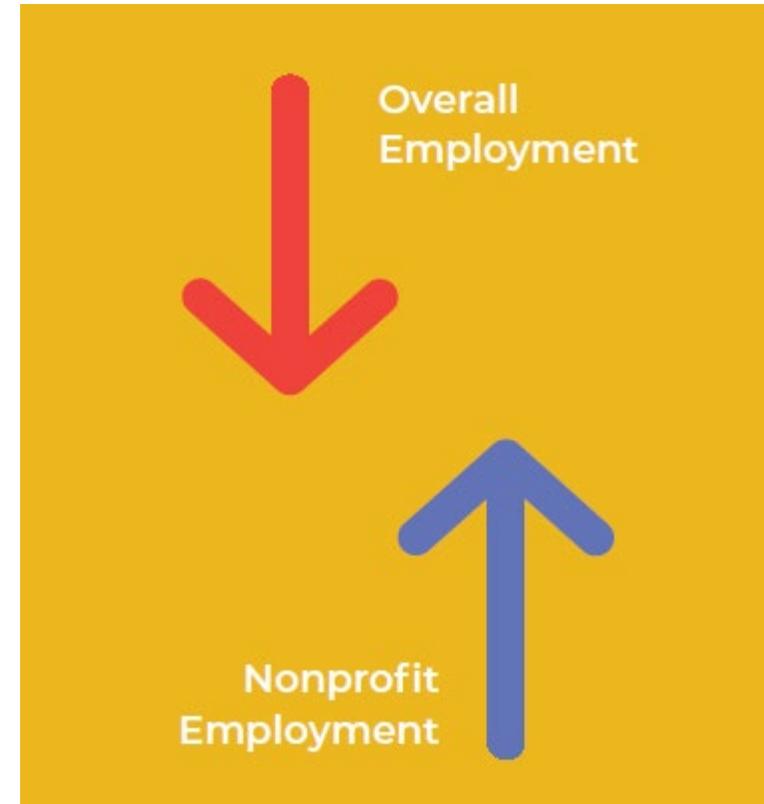
NONPROFIT SECTOR EMPLOYMENT

SBF Reflection

While SB County unemployment more than doubled from 2019-2020 (increasing from 3.7% to 8%), nonprofit employment numbers increased. Specifically, Nonprofit employment rose from 14,850 in 2019 to 14,870 in 2020, while overall employment dropped from 214,100 in 2019 to 200,200 in 2020.

This means that the share of workers in the county employed by a non-profit also increased, rising from 6.9% in 2019 to 7.4% in 2020.

Still early data from 2021 is showing us that while nonprofits continue to want to hire additional workers, they are having difficulty hiring, especially in jobs that require license.



NONPROFIT SECTOR EMPLOYMENT

Predictions and Emerging Trends in Employment



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NONPROFIT SECTOR EMPLOYMENT

SBF Reflection

There was so much going on in the responses to the question of the impact of COVID-19 in the Nonprofit Leader Survey, that the NPI and SBF agreed that these should be some of the central themes to explore in the Partnership For Excellence Breakout Session Focus Groups. Four of our five topic areas for focus groups (workforce retention and hiring, staff and volunteer wellness, strategic planning and long-term recovery, and reopening and hybrid operation) were born from this question.

The additional data we collected in those sessions further reinforced some of the findings from the Nonprofits Leader Survey. Specifically, nonprofit staff reiterated the intense burnout employees and volunteers encountered while working through the pandemic, along with the hiring and retention challenges many organizations faced. The focus group findings delve deeper into the specific challenges these issues caused for organizations and the approaches they took to try to mitigate these trials (*more on this in Appendix B: Partnership for Excellence Breakout Session Focus Group Findings, p. 79*).



NONPROFIT SECTOR EMPLOYMENT

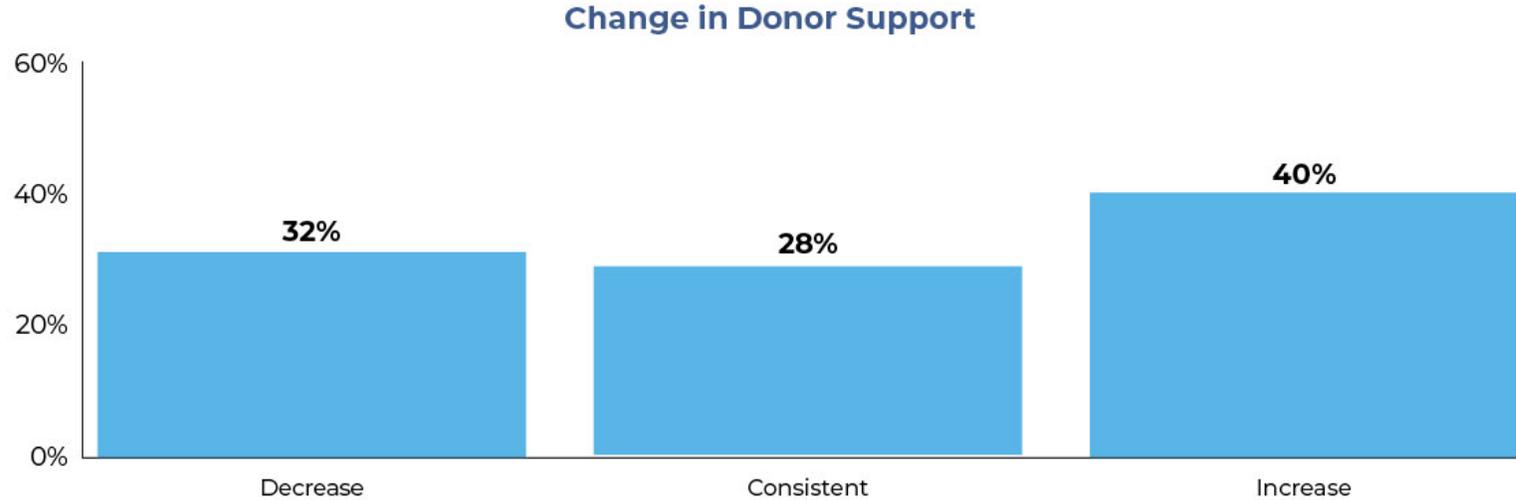
SBF Reflection

Seventy percent of Santa Barbara County nonprofits have no employees and must therefore rely exclusively on volunteer labor. The other 30% with employees, often also utilize volunteer services to fulfill their missions. While we do not yet have data on volunteer participation since the pandemic, we know anecdotally from the Nonprofits Leader Survey that volunteer participation and engagement fell off dramatically in the past two years. Many volunteers were unable to continue to serve area nonprofits due to a combination of changes to services and to mobility and gathering restrictions as well as their own personal safety concerns. The 2019 baseline data will give us a better sense of the volunteer levels nonprofits will likely need to return to once pandemic restrictions are lifted. As we move into recover efforts, there could be an opportunity to work with private sector organizations to help bolster volunteer roles using some of their corporate responsibility efforts.

In the meantime, many organizations have already identified the need for capacity building and technical assistance support to help them better engage volunteers virtually or in a hybrid environment. Many nonprofits are finding creative ways to continue to show appreciation for their volunteers and are including them in their staff and volunteer wellness efforts (*more on this in Appendix B: Partnership for Excellence Breakout Session Focus Group Findings, Staff and Volunteer Wellness section. p. 81*).

FUNDRAISING AND DONOR DEVELOPMENT

Change in relationships with donors in the last 12 months



FUNDRAISING AND DONOR DEVELOPMENT

Ability to Meet Demand by Level of Donor Support

Description	N	Decreased	Consistent	Increased	Total
Unable to meet any of the in-creased demand	2	50%	0%	50%	100%
Able to meet some of the in-creased demand	22	40.9%	13.6%	45.5%	100%
Able to meet most of the in-creased demand	18	16.7%	22.2%	61.1%	100%
Able to meet all of the increased demand	9	22.2%	22.2%	55.6%	100%



FUNDRAISING AND DONOR DEVELOPMENT

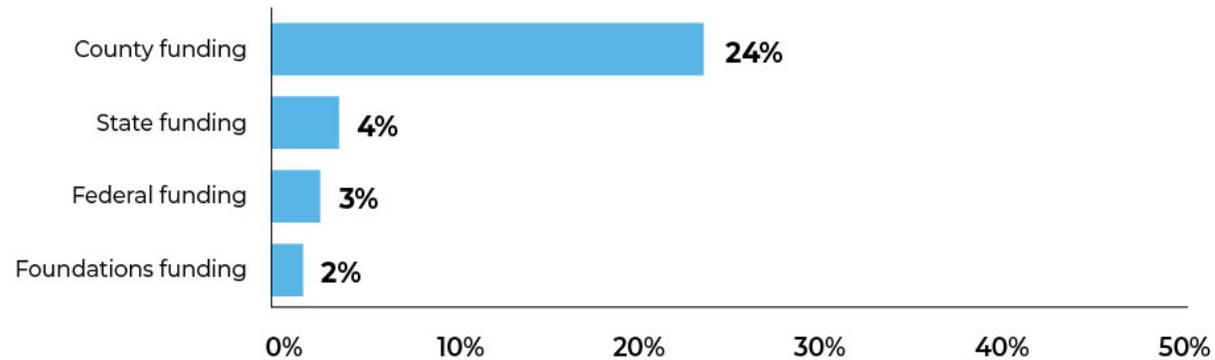
Diversity of Leadership by Level of Donor Support

Description	N	Average Pct of Leadership Team identified as BIPOC
Decreased Donor Support	22	36.4%
Consistent Donor Support	20	30.7%
Increased Donor Support	27	28.3%

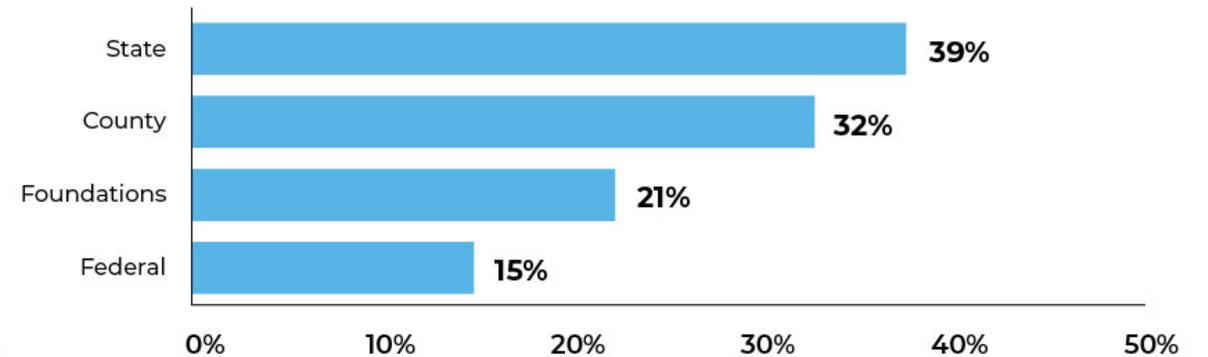
FUNDRAISING AND DONOR DEVELOPMENT

COVID-19 Emergency Funding

Percent of Respondents Unaware of Emergency Relief Funding Opportunity



Very” or “Extremely” Difficult to access Emergency Relief

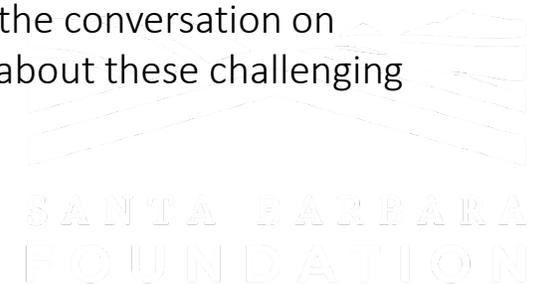


ADAPTATION AND INNOVATION

SBF Reflection

There is no doubt that the pandemic has been a challenge for nonprofits in terms of fundraising and staffing, but amazingly, that did not stop them from finding ways to continue to provide their services. Throughout the pandemic Santa Barbara County Nonprofits have shown amazing ingenuity, innovation, and determination to continue to achieve their missions and serve the community. We have been amazed by the stories of collaboration, grit, and fortitude coming out of the social sector. Many organizations had or chose to get creative, resulting in numerous program innovations, partnerships, and strategies. Key among these innovations: adapting existing programs and developing or leveraging partnerships.

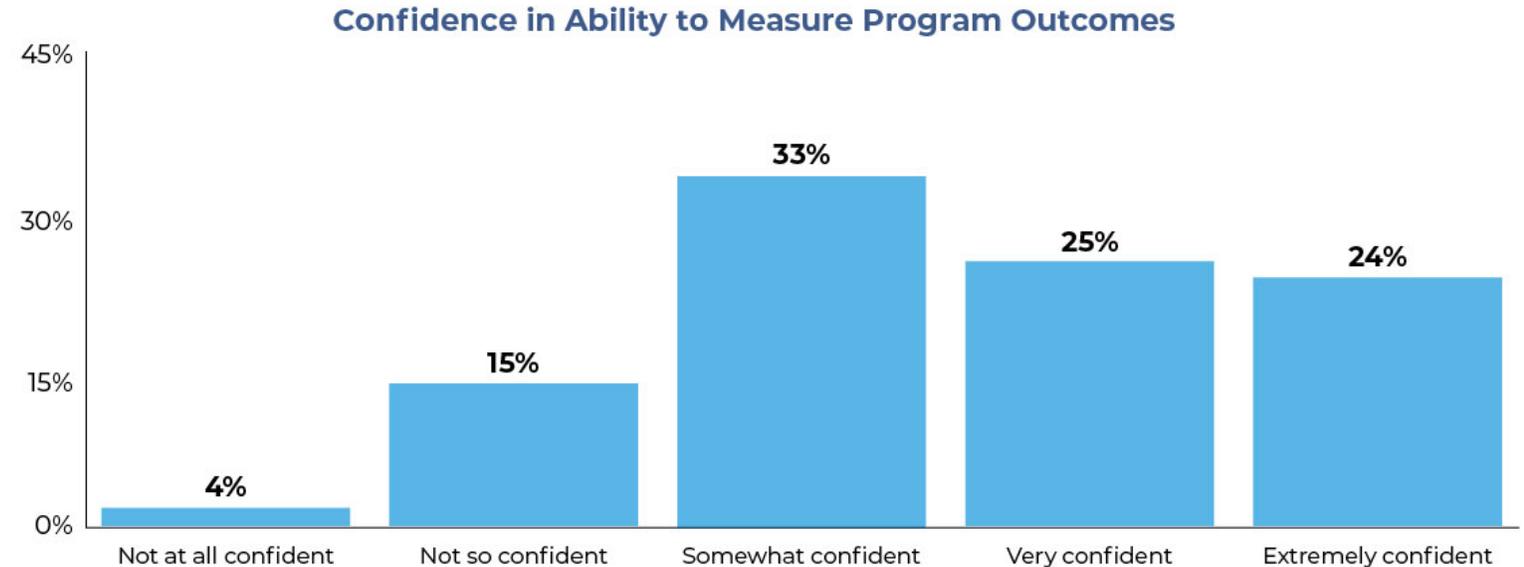
We are particularly excited by the many ideas nonprofits shared in the Breakout Session Focus Groups on reopening and hybrid operations that highlight some of the long-term positive changes the pandemic inspired in how organizations approach programming (not to mention staffing flexibility and wellness). We very much look forward to continuing the conversation on what we all have learned from working under pandemic restrictions, what we're ready to leave behind about these challenging times, and what we're excited to carry forward.



ORGANIZATIONAL CAPACITY

SBF Reflection

While 79.3% of organization leaders reported being very or extremely confident in their ability to track program output, they were a little less confident in measuring program outcomes. This likely points to a lack of tools and/or resources and highlights nonprofits need of both monetary and non-monetary support for evaluation efforts.



ORGANIZATIONAL CAPACITY

How confident are you in your organization's ability to do the following? - Digital fundraising

Description	Frequency	Percent
Not at all confident	25	16%
A little confident	34	22%
Somewhat confident	50	32%
Very confident	28	18%
Extremely confident	19	12%
Total	156	100.0%

How confident are you in your organization's ability to do the following? - Engaging volunteers digitally

Description	Frequency	Percent
Not at all confident	28	19%
A little confident	33	23%
Somewhat confident	38	26%
Very confident	33	23%
Extremely confident	13	9%
Total	145	100.0%



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ORGANIZATIONAL CAPACITY

SBF Reflection

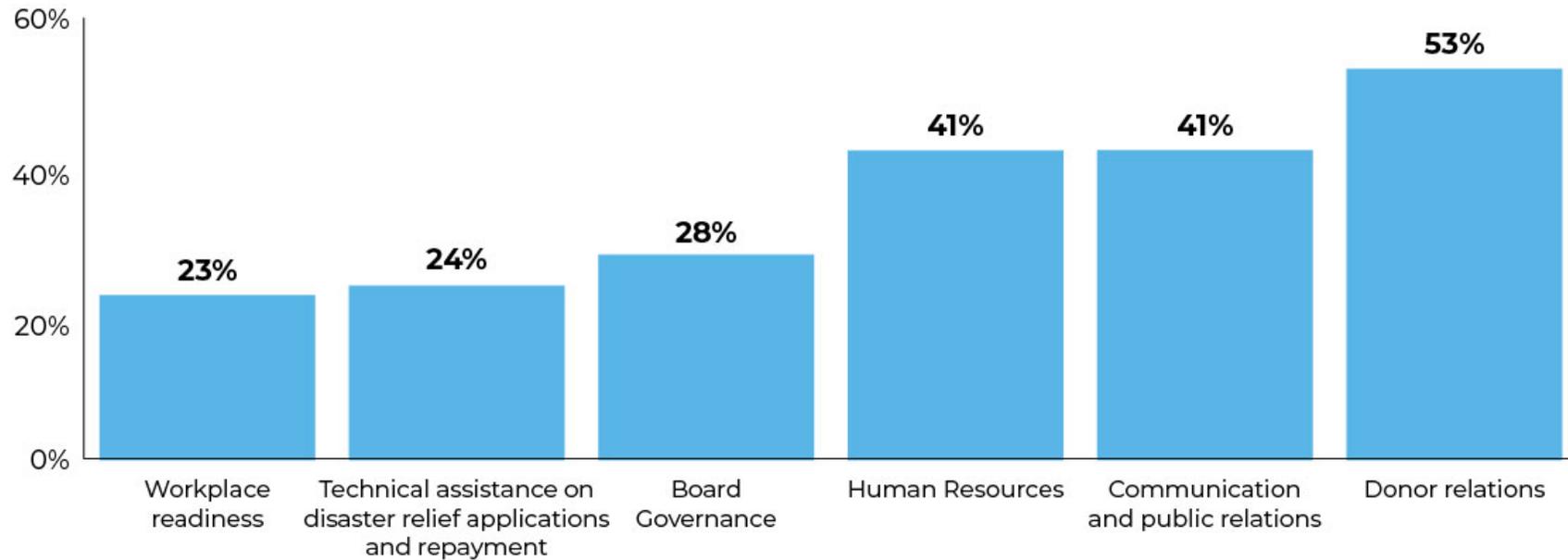
With the majority of organizations (67%) operating hybrid programs, nonprofit organizations faced a lot of capacity and technological challenges. Many nonprofits, often with the support of SBF and many other funders, invested a lot of time and resources into improving technology infrastructure throughout the pandemic.

Even with this increased investment in technology on the parts of both the nonprofit and philanthropic arms of the social sector, there are still many opportunities for improvement. Many organizations highlighted the need for improved remote volunteer engagement, digital and other alternative event fundraising, and alternative funding source identification. For those of us focused on philanthropy, this also points to an opportunity for nonprofit capacity building support focused on hybrid operating models and pivoting business operations.



ORGANIZATIONAL CAPACITY NEEDS

Percent of organizations reporting needing help with reopening in the following areas



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ORGANIZATIONAL CAPACITY NEEDS

SBF Reflection

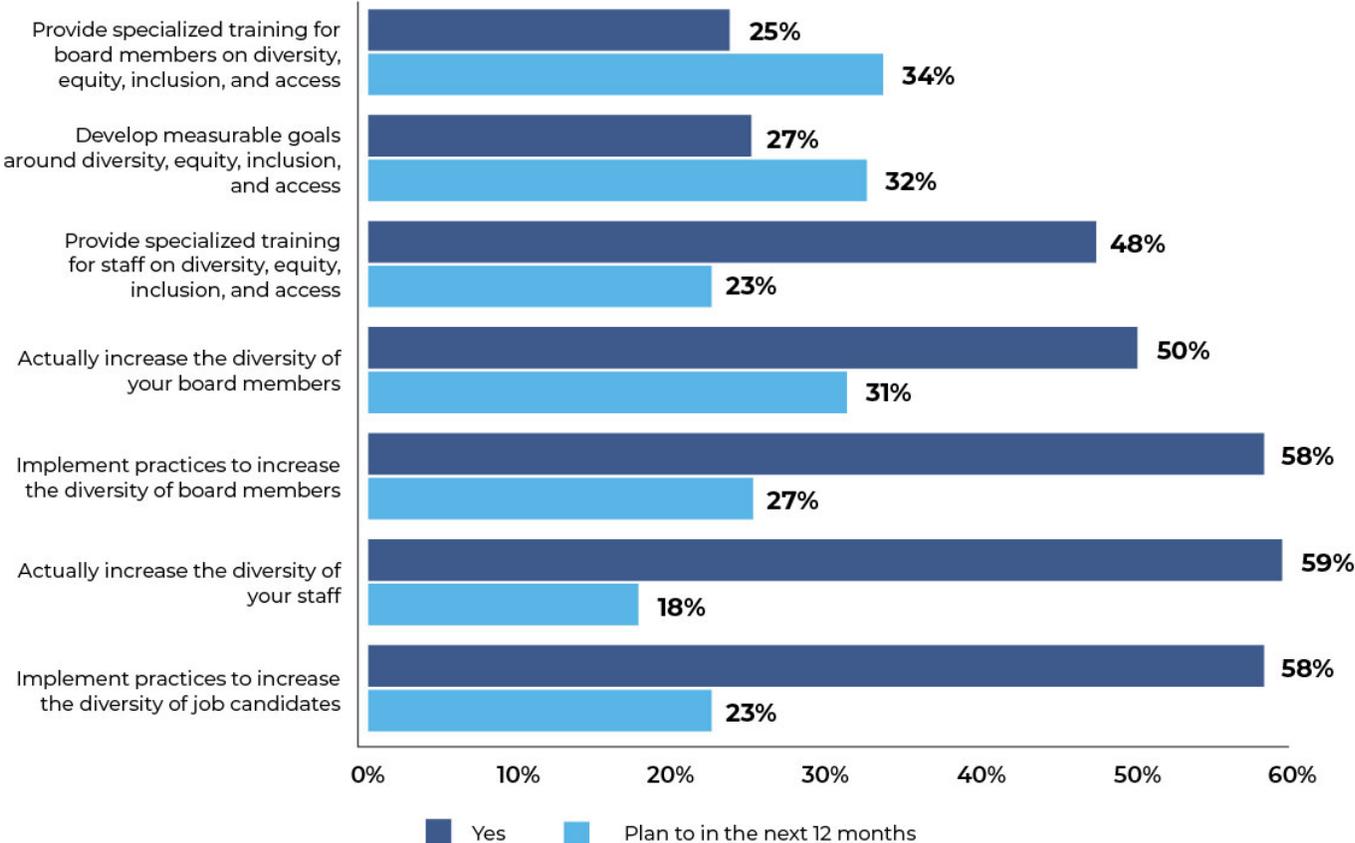
The pandemic forced many, if not most, organizations to pivot. For a sector that is historically lean on capacity, the resources weren't necessarily available for most to efficiently do so. Our sector benefits tremendously from in-kind/non-monetary donations and volunteer hours, but when asked to pivot quickly per the pandemic, many organizations were too lean on capacity to do so quickly without disruption to services.

The sector is still in need of investments in capacity building support whether it be expertise in board development, communications/marketing, or assistance in convening around issues affecting each subsector or the sector as a whole. At SBF we encourage donors and funders to invest in an organization's overall support whether it be general operating support, access to professional development opportunities for the staff/board, or in-kind expertise that will advance the organization's development.



DIVERSITY, EQUITY, INCLUSION, AND ACCESS

Actions Taken to Promote DEIA



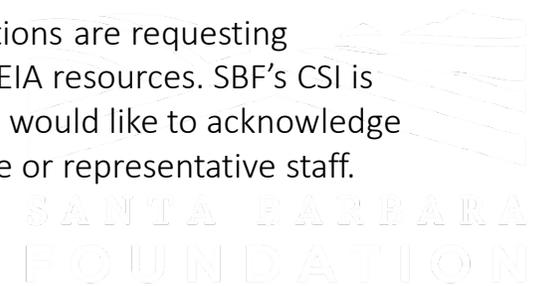
DIVERSITY, EQUITY, INCLUSION, AND ACCESS

SBF Reflection

The most common DEIA practices organizations in the survey were currently implementing included actions to increase diversity of job candidates, increasing staff diversity, and efforts towards increasing board diversity. The least common actions, which then rated the highest on “planned actions for next year,” included training board members in DEIA and developing measurable DEIA goals. These are two opportunities for foundations and funders to support nonprofits with capacity development opportunities.

There seems to be some rapid movement in the area of DEIA. Importantly, many orgs have actions underway without having specific goals in place or ways of measuring success. This raises a lot of questions around retention, readiness, and best practices. This is one reason we chose to dive into this more during one of the PFE Breakout Session Focus Groups (see Appendix B). Findings from that engagement echoed some of the discussion here, with additions related to increasing access, increasing funding for equity initiatives, finding a common language between organizations, and ensuring BIPOC representation in conversations and problem solving.

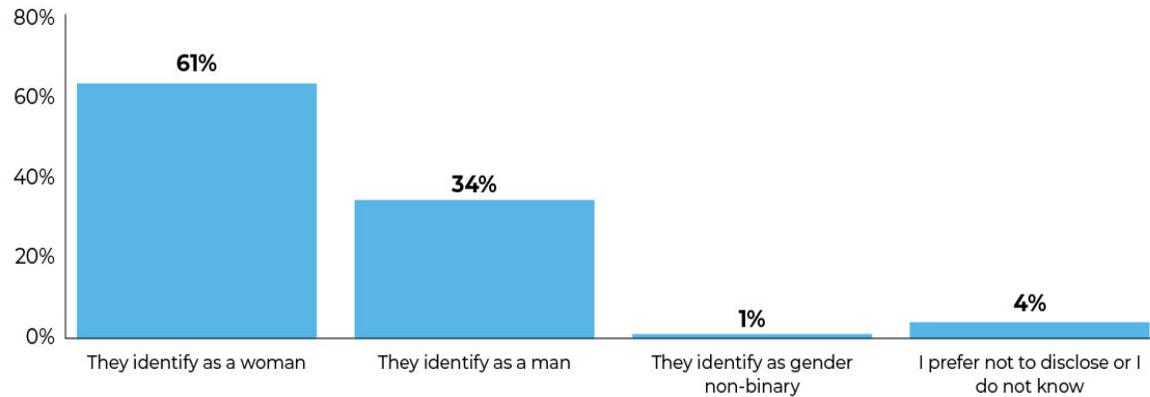
We would also like to note that these findings align with our own capacity building grant trends, where more organizations are requesting financial support to hire DEIA consultants or to do DEIA work, training, and monitoring as well as requesting general DEIA resources. SBF’s CSI is also doing a lot of work with organizations in support of board development, diversification, and education. Finally, we would like to acknowledge that some organizations noted that they are not working to increase staff diversity, because they already have a diverse or representative staff.



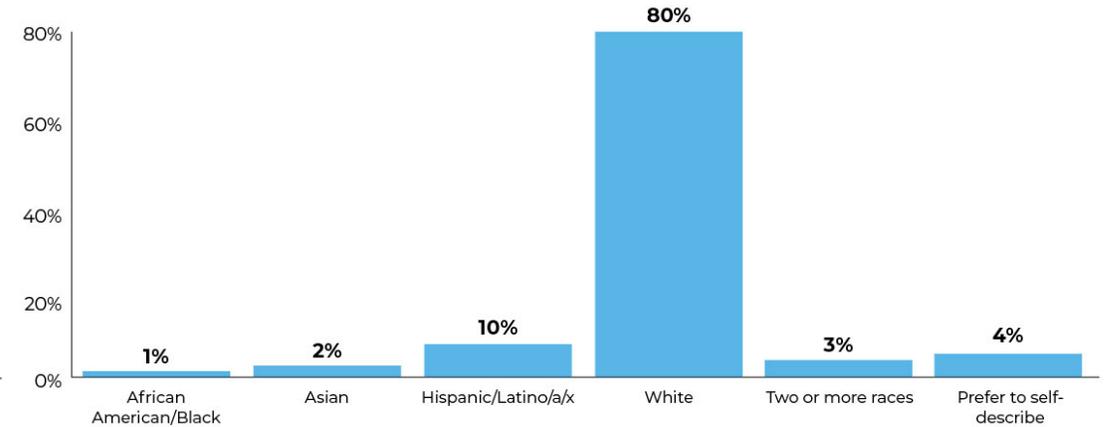
DIVERSITY, EQUITY, INCLUSION, AND ACCESS

CEO/Executive Director

Current Gender of CEO/Executive Director



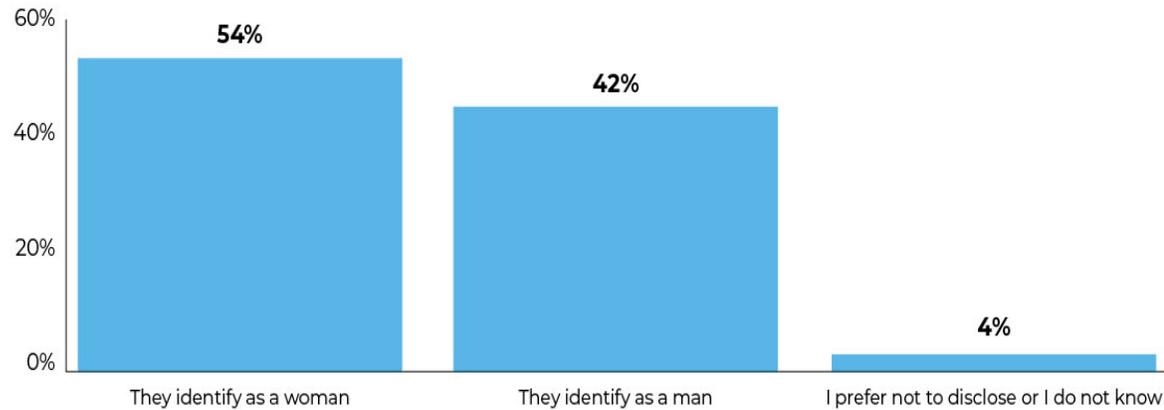
Race/Ethnicity of CEO/ED



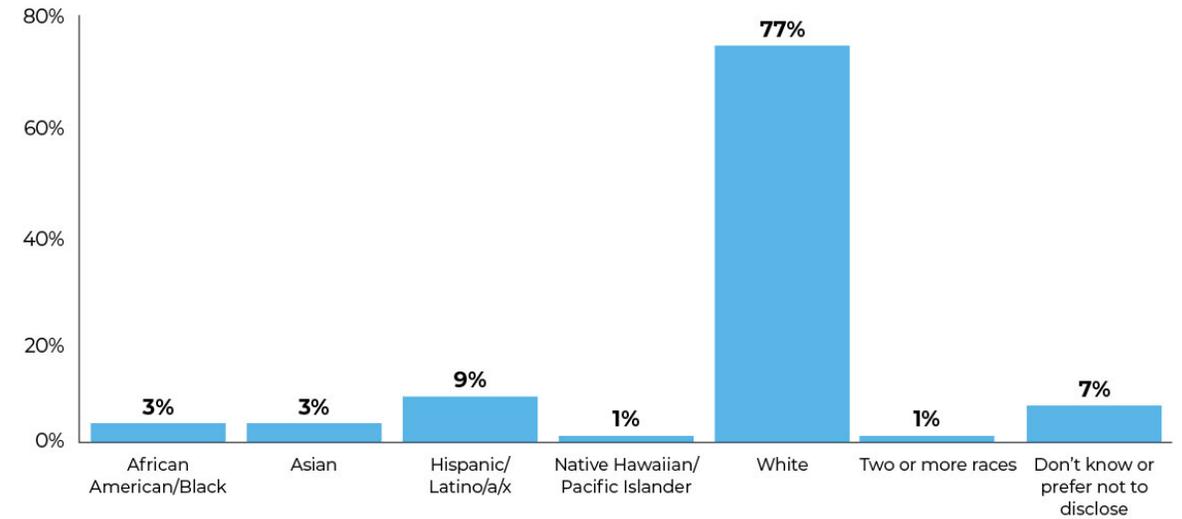
DIVERSITY, EQUITY, INCLUSION, AND ACCESS

Board Chair

Current Gender of Board Chair



Race/Ethnicity of Board Chair



SBF RECOMMENDATIONS

Prioritize Workforce Wellness



With an exhausted workforce and increases in cost of living on the Central Coast – most notably wages not keeping pace with the dramatic increase in housing costs– the nonprofit sector is finding it increasingly difficult to retain and recruit talent. To counter this, a focus on individual mental & physical wellness, fair wages, and innovative employee benefits and/or incentives is critical. And as organizations work towards fair and living wages in a competitive market, funders should expect and support increased program costs.



SBF RECOMMENDATIONS

Codify Diversity, Equity, Inclusion & Access

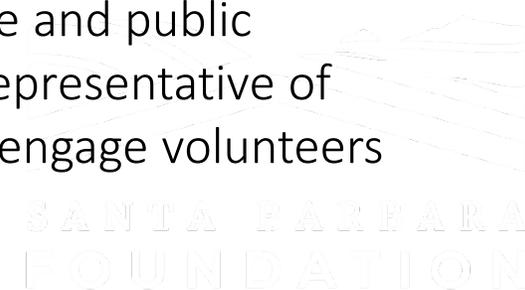
Most nonprofits surveyed report their organizations have taken actions to engage DEIA principles. That said, when collecting DEIA data, the focus should include the entire organization, rather than solely leadership and governing bodies. The pandemic placed a spotlight on social inequities and structural racism in our county, generating significant buy-in across the sector to prioritize DEIA in our work. Studies like the recent Central Coast Regional Equity Study further highlight the need. Findings suggest that if racial gaps in income were eliminated, the estimated equity dividend for Santa Barbara County would be \$7.5B. This demonstrates an opportunity for all sectors – government, nonprofit and for profit alike to advance more equitable systems through comprehensive DEIA assessments and integrating DEIA principles into the core of organizations. This can be accomplished for nonprofits with a focus on organizational readiness, governing practices, internal culture, and programs. This critical work will require deep reflection with a focus on trust, patience, and a proactive and intentional practice.



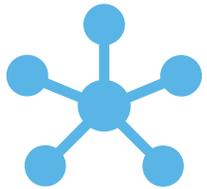
SBF RECOMMENDATIONS

Cultivate Underrepresented Leadership & Volunteer Capacity

Nonprofit services and financial assets are distributed unequally in our county (\$32,047 per capita in south county vs. \$2,275 in mid county and \$1,244 in north county). These findings suggest there is a critical need to fund and foster community-based organizations in underrepresented mid and north county. The high need level in mid and north county coupled with recent pivots in program delivery models, have led organizations to express a desire to expand the reach of their programs. It is critical that those who are looking to do so include the communities they plan to serve in the planning and implementation process. Also considering 70% of our county's nonprofits are volunteer-based, we need to give special attention to recovering volunteer participation, which many nonprofits articulated is a significant challenge. Most notable is the need to engage the private and public sectors in helping recruit and cultivate board members, especially those who are representative of the communities being served. Investments should be made to help organizations engage volunteers in the new hybrid environment as well.



SBF RECOMMENDATIONS



Prioritize Flexible Funding

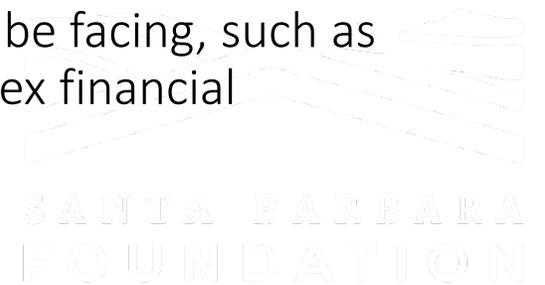
To the greatest extent possible, it is critical for all funders (donors, foundations, and government) to continue to provide flexible funding such as unrestricted gifts, multi-year and/or general operating support grants for nonprofits to help them not only regain their financial footing, but also to adapt operations to improve their resilience in preparation for future crises.



SBF RECOMMENDATIONS

Continue to Build Capacity to Adapt

As the health crisis persists, regulations and available resources continue to shift, requiring the social sector to continuously adjust and adapt their business models and programs. As a result, funders and supporters need to continue to be empathetic and modify expectations to avoid causing additional stress on already overburdened nonprofits. Nonprofits, with the support of funders, should continue to develop business model and scenario planning, business continuity/crisis planning, and alternative capacities to deliver programs. This will be especially important for the mid-size organizations that scaled to meet additional needs during the COVID-19 pandemic. This also includes supporting financial management services for small to medium-sized nonprofits to help them retool their revenue/development models to reflect the fluctuating revenue streams they may be facing, such as new government funding, fee-for-service, private contracts, and other more complex financial management scenarios.



FOR THE COMPLETE REPORT



<https://www.sbfoundation.org/csi-state-of-nonprofit-report-2021/>

Questions?

Contact:

Rubayi Estes, Vice President, Programs |
restes@sbfoundation.org

Gary Clark, Director of the Collaboration for Social Impact |
gclark@sbfoundation.org

Stacie Furia, Learning & Evaluation Manager |
sfuria@sbfoundation.org



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