

The Nonprofit Sector, Philanthropy and Civic Engagement in Orange County

A Baseline Study

By

Helmut K. Anheier
Aiha Nguyen
Hyeon Jong Kil

A study conducted by the
Center for Civil Society
School of Public Affairs
University of California, Los Angeles

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Executive Summary

The nonprofit sector remains one of the least studied parts of American society, and Orange County is no exception in that regard. Yet as the county changes, with an ever more diverse population, a small public sector, and fast-moving economy, nonprofit organizations are beginning to receive more attention across the political spectrum. This report introduces the major contours of the nonprofit sector, including foundations, and civic engagement in Orange County. The report monitors trends, puts findings in a regional and national context and, most importantly, seeks to open up debate among stakeholders about the current and future role of this set of institutions. Of particular interest in this respect, and a key focus of this report, is the capacity of nonprofit organizations to serve the County's growing and changing needs, the role of local philanthropy, and patterns of civic engagement across different population groups.

This report accomplishes these goals by analyzing quantitative information on the nonprofit sector collected from a range of federal, state and local sources, putting this empirical profile in the context of demographic, economic and social indicators of Orange County, and comparing it to that of other regions, the state, and the nation as a whole. We also collected qualitative information by conducting focus groups with nonprofit and philanthropic leaders. While the quantitative data provides a framework from which to analyze trends, the qualitative information supplements these findings and incorporates the experiences of leaders in the field. Finally, we commissioned a population survey in order to gauge patterns of civic engagement among Orange County residents.

The Major Contours of the Nonprofit Sector, Philanthropy and Civil Engagement in Orange County are:

- ***Number of organizations:*** Approximately 12,000, of which 7,724 are registered 501(c)(3) organizations, with a 1.3% growth rate in 2005, but a doubling in the number of organizations since 1995.
- ***Total number of jobs:*** 43,816¹, representing 3% of total employment in Orange County, and increasing at an annual rate of 2%. Since 1995, nonprofit sector employment has nearly doubled, while total employment grew half as fast.
- ***Total operating expenditures of nonprofit organizations:*** \$4.86 billion in expenditures, representing 3% of the gross county economic product, with an annual expenditure growth rate of 2.7%. From 1990 to 2004, total expenditures more than doubled, however, average and median expenditures have declined since 1990 suggesting that the majority of nonprofits have less expenditures than a decade ago.
- ***Three dominant fields in terms of expenditures:*** *Health, Human Services and Education* represent 87% of all nonprofit sector expenditures with hospitals alone accounting for over 50%.
- ***Number of foundations in Orange County:*** 635 foundations, with \$1.9 billion in assets, and \$50 million in giving in 2004. The 20 largest foundations in Orange County account

¹ Figures include full-time and part-time employees only. It contains no figures for hours worked or hourly pay rates. California Employment Development Department wage reports from employers only include total wages paid to each employee for the three month period.

for three-quarters of all assets and the majority of all grant dollars. Giving by Orange County-based foundations (overwhelmingly private foundations) amounts to 43% of all foundation grant dollars received by local nonprofit organizations.

- ***Three dominant fields of foundation funding:*** *Arts, Culture & Humanities, Education, and Human Services* account for well over half of all foundation grant dollars received by local nonprofits.
- ***Percent of adult Orange County residents contributing to charity:*** 72% donate to non-religious causes (median contribution of \$200 annually), and 60% to religious causes (median contribution of \$100).
- ***Percent of adult Orange County residents involved in civic activities:*** 78% involved in civic activities outside the home, with 35% engaged in charitable work of some kind.

We analyzed the nonprofit sector as a whole, looked across different fields and types of organizations (e.g. public charities, foundations, fields of activity and populations served), and also put the Orange County nonprofit sector in a regional and national context. Our aim is to provide a broad understanding of the shape of the sector and the ways in which it is changing. Putting the Orange County nonprofits in a comparative perspective, we find that:

- Across a range of scale indicators, the relative size of the nonprofit sector in Orange County is smaller than in other regions. There are fewer nonprofit organizations and expenditures per 10,000 residents than other regions. In addition, organizations are somewhat smaller in terms of expenditures. Over 52% of nonprofits have expenditures under \$100,000, fewer compared to Los Angeles (42%) and San Diego County (49%). As a share of the local economy, the nonprofit sector in Orange County is half as large (3% of total employment compared to 6% in Los Angeles County) and nonprofit expenditures as a percent of Gross Economic Product is 3%, lower than San Diego County (6%), Los Angeles County (6.4%), California (7.4%) and the nation (9%).
- The nonprofit sector in Orange County continues to grow but at declining rates for all major scale indicators. New nonprofits formed at a rate of 1.3% in 2005, compared to nearly 10% in the early part of the century. Nonprofit employment growth is faster than total employment growth but was only 2% between 2004 and 2005. Most striking however, is near stagnant growth in nonprofit wages. Wages grew less than \$4,000 (in real dollars) between 1998 and 2005, and in 2005, a nonprofit worker made \$9,000 less than a for-profit or public worker.
- Per organization, nonprofit expenditures and revenues have been declining, while asset trends have been mixed. As a whole the sector continues to grow in terms of expenditures, revenue and assets, but the majority of organizations are operating with fewer resources. The median demonstrates that expenditures of half of all nonprofits fell by \$50,000 between 1990 and 2004, adjusted for inflation. The same trend is seen for median revenues which fell by \$60,000 and median assets which fell by \$21,000.
- While nonprofit sector growth in Orange County outpaced other regions, the state and the nation until the late 1990s, it now parallels trends seen elsewhere. The growth rate of new nonprofits in Orange County fell to just 1% to 3% from well over 10% in the late 1990s to come into in line with Los Angeles County and San Diego County. Expenditure growth also shows a similar pattern seen in Los Angeles County and California. Employment growth fell considerably from 22% in the late 1990s, to just 2% in 2003.

- In economic terms, the nonprofit sector in Orange County is dominated by healthcare. Healthcare, including hospitals, accounts for 60% of nonprofit expenditure in 2004. Orange County in particular, has a disproportionately higher percentage of hospital spending (51%) compared to Los Angeles County (30%), San Diego County (44%) and California (32%). Moreover, some of the largest employers in the county are nonprofit hospitals that employ over 1,000 workers.
- By removing *Hospitals* and *Higher Education* (from *Health* and *Education*), we see that *Health*, *Human Service* and *Education* nonprofits show signs of weakening. Specifically, growth in *Education* expenditures has slowed while *Health* nonprofit expenditures have been unstable. Moreover, the median reveals that half of all *Health* organizations saw expenditures fall consistently by between 1995 and 2004 while *Education* and *Human Service* median expenditures have been stagnant. Conversely, median *Hospital*, *Higher Education* and *Religion* nonprofit expenditures grew over this same time.

Nonprofit Capacity

Whereas the previous section established the contours of the sector by using economic indicators to compare it to other regions, this section looks more closely at the issue of capacity by assessing the sector's performance in terms of its ability to address the needs of the constituents it serves.

Orange County faces growing and changing needs that the nonprofit sector will undoubtedly be called on to meet. However, our data, though limited, nonetheless suggests that nonprofit organizations are already struggling to meet current needs. In particular, nonprofits serving the needs of seniors, renters and the homeless are ill equipped to address current needs yet face rapidly growing numbers of new residents who will need services.

Population projections estimate that by 2050, seniors will make up 20% of the county's population. However, current data shows that nonprofit expenditures on services geared towards seniors have been fairly stagnant since 2000. Among nonprofit organizations tasked with addressing housing and affordability issues, expenditures grew by just \$22 (adjusted for inflation) per renter unable to afford fair market rents between 1998 and 2003 despite growing numbers of renters unable to afford fair market rents. When we compare nonprofit expenditures serving homeless populations in Orange County to San Diego County, we see that San Diego County is in a considerably better position to address these needs. Nonprofit expenditures in San Diego County were six times greater while the number of homeless was six times lower (0.2% of the total population in San Diego County compared to 1.2% in Orange County). This amounts to over \$21,000 in expenditures per homeless individual in San Diego County, compared to just \$818 in Orange County.

Moreover, nonprofit organizations serving the needs of children, uninsured and the poor have been struggling for a number of years. The number of children is also growing in the county while the number of nonprofits and expenditures has not grown since 2000. As a result, between 2000 and 2004, nonprofit expenditures per child increased by only \$40 (in real dollars). Similarly, the number of nonprofits serving the poor fell while expenditures have grown little since 2000. Expenditures spent per person in poverty grew by just \$28. In Orange County, the

number of uninsured is falling but use of community clinics grew, suggesting that significant numbers of residents continue to access nonprofit and public sector medical services. However, in 2004, total nonprofit expenditures per uninsured person were lower than six years prior.

The general trend is that many needs in Orange County appear to go unmet and are increasing in scale and scope, with nonprofits seemingly unable to close the gap between demand and supply.

The Role of Foundations

Because of the important role foundations fulfill in supporting nonprofit organizations, their contributions and leadership are critical to the growth of the nonprofit sector as a whole. The empirical picture on philanthropy in Orange County is mixed at best. Indeed, foundation giving as a share of the local economy has remained stagnant in recent years, while the nonprofit sector as a whole has expanded.

The data suggest that Orange County's philanthropic community is not as developed as it is in other regions. Local foundation giving represents 43% of total foundation giving in Orange County, compared to 56% in Los Angeles County and 68% in California although higher than San Diego County (37%). It is also not growing at a rate that would allow it to reach relative parity with Los Angeles County. Between 2000 and 2004, Orange County foundation giving per \$1,000 Gross Metropolitan Product was \$0.85 compared to \$2.34 in Los Angeles County. This indicates that Orange County's philanthropic sector is not catching up with other regions, particularly when compared to Los Angeles County, but is slightly ahead of San Diego County.

What is more, over the years, total foundation giving has declined and local giving has fallen more quickly than in-flows from non-local foundations to nonprofits based in Orange County. In 2000, local foundation giving was \$46.3 million and non-local foundation giving was \$48.4 million. By 2003, local foundation giving had fallen to \$43.5 million while non-local foundation giving increased to \$57.8 million.

Who Is Being Funded?

Orange County foundations tend to distribute grants fairly evenly across fields, with no one category receiving a disproportionately larger percentage of grant dollars. *Arts, Culture & Humanities* received the most dollars from both local and non-local foundations. Among those nonprofit organizations that receive grants from foundations in 2003, only two categories, *Environment* (20%) and *Arts, Culture & Humanities* (11.5%) receive a significant percent of their revenue from grants.

County government also funds nonprofit organizations, largely through contracts, and as part of an ongoing outsourcing of service delivery. Consequently, County appropriations for health, human and community services continue to grow. An analysis of four county agencies found that unlike foundation funding, County government contracts targeted health and human services in particular. Indeed, hospitals were the top recipients of County contracts followed by human service organizations providing mental health and crisis intervention services.

Civic Participation, Involvement and Trust

While the sector is made up of organizations, it ultimately rests on the trust citizens have in this set of institutions and the contributions they make as members, volunteers and donors.

Moreover, given nonprofit leaders' concerns that the public has a weak understanding of the importance of nonprofits, looking at the level of social trust and civic engagement can unearth a better understanding of the challenges the sector faces in trying to advocate for its causes and needs.

The civic engagement survey revealed that Orange County residents (43%) display levels of interpersonal trust and institutional confidence at par with the nation (46%) and exceeding that of Southern California (39%) as a whole. Moreover, almost all residents (96%) feel they are capable of improving their community for the better and 78% are involved in some civic activity outside of the home or office.

However, there are significant disparities among socio-economic groups, with the middle class and white residents most trusting and engaged. Latino residents, lower-income residents and those with less education are least likely to be trusting of other people and involved in the community. 68% of residents who make \$30,000 or less feel one "Can't Be Too Careful". White residents are twice as likely as Latino residents to feel that people could be trusted.

In addition, 43% of Latinos are not involved in any civic activity, considerably higher than 30% of all respondents and 19% of White residents. However, this finding obscures the tendency of some ethnic groups, such as Latinos, to participate in society through social networks that are not captured through this survey. However, higher percentages of Latinos attend regular religious service and volunteer for religious institutions. Involvement by other ethnic groups (including Asian, Black and Multiracial residents) was also low. Residents with less than a high school diploma are four times less likely to be involved in a civic activity. This also holds true for monetary contributions. Those with less education and Latinos were least likely to contribute and contributions were smaller.

These findings have significant implications for the nonprofit community: it is these populations that are expected to grow the quickest and have the greatest needs that are also the least trusting and least engaged. The sector's ability to reach out to these groups, help build their trust and encourage civic engagement will be critical to building nonprofit capacity itself. However, any effective outreach depends on strong leadership that is in touch with the larger society and able to build bridges across different communities.

Conclusion

The findings of this report indicate that the nonprofit sector is varied in terms of size, financial sustainability, and operations. We also know that certain groups of nonprofits are growing more quickly than others. The number of new nonprofits formed each year is growing at a much faster rate than nonprofits that report revenues over \$25,000. Likewise, a relatively small percentage of new nonprofits are reporting employment wages each year. In addition, the largest organizations are performing better than all other fields in economic terms. However, across all

economic measures, the data also suggests that the majority of nonprofit organizations seem to be struggling.

The Question of Capacity

Our immediate concern is over the large number of nonprofits that have seen revenues, assets and expenditures decline for over a decade. Moreover, on average, nonprofits have not seen employment and wages improve significantly over time while foundation giving has fallen since 2000. What is causing these nonprofit organizations to weaken, as the data suggest? Are there capacity concerns which are hindering the continued growth of these nonprofits?

The results of the focus groups offer useful pointers: nonprofit leaders expressed concerns over weak or even absent coordination among nonprofits and a weak common infrastructure to encourage information sharing and collaboration. Inefficiency and budgetary constraints too, were identified as problems that inhibit growth. Concerns voiced by nonprofit leaders include lack of funding, staffing needs, fragmented leadership, and territorialism. Focus group participants also feel strongly that the nonprofit sector is missing leadership that can be ‘champions for the sector’ and build a ‘culture of giving’ that involves a broad cross-section of the population.

The nonprofit sector faces a variety of capacity issues that hinder and may well threaten its long-term sustainability and development. Clearly, competition among nonprofits ‘chasing the foundation dollar’, horizontal growth and little collaboration are harming the sector. As leaders and the larger sector address these issues, three aspects are emerging as central to any debate about the sector’s future: the sector is weakening while expanding; there is a weak infrastructure for coordination and information sharing; and there is a demand for philanthropic and civic leadership.

Philanthropic and Civic Leadership

Nonprofit organizations and leaders realize the importance of the larger philanthropic community in their daily work as well as for long-term strategic planning. During focus group discussions it was clear that many nonprofit leaders perceived the current leadership vacuum as a detriment to the sector’s sustainability and improved impact. The lack of ‘champions for the sector’ in government and business has created an environment that is less accommodating to nonprofits. At the same time, the relationship between nonprofit organizations and foundations is tenuous. Although some believe foundations are best poised to assume leadership roles for the sector as a whole, nonprofits fear that foundations will ‘dictate’ strategies and activities.

Nonprofits see foundations providing leadership in the following areas: as a point of convergence for ideas and cooperation; technical assistance; financial assistance for building capacity; restructuring; and as a bridge between the sector and the wider giving community. In the eyes of nonprofit leaders, foundations are the gatekeepers to donors and could do more in fostering a stronger and larger philanthropic community. In other words, build a ‘culture of giving’ by cultivating relationships, bringing in new donors and connecting them to local nonprofits.

Building a wider donor community applies to the corporate sector as well. A report conducted by the Orange County Business Council, in cooperation with the California State University at Fullerton, found that businesses are very active contributors to charitable organizations but, as some alluded to during focus groups, access and coordination with business is a problem.

Summary Assessment and the Way Forward

The overall impression we obtained from the analysis is less suggestive of the ‘glass half empty, glass half full’ imagery that is frequently evoked to point to uneven developments; rather the portrait that emerges is one of parallel, unconnected trends that fail to generate sufficient synergies, and may even be at cross-purposes: an expanding nonprofit sector, though slowing, trying to catch up with needs that are growing even faster; a sector growing in numbers but not in capacity; concerns that Orange County lacks a ‘culture of giving’ comparable to that of other regions next to a strong sense of civic engagement across population groups, except among the poor and Latino residents; a County government trying to engage nonprofit service providers with multi-year contracts next to smaller and mid-sized nonprofits that seem to fall behind in their capacity to respond to needs; and a corporate community that seems engaged at one level but disengaged at another.

The lesson that emerges seems clear: at the center of these unconnected developments is a lack of strong cross-sector leadership that spans the nonprofit, philanthropic and public sector, and includes the business community as well. The future of the nonprofit sector in Orange County depends on its ability to address its leadership problems, to advocate effectively for its causes and needs, to address structural problems affecting capacity, and to reach out to communities currently at risk of social exclusion, in particular the growing Latino population.

In this respect, our major recommendation is that a high-level forum be established for the County’s nonprofit, philanthropic and community leaders to act as a platform for dialogue on how to build synergies for enhancing nonprofit capacity and broadening civic engagement. Expressed differently, the leadership challenge facing Orange County’s nonprofit sector is less found in accelerated growth to meet growing needs, as such, than it is in the sector’s ability to ‘connect the dots’ for encouraging synergies to take hold and reverse the erosion of organizational capacity.

Introduction

The nonprofit sector remains one of the least studied parts of American society. Orange County is no exception in that regard, and historical as well as current accounts typically take little notice of nonprofits, civic engagement and the role of wider civil society. Yet as Orange County is changing, with an ever more diverse population, a small public sector, and fast-moving economy, nonprofit organizations and philanthropy are beginning to receive more attention across the political spectrum. Welfare reforms, faith-based initiatives, housing affordability, voucher systems and charter schools, changes in arts funding, a growing emphasis on environmental protection, policy developments in health care and social services – all point to a greater role for private, nonprofit organizations in responding to the social, cultural, and even economic challenges of our time.

Indeed, nonprofit organizations seem to fit in well with the way American society is developing, in particular with the nexus between private and public benefit in an era of ‘small’ government, greater social diversity, and increased individual responsibility. Yet what are the scale, scope and structure of nonprofit activity and civic engagement in Orange County, what patterns have developed and what trends are emerging? The purpose of this baseline report is to address these questions.

Specifically, the report will introduce the major contours of the nonprofit sector in Orange County, including civic engagement, in order to monitor trends, put findings in a regional and national context and, most importantly, to open up debate among stakeholders about the current and future role of the sector. Of particular interest in this respect is the capacity of nonprofit organizations to serve the County’s growing and changing needs.

There are seven aspects of Orange County that are worth noting at the outset. Taken together they make Orange County distinct in the Southern California region and are important for understanding the characteristics of nonprofit and philanthropic developments.

- First, it is one of the most affluent counties in California with a median household income of \$75,000, a per capita income of \$41,000, and a poverty rate that ranks among the lowest in the region.² Residents are also more likely to have a bachelor’s degree and own their home than those in other regions.³
- Second, the local economy is well diversified, with *business and professional services*, *health care*, and *tourism* as the largest industries, and the *high-tech industry* on the rise.⁴
- Third, given this impressive record, it is no wonder that most residents are satisfied with the quality of life in the County. In fact, nine out of 10 people have confidence in the

² County of Orange, www.oc.ca.gov (accessed August 7, 2006)

³ County of Orange, “Orange County Community Indicators, 2006”, <http://www.oc.ca.gov/ceocommunity.asp> (accessed August 18, 2004): 17

⁴ Orange County Workforce Investment Board, “Orange County Workforce 2005: Can OC’s Prosperity Survive?”, Orange County Workforce Investment Board, <http://www.ocwib.org/> (accessed August 20, 2006): 19-23

local economy, and most residents are satisfied with the quality of public services and local government.⁵

- Fourth, the County is a ‘majority-minority county,’ and growing more diverse every day. With this increased diversity comes a growing divide among residents’ attitudes, needs and concerns.⁶ Currently, White residents make up just under half of the population (49.1%), followed by Latino (32.3%) and Asian (15.3%). It is projected that Latino residents will constitute the majority by 2050.⁷
- Fifth, overall, population growth has fallen and is projected to increase by only 0.2% in 2006, fueled by a decline in immigration as well as an increase in domestic migration of residents out of the county.⁸ An aging Latino population will be primarily responsible for the aging of overall population as well. It is estimated that by 2050, 20% of the county’s population will be over 65, compared to 10% in 2000.⁹
- Sixth, the rising cost of living in the county is placing strong pressures on certain segments of the population. This applies to housing affordability in particular, and affects renters, low-income earners and immigrants the most – issues that have traditionally been among the concerns of nonprofit organizations and philanthropy.¹⁰ Moreover, recent homeless counts found a higher percentage of homeless residents, an overwhelming number who are homeless families, in Orange County relatively to other counties.¹¹
- Finally, income polarization is on the rise. According to a recent Brookings Institute report, out of 100 metropolitan areas surveyed, Orange County had more families in the ‘Very Low Income’ category than 70 other metropolitan areas and more families in the ‘Very High Income’ category than 84 other metropolitan areas.¹² Public opinion polls reflect a growing divide among homeowners and renters, Latino and White residents and residents from the Northern and Southern parts of the County.¹³

What are the implications of these characteristics and developments for the nonprofit sector? Economic and social trends imply that the sector will most likely face increased demands for services of many kinds. Three major demand factors seem relevant: first, an aging and more affluent White population will demand health care, social services, and leisure facilities at the

⁵ Mark Baldassare, “PPIC Statewide Survey: Special Survey of Orange County”, *Public Policy Institute of California* (2004): 4-5

⁶ Baldassare, “PPIC Statewide Survey”, vi

⁷ OCWIB, “Orange County Workforce 2005”, 10

⁸ OCWIB, “Orange County Workforce 2005”, 13

⁹ OCWIB, “Orange County Workforce 2005”, 10

¹⁰ County of Orange, “Orange County Community Indicators”, 17; Baldassare, “PPIC Statewide Survey”, 8-9

¹¹ Institute for the Study of Homelessness and Poverty, “Homeless Counts in Major U.S. Cities and Counties”, <http://www.weingart.org/institute/> (accessed October 26, 2006)

¹² Jackson Booza, Jackie Cutsing and Goerge Galster, “Living Cities Census Series, Metropolitan Policy Program: Where Do They Go? The Decline of Middle-Income Neighborhoods in Metropolitan America”, *The Brookings Institute* (2006): 16

¹³ Baldassare, “PPIC Statewide Survey”, vi

community level geared to the elderly; a growing low-income Latino population will require family-oriented health care, social services, daycare centers, primary and secondary schools, and affordable housing. The affluence of the County's professionals implies greater interest in arts and culture, choice in education, leisure, and environmental protection and preservation.

Taken together, these emerging demands will undoubtedly put pressure on existing capacities in the fields of health care, social services, education and housing. Yet what do prevailing patterns and trends of Orange County's nonprofit sector suggest about its capacity to meet current and future needs? And how engaged is the local population in the nonprofit sector and in the County's civic life to facilitate nonprofit growth and capacity? In addressing these questions, we will first summarize the major empirical findings and explore their implications later.

Major Contours of the Nonprofit Sector in Orange County

In 2006, Orange County reported approximately 12,000 nonprofit and community organizations.¹⁴ Of these, 7,745 are registered 501(c) (3) organizations, which include 1,500 religions congregations and 899 foundations.¹⁵ Together, these institutions comprise the nonprofit sector in Orange County. Because the nonprofit sector is composed primarily of public charities, this report focuses on the 7,745 registered 501(c) (3) organizations. Financial data, moreover, only pertains to those organizations that report revenues over \$25,000 (approximately 2,700 in 2004).

The nonprofit sector began to develop in earnest in the 1940s in Orange County, and in a little over 60 years, there were almost 8,000 501(c)(3) organizations. In addition to increasing in number, the sector has diversified. Significant numbers of nonprofit organizations serve the cultural, social, mental and physical needs of residents. It has also weathered a County bankruptcy that slashed public funding and created an environment of fiscal conservatism that persists today. Because of the nonprofit sector's rapid growth, particularly in the 1990s, and the County's exceptional history, it was important to look at historic trends and current conditions. We look at the sector as a whole as well as disaggregate it into its smaller parts: public charities, foundations, service categories and populations served. This section, *Major Contours of the Nonprofit Sector in Orange County*, looks specifically at public charities, excluding foundations.

¹⁴ This number of nonprofit and community organizations is the total number of organizations recorded by the California Registry of Charitable Trusts. The number of organizations recorded by the Registry is larger because all nonprofit organizations are required to file with the Registry including religious institutions. The IRS only requires organizations with gross receipts over \$5,000 to file and organizations with revenues over \$25,000 to provide annual financial information. The IRS also grants religious institutions automatic 501c3 status and does not require them to file. Small Community Groups were calculated by subtracting 501(c)3 and 501(c)4 organizations from the total number of nonprofit and community organizations. See **Appendix B** for a more detailed definition of nonprofit organizations.

¹⁵ Religious congregations pertain to the number of organizations classified as "churches" in the NCCS Business Master File. Various denominations are included in this definition.

The Size of the Nonprofit Sector in Orange County

The nonprofit sector in Orange County is small relative to other geographic regions across a range of scale indicators: the number of nonprofit organizations, nonprofit sector expenditures, revenues and assets, employment and the sector’s share of the gross metropolitan product.¹⁶

As **Figure 1a** shows, Orange County has fewer nonprofit organizations per 10,000 residents (22) than Los Angeles County (25), San Diego County (24), Ventura County (24), California (26) and the United States as a whole (32). The same applies to nonprofit expenditures (**Figure 1b**). Orange County nonprofit expenditures per 10,000 population was \$17 million, nearly half that of the state and nation, significantly below Los Angeles and San Diego county, at par with San Bernardino County, and above Ventura and Riverside county. This finding is also supported when we exclude *Hospitals* and *Higher Education* (**Figure 2a and 2b**): nonprofit expenditures per 10,000 residents were only 50% of the national, 42% of the state and 57% San Diego County average.

Figure 1a and 1b. Number of Nonprofit Organizations and Expenditures Per 10,000 Population¹⁷

Figure 1a.

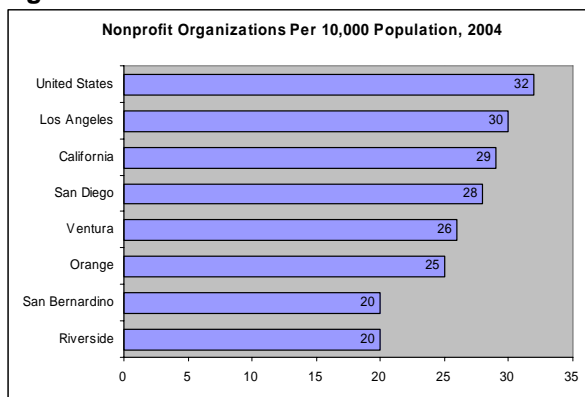
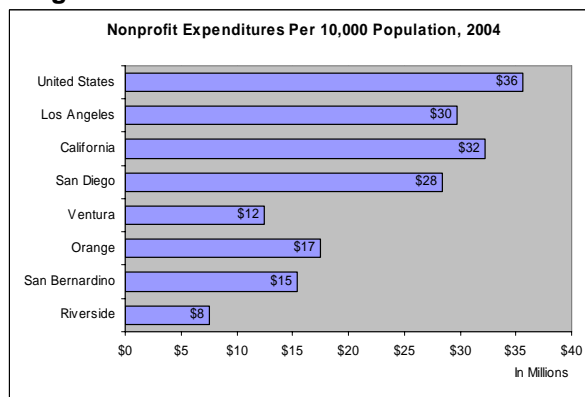


Figure 1b.



Source: NCCS CORE Public Charities files, 2004; NCCS Business Master Files, 2004; U.S. Census Bureau, 2004 Population Estimates

¹⁶ All analysis in this section excludes foundations.

¹⁷ Only public charities, organizations with tax-exempt 501(c)3 status, are included in these classifications.

Figure 2a and 2b. Nonprofit Organizations and Expenditures Per 10,000 Population (Excluding Hospitals and Higher Education), 2004

Figure 2a.

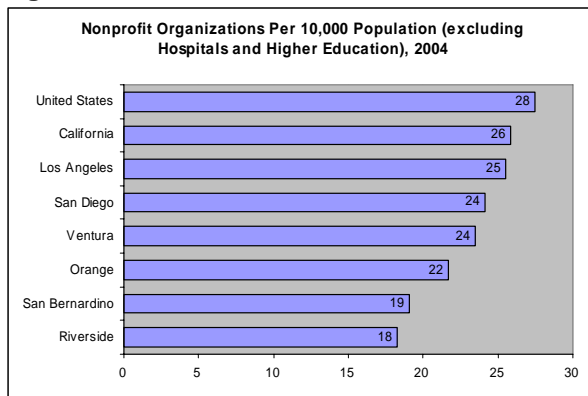
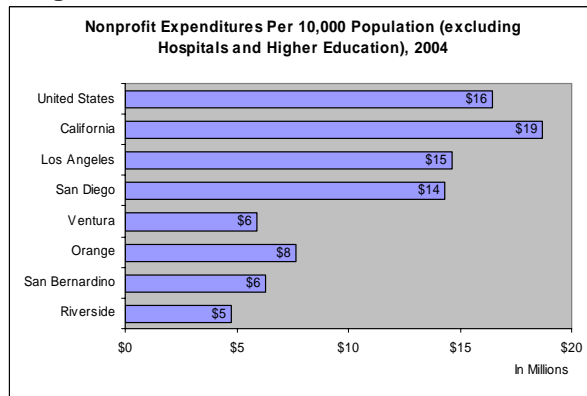


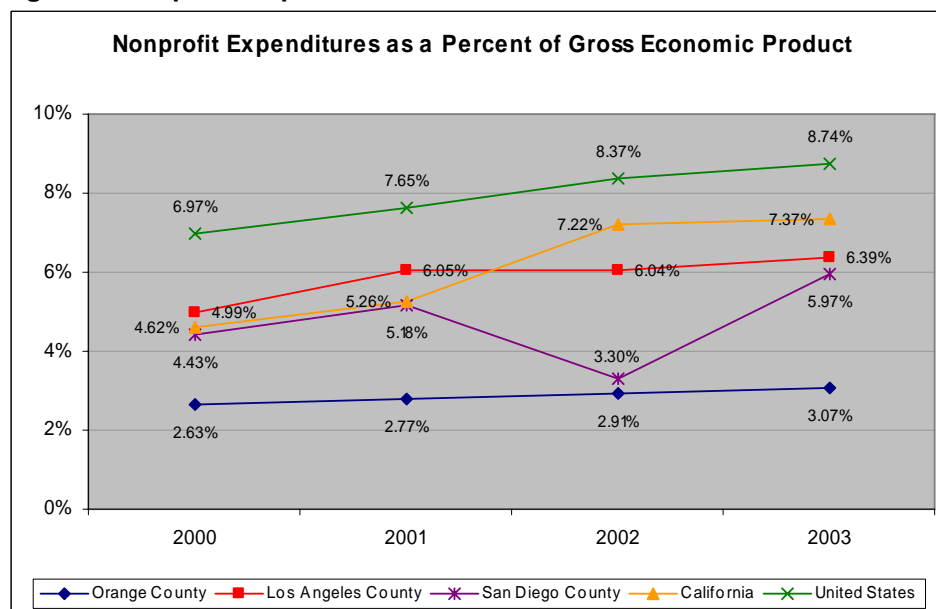
Figure 2b.



Source: NCCS CORE Public Charities file, 2004; NCCS Business Master File, 2004; U.S. Census Bureau, 2004 Population Estimates

The relatively small scale of nonprofit expenditures in Orange County is also borne out by comparing nonprofit expenditures as a percent of the gross metropolitan product (**Figure 3**). Nonprofits across the nation had a share of nearly 9%, the highest expenditures as a percent of gross domestic product (GDP), while Orange County had the lowest with 3%. Nonprofit expenditures in Los Angeles County, California and the nation are twice as high and the gap is widening. San Diego County was near state levels and well above Orange County.

Figure 3. Nonprofit Expenditures as a Percent of Gross Economic Product, 2000 - 2003

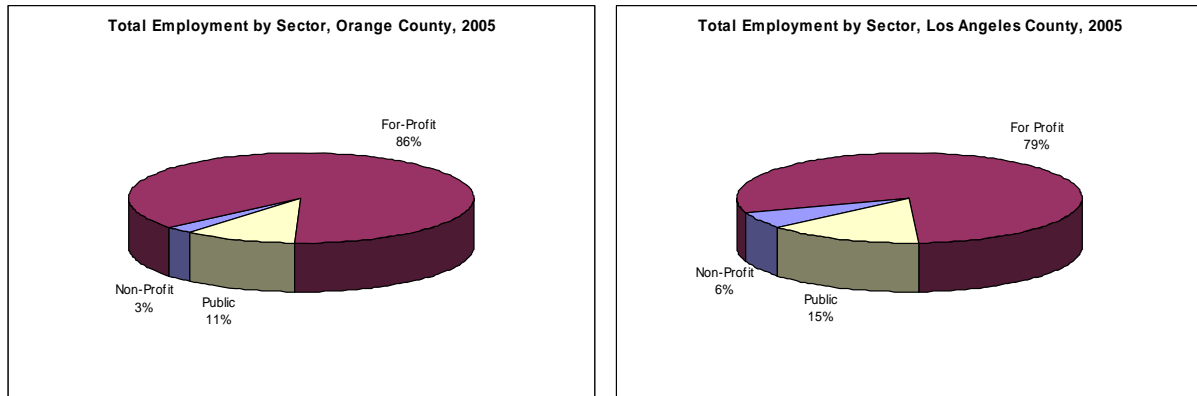


Source: NCCS CORE Public Charities files, 2000 - 2003; The Engine of American Growth, 2004, U.S. Conference of Mayors; U.S. Department of Commerce

Nonprofit expenditures as a percent of gross economic product grew by less than half a percent over four years in Orange County compared to almost three percent at the state level. Los

Angeles County, San Diego County and the nation grew between one to two percentage points annually. A relatively small economic size, i.e., 3% of gross county product, and a lower growth rate, i.e., below 1 percent per annum, suggests that the County may indeed be falling behind other regions, and unlikely to match other regional levels in the short to medium term.

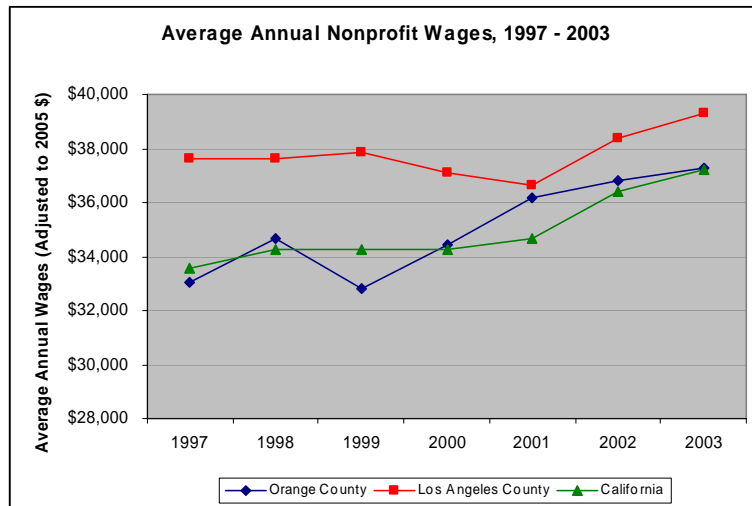
Figure 4. Total Employment by Sector, 2005¹⁸



Source: California Employment Development Department, Labor Market Information Division, 2005

Given that paid employment constitutes the major item of nonprofit expenditure, the results above are also evident when we look at jobs. Nonprofit employment in Orange County is 3% of total employment, also smaller in relative terms compared to neighboring Los Angeles County (**Figure 4**), where nonprofit employment accounts for 6%. Public and nonprofit employment makes up a significantly larger percentage of all employment in Los Angeles County, approximately one fifth of all county employment.

Figure 5. Average Annual Nonprofit Sector Wages, 1997 - 2003

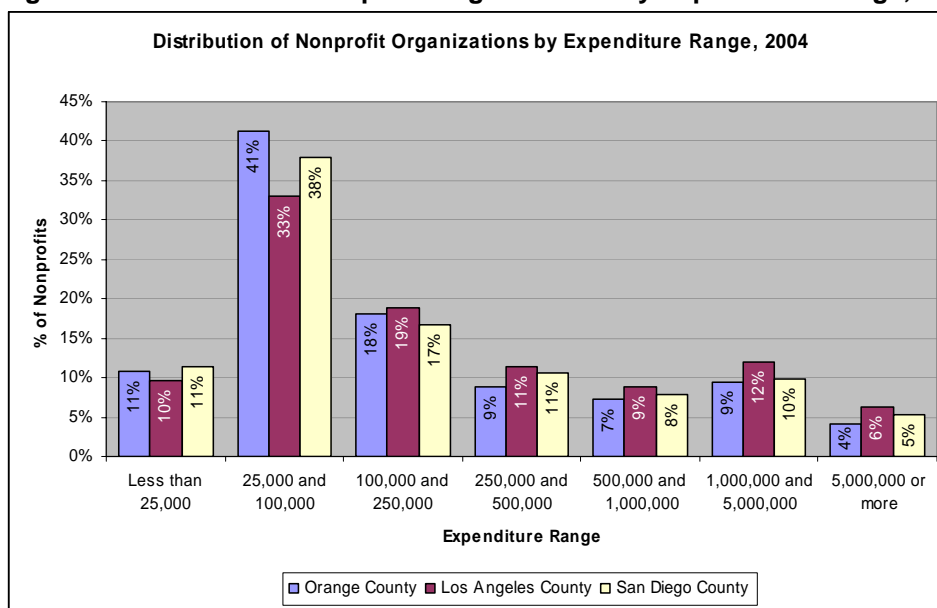


Source: California Employment Development Department, Labor Market Information Division, 1997-2003

¹⁸ Figures include full-time and part-time employees only. It contains no figures for hours worked or hourly pay rates. California Employment Development Department wage reports from employers only include total wages paid to each employee for the three month period.

Wage data illustrates that Orange County’s nonprofit wages are growing but at declining rates (**Figure 5**). In the 1990s, Orange County nonprofit employees were better compensated compared to California as a whole, but this has been changing since 2000. Between 2000 and 2003, California nonprofit employees saw wages increase by over \$2,500. During this same time, Orange County nonprofit sector wages increased by just under \$1,200. In 2003, workers in Orange County made about the same as nonprofit employees statewide but \$2,000 less than their counterparts in Los Angeles County. These findings have to be seen in the context of higher median income levels in Orange County, which suggests that nonprofit wages are even less competitive here than Los Angeles County. Focus group discussions confirmed that the wage gap makes it increasingly difficult to attract and retain staff and talent, which can further undermine the sector’s sustainability and capacity.

Figure 6. Distribution of Nonprofit Organizations by Expenditure Range, 2004



Source: NCCS CORE Public Charities file, 2004

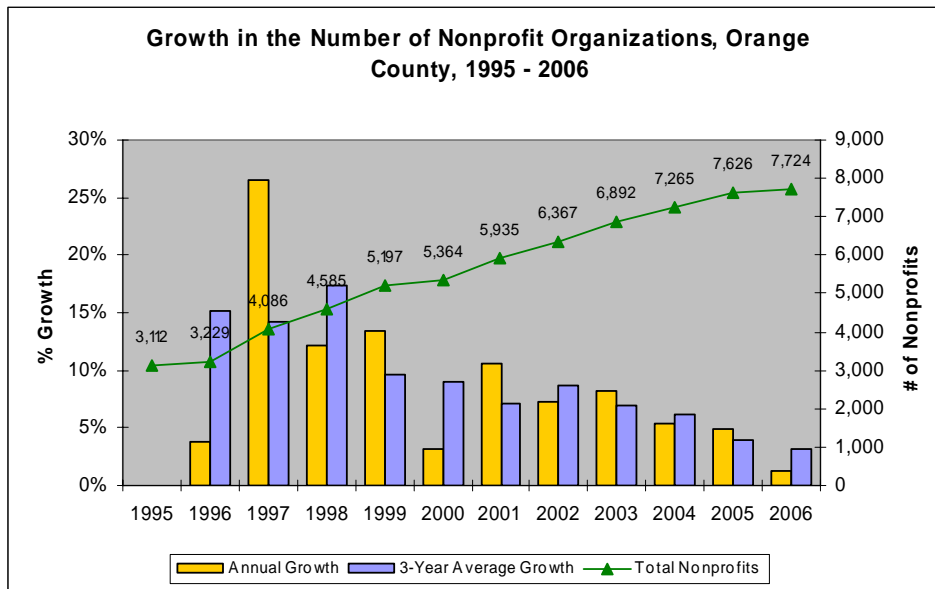
The relatively small scale, lower growth rates, and lower wages, have to be seen in the context of another finding: Orange County nonprofits are somewhat smaller, as expressed in terms of expenditures, than in other regions. Fewer nonprofits have expenditures above \$1 million (13%) while more than half (52%) have expenditures of \$100,000 or less. Los Angeles County’s nonprofits are larger in comparison, with fewer smaller nonprofits with expenditures of \$100,000 or less (43%) and a greater percentage with \$1 million in expenditures (18%). The nonprofit sector in San Diego County was slightly larger, with 49% of nonprofits with expenditures of less than \$100,000 and 15% with expenditures of \$1 million or more. In other words, the nonprofit sector in Orange County has relatively fewer larger and mid-sized organizations.

Growth Patterns and Trends

As suggested in **Figure 3**, Orange County nonprofit expenditures as a percentage of the larger economy are growing at a slow rate. This is also true for the total number of organizations, assets, revenues, expenditures and employment. While growth is still occurring, it is happening

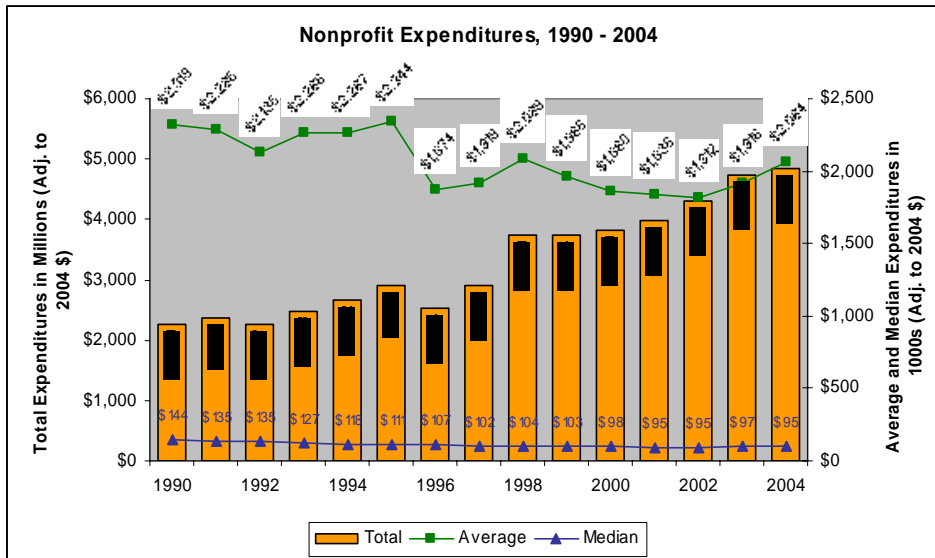
at an increasingly slower rate (**Figure 7**). Since 1995, the number of 501(c) (3) organizations in Orange County has doubled, steadily increasing from about 3,100 in 1995 to over 7,700 in 2006. However, growth began to slow in 1999 (this is most evident in the three-year growth averages), and has intensified since 2003 (when both annual and three-year average growth rates decreased). 2005 saw only 1.3% more nonprofit organizations register 501(c) (3) status with the IRS, the lowest growth in a decade.

Figure 7. Growth in the Number of Nonprofit Organizations, 1995 - 2006



Source: NCCS Business Master Files, 1995-2006

Figure 8. Nonprofit Expenditures in Orange County, 1990 - 2004

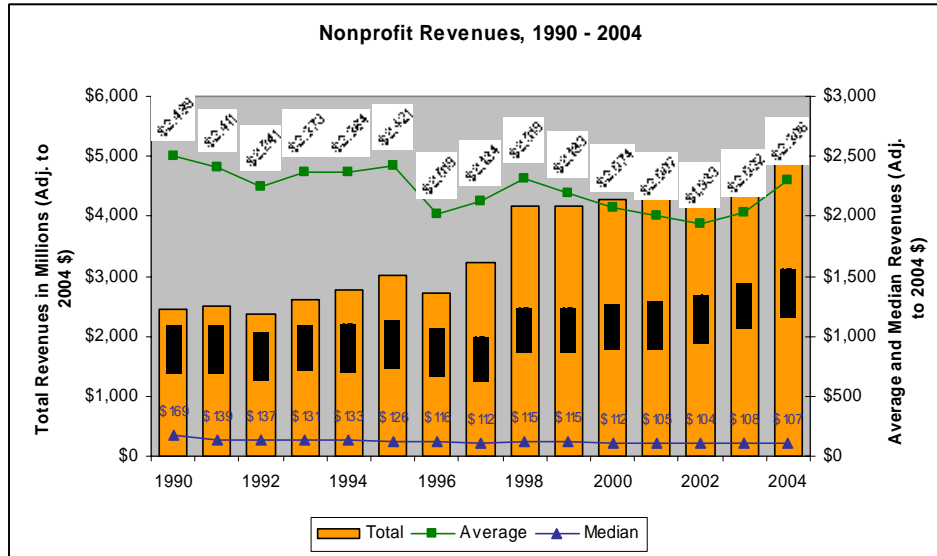


Source: NCCS CORE Public Charities files, 1990 - 2004

Total nonprofit expenditures have also demonstrated fairly consistent growth (**Figure 8**). Expressed in 2004 dollars, from 1990 to 2004, total expenditures more than doubled, from \$2.27

billion to \$4.86 billion. However, average and median expenditures clearly declined since 1990. The median indicates that half of all organizations in the county have seen their expenditures fall over the past decade. In other words, while there are more nonprofits than in the past, their average size is smaller and, in the context of growing needs (See **Nonprofit Capacity** section), this points to potential capacity limitations at the organizational level.

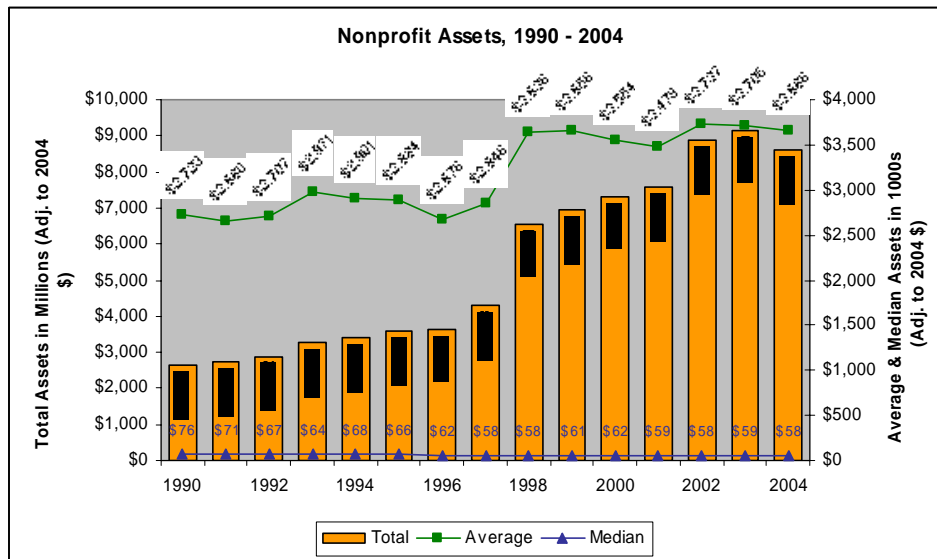
Figure 9. Nonprofit Revenues in Orange County, 1990 - 2004



Source: NCCS CORE Public Charities files, 1990 - 2004

Nonprofit revenue trends mirrored those of expenditures (**Figure 9**) over time. In 2004 dollars, total revenues also doubled since 1990 while average and median revenues declined. Indeed, median revenues are significantly lower than average revenues and have been steadily falling. This suggests that a higher number of organizations report lower revenue figures over time, and that a relatively small number of nonprofits reports significant increases. The latter is the case of hospitals and higher education.

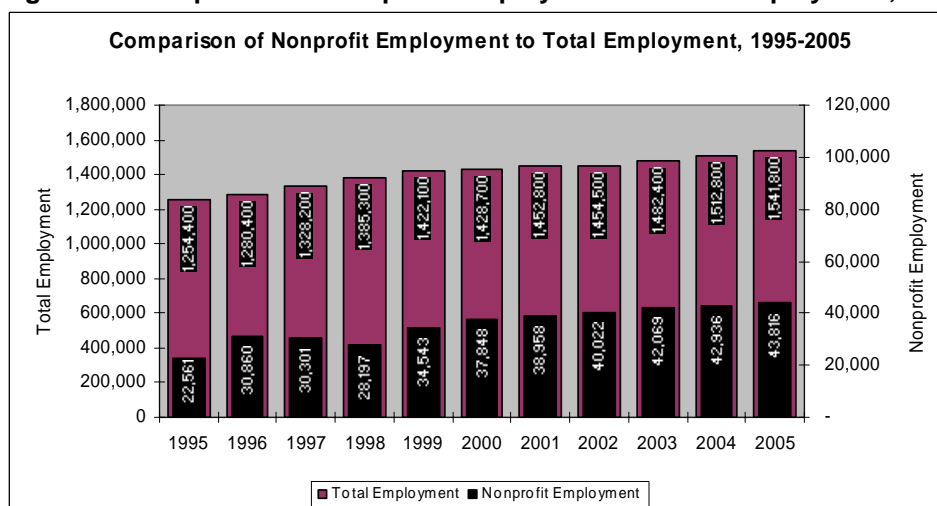
Figure 10. Nonprofit Assets in Orange County, 1990 - 2004



Source: NCCS CORE Public Charities files, 1990 - 2004

Nonprofit assets follow a different pattern as **Figure 10** shows. Nonprofit assets ballooned in the late 1990s and have continued to grow, but there are signs that assets may be falling again. In particular, the bottom half of all nonprofits have seen assets fall consistently since 1990, indicating a process of slow relative asset erosion. This finding is similar, and indeed linked to, the one observed for revenues above. As revenue decline over time, most Orange County nonprofits find it difficult to build up assets and financial reserves, suggesting that many may not have the resources to increase capacity let alone maintain it over time under current funding conditions.

Figure 11. Comparison of Nonprofit Employment to Total Employment, 1995 - 2005¹⁹



Source: California Employment Development Department, Labor Market Information Division, 1995-2005

¹⁹ See Footnote 18.

Despite its relatively small share, nonprofit sector employment is growing and becoming a larger segment of total employment (**Figure 11**). Since 1995, nonprofit sector employment has nearly doubled while total employment grew half as fast. Since the turn of the century, however, nonprofit sector employment growth has slowed, increasing just 2% between 2004 and 2005.

Figure 12. Average Annual Wage by Sector, 1997 - 2005²⁰



Source: California Employment Development Department, Labor Market Information Division, 1997 – 2005

Wage data also shows that the nonprofit sector is not as ‘strong’ as other sectors (**Figure 12**). The gap between average non-profit and for-profit and public wages has not changed significantly. In 2005, nonprofit sector employees earned an average of \$9,000 less than for-profit and public sector workers. Moreover, nonprofit sector wage growth has been fairly stagnant over the past three years, indicating that nonprofit wages are not likely to catch up to the public or for-profit sectors in the near future. By contrast, nonprofit wages in Los Angeles County have nearly caught up with for-profit wages.²¹

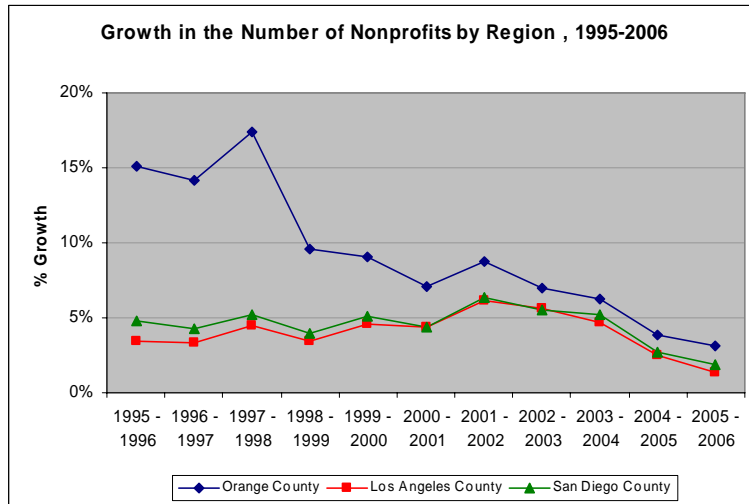
As mentioned above, focus group discussions revealed that nonprofits are having difficulties hiring and retaining well qualified staff because of low wages. This in turn places greater burdens on current staff and diminishes the organization’s capacity. This observation also supports our finding of slower growth in nonprofit sector employment.

The declining rate of growth is not exclusive to the Orange County. The decreased growth in the county parallels trends seen in other regions. Orange County was an exceptional case in the 1990s, but since 2001 nonprofit growth in the County has mirrored the downward trend seen in the rest of the Southern California region. Growth rates fell from 6% to 8% in 2001 to just 1% to 3% in 2005 suggesting that regional factors might be at play (**Figures 13-15**).

²⁰ See Footnote 18

²¹ Helmut Anheier, M. Lam, J.E. Mosley, E. Garrow, and J. Guihama, “New Horizons: State of the Nonprofit Sector in Los Angeles, 2006”, UCLA Center for Civil Society (2006): 11

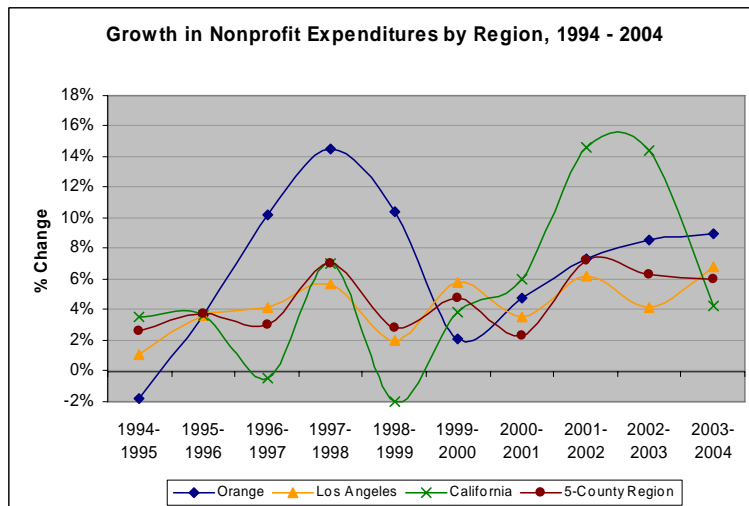
Figure 13. Growth in the Number of Nonprofits by Region, 1995 - 2006



Source: NCCS Business Master File, 1995-2006

This is also evident when comparing expenditures, revenue, and assets across the region. Since 2000, nonprofit expenditure growth in these counties has been closer to each other than in the 1990s.

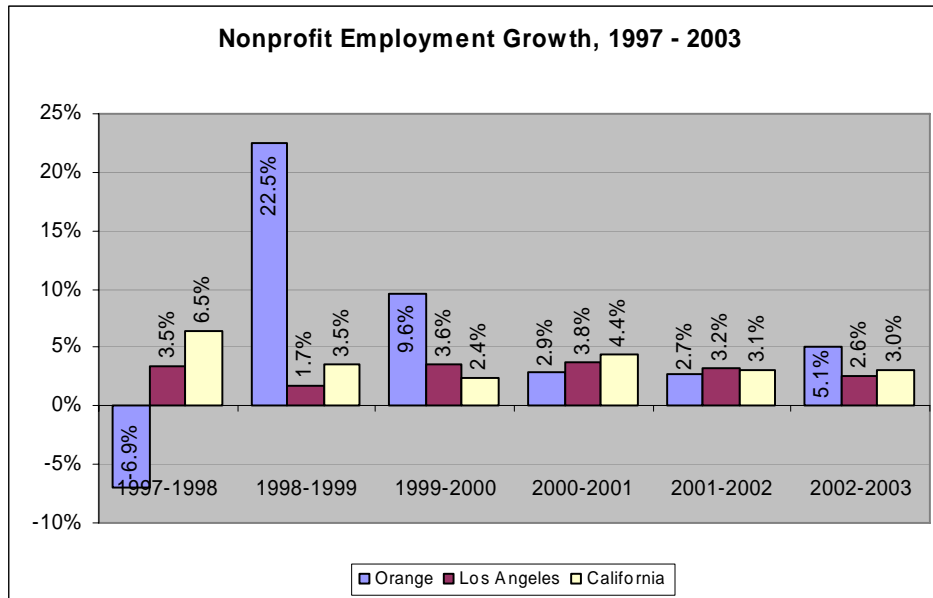
Figure 14. Growth in Nonprofit Expenditures by Region, 1994 - 2004



Source: NCCS CORE Public Charities file, 1994-2004

We should keep in mind that the nonprofit sector in Orange County has entered and remained in a relative slow growth period from a much lower base, as the scale of the sector is smaller than in San Diego or Los Angeles. In other words, while the nonprofit sector in Orange County was catching up in the 1990s (with the exception of the brief period affected by the County's bankruptcy), it is no longer doing so in the current decade.

Figure 15. Nonprofit Employment Growth, 1997 - 2003



Source: California Employment Development Department, Labor Market Information Division, 1997 – 2003

Nonprofit sector employment growth also reflects this regional trend (**Figure 15**). After a period of rapid expansion in the late 1990’s, employment growth dropped to just 2% to 3% after 1999.

Composition

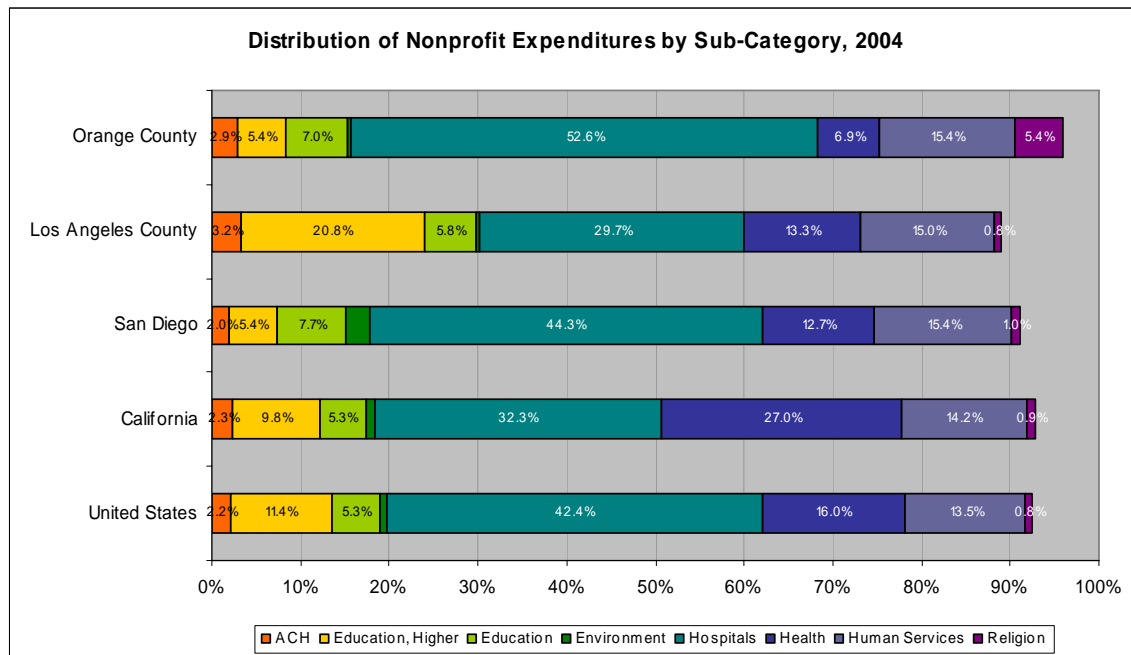
The Orange County nonprofit sector is comprised overwhelmingly of *Health, Human Services* and *Education* nonprofit organizations (**Figure 16**). These three categories make up 87%²² of all nonprofit organizations in Orange County, and health care alone accounts for 60%. These three fields also dominate the nonprofit sector in Los Angeles County (85%), San Diego County (85.5%), California (88%) and the nation (88%).

Hospital expenditures are particularly high in Orange County compared to other regions and the state (**Figure 16**). **Figure 16** also shows that *Religion* expenditures, while much smaller than most other categories, are also five times higher in Orange County compared to other regions perhaps due to the relatively large number of ‘mega-churches’ located in Orange County.²³

²² This includes *Health, Hospitals, Education, Higher Education* and *Human Services*.

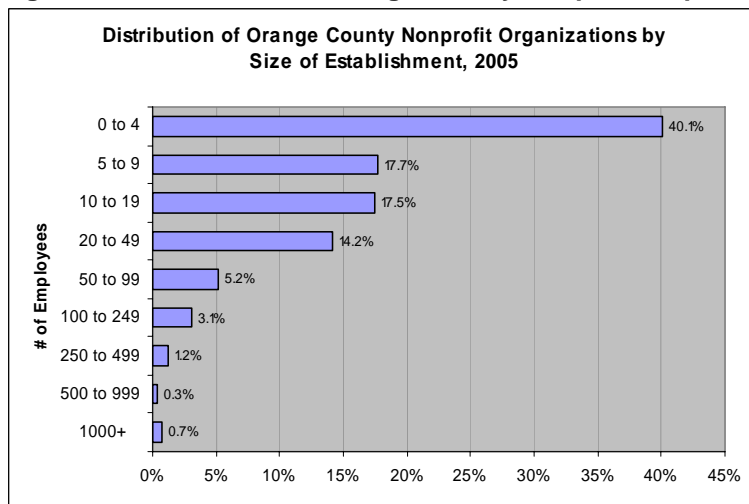
²³ The Hartford Institute for Religion Research found that 15% of all mega-churches in California were located in Orange County, disproportionately higher than the county’s share of population. Hartford Institute for Religion Research, <http://hirr.hartsem.edu/megachurch/definition.html> (accessed October 4, 2006)

Figure 16. Distribution of Nonprofit Sector Expenditures by Sub-Category, 2004²⁴



Source: NCCS CORE Public Charities file, 2004

Figure 17. Distribution of Orange County Nonprofit Expenditures by Size of Establishment, 2005²⁵



Source: California Employment Development Department, Labor Market Information Division, 2005²⁶

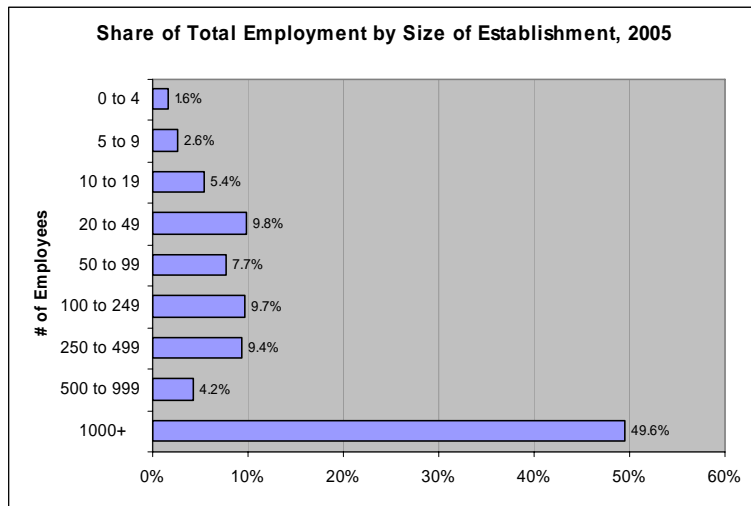
Fewer than 1,000 nonprofit organizations report paying wages to employees out of the nearly 8,000 registered 501(c) (3) organizations, implying that over 85% of nonprofit organizations have no paid staff (**Figure 17**). At the other end of the spectrum, a few select nonprofit organizations (5.3%) employ more than 100 employees and seven nonprofits have 1,000 or more staff.

²⁴ For a complete list of NTEE-CC category classification, see **Appendix C**.

²⁵ See Footnote 18.

²⁶ A total of 966 organizations reported wages to the California Employment Development Department.

Figure 18. Share of Total Employment by Size of Establishment, 2005²⁷

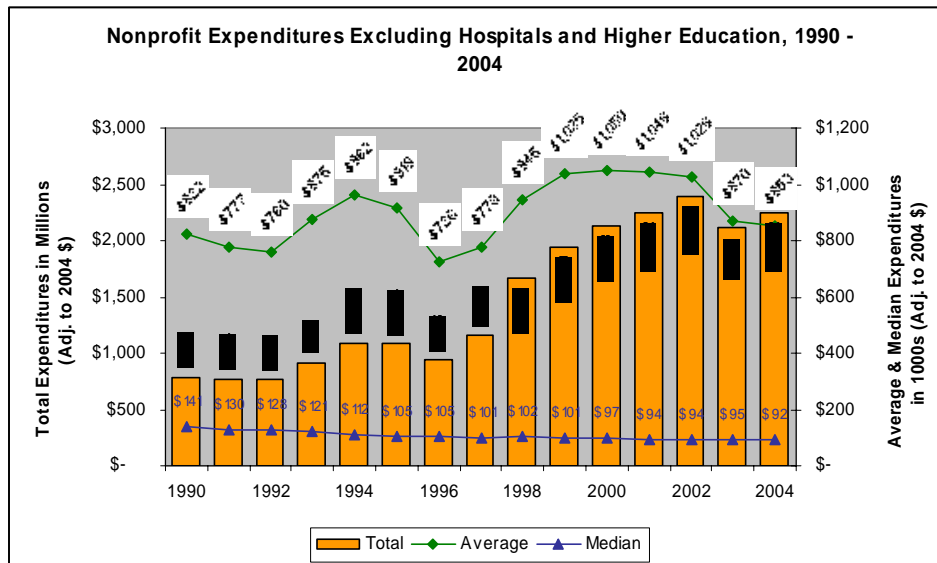


Source: California Employment Development Department, Labor Market Information Division, 2005

The organizations with 1,000 or more in workers employ half of all nonprofit workers in Orange County. According to the Orange County Business Council, three of the 50 largest employers in Orange County were nonprofit hospitals, demonstrating the importance of healthcare.²⁸

Because Hospitals and Higher Education make up such a large segment of the nonprofit sector, in economic terms, it is useful to look at the sector without these institutions. Although total expenditures, revenues and assets have grown since 1995, the median and average shows a much different picture, one of declining resources.

Figure 19. Nonprofit Expenditures in Orange County Excluding Hospitals, 1990 - 2004



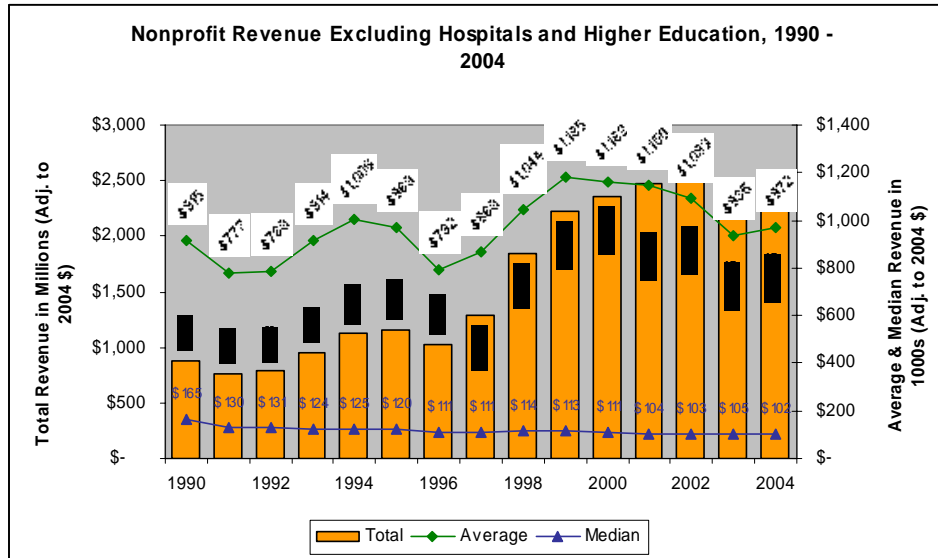
Source: NCCS CORE Public Charities file, 1990 – 2004

²⁷ See Footnote 18.

²⁸ Orange County Business Council, “Largest Employers in Orange County 2005”, www.ocbc.org (accessed June 21, 2005)

Median expenditures show that since 2004, half of all nonprofits had expenditures of \$92,000 or less (adjusted for inflation), approximately \$7,000 less than a decade earlier. Average expenditures fluctuate more widely when *Hospitals* and *Higher Education* are removed. Moreover, contrary to **Figure 8**, average expenditures for these nonprofits have been falling since 2000 and continue to fall despite a gain in average expenditures for all nonprofits (including *Hospitals* and *Higher Education*). This suggests that larger organizations have fared better than smaller ones.

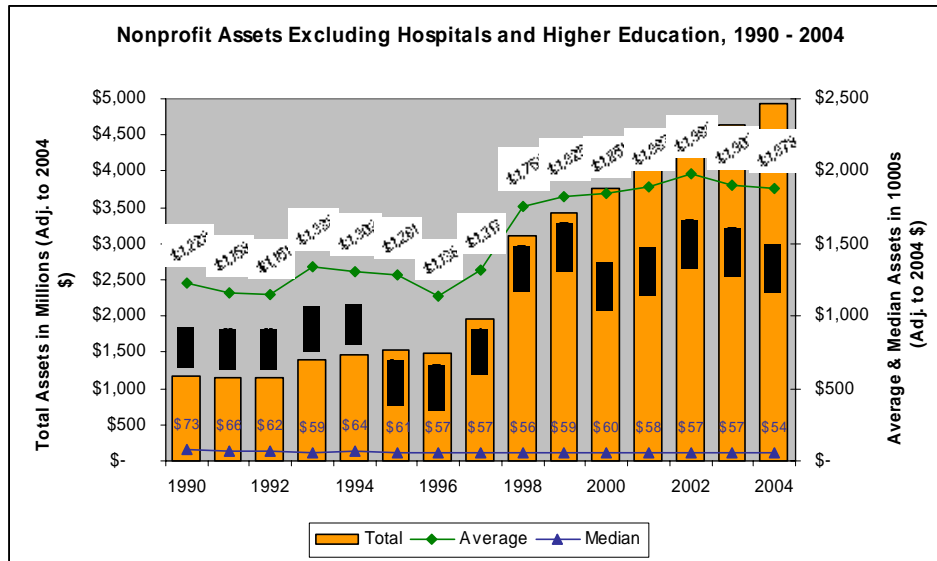
Figure 20. Nonprofit Revenue in Orange County Excluding Hospitals, 1990 - 2004



Source: NCCS CORE Public Charities file, 1990 - 2004

Figure 20 illustrates a similar picture. Revenues mirror the patterns for expenditures declining over the same time period. In 2004, half of all nonprofits had revenues of \$102,000 or less, almost \$20,000 less than a decade ago. Average revenue is significantly higher than median revenue and there has been some growth as well as decline in recent years. This suggests that larger organizations are faring better than smaller ones. However, declining median revenues suggests that over the years, nonprofit capacity has eroded and organizations have been struggling to provide services with fewer resources.

Figure 21. Nonprofit Assets in Orange County Excluding Hospitals, 1990 - 2004



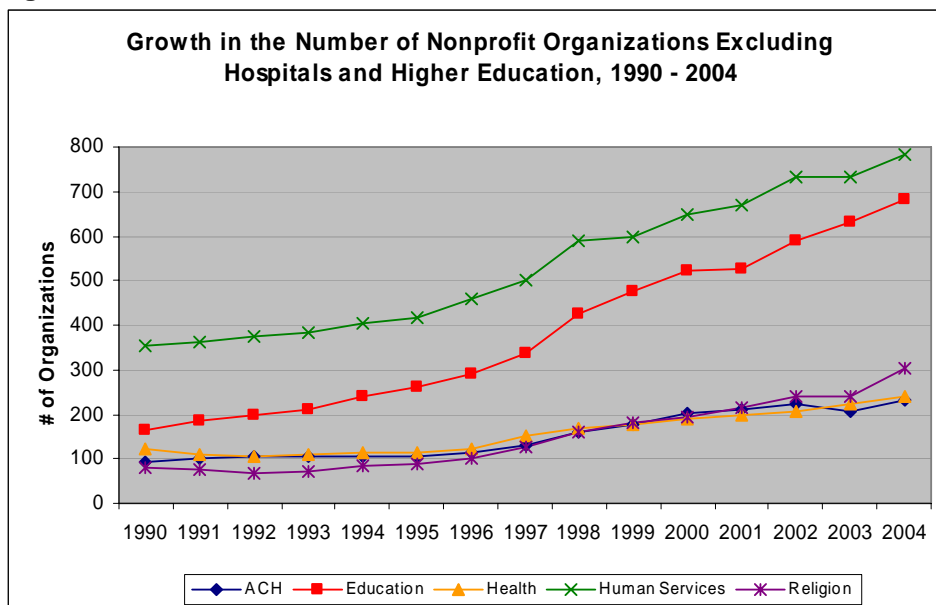
Source: NCCS CORE Public Charities file, 1990 – 2004

By contrast, nonprofit assets show a different trend over time. Average assets grew in comparison to expenditures and revenues, due in large part to a dramatic increase in 1998. Since then, average assets have shown slow to moderate growth. Median assets, however, like median expenditures and revenues, progressively fell throughout the period suggesting that at least half of all nonprofits continue to see slow erosion in assets.

By further breaking down the analysis to sub-fields, we see that certain nonprofit categories show signs of weakening while others are growing in their economic scale. Disaggregating *Higher Education* and *Hospitals* from the analysis demonstrates that *Human Services*, *Health* and *Education* are not growing much in economic terms.

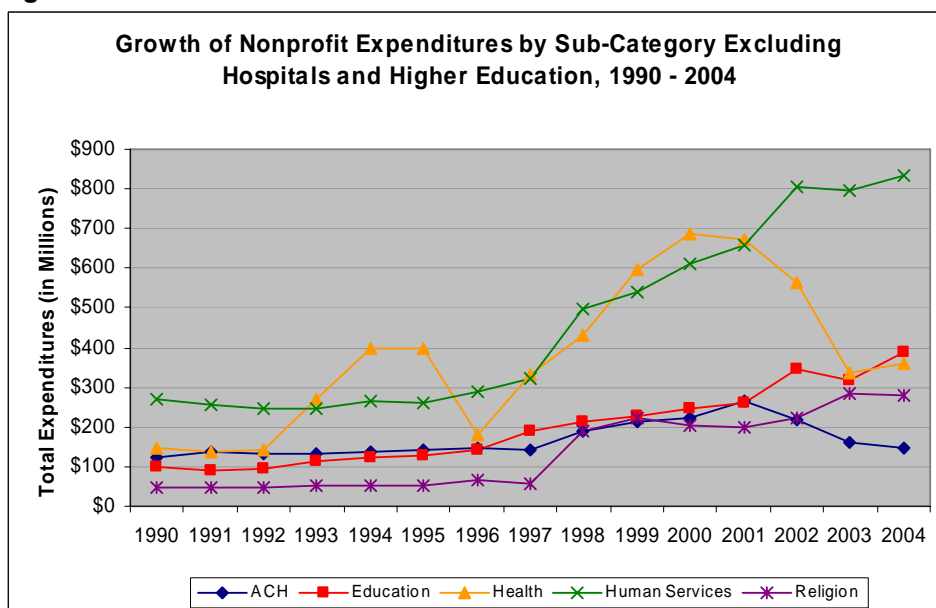
Figure 22a and 22b. Growth in the Number of Organizations and Expenditures by Sub-Category, Excluding Hospitals and Higher Education, 1990 - 2004

Figure 22a.



Source: NCCS CORE Public Charities file, 1990 – 2004

Figure 22b.



Source: NCCS CORE Public Charities file, 1990 - 2004

Although these three fields are large in terms of total expenditures, a closer look raises concerns about the sustainability of these fields as **Figure 22b** suggests. All three sectors have steadily added new organizations each year, however, expenditures show that *Health* has been very unstable and *Education* expenditures have not grown as quickly.

Figure 23a - 23d. Average and Median Expenditures by Sub-Category, 1995 - 2004

Figure 23a.

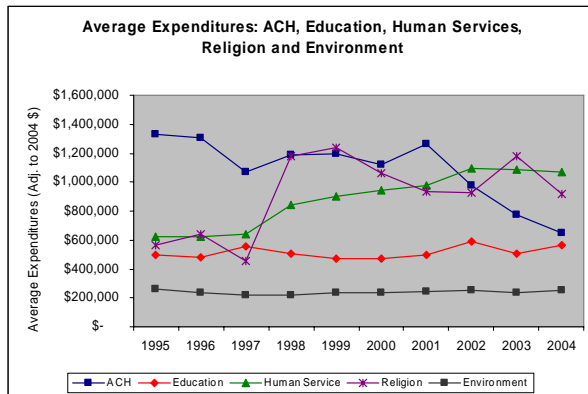


Figure 23b.

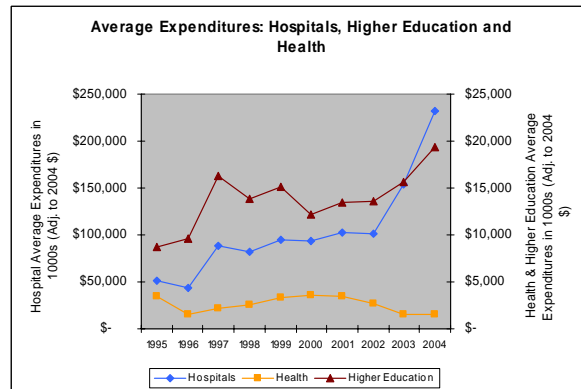


Figure 23c.

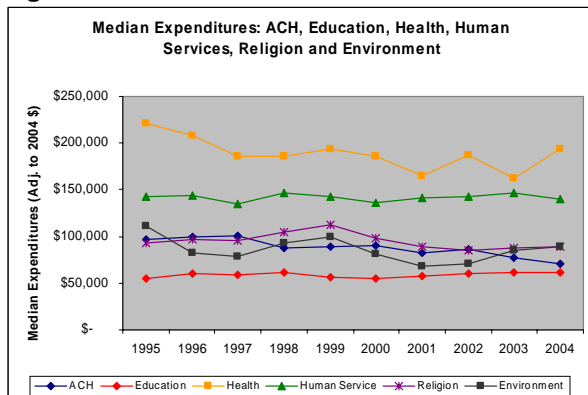
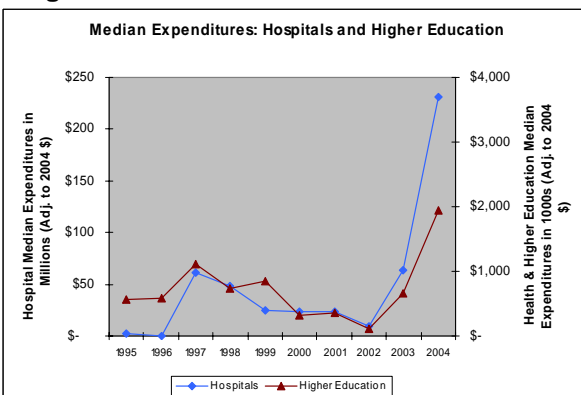


Figure 23d.



Source: NCCS CORE Public Charities file, 1995 - 2004

Average and median expenditures provide more insight into how the majority of organizations are performing. **Figure 23a** through **23d** show that average and median *Health* expenditures are higher than other categories, but have fallen over time. *Education* and *Human Services* have not fallen but have not grown. *Environment* expenditures have been more variable but have generally not changed significantly.

Conversely, within the past three years, average and median expenditures in *Higher Education* and *Hospitals* have soared. In 1998, *Religion* expenditures also saw a dramatic increase that propelled the field to a new level, perhaps due to the impact of the ‘mega churches.’ Since then, expenditures have remained high. The same is true for revenue (**Figure 24b** and **24d**) and assets (**Figure 25b** and **25d**) for *Higher Education* and *Hospitals*.

Figure 24. Average and Median Revenues by Sub-Category, 1995 - 2004

Figure 24a.

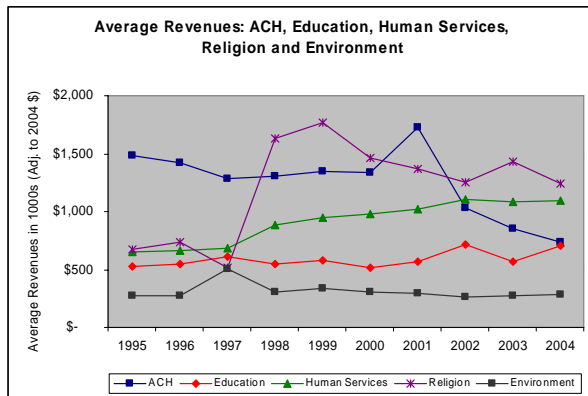


Figure 24b.

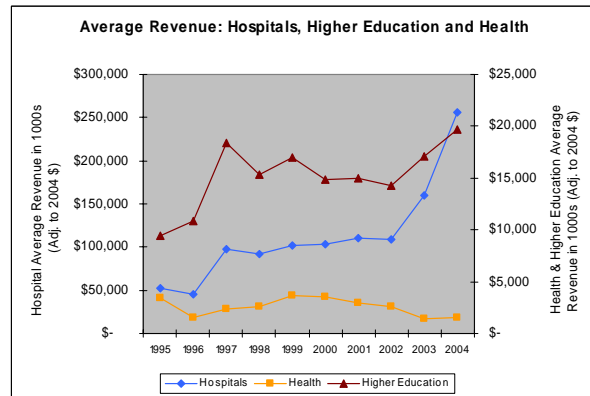


Figure 24c.

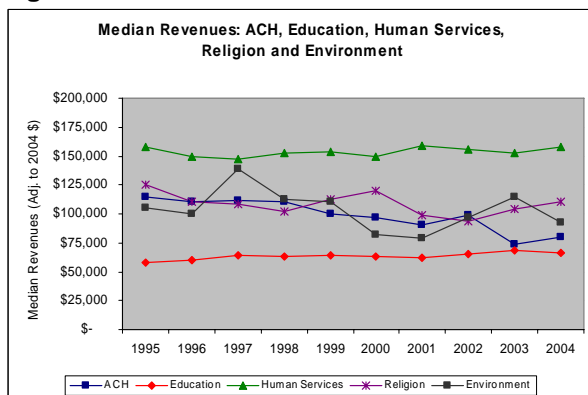
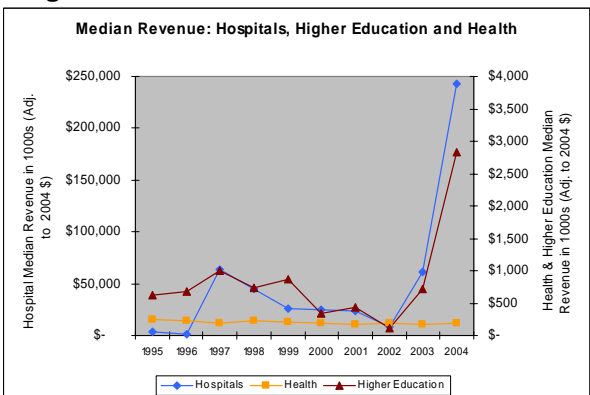


Figure 24d.



Source: NCCS CORE Public Charities file, 1995 - 2004

There is also a clear decline in average and median *Health* revenues. Between 1995 and 2004, the majority of *Health* organizations saw revenues fall by approximately \$100,000. *Human Services* and *Education* nonprofits have performed better, with moderate growth in average revenue and slow growth in median revenue.

Asset data shows a slightly more positive picture. *Education* nonprofits received a significant infusion of funding in 2001 that doubled assets, and *Human Services* nonprofits continue to show steady growth. Average *Health* assets have been more stable and only show a slight decline. Median assets however, are much more variable. The majority of *Health* nonprofits saw their assets fall, as did *Arts, Culture & Humanities (ACH)*. *Human Services* and *Religion* assets grew through 2001 but have since declined.

Figure 25a - 25d. Average and Median Assets by Sub-Category, 1995 - 2005

Figure 25a.

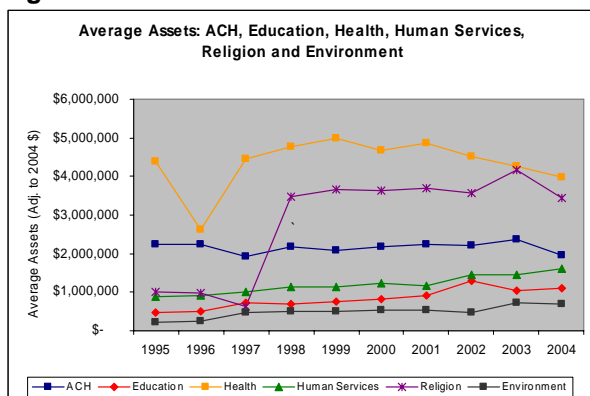


Figure 25b.

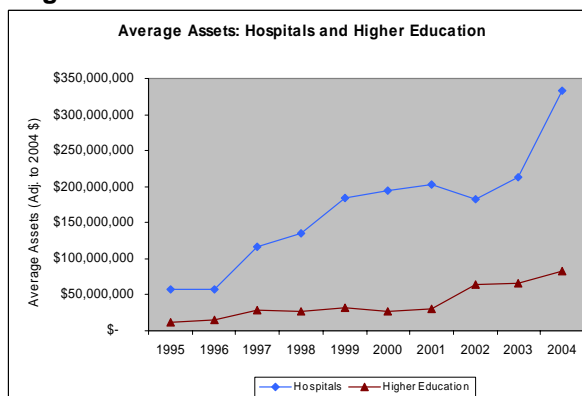


Figure 25c.

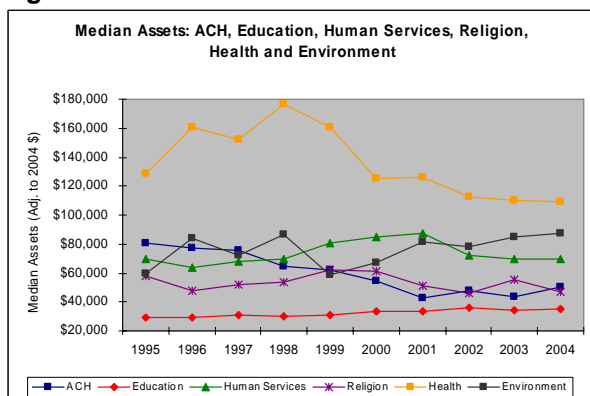
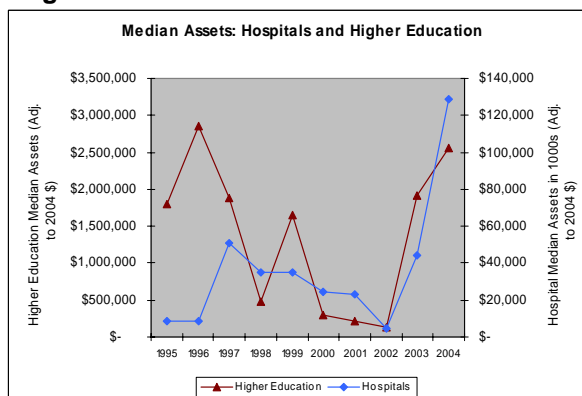


Figure 25d.



Source: NCCS CORE Public Charities file, 1995 - 2004

Clearly, at one level, these findings reveal a very complex picture of the Orange County nonprofit sector. As we have seen, not all fields show the same trends and some are performing better than others. At another level, however, there are indications of gradual erosion in the average economic scale of nonprofit organizations in the County. While it does not affect all nonprofits to be sure, declining average and median expenditures and revenues raise questions about the actual and potential organizational capacity to respond to growing needs. They also point to issues of efficiency and effectiveness although our data do not allow us to address these issues here.

Nonprofit Capacity

Whereas the previous section established the contours of the sector by using economic indicators to compare it to other regions, this section looks more closely at the issue of capacity by assessing the sector's performance in terms of its ability to address the needs of the constituents it serves. Our analysis compares populations in need with nonprofits responsible for meeting these needs. It should be noted that the following analysis is not a scientific measurement and

should not be interpreted as such. Rather, this section is only meant to provide a rough picture of possible capacity concerns.²⁹ Even with these limitations, the results are telling.

Orange County faces growing and changing needs that the nonprofit sector will undoubtedly be called on to meet. Nonprofit leaders agree that growing numbers of elderly, Latino and low-income populations will put pressure on the County’s safety-net system. Many leaders also point to the requirements of children, uninsured and “hidden” populations such as homeless and undocumented as burgeoning concerns. This section will explore how nonprofits are currently managing some of these concerns and open the discussion to what role nonprofits will be asked to play and whether the sector is capable of doing so.

Seniors

Figure 26a and 26b. Nonprofit Organizations and Expenditures Serving Seniors (65 +)

Figure 26a.

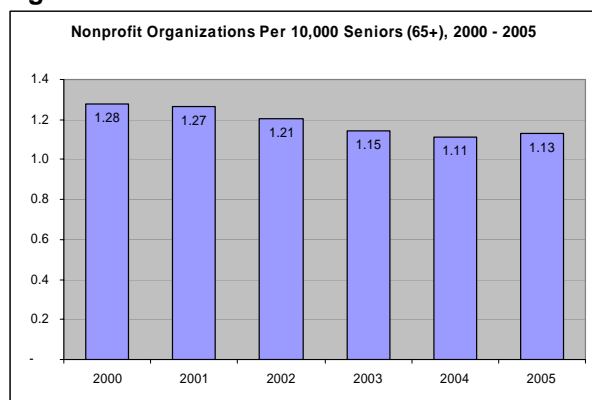
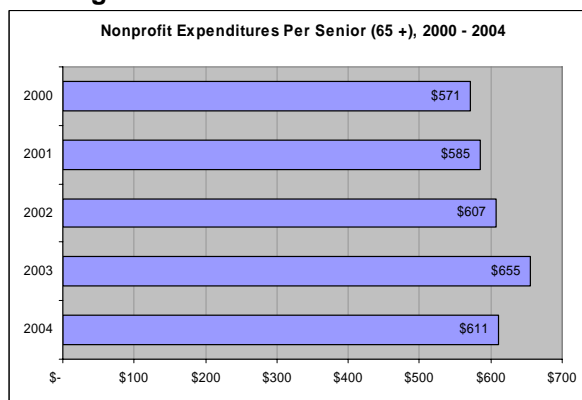


Figure 26b.



Source: NCCS Business Master File, 2000-2005; NCCS CORE Public Charities file, 2000-2004; US Census Bureau, America Community Survey, 2000-2005

The *Orange County Workforce 2005 Report* estimates that the County’s population over 65 years of age will make up more than 20% of the total population by 2050.³⁰ Despite this project growth, the number of organizations serving seniors has fallen and expenditures grew only slightly over the past five years.³¹ This analysis also does not include nonprofits that provide education, leisure or transportation services that seniors may access. Interestingly, the same report also found 25% of students enrolled in the South Orange County Community College

²⁹ The following analyses are not meant to be a scientific or accurate analysis of nonprofit capacity, efficiency or efficacy. These analyses are limited in terms of precision and scope and are subjective. Nonprofits are determined to be serving certain needs based on their reported primary activity (ACTIV1 variable). However, in the process of selecting these activities, it is likely that some nonprofits that do serve these needs were inadvertently omitted while other nonprofits that do not serve these needs were included. Moreover, certain groups, such as seniors, may access a broad range of services that were not included because the organization does not primarily serve seniors. See **Appendix D** for a complete list of activity codes.

³⁰ OCWIB, “Orange County Workforce 2005”: 10

³¹ Nonprofit organizations reporting their primary activity (ACTIV1 variable) as Nursing or Convalescent Home (152); Care and Housing for the Aged (153); Housing for the Aged (382); or Senior Centers and Services (575) are considered serving the senior population. See **Appendix D** for a complete list of activity codes.

District were over 50 years of age, suggesting that significant numbers of older residents are also using higher education services.³²

Children

Figure 27a and 27b. Nonprofit Organizations and Expenditures Serving Children (Under 18)

Figure 27a.

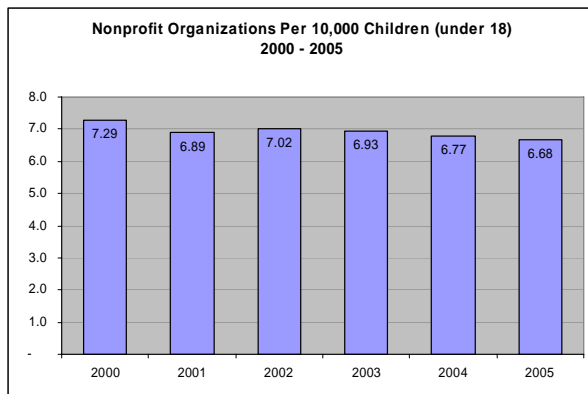
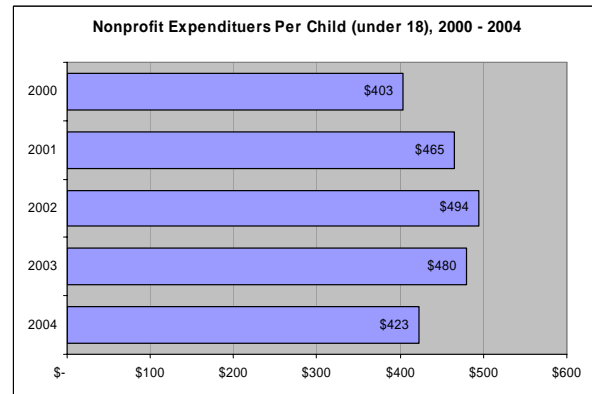


Figure 27b.



Source: NCCS Business Master File, 2000-2005; NCCS CORE Public Charities file, 2000-2004; US Census Bureau, America Community Survey 2000-2005

Nonprofit organizations serving the needs of children show a similar trend.³³ The total number of nonprofits has fallen while the number of children has grown meaning fewer nonprofits are serving children over the past five years. Expenditures grew in the early part of the century but have since fallen back to 2000 levels. Declining expenditures coupled with increasing number of children resulted in fewer dollars available per child.

Renters

The cost of housing has increased for all residents but renters have been affected the most.³⁴ In Orange County, as well as other regions, renters are facing slower growing incomes and rising costs of housing. In 1998, the median income for a renter was approximately 72% of the Area Median Income (AMI) but by 2005, it was only 63% of AMI.³⁵ The cost of rental housing, in contrast, grew 60%. **Figure 28** illustrates that prior to 2002, at least half of all renters, spending 30% of their income, could afford a 2-bedroom unit at the fair market rate. In 2005, the fair market rent was unaffordable for 57% of renters.

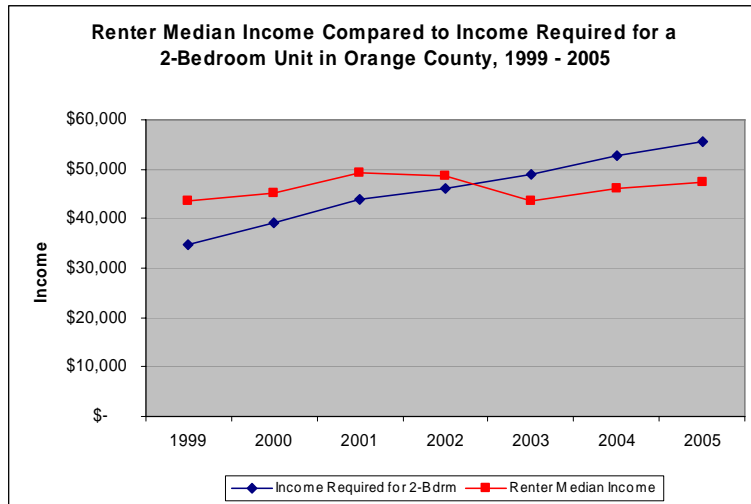
³² The report also found 20% of students enrolled at North Orange Community College District were over 55 years of age.

³³ Nonprofit organizations reporting their primary activity (ACTIV1 variable) as Boy Scouts, Girl Scouts, etc (320); Boys Club, Little League, Etc (321); YMCA, YWCA, YMHA, etc. (324); Camp (325); Care and housing of children (orphanage, etc.) (326); Prevention of cruelty to children (327); Combat juvenile delinquency (328); Other youth organization or activities (349); or Day care center (574) are considered engaged in activities benefiting children 18 and under. See **Appendix D** for a complete list of activity codes.

³⁴ The 2005 *Orange County Health Needs Assessment* and the *Orange County Workforce, 2005* report both made similar findings.

³⁵ National Low Income Housing Coalition, "Out of Reach" reports from 1998 to 2005, www.nlihc.org (accessed between October 9 and November 3, 2006)

Figure 28. Renter Median Income Compared to Income Required for a 2-Bedroom Apartment in Orange County, 1999 - 2005³⁶



Source: *Out of Reach*, 1999 – 2005, National Low Income Housing Coalition

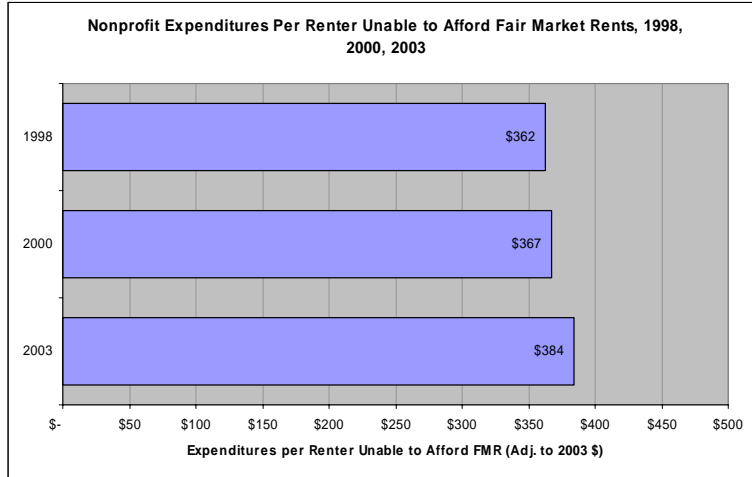
Nonprofit organizations³⁷ addressing housing and affordability issues have increased expenditures by 70% since 1998 but there are still concerns about whether these organizations are meeting needs.³⁸ For example, as **Figure 28** demonstrates, foundation grants for *Community Development* have been stagnant for a number of years.

³⁶ Renter median income was not available for 2001 and 2002. These values were computed. This was done by calculating Renter Median Income as a percent of Area Median Income for all years in which both values were available. The average of all these percentages was used to compute Renter Median Income for 2001 and 2002. In this case, Renter Median Income was on average 65.5% of Area Median Income

³⁷ Nonprofit organizations reporting their primary activity (ACTIV1 variable) as Low-income housing (380); Low and moderate income housing (381); Housing for the Aged (382); or Other housing activities (399) are considered engaged in activities related to housing and affordability. See **Appendix D** for a complete list of activity codes.

³⁸ In 1998, there were 29 nonprofit organizations providing services related to affordability and housing issues. This number increased to 32 in 2000 but fell to 29 again in 2003.

Figure 29. Nonprofit Expenditures Per Renter Unable to Afford Fair Market Rents



Source: *Out of Reach*, 1998, 2000 and 2003, National Low Income Housing Coalition; NCCS CORE Public Charities file, 1998, 2000 and 2003

Unemployed

Figure 30a and 30b. Nonprofit Organizations and Expenditures Serving the Unemployed

Figure 30a.

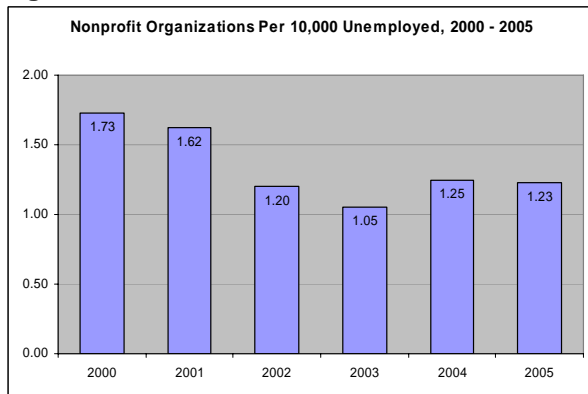
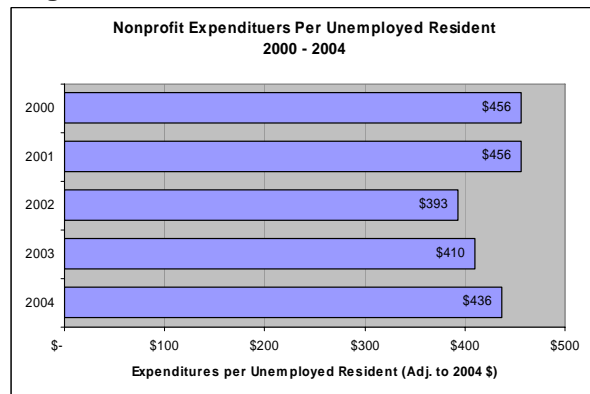


Figure 30b.



Source: NCCS Business Master File, 2000-2005; NCCS CORE Public Charities file, 2000-2004; U.S. Census Bureau, American Community Survey, 2000-2005

The number of nonprofits serving the unemployed has declined over the past five years but this was caused mostly by an increase in the number of unemployed rather than a drop in the number of organizations. Unemployment has held steady at 80,000 for the past two years, but remains 10,000 higher than in 2000. Unfortunately, while expenditures initially rose, possibly in response to increased numbers of unemployed, expenditures have been flat since 2002 despite greater need.³⁹

³⁹ Nonprofit organizations reporting their primary activity as (ACTIV1 variable) as Job training, counseling or assistance (566); Vocational counseling (568) or Membership benefit organization for unemployment benefits are engaged in activities benefiting the unemployed population. See **Appendix D** for a complete list of activity codes. The number of organizations decreased from 10 to 11.

Uninsured

Figure 31a and 31b. Health Care Access

Figure 31a.

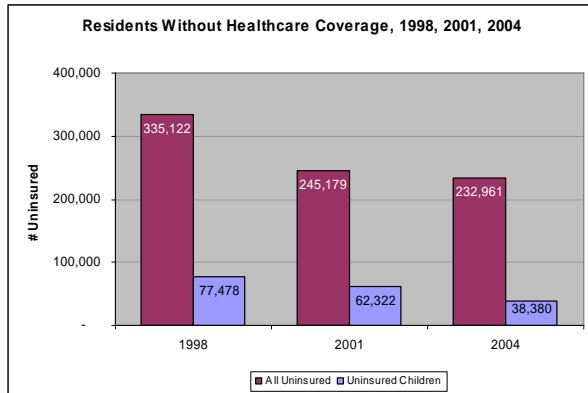
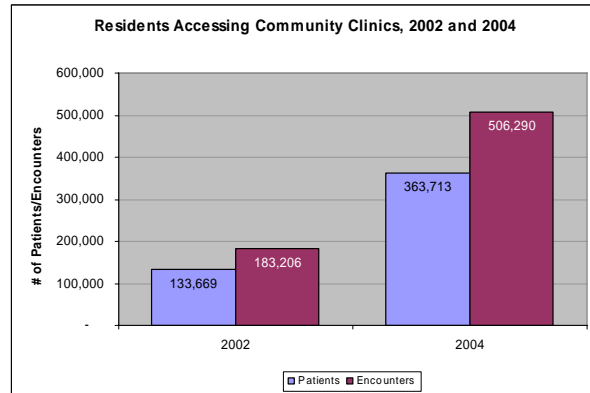


Figure 31b.



Source: *Orange County Health Needs Assessment*, 1999, 2002 and 2004

Healthcare has also become a more pressing issue as employers increase worker premiums and medical care becomes more expensive. In Orange County, occupations that pay lower wages represent the largest portion of employment and are projected to add the most new jobs.⁴⁰ During focus group discussions, nonprofit leaders speculate that many of these new jobs will also not offer medical coverage.

Over the past six years, the county has reduced the number of uninsured children by half and overall uninsured numbers dropped by over 100,000.⁴¹ However, insured rates varied by age and ethnicity. Residents, 18 to 24 years, were least likely to be insured and Latinos, Vietnamese and African Americans are half as likely to be insured as the county on average.⁴² The use of community clinics grew suggesting that increasing numbers of poor residents continue to access care through public or nonprofit supplied healthcare.⁴³ Among all *Health* (excluding hospitals) nonprofits however, the number of organizations increased over time but expenditures only grew between 1998 and 2001.⁴⁴ Currently, dollars spent per uninsured resident remains higher than 1998 levels, but remains over \$1,000 less than in 2001.

⁴⁰ OCWIB, "Orange County Workforce 2005": 19-23

⁴¹ "Orange County Health Needs Assessment" reports for 1998, 2001, 2004, www.ochna.org (accessed between October 8 and November 3, 2006)

⁴² Orange County Health Needs Assessment reports; County of Orange, "Orange County Community Indicators": 50

⁴³ According to the 2004 OCHNA report, the majority of patients who used community clinics paid for health services through some form of publicly sponsored health coverage such as Medi-Cal, Family Pact, Healthy Families and Medicare. 23% of patients paid based on a sliding scale while just 2% carried private insurance.

⁴⁴ The number of community clinics grew from 18 to 31 between 2002 and 2004.

Figure 32a and 32b. Health Organizations and Expenditures Serving the Uninsured

Figure 32a.

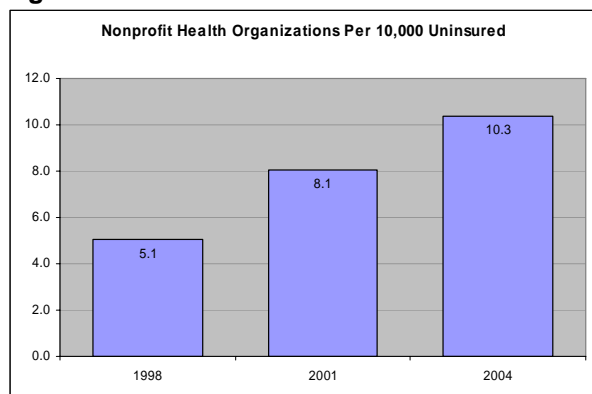
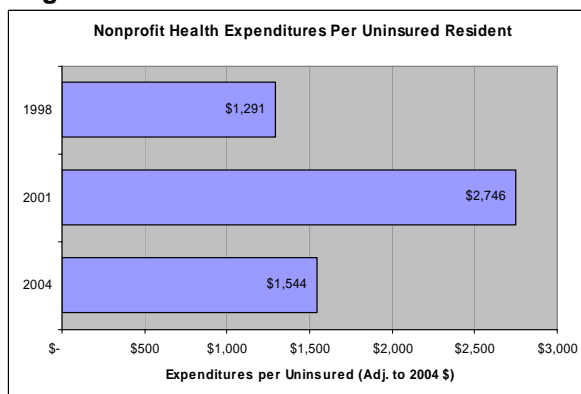


Figure 32b.



Source: *Orange County Health Needs Assessment*, 1998, 2001 and 2004; NCCS CORE Public Charities file, 1998, 2001 and 2004

Residents Living in Poverty

Figure 33a and 33b. Nonprofit Organizations and Expenditures Serving Populations Living in Poverty

Figure 33a.

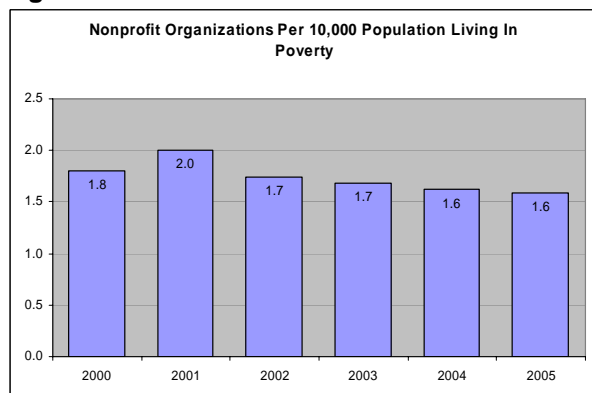
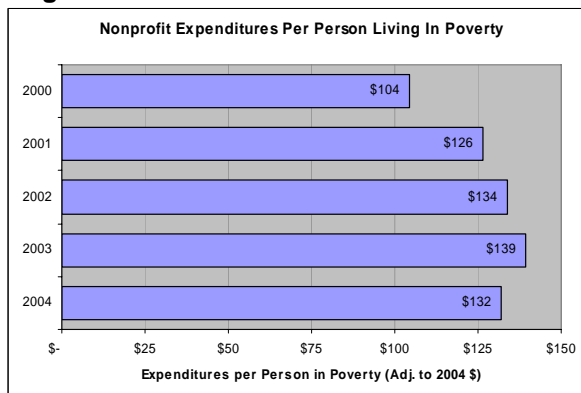


Figure 33b.



Source: NCCS Business Master File 2000-2005; NCCS CORE Public Charities file, 2000-2004; U.S. Census Bureau, American Community Survey, 2000 – 2005

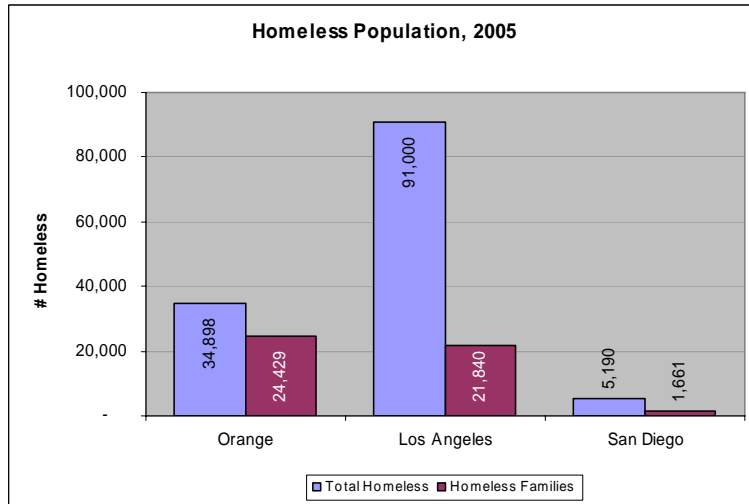
Although Orange County boasts one of the lowest poverty rates in the region, the U.S. Census Bureau reports that each year the number of people in poverty continues to grow.⁴⁵ Over the past five years, nonprofit organizations serving this population have increased expenditures by 50%, which translates into an additional \$28 per person living in poverty (adjusted for inflation).⁴⁶ However, the number of organizations serving this population has steadily declined over the same time period suggesting a consolidation of nonprofits providing these services.

⁴⁵ The Census Bureau, <http://www.census.gov/hhes/www/poverty/definitions.html>, has a detailed explanation of how poverty is calculated.

⁴⁶ Nonprofit organizations reporting their primary activity (ACTIV1 variable) as Supplying Money, Goods or Services to the Poor (560), are engaged in activities benefiting the population living in poverty. See **Appendix D** for a complete list of activity codes.

Homeless Population

Figure 34. Homeless Population, 2005



Source: *Homeless Counts in Major U.S. Cities and Counties*, Institute for the Study of Homelessness and Poverty, 2005

Despite reporting some of the lowest poverty rates, Orange County's homeless population is very large. In 2005, Orange County reported almost 35,000 homeless residents, 1.2% of the total population. This is greater than Los Angeles County (0.9%) and over six times greater than San Diego County (0.2%).⁴⁷ The homeless population is also overwhelmingly families, 70%, twice as large as other regions.⁴⁸ Homeless families, often with children, pose unique challenges for service providers because their needs are different from homeless individuals.⁴⁹ In addition, during focus group meetings, nonprofit leaders stressed that homelessness is a hidden problem that makes providing services and attract funding more difficult. However, the number of homeless has stabilized after several years of steady growth.⁵⁰

⁴⁷ Care must be taken in comparing these figures because of differences in counting methods between counties.

⁴⁸ Homeless families made up 24% of Los Angeles County's homeless population and 30% of San Diego County's homeless population. Institute for the Study of Homelessness and Poverty, *Homeless Counts in Major US Cities and Counties 2005*, <http://www.weingart.org/institute/> (accessed October 26, 2006)

⁴⁹ Family homelessness is more closely tied to economic hardship includes financial loss and high cost of living. Other common reasons for family homelessness include domestic violence and health problems.

⁵⁰ County of Orange, "Orange County Community Indicators 2006": 10

Figure 35a and 35b. Nonprofit Organizations and Expenditures Serving the Homeless⁵¹

Figure 35a.

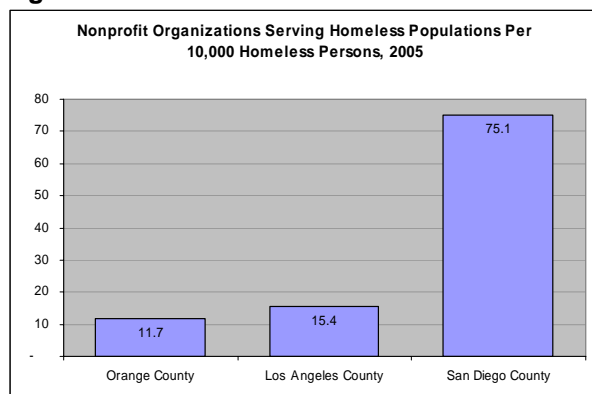
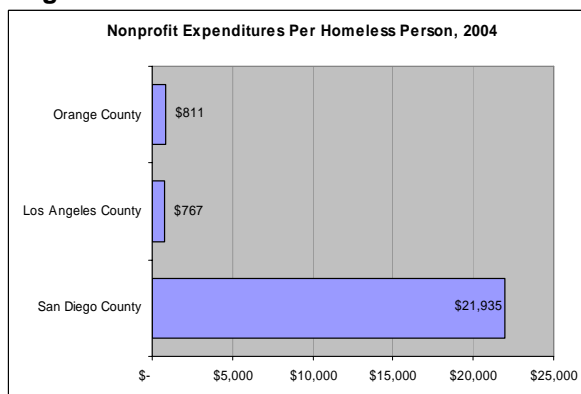


Figure 35b.



Source: NCCS CORE Public Charities file, 2004; Homeless Counts in Major U.S. Cities and Counties, Institute for the Study of Homelessness and Poverty, 2005

Figure 35a and 35b shows that comparatively, Orange County’s nonprofit community is not well equipped to address homelessness.⁵² There are approximately 12 organizations for every 10,000 homeless individual in the county, lower than Los Angeles County and San Diego County. Total expenditures in San Diego County were greater than Los Angeles County and Orange County combined and averaged \$21,000 per homeless person. Orange County spent \$818 per homeless person, only slightly better than Los Angeles County. This markedly higher spending might be responsible for the smaller homeless population in San Diego County.⁵³

The Role of Foundations

Understanding the nonprofit sector cannot occur without taking into account those institutions tasked with supporting nonprofit organizations. Because of the important role foundations fulfill in supporting nonprofit organizations, their performance is critical to the growth of the nonprofit sector as a whole. This section looks at who the funders are, what they support, and what impact they have on the nonprofit sector and the local economy.

Most of the analysis in this section is limited to private foundations because most data is available for these types of foundations. Private foundations, as defined by the IRS, include independent, corporate and operating foundations. Community foundations are not considered private foundations. This is important to note that giving is limited to grants from private foundations. Community foundations and nonprofit organizations that make grants are not included. Therefore, figures for giving may be understated.⁵⁴

⁵¹ Expenditures per homeless person uses 2004 NCCS CORE files, the latest year this information is available.

⁵² Organizations reporting their primary activity (ACTIV1 variable) as Supplying Money, Goods or Services to the Poor (560) are considered serving the homeless population. See **Appendix D** for a complete list of activity codes.

⁵³ The 2006 Orange County Community Indicators report also found that San Diego County had only 1.8 homeless persons per 1,000 residents as compared to 11.7 per 1,000 residents for Orange County.

⁵⁴ Because the IRS separates community foundations (which file the IRS 990) from other foundations (private foundations which file the IRS 990PF), values reported in this section exclude community foundations. However,

In 2004, there were 635 foundations located in Orange County.⁵⁵ Orange County has various types of foundations that collectively hold over \$2 billion in assets. Most are independent foundations (85%) that receive endowments from individuals or families. Operating foundations make up just over 10% and raise funds to support their own programs. Orange County also has 11 corporate foundations that are funded by parent companies and two public community foundations that seek funding from public sources.⁵⁶

Table 1. Types of Foundations

	Independent	Corporate	Community	Operating	Total
# of Foundations	419	11	2	54	486
% of All Foundations	86.2%	2.3%	0.4%	11.1%	100%
Assets	\$1,642,850,000	\$85,362,000	\$59,016,000	\$99,208,000	\$1,886,436,000
% of All Foundation Assets	87.1%	4.5%	3.1%	5.3%	100%
Gifts Received	\$64,992,000	\$21,820,000	\$18,670,000	\$21,746,000	\$127,228,000
% of All Gifts Received	51.1%	17.2%	14.7%	17.1%	100%
Total Giving ¹	\$139,119,000	\$13,585,000	\$7,535,000	\$13,106,000	\$173,345,000
% of Total Giving	80.3%	7.8%	4.3%	7.6%	100%
Qualifying Distributions ⁵⁷	\$144,913,000	\$14,850,000	\$8,700,000	\$18,059,000	\$186,521,000
% of All Qualifying Distributions	77.7%	8.0%	4.7%	9.7%	100%

Source: Foundation Center, circa 2004; errors in percentages due to rounding

Table 1 uses Foundation Center data compiled on the nearly 500 larger foundations in Orange County, and shows that independent foundations had the most assets, received the most gifts and distributed the most grants. However, in relation to total assets, independent foundations receive significantly fewer gifts (50%) than corporate and community foundations. Community

an effort has been made to include community foundations whenever possible. The majority of foundation giving is derived from the FoundationSearch database which obtains information on individual grants from the IRS 990PF. Therefore, community foundations and nonprofit organizations that do grant-making (both file the IRS 990) will not be captured in this analysis. In addition, where giving is separated into local foundation giving and non-local foundation giving, local giving may be underestimated. One scenario where this might occur is if a foundation that has many offices files only one IRS 990PF. In this case, FoundationSearch determines that all grants originated from that office because this is the address supplied on the IRS 990PF. See **Appendix A** for more information on data sources and the limitations of the data.

⁵⁵ The National Center for Charitable Statistics recorded 635 foundations filing annual financial documents (Tax Form 990PF) in 2004, the latest year for which this information is available.

⁵⁶ Definitions are obtained from Foundation Center, www.foundationcenter.org

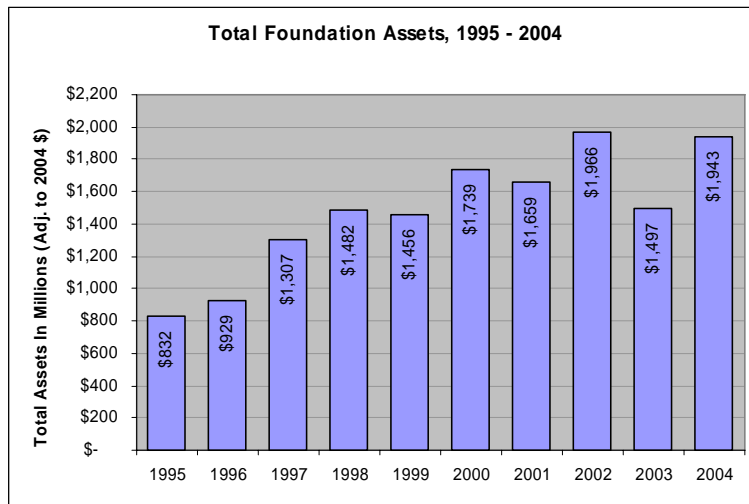
⁵⁷ Qualifying distributions are the expenditures used in calculating the required payout; including total giving, as well as reasonable administrative expenses, set-asides, PRIs, operating program expenses, and the amount paid to acquire assets used directly for charitable purposes (Foundation Center, 2005).

foundations, which made up less than 1% of all foundations, received almost 15% of all gifts, indicating their growing presence as local philanthropies.

Overall, Orange County foundation assets have been growing since 1997 (**Figure 36a**). In 2003, however, foundation assets fell by more than 20%, reaching 1998 levels, but have rebounded since then. This is not surprising given the tendency of foundations assets to fluctuate with the market. **Figure 36b** shows that the same drop in assets also occurred in Los Angeles County, implying that this was a regional phenomenon. **Figure 36b** also shows that Orange County foundations have more assets and are growing more quickly than in San Diego County. Indeed, in this respect, Orange County foundations have revealed a pattern closer to Los Angeles County than San Diego County over time.

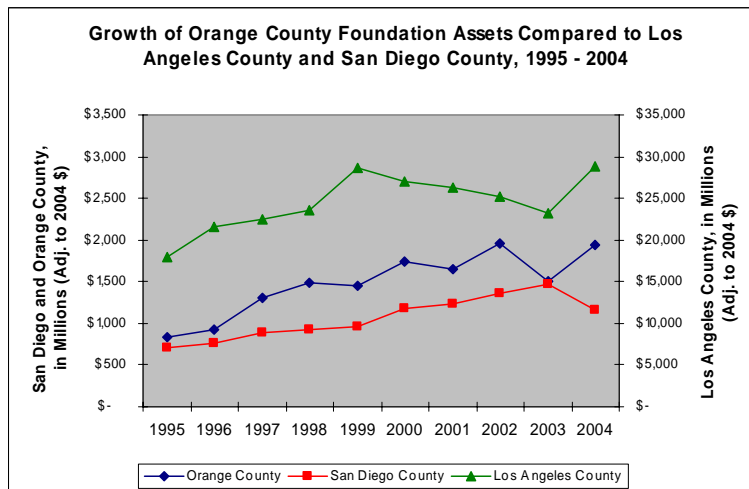
Figure 36a and 36b. Foundation Assets

Figure 36a.



Source: NCCS CORE Private Foundations file, 1995 - 2004

Figure 36b.



Source: NCCS CORE Private Foundations file, 1995 - 2004

Table 2. Largest Orange County Foundations by Assets

1995		2000		2004	
Name	Asset	Name	Asset	Name	Asset
Arnold & Mabel Beckman Foundation	\$ 224,079,290	Arnold & Mabel Beckman Foundation	\$ 408,715,702	Arnold & Mabel Beckman Foundation	\$ 373,405,000
Evalyn Bauer Foundation	\$ 24,149,240	The Crean Foundation	\$ 87,167,888	Gross Family Foundation	\$ 143,060,074
R C Baker Foundation	\$ 22,564,897	A Gary Anderson Family Foundation	\$ 73,236,486	The Crean Foundation	\$ 83,370,652
Irvine Health Foundation	\$ 22,254,574	Orange County Community Foundation	\$ 72,451,652	A Gary Anderson Family Foundation	\$ 72,001,675
Pacific Life Foundation	\$ 20,462,640	Swenson Family Foundation	\$ 53,493,614	Mr and Mrs Samuel Oschin Family Foundation	\$ 58,721,818
Argyros Foundation	\$ 19,596,143	Pacific Life Foundation	\$ 41,876,034	Orange County Community Foundation	\$ 58,217,839
Joan Irvine Smith & Athalie R Clarke Foundation	\$ 19,313,196	Argyros Foundation	\$ 33,901,660	Hutton Foundation	\$ 57,087,582
Cooper Fellowship	\$ 18,906,690	Wynn Foundation	\$ 29,114,963	Swenson Family Foundation	\$ 55,106,015
Homeland Foundation	\$ 17,441,428	Severin Wunderman Family Foundation	\$ 28,688,908	Pacific Life Foundation	\$ 48,179,953
Environment Now	\$ 16,280,099	Evalyn M Bauer Foundation	\$ 28,479,581	James L Stamps Foundation	\$ 31,758,058
Karl Kirchgessner Foundation	\$ 14,087,495	James L. Stamps Foundation	\$ 27,594,135	Environment Now	\$ 31,549,675
Harry & Grace Steele Foundation	\$ 13,962,019	The Homeland Foundation	\$ 27,104,937	The Paul & Elisabeth Merage Family Foundation	\$ 29,754,659
George T. Pflieger Foundation	\$ 13,056,247	Irvine Health Foundation	\$ 27,096,935	Evalyn M Bauer Foundation	\$ 29,481,800
William Gillespie Foundation	\$ 11,159,960	R C Baker Foundation	\$ 26,310,517	R C Baker Foundation	\$ 28,709,151
First Fruit	\$ 10,372,433	Joan Irvine Smith & Athalie R Clarke Foundation	\$ 24,029,202	Nicholas Foundation	\$ 28,328,150
Gross Family Foundation	\$ 9,007,917	Karl Kirchgessner Foundation	\$ 22,992,746	Argyros Foundation	\$ 27,511,185
Wynn Foundation	\$ 8,684,586	The Donald L Bren Foundation	\$ 22,420,630	Wynn Foundation	\$ 25,562,454
O L Halsell Foundation	\$ 7,859,713	Healthcare Foundation for Orange County	\$ 21,037,663	Andre & Katherine Merage Foundation of Nevada	\$ 20,537,729
Global Operations & Development	\$ 7,497,667	Greenville Foundation	\$ 19,668,259	First Fruit	\$ 19,574,250
Francis H Clougherty Foundation	\$ 7,231,780	Fairchild-Martindale Foundation	\$ 18,507,260	Dhont Family Foundation	\$ 17,047,951

Source: NCCS CORE Private Foundations file, 1995, 2000 and 2004

A closer look at individual foundations in **Table 2** found that the 20 largest foundations in terms of assets accounted for 77% of all foundation assets. However, the largest foundations share of total assets is dropping, comprising 67% in 2000 and 62% in 2004.

Table 3. Largest Orange County Foundations by Expenditures

1995		2000		2004	
Arnold & Mabel Beckman Foundation	\$ 9,714,668	Arnold & Mabel Beckman Foundation	\$ 23,799,293	Homeland Foundation	\$ 19,853,506
Harry & Grace Steele Foundation	\$ 4,898,407	Open Doors International Inc	\$ 9,143,669	Arnold & Mabel Beckman Foundation	\$ 17,185,044
Global Operations & Development	\$ 4,816,858	Orange County Community Foundation	\$ 6,515,963	Open Doors International Inc	\$ 12,854,469
Fluor Foundaiton	\$ 4,168,107	Claire Trevor Bren Foundation	\$ 4,706,507	Orange County Community Foundation	\$ 9,275,547
Joan Irvine Smith & Athalie R Clarke Foundation	\$ 3,255,341	Severin Wunderman Family Foundation	\$ 4,510,831	Donald L Bren Foundation	\$ 6,808,649
Homeland Foundation	\$ 2,538,277	Homeland Foundation	\$ 4,272,183	Greenville Foundation	\$ 6,157,435
Cooper Fellowship	\$ 2,506,124	Argyros Foundation	\$ 4,032,810	Samueli Family Foundation	\$ 5,596,373
Pacificare Health Systems Foundation	\$ 2,009,295	Pacificare Health Systems Foundation	\$ 3,802,973	Crean Foundation	\$ 5,476,657
First Fruit	\$ 1,532,513	Flour Foundation	\$ 3,220,002	Pacificare Health Systems Foundation	\$ 5,246,672
Irvine Health Foundation	\$ 1,520,524	Pacific Life Foundation	\$ 2,920,767	Irvine Public School Foundation	\$ 4,289,065
United Community Outreach	\$ 1,487,360	Swenson Family Foundation	\$ 2,834,658	George T Pfleger Foundation	\$ 3,906,594
Environment NOW	\$ 1,458,944	First Fruit	\$ 2,737,838	Severin Wunderman Family Foundation	\$ 3,883,978
Modglin Family Foundation	\$ 1,386,247	Crean Foundation	\$ 2,724,820	A Gary Anderson Family Foundation	\$ 3,683,713
Theodore Albert Von Der Ahe Jr Trust	\$ 1,267,195	Joan Irvine Smith & Athalie R Clarke Foundation	\$ 2,419,985	Argyros Foundation	\$ 3,526,048
Fieldstone Foundation	\$ 1,227,174	Irvine Health Foundation	\$ 2,300,061	Change a Life Foundation	\$ 3,388,819
Pacific Life Foundation	\$ 1,194,533	Wynn Foundation	\$ 2,257,845	Dhont Family Foundation	\$ 3,303,488
Argyros Foundation	\$ 1,137,361	Harry & Grace Steele Foundation	\$ 2,227,940	Swenson Family Foundation	\$ 3,232,306
R C Baker Foundaiton	\$ 1,100,142	A Gary Anderson Family Foundation	\$ 2,075,099	Pacific Life Foundation	\$ 2,905,015
Ralph & Eleanor Leathersby Family Foundation	\$ 1,094,356	Reed J Levecke Foundation	\$ 2,020,088	Nicholas Foundation	\$ 2,884,403
Evalyn M Bauer Foundation	\$ 1,061,780	Donald L Bren Foundation	\$ 2,003,498	Hutton Foundation	\$ 2,802,793

Source: NCCS CORE Private Foundations file, 1995, 2000 and 2004

The foundations with the most assets do not necessarily have the highest expenditures and disbursements (**Table 3**). For example, the Arnold and Mabel Beckman Foundation did not have the highest expenses in 2004 despite having over two times as much in assets as the second largest foundation. Rather, the Homeland Foundation, a pass-through foundation, had the highest expenditures even though it was not one of the 20 largest foundations in terms of assets.

Table 4. Concentration of Foundation Grants, 2003⁵⁸

Top 0.5% of Grants Represent	Orange County	Los Angeles County	San Diego County
All Categories	18.3%	23.5%	25.2%
Education	14.3%	30.7%	21.0%
Health	10.8%	13.7%	15.7%
Social & Human Services	8.8%	23.8%	14.3%
International Giving	0.0%	26.8%	0.0%
Environment	0.0%	17.4%	16.1%
Arts & Culture	13.5%	7.4%	13.6%
Religion	19.8%	15.1%	6.3%
Community Development	12.5%	18.0%	52.3%
Sports & Recreation	0.0%	0.0%	0.0%
Miscellaneous Philanthropy	19.0%	23.2%	11.2%

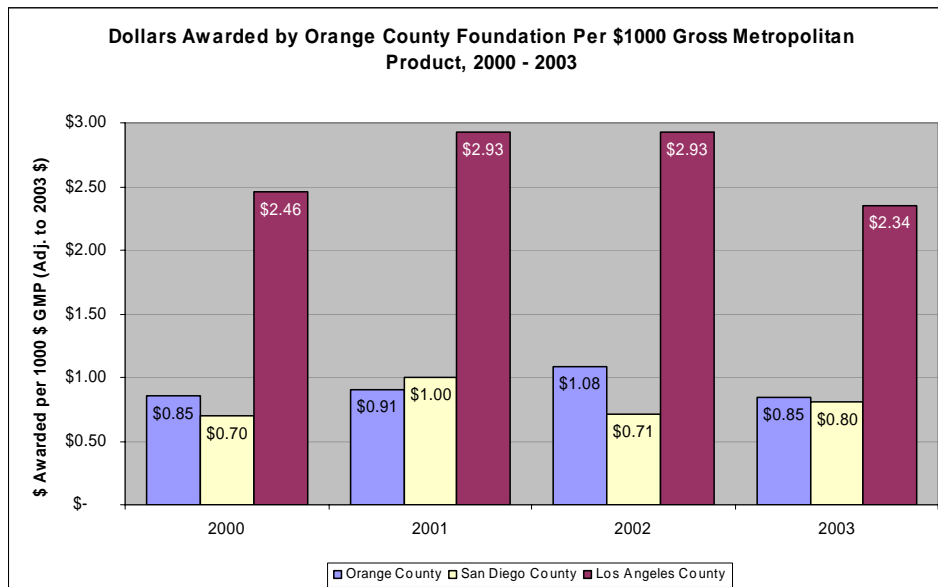
Source: FoundationSearch, 2003⁵⁹

As foundations have often been criticized for favoring a few large, and often prestigious, institutions, it is important to examine the equality or inequality of the distribution of grant dollars across grants. **Table 4** provides a measure of inequality (or concentration) of grant dollars, showing the share of all foundation dollars awarded by subject category that is held by the top one-half of one percent of grants given to that category. A smaller share indicates a more equal pattern of giving. Foundation giving, in general, is somewhat concentrated in the County. The top one-half of one percent of grants represents 18.3% of all grant dollars allocated to the County but compared to Los Angeles County (23.1%) and San Diego County (25.2%), giving is more evenly distributed. Giving to *Social & Human Services* is much more equally distributed in Orange County relative to other regions. Giving to *Religion* (19.8%) was more concentrated in Orange County than both Los Angeles and San Diego counties.

⁵⁸ 0.5% of grants in International Giving, Environment and Sports & Recreation can not be calculated because the total number of grants in these categories is too small.

⁵⁹ Data was extracted from FoundationSearch on September 12, 2006. The top 0.5% of all grants includes grants from 14 foundations in Orange County, 88 in Los Angeles County and 18 foundations in San Diego County.

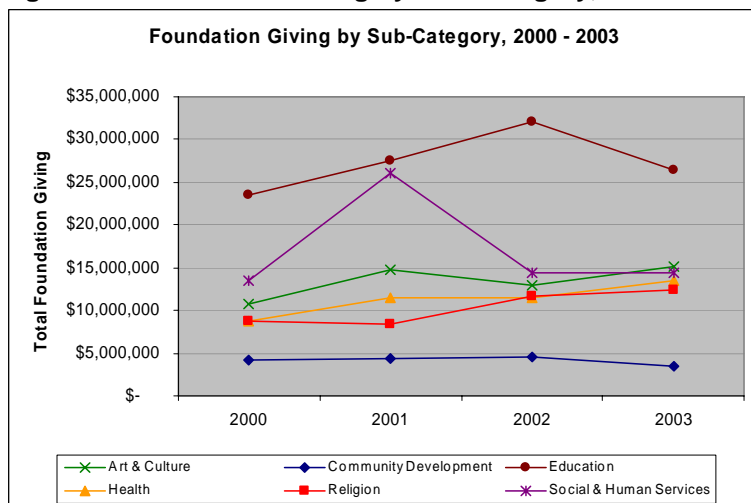
Figure 37. Dollars Awarded by Orange County Foundations Per \$1000 Gross Metropolitan Product, 2000 - 2003



Source: NCCS CORE Private Foundation File, 2000-2003; *The Engine of American Growth*, U.S. Conference of Mayors 2004 and 2006⁶⁰

Between 2000 and 2003, total foundation giving per \$1,000 Gross Metropolitan Product (GMP) was approximately a third as much as neighboring Los Angeles County and has not grown significantly. Despite increasing in 2001 and 2002, giving per \$1000 GMP has fallen to 2000 levels, suggesting that Orange County foundations impact on the local economy and nonprofit sector is not growing or catching up with the pattern of foundation giving in Los Angeles County. However, Orange County appears to be in-line with San Diego County.

Figure 38. Foundation Giving by Sub-Category, 2000 - 2003



Source: Foundation Search, 2000-2003⁶¹

⁶⁰ The total contributions, gifts and grants paid, as reported to the IRS by all foundations was used to determine total dollars awarded.

⁶¹ Data was extracted from Foundation Search on August 22, 2006

While giving was not relatively concentrated among any particular category (**Figure 37**), giving clearly favored *Education*. *Education* consistently received the most funding, nearly two times more than most other categories, and grew the fastest until 2003. Funding for other categories has been fairly close and has been generally growing as well. Conversely, funding for *Community Development* has consistently been the lowest and has not grown over the four years.

Table 5. Distribution of Grants Awarded by Orange County Foundations, 2004

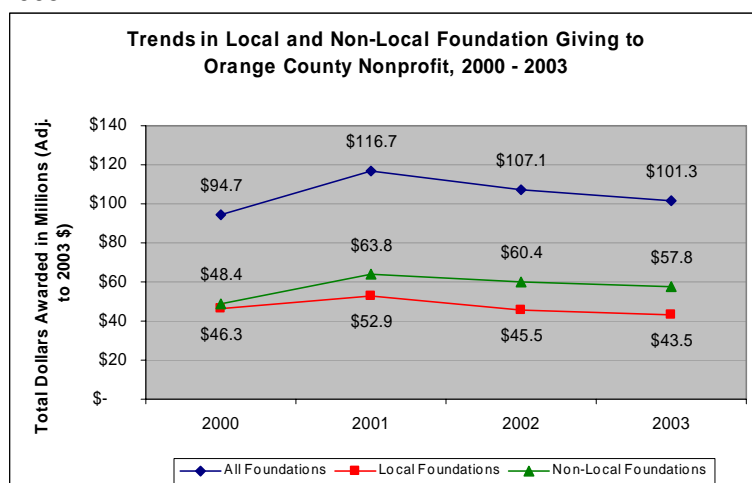
	Grant Amount	%	# of Grants	%
Arts & Culture	\$284,000	0.6%	10	2.0%
Education	\$7,600,000	15.1%	25	5.0%
Environment & Animals	\$8,911,000	17.7%	146	28.9%
Health	\$5,874,000	11.7%	55	10.9%
Human Services	\$3,463,000	6.9%	106	21.0%
International	\$475,000	0.9%	9	1.8%
Public/Society Benefit	\$1,335,000	2.7%	11	2.2%
Science & Technology	\$12,126,000	24.1%	131	25.9%
Social Science	\$60,000	0.1%	1	0.2%
Religion	\$10,168,000	20.2%	11	2.2%
<i>Total</i>	<i>\$50,296,000</i>		<i>505</i>	

Source: Foundation Center, 2004⁶²

In 2004, Orange County foundations awarded \$50.2 million dollars to local nonprofits, almost a quarter of which was for *Science & Technology*. Overall, however, the distribution of funds did not heavily favor one category over another. Most other major categories received significant funding from local foundations except for *Arts & Culture*, *International*, and *Social Science* which received less than one percent.

⁶² Data is based on the Foundation Center's grants sample database of 505 grants (circa 2004) of \$10,000 or more awarded to organizations by a sample of 1,172 larger foundations. For community foundations, only discretionary and other donor-advised grants were included. Grants to individuals are not included.

Figure 39. Trends in Local and Non-Local Foundation Giving to Orange County Nonprofit, 2000 - 2003



Source: Foundation Search, 2000-2003⁶³

Flows of Local versus Non-local Foundation Funding

Over the years, total foundation giving has declined. After growing quickly between 2000 and 2001 both local and non-local foundation giving dropped. Relative to giving from non-local foundations, local foundation giving has fallen more quickly. Between 2001 and 2003, non-local foundation giving fell by \$6 million but local foundations awarded over \$9 million less.

Table 6. Share of Local and Non-Local Foundation Giving to Orange County Nonprofits in Comparison to Other Regions, 2003

	Orange County	Los Angeles County	San Diego County	California
Local	42.8%	56.0%	36.7%	67.8%
Non-Local	57.2%	44.0%	63.3%	32.2%

Source: FoundationSearch, 2003⁶⁴

Table 6 illustrates this gap more explicitly. In Orange County, local foundations accounted for 43% of all foundation giving in 2003. By comparison, Los Angeles County (56%) and the state (67.8%) received more from local foundations. This might suggest that Orange County’s philanthropic community is not as developed as Los Angeles County or the state. However, Orange County’s foundations have a greater impact on the nonprofit sector than comparable San Diego County, where local foundations accounted for just over one-third all foundation funding.

During focus group discussions nonprofit leaders pointed to what they saw as a weak ‘culture of giving’ in Orange County. By this they meant a philanthropic outlook and giving practice that remains highly idiosyncratic, and is neither strategic nor supportive of developing the nonprofit sector in a systematic way. Leaders expressed the opinion that nonprofit organizations frequently encounter barriers to building donor bases because too few actual and potential funders expressed interest in supporting local nonprofit infrastructure.

⁶³ Data was extracted from the Foundation Search database on August 23, 2006.

⁶⁴ Data was extracted from the Foundation Search database on August 22, 2006.

Table 7. Largest Foundations Outside of Orange County Funding County-Based Nonprofit Organizations, 2004

Foundation	Location	Total Grants in 2004
H N and Frances C Berger Foundation	Palm Desert, CA	\$3,459,820
The Annenberg Foundation	St. Davids, PA	\$2,300,000
Weingart Foundation	Los Angeles, CA	\$1,818,365
George Hoag Family Foundation	Santa Monica, CA	\$1,627,000
Wells Fargo Foundation	Minneapolis, MN	\$1,556,660
The California Endowment	Los Angeles, CA	\$1,272,294
The California Wellness Foundation	Woodland Hills, CA	\$1,175,000
Unihealth Foundation	Los Angeles, CA	\$927,988
Abar Foundation	Pennington, NJ	\$745,686
Capital Group Companies Charitable Foundation	Los Angeles, CA	\$733,000
Whitaker Foundation	Rosslyn, VA	\$725,562
Archstone Foundation	Long Beach, CA	\$678,860
Robert A and Kari L Grimm Family Foundation	Bakersfield, CA	\$667,500
Bank of America Charitable Foundation Inc	Charlotte, NC	\$646,180
Robert Wood Johnson Foundation	Princeton, NJ	\$609,138
Bank of America Foundation Inc	Charlotte, NC	\$583,789
Hoag Foundation	Downey, CA	\$575,000
Fletcher Jones Foundation	Los Angeles, CA	\$570,000
SBC Foundation	San Antonio, TX	\$471,373
California Physicians Service Foundation	San Francisco, CA	\$471,100

Source: FoundationSearch, 2004⁶⁵

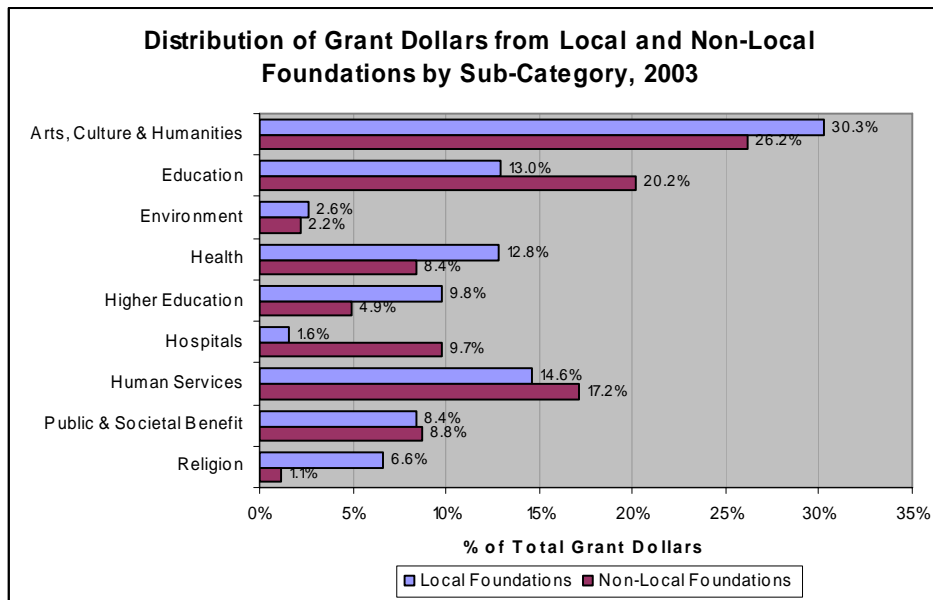
An analysis of grants from outside of the County found that the top 20 non-local foundations were responsible for 42% of all grants received from outside of Orange County. This suggests that there is a small community of non-local foundations which have a large impact on the County. The majority of these foundations are located in California.

Who is Being Funded?

This section takes a closer look at who is being funded by local and non-local foundations and the characteristics of organizations receiving grant dollars.

⁶⁵ Data was extracted from the FoundationSearch database on September 6, 2006.

Figure 40. Distribution of Grant Dollars from Local and Non-Local Foundations by Sub-Category, 2003⁶⁶



Source: FoundationSearch, 2003; NCCS CORE Public Charities file, 2003⁶⁷

On average, local and non-local foundations have similar giving patterns with *Arts, Culture & Humanities* received the most dollars. Local foundations distributed dollars more evenly among sub-categories. Non-local foundation giving was clustered among *Arts, Culture & Humanities*, *Education* and *Human Services*, which collectively received two-thirds of all non-local foundation dollars. Local and non-local foundations giving diverged significantly only for *Religion* and *Hospital* nonprofits.

Table 8. Nonprofit Organizations Receiving the Most Funds from Local Foundations, 2003

Organization	Sub-Category
Orange County Performing Arts Center	Art, Culture, & Humanities
Chapman University	Education, Higher
UCI Foundation	Education
Mission Hospital Regional Medical Center Foundation	Health
Hoag Hospital Foundation	Health
South Coast Repertory Inc	Art, Culture, & Humanities
Open Doors with Brother Andrew Inc	Religion
South Coast Chinese Cultural Association	Art, Culture, & Humanities
United Way of Orange County	Public & Societal benefit
St. Jude Memorial Foundation	Religion

Source: FoundationSearch, 2003; NCCS Core Public Charities file, 2003⁶⁸

⁶⁶ Foundation Search was used to determine the total number and grant dollars awarded to each nonprofit organization. The total was aggregated by category then divided by the total revenue (by category) from the 2003 NCCS CORE Public Charities file. Organizations were matched according to name because EIN were unavailable.

⁶⁷ Data was extracted from the Foundation Search database on December 5, 2005

⁶⁸ Data was extracted from the Foundation Search Database on December 5, 2006.

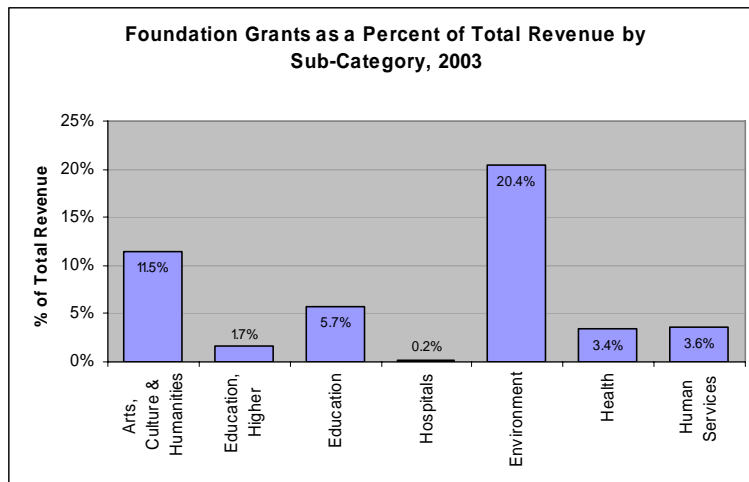
Table 9. Nonprofit Organizations Receiving the Most Funds from Non-Local Foundations, 2003

Organization	Sub-Category
Richard Nixon Library & Birthplace Foundation	Art, Culture & Humanities
Orange County Jewish Campus	Education
Hoag Memorial Hospital Presbyterian	Hospital
South Coast Repertory Inc	Art, Culture & Humanities
St. Joseph Hospital of Orange	Hospital
Chapman University	Education, Higher
United Way of Orange County	Public & Societal Benefit
Orange County Performing Arts Center	Art, Culture & Humanities
Pacific Symphony Association	Art, Culture & Humanities
UCI Foundation	Education

Source: FoundationSearch, 2003; NCCS CORE Public Charities file, 2003

As **Table 8** and **Table 9** reveals, the difference in funding priorities between local and non-local foundations is explained by a few large grants. The grant to Chapman University (\$2,619,150) represented over 95% of all *Higher Education* grants from local foundations. In **Table 9**, *Education* nonprofits received twice as much funding from non-local foundations. However, a large grant to the Orange County Jewish Campus accounted for this difference. Likewise, the large infusion of local foundation dollars for *Arts, Culture and Humanities* was received by the Orange County Performing Arts Center. The 10 largest grants represent 63% of local foundation grants and 57% of non-local foundation grants.

Figure 41. Foundation Grants as a Percent of Total Revenue by Sub-Category, 2003⁶⁹



Source: FoundationSearch, 2003; NCCS CORE Public Charities file, 2003⁷⁰

⁶⁹ FoundationSearch was used to determine the total number and grant dollars awarded to each nonprofit organization. The total was aggregated by category then divided by the total revenue (by category) from the 2003 NCCS CORE Public Charities file. Organizations were matched according to name because EIN were unavailable. Analysis is based on a total of 327 foundation grants awarded in 2003.

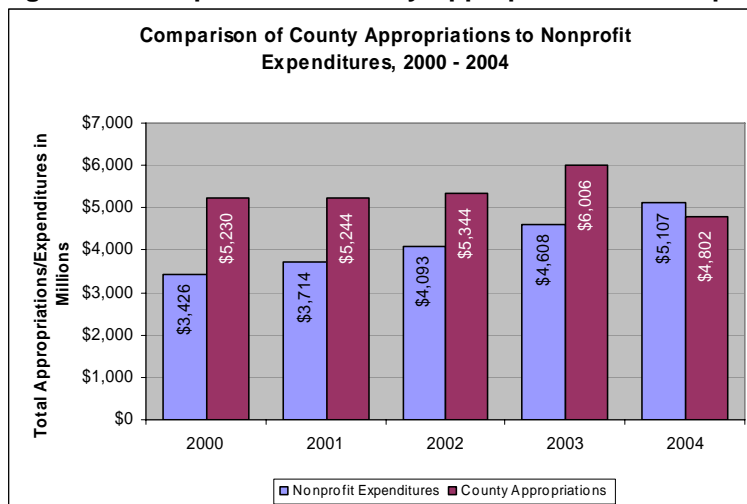
⁷⁰ Data was extracted from the FoundationSearch database on December 5, 2006.

Of all nonprofits receiving any foundation grants in 2003, foundation grants made up a significant percentage of revenue in only two categories, *Environment* (20.4% of total revenue) and *Arts, Culture & Humanities* (11.5% of total revenue). Conversely, grants from foundations accounted for less than a quarter of a percent of *Hospital* revenues. This sample of nonprofits is representative of the entire universe of nonprofits by sub-category.

County Government Contracting

County government also plays a critical role in supporting the sector both through policy and direct financial support. **Figure 4** shows that in terms of employment, Orange County’s government is small relative to other regions. Gradual cuts in federal spending have placed greater burdens on state and local government while the 1994 County bankruptcy ushered in an era of fiscal conservatism and stringent accountability. Orange County responded by outsourcing services. Nonprofit organizations became a significant recipient of many of these contracts, solidifying the relationship between the two sectors.

Figure 42. Comparison of County Appropriations to Nonprofit Expenditures, 2000 - 2004



Source: Orange County Annual Budget, Office of CEO Finance, FY 2000-2001 through FY 2005-2006; NCCS CORE Public Charities file, 2000 – 2004

As illustrated in **Figure 42**, nonprofit expenditures have grown alongside County government but at a faster rate. In 2004, the County budget temporarily fell but quickly rebounded in following years.⁷¹ The slow growth of County government may reflect efforts by government leaders to maintain a small county government or lack of property taxes, as some public officials have pointed to.^{72 73}

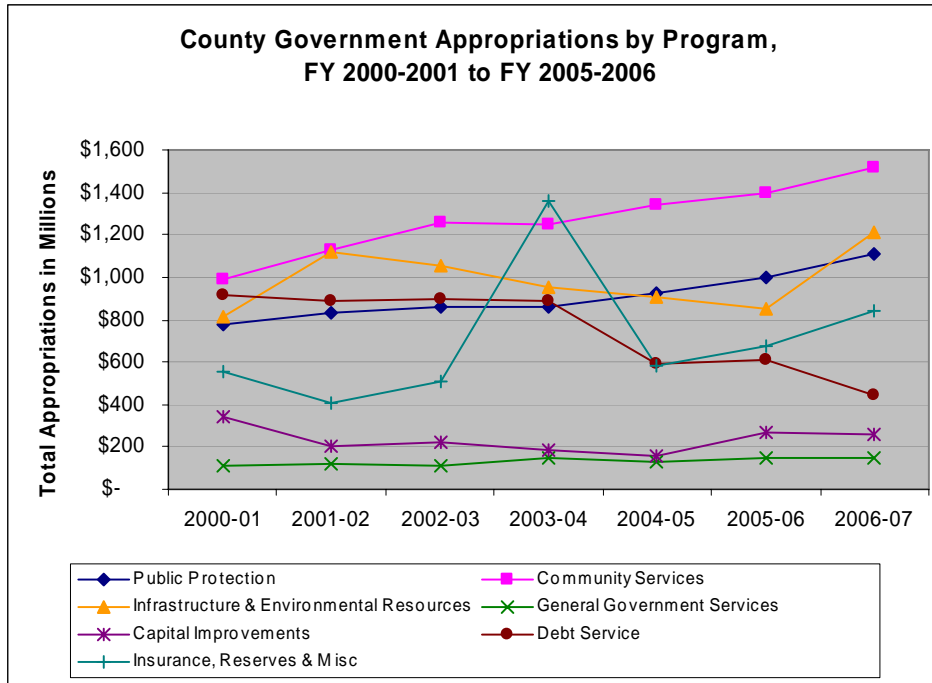
⁷¹ Nonprofit expenditure data is only available through 2004 thus we cannot conduct comparisons to the County.

⁷² Honorable Bill Campbell, Chairman of the Board of Supervisors, *2005 State of the County Address*, February 1, 2005.

⁷³ According to the Orange County Community Indicators, 2006 report, Orange County receives \$53 per capita of property tax allocation from the state. This is approximately one third of the per capita property tax dollars returned to Los Angeles County and one half as much as San Diego County.

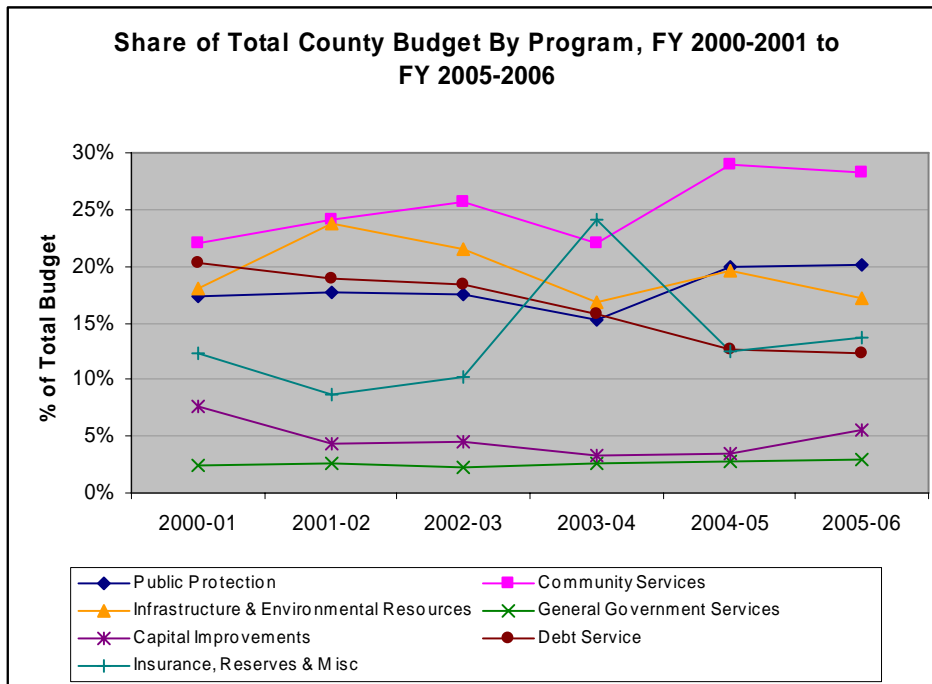
Figure 43a and 43b. County Government Appropriations by Program

Figure 43a.



Source: Orange County Annual Budget, Office of CEO Finance, FY 2000-2001 through FY 2005-2006

Figure 43b.



Source: Orange County Annual Budget, Office of CEO Finance, FY 2000-2001 through FY 2005-2006

The County budget shows that *Community Services* consistently receives the bulk of County dollars. Funding for *Community Services*, and *Public Protection*, have grown in both total dollars allocated and total share of the county budget since 2000. Funding for *Community Services* is now 30% of total appropriations, up approximately 8% since 2000.⁷⁴ Increased appropriations for *Community Services* bode well for nonprofit organizations because many receive contracts from agencies within the *Community Service* program.

This section examines the contracts between four agencies (Health Care Agency, Social Services Agency, Housing and Community Services and the Children & Families Commission) and nonprofits between 1987 and 2006. The data presented here provides only a snapshot of the relationship between nonprofits and the County and should not be taken as inclusive of all County government contracting.

Table 10. Orange County Nonprofits Receiving the Most Contract Dollars

Organization	Sub-Category
St. Joseph Hospital of Orange	Hospitals
St. Jude Hospital Inc	Hospitals
Hoag Memorial Hospital Presbyterian	Hospitals
Mission Hospital Regional Medical Center	Hospitals
South Coast Medical Center	Hospitals
Roque Center Inc	Health - Mental Health, Crisis Intervention
Cooper Fellowship Inc	Public & Societal Benefit
Hope House Corporation	Health - Mental Health, Crisis Intervention
Olive Crest Treatment Center	Health - Mental Health, Crisis Intervention
Mainstream Group Inc	Health - Mental Health, Crisis Intervention
Orangewood Children's Foundation	Human services - Crime, Legal Related
New Directions for Women Inc	Health - Mental Health, Crisis Intervention
Western Youth Services	Human services - Multipurpose and Other

Source: Child and Families Commission, Social Service Agency, Housing and Community Services and Health Care Agency, 1987-2006; NCCS Business Master File, 2006; NCCS CORE Public Charities file, 2003

The majority of County contracts were awarded to nonprofit organizations providing health services. Hospitals were the top five recipients of County contracts totaling \$150 million. Some of these hospitals are the largest employers in the County and have expenditures in excess of \$200 million. Organizations that provide mental health and crisis intervention services were also among those most highly funded nonprofits.

⁷⁴ Fiscal year 2003- 2004 was an unusual year in which the County diverted significant funds toward *Insurance, Reserves & Miscellaneous* programs.

Table 11. Length of County Contracts

	Children and Families Commission	Health Care Agency	Housing and Community Services	Social Service Agency	Total
Less than 1 Year	11.4%	4.0%	0.0%	1.8%	5.7%
1 Year	59.6%	58.6%	88.0%	43.4%	58.2%
2 Year	22.3%	31.3%	1.7%	9.6%	16.2%
3 Year	5.7%	2.0%	7.7%	27.6%	12.8%
4 Year	0.6%	0.0%	0.9%	0.0%	0.4%
5 Year	0.3%	2.0%	0.9%	0.0%	0.5%
5+ Years and Indefinite	0.0%	2.0%	0.9%	17.6%	6.2%

Source: Child and Families Commission, Social Service Agency, Housing and Community Services and Health Care Agency, 1987-2006⁷⁵

Approximately 64% of contracts were for one year or less. *Housing & Community Services* awarded the most short-term contracts (2 year or less) while almost one fifth of all contracts through the *Social Services Agency* were for five years or longer. The overwhelming majority (94%) of ongoing contracts or contracts for 5 years or longer were awarded to organizations providing Group or Foster Family services.

Table 12. Number of Years that a Nonprofit Maintains a Contractual Agreement with an Agency

	Children and Families Commission	Health Care Agency	Housing and Community Services	Social Service Agency
Less than 1 Year	4.2%	3.6%	0.0%	0.0%
1 Year	31.3%	50.9%	11.1%	5.4%
2 Year	14.6%	25.5%	19.4%	2.7%
3 Year	15.6%	10.9%	30.6%	5.4%
4 Year	8.3%	1.8%	19.4%	2.7%
5 Year	9.4%	3.6%	11.1%	18.9%
5 + Years and Indefinite	16.7%	3.6%	8.3%	64.9%

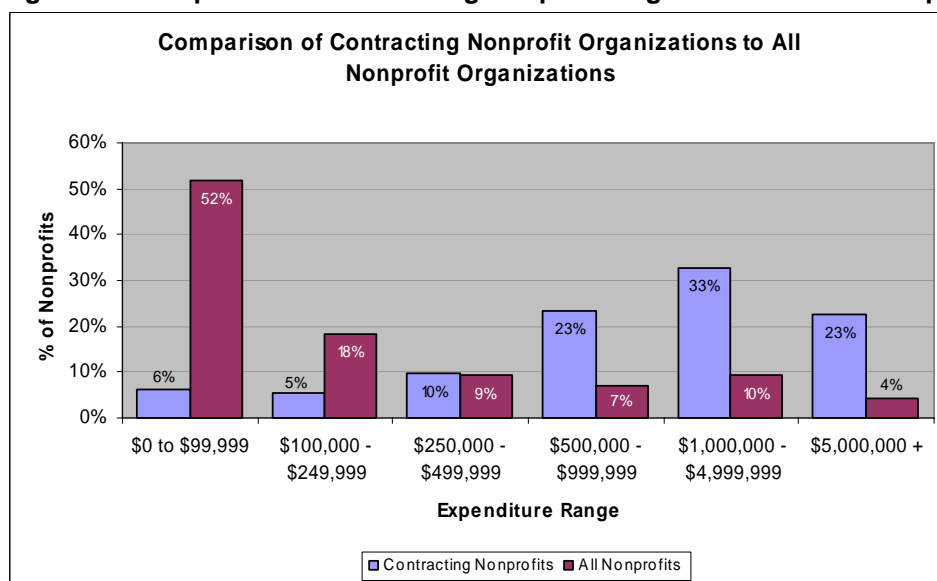
Source: County Data (Child and Families Commission, Social Service Agency, Housing and Community Services and Health Care Agency), 1987-2006⁷⁶

Although most are single-year contracts, nearly half of all nonprofit organizations receive contracts in subsequent years. On average, these nonprofits maintain a contractual relationship with the County for 3.65 years.

⁷⁵ N = 146 organizations

⁷⁶ N = 146 organizations

Figure 44. Comparison of Contracting Nonprofit Organizations to All Nonprofit Organizations



Source: Child and Families Commission, Social Service Agency, Housing and Community Services and Health Care Agency, 1987-2006; National Center for Charitable Statistics CORE Public Charities file, 2003⁷⁷

Most organizations receiving contracts from the County tend to be larger and have greater expenditures. The majority of contracts (55%) are awarded to just 14% of nonprofits with expenditures of over \$1 million. Conversely, the majority of nonprofit organizations in the county (52%), with less than \$100,000 in expenditures, received just 6% of contracts. This is not surprising given that many small nonprofits have little full-time staff.

Civic Participation, Involvement and Trust

Gauging the extent and pattern of civic engagement is critical for assessing the nonprofit sector as a whole. While the sector is made up of organizations, it ultimately rests on the trust citizens have in this set of institutions and the contributions they make as members, volunteers and donors. Moreover, given nonprofit leaders concerns that the public has a weak understanding of the importance of nonprofits, looking at the level of social trust and civic engagement can unearth a better understanding of the challenges the sector faces in trying to advocate for its causes and needs.

To this end, a civic engagement survey was conducted of Orange County residents by the California State University, Fullerton Social Science Research Center in the fall of 2006. The survey yielded 805 responses and an effort was made to obtain a representative sample by collecting responses from residents in four geographic regions of the County (north, south, central and west).⁷⁸

⁷⁷ 146 organizations received contracts from the county. 2,478 total nonprofits were in the 2003 NCCS CORE Public Charities file.

⁷⁸ See Appendix C for more information on the survey and the actual survey instrument.

Table 13. Trust and Giving in Orange County and Southern California

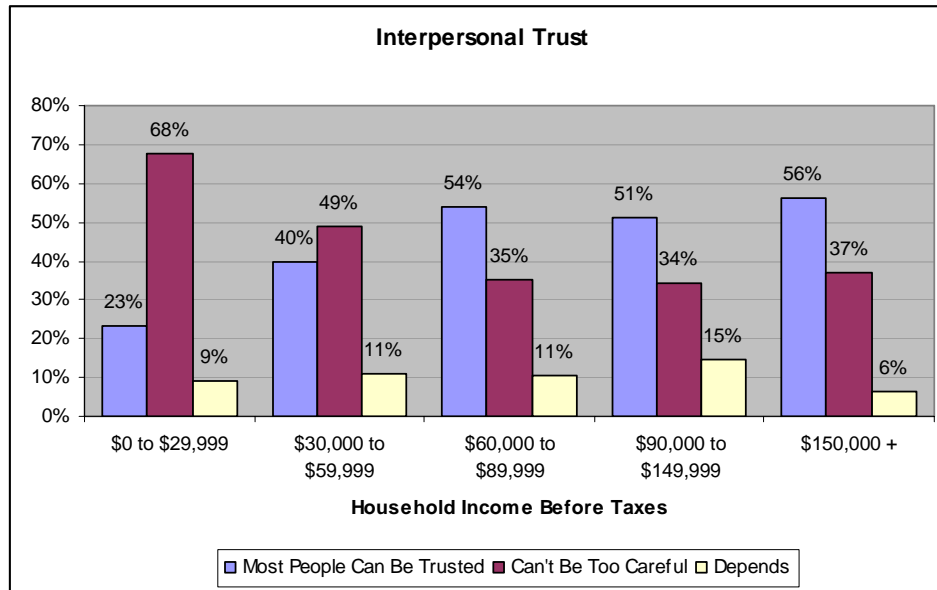
	Orange County	Southern California Region
% of Residents who believe "Most People Can Be Trusted"	43%	39%
% of Residents Giving to Non-Religious Organizations	72%	72%

Source: 2006 Orange County Civic Engagement Survey; 2005 Southern California Public Opinion Survey

At a basic level, civil society is about trust in others and civic engagement by citizens. A strong and vibrant civil society is a key component in creating healthy and positive communities. The civic engagement survey revealed that Orange County residents (43%) display levels of interpersonal trust and institutional confidence at par with the nation (46%) and exceeding that of Southern California (39%) as a whole (**Table 13**)⁷⁹. What is more, Orange County residents appear more involved than is the case for the region as a whole and charitable giving seems at par. What this suggests is that individual civic engagement is as prevalent, or more prevalent, than in Southern California as a whole, but as we saw earlier in this report, the nonprofit sector, including philanthropy, is less developed. We will return to the implication of this further below, after looking at the results of the civic engagement survey in some more detail.

Figure 45a and 45b. Interpersonal Trust

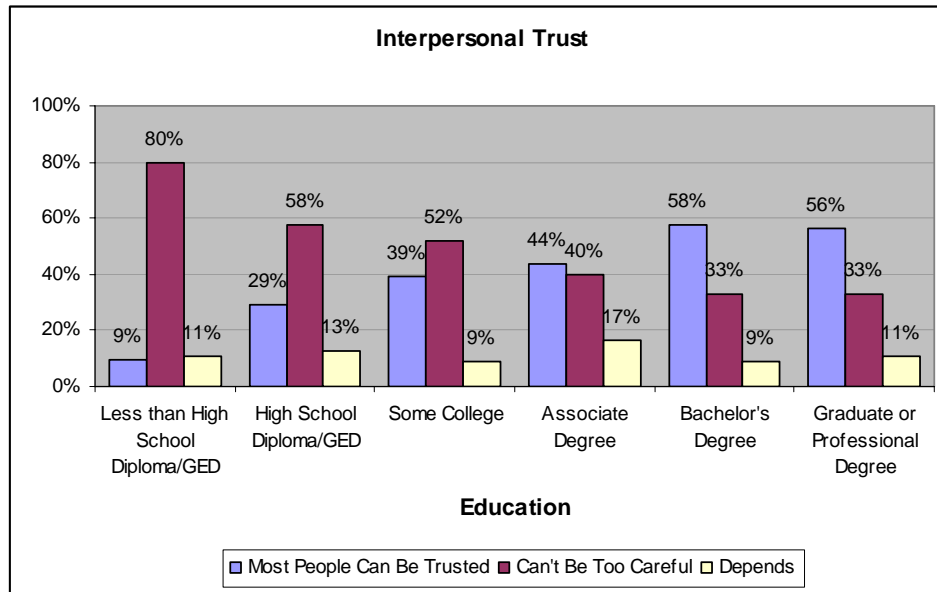
Figure 45a.



Source: 2006 Orange County Civic Engagement Survey

⁷⁹ Haselhoff, K. and Ong, P. (2005) *SoCal Residents Not as Trusting as Rest of Nation*. SCS Fact Sheet, Vol. 1, No. 3: UCLA Lewis Center for Regional Policy Studies.

Figure 45b.



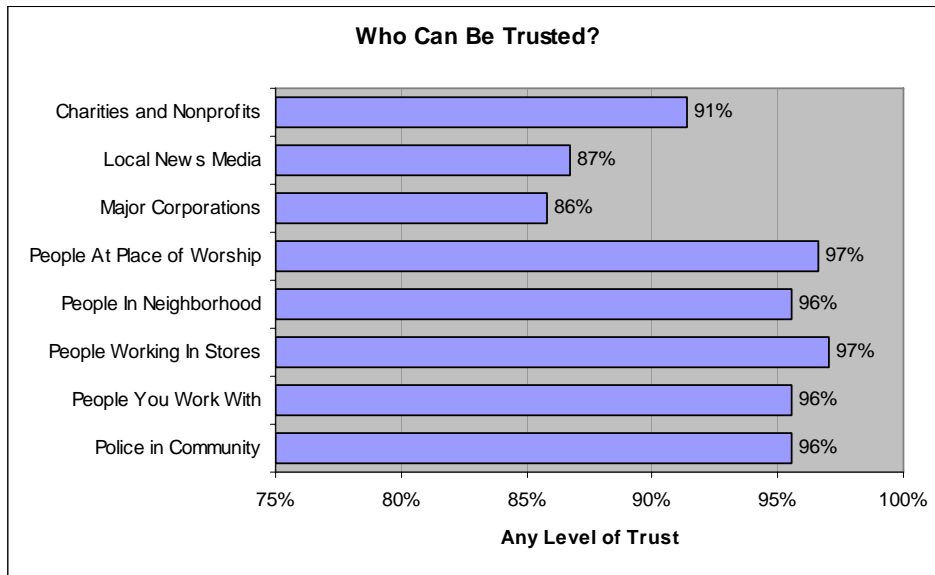
Source: 2006 Orange County Civic Engagement Survey

As other studies have confirmed before, levels of trust vary by income and educational level (**Figures 45a** and **45b**). The higher the household income, the more likely residents were to feel that “Most People Can Be Trusted” and the less likely they were to feel that one “Can’t Be Too Careful”. Respondents with lower incomes were more likely to feel that one “Can’t Be Too Careful”. Likewise, respondents with higher degrees were more likely to trust most people while 80% of residents with less than a high school diploma were less trusting. Moreover, there were major dissimilarities across ethnic groups. While most White residents were likely (51%) to feel that “Most People Can Be Trusted,” this figure was half among Latino (21%) and Other⁸⁰ (26%) racial groups.⁸¹

⁸⁰ This category includes Asian, Black/African American, Other ethnic groups and Multi-race residents.

⁸¹ *Driving Change: The State of the Nonprofit Sector in Los Angeles, 2005*. UCLA Center for Civil Society.

Figure 46. Who Can Be Trusted?



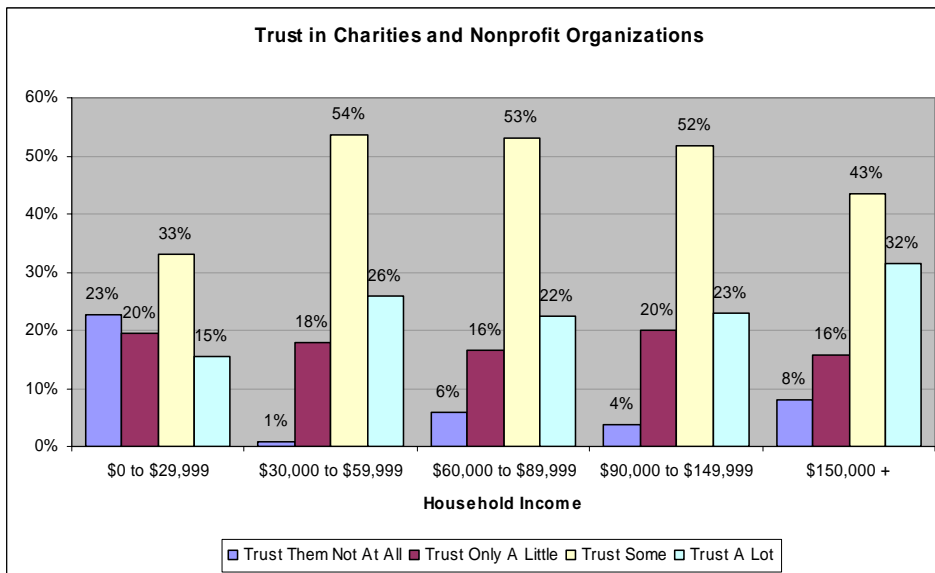
Source: 2006 Orange County Civic Engagement Survey

As **Figure 46** shows, while residents were generally trustful of institutions, they are less likely to trust corporations and the media, and more likely to trust charities and the police.

Trust in charities and nonprofit organizations also differed by race with White residents (52%) more likely to have “Some” trust in charities and nonprofits. Latino residents were most distrusting, with 15% reporting no trust in charities and nonprofits. In addition, almost a quarter of residents with incomes below \$30,000 did not trust charities or nonprofit organizations. However, across all other income categories, trust among nonprofits was much higher.

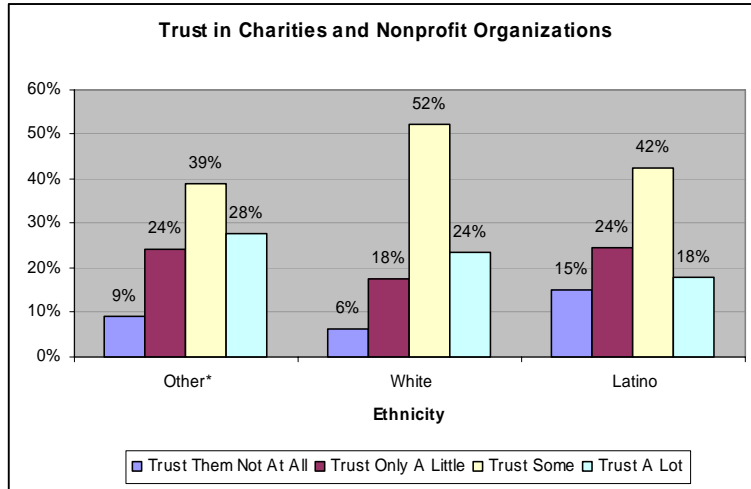
Figure 47a and 47b. Trust in Charities and Nonprofit Organizations

Figure 47a.



Source: 2006 Orange County Civic Engagement Survey

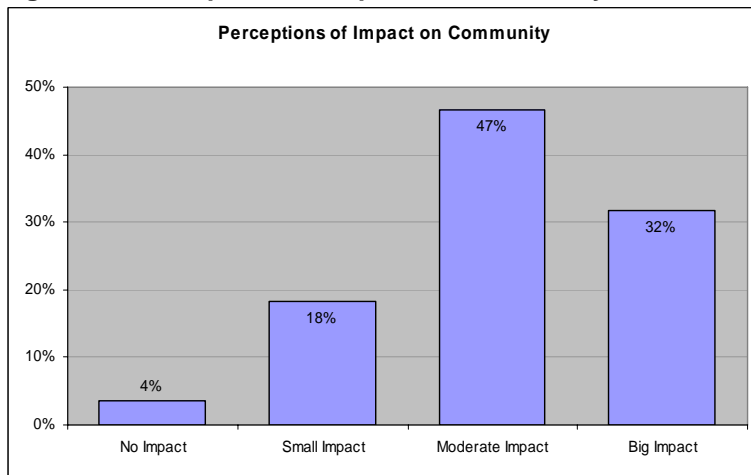
Figure 47b.



Source: 2006 Orange County Civic Engagement Survey⁸²

What makes an individual want to be involved in civic activities? The inclination to become involved in activities outside work or home is often grounded in person’s belief that they can somehow impact their community. According to our survey, the overwhelming majority (96%) of Orange County residents believe they change their community for the better, with about one-third expressing the view that they can have a big impact, and half of all respondents feel they can have a moderate impact on their community (**Figure 48**).

Figure 48. Perceptions of Impact on Community



Source: 2006 Orange County Civic Engagement Survey

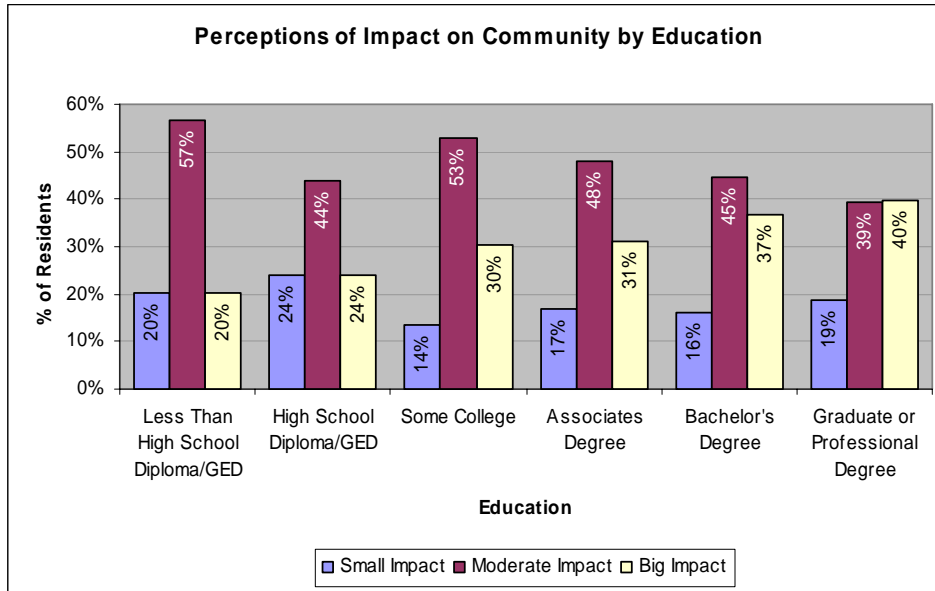
* Residents were asked, “How Much Impact Do ‘People Like You’ Have in Making Your Community a Better Place to Live?”

⁸² Due to the small number of Asian Pacific Islanders (54), African Americans (8) and Other, including Multi-race respondents (28), these groups were aggregated into a larger “Other” category. Responses from these individual groups are not likely to be representative of residents in the entire County and therefore, cannot be reported individual with any level of confidence.

However, people’s perceptions varied by education; the higher the degree the more positive the outlook (**Figure 49a** and **49b**). Moreover, the longer a person lived in the neighborhood, the more likely they were to feel they could have a big impact on the community.

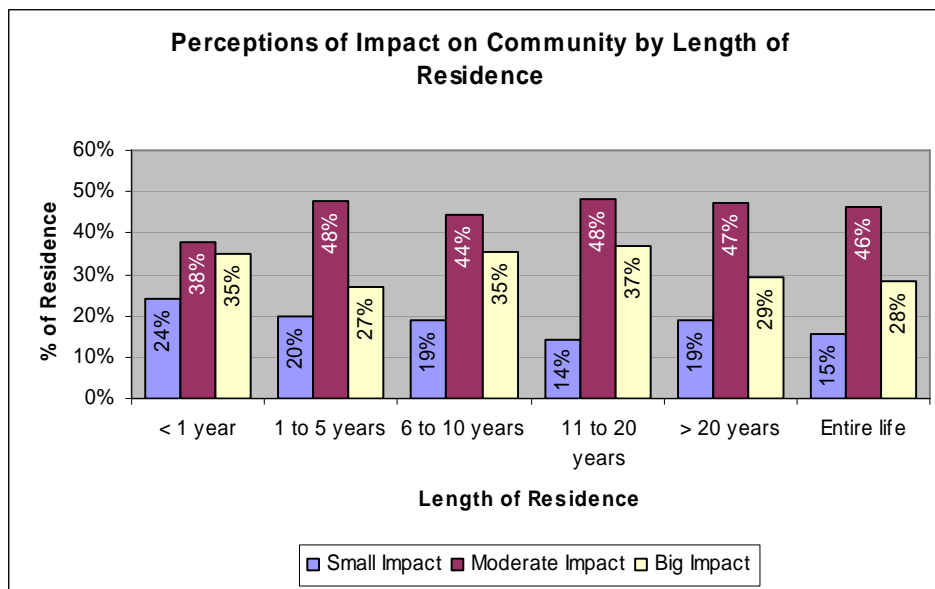
Figure 49a and 49b. Perceptions of Impact on Community by Education and Length of Residence

Figure 49a.



Source: 2006 Orange County Civic Engagement Survey

Figure 49b.



Source: 2006 Orange County Civic Engagement Survey

Table 14. Involvement in Civic Activities⁸³

# of Activities	% of Residents Involved*
None	22%
1	17%
2	11%
3	12%
4	10%
5+	28%

Source: 2006 Orange County Civic Engagement Survey

* Involvement is defined as participation as a member, volunteer or both. See **Appendix E** for a list of activities included in the following charts.

Orange County residents are highly involved in activities outside of their home or office as members, volunteers or both (**Table 14**). The overwhelming majority of Orange County residents (78%) are involved in at least one civic activity in their community and over one fifth are involved in five or more different activities. Of those who are involved, they are more likely to be involved with a charity (35%) than any other civic action. This is encouraging for nonprofits that rely on volunteers and members but there are differences across ethnic groups.

Table 15a, 15b and 15c. Involvement in Civic Activities by Ethnicity, Length of Residence and Education⁸⁴

Table 15a.

Involvement** and Ethnicity				
	Other*	White	Latino	All Respondents
No Activities	23%	13%	43%	22%
1 Activity	10%	16%	23%	17%
2 Activities	10%	12%	10%	12%
3 Activities	16%	15%	7%	13%
4 Activities	8%	12%	4%	9%
5 + Activities	33%	32%	14%	28%

Source: 2006 Orange County Civic Engagement Survey⁸⁵

Other* includes Asian, Black/African American and Multi-racial residents; ** Involvement is defined as participation as a member, volunteer or both. See **Appendix E** for a list of activities.

Most striking is the lack of involvement among Latino residents (**Table 15a**). Over half of all Latino's surveyed were not involved in any activities. 23% were engaged in one activity, and merely 14%, the least among the three groups, were involved with five or more activities. However, this finding does not suggest that Latino residents are not engaged at all, only that they are not engaged in mainstream definitions of civic engagement.

⁸³ Involvement is defined as participation as a member, volunteer or both. For a detailed list of activities, see **Appendix E**.

⁸⁴ This list includes the following civic activities: youth organizations, parents association, neighborhood associations, veterans groups, clubs for seniors or elderly, charities, labor unions, trade associations, service clubs, civil rights or ethnic groups, public interest groups, literary or arts groups, environment group, support group, internet groups or religious congregations. Also see **Appendix E** for survey instrument.

⁸⁵ See Footnote 83 regarding "Other*" category

Conversely, 87% of White residents were involved in activities outside the home or office and a third are involved in five or more activities. Involvement rates among Other ethnic groups was also higher than Latinos.

Table 15b.

Involvement** and Length of Residency							
	< 1 year	1 to 5 years	6 to 10 years	11 to 20 years	20 + years	Lifetime	All Respondents
No Activities	39%	28%	23%	21%	16%	16%	22%
1 Activity	12%	19%	19%	12%	18%	18%	17%
2 Activities	12%	10%	9%	15%	12%	8%	11%
3 Activities	10%	13%	14%	10%	12%	16%	12%
4 Activities	10%	10%	9%	7%	13%	3%	10%
5 + Activities	17%	20%	27%	35%	30%	40%	28%

Source: 2006 Orange County Civic Engagement Survey

** Involvement is defined as participation as a member, volunteer or both. See **Appendix E** for a list of activities included in the following charts.

The length of time in which an individual has lived in the community also appears to be related to their level of involvement in the community. **Table 15b** shows that the longer a resident lives in an area, the more likely they are to become involved. Furthermore, the survey also found that the number of residents involved in five or more activities increases with length of residence.

Table 15c.

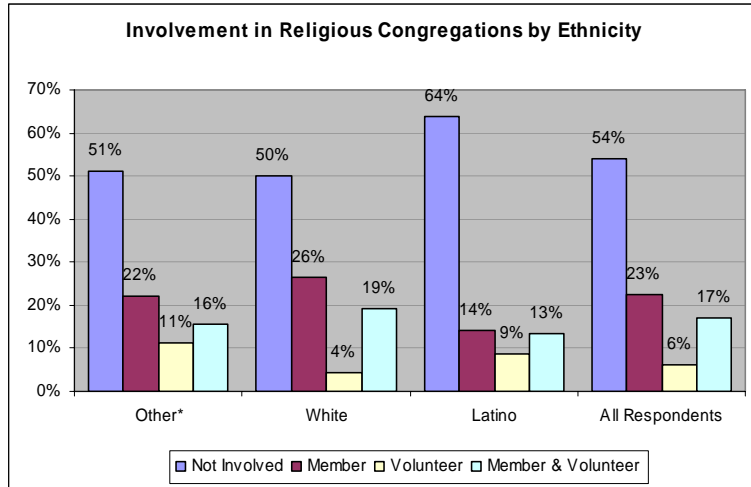
Involvement** and Education							
	Less than High School	High School Diploma/ GED	Some College, No Degree	Associate Degree	Bachelor's Degree	Graduate or Professional Degree	All Respondents
No Activities	51 %	34%	25%	13%	12%	11%	22%
1 Activity	27%	25%	16%	14%	14%	11%	17%
2 Activities	12%	9%	16%	11%	10%	12%	12%
3 Activities	3%	12%	13%	14%	17%	11%	12%
4 Activities	1%	7%	10%	15%	13%	8%	10%
5 + Activities	7%	13%	21%	34%	34%	47%	28%

Source: 2006 Orange County Civic Engagement Survey

** Involvement is defined as participation as a member, volunteer or both. See **Appendix E** for a list of activities included in the following charts.

Education is also an important factor, as seen in **Table 15c**. As educational attainment increases, the level of community non-involvement decreases. There is a difference in non-involvement of 40% between residents with less than a high school degree (51% non-involvement) and residents with a graduate or professional degree (11% non-involvement). The sharpest contrast, 17%, is between those with a high school degree and those without. We also see an increase in participation in five or more activities with increasing educational levels, reaching a high of 47% among those with graduate or professional degrees.

Figure 50. Involvement in Religious Congregations by Ethnicity



Source: 2006 Orange County Civic Engagement Survey⁸⁶
 Other* includes Asian, Black/African American and Multi-racial residents.

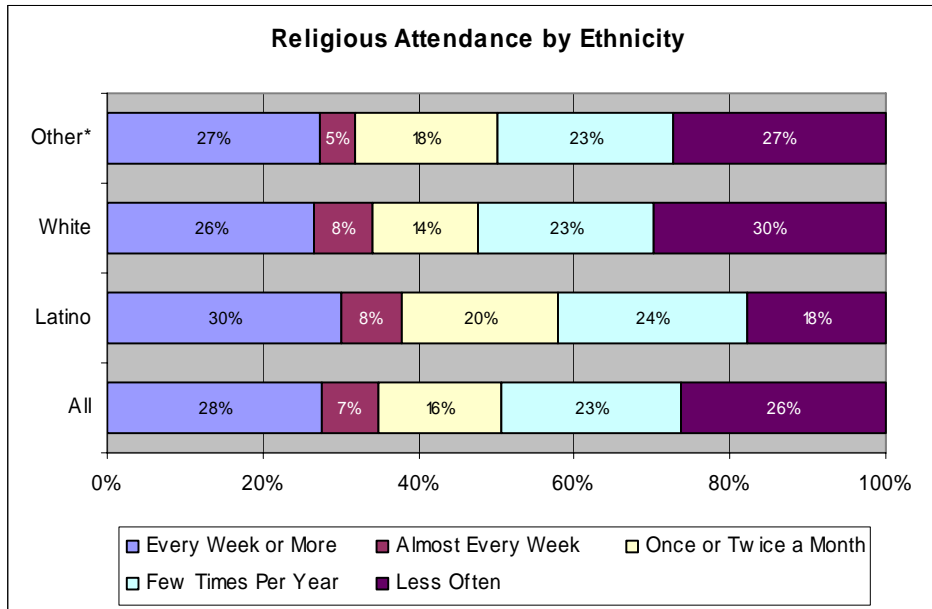
In analyzing civic activity, we were cognizant of the fact that some ethnic groups are not as involved in civic activities through mainstream channels. Rather, involvement occurs through social networks which are not necessarily captured through this survey. The civic engagement survey found that Latino involvement in 16 different civic activities was lower than other ethnic groups.⁸⁷ In particular, volunteering or membership in professional associations, charities and nonprofits, and youth organizations was significantly lower than all respondents.

However, Latinos are more highly involved with religious congregations than any other activity, 36%. Involvement still remained lower than other groups (**Figure 50**) but volunteering with a religious congregation was higher than all respondents.

⁸⁶ See Footnote 83 regarding “Other*” category

⁸⁷ See Appendix C for a list of activities.

Figure 51. Religious Attendance by Ethnicity

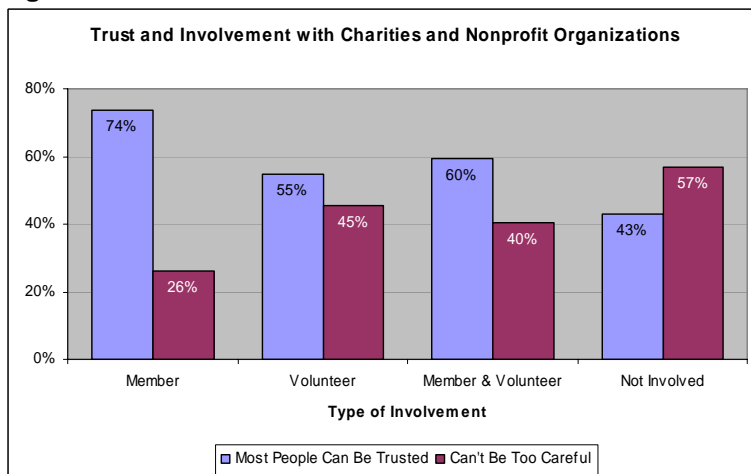


Source: 2006 Orange County Civic Engagement Survey⁸⁸
 Other* includes Asian, Black/African American and Multi-racial residents

Moreover, Latinos were more likely to attend religious service on a weekly or monthly basis than other ethnic groups (**Figure 51**). This finding raises questions about engaging a growing population of Latino residents who are not becoming involved with the larger civil society through mainstream channels.

Figure 52a, 52b and 52c. Trust and Involvement with Charities and Nonprofits

Figure 52a.

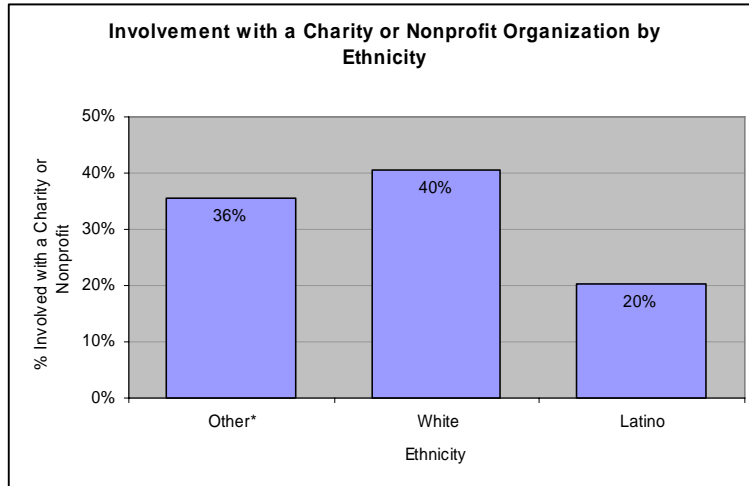


Source: 2006 Orange County Civic Engagement Survey

⁸⁸ See Footnote 83 regarding “Other*” category

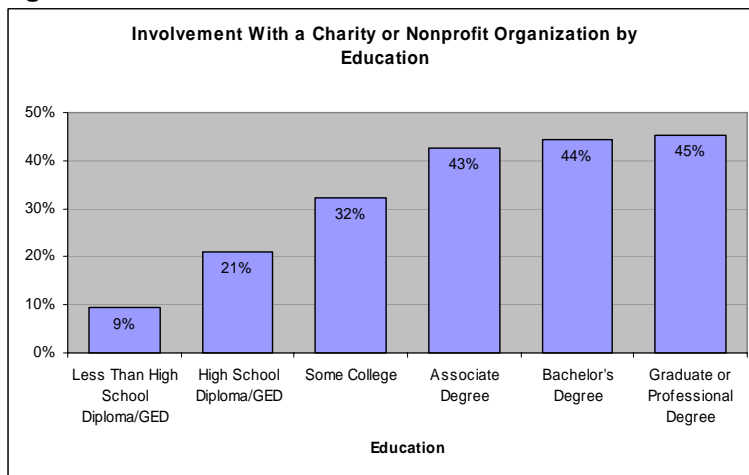
Participation, however, is closely tied to trust. As we saw in **Figures 47a** and **47b**, trust of charities or nonprofits was relatively high. Those residents who are more trusting charities are more likely to become involved with charities as members, volunteers or both.

Figure 52b.



Source: 2006 Orange County Civic Engagement Survey⁸⁹
 Other* includes Asian, Black/African American and Multi-racial residents; ** Involvement is defined as participation as a member, volunteer or both.

Figure 52c.



Source: 2006 Orange County Civic Engagement Survey

Involvement in charities differed by ethnicity with Latino residents least likely to be involved in charities (**Figure 52b**). Other ethnic groups are three times as likely to be involved and White residents are twice as likely to be involved. Again, we see that education level appears to be most closely related to levels of civic engagement (**Figure 52c**). Our survey found that the higher the education level, the more likely the involvement with charitable organizations. Moreover, the higher the educational level, the more likely a resident is to be involved as both a member and volunteer.

⁸⁹ See Footnote 83 regarding "Other*" category

Table 16. Charitable Contributions

	Religious Institutions	Non-Religious Institutions
% Contributing	60%	72%
Median	\$ 100	\$ 200
Mean	\$ 1,694	\$ 839
Maximum	\$ 300,000	\$ 20,500

Source: 2006 Orange County Civic Engagement Survey

Residents are also involved when they make monetary contributions (**Table 16**). Among those respondents making monetary contributions, religious organizations received more donations (in dollars) than non-religious institutions and the median contribution was larger. This supports our earlier finding which indicated that residents are more trusting of people in places of worship than charities and nonprofit organizations per se. Non-religious institutions received fewer gifts, but 72% of residents contributed to non-religious institutions, a higher percentage than those contributing to religious institutions.

Charitable contributions also varied by race and education. Among all respondents, Latinos were least likely to contribute and contributed the least to both religious and non-religious institutions. Moreover, less than 50% of Latino respondents contributed to non-religious institutions, 30% less than White respondents and 20% less than all other respondents. The average contribution was also considerably smaller. The average contribution to a religious cause was highest among White residents and was more than double that of Other* groups and five times as much as Latinos contributed.

Table 17a and 17b. Charitable Contributions by Ethnicity and Education**Table 17a.**

	Religious Institutions					Non-Religious Institutions			
	% Contributing	Mean	Median	Max		% Contributing	Mean	Median	Max
Other*	71.8%	\$ 943	\$ 300	\$ 6,000		72.3%	\$ 952	\$ 200	\$ 20,500
White	59.9%	\$ 2,128	\$ 100	\$300,000		82.2%	\$ 1,049	\$ 350	\$ 15,000
Latino	56.5%	\$ 432	\$ 40	\$ 8,000		49.3%	\$ 247	\$ -	\$ 5,000

Source: 2006 Orange County Civic Engagement Survey⁹⁰

The more the education, the more likely a respondent was to contribute. Not surprisingly, the amount contributed also increased with increased education levels. However, we were surprised to discover that the percentage of people contributing to non-religious causes appear to increase significantly with the attainment of a high school diploma. Contributions to religious institutions also increases with increasing educational levels but rates of giving were not as high and did not increase as quickly. However, the total amount contributed on average was higher.

⁹⁰ See Footnote 83 regarding “Other*” category

Table 17b.

	Religious Institutions				Non-Religious Institutions			
	% Contributing	Mean	Median	Max	% Contributing	Mean	Median	Max
Less Than High School Diploma/ GED	47.1%	\$ 119	\$ 0	\$ 2,000	39.6%	\$ 69	\$ 0	\$ 600
High School Diploma/ GED	48.3%	\$ 426	\$ 0	\$ 8,000	61.3%	\$ 362	\$ 40	\$ 5,000
Some College, No Degree	61.9%	\$ 756	\$ 100	\$ 20,000	68.8%	\$ 690	\$ 200	\$20,500
Associate Degree	65.5%	\$1,553	\$ 120	\$ 20,000	70.9%	\$ 673	\$ 200	\$20,500
Bachelor's Degree	66.0%	\$3,407	\$ 200	\$300,000	83.7%	\$ 955	\$ 500	\$10,000
Graduate or Professional Degree	64.8%	\$1,445	\$ 200	\$ 15,000	84.9%	\$1,529	\$ 600	\$15,000

Source: 2006 Orange County Civic Engagement Survey

In conclusion, Orange county residents are relatively trusting and their perceptions of trust impact involvement in civic activities. However, interpersonal trust is significantly related to education levels, race and ethnicity and to a lesser extent, income. Civic engagement is also closely related to education levels, income and trust. Thus, those with more education and incomes are generally more trusting and more active in civil society. The reverse is also true: poorer residents and those with less education remain less trusting and less involved.

Conclusion

The Question of Nonprofit Capacity

The findings of this report indicate that the nonprofit sector is varied in terms of size, financial sustainability, and operations. As **Figures 8** through **10** and **Figures 19** through **21** illustrate, the majority of nonprofit organizations have expenditures, assets and revenues of \$100,000 or less. *Hospitals* and *Higher Education* nonprofits were the largest organizations, accounting for half of all expenditures and revenues and a quarter of all assets in 2004. On the other hand, two-thirds of all nonprofits had less than \$25,000 in revenue, and even fewer have any paid staff.

We also know that two groups of nonprofits are growing more quickly than others. First, the number of new nonprofits formed each year is growing at a much faster rate than nonprofits that report revenues over \$25,000. Between 1995 and 2004, over 4,000 new nonprofit organizations registered with the IRS but only 1,100 more reported revenues over \$25,000. Likewise, only 191 more organizations reported employment wages. Secondly, as **Figures 23** through **25** illustrate, the largest organizations, *Higher Education* and *Hospitals*, are performing better than all other fields in terms of expenditures, revenues and assets. However, across all economic measures, the data suggest that the majority of organizations are struggling with fewer resources also indicated in **Figures 23** through **25**.

Our immediate concern is over the large number of nonprofits that have seen revenues, assets and expenditures fall for over a decade. Furthermore, on average, nonprofits have not seen employment and wages improve significantly over time while foundation giving has fallen since

2000. What is causing these nonprofit organizations to weaken, as the data suggest? Are there capacity concerns which are hindering the continued growth of these nonprofits?

While a detailed organizational survey would certainly provide more systematic answers to these questions, the results of the focus groups offer useful pointers: nonprofit leaders expressed concerns over weak, even absent, coordination among nonprofits and a weak common infrastructure to encourage information sharing and collaboration. Inefficiency and budgetary constraints, too, were both identified as problems that inhibit growth. Concerns voiced by nonprofit leaders include lack of funding, staffing needs, fragmented leadership, and territorialism. As mentioned earlier, focus group participants also feel strongly that the nonprofit sector is missing leadership that can be ‘champions for the sector’ and build a ‘culture of giving’ that involves a broad cross-section of the population.

As we saw in **Figure 5** and **Figure 12**, average wages for nonprofit workers are below public and private sector as well as other regions, yet Orange County is one of the most expensive places to live in the nation. Nonprofits are struggling to retain well-qualified staff who can serve growing numbers of ethnically diverse constituencies. Frequently, according to focus group participants, nonprofits are unable to meet the need because of staff shortages or inefficiencies introduced by staff turnover. High turnover not only means that nonprofits are ‘drowning under workload,’ but ultimately implies loss of efficiency and effectiveness. Difficulties in retaining and hiring new staff may explain, in part, the slow growth in the number of organizations reporting employment wages.

Nonprofit leaders contend that funding priorities and cutbacks are mainly responsible for declining revenues, assets and expenditures. Government dollars have been dwindling for years and foundation grants alone cannot fill the gap, as the difference in foundation grant dollars by Orange County based foundations (around \$50 million annually) and government appropriations to nonprofits (over \$1.3 billion to the five leading hospitals alone) demonstrate. Foundation funding is also often short-term and foundations typically expect nonprofits to continue programs without continued grant support.

Focus group participants suggest that a lack of a local giving culture meant that funding needs are neither coordinated among foundations nor between foundations and grant-seekers. The result is a largely uncoordinated system that promotes a tendency of ‘chasing the dollar’ among nonprofit organizations without regard to questions of long-term impact and sustainability. This pattern is also reinforced by the interest among most foundations in funding particular programs and ‘outcome based’ projects rather than supporting core nonprofit capacity.

The County government also awards contracts to multiple parties and thus, may indirectly encourage organizations to offer services in which they have little expertise. The outcome is that nonprofits are growing horizontally or on the ‘outside’ by developing new programs rather than strengthening core infrastructure. Clearly, the giving patterns and revenue flows affect the structure and behavior of nonprofit organizations.⁹¹

⁹¹ However, a recent shift in the priorities of the United Way, for example, had a considerable impact on organizations relying on project funding to bolster core operations.

What is more, organizations are forging ahead and taking measures to ensure their own long-term sustainability. Some nonprofits are looking for ways to collaborate, others are considering restructuring and almost all are scrambling to find new sources of funding. A few organizations have merged allowing them to improve their efficiency and share resources. Others have found that collaborations offer funding opportunities and improved service delivery. But nonprofit leaders admit that these efforts have been tentative because organizations do not always have the connections, expertise or resources to ensure the success of these ventures. Moreover, nonprofits have taken various approaches to fill funding gaps and to reduce dependencies. Organizations have started social enterprises, charged fee-for-service and used new technology to raise funds. Many nonprofit leaders and boards, however, lack experience and relationships to build a strong donor base.

The nonprofit sector faces a variety of capacity issues that hinder and may well threaten its long-term sustainability and development. Clearly, competition among nonprofits ‘chasing the foundation dollar,’ horizontal growth and little collaboration are harming the sector. As leaders and the larger sector address these issues, three aspects are emerging as central to any debate about the sector’s future: the sector is weakening while expanding, there is a weak infrastructure for coordination and information sharing and there is a demand for philanthropic and civic leadership.

Philanthropic and Civic Leadership

Nonprofit organizations and leaders realize the importance of the larger philanthropic community in their daily work as well as for long-term strategic concerns. During focus group discussions it was clear that many nonprofit leaders perceived the current leadership vacuum as a detriment to the sector’s sustainability and improved impact. The lack of ‘champions for the sector’ in government and business and a gradual loss of corporate philanthropists in Orange County have created an environment that is less accommodating to nonprofit organizations and their concerns. At the same time, the relationship between nonprofit organizations and foundations is tenuous. Although some believe foundations are best poised to assume leadership roles for the sector as a whole, nonprofits fear that foundations will ‘dictate’ strategies and activities (i.e. social enterprises as the “magic bullet” for addressing financial problems).

Nonprofits see foundations providing leadership in the following areas: as a point of convergence for ideas and cooperation, technical assistance, financial assistance for building capacity, assistance in restructuring and as a bridge between the sector and the wider giving community. In the eyes of nonprofit leaders, foundations are the gatekeepers to donors, and could do more in fostering a stronger and larger philanthropic community. In other words, foundations might build a ‘culture of giving’ by cultivating relationships, bringing in new donors and connecting them to local nonprofits.

Building a wider donor community applies to the corporate sector as well. A report conducted by the Orange County Business Council, in cooperation with the California State University at Fullerton, found that businesses are very active contributors to charitable organizations. Over 85% of businesses reported some type of charitable giving or community involvement and of

these, over 70% gave because of a “sense of giving” or “need to give”.⁹² However, the same report also found that the majority of businesses (60%) contribute to 10 or fewer organizations in an average year. Only 14% of businesses give to 81 or more organizations while almost 70% stated they prefer to contribute to specific organizations, giving credence to nonprofit leaders’ claim that the County lacks a “culture of giving”.⁹³ The problem, as some alluded to during focus groups, may not be a lack of giving, but access and coordination.

Summary Assessment and the Way Forward

Through the process of exploring the nonprofit sector and civil society in Orange County, this report has brought forth some other issues which are beyond the scope of this report, but are directly related to nonprofit sector and civil society. Nonprofit revenue data provided in this report is only a snapshot of general trends and does not delve into larger issues of sources of revenue or how revenue streams are changing. While a brief overview of constituencies being served by nonprofits address the issue of capacity, it is not meant speak to the effectiveness of nonprofits. Finally, the civic engagement survey points out an apparent exclusion of certain socio-economic groups, Latinos in particular, from involvement in the larger society but it cannot capture or take on the complex issue of civil society within and among growing ethnic populations.

What can be garnered from this report is that the nonprofit sector and philanthropy in Orange County is relatively small and faces significant challenges. In a sense, the overall impression we obtained from the analysis is less suggestive of the ‘glass half empty, glass half full’ imagery that is frequently evoked to point to uneven developments. Rather the portrait that emerges is one of parallel, unconnected trends that fail to generate sufficient synergies, and may even be at cross-purposes: an expanding nonprofit sector, though slowing, trying to catch up with needs that are growing even faster; a sector growing in numbers but not in capacity; concerns that Orange County lacks a ‘culture of giving’ comparable to that of other regions, next to a strong sense of civic engagement across population groups, except among the poor and Latino residents; a County government trying to engage nonprofit service providers with multi-year contracts next to smaller and mid-sized nonprofits that seem to fall behind in their capacity to respond to needs; and a corporate community that seems engaged at one level but disengaged at another.

While we could add more of such seemingly contradictory trends, the lesson that emerges seems clear. At the center of these unconnected developments is a lack of strong cross-sector leadership that spans the nonprofit, philanthropic and public sector, and includes the business community as well. The future of the nonprofit sector in Orange County depends on its ability to address its leadership problems, to advocate effectively for its causes and needs, to address structural problems affecting capacity, and to reach out to communities currently at risk of social exclusion, in particular the growing Latino population.

⁹² These organizations responded that their reason for giving was “Giving back to the community”, “Responding to identified needs” or “It’s the ‘Right thing to do’”. *2003 Community Involvement Survey of Orange County Corporations and Businesses*, Orange County Business Council, www.ocbc.com

⁹³ Orange County Business Council, www.ocbc.com

In this respect, our major recommendation is that a high-level forum be established for the County's nonprofit, philanthropic and community leaders as a platform for dialogue on how to build synergies for enhancing nonprofit capacity and broadening civic engagement. Expressed differently, the leadership challenge facing Orange County's nonprofit sector is less found in accelerated growth to meet growing needs, as such, than it is in the sector's ability to 'connect the dots' for encouraging synergies to take hold and reverse the erosion of organizational capacity.

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Appendix A

A Methodological Note on Data Sources

National Center for Charitable Statistics, Business Master File (BMF)

The majority of this report relies on data obtained from the Internal Revenue Service which collects information on all organizations with tax-exempt status. These files are available through the Urban Institute's National Center for Charitable Statistics (<http://nccsdataweb.urban.org>). Information on the number of nonprofits and foundations was obtained from the IRS Business Master Files, a cumulative file that contains descriptive information on all active tax-exempt organizations filing IRS Forms 1023 and 1024.

While IRS Forms 1023 and 1024 must be filed by organization seeking tax-exempt status with annual gross receipts of \$5,000 or greater, an organization may file with the IRS even if it does not meet these requirements. For this reason, a number of religious institutions are included in the BMF file even though these entities are automatically conferred tax-exempt status by the federal government. The BMF file may also contain a number of defunct organizations because many organizations are small and their loss is often unnoticed. The BMF files are generally reviewed and cleaned every few years.

National Center for Charitable Statistics, CORE Files

Financial information of nonprofit organizations and foundations used in this report is also obtained from the IRS. Data are derived primarily from the IRS CORE files from 1995 to 2004. These files are also available through the Urban Institute's National Center for Charitable Statistics. Financial data are taken from the Form 990 (and 990PF for private foundations), which is filed annually by organizations with revenues of \$25,000 or greater, thus the number of organizations contained in the CORE files is smaller than the Business Master File.

The IRS classification of foundations separates community foundations from other private foundations (independent, corporate and operating). Therefore, community foundations do not file a 990PF. Rather, community foundations file the 990 form like most nonprofit organizations. Because of this differentiation, some data on foundations presented in this report do not include community foundations. Whenever possible, efforts were made to incorporate community foundation data into the analyses on foundations.

Financial information contained in CORE files includes revenue, expenditure and asset data. While the file contains some specific information on particular sources of revenues, expenditures and assets, it does not include all line items in the Form 990. Some information may be aggregated such as contributions which combine direct public support, indirect public support and government grants. Financial data in this report is adjusted to most current dollars using the Consumer Price Index.

The Foundation Center

2004 Foundation Center provide information on the recipients of foundation grants and is derived from a national sample database of 1,172 foundations awarding grants of \$10,000 or more. Only discretionary and donor-advised grants from community foundations were included

in these aggregates. Grants to individuals were excluded. Aggregated data was provided by sub-category and by foundation type.

FoundationSearch America

Data on foundations and foundation giving was also obtained from the FoundationSearch database from 2000 to 2004. FoundationSearch collects information from the IRS Form 990PF, *Return of Private Foundations*, which is filed annually by private foundations with receipts of \$25,000 or more. This dataset contains information on individual grants distributed by foundations including total grant amount, recipient and purpose of the grant. Community foundations are not considered private foundations and do not file the 990PF. Therefore giving by community foundations and nonprofit organizations which make grants are not included because these institutions do not file the 990PF. In addition, local foundation giving may be underestimated in some instances. One scenario where this might occur is if a foundation with many offices files only one 990PF. In this case, FoundationSearch determines that all grants originated from that office because this is the only address supplied on the 990PF.

Foundation Search is continually adding to their database, figures cited in this report may change in the future. Therefore, in those cases where FoundationSearch data is used, the date on which the information was extracted is contained in the footnotes. Financial data in this report is adjusted to most current dollars using the Consumer Price Index.

California Employment Development Department, Labor Market Information Division

Data on employment and wages between 1995 to 2005 was provided by the Labor Market Information Division of the California Employment Development Department (EDD). They constitute a “snapshot” of wages and salary employment for the second quarter of each year. Employment data are derived from private and public sector employers covered by California’s unemployment insurance (UI) laws. This is a product of a Federal-State cooperative program known as the Quarterly Census of Employment and Wages, or ES-202 program. The ES-202 program accounts for approximately 97% of all wages and salary civilian employment. The principal exclusions from ES-202 are railroad workers, employees of religious institutions, and students.

While the exclusion of religious institutions is significant, for the most part, this report excludes religious organizations in the analysis of the data because most religious organizations do not report to the EDD or IRS. Only those religious organizations that choose to be UI-covered are included in the data in the report. However, the EDD does estimate religious organization employment as part of their Current Employment Statistics program.

Employment is the number of filled jobs as reported by the employer and includes full-time and part-time workers. If a person holds two jobs, that person would be counted twice in the data. Wages include bonuses, stock options, cash value of meals and lodging, tips and other gratuities reported by the employer.

To identify nonprofit organizations in the EDD’s database, we used IRS Nonprofit Business Master Files from 1995 to 2005 to “flag” records in the California ES-202 system based on EINs. This is done because organizations that are listed as nonprofits by the IRS are often not

classified as nonprofits by the EDD. Distinct EINs also allow us to break out multiple sites employment by their county location. Financial data in this report is adjusted to most current dollars using the Consumer Price Index.

Orange County Government Contract Data

Contract analysis was based on data from four county agencies (*Health Care Agency, Social Services Agency, Housing and Community Services* and the *Children & Families Commission*). Contract data from these agencies span the period from 1987 to 2006 and included names of the contract recipients, contract award date, time period for which the contract was valid and total amount contracted. While this information was essential to our understanding of the public-private partnership, these data are not inclusive of all county contracting. Many other agencies that contract with organizations are not included in this sample. We thank Michael Ruane and Kim Pfeiffer from the *Orange County Children and Families Commission* for their assistance in collecting this data.

Secondary Sources

This report also relies on information from various published and online sources including reports the Orange County Children and Families Commission, County of Orange Office of CEO Finance, Orange County Workforce Investment Board, Orange County Health Needs Assessment partnership, Orange County Business Council, Institute for the Study of Homelessness and Poverty, National Low Income Housing Coalition, and Public Policy Institute of California to name a few. Refer to the footnotes for a complete listing of secondary sources used in this report.

Appendix B

Defining Nonprofit Organizations

Nonprofit organizations are distinguished from other types of organizations because they qualify for tax-exempt status under the Internal Revenue Code. In addition to meeting other legal requirements, nonprofit organizations are restricted from distributing residual income to directors, executives, officers and board members. While there are various types of nonprofit organizations, approximately half are charitable organizations. Charitable organizations can be further divided into three categories. This report deals primarily with public charities and private foundations.

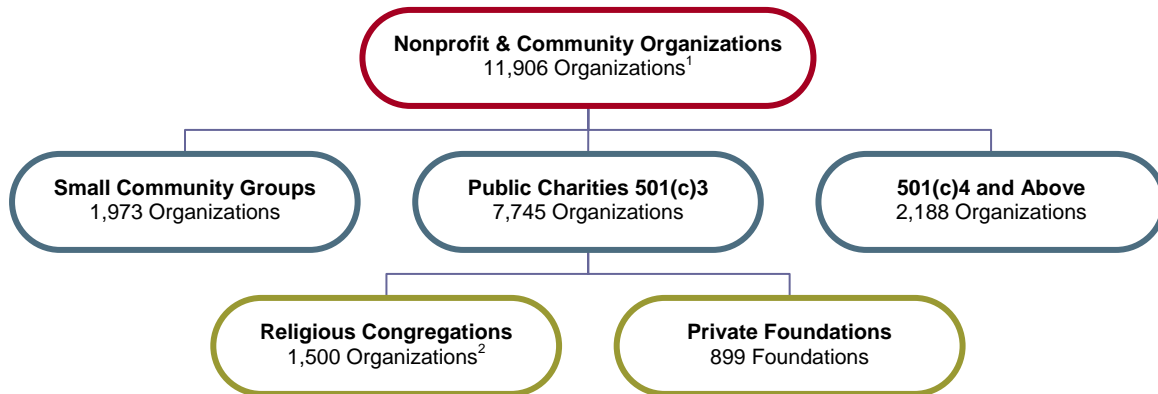
Public Charities: These entities are exempt under Section 501(c)(3) of the IRS code and this status permits donations made to charities to be tax deductible to the donor. Public foundations, such as community foundations, are considered public charities rather than private foundations because their income is derived from various sources.

Private Foundations: Private foundations also receive their exempt status under Section 501(c)(3) but are established with the purpose of grant-making. Private foundations include independent, corporate and operating foundations.

Other charitable organizations: Other tax-exempt organizations include social welfare organizations, labor and agricultural associations, business leagues and fraternal beneficiary societies that are tax-exempt under Section 501(c)(4), 501(c)(5), 501(c)(6) and 501(c)(8).

Structure of the Nonprofit Sector in Orange County

The following chart illustrates the breakdown of nonprofit and community organizations in Orange County. Figures represent actual or estimated numbers based on federal and state sources.



Source: National Center for Charitable Statistics Business Master File, January 2006; California Registry of Charitable Trusts, Office of the Attorney General

¹ The total number of Nonprofit & Community Organizations is the total number of organizations recorded by the California Registry of Charitable Trusts, Office of the Attorney General. Small Community Groups were calculated by subtracting 501(c)3 and 501(c)4 organizations from the total number of Nonprofit & Community Organizations.

² Religious Congregations is the number of organizations listed as Churches in the NCCS Business Master File

Appendix C

Appendix D

Appendix E

2006 Orange County Civic Engagement Survey

The 2006 Orange County Civic Engagement Survey was designed to gather the views and opinions of Orange County residents on critical issues of civic engagement and participation. The survey gathered basic demographic data and touched on three particular issues: 1) quality of life in the county, 2) trust, and 3) civic involvement.

The survey was conducted by the Social Science Research Center at California State University, Fullerton in English and Spanish during fall of 2006 using random digit dialing. A total of 805 responses were collected and an effort was made to obtain a representative sample of the county by geographic region (north, south, central and west).

While some degree of bias was still observed in the final survey set, a decision was made not to weight the data because comparable demographic data was only available from the 2000 Census. Because of rapid population change since the last census was conducted, the demographic data is not likely representative of the current population and thus, weighting the survey responses based on 2000 Census data would not yield a more representative survey sample.

Survey Instrument

2006 Orange County Civic Engagement Survey

SHELLO Hello, my name is _____ and I'm calling from the Social Science Research Center at Cal State University, Fullerton. Have I reached [READ RESPONDENT'S TELEPHONE NUMBER]?

SHEAD Are you the head of this household or his or her spouse or partner?

1. HEAD OF HOUSEHOLD [SKIPTO INTRO]
2. SPOUSE/PARTNER [SKIPTO INTRO]
3. OTHER [CONTINUE]

SHEAD2 Is the head of the household or his or her spouse or partner at home?

1. YES [SKIPTO INTRO]
2. NO

CALLBAK1 Can you please tell me when to call back to reach the head of the household or his or her spouse or partner?

INTRO I am calling on behalf of the Center for Civil Society at UCLA. This is a scientific study of public opinion on civic engagement in Orange County. This survey takes less than fifteen minutes to complete. Your household was selected through a random digit dialing process. Your identity and your responses will remain completely anonymous and confidential, and of course, you are free to decline to answer and survey question. Participation is purely voluntary.

We believe that this survey is needed to accurately describe the views of Orange County residents. Your opinion counts and your participation would be very useful. I should also mention that this call may be monitored by my supervisor for quality control purposes only. If you have any questions about the research or your rights as a survey respondent I can provide contact information for the university authorities who will answer your questions.
[SEE FALLBACK STATEMENTS FOR FURTHER INFORMATION]

Is it all right to ask you these questions now?

1. YES [SKIPTO IF18]
2. NO [CONTINUE]

APPT Can you suggest a more convenient time to ask you the survey questions?
[SCHEDULE CALLBACK]

- IF18 May I verify that you are 18 years of age or older?
 1. YES [SKIPTO TRANS1]
 2. NO
 7. DON'T KNOW/ NO RESPONSE
 9. REFUSED
- NOT18 I'm sorry, but our survey procedures require respondents to be 18 years of age or older. Thank you for your time.
 PRESS '1' TO END CALL.
- TRANS1 I'll begin by asking you a few questions about living in Orange County.
- Q1. Thinking about the quality of life in Orange County, as far as you are concerned, how do you feel that things are going?
 Would you say very badly, somewhat badly, somewhat well or very well?
 1. VERY BADLY
 2. SOMEWHAT BADLY
 3. SOMEWHAT WELL
 4. VERY WELL
 7. DON'T KNOW/ NO RESPONSE
 9. REFUSED
- Q2. How would you generally describe economic conditions in Orange County now? Would you say that economically, the region is in good times or bad times right now?
 1. BAD TIMES
 2. GOOD TIMES
 7. DON'T KNOW/ NO RESPONSE
 9. REFUSED
- Q3. Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?
 1. MOST PEOPLE CAN BE TRUSTED
 2. CAN'T BE TOO CAREFUL
 3. OTHER/DEPENDS
 7. DON'T KNOW/ NO RESPONSE
 9. REFUSED
- Q4 - 11. Next, we'd like to know how much you trust different groups of people. First, think about [INSERT RANDOM CHOICE FROM Q6]. Generally speaking, would you say that you can trust them a lot, some, only a little, or not at all?
- a. People in your neighborhood
 b. People you work with
 c. People at your church or place of worship
 d. People who work in the stores where you shop
 e. The local news media
 f. The police in your local community
 g. Charities and nonprofit organizations
 h. Major corporations
 1. TRUST THEM NOT AT ALL
 2. TRUST THEM ONLY A LITTLE
 3. TRUST THEM SOME
 4. TRUST THEM A LOT
 5. (VOLUNTEERED) DOES NOT APPLY
 7. DON'T KNOW
 9. REFUSED
- TRANS2 Now I'd like to ask you a few questions about the local community where you live.
- Q12. How many years have you lived in your community?
 1. Less than one year
 2. One to five years
 3. Six to ten years
 4. Eleven to twenty years
 5. More than twenty years
 6. All my life
 7. DON'T KNOW/ NO RESPONSE
 9. REFUSED
- Q13. Overall, how would you rate your local community as a place to live — excellent, good, only fair, or poor?
 1. Poor
 2. Only Fair
 3. Good
 4. Excellent

- 7. DON'T KNOW/ NO RESPONSE
- 9. REFUSED

Q14. Overall, how much impact do you think PEOPLE LIKE YOU can have in making your community a better place to live — no impact at all, a small impact, a moderate impact, or a big impact?

- 1. NO IMPACT AT ALL
- 2. A SMALL IMPACT
- 3. A MODERATE IMPACT
- 4. A BIG IMPACT
- 7. DON'T KNOW/ NO RESPONSE
- 9. REFUSED

Q15 - 29. Now I'm going to read a list of other kinds of groups and organizations. Please tell me whether you have been involved in the past 12 months with this kind of group, as a member, as a volunteer, or both.

- a. A youth organization like youth sports leagues, the scouts, 4 -H clubs, and Boys & Girls Clubs.
- b. A parents' association, like the PTA or PTO, or other school support or service groups.
- c. A veteran's group.
- d. A neighborhood association, like a block association, a homeowner or tenant association, or a crime watch group.
- e. Clubs or organizations for senior citizens or older people.
- f. A charity or social welfare organization that provides services in such fields as health or service to the needy or the poor.
- g. A labor union.
- h. A professional, trade, farm, or business association.
- i. Service clubs or fraternal organizations such as the Lions or Kiwanis or a local women's club or a college fraternity or sorority. (NOTE: Includes Alumni Organizations)
- j. Ethnic, nationality, or civil rights organizations, such as the National Organization for Women, the Mexican American Legal Defense and Education Fund or the NAACP?
- k. Other public interest groups, political action groups, political clubs, or party committees.
- l. A literary, art, discussion or study group or a musical, dancing, or singing group or organization including museums and concert halls.
- m. An environmental group or nature park.
- n. A support group or self-help program for people with specific illnesses, disabilities, problems, or addictions, or for their families.
- o. Are you involved in any group that meets only over the Internet?
 - 0. NOT INVOLVED AT ALL
 - 1. YES, INVOLVED AS A MEMBER
 - 2. YES, VOLUNTEER INVOLVEMENT
 - 3. YES, INVOLVED AS A MEMBER AND A VOLUNTEER
 - 7. DON'T KNOW/ NO RESPONSE
 - 9. REFUSED

Q30. Did any of the groups that you are involved with take any LOCAL action for social or political reform in the past 12 months?

- 1. YES
- 2. NO
- 7. DON'T KNOW/ NO RESPONSE
- 9. REFUSED

Q31. Are you a member of a religious congregation, are you involved as a volunteer, both, or neither?

- 0. NOT INVOLVED AT ALL
- 1. YES, INVOLVED AS A MEMBER
- 2. YES, VOLUNTEER INVOLVEMENT
- 3. YES, INVOLVED AS A MEMBER AND A VOLUNTEER
- 7. DON'T KNOW/ NO RESPONSE
- 9. REFUSED

Q32. Not including weddings and funerals, how often do you attend religious services? Would you say...

- 1. Every week (or more often)
- 2. Almost every week
- 3. Once or twice a month
- 4. A few times per year, or
- 5. Less often than that?
- 7. DON'T KNOW/ NO RESPONSE
- 9. REFUSED

Q33. During the past twelve months approximately how much money did you and other family members in your household contribute to all religious causes, including your local religious congregation?

- 1. SPECIFY> _____ DOLLARS

- 7. DON'T KNOW/ NO RESPONSE
- 9. REFUSED

Q34. During the past twelve months approximately how much money did you and other family members in your household contribute to all non-religious charities, organizations or causes?

- 1. SPECIFY> _____ DOLLARS
- 7. DON'T KNOW/ NO RESPONSE
- 9. REFUSED

TRANS3 These last few questions are for classification purposes only. All of your answers will remain anonymous and will be combined with those of other survey participants to be reported as a group.

Q35. Thinking POLITICALLY AND SOCIALLY, how would you describe your own general outlook—as being very conservative, moderately conservative, middle-of-the-road, moderately liberal or very liberal?

- 1. VERY CONSERVATIVE
- 2. MODERATELY CONSERVATIVE
- 3. MIDDLE-OF-THE-ROAD
- 4. MODERATELY LIBERAL
- 5. VERY LIBERAL
- 6. VOLUNTEERED--SOMETHING ELSE SPECIFY>
- 7. DON'T KNOW/ NO RESPONSE
- 9. REFUSED

Q36. What is your religious preference? Is it Protestant, Catholic, another type of Christian, Jewish, some other religion, or no religion?

- 1. PROTESTANT
- 2. CATHOLIC
- 3. ANOTHER TYPE OF CHRISTIAN
- 4. JEWISH
- 5. SOME OTHER RELIGION SPECIFY>
- 6. NO RELIGION
- 7. DON'T KNOW/ NO RESPONSE
- 9. REFUSED

Q37. Which of the following best describes your current employment situation? Are you...

- 1. Employed,
- 2. Self employed
- 3. Actively looking for work
- 4. Retired
- 5. Temporarily on leave from work
- 6. Not working or looking for work, or
- 7. Another situation?
- 0. NONE OF THE ABOVE
- 7. DON'T KNOW/ NO RESPONSE
- 9. REFUSED

Q38. What is your marital status?

- 1. MARRIED
- 2. SINGLE, NEVER MARRIED
- 3. DIVORCED, WIDOWED, SEPARATED
- 4. COHABITATING WITH A PARTNER
- 5. OTHER: (SPECIFY)
- 7. DON'T KNOW/ NO RESPONSE
- 9. REFUSED

Q39. In what year were you born?

- 1. 19__
- 7. DON'T KNOW/ NO RESPONSE
- 9. REFUSED

Q40. What was the last grade in school that you completed?

- 1. Less than high school diploma/GED
- 2. High school diploma/GED
- 3. Some college, no degree
- 4. Associate degree
- 5. Bachelor's degree
- 6. A graduate or professional degree
- 7. DON'T KNOW/ NO RESPONSE
- 9. REFUSED

- Q41. How do you describe your race or ethnicity?
1. ASIAN (SPECIFY:)
 2. BLACK OR AFRICAN-AMERICAN
 3. CAUCASIAN OR WHITE
 4. HISPANIC/LATINO
 5. OTHER, INCLUDING MORE THAN ONE RACE:
(SPECIFY:_____)
 7. DON'T KNOW/ NO RESPONSE
 9. REFUSED
- Q42. How many children do you have in Pre-school through 12th grade in your household?
1. SPECIFY> _____ NUMBER OF CHILDREN
 7. DON'T KNOW/ NO RESPONSE
 9. REFUSED
- Q43. Which of the following categories best describes your total household or family income before taxes, from all sources?
1. Under \$20,000
 2. \$20,000 TO \$29,999
 3. \$30,000 TO \$39,999
 4. \$40,000 TO \$49,999
 5. \$50,000 TO \$59,999
 6. \$60,000 TO \$69,999
 7. \$70,000 TO \$79,999
 8. \$80,000 TO \$89,999
 9. \$90,000 TO \$99,999
 10. \$100,000 TO \$124,999
 11. \$125,000 TO \$149,999
 12. \$150,000 TO \$174,999
 13. Over \$175,000
 77. DON'T KNOW/ NO RESPONSE
 99. REFUSED

CONCLUD Thank you. That concludes the Survey. Your participation is deeply appreciated.

FALLBACK STATEMENTS

Q. How did you get my phone number?

A. Your phone number was randomly selected from among all telephone numbers in Orange County. Three digit telephone prefixes for your geographic area were paired with digits randomly generated by a computer. Using this procedure listed and unlisted numbers, brand new and long established numbers are equally likely to be selected into the random sample.

Q. What is this survey for?

A. We are conducting a survey on behalf of the Center for Civil Society at UCLA to obtain public opinions on civic engagement in Orange County.

Q. What is the Center for Civil Society?

A. The Center for Civil Society is the UCLA School of Public Affairs' academic center for the study of civil society, philanthropy, nonprofit and community organizations and leadership. The center is the focal point for programs and activities in nonprofit leadership and management, grassroots advocacy, nongovernmental organization and philanthropy.

Q. How can I verify this study is legitimate?

A. If you have any questions regarding this study, please contact the Center for Civil Society at (310) 267-5400. If you have any questions regarding your rights as a human subject, please contact the Office for the Protection of Research Subjects, UCLA, Box 951694, Los Angeles, CA 90095-1694, (310) 825-8714.

Appendix F

Focus Groups

Two focus group discussions were conducted on September 27 and 28, 2006 to provide a qualitative interpretation of the data. Organizations were selected by separating nonprofits into three categories based on size, as determined by annual expenditures. Individuals with in-depth knowledge of the organization's operations and goals and who played a leadership role in furthering the mission and activities of the organization were invited to participate.

Eleven nonprofit leaders took part in the focus groups representing organizations of varying size and service. Participants were provided with some findings from the analysis of data and asked to provide qualitative interpretations of the data based on their experiences as nonprofit leaders. The following questions were used to stimulate discussion among focus group members about the findings.

Focus Group Questions

Explore issues from your perspective:

Why is the nonprofit sector relatively small? Demand side? Supply side?

Why is it not growing faster? Should it grow faster? Are there weaknesses, capacity issues? Are needs being met otherwise?

What are the problems? What could be done?

What are the major problems?

What are the problems facing nonprofit organizations in Orange County?

What worries you about the state of nonprofit organizations in Orange County? Name up to three major issues

What are the needs?

Where are needs being met?

Where are needs not being met?

Where are needs growing?

What are the barriers?

What are the barriers to meeting these needs?

What are the biggest constraints? Staff, funding, board?

What are the barriers to building and sustaining capacity?

What can be done?

Are there successful cases, programs?

Are there good practices?

How could capacity be improved?

How could nonprofits become more sustainable?

What would be the role of foundations?

What about government?