



The Urban Institute

*Measuring Racial-Ethnic  
DIVERSITY IN  
CALIFORNIA'S  
NONPROFIT SECTOR  
NOVEMBER 2009*



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# Executive Summary

Racial and ethnic minorities are fast becoming a larger share of the U.S. population, and California is on the forefront of this change. Already, “minorities” account for the majority of California’s population. Non-Hispanic whites are the largest racial-ethnic group in the state, but one in three Californians is Latino, one in eight is Asian American, and one in sixteen is African American. About 1 percent is Native American or Pacific Islander. And while California as a whole is diverse, there is enormous variation in the patterns of racial-ethnic diversity among the state’s regions. Some regions, such as the North Coast and Sacramento, have a majority non-Hispanic white population, while in the Los Angeles area, nearly two-thirds of the residents are people of color.

To learn whether California’s nonprofit organizations reflect this demographic picture, researchers in the Urban Institute’s Center on Nonprofits and Philanthropy conducted a statewide, representative survey to assess the diversity of nonprofit boards, executive directors, and staff in California’s nonprofit sector. The survey addressed five questions:

- What proportion of California’s nonprofits can be categorized as racially and ethnically diverse?
- What percentage of board members, executive directors, and staff in the sector are people of color, and what percentage are members of specific racial-ethnic communities?
- How does the number and proportion of racially-ethnically diverse organizations vary by the size of the organization, field of activity, or location in the state?
- Is there a gender difference in the leadership of organizations led by people of color?
- What effects, if any, is the current economy having on nonprofit organizations in terms of demand for services and funding, and are the effects correlated with the racial or ethnic diversity of organizational leadership?

The study provides valuable baseline information on how racially and ethnically diverse California’s nonprofit sector is in terms of leadership and staffing. However, it does not address questions pertaining to such issues as the relationship between diversity and

quality of service, why some organizations are more diverse than others, or how diversity can be promoted in the sector.

## Nonprofit Leadership Lags Population Diversity

Like the findings of other diversity reports, this study finds that the leadership of California's nonprofit sector is not as diverse as the state's population. Non-Hispanic whites tend to hold a greater share of leadership positions than their proportion in the state's population. But the gap between diversity in the community and in nonprofit leadership is smaller in California than in national studies.

### Executive Directors

**Statewide, people of color account for 57 percent of California's population, but hold 25 percent of the nonprofit executive director positions in the state.** This pattern is evident in every region of the state, although the largest difference is in the San Joaquin Valley, where nearly 60 percent of the region's people are people of color, compared with about 20 percent of the region's nonprofit executive directors.

**Of all communities of color, Latinos are the most underrepresented as nonprofit executive directors.** Statewide, Latinos account for more than a third of California's population but hold fewer than 10 percent of nonprofit executive director positions. Asians are also underrepresented as executive directors, but other racial-ethnic groups have about the same share of executive directors as their shares in California's population.

### Board of Directors

**California's nonprofit boards, on average, are more diverse than the national average, despite the underrepresentation of people of color.** People of color hold 28 percent of board positions in California compared with 14 percent nationwide. Women hold a slight majority of seats on California's nonprofit boards, while nationwide, they have slightly less than the majority of seats.

### Staff of Nonprofits

**Most paid workers in California's nonprofit sector are women and people of color.** Seventy percent of all paid staff positions are held by women, and 55 percent by people of color. In fact, the typical nonprofit employee is a woman of

color. However, not all nonprofits in California are diverse. About a quarter has all white (non-Hispanic) staff, and one in six employs only people of color. Health and human services nonprofits tend to have the highest percentage of people of color on staff, and health and education nonprofits have the highest percentages of women.

**The diversity of nonprofit staff generally mirrors the racial-ethnic diversity of California's regional populations.** For example, in the Los Angeles region, the typical staff is comprised of 64 percent people of color. In the Bay Area, it is 48 percent, and in the North Coast-North State-North Central Valley region, about 35 percent of nonprofit paid staffs are of color.

**Executive directors of color are much more likely than their non-Hispanic white counterparts to have a highly diverse staff and a diverse management team.** On average, 52 percent of non-Hispanic white executive directors' staff are people of color; for executive directors of color, 72 percent of staff are of color. Also, having an executive director of color increases the likelihood of having a diverse management team.

## Different Definitions of Diversity Yield Different Profiles of the Number and Types of Nonprofits Regarded as Diverse

Recent efforts to define diverse leadership in the nonprofit sector have resulted in a number of typologies. Three models were empirically tested using the survey data. The results suggest that how one conceptualizes and defines diversity affects the number and characteristics of organizations that might be considered diverse.

Model 1, called "leadership diversity," requires that the CEO and at least half the board members are people of color. Survey data show that 15.5 percent of California's nonprofit sector is diverse under this model.

Model 2, called "community of color," also requires the CEO and at least half the board to be people of color, but in addition, the majority of people served must be people of color. Fourteen percent of California's nonprofits are diverse according to this second model.

Model 3, called "minority-led," requires the majority of board members and paid staff to be people of color, the majority of people served to be people of color, and the organization's mission statement to indicate that the organization predominantly serves and empowers minority communities. Only 4 percent of California's nonprofit organizations meet these criteria.



**Including an organization’s mission statement as a criterion for diversity greatly lowers the number of nonprofits that might be considered diverse and raises the proportion of large organizations that meet the criterion.** Smaller nonprofits are less likely than large and mid-sized ones to include racial-ethnic descriptions in their mission statements.

**Foundation support reaches between half and two-thirds of diverse nonprofits, depending on the definition used to identify diversity; however, nonprofit reliance on foundation support varies widely.** On average, nonprofits under the minority-led model relied on foundation support for 23 percent of their revenues. By comparison, nonprofits in the leadership diversity model and the community of color model reported that 14 percent of their revenues came from foundations.

## California Nonprofits Struggle in the Economic Downturn

The economic downturn has severely affected all aspects of life in California. Nonprofit leaders, like other Californians, are facing difficult financial times.

**California’s nonprofits report decreased funding and increased demand for services.** Nearly two of every three nonprofits in California reported a decrease in their revenues, while two in five reported an increase in demand for their services. A substantial share (nearly 30 percent) has experienced the proverbial double whammy—a decrease in revenue and an increase in demand. Only one in six has seen both revenues and demand stay the same. In addition, executive directors of color were more likely than their non-Hispanic white counterparts to report a decrease in funding and an increase in demand for services.

**Nonprofits in the arts, education and health fields were most likely to report funding declines.** Seventy-one percent of arts organizations reported a drop in revenues, as did about 67 percent of education and health organizations. While most California nonprofits have felt the effects of funding declines, large and mid-sized nonprofits have more frequently seen a decline than the smaller ones.

**The three most important sources of funding for California nonprofits are individual donations, fees for service, and government.** Patterns of financial support vary from one type of nonprofit to another. For arts and educational groups, fees and donations were most frequently named as the largest sources of support. For health and human service nonprofits, government was cited as the largest source of support. Foundation support reaches about half (53 percent) the nonprofits in California, but

reliance on foundation support varies widely. Nonprofits with executive directors of color are as likely as their non-Hispanic white counterparts to receive foundation grants. However, they are somewhat more reliant on foundation support in that they tend to receive a higher percentage of their funding from foundations.

## More to Learn about Racial-Ethnic Diversity in California’s Nonprofit Sector

As the first representative survey of racial-ethnic diversity in California’s nonprofit sector, these findings provide an important baseline. But they also represent the tip of the iceberg of what might be known. In addition to the topics listed earlier, at least four other research areas could expand and deepen what is known about racial-ethnic diversity in the sector and inform conversations on how to strengthen the sector.

- The current survey captures only one moment in time, and does not indicate how quickly the racial-ethnic composition of leadership positions is changing. These data should be regarded as a baseline, not an endpoint, for monitoring trends in diversity over time. The survey should be replicated in a few years to see what changes, if any, have occurred in the prevalence of leaders and staff of color in California’s nonprofit sector.
- The survey provides evidence that nonprofits with leaders of color are being particularly affected by the economic downturn, but additional data are needed to understand what steps nonprofit leaders are taking to address their fundraising problems and what is needed to help build organizational capacity for the future.
- More needs to be known about the factors that contribute to nonprofit leadership. Is it dependent on attaining a certain level of education or particular skills? Do people of color have ready access to acquiring this training or these skills? What policies and practices have enhanced the recruitment and retention of leaders of color?
- Little is known about how service quality and cultural competency relate to effectiveness of nonprofit organizations. Do nonprofits led by a person of color and serving people of color provide better services (and achieve better outcomes) than organizations that do not have a leader of color? These are difficult questions to measure and answer, but they are critical for informing discussions on how best to support and strengthen nonprofit organizations and the communities they serve.

Decisionmakers in California and across the country are facing critical challenges related to diversity. There is broad agreement that people of color should have full access to nonprofit leadership opportunities, and that organizations with highly diverse staff and leadership should have full access to funding opportunities. But until now, there has not been a comprehensive picture of how diverse the leadership and staff of the sector are throughout California. Data have been lacking on how diversity relates to an organization's budget size, type, and funding patterns.

This study provides a major advance in our understanding of the nonprofit sector. It prepares the ground for investigations into *why* diversity in the nonprofit sector is important to communities, and *how* diversity can be promoted most effectively. It also provides the baseline for monitoring how quickly the gap between California's population diversity and nonprofit leadership diversity closes over time.

## About the Survey

Information in the study was collected through a mixed-mode survey (i.e., mail, web, and telephone) from a randomly drawn sample of 501(c)(3) organizations in California. To ensure a representative sample, organizations were stratified by regions within California, type of nonprofit, and size of organization. The survey resulted in 1,736 usable responses, yielding a response rate of 31.1 percent.

Daylight Consulting Group helped convene an advisory group from 21 nonprofits in the state to shape the survey questions, promote the study within their networks, and provide insightful comments on drafts of the report.

The Social and Economic Sciences Research Center at Washington State University administered the survey.

This research was funded by the California Endowment, the William and Flora Hewlett Foundation, the James Irvine Foundation and the David and Lucile Packard Foundation.

# Measuring Racial-Ethnic Diversity

Racial and ethnic minorities are fast becoming a larger share of the U.S. population and are expected to become the nation's majority population within the next 35 years.<sup>1</sup> In California, the future has already arrived. California is on the forefront of this demographic transition, and "minorities" now account for the majority of Californians.

Non-Hispanic whites continue to be the single most common racial-ethnic group in the state (43 percent of California's population), but one in three Californians is Latino (36 percent), one in eight is Asian American (12 percent), and one in 16 is African American (6 percent). About 1 percent is Native American or Pacific Islander. And while California as a whole is diverse, the patterns of racial-ethnic diversity vary enormously among the regions of the state. Some regions, such as the North Coast and Sacramento, have a majority non-Hispanic white population, while in the Los Angeles area, two-thirds of the residents are people of color.

How is California's nonprofit sector responding to this demographic change? Are people of color in leadership positions in the nonprofit sector? Do they head large organizations? Small organizations? Particular types of organizations? Do they sit on boards of directors? Are they part of senior management teams? Are organizations led by people of color faring differently during these difficult economic times than nonprofits led by non-Hispanic whites?

Although there have been a few local area studies, there has not been a systematic, statewide examination of the racial-ethnic diversity of the leadership of California's nonprofit sector. To fill this gap, a consortium of California foundations (namely, The California Endowment, the William and Flora Hewlett Foundation, the James Irvine Foundation, and the David and Lucile Packard Foundation), commissioned the Urban Institute's Center on Nonprofits and Philanthropy, along with its partners Daylight Consulting Group and the Social and Economic Sciences Research Center at Washington State University, to measure how much of California's charitable sector (that is, 501(c)(3) organizations) are led by people of color. The study provides both an overview and a baseline for understanding racial-ethnic diversity in California's nonprofit sector. It should be viewed as a starting point from which to follow diversity trends over time and delve more deeply into specific topics related to diversity in the sector.

The report is organized into eight major sections.

- It begins with a brief overview of some recent studies that examine racial-ethnic diversity in the nonprofit sector. These studies provide important context for understanding California's patterns compared with other communities and the nation as a whole. Because each study uses different methodologies for collecting its data, the findings are not always directly comparable, but they provide notable insights into the similarities and differences that can be found regionally and nationally.
- Section II discusses the methodology followed to conduct the study. It describes the advisory group that helped guide the study, lists the research questions addressed in the study, and provides a brief overview of the sampling strategy used to draw the sample and data collection methods. It discusses the response rates achieved by the survey. A detailed discussion of methods and related issues is found in the appendices of the report.
- Section III presents findings related to the racial-ethnic diversity of leadership (i.e., the executive director and board of directors) and staff in California's nonprofit sector. The analysis examines differences by eight geographic regions within the state, types of nonprofits (e.g., human services, arts, health, etc.), and size of organizations. When statistically viable, the data are presented for specific racial and ethnic groups. Otherwise, they are aggregated to represent all groups of color.
- Section IV presents three models for defining and measuring racial-ethnic diversity in nonprofit organizations. Two models are based on definitions developed by the Greenlining Institute and the Race and Equity in Philanthropy Group. A third model was developed by the authors. The definitions and measures are applied to the survey data to estimate the prevalence of each model and the general characteristics of organizations that meet the definitional criteria.
- Section V examines the sources of revenue that nonprofits rely upon to support their work. In particular, it focuses on the extent to which California nonprofits receive and rely upon foundation support.
- Section VI discusses the effects of the economic recession on California's nonprofit sector. The data reflect the experiences reported by survey respondents regarding changes in levels of funding and demand for their organization's services.
- Section VII is based on the opinions of survey respondents regarding anticipated changes in funding and service demand for the next year.
- Section VIII provides overall conclusions drawn from the analysis and suggestions for further research that might advance the discussion of racial-ethnic diversity in California.

## I. Recent Studies of Racial-Ethnic Diversity in the Nonprofit Sector

Recent studies that examine racial-ethnic diversity in the leadership of nonprofit organizations have consistently reported three findings. First, non-Hispanic whites tend to be overrepresented in leadership positions when compared with their proportion in the population. Second, people of color tend to be underrepresented in leadership positions. And third, Hispanics or Latinos are especially likely to be underrepresented in leadership positions.

### National Studies

In the past five years, at least four national studies have examined the racial-ethnic diversity of leadership in the nonprofit sector. Two studies primarily focused on governing boards and two on executive directors and other senior-level positions. The findings of all four studies indicate that people of color are underrepresented in nonprofit leadership positions. Only one study, however, is based on a nationally representative sample of nonprofits.

- In 2005, the Urban Institute conducted the first (and to date, only) nationally representative study of nonprofit governance, *Nonprofit Governance in the United States*. The study found that 86 percent of board members were white, 7 percent were African American, and 3.5 percent were Hispanic/Latino. Most nonprofit boards (51 percent) were composed solely of white, non-Hispanic members. The study also found that 18 percent of nonprofits whose clients were mostly African American had no African American board members, and 32 percent of organizations with mostly Hispanic clientele had no Hispanic board members (Ostrower 2007).
- BoardSource in 2007 surveyed its members to study diversity in nonprofit governance structures for *Nonprofit Governance Index 2007*. Much like the Urban Institute study, the BoardSource survey found that 86 percent of board members were white, 7 percent were black, 3 percent were Hispanic, 2 percent were Asian, 2 percent were of mixed racial or ethnic heritage, 1 percent were American Indian or Alaskan Native, and 0.3 percent were Native Hawaiian and other Pacific Islander (BoardSource 2007).

- CompassPoint, in collaboration with the Meyer Foundation, studied the executive leadership of nonprofit organizations in selected cities and regions. The 2006 study, *Daring to Lead: A National Study of Nonprofit Executive Leadership*, found that 82 percent of executive directors were white, 7 percent were African American, 4 percent were Asian-Pacific Islander, 4 percent were Latino/a, 0.7 percent were Native American, 0.4 percent were Middle Eastern, and 2 percent were “other.” In all geographical areas studied, the percentage of executive directors who were white exceeded the share of whites in the area’s population. For example, in the San Francisco Bay Area, 78 percent of executive directors were white compared with 58 percent of the population; and in Sacramento, 91 percent of executive directors were white compared with 48 percent of the population (Bell, Moyers, and Wolfred 2006).
- In 2004, Managance Consulting, in collaboration with Transitionguides and with support from the Annie E. Casey Foundation, issued a report on *Nonprofit Executive Leadership and Transitions*. Based on a nonrandom sample of national organizations and Casey Foundation grantees, the study found that whites were more likely to be executive directors and deputy directors of nonprofit organizations than the organization’s “primary clientele.” Conversely, people of color were more likely to be the organization’s primary clientele than its executive directors or deputy directors (Teegarden n.d.). Essentially, even in organizations that primarily served people of color, the executive leadership tends not to be of color.

## Local Area Studies

In addition to the national studies, a number of local studies focus on leadership and diversity. The findings of these studies add detail and nuance to the discussion of diversity in particular geographic areas:

- A recent local study by the University of San Francisco and CompassPoint, *San Francisco’s Nonprofit Sector* (Silverman et al. 2009), surveyed nonprofits in San Francisco with budgets between \$50,000 and \$15 million and found somewhat higher levels of leadership diversity than the national studies. Nearly 30 percent of San Francisco nonprofits in the sample reported at least half their board members were people of color and 32 percent said at least half their management staff were people of color. About 20 percent of organizations had no people of color serving on the board, and 43 percent had no management staff of color. Nine percent of San Francisco non-
- profits had boards entirely composed of people of color, and 13 percent had management staff entirely made up of people of color. The study also identified “diverse” organizations—that is, nonprofits in which a majority of the organization’s board members and management staff are people of color (or people with other diverse characteristics such as gender or sexual orientation) and which target and serve populations of color. (For more information on the definition of “diverse” organization, see section IV of this report.)
- The Greenlining Institute has conducted a number of studies focused on the relationship between what they term “minority-led organizations” (see section IV) and foundation support, with a strong focus on California. It has repeatedly found that these organizations receive weak support from foundations in California and elsewhere. For example, Greenlining found that in 2004 only 11.7 percent of grants made by independent foundations in California, and 18.8 percent of grants made by community foundations in the state, were directed toward minority-led organizations. The Greenlining Institute also found that only 4 percent of the dollars distributed by independent foundations in the state were directed to minority-led organizations, as were 25.7 percent of the funds distributed by community foundations. These findings were drawn from a sample of the 10 largest independent foundations in California and the five largest community foundations in the state.<sup>2</sup>
  - The University of Wisconsin–Milwaukee released *Leadership Diversity in Milwaukee’s Nonprofit Sector Benchmark Study* in 2008 on nonprofit diversity in Milwaukee County (Kovari, Davis, and Percy 2008). Like other studies of this type, the Milwaukee study found that whites were overrepresented as board members, executive directors, and managers in the sector, and other racial and ethnic communities were generally underrepresented.
  - In 2003, the Denver Foundation issued *Inside Inclusiveness: Race, Ethnicity and Nonprofit Organizations* (Katherine Pease and Associates 2003). Based on a survey of 700 nonprofits in the Denver area with operating budgets of more than \$500,000, the study concluded that African Americans, Asian-Pacific Islanders, and Native Americans were proportionately represented in metro-Denver nonprofits at the staff, volunteer, and board levels, but the metropolitan area’s largest community of color, Latinos, was significantly underrepresented on both boards and staff. Only 13 percent of nonprofit staff and 7 percent of nonprofit boards had Latino/Chicano/Hispanic members compared with the Latino share of metro-Denver’s population (17 percent).

## II. Design and Methods

The study design had three key elements: first, the formation of an advisory group with strong links to California's nonprofit organizations, especially ones led by or serving people of color; second, clear research questions to guide the work; and third, rigorous survey methods to obtain scientifically valid findings.

### Advisory Group

The study benefited greatly from the support and participation of representatives from 21 nonprofit organizations who served as advisors. Advisors assisted by reviewing and commenting on drafts of the questionnaire and introductory letter, publicizing the study within their networks, lending the project credibility by permitting the use of their names on the letters sent out with the survey, and providing insightful comments on the report draft. While the authors take full responsibility for the report contents, a good deal of credit for the success of the study and usefulness of the report is due to the advisors.

All advisors were from nonprofit organizations that work to support and strengthen networks of other nonprofit organizations in California. In their own ways, they were all “intermediary” or “capacity-building” organizations with deep connections to the organizations they are dedicated to assisting.

In assembling the group of advisors, study leaders endeavored to be as inclusive of California's diverse geographical and ethnic communities as possible. Many were multiracial/multi-ethnic organizations that are members of the California Association of Nonprofits (CAN), which itself served as an advisor. In addition to the statewide CAN, local or regional CAN members also participated in the advisory group. These groups were located in Alameda, Contra Costa, Fresno, Humboldt, Los Angeles, Marin, Mendocino, Napa, San Diego, San Francisco, San Mateo, Santa Clara, and Ventura counties.

Other advisors were from organizations rooted in specific ethnic and racial communities, and/or in particular parts of the state. Organizations rooted in the African American, Asian American, Latino or Hispanic, Native American and Alaskan Native, and Native Hawaiian and other Pacific Islander communities all participated in the advisory group, as did organizations that focus on immigrant communities from Mexico and Central America, Asia, and elsewhere.

### Research Questions

Simply, the overarching question for this study was: *How racially and ethnically diverse is the leadership of California's nonprofit sector?*

Although there are many ways to conceptualize diversity, the study measured it along two dimensions: race-ethnicity and gender. There are certainly many other ways that diversity may be defined—for example, in relation to age, disability, income, or sexual orientation—but information on these characteristics may not be collected by an organization or may not be known to a single respondent answering on behalf of an entire organization.

Five research questions guided the study:

- What proportion of California's nonprofit organizations can be categorized as diverse (or minority-led)?
- What percentage of board members, executive directors, and staff in the sector are people of color and what percentages are members of specific racial-ethnic groups?
- How does the number and proportion of diverse organizations vary by the size of the organization, field of activity, or location in the state?
- Is there a gender difference in the leadership of organizations led by people of color?
- What effects, if any, is the current economy having on diverse (i.e., minority-led) organizations in terms of demand for services and funding?

The concept and definition of diverse organization is discussed in detail in section IV, “Identifying Diverse or Minority-Led Nonprofits.”

### Survey Methods

Information on the racial-ethnic diversity of California's nonprofit leadership was collected through a mixed-mode survey (i.e., mail, web, and telephone), conducted between February and April 2009. The survey consisted of 17 questions. Data were collected by Washington State University's Social and Economic Sciences Research Center.

The survey was based on a randomly drawn sample of nonprofit 501(c)(3) organizations in California. The sample was drawn from the Urban Institute's National Center for Charitable Statistics (NCCS)—the most comprehensive database on nonprofits in the United States.<sup>3</sup> The NCCS database includes all 501(c)(3) organizations with annual gross incomes of \$25,000 or more that are required to file a Form 990 (an annual financial statement) with the U.S.

Internal Revenue Service. Smaller organizations and religious organizations are not required to file the Form 990.

The NCCS database contained 34,250 nonprofits in California, excluding hospitals and higher education organizations. These groups were excluded from the sample because they tend to be much larger and more administratively complex structures than other types of nonprofits and may have information on racial-ethnic diversity available from other sources such as the American Hospital Association or the Association of American Colleges and Universities. Grantmaking and fundraising organizations (such as community foundations and federated giving programs) and international organizations were also excluded from the sample.

The survey drew a random stratified sample consisting of 6,635 organizations. To ensure a representative sample, the list was stratified by region, type of nonprofit, and size of organization. Regional definitions are found in appendix A; types of nonprofits are listed in appendix B. The size of the organization is based on its annual total expenditures.

The survey resulted in 1,736 useable responses, yielding an estimated response rate of 31.1 percent. Survey weights were applied to the data to take account of possible non-response bias. The survey weights adjust for slightly lower response rates among smaller organizations and organizations from the more urban areas of the state. Also, the survey weights adjust for small response rate differences by type of organization. Further detail on the survey methodology can be found in appendix C. The findings from the study can be generalized to California as a whole.

### III. Racial-Ethnic Diversity in the Nonprofit Sector

There are many ways to measure how many people of color are leaders in the nonprofit sector. The survey asked specifically about the race-ethnicity of the organization's executive director, board members, staff, and senior management. Each position is discussed below to set the stage for defining and assessing the prevalence of racially, ethnically diverse (i.e., minority-led) nonprofits in California and how they are faring in these challenging economic times.

#### Executive Director

The survey found that a quarter (25 percent) of nonprofit organizations in California have an executive director or chief executive officer (CEO) who is a person of color, and

that women are the majority (54 percent) of nonprofit executive directors in California. An equal proportion of non-Hispanic white women and women of color are executive directors.

But what do we know about the organizations led by chief executives of color? How similar or different are these organizations from those led by their non-Hispanic white counterparts?

- **Compared with their share of the population, Californians of color hold a much smaller share of nonprofit executive director positions.**

Statewide, people of color account for 57 percent of California's population but hold 25 percent of the nonprofit executive director positions in the state (figure 1).

This pattern is evident in every region of the state. For example, in Los Angeles, where two of every three residents are people of color, one of every three nonprofit executive directors is of color.

The largest differential between the region's population of color and its share of nonprofit executive directors of color is in the San Joaquin region—a gap of nearly 40 percentage points. Nearly 60 percent of the region's population is people of color, compared with about 20 percent of the region's nonprofit executive directors.

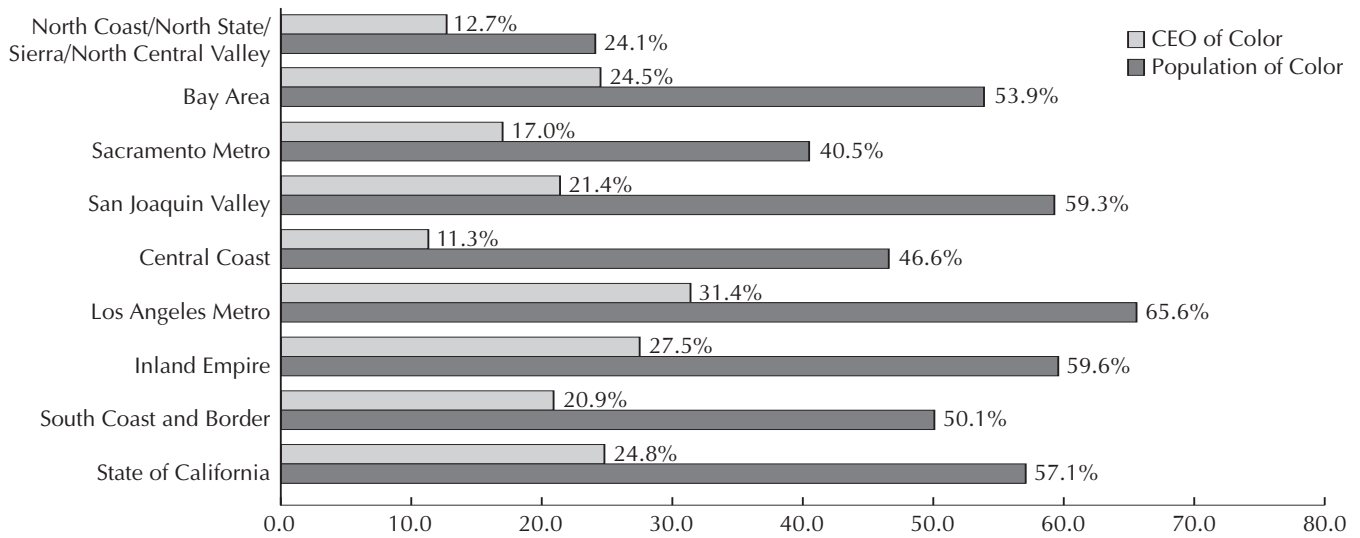
The smallest differential is in the North Coast-North State-Sierra-North Central Valley region. Although the size of the region's minority population is the smallest in the state (24 percent of the region's total population), about 13 percent of the nonprofit executive directors in the region are people of color—a gap of roughly 11 percentage points.

- **Latinos and Asian Americans hold relatively few executive positions in California's nonprofit sector, given their numbers in the population.**

Statewide, Latinos account for more than a third of California's population (36 percent), but they hold less than 10 percent of nonprofit executive director positions in the state (table 1). Of all communities of color, Latinos are the most underrepresented population as nonprofit executive leaders.

To a lesser extent, Asian Americans are also underrepresented in the ranks of nonprofit executive directors. Although 12 percent of Californians are Asian American, about 7 percent of nonprofit executive directors in the state are Asian American.

**Figure 1** Percentage of Nonprofit Executive Directors of Color and Region’s Population of Color



Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues; U.S. Census Bureau, American Community Survey, 2005–07.

Note: Thirty-six respondents did not provide information on the race or ethnicity of the CEO or executive director.

Other racial and ethnic groups have about the same share of executive director positions as their share in the state’s population.

- **Like their non-Hispanic white counterparts, a high proportion of executive directors of color head nonprofits in the large urban regions of the state, but even in these urbanized areas, the share of nonprofits led by a person of color is about 25–30 percent.**

The majority of nonprofits in California are located in the Los Angeles (34 percent) and San Francisco Bay (28 per-

cent) regions. Given the number of potential positions for nonprofit executive directors and the racial-ethnic diversity of these two metropolitan areas, it is not surprising that the majority of executive directors of color are found in the Los Angeles and Bay areas.

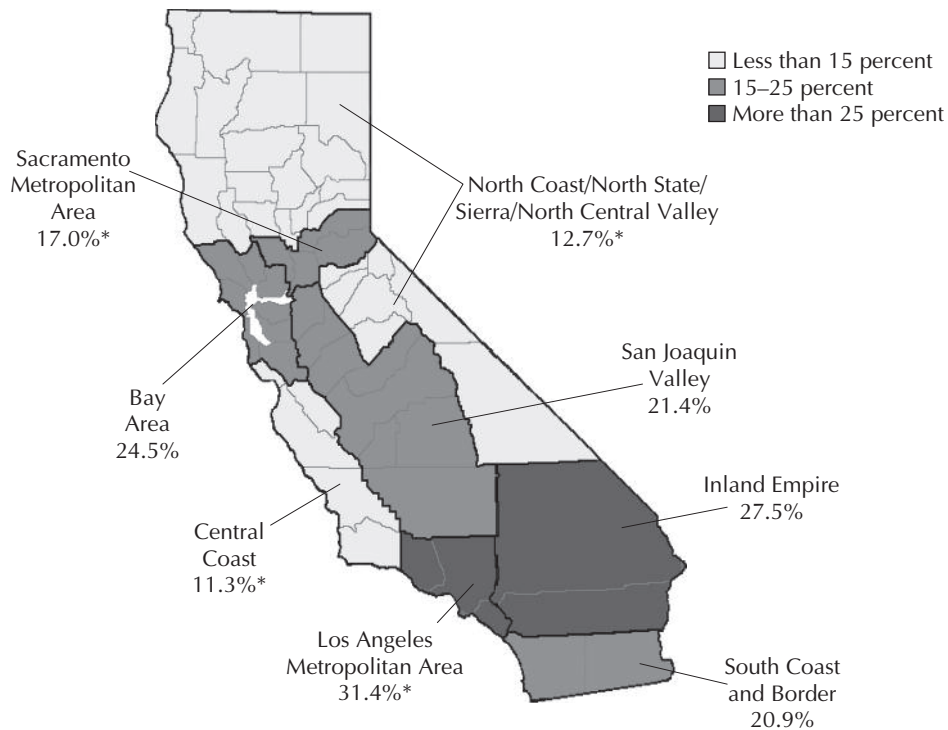
But as figure 2 shows, the regional shares of nonprofits with executive directors of color range from 11 to 31 percent. In the most populous metropolitan regions, such as Los Angeles, Inland Empire (e.g., Riverside and San Bernardino), and San Francisco, about 25 to 30 percent of nonprofits are led by persons of color. The least populated regions have a much lower proportion of organizations led by people of color.

**Table 1** California’s Nonprofit Executive Directors by Race/Ethnicity

	Number of CEOs	Percent of CEOs	Percent of population
Non-Hispanic white	1,279	75.2	42.9
Person of color	421	24.8	57.1
Asian/Asian American	118	7.0	12.1
Black/African/African American	125	7.3	6.1
Hispanic or Latino/a	110	6.5	35.8
Native American/Alaskan Native	11	0.6	0.5
Native Hawaiian/Pacific Islander	8	0.5	0.3
Mixed race/multiracial/other	49	2.9	2.3

Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues; U.S. Census Bureau, American Community Survey, 2005–07.



**Figure 2** Percentage of Nonprofit Executive Directors of Color by Region

Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Note: Thirty-six respondents did not provide information on the race or ethnicity of the CEO or executive director.

\* Differences for respondents are statistically significant at the 95% confidence level.

- **The size and type of a nonprofit has no significant effect on the percentage of executive directors who are people of color.**

An organization's size is not a particularly good predictor of whether the executive director will be a person of color. About one in four nonprofits in California, regardless of size, has an executive director of color (table 2). In a separate analysis (not shown), executive directors of color were somewhat more likely than non-Hispanic white directors to lead small nonprofits but just as likely to head large ones.

Human service nonprofits are most likely to have an executive director of color (27 percent have executive directors of color), and arts organizations are least likely (18 percent). Human services include a wide array of nonprofits, including ethnic and immigrant centers (see appendix B for a complete listing of organizations in each category).

Roughly 30 percent of nonprofits categorized as "other" in this analysis have an executive director of color, but it is difficult to accurately characterize this group. These orga-

nizations focus on a wide array of issues and activities, and no single category was large enough to analyze separately. For example, respondents classified as other include civil rights and advocacy organizations, environmental organizations, animal welfare groups, and many more.

Classifying a nonprofit organization into a single type can be difficult because many nonprofits provide activities in multiple program areas. For example, a health organization may provide not only direct health care services but also educational services such as workshops on how to prevent HIV/AIDS or public information notices on how to identify warning signs of a heart attack. The boundaries between an organization's primary function and its other activities sometimes cross program boundaries. When asked about the array of program areas that their organization might engage in, executive directors of color were almost twice as likely as non-Hispanic whites to say their organization provided housing and community development services or advocated for civil rights issues. Interestingly, about the same proportion of non-Hispanic white

**Table 2** Executive Directors of Color by Nonprofit's Size and Type

	Person of color (n = 421)	Non-Hispanic white (n = 1,279)	Total (n = 1,700)
All California nonprofits	24.8	75.2	100.0
Size of the nonprofit organization			
Less than \$100,000 (n = 753)	23.2	76.8	100.0
\$100,000–\$999,999 (n = 656)	26.5	73.5	100.0
\$1 million or more (n = 291)	24.9	75.1	100.0
Type of nonprofit organization			
Arts, culture, and humanities (n = 224)	18.3*	81.7*	100.0
Education (n = 355)	20.5*	79.5*	100.0
Health (n = 185)	22.4	77.6	100.0
Human services (n = 583)	27.1	72.9	100.0
Other (n = 353)	30.7*	69.3*	100.0

Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Notes: Thirty-six respondents did not provide information on the race or ethnicity of the CEO or executive director. Size is based on the organization's total expenditures. "Other" includes all organizations that responded to the survey but were not numerous enough to form a single category. The "other" category includes civil right and advocacy organizations, environmental organizations, animal welfare groups, and many more.

\*Differences for respondents are statistically significant at the 95% confidence level.

leaders and leaders of color said that they addressed environmental issues.

## Boards of Directors

Nonprofit governing boards are a primary mechanism through which local residents participate in the nonprofit sector. Boards are responsible for supervising the chief executive, overseeing the organization's activities, and setting policy directions. A nationally representative study by Ostrower (2007) documented the homogeneous composition of many boards—namely, that their members are largely white, male, and to varying degrees financially well off. Do California's nonprofit boards follow this general pattern or do they exhibit more racial-ethnic diversity?

- **Nonprofit governing boards in California are more racially-ethnically diverse than the national average, although most board positions are held by non-Hispanic whites.**

In California, 72 percent of people serving on nonprofit boards are non-Hispanic white compared with 86 percent for the nation<sup>4</sup> (table 3). African Americans hold roughly the same percentage of board positions: 6 percent in California and 7 percent nationwide. But Latinos are almost three times more likely to sit on nonprofit boards in Cali-

fornia (9 percent) than in the nation as a whole (3.5 percent). Asian Americans account for nearly 8 percent of all nonprofit board members in California, compared with less than 3 percent nationwide.

Thirty-one percent of governing boards in California are composed only of non-Hispanic whites, compared with 51 percent nationwide. Nine percent of boards in California have only people of color.

- **Women hold most seats on California's nonprofit boards, unlike the national portrait of governing boards.**

On average, 52 percent of board members in California are women, compared with 46 percent in the nation as a whole. Women of color are less likely to sit on boards than their non-Hispanic white counterparts, but they hold about the same share of board positions as men of color.

- **Nonprofits in California's larger urban regions tend to have more racially and ethnically diverse boards than do organizations in smaller or less urban regions.**

This finding is similar to the patterns found in national studies. In the Los Angeles and Bay Area regions, for example, about one in three board positions are filled by a person of color (figure 3). In the Central Coast and North Coast-

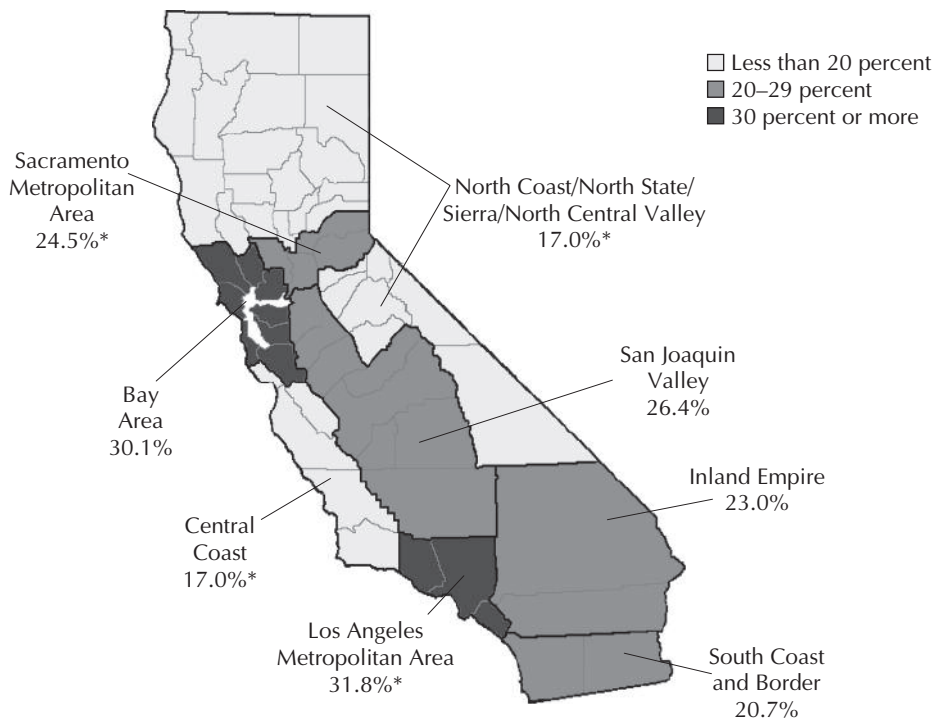
**Table 3 Racial-Ethnic Composition and Gender of California's Board Members**

Characteristic	Nonprofit Board Members in California		National average (%)
	Number	(%)	
<b>Race:</b>			
Non-Hispanic white	12,324	72.3	86.0
Black/African/African American	1,057	6.2	7.0
Hispanic or Latino/a	1,590	9.3	3.5
All others	2,081	12.1	3.5
Asian or Asian American	1,299	7.6	—
Native American or Alaskan Native	161	0.9	—
Native Hawaiian and other Pacific Islander	105	0.6	—
Mixed race or multiracial	516	3.0	—
<b>Gender:</b>			
Women	8,899	52.0	46.0
White (non-Hispanic)	6,452	38.0	—
Person of color	2,447	14.0	—
Male	8,154	48.0	54.0
White (non-Hispanic)	5,872	34.0	—
Person of color	2,282	13.0	—

Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues. National averages are from Ostrower (2007).

Note: Percentages may not sum to 100 because of rounding.

**Figure 3 Percentage of Nonprofit Board Members of Color by Region**



Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Note: Percentages are based on the total number of board member slots, 17,053. One hundred twenty-one respondents did not provide information on board members.

\* Differences for respondents are statistically significant at the 95% confidence level.

North State-Sierra-North Central Valley regions, about one in six board positions have people of color. Statewide, an average of 28 percent of California’s nonprofit board positions are held by people of color. The prevalence of people of color in more urbanized areas may increase the chances that they will be asked to serve on governing boards. Urbanized areas may also have more advocates who speak out on behalf of populations of color, which may lead to more opportunities to serve on nonprofit boards.

- **Human service organizations tend to have the highest percentage of people of color on their boards; arts organizations, the lowest.**

On average, people of color hold between 20 and 30 percent of nonprofit governing board positions in California depending on type of organization (table 4). Human service organizations, for example, have about 30 percent of their board positions filled by people of color, on average. Arts organizations have about 21 percent. The other category indicates that 32 percent of its board members are people of color, but given the wide array of organizations in this cate-

gory, it is not possible to identify specific fields that might attract people of color to a particular type of board.

Interestingly, Ostrower’s national study found that educational organizations were more likely than health organizations to have people of color on their boards. The California study found the opposite, although the difference is quite small. Educational organizations have 25 percent of their board positions filled by people of color, compared with 27 percent for nonprofit health organizations.

- **Nonprofits with larger budgets are more likely than those with smaller budgets to have people of color on their boards.**

The organization’s budget has a positive effect on the diversity of the board in California (table 4). Smaller nonprofits with less than \$100,000 in expenditures have about one in four people of color on their boards; large organizations with expenditures of \$1 million or more have almost one in three. Again, this relationship corresponds to Ostrower’s national findings, but she notes that the relationship disappears once other factors are introduced into the analysis.

**Table 4** Diversity of Boards by Characteristics of the Organization and Board

	Person of color (%)	Non-Hispanic white (%)	Total (%)
All California nonprofits	27.7	72.3	100.0
Type of nonprofit organization			
Arts, culture, and humanities	21.3*	78.7*	100.0
Education	24.9*	75.1*	100.0
Health	27.2	72.8	100.0
Human service	30.0*	70.0*	100.0
Other	32.2*	67.8*	100.0
Size of nonprofit organization			
Less than \$100,000	25.7*	74.3*	100.0
\$100,000–\$999,999	28.3	71.7	100.0
\$1 million or more	30.4*	69.6*	100.0
Size of the board			
1–5 members	32.3*	67.7*	100.0
6–9 members	30.0*	70.0*	100.0
10–19 members	26.3*	73.7*	100.0
20 or more members	26.3*	73.7*	100.0

Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Notes: The percentages are based on the total number of board member slots, 17,053. One hundred twenty-one respondents did not provide information on board members. Size is based on the organization’s total expenditures. “Other” includes all organizations that responded to the survey but were not numerous enough to form a single category. The “other” category includes civil right and advocacy organizations, environmental organizations, animal welfare groups, public safety and disaster relief groups, and many more.

\*Differences for respondents were statistically significant at the 95% confidence level.

- **Nonprofit organizations with smaller boards (i.e., less than 10 members) tend to have a somewhat greater share of people of color than larger boards.**

As the size of the board increases, the share of board members of color decreases (table 4). For example, in California, almost a third of board positions on small boards (i.e., five or fewer members) are held by people of color. In contrast, people of color hold about one in four board seats when the board had 20 or more members.

Most boards that are composed entirely of people of color (about 140 organizations in the survey) are relatively small. Almost 75 percent of boards of color have less than 10 board members, and only 4 percent had 20 or more board members. The relationship between board size and diversity corresponds to Ostrower’s national findings.

### Paid Staff of Nonprofits

If nonprofit boards are the policy arm of the organization, the staff is its engine. Staff members make the organization run. Staff in a nonprofit organization may be called on to perform various functions, but typically these include providing services, administering programs, raising funds, and conducting advocacy. Some nonprofits rely on volunteers

or a mixture of volunteers and paid staff to perform these functions. This study focused only on the paid staff of nonprofit organizations.

- **Women and people of color make up the majority of paid workers in California’s nonprofit sector.**

As table 5 shows, the paid staff of nonprofit organizations in California is primarily women and people of color. Seventy percent of all paid staff positions in California’s nonprofit sector are held by women, and 55 percent are held by people of color.

In fact, the typical employee is a woman of color—38 percent of all nonprofit employees. Non-Hispanic white women are the second-largest group (32 percent), followed by men of color (17 percent) and non-Hispanic white men (13 percent).

The nonprofit sector is an important source of employment for California women. Compared with their share of the state’s working-age population, a substantially higher share of paid staff positions in California’s nonprofit sector is held by women.

The largest single race-ethnic group employed in the nonprofit sector is non-Hispanic whites. They account for 45 percent of all paid workers. Latinos are the second-largest

**Table 5** Race/Ethnicity and Gender of Paid Staff in California’s Nonprofits

	Number	Percent	Percent of California’s working-age population (18–64)
<b>Race:</b>			
Non-Hispanic white	13,789	45.1	44.2
Person of color	16,777	54.9	55.8
Asian/Asian American	3,433	11.2	13.0
Black/African/African American	3,280	10.7	6.1
Hispanic or Latino/a	8,432	27.6	33.9
Native American/Alaskan Native	348	1.1	0.5
Native Hawaiian/Pacific Islander	355	1.2	0.3
Mixed Race/multiracial/other	929	3.0	1.9
<b>Gender:</b>			
Women	21,388	70.0	51.0
Non-Hispanic white	9,774	32.0	29.2
Person of color	11,614	38.0	21.8
Men	9,178	30.0	49.0
Non-Hispanic white	4,015	13.1	28.6
Person of color	5,163	16.9	20.4

Sources: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues; U.S. Census Bureau, American Community Survey, 2005–07.

Notes: There are a total of 30,566 paid staff members. Six hundred sixty-six respondents did not provide information on paid staff. Percentages do not sum to 100 because of rounding.

group (28 percent), followed by Asians and African Americans (11 percent, each).

Similar to women's work experience, the nonprofit sector is an important source of paid employment for people of color, especially African Americans. While 6 percent of California's working-age population is African American, 11 percent of paid staff positions in the state's nonprofit sector are held by African Americans. In contrast, Latinos are underrepresented in the nonprofit labor force, given their share of the working-age population.

Despite the overall prominence of people of color in the nonprofit sector's paid work force, not all nonprofits in California are diverse. More than a quarter of the organizations reporting paid staff members (29 percent) have all white (non-Hispanic) staff, and nearly one in six (16 percent) employ only people of color.

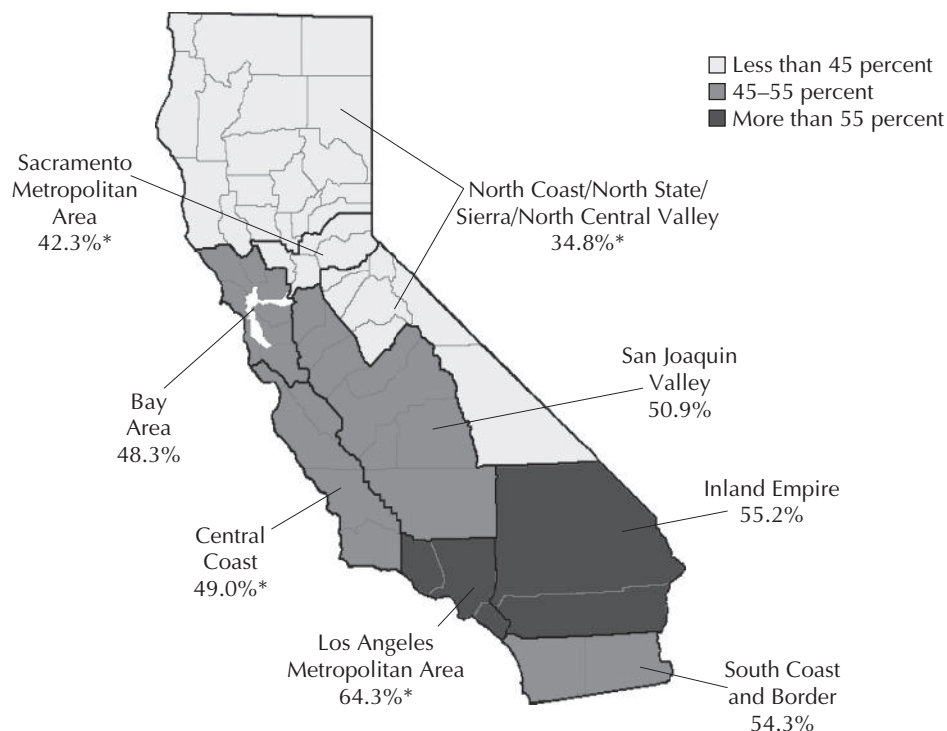
Four factors—the organization's geographic location, type, size, and race-ethnicity of its executive director—were examined to better understand what factors might influence diversity among the staff of nonprofits.

- **The diversity of nonprofit staff generally mirrors the racial-ethnic diversity of California's regional populations.**

In Southern California, for example, with its highly diverse population, nonprofits average the highest percentage of people of color on their staffs. In the Los Angeles region, the typical staff has 64 percent people of color. In Northern California, which has lower levels of population diversity, the share of staff of color is lower. In the Bay Area, for example, the typical nonprofit has about 48 percent of its staff of color; in the Sacramento metropolitan area, the share is 42 percent. The North Coast-North State-Sierra-North Central Valley region has the lowest share of all regions in California (35 percent), but this region also has the smallest share of people of color in its population.

- **All types of nonprofits have fairly diverse staff, but most staff in the health and human services fields are persons of color.**

**Figure 4** Percentage of Nonprofit Paid Staff Members of Color by Region



Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Notes: There is a total of 30,566 paid staff. Information on paid staff was not provided by 666 respondents.

\* Differences for respondents were statistically significant at the 95% confidence level.

California’s health and human service nonprofits typically have the most diverse staff (table 6). On average, 60 percent of the staff in nonprofit health organizations is people of color, and 55 percent of staff in human service agencies is of color. Nonprofits in the arts and educational fields generally have less than half their staff from racially and ethnically diverse backgrounds. Forty-seven percent of staff members in arts organizations are people of color, as are 44 percent of those in educational organizations. The education field includes many parent-teacher associations and parent-teacher organizations, which are often small and reflect the characteristics of neighborhood schools. This may contribute to the lower average shares of diversity in the educational field.

- **Large nonprofits tend to have more racial-ethnic diversity on their staffs than smaller ones.**

The size of the nonprofit appears related to the likelihood of a racially diverse staff (table 6). On average, nonprofits with

expenditures less than \$100,000 have a staff that is about 50 percent people of color; organizations with \$1 million or more in expenditures have 56 percent.

Similarly, as the size of the governing board increases, so does the diversity of the staff. On average, 36 percent of the staff is people of color when the board has fewer than five members; 57 percent are of color when the board has 20 or more members. The size of the board may reflect the size and complexity of the organization. Complex structures seem to reflect greater multiracial multiculturalism in their staffs.

- **Executive directors of color are much more likely than their non-Hispanic white counterparts to have a highly diverse staff.**

In California, both executive directors of color and their non-Hispanic white counterparts lead organizations with racially and ethnically diverse staff. But executive directors of color are much more likely to have a greater proportion of their staff of color (table 6). On average, a non-Hispanic

**Table 6** Diversity of Paid Staff by Characteristics of California’s Nonprofits

Organizational characteristic	People of color on paid staff (%)	Non-Hispanic whites on paid staff (%)	(%)
All California nonprofits	54.9	45.1	100.0
Type of nonprofit organization			
Arts, culture, and humanities	46.5*	53.5*	100.0
Education	44.0*	56.0*	100.0
Health	60.3*	39.7*	100.0
Human service	55.3	44.7	100.0
Other	56.3	43.7	100.0
Size of the nonprofit organization			
Less than \$100,000	50.5*	49.5*	100.0
\$100,000–\$999,999	53.0*	47.0*	100.0
\$1 million or more	55.6	44.4	100.0
Size of the board			
1–4 members	36.3*	63.7*	100.0
5–9 members	39.3*	60.7*	100.0
10–19 members	51.2*	48.8*	100.0
20 or more members	56.7	43.3	100.0
Race-ethnicity of executive director or CEO			
Person of color	71.4*	28.6*	100.0
Non-Hispanic white	51.8*	48.2*	100.0

Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Notes: Total paid staff is 30,566. Information on paid staff was not provided by 666 respondents, and 98 additional respondents did not provide information on the race-ethnicity of their CEO or executive director. Size is based on the organization’s total expenditures. “Other” includes all organizations that responded to the survey but were not numerous enough to form a single category. The “other” category includes civil right and advocacy organizations, environmental organizations, animal welfare groups, public safety and disaster relief groups, and many more.

\*Differences for respondents were statistically significant at the 95% confidence level.

white executive director will have a staff in which 52 percent is people of color. In contrast, an executive director of color's staff will be about 72 percent people of color.

The data do not indicate reasons for this difference, but several factors may be at play. For example, executive directors of color may have risen through the ranks of a diverse organization. They may recruit more people of color to be on their staff. They may seek and accept executive positions in which a majority of the staff is of color. Or, they may not be offered positions in organizations with less diverse staff. All these factors should be explored in further research to better understand the relationship between leadership diversity and staff diversity.

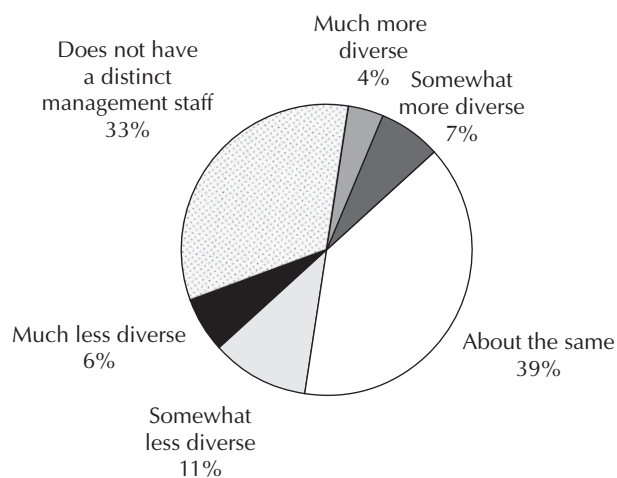
## Senior Management

- **The management staff of California nonprofits, on average, tends to reflect the diversity of the staff.**

About a third of California nonprofits do not have a distinct management staff (figure 5). Many of these organizations (63 percent) are small with expenditures of less than \$100,000. They are also more likely to have a non-Hispanic white executive director (78 percent) than a person of color (22 percent) at the helm.

As figure 5 also indicates, nearly two in five California nonprofits said their management staff was about as diverse

**Figure 5** Diversity of Management Compared with Overall Staff in California's Nonprofits



Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Note: One hundred seven respondents did not provide information on diversity of management staff.

as their overall staff. Eleven percent said management was somewhat or much more diverse; and 17 percent described management as somewhat or much less diverse.

- **Having an executive director of color increases the likelihood of having a more diverse management staff.**

Looking only at nonprofits that have a management team, about 60 percent of the executive directors described their managers as about as diverse as their staff. But executive directors of color were about two and a half times more likely than their non-Hispanic white counterparts to say their management staff was more diverse—32 percent versus 11 percent. In contrast, 29 percent of non-Hispanic white executive directors described their management teams as less diverse, compared with 14 percent of executive directors of color.

- **Roughly one in four California nonprofits has a written organizational policy regarding racial-ethnic diversity.**

Written policies pertaining to racial-ethnic diversity are not very common in California's nonprofit sector (table 7). Only one in four organizations (27 percent) has a written policy regarding the race-ethnic diversity of their staff, and one in five (22 percent) has a written policy pertaining to board diversity. Written policies regarding race-ethnic diversity of contractors and consultants are even less common. Only 13.5 percent of organizations have such a policy.

Overall, about 10 percent of nonprofits have written policies covering all three areas—that is, board, staff, and contractor diversity—and 18 percent of nonprofits have written policies covering two areas—namely board and staff diversity.

- **Organizations with executive directors of color are somewhat more likely to have written diversity policies.**

A larger share of nonprofits headed by a person of color than by a non-Hispanic white has written policies regarding diversity. About a third of organizations led by a person of color have policies on staff diversity, compared with a quarter of organizations led by non-Hispanic white. The same pattern applies for policies regarding board and contractor diversity, although the percentage of organizations with these policies is lower.

What is not clear is whether the executive director of color introduced diversity policies into the organization or



**Table 7** Written Policies in California's Nonprofits Regarding Racial-Ethnic Diversity

	% with Written Policy Regarding Race/Ethnicity of:		
	Board	Staff	Consultants
All California nonprofits	22.3	27.4	13.5
Race-ethnicity of executive director/CEO			
Person of color	27.7*	32.3*	16.5
Non-Hispanic white	20.5	25.7	12.4
Size of nonprofit organization			
Less than \$100,000	13.9*	13.5*	8.1*
\$100,000–\$999,999	25.8*	33.6*	16.1
\$1 million or more	36.4*	47.2*	21.4*
Type of nonprofit organization			
Arts, culture, and humanities	16.3*	19.7*	9.1*
Education	14.0*	17.0*	7.5*
Health	29.8*	39.2*	20.2*
Human service	28.6*	35.7*	18.2*
Other	20.1	22.5*	11.3

Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Notes: Information on written policies regarding race/ethnicity for board members was not provided by 58 respondents, 133 respondents did not provide information on written policies for paid staff members, and 172 respondents did not provide information on written policies for consultants. Information on board size was not provided by 97 respondents, and 24 respondents did not have a board. Information on the race/ethnicity of the CEO or executive director was not provided for 36 respondents. Size is based on the organization's total expenditures. "Other" includes all organizations that responded to the survey but were not numerous enough to form a single category. The "other" category includes civil right and advocacy organizations, environmental organizations, animal welfare groups, public safety and disaster relief groups, and many more.

\*Differences for respondents were statistically significant at the 95% confidence level.

if such policies already existed before the director's arrival. The cause and effect of this relationship is not known.

- **Nonprofits with written policies on diversity tend to be larger and provide health and human services.**

As table 7 also shows, larger organizations are much more likely than smaller ones to have written diversity policies. Nearly half (47 percent) of large nonprofits have a written policy regarding staff diversity compared with 14 percent of small nonprofits. Similarly, large nonprofits are two and a half times more likely than small nonprofits to have a written policy related to board diversity, and about three times

more likely to have a written diversity policy regarding contractors and consultants. As nonprofits increase in size, they are more likely to adopt written policies on diversity.

Diversity policies are most common in the health and human services fields. Nearly 40 percent of health organizations and 36 percent of human service agencies have written policies regarding staff diversity. About 30 percent of health and human service nonprofits have written policies related to board diversity, and roughly 20 percent have policies on the diversity of contractors and consultants.

Arts and educational organizations, excluding higher education, are least likely to have written diversity policies. If they do, it is more likely that the policies cover staff and board diversity. Fewer than 10 percent of arts and education nonprofits have written policies to address contractor and consultant diversity.

#### IV. Identifying Diverse or Minority-Led Nonprofits

Efforts to define and document the diversity of leadership in nonprofit organizations, as well as how strongly foundations support organizations with high levels of minority leadership, have generally taken two approaches. Some researchers examine the proportions of people of color (or people with other diverse characteristics, such as disability, sexual orientation, and so on), who hold leadership positions in an organization. Others look at factors that shape a nonprofit's orientation toward serving diverse populations, such as the organization's mission statement or the population being served.

In the past few years, several terms have surfaced to define the concept of a diverse organization: minority-led organization, organization of color, and diverse organization.<sup>5</sup> Each term uses different criteria in its definition.

For example, the term "minority-led organization" was coined by the Greenlining Institute in 2005, and is defined as follows:

*Minority* is defined as a historically underrepresented or underserved ethnic or racial group that includes the following categories: African-American, Asian/Pacific Islander, Latino, and Native American. A *minority-led organization* is one whose staff is 50 percent or more minority; whose board of directors is 50 percent or more minority; and whose mission statement and charitable programs aim to predominantly serve and empower minority communities or populations. (Aguilar et al. 2005; see also Greenlining Institute 2006, 2008; and Gonzalez-Rivera et al. 2008)

“Organization of color” was developed by the Race and Equity in Philanthropy Group in 2007. Organizations of color are defined as

those organizations led by and serving communities of color. These are organizations where the leading staff person is of color, along with at least half of board members being people of color. Another key factor in this definition is that organizations of color actually serve communities of color.

The Race and Equity in Philanthropy Group eschews the term “minority” in favor of “people of color” (Race and Equity in Philanthropy Group 2007).

“Diverse organization” was coined in 2009 by the University of San Francisco and CompassPoint Nonprofit Services.

In framing what constitutes a “diverse organization,” we’ve set the criteria as at least 50 percent representation on the board and management staff. . . . To complete the criteria, the diverse organization must target the specific population because such identification is then central to the organization’s identity in a way that is not true for organizations that target more broadly. (Silverman et al. 2009)

As table 8 shows, these definitions share several commonalities. All require that at least half the organization’s board members be people of color and that the organization serves minority (or people of color) populations.

The definitions also diverge in several ways. Only “organization of color” specifies that the organization’s leading staff member be a member of a community of color, only “diverse organization” specifies that at least half of manage-

ment staff are people of color, and only “minority-led organization” specifies that the organization’s mission statement must aim to “predominantly serve and empower minority communities.”

These definitional differences may seem relatively trivial, but they in fact play a key role in determining the number or proportion of organizations that might be regarded as diverse and in how discussions of diversity in the sector are structured. Further, only the definition of “diverse organization” has been used empirically to identify the proportions of organizations that might be considered diverse in a particular geographical area. The other definitions have been used to frame discussions on the extent to which foundations support nonprofits that exhibit high levels of leadership by minorities or people of color.

## Models of Diverse Nonprofits

Three models of nonprofit racial-ethnic diversity were developed and analyzed using the statewide California survey data collected in this study. The analysis provides information on

1. the number and percentage of nonprofits in California that might be regarded as diverse under different definitions,
2. how the characteristics of diverse organizations (such as size and type) vary, depending on the definition used,
3. the regional prevalence of diverse nonprofits as modeled under alternate definitions, and

**Table 8** Comparison of Race-Ethnic Typologies of Nonprofit Organizations

Organizational characteristic	Minority-led organization	Organization of color	Diverse organization
Board members: At least half of board members are members of minority or person-of-color groups	X	X	X
Leading staff: Executive director or other top staff member is a member of minority or person-of-color group		X	
Management staff: At least half of management staff are members of minority or person-of-color groups			X
Staff: At least half of staff members are members of minority or person-of-color groups	X		
Mission: Mission statement aims to predominantly serve and empower minority or persons-of-color communities	X		
Groups targeted: The organization targets the specific population for service, etc.	X		X
Groups served: The organization serves minority or person-of-color populations	X	X	X

- the effects of the economic downturn on these three models of diverse nonprofits. This final point will be discussed in section VI.

Information from the California survey was sufficient to develop three models.<sup>6</sup>

Model 1, created by the authors, focuses on the organization’s policymakers and decision-makers—that is, the executive director and board members. This model of nonprofit “leadership diversity” requires that the executive director be a person of color and most board members are people of color.

Model 2 is based on the Race and Equity in Philanthropy Group’s definition of “organization of color.”

Model 3 is based on the Greenlining Institute’s definition of “minority-led” nonprofit.

## How Many Nonprofits Might Be Regarded as Racially or Ethnically Diverse?

The number of organizations that might be regarded as racially or ethnically diverse depends greatly on the definition. The leadership model yields the most nonprofits that qualify under its criteria. The minority-led model yields the fewest nonprofits.

More specifically, if the racial-ethnic diversity of the organization’s leadership (i.e., the executive director and board) is used as the criteria for determining diversity, 248 nonprofits in the survey, or 15.5 percent of eligible respondents, would be considered diverse. If the model is based on the racial-ethnic diversity of the leadership *and* the population served (i.e., more than half the clients or customers are people of color), then 221 organizations in the survey, or 14 percent of California’s nonprofits, would be considered diverse. If the definition of diversity requires the majority of board members and paid staff to be people of color, a majority of the population served to be of color, *and* the organization’s mission statement to indicate a desire to serve people of color, then 60 organizations in the survey, or 4 percent of California’s nonprofits, meet these criteria.

Including the organization’s mission in the definition of diversity greatly lowers the number and proportion of nonprofits that might be considered diverse. The survey data indicate that nonprofit mission statements tend to be statements of purpose that do not focus attention on particular racial or ethnic groups. Some survey respondents specifically wrote that they serve “all people in need,” even though in many cases, the people receiving services are people of color. A diversity study conducted by the Foundation Center also found that, regardless of mission statement, many

nonprofits provide much of their service to people of color (McGill et al. 2008).

## What Are the Characteristics of Diverse Organizations?

Table 9 compares the three models by organizational size, type of activity, and geographic location to see if different definitions of diversity yield organizations with different characteristics.

- Nonprofits identified under the leadership and organization of color models (models 1 and 2) are more likely to have small budgets, whereas the minority-led model (model 3) results in a larger share of nonprofits with large budgets.**

The proportion of small, medium, and large nonprofits that might be considered diverse depends on the criteria used to determine diversity. As table 9 shows, models 1 (leadership) and 2 (organization of color) are much more likely than model 3 (minority-led) to include small nonprofits with expenditures less than \$100,000. Roughly 42 percent of the nonprofits considered diverse in the models 1 and 2 have budgets under \$100,000, compared with 26 percent in model 3. Conversely, about 22 percent of nonprofits in model 3, versus 15 percent in models 1 and 2, have expenditures of \$1 million or more. Compared with all nonprofits in California, models 1 and 2 have roughly the same proportions of small, medium, and large nonprofits. Model 3 has disproportionately more large organizations and fewer small ones.

- There is very little variation in the types of nonprofits identified as diverse under the three models. However, all three models tend to slightly underrepresent education and arts organizations.**

The types of nonprofits that might be regarded as diverse under the three models are fairly similar. Human services represent the largest share, while health and arts organizations are the smallest shares. Under any of these three definitions of diversity, the share of organizations by type is approximately the same.

Small differences appear when comparing the distribution of diverse nonprofits under these three definitions to the distribution of all nonprofits in the state. For example, roughly a third of diverse organizations in all three models are in the human service field. This is fairly comparable to the share of human service organizations in the state

**Table 9** Characteristics of Diverse Nonprofits Based on Three Models of Diversity

Characteristics of organizations & communities	Model 1: Leadership Diversity		Model 2: Organization of Color		Model 3: Minority-led Nonprofit		
	All of the following apply: (a) CEO is a person of color (b) Most board members are PoC	248	All of the following apply: (a) CEO is a person of color (b) Most board members are PoC (c) Serves a community of color	221	All of the following apply: (a) Most board members are PoC (b) Most paid staff members are PoC (c) Mission statement serving PoC (d) Serves a community of color	60	Statewide distributions
Number of organizations meeting the criteria		248		221		60	
Size of the organization							
Less than \$100,000		43.0%		41.7%		26.2%	44.5%
\$100,000–\$999,999		41.5		43.4		51.9	38.6
\$1 million or more		15.4		14.8		21.9	16.9
Total		100.0%		100.0%		100.0%	100.0%
Type of organization							
Arts, culture and humanities		10.0%		9.8%		10.8%	13.2%
Education		16.3		16.3		14.0	20.9
Health		8.8		8.4		10.3	10.9
Human Services		33.9		36.5		37.3	34.3
Other		31.0		28.9		27.7	20.7
Total		100.0%		100.0%		100.0%	100.0%
Region							
North Coast/North State/Sierra		1.6%		1.8%		6.4%	5.2%
North Central Valley/ Bay Area		28.9		27.5		28.9	27.5
Sacramento Metro		3.0		3.4		5.3	6.3
San Joaquin Valley		4.6		4.6		2.2	6.6
Central Coast		1.3		1.5		0.9	5.6
Los Angeles Metro		49.1		49.8		42.8	34.0
Inland Empire		6.9		6.3		6.2	6.6
South Coast and Border		4.6		5.2		7.2	8.2
Total		100.0%		100.0%		100.0%	100.0%

Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

PoC = person of color

Notes: Size is based on the organization's total expenditures. "Other" includes all organizations that responded to the survey but were not numerous enough to form a single category. The "other" category includes civil right and advocacy organizations, environmental organizations, animal welfare groups, public safety and disaster relief groups, and many more. Numbers may not sum to 100 because of rounding.

(34 percent), although models 2 and 3 have slightly higher shares of human service nonprofits (37 percent).

In contrast, the three models identify fewer education and arts organizations as diverse compared with their share in the state. For example, about 21 percent of all California nonprofits are in the education field; under the models between 14 and 16 percent are considered diverse. Likewise, arts organizations account for 13 percent of all nonprofits in California, but the models identify approximately 10 percent of arts organizations as diverse.

These differences suggest that diversity can be found in all parts of the nonprofit sector, although there is a very slight tendency for the human service field to be regarded as diverse compared with educational or arts organizations. Educational nonprofits may be less likely than other types of nonprofits to name a particular race-ethnic group in their mission statement, suggesting that they may wish to promote educational services for all people.

- **Compared with the leadership and organization of color definitions, the minority-led definition yields a lower share of diverse nonprofits in the Los Angeles and San Joaquin Valley regions and a higher share in the North Coast-North State-Sierra-North Central Valley region.**

The distribution of nonprofits by region is fairly similar across models except in a few areas. For example, under the criteria for minority-led organization (model 3), about 43 percent of diverse nonprofits are located in the Los Angeles region; under the other two models, about half are in the LA region. The San Joaquin Valley region also has a somewhat lower share of California's diverse nonprofits under model 3 than under the other models—roughly 2 percent versus 5 percent, respectively.

In all three models, the Los Angeles region has more nonprofits regarded as diverse (between 40 and 50 percent) than their share in California's overall nonprofit sector (34 percent)

## V. Sources of Revenue for California's Nonprofit Sector

Finding financial resources to support the work of a nonprofit organization is one of the biggest challenges faced by an executive director and the board. Typically, nonprofits rely on multiple sources of revenue, and different types of nonprofits may rely on different income sources. These multiple funding streams add to the complexities of raising and managing funds, especially in difficult financial times.

This section will first give a general overview of nonprofit reliance on different sources of support and then discuss funding of diverse organizations in the three models.

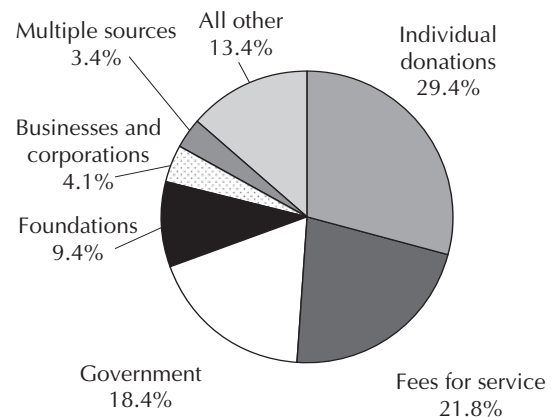
### Overview of Funding Sources

- **The three most important sources of funding for California nonprofits are individual donations, fee for service, and government.**

When survey respondents were asked to name their single largest source of funding during the past year, three sources stood out (figure 6). Nearly one in three nonprofits named individual donations as their most important source of funding. Another 22 percent named fees for service (such as tuition or sale of admission tickets), and 18 percent named government. Other sources of funding were named far less frequently.

On average, nonprofits that named donations as their single largest source of funding said that 70 percent of their total funding came from this source. Those that rely on fees said that 75 percent of their revenues came from fee income, and those that rely on government receive 72 percent of their total budget from government. As these data illustrate, fairly large segments of the nonprofit sector rely on donations, fees, and government for a substantial share of their revenues.

**Figure 6** Single Largest Source of Funding during the Past Year for California's Nonprofit Organizations



Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Note: Information on the single largest source of funding was not provided by eight respondents.

**Table 10** Largest Source of Funding by Type of Nonprofit Activity

Type of nonprofit	Most frequently named source	Second most frequently named source
Arts and Humanities	Fees	Donations
Education	Donations	Fees
Health	Government	Donations
Human services	Government	Donations
Other	Donations	Fees

Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Notes: Information on the single largest source of funding was not provided by eight respondents. “Other” includes all organizations that responded to the survey but were not numerous enough to form a single category. The “other” category includes civil right and advocacy organizations, environmental organizations, animal welfare groups, public safety and disaster relief groups, and many more.

- **Arts and education nonprofits name fees and donations as their two most important sources of funding; health and human services name government and donations as their most important sources.**

The patterns of financial support vary from one type of nonprofit to another, as table 10 shows. For arts and education nonprofits, fees and donations were most frequently named as the largest sources of their support. Thirty-five percent of arts organizations named fees as their largest source of income, and, on average, this represented 67 percent of the revenue base for arts nonprofits citing fees as their largest

income source. A third of all education nonprofits, excluding higher education, named donations as their largest source of revenue, which for these respondents accounted for 80 percent of their revenues, on average.

Government was the largest source of funding for both health and human service nonprofits. In the health field, excluding hospitals, one in three health providers said that government is their largest source of funding, representing, on average, 67 percent of the funding base for health nonprofits that rely on government as their largest source of funding. Likewise, 28 percent of nonprofit human service agencies named government as their largest funder and said that 75 percent of revenues came from this source.

- **Foundation support reaches just over half the nonprofits in California; however, nonprofit reliance on foundation support varies widely.**

Although foundation support is not a major revenue source for most nonprofits, it can be an important part of a nonprofit’s financial portfolio. Foundation grants can enable a nonprofit to develop a new program, sustain or expand an existing one, or fill gaps created by cutbacks from other revenue streams during troubled financial times.

- **Most California nonprofits received some foundation support in 2008, but foundation grants are a very small percentage of their total revenues.**

On average, most nonprofits in California (53 percent) receive some financial support from foundations, but this support represents only a small fraction of their overall budgets (table 11). For example, one in five nonprofits in

**Table 11** Nonprofit Reliance on Foundation Funding by Type of California Nonprofit

NTEE category	None	1–5 percent	6–10 percent	11–30 percent	31–50 percent	More than 50 percent	Total
Arts and humanities	41.7	15.7	11.0	19.6	6.8	5.1	100.0
Education	57.0	17.5	8.2	9.4	3.4	4.5	100.0
Health	39.0	19.5	8.4	20.3	4.3	8.4	100.0
Human services	44.5	20.6	8.5	14.4	6.8	5.1	100.0
Other	51.1	15.6	10.1	12.7	5.4	5.2	100.0
Total	47.5	18.1	9.1	14.3	5.5	5.4	100.0

Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Note: Information on foundation funding was not provided by 45 respondents, and 804 respondents received no foundation funding. “Other” includes all organizations that responded to the survey but were not numerous enough to form a single category. The “other” category includes civil right and advocacy organizations, environmental organizations, animal welfare groups, public safety and disaster relief groups, and many more.

California (18 percent) reported that foundation support represented less than 5 percent of their budgets. Only 5 percent relied on foundation support for more than half their funding.

The amount of foundation support varies considerably across fields of activity. Education nonprofits are the least likely to receive or depend on foundation support. Three-quarters of them either received no foundation support (57 percent) or relied on foundation grants for less than 5 percent of their total revenue (17 percent). Two-thirds of human service organizations either get no foundation support (45 percent) or have a very low reliance on this type of support (21 percent). Except for education nonprofits, about 12 percent of California nonprofits, regardless of field, had more than 30 percent of their funding from foundations. Eight percent of health nonprofits depended on foundations for 50 percent or more of their total revenues.

- **Nonprofits with executive directors of color are as likely as their non-Hispanic white counterparts to receive foundation grants; however, they are somewhat more reliant on foundation support.**

The race-ethnicity of the executive director does not affect the likelihood that a foundation will receive foundation support. About the same percentage of executive directors of color and not of color (non-Hispanic white) receive foundation grants (table 12). However, organizations with executive directors of color are more likely to rely on these grants as a major source of revenue. For example, nearly 14 percent of organizations with an executive director of color rely on

foundation support for more than 30 percent of their revenues. In contrast, about 10 percent of non-Hispanic white executive directors report this level of reliance on foundation support.

## Sources of Funding for Organizations in the Three Diversity Models

- **The definition of diversity has a small effect on the extent to which diverse organizations rely on specific types of support, with foundation support playing a more prominent role for nonprofits under the minority-led criteria.**

Under the three definitions, the major sources of support for diverse organizations are fairly similar, namely individual donations and government (table 13). These two sources were named most frequently by survey respondents. But foundation support was named more often by diverse nonprofits under the minority-led model.

More specifically, nearly one in three nonprofits under the leadership and organization-of-color models indicates that individual donations are their largest source of funding, and one in four says government is their largest source. About one in eight (12 percent) named foundations as their largest source of support.

Nonprofits that are diverse under the minority-led model most frequently named government as their largest source of support—named by 25 percent of these nonprofits. Individual donations and foundation support were the next two sources of support most frequently cited. Each

**Table 12** Percent of Nonprofits in California That Receive Foundation Funding by Race/Ethnicity of CEO or Executive Director

	Person of color (n = 412)	Non-Hispanic white (n = 1,248)	Total (n = 1,660)
None	46.0	47.4	47.1
Less than 5 percent	14.6	19.3	18.1
6–10 percent	10.1	9.0	9.3
11–30 percent	15.8	14.0	14.5
31–50 percent	6.2	5.5	5.6
More than 50 percent	7.3	4.8	5.4
Total	100.0	100.0	100.0

Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues

Note: Information on percent of funding that came from foundation and/or the race/ethnicity of the executive director was not provided by 76 respondents.

**Table 13** Top Three Sources of Support for Diverse Nonprofits in California

<b>Model 1: Leadership Diversity</b>	<b>Model 2: Organization of Color</b>	<b>Model 3: Minority-Led Nonprofit</b>
<b>All the following apply:</b> (a) CEO is a person of color (b) Most board members are PoC	<b>All the following apply:</b> (a) CEO is a person of color (b) Most board members are PoC (c) Serves a community of color	<b>All the following apply:</b> (a) Most board members are PoC (b) Most paid staff members are PoC (c) Mission statement serving PoC (d) Serves a community of color
(n = 248)	(n = 221)	(n = 60)
Individual donations Government Foundations	Individual donations Government Foundations	Government Individual donations Foundations

Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

PoC = person of color

Note: Information on the single largest source of funding was not provided by 8 respondents.

source was named by about one in five (20 percent) nonprofits as their largest source of funding.

- **Foundation support reaches between half and two-thirds of diverse nonprofits, depending on the definition used to identify diversity; however nonprofit reliance on foundation support varies widely.**

Most diverse nonprofits receive foundation support, but for many of these organizations, it is a relatively small percentage of their total revenues (table 14). Under the leadership

and organization-of-color models, three-quarters of diverse nonprofits say less than 25 percent of their funding comes from foundations. Under the minority-led definition, about two-thirds report less than a quarter of their funding from foundations. The average (or mean) level of foundation support under each model is less than 25 percent. The median value is about 2 percent for the leadership and organization-of-color models and 8 percent of the minority-led model.

However, a relatively large segment of nonprofits under the minority-led definition (almost 22 percent) rely on foundation support for half or more of their

**Table 14** Percentage of Total Revenues from Foundations for Diverse Nonprofits

<b>Characteristics of organizations and communities</b>	<b>Model 1: Leadership Diversity</b>	<b>Model 2: Organization Color</b>	<b>Model 3: Minority-Led Nonprofit</b>
	<b>All the following apply:</b> (a) CEO is a person of color (b) Most board members are PoC	<b>All the following apply:</b> (a) CEO is a person of color (b) Most board members are PoC (c) Serves a community of color	<b>All the following apply:</b> (a) Most board members are PoC (b) Most paid staff members are PoC (c) Mission statement serving PoC (d) Serves a community of color
	(n = 248)	(n = 221)	(n = 60)
Percentage of funding from foundations in last fiscal year			
No foundation funding	45.5	44.9	32.2
1–25%	28.6	29.7	31.7
25–49%	11.9	11.3	14.7
50–74%	8.2	7.9	15.2
75% or more	3.1	3.5	6.4
No answer	2.7	2.7	0.0
Total	100.0	100.0	100.0
Mean value	14.0	14.3	22.5
Median value	1.5	2.5	7.5

Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

POC = person of color



funding. By comparison, about 11 percent of their counterparts in the two other models are at this level of reliance.

Minority-led nonprofits that primarily rely on foundation support tend to be located in the Los Angeles area. Most are human service organizations or ethnic and immigrant centers. They are equally likely to be small, medium, or large in size. By comparison, the profile of leadership and organization-of-color nonprofits that primarily rely on foundation support is somewhat different. These groups also tend to be located in the Los Angeles region, but about half are small nonprofits with expenditures less than \$100,000. They also tend to be environmental groups, faith-based groups, or alliance and advocacy groups.

## VI. Impact of the Economic Downturn on California's Nonprofit Sector

The economic downturn has severely affected all aspects of life in California. Unemployment is up, job growth is down, the value of stock market portfolios has plummeted, personal savings are dwindling, and the state's budget deficit will force painful choices in publicly funded programs and services. Given this scenario, many of California's nonprofit leaders are bracing for difficult financial times. Survey respondents provided new insights into how the economy is affecting their organizations.

### General Impact

- **The economic downturn generally has decreased funding for the nonprofit sector and increased demand for its services.**

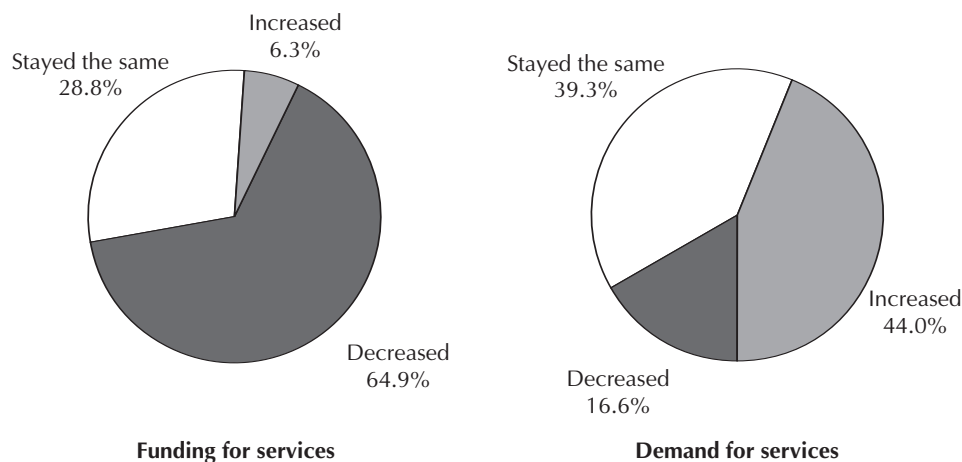
Nearly two of every three nonprofits in California reported a decrease in their revenues, while two in five reported an increase in demand for their services (figure 7). A substantial share of California's nonprofits (nearly 30 percent) has had the proverbial double whammy—that is, a decrease in revenue and an increase in demand. In contrast, only one in six (17 percent) has seen both their revenues and demand for service stay the same.

- **The negative impact of the economy is strongest in the major metropolitan areas.**

Although all regions of the state have felt the effects of the economic downturn on their operations, the effects are most notable in the larger metropolitan regions (figure 8). For example, about one in three nonprofits in the Los Angeles and San Francisco Bay areas experienced the dual effects of declines in funding and increases in demand.

- **Arts organizations were most likely to report declines in funding; large nonprofits and those in the health field were most likely to report increases in demand.**

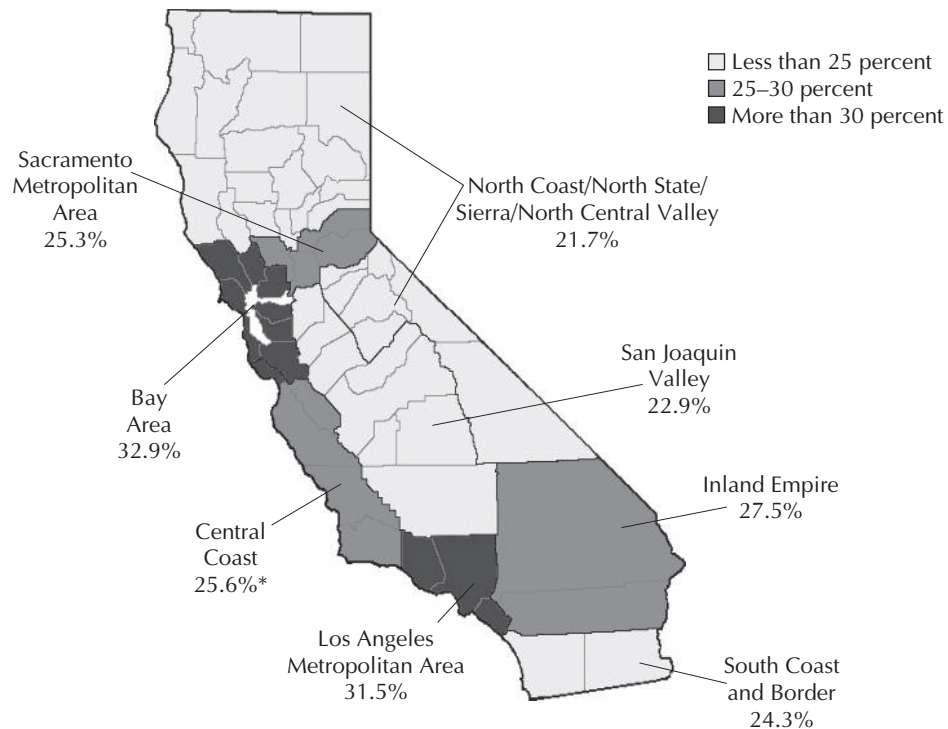
**Figure 7** Recent Changes in Funding and Demand for Nonprofit Services in California



Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Note: Information on changes in the funding for services was not provided by 23 respondents, and 17 respondents did not provide information on changes in the demand for services.

**Figure 8** Percent of California Nonprofits that Experienced Both Funding Cuts and Increases in Demand for Service



Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Note: Information of changes in funding or demand for services was not provided by 32 respondents.

\* Differences for respondents were statistically significant at the 95% confidence level.

While most nonprofits in California have felt the effects of funding declines, arts organizations stand out as most likely affected.<sup>7</sup> Seventy-one percent of arts organizations reported a drop in revenues (table 15). Relative to other types of nonprofits, human service organizations may have been slightly buffered from funding cuts as of early 2009 when the survey was conducted. Most human service organizations reported either a decline in funding (62 percent) or stability in their funding base (31 percent). Seven percent of human service providers reported an increase in funding—a larger share than any other type of organization.

More than half of California's large nonprofits report increased demand for their services, compared with roughly 40 percent of small and medium nonprofits. Similarly, about half of the health, human services, and education nonprofits reported that demand for their services has increased.

Although arts organizations most often reported declines in funding, a relatively small share (22 percent) reported increases in demand for their services. Most arts organi-

zations (about 50 percent) indicated demand has held steady.

### Impact on Organizations in the Three Diversity Models

Like all nonprofits in California, nonprofits led by executive directors of color or considered diverse under the three diversity models have been greatly affected by the economy.

- **A greater share of executive directors of color than their non-Hispanic white counterparts are coping with simultaneous declines in funding and increases in demand.**

While all executive directors are wrestling with the impacts of the economic recession, executive directors of color are more likely than their white (non-Hispanic) counterparts to be leading organizations feeling the economic downturn's impact (figure 9). Seventy percent of nonprofits led

**Table 15** Changes in Funding and Demand for Services by Nonprofit Size and Type

	Percent with change in funding		
	Increase	Decrease	Stayed the same
<b>All California Nonprofits</b>	6.3	64.9	28.9
Size of the nonprofit organization			
Less than \$100,000	6.3	63.3	30.4
\$100,000–\$999,999	6.3	65.8	27.9
\$1 million or more	6.6	66.8	26.6
Type of nonprofit organization			
Arts, culture, and humanities	4.5	70.8	24.8
Education	5.2	67.7	27.1
Health	5.6	67.3	27.1
Human service	7.1	61.8	31.0
Other	7.7	62.0	30.3
	Percent with change in demand		
	Increase	Decrease	Stayed the same
<b>All California nonprofits</b>	44.0	16.7	39.3
Size of the nonprofit organization			
Less than \$100,000	40.9	15.1	43.9*
\$100,000–\$999,999	44.3	18.7	37.1
\$1 million or more	51.7*	15.9	32.5*
Type of nonprofit organization			
Arts, culture, and humanities	21.7*	28.7*	49.6*
Education	48.4	14.5	37.1
Health	51.8*	11.5*	36.7
Human service	49.8*	17.3	33.0*
Other	40.1	13.0*	46.9*

Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Notes: Information on changes in the funding for services was not provided by 23 respondents, and 17 respondents did not provide information on changes in the demand for services. Size is based on the organization's total expenditures. "Other" includes all organizations that responded to the survey but were not numerous enough to form a single category. The "other" category includes civil right and advocacy organizations, environmental organizations, animal welfare groups, public safety and disaster relief groups, and many more.

\*Differences for respondents were statistically significant at the 95% confidence level.

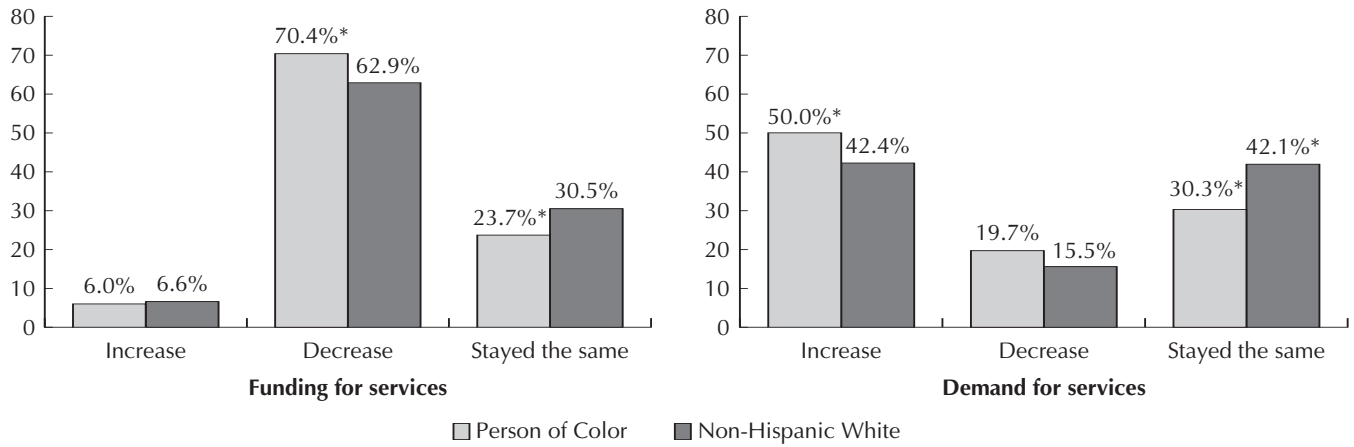
by a person of color report decreases in funding, and 50 percent reported increases in demand. The corresponding shares for organizations led by a non-Hispanic white director are 63 and 42 percent, respectively.

Non-Hispanic white executive directors have been more successful than their counterparts in keeping funding levels fairly stable. Nearly one in three nonprofits led by a non-Hispanic white reports funding has remained about the same, compared with one in four nonprofits led by executive directors of color. Similarly, demand for ser-

vice has been more stable for white- (non-Hispanic) led organizations (42 percent) than nonprofits led by a person of color (30 percent).

The survey did not address the reasons for funding cuts. However, the data suggest that organizations led by executive directors of color are somewhat more reliant on government support than are their white counterparts. State budget cuts, particularly in human services, may be one reason that a higher percentage of CEOs of color reported declines in the funding, although further study on this question is needed.

**Figure 9** Changes in Funding and Demand for Services by Race-Ethnicity of Executive Director or CEO



Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Notes: Information on changes in the funding for services was not provided by 23 respondents, 17 respondents did not provide information on changes in the demand for services, and 36 respondents did not provide information on the race/ethnicity of the CEO or executive director.

\* Differences for respondents were statistically insignificant at the 95% confidence level.

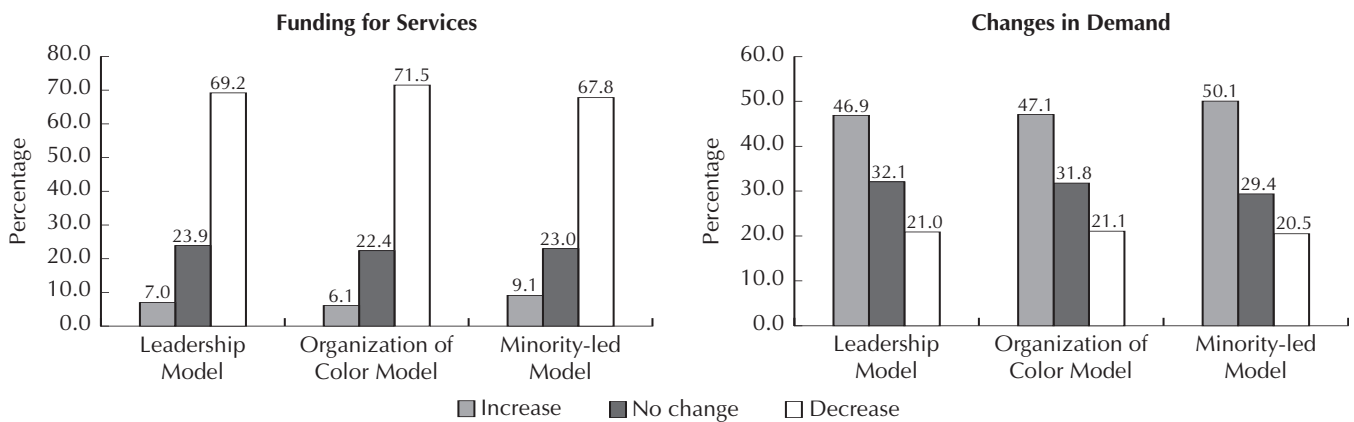
- **Roughly 70 percent of diverse organizations in our models have experienced a decline in funding because of the economic downturn.**

Seven of every ten diverse nonprofits have experienced declines in funding (figure 10). This proportion is consistent regardless of the definition used to identify a diverse

organization. About one in five reports that their funding levels have stayed the same, and fewer than one in ten have experienced an increase. The picture that emerges is largely the same no matter how diversity is defined.

- **About half of diverse nonprofits have experienced an increase in demand for their services.**

**Figure 10** Percent of Nonprofits Reporting Changes in Funding and Demand for Services under Three Models of Diversity



Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Note: Information was not provided for changes in funding by two respondents, and six respondents did not provide information on changes in demand.

Again, there is considerable consistency across the three diversity models. About half of the nonprofits report an increase in demand, about one in five reports a decrease, and one in three reports that demand for their services has held steady.

- **About 35 percent of diverse organizations, on average, have had a simultaneous decrease in funding and increase in demand.**

The dual impact of funding decreases and demand increases has affected roughly the same proportion (about 35 percent) of diverse nonprofits under all three definitions of diversity. Compared with the overall nonprofit sector, in which roughly 30 percent of organizations experienced these twin effects, diverse nonprofits have been more negatively affected by the economic downturn. Between 10 and 15 percent of diverse nonprofits, depending on the model, has seen both their revenues and demand stay the same.

## VII. Outlook for the Future

Many nonprofits in California are operating under difficult economic conditions. But, what about the future? Do nonprofit leaders anticipate better times ahead?

- **Looking ahead, nonprofit leaders expect more funding cuts and increases in demand for the next 12 months.**

Overall, about three in five respondents anticipated further declines in funding over the next year (figure 11). Equal

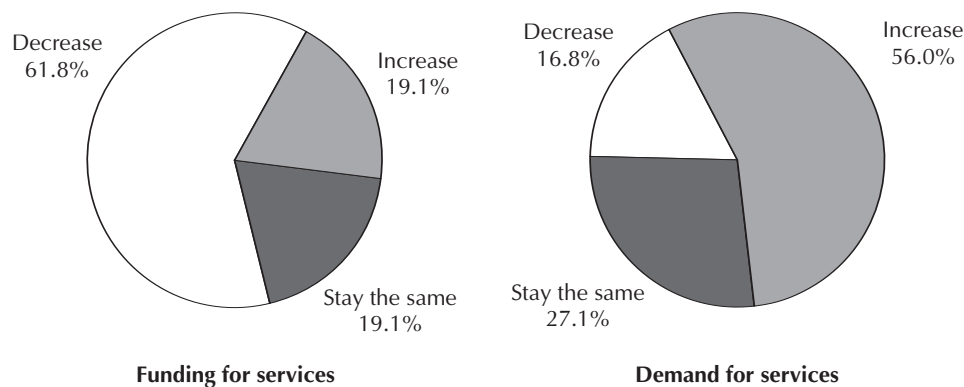
shares (19 percent) thought that funding would either increase or stay about the same. More than half (56 percent) expected demand for their service to increase, while 27 percent anticipated no change and 17 percent expected a decline in demand. About one in three nonprofits anticipated both funding cuts and increases in demand for service.

- **Across the state, regardless of region, California's nonprofits are anticipating more funding cuts and increases in service demand.**

Uniformly, California's nonprofits are anticipating more declines in funding regardless of where they are located (figure 12). More than 60 percent of nonprofits in every region, except San Joaquin and the North Coast-North State-Sierra-North Central Valley, expect further declines in funding. In San Joaquin and the North Coast-North State-Sierra-North Central Valley regions, only half of the survey respondents expected declines.

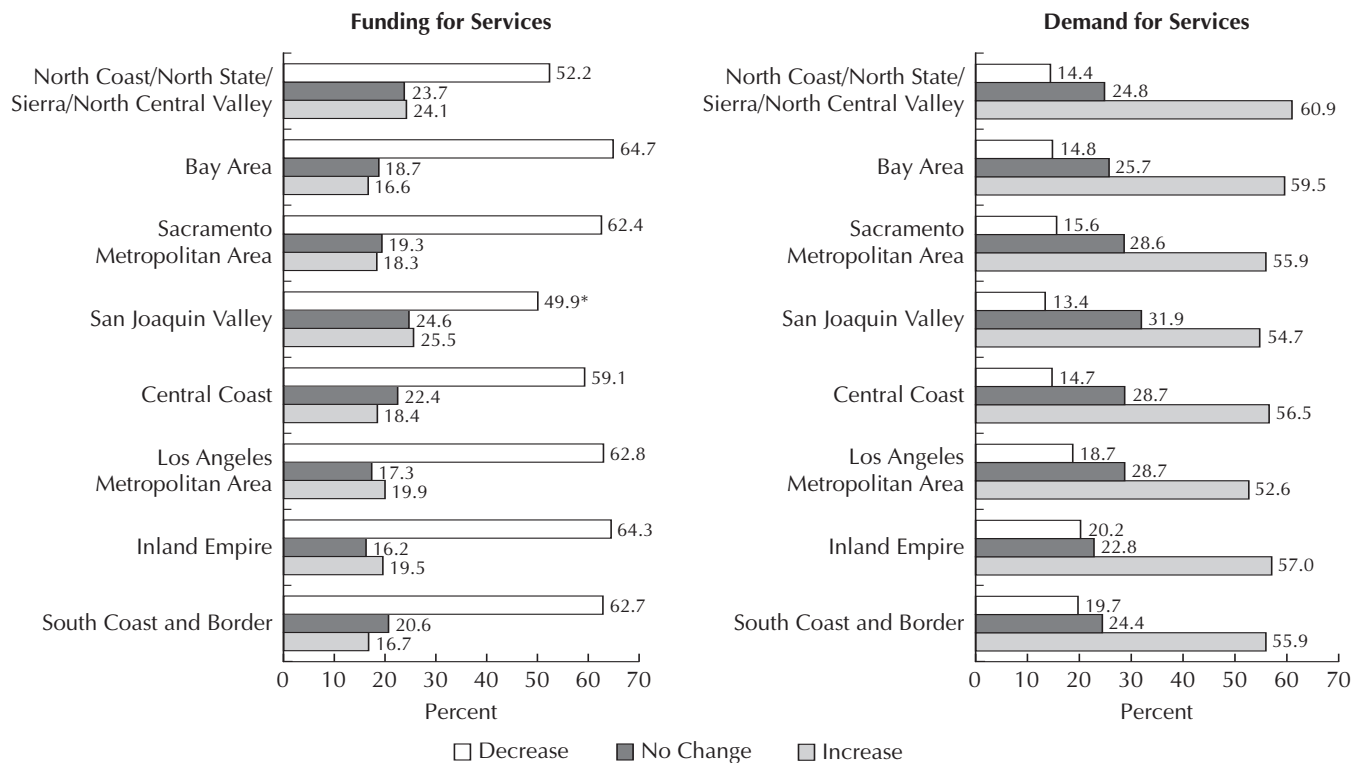
Similarly, expectations of rising demand for services are fairly uniform throughout the regions. The proportions of nonprofits anticipating increases in demand ranged from 60 percent in the North Coast-North State-Sierra-North Central Valle and San Francisco Bay regions to 53 percent in the Los Angeles region. The San Joaquin region had the highest proportion of nonprofits expecting no change in demand (32 percent), while the Inland Empire and South Coast-Border regions had the highest share of nonprofits anticipating decreases in demand (20 percent in each region). Clearly, nonprofits in all parts of California are bracing for a difficult year ahead.

**Figure 11** Anticipated Changes in Funding and Demand for Services in California



Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Note: Information on anticipated changes in funding for services over the next 12 months was not provided by 29 respondents, and 24 respondents did not provide information on anticipated changes in demand for services over the next 12 months.

**Figure 12** Percentage Anticipating Changes in Funding and Demand for Nonprofit Services by Region

Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Note: Information on anticipated changes in funding for services over the next 12 months was not provided by 29 respondents, and 24 respondents did not provide information on anticipated changes in demand for services over the next 12 months.

\*Differences for respondents were statistically significant at the 95% confidence level.

- **The outlook on funding was fairly uniform across the entire nonprofit sector; roughly 62 percent expect further declines in revenues, and more than half anticipate increases in demand.**

Regardless of size or type, about 60 percent of survey respondents anticipated funding cuts in the next year (table 16). The only slight variation in opinion is whether funding will stay the same or increase. Larger nonprofits and health nonprofits appear to be slightly more optimistic that funding will increase in the next 12 months.

Increases in demand were also anticipated by most California nonprofits with larger organizations somewhat more likely than smaller ones to anticipate greater demand. Likewise, health organizations (70 percent) and human service organizations (61 percent) were most likely to foresee further increases in demand. Arts organizations (44 percent) were least likely to anticipate a rise in demand, while a quarter of them expected a decline in patrons.

- **Like all nonprofits in California, most diverse organizations in the state foresee more funding cuts and more increases in demand for their services over the next 12 months.**

Uniformly, in all three models, diverse nonprofits anticipate declines in funding and increases in service demand (figure 13). Nonprofits in the minority-led model are somewhat more pessimistic than their counterparts in the other models. Roughly 70 percent of minority-led nonprofits expected decreases in funding in the year ahead, compared with nearly 60 percent of nonprofits in the other two models.

Nonprofits in the leadership and organization-of-color models were proportionately twice as likely as minority-led nonprofits to anticipate no change in funding levels (roughly 18 percent versus 9 percent). About one in five nonprofits in each model anticipated an increase in their overall funding.

When asked to consider changes in service demand, diverse nonprofits were most likely to anticipate increases,

**Table 16** Anticipated Changes in Funding and Demand for Services

	Percent Anticipating Change in Funding		
	Increase	Decrease	Stay the same
All California nonprofits	19.1	61.8	19.1
Size of the nonprofit organization			
Less than \$100,000	15.7*	62.0	22.3*
\$100,000–\$999,999	22.0	60.7	17.3
\$1 million or more	21.8	63.4	14.9*
Type of nonprofit organization			
Arts, culture, and humanities	17.8	62.7	19.5
Education	13.8*	64.0	22.2
Health	22.1	62.0	16.0
Human service	19.9	59.5	20.6
Other	22.5	62.5	15.0*
	Percent Anticipating Change in Demand		
	Increase	Decrease	Stay the same
All California nonprofits	56.0	16.8	27.1
Size of the nonprofit organization			
Less than \$100,000	53.1	15.6	31.3*
\$100,000–\$999,999	56.8	17.2	25.9
\$1 million or more	61.7*	19.2	19.1*
Type of nonprofit organization:			
Arts, culture, and humanities	44.0*	24.6*	31.4
Education	47.0*	17.0	36.0*
Health	69.6*	9.3*	21.1*
Human service	60.8*	15.3	23.9
Other	57.8	18.2	24.0

Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Notes: Information on anticipated changes in funding for services over the next 12 months was not provided by 29 respondents, 24 respondents did not provide information on anticipated changes in demand for services over the next 12 months. Size is based on the organization's total expenditures. "Other" includes all organizations that responded to the survey but were not numerous enough to form a single category. The "other" category includes civil right and advocacy organizations, environmental organizations, animal welfare groups, public safety and disaster relief groups, and many more.

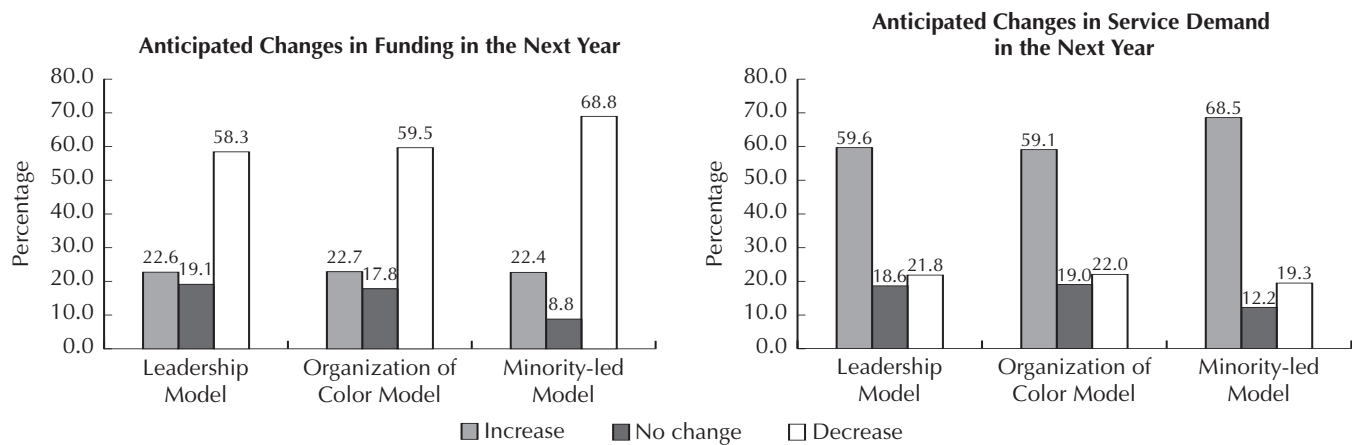
\*Differences for respondents were statistically significant at the 95% confidence level.

but a sizeable share anticipated decreases. Minority-led nonprofits were about 10 percentage points more likely to see increases in demand for their services than were their counterparts (69 percent versus 59 percent), and roughly 20 percent of all three groups expect a decrease in demand. Only 12 percent of nonprofits in the minority-led model and 19 percent in the other two models expect service demand to hold steady.

Overall, diverse nonprofits, on average, expect a lot of churning and uncertainty in their sources of support and demand for their services.

## VIII. Conclusions

The demographic transition that is making the nation a more multiracial and multicultural society is well under way

**Figure 13** Anticipated Changes in Funding and Service Demand among Diverse Nonprofits

Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Note: Information was not provided for anticipated changes in funding by 11 respondents, and 2 respondents did not provide information on anticipated changes in demand.

in California. Already, most Californians are people of color, and projections of the state’s population foresee this share growing in the years ahead. Indeed, the term “minority” population may quickly become an arcane designation as no one racial or ethnic group can be considered the “majority.”

### Putting the Findings in a State and National Context

Because of the pace with which racial-ethnic diversity has evolved in California, the state might be considered a bellwether for other parts of the country. As such, the findings from this study on California’s nonprofit leadership should be considered in both a state and a national context.

1. Like other parts of the country, the leadership of California’s nonprofit sector does not reflect the diversity of the state’s population. In all parts of California, non-Hispanic whites hold a greater share of leadership positions than their proportion in the state’s population. But the gap between diversity in the community and in nonprofit leadership positions is smaller in California than in the nation as a whole. This is particularly true of board diversity. California’s nonprofit boards, on average, are more diverse than the national average, despite the underrepresentation of people of color.
2. California’s largest “minority” population, Latinos, is the most underrepresented group of color. Whether

leadership is measured by executive director positions, board positions, or staff positions, Latinos hold proportionately fewer positions than their share of the state’s population. This finding is consistent with research conducted in the Denver metropolitan area. Asian Americans also are underrepresented in executive director and board positions relative to their share of the population, but the discrepancy is not as dramatic as for Latinos. African Americans, on the other hand, hold about the same proportion of leadership positions as their share of California’s population, as do other racial-ethnic groups of color.

3. The economic downturn has hit all California nonprofits, decreasing funding and increasing demand for services. However, a greater share of organizations led by people of color report coping with simultaneous cuts in funding and increases in demand than those led by non-Hispanic whites. Although further study is needed to disentangle the reasons for this situation, a large share of nonprofits with executive directors of color are reliant on government funding for their operating support. The California budget crisis may be contributing to these differences.
4. Recent efforts to define diverse leadership in the nonprofit sector have resulted in a number of typologies. The three models empirically tested in this study suggest that how one conceptualizes and defines diversity affects the results. Different definitions and criteria



produce different results in the number and characteristics of organizations that might be considered diverse. For example, including an organization's mission statement as a criterion for diversity greatly lowers the number of nonprofits that might be considered diverse and disproportionately increases the number of large organizations that meet the criterion. The survey data indicate that nonprofit mission statements tend to be statements of purpose that often do not focus attention on particular racial and ethnic groups, thereby reducing the number of organizations that might be considered diverse under this criterion. Small nonprofits in the survey were less likely than large and medium ones to report that their mission statement included a reference to serving specific racial-ethnic groups, so many small nonprofits were not considered diverse under the qualifying criteria.

### Expanding Knowledge about Racial-Ethnic Diversity in the Nonprofit Sector

This is the first study of racial-ethnic diversity in California's nonprofit sector based on a statewide, representative sample of California's nonprofit organizations. It lays important groundwork for understanding how many people of color are leaders in the sector and rely on the sector for employment. But the findings represent only the tip of the iceberg of what might be known.

The following is a short list of ideas that, if followed, could expand and deepen what is known about racial-ethnic diversity in the sector and inform conversations aimed at strengthening the sector. Many of these questions call for qualitative research approaches, such as interviews, case studies, or other methods, or for a combination of qualitative and quantitative methods.

1. This survey, or one similar to it, should be replicated in a few years to see what changes, if any, have occurred in the prevalence of leaders of color in California's nonprofit sector. Because the survey captures only one moment in time, the data should be regarded as a baseline, not an endpoint, for monitoring trends in diversity over time. A critical question is not only how diverse is the nonprofit sector's leadership but how quickly is it changing?
2. How are nonprofit leaders guiding their organizations through the current economic downturn? The survey provides evidence that nonprofits with leaders of color are being particularly affected, but additional data are needed to understand what steps leaders have taken to

address their funding problems and what is needed to help them build capacity for the future.

3. More needs to be known about the factors that contribute to nonprofit leadership. Is it dependent on attaining a certain level of education or particular skills? Do people of color have opportunities to acquire these skills? Is income a factor in determining leadership, particularly on governing boards? Many nonprofits rely on their board members to either contribute financially to the organization or create the networks that will lead to financial support. Is this a barrier for people who have lower incomes, and, if so, how might nonprofits reshape their policies to lessen this barrier? A well-designed qualitative study of the experiences and policies of nonprofit organizations to recruit and retain people of color for leadership positions would shed light on the factors that affect leadership diversity and how to address those factors.
4. Currently, little is known about how service quality and cultural competency relate to the effectiveness of nonprofit organizations. Do nonprofits led by a person of color and serving people of color provide better services (and achieve better outcomes) than organizations that do not have a leader of color? These are difficult questions to measure and answer, but they are critical for informing discussions on how best to support and strengthen the nonprofit sector and the communities that it serves.
5. There are opportunities for more research on gender issues and other aspects of diversity, such as age, disability, and sexual orientation. The current survey data could be analyzed more deeply regarding women leaders in California's nonprofit sector, but new data would be needed to study other types of diversity. Women already hold most executive director and board positions in California. Learning more about these women leaders through direct interviews or surveys might provide models on leadership development for the rest of the country.
6. Finally, case studies of particular communities or regions might add more detail and nuance to the issue of racial-ethnic diversity and probe the broader question of how to build the capacity of nonprofit organizations and strengthen the communities that they serve. A series of case studies would help communities understand their unique situations and how they fit into regional and state patterns.

Decisionmakers in California and across the country are facing critical challenges related to diversity. There is broad agreement that people of color should have full

access to nonprofit leadership opportunities, and that organizations with highly diverse staff and leadership should have full access to funding opportunities. But until now, there has not been a comprehensive picture of how diverse the leadership and staff of the sector are throughout California and its regions. Data have also been lacking on how diversity relates to an organization's budget size, type, and funding patterns.

Further, this is the first study to document the proportions of California nonprofits that can be considered diverse using different definitions of diversity. It is also the first statewide study to examine how California nonprofits with diverse leadership have been affected by the current economic crisis.

The study provides a major advance in our understanding of the nonprofit sector. It prepares the ground for investigations into questions about *why* diversity in the nonprofit sector is important to communities, and *how* diversity can be promoted most effectively. It also provides the baseline for monitoring changes in the gap between California's population diversity and nonprofit leadership diversity over time.

## Notes

1. Currently, minorities account for roughly a third of the U.S. population, but according to Census Bureau projections, they are likely to be the majority in 2042. By 2050, 54 percent of all Americans are expected to be "minority."
2. The Greenlining Institute, *Investing in a Diverse Democracy: Foundation Giving to Minority-Led Nonprofits* (Berkeley, CA: The Greenlining Institute, 2006). Also see Orson Aguilar, Tomasa Duenas, Brenda Flores, Lupe Godinez, Hilary Joy, and Isabel Zavala, *Fairness in Philanthropy Part I: Foundation Giving to Minority-Led Nonprofits* (Berkeley, CA: The Greenlining Institute, 2005); Christian González-Rivera, Courtney Donnell, Adam Briones and Sasha Werblin, *Funding the New Majority: Philanthropic Investment in Minority-Led Nonprofits* (Berkeley, CA: The Greenlining Institute, 2008); and The Greenlining Institute, *Philanthropic Investment in the Sunshine State: Analysis of Giving to Minority-Led Organizations by the Top Ten Largest Florida-Based Foundations* (Tampa and Miami: Florida Minority Community Reinvestment Coalition, 2008).
3. The sample was pulled using the NCCS 2006 Core Files. Because of lags in data processing, the 2006 file was the most complete listing of nonprofits at the time.
4. The survey counted board positions, not individual board members. Some individuals may sit on more than one board. The analysis cannot disentangle these duplicate counts.
5. All these terms rely on criteria amenable to statistical analyses. Terms that have been used to describe classes of organizations in terms of leadership diversity that are not amenable to statistical quantification are not part of this review.
6. The survey data are insufficiently detailed to identify organizations in which most of the management staff is persons of color, so we are unable to replicate the "diverse organization" model created by the University of San Francisco and CompassPoint.
7. The survey did not measure how steep the decline was. It simply asked if there was a decline.

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# Appendix A: California Counties by Region

## **Region 1: North Coast/North State/Sierra/ North Central Valley**

- **North Coast and North State**

- Del Norte
- Humboldt
- Lake
- Mendocino
- Trinity
- Siskiyou
- Modoc
- Lassen

- **Sierra**

- Alpine
- Amador
- Calaveras
- Inyo
- Mariposa
- Mono
- Nevada
- Plumas
- Sierra
- Tuolumne

- **North Central Valley**

- Butte
- Colusa
- Glenn
- Shasta
- Sutter
- Tehama
- Yuba

**Region 2: Bay Area**

- Alameda
- Contra Costa
- Marin
- Napa
- San Francisco
- San Mateo
- Santa Clara
- Solano
- Sonoma

**Region 3: Sacramento Metro**

- El Dorado
- Sacramento
- Placer
- Yolo

**Region 4: San Joaquin Valley**

- Fresno
- Kern
- Kings
- Madera
- Merced
- San Joaquin

- Stanislaus
- Tulare

**Region 5: Central Coast**

- Monterey
- San Benito
- San Luis Obispo
- Santa Barbara
- Santa Cruz

**Region 6: Los Angeles Metro**

- Los Angeles
- Orange
- Ventura

**Region 7: Inland Empire**

- Riverside
- San Bernardino

**Region 8: South Coast and Border**

- Imperial
- San Diego

# Appendix B: Types of Nonprofits Using NTEE Codes

## **Arts, Culture, and Humanities—A**

## **Education—B**

## **Health—E, F, G, H**

Health care—E

Mental health and crisis intervention—F

Diseases, disorders, and medical disciplines—G

Medical research—H

## **Human Services—I, J, K, L, M, N, O, P**

Crime and legal-related—I

Employment—J

Food, agriculture, and nutrition—K

Housing and shelter—L

Public safety, disaster preparedness and relief—M

Recreation organizations—N

Youth development—O

Human services—P

## **Other—C, D, Q, R, S, T, U, V, W, X, Y, Z**

Environment—C

Animal-related—D

International, foreign affairs—Q

Civil rights, social action, and advocacy—R

Community improvement and capacity building—S

Philanthropy, voluntarism, and grantmaking foundations—T

Science and technology—U

Social science—V

Public and societal benefit—W

Religion-related—X

Mutual/membership benefit—Y

Unknown, unclassified—Z



# Appendix C: Survey Methods

## **Background and Objectives**

From February through April 2009, the Social and Economic Sciences Research Center (SESRC) implemented a mixed-mode survey for the Urban Institute on Economic and Diversity Issues in California Nonprofits. The purpose of the study was to learn how the economic downturn and demographic changes were affecting these organizations. Information from the study will be made available to policymakers, advocates, foundation officials, and other stakeholders so they have up-to-date information on the sector to help guide their decisionmaking.

## **Population and Sample**

The survey was based on a randomly drawn sample of nonprofit 501(c)(3) organizations in California. The sample was drawn from the Urban Institute's National Center for Charitable Statistics (NCCS)—the most comprehensive database on nonprofits in the United States.<sup>1</sup> The NCCS database includes all 501(c)(3) organizations with gross income of \$25,000 or more that are required to file a Form 990 (an annual financial statement) with the U.S. Internal Revenue Service. Smaller organizations and religious organizations are not required to file the Form 990.

The NCCS database contained 34,250, nonprofits in California, excluding hospitals and higher education organizations. These groups were excluded from the sample because they tend to be much larger and more complex structures than other types of nonprofits and may have information on diversity available from other sources. In addition, grantmaking and fundraising organizations (such as community foundations and federated giving programs) and international organizations were also excluded from the sample. The sample selected for the survey was a random stratified sample consisting of 6,635 organizations. To ensure a representative sample, the list was stratified by region, type of nonprofit, and size of organization.

## **Questionnaire Design**

The questionnaire was designed jointly by the Urban Institute, Daylight Consulting, and Social and Economic Sciences Research Center. It was reviewed by the project

advisors and the foundation program officers overseeing the study.

The questionnaire was designed to be administered either by mail, by web, or by phone. The web version of the questionnaire contained 19 screens, including an introduction page and a submit survey page. The paper version was printed on 11×17 paper and folded in half to form a four-page booklet. The telephone questionnaire averaged 15.17 minutes to complete.

## Human Subjects Research Review

The survey questionnaire and data collection procedures were reviewed and approved by the Urban Institute's Institutional Review Board. This procedure is followed for all Urban Institute studies to ensure compliance with federal regulations for human subject research. Approval was received on January 5, 2009.

## Pretest

A pretest was conducted with 30 nonprofit organizations. The pretest was designed to test the ease of completing the questionnaire rather than the data collection procedures. Since only a very small number of questionnaires were completed (five), the questionnaire was revised and an economic section was added to increase the salience of the study. The survey instruments were then finalized and prepared for data collection.

## Data Collection

The key element of this tailored design method<sup>2</sup> survey procedure was to implement carefully designed and timed contacts to the survey sample respondents. The first contact was a pre-notification letter to all organizations in the sample. This letter was printed on Urban Institute letterhead and signed by Dr. Carol De Vita, the Urban Institute project director. It included a list of organizations serving as advisors to the study in the left column. The letter introduced the study and told the respondents that they would be receiving a survey in the coming week. This contact was sent on February 17, 2009.

One week later, SESRC sent a paper questionnaire contact to everyone in the sample. The mailing packet also included a cover letter with the signature of the SESRC study director, and a business reply return envelope. This contact included a web site address if the respondent preferred to complete the questionnaire online.

For the third contact on March 2, 2009, the nonrespondents in the sample were divided into those with e-mail

addresses and those without. Those with e-mail addresses were contacted by e-mail with a brief note asking them to click on the included link and complete the survey online. Nonrespondents without e-mail addresses were mailed a postcard asking for their participation.

Nonrespondents were contacted a fourth time on March 13, 2009. They were sent a replacement questionnaire along with a revised cover letter and business-reply return envelope. They could complete either the paper questionnaire or the online version.

A sample of 2,500 nonrespondents was then selected to be contacted by phone. These telephone interviews started on March 26, 2009. If the respondents were unable or unwilling to complete the survey by phone, the interviewer encouraged them to go to the web site to participate in the study or to return the questionnaire. Replacement questionnaires were also sent to respondents who requested a new copy. Only 77 interviews were completed by phone, but 214 questionnaires came in by mail and 90 were completed online.

On March 27, 2009, nonrespondents with working e-mail addresses who were not selected to be contacted by phone were sent another e-mail reminder encouraging them to participate in the study. The web site remained open for survey respondents through May 1, 2009. At that time, the access was closed and the final results were compiled.

## Response Rate

The following table displays the response rate calculations for all completed and partially completed questionnaires. With 1,741 responses, the overall **response rate** is 31.2 percent.<sup>3</sup>

Response Rate Calculation		
<b>Interview (category 1)</b>	1.000	
Completes	1.100	1,700
Partial	1.200	41
<b>Eligible, non-interview (category 2)</b>	2.000	
Refusal	2.100	102
Non-contact	2.200	2,750
Respondent never available	2.210	19
Telephone answering device (confirming HH)	2.220	609
Answering machine household- message left	2.222	101
Physically or mentally unable/ incompetent	2.320	1
Language problem	2.330	8



<b>Unknown eligibility, non-interview (category 3)</b>	3.000	
Not attempted or worked	3.110	188
Always busy	3.120	21
No answer	3.130	84
Call blocking	3.150	2
<b>Not eligible (category 4)</b>	4.000	
Fax/data line	4.200	15
Nonworking/disconnect	4.300	599
Disconnected number	4.320	105
Temporarily out of service	4.330	37
Number changed	4.410	126
No eligible respondent	4.700	108
<b>Total phone numbers used</b>	6,616	
I = Complete interviews (1.1)	1,700	
P = Partial interviews (1.2)	41	
R = Refusal and break off (2.1)	102	
NC = Non-contact (2.2)	3,479	
O = Other (2.0, 2.3)	9	
E = Estimated proportion of cases of unknown eligibility that are eligible	0.843	
UH = Unknown household (3.1)	295	
UO = Unknown other	0	
<b>Response rate 4</b>		
$(I+P)/((I+P) + (R+NC+O) + e(UH+UO))$	31.2%	

## Survey Weights

Survey weights were applied to the data to take into account possible nonresponse bias. The survey weights adjust for slightly lower response rates among smaller organizations and organizations from the more urban areas of the state. Also, the survey weights adjust for slight response rate differences by type of organization.

## Notes

1. The sample was pulled using the NCCS 2006 Core Files. Because of lags in data processing, the 2006 file was the most complete listing of nonprofits.
2. Don A. Dillman, Jolene D. Smyth, and Leah M. Christian, *Internet, Mail, and Mixed-Mode Surveys: The Tailored Design Method*, 3rd ed. (New York: John Wiley & Sons, 2009).
3. In creating the analytical data file, a few of the completed surveys were considered unusable. As a result, the final number of useable completes was 1,736, yielding an estimated response rate of 31.1 percent.





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