

# 2022 STATE OF THE NONPROFIT SECTOR SURVEY

## Los Angeles Survey Results

Nonprofit Finance Fund's State of the Nonprofit Sector Survey collected data, stories, and advice from over 200 nonprofit leaders in Los Angeles County about the impact of the past two years, from the COVID-19 pandemic to events that activated calls for racial justice. Here's what leaders shared about how their organizations fared and the investment they need to continue their vital role in local communities.



Los Angeles Survey Results: 2022 State of the Nonprofit Sector Survey

In January 2021, the Committee for Greater LA convened planning meetings with representatives from philanthropy, nonprofit organizations, and Bank of America. They then formed a working group to determine how best to support and strengthen the capacity of nonprofit organizations through the pandemic and beyond. One of the working group’s strategies was to include a Los Angeles-specific component within NFF’s national State of the Nonprofit Sector Survey to uncover issues specific to LA nonprofits and contextualize them within national findings. The LA strategy included targeted outreach to get voices from all eight service planning areas (SPAs)<sup>1</sup>, including the ones often underrepresented in nonprofit research/surveys.

We would like to thank the Pat Brown Institute for Public Affairs at Cal State LA (PBI) for their work in connecting with local nonprofit leaders, their input on data analysis, and on the dissemination of results to the local community. We would also like to thank the dedicated community nonprofit leaders that participated in the Advisory Committee for the survey, including: Antelope Valley Partners for Health, California Community Foundation, California Immigrant Policy Center, Khmer Girls in Action, SELA Collaborative, Social Justice Learning Institute, and the Committee for Greater LA. Lastly, we would like to thank the numerous nonprofit leaders that participated in feedback sessions and provided invaluable insights that helped refine the themes of the report.

This report was made possible by the generous support of Bank of America.

<sup>1</sup> See definition on page 5.



Introduction

Overview of key findings and recommendations	3
About the survey and focus on Los Angeles	4
Who took the survey?	4

Findings

LA organizations play a vital role in their communities	6
BIPOC-led organizations are deeply connected and responsive to community needs	8
Advancing racial equity is central to LA organizations	10
LA organizations rose to the challenge during COVID	11
The financial situation for LA nonprofits overall	12
Racial disparities persist in LA nonprofits’ financial situation	13
LA County nonprofits had mixed experiences with government funders	15

Recommendations

What philanthropy and government can do	17
---	----



## Overview of key findings and recommendations

As part of NFF's State of the Nonprofit Sector Survey, we reached out to the Los Angeles community to gain a deeper understanding of local nonprofits' experiences and challenges. Following are key takeaways from survey data, and actions that funders can take to better support the LA social sector.

### Key findings:

LA nonprofits play an integral role in the communities they serve, and they stepped up in new ways during the pandemic.

- 86% of LA respondents saw service demand rise
- 67% expanded programs or services
- 89% developed new or different ways of working that led to positive outcomes; 49% think these could be permanent changes

Racial disparities persist in funding for LA BIPOC-led versus white-led nonprofits.

- 65% of white-led respondents ended FY 2021 with a surplus, while only 55% of BIPOC-led respondents did so. Among BIPOC-led respondents, 45% of Black-led respondents reported having a surplus.
- 59% of white-led respondents reported having reserves, while only 46% of BIPOC-led respondents did so. Among BIPOC-led respondents, 27% of Black-led respondents reported having reserves.

LA nonprofit leaders are concerned about financial health, citing the following top three challenges:

- 78% of respondents cited achieving long-term financial sustainability
- 69% of respondents cited raising funds that cover full costs
- 69% of respondents cited raising unrestricted revenue

## Recommendations:

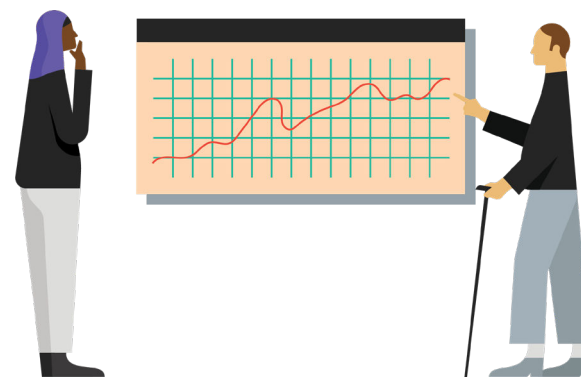
### ACTIONS THAT PHILANTHROPIC AND GOVERNMENT FUNDERS CAN TAKE:

- Give unrestricted funding that covers the full costs of operations for community-centered nonprofits providing important services that respond to communities' needs
- Break down barriers that prevent BIPOC-led nonprofits from accessing equitable funding
  - Seek out organizations that have the most direct experience with communities you are serving
  - Simplify funding applications
  - Reduce reporting requirements

### ACTIONS THAT REGIONAL AND LOCAL GOVERNMENT FUNDERS CAN TAKE:

- Adopt accessible and equitable contracting practices so more nonprofits can take on and manage contracts:
  - Pay on time, and a portion upfront
  - Revise indirect/administrative rates to align with actual costs for nonprofits
  - Centralize applications and contracting processes
  - Give nonprofits a fair share of public funding

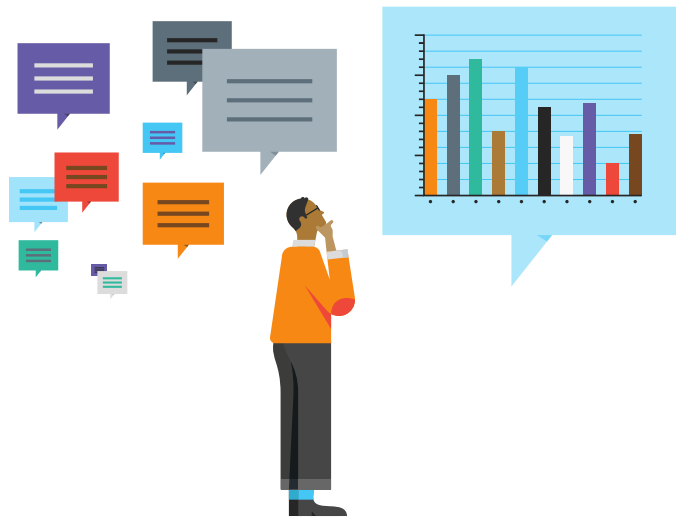
More detailed recommendations can be found on page 17.



## About the survey and focus on Los Angeles

The [State of the Nonprofit Sector Survey](#) – NFF’s ninth – collects data from nonprofit leaders about US nonprofits’ health and challenges and transforms it into an accessible, evidence-based illustration of nonprofits’ ability to help the communities they all serve. It’s a powerful platform for nonprofits large and small, urban and rural, across sub-sectors and geographies. Its findings are widely used and cited by nonprofit leaders, boards, funders, advocates, policy advisors, media, researchers, and many others.

Between January 19 and March 4, 2022, we opened our online survey to nonprofit leaders across the country, intending to: capture a “before and since COVID-19” financial snapshot of nonprofits; measure racial equity in nonprofit finance by comparing the experiences of organizations led by people of color to the experiences of white-led organizations; and take a closer look at the experiences of Los Angeles-area nonprofits. The 2022 survey was conducted in partnership with EVITARUS and Ambit 360, with the LA-specific component conducted in partnership with PBI.



## Who took the survey?

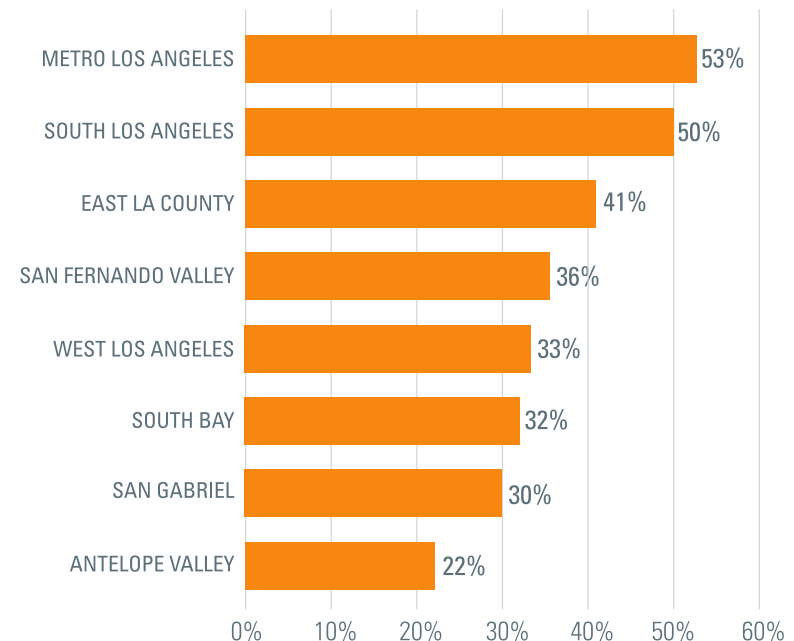
### NATIONAL RESPONDENTS

- 1,168 respondents from 47 states plus the District of Columbia and Puerto Rico
- 69% primarily or exclusively serve people with lower incomes

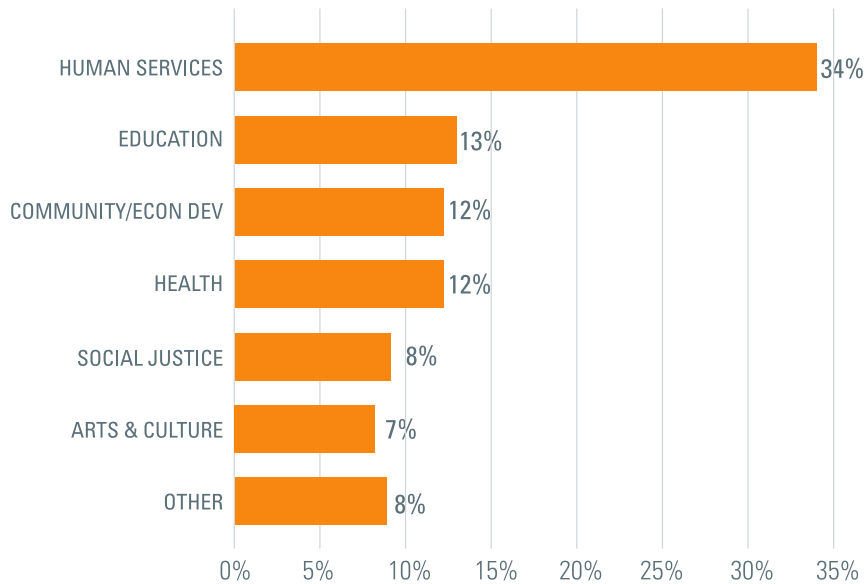
### LA RESPONDENTS

- 212 LA County respondents from across all eight service planning areas
- Leaders from a diverse array of service areas, with human services (including housing, youth services, and other) representing the highest percentage (34%), followed by education (13%), then community/economic development (12%) and health (12%)
- 79% primarily or exclusively serve people with lower incomes

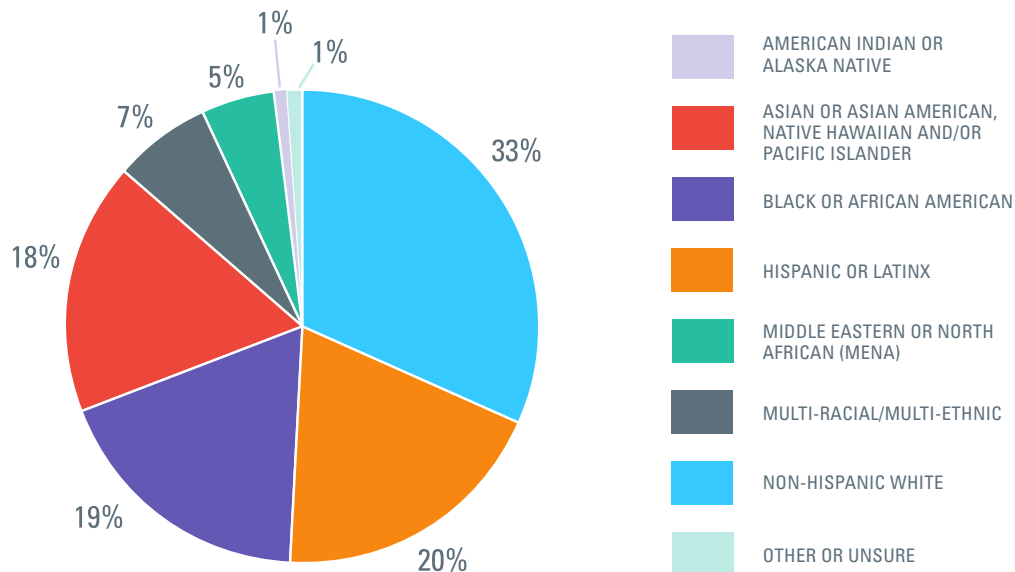
### RESPONDENTS BY LA SERVICE PLANNING AREAS



### LA RESPONDENTS BY KEY AREA OF WORK



### RACIAL/ETHNIC IDENTITY OF LA RESPONDENT LEADERSHIP (CEO/ED/MD)



### A NOTE ON DEFINITIONS, DATA POINTS, AND COMPARISONS

In the ensuing results, we frequently point out disparities between BIPOC and white-led organizations. However, we also recognize that the term “BIPOC” (Black, Indigenous, or person of color) merges different racial and ethnic groups – and could potentially obscure the different experiences of these groups. So, we occasionally highlight the specific responses of Latinx/Hispanic-led, Black-led, and AAPI-led (Asian American/ Native Hawaiian/Pacific Islander) nonprofits where there are notable differences in the data amongst these groups.

Additionally, for the purposes of this document:

- A Black leader is a CEO/ED who identifies as Black or African American
- A Latinx leader is a CEO/ED who identifies as Hispanic, Latino/a, or Latinx
- An AAPI leader is a CEO/ED who identifies as Asian or Asian American, Native Hawaiian and/or Pacific Islander
- A multi-racial leader is a CEO/ED who identifies as multi-racial/multi-ethnic
- A white leader is a CEO/ED who identifies as non-Hispanic white

We also defined the size of organizational budgets using the following ranges:

- **Small budget:** \$0 to \$499,999
- **Medium budget:** \$500,000 to \$2,000,000
- **Large budget:** greater than \$2,000,000

Percentages for data points are rounded to the nearest whole number.

**Comparisons between national results and LA results** are filtered to remove LA respondents from total national respondents for a more accurate comparison.

**Service Planning Areas (SPAs):** Given the large size of LA County, its regions are divided into 8 geographic service planning areas (SPAs) to help County agencies provide more targeted and relevant resources and services to residents in specific SPAs.

## LA organizations play a vital role in their communities

Los Angeles County relies on nonprofits that are deeply embedded in and responsive to the needs of local communities – especially those disproportionately impacted by the COVID-19 pandemic. Nonprofits' essential workers labored tirelessly to meet these communities' pressing needs while also dealing with the impacts of COVID on their families.

**The State of the Nonprofit Sector Survey findings illuminate both the vital role nonprofits play in the fabric of Los Angeles and the systemic challenges they face – challenges that funders have the power to help rectify.**

Nonprofits were on the frontlines of community service during the pandemic: 86% of LA respondents saw service demand rise from the end of FY2019 to the end of FY2021. And many pivoted their services to respond to emergency needs: over half said their staff performed duties outside of their job descriptions all or most of the time, and two-thirds expanded programs or services during 2021.

Yet increased demand during the pandemic was a consistent challenge. Only 48% of all LA respondents were able to keep up with demand during the first two years of the pandemic. Ninety percent of LA respondents anticipated that service demand would rise again in 2022, and only 54% anticipated being able to keep up this year.

We provide essential and supportive services to people experiencing homelessness. To continue serving the unsheltered during the pandemic, we modified our program and staged our activities outside, practiced social distancing and provided essential services such as mobile showers, food, PPEs and links to supportive services.

Small-budget human services nonprofit, leader identifies as Black

To provide resources and services to our community we sought COVID grants... We were able to help provide vaccinations to low income areas and vaccinate over 100 + people per event. We were able to promote Housing is Key and reach low income South East L.A. Cities. With the COVID Relief grant we were able to give out hygiene items and supplies to hundreds of people and each kit was a \$70 + value in items.

Small-budget human services nonprofit, leader identifies as Latinx

We created a home delivery program to blind, disabled, and those impacted by COVID (locked down). That program has continued weekly (except 1 week) to the present, and is being modified so we can serve more people & appropriate populations. We hired a new community organizer and successfully advocated for county funding for healthy food incentives (\$2 million) ... We obtained funding for CalFresh outreach and have hired two new staff to implement CalFresh enrollment.

Medium-budget environment/agriculture nonprofit, leader identifies as white

Nonprofits are often in a difficult financial position: The way money flows in the sector and the restrictions imposed on nonprofits make it hard for most to end their year with a surplus, build a rainy-day fund, or pay their staff competitive wages. We were heartened to see a moment of relative financial strength in the LA nonprofit sector, driven by the amount and nature of pandemic funding. But survey findings discussed in detail later in this report show disparities for BIPOC-led organizations. For example:

- Surpluses indicate organizations can cover their costs and save dollars to bolster their ability to navigate risk and plan for long-term needs. 59% of LA respondents overall ended FY2021 with a surplus. Yet disaggregated data revealed a racial disparity: 65% of white-led organizations ended with a surplus, while only 45% of Black-led organizations did so.
- Having cash on hand helps nonprofits maintain operations and pay expenses while waiting to be reimbursed by funders. Just over half (51%) of all LA respondents had six or more months' worth of cash on hand; conversely, just under one quarter (24%) had 60 days' worth or less. Racial disparities persisted here: only 19% of white-led organizations had 60 days or less worth of available cash, compared to 28% of BIPOC-led organizations.
- PPP loans allowed nonprofits and businesses to keep their staff on payroll and their doors open during the challenging COVID shutdown. 63% of LA respondents overall applied for and received at least one PPP loan. For white-led organizations, that figure is 72%, as compared to 62% for BIPOC-led organizations. This may be due to various factors, including:
  - Fewer BIPOC-led organizations applied for PPP loans (66% of LA BIPOC-led respondents as compared to 75% of LA white-led respondents).

**Though all nonprofits were on the frontlines of community service during the pandemic, BIPOC-led nonprofits faced more financial constraints than their white-led peers.**

And while their current financial experiences varied, the vast majority (78%) of all LA respondents cite long-term sustainability as a top financial worry. Raising full-cost funding and unrestricted revenue are also among the top financial concerns for 69% of LA nonprofits.

Rising demand. Long-term financial uncertainty. Insufficient resources. This is an untenable combination for LA nonprofits. The entire LA community – including LA County government agencies – relies on nonprofits to play a critical role in the pandemic recovery, the housing crisis, and efforts to advance racial equity.

The State of the Nonprofit Sector Survey data and the LA nonprofit focus groups make one thing abundantly clear: **If we want to continue to be able to rely on LA nonprofits that are closest to the needs of communities, government and philanthropic funders need to make significant and sustained changes in how they support them. This report shares what we learned from the survey data, including recommendations for changes in funding practices and government contracting to equitably support a thriving nonprofit sector.**

The EIDL and PPP loans were a significant help to our organization. We have had part of our PPP loan forgiven. Thank goodness.

Medium-budget education nonprofit, leader identifies as Latinx

We are most proud of surviving the pandemic years without closing our doors. Three of our 12 staff and 17 of our ~100 participants had COVID-19 infections; a significant minority of both groups experienced the COVID-related death of a family member. In addition, our agency was destabilized by COVID-related policy and practice changes among funders and local public agencies.

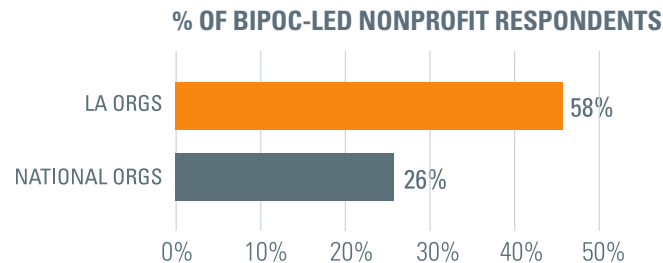
Small-budget human services nonprofit, leader identifies as multi-racial/multi-ethnic

We launched [a project that] provides housing and comprehensive services leading to employment for diverse (90% people of color) cohorts of high-risk workers who are homeless and unemployed.

Small-budget research nonprofit, leader identifies as white

## BIPOC-led organizations are deeply connected and responsive to community needs

While LA nonprofits in general are well-connected to their communities and provide services that are greatly in demand, this is especially true of LA BIPOC-led nonprofits. The majority of LA nonprofit respondents have a CEO/ED who identifies as a person of color.



Of those LA BIPOC leaders, 59% have lived experiences representative of one or more of the communities they serve, as compared to 16% of white leaders. In addition, 59% of BIPOC-led organizations have boards where half or more of the members have mission-relevant lived experiences.

LA BIPOC-led respondents tend to be both newer and smaller-budget than white-led LA respondents, which may influence their ability to access public funding streams or philanthropy (and this, in turn, contributes to them remaining small-budget).

- 39% of BIPOC-led organizations were established in 2010 or later, as compared to 19% of white-led organizations.
- 44% of BIPOC-led organizations have annual budgets/expenses under \$500,000, as compared to 19% of white-led organizations.





We are a diverse organization, and one of the few Black-founded and Black-led arts education nonprofit in the South East Los Angeles area. Our board reflects the community we serve as we are a grassroots organization. We have a racial equity statement, hiring policies, and land acknowledgment practices. All of our programming... serves under-resourced BIPOC community members with free arts programming for young children ages 3 -5 in the South and South East Los Angeles areas.

Small-budget arts & culture nonprofit, leader identifies as Black

We've solidified funding from local philanthropy and the state of California to expand wellness and educational advocacy services for our Native/Indigenous community. We've hired a total of seven community members. We've been able to provide workshops and trainings designed for our community and expanded partnerships with local community-based organizations and higher education institutions.

Small-budget health nonprofit, leader identifies as American Indian or Alaska Native

**Generally, organizations with budgets over \$2 million have the administrative capacity to apply for and/or manage contracts with LA County government agencies. Just 27% of BIPOC-led respondents have annual budget/expenses of \$2 million or more, as compared to 56% of white-led respondents.**

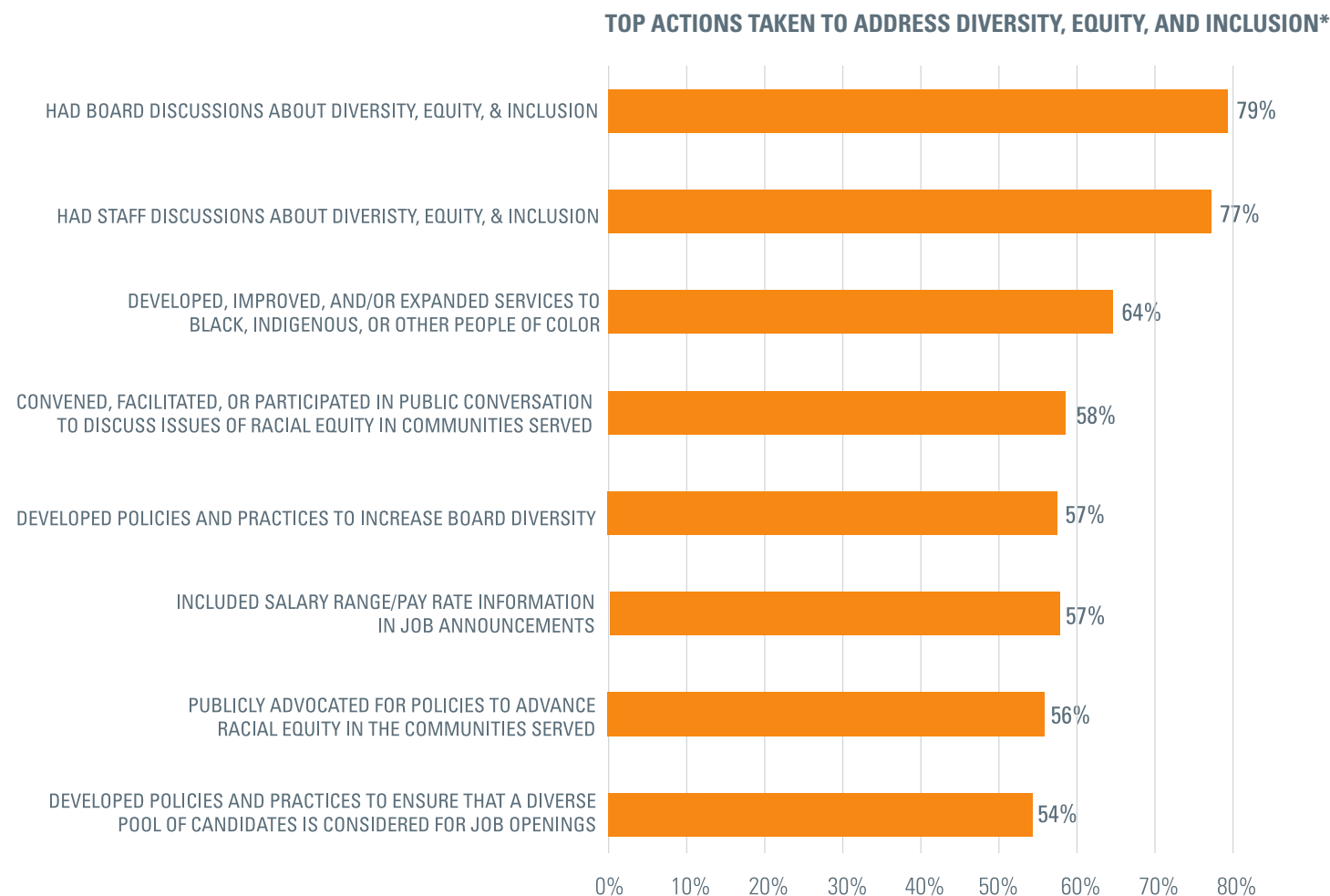
- 71% of BIPOC leaders are female, as compared to 54% of white leaders
- 85% of LA BIPOC-led respondents exclusively or primarily serve people with lower incomes, as compared to 70% of white-led organizations.

While service demand rose for most LA nonprofits during the first two years of the pandemic, it rose significantly for LA BIPOC-led organizations in particular: 78% of BIPOC-led survey respondents saw a significant rise (10%+) in service demand, as compared to 60% of white-led ones. 74% of LA BIPOC-led organizations expanded programs or services during the past year, as compared to 63% of white-led organizations.

Advancing racial equity is a major programmatic focus for 55% of LA BIPOC-led organizations, as compared to 16% of white-led ones. BIPOC-led organizations are also more likely to have services designed to specifically and directly benefit targeted ethnic/racial groups:

SPECIALIZED SERVICES - ETHNIC/RACIAL GROUP	LA BIPOC-LED	LA WHITE-LED
American Indian or Alaska Native	15%	16%
Asian or Asian American	41%	26%
Black or African American	51%	47%
Hispanic or Latinx	69%	57%
Middle Eastern or North African (MENA)	17%	10%
Native Hawaiian or Pacific Islander	20%	11%
Non-Hispanic white	19%	20%
Multi-racial/multi-ethnic	51%	44%
Other	4%	9%
None of the above	4%	21%

# Advancing racial equity is central to LA organizations



\*There were additional responses available for actions taken to address diversity, equity, and inclusion; this chart only reflects responses over 50%.

- 73% of LA respondents have increased their focus on racial equity since the beginning of 2020.
- Interestingly, LA nonprofits were much more likely to publicly advocate for policies to advance racial equity in the communities they serve: 56% of LA respondents have done so, as compared to 44% of nonprofit respondents nationally (excluding LA respondents).
- Nearly half (48%) of LA respondents have been actively engaged in advancing racial equity through their work for five years or more. This compares favorably to respondents from across the country: Excluding LA respondents, 33% of respondents nationally have been actively engaged in advancing racial equity work for five years or more.

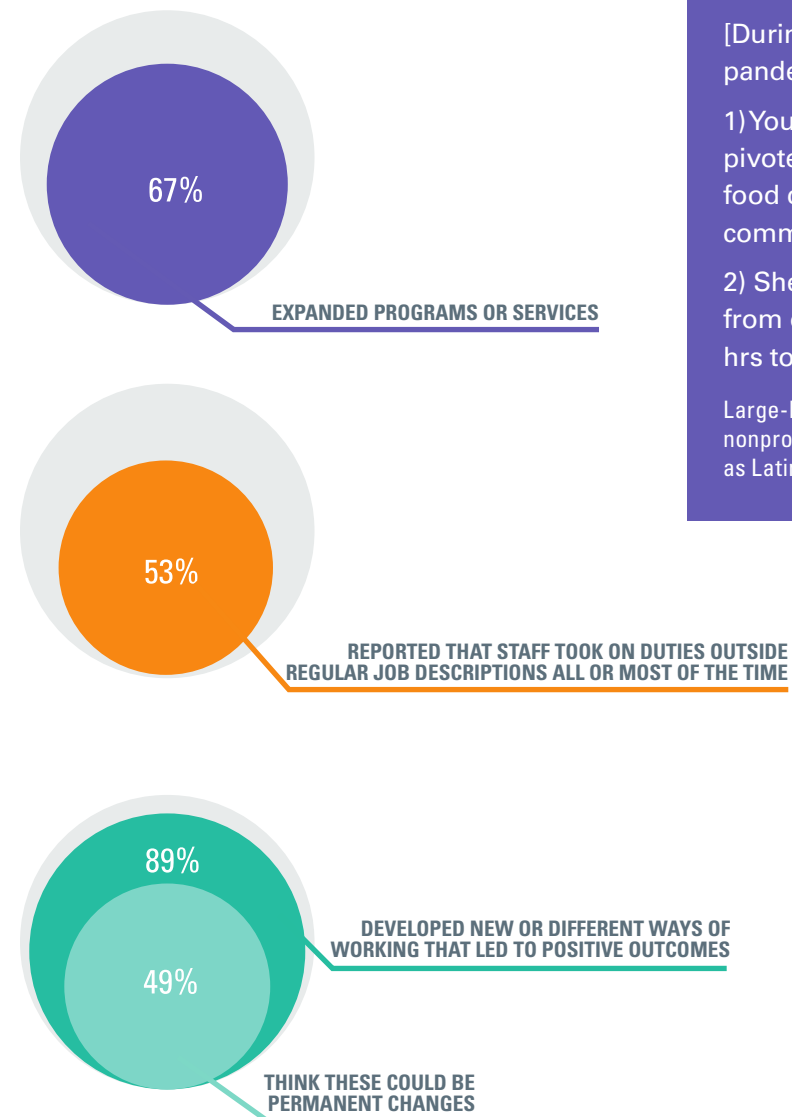
We seek to redress the racial inequalities caused by redlining and discriminatory lending practices and prevent the displacement of communities of color living in South Central Los Angeles by protecting tenants in their homes from eviction, harassment, and neglect, by preserving affordable housing as housing so it is not transmogrified into investment products or hotel rooms, and by advocating for the production of affordable housing on public land and inclusionary zoning.

Our protection and preservation efforts are designed to keep BIPOC residents in their neighborhoods if they wish to stay, and not allow them to be pushed out by wealthier and usually white newcomers. Our production efforts are designed to create more integrated housing in Los Angeles, pushing back on a long history of segregation.

Medium-budget human services nonprofit, leader identifies as AAPI

## LA organizations rose to the challenge during COVID-19

During the first two years of the COVID-19 pandemic:



[During the pandemic, our]

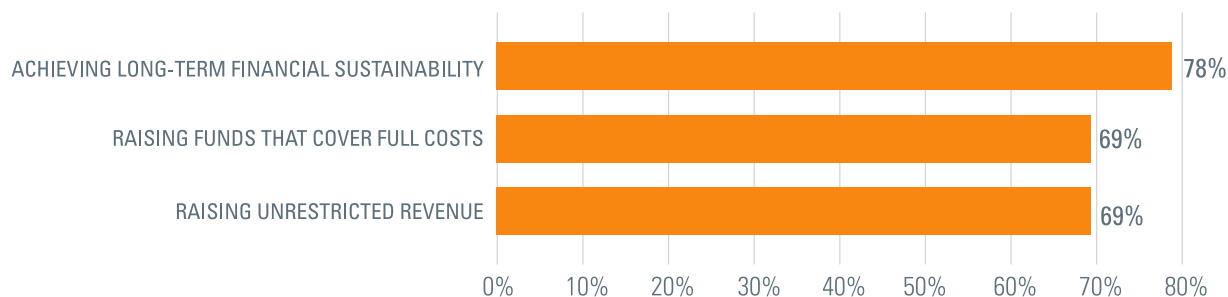
1) Youth Program pivoted to become food distributor for community

2) Shelters went from operating 16 hrs to 24 hrs.

Large-budget education nonprofit, leader identifies as Latinx

# The financial situation for LA nonprofits overall

## TOP 3 FINANCIAL CHALLENGES

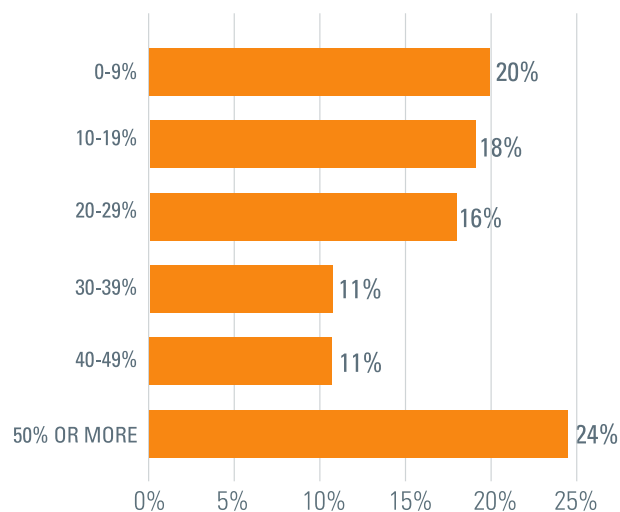


## TOP 3 STAFF MANAGEMENT CHALLENGES



- 24% of LA respondents received half or more of their 2021 funding as unrestricted revenue.
- Conversely, 20% of LA respondents received less than 10% of their 2021 funding as unrestricted revenue.

## % OF UNRESTRICTED FUNDING IN FY2021



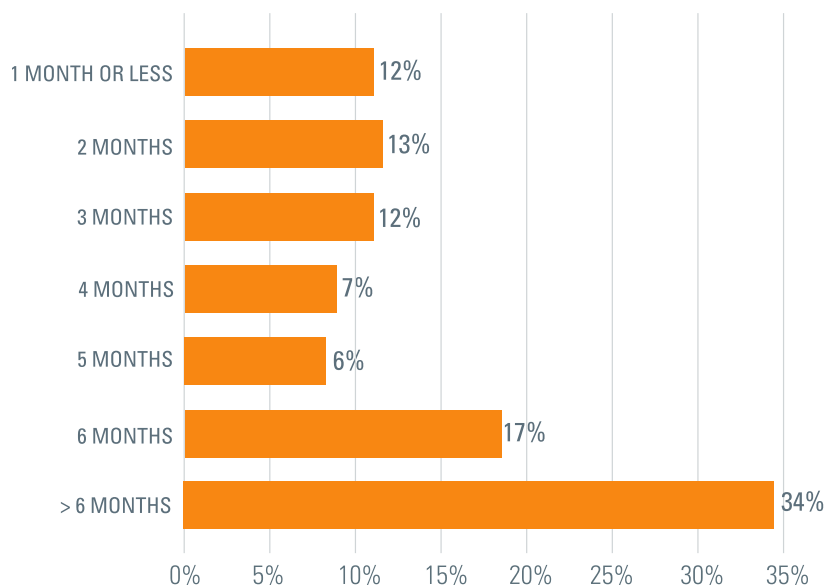
The fact that there is an increased need for direct services to persons with disabilities and very little incentive for pay rate hourly increases leaves our vulnerable population with limited assistance. My organization is at the mercy of the State of California [Department of Developmental Services'] rate payment. It has been years since my organization has seen a payrate increase.

Paying staff a living wage is nearly impossible. For example, the org receives \$30.00 an hour to support a person with a disability. An employee hourly wage is \$17.00 then you add employer taxes, and overhead for insurance, rent, etc. This virtually leaves zero dollars for any programmatic needs. Hiring any additional staff such as a grant writer to cover any additional costs is unheard of.

Medium-budget education nonprofit, leader identifies as Latinx

- 58% say foundation funders have been more flexible with use of funds since March 2020.
- 63% received at least one PPP loan.
- 2021 was a relatively strong year by nonprofit standards: 59% ended the year with a surplus, 13% had a deficit, and 28% broke even.
- Just over half (52%) have an emergency fund, yet it's relatively small for most: for 71%, it's a quarter or less of their FY2021 operating expenses.
- Half (51%) of all LA respondents had six or more months' worth of cash on hand; conversely, one quarter (24%) had 60 days' worth or less of available cash.

#### CASH ON HAND



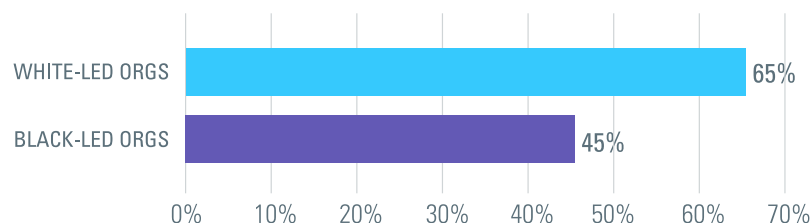
## Racial disparities persist in LA nonprofits' financial situation

2021 was a relatively good financial year for LA nonprofits, largely due to an influx of COVID-related funding and relaxed funding restrictions. While this was the overall trend for LA County, **we saw disparities based on the racial identity of nonprofits' leaders – a disturbing example of the systemic racism that must be upended in the nonprofit funding system.**

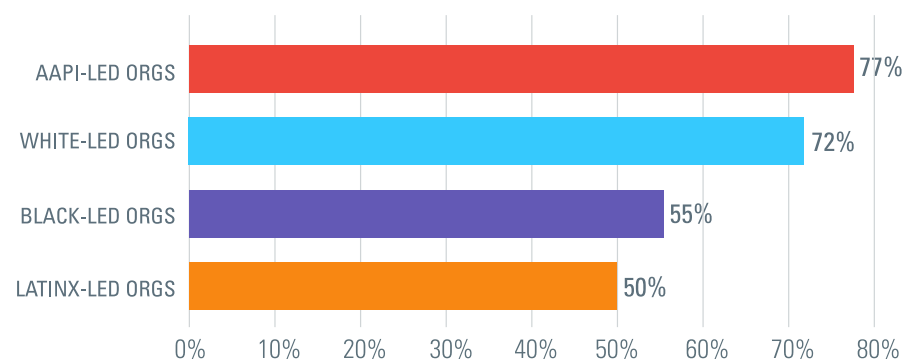
I was appalled, but not surprised, to read that most foundations provide 76% of white-led nonprofits with access to unrestricted funding, but only 24% of black-led nonprofits have access to this type of funding. There is a serious trust issue that I observe every time a foundation wants to interview me.

Small-budget education nonprofit, leader identifies as Black

#### REPORTED A SURPLUS FOR FY2021

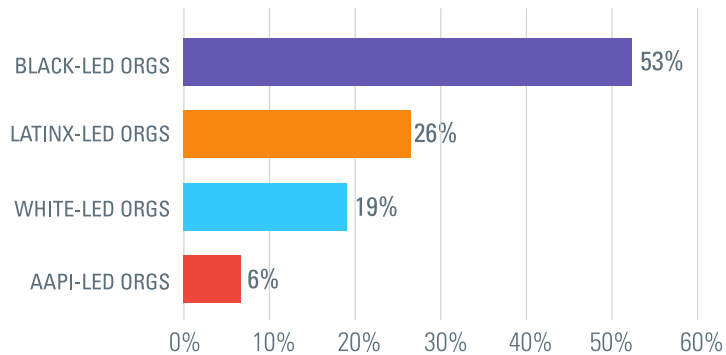


#### RECEIVED 1 OR MORE PPP LOANS

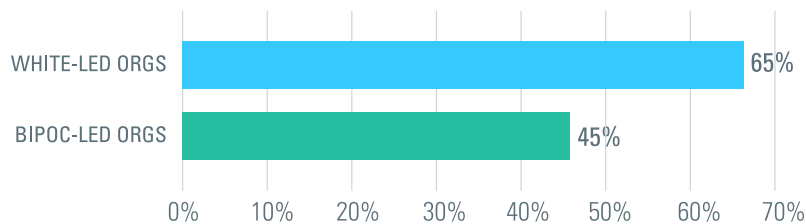


Cash on hand is the main way an organization manages drops in revenue or payment delays such as late reimbursements from government contracts. The less cash on hand that an organization has, the less able they are to respond to these payment issues. When we look at LA respondents with 60 days' worth or less of cash on hand – a precarious situation for any nonprofit – we again see differences based on the leader's racial identity.

REPORTED 60 DAYS OR LESS CASH ON HAND

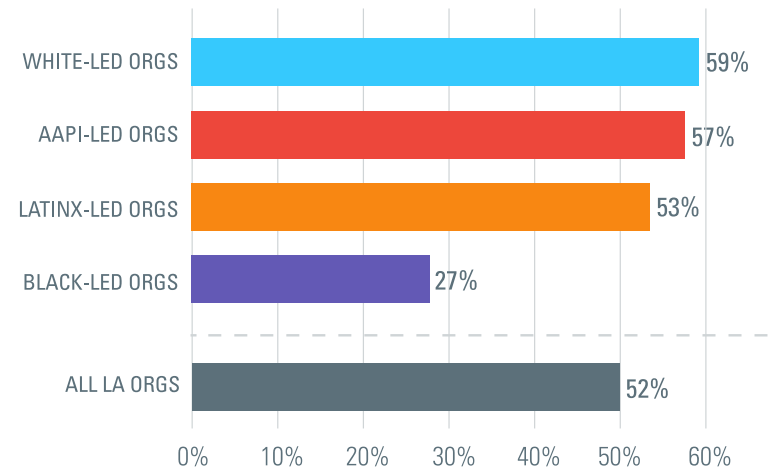


CITED LONG-TERM SUSTAINABILITY AS TOP FINANCIAL CONCERN



- While 76% of white-led nonprofits were able to increase staff compensation during the last year, only 58% of BIPOC-led organizations were able to do so.
- Just over a quarter of Black-led organizations report having reserves. Reserves allow organizations flexibility and durability to invest in innovation, respond to emergencies, and navigate change.

REPORTED HAVING RESERVES



I am concerned that funding BIPOC and the organizations we run will fall out of fashion for funders. We're already seeing allies step back and forget their promises after standing with us in 2020. With the political winds changing and elections looming, I am concerned that the will to make the deep changes required may not be sustainable.

Small-budget social justice/civic engagement nonprofit, leader identifies as Black/multi-racial

# LA County nonprofits have mixed experiences with government funders

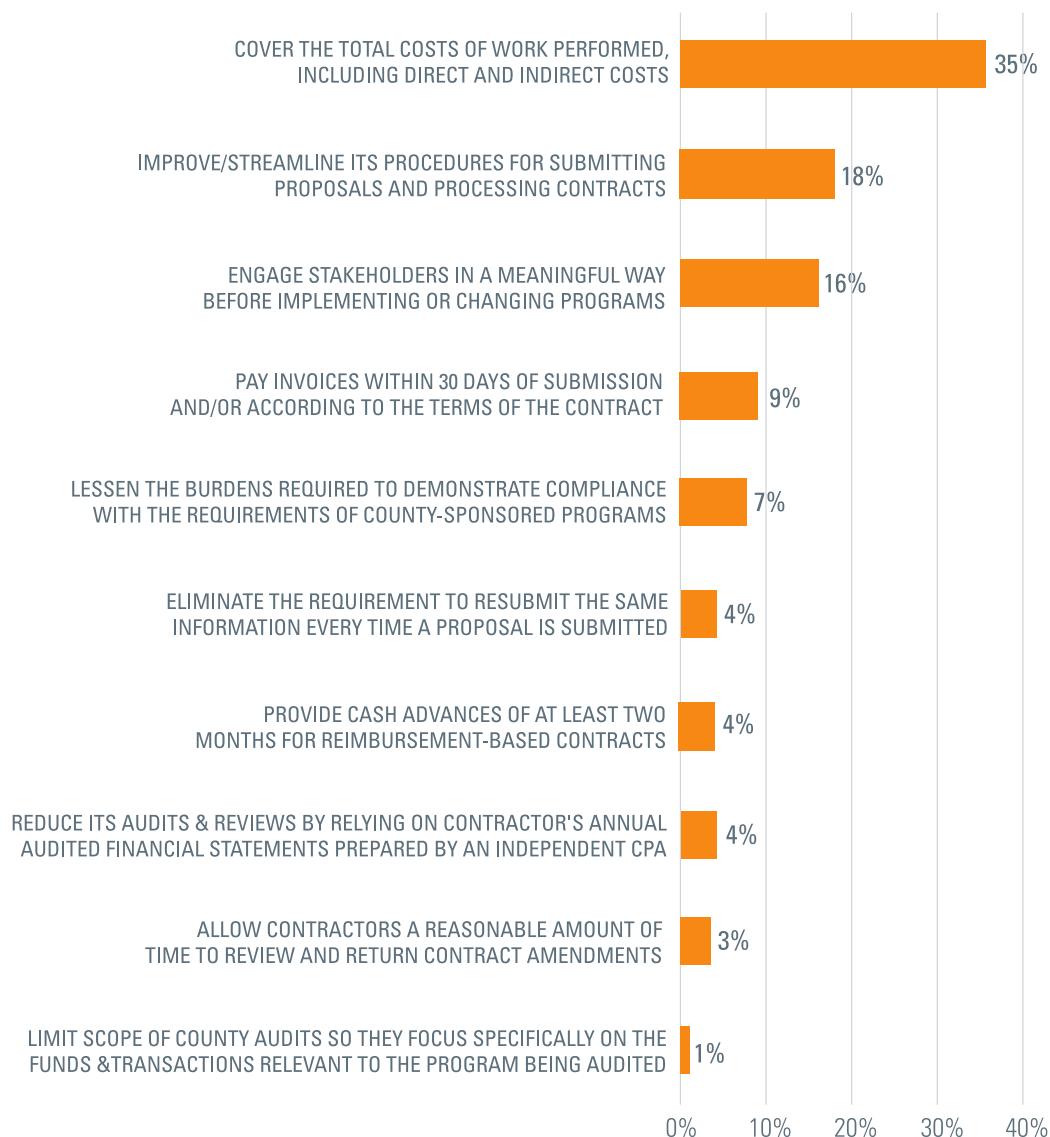
56% of respondents have received LA County grants or contracts in the last 5 years. When asked: **“If you could suggest possible changes to LA County practices and procedures, which of the following would have the greatest positive impact on your organization?”**, 35% of respondents ranked as #1: **“The County covers the total costs of work performed, including both direct and indirect costs.”**

LA nonprofits have varying experiences in their dealings with LA County government agencies, some positive and some more challenging.

- Only 19% of respondents agree that the County covers the total costs for work performed, including both direct and indirect costs.
- 60% agree that the County requires their organization to resubmit the same information every time they submit a proposal.
- Nearly half (47%) agree that upon submitting an invoice, the County provides payment within a reasonable timeframe.

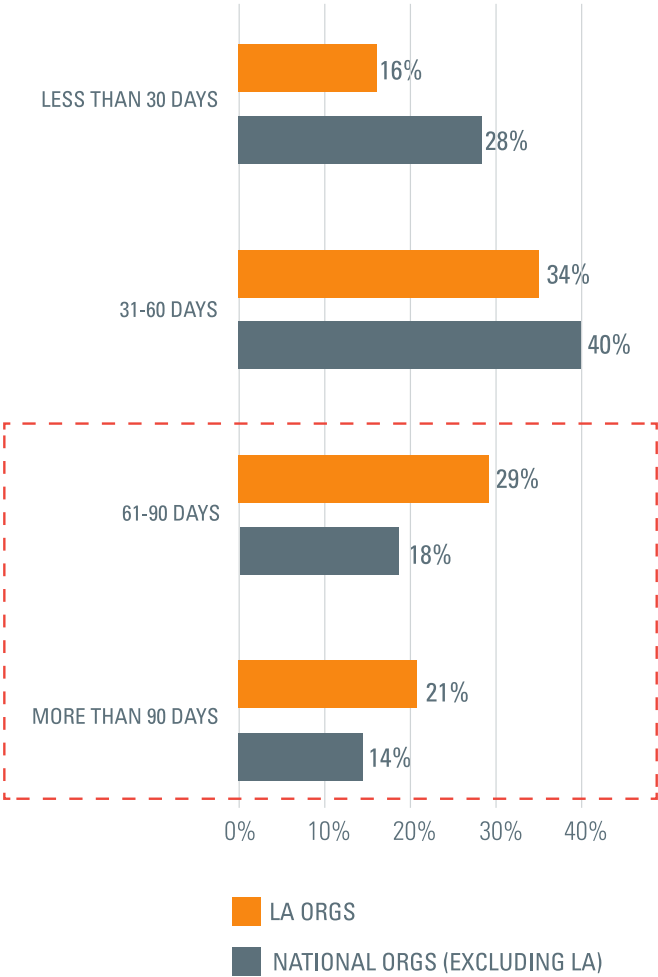
We asked respondents about possible changes to LA county practices and procedures that would have the greatest positive impact on their organization. Respondents ranked their top 5. The chart to the right includes all of the options provided, and the percentage of respondents that ranked each option as #1:

## TOP RANKING LA COUNTY PRACTICES/PROCEDURES TO CHANGE



As compared to organizations outside of LA County, LA nonprofits wait longer to be reimbursed by the government in general. Half of nonprofit respondents in LA have to wait 60 days or more before being reimbursed on government contracts, while nationally (outside of LA) only 32% of nonprofit respondents have to wait this long.

HOW LONG IT TOOK TO RECEIVE GOVERNMENT PAYMENT





## What philanthropy and government can do

The nonprofits that LA County depends on continue to face steep challenges. The COVID-19 pandemic isn't over. Homelessness and housing affordability continue to be county-wide challenges disproportionately impacting communities of color. Inflation is making it harder for families to keep up with the County's already-high costs of living. Nonprofits will be called upon to address these issues and countless more – and philanthropic and government institutions can play a crucial role in supporting their success.

While our funding has remained stable, the cost of doing business has increased significantly. We have to provide PPE and weekly testing; pay extensive overtime due to staff shortages; meet additional unfunded mandates such as increased sick pay; spend more on recruitment and training; pay raises; etc.

Our industry is in crisis both in California and across the nation. With our rates set by the CA Department of Developmental Services, we are unable to “just raise our prices” to meet our costs. Planned rate study implementations were put off due to the COVID fiasco and requests to renegotiate rates based on new requirements have fallen on deaf ears.

Large-budget human services nonprofit, leader identifies as white

The Committee for Greater LA, Nonprofit Finance Fund, Pat Brown Institute and many others want to ensure that LA County's nonprofits are supported in sustainable ways so that they can continue their vital work. What we learned from the LA survey data and focus groups affirms these local community calls for change.

**What can LA County government leaders and funders do to ensure nonprofits have the support they need, provided equitably when and how they need it?**

Both philanthropic and government funders should use funding practices that build mutually accountable relationships and contribute to a more just and equitable nonprofit sector. These practices are also known as Trust-Based Philanthropy:

- **Trust nonprofits.** Continue the flexible and generous funding practices that many embraced during the pandemic, giving unrestricted and general operating support to organizations doing vital work that you'd like to support. That will let nonprofit leaders and staff, who are steeped in the work, flexibly pivot to respond to evolving community needs.

We need money to fund our operating reserves. My board has a firm goal of reaching 6-month reserves to plan for disaster or delayed government payments. It will help relieve extreme anxiety since we are a Black-led organization in predominant communities of color – Black and Brown, who rely on our existence. Additionally, we need more flexible funding to cover the costs that government will not, especially transactional costs (indirect) that impact our organizations in our region. One last thing to be said is we need funding to recruit and retain staff.

**Nonprofit work isn't sexy or appealing with low salaries in a high cost of living market like Los Angeles.**

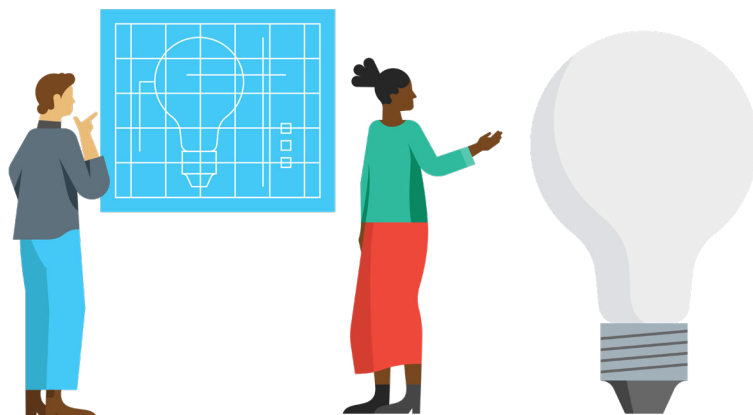
Large-budget human services nonprofit, leader identifies as Black

- **Fund the full cost of serving the community.** There was a lot of sweat equity during the pandemic: Staff did so much outside of their jobs and nonprofits continue to struggle to offer competitive wages. Paying the full cost of nonprofits' work is vital if they are to pay living wages to staff, manage inflation, and more.

It is our hope that more funders move to support the operational costs of serving the community, rather than just specifically program-focused. It would allow organizations to pivot more quickly to meet the changing needs of the community.

Medium-budget education nonprofit, leader identifies as multi-racial/multi-ethnic

- **Simplify and streamline paperwork.** Reduce the amount of time nonprofits spend on applications, invoices, and reports.
- **Give multi-year funding/contracts that increase annually to meet rising inflation.** With this predictable revenue, organizations can put more of their time toward service delivery and less toward seeking funding for the next fiscal year and/or contract renewal.



## Recommendations for Government Funders

Data from this survey points to LA County-specific recommendations aligned with the **recent Board motion** to make government contracting practices more accessible and equitable. We applaud the LA County Board of Supervisors for adopting the recent motion to support the recommendations of the LA County Economic Resiliency Task Force: Nonprofit Working Group – Equity in County Contracting and look forward to seeing these recommendations move into action.

- **Make payments on time – and pay a portion upfront.** As we saw above, many nonprofits – especially those led by and serving people of color – don't have much cash on hand. Additionally, government payments to LA nonprofits are generally more delayed than in the rest of the country. By making payments on time and paying nonprofits at least part of the contract up front, LA County agencies could make it possible for more community-centered nonprofits – especially those led by and serving people of color – to access government contracts.
- **Revisit restrictions on indirect/administrative costs.** Elective caps on indirect/administrative costs – limits set at the discretion of individual government agency departments – should be eliminated. These elective caps prevent organizations from being able to invest in the infrastructure needed to support their services and impact in the community (e.g., data systems, technology, HR, occupancy). Agencies should accept all federally-allowed methods that will allow nonprofits to be reimbursed for their actual costs, rather than setting arbitrary caps at the local agency level.
- **Simplify contracting practices.** LA County should consider having a centralized contracting, compliance, and auditing process, so nonprofits aren't spending unnecessary time and energy submitting the same information to multiple agencies and adapting their applications and reporting to customized requirements and processes from different departments.
- **Ensure that community-centered nonprofits receive a fair share of federal funds that are being passed through the County as well as local funding for community services.** Community-centered nonprofits are closest to the communities they serve and most knowledgeable about how to support their needs – a key driver in making an impact.

The majority of LA nonprofit respondents are BIPOC-led, and they are providing services that are deeply in demand by communities. Yet they face systemic racism in the funding system. Change inequitable funding practices within your own institution. Be part of the solution.

**We strongly encourage all foundations, investors, individual donors, and government agencies that provide funding to nonprofits to acknowledge how the nonprofit funding system harms BIPOC-led organizations, and to take action to change that by honoring the valuable contributions of BIPOC-led organizations and providing them with the resources they need to support communities' aspirations.**

- **Seek out and fund organizations led by people with relevant direct experience and personal relationships in the communities you're supporting.** Pay particular attention to BIPOC-led, community-centered organizations that may have been excluded from traditional funding pathways. Support them yourself, and also introduce them to others in your network who might be able to support them.
- **Include nonprofits and community leaders as co-designers in grantmaking initiatives.** Make it optional and always compensate them for their time. Be mindful of potentially extractive behavior and involve them in decisions on what and who to fund.
- **Share insights from your knowledge as a funder.** What might other funders look for in a grant proposal? How can nonprofits build relationships with new funders? Advice like this can help nonprofits enhance their position with funders over time. Increase the available resources to deliver services and information to their targeted populations.
- **Stop practices that can exclude smaller and newer organizations.**
  - Make funding/contracting applications easier. Don't disqualify organizations based on minor errors or omissions.
  - Remove the need for requirements that may be too costly for organizations (e.g., audited financial statements). Organizations need straightforward funding requirements and fewer reporting requirements.

- **Be clear and candid about your funding decisions.** Don't make organizations chase funding and don't leave them wondering for a long time about whether or not they're going to get funding or a contract. These practices force nonprofits to invest too much of their finite capacity into fundraising – and divert it from essential programs and services.
- **Ask nonprofits about all of their needs – not just programmatic ones.** While organizations have become more comfortable talking about their full cost needs since COVID-19 emerged, they still face a power imbalance when speaking with those who control the funding.

Together, we can create a thriving and equitable nonprofit sector in LA.



Learn more about the **2022 State of the Nonprofit Sector Survey** and **sign up for NFF's newsletter to receive more social sector insights.**