



F O C U S

A Regional Nonprofit Sector Report

# The Inland Empire Nonprofit Sector

*A Growing Region Faces  
the Challenges of Capacity*

Carol Silverman, Ph.D.

Arleda Martinez

Jamie Rogers



Institute for Nonprofit  
Organization Management

# Contents

<b>Executive Summary: The Inland Empire Nonprofit Sector</b>	<b>3</b>
Five Things to Know	
Assets and Opportunities	
Recommendations	
<b>Chapter 1: The Inland Empire and the Importance of its Nonprofit Sector</b>	<b>5</b>
Scope of this Report	
Inland Empire Subregions	
A History of Growth	
Changing Demographics	
Contributions of the Nonprofit Sector	
Nonprofit Employment	
<b>Chapter 2: What Does the Nonprofit Sector Look Like?</b>	<b>12</b>
The Role of the Nonprofit Sector	
Numbers, Locations and Activities	
Revenue Sources	
Limited Foundation Assets	
<b>Chapter 3: The Inland Empire Nonprofit Sector Is Growing</b>	<b>18</b>
Changes in the Sector as a Whole	
Changes in Individual Nonprofits	
<b>Chapter 4: Can Nonprofit Capacity Keep Up?</b>	<b>23</b>
Limited Capacity Relative to Need	
Revenues and Expenditures per Person	
Nonprofit Capacity to Serve a Complex Region	
<b>Implications</b>	<b>34</b>
Key Challenges for the Region	
Growth and Dedication to the Region	
<b>Appendix</b>	<b>36</b>
Data Sources	
501(c) Classifications	
About NTEE Codes	
Largest Funders to the Inland Empire, 2005	
Largest Foundations in the Inland Empire, 2005	
Acknowledgements	

## Foreword

For the past two decades, population growth in the Riverside and San Bernardino counties of California has outpaced growth in all other areas of the state. Increasingly diverse, these two counties, known collectively as the Inland Empire, have no ethnic majority, and feature significant growth among their Latino and Asian communities in particular. The Inland Empire is also home to a disproportionate number of low-income residents.

The needs of this region are significant and increasingly difficult to address by the region's nonprofit organizations, many of which are smaller and younger than their counterparts in other regions of California. Likewise, funding is less abundant in the Inland Empire. A study that Irvine commissioned in 2006 showed that the region received \$16 in grants per capita per year, compared to a statewide average of \$102 per capita. These trends combine to create a unique set of challenges for the region.

Irvine commissioned this report on the capacity of the Inland Empire's nonprofit sector to contribute to greater understanding of the region's readiness and capability to address the many challenges it faces. After this study was completed, the economic crisis rippling across the globe has made it clear that the trends reported here will only be amplified in the years to come.

It is our hope that this report will offer new insights to those who hold a stake in the vitality of the Inland Empire. Nonprofit, civic and philanthropic leaders and their partners in the public and private sectors are invited to use information from this report to guide their strategies and actions, to build a case for greater support and, ultimately, to address the challenges facing the region. In doing so, valuable lessons may emerge that will help others beyond the region's borders to tackle similar challenges in the coming years.



**James E. Canales**

President and Chief Executive Officer  
The James Irvine Foundation

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# The Inland Empire Nonprofit Sector

**While many people know the work of individual nonprofits, it can be difficult to understand the sector as a whole. This report connects the dots in the Inland Empire. It is intended to build public awareness about the region's nonprofit sector and provide information to help civic, nonprofit and philanthropic leaders strategize and take action to strengthen it.**

California's Inland Empire is a geographically vast region with a diverse and growing population. As the size and nature of this two-county region change, the infrastructure of its nonprofit sector is not keeping pace. This report describes the characteristics of the Inland Empire's nonprofit sector, the work it does, the ways it has changed between 2000 and 2005, the challenges it faces today and recommendations for strengthening its future.

The Inland Empire's Riverside and San Bernardino counties and their subregions have distinct identities and resources, but they share many issues due to similarities in geography, population growth and the location of nonprofits relative to need. These persistent issues can serve as the basis for concerted action.

## Five Things to Know

**1. *The region needs its nonprofit sector.*** Nonprofit organizations are essential to the health of communities. Inland Empire nonprofits deliver a wide range of services from health to the arts to advocacy. Human services organizations represent the largest nonprofit classification across California and in the Inland Empire. This region is further distinguished by its higher percentage of religious nonprofits. In addition to supporting their varied missions through direct services, nonprofits make major economic contributions to the region. They employ large numbers of people, lease space and make local purchases. In aggregate, the Inland Empire nonprofit sector expended \$4 billion in 2005 and controlled almost \$5.5 billion in assets. Nonprofits accounted for 5 percent of total employment in San Bernardino County and 3 percent in Riverside County. Growth in average wages within the nonprofit sector outstripped that in the private and public sectors.

**2. *Rapid growth stretches nonprofits.*** Between 2000 and 2005, the populations of Riverside and San Bernardino counties grew by 26 percent and 15 percent, respectively. The Inland Empire is ethnically diverse. Its Latino population, in particular, is growing at a rapid rate. Average education and income levels of residents are lower than those in the surrounding counties, and job growth is fastest among lower-paid occupations. Nonprofit infrastructure is insufficient for the present population, let alone future growth. In 2005, there were 3,717 public charities in Riverside County and 3,849 in San Bernardino County. Sixty-seven percent of nonprofits in the region have revenues under \$25,000. Although the number of larger public charities has grown at a faster rate than in surrounding regions and the state as a whole, the Inland Empire has fewer nonprofits per capita.

**3. *Nonprofit capacity is not keeping up.*** Inland Empire nonprofits are not building the capacity necessary to meet the demands of a growing population. Nonprofit revenue in the Inland Empire is growing more slowly than in nearby Orange and Los Angeles counties. Riverside nonprofits grew their revenue by approximately 21 percent, compared to 27 percent revenue growth in Los Angeles. San Bernardino nonprofits, however, lost ground with a 10 percent decline in revenue between 2000 and 2005. The region's lack of nonprofit capacity is compounded by insufficient numbers of intermediary organizations — those that help support, strengthen and grow the sector.

**4. Foundations are growing, but their capacity also falls short.** In 2005, there were 189 private foundations in Riverside County and 103 in San Bernardino County. The number of public and private foundations in the Inland Empire increased by 49 percent between 2000 and 2005. Further, inflation-adjusted expenditures by local foundations increased between 2000 and 2005. In spite of this growth, the region's foundation sector is still relatively weak. With few exceptions, most foundations in the Inland Empire are small and the numbers of people and nonprofits per foundation are dramatically higher than in surrounding counties and the state. Fifty-nine percent of the Inland Empire's nonprofit sector funding comes from outside the region.

**5. Nonprofits are distant from many who need services.** The region is challenged by the location of its nonprofits, which are concentrated in metropolitan areas and distant from rural areas where need is great. In addition, there is a spatial mismatch between nonprofits that provide services to the most vulnerable populations — youth, seniors and the poor — and areas where these populations live in the greatest concentration. Vast regions with high need remain underserved.

### Assets and Opportunities

- Inland Empire nonprofits continue to form at high rates, indicating a great interest in the work of nonprofits among residents of the region.
- Because of the large amount of migration into the Inland Empire from other southern California regions, there is also a migration of talent, including some who have experience working in and running nonprofits elsewhere.
- Strong nonprofits in the region could, with proper support, form a nucleus of outreach to underserved communities or build the capacity of smaller nonprofits in the region.
- While the organizations that build nonprofit capacity need development, some strong anchor institutions exist within the region.
- The rapid development of the foundation sector in the region bodes well for future local investment dollars.

### Recommendations

- **Develop funding networks.** Half of the nonprofit funding in the region comes from outside of California, indicating that networks exist to funnel money into the region and can be further developed.
- **Support nonprofit capacity builders.** Lack of capacity is the region's key nonprofit issue. This rapidly growing sector is not gaining capacity as fast as it is in surrounding regions. Nonprofits need assistance in achieving new levels of professional capability. Toward this end, resources should be directed to attracting and supporting organizations with the ability to provide infrastructure support to the region.
- **Develop local foundation capacity.** Local foundations are best positioned to understand the unique and changing needs in their communities. Particularly in San Bernardino County, the capacity of these philanthropic organizations requires continued development.
- **Connect with the religious community.** The religious community, whose nonprofit presence is pronounced in the region, might provide a mechanism to channel local wealth toward nonprofit endeavors.
- **Cultivate a regional mindset.** This report identifies some of the region's common challenges, assets and opportunities. As prominent leaders, community foundations, intermediary organizations and educational institutions might advance understanding and a plan of action on a region-wide basis.
- **Inform government allocations.** A stronger nonprofit sector would attract more government dollars, which in turn would strengthen the sector. In some cases today, government recognizes the potential of the nonprofit community to serve social ends. But this recognition can be greater and more widespread throughout the region.

# The Inland Empire and the Importance of its Nonprofit Sector

The Inland Empire is vast, growing and diverse. For these reasons, it can be difficult to characterize — and difficult for nonprofits to serve. Yet, nonprofits contribute considerably to the region.

The two-county Inland Empire is immense. San Bernardino County, the largest county in the United States, spans more than 20,000 square miles. Riverside County adds another 7,000 square miles. The population of the Inland Empire is growing at an enormous rate — very few states will add more people by the year 2020.<sup>1</sup> While increased population can yield economic benefits, it can also pose problems. In the Inland Empire, the combination of high growth rates, great distances and an infrastructure pushed beyond its capacity presents challenges to developing a regional framework for action.

In spite of the fact that the name “Inland Empire” is commonly used, this is not a single place, and it does not share a single identity. The region’s two counties have distinct differences. Riverside, for example, contains affluent Palm Springs, while San Bernardino evidences lower education and income levels. Nonprofit aggregate revenues are higher in San Bernardino due to the presence of Loma Linda Medical Center and a larger postsecondary education subsector.

Crisscrossed by mountains, indented with valleys and ringed with deserts, the geography of the Inland Empire is complex, warranting further division into a number of subregions, each with its own distinct identity, demographics, strengths and challenges.

**The term “Inland Empire” has always been an external view of us. The divide between the two counties is getting bigger and bigger every year, especially with population growth.**

— *Nonprofit leader*

Riverside and San Bernardino counties face numerous shared issues that might galvanize stronger concerted action if commonalities were better recognized. This report uses a regional framework to examine the Inland Empire nonprofit sector and places it in the context of Southern California and the state as a whole. While a regional perspective is helpful as a framing device, it is important to respect the differences between the Inland Empire’s counties and subregions. For this reason, the report highlights common regional challenges and assets and, when appropriate, notes differences between the subregions.

## Scope of this Report

The aim of this report is to identify the strengths and challenges of the nonprofit sector in the Inland Empire. Data sources are explained in an appendix at the end of the document. Because numbers rarely speak for themselves, the data presented are augmented with information gathered from key interviews (quotes from these interviews are presented throughout the report).

Developed by the Institute for Nonprofit Organization Management, University of San Francisco, this report is also informed by work conducted by a research partner: the University of California, Los Angeles, Center for Civil Society. The Center’s companion report captures the experiences and perceptions of Inland Empire nonprofit leadership in focus groups and case study vignettes.<sup>2</sup>

This report examines nonprofit contributions to the region, with details about their activities, classifications and changes over time. It compares the region’s nonprofit sector to those of the state and other parts of Southern California with a focus on organizational capacity relative to changing population needs. It also presents information on nonprofit finances and fiscal health including revenue sources, foundation funding, economic contributions and employment.

The Inland Empire is composed of two counties, both of which have distinct subregions. For this reason, statistics are presented at three levels of geography — for the region as a whole, for each county and for subregions — when appropriate. Subregions have been defined to permit comparison to economic and demographic reports produced by the Public Policy Institute of California.<sup>3</sup>

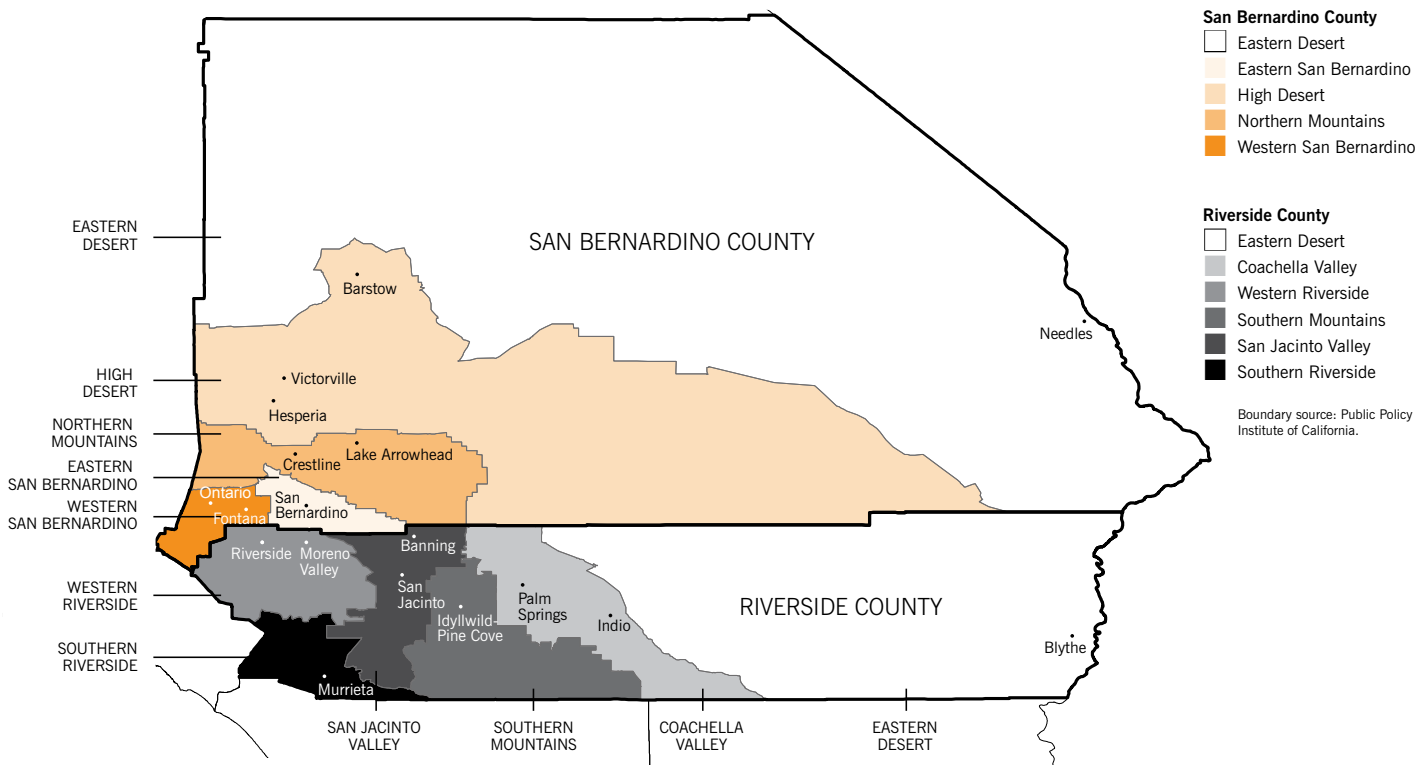
<sup>1</sup> Inland Empire in 2015, Public Policy Institute of California

<sup>2</sup> Listening to Leaders: A Summary of the Inland Empire Nonprofit Sector Focus Groups, UCLA Center for Civil Society

<sup>3</sup> Inland Empire in 2015, Public Policy Institute of California



Map 1. Subregions of the Inland Empire



### Inland Empire Subregions

**Western San Bernardino, Eastern San Bernardino** and **Western Riverside** form a dense population center in the southwestern corner of the region. With easy access to transportation hubs and work centers in Los Angeles and the coastal area, more than 1.6 million people live in this subregion.

Moving out from this core to the south and southeast respectively, **Southern Riverside** and the **San Jacinto Valley** have also seen rapid growth over the past 10 years. Southern Riverside has experienced the highest share of housing development. Its newly incorporated cities have seen some of the most dramatic population growth in the Inland Empire. The San Jacinto Valley has abundant recreational resources that are attractive to newcomers, and there is a growing retirement community.

The **Coachella Valley** is a center for agriculture and tourism and has long been favored by retirees. It is now also home to the highest number of foreign-born residents. Coachella Valley has both the highest per capita income and the highest poverty rates in the Inland Empire.

The **High Desert** stretches across the central part of the Inland Empire, north of the San Gabriel and San Bernardino Mountains. Anchored by Barstow in its northwestern corner, the region's population growth has been mainly fueled by the growth of its newer cities along the corridor connecting Barstow to San Bernardino through the Northern Mountains.

The three remaining subregions are very sparsely populated. The **Southern Mountains** separate the San Jacinto Valley to the west and the Coachella Valley to the east. The **Northern Mountains** form a natural boundary between the High Desert in the north and San Bernardino in the south. The great **Eastern Desert** wraps the entire Inland Empire from northwestern San Bernardino County to southeastern Riverside County, bordering the Coachella Valley on the east.

## A History of Growth

Given the region's history, the term "Inland Empire" seems an optimistic attempt to unify a vast region whose very geography defies the creation of a single shared identity. Since the mid-19th century, the region has experienced waves of explosive growth fueled first by agriculture and then by the desire for affordable suburban homes. First surveyed in 1852, San Bernardino County was carved from former parts of Los Angeles County and included most of what has since become Riverside County. The region prospered with the arrival of navel oranges and the railroads in the 1870s. Water from the Colorado River turned the area into the citrus belt of California. By the 1890s, prosperity fueled an intense rivalry for the county seat. As four small cities — Colton, Redlands, Riverside and San Bernardino — contended for this prize, they developed vigorous civic communities. Finally, Riverside County was created with land previously belonging to San Bernardino and San Diego counties.

The rapid growth of Los Angeles in the early 20th century and the development of Route 66 brought a stream of tourists and migrants to the region, most famously to Palm Springs. After World War II, a new generation in search of pleasant suburban homes began to bulldoze the once endless acres of agricultural land. This trend continued through the second half of the 20th century, as soaring property prices in the coastal counties drove another mass migration to the Inland Empire in the 1990s and early 2000s.

This complicated region may be most unified by the pressures it faces relative to the future. Its population is projected to continue growing, transforming open spaces in the west into suburbs and growing cities, while the vast eastern deserts remain unchanged. And just as the small cities of San Bernardino County once contested the location of the county seat, the communities of the Inland Empire will have to contend with their growth, the geography that separates them and the challenges they face together.

**[The region's nonprofits include] a lot of good people doing great work. [But,] they are strapped. It is not unusual for people to have huge areas. I go to meetings and I am the organizer for the entire Inland Empire.**

— *Nonprofit leader*

## Changing Demographics

Growth is the issue that dominates any discussion of the challenges facing the Inland Empire. This growth represents an influx of new people who do not have previous ties to the region. It creates the need for massive infrastructure development. Existing institutions such as schools, hospitals and many others are not sufficient for growing need. This growth also involves increasing cultural diversity — to which these institutions must adapt to be successful. To the extent that the growth is fueled by relatively less expensive housing, and not by expanding jobs, it creates a growing commuter population: people who spend long hours on the roads and not in their local communities.

In 2007, 4.1 million people lived in the Inland Empire, representing 11 percent of the population of the state of California. Both San Bernardino and Riverside counties have experienced massive growth since 1990, as residents from the coastal counties of Los Angeles, Orange and San Diego seek affordable housing. This growth is projected to continue into the foreseeable future. While some growth is from international immigration — chiefly from Mexico — most comes from people moving to the two counties from other parts of California, largely from the surrounding counties.



Riverside County increased in population by 26 percent and San Bernardino by 15 percent between 2000 and 2005. The highest growth took place within the western portion of the region, around the cities of Riverside and San Bernardino. However, as these areas became more developed and land costs appreciated, growth moved eastward toward San Jacinto Valley in Riverside and the High Desert in San Bernardino. Riverside’s growth rate was faster, and, as of 2007, this county overtook San Bernardino County in total population.<sup>4</sup>

Although the Inland Empire is often viewed by outsiders as an extension of Los Angeles, there are many differences in the resident populations of these two regions. As shown in Table 1, the average per capita income (\$21,732) was below that of neighboring counties as well as the state of California as a whole. Interestingly, poverty rates were comparable to those of the state and below that of Los Angeles, perhaps

reflecting the fact that there was a lower percentage of high-income households in the Inland Empire, particularly in San Bernardino County. Thus, in 2006, 6.35 percent of households in San Bernardino County and 7.28 percent of households in Riverside County reported incomes of \$150,000 or higher. This compares to 10.68 percent for the state as a whole, 9.49 percent for Los Angeles and 15.38 percent for Orange County. The relatively small percentage of high-income households has implications for discussions concerning possible sources of funding for the nonprofit sector.<sup>5</sup> When the region’s two counties are compared to each other, San Bernardino is less affluent — it has lower household and per capita income and a higher poverty rate than Riverside County.

The Inland Empire is ethnically diverse. As is true of the state of California as a whole, no race or ethnicity is in the majority. Approximately equal percentages of the

**Table 1. Though Both Communities Have Large and Diverse Populations, Riverside and San Bernardino Counties Have Demographic Differences**

Population Characteristics, 2005

	Riverside	San Bernardino	Inland Empire	Los Angeles	Orange County	California
Population (2005 Estimate)	1,945,392	1,964,511	3,909,903	9,941,197	2,992,642	36,154,147
Per Capita Income	\$23,478	\$19,991	\$21,732	\$24,705	\$31,126	\$26,800
Median Household Income	\$52,253	\$49,026	\$50,756	\$48,248	\$65,953	\$53,629
Poverty Rate	11%	15%	13%	16%	9%	13%
Unemployment	7%	8%	7%	7%	5%	7%
White (Non-Hispanic)	47%	38%	41%	29%	47%	43%
Black or African American	6%	9%	7%	9%	1%	6%
Asian/Pacific Islander	4%	6%	5%	13%	16%	13%
Latino	40%	45%	43%	47%	33%	36%
Age Under 18	29%	32%	30%	28%	27%	27%
Age 65 and Over	12%	8%	10%	10%	10%	11%
High School Dropout Rate	22%	24%	23%	26%	17%	20%
Bachelor's Degree or Higher	20%	18%	19%	28%	35%	30%
Foreign-Born Population	22%	21%	22%	36%	30%	27%
Renters Paying More Than 35% Toward Housing	46%	46%	46%	45%	43%	43%
Owners Paying More Than 35% Toward Housing	32%	30%	31%	34%	31%	31%

Data: Population Estimate from U.S. Census Bureau Population Estimates Program. All other data from the American Community Survey.

Note: Data are limited to the household population and exclude the population living in institutions, college dormitories, and other group quarters.

<sup>4</sup> www.census.gov

<sup>5</sup> Authors' calculations based on the American Community Survey, Department of the Census

population in 2005 were White (non-Hispanic) (41 percent) and Latinos (43 percent), with a slightly higher percentage of Latinos living in San Bernardino compared to Riverside County. The overall percentage of foreign-born residents of all ethnicities (22 percent) in these counties was somewhat lower than that of the state as a whole (27 percent), and was certainly lower than that found in Los Angeles or Orange counties (36 percent and 30 percent, respectively). The increasing percentage of Latinos in the region is also notable. Latinos accounted for 61 percent of the growth in Riverside County and 86 percent of growth in San Bernardino County between 2000 and 2006.<sup>6</sup>

The Inland Empire is less educated than surrounding regions, a fact of concern to some interviewed for this study. While the high school dropout rate (23 percent) was below that of Los Angeles, it was above the state's average of 20 percent. The percent with college degrees or higher (19 percent) was also below the state average (30 percent) and that of the surrounding regions. San Bernardino had a lower percentage of people with a college degree or higher level of educational attainment (18 percent) compared to Riverside County (20 percent).

During the years studied, the region's economy was growing, although the majority of growth occurred in lower-paying jobs. Major growth economic sectors include administrative services, transportation and warehousing. According to Public Policy Institute of California projections, as well as those of economist John Husing, there will be some increase in better-

paying employment as a share of the economic sector.<sup>7</sup> However, the region will continue to be home to large numbers of less-educated individuals, with an economy requiring substantial low-wage employment.

### Contributions of the Nonprofit Sector

Nonprofit organizations provide a wide variety of benefits to the communities they serve — benefits that go far beyond the social services that first come to mind when considering the sector. Nonprofits enrich cultural life in many ways. They make possible the staging of art exhibits and children's theater. They provide athletic opportunities for youth, health care for all sectors of society and lobbying and advocacy for many causes. Many schools and universities are nonprofits, as are hospitals and research organizations. The nonprofit sector supports civil society and provides a mechanism by which people become involved as volunteers and contribute to the good of their communities.

The nonprofit sector is not only important because it provides services, but also because it makes economic contributions to the region. As shown in Table 2, in aggregate, the Inland Empire operating nonprofit sector expended almost \$4 billion annually and controlled almost \$5.5 billion in assets. This amounts to approximately 3 percent of the gross metropolitan product (GMP) for Riverside/San Bernardino-Ontario. Compared to the state as a whole and to Los Angeles, this is a low proportion; nonprofits accounted for 7.7 percent of GMP statewide and 6.4 percent of the

**Table 2. Nonprofits Are a Significant Financial Contributor to the Region**

Expenditures and Assets for Operating and Non-operating Nonprofits and Private Foundations

Number of 501(c) Organizations, 2005	Riverside in millions	San Bernardino in millions	Total in millions
Total Expenditures — Operating Nonprofits	\$1,223	\$2,776	\$3,999
Total Expenditures — Non-operating Nonprofits	\$89	\$256	\$344
Total Expenditures — Private Foundations	\$115	\$6.8	\$122
Total Assets — Operating Nonprofits	\$1,997	\$3,423	\$5,420
Total Assets — Non-operating Nonprofits	\$559	\$330	\$889
Total Assets — Private Foundations	\$829	\$72	\$901

Data: National Center for Charitable Statistics Core Files, Public Charities and Private Foundations 2005.

Note: Operating nonprofits run their own programs. Non-operating nonprofits include mutual benefit organizations plus public foundations, trusts and giving programs. Private foundations receive most of their fundings from one source — typically an individual, family or corporation — and use these funds to either support their own charitable activities or the activities of other nonprofits.

<sup>6</sup> Authors' calculations based on the American Community Survey, Department of the Census

<sup>7</sup> Sources: Hans P. Johnson, Deborah Reed and Joseph M. Hayes. "The Inland Empire in 2015." Public Policy Institute of California, April 2008, Report; and www.johnhusing.com

Los Angeles GMP. Orange County, in contrast, matched the Inland Empire in terms of the percent contribution nonprofits made to its economy.

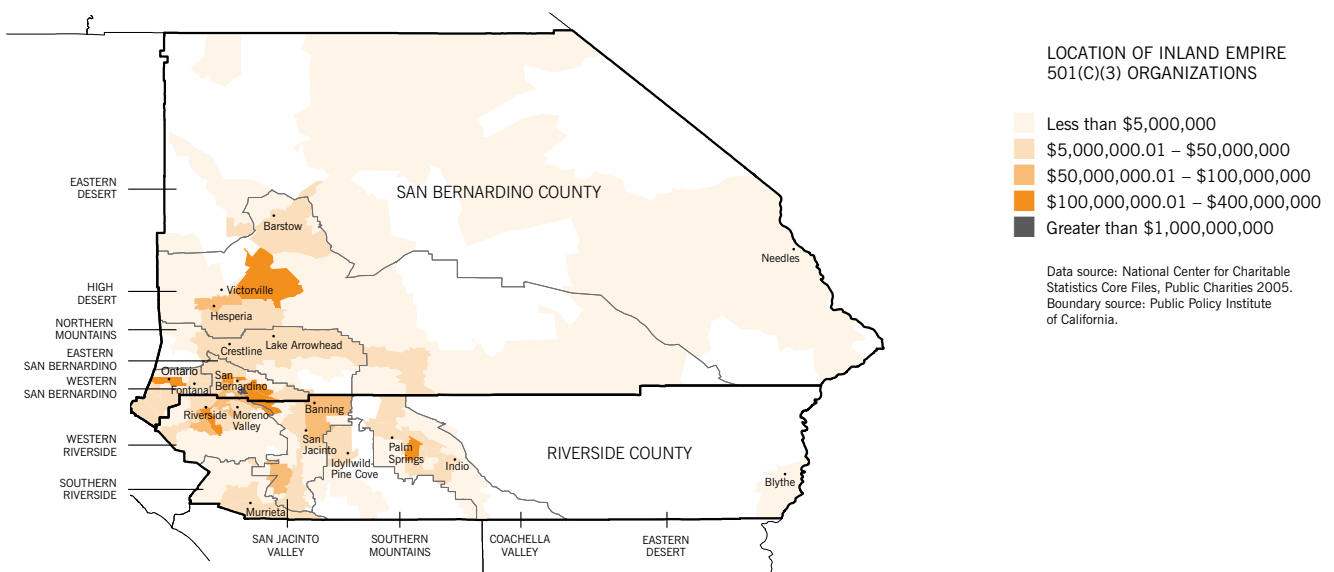
Hospitals and universities accounted for the largest proportion of nonprofit expenditures in the region, as was true elsewhere. Human services made up the next largest proportion, with aggregate expenditures of \$1.33 billion, accounting for 33 percent of the total nonprofit economy.

Certain expenditures were heavily concentrated in specific subregions. Eastern San Bernardino accounted for more than 50 percent of the Inland Empire's nonprofit expenditures due to the presence of

Loma Linda University and Medical Center. The Coachella Valley had the highest level of arts expenditures in the region. Because of the expanse of the Inland Empire, people located outside of these subregions would have to travel long distances to access the services available there. Thus, such concentrations may indicate that these expenditures fail to reach a large proportion of residents.

Map 2 shows total nonprofit expenditures by ZIP code where nonprofit offices are located. Nonprofit expenditures were concentrated in Eastern San Bernardino and the Coachella Valley. Lesser concentrations of expenditures were found in Riverside, the High Desert region and the San Jacinto Valley.

**Map 2. Total Nonprofit Expenditures by ZIP Code**



## Nonprofit Employment

Nonprofits contribute substantial numbers of jobs and wages to their counties. As shown in Table 3, in 2005 nonprofits accounted for 5 percent of total employment in San Bernardino County and 3 percent in Riverside County. Nonprofit employment in absolute terms grew much faster in San Bernardino County — evidencing 55 percent growth between 2000 and 2005, compared to an 18 percent growth rate in Riverside. San Bernardino nonprofit employment also grew much faster than public sector employment (14 percent change) and other private sector employment (19 percent) in the county. In Riverside, however, employment within the nonprofit sector grew at a slower pace than it was growing within either the public or private sectors. In this regard, Riverside matched nonprofit employment growth in California as a whole (19 percent) even though its population was growing much faster than that of the state.

Wage data also show a dramatic contrast between the two counties. In Riverside County, average nonprofit wages were below those of the other two sectors. Adjusted for inflation, wages increased by 8 percent during this period, while there were actual declines

in wages in the other two sectors. In San Bernardino, nonprofit wages were on par with those of the public sector and appreciably above those in the for-profit sector. This contrasts with the state as a whole, where nonprofit wages were roughly comparable to for-profit wages in 2005, but lagged behind public sector wages. Wages also increased in San Bernardino County at a much higher rate — 21 percent over the five years studied — compared to small percentage declines for the other two sectors. Nonprofit wages increased by 11 percent for the state as a whole.

The breakdown of wages by nonprofit subsector suggests a reason for the difference between the two counties. In San Bernardino, the nonprofit subsector that had the greatest number of employees was higher education, with high average weekly wages; human services, a low-wage subsector, came next; followed by health, another high-wage area. In Riverside, in contrast, a much lower percentage of nonprofit employees were found in these subsectors. Instead, the greatest concentration of nonprofit employment is in human services; higher education comes next, and relatively few employees are found in health.

**Table 3. Riverside and San Bernardino Counties Show Substantial Differences in Nonprofit Employment and Wages**

Nonprofit Employment and Wages

Riverside	Number of Employees 2005	% Total Employment 2005	Number of Employees 2000	2000–2005 % change	Total 2nd Quarterly Wages 2005	AVERAGE WEEKLY WAGE		
						2005	2000*	2000–2005 % change
Public	112,145	19%	84,427	33%	\$1,209,898,617	\$830	\$845	–2%
Private	474,384	78%	370,303	28%	\$3,809,047,599	\$618	\$622	–1%
Nonprofit	18,280	3%	15,512	18%	\$144,872,554	\$610	\$565	8%
<b>San Bernardino</b>								
Public	110,430	17%	96,546	14%	\$1,197,575,754	\$834	\$858	–3%
Private	490,400	77%	412,101	19%	\$4,000,892,130	\$628	\$634	–1%
Nonprofit	33,370	5%	21,494	55%	\$361,687,091	\$834	\$692	21%
<b>California</b>								
Public	2,415,402	16%	2,234,061	8%	\$29,328,069,449	\$934	\$934	0%
Private	12,000,231	79%	11,949,360	0%	\$130,379,324,824	\$836	\$946	–12%
Nonprofit	860,564	6%	721,634	19%	\$9,030,344,404	\$807	\$725	11%

Data: California Employment Development Department, ES–202 Program 2000–2005.  
\*2000 wages adjusted for inflation

## What Does the Nonprofit Sector Look Like?

### The Role of the Nonprofit Sector

In this report, the term “nonprofit” derives from the legal designation of organizations granted tax-exempt status by the Internal Revenue Service. There are major divisions in the classification of nonprofits. Most are public charities, classified by the IRS as 501(c)(3). These are the organizations that most people have in mind when they talk about nonprofits. Donations to these organizations are tax deductible. Public charities range in size from the very small all-volunteer organization (perhaps run out of someone’s home) to large hospitals and universities. This report takes into account these types of organizations, as well as other, perhaps less familiar, nonprofit designations, including membership organizations, chambers of commerce, and organizations that lobby for particular causes (see Appendix for a complete list of nonprofit designations).

As shown in Table 4, the number of religious organizations exceeded the number of 501(c)(3) organizations in any of the other classifications. It is important to note that religious organizations are exempt from having to register for nonprofit status with the IRS, although many choose to do so. This means that the numbers reported in this study understate the total number of religious organizations in the two counties. In other respects, the distribution of types of nonprofits mirrored surrounding regions and the state. After religion, the next largest classification was the human services field, which provides a broad range of services to individuals and families. The education category followed, and there were also considerable numbers of organizations working in the health, public benefit, and arts and culture categories. The region’s two counties did not differ significantly in terms of the distribution of types of nonprofits.

**Table 4. Religious Organizations Represent the Largest Nonprofit Subsector in the Inland Empire**

Numbers of 501(c)(3) Organizations by Subsector and County

Nonprofit Subsector	RIVERSIDE		SAN BERNARDINO		INLAND EMPIRE		LOS ANGELES		ORANGE COUNTY		CALIFORNIA	
	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%
Arts, Culture and Humanities	286	8%	254	7%	540	7%	3,083	10%	605	8%	10,746	10%
Education	470	13%	518	13%	988	13%	3,694	12%	1,089	14%	13,836	13%
Higher Education	7	0%	16	0%	23	0%	190	1%	38	0%	522	0%
Environment	116	3%	80	2%	196	3%	627	2%	189	2%	3,268	3%
Health	222	6%	216	6%	438	6%	1,814	6%	461	6%	6,296	6%
Hospitals	15	0%	20	1%	35	0%	120	0%	28	0%	447	0%
Human Services	830	22%	935	24%	1,765	23%	5,948	20%	1,575	20%	23,343	22%
International	24	1%	36	1%	60	1%	398	1%	119	1%	1,425	1%
Mutual Benefit	5	0%	4	0%	9	0%	41	0%	10	0%	156	0%
Public and Societal Benefit	302	8%	343	9%	645	9%	2,325	8%	677	8%	9,262	9%
Foundations, Supporting Organizations, Giving Programs	394	11%	313	8%	707	9%	4,634	15%	1,241	15%	15,285	14%
Religion	1,031	28%	1,087	28%	2,118	28%	6,890	23%	1,981	25%	21,601	20%
Not Classified	15	0%	27	1%	42	1%	172	1%	29	0%	492	0%
<b>TOTAL</b>	<b>3,717</b>	<b>100%</b>	<b>3,849</b>	<b>100%</b>	<b>7,566</b>	<b>100%</b>	<b>29,936</b>	<b>100%</b>	<b>8,042</b>	<b>100%</b>	<b>106,679</b>	<b>100%</b>

Data: National Center for Charitable Statistics Core Files, Public Charities 2000–2005.

**Table 5. Nonprofit Charitable Organizations Are Growing Faster in the Inland Empire**

Number and Growth of 501(c) Organizations, by Subsection

Number of 501(c) Organizations, 2005	Riverside	San Bernardino	Inland Empire	Los Angeles	Orange County	California
501(c)(3) Organizations	3,717	3,849	7,566	29,936	8,042	106,679
501(c)(4) Organizations	320	358	678	1,737	572	9,217
All Other Subsections of 501(c) code	857	978	1,835	5,384	1,690	27,672
<b>TOTAL</b>	<b>4,894</b>	<b>5,185</b>	<b>10,079</b>	<b>37,057</b>	<b>10,304</b>	<b>143,568</b>
<b>Growth by 501(c) Organizations, 2000–2005</b>						
501(c)(3) Organizations	37%	30%	33%	25%	29%	25%
501(c)(4) Organizations	-6%	-13%	-10%	-11%	-12%	-10%
All Other Subsections of 501(c) code	3%	-11%	-5%	-9%	-7%	-5%

Data: Internal Revenue Service Business Master Files.

When compared to the surrounding region and the state as a whole, the Inland Empire had a greater percentage of religious nonprofits. Twenty-eight percent of the Inland Empire’s 501(c)(3) classified nonprofit organizations were religious, compared to 20 percent for the state and 23 percent for Los Angeles County. From 2000 to 2005, the number of Inland Empire religious organizations grew by almost 47 percent, outpacing the growth of similar organizations within Los Angeles County at 44 percent, as well as Orange County and the state.

### Numbers, Locations and Activities

Throughout the report, progressive subsets are drawn within the entire universe of nonprofit organizations. The report first considers all organizations that have obtained tax-exempt status and then narrows the focus to what the tax code identifies as 501(c)(3) organizations, otherwise known as charitable organizations. The next subset includes only those organizations commonly called “filers.” These are organizations that were required in 2005 to file an annual IRS Form 990 tax return because they have at least \$25,000 in annual revenues. The report then discusses “operating nonprofits” — those that operate their own programs. Nonprofits not in this category include, for example, “supporting organizations,” such as Friends of the Opera, that exist to raise funds for a program that actually carries out the activity. Finally, for some analyses, this study excludes hospitals and colleges/universities. These organizations normally have very large revenues and expenditures compared to other types of nonprofits. As a result, when they are included

in average financial figures, they distort the picture of the financial status of the remainder of nonprofits. For the purpose of drawing comparisons, the study examined the two counties neighboring the Inland Empire, Los Angeles and Orange counties. Comparisons to the state of California were also made. Such comparisons helped reveal those aspects that distinguish the region and those that make it similar to surrounding areas.

**“We have several strong nonprofits, but not nearly the number you would expect for an area of our size.”**

— Nonprofit leader

Table 5 shows that 10,079 organizations received tax-exempt status in the Inland Empire as of 2005. The largest subsector of these was the 7,566 public charities, the 501(c)(3) organizations previously noted. The number of public charities in the Inland Empire was almost identical to the number found in Orange County, but the region’s public charity subsector was only one-fourth the size of that within Los Angeles County. There was approximately the same percentage of 501(c)(3) organizations as in the state as a whole, but 501(c)(3) nonprofits comprised a slightly smaller percentage of the total than was found in the comparison regions. The region’s 501(c)(4) subsector, comprising entities such as civic leagues and social welfare organizations, was much smaller. Map 3 shows the location of public charities in the



Inland Empire region. It is clear that they were concentrated in the incorporated areas. The highest density of nonprofits was found in the region surrounding the cities of Riverside and San Bernardino. The Coachella Valley also showed a relatively dense concentration of nonprofit activity.

Between 2000 and 2005, the nonprofit sector in Riverside and San Bernardino counties grew more rapidly than its neighboring regions and the state as a whole. Charitable organizations increased in number by approximately one-third. There were slightly more 501(c)(3) nonprofits in San Bernardino County than in Riverside, but the subsector, like the general population, was growing faster in Riverside County. The number of nonprofits in other IRS tax designations declined in all the Inland Empire subregions (except for Riverside), but the rate of decline was lower in the Inland Empire than in Southern California or the state as a whole.

To fully understand the significance of these numbers, the region's phenomenal 17.6 percent population increase must be taken into account. While the growth of nonprofits exceeded this percentage during the 2000 to 2005 period, subsequent sections of this report show that this region still has far fewer nonprofits per capita than elsewhere.

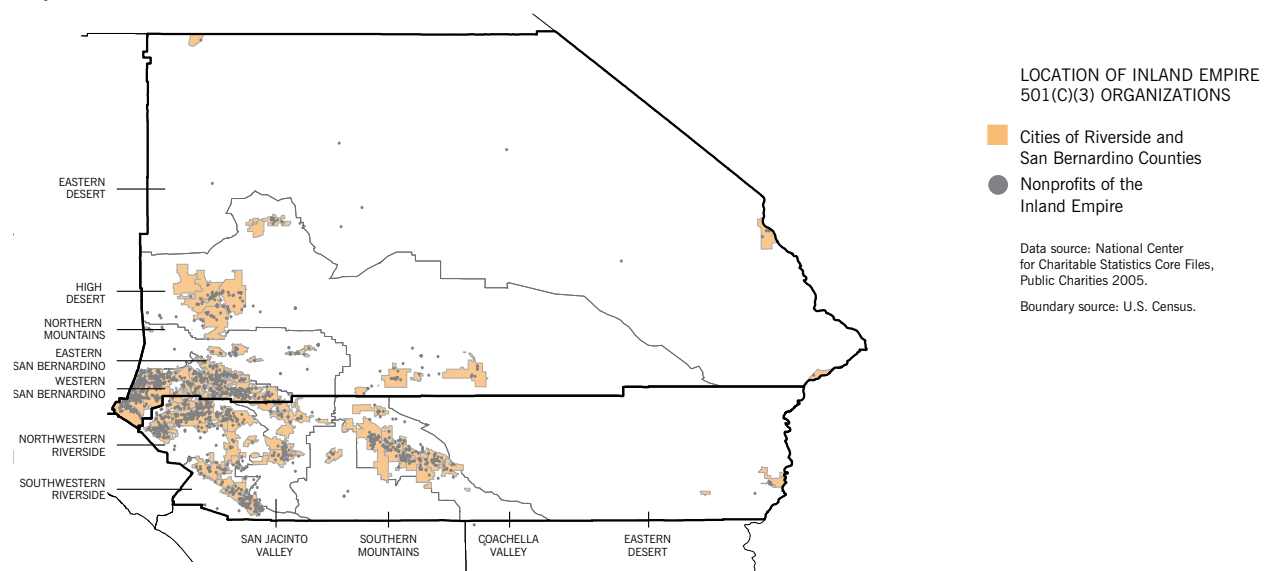
## Revenue Sources

How are nonprofits raising revenue? Foundation grants are only one mechanism for fundraising and far from the largest source of revenue. Nonprofits can rely on vehicles such as earned income (from sources such as fees for services or ticket sales). They can raise money from individual donors. They can secure government grants and contracts. This study's analysis of nonprofit revenue sources is constrained by the reporting requirements mandated by the IRS, as well as the Form 990 fields that are included in the dataset. Thus, this report separates revenue sources into those that come from donations, earned income and investments. Donations include income from individuals and from charitable events, such as fundraisers. Earned income includes revenue generated from programs and fees, member dues and the sale of goods. This study cannot report, however, the proportion of revenues from foundations.

**So many nonprofits were created for one program with one funding stream and that is it. When the funding stream dries up, that's it, they go away.**

— Nonprofit leader

Map 3. Location of Public Charities



As shown in Table 6, Inland Empire nonprofits rely heavily on donations to accomplish their missions — in 2005 slightly over half of nonprofit revenues in Riverside came from donations, while slightly less than half did so in San Bernardino County. Those that relied most heavily on this revenue source included religious organizations, along with organizations having an international focus. Approximately one-third of revenues

came from earned income. In San Bernardino, hospitals were most likely to rely on earned income, while in Riverside institutions of higher education did so. These statistics and patterns are not different than those found in the state as a whole. Given the relatively small number of wealthy individuals in the region, particularly in San Bernardino County, this is an interesting finding.

**Table 6. Inland Empire Nonprofits Rely Heavily on Donations**

Average Percentage of Revenues from Donations and Earned Income, 2005

Nonprofit Subsector	RIVERSIDE		SAN BERNARDINO		INLAND EMPIRE		CALIFORNIA	
	Donations	Earned Income	Donations	Earned Income	Donations	Earned Income	Donations	Earned Income
Arts, Culture and Humanities	54%	32%	41%	39%	49%	35%	49%	38%
Education	40%	25%	42%	27%	41%	26%	45%	32%
Higher Education	28%	61%	56%	39%	45%	47%	30%	58%
Environment	64%	20%	68%	22%	66%	21%	66%	23%
Health	49%	39%	47%	44%	48%	42%	52%	37%
Hospitals	34%	38%	3%	75%	14%	62%	18%	66%
Human Services	52%	37%	47%	42%	49%	40%	46%	43%
International	69%	30%	80%	12%	75%	20%	76%	15%
Mutual Benefit	–	–	20%	31%	20%	31%	28%	41%
Public and Societal Benefit	63%	13%	44%	35%	54%	23%	56%	28%
Foundations, Supporting Organizations, Giving Programs	47%	21%	49%	23%	48%	22%	54%	16%
Religion	81%	12%	77%	16%	79%	14%	77%	15%
<b>TOTAL</b>	<b>53%</b>	<b>29%</b>	<b>49%</b>	<b>34%</b>	<b>51%</b>	<b>31%</b>	<b>51%</b>	<b>33%</b>

Data: National Center for Charitable Statistics Core Files, Public Charities 2005.

### Limited Foundation Assets

The majority of dollars supporting nonprofits comes from sources other than foundations. But, foundation funding is crucial to some nonprofits' ability to carry out their work. The Inland Empire struggles with the relative paucity of foundation resources.

This conclusion stems from two sources of information: the private foundations documented by the National Center for Charitable Statistics and a listing of individual grants distributed by Foundation Search. The first source permits a look at each private foundation (excluding community foundations, which can represent significant sources of local dollars). It is possible to ascertain the location of each foundation as well as its total gifts, contributions, and grants and assets. The second source of foundation information allows for an examination of individual grants through reports gathered from foundation tax filings. All private and some public foundations making at least \$10,000 in grants and all grants of \$4,000 or more are included in the Foundation Search data. It should be understood that some foundations (community foundations being the most important example) file as public charities and are not required to submit a listing of individual grants in their tax filings. Many do, and are thus captured in these data. These data have been augmented

with information from The Community Foundation Serving Riverside and San Bernardino Counties, but it is important to consider the data do not reflect the grantmaking of an unknown quantity of additional community foundations.

As shown in Table 7, in total, there were 189 private foundations in Riverside County in 2005 and 103 in San Bernardino County. The implications of this are evidenced in the total number of people per foundation and the total number of nonprofits per foundation. Each foundation can be said to "serve" 10,293 people in Riverside County and 19,073 in San Bernardino County. In the comparison regions and the state as a whole, there were between 3,203 and 3,954 people per foundation. Thus, there was simply a lower density of foundations in the region, when population was taken into account. Furthermore, the total dollar amount of grants made by local foundations was also appreciably below the dollars granted by foundations, as was the size of foundation assets. San Bernardino County in particular had a dearth of local foundations and local foundation dollars. The numbers of nonprofits per foundation, the foundations' assets and their grantmaking were far below those of the state or the rest of the region, and San Bernardino County ranked far behind Riverside in this respect.

**Table 7. Foundation Funding Is Relatively Scarce Compared to the Region and the State**

Total Number of Foundations, Contributions, Grants, Gifts and Assets

Grants Paid	Mean	Sum	\$ Per Capita	\$ Per Nonprofit	Number of Fdns	People Per Fdn	Nonprofits Per Fdn
Riverside	\$524,412	\$99,113,784	\$51	\$29,827	189	10,293	18
San Bernardino	\$48,071	\$4,951,313	\$3	\$1,400	103	19,073	34
Inland Empire	\$356,387	\$104,065,097	\$27	\$15,172	292	13,390	23
Los Angeles	\$445,088	\$1,381,553,330	\$139	\$54,603	3,104	3,203	8
Orange County	\$268,463	\$208,327,031	\$70	\$30,632	776	3,856	9
California	\$471,019	\$4,306,993,269	\$119	\$47,126	9,144	3,954	10
<b>Total Assets</b>							
Riverside	\$4,385,299	\$828,821,533	\$426	\$249,420			
San Bernardino	\$699,794	\$72,078,830	\$37	\$20,384			
Inland Empire	\$3,085,275	\$900,900,363	\$230	\$131,346			
Los Angeles	\$9,965,270	\$30,932,197,115	\$3,112	\$1,222,520			
Orange County	\$3,167,304	\$2,457,827,577	\$821	\$361,392			
California	\$8,384,922	\$76,671,727,612	\$2,121	\$838,914			

Data: National Center for Charitable Statistics Core Files, Private Foundations 2005.

**Table 8. Foundation Revenues Come Largely from Southern California and Out of State**

Sum of Grants by Locations of Grantor and Grantee

Location of Foundations Giving to Inland Empire	RIVERSIDE					SAN BERNARDINO				
	Mean	Sum	% of total	Total # Grants	Total % Grants	Mean	Sum	% of total	Total # Grants	Total % Grants
Riverside	\$305,000	\$81,181,129	66%	265	28%	\$13,422	\$1,158,175	7%	13	3%
San Bernardino	\$10,250	\$41,000	0%	4	0%	\$7,202	\$93,620	1%	70	14%
Southern California	\$55,217	\$8,889,987	7%	161	17%	\$49,404	\$6,570,780	37%	133	26%
SF Bay Area	\$76,768	\$3,224,263	3%	42	4%	\$64,392	\$3,477,162	20%	54	11%
Other California	\$149,144	\$1,640,580	1%	11	1%	\$41,027	\$287,190	2%	7	1%
Out of State	\$60,324	\$27,568,074	22%	457	49%	\$26,879	\$6,074,652	34%	226	45%
<b>TOTAL</b>		<b>\$122,545,033</b>	<b>100%</b>	<b>940</b>	<b>100%</b>		<b>\$17,661,579</b>	<b>100%</b>	<b>503</b>	<b>100%</b>

Data: Grant sums include data from The Community Foundation Serving Riverside and San Bernardino Counties; means and number of grants are from FoundationSearch 2005, provided by Metasoft Systems, Inc.

Foundations, of course, do not limit funding to local entities. The large Los Angeles foundation community, for example, has national and international scope. To better understand the role of local funders it is necessary to look more closely at who actually funds nonprofits in the region. To do this, researchers turned to the analysis of individual grants made by funders located throughout the United States. The weak capacity of local foundations was reflected in the distribution of funders. For both counties in 2005, over half of funders were located outside of California and between 25 percent and 30 percent in other Southern California counties. A listing of the 25 foundations that contributed the largest dollar amounts to the region in 2005 can be found in the Appendix.

As shown in Table 8, San Bernardino County received far fewer grants and grant dollars in 2005 than did Riverside — \$17.7 million compared to \$122.5 million. This is partially because Riverside foundations contributed \$80 million to Riverside nonprofits but only \$1.1 million to San Bernardino organizations. The difference is largely the result of funding from the H.N. and Frances C. Berger Foundation. Located in Palm Desert, this foundation contributed \$75,845,916 to Riverside County — primarily to nonprofits located in Palm Desert. This foundation also is responsible for much of the difference in local foundation funding between 2000 and 2005. The Community Foundation Serving Riverside and San Bernardino Counties, located in Riverside, is a major funder of both counties, contributing \$1,159,039 to Riverside nonprofits and \$766,599 to San Bernardino nonprofits in 2005.

# The Inland Empire Nonprofit Sector Is Growing

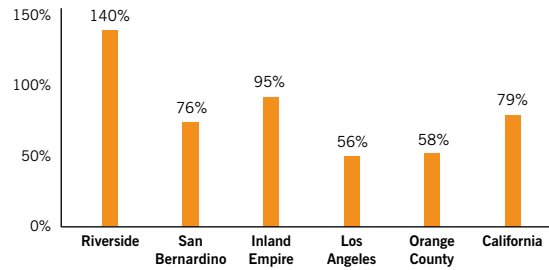
Population growth in the Inland Empire is one of the region’s defining characteristics. Its nonprofit sector is also growing at rates that outpace nonprofit growth in the state or surrounding regions.

## Changes in the Sector as a Whole

As shown in Table 9, the number of public charities in the Inland Empire grew by 37 percent between 2000 and 2005 — more than was the case in Orange County (33 percent) and much more than in Los Angeles County (23 percent) or California (26 percent).

As shown in Figure 1, inflation-adjusted expenditures also grew during the same period — increasing over the six-year period by 140 percent in Riverside County and by 76 percent in San Bernardino. This appreciably outstrips the rate of population growth in the region, as well as the change in expenditures in Orange County (58 percent), Los Angeles (56 percent) and the state as a whole (79 percent).

**Figure 1. Expenditures Grew Faster in Riverside than in San Bernardino County**



Data: National Center for Charitable Statistics Core Files, Public Charities 2000–2005.  
 Note: These expenditure figures include adjustments for Kaiser Permanente, which had to be calculated based on patients served in different counties.

**Table 9. Nonprofits Grew at a Faster Rate**

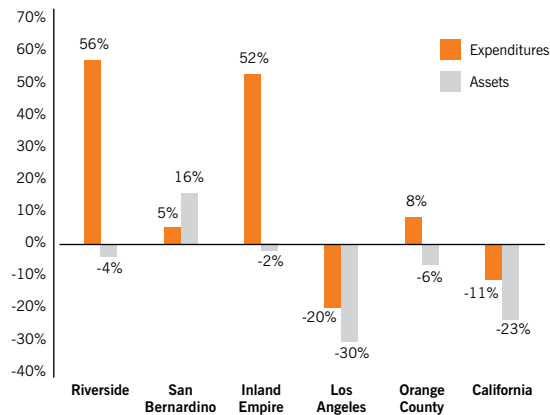
Growth Change of Number of Nonprofits in the Inland Empire, Comparison Counties, and California, 2000 – 2005

Nonprofit Subsector	Riverside	San Bernardino	Inland Empire	Los Angeles	Orange County	California
Arts, Culture and Humanities	42%	43%	43%	31%	27%	29%
Education	63%	51%	57%	20%	32%	30%
Higher Education	67%	14%	30%	20%	6%	9%
Environment	38%	70%	51%	46%	42%	44%
Health	16%	7%	11%	6%	37%	14%
Hospitals	0%	23%	14%	7%	0%	1%
Human Services	37%	27%	31%	20%	33%	21%
International	50%	-11%	11%	27%	63%	30%
Mutual Benefit	-100%	50%	0%	25%	-50%	15%
Public and Societal Benefit	83%	31%	54%	26%	38%	36%
Religion	39%	55%	47%	44%	33%	38%
<b>TOTAL Percent Change</b>	<b>42%</b>	<b>32%</b>	<b>37%</b>	<b>23%</b>	<b>33%</b>	<b>26%</b>
Foundations (Public and Private), Supporting Organizations and Giving Programs	56%	41%	49%	21%	52%	28%

Data: National Center for Charitable Statistics Core Files, Public Charities and Private Foundations 2000–2005.  
 Note: This table considers only public charities while Table 5 contains similar information for all nonprofits. The remainder of this report considers only public charities, the organizations most commonly referenced in discussion of the nonprofit sector.

**Figure 2. Foundations in the Inland Empire Increased Expenditures, but Assets Were Down**

Percent Change in Inflation-Adjusted Private Foundation Expenditures and Assets



Data: National Center for Charitable Statistics Core Files, Private Foundations 2000–2005.

One area that stands out is the growth of private foundations in the Inland Empire and the expenditures of these foundations. In the Inland Empire, the number of private foundations grew by close to 50 percent and their expenditures were up by 52 percent. Statewide private foundation growth occurred at a slower rate during the same period. These gains were not spread equally through the region but were concentrated in a few subregions. For example, the H.N. and Frances C. Berger Foundation of Palm Desert (in the Coachella Valley subregion) was by far the largest private foundation in the region, with assets of \$479 million in 2005, up from \$381 million (unadjusted) in 2000. Furthermore, Figure 2 shows that foundation expenditures grew much faster in Riverside than in San Bernardino, although total assets increased in San Bernardino and declined in Riverside. In Los Angeles and the state, both inflation-adjusted expenditures

and assets declined over this period. It is important to understand that some foundations headquartered in the Inland Empire, including the Berger Foundation, extend their grantmaking outside of the region — so foundation expenditures do not necessarily reflect funds received in the Inland Empire.

### Changes in Individual Nonprofits

To this point, the report has examined change within the sector as a whole. The number of new nonprofits that formed from 2000 to 2005 exceeded those that no longer filed with the IRS, and aggregate revenues and expenditures increased. This does not indicate what happened to individual organizations. What was the relative birth and death rate of these organizations? How many and which organizations were building capacity during this time period? The following sections attempt to answer these and other questions.

### Formation and Dissolution Rates

Researchers first compared nonprofits that filed IRS Forms 990 in 2000 to those that filed in 2005. It must be noted that this comparison cannot yield an entirely accurate measure, since a nonprofit may exist but fail to file in any given tax year. Given this caveat, some differences between the counties emerge. As shown in Table 10, the formation rate of new nonprofits in San Bernardino was only very slightly higher than in the state as a whole, and the closure rate did not differ from that of the state. In Riverside, the closure rate was slightly higher than it was across the state (although Riverside nonprofits closed at a slightly lower rate than they did in Los Angeles), but new Riverside nonprofits were forming at a higher rate than in San Bernardino, the comparison regions and California as a whole.

**Table 10. New Nonprofits Form at Higher Rates in Riverside County**

Public Charities — Organizational Size Based on Total Assets

	New Filed with IRS Only in 2005	Existing Filed in Both 2000 and 2005	Closed Filed Only in 2000	Count
Riverside	38%	49%	13%	1,258
San Bernardino	33%	54%	13%	1,310
Los Angeles	31%	55%	14%	10,281
Orange County	35%	53%	12%	3,189
California	31%	56%	13%	40,204

Data: National Center for Charitable Statistics Core Files, Public Charities 2000–2005.



These findings contradict what was heard in focus groups and key informant interviews, showing that nonprofits are not being forced to close at higher rates in the region than elsewhere. It also reveals that new nonprofits are forming at rates that surpass the rate of population growth. Still, in a region as underserved as the Inland Empire, the existing nonprofit infrastructure is being asked to do relatively more than its counterparts in other regions of the state, and nonprofits are forming in response to that demand.

### *Change in Revenues*

A common argument is that new nonprofits take resources away from existing ones. This argument is addressed, in part, through consideration of changes in revenues of the 1,340 nonprofits that filed with the Internal Revenue Service in both years. A simple measure of increased capacity was computed — the average percent inflation-adjusted revenues had increased or decreased between the two periods. Revenues increased at a slower rate in Riverside County and actually declined in adjusted dollars in San Bernardino County compared to neighboring counties and the state. As shown in Table 11, in San Bernardino revenues decreased by about 10 percent, and in Riverside County, they increased by about 21 percent. In contrast, revenues increased more than 37 percent in the state and almost doubled in Orange County. In order to test whether this finding was a function of initial capacity — with the assumption that small nonprofits have less ability to grow revenues — the table also controls for initial revenues.

Table 11 shows that limited capacity growth is only partially a function of size. Small nonprofits (those with revenues of less than \$250,000) are disadvantaged in their abilities to grow revenues in all regions shown in the table. However, Inland Empire small nonprofits are particularly challenged — strikingly so in San Bernardino. Riverside shows a mixed picture for larger nonprofits, but San Bernardino continues to be disadvantaged in the ability of its nonprofit community to grow revenues — that is, organizations of all sizes were less likely to increase revenues over the period. (The outlier of 200 percent increase in Orange County resulted from one nonprofit housing organization that saw an almost 5,000 percent increase in revenues between the two periods. The growth rate without this organization would be 46 percent.) Thus, while nonprofits are forming at a rate that exceeds population growth, they are not building capacity. These data do not permit a determination of whether the problem is the lack of internal capacity to grow or the absence of external resources. The answer is probably both.

**All the nonprofits are trying to respond to every growing need. But difficulties are exacerbated due to the growth. Infrastructure at every single level can't keep up with [the growth]. Roads, hospitals, community services...**

— Nonprofit leader

**Table 11. Revenues of Inland Empire Nonprofits Grow More Slowly Than Elsewhere in California**

Percent Change in Revenues Between 2000 and 2005 by Initial Revenue Size

	Under \$250,000	\$250,000 to \$1M	\$1M to \$5M	Over \$5M	Total
Riverside	-24.63%	42.26%	121.83%	131.44%	20.74%
San Bernardino	-42.72%	15.69%	65.91%	45.50%	-10.12%
Los Angeles	-9.51%	19.55%	54.19%	205.29%	27.12%
Orange County	-13.79%	53.22%	1306.12%	269.88%	190.81%
California	-8.64%	23.53%	140.33%	190.94%	37.00%

Data: National Center for Charitable Statistics Core Files, Public Charities 2000–2005. Adjusted for inflation.

***Debt and Operating Expenditures***

An organization’s balance sheet offers indications of its strength. Charts of expenditures over time show that aggregate revenue growth exceeds aggregate expenditure growth in most fields. But what happens within the individual organization? Does the organization operate at a surplus?

**One of the problems is that so many started out as grassroots organizations, but over the years we can’t run them like grassroots organizations anymore.**

— Nonprofit leader

Debt, as measured by expenditures minus revenues, is not necessarily a bad thing for a nonprofit. Debt can finance improved capacity or simply reflect revenues banked in one year and expenditures made in another. The Inland Empire is not distinctive in the percent of its nonprofits finishing out the 2005 tax year with expenditures exceeding revenues. As shown in Table 12, some 48 percent of Inland Empire organizations fit this definition, compared to higher percentages for Los Angeles (53 percent) and the state as a whole (53 percent). Slightly smaller percents of organizations were in debt in Orange County (43 percent). Furthermore, for those organizations that were in debt, the average debt ratio was 1.44. (A debt ratio is expenditures divided by revenues.) This is appreciably below that of the state’s average debt ratio of 12.11.

**Table 12. Inland Empire Nonprofits Are Less Likely to Use Debt Financing**

Proportion of Nonprofits Using Debt (EOY)

Nonprofit Subsector	INLAND EMPIRE		LOS ANGELES		ORANGE COUNTY		CALIFORNIA	
	Nonprofits	Debtors	Nonprofits	Debtors	Nonprofits	Debtors	Nonprofits	Debtors
Arts, Culture and Humanities	181	45%	1092	50%	238	45%	4253	54%
Education	360	25%	1319	40%	529	24%	5617	38%
Higher Education	13	77%	104	78%	18	100%	266	80%
Environment	83	63%	248	49%	71	38%	1480	55%
Health	186	71%	857	65%	240	62%	3127	69%
Hospitals	25	84%	79	82%	15	87%	277	83%
Human Services	761	54%	2517	63%	789	50%	11056	60%
International	31	32%	184	45%	62	53%	739	50%
Mutual Benefit	3	33%	15	53%	2	100%	55	56%
Public and Societal Benefit	137	45%	617	56%	168	42%	2592	54%
Foundations, Supporting Organizations, Giving Programs	264	44%	1057	41%	397	32%	4508	42%
Religion	185	48%	706	42%	262	52%	2175	46%
Not Classified	1	0%	12	33%	4	25%	29	28%
<b>TOTAL</b>	<b>2230</b>	<b>48%</b>	<b>8807</b>	<b>53%</b>	<b>2795</b>	<b>43%</b>	<b>36174</b>	<b>53%</b>

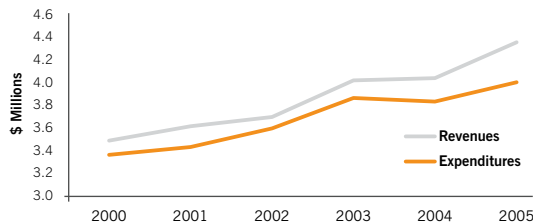
Data: National Center for Charitable Statistics Core Files, Public Charities 2000–2005.

Why Inland Empire nonprofits show less debt is an open question. One possible reason could be their size. Smaller organizations are less likely to get multiyear grants, where expenditures reflect revenues from previous years. They are less likely to be able to bank dollars from one year to the next, and they are perhaps less likely to get loans to finance capital improvements. In support of this hypothesis, the largest organizations were the most likely to use debt financing. Hospitals were most likely to use debt (84 percent did so, similar to those in the other comparison regions), while educational organizations — excluding higher education — were least likely to be debt financed (25 percent).

As another indication of sector growth, Figure 3 shows that, in aggregate, nonprofit revenues exceeded expenditures throughout the period. As discussed, nonprofits generally were not using debt spending to finance their operations. Figure 3 also shows that the total amount expended by nonprofits was expanding.

**Figure 3. Nonprofit Revenues and Expenditures Grew**

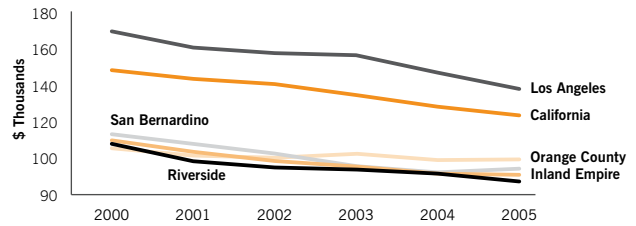
Revenue and Expenditure Growth, 2000–2005



Data: National Center for Charitable Statistics Core Files, Public Charities 2000–2005.

**Figure 4. Median Expenditures Are in Decline**

Median Expenditures of Operating Public Charities, 2000–2005, Adjusted for Inflation



Data: National Center for Charitable Statistics Core Files, Public Charities 2000–2005.

Aggregate revenue and expenditure growth are important for understanding the total nonprofit resources available to the region, but do not illuminate what is happening to individual organizations. Growth in total revenues may simply reflect the fact that there are more nonprofits in the region, as was the case in the Inland Empire. As shown in Figure 4, the median expenditure per nonprofit was declining (a median is the midpoint — half of nonprofits expend more than this figure and half less). The Inland Empire is not distinct in this: California and the comparison regions also saw a decline in median expenditures. Expenditures are used to make the point for the purposes of this report, although revenues tell a similar story.

## Can Nonprofit Capacity Keep Up?

The vast expanse of the Inland Empire coupled with high natural population growth rates and large numbers of newcomers create special challenges for its nonprofit sector. The sector is relatively small and lacking in organizational capacity.

Organizational capacity can be measured in many ways. Most of these measurements cannot be made with this study's data sets. Staff size, for example, is an indicator of capacity, but there are no comprehensive data on the number of paid staff or the number of volunteers. Total revenues, expenditures and assets as reported to the IRS are available for each organization. These financial data imperfectly measure capacity, since revenues and expenditures do not reveal staff numbers, experience or the quality of their work. However, there clearly are capacity differences between multimillion-dollar, staffed organizations, and those small organizations that rely on a mostly or completely volunteer labor force and donated space. This study

does not judge the capacity of small organizations to deliver needed services or perform other work of benefit. It does assume, however, that financial capacity brings with it advantages, e.g., the ability to compete for funding, to hire specialized personnel and to manage large programs or services.

### Limited Capacity Relative to Need

The Inland Empire had a larger proportion of small nonprofits than did California as a whole. In 2005, fewer than 100 organizations in the region had expenditures over \$5 million. Orange County, with 800,000 fewer people than the Inland Empire, had 126 nonprofits of that size. As shown in Table 13, approximately 4 percent of Inland Empire nonprofits had budgets of more than \$1 million. In contrast, approximately 6 percent of California nonprofits had budgets of more than \$1 million — the same percent found in Los Angeles.

**Table 13. Nonprofit Capacity Lags the State and Comparison Counties**

Organization Size Based on Expenditures by Subregion

	Nonfilers	Under \$250,000	\$250,000 to \$1M	\$1M to \$5M	Over \$5M	Total	Total N
Coachella Valley	55%	32%	7%	4%	2%	100%	895
Western Riverside	71%	20%	6%	3%	1%	100%	1,721
San Jacinto Valley	73%	18%	4%	3%	2%	100%	433
Southern Riverside	65%	27%	5%	3%	<1%	100%	570
Southern Mountains	69%	22%	6%	1%	1%	100%	67
High Desert	72%	21%	5%	1%	1%	100%	722
Northern Mountains	60%	34%	4%	2%	0%	100%	238
Western San Bernardino	69%	23%	5%	3%	1%	100%	1,318
Eastern San Bernardino	67%	21%	7%	4%	2%	100%	1,509
Eastern Desert	75%	24%	1%	0%	0%	100%	93
Riverside	66%	24%	6%	3%	1%	100%	3,717
San Bernardino	68%	22%	6%	3%	1%	100%	3,849
Inland Empire	67%	23%	6%	3%	1%	100%	7,566
Los Angeles	62%	25%	7%	4%	2%	100%	8,042
Orange County	57%	31%	7%	4%	2%	100%	29,936
California	59%	28%	8%	4%	2%	100%	106,679

Data: Internal Revenue Services Business Master Files and National Center for Charitable Statistics Core Files, Public Charities 2005.

**Table 14. The Majority of Inland Empire Nonprofits Are Very Small — Fewer Than 100 Have More than \$5 Million in Expenditures**

Organization Size Based on Expenditures by Nonprofit Subsector

Nonprofit Subsector	Nonfiler	Under \$250,000	\$250,000 to \$1M	\$1M to \$5M	Over \$5M	Total	Total N
Arts, Culture and Humanities	66%	26%	5%	2%	1%	100%	540
Education	64%	30%	3%	2%	1%	100%	988
Higher Education	43%	17%	13%	4%	22%	100%	23
Environment	58%	29%	10%	3%	1%	100%	196
Health	58%	21%	11%	7%	4%	100%	438
Hospitals	29%	20%	3%	11%	37%	100%	35
Human Services	57%	27%	10%	4%	2%	100%	1,765
International	48%	32%	12%	7%	2%	100%	60
Mutual Benefit	67%	22%	0%	0%	11%	100%	9
Public and Societal Benefit	79%	16%	4%	1%	0%	100%	645
Foundations, Supporting Organizations, Giving Programs	28%	57%	9%	5%	1%	100%	707
Religion	91%	7%	2%	0%	0%	100%	2,118
Not classified	98%	2%	0%	0%	0%	100%	42
% of Total	67%	23%	6%	3%	1%	100%	
<b>TOTAL</b>	<b>5,089</b>	<b>1,743</b>	<b>432</b>	<b>208</b>	<b>94</b>		<b>7,566</b>

Data: Internal Revenue Services Business Master Files and National Center for Charitable Statistics Core Files, Public Charities and Private Foundations 2005.

**We have a lot of folks who have wonderful intentions, they are out there in response to the perceived need and the challenges... Unfortunately, many of those folks aren't armed with the skill set to make those things happen.**

— *Nonprofit leader*

In contrast, 67 percent of nonprofits in the area were exempt from annual filing with the IRS, meaning they had revenues of less than \$25,000. The percentage of nonfilers was higher in San Bernardino where 68 percent of nonprofits fell below the filing threshold. This percentage was higher than that for Los Angeles County (62 percent), Orange County (57 percent) and the state of California as a whole (59 percent). The subregions differed in the size of their nonprofits. The Eastern Desert and the Northern Mountains had no nonprofits with revenues of \$5 million or more. Coachella Valley had the most developed nonprofit

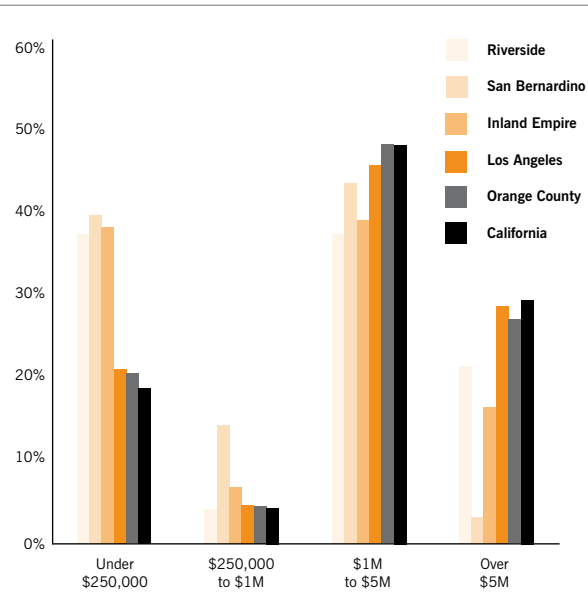
sector, while the High Desert and San Jacinto Valley subregions had the greatest proportion of nonfilers. Demographers expect more population growth in these subregions over the coming decade, so the small nonprofit community is expected to be stretched even more unless it grows in size or numbers.

Table 14 shows that only 1 percent of Inland Empire foundations with supporting organizations and giving programs made expenditures of \$5 million or more. Thus, in the Inland Empire only about 6 percent of these organizations made expenditures of more than \$1 million, compared to about 10 percent for the state and 9 percent for Los Angeles.

Small organizations were concentrated within certain subsectors. Nonfilers were most likely religious organizations, followed by public and societal benefit organizations. The larger nonprofits — those with revenues of more than \$5 million — were most likely to be hospitals and institutions of higher education.

**Figure 5. Foundations Varied Significantly by Asset Size**

Private Foundations — Total Assets, 2005



Data: National Center for Charitable Statistics Core Files, Private Foundations.  
Note: This does not include The Community Foundation Serving Riverside and San Bernardino Counties, a public foundation listed among the public charities.

This is generally true nationwide. But in the Inland Empire, there were only 32 human service organizations, 19 health organizations (other than hospitals) and eight educational nonprofits with revenues of \$5 million or more. While all subsectors address important needs, these particular subsectors are crucial. The region’s paucity of these types of vital service organizations, in combination with its high growth rates and expansive geography, is troubling.

Private foundations are also nonprofits; their assets are of great concern to public charities since they are a measure of potential expenditures. Foundations are required to expend 5 percent of their assets annually, but they can choose to spend more.

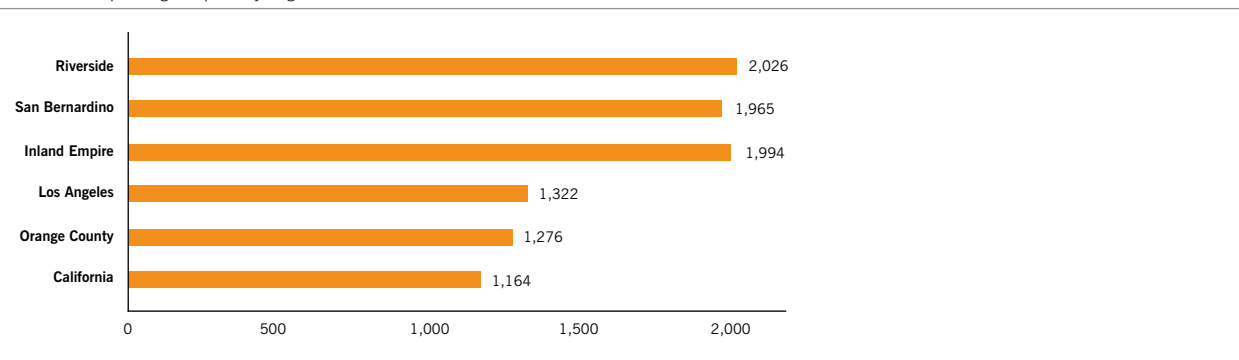
As shown in Figure 5, there were profound differences in the assets of the region’s private foundations. The Inland Empire simply does not command foundation resources proportionate to those found within the surrounding region or the state. As discussed earlier in this report, Riverside and San Bernardino counties house relatively few private foundations, and those foundations are small — with assets of less than \$250,000. In 2005, San Bernardino County had only one foundation with assets of \$5 million or more, while Riverside had 15. Ten of the 15 large private foundations in Riverside were located in the Coachella Valley subregion. Fifty percent of the 70 foundations in the county were found there.

### Revenues and Expenditures per Person

This section explores the relative capacity of the nonprofit sector in the region, given population size and the needs of particular groups. As shown in Figure 6, Inland Empire nonprofits had to serve far greater numbers of people than nonprofits in comparison regions or the state as a whole. Focusing on operating nonprofits, in San Bernardino County there were 1,965 people per operating nonprofit, and in Riverside County there were 2,026 people for each operating nonprofit. In contrast, there were 1,164 people per nonprofit in the state of California; the numbers for Los Angeles and Orange counties were 1,322 and 1,276 respectively.

**Figure 6. Each Nonprofit Must Serve More People than in the Surrounding Regions and the State**

Persons Per Operating Nonprofit by Region

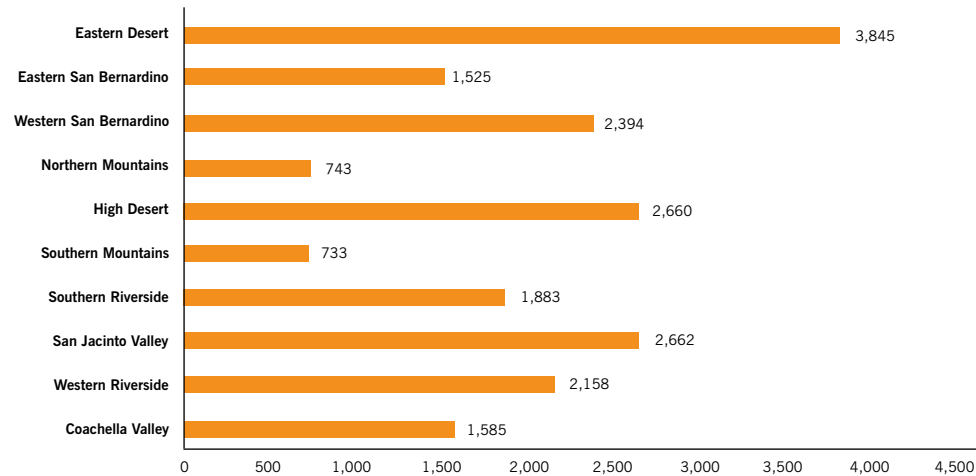


Data: California Department of Finance E-4 Population Estimates, National Center for Charitable Statistics Core Files, Public Charities 2005.



**Figure 7. Among the Subregions, Wide Disparities Exist in the Number of Operating Nonprofits Per Capita**

Persons Per Operating Nonprofit by Subregion

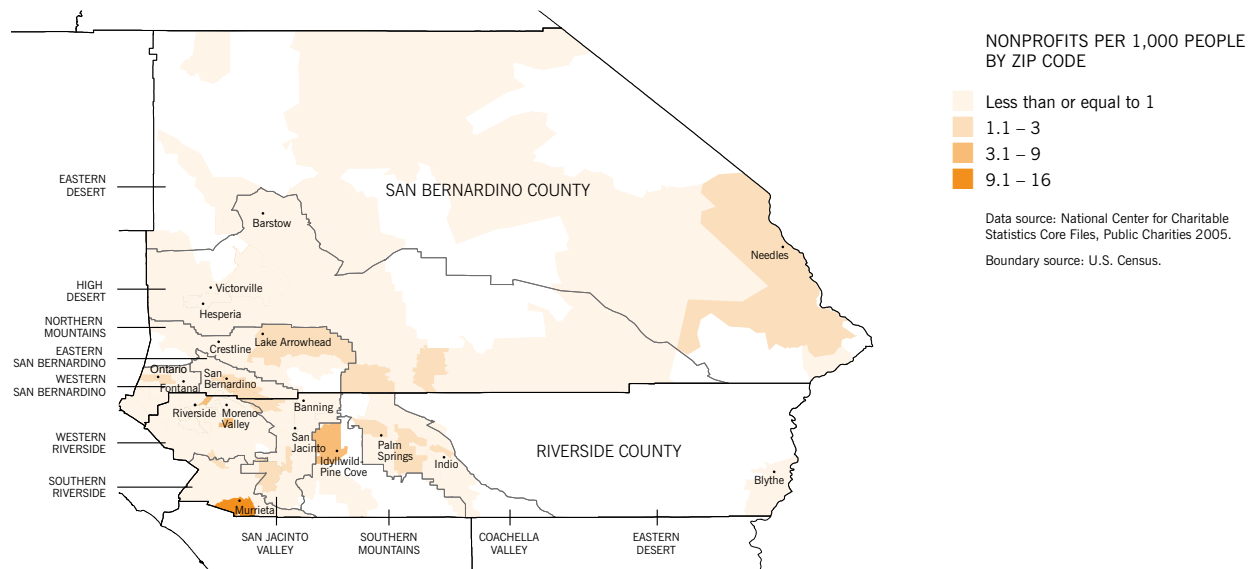


Data: California Department of Finance E-4 Population Estimates, National Center for Charitable Statistics Core Files, Public Charities 2005.

Figure 7 makes the same point, this time by showing the relative number of nonprofits in each subregion. A look at the more densely populated subregions reveals that the numbers of nonprofits per capita were below those for the state, as well as the surrounding counties. This holds true even for the relatively well-served Coachella Valley. The point is made even more dramatically in Map 4 (nonprofits per 1,000 people).

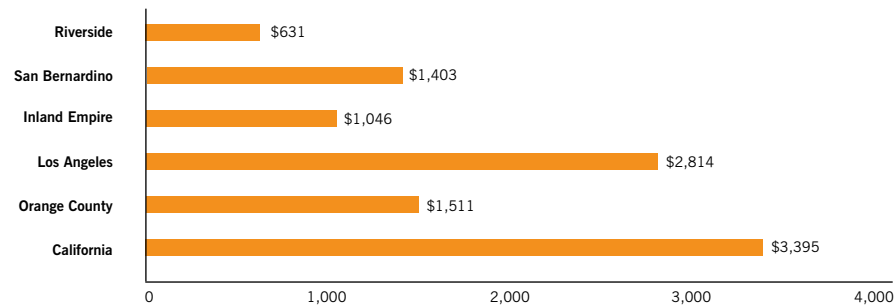
Subregion figures obscure the fact that very few ZIP codes had a somewhat dense concentration of nonprofits — suggesting that people who lived outside of these areas travel long distances in order to receive the services offered by the sector, or requiring the nonprofit community to stretch itself to deliver needed services miles away from nonprofit offices.

**Map 4. Nonprofits per 1,000 People**



**Figure 8. Nonprofit Expenditures Per Capita Are Relatively Low**

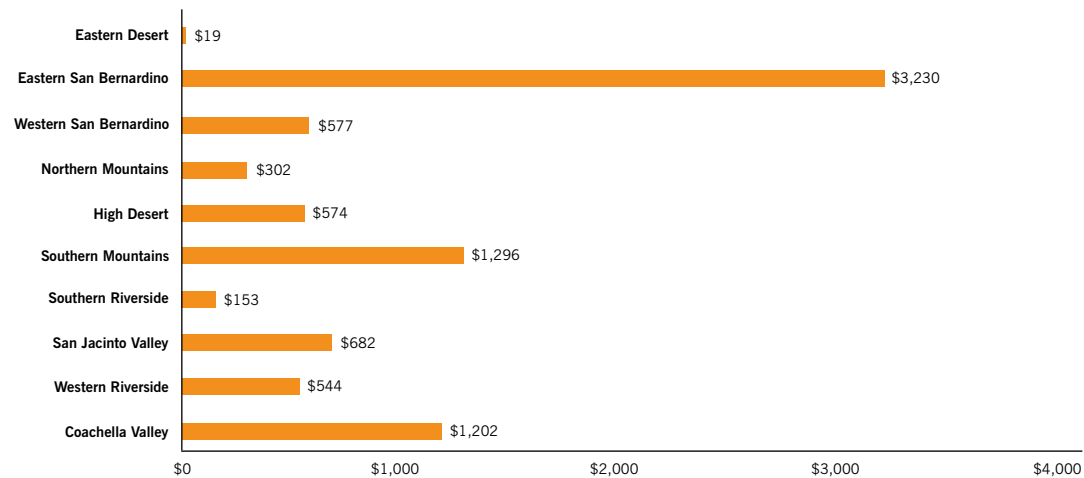
Per Capita Expenditures of Operating Nonprofits by Region



Data: California Department of Finance E-4 Population Estimates, National Center for Charitable Statistics Core Files, Public Charities 2005.

**Figure 9. Among Subregions, Wide Disparities Exist in Per Capita Nonprofit Spending**

Per Capita Expenditures of Operating Nonprofits by Subregion



Data: California Department of Finance E-4 Population Estimates, National Center for Charitable Statistics Core Files, Public Charities 2005.

Broken down by expenditures per capita, the weaker capacity of the nonprofit sector becomes even more apparent. Figure 8 compares per capita expenditures for the region with those for surrounding counties and the state. The higher spending in San Bernardino County largely but not totally reflects the contribution

of hospitals and higher education — these two are the giants of the nonprofit world and obscure the pattern of expenditures of other types of nonprofits. Again, the subregions differ significantly, as shown in Figure 9. Large expenditures in eastern San Bernardino reflect the hospital and higher education subsectors.

Table 15 shows per capita expenditures for each of the subsectors. Calculations are made both including and excluding the education and hospital sectors.

For example, a little less than \$19 per person was expended in arts, culture and the humanities. This is dramatically different from the state (\$75), Los Angeles (\$95) or Orange County (\$55). The amount was higher in Riverside County, reflecting a special interest that

Coachella Valley shows in the arts, but still appreciably below elsewhere. These dramatic differences show up in every subfield. Furthermore, if expenditures are totaled across all subfields, the region's aggregate expenditures amount to only 30 percent of those averaged across the state as a whole. When these numbers are recalculated, removing hospitals and higher education, average per capita expenditures are only 25 percent of those for the state.

**Table 15. Nonprofit Per Capita Expenditures Lag Surrounding Regions and the State**

Total Expenditures Per Capita, Operating Nonprofits, 2005

Nonprofit Subsector	Riverside	San Bernardino	Inland Empire	Los Angeles	Orange County	California
Arts, Culture and Humanities	\$29	\$9	\$19	\$95	\$55	\$75
Education	\$30	\$42	\$36	\$129	\$110	\$122
Higher Education	\$55	\$175	\$116	\$585	\$116	\$317
Environment	\$11	\$9	\$10	\$13	\$8	\$30
Health	\$139	\$115	\$127	\$354	\$102	\$938
Hospitals	\$212	\$750	\$485	\$885	\$709	\$1,285
Human Services	\$149	\$286	\$219	\$465	\$286	\$453
International	\$3	\$7	\$5	\$147	\$18	\$65
Mutual Benefit	<\$1	\$7	\$3	<\$1	\$1	\$10
Public and Societal Benefit	\$9	\$8	\$8	\$125	\$25	\$90
Religion	\$10	\$23	\$17	\$27	\$87	\$26
Not Classified	\$0	\$0	\$0	\$0	\$0	\$0
<b>TOTAL</b>	<b>\$648</b>	<b>\$1,432</b>	<b>\$1,046</b>	<b>\$2,824</b>	<b>\$1,516</b>	<b>\$3,411</b>
Total Excluding Higher Ed, Hospitals	\$381	\$506	\$445	\$1,355	\$691	\$1,809
Foundations (Public and Private), Supporting Organizations, Giving Programs	\$108	\$128	\$118	\$378	\$187	\$350

Data: California Department of Finance E-4 Population Estimates 2007, National Center for Charitable Statistics Core Files, Public Charities and Private Foundations.

Population growth is a defining characteristic of the region. Map 5 (Nonprofit Location and Population Change 2000 to 2005) shows that the subregions of highest anticipated growth do not contain the greatest concentration of nonprofits. In particular, Southern Riverside is expected to see its population increase by 75 percent to 100 percent in the next 15 years, yet nonprofit capacity lags Western Riverside and Eastern and Western San Bernardino. Given that the Inland Empire's nonprofit sector already lags in size, capacity and per capita expenditures while the region is expecting significant projected growth, the sector will face significant challenges in meeting the region's burgeoning needs in the coming years.

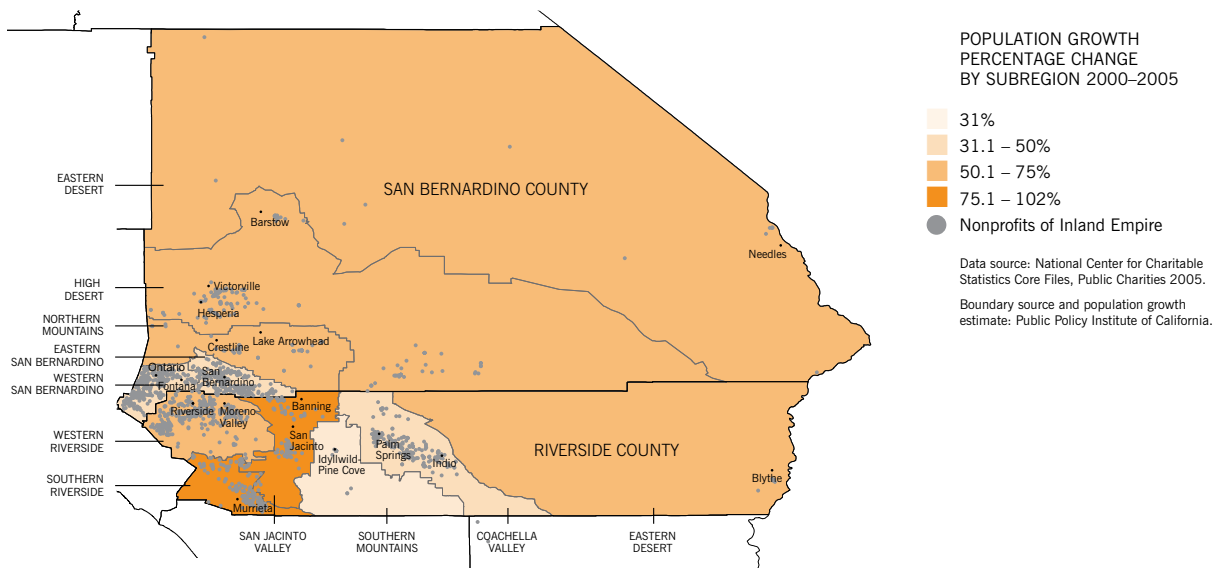
### Nonprofit Capacity to Serve a Complex Region

Not all nonprofits serve populations directly — they may do advocacy work, tackle environmental issues or conduct research. Furthermore, many nonprofits serve a broad range of people rather than select populations. Even so, many nonprofits often perform critical functions for certain populations — whether they offer food and housing to the poor, assist seniors with transportation, etc. These direct forms of service require

that nonprofit organizations be located in proximity to those they serve. Given the vast distances in the region, this is a critical issue for parts of Riverside and San Bernardino counties. Generally, Inland Empire nonprofits serving specific constituencies are located in areas with the highest population density; however, vast regions with high need remain underserved.

The following analysis examines nonprofit resources that are available to specific populations, the location of these resources in relation to the location of the populations, and the extent to which these resources are growing. Barring survey data, it is impossible to tell precisely who nonprofits serve. However, NTEE codes (see Appendix) can be used to identify nonprofits that can reasonably be assumed to be providing services to particular populations. Following is an examination of the numbers and capacity of these nonprofits, and an effort to relate them to the numbers of specific populations that can benefit from their services. Indicators of need and location of nonprofits are mapped. This analysis highlights only a few of the populations that deserve attention. For example, our data do not permit us to determine which nonprofits serve the Latino community.

Map 5. Nonprofit Location and Population Change, 2000 to 2005

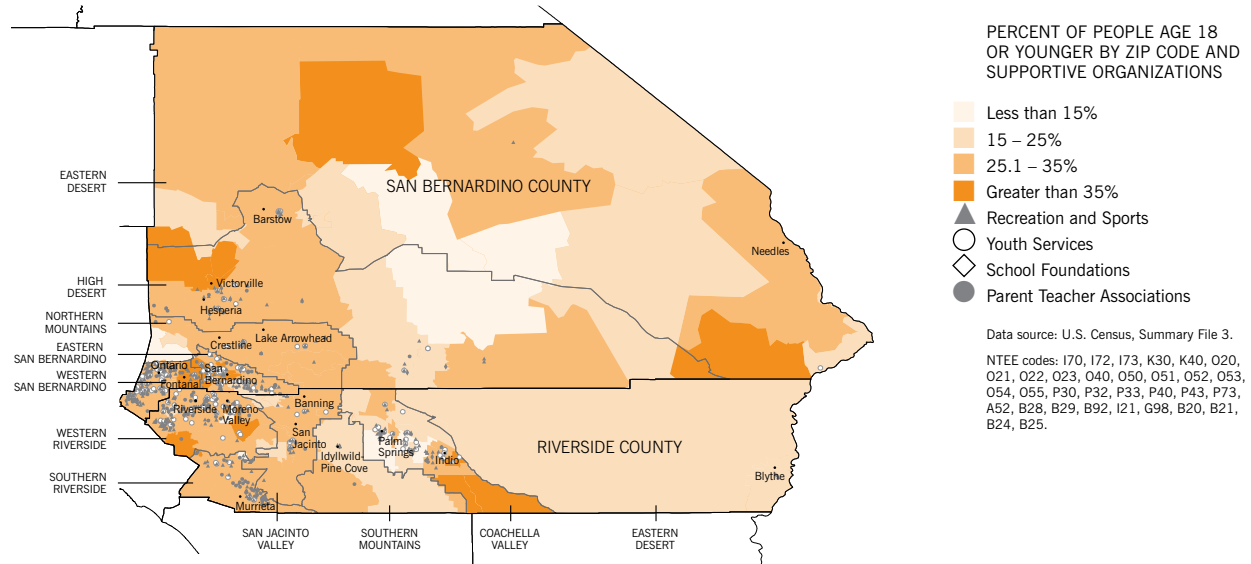


**Nonprofit Capacity: Youth and Seniors**

Figure 10 reveals a complex picture: Riverside County saw large growth between 2000 and 2005 in both total expenditures by youth-serving nonprofits and in per-youth nonprofit expenditures. Its actual expenditures still were lower than those in Orange County and considerably below Los Angeles and California.

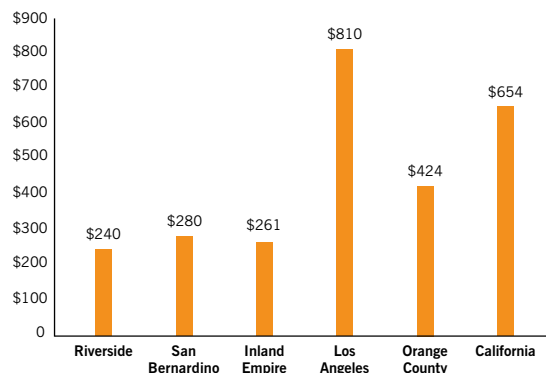
San Bernardino, by contrast, saw an absolute decline in both these areas, although it spent more per youth than Riverside (but less than Los Angeles and the state of California as a whole). Map 6 shows that youth-serving nonprofits were not located in the regions with the greatest percentage of people under age 18.

**Map 6. Youth-Serving Nonprofits**



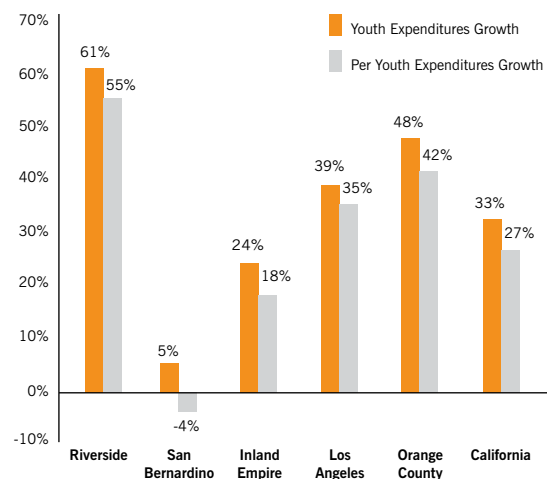
**Figure 10. There Are Differences in Youth Expenditures Between the Two Counties**

Nonprofit Youth Organizations Expenditures per Youth, 2005



Data: National Center for Charitable Statistics Core Files, Public Charities 2000–2005.

Growth in Nonprofit Youth Expenditures, 2000–2005



Data: National Center for Charitable Statistics Core Files, Public Charities 2000–2005.

Figure 11 shows that senior service expenditures reverse the picture. The absolute growth in expenditures and the growth of expenditures per individual over age 65 were much higher in San Bernardino County compared to Riverside. Expenditures per senior were again higher in San Bernardino, although the region as a whole was

notably below those of the comparison regions and the state as a whole. Map 7 shows that the majority of senior service organizations were located outside of the ZIP codes where the greatest percentages of seniors resided.

Map 7. Senior-Serving Nonprofits

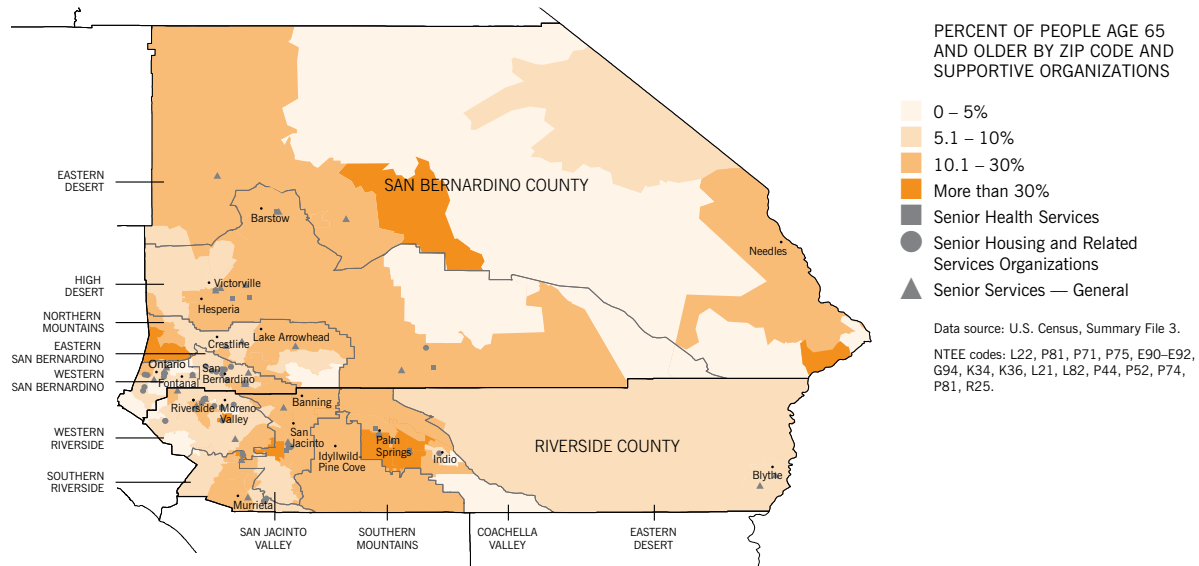
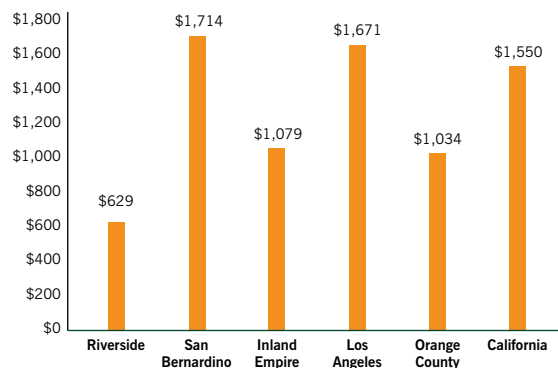


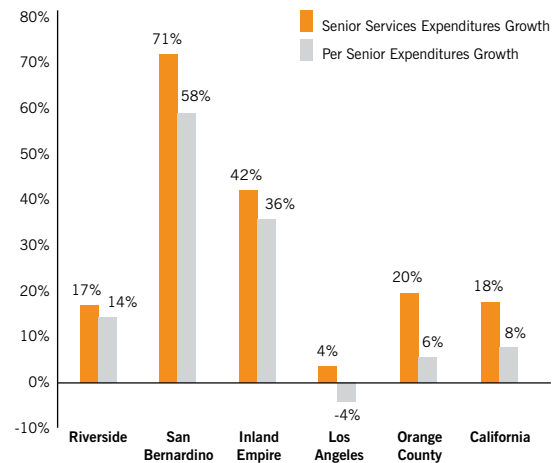
Figure 11. Senior Expenditures Are Below Those in Comparison Counties and the State

Nonprofit Senior Services Organizations Expenditures per Senior, 2005



Data: National Center for Charitable Statistics Core Files, Public Charities 2000–2005.

Growth in Nonprofit Senior Services Expenditures, 2000-2005



Data: National Center for Charitable Statistics Core Files, Public Charities 2000–2005.



**Nonprofit Capacity: Poverty and the Uninsured**

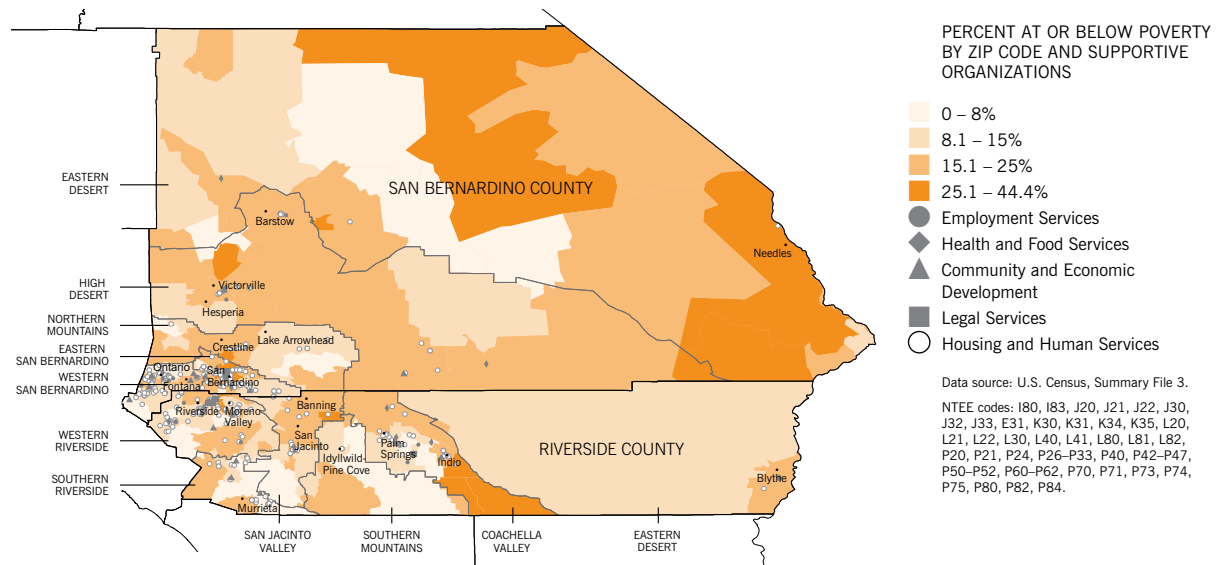
The lack of capacity relative to need continues to reveal itself in statistics pertaining to poverty and lack of health insurance. As shown in Figure 12, both Riverside and San Bernardino poverty assistance organizations expended considerably less per person in poverty than was true for the other counties and the state.

While growth figures for San Bernardino show no indication that it will catch up to the region or the state, Riverside evidenced high rates of growth, both in total

and per capita expenditures. However, Riverside lagged San Bernardino in per capita expenditures in 2005, and spent considerably less than the remainder of the region or the state. For this reason, it requires considerable expansion of expenditures to reach parity.

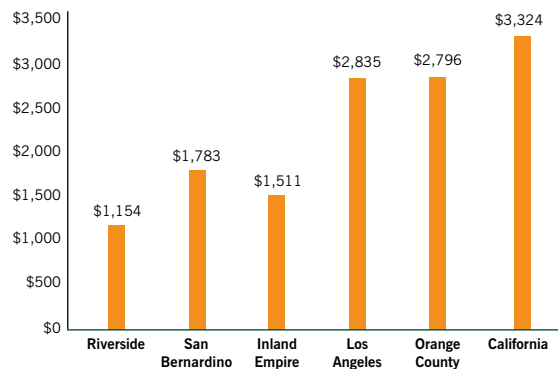
Map 8 displays a spatial mismatch in that nonprofits offering services to poor individuals and families are not located in the ZIP codes with the highest poverty rates. Figure 13 shows that health care expenditures per uninsured individual, in contrast, were much higher in San Bernardino than in Riverside, undoubtedly because

**Map 8. Poverty Assistance Nonprofits**



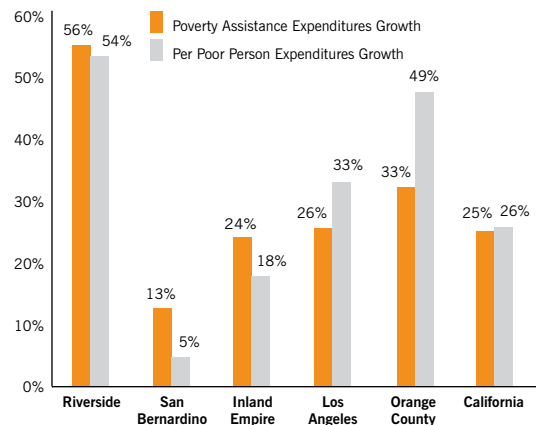
**Figure 12. Poverty Assistance Programs Lag Behind the Region and the State**

Nonprofit and Poverty Assistance Operations Expenditures per Person in Poverty, 2005



Data: National Center for Charitable Statistics Core Files, Public Charities 2000–2005. U.S. Census, American Community Survey 2005.

Growth in Nonprofit Poverty Assistance Expenditures, 2000–2005



Data: National Center for Charitable Statistics Core Files, Public Charities 2000–2005. U.S. Census, American Community Survey 2005.

of the presence of the Loma Linda Hospital. These expenditures ranked above those in Orange County but below Los Angeles and considerably below the state of California. Riverside actually showed negative growth in total expenditures and expenditures per uninsured person.

Map 9 overlays the location of hospitals and other health care nonprofits on population density. It shows that there were relatively few such organizations, and many population centers were located at some distance from them. These types of organizations do not exist anywhere in the eastern portions of the counties.

Map 9. Hospitals and Other Health Care Nonprofits

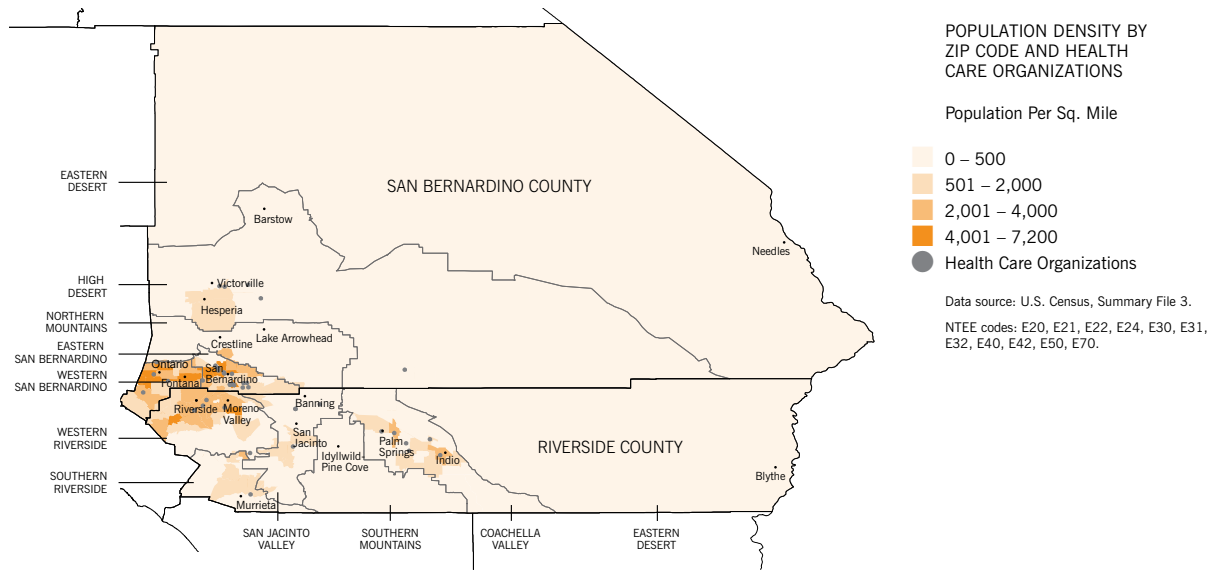
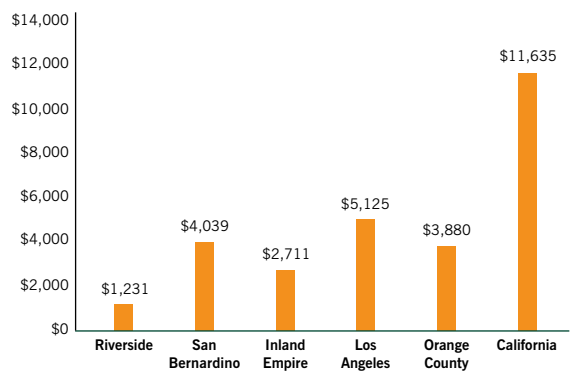


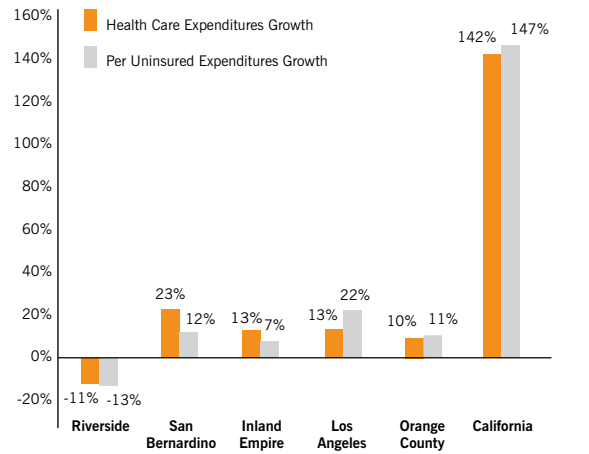
Figure 13. Regional Health Care Expenditures Per Uninsured Individual Are Low and Declining in Riverside

Nonprofit Health Care Organizations Expenditures per Uninsured Individual, 2005



Data: National Center for Charitable Statistics Core Files, Public Charities 2000-2005.

Growth in Nonprofit Health Care Expenditures, 2000-2005



Data: National Center for Charitable Statistics Core Files, Public Charities 2000-2005.

# Implications

Many of the issues confronting the nonprofit sector are best understood in a regional context. This report has shown that while each county has a distinct identity and resources, they and their subregions face many common issues.

## Key Challenges for the Region

It is important to note that many of the region's problems are shared with nonprofits throughout the state and the country. For example, nonprofits everywhere struggle with problems of funding — and many throughout California report that their traditional public funding sources have declined and that foundation dollars are harder to come by. It is difficult for nonprofits everywhere to secure general operating support. A faltering global economy will place new burdens on nonprofits around the world. This report has focused on the issues that are distinct to the region and the counties rather than those more broadly affecting the entire sector.

The key challenge for the nonprofit sector in the Inland Empire lies in the interplay of the vast size of the region, its high population growth and a lack of organizational capacity. While nonprofits throughout the state perceive that the need for their work is greater than their capacity to meet it, this challenge is pronounced in the Inland Empire. This report has shown that the ratios of the numbers of nonprofits per capita and expenditures per capita are appreciably below those in other regions. It has further shown that the benefits of nonprofit services are not necessarily found where populations most in need of those services are concentrated.

The vast distances of the region challenge under-resourced nonprofits that do not have the capacity to serve far-flung areas. Distance also poses a severe barrier to residents who cannot or will not travel to access services.

Another major issue for this region is its small foundation community relative to other Southern California regions and the state as a whole. As a result, nonprofits funded by foundation dollars are more dependent on foundations outside the region — funders that may not be aware of the distinct identity of the region, its needs, or the issues its nonprofit sector faces. This lack of local foundation presence in the region also raises a barrier in accessing critical foundation dollars. Local foundations are often especially sensitive to community issues and needs, particularly when they can discuss these issues with nonprofit leaders. Nonprofit staff in the Inland Empire do not have the advantage of easily meeting with program officers from outside of the region to discuss their work and develop strategies to meet community needs.

Issues related to Inland Empire nonprofit growth and finances are more complicated to interpret. The report has shown that nonprofits in the region are less likely to see revenue decline than in the state as a whole. But this may be simply a function of their size — the data show that smaller nonprofits generally do not see revenue decline, and the majority of Inland Empire nonprofits are small. What is troubling is that there is less revenue growth in these small nonprofits. This means small nonprofits that survived during the five-year period of 2000 to 2005 are not seeing their capacity increase at the same rate as elsewhere. Given the region's phenomenal population growth, and related growth in demand for the services of the nonprofit sector, this is a cause for concern.

It is also necessary to consider the two counties separately. San Bernardino and Riverside counties are historically and structurally distinct. This report has detailed many differences between the counties. One important difference is that San Bernardino County sees larger aggregate expenditures, assets and wages because of the presence of the health care and higher education sectors. Riverside, in contrast, has its wealth concentrated in the Coachella Valley region and, thus, has greater support there, as shown by the number of foundations and spending in specific sectors, such as the arts. However, Coachella Valley's population is increasingly bifurcated into higher- and lower-income segments, and this wealth may not be reaching people in need. Finally, the aggregate figures obscure the observation that, while both counties are disadvantaged, San Bernardino is more significantly challenged in many ways. It has a smaller foundation sector, fewer grants and an actual revenue decline among its individual nonprofits.

### **Growth and Dedication to the Region**

This report has focused on the challenges faced by a nonprofit sector struggling with issues of massive population growth and an inadequate infrastructure. The report makes use of the hard facts about the sector. Available data limit the ability to highlight the great assets found in the region. Researchers spoke to many dedicated individuals in the nonprofit and public sectors who seek to support and improve the nonprofit sector. Nonprofits enrich the Inland Empire; they carry out vital services and activities despite the challenges documented in this report. The fact that the nonprofit sector is growing shows the dedication of nonprofit founders, volunteers and staff who see need and attempt to meet it. It is hoped that the data in this report have helped to clarify the challenges the sector faces so that the people of the Inland Empire can get the resources they need to improve and expand upon their good and essential work.

# Appendix

## Data Sources

A large portion of the data for this report was gathered by the Institute for Nonprofit Organization Management at the University of San Francisco.

Data about the number of nonprofit organizations and their financials are derived from the Internal Revenue Service and the National Center for Charitable Statistics (NCCS) at the Urban Institute. These data are based on nonprofit organization tax filings with the IRS, which is public information.

Nonprofit employment figures were provided by the California Employment Development Department, Labor Market Information Division. Nonprofit employment is determined by matching the master list of California nonprofits with data from the ES-202 program. For-profit employment is assumed to be the remainder of private firm employment.

Foundation data were gathered from NCCS files and the website of the Foundation Center, <http://foundationcenter.org>. Data about individual grants was provided by Foundation Search, <http://foundationsearch.com>.

Population data for 2000 and 2005 are from the U.S. Census and the American Community Survey, accessed through the American Factfinder website (<http://factfinder.census.gov/>). Additional population data came from the California Department of Finance.

## 501(c) Classifications

<b>501(c)(1)</b>	Federal corporations organized under an Act of Congress and declared exempt from payment of federal income taxes, such as federal credit unions.
<b>501(c)(2)</b>	Corporations holding title to property for tax exempt organizations.
<b>501(c)(3)</b>	Organizations for furthering charitable, religious, scientific and educational purposes and/or providing services in the public interest.
<b>501(c)(4)</b>	Civic leagues operated to promote social welfare, or local employee associations whose earnings go exclusively towards educational, charitable or recreational purposes.
<b>501(c)(5)</b>	Labor, agricultural and horticultural organizations operated to protect interests of workers in connection with their employment or to promote more efficient production techniques in agriculture.
<b>501(c)(6)</b>	Business leagues, real estate boards or chambers of commerce established to improve conditions in one or more lines of business.

## About NTEE Codes

In order to provide a concise summary of the diverse array of organizations belonging to the nonprofit sector, the study relied upon a classification system called the National Taxonomy of Exempt Entities Core Codes (NTEE-CC), created by the National Center for Charitable Statistics at the Urban Institute. The system is used by the Internal Revenue Service, Independent Sector, the Foundation Center, and many foundations, researchers, analysts and others. The NTEE classification system has a hierarchical logic, analogous to the North American Industrial Classification System (NAICS), which is commonly used to classify all businesses, including some nonprofits.

Every nonprofit organization granted 501(c) tax exemption by the IRS is assigned a three-character NTEE core code based on its primary program activity. The first character of the code is a letter that signifies one of the 26 fields such as Education (B), Health (E) or Recreation. The second and third characters are a two-digit number specifying a function within each field. For example, within the Health field, the code E20 designates Hospitals and E32 designates Community Clinics. In Education, B70 is assigned to Libraries, and Parent Teacher Associations are assigned B94.<sup>8</sup>

The advantage of using NTEE classifications is that they can be aggregated into broad groups, which the researchers relied on to provide concise summary tables in this report. The display below shows how researchers grouped the NTEE fields to create 13 categories.

NTEE Major Groups	Fields
<b>Arts, Culture and Humanities</b>	Arts, culture and humanities
<b>Education</b>	Education (excluding universities or colleges)
<b>Higher Education</b>	Higher education
<b>Health</b>	<ul style="list-style-type: none"> <li>Health (excluding hospitals)</li> <li>Mental health and crisis intervention</li> <li>Diseases, disorders and medical disciplines</li> <li>Medical research</li> </ul>
<b>Hospitals</b>	Hospitals
<b>Human Services</b>	<ul style="list-style-type: none"> <li>Crime and legal related</li> <li>Employment</li> <li>Food, agriculture and nutrition</li> <li>Housing and shelter</li> <li>Public safety, disaster preparedness and relief</li> <li>Recreation and sports</li> <li>Youth development</li> <li>Human services</li> </ul>
<b>Environment and Animals</b>	Environment, animal-related
<b>International, Foreign Affairs</b>	International, foreign affairs and national security
<b>Philanthropy and Grantmaking</b>	Philanthropy, grantmaking and supporting organizations
<b>Public, Societal Benefit</b>	<ul style="list-style-type: none"> <li>Civil rights, social action and advocacy</li> <li>Community improvement</li> <li>Volunteerism</li> <li>Science and technology</li> <li>Social science</li> <li>Public and societal benefit</li> </ul>
<b>Mutual Benefit</b>	Mutual and membership benefit
<b>Religion-Related</b>	Religion-related
<b>Unknown, Unclassified</b>	Unknown

<sup>8</sup> A full list of NTEE codes is available online at <http://nccs.urban.org/>

## Largest Funders to the Inland Empire, 2005

Funder	Total Grants to Region 2005
H.N. and Frances C. Berger Foundation	\$76,007,332
The Annenberg Foundation	\$13,334,900
Legal Services Corporation	\$3,818,738
California Community Foundation	\$2,219,140
The Community Foundation Serving Riverside and San Bernardino Counties	\$1,925,638
The James Irvine Foundation	\$1,890,000
The California Endowment	\$1,635,358
Rural Community Assistance Corporation	\$1,355,000
Weingart Foundation	\$1,145,000
The California Wellness Foundation	\$1,110,000
The Bernard Osher Foundation	\$1,100,876
Bank of America Charitable Foundation	\$1,027,146
California HealthCare Foundation	\$1,000,000
Blue Shield of California Foundation	\$970,000
Pierson-Lovelace Foundation	\$925,000
McCormick Foundation	\$818,093
The Bob and Dolores Hope Charitable Foundation	\$750,000
Desert Youth Development Foundation	\$720,000
Henry L. Guenther Foundation	\$700,000
Neighborhood Reinvestment Corporation	\$583,288
Irene W. and Guy L. Anderson Children's Foundation	\$582,399
Verizon Foundation	\$546,729
Andre and Katherine Merage Foundation of Nevada	\$538,621
The Zimmer Family Foundation	\$530,000
California State East Bay Educational Foundation	\$508,208
Ann Peppers Foundation	\$505,000

Note: Data are furnished by Foundation Search, which allocates grant dollars over the span of the grant period, rather than in the year they are made. Community foundation figures may be less than the full funding amount because of differences in filing requirements.

## Largest Foundations in the Inland Empire, 2005

Funder	Total Assets
H.N. and Frances C. Berger Foundation	\$479,302,507
MSST Foundation	\$78,469,170
The Community Foundation Serving Riverside and San Bernardino Counties	\$44,029,628
The Auen Foundation	\$38,356,425
God's Gift	\$30,384,380
The Webb Foundation	\$25,561,006
Anderson Children's Foundation	\$18,213,071
Versacare Inc.	\$13,641,656
Thomas W. Wathen Foundation	\$12,903,526
Mary Pickford Foundation	\$9,397,841
The Coeta and Donald Barker Foundation	\$9,116,035
Stephen Philibosian Foundation	\$8,437,639
Kali Pradip Chaudhuri Foundation	\$8,229,174
Sirpuhe and John Conte Foundation	\$6,600,399
Chino Cienega Foundation Inc.	\$6,544,534
Harbison Scholarship Trust	\$6,410,348
Lluella Morey Murphey Foundation	\$5,192,096
Ednah Root Foundation	\$4,983,353
The Johnson Foundation	\$4,817,786
Walters Family Foundation	\$4,694,364
Betterworld Together Foundation	\$4,142,705
Milton Ray Loyd Foundation	\$3,908,212
Jang Foundation	\$3,813,697
Matthew Dragicevich Charitable Remainder Trust	\$3,810,322
D. K. Kim Foundation Inc.	\$3,785,047
Riverside Medical Clinic Foundation	\$3,415,723

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Bank of America

**Roccie Hill, President**

Roccie Hill Nonprofit Solutions

**John Husing, Principal**

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Arrowhead United Way

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Weingart Foundation



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575 MARKET STREET  
SUITE 3400  
SAN FRANCISCO, CA 94105  
415.777.2244

---

865 SOUTH FIGUEROA  
SUITE 2308  
LOS ANGELES, CA 90017  
213.236.0552

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[WWW.IRVINE.ORG](http://WWW.IRVINE.ORG)

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**UNIVERSITY OF SAN FRANCISCO  
INSTITUTE FOR NONPROFIT  
ORGANIZATION MANAGEMENT**

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COLLEGE OF PROFESSIONAL STUDIES  
2130 FULTON STREET  
SAN FRANCISCO, CA 94117  
[SILVERMAN@USFCA.EDU](mailto:SILVERMAN@USFCA.EDU)

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[WWW.USFCA.EDU/INOM](http://WWW.USFCA.EDU/INOM)

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