



2023 Pulse of the Practice

ANNUAL REPORT



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Acknowledgments

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Data submitted was reported anonymously, but we are grateful to the 38 foundation leaders who supported this effort through their time and transparency of practices. Thank you for your leadership and for your commitment to advancing opportunity for all in the San Diego and Imperial County region.

CITE AS:

Janowiak, K., Leon, M., and Thomas, M. (2023). *Catalyst Pulse of the Practice Annual Report*. San Diego, CA: Catalyst of San Diego & Imperial Counties.

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A MESSAGE FROM OUR CEO

One of the most frequent questions I field in my role as President and CEO of Catalyst of San Diego & Imperial Counties is “what are other funders doing?” The Pulse of the Practice was born out of a desire to understand the big picture of the prevailing practices shaping funding decisions of all shapes and sizes in the Southern Border region.

In its inaugural year, 38 foundations and funding organizations contributed data - to the tune of more than \$1B in giving decisions - and we hope to see this number only grow in years to come. Catalyst was pleased to partner with The Nonprofit Institute at the University of San Diego School of Leadership and Education Sciences to design questions to complement data collected from nonprofits in San Diego County. Our combined efforts provide a first-of-its-kind comprehensive look at philanthropy for the region.

This is not a report card. This is a pulse. The space of philanthropy is nuanced, and the data in this report is, too. Thank you to every organization who contributed invaluable information to this report. We have sensed a changing tide in practices, but now we can say with confidence: We are changing together.

With gratitude and optimism,



MEGAN THOMAS
PRESIDENT & CEO
CATALYST OF SAN DIEGO & IMPERIAL COUNTIES



EXECUTIVE SUMMARY

Our region's nonprofit sector employs one in every ten residents and is a bedrock to ensuring our region is a place where all can thrive. Funding organizations of all sizes rely on partnership with nonprofit and community based organizations to advance solutions to the region's most pressing problems. To support funders in our region to be effective partners to the organizations they support, this annual survey provides a macro level look at the funding practices that prevail in our region.

This report utilizes data from:

- Catalyst Pulse of the Practice Survey, developed in partnership with The Nonprofit Institute at the University of San Diego (USD)
- The Nonprofit Institute at USD's annual survey of nonprofit leaders
- Financial data from the IRS via Candid.org
- Equitable Grantmaking Continuum via Nonprofitaf.org and RVCSeattle.org

THERE IS PROMISING EVIDENCE OF EQUITABLE PRACTICES (WITH ROOM TO GROW)

Funders and nonprofit leaders alike report that funding organizations are:

- providing unrestricted funding
- reducing application and reporting burdens
- communicating with greater transparency, and
- listening to community needs.

Plotted on The Equitable Grantmaking Continuum developed by NonProfitAF.com and RVCSeattle, most prevailing practices in our region rank a Level 2 or Level 3 (the highest level). However, there is room to grow. Funders are still primarily funding well-established organizations with proven track records, making it difficult for smaller, grassroots organizations to secure funding. In addition, a one year grant term remains the most utilized, making sustained efforts difficult.

Data Sources: Deitrick, L., Strawser, C., Tinkler, T. & Durnford, J. (2019). Annual Report: State of Nonprofits in San Diego. San Diego, CA: The Nonprofit Institute, University of San Diego. California Association of Nonprofits & The Nonprofit Institute, The University of San Diego. (2019). Causes Count: The Economic Power of California's Nonprofit Sector.

THERE IS AN OPPORTUNITY TO CLARIFY LANGUAGE

From what we have compared to nonprofit perceptions, there is strong alignment in the practices that funders are self-reporting they are doing, and what nonprofits are seeing funders do. We found two exceptions: the number of funders supporting policy and advocacy work did not match nonprofit perception, and the number of funders reporting funding capacity building far exceeded nonprofit perception. These umbrella terms could use more clear definition and shared understanding to support better communication between grantees and funders.

PERCEPTIONS ON DIVERSITY DIFFER

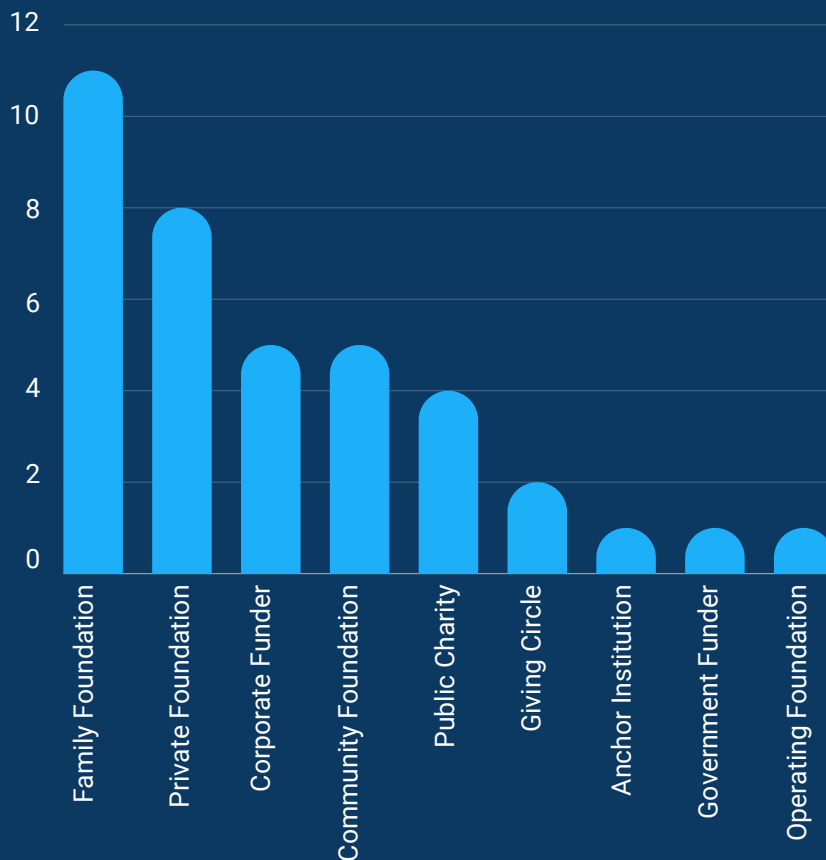
The Nonprofit Institute reported 72 percent of nonprofit leaders believe funders prioritize funding to BIPOC-serving organizations. While 81 percent of funders report directing some of their funding to BIPOC-serving organizations and 58 percent of funders report directing some of their funding to BIPOC-led organizations, we found that less than half - 39 percent - of funders indicate they direct a majority of their funding to BIPOC-serving organizations, and only 13 percent of funders report directing a majority of their funding to BIPOC-led organizations.

IMPACT INVESTING IS GROWING

More than half of our sample indicated that they leverage impact investing in their funding portfolio, and an additional 27 percent are considering starting impact investing. Of those who impact invest, Mission-Related Investments and Program-Related Investments remain the most common practices (with 80 percent and 85 percent of respondents leveraging these tools, respectively), but our sample reported a diverse number of other impact investment practices including: Loan guarantees, recycled investments, and real estate loans. Three participants are moving their endowments towards majority impact portfolios.

FIGURE 1.

NUMBER OF RESPONSES BY FUNDER TYPE



AT A GLANCE



38 Funders

Contributed their information



\$19B Assets

Sample represents \$19B in organized philanthropic assets



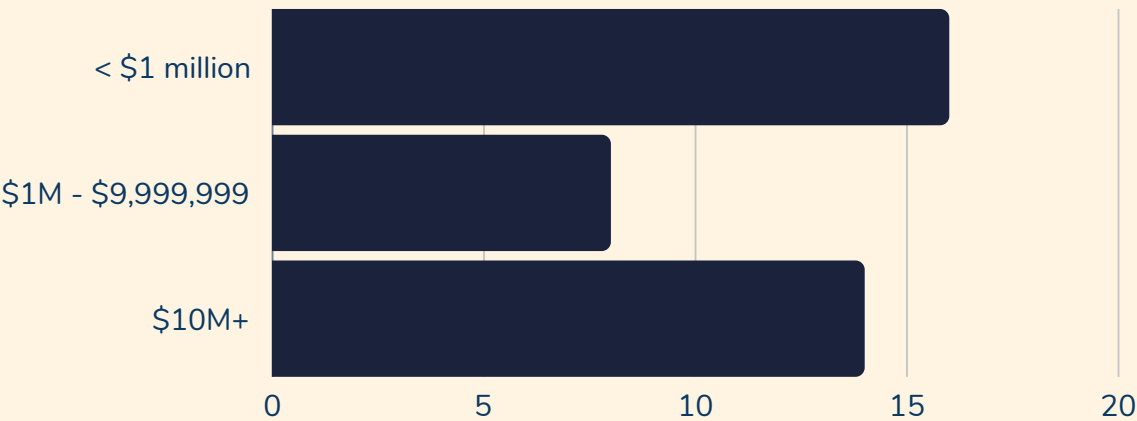
\$1B Giving

Sample collectively gave more than \$1B in 2021

Annual Operating Budgets

Throughout this report, we have highlighted when different sized funders behave differently. You will see the sizes under three categories: Small Funders (operating budgets of less than \$1M); Medium Funders (operating budgets of \$1M-\$9,999,999); and Large Funders (operating budgets of \$10M+)

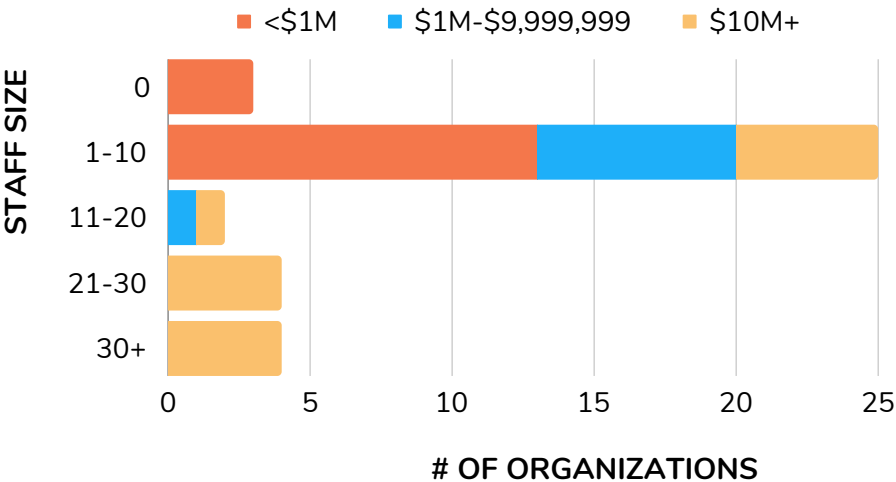
FIGURE 2.
OPERATING BUDGETS OF SURVEY SAMPLE



OPERATING BUDGET INFORMS STAFF SIZE

Majority have 1-10 people working on grantmaking

FIGURE 3.
NUMBER OF PEOPLE WORKING ON GRANTMAKING BY ORGANIZATIONAL SIZE



Funding Practices

How money gets out the door

For decades nonprofit leaders have advocated for funders to provide access to more unrestricted multi-year funding, and funders appear to be responding. More than three-quarters of funders surveyed reported providing some unrestricted funding and half reported providing multi-year support. As you'll note on the next page in Figure 4, it is still very uncommon to provide more than three years of support, and we found that the larger your philanthropy, the less common providing five+ years of support is.

76%
**provide
unrestricted
funding**

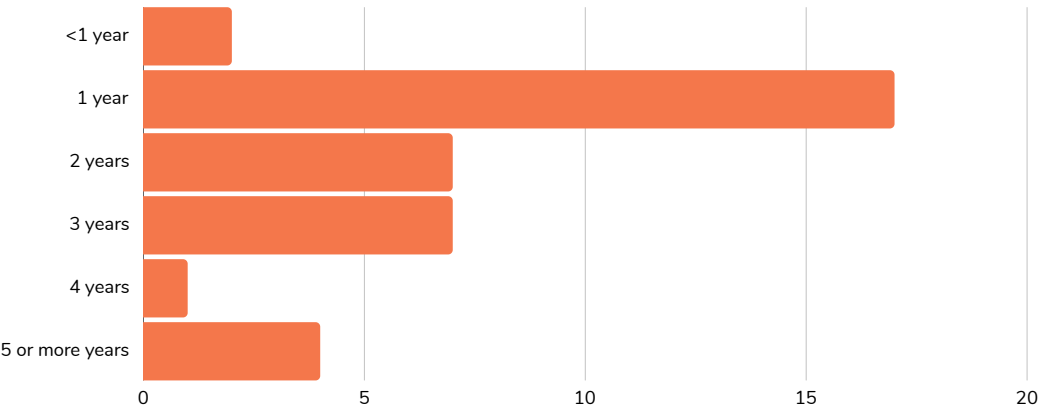
Two funders reported providing unrestricted funding exclusively. Most report a mix of program and unrestricted funds that vary situationally.

Timelines

ONE YEAR GRANTS REMAIN PREVELANT

Half of funders grant for two or more years, half grant one or fewer years

FIGURE 4.
AVERAGE LENGTH OF GRANT

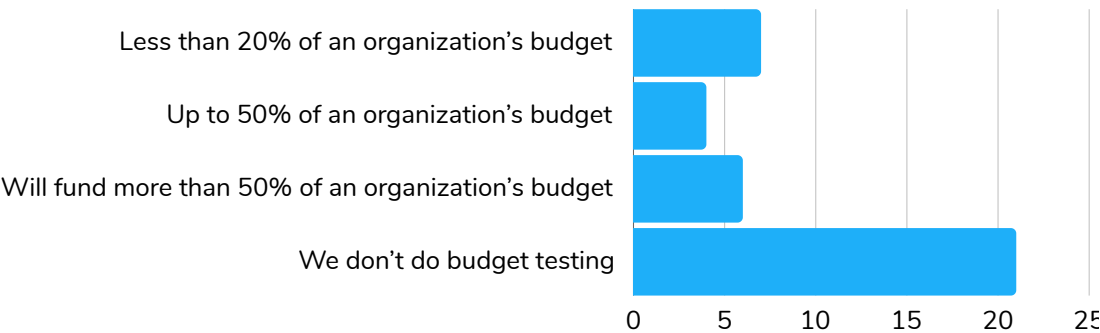


While large funders are more likely to grant for two to four years, **only small and mid sized funders reported granting for five or more years.**

BUDGET TESTING

Majority of funders do not budget test the organization they are supporting when making grant decisions.

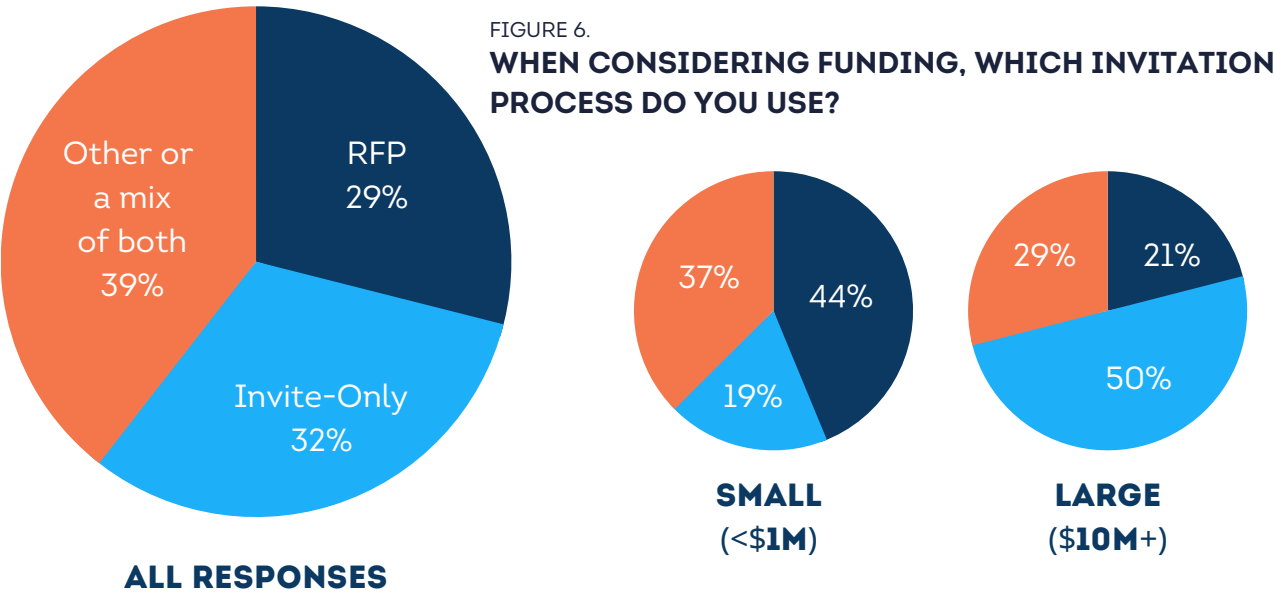
FIGURE 5.
HOW MUCH OF AN ORGANIZATION'S BUDGET DO YOU TARGET YOUR SUPPORT TO STAY WITHIN?



Applications

PRACTICES VARY SITUATIONALLY

Small organizations are more likely to utilize a request for proposals (RFPs) and large organizations are more likely to utilize an invite only process. However, responses showed that depending on the situation, funders may choose one or the other. Nearly 40 percent of responses indicate a mix of approaches including both RFP and Invite Only.



Under 4 hours

Fifty-nine percent of funders report their application takes under four hours to complete.

Under 1 month

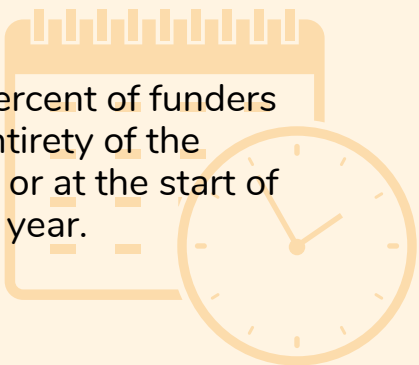
Sixty-three percent of funders distribute funds less than one month after awarding.

1-3 months

Seventy-five percent of funders communicate grant decisions within one to three months.

89%

Eighty-nine percent of funders pay out the entirety of the grant up front or at the start of each granting year.



Process

Process questions yielded the most written-in responses of any question section on the Pulse of the Practice survey. Most tend towards adaptable processes depending on grant size, relationship, and purpose.

APPLICATION

When considering a grant application, funders most often require a specific format of document that they pre-determine.

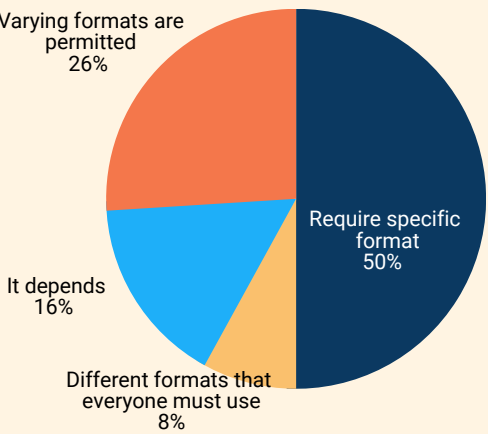
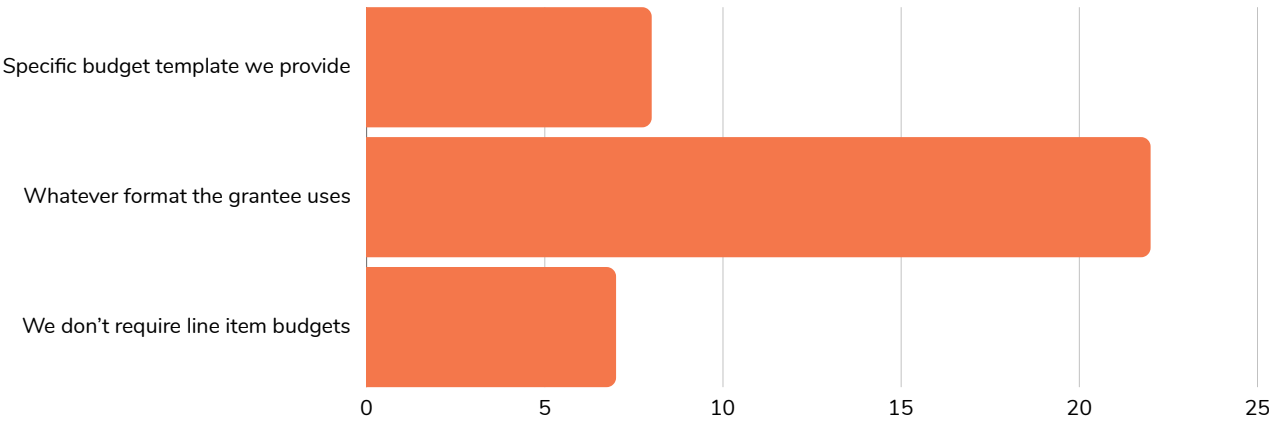


FIGURE 7.
APPLICATION FORMAT

BUDGET PAPERWORK

There’s greater flexibility when accepting budgets, with the majority accepting in any format the grantee chooses - and seven funders not requiring any line item budget at all.

FIGURE 8.
TYPE OF BUDGET PAPERWORK REQUIRED, BY NUMBER OF FUNDERS

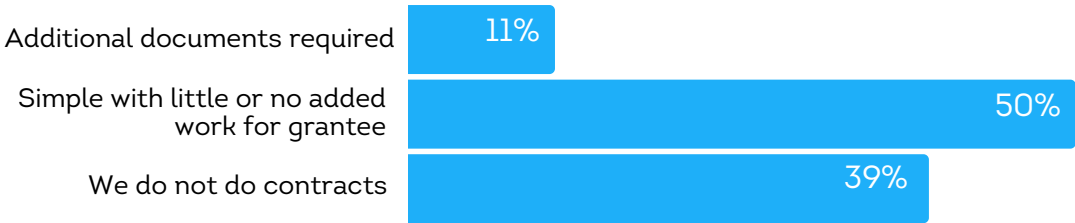


CONTRACTS & AGREEMENTS

Once a grant is awarded, **89 percent of funders report a simple, streamlined process** with little to no added work on the grantee, or no contract at all.

FIGURE 9.

CONTRACT PAPERWORK



REPORTING

Eighty-one percent of funders surveyed limit reporting to an annual or end of grant check-in or nothing at all.



Fifty percent of mid-sized funders do not require any reporting

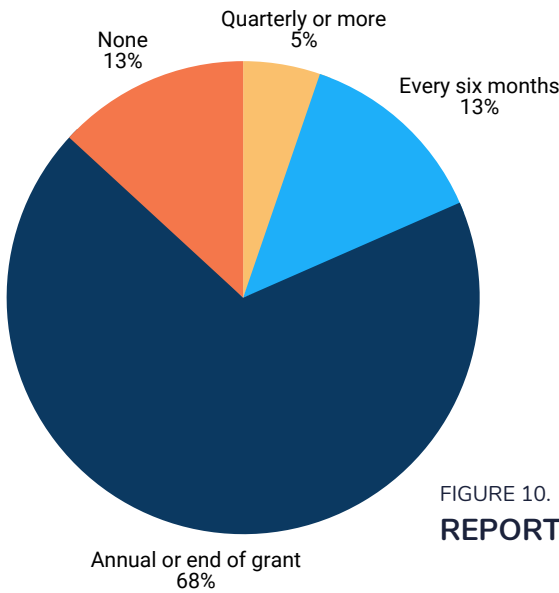


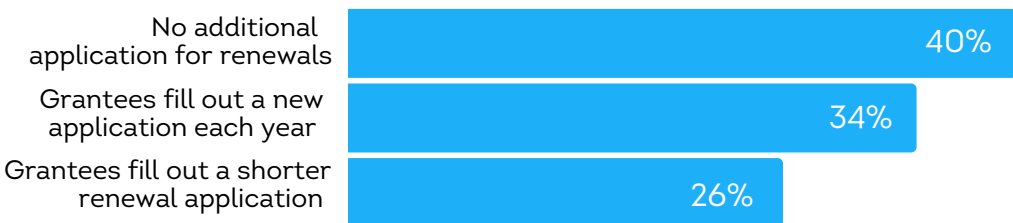
FIGURE 10.
REPORTING

RENEWALS

Most funders require little or no additional paperwork for renewals.

FIGURE 11.

RENEWAL APPLICATIONS



WHERE MONEY GOES

Some funding reaches smaller organizations

Eighty-seven percent of funders report funding fiscally sponsored organizations, with 32 percent funding organizations like worker co-ops or grassroots groups. These are in addition to traditional 501(c)3, which 13 percent exclusively fund.

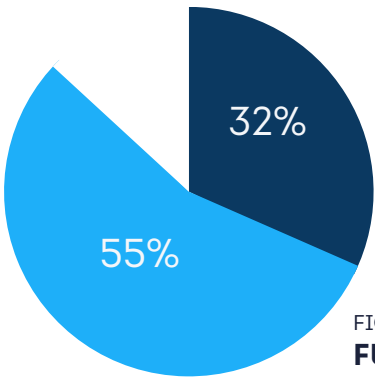


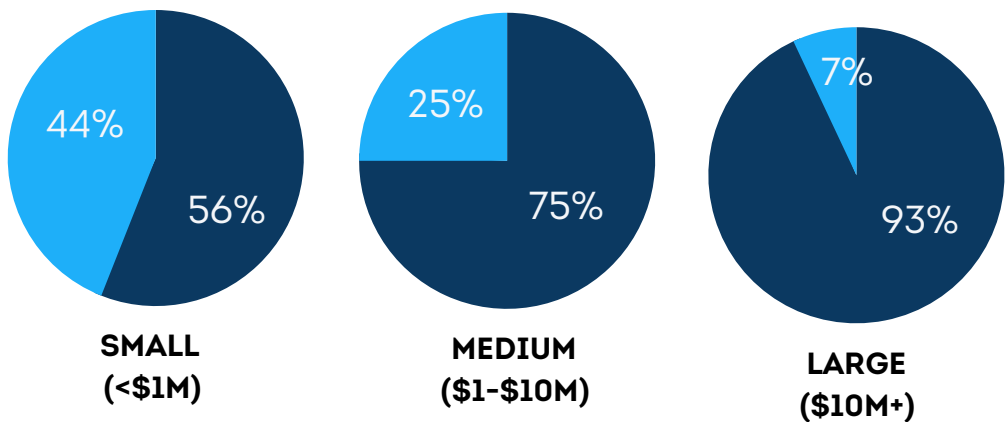
FIGURE 12.
FUNDING

Majority of funding goes to well-established organizations with a proven track record

The likelihood of this increases the larger the funding organization.

FIGURE 13.
FUNDING GRASSROOTS ORGANIZATIONS

- We mostly fund well-established organizations with proven track records, but we also consider smaller organizations that are more grassroots in nature.
- The majority of our funding goes to organizations that are smaller and more grassroots in nature.



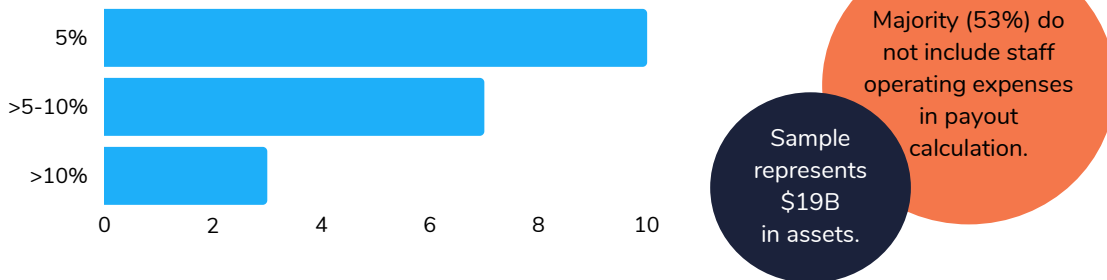
FUNDING PRACTICES

ENDOWMENT PAYOUTS

Of the 49 percent of respondents who indicated their philanthropy is endowed, **half are paying out beyond the federal minimum of 5 percent.**

FIGURE 14.

ANNUAL ENDOWMENT PAYOUT PERCENTAGE

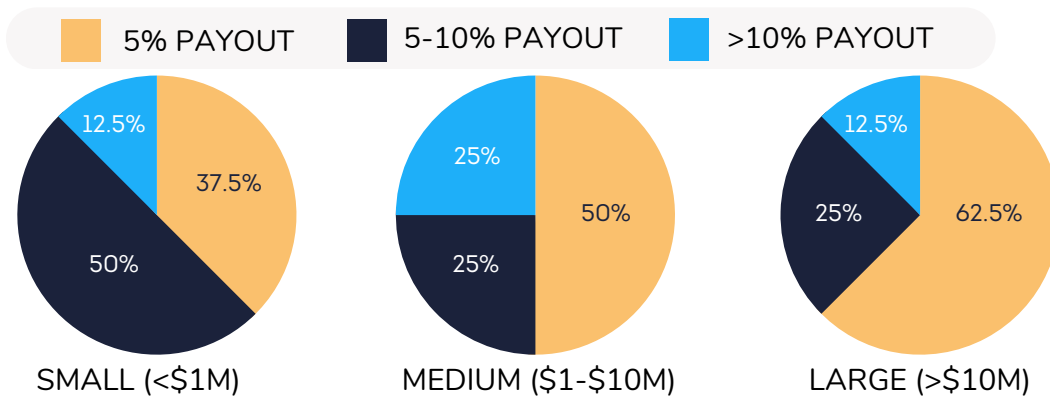


Smaller Funders Give More as a Percent

Similar to what we see in household individual giving, smaller funders give more as a percentage of their total assets than larger funders.

FIGURE 15.

ANNUAL ENDOWMENT PAYOUT BY FUNDER SIZE



Impact Investing is a Growing Practice

More than half of all respondents report that they participate in impact investing, with an additional 27 percent considering impact investing in the future.

FIGURE 16.

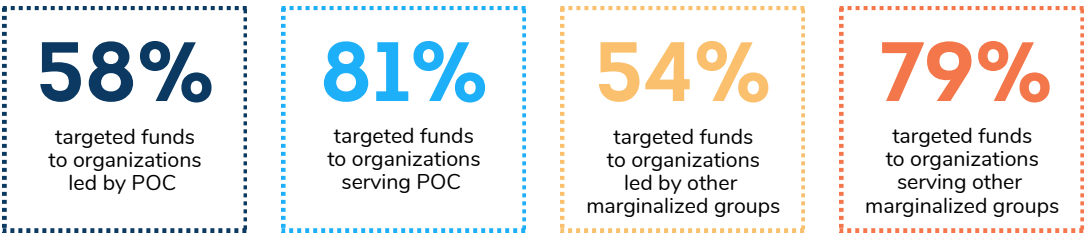
IMPACT INVESTING REPORTED PRACTICES



The People we Serve

FUNDING BIPOC-LED & SERVING ORGANIZATIONS

The Nonprofit Institute found a perception among grantees that funders are prioritizing funding for BIPOC-serving and BIPOC-led organizations. As reported in Figure 17, this is a prevailing overall practice, but fewer apply this lens to the majority of funding decisions.



Large funders are more likely to consider the race and ethnicity of an organization’s leader when considering funding, but all sizes of funders are weighing these factors. Sixty four percent of large organizations factor organizational leadership makeup in some or a majority of their funding. Half of mid-sized organizations do, too, and fifty-seven percent of small organizations do.

FIGURE 17.
FUNDING DECISIONS

Which of the following statements most closely reflects your current approach to funding?	Led by people of color	Serving communities of color	Led by other marginalized communities	Serving other marginalized communities
The majority of our funding goes to organizations:	13%	39%	11%	37%
Some of our funding is targeted towards organizations:	45%	42%	43%	42%
This is not a decision factor in who we fund.	42%	16%	46%	21%

In instances a column doesn’t add up to 100, “don’t know/unsure” answers were submitted, not represented here.

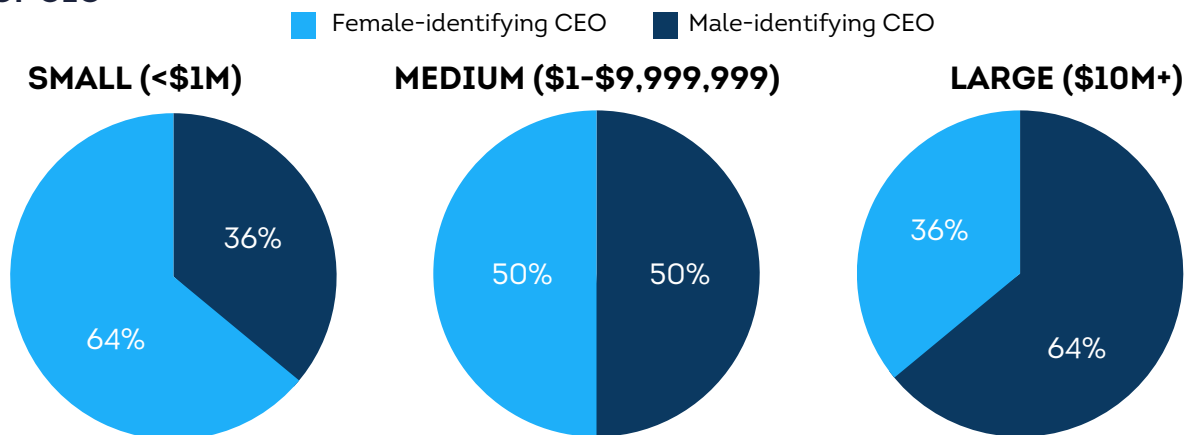
Organizational Leadership

BUDGET SIZE INFORMS GENDER OF CEO

Overall the data appears to show gender parity. However, by size of organization the data demonstrates that the larger operating budget your foundation has, the more likely your CEO will be a man. In fact, the inverse in percentages occurs as compared to small organizations. This data is consistent with findings of nonprofit organization leadership through The Nonprofit Institute Annual Survey of Leaders. No one reported a gender identity other than male or female.

FIGURE 18.

GENDER OF CEO



RACIAL/ETHNIC REPRESENTATION

Race/Ethnicity of Funder CEO Compared to San Diego County Population, 2023

FIGURE 19.

RACE/ETHNICITY COMPARISON

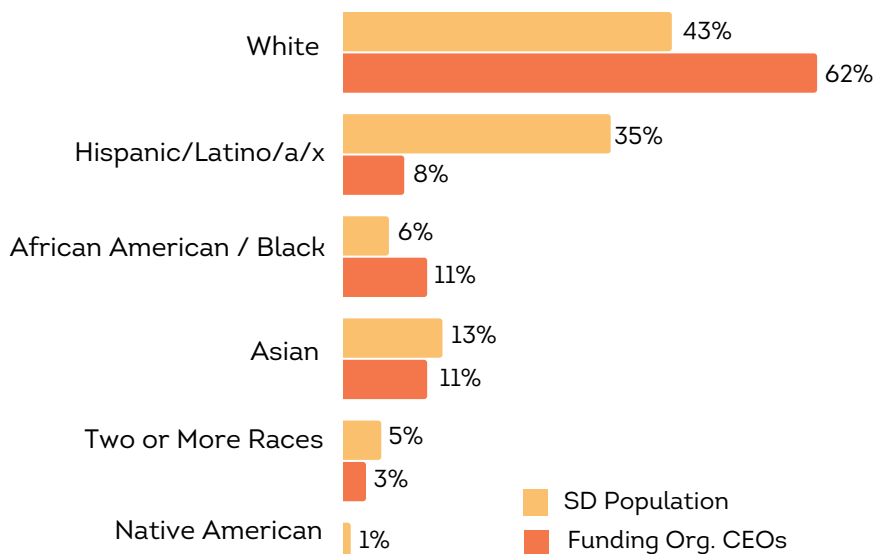
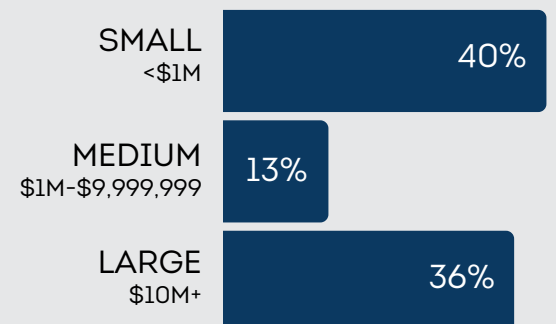


FIGURE 20.

LEADERSHIP BY SIZE OF ORGANIZATION

Percent of Funding Organizations with a BIPOC CEO by Org. Size

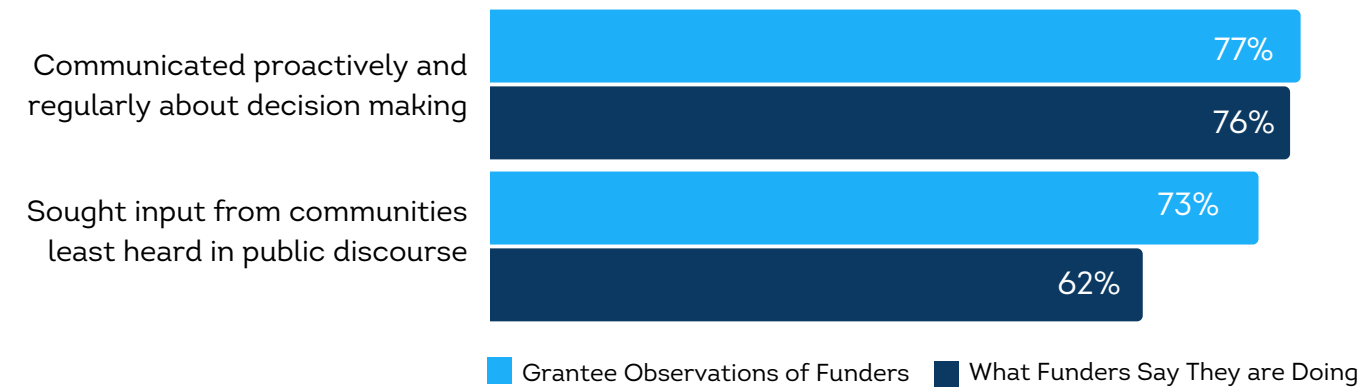


We Said, They Saw

In partnership with The Nonprofit Institute at University San Diego, we developed complementary survey questions of funders and nonprofits to gain a comparative understanding of perceptions of the support funding organizations provide. The news is promising: **Nonprofits are seeing the shifts in funding practices funders are reporting.**

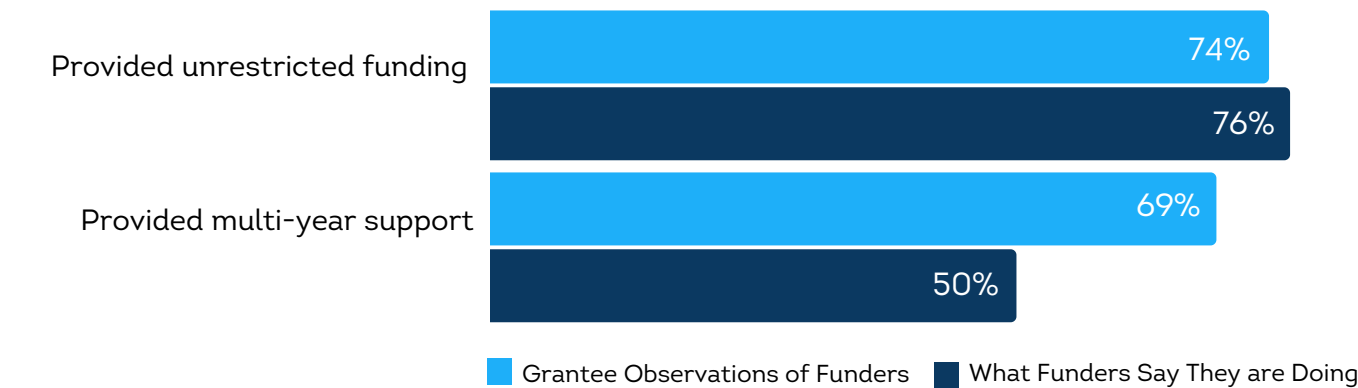
COMMUNICATING & LISTENING

Figure 21: Percent of Funders Who Reported Communicating and Listening to the Community Compared to Nonprofit Leaders' (Grantees') Observations



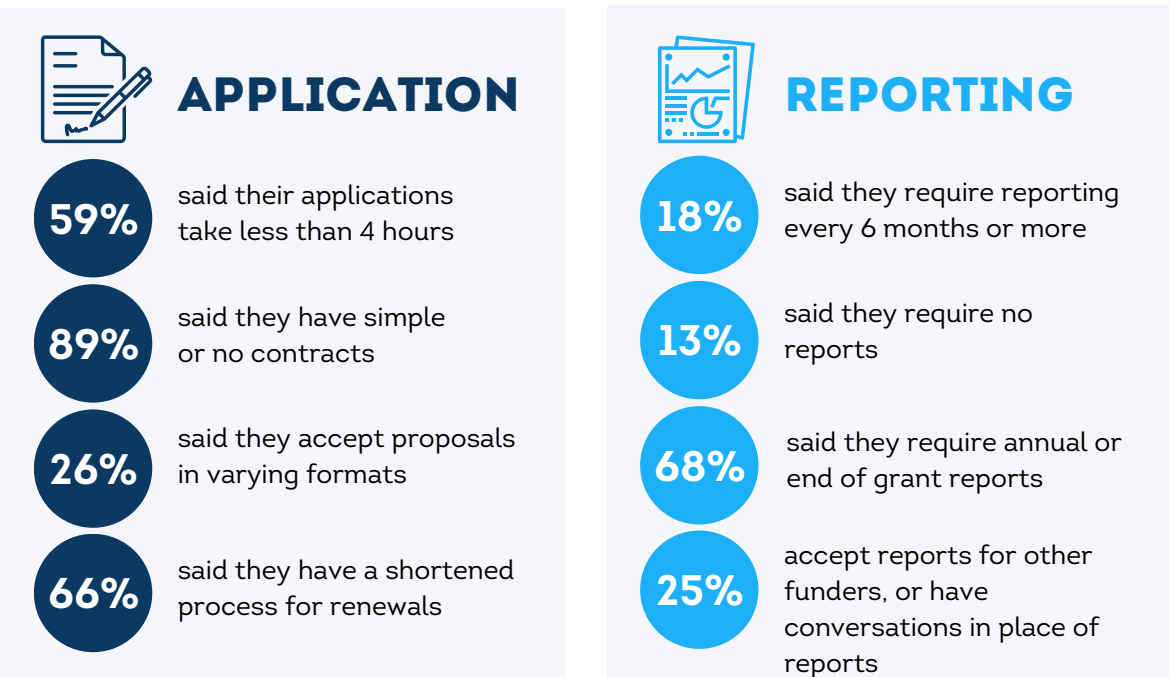
PROVIDING FLEXIBLE FUNDING

Figure 22: Percent of Funders Who Reported Providing Unrestricted Funding and Multi-Year Support Compared to Nonprofit Leaders' (Grantees') Observations



REDUCING PAPERWORK BURDEN

Two-thirds of nonprofit leaders have observed that at least some funders have shortened their applications and 58 percent have observed reduced reporting requirements. This mirrors what funders reported in terms of their application and reporting practices, as shown below.

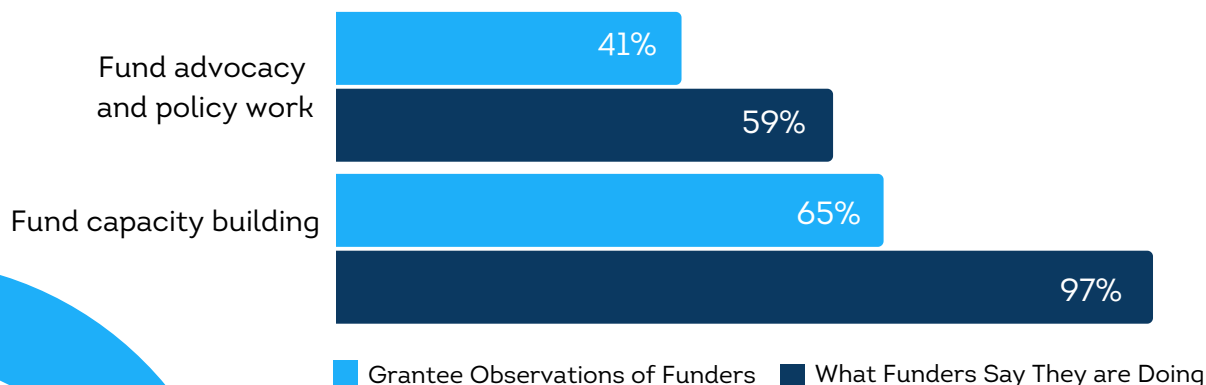


MIXED MESSAGES

More funders report funding advocacy work than we are seeing reported on the nonprofit side. In addition, 32 percent of nonprofit leaders report being unsure if funders fund advocacy and policy change. We saw a similar disconnect in capacity building, where nonprofit leaders observed far fewer funders that fund capacity building than funders reported. This points to a need for clearer communication.

FIGURE 23.

MIXED MESSAGES



Equitable Grantmaking Continuum

We plotted Pulse of the Practice data on the Equitable Grantmaking Continuum created by NonprofitAF.com and RVCSeattle.org to see where our region's prevailing practice in each category falls. We most commonly fall in a Level 2 Funder Category, which demonstrates advancement in the journey towards basing practices on a foundation of trust and equal partnership with grantees. Below you will see the prevailing practice from each category highlighted according to the level it falls under.

	LEVEL 1 FUNDER	LEVEL 2 FUNDER	LEVEL 3 FUNDER
FUNDING FOCUS	Race/ethnicity not taken into account	Some targeted focus	Majority funding to orgs. led by and serving communities or color and other marginalized community
ORGS. FUNDED	Only 501c3	Include fiscally sponsored projects	Fiscal sponsored, co-ops, groups w/out legal status
PAYOUT RATE*	5%, includes operating expenses	5-10%, does not include operating expenses	10%+, does not include foundation's operating
ORG. SIZE FUNDED	Only funds well-established orgs. w/proven track record	Mostly funds well-established/proven record	Significant support to smaller grassroots organizations
RESTRICTIONS	Mostly restricted grants	Some restricted, some unrestricted	All unrestricted grants
BUDGET TESTING	Won't fund >20% orgs total budget	Will fund 20-50% org. total budget	Will fund 50% or more, or doesn't budget test
GRANT DURATION	1 year or less	2 to 4 years	5+ years
APPLICATION	15 or more hours to complete	4 to 14 hours	Less than 4 hours
APP. FORMAT	Requires specific format	Allows different formats that all need to use	Allows varying formats
BUDGET REQUESTS	Funder provided template	Accepts budget format org. already uses	Doesn't require line-item budgets
MATCHING	Requires cash match from other sources	No matching required	Funder solicits other funders to match
DECISION TIMELINE	3+ months	1-3 months	less than 1 month
DISBURSEMENT	3+ months	1-3 months	less than 1 month
CONTRACTS	Requires new documents	Short contract with little added work on org.	No contract
REIMBURSEMENT	Payment is reimbursement based	Payment disbursed in installments throughout year	Up front payment, or up front at beginning of each year
REPORTING	Quarterly or more frequent	Every six months	Annual check-in
REPORT PROCESS	Funder-designed forms for budget and narrative	Short reports, no breakdown of funding	Accepts proposals written for other funders, or conversation based
RENEWAL PROCESS	Requires new app annually	Shorter apps to renew	Funding renewed via brief conversation / no application

METHODS

Sources, Limitations

Data in this report draw on three primary sources: The Catalyst Pulse of the Practice survey, The Nonprofit Institute Annual Nonprofit Leader Survey, and IRS filing data. Due to rounding and multiple selection options, some charts or tables may not add to 100%.

The Pulse of the Practice surveyed organizations and foundations whose funds help to support the Southern Border region. In total, 38 funders who provide funding in San Diego County and Imperial County participated, representing a sample who hold more than \$19B in assets and gave more than \$1B in 2021, including over \$432M that came from foundations located within San Diego and Imperial Counties. The survey was administered late summer and early fall of 2023, and relies on self-reported data from purposive sampling of senior level staff. The survey was designed to complement data collected through The Nonprofit Institute at USD's Nonprofit Leader Survey. USD's survey was limited to San Diego County nonprofits and did not include Imperial County in its sample. The combined effort offers a first-of-its-kind comprehensive view of funding and nonprofit practices in the Southern Border region.

THE NONPROFIT INSTITUTE

The 2023 annual survey of 193 nonprofits leaders collected information on nonprofits' demand for services, financial outlook, organizational capacity, leadership, and sector trends. The survey was administered online in July 2023 and is a convenience sample of the San Diego nonprofit sector. The survey is slightly over represented in Arts and Culture, Environment and Mutual Public and Societal Benefit nonprofits, and slightly underrepresented in Education and Health nonprofits. The survey sample also has an over representation of large nonprofits and an under representation of the smallest nonprofits. The survey does not include Imperial County.

IRS FORM 990 DATA

Data on foundation assets and total giving was supplemented by 2021 IRS Form 990, 990PF, 990-EZ, and 990-Nelectronic (eFile) returns. Data was collected via Candid.org. IRS data presented are from the most recently reported year, which in all circumstances was 2021 filing. When filing wasn't available, zero assets or giving were computed. For this reason, \$1B in giving and \$19B in assets is likely under representative of true total from sample.



Questions?
Contact us.

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