

# CREATING COMMUNITY: NAPA COUNTY NONPROFITS AT WORK



Revised January 2017



# ACKNOWLEDGMENTS

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Center for Volunteer & Nonprofit Leadership (CVNL) and the Napa Valley Coalition of Nonprofit Agencies (Coalition) would like to recognize the organizations that provided essential funding support for *Creating Community: Napa County Nonprofits at Work*. A study of this nature generates valuable information and has the potential to create significant positive impact on the nonprofit sector and the community it serves. We thank the following sponsors whose generosity made this study possible:

Napa Valley Vintners  
Napa County Health and Human Services Agency  
Collabria Care (formerly Napa Valley Hospice & Adult Day Services)  
OLE Health  
E. Richard Jones Family Foundation  
PG&E  
Syar Foundation  
United Cerebral Palsy of the North Bay  
Peter A. & Vernice H. Gasser Foundation  
Napa Valley Education Foundation

An advisory committee comprised of 31 leaders across the nonprofit, government, philanthropic, and business sectors supplied indispensable local expertise on Napa County and its nonprofit sector. This committee contributed ideas to the design of the study, offered insights on the implications of its findings, and provided recommendations that ensured the study was solidly grounded in the unique context of Napa County.

Very special thanks go to the hundreds of nonprofit leaders who participated in the study by providing detailed information through a survey and/or offering key insights through focus groups and interviews. It is their information and perspectives that make the study meaningful, and without their willing and generous participation, the study would not have been possible.

CVNL and the Coalition were pleased to work with Potrero Group to produce this report. With data collected from surveys, focus groups, interviews, and an analysis of existing datasets, we have provided a comprehensive profile of the Napa County nonprofit sector. We are confident that this study will have a significant positive impact on Napa nonprofits and the communities they serve.

# COVER LETTER

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Center for Volunteer & Nonprofit Leadership (CVNL) and the Napa Valley Coalition of Nonprofit Agencies (Coalition) are proud to deliver this study of Napa County's Nonprofit Sector, *Creating Community: Napa County Nonprofits at Work*. The report provides baseline information on the state of the nonprofit sector that community members—specifically funders, donors, nonprofit leaders, policy makers, and service providers—can access in order to more effectively address community needs.

Nonprofits contribute to a vibrant, thriving, and more equitable community. The sector includes organizations that provide social services as well as those working in culture, arts, education, environment, and advocacy, to name a few. Parent-teacher associations, 4-H clubs, and Scout programs are also nonprofits. With the sector touching nearly every aspect of civic life, a clear, current, and accurate understanding of the issues and trends affecting nonprofits is essential to supporting and strengthening the Napa community. Detailed information about the nonprofit sector can serve a variety of stakeholders, including nonprofit managers seeking to better understand the field, foundations that want to plan their program strategies, donors who want to know about nonprofits and what needs they are addressing, and policy makers and advocates concerned with provision of services.

This report reaffirms that the Napa County nonprofit community is robust and focused on the core needs of the community. Napa County nonprofit organizations enhance the quality of life, maximize civic engagement, and provide a lens through which to view the past and plan for the future. Nonprofits are a tool to channel the prosperity of the county to its places of greatest need and to support the cultural, health, educational, and environmental efforts that will keep the county vibrant into the future. The report includes recommendations outlining specific strategies for adapting to the county's changing demands and demographics.

We call upon everyone—philanthropic and public leaders, the citizens of Napa County, nonprofit leaders, and the business community—to read this report and utilize its recommendations as guideposts to engage, support, and impact nonprofits and our community. We are committed to aligning its strategies and resources to better support and continue to build the capacity of organizations in Napa County—and we encourage others to do the same.



Linda Jacobs Davis  
Chief Executive Officer  
Center for Volunteer &  
Nonprofit Leadership



Margaret Farman  
Board Chair  
Napa Valley Coalition of  
Nonprofit Agencies

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# INTRODUCTION

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Napa County is a diverse, growing county with a rich history and culture. Its nonprofit organizations are woven into the fabric of the community and enhance the quality of life, maximize civic engagement, and provide a lens through which to view the past and plan for the future. They are also a tool to channel the prosperity of the county to its places of greatest need and to support the cultural, health, and environmental efforts that will keep the county vibrant into the future.

In many respects, the nonprofit sector in Napa County mirrors the growth, challenges, and opportunities of the county as a whole. Nonprofits are continually affected by the changing economic climate, shifting government budgets, and increasing service demands. Isolated information from individual nonprofits does not provide a sufficient context for long-term planning, policy development, and funding decisions. Leaders must consider overall economic and demographic factors at work within the community, and they must strategize with government and the private sector to address gaps and needs. Organizations serving Napa County are in need of reliable tools to assist in setting priorities and in making collaborative and informed funding recommendations.

**By providing important insights into the sector, this report should stimulate discussion about the role of the nonprofit sector and how mutually reinforcing strategies among nonprofits, government, philanthropy, and businesses can help address important issues facing Napa County. Given the importance of the nonprofits to the health and vibrancy of the community, it is critical to follow this report with robust conversation and action that highlight the sector’s importance and strengthen its continued impact.**

The purpose of *Creating Community: Napa County Nonprofits at Work* is to help to close the information gap. Specifically, the study had three primary goals:

1. Provide an overview of the role and economic impact of the nonprofit sector in Napa County.
2. Generate baseline nonprofit sector data for Napa County for ongoing longitudinal and county-level analysis.
3. Stimulate dialogue and action and suggest strategies to strengthen the sector and its role in the community.

This report opens with a brief overview of Napa County’s nonprofit sector, followed by a discussion of its economic and social impacts. The subsequent section presents a discussion of opportunities for the sector. Finally, the last section presents recommendations for supporting the health and effectiveness of the sector.

## METHODOLOGY NOTES

This mixed-methods study included a detailed analysis of data from the following sources:

- 5-year IRS 990 Forms from 240 Napa County nonprofits
- A survey completed by 197 Napa County nonprofits
- Focus groups with 20 Napa County nonprofit leaders
- Interviews with sector experts
- Secondary data, including statewide and national reports on the sector

Because of the limitations of nonprofit data availability, it is impossible to obtain information on all nonprofit organizations in Napa County.<sup>1</sup> One of the benefits of the mixed-methods approach taken in this study is that it relies on expert opinions of nonprofit leaders to inform and enhance those areas where the quantitative data are unavailable.

This report does not include data from Queen of the Valley Medical Center or St. Helena Hospital, even though they are nonprofits. Napa Valley College and Pacific Union College were also excluded. Hospitals and colleges were not included in the analyses as they significantly skew the financial data because of their size and because they operate much differently from other nonprofits. However, it is important to recognize their contributions to the vitality of the sector. These organizations are considered a vital part of Napa County's nonprofit community; they participate in dialogue concerning the sector and advocate for the sector's needs. Last, organizations with the mission area of "grantmaking foundations" were excluded from this report, as they were not the focus of our data collection.

<sup>1</sup>For example, only organizations with annual budgets greater than \$50,000 are required to complete detailed reporting to the IRS. Further, most religious organizations are not required to submit financial information to the IRS. Since many nonprofits in Napa County fall into one of these categories, a detailed financial analysis of religious organizations and organizations with smaller budgets is not possible (and their impact is not included in this report). See Appendix B for a detailed description of the study methodology.

**FIGURE 1:  
STUDY COHORT**





# PROFILE OF NAPA COUNTY'S NONPROFIT SECTOR

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A nonprofit is a corporation that exists to provide public benefit. It is regulated by state and federal entities and governed by a board of directors who promote the organization's mission, raise funds for its work, and ensure that the organization complies with all applicable laws. While many nonprofits are run by volunteers, many have a large professional staff. Nonprofit leaders typically perform a variety of tasks including financial management, organizational leadership, service delivery, marketing/PR, and fundraising/donor cultivation.

It is nearly impossible to generalize about a "typical" Napa County nonprofit. The sector is diverse and includes over 600 organizations such as social service agencies, school support groups, 4-H clubs,

arts and culture programs, and environmental stewardship programs. Further, most Napa County hospitals, colleges, and churches are also nonprofits. This collection of organizations can be challenging to describe as a sector, since they vary greatly by size, reach, and mission. However, taken together, they provide enormous contributions to civic life and the local economy, are a significant source of employment, and create important bridges between government services, community members, and the private sector.

The following sections give a snapshot of the nonprofit sector in Napa County by area of focus, location of the organization, and location of the audiences served.<sup>2</sup>

<sup>2</sup>Tax-exempt organizations that are not classified by the IRS as 501(c)(3) organizations (such as employee associations and chambers of commerce) are excluded from this study. The study also excludes the following nonprofit entities, including some 501(c)(3) organizations: colleges and universities, foundations, sports leagues, and hospitals.

# SCOPE AND SIZE OF NAPA COUNTY NONPROFITS

The Summary Statistics table (Figure 2) gives a basic snapshot of the sector. These results track with national nonprofit data. Except where noted the data below was gathered from the survey results.

**FIGURE 2: SUMMARY STATISTICS OF NOTE**

Average tenure of ED/CEO: 6.6 years

**64%** of EDs/CEOs are over 50 years old

62% of EDs/CEOs are women

### Board Size

8.8  
MEAN | 8  
MEDIAN

### Age of Napa Nonprofits

26.9  
MEAN | 18  
MEDIAN

### Number of Employees\*\*

19  
MEAN | 0  
MEDIAN

### Annual Revenue+

\$1.6M  
MEAN | \$114K  
MEDIAN

**61%** of nonprofits report engaging in strategic planning in the last five years

**66%** of nonprofits report that board members are active in fundraising

### Languages spoken in the course of business:



Data Source: Survey

\*Many organizations are volunteer run which leads to the median number of employees equal to zero.

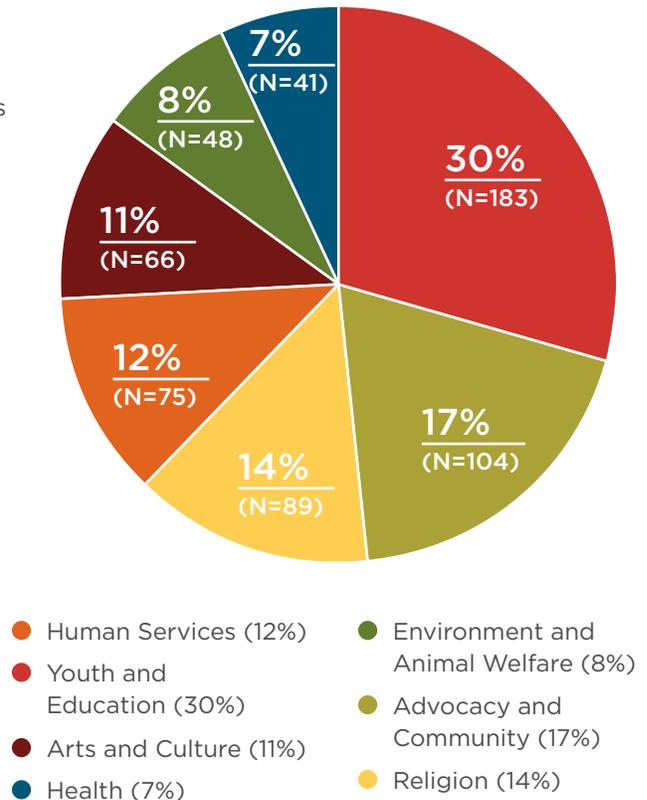
\*\*Number of Employees and Annual Revenue Data Source: Form 990

## SCOPE AND SIZE OF NAPA COUNTY NONPROFITS

The efforts of Napa County's nonprofits are well distributed among a variety of issues and interests in the community. Youth and education organizations are the largest category (30%). Many of these organizations are operating foundations and parent associations that support local schools and programs. The category does include private schools and academies but does not include any colleges or universities. Napa County also has a large number of advocacy and community organizations, accounting for 17% of Napa's nonprofits. These include operating foundations and fundraising partners that support local interests. The significant presence of these organizations suggests an engaged populace and highlights the many opportunities for citizens to engage in, and contribute to, the fabric of the community.

Complete descriptions of each service category can be found in Appendix B: Methodology.

**FIGURE 3: NONPROFITS BY SERVICE CATEGORY**



Data Source: Form 990

## PERCEPTION VS. REALITY: DEMAND FOR SERVICES

With more than 600 nonprofits operating in Napa County, public supporters may ask: *Why so many?* Some nonprofits in Napa County do provide similar services, but the services currently provided do not exceed the community's need. Of the Napa County nonprofits surveyed, 18% reported waiting lists for their services.

Napa County's nonprofits each fill niches within their subsectors. Because demand for services is high, multiple providers are often necessary in order to reach communities that are far apart or to reach different segments of the community (e.g., children, seniors, non-English speakers). Most survey respondents do not believe duplication is an issue among Napa County's nonprofits. Of those surveyed, 45% believe there is very little duplication of services and 51% believe there are often multiple service providers serving a similar client base, but that the total supply of services is not any greater than the demand for services.

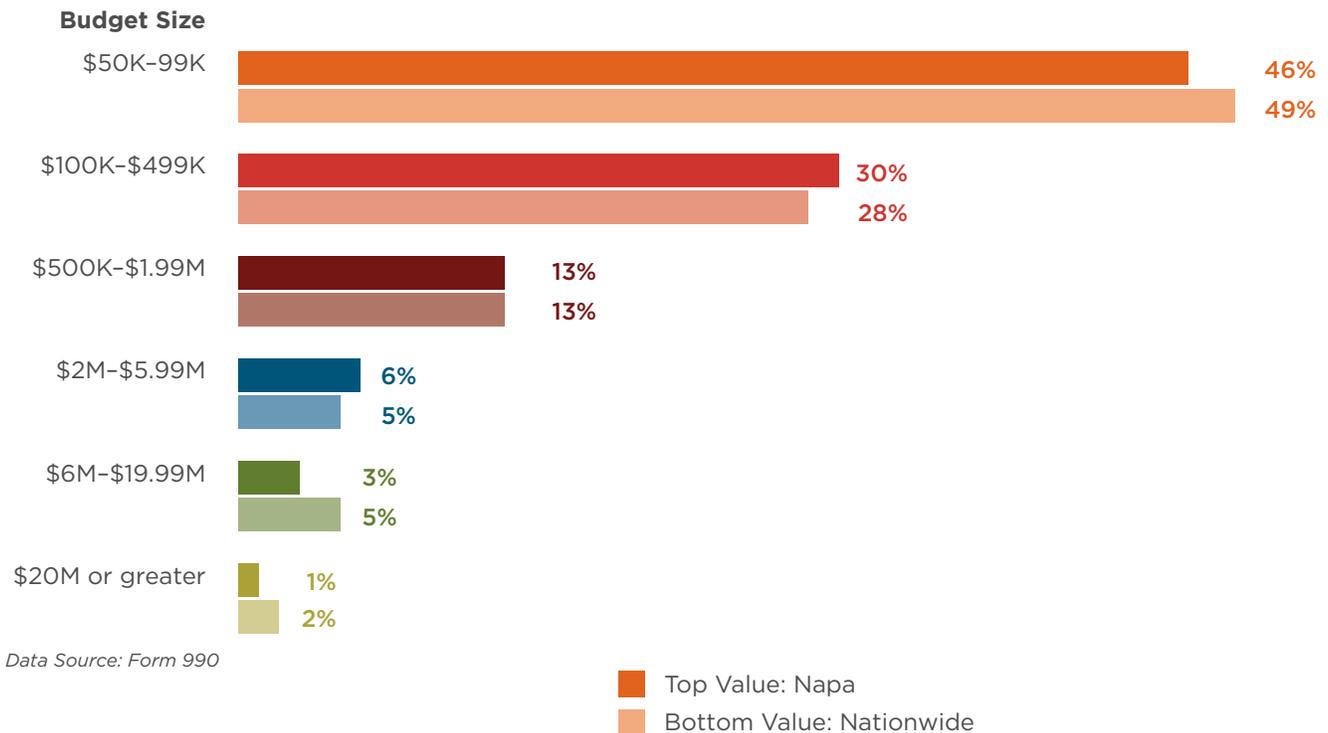
## SCOPE AND SIZE OF NAPA COUNTY NONPROFITS

The five most recent years of IRS Form 990 data from 240 nonprofits were analyzed for this study. About half of the nonprofits that report financial data have annual budgets that are less than \$100,000, and 77% have budgets under \$500,000. The distribution of Napa County nonprofits by budget size is similar to the distribution of nonprofits nationwide.

An additional 366 organizations were identified that are not included in the financial analysis because no detailed information for them was available.

In most cases, these organizations have less than \$50,000 in annual revenue—the threshold for filing a Form 990 requiring detailed public financial reporting. These nonprofits may be newly founded organizations. Some of these organizations may no longer be operating. Some may be long-established organizations, operating for decades, and making effective use of volunteer resources. Churches, synagogues, and other communities of faith are also not required to file a Form 990, regardless of their size.

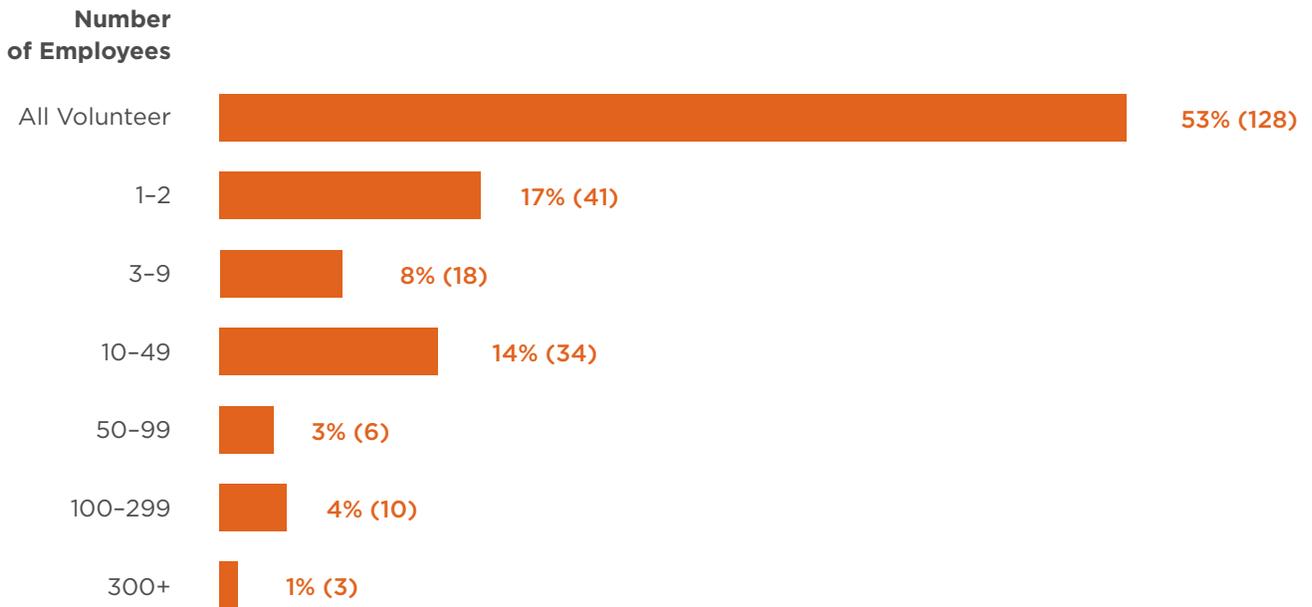
**FIGURE 4: DISTRIBUTION OF NONPROFITS BY BUDGET SIZE: NAPA VS. NATIONWIDE**



## SCOPE AND SIZE OF NAPA COUNTY NONPROFITS

Of those with complete Form 990 information, Napa County has 128 organizations that are entirely staffed by volunteers. Three organizations have large staffs of 300 or more. The remaining 109 organizations lie between these extremes, with the majority of these having 1 to 99 staff members.

**FIGURE 5: ORGANIZATIONS BY STAFF SIZE**



Data Source: Form 990

While Napa County’s nonprofits perform essential services within Napa County, it is important to note that the county’s nonprofits also play an important role statewide, nationally, and even internationally. This speaks to the talent pool in Napa’s nonprofit sector.

Significant resources from outside the county flow into Napa to support the work of its nonprofits. Twenty-nine percent of organizations surveyed report that they receive more than half of their revenue from sources outside of Napa County.

**FIGURE 6: REGIONS SERVED**

SUB-SECTIONS OF NAPA COUNTY	18%
COUNTYWIDE (ALL OF NAPA COUNTY)	45%
REGIONAL (NAPA COUNTY AND OTHER COUNTIES)	45%
STATEWIDE (THROUGHOUT CALIFORNIA)	15%
NATIONAL	13%
INTERNATIONAL	10%

Data Source: Survey

# ECONOMIC VALUE OF NAPA COUNTY'S NONPROFITS

Nonprofits are entrepreneurial: they exist to solve problems and fill gaps in the community, and they do so in creative and cost efficient ways. Nonprofits contribute to the economic vitality of the community by supporting a productive workforce with their services. The sector makes enormous contributions to the local economy through employment, wages, purchases and paying taxes. Additionally, much of the work of the nonprofit sector impacts local communities, and many organizations support vulnerable or underserved populations. When people are helped by a social service provider, they are able

to live more economically independent lives. This further reinforces the positive contributions of the sector.

The term *nonprofit* implies that the organization should not or does not generate surplus revenue, but this is neither true nor is it a requirement to achieve nonprofit status. Nonprofits can and must generate surplus revenue in order to be financially healthy, to have the flexibility to meet growing or changing community needs, and to provide effective and high quality services.

## ECONOMIC ENGINES FOR THE LOCAL ECONOMY

The nonprofit sector is an often overlooked driver of the economy. Nationally, nonprofits contribute over \$900 billion to the U.S. economy and represent over 5% of U.S. GDP (Urban Institute, 2014). In Napa County, nonprofits spend over \$372 million annually, totaling approximately 13% of the county's economic output. This does not include economic multiplier effects—a method often used to predict the ripple effects of an industry, which could easily double or triple the total economic impacts of the sector.

**\$372 MILLION**

Napa County nonprofits spent over  
\$372 million in 2014—  
**13% of the county's economic output.**

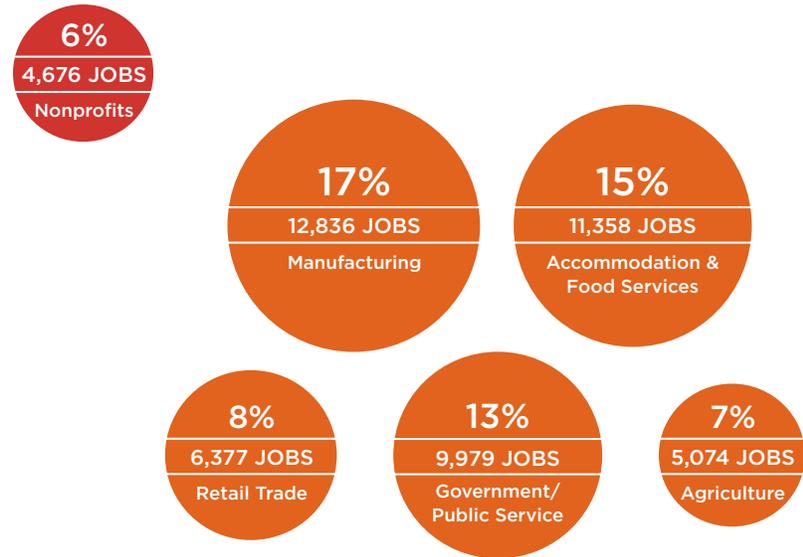
*Data Source: Form 990*



## ECONOMIC ENGINES FOR THE LOCAL ECONOMY

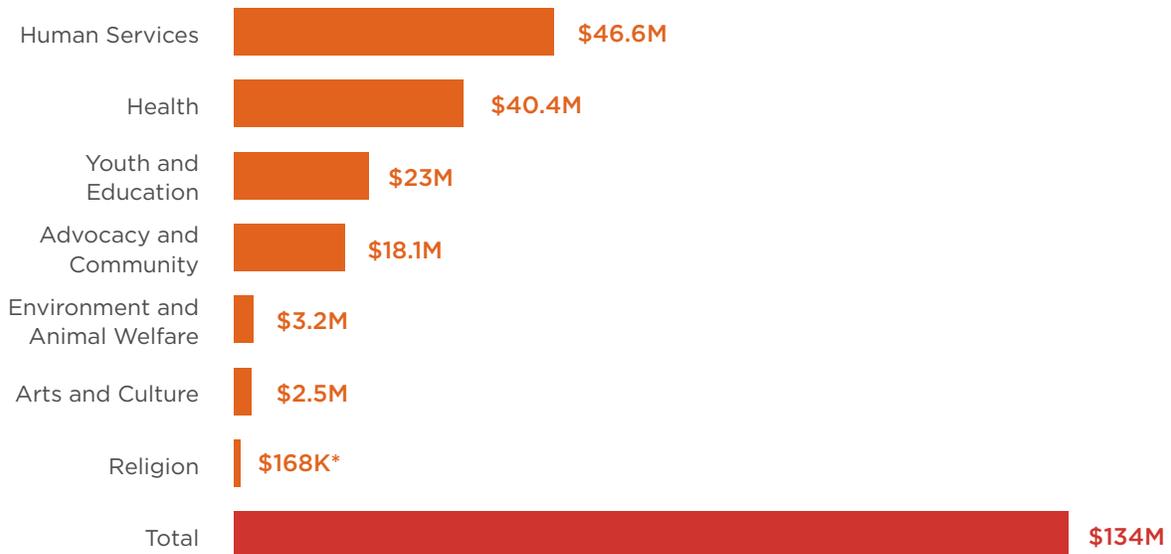
More than one-third of total spending for all nonprofits is in salaries, totaling \$134 million (2014 Form 990 data). Nonprofit sector employment accounts for 6% of all jobs in Napa County. According to the California Associations of Nonprofits' recent *Causes Count* report (a statewide study of the sector), 6.25% of all California jobs are in the nonprofit sector.

**FIGURE 7: NAPA NONPROFIT EMPLOYMENT**



*Note: Employment by specific sectors is provided for comparison purposes only; nonprofit jobs may be duplicated in other sectors. Data Source: EDD Industry Data/Workforce Investment Board.*

**FIGURE 8: AGGREGATE SALARIES BY SUB-SECTOR**



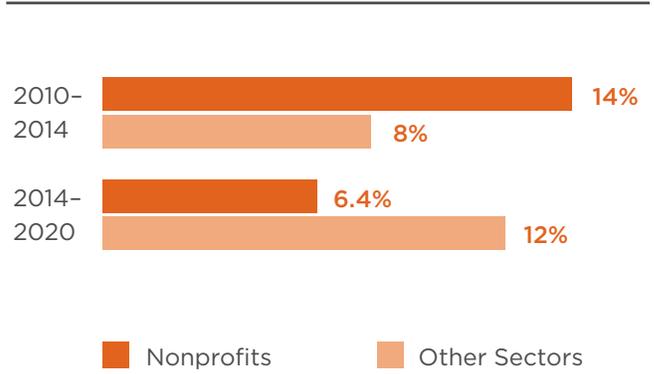
*Data Source: Form 990*

*\*Note: Most religious organizations are not required to report revenues or revenue sources.*

## ECONOMIC ENGINES FOR THE LOCAL ECONOMY

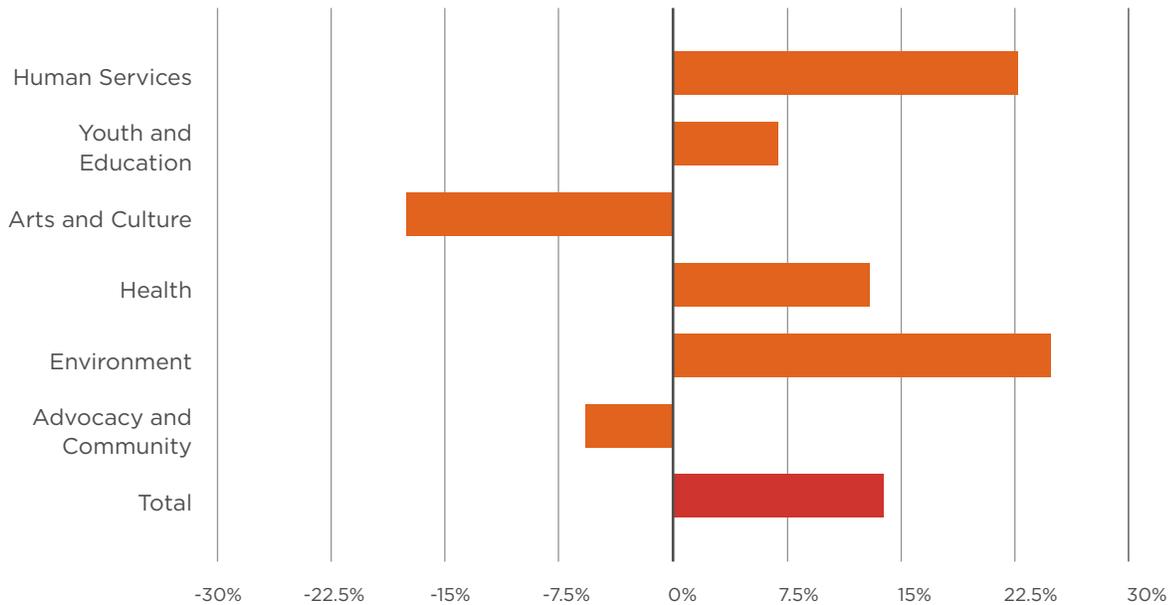
Napa County’s nonprofit sector job growth rate is 1.6% per year (Napa-Lake Workforce Investment Board, 2014). This is faster than the rate statewide and the rate in the Greater North Bay Region (both 1.4%). Napa County’s nonprofit employment growth rate is slightly higher than the county’s average in all industries except for healthcare. According to the same report, 543 new jobs will be created by the county’s nonprofit sector between 2014 and 2019, and approximately 760 additional jobs in this sector will need to be filled to replace workers who retire or leave the workforce. The largest growth will occur in museums, historical sites, and similar cultural institutions (10% annual growth over five years). The most modest growth will be in hospitals (0.4% annual growth over five years).

**FIGURE 9: NONPROFIT JOB GROWTH VS. OTHER SECTORS**



Data Source: Workforce Information Board

**FIGURE 10: NONPROFIT EMPLOYMENT GROWTH RATE BY SERVICE CATEGORY 2010-2014**



Data Source: Form 990

## ECONOMIC ENGINES FOR THE LOCAL ECONOMY

Another local economic contribution that nonprofits provide is volunteerism. Respondents to the survey reported more than 125,000 volunteer hours to their organizations in 2015. The economic value of this time exceeds \$3.35 million. This number is drastically under-reported, as it represents only a sampling of Napa County's nonprofits. According to the Corporation for National & Community Service, California residents volunteer 32.1 hours per capita annually, which is also the national average. Extrapolating from this figure, Napa County residents may contribute as many as 4.5 million hours of their time to nonprofits, an estimated \$106 million in economic value (Independent Sector values an hour of volunteer time at \$23.56).



## AVOIDED COSTS TO THE COMMUNITY

Nonprofits provide critical services that avoid current and later burdens on public services, saving money in the long term. These important services include preventive health services, violence prevention, early childhood education, counseling, employment services, and more. By proactively providing this assistance, nonprofits help society and taxpayers meet existing needs and avoid expensive costs later. Avoided societal costs represent a key economic value that nonprofits offer to the communities they serve. For example, if a family can be prevented from becoming homeless, the costs to society are much lower than the costs associated with homelessness, such as increased hospitalization, school disruption, lost wages, and substance abuse treatment. Similarly, for every \$1 invested in pre-kindergarten programs,

the avoided societal costs can be nearly \$9 (U.S. Executive Office of the President). The same is true in many other areas of social service.

In addition to the economic benefits of avoided costs, there are enormous social and emotional benefits generated by nonprofits. Having a place for children to go after school, being able to stay in one's home instead of becoming homeless, receiving hospice care—the economic value of “community wellbeing” provided by nonprofits is nearly impossible to quantify. Many nonprofits also prepare for future disasters, economic disruptions, and environmental changes. If and when these events do occur, the community will be better prepared and society will be less harshly impacted as a result of the work that the nonprofit sector is doing now.

# FINANCIAL STABILITY

## EXPENSES

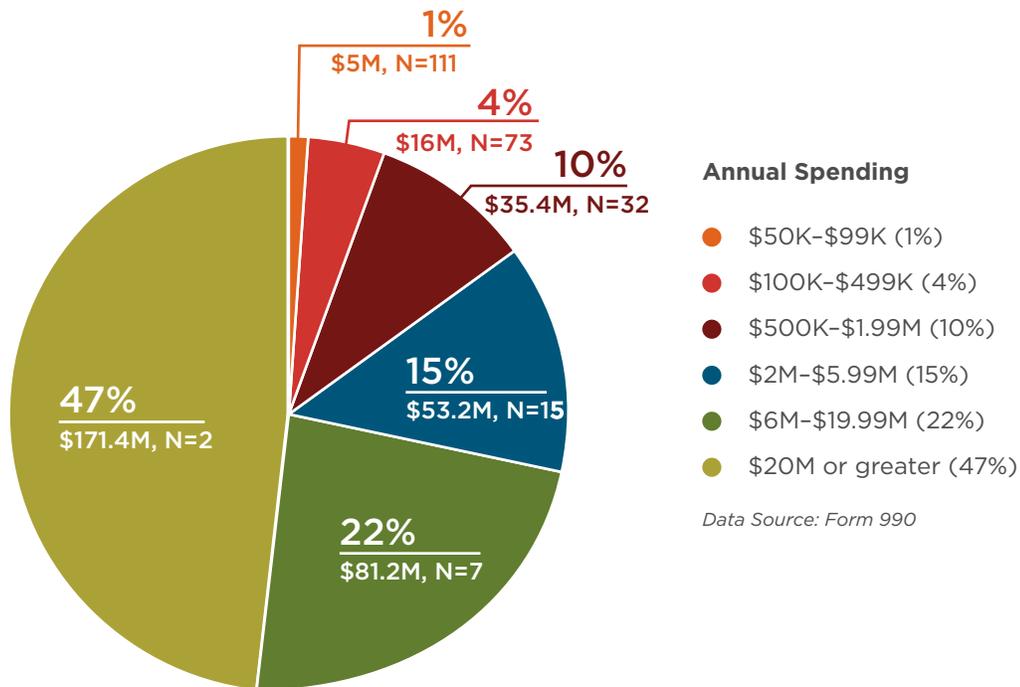
Mirroring national trends, small organizations account for the majority of nonprofits in Napa County, while a handful of large organizations dominate spending. This can be seen in Figure 11, which shows mean and median spending values. The median value reflects a typical organization's value. A mean value that is significantly larger than the median indicates that a few large organizations skew the sector average.

The majority of nonprofits (77% with expenses under \$500,000 annually) account for only 5% of total spending. The nine largest organizations account for 69% of all spending. The Human Services category is the largest subsector, accounting for 59% of all spending.

**69%**  
The nine largest organizations account for 69% of nonprofit spending.

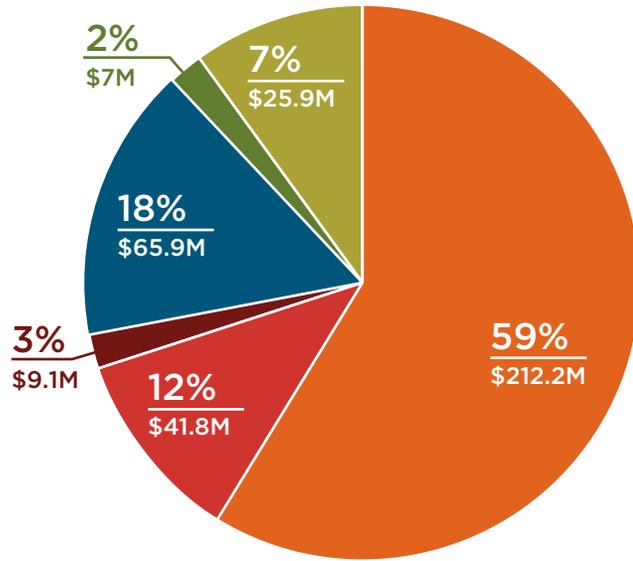
*Data Source: Form 990*

**FIGURE 11: TOTAL NONPROFIT SPENDING BY BUDGET CLASS (2014)**



**FINANCIAL STABILITY: EXPENSES**

**FIGURE 12: NONPROFIT SPENDING BY SERVICE CATEGORY**



**77%**  
of nonprofit spending is in two subsectors:  
**Human Services (59%)**  
**Health (18%)**  
Youth and education is the next largest subsector (12%).

- Human Services (59%)
- Health (18%)
- Youth and Education (12%)
- Environment and Animal Welfare (2%)
- Arts and Culture(3%)
- Advocacy and Community (7%)

Data Source: Form 990



## FINANCIAL STABILITY

### THE OVERHEAD MYTH

Overhead costs are a frequently discussed topic in the nonprofit sector. Overhead can include office space, utilities, and supplies, but also administrative support, professional development expenses, organizational strategy efforts, communications infrastructure, and other expenses that are not directly tied to individual programs but are necessary for a functional, sustainable organization.

There is a public perception that nonprofits with lower operating costs are more effective, and nonprofit leaders therefore often feel intense pressure to keep overhead costs low. This pressure is fueled by well-meaning funders and government agencies who wish to ensure that the majority of donations, grants, and fees-for-service go directly toward serving the public. This phenomenon (referred to as the *Overhead Myth*) can lead to nonprofits underinvesting in crucial infrastructure, staff costs, training, and operational support, which ultimately undermines even the best programs.

The reader is cautioned that overhead is not the best measure of effectiveness, efficiency, nor any other measure of quality. Many funders are addressing the Overhead Myth, working openly and collaboratively with organizations to fund the full costs of programs. For many nonprofits, a lower priority on administrative costs and fundraising makes it difficult

to sustain and improve operations, and does not allow organizations to invest in their future. Nonprofits need added capacity for organizational strategy in order to meet increases in demand, to protect against the uncertainty of government funding, and to build organizational sustainability.

Across all subsectors, Napa County's nonprofits spend 12% of their budgets on expenses other than program services, consistent with the statewide average. Government agencies, national labs, and universities have long recognized and charged appropriately for overhead costs. Typically, these overhead costs range from 30% to more than 75%. The dialogue on shifting toward a more realistic cost analysis is in its early stages in Napa County and is not yet reflected in the numbers documented in this report.

**88%** Napa County nonprofits spend 88% of their budget on program services (2014).

This percentage is consistent with the California nonprofit sector which spends 89% on program services.

*Data Source: Form 990*

### REVENUE

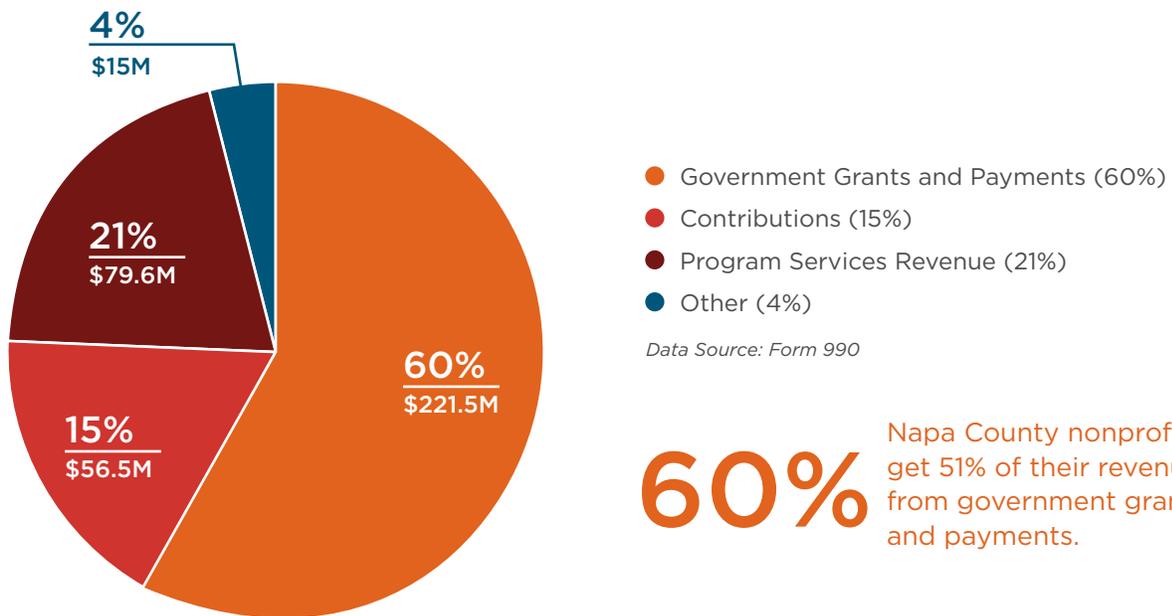
Reliable and diverse sources of funding are vital to the economic health of nonprofit organizations. A blend of program service fees, grants, donations, and other revenue streams allows nonprofits to tap into multiple networks of supporters and creates financial resilience. In Napa County, the blend of funding sources varies widely by organization size and by the type of service provided.

Similar to nonprofits elsewhere in the country, revenue is dominated by gifts from individual donors, government grants, and fees-for-services. Many respondents mentioned the importance of the Napa Valley Vintners and other organizations that raise the visibility of the nonprofit sector. Interviewees also mentioned the importance of continuing to stabilize and grow revenue (this will be discussed later, in the Opportunities and Challenges section of this report).

## FINANCIAL STABILITY: REVENUE

Napa County nonprofits as a whole receive 51% of their revenue from government grants and payments. Health organizations contribute to a large share of program service revenues, and they account for 58% of all nonprofit income. Other subsectors are more heavily reliant on contributions and on government grants and payments.

FIGURE 13: NONPROFIT REVENUE BY TYPE (2014)



### REVENUE TYPE DESCRIPTIONS

**Program Service Revenue:** Payment for goods and services provided by the organization, including payment provided by third parties.

**Contributions:** Foundation and corporate contributions, individual contributions, and membership fees.

**Government Grants and Payments:** Revenues received from government contracts for services, government grant payments, and Medicare and Medicaid reimbursements.

**Other:** Fractional sources that do not fit other revenue source categories. This includes investments, special events, and sales.

## FINANCIAL STABILITY: REVENUE

A detailed breakdown by subsector shows differences in revenue sources. The Health subsector is most reliant on program service revenue (65%). Youth organizations, the most prevalent category within the sector, receive revenues that are more evenly split between contributions (33%), government grants and payments (32%), and program service revenue (28%). Advocacy organizations receive 9% of their revenue from contributions, 80% from government grants, and very little revenue from other sources.

Arts and culture organizations and environment organizations are also heavily reliant on contributions (45% and 7% of their total revenue, respectively). Program services are another important revenue stream for arts and culture organizations (38%). Both arts and culture organizations and

environment also rely on a larger share of investment income (7% and 15% compared to 1-2% for all other subsectors). The exact reasons why these subsectors have a larger proportion of investment income is unclear. It may be because they have more significant endowments, or because they have smaller budgets overall (each of these subsectors represents only 2.5% of total nonprofit spending).

Not surprisingly, the human service category is the most heavily dependent upon government grants, which provide 83% of all revenue for this subsector. This is particularly important to note because when government cuts occur, these organizations are doubly stressed: their own budgets are hit hard at the same time that they are trying to meet increased demand caused by cutbacks to government services.



## FINANCIAL STABILITY: REVENUE

**FIGURE 14: NONPROFIT REVENUE SOURCES BY SERVICE CATEGORY (2014)**

Health Revenue		
Contributions	\$14M	20%
Government Grants	\$7M	10%
Program Services	\$45M	66%
Sales	\$.2M	0%
Special Events	(\$.3M)	0%
Investment Income	\$1.4M	2%
Other Revenue	\$1M	2%
<b>Total</b>	<b>\$69M</b>	
Human Services Revenue		
Contributions	\$16M	8%
Government Grants	\$180M	83%
Program Services	\$15M	7%
Sales	\$1M	1%
Special Events	\$.25M	1%
Investment Income	\$2M	1%
Other Revenue	\$.4M	0%
<b>Total</b>	<b>\$215M</b>	
Youth and Education Revenue		
Contributions	\$15M	33%
Government Grants	\$15M	32%
Program Services	\$13M	28%
Sales	\$.6M	1%
Special Events	\$2M	4%
Investment Income	\$.5M	1%
Other Revenue	\$.6M	1%
<b>Total</b>	<b>\$46M</b>	
Arts and Culture Revenue		
Contributions	\$4M	45%
Government Grants	\$.2M	2%
Program Services	\$4M	38%
Sales	\$.6M	1%
Special Events	\$.3M	3%
Investment Income	\$.6M	7%
Other Revenue	\$.4M	4%
<b>Total</b>	<b>\$9M</b>	
Environment and Animal Welfare Revenue		
Contributions	\$4M	58%
Government Grants	\$9M	11%
Program Services	\$1M	12%
Sales	\$.7M	1%
Special Events	\$.2M	2%
Investment Income	\$1M	15%
Other Revenue	\$.03M	3%
<b>Total</b>	<b>\$8M</b>	
Advocacy and Community Revenue		
Contributions	\$2M	9%
Government Grants	\$20M	80%
Program Services	\$2M	8%
Sales	\$.01M	0%
Special Events	\$.2M	1%
Investment Income	\$.2M	1%
Other Revenue	\$.3M	1%
<b>Total</b>	<b>\$26M</b>	

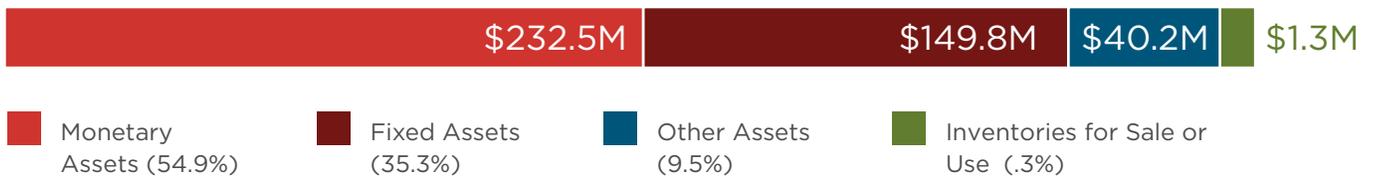
Data Source: Form 990

Note: Most religious organizations are not required to report revenues or revenue sources.

## ASSETS

Napa County nonprofits have more than \$512 million in financial assets. The 11 largest organizations account for 39% of these. Thirty-eight percent are in the Human Services subsector.

**FIGURE 15: NONPROFIT FINANCIAL ASSETS BY TYPE (2014)**



Data Source: Form 990

## ASSET TYPE DESCRIPTIONS

**Monetary Assets:** Any asset that can be easily converted into cash. This can include cash, short term investments, accounts receivable, and notes receivable.

**Fixed Assets:** Long-term assets that cannot easily be converted to cash. This usually references property, plants, and equipment.

**Other Assets:** Restricted funds or assets that are transitioning from fixed to monetary (e.g., a property that is in the process of being sold).

**Inventories for Sale or Use:** Tangible goods or products that are ready for sale.

## OPERATING CASH

About 80% of Napa County nonprofits are meeting their expenses; this has remained consistent between 2010 (79%) and 2014 (81%). This means that one in five nonprofits in Napa are operating at a loss. On average, nonprofits had an operating surplus of 2% of their expense budgets in 2014. This is a significant change from the recession year 2010, when nonprofits had an average surplus of just 0.5% of expense budgets.

Cash reserves are important for creativity and innovation as well as for weathering delays in payments, changes or uncertainty in government policy, and other unexpected events. Most nonprofit organizations in Napa County have cash reserves that meet the recommended minimum of

three months' operating expenses. Yet two large subsectors—human services and health—had the smallest relative surpluses in 2014 (0.5% and 0.2% of budgets, respectively). This suggests that budget pressures remain high for these service areas. Health organizations have an average of 2.5 months' operating expenses in cash reserves. Human Service organizations, however, average only three weeks' operating expenses in reserves. Cash reserves for human service nonprofits dropped by 36% between 2010 and 2014. Thirty-one percent of these organizations had fiscal deficits in 2010, and 38% had fiscal deficits in 2014. These figures suggest that many dipped into cash reserves to maintain core operations during the recession, and that the recovery has not yet restored a sustainable status quo.



# SOCIAL AND COMMUNITY VALUE OF NAPA COUNTY'S NONPROFITS

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In addition to the many economic benefits discussed in the prior section, Napa County's nonprofits add broad social and community value. Because nonprofits work closely with the community, they are often the first to experience key issues and stressors that may be missed by other sectors. They can raise awareness about which policies and interventions are most effectively (or ineffectively) addressing a community need, and they are flexible enough to fill gaps in existing systems as both governmental agencies and businesses respond.

## TRUSTED INSTITUTIONS

According to *Causes Count*, over 80% of Californians surveyed are confident that nonprofits act on the public's behalf and deliver quality services. Eighty-five percent believe that nonprofits exist to provide services to the needy and vulnerable, 79% believe that they improve quality of life, and 70% believe that nonprofits express community values and promote social change. While this study did not collect data from the public, many community leaders commented on the quality and reliability of Napa County's nonprofits.

Because of the trust the community has in nonprofits, coalitions are often able to come together to provide a continuum of care to vulnerable communities. For example, in the Napa County area, a coalition of more than 30 agencies is able to partner together for the *Healthy Aging Population Initiative* to support the senior community by:

- Assessing and identifying priorities for older adults in Napa Valley
- Building population-based, community-appropriate, and feasible plans to address identified priorities of seniors
- Forming partnerships and developing programs throughout the county working to improve, develop, and implement coordinated, integrated, and cost effective responses to needs
- Advocating for and supporting community, institutional, and governmental responses and policies that are appropriate to the specific needs of older adults

Partnerships like this one are possible because Napa County nonprofits are institutions trusted by the community and are willing to work together for the common good.

## COMPLEMENT TO PUBLIC SERVICES

The nonprofit sector sometimes supplements gaps in service created by changing policy. Nonprofits complement public services by educating, informing, and helping people access existing services. For example, when the government passed the Affordable Care Act (ACA), many people became eligible for services, many of the options were overwhelming, and delivery options changed. Napa County's nonprofit community helped fill the gap. They acted as health care navigators (helping people understand the changes and sign up for benefits), provided services that were not covered by ACA plans, and advocated for important aspects of the law to be strengthened. This is one of the many ways that the nonprofit community enhances the work of the public

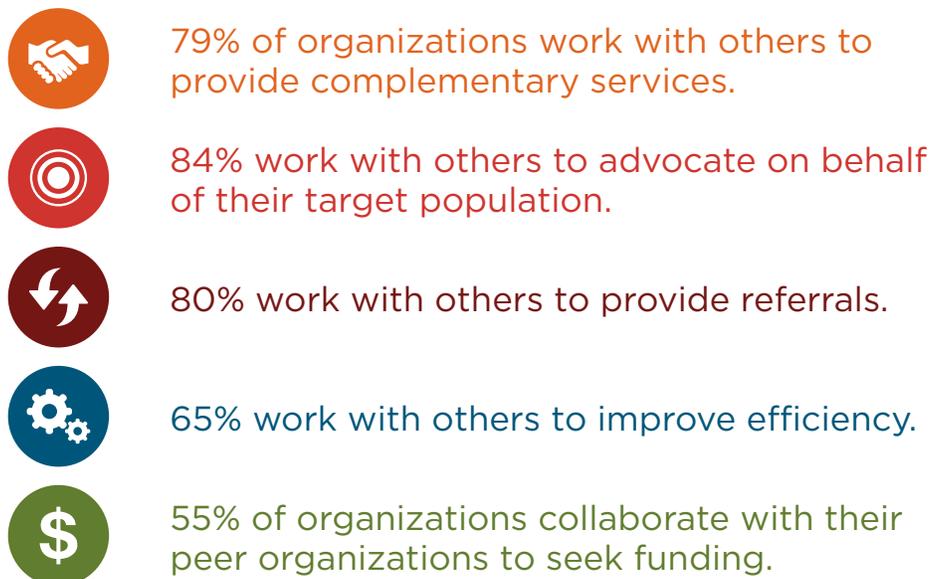
sector and ensures that benefits are realized at the community level.

Though nonprofits can help ease pressure caused by cutbacks in government and other sectors, this often exacerbates the capacity challenges nonprofits are already dealing with. However, the important benefits provided by nonprofits are not intended to replace government services, and they cannot reasonably achieve the same scale. A well-documented national trend shows that as pressure mounts on governments to curb taxes, they are shifting service burdens to nonprofit organizations (National Council of Nonprofits, 2015). This has been shown to be the case in many other California communities.

## COLLABORATE TO MEET CLIENTS' NEEDS

One of the strengths of the sector is that nonprofits often partner with other organizations and public agencies to meet the needs of individuals and families in the community. Many nonprofits regularly co-locate their services, provide seamless referrals, and combine communications to serve common audiences. This flexibility provides a great benefit to communities with overlapping needs. In interviews and focus groups, researchers found that Napa County nonprofits are very willing to work together, with the highest level of coordination taking place to ensure clients are served.

**FIGURE 16: NAPA NONPROFITS COLLABORATE TO PROVIDE SERVICES**



*Data Source: Survey*

Nationally, 51% of organizations surveyed by the Nonprofit Finance Fund “collaborate to improve/increase services,” a relatively constant figure for the last five years. This suggests that on average, Napa County’s nonprofits may be more likely to collaborate than nonprofits in other communities.

A majority (84%) of Napa County nonprofits collaborate to advocate for the clients they serve. In some cases, this means advocating for the needs of an individual client or family. Nonprofits can also be particularly effective in shaping local, regional, and state government policies to serve an entire group of people or interest area. Throughout this study, numerous examples of nonprofit advocacy were shared. From strengthening health and human

services to increasing arts literacy to improving schools, Napa County nonprofits are not only helping the lives of individuals, but are also working to change systemic issues of concern to the community.

Nonprofits are trusted community institutions; when nonprofits speak, the community often listens. As experts on the communities they serve, nonprofits can be invaluable partners to policy makers. However, some nonprofits are reluctant to fill this important role. Among focus groups participants, advocacy was identified as a top priority area for investment within the sector. With training on nonprofits’ responsibilities and limitations, board members and staff can increase their confidence to advocate on behalf of their community.

## PREVENTIVE AND SAFETY NET SERVICES

Like many communities across the U.S., Napa County is affected by changing demographics, economic conditions, and environmental stressors. The nonprofit sector is often in the best position to effectively respond to these changes. For example, in the near future, the population of Napa County will look different than it does today. The average age of the White, non-Hispanic/Latino population is increasing. Latinos now represent the majority of school-aged children. These demographic shifts may require changes in service delivery, requiring community leaders to coordinate more robust services for these populations. Napa County's nonprofits provide first-line care to some of the most vulnerable community members: the elderly, disabled, mentally ill, and people with substance abuse problems. Often Napa's nonprofits are the primary organizations serving these people with important care.

Another strong example of the nonprofit community's ability to provide services rapidly and creatively is their response to the recent natural disasters that hit Napa County and surrounding areas. After the 2014 American Canyon earthquake, over 25 local nonprofits quickly mobilized to give assistance, raise funds, and provide recovery for nearly 1,500 residents, businesses, and community organizations. Likewise, during the 2015 Valley fire, many nonprofit organizations provided relief to more than 900 families who had been displaced from neighboring Lake County. While a strong public sector response was necessary in both situations, the nonprofit sector was able to mobilize quickly and effectively to address immediate needs. Napa County's nonprofits are likely to continue to play a critical role in disaster preparedness and response in the future.

## PERCEPTION VS. REALITY: WEALTH IN NAPA COUNTY

Napa County, a region renowned for its wine and hospitality industries, is often characterized as a community abundant in resources and wealth. Focus group participants spoke to the fact that this "brand image" can hinder nonprofits' abilities to raise funds. The reality is that over one in four residents—including 10,000 children—live below 200% of the poverty line. The cost of living in Napa County is high, with a family of four needing between \$65,000 and \$77,000 to meet their basic needs for food, shelter, childcare, and

healthcare (Insight Center for Community Economic Development). Forty-three percent of families with children live below this threshold for self-sufficiency. Among Latinos, 51% live below the self-sufficiency level. There is a high academic achievement gap between children who are economically disadvantaged and children who are not. These inequities represent significant challenges that, left unaddressed, will undermine the overall strength of the Napa County community.

## A TIME OF RAPID DEMOGRAPHIC CHANGE IN NAPA

U.S. Census data indicates that the Hispanic/Latino population in Napa County has increased by 50% over the past 10 years. Over the same period of time, the non-Latino population has decreased by 10%. The Hispanic and Latino population in Napa County rose from 32.2% of the population in 2010 to 33.7% in 2014, while White, non-Latino, or Hispanic residents declined from 56.4% to 53.7%. Hispanics/Latinos have become the largest demographic group of school children in the county; they represent 46% of students in Napa County public schools.

**FIGURE 17: INCOME DISPARITY**



Napa County's percentage of senior citizens is higher than the state average, with 16.8% age 65 years or older, compared to 12.9% for California. In particular, Napa County's non-Latino population is rapidly aging and nearing retirement. Between 1990 and 2009, the number of non-Latinos over age 45 grew by about 8,000, and non-Latinos in prime working ages (25 to 45) fell by about 10,000.

**FIGURE 18: NAPA COUNTY: SENIORS AND DISABLED RESIDENTS**



# OPPORTUNITIES AND CHALLENGES

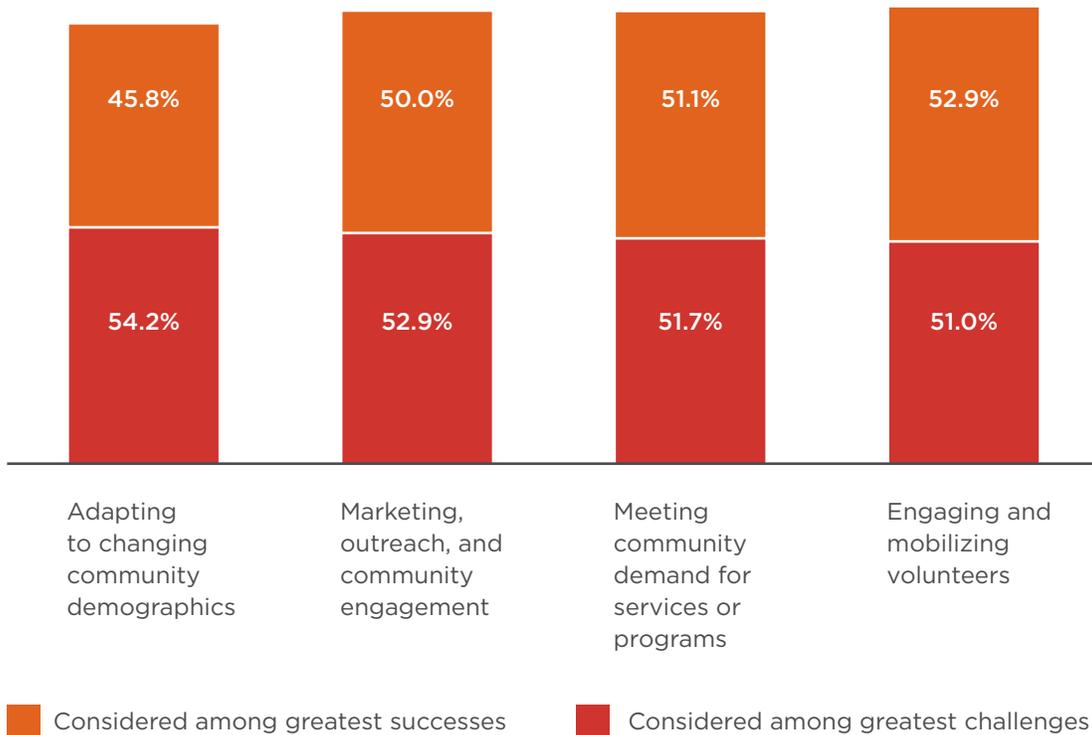
Meeting new service demands, adapting to changing demographics, engaging the community, and mobilizing volunteers are some of the sector’s greatest challenges, as well as its greatest successes. As such, Napa’s nonprofit sector is at a critical juncture. The ability of the sector to rise to changing social, environmental, and political dynamics is being tested.

The leadership strengths in Napa County’s nonprofit community contribute to a sector that is flexible, adaptive, and resilient to unexpected challenges. Napa County’s nonprofits report several strengths related

to organizational management. Among surveyed organizations, 80% cited governance issues, such as board management, among their greatest successes in the past year, and 60% cited recruitment and retention of staff. A large majority (76%) identified program innovation among their greatest successes, signaling that Napa County’s nonprofits continuously seek new ways to improve services.

Throughout the course of the study, many Napa County leaders shared areas of common concern and opportunities for improvement. Below is a summary of major themes.

**FIGURE 19: MIXED SUCCESSES AND CHALLENGES (SURVEY DATA)**



Data Source: Survey

## INCREASE FINANCIAL STABILITY

Since the recession, organizations have experienced increased demand for services, and that demand has not abated as the local and national economy has improved. Seventy percent surveyed in this study reported that demand for services in Napa County has increased over the past five years, and 80% anticipate increased demand over the next five years. Nationally, a majority of nonprofits have reported increased demand every year since 2008, confirming that communities across the nation are not seeing the benefits of an improved economy.

Funding adequacy is a central concern of Napa nonprofit leaders. Eighty percent of Napa County nonprofits are able to meet their expenses, but financial stability does not necessarily equate to financial strength. Only 41% of organizations describe their current financial status as “strong,” and only 50% of organizations describe their financial outlook as “strong.” Like other businesses, nonprofits are susceptible to local and national economic conditions. Stability, resilience, and the ability to meet unexpected community needs are important to the health of any nonprofit sector.

Though the majority of nonprofits anticipate increased demand over the next five years, only about two-thirds (67%) expect future funding increases for their organizations. Forty-five percent of nonprofits surveyed anticipate funding increases between 5% and 20% over the next five years, and 22% anticipate increases over 20%. Competition for limited financial resources is seen as a major challenge by 73% of Napa nonprofits.

In order to meet the rising demands and changing social and environmental conditions in Napa County, nonprofits will need to focus on ways to create financial sustainability. Like other professional

organizations, nonprofits will need flexibility in order to invest in their futures through program innovation, training, and professional development. They will need the security of multi-year funding to test new approaches and to invest in long-term strategies. Candid conversations with philanthropic, government, and other partners about the true costs of services and organizations’ larger financial and service goals will be the best way to help Napa County’s nonprofits continue to thrive.

Skilled development professionals and board members who are capable fundraisers are key to supporting a financially stable organization. There is a sense among interviewees that the nonprofit community in Napa County has underinvested in fund development staff and in training to grow their effectiveness. Interviewees also mentioned the need for help connecting with high net worth individuals and non-resident, second-home owners. Local foundations and other philanthropic groups can be critical to making these connections and highlighting the value of the work performed by the nonprofit community. Currently, Auction Napa Valley is very successful at building the profile of its grantees, and many recognize that their relationship with the organization has increased their capacity to fundraise.

At the same time, interviewees mentioned that the county’s philanthropic focus on events as a primary fundraising tool is a challenge. While donor events can provide much needed funds to nonprofits, they consume an immense amount of time and energy, often diverting focus from providing or enhancing key services. More opportunities remain to elevate nonprofits in the community, particularly those working outside the Napa Valley Vintners’ areas of focus.

# INVEST IN SUCCESSION PLANNING AND LEADERSHIP DEVELOPMENT

Leadership often makes the difference between an adequate organization and a great one. In the nonprofit sector, executive directors and CEOs are responsible for setting a compelling vision and inspiring their teams to accomplish outsized goals. Board members serve as more than passionate volunteers; they actively shape the organization's direction according to its mission, helping to ensure that the organization is adequately resourced and meeting its legal obligations as well as effectively serving the community.

Leadership development and succession planning are a concern among Napa County nonprofit leaders:

**77%** of Napa nonprofits do not have a succession plan.

Nearly half (46%) of organizations report current openings on their board of directors.

**64%** of nonprofit executive directors and CEOs are 50 years or older.

An estimated 1,300 positions at nonprofits will need to be filled between 2014 and 2019.

**54%** of survey respondents view developing future nonprofit leaders as a challenge.

The coming decade represents an enormous opportunity to invest in leadership development. Organizations across the nonprofit sector could benefit from assistance with succession planning, board recruitment, leadership training, and related essential skills.

In the U.S., about 3.6 million baby boomers are expected to retire each year for the next 15 years. A 2015 national survey by the Bridgespan Group found that one in four senior-level nonprofit leaders left their positions in the last two years, and that as many intend to leave their organizations within the next two years. If projections hold, the nonprofit sector will need to replace the equivalent of every senior leader position over the next 8 years. The Napa-Lake Workforce Investment Board estimated that Napa County nonprofits would need to train 1,300 new employees between 2014 and 2019 due to a combination of retirement and positions added.

Many nonprofit organizations cite their small size as a barrier to developing internal talent and creating pipelines to leadership. However, small organizations can still provide many opportunities to develop skills, since a large number of responsibilities are divided over a relatively small number of people.

Leaders in Napa County also recognize that the culture of the workplace is changing with the addition of a new generation of leaders. The Millennial generation, now a majority of the workforce, have different values and attitudes about employment. They prefer management structures with less hierarchy and more opportunity for decision-making earlier in their career. They expect to spend more hours at work, but that work will overlap more with their social and personal lives. They have a higher expectation that their employers will make socially and environmentally responsible choices, and they believe they can do well by doing good. The next generation of nonprofit and philanthropic leaders represents a constituency that is innovative, passionate, networked, and well versed in collaboration. Leadership development can and should incorporate the new approaches and unexpected service models that these engaged individuals bring to the sector.

Data Source: Survey

## ADDRESS AFFORDABLE HOUSING CRISIS

Affordable housing has been reported by nonprofits nationally as the top community need for the last two years (The Nonprofit Finance Fund State of the Sector Survey). The effects of a difficult housing market have also been felt in Napa County. Migration Policy Institute's *Profile of Immigrants in Napa County* reports that "Many Latino immigrants experience housing hardship in the form of crowding and high rent or ownership burdens; others commute from neighboring counties where housing is less expensive." Place-based services are becoming more complicated to provide, given that individuals and families increasingly live, work, and send their kids to school in different communities. Additionally, homelessness is perceived by local leaders to be a growing problem that is currently not well addressed.

Napa County's nonprofit workforce is also stressed by a lack of affordable housing and related transportation issues. Sixty-five percent of survey respondents believe that limited access to local, affordable housing makes hiring staff challenging, and 53% believe that transportation issues, such as long commute times and limited access to public transportation, has the same negative impact on hiring.

A shrinking hiring pool may ultimately lead to a decline in quality and effectiveness of Napa County's nonprofits. Many organizations with large, client-facing operations find the rising cost of living to be a pressing issue. Many leaders in interviews and focus groups voiced growing concern over talented staff who have moved to Fairfield, Vacaville, and Vallejo (thus also exacerbating an already difficult traffic problem). Volunteer and smaller organizations employing 1 to 2 individuals (more than 70% of Napa County nonprofits) may not be experiencing this as acutely, but the ability to recruit qualified and effective individuals is crucial to smaller organizations in the longer term.

Because housing affects nonprofits in multiple ways—as service providers and as employers—this may be one policy area where coordinated strategy among philanthropy, nonprofits, and civic leaders could be beneficial to the sector as a whole.

65%

believe that limited access to local, affordable housing makes hiring staff challenging.

Data Source: Survey



# CONCLUSIONS AND RECOMMENDATIONS

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Napa County's nonprofits play a critical role in the county, contributing to the region's economy and meeting important community needs. The sector demonstrates agility and commitment to their missions in response to increasing demand for services. Partnerships like *Live Healthy Napa County* and others have demonstrated resourcefulness and creativity, forging partnerships and developing new ways to create impact and raise funds.

While the majority of Napa County's nonprofits are stable, they are experiencing stress. Nonprofit leaders who participated in this study expressed concern about pressures to maintain artificially low overhead costs, challenges in providing adequate staff compensation and benefits, the cost of living in Napa County, responding to shifting demographics, and preparing for increased demand in the community. They also cited challenges in providing professional

training and helping the community understand the importance of the work they do to sustain the quality of life in the county.

This study provides an opportunity to reflect on how the sector can become stronger, more financially sustainable, and address longstanding capacity issues. It is our hope that philanthropic, governmental, business, and community leaders will step up to the table and enhance the important work of the sector. Recommendations for how to address key issues and strengthen the sector are summarized below. These recommendations follow from the data presented in this report, extensive conversations with members of an advisory committee representing key leaders and experts on Napa County's nonprofit sector, and on trends and strategies emerging from research in the nonprofit sector nationwide.

## CONCLUSIONS AND RECOMMENDATIONS

### **1 | Increase community investment in nonprofit infrastructure and training in leadership development, board member skills, and financial management.**

The nonprofit sector underinvests in infrastructure because of intense pressures to keep costs low and to ensure that maximum benefits flow to community stakeholders. The result is that nonprofits often do not pay competitive salaries, staff feel overwhelmed, and the sector does not maximize services to the community. As this report shows, the nonprofit sector has specific needs in order to continue serving the community effectively. In particular, nonprofit leaders need multi-year funding, flexibility in funding, and the ability to adequately fund overhead costs and train staff.

To help with this need, public and private funders should support higher overhead costs and provide unrestricted grants to allow for more funding to support critical infrastructure development. Further, the philanthropic community should encourage more robust professional development training in the nonprofit field, which is commonly provided to professionals in business and government. The demands of leading a nonprofit are significant and leaders must be equipped with top-notch skills in leadership development, organizational strategy, and financial management. Often these skills are learned on the job rather than delivered in a professional setting with peers. Providing better infrastructure support will benefit everyone: the nonprofits, those served, and Napa County as a whole.

### **2 | Raise the community's understanding of the immense economic and social value that the nonprofit sector provides to the community—and advocate for its needs.**

This report details much of the value provided by the nonprofit sector, but this value is not well known to the community at large. Because so much of the quality of life in Napa is protected and enhanced by the nonprofit sector, it is critical that the community know the importance of the sector. Nonprofits need to advocate for and promote their work.

When the sector's value and needs are better communicated and articulated by nonprofit leaders, other community leaders in Napa County will be better equipped to bolster their message. This study marks an important first step to communicate the sector's value and needs. Key funders, government leaders, and philanthropists can amplify the message that nonprofit leaders are professionals just like business and government leaders, and need to be offered competitive salaries, benefits, and retirement compensation. Nonprofits also need to understand their true costs and work with funders to break the Overhead Myth mentioned earlier in this report.

## CONCLUSIONS AND RECOMMENDATIONS

### **3** | Expand the sector's philanthropic capacity, reach, and focus.

Nonprofits need to hire highly qualified development professionals and provide development training throughout their organizations—including for their boards. When an organization invests in building its philanthropic capacity, it can seize creative opportunities to build financial sustainability for its organization. Outside the community, Napa County faces a perception of relative wealth and abundance. For this reason, it is especially important to have knowledgeable, skilled development professionals who are aware of the broader philanthropic landscape of the Bay Area and California, are equipped to raise awareness about the community's needs, and are supported to build long-term relationships in the philanthropic community.

There are a number of ways that philanthropic leaders and local foundations can use their position to attract resources to nonprofits' efforts and also draw attention to specific issues such as homelessness or affordable housing. By taking a strong public stance, trusted institutions and community leaders can direct local donors to those organizations working closest to key issues. This will mobilize significant philanthropic investment toward the community's most timely and pressing needs.

### **4** | Continually assess current and projected needs of the community.

Nonprofits are often in the best position to help meet the challenges of shifting demographics, economics, and environmental conditions, but they need support and alignment from county government, business, and philanthropic leadership in order to invest strategically. When all sectors are continually aware of the changes taking place in the community, stakeholders can make better philanthropic decisions. Recent work conducted for *Live Healthy Napa County* is a good example of a large-scale, public-private partnership to better understand and address population health needs. Continued communication about current and projected needs will help bring philanthropic investment to the sector—from both within and outside Napa County. County government and philanthropic leadership can be critical in driving this work forward.

### **5** | Influence policy through advocacy for the sector and the stakeholders it serves.

The nonprofit sector is often busy providing services and is not typically known for advocacy work. Yet, because of its deep knowledge of community, it can serve a vital role for advocacy for the most vulnerable members of the population. Further, the sector needs to educate and advocate for itself and the important role it plays in helping support the community. Nonprofit boards need training in effective advocacy in order to drive this work on behalf of community stakeholders. The local, state, and regional community needs to understand the importance of advocacy to the sector's work, and encourage philanthropic support and training in this area.

# APPENDIX A: ACKNOWLEDGMENTS

Potrero Group thanks the following individuals and organizations for their time and expertise in support of this project.

## STEERING COMMITTEE

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Jennifer Stewart, Napa Valley Education Foundation  
U.S. Congressman Mike Thompson, California District 5  
Dr. Cindy Toews, St. Helena Unified School District  
Mark van Gorder, Pacific Gas and Electric Company  
Bruce Wilson, Napa County Workforce Investment Board  
Nancy Watt, Napa County Executive Office

## APPENDIX B: METHODOLOGY

The research methodology included:

- Literature review, including a detailed review of state- and nationwide studies and related publications
- Analysis of IRS Form 990 financial data
- Development, distribution, and analysis of a comprehensive online survey
- Interviews with a select group of nonprofit leaders
- Focus groups with a select group of nonprofit leaders

An advisory committee representing philanthropic, nonprofit, business, government, and community leaders provided input on the study findings and process.

In conducting this study, a total of 606 public charities that provide services within Napa County were identified. These organizations qualify for federal tax-exemption under IRS code 501(c)(3); in this report, the term “nonprofits” refers to this definition. Foundations were not included in the data collection. Sources for this list included GuideStar, the Foundation Center, CVNL, and the California Association of Nonprofits. A master list was vetted to eliminate duplication, remove non-public charities, and remove organizations not serving county residents.

The research team searched three public databases for financial data, specifically IRS Form 990 (annual IRS reporting document) contents for these organizations over the five-year period of 2010-2014; GuideStar, The Foundation Center, and the State of California Tax Exempt organizations database. In addition, Potrero Group searched for email contact information for each organization through GuideStar, The Foundation Center, organizations’ websites, and contacts of the Steering Committee. The research team then assigned a unique ID number to each organization and coded each organization for service category, specific subsector, and budget category, according to the following tables.

The advocacy and community category is a particularly broad one. Whenever possible, organizations supporting a particular sub-category were coded to that category instead of the more general “Advocacy and Community” category. This is to show the impact of the particular sub-categories of the sectors in Napa County.

## APPENDIX B: METHODOLOGY

### DESCRIPTION OF NONPROFIT SERVICE CATEGORIES BY SUBSECTOR

<b>Human Services</b>
Housing
Social services (families, seniors, etc.)
Employment, job development
Food assistance, nutrition
Recreation, sports, leisure
Multipurpose
Other
<b>Youth Education</b>
Early childhood education, care
Youth development, mentoring
School-based education
Community-based education
Parent-teacher associations
Libraries, friends of
Research institutes, etc.
Recreation, sports, leisure
Other
<b>Arts and Culture</b>
Museums
Performing arts
Arts education, promotion
Humanities
Writers support, education
Historical preservation
Other
<b>Health</b>
Hospital
Medical clinic
Mental health
Dental health
Medical research, disease-specific support
Hospice
Health education, wellness
Other

<b>Environment and Animal Welfare</b>
Environmental conservation
Environmental education
Environmental advocacy
Sustainable communities, lifestyle
Animal welfare
Other
<b>Advocacy and Community</b>
Social action, advocacy
Community development, capacity building
Criminal justice, legal, civil rights
Public safety, fire response
Fraternal organizations
Fundraising support organizations
Disaster preparedness, response
Multipurpose
Other
<b>Religion and Communities of Faith</b>
Churches, synagogues, etc.
Spirituality
Other

### BUDGET CLASS CODES

Code	Description
VS	Very Small, <\$100k annual expense (2014)
S	Small, \$100-\$499k annual expense
M	Medium, \$500k-1.99M annual expense
L	Large, \$2.0-5.99M annual expense
VL	Very Large, \$6.0-19.99M or greater annual expense
XL	Extra Large, \$20M or greater annual expense

## APPENDIX B: METHODOLOGY

### FINANCIAL DATA ANALYSIS

This study of the nonprofit sector aimed to collect information on organizations that generally compete for attention among donors and volunteers. Organizations with business models that are significantly different from the majority of nonprofits make some comparisons inappropriate. Therefore, the steering committee agreed on the following additional criteria:

- Only IRS designated 501(c)(3) organizations would be included
- Colleges, universities, and hospitals would be excluded

An initial list of 606 nonprofit organizations were identified as registered and operating in Napa County. To be included in the master list, an organization had to be on at least two of the following databases: Guidestar's list of nonprofit organizations, The Foundation Center's list of nonprofit organizations, and the State of California's list of tax exempt organizations.

Potrero Group examined data from 2010 through 2014 for as many Napa County nonprofits as possible. Financial data was available for 240 nonprofits completing the following versions of the form: 990, 990PF, 990EZ. This excluded organizations that filed version 990N (those entities that had annual income under \$50,000). It is also of note that churches and church-based organizations are exempt from filing a tax form with the IRS. This means that financial information was available for very few religious organizations.

For several analyses Potrero Group averaged available data over the five-year period. For other analyses, we either examined 2014 data or compared 2014 to 2010 data to observe changes over time. Organizations have varying fiscal years, and we assumed data for these years had random variations with respect to the covered time period. We also assumed that this should not bias conclusions on trends in the overall population. Similarly, organizations have varying accounting methods within generally accepted accounting standards; we assumed that these variations are random, and should not bias general conclusions. Where 2014 or 2010 data was unavailable for a specific organization, the closest year's available data was used. In several select cases where specific large organizations had unusual financial characteristics that skewed data for a particular year, adjustments were made to reflect the typical pattern by using adjacent years' data.

### ONLINE SURVEY

Of Napa County's registered nonprofits, 441 organizations were identified that had an active email account. A 95-question online survey was sent via email to these organizations. One hundred and ninety-seven organizations provided a full or partial response to the survey request, a 45% response rate. For a complete list of survey questions contact CVNL at [www.cvnl.org](http://www.cvnl.org).

### INTERVIEW AND FOCUS GROUPS

Individual interviews with 12 nonprofit, government, and business leaders in Napa County contributed key insights about current nonprofit practice. The purpose of the interviews was to explore the assessments of the nonprofit sector held by funders and other key voices in the community. The interviewers asked broad strategic and sector-related questions and provided time for open dialogue. The process targeted individuals from the philanthropic and foundation community or those with leverage or influential positions related to the sector. Interview comments and themes were aggregated and used as a lens to view broader study results and assessments.

Three focus groups were conducted in February 2016 to test findings and assumptions from the research phase of the study. Focus groups each consisted of 4-12 organizational leaders (executive directors or board leadership from organizations without staff) and focused on the broader state of the sector. Each group considered the needs and challenges of the sector as a whole as well as specific subsector or issue areas that arose from the discussion. Groups also identified ways in which the study could support sector development and strengthen collaboration and growth.

### ADVISORY COMMITTEE

To gain perspective and to validate emerging themes and trends in the data, an advisory committee of 31 members was assembled from nonprofit, government, and business leaders in Napa County (see Appendix A). This committee met twice in person over the course of the study to help launch the study, engage the community, and provide suggestions for refinement or further assessment.

## APPENDIX C: RESOURCES CONSULTED

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