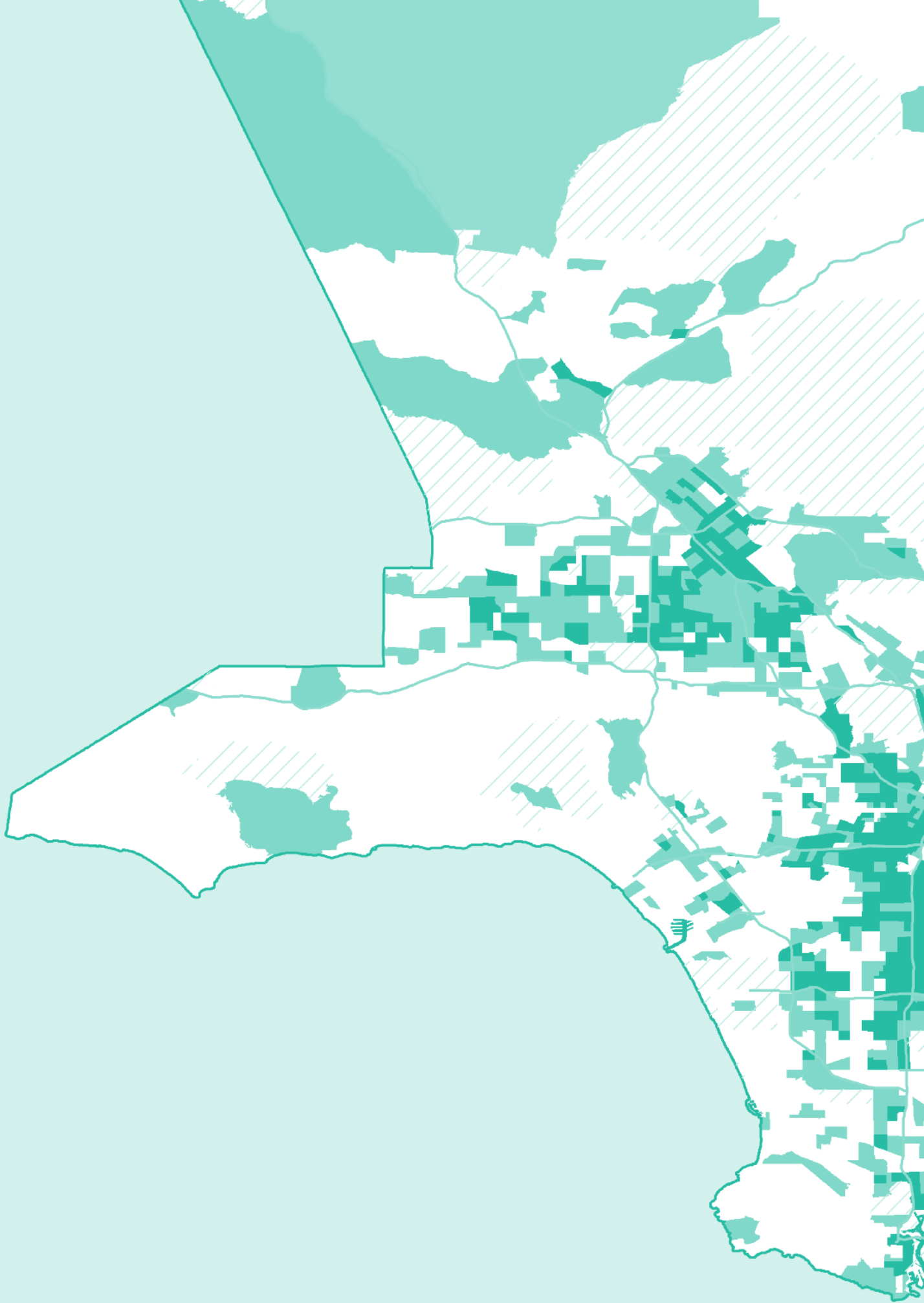




SPREAD THIN:
HUMAN SERVICES ORGANIZATIONS
IN POOR NEIGHBORHOODS

2013 THE STATE OF THE NONPROFIT SECTOR
IN LOS ANGELES REPORT



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2013 THE STATE OF THE NONPROFIT SECTOR
IN LOS ANGELES REPORT

Authors

Yehekel "Zeke" Hasenfeld

Mindy Chen

Eve Garrow

Bill Parent

Managing Editor

Jocelyn Guihama

**SPREAD THIN:
HUMAN SERVICES ORGANIZATIONS
IN POOR NEIGHBORHOODS**

The 2013 State of the Nonprofit Sector in Los Angeles Report

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Los Angeles, Luskin School of Public Affairs, 3250 School of Public Affairs Building, Box 951656,

Los Angeles, California 90095-1656.

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We want to thank Dr. HJ Kil for undertaking the challenge of creating a census of human services nonprofits, which he used to design the maps that appear in this report and to develop the sample for our survey.

We would also like to thank the staff of two important resources in the region: 211LA and The Rainbow Directory. With their tremendous cooperation, we were able to create a list of agencies that would otherwise be difficult to capture.

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FOREWORD

Since 2002, the UCLA Luskin School of Public Affairs' Center for Civil Society has produced annual research reports that provide data and analysis for nonprofit, philanthropic, business and government sectors to help them better anticipate and plan for emerging needs and challenges across Los Angeles. This year's report *Spread Thin: Human Services Organizations in Poor Neighborhoods* tells the stories of nonprofits that serve the most impoverished neighborhoods in the second largest urban region in the nation.

To be sure, the challenges confronting urban life are great. By 2050, the prediction is that well over 70 percent of the world's population will live in urban centers. Understanding the pressing and emerging issues of an increasingly urbanized world is a major task of public affairs education and research. One-dimensional responses to the challenges of social service delivery, unemployment, affordable housing, education, economic development, quality of life, and so forth are unlikely to effectively create change. Because of the unique interdisciplinary nature of the UCLA Luskin School of Public Affairs, which houses the three departments of Public Policy, Urban Planning, and Social Welfare, the school is fertile ground for developing innovative solutions on how metropolitan areas can "do well" and "do good" at the same time. This report is an illustration of UCLA Luskin's commitment to the understanding and problem solving related to poverty and economic and community development. In addition, the annual conference serves as a mechanism through which UCLA Luskin deepens our collaborations with different sectors of the greater Los Angeles community.

The 2013 report highlights the great divide experienced most acutely by the region's vulnerable populations and the nonprofit organizations dedicated to serving them. It is my hope that the report and annual conference will serve as the forum for a conversation that addresses how we as a community respond to these issues. With an emphasis on a social justice perspective – a lens on the systemic, institutional, and structural conditions that constrain individual and community development – the UCLA Luskin School of Public Affairs seeks to equip policy makers and service providers with the relevant tools to deal with a rapidly changing world. Through the Center for Civil Society, our school remains committed to using our knowledge as a bridge to our communities in an effort to provide a better future for Los Angeles.

Franklin D. Gilliam
Dean, UCLA Luskin School of Public Affairs

EXECUTIVE SUMMARY

2013 CCS STATE OF THE NONPROFIT SECTOR IN LOS ANGELES REPORT

SPREAD THIN: HUMAN SERVICES ORGANIZATIONS IN POOR NEIGHBORHOODS

Since 2002, the UCLA Center for Civil Society has been working to help nonprofit organizations, government policy makers, foundations, and donors to better understand the world of nonprofit organizations and the people they serve in Los Angeles County.

In the wake of the Great Recession, we have been particularly focused on human services nonprofits serving poor populations. In our 2012 report *Stressed and Stretched: The Recession, Poverty and Human Services Nonprofits in Los Angeles*, we found that almost 70 percent of the clients served by L.A. human services nonprofits are below the poverty line (Hasenfeld, Kil, Chen, Parent, and Guihama). We also found a great divide. On the one hand, as our 2012 data show, about half of the human services organizations throughout Los Angeles are well-established, mid- and large-sized organizations with multiple funding sources. Our 2013 findings, however, indicate that nonprofits in poor neighborhoods are quite small and often work in isolation from community resources and expertise. Moreover, these organizations face challenges of reaching the poor and marginalized, whose life circumstances can make it difficult to access the services offered.

The question that drives this study is: How do nonprofits in poor areas respond to the needs of the residents in that community? For this 2013 report, we sought to find out more about these organizations, where they are located, their size, function, and population served. We wanted to explore why organizations in predominately African

American neighborhoods have a higher rate of closure, as our 2012 indicated, and we wanted to know what service areas have been most affected by government cutbacks identified in the previous surveys.

We take this report to a very local level—to the neighborhood. Our approach imitates the Los Angeles Times' Mapping L.A. Project. While we use census tracts to provide the statistical profiles, we recognize that these boundaries may be "out of sync with the geographical, historic and socioeconomic associations that define communities (L.A. Times)." Nonetheless, by using the tracts as building blocks, we can provide important information on how nonprofits work within specific geographic locations.

We were able to map 6,232 human services organizations in Los Angeles County by census tracts. We identified 724 census tracts as poor and determined the number of human services nonprofits in each of these census tracts. We then surveyed a random sample of organizations in these census tracts over the summer of 2012. Interviews and surveys were completed for 213 organizations (51 percent).

This is what we found:

- The spatial distribution of the nonprofit human services in Los Angeles County is quite unequal. Neighborhoods (i.e., census tracts) with a high concentration of poor residents have a much lower density of nonprofit

human services while neighborhoods that are economically well off are also richer in the density of nonprofit human services. As a result, poor neighborhoods have less access to much needed human services and do not benefit from the potential contribution of these organizations to their quality of life.

- Almost 24 percent of the census tracts in Los Angeles County have no established nonprofit human services in them. These are mostly concentrated in South Los Angeles and the San Fernando Valley. Compared with other neighborhoods on such measures as employment, median income, education, poor children younger than five, and single-parent households, desert neighborhoods are significantly higher in poverty and socially vulnerable.
- The survey shows that nonprofit human services in poor neighborhoods are relatively small. The median revenue is \$430,160—less than half the median revenue of \$962,426 for all nonprofit human services in Los Angeles County.
- Among nonprofit human services in poor neighborhoods there is greater emphasis on the provision of basic needs services, clinical services, and youth development and student services.
- Human services nonprofits in poorer neighborhoods are primarily dependent on private donations, including foundation support, and receive significantly less government funding than human services organizations throughout Los Angeles County.
- Forty three percent of the nonprofit respondents mentioned reductions in government programs affecting their organizations. Often cited were cutbacks in Community Development Block Grants, Housing and Urban Development (HUD) assistance encompassing services to the homeless and mortgage and foreclosure assistance, CalWorks, and the California Department of Mental Health. The most frequent program cuts identified were in services to children and youth, housing assistance, and alcohol and substance abuse.
- In terms of race and ethnicity, the staff and board profiles of human services nonprofits tend to reflect the client profile. Staff turnover rates are lower in poor neighborhoods than in nonprofits serving higher income populations.
- In terms of advocacy, most human services organizations in poor neighborhoods are most actively involved in mobilizing local residents around issues and in engaging with local elected officials for benefits for vulnerable populations.
- Nonprofit human services in poor neighborhoods, and particularly in extremely poor neighborhoods, are more likely to experience greater competition for resources. However, there is a very high degree of collaboration to obtain funding and develop services.
- The board of directors of nonprofit human services in poor neighborhoods are more racially and ethnically diverse. Still, the majority of board members are White, especially in extremely poor neighborhoods. A majority of board members come from the corporate world.
- Most nonprofit human services in poor neighborhoods are actively engaged in capacity-building activities such as strategic planning, program evaluation, and cost control.

Organizations serving poor and predominantly African American neighborhoods face distinct challenges:

- They are more likely to be smaller with median revenue of \$100,000, which is about one-fourth of the median revenue for all organizations. Like all other organizations in poor neighborhoods, they depend largely on donations. Moreover, they are least likely to obtain government funding.
- The higher closure rate among African American-serving organizations during the recession is not due to a lack of capacity-building, advocacy, or collaboration activity. Most of the surveyed organizations engage in strategic planning, evaluation, and cost control. They work to mobilize local residents around issues, engaging with local elected officials for benefits for vulnerable populations, and collaborate for funding, program development, coordinating services, and advocating for clients.
- They have considerably fewer staff members. Therefore, they are somewhat less likely to adopt management practices such as strategic planning. Nonetheless, their management practices are comparable to those for all the nonprofit human services in Los Angeles County.

The picture that emerges from the data is of underserved neighborhoods populated by small nonprofits that rely primarily on private donations. Most of these nonprofits have been active and sophisticated in engaging in capacity-building, but continue to struggle financially. Unfortunately, government cuts heighten the challenges for organizations serving poor neighborhoods, many of which provide programs like early childhood education, gang prevention, housing assistance, job training and substance abuse treatment. As the debate on the wealth divide continues at the federal and state levels, we as a community might consider whether lack of investment or disinvestment in these neighborhoods is a chronic condition and what our response to poverty may be.

INTRODUCTION:

HUMAN SERVICES NONPROFITS IN POOR NEIGHBORHOODS

The nonprofit human services sector is a vital component of the social safety net in Los Angeles County. The wide array of services provided by the sector, ranging from childcare to homeless shelters, is indispensable to the well-being of residents. In particular, nonprofit human services organizations located in poor neighborhoods serve some of the most vulnerable members of our county, especially during recent periods of increasing demands and economic downturn.

According to the 2010 Census, Los Angeles County has 2,349 census tracts, of which 724 tracts (31 percent) are considered high-poverty (where 20 percent or more of the population lives below the poverty line). With devolution and privatization of mandated social services, residents in these poor neighborhoods are increasingly dependent on nonprofit human services organizations to access needed services. At the same time, ample research has shown that nonprofits are less likely to locate themselves in such neighborhoods (e.g., Allard, 2009; Joassart-Marcelli and Wolch, 2003; Peck, 2008). Our own survey in 2002 also confirms this pattern.

We also know from our follow-up survey presented in *Stressed and Stretched* (Hasenfeld et al., 2012) that organizations serving mostly poor clients have experienced greater hardship during the recent recession while the demand for their services has increased. Moreover, organizations that do locate themselves in poor and predominantly African American neighborhoods face a greater risk of becoming defunct.

Surprisingly, there are few studies that examine the characteristics of nonprofit human services located in poor neighborhoods and the issues they grapple with in obtaining needed resources and responding to the needs of residents. To achieve a better understanding of these nonprofit organizations, the Center for Civil Society conducted a study of nonprofit human services organizations located in high-poverty areas of Los Angeles County. The study has two interrelated components. First, we completed a census of all the nonprofit human services in Los Angeles County, which total 6,232 organizations. We were able to identify the spatial location for 98 percent of these organizations to determine the degree to which their location corresponds to the service needs as expressed by the poverty of the residents in each census tract. Second, using the census of the organizations we drew a stratified sample of organizations located in poor neighborhoods and interviewed their executive directors about their services, clients, resources, leadership, and management practices. The results of our spatial analysis and characteristics of neighborhoods poor in service resources, combined with the results of our *2012 Survey*, are presented in this year's *State of the Nonprofit Sector Report*.

**THE FIRST PART OF OUR REPORT IS DEVOTED TO THE SPATIAL
LOCATION OF THE ORGANIZATIONS AND THEIR NEIGHBORHOOD.**

We explore the characteristics that define these neighborhoods and presents a broad overview of the organizations that are located there. We also identify neighborhoods that are deprived of nonprofit human services. Research has suggested that such neighborhoods are more likely to experience social dislocations and deprivations (Wilson, 1996).

**THE SECOND PART OF OUR REPORT PRESENTS THE RESULTS OF
OUR SURVEY OF A SAMPLE OF NONPROFIT HUMAN SERVICES ORGANIZATIONS
SERVING POOR NEIGHBORHOODS.**

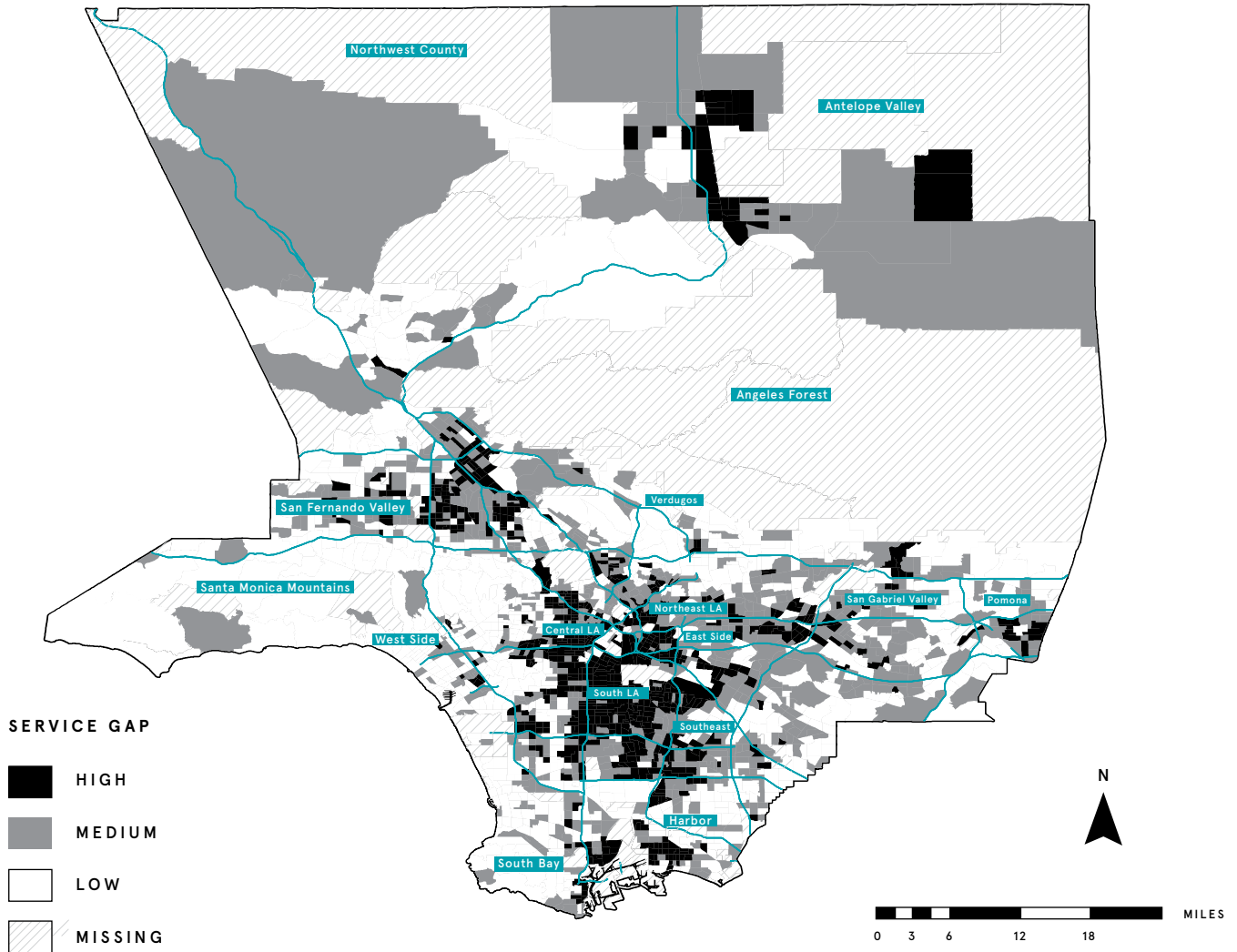
**IN ADDITION, WE AUGMENT OUR FINDINGS WITH INSIGHTS GAINED
FROM TWO FOCUS GROUPS CONDUCTED WITH EXECUTIVES OF
ORGANIZATIONS SERVING POOR NEIGHBORHOODS.**

Much of what we know about nonprofit human services is often seen from the lens of well-established organizations serving an economically diverse population. In this report, we want to give voice to the organizations that are dedicated to serving the poor.

THE SPATIAL LOCATION OF NONPROFIT HUMAN SERVICES IN LOS ANGELES COUNTY

MAP 1

DEGREE OF SERVICE GAPS, BY CENSUS TRACT



THE MAP SHOWS THAT THE TRACTS WITH THE HIGHEST SERVICE GAPS ARE CONCENTRATED IN SOUTH LOS ANGELES, CENTRAL LOS ANGELES, EAST LOS ANGELES, AND SOME PARTS OF THE SAN FERNANDO VALLEY.

THE SPATIAL DISTRIBUTION OF NONPROFIT HUMAN SERVICES IN LOS ANGELES COUNTY IS QUITE UNEQUAL.

Where are nonprofit human services located in Los Angeles County? We address this important question because location tells us a great deal about the choices nonprofits make about whom to serve, what neighborhoods have access to and benefit from the nonprofits, and ultimately the degree to which nonprofit resources are equitably distributed in poor as compared with wealthier neighborhoods.

To try to answer these questions, we use census tracts (i.e., neighborhood) as the unit of analysis. In urban settings such as Los Angeles, census tracts typically encompass about a one-mile radius and a population of 3,000–4,000 people. We already know from other research that a one-mile radius is about the service area of a typical nonprofit organization (e.g., Bielefeld, Murdoch, & Waddell, 1997). We also have current socio-demographic data from the U.S. Census Bureau on each tract.

We created the census of the organizations in Los Angeles County from three data sets—the IRS Business Master File, the Rainbow Directory, and 211LA. We identified all the nonprofit human services organizations (excluding strictly medical and educational facilities) located in Los Angeles County as of 2011. Using their address, we geocoded them into the census tracts and measured the density of the organizations in each tract (i.e., number of organizations/total population). We also obtained the poverty rate for each tract, based on the 2010 Census. We then

created a simple measure of “service gap,” which is the age of poor in the tract minus the density of the organizations in the tract. The greater the difference between the two measures, the higher the service gap. We restricted our analysis to census tracts with 2,000 or more residents. The resulting map for Los Angeles County (Map 1) shows the degree of service gap for all the county tracts¹.

As one would expect, the map shows that the tracts with the highest service gaps are concentrated in South Los Angeles, Central Los Angeles, East Los Angeles, and some parts of the San Fernando Valley. Typically, these neighborhoods are also surrounded by tracts with medium degrees of service gaps. In contrast, areas such as the West Side, Verdugos, or South Bay have very low service gaps. We also found that a significant number of tracts have no nonprofit human services located in them. We discuss these tracts below.

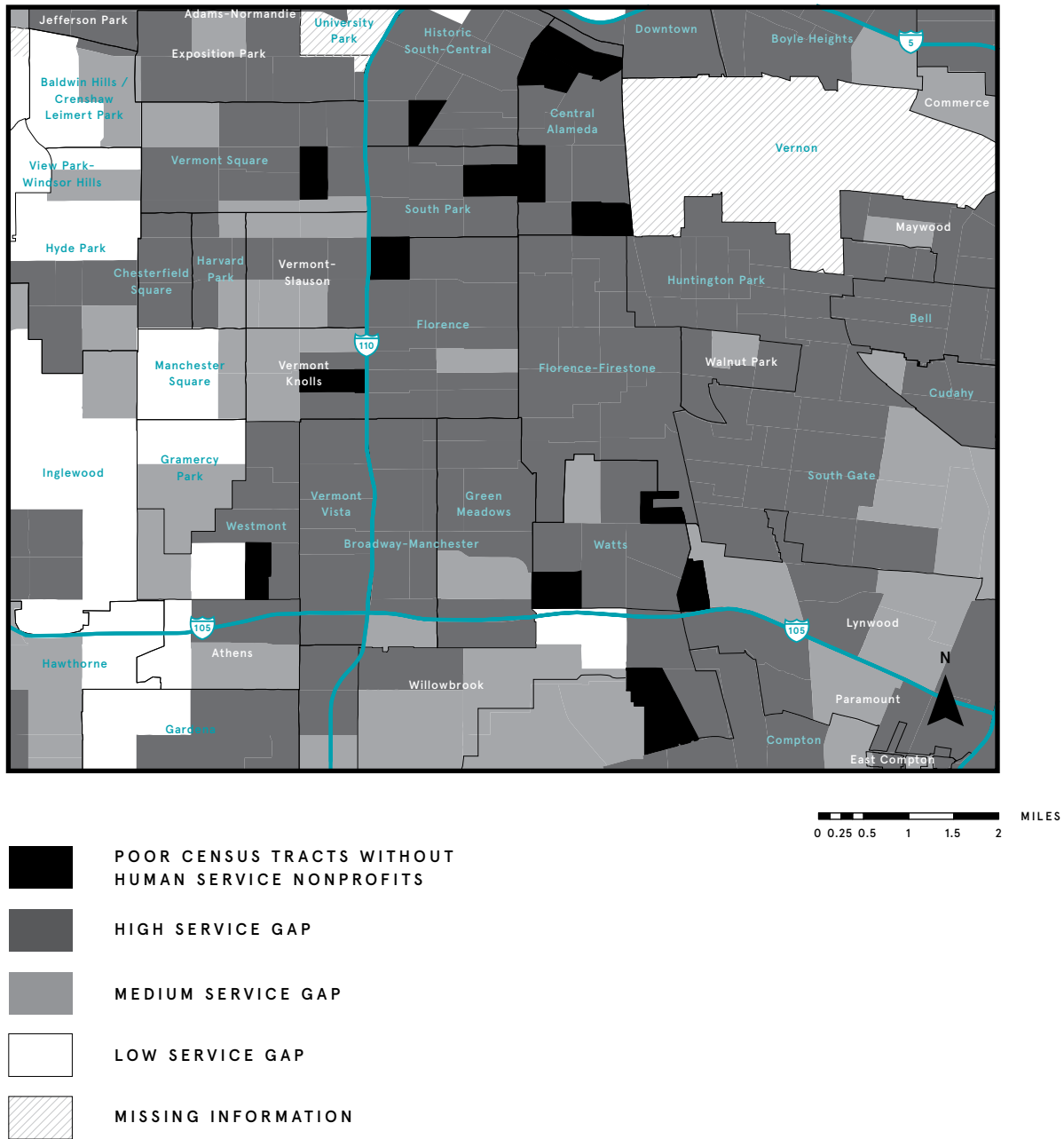
What these results clearly show is that the spatial distribution of nonprofit human services in Los Angeles County is quite unequal. That is, neighborhoods with a high concentration of poor residents have a very low density of nonprofit human services while neighborhoods that are economically well off are also rich in density of nonprofit human services. As a result, poor neighborhoods have less access to much-needed human services and do not benefit from the potential contribution of these organizations to their quality of life.

.....

¹ We recognize that there are some organizations that provide their services over a much larger area and may even draw clients from the entire county. Often, these organizations have branches and we use them for our analysis. Still, these organizations are unlikely to change the basic patterns we have found.

HUMAN SERVICES DESERTS

MAP 2 DESERT TRACTS IN SOUTH LOS ANGELES



THERE ARE NEIGHBORHOODS, SUCH AS THOSE IN SOUTH LOS ANGELES, THAT HAVE A VERY HIGH SERVICE GAP. IT IS CLEAR THAT SOME OF THESE NEIGHBORHOODS HAVE NO ESTABLISHED NONPROFIT HUMAN SERVICES IN THEM.

Poor neighborhoods are often characterized as “food deserts,” for having “relatively poor access to healthy and affordable food, [and] may contribute to social disparities in diet and diet related health outcomes” (Beaulac et al., 2009, 1). In Los Angeles, these are typically high poverty neighborhoods with high concentrations of African American and Latino residents (Shaffer, 2002). Similarly, there are “human services deserts” which can be defined as neighborhoods that have no established nonprofit human service organizations and may, as a result, adversely affect the social and psychological well-being of residents in the neighborhood. In this section we explore the prevalence of human services deserts in Los Angeles County and what distinguishes them from other neighborhoods.

As with the rest of the *Report*, we focus on nonprofit human service organizations that provide services to promote social and psychological well-being (excluded are

strictly medical or educational organizations). As shown in Map 2, there are neighborhoods, such as those in South Los Angeles, that have no established nonprofit human services in them. Restricting this analysis to census tracts with 1,500 or more persons, there are 542 census tracts with zero established organizations. That is, we could not find in these census tracts any organization listed in any of the regular registries of nonprofits (National Center for Charitable Statistics, the Rainbow Directory, or 211LA). They constitute 23.8 percent of all the census tracts in the county. For the purpose of this analysis, we excluded the three census tracts that constitute Skid Row (2062, 2063, 2073.01) because they are saturated with services mostly for the homeless populations that reside there. Most of these desert neighborhoods are concentrated in South Los Angeles and the San Fernando Valley. When we compare the socio-demographic characteristics of the desert census tracts with those that are populated with any nonprofit human services, a clear picture emerges. These desert neighborhoods are significantly more economically and socially vulnerable and deprived.

TABLE 1 **AVERAGE POVERTY RATES FOR DESERT TRACTS VS. TRACTS WITH ONE OR MORE HUMAN SERVICES NONPROFIT ORGANIZATION**

	POOR	POOR, CHILDREN YOUNGER THAN 5	POOR, AFRICAN AMERICAN	POOR, LATINA/O	16 YEARS AND OVER, EMPLOYED	MEDIAN INCOME
DESERT TRACTS	16.9%	22.9%	19.2%	17.0%	57.5%	\$68,652
TRACTS WITH ONE OR MORE NONPROFITS	15.6%	19.6%	16.9%	15.6%	59.0%	\$78,935

source: 2011 Los Angeles Human Services Census; U.S. Census Bureau, 2010 American Community Survey

TABLE 2 **AVERAGE RATES OF SELECTED SOCIO-DEMOGRAPHIC CHARACTERISTICS**

	SINGLE PARENT HOUSEHOLDS WITH CHILDREN	LESS THAN HIGH SCHOOL EDUCATION	FOREIGN BORN NON-CITIZENS
DESERT TRACTS	18.1%	33.0%	22.7%
TRACTS WITH ONE OR MORE NONPROFITS	15.7%	23.8%	19.6%

source: 2011 Los Angeles Human Services Census; U.S. Census Bureau, 2010 American Community Survey

As shown in Table 1, desert neighborhoods have, on average, a higher percentage of poor people, poor children younger than 5, poor African Americans and poor Latina/os. The desert census tracts are also characterized by a lower employment rate (57.5 percent vs. 59.0 percent in non-desert

tracts) and lower median income (\$68,652 vs. \$78,935 in non-desert tracts).

The desert census tracts are inhabited by more vulnerable populations. As shown in Table 2, these neighborhoods have a higher rate of single-parent

households with children, a higher rate of people with less than high school education, and a higher rate of foreign-born non-citizens.

All of these indicators point to neighborhoods with a significantly higher need for human services. Nonetheless, no established nonprofit human services exist in these neighborhoods.² To be sure, these neighborhoods may have congregations that provide emergency services such as food and clothing or offer emotional support. Although these are important community institutions, we know from extant research that congregations are a poor substitute for nonprofit human services. A majority of the congregations, especially in poor neighborhoods, are too small and lack the capacity and the resources to offer more than sporadic and elemental support (Cnaan and Boddie, 2002; Chaves, 1999). These neighborhoods may also have small community-based organizations that have not attained 501(c)(3) status (Smith, 1997), often initiated and run by dedicated local residents who care about their community. Still, without access to resources such as government funding and donations, they are unable to provide significant services beyond advocating on behalf of their neighborhood. Moreover, they are more likely to disband. Similarly, it is possible that organizations that located in these neighborhoods may not survive because of lack of support.

It is, of course, possible that some of the human services may be available in adjacent neighborhoods. However, the close-up (Map 2) of desert neighborhoods in South Los Angeles, where most of the desert neighborhoods are located, shows that adjacent neighborhoods are also poor and generally have a high service gap, meaning that they too suffer from limited access to services.

Moreover, lack of services in one's neighborhood or adjacent neighborhood increases the costs of access to them. Indeed, research has shown that the very poor have less access to services because they are located at a greater distance from their place of residence (Allard, 2009).

Most important, the existence of desert neighborhoods that are very poor yet deprived of services is not just an issue of access. It is a reflection of the lack of social investment in them. That is, when nonprofit human services make the decision on where to locate and whom to serve, they are more likely to stay away from highly deprived neighborhoods that have high service needs but few local resources. Considerable research has indeed shown that nonprofits prefer to be established in communities that are richer in resources (e.g., Wolpert, 1993; Bielefeld, et al., 1997; Joassart-Marcelli and Wolch, 2003; Peck, 2008).

Still, there are many nonprofit human services dedicated to serving the most vulnerable such as poor children and their families, but they are constrained from doing so or they fail when they are unable to mobilize the needed resources. In other words, such organizations need the sponsorship that will enable them to obtain the legitimacy and resources required to serve desert neighborhoods. Therefore, to encourage nonprofit human services organization to locate in what are now desert neighborhoods, major funding stakeholders such as policy-makers, government funding agencies, and foundation and corporate donors must ensure that they commit their resources and sustain such commitment to organizations willing and ready to serve poor and deprived neighborhoods.

² The neighborhoods may also include schools and/or medical facilities which are not included in our census of nonprofits.

BOX 1. ON-THE-GROUND PERSPECTIVE: WHAT DOES IT TAKE FOR A NONPROFIT TO THRIVE IN THE “DESERT”?

To be sure, the challenges associated with running a nonprofit in a resource-deprived neighborhood like South Los Angeles can be daunting. In the course of our research for this report, however, we had the opportunity to talk with the CEO and COO of one nonprofit that has become a vital part of the community despite the understandable mistrust of residents, the influence of gangs, and the changing demographics of the neighborhood.

To combat the increasingly high drop-out rates of high school students in East Los Angeles, this nonprofit found its beginning through a volunteer effort to tutor children in public elementary schools. The missing link appeared with the lack of parental education, so through the use of innovative technology, integrated with a supportive environment, the non-profit grew rapidly. Various nonprofits and foundations approached this agency over the years to implement similar programs in

other neighborhoods. Their answer was always the same: “Our focus is to be at our best in the East Los Angeles community we are committed to serving. However, we are happy to share all that we’ve done and learned if it will help others respond to the needs in other communities.”

Things changed after the 1992 civil unrest when a major corporation turned over not only an empty lot located near the epicenter of the riots, but also provided the necessary funding to initiate a second campus. This nonprofit established its second location in South Los Angeles in 1994. The local residents, who had previously seen other agencies come and go through various initiatives, had legitimate concerns about the “here today gone tomorrow” reality of nonprofits in this type of desert area. According to the CEO, they would not start the program without a major investment by the corporation and its long-term funding commitment.

EACH ONE REACH ONE

To build trust in the community, the nonprofit turned to the residents to define the issues. Outreach began with the resources immediately surrounding the new site, which at the time included a local park, a McDonald’s, a church, and a bus stop. The program director met with the pastor about his congregation. He also conducted informal market analysis with people leaving the McDonald’s or stepping

off the bus by introducing the agency and asking what services they would like in their community. If someone had 15 minutes to spare, he would introduce them to the computer training programs. By demonstrating their commitment to the long haul, the organization attempted to build lasting relationships with the community, which was the foundation for its reputation.

OWNERSHIP

Ownership by the people who benefit from the service makes an organization viable and creates strong advocates. Known for its gang activity, South Los Angeles was not a destination neighborhood. Unfortunately, “it was a neighborhood you wanted to drive around,” and this challenge overshadowed what the nonprofit found there: “hope, potential, and personal

desire to achieve.” So, the learning center opened its training programs to all community members. “Whether it is children, youth or adults as learners...it is not that complicated. Give the very best to those who need the most. Respect every learner. Meet them where they are. Build a support system around their strengths. You will see them advance as fast and go as far as they choose.”

COMMUNITY IN TRANSITION

When the nonprofit opened up the South Los Angeles branch, nearly 65 percent of the residents were African American and 35 percent were Latino. Since then, the numbers have almost flipped. In addition, the founding director has retired. However, the culture of this organization is marked by its long-term commitment to service coupled with an emphasis on social justice and has continued to push the needle of achievement forward. The founder once told the current CEO that she would know when her work was done “when the community we serve is serving each

other.” The current CEO could not emphasize enough that this organic approach to community development takes long-term commitment and requires patience and trust. This nonprofit has been in South Los Angeles for 19 years. As he explained, “We are clearly making headway toward that goal. First, 25 percent of our current employees came in as learners. In addition, every one of our students will contribute to a stronger neighborhood. To me, that reflects a future South Los Angeles as a destination, and not a place to avoid.”

2012

**SURVEY OF
NONPROFIT
HUMAN SERVICES
IN POOR
NEIGHBORHOODS**

We next turn to our survey of nonprofit human services organizations located in high-poverty neighborhoods. The survey aimed to answer several questions.

First, what fiscal resources do these organizations rely on? We know from other studies, including our own, that nonprofit human services are heavily dependent on government funding. At the time of the Great Recession, however, these organizations faced serious cuts.

Second, we wanted to understand the populations that the organizations serve because residents in poor neighborhoods are likely to be more ethnically diverse and to have more pressing needs. Given their commitment to locate in and serve high-poverty neighborhoods, we also expected that the organizations would engage in more advocacy (Garrow and Hasenfeld, 2012).

Third, we wanted to understand the degree to which organizations in poor neighborhoods pool resources together and collaborate with other organizations.

Finally, we were interested in the leadership and management practices of these organizations and the extent to which these practices reflect their capacity to effectively provide services.

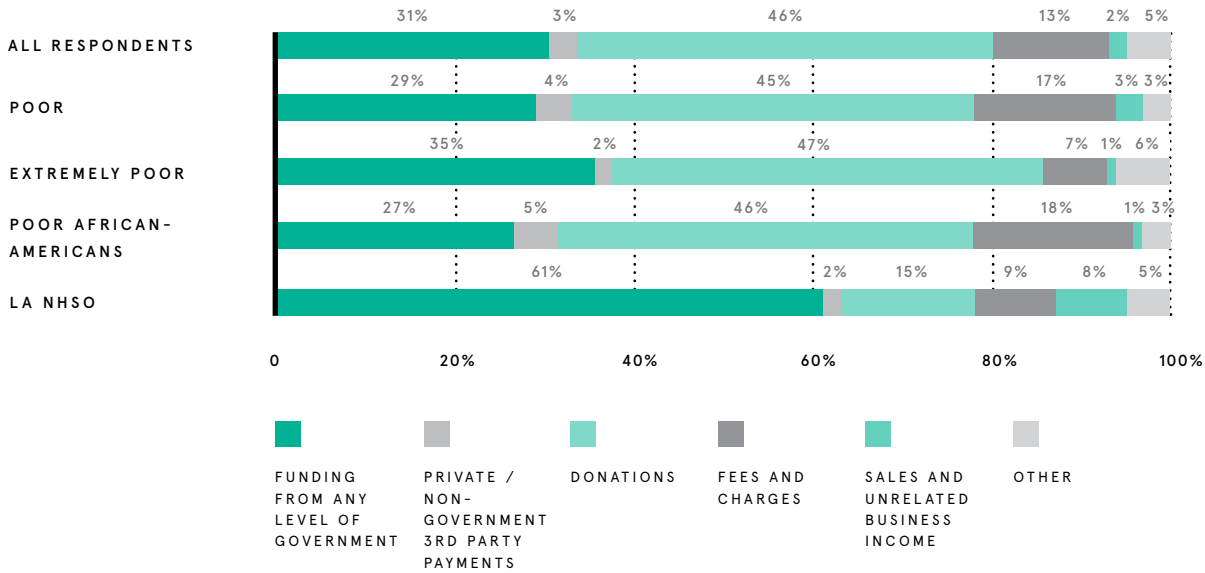
We also wanted to know whether there are important differences between organizations that are located in extremely poor neighborhoods (with a poverty rate of 40 percent and higher) compared with poor neighborhoods (with a poverty rate between 20 percent and 40 percent). Similarly, research informs us that when a neighborhood is 20 percent or more African American, it becomes

highly segregated from White residents (Massey and Denton, 1993; Charles, 2000; South, Crowder, and Pais 2008). Therefore, we wanted to explore the characteristics of organizations located in poor African American neighborhoods (with 20 percent or more African American residents). In reporting about the organizations in these neighborhoods, we excluded Skid Row because of its distinct concentration of homeless residents and organizations. As a baseline for comparison, whenever we had comparable data, we used the results of our 2011 survey of a sample of all human services nonprofits in Los Angeles County (L.A. HSNO). We should stress that the groupings of the organizations by level of poverty and percentage of African Americans are not mutually exclusive. That is, an organization may be located in both an extreme poverty neighborhood and an African American neighborhood.

Our final sample consisted of 418 eligible organizations stratified by census tracts defined by poverty (high and extreme), race (African American), and nonprofit density (high and low). We were able to complete 213 interviews for a response rate of 51 percent. As noted in Appendix 2 on the non-responding organizations, the survey results are likely to under-represent small organizations and those located in African American neighborhoods. Therefore, the emerging picture of the nonprofit human services sector serving poor neighborhoods may not provide a full account of the experiences of small organizations that are vital to the provision of services in such neighborhoods. We also augment our findings with insights gained from two focus groups we conducted with executives of organizations serving poor and extremely poor neighborhoods.

FISCAL RESOURCES

FIGURE 1 REVENUE COMPOSITION BY NEIGHBORHOOD POVERTY*



*BECAUSE OF ROUNDING, FIGURES MAY NOT TOTAL 100

sources: 2011 Non-Profit Survey, 2011 L.A. NHSO Survey

EXCLUDING A FEW VERY LARGE ORGANIZATIONS, WE SEE THAT ORGANIZATIONS IN POOR AND EXTREMELY POOR NEIGHBORHOODS HAVE LESS THAN HALF THE MEDIAN REVENUES AND ONLY ABOUT A QUARTER THE MEAN REVENUES OF ALL NONPROFIT HUMAN SERVICES IN LOS ANGELES COUNTY.

The survey showed that more than 50 percent of the organizations were quite small, with overall revenues of less than \$500,000. An additional 15 percent had revenues between \$500,000 and \$1 million, and 35 percent had revenues over \$1 million. Excluding the four largest organizations with revenues over \$40 million, the median revenue was \$430,160 and the average was \$1.7 million. For organizations in poor African American neighborhoods, the median revenue was \$100,000, indicating that they were more likely to be small organizations. Those in poor African American neighborhoods also tended to be younger (average of 20 years vs. 29 for all respondents). By way of comparison, the median revenue in the 2011 Survey (L.A. HSNO) was \$962,426 and the mean was \$4,312,475 (excluding four organizations with \$100 million or more). Thus, excluding the very largest organizations, we see that organizations in poor and extremely poor neighborhoods had less than half the median revenues and only about a quarter the mean revenues of

all nonprofit human services in Los Angeles County. Furthermore, organizations in poor African American neighborhoods had on average less than a quarter of the median revenues of all organizations located in poor and extremely poor neighborhoods, and a little more than 10 percent the median revenues of all nonprofit human services in Los Angeles County.

Our previous report *Stressed and Stretched* (Hasenfeld et al., 2012), which included 2011 L.A. HSNO data on all nonprofit human services, revealed that organizations serving mostly poor clients had experienced greater decreases in revenue when compared with organizations serving clients with higher income. In the 2012 Nonprofit Poverty Survey, we again asked about organizational reliance on various forms of revenue. Figure 1 shows the breakdown of revenue sources for poor and extremely poor neighborhoods and poor African American neighborhoods. We compare them with the results of our 2011 L.A. HSNO survey.

**WE EXPECTED TO FIND THAT
THE NONPROFITS IN POOR
AREAS ARE MORE RELIANT
ON GOVERNMENT FUNDING.
HOWEVER, THIS IS CLEARLY NOT
THE CASE.**

We expected to find that the nonprofits in poor areas are more reliant on government funding. However, this is clearly not the case. When we compared revenue sources of the organizations located in poor neighborhoods to L.A. HSNO, we found they received a significantly smaller proportion of their revenues from the government (32 percent vs. 61 percent). In contrast, they obtained 45 percent of their revenues from donations (individual, corporate, and foundations), compared with only 15 percent in our L.A. HSNO survey. This was also true when we examined responses from organizations located in poor neighborhoods, extremely poor neighborhoods, and poor African American neighborhoods. What is particularly notable is that organizations in poor African American neighborhoods were least likely to obtain government funding. This is not the first time that our nonprofit research has revealed this. In fact, the 2012 Nonprofit Poverty Survey replicates findings based on our 2002 survey (Garrow, 2012).

The 2012 revenue figures challenge the conventional assumption that organizations serving high-POVERTY neighborhoods are more dependent on government funding.

The 2012 revenue figures challenge the conventional assumption that organizations serving highly poor neighborhoods are more dependent on government funding. Moreover, the high degree of reliance on donations does not bode well for these organizations because philanthropic giving is far more volatile than other sources of funding (Carroll and Stater, 2009) and is more sensitive to changing economic conditions than public funding. It is also much more difficult to

solicit donations for socially marginalized groups living in high-poverty neighborhoods.

Previous State of the Sector Reports for Los Angeles County showed that more than half of Los Angeles nonprofit organizations over the last decade have faced a decline in revenue, including from government sources at all levels, and an increase in demand for services. In the current survey, we seek to discern which service areas and populations in poor neighborhoods have been affected by government cutbacks. In open-ended questions, we asked the organizations to describe their missions, the most important services their agency provides, what government programs they depend on the most to fund services, and what cuts in government programs affected their organizations the most over the past three years.

Forty-three percent of the organizations surveyed reported on government funding effects. Of those, 20 percent reported significant government cuts, described as losses of 20 percent or more in funding, or requiring cuts in staff and programs. Fifty-eight percent reported more moderate reductions in government funding but were not specific in the impact of the cuts on the organization or the clients served. The remainder gave no information on government cuts.

Cuts in government funding were reported across a wide range of federal, state, and local government agencies. The government funding sources most frequently cited among the organizations reporting significant cuts in poor neighborhoods were from Community Development Block Grants; U.S. Housing and Urban Development (HUD) assistance encompassing services to the homeless and mortgage and foreclosure assistance; CalWorks; and the California Department of Mental Health. In our sample, cuts were also reported across the full range of human services activities carried

out by nonprofit organizations. The service areas most frequently cited were services to youth and children, including early childhood, at-risk youth, gangs, and foster youth; followed by housing assistance; and alcohol and substance abuse.

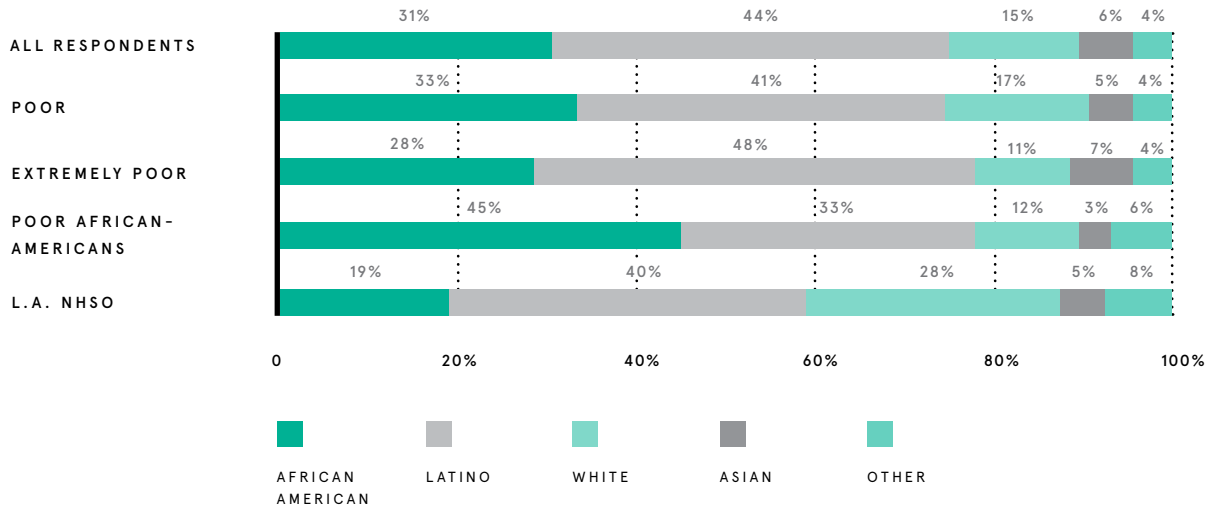
Indeed, the fiscal challenges facing organizations serving the very poor were echoed in our focus groups. First, participants indicated that it can be difficult to mobilize financial support for services aimed at helping poor people. Because poor service recipients and communities lack financial resources, agencies must often mobilize funds from outside the community. Yet focus group participants noted that poor groups are sometimes viewed by mainstream sources of funds as undeserving of support, hindering fund-raising efforts. As one participant put it, “A lot of middle class people resent people who have entitlements or get hand-outs.” Similarly, funding for isolated, marginalized, or stigmatized people or groups is often politicized in ways that inhibit access to support. For example, several participants stated that they sometimes avoid funding opportunities that prohibit the use of funds for serving undocumented people. According to one participant, even when funding streams are bifurcated to serve documented and undocumented groups, the funding for documented people tends to get reimbursed at

a higher rate, whereas the lower reimbursement for serving undocumented people results in agencies operating at a loss when used. The result is that choosing to serve undocumented people may cause even more financial strain than the already-challenging funding situation of serving poor communities in general.

Participants also discussed the pressures that funders place on them to provide innovative services. Many felt that this preoccupation with innovation promotes mission drift and undermines the work at hand. One said, “The funders try to push us to be like someone else. It disrespects what we do...We need to focus on what we do that’s effective.” One stated that programs for the poor may be less than effective because they tend to be underfunded, but that the push for innovation seems to imply that the problem is with the services themselves. As she said, “A lot of agencies are struggling. But instead of constantly demanding new things, funders should give general operating support so that we can have that creative space.” Another mentioned that when societal will exists to adequately fund services, they work. As he said, “Services don’t need to be fancy to work well.” Finally, participants observed that funders often change their funding focus, which undermines the sustainability of programs.

SERVICE RECIPIENTS

FIGURE 2 ETHNIC COMPOSITION OF CLIENTS, BY NEIGHBORHOOD POVERTY*



*BECAUSE OF ROUNDING, FIGURES MAY NOT TOTAL 100

sources: 2012 Nonprofit Survey, 2011 L.A. NHSO Survey

THE ORGANIZATIONS REPORT THAT THE VAST MAJORITY (MORE THAN 70 PERCENT) OF THEIR CLIENTS HAD INCOME BELOW THE POVERTY LINE.

When we break down the demographic profile of the clients (Figure 2), we find that the 2012 Nonprofit Poverty Survey respondents served higher proportions of clients of color (85 percent) compared with the 2011 L.A. HSNO Survey respondents (72 percent). For those in extremely poor neighborhoods, the proportion of clients of color served increased to 89 percent. As expected, the organizations reported that the vast majority (over 70 percent) of their clients had income below the poverty line. About 40 percent of the clients lived within a one-mile radius of the organization.

The survey cannot fully convey the challenges of serving residents in high-poverty neighborhoods. The nonprofit leaders in our focus groups identified a number of challenges in reaching and serving poor and marginalized people and communities. For one, they recognized that clients have difficult lives and complex problems, and simply lack the time or resources (such as transportation) to avail themselves of services. Moreover, even if a service costs only \$5, that is beyond the resources of many clients. At the same time, some focus group participants noted that when they try to offer free services and bus tokens to assist with transportation, clients are still too poor to get to the agency to receive these services. As one participant said, “To hear that somebody can get free services and can’t get there, that’s hard.”

There is also a distinct issue in serving people without documentation—a large proportion of the poor in Los Angeles County—who often fail to access services because of fear. As one

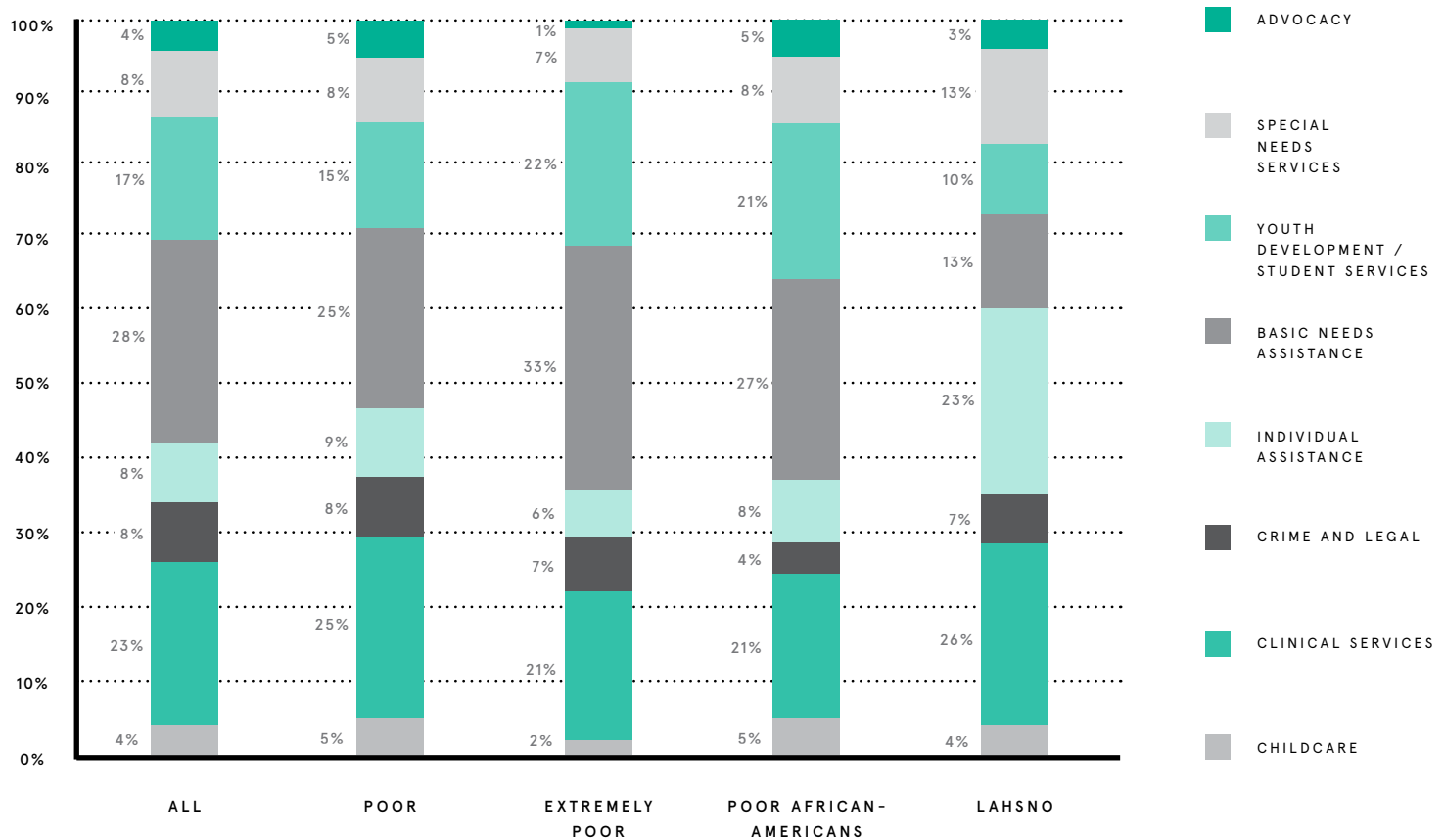
executive stated, “We are bringing in folks in who are fearful of disclosing their legal status. Some undocumented clients will opt for the sliding scale fee rather than free services so that they don’t have to reveal their status.” Additionally, many groups face language and other cultural barriers to access. Repeatedly, participants brought up the challenges of meeting the needs of a metropolitan area as culturally diverse as Los Angeles County. An executive of a health care organization said, “I’ve been recruiting a Licensed Clinical Social Worker who speaks Spanish for 1½ years, and no luck. To find someone who is aligned culturally and in terms of the mission—it’s hard to find.”

Focus group participants also noted that poor people often experience stigmatization and discrimination, leading to poor life outcomes. They avoid accessing certain services they need, such as literacy programs, because they feel that participation in these programs highlights deficits.

Finally, some of the highest poverty rates affect what participants called “invisible” minority groups that are small and spread out, and thus they do not attract the attention of policymakers. For example, one participant noted that there are more than one hundred Asian Pacific Islander ethnic groups in Los Angeles County, many of which lack the visibility, community organization, and political clout to attract the attention of policymakers. The executive director of an organization that is run by and serves an African American community speculated that racial discrimination may have prevented her board from raising sufficient funding to support the organization’s services.

SERVICES

FIGURE 3 SERVICE ACTIVITIES, BY NEIGHBORHOOD POVERTY*



*BECAUSE OF ROUNDING, FIGURES MAY NOT TOTAL 100

sources: 2012 Nonprofit Survey, 2011 L.A. NHSO Survey

IN EXTREMELY POOR NEIGHBORHOODS, MORE ORGANIZATIONS PROVIDE BASIC NEEDS ASSISTANCE (33 PERCENT) AND YOUTH DEVELOPMENT AND STUDENT SERVICES (22 PERCENT).

We would expect that human services nonprofits in poor neighborhoods would provide more services such as basic needs assistance (e.g., food and shelter, emergency assistance) and clinical services such as mental health, substance abuse, and child and family services. Indeed, this is the case. Figure 3 shows that 28 percent of the 2012 respondents provided basic needs assistance, and 23 percent provided clinical services. It is particularly encouraging that 17 percent of the organizations provide youth development and student services, both of which are quite critical in these neighborhoods (see section on socio-demographic characteristics).

In extremely poor neighborhoods, more organizations provided basic needs assistance

(33 percent) and youth development and student services (22 percent). However, there were very few advocacy organizations. In poor African American neighborhoods (excluding Skid Row), the array of services was quite similar to those provided in extremely poor neighborhoods, except that there were considerably fewer organizations providing crime-related and legal services and considerably more advocacy organizations.

In contrast, L.A. HSNO organizations were more likely to provide individual assistance (e.g., employment, vocational, and personal social services) and were less likely to provide either basic needs assistance or youth development and student services. They were also more likely to provide special needs services such as residential care.

ADVOCACY

TABLE 3 ADVOCACY ACTIVITIES, BY NEIGHBORHOOD POVERTY

	ALL	POOR	EXTREMELY POOR	POOR AA	L.A. HSNO
ADVOCATED FOR MORE FUNDING AND SERVICES FOR OWN ORGANIZATION	47%	46%	48%	43%	65%
ADVOCATED FOR SOCIAL BENEFITS TO VULNERABLE POPULATIONS	54%	47%	64%	51%	62%
PARTICIPATED IN SOME OTHER FORM OF ADVOCACY	23%	20%	27%	19%	31%

source: 2012 Nonprofit Poverty Survey, 2011 L.A. HSNO Survey

It is clear that serving poor neighborhoods requires considerable advocacy on their behalf. The voices of the residents are unlikely to be heard by policy makers and funding organizations unless those who serve them mobilize the residents and speak on their behalf (Marwell, 2004; Garrow & Hasenfeld, 2012, Mosley, 2010). The 2012 Nonprofit Poverty Survey asked a series of questions around advocacy activities to gauge patterns of how nonprofits engage their community and policy environments to advance the interests of a group or a public issue and the degree to which these organizations mobilize and sustain their public support. Such support is critical to long-term survival and fiscal health, but research has shown that this depends largely on how these organizations are connected to local policy makers and public officials, and the extent to which they belong to associations and coalitions of like-minded organizations. We also know that the degree to which they are supported by the local community will enhance their survival (Walker and McCarthy, 2010).

FEWER THAN HALF OF THE ORGANIZATIONS ENGAGE IN ADVOCACY TO OBTAIN MORE RESOURCES FOR THEIR ORGANIZATION, BUT THOSE LOCATED IN EXTREMELY POOR NEIGHBORHOODS DO SO SOMEWHAT MORE THAN THOSE IN POOR NEIGHBORHOODS.

Table 3 shows that in our 2012 survey, fewer than half of the organizations engage in advocacy to obtain more resources for their organization, but those located in extremely poor neighborhoods do so somewhat more than those in poor neighborhoods. Similarly, about half of all organizations reported advocating for social benefits for vulnerable populations, whereas those located in extremely poor neighborhoods are somewhat more likely to engage in such advocacy. Nonetheless, organizations in poor neighborhoods were less likely to engage in advocacy compared

with the L.A. HSNO respondents, suggesting that the organizations located in poor neighborhoods may be less connected to policy-makers despite experiencing greater demand for their services. It is also very possible that organizations in poor neighborhoods had fewer resources to devote to advocacy (Mosley, 2010).

In addition to advocacy, we also wanted to know the extent to which the organizations mobilize their

own constituencies to address community issues. Table 4 reveals that 37 percent of organizations were active or very active in mobilizing residents around community issues, and 41 percent are active or very active in contacting elected officials. However, few of the respondents engaged in voter registration activities. There were no appreciable differences among the organizations in the different types of neighborhoods ³.

TABLE 4 MOBILIZING FOR THE COMMUNITY, BY NEIGHBORHOOD POVERTY

	ALL	POOR	EXTREMELY POOR	POOR AA
MOBILIZING RESIDENTS AROUND COMMUNITY ISSUES				
NOT AT ALL	25.7%	27.3%	23.2%	30.6%
SOMEWHAT	36.7%	33.6%	41.5%	27.8%
ACTIVE	16.2%	16.4%	15.9%	18.1%
VERY ACTIVE	21.4%	22.7%	19.5%	23.6%
VOTER REGISTRATION				
NOT AT ALL	71.7%	70%	74.4%	71.8%
SOMEWHAT	11.0%	9.4%	13.4%	11.0%
ACTIVE	8.1%	10.2%	4.8%	8.1%
VERY ACTIVE	9.0%	22.7%	7.3%	9.0%
CONTACTING ELECTED OFFICIALS				
NOT AT ALL	28.5%	32.8%	21.9%	32.9%
SOMEWHAT	30.5%	29.9%	31.7%	23.4%
ACTIVE	16.6%	14.8%	19.5%	19.1%
VERY ACTIVE	24.3%	26.6%	26.8%	24.5%

source: 2012 Nonprofit Poverty Survey

³ We recognized, however, that a small number of nonprofits and churches (which are not included in the survey) engage in significant and effective voter registration efforts.

COMPETITION AND COLLABORATION

TABLE 5 COMPETITION FOR FINANCIAL RESOURCES, BY NEIGHBORHOOD POVERTY*

	ALL	POOR	EXTREMELY POOR	POOR AA	L.A. HSNO
NOT AT ALL	24.0%	27.6%	18.5%	47.6%	27.0%
SOMEWHAT	22.6%	21.1%	24.7%	29.8%	33.2%
A FAIR AMOUNT	25.0%	22.8%	28.4%	9.7%	21.8%
A GREAT DEAL	28.4%	28.5%	28.4%	12.9%	17.9%

*BECAUSE OF ROUNDING, FIGURES MAY NOT TOTAL 100

source: 2012 Nonprofit Poverty Survey, 2011 L.A. HSNO Survey

TABLE 6 COLLABORATIVE ACTIVITIES, BY NEIGHBORHOOD POVERTY

	ALL	POOR	EXTREMELY POOR	POOR AA	L.A. HSNO
BELONG TO A NETWORK	60%	55%	68%	50%	N/A
COLLABORATE TO OBTAIN FUNDING	68%	66%	71%	66%	64%
COLLABORATE TO DEVELOP PROGRAMS / SERVICES	82%	78%	88%	74%	76%
COLLABORATE TO COORDINATE SERVICES	89%	86%	93%	84%	85%
COLLABORATE TO ADVOCATE FOR CLIENTS	84%	80%	89%	75%	80%

source: 2012 Nonprofit Poverty Survey, 2011 L.A. HSNO Survey

Nonprofits do compete for both resources and clients. Indeed, more than 50 percent of the 2012 respondents reported a “fair amount” or “a great deal of competition” for financial resources as compared with only 40 percent of the L.A. HSNO respondents. Interestingly, organizations in poor African American neighborhoods experienced little competition for resources—possibly because these neighborhoods have fewer nonprofit human services. As expected, there is very limited competition for clients.

The 2012 survey asked a set of questions regarding patterns of engagement with other nonprofits over the past year. Collaboration among nonprofits is assumed to improve the quality and efficiency of the services being provided to the community (Boris, Leon, Roeger, and Nikolova, 2010). Often, both government agencies and other key donors require the organizations to collaborate as a condition of receiving funding.

When we inquired whether organizations were involved in collaboration, a majority of the survey respondents indicated that they collaborate with other organizations on various activities. Overall, when compared with L.A. HSNO respondents, the 2012 survey respondents engage in more collaborative efforts around securing funding (68 percent), developing programs (82 percent), coordinating services (89 percent), and advocating for clients (84 percent). We also learn that organizations located in extremely poor neighborhoods tend to be more actively involved in all forms of collaborative activities when compared with organizations in poor neighborhoods.

Our survey cannot distinguish between collaboration that is required by funding organizations versus those that arise from the initiatives of the organizations themselves. Nonetheless, we learned from the focus groups that collaboration imposed from “above” may not lead to greater effectiveness or efficiency. Focus

group participants chafed under what they called “forced collaboration” mandated by foundations and government funders.

THEY EMPHASIZED, “WE NEED TO BE MORE THOUGHTFUL TO MAKE THOSE INTENTIONAL ORGANIC SPACES FOR US TO COME TOGETHER. [THAT IS,] WHEN PEOPLE ARE OPENING AND CLOSING DOORS QUICKLY, IS THERE A WAY TO DEVELOP SPACE TO HAVE THOSE CRITICAL CONVERSATIONS?”

One executive thought that funders could do more to promote collaboration by providing opportunities for organizations to come together and learn about one another, instead of mandating collaboration as a funding requirement. The challenge, according to participants, is that different agencies have very different missions, target groups, and generational differences, especially when an agency is the only one in an area serving a particular population or need. Sometimes these forced collaborations conflict with already-established, organically formed collaborations.

In addition, participants mentioned several factors that, in their view, impede effective collaboration. For one, participants noted that institutions (such as schools) located in poor communities are sometimes reluctant to partner with nonprofits, even though they operate under conditions of extreme resource deprivation. Participants speculated that leaders of these institutions may view such partnerships as an admission that they can’t handle their problems on their own. As an example, an executive of an educational nonprofit reasoned that school principals sometimes reject their overtures because they are “afraid to let others know they don’t have all the answers.” Several nonprofit

leaders observed that communities already rich in nonprofit organizations provide opportunities for partnerships and collaborations, whereas it is much harder to become established in what one participant called nonprofit deserts that are devoid of nonprofit organizations. Meanwhile, the deserts are precisely the neighborhoods with the greatest unmet needs. Similarly, the focus group agencies that serve a wider geographic or demographic area, or a community that is more heterogeneous by

race, ethnicity, and socio-economic status, seem better able to leverage support and a more diverse board of directors than agencies that focus more exclusively on isolated communities of concentrated poverty that are ethnically or racially more homogeneous. For example, according to one participant, both non-English populations and immigrants running agencies that target small immigrant communities often “are not connected to be able to tell their story.”

BOARD OF DIRECTORS

TABLE 7 COMPOSITION OF BOARD MEMBERS, BY NEIGHBORHOOD POVERTY

	ALL	POOR	EXTREMELY POOR	POOR AA	L.A. HSNO
AVERAGE NUMBER ON BOARD	11	10	14	8	14
AVERAGE PERCENT WHO HOLD HIGH-LEVEL CORPORATE POSITION	36%	35%	38%	31%	NOT ASKED
AVERAGE PERCENT WHO ARE SOCIAL SERVICE OR HEALTH PROFESSIONALS	31%	34%	26%	36%	NOT ASKED
AVERAGE PERCENT WHO ARE CLIENTS OR FORMER CLIENTS	11%	11%	12%	9%	NOT ASKED

source: 2012 Nonprofit Poverty Survey, 2011 L.A. HSNO Survey

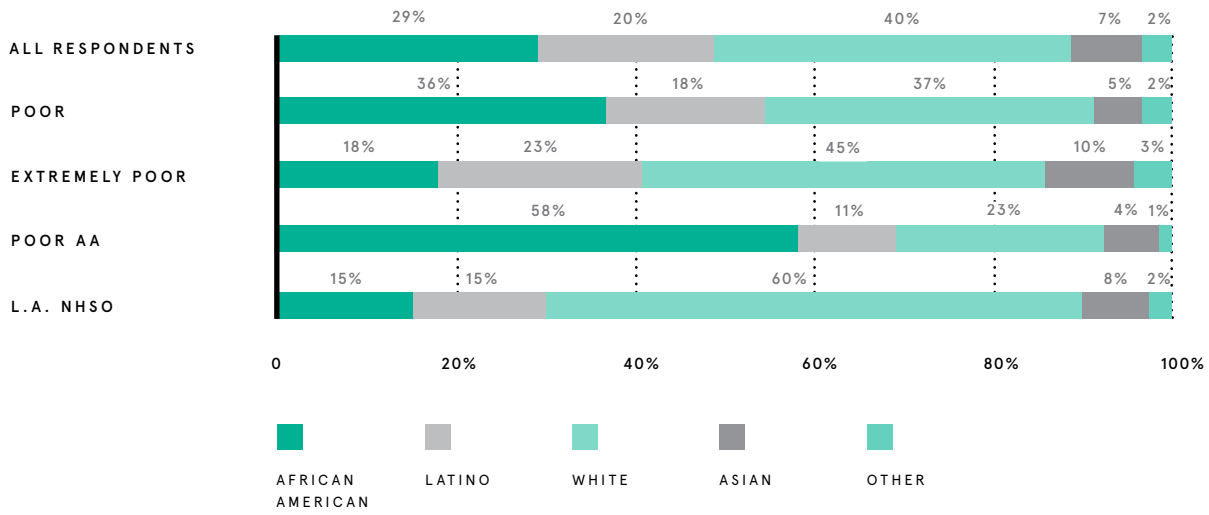
TABLE 8 BOARD ENGAGEMENT IN FUND-RAISING, BY NEIGHBORHOOD POVERTY

	ALL	POOR	EXTREMELY POOR	POOR AA
NOT AT ALL	17.4%	17.7%	17.1%	17.7%
SOMEWHAT	39.5%	33.6%	48.7%	35.3%
A FAIR AMOUNT	18.5%	21.0%	14.5%	16.2%
A GREAT DEAL	24.5%	27.7%	19.7%	30.9%

*BECAUSE OF ROUNDING, FIGURES MAY NOT TOTAL 100

source: 2012 Nonprofit Poverty Survey, 2011 L.A. HSNO Survey

FIGURE 4 ETHNIC COMPOSITION OF BOARD, BY NEIGHBORHOOD POVERTY*



*BECAUSE OF ROUNDING, FIGURES MAY NOT TOTAL 100

source: 2012 Nonprofit Poverty Survey, 2011 L.A. NHSO Survey

THE 2012 NONPROFIT RESPONDENTS TENDED TO HAVE APPRECIABLY MORE ETHNICALLY DIVERSE BOARDS THAN OUR 2011 SURVEY RESPONDENTS.

A key linkage between the organization and its resource environment is the composition of its board of directors. Members of the board are also crucial to the fund-raising capabilities of the organization and their ability to connect the organization to important stakeholders. At the same time, to connect with their neighborhoods such boards must also represent the residents. How to maintain the balance between these two conflicting demands is a critical issue for these organizations. To get to these issues, the 2012 survey asked several questions about board composition and its role in the organization.

Table 7 provides an overview of board composition. The boards of the 2012 respondents have on average about 11 members, whereas L.A. HSNO organizations have on average 14 members. The average size of boards in extremely poor neighborhoods is significantly higher than that of boards in poor neighborhoods and is comparable to the average board size for L.A. HSNO respondents. In addition, nonprofits in extremely poor neighborhoods have a larger proportion of board members who hold high corporate positions. However, much of the difference is due to the existence of a few organizations in extremely poor neighborhoods that have very large boards (30 members or more). Organizations in poor African American neighborhoods have a somewhat smaller average number of board members because the organizations themselves tend to be smaller.

As noted in Table 8, about 40 percent of the boards in all the organization engage in a fair amount or a great deal of fund-raising. Boards

in extremely poor neighborhoods seem to do somewhat less fund-raising, and boards in poor African American neighborhoods do a bit more. We also asked to what extent the boards engage in mobilizing political support. About 25 percent of all organizations reported that their boards were actively engaged in mobilizing political support. Organizations in extremely poor neighborhoods reported that only 20 percent of their boards were actively engaged, whereas 31 percent of the organizations in poor African American neighborhoods reported that their boards were actively engaged in mobilizing political support. Thus, organizations in poor African American neighborhoods are the most likely to rely on their boards both for fund-raising and mobilization of political support.

In the 2012 survey, we also asked a series of questions about the ethnic composition of the board of directors in order to assess the degree of board representation of the various ethnic groups in their neighborhoods. Research has shown that organizations with greater ethnic representation are more responsive to their ethnic constituencies (Meier and Stewart, 1992).

As seen in Figure 4, the 2012 nonprofit respondents tended to have appreciably more ethnically diverse boards than our 2011 survey respondents. Organizations in poor neighborhoods had a greater proportion of African American board members, whereas boards in extremely poor neighborhoods had a greater representation of Latino/as. As expected, organizations in poor African American neighborhoods are dominated by African American board members.

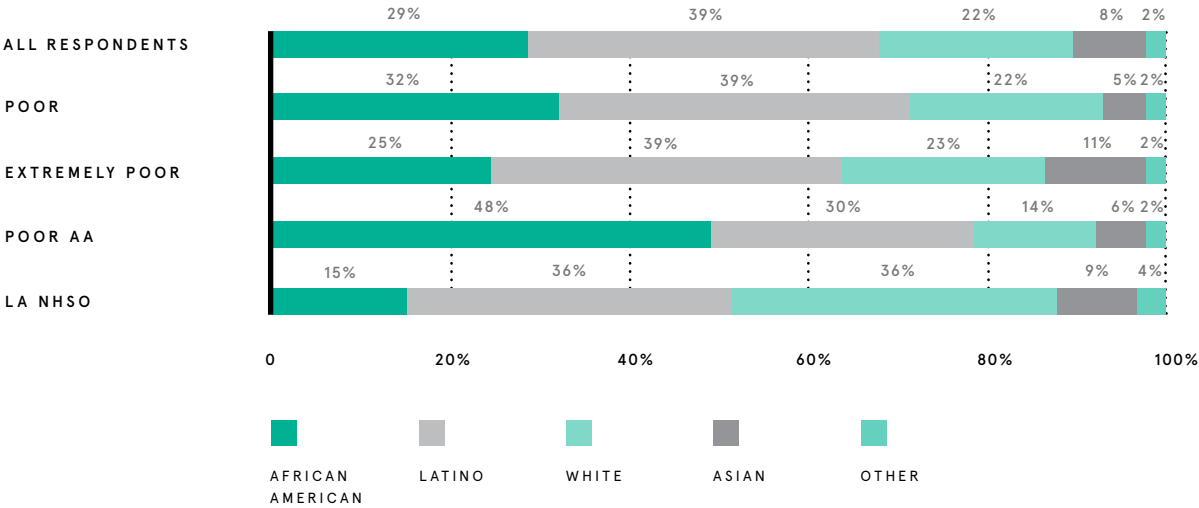
STAFFING AND MANAGEMENT

TABLE 9 MEDIAN AND MEAN FTE, BY NEIGHBORHOOD POVERTY

	ALL	POOR	EXTREMELY POOR	POOR AA	LA HNSO
MEDIAN FTE	5.5	4.0	12.5	2.0	12.5
MEAN FTE	29.7	18.0	56.0	9.0	59.0

*EXCLUDING ORGANIZATIONS WITH REVENUES OF \$40 MILLION OR MORE

FIGURE 5 DEMOGRAPHICS OF STAFF, BY NEIGHBORHOOD POVERTY



source: 2011 Nonprofit Poverty Survey, 2011 LA HNSO

In this section, we explore the staffing patterns of the organizations as well as their management practices. We want to examine whether location in poor neighborhoods required these organizations to undertake distinct management practices in order to effectively serve these neighborhoods. Location in poor neighborhoods presents a variety of management challenges. In particular, such organizations face hurdles in recruitment and retention, and in achieving representation of the community within the organization. Research has shown that when the socio-demographic characteristics of the staff represent those of the community, there is a stronger linkage between the organization and the local residents, and the staff members are more responsive to residents' needs.

In Table 9, we show the median and average number of full-time equivalent staff (FTE) for organizations in poor neighborhoods. Because there are several very large organizations in the extremely poor neighborhoods, we present both the mean and the median (we also exclude four organizations with revenues of more than

\$40 million). Overall, the organizations tend to be smaller in general than for all nonprofit human services (L.A. HSNO). The median FTE is also quite small. Nonetheless, compared with the poor neighborhoods, organizations in the extremely poor neighborhoods have larger staffs, again because of the presence of a few large organizations. Organizations in poor African American neighborhoods are particularly small in terms of FTE.

ORGANIZATIONS IN POOR NEIGHBORHOODS HAVE A GREATER REPRESENTATION OF ETHNIC GROUPS COMPARED WITH L.A. HSNO.

Next, we explore the ethnic composition of the staff. As shown in Figure 5, organizations in poor neighborhoods have a greater representation of ethnic groups compared with L.A. HSNO. Specifically, the 2012 survey respondents retained more African American and Latino employees than the 2010 survey of all the nonprofit human services organizations.

MANAGEMENT PRACTICES

TABLE 10 MANAGEMENT PRACTICES, BY NEIGHBORHOOD POVERTY

	ALL	POOR	EXTREMELY POOR	POOR AA	L.A. HSNO
PERFORMED MARKET ANALYSIS	30%	24%	40%	21%	26%
DEVELOPED STRATEGIC PLAN	75%	70%	82%	64%	64%
IMPLEMENTED PROGRAM EVALUATION SYSTEM	65%	59%	74%	58%	60%
IMPLEMENTED A NEW FISCAL OR COST CONTROL SYSTEM	51%	48%	56%	41%	46%
USED A MANAGEMENT CONSULTANT	41%	34%	52%	35%	NOT ASKED

source: 2012 Nonprofit Poverty Survey, 2011 L.A. HSNO Survey

70 PERCENT OF THE ORGANIZATIONS IN POOR NEIGHBORHOODS AND 82 PERCENT OF THE ORGANIZATIONS IN EXTREMELY POOR NEIGHBORHOODS DEVELOPED STRATEGIC PLANNING IN THE PAST 3 YEARS, COMPARED WITH 64 PERCENT OF THE ORGANIZATIONS FROM THE L.A. HSNO SURVEY.

Because nonprofit human services organizations located in poor neighborhoods tend to be smaller, we expected more difficulty in incorporating capacity-building activities. For example, nonprofits in poor neighborhoods may have difficulty researching and applying for grants, keeping track of clients and services, or maintaining fiscal auditing and evaluation. In the 2012 survey, we asked about management practices such as market analysis, strategic planning, and program evaluation. Contrary to our expectations, the organizations in poor neighborhoods actually implemented more management practices than the organizations in the L.A. HSNO survey.

**CONTRARY TO OUR EXPECTATIONS,
THE ORGANIZATIONS IN
POOR NEIGHBORHOODS
ACTUALLY IMPLEMENTED MORE
MANAGEMENT PRACTICES THAN
THE ORGANIZATIONS IN THE L.A.
HSNO SURVEY.**

In Table 10, we can see that 70 percent of the organizations in poor neighborhoods and 82 percent of the organizations in extremely poor neighborhoods developed strategic planning in the past 3 years, compared with 64 percent of the organizations from the L.A. HSNO survey. Furthermore, organizations in extremely poor neighborhoods are even more likely to implement management practices. This may be due in part to the presence of some very large organizations in these neighborhoods. However, organizations in African American neighborhoods are less likely to implement some of these management practices, possibly because of their small size and limited resources. Still, the general picture is that a majority of the organizations serving poor neighborhoods have developed their management capabilities to meet their performance and evaluation challenges.

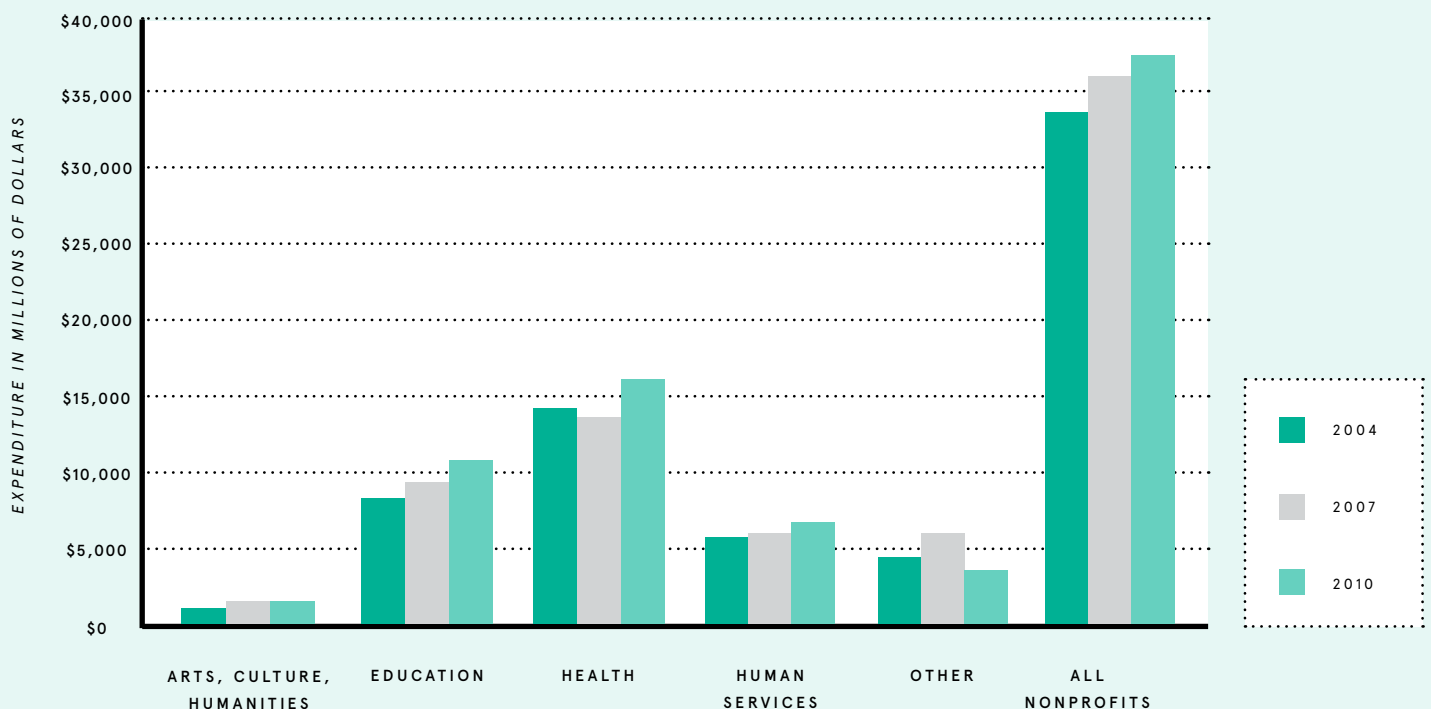
BOX 2. THE NONPROFIT SECTOR IN LOS ANGELES COUNTY – AN UPDATE

The majority of this report looks at the human services nonprofit sector in Los Angeles County, but it is still worth noting how these groups exist within the entire ecology of public-serving nonprofit organizations registered as 501(c)(3) public charities and private foundations. We are able to provide these numbers using the National Center for Charitable Statistics' (NCCS's) IRS Core files. As of August 2012, Los Angeles County was home to 31,650 active registered nonprofit organizations. Of these, 3,116 (9.8 percent) are arts, culture, and humanities organizations; 4,378 (13.8 percent) are educational organizations; 2,266 (7.2 percent)

are health organizations; and 6,215 (19.6 percent) are human services organizations⁴.

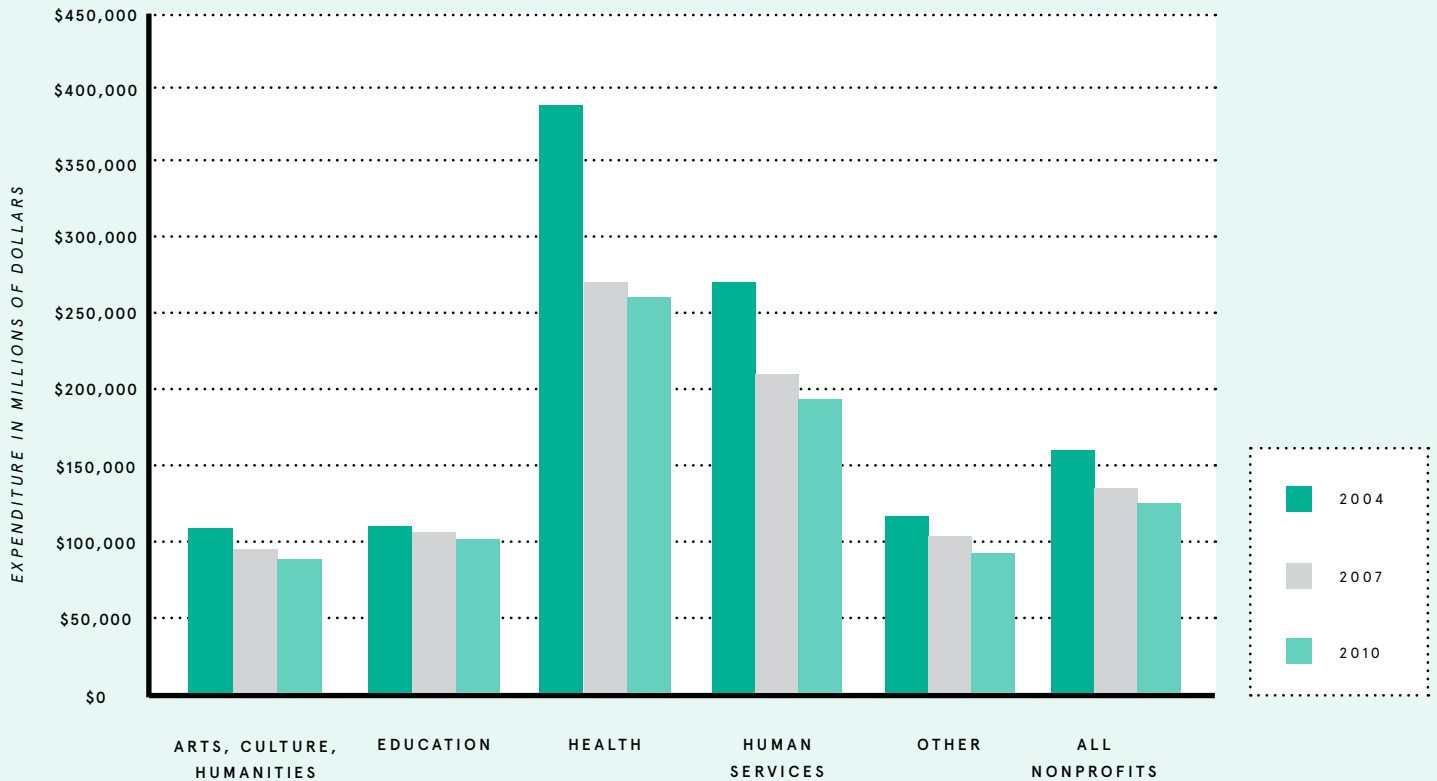
Figure 6 reflects financial data from 10,199 organizations that reported revenue of at least \$50,000. In 2010, the latest year for which this information is available, the nonprofit sector in Los Angeles County spent a total of \$37.8 billion dollars to operate its programs. In the major subsectors of health and education, human services organizations have experienced slow growth since 2007. However, expenditures for arts, culture, and humanities nonprofit organizations decreased during this 3-year period.

FIGURE 6 TOTAL EXPENDITURE BY NONPROFIT SUBSECTORS, L.A. COUNTY



source: NCCS IRS CORE files, 2004, 2007, 2010 (adjusted to 2010 dollars)

FIGURE 7 MEDIAN EXPENDITURE BY NONPROFIT SUBSECTORS, L.A. COUNTY



source: NCCS IRS CORE files, 2004, 2007, 2010 (adjusted to 2010 dollars)

Median expenditures can provide additional insight into how the majority of organizations are performing. Figure 7 shows that median expenditures of the entire sector have decreased 19 percent since 2004 (from \$157,004 to \$127,320).

All major subsectors have experienced this trend, meaning that the nonprofit sector in Los Angeles County is dominated by very small nonprofits, many of whom are responding to a diversity of very focused needs within their communities.

⁴ The NCCS definition of Human Services organizations is based on how organizations self report their major activity. The Center for Civil Society and authors of this report define human service organizations more broadly to account for cross-sectoral services and include nonprofits that provide educational, arts and health services.

CONCLUDING THOUGHTS

In this report, we direct our lens on poor neighborhoods in Los Angeles County and the nonprofit human services located in them. Two major findings stand out. First, there is considerable disparity in the location of nonprofit human services in Los Angeles County. Very poor neighborhoods, particularly African American neighborhoods, are much more deprived of nonprofit human services than well-off neighborhoods. A significant number of them are desert neighborhoods lacking any established nonprofit human services organizations. This finding points to the absence of investment in human services that are located in very poor neighborhoods.

Second, the nonprofit human service organizations in poor neighborhoods work hard to meet the basic needs of their constituencies and to

represent them in the composition of their boards and staff. Yet, they are very constrained by their limited resources. They tend to be appreciably smaller in both staff and revenues than nonprofit human services sector overall, a pattern that is particularly pronounced in poor African American neighborhoods. The organizations serving poor neighborhoods are much more dependent on donations, which are a volatile source of funding.

And, despite the fact that their managerial practices are similar to those of the sector overall, they are much less likely to obtain government funding, which is critical to organizational survival and sustainability. Put together, the findings paint a picture of considerable disparity between the service needs in poor neighborhoods and the organizational resources made available to them.

APPENDIX 1. DATA DESCRIPTION

A CENSUS OF HUMAN SERVICES NONPROFIT ORGANIZATIONS IN LOS ANGELES IN 2011

To build a comprehensive list of human services nonprofits in Los Angeles, we extracted human services nonprofits in Los Angeles from the National Center for Charitable Statistics Business Master Files (BMF) 501(c)(3) in June 2011 on the basis of the following selected National Taxonomy of Exempt Entities (NTEE) codes: B80 (student services); E40 (reproductive health programs); E50 (rehabilitation services); E86 (patient and family support); F (mental health); I20–23 (crime control and prevention programs); I70–73 (abuse prevention); J (employment); K30–36 (meal distribution programs); K40 (nutrition programs); L40–41 (temporary and emergency housing); L80 (housing support); O (youth development); P (human services); Q33 (international relief); and R20–28 (civil rights programs).

Despite its range, the NCCS dataset has intrinsic limitations, such as lack of information regarding satellite and religious-affiliated human services nonprofits. In addition, the above NTEE classification may not include some other types of human services nonprofits. To complement the NCCS list, the Center added two more lists of human services organizations in the Los Angeles County: Los Angeles Rainbow Resource Directory and 211-Los Angeles. Using these two directories, we were able to add branch and religious-affiliated organizations. In addition, we were able to incorporate human services nonprofits not listed in the BMF file but listed in both directories, including newer organizations. Finally, the Center added those human services nonprofits that were part of the Center's 2002 Human Services Organization Survey. After completing a comprehensive data-cleaning process, the number of human services nonprofits on the list grew from 4,937 (NCCS BMF) to 6,232.

GEOCODING

To identify nonprofit organizations located in poor neighborhoods, the Center uses ArcGIS to geocode organizations to respective census tracts. We began with automatically matching addresses of all human services nonprofit organizations in our database ($n=6,232$). After two rounds of initial matching, unmatched addresses consisted of mostly P.O. boxes followed by those that could not be geocoded and for which no addresses were listed. We then used Google search to identify updated addresses from official websites and cross-checked them with other directories to ensure reliability. We also used the 2002 Post Office Directory and usps.com to identify physical locations for P.O. boxes that remained unmatched. blackbookonline.info was used to confirm the reliability of the locations that usps.com yielded. Additionally, if the usps.com search produced more than one location within a single zip code, blackbookonline.info was used to pinpoint the exact location of the P.O. box. At the end of the geocoding and cleaning process, we successfully matched 98% ($n = 6,129$) of the organizations to census tracts.

MAPS

The service gap represented in Map 1 was measured by subtracting the density of human services nonprofits (=total number of human services nonprofits per 10,000) from the percentage of people in poverty. We calculated the total number of human services nonprofits by using the geocoded data file, and we relied on the U.S. 2010 Census Summary file 1 and 2010 American Community Survey 5-year estimate for total population and the percentage of people in poverty, respectively. The unit of analysis was census tract, which has frequently been used as an operational definition of neighborhood in previous studies.

TABLE A-1 RESPONSE RATE TO 2012 HIGH-POVERTY HUMAN SERVICES SURVEY

	NUMBER	RATE
REFUSED	45	11%
NO CONTACT	149	36%
STATUS UNKNOWN*	9	2%
COMPLETE	213	51%
SAMPLE TOTAL	418	100%

*STATUS UNKNOWN: organization has no provided contact info and eligibility status cannot be determined

THE 2012 NONPROFIT POVERTY SURVEY

In 2012, the Center for Civil Society conducted a survey of human service nonprofit organizations located in poor census tracts in Los Angeles. Through the aforementioned geocoding efforts of the entire set of human services organizations in Los Angeles, we identified a population of about 1,800 “high-poverty” human services organizations located in census tracts with 20 percent or more residents living in poverty. After selecting 656 organizations through stratified random sampling by poverty levels (20 percent–40 percent and 40 percent or more poverty) and ethnic profile (0 percent–20 percent and 20 percent or more African American resident density), the Center attempted to contact all organizations in the initial sample by telephone and mail. After verifying and updating the contact information of sample organizations, we excluded those that had disbanded, had their 501(c)(3) status revoked, relocated outside of poor census tracts of Los Angeles County, or ceased to deliver human services. After verifying the representativeness of this final sample (n = 420), we began data collection.

The data collection took place between June and September 2012 and consisted of three primary methods — telephone interview by UCLA graduate students, paper self-report, and web self-report. Through a combination of these methods, we

received a total of 215 responses (51.2 percent response rate). For this report, we include data from a total 215 of digitally coded organizations that are well distributed by size and location.

IRS BUSINESS MASTER FILES AND CORE FILES FROM THE NATIONAL CENTER FOR CHARITABLE STUDIES

For information on the number of 501(c)(3) public charities and private foundations and the financial size of public charities in Los Angeles County, we used the Internal Revenue Service (IRS) Business Master File 501(c)(3)(BMF 501(c)(3)) and CORE PC files, available through the Urban Institute’s National Center for Charitable Statistics (<http://nccsdataweb.urban.org>). The BMF 501(c)(3) is cumulative and contains descriptive information on all active tax-exempt 501(c)(3) public charities and private foundations derived mostly from IRS Forms 1023. The CORE PC files, produced annually, combine descriptive information from public charities’ initial registration with annually updated financial variables from the Form 990 or 990-EZ. Only organizations required to file these forms are included in the files. The CORE PC files used for this report include only 501(c)(3) public charities filing Forms 990 or 990-EZ and reporting gross receipts of at least \$50,000.

APPENDIX 2. NON-RESPONDENTS

It is always a concern that the non-responding organizations are not randomly distributed and therefore cast a bias on the results. This is particularly an issue when we study organizations serving poor communities. We know from prior studies that many organizations located in poor ethnic communities are small, have limited resources, and may disband early in their life cycle. In terms of the sampling strata, there are no significant differences between the responding and non-responding organizations. That is, the non-responding and responding organizations are equally represented.

To examine the attributes of the non-responding organizations and compare them with the responding organizations, we obtained, whenever available, their total revenue from their IRS Form 990 filing for 2010. Quite a few of the non-responding organizations filed only Form 990-N if their revenues were \$50,000 or less. We recorded whether they chose to report \$50,000 or \$25,000, but of course the actual revenue may be considerably less. When we could find revenue data only on the headquarters of an organization with multiple branches, and a branch was in our sample, we imputed the revenue for the branch by dividing the total amount by the number of branches.

Because we also know their census tract location, we are able to compare the socio-demographic characteristics of their locations with those of the responding organizations. We used available census data to examine whether there were differences between the census tracts of the responding and non-responding organizations on such variables as race and ethnicity, poverty, unemployment rate, and single parent household.

As the comparisons in Table A-2 indicate, about 9 percent of the non-respondents reported

zero revenue for 2010 and 36 percent reported revenue of \$5,000 or less. This compares with only 0.5 percent of the respondents who reported zero revenue and 23 percent who report revenue of \$5,000 or less. These differences indicate that the non-responding organizations were more likely to be in economic distress, and some were possibly on the verge of being disbanded. This is also reflected in the median revenue size of the non-respondents (\$328,161) compared with the respondents (\$482,000) as well as in the differences in mean revenue for the organizations located in extremely poor neighborhoods (more than 40 percent poor). Our interviewers reported that when contacting some of the non-responding organizations, the reasons given were often that they were too small, short on staff, and under financial duress.

In terms of location, there is some indication that more of the non-responding organizations were located in census tracts with a larger proportion of African American residents (22.8 percent vs. 19.8 percent). However, the difference is marginally significant statistically (0.06). Still, this is to be expected because research has suggested that nonprofit human services located in African American neighborhoods are more likely to be smaller.

At the same time there were no significant differences between the responding and non-responding organizations on various other measures of the socio-demographic characteristics of the census tracts in which they are located, such as median income, single-parent households, poverty, children younger than 5, and the like.

The fact that a significant proportion of the non-responding organizations have reported zero revenue, are very small, and are somewhat

more likely to be located in African American neighborhoods should caution us when we interpret the results of our survey. That is, it is important to emphasize that our survey *under-represents* small, possibly vulnerable, organizations, and possibly those located in African American neighborhoods. This is a significant limitation

because our survey is not able to give us a fully accurate picture of what such organizations experience when they try to provide services and sustain themselves in resource-deprived environments with high service needs. Therefore, the results we report from the survey are slanted toward larger and more stable organizations.

TABLE A-2 RESPONDENTS VS. NON-RESPONDENTS

	RESPONDENTS	NON-RESPONDENTS
SAMPLE STRATA	No significant differences	
REVENUE	Fewer than 1% with zero revenue. 23% with total revenue of \$5,000 or less.	9% with zero revenue. 36% with total revenue of \$5,000 or less.
	The median revenue is \$482,000. Mean revenue is \$3,585,323.	The median revenue is \$328,000. Mean revenue is \$1,605,138.
	The mean revenue for locations in extremely poor tracts was \$5,501,717.	The mean revenue for locations in extremely poor tracts was \$1,807,581.
LOCATION	On average, African Americans constituted 19.8% of the population in the census tracts of the respondents. Latinos constituted 52.6%.	On average, African Americans constituted 22.8% of the population in the census tracts of the non-respondents. Latinos constituted 53.5%.
SOCIO-DEMOGRAPHICS	No significant differences	

source: 2012 Nonprofit Poverty Survey, 2011 American Community Survey - 5 year estimates

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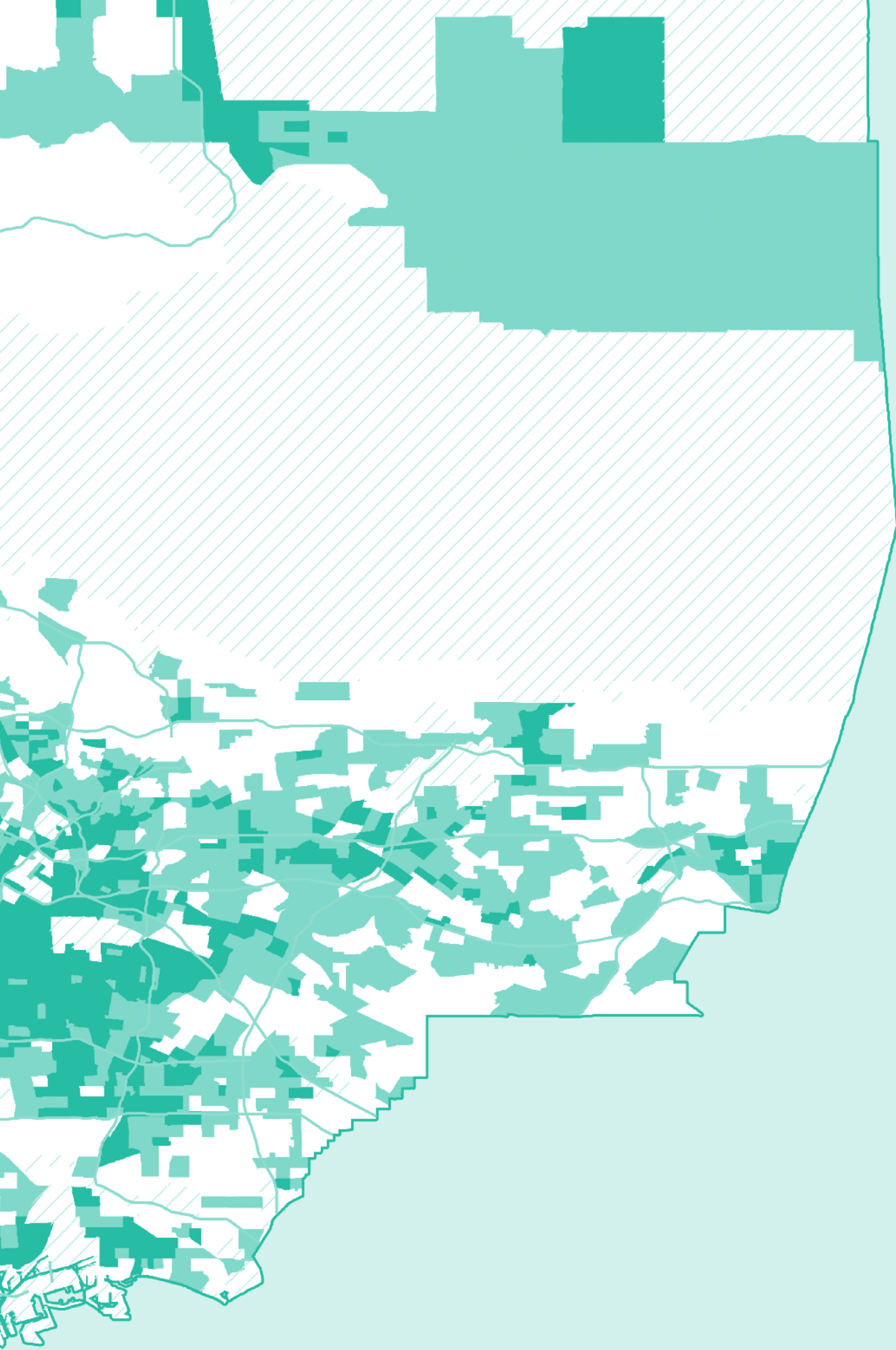
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The Center for Civil Society
3250 Public Affairs Building
Box 951656
Los Angeles, California 90095-1656

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