IN THE SHADOW OF THE PANDEMIC CLIFF

The State of Los Angeles County's Creative Nonprofit Sector in 2025

Otis College Report on the Creative Economy

October 2025

OTIS COLLEGE OF ART AND DESIGN

WESTWOOD
ECONOMICS & PLANNING ASSOCIATES

President's Message

We are proud to present the latest *Otis College Report on the Creative Economy*, which focuses on California's creative nonprofit sector — an essential yet often overlooked pillar of our state's economy and cultural vitality. While previous editions of the Otis College Report have highlighted for-profit creative industries shaping Los Angeles's identity, this study shines a light on the over 900 creative nonprofits across Los Angeles County that provide programming to millions of participants each year, forging a connective tissue that sustains our broader creative ecosystem.

This year's report, *In the Shadow of the Pandemic Cliff*, reveals a sector defined by challenge and resilience. Between 2018 and 2023, total creative nonprofit revenues in Los Angeles County increased substantially thanks in part to pandemic-era relief programs. Yet as those funds expired, a majority of organizations have reported declines in government support, underscoring the sector's vulnerability amid tightening budgets. Even so, most creative nonprofits continue to retain staff and sustain innovative programming — a testament to the ingenuity and determination of all who make this work possible.

Developed in collaboration with Westwood Economics and Planning Associates, the findings in this report draw upon extensive IRS data, surveys, and interviews that together provide a comprehensive view of the nonprofit arts landscape across Los Angeles and California. We are grateful to Westwood for their continued partnership and thoughtful analysis.

We also extend appreciation to our supporters who ensure the *Otis College Report on the Creative Economy* continues to be a valued resource on California's evolving creative industries: California Community Foundation; City National Bank; Los Angeles City Councilwoman Traci Park; Department of Cultural Affairs, City of Los Angeles; Gallagher; Getty; Moss Adams; The Music Man Foundation; The Ralph M. Parsons Foundation; The Snap Foundation; and Sony Pictures Entertainment.

As Los Angeles's first professional school of art and design, Otis College is committed to preparing the next generation of creative leaders and advancing understanding of the forces shaping our cultural economy. Having reported on the Creative Economy since 2007, we hope this report deepens awareness of the critical role of creative nonprofits and inspires renewed investment in the organizations and people who ensure that creativity continues to thrive in our communities.

Thank you,

Charles Hirschhorn
President, Otis College of Art and Design

Introduction

Los Angeles County's creative economy extends beyond iconic companies, movie studios, fashion houses, design firms, game labs, and creator hubs. It is also home to an expansive creative nonprofit ecosystem of more than 900 organizations that provide programming to millions of attendees each year. While the Otis College Report on the Creative Economy has traditionally focused on private-sector activities, this report spotlights creative nonprofits, which provide valuable infrastructure that sustains for-profit industries, while filling a unique and vital niche within Los Angeles' broader creative economy. For example, there are more than a dozen nonprofit film festivals in Los Angeles County alone, ranging from the Burbank International Film Festival to the Mirala Film Festival. These events support the commercial vitality of the film industry by helping distributors discover new talent, while also expanding community access to cultural experiences that may otherwise be difficult to find. Understanding the health of this ecosystem is essential for all invested in the future of Los Angeles County's creative economy.

In October 2025, Otis College of Art and Design, in collaboration with Westwood Economics and Planning Associates, conducted research that shed light on California's creative nonprofits. A digital dashboard now tracks the number of creative nonprofits, their revenues, and assets for each county in the state from 2011 to 2023, while an accompanying primer highlights uses of the dashboard, calling attention to key trends observed across creative nonprofits in California. This report identifies the most pressing challenges facing the creative nonprofit sector in 2025 and considers its prospects for 2026 and 2027. At a time when traditional entertainment and technology industries are under strain, federal funding priorities are shifting, and local governments are facing budget crises, the creative nonprofit landscape across the state is facing increased uncertainty. Despite these challenges, the creative nonprofit sector has demonstrated great resiliency.

Otis College and Westwood's findings draw on both quantitative and thematic analyses of trends seen across creative nonprofits in California, with a focus on Los Angeles County. The research combines a detailed study of Internal Revenue Service data on nonprofit organizations in the arts, museums, and cultural education, covering the years 2018-2023; a Los Angeles–based survey completed by 121 local organizations; and 17 in-depth interviews with nonprofit administrators and funders. This IRS record analysis allowed the team to track broad organizational and revenue trends throughout the nonprofit sector, in much the same way that similar data is used to understand for-profit industries. The survey and interviews, meanwhile, provided critical insight into the immediate challenges facing creative nonprofits in Los Angeles County and beyond.

In Brief: In The Shadow of the Pandemic Cliff

The Pandemic Years Brought a Relative Abundance to Los Angeles County's Creative Nonprofits

Los Angeles County saw a surge in new nonprofits, while total creative nonprofit revenues increased 47 percent during the years of the pandemic, a trend fueled primarily by pandemic relief funding.

Following the 'COVID Cliff,' Creative Nonprofits Have Entered a Period of Austerity

As relief funds expired and other funding sources dried up, 60 percent of survey respondents reported that their governmental funding has been lower over the past 12 months. Concurrently, 51 percent of respondents reported that private donations have also decreased.

Creative Nonprofits Are Retaining Staff and Programming Even as Revenues Decline

58 percent of respondents report decreased budgets over the past 12 months. However, this has not yet translated into significant job or programming cuts.

Reduced Support is Requiring Nonprofits to Consider Alternative Revenue Sources

Programming makes up 25 percent of creative nonprofit funding, down from 40 percent a decade ago. As government support and private donations decline, the sector will need to focus increasingly on revenues from programming while finding creative ways to develop new revenue streams.

In a Challenging Political Climate, Nonprofits Demonstrate a Notable Resilience

The sector's biggest asset is the adaptability, devotion, and resiliency of its workforce, which is finding creative solutions in the face of current headwinds, ensuring that a more enduring creative nonprofit landscape emerges from the shadows.

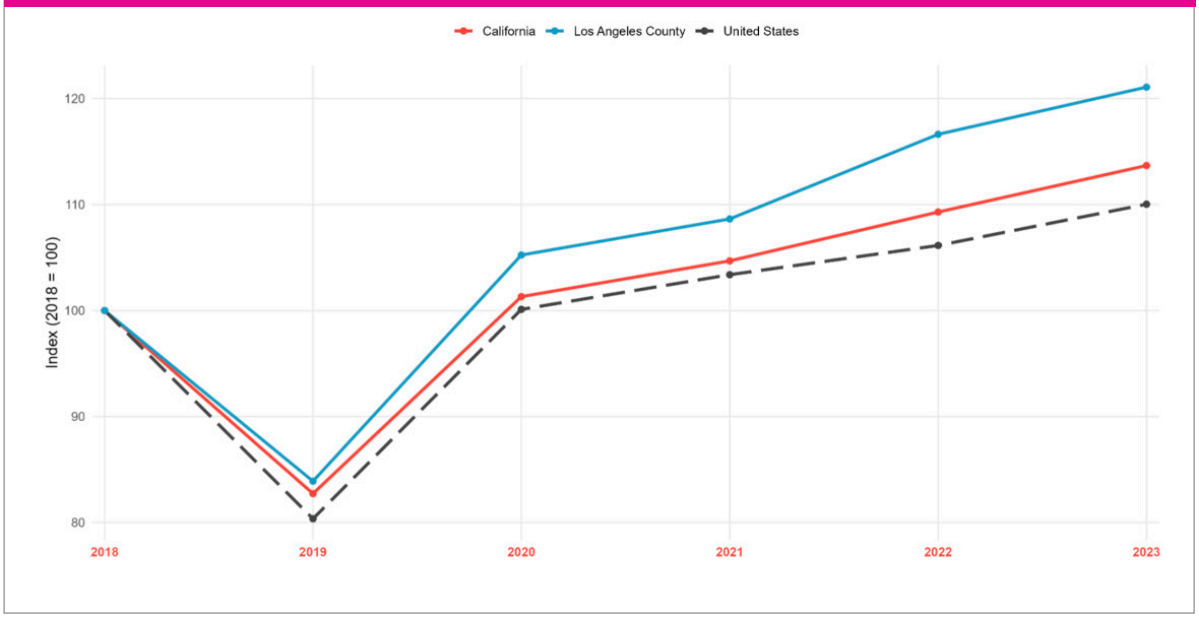
The Pandemic Years Brought a Relative Abundance to Los Angeles County's Creative Nonprofits

The Number of Creative Nonprofits Expanded More Quickly in California and Los Angeles than in the U.S. between 2018 and 2023

Between 2018 and 2023, California has added creative nonprofits at a faster rate than other states in the U.S. Los Angeles County is now home to more than 900 creative nonprofits, accounting for roughly 30 percent of California's creative nonprofit ecosystem. The number of creative nonprofits in Los Angeles County increased by 21 percent between 2018 and 2023, which is double the rate of the previous period (11 percent increase between 2011 and 2018) and faster than the statewide growth of 14 percent. While all three areas saw a steep decline in 2019, Los Angeles County and California rebounded faster than the U.S. overall, underscoring the distinctive resilience of the state's creative sector.

Chart 1: Growth in Overall Number of Organizations 2018-2023 (Indexed to 2018)

Los Angeles County vs California vs United States



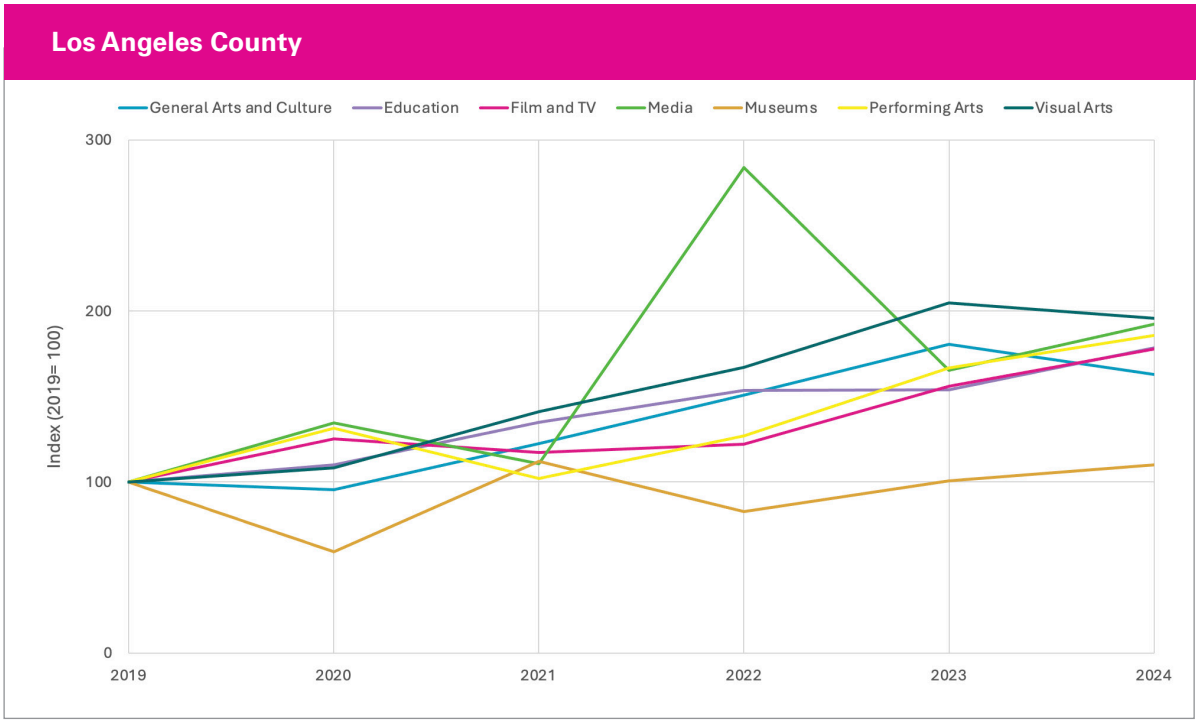
Based on Westwood Analysis of IRS data

Creative Nonprofit Revenue Growth in Los Angeles County Surpassed Growth in California and the U.S.

The rapid growth in the number of creative nonprofits was matched by a surge in resources flowing to them. Internal Revenue Service (IRS) figures reveal a substantial increase in financial support for creative nonprofits at the beginning of the pandemic. Between 2018 and 2023, total revenue for creative nonprofits in Los Angeles County increased by 47 percent, ahead of the 43 percent growth across all creative nonprofits in California. This represents broad-based growth across large, medium, and small organizations.

The smallest third of organizations—those with annual revenues under $72,000—saw the largest revenue gains in Los Angeles County, followed by medium organizations, with the largest third of organizations seeing the slowest growth. This pattern suggests that more vulnerable organizations benefited most from governmental support during the pandemic. The increase in revenue over this period was especially pronounced among Visual Arts, Performing Arts, and Media organizations where revenue nearly doubled in five years. For each creative sector, organizations in Los Angeles County experienced faster revenue growth than in the rest of the state.

Chart 2: Growth in Total Revenue By Category 2019-2024 (Indexed to 2019)



Based on Westwood Analysis of IRS data

The surge in contributions to nonprofits can be primarily attributed to increased federal government spending in response to the pandemic. Between 2020 and 2022, an extraordinary wave of public relief efforts, including the CARES Act (Coronavirus Aid, Relief, and Economic Security Act) and the American Rescue Plan Act (ARPA), provided support to nonprofits through two primary channels.

The first was expanded budgets for federal departments and grant-making institutions. As an example, the budget for the U.S. Department of Education increased at the start of the pandemic, allowing added support to flow to educational institutions. At the same time, expanded funding for federal agencies that support the arts—such as the National Endowment for the Arts—provided significant boosts to many creative nonprofits. Many of these organizations also benefited from the federal Paycheck Protection Program (PPP), which offered critical payroll support.

A second, closely related channel was increased federal support for local governments as they navigated budget crises in 2020. As local governmental budgets grew, expanded funding for arts and culture departments and the nonprofits they support became available. In addition, state initiatives such as the Community Economic Resilience Fund (CERF) and the California Creative Corps further buoyed creative nonprofits, allowing them to retain staff, expand programming, and stabilize their finances.

Following the 'COVID Cliff,' Creative Nonprofits Have Entered a Period of Austerity

Funding for Creative Nonprofits Fell Over the 'COVID-Cliff' Once Pandemic Era Programs Expired

Creative nonprofits now find themselves navigating a more strained funding environment. A surge in pandemic-era support gave rise to what several nonprofit administrators describe as a "COVID Cliff." As stimulus programs began to wind down and recovery funds dried up, organizations reported feeling a sense of whiplash. The cliff metaphor captures both the suddenness and severity of this shift. Two representatives from Los Angeles County arts organizations captured this predicament well:

> "A lot of the support that came in surrounding the federal stimulus had been a buttress for the space but when we looked out two or three years, [we knew] this infusion would come to an end."

Funding from state and local governments is also under increased strain. Many are now running budget deficits and are less able to sustain grant programs for the creative nonprofit sector. As one local nonprofit leader explained, local governments have struggled to maintain arts and culture funding amid tightening budgets:

> "Everybody is struggling for funding, and now increasingly so because of what's happening politically and also at the local and state government level in terms of their financial crises."

As an example, the budget for the Los Angeles County Department of Arts and Culture has been reduced by $1.7 million, resulting in significant cuts to grants it provides to local nonprofits. As further detailed below, the survey conducted by Westwood Economics and Otis College revealed that 69 percent of creative nonprofits have reported a decline in governmental support over the past 12 months.

New Federal Priorities Have Put Organizations at Odds With Agencies

Beyond reductions in funding, national policy shifts have also redefined how federal funds can be used. Prior to 2025, government funding increasingly prioritized Diversity, Equity, and Inclusion (DEI) initiatives, encouraging organizations to explicitly incorporate these values into their missions and programming. Reflecting on the years leading up to 2025, an arts administrator described the work to advance equity:

> "[There was] a huge push in 2020 and a reckoning within the arts related to accessibility and representation. We did a lot of conference sessions and webinars and workshops to model equity in our work and everybody was trying to make real systemic change. Now we are supposed to deny or dismantle."

Recent federal restrictions on how government funds can be used has also had a chilling effect on private foundations and corporations, many of which are eager to avoid unwanted scrutiny from the federal government. As a result, nonprofits are increasingly faced with a difficult decision: maintain their commitment to DEI initiatives or preserve access to funding. As one survey respondent explained:

> "There's a real concern about applying to the NEA [National Endowment of the Arts] going forward. Under the new administration, there are requirements that we agree to not do DEI work or agree to things that might not sit square with the values of your organization."

The Rising Cost of Living Is Making It Harder to Maintain Payrolls and Find Space

In addition to shrinking revenue, creative nonprofits are also grappling with rising operating costs. In a more constrained funding environment, they have found it difficult to keep wages in line with the rising cost of living. Regulatory changes, such as California's Assembly Bill 5, have further increased labor costs. One survey respondent explained:

> "Pandemic-era relief funding caused our budget to increase rapidly during the first several years of the pandemic, which allowed us to pay our staff better wages and be compliant with changing labor laws. But the sudden elimination of these funds, in addition to a sudden reduction in governmental funding for the arts across all levels, has created a severe inability to maintain previous staffing levels."

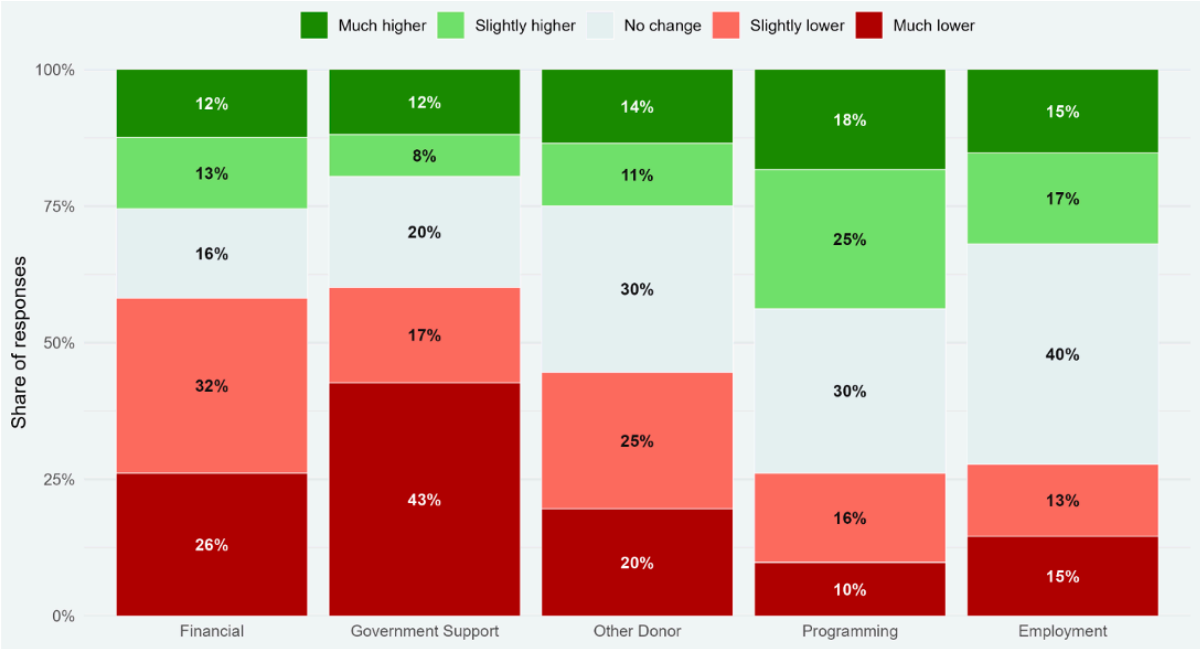
Other respondents highlighted the difficulty in finding spaces to present programming, a problem further exacerbated by recent Los Angeles wildfires that affected venues across the county.

> "So many spaces have closed due to the pandemic. Those that remain have increased their fees. We are finding it more difficult to find rehearsal and performing spaces that we can afford."

Creative Nonprofits Are Bending but Not Breaking, Retaining Staff and Programming Even as Revenues Decline

While the IRS figures described above show a surge in revenue for creative nonprofits in Los Angeles County during the pandemic, these figures do not reveal how this landscape has changed since 2023. Interviews with Los Angeles County-based organizations, as well as a survey completed by 121 local creative nonprofits, provided unique insights into their current financial positions. The table below displays how survey participants responded to five separate questions.

Table1: Reported Trends in Creative Nonprofit Activity—Los Angeles County



Based on 121 Survey Responses in Summer of 2025

58 percent of survey respondents have experienced a weakened financial position over the past 12 months

Interview and survey data reveal a significantly deteriorating financial climate for creative nonprofits over the past year. Funding challenges are now widespread—public funding has contracted across multiple levels of government, while many private funders have shifted focus away from arts and culture. As one respondent explained:

> "We're really putting nonprofits in a difficult position. At all levels of government, we're seeing significant cuts. And private funders have been very clear that their priorities right now are not arts and culture."

This perception is reinforced by survey findings. Between summer 2024 and summer 2025, a majority of respondents (58 percent) reported that their organization's financial position had worsened, including 26 percent who noted that it was *much lower* and 32 percent who said it was *slightly lower*. Another 22 percent experienced no change, while 21 percent reported improvement (17 percent *slightly higher* and 4 percent *much higher*). Overall, organizations reporting financial decline outnumbered those seeing improvement by nearly three to one—a clear sign of mounting strain across the sector.

Government Support Drops for More than Two-Thirds of Creative Nonprofits

Forty-eight percent of survey respondents reported a sharp fall in government financial support for their organization over the past 12 months, while another 21 percent shared that this support was *slightly lower*. Only 10 percent reported an increase in government support during this period. Overall, organizations reporting cuts to government funding outnumbered those reporting increases by seven to one. The link between public funding and overall financial health was clear: 81 percent of respondents who said their organization's finances had worsened also reported a decline in government support.

Half of all respondents reported that non-government donations have been lower over the past year, with only 16 percent reporting increases.

Private donations to creative nonprofits have also decreased. Creative nonprofit organizations are competing with several causes for private donations. Urgent issues, including fire recovery in Los Angeles County and federal immigration raids, have captured more attention and dollars from private donors.

Beyond the present climate, there is a sense that the environment for private support for creative nonprofits in Los Angeles County has been in gradual decline. Several prominent local nonprofit organizations have shifted funding priorities from arts and culture in recent years to focus on other needs. As one organization shared:

> "We're not talking about a huge portfolio of foundations that support arts and culture work. We're talking about a couple dozen foundations that support arts and culture writ large. When we see two, three, or four of those foundations moving away from arts and culture, it's a big deal."

Survey responses reinforce this trend, with half of respondents reporting a decrease in non-government donations over the past year. At the same time, only 16 percent of respondents reported higher donations, and just 2 percent reported much higher donations.

Even Amid Financial Strain, Most Creative Nonprofits Are Avoiding Layoffs

In the face of a weakened funding landscape, nonprofits usually respond by cutting staff or programming. This challenge is captured by the following respondent:

> "During COVID, we did not cut hours. We didn't lay anyone off. We continued programming throughout the COVID period, and we're doing programming now without a building—so we're creating partnerships around L.A. If you're not going to cut your personnel, there's nowhere else to cut. It's personnel or programming."

A third of survey respondents reported that they employ fewer staff than a year ago, while 19 percent reported staffing increases. Approximately 49 percent of organizations maintained their existing headcount. These responses, however, were contingent upon an organization's financial standing. Among organizations that reported an improved financial position, 44 percent increased their staffing while only 4 percent reduced staffing. By contrast, 46 percent of organizations facing funding drops reported layoffs.

Despite a changed funding environment, the level of programming nonprofits have been able to maintain tells a slightly more positive story. Thirty-three percent of respondents reported increased programming over the past 12 months, compared to 29 percent who reported cuts to programming. Among organizations experiencing an improved financial position, 60 percent increased their programming, while only 8 percent reported programming cuts. Among organizations reporting a worsening financial position, only 20 percent reported an increase in programming, while 46 percent reduced their programming.

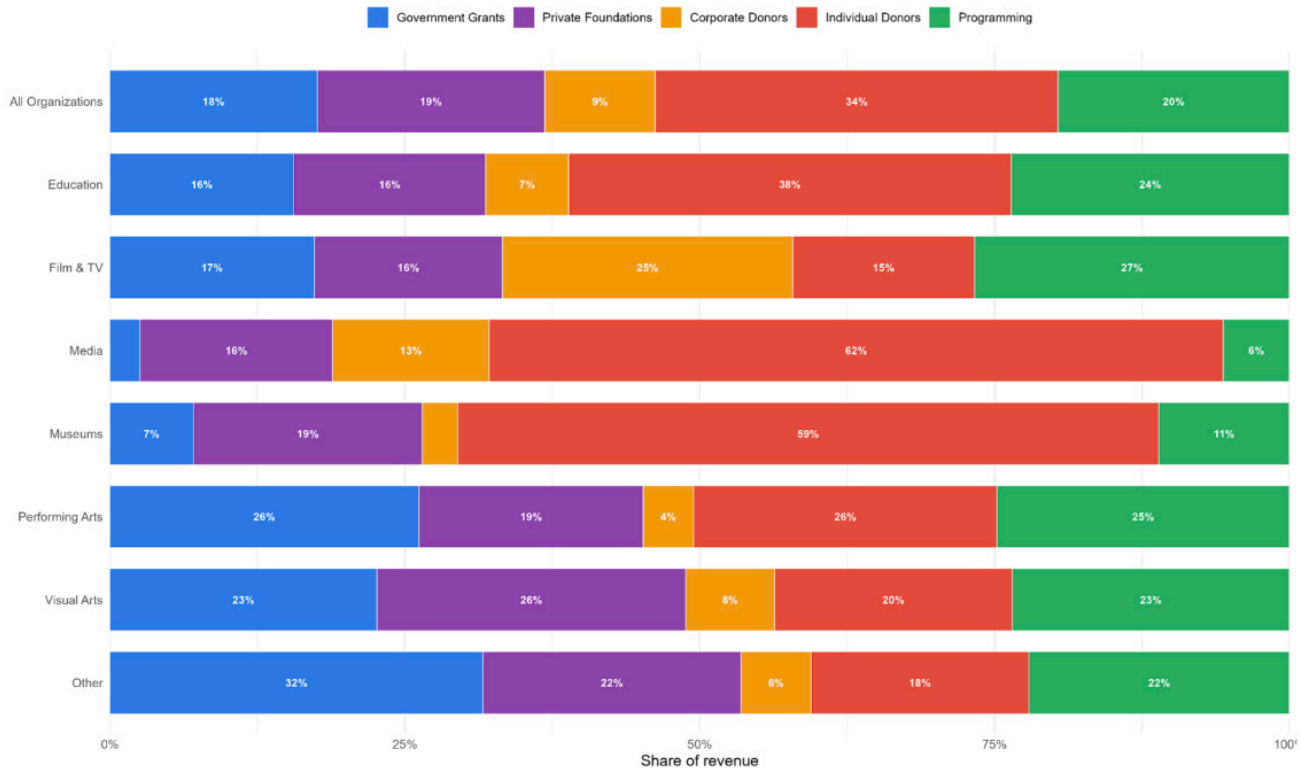
Reduced Support is Requiring Creative Approaches to Revenue Generation

Creative Nonprofits in Los Angeles County Have Become More Dependent on Contributions as a Source of Revenue

The pandemic surge in government relief reshaped how creative nonprofits in Los Angeles County fund their operations. According to IRS data, contributions accounted for 55 percent of total creative nonprofit revenue in 2013; by 2023, that share had risen to 71 percent. Over the same period, total contributions nearly tripled—from just under $300 million to more than $800 million per year—and about two-thirds of that growth has occurred since the start of the pandemic. Los Angeles County's creative nonprofits rely on contributions to a greater extent than in the rest of California (57 percent) and the rest of the United States (49 percent).

Our survey adds to IRS data by revealing the sources of nonprofit contributions. In Los Angeles County in 2025, approximately 18 percent of contributions come from government sources, 19 percent from private foundations, 9 percent from corporations, and 34 percent from individual donors. As described above, the short-term outlook for each of these revenue streams is strained.

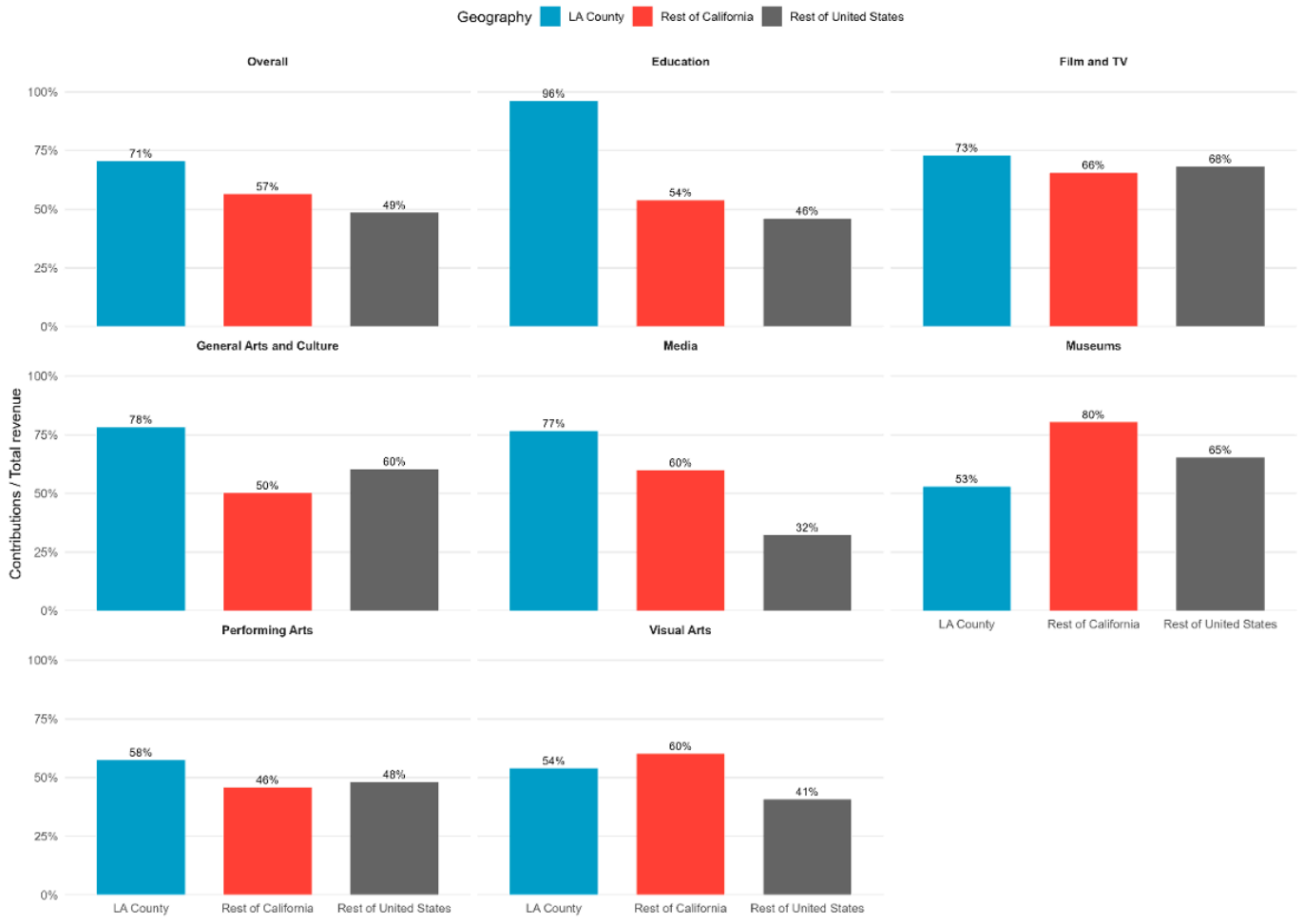
Table 2: Funding Mix by Organization Type



Based on 121 Survey Responses in Summer of 2025

Dependence on contributions also varies significantly by sector. Educational nonprofits derive 96 percent of their revenue from contributions, while contributions account for 78 percent of General Arts and Culture organization revenue. Museums (53 percent) and Visual Arts organizations (54 percent) are less dependent on contributions. These differences suggest that a downturn in contributions could have uneven impacts across the creative nonprofit landscape.

Table 3: Contributions Share—2024
Los Angeles County vs Rest of California vs Rest of United States



Westwood Analysis of IRS data.

Following a Decade of Rising Reliance on Contributions, Creative Nonprofits are Rebalancing

In 2013, programming, which includes ticket sales and merchandising, accounted for 40 percent of creative nonprofit revenue in Los Angeles County. By 2023, however, it made up only 25 percent of the total. As contributions shrink, programming revenue is becoming increasingly important to maintaining organizational sustainability. Such was the increase in contributions due to pandemic relief that, to offset a hypothetical 15 percent decline in government and private contributions over the next two years, programming or alternative revenue sources would need to increase by roughly 43 percent. For comparison, programming revenue grew by 37 percent over the entire decade leading up to 2023. Creative nonprofits are addressing this challenge by implementing creative approaches such as sharing programming or venues.

Emerging from The Shadows

The past five years have been a bumpy ride for Los Angeles County's creative nonprofits. The current political and fiscal environment is unlikely to improve quickly, and nonprofits will continue to compete with other causes for limited private donations. Nonprofits are increasingly exploring ways to expand their programming revenue and identify new revenue streams. Creative nonprofits will need to continue exploring creative approaches to identify new patrons and innovative ways to engage existing supporters to offset reduced private donations.

The sector is demonstrating great resilience in the face of these challenges. Most organizations have avoided major staff cuts and some have even expanded programming. Survey results reveal a wide range of strategies to address funding constraints. Some rely more on volunteers, others partner to share costs and venues, and many are diversifying their funding—launching campaigns, hiring development specialists, and exploring new revenue streams. This adaptability is not new. By their nature, creative nonprofits are practiced in stretching limited budgets and responding to change.

Looking ahead, the current climate is not the new normal—it's a temporary low point in a cyclical landscape. Public and philanthropic funding will recover, as it has after every downturn. When that moment arrives, this sector will emerge stronger for having weathered this period.

Notes

[1]Note: the IRS data reflect data reported for a given tax year. In 2020, during the depths of the pandemic, there were fewer tax filings, for a variety of reasons, which means that there was a lower count of filings relating to tax year 2019.

[2]Financial" represents the question, "Since this time last year, is the financial health of your organization?". "Government" represents "Since this time last year, is the level of financial support your organization receives from governmental sources?". "Other Donor" represents "Since this time last year, is the level of financial support your organization receives from individuals and other donors?". "Programming" represents "Since this time last year, is the level of programming your organization provides?" "Employment" represents "Since this time last year, is the number of staff your organization employs?".

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Acknowledgments

We acknowledge with appreciation Daniel Fonner (SMU DataArts), Anji Gaspar-Milanovic, Bronwyn Mauldin, Kristin Sakoda (Los Angeles County Department of Arts and Culture), and Gustavo Herrera (Arts for LA) for their invaluable contributions.

About Otis College of Art and Design

Established in 1918 as Los Angeles's first professional school of the arts, Otis College of Art and Design is a non-profit 501(c)3 institution and a national leader in art and design education. The College educates a diverse community of 1,300 creative students to become highly skilled, well-informed, and responsible professionals—empowering them to shape the world. Alumni and faculty are Fulbright, MacArthur, and Guggenheim grant recipients, Oscar winners, legendary costume designers, leaders of contemporary art movements, entrepreneurs, and design stars at influential companies including Apple, Abercrombie & Fitch, Pixar, DreamWorks, Mattel, Nike, and Netflix.

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