



Key Trends and Observations on Our Operating Environment

The following observations on key trends in the sector stem from research, observations during our workshops and trainings and conversations across our coalition work. While we are looking forward to your input on June 24th, we include here some of what we are seeing and hearing for starters.

Business Interruptions Will Continue to Challenge Organizations' Capacity and Ability to Undertake Longer Term Planning Efforts

Entire strategies for providing programming have become unmoored. Nonprofits have engaged in rapid, agile short-term planning to adjust programming to virtual formats, retain relevance in a COVID-dominated environment, and remain responsive to a changing set of operational requirements.

Nonprofit New York surveys report the following statistics about the state of the field:

a) by April, 85% of NYC nonprofits had cancelled programs/events, 74% had seen disrupted services, 70% experienced reduced revenue; b) by June, preliminary results showed \$30 million in revenue lost, and 900 staff laid off across the sector (this while many nonprofits were still operating with Paycheck Protection Program funds to enable them to retain staff) and c) none of these changes have been covered by business interruption insurance.

"The COVID-19 crisis will drive many nonprofits into insolvency...overwhelm[ing] the current system... Nonprofit revenues from all sources—government contracts, fee-for-service, and donations—are down and likely to remain so for years. Many organizations will face unmanageable revenue declines given their liabilities and fixed expenses. For others, retrenchment will entail one-time costs that they do not have the reserves to pay. Cash flow challenges will be daunting as near-bankrupt state and local governments struggle to pay their bills on time or may even renege on contracts at the same time that banks are reluctant to renew, let alone increase, lines of credit."

THINK OUTSIDE THE BOX: HOW STAKEHOLDERS CAN HELP NONPROFITS FACE THE CHALLENGE OF COVID-19
JUNE 2020, SEACHANGE CAPITAL PARTNERS

Programming modifications have come in waves, tied to nonprofits' deepening understanding of the gravity and long-lasting implications of the public health crisis. It is quite possible that the virus will erupt again in winter, leading to another round of closure and reopening and continued need for flexibility in programming.

An Economic Downturn with Declining Government Contracts and Competing Fundraising Priorities

Every funding sector is likely to have reduced capacity, some substantially. State and local government tax revenues will be significantly lower, leading to cuts estimated at 10-30% across the board. State cuts may be higher. Federal cutbacks will take longer but will have impact at the local level – "all bets are off." Corporations and foundations likely with fewer resources are being called to fund COVID-relief and racial equity. Organizations whose missions are not aligned with these two areas may lose funding or will have a hard time getting new funders' attention.

Nonprofits currently have financial breathing room with the Paycheck Protection program but that will end for most within the next month. PPP has hidden the full economic ramifications of this crisis on nonprofits for 2-3 months – and because of how it was set up (originally), has actually pushed payroll choices on nonprofits that led them to spend more on payroll up front in a way that will be unsustainable until the economy recovers. The number of 900 layoffs quoted above will likely substantially rise when the artificial life-support of PPP is over, unless another Federal program arises to take its place. Federal agencies charged with the health of the economy have little to no understanding of the nonprofit sector and its economic underpinnings as well as the impacts of a long-term financial crisis.

A Call to Action to Address Racial Equity in Our Structures, Our Programs and in Rebuilding

The health crisis and ensuing economic ramifications are manifesting most sharply for low-income people of color in the nonprofit workforce and across organizations. The COVID-19 crisis has revealed and magnified long-known inequities in the nonprofit sector between: organizations with adequate cash reserves, endowment, sufficient resources to “ride out” the crisis and the many that do not; nonprofit employees who can work remotely and those who must come into the workplace and communities particularly hard hit and those less impacted. We acknowledge that “race is the difference that makes the greatest difference” across these inequities.

Possible Scenarios and Planning for Change: A key role that we can play is highlighting possible scenarios in the coming months. The following are possible questions that organizations might consider (including Support Center). This was informed by a recent coalition meeting with our [Ahead of the Curve](#) partners.

- *What would we do if there is a significant drop off in income and donations?*
- *Can we continue to stay in business and do we still need to stay in business?*
- *What’s our short-term plan, medium-term plan through year end and longer-term through the end of next year?*
- *What’s the appropriate role for the board at this moment in these discussions?*
- *How do we acknowledge that things will be different? How do we remain open to very different ways of working?*
- *How can we reopen given current conditions, phased reopenings and accommodating our staff, clients and communities? What will our workplace and workforce look like if we don’t fully reopen?*