

Local Impacts of a Global Crisis

How Washington state nonprofits are responding to COVID-19



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The research team would like to thank the staff of all the nonprofit organizations that took the time to complete this survey. We realize that the leaders and staff of these organizations are under incredible pressure to serve their communities during this tumultuous time with increasingly tightening resources. Finally, we want to thank the nonprofit leaders and staff who piloted our survey and provided insights on how to maximize the relevance of the survey as it relates to nonprofit management, governance, and policy.

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EXECUTIVE SUMMARY

The COVID-19 crisis has caused deep and widespread strain across sectors and individuals since taking hold in early 2020. Despite this adversity, nonprofits—especially those comprising the modern social safety net—have continued to serve their communities during this tumultuous time (Kulish, 2020). This report seeks to understand (a) the major challenges facing nonprofits in Washington state as a result of the COVID-19 pandemic, (b) the strategies that nonprofits are using to mitigate the effects of the crisis, (c) how nonprofits are experiencing changes in funder relationships as a result of the crisis, (d) the degree to which nonprofits in the state have accessed assistance under the CARES Act, and (e) the most pressing needs nonprofits have as they face the ongoing uncertainty and hardship presented by COVID-19.

Not surprisingly, this report finds that nonprofits face considerable financial difficulty, with many already experiencing steep declines in total revenue and projecting declines over the next year. The average decline in total revenue experienced across nonprofits is approximately 30%. These declines are largely driven by a drop in program service revenue and are particularly challenging as many nonprofits are shifting their modes of service provision and incurring costs as they seek to prevent the spread of the disease. Declines in total revenue are projected to continue over the next year by an average of 16%, including a 4.2% decrease for health and human service organizations and a 25.6% decrease for other nonprofits.

Health and human service nonprofits are also seeing significant changes in service demand—an average increase of 28%—without a requisite increase in funding. At the same time, nonprofits are seeing a significant reduction in the number of people willing and able to volunteer in order to provide needed services. Other nonprofits, such as arts organizations, are seeing a drop off in demand that is jeopardizing their ability to survive.

Despite these challenges, we find that nonprofits are being flexible and creative in their response to the COVID-19 crisis. Many organizations have effectively reimaged what service provision looks like during this challenging and uncertain time, with nearly 64% of nonprofits changing how they provide programs and services. Approximately 58% of nonprofits have altered their short-term organizational goals, and nearly half have changed their programmatic priorities.

These changes come at a cost, and the strain on nonprofits is visible: 62% have had to pause one or more programs, and 14% have had to end one or more programs. Subsequently, many nonprofits have spent down cash reserves and made significant cuts to their number of staff, staff hours, and program capacity in order to stay afloat. Partnerships between nonprofits and local governments have become a common means of maximizing limited resources and tending to communities hardest hit by the crisis.

While some funders are moving to ease the burden on nonprofits through actions such as increasing funding and loosening grant restrictions for grantees, nonprofits reported that changes in funder-grantee relationships have been limited. A majority of nonprofits (for whom the questions were

applicable) report that none of their funders have changed how existing funding can be used, reduced reporting requirements, or made new funding unrestricted so that it can be flexibly used to meet needs.

Many nonprofits—56% of our sample—have successfully accessed CARES Act Paycheck Protection Program loans to support their employees. While nearly 30% reported some difficulties in applying, 95% that did apply were approved for their loans. Qualitative evidence suggests that there is still confusion though about whether and how these loans will be forgiven, and while assistance with payroll is helpful, nonprofits note that other costs associated with operating during the pandemic are still challenging.

Finally, we asked nonprofits what types of assistance would be most useful during this time in the hopes of stimulating action on the part of policy-makers, government agencies, institutional funders, and donors. Nonprofits overwhelmingly responded that they require assistance in terms of additional funding—from foundations, government, and individuals. Nonprofits also stated that reduced restrictions on current funding streams, information about the emergent state and local regulations pertaining to COVID-19, and information and data sharing would be useful during this time.

Many nonprofits are currently struggling to cope with the hardships associated with COVID-19, the economic downturn, and an uncertain future. Based on our findings along with other recent research on nonprofit responses to the COVID-19 crisis, we recommend that:

1. Philanthropic foundations and corporate funders provide more funding to the nonprofit sector to alleviate short-term solvency concerns.
2. Institutional funders increase flexibility as nonprofits try to navigate their new implementation environment and survive these turbulent times by reducing reporting requirements, loosening restrictions on current funding agreements, and making new grants unrestricted.
3. Legislators, government agencies, and institutional funders support communities most affected by COVID-19 and the subsequent economic downturn, including Black communities, Indigenous communities, and People of Color (BIPOC), by: (1) targeting funding towards BIPOC-led and BIPOC-serving organizations and (2) developing partnerships with BIPOC-led organizations, listening to the concerns and needs of those communities and translating those needs into action.

INTRODUCTION

Nonprofit organizations play crucial roles in providing public services—roles that are amplified in times of crisis. From hospitals and community clinics to youth development programs and local baseball leagues, nonprofits touch the lives of almost every American citizen. Not only do nonprofits serve to structure social interactions and build social capital (Putnam, 2000), they also play roles in increasing civic engagement and participation, forming critical linkages between government and citizens (Berry, 2005; LeRoux, 2007).

Washington state has 31,542 registered 501(c)(3) nonprofit corporations (Internal Revenue Service, 2020), an estimated 7,870 of which have paid staff (Bureau of Labor Statistics, 2017). Nearly 5,000 of the larger nonprofits in Washington state represent health/social assistance and education service sectors, providing critical safety net services for their beneficiaries. Washington nonprofits are also key economic drivers, as they constitute roughly 9.4% of annual wages and 9.8% of annual employment (Bureau of Labor Statistics, 2017). The number of nonprofit organizations in health, human service, social assistance, and education services has steadily increased across the state since 2013, but as the reliance on nonprofits for key services (often to marginalized or vulnerable populations) increases, so too does the precariousness of nonprofit financial and operational positions in the midst of the COVID-19 pandemic.

COVID-19 hit Washington state in late January 2020. As of September 2020, there were more than 88,000 confirmed cases and more than 2,000 deaths resulting from COVID-19 (Washington State Department of Health, 2020). Early on, the Puget Sound region had the highest burden of cases, but over time, the pandemic spread to Eastern Washington due in large part to the fact that many occupations in this region are characterized as essential (Spokane Regional Health District, 2020). This has resulted in racial and ethnic disparities in infection rates and condition severity. Beyond the immediate physical harms associated with the spread of COVID-19, Washington has also experienced significant economic ramifications stemming from business closures, employee furloughs, increases in unemployment assistance claims, and decreased employment opportunities (Roberts, 2020).

At a time when many individuals find themselves in dire financial straits, nonprofits are also struggling. According to recent news reports, many nonprofits are now at risk of being unable to fulfill their missions due to financial insolvency and bleak funding outlooks for the near future (Kulish, 2020; Levine & McCambridge, 2020). Recent research has also explored how nonprofits in various parts of the country are coping with the strain of COVID-19, often emphasizing that the nonprofits that have not closed their doors are taking radical steps to stay solvent during this time (Grønbjerg et al., 2020; Castro et al., 2020; Deitrick et al., 2020; La Piana Consulting, 2020). Funding payroll, continuing to provide services with social distancing protocols in place, and long-term financial solvency are the most prominent concerns nonprofits face. Most notably, survey results have found that the deleterious effects of the crisis have triggered a reduction in service provision capacity, exacerbated financial volatility, and resulted in program shuttering for many nonprofits (Deitrick et al., 2020; Grønbjerg et al., 2020).

Nonprofit leaders have indicated that loss of contributed revenue has jeopardized their ability to support even basic organizational operations. An analysis conducted by the nonprofit accountability platform, Candid, used tax filings to model the number of nonprofits likely to close based on different projected severities of economic conditions. Their most realistic simulation models estimate over 8% of 501(c)(3) nonprofits nationally will be forced to close, while more extreme models predict losses upwards of 25% of nonprofits (Harold, 2020).

Beyond financial concerns, the COVID-19 crisis is also putting considerable stress on nonprofit staff, who were required to rapidly reimagine how to provide services to their communities. Some nonprofit leaders report that they are concerned about the psychological wellbeing of their staff, as their concerns about layoffs and furloughs during the COVID-catalyzed economic downturn escalate and the pressures of working from home and on the front lines mount (Levine & McCambridge, 2020).

A number of national associations have taken steps to mitigate the impact on nonprofits. The National Council of Nonprofits created an online toolkit early on in the crisis that addresses key concerns, including maintaining effective internal communications, access to interim funding resources, guidance on applying for CARES Act aid, and resources to understand the criteria for Paycheck Protection Program (PPP) loan forgiveness (National Council on Nonprofits, 2020). The Council on Foundations has also contributed by issuing a “Call to Action” pledge to its members; the pledge asks funders to increase giving to COVID-19 relief, reduce or eliminate onerous reporting requirements and other restrictions on existing grants, and to actively engage communities hardest hit by the crisis to inform their COVID-19 strategy (Council on Foundations, 2020). More than 750 organizations, including philanthropic foundations and corporations, signed the pledge, but the extent to which funders have made changes to ease the strain on nonprofits remains unclear.

Some regional nonprofit and philanthropic associations, including those in Washington, have taken on key roles including coordinating information on the CARES Act for nonprofit leaders, advocating for policy-makers to support nonprofits at this time, and providing training resources to ease abrupt shifts in operations and fundraising (National Council of Nonprofits, 2020). As these groups continue to support the voluntary sector, rigorous research regarding the needs and challenges facing nonprofits at this moment may help them tailor resources and responses to meet those needs.

RESEARCH OBJECTIVES

Our research seeks to systematically explore the realities facing nonprofits in Washington state, including the current strategies and future needs of these organizations to stay afloat and serve their communities during this turbulent period. We build on existing research with a rigorous, survey-based study of randomly sampled nonprofits in Washington state. We offer insight into how public policy and philanthropy can help these organizations during the immediate crisis and as they look to rebuild so they can continue to serve their constituents and communities long-term. Additionally, we strive to contribute to a network of information sharing about strategies that nonprofits have found effective in mitigating the effects of the crisis.

Our study has five core research objectives and seeks to understand:

- ✓ The major challenges faced by nonprofit organizations in Washington state as a result of the COVID-19 crisis.
- ✓ The strategies that nonprofit organizations are using to mitigate the negative effects of the crisis.
- ✓ The extent to which nonprofits have experienced changes in funders' approaches to supporting nonprofit needs.
- ✓ Whether and how organizations have been able to access CARES Act aid, particularly for organizations serving communities most impacted by COVID-19.
- ✓ The types of assistance that nonprofit organizations consider most necessary at this time.

Below, we give a brief overview of our methodology, including our respondents' characteristics. We then present the findings from the survey results as they relate to each of the five research objectives. We conclude with recommendations for how government and philanthropic entities can best support nonprofits to weather the challenges that lay ahead.

METHODOLOGY

SURVEY SAMPLING FRAME & DISTRIBUTION

Our sampling frame came from the IRS Business Master File (BMF), which has the most up-to-date listing of registered 501(c)(3) organizations in Washington state. We matched these data with financial and governance data obtained through the Propublica Nonprofit Database and assembled a list of unique employer identification numbers (EINs) using the 990 and 990-EZ data files from 2016, 2017, and 2018. Records from the BMF that do not have a record in the 990 data were excluded from the sampling frame. In total, there were 9,664 unique nonprofit organizations in our sampling frame, which are broken out by geography and organizational size in Table 1.

We obtained a stratified random sample of 502 organizations from the BMF. The stratification dimensions are (a) organization size (as measured by whether an organization files an EZ form or the standard 990 form) and (b) location (Puget Sound region, Eastern Washington, or Southwest Washington). Organizations filing Forms 990 EZ are those with gross receipts of less than \$200,000 and total end-of-year assets less than \$500,000 (Internal Revenue Service, 2020), thus, this designation captures a diverse range of smaller nonprofits. Organizations that file the general Form 990 tend to be larger, staffed nonprofits.

Geographically, there are far fewer organizations across Eastern Washington and Southwest Washington than there are in the Puget Sound region, so a simple random sample would have tended to over-represent organizations from more urbanized areas and discounted the unique perspectives and challenges associated with organizations in the more rural parts of Washington state. Therefore, we instead drew from each geographic stratum a sample proportional in number to the IRS registered nonprofits in that stratum. Additionally, we draw a strategic oversample of 199 health and human services organizations (as indicated by their National Taxonomy of Exempt Entities categorization) in order to ensure that we are capturing organizations that tend to be more directly involved in essential public and social service provision, particularly for communities at higher risk of the adverse impacts associated with COVID-19. Table 1 shows the final distribution of sampled organizations in each stratum along with the response rates in each stratum.

We distributed the survey from June 17, 2020 to July 31, 2020 through an online format. To reach nonprofits, we located email addresses through online searches of organizations' websites, social media presence, and GuideStar; when available, we used the email address on file with the Washington Secretary of State. We targeted executive directors or other high-level staff to receive the survey whenever possible because of their broad knowledge of the organization's operations, finances, and challenges. We followed up multiple times with reminders via email after the initial survey link distribution in order to maximize the response rate.

PAYCHECK PROTECTION PROGRAM (PPP) LOAN DATA

To better understand the uptake and estimated effects of PPP loans across Washington, we utilized loan-level data from the United States Treasury department, updated as of August 8, 2020 (U.S. Department of the Treasury, 2020). The Treasury maintains separate data for organizations receiving up

to \$150,000 and those receiving greater than \$150,000 in assistance. The loan amounts for the latter group are recorded as intervals (e.g., \$150,000 - \$350,000, \$350,000 - \$1 million), rather than continuous amounts, therefore we report descriptive statistics of the two groups separately. In total, 3,686 nonprofit organizations in Washington state (including hospitals, institutions of higher education, and secondary/elementary schools) received PPP loans. Organizations receiving greater than \$150,000 are identified by name, allowing for record linkage with IRS 990 data, but organizations receiving less than \$150,000 are not identified in any way making it impossible to do more sophisticated analysis regarding service area, assets, and organizational capacity. Nevertheless, this data helps provide a clearer picture of the efficacy of PPP loans implementation across the state and by geographic region.

OVERVIEW OF RESPONDENTS

Through the process of linking the IRS data to Washington Secretary of State's office data and searching websites for contact information, we found that of the 701 organizations (502 in the random sample and an oversample of 199 health and human service organizations) that we sampled from the Business Master File, 97 organizations were either no longer active, administratively dissolved, or voluntarily dissolved. We obtained 209 responses from our stratified random sample of 604 valid organizations, although 4 of the 604 organizations indicated through other channels that they had recently (between July 2019 and June 2020) closed their doors, yielding an effective sample response rate of 34.8%.

Table 1. Number of organizations and response rate per stratum

Region	Puget Sound		Southwestern Washington		Eastern Washington	
Tax Form Filed	990	EZ	990	EZ	990	EZ
In sampling frame	3915	3050	398	386	1082	831
Total sampled	245	181	27	25	72	54
Responded	89	52	12	6	29	21
Response Rate	36.4%	28.7%	44%	24%	40.2%	38.9%

GEOGRAPHIC REPRESENTATION

Our stratification scheme divided Washington state into three regions with shared economic and social concerns: Puget Sound, Eastern Washington, and Southwestern Washington. The number of organizations sampled in each stratum was proportional to the number of registered nonprofits in that region in our sampling frame, although we acknowledge that there is variation within these three broad geographic regions.

Figure 1 below shows the proportion of respondents by county in Washington state. As we might expect, many of the respondents are located in King County, but our response rates across counties are generally proportionate to the number of organizations sampled within those counties. Due to the relatively small number of registered nonprofits, there were no nonprofit organizations randomly sampled in the following counties: Asotin, Adams, Columbia, Ferry, Garfield, Grant, Lincoln, Skamania, and Wahkiakum. Our sample roughly maps onto the geographic distribution of COVID-19 cases throughout the state (Washington State Department of Health, 2020). Response rates by county are about 38% on average.

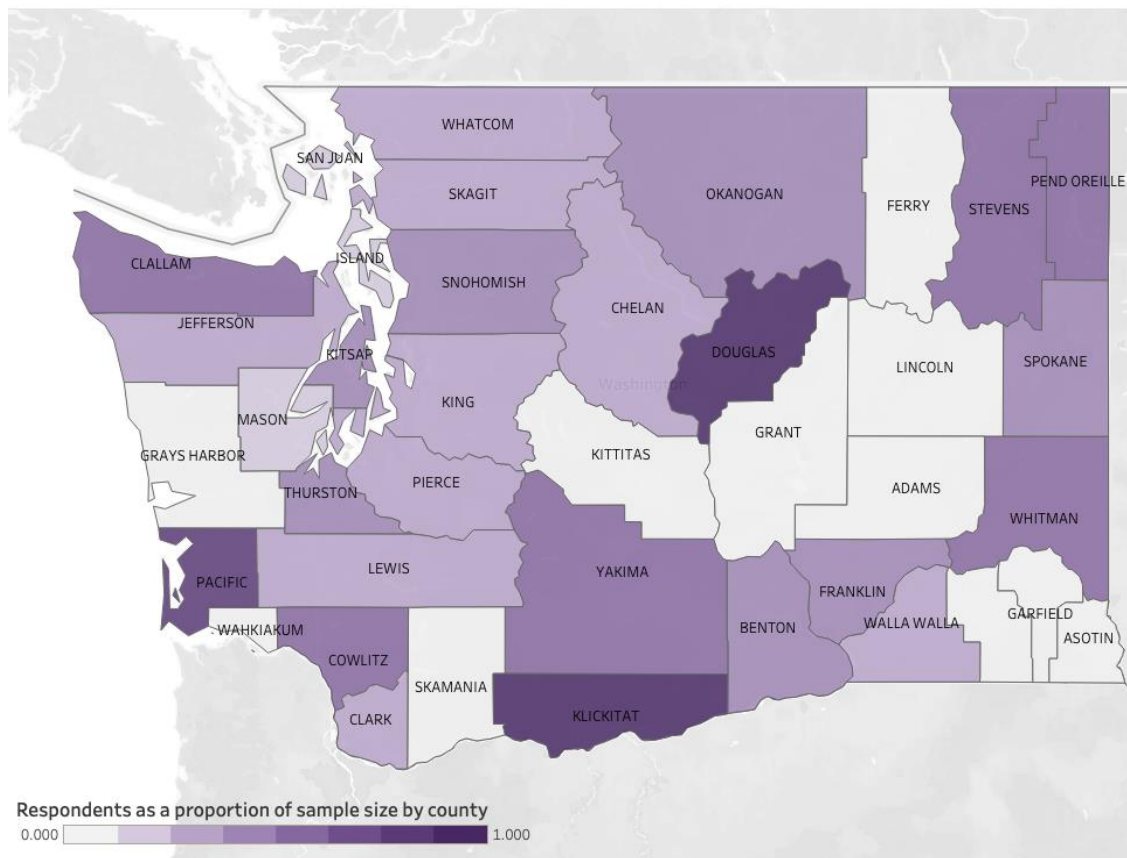


Figure 1. Survey respondents as a proportion of sample size by county in Washington state.

NONPROFIT RESPONDENTS BY MISSION AREA

One of our key concerns was adequately representing a wide variety of organizational types in terms of mission areas and constituent communities served. Given the idiosyncrasies in the IRS nonprofit designation system and in NTEE codes (Fyall, Moore, & Gugerty, 2018), we asked respondents to self-identify the mission area of the organization. Respondents were able to choose more than one category (see Appendix 1: Survey Instrument). This provides a clearer picture of how organizations think about their work and captures the nuance in multiplex, complementary mission areas. Figure 2 below shows the number of organizations that are identified in each mission area category. More organizations, for instance, indicate an education-based or religious orientation than the NTEE coding would lead us to believe. NTEE codes also overestimate the number of human service organizations (HSOs), which is evident looking through the sampling frame; many organizations that are coded as HSOs do not actually do any service provision in their organizational functions. For this reason, the findings that follow utilize respondents' self-reported mission area rather than the NTEE designation for sub-analyses.

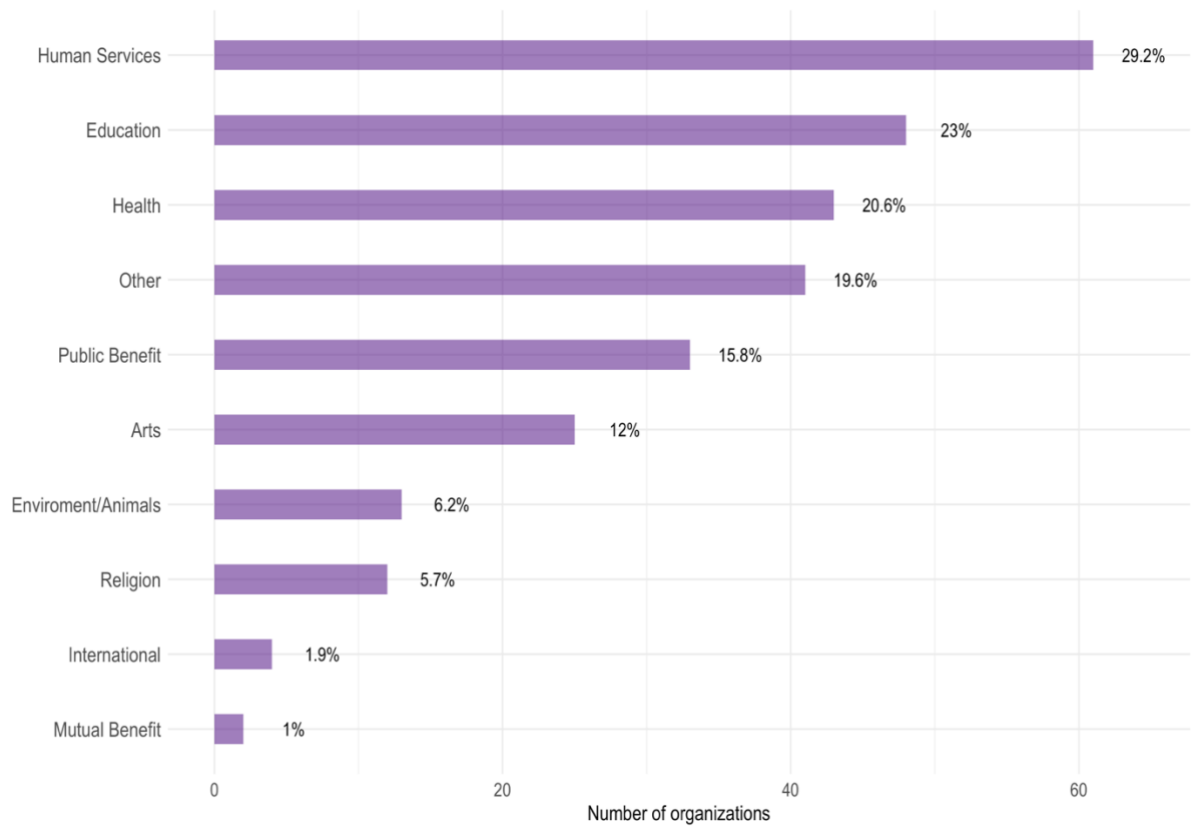


Figure 2. Organizations' self-reported mission area orientation.

GEOGRAPHIC AREA SERVED

As Figure 3 indicates, over 90% of the respondents in our sample report serving communities at a local or state level. Those that indicated serving at an international level are predominantly organizations that raise funds for non-governmental organizations working across Africa and Southeast Asia.

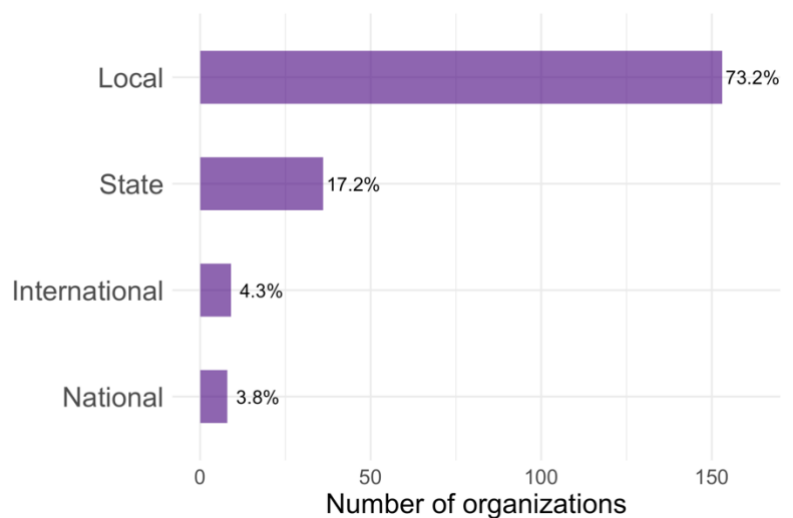


Figure 3. Geographic areas served by responding organizations.

COMMUNITIES SERVED

Given the disproportionate impact of COVID-19 and its related economic repercussions on communities identified by the Centers for Disease Control and Prevention (e.g., Black and African American communities, Native American communities, Latinx communities, the elderly, immigrant and refugee communities, people with low incomes, people experiencing homelessness), we asked respondents to indicate which of 14 communities their organizations primarily serve on a regular basis (rather than as a response to the COVID-19 crisis). Again, respondents could choose more than one target population served, so percentages presented below will be greater than 100%.

As Figure 4 illustrates, 51.7% of respondents indicated that their organization primarily serves children, followed closely by 45.9% of organizations indicating people with low incomes as their primary service target. We find that 31.1% of organizations in the sample primarily serve Black, Indigenous, and People of Color (BIPOC). Overall, these results indicate that the sample of organizations that responded to the survey are indeed serving communities that are vulnerable and that the organizations comprising this sample represent a diverse cross-section of organizations in Washington state.

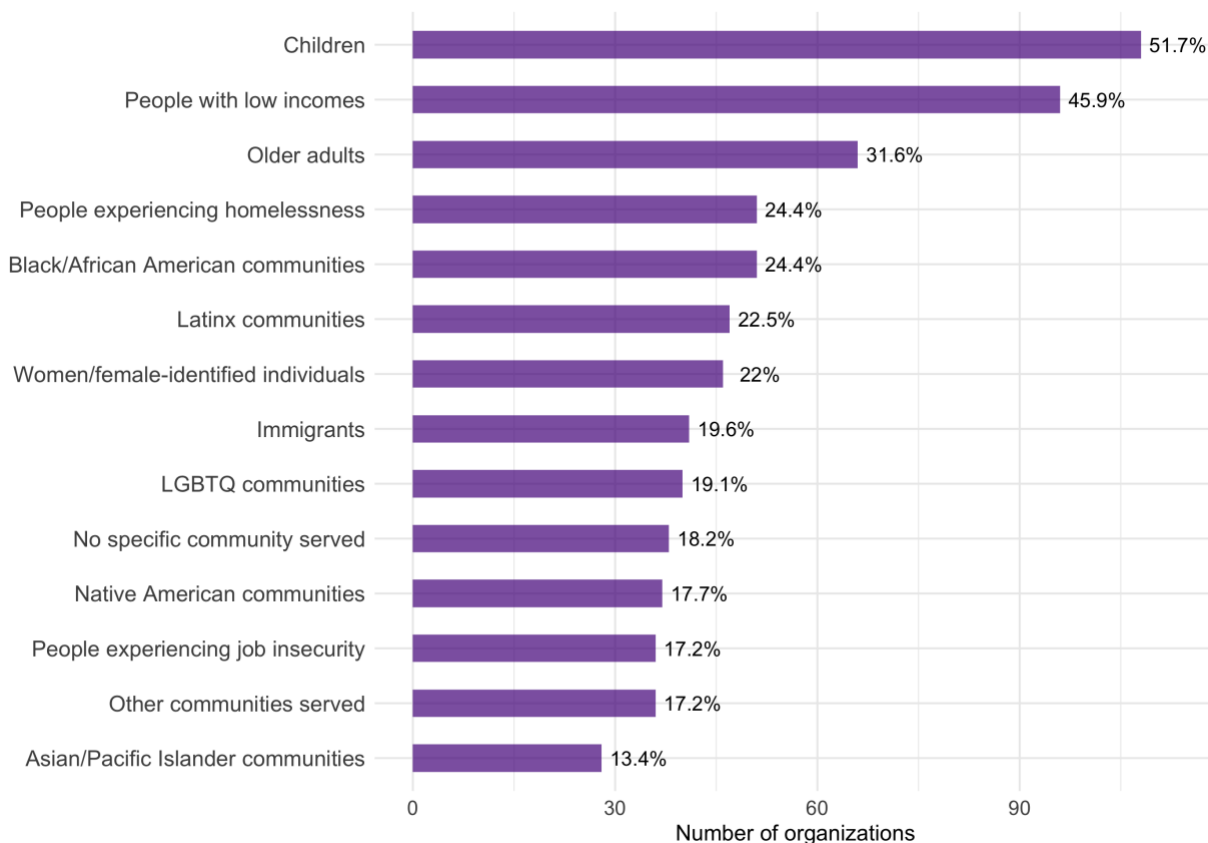


Figure 4. Communities primarily served by nonprofit respondents.

FINDINGS

The sections below present the findings from our stratified random sample of nonprofits in Washington state (209 organizations). The survey included questions about (a) the major challenges facing nonprofit organizations in Washington state as a result of the COVID-19 crisis, (b) the strategies that nonprofit organizations are using to mitigate the negative effects of the crisis, (c) the extent to which nonprofits are experiencing changes in their relationships with institutional funders, (d) whether and how organizations have been able to access CARES Act aid, and (e) the types of assistance that nonprofit organizations consider most necessary at this time. For the survey instrument used in this study, please see Appendix 1.

We expect that the experiences of health and human service nonprofits (HHS) will be systematically different from other types of nonprofits due to the critical roles they play in public and social service provision. Health and human service nonprofits often administer essential services, like medical care, food distribution, and financial assistance programs, all of which are rendered even more critical in light of the ongoing health and economic threats that COVID-19 poses. Therefore, we present our results grouped by HHS (94 organizations) and non-HHS organizations (115 organizations).

What are the most pressing challenges facing nonprofits in Washington right now?

Our first research objective is to understand what the most pressing challenges are that nonprofits face relative to the COVID-19 crisis. To gauge the magnitude of effects for various nonprofits, we asked respondents to indicate the estimated percentage change in operational and funding characteristics using a sliding scale (for more details, see Appendix 1).

CURRENT CHALLENGES FOR OPERATIONS AND FUNDING

Figure 5 illustrates the magnitude of changes that nonprofits have reportedly experienced for funding and operations. Across the board, demand for services are reported to have increased by an average of 10.5%, with a considerable amount of variation in responses mirroring the variety of mission orientations and scope of service provision in the sample. HHS nonprofits reported a nearly 30% increase in demand for services. Mean demand for services for Non-HHS nonprofits (-6%) is driven largely by the arts and education nonprofits (49 organizations), which reported a mean decrease in service demand of 13.5%, compared to a 0.21% average increase in demand for services reported by other Non-HHS nonprofits (66 organizations), such as religious groups, public/societal benefit organizations, and international nonprofits.

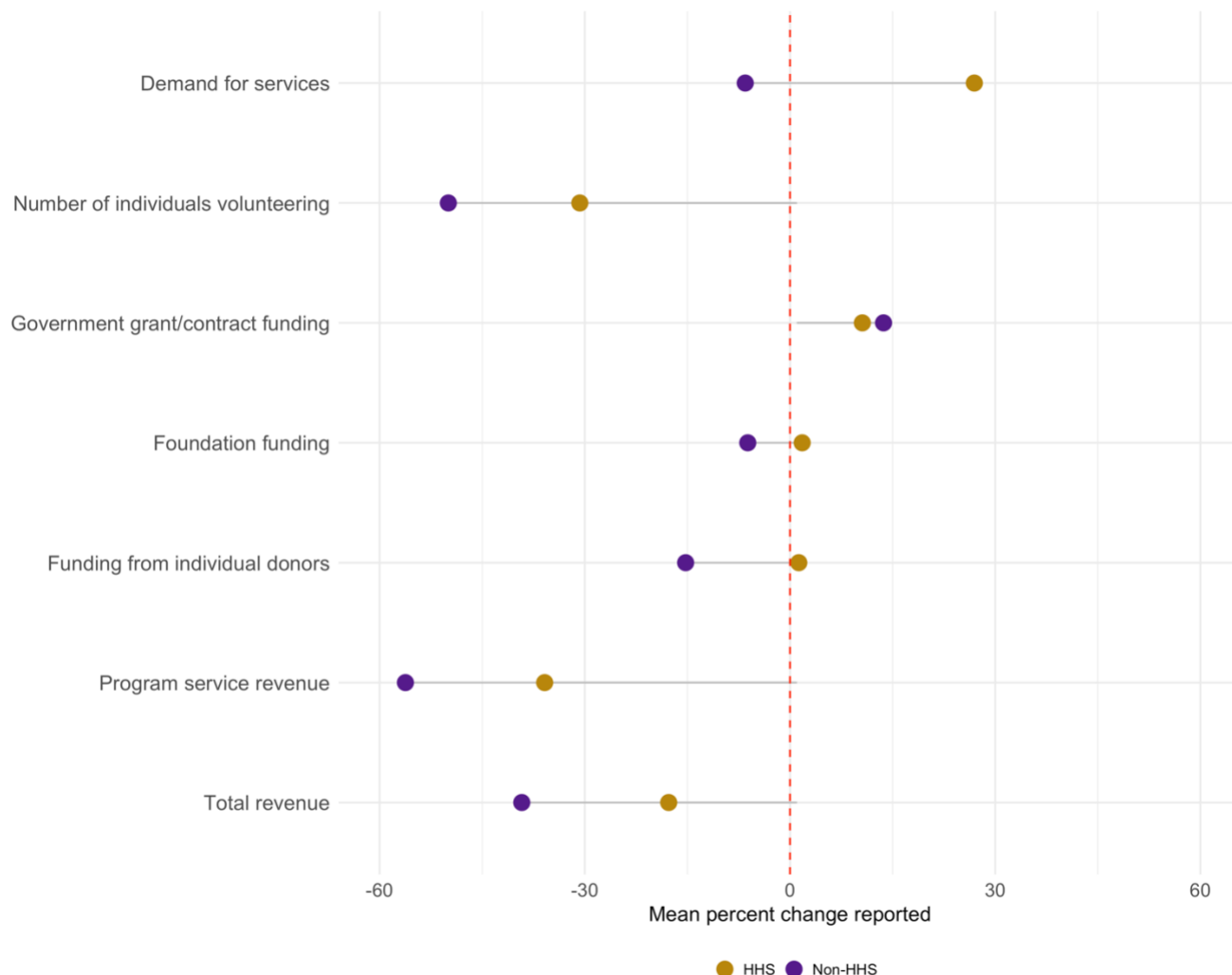


Figure 5. Estimated percentage change in operations and funding sources within the past 3 months.

In many of the open-ended responses to our survey, respondents across mission areas indicated that the dwindling number of volunteers hurt their ability to operate at full capacity. For organizations that continue to operate in person out of necessity, the costs of providing personal protective equipment and taking necessary sanitization steps added a layer of difficulty and expense to normal operations. Many nonprofits are balancing the need to maintain volunteer safety with the imperative to provide services in light of increased demand.

We used to serve 25,000 people with food and education. We are serving over 800,000 people with food now. Over eight hundred thousand! And we have no paid team members anymore, we [are] all just volunteer.
- Human service organization

Despite the demand for services, nonprofits generally report that all sources of funding except for government grant/contract funding have decreased. Nonprofits report, on average, a 29.5% decrease in total revenue. The estimated average decrease of 7% in individual donations was expected given the current state of economic hardship. The estimated 2% decrease in foundation funding was surprising, however, considering other evidence to suggest that foundations had actually increased their funding or made accommodating changes to their funding model in light of COVID-19. Program service revenue (or revenue derived from fees for services delivered, such as patient payments) appears to be the hardest hit in the crisis, with an estimated decrease of almost 48% among nonprofits in Washington.

For health and human service organizations, the gap between demand and program service revenues widened dramatically. Demand for services is estimated to have increased by 29% while program service revenues have decreased by about 58% on average. Foundation funding to health and human service organizations is generally reported to have slightly increased along with government funding.

My [organization] is a service based non-profit that survives on patient payments. I have had to close for 2.5 months due to COVID-19. I reopened during Phase 2, but my patient load is 50% of what it was. That isn't enough to pay rent or my salary. Costs are up with increased sterilizing and laundry.

- Health organization

Qualitative data show that health and human service nonprofits, in particular, report other noteworthy challenges, including the strain induced by the need to adapt service provision quickly and difficulties executing new modes of service provision in marginalized communities.

We had a severe workforce shortage prior to COVID-19 and subsequently it has gotten worse as many staff are burning out from the extensive workload coupled with the economic crisis, racial unrest, and the pandemic.

- Human service organization

Most of our program participants come to us as referrals. Word of mouth is how people hear about us, and they come to our physical location to see what we can do for them. Without a physical location it is challenging to get new clients. We are very concerned about how to increase our communication to people who need our services.

- Health organization

CHANGES TO FUNDING SOURCES EXPECTED WITHIN THE NEXT 12 MONTHS

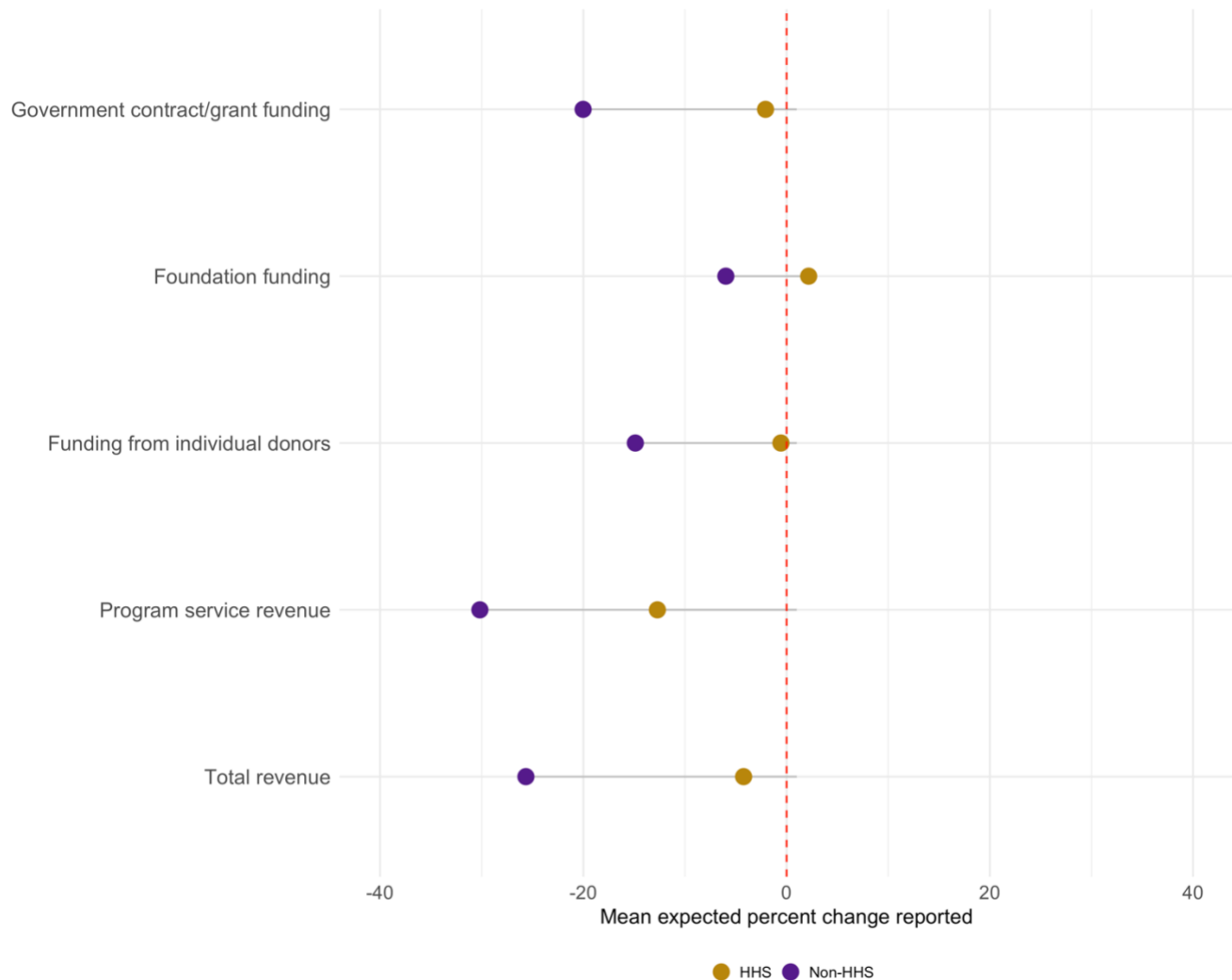


Figure 6. Estimated percentage change in funding sources expected in the next 12 months.

Overall, funding sources and revenue are expected to decrease next year, although there is substantial variation in the reported magnitude of expected changes amongst this sample. Despite the average increase in government support in the past three months, nonprofit leaders report that they expect a roughly 10% decrease in government contract/grant funding in the next year on average. This expectation may reflect the fact that many emergency sources of funding are closing in the next months, including the Paycheck Protection Program loans. Program service revenue is also expected to further decrease. Qualitative evidence suggests that many organizations are extremely concerned about how to conduct their major fundraising events in a virtual setting and how this might impact future programming.

MOST PRESSING CHALLENGES: KEY TAKE-AWAYS

→ **Revenues have decreased across the board.**

Total revenue has reportedly decreased, predominantly due to decreases in program service revenue. On one hand, the pandemic and economic downturn (e.g., employee furloughs, permanent job loss) have increased the need for social services implemented by nonprofits. On the other hand, individuals who have been impacted by the crises may not be able to pay program fees. Nonprofits whose work was deemed nonessential experienced an outright loss of revenue during the shutdown and have noted difficulties in getting demand for services back to sufficient rates. Nonprofits, on average, expect to continue to see the amount of revenue from most sources decrease in the coming year. With no end to the pandemic in sight, the financial uncertainty facing most nonprofits could be disastrous.

→ **Funding outlooks over the next year are bleak.**

There is evidence that governments and some philanthropic foundations are being responsive in terms of funding, but this is not generally expected to last over the next year. In the short term, many foundations shifted to emergency response funding, leaving many non-HHS nonprofits without a key source of revenue.

→ **Volunteering has decreased dramatically.**

The number of individuals volunteering was reportedly down by 30-50%. Because many nonprofits rely on volunteers in order to serve their communities and achieve their missions, determining how to operate without their normal volunteer base in a relatively short amount of time and in light of growing demand put many nonprofits on unsteady ground. As nonprofits in Washington begin to reopen, some have found it difficult to balance the necessity of volunteers to implement services with the imperative to keep volunteers safe with social distancing, sanitization, and personal protective equipment and the costs associated with these new measures.

What strategic or operational changes have nonprofits in Washington made in response to COVID-19?

Our second research objective focuses on understanding the strategies and tactics that nonprofits have used or are currently using to mitigate the adverse effects of the COVID-19 pandemic. Our survey conceptualizes strategic or operational changes along five dimensions: (1) strategic changes, (2) financial changes, (3) organizational capacity changes, (4) communities prioritized, and (5) partnerships forged.

STRATEGIC CHANGES

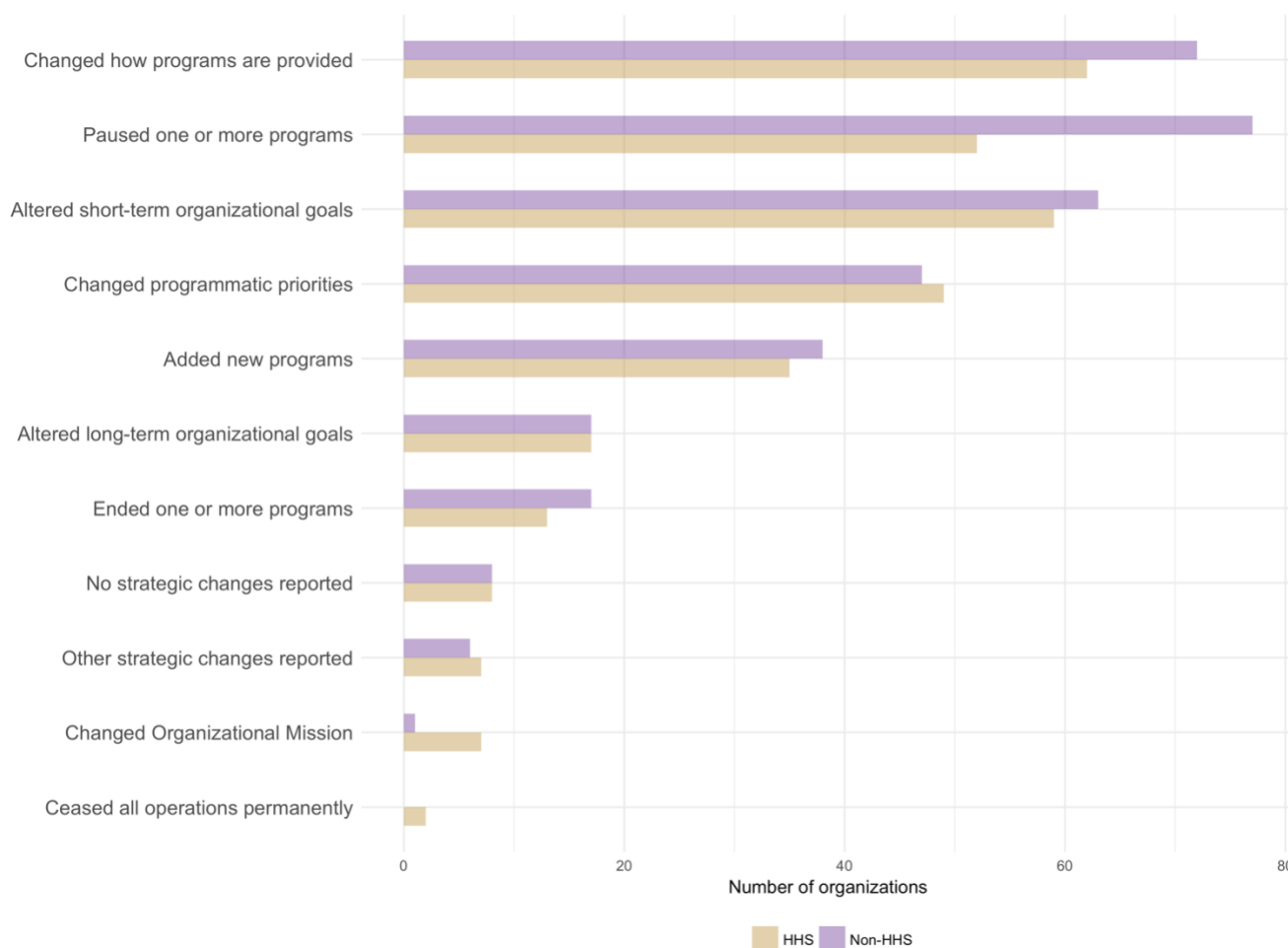


Figure 7. Strategic changes nonprofits are using to mitigate the COVID-19 crisis.

To gauge how nonprofits are adjusting to the COVID-19 crisis, we asked respondents to indicate whether their organization had made any of a suite of strategic changes. We found that nonprofits in Washington state are adapting during the crisis: 66% of HHS nonprofits and 62.6% of non-HHS nonprofits have changed how they provide programs. Approximately 58% of all nonprofits have altered

their short-term goals, nearly 46% have changed their programmatic priorities, and 35% have added new programs. Few organizations have changed their organizational mission or, for now, completely ceased operations. While many nonprofits provided qualitative responses that indicated some degree of change in their day-to-day work, many of these anecdotes tell the story of organizations quickly adapting to rapidly changing circumstances in order to fulfill their missions and serve their communities. As one food bank reports: "Our organization has offered additional programs to provide food to community members in need. We have created new relationships with local businesses for food donations and other donations such as pampers, baby formula, et cetera." Another nonprofit recounted how they were able to quickly pivot their service provision despite widespread closures: "Because we provide books to the public school libraries serving the neediest communities, school closures shortened our book giving season. So we offered books for the children to own while at home learning remotely."

The strain of adaptation at this level on nonprofits is evidenced, however, by the fact that 55.3% of HHS nonprofits and 67% of non-HHS organizations have had to pause one or more programs, and many have had to end programs altogether. Further, we find that organizations serving CDC-identified high-risk communities report making many of these strategic changes to a greater extent than organizations that do not serve these communities. Just over 67% of nonprofits serving high-risk communities reported changing how programs are provided, as compared with 57% of nonprofits that do not serve these communities. Likewise, changing programmatic priorities was reported more often amongst nonprofits serving high-risk communities (55%) compared to those that do not (30%). One nonprofit's story illustrates these dire impacts: "We've been forced to close for 4 months now. With current guidelines on how to fight COVID-19 spread, we will have to change entirely. We are a senior event and activity center. Our main focus and source of income was a center for large senior events and travel opportunities. We will probably not get to return to our 'normal'".

Additional qualitative evidence highlights the difficulties of adapting a formerly in-person service. These services now require that staff perform key tasks using an often-novel modality with very little training. Beneficiaries, often with limited ability to access services, are finding it difficult to get the care that they need using remote technologies. These barriers constitute an additional workload on already-burdened staff.

We're a community health center. As a result of COVID, we implemented Telehealth almost overnight to introduce to our patients, including non-English speaking patients and people experiencing homelessness. Less than 20% have embraced this, so we are doing lots of visits and outreach outside. Our staff are working closely with shelters to encourage social distancing and 'sheltering in place' for both our sheltered and unsheltered residents.

- Health organization

FINANCIAL CHANGES

To understand the financial tactics that nonprofits have accessed or adopted during the crisis, we asked respondents to indicate whether their organization had pursued any of a host of financial tools. Overall, 56% of nonprofits indicated that their organization had applied for CARES Act assistance, while many also applied for financial assistance from local and state initiatives. Spending down cash reserves was also a common tactic, with 34% of HHS and 37.4% of non-HHS organizations doing so. Renegotiating grants and contracts, taking out private loans, and renegotiating lines of credit were less commonly used tactics.

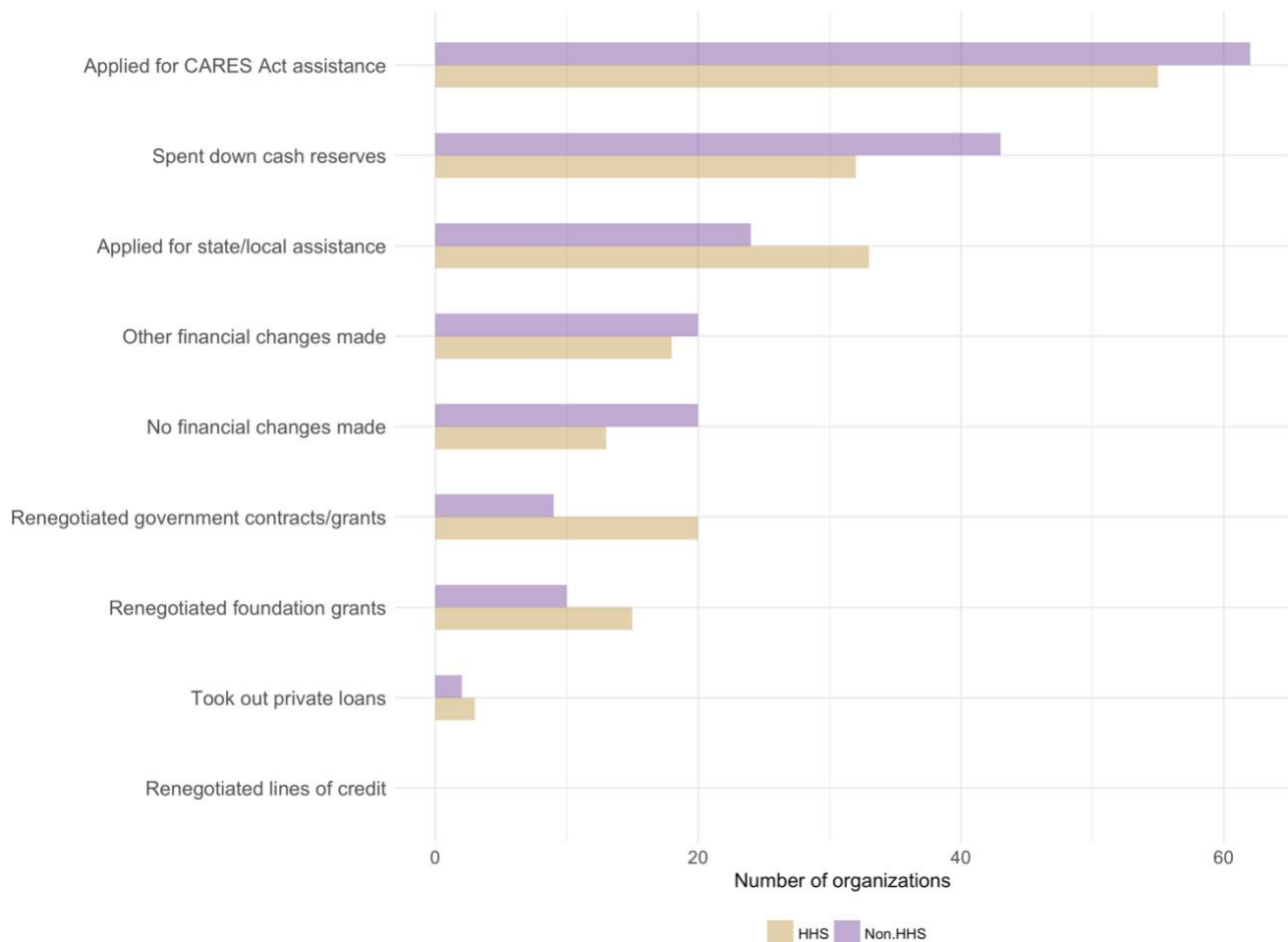


Figure 8. Financial strategies reported by nonprofit respondents.

Qualitative evidence revealed a number of other financial measures taken to ensure that nonprofits could continue to pursue their missions. One public benefit nonprofit indicated that because they were unable to hold conventional fundraisers, options were limited in terms of raising money for their annual scholarship programs, requiring the organization to liquidate some of their investments.

ORGANIZATIONAL CAPACITY CHANGES

Nonprofits have experienced major reductions in organizational capacity as a result of COVID-19, as shown in Figure 9. Most nonprofits have decreased the service capacity of programs, likely due to the implementation of social distancing rules beginning in March of 2020. Nonprofits have cut staff hours and the number of staff employed, which is consistent with reports of widespread employee furloughs throughout the state (Washington State Governor's Office, 2020; Roberts, 2020). Some nonprofits reported that the Paycheck Protection Program loan allowed them to reemploy furloughed employees within a couple of months. Nonprofits have also had to reduce the number of volunteers and volunteer hours, also likely due to social distancing recommendations. Interestingly, advocacy efforts relating to COVID-19 reportedly increased, on average, 30% in HHS nonprofits and 16% in Non-HHS nonprofits.

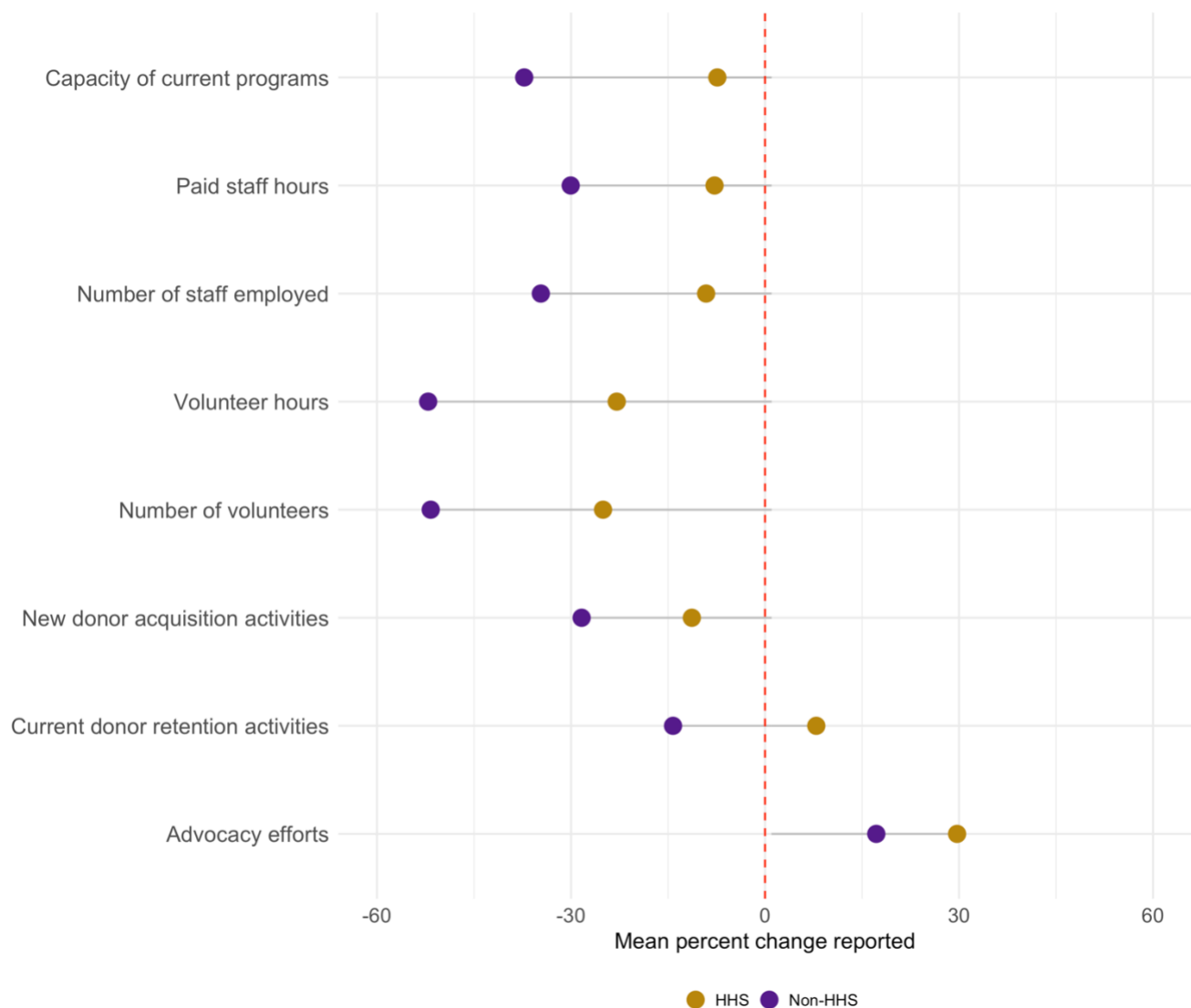


Figure 9. Estimated percent change in organizational capacity and activities.

One theme that emerged in the qualitative evidence was the concern for staff mental and psychological well-being in light of an increased workload, financial uncertainty, and the pressures of the work-from-home environment. A few nonprofits explained how they adapted their organizational practices to protect the psychological health of staff and preserve a sense of community despite working in isolation.

...what allowed us to [adapt our work] are the changes we instituted in our culture to support staff and each other - and promote connectedness. Supporting staff through 'COVID Care Days' where we shut the office down (decrease email traffic/mandatory PTO) to promote self-care and well-being.

- Human service organization

Communication wise, we have set up a weekly discussion platform to engage the Community in Conversations surrounding the impact of COVID on our community. Each weekly platform is topical to keep the community informed and provide an opportunity to ask questions.

- Public/societal benefit organization

COMMUNITIES PRIORITIZED

Given that certain communities are more strongly impacted by the physical and economic effects of COVID-19, we asked respondents to indicate whether their organization was prioritizing any specific communities in their response to COVID-19.

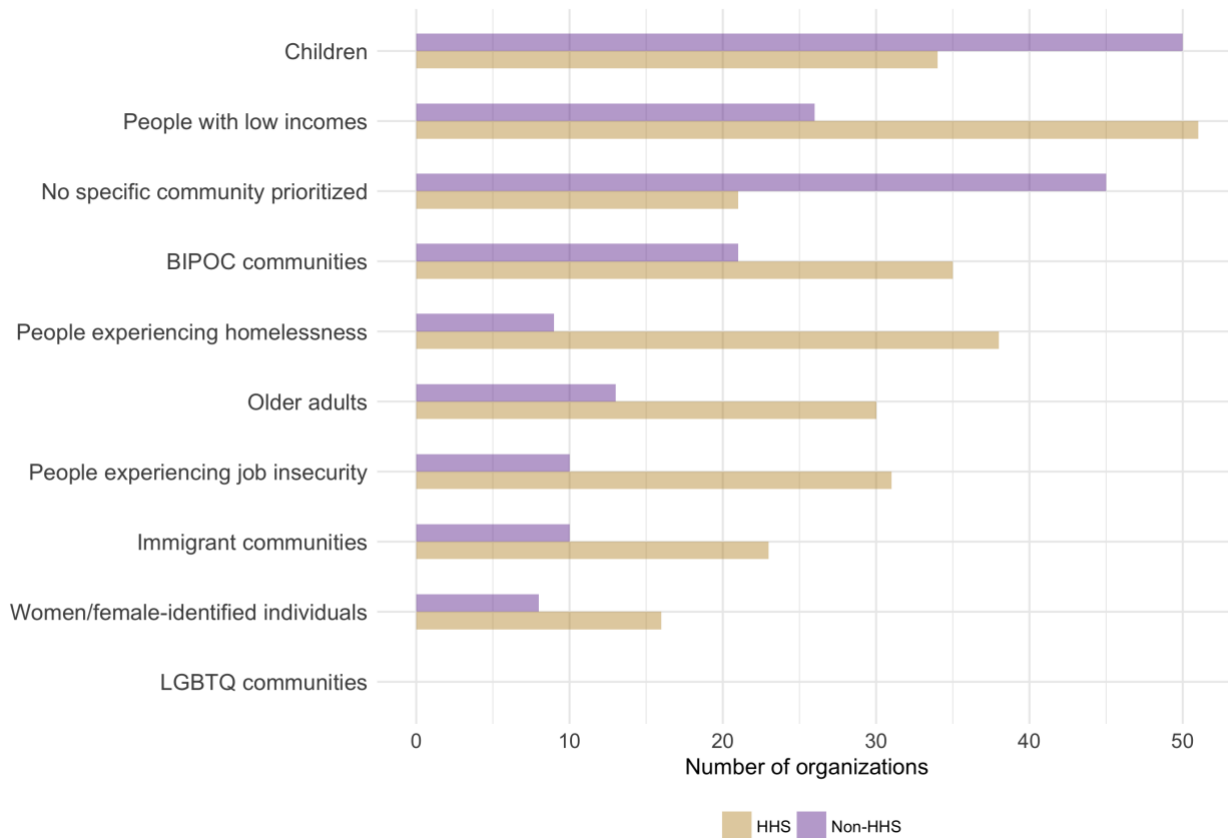


Figure 10. Communities prioritized by nonprofits in their COVID-19 response.

Many nonprofits report supporting disproportionately impacted communities, including BIPOC communities and people with low incomes. However, just 20% of nonprofits report prioritizing older adults despite the notable difference in virulence for seniors. Indeed, a greater percentage of organizations report prioritizing children in their operations during the crisis. With the dramatic shift from in-person schooling and extracurricular activities to an all-virtual environment, many nonprofits may be responding to support households that were not equipped for such a rapid change.

Organizations did report that they prioritized communities that they knew to be disadvantaged in terms of access to technology, including non-English speaking people and people in lower socio-economic strata. Regarding their work with Native American communities, some of the hardest hit by the COVID-19 pandemic, one nonprofit tells us:

Communication with Native communities is significantly more difficult, due to limited access to technology--computers, software, internet, etc. These are issues affecting all communities of generational poverty, and Native American citizens are supremely affected.

- Human services organization

PARTNERSHIPS FORGED

Over the course of the pandemic, nonprofits have worked together to make the most of limited resources, to mitigate fragmented governmental responses, and to maximize their impact in their communities. We asked nonprofits to indicate which entities they have partnered with in their response to COVID-19. Figure 11 highlights the fact that most (55%) nonprofits have reported partnering with other nonprofits and many (41%) have also partnered with state and local governments. Most of the health and human service organizations in our sample reported partnering with at least one external entity.

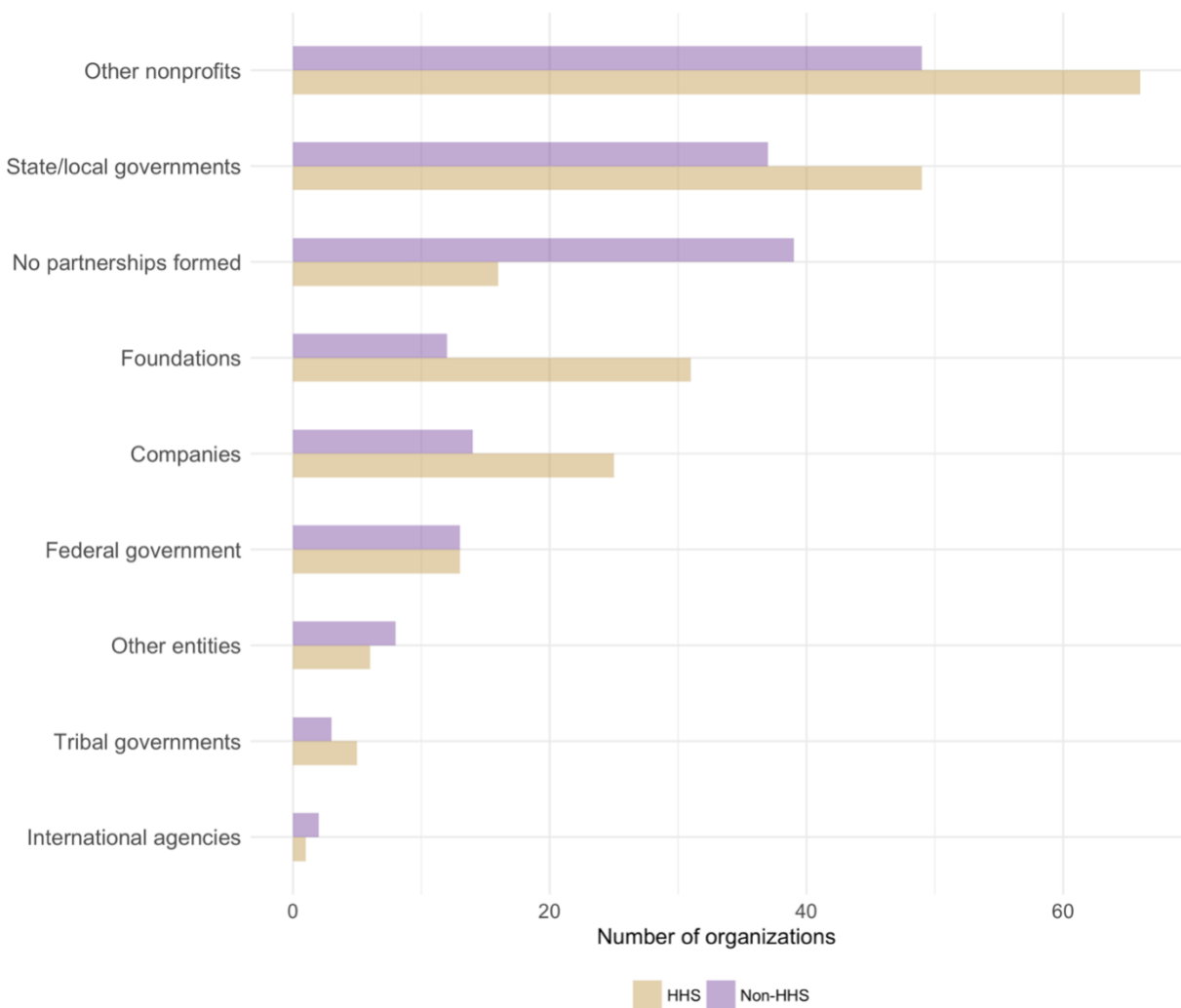


Figure 11. Partnerships reported formed by nonprofits in response to COVID-19.

Despite the disproportionate impact of COVID-19 on Native American/Indigenous communities, just under 4% of nonprofits report collaborating with tribal governments, and all but one of these organizations are located in the Puget Sound region.

Collaboration in the nonprofit sector during the crisis has taken many forms. Nonprofits' open-ended responses also revealed some of the ways in which their work served to support and increase the impact of government efforts by bringing COVID-19 testing sites to South King County and by operating the State COVID-19 Helpline. Others noted collaboration as essential to providing their in-person services safely, without needing to cut back service delivery.

[We] converted [our] dining hall into a men's shelter dorm space, and partnered with a local high school to use their gym for overnight shelter, to allow for better social distancing without having to drop the number of men served.

- Human service organization

Importantly, one nonprofit leader emphasized how the intersecting effects of the pandemic and the fight for racial justice drove their collaboration with other nonprofits and community-based organizations.

Connections and partnerships are developing with other Black nonprofit leaders and Black focused organizations. The disparities for Black people exposed by the pandemic has increased awareness and prompted urgent response on these economic, health and education related issues. These new collaborations must also be attributed to the George Floyd murder and the widespread protest to police violence against Blacks. Another significant change, white led education advocacy organizations with more robust staffing and resources are looking to organizations of color to set agendas and priorities in our combined work. This is a new level of leadership opportunity for many leaders of small CBOs of color. But we are collaborating on this together.

- Public/societal benefit organization

STRATEGIC AND OPERATIONAL CHANGES: KEY TAKE-AWAYS

→ **Nonprofits' long-term solvency is a concern, even as many tap cash reserves and CARES Act aid to stay afloat.**

While a majority of nonprofits in our sample reported taking advantage of CARES Act assistance to keep employees on the payroll, many have also reported depleting liquid assets, particularly cash reserves. In the short term, this strategy is helping nonprofits cope with costs not covered in governmental assistance programs, but it also presents longer term solvency concerns. Chief among these concerns is the fact that once cash reserves are spent, they are difficult to replace quickly and even more so when revenue sources (especially unrestricted sources like individual donations) are expected to continue to decrease.

→ **Employment and volunteer capacity are down, straining existing staff.**

Nonprofits overwhelmingly reported that they have decreased the number of staff and volunteers employed, as well as the number of staff/volunteer hours. This is particularly telling in light of reports of increased demand and the need to rapidly re-envision existing models of service provision, such as shifting entirely to telework, implementing new socially distanced procedures, or building new cross-sector partnerships to deal with emergent community needs. Our findings also support the notion that a shift from reliance on volunteers to an increasing reliance on staff has considerably disrupted normal service provision and placed greater stress on staff and leadership (Grønbjerg et al., 2020; Deitrick et al. 2020). The imperative to “do more and more with less and less” is worrisome, as it raises concerns about burnout and the psychological well-being of nonprofit leaders and staff in an already destabilized environment.

→ **Nonprofits are prioritizing individuals and communities with greater financial insecurity.**

The economic downturn exacerbated conditions for those already living with financial uncertainty, and most health and human service nonprofits have reported actively centering these individuals in their responses. It is important to note that our survey was distributed almost two months after the initial CARES Act stimulus and, with considerable uncertainty as to whether and when Congress will agree upon a second round of stimulus aid, the demand for services by individuals with low incomes will likely increase in the coming months.

→ **Partnerships are an important strategic response to the pandemic.**

Partnerships either between nonprofits or across sectors are commonly reported, perhaps as a means of maximizing resources and increasing the reach of individual organizations. State and local governments, also facing dire economic conditions, are relying on nonprofit capacity to provide critical services relating to COVID-19 testing, treatment, and prevention but that capacity has been diminished due to the crisis.

How are funders supporting nonprofit needs at this time?

We asked nonprofits to indicate what, if anything, their institutional funders (e.g., philanthropic foundations, governments, corporations) were doing to help nonprofits mitigate the COVID-19 crisis. We focus specifically on institutional funders¹ because they typically have formal stipulations (e.g., quarterly reporting requirements, limitations on how grant funds are used) attached to grantee funding that can be modified to alleviate the financial strain on grantees in times of need.

The Council on Foundations (CoF) spearheaded a “Call to Action” to help nonprofit grantees during this tumultuous time by encouraging institutional funders to be as flexible as possible in their grantee relationships. CoF publicized its “Call to Action” pledge in early March 2020 and, since then, more than 750 foundations and corporate donors have signed onto the pledge (Council on Foundations, 2020). This series of questions was informed by the terms of the CoF pledge.

Respondents indicated whether most, some, or none of their institutional funders made the changes described in Figure 12. A considerable proportion of our sample indicated that one or more of these questions was not applicable to their organizations, either because they do not solicit funds from institutional sources or because the particular change did not apply to their existing agreements or relationships with funders.

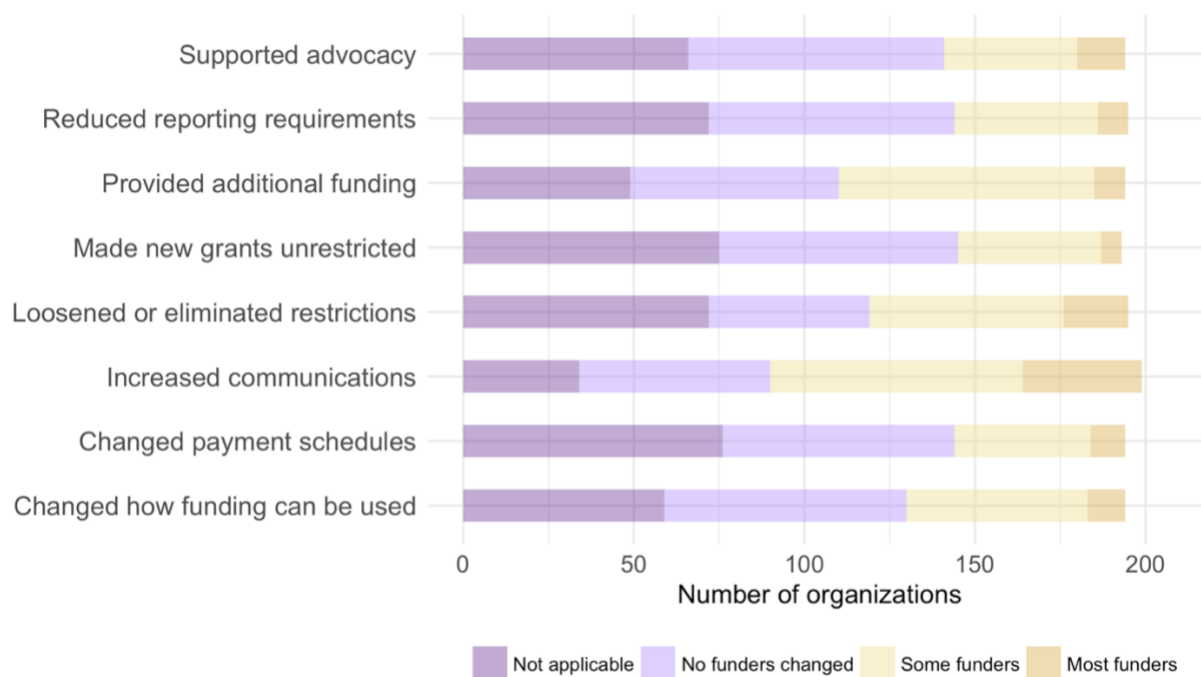


Figure 12. Reported changes made by nonprofit funders in response to COVID-19.

¹ Individual donor behaviors are not considered in this series of questions since most individual donor revenue is received as unrestricted revenue in nonprofit accounting and, therefore, there are often no stipulations regarding how those donations may be used.

Increased communication with grantees is the most commonly reported change funders made to their relationship with the nonprofit. Additionally, nonprofits indicated that many funders are making funding relationships more flexible by reducing or eliminating restrictions on current grants, and many funders also appear to be providing at least some additional funding. However, our findings regarding changes in current funding (see Figure 5) indicate that additional funding is limited in amount and largely driven by government funders thus far.

Support of organizations' advocacy efforts is reportedly low, with roughly 59% of respondents indicating that no funders have supported COVID-19 related advocacy and just 30% indicating that some funders provided this type of support. While support for grantee advocacy is one of the terms of the Council on Foundations' pledge, it is also a measure that is reported very infrequently by foundations themselves (Finchum-Mason, Husted, & Suárez, *forthcoming*).

Many qualitative responses point to important measures that government agencies in particular are taking to provide nominal amounts of extra funding for targeted COVID intervention, but some respondents point to areas in which funding has effectively dried up.

While a small number of funders have been responsive and provided additional or less restrictive funds, many corporate partners have "paused" giving altogether, leaving many program budgets with a significant shortfall.

-Public/societal benefit organization

FUNDER RESPONSES: KEY TAKE-AWAYS

→ Nonprofits report some funders are changing policies and practices to better support nonprofits.

Many institutional funders (e.g., governments, foundations, corporations) are increasing communication with nonprofits at this time, but fewer funders are reportedly taking concrete measures to financially aid nonprofits, such as increasing funding, reducing reporting requirements, making new grants unrestricted, or changing how funding can be used. The majority of nonprofits indicate that some to most of their funders have loosened or eliminated restrictions on existing funding agreements, which offers necessary relief for already diminished nonprofit capacity.

→ COVID-19-related advocacy work is likely under-supported.

Most nonprofits reported that either no funders or some funders supported nonprofits' COVID-19 related advocacy work. While advocacy often comes secondary to program or service-related activities, funding for advocacy is critical to ensure that nonprofits receive the support they need.

How is the CARES Act helping nonprofits throughout Washington state?

Most nonprofits that sought CARES Act support were able to access and receive it. Just over 60% of respondents indicated that they applied for one or more programs under the CARES Act. For organizations that did not indicate that they had applied for CARES Act aid (87 organizations), we asked whether or not they had interest in applying for aid. Of this subgroup, only 10 organizations (11%) indicated that they were interested in doing so. These are mostly smaller organizations that are not staffed and do not have a great deal of revenue (e.g., civic associations). Those that expressed interest in applying indicated either that their board was in the process of determining the proper channels for application, that they were not sure if they qualified, or that their organization's application had been rejected.

Many organizations in the sample indicated at least some interaction with CARES Act aid. The distribution of their progress in applying is shown in the table below. Nonprofits that indicated they applied for other forms of assistance clarified that they applied for SharedWork unemployment, National Endowment for the Humanities (NEH), and Institute of Museums and Library Services (IMLS).

Table 2. Nonprofit application, approval, and receipt of CARES Act assistance

	Applied for	Been approved for	Received	Percent approved for CARES Aid	Percent receiving CARES Aid
Paycheck Protection Program	106	101	98	95%	89%
Economic Injury Disaster Loan	27	23	12	85%	44%
Employee Retention Tax Credit	3	3	2	100%	67%
Other	8	3	3	38%	38%

By and large, both the high rate of application conversion and low frequencies of reported difficulties in the CARES Act process (see Table 3 below), particularly the Paycheck Protection Program, speak to the fact that the program has generally been successful at funneling money to struggling nonprofits. That the program has been implemented through local banks suggests both a benefit in the ability to quickly navigate the bureaucratic process, but also raises questions as to whether organizations without existing banking relationships are overlooked through this implementation structure.

One respondent raised notable concerns regarding the logistics of repayment and exemption. Specifically, this respondent indicated that the ease with which the organization was able to apply for and receive PPP assistance was due entirely to the fact that the nonprofit has legal and financial experts on staff who can help the organization navigate through the intricacies of the program. Even this respondent noted that the conditions under which the loan could be exempted from repayment were extremely unclear. Smaller organizations that exhausted their funds early in the crisis

and are not eligible for repayment forgiveness, may find themselves unable to meet repayment obligations and put their organization in further peril.

Some organizations with time-dependent operations (such as food banks) found it difficult to negotiate the spend-down dates associated with the loans, which threatens the sustainability of operations as the COVID crisis continues. Other nonprofits report communication issues, including unresponsive lenders and long initial waiting lists for PPP loans.

Table 3. Nonprofits reporting difficulties in the CARES Act process

Encountered difficulties in applying for CARES Act aid	29.7%
Encountered difficulties in receiving CARES Act aid	8.9%
Encountered difficulties in both applying for and receiving CARES Act aid	0.01%
Did not encounter difficulties with regard to CARES Act aid	61.3%

STATEWIDE PAYCHECK PROTECTION PROGRAM UPTAKE

One of the primary levers that organizations have accessed in response to COVID-19 related constraints are Paycheck Protection Program (PPP) loans—a program that has received media attention since its inception. PPP loans are government subsidized and administered through private banks to provide organizations with the resources allowing them to continue to pay employees, despite changes to operations or mandated closure (United States Treasury, 2020). To augment our survey findings, we use publicly available data from the U.S. Treasury to characterize PPP uptake across all nonprofits in the state (not just survey respondents).

Over the course of the initial administration of Paycheck Protection Program loans, over \$669 billion was issued to organizations (for-profit and nonprofit) across the United States (Williams, 2020). Table 4 below shows the most updated estimates of PPP loan utilization in nonprofit organizations throughout Washington using data from the United States Treasury.

Table 4. PPP allocation throughout Washington state

	Up to \$150,000	\$150,000 or greater
N	2786	900
Mean	\$44,657	\$869,055
Standard Deviation	\$36,023	\$1,186,527
Median	\$32,695	\$347,802
Estimated number of Jobs Retained	16,130	46,988

Across counties in Washington, the distribution of loans has been somewhat asymmetrical in that the highest uptake rates tend to be in the most rural counties. Much of the Eastern, Central, and Pacific coastal regions of the state are significantly less populated and have predominantly agricultural economies. It is in these counties that we see the greatest number of loans per active nonprofit

organizations. The major urban regions—Spokane County, Clark County, and the Puget Sound region (including King, Pierce, Snohomish counties)—tend to have more moderate uptake rates.

To characterize this distribution of PPP loans, we use a measure of the total number of PPP loans made in a county divided by the number of nonprofit organizations listed in the IRS Business Master File (BMF) within that county. Because each organization is only eligible for one PPP loan, this measure reflects the proportion of PPP recipients in each county. While we determined that the BMF total was the most appropriate denominator for this measure, one notable limitation of using the BMF is that organizations registered by the IRS may not necessarily be active at the time so our measure would tend to underestimate uptake in a given county.

As indicated in Figure 13, Northeast Washington (Stevens, Ferry, Pend Oreille, and Lincoln counties) along with parts of Southwestern Washington (Grays Harbor, Klickitat, and Skamania counties) have between 2.5% and 5% of nonprofit organizations that received PPP loans. Counties in the Puget Sound have between 10 and 13% of organizations receiving PPP loans. Interestingly, the mostly rural Clallam, Jefferson, and Okanogan counties have between 14-16% of nonprofit organizations receiving loans.

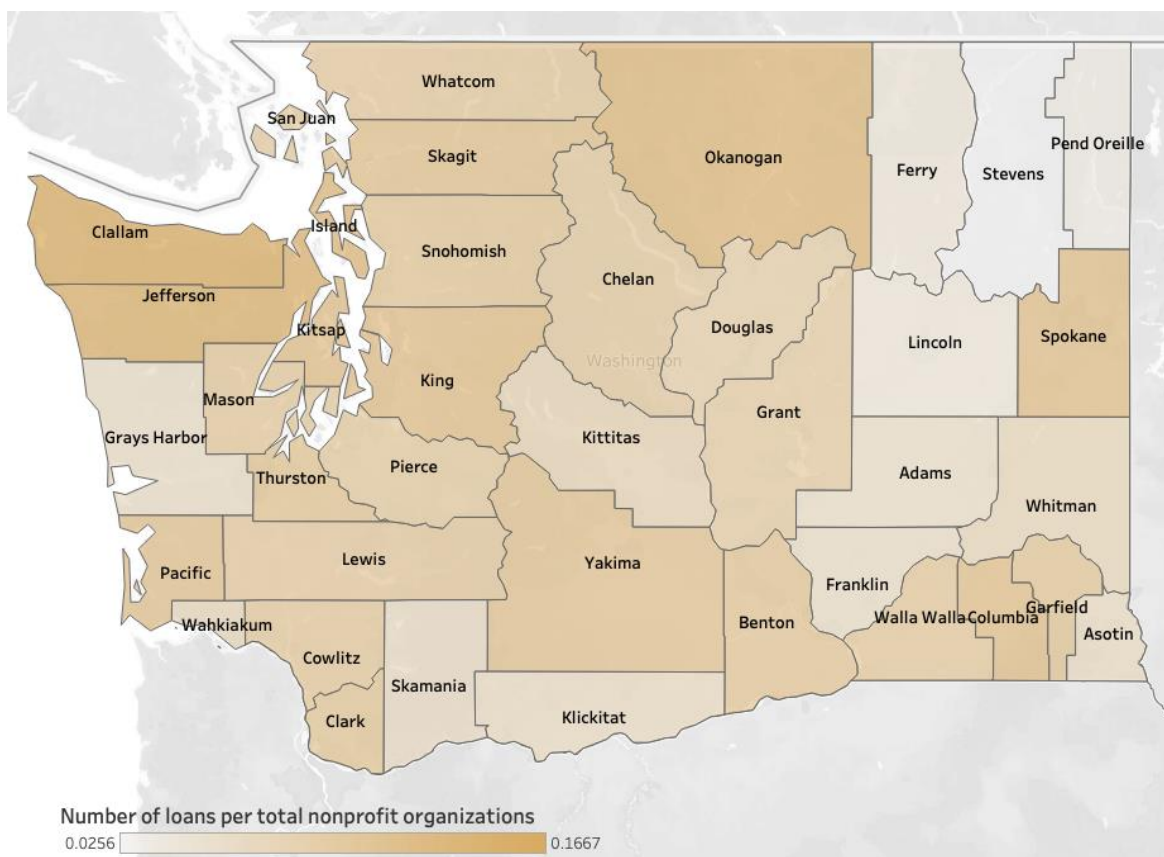


Figure 13. Number of PPP loans per total nonprofit organizations across Washington counties.

The U.S. Treasury data also includes a measure of the number of jobs retained given the loan, which was summed within counties. In order to create a measure of the percentage of jobs retained, we divide

this number by the annual average private employment per county from the fourth quarter of the 2019 fiscal year from the Quarterly Census of Employment and Wages (Bureau of Labor Statistics, 2020). While other reports using similar methodology utilize the number of nonprofit jobs given by the Bureau of Labor Statistics *Research Data on the Nonprofit Sector*, there are two major challenges with using this data for county-level analysis: (1) the most recent estimates of annual employment using this data are from 2017 and (2) several Washington state counties have missing values for nonprofit employment in this data. For these reasons, we utilize the 2019 estimates of total private employment.

Figure 14 illustrates the geographic distribution of total jobs retained in the county per average annual private employment in that county. In this instance, we see that two very rural Eastern Washington counties—Garfield and Pend Oreille—have the greatest number of jobs retained per annual private employment, and counties on the Pacific edge of Washington have relatively high rates as well.

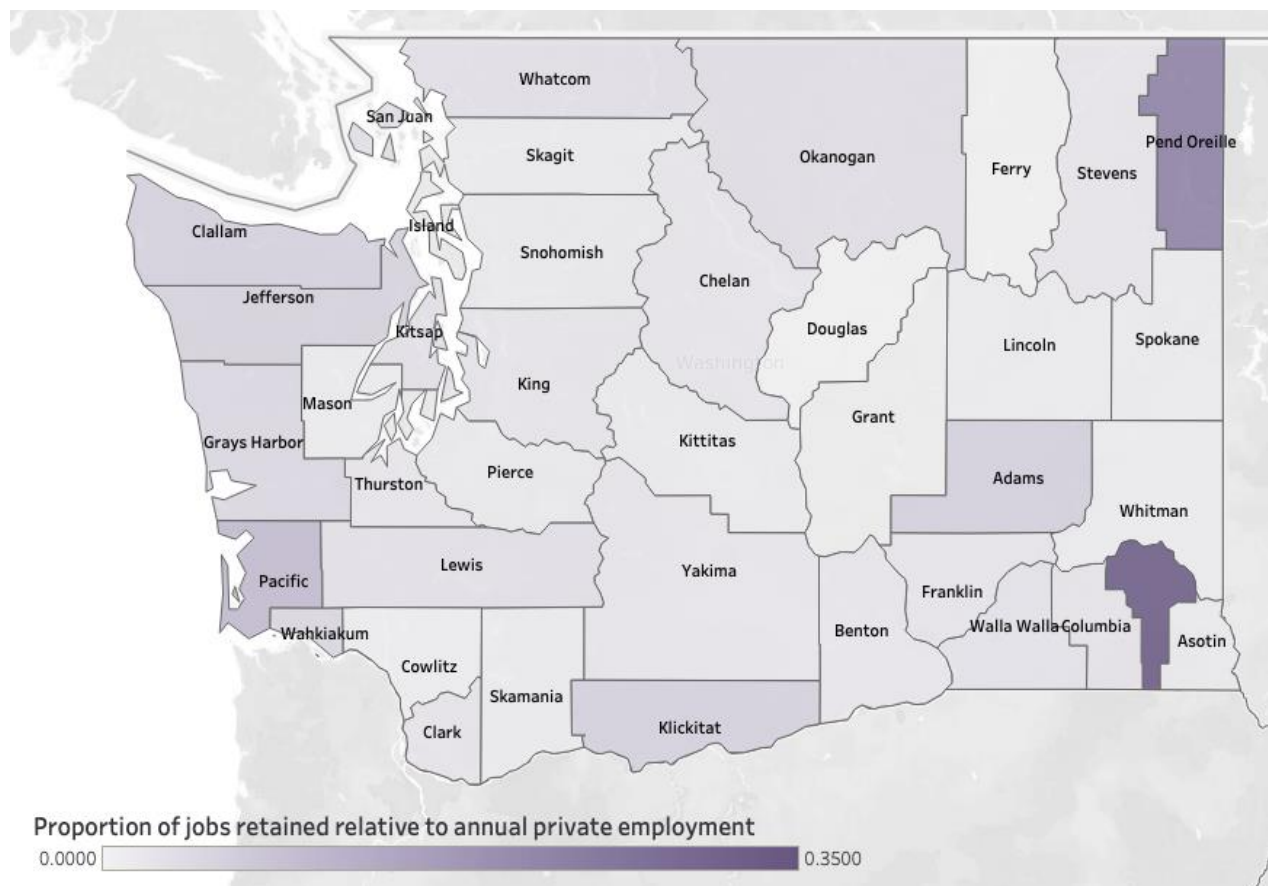


Figure 14. Distribution of jobs retained by PPP as a proportion of total average private employment.

CARES ACT UPTAKE & UTILIZATION: KEY TAKE-AWAYS

→ **The first round of CARES Act assistance, particularly the Paycheck Protection Program (PPP), has been successfully implemented throughout the state.**

The majority of the nonprofits that applied for PPP loans throughout the state had either been approved for aid or had received it at the time of the survey. Most organizations that did not apply for CARES Act assistance indicated that they had no interest in doing so or that they intended to apply in the second round of PPP funding. While the implementation of the PPP through local banks provides greater accessibility and arguably contributed to the relatively successful first-round distribution, there is some concern regarding whether smaller, less-resourced nonprofits had sufficient access to the program. Larger, more professionalized nonprofits often have legal and accounting expertise on staff as well as established relationships with local financial institutions. Nonprofits without strong, established banking relationships or staff who are familiar with the potential complexities of these financial agreements, may not have been able to apply for aid or may have more difficulty in navigating the loan forgiveness criteria.

→ **Most nonprofits indicated that they had no difficulties in the process of receiving CARES Act aid, specifically PPP loans.**

Organizations that did indicate difficulties mostly experienced issues in the application process, including challenges with local banks, confusion about required documentation and eligibility, and the types of expenditures that would be covered under the loan forgiveness criteria.

→ **PPP loans may not be enough to keep nonprofits solvent over the course of the pandemic.**

PPP loans were a necessary stopgap, but likely an insufficient measure to keep nonprofits solvent as long as conditions of revenue insecurity increase due to the pandemic. PPP loans were reported to have successfully allowed nonprofits to maintain their employment (or re-employ furloughed staff), but the loans do not accommodate many of the other financial uncertainties facing nonprofits at this point, including the increased costs of service provision. Beyond the second round of CARES Act funding, the long-term supports available for nonprofits are unclear.

What types of assistance do nonprofits report they need at this time?

We asked nonprofits to indicate what types of assistance would be most useful in this current moment. Unsurprisingly, the greatest need is centralized in either obtaining funding from institutional sources or procuring new sources of funding. Increased funding from foundations (60.8%), individual donors (59.7%), and governments (37.3%) are commonly reported needs across nonprofits. Many nonprofits (39.7%) indicate that they further need help to establish relationships with new donors. Reduced restrictions on government and foundation funding were also commonly reported needs, as well as guidance on re-opening procedures and information/data sharing. When asked to rank their selections, most respondents indicated that increased funding from government, foundations, and individual donors were the highest prioritized needs.

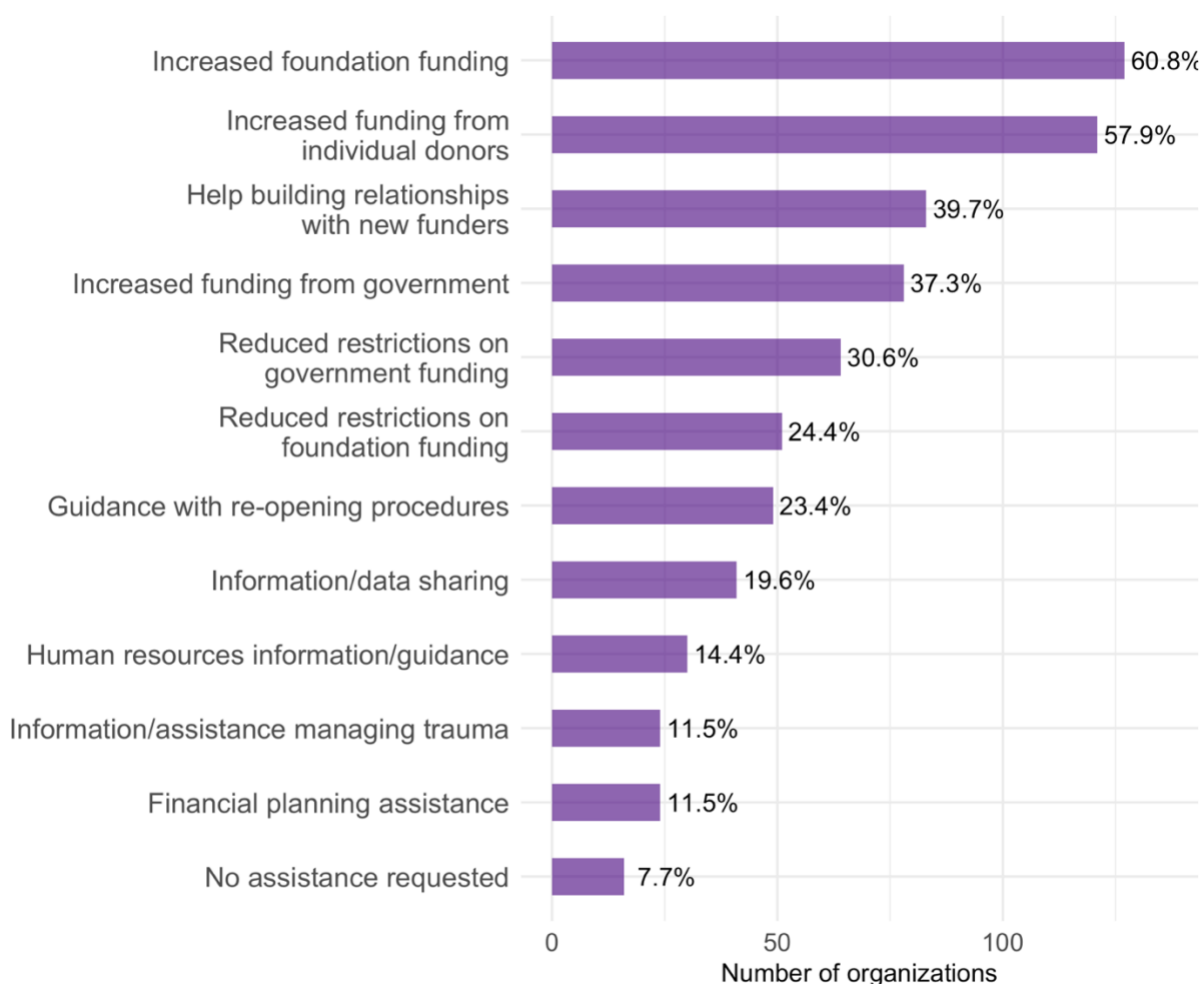


Figure 15. Types of assistance that nonprofits report would be most useful at this time.

Qualitative data revealed themes in the types of assistance that nonprofit leaders indicated that they need both immediately and in the near future. Some respondents indicated that they needed help simply buying enough PPE and equipment to properly disinfect their establishment. Other respondents

expressed exasperation not only with the lack of clarity in re-opening procedures, but with the changes to how we operate in daily life.

It's all the "new normals" which are not normal or healthy for anyone.
- Human service organization

NONPROFIT NEEDS: KEY TAKE-AWAYS

→ **Securing stable funding is critical at this moment.**

Nonprofits predominantly report that foundation grants and individual donations are the main types of assistance needed. As indicated in previous sections, many nonprofits are experiencing significant revenue decreases, rendering it difficult to conduct business as usual, let alone addressing increased demand.

→ **Fewer restrictions on government and foundation funding are also key forms of assistance.**

Many funding contracts with institutional funders come with stipulations on how money can be spent, including limiting the amount that can be used to cover overhead costs. Reporting requirements also require nonprofit leadership and staff capacity, which is extremely strained. In the current environment, the opportunity cost of complying with reporting requirements is amplified for many organizations, as staff time is in such short supply.

SUMMARY

Nonprofits currently face significant financial strain in light of COVID-19. Many nonprofits have already suffered significant decreases in their total revenue, and nonprofits predict continued decreases in revenue for the next year. At the same time, many nonprofits are experiencing dramatic changes in demand for their services, with health and human service nonprofits experiencing increases in demand that challenge their ability to meet community needs, and other nonprofits (e.g., arts organizations) seeing reduced demand that threatens their ability to weather the crisis.

Nonprofits are demonstrating remarkable flexibility and adaptability during these extraordinary times. This flexibility includes reimagining how services are provided with minimal time and resources, forming new partnerships with other organizations and local governments to maximize resources, reconsidering their organizational priorities, and adding new programs to meet emerging needs. Despite this flexibility, nonprofits have had to make difficult decisions as they face the hardships of COVID-19, with a majority of nonprofits having to pause one or more programs and many having to end one or more programs. As a result, nonprofits have made significant cuts to their number of staff, staff hours, and program capacity. Remaining staff are often under pressure to deliver necessary services in new ways with little time to adjust.

A seeming bright spot is that a majority of nonprofits in our sample have successfully accessed CARES Act Paycheck Protection Program loans to support their payroll expenses and retain employees—at least in the short term. Furthermore, nearly all nonprofits that applied for PPP loans were approved for their loans. Qualitative evidence, however, suggests that nonprofits are uncertain as to whether and how these loans will be forgiven, which may present future challenges. Also, as helpful as this funding has been for some organizations, it may not be sufficient to meet the financial shortfall facing many nonprofits.

Nonprofits overwhelmingly stated that their primary need right now is additional funding—from foundations, government, and individuals—as they work to stay afloat during the crisis. While another round of CARES Act aid was made available, there is still uncertainty as to how long federal funds will be available. Given that many nonprofits have reported spending down cash reserves and liquidating assets to survive in the short term, this renders the future even more financially nebulous. Nonprofits also indicated that reduced restrictions and more flexibility with current funding streams are critical at this time and, yet, many nonprofits report that none or only some of their funders are currently taking these measures. Finally, information about state and local regulations pertaining to COVID-19, as well as information and data sharing would also be helpful.

These findings build on several other recent studies characterizing the effects of COVID-19 on nonprofits in Washington and other parts of the country. Recent studies of Clallam County (Washington State University, 2020) and Walla Walla County (Janning, 2020) nonprofits substantiate our findings, specifically with respect to the challenges associated with rapidly changing service provision, looming financial uncertainty, and the need for additional funding. Our findings regarding the severe revenue shortfalls and decreased staff/volunteer capacity facing nonprofits in Washington are consistent with

other reports from San Diego (Deitrick et al., 2020), Indiana (Grønbjerg et al., 2020), and the country more broadly (La Piana Consulting, 2020; CAF America, 2020). And, like other reports, we find that nonprofits are rapidly adapting to challenges of providing services safely, but that these adaptations come at a cost (Grønbjerg, 2020). As service demand continues to increase for many nonprofits, the current and projected strain on the sector in Washington state and in the U.S. more broadly suggest that financial and operational insecurity will remain long-term unless policy-makers, government agencies, and institutional funders do more to assist nonprofits in weathering the challenges ahead.

The limitations of this study must be acknowledged. While this research design utilizes stratified random sampling to obtain responses that are representative of Washington state nonprofits, there are concerns about nonresponse bias. We may expect that organizations who made or experienced changes in strategy and operations relative to COVID-19 would perhaps be more inclined to recount these experiences in a survey. Relatedly, some of the smaller organizations in our sample had very limited and often uncertain contact information, and we would anticipate that the experiences of these organizations might be somewhat different from the experiences of larger, more visible organizations. There is also a tremendous amount of uncertainty right now, making estimates such as future revenue challenging for respondents to predict. Another key limitation is that much of our survey instrument asks for binary responses. When an organization indicates that they have made certain strategic changes, taken specific financial measures, prioritized communities, or collaborated with other organizations in the COVID-19 response, we cannot characterize the extent or nature of these actions.

These findings on how nonprofits are coping with COVID-19 raise a number of questions that future research could address. Subsequent phases of this research should examine specific actions and strategies that different types of nonprofits have adopted or experienced, including documenting what it means for nonprofits to re-imagine service provision, describing what “prioritizing” a community looks like in practice, and understanding the nature of the partnerships that emerged in response to the pandemic. Additionally, while this work provides a high-level understanding of the intra-organizational strain that nonprofits are facing, more remains to be known about how nonprofit leaders are negotiating that strain and supporting the physical, psychological, and emotional well-being of staff and volunteers. This type of information could be leveraged to help other nonprofits in the field mitigate similar concerns. Finally, we know that the first rounds of CARES Act distribution helped nonprofits fill short-term gaps, but future work should examine how CARES Act aid affects long-term financial health.

RECOMMENDATIONS

RECOMMENDATION #1

ALLEVIATE FINANCIAL VOLATILITY

The economic picture for nonprofits now and in the future is precarious. With significant changes in demand for services and shrinking revenue bases, many nonprofits are being forced to provide more services with insufficient funding resources. As necessary social distancing and personal protective equipment requirements have been mandated, even more costs are heaped upon nonprofits. Alleviating the financial volatility in which nonprofits find themselves at this

moment is an essential task. In particular, additional foundation funding and government support were identified to be key needs for nonprofits to fill gaps in revenue deriving from changes in demand for services, increased costs of providing services, and decreased contributions and program service revenue. Many nonprofit organizations also expressed a need to build networks with new potential funders.

Unfortunately, state and local governments are in difficult financial positions as well. The state of Washington is reportedly at risk of massive budget deficits due to COVID-19, as are many local governments (O'Sullivan, 2020). Some foundations and corporate funders, on the other hand, retain significant resource reserves that can be mobilized to help nonprofits. Indeed, five of the nation's largest philanthropic foundations have already pledged in excess of \$1 billion to mitigate COVID-19 related issues (Sullivan, 2020). Despite their own financial downturn earlier in the year, philanthropic foundation assets and grant-making have recently been reported to be back at pre-COVID levels (Parks, 2020). But, with the combined assets of U.S. foundations totaling to just under \$1 trillion (Foundation Center, 2020), there is arguably more that these organizations can do. **Philanthropic foundations and corporate funders should seize this moment, providing more unrestricted funding to the nonprofit sector to alleviate short-term solvency concerns.**

Another aspect of financial volatility that weighs heavily on many nonprofits are the criteria for Paycheck Protection Program loan forgiveness. Our findings reveal some confusion around the types of expenditures that will be forgivable under the loan, especially among smaller and less professionalized nonprofits. There is also some concern that organizations that used PPP funds to stem immediate financial problems not covered under the PPP loan forgiveness criteria and are still in unpredictable financial conditions will soon face the liabilities of the PPP loan. **Government agencies should provide clear guidance on the conditions for loan forgiveness and render this information in ways that are accessible to all nonprofits, not only those with attorneys and accountants on staff.**

RECOMMENDATION #2 *PROVIDE FLEXIBLE FUNDING*

While nonprofits in our sample report that some funders are moving to alleviate burdens on grantees, many funders were reported to have not yet altered their relationships with grantees. At a time where nonprofit leaders and staff struggle with the changing nature of their work, onerous reporting requirements or restrictions on grant funding can place an undue burden on nonprofits. **Institutional funders should provide more flexibility for nonprofits as they try to navigate their new implementation environment and survive these turbulent times, while continuing to serve their communities.** Additional flexibility should come in the form of (1) reduced restrictions on current grants, (2) reduced reporting requirements as nonprofits triage during these challenging times, and (3) more general operating funds that can be flexibly used as nonprofits work to meet changing community needs.

RECOMMENDATION #3 *PRIORITIZE COMMUNITIES WITH THE GREATEST NEED*

Nonprofit respondents, especially health and human service providers, indicated that they are prioritizing many of the communities that are hardest hit by the COVID-19 crisis, including people with low incomes and people experiencing

homelessness. Communities that also experience disproportionate impacts of COVID-19, including Black and African American communities, Native American communities, and Latinx communities, appear less likely to be prioritized. Systems of oppression compounding over time have put these communities at outsized risk of the health and economic effects associated with the virus and subsequent economic downturn (Lopez, Rainie, & Budiman, 2020; CDC, 2020). Furthermore, recent evidence suggests that there are significant philanthropic funding gaps for BIPOC-led organizations, leaving these organizations in particularly difficult operational and financial circumstances (Bernholtz, 2020; Dorsey, Bradach, & Kim, 2020). Government, philanthropic leaders, and nonprofits ought to prioritize and support marginalized communities at this time. **Legislators, government agencies, and institutional funders should: (1) target funding towards BIPOC-led and BIPOC-serving organizations and (2) develop partnerships with BIPOC-led organizations, listening to the concerns and needs of marginalized communities and translating those needs into policy and action.**

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APPENDIX

Nonprofits & the COVID-19 Response (Survey Instrument)

Thank you for agreeing to participate in the **Washington State Survey of Nonprofit Responses to COVID-19**, conducted by the Nancy Bell Evans Center for Nonprofits & Philanthropy at the University of Washington.

The results from this survey will be used to generate actionable, easy-to-use information tools for nonprofit advocates to guide policy-makers, funders, and other institutions in terms of how best to support the critical work that nonprofits do for their communities and for our state.

We understand that your time is limited and valuable, particularly in these turbulent days. The survey takes approximately 5-10 minutes and is completely confidential. All results will be presented only in aggregate form. We recommend taking the survey on a desktop or laptop. Please note that you can take a break from the survey at any time and continue later — your progress is saved automatically.

If you have any questions about our survey, please email our research team at:
evans-covid19@uw.edu

Question 1

What is your organization's major mission area(s)?

- | | | |
|--|--|-----------------------------------|
| <input type="checkbox"/> Arts/Culture | <input type="checkbox"/> Human Services | <input type="checkbox"/> Health |
| <input type="checkbox"/> Education | <input type="checkbox"/> Environment/Animal Rights | <input type="checkbox"/> Religion |
| <input type="checkbox"/> International/Foreign Affairs | <input type="checkbox"/> Public/Societal Benefit | <input type="checkbox"/> Other |
| <input type="checkbox"/> Mutual/Membership Benefit | | |

Question 2

At what geographic level does your organization primarily work?

- | | | | |
|--------------------------------|-----------------------------------|--------------------------------|--|
| <input type="checkbox"/> Local | <input type="checkbox"/> National | <input type="checkbox"/> State | <input type="checkbox"/> International |
|--------------------------------|-----------------------------------|--------------------------------|--|

Question 3

Which, if any, of the following does your organization primarily serve?

Please select all that apply.

- ☐ Older adults
- ☐ Children
- ☐ Black/African American communities
- ☐ Latinx communities
- ☐ Native American communities
- ☐ Asian/Pacific Islander communities
- ☐ Immigrant communities
- ☐ People experiencing homelessness
- ☐ People experiencing job insecurity
- ☐ Low income people
- ☐ Female-identified people
- ☐ LGBTQ communities
- ☐ Other
- ☐ No specific group served

If Other, what communities does your organization primarily serve?

Question 4

Has your organization made any of the following strategic changes in response to COVID-19?

Please select all that apply.

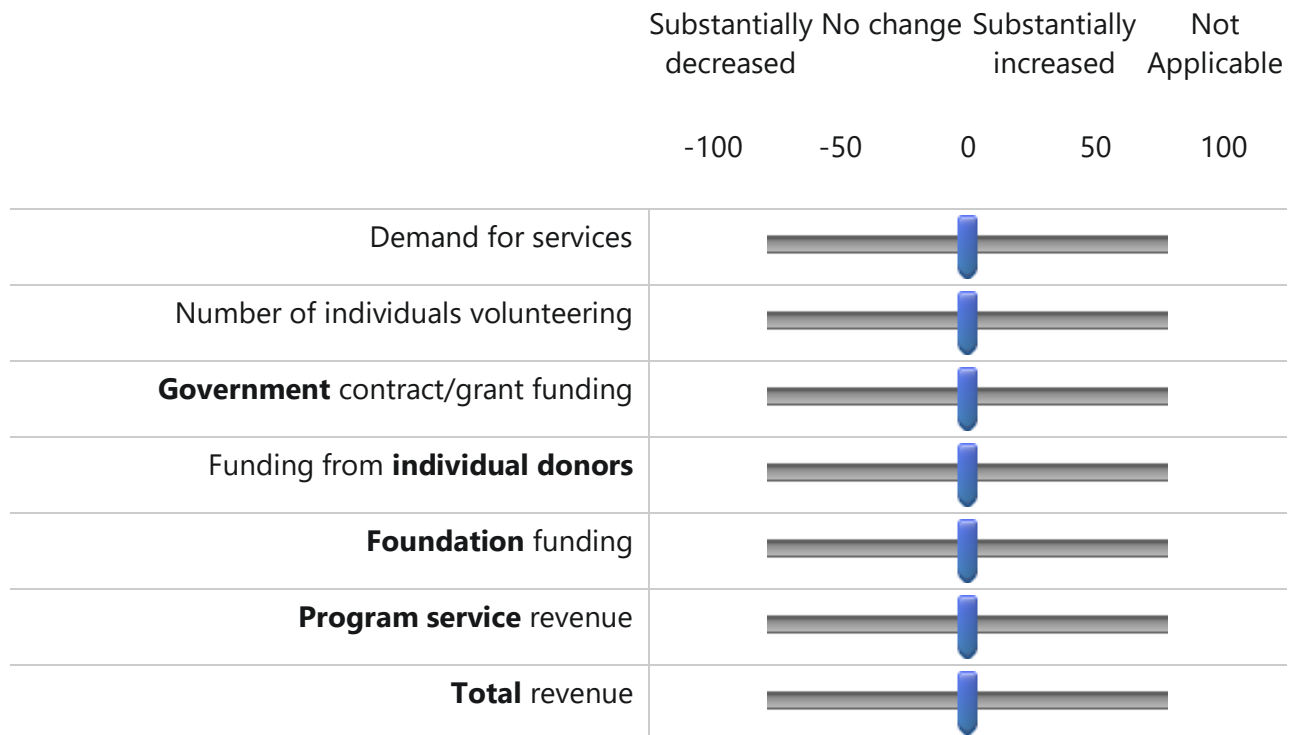
- ☐ Changed organizational mission
- ☐ Altered long-term organizational goals
- ☐ Altered short-term organizational goals
- ☐ Shifted programmatic priorities
- ☐ Changed how programs are provided
- ☐ Added new programs
- ☐ Paused one or more program(s)
- ☐ Ended one or more program(s)
- ☐ Ceased all operations permanently
- ☐ Other

☐ None of the above

Question 5

By approximately what percent have the following items changed for your organization as a result of COVID-19 **in the past three months**?






- Please move the cursor to indicate the **approximate percent change** for each item.
- If the item **has not changed**, please leave the cursor as is.
- If the item does not apply to your organization, please select **Not applicable**.



Question 6

By approximately what percent do you **expect** the following items to change for your organization as a result of COVID-19 **within the next year**?

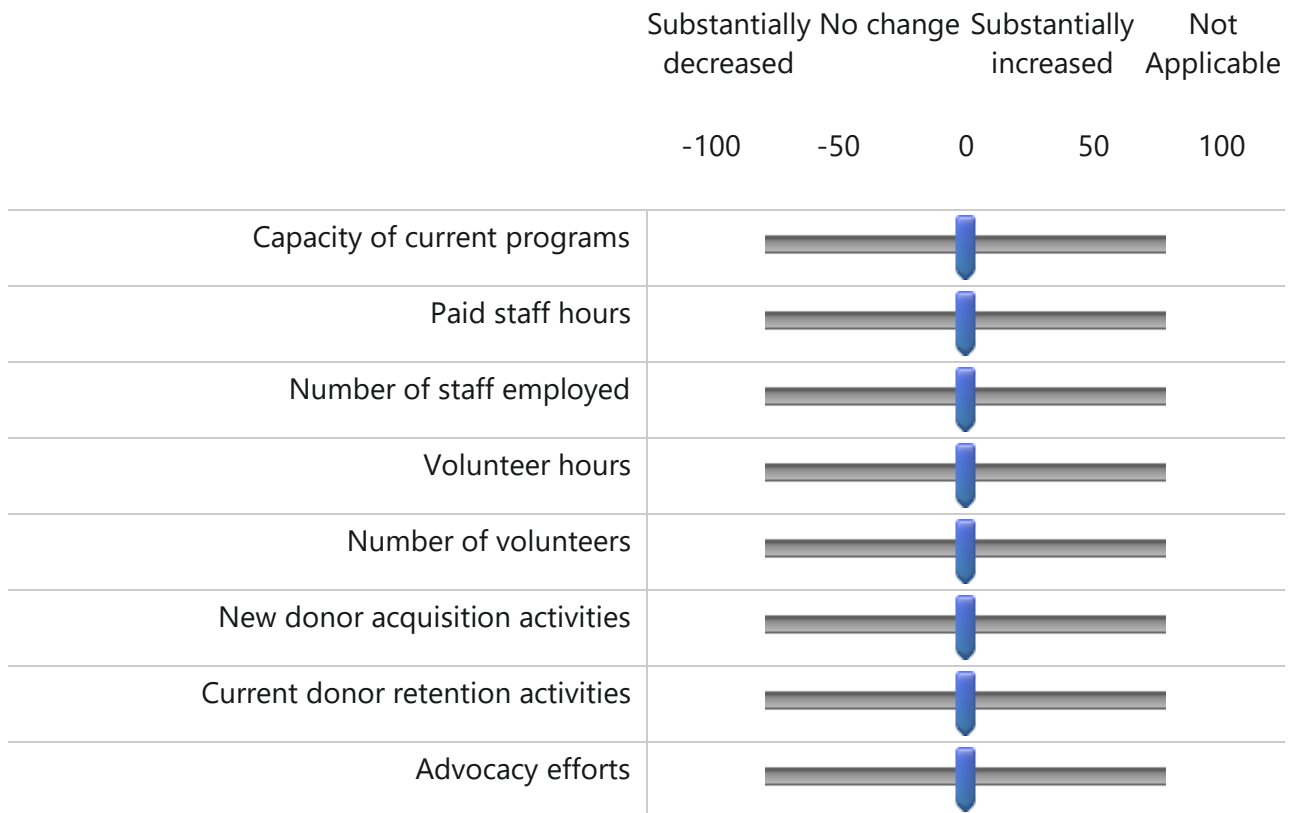
- Please move the cursor to indicate the **approximate percent change** for each item.
- If you **do not expect the item to change**, please leave the cursor as is.
- If the item does not apply to your organization, please select **Not applicable**.

	Substantially decrease	No change	Substantially increase	Not Applicable	
	-100	-50	0	50	100
Expected future government contract/grant funding					
Expected future funding from individual donors					
Expected future foundation funding					
Expected future program service revenue					
Expected future total revenue					

Question 7

By approximately what percent has your organization **changed** the following items as a result of COVID-19?

- Please move the cursor to indicate the *approximate percent change* for each item.
- If you **do not expect the item to change**, please leave the cursor as is.
- If the item does not apply to your organization, please select *Not applicable*.



Question 8

What, if any, financial responses has your organization taken in response to COVID-19?

Please select all that apply.

- ☐ Spent down cash reserves
- ☐ Taken out private loans
- ☐ Applied for financial assistance through the federal CARES Act
- ☐ Applied for financial assistance through state/local programs
- ☐ Renegotiated government contracts/grants
- ☐ Renegotiated foundation grants
- ☐ Renegotiated interest rates, credit lines, or investments
- ☐ Other

Question 9

What, if any, changes to agreements or relationships have your primary funders made with your organization in response to COVID-19?

	No funders changed	Some funders	Most funders	Not applicable
Increased communication	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Loosened or eliminated restrictions on current grants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Made new grants unrestricted	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Changed payment schedules	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduced reporting requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Changed how funding can be used	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provided additional funding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supported your organization's advocacy efforts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Question 10

Which, if any, of the following groups has your organization **prioritized** in its COVID-19 response?

Please select all that apply.

- ☐ Older adults
- ☐ Children
- ☐ Black/African American communities
- ☐ Latinx communities
- ☐ Native American communities
- ☐ Asian/Pacific Islander communities
- ☐ Immigrant communities
- ☐ People experiencing homelessness
- ☐ People experiencing job insecurity
- ☐ Low income people
- ☐ Female-identified people
- ☐ LGBTQ individuals
- ☐ Other
- ☐ No specific groups prioritized

Question 11

Has your organization partnered with any of the following entities in developing your response to COVID-19?

Please select all that apply.

- ☐ State and local governments
- ☐ Federal government
- ☐ Tribal government
- ☐ International agencies
- ☐ Other nonprofits
- ☐ Philanthropic foundations
- ☐ Companies
- ☐ Other
- ☐ None of the above

Question 12

Please describe any other changes that your organization has made or experienced due to COVID-19.

If your organization did not indicate that you have applied for CARES Act aid, please answer **Question 13**.

If your organization has applied for CARES Act aid, please move on to **Question 15**

Question 13

Has your organization had interest or does your organization currently have interest in applying for financial assistance through the CARES Act?

(i.e. the Paycheck Protection Program, Economic Injury Disaster Loans, Employee Retention Tax Credit)

- ☐ Yes
- ☐ No

Question 14

What challenges has your organization encountered in relation to applying for financial assistance through the CARES Act?

If your organization has not applied for CARES Act aid, please move on to **Question 20**.

Question 15

Which of the following CARES Act programs has your organization applied for financial assistance through?

Please select all that apply.

(For example, if you have applied for and been approved for aid under a program, please indicate by selecting both boxes).

	Applied for	Been approved for	Received
Paycheck Protection Program	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Economic Injury Disaster Loans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employee Retention Tax Credit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Question 16

Please indicate any other CARES Act program(s) to which your organization has applied to, been approved for, or received.

Question 17

How much (approximate dollar amount) assistance has your organization applied for in CARES Act aid? _____

been approved for in CARES Act aid? _____

received in CARES Act aid? _____

Question 18

What, if any, difficulties has your organization encountered in relation to financial assistance through the CARES Act?

- ☐ Difficulties in applying for CARES Act aid
- ☐ Difficulties in receiving CARES Act aid
- ☐ Our organization did not encounter any difficulties in applying for or receiving CARES Act aid.

If you indicated that your organization has had difficulty either applying for or receiving CARES Act aid, please complete Question 19.

If you did not indicate that your organization has had difficulty either applying for or receiving CARES Act aid, please move on to Question 20

Question 19

Please describe any difficulties that your organization has experienced with respect to CARES Act aid.

Question 20

What types of assistance would your organization find most immediately beneficial at this time?

Please select **up to 5** items.

- ☐ Information/data sharing
- ☐ Human resources information/guidance
- ☐ Information/assistance for managing trauma
- ☐ Financial planning assistance
- ☐ Reduced restrictions on government contract/grant funding
- ☐ Reduced restrictions on foundation grants
- ☐ Increased funding from government funders
- ☐ Increased funding from foundation/corporate funders
- ☐ Increased funding from individual donors
- ☐ Help building new relationships with potential funders
- ☐ Guidance with re-opening procedures
- ☐ Other

Question 21

Of the types of assistance that you indicated would be most useful in the **Question 20**, please rank the types of assistance that your organization would find most useful at this time.

- _____ Information/data sharing
- _____ Human resources information/guidance
- _____ Information/assistance for managing trauma
- _____ Financial planning assistance
- _____ Reduced restrictions on government contract/grant funding
- _____ Reduced restrictions on foundation grants
- _____ Increased funding from government funders
- _____ Increased funding from foundation/corporate funders

- _____ Increased funding from individual donors
- _____ Help building new relationships with potential funders
- _____ Guidance with re-opening procedures
- _____ Other

Question 22

If you responded Other in **Question 20**, what other types of assistance would your organization find most useful at this time?

Question 23

If you indicated that you would find Information/data sharing most helpful in **Question 20**: what types of information would be most useful to you?

Question 25

In the interests of making the results of this survey immediately actionable to policy-makers, philanthropic foundation leaders, and other nonprofit organizations, we want to know as much as possible about the challenges that your organization faces in response to COVID-19.

Question 26

Would you, or anyone at your organization be open to a brief interview about your organization's experiences and responses to COVID-19?

- ☐ Yes
- ☐ No

Question 27

What is the name of your organization? (Optional)

Question 28

Your responses will be kept confidential. **If you are interested in receiving survey results, please share your contact information.**

These questions are optional.

What is your name?

What is the best email address to contact you? _____