Impact of COVID-19 on Nonprofits: Summary Report
Canterbury Consulting | August 2020

Executive Summary

Between mid-May and early June, Canterbury Consulting partnered with Armanino, an independent accounting and business consulting firm, to conduct a survey of nonprofit organizations in the United States. We received over 160 responses, which are summarized in this report.

Following the survey, we hosted a three-part webinar series on the impact of COVID-19 on nonprofits. During each session, we featured guest panelists from a variety of nonprofits who shared their experiences and resources. We summarize key points and resources referenced during each webinar in this report.

Key Takeaways

— About 89% of survey respondents have experienced a decline in revenue
  • Of those, over half have experienced a revenue decline of greater than 25%
  • 73% have seen a decline in donations
— Approximately 81% of survey participants applied for the Paycheck Protection Program (PPP)
  • Of those, 59% intend to use the PPP to delay layoffs
— About 36% of survey respondents have experienced layoffs or furloughs
— Budgeting and forecasting has been a major area of focus for finance teams
  • 96% of respondents are or have focused on re-budgeting or re-forecasting through the end of 2020
  • 72% of respondents are or have focused on re-budgeting or re-forecasting through the end of 2021
  • 86% of respondents are developing or have developed budgets or forecasts for multiple scenarios
— In regards to budgeting:
  • 30% of respondents plan to increase their budget for software and technology
  • 57% of respondents are looking to reduce capital expenditures
  • 0% of respondents plan to increase office space
— 43% of survey participants expect a decline of over 25% in funding for the next 18 months compared to last year
— The biggest challenges our survey respondents face as a result of the pandemic are: employee wellness (22%), financial health (13%), and inability to provide services or changes to overall operations (11%)
— To have your PPP loan qualify for forgiveness, you must:
  • Spend funds on allowable costs in specified timeframe
  • On an individual employee basis, no reduction in wages of more than 25%
  • Maintain full-time employees
— It is important to take as long of a view as possible, protect your cash flow, and focus on forecasting
— Reach out to and form a relationship with the department of public health; having an advisor from public health can be essential to formulating procedures and processes for your organization
Nonprofit Survey Findings

The Data Set

We received responses from a wide variety of nonprofit organizations of varying sizes. The largest group of respondents were individuals from social services and education providers. The vast majority of respondents held the title Chief Financial Officer, Chief Executive Officer/Executive Director, or Financial Controller/Vice President of Finance/Director.
Impact on Revenue & Donations

Compared to prior year budgets, 89% of respondents have seen declines in revenue and over half of those respondents have experienced a revenue decline of greater than 25%. The pandemic seemed to have affected program revenue more than donations, as 73% of respondents have seen a decline in donations.

<table>
<thead>
<tr>
<th></th>
<th>Program Revenue</th>
<th>Donations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decline of less than 10%</td>
<td>17%</td>
<td>16%</td>
</tr>
<tr>
<td>Decline between 10% and 25%</td>
<td>26%</td>
<td>31%</td>
</tr>
<tr>
<td>Decline between 25% and 50%</td>
<td>15%</td>
<td>18%</td>
</tr>
<tr>
<td>Decline over 50%</td>
<td>31%</td>
<td>8%</td>
</tr>
<tr>
<td>Increase or no change</td>
<td>11%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Impact on Government Funding

Less than half of our survey participants accept some form of government funding. Of those, respondents reported that funding has not been reduced because their organization continues to provide services.

**Does your NPO accept some form of government funding?**

- Yes: 53%
- No: 47%

Overall, what has been the impact so far on your governmental funding sources?

- Funding has been reduced or suspended due to inability to provide services as required: 16%
- Funding has not been reduced because we continue to provide services: 23%
- Funding source has continued to pay on grants even though services have been reduced or suspended: 61%
Key Findings on The Paycheck Protection Program (PPP)

According to the Small Business Administration (SBA), nonprofit organizations made up about 6% of PPP recipient organizations receiving more than $150,000. Over 40,000 nonprofits nationwide received loans greater than $150,000.

The vast majority of our survey respondents applied for a PPP loan, mostly through a bank with whom they had an existing relationship. Of those who applied for the PPP, 95% either received or received approval for the funds. About 5% received the funds, but have returned or are considering returning some portion of the funds.

### Did you apply for a PPP loan?

- Yes: 19%
- No: 81%

### Why did you not apply for a PPP loan?

1. My organization did not need the funding.
2. My organization did not qualify due to size.
3. My organization is primarily a volunteer organization, so funds would not be forgivable.
4. My organization did not qualify due to other eligibility reasons (my organization is a 501(c)(6), private foundation, supported by the university, etc.).

### Are you taking advantage of any other federal programs?

- Emergency Sick Leave Credit (19%)
- Payroll Tax Deferral (14%)
- Employee Retention Credit (8%)
- Other (8%)
- None (66%)

### What impact do you expect the PPP funding to have on your organization?

- Provide a temporary cash cushion: 62%
- Delay layoffs: 59%
- Rehire staff already laid off: 14%
- Other: 19%

### During the application, what channel best described your process?

- Applied through a bank we normally do business with: 78%
- Applied through a bank referred to us: 13%
- A third party applied to a bank on our behalf: 3%
- Other: 7%

“Other” impacts cited include:

- Allow us to pay for employees and services that could not be otherwise performed
- Allow us to pay leave not covered by Families First ACT and increase compensation to direct care staff
- Allow us to return to our budgeted numbers we were on track to hit prior to COVID-19
- Allow us to temporarily continue providing services to partners who could not afford to pay program fees
- Allow us to hire additional staff more quickly
- COMPENSATE for loss in revenue in other activities and significant decreases in fundraising; and offset Q3 revenue drops
- Provide organization with confidence to meet increasing demand in the face of crisis
- Protect funds allocated to other operational areas
Impact on Operations

While over half of our survey respondents experienced no changes to their staffing situation, 36% experienced layoffs or furloughs. To maintain its staff or programming level, 45% reported utilizing reserve funds. Nonprofits are considering reducing capital expenditures and reducing resources usually allocated to staff training and development.

Which of the following is most applicable to your NPO’s staffing situation?

- No changes at this time: 58%
- Layoffs or furloughs of less than 10%: 12%
- Layoffs or furloughs over 50%: 11%
- Layoff or furloughs between 10% and 25%: 8%
- Added staff: 6%
- Layoffs or furloughs between 25% and 50%: 5%

Has your NPO decided to maintain its staffing or programming level by utilizing reserve funds?

- Yes: 15%
- No: 45%
- Not Sure: 40%

Excluding staffing, which of the following are you considering reducing, keeping the same, or increasing?

<table>
<thead>
<tr>
<th>Category</th>
<th>Reducing</th>
<th>Keeping the same</th>
<th>Increasing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff training and development</td>
<td>44%</td>
<td>45%</td>
<td>12%</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>16%</td>
<td>82%</td>
<td>2%</td>
</tr>
<tr>
<td>Office space</td>
<td>31%</td>
<td>70%</td>
<td>0%</td>
</tr>
<tr>
<td>Software and technology</td>
<td>24%</td>
<td>46%</td>
<td>30%</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>57%</td>
<td>39%</td>
<td>4%</td>
</tr>
</tbody>
</table>
Impact on Strategic Planning

To meet challenges that have arisen from the COVID-19 pandemic, financial leaders at nonprofit organizations are primarily focused on budgeting and forecasting. In light of the uncertainty and constantly state of affairs, 86% are developing budgets or forecasts for multiple scenarios.

In light of work-from-home orders, 69% of respondents are moving or have already moved to electronic payments. It appears that work-from-home solutions will be needed for quite some time. Organizations that have not yet adopted electronic payment processing should look at implementing the technology.

<table>
<thead>
<tr>
<th>Where in the process is your finance team with regard to the following?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review new financial software</td>
</tr>
<tr>
<td>Switch to electronic payments</td>
</tr>
<tr>
<td>Develop budgets or forecasts for multiple scenarios</td>
</tr>
<tr>
<td>Re-budget or re-forecast into 2021</td>
</tr>
<tr>
<td>Re-budget or re-forecast through the end of 2020</td>
</tr>
</tbody>
</table>

Besides revenue, what are the biggest challenges you expect as a result of the COVID-19 crisis?

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee wellness</td>
<td>22%</td>
</tr>
<tr>
<td>Financial health</td>
<td>13%</td>
</tr>
<tr>
<td>Inability to provide services</td>
<td>11%</td>
</tr>
<tr>
<td>Changes to overall operations</td>
<td>11%</td>
</tr>
<tr>
<td>Changes to HR operations</td>
<td>9%</td>
</tr>
<tr>
<td>Market uncertainty</td>
<td>9%</td>
</tr>
<tr>
<td>Member/donor retention</td>
<td>6%</td>
</tr>
<tr>
<td>Employee productivity</td>
<td>4%</td>
</tr>
<tr>
<td>Staff furlough/laid off/retention</td>
<td>4%</td>
</tr>
<tr>
<td>Communications (staff or external)</td>
<td>2%</td>
</tr>
</tbody>
</table>
Impact on the Future

As the COVID-19 continues to change the way we work and live, nonprofits anticipate a decline in regards to funding over the next 18 months. In addition, respondents expect to spend more time on a number of strategic and operational matters in their organization.

What are your expectations regarding your funding for the next 18 months compared to last year?

<table>
<thead>
<tr>
<th>Funding Expectation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of less than 10%</td>
<td>2%</td>
</tr>
<tr>
<td>Remain the same</td>
<td>11%</td>
</tr>
<tr>
<td>Decline over 25%</td>
<td>43%</td>
</tr>
<tr>
<td>Decline of less than 25%</td>
<td>44%</td>
</tr>
</tbody>
</table>

As a finance leader, how do you expect your job to change as a result of the crisis?

<table>
<thead>
<tr>
<th>Job Function</th>
<th>Less time</th>
<th>About the same</th>
<th>More time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time spent dealing with staff to complete work</td>
<td>4%</td>
<td>60%</td>
<td>36%</td>
</tr>
<tr>
<td>Updating policies in response to changed economic environment (updates to investments, reserves, etc.)</td>
<td>3%</td>
<td>33%</td>
<td>64%</td>
</tr>
<tr>
<td>Revamping processes/procedures to support remote working from home for an extended period</td>
<td>2%</td>
<td>32%</td>
<td>67%</td>
</tr>
<tr>
<td>Time reporting to the board and senior management.</td>
<td>3%</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>Direct involvement in strategic decision making</td>
<td>1%</td>
<td>33%</td>
<td>66%</td>
</tr>
<tr>
<td>Direct involvement in operations (i.e. tech implementations to support remote working)</td>
<td>3%</td>
<td>39%</td>
<td>58%</td>
</tr>
<tr>
<td>Time spent on cash management and forecasts</td>
<td>16%</td>
<td>84%</td>
<td>0%</td>
</tr>
</tbody>
</table>
Nonprofit Webinar Series

Our Impact of COVID-19 on Nonprofits webinar series brought together guest panelists from our nonprofit community to share insights on how to navigate through the coronavirus pandemic.

The PPP: Guidelines & Compliance Moving Forward

- U.S. Treasury website is a great resource for information on the PPP program.
- The program has been updated to allow for the coverage period to be either eight or 24 weeks.
- What expenses can be forgiven? Payroll related expenses including gross wages, employer related benefit contributions, rent, certain utilities, interest on mortgage obligations, etc.
- What needs to be done to have loan qualify for forgiveness:
  - Spend funds on allowable costs in specified timeframe
  - On an individual employee basis, no reduction in wages of more than 25%
  - Maintain full-time employees
- If you spend your funds before the end of the covered period, can you apply early for forgiveness? Yes, but there is still uncertainty about how you complete some of the calculations on the required items to gain forgiveness.
- What should nonprofits expect in their audit?
  - Did their organization meet the need requirement? SBA has said they will audit any borrower over $2 million (perhaps not reasonable to audit them all).
  - Banks have the responsibility to complete audit for loan forgiveness. SBA reserves right to audit loan forgiveness.
  - Armanino recommends keeping files very clear, delineating what bills were paid with PPP funds, including a memo or document to highlight the policy that was adopted around PPP funds. Since it is hard to separate funds once they are commingled in a bank account, make sure your records and minutes include specific language as to how funds were used to support your use of funds.
- How to reflect PPP funds on financial statements?
  - PPP is legally debt (loan) with a low interest rate and a forgivable feature. You have options.
    - Treat as debt and wait to remove it as you have legal release when loan is forgiven.
    - Treat as conditional government grant and realize the funds as you spend them (assuming the funds will be forgiven in the future).

PPP webinar replay and presentation deck available here >

Adjusting the Strategic Plan During the COVID Crisis

- Main challenges for nonprofits: Uncertainty, employee wellness, and financial stability.
- Focus on your mission. This will help you make hard decisions as you continue to move in a strategic direction.
  - What are your key principles as an organization? What is most important that you have to continue to maintain?
- Communicate with senior leadership, the board, key donors/patrons, and your peers. Transparency is key.
  - Talk through issues with your peers, regardless of industry or size. Not every idea will work for every organization, but it’s helpful to talk through obstacles with someone who is dealing with the same challenges. We’re all in this together.
— Think of this crisis in the long term. It is truly a marathon.
  • We just don’t know how long our current circumstances will continue for and we have to be prepared for the unknown.
  • Take as long of a view as possible, protect your cash flow, and focus on forecasting. One of the best things you can give your organization during a time of uncertainty is time and space to make thoughtful, strategic decisions.
  • Be nimble and connect with your peers as much as possible for new ideas.
— You not only have to understand the depth of the financial pain and hardship, but you have to be able to understand your legal risks associated with operating within that zone of insolvency.
  • As fiduciaries, you must be aware of your responsibility and risks. Understand your insurance coverage.
— Collaborations and mergers are more comfortable for those in the for-profit space than for those in the non-profit space.
  • Entities can come together to leverage the resources they have; this can be seen as an indicator of strength.
  • There are resources available for organizations who are looking into mergers and acquisitions.

Strategic Planning webinar replay and presentation deck available here >

Return to Work Guidelines

— There are various protocols and input from various organizations to consider: government, healthcare, unions, etc.
  • How are you ensuring the health and safety of your staff? Your patrons?
  • Reach out to and form a relationship with the department of public health. Having an advisor from public health can be essential to formulating procedures and processes for your organization.
  • Be flexible, nimble, and prepared to pivot constantly. Things change by the day and by the hour.
  • Be prepared to adjust plans because things are constantly changing. What if we open in three months? What if we open in 2021?
— How are charitable nonprofits finding funding to support their communities during these unprecedented times?
  • Ask for donations from existing patrons and donors, and your board
  • Look at potential funding sources from the city, state, or country (like the PPP)
  • As the pandemic continues, there will be more people in need and fewer providers. How are you preventing donor fatigue?
  • Be open. Be innovative and creative.
  • Develop new ways to engage your community.
  • What is the “new normal?”
  • Instead of a single “return,” the “new normal” seems more like a progression that will continue for a couple of years.
  • How can you best position your organization to serve your community? It may not be in the same ways as you did pre-COVID.
— How do we use this experience to strengthen ourselves as an organization, so when we come out on the other side, our programs are better and stronger?

Return to Work webinar replay and presentation deck available here >
Thank you to our webinar hosts and panelists for sharing their insights on navigating through the coronavirus pandemic. We have included additional resources recommended by our speakers on the following page.

Hosts

Jason Levey  
Director  
Canterbury Consulting

Michael Boulton  
Partner  
Armanino

Panelists

Jennifer Vanore, Ph.D  
President & COO  
UniHealth Foundation

Matt Petroski  
Director  
Armanino

Jason Seifer  
Chief Financial Officer  
Fine Arts Museums of San Francisco

Dana Hirsch Lipman  
Executive Vice President & CHRO / General Counsel  
YMCA of Metropolitan Los Angeles

Vanessa Bechtel  
President & CEO  
Ventura County Community Foundation

Scott DeVine  
General Manager & CFO  
TheatreWorks
Additional Resources

The PPP: Guidelines & Compliance Moving Forward

— CARES Act: Assistance for Small Businesses (U.S. Department of the Treasury)
— Preparing for the Payroll Protection Program (Armanino)

Adapting the Strategic Plan During the COVID Crisis

— Tough Times Call for Tough Action: A Decision Framework for Nonprofit Leaders & Boards (SeaChange)
— Reimagine Your Nonprofit to Survive the Crisis (Harvard Business Review)
— Growing Network Helps Nonprofits with Partnerships and Mergers (The Chronicle of Philanthropy)
— Will Crisis Lead More Nonprofits to Marry New Networks to Make Mergers Less Taboo? (Inside Philanthropy)
— Windows of Collaborative Opportunity: Considerations of Governance (Nonprofit Quarterly)
— Nonprofit Sustainability Initiative
  • This is a funding collaborative seeded by the California Community Foundation of more than a dozen foundations that helps nonprofits achieve their mission by providing stability in a funding environment constantly influenced by changing policy and priorities. Recommended by Dr. Jennifer Vanore.
  • From Idea to Initiative: Real-Time Learning for a Funder Collaborative on Nonprofit Strategic Restructuring (The Foundation Review), an article on the Nonprofit Sustainability Initiative

Return to Work Guidelines

— COVID Recovery Trackers (Armanino)
— COVID-19 Return to Work Checklist (Armanino)
— COVID-19 Contact Tracing by John Hopkins University (Coursera)