

NONPROFIT SECTOR RESPONSE TO COVID-19

The Immediate Impact of
the COVID-19 Pandemic
on San Diego County Nonprofits

MARCH 2020





About The Nonprofit Institute

Mission: The Nonprofit Institute is committed to providing education, training and research to build leaders and strengthen organizations that help meet critical community needs.

Vision: The Nonprofit Institute envisions a world where ethical, compassionate leaders and strong organizations are working together toward a more inclusive, just society and healthy planet.

What We Do:

Develop Leaders – We develop the next generation of leaders dedicated to making a positive difference in their communities through our applied learning and leadership programs.

Strengthen Organizations – We provide hands on assistance to nonprofits, philanthropy and other partners through community education and consulting

Create Knowledge – We drive innovation and solution through research, evaluation and consulting.

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SAN DIEGO NONPROFIT SECTOR PROFILE

3,921

501(c)(3) Nonprofits in
San Diego County filing
IRS Form 990/990EZ
(typically revenue > \$50K)



2,682

STAFFED NONPROFITS

121,334

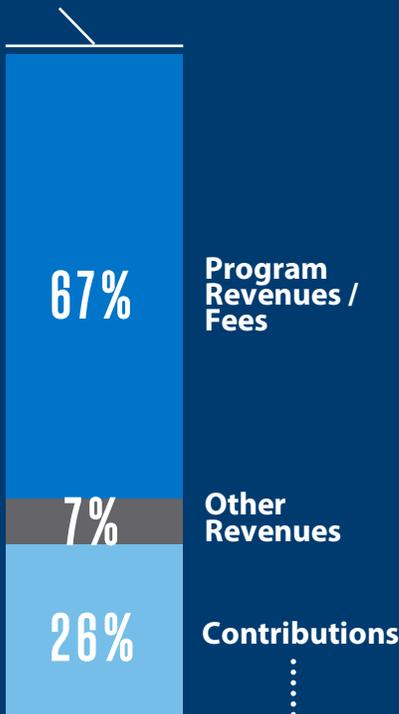
PAID EMPLOYEES

\$7.3 BILLION

TOTAL WAGES

ANNUAL NONPROFIT FINANCIALS

Revenue	Expenses	Assets
\$19.6B	\$18B	\$32B



CONTRIBUTION SOURCES

Special Events/Memberships	2.8%
Other Direct Contributions	44.7%
Indirect Contributions	2.7%
Government Grants	49.9%

OVERVIEW AND BACKGROUND

Nonprofit organizations are often on the frontlines of crisis and sometimes called “second responders,” serving as a resource for individuals after emergency aid has been provided. As a result of the COVID-19 pandemic, many local nonprofits are experiencing increased demands for food, shelter and other basic necessities, yet have been hindered or completely cut off from responding due to school closures, stay at home orders, and social distancing. In San Diego County, one in ten employees works at a nonprofit, representing a total of \$7.3 billion in annual wages¹ – making the programs and services provided by local nonprofits an important component of the economic engine that ensures San Diego is a thriving, vibrant region.

In an initial effort to understand the impact of the COVID-19 pandemic on local nonprofits’ ability to meet their community’s needs, The University of San Diego’s Nonprofit Institute issued a survey to nonprofit leaders on March 18, 2020. The aim of this report is to provide **real time data to government officials, foundations, and other decision-makers** about the **current economic conditions facing nonprofits and the need for immediate and long-term support** in order ensure the ongoing provision of critical services in the San Diego region.

The survey used convenience sampling of nonprofit leaders and was distributed through The Nonprofit Institute and its partner networks. A total of 428 nonprofit leaders representing both small and large nonprofits from a variety of subsectors responded to the survey. While the survey was a convenience sample, the results closely mirror the actual composition of the nonprofit sector except for an overrepresentation of arts and culture, and a slight underrepresentation of education and human services. In terms of budget size, the smallest and very largest nonprofits were slightly underrepresented.

Key Insights

- Many challenges are interrelated and exacerbated by stay at home orders and school closures.
- Volatile job and investment markets threaten personal income and hinder donations to nonprofits.
- The majority of nonprofit revenue is derived from program revenue and fees for service, however, like small businesses many nonprofits are closed and cannot generate income.
- Although the nation is “paused,” the need for nonprofit services continues to grow.
- Nonprofits will be highly challenged to retain their staff under current conditions.

¹ Deitrick, L., Strawser, C., Tinkler, T. & Durnford, J. (2019). *Annual Report: State of Nonprofits in San Diego*. San Diego, CA: The Nonprofit Institute, University of San Diego.

SURVEY RESULTS

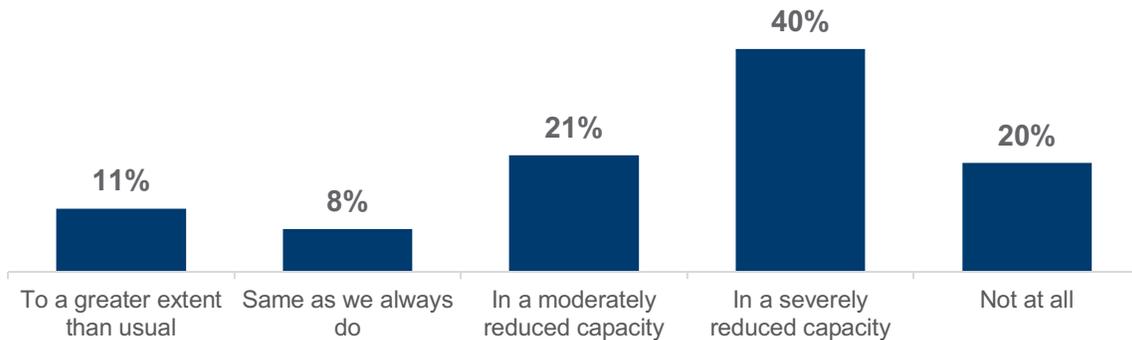
Nonprofit Services Have Been Dramatically Disrupted

Nonprofit organizations working on the front lines to meet critical needs across the San Diego region are facing unprecedented disruptions of their efforts due to the unfolding COVID-19 crisis. Despite an increased demand for services from San Diego's most vulnerable populations, the majority of nonprofits have had to reduce or cease to operate programs. As Figure 1 shows, more than three-quarters (80%) of respondents reported a reduction of normal services and 20 percent of respondents reported they were unable to offer any programs at this time.

"We've lost over 60% of our driver volunteers as we have asked that everyone over the age of 65 remain home. Our seniors are struggling without supplies and food. We are still grocery shopping - not going into the home, helping with online shopping, turning our office into a food and supplies pantry...regular check-in calls to support this high-risk group."

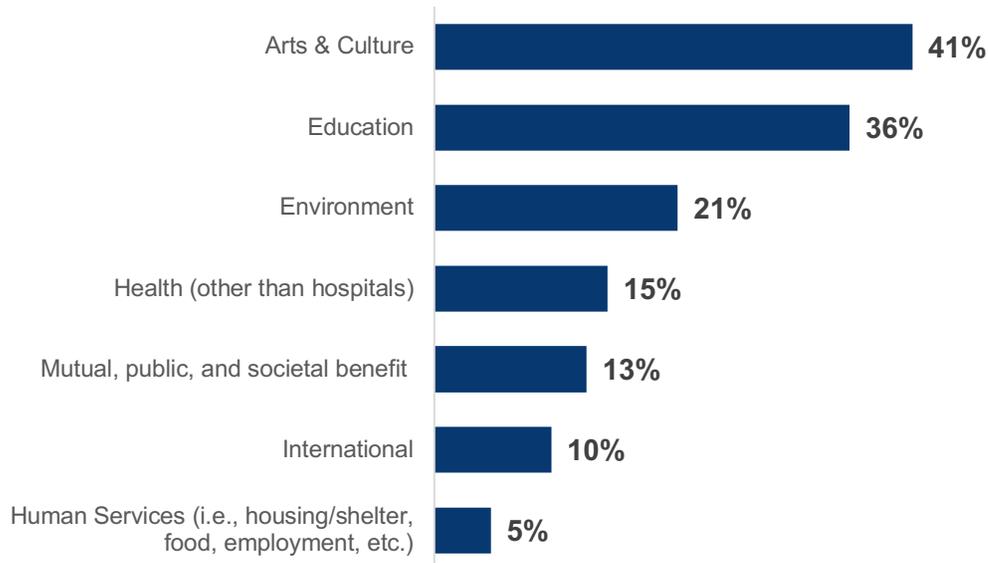
– Human Services Organization

Figure 1: Extent to which Program and/or Services are Provided



Not surprisingly, these disruptions are affecting nonprofit subsectors differently. Many human services organizations are increasing services as demand for basic needs increases while many arts and culture and education nonprofits have had to close their doors completely. Figure 2 illustrates that the nonprofits least likely to be operating programs are those serving in arts and culture, education, and environment subsectors.

Figure 2: Percent of Organizations Currently Not Operating Programs by Subsector²



The majority of nonprofits reported it was unlikely they will be able to provide services in the next 4 and 8 weeks

Nonprofits are Facing Significant Financial Hardships

The survey also documented the immediate and short-term impacts of COVID-19 on nonprofit finances. Previous research conducted by The Nonprofit Institute has documented that under normal conditions the majority of nonprofits operate on very lean reserves of two months or less.³ In this latest study, even fiscally strong nonprofits reported that they have already lost revenue streams due to cancellation of programs and events, and are at risk of closing.

Nonprofits Predict Challenges Funding Payroll

As Figure 3 shows, just over half of leaders reported they were “very likely” to make payroll in the next four weeks and that percentage declined to 35% eight weeks from now. Fourteen percent of nonprofit leaders said they were “very unlikely” to make payroll in the next four weeks, and that percent increased to 24% in the next eight weeks (Figure 4).

² Excludes subsectors with fewer than 10 respondents (Animal Welfare, Higher Education, Hospitals, and Religion)

³ Deitrick, L., Schmitz, H., Lam, M., Trull, C., & Tinkler, T. (2016). Annual Report: State of Nonprofits and Philanthropy in San Diego. San Diego, CA: Caster Family Center for Nonprofit and Philanthropic Research, University of San Diego.

Figure 3: Percent of Respondents “Very Likely” able to Fully Fund Payroll in 4 and 8 weeks

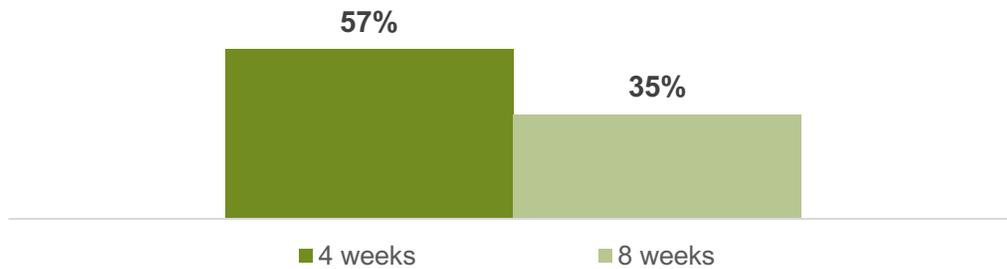
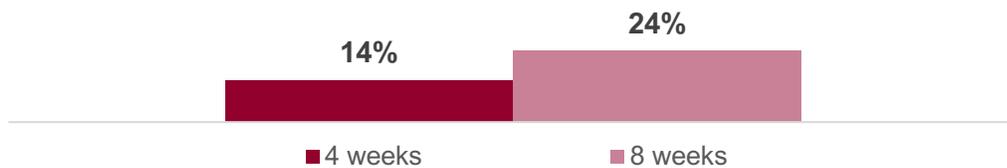
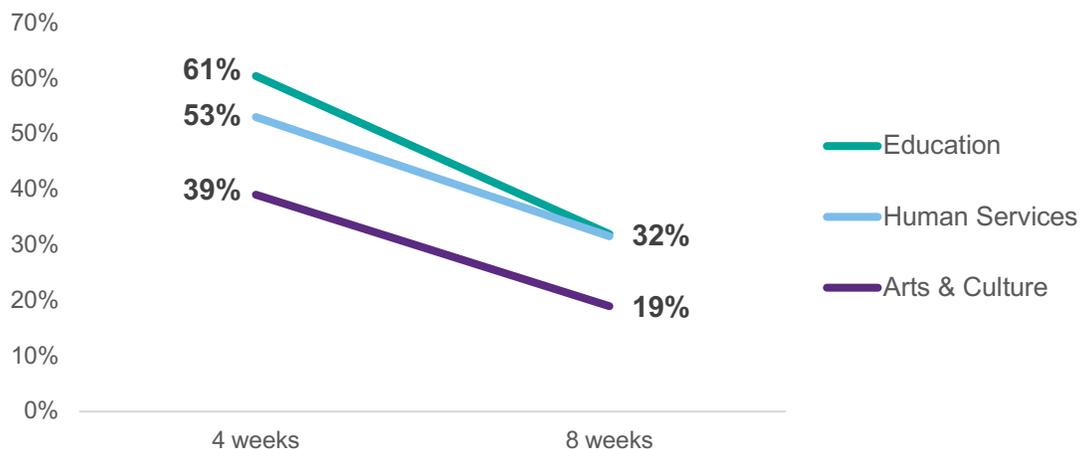


Figure 4: Percent of Respondents “Very Unlikely” able to Fully Fund Payroll in 4 and 8 weeks



The financial outlook of nonprofits also varied by subsector. Taking a closer look at arts and culture, education, and human services, Figure 5 illustrates that fewer arts and culture nonprofits are likely to make payroll in the next four weeks than other subsectors but by eight weeks, less than one-third of respondents from all three subsectors predict a likelihood to fully fund payroll.

Figure 5: Percent of Respondents “Very Likely” able to Fully Fund Payroll in 4 and 8 Weeks by Subsector



Arts and Culture

“Sixty percent of our income is generated from ticket sales, 25% from government grants, and the rest from donations. We have had to cancel all events indefinitely, and if government grants are stalled, and donations stop due to the economic crisis, we will need to close down the organization indefinitely.”

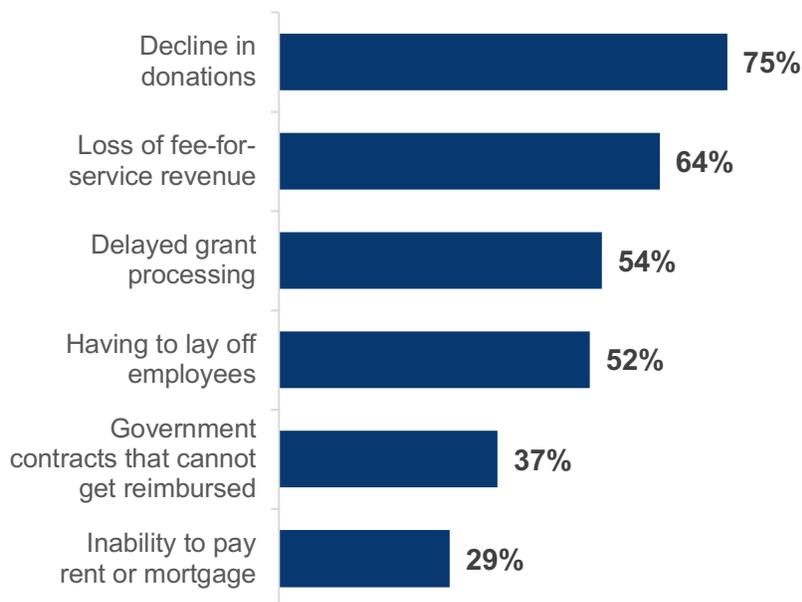
Environmental Education

“We typically keep reserves for 3 months. Depending on the length of time the pandemic lasts, all our reserves could be depleted, and we may need to lay off staff, as we’ve had declining revenue over the past month. Prior to school closures (from COVID-19), our education team was fully booked and unable to process additional requests for our services.”

Greatest Financial Concerns

Respondents were asked to rate their primary financial concerns stemming from the COVID-19. Given the global economic impact of the pandemic, nonprofits expressed concern about all of their typical funding sources, including individual donations, fee-for-service revenue, and government and foundation grants. As Figure 6 shows, three-quarters of respondents were concerned about a decline in donations and more than two-thirds were concerned about loss of fee-for-service revenue.

Figure 6: Percent of Respondents “Moderately” or “Very” Concerned about Financial Outlook



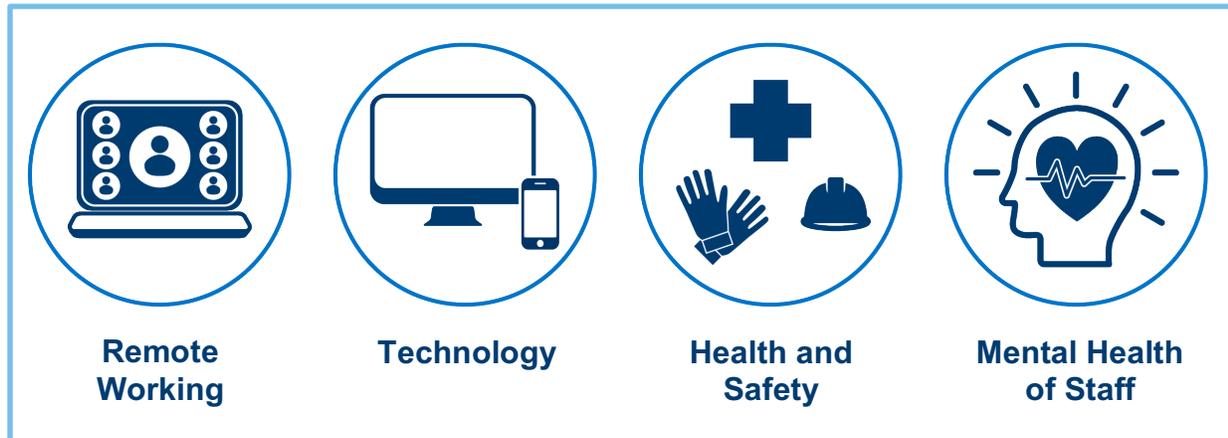
“All of our most pressing concerns are exacerbated by the likely decline of philanthropic dollars in light of economic and stock market losses. We are racing toward immediate solutions and also understand that the damaging impact of COVID-19 will stay with our organization and community long-term.”

– Human Services

“Our programs have been severely restricted due to the pandemic and our students and families are not receiving the critical support they need...Our fundraising events have been canceled and the grim economic forecast is negatively impacting our projected revenue.”

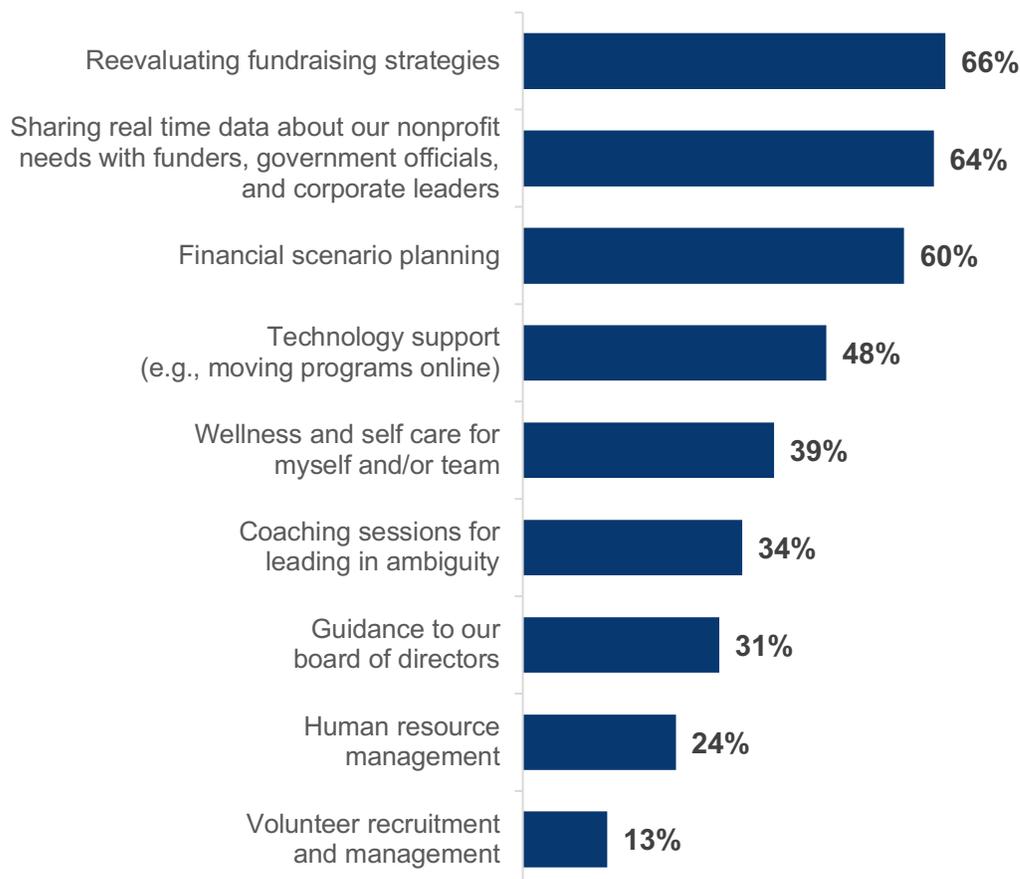
Organizational Challenges

In addition to financial challenges, nonprofit leaders told us that they needed assistance to address other barriers that were preventing them from offering services to clients.



Furthermore, to address current operational challenges and keep their organizations viable, leaders reported a need for assistance with a variety of management and capacity needs (see Figure 7).

Figure 7: Nonprofit Leaders Top Needs (Respondent-Selected Top Five)



CONCLUSIONS AND RECOMMENDATIONS

Nonprofit organizations are our community safety net, touching millions of lives every day. Yet, the unfolding public health and economic crisis is taking a major toll on the capacity of these organizations to help others. To survive, **San Diego nonprofits need immediate economic assistance from government, philanthropy, and the community at large.**

Thinking about the survey findings and what was learned about nonprofit performance during The Great Recession, The Nonprofit Institute makes the following recommendations:

To Nonprofit Leaders and Board Members

- Ensure high-level leadership and board engagement in active scenario planning (see: “5 Things Every Nonprofit Board Should be Doing in Response to Recent Turmoil” <https://www.sandiego.edu/news/soles/detail.php?focus=75820>)
- Access lines of credit and low interest loans
- Learn about nonprofit provisions in the Coronavirus Aid, Relief, and Economic Security Act (CARES ACT) here: <https://independentsector.org/resource/coronavirus-aid-relief-and-economic-security-act-cares-act-summary-for-nonprofits/>
- Stay in touch with donors and constituents
- Advocate for support from government (see: CalNonprofits <https://calnonprofits.org/> and Independent Sector <https://independentsector.org/>)

To Funders and Government Officials

- Increase current funding commitments to support nonprofits
- Collaborate with other funders to create new funds and increase giving
- Relax restrictions on current grant and contracting obligations
- Allow grantees to convert current funds to general operating or re-deploy for use in COVID-19 response
- Work with grantees or contractors to reduce lag time in reimbursements
- To meet unprecedented needs and rapidly changing conditions, flow funds quickly and minimize red tape
- Connect nonprofits to existing services and supports that bolster organizational capacity
- Invest in capacity building of nonprofits to weather the crisis and its aftermath

To Individual Donors

- Make meaningful donations to organizations you care about **today**. This crisis will pass, and we need to ensure that San Diego nonprofits are well positioned to move forward.

Additional research, resources, and reports can be found on The Nonprofit Institute’s website that is being updated through the pandemic at www.sandiego.edu/nonprofit.

 Join the [Nonprofit Resource Exchange San Diego](#)