Unprecedented Disruption: COVID-19 Impact on San Diego Nonprofits

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Unprecedented Disruption: COVID-19 Impact on San Diego Nonprofits

Results from Surveys of San Diego Nonprofit Leaders: March and April 2020
Leadership and Professional Education

Community Building and Engaging Philanthropy

Research and Innovation

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Introduction

Nonprofit organizations are often on the frontlines of crisis, serving as a critical partner to government in sustaining our community safety net and quality of life. As a result of the COVID-19 pandemic, many local nonprofits are experiencing increased demands for services, yet have been hindered or completely cut off from responding due to stay at home orders, revenue loss, and physical distancing.

In an effort to understand the impact of the COVID-19 pandemic on local nonprofits’ ability to meet their communities’ needs, The University of San Diego’s Nonprofit Institute has been surveying nonprofit leaders since March 2020.

This report documents findings from the second survey of nonprofit leaders administered between April 21-27, 2020. A total of 381 nonprofit leaders representing both small and large nonprofits from a variety of subsectors responded to the second survey. While the survey was a convenience sample, the results are similar to the actual composition of the nonprofit sector except for an overrepresentation of arts and culture and environment and an underrepresentation of education. In terms of budget size, the smallest nonprofits (revenue under $50K) were underrepresented and the largest nonprofits (revenue $5 Million+) were overrepresented.

In addition to the findings from the April survey, this report includes comparative findings from a sample of 225 nonprofit leaders who responded to both the March and April surveys.
Key Findings

In our March survey, San Diego nonprofit leaders made dire projections about the financial impacts of COVID-19. Findings from our April survey indicate those initial fears were justified. Key findings from the April survey include:

• Demand for services is increasing while 71% of nonprofits are experiencing service disruption.

• Three-quarters of all nonprofits report loss in fee-for-service.

• Over 60% of all nonprofits report decline in individual donations.

• Larger nonprofits were nearly 3 times more successful in securing CARES Act funding than smaller, community-based organizations.

• There has been a significant and unprecedented hollowing out of the nonprofit workforce with 53% reporting staff furloughs, layoffs, reduced hours and/or reduced pay and more layoffs expected in the future.

• Nonprofits are responding to COVID-19 challenges by shifting programs online, working remotely, and collaborating in new ways.

• Beyond needing essential financial support, nonprofits need assistance with reevaluating fundraising strategies, financial scenario planning, and managing stress and anxiety of staff and clients.
Increased Demand for Nonprofit Services

As the pandemic continues to impact San Diego residents, many nonprofits are experiencing increased demand for services.

One way to assess public demand for services is to analyze call volume at 2-1-1 San Diego, a resource and information hub that connects people with community, health and disaster services.

Data from 2-1-1 San Diego show a **288% increase in call volume since the onset of COVID-19.**

*Based on data from 2-1-1 San Diego’s Community Information Exchange since March 13, 2020*
Disruptions to Service Delivery

Q: To what extent are you currently delivering your normal programs and/or services?

- 71% of nonprofits were experiencing service disruption
- In April, more nonprofits were able to resume some level of service (21% vs. 9% not at all delivering programs)
- In April, more nonprofits were providing services beyond what they normally provide (12% vs. 23% to a greater extent than usual)

Based on a sample of 225 nonprofits that responded to both surveys.
Financial Impacts
In order to better understand the financial impacts of COVID-19 on nonprofits, it is important to know the sources of nonprofit revenue.

Typically, San Diego nonprofits generate 95% of all revenue through fee-for-service activities (e.g., museum tickets, health clinic fees, etc.) and contributions (e.g., individual donations and grants).

Data Source: IRS Form 990 and 990-EZ public charity returns, circa 2017, DataLake, LLC (www.datalake.net). Excludes Hospitals and Higher Education
Q: Since March 1, 2020 have you experienced the following?

- Loss of Fee for Service Revenue: 76% Yes, 21% Not Yet, But Anticipated
- Decline In Individual Donations: 63% Yes, 24% Not Yet, But Anticipated
- Delayed Grant Processing: 47% Yes, 18% Not Yet, But Anticipated
- Government Contracts Not Reimbursed: 12% Yes, 14% Not Yet, But Anticipated
- Inability to Pay Rent or Mortgage: 10% Yes, 11% Not Yet, But Anticipated
Q: Since March 1, 2020 have you experienced a **Loss of Fee for Service Revenue**?

- **Arts & Culture**: 92%
- **Public Health Clinics and Other Health**: 89%
- **Education (excludes Higher Ed)**: 75%
- **Environment**: 75%
- **Mutual Public Benefit**: 71%
- **Human Services**: 68%

*Excludes subsectors with fewer than 15 respondents*
Q: Since March 1, 2020 have you experienced a **Decline in Individual Donations**?

- **Education (excludes Higher Ed)**: 76%
- **Public Health Clinics and Other Health**: 73%
- **Environment**: 72%
- **Arts & Culture**: 66%
- **Human Services**: 59%
- **Mutual Public Benefit**: 52%

*Excludes subsectors with fewer than 15 respondents*
Access to Payroll Protection and Other Relief Funding
Q: If your organization were to not receive funding through the CARES Act or other COVID-19 funding, how likely is it that your nonprofit would be able to fully fund payroll?

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

- 48% in 4 weeks
- 34% in 8 weeks

20% have already laid off or furloughed staff

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

- 16% in 4 weeks
- 23% in 8 weeks

52% have already laid off or furloughed staff
Q: *Is your organization planning to take advantage of the Economic Injury Disaster Loan (EIDL) available through the CARES Act?*

We applied and were approved, but only after the money ran out for the first round. So we are hopeful we will get funding in second round as we applied within 60 minutes of the [original] program opening, I find it odd that our approval took so long.

- Survey Respondent

We do not want to saddle our organization with significant debt for 30 years!"

- Survey Respondent
Q: Is your organization planning to take advantage of the Paycheck Protection Plan (PPP) available through the CARES Act?
Smaller Community-Based Nonprofits Left Out of Funding

The impact of COVID-19 has made visible many systemic and structural impediments to racial equity, including barriers to philanthropic funding and traditional forms of credit, such as loans.

At the onset of the pandemic, many nonprofit leaders from community-based organizations did not have the existing relationships with banks, foundations, or government leaders needed to access COVID-related funding in the same way that larger nonprofits were able to do so.

The quote provided here is representative of the experience reported to us by numerous small nonprofits who applied for CARES Act funding.

“...

We applied for 3 PPP loans. Our own bank said it would not review our application; my hunch is that our ask was too low for them to bother, given the fee structure that incentivized banks to service big customers first.

Then we successfully applied, only to get a message saying that they’d had too many applicants. Then we applied at a third place and heard nothing. My main focus now is figuring out how to access that money, if possible. That's the urgent challenge of the next four weeks.

- Survey Respondent
Who Received the PPP?

Smaller community-based organizations, many of which work predominantly in communities of color, were left out of early CARES Act funding.

Organizations Approved for PPP by Annual Revenue as of April 27, 2020

- 72% Revenue Over $1Mil
- 28% Revenue Under $1Mil
Impact on Nonprofit Employment
Nonprofit Employment

Why Nonprofit Employment Matters:

• 1 out of 10 San Diegans works at a nonprofit
• In California, nonprofit economic activity (employment) produces at least 15% of Gross State Product (GSP)
• Nonprofit employees provide essential services on behalf of government and an estimated 30% of nonprofit revenue comes from government
• Since 2005, including the Great Recession, nonprofit employment has grown year over year – what we are seeing now is unprecedented

Impact on Employment

53% of nonprofits reported making changes to their staff’s employment through layoffs, furloughs, reducing hours or pay.

12,526 employees have been affected (representing 164 organizations as of April 27, 2020).

Q: Since March 1, 2020, has your organization experienced any of the following?

- Layoffs: 24%
- Furloughs: 28%
- Reduction of Hours: 40%
- Reduction of Pay: 15%
Q: Since March 1, 2020, has your organization laid off or furloughed employees?

A: Percent of Respondent Organizations Who Have Laid Off or Furloughed Employees by Budget Size (Annual Revenue)

- $250,000 or less: 24%
- $250,001 - $1 mil: 31%
- $1 mil - 5 mil: 45%
- $5 mil to $10 mil: 39%
- $10 mil +: 41%

Nonprofits with larger budgets were more likely to have laid off or furloughed employees than nonprofits with budgets less than $1 million.
Impact on Employment by Nonprofit Type

Q: Since March 1, 2020, has your organization laid off or furloughed employees?

A: Percent Of Respondent Organizations Who Have Furloughed or Laid Off Employees by Nonprofit Type

<table>
<thead>
<tr>
<th>Nonprofit Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts &amp; Culture</td>
<td>55%</td>
</tr>
<tr>
<td>Human Services</td>
<td>40%</td>
</tr>
<tr>
<td>Environment</td>
<td>40%</td>
</tr>
<tr>
<td>Education</td>
<td>37%</td>
</tr>
<tr>
<td>Public Health Clinics and Other Health</td>
<td>26%</td>
</tr>
<tr>
<td>Mutual Public Benefit</td>
<td>17%</td>
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</tbody>
</table>

Layoffs and furloughs are occurring across all types of nonprofit organizations. Even nonprofits providing essential services such as food banks, workforce development, and health organizations have laid off or furloughed employees. Excludes subsectors with fewer than 10 respondents.
Challenges and Opportunities
Critical Challenges

**FINANCIAL**

**Fundraising**
“We can survive the next 8 weeks, but after that things will come to a halt quickly due to an inability to fundraise during this season. PPP will help stretch us a little bit, but we need help with longer term funding.”

- Health

**Revenue Loss**
“We have been working MORE than ever, but on services with populations (high risk children and isolated seniors) which are resource depleting. Our revenue generating activities are almost non-existent at the moment, and we will have trouble staying afloat as an agency if this continues for an extended period.”

- Health

**PLANNING THROUGH UNCERTAINTY**

**Budget Planning**
“It’s budget planning time. It’s very difficult to plan anything when we don’t know if it will happen. And even more difficult to ask funders to support performances that, even if they are allowed to happen, might place our audiences at risk. Our core of volunteers and our core audiences are elderly and have the highest COVID-19 mortality rate.”

- Arts and Culture

**Strategic Planning**
“Our urgent challenge is predicting what can happen in the 2nd [half] of 2020. Much of our work is based on in-person education, so being able to schedule future events is still the greatest unknown.”

- Education

**PROVIDING SERVICES**

**Shifting to Online Format**
“We have transitioned all of our educational programs online, but we need customers. A lot of our customers are overwhelmed by the digital learning their kids are doing for SDUSD schools and can't handle more digital learning with us.”

- Education

**Increased Demand**
“Our clients are very low income in general and live on the edge. They are mostly with us for clinical, behavioral health, child abuse, or system mandated reasons. Now they are also having significant social service needs (food, homelessness, etc.).”

- Human Services

**HEALTH AND SAFETY**

**Staff Mental Health**
“Burn out because we are still operating all of our regular programs and offering additional services to meet community needs.”

- Education

**PPE Supplies for Staff and Constituents**
“Education about mandatory changes to establish a safe work environment when we re-open office.”

- Environment

“Providing proper PPE for staff working with clients.”

- Human Services
Challenges with Grants and Contracts

Nonprofits need flexibility in how grants are managed including:

- Allocating funds to address urgent needs during the crisis
- Extending timelines
- Simplifying reporting requirements

“[Our concern is] contracts not changing their expectations and/or not paying existing agreements. Funders switching to COVID, but not general operating once the peak COVID issues are behind us.”

- Human Services Survey Respondent

57% of Nonprofit Leaders Reported Funders were Revising Grant Terms in Consideration of Current Crisis

YET...

49% of Nonprofit Leaders Reported They Have Contracts with Deliverables that Cannot Be Met
### Resiliency and Adaptations

<table>
<thead>
<tr>
<th>SHIFTING PROGRAMS ONLINE / SOCIAL DISTANCE</th>
<th>WORKING REMOTELY</th>
<th>COLLABORATING</th>
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</thead>
<tbody>
<tr>
<td>“We have moved the entire museum online. It’s been a huge success. Our constituents love the programming we’re offering, and we received close to 10,000 hits on our website in fewer than 3 days for our first ever virtual exhibition opening. This is a game changer for us and represents the silver lining in the COVID-19 cloud.” - Arts &amp; Culture</td>
<td>“We created and trained hundreds of staff and providers on new workflows, implemented new platforms and documentation requirements. Within 3 weeks of making these changes, we were serving the same number of patients we had been doing in-person. At the same time, we moved a large number of our workforce (administrative staff) off-site to work remotely from home.” - Health</td>
<td>“This time has allowed us to build new partnerships. In fact, if funded, we may have developed an incredible collaboration with [a school district].” - Environment</td>
</tr>
<tr>
<td>“We have moved all of our programming online including groups and individual music therapy sessions. We are still doing some older adult sessions in person, but we are doing them in the parking lot and having patients come out on their balconies.” - Health</td>
<td>“We went to remote working as of March 13. Been working that way ever since. 40 hours a week. Morning coordination calls. Zoom meeting as needed.” - Mutual Public Benefit</td>
<td>“We used to serve nearly 1,000 young people daily. We had to pivot to first take care of our students’ parents as the primary educators of our students. Through a collaboration with another partner we are now serving 1,300 parents but it’s hard to track impact as families access lessons and supports online.” - Education</td>
</tr>
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To operate effectively, nonprofit leaders rely on critical partnerships both from within and outside the sector.

In a time when organizations require high-level engagement from their Board of Directors, 44% of respondents did not feel fully supported.

The data also indicate an opportunity exists for critical partners to be more engaged with their nonprofit partners.

Q: As a leader, to what extent do you feel supported in your work by the following groups (i.e., getting the guidance, information, connection to resources that you need to effectively lead)?

- Board of Directors: 17% None / A Little, 27% Some Extent, 56% Great/Very Great Extent
- Nonprofit partners: 19% None / A Little, 34% Some Extent, 47% Great/Very Great Extent
- Individual donors that typically support you: 26% None / A Little, 40% Some Extent, 34% Great/Very Great Extent
- Foundations that typically support you: 28% None / A Little, 44% Some Extent, 28% Great/Very Great Extent
- Elected officials: 42% None / A Little, 36% Some Extent, 22% Great/Very Great Extent
- Corporate partners: 43% None / A Little, 39% Some Extent, 18% Great/Very Great Extent
Q: To what extent does your organization need support in the following areas?

- Managing stress and anxiety of staff: 36% Some Extent, 32% Great/Very Great Extent
- Access to technology for our clients to be able to access programs and services: 26% Some Extent, 35% Great/Very Great Extent
- Access to adequate technology to deliver remote programs and services: 28% Some Extent, 25% Great/Very Great Extent
- Adequate supplies to deliver programs in compliance with CDC guidelines (e.g., Personal Protective Equipment): 25% Some Extent, 26% Great/Very Great Extent
- Transitioning staff to remote work environment: 23% Some Extent, 10% Great/Very Great Extent
Capacity Support Needs

76% Reevaluating Fundraising Strategies

72% Sharing Real Time Data about our Nonprofit Needs with Funders, Government Officials and Corporate Leaders

61% Financial Scenario Planning

44% Guidance to Our Board of Directors

40% Coaching Sessions for Coping with Emotional Stress of Pandemic

38% Guidance on Employment Issues

25% Volunteer Recruitment and Management
Conclusions

Nonprofits are facing unprecedented disruptions in their ability to deliver critical services. The present crisis is testing the limits of our nonprofit community’s organizational capacities.

Notwithstanding these difficulties, San Diego nonprofits are finding new ways to help their clients and help each other in supporting those in need. The resilience of the San Diego nonprofit sector is paramount to our quality of life. The data presented in this report shine a light on important issues of equity, access, and the enduring strength of the region’s social safety net.
In order for funders and policymakers to address structural inequities and build a more resilient nonprofit sector, we recommend the following:

**Develop new relationships.** Be proactive in developing and deepening relationships with organizations that serve communities of color and particularly those disproportionately affected by COVID-19.

**Ensure access to smaller community-based organizations.** Create pathways for smaller community-based organizations to access funds. Consider supporting specific funding opportunities for small nonprofits and community of color-led organizations.

**Advocate for local nonprofits.** Nonprofits play a pivotal role in our community safety net and quality of life. They need our support more than ever.
Funder and Policy Recommendations

Dedicate funding for nonprofits as part of your recovery response. Ensure nonprofits are eligible for economic recovery funds that are also made available to small businesses (e.g., CARES Act funding).

Emphasize simplicity and flexibility. When possible, minimize burden of application processes and spending and reporting requirements. For example, allow nonprofits to designate how they spend funds based on their needs and those of the communities they serve.

Protect the nonprofit workforce. Provide or help connect nonprofits to resources that support their general operations and payroll.

Encourage philanthropy. Recommend San Diegans support local nonprofits through generous donations and volunteering.
How The Nonprofit Institute is Responding

Given the findings of this report, The Nonprofit Institute offers the following resources:

- **Nonprofit Resource Exchange at Facebook:**
  [https://www.facebook.com/groups/691270334952462/](https://www.facebook.com/groups/691270334952462/)
  
  There are over 400 members (including government entities) on the exchange.

- **If you need capacity building support, join our FORTIFY webinar series at:**
  [https://www.sandiego.edu/soles/nonprofit/events/fortify.php](https://www.sandiego.edu/soles/nonprofit/events/fortify.php)

- **If you are a nonprofit leader who needs to bolster your personal resilience to deal with this situation, look at our Horizon’s program for free one-on-one coaching for small community based nonprofits.**
  [https://www.sandiego.edu/soles/nonprofit/develop-leaders/resilience-based-coaching.php](https://www.sandiego.edu/soles/nonprofit/develop-leaders/resilience-based-coaching.php)

- **If you need technical assistance for PPP, EIDL, or other small business funding, and to make sure you receive timely information and technical assistance, please register with San Diego’s Small Business Development Center via the following link -**
  [https://sdsbdc.ecenterdirect.com/signup](https://sdsbdc.ecenterdirect.com/signup)

- **City of San Diego Virtual Nonprofit Academy, June 10, 2020. Registration is open!**
  [https://spring2020virtualnonprofitacademy.eventbrite.com](https://spring2020virtualnonprofitacademy.eventbrite.com)