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Unprecedented Disruption: COVID-19 Impact on San Diego Nonprofits

Laura Deitrick

The Nonprofit Institute at University of San Diego

Tessa Tinkler

The Nonprofit Institute at University of San Diego

Emily Young

The Nonprofit Institute at University of San Diego

Connelly Meschen

The Nonprofit Institute at University of San Diego

Colton Strawser

The Nonprofit Institute at University of San Diego

See next page for additional authors

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Digital USD Citation

Deitrick, Laura; Tinkler, Tessa; Young, Emily; Meschen, Connelly; Strawser, Colton; Funderburk, Taylor; and Abruzzo, Tom, "Unprecedented Disruption: COVID-19 Impact on San Diego Nonprofits" (2020). *Nonprofit Sector Issues and Trends*. 5.

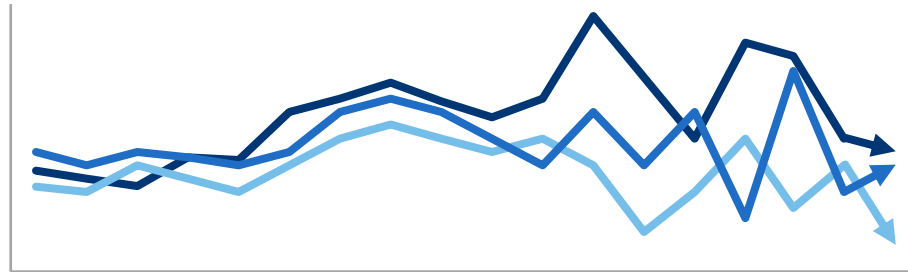
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Authors

Laura Deitrick, Tessa Tinkler, Emily Young, Connelly Meschen, Colton Strawser, Taylor Funderburk, and Tom Abruzzo

Unprecedented Disruption: COVID-19 Impact on San Diego Nonprofits



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



THE NONPROFIT INSTITUTE

1

Leadership and
Professional
Education

Emily Young, PhD, Executive Director

Research Team:

Laura Deitrick, PhD, Associate Director

Tessa Tinkler, PhD, Senior Research Associate

Connelly Meschen, MArch, Asst. Director of Operations and Admin

Colton Strawser, MS, Doctoral Research Assistant

Taylor Funderburk, MA, Research Assistant

Tom Abruzzo, MA, Doctoral Research Assistant

sandiego.edu/nonprofit | nonprofit@sandiego.edu | 619-260-7442

Funding for research was provided through the Caster Family Center for Nonprofit and Philanthropic Research.

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Community Building
and Engaging
Philanthropy

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Research and
Innovation

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.***

Top Three Needs of Callers to 2-1-1 San Diego*



Food

+316%



Housing

+7%



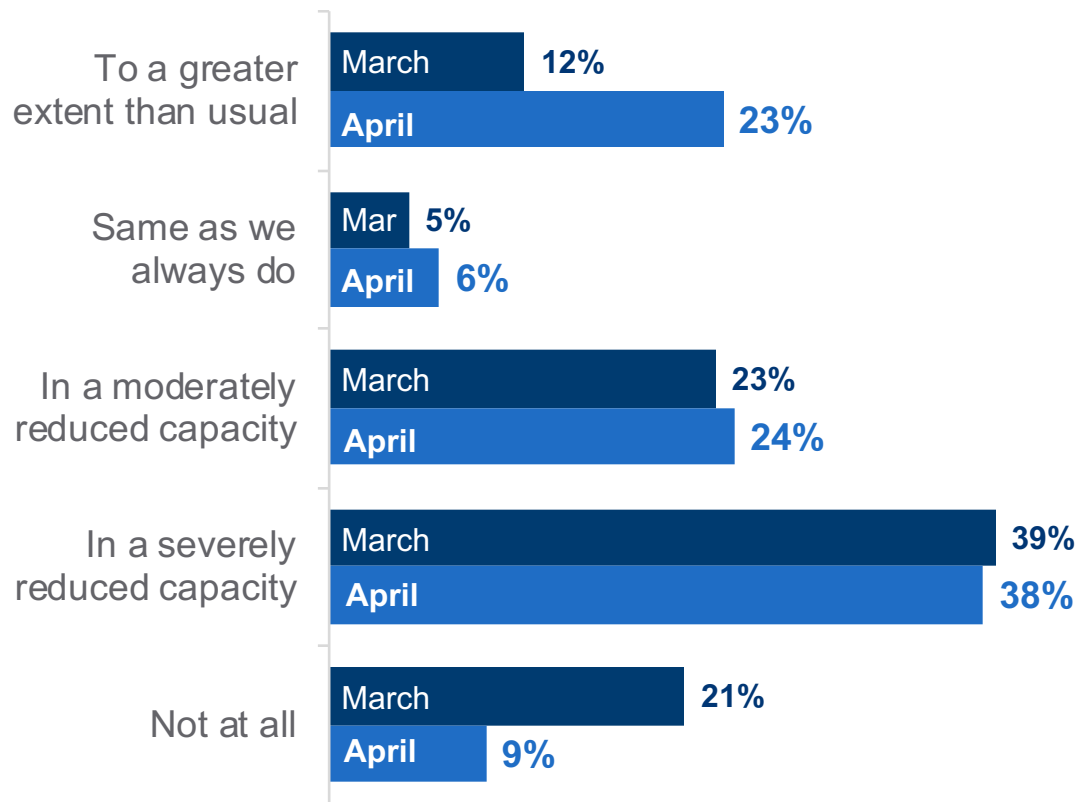
Income Support
and Employment

+87%

Disruptions to Service Delivery

- 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)

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



Based on a sample of 225 nonprofits that responded to both surveys

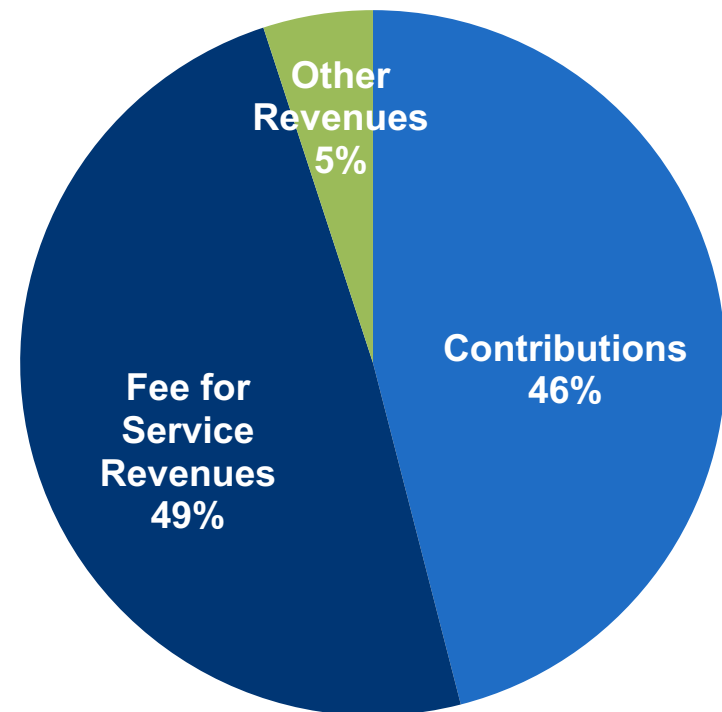
Financial Impacts

Nonprofit Revenue Sources

In order to better understand the financial impacts of COVID-19 on nonprofits, it is important to know the sources of nonprofit revenue.

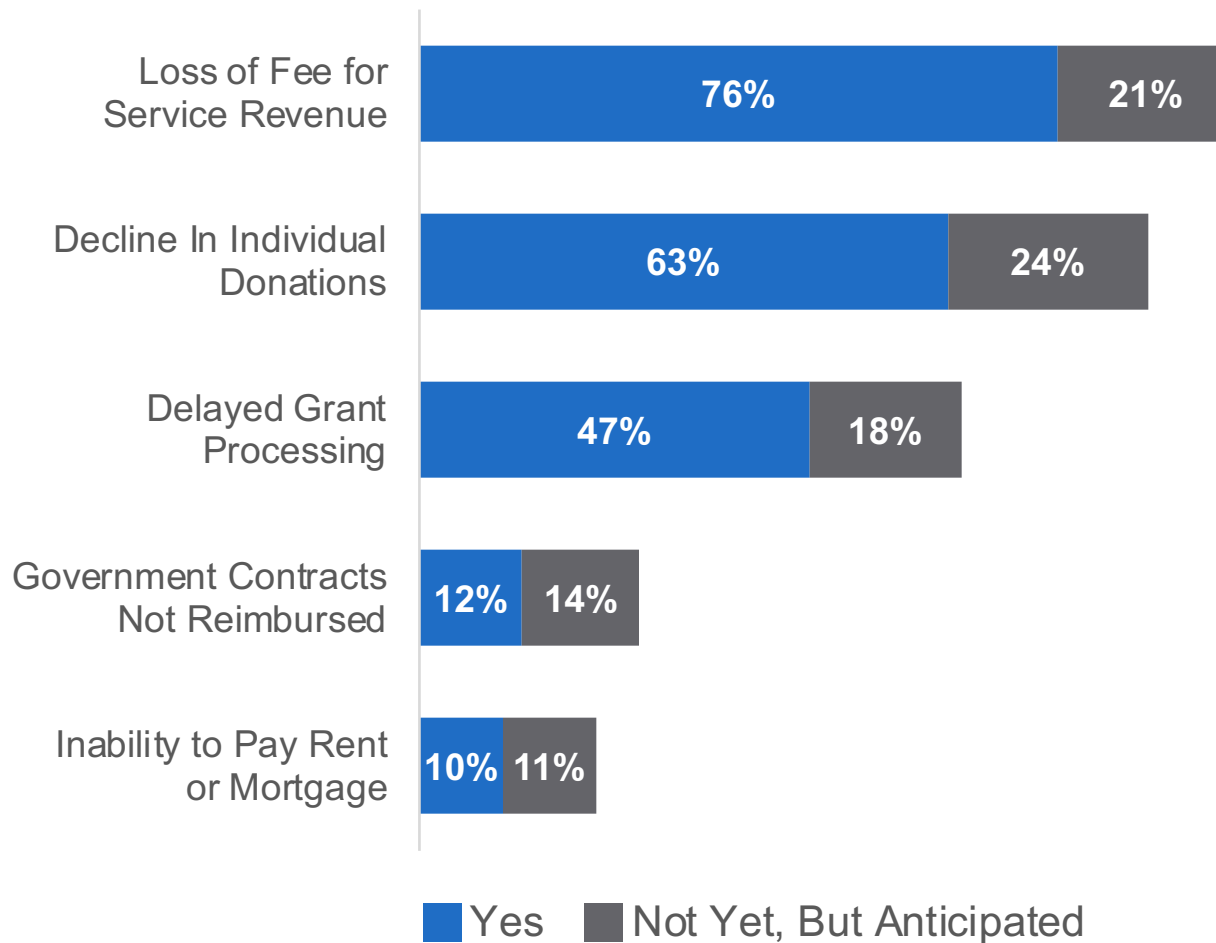
Typically, San Diego nonprofits generate 95% of all revenue through fee-for-service activities (e.g., museum tickets, health clinic fees, etc.) and contributions (e.g., individual donations and grants).

Sources of San Diego Nonprofit Revenue



Negative Financial Impacts

Q: Since March 1, 2020 have you experienced the following?



Loss of Fee-for-Service Revenue

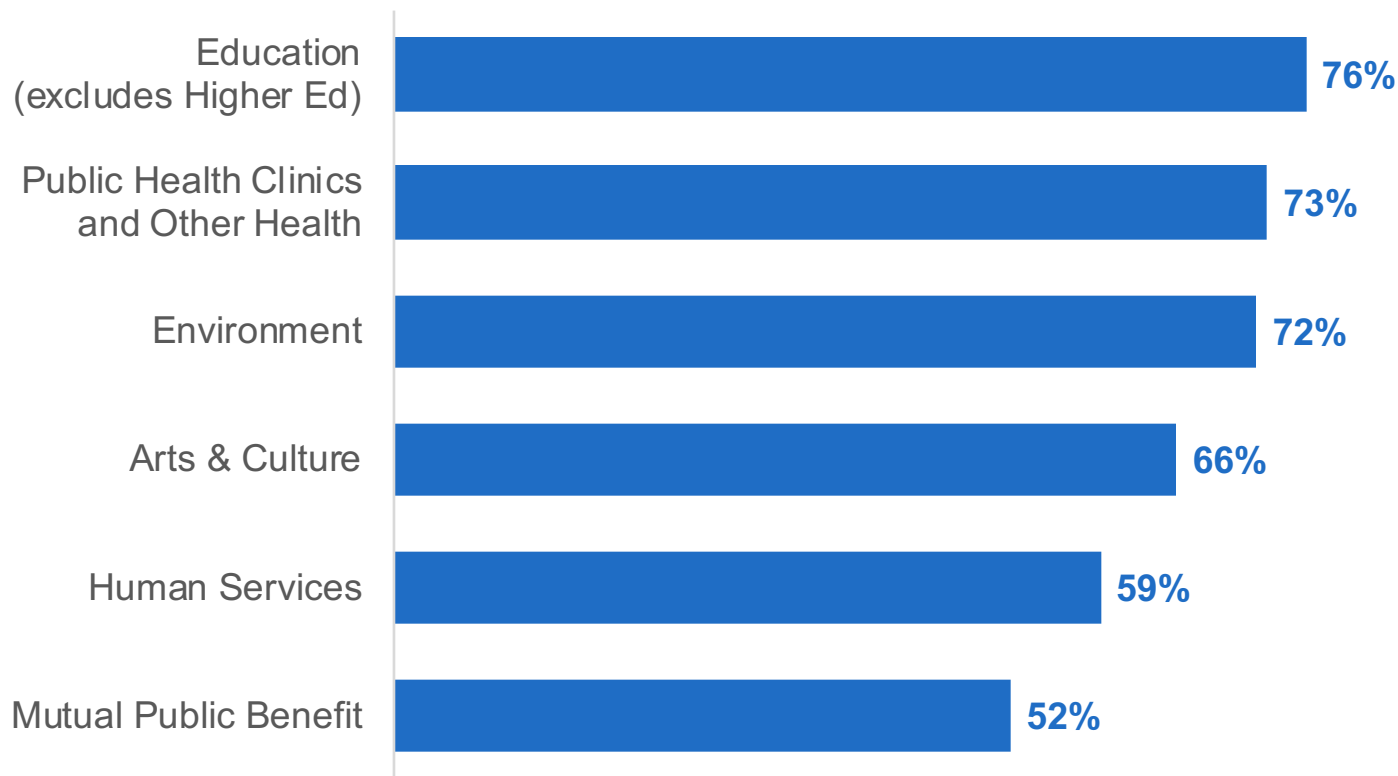
Q: Since March 1, 2020 have you experienced a Loss of Fee for Service Revenue?



Excludes subsectors with fewer than 15 respondents

Decline in Individual Donations

Q: Since March 1, 2020 have you experienced a Decline in Individual Donations?



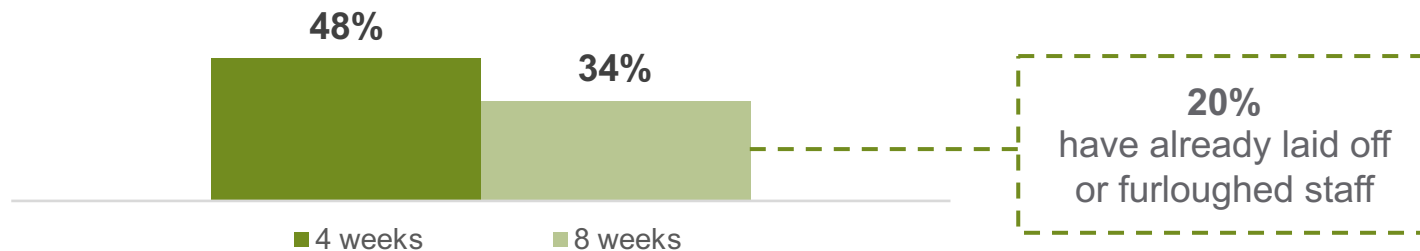
Excludes subsectors with fewer than 15 respondents

Access to Payroll Protection and Other Relief Funding

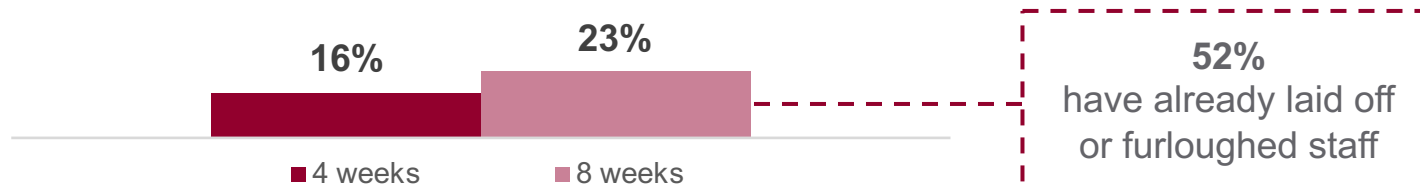
Likelihood to Fund Payroll

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



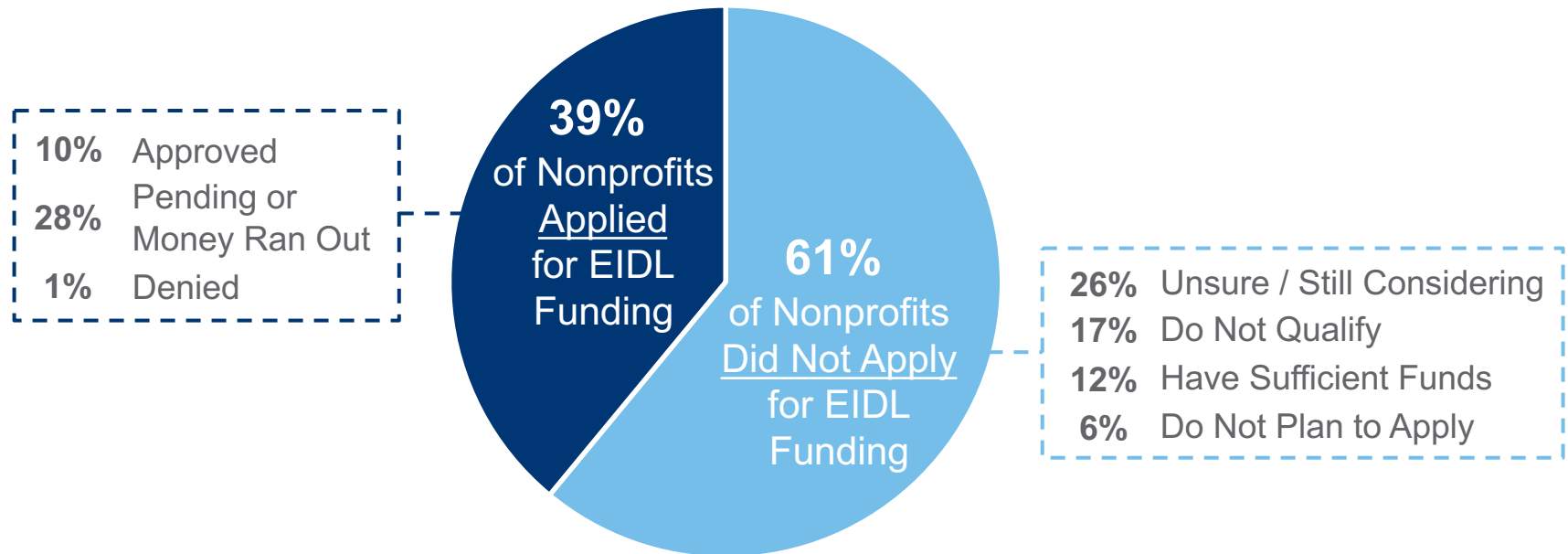
A: Percent of Respondents “Very Unlikely” able to Fully Fund Payroll in 4 and 8 weeks



CARES Act Funding: Economic Injury Disaster Loan (EIDL)



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

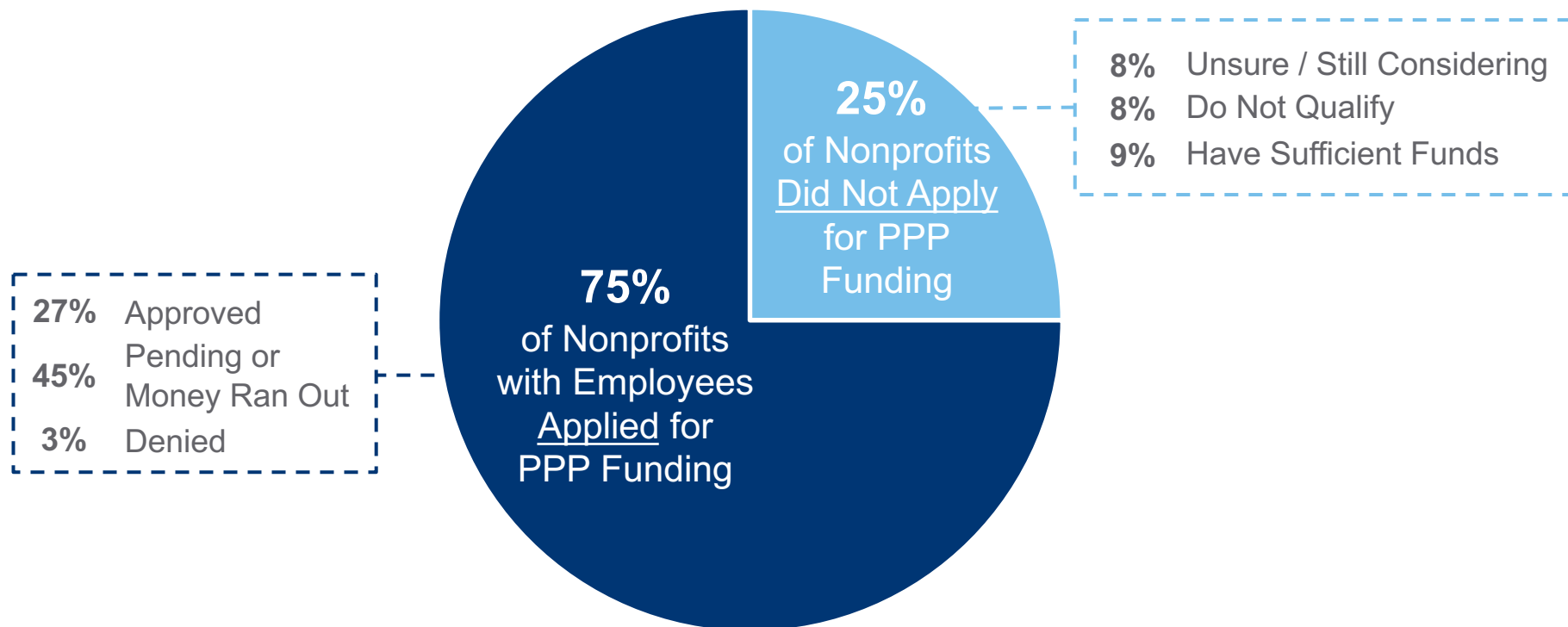


We do not want to saddle our organization with significant debt for 30 years!”

- Survey Respondent

CARES Act Funding: Paycheck Protection Program (PPP)

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.

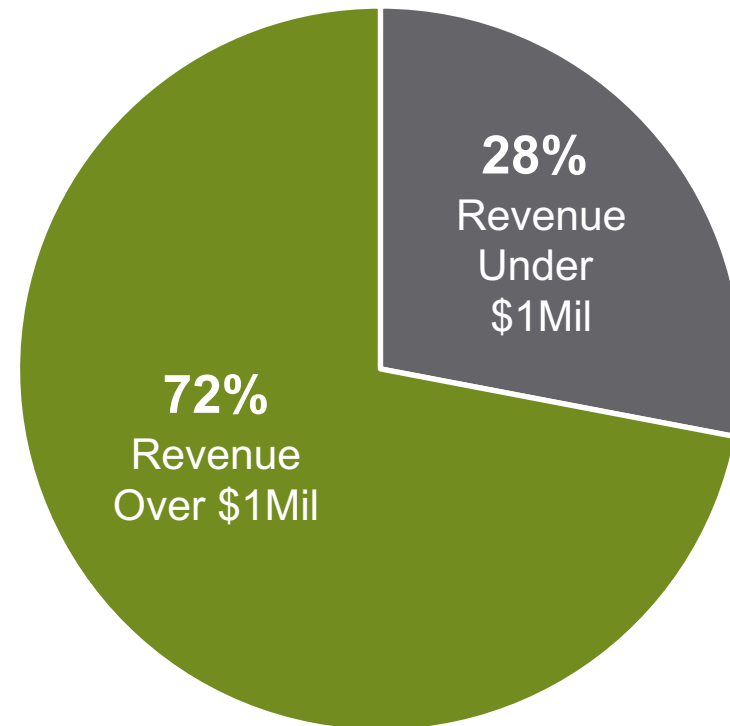
Then we successfully applied, only to get a message saying that they'd had too many applicants. Then we applied at a third place and heard nothing. My main focus now is figuring out how to access that money, if possible. That's the urgent challenge of the next four weeks.

- 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*



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***

Data Sources: 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.

California Association of Nonprofits & The Nonprofit Institute, The University of San Diego. (2019). Causes Count: The Economic Power of California's Nonprofit Sector.

Impact on Employment

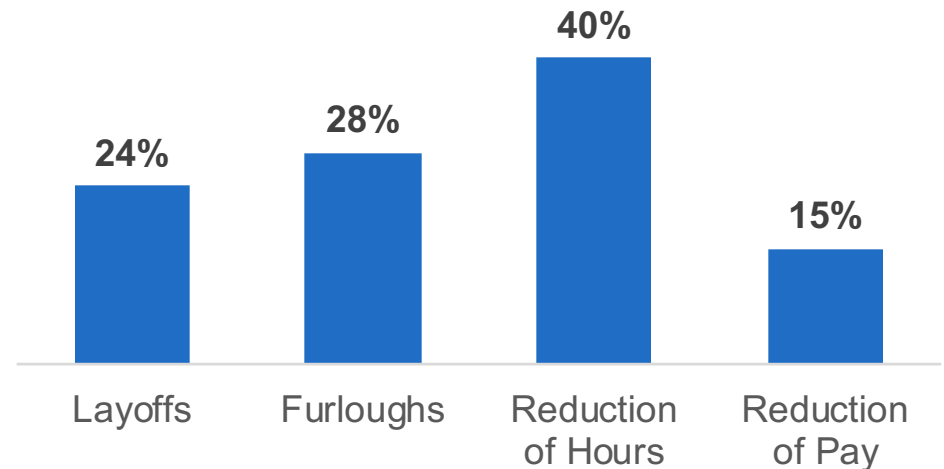
53%

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)

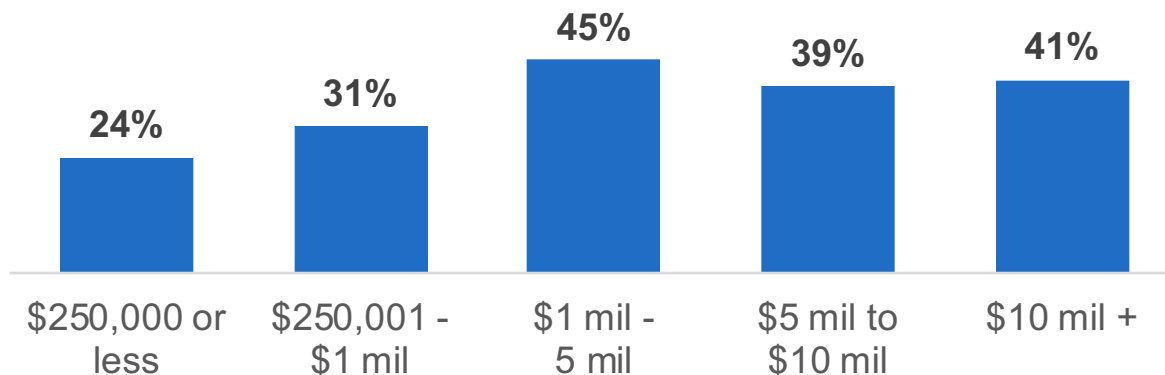
Q: Since March 1, 2020, has your organization experienced any of the following?



Impact on Employment by Budget Size

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)



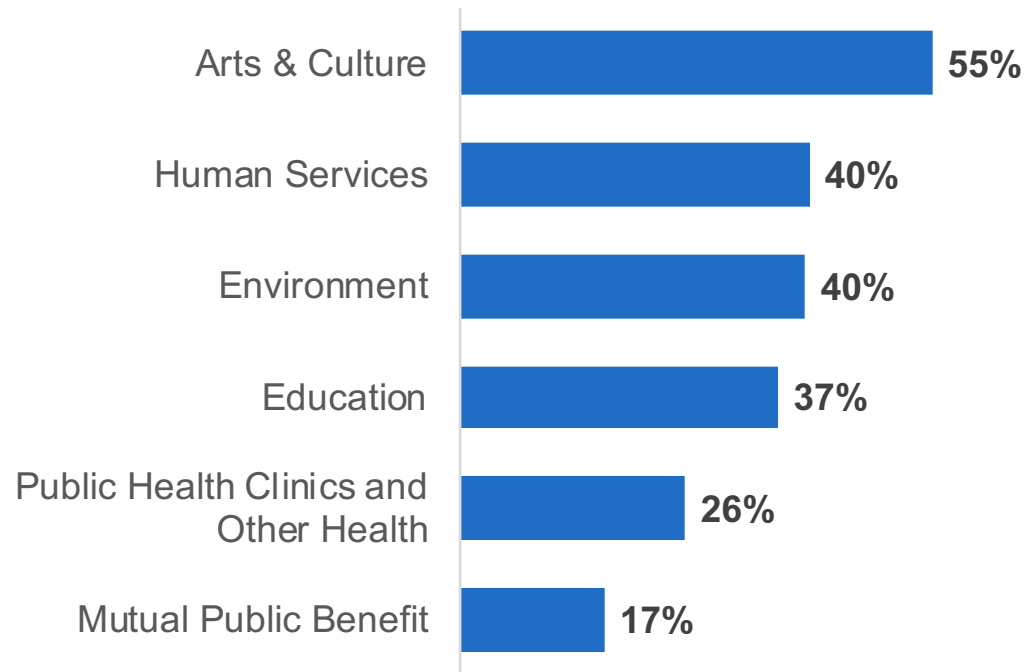
Nonprofits with larger budgets were more likely to have laid off or furloughed employees than nonprofits with budgets less than \$1 million

Impact on Employment by Nonprofit Type

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.

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



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

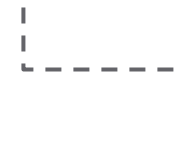


[Our concern is] contracts not changing their expectations and/or not paying existing agreements. Funders switching to COVID, but not general operating once the peak COVID issues are behind us.

- 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

SHIFTING PROGRAMS ONLINE / SOCIAL DISTANCE

“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 & Culture

“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

WORKING REMOTELY

“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

“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

COLLABORATING

“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

“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

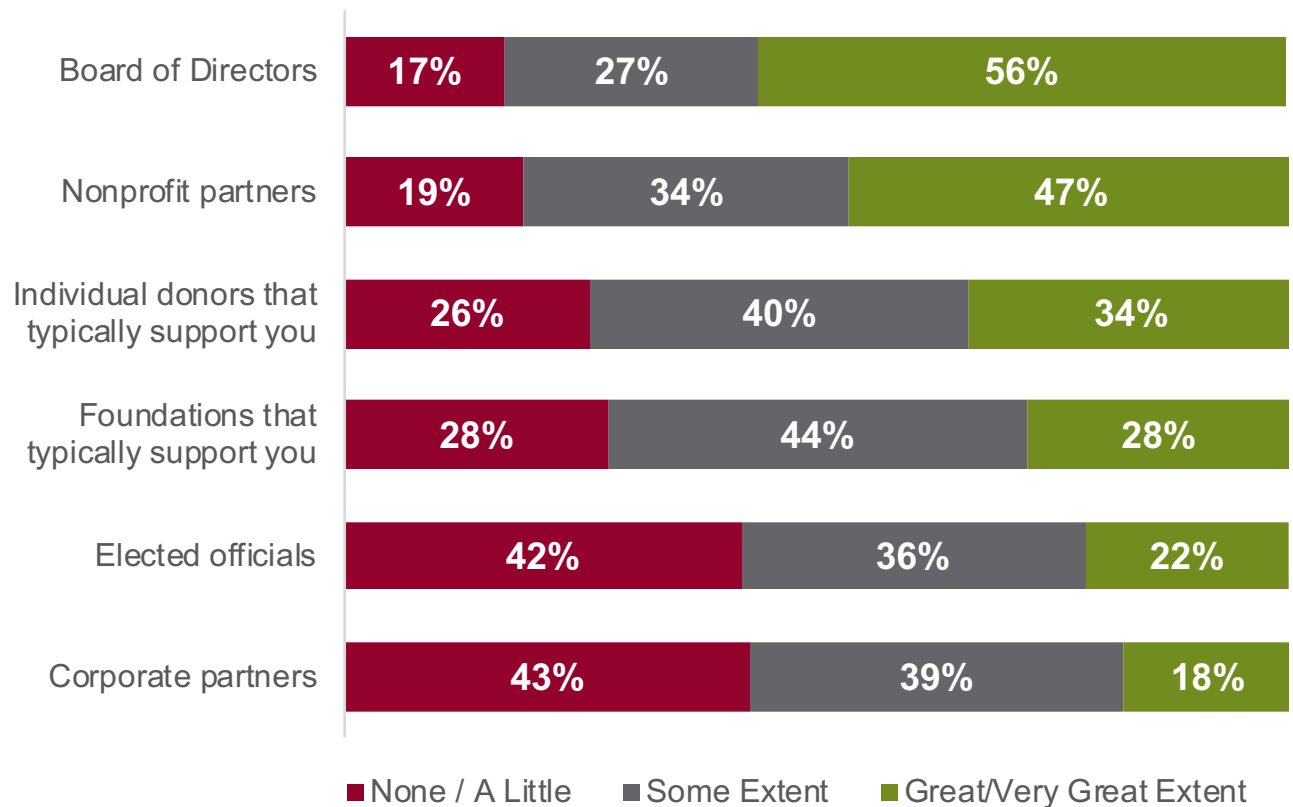
Level of Support to Nonprofits

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.

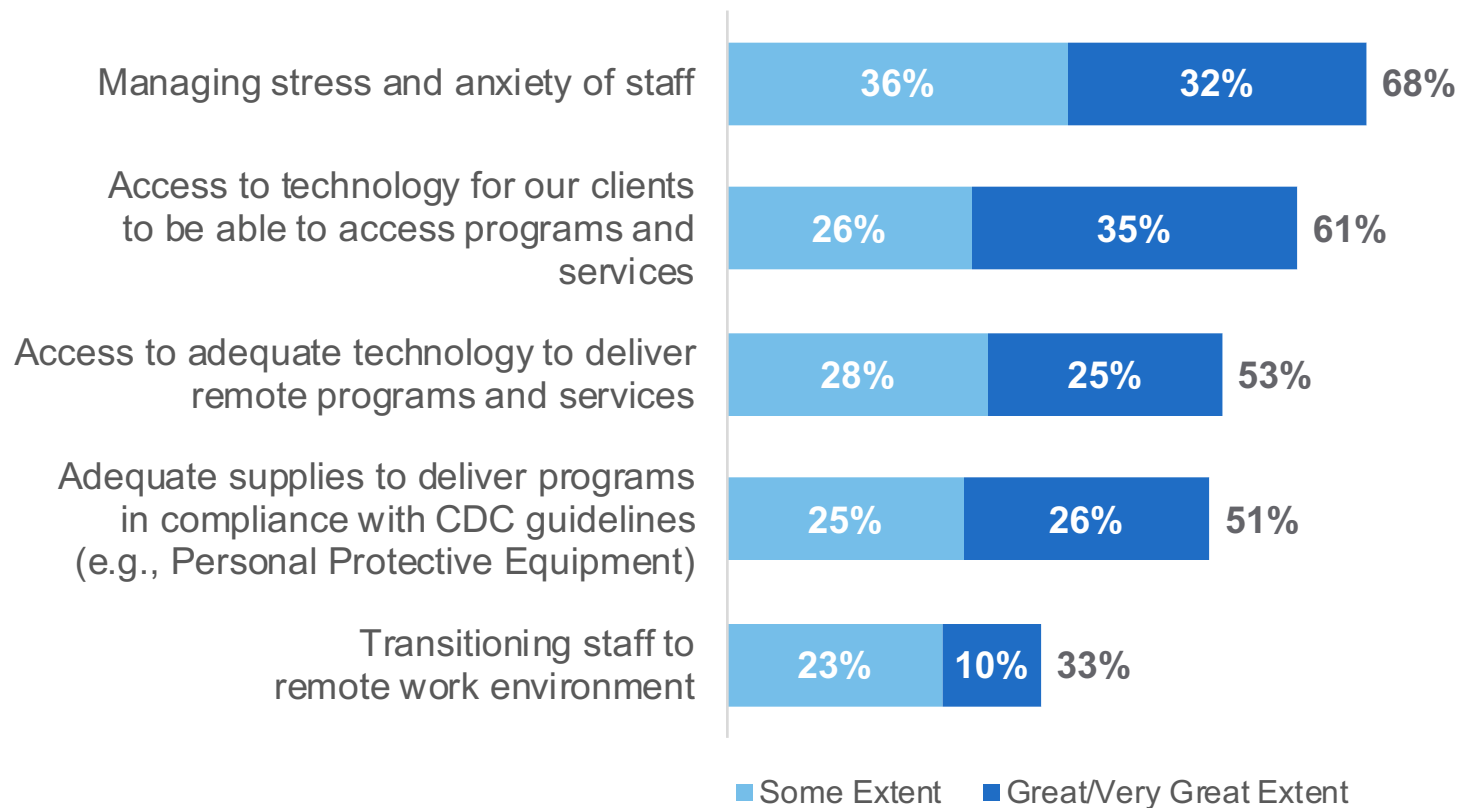
The data also indicate an opportunity exists for critical partners to be more engaged with their nonprofit partners.

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)?



Top Operational Needs

Q: To what extent does your organization need support in the following areas?



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.

Funder and Policy Recommendations

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 to following resources:

- Nonprofit Resource Exchange at Facebook:
<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>
- 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>
- 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>.
- City of San Diego Virtual Nonprofit Academy, June 10, 2020. Registration is open!
<https://spring2020virtualnonprofitacademy.eventbrite.com>