

Impact of COVID-19 on Mid-Sized Nonprofits

On June 15, 2020, Independent Sector released the following results of a survey on the impact of COVID-19 on mid-sized nonprofit organizations. The survey illustrates that the pandemic and the resulting economic shutdown has had significant effects on the services, operations, and the people working in the nonprofit sector.

In general, the survey provides clear evidence of a decline in revenue and individual giving that has forced nonprofits to limit needed services and layoff, furlough, or reduce pay and benefits for their employees. A total of 110 organizations responded to the survey. Of note, 62% of respondents were organizations identifying as “human services” organizations. The respondent organizations collectively represent over 152,000 employees and nearly \$9.1 billion in contributions and revenue, as calculated prior to COVID-19 and the economic shutdown.

Notably, 83% of organizations reported a decline in revenues, including a decline in earned revenue from events or other activities, and a reduction in individual giving and grants received. These events have hit both the organizations’ ability to fulfill their missions (71% reported a reduction in services or available operations), and their ability to retain employees (organizations reported a 47% decline in employment in April and a majority either laying off or furloughing employees between February and May of 2020).

Given the results and impact on this key sector of society and the economy, additional assistance is needed to help sector organizations continue to provide essential services to our communities and restore their operations and employment levels, through additional grant, loan, or payroll tax relief programs.

Congress can help reverse the trending loss of revenue and contributions to the nonprofit sector and the resulting loss of jobs by enacting legislation to provide an expanded above-the-line tax deduction for all individuals to give to charity, and expand loans programs for nonprofits with favorable terms, including the availability of loan forgiveness.

Key Survey Results

The survey asked respondents to provide details of the impact on their organizations in the areas of revenue, contributions, expenses, demand for services, and employment. Overall, the results paint a grim picture of damage to nonprofits caused by the crisis and the economic shutdown.

Employment

The pandemic and shutdown have inflicted a heavy toll on nonprofit employment, with respondents citing employment being cut nearly in half. The survey found that respondents collectively:

- Employed 152,704 full-time, part-time or temporary workers in 2019;
- Had 80,571 employees as of April 30, 2020; and
- Reported a 47% reduction in employment in April 2020, compared to April 2019, due to COVID-19 and the economic shutdown.

Revenue Impact

Due to the shutdown, revenue was lost from cancelled events and closed operations. Individual giving among respondents also took a hit. Overall, 83% of organizations experienced a reduction in revenue

and contributions as of April 2020, compared to April 2019.

- Of organizations that saw a decrease, the areas with the biggest decrease were:
 - Earned Revenue (83%)
 - Individual Giving (53%)
 - Philanthropic Grants (33%)
- When asked about observed changes the organization has seen or expects for May 2020, a majority responded they have already seen or expect continued additional declines in revenue.

Operational Impacts

Due to the shutdown, many organizations were forced to close their doors or scale back services due to fewer available staff. However, 23% of organizations that remained operational reported an increase in demand for services.

In response to the crisis, organizations reported taking the following actions (respondents could choose multiple options):

- 71% reported reduction in services/available operations
- 67% have furloughed employees (not working but still provide benefits)
- 55% have closed offices
- 51% have laid off employees
- 30% have reduced employee pay and benefits

Additional Assistance Needed for the Nonprofit Sector

As demonstrated by the survey results, the nonprofit sector continues to need assistance to return to full operations to meet their missions and bring needed workers back on the job.

When asked “What types of additional assistance would be most helpful to your organization?” (respondents could have chosen up to 3 options), organizations overwhelmingly suggested additional assistance in the form of forgivable loans.

- 92% suggested additional loan options such as forgivable loans
- 61% suggested additional payroll tax relief
- 48% suggested help with employee healthcare costs
- 45% suggested additional program grants

Learn more at independentsector.org/resource/covid19-survey.

About the Survey

Independent Sector partnered with Washington Council Ernst & Young to conduct this online survey of mid-sized nonprofit organizations between May 27 and June 9, 2020. The survey was sent to a broad group of mid-size nonprofit organizations (nonprofits with between 500 and 5000 employees) and responses were generated from 110 organizations, including human services, arts, youth development, workforce development, health, religion, and environmental organizations.