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The Data Show What We Know: The Nonprofit Helpers Need Help

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New data provide further evidence that the public served by nonprofits continues to be at risk. In the face of the ongoing public health and economic crises, too many nonprofits are still struggling to meet increased demands for services, confronting a combination of decreased revenue and expenses that are higher than pre-pandemic.

With Giving Tuesday kicking off the giving season next week, donors need to know it's important to increase contributions to charitable nonprofits this year – not to ease off.

The National COVID-19 Community Impact Survey administered by the Federal Reserve System, in partnership with the networks of the National Council of Nonprofits and seven other national nonprofit organizations, was designed to track the significant impact the pandemic has had on low- to moderate-income communities and the entities serving them. It was created to amplify the collective voices of people working on the frontlines in distressed communities. The results are alarming.

The survey asked about the impact of COVID on the communities served by the respondents, both at the peak of the crisis and at the time of the survey (August

2021). The survey also asked about the impact of COVID on the organizations themselves, including demand for their services, their ability to meet these increased needs, staffing, expenses, revenue, and other aspects of institutional stability.

We drilled down to analyze the responses of 2,237 charitable nonprofits (501(c)(3) organizations) providing direct services to low- to moderate-income communities, more than half of which primarily serve communities of color.

The data are stark, and consistent with what state associations of nonprofits across the country have documented through their own statewide surveys since COVID first erupted.

Among the notable findings (forthcoming publication):

- More than 75 percent of nonprofits responding to the August 2021 survey indicated that **demand for their services had increased** compared with pre-pandemic levels.
- Almost half (45 percent) noted a **decrease in their ability to meet those needs**.
- **Expenses had increased** for nearly three-quarters of the responding organizations.
- **Staffing levels were down** for more than 40 percent of these nonprofits.
- **Individual donations and corporate donations were each down** for nearly half of the nonprofits – and *significantly* down for nearly a quarter.
- **Foundation contributions were down** for 32 percent of respondents, but did go up for 40 percent.
- A bright spot: **government funds increased** for nearly 60 percent of the nonprofits.

The results from this Federal Reserve survey are consistent with other recent reports. Nonprofit Trends and Impacts 2021 from the Urban Institute found that 66 percent of nonprofits had accessed Paycheck Protection Program (PPP) loans to weather the pandemic-caused financial crisis. It also found that forty percent of organizations reported losses in total revenue for 2020.

Separately, the 2021 Giving USA report found that, if MacKenzie Scott's contributions are removed from the data, individual giving would have decreased by nearly 0.8 percent in 2020 compared with 2019.

We'll pause in this review of consistent survey results to address an outlier report from the Fundraising Effectiveness Project (FEP), suggesting that both donations and donors rose in 2020. We were as confused as many others by those odd findings, so we spoke with Ben Miller, Chief Analytic Officer of DonorTrends and Vice Chair of the FEP, to seek clarity. Ben explained, "An important nuance to the Fundraising Effectiveness Project's reports is that we are measuring the *average* increase in donors and dollars. For 2020, this could be misleading because, while in total there were more donors and dollars as compared to 2019, ***the majority of organizations actually saw decreases in both*** [emphasis added]. While donations increased by 10.6 percent on average, the *median* result was actually a 6.6 percent decrease in donations. Donors increased by 7.3 percent on average, but the median was down by 7.6 percent. This means that the majority of nonprofits saw declines in both donations and donors in 2020, even though more people donated more money."

Returning to the Urban Institute report, the data showed small nonprofits were under particular stress. "Forty-two percent of organizations with budgets under $500,000 experienced decreased donations in 2020, compared with 29 percent of organizations with budgets of $500,000 or more." Nonprofits that said donations were essential to their revenue stream were also more likely to experience decreased donations in 2020.

While declines in individual and corporate giving, fees for service, and fundraising revenue from events were somewhat offset by approximately $12 billion more in foundation giving in 2020, the lion's share of stabilizing funds came from government programs. The largest of these by far was forgivable loans under the Paycheck Protection Program. The Federal Reserve survey shows that at least through August 2021, the revenue declines persisted – but now, with PPP loans no longer available to keep nonprofits afloat, there is growing concern.

Our analysis of government PPP data finds that 501(c)(3) charitable nonprofits received approximately ***$50 billion*** in forgivable PPP loans between March 2020 and the time the program ended in May 2021. The PPP data show that the program helped support 6.2 million nonprofit jobs. That's between 40 and 50 percent of all the nonprofit jobs that existed pre-pandemic. This influx of support – nearly four times the increase in foundation giving – kept many of the more than 200,000 nonprofits that received PPP loans operating, and likely explains why the predicted widespread nonprofit closures have so far not been seen.

According to the Federal Reserve survey data, the impact of the pandemic and economic crises on current financial health has been negative for more than half of these critical community-based organizations. The survey asked, “Given your existing resources, how many months can the entity you represent operate in the current environment before exhibiting financial distress (reducing services, laying off staff, closing locations, or shutting down entirely)?” For more than 30 percent of nonprofits, the answer was: less than six months. Only 21.7 percent said they could last more than a year in the current environment without exhibiting financial distress.

The crises have had a disproportionate negative impact on historically underserved communities and communities of color. To foster an inclusive recovery, it is important to fully understand the conditions and needs of the organizations serving the most severely impacted communities. Without them, we risk a very uneven recovery. This new data on nonprofits serving low- to moderate-income communities, more than half of which are communities of color, is sobering.

The collective advocacy of thousands of nonprofits over the last year made an immense difference in ensuring there were resources to keep nonprofits running, most of their employees on the payroll, and to continue (and increase) services for the people in their communities. But we know that the crisis is not yet at its end. We are seeing a deepening nonprofit workforce crisis as organizations face more competition from for-profit businesses that are raising salaries to attract employees during the “Great Resignation.” Many nonprofit workers – who are experiencing burnout from going beyond the extra mile these past two years – are reconsidering their career options. Further advocacy will be needed to ensure that essential relief measures – such as employee retention credits and funds from the American Rescue Plan Act – are allocated and improved to support the work of charitable nonprofits in our communities.

The Federal Reserve held a webinar on this research on December 2, 2021: “Impact of COVID-19 on Organizations Serving Low- to Moderate-Income Communities.” The webinar featured David Thompson, Vice President of Public Policy for the National Council of Nonprofits, Sabeen Perwaiz of the Florida Nonprofit Alliance, and other speakers. View the webinar recording