



MONTANA NONPROFIT ASSOCIATION

# Montana Nonprofit COVID Update

SEPTEMBER 2020

## Introduction

Montana's nonprofit sector is diverse, contributing to Montanans' quality of life in a wide range of areas, including healthcare, early childhood and afterschool programs, college access, senior housing, arts and culture, violence prevention, food, housing, outdoor recreations and more. Montana's nonprofit community employs nearly 52,000, or 11.2%, of the state's workforce, pays more than \$2.2 billion in total wages each year, and generates approximately \$8.9 billion in income each year, which is returned to communities through mission-driven work.

Since the advent of COVID-19, Montana Nonprofit Association has worked alongside our partners in the nonprofit, private, and public sector to ensure that Montana communities navigate the pandemic with resources, information and support. We are asked regularly by funders and policy makers to share how nonprofits are doing and what issues they are facing. This update is based on interviews with 30 nonprofit leaders and a recent statewide survey.

## How are nonprofits doing?

**According to an August 2020 survey of more than 100 nonprofits:**

- Since March 2020, **one in four** Montana nonprofits have experienced significant new expenses as a result of COVID-19 and **one in two** report significant reductions in revenue
- 42 percent of Montana nonprofits report having less ability to serve their community due to COVID-19, and yet **over 30 percent** are experiencing increased demand for their services
- An alarming 40 percent of Montana nonprofits report they are able to **operate in the current environment for six months or less** before exhibiting financial distress
- Uncertainty about the future means that 56 percent reported they either plan to or are unsure about having to **cut programming and/or staffing in the next six months**

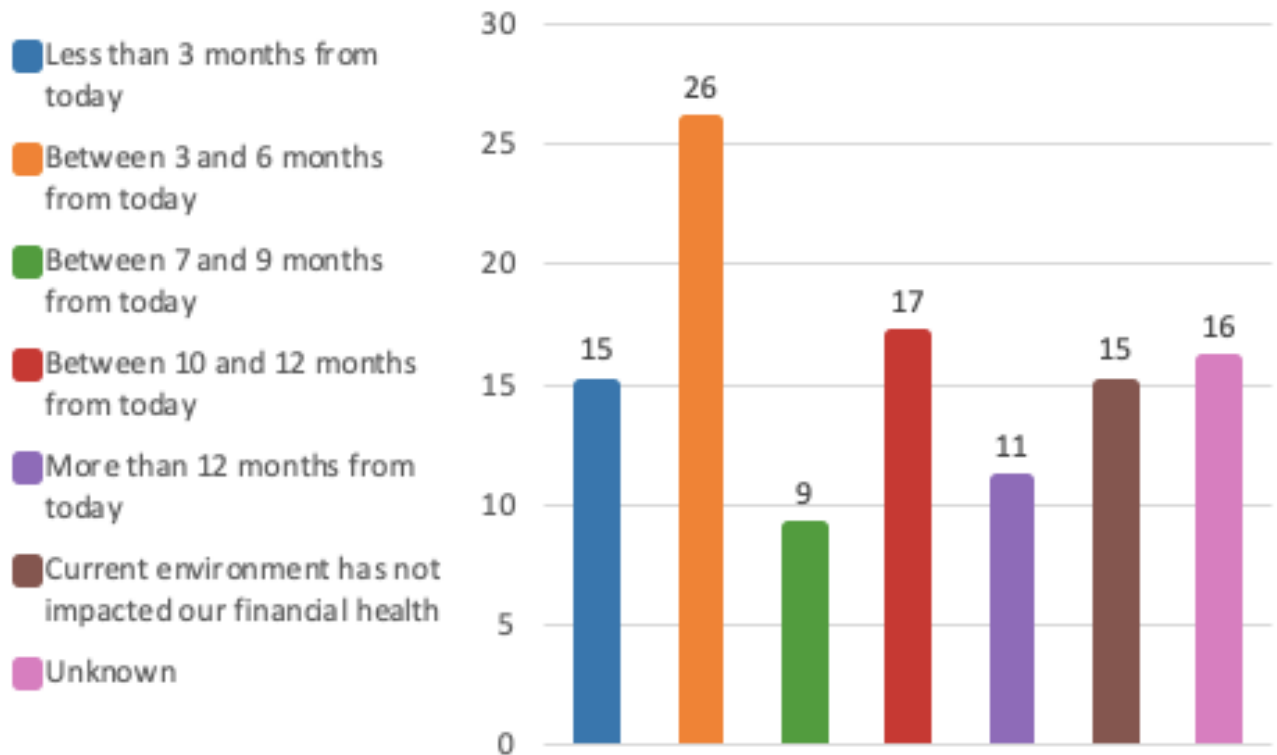
## Adaptation & Learning

- **Nonprofits are showing true grit, providing services during the pandemic** by turning to online and virtual settings to ensure that Montanans still have access to legal, parenting, workforce and health care services, counseling, training, and more. Where essential services require in-person contact – such as shelters, food and childcare – nonprofits are going to great lengths to ensure the safety of their staff and clients, absorbing increased costs.
- **Nonprofits are creating innovative partnerships to help meet local needs:** Boys and Girls Clubs are partnering with local schools to help provide food to families; early childhood practitioners are collaborating locally to ensure parents have safe places for their children and at the state level to address funding and policy gaps.

## Financial & Economic Challenges

- **Nonprofits are struggling financially.** While programs such as the federal Paycheck Protection Program (PPP), enhanced unemployment benefits, and CARES Act grants through the State of Montana provided real stopgap relief for nonprofits and their employees, nonprofit fundraising has been disrupted and major events cancelled. Earned revenues are down or discontinued.
- **Working in new ways is placing new demands on organizational viability:** Many nonprofits are only able to serve half their regular clientele, with the same or increased staffing, and with increased expenses related to compliance with safety guidelines. While short-term assistance has helped ease some of the impact, leaders are concerned about longer term viability with ongoing increased costs and ongoing reduced revenue, due to diminished capacity.
- **Communities and nonprofits are bracing for a financial cliff in 2021.** When nonprofit leaders look down the road, they see that PPP loan funds are running out now, eviction moratoriums will end, CARES Act funding will be spent by December, and state revenues will be greatly impacted by the economic crisis. Nonprofits – particularly housing and food access – are bracing for unprecedented demand for services over the longer haul, just as winter is here. “There are more unhoused homeless than I’ve ever seen,” commented one homeless shelter leader, noting that reduced shelter capacity and lost income are main drivers of the demand.

## How many months can you operate in the current environment before exhibiting financial distress?

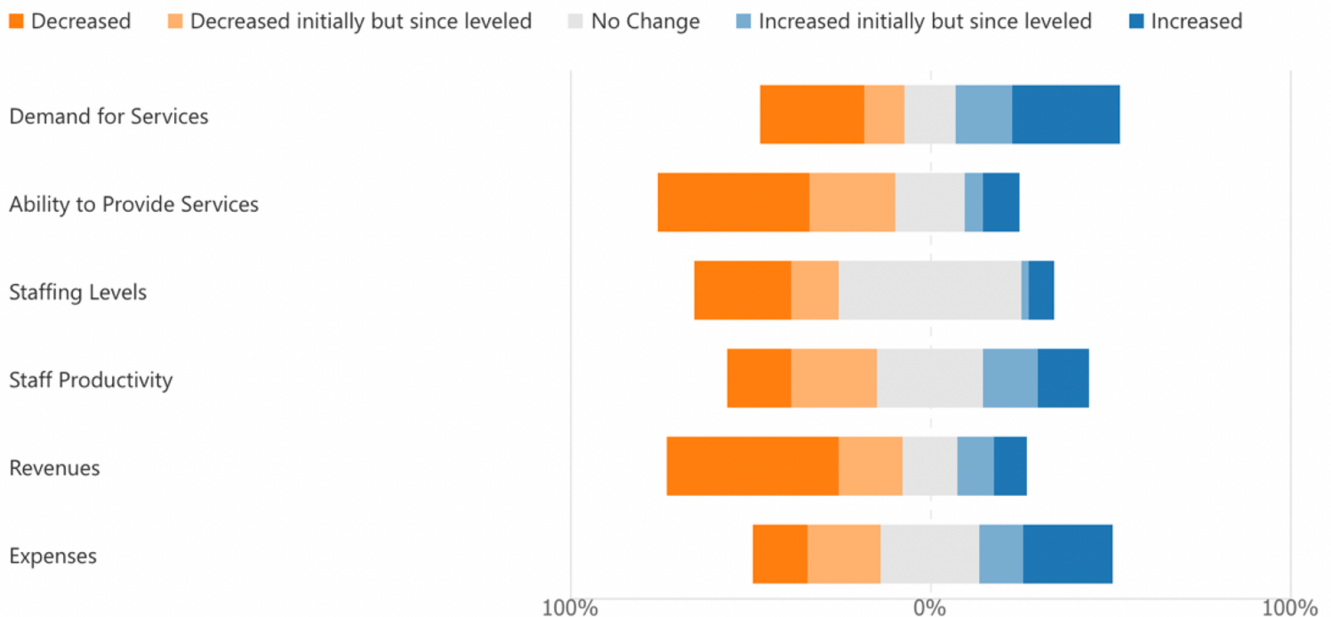


- **Working safely during COVID costs more.** Examples of additional costs include:
  - Personal Protective Equipment (PPE),
  - replacing volunteers and clinical interns with paid staff,
  - serving fewer people due to social distancing requirements,
  - improving technology to support working from home and/or virtual service provision,
  - extra cleaning, and
  - increased supervision costs for youth programming.
- **Uncertainty is a challenge.** Not knowing what the future holds is making planning, budgeting, and fundraising difficult. With the pandemic showing little sign of abating, concerns about schools and universities reopening and impacting families and workers, it is difficult to predict staffing needs and service levels. As one conservation leader said, “We’re living in constant fear of what the future will bring.”

## Leadership Challenges

- **Responding to this crisis is taking its toll on nonprofit staff and board members.** The nonprofit sector is filled with people who care deeply and work daily to improve people’s lives. Navigating the constancy of risks and uncertainties is taking its toll, and many leaders reported concern for staff and board fatigue. As a director of youth services shared, “I’ve never had to make so many decisions so quickly with so little information.”
- **Nonprofits are trying to manage risk while continuing essential services.** Nonprofits are establishing new protocols, redesigning spaces, and training staff to take new precautions and enforce new rules. Many pivoted overnight to remote work and are only gradually reintegrating in-person staff time. While technology and adaptability grants have helped, many of these expenses remain unreimbursed.
- **Nonprofits could lose valuable talent.** Many nonprofits have professional staff with specialized training. If they are forced to lay off experienced, skilled staff, rebuilding later will be more difficult. One conservation organization reported having to lay off their entire senior staff – fund development, communications and executive assistant – in order to weather the dramatic cuts to their programming due to COVID.

### Since March, in what ways has COVID-19 impacted your organization?



# Advocacy

- **State government efforts have made a big impact, and more needs to be done.**
  - Nonprofit leaders almost unanimously commended the state for its streamlined process for accessing CARES Act funds. Other helpful efforts mentioned include:
    - weekly or bi-weekly calls with key state staff
    - relaxed and/or expanded Medicaid eligibility for key services, such as telehealth
  - Ways in which state policy makers can continue their partnership include:
    - more communication about the constraints and opportunities of federal and state regulations
    - ongoing guidance on navigating social distancing for specific subsectors
    - continue to look for avenues for Medicaid to address ongoing gaps, especially in housing and shelters
    - provide increased access to testing, especially for organizations that provide shelter, such as victims of domestic violence and youth homes
    - in addition, while the initial \$10,000 social service grant was appreciated, many nonprofits expressed it was dwarfed by the revenue lost – in some cases totaling millions of dollars
  - Nonprofit organizations shared a real concern that the 2021 Legislative Session focus on maintaining or even increasing funding and policy support for the nonprofit sector, and worry about cuts to core programming. As one nonprofit leader said, “This is the worst time to be talking about cuts.”
- **What we want philanthropic leaders to know**
  - During 2020, nonprofit organizations are **reeling from lost revenue** due to cancelled events and cancelled programs, as well as donors who are suffering or nervous during the economic slowdown. And yet the need is still there, and in many cases the need is growing.
  - Montana nonprofit organizations are extraordinarily grateful for the **flexibility** and **generosity** exhibited by many local and regional private and corporate foundations.
    - Examples of **flexibility** include shifting program dollars to general operating expenses, streamlined application processes, relaxed reporting deadlines and making new funds available for COVID-related expenses.
    - Examples of **generosity** include several instances of local community foundations and local businesses and corporations providing unsolicited, unrestricted donations and grants to local nonprofit organizations.

## “Keep doing what you’re doing!” – Housing Advocate, Missoula

- Moving forward, Montana nonprofit organizations expressed concern that they have not heard much from philanthropic leaders about what to expect in 2021.
  - Common questions they have include: Will there still be similar levels of flexibility? Will grant programs continue at the same or even increased levels of giving? How will foundations assess organizations that have “underperformed” on their outcomes, due to COVID, and yet have the same or even greater expenses related to delivering services and programs?
  - We hope philanthropists will shift to, ‘We’re investing in successful organizations’ rather than focusing on successful programs. “Our programs won’t be here if our organizations aren’t solvent, and that means general operating dollars.” – Youth-serving organization, Bozeman
  - “We’re not out of the woods on this yet; as federal funding in 2021 is unknown, and needs for families increase, our partnerships with philanthropy are more important than ever.” – Legal services organization, Statewide
- From a public policy perspective, continued advocacy for the **charitable deduction** remains a top priority for nonprofit organizations that rely heavily on individual donors.

## Montana Nonprofit Association’s COVID-19 Response

Since March of this year, MNA has been working diligently alongside our partners in the nonprofit, private, and public sector to ensure that Montana communities navigate the pandemic with resources, information and support. We have:

- Led more than 30 Townhall webinars on topics related to navigating changes due to COVID-19, with total audience over 2,700 attendees,
- Moved MNA’s Fall Conference to an online format, with an expected audience around 1,200 individuals,
- Provided just-in-time and prioritized information and resources via more than 50 COVID-19 emails and multiple dedicated pages on our website,
- Developed multiple tools and resources to assist nonprofit leaders in navigating the programmatic and financial hurdles posed by the pandemic,
- Convened a group of 13 sub-sector leaders from across the state to act as a temporary advisory group, meeting and reporting weekly on topics that helped shape advocacy and policy work, including work on the Governor’s Coronavirus Relief Fund Taskforce,
- Provided more than two dozen individual consultations to nonprofits to aid in navigating employment, relief funding, and programming issues.

Thank you to Halliday & Associates for developing this report in collaboration with MNA.