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Do or Die: Nonprofits adjust to the new normal posed by Covid-19

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Covid-19 has smashed traditional fundraising models for many nonprofit organizations.

Operators large and small have been forced to radically alter how they work at a time when their services have never been in greater demand. Their ability to raise money and allocate it is being severely tested. And while record donations have flooded into some organizations, others hover on the brink of extinction.

The bad news is that the full financial impact of the pandemic might not have arrived.

“I think it is going to get worse,” said Sam Cobbs, CEO of Tipping Point Community, a nonprofit that allocates grants and training to help local organizations deliver services to vulnerable populations.

Nearly 80% of nonprofit organizations expect their fundraising returns to decline in 2020 because of Covid-19 according to research from the CCS fundraising consulting firm. Of 1,183 surveyed organizations, 63% have reported donations already falling.

The pandemic posed immediate health, logistic and human resource challenges to nonprofit groups. Retail operations were shuttered and fundraising events were



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Sam Cobbs, CEO of Tipping Point Community

canceled.

It's true that public and private support to some groups has surged and a number of organizations have been able to access governmental relief such as the Paycheck Protection Program. But the fear is that once this initial swell of support dries up, many nonprofits won't be able to sustain operations.

"It is what the next year is going to look like that we are worried about for nonprofits and their fundraising ability and whether they are going to be able to stay afloat," Cobbs said.

Prepping for the worst

Most nonprofits operate a July to June financial year. Despite so much support at the onset of the pandemic, budget shortfalls will start to bite as thoughts turn to recovery.

But Cobbs thinks that some contraction in the local nonprofit sector may not be wholly negative.

"It may be controversial to some, but I actually think we have way too many nonprofits in the Bay Area," he said. "Some contracting, some merging, will actually help solve some of the resource issues that we see in the nonprofit sector."

Tipping Point acts as an accelerator for nonprofit groups in the Bay Area. It provides funding, training and networking support and has administered \$260 million in funding since its founding in 2005. It has weathered previous storms, notably the Great Recession of 2008, but nothing really compares to the all-encompassing challenge of Covid-19.

Until recently live events were a key part of its operations. It is now planning fully virtual events or popup-style small gatherings to provide flexibility to pivot as policy guidance changes.

Organizations will likely have to make cuts, but these should be handled carefully, Cobbs said. Services and programs overlap. Cutting one may incur costs or losses elsewhere in an organization.

Nonprofits will increasingly need to think outside the box, coming up with new solutions to age-old problems as the nonprofit sector recovers from the coronavirus. At times of crisis, innovation can flourish.

“If you know anything about math, it is impossible to do more with less (but) you can do different with less,” Cobbs said.

One example has been the Canal Alliance, an organization and Tipping Point grantee that helps Latino immigrants access legal, education and career services in Marin County.

Before Covid-19 most of their services were delivered in person. After the pandemic this was no longer possible. The challenge was huge but, in many ways, they were ready.

The organization was able to transition easily to virtual service provisions and work-from-home arrangements because of measures Canal Alliance CEO Omar Carrera helped implement following the 2008 financial crisis.

“We were very close to disappearing,” he said. “We were using our credit line to pay salaries. We implemented furlough days, and we started seeing a lot of talent leave the organization. They could see it was going downhill. It was very scary.”

As Canal Alliance fought to stay alive, its ability and focus on providing services grew weaker.

“The entire focus of the organization was how to save ourselves,” Carrera said. “And we forgot about the communities.”

In the aftermath of the recession, Carrera set about restructuring the organization. Workflows were streamlined, data sharing and storage was made more efficient and – when finances picked up – investments were made in IT and salaries increased to retain talent. When the coronavirus came, Canal Alliance had cash reserves and a well-honed disaster response strategy.

Following the March shutdown, Canal Alliance launched a relief fund with the goal of raising \$90,000 for Covid-19 related financial assistance. To date it has raised over \$2.5 million of which \$1.4 million has been distributed to people facing reduced work hours or unemployment.

The biggest challenge has been distributing that money quickly. To speed this process Canal Alliance has partnered with other organizations including the Mission Asset Fund that have infrastructure to make direct deposits. Carrera has also negotiated with previous funders to remove constraints on previous grants that had been earmarked for particular programs to be used without constraint, if required, in the pandemic response.

Demonstrating activity and results on the ground has helped in discussions with funders.

“The first commitment that we have to our community is that we will never close the doors, especially in times of crisis,” Carrera said. This action, together with Canal Alliance’s history, has helped attract funding. Now more than ever, donors want to see that their money makes an immediate impact.

Just as the virus itself has been most deadly for those with pre-existing health conditions, nonprofits that were already struggling economically are among those most in danger of folding.

“I believe that if an organization had trouble before Covid-19 they are going to continue having trouble during the crisis,” Carrera said.

Weathering the storm

Being able to fulfill key services has been at the heart of Jewish Vocational Service’s (JVS) Covid response. JVS offers training and advice to help people find employment and is another Tipping Point grantee.

Their programs were fully booked before the pandemic hit and the immediate challenge after the lockdown became how to honor those commitments.

JVS CEO Lisa Countryman-Quiroz had only assumed her position in January 2020, but as the shutdown took hold she knew that the organization would have to shift its services fully online.

“We took very specific action to be able to respond to the need,” she said.

JVS intensified social media activity, created 25 new workshops and trainings, and organized rapid hiring events with partners such as USPS who had a surge in job

vacancies. The interest in these services was so intense that their website crashed a couple of times before bandwidth was expanded. Additionally, with their annual fundraiser postponed, Countryman-Quiroz said JVS is exploring ways to make virtual events a potential source of revenue.

Listening to clients' needs was another key element of JVS' strategy. In March and May JVS launched surveys to identify the needs and pressures facing its clients. The results were stark: 46% had lost a job or been furloughed, 60% feared they couldn't pay rent and 82% said they were living paycheck to paycheck. This data helped JVS refine its strategy and focus on programs that would have immediate impact. The nonprofit has worked with partners such as USPS to streamline hiring processes and help people find employment.

Hirsch & Associates LLC is a philanthropic advisory group that helps donors and nonprofits work together. They are urging clients to be mindful of the unprecedented challenges facing the nonprofit sector.

Organizations would normally produce detailed spending plans and reports when receiving grants and big donations. The reality is different now, said CEO Susan Mayer Hirsch.

Hirsch & Associates is advising clients to listen to nonprofit leaders and think outside the box of established philanthropic patterns. "This is a moment that requires jumping in again with that trust in the relationship and also the belief that it's going to take some of that kind of investment to move things along," Hirsch said.

Hirsch & Associates has suggested donors consider offering multi-year grants and making donations as flexible as possible, not tying them to a specific program or policy. This would allow organizations to plan with some degree of confidence about the immediate future and enable "better outcomes for the populations they're trying to serve," Hirsch said.

With the nonprofit sector fighting desperately to help people navigate the ravages of Covid-19, the advice for anyone considering a donation is to make it sooner rather than later.

“What we recommended to people was if they were thinking about making a gift or grant between now and the end of the year, make it,” Hirsch said.