



# Nonprofit Organizations & COVID-19 in Lower Northwest Michigan

April 3, 2020

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## Introduction

There are about 2,000 nonprofits in the ten-county region who employ over 10% of our workforce. These organizations provide vital services that make up our social safety net, maintain many of our region's art, cultural, environmental and recreational assets, and create solutions to challenges that face our communities. COVID-19 and mitigation efforts have drastically changed life as we know it for individuals, families, and workplaces *in a matter of weeks*. Nonprofits are facing unique challenges while stepping up to help our community cope.

While there is much uncertainty about how long mitigation efforts will last, there is no question that many of our nonprofits are already stretched to the limit, and it is apparent across all sectors. Those on the front lines serving our most vulnerable community members are facing sharp increases in demand and huge new constraints with a shortage of volunteers and staff and new social distancing requirements. Those working in the arts, recreation and environment are struggling to maintain employees and adapt programming despite losses in revenue.

Our region is lucky to have been largely sheltered from most disasters. There is much that can be learned from areas of the country that have experienced large-scale community threats like hurricanes, floods and earthquakes. They remind us that there are three stages of disaster relief: Mitigation & Emergency Response, Recovery, and Resiliency & Future Risk-Reduction. Community support for nonprofits is needed during all three stages.

## How We Are Learning

To learn what is needed and respond quickly, Rotary Charities staff pivoted to connect with local organizations through:

- A three-question survey (97 responses)
  - How Can we Support you?
    - NWMI COVID-19 Nonprofit Check-In
      - What are the biggest challenges your organization is facing right now?
      - What challenges are you predicting for your organization over the next few months?
      - How might regional foundations support your organization or our region during this time?
- Personal contact with current grantee partners to offer support and learn about their challenges, and participation in virtual convenings of regional changemakers
- Participation in local, state and national calls and webinars and conversations to learn from and collaborate with other foundations and capacity building programs

### Nonprofit Needs Overview

- The financial sustainability of nonprofits is at risk
- As demand for relief services increases, organizations need volunteers and the equipment to keep them safe
- Nonprofits are working creatively in the virtual space to maintain momentum toward their missions
- Some organizations need resources to transition to a remote work environment
- Donations to local nonprofits of all types are needed now more than ever
- Contributions to the [Urgent Needs Fund](#) at Grand Traverse Regional Community Foundations will help front line organizations provide essential services to those most vulnerable

## Nonprofit Challenges & Adaptations

### Theme 1: Organizations and collaborative initiatives are concerned about their financial sustainability

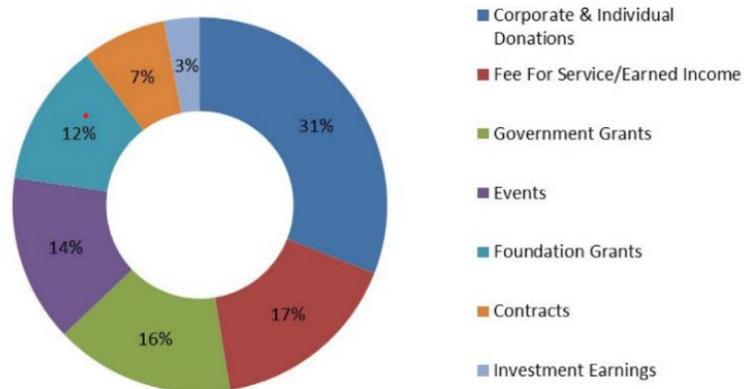
Nonprofit organizations are powered by revenue from a variety of sources, nearly all of which has been threatened by the pandemic.

In our COVID-19 survey, many nonprofits responded that their biggest concern today is the loss of operating revenue. Many nonprofit organizations have little or no reserves to help them make up for revenue lost. They mentioned several sources of revenue that were immediately threatened:

- **Fundraising Events:** Spring is peak fundraising event season. Most galas and events have been cancelled due to social distancing recommendations and the Governor’s [Stay Home, Stay Safe Executive Order](#). In addition to losing ticket and auction revenue, some are concerned that they may still be on the hook for costs of things like reservations, catering, supplies, and refunded sponsorships.

- **Fee for Service/Earned Income:** Many nonprofits capture a significant source of revenue from services, memberships and/or ticket fees – organizations like Conflict Resolution Services, the Children’s Museum, Inland Seas, Botanic Gardens & Historic Barns Park, City Opera House, Old Town Playhouse, Glen Arbor Art Association, the State Theatre, The National Writers Series, YMCA and more. Others like Goodwill, Women’s Resource Center and Habitat for Humanity have stores that provide a significant source of revenue for their organizations. With organizations, venues and stores closed for even a short time, it quickly becomes difficult to cover fixed expenses like staff, rent, and utilities.

**Average Nonprofit Revenue Mix**



*Average revenue mix shared in the Rotary Charities 2017 Nonprofit Needs Assessment. Business models vary significantly from organization to organization – [different models are leading to different threats](#). Regardless, foundation and government grants and loans are the two sources of revenue that may be able to help organizations make up for shortfalls in other categories.*

- **Corporate and Individual Donations:** Many respondents noted that they had stopped or stalled their fundraising campaigns and are uncertain if/when/how they might resume these appeals. Some respondents are concerned that it may be difficult to fundraise for work that is not perceived as helping the most vulnerable, like the arts and environmental protection. On a March 26<sup>th</sup> call, we learned that so far, global individual donations have fallen far short of other

disaster responses, like the Ebola outbreak. This may be because the effect of this pandemic is reaching everyone, and most people and businesses are concerned about their finances.

*“March and April are usually negative months for us. The timing of the current crisis couldn’t be worse. We have no idea when we will be able to resume programming... I don’t know if we’ll survive.” –Survey Respondent*

Organizations are sharing that they are in the difficult position of wanting to keep all staff on the payroll, especially given the newly passed Federal CARES relief package that will include forgivable loans if organizations keep staff employed. However, many mentioned they are considering layoffs and some have already begun to lay off employees. One organization reported they are losing \$1,000 per week every week they are not able to provide services.

**Theme 2: Organizations are concerned about how to continue to meet constituent needs while social distancing and protecting staff and clients, especially those who are participating the emergency relief effort.**

Nonprofit organizations are an essential part of the fabric and resilience of our community. Whether on the frontlines of the COVID-19 response or not, nonprofit organizations are asking how they can best serve in this moment and are adapting thoughtfully *and* rapidly.

Most nonprofits on the frontlines of relief efforts – those providing food, shelter, and medical care – are continuing operation, but are challenged with sharp increases in demand, decreases in human resources, and a need for new disinfecting supplies and personal protective equipment. Many of the organizations rely on large volunteer bases rather than paid staff. Many volunteers are older and at thus at a higher-risk of complications from COVID-19. Organizations like Father Fred, Goodwill, Safe Harbor, Food Rescue, and Grand Traverse Pavilions have all shared pleas for more healthy, low-risk volunteers. United Way of Northwest Michigan has created a [new online volunteer center and app](#) to direct new volunteers to immediate needs.

*“Our biggest challenge is to provide critical services for clients while protecting staff and doing our part to flatten the curve of the outbreak. It’s a difficult balance involving lots of tough questions with answers that seem only briefly adequate before the next question hits.” –Survey Respondent*

Nonprofits providing “non-emergency” services have closed their physical offices, but are keeping in communication with their constituents and donors. Many are working on adapting their work to the special needs of this time. Crosshatch established an emergency fund for artists, already granting over \$13,000 to 26 artists to make up for lost wages. Organizations like Crosshatch, Title Track, Grow Benzie and others are participating in mutual aid networks and organizing free webinars and meet ups. TADL is offering expanded free digital library materials, and live streaming a story time for kids. Newton’s Road partnered with TADL last week to provide a webinar on STEM activities for parents and kids. Grand Traverse Regional Land Conservancy, Leelanau Conservancy, TART and NORTE have been active on social media, encouraging people to safely get outside to increase their health and wellness. Norte coined an ad hoc campaign, “Outside, not canceled,” featuring pictures of local people enjoying outdoor exercise to inspire others.

### **Theme 3: Organizations are struggling to transition to a remote work environment**

*“Some of our staff live in rural areas without [internet] service. These are not even the most remote areas, still they do not have reliable connectivity.” –Survey Respondent*

*“Having the staff that work from home not being able to access our server. Having to do grant reports and bookkeeping that require access to accounting system that isn’t web based, thus requiring in-office work.” –Survey Respondent*

Organizations report that they are experiencing challenges in transitioning to a remote work environment. Many are trying to quickly learn online meeting platforms for staff meeting purposes, and also continue providing services to clients. Some nonprofits report not having laptops for employees, or cloud-based servers or applications that provide access to files remotely. Many are having to go into the office periodically to transfer files, or work on hard-wired applications like Quickbooks.

## **How We Are Responding**

We have been adapting quickly to what we’re learning. We believe changes like these are essential to our commitment to the shared work of building a fair, thriving and resilient region.

### **Flexibility for current grantee partners**

We have decided to flex our operating policies to relieve some of the stress our grantee partners are experiencing. They have been offered the following options:

- Move to Electronic Fund Transfers for grant payouts and extend grant reporting deadlines, as needed
- Extension of grant timelines for up to one year
- Conversion of remaining funds to discretionary for emergent needs

### **Community Investment Program**

We are deploying a strategy under our Impact Investments program to give low/no interest loans to nonprofit organizations with the financial capacity to pay the principle. Details will be available [on our website](#) by April 13<sup>th</sup>.

### **COVID-19 Crisis Support Team**

We have gathered a [team of local specialists](#) in topics ranging from legal and financial and operational and emotional. They have generously donated a portion of their time, and we are covering the additional cost. Free one-hour consultations are available to help nonprofits through the unique challenges of this unprecedented time.

### **Advocacy**

We are sharing the results of our Nonprofit Needs Survey with local funders, state representatives, and the media in hopes to leverage additional resources.

### **Contributions to the Urgent Needs Fund**

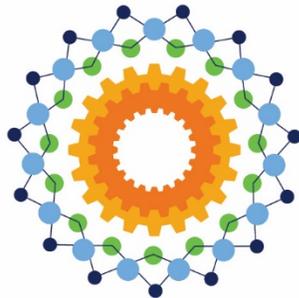
We made an initial gift of \$10,000 to the fund, and will match contributions by individual Rotarians up to \$500 each. Becky is serving on the fund advisory committee.

### **Online resource hub**

Online resources are coming from all directions to help organizations and individuals adapt to this crisis. We are curating the best resources we see in an effort to provide a variety of tools [in one place](#), tailored to the top needs indicated in the survey: financial sustainability, operations and virtual work, and leading in uncertainty.

### **Staying connected and reflective**

It is clear that recovery from COVID-19 and its ripple effects will be ongoing, and we will adapt with our region as needs change. We are staying in close contact with our nonprofit colleagues to ensure a timely and relevant response. We intend to contribute additional supports to the system over time, and are currently considering how we might adapt our fall grant cycle to meet the needs of the moment.



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