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The **COVID-19** Effect on Wisconsin's Nonprofit Sector

Report One

 Helen Bader Institute for
NONPROFIT MANAGEMENT
at the University of Wisconsin-Milwaukee



University of Wisconsin
Whitewater

College of Business
and Economics

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Project Overview

Nonprofit organizations are often on the front lines of crisis – frequently referred to as "second responders," serving as a resource for individuals after emergency aid has been provided. As a result of the COVID-19 pandemic, many Wisconsin nonprofits are experiencing increased demands for food, shelter, and other necessities, yet have been hindered or completely cut off from responding due to school closures, stay at home orders, and social distancing. In Wisconsin, one in twelve employees work at a nonprofit, representing a total of \$14.6 billion in annual wages¹ – making the programs and services provided by statewide nonprofits an essential component of the economic engine that ensures Wisconsin is a thriving, vibrant state.

This study aims to provide real-time data to government officials, foundations, and other decision-makers about the current socio-economic conditions facing nonprofits and the need for immediate and long-term support to ensure the ongoing provision of critical services throughout Wisconsin. The hope is that, by understanding the pandemic's effect on the nonprofit sector, we can also better understand the recovery process required afterward.

Our highest priority is to learn directly from Wisconsin nonprofit leaders, by connecting with a broad range of organizations and a vast array of missions. Based on an established online survey developed by the University of San Diego², data collection efforts focused on a variety of nonprofit capacities potentially affected by the ongoing pandemic, including:

- Effect on Programs & Service Delivery
- Human Resources, including staffing and payroll
- Finance & Revenue, including access to federal stimulus funding

The survey also collected information on needed resources, to better understand ways academic and community partners can assist Wisconsin's nonprofit sector through these developing challenges and beyond.

The initial online survey was made available for participation from April 14-29, 2020. Additionally, a series of brief quarterly follow-up surveys will be released throughout 2020 to track change, stimulus funding effectiveness, and overall sector recovery. The intention is to continue the project until it is determined to be no longer necessary.

¹ Lord, B., Schnupp, S., Ford, M., & Cleveland, W. (2019). *Nonprofit Wisconsin: In Brief - Size and Scope & Economic Impact*. Milwaukee, WI: Helen Bader Institute for Nonprofit Management, University of Wisconsin - Milwaukee

² Deitrick, L., Tinkler, T., Strawser, C., & Young, E. (2020). *Nonprofit response to COVID-19: The immediate impacts of the COVID-19 pandemic on San Diego County nonprofits*. San Diego, CA: The Nonprofit Institute, University of San Diego.

Research Team

Prof. Douglas Ihrke, Executive Director, Helen Bader Institute for Nonprofit Management, UW-Milwaukee
Bryce Lord, Associate Director, Helen Bader Institute for Nonprofit Management, UW-Milwaukee
Assistant Professor Carol Brunt, Institute for Nonprofit Management, UW-Whitewater
Associate Professor Michael Ford, Public Administration, UW-Oshkosh
Associate Professor Lora Warner, Public and Environmental Affairs, UW-Green Bay
Associate Professor Linnea Laestadius, Public Health, UW-Milwaukee
Assistant Professor Kerry Kuenzi, Public and Environmental Affairs, UW-Green Bay
Assistant Professor Philip Wagner, Criminal Justice, UW-Parkside
Mary Beth Collins, Executive Director, Center for Community & Nonprofit Studies, UW-Madison
Amy Hilgendorf, Associate Director, Center for Community & Nonprofit Studies, UW-Madison
Debra Karp, Director, The Alan E. Guskin Center for Community & Business Engagement, UW-Parkside
Sai Sun, PhD Candidate, Urban Studies, UW-Milwaukee

Executive Summary

Organizations polled in this survey represent a range of service areas and missions, including Environment, Education, Arts, culture and humanities, Health, and Human Services. The largest pool of responses was drawn from the Human Services (27.9%), Arts, Culture, and Humanities (15.3%), and Education (11.4%) communities.

From the survey data, dramatic shifts in the nonprofit sector due to COVID-19 were apparent:

- 46.9% of organizations reported reductions in programming due to COVID-19.
- 11% of organizations reported pivots in programming to address an increase in basic needs (food, financial resources, transportation) and needs for mental health support faced by communities, families, and individuals served.
- 27.6% of organizations reported the widespread conversion of programming to virtual modalities.
- 80% of organizations noted a reduction in their volunteer workforce.

Notwithstanding the CARES Act funding, organizations are concerned about long-term sustainability and disruption of fundraising activities and programming.

Leaders are very concerned about an increase in the basic support and mental health needs of constituents, without established systems in place, as well as the loss of recreational and enrichment activities, and supports for youth specifically. Organizations identify a significant loss of relational contact with stakeholders, including their communities, and worry about how to protect their communities.

Leaders reported a variety of management and capacity needs:

- Disruption of fundraising and revenue-generating activities; related budget adjustments and overall financial sustainability concerns
- Need for flexibility from funders
- Need for technology support and resources to be able to deliver virtual programming and reach constituents equitably
- Concerns over how to create a safe work environment for staff, volunteers and clients that promotes engagement and safety

Requests for assistance from the community and higher education partners include (in descending order of popularity of response):

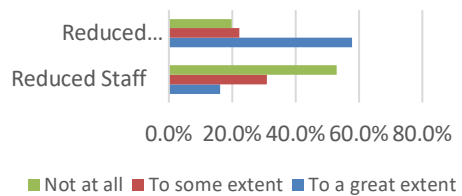
- Sharing real-time data on the experience of the sector with funders, governmental entities, and the business community
- Support in re-evaluating fundraising strategies
- Support with messaging and communicating with stakeholders
- Technological support
- Financial Scenario Planning
- Guidance for Boards of Directors
- Crisis Communications and Management Support
- Support for Self-Care and Wellness of Nonprofit Staff

Human Resources

Reductions in staff and volunteer are directly impacting nonprofit's ability to provide services to their clients. Forty-seven percent of organizations indicated that they have already made staff reductions. Seventy-six percent of nonprofit leaders are concerned about the possibility of having to lay off employees. Volunteers are the lifeblood of many in the nonprofit sector, and this pandemic has profoundly affected their presence. Organizations have reduced their use of volunteers either by choice or due to lack of availability and volunteer reductions are reported to have occurred at 80% of surveyed organizations.

Nonprofit leaders described how their ability to provide services, while limited by staff and volunteer reductions, is further compounded by other stakeholders. Some respondents describe how limited availability of Board members has left staff to manage on their own, and public agencies who are facing their own staff reductions are placing increased demands on nonprofit organizations for assistance. Remote work in compliance with the state's Safer-At-Home order has limited nonprofit's ability to access marginalized communities and organizations reported that they are increasingly fearful that grant deliverables will not be met. We find respondent's focused on transition during return to in-office work, preparations for a second COVID-19 wave in Fall 2020, the impacts on staff health of irregular work hours and, in some instances, increased workloads. Nonprofit leaders worried about staff morale and mental health due to increased workloads and exhaustion.

Fig. 1: "Which of the following, if any, has your organization already undertaken in response to the COVID-19 pandemic?"



"As a CEO I am emotionally physically and intellectually exhausted. My job is always challenging but I don't know how much longer I can continue being an effective leader with ongoing challenges. My husband works in health care, so I worry about him every day. I am deeply concerned that business concern about the economy will result in a premature reopening that creates another round of infections and death. Nonprofits like mine are getting little recognition for our work right now but we are keeping the safety net in place. I'm tired."

In contrast to declining staff numbers, some organizations are struggling to hire additional staff, particularly in Human Services. Respondents note that increasing workforce size to meet current needs and future social distancing demands is difficult given budget uncertainties and fears of potential exposure to clients and themselves. Health and safety concerns have led some staff to request personal protective equipment (PPE) and hazard pay. The dilemma for organizations going forward is perhaps summed up by the following:

"It is hard to balance the safety of staff with the needs of clients. We are trying to determine how we could safely resume street outreach to homeless clients. How much risk can we ask staff to take? It is a moral dilemma."

Finances

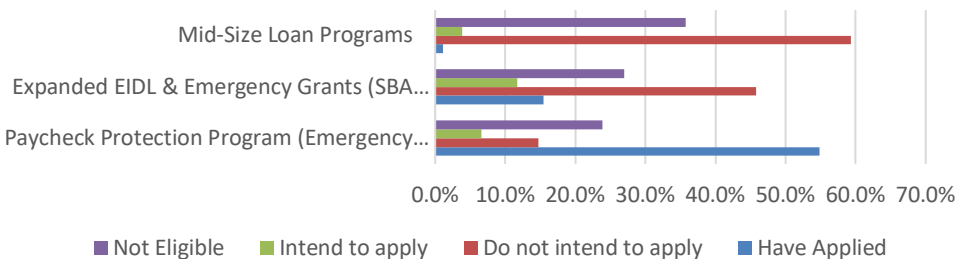
The COVID-19 outbreak is impacting the operations of nonprofit organizations across Wisconsin. In this section, we discuss the immediate-term financial impacts of the COVID-19 outbreak on organizations as reported by respondents. Overall, there are signs that Wisconsin nonprofit organizations are experiencing financial stress and taking proactive steps to deal with future financial difficulties.

Respondents expressed high levels of concern with their finances. Nineteen percent believe it is at least somewhat unlikely they will be able to fund payroll over the next eight weeks. Lower revenue nonprofits, in particular, expressed concerns. Nonprofits of all sizes expressed modest concern about the inability to hold fundraisers, and about disruptions in government revenue flows. A majority of organizations, 51%, are concerned about being able to make rent, while a strong majority of organizations, 93%, are worried about declining donations.

Wisconsin nonprofits are responding to the financial impacts of the crisis in multiple ways. Over 80% report they are running multiple budget scenarios. A total of 70% of respondents report they have reached out to major donors, to at least some extent, in response to the COVID-19 pandemic—an even more significant percentage, 78%, report reaching out all of their donors. Organizations with revenues between \$500,000 and \$1,000,000 were most likely to reach out to their donors. Small revenue organizations, presumably with fewer donors, were least likely to reach out to them, perhaps in no small part due to limited staff resources.

Respondents report they are seeking financial assistance from other sources as well. Over half, 52%, have received some type of emergency grant. 55% of organizations have applied for a loan from the Paycheck Protection Program, while a sizable minority of organizations have applied, or intend to apply for other smaller federal assistance programs. Future surveys will provide more information regarding how many actually receive assistance for which they applied.

Fig. 2: "Please answer with your intentions regarding the funding programs available through the...CARES Act."



Overall, we find Wisconsin nonprofits are worried about funding day-to-day operations, long-term revenue streams, and the ability to fundraise. Respondents are engaging with available relief programs, but it is too early to determine the extent to which those programs are providing relief.

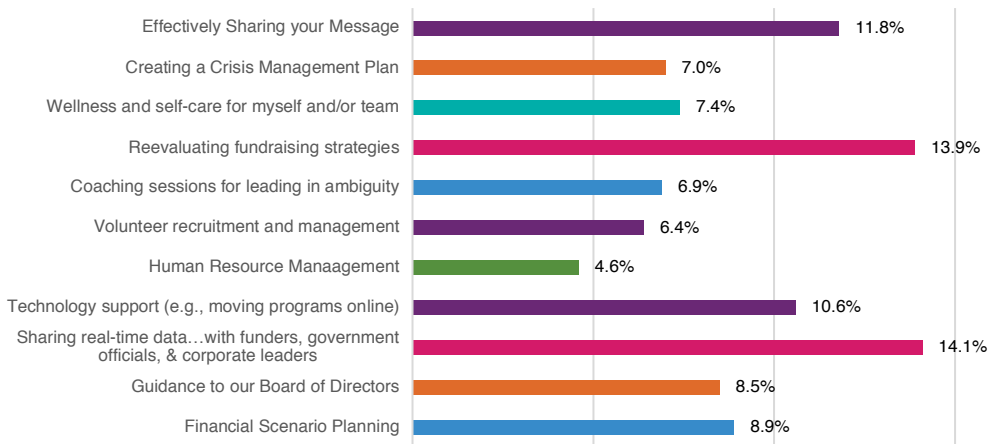
Resources Needs

As part of the long-term goal of this project, we asked participants to provide insight on the resources UW-System academic and community partners might be able to provide. When asked about these specific resource needs, respondents were very clear that sector promotion and effective messaging are tantamount.

Fundraising proved to be a consistent need as well. Assistance with the reevaluation of fundraising strategies ranked third in areas of need. Meanwhile, funding proved to be a major thread in open-ended responses, as well, as many spoke of the need for basic operational funding to maintain basic programs & services.

“Forgiveness of the need to turn program grants into general operating grants. In other words, foundations deciding that the investment they’ve already made can be used to deliver different, yet related services and to fund our ability to keep our metaphorical doors open vs not to requiring their grant money be returned.”

Fig. 4: What could academic & community partners around the state assist with most? (Check all that apply)



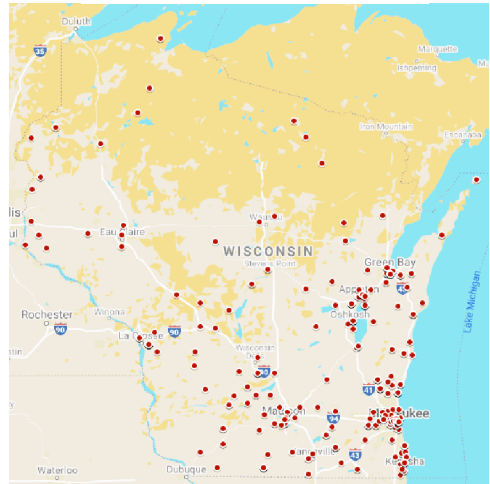
“Board engagement in this new “remote” meeting world we have entered. While I continue to communicate and keep them apprised of our current status/decisions needed to be made etc. I do not feel they are as engaged so I do not feel as supported as I once felt. I hope this will disappear over time, once we all have moved further away from this “crisis” response environment, but not sure if we will or how I encourage more questions/sharing etc. I feel like I am alone on an island at times since this pandemic began.”

Survey Respondents

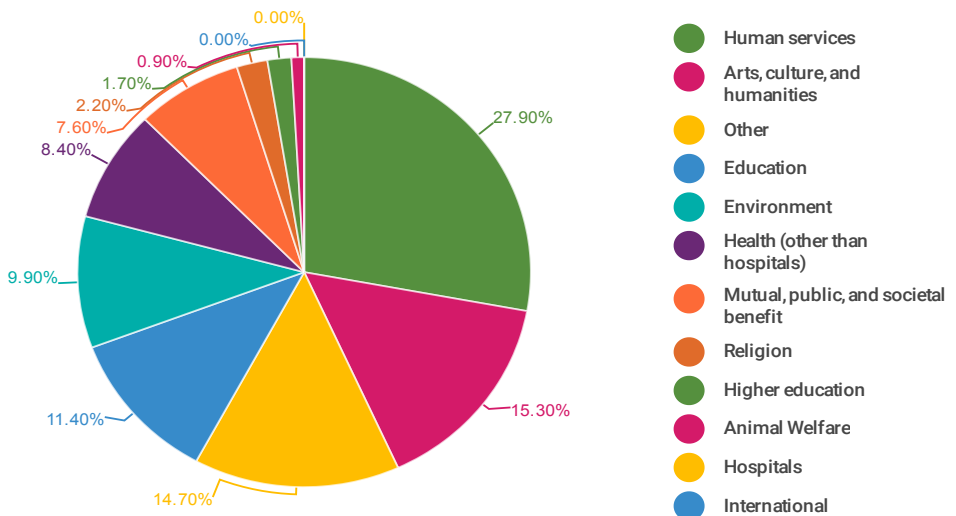
The success of this project hinges on as broad a distribution of survey responses as possible utilizing UW-System campus communities, numerous regional networks, and various academic and community partner organizations.

Accordingly, survey responses represented 54 of Wisconsin's 72 counties. Significant community clusters appeared in Milwaukee, Madison, Green Bay, the Fox Cities, and the Kenosha/Racine area. Individually, 86% of survey respondents were either an Executive Director/CEO/President or a member of the organization's Senior Management team. Human Service (28%) and Arts (15%) organizations comprised the majority of responses, with Education also showing strong input (11%). As for the budget size of the responding organizations, 54% fell under \$500,000 annually. 17% reflected budgets of \$1-3 million, while 18% fell into the \$3 million+ category.

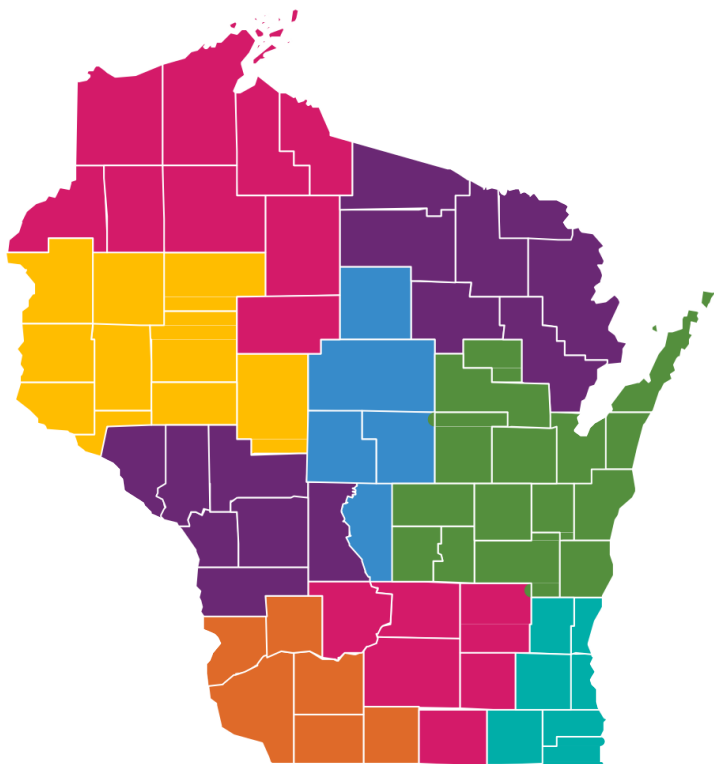
Fig 5: "Respondents by Zip code"



Respondents were asked to provide individual contact information to take part in subsequent surveys. While some chose to remain fully anonymous, 85% expressed a willingness for future participation.



A **Community** Perspective



Looking around the state, we discovered unique findings in different community clusters that set these areas apart from various statewide findings. Further examination of these areas will continue in the weeks to come.

Milwaukee

The greater Milwaukee area had the highest participation rate of this survey, accounting for 26% of all responses. The largest concentration of participation came from organizations identifying as Human Services (32%), Arts (24%), Health - other than hospitals (18%), and Education (16%).

When asked to what degree they are currently carrying out program and service delivery, 43% were operating in a moderately or severely reduced capacity. 34% were able to continue operations using different methods. 11% of responding organizations stated they were no longer able to offer their programs and services.

With regard to marginalized clients, 26% state that they are currently offering drastically reduced services. 86% have reduced their volunteer workforce to varying degrees. 74% report collaborating with another nonprofit, while 56% report collaborating with local government.

Northeast

The second highest participation rate (23% of total) occurred from organizations in the Fox Valley, Green Bay, and surrounding areas. 33% of the sample identified as human services organizations, higher than the statewide rate of 28%. There was significant participation by a range of regional Arts, Education, Environment, and Human organizations. There was an even distribution of organizations by size of budget.

One area where northeastern Wisconsin nonprofit organizations stood out was that of collaboration. One-third of these nonprofit organizations reported collaborating “to a great extent” with other nonprofits compared to only 25% of counterparts across the state. On the other hand, according to the statewide data, 28% of nonprofits collaborated to a great extent with government compared to only 19% of northeastern Wisconsin nonprofits.

	NEW	Statewide
Obtained Emergency Grant	57%	50%
Applied for PPP Funding	58%	52%

Nonprofits in this region sought outside grant funding at slightly higher rates than their counterparts in other parts of the state:

- 57% of nonprofits had received an emergency grant compared to 50% of state respondents. Applications for Paycheck Protection Program funds were similar.
- Over 80% are somewhat or greatly concerned about declines in revenue yet one-third had not reached out to major donors.
- Just over half are somewhat or greatly concerned about delays in grants for program or general operating support.

Whitewater

Situated in Walworth and Jefferson Counties, the City of Whitewater (pop. 14,766) is home to over 30 nonprofit organizations whose services extend to communities beyond the city limits. A large percentage of the city's population is comprised of University of Wisconsin-Whitewater students.

In the current pandemic, Whitewater's nonprofit organizations have seen their operations curtailed and financial resources dwindle. For those organizations that remain operational, they struggle to deliver services to their clientele. The working poor and those with disabilities are identified as particularly vulnerable constituencies that receive limited to no services. While these characteristics may sound familiar in light of the survey's statewide findings, the experience of Studio 84 offers insight into the multi-pronged impacts of closure. As noted on their website, the small local nonprofit art studio "specializes in the creative and vocational development of people with disabilities including those with Autism, Down Syndrome, physical disabilities, cognition delays and mental illness." The loss of student volunteers has had an immediate impact on their services.

"We closed down on March 13 in response to losing all our college volunteers when UWW closed to students, then looking into the future of more closings, we knew we couldn't with just two staff manage all of our clients, so we closed on March 13. We remain closed now due to not being an essential business and have serious questions about how we will reopen when allowed. Lots of questions still on our comfort level of reopening when we service a highly vulnerable population (people with disabilities whom many have underlying health conditions putting them at risk)."

Dane County

Dane County responses indicated a slightly lower percentage than the statewide average. About 40% of responding organizations reported reductions in programming due to COVID-19. A slightly higher percentage than the statewide average (35%) reported that programs continued to be delivered but with notable adjustments. Adjustments often involved shifting to virtual program delivery and assisting with increased basic needs and mental health concerns. Nearly one-quarter of Dane County organizations reported that they had increased programming due to COVID-19 circumstances, which was higher than the statewide average. While the majority of respondents (73%) reported that they would likely be able to "adequately" deliver services for clients in the near term, 7 reported this to be "very unlikely." A majority of responding organizations (70%) expressed concern about being able to address the needs of their most vulnerable clients.

Most organizations (92%) reported an uptick in their efforts to conduct virtual outreach and engagement at this time, as well as targeted engagement with donors. Many also reported close collaborations with other nonprofit organizations (85%) or local government entities (69%).

31% reported they had already made reductions in staff, and 70% reported reductions in volunteer contributions. A vast majority (81%) reported the cancellation of a major fundraising event and 77% expressed concern about the loss of fee-for-service revenues or declines in donations. 69% had already applied for or intended to apply for the Paycheck Protection Program.

La Crosse

In La Crosse, a higher percentage than the statewide average reported reductions in programming due to COVID-19, with 4 responding organizations fully shuttered at the time of the survey. A slightly lower percentage than the statewide average reported that programs continued to be delivered but with notable adjustments. 11% reported an increase in services delivered due to COVID-19. Nearly half of reporting organizations (48%) reported it would be unlikely for them to be able to “adequately” deliver services for clients in the near term; 44% reported this to be likely.

Reporting organizations also reported immediate decreases in resources and staffing. 44% reported they had already made reductions in staff, and 84% reported reductions in volunteer contributions. 80% reported the cancellation of a major fundraising event and a majority expressed concern about the loss of fee-for-service revenues or declines in donations. A majority (60%) had already applied for or intended to apply for the Paycheck Protection Program, and a majority had conducted budget scenario exercises to address uncertainties in and threats to funding due to COVID-19. A majority of organizations reported an uptick in their efforts to conduct virtual outreach and engagement at this time, with donors and other stakeholders -- including donor outreach, social media and communication campaigns, and collaborations with other nonprofit organizations or government entities.

Kenosha/Racine

The cities of Kenosha and Racine are located in the southeastern part of Wisconsin, a short distance from the border with Illinois. During the course of this survey, 11 of Kenosha’s nonprofit organizations responded, as did 15 of Racine’s. Somers, located between the two cities, is also home to the University of Wisconsin-Parkside, a UW System institution serving approximately 4,300 students.

Amidst the current COVID-19 pandemic, the responding nonprofit organizations have – alongside counterparts from around the state – seen their operations be challenged in many ways. Many of the worries expressed by the nonprofits in this area relate to finances: most have conducted scenarios to plan for various budget situations, half expressed great concern at the possibility of donation reductions, approximately one-fourth expressed worry about meeting payroll over the next two months, and approximately one-third expressed fears of potential employee layoffs in the future. Despite the varying replies among financial concerns, one area united the nonprofits almost completely; the concern that hard to reach and vulnerable clients are being negatively impacted by the pandemic.

"We have found that most of the needs are emotional. They are dealing with the transactional losses much better than they are with they are with the fear of the unknown. They are afraid of the virus, they have much misinformation (mostly from social media, friends, and family), and they wonder if they will ever get unemployment compensation. Whatever hope they had about the future is fading as they sit in isolation. They need human contact and some sense of hope about the future."



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UNIVERSITY OF WISCONSIN-MADISON



Helen Bader Institute for
NONPROFIT MANAGEMENT
at the University of Wisconsin-Milwaukee
3230 E. Kenwood Blvd. Milwaukee, WI 53211

414-229-3176

uwm.edu/hbi