Covid 19 and Nonprofits in Nevada

Response, Impact and Stimulus Funding

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Overview and Background

Nonprofit organizations across the state of Nevada are struggling to operate in the face of changes brought on by the COVID-19 pandemic and the on-going shutdowns in the state. Nonprofits serve a variety of community needs some of which are on the front lines of responding to medical and economic hardships intensified by this crisis. Those most involved in response efforts include foodbanks and soup kitchens along with hospitals, nursing homes and housing providers. These organizations have been faced with increased demands and costs while the economic shutdown and accompanying uncertainty has limited their ability to raise revenue.

In contrast, other nonprofit organizations have had to pause operations and cancel programming to adapt to social distancing requirements. This report details an initial effort to document the immediate impact of the crisis on nonprofit organizations in Nevada and their ability to gain access to federal funding. Similar to business, these organizations are eligible for federal assistance through the CARES Act but initial reports suggest many faced difficulty accessing these funds. We attempt to document the issues faced with the process and how many were able to access funds to support their operations.

This report is not meant to provide a final word on the evolving reality for nonprofits. The intent is to help government officials, funders, foundations and other decision makers understand the impact of these rapid changes on these organizations. This information should help guide their decision making as they look for ways to assist communities and support immediate needs in our state.

The survey used convenience sampling to gather data from nonprofits in the state. It was distributed by the author and community partners to stakeholders via email appeals. Ultimately, the survey resulted in 149 responses collected from April 23 until May 15, 2020. In Nevada, this time period was roughly a month into the ordered closure of non-essential businesses and after the release of the initial waive of CARES Act funding. Phase 1 reopening in the state began on May 9, 2020 which eased some restrictions on nonprofit operations with the exception of most youth and recreation activities. The responses collected from organizations reflect their experiences during the state ordered shut down after the initial few weeks of adjustment through Phase I of reopening.
Key Findings

- Nearly all nonprofits are facing disruptions in their operations with some completely closed and others dealing with increased demand.

- While many nonprofits are facing difficulty, arts and culture nonprofit organizations are facing the most severe disruptions to their ability to operate and their finances.

- Nonprofits are concerned about their financial health and their ability to generate revenue both in the short and long term.

- Nearly, all nonprofits have seen decreases in their revenue and limitations on their ability to operate.

- Nonprofits faced significant difficulties in applying for federal aid but some were successful in gaining access to federal stimulus funding to support their operating costs.

- There are significant concerns for nonprofit organizations that had to continue face to face operations on how best to protect their staff while still offering needed services.
Survey Results

The detailed results of the survey data collect are presented below. The survey covered a variety of topics but the major areas included are: impact on services, impacts upon revenues and events, impacts upon employment, ability to access federal stimulus programming, and impacts upon clients/communities served. We also examine where differences exist between different parts of the nonprofit sector in the state. For example, some organizations due to the nature of the services they provide have been forced to almost entirely cease operations (such as performing arts venues) while others in human service are facing increased demands due to the economic impact of the crisis and the shutdown.

Impact on Services

Figure 1: Impact of COVID-19 on Provision of Services

As shown in Figure 1 above, nearly all nonprofit organizations have experienced dramatic shifts in their levels of service provision. Over, 73.9% of respondents reported some reduction in normal services with 13.4% indicating they were unable to provide any services at this time. However, 22.4% of all nonprofit reported that they were providing more services than usual.

As shown in Figure 2, the impact on services and operations varied dramatically across the types of services offered by organizations. Arts and culture nonprofit organizations were the most likely to indicate they were unable to provide any services at this time. 100% of Arts and Culture organizations indicated they were either offering no services or greatly reduced services. Environmental and Animal serving organizations also saw a significant negative impact upon their services with 68.4% indicating they were unable to offer services or only offering greatly reduced services.
While, most nonprofits have limited their operations, some nonprofits are reporting an increase in service delivery. 22.4% of all organizations reporting increased service provision to meet demand. Human Service organizations were the most likely to indicate they were offering more services than usual. Nearly, a third (32.2%) of all human service organizations indicated they were providing more services than usual. Similarly, 31.3% of education nonprofits were also providing more services than usual. These increases services were likely due to the need to support teachers, students and parents as the schools shifted to remote instruction when face to face meeting were no longer possible. These organizations are often the ones on the front lines of meeting the needs of individuals who are most disadvantaged.

**Concerns of Nonprofits**

While all organizations are facing a large number of challenges it is helpful to know which concerns are the most pressing for organizations at this time. Figure 3, below displays the ranked concerns for nonprofit organizations at the time the survey was conducted.
The most highly ranked concerns for organizations were loss of revenue, decline in donations and the ability to safely operate. The ability to operate safely received the most top rankings in terms of concerns (33.6%) but loss of revenue was most often ranked in the top three concerns for all organizations. The next most often top ranked was decline in donations. The lowest ranked concerns were loss of government contracts and employment cuts.

*Ability to Continue Operations*

While 61.5% of organizations indicated they would be able to continue offering services in the next four to eight weeks a large number of organizations indicated they were either unsure (27.4%) or unable to continue offering services (11.1%) in the next 4 to 8 weeks.
Organizations indicated they were struggling with the need to offer services while also protect staff, volunteers and clients. Those who were heavily dependent on volunteers found operating much more challenging and some closed their doors rather than asking volunteers to come in and face possible exposure to the virus. Others have looked for ways to continue work remotely for staff and volunteers. Others spoke to the challenges of working while balancing the needs of their families and homeschooling.

There were also significant differences in terms of the type of nonprofit organization and their continued ability to offer services. Healthcare (85.7%) and Human Services (73.3%) organizations were the most likely to indicate they would be able to continue their operations for the next four to eight week.

**Ability to Fund Payroll**

Again a majority of organizations (75.8%) indicated they were either extremely or very likely to be able to fund their payrolls for the next 4 weeks but 17.4% of organizations indicated they were either extremely or very unlikely to be able to make payroll for the next month. This is important to note since during the Great Recession nationally nonprofit employment continued to grow even as private and government employment declined.

Many organizations expressed concern about the continued uncertainty in terms of their ability to reopen, continue services or pay their staff as the pandemic continues. While many indicated that PPP funding was helping in the short-term they were also concerned that long-term funding and fundraising were larger issues as the economic toll is still unknown.

**Impact on Revenues**

One of the factors which will impact the ability of organizations to serve their communities is their ability to generate revenue to continue to support their operations. Nonprofits generate revenue in a variety of ways. Some of the most common ways nonprofits raise the money they need to operate their organizations include: events, fees paid for services, donations and sponsorships, and contracts and grants. These revenue streams are important to the financial health of nonprofits and are likely to be impacted differently during the crisis.

“We closed our physical doors on March 13th due to our Governor’s ruling. Also due to the fact that we only have 2 paid employees, and could/would not ask volunteers to come in. One staff member is elderly. As of April 22nd, we decided to lay off both employees.”

“Funding will be lowered and after PPP runs out, I worry about being able to make payroll. I am also concerned about employee safety as we continue to work thorough this period.”
**Loss of Revenue due to Event Cancellations**

Nearly all of the nonprofit organizations that responded indicated that their organization had lost revenue due to the cancellation of upcoming events. 86.3% of all organizations indicated that they had lost some revenue due to event cancellations. Only 13.7% of organizations indicated that they had not experienced lost revenue due to event cancellations. The largest group of organizations (40.5%) indicated that event cancellations had impacted their revenues to a great extent.

Of those indicating a large impact from event cancellations, Arts and Culture (66.7%) and Education (56.3%) were the most likely to indicate they were facing extensive declines in revenue due to event cancellations.

**Loss of Revenue due to Decreased Demand for Service**

Similar to businesses, nonprofit generate a great deal of their revenue by charging fees for the services they provide. These fees are either paid by the user of the services or by the funders to provide for those who are unable to pay directly. User fees are an important revenue source for many nonprofit organizations. While fewer organizations indicated declines in this source of revenue than event based revenues some subsectors indicated large losses in fee or service revenues.

In contrast to event cancellations, 46.9% of all organizations indicated they had not seen a decline in fee for service programs. However, 53.1% of organizations indicated they had seen some decline in fee for service revenues. And nearly a quarter of organizations (23.1%) indicated that they had lost revenue to a great extent due to lower demand for services.

However, stark differences emerge based upon the type of nonprofit who responded. Over half of all arts and culture organizations indicated they had lost fee for service revenue to a great extent. 86.7% indicated they had lost fee for service revenues from a moderate to a great extent. It is clear these nonprofits, who often depend upon admission fees, have been hard hit by the shut down and social distancing orders. The education nonprofits faces the second highest impact with 50% of all organizations indicating a between a moderate to severe decline in fee for service revenue. This drop is likely related to the closure of schools and afterschool programs which are often supported by user fees.

“Our fundraising events have been cancelled and or altered thus reducing income. The unknown for the next few months is not allowing us to plan appropriately, again affecting fundraising. That in turn leads to the possibility of layoffs.”
Decline in Individual Donations

Individual donations represent a significant source of funding for nonprofits both in terms of the amount raised from individuals and also the flexibility that individual donations often allow in operations. Unlike, other sources of revenue individuals usually give to organizations without restrictions and this allows organizations to shift these resources to meet needs that arise such as the increased costs for cleaning and sanitation of office spaces or personal protective equipment for employees still working on the front lines. A large majority of nonprofits (90%) of organizations indicated that they had seen some decline in individual donations.

As summarized in the Figure 4 below, as the pandemic hit Nevada and individuals were facing large amounts of uncertainty in terms of their own finances individuals have delayed or decreased donations to nonprofits.

Figure 4: Extent of Decline in Individual Donations

Decline in Corporate Donations/Sponsorships

Corporate donations, like individual donations, are an important source of revenue for nonprofits which provides organizations with needed funds to fill gaps not filled by other revenues that are often more restricted. A large majority of organizations (87.6%) indicated that the current crisis had led to some loss in corporate sponsorships/donations. It is not surprising that many

“We are very concerned about how we are going to continue to raise funds for our organization when we can't have any gatherings or events. We are also concerned that are major donors will be tightening their budgets and not donating as much as they have in the past because of their own financial situations being different.”
businesses would be cutting back or at least holding off on donations right with many businesses also facing increasing uncertainty and falling revenues.

As summarized in the Figure 5 below, similar to the uncertainty impacting individual giving corporate giving and sponsorships were also in question due to the rapid uncertainty facing many businesses. The economic shock for businesses is also reflected in their willingness to make cash donations to nonprofit organizations.

**Figure 5: Extent of Decline in Corporate Donations/Sponsorships**

**Denial of Reimbursement for Contracts/Grants**

Another possible revenue issue might come from denial of reimbursements for contracts and grants. Given the alterations to operations, it is likely difficult for some agencies to meet the original terms laid out in contractual and grant services that were initially designed for face-to-face provision. At present, only 13.8% of organizations indicated that they had faced a lot (10%) or to a great extent (3.8%). About a quarter of organizations (24.6%) indicated they had faces a moderate to small amount of denials of reimbursement but the largest group of nonprofits (61.5%) had not experienced any issues with reimbursements.

**Delayed Grant Processing**

Due to uncertainty many funders have begun announcing delays to grant awards or shifts in the usual timing of their gifts. This could be problematic for agencies who are already facing declines in revenues and reductions in giving. For the most part, organizations did not indicate major delays in terms of grant processing with 23.7% indicating no delays, 25.2% indicating minor delays and 25.2% indicating moderate delays. Only 26.0% indicated large or extensive delays to grant processing.
Impacts on Employment

Nonprofits are facing a challenging budgetary environment and are beginning to make adjustments to staffing to ensure their ability to continue operations or reopen in the future. The survey asked organizations to report on the adjustments they have made to staffing or plan to make in the near future. This is intended to reflect current adjustments made to nonprofit staffing to deal with the initial shock of the pandemic and shut down. It is likely as the pandemic and economic fallout continue that additional changes to staffing will occur as agencies have a clearer financial picture.

Layoffs
73.9% of the responding organizations indicated they had not yet laid off any staff. 4.5% of nonprofits who responded indicated that they had already laid off their entire staff. An additional 16.2% had laid off part of their staff and 4.5% indicated they planned layoffs in the near future.

Furloughs
Similarly, 74.3% of organizations reported they had not used furloughs to cut staffing costs. Two percent reporting furloughing their entire staff, 16.5% reported furloughing part of their staff, and 5.5% reported furloughs were planned for the near future.

Reduced Hours
While 53.2% of nonprofits indicated they had not cut hours. Nearly as many organizations indicated they had already cut hours for their employees. 41.3% of the organizations who responded indicated they had already cut hours for all (15.6%) or part of our staff (25.7%). 5.5% indicated they planned to cut hours in the near future.

Figure 6: Extent of Decline in Corporate Donations/Sponsorships

Figure 6: Reduced Staff Hours
Reduced Compensation/Pay Cuts
Fewer organizations had made adjustments or cuts to employee pay with 17.5% of organizations indicating they had already cut pay for their entire (8.3%) or part of their staff (9.2%). An additional 9.2% of organizations indicated that pay cuts are planned in the near future.

Closure of Operations
13.8% of organizations have completely closed their operations entirely and an additional 14.7% of organizations had partially closed their operations with an additional 2.8% planning to do so in the near future. The longer the pandemic and the associated financial crisis persists the more likely that these types of closure will become permanent for nonprofits across the state leaving the needs of many of communities unmet.

Awareness of Federal Policies and Programs
In response to the pandemic and the associated economic crisis, the federal government has created a number of federal programs and changes to existing laws which impact nonprofits directly in terms of their operations, particularly for those with paid employees. There were no federal funding programs to aid organizations without paid employees so this section of the survey results were only asked to organizations who indicated they had paid employees.

Stimulus Funding
Nonprofit organizations were included in many of the efforts undertaken to help employers deal with the loss of revenue. As part of the survey, we asked nonprofit organizations about their applications to these programs and if they had received aid as a result. In particular, we asked nonprofits about their ability to accessing the following federal aid programs: Paycheck Protection Program (PPP), Emergency Economic Injury Disaster Loans (EIDL), Employee Retention Credits (ERC) and the Families First Act payroll tax credits to support extensions to paid sick leave and the Family Medical Leave Act (FMLA). The awareness of nonprofits of the various programs and policies is summarized in Table 1 below.

First, we wanted to understand the extent to which nonprofits were aware of the different funding programs available to retain employees and then the extent to which they were aware of federal policy changes which would have an impact upon operations and employment policies. Then we wanted to document both the struggles and the success of organizations in obtaining funds through these federal programs.
As seen in Table 1, most nonprofits were aware for funding related programs which had the potential to provide some immediate relief to their organizations. However, nonprofits were less aware of programs which would provide more long-term financial support, such as the charitable giving incentives for 2020 donations, and changes to legal employment standards related to the Families First Act.

**Paycheck Protection Program (PPP)**
Most nonprofits were most aware of policies and programs that were related to immediate funding support for their organizations, PPP and EIDL. A large majority of nonprofit organizations (83.2%) of all nonprofit organizations indicated they were aware or somewhat familiar with PPP. PPP funding has the potential to provide the most immediate financial relief for nonprofit employers with fewer than 500 employees. Eligible organizations were able to apply for forgivable loans for 2.5 times their average monthly payroll costs to retain employees.

A total of 73 (65.8%) of organizations with employees indicated they had applied for PPP funding. An additional 12 (10.8%) organizations indicated they planned to apply. Of those who had applied, 20 (27.4%) indicated funding had been approved and 11 (15.1%) had already received funding. However, twenty-eight organizations (38.4%) were still awaiting word on the status of their applications. Only two organizations had officially been denied and five (6.8%) had received word that there was no longer funds available¹.

In total, organizations applied for $13.5 million dollars in support. Larger organizations did report higher success rates in accessing PPP funds. In total $11.4 million dollars in funding. The mean loan request was $245,616 and the mean amount awarded was $346,213. Most of the agencies who were funded indicated receiving the full amount requested with only a few seeing reductions. The largest award reported was $2.1 million which represents 18.4% of all the funds awarded going to a single organization.

Similar to issues encountered overall with the program, nonprofit organizations also reported significant issues in terms of accessing PPP loans due to capacity issues and other structural

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¹ The survey was in the field at the time the initial funding for PPP was exhausted so some of the organizations who were waiting to hear likely had to reapply and those denied due to funds being expended might have been able to gain access to funding in the second round of appropriations.
problems with the program. Of those organizations who applied, we inquired which issues their organization had encountered during the application process. We summarize the issues faced below (see Figure 7) but the most commonly reported issues with the application were: bank application asked questions which were not applicable to nonprofits such as who owns the organization (23, 35.6%), difficulty finding a bank to process/take their application (16.4%), the application system initially indicated the organization was ineligible for funding (12.3%), or their regular bank was not participating in the program (12.3%).

Figure 7: Issues Encountered Applying for PPP Funding

![Bar Chart: Issues Encountered Applying for PPP Funding]

- **Asked Questions Not Applicable to Nonprofits**: 27
- **Difficulty Finding a Bank**: 12
- **Regular Bank Not Participating**: 9
- **Bank Systems Indicated Ineligible**: 9
- **Difficulty Providing Documents**: 6

**Economic Injury Disaster Loan (EIDL)**

Similar to PPP, 67.7% of nonprofit organizations indicate they were aware or somewhat familiar with EIDL. EIDL provides loans of up to $2 million dollars at an interest rate of 2.75% to cover expenses not supported by PPP. EIDL also allowed organizations to receive a $1,000 advance per employee up to $10,000 that is forgivable even if loan funding was denied.

However, a much smaller number of organizations indicated that they had applied for funding through EIDL. Only 26 organizations (24.1%) with employees indicated they applied for EIDL and six additional organizations (5.6%) indicated they were planning to apply. Of those that indicated they applied seven (30.4%) indicated they had already been approved for funding and one (4.3%) had already received funding. Eleven organizations (47.8%) indicated they were still awaiting a decision on their application and an additional four (17.4%) were told funding had all been exhausted. Those organizations who applied indicated they requested a total of $2.0 million and received $1.3 million. The average amount requested was $112,556 and the average amount received was $167,000. Many of the loans requested were for $10,000 which is fully forgivable.
Employee Retention Credits (ERC)

Nonprofits were less aware of the ERC program. Only 45.8% of nonprofits indicated they were very aware or somewhat familiar with the program. The ERC credits are available to organizations that do not receive PPP funding (including nonprofits) but saw their gross receipts decline by 50% compared to the same quarter of 2019 until those receipts recover to 80% (IRS, 2020). Since many organizations were unable to obtain PPP funding, nonprofits who have seen large disruptions to their fundraising and other revenue generating activities may be able to recoup some of their losses through ERC.

Of the organizations with paid employees, only 8.5% indicated they were planning to take advantage of ERC if they were not funded through PPP. An additional 14.9% of organizations indicated they were still trying to determine their eligibility for the program. 36.2% of organizations indicated they were not aware of the ERC program.

FMLA and Cares Act Extensions to Paid Sick Leave

Nonprofits were less aware of policy changes which had the potential to impact their operations and support fund-raising in the longer term, such as changes to the FMLA requirements and charitable deduction incentives for giving.

Very few agencies reported having employees need to take advantage of extensions to paid sick leave or FMLA which were passed as part of the Families First Act. Only 9.3% of organizations reported having employees take advantage of additional paid sick leave. Only 3.5% of organizations indicated that their employees have needed to take advantage of additional FMLA leave to care for children due to school closures or sick family members. This suggest that for many agencies that are working remotely the need to leave has not yet been widespread.

IMPACT ON CLIENTS/COMMUNITIES SERVED

When nonprofit leaders were asked about the immediate needs and impacts on those they served many spoke of the increased economic and emotional stresses brought about by the pandemic and the shutdown of services and programs. Many of these needs were immediate needs such as food, clothing, shelter and mental health services. They also spoke of their efforts to provide virtual support services being challenged by the limited access of those in need to technology and reliable internet connections to receive support.

They also expressed concerns which were longer term such as helping individuals who have lost their jobs with access to trainings and job search help. Overall, these responses

Out of an abundance of caution, we have limited our intakes to high lethality domestic violence cases referred to us by Metro or referrals from partner agencies. This has placed a significant strain on our program’s ability to help the vulnerable populations we serve.
illustrated the challenges being addressed by these organizations and the rising level of needs for even basic services across the state.

Conclusions and Recommendations

Nonprofit organizations often operate on tight margins to serve the community. These organizations serve needs that would otherwise go unmet in our communities. The continued ability of these organizations to operate and recover will depend upon both their ability to adapt and the support they receive from donors, government and the community at large. Based upon the findings of this survey, we make the following recommendations:

FOR NONPROFIT LEADERS AND BOARD MEMBERS

- Plan for possible disruptions and develop scenarios with your board and leadership team to reduce operational and budgetary shocks
- Advocate on behalf of your organization and constituents for continued government support (see Independent Sector https://indepedentsector.org for federal policy updates and calls to action)
- Communicate with donors and constituents so they have timely information about current operations, needs and challenges
- Take advantage of lines of credit and low interest loans
- For organizations unable to operate, such as arts and culture organizations, focus on cost cutting strategies to preserve funds for reopening and development alternative services to engage constituents and generate revenue

FOR FUNDERS AND GOVERNMENT OFFICIALS

- Communicate any planned changes in funding availability and levels
- Encourage increased giving and collaboration between funders
- Allow for flexibility in operations and program delivery to deal with current health and safety guidelines
- Minimize lag times in reimbursement to stabilize cash flows
- Engage existing resources to help nonprofits build capacity to adapt to changes in operations
- Support community organizations as they respond to increased demands and challenges reopening
- Advocate on behalf of nonprofits for continued aid and support
- Support funding for technology and capacity building to allow organizations to operate remotely to reduce risks and adapt to health guidelines
About the Organizations Who Responded

While many nonprofit organizations are supported by volunteers, nonprofit organizations are a growing source of employment across the United States. Most of the organizations (85.4%) who responded to the survey had paid staff positions with a mean number of 38.5 employees. The smallest agencies only reported one full or part-time person on staff while the largest employer who responded had 400 staff. While for the most part, the responding organizations reflected the nonprofit sector in Nevada there was an under-representation of both the largest and smallest nonprofit organizations in the state and we did not receive any responses from nonprofit hospitals who represent some of the largest nonprofit employers in the state. We also had very few nonprofits who operate exclusively in rural Nevada respond to the survey.

The largest group of nonprofits who responded to the survey were human service nonprofits (40.9%), environmental and animal related nonprofits (12.8%), education (9.4%), healthcare (9.4%), arts and culture (8.1%), public or societal benefit (6.0%), mutual or membership benefit (2.0%) and religious/faith based organizations (2.0%). The survey respondents over-represented human service nonprofits but these organizations represent the largest number of nonprofit in the state.

About the Survey

This survey was developed based upon an original survey created by the University of San Diego. Young, E., Deitrick, L., Tinkler, T., Meschen, C., Strawser, C., Funderburk, T., Abbruzo, T. (2020). Unprecedented Disruption: COVID-19 Impact on San Diego Nonprofits. San Diego, CA: The Nonprofit Institute at the University of San Diego. https://digital.sandiego.edu/npi-npissues/5

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