

UNIVERSITY *of* WASHINGTON

Daniel J. Evans School of Public Policy & Governance

# Resilience amid uncertainty:

The on-going impacts of the COVID-19 pandemic on nonprofits in Washington State



December 2021

***BE BOUNDLESS***



## ACKNOWLEDGEMENTS

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*We would like to express our sincerest gratitude for all of the nonprofit professionals who agreed to be interviewed for this work, who dedicated their time and provided invaluable perspectives on the state of the nonprofit sector in Washington State. These individuals work tirelessly to serve their communities and build a more equitable world. We hope that this research provides policy-makers and institutional funders with a clearer understanding of how to best support nonprofit organizations as they continue to address the social, economic, and health-related challenges of the COVID-19 pandemic.*

*As an institution of public policy and governance, the Evans School acknowledges that public policy and public management have long perpetuated systemic racism and other forms of oppression. Dismantling systemic racism in our institution and our field is integral to our public service mission as we move forward. We also acknowledge our positionality and privilege in undertaking this work as white women working at a historically white-dominant university.*

*We acknowledge the Coast Salish peoples of this land, the land which touches the shared waters of all tribes and bands within the Suquamish, Tulalip and Muckleshoot nations.*

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# EXECUTIVE SUMMARY

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This report represents the second phase of on-going research to understand how nonprofits in Washington State have responded to the twin public health crises of systemic racism and the COVID-19 pandemic. The first report focused on the initial phases of the pandemic from March to July 2020 and revealed that many nonprofits faced precarious financial and operational conditions precipitated by an increased demand for services and dwindling revenue sources. Our second phase sought to understand how nonprofits fared in the subsequent period, specifically to investigate (a) how nonprofits, especially organizations led by and serving communities of color, which bore the greatest burden of the twin pandemics, have been able to navigate, (b) the types of support that organizations have been able to access, what that support has allowed them to do (i.e. the needs it covered), the sufficiency of that support to meet organizational needs, and any challenges experienced in receiving support, and (c) the financial and operational outlook for the future of nonprofits in Washington State.

We interviewed 37 nonprofit leaders located across Washington State from March to August 2021. Our sample included many of our 2020 survey respondents as well as nonprofits serving communities of color and rural communities. Our interviews revealed that nonprofits responded to the twin pandemics with resilience, compassion, and initiative.

There were some bright spots in terms of programmatic and operational adjustments that have strengthened some organization's ability to deliver on their mission. However, there were an equal number of barriers and frustrations, especially related to funding, that leave more questions than answers about the future of the sector. In particular, we find that:

- ***Nonprofits took extraordinary measures to remain open and to serve their communities and anyone who needed assistance.*** Some of these measures, like providing online services, increased the program accessibility and allowed nonprofits to expand their reach. But, these shifts sometimes increased costs and put physical and psychological strain on nonprofit personnel.
- ***Many nonprofits instituted or strengthened existing efforts around diversity, equity, inclusion, and accessibility in their organizations*** in response to the intersections between the public health crisis of COVID-19 and multiple forms of systemic oppression. Whether this results in stronger efforts to combat underlying structural racism going forward remains to be seen.
- ***Nonprofits across Washington State also identified and filled gaps in social safety net services,*** specifically in marginalized communities, as well as identifying knowledge gaps about what was going on and how best to work within existing systems.

- ***For many nonprofits, financial losses were not as severe as expected in 2020 due to an influx of emergency relief funds, but others faced challenges and the funding forecast is unclear.*** Some nonprofits even reported exceeding budget goals due to a combination of decreased the costs of service delivery, federal assistance programs, and donor largesse. Other nonprofits saw big reductions in revenue, especially those that were unable to successfully move their events online and/or access CARES Act funding.
- ***Philanthropic foundations as well as state and local governments increased funding to BIPOC-led and BIPOC-serving nonprofits*** to address structural disparities. Whether these changes will persist long-term is an open question. Many nonprofits have already begun to see contractions in government, foundation, and individual donor support relative to 2020.
- ***Some pandemic response measures had positive effects on the accessibility of government processes.*** As state and local legislative processes moved online, nonprofits' ability to engage members and constituents in legislative advocacy improved. While some nonprofits lamented the inability to carry out one-on-one relationship building with legislators, online venues allowed individuals who face time and resource barriers to participate in democratic processes.

Our findings suggest four clear steps that policy-makers and institutional funders can take to support the financial and operational health of the nonprofit sector in Washington State.

1. **Provide multi-year, unrestricted funding.** Emergency sources of funding that many nonprofits received in 2020 are now abating, even as communities continue to experience the effects of the pandemic. Long-term, flexible support will help nonprofits continue to support communities as the crisis wears on.
2. **Fund nonprofit infrastructure and capacity-building.** Meeting the challenges presented by the pandemic and the pervasive systems of inequality in our society requires organizations be nimble and innovate. While many funders shy away from providing structural support for nonprofits, it is essential for nonprofits to provide social and human services effectively, especially in today's dynamic environment.
3. **Trust nonprofits.** Nonprofits are closer to the communities they serve and understand the nature of the challenges those communities face. At times, uncertainty necessitates course correction and nonprofits benefit from funders who trust them to set priorities and execute plans to best meet those priorities.
4. **Continue to provide online venues for nonprofit participation in public processes.** Online public proceedings, including legislative hearings, created space for those who face time, resource, and geographic barriers to participate in democratic processes.

# INTRODUCTION

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The COVID-19 pandemic profoundly affected the nonprofit world, highlighting the importance of the nonprofit sector to health and wellness, social and economic security, and social life more broadly. Not only do nonprofits serve as frontline public and social service providers throughout Washington State, but they also support citizen participation in the democratic processes – critical functions that were tested over the course of the past two years and continue to be tested as the pandemic drags on.

Shortly after the onset of the COVID-19 pandemic in May 2020, the Evans School of Public Policy & Governance at the University of Washington began collecting data on nonprofits across Washington State in order to understand nonprofit challenges, outlooks, and needs. The first phase of the research, which reflects changes through July of 2020, revealed that many nonprofits faced precarious financial and operational conditions precipitated by an increased demand for services and dwindling revenue sources. During this time, the disproportionate impacts of COVID-19 on Black, Indigenous, and People of Color (BIPOC) became increasingly apparent, underlining the systematic racism contributing to grave public health disparities. Based on these findings, our first report recommended that governments and institutional funders take steps to reduce nonprofit financial volatility by providing unrestricted funding, to reduce reporting requirements and other onerous monitoring measures, and to provide intentional support to BIPOC-led and BIPOC-serving organizations as they bore the brunt of the pandemic's deleterious effects.

But the COVID-19 pandemic was not the only crisis facing nonprofits in the United States – the histories of racial discrimination and police brutality against people of color sparked mass protests in the summer of 2020. The on-going fights for racial justice brought to light longstanding inequities and concerns to which the nonprofit sector began to respond. One of the key responses was to provide greater support and funding for communities of color and to increase advocacy efforts on behalf of racial justice. But the work does not end there. The nonprofit sector's own history is rooted in white-dominant ideologies that, to this day, impact who is represented in nonprofit staff and leadership as well as how nonprofit work gets done<sup>1</sup>. The result has been increased calls for meaningful diversity, equity, inclusion, and accessibility in the sector – calls that the composition of nonprofits accurately reflect the myriad perspectives, worldviews, and lived experiences of the communities that those nonprofits serve. At a deeper level, the nonprofit and philanthropic sector is currently wrestling with the racial power dynamics and inequities that permeate relationships between funders and the communities they serve.

With this as our background, we undertook a second phase of research to understand how nonprofits fared in the period following our initial survey and to investigate the impacts of the

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<sup>1</sup> Rodríguez, D. (2017). "The Political Logic of the Non-Profit Industrial Complex", *The Revolution Will Not Be Funded: Beyond the Non-Profit Industrial Complex*, INCITE!

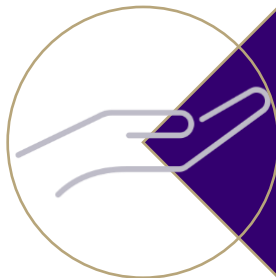
twin public health crises of systemic racism and the COVID-19 pandemic, especially for organizations led by and serving communities of color.

## RESEARCH OBJECTIVES

Our second phase of research began in March 2021 with the goals of understanding:



The challenges that nonprofits - especially BIPOC-led and BIPOC-serving organizations - faced as a result of the crisis and the responses they adopted.



The types of support that organizations have been able to access, what that support has allowed them to do (the needs it covered), the sufficiency of that support to meet organizational needs, and any challenges experienced in receiving support.



The financial and operational outlook for the future of nonprofits in Washington State.

## METHODS

To address these objectives, we conducted 37 semi-structured interviews via Zoom with nonprofits located across Washington State from March to August 2021. Many of the nonprofits that we interviewed took part in our original 2020 survey, but we also used snowball sampling to identify additional nonprofit organizations that are led by and primarily serve Black, Indigenous, and People of Color, as well as organizations that work in underserved rural communities across Washington. Overall, our sample features nonprofits across subsectors, including health and human services, arts and culture, education, environmental advocacy, youth development, and civic engagement.

## SUMMARY OF KEY FINDINGS

One of the questions that we asked nonprofit leaders was: ***What have you learned in the past year that you will carry forward into your work?*** Almost every nonprofit leader responded with some variation of “be flexible”, “be nimble”, or “work with what you have”. Our 2020 survey clearly showed the resilience of the nonprofit sector’s pandemic response in Washington State; this phase of our research illustrates the longer-term strategies that nonprofits used as they supported communities across Washington, often in the face of profound challenges.

The following points summarize the results of our interviews with nonprofit leaders and personnel:

- ***Nonprofits took extraordinary measures to remain open and to serve their communities and anyone that needed assistance.*** But, these shifts increased costs and, at times, put physical and psychological strain on nonprofit personnel.
- ***Moving online helped to increase program accessibility in some nonprofits.*** Despite some early difficulties with internet access and online proficiency, nonprofits noted that providing services online allowed them to expand their reach. Several nonprofits noted that they will continue to use some form of online programming even as operations return to normal.
- ***Many nonprofits instituted or reinforced efforts to address the equity challenges in the face of multiple intersecting crises.*** The past two years brought increasing recognition that the public health crisis of COVID-19 intersects with multiple forms of systemic racial and socioeconomic oppression. Many nonprofits instituted or strengthened existing efforts to prioritize diversity, equity, inclusion, and accessibility in their organizations but whether this results in stronger efforts to combat underlying structural racism going forward remains to be seen.
- Due to the startling degree of fragmentation in social safety net services, specifically for marginalized communities, ***nonprofits across Washington State both identified and filled gaps in service provision networks for emergent needs*** such as food distribution, as well as identifying knowledge gaps about what was going on and how best to work within existing systems.
- ***Some pandemic response measures had positive effects on the accessibility of government processes.*** As state and local legislative processes moved online, nonprofits’ ability to engage members and constituents in legislative advocacy improved. While some nonprofits lamented the inability to carry out one-on-one relationship building with legislators, online venues reached individuals who face time and resource barriers to participating in democratic processes.

- ***For many nonprofits, financial losses were not as severe as expected in 2020 due to an influx of emergency relief funds from public and private sources, but many faced challenges and the funding forecast is unclear.*** Some nonprofits even reported exceeding budget goals due to a combination of online programming (which decreased the cost of service delivery), federal assistance programs, and donor largesse. Other nonprofits saw big reductions in revenue, especially those that weren't able to successfully move their events online. The major challenge on the horizon is that excess funding is not expected to last; many nonprofits have already begun to see contractions in government, foundation, and individual donor support.
- ***Institutional funders (philanthropic foundations and state & local governments) prioritized BIPOC-led and BIPOC-serving nonprofits in a number of ways in 2020.*** Increasing funding, reducing and eliminating application/reporting requirements, and loosening restrictions on the use of grant funding were common changes funders made in 2020. While some funders continue to be flexible in their approach, evidence suggests that many funders returned to their pre-COVID practices in 2021.

## OVERVIEW OF RECOMMENDATIONS FOR ACTION

Interview findings point to four clear steps that policy-makers and institutional funders can take to protect and support the financial and operational health of the nonprofit sector in Washington State.

1

### **Provide multi-year, unrestricted funding.**

Emergency sources of funding that many nonprofits received in 2020 are now abating, even as communities continue to experience the effects of the pandemic. Long-term, flexible support will help nonprofits continue to support communities as the crisis wears on.

2

### **Fund nonprofit infrastructure and capacity-building.**

Meeting the challenges presented by the pandemic and the pervasive systems of inequality in our society requires organizations be nimble and innovate. While many funders shy away from providing structural support for nonprofits, it is essential for nonprofits to provide social and human services effectively, especially in today's dynamic environment.

3

### **Trust nonprofits.**

Nonprofits are closer to the communities they serve and understand the nature of the challenges those communities face. At times, uncertainty necessitates course correction and nonprofits benefit from funders who trust them to set priorities and execute plans to best meet those priorities.

4

### **Continue to provide online venues for nonprofit participation in public processes.**

Online public proceedings, including legislative hearings, created space for those who face time, resource, and geographic barriers to participate in democratic processes.

# FINDINGS

In the following section, we aim to convey nonprofit stories as expressed by the nonprofit leaders we interviewed. Some of the included quotations have been edited for clarity.

## CHALLENGES & ORGANIZATIONAL RESPONSES

### Research Objective 1

**Understand the challenges that nonprofits - especially BIPOC-led and -serving organizations - faced as a result of the crisis and the responses they adopted.**

### MULTIPLE INTERSECTING PANDEMICS

COVID-19 was layered upon several existing crises, including institutional racism, systemic oppression, and economic inequality. In many ways, the disproportionate effects of the pandemic on communities of color and other marginalized groups brought forth new discussions about how existing governance systems uphold an unjust status quo. In the words of one nonprofit leader, discussions about disproportionality in the impacts of societal challenges...

*"...have risen in the wake of COVID because of the Black Lives Matter movement. It has finally opened the door for people to recognize that the systems have been broken for a long time."*

The Executive Director of an education advocacy organization describes the multiplicative effects of these crises,

*"We've had these crises, so we've had the health crisis, we had a social justice crisis, an economic crisis, and then the fragility of our American government and society. The residual from the January 6<sup>th</sup> insurrection is unsettling. I'll just say that the Confederate Flag being walked through the Capitol is unnerving, it's just unreal. People are troubled. How we look at engagement around policy, even in governmental action could change drastically. That will be interesting to see how it affects our advocacy work going forward."*

He goes on to describe how his advocacy coalition has digested these crises, how that has changed their outlook and strategy towards advocacy, and the challenges to fighting the inertia of the status quo.

*“There’s been more stopping and taking stock of who we are and what’s going on with us. As we think about how we want the world to change, how we are conducting ourselves in that process, it’s easy to slip back into the ‘let’s just keep doing things the way we’ve always done it.’”*

The disparities in pandemic impacts along with the ongoing fights for racial justice have placed diversity, equity, inclusion, and accessibility (DEIA) at the forefront of many nonprofits’ attention. Numerous resources have popped up in the past year to market equity practices to private organizations, nonprofits included, but critics argue that the marketization of equity can create false expectations about the ease of change.

Angela Rogers and Tiloma Jayasinghe of Community Resource Exchange, a DEI consulting firm, emphasize that, “This work takes time, courage, a realistic budget over multiple years, and an intentional commitment to the marathon and not the sprint that advancing DEI work requires.”<sup>2</sup> Ultimately, the nonprofit sector across the United States still suffers from a racial diversity problem in both leadership and staff<sup>3,4</sup> that reinforces existing power asymmetries.

***This work takes time, courage, a realistic budget over multiple years, and an intentional commitment to the marathon and not the sprint that advancing DEI work requires.***

***Angela Rogers & Tiloma Jayasinghe,  
Community Resource Exchange***

Despite these challenges, many nonprofits across Washington State made efforts to confront existing disparities in power and resources for BIPOC nonprofits and communities by instituting or revisiting existing DEIA initiatives and by addressing underlying structures of oppression in their work. Some organizations made immediate changes in how they conducted their work. One social service nonprofit reports,

*“We increased our pass through funding to specifically Black, Indigenous, and Other People of Color. In addition to that, on the advocacy side, it’s really about knowing that these are the communities that are closest to the issue and therefore have the solutions. It’s less about supporting technical assistance and more about resourcing. On the federal pass through side, it’s more about the technical. There are so many federal hoops that these smaller community-based organizations haven’t engaged in before that are burdensome and feel unnecessary. We want to take on that burden.”*

<sup>2</sup> Rogers, A. & Jayasinghe, T. (2021). The Hidden Cost of DEI Work—And What to Do about It. *Nonprofit Quarterly*. <https://nonprofitquarterly.org/the-hidden-cost-of-dei-work-and-what-to-do-about-it/>

<sup>3</sup> BoardSource. (2020). Leading with Intent: BoardSource Index of Nonprofit Board Practices. <https://boardsource.org/wp-content/uploads/2021/06/2021-Leading-with-Intent-Report.pdf?hsCtaTracking=555947c8-114a-4dd4-88a5-0f472b6b8ff1%7C8d96dc6a-8740-448f-9b2a-8856b51799b4>

<sup>4</sup> Kunreuther, F. & Thomas-Breitfeld, S. (2020). Race to Lead Revisited: Obstacles and Opportunities in Addressing the Nonprofit Racial Leadership Gap. [https://buildingmovement.org/wp-content/uploads/2020/07/RTL\\_Revisited\\_National-Report\\_Final.pdf](https://buildingmovement.org/wp-content/uploads/2020/07/RTL_Revisited_National-Report_Final.pdf)

Nonprofits are also engaging in more intensive reflection on their own organizational values, policies, and practices as they generate their strategic plans for the coming years. One nonprofit used the period between March 2020 and March 2021 to conduct a deep dive analysis into their organizational practices.

*"We actually hired a third-party consultant, who came in and did staff interviews and looked at previous work that we had done around DEI, but that were really not moved in a number years, despite a number of staff wanting it to move forward. We did a huge, 15-page findings assessment that really laid bare where our strengths were and where we needed improvement. We were originally going to do this pre-COVID, but then, in May 2020, we decided that we couldn't put a hold on this. It was way too important. We actually have a DEI working group convened that is developing an action plan based on the findings assessment."*

Nonprofit leaders acknowledge that truly internalizing and institutionalizing equity goals is an ongoing and often difficult process, requiring organizations to confront and remedy long histories of exclusion and marginalization. One musical performance organization reported that they have reached back into the very history of racial exclusion among professional music guilds to guide their strategy to diversify the field. This nonprofit created a strategic five year plan to make music education, private music lessons, and tickets to professional performances more accessible to students from marginalized and underserved backgrounds.

Similarly, a disability service nonprofit began reflecting on the origins of disability service and advocacy systems and used their findings to develop new advocacy agendas around the need for culturally and generationally-appropriate services.

*"It turns out that the disability services (DS) system has largely been developed and driven by white affluent families and it was failing to serve other cultural language groups. The DS system is very difficult to access and that became more apparent. But, so did the opportunity to shout out loud about it. Our state has to invest more in a system that addresses multigenerational support needs and doesn't institutionalize and isolate people. Our advocacy pivoted in that direction."*

Nevertheless, progress remains slow in many nonprofits. Some organizations indicated that the imperative to go virtual has somewhat hindered the ability to have in-depth conversations about the intersections between race and nonprofit work. One leader told us,

*"We have worked hard to become an anti-racist organization and to respond to the things that have happened in the past year. We've also had a lot of really challenging conversations with the board this past year. For people who are not necessarily nonprofit professionals, who don't live and breathe this work, those are really challenging conversations to have over Zoom. Those conversations should happen in public, in-person."*

The ways in which nonprofits approached the challenges of multiple intersecting pandemics varied widely, but the majority of the nonprofit leaders interviewed reported that centering equity in their work was a key priority going forward. Some nonprofits are actively working to address the systems of oppression that led to the pandemic's glaring disparities. But, as many of our respondents noted, this work takes time and a continued attention in order to ensure that nonprofits do not slip back into previous routines.

## ADAPTING RAPIDLY

The immediate concerns raised by COVID caused several nonprofits to temporarily shift internal resources to meet new demands. A major social service agency in Seattle tells us, "Our primary mission was to be able to pivot and convert operations to continue providing basic services, as well as to step up in new ways to meet immediate needs. The new stuff was mostly hunger and security work and increased rental assistance disbursement." Rather than laying off employees, this organization reallocated work hours from one of their flagship transportation programs to deliver food and meals across the county – satisfying other emergent needs of their constituents.

***Our primary mission was to be able to pivot and convert operations to continue providing basic services, as well as to step up in new ways to meet immediate needs.***

***Social service nonprofit***

One mid-sized youth development nonprofit described the imperative to address the immediate challenges facing the girls they served in addition to the organization's usual programming,

*"Our younger girls' parents were often working on front line, so they had the added responsibility of taking care of the younger siblings and taking care of themselves. In a lot of cases, some of the parents faced the pressure of not being able to pay for rent and utilities and had to figure out how to get resources. So, we activated our donors to contribute so that we could provide direct support to the families, to be able for them to get food as well as to pay for some bills. We had some donors that specifically wanted to do that kind of support, but it takes a lot of coordination and it was a lot of stress on the families... We also provided increased emotional support, so bringing on more social work support. Right now, we're looking at perhaps writing a couple of grants to try to get some more social worker support, because the emotional toll has been really challenging for not just us, but also for the families."*

For many smaller nonprofits, rapid adaptation meant reducing or eliminating existing programs. Downsizing was necessary to accommodate social distancing requirements, which has sometimes had adverse effects on staffing. One behavioral health nonprofit had to reduce inpatient mental health programs by 43% to accommodate social distancing requirements, which put the programs in a precarious financial position. "That was something that just took a huge budget hit, it's not

something that you budget for,” the Executive Director told us. This organization has also downsized staff due to closed programs: “From prior to COVID to current, we have lost 11% of our workforce.”

Pandemic-related furloughs and staffing changes also had domino effects for nonprofits that rely on other organizations to provide space or resources to implement their programming. One social justice and advocacy organization closed an entire regional branch of their flagship mentoring program due to employee furloughs and layoffs in partner/implementing organizations.

An ever-present challenge facing nonprofits has been navigating operations in an ever-changing environment. Human and social service organizations who must conduct their work in person (i.e., work with vulnerable communities) sometimes found it challenging to keep a pulse on the implications of changing COVID transmission rates and updated guidance on how to most safely provide for the needs of those served. One social service nonprofit leader recounts,

***There was no guidance for community based home care. And so, for me, as the ED, I was faced with all of those logistical and occupational safety and liability issues and trying to figure what new policy do I need today based on the pandemic. And then, how do I get my staff to feel safe?***

***Disability service nonprofit***

*“There was a high level of risk that developed around our day-to-day work, so we had to figure that out on our own, because the Department of Health and the State really had no idea. We had to figure out how do we secure PPE? What funding do we use to buy? Where do we get it? I mean, we were ordering online from other countries to get enough PPE to staff people up. We didn't know the protocols, like the Department of Health kind of had protocols, but not for a business that provided direct care outside of a facility or a hospital. There was no guidance for community based home care. And so, for me, as the ED, I was faced with all of those logistical and occupational safety and liability issues and trying to figure what new policy do I need today based on the pandemic. And then, how do I get my staff to feel safe? What do I do about turnover? How am I training people that are coming in?”*

Very small organizations, especially smaller BIPOC-led organizations, faced extremely difficult circumstances. One small financial services nonprofit serving public benefit groups in the Puget Sound region lost all clients by June 2020. The Executive Director paid rent and overhead costs out of her own pocket just to keep the doors open. Smaller fiscal sponsorship organizations are generally not competitive for institutional program-related funding, which put this organization in a challenging financial position as COVID-related funding focused predominantly on urgent responses. COVID-19 related closures also prevented this organization’s existing clients from bringing in sufficient funding to cover administrative costs. Many of their board members

resigned throughout early 2020. Later in the year, however, the nonprofit received an inquiry from a local daycare facility owner who was looking for a fiscal agent to support the service work she was doing for unhoused children in her community. The Executive Director helped the daycare owner apply for grants through the CARES Act and even helped support day-to-day operations as well.

*“That young lady ramped up \$165,000 worth of grants, of CARES Act money. It wasn’t restricted and didn’t have all of these reporting requirements. She was using it right away; she had people who were getting evicted and needed food. I would go get gift cards for food and various things and deliver them to the daycare owner’s house.”*

These experiences opened this nonprofit leader’s eyes to the variety of different nonprofit funding sources that existed, particularly emerging funding pools specifically geared towards BIPOC communities. The Executive Director expressed that she will continue to pursue these newfound sources of funding.

## **MOVING ONLINE**

The results of the 2020 survey indicated that the greatest challenge faced by nonprofits was the need to rapidly restrict in-person activities in March 2020. For most nonprofits, this meant taking their work entirely online, which introduced serious challenges for organizations serving under-resourced communities. Education organizations determined how to get their students access to technology and Zoom licensure to seamlessly transition. Arts organizations took their in-person content virtual and struggled to engage their audiences. Organizations found many challenges as they made these rapid shifts, but also realized some surprising benefits in terms of access or equity.

### **BENEFITS OF MOVING ONLINE**

Some nonprofits explained that going online helped them expand their audience and increase accessibility by reducing barriers to participation in their programs. One organization that promotes the welfare of justice-involved girls<sup>5</sup> found that, in pre-COVID programming, “there were a lot of transportation barriers to getting girls physically to the meetings” and that online meetings actually allowed them to open new chapters across the state and address the emergent needs of the girls they served. This organization also found that opening online venues made it easier for girls to participate more frequently, which brought new perspectives to the organization’s work and improved their understanding of the struggles facing the communities they serve.

*“We held a digital town hall last August and had an open forum discussion about how the data we used to inform programming and strategy was collected. Was that really truly representative of the girls’ experiences in the state? And it turns out, the numbers were even worse than we had anticipated, especially with increasing rates of domestic violence*

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<sup>5</sup> Female-identifying youth who have been involved with the criminal justice system.

*and gender-based chores in the household. Responsibilities have gone up, so girls are finding it harder to study when they need to clean, cook, and meet the expectations of these gender-stereotyped roles.”*

Another nonprofit serving senior citizens in Southeastern Washington faced steep declines in revenue throughout 2020 as their highly-vulnerable clients opted out of in-person caregiving services, a dangerous financial situation in an already-underfunded subsector. As they moved services online, this nonprofit found that they could continue providing adult-day services and even expand their reach to seniors in adjacent counties who may not have otherwise been able to physically travel for services. The Executive Director indicated, “We’ve had really good participation when you consider the challenges of getting people who have probably never used Zoom.”

This nonprofit leader attributed the success of their online push to the efforts of several organizations tasked with equipping seniors with necessary technology and indicated that they would continue providing online programming in the future.

***We’ve been able to continue to engage people and now we realize that we serve people that are not able to get here. But, for example, our Area Agency on Aging is a five-county area, so we can really only serve part of one county before it gets tough for people to get here on a daily basis. If we provide services virtually, we can serve the entire five counties. It’s a huge step forward for us in our thinking of how we can reach and benefit more people.***

***Senior services nonprofit***

*“A local foundation purchased iPads and sent them out to several Assisted Living adult family homes, so our clients in those settings were able to get an iPad. Then, for some people, we bought a device and brought it out to them to help them set it up. We’ve been able to continue to engage people and now we realize that we serve people that are not able to get here. But, for example, our Area Agency on Aging is a five-county area, so we can really only serve part of one county before it gets tough for people to get here on a daily basis. If we provide services virtually, we can serve the entire five counties. It’s a huge step forward for us in our thinking of how we can reach and benefit more people.”*

## **CHALLENGES OF MOVING ONLINE**

For many health services nonprofits, moving online meant adopting virtual medical visits. One behavioral health nonprofit leader described some of the challenges inherent in this shift,

*“One of the biggest things we found right away about virtual health is that everyone thinks it’s the ‘bee’s knees’, which it is, to some degree, but it does not allow for evidence based*

*practices...we're trying to do the best we can, but there are some real challenges in the inability to see a person and read the full body language."*

A community health clinic executive in rural Washington similarly noted,

*"Telehealth is not a solution for everyone, it's not necessarily more efficient nor is it a natural means of patient care."*

This challenge was shared by social service organizations who provide referrals to vulnerable populations. The Executive Director of a disability services nonprofit noted,

*"Getting everybody connected to remote medical services was a huge challenge, just like helping everybody understand what Zoom is and how to connect with their doctor on Zoom."*

The leader of a community health clinic in rural Washington explained that patients were often unfamiliar with and ill-equipped to implement telehealth early on, so the clinic began conducting (and continues to conduct) socially-distanced meetings in the parking lot along with telephone meetings, which proved more accessible for patients.

Nonprofits serving marginalized and under-resourced communities encountered early difficulties in establishing the infrastructure to move entire programs online. One youth development nonprofit describes the challenges of switching to online programming given unstable internet access to underserved areas of Seattle and the steps the organization took to address these challenges,

*"We had to pivot everything in the program because everything had to go online. At the very beginning, some of the young people didn't have access to their own computers, so we had to lend them our computers. Some of them did not have phones, we would try to get phones. Also, in some areas of Seattle, there was this Wi-Fi situation where people weren't able to get access to online until eventually Comcast and some of the other providers stepped up. We would send Wi-Fi hotspots to some of our youth. Jay Inslee was talking about having more stability but, at the very beginning, there were people who were challenged by lack of internet access."*

The imperative to move online has changed the way that many nonprofits run, including altering interpersonal dynamics. Some nonprofit leaders expressed mixed views on the changes in working relationships inherent in with work-from-home (WFH). Some argue that WFH benefits employee productivity; that fewer interruptions allow for greater focus on organizational tasks. Other nonprofit leaders acknowledged that, despite marginal increases to productivity, some workplace efficiencies were lost in the WFH model. One nonprofit leader expressed, "It's just so much more efficient to have those 'water cooler conversations'. When you're working remotely, there are things that do not rise to the level of importance to reach out via email or to set up a Zoom, so smaller things just fall through the cracks."

***It's just so much more efficient to have those "water cooler conversations". When you're working remotely, there are things that do not rise to the level of importance to reach out via email or to set up a Zoom, so smaller things just fall through the cracks.***

***Environmental advocacy nonprofit***

Another nonprofit leader indicated that it was more difficult to exchange ideas in a virtual space than it was in person,

*"The Founder and Board President of my organization has always been incredibly hands on and involved. She and I used to just chat constantly throughout the day. It was a lot easier to share ideas or responses or say, 'Oh, this is interesting' or 'I saw this article, maybe we could apply it here'. It is much, much harder to have an open exchange of ideas in an entirely virtual space. I think it's harder to create change in an organization when you're not talking regularly. I think if we were to continue in this virtual space for another few years, it would eventually stall progress."*

Due to the nature of their work, some nonprofits were unable to move services entirely online. One large global health nonprofit reported,

*"People who train community health workers or people who do workshops in our country locations have had to go back to doing that in person, more rapidly than activities have scaled up in the United States. They are still doing that work safely, with all the COVID precautions."*

This nonprofit leader also described how the organization's existing infectious disease response protocols have been repurposed to address COVID-19, often at the behest of major donors.

*"Trainings that we already have for community health programs, those kinds of things that have worked for other disease areas would work for COVID. So, a lot of donors said, 'Can you replicate what you are doing or can you shift some of this work?'"*

Moving online ultimately benefited some nonprofits in a number of ways, from increasing the accessibility of programs to keeping staff physically safe from COVID-19 transmission. But the shift to virtual work also introduced strain due to inefficiencies in communication and prolonged social isolation.

## STAFF WELL-BEING DURING COVID

Some nonprofits provided essential services that could not be done remotely, putting staff and their families at greater risk of COVID-19 infection. One disability services provider noted that this danger resulted in major staff shortages, ultimately impacting families that depended on services.

*“Many families went into crisis because they could no longer get respite to come to their homes for someone to give them a break. Then, in residential services, we have this horrendous situation of staff getting COVID and giving COVID to the people they care for. We lost a number of people with developmental disabilities and staff to COVID. How do you deal with that grieving process and that liability? How do you deal with staff shortages and maintaining capable staff?”*

Other nonprofits could adopt the WFH model to maintain staff safety. But, the rapid shift to a WFH model in the context of global upheaval had serious effects on the mental health and well-being of some nonprofit staff. Some of the key issues that arose included managing primary caregiving responsibilities on top of usual workload, withstanding months of physical isolation from coworkers in fields that largely rely on interpersonal interactions, and the impacts of vicarious trauma.

***We lost a number of people with developmental disabilities and staff to COVID. How do you deal with that grieving process and that liability? How do you deal with staff shortages and maintaining capable staff?***

***Disability services nonprofit***

For some larger, well-resourced nonprofits, the transition to work from home was logistically seamless. One statewide children’s services provider indicated that their strong organizational infrastructure really helped them transition to WFH quickly and that the organizational leaders took active measures to support staff well-being. This respondent tells us,

*“Our staff were really resilient, they were still there for families. You know, there is ‘being able to do the work’, but at the same time, just because we’re in the social services, there*

*is an emotional and social element of transitioning to a virtual world. So, we did a lot of staff well-being calls. We were doing weekly check-ins with staff and at least a third of staff were attending those meetings on a weekly basis. All the directors and executive team met every single day at 8:30 in the morning to check in and troubleshoot any issues that were*

*going on. We actually met on Sunday mornings for a while just to troubleshoot anything that had happened throughout the week.”*

Even for nonprofits from whom the transition to working from home “went well”, the effects of isolation became clear over time. One respondent from an global health nonprofit indicated,

*“I think people really welcomed it initially. They welcomed the fact that it was a quick decision across the organization to move to online work. I think we were pleasantly surprised at how all the IT systems worked. But, in late summer of 2020, there was some fatigue around that. People started to admit that there was actually a limit to how well this was going to work. I can certainly see that there’s value that we’re missing out on by not being together.”*

Ultimately, this respondent acknowledged, the WFH model ended up being very beneficial for some, but suboptimal for others. Going forward, this nonprofit indicated that they will continue to provide individual employees with the flexibility to work remotely, rather than mandating a return to in person for all employees.

Staff in essential health service organizations were often vulnerable to the same conditions they treated in their clients. The Executive Director of a large mental health services nonprofit in rural Washington pointed out,

*“A lot of folks fail to recognize that people providing mental health services can also be subjected to mental health issues. So what we definitely have seen is a lot of depression and anxiety among people who provide mental health services, people with severe mental illnesses and addictions and chronic health care problems and that’s usually been accelerated by the fact that we have folks at home with no child care with children.”*

Smaller social justice and advocacy nonprofits tended to experience stronger effects of the physical isolation than larger organizations. WFH not only disrupted usual workflows, but more importantly, decreased their ability to communicate as effectively. The leader of an education advocacy group acknowledged, “It is much

***It is much easier to connect and be in sync with each other when in the office.***

***Social justice and advocacy nonprofit***

easier to connect and be in sync with each other when in the office.” The combined effects of the pandemic and the racial/socioeconomic disparities revealed by the pandemic also weighed heavily on advocacy groups. One nonprofit leader explained the toll that 2020 took on her staff,

*“It’s been a very emotional year. The logic of caregiving has been overwhelming. Checking in with our staff has been critical.”*

## MANAGING CONSTITUENT & BOARD ENGAGEMENT

Nonprofit membership organizations are a critical conduit for individual political and social participation. Nonprofits provide spaces for people to interact and come together around shared goals, but social distancing in the COVID-19 pandemic made this type of interaction all but impossible. Some organizations have relied heavily on their social media presence to sustain member interactions. As one advocacy organization reports,

*“we’ve had as much discussion with our members as we’ve ever had on social media. We’re very active on Twitter and Facebook and our members are engaged in that.”*

Some emphasize the need to transition back to in-person meetings (for both boards and members) as some organizations have seen declining membership and board engagement since the onset of the crisis. One financial services nonprofit relayed,

*“In terms of leadership we didn't have too many volunteers everybody was getting pushed away didn't want to touch each other, we were social distancing. People were losing their jobs, people were trying to make money, nobody wanted to volunteer without getting paid, so we didn't have a board, so I had to rebuild a board.”*

One nonprofit leader offers a potential explanation for dwindling engagement in nonprofit board leadership.

*“I think part of that is you lose that human connection and we're all friends and we socialize and we eat, and we have a drink and we're not able to do that any longer, so it doesn't feel as special to be part of the Board anymore.”*

The transition to virtual board meetings proved to be a challenge for nonprofits with older-skewing boards that were not accustomed to online meetings. One nonprofit leader noted that their board did not like the impersonality of conversing via Zoom and were, thus, less engaged.

## NONPROFIT PARTNERSHIPS & NETWORKS

Overall, there were three important trends that emerged relative to nonprofit partnerships during the pandemic.

### *Trend #1*

***Nonprofits leveraged relationships with government agencies, for-profit companies, and other nonprofits to obtain resources or retool their existing service provision systems.***

Health and human service nonprofits worked with both the private sector and the state to ensure that vulnerable communities received immediately-needed goods and services. One health nonprofit provided Safeway gift cards to homeless individuals. Food distribution nonprofits all over the state partnered with other local organizations to make and deliver meals directly to the homes of at-risk individuals. Social service organizations providing vital services often worked with local schools, government agencies, and nonprofits to continue safely delivering services to marginalized populations, like individuals experiencing homelessness. One King County homeless service nonprofit drew upon existing relationships with local schools, which were closed at the time, to expand their capacity and adhere to social-distancing requirements.

*“Our local high school provided space for us in their gym. We had buses loaned to us and we would take several loads to transport people up to the school each evening and bring them back down in the morning.”*

A rural health clinic serving predominantly low-income individuals implemented a new relationship with an organization called Dispensary of Hope, which obtains donated medications from pharmaceutical companies. In particular, they noted that this partnership helped the clinic provide critical medications to individuals who would not otherwise have been able to easily and affordably access those medications. The partnership allowed the clinic to obtain high quality insulin for undocumented communities.

*“The medication is available to patients for free...What has really attracted us here is the fact that they have a steady supply of insulin, which is very expensive especially if you are undocumented.”*

This respondent also noted that this type of partnership was a significant deviation from “business as usual” for this nonprofit clinic, but it was ultimately the path forward as they determine how best to serve those in need.

One large social service provider described their partnership with national rideshare company, Uber, to safely ferry patrons that utilize their family store.

*“Our family store is free for these families, so if they need a stroller or a high chair, or games and toys, families can come out and do curbside pick-up. We had a wonderful relationship with Uber, where we get free credits for rides each year. We can get families from place to place because no one wants to carry a whole bunch of heavy stuff on the bus or public transportation. Uber was one of the safest options during the pandemic.”*

## **Trend #2**

***Nonprofits often served critical roles as intermediaries between large governmental institutions and marginalized communities.***

One financial service nonprofit described their role in co-implementing compensation packages with the Federal Emergency Management Agency (FEMA).

*“We are in the process of partnering with FEMA, which is issuing \$39,000 checks to households of folks who have lost someone. But recipients might need some financial education and budgeting so that they don’t spend it all at once. That ties back to what we do: we provide financial resources to our BIPOC community, but we also supplement it with some basic knowledge on how to budget.”*

Established 501(c)(3)s that had long-standing contracting relationships with multiple governmental institutions were tasked with identifying and distributing pass-through funds to community-based organizations, especially in the communities most deeply affected by the spread of COVID-19 and its economic consequences. One such organization tells us, “We pass through to 10 partner organizations throughout King County, so our job was to make sure we got funds to smaller community-based partners that didn’t necessarily have that access before.” Nonprofits of all sizes and subsectors connected federal funding with communities and organizations that stood to benefit most from it, but that might otherwise not have had access to it.

Nonprofits proved to be a crucial conduit for transmitting information from the State regarding COVID transmission, vaccination, and the importance of utilizing personal protective equipment. One nonprofit leader recalled helping his congregants obtain masks.

*“At the beginning, people didn’t have masks. I remember going through all my clothes and cutting a piece of cloth out and made my own. So we started talking to people about that. And it ended up that people had to be creative until masks became a little bit more available.”*

This nonprofit’s experience also highlighted nonprofit roles as trusted messengers in their communities in response to vaccine misinformation.

*"You know the conspiracy messages are so powerful, to the point that some people think 'I want to wait'. But using ourselves as living examples, we can show that we're fine and, so, it is time for you to do it."*

### **Trend #3**

***Nonprofits either utilized existing informational networks or created ad hoc informational networks to better understand the challenges they faced and to share strategies that they have used to mitigate those challenges.***

The scale of partnerships ranged from hyper-local to international. Some nonprofit informational networks were built upon existing initiatives, but expanded and refocused in response to COVID-19. A large global health nonprofit describes a major network of influential businesses across Seattle, Challenge Seattle, convened by Governor Christine Gregoire. This nonprofit leader reports that Governor Gregoire,

*"started doing weekly, or sometimes daily, calls. First, with just Challenge Seattle members, but then she opened it up to the entire business community in Seattle. We had all these other organizations to help us figure out how we were going to move forward, so it wasn't just our organization trying to decide what we were going to do."*

Through these networks, Seattle's business community was able to plan the logistics of vaccine pop-up sites.

*"Microsoft set up this huge vaccination site and Starbucks contributed to the vaccine site processes, because they can move people through. They know how to set up a site and process quickly – it's what they do in their coffee shops."*

International networks of development NGOs that had previously been membership-based opened up their information-sharing webinars to non-members, covering issues like workplace safety and vaccine benchmarking.

The nature of some partnerships and networks has changed over the course of the pandemic. Many partnerships began as a means of addressing emergency conditions, but many have since evolved into forums for strategy-sharing, especially for smaller nonprofits that struggled under the weight of financial uncertainty. The leader of a small

advocacy nonprofit remarked, “I noticed a lot more of this kind of convening initially: How are we going to survive? How are we going to help you know our constituents? Now it's: How are we going to advocate for these policies? Where we going to find the money? And, what is the budget look like?” For some nonprofits, the ability to share strategy in this way and learn from their peers helped keep them afloat during periods of severe uncertainty.

*I noticed a lot more of this kind of convening initially: How are we going to survive? How are we going to help you know our constituents? Now it's: How are we going to advocate for these policies? Where we going to find the money? And, what is the budget look like?*

*Advocacy nonprofit*

## **“NEVER LET A GOOD CRISIS GO TO WASTE”**

### **STREAMLINING OPERATIONS**

The upsets of the pandemic made a certain degree of reorganization a necessity for organizational survival. Early on in the crisis, many Executive Directors were uncertain about how they were going to keep people on staff. The leader of a statewide children's advocacy organization recalls her immediate reactions.

*“In April and May of 2020, I cut costs, revised the budget, and generated weekly cash flow reports to support three priorities: (1) everyone will have a job, (2) everyone will have a full salary with benefits, and (3) our rent will be paid, we would not be asking for rent abatement.”*

This organization ended up eliminating a program that was running a deficit in order to preserve resources, a commonly-reported change to programmatic strategy. Several other nonprofits across subsectors reported either temporarily pausing programs due to an inability to provide them in a virtual context or outright shuttering programs that were not financially sustainable.

### **NAVIGATING “FUNDING TETRIS”**

In trying to navigate the organizational strain from the COVID pandemic, some organizations have focused on streamlining existing administrative and fundraising systems. One social service nonprofit in Seattle focused on navigating the “funding Tetris”—the patchwork of public and

private funding sources that often incompletely covered the costs of programs and services. This respondent indicated,

*“We want to set up budgets as the path of least resistance where we can apply expenses to contracts and funding that we won’t have to tweak in the future. For example, with Seattle Human Service Department contracts, if you go beyond 10% plus or minus of the originally submitted budget, you have to go through an amendment process to get that amount approved. But that means, if we are applying small supply lines of a thousand dollars to a contract and we spent \$1,100, then we have to go through a whole process. But now, we’re reorienting our budgets to make them the most adaptable.”*

Other social service and homeless service nonprofits in Seattle had more critical comments on the city contracting processes, noting that it was often easier to forgo government funding for other, more flexible sources to do their work effectively.

One food distribution nonprofit in Whatcom County noted that the pandemic forced them to reconsider the sustainability of their revenue sources. Repeatedly overlooked by large institutional funders, the Executive Director of this nonprofit told us, “the power silos are just not gonna let you in, so you have to find your own path.” This nonprofit leader described his pursuit of more sustainable funding, generating new revenue streams by selling surplus food as usable feed to local pig farms.

*“We generate so much organic waste and we have to find ways to get rid of it. For the portion that is just too much for distribution, or it’s not going to last, I’m currently working with some of the businesses to actually convert this so that part of the revenue from the conversion would actually sustain our organization.”*

## **AN OPPORTUNITY TO CHANGE DIRECTION**

Some respondents reported that the pandemic has resulted in programmatic and governance changes that shifted the direction of their work. For some organizations, the crisis prompted a return back to core organizational values. Citing budgetary constraints during the pandemic, one early childhood education nonprofit completely re-evaluated their program portfolio, placing big bets on programs that were central to their organizational values. The Executive Director recounted,

*“I feel like COVID really gave us an excuse to “go big”, rather than where we would have made like incremental changes to help families adjust to the services that we were providing. We’re just changing everything. We’re going to totally shift and it’s going to be based on...staff, board, and community values.”*

Another organization used the dual upheavals of COVID-19 and abrupt changes in leadership to address inconsistencies between their mission and values and their program structure. Upon reflection, the small advocacy nonprofit found that their programs were overextended given their

resources and that there were significant pay disparities between equally-experienced employees. One nonprofit board member emphasized that "...the internal behavior of the organization needs to match your mission and values. Meaning that, if you are all about equity and inclusion, make sure your employment picture reflects that."

Nonprofit leaders have also expressed their hope that pandemic presents an opportunity for disruptive change to inequitable social systems. One nonprofit leader summarized this sentiment in the adage, "Never let a good crisis go to waste." Several nonprofit leaders highlighted the opportunity presented by the crisis to shine a light on existing systemic disparities in their field,

***The internal behavior of the organization needs to match your mission and values. Meaning that, if you are all about equity and inclusion, make sure your employment picture reflects that.***

***Social justice and advocacy nonprofit***

*"I'm hoping that there is going to be this opportunity not only to elevate the whole reason we exist as a nonprofit, but maybe begin to solve some of those problems in a more productive way that doesn't just fuel the system that got us here in the first place."*

Another leader expressed concern about whether his organization was using the crisis to sufficiently leverage change.

*"I'm worried about whether we are taking full advantage of the crisis, or how much change can we kick forward. I still think that, a year from now, we may be looking at our education settings and thinking, 'Crap, why didn't we get more changed!'"*

## **FILLING THE GAPS**

The pandemic has highlighted the startling degree of fragmentation in social safety net services, specifically for marginalized communities. Nonprofits across Washington State both identified and filled gaps in service provision networks for emergent needs such as food distribution, as well as identifying knowledge gaps about what was going on and how best to work within existing systems.

Following conversations with grantees and community members, one community foundation in rural Washington noted that several local food banks were only open during business hours. As a result, individuals who needed food and worked during the day could not take advantage of those services. Despite the multitude of providers in the area, the logistics of service delivery were not aligned in a way that reflected the needs of the community. While not the first to recognize this lack of alignment, the community foundation used their position as a community support and

trusted agent to convene service providers and start a conversation on how to improve food distribution.

In another example of nonprofit brokerage roles, one rural health provider observed that their clients were unable to access or utilize the technology necessary to effectively implement telehealth services. The clinic established a community outreach program to help patients navigate these unfamiliar systems.

*“Our patients that were the most vulnerable were still coming to the clinic because they didn't know how to use their smartphone for video visits or to renew their medications or to get a copy of their medical records. Most of our patients are on Medicaid, so they're eligible to get a free phone from the State through the lifeline project. Some of our clients have them, but they didn't know how to use them. So, one of the projects that we are working on is a health literacy program. Patient navigators, specifically community health workers who are dedicated to health literacy, are working with our patients in supportive housing to help them access telehealth and their patient portals to try to increase their health literacy around technology.”*

A social service provider in Puget Sound also began to develop long-term organizational strategies to address gaps in service coordination for families. An officer at this organization described the problem and their solution:

*“We wanted to make it less traumatic for families to find the help they need because we know that the biggest barrier to getting that help is knowing who to call. On average, a family makes 45 calls, which is ridiculous, most people would give up after 45 calls. And the next barrier is transportation for families to get the help within business hours. We wanted to make it so that there was one form families fill out so they don't have to be traumatized every single time they go to each service provider and have to tell their story over and over and over again. We want to create a tool that will be available for nonprofits to help clients access supports.”*

## CHANGES TO LEGISLATIVE ADVOCACY

### IMPROVED LEGISLATIVE ACCESSIBILITY

Many organizations throughout Washington advocate through legislative testimony and lobbying as either a central tenet of their mission or as a part of a systems change strategy. Historically, legislative advocacy has been difficult and often prohibitive for smaller, less resourced nonprofits. It requires dedicated staff to do it well and anyone wanting to lobby or advocate needed to have both the time and ability to participate in committee hearings in Olympia. When the COVID-19 crisis brought the legislature online, it had the unexpected effect of creating space for individuals across Washington to speak to decision-makers in ways that were not previously accessible.

For many organizations, legislative advocacy is a small component of their overall workload and reaping the benefits from legislative advocacy in a face-to-face context comes with trade-offs. One of the most commonly-reported perks of a remote legislative session was the time-savings from travel. A social service nonprofit noted that they were able to increase the breadth of their advocacy without time-consuming travel to Olympia,

*"We have an advocacy week in January, where we go down to Olympia normally and talk to as many of our representatives and senators as possible. This time, we were able to do that sitting in one space, not driving an hour each way."*

Another statewide children's advocacy group reported,

*"Before the COVID-19 pandemic, we would take action to support or oppose bills, that would usually take emails to legislators stating our position or showing up at hearings in Olympia. To do all that work remotely, it was actually made easier because you didn't have to drive down to Olympia taking out a half day or more of your life in order to give two minutes of testimony."*

Some organizations that feature legislative advocacy as a key component of their work observe that delivering testimony to the legislature has been much easier and more equitable during the pandemic. One social justice and advocacy organization described being able to expand their advocacy efforts,

*"In a normal legislative session, you basically have to be down in Olympia physically at the Capitol. This session you don't have to be so we've had girls from the juvenile detention center testify on bills, meet with legislators so it's really opened up a lot of doors. One piece that has been made really clear is that there was a huge barrier to participating in legislative advocacy by physically needing to be in Olympia. Not to mention that the Capitol building is extremely white and male-dominant and I would like to see the ability to advocate online stay in some form. I understand it probably can't stay at the same capacity that it is now, but I think that has really shed light on the amount of people who were unable to participate in political change because of the barriers."*

## **HALLWAY CONVERSATIONS**

Invariably though, participating in committee hearings is just one goal of traveling to Olympia; many organizations rely upon the legislative session to build crucial relationships with policymakers. Organizations have mixed reports on their ability to build relationships with lawmakers during the height of the pandemic, some have found this easier to do in a virtual setting and others have found that this is more difficult than the "hallway conversations" that often transpired at the Capitol. Others indicate that working in a virtual space and relying on email communications with legislators can be difficult,

*"If you're working in the halls of Olympia, just like if you're working in the halls of DC, you can bump into someone or just walk into their office. The challenge in the virtual environment is, if a legislator doesn't want to talk to you, they just ignore your emails."*

## NONPROFIT SUPPORT DURING COVID-19

### Research Objective 2

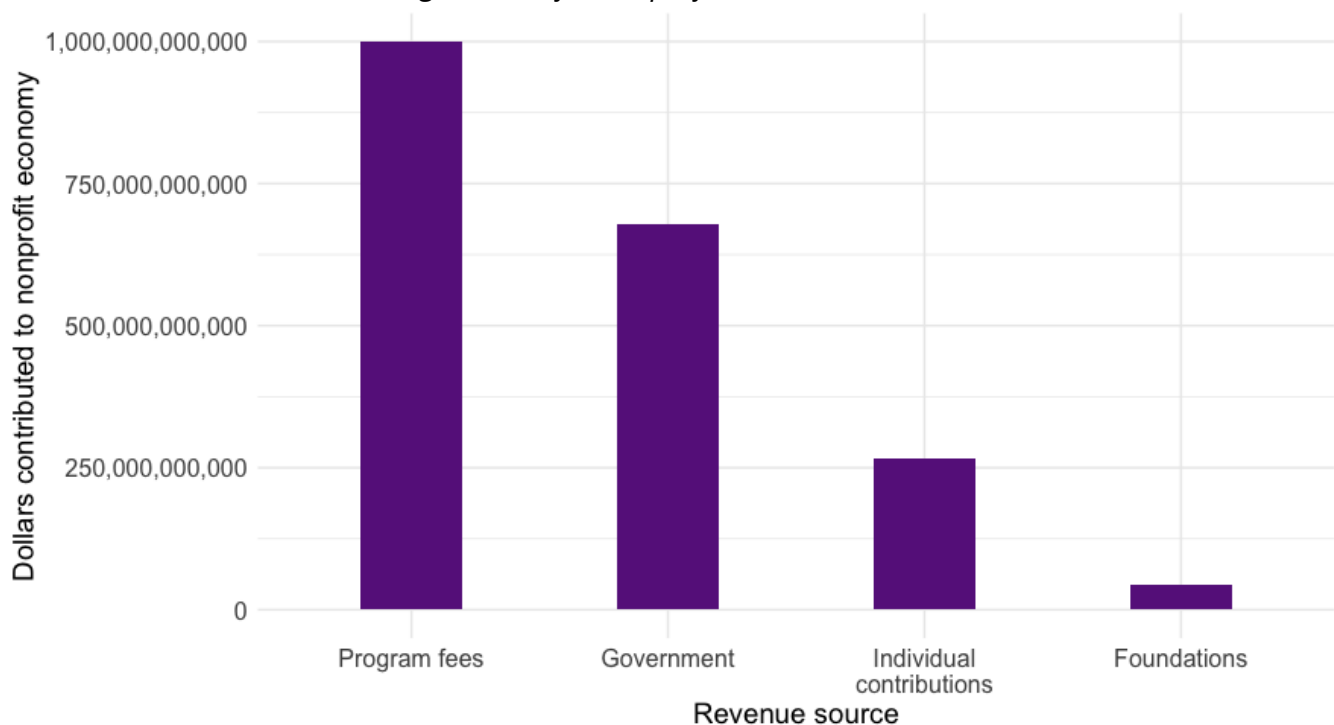
Understand the types of support that organizations have been able to access, what that support has allowed them to do (or the needs it covered), the sufficiency of that support to meet organizational needs, and any challenges experienced in receiving support.

### OVERALL FINANCIAL PICTURE

In mid-2020, nonprofit revenues were largely expected to decline in the coming months. And, while some nonprofits did face drastic decreases in key revenue sources, the influx of emergency funding from governments and philanthropic foundations helped many nonprofits at least weather the storm.

On average, nonprofits derive revenues from program fees (or fees for services), governments (federal, state, and local), individual contributions, and philanthropic foundations. Figure 1 illustrates the relative contributions of each of these revenue sources sector-wide.

Figure 1. Major nonprofit revenue sources<sup>6</sup>



<sup>6</sup> Pratt, J. & Aanestad, K. (2020). NPQ's Illustrated Nonprofit Economy. *Nonprofit Quarterly*. <https://nonprofitquarterly.org/infographics/npqs-illustrated-nonprofit-economy/>

In our first report based on data from the early days of the crisis, many nonprofits reported significant decreases in total revenue. Further, many nonprofits reported that they expected to see continued decreases in individual contributions and foundation funding. The reported decreases that we originally observed are partly explained by the fact that the COVID-19 pandemic struck right around the time that many nonprofits were about to host their major annual fundraising event. For smaller organizations that rely on the contributions from annual fundraising events, the effects were devastating. One community-based organization that provides education scholarships for Latina students in central Washington indicated,

*"We have a fundraiser every year and all of the businesses in our community are very much involved. We had to cancel that event and return the money to our funders. We're talking about \$5,000-\$10,000 funders. Our operation is in shambles."*

Even some larger organizations that rely on earned income revenue sources found themselves in precarious financial positions. One statewide disability services provider explained that they earn income by reselling clothing that is donated to them. The respondent recalled,

*"Our organization lost its primary source of unrestricted income – about \$80,000-\$100,000 per year in clothing solicitations. All of those contracts were ended and shut down, so we had a huge loss in revenue and I had to break a bunch of contracts and leases and lay off around 55 staff. I wouldn't say we've come out of that yet."*

## **A SURPRISING TURN IN 2020**

Many health and human service nonprofits actually saw increases to operating budgets in 2020 from the sheer volume of emergency grants distributed by both government institutions and philanthropic foundations. This emergency influx of cash held important consequences for the number of people served and the quality of assistance they received. As an example, one nonprofit leader tells us,

*"We brought in an additional almost \$10 million, mostly in federal funding that was direct-to-community pass through. I think we have moved about half of that."*

A mid-sized housing advocacy organization in Puget Sound described,

*"We were able to scale up from \$100K in operating budget to \$600K operating budget that went straight to families facing housing insecurity or in need of transitional housing without hiring any new staff."*

Another antipoverty nonprofit in Puget Sound explained the impacts of both increased funding and flexibility of that funding. Whereas before the crisis, case workers would have a limited amount of money to spend on their clients and needed to be frugal with those resources. The influx of unrestricted money gave case workers necessary latitude to obtain essential items more easily and to help with other emergent needs like rent assistance and transportation.

Social service nonprofits also saw increases in individual contributions in mid-to-late 2020, as donors received CARES Act payments from the federal government. “We received many donations for exactly \$600-\$1,200. People just said, ‘I don’t need this money, I’m going to send it to someone who can use it.’” As individual cash assistance has ceased, concerns about the scale of individual contributions over the 2021 fiscal year have increased.

Because many funders simplified (or even removed) common grant application requirements, nonprofit leaders who were not necessarily comfortable applying prior to the crisis were able to access these resources for the first time. Recent experiences learning how to write grants and how to solicit large sums of funds has made some smaller BIPOC-led organizations more ambitious in their fundraising strategy for the future,

*“My desire and strategy for the board and for this organization is to go bigger. Get the big pot, the \$2.5 or \$4 million pot, and then distribute it out to the community. Since we are fiscal sponsor, we pick up community projects that are closer to the problem that needs the money and they can make good with the money.”*

Funders were extremely generous in 2020, but nonprofits are already seeing slowdowns in funding and a return to the same level of application and reporting requirements that they were accustomed to prior to the crisis. One nonprofit respondent indicates,

*“I am worried about private funding. We had a big surge last year in those first few months, and not only are we not seeing that continue into this year, but we’re actually seeing a drop off. At our organization, we are 70-80% publicly funded and the private might seem less impactful or less critical, but it actually far outweighs its percentage in the budget because it ‘plugs the holes’ in a way that public funding does not. Without it, we couldn’t do anything, like make up for the admin rate or make sure we have a financial department to deposit the check.”*

## **INCREASED FUNDING FOR BIPOC-LED NONPROFITS**

Throughout late 2020 and early 2021, institutional funders - including both governments and philanthropic foundations - significantly increased resource allocations to BIPOC-led and BIPOC-serving organizations in several important ways that suggest lessons for institutional funders in the future. Nonprofits reported more Request for Proposals (RFPs) that prioritize BIPOC-led organizations in 2020, combined with simplified requirements for applications and reporting. In place of long, onerous applications, several funders adopted the practice of requiring a page or less detailing how the nonprofit planned to utilize funds. Importantly, smaller BIPOC-led organizations that had not previously applied for institutional sources of funding were empowered by the reduced restrictions and were able to secure significant grants to conduct their work in 2020.

State and local governments throughout Washington also made efforts to increase funding to BIPOC nonprofits. One of the major statewide initiatives, the Washington Equity Relief Fund for Nonprofits<sup>7</sup>, was co-implemented by the Washington State Department of Commerce and Philanthropy Northwest. This groundbreaking funding opportunity empowered a panel of over 100 individuals from communities across the state to make grant allocations to BIPOC-led and BIPOC-serving nonprofits using a participatory grantmaking process. By December 2020, the WA Equity Relief Fund allocated \$11.85 million in flexible funding to 358 nonprofits throughout Washington State. King County also awarded 24 nonprofit organizations a total of \$200,000 to engage communities of color in fact-finding around how to build anti-racist budget priorities<sup>8</sup>.

Some nonprofit leaders raised questions about the methods institutional funders used to increase funding to BIPOC communities, specifically whether these methods were the most effective means of reaching equity goals. By mandating representation at all levels of the organization - including board **and** CEO - nonprofit leaders suggested that some funders may be de-prioritizing organizations that are ahead of the pack in terms of staff and leadership representation. One social service agency leader tells us,

*“Our staff is very diverse, as is our board, and I should say staff at every level from executive to support staff, but what we don’t have is a leader of color. As a result, I am finding that we are being struck from the ranks of potential consideration for funding because our leader is a white woman.”*

There is nearly universal recognition among respondents that the focus on diversity in nonprofit staffing and leadership is a step in the right direction and an important goal for funders at this time. Some nonprofit leaders suggest that the way in which institutional funders are currently trying to achieve that goal may be counterproductive, at worst, actively harming organizations that have significant BIPOC representation and work integrally with BIPOC communities.

## FEDERAL ASSISTANCE PROGRAMS

Rapidly-mobilized federal assistance programs were critical in keeping many nonprofits solvent at the peak of the COVID-19 crisis. Most nonprofits we spoke to described CARES Act Assistance, specifically Paycheck Protection Program loans, as a “godsend”. Nonprofits indicated that government funding compensated for other sources of revenue that had either dried up or had been redirected in response to COVID. This was especially true for BIPOC-led and BIPOC-serving organizations early on in the crisis. One social service provider described,

*“When people were getting evicted, we would finance or figure out a way to try to keep their homes because someone lost jobs unexpectedly. This was all hitting mostly the BIPOC*

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<sup>7</sup> Philanthropy Northwest. (2020). Over 300 nonprofit organizations across Washington State received \$11.85M in relief funding. <https://philanthropynw.org/wa-equity-relief-fund-nonprofits>

<sup>8</sup> King County Executive's Office. (2020). King County awards community grants to advance anti-racist agenda. <https://kingcounty.gov/elected/executive/constantine/news/release/2020/November/19-public-health-anti-racism-grants.aspx>

*population. We realized that we had to rely on the federal funding to address the disparities in the BIPOC community because corporate giving in all of the traditional ways of fundraising had shifted and money for the most part, had gone away. It dried up."*

One environmental nonprofit leader noted that the loans were just enough to keep the organization afloat,

*"The loans were pretty modest, but they really did fill that gap in fundraising that we projected that we lost."*

A major social service contractor in the Puget Sound region indicated that CARES Act assistance helped to sustain financial reserves,

*"We got CARES Act support in the very first round and that helped us to breathe easy, knowing that you have reserves. Because the way that our contracts work, we spend the money first and then they reimburse us. So, we don't necessarily have money to spend. But when we have that money, we're able to direct it in all of the right places and to keep things moving."*

More recent investments from the federal government were also pivotal in supporting essential service provision by Washington State nonprofits. One health service nonprofit leader indicated,

*"The American Recovery Plan allocated \$277 million to Washington State's community health centers to support continuing efforts around COVID testing and maintaining testing and tracing infrastructure."*

Another health care provider indicated that the flexibility of federal funding sources during this time period helped ameliorate some of the uncertainty surrounding other funding sources. She stated,

*"We have had some funders at the federal level say, 'We know you're busy and we know that you have needs, just tell us you want money and we'll send it'. We've been so busy. If somebody said, 'you've got a one in five chance of getting a grant, just write it.' - I'm not sure we would have the time to write it. But if they say, just tell us what you will use the money for in a page or two, they send \$50,000 here and \$50,000 there. With no patient fees coming in, it made all the difference in the world, especially not having to lay staff off."*

## EXISTING BANKING RELATIONSHIPS

Some organizations were able to apply to the first round of the Paycheck Protection Program with ease and many of these respondents attribute this to existing relationships with banks or through donors with banking relationships. Larger nonprofits whose executive and board leaders had experience in the financial sector were in particularly advantageous positions when it came to navigating application requirements. A statewide children's services nonprofit indicated, "The only reason we got it is this major funder who had some very strong banking connections".

***The only reason we got [the PPP loan] is a major funder who had some very strong banking connections.***

***Children's service nonprofit***

A small outdoor education nonprofit attributed their ability to procure a \$50,000 PPP loan with their engaged board members and their long-standing banking relationships. Despite their internal capacity, this nonprofit leader reported a considerable degree of anxiety around loan forgiveness because there simply was no readily-available information at the time.

Even some small, community-based nonprofits noted that long-established banking relationships were the key to getting the process moving quickly. The leader of a small nonprofit recalls,

*"I have been working with [my bank] for the 15 years that we've been around. Whenever the organization paid me, they can see that I'm an individual. So, for the first round of CARES Act loans, I think that they needed three months of payroll. I had to photocopy three checks that I got from the organization and that was enough for the bank."*

While this organization could not obtain a second round of PPP funding due to lack of a formalized payroll system, the Executive Director has since implemented a payroll system noting that, "we are ready for the next time."

## COMPLICATIONS IN THE FIRST ROUND OF THE CARES ACT

Early hitches in the application process, including understanding the documents were required to apply, were common. One applicant described the first round of PPP implementation as "building the plane while it was in flight", noting that banks and nonprofits alike were uncertain about the nuances of the loans. Another nonprofit leader highlighted how complicated the application process could be for organizations,

*"If you don't have a dedicated accounting staff, I just can't imagine trying to navigate the process."*

Others noted the initial clamor around PPP loan applications and the pressure this put on banks. One mid-size nonprofit described,

*"We went through [our bank] and it was clear that they were underwater, like they just were scrambling to get the forms out. Some of the forms were really confusing. They were asking for things and we didn't quite understand terminology. I think it was mostly they hadn't refined a process yet for communication and we had a really short turnaround time. I think we had like a week or something. I just remember being really stressed out. I couldn't get ahold of anybody. I'd be on hold for an hour or two with the bank just trying to ask a question to tick a box."*

After the first round, many of the lending institutions seemed to refine the process. Regarding the second round of PPP funding, one nonprofit leader described that the process...

*"...could not have been easier. [Our bank] set up a completely online portal, so that you don't even have to fill out forms. So the second time was it was night and day. I was nervous to apply again, but was really surprised. I think it took an hour to fill out the second application whereas the first one took me, maybe four full days of work."*

Other common concerns surrounded the loan forgiveness criteria, but many organizations were able to quickly resolve those issues. One health organization says of the first round PPP loan repayment that "the criteria for loan forgiveness were still being developed" as the organization was figuring out how to file the papers. "They kept changing the forms. So, there was a lot of waiting for the dust to settle," recalled another nonprofit leader.

### **AN EQUITABLE DISTRIBUTION OF FUNDS?**

Some evidence suggests that, particularly in the first round of CARES Act, there may have been concerns around the equitable distribution of funds. Part of the problem may have been the agencies that were selected by the state to distribute CARES Act funding. One Hispanic-led community development organization in rural Washington noted that the organization the state government tapped to implement the PPP loan distribution was not necessarily familiar with or representative of the Hispanic community in the area. This nonprofit took on the role of informing small Hispanic-run businesses about subsequent rounds of funding that they might have a chance to access it. The Executive Director tells us,

*"This organization had never worked with small microenterprises and Latino business, that was not 'their thing'. They worked with the big dogs, the big businesses that created a lot of employment. The State ended up putting them in control of who should get the money in our area. Our businesses didn't even know where that office was located. They had to hire translators to help people who were very limited in English. So, I think there has to be an assessment of how that money was distributed."*

Concerningly, one nonprofit leader indicated that a few of the larger lenders simply did not process applications from smaller nonprofits, prioritizing larger nonprofits instead. Some of the leaders of smaller nonprofits that we spoke to indicated that they felt discouraged to even apply for the program.

Several nonprofits across subsectors and geographies in Washington State asserted that distribution of CARES Act funding to those who did not actually qualify was a substantial issue. The leader of a behavioral services nonprofit argued that the complications his organization experienced regarding the PPP loan arose in tandem with incidences of program abuse. This nonprofit leader explained,

*“Several times, they changed the timeline on PPP loan forgiveness and had to extend it out because, again, they just got into a bigger mess. It’s just more complicated than anticipated and then there was so much abuse that happened. You know, a lot of folks are applying for and getting it that were not qualified and should not have gotten it. So, those of us who did are going to get run through the wringer because of that.”*

Members of the United States House Subcommittee on Investigations, Oversight, and Regulations acknowledged both the incidence of fraud as well as the convolutions in the loan forgiveness process in a hearing on October 1, 2020<sup>9</sup>, but stopped short of drawing a connection between these two issues.

## **RELATIONSHIPS WITH PHILANTHROPIC FUNDERS**

Individual experiences with their institutional funders during the pandemic varied widely, but, on average, many nonprofits reported increases in both individual donor generosity and funder flexibility. For some nonprofit leaders, the philanthropic response was outright surprising. One human service nonprofit leader expressed,

*“I was so excited to see philanthropy step up as the answer to the crises, especially in Quarter 1 when bigger entities were trying to figure out how to navigate. Like, government, they take a long time to get things done, but philanthropy can write a check or send a donation from your donor advised fund very quickly. We saw donors double their giving, we saw donors’ unrestricted giving, and we saw donors trust us more to know where to best meet the urgent needs.”*

Many nonprofits saw unprecedented increases in flexibility from funders during the first and second waves of the crisis, which allowed nonprofits to address the emergent needs of the crisis. One social justice and advocacy group reported,

*“A local foundation reached out to us and said that they were going to extend our grant contract by one year, no questions asked. I think we wrote them an email and asked if they had more funds and they said yes, so we didn’t have to like apply, we didn’t have to do anything. Another foundation changed our contract language to unrestricted funds, so we can use the money in whatever way we needed to, which was incredibly helpful.”*

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<sup>9</sup> Preventing Fraud and Abuse of PPP and EIDL: An Update with the SBA Office of Inspector General and the Government Accountability Office. (2020). <https://congressional.proquest.com/congressional/docview/t05.d06.2021-h721-215366?accountid=14784>

The shift to unrestricted funding, in particular, and its success in sustaining nonprofit operations has been a critically important outcome of the pandemic that has many nonprofit advocates pushing for unrestricted funding to become the norm.

Substantial reductions in the complexity of grant application documents from philanthropic organizations removed barriers for small, BIPOC-led nonprofits to apply for much-needed funding. Onerous grant application requirements not only require considerable time and energy to complete for nonprofit personnel, but can also have the effect of psychologically excluding organizations unfamiliar with the process. The Executive Director of a small, community-based organization in South Puget Sound told us,

*"Before COVID, I was like 'I don't know how to write grants', I haven't received a grant before. But, a lot of organizations made it easy and simple. I found myself qualified to apply. It didn't mean that I got all of them, but at least I felt qualified to apply. Now we also have the confidence and the guts to apply for a little more."*

Still, not all nonprofits saw positive changes in their relationships with funders. Some nonprofits noted that their funders tended to invest deeply instead of broadening their portfolio. This meant that (a) some nonprofit work was no longer on private funders' agendas and (b) nonprofits who placed "big bets" (in the form of time and organizational capacity dedicated to grant applications) did not necessarily see those bets pan out.

Other nonprofits found it difficult to secure unrestricted or flexible funding from philanthropic foundations. In fields that tend to be underfunded, like disability services, nonprofits found it difficult to get needed support to help them deal with emergent staffing issues.

*"I was hurting to find staff, but that's not very sexy, right? I can't write to a foundation and say, 'Can you give me \$20,000 to keep doing what I'm doing?' It just doesn't appeal to a foundation or private giver as much. We do advocacy work, which looks like lobbying work, which looks like community organizing and that's not very sexy for foundations."*

## **CHANGING FUNDRAISING MODALITIES**

Many nonprofits have historically relied on one to two large-scale fundraising events per year to maximize unrestricted contributions, but the March 2020 closures foiled many of these events. Some nonprofits shifted to online fundraising events to minimize losses and the success of these events has driven some nonprofit leaders to rethink the way that fundraising events have always been done.

Particularly for larger and more established nonprofits with other dominant revenue streams, it made sense to stop spending time and resources on large-scale, annual, in-person donor events, but rather to make the best use of virtual events. This saves development staff's time and

capacity, while also making events more accessible to a wider range of individuals, therefore increasing the organization's reach. One social justice/advocacy organization notes,

*“Our big annual event which was always at Pacific Tower and it was like \$20,000 and we had catered you know breakfast lunch and dinner, and all that and a happy hour. I don't think we're ever going to do that again, which is pretty incredible to say. But we were able to provide a really amazing online conference. We had people from Hawaii. We had people from New York and DC. Our keynote speaker was from the East Coast and getting physically all of those people into one room was really a lot of work to cater to 100 people when we can bring the same training, the same program to people remotely from our houses.”*

## LOOKING FORWARD

### Research Objective 3

#### Understand the financial and operational outlook for the future of nonprofits in Washington State.

Perhaps the most pressing concern going forward is uncertainty: uncertainty regarding a full reopening/return to normal, uncertainty regarding funding in the next fiscal year, and uncertainty regarding the trajectory of the pandemic and its impacts on nonprofit work.

### FUNDING OUTLOOKS

Another area of concern reflects the landscape of funding in the coming months and years. Despite the deluge of funding that some nonprofits experienced in 2020, many nonprofits have already begun to see funders shift priorities. Some nonprofits predict contractions in support in 2021 and 2022. One social justice and advocacy nonprofit reported,

*"We really did get a lot of like PPP kind of money. We just were approved for another PPP, which is really great, but I know that the money is going to start dwindling, especially from our individual donors this year and next year."*

A social service nonprofit noted that, while the philanthropic response in 2020 was significant, "That's one time. It's not like that's renewable, so that's the rub for the future." Having seen the immense generosity demonstrated by the philanthropic world during the height of the pandemic, some nonprofit leaders are pushing philanthropy to keep it up.

*"I am hopeful for the future, but I also want to see people not just sit on wealth. I'm a big fan of decolonizing wealth and challenging foundations and individuals to give away more right now. Why do you limit yourself to the 5% payout when you could actually give out 10% a year?"*

This is particularly concerning as some service fields, like early childhood care, senior services, and behavioral health care, remain chronically underfunded. While emergency response funding and streamlined operations kept many nonprofits solvent throughout the pandemic, evidence suggests that we are returning to the previous state of affairs funding-wise despite the fact that many nonprofits are still addressing health and economic issues caused by the pandemic. A nonprofit behavioral health provider relayed to us,

*"Behavioral health centers and behavioral health in itself are the forgotten healthcare. Behavioral health got nothing from the State of Washington at all. We got some CARES*

*money, but it was CARES money that came from the Feds to the state, and then the state gave \$1.3 million to the behavioral health system.”*

This nonprofit leader indicated that some behavioral health providers received \$20,000-25,000, which he estimated would purchase between two and three months’ worth of personal protective equipment. He went on to add, “So, we were graciously awarded some of that \$1.3 million, but it was just not enough to go around.”

Another senior services nonprofit leader reported,

*“The hardest part of an adult day center is getting a critical mass of clients to make it viable. Not that we’ve ever found a way – we’ve been doing this for ten years and it’s never broken even. Now we’ll be basically starting at zero again. The COVID funding will help with that, it’s just that making an adult day center viable is really hard. There’s a reason that only nonprofits do it here in Washington. It’s virtually impossible to make viable.”*

The uncertain funding landscape in the future makes it difficult for nonprofits to achieve long-term solvency. Contractions of funding put nonprofits at risk of returning to old funding pitfalls, including onerous reporting requirements, prohibitive applications, and limitations on how money can be spent/what counts as reimbursable. Funding pressures and limitations, especially limited statutory funding through Medicaid, results in high turnover for many nonprofit health providers as they can ill-afford to pay qualified staff competitive wages.

## **RETURNING TO WORK**

While many nonprofits have returned to at least some degree of in-person work at this point, many simply do not know when they will be able to re-open. One nonprofit leader said,

*“That’s really the hardest part for us. We cannot tell our staff ‘We’re opening May 1<sup>st</sup>’. We just have no idea.”*

The question of whether or not it is safe to return to normal operations looms large for many nonprofits. One nonprofit leader noted that the question of when to resume normal, in-person operations was a subject of disagreement in his community. He reported,

*“In the African American community, there’s variations on people who are like, yeah, we can get back and other folks were like, no, we want to take time because we don’t understand everything that’s going on.”*

The Executive Director of one community health clinic indicated,

*“The first worry is that people feel a little too relaxed now that they are vaccinated.”*

This was a frequent theme among interviewees – a strong will to want to return to relative normalcy, tempered by feelings of apprehension about whether a return is warranted given the current state of COVID-19 transmission.

Other nonprofits are actively focused on the prospect of getting back to an in-person setting in order to preserve the integrity of their work, despite the endless COVID-19 surges. One nonprofit leader indicated,

*“Our biggest concern is getting back to normal, in terms of having in-person educational opportunities and volunteer opportunities and really interacting directly with community again.”*

### **“WHAT TSUNAMI AWAITS US?”**

Another element of uncertainty that stands to immediately impact nonprofits in the social and health service sectors are the trends and threats that were hidden to them throughout the past year. One nonprofit leader characterized this concern with the question, “What tsunami awaits us?”.

### **HIDDEN IMPACTS**

For health nonprofits, mental health issues and other long-term, latent issues were more difficult to spot and adequately address in the context of virtual care. The Executive Director of a behavioral health nonprofit was particularly worried about the effects of prolonged social isolation on children suffering from existing mental health challenges.

*“Children and youth have stayed in their home environments and, if it’s an abusive environment, you are not going to know about it because you are not going to see it without seeing the kids on a regular basis. When you have a kid who is having difficulties in a normative group, they are going to stick out like a sore thumb, then we can identify or flag kids earlier for crisis services or interventions. But if you put that same group on a Zoom call, you are not going to be able to tell one from the other. My biggest concern is that, when we return back to full schooling sometime in the future, the school system is not going to be structurally prepared for what it is receiving.”*

Another children’s services nonprofit echoed this concern and adding that one major fear is the disproportionality of these latent effects of the pandemic,

*“We’re a little concerned about kids returning to school and potentially the over-reporting to CPS, flooding that system, because there is no other system that teachers and educators turn to. So, we’ve been talking a lot about this intersection of poverty, child welfare, disproportionality, and race and how oftentimes the kids that get called on to CPS are black and brown children.”*

## **EFFECTS OF ENDING EVICTION MORATORIUMS**

Human and social service nonprofits also worry about the effects of ending eviction moratoriums, which are set to expire in the near future. One homeless service provider explains that the surge in demand that they saw at the outset of the COVID-19 pandemic attenuated significantly during the summer and fall of 2021, largely due to eviction moratoriums. She explains,

*“As those eviction moratoriums are removed, people find that they are not able to make up back rent or connect with resources to cover that gap.”*

Another social service provider indicated that her organization was already creating the crisis response following the end of the eviction moratorium. Regarding the moratorium, she told us,

*“While it’s a great band aid, it’s not the answer for the long term. We are making this the focus of one of our campaigns so that people don’t lose sight of it. Not having a place to call home is just the beginning. If you don’t have a home and you don’t have an address, it makes it hard to get employment, which makes it hard to do pretty much everything.”*

There are also concerns around how eviction moratorium removals will affect other social service provision systems. One children’s services nonprofit tells us,

*“There really is a concern that when the moratorium on evictions is lifted, it’s just going to cause a real windfall of issue around children and families.”*

# CONCLUSIONS & RECOMMENDATIONS

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The key lesson for funders to draw from the COVID-19 pandemic is that nonprofits need fewer restrictions and more accessible funding. By and large, both self-reports from funders and reports from grantees showed that institutional funders softened the impact of the crisis by providing unrestricted funds, by reducing the number of requirements for applications and reporting, and by being more responsive to immediate and emergent nonprofit needs. In response, more nonprofits were empowered to seek out institutional funding, which allowed them to have greater impact on their communities throughout the crisis. As attention to the COVID-19 crisis seems to abate, nonprofits are still very much carrying the burden of providing social services to individuals in need.

To ensure long-term financial and operational health of Washington's nonprofits, we recommend that governments and private funders:



## **PROVIDE MULTIYEAR, UNRESTRICTED FUNDING**

Nonprofits need secure sources of income to provide the public goods that they do—this includes multiyear, unrestricted funding. One respondent sums this up in saying,

*"The nonprofit sector relies heavily on the public sector to fund programs and, when that funding gets pulled, it can sink an organization. Then private funders are also so restrictive in their grant-making. So the nonprofit sector has to comply."*

For nonprofits that do not qualify for contracts or other longer-term funding opportunities, budget volatility is a very real concern. Excess COVID-19 emergency funding in the 2020 fiscal year largely masked these concerns, but now that nonprofits are looking forward to the 2021 operating budget, the same sources of income are simply not as readily available.

Many nonprofit practitioners and leaders extolled the importance of unrestricted, multiyear funding as a key to playing "funding Tetris". For large nonprofits that serve as the hubs of the social safety net across Washington State, the central source of funding - government contracts - often leaves significant funding gaps based on reimbursable costs and also introduces time delays on reimbursement leaving service-providing nonprofits "on-the-hook" for up-front costs. Further, contracts often do not fund the full cost of doing business; one of our respondents indicated that only 65% of their operating costs were reimbursable. Funding from donors and philanthropic foundations can help nonprofits fill the funding gaps. Many respondents indicated that unrestricted funding allowed them to navigate this rough terrain. Even better, multi-year funding

reduced the volatility that nonprofits feel as they go from fiscal year to fiscal year, allowing them to build and evolve programming securely and to pay for capacity-building tools among staff.



## SUPPORT NONPROFIT INFRASTRUCTURE AND CAPACITY-BUILDING

Nonprofits, like any other organization, need the tools and resources to both sustain current operations and to innovate. Relief funding throughout the COVID-19 crisis from governments and institutional funders helped nonprofits stay afloat and, in many cases, gave them some leeway to think about how to broaden their impact. And yet, institutional funders and governments are often reluctant to fund organizational infrastructure (otherwise known as indirect costs or overhead), such as staff<sup>10</sup>. Ultimately, being able to retain high quality staff is something that nonprofits report needing time and time again. One social service nonprofit maintained the pressing need for licensed counselors to help with transitional services for the homeless.

*“They are not getting paid enough, they are burning out, and they are quitting. Even if they got into the field in the first place (and not enough people are going into the field), they are not willing to take on that much debt to not get paid well.”*

Funding nonprofit infrastructure and capacity also has implications for creating a more cohesive social safety net. As the COVID-19 pandemic made glaringly clear, nonprofits are often put in the position of having to identify gaps in service provision and to allocate their own capacity to reconcile those gaps and serve those in need. One way in which governments and private funders can facilitate those processes is to provide nonprofit organizations with the resources they need to close those gaps.

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<sup>10</sup> Goggins Gregory, A. & Howard, D. (2009). The Nonprofit Starvation Cycle. *Stanford Social Innovation Review*. [https://ssir.org/articles/entry/the\\_nonprofit\\_starvation\\_cycle](https://ssir.org/articles/entry/the_nonprofit_starvation_cycle)

# 3

## TRUST NONPROFITS

Nonprofits benefit from funding relationships based on trust. **"Trust us"** was a sentiment that was widely shared among respondents with regards to their funders. Nonprofit leaders emphasized not only that they know the individuals they serve, but also that providing social and human services is not linear and requires flexibility. Evidence suggests that funders began to recognize the value of trusting those organizations that were deeply embedded in and understood the challenges their communities faced.

***One of the things that the pandemic laid in really stark relief is that frontline community-based organizations were the ones who had the knowledge, the contacts, the trust, and the ability to really reach people and to come up with grassroots solutions.***

***- Social services nonprofit***

Some funders, especially in the Puget Sound region, began to embrace or even expanded their trust-based philanthropy throughout the height of the pandemic. One grant-making public charity noted that the pandemic served as a catalyst for their board to approve a trust-based approach that minimized and even eliminated most application and reporting requirements for grantees. This nonprofit leader recalls,

*"The people who had the knowledge to do what needed to be done were on the ground and what we needed to do was to fund them and then get out of their way. So, the pandemic really accelerated our journey towards becoming more trust-based. We had already started saying, before the pandemic, that we're not going to place reporting burdens on our grantees. That doesn't make sense to us to ask them to spend money and resources and time and energy and thought on meeting our need for data that wasn't actually used for anything. We just said, can you write one paragraph to tell us what you're doing, and that was all we asked for—it was a paragraph."*

Larger private and community foundations made huge strides in terms of demonstrating trust in their grantees during the height of the COVID-19 pandemic, but more work remains in order to institutionalize trust-based philanthropic practices.



## **CONTINUE TO PROVIDE ONLINE VENUES FOR NONPROFIT PARTICIPATION IN PUBLIC PROCESSES**

While governments had little choice but to move operations online during the peak of the pandemic, the move actually opened up opportunities for individuals and organizations who faced time and resource barriers to participate in public democratic processes, like legislative committee hearings. One common refrain that emerged from this research is that advocating, especially at the state level, is costly. Advocates must sometimes travel significant distances during working hours for the brief opportunity to be heard by decision-makers. Further, not all nonprofits can afford to employ advocacy and lobbying staff to conduct this important work. All of these factors lead to systems that privilege those who are able to show up, rather than the diversity of perspectives that exist within municipalities and across the state. Continuing to provide online venues for public participation in governmental processes is a critical step in creating a more equitable advocacy environment.