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The State of Nonprofits in Southeast Louisiana: The Impact of COVID-19

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GREATER NEW ORLEANS FOUNDATION

THE UNIVERSITY of NEW ORLEANS

Executive Summary

The Greater New Orleans Foundation (GNOF) in partnership with the University of New Orleans' (UNO) Political Science Department undertook a study to gain insights on the impact the ongoing COVID-19 pandemic is having on nonprofit organizations located in Southeast Louisiana and to share this information as a resource to philanthropy, nonprofits, and civic leaders in our region. GNOF and UNO conducted online and phone surveys beginning March 23, 2020 through April 13, 2020 which targeted 501(c)3 public charities, excluding churches, foundations, and unique groups of larger nonprofits such as hospitals, universities, and charter schools. Our research examined ten essential questions facing these nonprofit organizations, which were grouped in the following categories: 1) baseline nonprofit data, 2) COVID-19's impact on nonprofits, and 3) responses and resources to COVID-19 for nonprofit and partners.

Our communities rely on the 17,000 nonprofits registered with the Louisiana Secretary of State's office to provide essential services to the most vulnerable on a daily basis. During the COVID-19 pandemic, no part of our state has been spared from the negative impact of the crisis, including the essential nonprofit service providers. The financial implications facing Southeast Louisiana nonprofits are significant, as the region reported that nonprofits collectively rely on an annual total revenue of thirteen billion dollars ($13B) to provide their services, and employ 55,000 employees in the New Orleans-Metairie metro area alone. Our report found that sixty-four percent (64%) of nonprofit organizations anticipate changes to their organizational structure in response to the pandemic. Cutting hours, furloughing, or terminating employees were the most commonly cited methods being implemented to achieve these changes. Notably, ninety-three percent (93%) of nonprofits have already made operational changes in response to COVID-19, including seventy-three percent (73%) of nonprofits having shifted to remote work. Sixty percent (60%) of nonprofits within the region have closed their respective offices temporarily.

Despite these real challenges, nonprofits in Southeast Louisiana are rising to the occasion by continuing to provide direct services safely. Forty-three percent (43%) of nonprofits surveyed are providing direct services in response to the COVID-19 pandemic. These services most often include providing resources and information (e.g., food, financial assistance, medicine); adapting services to remote delivery where possible; advocating for clients; and providing essential in-person services like medical care. Unfortunately, nonprofits that cancelled a major fundraising event this spring have lost an average of thirty-four percent (34%) of their annual revenue. Consequently, the vast majority (87%) of nonprofits surveyed identified their immediate need as funding, including individual donations and corporate sponsorships and unrestricted multi-year operational grants. Twenty-three percent (23%) of nonprofits surveyed said they might consider mergers or partnerships at this time. Fortunately, GNOF's Nonprofit Leadership and Effectiveness program has a strong track record of increasing the capacity of our nonprofit sector, including strengthening governance, management, fundraising, and facilitating mergers and partnerships. We hope this study empowers philanthropy, nonprofits, and civic leaders to better support these essential nonprofit organizations in this challenging time.

Nonprofits in Southeast Louisiana

The Greater New Orleans Foundation (GNOF) serves a 13-parish region in Southeast Louisiana, comprised of both the New Orleans-Metairie and Houma-Thibodaux metropolitan areas, as well as surrounding rural communities (see **FIGURE 1**)[1]. How many nonprofits are in this region?

FIGURE 1: GNOF SERVICE REGION IN SOUTHEAST LOUISIANA

That's a surprisingly difficult question to answer. However, on the high end, all nonprofits first register with the Louisiana Secretary of State's Office. As of October 2019, there are more than 17,000 nonprofits in the region actively registered with the state; one-fifth (about 3,500) are churches.

Of these 17,000, just over half (54%, or about 9,300) filed the most recent annual report with the state as required, and are considered "in good standing." This total includes about 1,300 churches. Thus, after excluding churches, there are at least around 8,000 "secular" nonprofits (i.e., not churches, although they may still be faith-based) serving Southeast Louisiana.

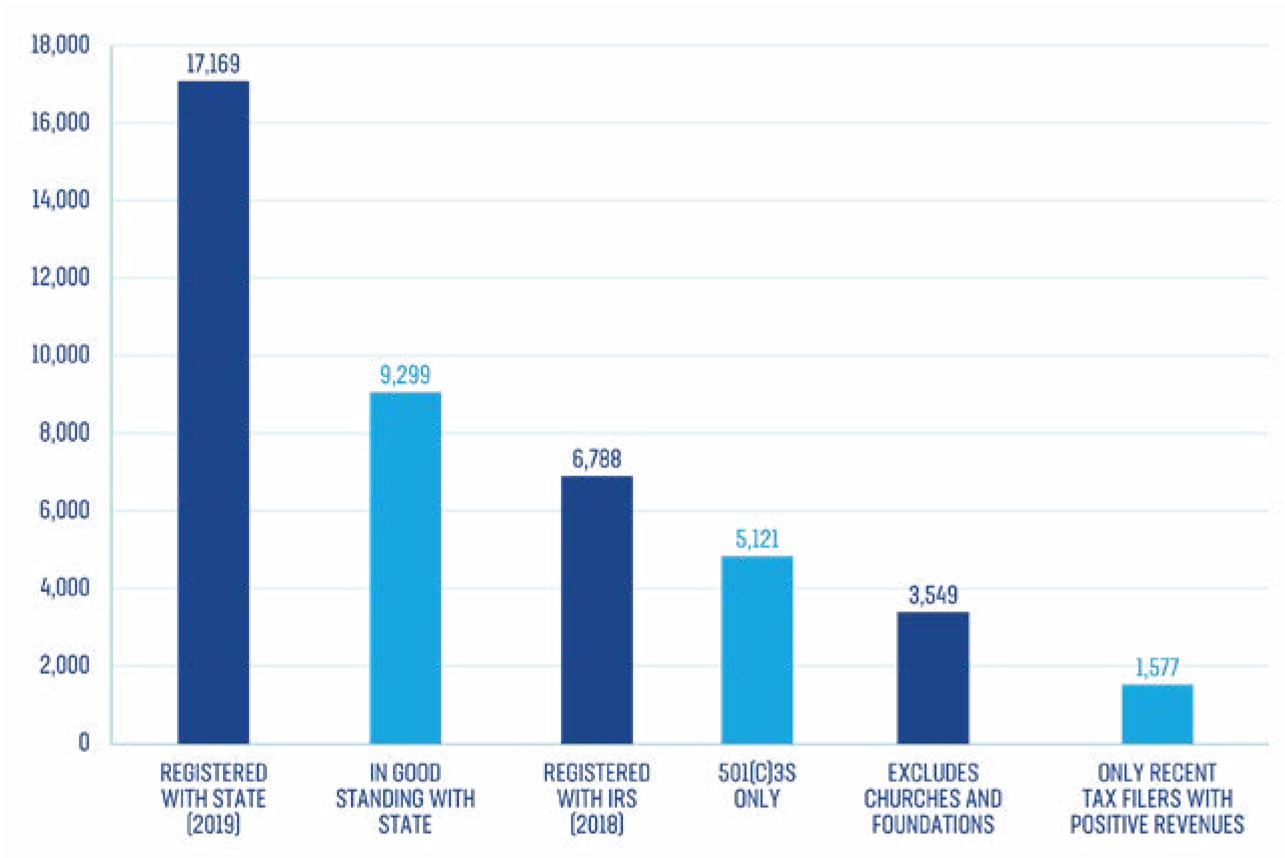
Secular nonprofits are also required to register with the IRS to receive federal tax exemptions. As of the end of 2018, there are almost 6,800 nonprofits in Southeast Louisiana actively registered with the IRS. Of these, about three-quarters (over 5,100) are considered "public charities," incorporated as 501(c)3 organizations.[2]

This total of 5,100 public charities in the region excludes other types of nonprofits such as political organizations, labor unions, chambers of commerce, social and recreational clubs, and trade associations, all filed under different sections of the IRS code. However, the total does include religious organizations that file with the IRS voluntarily, as well as some private foundations. After excluding these latter two types of nonprofits, we are left with just over 3,500 organizations traditionally viewed as charitable nonprofits.

Finally, we are able to provide a more conservative estimated count by excluding the public charities that did not submit the required annual tax filings to the IRS in recent years, or those who reported zero dollars in revenues. Just over 3,200 of these organizations filed taxes, but only about half (just under 1,600) reported positive revenues in recent years.[e]

Thus, on the lower end, there are just fewer than 1,600 active, secular public charities in Southeast Louisiana, although this estimate likely undercounts smaller nonprofits (with annual revenues below $50,000) that are not required to file full tax returns with the IRS. **FIGURE 2** shows how the number of "nonprofits" in our region decreases as exclusions are applied.

FIGURE 2: ESTIMATED NUMBER OF NONPROFITS IN SOUTHEAST LOUISIANA



Economic Impact of the Nonprofit Sector

In recent years, nonprofit organizations in Southeast Louisiana reported annual total revenues of more than $13 billion on IRS tax returns, and held assets of more than $18 billion. These figures include large nonprofits such as hospitals, universities, and museums, but most likely undervalue smaller nonprofits and churches that are not required to file full tax returns.

To put these figures in context, the total economic output, or Gross Regional Product (GRP), of a ten-parish region in Southeast Louisiana (excluding Assumption, Lafourche, and Terrebonne parishes, which include the Houma-Thibodaux metropolitan area), was $82 billion in 2018, accounting for about one-third of Louisiana's total GRP.[4]

The same region has an estimated population of more than 1.45 million, comprising almost a third of the state's total population[5], and the Houma-Thibodaux metropolitan area includes an additional 200,000 residents, for approximately 1.65 million total. This roughly translates to almost $8,000 per resident in annual nonprofit revenue for the region, and over $11,000 in nonprofit assets per capita.

According to the U.S. Bureau of Labor Statistics (BLS), in 2017, within the New Orleans-Metairie metropolitan statistical area (MSA), which comprises much of the region, nonprofits employed almost 55,000 paid workers, representing almost 12% of the total workforce across all industries. Nonprofits in this MSA collectively paid over $2.9 billion in total wages. On average, nonprofit employees earned over $53,000 in annual salary, slightly higher than employees in other industries.[6]

By the same BLS 2017 estimates, in the neighboring Houma-Thibodaux MSA, nonprofits employed over 4,400 workers, representing just over 6% of the total workforce. These workers received a total of over $170 million, for an average salary of almost $39,000, about three-quarters of the average salary paid by other industries in the MSA.

TABLE 1 summarizes these employment figures by MSA, highlighting the sector's overall importance, especially within the larger and more urban New Orleans metropolitan area. These data only include certain industries, and therefore underestimate the sector's total impact.

TABLE 1: NONPROFIT EMPLOYMENT BY METROPOLITAN AREA (BLS, 2017)

	NEW ORLEANS/METAIRIE MSA	HOUMA/THIBODAUX MSA
PERCENTAGE OF WORKFORCE	11.6%	6.2%
NUMBER OF EMPLOYEES	54,610	4,405
TOTAL ANNUAL WAGES	$2.9 BILLION	$170 MILLION
AVERAGE SALARY	$53,440	$38,665

About our Study

The Greater New Orleans Foundation collaborated with a survey research team from the University of New Orleans to collect data on how the region's nonprofit sector is being affected by the ongoing COVID-19 pandemic. The survey was conducted online and on the phone during a three-week period from March 23 to April 13, just as Southeast Louisiana was adjusting to the shutdown caused by the pandemic.

The target audience for the survey was comprised of non-church 501(c)3 charitable nonprofits that had thorough and relatively recent financial data on file with the IRS, accessed through the National Center for Charitable Statistics (NCCS) database maintained by the Urban Institute.

This list of 1,255 "secular" (although potentially faith-based) nonprofits in the region likely underrepresents smaller nonprofits not required to report full financial data in their annual tax returns, and over represents larger, older, and more formalized organizations. However, we attempted to mitigate the potential bias by including additional organizations that had participated in GiveNOLA Day, regardless of their tax filings, as their finances had been vetted by GNOF.

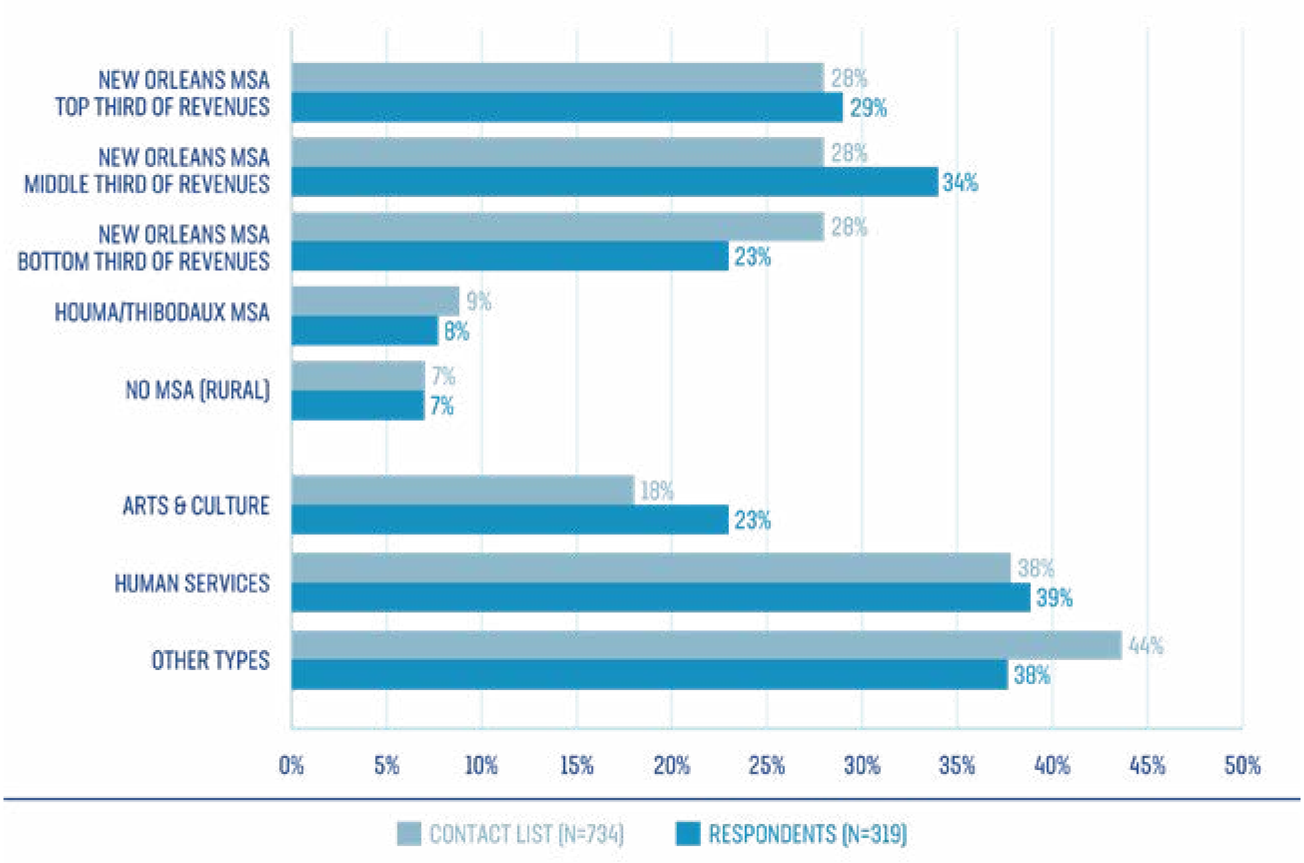
The research team excluded an additional 223 nonprofits thought to be unique in their experience of the pandemic. These exclusions included larger nonprofits such as hospitals, clinics, and other primary care medical facilities; universities and their foundations and other offshoots; charter schools and related educational foundations and associations; and charitable foundations and funds devoted to fundraising and grantmaking.

Of the remaining 1,032 nonprofits in our list, we were able to find email contact information for 734, or about 71%.[7] Email addresses and phone numbers, where available, were derived from a search of public websites and records, as well as GNOF's internal database of over 1,000 contacts across the region. We prioritized Executive Directors or other leaders when possible.

A total of 319 nonprofits completed all or most of the survey, for an overall response rate of 43%. **FIGURE 3** displays the breakdown of the survey contact list, compared to survey respondents, by metropolitan area, total annual revenues, and type of nonprofit. The table suggests that we obtained a representative sample of the targeted nonprofits in the region, with the possible exception of New Orleans nonprofits with lower revenues.[8]

In terms of mission type, arts and culture nonprofits were slightly overrepresented among survey respondents, while "other" organizations (including educational support, health support, and a wide variety of nonprofits focused on issues like animal welfare) were slightly underrepresented.

FIGURE 3: PERCENTAGE OF CONTACTS & RESPONDENTS BY METRO AREA, REVENUES, & MISSION TYPE[9]



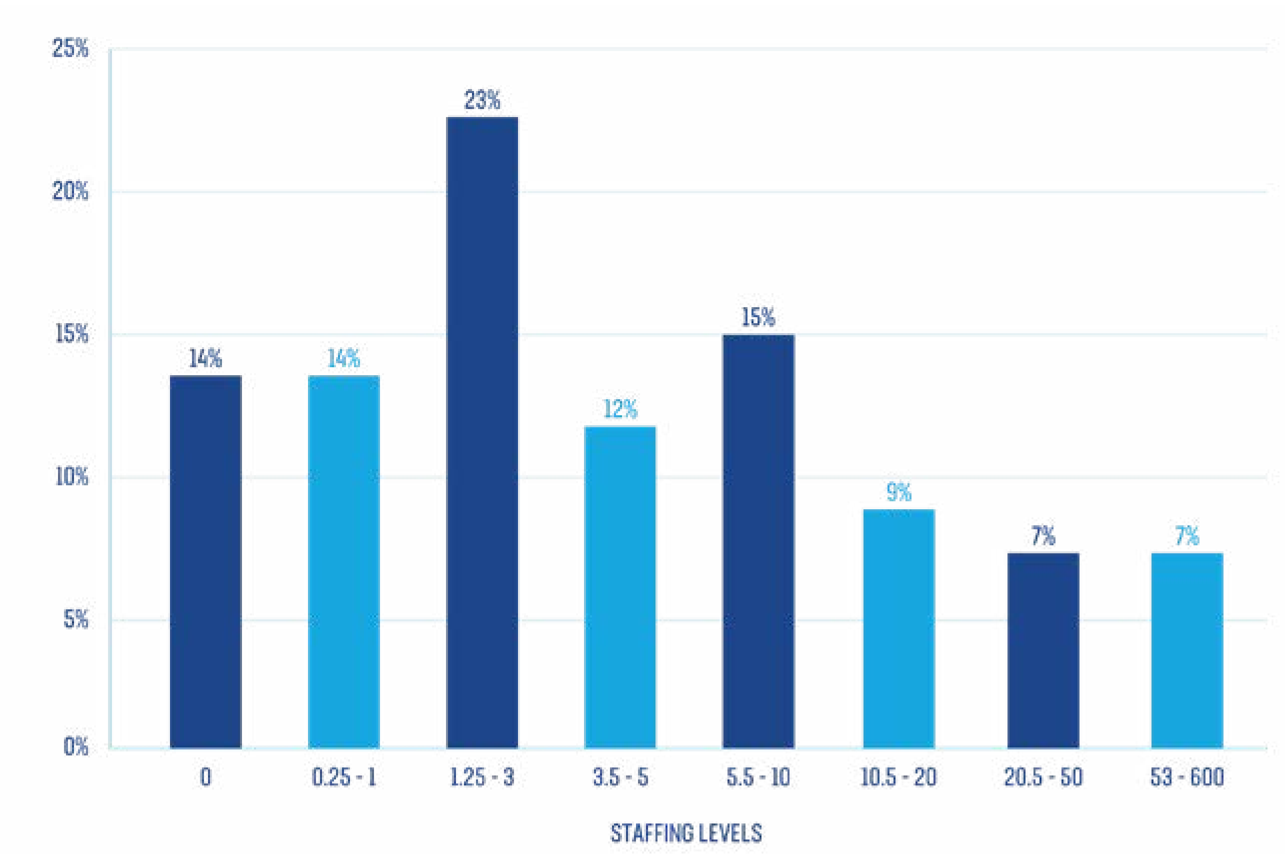
Over three-fifths of survey respondents (61%, n=196) had participated in GiveNOLA Day in recent years. Indeed, of the total 992 nonprofits that participated in the fundraising event at any point since its inception, about 20% completed the survey.

Impact on Nonprofit Jobs

Respondents to our survey reported a wide range of full-time equivalent (FTE) staffing levels for their nonprofits prior to the pandemic, displayed in **FIGURE 4**. Half of the survey sample employs three FTEs or fewer, and over half of that group employs one or fewer FTEs.

On the high side, 12 respondents reported employing 100 or more full-time staff, up to 600 for the largest employer in our sample. Collectively, the nonprofits that completed our survey employ a total of more than 5,400 FTEs, for an average of almost 18 FTEs per organization. This figure would be much larger if we had not excluded the largest nonprofits in the region – such as universities, hospitals, and charter schools – from our survey population.

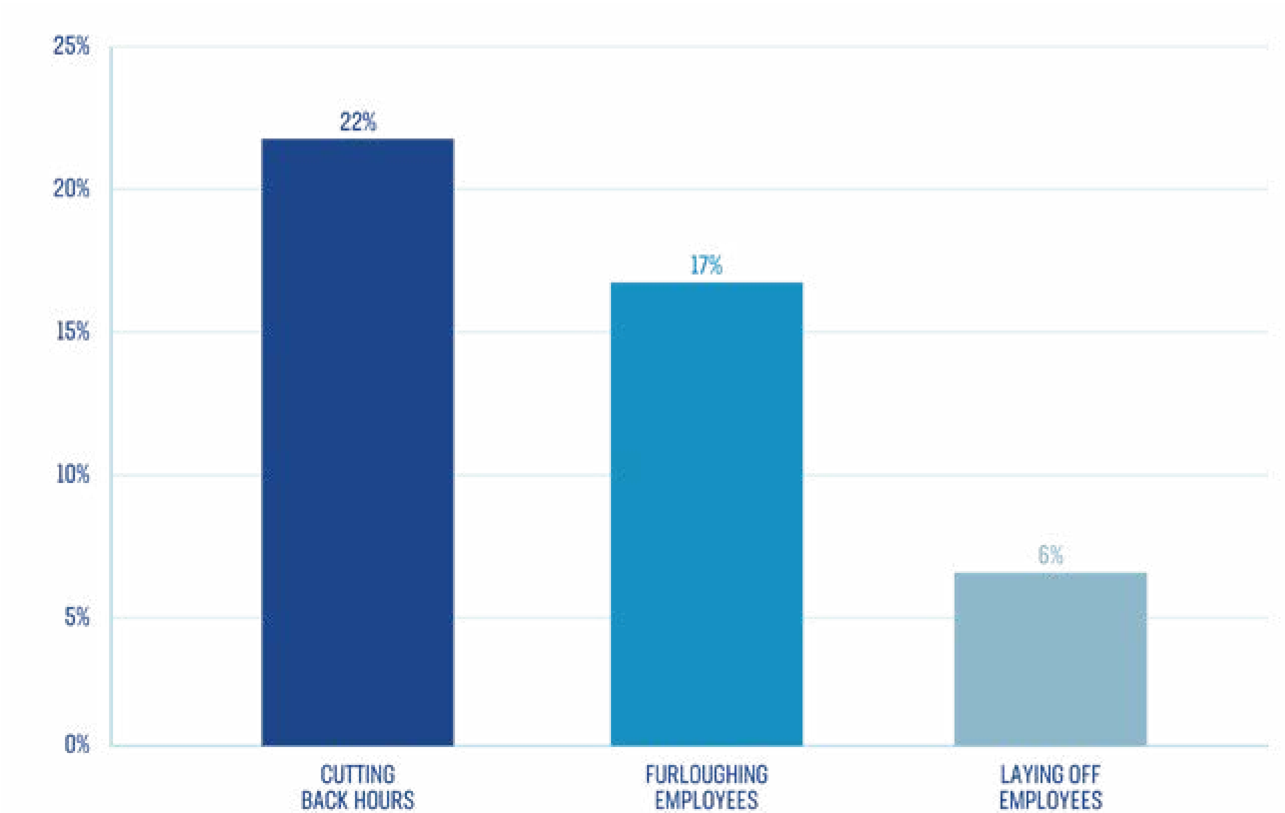
FIGURE 4: PERCENTAGE OF SURVEY RESPONDENTS (N=307) BY FTE STAFFING LEVEL



Among organizations with at least one FTE (n=245), 75% provide paid sick leave, and 60% provide health care benefits. Over half of these respondents (56%) provide both.[10] Collectively, nonprofits in our sample provide both paid sick leave and health care benefits to a total of more than 4,600 full-time employees, representing 85% of all FTEs in our survey sample.

Nonprofits that employ at least one part-time employee (n=263) were asked whether they anticipate making changes to their staffing levels in response to the pandemic. Almost two-thirds of respondents (64%) anticipate making at least one staffing change, most commonly cutting back employee hours (see **FIGURE 5**).

FIGURE 5: PERCENTAGE OF NONPROFITS (N=263) THAT ANTICIPATE STAFFING CHANGES



Nearly a quarter of respondents combined anticipate furloughing and/or laying off employees. Organizations that anticipate staffing changes collectively employ a total of about 3,650 full-time workers, or about two-thirds of all FTEs reported in the survey. Some of these nonprofits' open-ended comments include:

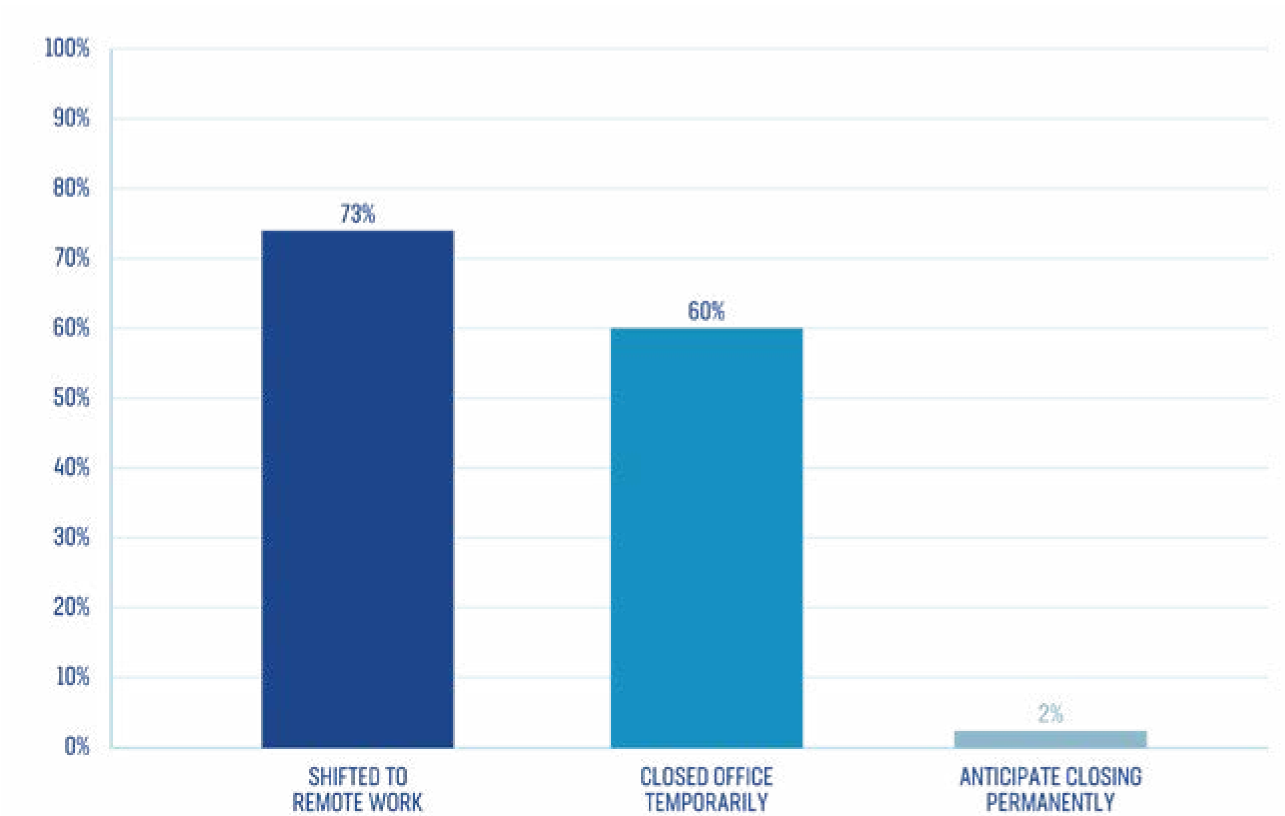
> *"The staff has considered taking a pay cut in order for us to keep our jobs as long as possible."*
>
> *"Depending on how quick we can obtain short-term disaster recovery assistance funding, we will have to start cutting employees' hours in the next 30 days and may have layoffs within 6 months."*

An additional 17% of these respondents reported that they had already made staffing changes by the time of the survey. The most common staffing changes made by these organizations (n=46) were cutting staff hours (33%), laying off employees (30%), and furloughing workers (17%). Smaller nonprofits reported cancelling worker contracts, reducing pay, and delaying scheduled new hires.

Impact on Nonprofit Operations

Approximately three-quarters (74%) of our survey respondents reported that their nonprofit operates a physical office, not located within a private residence. These organizations (n=230) were asked whether they had to make operational changes in response to the pandemic, and the vast majority (93%) did. See **FIGURE 6** below for details.

FIGURE 6: PERCENTAGE OF NONPROFITS (N=230) THAT MADE OPERATIONAL CHANGES

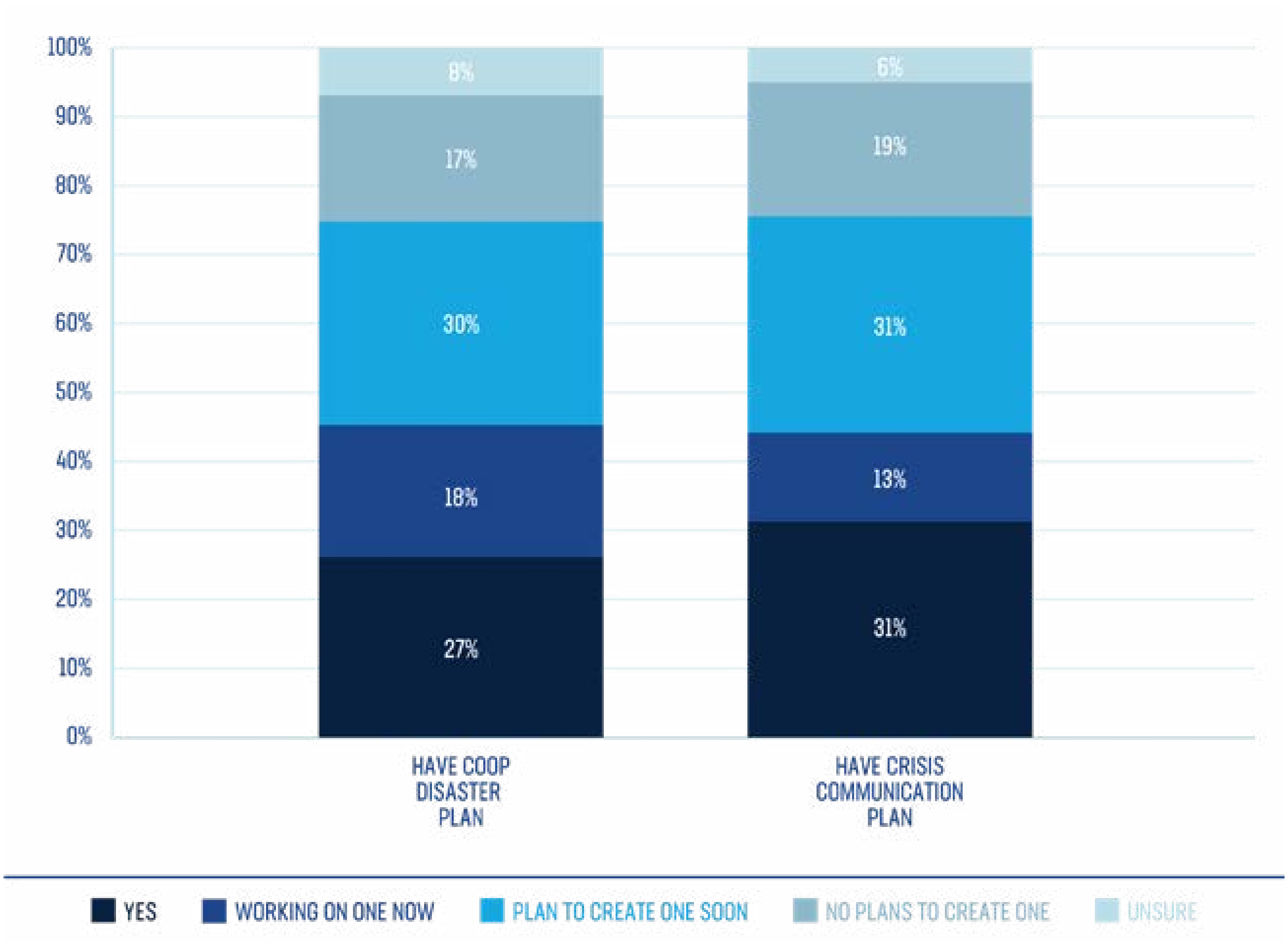


Almost three-quarters of nonprofits with a physical office (73%) reported shifting all or most of their staff to remote telework, and 60% reported closing their office temporarily. Just four organizations anticipate closing their physical location(s) permanently. Other respondents described closing specific sites or programs, delaying a move or expansion to a new site, and/or continuing to provide essential services. For example:

> *"We have one employee in the office per day to cover phones while still maintaining social distancing. The office is closed to the public. Outreach workers are doing targeted street outreach to our most vulnerable unsheltered homeless clients but desperately need PPE [Personal Protection Equipment] to continue to do this safely."*

We also asked respondents whether their organization has a "continuity of operations" (COOP) disaster plan, and/or a written crisis communications plan (see **FIGURE 7**). Just one-fifth (20%) reported having both plans in place at the time of the survey, while 14% had neither.[11] Nearly half of respondents were either working on each plan now, or plan to create one soon.

FIGURE 7: PERCENTAGE OF NONPROFITS (N=301) WITH DISASTER RESPONSE PLANS AT TIME OF SURVEY



In regards to disaster planning for the pandemic, one respondent shared:

> *"While we have a COOP and a communication plan, it's mostly geared to hurricane preparedness. We would like to revisit our plan and have an opportunity to see other broader preparedness plans. Further, we want to think more about planning for the aftermath of this crisis."*

Impact on Nonprofit Service Delivery

Over two-fifths of nonprofits we surveyed (43%) reported they are providing direct services in response to the pandemic, and another 5% were unsure.[12] These nonprofits (n=136) described the services they are providing, including:

- Three-quarters (76%) are providing a variety of resources to their clients, including referrals for or direct provision of financial assistance, medicine, and other basic needs.

  "Connecting low income families to needed services, such as food assistance and unemployment. Reaching out to those who don't have internet access to make sure they know about available resources. Having once a week conference calls with the elderly to make sure they have everything that they need."

- Over one-third (37%) are continuing to provide services remotely, including offering a variety of counseling and advisory services (e.g., health and nutrition, personal finances, legal support, therapy), delivering virtual learning and recreational classes or performances for a variety of ages, and fielding calls from vulnerable populations such as homeless or incarcerated individuals.

- Almost one-third (30%) are advocating for, and informing their clients and the public about, issues central to their mission, including the ongoing pandemic and the government's response.

  "We continue to advocate, monitor, facilitate, and investigate on behalf of the children we serve; the need for this increases during a disaster such as this one."

- About a quarter (27%) are specifically delivering meals to those in need.

  "We serve meals to those who are food insecure. The pandemic has increased that number!"

- Over two-fifths (22%) continue to provide essential services in person, especially to medically fragile and otherwise vulnerable populations.

  "We provide direct support services to individuals with intellectual disabilities, keeping them safe from infection or caring for them once they get sick."

  "We operate group homes where we provide 24 hour hands on assistance."

Respondents also shared comments about how the pandemic has affected their direct services (n=148). Consistent themes in their responses included:

- Two-fifths (40%) had to cancel, suspend, or delay programs and services.

  "We have had to cancel or postpone all in-person workshops and trainings. We do not have a sense of when we will be able to restart these."

  "We have had to stop most construction projects. These projects provide home repair services for homeowners."

  "We cannot do any of the work that is core to our programming. We can't provide in-person dance classes, produce performances, or host community events."

- A similar proportion (38%) shifted resources and services online, mentioned above.

  "Our museum is still sharing educational resources on our social media pages, and a staff member does a weekly story time."

"The inability to see clients face to face changes the normal of how we deliver services… While we have transitioned to online education and by phone counseling, these technologies have no way of detecting the identity of the person taking the course online. We have a bit of control of the counseling if we have video services, but that will put a strain on our already strained budget."

- About one in seven (14%) reported an increase in the demand for their direct services.

  "Our number of people requesting food and pet surrenders has dramatically increased."

  "We are all working six days a week now."

  "Right now, we have stepped up our supply and expenses related to direct services. Our fear is that we cannot continue that indefinitely."

- Smaller numbers of respondents also described a loss of income, staffing, and volunteers to provide these services.

Nonprofits were also asked whether they would consider a merger or new collaboration with one or more other organizations to enhance their service delivery and/or financial sustainability during the pandemic. About one-tenth (9%) reported they were considering a new collaboration of this sort, while an additional 14% were unsure, for a total of 23% (n=68) that expressed interest in learning more about their collaboration options.

Of those who elaborated further (n=26):

- Almost half (46%) described a partnership or other form of collaboration than a merger.

  "We have been eager to look for partners to share our space with at our new building."

  "We would be happy to collaborate with other agencies to provide necessary services."

- Almost a third (31%) are considering or pursuing a full merger.

  "While there is no other nonprofit in New Orleans doing the type of work we do, if another organization that at least had a similar mission and objectives existed, we would definitely entertain a merger conversation. Realistically, given the present circumstances, pretty much all nonprofits should be willing to consider viable merger possibilities."

  "Even before the pandemic, we were actively considering a merger with other small, youth-serving, activity-based non-profits… I would really welcome guidance and support on this process."

Not surprisingly, nonprofits that are considering or unsure about a merger or other collaboration are in more precarious financial standing than those that are not. They are significantly less likely to have a reserve fund for emergencies, and more likely to have experienced a loss of revenues due to the pandemic. They are also slightly more likely to anticipate cash flow problems, plan to pursue new funding sources in response to the pandemic, and be located within the New Orleans metropolitan area.

Impact on Nonprofit Financials

Nonprofits that completed our survey (n=319) reported to the IRS, in recent years, a combined total of more than $440 million in annual revenues, and over $630 million in assets.[13] However, half of the respondents reported revenues below $300,000, and assets below $250,000. Indeed, almost a quarter of the sample (22%) reported revenues below $100,000 per year.

Over half of all survey respondents (57%) reported they had to cancel or postpone a major fundraising event as a result of the pandemic, and another 5% were unsure. On average, these nonprofits (n=158) lost or delayed more than one-third of their annual revenue (34%) due to these cancellations. One-tenth lost 90% or more of their annual revenues.

> *"Having put a year and a half of work into our 2020 festival, it has been heartbreaking to have to cancel it."*

In addition, almost half of respondents (49%, n=143) experienced other changes to revenue streams as a result of the pandemic, and another 24% were unsure, for a total of almost three-quarters (73%) at risk of losing revenue outside of major fundraising events. These losses commonly consisted of earned revenues (55%), as well as donations (20%), membership payments (17%), and private grants (16%).

> *"Some of our partner schools are not paying us our program fees, and the sites that we charge families participation fees are not collecting as much money."*

> *"Earned revenue is an important stream of revenue. With cancelled events, there is no current pipeline for new earned revenue. The other negative result is the request for refunds from ticket holders whose concerts have been cancelled."*

Overall, two-thirds of nonprofits that completed our survey (67%) anticipate cash flow problems as a result of the pandemic, and another 17% are unsure, for a total of 84% of respondents in a state of financial uncertainty.

Organizations that anticipate cash flow problems have significantly less annual revenues on average than those that do not. They are also significantly more likely to anticipate staffing changes, operate a physical office, and lack disaster plans; and less likely to have sufficient cash or reserves on hand for emergencies.

These organizations described their cash flow problems; common responses included (n=195):

- Almost two-fifths (38%) described the loss of revenue in general, or of various types, caused by the pandemic, as contributing to their anticipated cash flow problems.

  "We raise our funding from donations by private individuals and delivery fees of [furniture]. Because all businesses are not functioning, we are not either. It's like a domino effect."

- Almost a third (31%) described cancelling fundraisers, programs, and events as contributing factors.

  "If we cannot hold our summer camp in June and July, we will lose a year's worth of income."

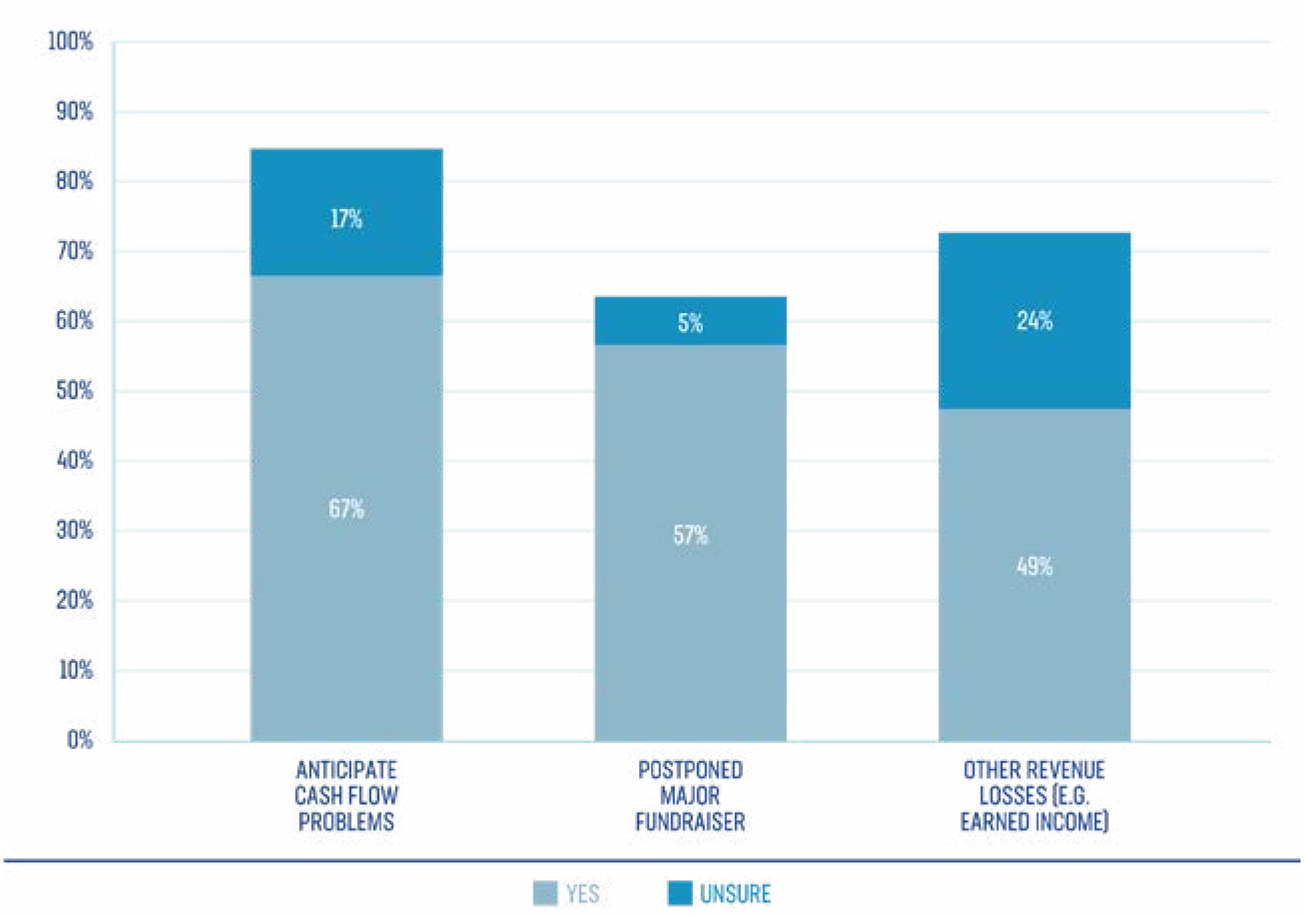
  "We had to cancel our main fundraising event and issue refunds to those participants. May also need to issue refunds or discounts to regular participants for either current season or next season. Also not sure how many will register for next regular season. Will run out of funds soon if all of these scenarios happen."

- About a quarter (27%) described a decrease in donations, specifically.
- One in seven (15%) described problems with delayed funding, especially from government entities.

  "We are funded by a community block grant that comes through the city. We have been operating since January without that funding, because of delays with the city. Now we understand that the funding could be in jeopardy."

FIGURE 8 summarizes the data above on nonprofit cash flow problems and revenue losses. There was and continues to be much uncertainty since the survey was conducted, but the majority of nonprofits experienced revenue losses and anticipate cash flow problems.

FIGURE 8: PERCENTAGE OF NONPROFITS (N=291) ANTICIPATING OR EXPERIENCING FINANCIAL CHALLENGES

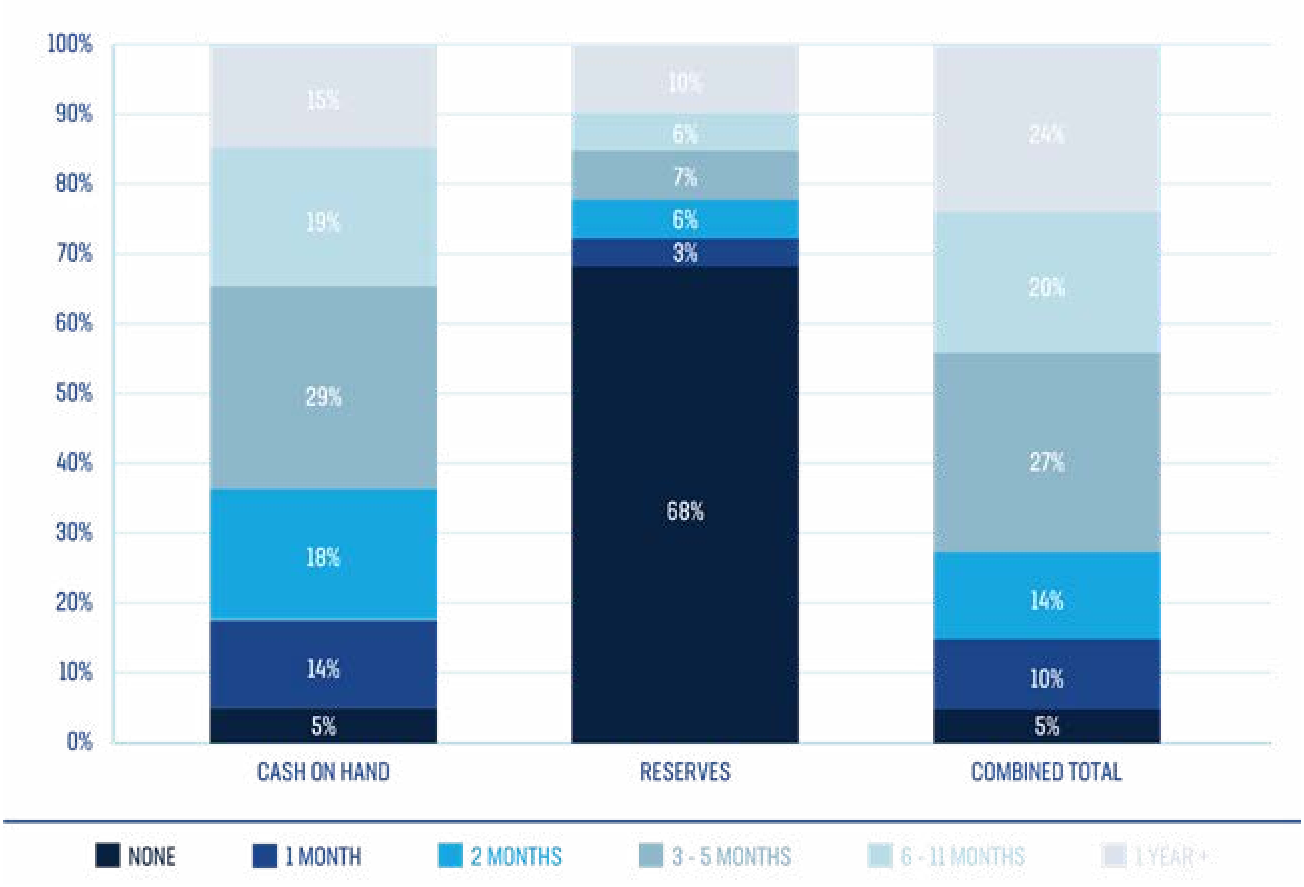


How Nonprofits are Responding Financially

We asked nonprofits about how many months of cash they have on hand. A general rule of thumb is for nonprofits to have access to enough cash to pay for at least three months of operating expenses in case of an emergency. Among our respondents (n=270), almost two-thirds (63%) have three months or more of cash on hand, and over one-third (34%) have six months or more of cash, up to as many as three years. See **FIGURE 9** for details.

However, almost one-fifth (20%), or 51 nonprofits, have one month or less of cash on hand, and therefore are at risk of insolvency if the pandemic continues for an extended time. Organizations with less than three months of cash on hand are significantly more likely to anticipate making staffing changes in response to the pandemic, and they collectively represent over 2,100 full-time employees, or about two-fifths of all FTEs reported in the survey.

FIGURE 9: PERCENTAGE OF NONPROFITS (N=269) WITH MONTHS OF CASH AND RESERVES



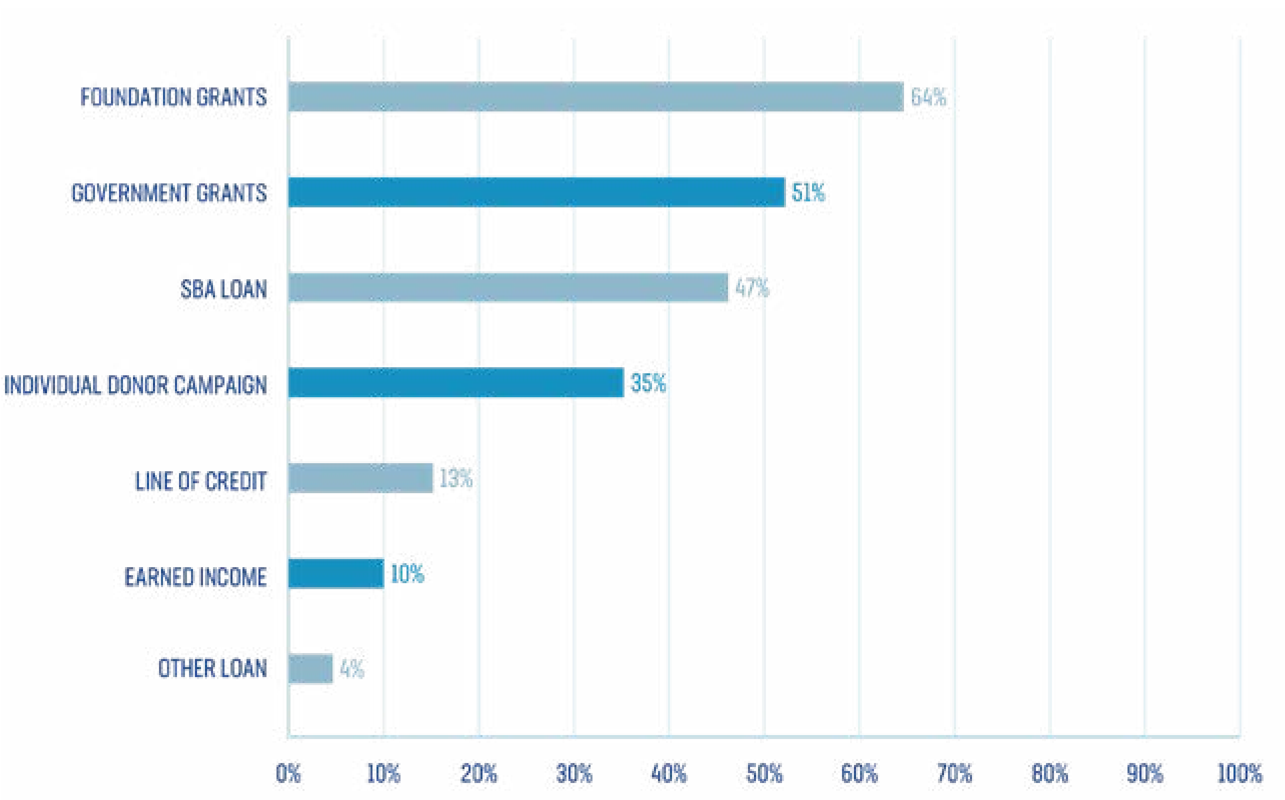
Just one-third (33%) of nonprofits that responded to our survey have a reserve fund specifically designated for emergencies or opportunities, and another 6% are unsure. Of those with a reserve fund (n=86), over a quarter (28%) have enough to pay for just two months or fewer of operating expenses, while on the high end, almost a third (31%) have a year or more of reserves, up to four years. Organizations with a reserve fund – regardless of total revenues, assets, or staffing level – are significantly less likely to anticipate staffing changes, and more likely to have a disaster plan in place.

"We have worked for the past 20 years to ensure fiscal responsibility by building a cash reserve for emergency purposes that helped sustain the organization after Katrina. We replenished that reserve in the years following and are using that reserve now."

Some experts recommend that nonprofits have combined cash on hand and reserves to cover at least six months of operating expenses. Among our respondents (n=270), over half (56%) did not reach this benchmark. These nonprofits are significantly more likely to anticipate cash flow problems and staffing changes. They collectively represent over 2,700 full-time employees.

The vast majority of nonprofits (84%) plan to pursue at least one new funding source in response to the pandemic. They most commonly plan to pursue foundation grants, followed by government grants and loans (including Small Business Administration loans provided through the federal CARES Act), and individual donations. **FIGURE 10** displays these funding sources and the percentage of respondents planning to pursue each.

FIGURE 10: PERCENTAGE OF NONPROFITS (N=306) PURSUING EACH FUNDING SOURCE



"We would love to know what philanthropic sources will be available for people, especially from funders that are not just supporting their current grantees, but supporting more widely. Who is stepping up?"

Different Impact by Type of Nonprofit

To explore how different types of nonprofits may be experiencing the pandemic differently, we performed a two-step cluster analysis of the survey data, revealing four statistical groupings of a subset of classified respondents. Average characteristics of these four "clusters" are displayed in **TABLE 2**. Note that the clusters increase in average size of annual revenues, total assets, and staff FTEs. However, the third-largest category is in much better financial standing, in terms of average combined number of months in cash and reserves, compared with the other groupings.

TABLE 2: APPROXIMATE AVERAGE CHARACTERISTICS FOR FOUR "CLUSTERS" OF NONPROFITS (N=192)

CLUSTER OF NONPROFITS	ANNUAL REVENUE	TOTAL ASSETS	STAFF FTES	MONTHS CASH & RESERVES	PROVIDE DIRECT SERVICES
SMALL (N=74)	$410,000	$470,000	5.5	5.0	23%
MEDIUM (N=65)	$1 MILLION	$1.2 MILLION	11	6.2	68%
LARGE (N=24)	$1.7 MILLION	$3.8 MILLION	14	24	0%
VERY LARGE (N=29)	$5.9 MILLION	$4.7 MILLION	97	5.3	100%

The groupings were based in part on organizational size (asset, revenues, staff size), but also additional survey data like provision of direct services and access to a reserve fund.

Note that nonprofits in the "small" cluster are the most spread out across Southeast Louisiana, have the least "overhead" expenses (e.g., staff size and benefits, physical office), and are relatively less likely to be providing direct services during the pandemic. Only 14% of these organizations provide health insurance to their full-time employees, compared with at least 80% of the other clusters. Less than one-fifth (19%) of these organizations have a reserve fund for emergencies.

The next "medium" cluster includes only organizations from the New Orleans metropolitan area, and a large proportion of arts and culture nonprofits. These organizations have comparatively high overhead expenses for their modest revenues on average, as 85% provide both paid sick leave and health insurance, and all of them maintain a physical office. Two-thirds of these nonprofits are providing direct services.

The "large" cluster includes organizations with relatively large revenues and especially assets, on average, but not necessarily staff size. A large proportion of arts and culture organizations is represented. None of the nonprofits in this cluster provide direct services during the pandemic, but almost all of them maintain a physical office under typical circumstances. That said, their overhead expenses in terms of staff size and benefits are relatively low compared to the size of their assets, and they appear to be in the best position financially of all four groups; indeed, all of the nonprofits grouped into this cluster have a reserve fund for emergencies.

The last "very large" cluster includes the largest nonprofits in the region, especially in terms of average staffing level. All of these organizations provide direct services, the vast majority are in the area of human services. These nonprofits have high overhead expenses – they are the most likely to provide staff benefits, including insurance – but only a fifth (21%) have a reserve fund.

The clusters likewise differ in terms of the pandemic's impact on their finances. **FIGURE 11** presents the percentage of each cluster anticipating cash flow problems and staffing changes. Four-fifths (80%) of the smaller two clusters anticipate cash flow problems, compared to just over half for the larger two clusters.

However, the smallest and largest clusters are most likely to anticipate a staffing change of any kind. It's possible that staffing changes in progress, or perhaps federal stimulus funds (or their prospect), made the largest cluster relatively less likely to anticipate cash flow problems.

FIGURE 11: PERCENTAGE OF EACH CLUSTER (N=192) ANTICIPATING FINANCIAL CHALLENGES

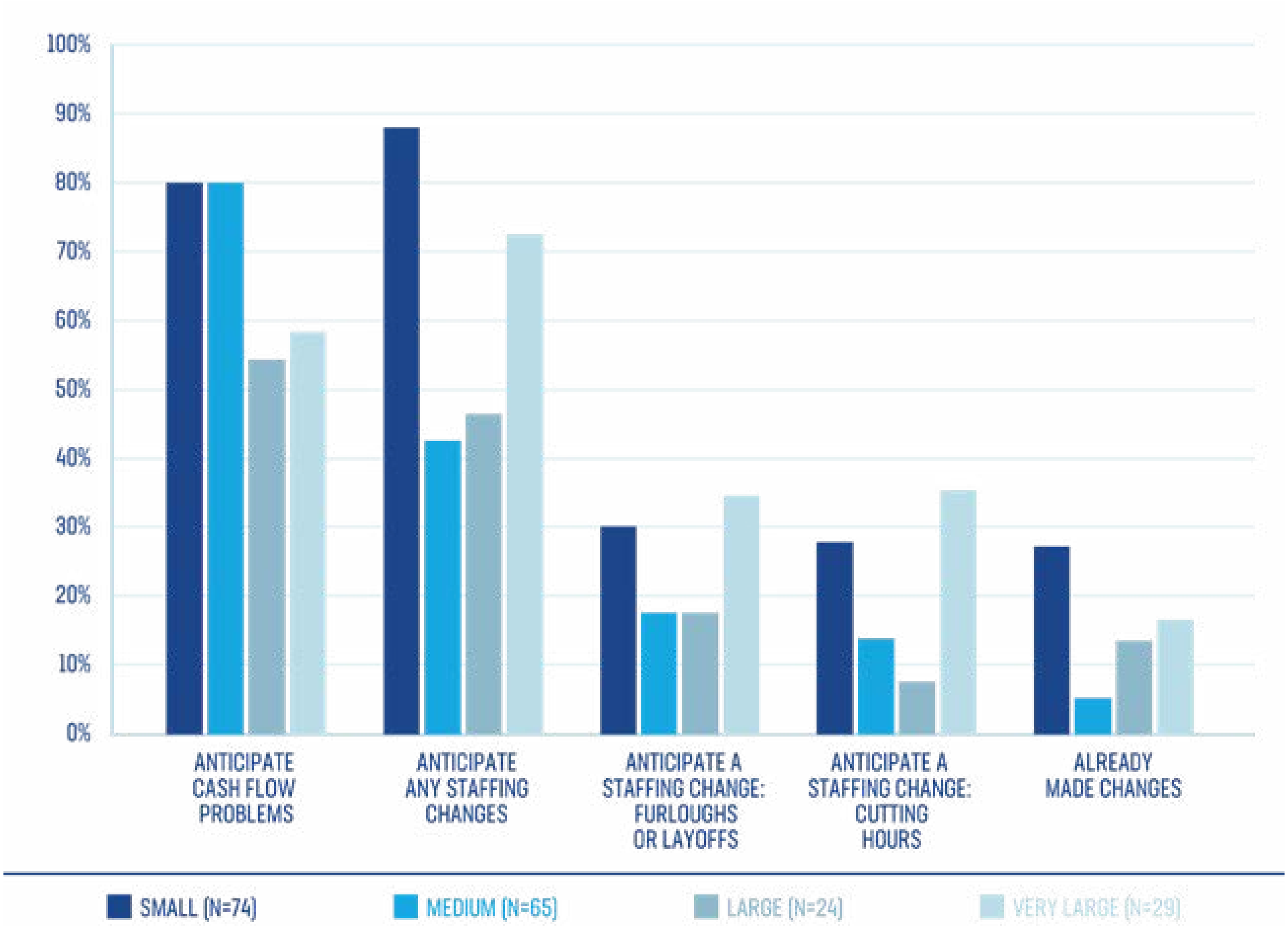
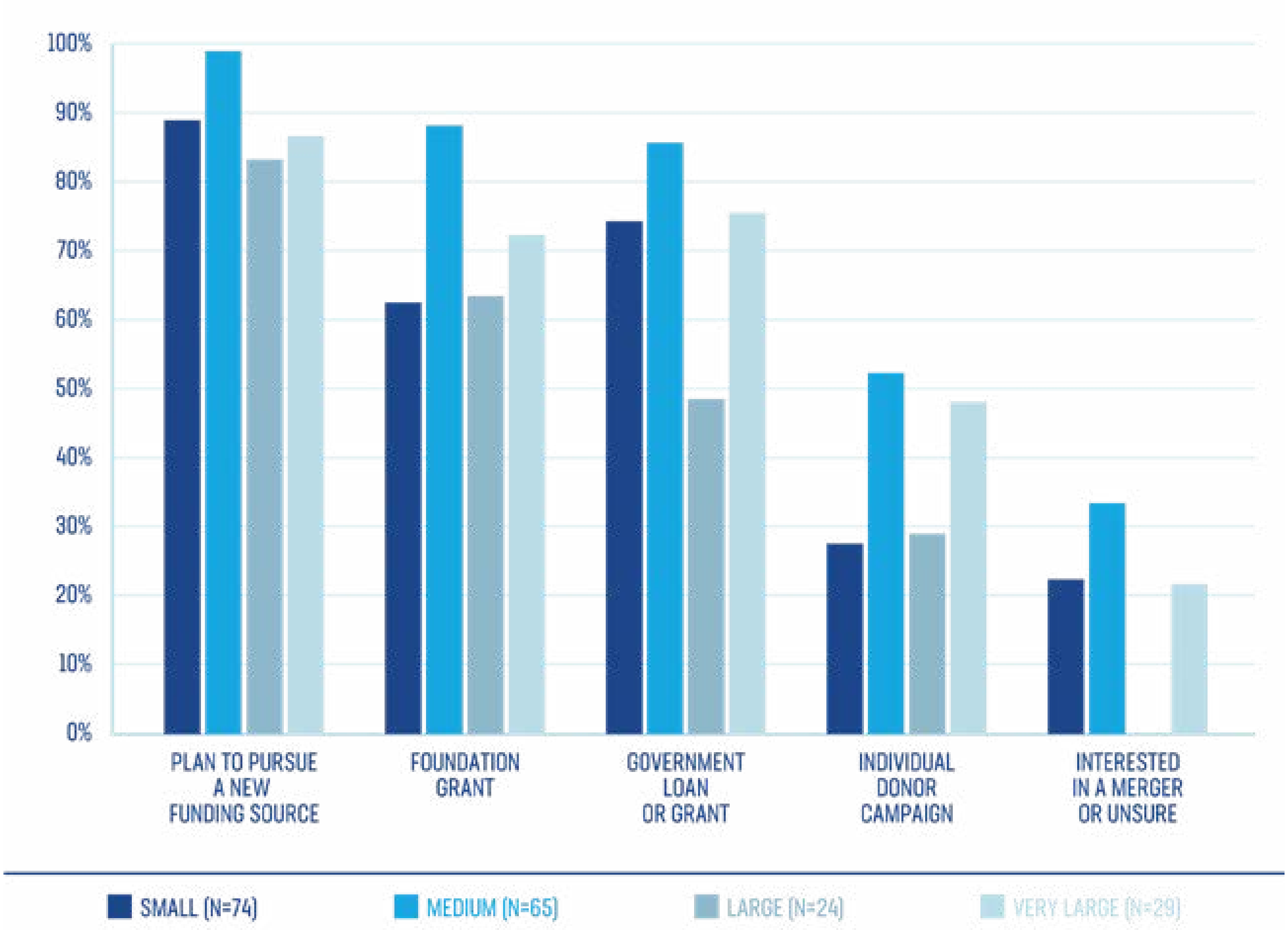


FIGURE 12 shows the percentage of each cluster planning to pursue each funding opportunity or considering a merger. Note that overall, the vast majority of all four clusters is planning to pursue a new funding source in response to the pandemic. However, "medium" organizations are most likely to plan to pursue foundation and government grants, and individual donor campaigns, followed closely by the "very large" cluster in each of these categories. This diversified fundraising strategy, which could also include federal stimulus, might partly explain why medium nonprofits are highly likely to anticipate cash flow problems but not staffing changes.

Nonprofits in the "medium" cluster are also relatively most likely to be open to considering a merger or other form of collaboration, followed by the smallest and largest clusters. Interestingly, none of the organizations in the "large" cluster expressed openness to a merger, perhaps because of their already relatively strong financial standing.

FIGURE 12: PERCENTAGE OF EACH CLUSTER (N=192) PURSUING FUNDING OPPORTUNITIES



Exemplifying that "small" nonprofits are relatively less likely to plan to pursue foundation grants and individual donor campaigns, one survey respondent wrote:

> *"I just wish there were more options for the 'little guys' that are doing great work with limited funds."*

Support Nonprofits Need

We asked nonprofits how foundations, donors, and other supporters could best support them now. The vast majority (87%) of those who provided comments (n=263) need funding, including individual donations and corporate sponsorships (36%), unrestricted multi-year operational grants or "bridge" loans (29%), and financial help in general (23%). Comments included:

> *"We have actually had to increase staff because of call demands. That required purchasing more laptops and headsets. Assistance with these equipment outlays would be helpful. We were able to bring on and train 16 volunteers, so we are saving on salary."*

"We need operational dollars and funds to provide crisis services to unsheltered homeless households, particularly emergency shelter."

"Keep planned funding commitments as we adapt our delivery of service to whatever new models and different policies are embraced by our partner schools."

"Hopefully, through GiveNOLA [Day], we will see support from our previous donors."

About one-tenth of respondents each requested advocacy on behalf of individual nonprofits, their causes, and/or the sector in general, to build awareness and public and political support (12%); and information, resources, and virtual trainings on a variety of topics relevant to the pandemic and its impact on their organizations, including opportunities for funding and client referrals (10%).

"Advocate to Congressional leadership the need for support for nonprofits."

"We need guidance as to how to safely serve our community at this point."

"Remain flexible as we discover – or remake – what the cultural economy will be like, as we live with and move beyond the pandemic."

We also asked respondents to predict their organizational and operational needs a year from now. Almost half (49%) of those who responded (n=263) identified stable and sustainable funding as a long-term need; for example:

"A year from now, our organizational and operational needs will still be adjusting to the economic recession and poor results of the current fiscal year. As an organization, funding will still be the greatest need."

"We are operating at less than bare minimum at the moment and need to increase our funding drastically."

"Unrestricted operating support. Over half of our budget is in cash and in-kind corporate support, and the majority of those dollars are local and from small businesses… We will see significant impacts a year from now in our ability to operate at our current scale because of this. It will take a radical re-imagining of our festival and year-round operations to stay afloat."

Over one-fifth (22%) declined to make a prediction given the uncertainty of the pandemic, especially in the early weeks of the pandemic when the survey was conducted. Another fifth (20%) predicted an increased demand for their services in areas such as homelessness and mental health, and therefore increased capacity needed by their nonprofit, especially in the form of staff and volunteers.

"We know the demand will exceed our current and projected revenues."

"A need to increase capacity to better respond to the needs of vulnerable populations in times of crisis."

"I hope in a year from now we'll be hiring more staff to accomplish the growth in impact our board set forth in our 2020 strategic plan."

Smaller numbers of respondents commented that they expect their organizational needs in a year to be the same as usual (15%), or anticipated new and expanded partnerships to support fundraising and service delivery (4%). Unfortunately, one respondent predicted:

"We will probably be closed after more than 80 years of service."

Conclusion

The nonprofit sector in Southeast Louisiana is large in terms of both the number of organizations and their collective economic impact. Nonprofits in the New Orleans metropolitan area alone employ over 55,000 people total (almost 12% of the workforce), at above average wages. Our survey of a subset of 501(c)3 charitable nonprofits suggests that nonprofits are also relatively generous in the benefits they provide, as 60% of responding organizations provide health insurance to employees.

However, the ongoing pandemic has disrupted nonprofit operations and fundraising. Over half (60%) have closed their physical office, and almost three-quarters (73%) are working remotely. Over half (57%) have cancelled or postponed a major fundraising event. As a result of the pandemic, 84% of nonprofits we surveyed reported uncertainty about their future cash flow, and only a third (33%) have a reserve fund to rely on. Indeed, almost two-thirds (64%) anticipate staffing changes, including cutting hours, and furloughing or terminating employees.

But nonprofits in Southeast Louisiana are rising to the challenge. Almost half (43%) continue to provide direct services and support their clients in need. The vast majority (84%) are pursuing new funding sources, particularly foundation and government grants, and individual donor campaigns. While the smallest and largest nonprofits are particularly vulnerable financially – and more likely to be providing direct services through the pandemic – organizations of all sizes report a need for flexible funding streams that cover operating expenses, as well as advocacy, technical assistance, and other support to help them meet the increased demand for services.

Nonprofits in Southeast Louisiana are adaptive, resilient, and tireless in pursuit of their missions.

> *"Following Hurricane Katrina, all of us in the nonprofit sector relied on each other for support, resources, encouragement, strength, and hope. Through our collective creativity, insatiable will, and fortitude, we will get through this together and continue to serve and be there for the families of this community when they need us most."*

> *"We're so much stronger together than we are apart! Let's connect, collaborate, and get through this together!"*

> *"The level of support and interest we've seen from our students, their families, and our staff has been overwhelming. We are still making music!"*

The nonprofit sector is vital to our community in Southeast Louisiana, but often taken for granted. Yes, nonprofits gained well-deserved accolades for their role during and after Hurricane Katrina, and again through the 2010 Gulf oil spill. Nonprofits are called on in a disaster to fill the sizable gap between private and public services, and they passionately rise to that challenge. But nonprofits always play that crucial role in our society, and sadly it may take a disaster for us to recognize that fact.

The truth is that most people simply do not know much about the nonprofit sector. It's a mysterious sector that nonetheless employs more than 10% of our workforce and touches each of us, in some way, every single day. And frankly, there just is not a lot of data available on the sector. Sure, there are some reputable national studies, and there have been valiant attempts to survey our regional sector in recent years, including past needs assessments conducted by GNOF. But even scholars know relatively little about this large and diverse sector and the extent of its impact on our economy and culture.

The study by GNOF and UNO was designed to help demystify our region's vibrant nonprofit sector, and demonstrate how nonprofits are rising to the challenge of this particular disaster, the COVID-19 pandemic. We aim to educate policymakers, funders, and the wider public about the importance of the sector to our region's resilience and recovery. However, as one nonprofit leader who completed our survey put it, "Under normal disaster issues, we would be helping. Now, we are the victims." The survey responses made clear to us how vulnerable our nonprofits are themselves to the pandemic, while they continue to serve and enrich our region as best they can. Dependable data will not solve all of our problems as we collectively navigate this pandemic, but it helps us reduce uncertainty about the pandemic's impact, and begin to plan the recovery ahead. That recovery is absolutely reliant on nonprofit organizations; we must not take them for granted now.

Putting the Data to Use

The survey data tells the story of how the COVID 19 pandemic has disrupted nonprofit operations and programming. For most, the future remains uncertain. Despite this, the nonprofit sector and the staff and boards that lead them are resilient. Like in all crises, we have an opportunity to examine old habits and consider new ways of working. It is imperative that nonprofits and those that support them take this opportunity as a call to action to increase impact and sustainability.

What The Greater New Orlean Foundation Will Do

PROVIDE OPERATIONAL GRANTS AND EXPEDITE OUR GRANTS PROCESS

In 2017, the Foundation shifted our signature discretionary grants program, IMPACT, to primarily operational grants to ensure nonprofits have the financial liquidity they need to navigate these challenging times. At the onset of the COVID-19 Pandemic, we launched our Disaster Response and Recovery Fund. To date we have granted $1,260,000 in disaster grants, of which 100% has been for operational support. Additionally, Foundation staff are working with our fundholders to encourage their grantmaking to focus on operational support during this crisis. The Foundation will continue to prioritize operational support in our discretionary grantmaking.

Additionally, we have streamlined our processes to expedite our grantmaking, which is especially critical in a disaster. This work includes pre-qualifying disaster response nonprofits, shifting to direct deposit for grants, truncating our timeline to process grants, and simplifying grant reports. These changes are now part of our grantmaking protocols and will continue beyond the Pandemic.

WORK WITH OUR DONORS AND FOUNDATION PARTNERS TO SUPPORT STRATEGIC PARTNERSHIPS, CONSOLIDATIONS, AND MERGERS

The devastating impact that the COVID-19 Pandemic has had on the nonprofit sector's revenue is staggering. Many nonprofits won't be able to stabilize, much less sustain themselves in the long-term. This crisis presents an opportunity for nonprofits to reimagine the work through restructuring, bolstering partnerships, and in some cases consolidating and merging. The Foundation has a track record for supporting strategic partnership and mergers. Most recently, our Nonprofit Leadership and Effectiveness team facilitated the merger of Family Services of Greater New Orleans with CADA.

Working with donors and foundation partners, the Foundation will expand our Mission Acceleration grants program to deepen our support and investments in strategic partnerships, consolidations, and mergers. Additionally, we will provide a series of workshops and a tool-kit designed to help organizations navigate this process. Our objective from this work is a stronger, more impactful, and more sustainable nonprofit sector.

EXPAND NLE PROGRAMMING IN THE AREAS OF LEADERSHIP, GOVERNANCE, AND FINANCIAL PLANNING

The Foundation is committed to supporting the ongoing capacity building needs of our region's nonprofits and the staff and boards that lead them through Nonprofit Leadership and Effectiveness (NLE). We will continue to deliver high-quality, relevant programming including our popular Board Governance Series, Executive Director Fundamentals, and free webinars and workshops.

In a crisis, diversity, equity, and inclusion often get forgotten or overlooked. Some might refer to it as the tyranny of the urgent. Whatever the reason, it's not acceptable and we miss opportunities when we don't practice DEI. In response, we will recast our Emerging Leaders program with greater intentionality on racial equity and reaching leaders of color. One of the Foundation's signature leadership programs, Emerging Leaders is designed to support leaders interested in building a career path in the nonprofit sector, creating a diverse, well-prepared pipeline of future nonprofit senior executives and executive directors.

Prior to the pandemic, we expanded our Board Governance Series curriculum. To support boards in their efforts to diversify and be more inclusive, we will train future board members and then match them with our Board Governance Series participants. Working with partners like the Young Leadership Council and Urban League Young Professionals, our Board Builders program will focus on recruiting people under 50 and people of color for the training program. These groups are currently underrepresented on boards of directors in our region.

We will increase programming in financial leadership, planning, and management. The impact of this crisis on nonprofit finances is complex and daunting. Business models are upside down due to loss of revenue; cash -flow is keeping leaders up at night; reserves, if you have them, are diminishing; and no one really knows what the future holds. It is imperative that nonprofit executives and boards are clear on their financial position and are strategic and planful as they navigate their finances. In order to do this, they will need training, guidance, and tools.

Recommendations For Nonprofits

We encourage nonprofits to reflect on their own specific situations as they consider these recommendations in partnership with the board and staff.

OPEN RESPONSIBLY

As our state and region begins to reopen, it is critical that nonprofits open responsibly according to the Centers for Disease Control and Prevention, state, and local guidelines. If it is feasible, organizations should continue remote operations or limit the number of people in the office as long as possible. For those nonprofits that must reopen, they may need to redesign and augment their office space to facilitate social distancing. Organizations should consider adjusting operating hours and staggering staff schedules to minimize contact. Nonprofits that open will need to increase their investment in professional cleaning services. Additionally, nonprofits may need to secure PPE for staff and the people they serve. All of this work will take diligence, planning, and some financial investment.

Only 27% of survey respondents had a Continuity of Operations Plan prior to the pandemic. Given that hurricane season is upon us, it is critical that nonprofits include continuity of operations planning as part of opening responsibility. Plans should consider flooding, tornados, and hurricane evacuations during a pandemic. Click here for resources to support Continuity of Operations Planning.

BUILD A RESERVE FUND

A key indicator of the fiscal health of a nonprofit is how many months of cash reserves it has on hand to sustain itself through the ups-and-downs of funding and the ever-changing economic landscape. The survey data is clear that the 33% of nonprofits reporting having a reserve are better equipped to manage the financial shock of the pandemic than those that do not have this safety net. Unfortunately, the survey confirms that the majority of nonprofits don't have a reserve.

The thought of putting aside cash in a reserve is likely overwhelming and not realistic given the current environment. Even so, nonprofits should strive to create a reserve fund. They can start by the board adopting a resolution to create a reserve fund with a fundraising goal and timeline. This may be aspirational for now, but the very act of creating the resolution is an educational opportunity for board and staff. It can also serve as a motivator and help hold the organization accountable for this work. For organizations that have spent down their reserves, it is important to outline a strategy to replenish them in their fund development plan and monitor to ensure the fund is built back up.

The Richard West Freeman Board Restricted Reserve and Endowment Challenges is a matching grant opportunity at the Greater New Orleans Foundation to support nonprofits that build or grow their reserve or endowment. Click here for more information on the Freeman Challenges.

SEEK OPPORTUNITIES TO RESTRUCTURE AND PARTNER

The ability to continue delivering relevant social impact over the long term has always been important to nonprofit leaders. But as the spread of COVID-19 causes upheaval in just about every aspect of society, sustainability is becoming challenging. Collaboration is an intrinsic value of the nonprofit sector. Nonprofits have always sought partnerships to create economies of scale and maximize their impact. This crisis presents an opportunity for nonprofit leaders to reimagine how they do their work and how we work together to advance our shared goals.

Long-term restructuring of operations, services, and programs is inevitable for most nonprofit organizations. During the restructuring process, it is important that nonprofits consider strategic partnerships as a way to maximize impact and create cost savings and efficiencies. This could include joint programming or consolidated administrative services. For some nonprofits, a consolidation or a merger may be the best option.

Recommendations For Philanthropy

Foundations, corporate giving programs, donor-advised funds, and individual donors could not achieve their philanthropic missions without our grantee partners. Philanthropy helps fuel the nonprofit sector, but it is our grantee partners that are on the front lines. The data and feedback from survey respondents suggest some ways that philanthropy can be more responsive to our grantee partners' needs.

INCREASE INVESTMENTS IN GENERAL OPERATING SUPPORT

Nonprofits have been calling on philanthropy to provide more general operational support for years. There have been some strides, but as the survey indicates more is needed. Operational support allows an organization to be nimble, invest in itself, and often fill programmatic funding gaps. For many nonprofits the cost to operate and deliver their programming will increase given the new safety guidelines. There is still a lot of uncertainty of what the future will hold and how it will impact the work. Our nonprofits need the space and resources to pivot, innovate, and plan. General operating support gives them that flexibility and space. Likewise, and now more than ever, nonprofits need predictable and renewable income. If possible, funders should invest in multi-year general operating support, which can be transformational to a nonprofit.

INVEST IN ADVOCACY EFFORTS

Advocacy nonprofits are well positioned to leverage this crisis to advance and defend policies critical to the health and well-being of our most vulnerable populations including seniors, children, low-income families, and returning citizens. There has been a shift in foundation funding to support advocacy efforts, but it is not enough and often sporadic.

It is difficult for advocacy nonprofits to raise money from corporations and individuals. For the most part, these organizations rely on foundation support. General operating support over multiple years is especially critical to these organizations. Advocacy is a marathon not a sprint. These organizations need time and the flexibility to experiment and adapt strategies as they work to change the long-standing policies and structures that adversely impact our most vulnerable children, families, and communities.

Additionally, it is important for philanthropy to advocate for the nonprofit sector and the causes it's investing in. By utilizing its voice and convening power, philanthropy can be a critical partner and connector.

PRACTICE EQUITABLE GRANTMAKING

The COVID-19 Pandemic has once again proven that disasters impact vulnerable communities including rural, poor, and communities of color most profoundly. The negative impacts from these crises last longer in these communities and the recovery process can be overwhelming. Philanthropy has the opportunity to invest in the recovery and resilience of these communities by supporting the nonprofits and leaders that are on the ground in these communities. These organizations have the trust and relationships with these communities and a clear analysis of the needs and opportunities. These organizations are often small with budgets less than $500,000 and led by people of color. They might not have the financial acumen or sophisticated systems and technology that larger nonprofits might have. This does not mean that they do not have capacity. It means that they need flexibility and trust that they have the skills and knowledge to get the work done.

In recent years philanthropy has made a more deliberate push to claim diversity, equity, and inclusion as inherent values. The jury is still out on how grantmakers are living these values in our work. What would it look like if foundations designed grantmaking processes to support grantseekers and grantee partners? Foundation leaders can start contemplating this question by asking themselves:

- Are organizations led by leaders of color represented in my grantmaking portfolio at meaningful levels?
- Do our foundation's language, one-size application requirements, review process, and metrics hide bias?
- Do our grant size and monitoring requirements differ for some organizations? If so, take responsibility for exploring what is driving this.
- How are we promoting our funding opportunities? Nonprofits without development staff or who are new to grantseeking, can find it difficult to identify funding opportunities. First, they might not know where to look. And if they do, these opportunities are often buried on websites. Foundations should make funding opportunities more transparent, accessible, and inclusive.
- How can we incent and support nonprofits in collecting, reporting, and using disaggregated data that can identify differential treatment and outcomes in their work?

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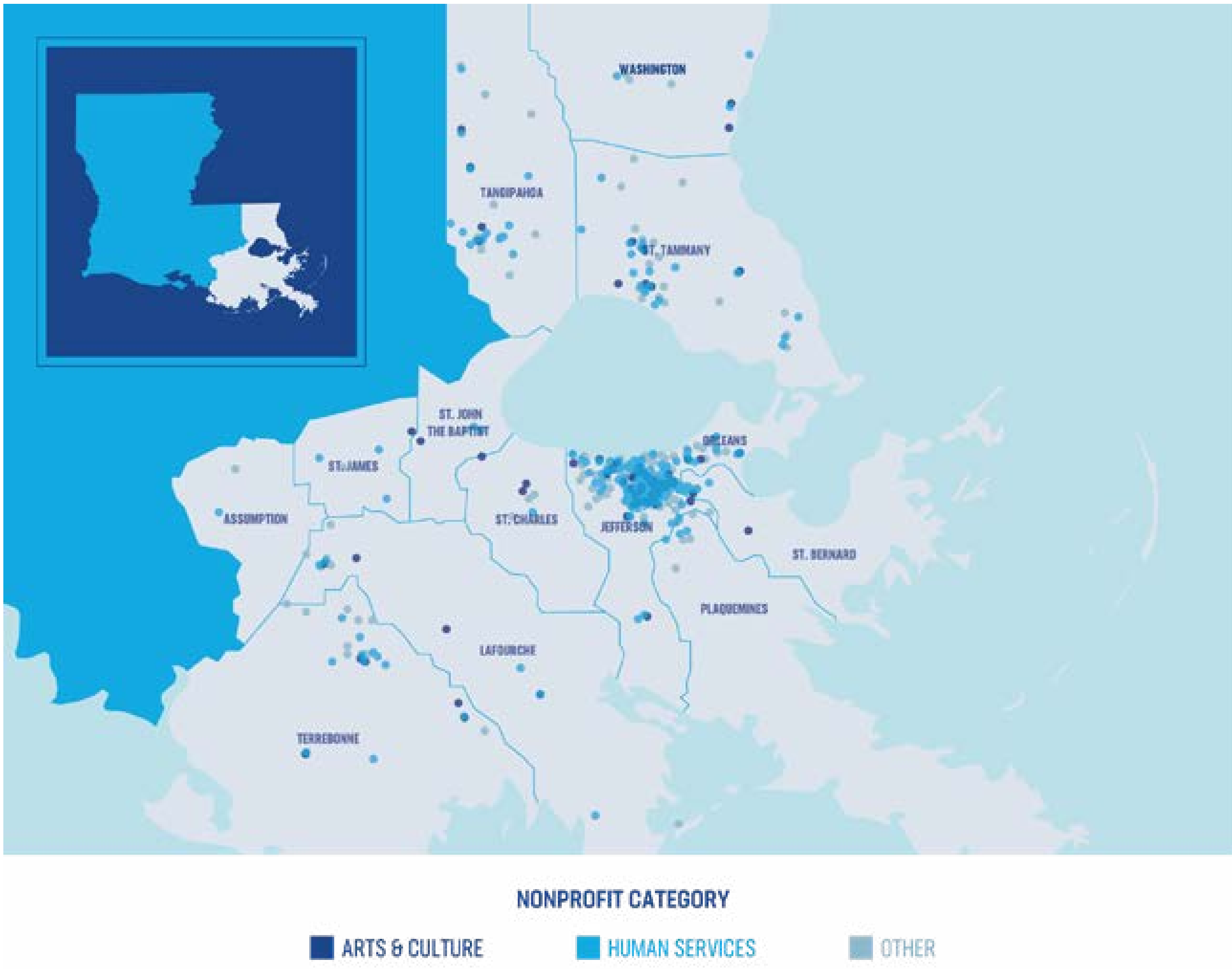
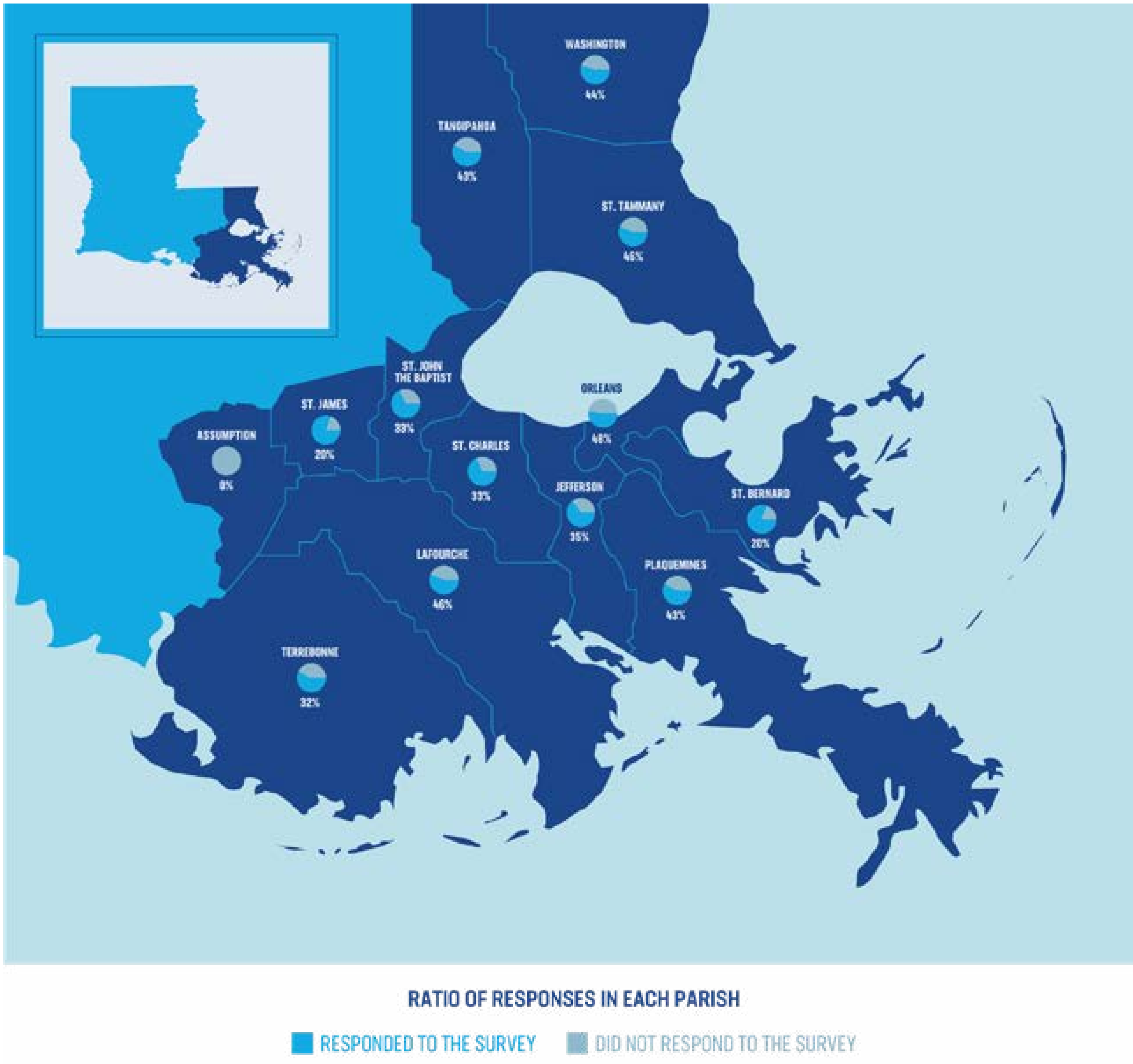
APPENDIX 1: GEOGRAPHIC SPREAD & COUNT OF NONPROFITS IN CONTACT LIST (N=730) BY MISSION TYPE

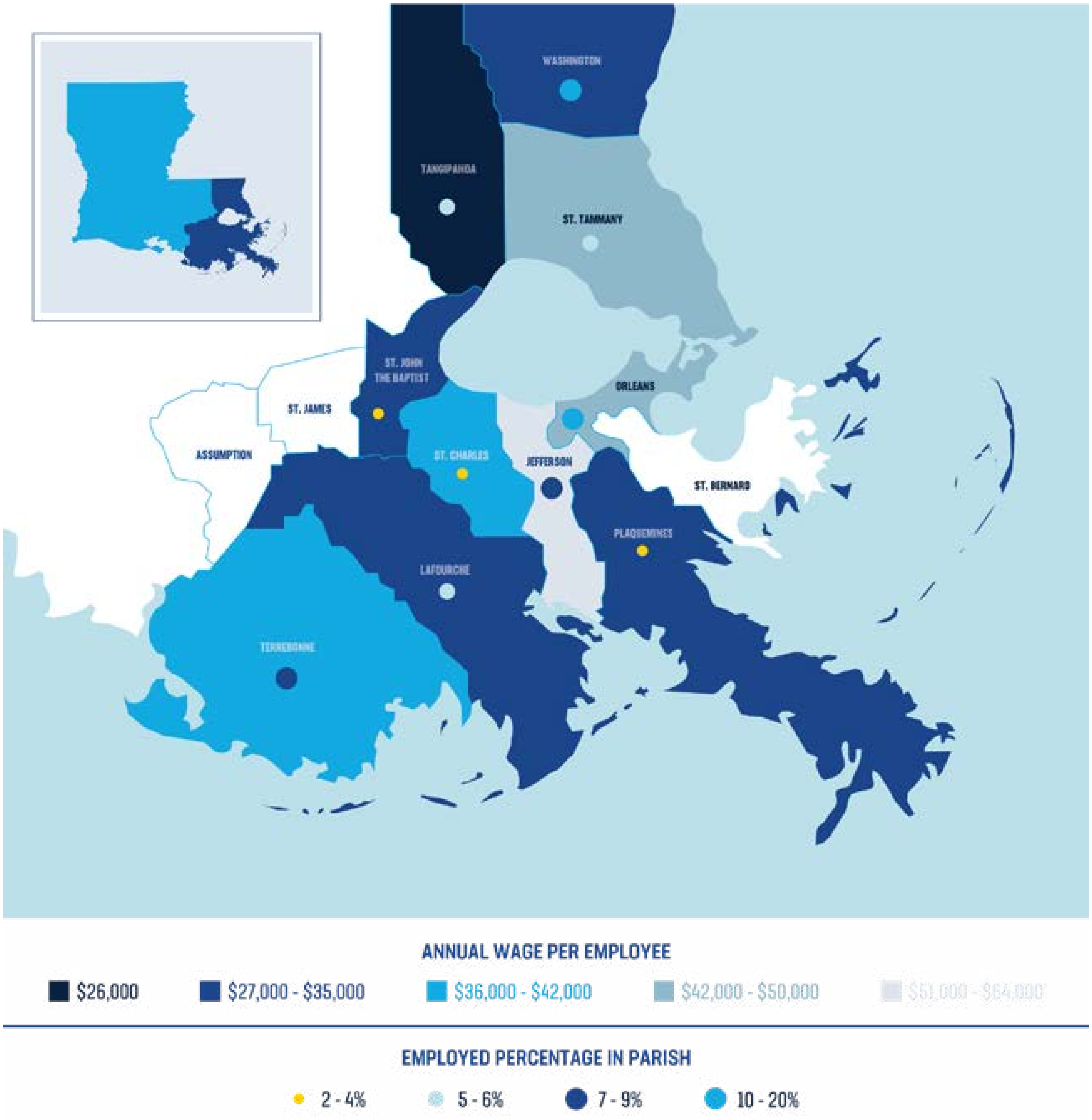


	ARTS & CULTURE	HUMAN SERVICES	OTHER	GRAND TOTAL
ASSUMPTION	0	1	2	3
JEFFERSON	9	39	60	108
LAFOURCHE	5	13	10	28
ORLEANS	88	143	171	402
PLAQUEMINES	0	2	5	7
ST. BERNARD	2	5	3	10
ST. CHARLES	2	1	3	6
ST. JAMES	0	4	1	5
ST. JOHN THE BAPTIST	4	2	3	9
ST. TAMMANY	7	31	30	68
TANGIPAHOA	4	20	13	37
TERREBONNE	6	14	18	38
WASHINGTON	2	3	4	9
GRAND TOTAL	129	278	323	730

APPENDIX 2: SURVEY RESPONSE RATE BY PARISH



APPENDIX 3: NONPROFIT EMPLOYMENT & WAGES BY PARISH (BLS, 2017)



Endnotes

[1] The New Orleans-Metairie Metropolitan Statistical Area (MSA) for the U.S. Census consists of eight parishes: Jefferson, Orleans, Plaquemines, St. Bernard, St. Tammany, St. Charles, St. John the Baptist, and St. James. The Houma-Thibodaux MSA covers Lafourche and Terrebonne parishes. The remaining parishes of Assumption, Tangipahoa, and Washington are grouped together as "rural" for this report, although Tangipahoa could be considered its own Hammond MSA.

[2] Figures based on regional analysis of National Center for Charitable Statistics (NCCS) version of IRS Business Master Files (BMF) for December 2018. See https://nccs-data.urban.org/index.php.

[3] NCCS BMF data were matched to 2015 NCCS Core Files for public charities (full and partial) to identify nonprofits that had filed form 990 in 2015 or earlier.

[4] https://gnoinc.org/explore-the-region/gross-regional-product/

[5] https://gnoinc.org/explore-the-region/demographics/population

[6] Figures on QCEW data published by the BLS in 2017. See https://www.bls.gov/bdm/nonprofits/nonprofits.htm.

[7] Organizations with contact information were significantly larger in terms of average annual revenues and total assets, more likely to be arts and culture nonprofits, and less likely to be human services nonprofits, compared to organizations for which contact information was unavailable. There were no significant differences between the groups in terms of the metropolitan areas they represented.

[8] That said, there were no significant differences in average total revenues or assets between nonprofits from our contact list that did and did not respond to the survey.

[9] We divided the New Orleans MSA into three equally sized groups based on total annual revenues. The top group had annual revenues above about $555,000, while the bottom group had revenues below about $130,000.

[10] Not surprisingly, nonprofits that provide either or both benefits have significantly larger staffing levels on average, as well as larger total revenues and assets, than those that do not provide these benefits.

[11] Organizations with both plans in place at the time of the survey were significantly larger on average in terms of total revenues, assets, and staffing levels, compared to those without both plans. Arts and culture nonprofits were relatively less likely to have these plans in place, while human services nonprofits were more likely.

[12] Respondents that reported providing direct services are significantly larger on average in terms of total revenues, assets, and staffing levels, compared to those that do not. Direct service providers are also more likely to be based in the New Orleans metro area than outlying parishes, to be human services nonprofits, and to have a physical office and disaster plans in place.

[13] For all 734 nonprofits in our survey contact list, the combined total of annual revenues was $1.15 billion, and combined assets were $1.83 billion.

Acknowledgments

This research study was a collaborative effort to shed light on the sector and its outsize importance at this difficult time. It required passion and sweat equity from many people. Dr. Steve W. Mumford, PHD, Assistant Professor, Master of Public Administration (MPA) Program, was the principal investigator and lead researcher for the study. Kellie Chavez Greene from GNOF provided clear and consistent leadership throughout the study, with support from Kristen Craig. And at UNO, Graduate Assistant DeVante Starks, and Tolmas Scholars Kielee Clement, Ariane Dent, and Mckenzie Howell, all made critical contributions to the study's implementation. Special thanks also to the Political Science Department at UNO for its logistical support. And thank you to all the nonprofit leaders who generously took the time to complete our survey while juggling so much else.