

2021 nonprofit outlook: Key takeaways from 2020 and strategies for the future

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Agenda

- A. Where are we today?
- B. What lessons have we learned? What questions must we answer?
- C. Reimagining our missions
- D. Thinking about our futures

A. Where are we today?

Where are we in terms of the pandemic?

1. Development of vaccines

- As of early March, three approved in the U.S. for emergency use
- Six in limited or early use and 21 in phase 3 trials

2. Hospitalizations have fallen; fewer hospitals are overloaded (U. of Minn as of 2/25)

- Ratio of COVID-19 beds/total hospital beds “concerning” if >10%, “alarming” if >20%
 - Except for Southwest (10.1%), **every part of US now <10%**
- Ratio of COVID-19 beds/ICU beds “high stress” if >30%, “extreme stress” if >60%
 - **All geographies under threshold** (Southwest closest at 27.5%)
- Staffing less strained

3. We are getting better at treating patients and measuring incidents of the disease

- Death rates are down (CA near 1.1%)
- Hospital stays are shorter
- Fewer patients are avoiding hospitals or medical care (had been >40% in June)

Where are we in terms of the pandemic?

4. Breakdown of spending in the American Rescue Plan Act *

<u>Provisions</u>	<u>Amount</u>	<u>(\$ billions)</u>
Aid to households		\$914
\$1,400 in direct payments to eligible individuals and their dependents		\$422
Supplemental unemployment benefits (+\$300/week) through September 6		\$246
Expanded and enhanced tax credits for lower-income households		\$143
Expanded subsidies to purchase health insurance coverage		\$63
Rental and mortgage payment assistance		\$40
State and local governments		\$350
Education and childcare		\$210
Pandemic response		\$142
Small businesses		\$50
<u>Other policy challenges</u>		<u>\$214</u>
Total		\$1,880

* Estimates based on the version of the bill passed by the House on February 27. Sources: Committee for a Responsible Federal Budget, US Congress, and Moody's Investors Service

Where are we in terms of the pandemic?

5. American Rescue Plan Act elements impacting nonprofits *

--Expanded Paycheck Protection Program

- Extra \$7.25bn to be available
- Eligibility expanded to nonprofits employing <500 employees at given physical location

--Unemployment insurance support

- Helps NPs that reimburse unemployment costs instead of paying unemployment taxes.
- Federal gov't. paid 50% of costs since passage of CARES Act: will now pay 75% starting in April and going through Sept. 6

--Aid for states and localities

- NY gets \$100bn (\$24bn for the state, localities and MTA)
- State government getting \$12.5bn while \$6bn will be for NYC

--Other

- 15% increase to SNAP is extended
- Free meals to families whose children's schools are closed extended through the summer.
- Child tax credit expanded; becomes fully refundable

Where are we in terms of the pandemic?

6. Outlook for nonprofits more difficult in 2021

- Reserves have been drawn down
 - Nonprofits entered 2020 with low levels of reserves (50% had <3 months)
 - Pandemic 10 months old, so nonprofits have been tapping
- Budget cuts at state, county, and municipal government levels
 - CBO estimates deficits of (11%-12%) for FY21; a further (10%) for FY 22 due to much lower tax receipts
 - Already witnessing large cutbacks in education budgets
 - Expect cutbacks in social services contracts
- Difficult Q4 fundraising season combined with fear of “donor fatigue”
 - Even the most generous donors don’t possess unlimited funds
- Continuing high levels of expenses -- combined with revenue shortfalls -- for hospitals and higher education
- Lower expenses but almost no revenues for museums and performing arts organizations

Where are we in terms of the pandemic?

7. How nonprofit leaders can help employees cope *

- Speak with employees individually to better understand the stresses they face.
- Be open with employees, even about difficult topics like the nonprofit's finances.
- When people don't get regular updates, they make up what they don't know.
- Don't be afraid to say you don't know the answer to a question.
- Find safe ways for staff to interact socially to bolster morale.
- Small gestures, like extra time off or a surprise food delivery, can make employees feel like their work is recognized and valued.
- Remember that workers follow your lead.
- If the CEO sends a 2 a.m. email, employees think they're expected to work at all hours, too.
- Take care of yourself. That includes taking time off.

Questions?

B. What lessons have we learned? What questions must we answer?

Financial

The need to rethink our reserve policies

- Adequate level of reserves
- Are reserves sufficiently liquid?
- Can we benefit from a committed line of credit?

The need to strengthen our balance sheet

The need to strengthen our technology

- Assess ease and capability of remote computing
- Assess IT security

The need to strengthen our finance staff

Importance of being in touch with donors

- Talk with donors about accelerating gifts and/or relaxing restrictions

Governance

How well did our governance hold up during the pandemic?

- Did all the members of the board step up to the plate during the pandemic?
- Did we enlist board members to assist in our communications?

Have we updated our governance documents?

- Does our language provide for virtual board meetings and decision-making?
- Can we call more frequent meetings?
- Have we reviewed signing and decision-making authorities

Do we have the right board members with the appropriate skills?

Strategic

Have we convened a committee of the board to plan our future?

- Has our mission changed? (see following section)
- Has our ability to achieve our mission changed? What must we do to enhance our ability?

How do we envision our nonprofit's place in the world

- Have we thought about the attributes we have and those we wish to have (see appendix on continua)?

What is our North Star?

- What are our priorities and what is our purpose?
- Are our programs focused on achieving our priorities?

Adam Werbach on North Star *

North Star is the strategic direction an organization aims for to sustain its mission. The goals have nine attributes

1. They move steadily but incrementally toward solving a global human challenge;
2. They address a purpose larger than any organization;
3. They align with and benefit from an organization's strengths;
4. They are achievable in five to 15 years;
5. They are personally actionable — everyone on board contributes to the progress;
6. They are both optimistic and aspirational, but not impossible;
7. They connect to the core business;
8. They are not tangential or bolted on; and,
9. They ignite individuals' passion in your organization.

Questions?

C. Reimagining our missions

Thinking more broadly

Nonprofit boards often have a narrow view of their mission and see it through the lens of a single entity.

We encourage boards to think about missions more broadly, e.g., not just fighting hunger in a narrow geography but throughout a region.

Our hope is that boards will begin to focus more on continuing the mission than on preserving any given entity pursuing that mission.

This will help them think more broadly about everything from mergers to collaborations to sharing data and programs

While having more focus

Nonprofits have long had a tendency to try to do too much

- Meeting new needs as they arise
 - Laudable goal, but mission creep steals focus and money from your core

Nonprofits would rather do things themselves, on the cheap

- “Funders want us to demonstrate our thrift”
- Results: last-generation computing run by non-techies, part-time bookkeepers, and well-meaning staff and volunteers who lack the proper skill sets

Nonprofits should identify their North Star

- Focus on programs that have the biggest impact
- Outsource functions to firms whose sole business it is

Questions we should be asking ourselves

If we're in good shape, can we (or should we) merge or take over programmatic efforts from a nonprofit that is struggling?

Are there steps we can take to make our organizations even stronger?

- Are there efforts we should outsource? Insource?

What is our core level of support from which to rebuild?

Are all of our programs equally successful?

New Philanthropy Capital's (NPC) view *

NPC has developed a five-part initiative called Rethink, Rebuild

- 1. Rethink Strategy:** Understanding, experimenting with and learning what it means to be resilient, agile and adaptive within and beyond the age of Covid.
- 2. Rethink Grantmaking:** Convening funders and grantees to explore and rethink funding systems and cultures.
- 3. Rethink Data:** Exploring innovation through open and shared approaches to digital, data and learning.
- 4. Rethink Collaboration:** Experimenting with how we could work together through partnerships, cross-sector working, shared programs.
- 5. Rethink Policy:** Reimagining the relationship between the charity and the public sector, exploring new approaches to commissioning, lobbying and policy change.

Questions?

D. Thinking about our futures

Coming out the other side

Our fears notwithstanding, most nonprofits will survive the pandemic. They will have endured the refiner's fire

- Boards will have clarified and reaffirmed the nonprofit's mission
- Programs will have been examined
 - Prune less successful efforts or ones less tied to mission
- The organization has outsourced tasks where the nonprofit is not best in class
- There is a plan to rebuild

Coming out the other side

Demand for nonprofit services will be more robust than ever

- Demand has been rising throughout the pandemic for most types of social services
 - Food pantries, mental health, drug and alcohol abuse, housing, etc.
 - The key question will be how we can fund the need
- We believe there is significant pent-up demand for cultural and social activities

America will not forget that nonprofits have tried to ameliorate the worse effects of the pandemic throughout the length and breadth of the U.S.

- They have done their best to help their communities
- In return, we believe communities will repay those efforts as we rebuild the sector

Dan Corry, NPC Ignites conference, 14 October 2020

“But what is now certain is that the crisis will be with us for a long time. There will not be short, distinct phases. The new normal is really the perilous present, a long-lasting crisis in which disaster is never far away. Reacting and rebuilding must happen together. And the challenge of rebuilding will be massive.

Helping people, places and the planet survive and thrive will be a massive effort. But of one thing we can be sure: the sometimes maligned ‘do-gooders’ who make up civil society will be at the heart of it.

Charities, social enterprises, community organizations and all their funders are crucial to getting us through this crisis and creating a better, greener and fairer world on the other side. Everyone here today needs to be part of the story, you need to be listened to, you need to be at the table.”

Source: New Philanthropy Capital (NPC)



Questions?

Appendices

Appendix:

Our place on the continuum

Continua

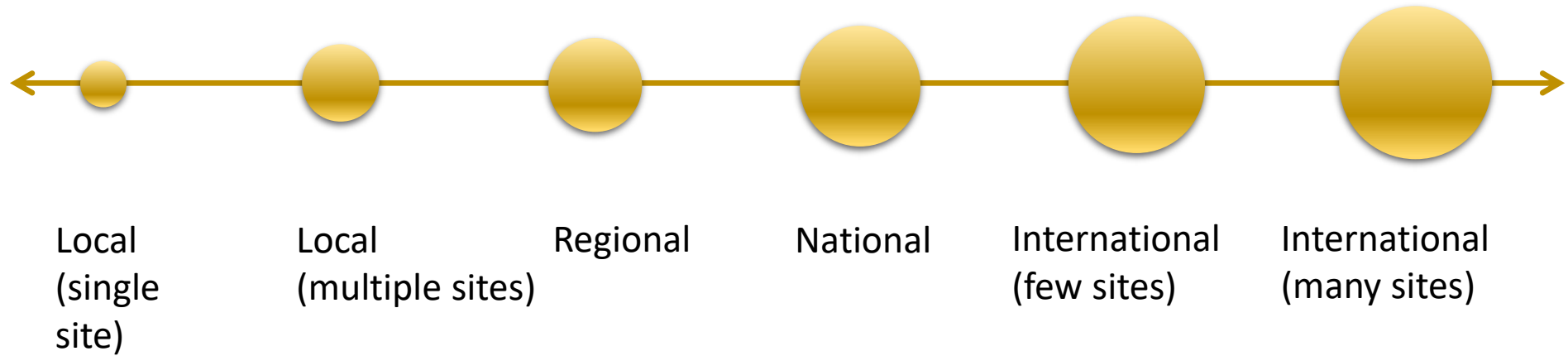
Descriptive

- Geographic focus
- Number of people touched by nonprofit
- Discretionary nature of demand for services
- Stability of business model
- Breadth of mission
- Dependency on travel

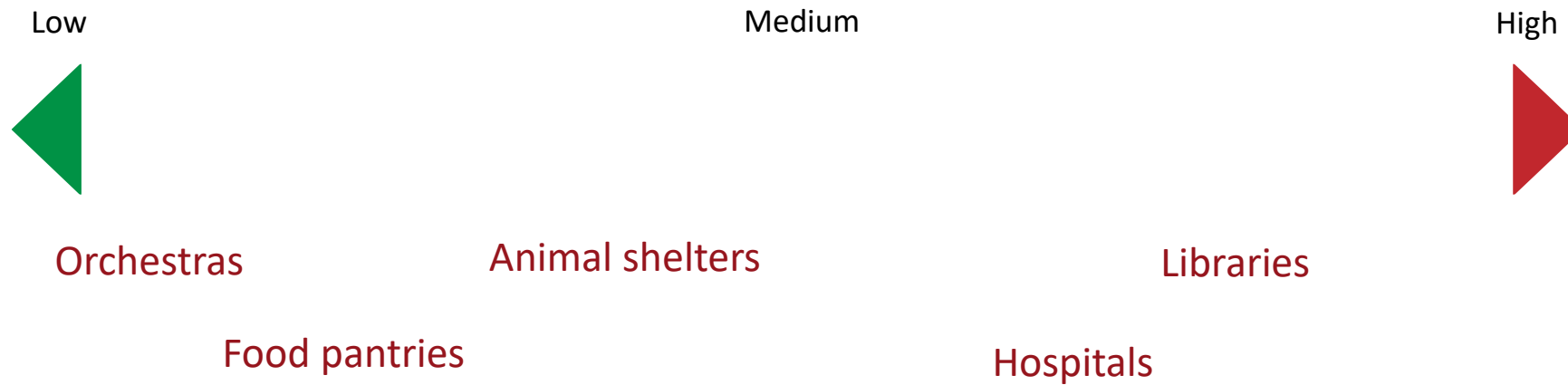
Financial

- Revenue diversity
- Investment dependence
- Fundraising dependence
- Fixed costs
- People-intensive (scalability)
- Balance sheet strength

Descriptive continua: Geographic focus



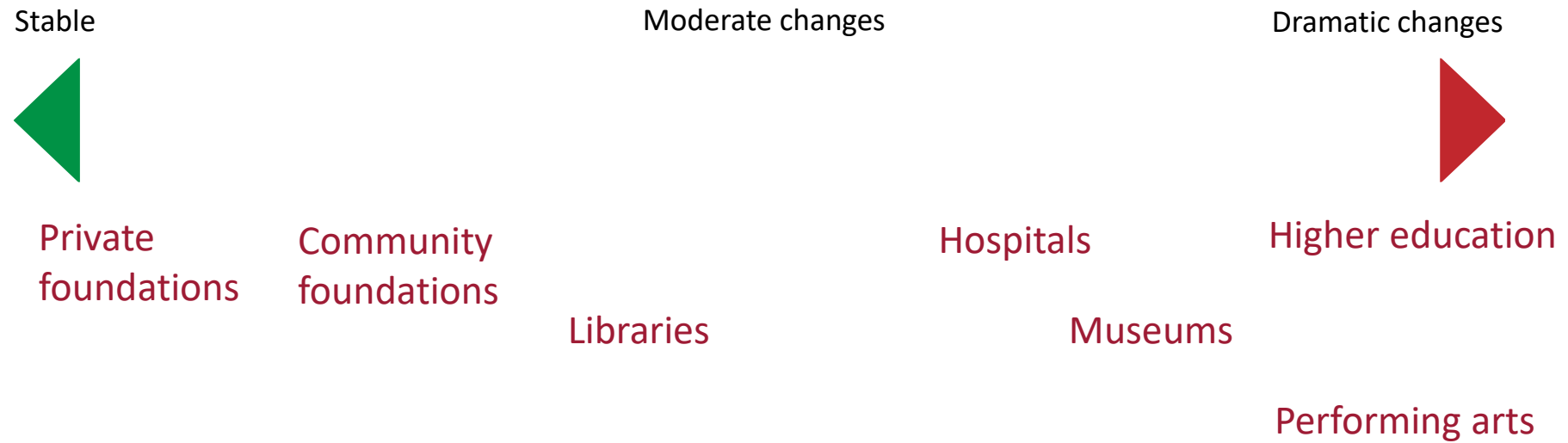
Descriptive continua: Number of people touched by nonprofit



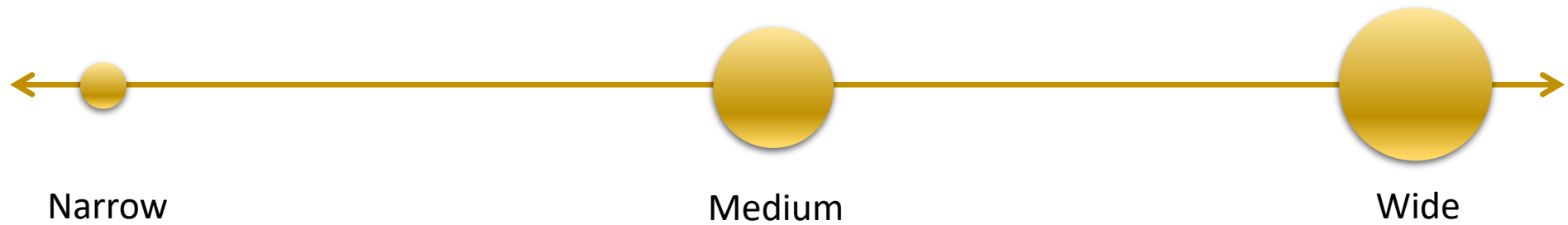
Descriptive continua: How discretionary is demand for services?



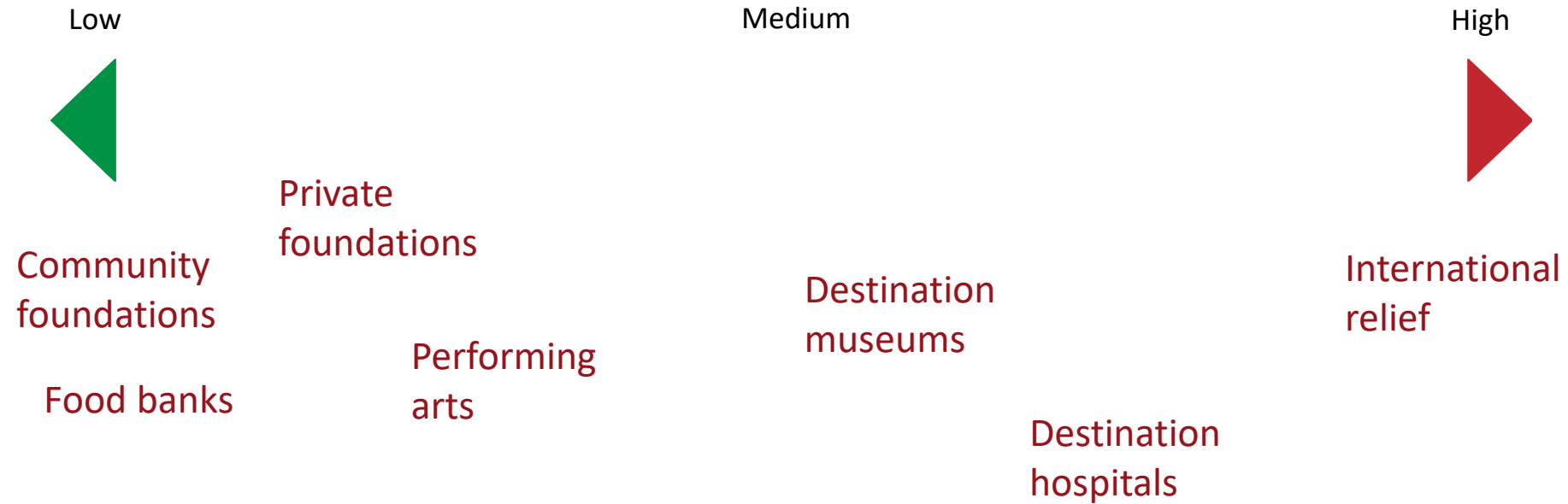
Descriptive continua: Stability of business model



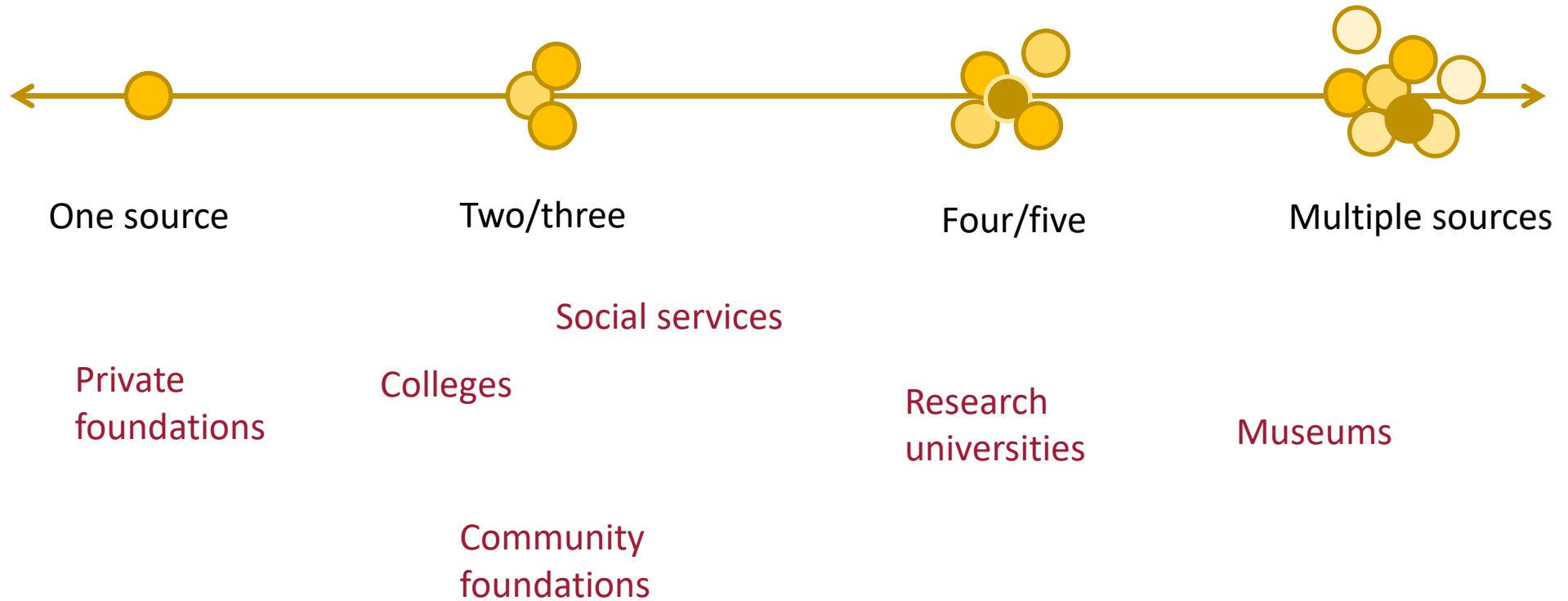
Descriptive continua: Breadth of mission



Descriptive continua: Travel dependency



Financial continua: Revenue diversity



Important information

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