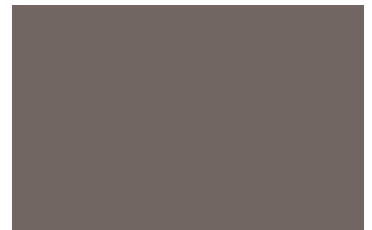




Impacts of COVID-19 on Pennsylvania Nonprofits



THE FORBES FUNDS



United Way of
Southwestern Pennsylvania

serving Allegheny, Butler, Westmoreland,
Fayette and Southern Armstrong Counties

Participation

The Pittsburgh Foundation contracted with Fourth Economy to conduct and analyze this survey on the impact that COVID-19 is having on nonprofits in Pennsylvania. A collaborative team of staff from The Pittsburgh Foundation, The Pennsylvania Association of Nonprofit Organizations, The Forbes Funds, and the United Way of Southwestern Pennsylvania advised the effort and leveraged their networks around Pennsylvania to promote the survey.

Nonprofits across Pennsylvania responded to the survey. The data was cleaned to remove duplicates, and responses that included extreme impacts were either verified or deleted. Not every nonprofit answered every question, but the final analysis includes responses from 808 nonprofits. This represents 2% of the active 32,500 nonprofits in Pennsylvania¹. See additional information on who responded in Respondents by Type on page 6.

Financial Impacts

Respondents reported \$612 million in decreased revenue for these 808 organizations and \$95.3 million in increased operating costs for a total impact of \$708 million. Overall 80% of nonprofits have experienced a revenue decrease and 87% are experiencing a negative impact.

¹ We defined active nonprofits as those organization with reported income in the IRS exempt organization master file for Pennsylvania.

Table 1: Overall Financial Impacts

	All PA Nonprofits
Budgeted Revenue	\$2,398,000,000
Actual + Projected Revenue	\$1,785,000,000
Revenue Change	-\$612,000,000
New Operating Expenses	\$95,300,000
Total Impact	-\$708,000,000

The Federal CARES Act has provided a number of programs to offset the economic impacts being realized by businesses and organizations. Unfortunately, many of these programs are not accessible by the nonprofits. Pennsylvania nonprofits had a total increase of \$35 million in operating costs that were *not eligible* under CARES Act funding. Another \$60 million in expenses may be eligible under the CARES Act (See Table 3).

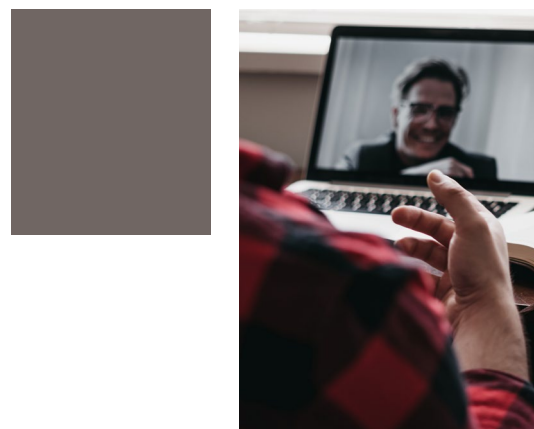
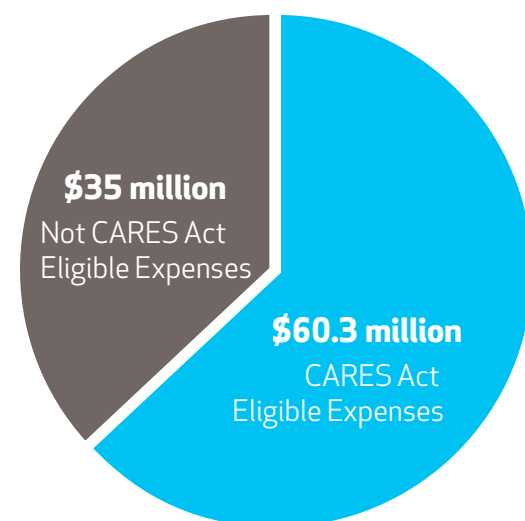


Figure 1: COVID-19 Related Expenses



The average COVID-19 impact for nonprofits varies by the size of the organization (Table 3.) The smallest organizations reported an average impact of nearly \$16,000 but that amounts to 47% of their expected 2020 revenues. Nonprofits with revenues more than \$100,000 and up to \$500,000 reported an average impact that is 37% of expected revenues. Nonprofits that range from more than \$500,000 to \$10 million reported losses of approximately ¼ of their expected revenues.



Figure 2: Detailed COVID Expenses

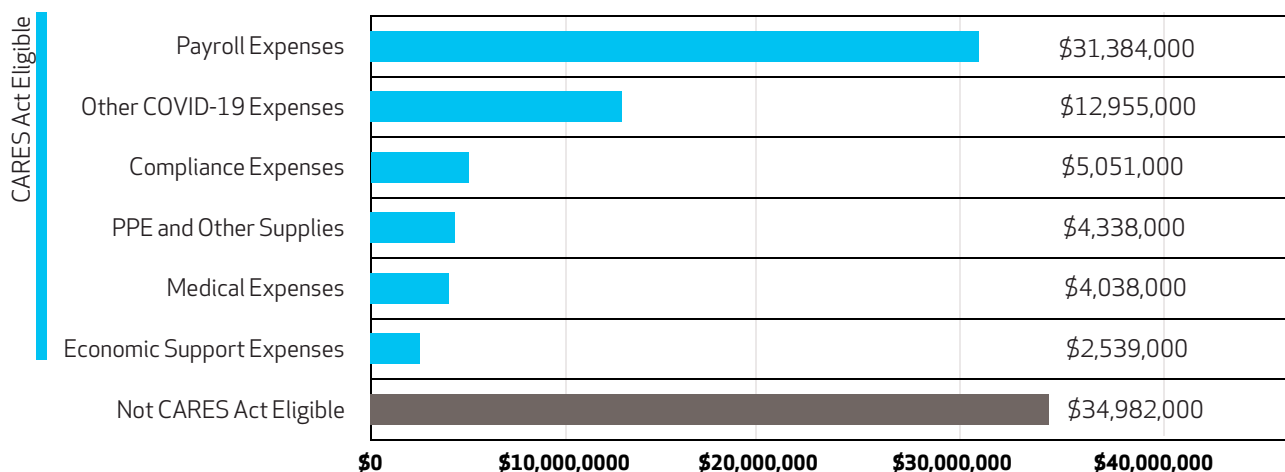


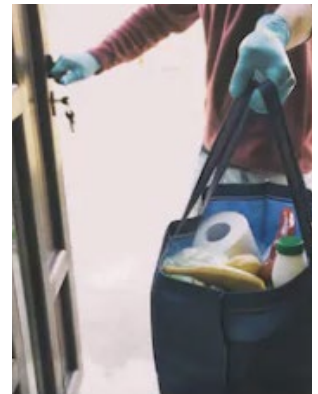
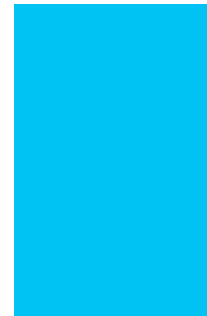
Table 3: Financial Impacts by Type and Revenue Class

Revenue Class	Expected 2020 Revenue	Average Total Impact (Loss and Expenses)	Impact as a Share of Revenue
Under \$100K	\$34,000	-\$16,000	-47%
\$101 to \$500K	\$268,000	-\$100,000	-37%
\$501 to \$2.5M	\$1,200,000	-\$317,000	-26%
\$2.5M to \$10M	\$5,300,000	-\$1,300,000	-24%
More than \$10M	\$54,100,000	-\$3,900,000	-7%

Note: Percentages may not calculate due to rounding.

Employment Impacts

Overall nine out of 10 nonprofits reported some negative employment impacts. Nonprofits reported that 17% of the employees in nonprofits were laid-off or had their pay reduced through the first half of 2020, but respondents expect that number may increase to 25% by the end of the year. According to 2019 data from the IRS, the nonprofit sector in Pennsylvania employed 807,000 workers or 16% of the workforce (pre-COVID). The organizations responding to this survey account for only 5% of the total statewide nonprofit workforce.



Service and Demand Impacts

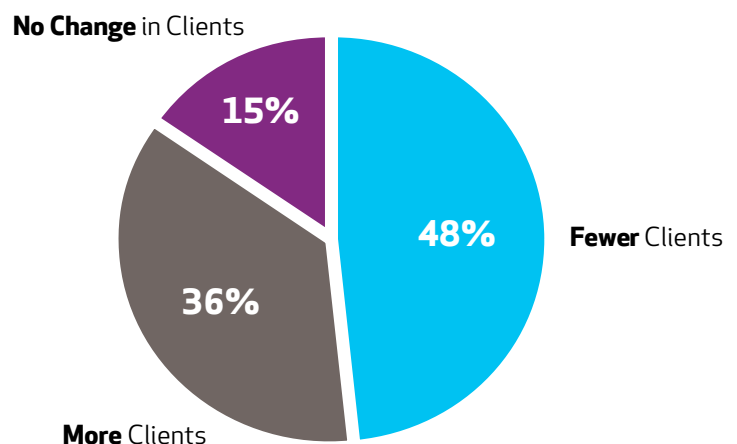
Nonprofit organizations have been economically impacted in multiple ways by the pandemic (table 4 and figure 3). Despite their revenue challenges, some are also facing increased demand for their services, or they have had to increase some services and reduce others.

Table 4: Service Impacts

	All PA Nonprofits
Increase in Services	23%
Reduced/Suspended Services	37%
Cancelled/Delayed Events	45%

Note: Responses were not exclusive and do not sum to 100%.

Figure 3: Demand Impacts



Information on Racial and Ethnic Diversity of Organizations and the Populations They Serve

The survey asked each organization to share the race/ethnicity of their leadership, which was defined as the highest role in the organization, such as President or CEO. The racial breakdown among respondents is shown in Table 5.

In addition to organizational leadership, the survey asked each organization to estimate the percent of its clients by race and ethnicity. 560 of the 808 nonprofits, or 69%, reported serving clients that were more diverse than average for Pennsylvania. Average diversity for Pennsylvania is 24%, which is the share of the state population that is not white alone.

Overall the negative financial impacts on nonprofits serving racially and/or ethnically diverse populations amounts to 21% of their budgeted revenue compared to 29% for all nonprofits in Pennsylvania that responded to this survey. The employment impacts, as a percent of pre-COVID employment, are nearly identical to the statewide average.

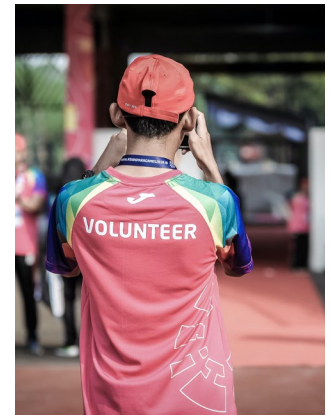
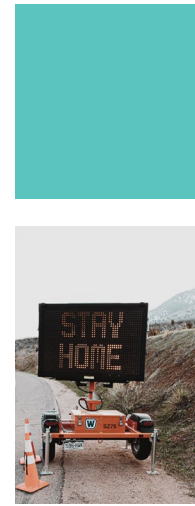


Table 5: Race and Ethnicity of Organizational Leadership

Race/Ethnicity	Number	Percentage of NPO Leaders
Hispanic/Latino	24	3%
Native American or Indigenous	2	0.2%
Asian	10	1.2%
Black or African American	62	7.7%
Native Hawaiian or Other Pacific Islander	0	0%
White	671	82.9%
Two or More Races	6	0.7%
Other, write-in	11	1.4%

Note: 22 survey respondents did not answer this question.

Table 6: Financial Impacts on PA Nonprofits Supporting Diverse Populations

	Financial Impact
Budgeted Revenue	\$1,555,000,000
Actual + Projected Revenue	\$1,290,000,000
Revenue Change	-\$265,000,000
New Operating Expenses	\$67,000,000
Total Impact	-\$332,000,000

Respondents by Type

Detailed Type	Responses	Share of Responses	PA Active Nonprofits	Response Rate (Responses/Active NPOs)
Human Services*	157	19%	2,098	7%
Arts, Culture & Humanities	95	12%	1,500	6%
Education	84	10%	2,794	3%
Health Care	45	6%	1,214	4%
Religion-Related	45	6%	880	5%
Mental Health & Crisis Intervention	40	5%	401	10%
Community Improvement & Capacity Building	31	4%	1,069	3%
Philanthropy, Voluntarism & Grantmaking Foundations	30	4%	3563	1%
Food, Agriculture & Nutrition	26	3%	191	14%
Youth Development	25	3%	460	5%
Housing & Shelter	22	3%	654	3%
Recreation & Sports	17	2%	1783	1%
Voluntary Health Associations & Medical Disciplines	16	2%	273	6%
Environment	15	2%	377	4%
Animal-Related	13	2%	480	3%
Public Safety, Disaster Preparedness & Relief	12	1%	1,248	1%
Crime & Legal-Related	10	1%	220	5%
Employment	10	1%	247	4%
International, Foreign Affairs & National Security	6	1%	292	2%
Civil Rights, Social Action & Advocacy	5	1%	71	7%
Public & Societal Benefit	5	1%	339	1%
Medical Research	1	0%	139	1%
Mutual & Membership Benefit	0	0%	334	0%
Unknown	98	12%	11,830	1%
All Nonprofits	808	100%	32,457	2%

Note: Active nonprofits in PA are defined as those reporting any income on the IRS exempt organization master file.

*This is a subset of our definition of Human Services that includes Mental Health & Crisis Intervention, Food, Agriculture & Nutrition, Youth Development, Housing & Shelter, Crime & Legal-Related, and Employment nonprofits for a total of 290 responses.

About the Survey

The survey was conducted from August 3, 2020 to August 28, 2020. This analysis includes responses submitted as of 5:00 PM on August 28, 2020. A total of 1,284 surveys were submitted. Substantially incomplete responses were eliminated from the analysis. Furthermore, the data was cleaned to remove duplicate responses from the same organization. This involved looking for matches in the Employer Identification Number (EIN), looking for matches in the organization names, and finally a manual check to find duplicate organizations with minor differences (such as missing characters or punctuation) in the name or EIN.

The analysis is based on the revenue numbers and expenses reported in the survey. Organizations were classified based on the National Taxonomy of Exempt Entities (NTEE) code from the IRS exempt organization master file. The project team also used the IRS exempt organization master file to match the reported revenue on the survey to the reported revenue to the IRS. Any survey responses that differed significantly from the IRS data were verified with the organization or deleted from the analysis. Extreme outlier responses were similarly vetted and excluded if they could not be verified. Manual edits were made to convert text responses to numbers, such as converting \$0.5M to \$500,000. This was done on only six records that were included in the analysis.

The impact of COVID-19 and the resulting pandemic are rapidly evolving. In an effort to understand the impacts on Pennsylvania nonprofits, a survey was conducted through a network of partners. In order to get timely information, a randomized sample was not possible. Because the survey respondents were not selected through a random sample, it is not possible to estimate a margin of error, or to project these results with statistical validity.



Table 7: Responses by Size Class

Total Revenue	Responses
Under \$100K	103
\$101K to \$500K	134
\$501K to \$2.5M	103
\$2.5M to \$10M	43
More than \$10M	30
Subtotal Reporting	413
Not Reported	395
All Nonprofits	808

Supporting Research and Studies

These results align with similar reports being shared in Pennsylvania and throughout the country. We have summarized some of this evidence below as a way of putting our findings into context. In addition, the similarity in these findings suggest that the responses were not overly biased compared to other surveys.

A [survey conducted by PANO](#) found that 80% of nonprofits reported significant impacts at the time of the survey and 67% reported reductions in services.

[Independent Sector](#) conducted a survey in April of 2020 that found “Overall, 83% of organizations experienced a reduction in revenue and contributions as of April 2020, compared to April 2019.” This survey had 110 responses and did not include an estimate of the overall financial impact, only the proportion of nonprofits experiencing a negative impact.

[La Piana Consulting](#) surveyed 331 nonprofits in a report released in June of 2020. This survey found that 73% of the organizations surveyed reported decreases in revenue. They also noted that revenue increased for 26% of social service organizations, which they attributed to increased demand for social service supported by government and philanthropic funding.

[The COVID Recovery Survey](#) from the Mass Cultural Council surveyed 392 nonprofits in June of 2020. They reported a total impact of \$442 million in lost revenue and increased costs. They did not report these losses or impacts as a percent of the respondents’ revenue, so it does not provide any insight into the percentages reported in the Pennsylvania survey, but their total reported impacts are one measure of the reasonableness of our estimate.

Additional context comes from research on nonprofits during the Great Recession of 2008-2010 conducted by Joseph Morreale and published in 2011. Dr. Morreale found that the Great Recession had dramatic negative impacts on the nonprofit sector. The economic crisis increased the demand for services, while also reducing the sources of funding for nonprofits from governments and private sources. His analysis found much larger percent losses than in our analysis: *In percent loss, the four biggest losses were in Philanthropy, Volunteerism, Grantmaking Foundations (-46.5%), Medical Research (-37.9%), Arts, Culture and Humanities (-18.9%), and Education (-15.3%).* The research further found that “the human services sector may be the nonprofit group most affected by the recession, with a 12.7% drop in donations in 2008 while they faced an increase [sic] demand for their services.”¹

This analysis also looked at the impacts by the annual revenue of the nonprofits. The analysis found that the most severely impacted organizations were “...those in the mid-sized range (\$0.5 - \$3 million), followed by large organizations (>\$3 million) while smaller organizations (<\$0.5 million) fared better.”² Our findings and estimates align with these results for the mid-sized and smaller organizations, but not the largest organizations.

1 Morreale, Joseph C. PhD, “The Impact of the “Great Recession” on the Financial Resources of Nonprofit Organizations” (2011). Wilson Center for Social Entrepreneurship. Paper 5. <http://digitalcommons.pace.edu/wilson/5>

2 Morreale, Joseph C. PhD, “The Impact of the “Great Recession” on the Financial Resources of Nonprofit Organizations” (2011). Wilson Center for Social Entrepreneurship. Paper 5. <http://digitalcommons.pace.edu/wilson/5>



Report Written & Designed by Fourth Economy

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