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There is strong evidence to suggest that the worst isn't over. Many have tried to compare the pandemic with a natural disaster and utilize similar strategies to respond and recover. This pandemic could be compared with some of the most significant natural disasters in recent history, like Hurricane Katrina for example. As with that major event, the actual hurricane wasn't the scary part – it was what happened afterwards.

We are in the eye of this storm and we have opportunities to regroup, replenish and prepare for a long road ahead.

As we all struggle to fight the onslaught of challenges brought on by COVID-19, let us not bury our heads in the fear, but look up and look forward and prepare for the realities we are now facing.

Let's look at some sobering facts and begin to explore what we should be doing to prepare.

Unemployment Rates

- During our last recession in 2010, the national unemployment rate peaked at 9.5%. Experts are hopeful that our unemployment rate will get **this low** by December 2020. In Michigan, right now, it's at 19.9%. That means Michigan has the highest rate of unemployment in the country except for Nevada.
- In this time of increased awareness of racial disparities, it is important to note that during our last recession, the unemployment rate for Black Americans was far higher, and peaked at 16% a full year after the unemployment rate peaked for White Americans. This disparity is maintained during normal times as well; the black unemployment rate remains 4.4 percentage points higher than white Americans.
- It's estimated that Michigan has lost 1 million jobs permanently.
- The federal stimulus payments of \$600 per week are slated to end July 2020, and while the next stimulus might maintain some of these benefits, it won't be at \$600 per week.
- Currently, MI unemployment lasts 26 weeks – so if you were laid off starting March 12th, your unemployment runs out in mid-September.

What does this mean for you? It means that the nonprofit sector will have more people to take care of. People will have to struggle to meet their basic needs and pay their rent. Foreclosures and evictions will increase. Our food pantries will be busy. Substance abuse and domestic violence will increase and so will child abuse

cases. Mental health needs will increase. Now more than ever, you should be exploring and addressing any disparities to who and how your mission is delivered.

What can you do? Stay informed about what is going on at the state and national level. Watch for updates from resources like the Michigan Nonprofit Association and the Michigan League for Public Policy. Now is the time to be heard and use our collective voices. Know how every decision impacts you and the organizations that matter to those you serve.

State Budget

- Michigan has a budget shortfall of more than \$3 billion for this fiscal year, cuts that are necessary before October. Another \$3 billion needs to be cut from next year's budget – and this does not account for the impact COVID-19 is having on state revenues, which are already down considerably.
- History may repeat itself – in 2010 during our last recession, there were many significant cuts made to programs. Though not an exhaustive list, some of the effected programs include financial aid for higher education, K-12 school aid, and before and after school programs. Medical and Mental Health funding, such as Medicaid took a significant hit and there were reductions in mental health initiatives for older persons and substance abuse services. Residential facilities for individuals with developmental disabilities and mental illness closed their doors

What does this mean for you? It means if nonprofits who rely on state or government contracts, could experience delayed payments or even the cancelling of contracts. It means that some of the people we have been partnering with might not be able to hold up their end of the agreement.

What can you do? Check your financial history. Go back to 2008-2012 and review what happened to your funding sources. Were your payments delayed or were contracts decreased or cancelled? One thing to remember is that COVID-19 has changed the rules of this game – our legislators are less likely to cut education funding because our schools need more, not less, to get our kids back in the classroom. So that means things that were safe last time might not be this go-around. Make a contingency plan that will allow you to act quickly when the new budget details are revealed.

Social Distancing

- Michigan is in Phase 4 of 6. Phase 6 is no restrictions and life returns to whatever normal people might be comfortable with. Right now, we are required to wear masks and social distance and being asked to maintain vigilance.
- Large gatherings are still prohibited, and when they return will have new safety guidance and procedures.
- With many employers choosing to keep their employees working from home, and many large gatherings cancelled for the rest of the year, we must wait and see if people will be willing to return to entertainment venues in early 2021. Even without state mandates, many surveys are showing that people will not be comfortable in a large gathering until a vaccine is found.
- COVID-19 will not be our last pandemic.
- Some prominent and previously stable programs are making permanent - not temporary – decisions that will contribute to the devastation after the storm has ended and skies have cleared. For example several universities are terminating some varsity athletic programs, impacting jobs, facility use and higher education income. These types of decisions are just the tip. (And not to be over looked, at some universities such as Ohio State, Florida State, and the University of Southern California, black men are more than 50 times as likely as white men to be on athletic scholarships. The disparity is shocking and the impacts of canceling these programs will be devastating and reduces access to education.)

What does this mean for you? It means that if a nonprofit has relied on large fundraising events, that income will not return this year. Programs that rely on people gathering will be significantly impacted.

What can you do? Revisit your mission and remember that the programs you currently deliver are just one way you achieve your mission. Now is the time to change your fundraising strategy – if you haven't already – and develop a vibrant individual donor program.

Nonprofit Sector Health

- A study released this month by the Johnson Center found that the larger the nonprofit by revenue, the less cash (or cash + savings) on hand — sometimes falling to dangerous levels. Small nonprofits (\$10,000 to \$499,999 in annual revenue), for instance, have a median of 2.8 to 8.6 months of cash on hand. But for larger nonprofits with \$5 million or more in annual revenue, the median falls dramatically to 3+ weeks.
- The organizations with less than one month cash on hand employ roughly two-thirds of the sector's employees.
- Experts are estimating that more than 25% of the nonprofit sector will suffer a long term or permanent set back.

What does this mean for you? Some of us will not survive. And this will mean that our communities will rely on support provided by less organizations. Fewer support services will mean more individuals will struggle to navigate systems and receive services.

What can you do? Check on your neighbors, partners and friends. Understand who might be in jeopardy. Become more efficient, and eliminate waste: time, energy and resources. Continue to develop contingency plans. Affirm your organizational and institutional values so you know what to protect.

Finally...

If you are an Executive Director, you need to gather your data and evaluate your risks. Your board members need to meet, regularly, and you need to begin preparing them for hard decisions. You will need to help them make difficult cuts. You need to ask for help.

If you are a board member, you need to check in with your Executive Director. They are not OK. The burden is enormous. They are managing the impacts to your clients, employees, the organization, the community and the threat to not only their livelihoods, but life's passion and work.

For some organizations, drastic cuts and dissolutions are on the horizon. They might see it – they might not. They can't do this alone.

We have upcoming workshops that will help you (see below).

Critical Conversations for Nonprofits Workshop Series:

- [When To Stay Open & When To Close Your Doors](#) - July 30th
- [Merging With Another Nonprofit](#) - Aug. 12th
- [The Decision to Dissolve: What To Do When Closing Your Nonprofit](#) - Aug, 25th

~ [Executive Director Academy](#) - August 2020 - April 2021

As with any severe storm, the world will look different afterwards. We will emerge, changed and not quite the same, but stronger and smarter and understand how to be better equipped for the next one.

Call us if you need help, we will brave the storm together.

If your organization needs help with planning, feel free to reach out to us, it's what we do. As always, we're here to help you make the world a better place. Call 517-796-4750 or [email](#) us today! We're happy to help!

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