

## NATIONAL NONPROFIT SURVEY RESULTS:

# COVID-19's Impact on Nonprofit Finances and a Look at Racial Equity in the Sector

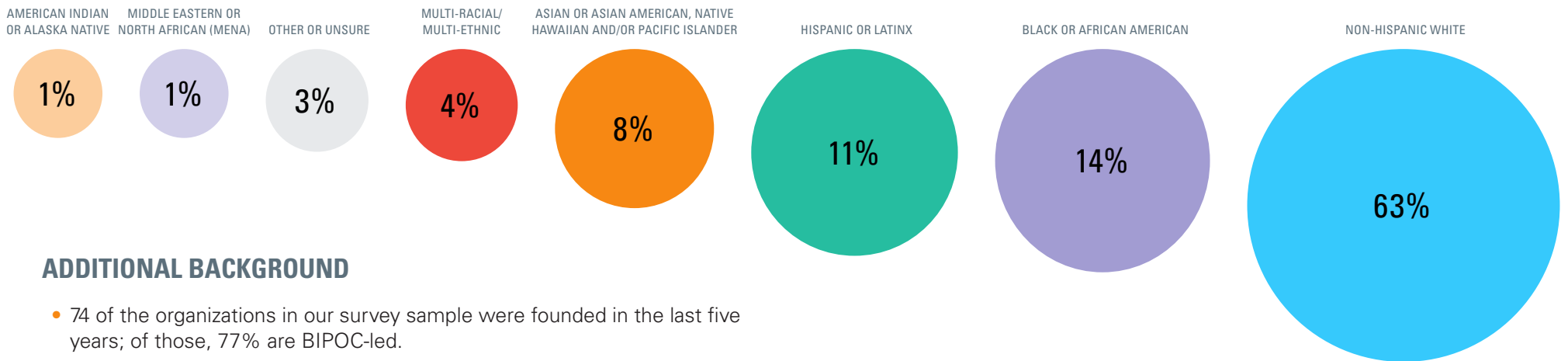
### STRENGTH, CREATIVITY, RESILIENCE, AND HOPE DURING A MOMENTOUS TWO YEARS

NFF's State of the Nonprofit Sector Survey collected data, stories, and advice from over 1,100 nonprofit leaders across the nation about the impact of the past two years, from the pandemic to events that activated calls for racial justice. Here's what leaders had to say about how their organizations have been faring and the investments they need to secure their long-term futures.



# Who took the 2022 NFF State of the Nonprofit Sector Survey?

- 1,168 respondents from 47 states plus the District of Columbia and Puerto Rico.
- Leaders from a diverse array of service areas, with human services (including housing, youth services, and other) representing the highest percentage (39%), followed by arts & culture (12%) and community/economic development (11%).
- Organizations of all sizes participated: 12% had annual expenses less than \$100,000 in the 2021 fiscal year, while 7% were at \$20,000,000 or more.
- 69% primarily or exclusively serve people with lower incomes.
- 33% of responding organizations are BIPOC-led, which, for the purposes of this survey, we define as having an Executive Director or CEO who is Black, Indigenous, or other person of color.
- Looking in greater detail at the racial/ethnic identity of nonprofit leaders, respondents came from organizations with the following leadership (note, respondents could select more than one identity, so the total slightly exceeds 100%):



## ADDITIONAL BACKGROUND

- 74 of the organizations in our survey sample were founded in the last five years; of those, 77% are BIPOC-led.
- 83% of BIPOC-led organizations primarily or exclusively serve people with lower incomes, as compared to 62% of white-led organizations.

## A NOTE ON DEFINITIONS

In the ensuing results, we frequently point out the disparity between BIPOC- and white-led organizations; however, we also recognize that “BIPOC” (Black, Indigenous, or person of color) as a category merges and could potentially obscure the different experiences of specific racial/ethnic groups. So, we occasionally highlight the specific responses of Latinx/Hispanic-led, Black-led, and AAPI-led (Asian American/ Native Hawaiian/Pacific Islander) nonprofits, where there are notable differences in the data amongst these groups.

Additionally, for purposes of this document:

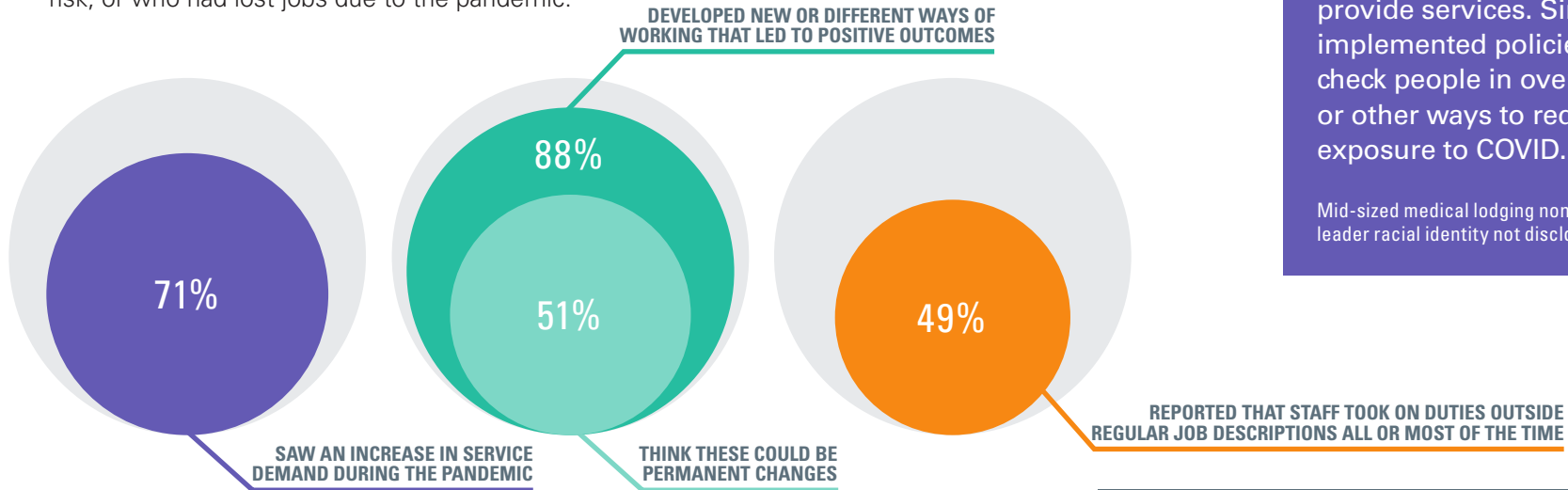
- A Black leader is a CEO/ED who identifies as Black or African American.
- A Latinx leader is a CEO/ED who identifies as Hispanic or Latinx.
- An AAPI leader is a CEO/ED who identifies as Asian or Asian American, Native Hawaiian and/or Pacific Islander.
- A multi-racial leader is a CEO/ED who identifies as Multi-Racial/Multi-Ethnic.
- A white leader is a CEO/ED who identifies as Non-Hispanic White.

We also defined the size of organizations using the following budget ranges:

- **\$0 to \$499,999:** Smaller-sized organization
- **\$500,000 to \$4,999,999:** Mid-sized organization
- **\$5,000,000 or more:** Larger-sized organization

# Responding to Community Need

When times got tough, government, philanthropy, and community members turned to nonprofits to help people in their communities who were sick or at risk, or who had lost jobs due to the pandemic.



During the height of the pandemic and “shelter in place order” a couple of staff members actually lived at the facility so that we could continue to provide services. Since then, we have implemented policies so that we can check people in over the phone and/or other ways to reduce possible exposure to COVID.

Mid-sized medical lodging nonprofit, Southern region, leader racial identity not disclosed

Imagine our wonder to be able to relay in this moment that nonprofit survey respondents report being in a stronger financial position than they were pre-pandemic. At the same time, the majority of our survey respondents reported that they continue to face financial challenges: achieving long-term financial sustainability, covering the full costs of their operations, and raising unrestricted funding foremost among them. **While we should celebrate nonprofits’ relative strength in the present, we must also take action to ensure these gains are preserved well into the future.**

Prior to 2020, our home visitors conducted visits in participants’ homes. In 2020, in order to respond to the pandemic and reduce the risk of infection, we developed “walking visits” in which our home visitors and participating mothers interacted while walking and pushing a stroller. We were able to redirect funds to the purchase of sturdy, good quality strollers for families that did not have them; in addition, both our staff and participants began to engage regularly in outdoor physical exertion that benefited their health and exposed participating infants/toddlers to regular outdoor activity. We are continuing and will continue to utilize this positive innovation.

Smaller-sized infant/child development nonprofit, Western region, leader identifies as multi-racial

The pandemic has taught us that solid systems, karma, cross training of staff, and staying current on technology were even more vital than we had thought upon implementation of those initiatives. Mostly, we are proud that our team has stepped up supporting neighbors, friends, and family. Proud that our team pivoted quickly. Proud that they remain mission focused. And proud of the work we have accomplished despite everything happening around the world.

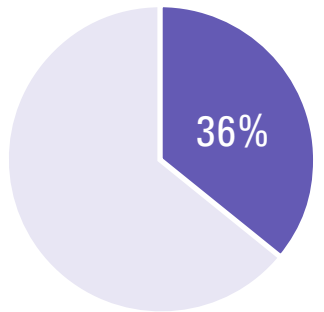
Larger-sized housing/shelter nonprofit, Western region, leader identifies as multi-racial

# Building Financial Strength While Facing Familiar Challenges

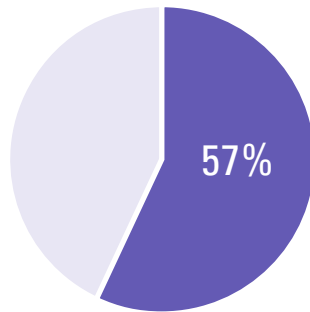
COVID-19 upended the traditional funding practices in the sector, and the changes were both welcome and needed. We hope the sector will learn from and build on this moment, rather than reverting to the practices of a broken funding/financing system that supports nonprofits through restricted funds.

Many government, foundation, and individual supporters recognized that nonprofits were on the frontlines for our physical and mental well-being, and quickly made flexible or unrestricted funding available to support these essential community services. Unrestricted funding is critical for most nonprofits; it lets them decide how to spend their funds to best support their work. **But we wonder: Can nonprofits expect this level of flexible or unrestricted funding to continue?**

- In the 2021 fiscal year (FY2021), 36% of nonprofits received more than half of their funding in unrestricted funds, including general operating support. (For purposes of this survey, we defined **unrestricted funding** as grants or donations nonprofits may spend in any way they believe is appropriate to further their mission.)



RECEIVED MORE THAN HALF OF THEIR FUNDING IN UNRESTRICTED FUNDS



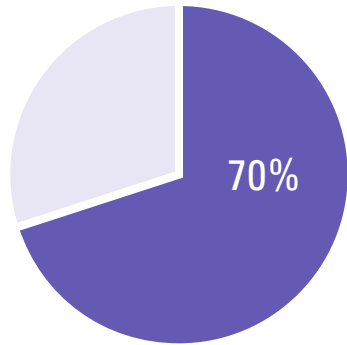
INDICATE THAT FOUNDATIONS HAVE BEEN MORE FLEXIBLE WITH USE OF FUNDS SINCE MARCH 2020

[I am not surprised by the high level of unrestricted funding for over one-third of respondents.] As a result of the devastation from the Covid-19 Pandemic organizations dealt with very unexpected issues and cost. I believe that donors and funders were more aware of the unforeseen issues and financial hardships and decided to be more flexible and generous with their contributions.

Larger-sized economic development nonprofit, Southern region, leader identifies as Black



## RISING FUNDING AND DISPARITIES IN PAYCHECK PROTECTION PROGRAM (PPP) LOANS:



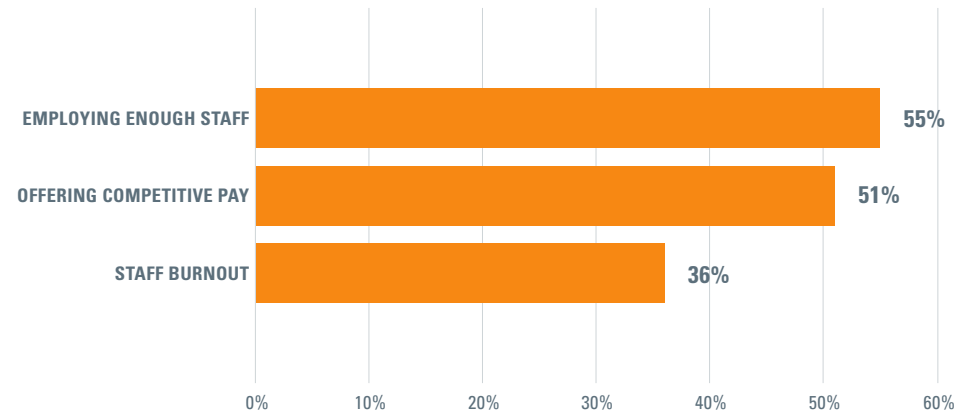
### SAW THEIR FUNDING RISE DURING THE PANDEMIC FROM 2019 LEVELS

- 76% of white-led organizations received PPP loans, compared to 58% of Black-led organizations. This may be due to two factors:
  - Fewer Black-led organizations applied for PPP loans (64% of Black-led nonprofits as compared to 77% of white-led nonprofits).
  - Among those that did apply for PPP loans, 99% of white-led organizations received them versus 90% of Black-led organizations.

## ORGANIZATIONAL CHALLENGES FACING NONPROFIT LEADERS:

- 82% of BIPOC-led (Black, Indigenous, and person of color) organizations reported long-term sustainability as a top need, as did 69% of white-led organizations.

### TOP STAFFING CHALLENGES



We survived. We also learned many lessons from the pandemic—especially how to pivot to an online program. We provided our students a chance to process and discuss the murder of George Floyd through Zoom meetings and online community virtual forums. We engaged children with our program when they were isolated at home during the summer of 2020 and provided team members who checked regularly on the children when they didn't show for camp. We also expanded our reach in our after-school program and began additional programs. We were resilient...We also received PPP funds which helped us survive as an organization, but we are not sure how we will fill the gap we now have, moving forward without it.

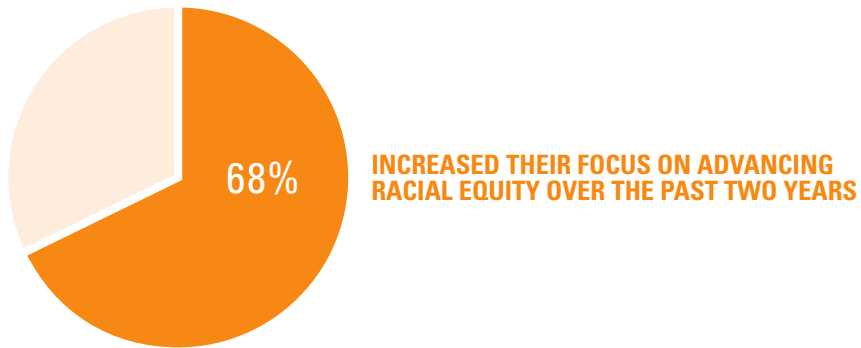
Smaller-sized recreation and sports nonprofit, Midwest region, leader identifies as white

# Sparking Widespread Calls for Racial Justice

Events of the last two years also accelerated a racial reckoning in this country. The murders of innocent Black Americans like George Floyd and Breonna Taylor sparked widespread calls for racial justice. The anti-Asian attacks in places like Atlanta and San Francisco ignited the Stop Asian Hate movement. As with the COVID-19 response, nonprofits were on the frontlines of these movements for racial justice and equity.

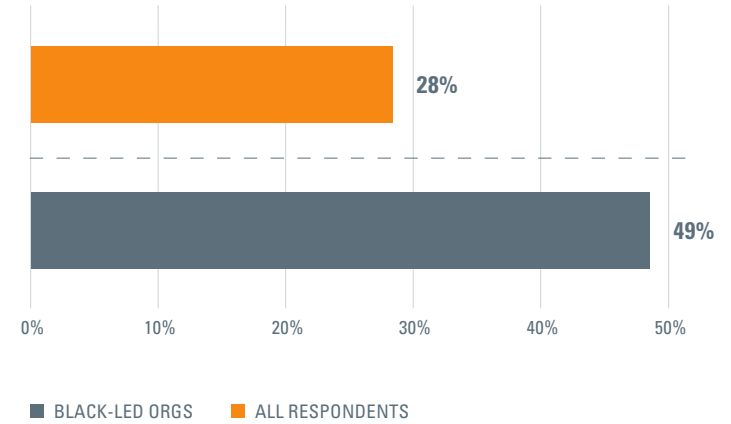
## FOCUS ON RACIAL EQUITY

- 95% of organizations have taken one or more actions to address diversity, equity, and inclusion (DEI). Over three-quarters have had discussions with their Board (79%) and staff (78%) about DEI.



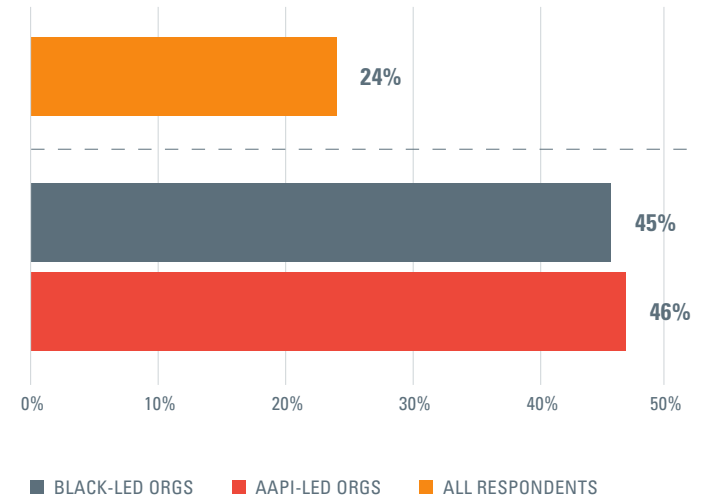
## GEORGE FLOYD

Respondents were impacted a great deal by events surrounding the murder of George Floyd.



## THREATS OF VIOLENCE

Respondents were impacted a great deal by instances of politically or racially motivated violence and threats.



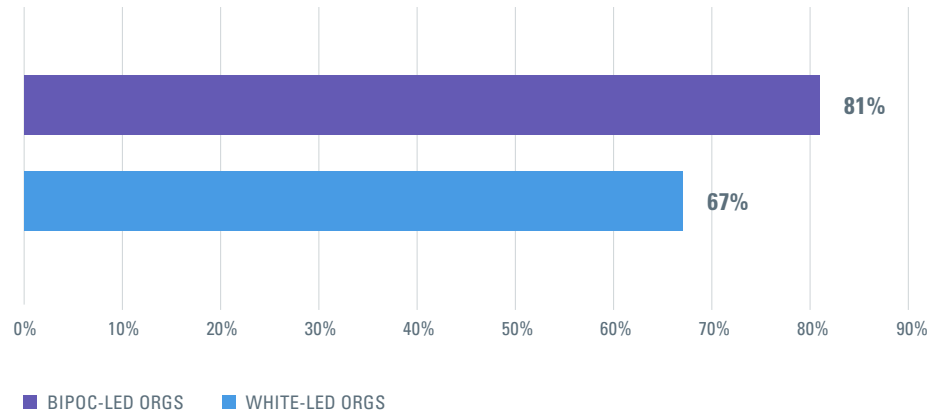
# RACE MATTERS EXPERIENCES OF BIPOC-LED AND WHITE-LED ORGANIZATIONS

We gathered data to compare the experiences of BIPOC-led (Black, Indigenous, and person of color) organizations with those of white-led organizations.

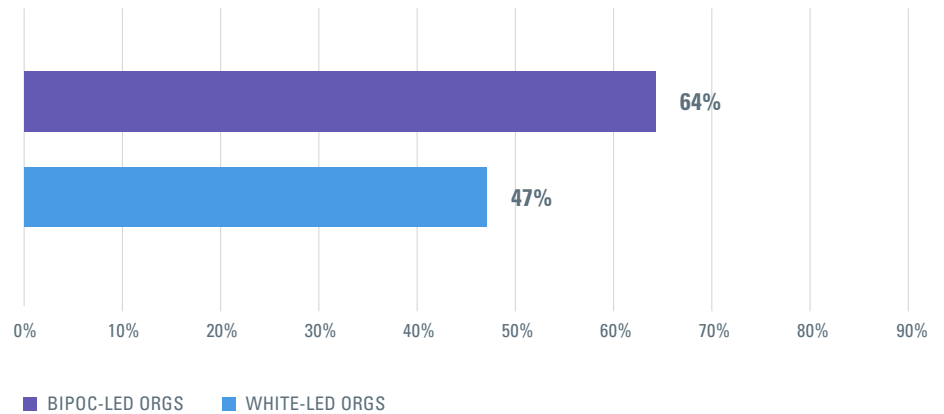


A greater number of BIPOC-led organizations saw an increase in service demand during the pandemic.

## SAW AN INCREASE IN SERVICE DEMAND



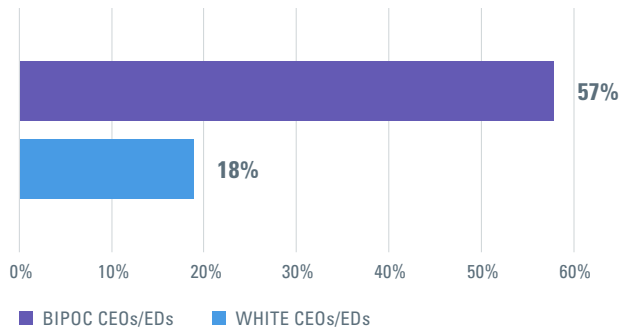
## SAW A SIGNIFICANT (10%+) INCREASE IN SERVICE DEMAND



# Representing Community Voice

BIPOC-led organizations are more likely to have leadership that represents the communities they serve.

## HAVE LIVED EXPERIENCE REPRESENTATIVE OF ONE OR MORE COMMUNITIES SERVED



We advance racial equity every day. 95% of our staff are people of color and 98% of the kids we serve are students of color. Everything we do is grounded in the advancement of people of color and racial equity.

Mid-sized youth services nonprofit, Western Region, leader identifies as Black

We use a vetting process to identify vendors and partners that share our commitment to race equity. We seek individuals from various race backgrounds for board and executive director/CEO positions within our organization. We have community representation at the board level, either on the board itself or through a community advisory board. We help senior leadership understand how to be inclusive leaders with learning approaches that emphasize reflection, iteration, and adaptability. We engage everyone, from the board to staff levels of the organization, in race equity work and ensure that individuals understand their roles in creating culture such that one's race identity has no influence on how they fare within the organization.

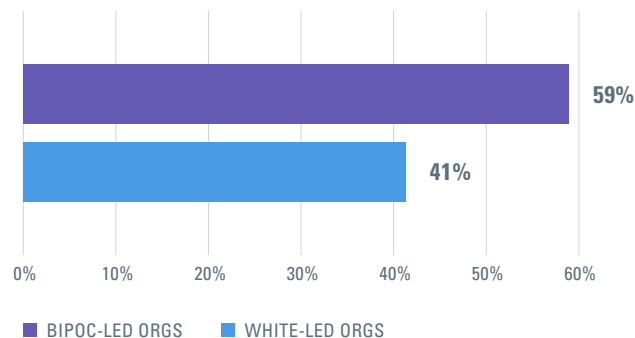
Smaller-sized human services nonprofit, Western Region, leader identifies as Latinx

# Advancing Racial Equity

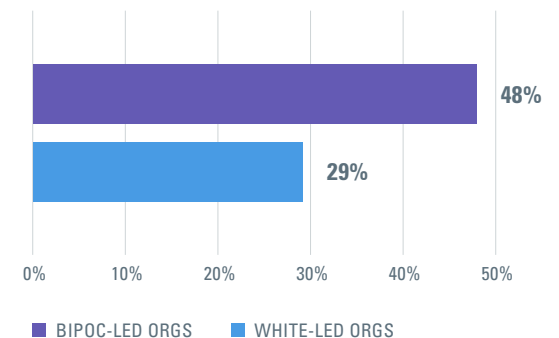
Nearly all respondents took actions to address DEI in various ways. Yet we see some differences emerge in terms of actions taken based on the organizations' leaders' racial identity. BIPOC-led organizations were more likely than white-led organizations to actively address racial equity:

- 64% of BIPOC led organizations developed, improved and/or expanded services to Black, Indigenous, or other people of color, as compared to 52% of white-led organizations.

## PUBLICLY ADVOCATED FOR POLICIES TO ADVANCE RACIAL EQUITY IN THE COMMUNITIES THEY SERVE



## HAVE BEEN ACTIVELY ENGAGED IN ADVANCING RACIAL EQUITY FOR 5+ YEARS

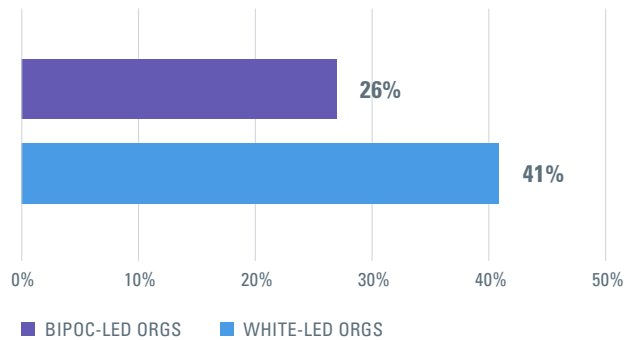




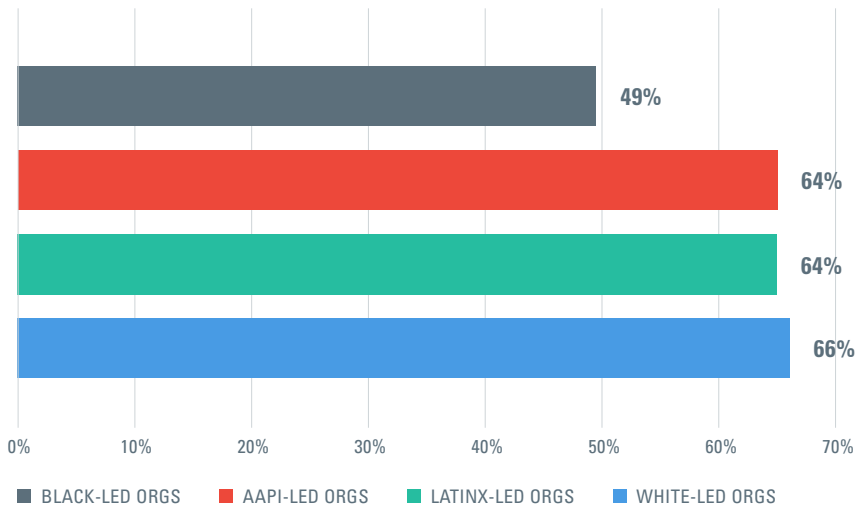
# Inequitable Funding Persists

Despite the many commitments to racial equity and to diversity, equity and inclusion, long-standing inequities persist in the nonprofit funding system that favor white-led organizations.

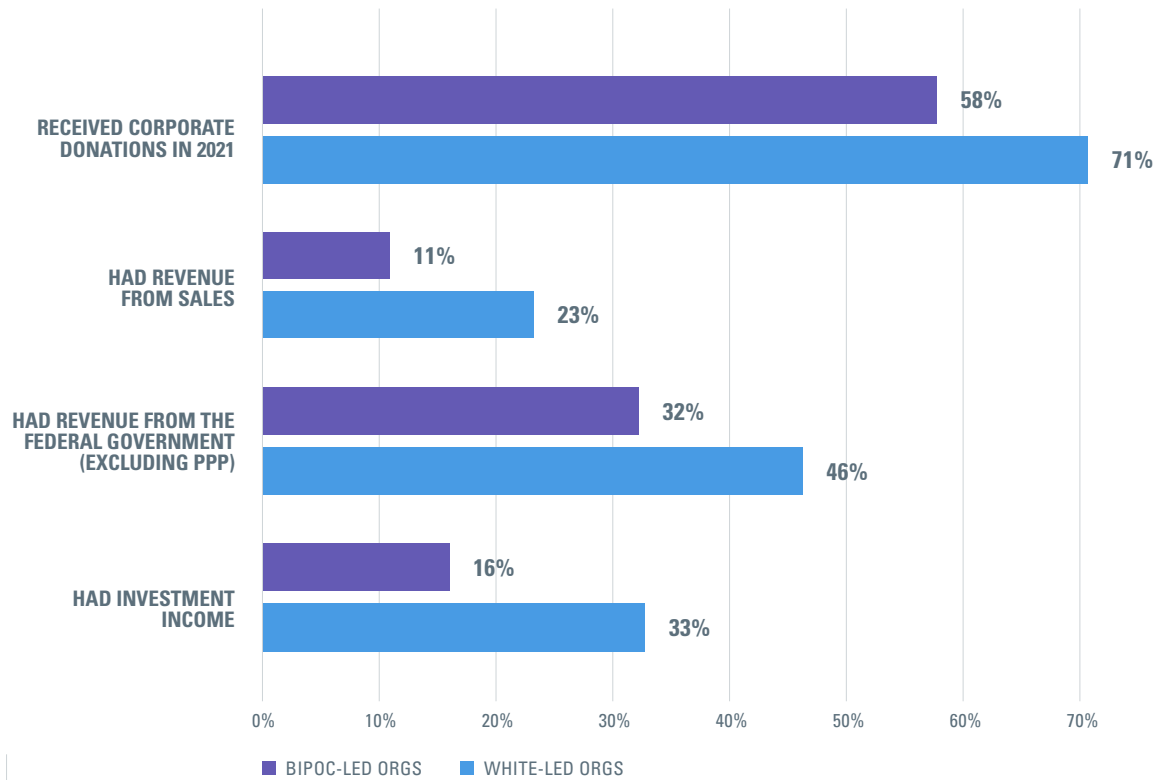
## RECEIVED HALF OR MORE OF THEIR FUNDING AS UNRESTRICTED FUNDS IN FY2021



## ENDED FY2021 WITH A SURPLUS



## REVENUE SOURCES



# 1

## WHAT FUNDERS CAN DO

Practice **Trust-Based Philanthropy** both in actions you can take today and in making longer-term, structural changes to how you fund.

Nonprofits work to create a more resilient and equitable sector that can best deliver for our communities.



TRUST US. We are the experts in our work. We need multi-year, unrestricted funds. We are looking for partnerships, not oversight.

Stop invite-only grants because you cannot reach the small BIPOC-led organizations doing the work on the ground when you rely on friends and colleagues who don't know who's out here. It creates a power imbalance.

PLEASE make RFPs (Request for Proposals) no more than 4–6 questions that don't continually ask for the same information. One report at the end of the grant. An open & transparent process.

If an org is denied a grant, please offer FREE grant-writing training. The reason the big organizations stay funded is because they can afford grant writers.

Don't make promises you can't keep—if you say you want to fund us, don't make us chase you.

If you have a question about an RFP, please ask us, don't just dump the application. I've answered this question so many times (as have so many others) PLEASE act on this information this time. Thank you.

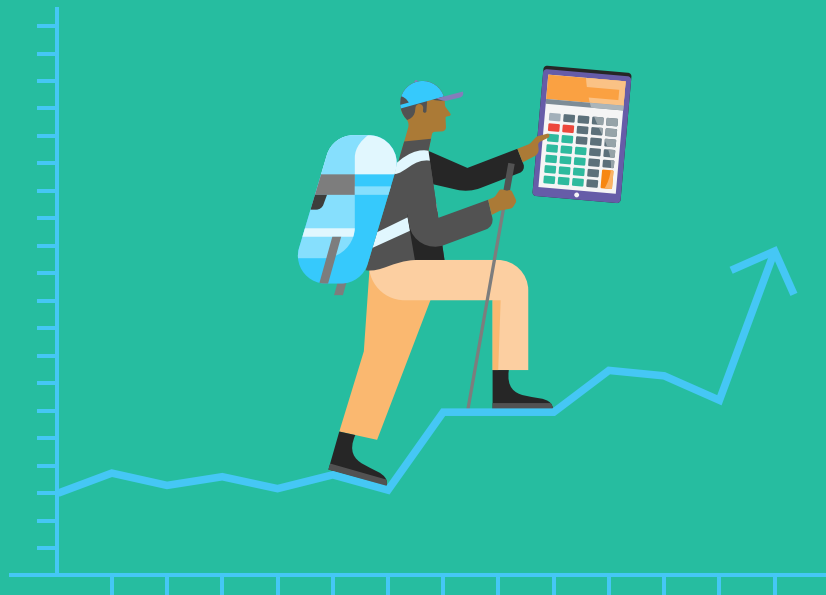
Smaller-sized arts, social justice, and civic engagement nonprofit, Western region, leader identifies as multi-racial

# 2

## WHAT FUNDERS CAN DO

Continue the bold ways of funding that the COVID-19 pandemic instigated and accelerated.

Find and start with the actions that are relatively lower lift for your institution as you plan for bigger shifts.



## HERE ARE SOME SPECIFIC ACTIONS YOU CAN TAKE:

- Give flexible funding (unrestricted funds, including general operating support).
- Understand and fund **full costs**, which are all the financial resources it takes to run an effective organization for the long haul.
- Fund for operations (technology, training, infrastructure, staff hires), all the things vital to supporting the programs you want to succeed.
- Fund organizations to have a surplus or rainy-day fund, especially as costs are rising for everything from supplies to labor. And at the least, don't penalize nonprofits if they have a surplus or reserves.
- Fund at levels that let nonprofits pay living wages to all staff.

The reimbursement rate does not match the need for services and has not kept pace with salary demands. We are woefully under financed for a skill driven organization. We are required to have Registered nurses, Licensed therapists, licensed administrators, licensed social workers etc. These titles are expensive and in demand.

Larger-sized healthcare nonprofit, Northeast region, leader identifies as multi-racial

- Be upfront with nonprofits about whether you can provide multi-year funding. It lets the nonprofits whose work you care about focus more time on doing that work and less on worrying whether they'll be able to pay their staff, suppliers, and landlords next year.
- When you contract with a nonprofit to provide community services, provide funding upfront—or at the very least, on time—so that organizations have the resources they need when they need them.

It seems as though most grant requirements are written for those who already have access and an incredible infrastructure. If there is a sincere desire to change the common culture in philanthropy and to achieve some type of equitable practice, funders must get rid of inherently racist structures deeply imbedded in the "traditions" of the philanthropic sector.

Smaller-sized arts and culture nonprofit, Western region, leader identifies as Black

## WHAT FUNDERS CAN DO

# 3

### Change inequitable funding practices within your own institution.

We strongly encourage all foundations, investors, individual donors, and government agencies that contract with nonprofits to note the disparities in how the nonprofit funding system is supporting BIPOC-led organizations, and to take action to change that, honoring the valuable contributions of BIPOC-led organizations by providing them with the resources they need to support communities' aspirations.



## HERE ARE SOME SPECIFIC ACTIONS YOU CAN TAKE:

- Seek out and fund organizations that are led by people with relevant direct experience, and personal relationships in the communities you're supporting. Pay particular attention to BIPOC-led, community-centered organizations that may have been excluded from traditional funding pathways. Support them yourself, whether with funding or advice, and also introduce them to others in your network who might be able to support them.
- Make nonprofits and community leaders co-designers in grantmaking initiatives; involve them in decisions on what and who to fund.
- Have and apply an informed lens as it relates to race and equity.

What we need to best deliver our mission is:

1. Multiyear grants that exceed \$500K. This would allow us to incentivize top talent.
2. Their understanding of racial disparities and racial hierarchies in philanthropy and arts/culture sectors.
3. Funding programs and strategies that prioritize and level playfield for BIPOC-led and founded organizations.
4. An understanding that diversity is not inclusion and inclusion is not equity.
5. Their use of capacity indicators other than budget, board, etc.—indicators that are steeped in disparities resulting from segregation and unjust economic policies.

Smaller-sized arts and culture nonprofit, Midwest region, leader identifies as Black

- Share insights into what funders look for in an effective grant proposal, how funders build new relationships with potential grantees, and other advice geared toward helping them enhance their positioning over time. Increase the available resources to deliver services and information to their targeted populations.
- Stop practices that can exclude smaller and newer organizations:
  - Make funding applications easier and don't disqualify organizations based on minor errors or omissions.
  - Remove the need for requirements that may be too costly for organizations (e.g., audited tax returns). Organizations need straightforward funding requirements and fewer reporting requirements.

We hope that the growing awareness of our communities' needs (and, in some cases, just our very existence) and the ways we've been underfunded in the past will remain in the forefront of future philanthropy. These inequities and their consequences were laid bare in a crisis. Hopefully the focus and attention (and commitment to change) won't dissipate once the crisis situation is over but will instead lead to a sustained systemic overhaul.

Smaller-sized civic engagement nonprofit, Northeast Region, leader identifies as AAPI



## ABOUT THE 2022 SURVEY

The State of the Nonprofit Sector Survey—NFF's ninth—collects data about US nonprofits' health and challenges and transforms it into an accessible, evidence-based illustration of nonprofits' ability to help the communities we all serve. It's a powerful platform for nonprofits large and small, urban and rural, across sub-sectors and geographies, and its findings are widely used and cited by nonprofit leaders and boards, funders, advocates, policy advisors, media, researchers, and many others. The 2022 survey was conducted in partnership with EVITARUS and Ambit 360.

Prior to fielding the 2022 survey, we reached out specifically to nonprofit leaders of color to get input on the issues they wanted to see addressed. Incorporating their feedback, we asked US nonprofit leaders a series of questions online between January 19 and March 4, 2022, to capture a "before and since COVID-19" financial snapshot of nonprofits; measure racial equity in nonprofit finance by comparing the experiences of organizations led by people of color to the experiences of white-led organizations; and take a closer look at the experiences of Los Angeles-area nonprofits.

NFF is deeply grateful to 1,100+ people and organizations for all of the important work they do every day, and for taking our survey and entrusting us with their stories. This important dataset will be used to advocate for more equitable funding practices and spearhead positive change for the nonprofit sector.

NFF thanks the Bank of America Charitable Foundation for generously supporting the 2022 State of the Nonprofit Sector Survey, and for its ongoing support of the Survey since 2010.

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