

GIVING BACK



BY MARK NEITHERCUT, *columnist*

DEEP IMPACT

COVID-19 and emerging trends in charitable giving

It has been nine months now since the pandemic began its furious disruption of life in northern Michigan. With nearly 4,500 cases and 100 deaths, the virus has had a palpable impact on the region's 17 counties.

The impact of COVID-19 has received considerable attention, but much of this focus has been on its impact on the for-profit sector. Yet Michigan's nonprofits have been disrupted as well and they are fundamentally important to the quality of life in Michigan.

They make our communities a better and more enjoyable place to live (e.g., TART Trails, the State Theatre and the Old Town Playhouse), but they also provide an important safety net for our most vulnerable residents (e.g., Goodwill Northern Michigan, Safe Harbor and Manna Food Project).

No less important, Michigan's 50,000 nonprofits employ 10.6% of the state's non-farm workforce.

Nonprofit Sector

Though little research is available on the impact of the pandemic on the nonprofit sector, we see several trends emerging:

Increased demand for services.

Most human service organizations have experienced increased demand for their services, especially food banks and organizations that provide rent and utility assistance. And this increased demand has occurred at a time of decreased revenue due to fewer gifts, cancelled fundraising events and reduced earned revenue. The Paycheck Protection Program (PPP) was helpful to some, but many nonprofits found it difficult to access.

Closures. Many nonprofits that rely on in-house services or programming – including such diverse organizations as YMCAs, summer camps, and performing arts organizations – simply had to close their doors for many months or cancel an entire season of activity.

Cutbacks. Nearly all nonprofits are struggling to keep a balanced budget by furloughing staff, reducing programs and cutting salaries. A Johns Hopkins University study estimated that 1.6 million nonprofit employees had lost their jobs from March to May 2020.

Rent. Nonprofits that rent space are facing what might well be the biggest challenge of the pandemic. Most nonprofits

have been unable to pay rent since March, and while landlords have often been flexible, this cannot go on forever.

Innovations. Amid these challenges, there have been a few inspiring and innovative initiatives. For example, the Groundwork Center quickly recognized the likely impact of the pandemic on the farming community and local food banks. As a result, it launched the highly successful Local Food Relief Fund to help food pantries purchase food from local farmers and feed families hit hard by COVID-19.

Charitable Giving

Private giving has responded to the pandemic in a variety of ways. There is some evidence that giving has increased. For example, the Fidelity Gift Fund reports that gifts from their donor advised funds increased 18% as of May 2020 compared to the previous year, and gifts to food banks increased nearly 700%. Locally, the Grand Traverse Regional Community Foundation reported 130 new donors to its Urgent Needs Fund. Despite these trends, many nonprofits report declining charitable gifts.

And corporations have significantly increased their giving in response to the pandemic. In Michigan, the Consumers Energy Foundation has provided more than \$4 million to nonprofits to provide community services during the pandemic.

Another bright spot is the region's community foundations. In every county of northern Michigan, community foundations have established funds to help nonprofits weather the pandemic storm. For example, the Petoskey-Harbor Springs Foundation's Essential Needs Fund has given more than \$290,000 in more than 50 grants to local nonprofits.

Indeed, foundations have adapted to the pandemic in several ways. Many private foundations have increased their annual giving above the required 5% of assets. A survey by Exponent Philanthropy found that 50% of its members would increase giving. And more than 800 foundations have signed the commitment act A Call to Action: Philanthropy's Commitment during COVID-19, promising to make more unrestricted grants, postpone reporting requirements and loosen restrictions on current grants. As part of this effort, foundations are increasingly focused on



issues of inclusion, equity, and justice during this difficult time.

Looking Forward

Despite the increase in some types of giving, it will not be enough to make up for the sector's lost revenue. And the nonprofit sector will not recover quickly – it will take more than a vaccine or herd immunity. We expect the nonprofit landscape will change significantly: Some nonprofits will close, some will reinvent themselves and many will be on life support for years. In short, the pandemic is having a devastating impact on nonprofits, especially those providing human services and those that serve communities of color.

In sum, the needs of the nonprofit sector will continue and donors that have the capacity should consider giving more. If you have a favorite nonprofit, a gift today could keep it from going out of business or from losing highly valued staff members.

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Guidelines for End-of-Year Charitable Giving

Dig deep. If you have the resources, consider making bigger gifts this year. Your favorite nonprofits and causes have greater needs due to the pandemic.

Ask what they need. If you have a favorite nonprofit, ask them where they could use some help. Better to link your gift to their highest needs.

Give early. Many nonprofits are short-handed and holiday mail can be slow.

Consider giving to a Community Foundation's urgent needs fund. Most Michigan Community foundations have established these funds to help during the pandemic. They know their communities and they do the due diligence, so you don't have to.

Don't add restrictions to your gift. Most nonprofits are struggling, and they need help with basic operations.

Don't give over the phone. Despite what someone might say, you never know who or what is on the other end of the line. If you must, call them back on a number you trust.

Incentives. The Coronavirus Aid, Relief, and Economic Security Act provides some incentives and relaxed rules to encourage giving. Consult with your professional advisor.