



## Surviving the COVID-19 crisis: A nonprofit action plan

Although most not-for-profits have been hurt by the coronavirus (COVID-19) pandemic, your organization's specific challenges probably depend on your mission, constituency and other factors. For example, social distancing rules have forced most arts organization to temporarily shut down and furlough employees. Many social services charities, on the other hand, have remained open and are struggling to meet surging demand for services.

What unites the nonprofit sector right now is financial insecurity. Without reserves and a resilient revenue model, you may be unable to continue operations. Here's how your leadership needs to act to keep your organization afloat.

### Take stock

First, determine your nonprofit's cash position and how long you can continue operating if no new revenue comes in. If you've built an emergency reserve fund, you may be able to continue for six or more months. Unfortunately, most charities have much thinner cash cushions — perhaps only enough to cover a few weeks of bills.

Next assess (or reassess) future cash flows. Say, for example, that your mental health clinic uses a fee-for-services model, but your out-of-work clients can no longer afford the fees. Or perhaps your school raises 30% of its annual income with a gala that you've had to reschedule from April to October. You're probably looking at some big shortfalls.

Be careful not to underestimate cash needs — particularly if demand for services has increased. Assume that funding sources that were already shaky will evaporate and that usually reliable donors won't be able to come to your rescue due to competing demands and their own financial concerns.

## Seek solutions

Now look for alternative sources of financial support. If you haven't already, see if your nonprofit qualifies for a loan under the federal government's new Paycheck Protection Program. Loans to nonprofits with less than 500 employees can be forgiven so long as you keep people on the payroll and adhere to other guidelines.

Community foundations are another key source of emergency funding. More than 250 community foundations in all 50 states have created COVID-19 relief funds. Built for speed and flexibility, these funds have already announced \$64 million in grants to local nonprofits directly addressing the crisis. Many private foundations and government funders have also stepped up to the plate by removing grant restrictions. Get in touch with current grantmakers to see if they can help ease burdens and increase monetary support.

Now is also the time to touch base with restricted gift donors. Explain that by removing restrictions, they enable your nonprofit to deploy funds where they're most needed now. Finally, let all donors know that federal tax rules have been relaxed for certain charitable contributions.

## Unpredictable future

It's impossible to predict how long and severe the COVID-19 crisis will be, so prepare your organization for a tough fight. Contact us for help assessing your financial position and for advice about the new tax provisions.