



Guilmartin, DiPiro & Sokolowski, LLC is an independent member of BDO Alliance USA. We are proud to share important information with our clients.



Coronavirus Strikes Nonprofits in More Ways than One

By Andrea Wilson

Now present on every continent except Antarctica, COVID-19 has infected more than 125,000 people, and is responsible for more than 4,600 deaths. With the number of cases in the U.S. continuing to climb, individuals and companies alike are taking steps to prepare for a pandemic. From a shortage of masks and hand sanitizer, to CDC-imposed travel restrictions and the cancellation of conferences and other large events across the globe, this public health emergency is rapidly evolving and all sectors are having to navigate its impact and uncertainty around what the future holds.

The nonprofit industry is no exception—in fact, they face more challenges than most.

The *raison d'être* of nonprofit organizations is to help make the world a better place by helping the most vulnerable sectors of the population. These constituencies are also likely to be the hardest hit by the virus. This situation indicates the importance of a healthy nonprofit sector. Many current nonprofit beneficiaries may need greater services and the number of individuals needing services will likely increase. The sector has always risen to the challenge and we don't predict that changing.

As with previous crises, the nonprofit sector is poised to help pull the country through this latest challenge. Congress just allocated \$8.6B in funding designated for coronavirus prevention, preparation and response efforts, and many nonprofits could stand to receive a portion of those funds.

At the same time, nonprofits also need to mitigate risk for their organization at large, whether that's protecting employees or preparing for the potential financial fallout from the virus. This situation exposes the importance of resiliency in the nonprofit sector, and some organizations will be better positioned than others to manage this crisis.

While this situation is evolving daily, here are some of the key goals nonprofits should prioritize when considering their response to COVID-19.



Maintaining the Mission

Even during times of significant uncertainty, nonprofit organizations should be sure to keep their mission as the North Star guiding their response. The novel coronavirus is no exception. Many organizations may face interruptions to programming as a result of reduced travel and social distancing.

But that doesn't mean that furthering your mission should take a backseat. Organizations should take a step back and put together a crisis management team, including executive leaders, investment advisors, communications and program staff to assess how to maintain as much normalcy as possible while limiting exposure risks to both their own employees and the constituencies they serve.

Technology can be a powerful tool to help organizations continue to deliver on their mission while limiting in-person gatherings and travel. We've already seen this, for example, with higher education institutions that are moving classes online. Organizations should consider bringing planned meetings and events online, or even postponing or cancelling them completely, along with office closures.

Remote work arrangements can also help organizations continue to operate as normally as possible. There is good reason to think that many nonprofits are leveraging the types of cloud-based platforms that support remote work. According to last year's [Nonprofit Standards Benchmarking Survey](#), 47% of organizations surveyed offer telecommuting options, and an additional 9% said they plan to in the next 1-2 years. However, the 44% of organizations that had no plans to offer telecommuting may want to consider updating their approach in light of the current situation. The reality is that some organizations may be hindered by their access to technology, or may have processes or functions that must be done in person. Those organizations should consider limiting on-site staff to only those that absolutely must be in the office.

Ultimately, regardless of the tactics a nonprofit employs, the goal should be to continue to deliver on your mission as much as possible under the current circumstances. Some nonprofits that serve vulnerable populations, for example the homeless or the elderly, may not have many options. Those that can, however, should leverage whatever tools they have available.

Safeguarding Finances

While disruption to programming and mission is important, nonprofits should also consider the potential financial fallout of the coronavirus. Many organizations in the social services space rely on physical attendance to continue to receive funding. Museums and zoos may be facing decreased ticket sales. Organizations with planned fundraising events or conferences could need to eat some of those costs if the events are not rescheduled, and "high touch" fundraising efforts may decline. Donations



could also be impacted if the financial markets don't rebound quickly. All of these forces could put nonprofits' finances at risk.

If an organization faces financial threats that put its very existence in jeopardy, those who benefit from its mission and programming are in jeopardy as well. It's important that organizations do whatever they can to ensure they stay financially healthy during this time of uncertainty. How organizations optimize and leverage existing revenue and reserves will be important measures of sustainability.

A key element of this is to maintain adequate liquidity, which has long been a challenge for organizations. Our benchmarking survey found that 63% of organizations have 6 months or less of operating reserves, meaning they could be at risk if this situation continues in the near term. Nonprofits should consider shoring up their reserves as much as possible in order to weather any funding delays that could be on the horizon. To do so, they should consider drawing on available lines of credit, and get in contact with lenders to ensure their credit lines are open should liquidity become an issue. Organizations should also reach out to investment advisors to discuss the liquidity available in their portfolios and how to adjust both long and short-term investment strategies if needed.

It's also important that nonprofits communicate openly and honestly with funders, whether donors or grantmakers, about the financial challenges they may face in light of the COVID-19. Some news coverage has mentioned grant officers considering helping to cover the costs of cancelled nonprofit events. Having open conversations about your financial health can help ensure organizations are protected as much as possible.

Evolving the Approach

The spread of COVID-19 and the resulting ripple effects around the globe are happening at a rapid pace. What looks like an overreaction one day may be an appropriate response merely days later. Employees and volunteers are likely to continue to have questions about how an organization is minimizing their risk while seeking to maintain business as usual. This means that while nonprofits should look to established contingency plans, they may not be relevant for long.

Organizations should seek to evolve their response appropriately as this situation shifts over time. Pay close attention to what governments and health agencies recommend and try to follow their recommendations as much as possible. For organizations with international boots on the ground, seek to follow the measures being implemented in each of those countries.

Your organization's leadership team should also be having regular, transparent conversations on what policies and procedures you're putting in place. Consult with peer organizations collectively to discuss



your plans to managing risk. Don't be afraid to change your approach if the situation warrants it. It's also important to maintain open lines of communication with employees to ensure you are hearing their concerns and factoring them into major decisions.

One of the major challenges of this situation is that no one knows for sure when concerns will abate. Regardless of what is to come, it's critical that nonprofit organizations seek to balance furthering their mission with protecting their organizations.