

PANDEMIC COOLS FUNDRAISING OUTLOOK FOR MICHIGAN NONPROFITS

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The fallout from the coronavirus pandemic proves how quickly sentiment can change among philanthropic donors.

In early March, Michael Montgomery of **Montgomery Consulting Inc.** released his annual Michigan Fundraising Climate Survey that showed while fundraising performance had not necessarily improved, fundraisers in the state were “feeling a little more optimistic than last year.”

At the time of the survey’s release, the spread of the coronavirus was just beginning to affect events in Michigan, he said, noting people expected events to be put off for a couple of weeks or downsized as a result. But as the pandemic began to accelerate, it became clear that the effects on philanthropic fundraising would be much more acute.

That led Montgomery to revisit the sentiment question with survey respondents. The second time around, only 5 percent of respondents thought the climate for fundraising would improve, while 87 percent said they thought it would be worse than 2019. To Montgomery, the results proved the philanthropic sector would not be immune to the fallout from the coronavirus.

“I was trained in this stuff more than 30 years ago ... and I have never seen as dramatic a change as that,” said Montgomery, an adjunct faculty member at the University of Michigan-Dearborn.

As a result, he is expecting to see organizations experience different scenarios depending on their size and financial health. Some nonprofits likely will close their doors and never reopen again, while others that are “savvy enough” will look for ways to consolidate or participate in a voluntary merger. Even so, Montgomery does not expect to see much consolidation activity as a result of the pandemic.

“After the initial blast is over and the whole crisis is over, some corporate foundations and other foundations will be encouraging mergers and consolidations. There is posturing in private foundations, but they’re not in the business of picking winners and losers,” Montgomery said. “This will be such a severe shock to the system that some funders will be more comfortable encouraging merger and consolidation with relatively gentle encouragement. There won’t be a whole lot of overt coercion.”

Secure operations first

In a report released last week, researchers at **Grand Valley State University’s** Dorothy A. Johnson Center for Philanthropy said nonprofits can expect to contend with various trends as the pandemic evolves.

Nonprofits are facing three distinct financial threats at the moment, each of which will affect different organizations in different ways. Those threats, according to Jeff Williams, research lead and director of the Johnson Center’s Community Data and Research Lab, include: decreasing revenue from annual campaigns and gifts, dropping demand for services and/or changes to contracts, and decreasing value in investments as a result of stock market fluctuations.

Most nonprofits, for example, receive very little investment income,

so stock market fluctuations will not be their primary concern.

Williams said a clear understanding of the different types of revenue declines is important because nonprofits are businesses that pay salaries and rent, and purchase supplies and equipment just like any other company.

“However, in the big picture, nonprofits serve a broader public mission and they should remember to secure their operations first, much like the instructions given to passengers on airliners about oxygen masks: Always secure your own mask before assisting others,” Williams said in a statement.

Fundamental shift

As part of his follow-up survey, Montgomery asked what nonprofits were doing in response to COVID-19. In addition to having staff work remotely, closing their facilities and programs to the public or providing very limited services, almost 54 percent of respondents said they had canceled one or more fundraising events, while another 36.5 percent said they were considering it.

“I bet some of these are close to 100 percent now. That’s the world we’re going to live in for a while,” Montgomery said.

The survey also found that while almost 43 percent of respondents said they were stepping up work with major donors and institutional funders specifically because of disruptions resulting from COVID-19, nearly 21 percent

said they were deferring work for the same reason.

Although none of these measures were unexpected, what did come as a surprise to Montgomery is that almost 32 percent of respondents indicated they lacked a clear strategy for addressing how COVID-19 could affect their organization.

“This survey is not going out to junior staff, it’s going to the leadership of these organizations,” he said.

Williams at the GVSU Johnson Center said nonprofits currently are focused on immediate needs, like health care and direct emergency assistance, especially for food.

“However, over time, as the situation stabilizes, the nonprofit sector will need to shift to education, housing and human services,” he said. “Once the virus is well contained, job training, workforce development and other economic and productivity concerns will come back to the forefront.

“Finally, when people feel confident making longer-term plans to return to normal life, nonprofit operations will also return to a more normal activity level.”

Challenges ahead

In the meantime, well-managed nonprofits that come up with creative ways to operate that are directly relevant to

addressing the current challenges will find success, Montgomery said. Still, he doesn’t know if they’ll reap any additional financial benefits because the current downturn presents economic challenges for even those with lots of money.

“This will be a shock to their well-being,” he said.

Montgomery expects “the pie will be smaller in the short run” even for organizations “that are doing critically needed work and doing it well and making a case for additional funding.”

Montgomery added that there likely will be some “culling of the herd” as a result of an inability to stay afloat financially. Yet at the same time, nonprofit organizations also have an opportunity to make a “great leap forward ... in terms of how they can do more of their work using technology,” he added.

“I think the organizations that pass through this successfully will be much stronger because there will be fewer organizational mouths needing to be fed,” Montgomery said.

For his part, Williams said nonprofit leaders can expect to see the situation “get weird.”

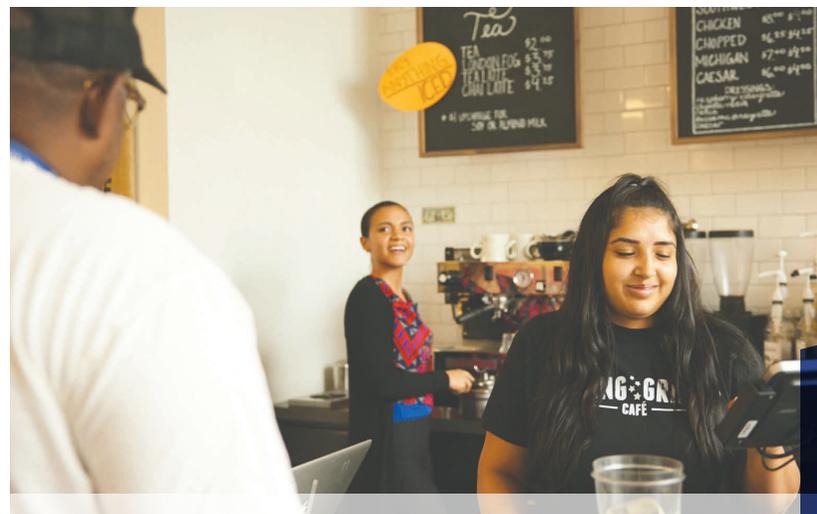
“Adopting a mental posture of flexibility is key,” he said. “Being open about the impending storm in communications with service beneficiaries, clients and staff is essential for maintaining staff morale, too.” **MiBiz**



Montgomery



Williams



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