



## Montana Nonprofit Association

### **Nonprofit Economic Impact in Montana**

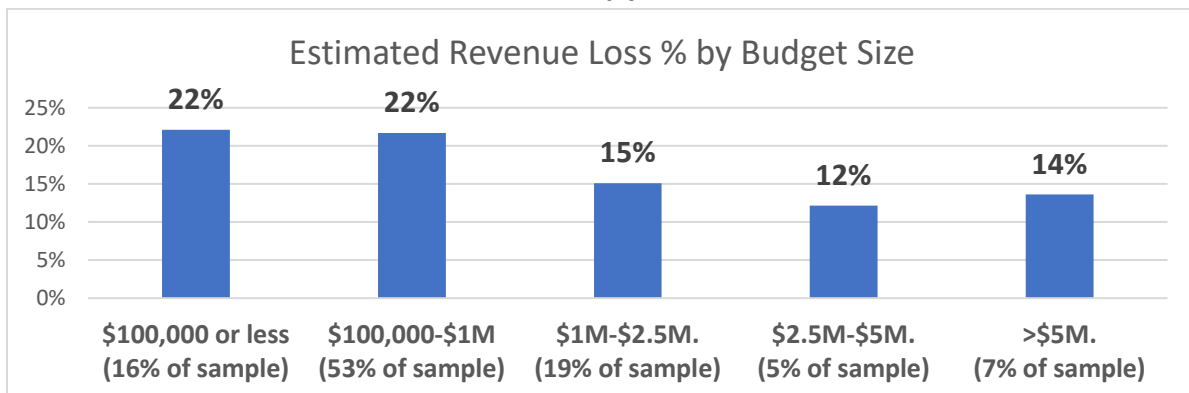
Montana’s charitable 501c3 organizations employ 11.2% of the state’s total workforce and pay over \$2.2 billion in total wages each year. Nearly 52,000 Montanans are employed by nonprofits and those employers generate approximately \$8.9 billion in income each year which is returned to communities through mission-driven work. Nonprofits are essential contributors to Montana’s extraordinary quality of life by ensuring Montanans have access to healthcare, after school programs, college scholarships, senior housing, museums, food, housing, outdoor recreations and more. Nonprofits drive the economy, help keep government small, and are central to the state’s vitality.

Hospitals and healthcare contribute significantly to the share of nonprofit employment and wages as healthcare is one of Montana’s largest employing industries. Even so, without hospitals and healthcare, nonprofits employ nearly 30,000 Montanans.

About 61% of wage-paying nonprofits operate in Montana’s more urban counties. 39% operate in rural areas. Of Montana’s 2,500 wage-paying nonprofits, 860 operate in rural counties. And, 42% of all charitable nonprofits in Montana operate with a budget of less than \$500.

Based on results from Montana Nonprofit Association’s most recent survey (closed on April 27 and described more fully below), nonprofits are estimated to experience total revenue losses of approximately 20% due to the COVID-19 pandemic. Organizations with budgets of \$1 million or less, which make up more than 80% of all Montana nonprofits, are anticipating more revenue losses than larger organizations (see Exh. 1).

**Exhibit 1**



Extrapolating this survey sample across Montana’s more than 2,500 nonprofit employers with more than \$8.9 billion in total revenues shows a total projected revenue losses of more than \$1.25 billion. \$92 million of that total will be felt by smaller organizations (budgets less than \$1

million), who make up 81% of the total number of nonprofit employers. Larger organizations, who represent 19% of nonprofit employers, are projected to account for more than \$1.16 billion in lost revenue (see Exh. 2).

**Exhibit 2**

	<u>Count*</u>	<u>Total Revenues*</u>	<u>% of Total Revenue</u>	<u>% of Total Orgs</u>	<u>Estimated Revenue Loss % (From survey)</u>	<u>Estimated Revenue Loss</u>
\$100,000 or Less	908	\$38,662,826	0.4%	36%	22%	\$8,550,462
\$100,000-\$1M	1156	\$388,373,485	4.4%	45%	22%	\$84,239,185
\$1M-\$2.5M	227	\$350,235,038	3.9%	9%	15%	\$52,925,597
\$2.5M-\$5M	92	\$331,966,974	3.7%	4%	12%	\$40,395,000
>\$5M	171	\$7,812,687,581	87.6%	7%	14%	\$1,064,265,336
<b>Grand Total</b>	<b>2554</b>	<b>\$8,921,925,904</b>	<b>100%</b>	<b>100%</b>	<b>20%</b>	<b>\$1,250,375,581</b>

*\*Data from IRS Exempt Organization Master List, as of July 2019*

**Charitable Giving in Montana**

Montana ranks 42<sup>nd</sup> for foundation giving in a 50-state comparison. In 2016, 1,376 funders awarded a total of \$180.4 million to 1,542 nonprofit organizations. The median grant was \$5,000. It is estimated that foundation giving will decrease by at least 20% in 2020 due to the pandemic. That equates to a decrease of approximately \$36 million in foundation support.

In 2017, 53.5% of Montana residents donated \$25 or more to charity. Currently, individual donations are up year-over-year due to individuals providing crisis relief to causes they support. It is anticipated that individual and corporate giving will experience at least the same 20% funding reduction as private foundations. According to 2016 data, Montanans give more than \$476 million to charity each year. Assuming that 80% of this giving is directed to Montana nonprofit organizations, a 20% reduction in giving represents a funding loss of more than \$76 million.

**Nonprofit Survey Results**

In the face of the COVID-19 pandemic, Montana Nonprofit Association has conducted three surveys to ascertain the impact that COVID-19 is having on the Montana nonprofit sector. 434 nonprofit professionals responded to the first survey in less than three days. Responses to the second survey came from 171 nonprofit professionals representing all nonprofit subsectors, and from organizations serving every Montana county but five (Wheatland, Sheridan, Petroleum, Golden Valley, and Choteau). And, 128 nonprofit professionals responded to our most recent survey which closed at noon on Monday, April 27<sup>th</sup>.

*Key Findings*

**Montana nonprofit organizations are already feeling the impact of COVID-19:**

- The top three short-term impacts to nonprofit organizations are: cancellation of programs/events and corresponding reduced revenue (85 percent); disruption of services to clients and communities (72 percent); and budgetary implications related to strains on the economy (59 percent). Longer-term, nonprofit organizations are uncertain how they – or if they – can recover from the economic and social impact of COVID-19.
- Nonprofit organizations described impacts ranging from struggling to provide services to clients while minimizing health risks for clients and staff; requests to expand services to meet the needs of first responders and healthcare workers; the need to develop new ways to serve hard-to-reach clients when the office is closed to the public; and concern about the long-term consequences to the sector as a whole as the economy suffers through the pandemic.

*“We provide in-home care services to vulnerable senior citizens and are minimizing their risks by providing necessary services such as medication setup, bathing and grocery shopping if they do not have family members.” – Montana nonprofit organization*

**Montana nonprofit organizations are experiencing a DECREASE in revenue related to the coronavirus:**

- Montana nonprofits utilize diverse funding streams to meet their mission. These include private donations, fee for services, revenue-generating programs and events, memberships, grants, sponsorships and public-private ventures such as storefronts.
- Montana nonprofits are reporting immediate and significant impacts that include cancelled programs and events resulting in losses ranging from \$500 to \$50,000 per event; membership cancellations; and major donor reversals of pledged donations.
- An astounding range of impacts based on how long the pandemic lasts include a 40 percent decrease in revenue for one nonprofit should the crisis last into the summer to tens of thousands of dollars in lost sales, grants, donations and community events in the very near future.

*We will lose . . .*

- *70% of monthly revenue (annual revenue = \$1,100,000*
- *Potential \$65,000/month if we have to close our day program*
- *90% while we're shut down*
- *Really no idea. . . Depends on donors, but I would guess \$350,000 out of a budget of \$1 million*
- *at least 75% decrease. I am in the tourism industry.*

*“...difficult to estimate increased cost because of the uncertainty in the length of time. I've asked my two part-time employees to telework. They a little or no other income and they have little*

*PTO. Additional cost could include paying for their internet service, advanced PTO, cost of subscriptions to meet online, etc.” – Montana nonprofit organization*

**Montana nonprofit organizations’ COVID-19-related fears and concerns vary based on mission and region served:**

- 68% of Montana’s direct service providers anticipate increased demand for their services, and worry about meeting this demand, and the harmful impacts to their clients if services are cut or limited.
- Nonprofits who work in subsectors such as education, arts, sports, and recreation worry about both the short-term impact of closing their doors, their relevance in the face of more immediate concerns, and the long-term challenge of recovery once the pandemic subsides.
- Rural nonprofit organizations are concerned about the long-term effect of shuttering their programs and services. Is the shut-down survivable? What will the impact of COVID-19 have on both the private sector and the nonprofit sector in small towns?

*“(My top concerns are) isolation, loss of income, loss of community.” – Montana nonprofit organization.*

**As the economic impact of COVID-19 unfolds, the 171 Montana nonprofit organizations responding to the second poll anticipate a loss of over \$13 million in the next three months:**

- This estimated loss does not account for loss in assets due to market volatility.
- The majority (71%) of those surveyed are able to wait 4-8 weeks for federal funding to come through.
- Nonprofit organizations that need immediate help include those serving some of the most vulnerable – such as aging/senior services, early childhood, and housing. Several of these organizations have already or plan to lay off workers.

**40% of Montana nonprofits responding have or may need to lay off employees over the next three months. Nonprofits are adjusting their workforce as best they can.**

*“We have gone dark. We are not open for business.” – Montana nonprofit organization*

*“The vast majority of our programming is done face-to-face. With the impact of COVID-19, we have not been able to continue that work. We have moved to some virtual programming, but it is not enough to make us sustainable.” – Montana nonprofit organization*

**Paycheck Protection Program – Based on 128 results from most recent survey**

From MNA’s most recent survey results, it is clear that smaller organizations were more hesitant or didn’t know how to apply for a Paycheck Protection Program Loan. This follows national trends that larger, more resourced and connected organizations were able to access the program while those smaller, more isolated organizations were not.

- Of survey respondents, only 19% of organizations with budgets below \$100,000 per year applied for and received a PPP loan (another 14% applied for it but did not receive it).
- Of survey respondents.... 66% of organizations with budgets between \$100,000 and \$2.5 million per year applied for and received a PPP loan (another 7% applied for it but did not receive it).
- 85% of organizations with budgets above \$2.5 million per year applied for and received a PPP loan (all who applied received it).

**EIDL Loans:**

More than two thirds of organizations represented in the survey did NOT apply for an EIDL loan. Out of the 31% who did apply, most responded that they have not received the funding.

*“People are either focused on supporting small business or a very small number of nonprofits. We need to get the word out that all nonprofits need support at this time.” – Montana nonprofit organization*

This report represents the current economic impact. Although there is some attempt to predict the future, it's unknown how quickly Montana will bounce back and what the longer-term economic impact will be on Montana's nonprofit organizations. As the economy and tax base go, so goes the economic stability of the nonprofit sector.

Please reach out for additional information or specific questions.

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