

Minnesota Nonprofit Economy Report

COVID-19 IMPACT
UPDATE 5.0

December
2021



COVID-19 IMPACT UPDATE 5.0

INTRODUCTION

Year Two: Fifth Special Report Summarizing Key Impacts on Minnesota's Nonprofit Sector & Economy

The Minnesota Council of Nonprofits (MCN) is regularly surveying nonprofits to continue to understand the impacts of the dual pandemics of COVID-19, which continues to disproportionately impact communities of color, and systemic and institutional racism put into light as a result of the murder of George Floyd, while acknowledging the long history of violence against and resistance by communities of color in Minneapolis and beyond.

Since March 2020, MCN has conducted five surveys and issued five follow-up reports summarizing key trends, impacts, and outlook. [All five reports are available online.](#)

- [May 2020](#)
- [July 2020](#)
- [December 2020](#)
- [May 2021](#)
- [December 2021](#)

The primary purpose of these impact reports is to provide a broader context for organizations to put their individual situation in perspective for decision-making and communications with their boards of directors, supporters, and staff.

MCN shares this information with nonprofits, policymakers, funders, media, and the general public to help them understand how the current environment has affected the nonprofit sector and actions these organizations have taken.

WHAT'S IN THIS REPORT?

3	Key Findings
8	Data Summary
9	Relief Funding
10	Nonprofit Adaptation
11	Nonprofit Leader Comments
13	MCN Support for Nonprofits
14	Respondent Universe
16	About this Report



COVID-19 IMPACT UPDATE 5.0

KEY FINDINGS

This fifth COVID-19 impact report summarizes results from 304 respondents to a survey collected from October 13, 2021 - November 1, 2021. Key findings include:



Minnesota's nonprofit workforce shrinks.

Despite losing 30,000 employees, Minnesota's nonprofit sector has held their relative percentage of the state's total workforce at 14 percent because the state's overall workforce has shrunk.



Staff retention and hiring challenges pose unique threats.

Workforce shortages and staff turnover were the second and fourth most reported challenges, with nearly half of respondents indicating they had experienced these challenges within the last six months.



Relief funding has helped nonprofits manage continued challenges.

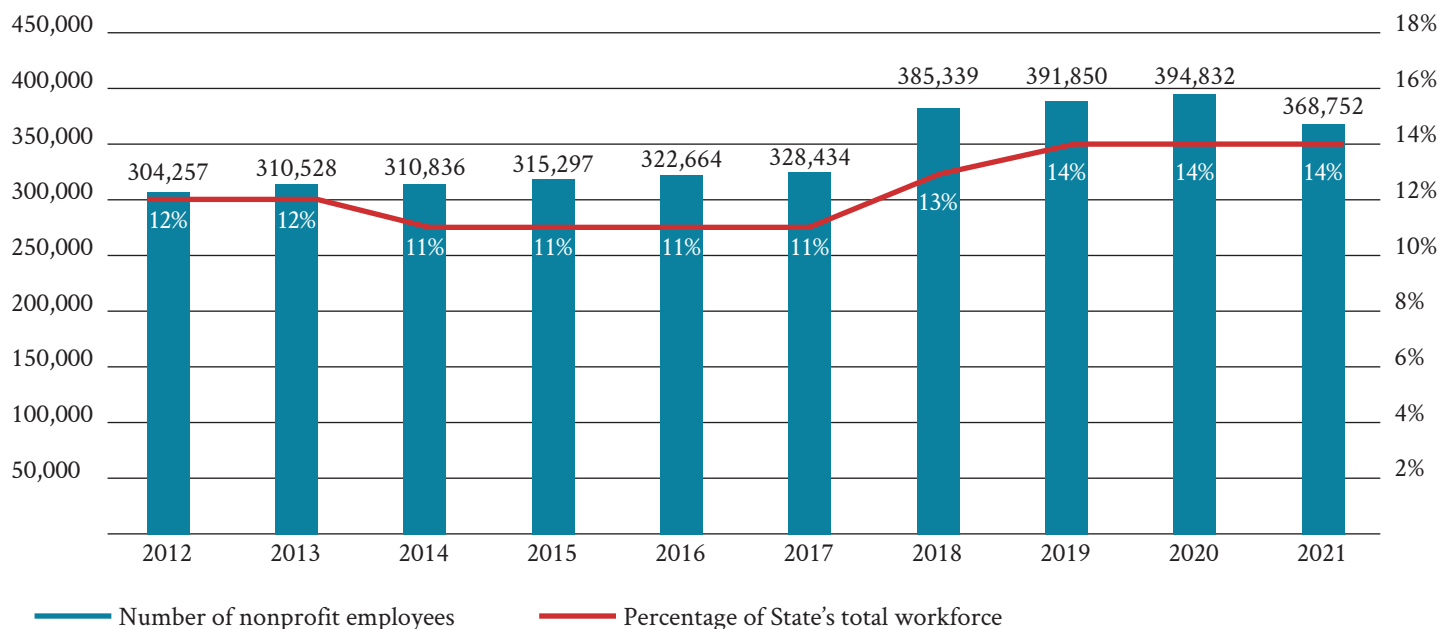
85 percent of respondents reported receiving some level of COVID-19 relief funding; of those, half said the amount they received equaled up to 10 percent of their organization's total annual revenue.



Key Finding #1: Nonprofit workforce shrinks, maintains a relative percentage of the state's total workforce.

Up through 2019, Minnesota nonprofits experienced consistent growth in the overall number of employees over the past 25 years and growth in their relative share of the state's total workforce, growing from 11 percent to 14 percent in the last 10 years alone.

Number of nonprofit employees vs. percent of State's total workforce



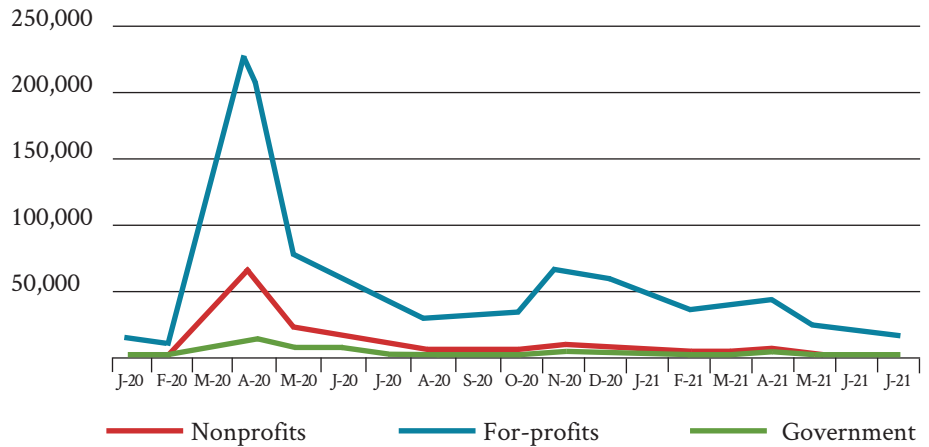


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KEY FINDINGS (continued)

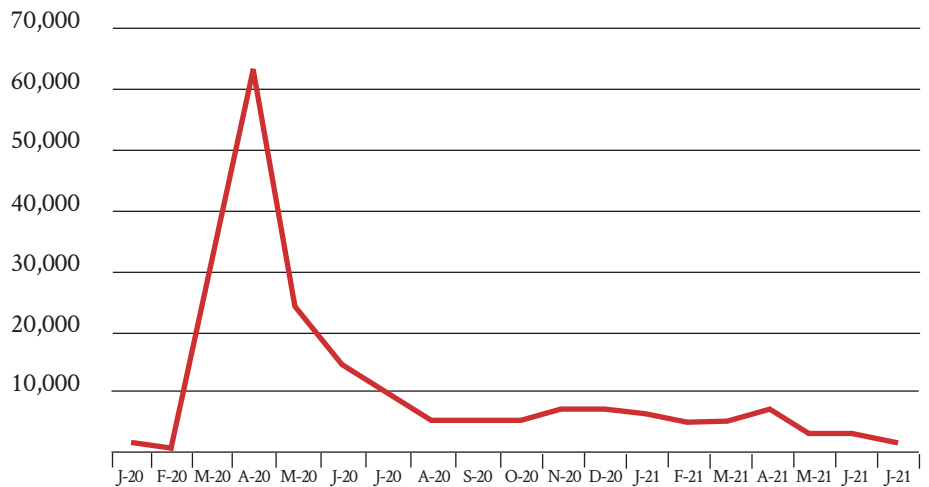
The nonprofit, for-profit, and government sectors all saw a spike in initial claims for unemployment from April – July 2020.

Minnesota initial unemployment claims (January 2020 - July 2021)



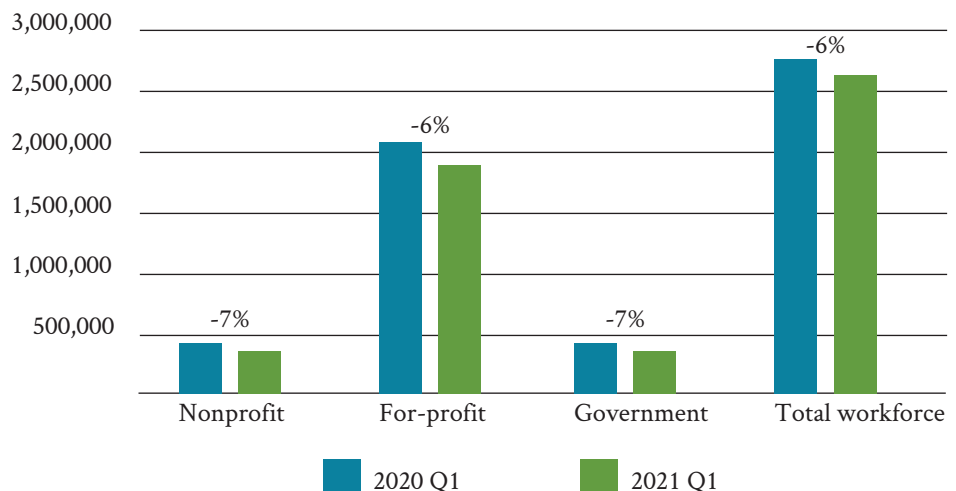
Within Minnesota’s nonprofit sector alone, tens of thousands of employees experienced an event such as reduced hours, temporary furlough, termination, etc. that qualified them for unemployment when the effects of the pandemic were first hitting but relief funding wasn’t yet broadly available.

Minnesota nonprofit initial unemployment claims (January 2020 - July 2021)



Government, for-profit, and nonprofit sectors saw declines in the workforce from the first quarter of 2020 to the first quarter of 2021. Despite losing 30,000 employees, Minnesota’s nonprofit sector has held their relative percentage of the state’s total workforce at 14 percent because the State’s overall workforce has shrunk.

Change in Minnesota’s workforce by sector 2020 Q1 to 2021 Q1





COVID-19 IMPACT UPDATE 5.0

KEY FINDINGS (continued)



Key Finding #2:

The Great Resignation: Retention and hiring challenges pose unique threats and challenges to nonprofits and the communities most impacted by their work.

One of the most pressing challenges unfolding across all sectors over the past six months has been The Great Resignation, a term credited to professor Anthony Klotz to describe millions of workers in the United States who left their jobs through the summer and fall of 2021.

Workforce shortages and staff turnover were the second and fourth most reported challenges among Minnesota nonprofit employers, with nearly half of all respondents indicating they had experienced these challenges within the last six months. Nonprofits face unique factors that contribute to the difficulty of attracting and retaining staff, and these workforce challenges pose distinct threats to Minnesota communities:



75 percent of Minnesota’s nonprofit workforce are women or female-identifying people, who disproportionately serve as caregivers to either small children and/or vulnerable adults. ([Data source](#))*

Countless national articles have cited the disproportionate economic impact the pandemic has had on women and female-identifying workers as parents/caregivers have lost child care, schools shifted to remote learning, and family members have fallen ill. The majority of care-giving responsibility in the U.S. still rests with women and female-identifying people, often at the expense of employment.



Nonprofits are competing with for-profit and government for employees as all three sectors have seen recent workforce reductions.

Adequate funding is only part of the problem leaders must solve. Nonprofits also strive to secure funding that offers them autonomy, yet the availability of unrestricted and multi-year funding is limited. Several health and human services nonprofits have named a particular pain point with government contracts and grants that cap allowable expenses on certain expense lines (such as personnel). Restricted funding can severely limit a nonprofit’s ability to attract and retain staff through competitive wages and benefits offerings.



Nonprofit organizations have provided essential frontline services to communities throughout the pandemic; many staff positions have higher exposure risks, limited flexibility in work location and hours, and higher rates of burnout.

Frontline staff, particularly in health and human services nonprofits, are facing higher degrees of health and safety risks, emotional burnout, and low morale, which results in higher turnover and increased difficulty in hiring for these critical positions. This is exacerbated by the inability to offer affordable and robust healthcare to employees, feedback shared by nonprofits looking to change benefit providers to [BenefitsMN, an association healthcare plan](#).

**Sex data is provided by the Minnesota Department of Employment and Economic Development. While MCN recognizes the broad spectrum of sexual and gender identities that transcends the binary of male and female, this report is unfortunately limited to only including the data that was provided.*



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KEY FINDINGS (continued)



Key Finding #3:

Most nonprofits have survived the past 18 months thanks in large part to accessing COVID-19 relief funding and actively managing the continued threats and opportunities of the moment. Disruptions posed by COVID-19 continue to place operational and financial demands on nonprofits and offer a future brimming with continued uncertainty.

COVID-19 relief funding, particularly from government and private philanthropy, has provided crucial support to nonprofits at a time when they faced increased community demand, increased expenses, lost revenue, and business and operational disruptions.

85 PERCENT

of respondents reported receiving some level of COVID-19 relief funding. Of those, half said the amount they received equaled up to 10 percent of their organization's total annual revenue and one-fourth said the amount they received equaled 20 percent or more of their total annual revenue.

The most accessed COVID-19 relief funding was the Paycheck Protection Program loans (72 percent of respondents indicated receiving a PPP loan in the last 18 months).

48 PERCENT

of respondents indicated the current environment doesn't impact them or they can operate for more than 12 months in the current environment before exhibiting financial distress.

\$8.5 BILLION

will be distributed in Minnesota from federal funding for COVID-19 relief through the American Rescue Plan (ARP).

It is essential that nonprofit organizations continue to be eligible for these funds, unrestricted funding that supports organizational capacity and operations, that clear information about open opportunities is released in a timely manner with adequate time to apply, and that grantmaking and distributing processes are tailored to the unique structure of nonprofits; simple, streamlined, and accessible.




COVID-19 IMPACT UPDATE 5.0


KEY FINDINGS (continued)

While many nonprofits received one-time special COVID-19 relief funding which allowed many to make ends meet, and in some cases grow their operations to meet increased community need, there is no guarantee of that funding going forward. And unlike businesses, nonprofits often have conditions attached to the funding they receive. So often nonprofit leaders are not only having to ask, “Do I have enough funding?” but also, “Do I have enough of the right kind of funding?”

The current environment continues to pose significant operational and financial disruptions to Minnesota’s nonprofit sector.

 Nearly half (44 percent) of respondents reported experiencing increased demands for services, which has grown over time. In MCN’s first impact report released May 2020, only 36 percent of respondents reported experiencing increased demand for services.

 Over half of respondents indicate that they will exhibit financial distress within the next 12 months, and 20 percent said they will exhibit financial distress in the next six months or less in the current environment.

 Direct service organizations are struggling to serve increasing client and community needs related to COVID (such as lost family wages, reduced access to school and community supports, high rates of domestic/family violence due to stressors and inability to leave for safer lodgings, etc.) with reduced or inflexible grants funding.

Going forward, there’s a looming uncertainty about what the future will hold. Looking at what nonprofits experienced in 2020 and 2021, the field grapples with large strategic questions:

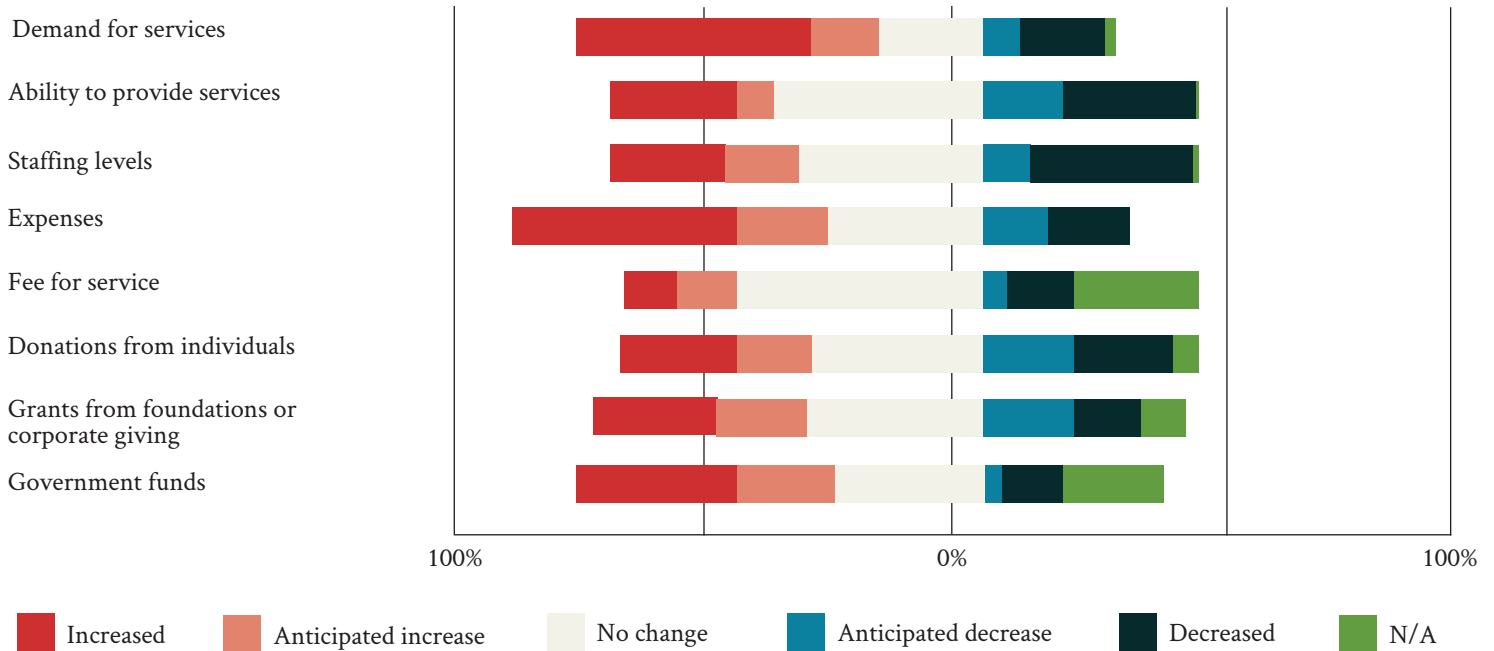
- What is likely to be a future trend, was just an anomaly, or something in between?
- How do organizations best create future budgets and work plans for a world that’s still gripped by a global pandemic and unpredictability?
- What have we learned and how will that inform our work going forward?



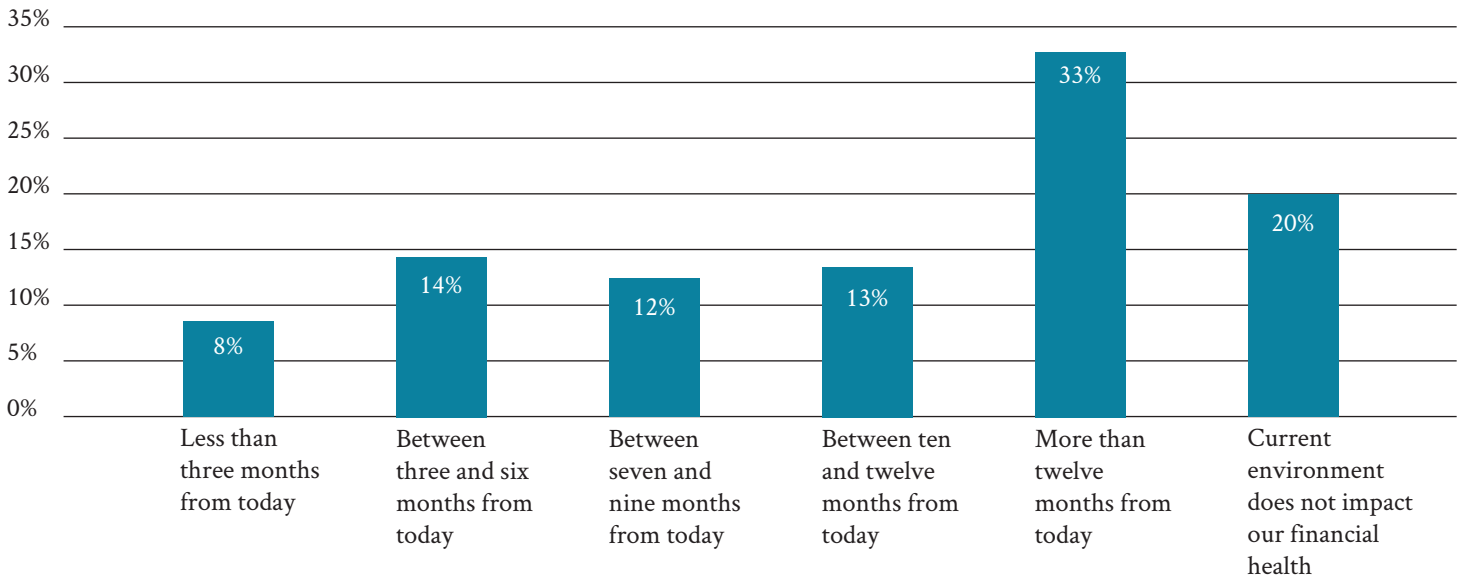
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DATA SUMMARY

In what ways is COVID-19 and other current events impacting your organization?



How many months can your organization operate in the current environment before exhibiting financial distress?





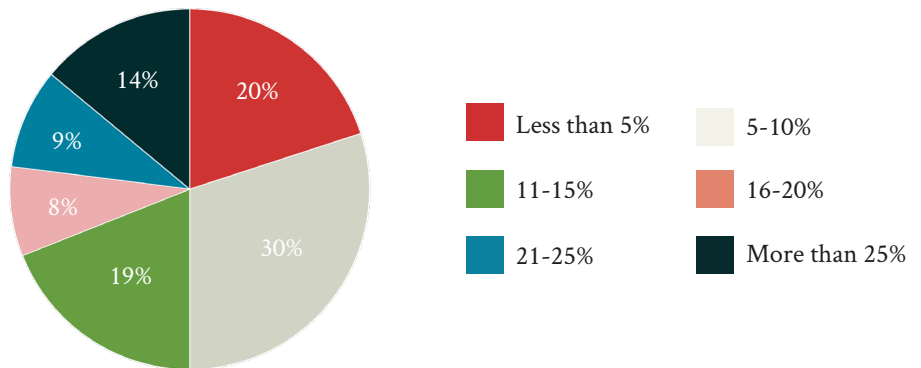
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DATA SUMMARY - RELIEF FUNDING

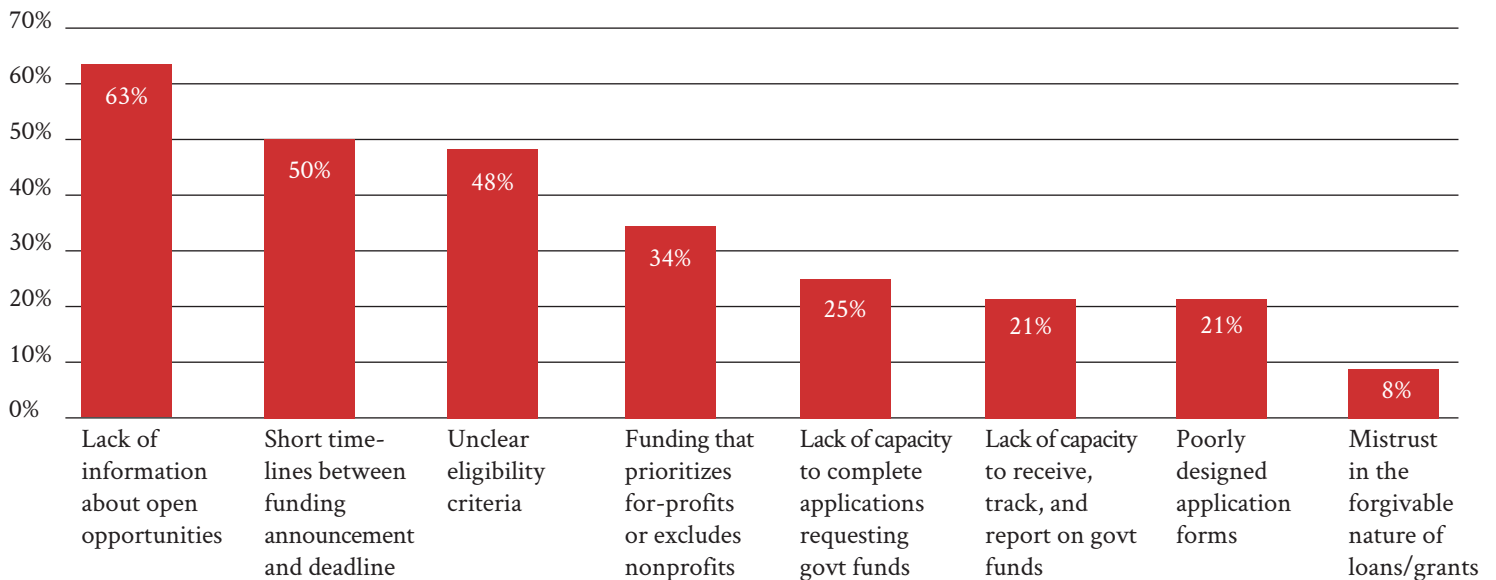
What COVID-19 relief funding, if any, has your organization received in the past 18 months?

72 PERCENT Paycheck Protection Program Loan	30 PERCENT Relief funding through a corporate, private, or community foundation	26 PERCENT Relief funding through a state agency	22 PERCENT Relief funding through a county agency
13 PERCENT Our organization has not pursued relief funding	10 PERCENT Economic Injury Disaster Loan	2 PERCENT Our organization pursued but did not receive any relief funding	

If you received COVID-19 relief funding in the past 18 months, for what percentage of your organization's total annual revenue did the relief funding account?



Through the American Rescue Plan (ARP), \$8.5 billion in federal funding for COVID-19 relief is coming into Minnesota. Some of this money will be distributed to for-profit and nonprofit businesses through a variety of city, county, state, and federal agencies, and their partner intermediaries in the coming months and in some cases years. What barriers do you anticipate facing in accessing these funds?

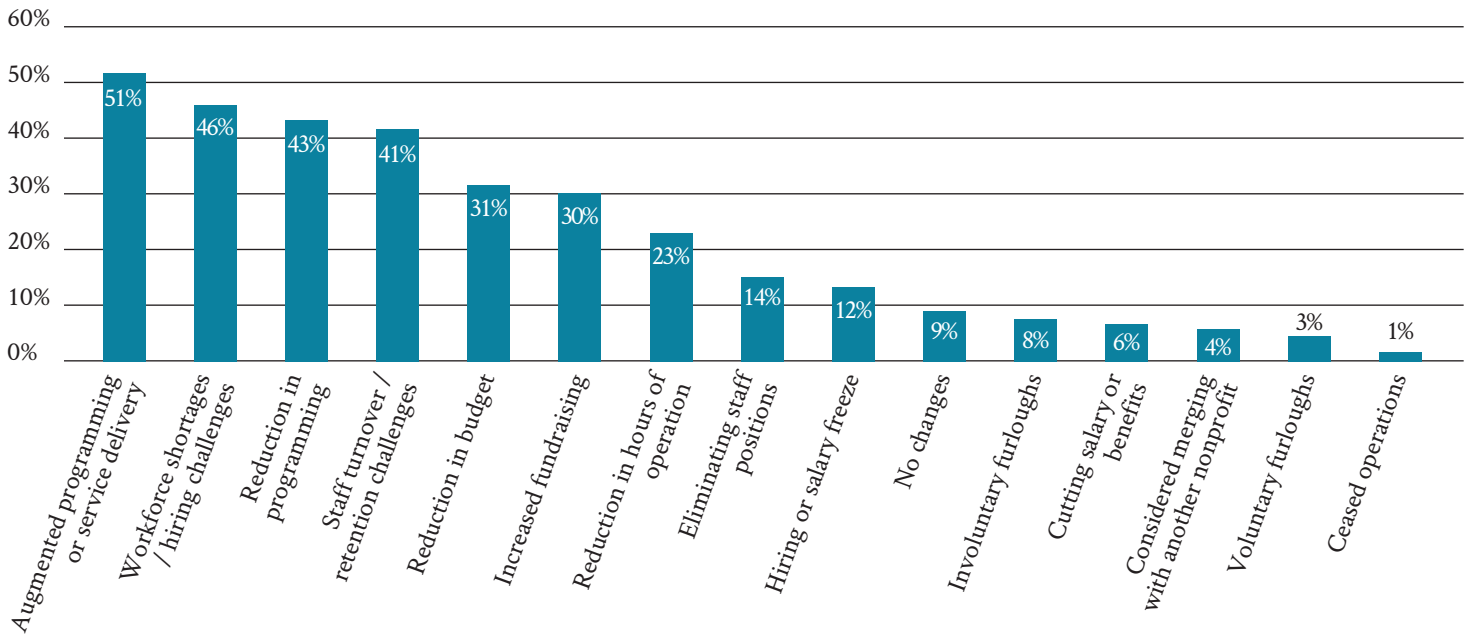




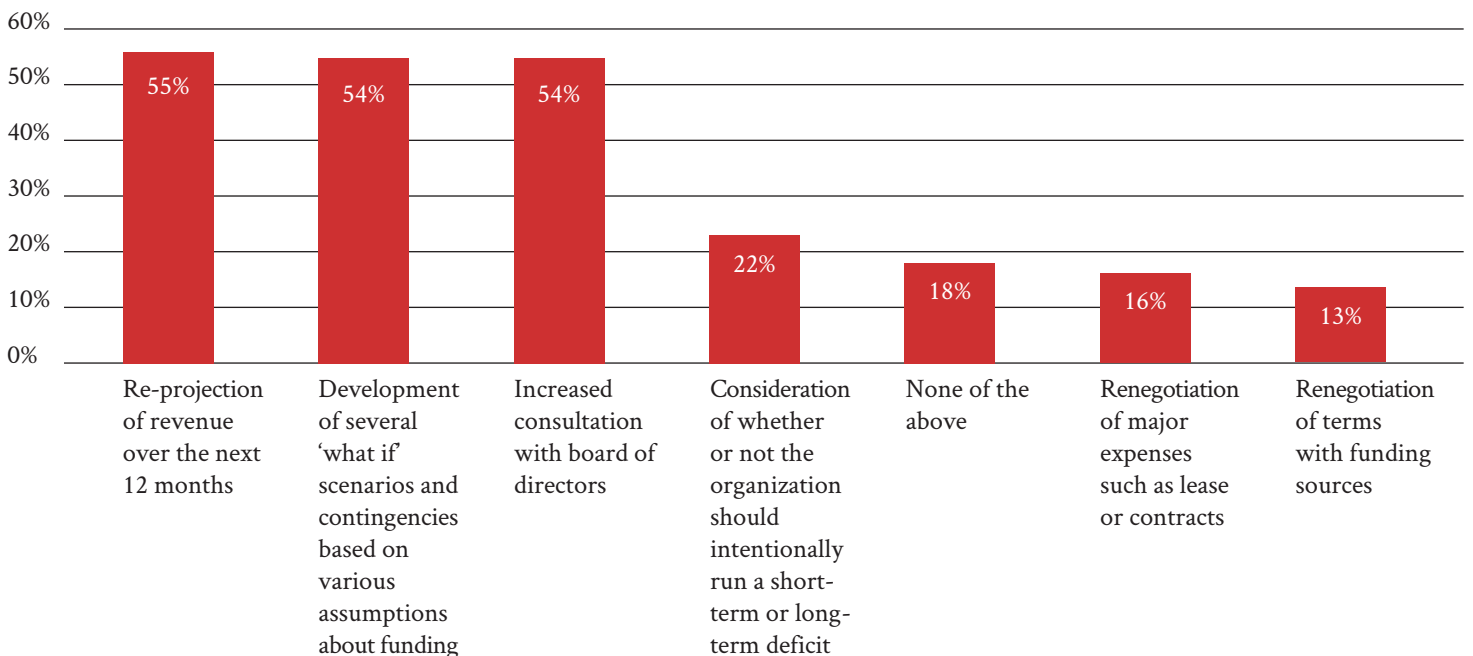
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DATA SUMMARY - ADAPTATION

What changes to programming, operations, or methods of service delivery have you made or experienced in the last six months?



What steps have you taken in the past six months? (Check all that apply)





COVID-19 IMPACT UPDATE 5.0

DATA SUMMARY - LEADER COMMENTS

As you are planning for the next 6-12 months, what do you see as the biggest challenges or opportunities facing your work and organization?

Staff Burnout Mitigation

“Staffing, staffing, and staffing! A need to increase wages but without the matching increase in the rates we receive for services. Continued uncertainty of services as people are exposed to COVID or are nervous about it.”

“Maintaining staff. Everyone is experiencing so much stress in the past 16 months that depending on personal life, they may not be able to continue in this work as it requires in-person and a lot of physical and mental energy.”

Effective Programming Adaptation

“Continuing the investment of members and providing quality programming while trying to return to in-person training and programming. Creating online programming takes more effort on the part of leadership and I think they are getting tired.”

“Uncertain how to re-engage past program participants. Stakeholders all have different preferences and comfort levels in how they want to continue to participate.”

Increasing Needs vs. Decreasing Resources

“Lack of ability to grow into a larger space that would allow us to bring on more providers to meet the needs of our clients, due to increase in expenses to remodel the space and reduction in grant funding this coming year (haven't had the time to apply for the grants due to having to work hard to keep things going on a daily basis). The needs of families are changing and it's getting harder to meet those needs in our current models.”

“The biggest challenge is the reduced fee for service revenue that we have been experiencing since March of 2020. That is followed by staff burnout/turnover due to the added stress of working in a clinic during a pandemic.”



COVID-19 IMPACT UPDATE 5.0

DATA SUMMARY - LEADER COMMENTS

(continued)

As you work to address current challenges and opportunities facing your work and organization, what are you trying or learning? What advice or tips would you share with other nonprofits?

Broaden Funding Scopes

“Pursue any COVID relief funding that even remotely looks like a possibility. I’ve witnessed many who chose not to try / apply because they didn’t believe they would qualify or “make the cut.” The programs want to support organizations who have suffered. Tell them your story and they may likely find a way to ‘make you fit.’”

Leverage Partnerships

“Listen to your program partners and stakeholders you serve / support. Even if you don’t have the answers or immediate solutions, they want to be brought along in discovery, just as donors / funders do.”

“Enter into conversations with other nonprofits regarding COVID protocol, creative ways to bring volunteers back, how to hire staff, where to advertise for staff and new volunteers, and how to enhance funding needs.”

Invest in Staff

“Don’t shortchange the staff. Mission work can only be completed by staff that are compensated well, feeling like they make a difference, and are part of the decision-making process.”



COVID-19 IMPACT UPDATE 5.0

DATA SUMMARY - MCN SUPPORT

MCN offers a vast array of resources, services, and support for the nonprofit sector. What do you think should be among MCN’s top priorities in the coming 1-2 years? Percentage of respondents who indicated this should be a top priority:



59 PERCENT

Advocating for the inclusion of nonprofits in COVID-19 relief funding at all levels of government.



29 PERCENT

Advocating for greater access to voting, particularly in underrepresented communities.



18 PERCENT

Donor Advised Funds education & reform advocacy (to increase transparency and payout).

“Help advocate for dialogue and sensible information regarding COVID...”



29 PERCENT

#FixTheForm, a movement to streamline grant applications & reports based on nonprofit experience.

“Educate foundations that fuel nonprofits. We need flexible gen op funding available to all.”



45 PERCENT

Advocating for changes to government grantmaking processes that reduce barriers.



27 PERCENT

BenefitsMN, an association health plan that leverages collective bargaining power of nonprofit employers.



16 PERCENT

MN BIPOC Nonprofits Index, a free directory of nonprofit organizations that are BIPOC-centered.



31 PERCENT

Advocating for state bonding dollars specifically for nonprofits and a more equitable bonding process.



24 PERCENT

Free events that inform and connect nonprofits (i.e., Bite-Sized Learning series & briefings with elected officials).

“Please remember the small, cultural organizations. A lot of effort seems to be focused on large, social services nonprofits.”

“Equity for nonprofits not located in the Metro area”

“Our organization is a disability-focused organization (that is led by deaf people) and yet again, these organizations are being overlooked since we’ve been told “your focus is too small,” or “there’s not enough to warrant support, good luck.” It’s a challenge for us that are, in fact disabled, and passed over for other organizations because there is a “larger impact.”



23 PERCENT

Workshops on perennial topics of governance and management (i.e., finance, fundraising).



16 PERCENT

Responsive surveying & reporting on sector and community impacts (i.e., Nonprofit Economy Report).



19 PERCENT

GrantAdvisor, an anonymous review site of grantmaking foundations.



11 PERCENT

Major conferences, such as the Annual Conference, ACTcon, Leadership, and Finance & Sustainability.



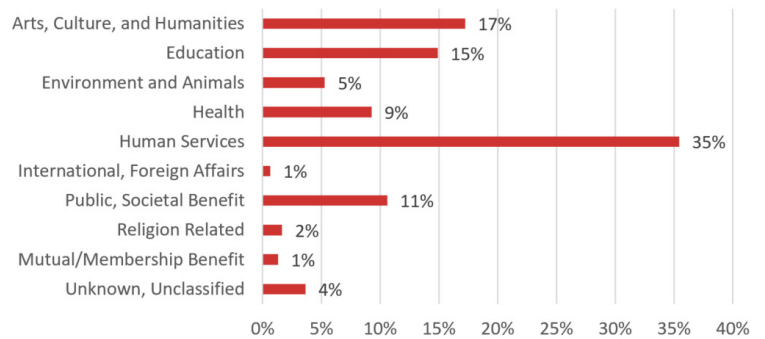


COVID-19 IMPACT UPDATE 5.0

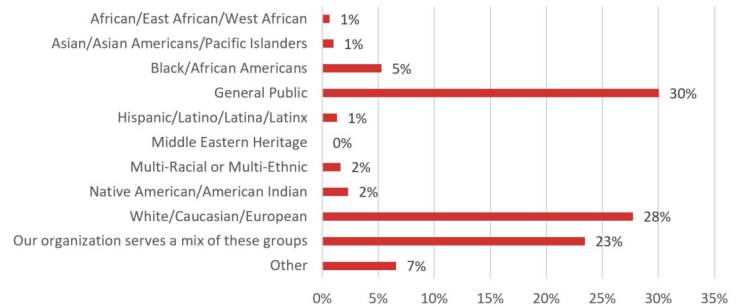
RESPONDENT UNIVERSE

304 individuals completed the Minnesota Council of Nonprofits fifth COVID-19 Impact Survey, which was open from October 13, 2021 – November 1, 2021. Distribution of respondents by activity areas and geographic regions are reflective of the broader nonprofit sector in Minnesota.

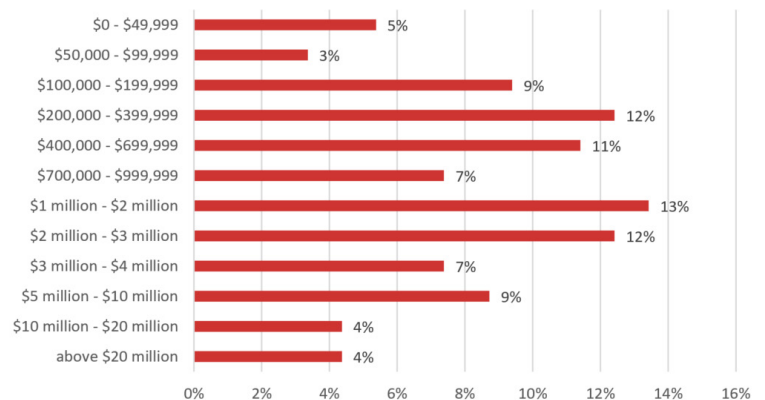
What activity area best describes your organization’s work?



Who are you organization’s primary beneficiaries?



What is your organization’s annual operating budget size?

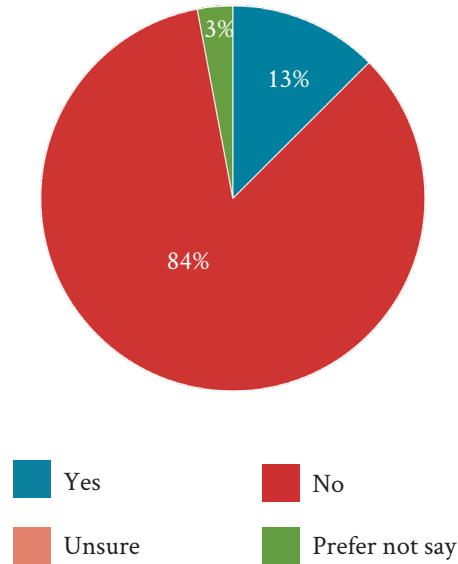




COVID-19 IMPACT UPDATE 5.0

RESPONDENT UNIVERSE (continued)

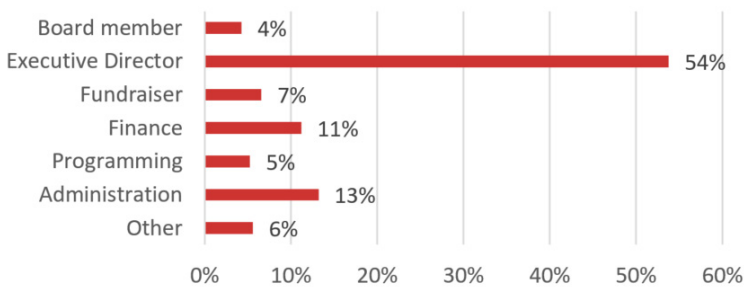
Is your organization BIPOC-led?
 (Meaning the organization’s executive director / chief executive officer and/or the majority of the board are Black, Indigenous, and/or Person of Color.)



What county are you located in?

Multiple Counties	34
Aitkin	1
Anoka	7
Beltrami	4
Benton	1
Blue Earth	5
Carver	2
Cass	2
Chippewa	1
Chisago	1
Clay	3
Clearwater	1
Cook	3
Cottonwood	1
Crow Wing	3
Dakota	17
Douglas	5
Goodhue	4
Hennepin	81
Houston	1
Itasca	1
Koochiching	3
Lake	4
Martin	2
McLeod	2
Morrison	1
Mower	1
Murray	1
Noble	1
Olmsted	2
Otter Tail	1
Ramsey	51
Redwood	1
Rice	5
Sherburne	3
St. Louis	11
Stearns	5
Steele	4
Washington	8
Wilkin	1
Winona	3
Wright	1

Which best describes your role within your organization?





COVID-19 IMPACT UPDATE 5.0

ABOUT THIS REPORT

For decades nonprofit organizations in Minnesota have been a steady source of economic growth in every region of the state and played an important role in Minnesota's communities – providing vital services, employing local residents, and improving the quality of life. The Special Edition Minnesota Nonprofit Economy Report Series (SE: MNER) is designed to complement MCN's Minnesota Nonprofit Economy Report (MNER), an annual study that analyzes public data on nonprofit employers, employment, wages, and finances to describe the role nonprofit organizations play in the state's economy.

The goal of both these reports is to understand the role of the nonprofit sector in Minnesota's economy, and how the impact of the COVID-19 pandemic and the ongoing racial justice movement on nonprofit organizations and the communities they serve.

MCN continues to work in partnership with groups across the state to support the nonprofit sector's response to the pandemic. For more information and resources (such as a free special edition of the Minnesota Grants Directory, virtual training opportunities, and resources on how to access federal relief programs) visit [MCN's COVID-19 & Nonprofits web page](#).

Data sources

Data in this report comes from the 2019 Minnesota Nonprofit Economy Report, Minnesota Department of Employment and Economic Development, Quarterly Census of Employment and Wages, the Internal Revenue Service exempt organizations business master file, and results from six surveys: the April 9, 2020 Federal Reserve Bank COVID-19 impact survey, and MCN's COVID-19 impact surveys conducted on April 9, 2020; May 21, 2020; September 23, 2020; March 4, 2021; and October 13, 2021. Additional information about the nonprofit sector is available [MCN's website](#).

MCN thanks the Federal Reserve Bank of Minneapolis - Alene Tchourumoff, Michael Grover, and Libby Starling - for their partnership and support in the first impact survey distribution and data collection (April 2020).

Report Authors

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The Minnesota Council of Nonprofits (MCN) is the statewide association of more than 2,300 Minnesota nonprofit organizations. Through its website, publications, workshops and events, cost-saving programs and advocacy, MCN works to inform, promote, connect and strengthen individual nonprofits and the nonprofit sector.

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