THE CHRONICLE OF PHILANTHROPY

The Post-Covid Nonprofit: Burnout, Chaos, and the Grinding Hunt for Staff and New Revenue

CHAD HOLDER

FINANCE AND REVENUE

By *Drew Lindsay*

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Rarely a day goes by that Peter Smerud's wife, Sue, doesn't suggest he retire. "Just get out," she says.

Smerud, 59, is an environmental educator with degrees in biology, chemistry, and German and a deep knowledge of the peregrine falcon, which he helped reintroduce to northern Minnesota. For more than 35 years, he has shared a love of the wilderness born of his time in the Boy Scouts — he was an Eagle Scout — and hunting and camping trips in the state's woods and Boundary Waters area.

- How the Pandemic Left Some Groups Stronger Than They Were Before
- Inflation and Labor Costs Squeeze Nonprofits as Pandemic Relief Wanes. Is a Fiscal Cliff Ahead?
- Recovering From the Pandemic, Groups Make Use of Covid-Relief Money That Keeps On Giving
- Ripple Effects From the Silicon Valley Bank and Signature Bank Failures — and How Nonprofits Can Avoid Them

Since the mid-1980s, Smerud has worked at Wolf Ridge Environmental Learning Center. It's the largest facility of its kind, with a 400-bed residential program and 2,000 acres of woods and lakes in northeast Minnesota. Kids make sunrise hikes to Marshall Mountain, a ridge named for philanthropists who donated much of the land for the center, and watch the day break over Lake Superior.

Smerud, who has an open, kind face and the build of an ex-linebacker, knows hardship. A cancer survivor and former member of rock-climbing and river rescue teams, he shrugs off the subzero temperatures that can grip Wolf Ridge for weeks. And he has helped the center weather economic storms spun up from 9/11, the Great Recession, and most recently, the pandemic. "We're very proud that we run a good business," says Smerud, executive director since 2011. The organization entered its 15-month Covid-19 shutdown with more than $500,000 in reserves and emerged debt-free.

Despite this triumph, however, optimism is in short supply at Wolf Ridge. Government and private pandemic-relief funds are gone, and with the stock market's decline, grant makers are warning they will cut support. The summer program, which drew as many as 2,500 adults and children annually, hasn't rebounded. School visits are down. Wolf Ridge's operating budget, which stood at $3.8 million before the pandemic, dropped to $2.4 million last year.

Worse, perhaps, are Smerud's labor woes. He's turned away business because he can't staff programs. Administrators and instructors are hard to come by, and a booming tourist industry is luring away custodial, maintenance, and kitchen staff.

"I'm one cook's resignation from shutting down a $38 million facility," Smerud says.

Dream Funds Disappear

Three years ago, as America locked down in the face of a mysterious disease known as a "novel coronavirus," it was easy to imagine catastrophe for nonprofits. Researchers with Candid described a worst-case scenario in which nearly four out of 10 organizations might shutter.

Emergency aid from government and grant makers forestalled that nightmare, along with a surge in giving by individuals. The no-strings-attached money — effectively bushels of the general operating support that charities dream about — left some groups stronger than before. (See the article on Page 9.) Nearly a fifth of organizations in a survey in late 2022 by the Forvis consultancy reported that they are "very pleased" with their financial position.

CHAD HOLDER

Wolf Ridge's environmental program can reconnect kids to nature and each other after leading lives largely online due to the pandemic, says executive director Peter Smerud. But schools, still recovering from Covid's havoc, are sending fewer students to the center.

For groups like Wolf Ridge, however, the red alerts triggered at Covid's start continue to flash. The pandemic, it turns out, has a long tail that's wreaking havoc on budgets, mission, and peace of mind. Adrenaline-fueled fears about staff safety, moving operations online, and navigating Covid surges have eased, but in their place is a grinding pressure to make ends meet amid inflation, labor shortages, and a "new normal" that's eroding business models. Many nonprofit leaders are responding with promising innovation. Still, each day they confront unexpected chaos and an unknowable future. The job, they say, feels a lot harder, a crisis that never ends.

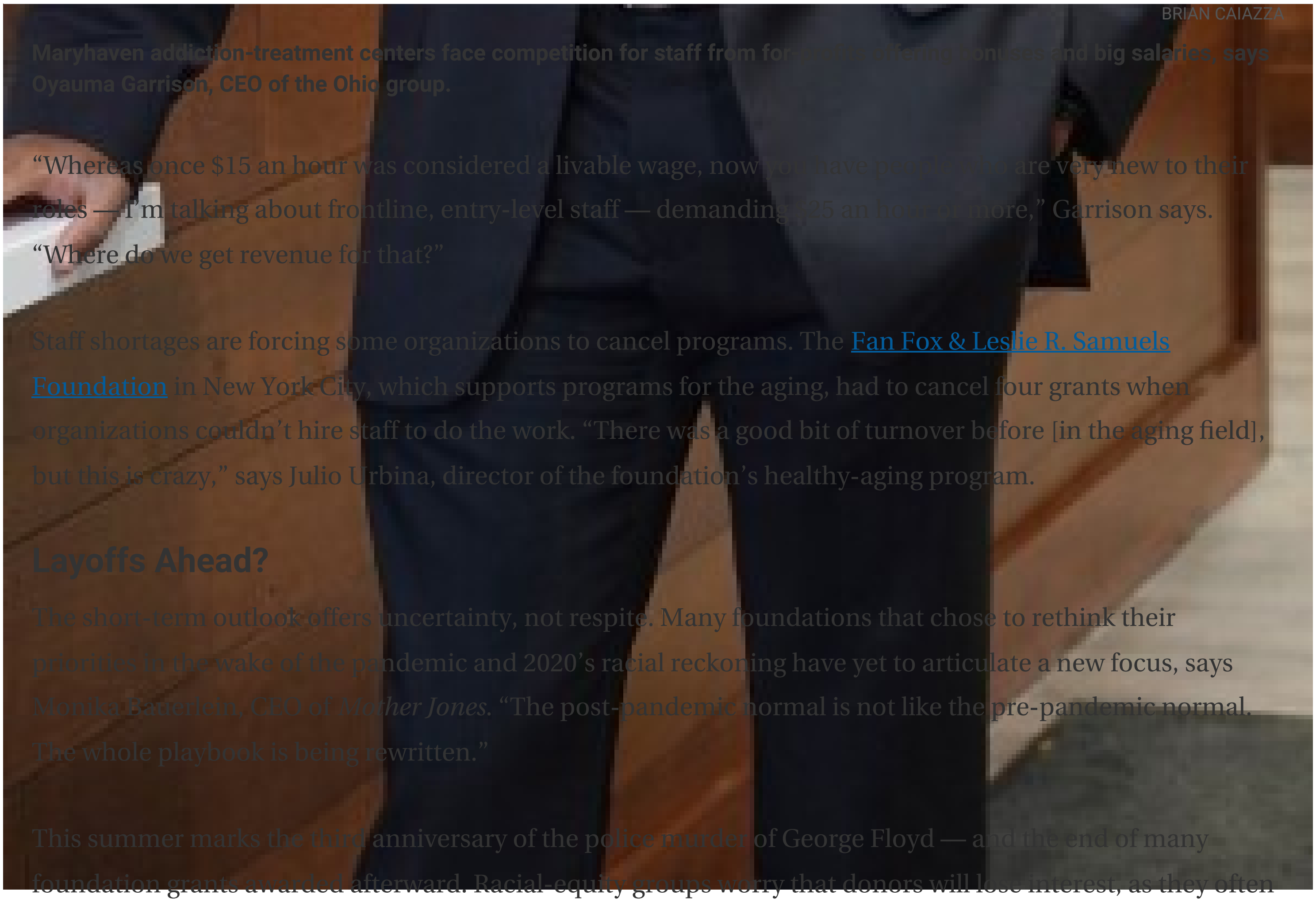
Consider organizations that rely on money from membership dues or foot traffic — ticket sales, entrance fees, tuition, and the like. Their numbers generally haven't bounced back to pre-pandemic levels, and there's no telling when — or if — they will.

For instance:

- YMCAs nationwide lost half of their 22 million gym-and-swim members during the pandemic, and the number has inched up to just 13 million.
- Box-office ticket sales over the past two years are down 20 percent to 30 percent from 2018 and 2019 for large performing-arts groups, according to surveys of more than 100 groups by SMU DataArts, a research group at the Texas university. Giving is off a similar amount.
- Undergraduate enrollment has dropped 7.5 percent from 2019, according to the National Student Clearinghouse Research Center, with community colleges down a kick-in-the-stomach 16 percent.
- The share of Americans who say they never attend worship services of any faith grew from 25 percent to 33 percent. Churches have lost an average 36 percent of in-person worship attendance, according to surveys of nearly 4,000 congregations from more than 40 Christian denominations by the Hartford Institute for Religion Research.

Inflation and labor costs, meanwhile, are squeezing budgets at all nonprofits just as pandemic aid is coming off the books for many. Nearly half of nonprofits saw a decrease in net income in 2022, thanks to growing expenses and decreases in government appropriations.

At the nonprofit *Mother Jones* magazine, paper costs are up 56 percent while revenue is down as its advertisers — mostly fellow nonprofits — slash marketing budgets. Maryhaven, which runs seven treatment centers in central Ohio for addiction and mental illness, is battling for-profit counterparts for a pool of workers that shrank during the pandemic as remote work and other new career opportunities emerged. The organization is paying three and four times what it did for labor at all levels, says its CEO, Oyauma Garrison.



BRIAN CAIAZZA

Maryhaven addiction-treatment centers face competition for staff from for-profits offering bonuses and big salaries, says Oyauma Garrison, CEO of the Ohio group.

"Whereas once $15 an hour was considered a livable wage, now you have people who are very new to their roles — I'm talking about frontline, entry-level staff — demanding $25 an hour or more," Garrison says. "Where do we get revenue for that?"

Staff shortages are forcing some organizations to cancel programs. The [Fan Fox & Leslie R. Samuels Foundation] in New York City, which supports programs for the aging, had to cancel four grants when organizations couldn't hire staff to do the work. "There was a good bit of turnover before [in the aging field], but this is crazy," says Julio Urbina, director of the foundation's healthy-aging program.

Layoffs Ahead?

The short-term outlook offers uncertainty, not respite. Many foundations that chose to rethink their priorities in the wake of the pandemic and 2020's racial reckoning have yet to articulate a new focus, says Monika Bauerlein, CEO of *Mother Jones*. "The post-pandemic normal is not like the pre-pandemic normal. The whole playbook is being rewritten."

This summer marks the third anniversary of the police murder of George Floyd — and the end of many foundation grants awarded afterward. Racial-equity groups worry that donors will lose interest, as they often do, after the first grant cycle. "Everyone's looking to see who's going to deepen work and who's going to pull back," says Sidney Hargro, executive director of [LeadersTrust], which works with grassroots justice groups.

Inflation's retreat has been slow, and the specter of recession looms — all the more so given the crisis roiling regional banks, often [key grant makers and lenders to local nonprofits], following last month's failures of Silicon Valley Bank and Signature Bank. YMCAs made small cuts in staff and programs at the pandemic's start but likely had contingency plans for laying off as many as 25 percent of employees, says Shawn Borzelleri, an executive vice president at the Y's national office. "The question will be: Coming out of this, will they have to go back to those plans at any point? Hopefully not."

Nature-center and outdoor-learning nonprofits like Wolf Ridge sit on a knife's edge, according to Jen Levy, executive director of the [Association of Nature Center Administrators]. In the pandemic's first days, Levy thought, "We're going to lose so many centers."

"Those fears are back — or they never left, I guess," she says now.

In the long run, nonprofits that rely on government funding worry that deficit concerns in Washington will from the American Rescue Plan Act, the last of the big pandemic aid packages. "Lots of people are talking about the tsunami that is still offshore but will probably land in one to two years," says Jan Masaoka, head of the California Association of Nonprofits.

Another potential long-term threat: the hollowing out of America's downtowns. The shift to remote work is draining cities of businesses and workers, jeopardizing the tax revenue that supports charities and pays nonprofit contracts. Proposed conversions of offices to homes could bolster tax bases, but that will likely take years, experts say.

There's a grinding pressure to make ends meet amid inflation, labor shortages, and a "new normal" that's eroding business models.

Museums already worry about dwindling numbers of lunchtime and evening visitors, says Elizabeth Merritt, director of the Center for the Future of Museums. And "to the extent that museums are getting their funding from local and state agencies, they're going to take a bunch of cutting along with all the other services."

The Weak Get Weaker

It's hard to tell whose road out of the pandemic is toughest. For instance: Many food banks and social-service organizations report that support remains strong after their Covid-fueled boom. Giving to the Feeding America network remains roughly double what it was in 2019.

At the same time, the need for services is stuck well above pre-pandemic levels, thanks to inflation. Demand for most Feeding America organizations has held steady or climbed since July 2021, when prices first spiked. A fresh surge of need is expected in the coming months as the federal government and localities withdraw pandemic-related subsidies to individual Americans for housing, medical care, and food in advance of the May expiration of the federal coronavirus public-health emergency. "We've seen a huge drop in child and family poverty," says Chet Hewitt, president of the Sierra Health Foundation in California. "And we are now going to remove some of those safeguards."

Some organizations may struggle because the pandemic deepened existing woes. Performing-arts groups, many houses of worship, small liberal-arts schools, and regional and community colleges saw an acceleration in the yearslong decline in people passing through their doors.

The Crisis That Never Ends

The share of nonprofits facing the following challenges:

Spending more on salaries and benefits	93%
Filling staff vacancies	78%
Seeing increased demand	68%
Providing services despite staff shortages	50%

Chart: Carmen Mendoza • Source: FORVIS • Get the data • Created with Datawrapper

Performing-arts groups suffered as the digital revolution in home entertainment — think Netflix, which launched its streaming service in 2007 — accelerated during the pandemic and siphoned off even more audience, says Glenn Voss, research director of SMU DataArts. Also, many older individuals — core arts patrons — remain fearful of Covid and a theater's confined and tightly packed space.

"Unless human behavior changes or unless the organization can find a way to get people to change, I don't anticipate any significant change in attendance over the next year," Voss says.

Krys Holmes, executive director of the Myrna Loy performing-arts center in Helena, Mont., says all of its revenue engines — arts education for school groups, live acts, and an independent movie house — are sputtering. "Going forward, it's like: How do we make a living without that Covid support when everything is in such upheaval?"

The pandemic deepened for colleges the twin crises of declining enrollment and tuition. To build new freshmen dorms that could attract students, Valparaiso University in northwest Indiana plans to raise $10 million through the sale of works in its campus museum, including a Georgia O'Keefe painting. St. Francis College in Brooklyn decided last month to scrap its Division I athletics program, citing the fiscal pressures from "increased operating expenses, flattening revenue streams, and plateauing enrollment."

MELISSA M. YOUNG

Shortly after the pandemic began, the Dallas Black Dance Theatre launched a robust series of paid virtual performances. Today, it offers high-level dance classes online, delivers virtual performances through contracts with four school districts, and runs an on-demand streaming platform.

Covid certainly did no favor to houses of worship, where attendance was already in steep decline. The share of Americans who are members of a church, mosque, or synagogue slipped below half for the first time in 2020, down from 70 percent in 2020, according to Gallup surveys. Catholic churches lost about 16 percent of their donors during the pandemic, according to Villanova's Center for Church Management.

The median congregation size for Christian denominations has dropped from 138 to 65 over the past 20 years, according to the Hartford Institute. "There already were a number of churches on the brink in terms of survivability" before the pandemic, says Scott McConnell, executive director of Lifeway Research, which conducts surveys about faith in culture. "And there is definitely a portion now considering whether closing is an option."

New Business Models

Nonprofit leaders argue the time is ripe for long-sought policy change, including the introduction of a universal charitable tax deduction that could spark giving by average Americans. They also want to increase the rates that governments and foundations pay for overhead and contracted work. In Kentucky, despite soaring inflation and wages, those rates are decades old, says Danielle Clore, head of the state's nonprofit network. Lawmakers suggest that donations can make up the difference, she adds, but "we would never ask a road contractor to look to private philanthropy to fill in gaps."

"The pandemic exposed us to real danger. The only way to survive is to change."

To be sure, the pandemic forced change at individual groups in a variety of ways. Churches, which had been slow to introduce digital giving, embraced it when lockdowns shut their doors. The share that accept online donations grew from 58 percent to 83 percent over those two years, according to the Hartford Institute.

The 88-year-old Oregon Shakespeare Festival — thanks to a $10 million, five-year grant from a longtime supporter — is overhauling its finance, marketing, fundraising, and other operations as it aims to lift ticket sales, which have reached only 47 percent of pre-Covid levels. "The pandemic exposed us to real danger," says interim executive artistic director Nataki Garrett. "The only way to survive is to change."

Some groups are rebuilding their business models. The Dallas Black Dance Theatre moved its shows online at the pandemic's start, selling tickets to a robust series of virtual performances. Today it offers conservatory-level dance classes online, delivers virtual performances through contracts with four school districts, and runs an on-demand streaming platform — a "Netflix for the arts," as executive director Zenetta Drew calls it.

Professional football, Drew notes, began as an in-person industry but grew exponentially in audience and revenue as it seized TV broadcast and then digital opportunities. "In 20 years," she says, "if we collectively as the arts community embrace this concept, we could have the arts in the hands of every person, just like sports."

COURTESY OF YMCA OF MEMPHIS & THE MID-SOUTH

The YMCA of Memphis & the Mid-South has lost gym-and-swim members, but the pandemic fueled its work with school-age kids and helped make the group a leading child-care provider.

Other groups are adjusting their mission. Days after lockdown began, staff from the YMCA of Memphis & the Mid-South fanned out to help provide meals across the region. Expanding the work, the organization used $1 million in federal Covid-relief money to create a refrigeration system. It now owns or leases 30 trucks and provides 40,000 meals a week in more than 100 locations.

Also, its child-care program, which was growing pre-pandemic, took off during the crisis, thanks to partnerships with the local school system, among others. The organization is now the largest provider of school-age care in Tennessee and Mississippi. Gym-and-swim memberships, which once accounted for half of revenue, now make up less than a quarter.

“Memberships, whether they come back or not, will never be as big a part of this Y’s budget,” says CEO Jerry Martin.

‘I Can’t Do It Anymore’

Reflecting on the past three years, nonprofit leaders talk about how one crisis bled into the next. Covid’s alpha variant led to beta, which was followed by delta, then omicron. There was George Floyd’s murder, the

2021 storming of the U.S. Capitol, the war in Ukraine. Also supply-chain meltdowns, earthquakes in Haiti and Turkey, wildfires and floods in California, and tornadoes in Kentucky.

Not surprisingly, burnout is an oft-cited pandemic legacy. "I've heard this so often: 'I don't think I can take another step. I've loved what I've done, but I can't do it anymore,'" says Tim Delaney, CEO of the National Council of Nonprofits.

In the Columbus, Ohio, area, about a third of the top leaders of 170 social-service organizations have left their posts since the start of 2020. Several said goodbye to the nonprofit world altogether, says Michael Corey, executive director of the Human Service Chamber of Franklin County, the network for those groups. "Folks are just exhausted." One director became a librarian. "I've got one former CEO who retired and moved to a new home on the beach within a week. He was just done."

CHAD HOLDER

Pete Smerud in front of Wolf Ridge Environmental Learning Center in Finland, Minnesota.

Back at Wolf Ridge, Peter Smerud says his retirement won't come as soon as his wife would like. But it's closer than he once expected.

On a quiet day at Wolf Ridge, with planned school visits canceled due to a blizzard in the Twin Cities area, Smerud considers the pandemic's lingering ill effects, particularly on the kids who come to the center. Because Covid lockdowns moved their lives almost wholly online, they lack connections to the real world, nature, and each other. In activities, students are confused about how to lead or take initiative. When they snow-shoe on the center's trails, they tire in minutes, unaccustomed to even slight exertion.

While kids might need Wolf Ridge more than ever, pandemic aftershocks keep them away. With high fuel costs, Twin Cities schools balk at the four-hour bus trip. Teachers, desperate to help students catch up after lockdowns, jealously guard time in the class. Schools that faithfully sent students for decades cancel trips.

These short-term pressures may ease, as they did after 9/11 and during the Great Recession. "But this is different," Smerud says. The digital experience is now king, he notes, and people forget that "virtual" environmental education is just that — virtual.

Wolf Ridge now offers digital lessons, a new way to raise revenue. Typically, schools thank Smerud for providing an "equivalent" experience. "That just breaks my heart," he says. In virtual lessons, students watch video from naturalists' cellphones as they follow a wolf's footprints through the woods. "That's not equivalent. Tracking a wolf across the landscape is the coolest thing in the world; it creates fear, excitement, and a sense of wonder in a child."

"You have people who are very new to their roles demanding $25 an hour or more. Where do we get revenue for that?"

Sitting in his office, blue skies beckoning from the window and four feet of snow blanketing the woods, Smerud says Wolf Ridge is in no danger of closing. He's building new lines of revenue, including a program to train teachers in environmental education. He just put money in the budget for additional marketing staff. Enhanced fundraising could raise as much as $1 million.

In the meantime, there are meals to cook and a bent snow-plow blade to fix. To find two recent hires, Smerud had to recruit from Louisiana. The job of office manager has been empty for months, so he is spending hours managing payroll, much to the frustration of his board, which would prefer that he was out raising money.

"Something's got to give," he says.

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We welcome your thoughts and questions about this article. Please email the editors

FINANCE AND REVENUE EXECUTIVE LEADERSHIP

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Drew is a longtime magazine writer and editor who joined the *Chronicle of Philanthropy* in 2014.

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