



PULSE

HAWAII SECTOR PULSE

NONPROFIT & SOCIAL ENTERPRISE

Overview

To gauge the impact of the COVID-19 pandemic on nonprofits in Hawai'i, the Hawai'i Alliance of Nonprofit Organizations (HANO) and Hawai'i Investment Ready (HIR) partnered to conduct the Hawai'i Sector Pulse survey in August-September 2020. Questions focused on impacts to, and the outlook for, Hawai'i nonprofit organizations as they navigate the pandemic and resulting economic crisis.

Nonprofits, by nature, are resilient and responsive, as evidenced by their uninterrupted support to communities across the state during the pandemic and the rapid pivots made by many to respond to the crisis. Their primary focus on mission and serving community needs has made them critical partners to the government and private sectors in addressing the COVID-19 pandemic.

However, Hawaii's communities and economy are facing unprecedented challenges. The need for resources to address these challenges far exceeds what is available. More than ever, data-informed decision making will be critical to navigating the tough road ahead.

The following report, utilizing data from this survey, is intended to illuminate *how* COVID-19 is transforming the landscape for the Hawai'i nonprofit sector, and provide insights into *what* funders and nonprofits can do to address these changes.

Hawaii's nonprofit sector contributes around **10% to the State GDP**. Pre-COVID, it was a **\$6.6 Billion sector employing 56,000 people** and providing essential services on every island and in every community. The diverse missions of these nonprofits – from arts and culture groups, to education and environmental stewardship, to critical safety net services – provide core products and services that strengthen the fabric of our civil society.¹

Report Collaborators

The Hawai'i Alliance of Nonprofit Organizations works to unite and strengthen nonprofits as a collective force to improve the quality of life in Hawai'i. For more information: <https://hano-hawaii.org>

Hawai'i Investment Ready (HIR) supports the people and organizations addressing Hawaii's social and environmental opportunities by accelerating social enterprise impact and access to investment. For more information: www.hiready.net

¹ Hawai'i Nonprofit Sector Report 2016, Hawai'i Alliance of Nonprofit Organizations

Who is Represented in this Report?

The report is a summary of responses to two separate surveys jointly administered in August, 2020 by the Hawai'i Alliance of Nonprofit Organizations (HANO) and Hawai'i Investment Ready (HIR). Survey 1 was related to the impact of COVID-19 and it was requested that the Executive Director or CEO provide responses to this survey. Survey 2 was related to finances. Surveys were sent to approximately 4,000 area nonprofits. A total of 199 nonprofits (5%) responded to Survey 1, 106 nonprofits (3%) responded to Survey 2, and 103 nonprofits (2.5%) responded to both.² Not every nonprofit answered every question, but the final analysis includes responses from 199 nonprofits. This represents about 3% of the 6,000 nonprofits in Hawai'i.³

Over half (52%) of respondents ($N=199$) are located in Honolulu County (O'ahu), most (82%) are grant-seeking nonprofits, and slightly more (25%) are in the health and human services sector. In addition, many nonprofits (41%) provided services or products statewide, and many (43%) are either owned-by or provided services to Native Hawaiians. Respondents represented a range of sizes based on annual revenue from under \$100K to more than \$10M.⁴

Respondents by County

County	Count	%
Honolulu ⁵	105	52%
Hawai'i	43	21%
Maui	38	19%
Kaua'i	16	8%

Respondents by Sector

Sector	Count	%
Health & Human Services	49	24%
Education	44	22%
Arts & Culture	40	20%
Housing, Economic Opportunity	25	12%
Civic, Safety, Transportation	22	11%
Environment	19	9%
Unknown	3	1%

Respondents by Size (in annual revenue)

Size	Count	%
Up to 100K	41	23%
Up to 250K	25	14%
Up to 500K	28	15%
Up to 750K	16	9%
Up to 1M	18	10%
Up to 10M	42	23%
More than 10M	12	7%

² In addition, not all respondents answered all questions. Because of this, the number of responses to specific questions is noted throughout, most often as an n-size above the graph for each question, e.g. $N=176$.

³ [Hawai'i Nonprofit Sector Report 2016](#), Hawai'i Alliance of Nonprofit Organizations

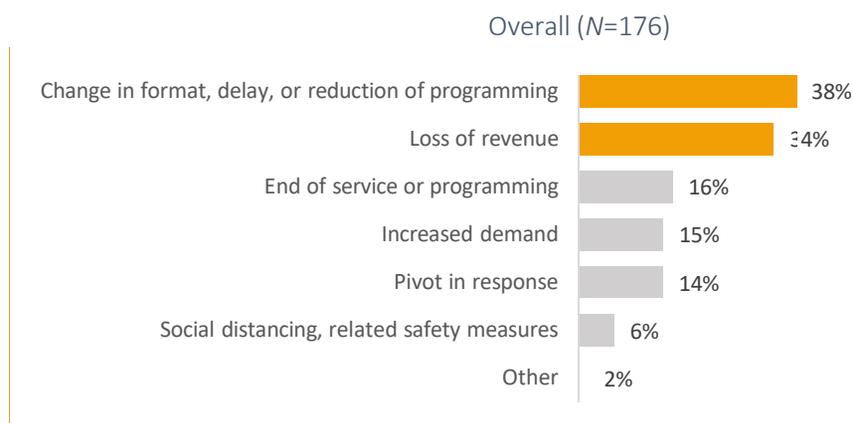
⁴ Though counts presented in the tables represent respondents to Survey 1 ($N=199$), the distribution of respondents by county, sector, and size was similar for Survey 2 ($N=106$).

⁵ One mainland-based nonprofit that completed the survey was grouped into Honolulu County.

COVID-19 Impact

Respondents were asked about the most significant impact that COVID-19 had on their organization (as of July 2020). The most significant impacts shared by respondents were **changes or reduction to programming or services** and/or **loss of revenue**. And, significant impacts of COVID-19 varied by sector. For example, nonprofits with a health and human service mission reported more COVID caused changes or reduction to programming (43%), while nonprofits with an education mission cited a loss of revenue (46%) as the most significant impact. And, the most cited impact for nonprofits with an arts and culture and/or diversity mission was an end to service or programming (47%).

What is the most significant impact COVID-19 has had on your organization?⁶



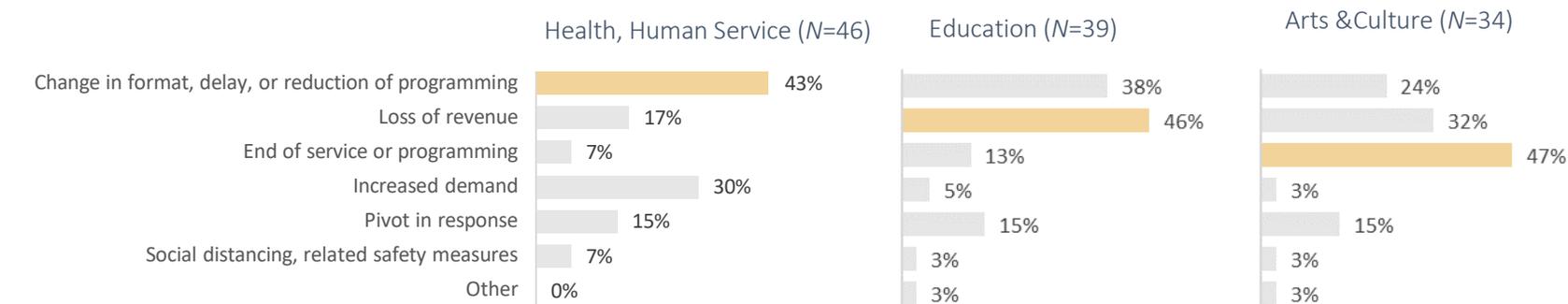
Illustrative Quotes for “Change in...” and “Loss of revenue...”

“Limited service-learning opportunities, not able to host large groups at our sites, funding has been redirected to support food sustainability initiatives.”

“Because COVID-19 forced us to cancel programming (performing arts classes and productions), our earned income dropped and we had to reduce staff significantly.”

“Lack of Funds that we would have received from our fundraisers which have been postponed or cancelled.”

What is the most significant impact COVID-19 has had on your organization? (by Health and Human Service, Education, and Arts and Culture sectors)

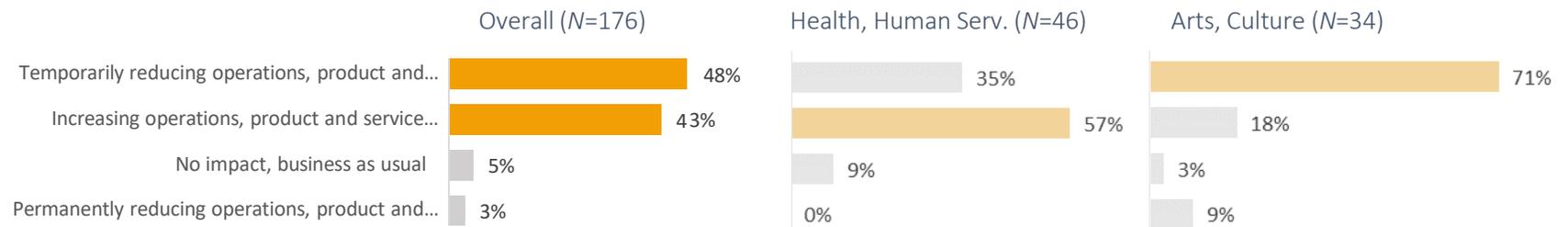


⁶ Totals may be great than 100% as respondents could select all that apply.

COVID-19 Impact on Operations, Products/Services, and Beneficiaries

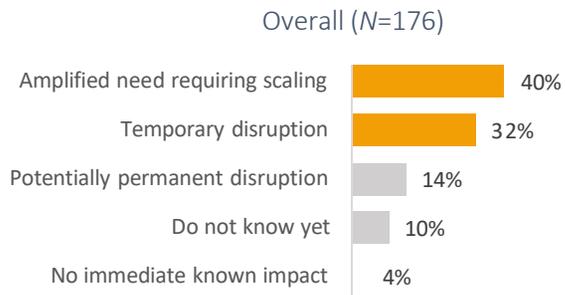
The impact of COVID-19 on nonprofit operations, products or services, and beneficiaries varied by sector. For example, the graphs below show almost all respondents reporting an impact to operations – a **temporary reduction** or an **increase**. When we look at responses by sector, we see that health and human service respondents increased operations (57%) while a majority of arts and culture respondents experienced a temporary reduction in operations (71%).

Steps we are taking as a result of the impact from COVID-19 (Overall and by Health & Human Service and Arts & Culture sectors)

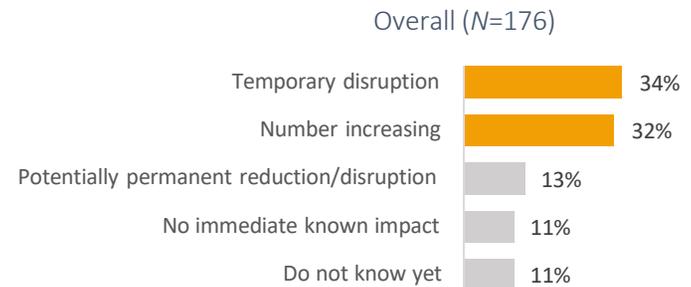


The same pattern (growth and loss) was true for product and service offerings as well as for beneficiaries. For example, somewhat even numbers of respondents experienced an **amplified need** for scaling (40%) as those that experienced a **temporary disruption** (32%). Similar numbers of respondents reported a **temporary disruption in beneficiaries served** (34%) as those that reported their beneficiary **numbers were increasing** (32%).

Changes to current products and/or service offerings as a result of COVID-19

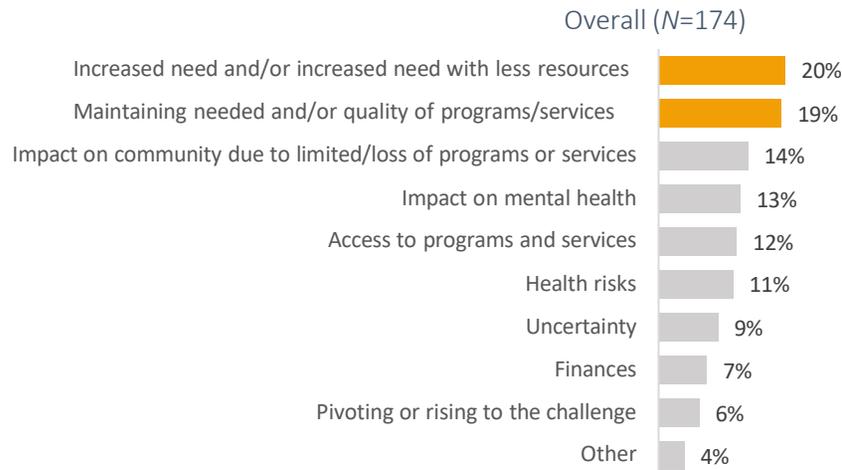


Changes to beneficiaries as a result of COVID-19



When asked about what keeps them up at night, respondents shared concerns about the **increase in the needs of beneficiaries** and their organizations ability to **maintain programs and services**. This did not vary by sector.

What keeps you up at night about the beneficiaries that you serve?



Illustrative Quotes for “Increased need...” and “Maintaining...”

“[I’m worried] that funding is running out to serve them while the need continues to grow”

“How can we continue to operate when we have no revenue? We have started a food distribution program that relies on donations but our basic expenses for our facility continue without any revenue.”

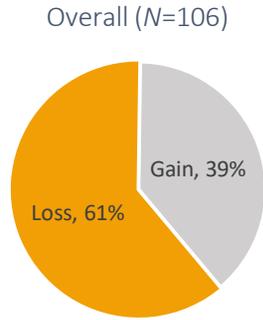
“Will we be able to continue fulfilling our mission in a virtual environment?”

Financial Impact

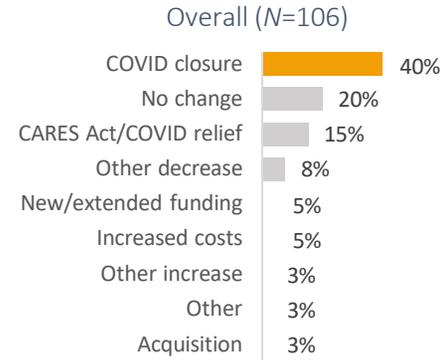
Change in Revenue

Almost two-thirds of respondents projected a loss of revenue in 2020 compared to 2019⁷. COVID closure (40%) was cited as the dominate theme for this change in revenue, though this varied by sector. For example, 1 in 2 respondents in the education or arts & culture and sectors reported change due to COVID closures while 1 in 3 in the housing or economic opportunity sectors reported changes due to the CARES Act or COVID relief funding.

Projected change in 2020 revenue compared to 2019



Themes explaining projected changes in financial position



Illustrative Quotes for Revenue Losses

“Because of COVID we cannot provide our normal programs, thus we are unable to apply for funds for those programs.”

“Due to COVID people are not in a position to give as freely as they have. We were specifically denied state funding (no GIAs⁸ awarded due to COVID)”

“Our fiscal year ends on June 30, so the revenue reported above for 2020 reveals a reduction from March-June 2020. FY21 will be dramatically reduced even further.”

Illustrative Quotes for Revenue Gains

“Through supporting our community during the COVID shutdown, we received an influx of grant money this year that we originally didn’t plan on”

“It looks good but it’s not! We have received some large COVID grants but our existing projects and programs are suffering. Once COVID projects are over in December, not sure how long we can last.”

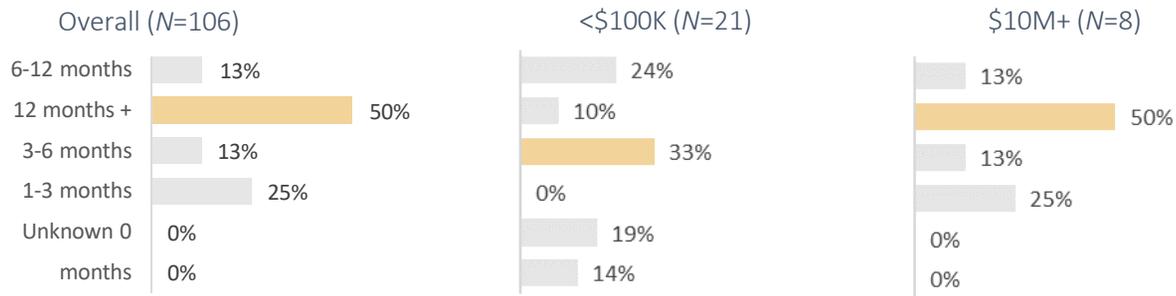
⁷ Change in revenue (gain/loss) was based on a comparison of reported 2019 revenue to projected 2020 revenue.

⁸ GIA refers to Grants-in-Aid, or Chapter 42F grants.

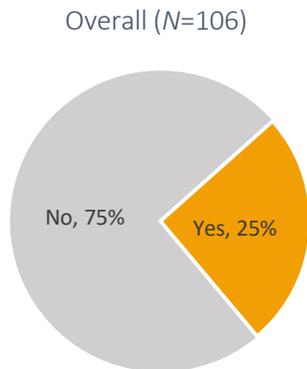
Financial Status

In July 2020 about 1 in 3 responding nonprofits reported they had enough cash-on-hand to last 6-12 months. This varied, however, by org size with more smaller nonprofits—less than \$100K in annual revenue—reporting a cash runway of 3-6 months and larger nonprofits—more than \$10M in annual revenue—reporting a cash runway of 12 months or more. About 1 in 4 respondents also reported experiencing a financial burden due to large assets, for example buildings, leases, or debt.

Projected cash runway – How long of a runway does your organization have?



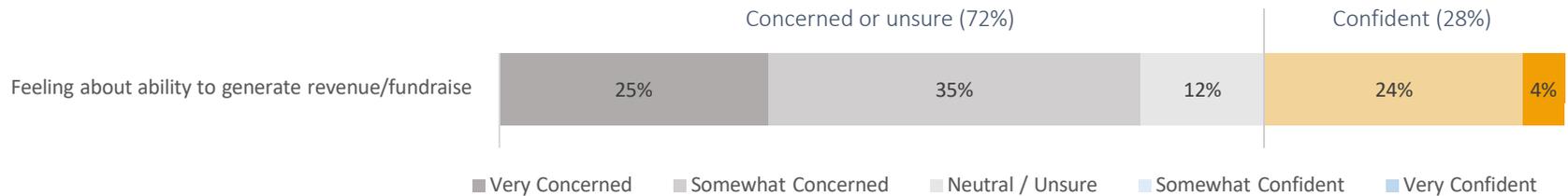
Are you experiencing a financial burden due to large assets or liabilities (building, leases, debt)?



Financial Outlook

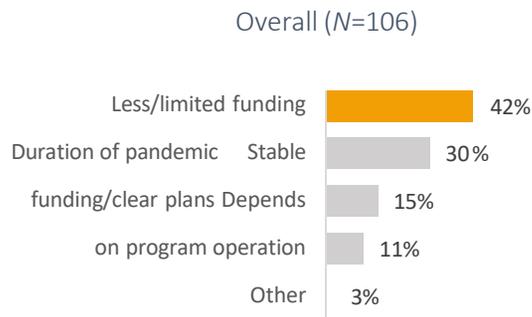
The majority (72%) of respondents were somewhat to very concerned, or unsure about their ability to generate revenue or fundraise in 2021 and 1 in 4 reported feeling “very concerned.” Concern about the financial future did not vary by sector, county, or the size of nonprofits.

Looking ahead to 2021, how are you feeling about your organization’s ability to generate revenue/fundraise? (N=103)



The top themes cited by respondents regarding their organization’s ability to generate revenue or fundraise were impacted access to **less or limited funding** (42%) and the unknown **duration of the pandemic** (30%). Nonprofits with between \$750 to \$1M in annual revenue had a slightly elevated concern with respect to the duration of the pandemic (50%).

Themes explaining response above...



Illustrative Quotes for “Less/limited funding”

“I know that our county has funds budgeted this year for our programs and contract, but I am not certain if that will be the case in the next fiscal year. Many of our grantors are focused on “safety net” programs for their grant dollars.”

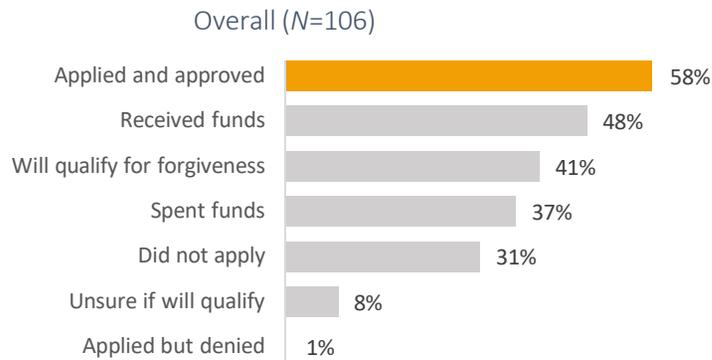
“So many grant programs and foundations are shut down; some have even turned us down thinking we are doing well because we are working on some big COVID grants currently.”

“Our only annual fundraiser has been canceled and since everyone’s purse strings are tighter, I’m afraid that other donations from AUW, etc. will be smaller than usual.”

Participation in SBA Loans

Over half of the respondents (58%) reported applying for and being approved for a PPP loan. Almost half (48%) received the funds, and 41% believe they will qualify for forgiveness. However, participation in the program varied by nonprofit location, sector, and size (see notes on participation below). In contrast, over two-thirds of respondents did not apply for the EIDL program (69%).⁹

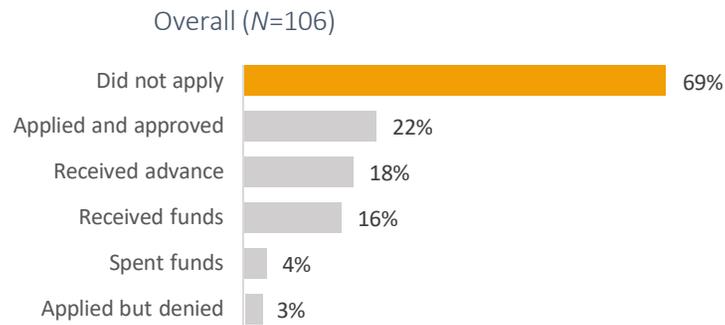
Regarding the SBA Payroll Protection Program (PPP)¹⁰



Notes on PPP participation

- 41% of nonprofits in Hawai'i county (N=22) did not apply for a PPP loan.
- 40% of nonprofits in the culture and diversity sector did not apply for a PPP loan.
- More smaller nonprofits did not apply: 86% of nonprofits up to \$100K in annual revenue (N=21), and 43% of nonprofits between \$100K to \$250K in annual revenue (N=14)

Regarding the SBA Economic Injury Disaster Loan (EIDL) program



Notes on EIDL participation

- Fewer (54%) of in the culture and diversity sector did not apply for EIDL and 1 in 3 applied and were approved.

⁹ There was no significant relationship between nonprofits' feelings of their ability to generate revenue and participation in SBA loans at a 95% confidence level

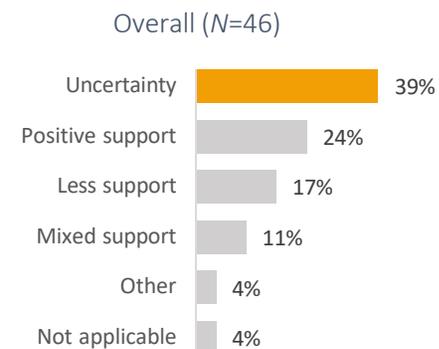
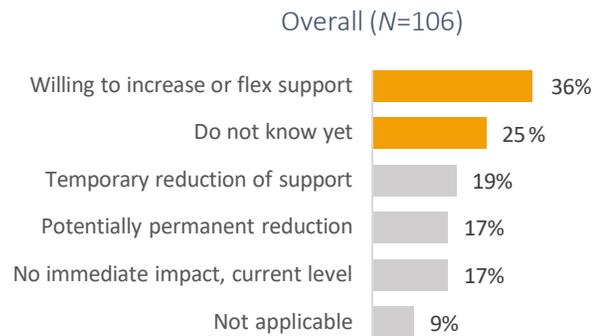
¹⁰ Total percent for PPP and EIDL are greater than 100% as respondents could select all that apply for each question.

Funder Support

Respondents were asked about the support of their key funders and responses were mixed. Approximately 1 in 3 reported that funders were **willing to increase or flex** their support while 1 in 4 **did not yet know** about support from key funders. Respondents providing an explanation for their response to this question cited (N=46) **uncertainty** as the top theme.

Support of key funders

Please provide a brief explanation of your answer...



Illustrative Quotes for “Uncertainty”

“Our main funder stayed the course and was able to continue funding us what we were contracted for in Fiscal year 2020. No one knows what will happen for Fiscal Year 2021 yet.”

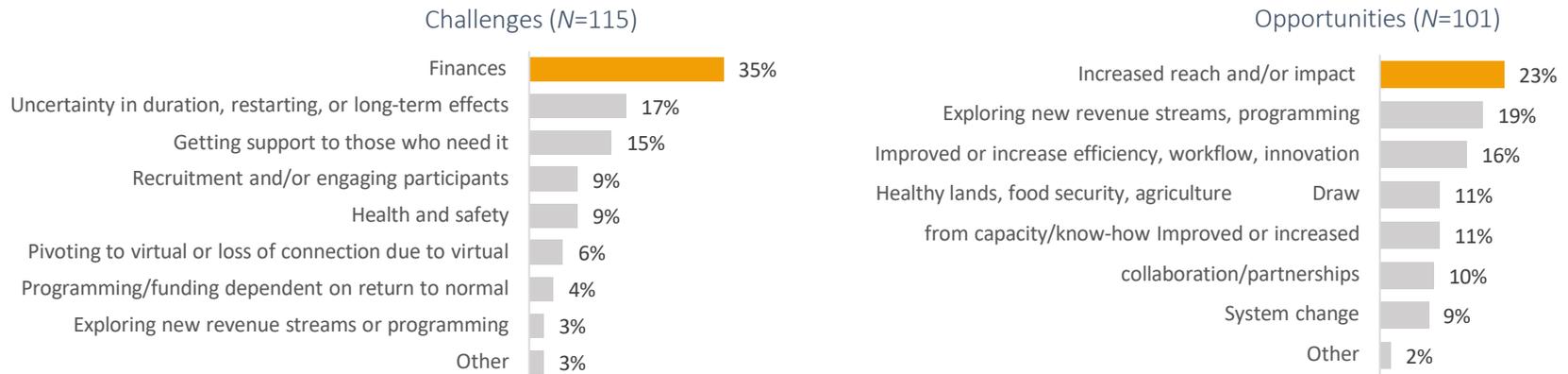
“Initially there was a burst of support from donors but not enough to cover expenses. Will this continue? Who knows?”

“We just sent out the [event fundraiser] cancellation notice. We asked key supporters to consider still donating but haven't heard yet.”

Challenges and Opportunities

Nonprofits cited **finances** and fundraising as a top challenge on the horizon, followed by the **uncertainty** of not knowing how long the pandemic would last, or uncertainty regarding how they would be able to restart their organizations. However, respondents also identified opportunities on the horizon including: **increase reach or impact**, **explore new revenue or programming**, and using the disruption to improve.

What challenges and opportunities do you see on the horizon?



Illustrative Quotes for Challenges

“As a tight-knit community we have a strong capacity to know the needs of our community; we will struggle to respond in robust ways given the lack of resources available.”

“Securing enough revenue to operate is a huge challenge”

“Beyond November 1, we are facing a work force reduction and without another PPP package, we face losing [X] dollars for 2020. Unless there is a monumental change to funding or we have the ability to resume services, we will be forced to dissolve our nonprofit.”

Illustrative Quotes for Opportunities

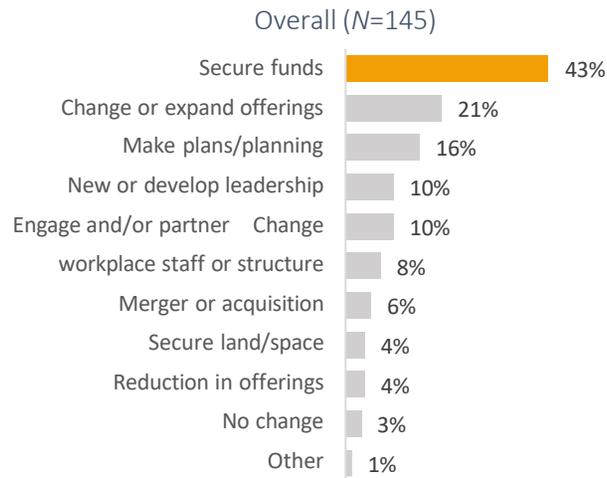
“As we reinvented ourselves for virtual programming, we recognized ways that we could reach and retain participants who couldn't reach our programming in person.”

“Innovate our systems and commitments to our community. We can do things differently, we don't have to solve our past problems with the same tools anymore.”

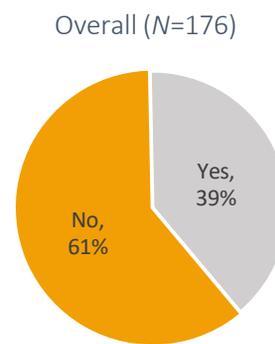
Sustainability

Nonprofit leaders and their boards reported being largely focused on **securing funds** (43%) in the next 6-12 months. When asked about mergers, consolidations, or outsourcing, 22% were actively pursuing mergers, consolidations, or outsourcing, and 59% were open to these options but not actively pursuing them. Of note, more nonprofits in the education and environment sectors were open to mergers.

Over the next 6 to 12 months, what are some things your leadership may be considering to help support/ensure long-term sustainability?

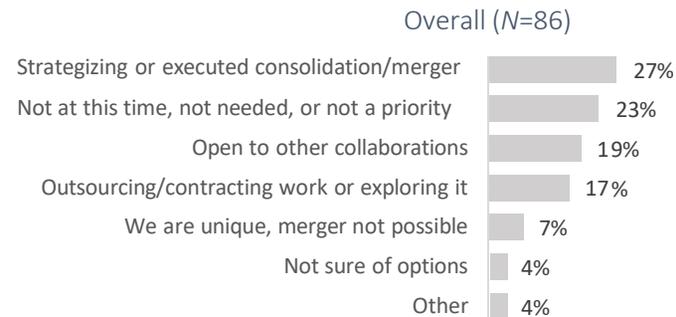


Have you considered consolidation, mergers, or outsourcing as a strategy to sustain delivery?



Response	%
No, this is not a viable option or possibility	28%
No but open to exploring these options	20%
No but it could be a viable option	12%
Yes, actively exploring these alternatives	22%

Comments on your answer above (themes):



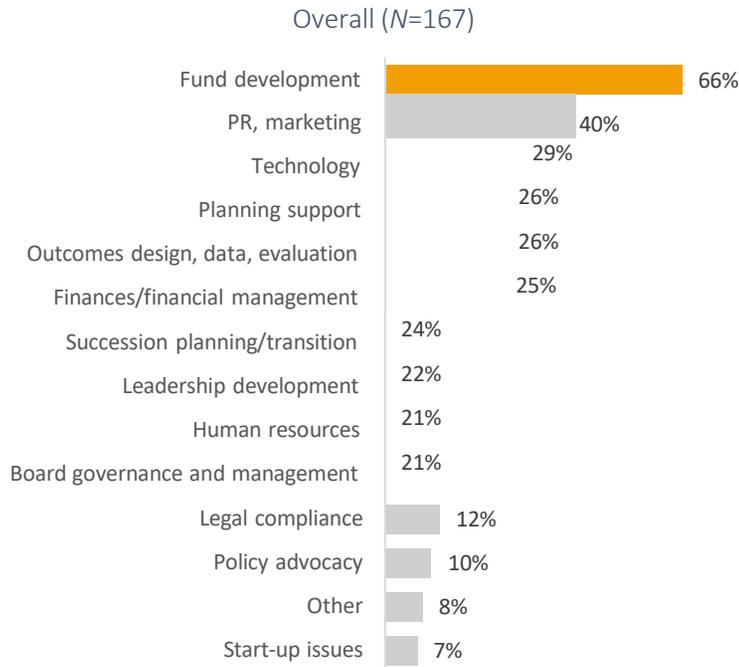
Illustrative Quotes for Comments

"We have always relied on organizational partnerships but now this seems necessary to stay afloat."

"We are discussing multiple ideas on how to shift our offering, and due to the uncertainty, are not able to really move forward on any of them yet"

Respondents also indicated areas of capacity building needed moving forward and most (66%) shared a need to build capacity around **fund development**. Respondents' location, sector, and size (see notes below) also indicated **PR, and marketing** as an important need.

What areas of professional development or organizational capacity building are you most in need of?



Variation by nonprofit location, sector, and size

Hawai'i County

Though fund development is still the top need, 65% of nonprofits in Hawai'i county (N=34) also need to build capacity for PR, marketing, and 50% also requested support with technology.

Housing and Economic Development

Nonprofits in the housing and economic development sectors (N=20) indicated building capacity around fund development (55%) and PR, marketing (55%) were equal needs.

Small and mid-sized Nonprofits

Though fund development was the top need, 50% of small nonprofits (\$250K to \$500K in annual revenue, N=22) also requested support for PR, marketing and 54% of mid-sized nonprofits (\$500K to \$750K in annual revenue, N=13) requested support for succession planning.

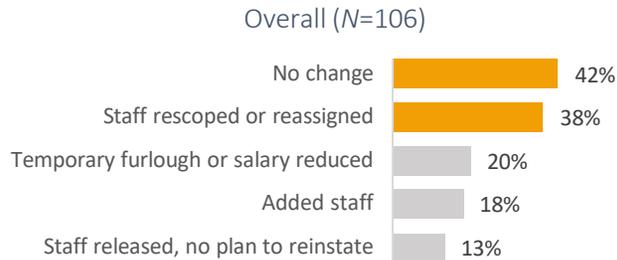
Large nonprofits

The top capacity building need for large nonprofits (\$10M or more in annual revenue, N=11) was policy advocacy.

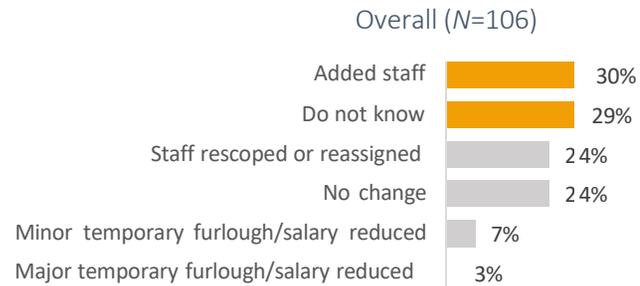
Employment Impact

When the survey was conducted in July 2020, almost half of respondents indicated there had been **no change in staffing** (42%) or that **staff had been re-scoped or reassigned** (38%) due to COVID-19. At that time, there was a mix of plans for future staffing with slightly more nonprofits reporting they would **add staff** (30%) or **did not know** (29%).

Staffing changes as a result of COVID-19 through July 2020

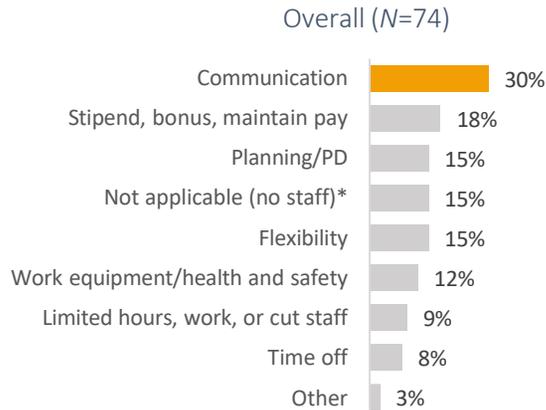


Looking ahead regarding staffing, do you anticipate:



Respondents were also asked how they were addressing impacts to staff due to COVID-19 and the top theme was **communication**, e.g., through meetings or providing information.

This is how we're addressing impacts to staff (themes):



Illustrative Quotes for Addressing Impact to Staff

"More opportunities for individual and team check-ins; use of tech to connect"

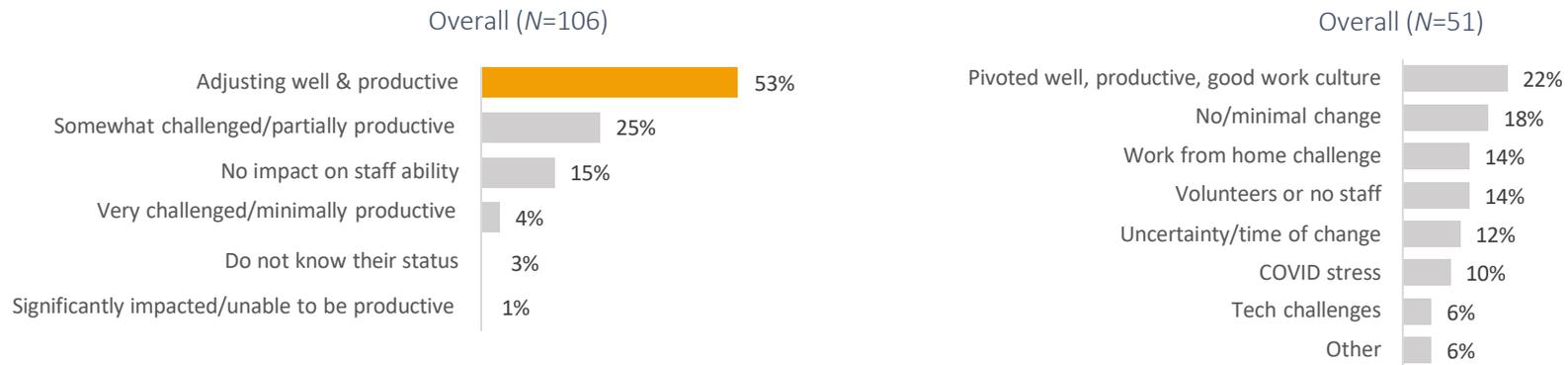
"Providing utility impact allowance and insuring household PPE."

"Surveyed staff for needs; created resource guide; holding to our policies and procedures to maintain order while being creative to accommodating needs."

*Note, 50% of nonprofits less than \$100K in annual revenue selected "not applicable"

Respondents also weighed-in regarding their perception of the ability of their staff to adjust to changes due to COVID-19. Approximately 1 in 2 respondents felt staff were **adjusting well** and were remaining productive. Reasons given for positive adjustment of staff included smooth pivots or a good work culture (22%), while others mentioned minimal change (18%), or the challenges of working from home (14%).

Ability of staff to adjust to COVID-19 required changes at home and for work. Provide a brief explanation of your answer (themes):



Illustrative Quotes for Explanations:

“We were always looking to create a flex working environment, this just sped along the process.”

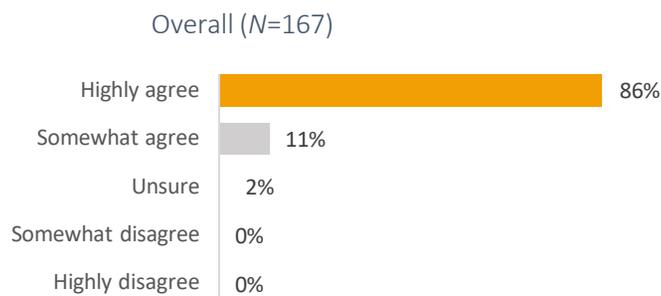
“Staff continue to engage with [participants] on pretty much the same schedule they would if the students were physically on site.”

“We do experience challenges with working remotely. Continued to be concerned about staff balancing working from home and other personal responsibilities.”

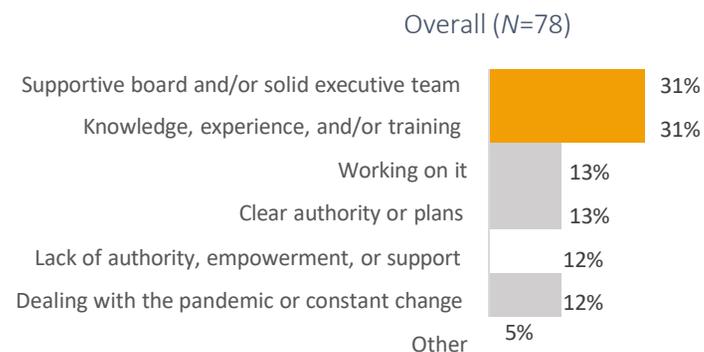
Organizational Leadership

More respondents reported being in their current role between 1 to 4 years and being an executive director or CEO for 5 to 9 years. In these roles, most felt confident and strongly agreed (86%) that they were clear about their role and responsibilities and felt empowered to do their job. Of note, more leaders from Native Hawaiian-owned organizations felt unsure about their role and responsibilities and being empowered to do their job (17%), than respondents overall (2%).

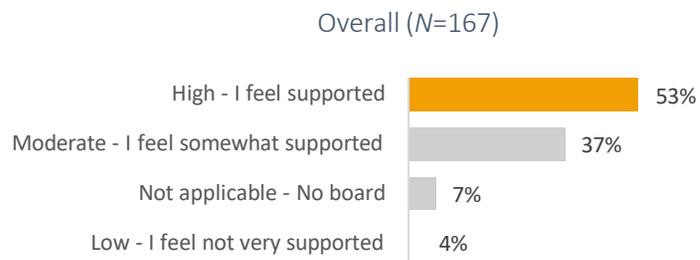
I am clear about my role and responsibilities in this org and feel empowered to do my job.



Themes for “more detail” about clear role and feeling empowered



My board’s engagement level is



Illustrative Quotes for Top Themes Above

“The BOD is very supportive of my efforts on behalf of [X], and we discuss and decide any key strategic actions.”

“I’ve led the organization for over ten years now (and been with it for over 20 years) and also guided the organization through the last recession. Those experiences are helping tremendously in being clear about my role and responsibilities for the organization and in working with our board of directors which has empowered me to do my job.”

Key Insights

The data from the Hawai'i Sector Pulse survey surfaced the following key insights for stakeholders and partners of Hawaii's nonprofit sector.

Over two-thirds of respondents were concerned about generating revenue in 2021 citing uncertainty of funding support as their top concern.

Two-thirds of respondents reported short-term cash reserves of six months or more, despite 61% of respondents projecting revenue losses in 2020.

Most respondents feel empowered in their role and supported. 86% of respondents strongly agree that they are clear about their role and feel empowered. 90% feel strongly or moderately supported by their board.

Over two-thirds of respondents were open to or willing to explore consolidations, mergers, or outsourcing strategies to sustain mission delivery.

There are two distinct experiences within the sector. Respondents with strong mission-alignment to much needed COVID-19 related services and products saw increased demand and revenue (e.g. health, human services), while those with little nexus to the COVID response, real or perceived, saw resources diminish with no meaningful relief in sight (e.g. culture, arts, education).

The highest capacity building need is fund development, followed by PR & marketing. Other areas of need included technology and planning support, help with outcomes, data, and evaluation, financial management, and succession planning.

There are brightspots of resilience, innovation, and openness to doing things differently. 14% of respondents were pivoting their operations. Respondents offered insights through open-ended answers including things like increased mission-delivery possibilities with technology, reinventing old systems, and reaching beneficiaries in new ways.

Considerations

As intermediary service providers, HANO and HIR play an important role in Hawaii's mission-driven sector (nonprofit & social enterprise). Through our work, we support, connect, and bridge nonprofits and funders. Our responsibility to the sector as a whole is to support, strengthen, and leverage the collective impact of Hawai'i nonprofits. It is from this perspective that the following considerations are offered in response to the key insights revealed through the survey.

For Funders of Nonprofits:

- Signal your funding plans for 2021 to your existing nonprofit partners as soon as possible.
- Fund the emerging innovations, experiments with operational pivots, new revenue opportunities, and business model changes.
- Provide matching funds and technical assistance to nonprofits to apply for federal and national funding opportunities.
- Fund and facilitate opportunities for strategic consolidations, for example, collaborations, alliances and/or mergers.
- Provide palliative support to help nonprofits in decline with a smooth exit.
- Where possible, continue funding current grantees.
- Provide flexible unrestricted funding or fund operational expenses, not just programmatic.
- Provide multi-year commitments to support stability.
- Increase your annual spend above the minimum requirement of 5%.
- Be adaptable and flexible with your nonprofit partners by adjusting your expectations, requirements, deadlines, and streamlining your decision making.

For Nonprofits:

- The nonprofit and funder landscape has changed and so must you. What was successful before may no longer work. Continue to be adaptive – act, learn, improvise, adjust.
- Get clear about your financial position. Prepare a 12- or 24-month cash forecast that includes restricted and unrestricted cash balances.
- Use this time to revisit your business model, your governance structure, and your programs. Sharpen how you deliver and measure your impact, and how you communicate this. Competition for resources will be high.
- Communicate COVID-19 driven changes and their impact to your board and staff, your funders and your beneficiaries.
- Reach out to current funding partners. Be open and honest about your situation. Funders can provide more than just funding, they can provide other resources and connections.
- Some nonprofits may not survive. Be prepared to support your colleagues as the landscape shifts. Identify programs and assets that can be repositioned for greater impact.
- Consider strategic consolidations, for example, collaborations, alliances and/or mergers, to better serve your beneficiaries and/or sustain your mission delivery.

Acknowledgements

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