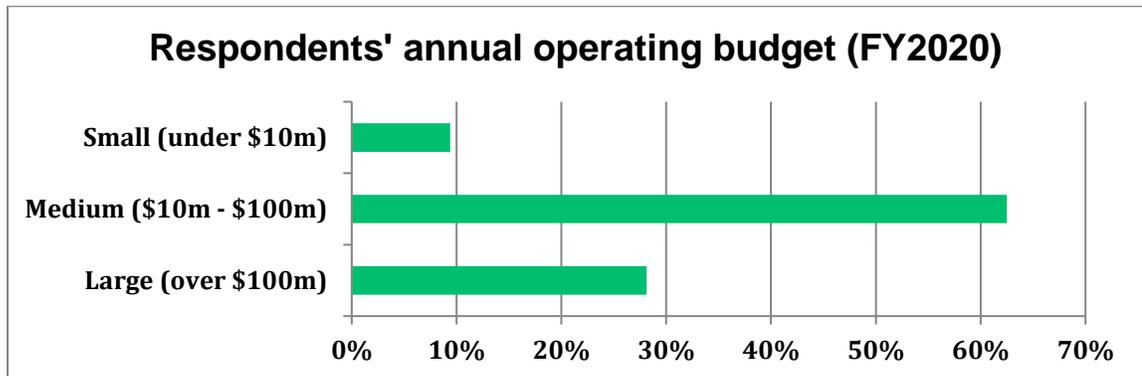




On May 15, 2020, Humentum conducted a survey of member organizations' chief financial officers (CFOs) to gauge the impact of the COVID-19 pandemic on their financial health.¹ All told, the survey results paint a distressing picture of the current and prospective negative impact of the pandemic on the financial health of our member organizations. This may be particularly true for the respondents to this survey, the majority of whom represent small or medium size NGOs based in the United States, with operating budgets under US \$100 million.

Who are our respondents?

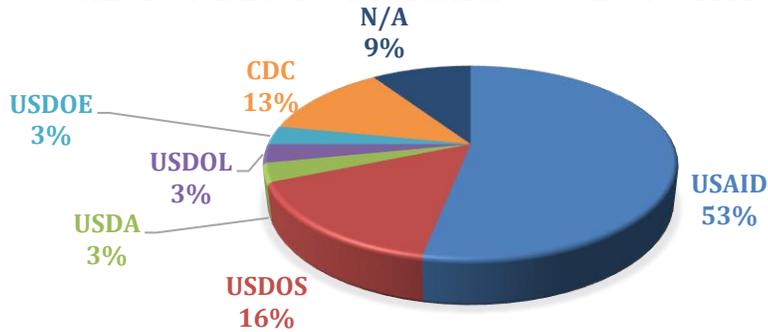
The majority (63%) of our respondents are medium size organizations with budgets between US\$10 and US\$100 million. 28% have an annual operating budget of over US\$100 million. Only 3% of the respondents are considered small, with annual budgets of under \$10 million.



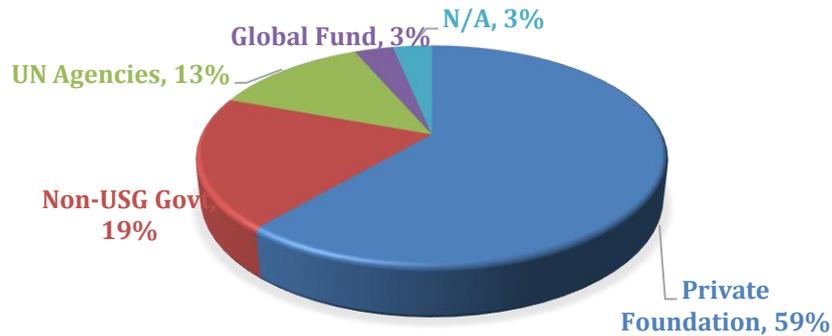
The respondents are funded, in their majority, by USAID as their primary USG donor agency. The US Department of State and the Centers for Disease Control came in a distant second and third. Only 9% of the respondents did not have any USG donor as a primary donor.

¹ A cohort of approximately 80 active CFOs were selected for the survey. Of those, 32 responded in time for inclusion in this analysis. The response rate is not high enough to produce statistically significant results. However, the information gleaned from the 32 respondents does give us a window into the reality facing our member organizations at this time.

RESPONDENTS' PRIMARY USG DONOR AGENCY



Over half of the respondents listed their primary non-USG donor as one or various private foundations. Other government donors and the UN agencies were second and third, respectively. Only 3% did not have a non-USG donor, or put differently, 3% reported having only the USG as a donor.



RESPONDENTS' PRIMARY NON-USG DONOR

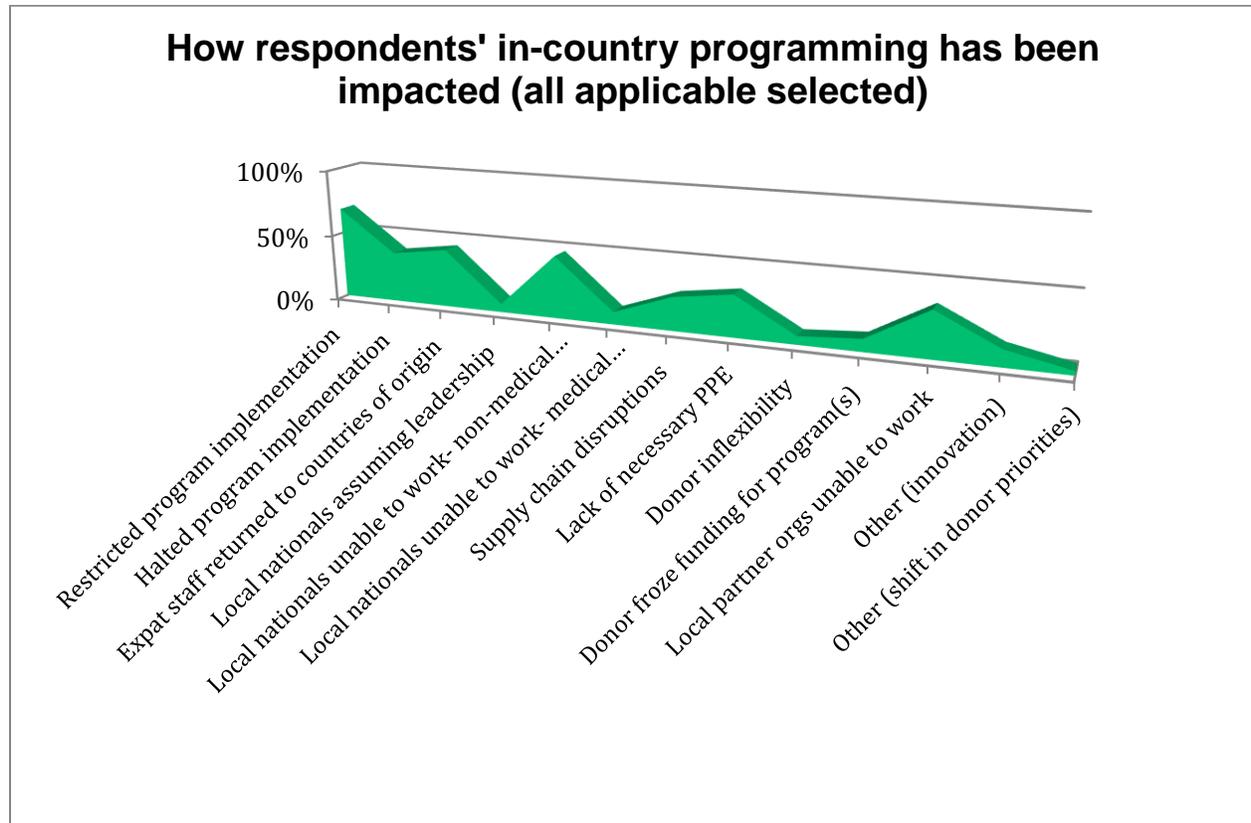
What did we learn?

1. The pandemic has disrupted in-country relief and development programming in a variety of ways.

To date, our respondents have reported a range of programmatic disruptions, many of which track the progression of the pandemic across the globe. For instance, most respondents reported having to repatriate in-country expats to their countries of origin. 69% reported having restricted ability to implement their projects. Another 38% of respondents reported having their projects completely halted/at a standstill. From respondents' explanations, this temporary cessation of programming is largely due to movement or related restrictions in-country. At the same time, others highlighted supply chain disruptions (25%) and the lack of necessary personal protective equipment (PPE) (31%) as key impediments to programmatic implementation.

There is a bright lining in some of this, however. A combined 19% of those surveyed reported positive disruptions – ranging from an increase in local nationals assuming responsibility for project leadership to other innovative ways to adapt program

delivery models to ensure viability in the midst of the pandemic. For instance, one Humentum member reported transferring face-to-face training modules to online platforms. **Another reported training a half million community leaders and activating them to assist their respective villages.**

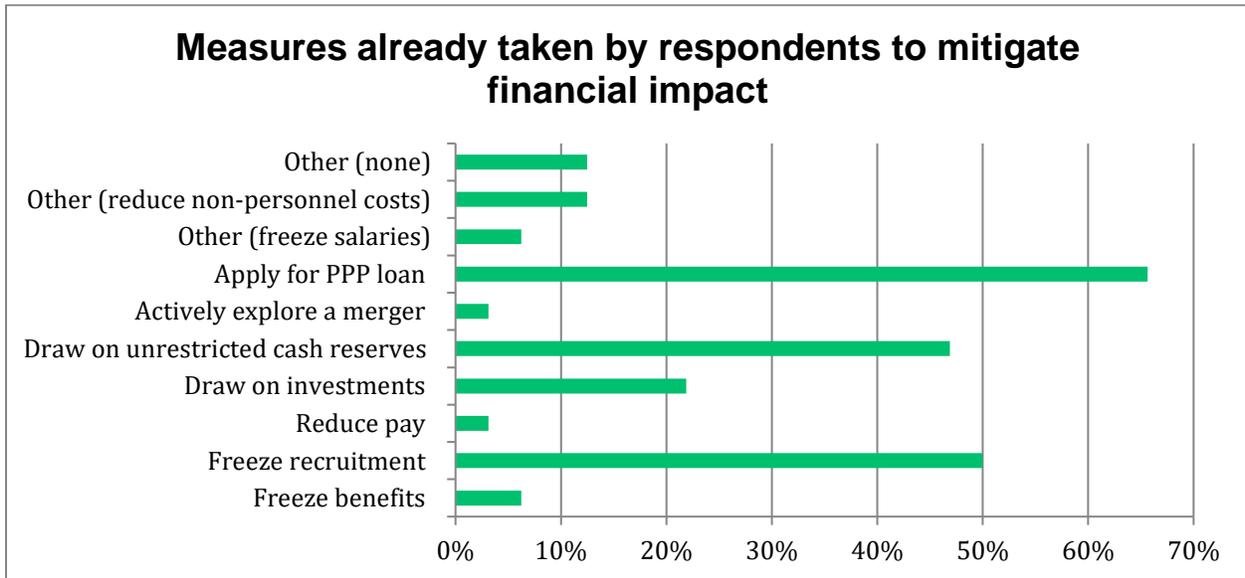


2. The pandemic has already wreaked havoc on most respondents' operating budgets.

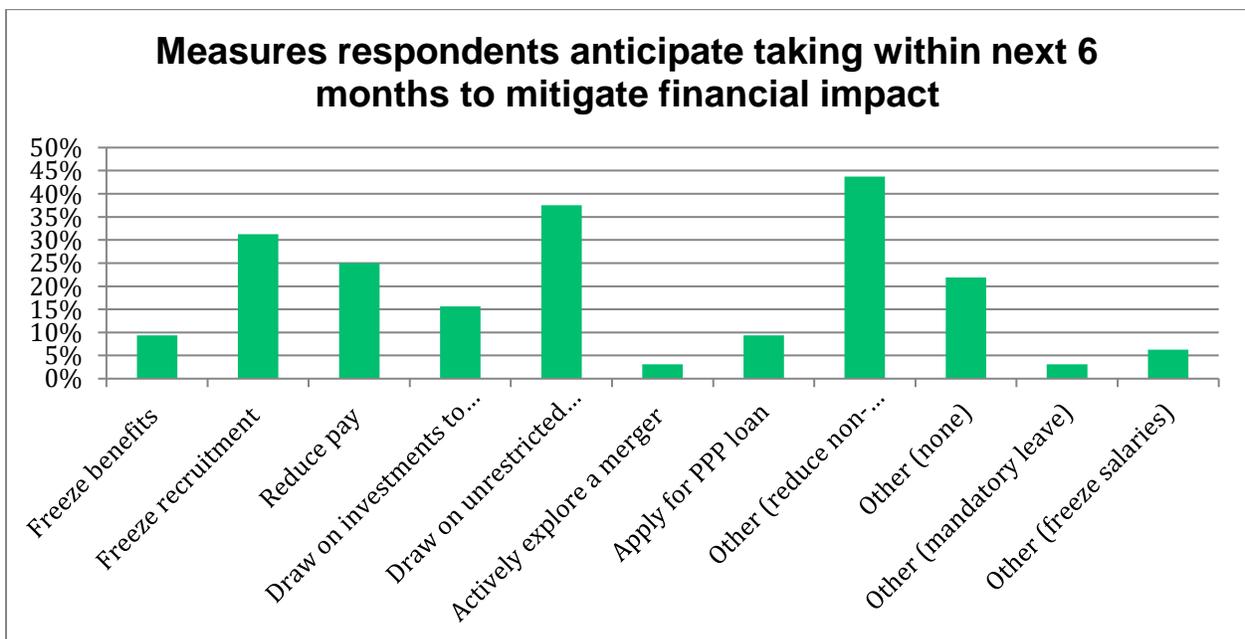
Taken together, the respondent sample employs nearly **24,000 full-time equivalent (FTE) employees** (23,739). Of these, respondents reported **furloughing 140 FTE, laying off 4 FTE, and placing on reduced work hours 3,024 FTEs** as of May 15, 2020 solely due to **the negative financial impact of the COVID-19 pandemic.**

Moreover, **the vast majority of survey respondents reported having undertaken a number of other measures to reduce costs and mitigate present and forthcoming negative financial impacts on their bottom lines.** Only 13% of respondents indicated that they had not yet taken any additional measures to mitigate negative impacts, largely because they had not yet experienced any as of the date of this survey. Of those measures taken, most **(66%) had already applied or were in the process of applying for a Small Business Administration's Paycheck Protection Program (PPP) loan to cover a portion of their payroll costs.** And, **50% had frozen employee benefits, such as retirement plan contributions.** **Perhaps one of the greatest bellwethers for what is to come, nearly half**

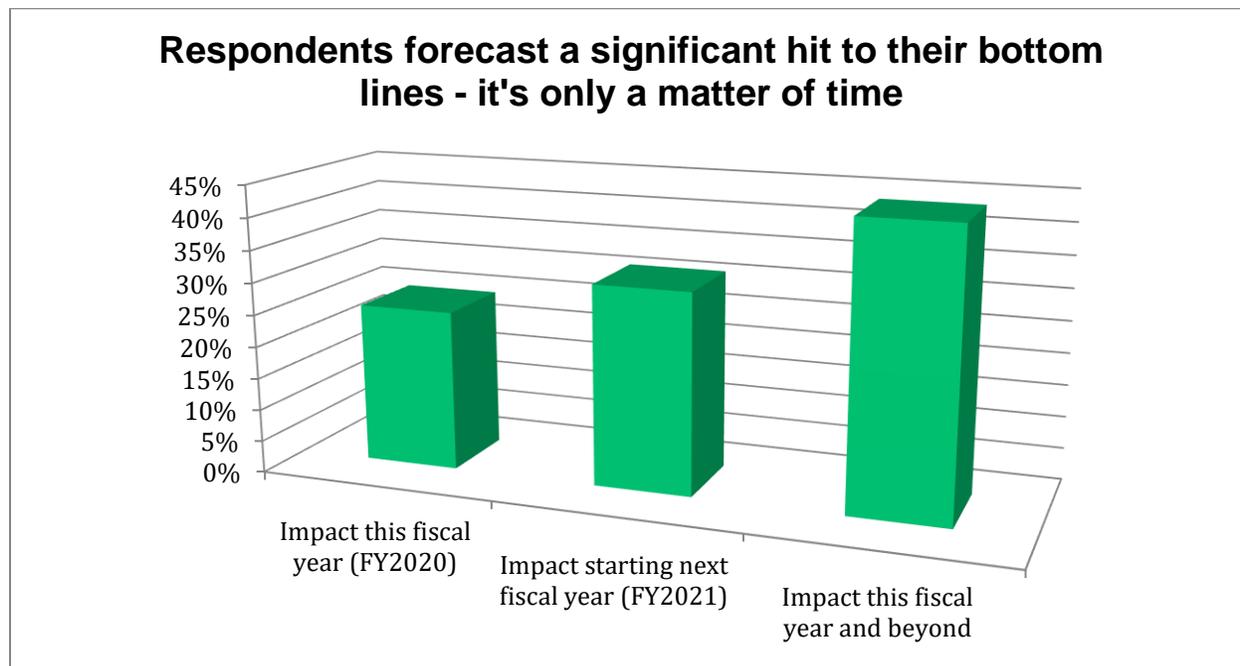
(47%) have already drawn on their unrestricted cash reserves and 22% have liquidated investments to cover costs.



If they had not yet taken some or all of those steps yet, we asked our CFOs whether they anticipated taking any - and if so, which ones - to mitigate any negative financial impacts of the pandemic; they resoundingly replied in the affirmative. 44% expect to reduce non-personnel costs. Additionally, 31% will freeze recruitment, 25% reduce pay, and 38% and 16% intend to draw on unrestricted cash reserves and liquidate investments to cover costs. Of note, 22% did not expect needing to take any measures to address negative financial impacts, with one even noting they expect to remain on an upward financial trajectory through the foreseeable future.



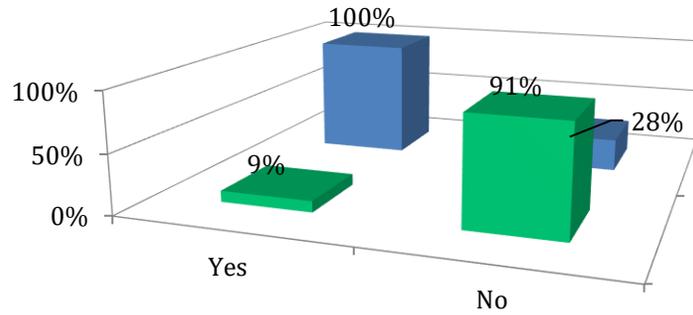
These measures appear necessary, as 100 percent of the respondents anticipate a significant financial hit to their organizations' bottom line. The question is not if they will be negatively impacted, but when – and it is only a matter of time.



When we asked the respondents the basis upon which they are forecasting a decline in their organizations' fiscal health, they **consistently underscored an anticipated across-the-board reduction in revenue: reduced private funding, reduced unrestricted funding, reduced government donor agency funding, new donor funding priorities, and a paucity of individual donations.**

Moreover, respondents highlighted their increasing inability to capture enough indirect revenue due to COVID-19 related delays in donor-funded development and/or relief project implementation. As a result, their organizational indirect costs have increased. We asked our CFOs how many have already applied to their Federal cognizant agency for a provisional increase in their Federal Negotiated Indirect Cost Rate (NICRA). **To date, only 9% have applied. Of those – all of whom reported applying to USAID – 100% received a provisional rate adjustment. Of the 91% of respondents who have not yet applied for a provisional NICRA rate adjustment, 28% indicated they intend to in the near-term.**

The 9% of respondents who applied to their cognizant federal agency for provisional NICRA adjustment had 100% success. 28% of those who have not applied may in next 6 months



3. If our survey respondents are any indication, the COVID-19 pandemic has placed US-based relief and development organizations on the precipice of fiscal crisis.

The Federal PPP program has helped cover some payroll expenses in the short, immediate term. And, CFOs have acted swiftly to reduce costs and shore up resources. However, this crisis demands a proportionate USG response to bolster the sector and ensure continuity of programming and institutional health over the medium and long term. Indeed, we asked our CFOs how long their organizations could operate without any additional US Government funding to offset budgetary shortfalls – 43% said under 12 months. Alarming, another 15% report they will be unable to operate for more than the next 6 months without an additional infusion of US Government funding to undergird their operations. The ripple effects on programming globally and the livelihoods of thousands of US employees would be detrimental.

Amount of time respondents able to operate *without* additional USG funds to cover shortfalls

