NONPROFITS: GENERAL INFORMATION

Revisiting Nonprofit Predictions for 2020

11.17.20 | Linda J. Rosenthal, JD

There's a bit of OMG humor flying around the internet right now that's gone viral because it resonates so well.

With apologies to the anonymous original author, here's the gist: "There's probably not a single person back in 2015 who got 'what do you think you'll be doing in five years?' right."

Fresh out of the gate after New Year's Day 2020, we took a crack at predicting the next twelve months. At the conclusion of *What's Up For Nonprofits In 2020?* (January 3, 2020), we promised to "check back" at the "end of 2020 to see how well these predictions for nonprofits stand up."

It's not quite December 31st yet, but we can safely report back to you already that our thoughts on "what [will be] up for nonprofits in 2020" were a bit … off.

But not entirely ….

Nonprofit Predictions

Our fortune-telling efforts were not compiled into the usual "Top 10 or Top 5" format because that's "surprisingly difficult." The decision about framing our prognostications came after we took a look at the already-published lists of many experts in the philanthropy sector – (thank you very much) – as well as the topics we had covered in this blog during 2019.

We abandoned the idea of compiling a definitive "Top Whatever" list in favor of discussing "thoughts and observations for 2020 that tend[ed] to settle into two major categories: Funding Challenges & Opportunities and Technology & Data."

Funding Challenges & Opportunities

"Nonprofits," we wrote, "are facing potential crises and unknowns in the year ahead on a critical issue: funding." It was eerily prescient but – as events unfolded beginning in March – greatly understated because of the scale of the economic carnage caused by COVID-19. We pointed to several elements that would likely combine to keep "funding" as a top-of-the-list challenge for the nonprofit sector at large in the coming year.

Among these factors was the continuing fallout from the disastrous Tax Cuts and Jobs Act of 2017; in particular the "unexpected broadening of the standard deduction range." That legislation was "like a bomb going off in the nonprofit sector" because of "fears of a drop-off in individual donations." Actual data from the Internal Revenue Service for 2018 and 2019 firmly validated these concerns about the TCJA '17.

Of course, there's nothing like a major catastrophe to turn a trend on its head. Since the beginning of the COVID-19 pandemic in March, there's been a generous outpouring by donors in all income categories in response to emergency appeals. We've also seen a significant uptick in foundation funding and DAF payouts. But the sad reality is that no amount of private philanthropy will meet the scope and breadth of the need of our nation's (and the world's) nonprofit organizations and their clients and beneficiaries. Only the United States government has the capacity to undertake a response on this scale. While the early and bipartisan legislative action was impressive, any additional aid has been blocked for many months in the Senate. When or if it eventually happens, it may be too late for some nonprofits.

The second element underpinning the "Funding Challenges & Opportunities" section of our 2020 predictions was the combination of "the politics of federal funding as well as the accelerating demands on nonprofits to provide help and assistance to beneficiaries." Back on January 3rd, we wrote that these factors are "at levels of almost existential uncertainty." Suffice it to say, now these twin hurdles have combined to create a scenario exponentially worse in magnitude than our gravest fears last New Year's Day.

Our recommendation back then was: "[N]onprofits must continue broadening their funding sources by identifying and embracing a wider variety of prospective donors (individuals, families, corporations and foundations)" and reducing "over-reliance on federal funding sources." We cited the example of a Los Angeles nonprofit presented last fall as a warning in _Implosion of $47M Nonprofit Highlights Risks of Government Dependency_ (October 2019), The Nonprofit Quarterly. Now, there are many more casualties of funding shortfalls at all levels of government.

The third element of the predicted "Funding" challenge was the widespread lack of cash reserves of over half the nation's nonprofits. The specific dangers we cited at the beginning of 2020 could include government funding cuts "or, more generally, if there's a significant downturn in the economy." Even before the pandemic, we were already likely to face some trouble.

The fourth aspect of the "Funding Challenges & Opportunities" analysis was, unlike the first three points, a mixed bag. We noted that "the traditional fundraising pyramid has been turned upside down based largely on the rapid-fire growth of technology." In particular, we wrote back on January 3, 2020, "[c]rowdfunding has emerged as a major new force in the way nonprofits can raise money either on an emergency basis or as a more permanent part of the financing plans."

We've been living through an unprecedented emergency for most of 2020, and the crowdfunding capability has certainly kicked in as a force for good.

But – we cautioned – "questions remain especially how governments may step in to regulate" any new online money-raising techniques. The California Legislature took a first crack at new crowdfunding regulation during this year's session, but any action on it was preempted by more pressing legislatively priorities. It will likely be reintroduced early next year for the 2021 term. There's an excellent law review article on point by Lloyd H. Mayer, Esq., Professor of Law at Notre Dame University: *Charitable Crowdfunding* (September 22, 2020) Notre Dame Legal Studies Paper No. 200904. There, at the conclusion of the exhaustive study of this topic, Professor Mayer recommends that government regulation be kept minimal so that the benefits of this new fundraising vehicle are not unduly stifled.

Technology & Data

"As in all other areas of our society," we wrote in the first days of 2020, "technology has invaded as a major force – sometimes for good and sometimes not. It's here to stay and advancing at a lightning-speed pace that will be challenging for all."

A key issue for the nonprofit sector in recent years has been that, while "most nonprofit executives understand – to one degree or another – the importance of investing in technology," there are, nevertheless, obstacles to embracing and using it fully. Among these are the complexity of the subject as well the lack of "the technical staff in-house or the funds to buy it elsewhere." These twin challenges are exacerbated by the hurdle of "making the board of directors understand the need and benefit of this category of substantial financial investment." Needless to say, there are few nonprofit directors in late 2020 that continue to doubt the importance of major investments in technology. Among the "abundant opportunities" from technology is expansion of a nonprofit's fundraising operation. And, of course, the all-important capability of operating remotely due to COVID-19 would be impossible without it.

We mentioned "data collection" as a specific capability that will be critical for nonprofits of all sizes in 2020 and beyond. But it "requires specialized staff training and expertise, all of which costs money…." So we circle back to the "Funding" challenge.

And along with the clear benefits of an efficient data-collection system are the burdens of data privacy and security. Many nonprofit institutions – especially the large "eds and meds" – collect enormous amounts of personal data. As we've seen, they are regular targets of cyber criminals. Many smaller organizations erroneously believe they aren't big enough to be targets, but that has been disproved repeatedly in recent years. The catastrophic hack this year of Blackbaud, a major provider of data storage for nonprofits in the U.S. and the U.K., underscores the seriousness of cyber security threats for organizations of all sizes.

Our "Technology" portion of the 2020 predictions post also mentioned artificial intelligence: "perhaps the technology that is the scariest and most exciting at the same time." This field, still in its infancy, had already been embraced by many nonprofits who could see its advantages to support their missions and activities. See *Artificial Intelligence & Nonprofits: A Primer* (September 24, 2019).

As the field of A.I. continues to develop, our sector should explore and lean into it to cope with the many challenges ahead.

Conclusion

The year 2020 went off the rails early, but our key predictions back on January 3, 2020 – that funding issues and technology would likely be at the forefront of our concerns all year – have held up, albeit much more dramatically and in ways none of us could realistically have foreseen.

In *5 Things That Nonprofit Orgs Wish They Knew Three Months Ago* (May 29, 2020) Stephanie Kanak of Donor Perfect, a fundraising-software firm, poses a provocative question to the nation's nonprofit executives and fundraisers. "If you had a time machine," she asks, "and could go back to before coronavirus (COVID-19) impacted the world, how would you prepare? What would you do differently?" Now, almost six months later, consider that as a continuing challenge for intriguing discussions at upcoming board meetings.

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