



GENERAL

What's Up for Nonprofits in 2020?

01.03.20 | Linda J. Rosenthal, JD



It's customary at the end of each year to take a look back at the big issues and in January of the next year to predict trends and challenges.

Coming up with those lists – including deciding whether it will be a Top 10 or Top 5 of whatever – is surprisingly difficult. Collecting ideas and information from the lists of many experts in the philanthropy sector and reviewing the topics we've covered in 2019 led me to abandon the idea of putting together a Top Anything definitive list.

Nevertheless, here are some thoughts and observations for 2020 that tend to settle into two major categories: Funding Challenges & Opportunities and Technology & Data. Actually, several of the subtopics overlap both categories, but that's just too difficult to cope with, so here's how it all shook out.

Nonprofits: Funding Challenges & Opportunities

Nonprofits are facing potential crises and unknowns in the year ahead on a critical issue: funding.

First, the Tax Cuts and Jobs Act of 2017 was like a bomb going off in the nonprofit sector because of the unexpected broadening of the standard deduction range. Fears of a drop-off in individual donations have been confirmed by the actual data now that we're a few years into the aftermath.

Second, the politics of federal funding as well as the accelerating demands on nonprofits to provide help and assistance to beneficiaries are at levels of almost existential uncertainty. "[N]onprofits must continue broadening their funding sources by identifying and embracing a wider variety of types prospective donors (individuals, families, corporations and foundations), and to reduce over-



reliance on federal funding sources.” The sudden implosion of one Los Angeles nonprofit was highlighted recently in The Nonprofit Quarterly in *Implosion of \$47M Nonprofit Highlights Risks of Government Dependency* (October 2019). This example serves as a wake-up call for the entire sector.

Third, recent research confirms that the majority of nonprofits have woefully inadequate reserves in case of funding cuts or, more generally, if there’s a significant downturn in the economy.

Fourth, the traditional fundraising pyramid has been turned upside down based largely on the rapid-fire growth of technology. Crowdfunding 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. But questions remain especially about how governments may step in to regulate this new online money-raising technique. Similarly, crypto-currencies have also blasted off in popularity. While they have enormous possibilities for all sectors of society including nonprofits, there is a great deal of volatility and other unknowns.

Nonprofits: Technology and Data

As in all other areas of our society, 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.

Recent research confirms that most nonprofit executives understand – to one degree or another – the importance of investing in technology. But there are obstacles, not least of which is its complexity that is way beyond the expertise of most of them. The average nonprofit doesn’t have the requisite technical staff in-house or the funds to buy it elsewhere. And in many cases, there is a difficult challenge in making the board of directors understand the need and benefit of this category of substantial financial investment.

Governments – including the IRS’s tax-exempt organizations division – are moving toward online compliance capabilities so, notwithstanding the average nonprofit’s technical deficiencies at the moment, they will have to get up to speed.

There are abundant opportunities to use technology to improve and expand all aspects of an organization’s capabilities, not the least of which is the fundraising operation.

Data collection has become an all-important current capability for nonprofits of all sizes. It’s needed for many tasks including to meet the increased demands by funders for reports on “impact.” The proper use of data can help with an organization’s efficiency but it also requires specialized staff training and expertise, all of which costs money – and this circles right back to the “funding challenges & capabilities” section, above.

Along with the challenges of data collection come the intertwined issues of data privacy and security. Many nonprofit institutions – especially the large “ed” and “med” ones – collect enormous amounts of personal data. 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 many times in recent years.



And then there's artificial intelligence: perhaps the technology that is the scariest and most exciting at the same time. Although the field has a long way to develop, many nonprofits already are taking advantage of some of the currently available technology to support their missions and activities. Where will it go, especially "in terms of the employment prospects for charity workers ..."? The prolific philanthropy observer, Rhodri Davies, had some thoughts in his (late-2017) blog post, *Charity 2037: 13 Jobs We Might All Be Doing In 20 Years' Time*. There, Mr. Davies suggests that our reactions to the AI revolution – especially in terms of employment security in the charity sector – should land somewhere in the middle of the spectrum of opinion from "this is all sci-fi nonsense" to "I for one welcome our new robot overlords."

Conclusion

At the end of 2020, we'll check back to see how well these predictions for nonprofits stand up.

– Linda J. Rosenthal, J.D., FPLG Information & Research Director