

Philanthropy Corner – February 14, 2010

“The State of Philanthropy Today and the Outlook for Tomorrow”

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The nonprofit sector may still be in harm's way as the recovery of the economy is expected to be long and difficult. Some philanthropic experts are saying that charitable organizations have not done enough to prepare for the toughest year in their history in spite of extensive pay cuts and salary freezes, reductions in benefits, and staff layoffs. Meanwhile, the demand for services from our most vulnerable residents continues to increase as nonprofit organizations try to stay afloat with limited resources and declining funding from individuals, foundations and government grants.

Philanthropic experts provide an insight into what the future holds for philanthropy. While the financial markets continue to improve, our nation's top charitable organizations expect a median decline of 9 percent in donations. In fact, in 2010 it is predicted that Americans will probably give nearly 4 percent less to charity. Giving from foundations is also expected to decline by 26 percent. State and local government funding isn't expected to offer much relief either. States reduced their allocations by 5% in 2009 and are allocating 4% less in 2010 for education, health care and human services. Plus, state governments are holding onto more than \$15 billion in backlogged payments owed to nonprofits according to the Independent Sector.

Rarely does a day go by when the question about how our local nonprofit organizations are faring financially isn't asked by a donor or discussed between my nonprofit colleagues. Most often the response is “hanging in there.” For those organizations that managed to survive the recession, the odds remain in their favor that they will be stronger and more resilient. But hunkering down and being complacent waiting for things to return to normal will not outlast a long recovery period, nor prepare organizations for the challenges facing the nonprofit world.

The Chronicle of Philanthropy recently provided a picture of trends the nonprofit sector may face in 2010 and the next ten years. For instance, in 2010 not only will there be little relief from the government due to state spending cuts, an end in federal economic stimulus money, and state and municipal budget cuts, local governments may attempt to pursue revenue from the nonprofit sector instead. Also, a continued surge in requests for social services by families and individuals impacted by the economy is expected to effect crime, domestic violence, substance abuse, and mental illness.

Charitable giving isn't likely to improve until the economy gets stronger, possibly in 2012. Last year, giving by wealthy donors was dramatically lower and organizations are advised to focus more on donors who give small and medium-sized donations. In 2010, corporate and foundation giving is likely to decrease 10 percent. Wealthy donors are becoming more creative in their giving and encouraging charities toward experimentation in approaching philanthropy. These donors are growing more inclined to make restricted gifts and provide incentives for mergers and collaborations. Donors are increasingly using online tools and networks to become unofficial fund raisers and advocates to support their causes, as nonprofits continue to experiment with social-network technology to raise money. A heightened movement toward increased transparency will continue.

Nonprofit organization efficiency and productivity has been weakened due to staff cuts, expanded workloads and the reduced number of volunteers. Although volunteerism is receiving national attention through the Serve America Act, the funds appropriated by Congress have not yet been allocated; additionally, 72 percent of Americans have reduced their civic engagement. Locally, volunteer recruitment programs such as the Keys Volunteers database on the cffk.org website may help nonprofits recruit volunteers.

Looking toward 2020, experts are predicting the future reshaping of philanthropy. As the baby boomer generation ages, the demand for health care and social services will increase as well as the potential to recruit

these retirees as volunteers. Charities will need to embrace new demographics into their organizational structure as the ethnic makeup of America changes with Hispanics and new immigrant populations growing. Traditional forms of fundraising and access to information will be impacted by the use of emerging technology. And finally, as we move toward a global community, philanthropy will become more global with international giving flourishing.

The nonprofit landscape has been permanently changed. To maneuver through the emerging forces predicted for 2010 and beyond, management experts say the nonprofit sector needs innovative leadership and radical thinking that involves restructuring, merging and collaborating. And rather than creating a new nonprofit targeted at a niche market, passionate individuals may be better served to work with an existing organization or through a community foundation. “This is the wave of the future.....running a nonprofit isn’t a God-given right, it’s a privilege. Leaders need to look beyond their organization and focus on the mission they’re trying to accomplish,” advises Lodestar Foundation President, Lois Savage.

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