



THE FUNDING LANDSCAPE

Nonprofit Perspectives
on Current Issues
in Philanthropy

BY HANNAH MARTIN, ELLIE BUTEAU, AND KATE GEHLING
FEBRUARY 2020



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In any conversation about philanthropy, the nonprofit perspective matters. Nonprofit staff members and volunteers are, after all, the people doing the critical work that philanthropy supports. That is why, in November 2019, CEP surveyed nonprofit CEOs about a variety of current issues that have been hotly debated throughout the philanthropic sector, including the impact of recent tax code changes, anticipated changes in nonprofits’ revenue, concerns about a recession, the pros and cons of donor-advised funds (DAFs), and the prevalence and use of gift acceptance policies.¹

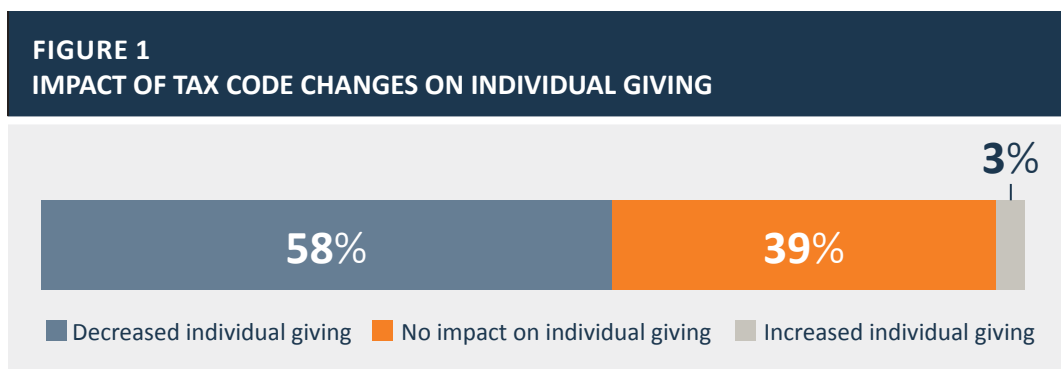
The survey was fielded to CEP’s *Grantee Voice* panel, a national sample of CEOs from nonprofit, grant-seeking organizations that receive at least one grant from foundations giving \$5 million or more annually. We sent the survey to 1,125 nonprofit CEOs and received responses from 419 for a response rate of 34 percent (see Table 1 and the Methodology for more details).

Organizational Characteristic	Range	Median Value
Expenses	~\$100K to ~\$88M	~\$1M
Staff	1 FTE to ~1900 FTE	12 FTE

IMPACT OF TAX CODE CHANGES

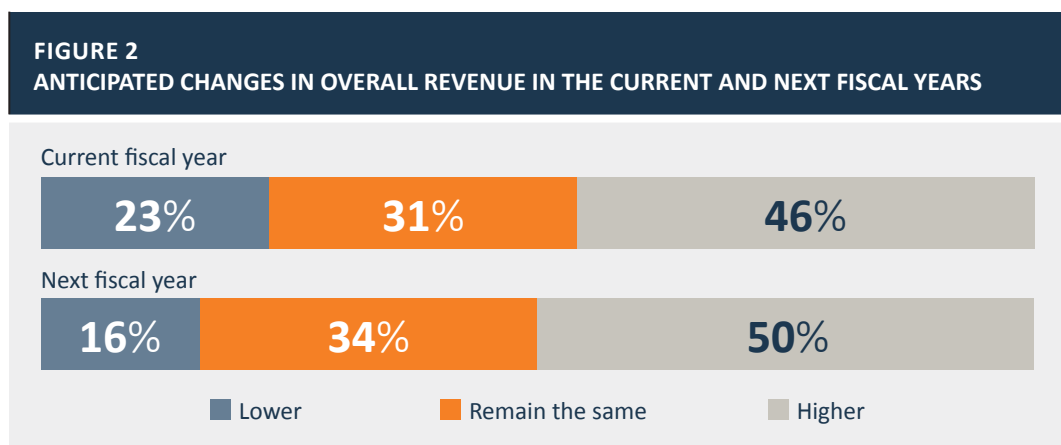
When the Tax Cuts and Jobs Act went into effect on January 1, 2018, many predicted that it would negatively impact charitable giving.² They argued that the legislation would reduce the number of individuals who itemize their tax deductions, thereby reducing incentives to make tax-deductible charitable donations.

The majority of nonprofit CEOs who responded to our survey agree with these predictions, saying that they believe these tax code changes have decreased individual giving to their organizations (Figure 1).



ANTICIPATED CHANGES IN REVENUE

Nonprofit CEOs' predictions for their organization's overall revenue in the current and next fiscal year are mixed.³ Almost half of nonprofit CEOs anticipate that their organization's overall revenue will be higher in the current fiscal year as compared to the last fiscal year. Predictions about overall revenue in the next fiscal year are similar (Figure 2).



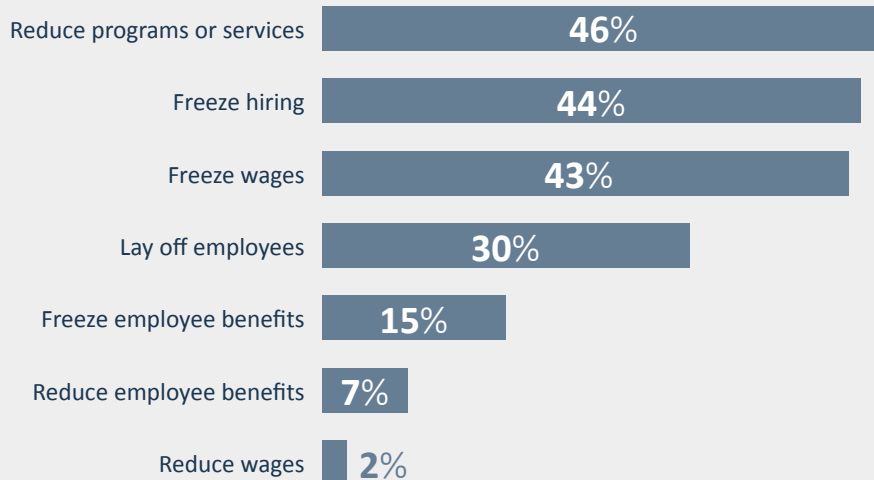
Nonprofit CEOs who anticipate higher revenues attribute it to their organization's greater focus on fundraising and increasing earned revenue.⁴ They say they have "expanded staff to better facilitate targeted fundraising" or "raised ticket prices," for example.

Nonprofit CEOs who predict lower revenues point to decreasing individual gifts, decreasing government funding, or decreasing contributed revenue in general.⁵ "We believe that contributions to our organization will be detrimentally affected this year by concerns among our donors about the political climate in the U.S. and

the impact of this climate on personal wealth and income,” explains one CEO. “Most government grants are going to big nonprofits instead of smaller ones like ours,” says another.

If overall revenue does decline in the next fiscal year, CEOs say their organizations would need to take a variety of steps in response, which could include reducing programs or services, freezing hiring, freezing wages, and laying off employees, among other things (Figure 3).

FIGURE 3
CHANGES THAT NONPROFITS WOULD MAKE IF THEIR OVERALL REVENUE DECLINED*



*11% say they would not have to make significant changes



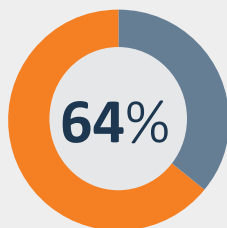
We believe that contributions to our organization will be detrimentally affected this year by concerns among our donors about the political climate in the U.S. and the impact of this climate on personal wealth and income.

- Nonprofit CEO

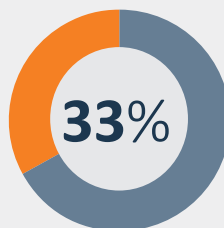
CONCERNS ABOUT A RECESSION

Most economists believe that the U.S. economy will enter the next recession by the end of 2021.⁶ Most nonprofit CEOs (90 percent) are concerned about the impact that a recession would have on their organization. Nearly two-thirds say a recession would increase the need or demand for their organization’s programs or services, but only one-third have a plan for how they would handle a recession (Figure 4).

FIGURE 4
DEMAND FOR NONPROFIT SERVICES WILL BE IMPACTED BY A RECESSION BUT NONPROFITS DO NOT HAVE A PLAN



of nonprofit CEOs say a recession would increase the need/demand for their organization’s program or services. **But only...**



have a plan for how they would handle a recession.

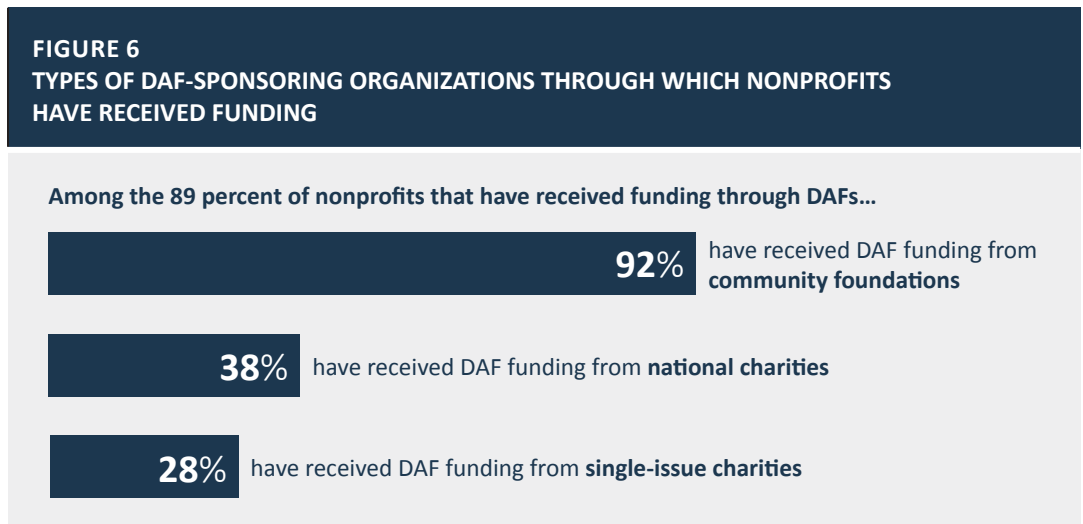
Among organizations that do have a plan for handling a recession, over one-third (38 percent) say they will tap into a reserve fund. “We have operating reserves set aside to handle the increased demand for services,” explains one CEO. However, over one-fifth (21 percent) of those who have a plan say they would have to reduce programs or services. “We would decrease services offered, despite demand,” states one CEO.

When it comes to support from foundations, few nonprofit CEOs say their organization’s foundation funders have talked with them about how a recession would change their support, but most nonprofit CEOs who have not had these conversations say they would like to (Figure 5).



DEBATES ABOUT DONOR-ADVISED FUNDS

Donor-advised funds (DAFs) have grown significantly in recent years.⁷ Most nonprofit CEOs say their organizations have received funding through DAFs during the past three years.⁸ Of these, most have received funding through DAFs at community foundations; fewer have received funding through DAFs at national charities or single-issue charities (Figure 6).



Most nonprofit CEOs (80 percent) whose organizations have received funding through DAFs at different types of sponsoring organizations indicate that they do not

prefer one type of sponsoring organization over the others. Among the 20 percent who do have a preference, almost all prefer community foundations.

As DAFs have grown, they have been the subject of many debates, with some critics calling for reforms in the tax rules related to DAFs, minimum payout requirements, and increased transparency.⁹ Nonprofit CEOs identify both advantages and disadvantages of these giving vehicles.

The top advantage that nonprofit CEOs cite (22 percent) is that DAFs involve less of an administrative burden for nonprofits. “There is very little additional administrative reporting burden required of our agency — allowing more of our work to go toward direct community services instead of administrative functions,” explains one CEO.

The top disadvantage that nonprofit CEOs cite (44 percent) is that DAFs hamper nonprofits’ ability to build personal relationships with donors. “We are not able to specifically acknowledge the donor (no contact information is provided) so the relationship between the donor and the organization does not exist, which hampers long-term engagement,” writes one CEO.

In their responses to a broad question about what they think of the debates surrounding DAFs, nonprofit CEOs mention more cons of DAFs (46 percent) than pros (23 percent).¹⁰

Among those who mention cons, almost half (47 percent) say that DAFs delay nonprofits from getting donations; 26 percent say that DAFs hamper nonprofits’ ability to build personal relationships with donors; and 24 percent say that DAFs are not transparent enough. One CEO argues:

While DAFs provide opportunities that benefit donors, because there is not a requirement for annual distribution of funds, there is unlimited timeframe for the delay of billions of dollars making their way into the sector. So, while wealth managers are doing quite well by managing these funds, nonprofits are left to face the consequences and significant impact that this is having on their operations and their capacity to meet growing community needs for the services and supports they provide, often to those most vulnerable in our society.

Among those who mention pros, over half (53 percent) say that DAFs make giving easier for donors. “I believe it makes it easier for many donors to achieve their philanthropic goals — they have more of a ‘menu’ to choose from, and it is easy for them to spend just a few minutes selecting designated charities, assigning donation amounts, and instigating payments, without having to worry about the mechanics of individual donations,” says one CEO.

PREVALENCE AND USE OF GIFT ACCEPTANCE POLICIES

Recent controversies surrounding high-profile donors have brought nonprofit gift acceptance policies into mainstream conversations.¹¹ While many of the conversations about whether nonprofits should decline gifts from donors center on controversial behaviors or practices of donors, there are a variety of reasons why nonprofits may decline gifts.



There is very little additional administrative reporting burden required of our agency — allowing more of our work to go toward direct community services instead of administrative functions.

– Nonprofit CEO

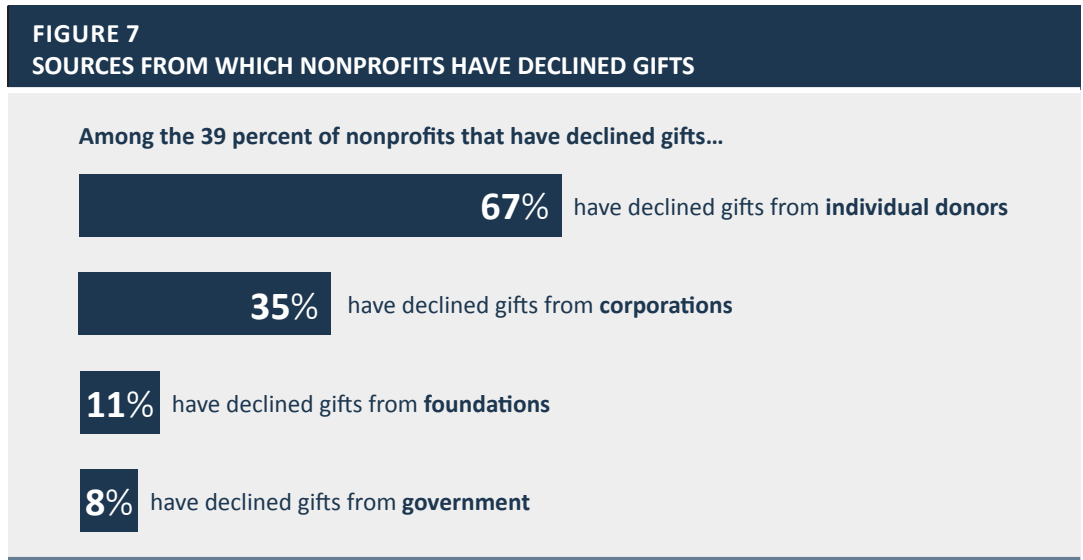


We are not able to specifically acknowledge the donor (no contact information is provided) so the relationship between the donor and the organization does not exist, which hampers long-term engagement.

– Nonprofit CEO

About half (55 percent) of nonprofit CEOs say their organization has a gift acceptance policy. Of those, most (86 percent) say the policy is documented.¹²

Over a third of nonprofit CEOs say their organization has ever declined a gift. Most frequently, they have declined a gift from individual donors; fewer have declined a gift from corporations, foundations, or government (Figure 7).



The top reason why nonprofits have declined a gift is that the gift had too many strings attached.¹³ “The donor wanted us to start a program that was not in line with our mission,” explains one CEO.

About a quarter say their organization has declined a gift because it would have been a liability or hard to liquidate (such as real estate, cars, stocks, etc.).¹⁴ “We were gifted a collection which would have cost more to archive and clear out than it would have brought in for the organization,” writes one CEO.

About a quarter say their organizations have declined a gift because the donor’s mission or values conflicted with the organization’s.¹⁵ “The gift came from a bank that invested in ventures that were detrimental to our community,” describes one CEO.

GOING FORWARD

Nonprofit leaders have a variety of perspectives on current issues in philanthropy:

- Some are feeling a negative impact of tax code changes, while others have not yet noticed a change in individual giving.
- Anticipated changes in revenue are mixed, with about half of nonprofit CEOs predicting an overall increase and about half predicting flat or declining revenues.
- Most nonprofits are concerned about a recession, but some are more prepared than others to handle it.
- CEOs have mixed feelings about DAFs, appreciating their ease of administration while at the same time desiring deeper relationships with donors, shorter delays in receiving funding, and greater transparency.



The donor wanted us to start a program that was not in line with our mission.

– Nonprofit CEO

- About half of nonprofits have a gift acceptance policy, and over one-third have declined a gift.

Nonprofit staff and volunteers are the ones on the front lines, providing support and creating change. When philanthropy is discussing pressing issues facing the sector, it is important to ensure that these varied nonprofit perspectives are heard and considered.

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METHODOLOGY

STUDY POPULATION

The *Grantee Voice* panel is a nationally representative group of nonprofits that CEP creates to gather the perspectives of nonprofit leaders. Nonprofit leaders who opted into CEP's *Grantee Voice* panel in either 2017 or 2019 were included in this study. These panels were established in several steps. First, to create a list of nonprofits to invite to the panel, a dataset of almost 430,000 registered 501(c)(3) organizations that filed a Form 990 between 2013 and 2016 was obtained from the National Center for Charitable Statistics (NCCS). CEP kept nonprofits in the dataset only when they met all of the following criteria:

- The organization filed a Form 990 between 2015 and 2016;
- The organization is located in the United States;
- The organization records annual expenses between \$100,000 and \$100 million;
- The organization has a positive contributed revenue;
- The organization has an identified area of work (based on NTEECC coding);
- The organization is not a mutual/membership benefit organization (based on NTEECC coding);
- The organization is not a religious-based organization (based on NTEECC coding);
- The organization is not a hospital or university (based on NTEECC coding);
- The organization is not a foundation (based on NTEECC coding);
- The organization is not a fundraising entity working specifically across issue area groups (based on NTEECC coding);
- The organization is not a supporting organization (based on NTEECC coding); and
- The organization is not flagged by NCCS as “out of scope” (i.e., the organization must be a 501(c)(3), non-foreign entity, or government entity).

After filtering for nonprofits that met the criteria described above, 142,582 nonprofits remained in the dataset. CEP then took the filtered dataset and randomly selected 14,000 nonprofits, ensuring that this selected sample contained representation across a full range of expenses.

For the 2019 panel (2017 information in parentheses throughout this section), CEP worked with Candid to determine whether each nonprofit in this random sample had received any funding between 2015 and 2017 (between 2013 and 2016) from foundations giving at least \$5 million annually in grants. Only nonprofits that had received such funding remained eligible for an invitation to join the panel. In total, 7,987 (6,309) nonprofits met this criteria.

Only individuals leading eligible nonprofits were considered for inclusion. These individuals typically had titles such as executive director, president, or CEO. Ultimately, 4,643 (3,954) nonprofit leaders were invited to join the *Grantee Voice* panel after some were removed because of invalid contact information. While the

invitation was open, 212 (134) more nonprofits leaders were removed because of additional information that was received showing they were ineligible for our sample. In total, of 4,431 (3,820) eligible nonprofit leaders, 629 (676) accepted the invitation, resulting in an acceptance rate of 14.2 percent (17.7 percent). We statistically tested for and saw slight differences in the annual expenses and geographical regions of the organizations that did and did not accept the invitation to join the panels.¹⁶ Between the creation of the panels and the start of this research project, 39 nonprofit CEOs were removed because they or their organizations became ineligible.

SAMPLE

In November 2019, 1,266 nonprofit leaders who comprise the 2017 and 2019 *Grantee Voice* panels were sent an invitation to complete the survey. While the survey was fielded, 41 nonprofit leaders were removed from the sample because of additional information that was received showing they were ineligible for our sample.

Completed surveys were received from 417 leaders. Partially completed surveys, defined as being at least 50 percent complete, were received from two leaders. Thus, our final survey sample included 419 of 1,225 potential respondents, for a response rate of 34.2 percent.

Survey Period	Number of Leaders Surveyed	Number of Responses	Survey Response Rate
November 2019	1225	419	34%

SURVEY ADMINISTRATION

The survey was fielded online for a three-week period in November 2019. Leaders were sent a brief email including a description of the purpose of the survey, a statement of confidentiality, and a link to the survey. Leaders were sent up to five reminder emails.

SURVEY INSTRUMENT

The survey consisted of 51 open- and close-ended items and included questions about a variety of topics, including:

- Organizations' funding sources;
- Any anticipated changes to organizations' revenue;
- Organizations' experiences receiving funding from donor-advised funds (DAFs);
- Whether organizations have a gift acceptance policy; and
- The potential consequences of a recession

RESPONSE BIAS

Nonprofits represented by leaders who responded to the survey did not differ significantly from non-respondent organizations by staff size, annual expenses, or region of the United States in which the nonprofit is located.

QUANTITATIVE ANALYSIS

To analyze the quantitative survey data, descriptive statistics were examined.

QUALITATIVE ANALYSIS

Thematic and content analyses were conducted on the responses to the following open-ended survey items:

What do you believe is contributing to the change in your organization's overall revenue [in the current fiscal year]?

What do you believe will be contributing to the change in your organization's overall revenue [in the next fiscal year]?

What are the biggest advantages of receiving funding through DAFs?

What are the biggest disadvantages of receiving funding through DAFs?

What are your thoughts on these issues related to DAFs?

Under what circumstances would your organization decline a gift, and why?

Why did your organization decline the gift(s)?

How would your organization handle a recession?

A coding scheme was developed for these open-ended items by reading through all responses to recognize recurring ideas, creating categories, and then coding each respondent's ideas according to the categories.

Codebooks were created to ensure that different coders would be coding for the same concepts rather than their individual interpretations of the concepts. One coder coded all responses to the questions, and a second coder coded 15 percent of those responses. For each question, at least an 80 percent level of interrater agreement was achieved for each code.

Selected quotations from the open-ended survey responses were included in this report. These quotations were selected to be representative of the themes seen in the data.

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- 1 CEP shared the data discussed in this report with *The Chronicle of Philanthropy*, which has published several articles on our findings.
 - 2 “How Did the TCJA Affect Incentives for Charitable Giving?” (Washington, D.C.: The Tax Policy Center, 2016), <https://www.taxpolicycenter.org/briefing-book/how-did-tcja-affect-incentives-charitable-giving>.
 - 3 Since this survey was fielded in November 2019, the terms “current fiscal year” and “next fiscal year” refer to what the CEO considered to be the current and next fiscal year in November 2019.
 - 4 Among CEOs who say their organization’s overall revenue will be higher in the current fiscal year, 31 percent mention placing a greater focus on fundraising and 27 percent mention increasing earned revenue (including revenue earned through government contracts). Similarly, among CEOs who say their organization’s overall revenue will be higher in the next fiscal year, 36 percent mention placing a greater focus on fundraising and 32 percent mention increasing earned revenue (including revenue earned through government contracts).
 - 5 Among CEOs who say their organization’s overall revenue will be lower in the current fiscal year, 33 percent mention a decrease in individual gifts and 20 percent mention a decrease in government sources of funding (including grants and contracts). Among CEOs who say their organization’s overall revenue will be lower in the next fiscal year, 27 percent mention a decrease in government sources of funding (including grants and contracts) and 20 percent mention a decrease in contributed revenue but do not specify the source.
 - 6 Megan Greene, Patrick Jankowski, and Ken Simonson, “Economic Policy Survey: Most NABE Economists Expect Recession by the End of 2021; Express Overwhelming Support for Federal Reserve Independence” (Washington, D.C.: National Association for Business Economics, August 19, 2019), https://www.dropbox.com/s/t3jmqd1i8ulrixp/NABE_Economic_Policy_Survey_August_2019.pdf?dl=0.
 - 7 “2019 Donor-Advised Fund Report” (Jenkintown, PA: National Philanthropic Trust, 2019), <https://www.nptrust.org/reports/daf-report/>.
 - 8 In the survey, we defined “donor-advised fund” as a charitable giving vehicle used by individual donors and sponsored by national charities, community foundations, and single-issue charities, as defined below by the National Philanthropic Trust:
 - **National charities:** *organizations that are independent or are commercially affiliated and national in reach; not focused on a particular region; do not have a specific religious and/or focus area. Examples include National Philanthropic Trust, Fidelity Charitable Gift Fund, and Renaissance Charitable Foundation. (National charities are often referred to as “national gift funds” or “charitable gift funds.”)*
 - **Community foundations:** *organizations that have a specific geographic or regional focus. Examples include Cleveland Foundation, Delaware Community Foundation, and Community Foundation of the Ozarks.*
 - **Single-issue charities:** *organizations that support a specific religious faith; focus on a particular issue area or cause; or fund a specific institution. Examples include Jewish Federation of Rhode Island and San Diego Human Dignity Foundation.*
 - 9 “The Battle over Donor-Advised Funds: Does the Field Need More Regulation?,” *Nonprofit Quarterly*, July 25, 2018, <https://nonprofitquarterly.org/the-battle-over-donor-advised-funds-does-the-field-need-more-regulation/>.
 - 10 Of those who responded to this question, 10 percent mentioned both pros and cons; 13 percent only mentioned pros; and 36 percent only mentioned cons.
 - 11 Tiffany Hsu, David Yaffe-Bellany, and Marc Tracy, “Jeffrey Epstein Gave \$850,000 to M.I.T., and Administrators Knew,” *The New York Times*, January 10, 2020, sec. Business, <https://www.nytimes.com/2020/01/10/business/mit-jeffrey-epstein-joi-ito.html>; Elizabeth Harris, “The Met Will Turn Down Sackler Money Amid Fury Over the Opioid Crisis,” *The New York Times*, May 15, 2019, sec. Art & Design, <https://www.nytimes.com/2019/05/15/arts/design/met-museum-sackler-opioids.html>.
 - 12 In the survey, we defined “gift acceptance policy” as a set of guidelines for determining whether or not to accept funding from a particular source.
 - 13 Of nonprofit CEOs whose organization has discussed criteria under which it would decline a gift, 39 percent say their organization would decline a gift for this reason and 36 percent of those who have declined a gift say they declined it for this reason.
 - 14 Of nonprofit CEOs whose organization has discussed criteria under which it would decline a gift, 20 percent say their organizations would decline a gift for this reason and 27 percent of those who have declined a gift say they declined it for this reason.

- 15 Of nonprofit CEOs whose organization has discussed criteria under which it would decline a gift, 39 percent say their organizations would decline a gift for this reason and 26 percent of those who have declined a gift say they declined it for this reason.
- 16 For the 2017 panel, a chi-square analysis of expense quartiles was conducted, finding a statistically significant difference of a small effect size. Nonprofits with annual expenses less than \$1.7 million were slightly more likely to accept the invitation to join the panel, and nonprofits with annual expenses of \$1.7 million or more were slightly less likely to accept the invitation to join the panel. A chi-square analysis of geographic region was conducted, finding a statistically significant difference of a small effect size. Nonprofits located in the Western United States were slightly more likely to accept the invitation to join the panel, and nonprofits located in the Southern United States were slightly less likely to accept the invitation to join the panel. For the 2019 panel, a chi-square analysis of expense quartiles was conducted, finding a statistically significant difference of a small effect size. Nonprofits with annual expenses between \$1.7 and \$6.0 million were slightly more likely to accept the invitation to join the panel than nonprofits of other expense sizes, and nonprofits with annual expenses of \$6.0 million or more were slightly less likely than others to accept the invitation to join the panel.



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