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How We Can Get to a More People-Centered, Democratic Economy

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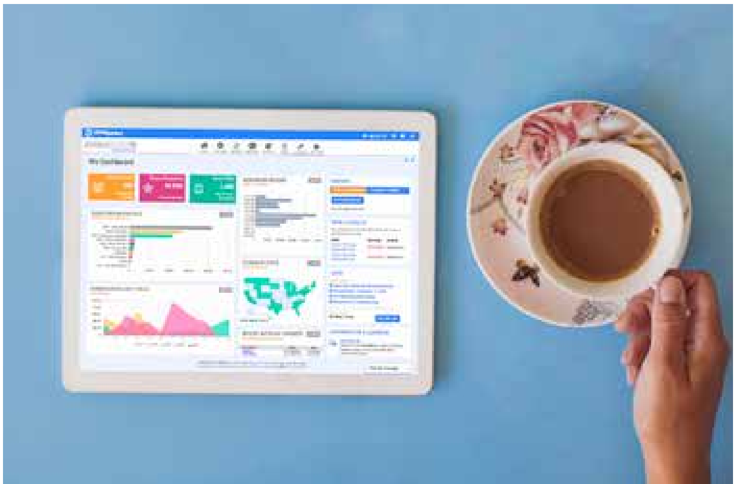

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Features

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Welcome

Dear readers,

The spring 2020 issue of the *Nonprofit Quarterly* may well deserve a prize for the most prescient topical call we have ever made. As we developed this edition, we started out writing that we were unsure about what would cause the next recession but knew it was nigh. Now, it is likely that we know what the proximate cause will turn out to be: the coronavirus (COVID-19) pandemic. And, as always, the proximate cause will help to determine the situation's length, depth, and outcomes. We will keep you abreast of all of that in our online publishing, but for now we have one major message that we want to try to amplify with this edition, and that is: *Don't think small or defensive. Think new world.*

The last recession did not damage the nonprofit sector so much as it severely damaged individuals and communities. This time around, it is evident that nonprofits will be sharing more of the pain. Job losses have already begun, including, this time, across the sector, and the whole country was massively destabilized long before this virus hit—we've had the bad kind of social distancing down to a fine art. But that may make this the perfect time to help turn this, our wayward national vessel for democracy and common prosperity, from its direction of heedless extraction and exploitation to a new and more informed joint stewardship of the commons. Let us test what would happen if we put a good part of our energy into rebuilding the just structures and right relationships of a vibrant and diverse democracy. We can do this, for instance, by insisting that our stimulus arrangements and recovery be focused on building equity—on wealth sharing and racial and economic justice.

Why does this apply to the nonprofit sector and civil society more generally? In 2003, Roger Lohmann wrote about this concept for *NPQ* in his article "The Commons: Our Mission if We Choose to Accept It," which essentially suggested that we were long overdue for a course correction that would take as central principles our deep interdependence and the bonds of justice and fairness that link us:

> In a culture of individualism and the current misplaced belief in the omnipotence of markets, those of us committed to the third sector and problem-solving through the commons need to remind ourselves and others at every opportunity that the actual experience of mutuality is one that no single individual or organization can create.

Let us use this moment to redesign for building a better infrastructure for our respectful interdependence on this globe, in this country, and in our communities. Let us not hunker down but instead expand to make room for creation even in the midst of crisis. As Lohmann wrote, "We cannot afford to also have justice be lost as a core purpose of this sector. Self-interest alone should motivate us to retain it. It increases our capacity exponentially."

Recession Dynamics: Getting in Right Relationship

We are in a moment of disruption that requires a shared sacrifice toward a differently configured future. We can only make that happen by committing to a diversely led democracy dedicated to the well-being of all.

As we prepared this edition for publication, articles on the likelihood of a recession caused by the novel coronavirus abounded in the business press; but now, only a few weeks later, we are looking at a level of human and financial devastation that is well beyond what we could have imagined. Layoffs appear to be occurring at unprecedented rates and at an unprecedented clip. Among the many affected by the shutdowns are nonprofit programs, and this has caused predictable fallout both for those using the programs and for our staffs. As we go to press, the Federal government has released a stimulus package that is to some degree focused on relief of unemployment; but current estimates of probable national unemployment rates have ranged from 13 percent to 20 percent—numbers suggestive more of a depression than a recession. That would make this downturn very different from the last one, promising a greater impact on our community infrastructures.

Still, there are lessons to be learned from the last recession, when this sector was functioning without a lot of the data it currently has access to. But before we send you to the data—which hold a few surprises—we have some caveats to communicate:

- This downturn will have a very different character and dynamic from the last one, in that it has a very different proximate cause, among other things. But one thing will not change: the impact of the trauma will fall disproportionately on communities already marginalized. The risk of placing blame on "others," such as particular racial groups, will be high. Resisting this and finding a way to make common cause to rebuild a future that is more healthy and just must be a part of all our work.
- As we write this, the *Nonprofit Quarterly* has been campaigning for institutional philanthropy to increase its payout rates and to use an equity and justice lens in its grantmaking. Understanding that the assets of foundations will be taking a hit in the stock market, this is a moment of disruption that requires a shared sacrifice toward a differently configured future. We can only make that happen by committing to a diversely led democracy dedicated to the well-being of all.

And this, in part, is what was missing from the sector's approach to the last recession. The following cluster of articles asks that we consider whether or not we care if our constituents are better or worse off after we have used every ounce of resilience we possess to save our institutions rather than remaking the resilience and power of our communities. Because, in the end, the well-being of our institutions and the well-being of those they are intended to benefit do not always entirely align, and that is when we know (or should know) that our integrity is at risk and that perhaps it is time to make a change. The high-level findings we have in that regard are:

- Most kinds of nonprofits handled the recession without a permanent loss of assets; but
- Most of the people in this country did not.

We cannot afford to let that happen again. How can we make this profoundly disruptive moment count toward crafting a changed set of justice-based priorities and processes for our communities?

"SILK ROAD HARMONY" BY BERIT BREDAHL/WWW.ARTBERIT.COM

Nonprofits in Recession: Winners and Losers

by Ruth McCambridge and Nathan Dietz

We have taken the extraordinary step of changing this article at the last minute before it is released, because the context for it has changed radically; where a month ago we were speculating about the possibility of an imminent recession, we are now descending into a downturn that may likely have the depth of a depression. The coronavirus and our federal government's lack of preparedness have resulted in wide shutdowns of business and community infrastructures, and massive unemployment—even as we struggle at the last minute to find the supplies we need to test people, protect frontline workers, and treat the sick and dying. Within a matter of weeks, this country has succumbed to a miasma that is moving at high speed and causing untold damage.

These kinds of mass events have the tendency to surface preexisting fault lines in our communities, and one of these is this democracy's inability to care for itself. This is, in large part, the responsibility of nonprofits, where people gather to attend to the interests of those with less voice; but do nonprofits play that role?

Our investigation of the last recession reveals that the nonprofit sector fared relatively well during and following that period. As we write this, we understand that some may be thinking, "Well, don't tell them *that*!" But the facts are the facts: The nonprofit sector, as a collection of institutions, fared well, while its most vulnerable constituencies lost ground—and that should raise questions about this sector's function and focus in society, even given that not all nonprofits work on issues of equity, justice, and democracy.

That said, the data have revealed a number of interesting findings and patterns not only about specific fields but also about the sector in general, and that overall pattern is one of enviable institutional agility and resilience even as the overall economy has become increasingly stratified.

Ruth McCambridge is the *Nonprofit Quarterly*'s editor in chief. **Nathan Dietz** is a senior researcher at the Do Good Institute, School of Public Policy, University of Maryland.

Overview

We looked at the effects of the recession on nonprofits in a number of different ways, examining

- changes in contributed revenue;
- changes in program service revenue;
- changes in assets; and
- changes in the proportions of income that were derived from contributed versus earned revenue.

We broke these down by category of nonprofit, and compared the gains and losses across fields. (For more details, see the "Data and Methodology" sidebar on pages 16–20.) These data do not recognize, however, the details of what achieving resilience required of organizations as the recession hit, and in its wake. These are contained in

"SPINNING TOP" BY BERIT BREDAHL/WWW.ARTBERIT.COM

Some nonprofit organizational types never fully recovered, while others ended up in better shape after the recovery (and even immediately postrecession).

thousands of small dramas that *NPQ* documented in story form over the years. We have mixed all of these informational streams here to

- reinforce the understanding that, according to the hard data, nonprofits are excellent and highly adaptive managers when it comes to running complex organizations, even in financial downturns—and this advantage will only improve as we examine and reflect on our still-underused capacities;
- detail the realities of the last downturn, to help nonprofits prepare for the current situation; and
- emphasize that, while this will undoubtedly be a very challenging time for nonprofits, the sector has in the past seemed to devote more attention to its own sustainability than to its stakeholders, so nonprofits need to keep a close eye on meta-policies affecting the long-term resilience of the communities we serve.

Top-Line Findings

When we look at the effects of the recession on the various National Taxonomy of Exempt Entities (NTEE) categories of nonprofits,[1] we can sense that for each category, preexisting trends and dynamics were often interacting with the downturn to create the outcomes for various particular types of organizations. For instance, many arts organizations make large capital outlays on spec, because that is how their enterprises work; but as a precommitted large capital outlay met a newly financially cautious audience and donors—along with the sudden underperformance of endowments (where they existed)—one saw many symphonies, operas, repertory theaters, and museums in panic mode. These preexisting field-specific dynamics, coupled with the character and sources of the recession, were playing out in a plethora of ways that resulted in the landscapes evident in the data. (*Note: All the data and analysis that follow are the authors' own unless otherwise noted; see the "Data and Methodology" section on pages 16–20 for details.*)

- **Some nonprofit organizational types never fully recovered, while others ended up in better shape after the recovery (and even immediately postrecession).** For most categories of nonprofits, dips in overall revenue were felt most acutely in 2009; but the depths of the dips and the trajectories of recovery, which we define here as occurring between 2010 and 2015, varied widely.
- **What we can assume right now is that, overall, larger nonprofits ended up gaining ground while smaller nonprofits lost ground during and after the recession.** This assumption is based on the finding that "eds and meds"—institutions of higher education and hospitals and healthcare organizations—gained 27.6 percent in assets over the recession and recovery period (fiscal years 2007 through 2015, controlling for inflation), while other nonprofits—taken as a whole—gained only 12.3 percent. Eds and meds—which, speaking in terms of assets, made up 55.9 percent of the sector in 2015—saw only a 1.2 percent loss of assets during the recession; meanwhile, other types of organizations saw a 3.7 percent loss of assets during the recession.
- **Most non-eds-and-meds saw their revenues decline during the recession, but health organizations (not in the category of meds) and human services organizations were the exception.** Excluding the eds and meds, total revenues declined by 1.6 percent in inflation-adjusted dollars between 2007 and 2010, the period covering the recession. The two categories where overall revenues increased were health organizations (excluding hospitals, i.e., meds), where revenues increased by 6.6 percent, and human services organizations, where revenues increased by 6.3 percent. Between 2007 and 2010, human services organizations (37.9 percent of public charities during 2007, not counting the eds and meds) saw a remarkable 15.2 percent increase in contributions. However, contributions to human services organizations increased at a lower rate than other public charities during the postrecession years, increasing by only 1.0 percent between 2010 and 2015.
- **Eds and meds continued to grow their revenues through the recession, but not through contributions.** Overall, contributions to non-eds-and-meds public charities increased by 1.4 percent during the recession years, while contributions to eds and meds decreased by 11.8 percent during the same period. In fact, program service

revenues for the eds and meds—which constituted 88.8 percent of total revenues in fiscal 2015—increased by 9.5 percent between 2007 and 2010, enabling eds and meds to realize a gain of 2.8 percent in total revenues during the recession. This suggests that the availability of capital in larger and more monied organizations helped build those revenue streams.

- **Although the closure rate for public charities was slightly higher during the recession than immediately before or after the recession, new nonprofits continued to emerge even as others shuttered.** To measure yearly organizational closures during and after the recession, we took the 2007 sample (organizations that reported financial data during fiscal 2007) and counted the number of organizations that disappeared from the sample in a given year and never reappeared through 2013.[2] Between 2008 and 2010, 13.5 percent of public charities (not counting eds and meds) closed, compared to 10.2 percent between 2005 and 2007 and 8.2 percent between 2011 and 2013.[3] But each year showed a balancing of old and new that kept numbers of organizations fairly stable. For instance, 7.3 percent of organizations in our sample that reported revenues for fiscal 2008 had no data for 2009—either because they closed, lost their public-charity status, failed to file a return, or slipped below $100,000 in total revenues. However, in terms of entries, 6.5 percent of organizations reporting revenue data in 2009 had no data in 2008 but reported revenues in 2009. These organizations "entered" or "re-entered" the sample—either because they had recently received tax-exempt status or because they had accumulated $100,000 or more in total revenues.
- **Only environmental and human services public charities had higher "entry rates" than "exit rates" between 2008 and 2009.**
- **Closure rates during the recession were highest for: international; public, societal benefit; religious; and mutual/membership benefit organizations—and lowest for human services and environmental public charities.**
- **Closures, unsurprisingly, were higher in fields that also showed the heaviest loss of assets.** The same four public-charity types with the highest closure rates: international; public, societal benefit; religious; and mutual/membership benefit organizations—along with arts organizations, were the most likely to lose a significant portion of their assets during the recession. These organizational types head the "biggest losers" group of public charities, defined as the proportion of organizations that lost 20 percent or more of their assets between 2007 and 2010. While 23.4 percent of non-eds-and-meds public charities earned the "big loser" designation, 39.8 percent qualified as "big winners" during the postrecession period, realizing an *increase* of 20 percent or more in total assets between 2010 and 2015.
- **Over the entire period, the asset totals for human services organizations, the largest single organizational type, remained remarkably stable.** Human services organizations had the lowest closure rates, the smallest percentage of "big losers," and the smallest percentage of "big winners" among all organizational types, excluding eds and meds. In contrast, arts organizations were less likely to close, more likely to be "big losers" in terms of assets during the recession, and less likely to be "big winners" during the recovery.

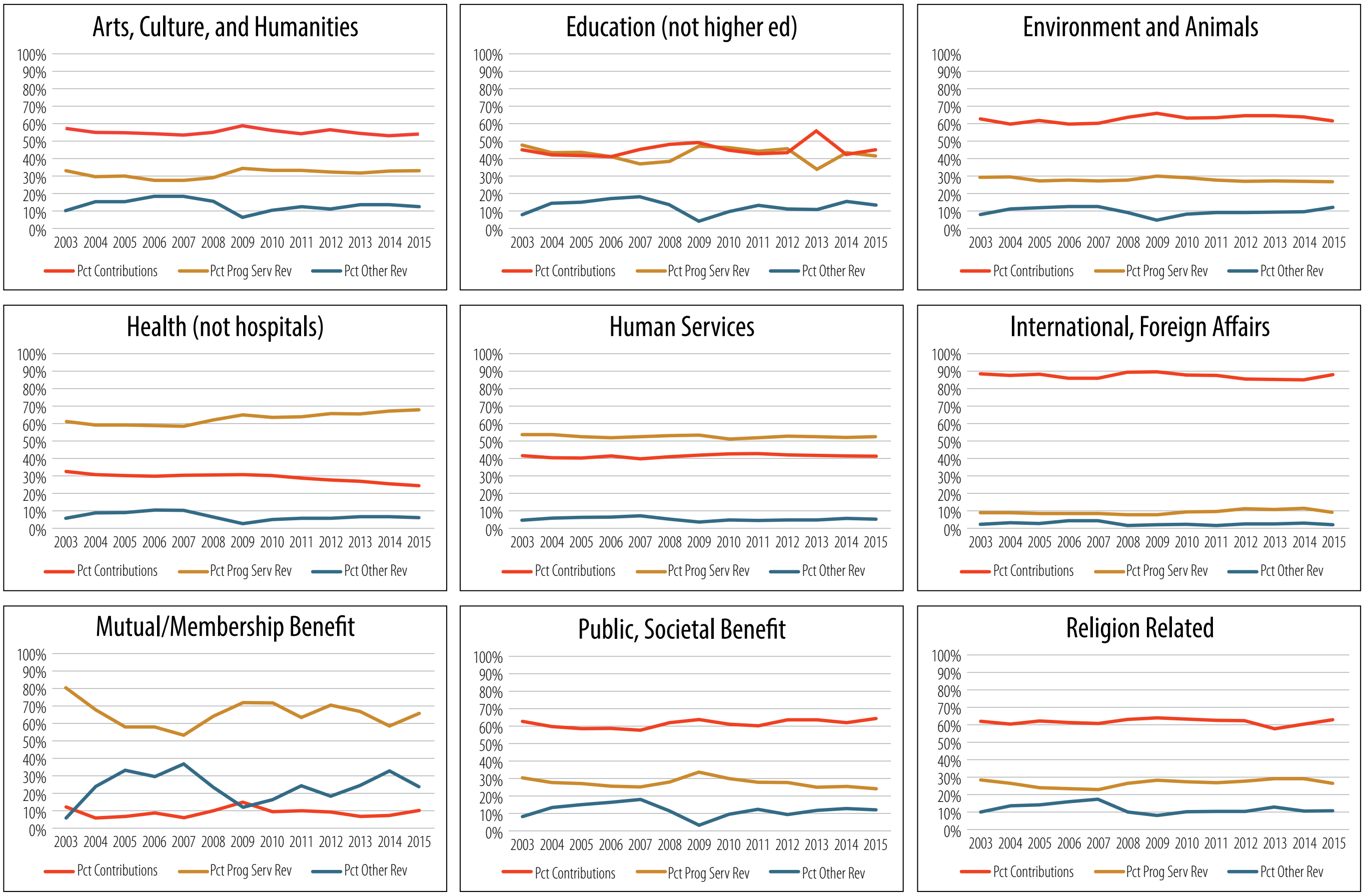
Although the closure rate for public charities was slightly higher during the recession than immediately before or after the recession, new nonprofits continued to emerge even as others shuttered.

Trends in Percentage of Revenue Sources by Type of Public Charity: Fiscal Years 2003–2015

The Great Recession also affected the proportion of revenue coming from various sources for many public charities. Figures 1 and 2 (following page) show the percentage of revenues coming from contributions, gifts, and grants; from program service revenues and membership dues; and from other sources (such as investment income). Many of the largest organizations, such as the eds and meds, were heavily reliant on revenue from commercial sources before the recession, and (if anything) even more reliant on those program service revenues during and after the recovery period.

A cautionary note as you read these charts: Because the trend lines are based on proportions of revenue rather than dollars, we should not assume that when a trend line goes up it means that there was an increase in revenue

Figure 1: **Trends in Revenue Sources by Type of Public Charity: Fiscal years 2003–2015**[4]



While nonprofits fared relatively well during the recession, their survival was not achieved without significant skill and effort.

in the relevant category. However, the charts provide a sense of how the revenue mix for certain subsectors changed under externally driven financial stress.

Arts, culture, and humanities are one example. In 2009, total revenues for this subsector fell by 9 percent; so, while program service revenues increased, contributions/gifts/grants dropped a little, and "other" revenues (investment income plus other, smaller revenue streams) fell sharply. The sharp drop in "other" revenues caused the percentages of revenue coming from the other two sources to rise, but revenue from the other two sources did not rise by enough to cover the losses in investment income.

Thus, the charts give readers a sense of which revenue streams are most vulnerable to an economic downturn (or at least this particular downturn) and which might be seen as more immediately productive during the postrecession recovery period.

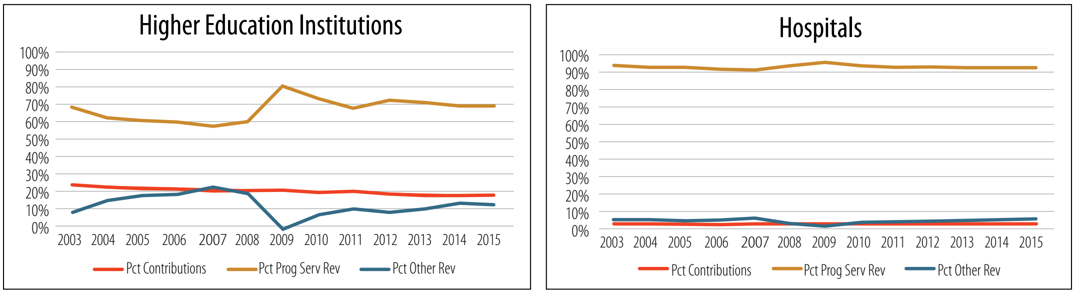
With all of this comparison of nonprofit categories, however, the most troubling big losers of all were the portions of our community who most need the support of the nonprofit and philanthropic sectors—that is, people of low and moderate income who emerged from the recession worse off in real and relative terms financially. These declines in assets and real income hit Black and Latinx communities hardest.[5]

Stories from Inside the Data

While nonprofits fared relatively well during the recession, their survival was not achieved without significant skill and effort, organization by organization; and for many of those groups that survived, there was no road map or time line available, which rendered strategy setting incremental, and outcomes almost impossible to predict.

Add to this the changeable interests and needs of the public, as well as the risks many

Figure 2: **Trends in Revenue Sources for Eds and Meds: Fiscal years 2003–2015**[6]



organizations take advisedly during the regular course of business and during growth, and one sees some organizations hit harder than others.

Below are two stories of organizations that took the risk of making an outlay of capital based on their best understanding of the environment, only to be blindsided by the downturn. One of the vignettes comes from the arts, where such outlays are made as a matter of course; the other comes from an organization in growth mode whose cornerstone funder went belly-up.

The Case of the San Jose Repertory Theatre

Some arts organizations make capital outlays regularly on spec, projecting on the basis of what they know to be likely from experience. But the suddenness of the downturn caught many mid-project—that is, they made a capital outlay only to find that (1) people were not buying tickets, in order to conserve household budgets, (2) donors became less generous, and (3) state or city contributions dried up in favor of more pressing human needs. Some groups began to dip into their own endowments, and at some point faced overall sustainability questions. The angst became existential: Was the problem the economy, or was their art a dying form? In March 2009, *NPQ* wrote:[7]

> The San Jose Repertory Theatre in San Jose, California, is one of the anchoring cultural institutions of San Jose's downtown core. Along with many other live theaters in the country, it struggled with its business plan of late, and the business plan has everything to do with knowing and addressing the interests of the local audience.
>
> "This is not a 'roadhouse'" says Christa Stiner, the organization's chief financial officer in a 2009 interview with *NPQ*. "When we present a show, it is almost always ours, self-produced." Stiner is part of a reconstruction team that took over the theater after the city, which owns the building housing the theater, intervened in the institution's discussions about possible closure. "That's when the city of San Jose said, 'We can't afford to have this theater go dark,'" Stiner says. "They came in with a $2 million line of credit, $550,000 of which immediately went to pay past-due payables." Another $250,000 has shored up declining donations. The line of credit has given the institution some breathing room within which it has reorganized its cost structures and revitalized interest among its audience and donors.
>
> Despite the theater's progress, the economic downturn comes at a difficult time for it. And Stiner has been "visited" by a local ghost that stands as a kind of cautionary tale for theatrical risk taking and good management.
>
> In December 2008, the city's 75-year-old American Musical Theatre, which had nearly twice the annual budget of the repertory theater, went bankrupt and closed. "I looked at their 990s online at GuideStar—just to understand what happened," Stiner says.
>
> They had been running some pretty dramatic deficits. They were in a negative asset position to the tune of $2 million, so they had been missing their revenue goals for quite some time. But what pushed them over the edge was a partnership. They had sent $225,000 to a coproduction partner that used the money for its own operating expenses rather than to build the show, so not only were they out the

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The arts were not the only sector where one saw such dynamics. Other individual groups experienced these kinds of existential moments midgrowth when they made capital outlays on the assumption of a stable economy.

$225,000, but they did not have anything for that slot in the season. They didn't have the money to refund subscribers or single-ticket buyers: a debt of approximately $800,000. The whole loss was reported to be somewhere around $1.7 million. They just closed.

But as they try to avoid a similar fate, the administrators of the theater have not been abandoned. The finance department of the city monitors the theater carefully, reviewing its financials on a monthly basis. The theater's finance committee has "some of the brightest brains in Silicon Valley on it," Stiner says. "These people are very engaged. They know how we got into trouble in the first place, and they are set on making sure that we get out of trouble now." Still, there is no doubt that the theater is walking a fine line.

At the time of *NPQ*'s interview with Stiner, the theater had cash-flow concerns, a debt of $2.7 million, and an endowment of $1 million. The article continued:

> Very much in wait-and-see mode, Stiner reports that subscription renewals have decreased about 8 percent compared with the previous year (which represented a contraction over the prior year). Luckily, the theater had projected a low enough goal so it is not yet far off its budget, but over the coming months, the subscription component will be a high-tension waiting game. Contributions have also declined, but at the lesser rate of 9 percent.
>
> On the hopeful side, the theater was getting ready to stage the first-ever live performance of Khaled Hosseini's *Kite Runner*, for which tickets are selling well, and will follow up that show's run with the musical production *The 25th Annual Putnam County Spelling Bee*. "If that does well," remarks Stiner, "we could earn our way out of a large chunk of our debt. We could run a significant surplus even at 60 percent capacity, and that's my best-case scenario.
>
> "The worst-case scenario is that nobody will want to see either production, and we will have spent our deferred revenue, and our line of credit will be fully extended. It's not even that we will have made bad business decisions, but we will have squandered everything we have done in the past three years to turn the place around."

In 2014, the theater declared Chapter 7 Bankruptcy, and closed.

Other dynamics were at play during this period. For a number of symphonies and orchestras, cutbacks on labor costs led to organizational strife and worry that the art form was dying or already dead.

The Case of Higher Achievement

The arts were not the only sector where one saw such dynamics. Other individual groups experienced these kinds of existential moments midgrowth when they made capital outlays on the assumption of a stable economy. Higher Achievement was a youth organization in Washington, D.C., with ambitious plans and a carefully laid base of support from funders, when it ran headlong into its own perfect storm: the recession, paired with a direct hit from Bernie Madoff's Ponzi scheme. In 2009, *NPQ* wrote:[8]

> Higher Achievement is a 33-year-old organization that provides rigorous year-round academic enrichment to middle-school students in the Washington, D.C., area. But the organization's age and history come with a caveat: in 1998 it was pretty much pronounced dead. It ceased operations; and at the time it was $300,000 in debt. Still, Maureen Holla, a volunteer in the program when it went under, did not give up hope, and in 1999, as its new executive director, Holla reopened the program.
>
> Richard Tagle, the current executive director, has been at Higher Achievement since mid-2006, and at that time the organization had established four sites in Washington, D.C., and was about to launch a fifth, in Virginia. "When I came in, the organization had a budget of $1.6 million and a staff of 18. A lot of our funding was garnered from local foundations and corporations." Since Tagle took the helm, Higher Achievement has expanded into Baltimore.
>
> In the two years since, Higher Achievement's budget has grown to $4.7 million annually,

but some of this growth is allocated toward onetime costs associated with what was originally an aggressive replication plan as well as a longitudinal study. First priced at $20 million, that replication strategy has now been scaled back to a more measured expansion plan, priced at $11 million. The difference between the two is the number of sites to be established by 2020 and the nature of the partnership agreement between Higher Achievement and the sites. The sites will now be required to invest more cash in implementation. In terms of the organization's base program, Tagle estimates that approximately $2.3 million is slated for direct service at each fully scaled affiliate, and the rest is meant to capitalize expansion to other cities.

Higher Achievement has experienced a downturn in revenue, but also success in exploring new avenues. These triumphs and setbacks come in bits and pieces. Over the past three years, Freddie Mac has contributed $250,000 a year; Fannie Mae had been giving $50,000, but this year gave none. And individual and foundation funding to the base program has probably decreased 20 percent to 25 percent, but on the other hand the organization has managed to offset that with new corporate contributions (mobilized by the board) and some newly available Department of Education money as well as increased attention toward public revenue streams, such as Title I and 21st Century Community Learning Centers.

During the economic crisis, Higher Achievement has experienced its dramatic moments.

"We needed a little over $1 million to finish the funding for a multiyear study we were doing on our outcomes, and the Atlantic Philanthropies basically introduced me to the Picower Foundation. I had had a number of meetings with them, after which they asked me to submit a proposal, and we got approved for a $750,000 grant, so I went away on vacation feeling good.

"I was going to Asia. I was in a hotel room in Hong Kong when I saw I had a voicemail, and basically it was a message from Barbara Picower saying that their endowment money—all $1.2 billion of it—was invested with [Bernard] Madoff. The foundation would close. She was very sorry. My response—all alone in my hotel room in Hong Kong—actually drove the people in the next room to come knocking to see if I was OK.

"And of course I had based other asks on this funding coming through, and so of course this would cause them to look at our requests differently. It was tough."

Higher Achievement is always measuring risk. "When we opened Baltimore, we knew that we had enough money for 24 months, but it's a risk," Tagle says. "We have a whole document that looks at the potential risks of opening a new site. There are also risks associated with enlarging staff and in putting money into systems and procedures in preparation for expansion when funding is in the state that it's in. So the board and I are in constant conversation—much more so than previously. We are all trying to gauge the timing, because the economy is going to turn around sometime, and we want to be right in the line of view of people with money when that begins to happen."

For Higher Achievement, its strength was in its results with students, and its traction was ensured by the rigorous evaluation of those results.

As *NPQ* finished the report, Higher Achievement was in good shape, with "a healthy pot of reserves, expectations of an operating surplus for 2009, and a strong base program" that Tagle said was being protected from any changes in the organization's national strategy. "It's most important for us to deliver great results for our scholars. Everything else flows from that, so it's important that staff does not become distracted," he said.[9]

And, indeed, staff did not become distracted. In a recent call with CEO Lynsey Wood Jeffries ten years later, Jeffries described an organization that has stayed firmly on track even as it has negotiated the vicissitudes of funding and strategy. For Higher Achievement, its strength was in its results with students, and its traction was ensured by the rigorous evaluation of those results. Jeffries revealed that the organization has just completed a second major study of its outcomes, which is due to be published in June 2020 by MDRC. And, although a $12 million federal grant is ending relatively soon, the

While giving dipped during the depths of the recession, it rebounded relatively quickly—or at least on par with recoveries from previous downturns—but it also came back differently, with larger donors taking up more space.

organization has worked hard to attract money from other levels of government and from large donors, and does not expect any severe curtailment of its programs. And, despite the fact that the model is attractive to other locales, Higher Achievement has resisted the temptation to expand into too many cities, instead opting to go deeper in the four cities it is in.

Thus, Higher Achievement is a good example of an organization that has stayed true to a mission-based model even while strategies and funding have changed. It has adjusted its work over time in accordance with findings, and plans to continue to prove its model student by student.

Both the San Jose Repertory Theatre and Higher Achievement had a set of variables that flowed from different aspects of their identities, including where they were located, who funded them, and whether their work was in fashion or was a high priority to funders. It's important that organizations think about and monitor such aspects as the country faces a new recession. There is no one checklist or model.

Fieldwide Problems That Flowed from the Character of the Recession

There were some fields that were affected by the specific character of the recession, and for these groups the ups and downs were quite intense. In the case of housing groups, funding streams changed, and activity intensified as needs intensified even more;[10] but other types of groups were intensely affected by the specific character of the recession, as well.

Legal services, charged with helping people with benefits questions, saw its own perfect storm: an increase in calls for services coupled with a lack of money from public escrow funds generally earmarked for them. This had to do with the particular cause and character of the recession—the housing market slowed to a crawl and the usual flow of escrow funds dried up, cutting off the field's major common source of funding.[11]

While we hesitate to give predictions or analysis at so early a stage in the current situation, it seems clear that this time around, nonprofits are likely to experience the kinds of unemployment trends that were feared, but did not happen, during the Great Recession. The proximate cause last time was a fraud-based housing bubble, which had a huge ripple effect in most areas of life but did not bring daily activities to a standstill. This time, we appeared to be on the cusp of a probable recession without a clear-cut cause, when the pandemic hit, resulting in a massive global shutdown of society. This means, among many other challenges, that nonprofits dependent upon performance-based contracts will experience an immediate plunge in their revenues.

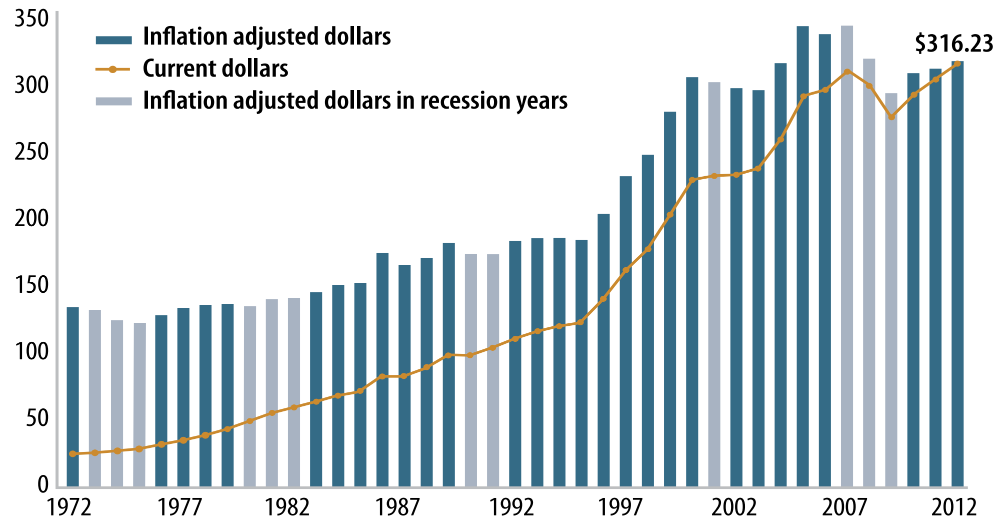
About Recession-Related Giving Patterns

While giving dipped during the depths of the recession, it rebounded relatively quickly—or at least on par with recoveries from previous downturns (see Figure 3)—but it also came back differently, with larger donors taking up more space.

Concurrently, as we now know, households of more limited means were giving less, and that trend has continued its downward trajectory ever since, according to Dr. Patrick Rooney of the Indiana University Lilly Family School of Philanthropy, who surfaced this decline in 2018 and updated that data in 2019.

> In 2016, 53.9 percent of American households donated something to a legally recognized charity. This is down 1.5 percentage points from the prior wave of data in 2014, 11.5 percentage points since the Great Recession, and *almost 14 percentage points from the peak level, in 2002*. In other words, one in five former donors in the early waves of the study are now not giving anything to legal charities in any given year. . . .
>
> Meanwhile, big donors are playing an even bigger role than in earlier years. First, itemized giving by those with an adjusted gross income (AGI) of $1 million or more in any given year has grown dramatically over the last couple of decades.[12]

Figure 3: **Total Giving, 1972–2012** (in billions of dollars)



Reproduced from *Giving USA 2013: The Annual Report on Philanthropy for the Year 2012* (Chicago: Giving USA Foundation, 2013), with permission.

Even as many nonprofit organizations emerged from the great recession without serious long-term losses, the majority of those they serve did not.

Thus, the giving recovery reflected to some extent the overall recovery from the recession, with larger-dollar donors comprising more of the recovery than donors of small to midsized gifts.

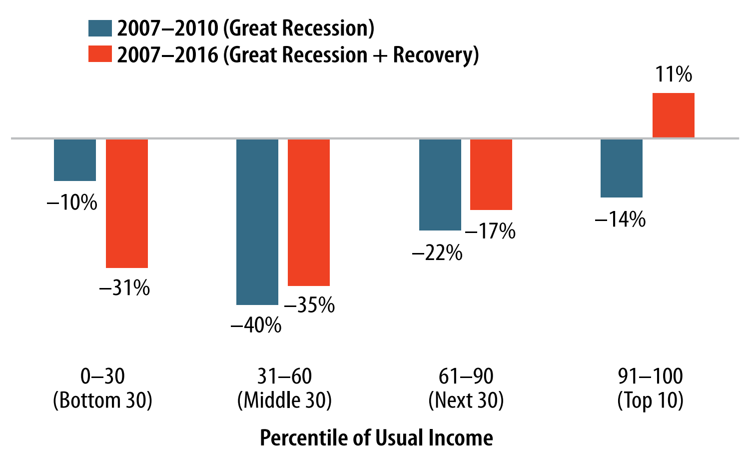
In 2019, the Association of Fundraising Professionals released the most recent edition of their enormously useful *Fundraising Effectiveness Survey Report*.[13] This report suggests that for many small organizations, the recession appears to have had a lingering effect on their ability to raise funds from private donors. Larger organizations, however, were able to maintain relationships with donors even if those donors were not currently giving.

Unsurprisingly, smaller charities saw donor retention suffer during and in the aftermath of the recession. In 2018, organizations raising more than $500,000 saw an average gain of 9.5 percent in their net giving levels, while those raising $100,000 to $500,000 experienced more modest gains of 3.4 percent. Those raising less than $100,000 had significant net losses, losing 9.6 percent of their 2017 contributions in 2018. In other words, small organizations lost fundraising muscle while large organizations retained it.[14]

The Biggest "Losers"

Even as many nonprofit organizations emerged from the Great Recession without serious long-term losses, the majority of those they serve did not. The data in Figure 4 point to a recovery that benefited the few, while assets and financial ground lost by the many have stalled in relative terms, or even continued to decline.

Figure 4: **Percent Changes in Real Mean Wealth since the Onset of the Great Recession**



Source: Survey of Consumer Finances 2007–2016.[15]

Data and Methodology

The Core Trend files, provided by the National Center for Charitable Statistics (NCCS) at the Urban Institute's Center on Nonprofits and Philanthropy, served as the data source for the analysis and charts featured in this article. NCCS has produced Core Trend files for public charities/501(c)(3) organizations that are not private foundations, private foundations, and organizations that are tax-exempt under some other 501(c) subsection. The Core Trend files are designed to contain one record for every fiscal year in which an organization files a Form 990 or Form 990-EZ.

The organizations used in this analysis were public charities that reported $100,000 or more in total revenues during a given fiscal year. In addition, organizations with missing data for the name or address, or missing or unclassifiable substantive orientation (National Taxonomy of Exempt Entities [NTEE] code = Z99) were excluded from the analysis.

The primary Core Trend variables used in the analysis include the following:

	CONT	PROGREV	TOTREV	ASS_EOY
Name:	Total contributions, gifts, and grants	Program service revenue plus dues revenue	Calculation of total revenue	Total assets at end of year
Line items, old 990:	Part I, Line 1e	Part I, Line 2 + Line 3	Calculated as (CONT + PROGREV + DUES + INVINC + NETRENT + SALESECN + SALEOTHN + FUNDINC + GRPROF + OTHINC)	Part IV, Line 59, Col (B)
Line items, new 990:	Part VIII, Line 1h	Part VIII, Line 2g (A)	Calculated as (EXPS + NETINC)	Part X, Line 16, Col (B)
Line items, 990-EZ:	Part I, Line 1	Part I, Line 2 + Line 3	*Old EZ:* Calculated as (CONT + PROGREV + DUES + INVINC + NETRENT + SALESECN + SALEOTHN + FUNDINC + GRPROF + OTHINC) *New EZ:* Calculated as (EXPS + NETINC)	Part II, Line 25, Col (B)

In addition, the NTEE codes were used to classify public charities based on their primary substantive focus. The ten-category variable "ntmaj10" served as the basic classification variable, and the NTEE codes were also used to identify the "eds and meds" discussed in the text. The "eds," or institutions of higher education, include organizations with NTEE codes B40, B41, B42, B43, and B50, while the "meds" (hospitals and other health-care organizations) include NTEE codes E20, E21, E22, E24, E31, and E91. The eds and meds were removed from the ten-category classification scheme to form their own category. (To download datasets and documentation for the Core Trend files, please visit the NCCS Data Archive at nccs-data.urban.org/index.php.)

Trend Data for Total Revenues for NTEE Categories

Total Revenues (adjusted for inflation – 2007 dollars)

Category	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
I. Arts, Culture, and Humanities – A	$24,892,722,556	$27,525,188,824	$27,630,552,631	$30,574,383,458	$32,122,023,276	$30,705,022,900	$27,962,127,215	$29,902,679,483
II. Education – B	$60,298,152,726	$69,961,063,271	$74,320,417,171	$81,996,071,078	$94,841,436,466	$96,085,788,754	$78,428,895,728	$82,814,621,149
III. Environment and Animals – C, D	$10,788,183,028	$11,074,348,362	$12,195,953,383	$13,078,331,149	$14,315,639,522	$14,337,153,038	$13,094,268,418	$13,589,413,009
IV. Health – E, F, G, H	$99,252,413,088	$109,082,205,321	$113,905,198,339	$121,533,535,302	$129,032,492,522	$125,581,396,142	$126,356,667,956	$137,505,470,923
V. Human Services – I, J, K, L, M, N, O, P	$149,769,053,491	$154,414,400,325	$159,408,876,496	$167,882,277,185	$171,195,752,230	$170,613,574,558	$173,930,054,396	$181,980,684,604
VI. International, Foreign Affairs – Q	$19,328,628,347	$21,521,548,714	$26,256,950,971	$25,539,108,614	$28,189,054,777	$28,377,596,768	$28,208,074,885	$28,114,574,997
VII. Public, Societal Benefit – R, S, T, U, V, W	$54,299,439,511	$61,310,960,205	$68,305,279,915	$77,439,555,789	$80,750,758,014	$74,596,204,268	$60,430,604,191	$67,986,182,084
VIII. Religion Related – X	$8,335,871,521	$9,063,015,596	$10,143,966,845	$10,805,655,028	$11,773,455,695	$10,908,711,826	$10,829,864,361	$11,479,932,800
IX. Mutual/Membership Benefit – Y	$1,983,380,393	$2,803,003,599	$2,579,770,311	$2,493,026,886	$2,660,570,283	$2,162,256,079	$1,669,100,136	$2,645,841,497
Total	$428,954,752,063	$466,765,756,460	$494,762,359,514	$531,366,489,963	$564,913,596,068	$553,413,367,248	$520,966,176,903	$556,084,464,681
Eds (higher education)	$119,456,670,840	$136,975,915,537	$149,432,595,567	$162,185,886,340	$171,182,297,596	$152,183,166,442	$129,460,145,451	$146,660,444,062
Meds (hospitals)	$554,658,521,961	$587,370,389,576	$606,114,286,505	$634,870,216,502	$664,566,786,655	$653,910,605,775	$685,318,253,355	$712,282,820,155
Total Eds and Meds	$674,115,192,801	$724,346,305,113	$755,546,882,072	$797,056,102,842	$835,749,084,251	$806,093,772,217	$814,778,398,806	$858,943,264,218

Total Revenues (adjusted for inflation – 2007 dollars) *continued*								
Category	**2011**	**2012**	**2013**	**2014**	**2015**	**Change, 2007–2010**	**Change, 2007–2015**	**Change, 2010–2015**
I. Arts, Culture, and Humanities – A	$30,624,500,591	$28,799,078,421	$30,067,065,385	$33,474,523,203	$34,806,168,103	–6.9%	8.4%	16.4%
II. Education – B	$86,860,630,828	$87,966,988,818	$122,190,378,367	$98,381,913,161	$101,199,315,155	–12.7%	6.7%	22.2%
III. Environment and Animals – C, D	$14,520,214,126	$14,667,645,086	$14,973,685,712	$15,225,253,766	$16,155,492,818	–5.1%	12.9%	18.9%
IV. Health – E, F, G, H	$141,674,422,608	$146,680,679,840	$153,611,519,455	$168,505,813,905	$170,563,037,809	6.6%	32.2%	24.0%
V. Human Services – I, J, K, L, M, N, O, P	$182,775,278,281	$182,010,009,644	$181,902,244,957	$189,167,846,019	$190,370,889,029	6.3%	11.2%	4.6%
VI. International, Foreign Affairs – Q	$28,805,057,497	$27,409,444,448	$27,278,106,702	$27,182,906,800	$31,506,559,944	–0.3%	11.8%	12.1%
VII. Public, Societal Benefit – R, S, T, U, V, W	$79,744,884,388	$79,513,085,489	$83,213,194,282	$88,115,057,401	$88,373,674,199	–15.8%	9.4%	30.0%
VIII. Religion Related – X	$11,767,876,335	$11,883,596,087	$11,988,181,143	$13,419,301,982	$15,194,861,489	–2.5%	29.1%	32.4%
IX. Mutual/Membership Benefit – Y	$2,454,492,519	$2,334,016,614	$2,527,562,030	$2,889,421,946	$3,012,742,447	–0.6%	13.2%	13.9%
Total	$579,297,401,223	$581,347,154,780	$627,857,853,029	$636,542,475,672	$651,651,249,995	–1.6%	15.4%	17.2%
Eds (higher education)	$168,479,178,673	$171,755,293,572	$172,222,671,847	$188,886,379,447	$203,373,911,176	–14.3%	18.8%	38.7%
Meds (hospitals)	$719,698,789,251	$739,503,967,651	$735,235,509,932	$767,313,014,528	$805,291,455,393	7.2%	21.2%	13.1%
Total Eds and Meds	$888,177,967,923	$911,259,261,223	$907,458,181,779	$956,199,393,975	$1,008,665,366,569	2.8%	20.7%	17.4%

Total Assets (adjusted for inflation – 2007 dollars)								
Category	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
I. Arts, Culture, and Humanities – A	$76,263,341,913	$83,387,290,177	$87,070,173,715	$92,694,857,422	$100,328,702,992	$94,152,458,989	$90,158,203,055	$95,119,166,277
II. Education – B	$192,303,346,766	$220,470,523,759	$244,801,882,944	$270,297,470,167	$307,825,556,352	$306,241,673,344	$250,116,362,112	$288,826,568,335
III. Environment and Animals – C, D	$28,940,660,439	$31,164,298,363	$32,924,990,806	$35,663,593,888	$38,322,818,297	$35,443,235,188	$36,312,684,124	$38,017,332,466
IV. Health – E, F, G, H	$149,731,217,299	$169,583,147,681	$177,263,883,616	$187,662,837,633	$206,529,153,355	$180,104,069,765	$152,004,338,958	$200,960,095,180
V. Human Services – I, J, K, L, M, N, O, P	$215,607,407,976	$224,691,118,792	$233,373,533,489	$244,455,176,637	$259,004,600,920	$252,548,883,111	$256,899,606,491	$271,147,425,946
VI. International, Foreign Affairs – Q	$17,324,677,112	$18,211,532,118	$21,400,233,965	$23,525,623,553	$26,743,570,317	$24,967,698,944	$24,574,381,013	$26,357,542,145
VII. Public, Societal Benefit – R, S, T, U, V, W	$151,657,290,823	$185,656,115,756	$192,904,448,276	$211,360,421,647	$228,806,450,758	$201,734,437,006	$172,001,978,338	$205,385,664,189
VIII. Religion Related – X	$18,634,212,772	$20,599,376,058	$22,476,871,446	$24,194,289,641	$26,283,121,696	$20,121,488,752	$20,378,660,083	$25,431,783,027
IX. Mutual/Membership Benefit – Y	$10,650,201,109	$12,140,234,566	$12,608,314,750	$13,759,135,432	$15,699,548,248	$13,419,479,515	$7,578,982,786	$13,419,360,681
Total	$861,120,663,474	$965,913,844,557	$1,024,838,714,041	$1,103,633,211,981	$1,209,569,576,034	$1,128,772,560,616	$1,010,104,931,025	$1,164,745,651,840
Eds (higher education)	$425,901,048,106	$452,545,084,960	$468,785,643,526	$496,531,014,124	$556,529,993,427	$517,882,892,860	$407,613,675,548	$464,847,851,739
Meds (hospitals)	$638,869,339,263	$670,090,911,629	$704,851,226,624	$745,403,080,001	$792,207,356,235	$770,480,826,211	$802,296,060,391	$868,114,248,693
Total Eds and Meds	$1,064,770,387,369	$1,122,635,996,588	$1,173,636,870,150	$1,241,934,094,125	$1,348,737,349,662	$1,288,363,719,072	$1,209,909,735,939	$1,332,962,100,432

Category	**2011**	**2012**	**2013**	**2014**	**2015**	**Change, 2007–2010**	**Change, 2007–2015**	**Change, 2010–2015**
I. Arts, Culture, and Humanities – A	$101,325,195,175	$96,884,684,231	$100,740,081,070	$109,441,039,543	$110,154,169,749	–5.2%	9.8%	15.8%
II. Education – B	$304,387,364,502	$304,944,475,132	$319,435,354,117	$326,069,962,916	$327,447,864,139	–6.2%	6.4%	13.4%
III. Environment and Animals – C, D	$38,512,959,495	$39,293,066,178	$40,715,772,970	$37,497,656,483	$39,724,854,931	–0.8%	3.7%	4.5%
IV. Health – E, F, G, H	$207,349,400,868	$216,256,217,154	$225,199,611,373	$242,158,965,525	$247,159,260,291	–2.7%	19.7%	23.0%
V. Human Services – I, J, K, L, M, N, O, P	$271,087,048,645	$276,410,549,569	$278,886,383,331	$287,664,252,069	$291,857,913,100	4.7%	12.7%	7.6%
VI. International, Foreign Affairs – Q	$28,316,139,824	$28,502,127,318	$28,425,078,654	$29,610,928,842	$36,193,019,880	–1.4%	35.3%	37.3%
VII. Public, Societal Benefit – R, S, T, U, V, W	$212,076,015,574	$214,859,947,686	$235,784,808,128	$261,612,019,615	$259,771,387,479	–10.2%	13.5%	26.5%
VIII. Religion Related – X	$25,959,330,241	$28,382,780,374	$29,472,547,800	$28,093,100,594	$29,948,085,781	–3.2%	13.9%	17.8%
IX. Mutual/Membership Benefit – Y	$14,544,245,396	$14,305,747,749	$14,952,245,642	$15,534,144,014	$15,872,684,544	–14.5%	1.1%	18.3%
Total	$1,203,636,628,890	$1,219,955,955,605	$1,273,773,615,791	$1,337,926,821,918	$1,358,672,975,585	–3.7%	12.3%	16.6%
Eds (higher education)	$524,442,677,771	$544,100,314,838	$561,556,532,907	$602,071,274,561	$643,868,674,757	–16.5%	15.7%	38.5%
Meds (hospitals)	$893,025,392,899	$951,325,343,423	$966,366,226,062	$1,053,679,468,740	$1,077,146,445,598	9.6%	36.0%	24.1%
Total Eds and Meds	$1,417,468,070,669	$1,495,425,658,261	$1,527,922,758,969	$1,655,750,743,300	$1,721,015,120,355	–1.2%	27.6%	29.1%

Revenues from Contributions (adjusted for inflation – 2007 dollars)

Category	2003	2004	2005	2006	2007	2008	2009	2010
I. Arts, Culture, and Humanities – A	$14,210,240,525	$15,198,711,504	$15,108,924,052	$16,558,376,754	$17,306,952,119	$16,997,951,048	$16,526,354,807	$16,833,674,663
II. Education – B	$27,169,782,156	$29,790,567,639	$30,915,617,809	$33,943,815,979	$42,591,198,487	$46,063,516,307	$38,163,086,086	$37,393,126,028
III. Environment and Animals – C, D	$6,763,098,421	$6,607,237,272	$7,482,936,493	$7,849,427,432	$8,606,466,718	$9,081,049,174	$8,650,342,163	$8,608,524,104
IV. Health – E, F, G, H	$32,467,848,393	$34,291,368,120	$34,937,783,480	$36,498,630,815	$39,220,371,461	$38,590,668,467	$39,492,994,038	$42,526,364,397
V. Human Services – I, J, K, L, M, N, O, P	$62,034,326,553	$62,172,446,315	$64,906,545,634	$69,202,107,473	$68,405,590,274	$69,595,548,362	$73,836,816,612	$78,774,777,680
VI. International, Foreign Affairs – Q	$17,153,805,316	$18,911,265,535	$23,262,010,960	$22,021,365,255	$24,387,003,189	$25,469,472,708	$25,472,340,355	$24,756,416,619
VII. Public, Societal Benefit – R, S, T, U, V, W	$33,761,317,891	$36,616,929,863	$39,963,774,018	$45,477,587,839	$46,695,449,343	$45,929,266,207	$38,550,256,555	$41,604,089,916
VIII. Religion Related – X	$5,134,959,538	$5,444,251,744	$6,272,193,903	$6,624,544,306	$7,119,400,426	$6,894,732,772	$6,912,983,853	$7,235,096,615
IX. Mutual/Membership Benefit – Y	$254,003,262	$198,089,578	$194,084,069	$246,634,708	$200,126,754	$229,691,879	$246,314,654	$287,100,301
Total	$198,953,249,456	$209,235,844,927	$223,052,456,610	$238,437,914,110	$254,555,516,747	$258,880,278,465	$247,882,235,539	$258,058,691,037
Eds (higher education)	$28,408,240,935	$31,077,940,847	$32,098,725,477	$34,320,387,640	$34,681,760,154	$32,113,502,680	$27,190,779,689	$28,711,042,584
Meds (hospitals)	$14,040,830,342	$14,551,810,644	$15,130,194,082	$17,106,501,012	$17,362,673,041	$16,717,479,711	$15,756,321,485	$17,214,846,376
Total Eds and Meds	$42,449,071,276	$45,629,751,491	$47,228,919,560	$51,426,888,652	$52,044,433,195	$48,830,982,390	$42,947,101,174	$45,925,888,960

Category	2011	2012	2013	2014	2015	Change, 2007–2010	Change, 2007–2015	Change, 2010–2015
I. Arts, Culture, and Humanities – A	$16,716,346,763	$16,263,694,895	$16,486,654,730	$17,767,333,502	$18,900,200,177	–2.7%	9.2%	12.3%
II. Education – B	$37,092,296,843	$38,047,379,851	$67,873,854,851	$41,687,263,287	$45,049,200,055	–12.2%	5.8%	20.5%
III. Environment and Animals – C, D	$9,200,725,732	$9,475,963,290	$9,647,535,158	$9,728,275,337	$10,006,510,041	0.0%	16.3%	16.2%
IV. Health – E, F, G, H	$41,754,015,623	$40,824,965,324	$42,176,765,077	$43,840,479,992	$42,679,932,393	8.4%	8.8%	0.4%
V. Human Services – I, J, K, L, M, N, O, P	$78,761,561,081	$77,006,792,653	$76,436,943,451	$79,105,081,633	$79,558,532,653	15.2%	16.3%	1.0%
VI. International, Foreign Affairs – Q	$25,304,785,981	$23,646,535,134	$23,366,022,655	$23,277,766,985	$27,884,350,194	1.5%	14.3%	12.6%
VII. Public, Societal Benefit – R, S, T, U, V, W	$48,028,931,308	$50,569,148,864	$53,038,588,951	$54,960,484,057	$56,872,059,313	–10.9%	21.8%	36.7%
VIII. Religion Related – X	$7,331,082,631	$7,374,584,104	$6,971,777,751	$8,128,491,415	$9,564,014,217	1.6%	34.3%	32.2%
IX. Mutual/Membership Benefit – Y	$266,477,093	$235,491,433	$185,243,245	$214,957,250	$294,798,872	43.5%	47.3%	2.7%
Total	$264,498,712,226	$263,486,459,475	$296,239,560,385	$278,800,251,067	$290,934,827,061	1.4%	14.3%	12.7%
Eds (higher education)	$34,523,077,077	$33,434,943,610	$31,987,673,297	$34,188,237,250	$36,723,560,401	–17.2%	5.9%	27.9%
Meds (hospitals)	$18,733,633,927	$19,226,471,459	$17,373,000,967	$18,621,558,889	$18,841,648,381	–0.9%	8.5%	9.4%
Total Eds and Meds	$53,256,711,004	$52,661,415,069	$49,360,674,264	$52,809,796,139	$55,565,208,782	–11.8%	6.8%	21.0%

Program Service Revenues (adjusted for inflation – 2007 dollars)

Category	2003	2004	2005	2006	2007	2008	2009	2010
I. Arts, Culture, and Humanities - A	$8,072,595,853	$8,199,263,607	$8,228,377,775	$8,520,966,818	$8,952,444,703	$8,960,570,565	$9,672,886,748	$9,981,309,892
II. Education - B	$28,499,238,248	$30,087,222,567	$32,341,774,870	$34,120,066,432	$35,029,368,888	$36,735,741,545	$37,011,276,546	$38,009,506,829
III. Environment and Animals - C, D	$3,159,156,647	$3,250,474,617	$3,332,095,734	$3,623,051,561	$3,927,394,848	$3,906,990,218	$3,844,927,670	$3,944,543,945
IV. Health - E, F, G, H	$61,374,446,043	$65,439,546,374	$68,114,136,750	$71,958,911,347	$75,831,819,580	$77,879,342,456	$82,945,068,262	$88,063,677,726
V. Human Services - I, J, K, L, M, N, O, P	$80,307,468,302	$83,121,871,809	$84,429,465,805	$87,379,506,572	$90,241,567,679	$91,718,681,790	$93,512,056,084	$94,449,652,112
VI. International, Foreign Affairs - Q	$1,735,150,254	$1,988,692,866	$2,246,337,980	$2,336,849,595	$2,466,556,590	$2,221,366,511	$2,199,196,487	$2,718,661,383
VII. Public, Societal Benefit - R, S, T, U, V, W	$16,166,660,152	$16,721,540,551	$18,326,522,630	$19,517,814,335	$19,842,227,939	$20,591,583,790	$20,178,178,094	$20,372,316,650
VIII. Religion Related - X	$2,367,609,416	$2,403,760,980	$2,425,918,040	$2,506,462,646	$2,661,470,691	$2,886,844,166	$3,061,647,965	$3,167,573,558
IX. Mutual/Membership Benefit - Y	$1,616,255,858	$1,925,630,002	$1,521,416,264	$1,491,646,253	$1,466,574,532	$1,390,446,827	$1,202,946,439	$1,919,291,823
Total	$203,300,697,703	$213,142,542,495	$220,972,273,801	$231,463,883,544	$240,427,526,257	$246,306,875,978	$253,650,512,242	$262,648,280,046
Eds (higher education)	$80,059,550,402	$84,575,113,697	$89,672,883,823	$96,836,754,374	$98,069,268,974	$90,717,569,034	$103,139,640,935	$107,005,941,528
Meds (hospitals)	$521,470,899,271	$548,965,110,565	$565,177,811,433	$586,993,762,102	$613,133,692,996	$619,452,468,130	$658,402,637,594	$671,890,216,399
Total Eds and Meds	$601,530,449,673	$633,540,224,261	$654,850,695,256	$683,830,516,475	$711,202,961,970	$710,170,037,165	$761,542,278,529	$778,896,157,927

Program Service Revenues (adjusted for inflation – 2007 dollars) *continued*

Category	2011	2012	2013	2014	2015	Change, 2007–2010	Change, 2007–2015	Change, 2010–2015
I. Arts, Culture, and Humanities - A	$10,160,722,896	$9,384,082,527	$9,588,145,426	$11,150,356,215	$11,550,889,532	11.5%	29.0%	15.7%
II. Education - B	$38,519,382,391	$40,089,728,159	$41,328,585,282	$41,825,677,848	$42,648,961,704	8.5%	21.8%	12.2%
III. Environment and Animals - C, D	$4,069,561,154	$3,945,731,034	$4,033,202,938	$4,095,529,798	$4,298,646,177	0.4%	9.5%	9.0%
IV. Health - E, F, G, H	$91,307,653,209	$97,166,400,081	$101,255,715,206	$113,516,568,738	$117,035,838,718	16.1%	54.3%	32.9%
V. Human Services - I, J, K, L, M, N, O, P	$95,471,923,866	$96,443,461,659	$96,142,197,174	$99,026,115,546	$100,829,967,206	4.7%	11.7%	6.8%
VI. International, Foreign Affairs - Q	$2,896,380,333	$3,057,043,640	$3,050,349,410	$3,118,926,932	$2,905,383,178	10.2%	17.8%	6.9%
VII. Public, Societal Benefit - R, S, T, U, V, W	$22,163,451,811	$21,628,390,072	$20,660,344,128	$22,209,434,608	$21,175,733,412	2.7%	6.7%	3.9%
VIII. Religion Related - X	$3,165,617,635	$3,260,931,504	$3,493,623,234	$3,897,360,008	$4,022,737,473	19.0%	51.1%	27.0%
IX. Mutual/Membership Benefit - Y	$1,599,125,911	$1,648,241,031	$1,725,187,291	$1,714,413,976	$1,966,068,041	30.9%	34.1%	2.4%
Total	$269,379,380,282	$276,661,237,336	$281,322,965,671	$300,639,697,166	$306,768,580,020	18.3%	9.2%	27.6%
Eds (higher education)	$114,766,443,129	$122,724,880,003	$121,582,435,737	$129,275,471,529	$139,376,654,674	22.5%	9.1%	42.1%
Meds (hospitals)	$673,699,288,143	$693,564,974,450	$686,377,526,366	$713,363,262,284	$755,930,460,471	17.6%	9.6%	23.3%
Total Eds and Meds	$788,465,731,272	$816,289,854,453	$807,959,962,103	$842,638,733,813	$895,307,115,144	18.2%	9.5%	25.9%

Churn, 2003–2004

Category	Exited sample, 2004	No change in status, 2003–2004	Entered sample, 2004
AR	5.1%	88.1%	6.8%
ED	4.2%	89.5%	6.4%
EN	3.9%	89.5%	6.5%
HE	4.4%	89.7%	5.9%
HU	4.0%	90.2%	5.8%
IN	4.4%	89.1%	6.5%
PU	5.1%	87.2%	7.7%
RE	4.7%	88.4%	7.0%
MU	5.1%	88.4%	6.5%
Total	4.4%	89.3%	6.4%
Eds (higher education)	2.1%	95.0%	2.9%
Meds (hospitals)	2.9%	94.1%	3.0%
All Eds and Meds	2.7%	94.3%	3.0%

Churn, 2008–2009

Category	Exited sample, 2009	No change in status, 2008–2009	Entered sample, 2009
AR	8.2%	85.2%	6.6%
ED	7.6%	85.6%	6.8%
EN	7.0%	85.6%	7.4%
HE	6.8%	87.6%	5.7%
HU	6.1%	87.8%	6.1%
IN	7.7%	84.8%	7.5%
PU	9.3%	84.0%	6.7%
RE	8.1%	84.1%	7.8%
MU	9.8%	83.1%	7.2%
Total	7.3%	86.2%	6.5%
Eds (higher education)	3.8%	91.1%	5.1%
Meds (hospitals)	4.1%	92.0%	3.9%
All Eds and Meds	4.0%	91.7%	4.2%

Churn, 2014–2015

Category	Exited sample, 2015	No change in status, 2014–2015	Entered sample, 2015
AR	9.5%	81.3%	9.2%
ED	10.3%	81.5%	8.2%
EN	9.0%	80.2%	10.7%
HE	7.8%	85.6%	6.6%
HU	8.5%	83.7%	7.8%
IN	8.4%	82.4%	9.2%
PU	9.0%	82.0%	8.9%
RE	8.6%	81.5%	10.0%
MU	9.9%	78.5%	11.6%
Total	8.9%	82.8%	8.3%
Eds (higher education)	7.3%	88.3%	4.4%
Meds (hospitals)	5.4%	91.4%	3.2%
All Eds and Meds	5.8%	90.7%	3.5%

Closures, 2005–2007

Category	Nonprofits did not close during 2005–2007	Nonprofits closed during 2005–2007
AR	90.4%	9.6%
ED	89.9%	10.1%
EN	90.9%	9.1%
HE	90.2%	9.8%
HU	91.4%	8.6%
IN	84.4%	15.6%
PU	87.6%	12.4%
RE	82.6%	17.4%
MU	87.3%	12.7%
Total	89.8%	10.2%
Eds (higher education)	96.4%	3.6%
Meds (hospitals)	92.9%	7.1%
All Eds and Meds	93.7%	6.3%

Closures, 2008–2010

Category	Nonprofits did not close during 2008–2010	Nonprofits closed during 2008–2010
AR	86.9%	13.1%
ED	86.4%	13.6%
EN	88.4%	11.6%
HE	86.9%	13.1%
HU	89.2%	10.8%
IN	81.0%	19.0%
PU	82.1%	17.9%
RE	78.7%	21.3%
MU	78.7%	21.3%
Total	86.5%	13.5%
Eds (higher education)	96.1%	3.9%
Meds (hospitals)	89.9%	10.1%
All Eds and Meds	91.4%	8.6%

Closures, 2011–2013		
Category	Nonprofits did not close during 2011–2013	Nonprofits closed during 2011–2013
AR	92.1%	7.9%
ED	92.2%	7.8%
EN	91.7%	8.3%
HE	90.7%	9.3%
HU	92.5%	7.5%
IN	89.5%	10.5%
PU	90.9%	9.1%
RE	90.1%	9.9%
MU	91.2%	8.8%
Total	91.8%	8.2%
Eds (higher education)	96.4%	3.6%
Meds (hospitals)	92.4%	7.6%
All Eds and Meds	93.4%	6.6%

Closures, 2008–2013		
Category	Nonprofits did not close during 2008–2013	Nonprofits closed during 2008–2013
AR	79.0%	21.0%
ED	78.6%	21.4%
EN	80.1%	19.9%
HE	77.5%	22.5%
HU	81.7%	18.3%
IN	70.5%	29.5%
PU	73.1%	26.9%
RE	68.9%	31.1%
MU	69.9%	30.1%
Total	78.3%	21.7%
Eds (higher education)	92.5%	7.5%
Meds (hospitals)	82.3%	17.7%
All Eds and Meds	84.8%	15.2%

Lost ≥ 20% of total assets, 2007 vs 2010		
Category	Not a big loser	Big loser
AR	71.7%	28.3%
ED	77.7%	22.3%
EN	77.5%	22.5%
HE	76.9%	23.1%
HU	79.1%	20.9%
IN	67.7%	32.3%
PU	73.4%	26.6%
RE	71.4%	28.6%
MU	73.5%	26.5%
Total	76.6%	23.4%
Eds (higher education)	87.3%	12.7%
Meds (hospitals)	85.5%	14.5%
All Eds and Meds	85.9%	14.1%

Gained ≥ 20% of total assets, 2010 vs 2015		
Category	Not a big winner	Big winner
AR	61.0%	39.0%
ED	55.5%	44.5%
EN	51.7%	48.3%
HE	56.9%	43.1%
HU	64.1%	35.9%
IN	54.9%	45.1%
PU	58.6%	41.4%
RE	59.8%	40.2%
MU	56.6%	43.4%
Total	60.2%	39.8%
Eds (higher education)	58.2%	41.8%
Meds (hospitals)	58.6%	41.4%
All Eds and Meds	58.5%	41.5%

Lost ≥ 20% of total assets, 2007 vs 2015		
Category	Not a big loser	Big loser
AR	69.0%	31.0%
ED	76.3%	23.7%
EN	78.0%	22.0%
HE	74.3%	25.7%
HU	69.4%	30.6%
IN	68.3%	31.7%
PU	72.3%	27.7%
RE	67.8%	32.2%
MU	71.9%	28.1%
Total	71.6%	28.4%
Eds (higher education)	85.6%	14.4%
Meds (hospitals)	78.8%	21.2%
All Eds and Meds	80.6%	19.4%

Gained ≥ 20% of total assets, 2007 vs 2015		
Category	Not a big winner	Big winner
AR	58.1%	41.9%
ED	51.5%	48.5%
EN	45.4%	54.6%
HE	50.9%	49.1%
HU	56.8%	43.2%
IN	50.4%	49.6%
PU	54.6%	45.4%
RE	55.8%	44.2%
MU	55.2%	44.8%
Total	54.5%	45.5%
Eds (higher education)	56.6%	43.4%
Meds (hospitals)	51.1%	48.9%
All Eds and Meds	52.5%	47.5%

This suggests that the sector was perhaps too focused on the recovery of its own institutions with respect to longer-term fiscal health, instead of on the longer-term recovery and advancement of the financial well-being of its constituents. While we do not suggest that this sector in any way ignored the immediate needs of its communities during the depth of the last downturn, we do conclude that by remaining inactive on tax and regulatory policies, the sector has enabled an economy that is increasingly regressive and threatening to our democracy and the well-being of present and future generations.

One of the laws of systems is that "morality is foresight"—and through that lens, our moral compasses look less than fully functional.

The authors thank Jon Pratt, Kari Aanestad, and River Fiocco for their invaluable contributions to this article.

Notes

1. See Deondre' Jones, "National Taxonomy of Exempt Entities (NTEE) Codes," Urban Institute National Center for Charitable Statistics, last modified April 2, 2019, nccs.urban.org/project/national-taxonomy-exempt-entities-ntee-codes.
2. A public charity can retain its tax-exempt status even after not filing its 990 for two consecutive years. Therefore, because the NCCS Core Trend files only have data through fiscal year 2015, we are unable to identify public charities that closed after 2013.
3. Data taken from the NCCS Core Trend files for public charities. See the "Data and Methodology" section on pp. 16–20 for more details.
4. Ibid.
5. See James H. Carr, "Why Recovery from the Great Recession Favored the Wealthy: The Role of Public Policy," in this issue.
6. Data taken from the NCCS Core Trend files for public charities. See the "Data and Methodology" section on pp. 16–20 for more details.
7. The editors, "San Jose Repertory Theatre: San Jose, California," in "High Anxiety," *Nonprofit Quarterly* 16, no. 1 (Spring 2009); published online March 21, 2009, nonprofitquarterly.org/high-anxiety/. (Reproduced with minor edits.)
8. The editors, "Higher Achievement: Washington, D.C.," in "High Anxiety." (Reproduced with minor edits.)
9. Ibid.
10. See Rick Cohen, "A CDC Struggles amid Recession," *Nonprofit Quarterly*, May 25, 2010, nonprofitquarterly.org/nonprofit-newswire-a-cdc-stuggles-amid-recession/.
11. See Lonnie Powers, "Tied to the Railroad Track Once Again: The Perils of Legal Aid Funding," *Nonprofit Quarterly*, February 23, 2011, nonprofitquarterly.org/tied-to-the-railroad-track-once-again-the-perils-of-legal-aid-funding/.
12. Patrick M. Rooney, "Where Have All the Donors Gone? The Continued Decline of the Small Donor and the Growth of Megadonors," *Nonprofit Quarterly* 26, no. 4 (Winter 2019): 20–31.
13. Bill Levis et al., *2019 Fundraising Effectiveness Survey Report* (Arlington, VA: Association of Fundraising Professionals, March 2019).
14. Ibid.
15. "Percent changes in real mean wealth since the onset of the Great Recession," in Lisa Dettling, Joanne Hsu, and Elizabeth Llanes, "A Wealthless Recovery? Asset Ownership and the Uneven Recovery from the Great Recession," FEDS Notes, Board of Governors of the Federal Reserve System, September 13, 2018, www.federalreserve.gov/econres/notes/feds-notes/asset-ownership-and-the-uneven-recovery-from-the-great-recession-20180913.htm.

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Recession Outcomes and the Urgent Need for a Less Self-Centered Nonprofit Sector

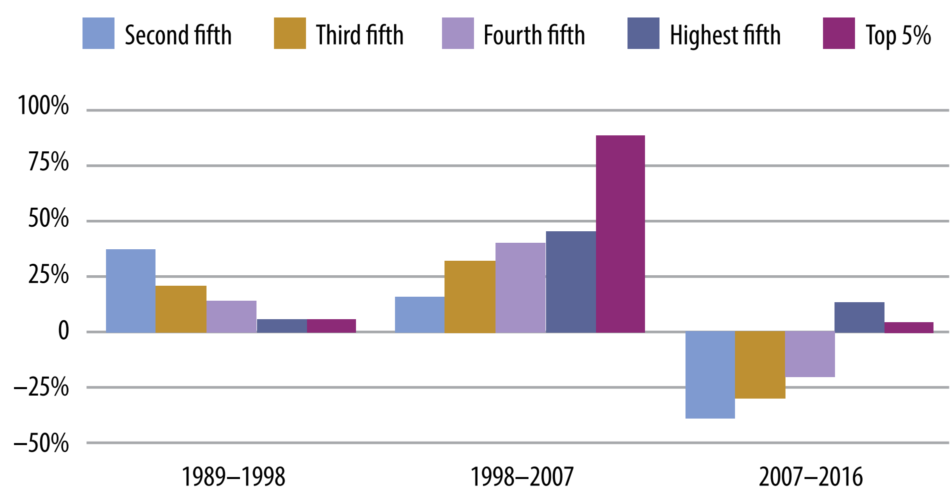
by the editors

Even as nonprofits largely held their own as institutions during and immediately after the Great Recession—albeit with the asset divide between the haves and have-nots widening—many of the communities we serve were not so fortunate. A recent summary by the Pew Research Center summarizes a dynamic of growing wealth inequality that was accelerated by the recession and recovery.[1] In that summary, the following graph shows the reality of the winning and losing households, illustrating that the only families to have gained wealth during the recovery were the richest fifth. If you fell below that top fifth, the poorer you were at the start of the recession, the more you lost during and after the recession.

This suggests that we may have been paying more attention to the long-term prospects and sustainability of our organizations over those of most of our constituents—or that we do not see ourselves as players in the larger tax and budgeting activities of this country. This imbalance

Figure 1: **The richest families are the only group to have gained wealth since the Great Recession**[2]

% change in median family wealth, by wealth quintile and for the top 5%



Note: Data for families in the first quintile (bottom 20%) are not shown. Their median wealth was as follows: 1989 – $0; 1998 – $0; 2007 – $36; and 2016 – negative $1,099 (figures in 2018 dollars).

Source: Pew Research Center analysis of the Survey of Consumer Finances. "Most Americans Say There Is Too Much Economic Inequality in the U.S., but Fewer Than Half Call It a Top Priority."

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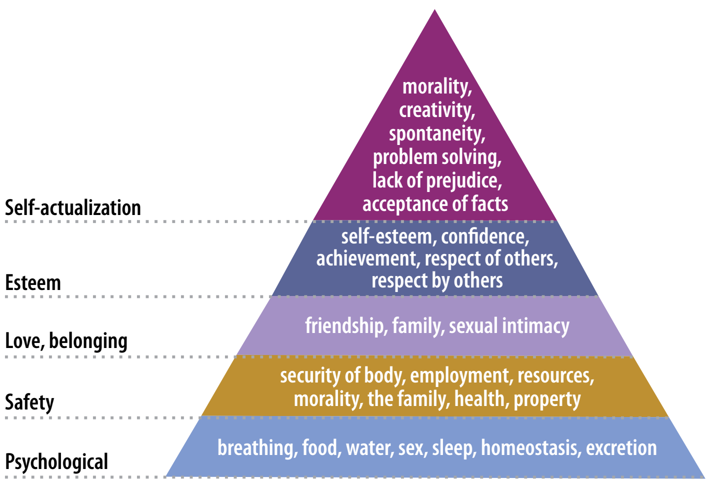
"RIVERS OF GOLD" BY BERIT BREDAHL/WWW.ARTBERIT.COM

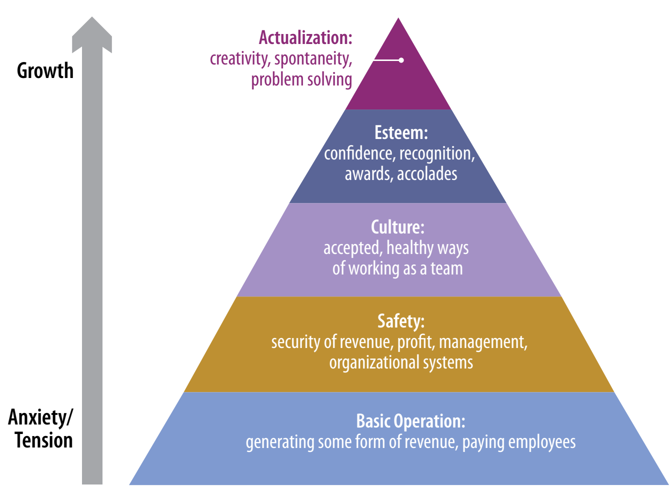
can be seen by contrasting Maslow's hierarchy of needs of individuals (and communities of individuals) with that of organizations, as consultant Virginia Ginsburg does in her article "Unstable Organizations Can't Grow."[3] In the organizational hierarchy of needs, these two priority sets compete for our attention, creating the possibility that we will place institutional interests above those of constituents unless the balance is kept in conscious play.

Figure 2: **Maslow's Hierarchy of Needs**



Recreated from Virginia Ginsburg, "Unstable Organizations Can't Grow," Women On Business, August 29, 2014, www.womenonbusiness.com/unstable-organizations-cant-grow/, with permission.

Figure 3: **Organizational Hierarchy of Needs**



Recreated from Virginia Ginsburg, "Unstable Organizations Can't Grow," Women on Business, August 29, 2014, www.womenonbusiness.com/unstable-organizations-cant-grow/, with permission.

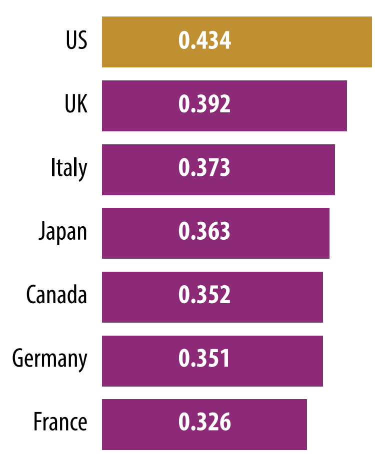
The only way we think that can be done is to prioritize the well-being of the community over the sustainability needs of the organization. We suggest this because the principle behind the hierarchy is that entities tend to serve their own basic sustainability needs first and foremost, yet nonprofit organizations are meant to serve the public first. Therefore, in times of organizational threat, the balancing process needs to be brought to high consciousness and used as a guidance system in governance. And while part of that governance is at the organizational level (as the board), another part of it is at a more macro level (as networks and infrastructure). Both levels should think very carefully about their agendas for a reversal of the wealth gap and all of the disparities that go with it, before another recession hits.

If one understands nonprofits as being organized for the larger public good—and unless one thinks that having the highest level of income inequality among the G7 countries is a good thing—the recession and postrecession periods cannot be seen as a success in terms of our outcomes. As institutions, we flourished

Figure 4[4]

U.S. has highest level of income inequality among G7 countries

Gini coefficient of gross income inequality, latest year available.



Source: Organization for Economic Cooperation and Development.
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and showed resilience, and no doubt relieved a good deal of pain, during the recession—but the trends toward widening inequality and a declining middle class have advanced significantly.

The disproportionately negative financial effects that the recession and recovery have had on communities of people of color, which the Roosevelt Institute's James Carr details elsewhere in this edition, speak to the need for more comprehensive advocacy work where financial policies are concerned—including, but not limited to, tax policy and government budgets.[5] The disproportion implies that we have spent so much time in short-term responsive behavior that we have lost the muscle for affirmative advocacy on the issues most fundamental to a healthy democracy. So, here we are in 2020 facing critical elections. Is the sector capable of focusing on long-term tax and financial policies that will benefit and protect our stakeholders?

Is the sector capable of focusing on long-term tax and financial policies that will benefit and protect our stakeholders?

Reparations: Why It Matters in Economics

Although this has changed somewhat in the years since Black Lives Matter appeared on the scene, there is often a tendency to try to be "race neutral" in economics. Even today, that legacy continues. In January 2020, the Roosevelt Institute, a left-of-center think tank, failed to even mention reparations in its report, *The Emerging Worldview: How New Progressivism Is Moving Beyond Neoliberalism*.[6] For many (if not all) powers that be, the idea of race

TEN (OF MANY) ECONOMIC POLICY ISSUES THAT NEED OUR ATTENTION

1. **Amend the tax code to create more equitable ownership of wealth.** Instead of lowering taxes on the wealthy, as the 2017 tax bill did, increase taxes on the wealthy and use the money to create healthier, more vibrant, and sustainable communities. And while we're at it, create tax breaks for support of and services to children, up to and including the seeding of bank accounts that will provide appreciable assets for every child.

2. **Raise wages to living wage status**, starting with phasing in a raise in the federal minimum wage to at least $15 an hour, as some cities and states have already done. This would help to raise the wage floor, benefiting not just minimum-wage workers but also those who earn somewhat above the minimum. Also, impose wage ratio standards on business.

3. **Make reparations a priority.** Reparations, of course, are not merely a matter of economics, and there are many ways to structure the economic component of reparations. What is clear is that poverty is heavily correlated with race in the United States, so our economic policy advocacy needs to address that.

4. **Support the Green New Deal**, and ensure that co-ops and other forms of community-centered organizations play a leading role. The future of our planet is at stake, so our sector should act accordingly.

5. **Support Medicare for All.** An underestimated driver of inequality in the United States is access to healthcare. With more than half of all U.S. bankruptcies stemming at least in part from medically induced debt, having the United States join Canada and other nations in providing basic healthcare for all citizens seems like an obvious sector-wide advocacy demand.

6. **Empower workers.** One of the most important drivers of inequality has been the vitiating of unions. It is notable that when unionization rates climbed at midcentury, inequality fell, and as unionization rates have fallen, inequality has climbed. The Protecting Rights to Organize (PRO) Act would rebalance the scales by speeding union elections, making employer violations subject to meaningful penalties, banning permanent replacement of strikers, and getting rid of "right-to-work" laws that weaken union finances.

7. **Protect consumers against banks.** Over the years, the federal government has increased the power of banks and lessened consumer rights (most recently with the 2005 bankruptcy law). It is time to do the reverse. Stronger "cramdown" provisions—that is, provisions that allow judges to write down debt owed by borrowers, such as mortgages—would increase individuals' bargaining power and reduce foreclosure rates.

8. **Extend the Community Reinvestment Act to cover all mortgage lenders.** The Community Reinvestment Act was meant to ensure that "safe-and-sound" lending took place in low- and moderate-income communities, but it only applies to banks and thrifts, the leading private lenders of their time. Back in 1977, when the law was created, nearly all mortgages originated with banks. Now, fewer than half do. It is time for these other lenders (including mortgage brokers and credit unions) to face the same rules.

9. **Make early education funding and public funding of child care a priority.** Study after study shows that providing support early in life pays off highly later in life. Yet our government policy puts this among the lowest of public priorities, leaving our nonprofit sector picking up the pieces. It is time to move toward universal access to child care and pre-K education.

10. **Support free public higher education for all.** The failure to keep public higher education affordable has not only heightened youth anxiety levels and created a generation of indebtedness to the tune of $1.6 trillion but also dissuaded talent from joining the nonprofit sector (debt forgiveness programs that don't really work don't help) and diminished our collective sense of possibility. This must change.

For many (if not all) powers that be, the idea of race neutrality is tempting. Race, after all, is full of conflict. It asks uncomfortable questions of those least used to discomfort.

neutrality is tempting. Race, after all, is full of conflict. It asks uncomfortable questions of those least used to discomfort. And don't "economic problems" require "economic solutions?"

In other words, if you increase taxes on the wealthy, strengthen regulations, split up large companies, support unions and cooperatives, and so on, won't that end up narrowing racial disparities anyway?

In 2020, during a presidency based on white supremacy, a race-neutral approach to economics might seem especially absurd; but that approach has been (narrowly) effective in the past. In the 1940s—long before the peak of the civil rights movement—racial disparities in wages declined at what economist Robert Margo called an "unusually rapid pace."[7] The reasons had little to do with civil rights law and a lot to do with an expanding economy and a growing unionization rate. Today, declining unionization is leading to increased racial disparities in wages.[8]

But more important overall, race-neutral approaches ignore assets—that is, *how people got their wealth*. And, in the United States, it is hard to ignore two central facts of asset allocation. First, the original inhabitants, the nation's Native American populations, were subjected to genocide and had the overwhelming majority of their lands violently taken from them and turned into a commodity. U.S. wealth is tied up in and has continued to expand from this stolen land (and what gets extracted from and grown off of and built on it). Second, a lot of U.S. wealth is tied up in and has continued to grow off of wealth generated by African Americans, held in bondage for hundreds of years and, as slaves, entirely uncompensated for their labor. Yale historian David Blight has said, "Slaves by 1860 were worth approximately $3.5 billion. That was the largest single asset in the entire U.S. economy. That was worth more than all railroads, more than all manufacturing, all other assets combined."[9] And, of course, the costs of racial discrimination in the 150-plus years since the Civil War ended have continued to mount.

As an economic textbook published in 2016 points out, a central principle of orthodox economics theory is that "endowments" (such as access to capital) are "given" (i.e., outside the model). The textbook authors write, "For orthodox economics, the institutions of exchange, such as markets, contract law, and contract enforcement, are assumed to be in place prior to economic agents exchanging. Additionally, by assuming that initial endowments are given, orthodox economics assumes the existence of income on the part of trading parties, but generally fails to recognize where income originates"—which, of course, is precisely the problem.[10]

So, beyond the moral imperative to make amends, there is in fact an inescapable economic issue. The possible approaches to addressing the wholesale theft of land and bodies are varied, and the answers surely will not be easy. That said, given the scale of America's twin sins of genocide and slavery, it is hard to imagine a path to a more people-centered, democratic economy that does not make reparations and repair central to its agenda.

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Deconstructing the (*Not-So-Great*) Nonprofit Recession

by Jon Pratt and Kari Aanestad

The U.S. economy in 2008 through 2009—at the peak of the Great Recession—as well as during the recession's immediate aftermath, was a personal financial disaster for millions of Americans. Ten million foreclosures were filed against homeowners in 2008 and 2009 (default notices, scheduled foreclosure auctions, bank repossessions);[1] 23 percent of private homes slid into negative equity by the third quarter of 2009;[2] and the U.S. unemployment rate jumped from 4.7 percent to over 10 percent.[3] (These last figures are now beginning to pale in the current pandemic context, with some predicting twice that rate of unemployment.) Bank failures, a shrinking economy, and shaken consumer confidence convinced Congress and a newly elected President Obama to pass a nearly $840 billion stimulus package to jump-start the economy: the American Recovery and Reinvestment Act.[4]

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Conventional wisdom has it that the recession must have been a difficult and painful period for the nonprofit sector, with reduced assets, funding, and employment—especially as, simultaneously, nonprofits saw exploding demand for such nonprofit services as food banks, emergency housing, fuel assistance, and employment counseling. But how difficult and painful was it?

By far the biggest news story of 2009, the Great Recession inspired no small amount of advice for nonprofits on how to cope with a shrinking economy, such as diversifying funding streams, using compassion when cutting staff, and launching social enterprises. As it turns out, most organizations survived this period. Now, with the benefit of a rearview mirror and big data, we can get an overview of what really happened across the breadth of the sector. Thanks to regularly collected government forms, employment data,

"BLUE PHOENIX" BY BERIT BREDAHL/WWW.ARTBERIT.COM

and IRS-required financial filings, we are able to review the recent history of the U.S. nonprofit sector in the areas of employment, revenues, and assets, and break it down further by field of activity and geography.

Nonprofit Employment: Where's the Dip?

News coverage of the state of the U.S. economy tends to focus on two numbers: the stock market and the unemployment rate. Below, a single chart (Figure 1) tells the barely known story of nonprofit economic resilience: *The most striking difference between nonprofits and businesses in 2009 was that nonprofit employers kept their employees.*[5]

Throughout the recession, the sector recorded steady growth in its number and share of the U.S. workforce, and nonprofit employers experienced fewer unemployment claims than their business counterparts.[6] Steady employment growth held true across all nonprofit activity areas during the recession, with 7 percent growth over five years.[7] Business employment dropped by 6 percent in

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Figure 1: **Changes in U.S. Employment**[8]

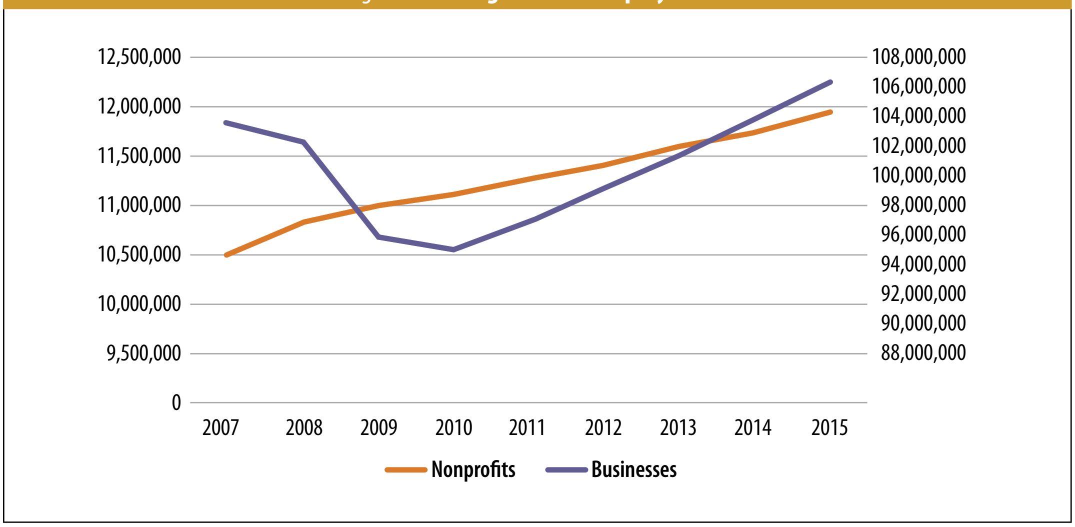
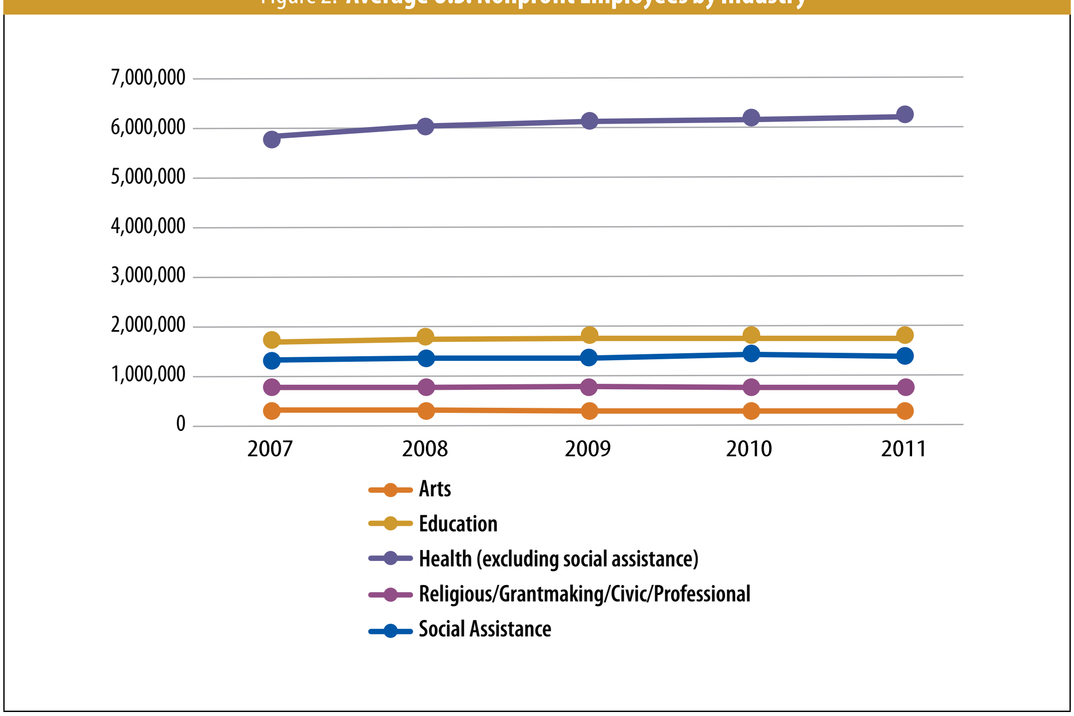


Figure 2: **Average U.S. Nonprofit Employees by Industry**[9]



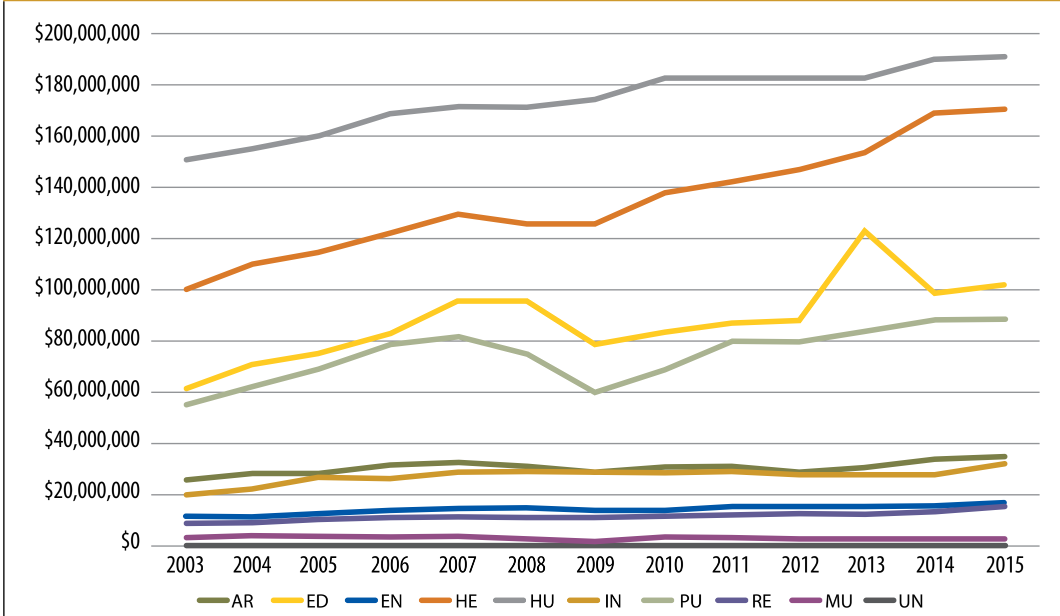
2009—a loss of 6.4 million jobs—a year in which *nonprofit employment grew by 1.5 percent.*[10]

Nonprofit Finances: Where's the Dip?

The top-line story here is that most parts of the nonprofit sector saw no reduction in overall financial resources, and actually grew throughout this period. Analysis of IRS Form 990 filings from 2003 to 2015 shows changes in total revenue over time in the ten major activity areas—and, separately, colleges and universities ("eds") and hospitals ("meds"), which are analyzed apart because they have such a distinct financial footprint. While some activity areas experienced fluctuations in the recession years (such as human services, which saw a 2 percent increase in total revenue from 2008 to 2009[11]), in most cases nonprofits saw a modest single-year reduction and a following-year recovery.[12] (See Figures 3 and 4.)

The top-line story here is that most parts of the nonprofit sector saw no reduction in overall financial resources, and actually grew throughout this period.

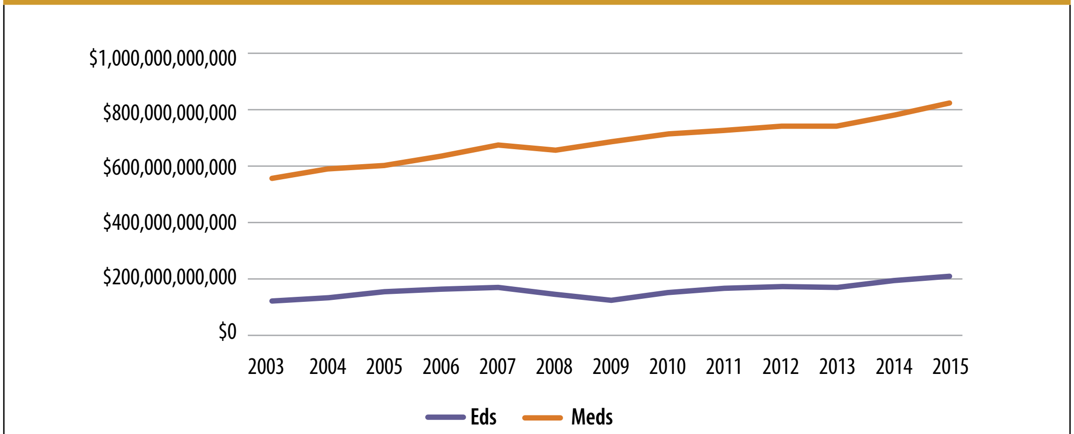
Figure 3: **Total Revenue by Activity Area** (2007 real dollars, adjusted for inflation)[13]



Code

AR = Arts (A)
ED = Education (B)
EN = Environment and Animals (C, D)
HE = Health (E, F, G, H)
HU = Human Services (I, J, K, L, M, N, O, P)
IN = International, Foreign Affairs (Q)
PU = Public, Societal Benefit (R, S, T, U, V, W)
RE = Religion Related (X)
MU = Mutual/Membership Benefit (Y)
UN = Unknown, Unclassified (Z)

Figure 4: **Total Revenue—Eds and Meds** (2007 real dollars, adjusted for inflation)[14]



Contributions

To understand the impacts of the recession on the U.S. nonprofit economy, it's also necessary to look beyond overall revenue and more closely at specific types of support. Charitable contributions are an important source of revenue for nonprofit organizations, at 18 percent of total nonprofit revenue.[15]

As Figure 5 illustrates, the area of nonprofit activity that showed the greatest decline in charitable contributions was the National Taxonomy of Exempt Entities (NTEE) category of "Public Benefit," which includes grantmaking organizations, United Ways, and community and industry associations.[16] Some of the biggest entities in this category are large charitable affiliates of the financial services industry (Fidelity Charitable, Schwab Charitable, etc.). Contributions to these intermediary organizations declined by 16 percent from 2008 to 2009 (and total revenue declined by 21 percent).[17]

While contributed revenue to nonprofit organizations in other activity areas (such as human services and the arts) is frequently used within the year it's received to fund operating expenses, contributed revenue to organizations in the public benefit activity area (particularly the charitable affiliates of the financial services industry) generally serves a different function, as an intermediary and discretionary contribution vehicle. Donors make decisions about contributions to these kinds of public benefit organizations as a part of wealth management for future charitable giving, including transfers into donor-advised funds (DAFs). There were several factors at play behind reduced contributions to public benefit organizations during the recession, including donors' uncertainty in the face of the market decline—reduction in the donor's charitable concern was not necessarily one of them. From 2007 to 2008, contributions to five of the largest DAF sponsors fell steeply: Vanguard, 20 percent; Fidelity, 40 percent; Schwab, 46 percent; Jewish Communal Fund, 52 percent; and Silicon Valley Community Foundation, 54 percent.[18]

Higher education (colleges and universities, aka "eds") also showed great decline in charitable contributions over the time frame. This nonprofit category is one of the most popular (along with basic needs and the arts) among high-net-worth individual donors.[19]

There were several factors at play behind reduced contributions to public benefit organizations during the recession, including donors' uncertainty in the face of the market decline.

Figure 5: **Total Contributions by Activity Area** (2007 real dollars, adjusted for inflation)[20]

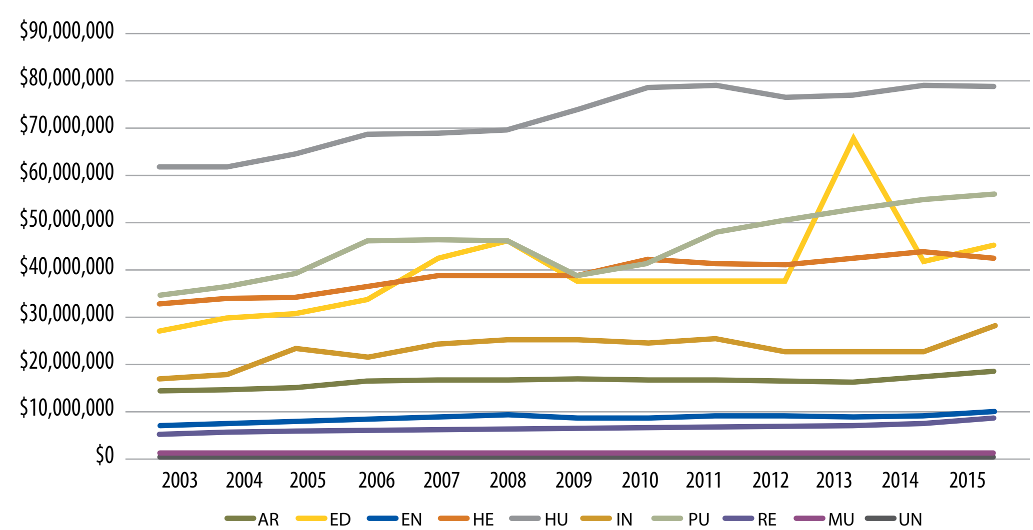


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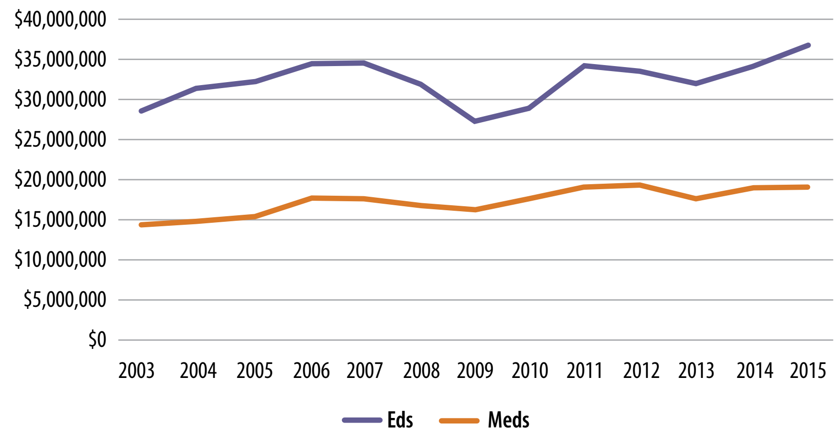
Figure 6: **Total Contributions to Eds and Meds**



While some had hoped foundations would adopt a "rainy day" strategy of increasing payout to be countercyclical by supporting communities hit hard by the recession, when their portfolios shrank, so did their grants.

For example, in 2017, colleges and universities received the second highest share of donations from America's wealthiest donors.[21] These donors weren't immune from the effects of the recession—in fact, the top 20 percent of households lost 14 percent of net worth.[22] Unsurprisingly, studies show that overall charitable giving from wealthy donors declined over this time.[23] With an increased demand on nonprofit services (especially basic needs), it appears higher education became a lower priority for wealthy donors during the recession, while other core areas (such as health and human services) grew in total contributions received during this time (see Figure 5). "Meds" (large hospitals and clinics), though, showed just a slight dip in contributions from 2008 to 2009 (see Figure 6).

Figure 7: **Changes in Foundation Assets and Grantmaking during the Great Recession**[24]

Year	Assets (in billions)	% Change	Grants Paid (in billions)	% Change
2007	$682		$44.3	
2008	$564	–17%	$46.7	5%
2009	$590	5%	$45.7	–2%
2010	$643	9%	$45.8	0%
2011	$662	3%	$48.9	7%
2015	$867	8%	$62.7	7%

Foundation Grants

Funding from grantmaking foundations also plays an important role in the nonprofit economy, especially for smaller organizations that receive a higher percentage of their total revenue from grants. It is common practice for foundations to base their total grantmaking on the performance of their assets. Foundation assets took a nosedive when the stock market fell during the recession. While some had hoped foundations would adopt a "rainy day" strategy of increasing payout

Figure 8: **Changes in Assets and Grantmaking among Top 5 U.S. Foundations during the Great Recession**[25]

	Year							
	2007–2008		2008–2009		2009–2010		2010–2011	
	Assets	Grants	Assets	Grants	Assets	Grants	Assets	Grants
Ford Foundation	–7%	–10%	4%	–3%	–4%	–8%	5%	17%
W. K. Kellogg Foundation	–13%	–10%	–0.1%	10%	5%	8%	–5%	2%
Robert Wood Johnson Foundation	–30%	24%	13%	–13%	8%	1%	–3%	8%
William and Flora Hewlett Foundation	–37%	–11%	10%	–9%	8%	4%	–1%	–2%
David and Lucile Packard Foundation	–29%	–2%	23%	–6%	7%	–7%	–5%	–7%

to be countercyclical by supporting communities hit hard by the recession,[26] when their portfolios shrank, so did their grants. Foundation assets dropped by $80 billion from 2007 to 2008, but by 2015, foundations' fortunes rebounded to $867 billion in assets and $62.7 billion in grants paid.[27] (See Figures 7 and 8.)

Ten Years Later, Data Challenges in Understanding Nonprofits in Real Time

Every year, nonprofit managers and board members make decisions about trillions of dollars and millions of employees who make up 10 percent of the nation's workforce[28]—a major slice of the economy. In an ideal world, nonprofits would have access to current economic performance information in as close to real time as possible to support informed decision making. The media attractiveness of the Dow Jones or Standard & Poor's 500 numbers isn't so much that they are highly accurate measures of the U.S. economy as that they are reported every day and show change over time.

For the nonprofit economy, tracking economic activity with quarterly employment filings or annual IRS forms means waiting one to three years (or longer) for aggregated data. Data on nonprofit finances are mainly available via the Form 990, which in theory requires nonprofits to file four-and-a-half months after the end of their fiscal year; but with automatic time extensions and delays in formatting and posting, the data become available much later.

As of this writing (February 2020), the most current data available would be 990 filings from 2018—stored in the IRS Master File[29]—for the most basic revenue, expenses, and assets. For a more complex picture of the nonprofit sector's financial performance (such as changes within different types of nonprofit revenue—for example, contributions and program fees), the most current data available would be the 990 public charities "Core" filings from 2015, available at the National Center for Charitable Statistics.[30] Researchers and practitioners are always waiting at least five years to get the most accurate picture of the nonprofit economy. This gap between available and desired nonprofit data access and timeliness has been addressed by the *Nonprofit Quarterly* for years—see, for example, "The Research System: A Public Utility on Which All Nonprofits (Should Be Able to) Depend"[31]—published during the deepest pit of the Great Recession, December 2008.

A country with substantial reliance on services from a broad network of nongovernmental organizations should invest more in nonprofit information infrastructure. The dilemma of long-term funding for resources like sector data is that foundations see themselves less as sustainers and more as pioneers and adventurers that explore new ground and then move on. For industry after industry, the U.S. departments of Commerce, Energy, Transportation, Labor, Health and Human Services, and Small Business Administration assume the responsibility of making data available. To maintain the core activities for an ongoing, widely accessible base of reliable and timely information on nonprofits might cost $15 million a year, which is a modest investment given the scale, scope, and expectations of the U.S. nonprofit sector.[32]

Without timely information, nonprofits end up with limited insights to support real-time decision making. Inadequate information also obscures both good and bad advice for nonprofits. Over the past decade, countless articles, blog posts, and consultants have advised nonprofits to pursue social enterprise—often defined in this context as the "productization" of a nonprofit's goods or services to generate new revenue. Adopting for-profit business strategies for social good, social enterprise is often touted as a counterbalance to the supposedly negative impacts of recession on nonprofits, because of the promise of new revenue. Board members, executive directors, donors, and grantmaking foundations took the advice to heart and invested time and money pursuing or supporting this avenue during the Great Recession. The irony is that businesses were hit the hardest, and nonprofits generally did well. The advice to "be more like businesses" caused some in the sector to pivot unnecessarily, and at their peril.

• • •

Without timely information, nonprofits end up with limited insights to support real-time decision making. Inadequate information also obscures both good and bad advice for nonprofits.

Under the strain of the Great Recession, nonprofits demonstrated that they are more than capable of autonomous decision making and self-governance.

Looking forward, in addition to wishing it had better information, the nonprofit sector can glean several lessons from its experience of the Great Recession:

- The impact of the next recession on nonprofits will likely depend on what a given organization's activity area is, and this article gives some insight into how different types of nonprofit organizations are funded and therefore impacted by changes in the stock market and donor behavior. Nonprofits should be wary of blanket advice for "The Sector": There is more than one way of understanding the sector, and differences among the types of nonprofits (and how they are funded) matter. Recommendations for additional reading are *NPQ*'s "Financial Strategy Tools: Cohort Analysis" and "Financial Independence: Six Approaches."[33]
- While the nonprofit sector fared well in the aggregate, parts of the sector were negatively impacted by the recession. The activity area that got hit the hardest was "Public Benefit," and the organizations in this category that saw the biggest drops in revenue were the charitable extensions of the financial services industry (such as Fidelity Charitable). Advice to nonprofits about how to survive the impact of a recession should be directed toward these groups. This part of the nonprofit sector is worth attending to separately because contributed revenue functions differently in these organizations.
- Not only did nonprofits continue to provide crucial community services at a time when financial losses hit communities hardest and drove up demand for nonprofit services, nonprofit organizations overall were also stable employers at a time when unemployment soared and businesses cut millions of jobs. Successfully delivering services, maintaining operations, weathering some financial losses, and successfully managing a diversity of revenue streams (all with different conditions attached) requires exceptional management skills and effective governance. Under the strain of the Great Recession, nonprofits demonstrated that they are more than capable of autonomous decision making and self-governance—and, as 10 percent of the nation's economy, are a crucial stabilizing force in communities nationwide.

With special thanks to Nathan Dietz, River Fiocco, and Grace Fogland, who provided thorough data analysis and research in support of this article.

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Why Recovery from the Great Recession Favored the Wealthy: The Role of Public Policy

by James H. Carr

The Great Recession, which engulfed the U.S. economy in December 2007 and lasted until June 2009, resulted in the loss of 8.7 million jobs,[1] an increase of unemployment from 4.7 percent to more than 10 percent,[2] a decline in annual gross domestic product (GDP) of roughly 6 percent,[3] and a greater than 50 percent drop in the Dow Jones Industrial Average, relative to its 2007 high.[4] The housing sector, which was the epicenter of the economic collapse, experienced a 33 percent fall in home prices nationally,[5] 10 million home foreclosures,[6] and $9.8 trillion dollars in lost home equity.[7] Massive losses among housing finance–related institutions nearly triggered the collapse of the entire U.S. financial system.[8] Combined, U.S. households experienced a total loss of roughly $16.4 trillion.[9] As summed up by the U.S. Federal Reserve Bank, "From peak to trough, [the 2007–2009 economic downturn was] the deepest recession since World War II."[10]

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All demographic groups experienced a loss of wealth during the 2007–2009 recession, but lower- and moderate-income populations and people of color suffered the greatest economic damage. The Pew Research Center estimates that between 2007 and 2013, median net wealth for Latinx and Black households fell 44.3 percent and 47.6 percent, respectively. Non-Latinx white wealth fell by 26.2 percent.[11] Percentage losses in wealth, however, understate the negative economic impact of the Great Recession on Black and Latinx households relative to non-Latinx white households. In 2013, the median wealth of non-Latinx white households was $142,000—thirteen times the median net worth of Black households ($11,000) and ten times that of Latinx households ($13,700).[12]

Disproportionately greater unemployment rates for Black and Latinx folks during the Great Recession contributed to higher wealth losses for those populations relative to non-Latinx whites. Unemployment for Blacks and Latinxs peaked at 16 percent and 12.5 percent, respectively. Non-Latinx white unemployment peaked at 8.7 percent. Although Asian Americans lost substantial wealth during the recession, their

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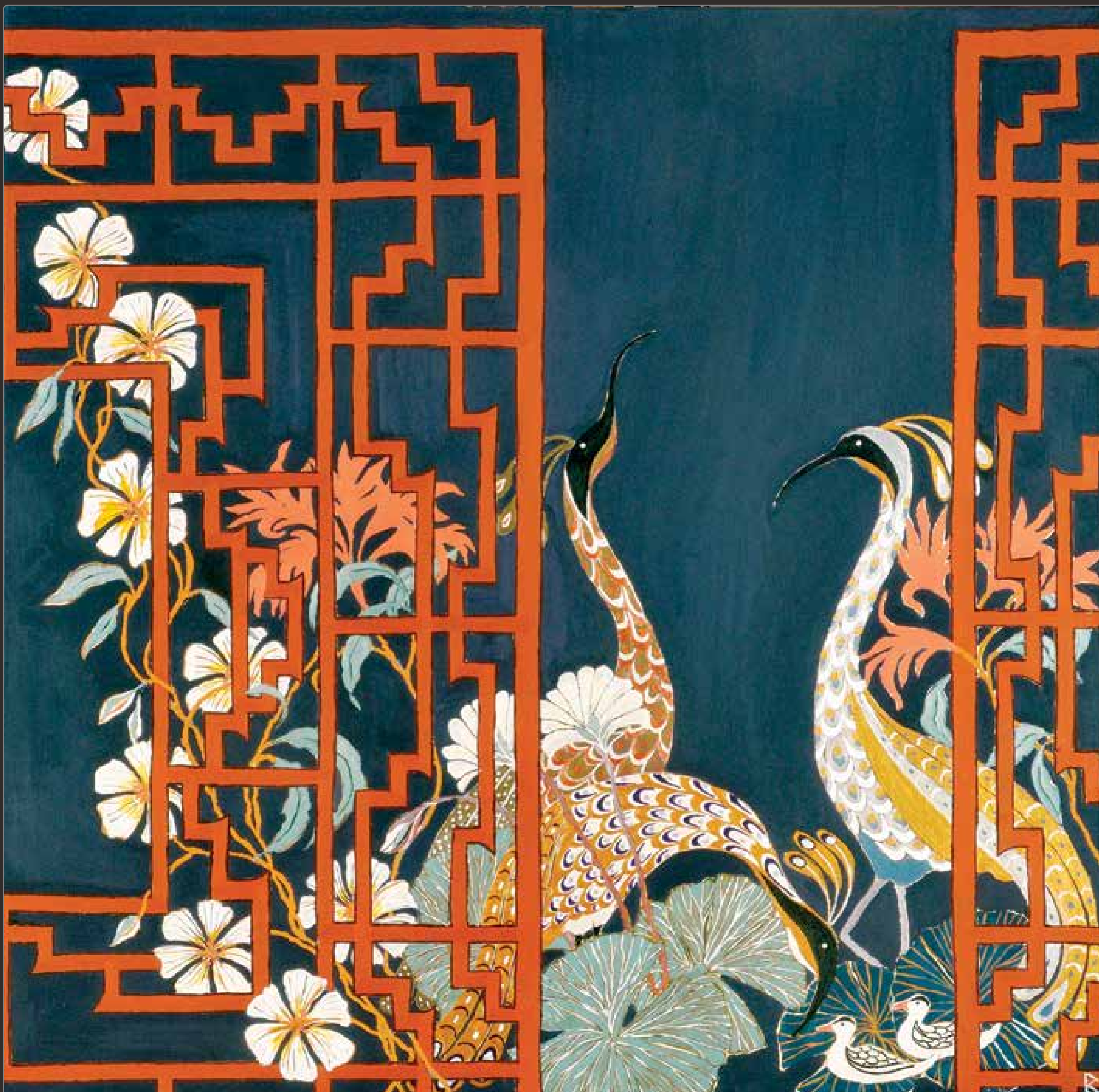


unemployment rate remained below that of non-Latinx whites, at 7.5 percent.[13] (See Figure 1.)

Rising Wealth Inequality Postrecession

Despite the overall positive economic-recovery news for Black and Latinx households, the racial wealth gaps for those households, relative to non-Latinx whites, have over the past decade accelerated rather than narrowed.

Fully a decade later, U.S. household wealth lost during the 2007–2009 recession has more than been recovered. The Dow Jones Industrial Average, for example, which fell to a low of 6,547.05 in 2009,[14] is up nearly five-fold from its 2009 low—or more than 22,000 points—to 29,348 as of January 17, 2020.[15] Unemployment rates are at historic lows, although those lows may be deceptive, given continued depressed labor-force participation rates.[16] And although there remain pockets of weaknesses in housing markets in communities across the nation, home prices nationally exceed their 2007 levels. As of February 2018, the average house price was 1 percent higher than it was at the peak in 2006.[17]

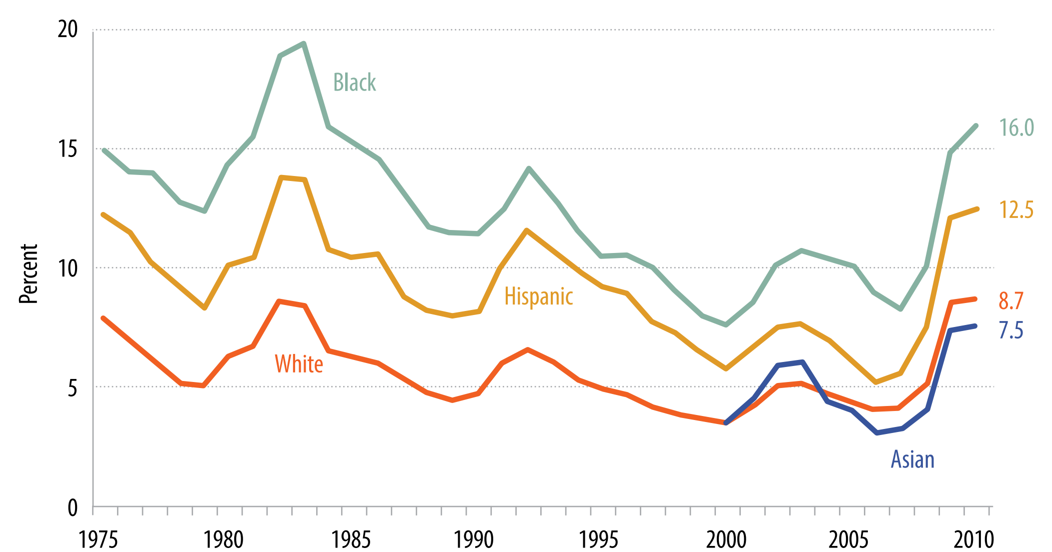
Black and Latinx populations have benefited from the strong job growth and increases in wages since 2010. As with the overall unemployment rate, unemployment rates for both groups are at historic lows. The gaps in unemployment rates between Latinxs and non-Latinx whites and between Blacks and non-Latinx whites have narrowed. Yet despite the overall positive economic-recovery news for Black and Latinx households, the racial wealth gaps for those households, relative to non-Latinx whites, have over the past decade accelerated rather than narrowed.

Wage gains for non-Latinx whites, for example, have exceeded those for Blacks and Latinxs, further contributing to rising wealth inequality.[18]

Further, the largest source of wealth for the median American household is homeownership. Home equity is even more important for Black and Latinx households than it is for non-Latinx whites, because non-Latinx whites are more likely to have additional sources of savings, such as 401(k) plans, IRAs, lucrative pension programs, stocks, bonds, rental real-estate holdings, and other assets.

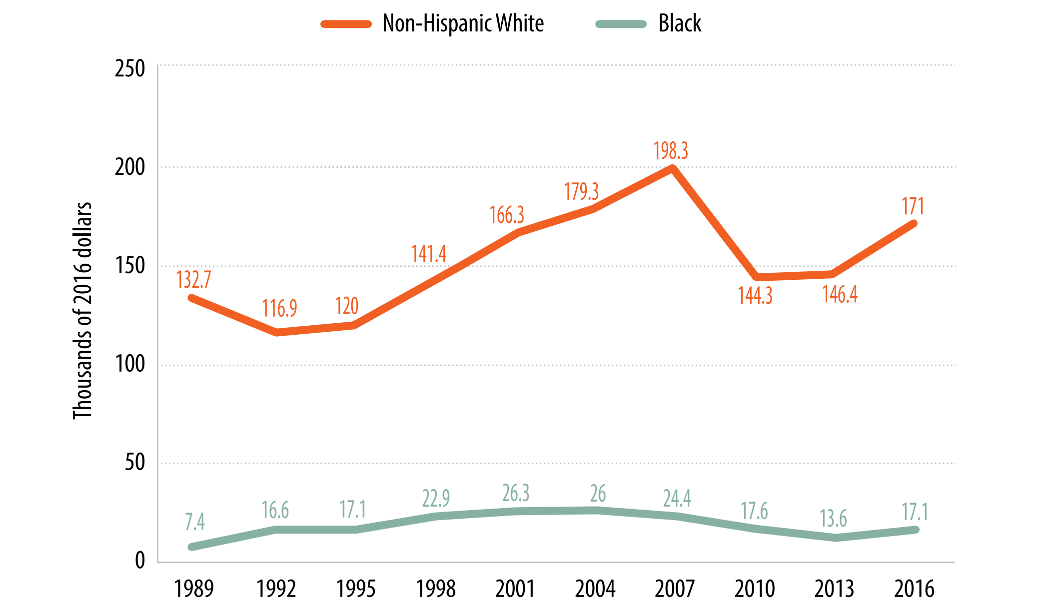
Moreover, non-Latinx white workers are more likely to have valuable employment benefits such as quality healthcare plans, employer-provided meals, transportation/commuting subsidies (such as employer-provided parking), and other perks, which allow a greater share of income to be allocated toward savings.[19]

Figure 1: **Unemployment Rates, by Race, and Hispanic or Latino Ethnicity, 1975–2010**



Source: "Unemployment rates by race and ethnicity, 2010," *TED: The Economics Daily*, U.S. Bureau of Labor Statistics, October 5, 2011, www.bls.gov/opub/ted/2011/ted_20111005.htm.

Figure 2: **Median Net Worth by Race**



Source: James H. Carr et al., *2019 State of housing in Black America* (Lanham, MD: National Association of Real Estate Brokers Board of Directors, 2019), 9.

Historically, public policy has directly and intentionally marginalized the economic mobility of people of color, including Blacks, Latinxs, and Native Americans.

Although wealth inequality between Latinx and non-Latinx whites has increased during the current recovery, Latinxs have in part recovered wealth lost during the recession,[20] due in part to a recovery in home prices and a rebound—albeit not full recovery—in prerecession Latinx homeownership.

Blacks, by contrast, continue to control less wealth today than they held prior to the start of the 2007–2009 recession. The continuing lagging wealth recovery for Blacks is due largely to Black homeownership having continued to fall during the economic recovery. In fact, the homeownership rate in the second quarter of 2019 fell to a more than fifty-year low of 40.6 percent;[21] in contrast, the homeownership rate for non-Latinx whites for that quarter was 73.1 percent.[22]

Black households were disproportionately negatively harmed by foreclosures, having been the primary targets of exploitative subprime loans. And, in stark contrast to homes in non-Latinx white neighborhoods that have recovered in value across the income spectrum, prices for homes in Black neighborhoods remain below their prerecession highs for all owner income levels.

Compounding the negative reality of a lower homeownership rate for Blacks relative to non-Latinx whites, non-Latinx white households accumulate substantially more wealth in their homes, on average, than Black homeowners (see Figure 2, above).

In part, because Black homeowners, on average, purchase homes later in life than non-Latinx white homeowners, median home equity for households forty-five years or older when the home was bought is $26,668 for Black homeowners compared to $104,866 for non-Latinx white homeowners.[23]

The Role of Public Policy in Furthering the Racial Wealth Gap

Historically, public policy has directly and intentionally marginalized the economic mobility of people of color, including Blacks, Latinxs, and Native Americans. The role of government in undermining Black economic progress in particular has been heavily documented.[24] Importantly, public policies continue to directly undermine the economic prospects for people of color in America. The failure of Blacks to recover from their economic losses sustained during the Great

Recession, as well as much of the expanding racial wealth gap between Blacks and non-Latinx whites, can be attributed directly to legislation enacted to bail out the U.S. economy in 2010.

In response to the enormous financial damage resulting from the economic downturn, the federal government passed a massive, $700 billion bank bailout package known as the Toxic Asset Relief Program (TARP). Although the appropriated amount for the bank bailout was later reduced to $475 billion, Bloomberg estimated the true cost of the bank bailout to be in the trillions of dollars.[25]

The bank bailout proposal was initially conceived as a program that would enable the U.S. Department of the Treasury to purchase distressed home loans in order to modify them and avoid home foreclosures. As enacted, TARP included a separate, modest, poorly designed and badly implemented foreclosure mitigation program known as the Home Affordable Modification Program (HAMP).[26]

Most disturbing about HAMP, however, was not its programmatic shortcomings, per se, but rather its restrictions on access to program benefits. In order to participate in HAMP, home loans were required to be held by Fannie Mae or Freddie Mac. Ironically, loans held by those government agencies were among the highest-quality and lowest-interest-rate loans in the housing market, and they were largely held by non-Latinx white households. The predatory subprime loans that were at the core of the nation's foreclosure crisis and that had been disproportionately peddled to Black households were ineligible for HAMP assistance.

Adding further to the inequity of the federal foreclosure crisis response, Congress also enacted the Home Affordable Refinance Program (HARP).[27] This initiative allowed homeowners whose outstanding mortgage loans were greater than the value of their homes to refinance their mortgages at historically low rates. HARP eligibility, similar to that of HAMP, required that loans be held by Fannie Mae or Freddie Mac. The highest-cost mortgages and predatory subprime loans, disproportionately likely to be held by Black and Latinx borrowers, were ineligible for HARP assistance.

Further, the banks were being bailed out with massive cash infusions from TARP and other special lending programs designed to avoid bank failures; the borrowing rate for financial institutions from the Federal Reserve was slashed to near zero percent; and lenders being bailed out included firms that were major participants in predatory subprime lending. In fact, while the federal government eventually fined Wall Street firms more than $110 billion for a range of financial misconduct,[28] it simultaneously bailed out many of those same financial firms, including providing them with near-interest-free loans.

In contrast to the tens of billions of dollars flowing to the banks, the Federal Housing Finance Agency imposed a new penalty fee on home loans in neighborhoods that had been particularly hard hit during the housing market crash. Known as the "adverse market fee" (also, the "Adverse Market Impact Fee"), this additional charge for home purchases in distressed communities further weakened the housing recovery in those communities.[29] Due to the concentration of foreclosures among subprime loans in Black neighborhoods, loans for properties in Black communities were more likely to be subject to the fee than were loans to secure homes in non-Latinx white neighborhoods. The fee was suspended around 2013, but it caused irreparable damage by driving additional foreclosures in distressed communities, because owners were further limited in selling their homes.

The lack of access to HAMP and HARP and the imposition of the adverse market fee are only three of a multitude of federal actions that have directly undermined homeownership for Black and Latinx households since the Great Recession.[30] In fact, the failure of federal financial regulators to rein in the abusive, high-cost, and unsustainable subprime lending was itself a public policy decision that resulted in the loss of billions of dollars in housing equity for Black and Latinx households.[31]

The collective result of the federal policy decisions that favored Wall Street while penalizing financially vulnerable populations of color was a massive, unearned, publicly funded wealth

The collective result of the federal policy decisions that favored Wall Street while penalizing financially vulnerable populations of color was a massive, unearned, publicly funded wealth transfer.

transfer, disproportionately from Black and Latinx, moderate- and middle-income households to wealthy banking executives and investors, who were principally non-Latinx white.

While bank bailouts and housing-related policies enacted to address the recent housing market collapse were less blatant than the post–Great Depression era's explicitly discriminatory federal housing programs spanning the 1930s through the 1960s,[32] the negative impact of more recent biased federal programs on the racial wealth gap has, nevertheless, been significant.

The Racial Wealth Gap in the Context of Broader Economic Inequality

Increasing racial inequality can also be explained in the broader context of inequality, which is greater today than it was at the time of the Great Depression of the 1930s. Today, the top 1 percent of wealthy households hold 40 percent of the nation's wealth—up from 30 percent in 1989. During that same period, the wealth of the bottom 90 percent fell—from 33 percent to 23 percent.[33] In 2018, three Americans—Jeff Bezos, Bill Gates, and Warren Buffett—controlled more wealth than the bottom 50 percent of U.S. households.[34] In fact, as the top wealthy households have continued to grow their wealth, lower-income households have gone into debt.

Trade policies that favor capital ownership over labor, tax policies that tax capital gains and corporate earnings at lower rates than wage earnings, and the growing dominance of corporate monopoly ownership are major foundations of skyrocketing wealth and income inequality. Because people of color are disproportionately lower income and hold less wealth than whites, failure to address the broader issue of economic inequality in our nation will continue to fuel the racial wealth gap into the foreseeable future.

Similar to the public policies that favored failing banks over homeowners facing home foreclosures, trade, tax, and antitrust policies are not a result of the invisible hand of market competition; they are the outcome of the visible hands of elected politicians whose votes have overwhelmingly favored the further concentration of wealth in our nation. Voters hold the power to reverse the trend toward unchecked wealth inequality. The question is, What level of wealth concentration is required for the public to act?

A Future Role for Nonprofits

During the Great Recession, the nonprofit sector played a critical role in assisting needy households to access food, shelter, medical care, essential transportation, and other immediate necessities. For millions of families, the work of the nonprofit sector was lifesaving. Nonprofit organizations also provided access to foreclosure mitigation assistance to borrowers, assisting millions and helping many to maintain homeownership.

Looking forward, a major opportunity for the sector is to assist the American public in better understanding the potential impact of federal legislation on wealth and inequality in our nation. This work does not—nor should it—wait until the next economic downturn. One approach for nonprofits to achieve this goal is to assist civic associations in better understanding the wealth implications of federal legislation, as well as how best to organize and hold political leaders accountable.

The need for more effective political organizing is especially critical among financially vulnerable communities of color, whose political power is strong but whose leverage of that political clout remains elusive. Given the direction our nation is taking vis-à-vis growing economic inequity, reversing that trend could be one of the most important missions the nonprofit community takes on.

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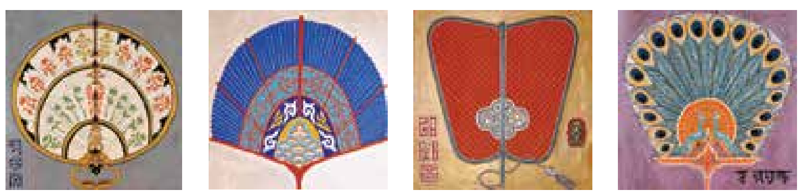
"Four Futures" of the Great Recession Revisited: Nonprofits' Hopes, Fears, and What *Really* Happened

by Ruth McCambridge and Cassandra Heliczer



In 2008, the Nonprofit Quarterly asked the insightful Dr. Paul Light (NYU Wagner's Paulette Goddard Professor of Public Service and founding principal investigator of the Global Center for Public Service) to make a set of predictions about what might happen to nonprofits in the course of what became known as the Great Recession. Light gamely obliged, organizing his predictions into four "futures," or potential scenarios.[1] We reviewed them recently, and found aspects of each scenario that did indeed play out during the recession and its immediate aftermath, and some that did not, as the following pages illustrate. But there was one scenario—"Transformation"—that intrigued us the most. We did not expect to see aspects of this scenario reflected to as great an extent as they were—though in a significantly limited way. It is this scenario that we hope will be carried forward as we enter into another economic downturn—one that heralds greater hardship for nonprofit organizations and their communities than that caused by the Great Recession.

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"INDIAN FAN"; "CHINESE FAN"; "JAPANESE FAN"; AND "INDIAN FAN" BY BERIT BREDAHL/WWW.ARTBERIT.COM

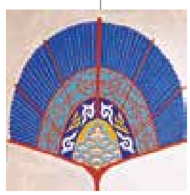
THE PREDICTION	WHAT HAPPENED
SCENARIO 1: **"The rescue fantasy"**	**The reality was that many nonprofits rescued themselves! But there were two subsectors where a bailout attempt was evident.**
In this first scenario, Paul Light suggested that many nonprofits would suffer from the trickle-down effect of reduced federal budgets—combined with reduced tax income at the state level—and that any fantasies of a wholesale nonprofit bailout were just whistling in the wind. Specifically, Light predicted that:	This was a clear-cut case of "you are the one you've been waiting for." The knight in shining armor turned out to be nonprofits themselves, most of which proved to be strong enough, wise enough, and flexible enough to self-rescue. Direct-service nonprofits, for example, managed to get through the recession without closing their doors, even though government money to that subsector was cut or delayed even as needs escalated.
1. The public was unlikely to pick up the tab via small private donations, but nonprofit leaders would cling to that hope.	1. Indeed, the public did not pick up the tab overall—but there were two areas where a public bailout attempt showed itself: during the depths of the recession, individual contributions increased in the realms of human services and mutual/membership benefit. Where human services was concerned, both individual and institutional philanthropies appeared to understand that they needed to step up—but they stepped back when the recovery started. Where mutual/membership benefit organizations were concerned, there was a sharp decline in program-service income, leaving a gap that was, strangely, only very temporarily filled in by contributions, even when the losses showed themselves to be more permanent. The revenue chart for this type of organization clearly reflects the most tumultuous ride of all the subsectors.[2]
2. If some form of government bailout occurred, it would likely target a few well-connected and well-known nonprofits. Other large national nonprofits could line up for funding as well, but many smaller nonprofits would be left behind. Rescues tend to favor single organizations or relatively small slices of an industry.	2. There was no general government bailout of the nonprofit sector, and money that did come down from the federal government generally had some rigorous requirements attached. These sometimes placed extra pressures on nonprofits left dealing with temporary contracts for which they had to staff up, build protocols, and take on some measure of risk. And rather than funding a few well-connected and well-known nonprofits, government money was sprinkled widely and into lots of different pots via such programs as the American Recovery and Reinvestment Act of 2009, which was a nationwide stimulus package that targeted employment generally, temporary relief programs, and investment in the areas of infrastructure, education, health, housing, renewable energy, arts, and transportation, across the board. Finally, so far as *NPQ* picked up, there was no major push by big nonprofits in terms of lining up for funding, and smaller nonprofits did not, as a trend, get left behind.

"INDIAN FAN" BY BERIT BREDAHL/WWW.ARTBERIT.COM

THE PREDICTION	WHAT HAPPENED
Scenario 2: **"A withering winterland"**	**Nonprofits as a sector did not wither—in fact, they flourished.**

This scenario has almost every nonprofit in the sector suffering and forced to reduce staff and programming. Light imagined the scenario in this way: "How ironic that organizations created in part to help the needy may well contribute hundreds of thousands to the ranks of the nation's unemployed. With roughly 20 million Americans now looking for work, federal job centers are already overwhelmed by demand. How many of those cast aside will be from the ranks of the nonprofit sector?"

While nonprofits were challenged mightily during the recession, they proved more than equal to the task of sustaining, even without shedding staff in large numbers. In fact, during and immediately after the recession, nonprofits taken as a sector gained staff at a steady rate, avoiding any dips in overall employment.[3]



THE PREDICTION	WHAT HAPPENED
Scenario 3: **"An arbitrary winnowing"**	**Larger organizations definitely got richer, but the number of organizations was not seriously affected, and employment actually went up in the sector.**

Light speculated that it was likely that the sector would be rebalanced toward larger, richer, and fewer organizations. In this scenario, he suggested, "some nonprofits will fold, while others will prosper as contributions flow to the most visible, connected and largest organizations." He also suggested that "marketing budgets and levels of community engagement may be the best predictors of survival." And, "Well-known organizations will survive through more aggressive fundraising appeals."

On the other hand, Light asserted that "some small nonprofits will survive through sheer will or because their communities are used to supporting them. Others will merge, be acquired, or simply melt away. Overall employment will decline somewhat, though not in most universities and hospitals, but the total number of nonprofits could drop by 10 percent. As with the withering scenario, a winnowing scenario would seriously undermine the sector's ability to meet increasing demand."

There was outsized growth of larger and more monied organizations (represented in our analysis by the eds and meds)[4]—but they did not necessarily grow through contributions. In fact, in the case of higher education institutions (which tend to have buckets of cash hanging around), the starkest dramatic growth was in the area of program-related income. Hospitals saw the same trend, but in a more restrained way. This realm of income requires capital, and it makes sense that more cash-rich institutions would excel in this area, even during a downturn, when investments are not performing. Contributions to higher ed remained on a slight downward trajectory through 2015 (with one bizarre blip[5]), even while contributions to hospitals held steady.

There did not seem to be an unusually rapid merger or closure rate generally; but that said, the overall picture is complex. Between 2003 and 2013, closures didn't approach 10 percent. They peaked at 7.3 percent in 2009 (non-eds-and-meds). This could be because they closed down, dropped below $100,000 in total revenues, failed the public support test and became private foundations, or simply didn't file a tax form in 2009. However, smaller nonprofits were excluded from our sample; the overall closure rate might have been greater than 10 percent during the peak of the recession, as Light predicted, if smaller nonprofits had been included.[6] Finally, employment did not decline even somewhat.[7]

"CHINESE FAN" AND "JAPANESE FAN" BY BERIT BREDAHL/WWW.ARTBERIT.COM

THE PREDICTION

Scenario 4:
"Transformation"

This fourth scenario has nonprofits responding to a faltering economy as an opportunity to reinvent themselves. A transformation-oriented approach, according to Light, would require deliberate and collective action by the sector's stakeholders (communities, philanthropists, governments, intermediaries, constituents, nonprofit associations, and boards) to:

Ensure a voice for the less powerful. "It's imperative to ensure that the less connected and powerful have a say in the future of this sector, which is, after all, meant to facilitate our ability to self-organize."

Build advocacy. "Generally, advocacy must be seen as a necessary capacity for nonprofits—and one that should be funded well during times of political upheaval. There is no way to recover quickly from a government retrenchment that has already happened. The sector needs to weigh in loudly on where the trenches have been dug."

Spark a dialogue around philanthropy. "Since philanthropy is a private allocation of funds to be held in public trust, in times of such serious upheaval there should be a more public conversation about philanthropy. This doesn't mean that philanthropy needs to coordinate better among itself but that it should be more responsive and responsible to its community partners."

Become more flexible. "Whatever happens, the sector needs to innovate and mobilize more flexibly to keep pace with a new era."

WHAT HAPPENED

The sector fell well short of transformation . . . so far.

Light's transformation scenario is close, but in this case a miss may be as good as a mile. Did we start a dialogue on the legitimacy of philanthropy? You bet. And we undeniably showed ourselves to be flexible and resilient. But we only scratched the surface (and that is being generous) on the most important cornerstone of them all: Light placed ensuring a voice for the less powerful first on his list of necessary changes—and he was prescient, because it was exactly the less powerful who lost resources during the recession. The less money they had going in, the more they lost on a proportionate basis; and although there have certainly been some significant organizing and advocacy attempts to focus on workers with fewer resources (think unionizing efforts among the former unrepresented, and even Occupy Wall Street, which happened in the wake of the recession), these have not halted nor slowed the steady widening of our economic fault lines.

What we have seen is a surge of leaders who are women of color bringing intensified attention to racial justice and economic justice, including reparations—but this surge is not tied to nonprofits but more broadly to civil society.

Thus, advocacy organizations may have been effective in the maintenance of services and the stabilizing—and even growth—of the sector, but this has not necessarily ended up improving either people's financial positions or the power of constituent voice in advocacy for a changed world. This suggests to us that although nonprofits appear to have accepted advocacy as a core competency, this advocacy may be too often focused on themselves, in too many cases involving the community only by extension.

We are entering into a time of great uncertainty, where this new recession is concerned. It may, in fact, turn out to be a depression. At the onset of the last recession, nonprofits were veritable prophets of doom, but their survival—and, even, growth—turned out to be surprisingly robust. This time, we may not be so fortunate. We are already experiencing dramatic layoffs in general and in the sector, which will put our communities at deep risk. Thus, Light's message of transformation still holds—we must make sure to lift up the voices of the less powerful, build advocacy as a necessary capacity, keep up the public conversation about the job of philanthropy, and "innovate and mobilize more flexibly to keep pace with a new era."

Notes

1. Paul Light, "Four Futures," *Nonprofit Quarterly* 15, no. 4 (Winter 2008); published online December 21, 2008, nonprofitquarterly.org/four-futures/.
2. See "Mutual/Membership Benefit" chart in Ruth McCambridge and Nathan Dietz, "Nonprofits in Recession: Winners and Losers," in this issue, p. 10.
3. See "Changes in U.S. Employment" chart in Jon Pratt and Kari Aanestad, "Deconstructing the (Not-So-Great) Nonprofit Recession," in this issue, p. 31.
4. It should be noted that we use the eds and meds as a proxy for size differentials, but the "other" category includes some larger organizations as well. See McCambridge and Dietz, "Nonprofits in Recession," pp. 6–21.
5. This blip had to do with a few major gifts. See "Education (not higher ed)" chart in McCambridge and Dietz, "Nonprofits in Recession," p. 10.
6. See "Data and Methodology" sidebar in McCambridge and Dietz, "Nonprofits in Recession," pp. 16–20.
7. See "Changes in U.S. Employment" chart in Pratt and Aanestad, "Deconstructing the (Not-So-Great) Nonprofit Recession."

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Building a Democratic Economy: Sketch of a Pluralist Commonwealth

by Gar Alperovitz

Can we build a democratic, post-capitalist, political–economic system? We can, but doing so requires deep, step-by-step social, economic, and ecological change. "This reconstitution of community—both in building radically new political–economic structures *and a new political power base* from the bottom up and while developing a new culture of larger community that 'we are all in it together'—is the central challenge of the emerging era," asserts the Democracy Collaborative's Gar Alperovitz.

For a time, after the collapse of communism in the Soviet Union and the retreat of social democracy at the hands of neoliberalism in the West, it was proclaimed that unencumbered corporate capitalism—with all its inequality and environmental costs—was the only game in town, the last system left standing.

Especially since the Great Recession, this judgment has begun to change. We see hints of this in the rise of Senator Bernie Sanders as a serious candidate for president and the prominence of Representative Alexandria Ocasio-Cortez in Congress.

At the same time, there has been an explosion of on-the-ground experimentation and new institutional development that includes worker cooperatives (and public support for their development), community land trusts, and rising activism around a range of proposals that would expand the scope of the public sector, such as Medicare for All and public banking.

But what would it take to go from proposals to a new economic system?

Let's start with three assumptions: (1) There must be a long-term vision whose values and goals serve as guides for democratic institutional designs; (2) there must be a design for how local democratic economic forms such as worker co-ops can link up with larger regional, national, and even global structures; and (3) there must be political and cultural movement supportive of these values that affirms ecological and other limits.

Starting at the Local Level

But how do we get there? Key to what I call a "Pluralist Commonwealth" model is the principle of community.[1] An instructive starting place is John Stuart Mill's insistence that direct experience with local governance is essential to "the peculiar training of a citizen, the practical part of the political education of a free people."[2] His elaboration was straightforward: "We do not learn to read or write, to ride or swim, by being merely told how to do it, but by doing it, so it is only by practicing popular government on a limited scale, that the people will ever learn how to exercise it on a larger."[3] Alexis de Tocqueville similarly stressed that ". . . local assemblies of citizens constitute the strength of free nations. Town-meetings are to liberty what primary schools are to science; they bring it within the people's reach, they teach men how to use and how to enjoy it."[4]

The same judgments—both about local government and about economic institutions—help define critical points of departure for other core values, including ecological sustainability, equality, liberty, and, indeed, the foundational concept of community itself. Put in the negative: if the communities and economic institutions in which Americans work and live out their lives are undemocratically managed, lack a culture of citizen initiative, and accept or condone ecologically destructive practices, great inequality, denials of liberty, and practices and attitudes that undermine a sense of community (that "we are all in it together"), then it is difficult to see how the nation as a whole might ever achieve such values.

Put positively, the first critical system question is: How, specifically, might new local institutions nurture and support values of importance to the system as a whole?

We may have certain goals: for example, economic well-being and stability, racial equity, and democratic accountability. But if development at the level of the community fails to nurture these key values, it is unreasonable to expect transformative change at higher levels of the state, region, and nation. In the language of Martin Buber, "A nation is a community to the degree that it is a community of communities."[5]

Four Critical Challenges

In addition to the central issue of democracy, four other critical challenges require systemic answers that both begin at the level of community and help generate value premises and potential structural directions at higher levels of integration. All are highly charged but also potentially capable of opening radically new possibilities. They include the following:

1. Overarching questions of structural racism, changing gender roles, the implications of demographic change, and the economic distress, anger, and alienation of many working-class communities;
2. Ecologically sustainable long-term development, especially involving climate crisis but also understood in terms of challenges presented by the likely expansion of the U.S. population and our economy's continued dependence on growth;
3. The impact of ongoing technological change;[6]
4. The limitations of the design of the United States's more than two-hundred-year-old Constitution, elements of which are increasingly obviously dysfunctional, are an additional challenge of the U.S. system beyond its unusual scale and racial history.

The judgments implicit in the arguments of Mill, Tocqueville, and Buber point to the necessity of (1) not only building democracy on new local footings from the bottom up, but also (2) developing new institutional forms and practices that nurture other critical values—again, from the bottom up—*in everyday life*, and (3) developing overarching system-wide capacities that both provide economic and institutional support to maintain local community stability and deal with system-wide economic, ecological, and other planning.

This is not to exclude proposals, at many levels, of illuminating larger strategies like those, for instance, of the Green New Deal or Medicare for All. It is rather to suggest that a system-changing model capable of achieving the larger foundational directions implicit in such proposals (and furthered by them) will ultimately require deeper democratic reconstruction of institutions and political processes at many levels.

Four Tenets for a Plural, Democratic Economic System

The foundational democratic theory of the Pluralist Commonwealth model includes four critical principles: (1) democratization of wealth; (2) community, both locally and in general, as a guiding theme; (3) decentralization in general (including regional scale devolution of many national institutional capacities); and (4) substantial (though not complete) forms of democratic planning in support of community and to achieve longer-term economic, democracy-building, and ecological goals.

Clarity about the foundational concept of community is critical. Unless new cooperative, neighborhood, municipal, and other community-structured forms of democratic ownership are established at the local level, there cannot be a democratic economy. Changing ownership is a necessary, but not sufficient, condition of establishing the institutional foundations for systemic movement toward genuine equality.

A community-inclusive systemic approach is critical to the nurturing of economic and institutional power relationships that help rationalize environmental choices. When ownership of the enterprise is anchored in the community of not only the city but also the state, region, or nation—*and the impact of its noxious output* again harms the same (larger-scale) community—democratic consideration of the dangers, costs, and benefits are rationalized. Finally, a flourishing and meaningful community, if developed with care and concern for social relationships and the necessary economic and institutional foundations of such relationships, can reduce the pressures that drive wasteful and unsustainable growth and cultures of envy, competition, and unnecessary consumption.

Democratizing Wealth

At the level of the local community, economic institutions increasingly involve small-scale worker-owned firms, cooperatives, and other forms of democratized ownership. These include: credit unions (which boast more than 114 million members in the United States);[7] worker cooperatives—firms owned and democratically operated by their employees—of which hundreds currently operate in the United States;[8] and a modest proportion of employee stock ownership plan (ESOP) companies, enterprises that are democratically owned by workers through a particular form of retirement trust.[9]

Important (illustrative) examples of existing public and political support for various democratized economic institutions are now widespread. In New York, the city council has supported a

Worker Cooperative Business Development Initiative.[10] Other cities, such as Madison, Wisconsin; Berkeley, California; Rochester, New York; Richmond, Virginia; and Jackson, Mississippi, have also taken steps in a similar direction. In many of these cities, too, efforts have been made to assist emerging community-based economic firms to secure contracts from large anchor institutions, especially those dependent in significant part, directly or indirectly, on public funds (such as nonprofit hospitals and universities). For example, in Cleveland, Ohio, the Evergreen Cooperatives consist of a neighborhood network of worker-owned businesses (including an industrial-scale laundry, an urban greenhouse, and a contractor specializing in energy efficiency) that provide some 250 jobs for local residents.[11] When profitable, the cooperatives also contribute funds to a neighborhood-wide nonprofit that operates a revolving loan fund to start additional cooperatives.

In the United Kingdom, Preston, a city of about 140,000 in northern England, has partnered with other local public institutions to direct spending toward cooperatives and other local businesses. Spending by anchor institutions in Preston has gone from £38 million to £111 million, while increasing in the broader Lancashire area from £292 million to £486 million.[12] In 2018, Preston was named the most improved city out of 42 studied by Demos and PricewaterhouseCoopers along a range of economic, social, and environmental measures.[13]

Additional examples of economic democracy advances are:

1. **Publicly owned enterprises and utilities at the municipal and regional level.** In Boulder, Colorado, residents are creating a publicly owned utility to free themselves from the private provider Xcel Energy. The city aims to produce 100 percent renewable electricity by 2030, and to reduce carbon emissions by 80 percent by 2050.[14] All told, there have been some 692 documented cases of re-municipalization occurring worldwide since 2000,[15] including many in the United States, especially in the water sector.[16]
2. **Municipal Internet.** Over 500 communities have established full or partial public telecommunications networks—for example, cable or fiberoptic lines operated through public utilities or by local governments.[17] More than 230 communities in 33 states even provide ultrafast, one-gigabyte services.[18]
3. **City- and state-owned banks.** A national movement has emerged that is pursuing a model of public banks pioneered in North Dakota in 1919.[19]
4. **Community land trusts (CLTs).** These nonprofits, which provide permanently affordable housing, have proliferated. A leading example is the Champlain Housing Trust in Vermont, which houses over 6,000 members.[20]
5. **Community ownership and management of methane collection and energy generation.** The Point Loma Wastewater Treatment Plant near San Diego, for example, captures methane—a potent greenhouse gas—from wastewater and turns it into electricity, saving the city more than $3 million annually in some years.[21] The same approach applies to landfills, roughly 274 of which are publicly owned and capture methane for energy production in the United States.[22]
6. **Community development corporations (CDCs).** There are some 4,000 of these community-owned enterprises around the country, many of which help to both revitalize neighborhoods and provide affordable housing.[23]
7. **Community development financial institutions (CDFIs).** There are now over one thousand credit unions, community banks, loan funds, and other financial intermediaries that are certified as CDFIs.[24] Illustrative is the Latino Community Credit Union, a community development credit union started after attacks on immigrants in Durham, North Carolina.[25] The credit union manages financial services and loans for more than 784,000 members, 81 percent of whom were previously unbanked, 65 percent of whom are low-income, and 4,676 of whom have bought their first home through the bank.[26]
8. **Nonprofit social enterprises.** These are additional examples of broader community-building economic institutional approaches. For instance, Coastal Community Action, in Washington State, has a 6-megawatt, 29-acre wind farm that sells wind power back to its local public utility and is projected to raise $8 million over 20 years for housing, food security, energy assistance, and elderly assistance programs.[27]

Such concrete examples illustrate the practicality, diversity, and developing trajectories of increasingly democratic, local economic elements of a larger model. In addition, a comprehensive approach would necessarily include such widely understood elements as

- small-scale private entrepreneurial firms and high-tech innovators;
- nonprofit institutions in general (now roughly 10 percent of the private sector workforce);[28] and
- local elements of regional or national public enterprises structured as joint ventures with local worker,

neighborhood, or community-wide participation.

Important strategic areas of concern for larger-scale public forms of enterprise include healthcare (minimally, single payer—i.e., the equivalent of a public insurance company), national- and international-scale banking, and military production. Beyond these, Greenpeace researcher Charlie Cray has noted a broad range of areas where public ownership would be beneficial, especially in connection to energy, where, at present, investor-owned fossil-fuel companies are a major impediment to a globally essential transition to non-fossil-fuel energy production.[29]

In connection with larger public companies, joint national (ultimately devolved to regional) community-worker ownership points toward responsive approaches to a number of critical challenges.

First, publicly accountable enterprises provide a viable answer to destabilizing corporate dislocation of local communities—a practice that undermines local democratic and community practice and culture, *the foundational requirement of any serious democratic reconstruction over time.*[30]

Second, publicly owned enterprises do not face the same Wall Street–driven imperatives that private corporations face to externalize or minimize costs (such as pollution).

Third, and critically, such firms do not face Wall Street imperatives to grow or die—a foundational requirement of the era we are entering.

Fourth, the financial practices and accounts of publicly owned enterprises can be made transparent—open to public scrutiny.

Finally, and perhaps most important, unlike large private corporations, whose lobbying and political contributions distort democracy, the direct political role of large (public) enterprises can be radically reduced.

Democratic Planning

Establishing the necessary institutional preconditions and the beginning points for the development of a pluralist model of ownership, democracy, and equality from the bottom up—from community to state to region and beyond—also requires addressing the matter of democratic planning. The question, however, is not whether to plan, but who will plan, in whose interests, and with what level of transparency and accountability. In fact, overt and covert economic planning is now common throughout the current political–economic system. The Pentagon, to name one example, is principally a planning agency. So is the Federal Reserve.

Initial steps in the direction of decentralized, democratic planning can be found in the explorations of participatory budgeting—a process by which constituents propose, discuss, and vote on budget allocations, a practice that has been introduced in some seventeen hundred cities around the world, including many U.S. cities, such as New York, Chicago, St. Louis, Boston, and San Francisco.[31] Building on these various procedures and experiences, new forms of national planning would likely build up priorities from the community, state, and regional level—to be integrated at the national level into coherent options for democratic choice.

Building Economic Democracy for the Long Haul

Although less commonly discussed, critical to a healthy civil society is economic security, free time, and recognition within a community of equals. A preliminary step is a job guarantee, which provides the security commonly required to express independence. A related idea—basic income—is now widely discussed (and being tested in Finland, Holland, Kenya, Spain, Canada, and the United States).[32] The Alaska Permanent Fund also offers suggestive possibilities: it invests revenue from extractive industries in the state and pays out annual dividends to residents as a matter of right. As technology advances, shortened workweeks and increasing free time offer further opportunities to expand the substance of liberty *if we democratically manage the economy to distribute some of the gains in the form of leisure time*.

These and other possibilities both allow for, but also depend upon, systemic reconstruction that generates institutions that can sustain and nurture far greater degrees of equality, common direction, and community. In particular, a serious longer-term strategy must build converging political–economic institutional forms and support in Black, Latinx, and working-class white (urban and rural) communities—and a steadily developing sense of the longer-term possibilities.

The unusual demand placed on *long-term strategy* is not simply (as many hold) to develop institutions that are participatory and democratize ownership in the existing economy, but to do the following:

1. Alter power relationships that can change the current economy in the direction of greater equity and ecological sustainability.
2. Stabilize the foundations of urban as well as rural communities.
3. Build cross-community political alliances based on common needs and common class concerns.
4. Create a reconstructed culture of community capable of nurturing a new politics, and of dealing with traumatic racial and other realities (including reparative processes).
5. Foster a culture of community capable of nurturing a more powerful ecological, gender-equality-based, and cooperative ethic and politics.
6. Pave the way for longer-term regional, political–economic devolution of the continental system.[33]
7. Construct a culture capable of nurturing and managing the realities of a transition to an era of technological abundance.

Addressing the truly pressing climate emergency will involve many of these elements, including planning for the future, addressing unequal institutional power relationships, and stabilizing communities. Given the short window of opportunity to transition beyond fossil fuels, the U.S. government could use one of two methods to acquire and retire the top twenty-five U.S. extractive corporations, remove them as political obstacles to important decarbonizing policies, and transition their operations into producing green twenty-first-century infrastructure:

1. It could simply buy these enterprises and shut them down. Purchasing, dismantling, and reorienting the major corporate players (say the top twenty-five oil, gas, and coal producers) toward producing green infrastructure would likely be cheaper than the average annual costs of the wars in Iraq and Afghanistan.[34]
2. Modern Monetary Theory also opens up policy possibilities to realize such developments, with even less cost to the taxpayer. Specifically, such a takeover could be financed by the same quantitative easing practices that have been used to boost the U.S. economy—but this time mobilized to ensure a just transition to a sustainable future.[35]

Our Central Challenge

This reconstitution of community—both in building radically new political–economic structures *and a new political power base* from the bottom up and while developing a new culture of larger community that "we are all in it together"—is the central challenge of the emerging era.

Establishing such a culture will not be easy. Political theorist Wendy Brown has described the many ways in which neoliberal ideology has eroded or undermined many foundations of our collective democratic existence as previously political elements of our social life have been "recast in an economic idiom."[36] "These elements," Brown stresses, "include vocabularies, principles of justice, political cultures, habits of citizenship, practices of rule, and above all, democratic imaginaries."[37]

Against such ongoing tendencies, establishing new venues in which a culture of community is nurtured from the bottom up becomes a paramount concern.

Ultimately, building new political and institutional power and a culture from the ground up—community by community, region by region—must also confront two of our nation's great moral failings. The first of these involves the cross-cutting challenges that genocide and slavery, and subsequent public policy and institutional racism, have brought to the particular history and ongoing reality of the United States. Any serious path toward a new democratic community must deal not only with current discrimination but also with some form of reparations—both material and symbolic.[38]

Reparations are required to address the legacy of genocide, slavery, Jim Crow, and the theft of Native American lands and livelihoods, in addition to the ongoing reality of systemic racism. A nation founded on white supremacy must face its past squarely if it has any hope of creating a meaningful community.

So, too, must questions of America's role around the world—and of overt and covert interference in other nations—be addressed. U.S. actions have toppled governments and regularly installed brutal regimes in the nineteenth and throughout the twentieth and early twenty-first centuries—from Cuba and the Philippines in 1898 to Iran in 1953 and beyond. Wars fought without explicit constitutionally required congressional declarations of war include the Korean War ("police action"), the Vietnam undeclared war (based on the dubious Gulf of Tonkin Resolution), and the undeclared wars in Iraq and Afghanistan.[39]

The reconstruction of the nation's underlying political economy—away from corporate domination and toward democracy and community rebuilt from the bottom up—is itself an important condition of a fundamental change in the nation's global stance.

Concluding Thoughts: The Need for a Transformative Model

A transformative systemic model is commonly viewed as being either utopian or revolutionary. An evolutionary reconstructive building of a new system, however, involves the development of ideas, institutional practices, and political power from the ground up to inform *an ongoing reconstructive transformation of real-world experience.*

In the decades preceding the New Deal—including the Red Scare of 1917–1920 and three of the most conservative presidencies of the twentieth century (Warren Harding, Calvin Coolidge, and Herbert Hoover)—experimentation at the state and local levels, in the so-called "laboratories of democracy," laid down institutional precedents and experience for many of the larger system-wide programs that ultimately became the basis of the New Deal. Over the last several decades—even today—there has been and continues to be a flow of positive institutional development building from the bottom up at the local and state level.

The system question is not simply one of ultimate design. It *is* that; but it is also, how, specifically, to conceive and then build—to and through the difficulties—sustainable and democratic elements that are both practical and worth fighting for by virtue of the values they affirm and the institutions that they develop.

The goal is not a "final system," but rather nonreversible ongoing systemic transformation of individual and community practice, power, and institutional development—upon which even deeper patterns of ecologically sustainable democracy, community, and liberty can be built.

Nor, finally, should the role of ideas—and a clarification both of longer-term vision and a viable organizing and political way—be ignored. Both add common clarity and empowerment to the foundational work of building for the long haul.

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Gar Alperovitz, a former Fellow of King's College, Cambridge, and the Institute of Politics at Harvard, was the Lionel R. Bauman Professor of political economy at the University of Maryland. He is also cofounder of the Democracy Collaborative, where he serves as cochair with Gus Speth of its Next System Project. Among his more recent books are *America Beyond Capitalism: Reclaiming Our Wealth, Our Liberty, and Our Democracy* (John Wiley & Sons, 2005) and *What Then Must We Do? Straight Talk about the Next American Revolution* (Chelsea Green Publishing, 2013).

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Who Are Stakeholders and Why Do They Matter?

by Elizabeth A. Castillo

Mapping stakeholders and systems can be powerful tools to increase equity and improve organizational decision making. But remember that the key to equity is inclusivity. As the author writes, "We must make space for everyone beyond the boundaries of our maps and Venn diagrams. This leaves room for future generations and for all the possibilities we cannot yet imagine."

At a recent meeting with nonprofit managers, only a few of the fifty attendees were familiar with the notion of stakeholders. This was surprising, because connecting meaningfully with stakeholders—the people who influence and are impacted by an organization's choices—is vital to sustainable mission fulfillment.

This article explains who stakeholders are and why all organizations should know theirs. It also shares tips for how to identify and work with stakeholders in meaningful ways to promote equity and improve decision making. It concludes with a systems-based approach to thinking about stakeholders that illuminates interdependencies among people, organizations, sectors, and societies.

What Is a Stakeholder?

A stakeholder is a person (or entity) who can affect and/or be affected by your organization—who, in other words, has a stake in your work. Stakeholders (such as volunteers, donors, and vendors) influence your ability to fulfill your mission; they are also the people (such as beneficiaries, partner organizations, and the community) who experience the consequences of your choices and actions. Stakeholders can be categorized as internal (those who work for or volunteer with your firm) or external (such as government agencies and the media). In project management, stakeholders are sometimes categorized as primary or secondary—that is, people who are affected directly or indirectly.

Why Do Stakeholders Matter?

Thinking about stakeholders is essential for an organization to be effective, accountable, and ethical (e.g., maintaining equitable power dynamics).

Effectiveness. In past decades, nonprofit organizations generally focused on developing relationships with those with whom they directly interacted, such as the people they served and funders. Now, organizations increasingly recognize that mission delivery requires a more holistic approach, since the complex problems nonprofits deal with cut across sectors and transcend geographic boundaries. For example, hospitals must attend to factors directly related to patient care, such as being able to recruit and retain qualified staff. Yet they must also pay attention to broader issues, such as national healthcare policies (e.g., insurance coverage and reimbursement rates) and socioeconomic factors that impact public health (e.g., homelessness, nutrition)—what are often called the "social determinants of health." Complex problems require the input and cooperation of numerous stakeholders with multiple points of view to create solutions.

At the organizational level, it's one reason why advocacy has become so important. Organizations increasingly recognize that their ability to advance their mission depends on many variables beyond their direct control.[1]

Understanding who has a stake in an organization's performance is one way to develop a more holistic perspective, because it helps illuminate manifold issues and how these are interrelated.

Accountability. Another way to think about stakeholders is to ask, "Who are we accountable to, and what is important to them?"[2] Accountability means taking responsibility for our choices and their consequences. It also means preventing and rectifying abuses of power.[3] Accountability is thus multidimensional. *Vertical accountability* focuses our attention on compliance—living up to our formal obligations (such as laws, contracts, and regulations), and having legal redress when things go wrong. *Horizontal accountability*, also known as *relational accountability*,[4] entails voluntarily maintaining parity and reciprocity in our relationships rather than being forced to do so through legal mandates.

Ethics—Promoting Equitable Power Dynamics. The nonprofit sector is rooted in relational accountability. It fosters trust in civil society while also being dependent upon the public's trust to remain viable.[5] However, business pressures can sometimes cause nonprofit organizations to lose sight of this, resulting in mission creep and abandoning of essential programs that cannot pay for themselves. As *Nonprofit Quarterly*'s editors have described, explicitly identifying stakeholders is an effective way to counter such pressures, because it brings ethics and relational accountability to the forefront of organizational decision making.[6] It ensures that those with the least power have a meaningful voice and equitable opportunities to advance their interests.

How to Identify and Assess Stakeholders

An example of a thoughtful stakeholder analysis is the *2019 Integrated Report* from the Indiana CPA Society (INCPAS).[7] This organization identified its primary and secondary stakeholders—that is, constituents it works with to cocreate value for mutual and public benefit. INCPAS's identified stakeholders and business partners include individual members (certified public accountants throughout the state); regulators (such as the Indiana Board of Accountancy); college educators and accounting students; high school audiences (such as teachers, students, counselors, and parents); employers; business decision makers; and other professional accounting organizations.

For each stakeholder group, INCPAS summarizes why it engages, how it engages, the value it creates for the stakeholder, and the value the stakeholders create for INCPAS.[8] In addition to a five-column table that outlines this information, INCPAS includes a graphic summary.[9] Understanding who it engages with, why it engages, and how it engages enables INCPAS to develop and communicate its mission-driven strategy.[10] Its strategic framework includes the following set of questions: "1) What do we want or need to achieve? What do we expect? 2) for who? 3) Why? and 4) What is the goal or expectation? How do we define success?"[11] This holistic thinking then informs both organizationally focused objectives (e.g., increasing membership retention) and boundary-spanning objectives like advocacy and diversity ("attract and retain an ethnically diverse pool of talented individuals to the CPA profession").[12]

To keep mission front and center in strategic decision making, consultant Steve Zimmerman offers a tool called the "matrix map" to illuminate a holistic view of a nonprofit organization's business model.[13] This tool includes a market wheel graphic for identifying direct beneficiaries; other beneficiaries, such as funders; partner organizations; labor and human capital; and political and social environmental factors. The tool drills down further, depicting how these various constituents relate and providing concrete questions to guide decision making—such as considering how needs have changed over time (or might change in the future), and identifying barriers to access that each group might experience.

Once an organization has identified its stakeholders, the next step is to consider how it wants to interact with them. An approach that promotes equity can be found in *The Power Manual*, by *Nonprofit Quarterly*'s Cyndi Suarez.[14] This analysis builds on citizen participation expert Sherry Arnstein's ladder of participation, describing eight types of relationships (such as *manipulation*, *consultation*, *partnership*, and *citizen control*), with examples for each type.[15] The lower levels reflect unilateral power structures, where organizations essentially go through the motions of engagement while preserving the status quo. The upper levels reflect shared power, with the highest type giving control of resources and decision making to those most affected by the issues.

Other questions to consider in stakeholder interactions include: To what degree do we integrate stakeholders into our decision making? Do we consider both the short- and long-term impacts of our actions on various stakeholder groups? What metrics do we use to track the well-being of our stakeholders? At what level in our organization are these metrics monitored and discussed? What channels do we have to give stakeholders a voice in the formation of our strategy and objectives? How willing are we to adapt our approaches and behaviors based on those perspectives?[16]

How Not to Do a Stakeholder Analysis

It is also important to mention some conventional approaches to stakeholder analysis and why these are not suitable for organizations interested in equitable outcomes. For example, many textbooks on project management suggest the use of a two-by-two grid, where the horizontal dimension depicts *level of interest* (low to high), and the vertical dimension represents *level of power* (low to high). This analysis results in four quadrants, with a different strategy recommended for each: Pay close attention to those with high interest and high power (upper-right quadrant); keep those with high power and low interest satisfied (upper-left quadrant); communicate with high interest/low power stakeholders (lower-right quadrant); and simply monitor those with low power and interest (lower-left quadrant). In this model, constituents with little voice, power, and interest remain outside the strategic focus of an organization. Yet for many nonprofits, these stakeholders are the very reason the organization exists.

An alternative approach is the *stakeholder salience* model, which classifies stakeholders based on their degree of legitimacy, power, and urgency.[17] By analyzing the overlap among these categories, this model identifies seven types of stakeholders (discretionary, dormant, demanding, dominant, dangerous, dependent, and definitive), as well as an eighth category, nonstakeholders (those with no power, legitimacy, or urgency).[18] However, because all organizations depend on public goodwill to exist (e.g., legitimacy and/or social license to operate), *all* community members are, in fact, stakeholders.[19] Further, casting people to the margins is problematic for organizations committed to equity. An exclusionary mindset can also blind organizations to potential opportunities. For example, social enterprises are increasingly building business models to integrate and elevate lower-power groups into their organizations and society. Examples include Televerde, a telecommunications company with a twenty-year partnership to help incarcerated women develop job skills and personal goals; Greyston Bakery, which has an open hiring and community services model; and Rango Honey, which integrates honey production, job training, and assisted community living for adults with autism.

Expanding the Frame—From Stakeholder Analysis to Systems Mapping

Some argue that attending to stakeholders is not enough—we must also consider environmental and structural factors such as planetary conditions, historic and current patterns of interaction (e.g., structural racism and systemic inequality), and the interdependencies and multilevel flows among individuals, organizations, communities, and nations.[20] Systems mapping is a tool to make such dimensions visible. Examples include food systems maps, which depict supply, demand, and resource flows within environmental, social, and economic contexts;[21] healthcare as an integrated functioning system that accounts for governance, culture, and multiple stakeholders;[22] and the Hewlett Foundation's Madison Initiative—a dynamic map that illustrates the complexities of and impediments to effective, deliberative governance.[23]

A systems approach attends to temporal dimensions (past, present, and future); illuminates and depicts multiple perspectives; and surfaces assumptions and competing values. The resulting insights from these meaning-making conversations promote shared understanding and stimulate creative and integrative thinking to open up new approaches and solutions.

Two good starting points to learn about systems thinking are Learning for Sustainability and The Systems Thinker®.[24] These resources provide an accessible overview of core ideas and supporting concepts such as feedback loops, stocks and flows, bidirectional causation, and the connection among events, behavioral patterns, system structures, and mental models.

A note of caution: As useful as systems mapping is, every map is inherently incomplete. Regardless of who is involved and how it is developed, it will omit certain aspects of reality and privilege others. Because we all have blind spots, the maps we create will also have them. Mapmaking is a political act—*it transforms something previously ungovernable into a form that can now be controlled.*[25] This means that mapmakers define and name reality in ways that shape what is deemed to be "normal," "real," and "correct," which can lead to discounting and even eradicating other worldviews.[26]

Stakeholder analysis is useful for gaining awareness of who your organization impacts and who you depend on to fulfill your mission. Thinking explicitly about stakeholders increases strategic focus, expands options, and aligns organizational effort. Systems mapping makes visible the connections between stakeholders and your context. As you identify your stakeholders and nurture reciprocity and relational accountability, remember that inclusivity is the key to equity. We must make space for everyone beyond the boundaries of our maps and Venn diagrams. This leaves room for future generations and for all the possibilities we cannot yet imagine.

I am grateful to the University of Virginia Darden School of Business's Institute for Business in Society for deepening my knowledge of stakeholder theory. This article was also inspired by a conversation with Mark

Jamnik and Eric Keosky-Smith, Conscious Capitalism Arizona, and John Janney, Janney Financial Group, who provided generative insights. Any errors are mine alone.

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Reconsidering Charitable Tax Exemption: A Modest Proposal for the "Nonprofit 1000"

by John Tropman and James A. Blackburn

"Tax exemptions for charitable organizations and religious organizations are over one hundred years old," write University of Michigan's John Tropman and James Blackburn. "It may be time to rethink the original organizational purposes of such exemptions and the problems they now represent and create."

In looking at any kind of policy—public policy (policy made by public officials), organizational policy, or even personal policy—the relationship between the policy and its target may change. The sociological concepts of *cultural lag* and *structural lag* are helpful in understanding this process.

In sociology, *cultural lag* refers to a situation where norms lag behind technical developments:

> The term cultural lag is used to describe the situation in which technological advancements or changes in society occur faster than the changes in the rules and norms of the culture that goes along with those advancements or changes. This can lead to moral and ethical dilemmas for individuals as the new social norms are developed.[1]

Contrarily, *structural lag* refers to situations where social structures have moved faster than the norms that govern them.[2]

And there can be instances of both lags operating at the same time.

Additionally, there may be lack of fit among cultural elements themselves (*cultural discordance*) as well as lack of fit among structural elements (*structural discordance*).

Old policies that seemed like (or were) a good idea at the time require reexamination when their practices and impacts, taken collectively, have the opposite effect of that which was (apparently) intended—a good example of cultural lag. In that spirit, this article proposes that we reexamine policies governing tax expenditures (forgiveness of various kinds) for organizations in the nonprofit sector.

5 Reasons for Reconsidering Nonprofit Tax Exemption

First, tax exemption for certain entities has a long history.[3] Tax deductions for charitable contributions and tax expenditure (tax forgiveness) have a long history also, nicely detailed in a figure with the title "Major Exempt Organization Legislation, 1984–Present," in "A History of the Tax-Exempt Sector: An SOI Perspective," by Paul Arensberger et al.[4]

An excerpt of the table follows (with two key sections italicized):

> **Major Exempt Organization Legislation, 1894–Present**
>
> Tariff Act of 1894—Earliest statutory reference to tax exemption for certain organizations.
>
> Revenue Act of 1909—Introduced language prohibiting private inurement.
>
> *Revenue Act of 1913—Established income tax system with tax exemption for certain organizations.*
>
> *Revenue Act of 1917—Introduced individual income tax deduction for charitable donations.*[5]

So, tax exemptions for charitable organizations and religious organizations are over one hundred years old. It may be time to rethink the original organizational purposes of such exemptions and the problems they now represent and create.

Second, the general idea is that American society and culture—characterized by associations, as Alexis de Tocqueville famously noted[6]—was and is brilliant at getting citizens to focus together on, and work voluntarily to, correct problems and concerns of societal interest. The voluntary aspect is important here, because—at least in Tocqueville's time—those citizens were not being paid. The contemporary social service sector as we know it was, for all practical purposes, nonexistent at the time. So perhaps it seemed natural that such organizations be exempt from collective costs (taxes) in exchange for their collective contributions. But times have changed, along with historical shifts in what is considered a "social good"—and these are reasons for policy reconsideration. Alan Schenk, professor of law at Wayne State University, opines:

> State and local exemptions from income tax for qualified organizations, including churches, universities, charitable foundations, etc., generally follow the federal rules. Due to abuses, however, these organizations are subject to UBIT (unrelated business income tax). The states have their own rules on their property, excise, and sales taxes. Some nonprofits voluntarily pay some state and local taxes that they are not obliged to pay.[7]

A third reason for reconsideration is that the exemptions have expanded to cover both federal and local tax expenditures. This adds up to to a huge dollar amount, considering the size of the assets base under consideration: $3 trillion in 2015.[8]

Fourth, the tax expenditure not only includes tax abatement but also tax freedom from capital growth. Large institutions (foundations, universities, hospitals, etc.) have endowments, the growth of which is not taxed, either.

Fifth, nonprofits seem to have forgotten that this large fisc is a critical source of support. One could also consider this tax forgiveness a liability, such as a noninterest loan. We have yet to see an annual report that lists the tax expenditures in any way.

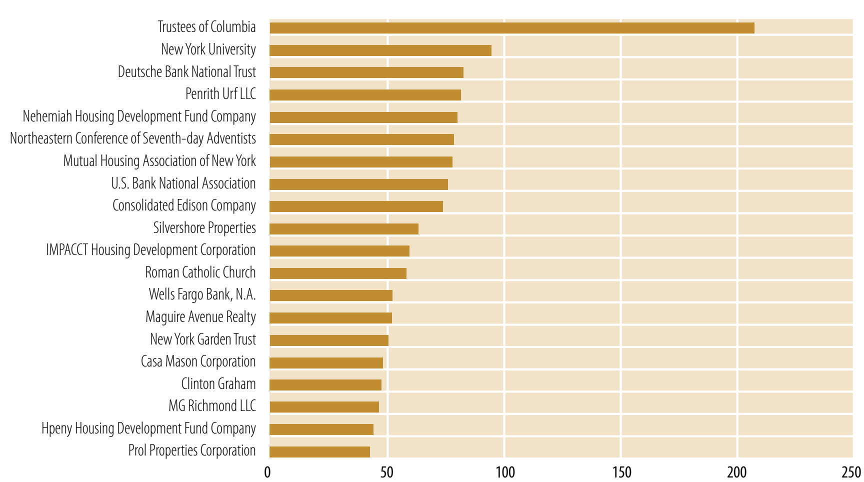
As one considers the very large nonprofits and the impact on their locations, additional questions arise, such as the tax abatement of institutionally owned property. Surely no one would object to a modest tax abatement; but when large nonprofits own vast swaths of real estate, they change the entire character of the tax structure of the area—like a large fire creates its own weather. In New York City, for example, the Catholic Church is probably the biggest landowner, followed closely by two very large and prestigious private universities, according to the *Economist*.[9] The graph below, from a 2016 study, puts the Catholic Church lower than the *Economist* rating, but two other nonprofits, Columbia University and New York University, are at the top of the list.[10]

As nonprofits increase their property ownership, this exemption places stress on municipalities, because the tax base drops. Perhaps an appropriate discussion to have would be to consider some limitations on land acquisition, as well as tax-free holdings and growth (for the billionaire nonprofits). Maybe we should have less of a concern about land acquisition per se, and more of a focus on requiring these large landowners to pay a fair and equitable share of the taxes on the land that they own.

One might ask at this point how we have arrived at such a situation. One reason is that, first of all, from a policy perspective, most policies are not reviewed/refurbished unless prompted by a crisis. Second, the large nonprofits—universities, foundations, hospitals, and churches—are not without influence. So, questions about financial privilege and "cash warehousing," while mentioned, are not gaining traction. Are such great collections of money serving the public good? Or are they simply Scrooge McDucks in academic, medical, or clerical regalia?

Another reason could be that the concept of "social contribution" may vary widely or have undergone an historical shift, which has created a cultural discordance and lack of "goodness of fit." From the orientation of the Bill & Melinda Gates Foundation to that of the Koch brothers, the ability to sequester funds may allow for the unrestrained pursuit of singular goals, with no appreciable oversight, control, or review.

Largest Private Landowners in New York City by Number of Addresses Held



Exemption Requirements—501(c)(3) Organizations

To be tax-exempt under section 501(c)(3) of the Internal Revenue Code, an organization must be organized and operated exclusively for exempt purposes set forth in section 501(c)(3), and none of its earnings may inure to any private shareholder or individual. In addition, it may not be an **action organization**, i.e., it may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates.

Organizations described in section 501(c)(3) are commonly referred to as **charitable organizations**. Organizations described in section 501(c)(3), other than testing for public safety organizations, are eligible to receive tax-deductible contributions in accordance with Code section 170.

The organization must not be organized or operated for the benefit of private interests, and no part of a section 501(c)(3) organization's net earnings may inure to the benefit of any private shareholder or individual. If the organization engages in an excess benefit transaction with a person having substantial influence over the organization, an excise tax may be imposed on the person and any organization managers agreeing to the transaction.

Section 501(c)(3) organizations are restricted in how much political and legislative (*lobbying*) activities they may conduct.

Source: IRS, "Exemption Requirements—501(c)(3) Organizations," accessed February 17, 2020, www.irs.gov/charities-non-profits/charitable-organizations/exemption-requirements-section-501c3-organizations.

• • •

The time may be upon us when a thorough review of tax expenditures for the "Fortune 1000" tax-exempt organizations is in order. Further, if the Revenue Acts of 1913 and 1917 were passed in order to foster organizations whose missions were to enhance social justice and provide more opportunity for all, then it may be time to reexamine the societal impact of the Revenue Acts of 1913 and 1917 more generally.

Then again, at the political level, it is perhaps not the best time to do such a refurbishment. U.S. society seems to be in the thrall of a renewed trend of cruelty toward those in need. While having significant charitable tendencies and a willingness to lend a hand, there is also a disturbingly deep vein of negativism in our society toward those at the bottom of the socioeconomic ladder: Black and Brown people, Indigenous people, Jewish people, non-"white" immigrants, women, and the LGBT community—as well as schoolchildren, senior citizens, differently abled people, and other victims of hate crimes.[11] Perhaps the better solution would be to look to the nonprofit community itself to recognize some of these problems and develop some tempering policies of its own.

The authors thank Professor Alan Schenk of the Wayne State School of Law for his helpful comments.

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