

# FORVIS™




## State of the Nonprofit Sector

2023 Annual Report / February 2023

# FORVIS





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# Introduction



**Nonprofit organizations occupy an increasingly important position in our nation’s social, physical, mental, and spiritual health. They deliver a broad array of services, from shelters and housing to education and advocacy.**

The industry has evolved into an economic powerhouse that employs more than 10%<sup>1</sup> of the entire private workforce and is the third largest workforce of any U.S. industry.

While the past year provided a reprieve from the COVID-19 pandemic, a host of other disasters and unrest once again put nonprofits on center stage. With persistence and dedication, organizations worked relentlessly to provide services and support to communities through difficult times.

This year’s report takes a deep dive into the industry, exploring how nonprofits are meeting urgent needs while adjusting to persisting global crises. The report includes aggregated results, including comparisons to our previous studies.

Findings in this report are instrumental for nonprofit leaders, philanthropists, policymakers, and citizens at large, helping them understand changes in the industry and ways they can engage.



**Dan Prater**  
Senior Managing Consultant



The nonprofit industry must remain resilient in the face of challenges to address ever-evolving community issues and needs. Nonprofits are critical in ensuring resources and services to their communities, and their vision is the key to successfully fulfilling their mission. Our hope is with this report and through our commitment to forward vision, we can help nonprofits in preparing for what is next.”



**Tondee Lutterman**  
National Industry Leader

<sup>1</sup> Johns Hopkins, 2019 Nonprofit Employment Report, Salamon L. and Newhouse C.

# Report Summary

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## Methodology

Information for this report was retrieved through an electronic survey. The survey contained 30 multiple-choice and open-ended questions about organization location, budget range, focus area, and other aspects.

The survey collected responses for approximately one month in late 2022 and was available to all sizes and types of tax-exempt organizations throughout the nation. Survey distribution and participation included individuals and organizations representing diverse backgrounds, interests, and regions.

## Key Findings



**93%** are spending more on employee salaries and benefits



**68%** have had increased demands for their programs and services



**50%** are having difficulty delivering programs and services due to staffing shortages

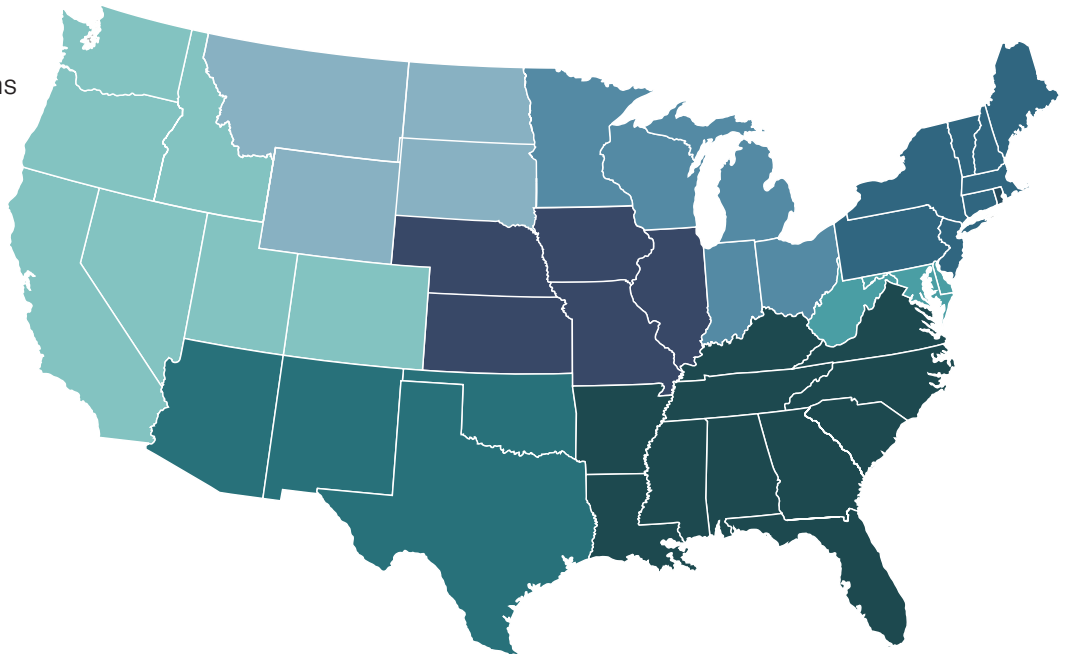


**78%** are trying to fill staff vacancies

## Participants

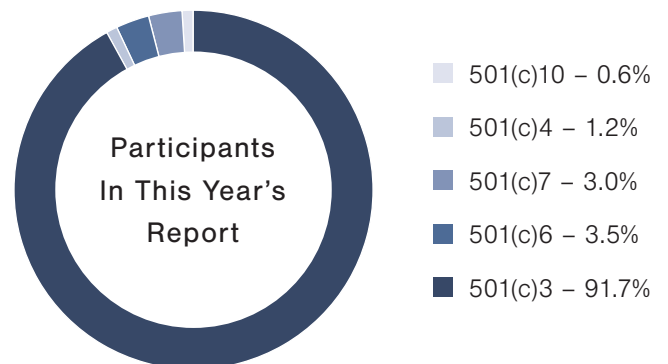
Participants were from organizations throughout the nation, with the largest representation in the Midwest and South regions, and the smallest from the West and Plains regions.

- Plains – 3.0%
- West – 4.1%
- Great Lakes – 4.7%
- Mid-Atlantic – 6.4%
- Northeast – 7.6%
- Southwest – 10.5%
- South – 19.3%
- Midwest – 44.4%



The vast majority of participants in this year's report were 501(c)3s, the most common and best-known nonprofit organizations in the United States.

Other types included 501(c)4—civic leagues, social welfare organizations, and local associations of employees; 501(c)6—business leagues, chambers of commerce, professional boards, etc.; 501(c)7—social and recreational clubs; and 501(c)10—domestic fraternal societies and associations.

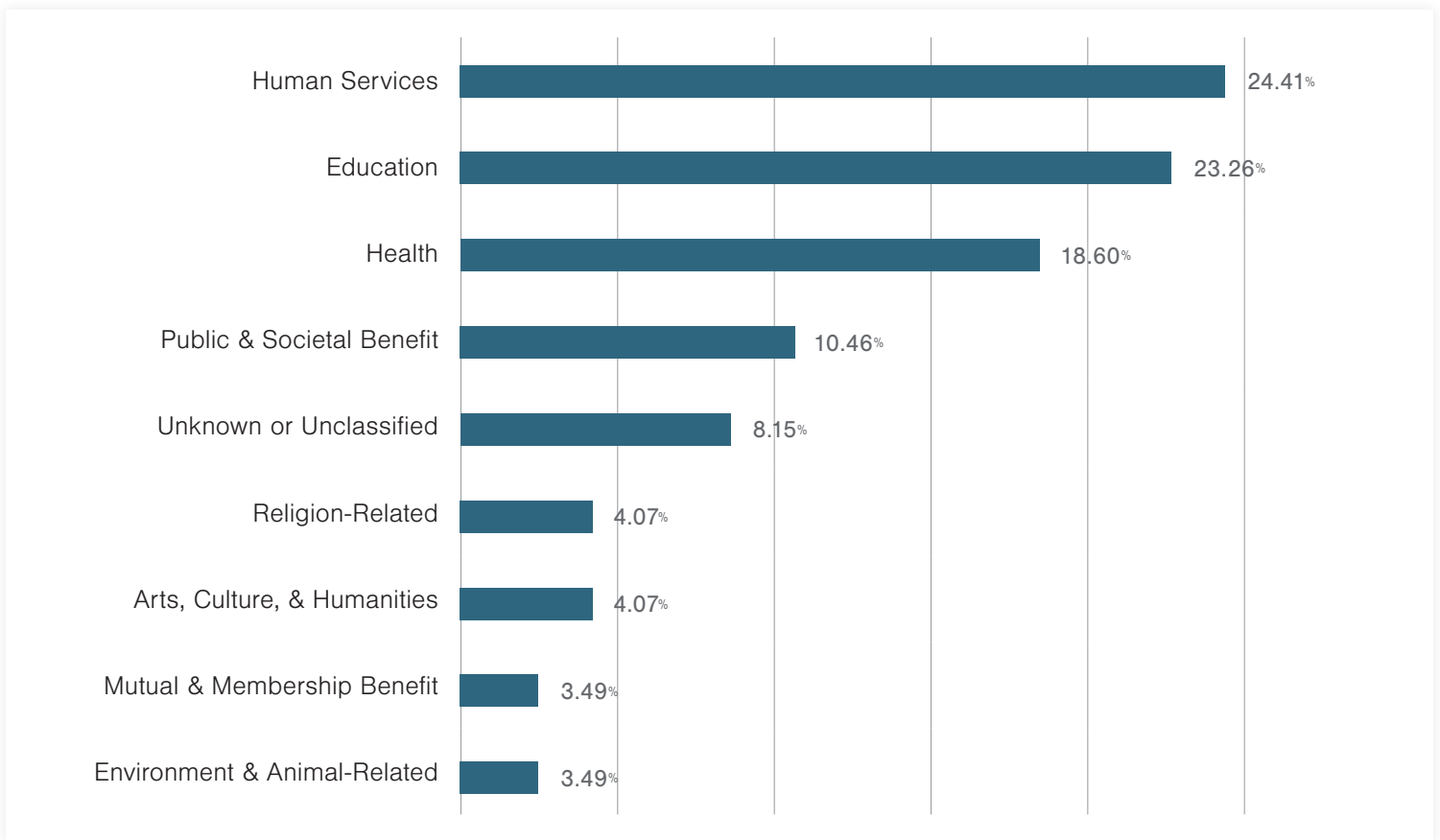


## Focus Areas of Participating Organizations

The National Center for Charitable Statistics classifies nonprofit organizations into nine major categories based on their main activity or purpose. There are hundreds of subcategories.

The human services category is the most common area of focus in this year's report. Organizations in this category tackle pressing issues such as food insecurity, homelessness, and child welfare. Education is the next largest focus area. This broad category includes private schools and some colleges and universities, professional societies and associations, and student fraternities and sororities.

Health organizations include some hospitals, family planning, blood banks, mental health, addiction treatment, professional associations, and other supporting groups.



The National Center for Charitable Statistics classifies nonprofit organizations into nine major categories based on their main activity or purpose.



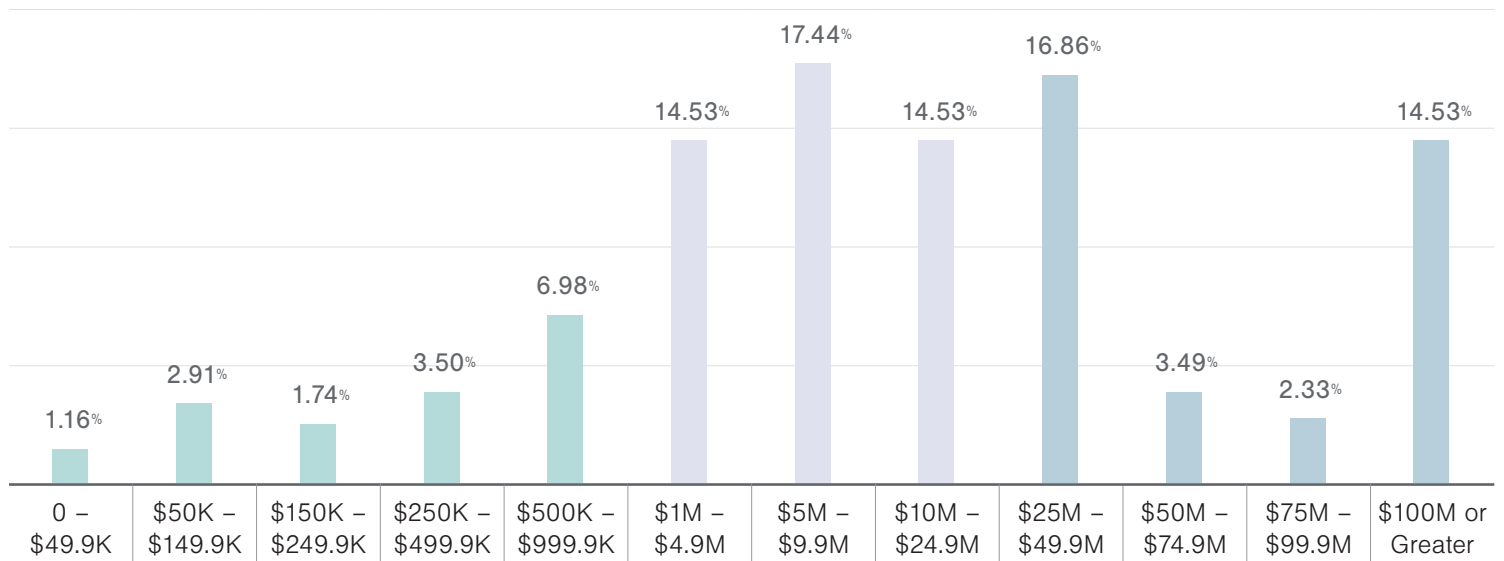
## Annual Revenue Range

Nearly half of survey respondents were from Midlevel organizations with annual gross receipts between \$1 million and \$24.9 million. Nonprofits with annual operating budgets in the \$5 million to \$9.9 million range and the \$25 million to \$49.9 million range had the largest representation.

### Budget Sizes

0–\$49,999	1.16%	<b>16.29%</b> Small 0–\$999,999
\$50,000–\$149,999	2.91%	
\$150,000–\$249,999	1.74%	
\$250,000–\$499,999	3.50%	
\$500,000–\$999,999	6.98%	
\$1M–\$4.9M	14.53%	<b>46.50%</b> Midlevel \$1M–\$24.9M
\$5M–\$9.9M	17.44%	
\$10M–\$24.9M	14.53%	
\$25M–\$49.9M	16.86%	<b>37.21%</b> Large \$25M+
\$50M–\$74.9M	3.49%	
\$75M–\$99.9M	2.33%	
\$100M or Greater	14.53%	

### Annual Revenue Ranges



# Financial Impact

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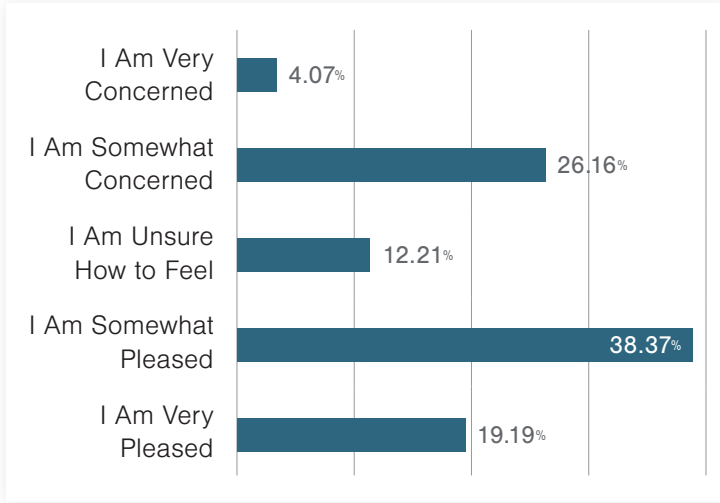
“All change is not growth, as all movement is not forward.”

–Ellen Glasgow

In spite of ongoing economic turbulence, most organizations are satisfied with their current financial position. **The number of “very pleased” more than doubled from the previous year, and those who are “very concerned” declined considerably.**

Most nonprofits are cautiously optimistic about their organization’s current financial position.

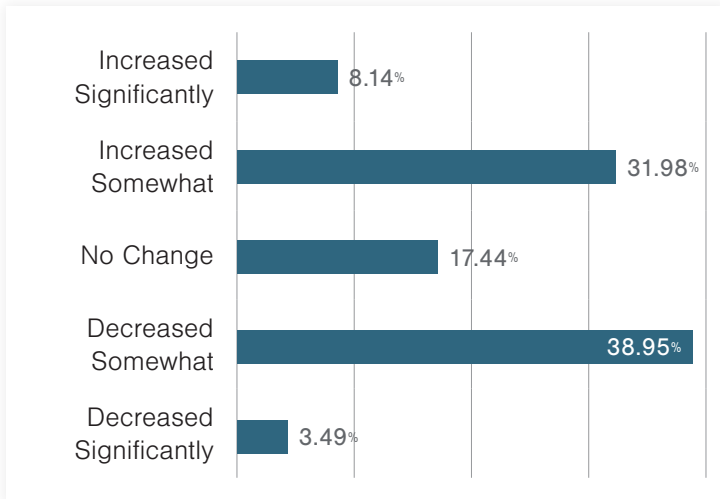
**?** How do you feel about your organization’s current financial position?



	2023	2022	Change %
I Am Very Concerned	4.07%	9.76%	↓ 58.29%
I Am Somewhat Concerned	26.16%	18.71%	↑ 39.81%
I Am Unsure How to Feel	12.21%	22.82%	↓ 46.49%
I Am Somewhat Pleased	38.37%	38.94%	↓ 1.46%
I Am Very Pleased	19.19%	9.77%	↑ 96.42%

Compared to last year, there’s a balance between organizations that have increased, stayed the same, and decreased in their financial position.

**?** How does your organization’s financial position compare to one year ago?



	2023	2022	Change %
Increased Significantly	8.14%	7.17%	↑ 13.52%
Increased Somewhat	31.98%	25.62%	↑ 24.92%
No Change	17.44%	12.69%	↑ 37.43%
Decreased Somewhat	38.95%	39.95%	↓ 2.50%
Decreased Significantly	3.49%	14.57%	↓ 76.04%

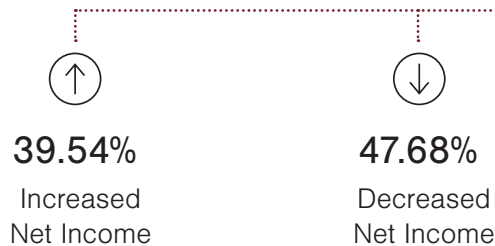
While nonprofits of all sizes and types have experienced increases and decreases, a deeper examination reveals that **small organizations are 32% more likely than large ones to have experienced a declining financial position** over the past year.

Financial Position	Large Organizations	Midlevel Organizations	Small Organizations
Increased Significantly	14.06%	6.25%	0.00%
Increased Somewhat	21.87%	40.00%	34.48%
No Change	20.32%	13.75%	20.68%
Decreased Somewhat	35.93%	38.75%	44.84%
Decreased Significantly	7.82%	1.25%	0.00%

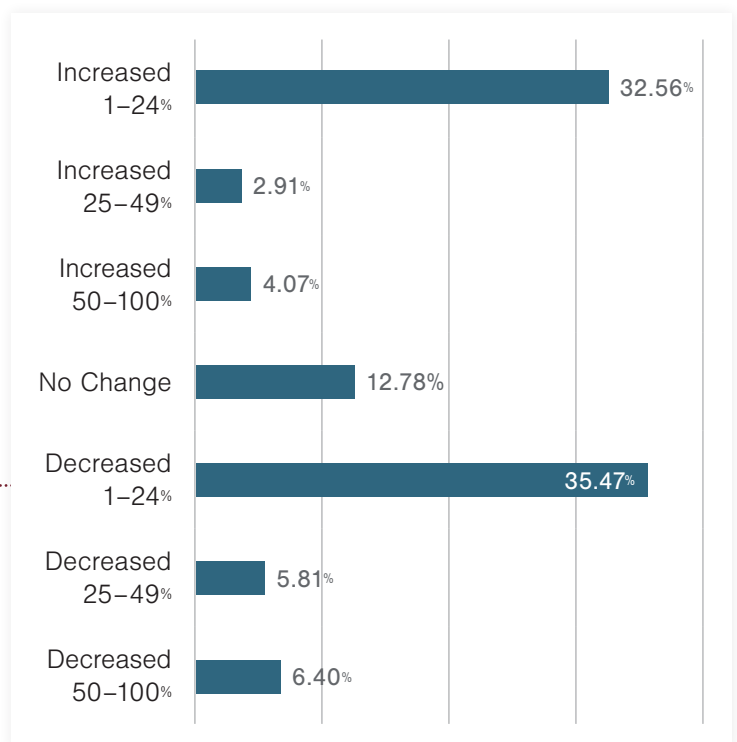
## Revenue Changes

Net income, the amount of cash generated minus expenses and losses, is a strong indicator of an organization's financial health. Our research found that about **half of the organizations experienced a decrease in net income, while more than one-third (39.54%) had an increase.**

Factors impacting net income include increasing personnel compensation and soaring operational costs. Record-high inflation caused the price of goods and services to increase while effectively diminishing the buying power of a dollar.



How has your organization's net income changed over the past year?



## Revenue Sources

Organizations that are strong and sustainable do not rely on a single or only a few revenue sources. Those with diverse funding streams protect themselves against unexpected changes or events which can alter revenue.

Fees for Services and Contributions from Individuals continue to be the two primary sources of annual funding. Grants from foundations and the government remain essential to nonprofit financial health.

	0–24%	25–49%	50–74%	75–100%
Fees for Services, Programs, & Goods (private and government)	51.43%	13.57%	13.57%	21.43%
Contributions from Individuals	69.18%	19.86%	7.54%	3.42%
Membership Dues	75.83%	7.69%	9.89%	6.59%
Foundation Grants	68.03%	24.59%	7.38%	0.00%
Government Grants	64.66%	17.24%	9.48%	8.62%
Special Events, Fundraisers	79.34%	15.70%	4.96%	0.00%
Corporate Giving	82.57%	13.76%	3.67%	0.00%
Planned Giving	94.74%	2.11%	2.10%	1.05%
Earned Income	88.24%	8.23%	1.18%	2.35%
Investments	84.00%	8.00%	2.40%	5.60%
Other	92.86%	2.86%	1.42%	2.86%

In the current environment, funding is not the only impediment to mission success.

**Staffing shortages and a shift in the global workforce present significant challenges as half of the organizations struggle to maintain the staffing levels needed to deliver their programs and services.**





In what ways have the following impacted your organization's financial health?

	Significantly	Somewhat	Very Little	None
Inability to deliver programs/services due to limited funding	6.13%	25.15%	22.09%	46.63%
Inability to deliver programs/services due to staffing issues	17.68%	32.32%	24.39%	25.61%
Decline in individual support	3.61%	27.71%	26.51%	42.17%
Decline in corporate/foundation support	2.43%	28.48%	26.06%	43.03%
Decline in government support	4.94%	16.05%	22.84%	56.17%
Drop in demand for programs/services	2.45%	16.56%	16.56%	64.43%



How has revenue from these sources changed over the past year?

Most revenue sources were steady, with only slight changes over the last year. **Fees for Services, Programs, & Goods and Contributions from Individuals increased the most** (around 30%). Planned Giving and Membership Dues had gains near 7%. Foundation Grants remained strong with a healthy increase of almost 4%. **Revenue increases were offset for some by a drastic 41% decline in returns from Investments, which were eroded by record-high inflation.** Corporate Giving saw a small decline of less than 1%.

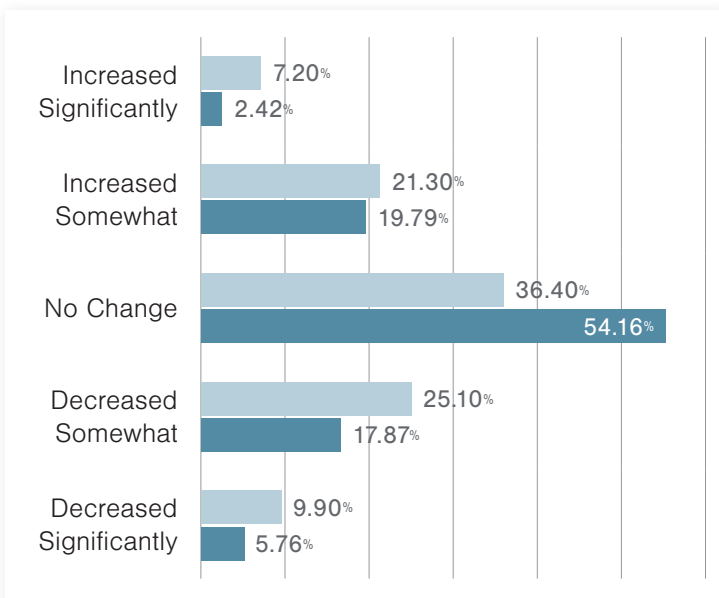
Revenue Source	Increased Significantly	Increased Somewhat	No Change	Decreased Somewhat	Decreased Significantly	Change Average
Fees for Services, Programs, & Goods (private and government)	3.87%	26.45%	45.16%	21.29%	3.23%	↑ 5.80%
Contributions from Individuals	3.21%	26.28%	42.95%	24.36%	3.20%	↑ 1.92%
Membership Dues	0.78%	13.95%	77.52%	6.20%	1.55%	↑ 6.98%
Foundation Grants	2.58%	24.51%	49.68%	21.94%	1.29%	↑ 3.87%
Government Grants	6.62%	19.87%	51.66%	15.23%	6.62%	↑ 4.64%
Special Events, Fundraisers	1.33%	22.67%	52.00%	22.00%	2.00%	No Change
Corporate Giving	1.35%	18.24%	61.49%	16.22%	2.70%	↓ 0.67%
Planned Giving	0.71%	14.89%	75.89%	7.09%	1.42%	↑ 7.09%
Investments	3.87%	11.26%	31.13%	26.49%	29.80%	↓ 41.16%

## Revenue Changes by Focus Area

Practically all organizations have been impacted by changes in the economy and donor preferences. Health and Arts, Culture, & Humanities organizations experienced the least amount of change in revenue, while nearly 40% (39.36%) of Human Services and one-third (33.34%) of Religion-Related Nonprofits had significant decreases in financial contributions. Other factors impacting revenue include decreases in state appropriations and an end to ARP (American Rescue Plan) funding.

Focus	Increased Significantly	Increased Somewhat	No Change	Decreased Somewhat	Decreased Significantly
Arts, Culture, & Humanities	0.00%	14.28%	71.44%	0.00%	14.28%
Education	5.71%	37.14%	28.57%	8.57%	20.01%
Environment & Animal-Related	0.00%	40.00%	20.00%	40.00%	0.00%
Health	0.00%	20.68%	68.96%	0.00%	10.36%
Human Services	2.43%	24.39%	34.14%	0.00%	39.04%
International, Foreign Affairs	0.00%	100.00%	0.00%	0.00%	0.00%
Mutual & Membership Benefit	0.00%	0.00%	100.00%	0.00%	0.00%
Public & Societal Benefit	11.11%	27.77%	33.35%	0.00%	27.77%
Religion-Related	0.00%	33.33%	33.33%	0.00%	33.34%
Unknown or Unclassified	0.00%	18.18%	45.46%	0.00%	36.36%

When examining all revenue sources, more than half of all organizations experienced no change. **This is a positive change compared to last year when only 35% were steady.**



	2023
Increased Significantly	2.42%
Increased Somewhat	19.79%
No Change	54.16%
Decreased Somewhat	17.87%
Decreased Significantly	5.76%

■ 2022 ■ 2023

## Operational Reserves

Nonprofits are better able to weather unexpected events when they have a financial cushion—an operating reserve with unrestricted funds. This reserve can provide stability and help sustain an organization through uncertain times. **The industry best practice is to have a reserve that can cover at least six to nine months of operational expenses.**



- Less Than 1 Month or None – 2.35%
- 1 Month – 5.88%
- 2–3 Months – 15.89%
- 4–6 Months – 22.94%
- 7–12 Months – 21.18%
- More Than 12 Months – 31.76%

The past year’s economic conditions tested organizations’ abilities to boost reserves. Yet year-to-year comparisons show many nonprofits increased their reserves except for the 7–12 Months range, which dropped by nearly 50%.

Operating Reserves	2023	2022	Change %
Less Than 1 Month or None	2.35%	2.51%	↓ 6.37%
1 Month	5.88%	6.45%	↓ 8.83%
2–3 Months	15.89%	12.90%	↑ 23.17%
4–6 Months	22.94%	14.46%	↑ 58.64%
7–12 Months	21.18%	39.43%	↓ 46.28%
More Than 12 Months	31.76%	24.25%	↑ 30.96%

## Operational Costs

**The nation has faced unprecedented challenges over the past three years.**

Organizations are coping with skyrocketing inflation and are looking for ways to sustain operations through economic volatility.



- Increased Significantly – 10.34%
- Increased Somewhat – 48.41%
- No Change – 36.45%
- Decreased Somewhat – 4.26%
- Decreased Significantly – 0.54%

The data in this table demonstrate noteworthy changes in operating costs that have occurred over the past year. There has been a significant rise in the percentage of nonprofits with operational cost increases while some report decreases.

Operating Costs	2023	2022	Change %
Increased Significantly	10.34%	6.46%	↑ 60.06%
Increased Somewhat	48.41%	23.12%	↑ 109.38%
No Change	36.45%	14.44%	↑ 154.42%
Decreased Somewhat	4.26%	44.01%	↓ 90.32%
Decreased Significantly	0.54%	11.97%	↓ 95.48%



## ? How have your organization's operational costs changed over the past year?

Like other industries, nonprofits have experienced a sharp increase in operational costs as economic shockwaves have caused global inflation. As a result, fees for professional services (marketing, legal, accounting/financial, IT, and other types of consulting) climbed by 68.26%. In response to increasing compensation in other sectors and seismic shifts in workforce expectations, nearly all (92.94%) organizations absorbed additional employee compensation expenses.

↑ 68.26% Professional Services

↑ 56.44% Utilities

↑ 92.94% Salaries & Benefits

	Increased Significantly	Increased Somewhat	No Change	Decreased Somewhat	Decreased Significantly
Salaries & Benefits	35.88%	57.06%	3.53%	2.35%	1.18%
Rent, Lease, or Mortgage	0.61%	23.17%	70.12%	3.66%	2.44%
Repairs & Maintenance	7.88%	41.82%	44.85%	5.45%	0.00%
Utilities	11.04%	45.40%	39.88%	3.07%	0.61%
Transportation/Travel	9.52%	54.17%	24.40%	11.91%	0.00%
Office Equipment/Supplies	5.33%	47.34%	39.64%	7.69%	0.00%
Professional Services	10.18%	58.08%	29.34%	2.40%	0.00%
Marketing & Advertising	5.45%	51.52%	41.21%	1.82%	0.00%
Taxes & Insurance	7.14%	57.14%	35.12%	0.00%	0.60%
<b>Total Average</b>	<b>10.34%</b>	<b>48.41%</b>	<b>36.45%</b>	<b>4.26%</b>	<b>0.54%</b>

## ? What steps has your organization taken to reduce expenses in the past year?

Organizations are faced with a dilemma—how to maintain financial health and sustainability while mitigating the impacts of the economy. Over the past year, difficult but necessary actions have included scaling back programs and services, eliminating staff positions or hours, and reducing pay and benefits.

👤 70.20% Eliminated or Decreased Staff Positions

🕒 66.39% Eliminated or Decreased Staff Hours

⚙️ 69.13% Eliminated or Decreased Programs &/or Services

	Eliminated All	Eliminated Some	Decreased All	Decreased Some	No Action
Staff Positions	7.62%	27.65%	20.36%	14.57%	29.80%
Staff Hours	7.32%	19.13%	22.63%	17.31%	33.61%
Employee Benefits	7.36%	17.39%	19.06%	18.06%	38.13%
Programs &/or Services	6.21%	19.63%	22.15%	21.14%	30.87%
Travel	6.21%	22.65%	22.82%	20.97%	27.35%
Education (Seminars, Conferences, etc.)	6.05%	22.52%	23.53%	19.50%	28.40%

# Operations

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“Focus on doing the right things instead of a bunch of things.”

–Mike Krieger

## Remote Working

As remote working becomes more common, organizations look for ways to maintain **effectiveness, collaboration, and culture.**

Organizations in this study reduced the number of employees working remotely. Except for the 1–33% category, all areas declined. This may reflect a loosening of pandemic restrictions and a trend to bring employees together again. The end of 2022 saw a push by several major corporations to bring employees back to the office.

Clearly, the traditional office-based environment has changed, maybe permanently. Some organizations are now using a hybrid approach, splitting time between the office and remote locations.

### Percent of Staff Working Remotely

Percentage of Staff	Remote 1 Year Ago	Remote Now	Change %
1–33%	46.44%	62.35%	↑ 34.28%
34–50%	10.71%	8.24%	↓ 22.96%
51–67%	11.90%	11.76%	↓ 1.17%
68–84%	8.93%	7.65%	↓ 14.33%
85–100%	22.02%	10.00%	↓ 54.58%

### Remote Working by Focus Area

	1–33% Remote	34–50% Remote	51–67% Remote	68–84% Remote	85–100% Remote
Arts, Culture, & Humanities	71.42%	0.00%	28.58%	0.00%	0.00%
Education	64.10%	7.70%	7.70%	10.25%	10.25%
Environment & Animal-Related	50.00%	0.00%	50.00%	0.00%	0.00%
Health	68.83%	3.12%	12.31%	6.34%	9.40%
Human Services	69.04%	14.29%	7.14%	4.77%	4.76%
International, Foreign Affairs	0.00%	100.00%	0.00%	0.00%	0.00%
Mutual & Membership Benefit	0.00%	16.70%	0.00%	16.67%	66.63%
Public & Societal Benefit	61.11%	5.56%	11.11%	11.11%	11.11%
Religion-Related	57.16%	14.28%	14.28%	14.28%	0.00%
Unknown or Unclassified	53.84%	7.70%	15.38%	7.70%	15.38%

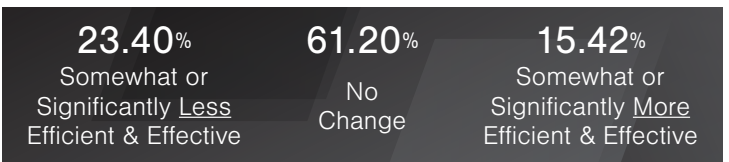
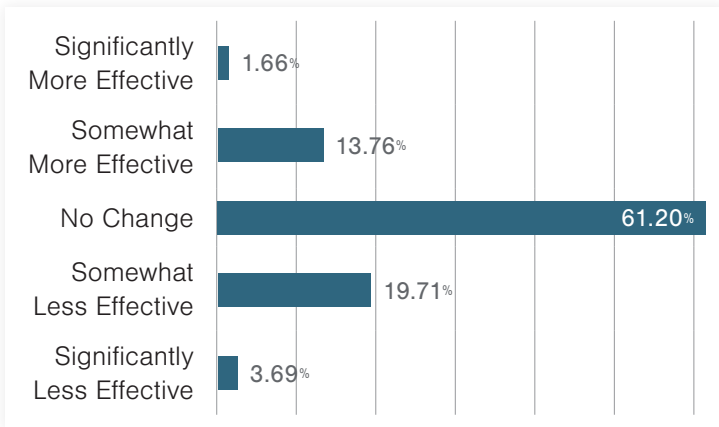
Although it may take years to fully understand how remote working impacts organizational effectiveness, the benefits to employees have been quickly realized. Work-life freedom has given employees the flexibility to balance personal/family needs and allowed them to save time and money on commuting.

Common challenges associated with the remote work environment include decreased teamwork, reduced social interaction, increased security issues, and blurred lines between the office and home.



## In what ways has remote working changed your organization?

	Significantly More Efficient & Effective	Somewhat More Efficient & Effective	No Change	Somewhat Less Efficient & Effective	Significantly Less Efficient & Effective
Delivery of Programs & Services	1.78%	18.93%	57.99%	18.34%	2.96%
Advocacy & Outreach	0.60%	10.84%	66.27%	18.07%	4.22%
Fundraising	0.60%	6.59%	73.65%	16.17%	2.99%
Internal Communication (Staff)	2.94%	19.41%	40.59%	32.94%	4.12%
External Communication (Donors, Community, Supporters, etc.)	2.37%	13.02%	67.46%	13.01%	4.14%
<b>Average</b>	<b>1.66%</b>	<b>13.76%</b>	<b>61.19%</b>	<b>19.70%</b>	<b>3.69%</b>



A closer look reveals internal communication with staff has suffered the most. 37.06% report a decline in internal communication efficiency. To address this and other issues associated with remote working, leaders have updated policies and guidelines and provided additional technology tools.

As the table below shows, most organizations have increased check-ins to provide support and improve accountability. More than half (54.27%) of nonprofits now offer emotional support to remote employees, recognizing that a lack of social interaction with co-workers can lead to feelings of loneliness and isolation.



## Steps to help ensure effectiveness in the remote work environment

	Yes, Already Completed	In Progress Now	Not Yet, Maybe Later	No, & Don't Plan To
Provided employees with additional tech & productivity tools	58.68%	19.16%	7.78%	14.37%
Established/increased daily & weekly check-ins	49.09%	17.58%	10.91%	22.42%
Provided new or additional WFH training & tips	33.95%	14.20%	22.84%	29.01%
Offered emotional support & tips	35.37%	18.90%	20.12%	25.61%
Established/increased non-work interactions & opportunities for collaboration	25.61%	20.73%	25.61%	28.05%
Developed & communicated clear employee expectations & guidelines	52.10%	22.16%	11.98%	13.77%
Updated your organizational policies & procedures manual with WFH guidelines	42.94%	19.63%	19.02%	18.40%

# Programs



“ Vision without action is merely a dream.  
Action without vision just passes the time.  
Vision with action can change the world.”

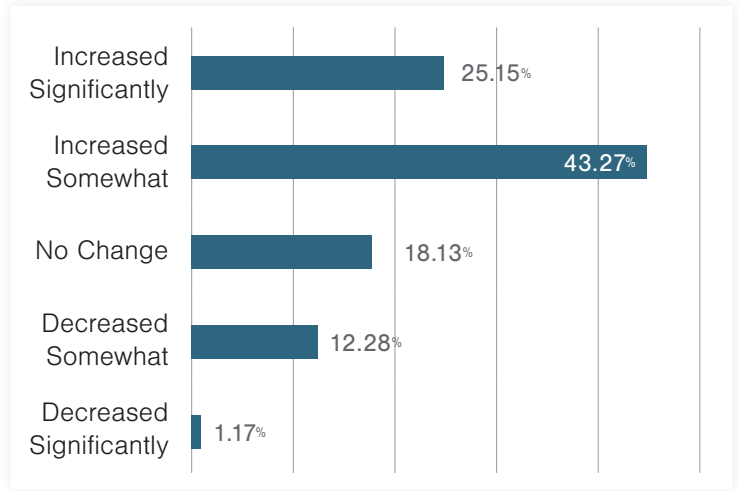
–Joel A. Barker


## Demand for Programs & Services

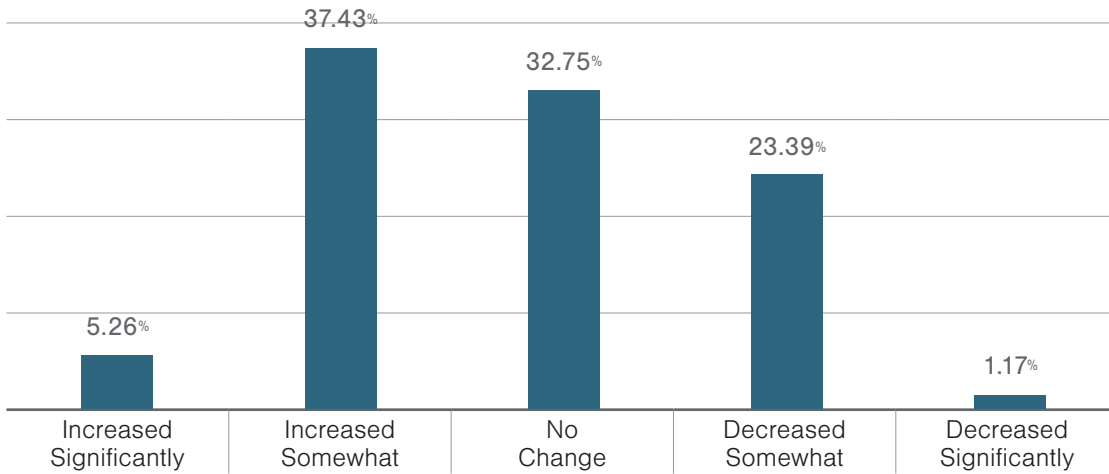
Although COVID-19 hospitalizations and deaths eased last year, the virus continues to have a profound effect on individuals, neighborhoods, and economies.


As communities struggle with record-high inflation and global challenges, organizations are facing a surge in demand for their programs and services.

 **68.4%** Average Increase in Demand for Programs & Services

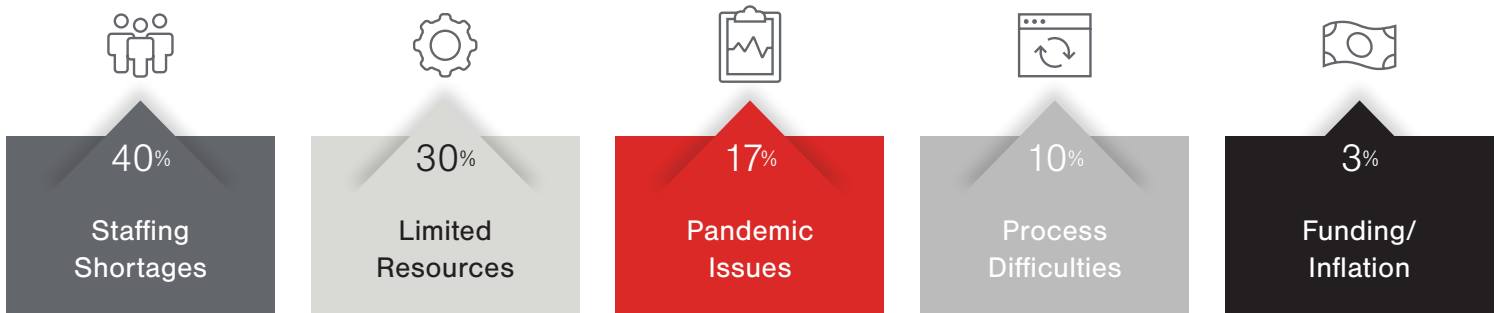


 Capacity to respond to demand or need change in the past year



 Nonprofit capacity has increased by **42%** —not nearly enough to keep pace with the **68%** rise in demand for programs and services.

Organizations' capacities to respond to rising requests for assistance centered mainly on staffing and limited resources.



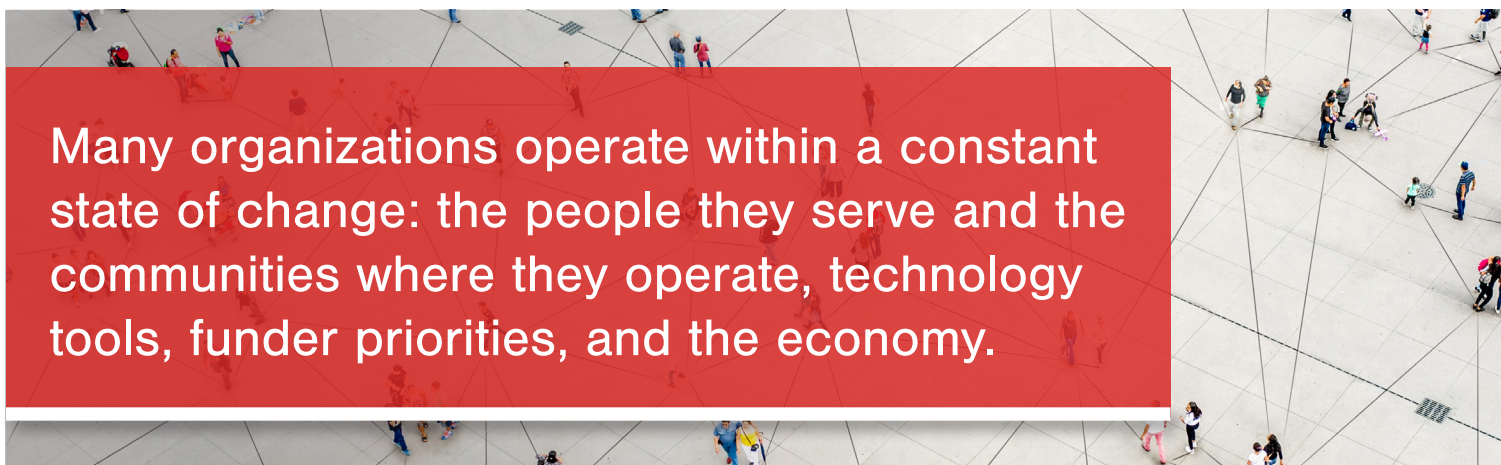
## Responding to Change

Many organizations operate within a constant state of change: the people they serve and the communities where they operate, technology tools, funder priorities, and the economy. The list goes on and on.

To be relevant and effective, leaders are continuously surveying the landscape and responding to opportunities and threats. For some, this means adding or expanding services. For others, it may mean scaling back or eliminating current offerings.

When asked about the possible actions their organization might take in the next 12 to 24 months, nearly two-thirds (64.20%) indicated they plan to add new programs and services in the next year or two. Almost half (46.16%) are focusing on maintaining their current programs without starting new ones.

	Very Likely	Somewhat Likely	Somewhat Unlikely	Very Unlikely
Add new programs/services	29.01%	35.19%	20.99%	14.81%
Expand your current programs/services, but not add any new ones	22.15%	38.61%	23.42%	15.82%
Maintain your current programs/services but not add any new ones	18.59%	27.57%	27.56%	26.28%
Maintain your current programs/services and start some new ones	21.81%	47.88%	17.58%	12.73%
Scale back some of your current programs/services and start some new ones	4.49%	27.56%	28.21%	39.74%
Eliminate some of your current programs/services and start some new ones	3.85%	19.87%	31.41%	44.87%
Eliminate some of your current programs/services but not add any new ones	0.64%	11.46%	26.75%	61.15%



Many organizations operate within a constant state of change: the people they serve and the communities where they operate, technology tools, funder priorities, and the economy.

# Staffing

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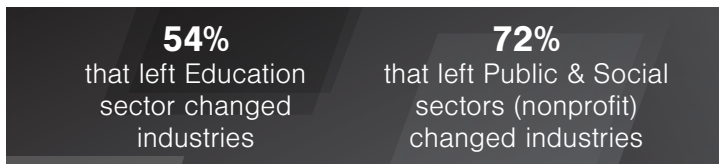
“Coming together is a beginning, staying together is progress, and working together is success.”

—Henry Ford



## Staffing Trends

A global workforce study conducted by McKinsey<sup>2</sup> identified a “Reshuffling,” where employees are quitting their jobs and switching to different industries. The report says of the workers who have quit in the past two years:



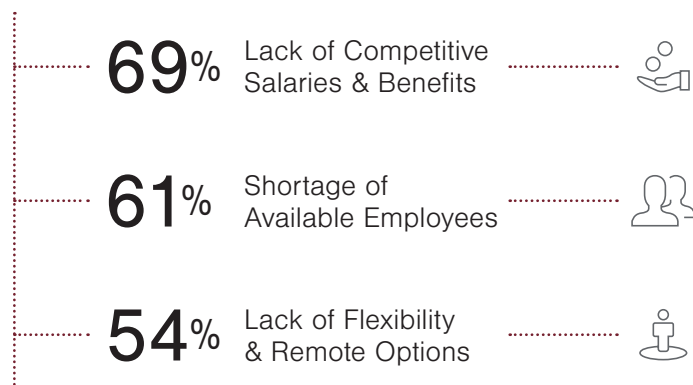
This presents a crisis for the nonprofit sector and magnifies a problem that has plagued the industry for decades: how to attract and keep top talent. As employees transition to other areas, organizations’ abilities to provide programs and services are negatively impacted.

### Current Staffing Shortage by Focus Area

Focus Area	1–4% of Positions	5–14% of Positions	15–24% of Positions	25–49% of Positions	50–74% of Positions	No Shortages
Health	18.75%	56.25%	9.37%	0.00%	0.00%	15.63%
Human Services	33.34%	28.57%	19.04%	7.15%	0.00%	11.90%
Religion-Related	14.28%	42.85%	14.28%	0.00%	0.00%	25.58%
Education	33.34%	41.04%	10.24%	2.56%	0.00%	12.82%

The biggest reported shortages are in Health, Religion-Related, and Education organizations.

We asked organizations what they believed to be the reasons behind their struggles to recruit and retain employees. An inability to compete with corporate salaries was the top response. Even though the pay gap between nonprofits and for-profit businesses continues to close, this remains a prominent sector issue.



### Current Staffing Shortage

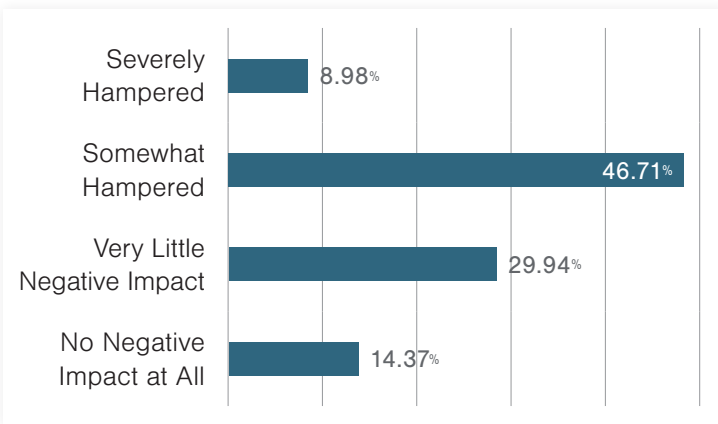
Vacancy	2023	2022	Change %
No Shortages at This Time	21.05%	0.00%	↑ 21.05%
1–4% of Positions	26.90%	22.09%	↑ 21.77%
5–14% of Positions	36.84%	41.33%	↓ 10.86%
15–24% of Positions	11.71%	8.67%	↑ 35.06%
25–49% of Positions	2.92%	13.06%	↓ 77.64%
50–74% of Positions	0.00%	13.42%	↓ 100%
75% or More of Positions	0.58%	1.43%	↓ 59.44%

### Reasons Organizations Struggle to Recruit & Retain

	Very Likely	Somewhat Likely	Somewhat Unlikely	Very Unlikely
Lack of Competitive Salaries/Benefits	21.27%	47.91%	19.93%	10.89%
Lack of Remote/Flex Options	15.54%	38.51%	28.21%	17.74%
Shortage of Available Employees	26.26%	34.78%	26.59%	12.37%
Concerns over Virus & Other Health Issues	14.96%	34.29%	31.09%	19.66%
Mental Health Issues	15.46%	29.08%	35.29%	20.17%
Childcare & Family Concerns	11.05%	39.46%	30.10%	19.39%

<sup>2</sup> [https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/the-great-attrition-is-making-hiring-harder-are-you-searching-the-right-talent-pools?cid=alwaysonpop-pso-mck-2207-pop\\_4-twi-mip-tsp&sid=62df112e61d59f0474778e33](https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/the-great-attrition-is-making-hiring-harder-are-you-searching-the-right-talent-pools?cid=alwaysonpop-pso-mck-2207-pop_4-twi-mip-tsp&sid=62df112e61d59f0474778e33)

**?** How has the staffing shortage impacted your organization's ability to deliver programs and services?



Traditional methods of recruiting and retaining employees may no longer be adequate. Compensation and titles are important, but workers are attracted by many other factors including flexibility, diversity/equity/inclusion (DEI), advancement opportunities, and workplace culture.

**55.69%**  
of nonprofits struggle to deliver programs and services because of staffing shortages

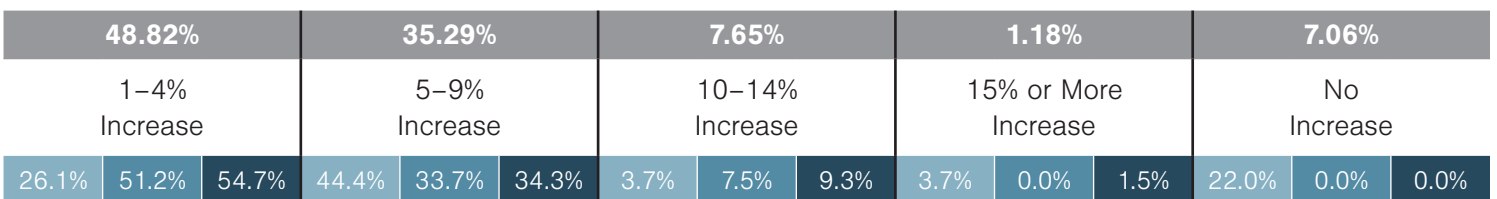
**?** What steps has your organization taken (or is planning to take) to address staffing shortages and recruit employees?



All Large and Midlevel organizations increased salaries, some jumping 10% or more.

As expected, Large organizations were more likely than Small organizations to provide increases. More than one-fifth (22%) of Small organizations did not provide a boost in wages.


**?** How much, if any, of a salary increase has your organization provided over the past year?



■ Small Orgs   ■ Midlevel Orgs   ■ Large Orgs

# Mergers, Acquisitions, & Alliances

In an increasingly competitive environment, nonprofits continually look for ways to stabilize operations. To survive and thrive, organizations re-evaluate their mission, vision, and values. They explore all possible options to accomplish the greatest good, including strategic alliances and mergers with other organizations.

 Over the next 12-24 months, what is the likelihood your organization will participate in one of the following?

	Very Likely	Somewhat Likely	Somewhat Unlikely	Very Unlikely
Consolidation – Two or more separate organizations combine to form a new corporate body	0.00%	5.88%	10.00%	84.12%
Strategic Alliance – No change to formal structure of the organizations, rather a sharing of administrative and programming services to accomplish similar missions	2.96%	18.94%	15.38%	62.72%
Asset Acquisition – One organization dissolves by selling and transferring assets to another organization, which then assumes the liabilities for the transferred assets	1.78%	6.51%	8.28%	83.43%



To survive and thrive, nonprofit organizations re-evaluate their mission, vision, and values.

# Governance



“ In order to carry a positive action we must develop here a positive vision.”

–Dalai Lama

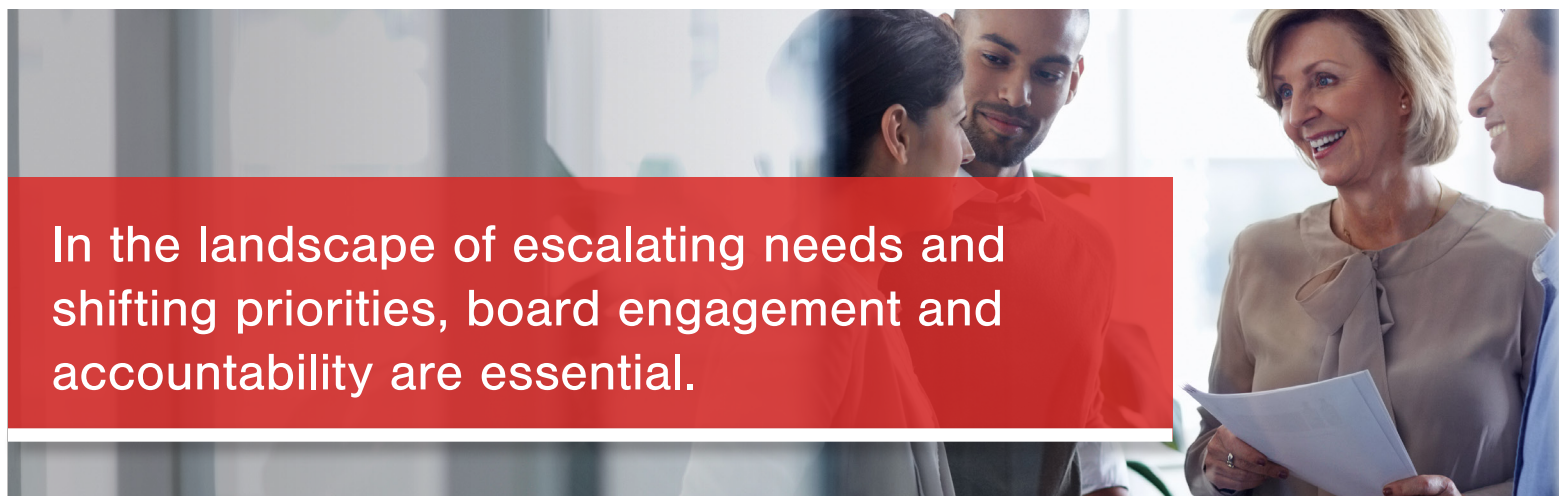
Nonprofit boards have faced a range of extreme and unusual issues over the past few years. In this landscape of escalating needs and shifting priorities, board engagement and accountability are essential.

As COVID-19 pandemic pressures ease, some board members have transitioned back into a formal role, easing out of the “hands-on” approach some assumed during the height of the crisis. Board members continue providing oversight and guidance to management while engaging in fundraising and awareness.

Attitudes toward virtual meetings changed considerably over the past year. In the 2022 report, 54.8% of members reported feeling disconnected when meeting virtually. This year, that dropped to 32.7%—possibly an indicator that boards are becoming more accustomed to the online platform.

 In what ways, if any, has your board involvement and engagement changed over the past year?


	Yes, Definitely	Somewhat	I'm Unsure	Not Much
Members are more involved and engaged in working with/supporting the organization's leadership team	21.76%	38.24%	9.41%	30.59%
Members are more involved and engaged in community advocacy	9.64%	30.72%	19.28%	40.36%
Members are more involved and engaged in fundraising and public awareness	5.39%	31.74%	19.16%	43.71%
Virtual meetings have caused members to be less engaged	7.88%	27.88%	21.21%	43.03%
Virtual meetings have caused members to feel disconnected from the rest of the board	8.48%	24.24%	29.70%	37.58%



In the landscape of escalating needs and shifting priorities, board engagement and accountability are essential.

# Challenges

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“Our thoughts create our reality  
– where we put our focus is the  
direction we tend to go.”

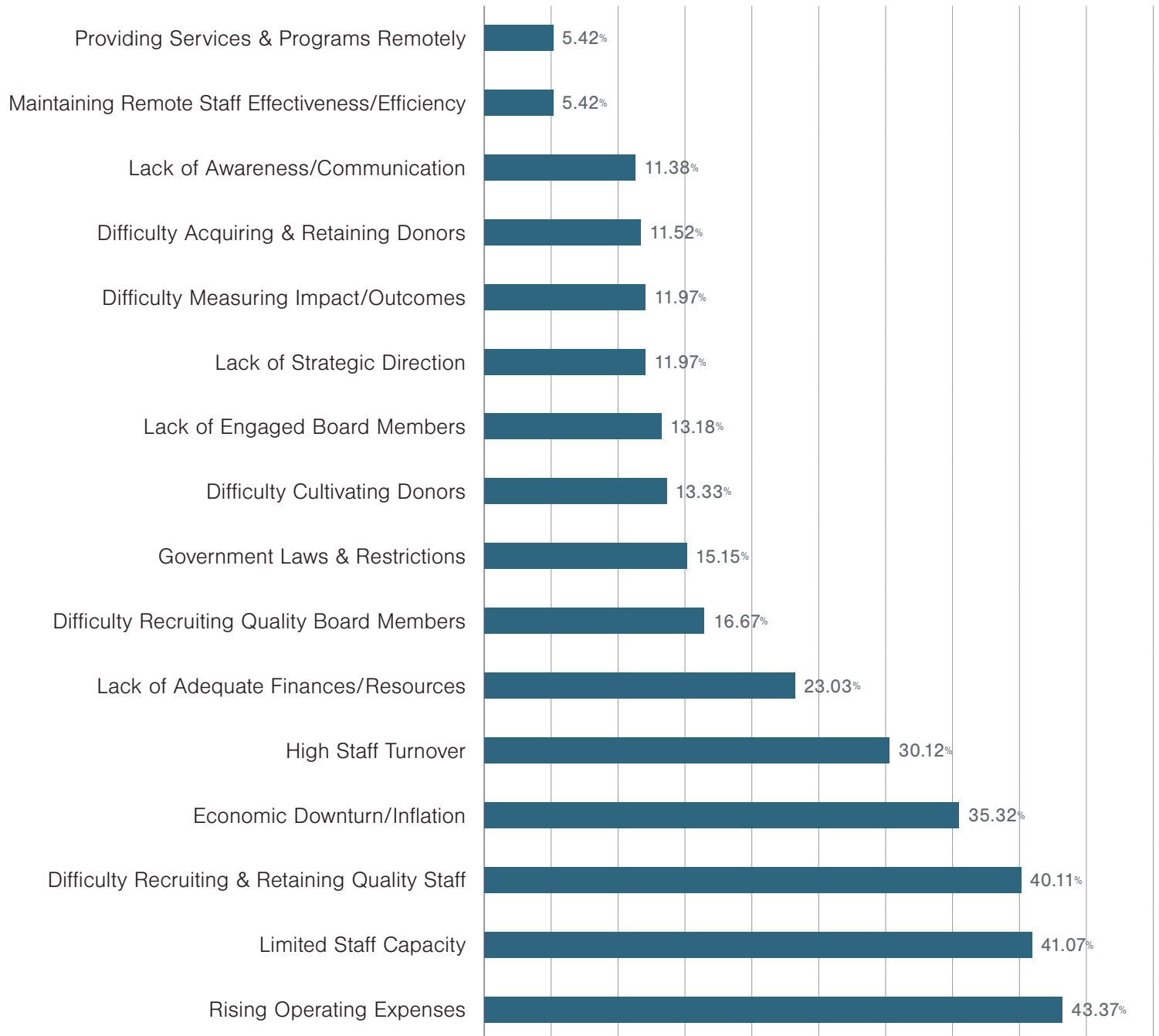
–Peter McWilliams

**Much like one year ago**, nonprofits are concerned with talent acquisition and retention.

**Unlike one year ago**, the economic fallout and soaring operating costs are major concerns.


Maintaining staff effectiveness and efficiency while working remotely was among the top four concerns one year ago. As remote working becomes more common and as some employees migrate back into the office, this is no longer a key concern for leaders.

**?** What are the most significant challenges your organization is facing now?



# Concluding Thoughts

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“For any movement to gain momentum, it must start with a small action. This action becomes multiplied by the masses, and is made tangible when leadership changes course due to the weight of the movement’s voice.”

–Adam Braun



Looking ahead to the next year, we suggest these action steps:



Listen Intently

Programs and services are effective when they are based on direct input from individuals and communities being served. Organizations can learn what is most needed and what may work well when they involve many voices in the development and implementation of their work. Frequent feedback and assessment are key to effective programs and services.



Be Vocal

Nonprofits are driven by individuals with education, passion, and first-hand experience dealing with complex issues. They can be instrumental in educating the public and informing elected officials on the best approaches to address local and national problems.



Be Laser Focused

Strong and sustainable nonprofits have clarity of purpose. They understand the need or problem they are addressing, how their specific programs/services can improve the situation, and how they fit in with other groups that do similar work. These organizations have established clear goals and indicators of success.



Build for the Future

To be successful, organizations must focus on hiring talented, productive people who share a deep passion for the mission and have values that align with the nonprofit's culture. Build a team that can take your organization to and keep it at the next level.







Prove Your Value

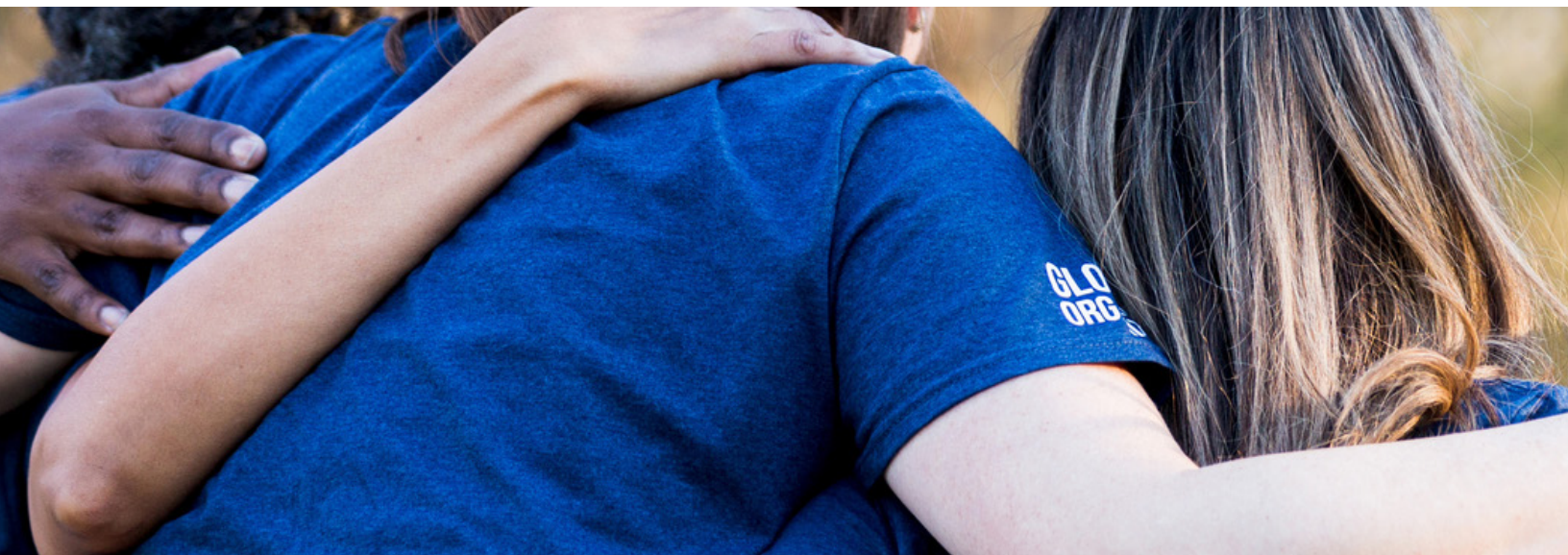
Impact-driven nonprofits have proof that their programs and services are bringing about measurable positive change. With competition for scarce resources, organizations must prove their value by leveraging evidence-based tactics to measure and report their activities and successes to stakeholders.



**Planning for the future requires forward vision, strategy, and innovative tools to equip your organization and staff.**

It's time to stabilize. Nonprofits are under constant pressure to deliver outcomes with limited resources. Working with an experienced, professional team of nonprofit advisors can help you evaluate and stabilize, increasing your peace of mind and long-term sustainability. Here's how our Nonprofit Advisory Services can help:

	<b>Strategic Financial Outsourcing</b>	Whether you're looking for managed services like outsourcing your accounting function or assistance in streamlining operations, FORVIS has tailored strategies to help your nonprofit succeed.
	<b>Accounting Support &amp; Virtual CFO Services</b>	Our experienced professionals can assist you by providing project management related to crucial tasks, including monthly reporting dashboards and closings, audit preparation, reviewing and streamlining processes, cash flow forecasting, and more.
	<b>Budgeting &amp; Cash Flow Planning</b>	Our advisors have the tools and know-how to assist nonprofit leaders in creating and maintaining a cash flow plan to help predict and manage your top priorities.
	<b>Grant Management &amp; Compliance</b>	FORVIS can help you with grant management and compliance by providing consulting services that look at areas a regulator could scrutinize.
	<b>Assistance with Governance &amp; Leadership</b>	To help your organization achieve mission success, you can count on our firm's trusted advisors. Our nonprofit team has the deep industry knowledge and hands-on experience to help your organization improve operations, address challenges, and mitigate risks. In addition to nationally recognized accounting services, we offer technical assistance with board governance, developing policies and procedures, strategic planning, and resource development.





#### Implementation of Accounting Standards

Whether you're just starting or need help reaching the finish line, FORVIS can help your organization plan, prepare, and implement new accounting standards.



#### Financial Operational Assessments

FORVIS can provide an assessment of your current operations by evaluating a number of areas, including vendor contracts, financial procedures, staffing and structure models, segregation of duties, financial metrics, allocation methodologies, and more.



#### Policies, Procedures, & Internal Controls

You can gain confidence in your policies and procedures as we help you navigate which procedures are needed and how to keep them up to date and evaluate whether your teams comply with your existing internal policies.



#### Technologies Services

Our technology services at FORVIS go far beyond implementing new software. Our team offers a broad business perspective to help you be confident your technology investment is wisely spent.

To learn more about how we can help your nonprofit plan for the future, visit [forvis.com/nonprofit](https://forvis.com/nonprofit).



# FORVIS

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Dan Prater is a senior managing consultant at FORVIS. He has an extensive background in the nonprofit sector and higher education. Dan provides guidance to tax-exempt organizations throughout the nation, assisting with strategic planning, leadership succession, board governance, and performance outcomes.