



2024 Annual Report State of the Nonprofit Sector

Meeting Challenges, Driving Economic
Development, & Resolving Social Issues

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mazars



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Introduction



Report Summary

Meeting Challenges, Driving Economic Development, & Resolving Social Issues

Nonprofit leaders spent the past year helping their organizations cope with workforce shortages, keep pace with rising demands for assistance, and mitigate the impact of skyrocketing operational expenses.

Organizations continue to play a crucial role in transforming and improving life for individuals and neighborhoods. Over the past year, they served families during economically challenging times, promoted solidarity, provided international humanitarian aid to victims of war, and strengthened the very fabric of communities where they exist.

The fourth edition of the State of the Nonprofit Sector Report from Forvis Mazars unpacks how organizations are meeting challenges, driving economic development, and resolving social issues at scale.

We encourage you to explore the data and findings in this report, discover key takeaways, and reflect on how to use this information to help improve your own organization and increase your impact.



A handwritten signature in black ink, appearing to read "Dan Prater".

Dan Prater
Author, Senior Managing Consultant

“At Forvis Mazars, we understand the critical role that nonprofits fill by providing essential services and support to the communities that they serve. However, the challenge of fulfilling your organizational mission amid a constantly changing economy, a dynamic regulatory environment, and steep competition for funding is no small task. That’s why we’re committed to supporting the nonprofit industry by providing valuable resources and insights, like this report, to help you move forward with clear direction and confidence while staying true to your organization’s mission.”



A handwritten signature in black ink, appearing to read "Tondeé Lutterman".

Tondeé Lutterman
National Industry Leader

Methodology

More than 325 nonprofit professionals across the nation provided information through electronic surveys and qualitative interviews. Data was collected on key areas such as finances, operations, programs, human resources, governance, and technology.

Responses were collected for approximately one month in late 2023. Participants represented various sizes and types of tax-exempt organizations, ranging from local and regional groups to national and international operations.

Key Findings

71%

of survey respondents saw an increase in demand for programs and services.

74%

of nonprofits have job vacancies.

More than

74%

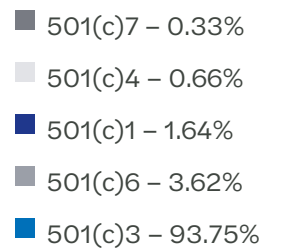
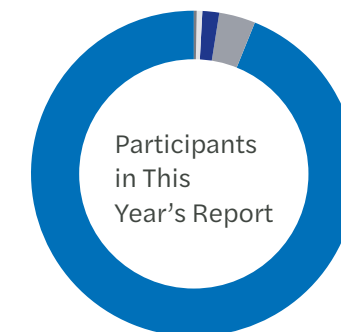
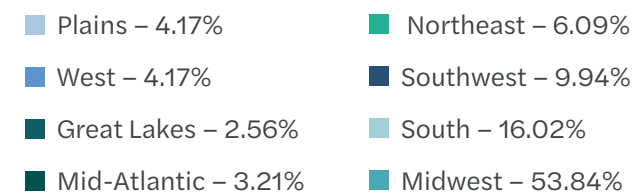
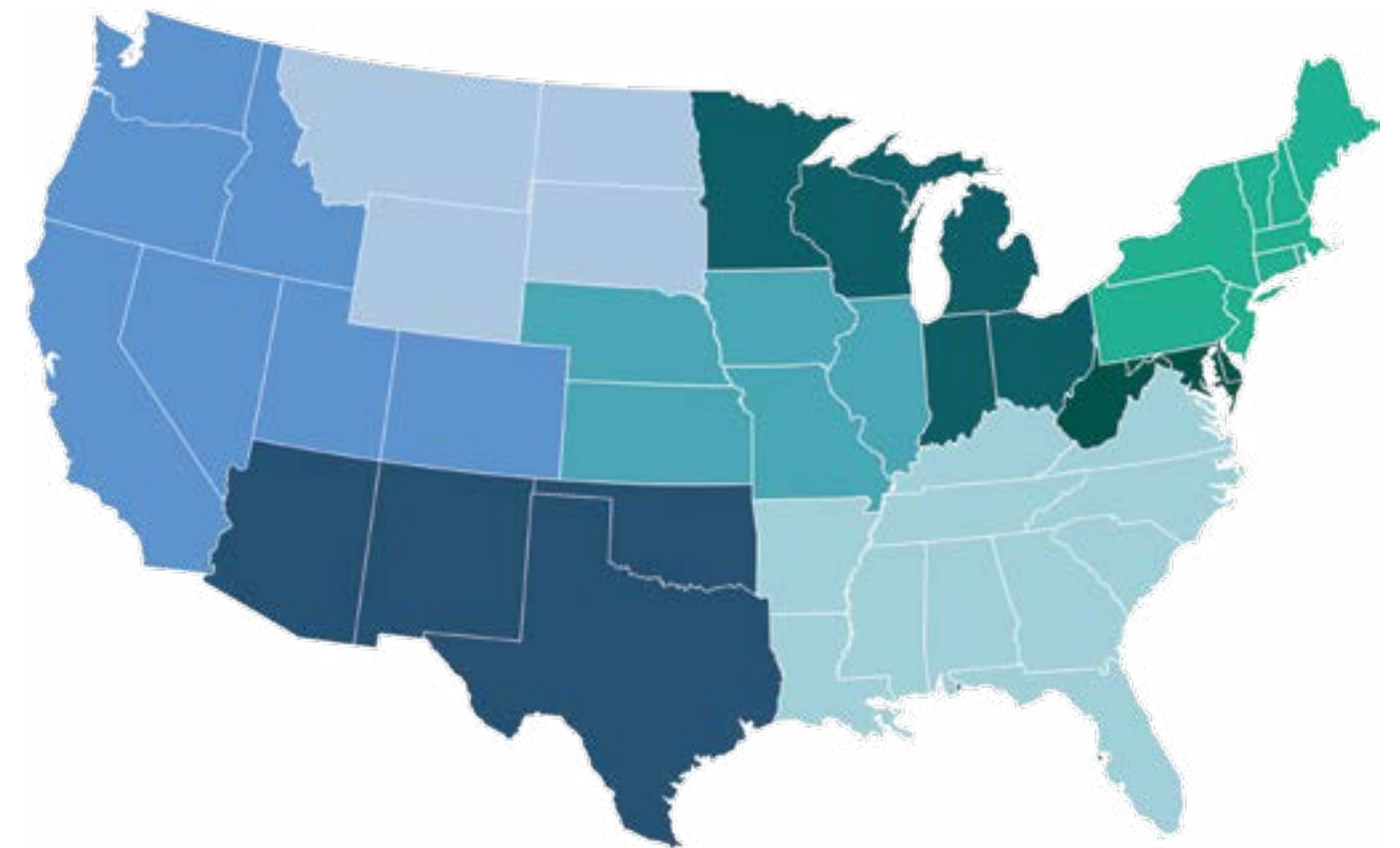
of organizations are planning to eliminate some of their current programs and services over the next one to two years.



Participants

Survey respondents were from a wide variety of nonprofit organizations, including small startups and midsize groups, to large educational and health institutions.

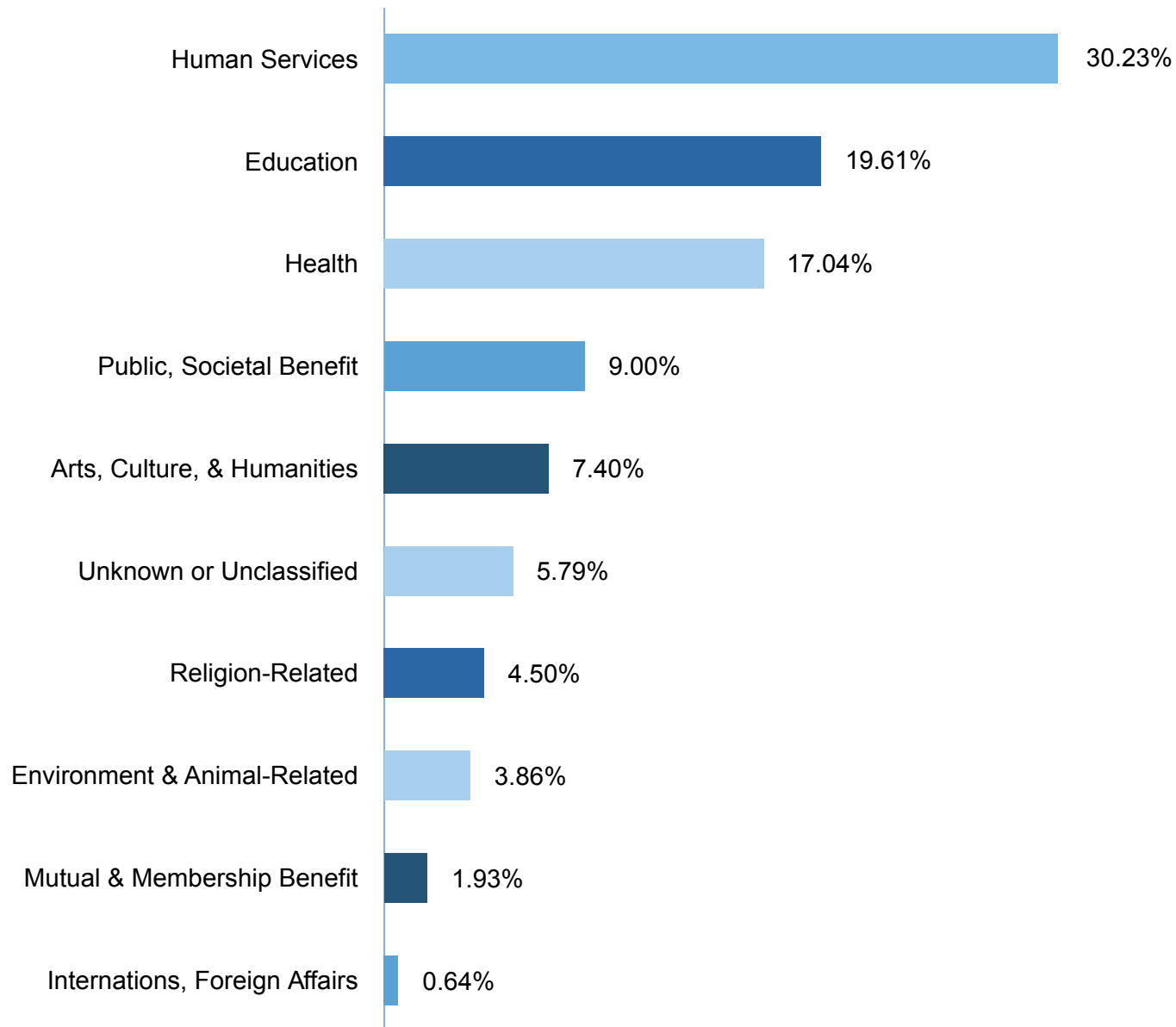
The most popular were 501(c)3 nonprofits, commonly referred to as public charities. These include organizations, funds, or foundations that promote social welfare and operate for religious, charitable, scientific, literary, or educational purposes.



Focus Areas of Participating Organizations

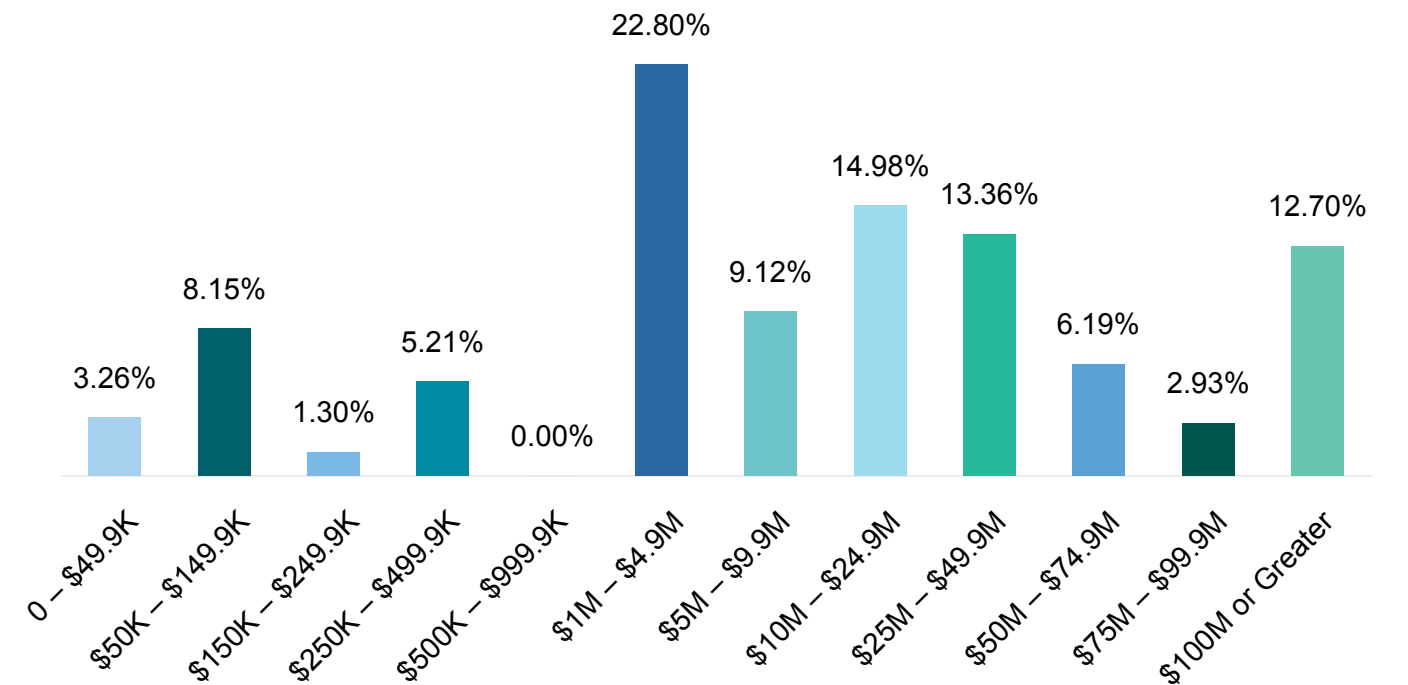
We used the industrywide standard for nonprofit organizational classification—the National Taxonomy of Exempt Entities (NTEE)—to group organizations into nine major categories based on their main activity or purpose. Organizations that did not fit within these categories were listed as Unknown or Unclassified.

Human Services organizations had the largest representation. Nonprofits in this category are engaged in activities such as housing and shelter, public safety, disaster response, and food/nutrition. The next largest category, Education, includes some colleges and universities, private elementary and secondary schools, professional societies and associations, and management and technical assistance.



Annual Revenue Range

0–\$49,999	3.26%	17.92% Small 0–\$999,999
\$50,000–\$149,999	8.15%	
\$150,000–\$249,999	1.30%	
\$250,000–\$499,999	5.21%	
\$500,000–\$999,999	0.00%	46.90% Midlevel \$1M–\$24.9M
\$1M–\$4.9M	22.80%	
\$5M–\$9.9M	9.12%	
\$10M–\$24.9M	14.98%	
\$25M–\$49.9M	13.36%	35.18% Large \$25M+
\$50M–\$74.9M	6.19%	
\$75M–\$99.9M	2.93%	
\$100M or Greater	12.70%	



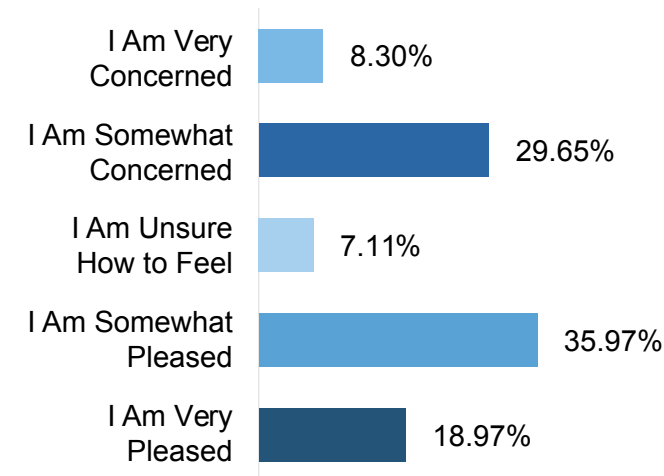
Financial Impact



Even though the economy defied recession predictions, national studies¹ show how most people still express concerns about their financial position. It appears that many people are uneasy about the economy and what lies ahead.

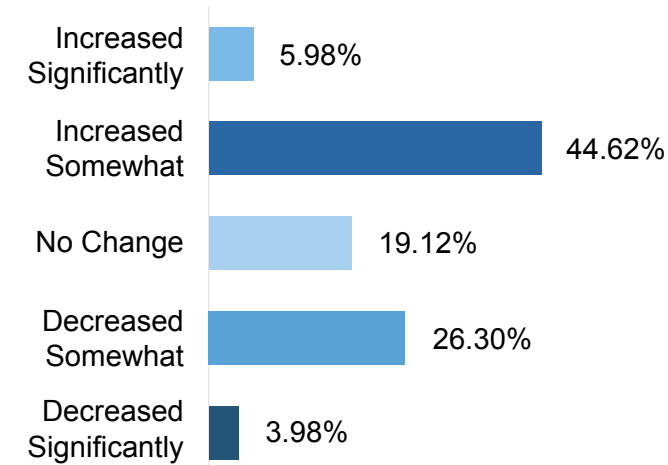
Our study found that while more than half are pleased with their organization's current financial position, the percent of those who are somewhat or very concerned has risen over the past year.

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



As the economy accelerated from 2023 to 2024, most organizations (50.60%) report being in a better financial position now than they were one year ago.

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



Revenue Source	2024	2023	Change %
I Am Very Concerned	8.30%	4.07%	+103.90%
I Am Somewhat Concerned	29.65%	26.16%	+13.34%
I Am Unsure How to Feel	7.11%	12.21%	-41.76%
I Am Somewhat Pleased	35.97%	38.37%	-6.25%
I Am Very Pleased	18.97%	19.19%	-1.14%

Revenue Source	2024	2023	Change %
Increased Significantly	5.98%	8.14%	-26.53%
Increased Somewhat	44.62%	31.98%	+39.52%
No Change	19.12%	17.44%	+9.63%
Decreased Somewhat	26.30%	28.95%	-9.15%
Decreased Significantly	3.98%	3.49%	+14.04%

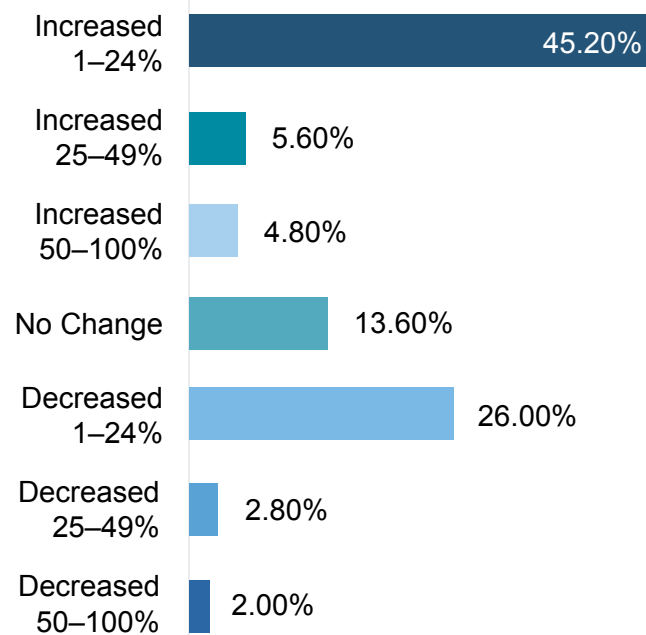
¹"Many Americans say their household expenses are outpacing earnings this year, AP-NORC poll shows," apnews.com, October 27, 2023.

Revenue Changes

Net income represents the amount of money an organization has after subtracting all expenses from total revenue. It is a useful metric for showing financial health and can be used to help identify overspending, allowing leaders to make strategic decisions about where to cut costs or invest resources.

More than half (55.60%) saw their net income increase and less than one-third (30.80%) experienced a decrease. Several respondents attributed a loss of revenue to inflation and delays in government payments.

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



55.60%

Increased Net Income

30.80%

Decreased Net Income

There is no direct relationship between the size or focus area of organizations and their current financial position.

Revenue Sources

Nonprofits rely on a mix of sources for their income. Diverse funding streams typically blend fees for programs and services with support from individuals, foundations, corporations, and government grants.

Funds collected from fees for programs and services account for the largest source of the total revenue for organizations. This is supported by other national studies², which show that the nonprofit sector as a whole typically earns 75 to 80% of its annual revenue through this source.

Revenue Source	0-24%	25-49%	50-74%	75-100%
Fees for Services, Programs, & Goods (Private & Government)	52.31%	19.45%	12.04%	16.20%
Contributions From Individuals	80.95%	7.74%	6.55%	4.76%
Membership Dues	72.88%	16.95%	10.17%	0.00%
Foundation Grants	77.44%	16.41%	5.13%	1.02%
Government Grants	69.48%	16.84%	9.47%	4.21%
Special Events/Fundraisers	76.26%	18.69%	5.05%	0.00%
Corporate Giving	83.78%	14.06%	1.08%	1.08%
Planned Giving	94.84%	3.23%	1.93%	0.00%
Earned Income	90.48%	5.44%	4.08%	0.00%
Investments	91.41%	5.05%	1.52%	2.02%

Survey weighting was used to determine participant responses. Cumulative totals may not equal 100%.

² Nonprofit Impact Matters Report,² nonprofitimpactmatters.org.

Corporate giving declined the most among small nonprofits. Large organizations were much less likely to see a drop in giving from corporations.

Contributions From Individuals

A study by the Pew Research Center³ revealed a drastic decline in the number of individuals in the U.S. who attend a church or are affiliated with a certain religious group. This trend may help explain the large decrease in donations (-54.55%) that Religion-Related organizations received last year from individuals.

Environment & Animal-Related organizations, representing less than 4% of all nonprofits in this study, had the greatest increases in overall contributions from individuals.

Focus Area	Increased Significantly	Increased Somewhat	No Change	Decreased Somewhat	Decreased Significantly
Arts, Culture, & Humanities	0.00%	33.33%	33.34%	33.33%	0.00%
Education	0.00%	33.33%	41.18%	25.49%	0.00%
Environment & Animal-Related	0.00%	42.85%	28.57%	14.29%	14.29%
Health	0.00%	21.95%	60.98%	17.07%	0.00%
Human Services	1.39%	23.61%	31.94%	38.89%	4.17%
International, Foreign Affairs*	-	-	-	-	-
Mutual & Membership Benefit	0.00%	0.00%	100%	0.00%	0.00%
Public, Societal Benefit	0.00%	9.52%	52.38%	23.81%	14.29%
Religion-Related	0.00%	18.18%	27.27%	36.37%	18.18%
Unknown or Unclassified	0.00%	37.50%	25.00%	37.50%	0.00%

*Insufficient data for analysis

³ "Modeling the Future of Religion in America," pewresearch.org, September 23, 2022.

Financial Impact



Foundations

Contributions from Foundations were mostly unchanged. Arts, Culture, & Humanities and Human Services experienced the largest decrease in funding from this source.



Government

Government Grants remained steady. Health organizations experienced a 36% decrease in support from this source, while Arts, Culture, & Humanities had the largest increase (54%).



Corporate

Corporate Giving was consistent with last year's level of contributions. The biggest changes were Arts, Culture, & Humanities (54% decrease) and the Unknown or Unclassified category (50% increase).

Organizations of all types continue to grapple with the negative effects of inflation on their budgets. They are faced with a dilemma: how to maintain free or affordable services to those in need while offsetting the effects of inflation and rising costs of goods and services.

With the exception of Mutual & Membership Benefit organizations, every type of organization increased its fees for programs and services.

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

Impact to Financial Health	Significantly	Somewhat	Very Little	None
Inability to deliver programs/services due to limited funding	7.44%	25.61%	27.69%	39.26%
Inability to deliver programs/services due to staffing issues	16.87%	29.63%	30.45%	23.05%
Decline in individual support	7.14%	26.90%	35.71%	30.25%
Decline in corporate & foundation support	10.83%	23.33%	32.09%	33.75%
Drop in demand for programs/services	6.28%	12.55%	20.50%	60.67%
Inability to conduct marketing & advertising due to limited funding	6.20%	21.49%	29.75%	42.56%

Revenue Changes

The biggest decrease in contributions was from individuals. This finding aligns with the most recent Giving USA report⁴, which found that individual giving dropped to an all-time low of 64% of all giving. This is only the fourth time in four decades that donations did not increase year over year.

Investments rebounded this year to the second-highest increase of all revenue sources. This contrasts with last year's survey when investments had the biggest revenue decrease. This year's increase was due in large part to strong consumer spending; increased inventories, exports, and investments; and ongoing inflation pressures.⁵

Revenue Source	Increased Significantly	Increased Somewhat	No Change	Decreased Somewhat	Decreased Significantly
Fees for Services, Programs, & Goods (Private & Government)	3.98%	38.50%	43.81%	11.06%	2.65%
Contributions From Individuals	0.43%	25.11%	42.55%	28.08%	3.83%
Membership Dues	0.55%	9.94%	83.43%	4.42%	1.66%
Foundation Grants	1.42%	26.41%	50.00%	18.40%	3.77%
Government Grants	5.13%	22.10%	48.83%	16.43%	7.51%
Special Events/Fundraisers	1.39%	27.31%	56.02%	12.50%	2.78%
Corporate Giving	1.39%	27.31%	56.02%	12.50%	2.78%
Planned Giving	1.02%	9.14%	80.71%	6.09%	3.04%
Investments	8.22%	31.05%	41.10%	15.98%	3.65%

Biggest Decreases	
31.91%	Contributions From Individuals
23.94%	Government Grants
22.17%	Foundation Grants

Biggest Decreases	
42.48%	Fees for Services, Programs, & Goods
39.27%	Investments
28.85%	Foundation Grants
28.70%	Special Events/Fundraisers & Corporate Giving

⁴ "Giving USA Annual Report on Philanthropy," givingusa.org.

⁵ "U.S. GDP grew at a 4.9% annual pace in the third quarter, better than expected," CNBC.com, updated October 27, 2023.



“In this highly competitive and quickly evolving environment, nonprofits must never lose sight of the critical connection between financial health and mission success.”

Richard Cole
Partner, Nonprofit & Education Practice
New York, NY
Forvis Mazars

Operational Reserves

An operating reserve is an unrestricted fund balance set aside to help stabilize a nonprofit's finances. These reserves can help organizations endure economic fluctuations, maintain stability during unexpected events, and help with cash flow shortfalls.

There was a decline in the percent of organizations with more than one year in reserves. The drop can be attributed to swelling operational expenses, increases in wages, and inconsistencies in funding sources.

How many months of operating reserves does your organization have at this time?

Operating Reserves	2024	2023	Change %
Less Than 1 Month or None	7.05%	2.35%	+ 199.99%
1 Month	4.15%	5.88%	-29.42%
2-3 Months	14.11%	15.89%	-11.20%
4-6 Months	27.39%	22.94%	+ 19.39%
7-12 Months	21.57%	21.18%	+ 1.84%
More Than 12 Months	25.73%	31.76%	-18.98%

Operational Expenses

Nonprofit operational expenses, sometimes referred to as operating costs or administrative expenses, include all costs associated with overall operations and management.

The impact of inflation drove up costs of labor, goods and services, and implementation of programs and services. As expected, salaries and benefits increased for more than 85% of nonprofits as they attempt to keep pace with wages in other sectors. Fees for professional services, e.g., legal, IT, consulting, rose for more than two-thirds (69%) of the respondents.

To minimize the impact of inflation, organizations were forced to make some uncomfortable cuts to programs and services. Nonessential expenses such as travel and education were most likely to be eliminated or scaled back. Organizations turned to volunteers, contract employees, and interns to save money and fill workforce gaps.

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

Source	Increased Significantly	Increased Somewhat	No Change	Decreased Somewhat	Decreased Significantly
Salaries & Benefits	26.27%	59.32%	9.75%	4.66%	0.00%
Rent, Lease, or Mortgage	4.87%	25.66%	63.72%	3.54%	2.21%
Repairs & Maintenance	9.36%	45.96%	41.70%	2.55%	0.43%
Utilities	8.12%	52.99%	36.32%	2.14%	0.43%
Transportation/Travel	6.44%	50.64%	37.34%	5.15%	0.43%
Office Equipment/Supplies	4.24%	40.68%	51.69%	3.39%	0.00%
Professional Services	10.59%	58.90%	28.82%	1.69%	0.00%
Marketing	8.51%	43.83%	44.68%	2.55%	0.43%
Taxes & Insurance	14.22%	48.71%	34.48%	2.59%	0.00%

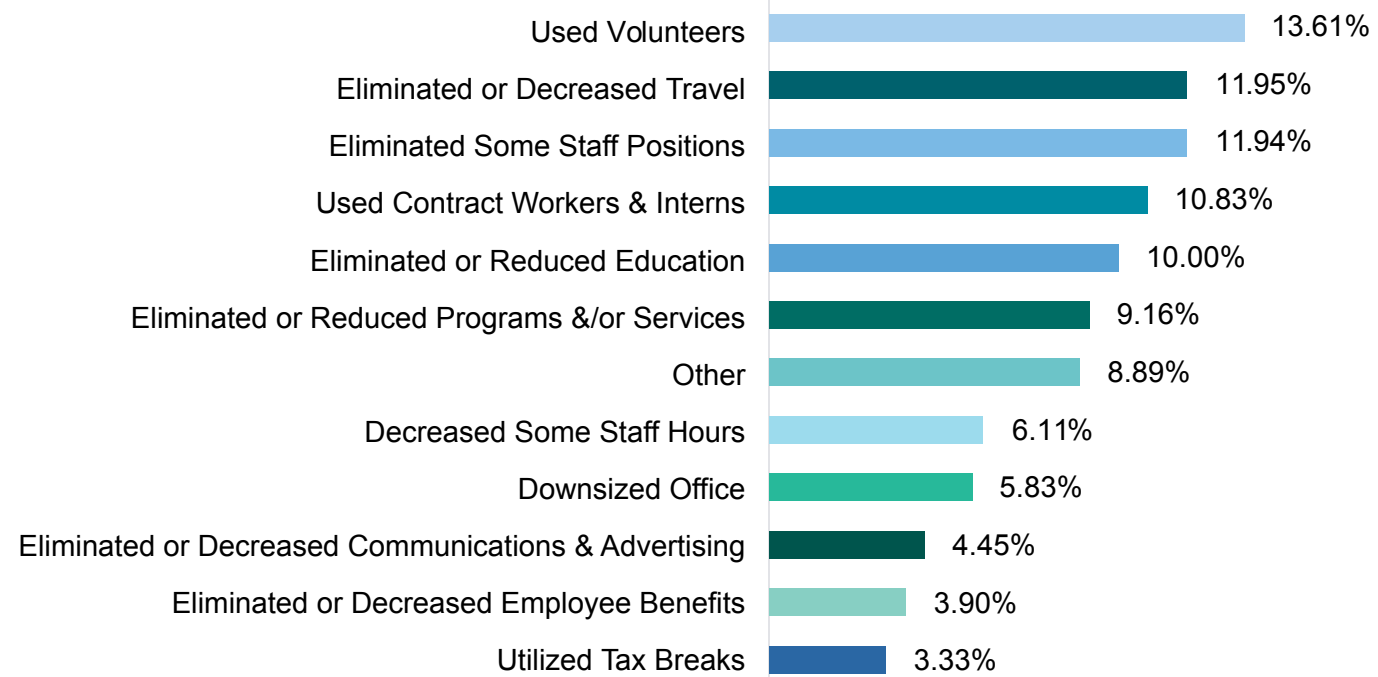


“Operational expenses such as property and liability insurance, employee health benefits costs, and many service contracts have seen from a 15% to 33% increase in this year’s renewal costs. This limited the addition of new or enhancement of current programs.”

Theresa Guerra
 Director of Finance, Highland Park Presbyterian Church, Dallas, TX

Human Resources

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



Remote Working

Since the early days of the pandemic, office employees adapted to working from home, and many have been reluctant to come back to the office.

Even though some organizations discovered they could manage operations remotely, many have gravitated to an in-office reality closer to pre-pandemic expectations.

There was an uptick in employment rates in 2023, yet the nonprofit sector continues to grapple with workforce shortages.

The nonprofit workforce crisis extends farther than the walls of organizations, reaching into the neighborhoods and communities where they serve. The ripple effect disrupts critical services and leaves many individuals without essential, or possibly lifesaving, assistance.

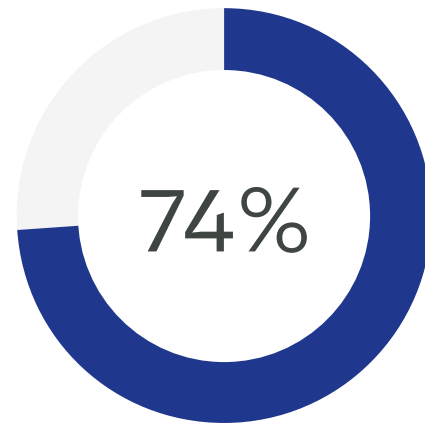
Staffing Pattern	Fully in Office	Hybrid	Fully Remote
1–33%	19.05%	53.14%	78.45%
34–50%	4.76%	13.71%	6.03%
51–67%	7.94%	4.58%	0.86%
68–84%	14.29%	11.43%	3.45%
85–100%	53.96%	17.14%	11.21%

Staffing Shortage by Focus Area

Health, Education, and Human Services have the highest levels of vacancies.

Shortages by Focus Area	1–4%	5–14%	15–24%	25–49%	50–74%	75% or More	No Shortages
Education	29.78%	31.91%	8.51%	2.13%	0.00%	0.00%	27.67%
Health	31.70%	39.02%	12.19%	7.33%	0.00%	0.00%	9.76%
Human Services	30.55%	27.77%	9.73%	4.17%	1.39%	1.39%	25.00%
Religion-Related	36.36%	45.46%	0.00%	0.00%	0.00%	0.00%	18.18%

Staff Shortages	2024	2023	Change %
No Shortages at This Time	25.75%	21.05%	+22.32%
1–4% of Positions	28.75%	26.90%	+6.87%
5–14% of Positions	31.76%	36.84%	-13.78%
15–24% of Positions	7.72%	11.71%	-34.07%
25–49% of Positions	4.29%	2.92%	+46.91%
50–74% of Positions	1.30%	0.00%	N/A
75% or More of Positions	0.43%	0.58%	-25.86%



Nearly three out of four nonprofits have job vacancies.



Leadership Shortage

The struggle to recruit and retain key staff has developed into a severe problem that many organizations are experiencing as some leaders retire and others make a switch to different industries.

Nearly 80% report difficulty filling senior leadership and management positions. Organizations also struggle to fill vacancies in finance/accounting and resource development. Communications positions and support staff were ranked as the easiest to fill.

Many of the positions lost during the pandemic have been filled. But according to a 2023 report by the U.S. Chamber,⁶ the overall share of the population participating in the labor force has dropped. There simply are not enough workers to fill job openings.

Unlike our previous annual reports, concerns over virus and other health issues no longer rank as a major barrier to recruiting and retaining employees. However, the lack of competitive salaries and benefits continues to be a significant issue that nonprofits face when trying to attract top talent to their organization. Organizations struggle to compete with rising wages and benefits at for-profit companies.

“Too many nonprofits are reactive rather than proactive, waiting until their executive is leaving to develop a succession plan. Ideally, organizations are thinking strategically one or two years down the road recruiting that talent earlier into the organization, then developing top talent to step into leadership roles.”

Brad Ledford
 Managing Director, Executive Search,
 Greenville, SC
 Forvis Mazars

More than four out of five organizations (85.19%) report that their most prominent barrier to successful recruiting is a shortage of available employees.

What is the likelihood the following reasons are behind your organization’s struggles to recruit and retain employees?

Barriers to Recruit & Retain	Very Likely	Somewhat Likely	Somewhat Unlikely	Very Unlikely
Lack of competitive salaries/benefits	35.05%	39.72%	14.95%	10.28%
Lack of remote/flex options	8.37%	33.50%	27.10%	31.03%
Shortage of available employees	37.80%	47.39%	11.00%	3.81%
Concerns over virus & other health issues	0.50%	0.50%	30.00%	61.00%
Mental health issues (stress, burnout)	9.05%	34.17%	28.14%	28.64%
Childcare & family concerns	5.50%	40.50%	31.00%	23.00%
Budget constraints/insufficient funds	21.53%	38.29%	22.96%	17.22%
Lack of internal recruiting knowledge/methods	6.46%	23.90%	34.32%	35.32%
Poor organization reputation/culture	1.51%	11.61%	27.78%	59.10%

Position	Very Difficult	Somewhat Difficult	Somewhat Easy	Very Easy
Senior Leadership/Management	23.20%	55.67%	17.52%	3.61%
Support/Office	13.00%	48.00%	33.50%	5.50%
Program & Service Delivery	25.62%	45.73%	23.12%	5.53%
Development/Fundraising/Grant Writers	24.00%	46.29%	23.42%	6.29%
HR & IT	17.78%	47.22%	30.00%	5.00%
Finance/Accounting	24.04%	48.64%	22.95%	4.37%
Communications	6.29%	49.14%	40.57%	4.00%

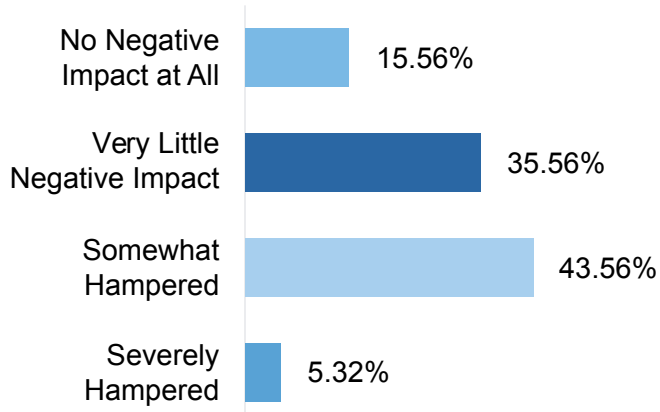
⁶“Understanding America’s Labor Shortage,” uschamber.com, January 29, 2024.





Unfilled positions can hamper organizations' ability to carry out their programs and services. The consequences for those relying on the organization for assistance in critical areas such as food, shelter, and childcare can be disastrous.

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



“We have relied on temps more frequently, and for longer durations, than we would like. The shortage hasn't had a negative impact on service delivery, but it has created situations where more work is piled on existing staff who are already near capacity.”

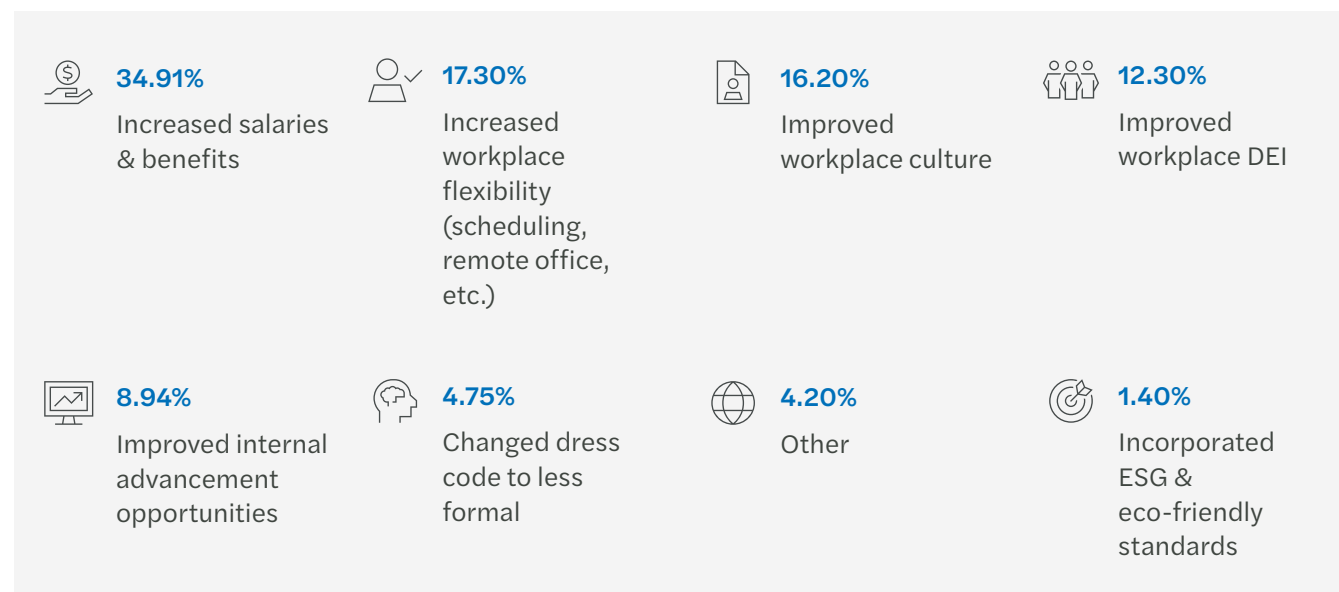
Dan Riley
National FFA Organization, Indianapolis, IN

Recruiting

Changing demographics and evolving employee expectations have influenced how nonprofits approach recruiting and retaining top talent.

To gain a competitive edge, organizations emphasize flexible work arrangements and workplace culture as part of their recruitment strategies.

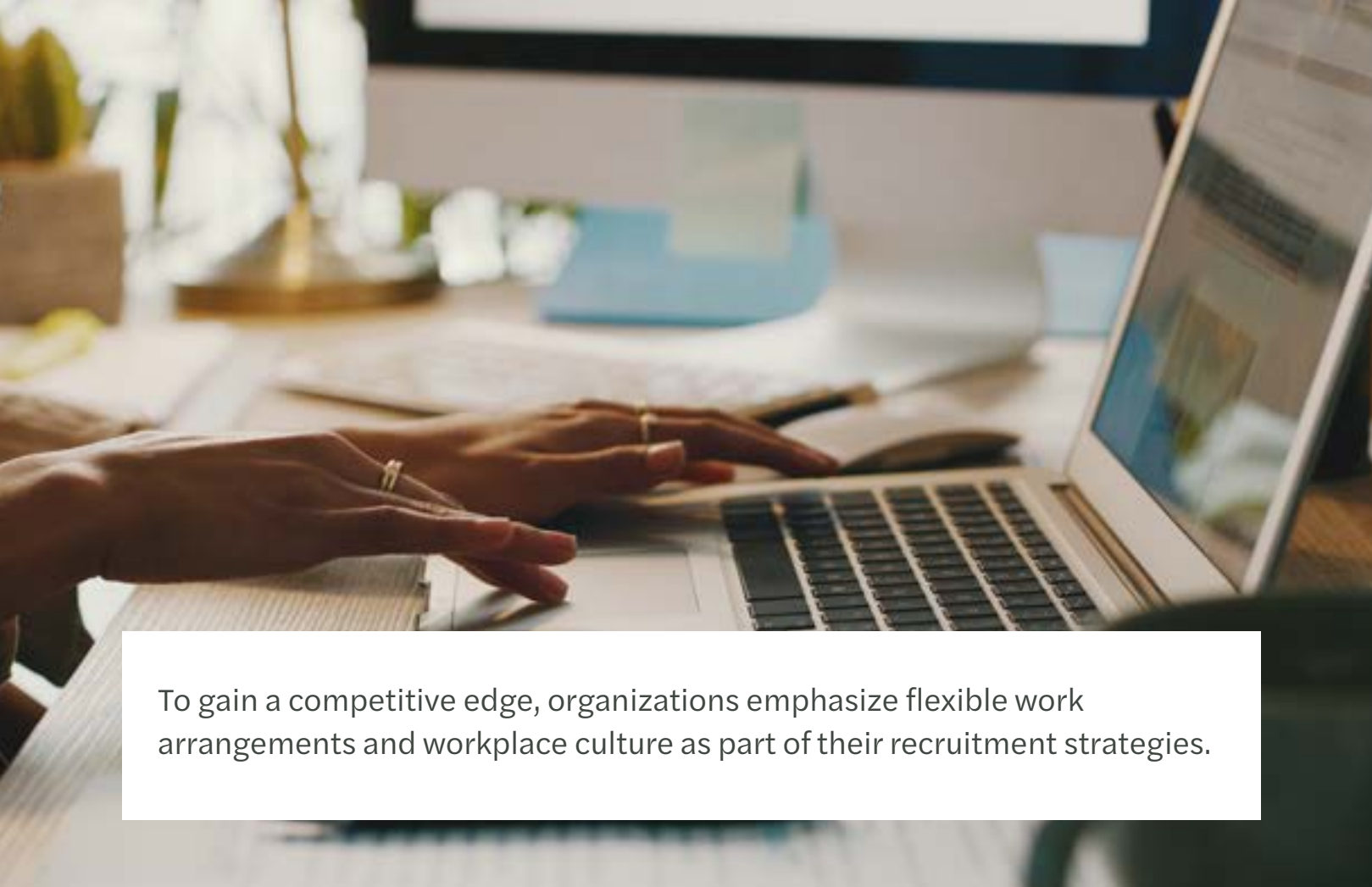
What steps has your organization taken (or is planning to take) to address staffing shortages and recruit employees?



100% of large organizations (with budgets between \$75–99 million) gave salary increases.

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

Salary Increase Amount	2024	2023	Change %
We did not give a salary increase	9.96%	7.06%	+41.07%
1–4%	48.48%	48.48%	-0.70%
5–9%	35.50%	35.29%	+0.59%
10–14%	3.90%	7.65%	-49.02%
15% or Greater	2.16%	1.18%	+83.05%



To gain a competitive edge, organizations emphasize flexible work arrangements and workplace culture as part of their recruitment strategies.

More than 90% of organizations have given a salary increase. About half (48.48%) reported increases by 1 to 4%, and more than one-third (35.50%) gave increases between 5 to 9%.

More than 75% of employees at small organizations (budgets under \$500,000) did not receive a salary increase.

Employee turnover has plagued the nonprofit sector for decades. Transitions, especially in leadership, can be costly and disruptive to program delivery and resource development.

A study by the Nonprofit Quarterly⁷ showed the average tenure of an executive director at small or midsize organizations is six years. Leaders in our study surpassed that, with about one-third (33.15%) having an average tenure of 10 years or longer.

How long has your current leader (president, CEO, executive director) held that position within your organization?

Leader Tenure	%
Less Than 6 Months	5.60%
6 Months to 1 Year	5.22%
1–3 Years	23.68%
4–6 Years	19.35%
7–9 Years	13.00%
10 Years or Longer	33.15%

Health leaders have the longest tenure with 68.30% holding their positions for seven or more years, and nearly half of those (~50%) stay in that role for 10 years or longer. Arts, Culture, and Humanities leaders have the shortest tenure; one-third leaves within three years.

There is a connection between the size of the organization and leadership turnover. Small organizations are more likely to retain their leaders in the first six years, and large and medium organizations are more likely to keep their leaders for over a decade.

Leader Tenure by Focus Area	Less Than 6 Months	6 Months to 1 Year	1–3 Years	4–6 Years	7–9 Years	10 Years or Longer
Arts, Culture, & Humanities	13.33%	13.33%	6.67%	26.67%	13.33%	26.67%
Education	12.50%	4.17%	31.25%	8.33%	14.58%	29.17%
Environment & Animal-Related	0.00%	0.00%	28.57%	28.57%	14.29%	28.57%
Health	0.00%	2.44%	14.63%	14.63%	19.52%	48.78%
Human Services	5.56%	5.56%	25.00%	9.72%		26.39%
International, Foreign Affairs*	-	-	-	-	-	-
Mutual & Membership Benefit*	-	-	-	-	-	-
Public, Societal Benefit	4.76%	0.00%	23.81%	19.05%	9.52%	42.86%
Religion-Related	0.00%	9.07%	18.21%	18.21%	9.07%	45.44%
Unknown or Unclassified	0.00%	22.22%	33.33%	0.00%	11.12%	33.33%

*Insufficient data for analysis.

⁷“A Practical (and Possibly Provocative) Approach to Leadership Transitions,” nonprofitquarterly.org, May 21, 2015.

Succession Planning

Nonprofits often have limited staff capacity, restricting their ability to internally replace an administrative position. In the leader's absence, the organization's stakeholders—board, staff, volunteers, donors, and community partners—are faced with an uncertain future.

Many organizations fail to pay adequate attention to leadership pipelines and succession processes. A study by BoardSource⁹ found that about one-fourth of organizations have a documented succession plan. Preparing for this transition should be a priority for nonprofits.

The most successful for-profit companies routinely invest significant amounts of time and resources into attracting talent and developing them into leaders.

Most organizations in this study (62.60%) have not developed a leadership mentoring program to identify and prepare high-potential employees for leadership positions.

Does your organization have a leadership succession plan to meet future leadership needs?



This study found most boards are underinvesting in the executive transition process, with more than half lacking a written succession plan.

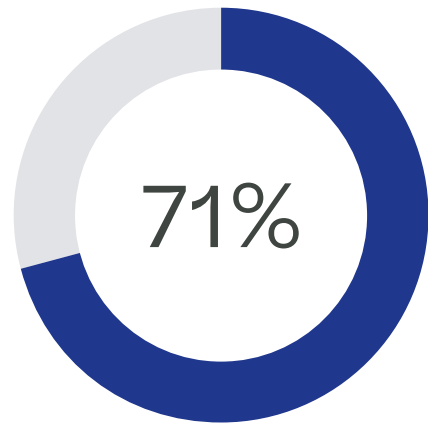
⁹ "Leading With Intent: 2017 National Index of Nonprofit Board Practices," leadingwithintent.org.

Programs & Services



As inflation spiked, food prices and housing costs dramatically increased. For most individuals, wages have been stagnant, failing to keep pace. The rise in demand for nonprofit help can also be attributed to the lapse of federal pandemic aid such as the COVID-related increase to the Supplemental Nutrition Assistance Program (SNAP).

Many on the lower end of the economic spectrum have turned to nonprofits. Organizations are stretched thin, responding to increasing demands while trying to remain financially and operationally stable.

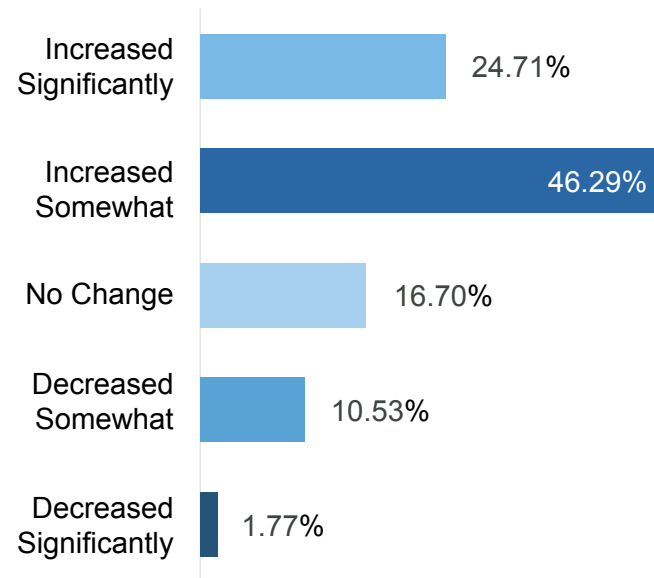


Average Increase in Demand for Programs & Services

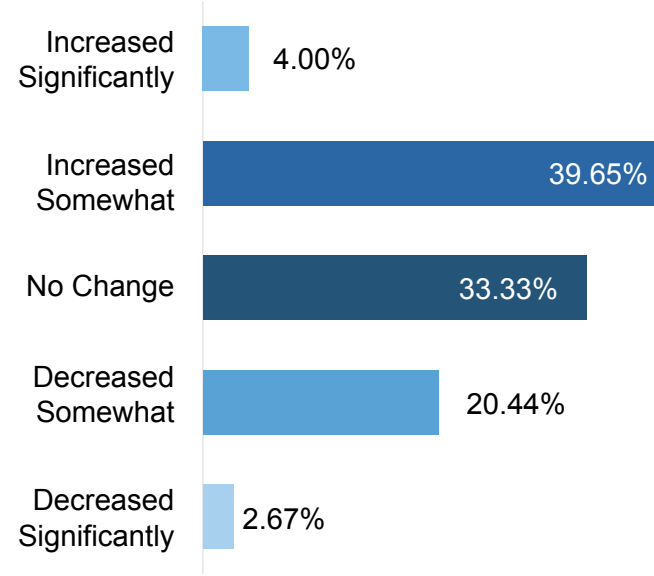


The increase in capacity is far below the overall rise in demand for programs and services.

How has the demand or need for your organization's services and programs changed over the past year?



Capacity to respond to demand or need in the past year



Delays & Wait Lists

34.34%

of nonprofit benefactors must wait one month or longer to receive assistance.

How much of a delay or wait list has the increased demand created for the delivery of your programs and services?

Delay or Wait Time	%
Less Than 1 Week	39.05%
1 Week	13.60%
2-3 Weeks	13.01%
1 Month	12.43%
2 Months	3.56%
3 Months or More	18.35%



The nonprofit workforce crisis has created a painful waitlist for services or, in some cases, the elimination of services altogether.

Technology

Nonprofits look for ways to enhance their effectiveness and achieve their missions. Technology helps them deliver programs, conduct virtual operations and events, and measure the effectiveness of their programs and services.

The strategic use of technology directly contributes to improved organizational efficiency and performance across operations.⁹ It can strengthen relationships and lead to greater mission success.

Which best describes how your organization's current technology impacts these areas?

	Significantly Enhances	Somewhat Enhances	Has Little or No Impact	Somewhat Diminishes	Significantly Diminishes
Your ability to implement programs & services	19.53%	35.82%	30.23%	13.02%	1.40%
Your ability to work remotely	34.12%	29.86%	29.38%	5.69%	0.95%
Your ability to communicate with & manage donors	16.75%	37.32%	35.88%	9.57%	0.48%
Your ability to gather & report performance metrics	21.96%	39.72%	18.69%	15.89%	3.74%
Your ability to protect privacy & your network/systems from cyberattacks	37.26%	30.66%	25.48%	6.13%	0.47%
Your ability to manage financial & accounting processes	31.92%	37.09%	21.13%	8.92%	0.94%

⁹ "Nonprofit Trends Report," salesforce.org.

Artificial Intelligence

Artificial intelligence (AI) captured the attention of individuals and businesses worldwide this past year. Like most industries, the nonprofit sector is slowly and cautiously integrating AI into daily operations to increase impact and enhance innovation.

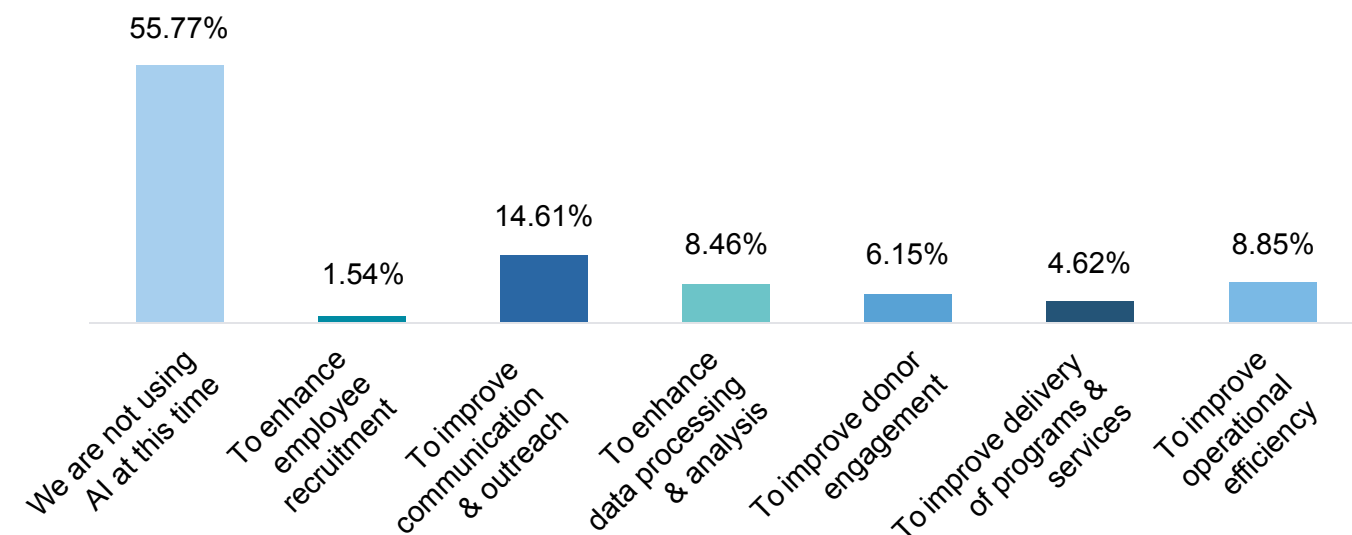
AI was instrumental during the pandemic helping organizations transition to remote and digital delivery of programs and services.¹⁰ For example, robots were used by food banks to pack meals for distribution and medical organizations used chatbots to provide mental health advice.

Most nonprofits in this study are not using AI. Throughout interviews we encountered some leaders who expressed support, saying it had saved them time and enhanced their work. Others expressed strong opposition to the use of AI because of its inability to articulate nuances of particular cultures and beliefs.

“It takes human experiential, emotional, and spiritual development of the concepts,” one leader said of AI’s inability to produce effective messaging to members and donors.

Those that have adopted the technology are using it primarily for communication and outreach, data processing and analysis, and operational efficiency. Only a fraction (≈ 2%) have developed standards and guidelines around AI usage.

How is your organization currently using AI?



“Our organization wholeheartedly embraces AI, leveraging its capabilities across various aspects. In my view, avoiding the integration of AI would be akin to discouraging the use of smartphones or computers. Those organizations that do not adopt AI as a critical tool in their toolbox are likely to face a substantial disadvantage in the evolving landscape of the coming years.”

Paul Lhevine
President & CEO, Colorado Nonprofit Association, Denver, CO

Accounting Software

From billing and invoicing to project management and taxes, having the right accounting software is essential. Accounting software helps organizations be cost-effective, automate complicated financial transactions, streamline tasks, and generate customized reports.

While some organizations use software designed specifically for nonprofits, most are using nonindustry-specific programs like QuickBooks.

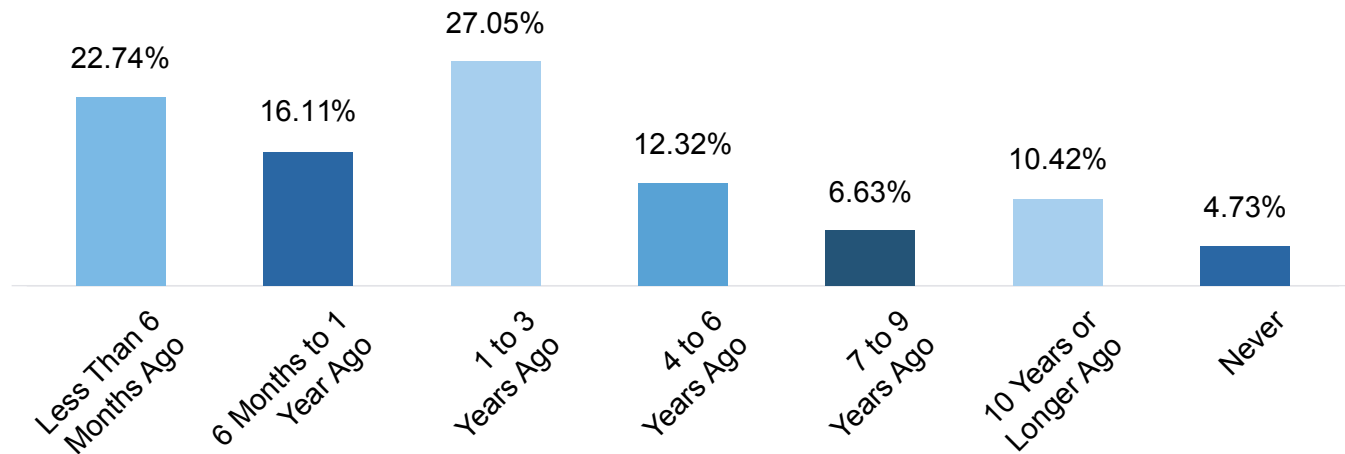
Which accounting/financial software does your organization currently use?

Software	%
QuickBooks/QuickBooks Online	29.66%
Sage Intacct	9.32%
Blackbaud Financial Edge/FE Next	8.89%
Abila MIP	6.77%
Microsoft Great Plains/Dynamics GP	4.24%
Oracle NetSuite	4.23%
Ellucian Banner	2.54%
Microsoft Business Central	2.11%
Jenzabar	1.69%
Unknown or Unclassified	17.78%

Other software programs receiving at least 1% of total responses: Colleague, MatrixCare, Meditech, Point Click Care, and Sage 100.

¹⁰ “How Smart Tech Is Transforming Nonprofits,” Harvard Business Review, December 9, 2021.

When did you last update your accounting software?



Nurturing relationships with funders and donors can be key to nonprofit success. As organizations mature, they require a formalized system of communicating with current and prospective donors, volunteers, and important stakeholders. To accomplish this, they rely on customer relationship management (CRM) tools. CRMs help organizations to create strategies, build relationships, and engage in marketing.

What is your organization’s strategic timeline for upgrading your current financial system?

Software Update Timeline	%
Within Next 0 to 6 Months	10.80%
Within Next 6 to 12 Months	7.04%
Within Next 1 to 2 Years	13.15%
We Have Already Completed an Upgrade	24.41%
We Do Not Have a Plan to Upgrade	44.60%

Which CRM (customer relationship management) software do you currently use?

CRM Software	%
We don’t have CRM software	15.00%
Blackbaud Raiser’s Edge NXT	13.33%
Salesforce Nonprofit Cloud	10.00%
Bloomerang	4.16%
DonorPerfect	3.75%
Virtuous	2.91%
Blackbaud Altru	2.50%
Little Green Light	1.66%
Slate	1.66%

Other software programs receiving at least 1% of total responses: ANDAR, Blackbaud eTapestry, DonorView, Donation Tracker, Foundant, Memsys, Microsoft Nonprofit, Personify, Tessitura, and Theatre Manager.

Digital transformation, using digital technologies to create or improve current processes, can help organizations better serve individuals and communities.

A national study by Salesforce¹¹ showed that most nonprofits believe digital transformation is critical to their overall success. Yet only a small percentage are digitally mature, fully embracing technology to improve mission impact.

How important is digital transformation for your organization?

Importance Level	%
Extremely Important	33.02%
Somewhat Important	45.75%
Somewhat Unimportant	13.68%
Not Important At All	7.55%

78.77%

We found that most organizations believe digital transformation is very important to enhance processes, improve reporting, and protect their data.

What is your primary reason for digital transformation?

Reason	%
Automation of manual processes	21.00%
Improved reporting & dashboarding	19.59%
Integration of systems	16.03%
Security/data integrity	16.03%
User experience with user interface	15.09%
Accessibility &/or ease of access to the system	12.26%

¹¹ “Nonprofit Trends Report,” salesforce.org.

Governance



The growth and effectiveness of nonprofits often hinge on strong boards that understand and operate within clearly defined roles. Without proper training, well-intentioned boards can stray into areas outside of their scope, resulting in micromanagement, poor engagement, and dysfunctional governance.

Two areas where board improvement is needed:

36.67%

are not engaged in fundraising and public awareness.

31.76%

have not identified indicators for tracking progress toward goals.

Unlike the early days of the pandemic, virtual meetings no longer cause most board members to feel less engaged or to feel disconnected from others.

Leaders in this study are overwhelmingly pleased with their boards and feel members have a clear understanding of the organization's mission, are engaged in advocacy, and provide adequate support to the staff.

Public Trust

Which of the following best describes your board’s knowledge and engagement?

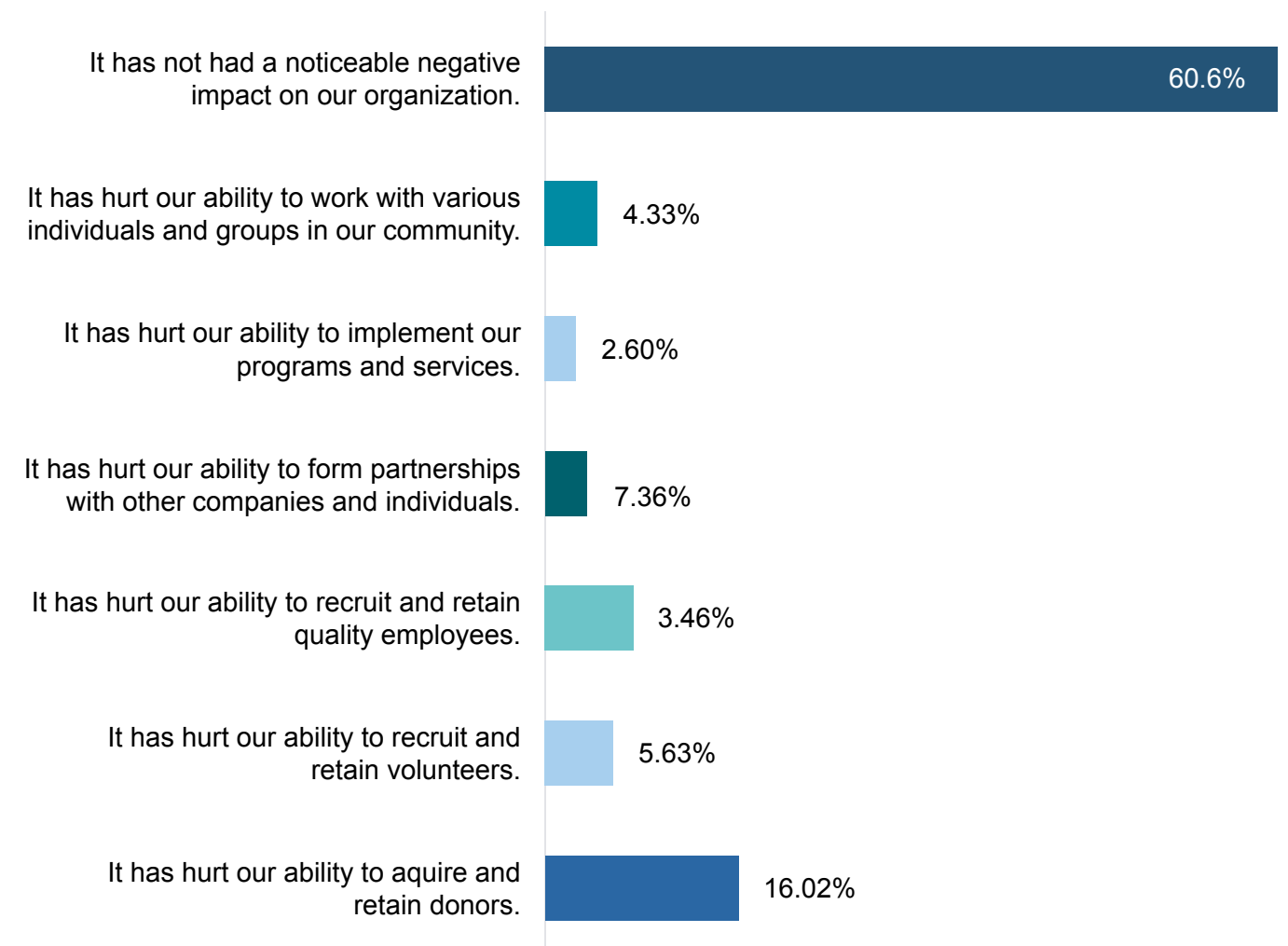
Revenue Source	Increased Significantly	Increased Somewhat	No Change	Decreased Somewhat
Board members have a clear understanding of the organization’s programs and services and whom it is serving.	69.95%	26.76%	2.82%	0.47%
Board members have a strategic vision of how the organization should be evolving over the next three to five years.	38.03%	44.13%	14.08%	3.76%
The board regularly engages in a strategic planning process that helps it consider how the organization should meet new opportunities and challenges.	40.38%	34.27%	22.54%	2.81%
The board has identified key indicators for tracking progress toward the organization’s strategic goals.	32.22%	36.02%	26.07%	5.69%
Board members are involved and engaged in working with/supporting the organization’s leadership team.	48.91%	37.25%	11.43%	2.41%
Board members are involved and engaged in community advocacy.	27.96%	47.39%	20.85%	3.80%
Board members are involved and engaged in fundraising and public awareness.	23.33%	40.00%	27.15%	9.52%
Virtual meetings have caused members to be less engaged.	12.20%	20.97%	25.37%	41.46%
Virtual meetings have caused members to feel disconnected from the rest of the board.	9.31%	23.53%	27.94%	39.22%

Nonprofits have suffered from a rising level of distrust in the United States. The 2023 Edelman Trust Barometer,¹² a global study of trust and credibility, shows nonprofits (and NGOs) are perceived as somewhat ethical, but less competent in addressing societal problems.

Findings from a recent survey conducted by the Independent Sector¹³ support these findings. Their report showed that nearly half of Americans do not trust nonprofits. The report tied distrust to perceived mismanagement and political polarization.

We found that most organizations have yet to feel any negative impact of this industry issue. Only a small percentage believe public perception has hurt their ability to attract donors and volunteers.

In what ways has the waning public confidence in nonprofits over the past years affected your organization?



¹² “2023 Edelman Trust Barometer,” edelman.com

¹³ “Trust in Civil Society,” independentsector.com, September 28, 2023.

Challenges & Responding to Change

Challenges

Consistent with last year's report, inflationary pressures and staffing issues top the list of concerns for nonprofit leaders. Budget cuts and workforce shortages affect program effectiveness and limit outreach to supporters and mission partners.

Top Concerns

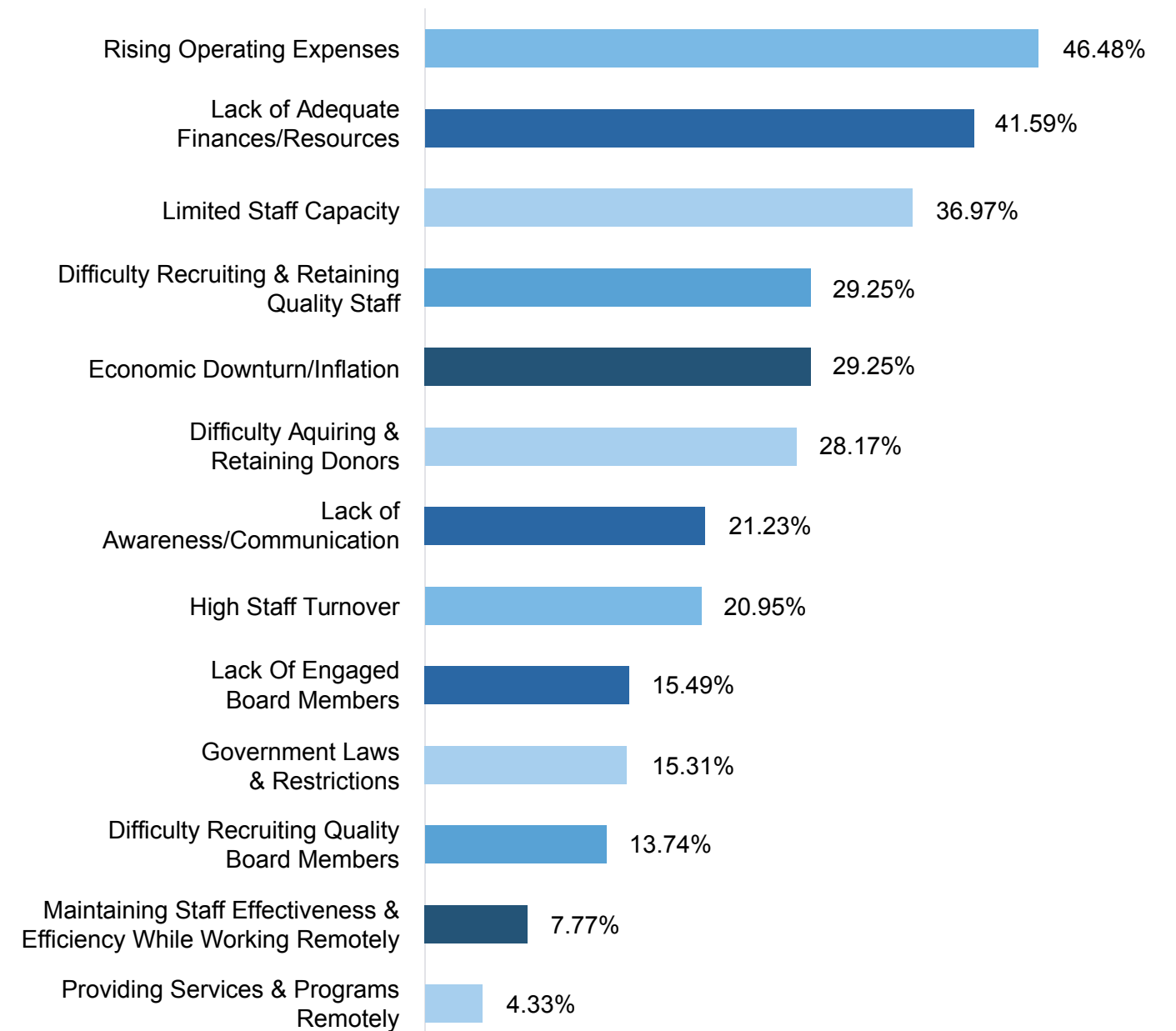


Inflationary Pressures



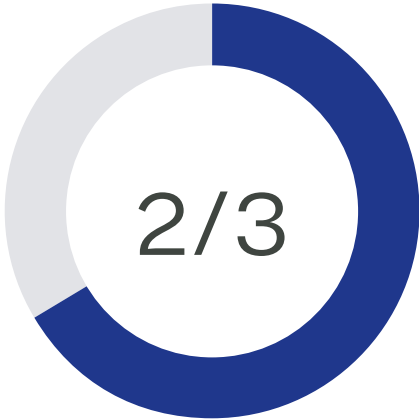
Staffing Issues

What are the biggest challenges your organization is facing now?



Responding to Change

As organizations plan for the near future, many are looking for ways to remain mission-focused and financially stable. More than half plan to expand current programs and services or add new ones to meet rising demands. An alarming 68.03% expect to eliminate some and not add any new ones.



More than two-thirds of nonprofits are planning to eliminate some of their current programs and services over the next one to two years.

Over the next 12–24 months, what is the likelihood your organization will take one of the following actions?

	Very Likely	Somewhat Likely	Somewhat Unlikely	Very Unlikely
Add new programs/services	23.67%	31.41%	22.22%	22.70%
Expand your current programs/ services but not add any new ones	15.34%	41.60%	24.25%	18.81%
Maintain your current programs/ services but not add any new ones	22.23%	30.21%	29.73%	17.83%
Maintain your current programs/ services & add some new ones	24.63%	40.88%	25.62%	8.87%
Scale back some of your current programs/services & start some new ones	9.28%	21.13%	30.41%	39.18%
Eliminate some of your current programs/services & start some new ones	5.68%	20.10%	24.74%	49.48%
Eliminate some of your current programs/services but not add any new ones	56.18%	11.85%	29.39%	2.58%

Concluding Thoughts





How Forvis Mazars Can Help Your Nonprofit

As this report has highlighted, many nonprofits have faced constant and diverse challenges this past year, from helping their organizations cope with workforce shortages to keeping pace with rising demands for assistance and mitigating the impact of skyrocketing operational expenses. That's why our experienced nonprofit professionals offer innovative, collaborative strategies and tailored approaches to help your organization achieve its objectives while staying true to your mission.

To learn more about how our consultants can help your organization improve efficiency, accuracy, and timeliness of financial reporting and results to help drive your mission forward, explore our [Nonprofit Advisory Services](#) page or [contact us](#).



Financial Operational Assessment

Our team can assess an organization's current accounting function, including processes, controls, and personnel structure, in order to identify opportunities to streamline and improve the financial reporting process.



Accounting Standards Implementation

We can offer help implementing new accounting standards, including new disclosures for external auditor evaluation. We can also assist with tax preparation, planning, and consulting.



CFO Advisory Services

Professionals from Forvis Mazars can assist by providing project management related to crucial tasks, including internal and external reporting, audit preparation, budget development and execution, succession planning, and cash flow modeling.



Policies, Procedures, & Internal Controls Consulting

Our nonprofit team can help navigate which policies and procedures are needed and how to stay up to date and assess whether teams comply with existing internal policies.



Grants Management & Compliance

We can assist with the accounting for grants as well as look for potential opportunities to offer more efficient ways to comply with federal, state, local, and donor regulations to help reduce the risk of sanctions or reduced funding.



Organizational & Board Leadership Consulting

Our consultants can assist with strategic planning and resource alignment as well as training and development for both boards and executive leadership.



As technology becomes deeply rooted into day-to-day operations, organizations must not lose sight of creating authentic human connections. The need for a personal touch and compassion, to be understood, can never be replaced by chatbots or any other innovation.



In today's environment, many employees not only seek fair compensation, they have a deep desire to be part of something bigger—a purpose-driven organization that is improving the world. Nonprofits must demonstrate how their work is bringing about lasting change and how their employees' contributions are key to that success.



As trust-based philanthropy grows, organizations must strive to develop and deliver programs based on input from their stakeholders—continually learning from the very people who use their services.



To address the current industry leadership deficit, funders must support general operating costs, enabling organizations to invest into leadership development (recruiting and training costs, salaries and benefits), preparing the next generation of nonprofit leaders.

FORsights

In today's fast-paced environment, your nonprofit organization can't afford to be reactive to change. We leverage insight and innovation to help you overcome challenges and identify opportunities. [Sign up here](#) to subscribe to FORsights and start receiving insights in your inbox to help you stay prepared for what's next.

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