

2022 ANNUAL REPORT

State of the Nonprofit Sector



BKD
CPAs & Advisors

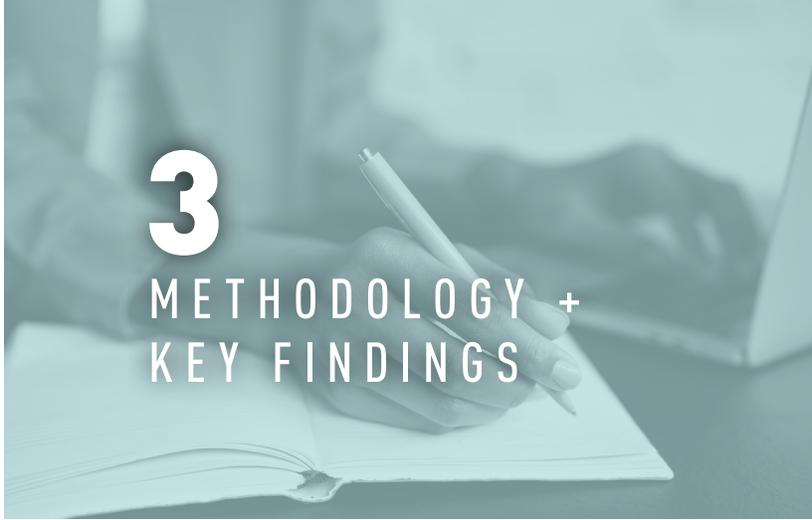


FEBRUARY 2022



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INTRODUCTION

The nonprofit sector, sometimes referred to as the Third Sector, has gained prominence over the past few decades. Organizations are leaders in community development, education, social justice, the environment, and arts/culture. Without fanfare, they deliver critical programs and services that make communities more desirable places to live.

Many are surprised to learn of the industry's depth and diversity. Social service organizations such as Habitat for Humanity, the American Red Cross, Boys & Girls Clubs, the Salvation Army, and the YMCA are widely recognized.

But the sector goes much deeper.

Nonprofits include most major hospitals and health care systems, private schools and universities, religion-related organizations, and environmental and animal-related groups. The sector also includes foundations, neighborhood associations, labor unions, employee benefit funds, cemeteries, country clubs, and many others.

BKD launched our first nonprofit industry report last year to explore how organizations were

affected by the pandemic. This year's report is a follow-up to that study, using a variety of indicators to benchmark progress over the past 12 months.

Similar to last year's report, this nationally representative study examines critical areas of operation and governance. A special emphasis has been given to staffing shortages and the impacts those are having on organizations.

BKD provides guidance and services to thousands of nonprofit organizations throughout the nation. It is our privilege to work alongside these passionate individuals who are dedicated to improving life and building stronger communities.

Our goal is that this report will provide important information to individuals and organizations regarding the nonprofit sector's impacts, challenges, and resilience in overcoming increasing issues.

We expect the findings in this report will help guide practitioners, elected officials, funders, and business leaders as they make informed decisions to support the nonprofit sector and strengthen communities.



Dan Prater
Senior Managing Consultant

"Nonprofits around the U.S. continue offering critical programs and services to help those in need and support our communities amid the ongoing pandemic. Those who work in this sector make it their mission to help others in their communities address big issues—and our aim with this report is to provide guidance to help nonprofits tackle their own unique challenges."



Tondeé Lutterman
National Industry Partner

METHODOLOGY

BKD collected data through an electronic survey that included 28 questions about various aspects of organization size, function, and stability. Participation in the survey was voluntary and no personal data was collected to provide anonymity.

The survey, open from November to December 2021 to nonprofits of all sizes and types throughout the nation, was stratified by these major categories: IRS tax-exempt classification, budget size, location, finances, operations, and governance.

To ensure wide engagement, surveys were distributed to individuals and organizations representing a diverse range of interests, occupations, geographic regions, and socioeconomic levels.

We collected 878 responses from individuals and organizations throughout the nation.



KEY FINDINGS

58%

experienced a budget shortfall

65%

had an increase in demand for their programs or services

77%

plan to add new programs and services

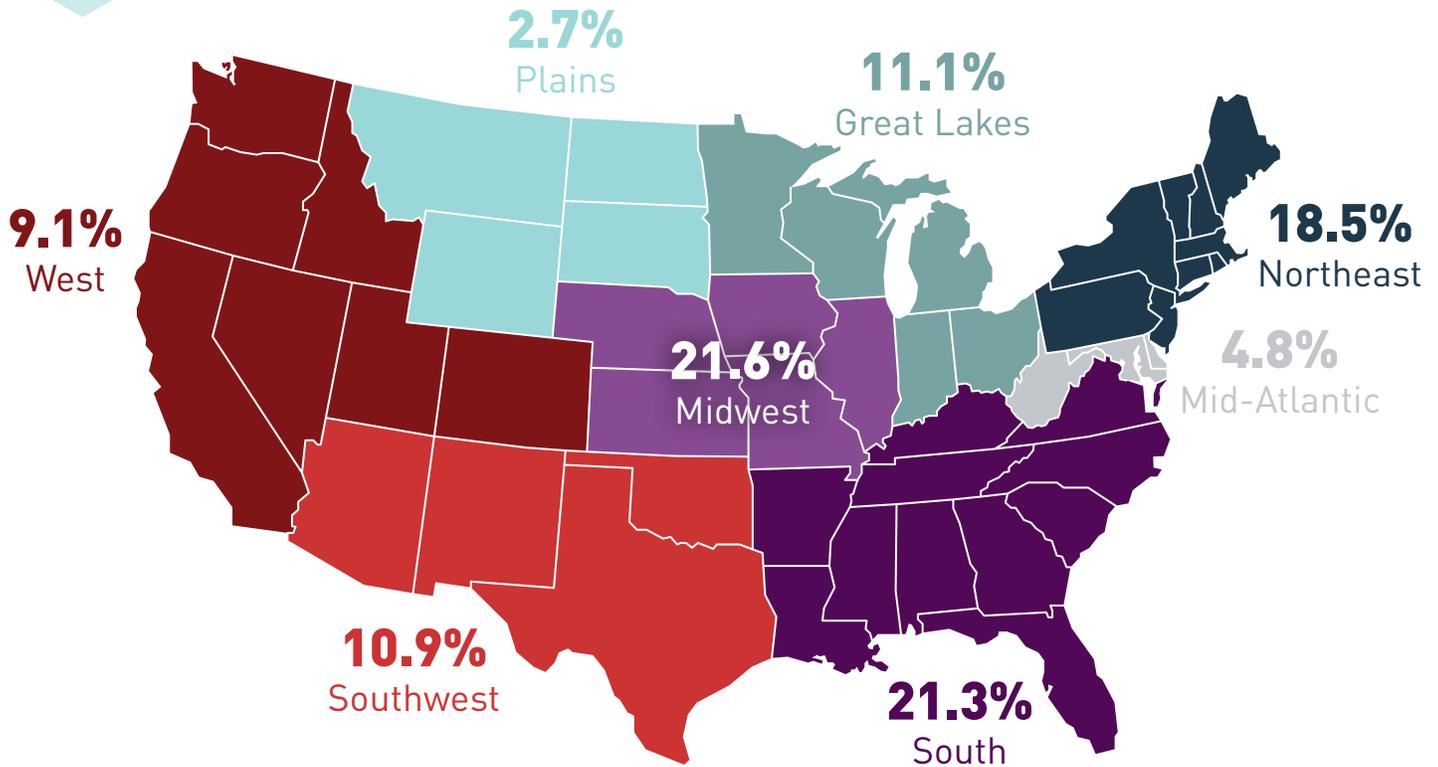
71%

were hampered by staffing shortages

Survey respondents were not required to answer every question.

PARTICIPANTS

Participants were from organizations throughout the nation, with the largest representation in the Midwest and South regions, and the lowest from the Mid-Atlantic and Plains regions.



Tax-exempt organizations in the U.S. are classified by the IRS under Section 501(c) of the U.S. Tax Code. There are 29 categories of 501(c) and two divisions: charitable (donations are tax-deductible) and noncharitable.

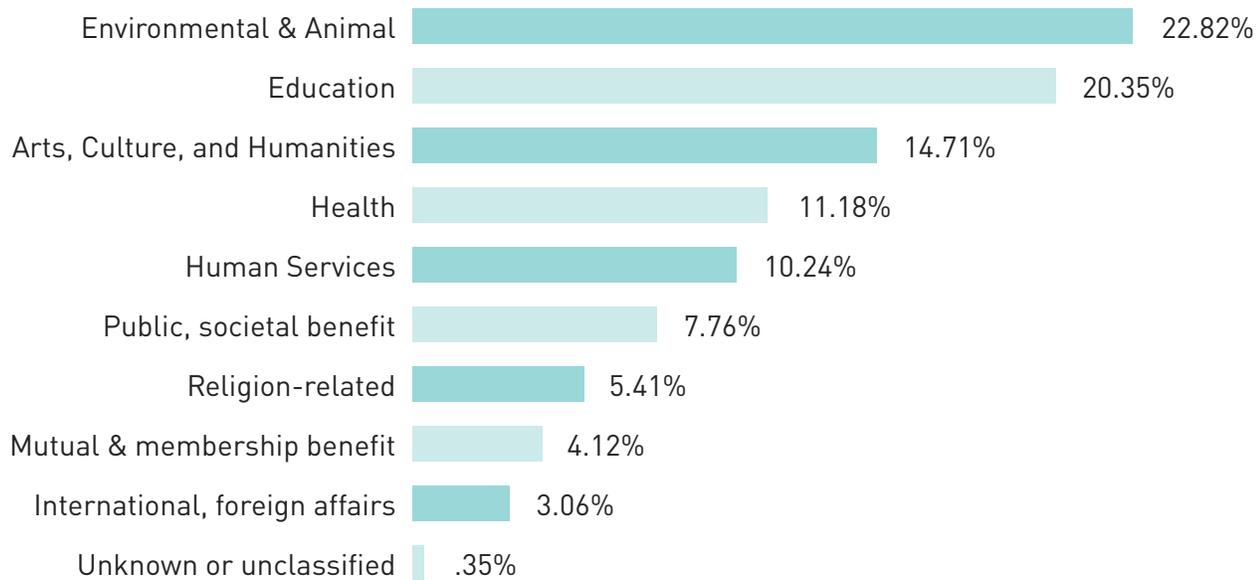
In our study, 501(c)(3) organizations represented the largest group of respondents. Organizations in this category are public charities or private foundations.

The next largest groups were 501(c)(6) business leagues, chambers of commerce, professional associations, etc., 501(c)(7) social and recreational clubs, and 501(c)(9) voluntary employees beneficiary associations.

Category	Percentage	Category	Percentage	Category	Percentage	Category	Percentage
501(c)(1)	3.72%	501(c)(9)	6.07%	501(c)(17)	1.24%	501(c)(25)	0.62%
501(c)(2)	2.35%	501(c)(10)	3.97%	501(c)(18)	0.74%	501(c)(26)	0.62%
501(c)(3)	27.27%	501(c)(11)	4.71%	501(c)(19)	0.74%	501(c)(27)	0.12%
501(c)(4)	5.20%	501(c)(12)	5.20%	501(c)(20)	0.25%	501(c)(28)	0.25%
501(c)(5)	3.22%	501(c)(13)	3.72%	501(c)(21)	0.25%	501(c)(29)	0.12%
501(c)(6)	6.57%	501(c)(14)	4.09%	501(c)(22)	0.37%		
501(c)(7)	6.07%	501(c)(15)	3.59%	501(c)(23)	1.12%		
501(c)(8)	5.70%	501(c)(16)	1.86%	501(c)(24)	0.25%		

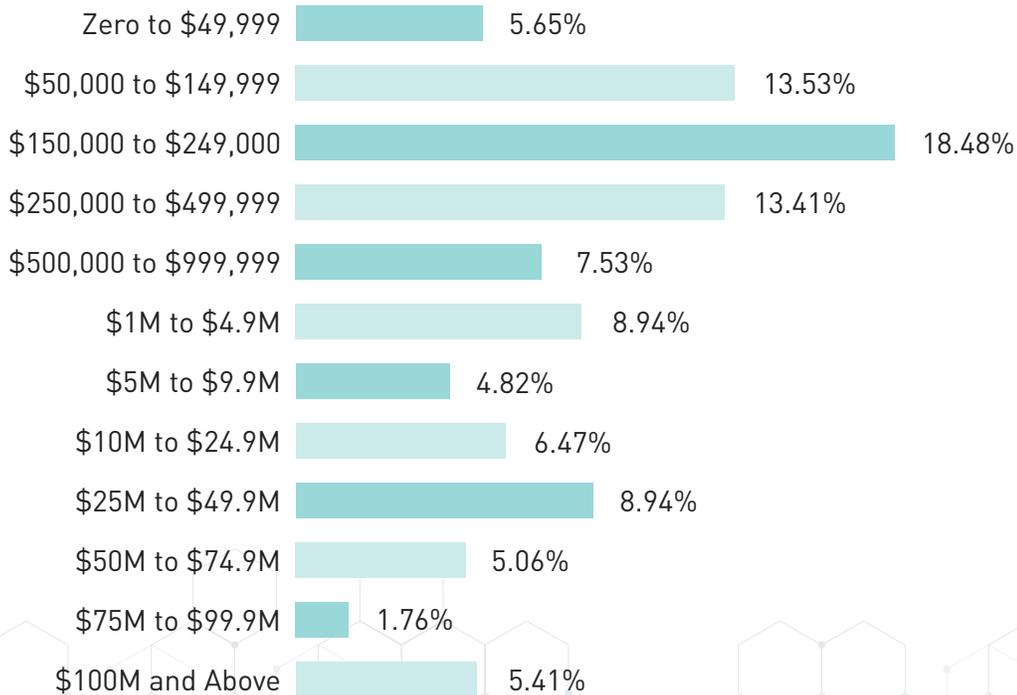
Subsector Breakdown of Participating Organizations

The three largest subsectors represented were environmental & animal (22.82 percent), education (20.35 percent), and arts, culture, and humanities (14.71 percent).



Annual Revenue Range

Characteristic of the industry composition, nearly 60 percent of survey respondents were from small organizations. Those with annual gross receipts between \$150,000 and \$249,999 had the largest representation.



58.6%
Small
0 to \$999,999

20.23%
Midlevel
\$1M-\$24.9M

21.17%
Large
\$25M+

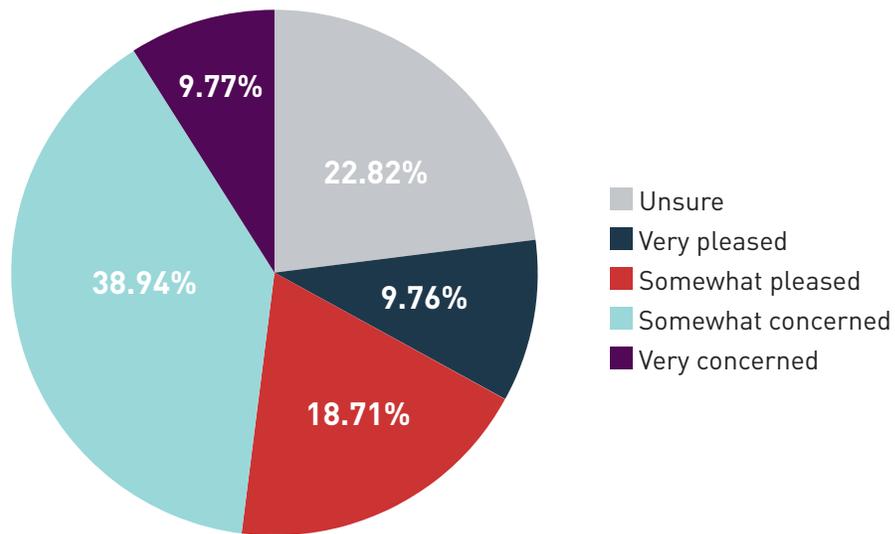
FINANCIAL IMPACT

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided financial relief for nonprofits. Programs such as the Paycheck Protection Program (PPP), Higher Education Emergency Relief Fund (HEERF), Employee Retention Credit (ERC), and Shuttered Venue Operators Grant (SVOG) helped organizations achieve stability and maintain operations during the height of the crisis. Although many nonprofits have regained their footing the past year, fewer than one-third (28.47 percent) are pleased with their current financial position.

73.2% more are concerned about their financial position this year than they were last year.

When asked how they feel about their organization’s current financial position, nearly half (48.71 percent) are somewhat or very concerned about their current financial condition. This represents a considerable increase over the percentage of those that were concerned last year (28.2 percent).

Feelings About Current Financial Conditions



Nonprofit organizations *concerned* about their current financial condition

Nonprofit organizations *pleased* with their current financial condition

48.7%

28.2%

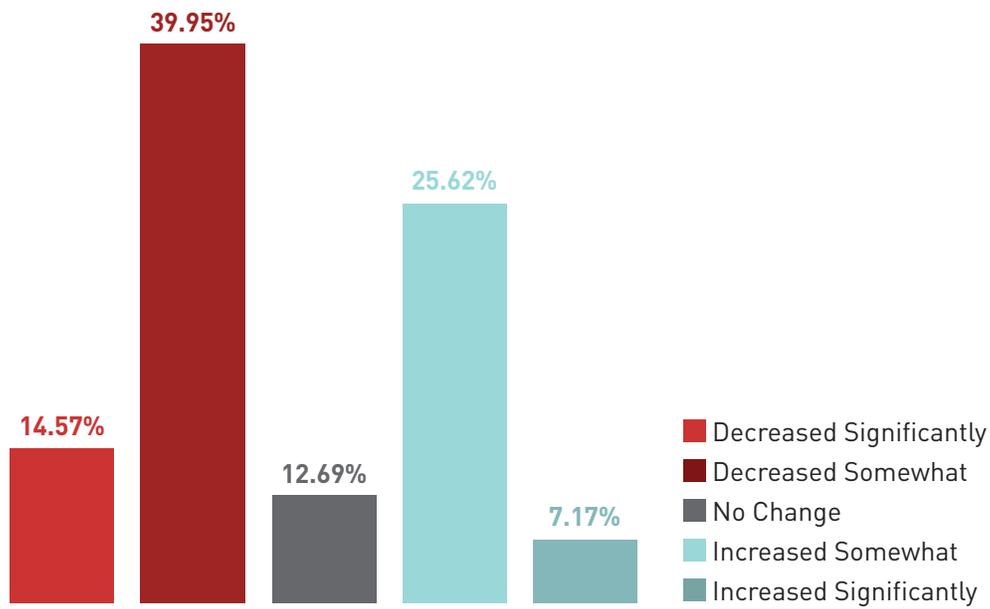
■ 2022
■ 2021

28.5%

45.5%

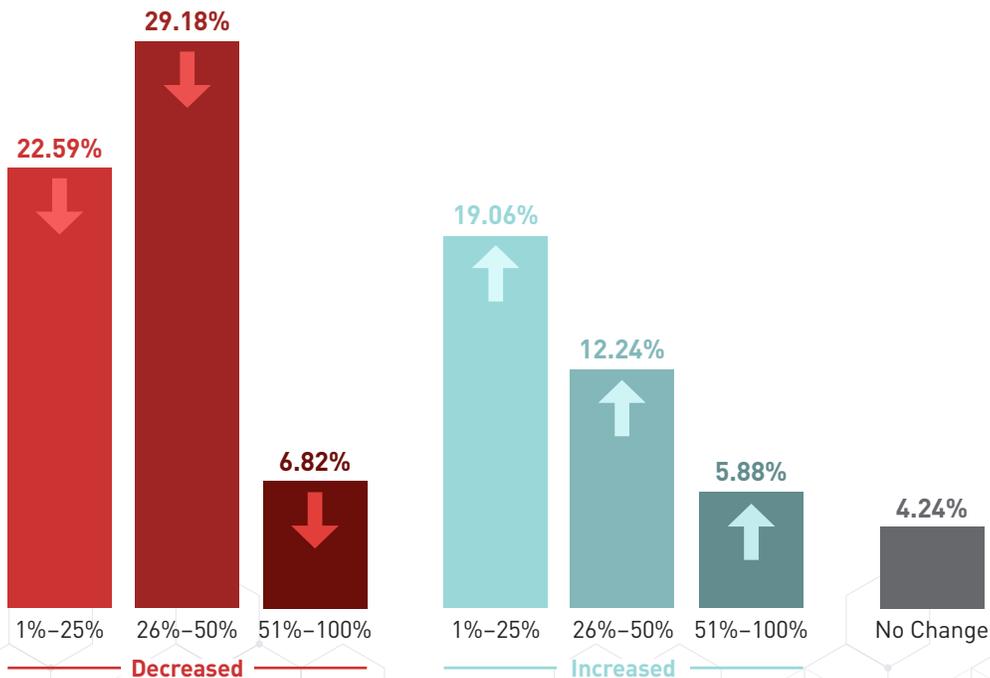
■ 2022
■ 2021

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



Revenue Changes

Federal and state funding, foundation and corporate support, and a rise in generosity from individuals helped nonprofits weather the past year. Some ended the year in better financial position than before the pandemic. More than one-third of the organizations (37.18 percent) report an increase in net income this year.



More than half (58.59 percent) experienced a budget shortfall. Although this decrease represents a 17.82 percent improvement over last year's total, when 71.3 percent reported a decrease, it demonstrates that many have not fully recovered from the pandemic.

“Concerns over financial position may be a summary surrogate for many other uncertainties—pandemic-related worries, federal funding questions, potential donor fatigue, talent attraction and retention fears, inflation concerns, etc. The need to change and adapt has accelerated exponentially. Consequently, we will likely see an exodus of nonprofit leaders who are battle-fatigued.”

Greg Burris, President & CEO

United Way of the Ozarks
Springfield, Missouri

Revenue Sources

Nonprofits rely heavily on earning income through services delivered. A 2019 report by the [National Council of Nonprofits](#) says about 80 percent of all nonprofit revenue in the U.S. comes from fees or contracts for services provided.

Table: Participating organizations' main revenue sources

	Zero to 24%	25% to 49%	50% to 74%	75% to 100%
Fees for Programs, Services, Goods	26.92%	43.04%	21.63%	8.41%
Contributions from Individuals	33.29%	34.99%	26.03%	5.69%
Membership Dues	34.17%	33.92%	24.75%	7.16%
Foundation Grants	30.21%	35.08%	27.77%	6.94%
Government Grants	28.18%	34.12%	29.17%	8.53%
Special Events/Fundraisers	33.01%	34.23%	25.28%	7.48%
Corporate Giving	32.01%	33.25%	26.45%	8.29%
Planned Giving	33.67%	31.91%	27.01%	7.41%
Earned Income	33.58%	31.59%	25.84%	8.99%
Investments	32.80%	34.52%	26.44%	6.24%
Other	35.00%	31.05%	25.26%	8.69%



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

	Significantly	Somewhat	Very Little	None
Cancellation or postponement of events & fundraisers	24.62%	3.55%	24.85%	46.98%
Inability to deliver programs/services due to health restrictions or other external factors	22.04%	7.35%	29.50%	41.11%
Inability to deliver programs/services due to limited resources	15.31%	12.08%	34.45%	38.16%
Decline in individual support	15.29%	15.53%	34.05%	35.13%
Decline in corporate/foundation support	13.93%	14.89%	32.76%	38.42%
Decline in government support	13.03%	20.63%	31.96%	34.38%
Drop in demand for programs/services	15.77%	16.25%	31.54%	36.44%

Pandemic-related restrictions once again hurt organizations' ability to host in-person events. Canceled in-person gatherings and other factors resulted in a big drop (39.98 percent) in Special Events, Fundraisers revenue. Contributions from individuals declined (down 39.69 percent). This drop is in contrast to the Giving USA 2021 Annual Report on Philanthropy, which says current-dollar individual giving rose 2.2 percent between 2019 and 2020 (an increase of 1.0 percent when adjusted for inflation).

Table: Revenue changes since last year

Revenue Type	Increased Significantly	Increased Somewhat	No Change	Decreased Somewhat	Decreased Significantly
Fees for Services, Programs, and Goods	2.39%	20.82%	27.87%	33.85%	15.07%
Contributions from Individuals	5.76%	20.62%	33.93%	30.58%	9.11%
Membership Dues	6.13%	16.78%	42.80%	24.03%	10.26%
Foundation Grants	6.72%	24.57%	35.57%	24.95%	8.19%
Government Grants	12.29%	22.38%	35.40%	21.41%	8.52%
Special Events, Fundraisers	6.80%	20.17%	33.05%	27.22%	12.76%
Corporate Giving	7.37%	22.61%	35.50%	24.69%	9.83%
Planned Giving	6.72%	19.05%	39.49%	24.78%	9.96%
Earned Income	7.52%	20.47%	39.70%	23.06%	9.25%
Investments	10.23%	25.58%	35.20%	20.95%	8.04%
Other	7.62%	21.45%	42.38%	20.41%	8.14%

Government and foundation support had sizeable increases. Many community and private foundations shifted their priorities and streamlined their processes. To provide organizations with decision-making latitude, foundations made unrestricted grants.



48.92%

greatest decrease

Fees for Services, Programs, and Goods experienced a sizeable decrease, as nearly half (48.92 percent) report a decline in the past year.

35.81%

greatest increase

A robust economy over the past 12 months contributed to Investments experiencing the biggest revenue increases (35.81 percent).



Research has shown a significant correlation between rising stock market values and philanthropic giving from households and corporations. Corporate giving had a 29.98 percent jump, while government grants increased by 34.67 percent.

Table: Net Income by Focus Area

Focus Area	Net Income Decreased 1%–25%	Net Income Decreased 26%–50%	Net Income Decreased 51%–100%	Net Income Increased 1%–25%	Net Income Increased 26%–50%	Net Income Increased 51%–100%	No Change
Arts, Culture, and Humanities	13.6%	32.8%	12.8%	15.2%	10.4%	13.6%	1.6%
Education	27.9%	31.4%	8.1%	18.6%	7.0%	2.3%	4.7%
Environmental/Animal	23.2%	36.1%	5.7%	8.8%	21.1%	2.1%	3.1%
Health	26.3%	17.9%	5.3%	33.7%	5.3%	6.3%	5.3%
Human Services	22.4%	12.9%	4.7%	34.1%	5.9%	11.8%	8.2%
International, Foreign Affairs	8.0%	28.0%	12.0%	28.0%	20.0%	4.0%	0.0%
Mutual Benefit, Membership	25.7%	28.6%	2.9%	14.3%	22.9%	5.7%	0.0%
Public/Societal Benefit	16.7%	34.8%	6.1%	18.2%	12.1%	4.5%	7.6%
Religion-Related	28.3%	28.3%	0.0%	17.4%	13.0%	6.5%	6.5%
Unknown/Unclassified	66.7%	33.3%	0.0%	0.0%	0.0%	0.0%	0.0%

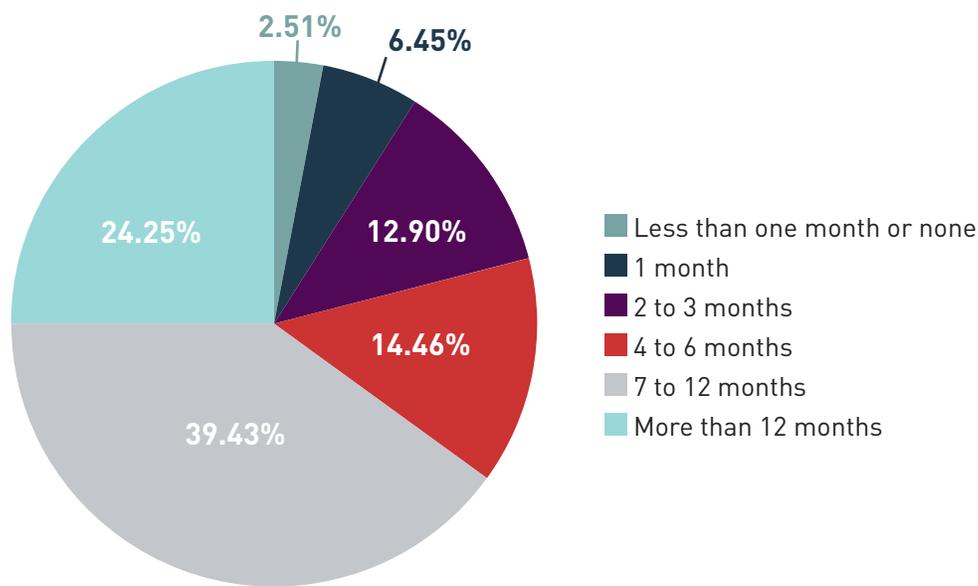


Operational Reserves

As the past months have proven, organizations must prepare for unexpected events or circumstances. One way to help ensure stability through turbulent times is with operating reserves, an unrestricted fund balance.

Many organizations lack operating reserve. [The Nonprofit Finance Fund's State of the Sector report](#) reveals that only one-fourth of nonprofit organizations nationwide have six months of cash in reserve, and about 10 percent have less than 30 days of available cash.

Nearly two-thirds (63.6 percent) of reporting organizations in our study had seven months or more of operating reserves. Within that group, about one-fourth (24.2 percent) had enough reserves to last more than a year.



2022	Operating Reserves	2021
2.51%	<1 month or none	1.9%
6.45%	1 month	2.2%
12.90%	2-3 months	25.9%
14.46%	4-6 months	21.7%
39.43%	7-12 months	25.6%
24.25%	>12 months	22.7%

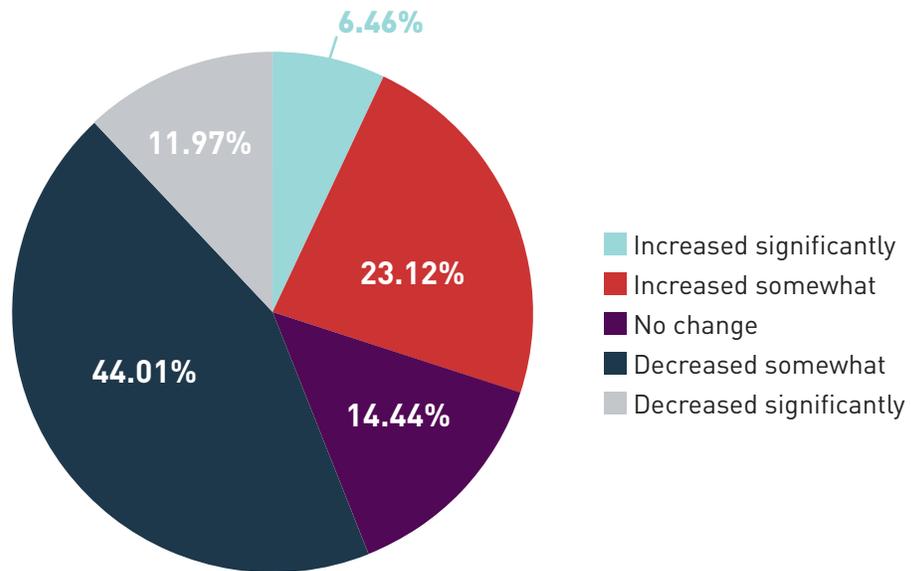
“As a best practice, organizations should strive to maintain a minimum of six months of operating reserves on hand, especially considering the uncertain times we are currently experiencing.”

Chris Telli, BKD Partner

Operational Costs

Inflation was a concern as clogged ports and supply chain bottlenecks contributed to shortages and higher prices for organizations. While some organizations are adjusting to the changes, only a moderate percentage (39.58 percent) of respondents report an increase in operational costs. More than half (55.98 percent) report a decrease.

Reasons for decreases may include costs associated with payroll, which were covered for some by the PPP. In addition, many organizations have realized savings by reducing office hours, expanding remote work options, and replacing in-person fundraising events with cost-friendly virtual ones.



Operations

Remote Working

As COVID-19 continues to infect the nation, organizations are learning to balance the need for employee productivity with the need to ensure their employees' health and safety.

Remote work, also known as "work-from-home" (WFH), has helped employees focus on health, balance childcare and other personal demands, cut down on commute time and costs, and deal with the added pressures of the pandemic.

Table: Percentage of staff working remotely

Percentage of Staff	Remote One Year Ago	Remote Now		Change
1% to 33%	18.26%	26.80%	↑	46.76% increase
34% to 50%	30.15%	27.51%	↓	8.75% decrease
51% to 67%	25.32%	27.63%	↑	9.12% increase
68% to 84%	13.78%	11.33%	↓	17.7% decrease
85% to 100%	12.49%	6.73%	↓	46.1% decrease

Remote working has changed the way organizations deliver programs and services.



Organizations in our study were divided regarding the usefulness of remote working and collaboration.

While nearly one-third (30.34 percent) believe their communication to donors and other external audiences benefited from the remote environment, a larger percentage (36.83 percent) feel the shift hurt their organization’s overall efficiency and effectiveness. This is especially true for organizations that have programs and services that are not conducive to a remote environment.

Delivery of programs and services appears to be the hardest hit from remote working. About half (49.23 percent) feel the change hampers their organization’s efficiency and effectiveness.

Overall, each area was ranked as Somewhat or Significantly less efficient and effective.

Table: Remote working effectiveness

	Significantly More Efficient & Effective	Somewhat More Efficient & Effective	No Change	Somewhat Less Efficient & Effective	Significantly Less Efficient & Effective
Delivery of Programs/Services	4.01%	20.54%	26.21%	37.66%	11.58%
Advocacy & Outreach	6.38%	20.21%	37.23%	24.94%	11.24%
Fundraising	6.65%	23.87%	33.73%	26.72%	9.03%
Internal Communication	7.45%	26.36%	31.08%	26.36%	8.75%
External Communication	9.21%	21.13%	32.83%	28.45%	8.38%

The way organizations manage their remote workforce has implications for their mission.

As the remote work environment becomes more common, nonprofits are making adjustments to improve communication and accountability with employees.

To keep remote employees functioning as a cohesive team and focused on a common goal, managers and leaders have been tasked with creating new procedures and approaches.

Which of the following steps have you taken to ensure effectiveness in a remote-work environment?

	Yes, Already Completed	In Progress Now	Not Yet, But Maybe Later	No, Don't Plan To
Provided employees with additional tech & productivity tools	37.16%	44.09%	14.57%	4.18%
Established/increased daily & weekly check-ins	33.65%	34.61%	24.31%	7.43%
Provided new or additional WFH training & tips	26.76%	37.29%	25.30%	10.65%
Offered emotional support & tips	27.54%	36.05%	26.83%	9.58%
Established/increased nonwork interactions & opportunities for collaboration	22.58%	38.16%	29.12%	10.14%
Developed & communicated clear employee expectations & guidelines	27.04%	41.95%	22.72%	8.29%
Updated organizational policies & procedures manual with WFH Guidelines	27.80%	35.85%	27.08%	9.27%

PROGRAMS

Nonprofits have taken the lead in addressing community issues during the global pandemic. As some for-profit businesses and companies that provided important services were forced to close, many organizations responded by offering additional assistance in housing, food, health services, and other essentials.

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

Decreased Significantly	Decreased Somewhat	Increased Significantly	Increased Somewhat	No Change
2.48%	15.8%	18.63%	47.05%	16.04%

More than 65% have seen an increase in the demand for their organization’s services.

Table: Demand for services

Focus Area	Significantly Decreased	Somewhat Decreased	Significantly Increased	Somewhat Increased	No Change
Arts, Culture, and Humanities	38.10%	12.03%	21.52%	11.06%	17.04%
Education	23.81%	18.05%	16.46%	22.11%	21.48%
Environmental/Animal	0.0%	22.56%	10.76%	28.14%	23.70%
Health	19.05%	12.78%	9.49%	11.81%	8.15%
Human Services	9.52%	9.77%	18.99%	7.79%	8.15%
International, Foreign Affairs	0.0%	3.01%	2.53%	4.27%	0.74%
Mutual Benefit, Membership	0.0%	3.76%	5.06%	3.52%	5.93%
Public/Societal Benefit	9.52%	12.78%	6.96%	6.03%	8.89%
Religion-Related	0.0%	5.26%	6.96%	5.03%	5.93%
Unknown/Unclassified	0.0%	0.0%	1.27%	0.25%	0.0%

While dealing with declining revenue and staffing shortages, some organizations have struggled to keep up with the rising demand. But more than half (60.14 percent) have utilized available resources and have increased their capacity to respond to rising requests for their programs and services.

How has your capacity to respond to this demand or need changed throughout the past year?

Increased Significantly	Increased Somewhat	No Change	Decreased Somewhat	Decreased Significantly
15.33%	44.81%	18.4%	16.98%	4.48%

Being forced last year, without warning, into an entirely new way of working and delivering programs was a hardship for some organizations. Yet many nonprofits discovered that an increased use of technology expanded their program’s footprint and allowed them to reach additional audiences.

Numerous restrictions and a wave of constant change require organizations to be responsive and resilient.

How have health/safety laws and guidelines changed the way you deliver your services and programs?

No Change to Our Delivery Method	Somewhat Altered Our Delivery Method	Significantly Altered Our Delivery Method
17.18%	64.24%	18.59%

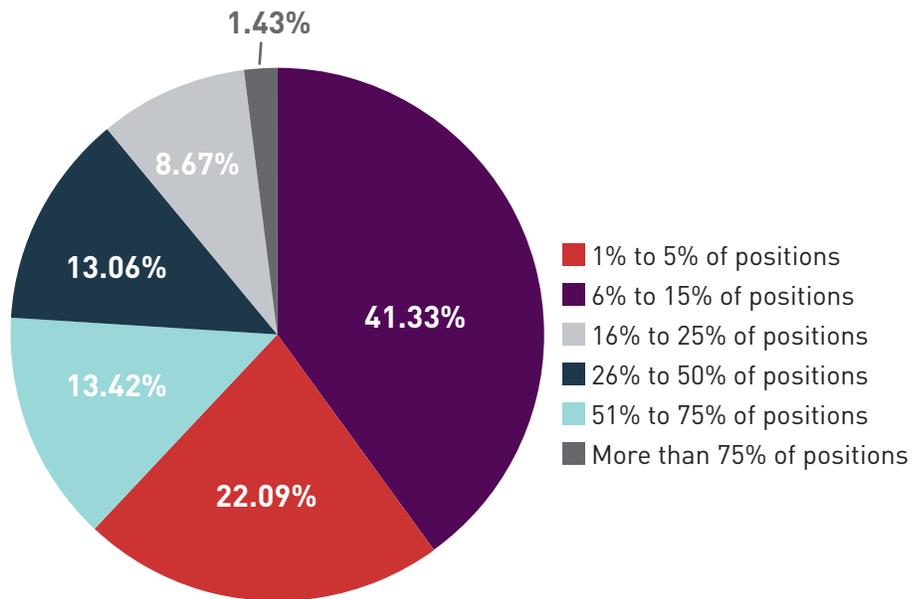


STAFFING

During the COVID-19 recession, the nonprofit sector suffered a rapid employment decline.

According to a study by the Center for Civil Society Studies at Johns Hopkins University, the sector has now recovered 70 percent of the 1.64 million jobs lost during the first three months of the pandemic. Even so, there are approximately 4 percent fewer nonprofit workers than before the crisis. The report says it could be another year before some nonprofit organizations meet or exceed pre-pandemic levels.

How much of a staffing shortage is your organization currently experiencing?



Organizations in all budget groups have similar staffing predicaments. Those with annual budgets in the \$150,000 to \$249,999 range stand out with the highest combined vacancy rates.

Nearly one-third of organizations with budgets in the \$50M to \$99M range have vacancies between 26% and 75%.

Budget Group	1% to 5% of Positions	6% to 15% of Positions	16% to 25% of Positions	26% to 50% of Positions	51% to 75% of Positions	More than 75% of Positions
\$0 to \$49,999	38%	22%	6%	19%	9%	6%
\$50,000 to \$149,000	20%	51%	5%	16%	7%	1%
\$150,000 to \$249,000	11%	48%	2%	20%	19%	0%
\$250,000 to \$499,000	9%	41%	15%	15%	19%	1%
\$500,000 to \$999,000	16%	38%	12%	8%	20%	6%
\$1M to \$4.9M	47%	37%	6%	6%	4%	0%
\$5M to \$9.9M	51%	32%	7%	10%	0%	0%
\$10M to \$24.9M	27%	41%	13%	15%	4%	0%
\$25M to \$49.9M	18%	47%	11%	7%	17%	0%
\$50M to \$74.9M	26%	34%	7%	12%	19%	2%
\$75M to \$99.9M	13%	27%	20%	13%	27%	0%
\$100M or more	24%	30%	22%	9%	11%	4%



Public/Societal Benefit and Religion-Related organizations had the highest total percentage of vacancies. Health and Education were the next highest subsectors.

Subsector Category	Percent Impacted	Staffing Deficit
<ul style="list-style-type: none"> • Public/Societal Benefit • Religion-Related 	20%	26% to 50%
<ul style="list-style-type: none"> • Health • Education 	15%	26% to 50%
<ul style="list-style-type: none"> • International, Foreign Affairs • Religion-Related 	12%	51% to 75%
<ul style="list-style-type: none"> • Education • Public/Societal Benefit 	9%	51% to 75%

While staffing numbers are improving, the prolonged decrease is having a negative impact on organizations’ ability to delivery programs and services.

Staffing shortages and an inability to fill critical positions were consistent themes voiced in this study. Organizations have been forced to shutter programs or reduce working hours because of an inability to recruit and hire enough employees.

Difficulty attracting and retaining qualified individuals poses a risk to organizations and, ultimately, to the people they serve.

Throughout the past 12 months, the nation has witnessed an unprecedented surge of job departures. Dr. Anthony C. Klotz, a business professor at Texas A&M University, coined the phrase “The Great Resignation.” He says the departures are due to 1) workers who wanted to resign before the pandemic but were hesitant, 2) frontline workers in health care and retail who were experiencing burnout, 3) “pandemic epiphanies” that occurred as individuals experienced major shifts in identity and purpose that led them to launch their own businesses, and 4) an aversion to returning to offices after experiencing the benefits of working from home.

Organizations are assessing these employment shifts and trying to determine strategies to fill urgent gaps.

Some respondents cited state-imposed COVID-19 mandates and vaccine requirements as primary reasons for hiring issues, while others noted that their organizations’ salaries did not equal what people could receive through unemployment benefits.

Without question, the most frequent comment given to the staffing issue was the organizations’ inability to offer competitive wages and benefits.

Nonprofits are struggling to compete with for-profit compensation. Retailers like Costco and Hobby Lobby offer starting rates of \$18 to \$20 per hour, and companies like Walmart and Amazon now offer 100 percent tuition reimbursement.

What reasons are behind your organization’s struggles to recruit employees?

	Very Likely	Somewhat Likely	Somewhat Unlikely	Very Unlikely
Fear of COVID-19 health concerns	29.85%	42.84%	18.21%	9.10%
Childcare & family concerns	20.90%	41.20%	29.22%	8.68%
Unemployment benefits	22.15%	38.92%	24.91%	14.02%

Has the staffing shortage affected your organization’s ability to deliver programs and services?

	Percentage
Severely Hampered	13.76%
Somewhat Hampered	57.42%
Very Little Negative Impact	24.87%
No Negative Impact At All	3.95%

71.18%

Staffing shortages have hampered their ability to deliver programs and services

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



To compete with the private sector, organizations are increasing pay and adding other benefits, improving workplace flexibility, and emphasizing diversity, equity, and inclusion.

	Yes, Already Completed	In Progress Now	Not Yet, But May Later	No, & Don't Plan To
Increasing pay/benefits	32.58%	45.82%	17.54%	4.06%
Increasing workplace flexibility (scheduling, remote office, etc.)	31.57%	35.92%	24.98%	8.16%
Improving workplace diversity, equity, & inclusion	24.16%	47.12%	22.24%	6.48%
Improving internal advancement opportunities	22.62%	41.03%	27.45%	8.90%
Changing dress code to less formal	28.21%	29.05%	24.70%	18.04%

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

	Very Likely	Somewhat Likely	Somewhat Unlikely	Very Unlikely
Add new programs/services	29.24%	48.21%	17.06%	5.49%
Expand current programs/services, but not add any new ones	22.73%	39.95%	31.10%	6.22%
Maintain current programs/services but not add some new ones	20.65%	38.04%	32.13%	9.18%
Maintain current programs/services & add some new ones	20.96%	42.87%	26.59%	9.58%
Scale back some current programs/services & add some new ones	17.97%	37.60%	30.66%	13.77%
Eliminate some current programs/services & start some new ones	17.56%	36.81%	28.55%	17.08%
Eliminate some current programs/services but not add any new ones	17.70%	32.72%	26.91%	22.67%

In response to growing demands, most organizations (77.45 percent) are likely to add new programs and services or expand current offerings in the coming year. This represents a 21.5 percent increase over last year, when 63.7 percent were likely to add new programs or services.

54.3%

In response to budget and staffing restraints, more than half (54.3 percent) plan to eliminate some current programs and services while starting new ones.

GOVERNANCE

Boards are instrumental in the success of nonprofits. Well-developed boards maintain a governing structure that provides broad oversight and support, but do not typically engage in day-to-day decision making.

In times of crisis, *i.e.*, a global pandemic, boards may be required to temporarily transition to a hands-on approach to provide stability and additional resources.

A clear majority of boards (69.1 percent) in this study report having increased their involvement with the organization's leadership team throughout the past year, and most have elevated their engagement in the community through advocacy, awareness, and fundraising.

Which of these actions has your board taken in response to the ongoing COVID-19 situation?

	Yes	Somewhat	I'm Unsure	No
Moved meeting from in-person to virtual	50.00%	40.76%	2.01%	7.23%
Established or activated a crisis management committee or team	34.60%	33.17%	2.27%	29.96%
Established COVID-19 related board bylaws & expectations for attendance, voting, etc.	29.45%	36.46%	4.51%	29.58%
Conducted scenario or contingency planning	31.87%	35.43%	6.78%	25.92%
Updated or developed a strategic plan	34.01%	38.92%	5.51%	21.56%

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

	Yes, Definitely	Somewhat	I'm Unsure	No	Not Much
Members are more involved & engaged in working with/supporting the organization's leadership team	30.84%	38.32%	3.44%	6.64%	20.76%
Members are more involved & engaged in community advocacy	22.18%	36.65%	3.80%	10.21%	27.16%
Members are more involved & engaged in fundraising & public awareness	22.66%	32.62%	4.63%	13.16%	26.93%
Virtual meetings have caused members to be less engaged	19.34%	30.84%	6.29%	19.21%	24.32%
Virtual meetings have caused members to feel disconnected from the rest of the board	22.00%	32.82%	9.75%	15.69%	19.74%

Virtual Meetings

For safety reasons, boards were forced to shift to virtual meetings last year. Prior to the pandemic, few organizations regularly embraced digital formats to conduct business.

Digital board meetings offer benefits such as cost savings on travel, online file sharing, and increased attendance. Members can participate from remote locations using any device with an internet connection. Another advantage is the ability to record meetings, making them available later for members who weren't available to attend live sessions.

Virtual meetings also have presented challenges for some boards.

One of the biggest disadvantages to virtual board meetings is reduced personal interaction and social connections among members.

Our study found that more than half (54.82 percent) of members feel disconnected from others. Digital interactions simply don't provide the same opportunities to develop social bonds and build comradery as in-person meetings.

Another challenge is meeting engagement. Individuals may be reluctant to participate in virtual meetings with many attendees, avoiding talking over one another or simply being uncomfortable with technology. Just more than half (50.18 percent) of respondents say that virtual meetings have caused their board members to be less engaged.



Challenges

The biggest concern for nonprofits now relates to staffing. Without quality employees, organizations struggle to deliver programs and services.

All of the respondents' top concerns are interconnected. For instance, without proper technology and other resources, efficiency is impeded. With high staff turnover, program delivery and communication to donors is hurt, which has a negative effect on reimbursements and donations. Each area is somewhat dependent on others.

What are the biggest challenges your organization is facing now?

Staff Shortages, Difficulty Recruiting	63.62%	Lack of Leader Succession Plan	58.16%
Limited Staff Capacity	63.27%	Lack of Engaged Board Members	57.90%
High Staff Turnover	60.88%	Lack of Adequate Resources	57.76%
Maintaining Staff Effectiveness & Efficiency While WFH	59.21%	Lack of Awareness/Communication	57.70%
Software/Technology	58.61%	Difficulty Measuring Impact/Outcomes	57.38%
Difficulty Cultivating Donors	58.54%	Difficulty Acquiring and Retaining Donors	56.76%
Difficulty Recruiting Quality Board Members	58.32%	Government Laws & Restrictions	56.58%
Providing Services & Programs Remotely	58.11%	Lack of Strategic Direction	56.58%

Leaders' top concerns are staffing issues



CONCLUDING THOUGHTS

This report shows how COVID-19 and ongoing variants have created an increasingly disruptive landscape. Organizations continue to feel the implications in profound ways.

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

- 1. Be ready and willing to change.** To survive and thrive, nonprofits must recognize the need to change: change their business model, change their delivery of programs and services, change their policies and procedures, and change the way they view the traditional work environment and their employees.
- 2. Seek excellence.** Organizations with a culture of innovation and continuous quality improvement are most likely to make significant impact. Those that cling to traditional and obsolete methods may find it difficult to stay in step with a rapidly changing environment.
- 3. Lock arms with others.** Long-term success will require collaborations and partnerships with other organizations and entities, sharing knowledge and resources with one another to accomplish the greater good.
- 4. Focus on wellness.** Along the path to mission success, leaders must prioritize employee well-being and a healthy working environment. Healthy employees are happier, more productive, and less likely to leave the organization.
- 5. Incorporate environmental, social, and governance (ESG) standards.** Organizations must commit to ESG practices that are sustainable, eco-friendly, and ethical. These include everything from employee treatment to diversity with vendors and transparency in governance.
- 6. Base decisions on data.** Savvy supporters want to invest their resources in organizations that can prove their programs and services are working. Incorporate systems that accurately track and report the changes that occur in the people you serve.



It's time to stabilize.

Nonprofits are under constant pressure to deliver outcomes with limited resources, especially during a global pandemic. Planning for the future requires strategy and innovative tools to equip your organization and staff. 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 BKD Nonprofit Advisory Services can help:

Strategic Financial Outsourcing

Whether you're looking for managed services like outsourcing your accounting function or assistance in streamlining operations, BKD has tailored solutions to help your nonprofit succeed.

Accounting Support & Virtual CFO Services

Our experienced professionals can assist you by providing project management related to crucial tasks, including monthly reporting dashboards and closing, audit preparation, reviewing and streamlining processes, cash flow forecasting, and more.

Budgeting & Cash Flow Planning

Our **BKD Trusted 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.

Grant Management & Compliance

BKD can help you with grant management and compliance by providing consulting services that look at areas a regulator could scrutinize.

Implementation of Accounting Standards

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

Financial Operational Assessments

BKD 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

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



Accomplishing your mission requires demonstrating a clear message to the community and your donors.

BKD can help.

Dan Prater has an extensive background in nonprofit leadership and serves a variety of organizations in areas of strategic planning, board governance, organizational assessments, and succession planning. Reach out to Dan to schedule a meeting!



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