

# NONPROFIT STANDARDS

A BENCHMARKING SURVEY

Nonprofit Industry Overview



Nonprofits reinvent themselves for long-term resilience.

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## METHODOLOGY OVERVIEW

This year's *Nonprofit Standards* benchmarking survey was fielded in May 2023 by the Rabin Research company. It surveyed 250 nonprofit leaders of health and human services organizations, public charities, colleges and universities, grantmakers, and international nongovernmental organizations. See page 19 for the full methodology.

# Executive Summary

In the past few years, many nonprofits were buoyed by COVID-19-related influxes in revenue, be it from donors who were more attuned to the mission and willing to give or, more likely, federal stimulus funding. Now, as giving slows and costs surge due to inflation, nonprofits are looking to transform their organizations. This includes finding ways to increase revenue — such as deepening donor relationships, expanding their donor base, and diversifying funding sources — as well as ways to improve efficiency via strategic investments in technology. Some organizations are going so far as to rethink their mission and operations, including developing and executing their ESG strategy. While such endeavors may be challenging, transforming their organization today will help nonprofits build resilience for the future.

BDO's seventh annual **Nonprofit Standards** benchmarking survey asked 250 nonprofit executives about the top issues facing their organizations this year. This report showcases findings from the survey, as well as analysis from BDO thought leaders.

## HIGHLIGHTS

Nonprofits say their top three priorities for the next 12 months are:



**42%**

Digital transformation



**38%**

Reducing costs



**36%**

Seeking new sources of revenue/funding

Surveyed organizations said:



**57%**

are planning to select/implement a **new ERP system** in the next 12 months.



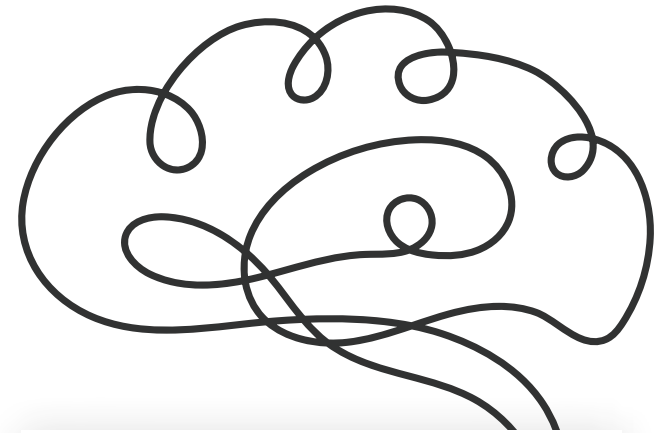
**99%**

say they meaningfully **expanded or shifted the scope of their mission** in the past 12 months, and 56% say this is to meet the new needs of the populations they serve.



**51%**

say funders and donors asked for more information regarding **overall ESG strategy** and/or the degree to which ESG is ingrained in growth strategy in the last 12 months.



*The nonprofit sector has always proven its resilience. As organizations begin to adjust their operations to increase efficiencies and program effectiveness, a deeper analysis may reveal they need to take bolder steps — such as rethinking their mission or engaging in a strategic partnership. In this time of slower giving, we expect the sector will rise to the occasion and innovate.*



**ANDREA ESPINOLA WILSON**  
Managing Principal, Industry Specialty Services and National Nonprofit & Education Practice Co-Leader

# Nonprofits Transform Their Organizations

Nonprofits can no longer rely on the plentiful giving, abundant government funding, and low borrowing costs they saw during the pandemic years. As a result, they're looking to maintain and grow revenue levels and create efficiencies in their operations. As funders tighten their purse strings, some are asking for more information on operations, outcomes, and impact.

## FUNDRAISING, TECHNOLOGY, ADVOCACY, AND RISK MANAGEMENT TOP SPENDING PRIORITIES

Nonprofits are increasing spending on fundraising and donor relations as they try to counteract a decline in giving. A report from Giving USA found that charitable giving fell 3.4% in 2022, which represents only the fourth time in four decades that charitable giving fell. Funders and donors may be tightening their belts due to inflation and economic uncertainty. Additionally, many people were inspired to give to charitable organizations during the COVID-19 crisis and the social justice movements of 2020.

An increase in spending on technology is not surprising, as nonprofits understand that they will need to upgrade their technology to increase efficiency. While this requires initial investment, technology enhancements can help reduce overhead costs in the long run by allowing staff to devote more of their time and resources to program activities.

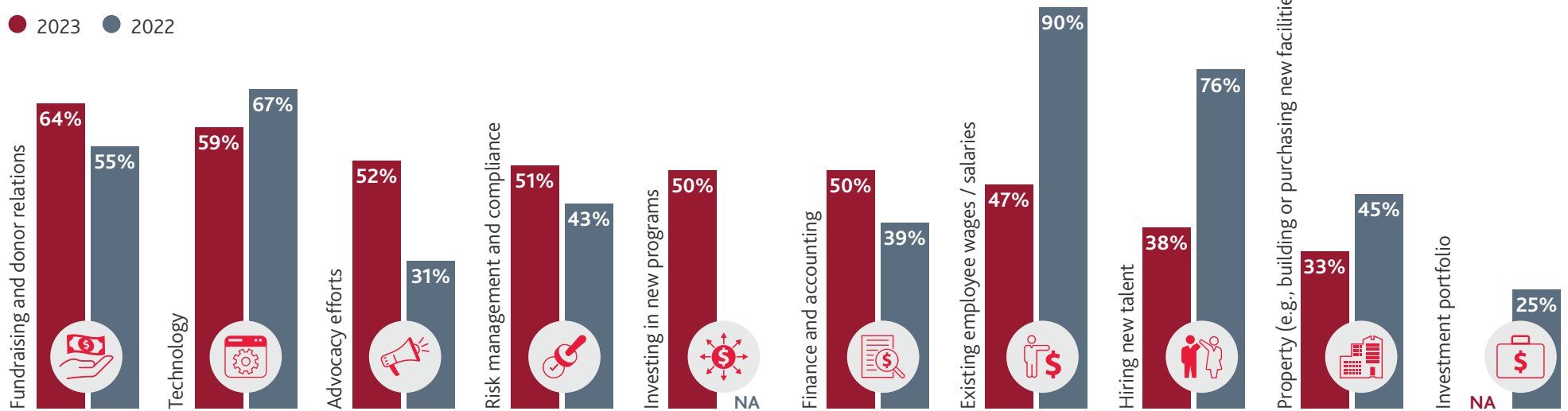
Even amid efforts to lower costs, organizations are no less committed to the populations they serve. Advocacy is still a clear priority, and nonprofits remain devoted to spreading awareness and encouraging action for issues related to their mission.

The increased organizational spending on risk management and compliance may be in response to increased scrutiny from donors, funders, and governments. With higher costs, donors and funders are tightening their budgets and will naturally want to make sure their donations are spent efficiently. Now is the time for nonprofits to [reflect on](#) the processes and controls they have in place to govern their spending to be prepared for additional scrutiny.

These spending priorities contrast with last year's survey, where talent topped the list. Now that the talent shortage has subsided somewhat from 2022, nonprofits are turning to other priorities to manage costs and increase revenue amid persistent inflation.

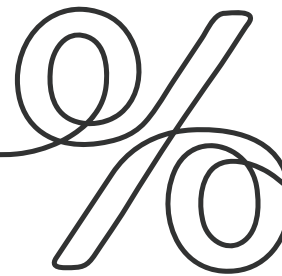
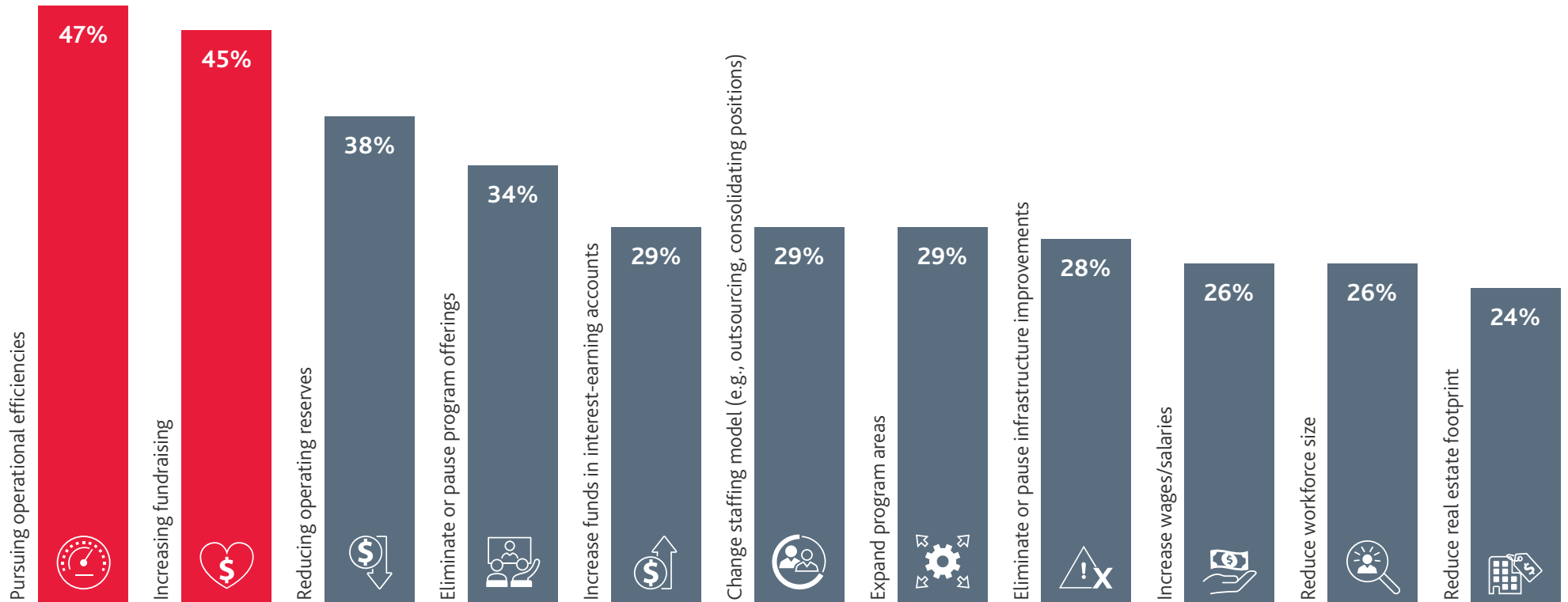
Organization is slightly/significantly increasing spending in this area.

● 2023 ● 2022



While pursuing operational efficiencies and increasing fundraising can help set nonprofits up for future success, they should be careful not to rely on operating reserves too heavily or to the point of depletion, if it can be avoided. Operating reserves can act as an important lifeline during times of reduced revenue, but as nonprofits spend down, they should also develop a strategy to increase their operating reserves in the future.

**Which of the following actions is your organization taking to mitigate the impacts of inflation?**



## SOME FUNDERS AND DONORS INCREASE REQUESTS FOR INFORMATION AS NONPROFITS FACE BARRIERS TO REPORTING

In an economic environment where funders and donors find cash is tight, they may request more information regarding organizational impact and outcomes. Funders and donors are looking for data that shows their donations are having an impact so they can make the most of their charitable giving.

**In the past 12 months, compared to the previous 12 months, did funders and donors ask for more, less or the same amount of information regarding the following areas?:**

Fundraising outcomes data



Cybersecurity strategy and / or material cyber risks



Program or service impact data (e.g., number of constituents reached, number of initiatives, etc.)



Social impact data



Financial information (e.g., financial statements, indirect costs, spending policy) 1%



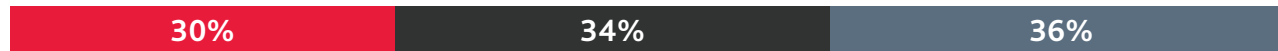
Qualitative information about impact (e.g. testimonials or case studies showing impact) 1%



Capabilities of team 2%




Past programmatic performance




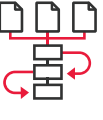
● More ● Less ● The Same ● Did Not Ask About This


At the same time, nonprofits report resource challenges that make it difficult to report program impact to third parties.

**Obstacles to accurately reporting program impact:**

**82%** cite a **lack of adequate technology** to gather information on impact 

**82%** cite a **lack of human resources** to gather impact data 

**82%** cite a **lack of a consistent framework** for measuring impact and reporting on it 

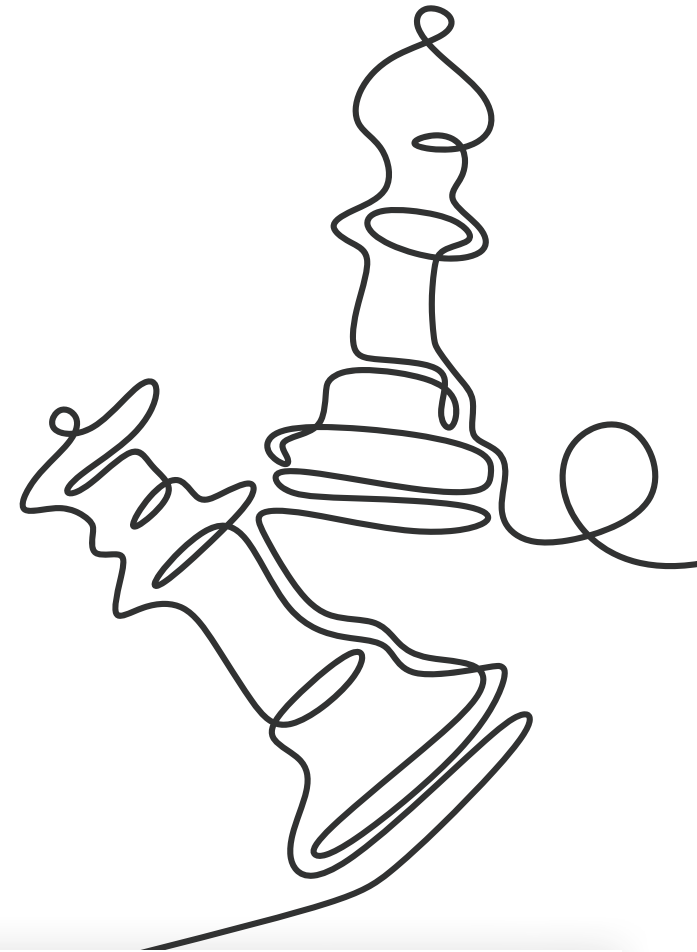
**81%** cite a **lack of clear program objectives** and/or key performance indicators 

## NONPROFITS ARE CONSIDERING STRATEGIC PARTNERSHIPS WITH OTHER NONPROFITS, FOR-PROFITS, AND GOVERNMENT AGENCIES

Nonprofits are exploring strategic partnerships with for-profits, other nonprofits, and government agencies to help them broaden their reach, gain access to additional revenue, and, ultimately, further their missions. They're also rethinking the programs they offer as they evaluate whether programs are generating sufficient revenue.

Organization is very/somewhat likely to pursue the following actions in the next 12 months:

<b>62%</b>	Enter into a strategic partnership with a for-profit organization	<b>54%</b>	Merge with another similar nonprofit organization
<b>61%</b>	Eliminate some current programs and introduce new programs	<b>53%</b>	Introduce new programs, without eliminating other programs
<b>59%</b>	Enter into a strategic partnership with a similar nonprofit organization	<b>48%</b>	Merge with a for-profit organization
<b>58%</b>	Enter into a strategic partnership with a government agency	<b>42%</b>	Eliminate some current programs, but not add others



*Nonprofits need to adopt a multi-pronged approach to fundraising: deepen relationships with existing donors, re-engage previous donors who may have slowed their giving, and explore new fundraising sources. By leveraging data analytics to deeply understand their donors and funders, nonprofits can create targeted giving campaigns to engage or reengage existing donors and funders. Existing giving data and advanced analytics can also be used to identify 'look-alike' audiences of new donors and funders that are the most likely to give.*



**ADAM COLE**

Assurance Principal and National Nonprofit & Education Practice Co-Leader

## BDO'S TAKE

Amid persistent inflation-driven rises in operating costs, a changing charitable giving landscape, and economic uncertainty, now is the time for nonprofits to invest in transforming their organizations so they have the necessary resources to advance their missions for the long term. This may include identifying opportunities to create efficiencies, focusing resources on programs that have the greatest impact, and investing in technology that enhances how people, programs, and technology work together.

Deepening relationships with funders and donors is often core to a nonprofit's fundraising function. However, organizations should consider additional ways to maintain and bolster revenue. Beyond revenue diversification, nonprofits may want to consider partnerships with government agencies, other foundations, other nonprofits, or for-profits with similar missions. Partnerships can help streamline resources and increase impact. When considering such partnerships, organizations should look to confirm alignment on values, mission, and other factors.

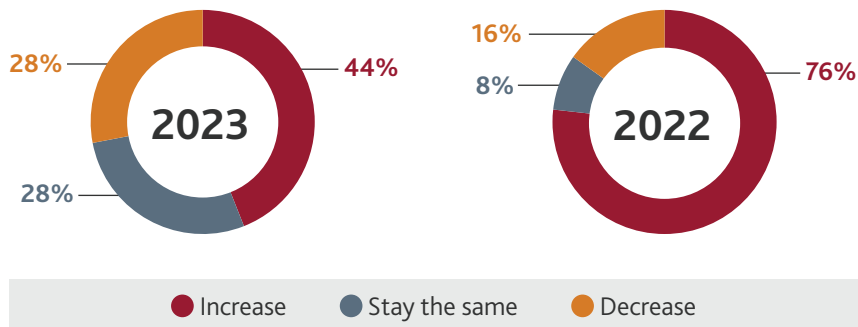




# Financial Outlook and Liquidity

During their most recent fiscal year, most nonprofits saw an increase in revenue, but a sizeable minority are struggling. Fewer nonprofits reported an increase in revenue in 2023 compared to 2022's survey.

**In your most recent fiscal year did your revenue increase, decrease or stay the same?**

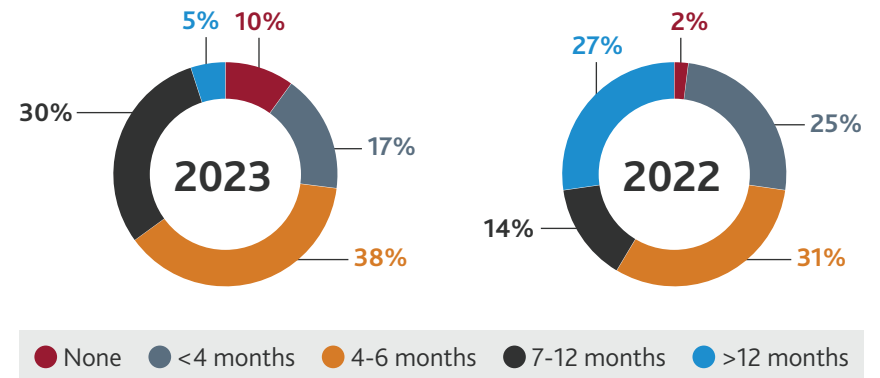


**Despite fewer nonprofits reporting an increase in revenue in 2023, nonprofits are optimistic about their revenue prospects for the year ahead.**

**69% anticipate revenue will increase in their next fiscal year.**

When it comes to liquidity, most nonprofits have about 4-12 months of operating reserves on hand:

**Months of operating reserves that nonprofits currently maintain\*:**



\*Operating reserves are defined as liquid, unrestricted net assets not needed for current operation.

We see a small decline in operating reserves, as last year 41% of nonprofits had over 6 months of operating reserves on hand, compared to just 35% this year. Additionally, in 2022, just 2% of nonprofits reported no operating reserves, compared to 10% this year. In previous years, nonprofits received funding through the CARES Act, Paycheck Protection Program, and Employee Retention Credit, but much of that pandemic-era funding has now been spent down, and nonprofits are finding they need to tap into their operating reserves to contend with higher costs.

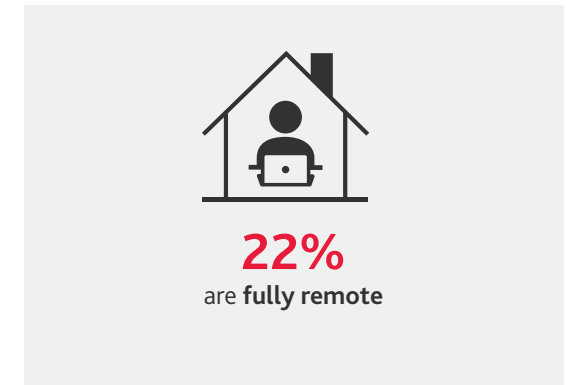
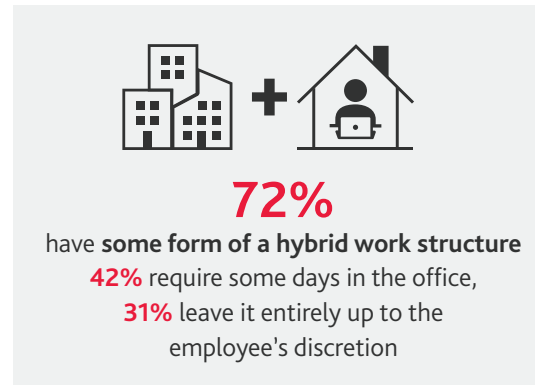
## BDO'S TAKE

The financial outlook for nonprofits is mixed, with far fewer nonprofits reporting a revenue increase this year. Operating reserves are also in decline and as interest rates have increased it has become more expensive for nonprofits to get loans.

While it might be necessary to dip into reserves to stay afloat, it is a best practice to maintain at least six months of operating reserves. To help improve liquidity, nonprofits should set aside an annual budget for operating surpluses to allocate toward their reserves. Other ways to increase liquidity include reducing variable costs, negotiating longer payment terms with suppliers and lenders, and reevaluating their real estate footprint and other fixed costs.

# The Nonprofit Workplace

Concerning their administrative, operational, and other staff whose roles are not contingent on live interaction, nonprofits have embraced the shift to remote work:

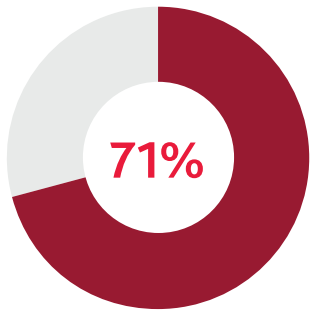


Nonprofit leaders also tend to report strong workplace cultures.

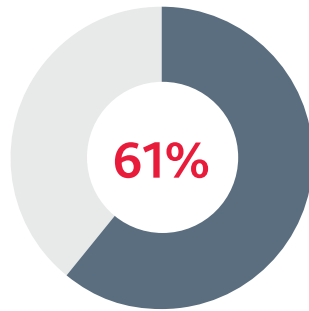
**Considering the past 12 months, how would you evaluate your workplace culture?**

<b>23%</b>	<b>VERY STRONG</b>	Most employees are highly engaged, highly connected to the organization's mission, excited to take on new projects, and there is limited turnover.
<b>39%</b>	<b>MODERATELY STRONG</b>	Most employees are engaged, connected to the organization's mission, take on new projects, and there is some turnover.
<b>34%</b>	<b>SOMEWHAT STRONG</b>	Employees are somewhat engaged but some seem disaffected, some employees are connected to the mission but not all, some employees take on new projects, but many are uninterested in taking initiative, and turnover is becoming an issue.
<b>4%</b>	<b>NEEDS IMPROVEMENT</b>	Many employees are not engaged, few employees are connected to the mission, few employees willingly take on new projects, and there is frequent turnover to the point where it disrupts operations or outcomes.

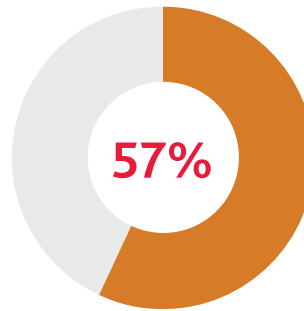
What's more, nonprofit leaders at fully remote workplaces tend to report the strongest cultures\*:



of **fully remote nonprofits** say their culture is moderate or very strong



of **hybrid nonprofits** that require some time in the office say their culture is moderate or very strong



of **hybrid nonprofits that do not require office time** say their culture is moderate or very strong

\*does not include culture ratings of 100% in-office organizations, as there are only 13 respondents who require employees to be in the office 100% of the time

## BDO'S TAKE

Surprisingly, fully remote nonprofits report the strongest cultures. It should be noted that this data comes from nonprofit leaders, and not nonprofit employees, who may have a different perspective on their organization's culture. Nevertheless, many employees appreciate remote work, as it provides the flexibility to manage personal obligations alongside their work responsibilities.

As they determine their organization's workplace model, nonprofits should consider how they are designing spaces that facilitate different types of work. For example, deep work such as research or grant writing may be best completed at home or in a quiet office. However, collaborative and interpersonal work such as onboarding, training, mentoring, and agile work are best supported in person, in a room designed for collaboration and interaction. If organizations are going to require employees to spend some time physically present with one another, articulate to employees why physical presence improves their working environment.



# Nonprofits Invest in Technology, Even When Budgets Are Tight

Nonprofits know that they need to find the budget for tech investments, even if their revenue is tight and funding is down. Investing in the right technology now can avoid administrative headaches and inefficiencies tomorrow. As they select new technology, nonprofits should consider how it will integrate with their existing systems, people, and processes, and whether software is equipped to meet their unique needs as a nonprofit.

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**59%** of nonprofits say they are increasing technology spending

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**23%** say they are increasing technology spending significantly

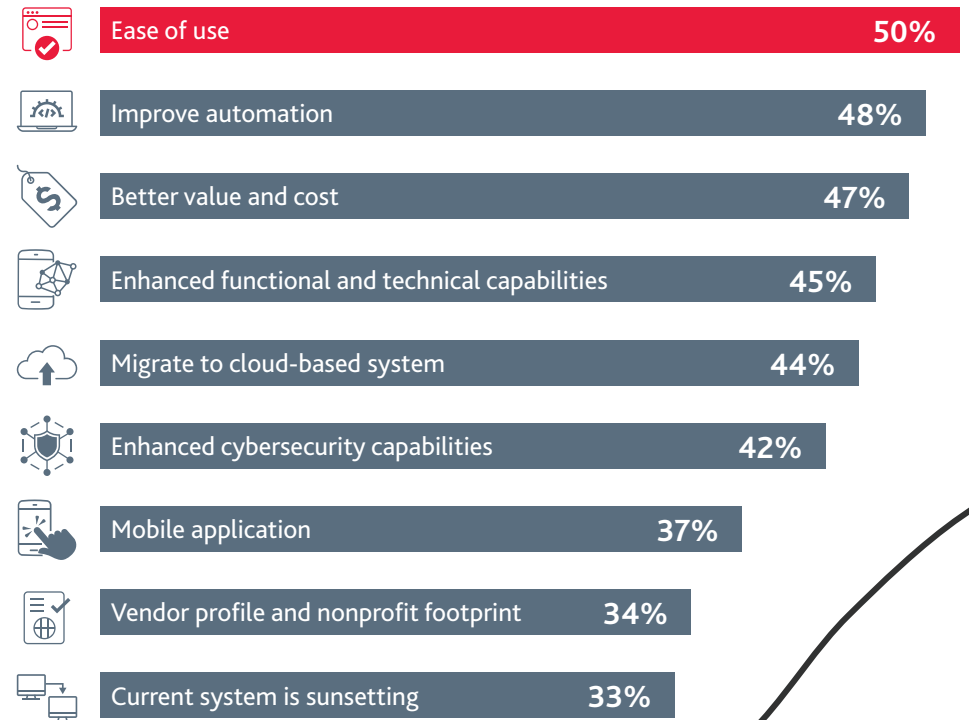
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Regarding specific technology, enterprise resource planning (ERP) is a focus:

**57%** of nonprofits plan to select and/or implement a new ERP system in the next 12 months

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Of the nonprofits that are planning to select a new ERP system, they say their top reason is ease of use:



Notably, relatively few nonprofits say they are selecting a new ERP system because their current system is sunsetting. Many popular ERP systems are due to sunset this year. The fact that many nonprofits say they are looking for a new ERP system to improve ease of use and automation suggests that their current ERP system may be more of a hindrance than a help. Regardless of whether their system is sunsetting, nonprofits feel they are not getting the full benefits of their current ERP system.

## CYBERATTACKS ARE A MAJOR CONCERN

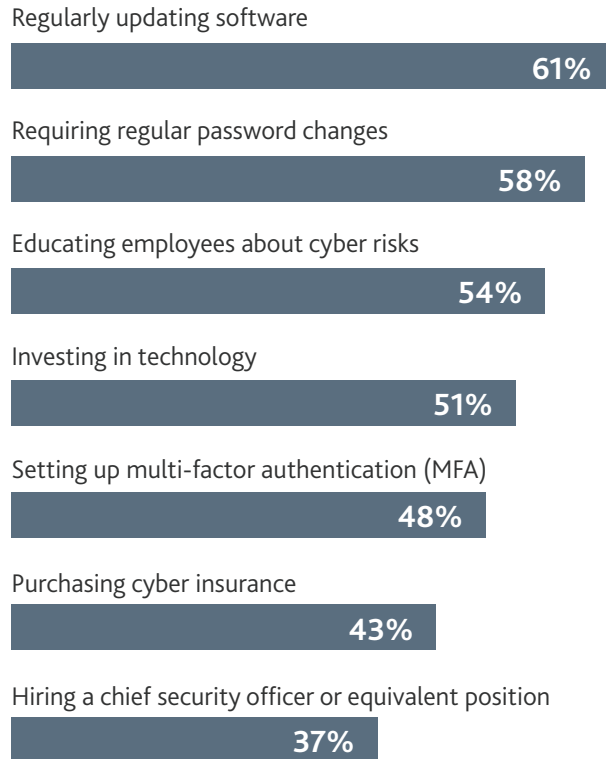


**100%** of fully remote workplaces and 100% of organizations with over \$76 million in revenue say the same.

**48%** say funders and donors are asking for more information related to cybersecurity strategy and/or material cyber risks.

The increase in connectivity, as well as the often-sensitive data nonprofits have on their constituents, means a cyberattack could be catastrophic. A cyberattack could jeopardize sensitive data as well as bank accounts and funds. Not only are the material costs high, but a cyberattack could cause funders and constituents to lose trust. Nonprofits are therefore taking steps to mitigate cyber risk.

### Which of these actions, if any, is your organization taking to protect against cyberattacks?



Basic practices — such as updating software, requiring password changes and strong passwords, setting up multi-factor authentication, and educating employees on cyber risks — can go a long way toward improving security. However, nonprofits may also want to develop a cohesive cybersecurity strategy, including assessing future risks and developing a response plan.



## BDO'S TAKE

To get the greatest return on investment for their technology investments, nonprofits should consider how potential technology solutions will integrate with their people and processes. Technology implementation is not only about selecting the right program for an organization, but it also requires considering what changes will need to be made to people and processes. When these three elements are working in sync, nonprofits can reap the full benefits of digital transformation.

As nonprofit leaders look to select a new ERP system, they should begin by outlining what they'd like their ERP system to accomplish and determining who should be involved in the selection process. The selection process will likely include some combination of finance, procurement, and program management.

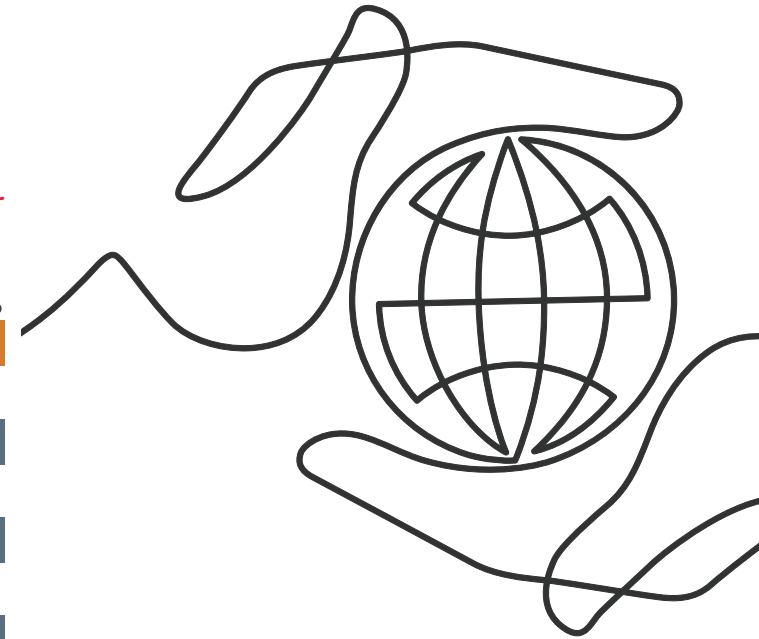
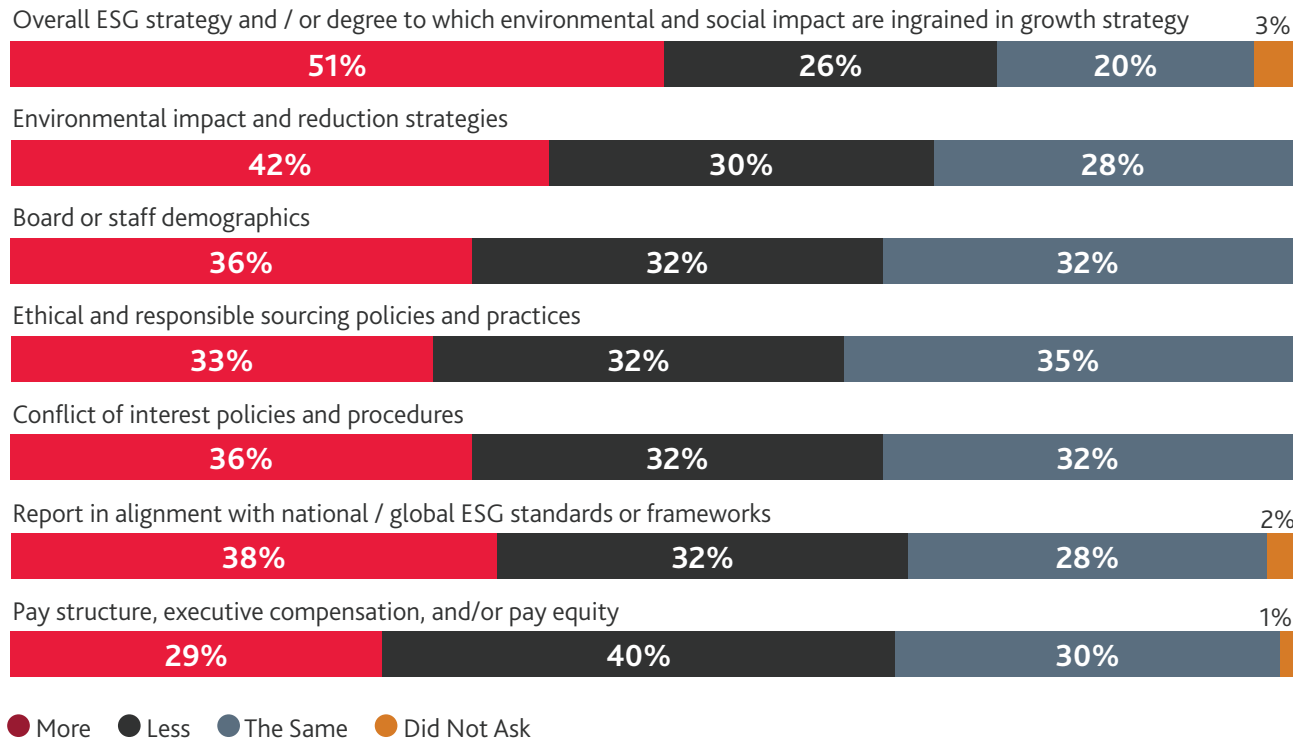
# ESG for Nonprofits

Despite the debate in the for-profit sector over the merits and materiality of ESG risks and strategies, nonprofits report that donors and funders remain interested in their ESG-related initiatives. Donors and funders are looking to understand how nonprofits impact people and the planet, as well as the governance structures and policies they have in place to monitor a myriad of associated risks. To broaden and deepen their donor base, nonprofits may benefit from publicly articulating their ESG goals, defining clear metrics for impact measurement and reporting, and leveraging this information in impact reports.

## DONORS AND FUNDERS HEIGHTEN REQUESTS FOR ESG INFORMATION

Nonprofits report that their donors and funders are asking for more information related to ESG strategy and their organization's impact on people and the planet.

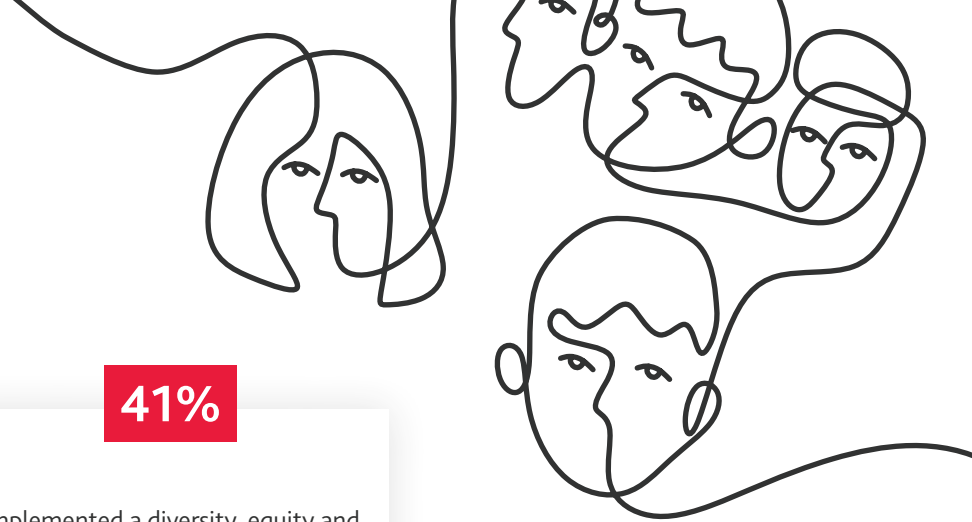
**In the past 12 months, compared to the previous 12 months, did funders and donors ask for more, less or the same amount of information regarding the following areas?**



Integrating environmental and social sustainability principles into a nonprofit's operations can help strengthen donor retention, as donors increasingly want to see that the nonprofits they are funding account for environmental and social risks. Additionally, encouraging staff to design, deliver, and measure programs with ESG principles in mind can help encourage program success by creating just, equitable, and sustainable programs.

## NONPROFITS ADDRESS ESG

Regardless of whether nonprofits say that funders and donors are asking for more ESG information, 86% of organizations say they are taking some sort of ESG-related actions.



**43%**

Implemented a diversity, equity and inclusion (DEI) strategy with respect to our organization's operational staffing and/or volunteer network

**42%**

Implemented a diversity, equity and inclusion (DEI) strategy with respect to our organization's board of trustees

**41%**

Implemented a diversity, equity and inclusion (DEI) strategy to center DEI in programs/services

**34%**

Reported ESG data to third-party evaluators (charity navigator, etc.)

**33%**

Begun the process to implement ethical and responsible sourcing policies and practices with respect to our organization's supply chain

**32%**

Reported ESG data to corporate donors (to illustrate donors' downstream impact)

**32%**

Included ESG funds in our endowment investment strategy

**25%**

Measured and/or reduced our organization's Green House Gas (GHG) Scope 1, 2, and 3 emissions

**14%**

Organization does not/has not taken any actions with regard to ESG

Nonprofits are focusing on DEI for their staff, their board, and their programs. They are committed to equitable program delivery, and to making sure their organizations reflect the populations they serve.

## NONPROFITS RETHINK THEIR MISSION

Almost all nonprofits surveyed (99%) say they have meaningfully expanded or shifted the scope of their mission in the past 12 months. Nonprofits recognize there are growing expectations from stakeholders to democratize and diversify their organizations and to deliver services that better center those they serve.

### In the past 12 months, did your organization meaningfully expand or shift the scope of its mission for any of the following reasons?

Meet new needs of the population we serve

56%

Meet the needs of evolving geopolitical, environmental and/or social climate

48%

Respond to pressure from funders

48%

Respond to pressure from board members

45%

Reach new constituents

44%

Have expanded or shifted the scope of our mission for other reasons

16%

Did not meaningfully expand or shift the scope of our mission in the past 12 months

1%

With new expectations to center equity, justice, and sustainability in their work, a shift in mission may be necessary, or nonprofits could risk getting left behind by donors, staff, and constituents. As they adjust their mission, nonprofits should properly communicate the updated mission and the reason for the mission change to both internal and external stakeholders. Getting donors, staff, and volunteers on board with the mission change will facilitate an effective rollout.

## BDO'S TAKE

Nonprofits have historically viewed ESG through the lens of SEC and PCAOB regulations and standards that mainly apply to for-profit companies. At a minimum, they may have considered ESG investing criteria as part of their investment strategy.

However, funders, donors, staff, and other stakeholders are beginning to put pressure on nonprofits to develop and execute an ESG strategy for their program work and operations. Because they are already driven to make a difference in their communities, ESG programming shouldn't be a cultural shock to nonprofits. However, they must take care not to broaden their mission or their work so widely in the name of equity and sustainability that it causes them to lose focus on their central mission.

If a nonprofit decides that a mission change is necessary to help them meet the new needs of those they serve, or respond to pressures from fundraisers, their new mission must be communicated effectively, and they must articulate how a mission change will allow them to better serve their constituents.

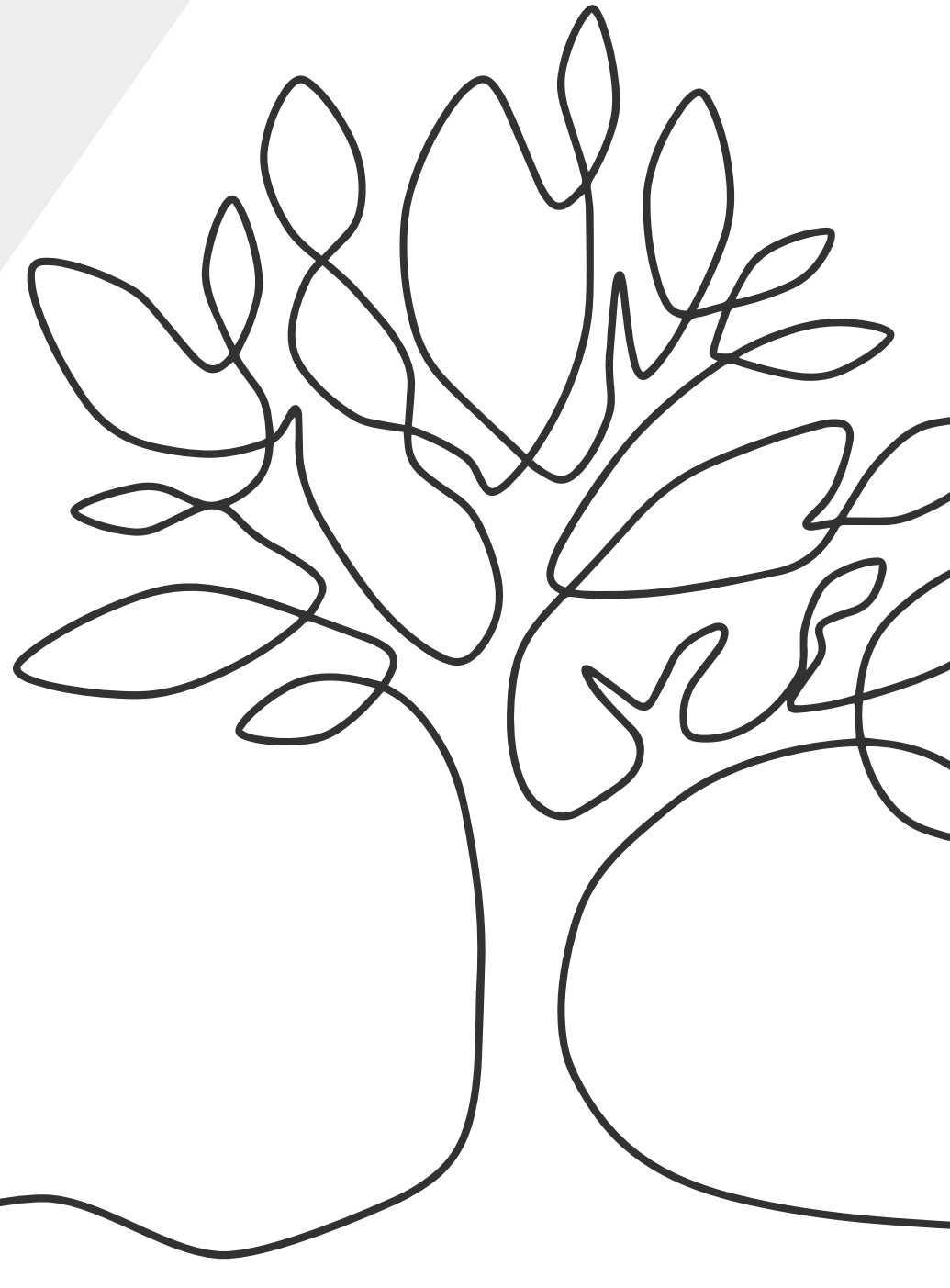
Whether or not they embark on a shift in mission, as nonprofits develop their ESG strategy, they may find that funders, donors, and third parties are asking for related data. Nonprofits should work with their funders to agree upon ESG metrics and develop a thorough data analysis and reporting process. Once they've aligned on an approach, accurate ESG reporting and the right communication strategy will help demonstrate to funders and other stakeholders that the organization is centering ESG in its work.



# What's Ahead for Nonprofits

Nonprofits are prioritizing fundraising as they strive to keep revenue up and maintain operating reserves amid inflation. They are thinking deeply about the future of their organizations, and many are looking to form strategic partnerships. Even when revenue is tight, nonprofits are spending with current and future needs in mind as they invest in technology that will enhance efficiency. Because purpose is at the core of their organization nonprofits continue to prioritize ESG initiatives.

As they think about the future of their organizations, nonprofits must always keep their mission central — even if that means updating it to respond to evolving constituent needs — and making the right investments in their organization is a commitment to their mission. Rather than being reactive to outside pressures like inflation, nonprofits should take a proactive approach to fortify their organizations and commitment to those they serve. In doing so, they can identify opportunities to grow, protect, and strengthen their operations to achieve their greatest impact today and in the future.



# Full Methodology

This year's *Nonprofit Standards Benchmarking Survey* was fielded by Rabin Research, an independent market research firm, using Op4G's panel of executives. It was fielded in May 2023. The data includes responses from 250 organizations spanning a variety of subsectors.

## SUBSECTORS

20%



Colleges and Universities

20%



Grantmakers  
and Foundations

20%



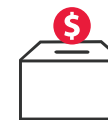
Health and Human  
Services Organizations

20%



International NGOs

20%



Public Charities

### ANNUAL REVENUE

Less than \$5 million	25%
\$5 million – \$10 million	8%
\$11 million – \$24 million	18%
\$25 million – \$50 million	16%
\$51 million – \$75 million	10%
\$76 million – \$99 million	9%
\$100 million – \$200 million	8%
\$200 million or more	8%

### SCOPE OF WORK

Local	50%
Regional	44%
National	24%
International	29%

### ASSETS

Less than \$5 million	6%
\$5 million – \$10 million	8%
\$11 million – \$24 million	18%
\$25 million – \$50 million	10%
\$51 million – \$75 million	8%
\$76 million – \$99 million	18%
\$100 million – \$200 million	10%
\$200 million or more	22%

### TITLE OR POSITION

CFO (Chief Financial Officer)	50%
CEO (Chief Executive Officer)	30%
Director of Finance	7%
COO (Chief Operating Officer)	4%
Controller	4%
Executive Director	3%
CDO (Chief Development Officer)	2%
Treasurer	1%

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#### BDO NONPROFIT & EDUCATION PRACTICE

For more than 100 years, BDO has provided services to the nonprofit community. Through decades of working in this sector, we have developed a significant capability and fluency in the general and specific business issues that may face these organizations. With more than 2,800 clients in the nonprofit sector, BDO's team of professionals offers the hands-on experience and technical skill to serve the distinctive needs of our nonprofit clients — and help them fulfill their missions. We supplement our technical approach by analyzing and advising our clients on the many elements of running a successful nonprofit organization.

Please see [www.bdo.com/industries/nonprofit-education/overview](http://www.bdo.com/industries/nonprofit-education/overview) for more information.

#### BDO USA, P.C.

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