

NONPROFIT LEADERSHIP SURVEY REPORT

2021

The background of the cover features a silhouette of two hands forming a heart shape. The hands are positioned in the center, with fingers interlaced to create the heart's outline. The background is a gradient of blue and purple, suggesting a sunset or sunrise over a city skyline. The skyline is visible in the distance, with several buildings of varying heights. The overall mood is one of unity and support.

GRASSI
ADVISORS & ACCOUNTANTS

INTRODUCTION

September, 2021

This summer, more than a year into the COVID-19 crisis, Grassi's Nonprofit Professionals embarked on a journey to gauge current conditions and outlooks for nonprofits and gather meaningful benchmarking data to aid the sector's recovery.

Our findings uncover the unique impact of the pandemic on this key market sector, the continued challenges facing large and small organizations, and – most importantly – how nonprofit leaders are strategically positioning their organizations to recover, reimagine and rebuild a more certain future.

What we found points to a drastically altered landscape for nonprofits to navigate. In an industry traditionally confronted with bridging the gap between increased demand for services and limited funding sources, the COVID-19 pandemic found many respondents experiencing

- 40% decreased operating costs and
- 47% steady or declining demand for services

Others, however, experienced

- 33% higher operating costs as well as
- 53% increasing demand for services

Less than half of all organizations surveyed reported decreased funding, most likely due in large part to the influx of cash received from Paycheck Protection Program loans and other federal relief programs.

But even with this assistance, almost a third of organizations surveyed had to cut programs and services, and only a small minority reported having 12 months or more of liquidity.

COVID-19 outbreaks among staff were a problem for more than 60% of respondents, while an equal number cite ongoing challenges with attracting and retaining staff in the first place.

Despite these expansive changes, the report you are about to read paints a picture of a resilient nonprofit sector. Strategies employed by respondents to weather the storm include renegotiating leases, strategic workforce planning, upgraded service delivery models and a broader embrace of new technologies across the industry.

These are just a few of the proactive tactics nonprofit leaders are utilizing to reinvent their organizations and sustain their missions. Continue reading to discover additional insights you can apply to your organization.

40%



decreased operating costs

33%



higher operating costs

24%



declining demand for services

53%



increasing demand for services

1/3



had to cut programs and services, and only a small minority reported having 12 months or more of liquidity

60%



said that COVID-19 outbreaks among staff were a problem, while an equal number cite ongoing challenges with attracting and retaining staff in the first place

TYPE & ROLE OF NONPROFITS SURVEYED

Fielded June-July, 2021

96 Respondents

76% CEOs/Executive Directors, Board Members, CFOs, or Finance Staff

52% offer social/community-based services

48% fragmented into 6 other types of nonprofit organizations



TYPES OF NONPROFIT ORGANIZATIONS

 **52%** Social services/
community based services


 **5%** Arts and culture

 **15%** Health

 **5%** Education

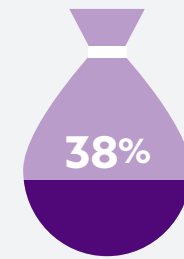
 **6%** Faith-based

 **9%** Other types

 **6%** Trade/membership/
professional

SIZE OF NONPROFITS SURVEYED

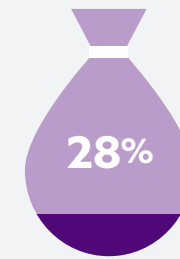
SIZE OF ANNUAL BUDGET PRIOR TO COVID (MILLIONS)



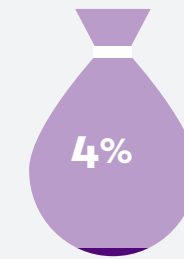
\$5M or less



\$6M-\$25M

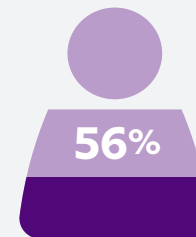


\$26M
or more

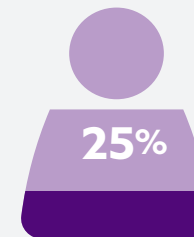


Don't know

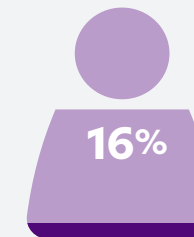
NUMBER OF EMPLOYEES



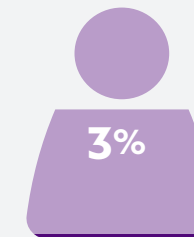
Fewer than 100
employees



100-499
employees



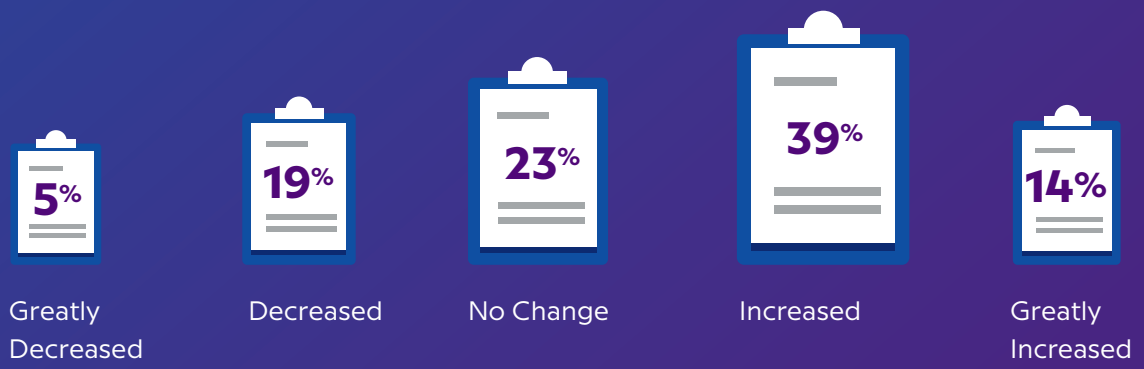
More than 500
employees



Don't know

DEMAND FOR SERVICES

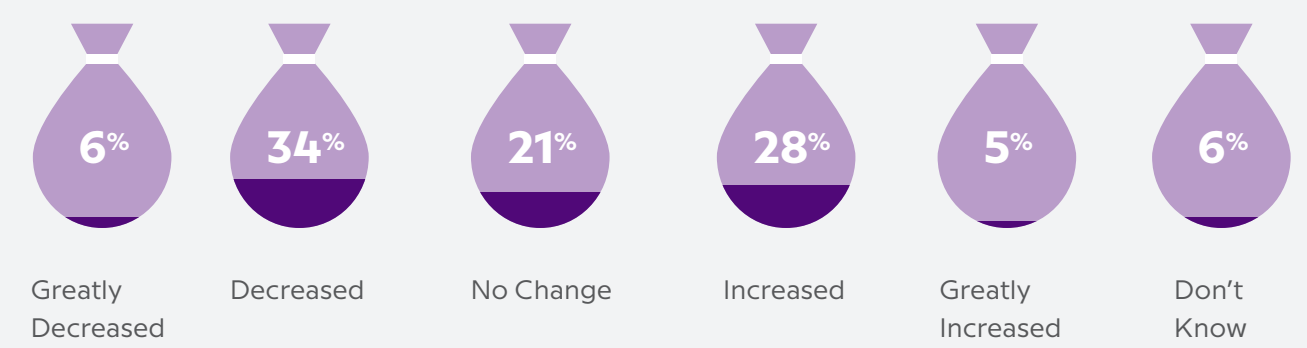
Demand during the past 12 months




 Demand for services

OPERATING COSTS

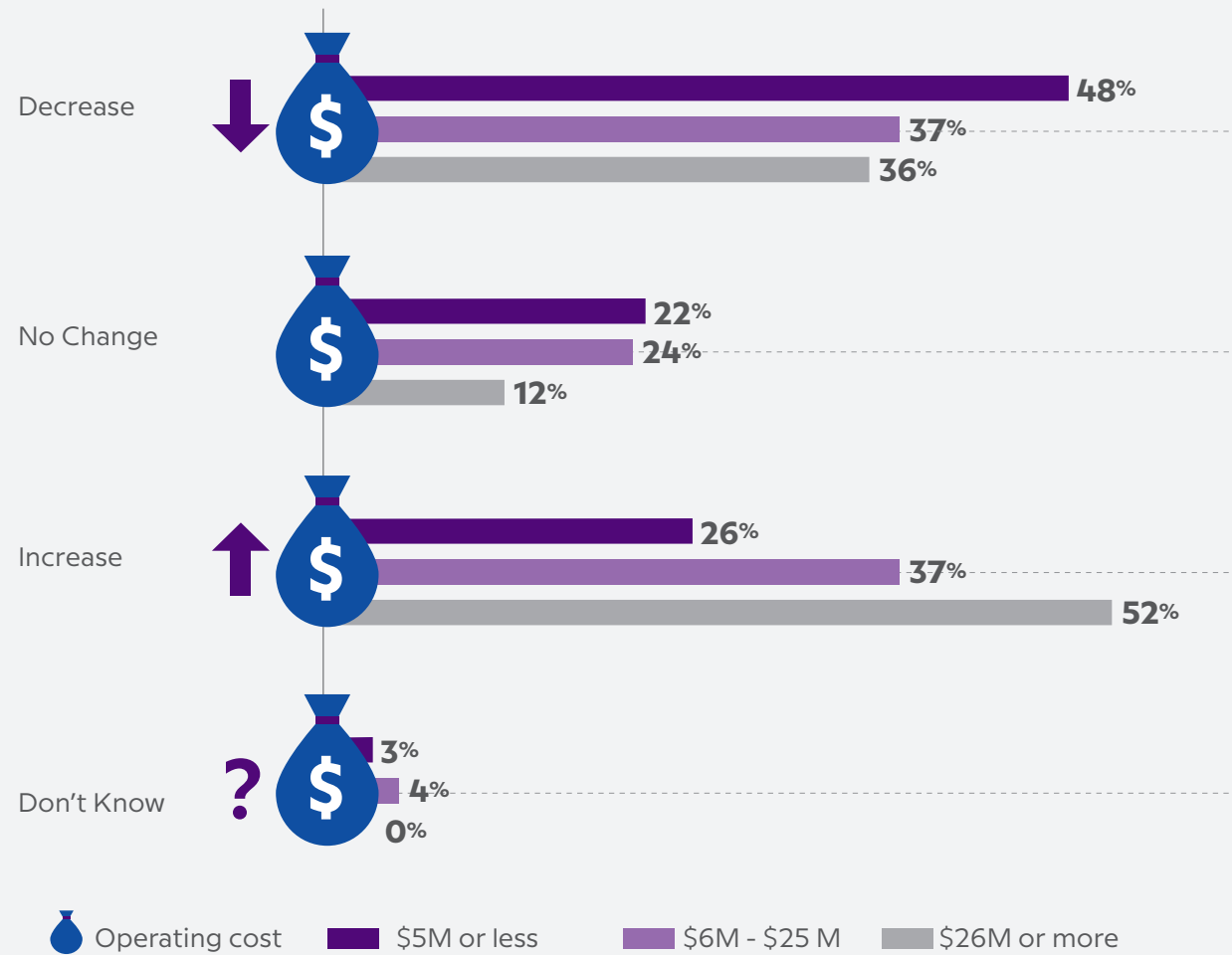
Change in operating costs in the past 12 months



 Operating costs

OPERATING COSTS BY ORGANIZATION SIZE

Change in operating costs in the past 12 months



There was a relationship between change in operating costs and organization size:



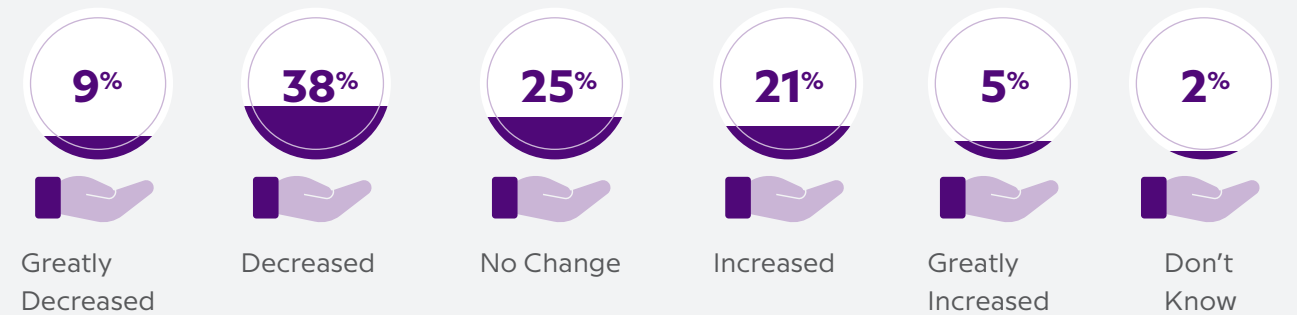
Smaller nonprofits were more likely to experience **reduced operating costs**



Larger nonprofits were more likely to experience **increased operating costs**

FUNDING LEVELS

Change in funding in the past 12 months



\$ All nonprofits

NAVIGATING THE STORM: RECOVERY

77% 

applied for the Paycheck Protection Program (PPP)

46% 


applied/received additional funding through the CARES Act/HHS.

32% 


cut programs and services

23% 

renegotiated leases and other financial obligations

7% 

terminated automatic payments

15% 

increased draws on endowments

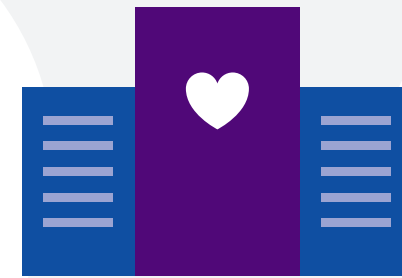
5% 

used crowd-funding platforms

HUMAN RESOURCE CHALLENGES

65%

of nonprofits experienced one or more human resource challenges



35%

did not experience any human resource challenges

31% 

experienced layoffs and furloughs

12% 

reduced employee benefits

20% 

are currently operating under a hiring freeze

22% 

experienced challenges recruiting and managing volunteers

1 in 5 

experienced a change in executive management (16%) or on the board of directors (4%)

5% 

organizations merged with another nonprofit in the past year

HOW MUCH OF A PROBLEM WERE COVID OUTBREAKS?

68% of nonprofits surveyed said their staff works in close physical contact with the populations they serve



37% said that the outbreaks were somewhat of a problem





37% of the nonprofits surveyed, COVID outbreaks in the workplace were not an issue


26% said that COVID outbreaks were a significant or very serious problem



DRIVING CHANGE: REIMAGINE & REBUILD


71%  implemented new technologies during the past year

42%  created new programs and services

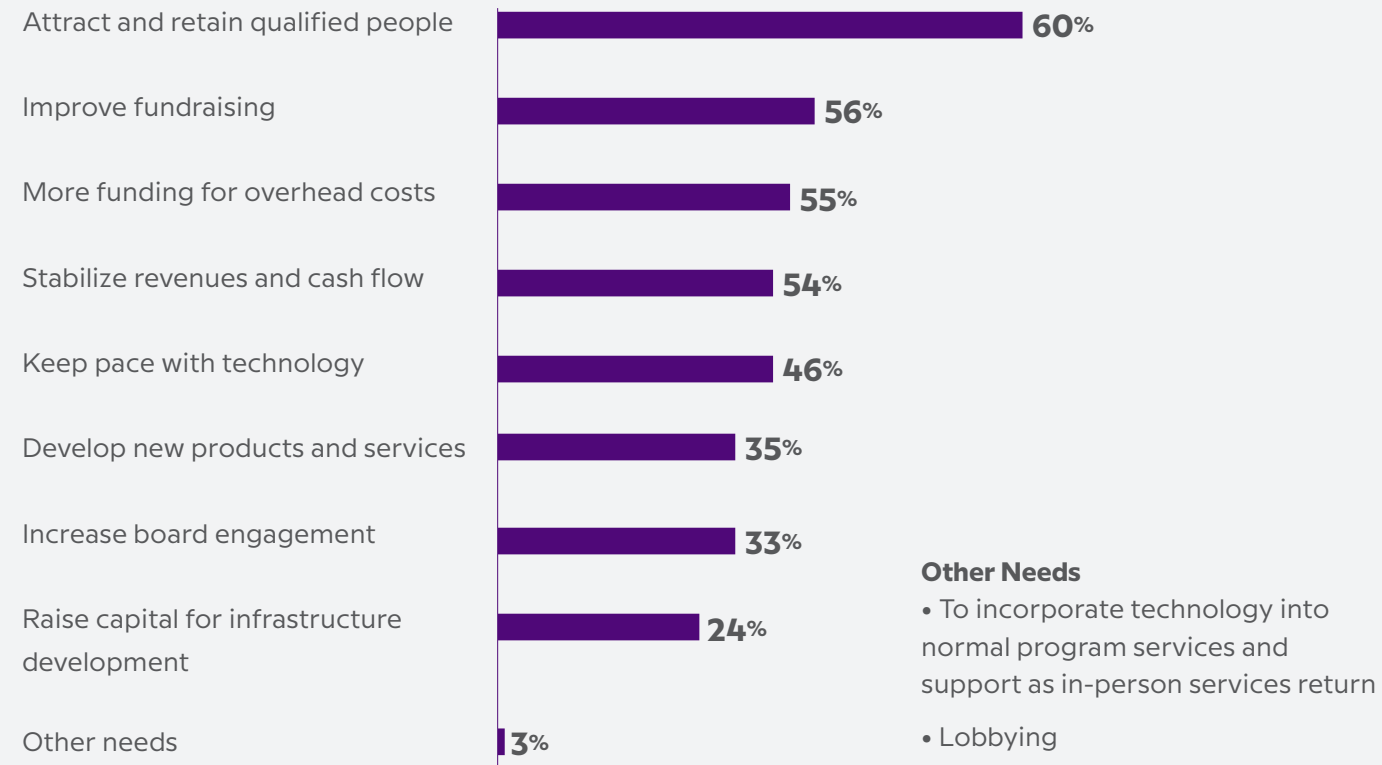
36%  collaborated with other organizations

22%  began to target and serve new populations

22%  reviewed their mission statement

12%  changed their mission

WHAT NONPROFITS NEED TO SUCCEED



Other Needs

- To incorporate technology into normal program services and support as in-person services return
- Lobbying

60%
When asked what they needed to operate more successfully, **60% of nonprofit executives said that they needed to attract and retain qualified staff**

56%
A majority said they needed to **improve fundraising**, including more funding for overhead costs

54%
said they needed to **stabilize revenues and cash flow**

46%
Nearly half said that their organization needed to keep pace with technology to be more successful

1 in 4
said that they needed to raise capital for infrastructure development

1 in 3
respondents indicated that they needed to increase board engagement

TECHNOLOGY USAGE



74%
said their staff uses remote devices like tablets, laptops and mobile phones. (Nonprofits with pre-COVID budgets of \$6 million+ are more likely to provide remote devices)

73%
said their key systems and documents are accessible outside the office

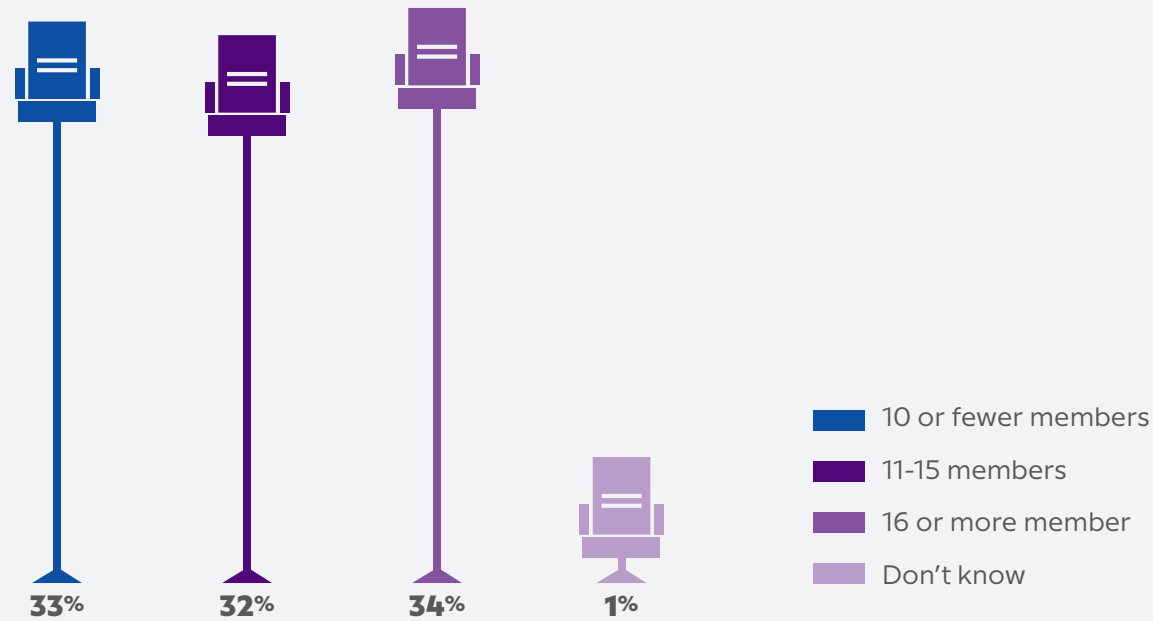
63%
said technology was a component of their organization's strategic planning process

57%
said their organization's website is updated regularly

44%
said reports are generated automatically from standard business systems

BOARD CHARACTERISTICS

Number of Members on Board



Board Engagement

58%
of nonprofits feel their board members are **engaged or highly engaged** with the organization

37%
are **somewhat engaged**

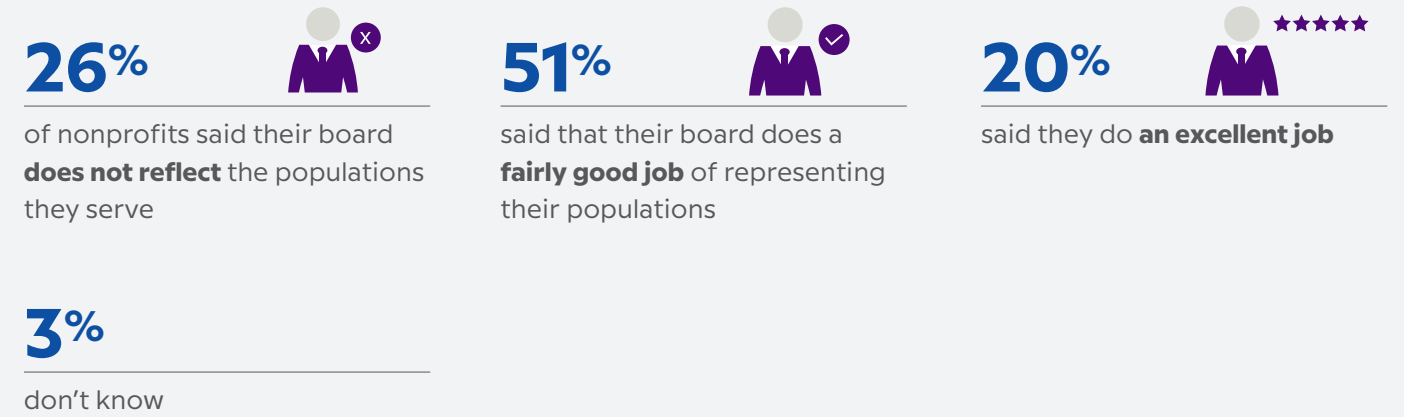
5%
say they are **not very engaged**

Board Understanding of Financial Information

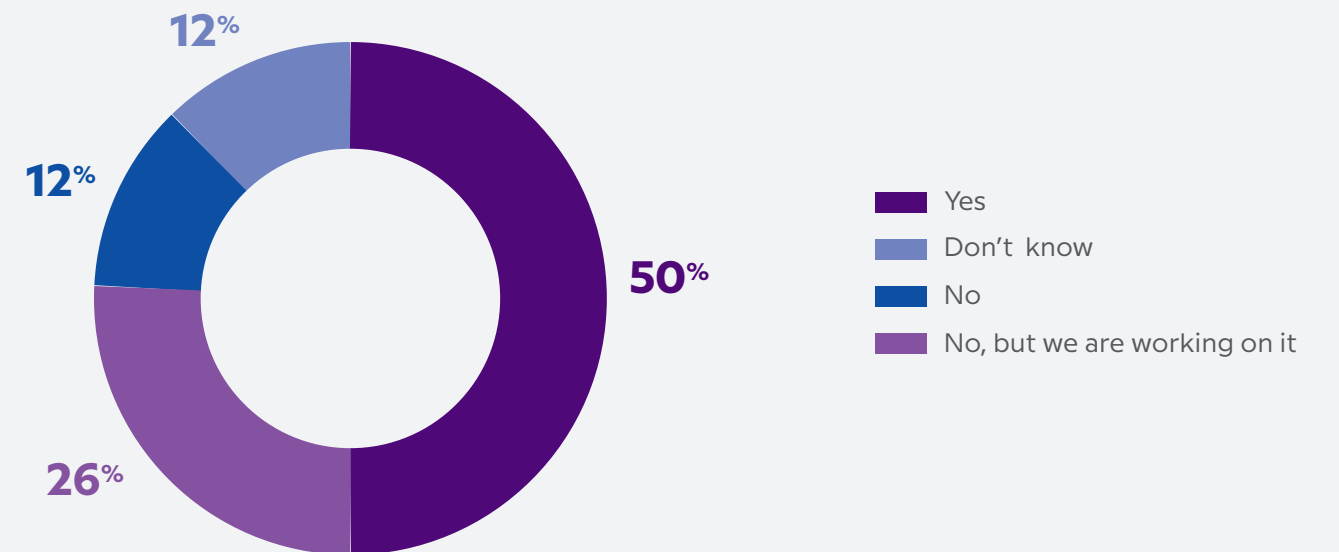


BOARD DIVERSITY

Board Reflects Populations Served

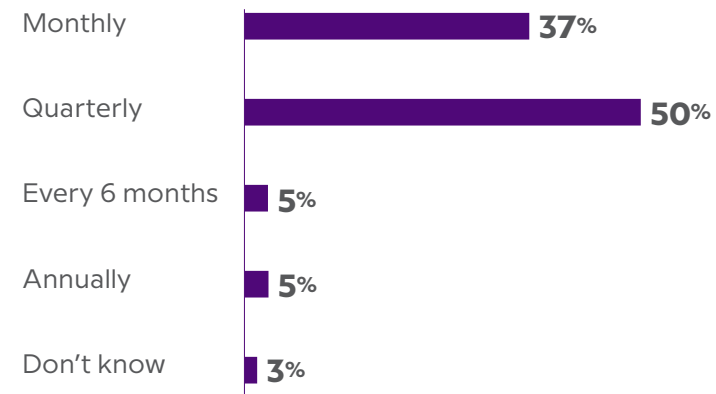


Have a Diversity, Equity, and Inclusion (DEI) Policy



FINANCIAL REPORTING: FREQUENCY & GRANULARITY

Frequency of Board Monitoring Finances



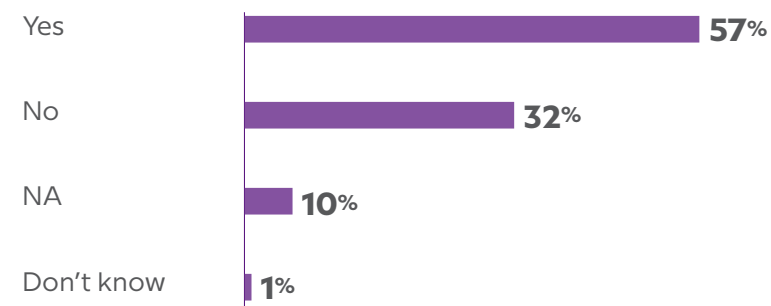
37%

of boards monitor financial results monthly and half monitor them quarterly

1 in 10

monitors financial results only every 6 months or annually

Board Reviews P&L Statements for each Program



57%

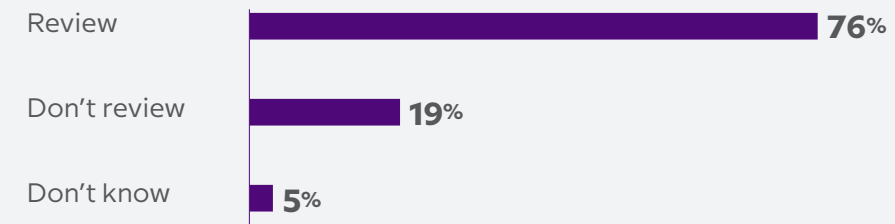
of boards review profit & loss statements (P&L) at the program level

1 in 3

do not monitor financials at the program level

CASH PROJECTIONS & LIQUIDITY

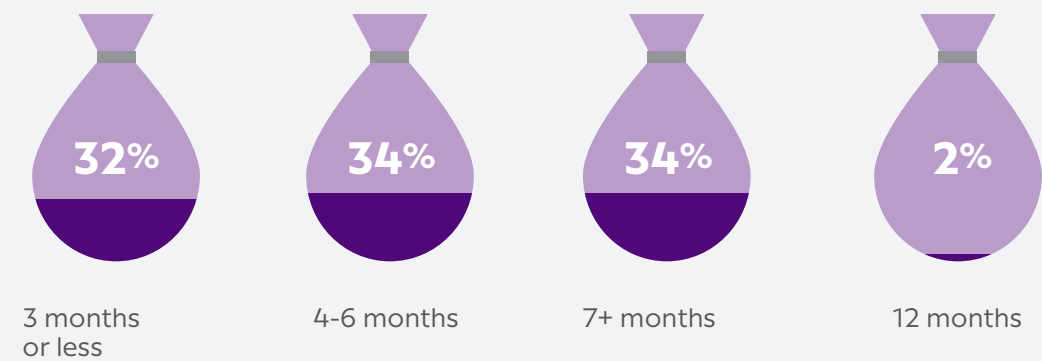
Board Reviews Cash Projections & Liquidity



Over 3 in 4

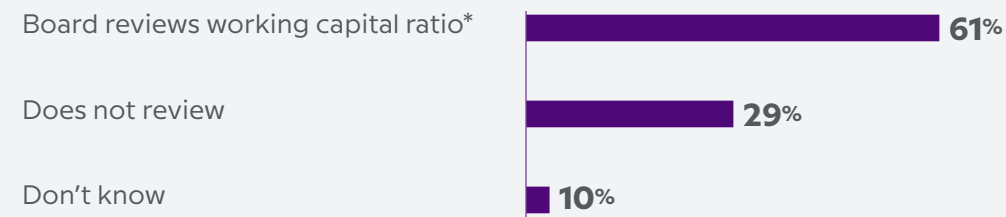
of nonprofits say their boards review cash projections and liquidity

Months of Liquidity

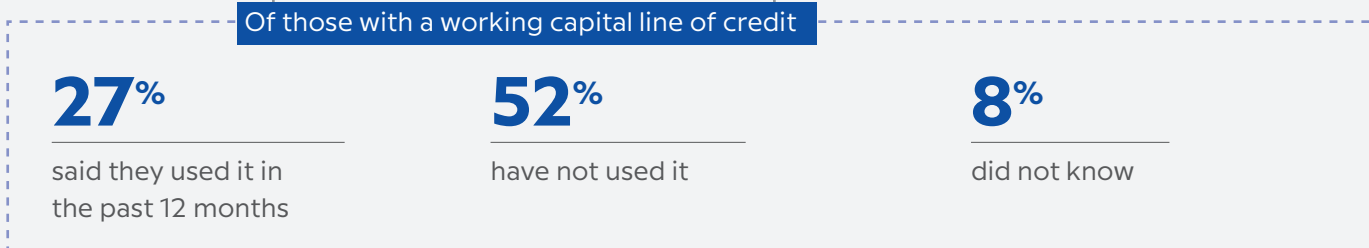


WORKING CAPITAL

Board Reviews Working Capital Ratio



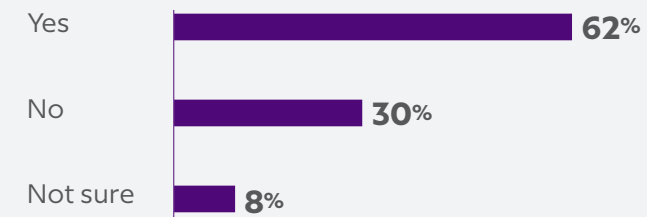
Have Access to a Working Capital Line of Credit



* The working capital ratio is calculated by dividing total current assets by total current liabilities. It is a measure of liquidity, or the organization's ability to meet its payment obligations as they fall due. Working capital determines how long an organization can sustain spending levels using only net available assets.

BUSINESS CONTINUITY PLANNING

Currently have a Business Continuity Plan



62%
of all nonprofits surveyed said they had a current business continuity plan

100%
of nonprofits with budgets of \$26 million or more have business continuity plans in place

PIVOTS BEING CONSIDERED: REIMAGINE & REBUILD

43% say their organization is **considering collaborating** with other organizations to deliver services

21% are **considering merging** with another organization

2% are **thinking about closing** their organization temporarily or permanently

54% said they are **not considering** the previous options

SUMMARY HIGHLIGHTS

Demand

During the past 12 months, demand for services increased for **over half** of the nonprofits surveyed.

Funding

Nearly half of the respondents reported a decline in funding. Almost a third have had to cut programs and services.

Operating Costs

Operating costs **decreased for 40%** of nonprofits, **increased for 33%**, and remained **steady for 21%**.

Smaller nonprofits were more likely to experience reduced operating costs, while larger nonprofits were more likely to experience increased costs.

Nonprofits renegotiated leases and other financial obligations, terminated automatic payments, applied for PPP and other emergency grants, increased draws on endowments, laid off or furloughed employees, and reduced benefits. At the time of the survey, many were operating under a hiring freeze.

COVID

68% of nonprofits said that their employees work in close physical contact with the people they serve. **26%** said that COVID outbreaks in the organization were a significant or very serious problem.

DEI Policy

Half of the nonprofit respondents have a Diversity, Equity and Inclusion (DEI) policy in place.

Adapting to Change

71% of nonprofits implemented new technology during the past year, **42%** have created new programs and services, and **22%** began to target and serve new populations.

Collaboration

36% collaborated with other organizations in the past 12 months, and **43%** are seriously considering doing so in the next 12 months.

Mergers

5% said they merged with another nonprofit in the past year. **21%** said they are contemplating merging with another organization in the next 12 months.

Technology

About **three-quarters** of nonprofits said staff use remote devices like tablets, laptops and mobile phones and that key systems and documents are accessible from outside the office. **The majority** said that technology was a component of strategic planning.

Board Engagement

58% of nonprofits feel their board members are engaged or highly engaged with the organization. **37%** say their members are somewhat engaged. Only **5%** are not very engaged. One third of nonprofits said they needed to increase board engagement.

Board Understanding of Financial Reports

Over **one in four** nonprofits feel their board does not have a strong understanding of financial reports; however, **the majority** say their boards have an excellent or fairly good grasp of finance.

Monitoring Financial Results

37% of boards monitor financial results monthly. **50%** monitor them quarterly. One in ten monitor financial results only every 6 months or annually. **Two thirds** of boards review Profit & Loss (P&L) statements at the program level. However, nearly **a third** do not. **61%** of nonprofits said their boards review the organization's working capital ratio and **76%** say their boards review cash projections and liquidity.

Board Reflects Population Served

26% of nonprofits said their boards do not reflect the populations they serve. However, **over half** said that their boards do a fairly good job of representing their populations, and **one in five** said they did an excellent job.

ABOUT GRASSI

64th

largest accounting firm
in the nation as ranked by
Accounting Today

200+

combined years of nonprofit
professional experience

96%


satisfaction rating from
nonprofit clients in 2020

As the 64th largest accounting firm in the nation, **Grassi is a leading provider of advisory, tax and accounting services to nonprofits, businesses and individuals.** Grassi advisors specialize in providing **industry-specific business consulting, audit, tax, and technology services to nonprofit organizations**, as well as other key market sectors, including healthcare, construction, architecture and engineering, manufacturing and distribution, financial services, real estate, cannabis and more.

With offices in **New York, Jericho, Ronkonkoma and White Plains, NY; Park Ridge, NJ; Needham, MA; and Palm Beach, FL**, the firm has the depth of knowledge and experience to work effectively alongside clients across the New York metro area and throughout the **United States**, as well as internationally through its membership in Moore Global.

Visit grassicpas.com/nonprofit for more information or contact:

David M. Rottkamp, CPA
Partner, Not-for-Profit Practice Leader
(212) 223-5046
drottkamp@grassicpas.com

This survey was prepared and conducted by  Research Services, rithafellerman@rfresearchservices.com

