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2022 Nonprofit Research Study

Future-Forward Insights into the State of the Sector

Table of Contents

Author:

Eric Oliver, Marketing Content Manager, Community Brands

Survey conducted by **FINN Partners**

Introduction

Change is inevitable

No one could've predicted how the pandemic would change the nonprofit industry, and now two years into the pandemic, change has been the only constant.

From shifting a workforce remote, to exploring new ways to reach your constituents, **accomplishing your mission in 2022 is nothing short of a herculean effort.** Yet, the work nonprofits produce is some of the most valuable.

Our 2022 Nonprofit Research Study was conducted to measure the state of the nonprofit sector as a whole and define the effects of the pandemic on a variety of aspects of nonprofit operations and management, including staffing, technology utilization and efficiency, and technology investment.

While the last few years leading up to today have upended a sector, the collective spirit of nonprofits is defined by resiliency and an eagerness for forward-thinking progress.

Nonprofit professionals are doing their utmost best to manage the near-constant change taking place all around them, and they're succeeding. As you'll read, **nonprofits are functioning at a near pre-pandemic level of operational efficiency.** While pain points still exist around managing change, nonprofits' ability to mitigate the pandemic is paying dividends.

A significant driver of meeting the demands and adding value is technological solutions. Nonprofits are using more technology to meet employees, stakeholders, donors, and constituents wherever they are. One nonprofit professional surveyed even called out the importance of such, saying, "Getting a lot of employees transitioned to teleworking was a huge challenge for our office, but it worked out perfectly, and nothing lagged behind. Going forward, we are all equipped to be able to transition more smoothly now."

Based on this survey, several key findings stand out. Two of the most telling of those relate to increasing operational efficiency and technology integration, and adopting cloud-based software solutions.

Nearly half of the nonprofit professionals surveyed utilize six different digital tools to do their jobs, with 23% of professionals relying on eight digital tools to accomplish their goals. Using this many different tools, however, has resulted in decreased efficiency. Seventy-eight percent of nonprofit professionals said they spend at least a quarter of their workday managing multiple systems.

To achieve sustained success, nonprofit organizations may consider a multifaceted, streamlined tech stack that simplifies workflows, eliminates silos, which ultimately improves productivity.
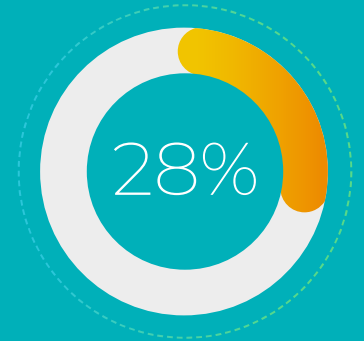
The good news is nonprofits are noticing how new technologies are being adopted and plan to invest in cloud-based computing systems in 2022.

34%

31%

28%

34% of nonprofit professionals said they'd upgrade to cloud-hosted software
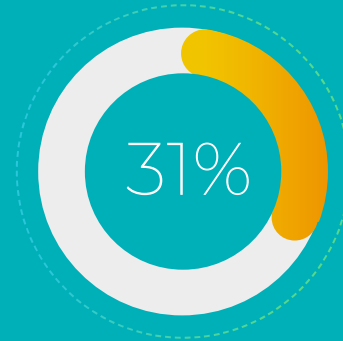
31% said they'd upgrade data security software, systems, or protocols

28% said they'd invest in cloud computing

In the following sections, we further analyze the findings of our 2022 Nonprofit Research Study, discussing topics like the current state of nonprofit organizations, staffing and stakeholder engagement, the digital-first workplace, technology and security, and the outlook of executive leadership. Despite change being a constant, nonprofit organizations have the unique opportunity to look ahead, be proactive, and realize success.

This survey was conducted online in December 2021 in collaboration with FINN Partners. We surveyed N=400 nonprofit professionals across verticals, including finance, accounting, HR, IT, and purchasing. The margin of error for the survey was +/-4.9%.

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Eric Oliver
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Participants' profile summary:

- C-Suite: CEOs, COOs, CFOs, Chief Human Resources Officers, Chief Technology Officers, Chief Information Officers, Chief Procurement Officers
- Presidents and Executive Directors
- Executive and Senior Vice Presidents
- Directors of Operations, Finance/Accounting, HR, IT, Programs, Purchasing, Accounts, etc.
- Managers across departments
- Accountants, analysts, specialists, and nonprofit team members in other areas.

Key Findings

Key Findings

1 **Pandemic-related turnover has been vast.**

Thirty-five percent of nonprofit professionals said at least 25% of their department turned over during the pandemic, with 50% saying at least 25% of their team joined since the dawn of the pandemic.

25% New Employees
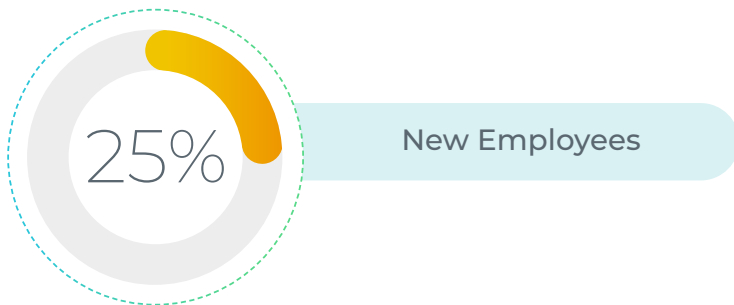
2 **Professionals and executives are aligned with their goals for 2022.**

Nonprofit staff and leadership have aligned goals, focusing on managing projects and programs, ensuring employees are properly trained, and executing their mission as the top three goals.

3   **Nonprofits are still struggling with change.**

The pandemic upended nonprofit operations, and today, the effects are still being felt. Nonprofits are struggling with managing change, and it wasn't just a size and resources issue either. Large and small organizations alike struggled to manage change.

4   **Technology is at the forefront in this current climate.**

Technology is a vital part of nonprofit operations, and having integrated, efficient systems became more critical because of the pandemic.

Most organizations are using several siloed systems to accomplish tasks with some still relying on under-equipped technology to document their work.

5 Tech stacks are becoming over-saturated, and as a result, efficiency is suffering.

Only 33% of professionals said their current use of systems was very efficient, despite 36% saying systems management is integral to their organization's mission. This loss of efficiency results in lost time.

Most nonprofit professionals said they spend at least a quarter of their workday managing multiple systems.

6 The lost time equated with managing multiple systems is not going unnoticed.

Both professionals and executive-level leaders emphasized the importance of having properly integrated systems.

7 The changes spurred by the pandemic have highlighted the importance of cloud-based computing.

Most professionals and leaders said they'd implement a cloud-based solution today when compared to the beginning of the pandemic. In fact, when presented a list of options nonprofit professionals were most likely to execute in 2022, three out of four of the top responses related to cloud computing.

01

A Bounce Back:

The State of
Nonprofit Organizations

Change has been the one constant element in the nonprofit sector over the last few years.

From increased transitions to remote or hybrid work arrangements to fluctuating employment rates and pivot after the inevitable pivot, nonprofit organizations have seen work as they knew it upended. Yet, **resiliency and flexibility define the sector today.** Nonprofit professionals have faced genuine challenges during the pandemic, but there's optimism and the overall view of the sector and its work is positive, even if there are new challenges to overcome.

"Getting a lot of employees transitioned to teleworking was a huge challenge for our office, but it worked out perfectly and nothing lagged behind. Going forward, we are all equipped to be able to transition more smoothly now."

52%

52% of nonprofit professionals identified managing projects and programs as a key goal
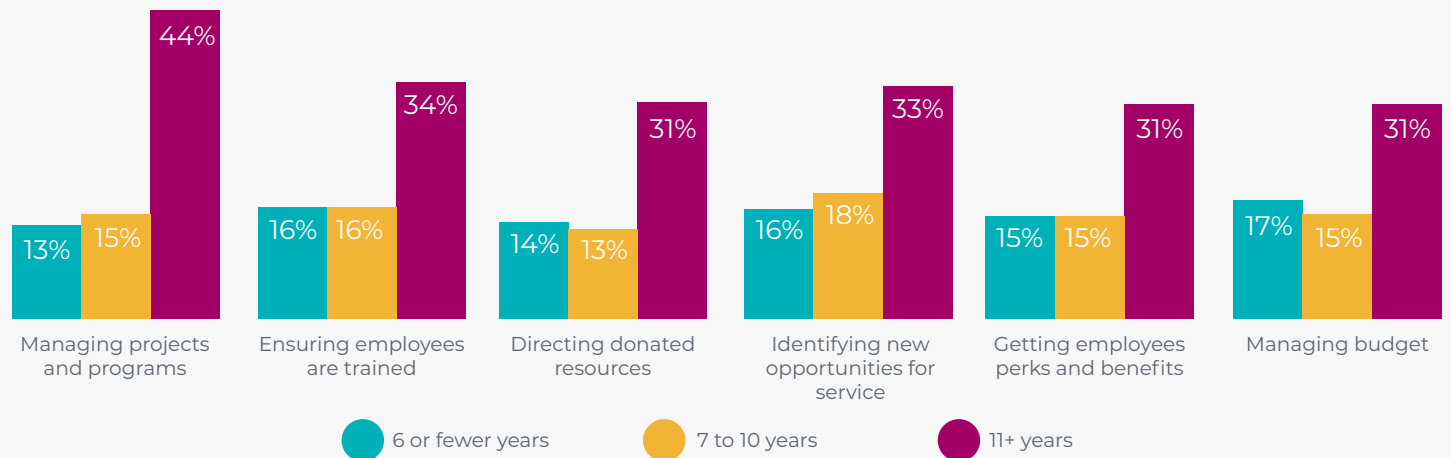
49%

49% of respondents said that ensuring employees are properly trained and serving their missions are their most important goals for the year

Organizational size played a definitive role in determining goals for the year.

Larger organizations (over 500 employees) and smaller organizations (between 1 to 100 employees) have vastly different goals. Among professionals from larger organizations, managing projects (62%), ensuring employees are properly trained (60%), serving their mission (55%), and ensuring technology is integrated (50%) have become more important.

In contrast, professionals from smaller organizations indicated that identifying new opportunities for service (55%), engaging shareholders (47%), ensuring employees are properly engaged (44%), and properly allocating resources (44%) have become more important.

Experience correlated with task difficulty during the pandemic. Newer and mid-career employees were less likely to say tasks were more difficult because of the pandemic.

	6 or fewer years	7 to 10 years	11+ years
Managing projects and programs	13%	15%	44%
Ensuring employees are trained	16%	16%	34%
Directing donated resources	14%	13%	31%
Identifying new opportunities for service	16%	18%	33%
Getting employees perks and benefits	15%	15%	31%
Managing budget	17%	15%	31%

% of workers saying tasks were "Harder" by years in the industry

13

Despite increased operational efficiency, nonprofit professionals are still struggling with change.

Above all else, professionals identified managing change as one of the most pressing issues to emerge from the pandemic.

With only 11% of professionals saying they had no difficulty managing change. Struggling with consistently pivoting was universal for all sizes of organizations.

Professionals from large and small organizations said they were most likely to struggle with managing change. Interestingly, middle-sized organizations (between 101-500 employees) were less likely to express difficulty managing change.

While the last few years have been tumultuous, staying focused on accomplishing the mission remains a vital goal for every nonprofit.

62%

Although the pandemic evolved how organizations performed the core functions of their work, operationally, nonprofits have adapted to the new normal and are thriving.

While managing change continues to be a challenge, as the past few years have indicated, it is not impossible.

62% of professionals said managing change was at least somewhat difficult.

02

Staffing and Stakeholders

The Great Resignation hit the nonprofit sector hard and caused widespread turnover.

Thirty-five percent of nonprofit professionals said at least 25% of their department turned over during the pandemic, with 50% of respondents saying at least 25% of their team joined since the start of the pandemic.

25%

Department turned over during the pandemic

Of teams joined since the start of the pandemic
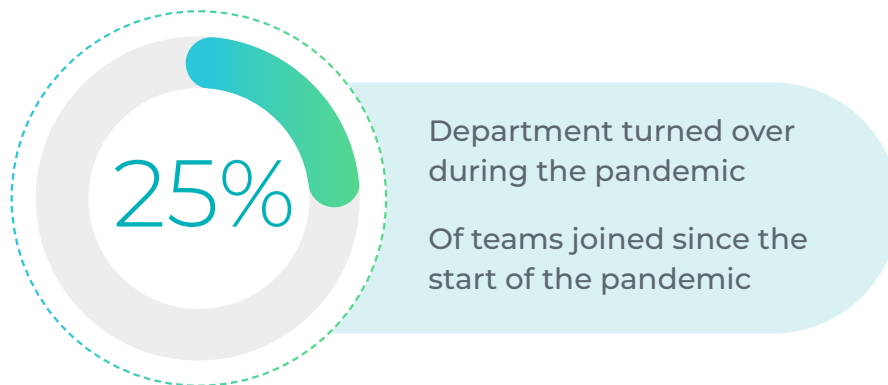
The sector is also experiencing issues around employee engagement. Employee engagement was the most challenging aspect at the beginning of the pandemic, and while nonprofits are making strides to improve, it has not yet returned to pre-pandemic levels. Before the pandemic, 20% of organizations said it was the most challenging element, with 23% saying it is today's most challenging element.

"Communication and collaboration are the greatest challenges in our organization as we are currently working remotely."

16

Organization size did not play as significant of a role in employee engagement as it did in managing change.

Larger and smaller organizations have returned to pre-pandemic levels of keeping employees engaged, whereas mid-sized organizations have increased 9% from 23% at the onset of the pandemic to 32% today.

The ability to engage stakeholders mirrors this pattern, to a lesser degree. The onset of the pandemic introduced several challenges around stakeholder engagement, which increased in the first year and are decreasing today.

During the first year of the pandemic, 66% of nonprofits said keeping external stakeholders engaged and informed was at least somewhat challenging, with 17% indicating it was the most challenging.
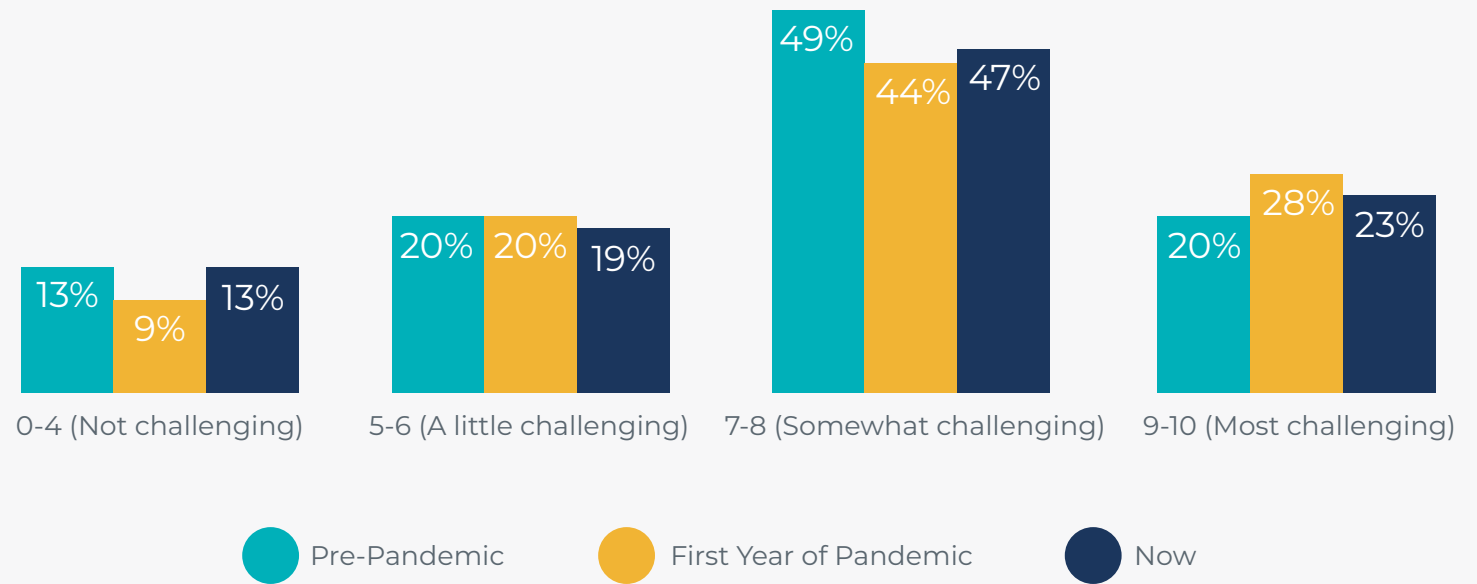
Today, that figure has dropped to 63% saying engaging stakeholders is at least somewhat challenging, however, 19% responded it is the most challenging aspect.

17

Here, organizational size played a more significant role. Small and large organizations experienced large increases in difficulty around keeping stakeholders engaged and informed but have adopted solutions that have decreased the difficulty. At the same time, mid-sized organizations' difficulty has remained consistent over the pandemic.

Of organizations rating employee engagement as the most challenging, it has become easier, but has not yet returned to pre-pandemic levels. Overall, employee engagement now remains as challenging compared to pre-pandemic levels.

	0-4 (Not challenging)	5-6 (A little challenging)	7-8 (Somewhat challenging)	9-10 (Most challenging)
Pre-Pandemic	13%	20%	49%	20%
First Year of Pandemic	9%	20%	44%	28%
Now	13%	19%	47%	23%

- Pre-Pandemic
- First Year of Pandemic
- Now

Despite challenges presented by engaging both employees and stakeholders, nonprofit professionals feel amply equipped to perform the duties of their jobs.

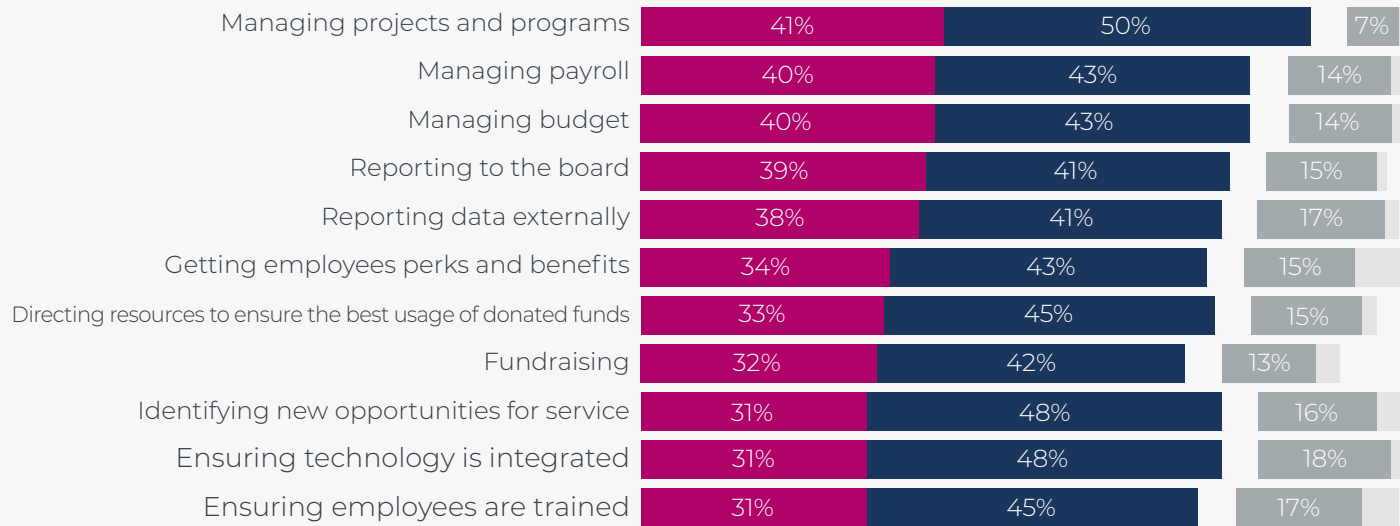This next section focuses on the digital workplace and how nonprofit professionals perform their jobs.

19

03

Productivity and Efficiency in the Digital-First Workplace

As the pandemic continues, the increased adoption of remote work arrangements and the emphasis on increased efficiency have become front-and-center.

Between 31% and 41% of respondents think each aspect of operational management is being done "very efficiently."

	Very efficiently	Somewhat efficiently	Somewhat inefficiently
Managing projects and programs	41%	50%	7%
Managing payroll	40%	43%	14%
Managing budget	40%	43%	14%
Reporting to the board	39%	41%	15%
Reporting data externally	38%	41%	17%
Getting employees perks and benefits	34%	43%	15%
Directing resources to ensure the best usage of donated funds	33%	45%	15%
Fundraising	32%	42%	13%
Identifying new opportunities for service	31%	48%	16%
Ensuring technology is integrated	31%	48%	18%
Ensuring employees are trained	31%	45%	17%

● Very efficiently   ● Somewhat efficiently   ● Somewhat inefficiently   ○ Very inefficiently

Nonprofit professionals view most of their efforts of managing operational change as "good, but not great." Only 26% of nonprofit professionals said their departments efficiently worked together, and 57% said their department's efficiency was either a 7 (26%) or an 8 (31%) out of 10.

Technology has always been a vital part of any nonprofit but is at the forefront in this current climate.
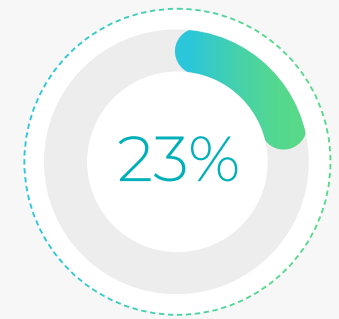
Nonprofits are using several digital tools. Almost 50% of respondents reported using at least six tools, with nearly 1 out of 4 using eight or more tools. Conversely only 25% of respondents reported they were efficiently using technology.

25%

Use 1 to 3 Tools

46%
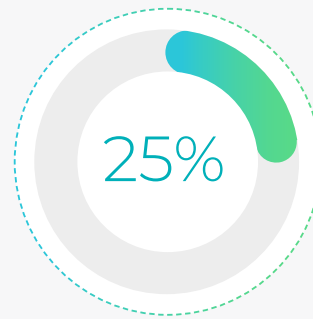
Use at Least 6 Tools

23%

Use at Least 8 Tools

| 2%	7%	16%	13%	8%	9%	14%	14%	4%	5%
1	2	3	4	5	6	7	8	9	10

# of Tools Used

22

Having efficient systems became more critical because of the pandemic.

Among nonprofit professionals who use a particular system like HR, grant tracking, or fund accounting, efficiency was high. Organizations noted their payroll, expense management, workflow management, invoice and tuition billing systems were the least efficient.

However, the majority of organizations relied on multiple systems to accomplish tasks. Nearly half of the nonprofit professionals surveyed use six different digital tools, with 23% relying on eight digital tools to achieve their goals.

LOW   **CRITICAL**   **HIGH**

Tech stacks have become oversaturated, and as a result, efficiency is suffering.

33%
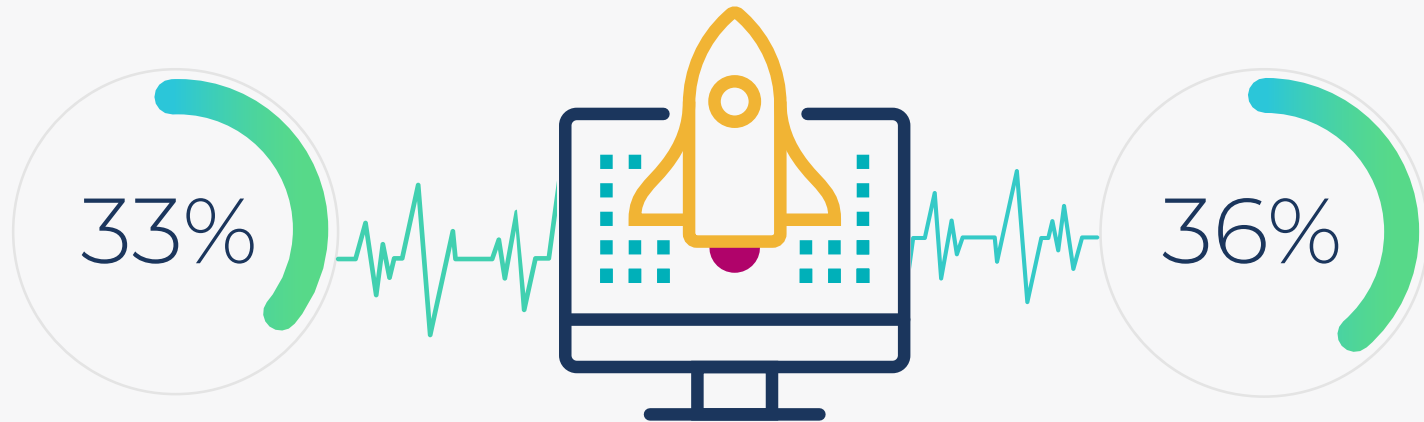
Professionals who said their current use of systems is very efficient

36%

Professionals who said their systems management is an important aspect of being able to achieve their organization's mission

Managing these different tools results in lost efficiency.

78% of nonprofit professionals said they spend at least a quarter of their workday managing multiple systems.

Only 39% of nonprofit professionals were confident that their team could manage its technology systems, and here, organizational size was a large factor. Smaller organizations were less confident in managing their technology systems, with only 31% of professionals saying they very confidently managed their technology.

That's where good, not great, comes into play. Organizations have difficulties working together between departments, conflicting technological systems or unsuitable investment in these systems directly correlates to lost efficiency.

> As more workers spend their time on systems that don't communicate with each other or are too siloed in what they accomplish, the need for proper technological integration is at its highest.

Most nonprofits recognize that technological integration is mission-critical to their success and that their current tech stack has room for improvement. Having efficient systems that communicate together and can effectively perform multiple tasks is key to long-term sustained success.

25

04

Nonprofit Technology for Today and Tomorrow

Integrating technology efficiently will define success in the coming years.

The good news is that nonprofit professionals are aware of the benefits of integrating technology and already plan to make the investments needed to make integrated technology a flagpole of their organization.

Pandemic-related changes, like a remote workforce, have emphasized the importance of cloud-based computing.

Seventy-five percent of respondents were more likely to adopt a cloud-based solution. Of those: 23% were much more likely and 52% were somewhat more likely to adopt a cloud-based solution. One percent of respondents were less likely to adopt and 7% were undecided.

Respondents in IT (86%) and HR departments (84%) are driving the move towards cloud-based systems and are supported by executives (86%).

Likely to adopt a cloud-solution than when compared to the beginning of the pandemic

75%

Respondents who said their organization was more likely to adopt a cloud-based solution

17%

Respondents who were neither more or less likely to adopt a cloud-based solution

27

When presented a list of options nonprofit professionals were most likely to execute in 2022, three out of four of the top responses related to cloud computing. Thirty-four percent of respondents said they'd upgrade to cloud-hosted software, 31% said they'd upgrade data security software, systems, or protocols, and 28% said they'd invest in cloud computing.
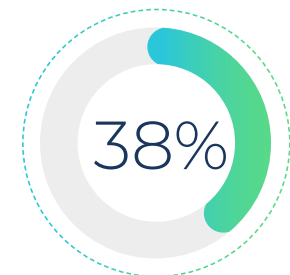
Most Likely to Say "Very Confident"

53%

101-500 Employees

39%

IT / Director / Mgr Level

38%

VP+ / Millennials

Confidence in the cloud is high with 82% of respondents saying they're at least somewhat confident in cloud security, and 34% saying they're very confident.

82%
Expressed confidence
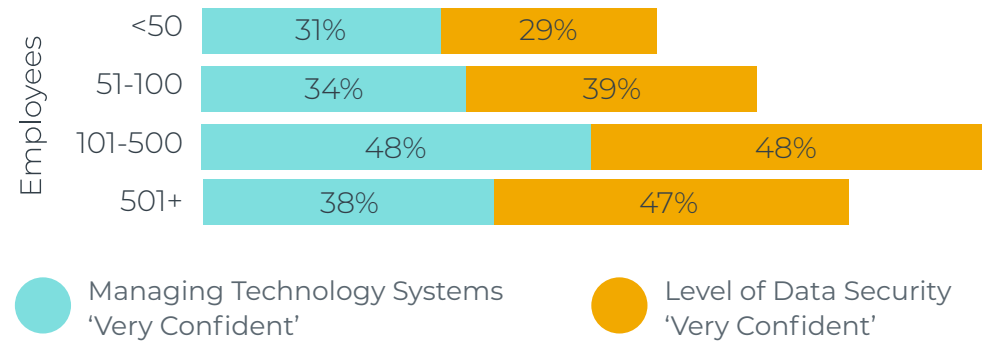
**10%**
Not too confident

2%
Not confident at all

6%
Don't Know

The cloud has several benefits for nonprofits. Besides meeting employees wherever they're at, good cloud environments are comprised of layers of protection. Since the pandemic, concerns around data security have decreased but do exist. Half of respondents were somewhat confident in their organizations' ability to manage data security, with 42% saying they were very confident.

Employees

	Managing Technology Systems 'Very Confident'	Level of Data Security 'Very Confident'
<50	31%	29%
51-100	34%	39%
101-500	48%	48%
501+	38%	47%

About half of nonprofit professionals say that 'very much effort' goes into preventing financial fraud at their organization.
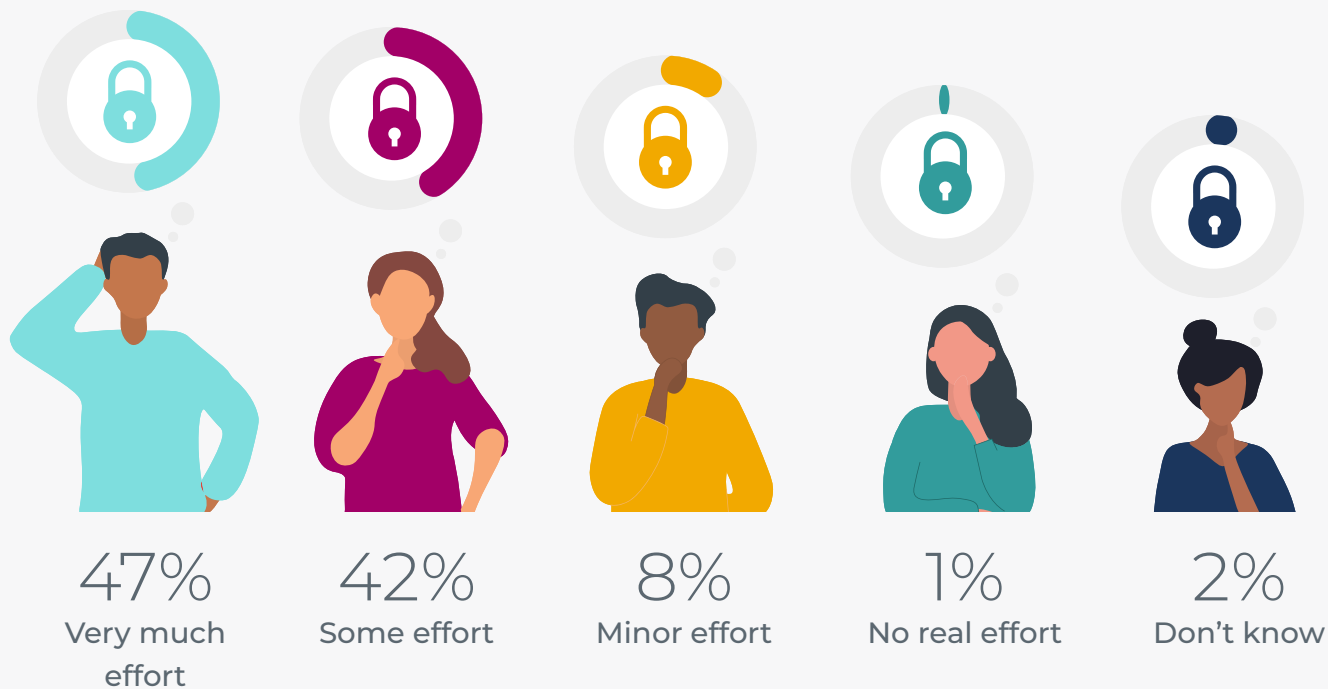
One in three nonprofit professionals were worried that a fault in their organization's security could contribute to fraud, with 42% of other professionals saying they were some what concerned.

47% Very much effort

42% Some effort

8% Minor effort

1% No real effort

2% Don't know

Twenty-five percent of professionals were very concerned about the possibility of a data breach, with those in an executive position (31%) being the most worried.

However, almost 50% of organizations were at least somewhat concerned about the possibility, with 54% of executives being at least somewhat concerned.

Despite optimism for cloud-based solutions, nonprofit professionals felt there was room for improvement around cloud security.
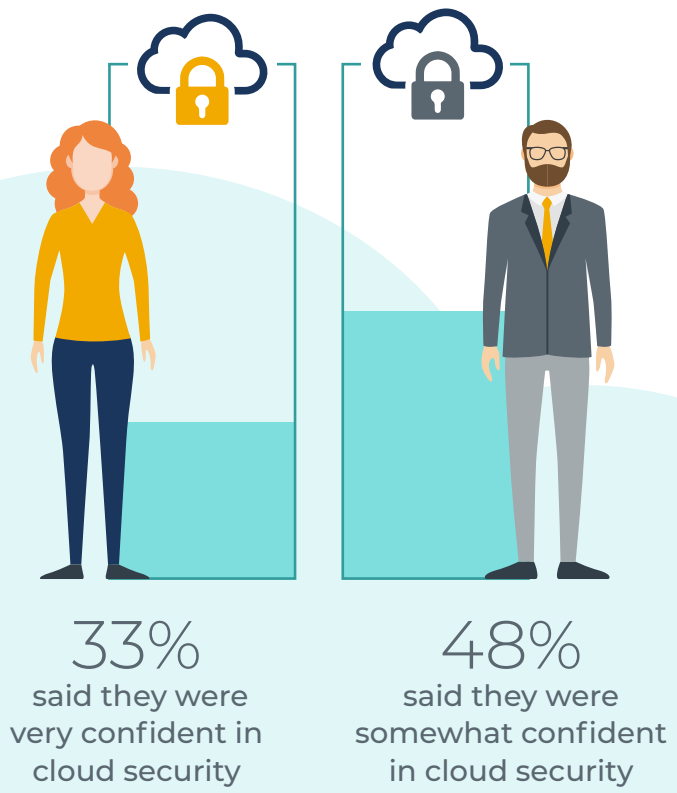
Cloud-based systems are a game-changer for nonprofits to integrate their technology solutions and increase efficiency. Having a cloud-based system with multiple operational capabilities eliminates the need for several systems, and it increases efficiency as employees only have to navigate one system to do their jobs.

33%
said they were very confident in cloud security

48%
said they were somewhat confident in cloud security

05

Leadership Outlook

This section highlights the feedback and data received from executive-level respondents, including their thoughts on the trends noted in our previous sections.
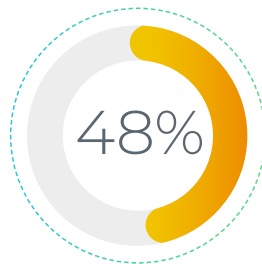
The three most significant challenges for vice president-level professionals were indicated as:

60%
Managing our projects and programs

54%
Ensuring employees are trained

48%
Serving our mission or population

Tech stack efficiency is also an issue at the VP level. Sixty percent of respondents reported using at least six different digital tools to accomplish their jobs.

VP-level and director/management-level respondents also stressed the importance of technological integration.

Eighty-six percent of VP-level professionals and 84% of upper-level management professionals said well-integrated systems were at least very important to them. Eleven and 16%, respectively said these integrations were critical.

Regarding digital technology security, those VP and upper-level management professionals were most concerned that a hole in their digital infrastructure could lead to fraud.

39%

26%

46%

44%

Thirty-nine percent of VP-level and 26% of upper management-level professionals were very concerned about the risk of fraud, and 44% and 46% of respective respondents were somewhat concerned.
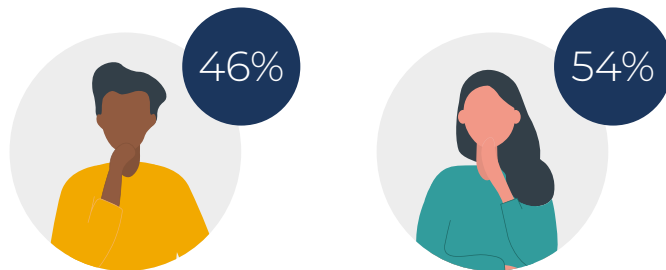
32
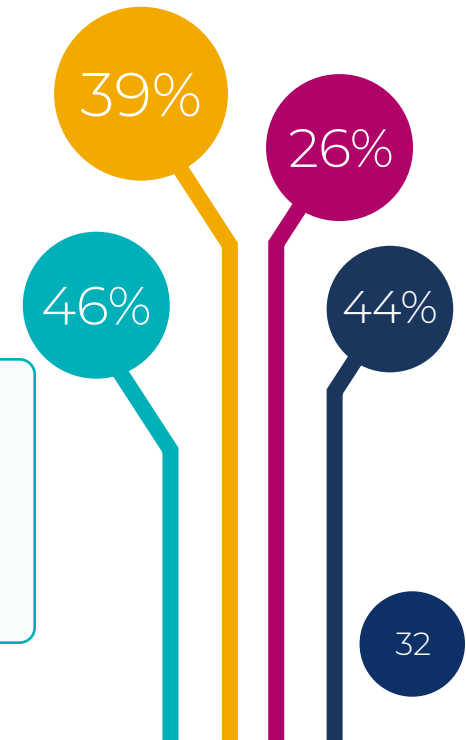
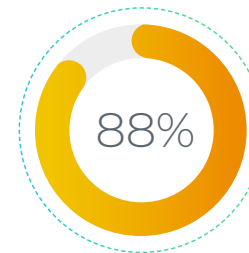# Their concerns are also present when discussing data breaches.

Were very concerned their organization's data was at risk of being breached

31%
VP-level

24%
Upper management-level

Respective respondents were somewhat concerned

46%

54%
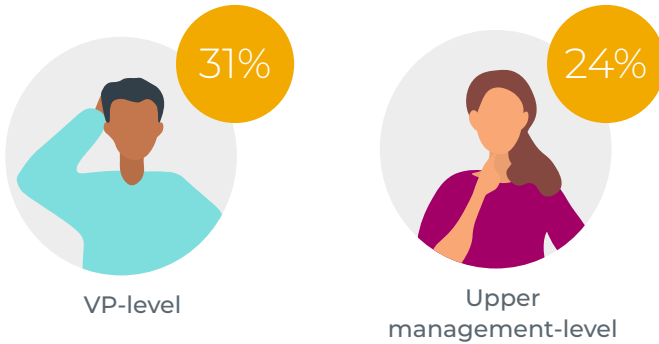
VP-level respondents were also the top advocates for adopting a cloud-based solution.

88%

VP professionals recognized the need for a cloud-based solution.

These respondents were also among the most confident believers in cloud-based security. Thirty-eight percent of VP-level respondents were very confident in the cloud's security, surpassed only by IT (39%) and upper management-level (39%).

82%
Expressed confidence

10%
Not too confident

2%
Not confident at all

6%
Don't Know

Executive Summary

Change has been the only constant throughout the pandemic.

The nonprofit industry has pivoted consistently over the last few years. Where some of those pivots—like those made in the operational space—have been successful, others have created inefficiencies that ripple through the industry.

Technological efficiency is vital to nonprofit success moving forward.

As more of the workforce goes remote, optimizing technology resources—whether by adopting a program that consolidates current tools, moving to a cloud-based system to accommodate 24/7 data access and security, or implementing a solution that specializes in both.

The key is to meet nonprofit professionals where they are and create meaningful improvements that contribute to overall job satisfaction.

As the research shows, siloed systems lead to decreased efficiency.

Resiliency and open-mindedness to change have been vital for nonprofits to survive the pandemic to date. As organizations continue to evolve with change, these will continue to be critical going forward.

In a tumultuous time, in which the unknown is at the forefront, making strides to increase efficiency is key. Integrated cloud-based systems are crucial to doing this and will be the most critical element nonprofits can implement for sustained success going forward.

Change is inevitable.
Look ahead.
Be proactive.
Achieve success.

2022 Nonprofit Research Study

Future-Forward Insights into the State of the Sector

Let's talk!

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Data was collected by FINN Partners.

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mip.com | mip@communitybrands.com