



2023 Trends and Insights into the State of Nonprofits, Schools, and Local Government

MIP Fund Accounting® 2023 Research Study





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Survey conducted by
FINN Partners

I Introduction





Opportunities Abound

With organizations across the country fully capitalizing on the momentum of 2023, opportunity is defining the year.

From capturing new market opportunities to investing in opportunities to increase efficiency, organizations are finding new ways to meet the needs of their beneficiaries, despite an uncertain economic environment.

We conducted our 2023 Research Study to quantify the state of the nonprofit, education, and government sectors as a whole and define how organizations believe 2023's economic environment will affect them and various aspects of nonprofit operations and management, including staffing, technology utilization and efficiency, and technology investment.

The economic environment to end 2022 created more questions and uncertainty, but nonprofit organizations, municipalities, and schools have answered with opportunity in 2023.



I Key Takeaways



1

Organizations are weathering the uncertainty and sharing their thoughts on the U.S. economic outlook; nonprofit, education, and government staffing, and organization revenues will improve in 2023.

While going into 2023, 36% of organizations believe the U.S. is in a recession, 42% do not believe the U.S. is in a recession, with the remainder undecided. Seventy-five percent of respondents expect the U.S. economy to improve in 2023.

Respondents' Economic Perspective

36%

Believe the U.S.
is in a Recession

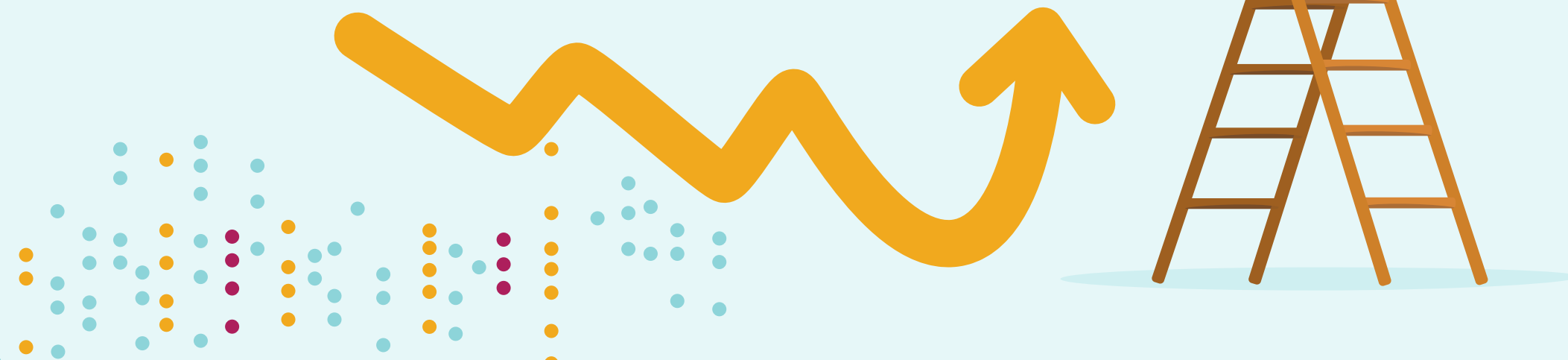
42%

Do Not Believe
the U.S. is in a
Recession

22%

Undecided

75%
Believe the U.S.
Economy will
Improve in 2023

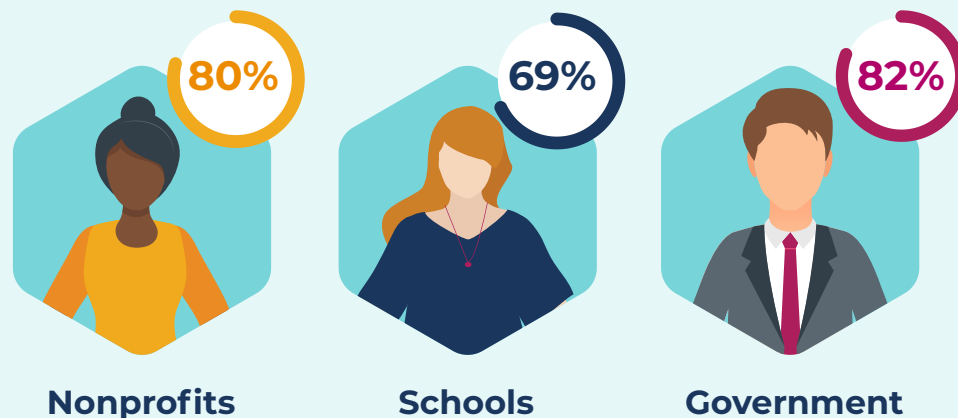


2

Organizations believe the current economic climate will not affect revenues.

We found that 77% of organizations expect their revenues to increase in 2023, with 80% of nonprofits, 69% of schools, and 82% of government organizations predicting increases. Organizations are driving these increases by diversifying their accounting streams and relying on technology to accelerate that transition.

Percentage of Organizations Predicting Revenue Increases in 2023



In part, organizations attributed their optimistic outlook for 2023 to their technology. Over the last two years, we've conducted surveys on cloud-based technology adoption and workflow efficiency. While [MIP's 2022 Nonprofit Research Study](#) found organizations used multiple pieces of technology that created inefficiency, organizations also desired to adopt cloud-based systems that could condense their technology portfolio and create efficiency.

In this year's survey, organizations capitalized on the opportunity of cloud-based systems and planned to further invest in cloud-based processes.



3

Concerning cloud-based technology, 59% of organizations have invested in cloud-based processes for accounting, with 71% of nonprofits, 57% of schools, and 81% of government organizations having a cloud-based process in place for accounting.

Percentage of Organizations Invested in Cloud-Based Accounting

71%
Nonprofits



57%
Schools



81%
Government



73%

of organizations expect higher technology investments in 2023



4

Organizations look to continue cloud-based investment in 2023, with 58% of remaining organizations planning to adopt a cloud-based accounting solution and 69% of organizations planning to adopt a cloud-based payroll solution this year. In general, 73% of organizations expect “higher” technology investments in 2023.



61% of respondents said aspects of their current systems were time-consuming

5

Despite the continued investment in cloud technology, some organizations still rely on inefficient non-cloud-based processes. In past studies, we saw half of organizations surveyed used six or more tools, leading to at least two hours a day spent navigating inefficient systems. In this study, the trend continued. Some 61% of respondents said aspects of their current systems were time-consuming.

6

Organizations were also optimistic that labor issues influenced by the pandemic and 2022's economic uncertainty would begin to decrease in 2023. While this instability in staffing contributed to inefficient workflows, more efficient solutions and the continued transformation of the U.S. workforce have started to resolve these issues. Fifty-four percent of organizations believed staffing would be better in 2023, with government organizations (69%) being the most optimistic.

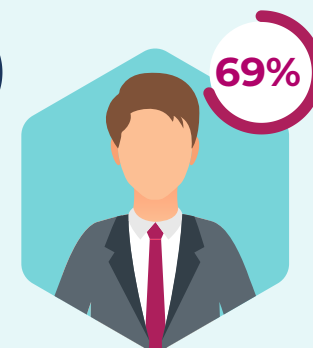
Percentage of Organizations that Believe Staffing will be better in 2023



Nonprofits



Schools



Government



APPLY NOW



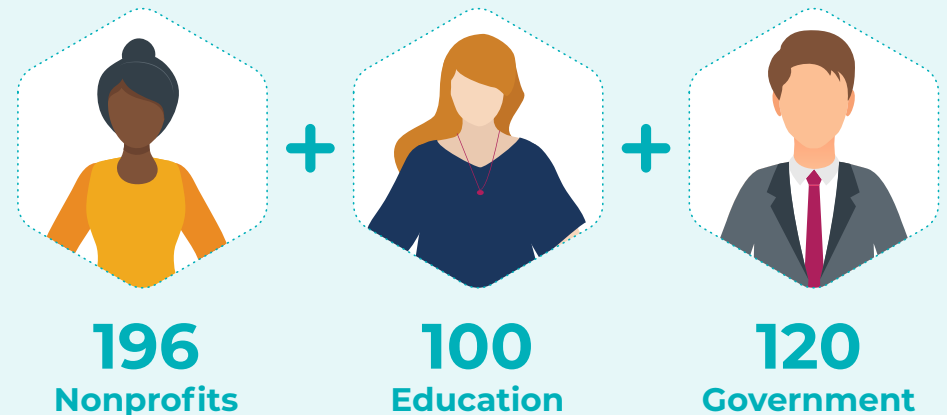
The new year naturally carries opportunities.

While 2022's uncertainty loomed large, and there continues to be post-pandemic aftershocks towards economic outlook, organizational leaders are steadfastly determined to capitalize on new opportunities and continue their work into 2023 to positively affect and grow their communities.

In the following sections, we further analyze the findings of our 2023 Research Study, discussing economic observations by organizational type, technology efficiency, and technology adoption trends. With 2023 underway, nonprofit, education, and governmental organizations will lead the charge to look ahead, create opportunities, and capture success.

This survey was conducted online in the fourth quarter of 2022.

We surveyed 416 professionals in total,



All respondents were in accounting, purchasing, HR, the C-suite, or advancement and development departments.

Participant Profile Summary:

- President/Owner/CEO
- COO, CTO, CFO
- Executive/Senior Vice President
- Vice President
- Director/Manager
- Operational Employee

I The State of Nonprofits



With change being the only constant, nonprofits' resilient and determined approach to operations carried the sector through a tumultuous few years and will continue to be a difference-maker as we advance through 2023.

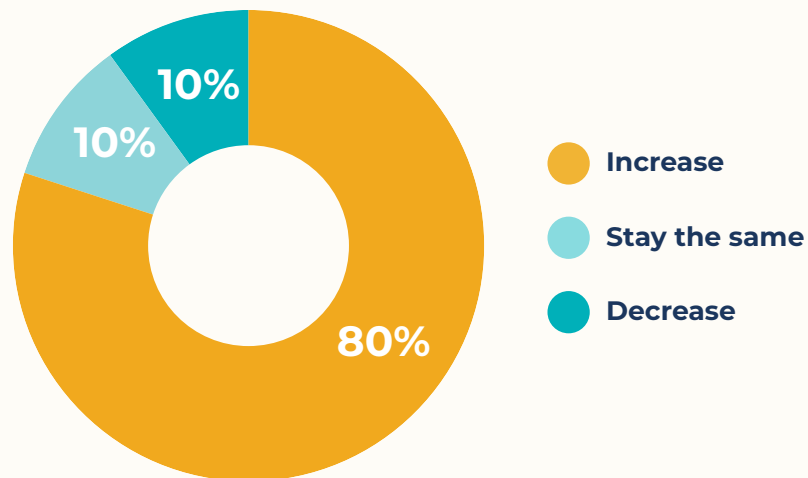
The 2023 Research Study examined the state of the nonprofit sector and asked how nonprofits believed 2023's economic environment would affect various aspects of their operations and management, including staffing, technology utilization and efficiency, and technology investment.



The resiliency nonprofits have relied on to operate over the last few years remains on display today, with **80% of nonprofit respondents expecting revenues to increase in 2023 despite an uncertain economy.**

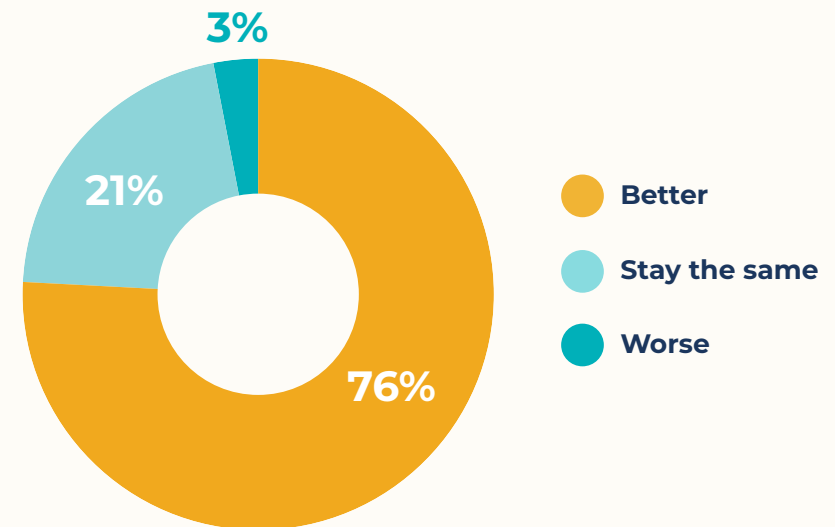
The optimism around revenues matches respondents' thoughts on the economy. **Respondent confidence in the 2023 economy is strong and generally optimistic, with 76% believing the economy will improve this year.**

Annual Organization Revenue Expectations for 2023



Despite that firm belief, nonprofit respondents were split on if the U.S. was in a recession in 2022. Forty-one percent of respondents believed the U.S. ended the year in a recession, but another 41% felt the U.S. was not in a recession in 2022.

Organization's Current Economic Outlook for the U.S. in 2023 (as of Oct 2022)



Of the 41% who believed the U.S. wasn't in a recession, just 14% believe there will be a recession in 2023, and 24% are unsure if a recession will occur.

That resilient mindset influenced nonprofit perspective on operations in 2023. Respondents said the pandemic, their ability to retain employees, interest rates, the labor market, and inflation would all improve this year. To this point, nonprofit respondents said their operational focus for 2023 included:

- Planning, tracking, and analyzing finances
- Engaging with stakeholders/employees
- Identifying new fundraising opportunities

This optimism nonprofit respondents had in 2022 is apparent when analyzing respondents' fundraising efforts for the year. In 2022, 33–39% of respondents raised more than \$500,000, and 20% reported raising more than \$1M.



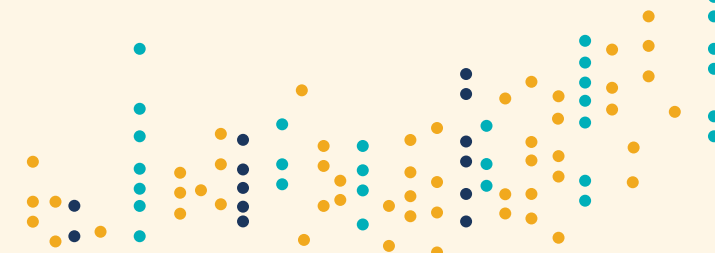
2023

Nonprofit Funding Breakdown



There were two clear focus areas identified in last year's study that were also apparent in this year's research. Nonprofits are seeking to:

- Improve inefficient systems
- Invest in cloud technologies



Improving Inefficient Systems

In MIP's 2022 Nonprofit Research Study, half of the organizations surveyed said they used six or more tools, leading to at least two hours a day spent navigating inefficient systems. That trend continued. Some 61% of respondents say aspects of their current systems are time-consuming.

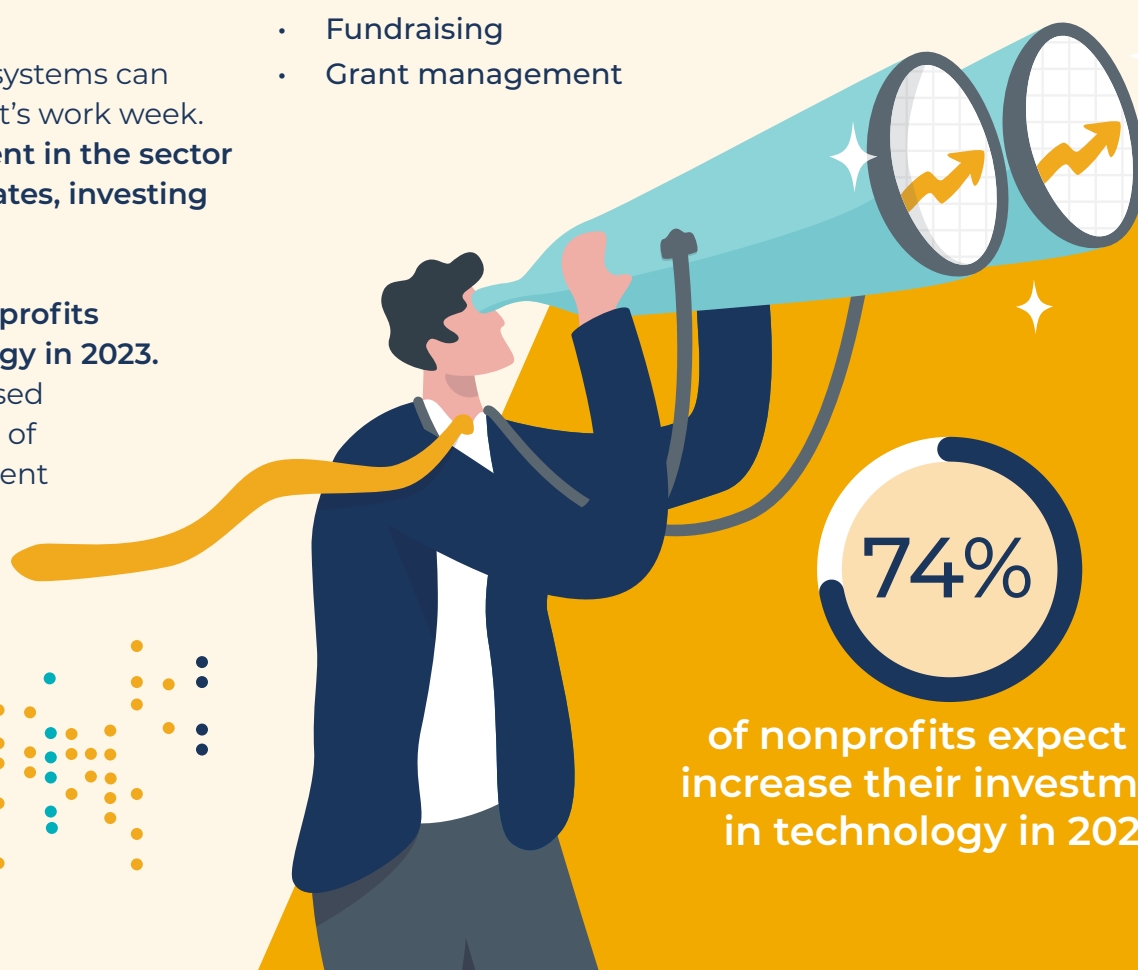
The hours spent navigating between inefficient systems can pile up to 520 hours a year or 25% of a respondent's work week. **With nonprofit staff spread thin and employment in the sector improving, but lagging behind pre-pandemic rates, investing in technology that creates efficiency is vital.**

To improve these inefficient systems, **74% of nonprofits expect to increase their investment in technology in 2023.**

That investment is happening through cloud-based technologies. In our previous research study, 93% of respondents said they wanted to move their current technology to the cloud. Eliminating inefficiency and meeting employees where they are at can help organizations recapture those wasted hours.

This year, our survey focused on further exploring cloud adoption rates across:

- Accounting/financial systems
- Procurement systems
- Payroll/Human Resources Management System
- Fundraising
- Grant management

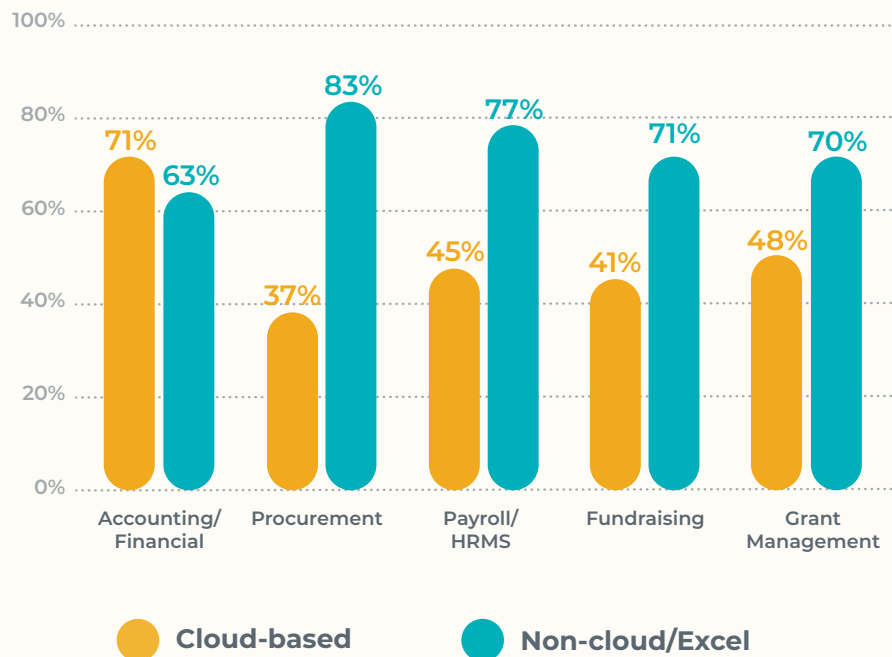


74%
of nonprofits expect to
increase their investment
in technology in 2023

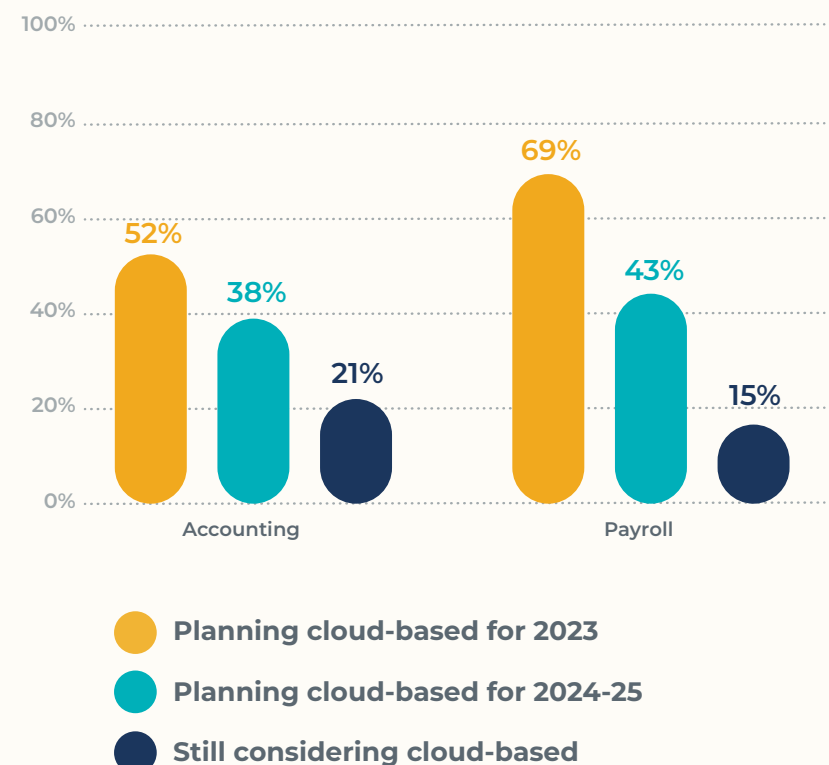
Of those systems, **71% of respondents have a cloud-based accounting/financial system, whereas respondents still mostly rely on non-cloud-based processes.** Nonprofit respondents mainly rely on non-cloud-based processes for procurement and payroll systems.

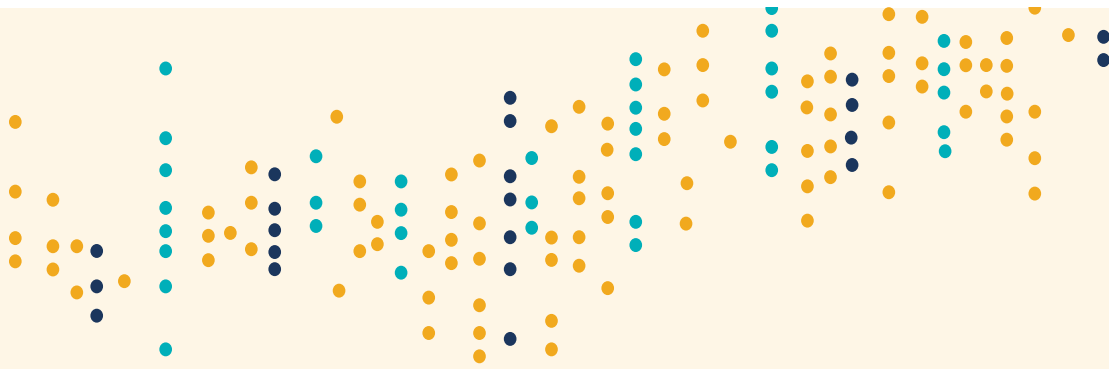
In 2023, 52% of respondents who do not have cloud-based accounting software plan to invest in it, and 69% who do not have cloud-based payroll software plan to invest in it in 2023.

NON-PROFIT:
Current Software/Process



NON-PROFIT:
Cloud Plans for Accounting/Payroll





Technology has always been a vital part of any nonprofit, and it is especially at the forefront in this uncertain economic climate.



Taking a holistic view of individual systems and ensuring they're best of class, to make a holistic platform which communicates together and can effectively perform multiple tasks is vital to long-term sustained success.

Using technology to identify and capitalize on new funding streams will help nonprofits become recession-proof, and this same technology can present new ways to engage with donors and, hopefully, [increase donations](#).

Concerning the state of nonprofits, our research shows that at a time where the nonprofit sector is experiencing labor shortages and potential economic uncertainty, strategic technological investment can increase staff efficiency and position nonprofits to maximize existing resources.

To weather that uncertainty, nonprofits need to rely on their resilient, can-do attitude that propels daily nonprofit operations and positions them to capitalize on emerging or even yet-to-be-discovered opportunities in 2023.

Pair that with an overwhelmingly positive belief that 2023 revenues will increase indicates respondents' belief that the nonprofit sector still has untapped potential.

As more nonprofits continue to invest in multipurpose technology and adopt cloud-based solutions, the eliminated inefficiencies will create opportunities for sustained success that will drive missions forward and uplift communities for better impact.

| School's In Session: The State of Education



Over the last decade, the education sector has undergone an incredible transformation.

While doing the most for students and ensuring educators and staff are adequately equipped to do their jobs remains the top priority of all schools, the sector is seeing decreased revenue streams from various factors, and potential students are being priced out of private education.



According to [National Association of Independent Schools figures](#), tuition costs have increased over 37% in the last decade. In comparison, median annual household incomes have only increased 36% over the same period, and consumer prices for all items rose 6.5% from December 2021-22, according to the [Bureau of Labor Statistics](#). While financial aid looks to make up that gap, the available funding continues to shrink.

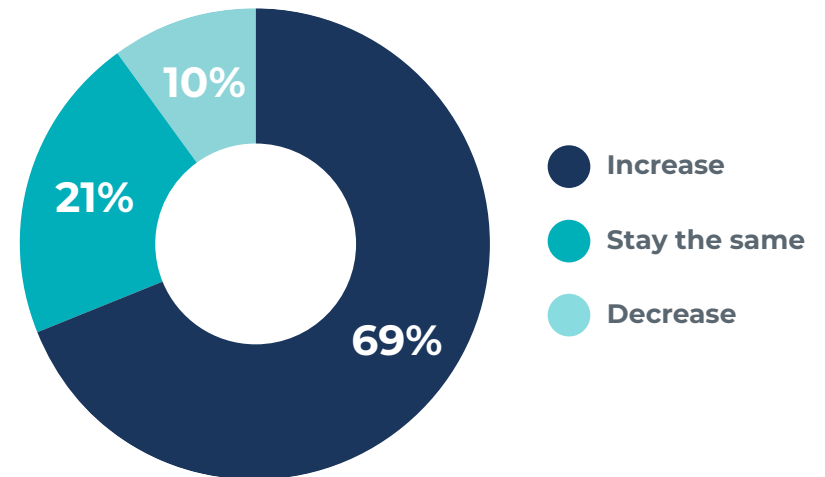
Yet, despite a confluence of factors working against the sector, educators continue to move mountains to ensure every student has the chance to succeed.

The 2023 Research Study examined the state of the education sector as a whole and defined how this segment believed 2023's economic environment would affect various aspects of operations and management, including staffing, technology utilization and efficiency, and technology investment.

The resiliency schools have relied on to operate over the last few years remains on display today as well, with **69% of education respondents expecting revenues to increase in 2023.**



Annual Revenue Expectations for 2023

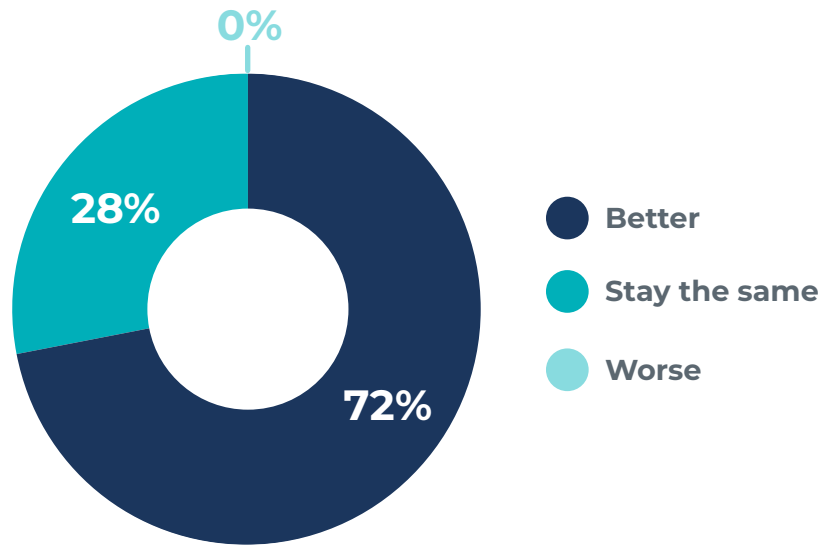


The optimism around revenues matches respondents' thoughts on the economy. **Education respondents' confidence in the 2023 economy is strong**, and 72% believe the economy will improve this year. Of all of the survey respondents, education respondents were least likely to feel the U.S. was in a recession.

17%
of respondents said
the U.S. was in a
recession to end 2022.

56%
didn't believe the U.S.
was in a recession.

Organization's Current Economic outlook for the U.S. in 2023 (as of Oct 2022)



Of the 56% of respondents who didn't believe the U.S. was in a recession, just 14% thought there would be a recession in 2023, and 30% were unsure.

That resilient mindset influenced education respondents' thoughts around operations in 2023. Respondents said the pandemic, their ability to retain employees, interest rates, the labor market, and inflation would all improve this year. To this point, education respondents said their operational focus for 2023 included:

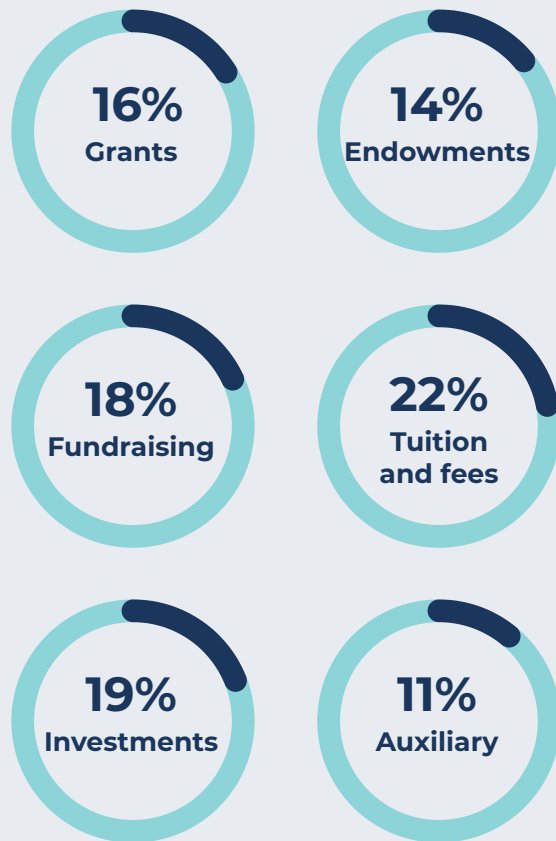
- Directing resources to ensure the best usage of donated funds
- Technology integration
- Engaging and attending to the needs of stakeholders and employees

The optimism education respondents had in 2022 is apparent when analyzing respondents' fundraising efforts for the year. In 2022, between 12–26% of schools raised more than \$500,000.





2023

Education Funding
Breakdown

Tackling Technology Integration

Education organizations expressed two themes: That they are looking to

- Improve inefficient systems
- Invest in cloud technologies

School business offices are targeting technology with an identified goal of ensuring technology is integrated correctly. In [MIP's 2022 Nonprofit Research Study](#), half of the organizations surveyed said they used six or more tools, leading to at least two hours a day spent navigating inefficient systems. In this study, the trend continued. **Some 65% of respondents said aspects of their current systems were time-consuming.**

The hours spent navigating between inefficient systems can add up to 520 hours a year or 25% of a respondent's work week. **With school staff spread thin, investing in technology that creates efficiency is vital.**

To improve these inefficient systems, **68% of respondents expect to increase their investment in technology in 2023.** That investment is happening through cloud-based technologies. In our previous research study, 93% of respondents said they wanted to move their current technology to the cloud. Eliminating inefficiency and meeting employees where they're at helps your organization recapture those wasted hours.

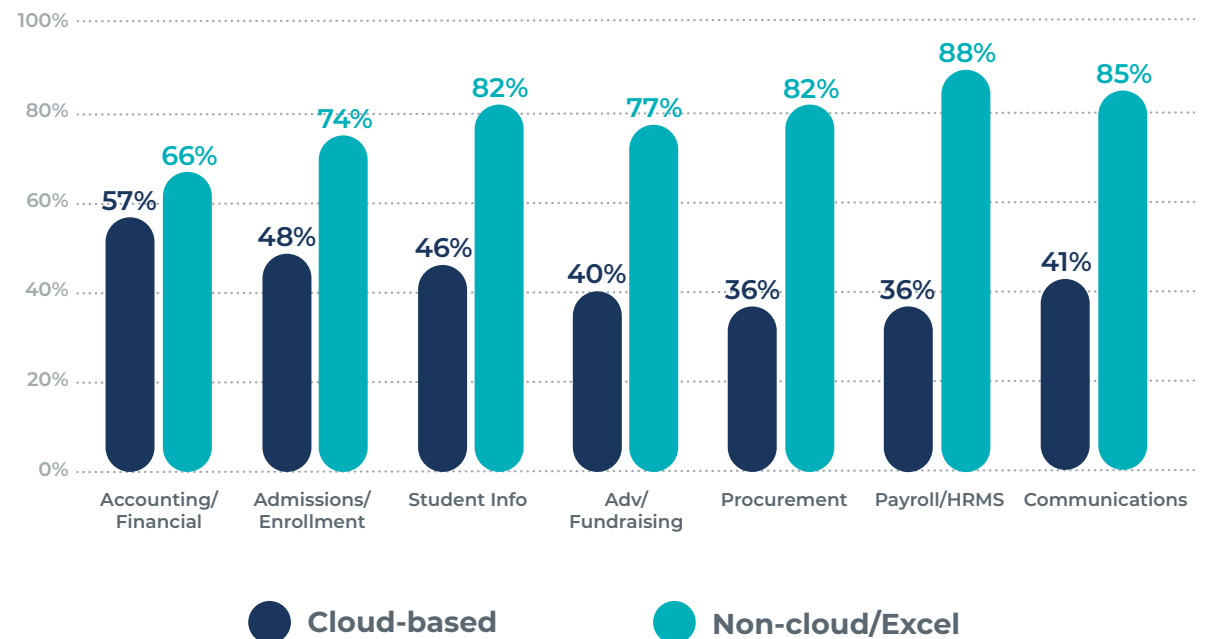
This year, our survey focused on further exploring cloud adoption rates across:

- Accounting/financial systems
- Admissions/enrollment
- Student information
- Advancement/fundraising
- Procurement
- Payroll/HRMS
- Communications

The education sector relies mainly on inefficient non-cloud/Excel-based processes. Of these systems, 57% use a cloud-based system for accounting/financial, 48% for admissions/enrollment, 46% for student information, 40% for advancement and fundraising, 36% for procurement, 36% for payroll/HRMS, and 41% for communication.

The times (and software) are changing. Education respondents plan to adopt more cloud-based technology in 2023. **Fifty-eight percent of respondents who do not have cloud-based accounting software plan to invest in it, and 69% who do not have cloud-based payroll software plan to invest in it in 2023.**

EDUCATION: Current Software Processes

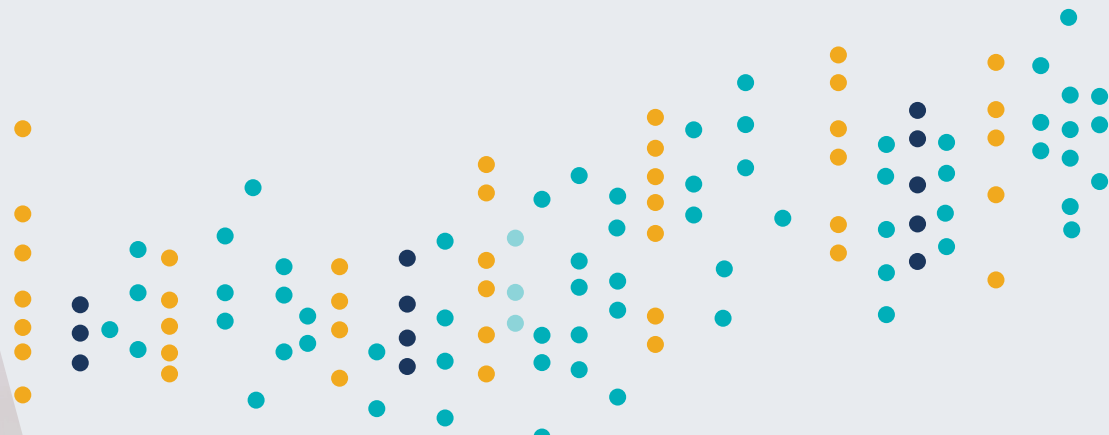


Similar to the nonprofit sector, technology is a vital part of any school, and properly integrating that technology is at the forefront in this uncertain economic climate. **Battling inefficiency and making strategic investments away from siloed systems to multipurpose technology systems that communicate together and can effectively perform multiple tasks is vital to long-term success.**

Concerning the state of education, our research shows the resilient, fast-to-change mentality that drove schools over the last few years will, once again, influence 2023 and position them to continue to go above and beyond for their students, teachers, and staff. Paired with an overwhelmingly positive belief that 2023 revenues will increase points the education sector in a positive direction.



As more schools continue to invest in multipurpose technology and adopt cloud-based technology, eliminating inefficiencies will create opportunities to modernize business office operations and create a more streamlined administrative center, enabling schools to redirect funding to areas of critical need.



Unstoppable Municipalities, Native Nations, and Utilities:

The State of Government
Organizations



Local Governments, Native Nations, and other public agencies have weathered a tumultuous few years of constant institutional change and upheaval from the pandemic. Yet, despite a steady flow of new processes and unforeseen operational hurdles, the sector is deeply leaning into technology and looking for ways to accomplish tasks with increased efficiency.

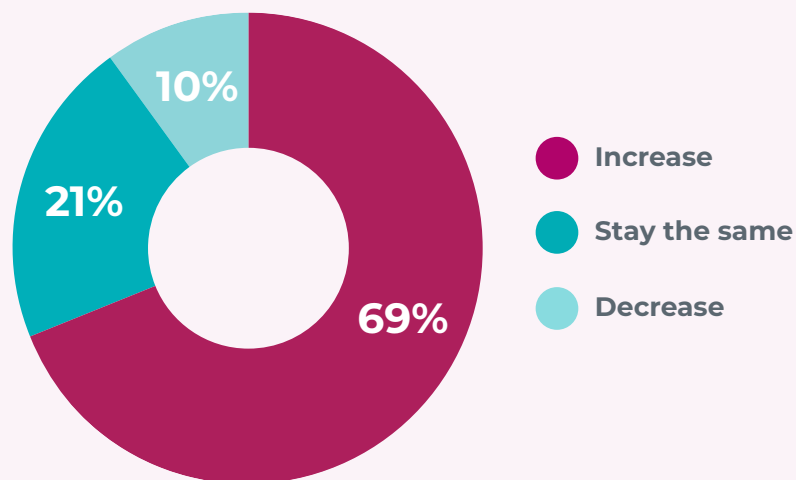
This 2023 Research Study examined the state of the government sector and defined how organizations believed 2023's economic environment would affect various aspects of operations and management, including staffing, technology utilization and efficiency, and technology investment.



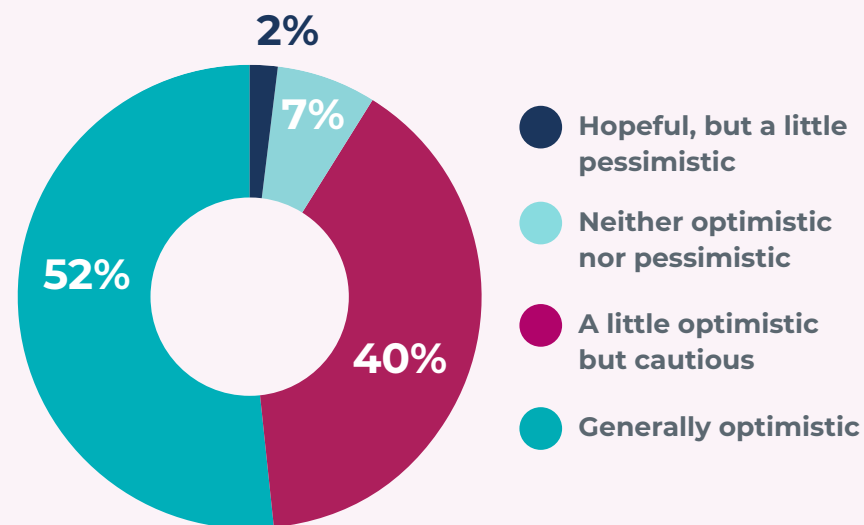


Local government organizations must be resilient for the thousands of citizens counting on them, and that resilience was apparent in our survey. **Some 69% of government respondents expect revenues to increase in 2023, and 92% have an optimistic economic outlook for their organization.**

Annual Revenue Expectations for 2023



Organization's Economic Confidence Concerning 2023



The optimism around revenues matches respondents' thoughts on the economy. **While the government sector was most likely (43%) to believe the economy was in a recession at the end of 2022, respondents were also confident the economy would rebound in 2023.** Sixty-nine percent believe the economy will improve this year.

Of the 33% of respondents who didn't believe the U.S. was in a recession, 34% thought there would be a recession in 2023, and 24% were unsure.

Government respondents had the most positive outlook of any surveyed around operations in 2023.

These respondents said their operational focus for 2023 included:

- Integrating technology
- Planning, tracking, and analyzing finances
- Engaging and tending to the needs of stakeholders
- Hiring and ensuring employees are trained
- Directing resources appropriately
- Identifying new service opportunities

Government respondents were also confident in their ability to hire and retain employees in 2023. Seventy-five percent of respondents said their ability to retain current employees is somewhat better or better in 2023 than in 2022, which was the highest of any surveyed sector.





Tackling Technology Integration

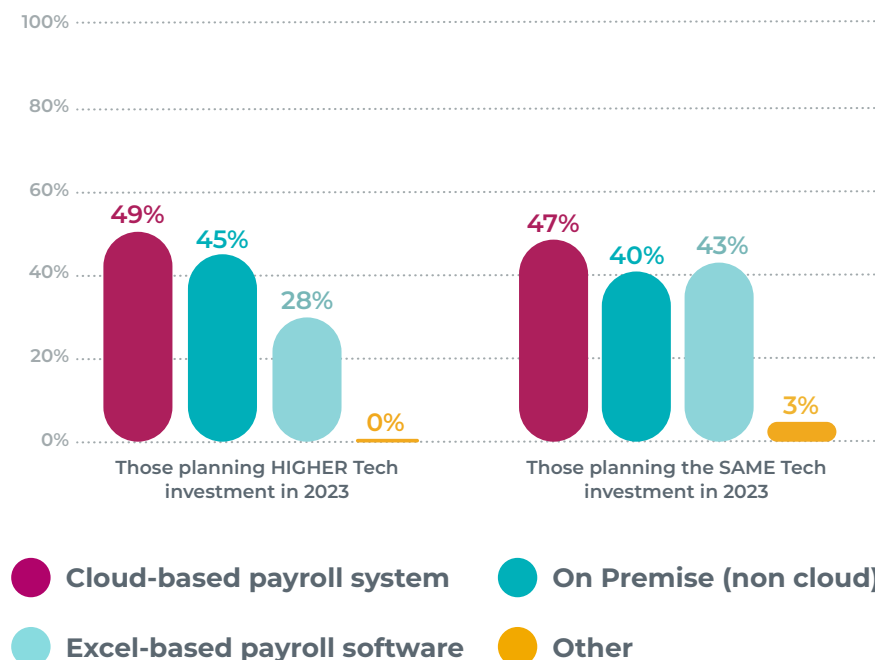
Two themes were apparent in this year's research study; government organizations sought to:

- **Further integrate technology**
- **Migrate legacy technologies to the cloud**

Although government organizations were most likely to have cloud-based technologies throughout their administrative technology stack, many organizations looked to continue their efforts around technology integration. In MIP's 2022 Nonprofit Research Study, which included governmental organizations, half of the organizations surveyed said they used six or more tools, leading to at least two hours a day spent navigating inefficient systems. In this study, the trend continued. **Some 65% of respondents said aspects of their current systems were time-consuming.**

Navigating between time-consuming systems creates inefficiency. **Further integrating technology into your organization is vital to serve constituents and create lasting efficiency.**

GOVERNMENT/NATIVE NATIONS: Current Payroll Software and Plans for Investment in 2023

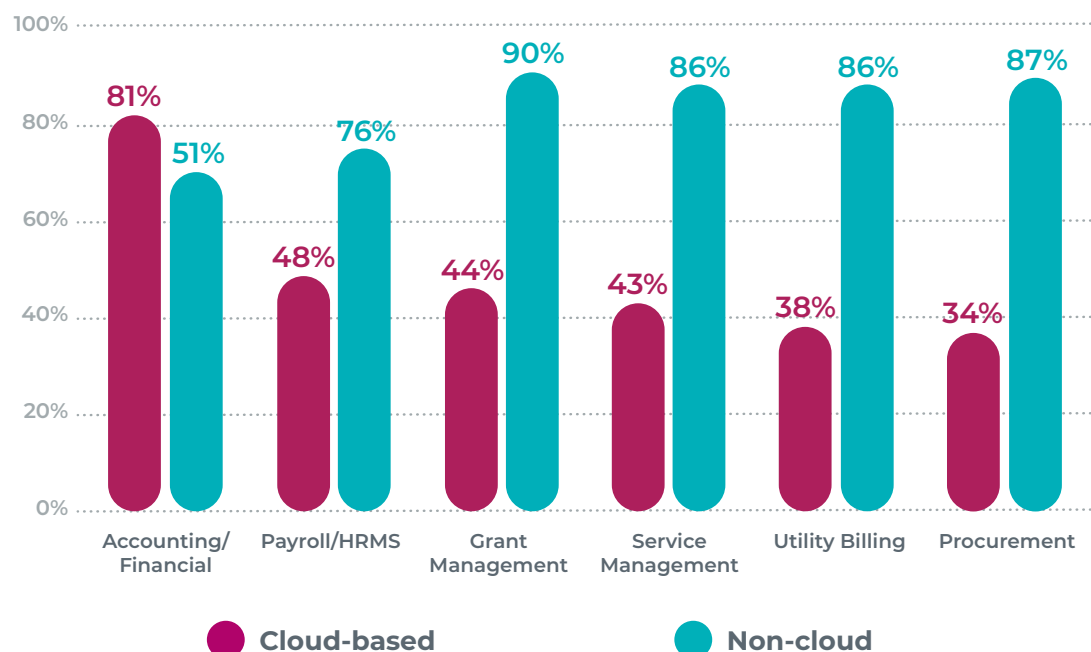


To further integrate systems, **49% of government organizations expect to increase their investment in technology in 2023.**



Technology investment is specifically expressed through cloud-based technologies. In our previous research study, 93% of respondents said they wanted to move their current technology to the cloud. Eliminating inefficiency and meeting employees where they're at helps your organization recapture those wasted hours.

GOVERNMENT/NATIVE NATIONS: Current Software/Processes



This year, our survey focused on further exploring cloud adoption rates across:

- Accounting/financial systems
- Payroll/HRMS
- Grant management
- Service management
- Utility billing
- Procurement

The government sector featured an exciting mix of cloud-based and non-cloud/Excel-based processes. Of these systems, the government sector led in cloud-based adoption rates for accounting/financial systems, with 81% using a cloud-based accounting system.

The other surveyed areas for usage of cloud-based systems lagged: 48% for payroll/HRMS, 44% for grant management, 43% for service management, 38% for utility billing, and 34% for procurement systems.



Investing in more integrated systems and creating efficiency is driving investment.

Government respondents plan to adopt more cloud-based technology in 2023.

57%

of respondents who do not have cloud-based software plan to invest in it

69%

who do not have cloud-based payroll software plan to invest in it in 2023

As the municipal sector has already realized, investing in multipurpose technological systems and examining technology stacks as a whole, instead of individually, is vital to long-term sustained success.

Concerning the state of government organizations, our research shows the resilient, fast-to-change mentality adopted over the last few years will be essential to 2023 success and will require these organizations to retire inefficient technology to continue serving their constituents.

As more organizations look to deepen their use of cloud-based technologies, the eliminated inefficiencies will create a more streamlined administrative force and position government organizations for the future.



Conclusion

Realizing Success Through Opportunities



While change has been a constant these last few years, **opportunities remain.**

With economic uncertainty likely leaving a mark on the nation, organizations are determined to capitalize on unique market opportunities and increase revenues in 2023.

They are doing this by becoming more efficient, specifically targeting technological efficiency. A nimble, multipurpose tech stack is vital to nonprofit success in 2023 and beyond. By adopting multipurpose technology stacks that communicate together, you can optimize each level of your organization's technology and create heightened efficiency.

From identifying new market and revenue opportunities to finding more efficient ways to serve communities, examining your current tech stack and looking for opportunities to condense and decrease infrastructure spending will increase organizational efficiency and create opportunities to reinvest saved time and money into other areas in your organization.



The current economic environment created questions and uncertainty to close out 2022, and nonprofit organizations, schools, and municipalities have answered with an optimistic outlook towards 2023.

Organizations have proved that nothing can damper the positive outlook on the work they produce daily. While the past few years have contributed to current market conditions, organization leaders have responded in force. Determined to capitalize on new opportunities and **continue the positive work started over the last few years, hope is ahead.**

2023 Trends and Insights into the State of Nonprofits, Schools, and Local Governments

MIP Fund Accounting® 2023 Research Study

MIP Fund Accounting® is accounting for your nonprofit's future. Designed to track unlimited funds and manage your financial books with ease, MIP is the nation's leading cloud-based, SaaS fund accounting solution for nonprofits, K-12 schools, healthcare organizations, and government organizations across the country. Our software handles the intricate financial process in a streamlined, user-friendly system. Manage your nonprofit's finances, track every fund, and follow every dollar.

Join thousands of nonprofits using MIP today, and see how our cloud-based solution can position your nonprofit for sustained success.

Let's talk!

Schedule a demo personalized for your organization today.



Data was collected by FINN Partners



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