Grassi’s Nonprofit Professionals are pleased to share the findings from our annual survey of New York and New Jersey nonprofits that was fielded in July and August 2022. This year, over 160 nonprofit leaders, including CFOs, Controllers, CEOs, Executive Directors and Board Members, completed the survey. The findings provide an insightful perspective into current conditions and outlooks – straight from the people who are leading the charge across a broad range of nonprofit sectors and organizations.

**Financial & Operational Challenges**

Our survey report reveals an industry currently facing a unique set of financial and operational challenges, caused in large part by shifting economic factors. These factors present nonprofits with higher demand for services, which varies in intensity by nonprofit sector, as well as rising operational costs that are being experienced across all sectors.

- **68%** of nonprofits reported an *increased demand for services* in 2022 with the highest increases reported in Healthcare and Social Services.
- **74%** of nonprofits experienced *higher operating costs*.
- **44%** of nonprofits reported *funding level increases* to help offset these challenges, the percentage of increase clearly lagged increases in demand and operating costs.

Stabilizing finances and securing additional funding are critical priorities for most nonprofits today.

- **60%** of nonprofits surveyed indicated that their *finances were insufficient to accomplish their missions*, but the scale of concern varied widely by sector:
  - 29% Faith-based organizations
  - 66% Social Services organizations
  - 90% Arts & Culture organizations
Strategically, many nonprofits are taking steps to enhance their relevance or effectiveness

53% instituting new programs and services
28% targeting new populations
43% collaborating with other organizations

The survey also found that

20% of organizations are specifically addressing rising costs by collaborating with other organizations in the areas of administrative, finance or back-office support.

This year, nonprofits experienced improved human resources stability in the areas of layoffs, furloughs and hiring freezes, but attracting and retaining qualified employees remains their top reported HR challenge.

70% of respondents said attracting and retaining qualified people is their number one operational issue, up from 60% in 2021

1 in 5 nonprofits reported changes in executive management in the past 12 months which was comparable with our 2021 findings

12% of organizations reported employee layoffs and furloughs vs. 31% in 2021. The percentage reporting hiring freezes also declined, from 20% in 2021 to 10%

Board Engagement and DEI

Overall, reported board engagement increased this year with 67% of nonprofits saying their boards are engaged or highly engaged, but the assessments varied considerably by sector. When asked if their board reflects the diversity of the population they serve, the percentage saying yes also varied by sector, ranging from a high of 67% for arts and cultural organizations to a low of 17% for healthcare organizations.

In 2021, 50% of respondents reported having a Diversity, Equity and Inclusion (DEI) policy in place and 26% indicated they were working to implement one. This year the overall percentage saying they have a DEI policy was 71%, but responses varied considerably by sector, from a high of 100% for educational institutions to 50% for faith-based organizations.

These findings are just the beginning of the insider insights our survey revealed. Continue reading the full report to discover more meaningful data that can be used to benchmark your own organization and plan confidently for its future.
2022 NONPROFIT LEADERSHIP SURVEY
Fielded July, August 2022

Respondent Organizational Roles

- Social Services: 46%
- Others: 6%
- Healthcare: 11%
- Arts & Culture: 10%
- Education: 10%
- Faith-based: 17%

162 completed surveys span all nonprofit sectors, 99% of organizations located in NY & NJ

Nonprofit leaders: Majority of respondents are CFOs, Controllers, CEOs, Directors, Presidents, or Board Members
ANNUAL BUDGETS VARY BY SECTOR

<table>
<thead>
<tr>
<th>ANNUAL BUDGET</th>
<th>TYPE OF NONPROFIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $1 M</td>
<td>Arts &amp; Culture: 7% Education: 56% Faith-based: 22% Healthcare: 0% Social Services: 12%</td>
</tr>
<tr>
<td>$1 M - $5 M</td>
<td>Arts &amp; Culture: 14% Education: 22% Faith-based: 22% Healthcare: 20% Social Services: 0%</td>
</tr>
<tr>
<td>$6 M - $25 M</td>
<td>Arts &amp; Culture: 14% Education: 11% Faith-based: 33% Healthcare: 31% Social Services: 0%</td>
</tr>
<tr>
<td>$26 M - $100 M</td>
<td>Arts &amp; Culture: 21% Education: 21% Faith-based: 4% Healthcare: 56% Social Services: 23%</td>
</tr>
<tr>
<td>More than $100 M</td>
<td>Arts &amp; Culture: 14% Education: 0% Faith-based: 7% Healthcare: 11% Social Services: 14%</td>
</tr>
</tbody>
</table>
ANNUAL BUDGETS VARY BY SECTOR

56% of Faith-based nonprofits have small budgets of less than a million dollars

58% of Education nonprofits are in the middle range, with budgets ranging from $6 - $25 million

67% of Healthcare nonprofits have larger budgets of $26 million or more

51% of Arts & Culture nonprofits have budgets of less than $5 million

Social Services nonprofits span the range from low to high budgets
### SIZE: FULL-TIME EMPLOYEES

#### NUMBER OF EMPLOYEES

<table>
<thead>
<tr>
<th>Size</th>
<th>Fewer than 50</th>
<th>51 - 99</th>
<th>100 - 499</th>
<th>500 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count (%)</td>
<td>42%</td>
<td>-</td>
<td>20%</td>
<td>24%</td>
</tr>
</tbody>
</table>

#### TYPE OF NONPROFIT

<table>
<thead>
<tr>
<th>Size</th>
<th>Arts &amp; Culture</th>
<th>Education</th>
<th>Faith-based</th>
<th>Healthcare</th>
<th>Social Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fewer than 50</td>
<td>43%</td>
<td>36%</td>
<td>0%</td>
<td>28%</td>
<td>82%</td>
</tr>
<tr>
<td>51 - 99</td>
<td>14%</td>
<td>29%</td>
<td>7%</td>
<td>19%</td>
<td>14%</td>
</tr>
<tr>
<td>100 - 499</td>
<td>14%</td>
<td>21%</td>
<td>4%</td>
<td>33%</td>
<td>23%</td>
</tr>
<tr>
<td>500 or more</td>
<td>14%</td>
<td>29%</td>
<td>7%</td>
<td>30%</td>
<td>56%</td>
</tr>
</tbody>
</table>

- **42%** of nonprofits surveyed have **fewer than 50 employees**
- **82%** of **Faith-based** nonprofits are more likely to have **fewer than 50 employees**
- **56%** of the majority of **Healthcare** nonprofits employ **500 or more people**
- **Social Services** nonprofits span the range, **from few to many employees**
Demand for services continued to increase in 2022 with 68% reporting an increase vs. 53% in 2021.

Operating costs increased significantly with 74% reporting an increase vs. 33% in 2021.

Funding levels increased in 2022. 44% reported an increase in funding vs. 26% in 2021. In 2022, only 21% reported a decrease in funding vs. 47% in 2021.
## Change in Demand, Costs, & Funding by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Demand</th>
<th>Cost</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Arts &amp; Culture</strong></td>
<td>64%</td>
<td>73%</td>
<td>47%</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>66%</td>
<td>93%</td>
<td>27%</td>
</tr>
<tr>
<td><strong>Faith-based</strong></td>
<td>58%</td>
<td>75%</td>
<td>46%</td>
</tr>
<tr>
<td><strong>Healthcare</strong></td>
<td>70%</td>
<td>80%</td>
<td>40%</td>
</tr>
<tr>
<td><strong>Social Services</strong></td>
<td>68%</td>
<td>75%</td>
<td>44%</td>
</tr>
</tbody>
</table>

- **Demand for services is up**, especially in Healthcare and Social Services
- **Operating costs** are up across the board
- Even though **funding has increased**, it lags demand and costs. The gap between funding and costs is the largest in Education.

Increase Decrease

Increase Decrease

Increase Decrease
The percentages varied widely by sector:

- **Faith-based organizations**: 29%
- **Social services**: 66%
- **Arts organizations**: 90%

60% of respondents indicated that their finances were not adequate to accomplish their mission.

40% of respondents indicated that their finances were sufficient for mission.

**CURRENT FINANCIAL SUSTAINABILITY TO ACCOMPLISH MISSION**
## TOP SECTOR NEEDS

Top priorities varied by sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Need #1</th>
<th>Need #2</th>
<th>Need #3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts &amp; Culture</td>
<td>79% Secure more funding to cover overhead/indirect costs</td>
<td>74% Stabilize revenues and cash flow</td>
<td>64% Attract and retain qualified people</td>
</tr>
<tr>
<td>Arts &amp; Culture</td>
<td></td>
<td>74% Stabilize revenues and cash flow</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>71% Attract and retain qualified people</td>
<td>57% Develop new programs and services</td>
<td>43% Stabilize revenues and cash flow</td>
</tr>
<tr>
<td>Faith-based</td>
<td>59% Stabilize revenues and cash flow</td>
<td>44% Secure more funding to cover overhead/indirect costs</td>
<td>37% Develop new programs and services</td>
</tr>
<tr>
<td>Faith-based</td>
<td>59% Stabilize revenues and cash flow</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthcare</td>
<td>67% Attract and retain qualified people</td>
<td>56% Develop new programs and services</td>
<td>44% Keep pace with digital technology</td>
</tr>
<tr>
<td>Healthcare</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Services</td>
<td>73% Attract and retain qualified people</td>
<td>59% Stabilize revenues and cash flow</td>
<td>54% Develop new programs and services</td>
</tr>
<tr>
<td>Social Services</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
WHAT NONPROFITS NEED TO BE OPERATIONALLY SUCCESSFUL

- To attract and retain qualified people: 70%
- To secure more funding for overhead/indirect costs: 56%
- To stabilize revenues and cash flow: 56%
- To develop new programs and services: 53%
- To keep pace with digital technology: 47%
- To raise capital for infrastructure development: 31%
- To improve financial reporting: 19%
- To establish shared-services partnerships: 12%
- To merge/collaborate with other organizations: 11%

70%
Attracting and retaining qualified people continues to be the number one issue for nonprofits, increasing to 70% this year, up from 60% in 2021.

56%
Securing more funding remained a priority for 56% of respondents again this year and the percentage seeking to stabilize revenues and cash flows modestly increased from 54% in 2021 to 56%.

53%
The need to develop new programs and services moved up in the rankings from 35% to 53% this year.

47%
Keeping pace with digital technology was ranked virtually the same (46% vs. 47%) year over year.

31%
Raising capital for infrastructure development increased from 24% to 31%.
More nonprofits (53%) created new programs and services in 2022 vs. 42% in 2021

43% collaborated with other organizations to deliver programs and services

20% collaborated with other organizations for administration, finance, or back office support

28% targeted populations not previously served

6% changed their mission statement

The number reporting collaboration with other organizations increased somewhat, to 43% from 36% in 2021

The percentage of organizations targeting populations not previously served (28%) also increased somewhat, up from 22% in 2021
Respondents experienced these HR-related events in the past year:

- **20%** Change in executive level management
- **12%** Downsizing
- **10%** Hiring Freeze
- **3%** Merger
- **2%** Reduction in Benefits

### Key Findings:

- **1 in 5** The percent reporting changes in executive management remained the same at 1 in 5 in 2022.
- **12%** Significantly fewer (12%) reported layoffs and furloughs in 2022 vs. 31% in 2021.
- **10%** Hiring freezes declined from 20% in 2021 to 10% in 2022.
- **3%** Mergers with other organizations declined slightly to 3% from 5% in 2021.
- **2%** Significantly fewer nonprofits reported reducing employee benefits – just 2% vs. 12% in 2021.
67% of respondents said that their board was not very or somewhat engaged.

There was no relationship between reported engagement and the size of the nonprofit.

The lowest two levels of reported board engagement varied by sector:

- Faith-based: 58%
- Education: 58%
- Arts & Culture: 40%
- Social Services: 25%
- Healthcare: 14%

Reported Board Engagement increased to 67% overall this year, compared to 2021 when 58% of respondents reported that their board members were engaged or highly engaged.
Responses on Board Financial Understanding varied by sector

- **Arts & Culture** had respondents clustered at both ends of the spectrum.
- **All Healthcare and Faith-based organizations** reported that Board Financial Understanding was adequate or excellent.
- About 4 out of 5 **Education and Social Services organizations** reported adequate or excellent understanding.
Overall, 59% of respondents said their organization’s board monitors cash flow and liquidity.

- Arts & Culture: 67%
- Education: 61%
- Faith-based: 61%
- Social Services: 60%
- Healthcare: 33%
Overall, **57%** reported that their boards review profit and loss statements at the program level. (Same as last year)
ANNUAL BOARD PERFORMANCE & SKILLS ASSESSMENTS

**Healthcare**: 17%

**Social Services**: 12%

**Faith-based**: 11%

**Education**: 8%

**Arts & Culture**: 0%

BOARD MEMBERS HAVE SUFFICIENT GOVERNANCE TRAINING

**Healthcare**: 83%

**Social Services**: 54%

**Faith-based**: 44%

**Education**: 33%

**Arts & Culture**: 11%
BOARD UNDERSTANDS CORPORATE & OVERSIGHT RESPONSIBILITIES

- Healthcare: 83%
- Social Services: 67%
- Faith-based: 61%
- Education: 58%
- Arts & Culture: 44%

BOARD FOCUSES MORE ON STRATEGY THAN OPERATIONS

- Healthcare: 58%
- Social Services: 50%
- Faith-based: 36%
- Education: 33%
- Arts & Culture: 22%
BOARD REFLECTS DIVERSITY OF POPULATION SERVED

- Arts & Culture: 67%
- Education: 33%
- Healthcare: 17%
- Faith-based: 50%
- Social Services: 36%
**ORGANIZATION HAS A DEI POLICY**

71% **have a DEI policy**

**DEI policy by sector**
- Education: 100%
- Arts & Culture: 90%
- Healthcare: 80%
- Social Services: 70%
- Faith-based: 50%

29% **do not have a DEI policy**

50% reported having a DEI policy in place in 2021

100% of Educational organizations said they have a DEI policy

26% said they were working on the DEI policy in 2021

71% This year (2022) the overall percentage reporting having a policy increased to 71%

50% Faith-based organizations are the least likely (50%) to have a DEI policy
TECHNOLOGIES NONPROFITS ARE CONSIDERING

Cybersecurity and data analytic tools are top-of-mind across all sectors

- **43%** Cybersecurity
- **41%** Data analytic tools
- **7%** Artificial Intelligence (AI)
- **14%** Continuous audit software
- **6%** Other technologies
- **3%** Blockchain
- **4%** Robotic Process Automation (RPA)
ORGANIZATION BUSINESS CONTINUITY/ DISASTER RECOVERY PLANS

49% have a Plan
51% do not have a Plan

Disaster Recovery Plans by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>88%</td>
</tr>
<tr>
<td>Social Services</td>
<td>54%</td>
</tr>
<tr>
<td>Education</td>
<td>54%</td>
</tr>
<tr>
<td>Arts &amp; Culture</td>
<td>43%</td>
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<tr>
<td>Faith-based</td>
<td>27%</td>
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</table>
Grassi’s Nonprofit advisors help organizations fulfill their missions through operational efficiencies, risk management and financial health. Our dedicated team of nonprofit specialists are highly skilled at identifying and addressing the operational, technology, governance and other issues that keep your organization from reaching its highest goals.

We serve nonprofits across the sector, including social service, community-based, healthcare, educational, religious, and philanthropic organizations, as well as foundations, housing organizations, and nonprofits that are subject to Uniform Guidance.

In addition to our data-driven audit, tax and compliance services, Grassi’s Nonprofit advisors deliver proactive solutions for sustainability planning, internal controls, reputation management, succession planning, outsourced CFO, forensic accounting and more.

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

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