



2025 Annual Report State of the Nonprofit Sector

Rising to the Moment
in Evolving Times

forv/s
mazars



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Introduction

In a year of economic uncertainty, workforce challenges, and pressing societal problems, nonprofits have risen to the moment by creating positive change throughout the U.S. and abroad.

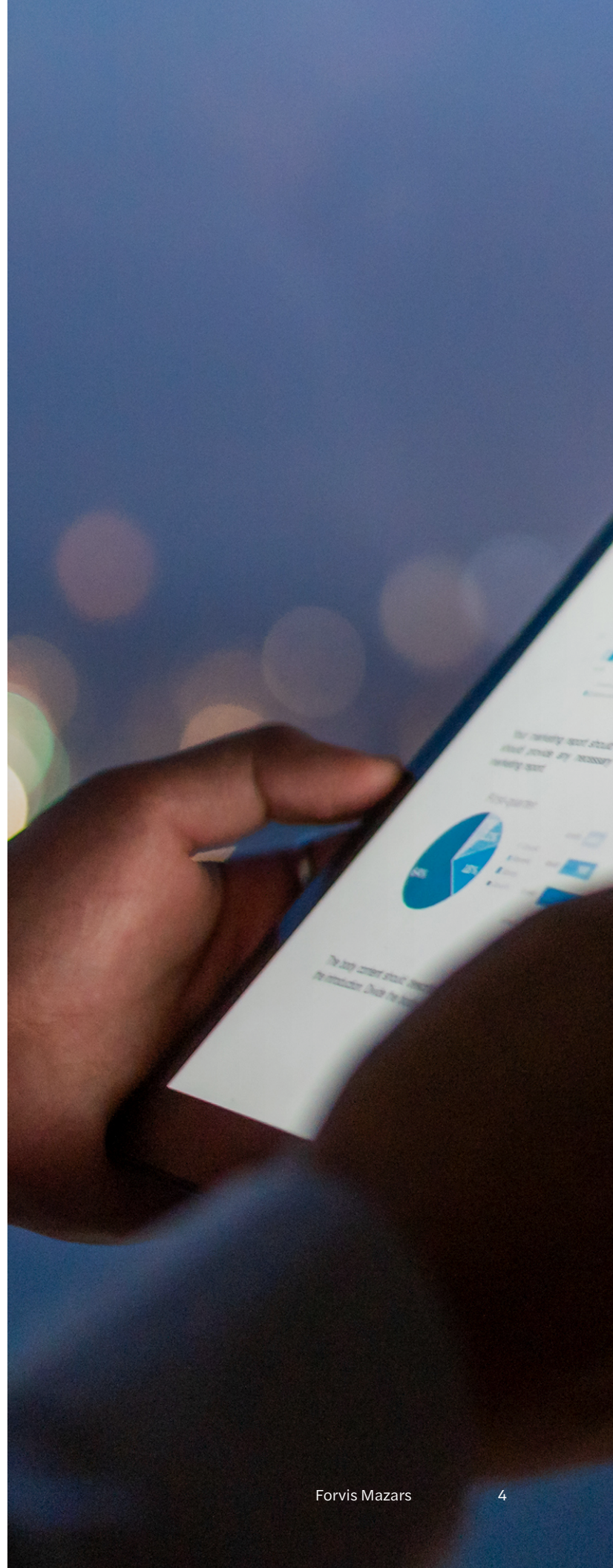
To keep pace with rapidly evolving technology, changing funding priorities, and major shifts in demographics, organizations have adopted innovative approaches to meet urgent needs and deepen their engagement with the communities they serve. These strategies have helped the sector to not only survive, but to thrive.

We conducted surveys and interviews with nonprofit leaders across the nation. The results ranged from expected to surprising. We discovered that some organizations are still reeling from the pandemic, having never fully recovered from the economic and emotional impact of that crisis. We also found that many organizations are flourishing in the post-pandemic era.

Our goal in this fifth edition of the State of the Nonprofit Sector Report from Forvis Mazars was to uncover insights to help nonprofit leaders, funders, and other change agents better understand the evolving industry. We hope you find the information valuable as you evaluate your own work and make plans for the future.



Dan Prater
Author, Senior Manager





Key Findings

65%

are hampered by staffing shortages.

3 out of 4

have eliminated staff and reduced programs and services.

77%

had an increase in demand for their programs and services.

87%

had an increase in requests for mental health programs and services.

- Almost half of nonprofits lack sufficient funds to deliver their programs and services.
- Contributions from individuals decreased more than any other source of revenue.
- More than three out of four organizations report difficulty recruiting senior leaders.
- About two-thirds of nonprofits do not have a leadership mentoring program.
- The number of organizations with staffing shortages has decreased by 15% in the past two years.

Methodology

This report contains information from more than 230 professionals in the nonprofit sector throughout the United States. Surveys and interviews were used to gather information on tax-exempt organizations' finances, staffing, governance, technology, and programs.

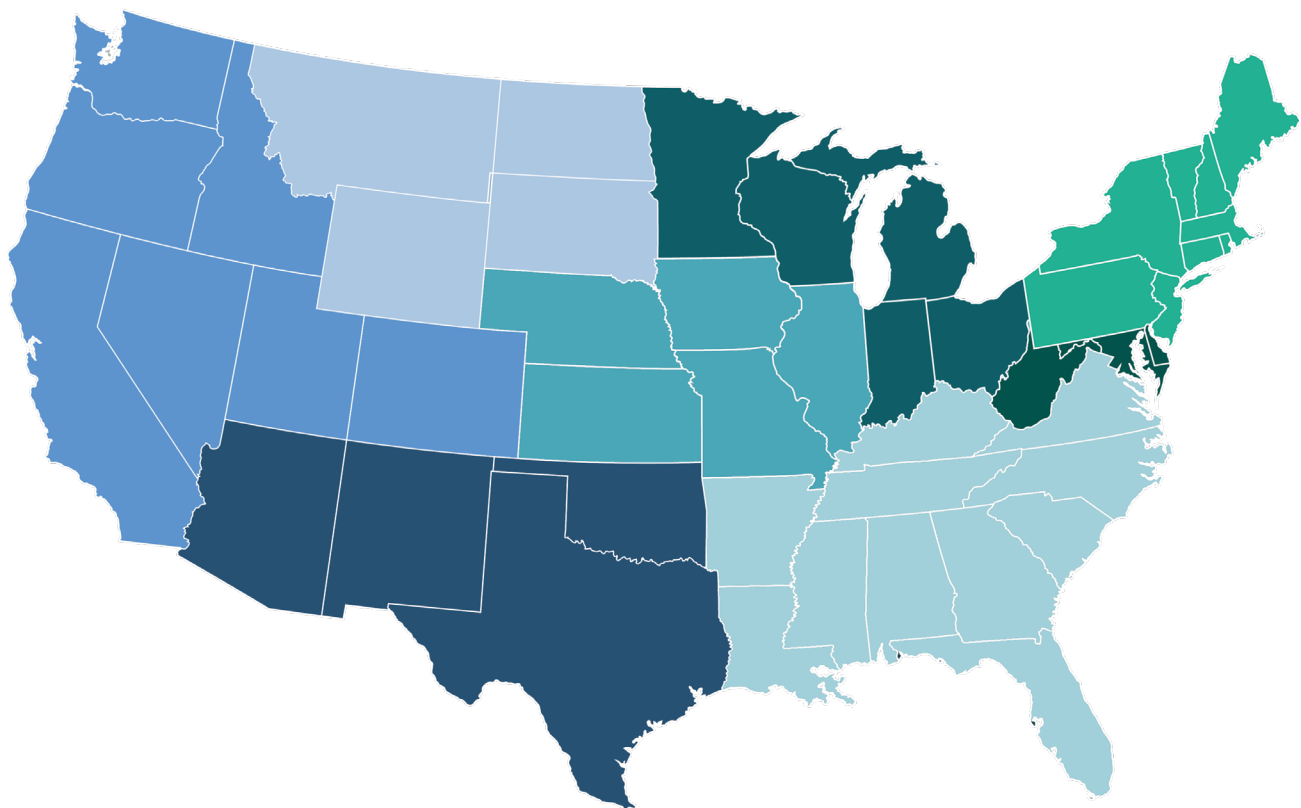
Survey distribution and participation included individuals and organizations representing diverse backgrounds, interests, and regions.

Participants

Participants were from organizations in 34 states, with the biggest representation from Texas, Missouri, New York, Indiana, and Ohio.

There are more than 25 categories of 501(c) tax-exempt organizations, with two divisions—charitable (donations are tax-deductible) and noncharitable.

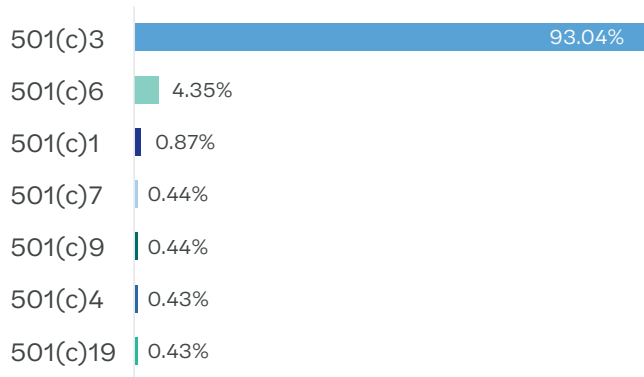
Information in this study is from leaders primarily representing 501(c)(3) nonprofits. These organizations are classified as public charities or private foundations and are required to operate for religious, charitable, scientific, testing for public safety, literary, educational, or other specified purposes that meet all IRS requirements for tax-exempt status.



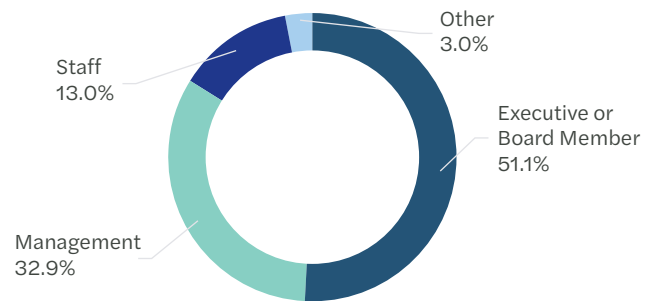
Regions

West – 12.12%	Southwest – 19.05%
Great Lakes – 13.85%	South – 15.58%
Mid-Atlantic – 1.73%	Midwest – 22.51%
Northeast – 15.15%	Plains – 0%

501(c) Type



Role of Respondent

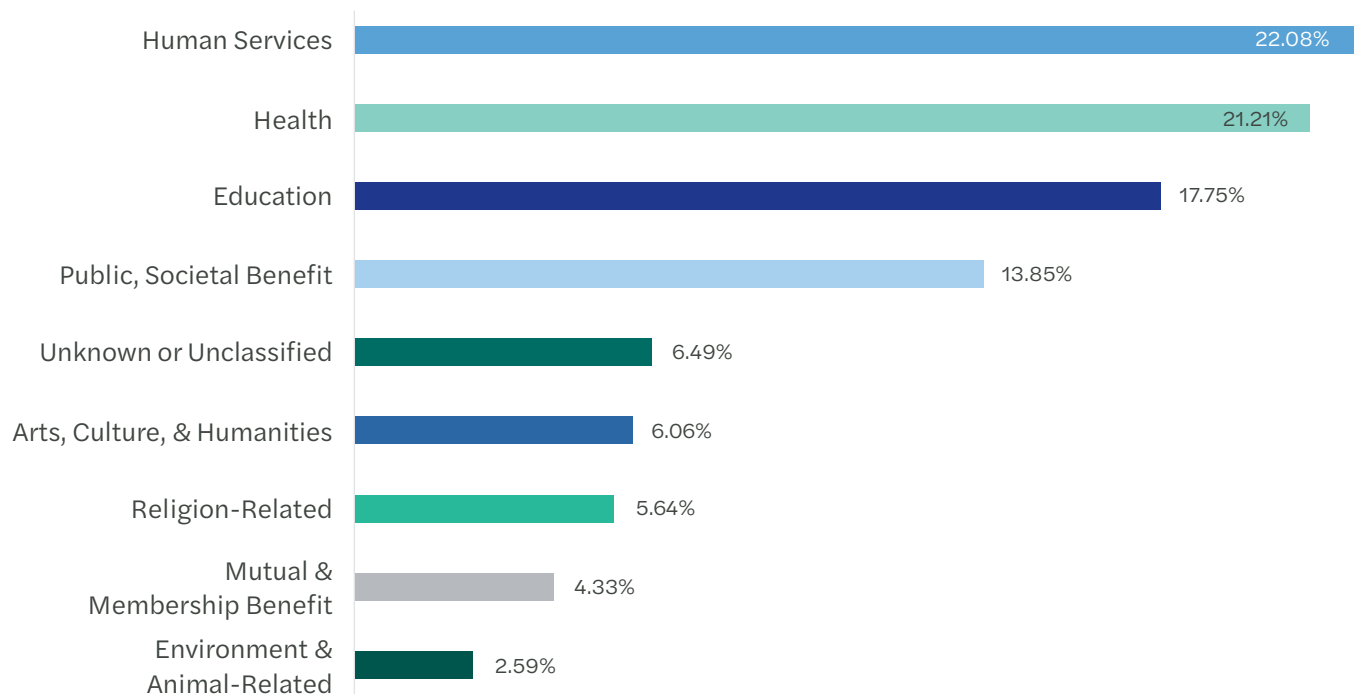


Focus Area of Participating Organizations

Organizations were grouped by National Taxonomy of Exempt Entities (NTEE) codes, a system that divides the nonprofit sector into major categories. The IRS assigns an NTEE code to each organization when they are recognized as tax-exempt.

The largest representation was from the Human Services (22.08%) category, followed by Health (21.21%), and Education (17.75%). Organizations classified as Human Services provide critical programs and services for millions of citizens each day. Examples include homeless shelters, assistance to victims, disaster recovery, and job assistance.

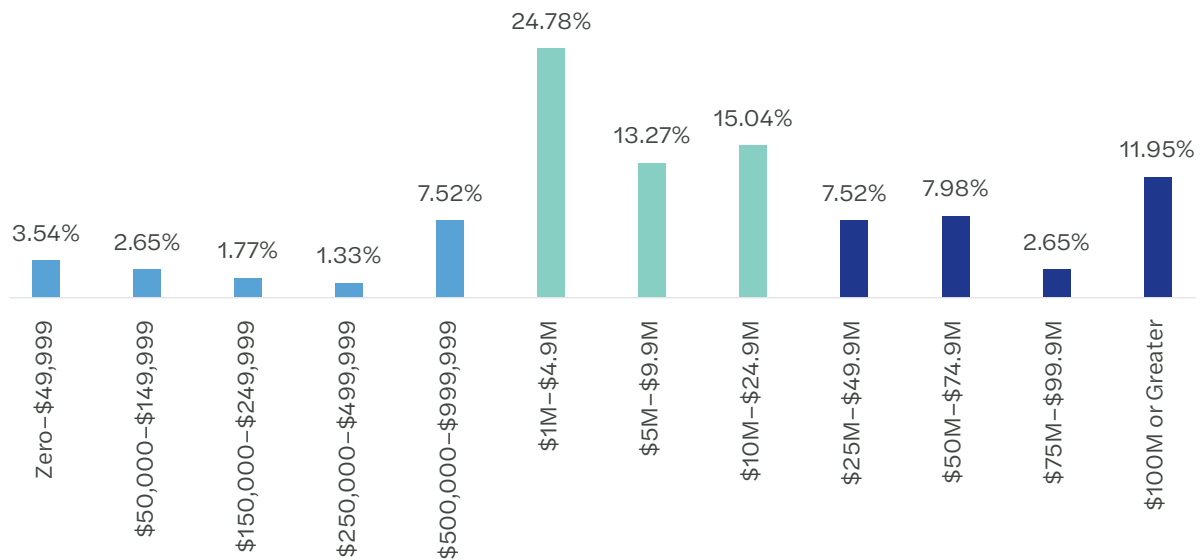
Focus Area



Annual Revenue Range

The biggest representation was from midlevel organizations with annual gross receipts between \$1 million and \$24.9 million. Within this group, most had annual operating budgets between \$1 million and \$4.9 million.

Zero–\$49,999	3.54%	16.81% Small 0–\$999,999
\$50,000–\$149,999	2.65%	
\$150,000–\$249,999	1.77%	
\$250,000–\$499,999	1.33%	
\$500,000–\$999,999	7.52%	
\$1M–\$4.9M	24.78%	53.09% Midlevel \$1M–\$24.9M
\$5M–\$9.9M	13.27%	
\$10M–\$24.9M	15.04%	
\$25M–\$49.9M	7.52%	30.10% Large \$25M+
\$50M–\$74.9M	7.98%	
\$75M–\$99.9M	2.65%	
\$100M or Greater	11.95%	

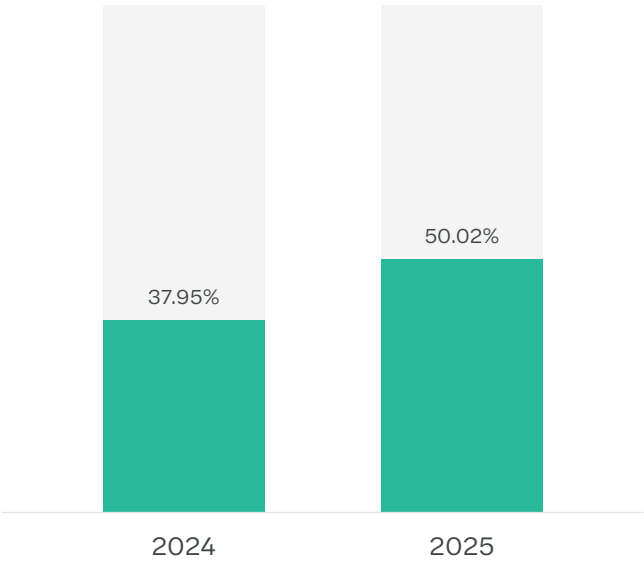


Financial Impact



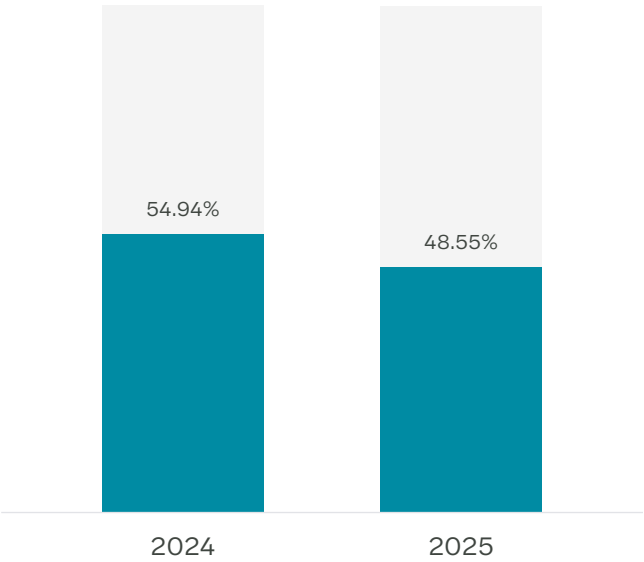
A resilient 2024 economy helped boost the financial position of some nonprofits, but increasing costs and an end to pandemic-era funding created nagging anxiety and a rise in concern for almost half.

Nonprofits concerned about their current financial condition.



The percent of those that are very concerned about their current financial condition is nearly 60% higher than the previous year’s total.

Nonprofits pleased with their current financial condition.



How do you feel about your organization’s current financial position?

	2025	2024	Change %
I Am Very Concerned	13.20%	8.30%	+ 59.03%
I Am Somewhat Concerned	36.82%	29.65%	+ 24.18%
I Am Unsure How to Feel	1.43%	7.11%	- 79.88%
I Am Somewhat Pleased	28.72%	35.97%	- 20.15%
I Am Very Pleased	19.83%	18.97%	+ 4.53%

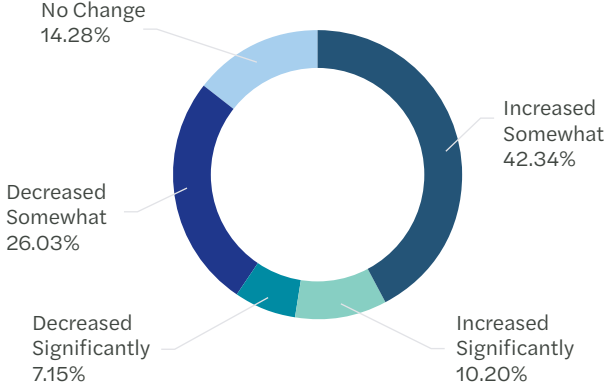
Key factors such as cash flow, assets, liabilities, and equity help determine an organization’s financial position.

Most nonprofits are pleased with their current financial position; more than half (52.5%) have experienced an improvement over the past 12 months.



How does your organization's financial position compare to one year ago?

	2025	2024	Change %
Increased Significantly	10.20%	5.98%	+ 70.56%
Increased Somewhat	42.34%	44.62%	- 5.10%
No Change	14.28%	19.12%	- 25.31%
Decreased Somewhat	26.03%	26.30%	- 1.02%
Decreased Significantly	7.15%	3.98%	+ 79.64%

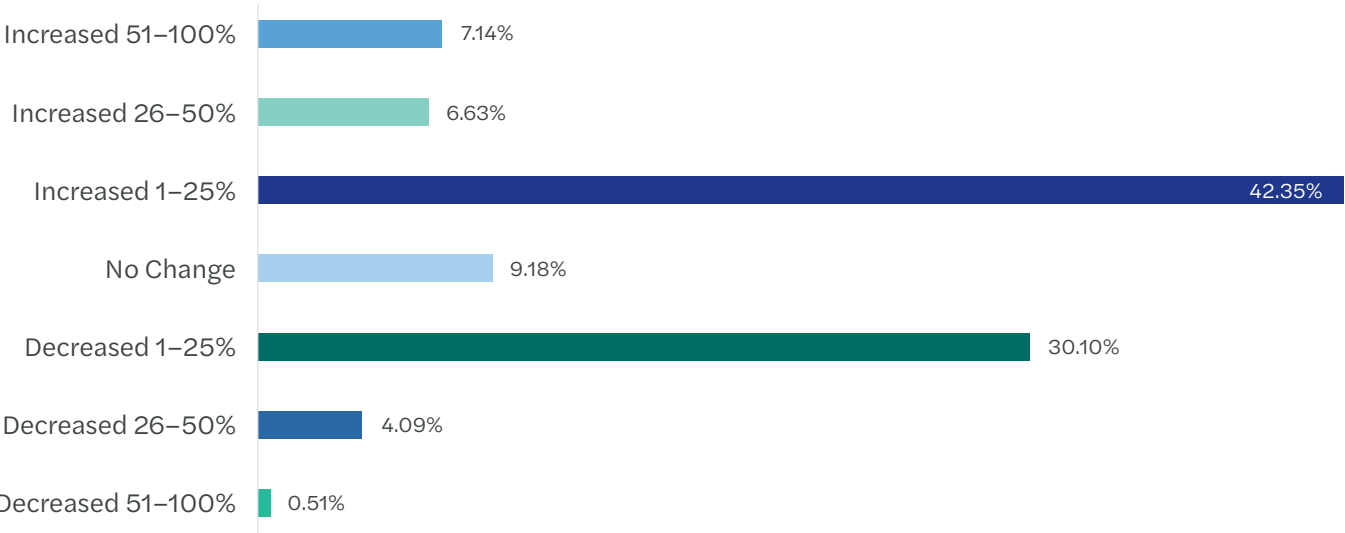


Revenue Changes

Net income is a key barometer of financial health and stability. These funds—money remaining after expenses—are used by nonprofits to support operations and mission-related activities.

The past year's strong market growth helped increase the overall net income for more than half of the organizations.

How has your organization's net income changed over the past year?



56%

Increased Net Income

35%

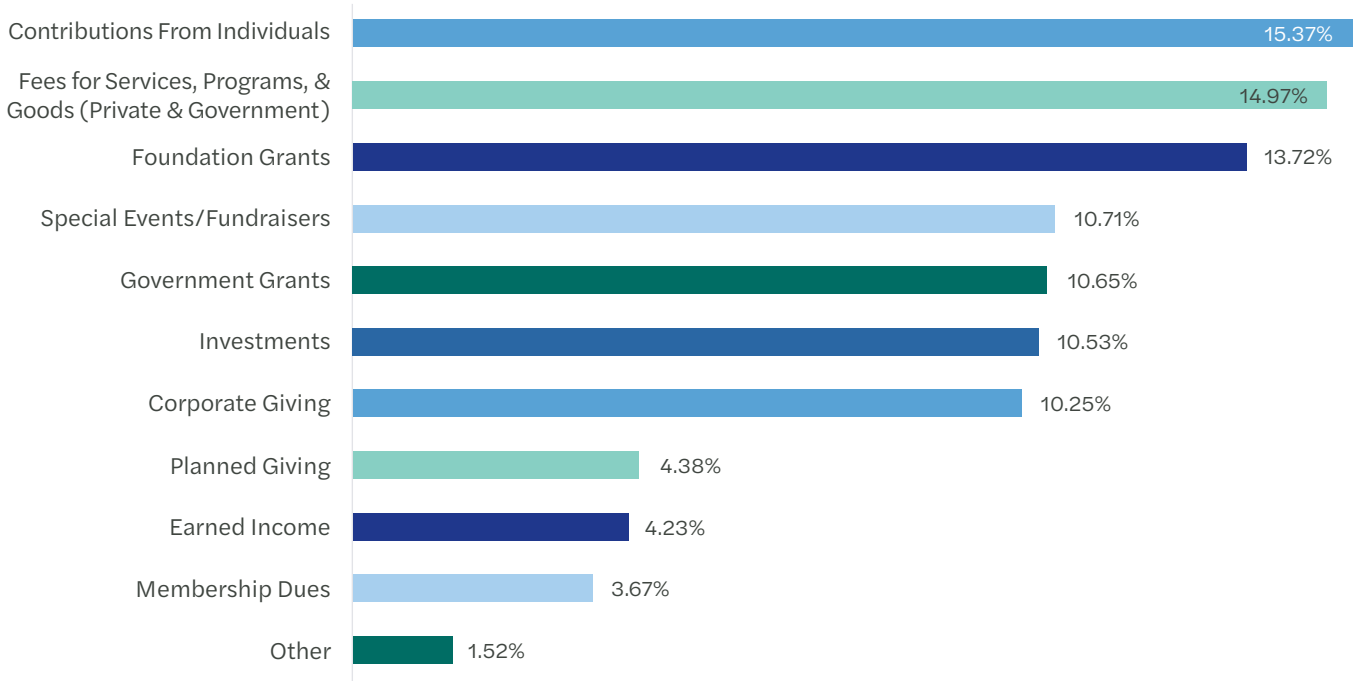
Decreased Net Income

Revenue Sources

Nonprofits strive to maintain a diverse portfolio of revenue streams to enhance their stability and reduce their dependence on one or only a few sources.

Contributions from individuals and fees for services continue to be the largest source of revenue for most organizations.

Which sources make up your organization's typical annual revenue funding?



How much of your organization's current revenue is from the following sources?

More than three-fourths of revenue for the entire nonprofit sector derives from fees for services and performing government grants and contracts. The federal government, states, counties, and cities issue

grants to nonprofit organizations to deliver important services. By a clear margin, this remains the most significant source of revenue for organizations in our study.

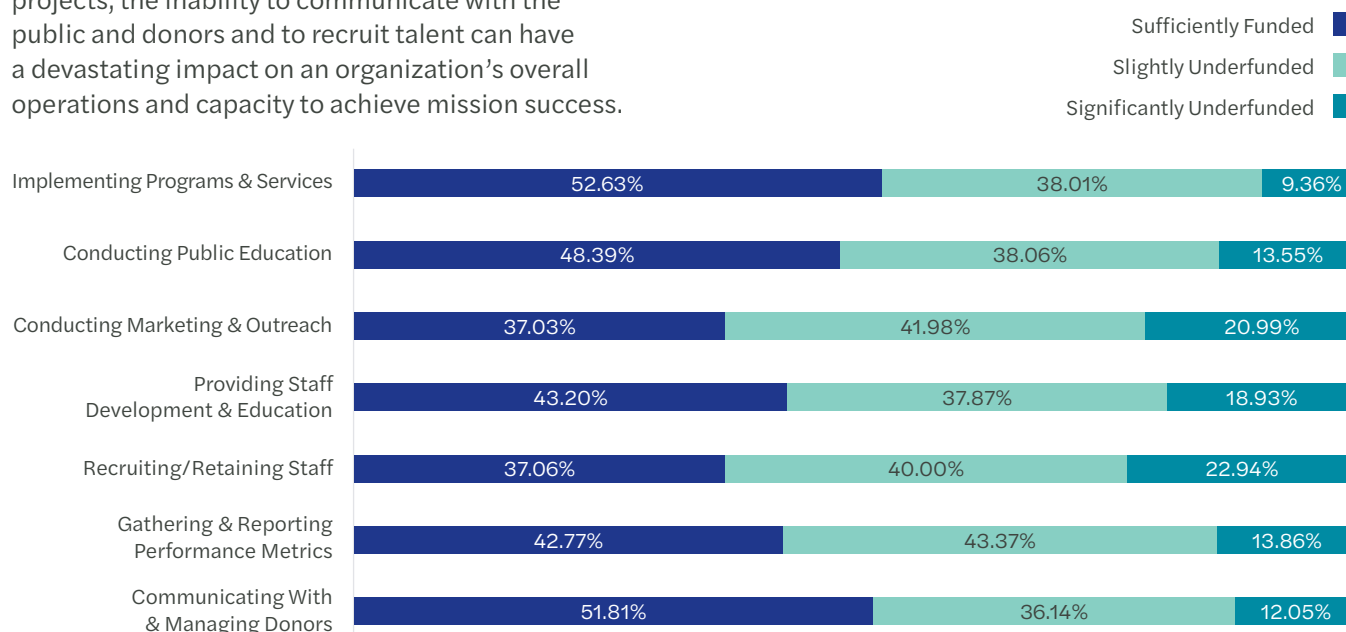
Current Year Revenue Source	1–24%	25–49%	50–74%	75–100%
Fees for Services, Programs, & Goods (Private & Government)	35.2%	16.2%	21.9%	26.7%
Contributions From Individuals	62.2%	18.0%	15.3%	4.5%
Membership Dues	50.0%	7.7%	26.9%	15.4%
Foundation Grants	66.3%	17.9%	10.5%	5.3%
Government Grants	62.8%	15.4%	9.0%	12.8%
Special Events/Fundraisers	79.9%	17.5%	2.6%	0.0%
Corporate Giving	91.7%	6.9%	1.4%	0.0%
Planned Giving	96.4%	3.6%	0.0%	0.0%
Earned Income	67.8%	25.8%	3.2%	3.2%
Investments	78.3%	8.7%	4.3%	8.7%
Other	28.5%	28.6%	42.9%	0.0%

How well is your organization able to fund the following activities based on your current financial health?

The two most underfunded organizational activities are marketing and outreach (63.0%) and recruiting/retaining staff (62.9%). While such activities may not be as appealing to funders as program-related projects, the inability to communicate with the public and donors and to recruit talent can have a devastating impact on an organization's overall operations and capacity to achieve mission success.

47%

of nonprofits are inadequately funded to implement their programs and services.



How has revenue from these sources changed over the past year?

Decreasing inflation, robust spending, and lower interest rates were among factors contributing to a strong U.S. economy in 2024. This helped 71.8% of

nonprofits see an increase in investment revenue. Other revenue gains came from earned income (59.3%) and fees for services, programs, and goods (45.7%).

Current Year Revenue Source	Increased Significantly	Increased Somewhat	No Change	Decreased Somewhat	Decreased Significantly
Fees for Services, Programs, & Goods (Private & Government)	5.71%	40.00%	30.48%	22.86%	0.95%
Contributions From Individuals	4.55%	34.53%	24.55%	33.64%	2.73%
Membership Dues	0.00%	22.22%	51.85%	22.22%	3.71%
Foundation Grants	7.37%	34.74%	33.68%	24.21%	0.00%
Government Grants	6.48%	24.68%	40.26%	24.68%	3.90%
Special Events/Fundraisers	1.28%	25.64%	39.74%	29.49%	3.85%
Corporate Giving	1.37%	26.03%	38.35%	32.88%	1.37%
Planned Giving	6.90%	20.69%	58.62%	13.79%	0.00%
Earned Income	3.13%	56.25%	28.12%	12.50%	0.00%
Investments	12.68%	59.15%	25.35%	2.82%	0.00%
Other	0.00%	25.00%	37.50%	37.50%	0.00%

For the second year in a row, contributions from individuals decreased more than any other source of revenue.

Contributions from individuals continue to decline, reflecting a downward slope of philanthropy in our nation.

For decades, giving from individuals has been the single largest source of dollars given to charitable organizations. However, the industry has experienced a noticeable decline in contributions from individuals over the past few years. The Lilly Family School of Philanthropy's Giving USA report says the total share from individual givers declined from 73% in 2013 to only 67.2% in 2023.¹

Clearly, the economy has played a major role in this trend. Other factors include a declining confidence in nonprofits and the perception that megadonors should provide the bulk of donations to organizations.

Other significant declines were in corporate giving (6.9%) and special events/fundraisers (6.4%). The decline in corporate philanthropy is generally attributed to variables such as stubborn inflation, the stock market, shifting company priorities, and consumer demands.

Companies are giving smaller donations to nonprofit organizations than they used to. According to The Chronicle of Philanthropy, charitable contributions are now about 0.8% of corporate earnings, substantially less than the 1.6% to 2.0% most were giving around 20 years ago.²

Operational Reserves

Nonprofits build cash reserves to maintain stability in the event of unplanned expenses or emergencies.

Three somewhat equal groups of organizations emerged in this year's report. About one-third (36.7%) increased their operating reserves, about one-third (32.0%) remained unchanged, and about one-third (31.3%) decreased.

There has been a steady decline in the number of organizations with seven months or more in cash reserves over the past three years.

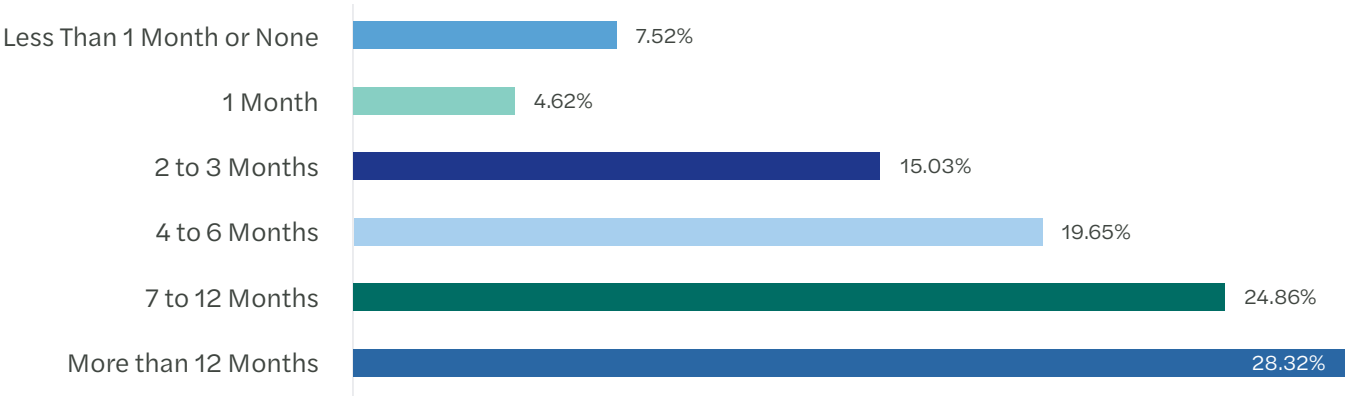
"We rely 100% on private donations; the decline in contributions has caused us to significantly reduce two programs, while eliminating another program, all of which are deeply concerning to management, staff, the board, and our donors."

Kevin Gabriel
CFO, City Union Mission
Kansas City, MO

In 2022, 63.6% of organizations had seven months or more in reserves. This year, that percent is 53.18%—a 16% decline.

Most attribute the drop in reserves to inflation, rising staff compensation, donor fatigue, and costs associated with increasing requests for assistance.

Approximately how many months of operating reserves does your organization have at this time?



Operational Costs

As the industry competes with for-profit corporations for quality employees, organizations continue to increase salaries and benefits. This has become a major expenditure for most nonprofits as more than 80% report increasing labor costs in the past year.

Other significant increases were for professional services (up 69.7%), which includes specialized services such as legal, IT, and accounting, and a 65.6% increase in taxes and insurance.

Human Services organizations had the highest cost increases (58.5%) of all subsectors, followed by Religion-Related and Arts, Culture, and Humanities.

How have your organization’s operational costs changed over the past year?

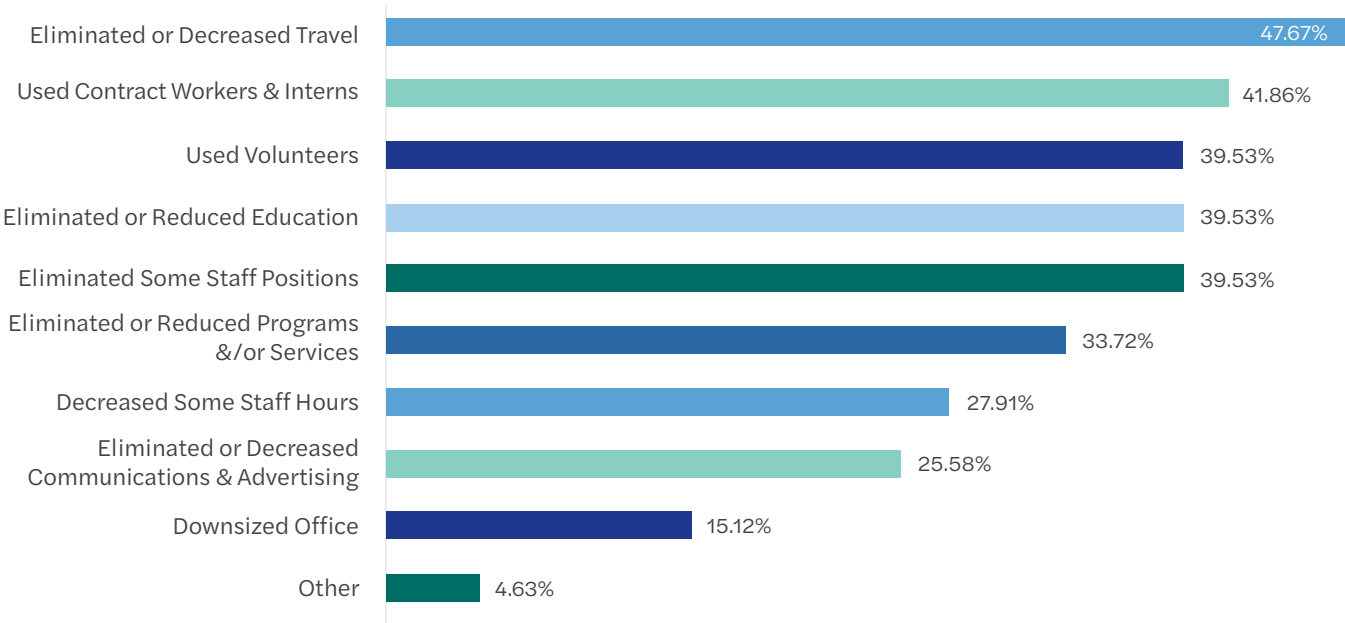
	Increased Significantly	Increased Somewhat	No Change	Decreased Somewhat	Decreased Significantly
Salaries & Benefits	26.10%	60.60%	8.50%	4.80%	0.00%
Rent, Lease, or Mortgage	3.70%	28.80%	62.00%	4.30%	1.20%
Repairs & Maintenance	4.90%	39.90%	50.90%	3.10%	1.20%
Utilities	5.50%	47.60%	43.90%	1.80%	1.20%
Transportation/Travel	4.90%	43.60%	46.00%	4.90%	0.60%
Office Equipment/Supplies	1.90%	38.30%	55.60%	4.20%	0.00%
Professional Services	14.80%	54.90%	27.20%	3.10%	0.00%
Marketing & Advertising	7.40%	50.00%	39.50%	3.10%	0.00%
Taxes & Insurance	13.50%	52.10%	34.40%	0.00%	0.00%
Other	5.20%	26.10%	67.70%	1.00%	0.00%

To counter skyrocketing operational costs, nonprofits are eliminating or scaling back travel and attendance at educational conferences and seminars.

Another popular cost-saving strategy is the outsourcing of professional services, which can help organizations eliminate costs associated with full-time employees and avoid certain legal risks.

Many nonprofits are leveraging interns and volunteers for various tasks. In addition to the benefits of saving money, high-performing interns may eventually become employees, and passionate volunteers help connect the organization to the community and frequently become financial contributors.

What steps has your organization taken to reduce expenses in the past year?





More than 1/3 of organizations have eliminated staff and reduced programs and services.

Human Resources



Staffing

It appears the worst of the labor crisis has passed as supply and demand are easing back into balance.

Several large U.S. corporations are transitioning away from remote work environments, requiring employees to return to the office five days a week in an effort to boost productivity.

Most nonprofit organizations have not taken this position. In fact, remote and hybrid models are becoming more common as organizations place a high priority on employee wellness and work-life balance.

The hybrid model, working some in the office and some remotely, has proven to be the most popular and effective. A Quantum Workplace study found that 81% of hybrid employees have high engagement.³

Current Staffing Patterns

Mutual & Membership Benefit organizations have twice as many fully remote workers as other types of nonprofits.

Work Arrangements	Percentage of Staff Participating in Each Work Arrangement				
	1-33%	34-50%	51-67%	68-84%	85-100%
Fully In Office	22.22%	6.48%	4.63%	12.04%	54.63%
Hybrid	51.92%	9.62%	6.73%	11.54%	20.19%
Fully Remote	81.71%	2.44%	2.44%	0.00%	13.41%

Participation in the workforce has improved somewhat, yet many industries, including the nonprofit sector, continue to cope with staffing shortages.

Even though two-thirds of the organizations have vacancies, year-to-year comparisons show that the overall percentage of vacancies is declining.

Staffing Shortages	2025	2024	2023
No Shortages at This Time	33.09%	25.75%	21.05%
1–4% of Positions	28.67%	28.75%	26.90%
5–14% of Positions	31.62%	31.76%	36.84%
15–24% of Positions	3.67%	7.72%	11.71%
25–49% of Positions	2.21%	4.29%	2.92%
50–74% of Positions	0.74%	1.30%	0.00%
75% or More of Positions	0.00%	0.43%	0.58%

The number of organizations with staffing shortages has **decreased by 15%** in the past two years.

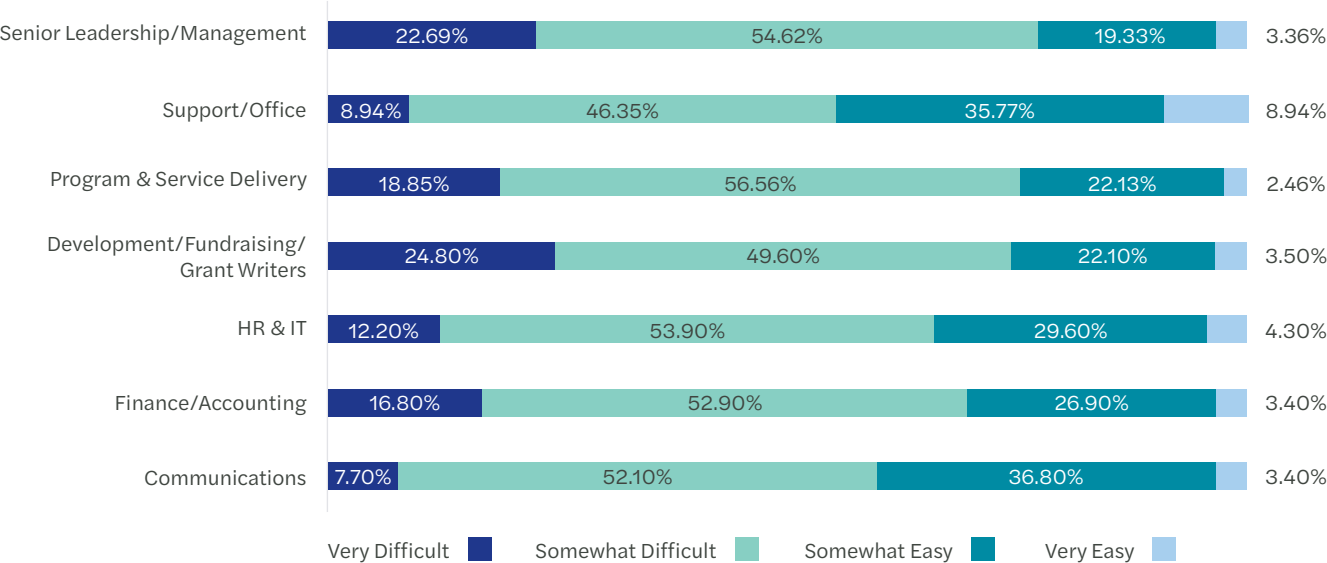
Subsectors With the Highest Levels of Shortages	1% to 4%	5% to 14%	15% to 24%	25% to 49%	50% to 74%	75% or more	No Shortages
Education	34.31%	30.88%	2.95%	0.00%	0.00%	0.00%	31.86%
Health	20.01%	44.44%	0.00%	4.44%	0.00%	0.00%	31.11%
Human Services	25.81%	38.71%	12.90%	0.00%	3.23%	0.00%	19.35%

Recruiting

2024 was the year of “Peak 65,” when more Americans turned age 65 than in any other year in the nation’s recorded history. This represents a major surge of retirement-age individuals, including many leaders in the nonprofit sector.

More than three out of four organizations report difficulty recruiting senior leaders and managers. Program and service delivery staff and development personnel (including grant writers and fundraisers) follow closely behind in difficulty. Support/office and communications positions are the easiest to fill.

How difficult is it for your organization to fill these positions with quality candidates?

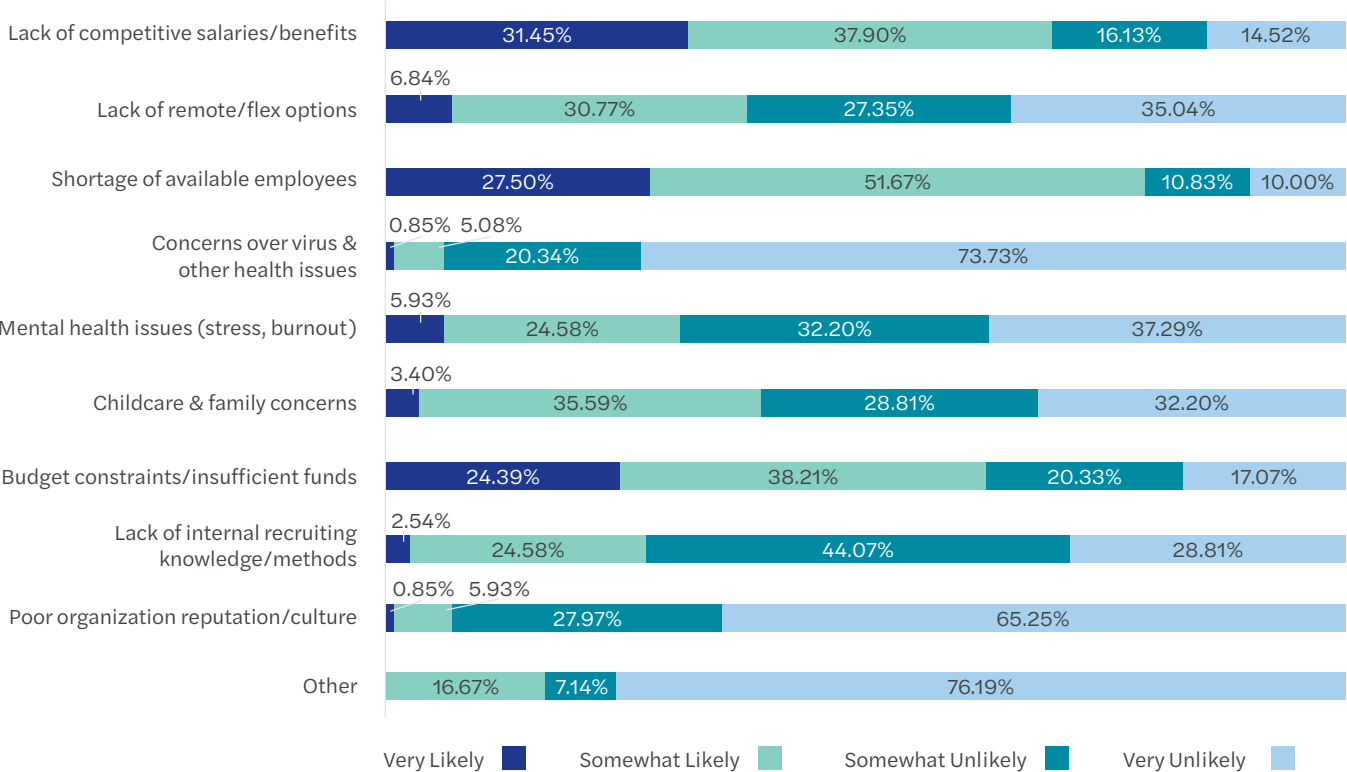


Attracting top talent has been a consistent challenge for the sector due to lower salaries and benefits. Few organizations have the resources to rival those of larger for-profit companies.

Data from the Bureau of Labor Statistics show positive growth in the workforce over the past 12 months, **yet participation remains far below what it was before the pandemic.**



Barriers to Recruit & Retain

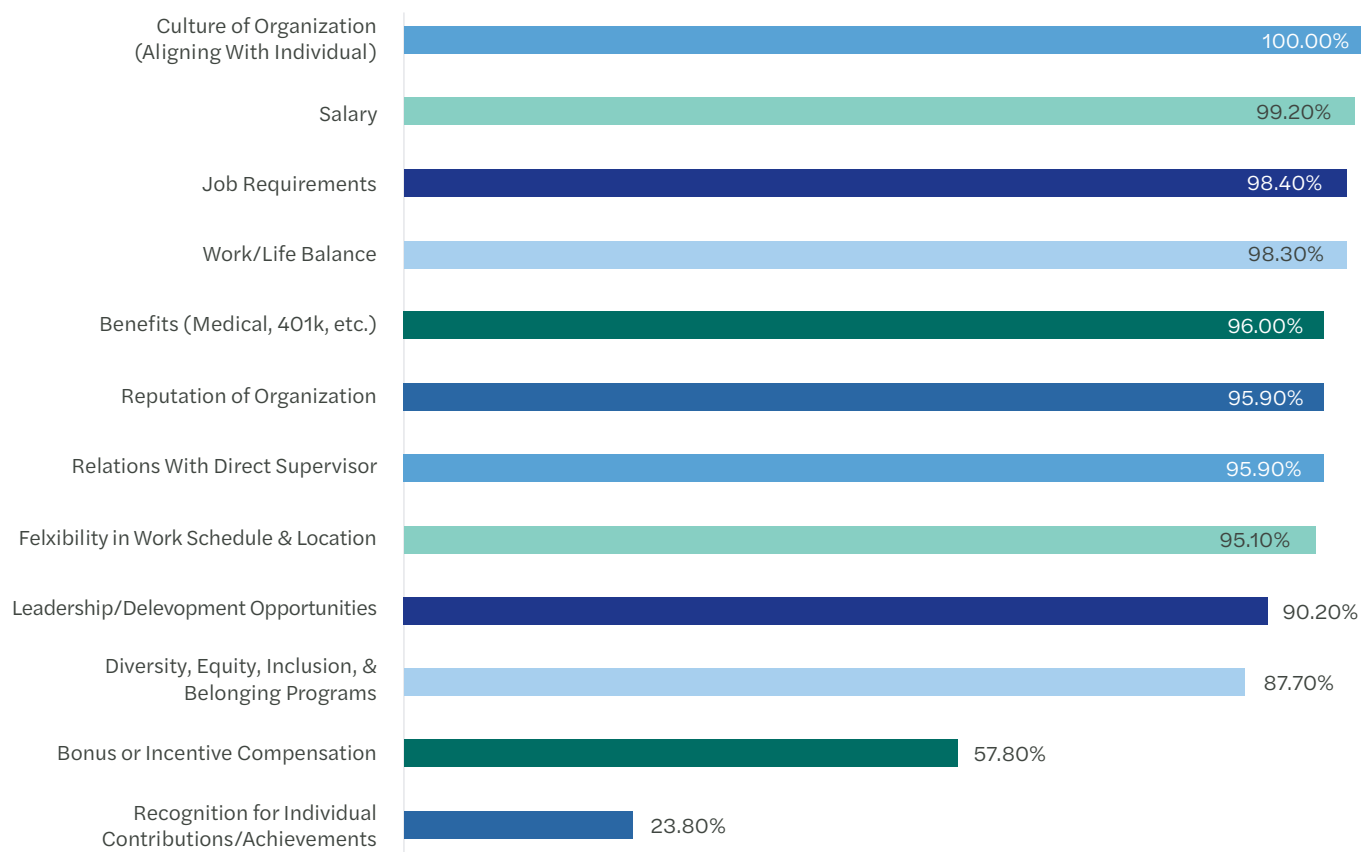


Strong alignment with the organization’s culture is the single most important factor when recruiting and retaining employees. Competitive salaries/ benefits and a healthy work-life balance are other

high priorities in attracting high quality candidates. Organizational reputation also has a significant impact on the recruitment and retention of top talent.

The biggest hurdle to recruiting is not salaries and benefits. Positions are not being filled because the overall share of the population participating in the labor force continues to decline.

How important are the following factors for recruiting/retaining employees at your organization?

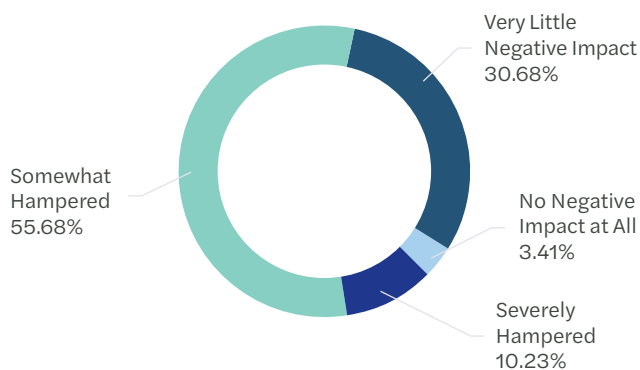


Nonprofits bring about transformational change. But when they lack proper resources (human and fiscal), organizations are unable to deliver important services to individuals and communities. The consequences can be serious and long-lasting. The gap can leave vulnerable populations with no place to find assistance and can apply pressure on other providers that absorb heavier workloads.

66%

of organizations say staffing shortages are hampering the delivery of programs and services.

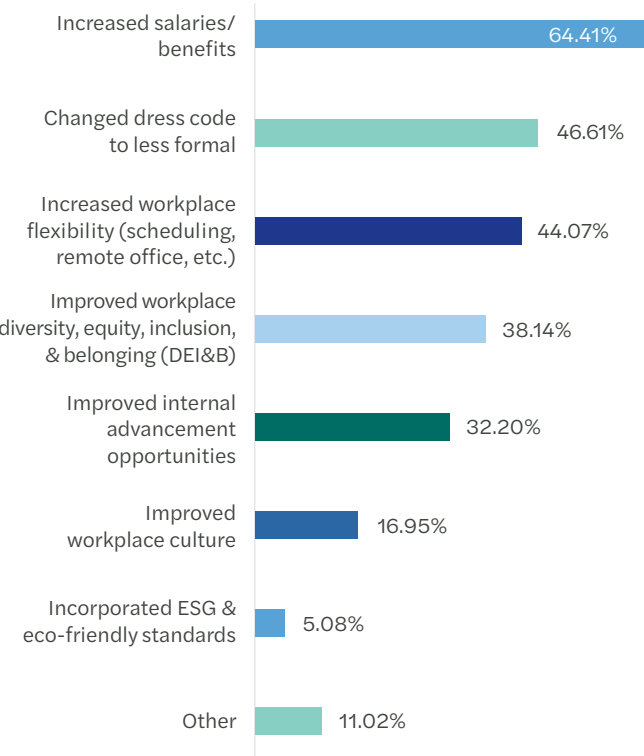
How has the staffing shortage impacted your organization's ability to deliver programs and services?





Some nonprofits are using innovative approaches to address staffing challenges. Big Brothers Big Sisters Kansas City (BBBSKC) made a strategic post-COVID move to adjust their minimum salary floor to match that of first-year schoolteachers in the Kansas City area. The response has been tremendous, attracting numerous former teachers to join BBBSKC's workforce and helping the organization avoid labor shortages.

What steps has your organization taken (or is planning to take) to address staffing shortages and recruit employees?

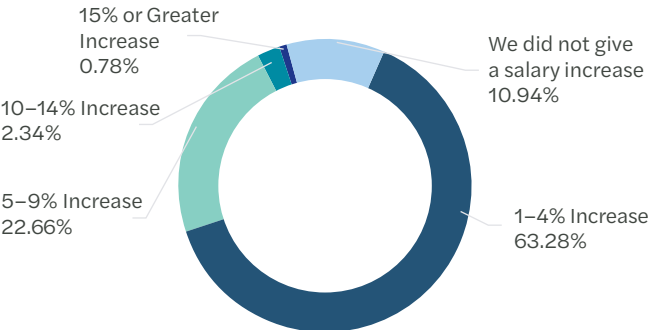


“Because we are a culture-driven organization with a mission built around positivity, we attract an abundance of highly qualified applicants each time we post an opening.”

Micheal Lawrence
 CEO, Big Brothers Big Sisters Kansas City
 Kansas City, MO

About 9 out of 10 nonprofits gave salary increases last year. One-third of small organizations (budgets between \$150,000 and \$249,999) gave raises of 15% or greater, and one-third of organizations in the \$75 million to \$99.9 million range gave raises of 10% to 14%.

How much, if any, of a salary increase has your organization provided over the past year?



High turnover rates continue to challenge the nonprofit sector. Burnout, non-competitive compensation, heavy workloads, and a lack of career growth contribute to high attrition rates.

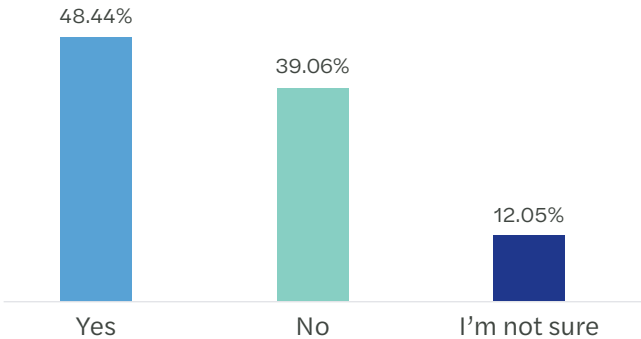
Our data reveal an improvement in tenure as leaders are staying somewhat longer in all time ranges except the shortest (less than six months) and longest (10 years or longer) ones.

Tenure of Current Leader	2025	2024
Less Than 6 Months	1.57%	5.60%
6 Months to 1 Year	5.51%	5.22%
1–3 Years	27.56%	23.68%
4–6 Years	24.41%	19.35%
7–9 Years	15.75%	13.00%
10 Years or Longer	25.20%	33.15%

In response to high turnover and retirements, organizations develop succession plans and leadership mentoring programs to help maintain consistency and stability through transition.

Around half of the organizations in this study have a written leadership succession plan to meet future leadership needs.

Do you have a leadership succession plan?



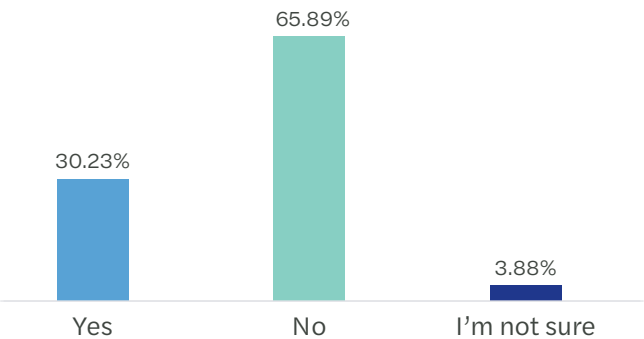
51%

do not have a succession plan (or are not sure if one exists), leaving themselves vulnerable in the case of an unexpected departure.



A program to identify and groom high-performing emerging leaders could help nonprofits address current workforce issues. Yet the vast majority have not developed a strategy to build the next generation of leadership.

Do you have a leadership mentoring program?



69%

do not have a leadership mentoring program (or are not sure if one exists) to create a pipeline of future leaders.

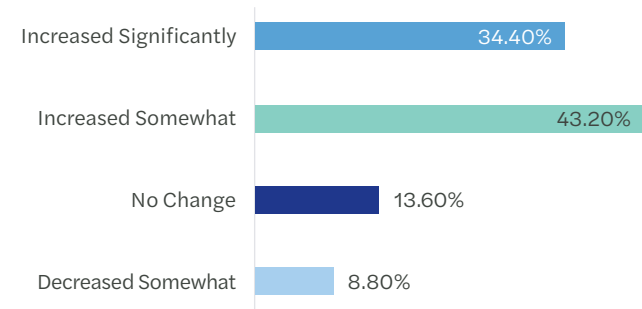
Programs & Services



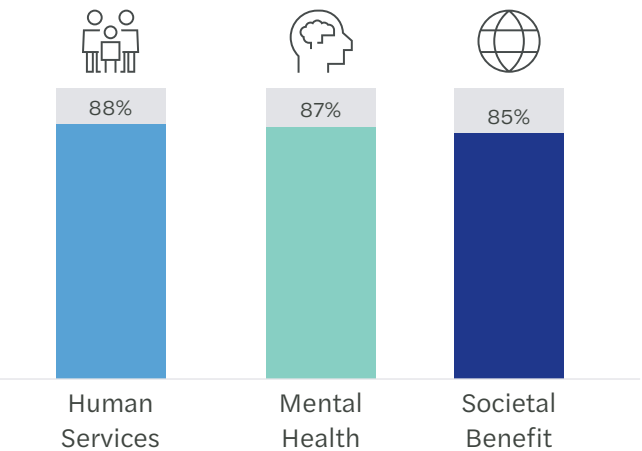
Demand for Programs & Services

Public health crises, natural disasters, economic pressures, and other societal issues in 2024 have led to a 77% increase in the number of people seeking help from nonprofits.

How has the demand or need for your organization’s services and programs changed over the past year?

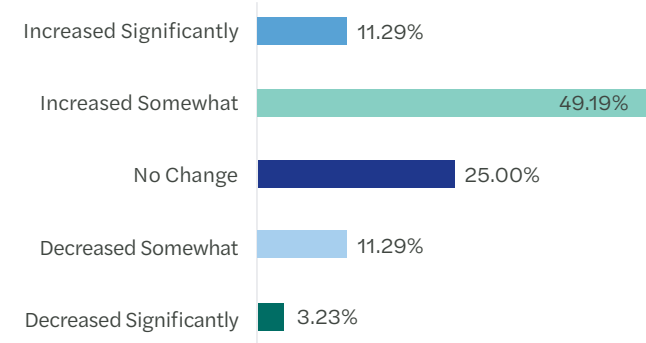


Three subsectors had the largest increases in requests for assistance over the past year:



How has your capacity to respond to demand or need changed throughout the past year?

Organizations have improved their capacity to meet needs. More than 60% are in a better position to respond to rising demands for assistance. Compare this to 2024’s response capacity of 43.5%.



77%

increase in requests for assistance.

Looking Ahead

Last year, more than two-thirds of organizations were planning to eliminate some of their programs and services and not add new ones. This year, only

12.7% are considering that option. In addition, 68% are planning to expand by adding new programs and services in the next 12 to 24 months.

Over the next 12–24 months, what is the likelihood your organization will take one of the following actions?

	Very Likely	Somewhat Likely	Somewhat Unlikely	Not at All Likely
Add new programs/services	29.06%	39.32%	27.35%	4.27%
Expand your current programs & services, but not add any new ones	21.93%	50.88%	22.81%	4.38%
Maintain your current programs & services, but not add any new ones	14.29%	33.93%	47.32%	4.46%
Maintain your current programs & services & add some new ones	22.32%	52.68%	21.43%	3.57%
Scale back some of your current programs & services & start some new ones	7.27%	26.37%	59.09%	7.27%
Eliminate some of your current programs & services & start some new ones	7.21%	18.92%	64.86%	9.01%
Eliminate some of your current programs & services but not add any new ones	1.82%	10.91%	71.82%	15.45%

Technology

Tech-savvy nonprofits are finding ways to improve their operations and solve complex problems. They are leveraging technology to help remote employees be more efficient and effective, streamline accounting processes, and protect networks from cyber criminals.

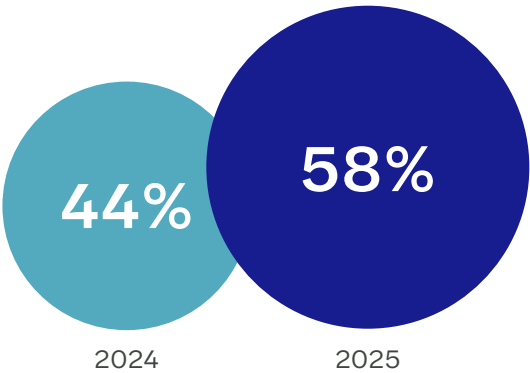
How does your organization’s current technology impact the following?

	Significantly Enhances	Somewhat Enhances	Has Little or No Impact	Somewhat Diminishes	Significantly Diminishes
Your ability to implement programs and services	28.44%	29.36%	24.75%	14.70%	2.75%
Your ability to work remotely	37.04%	31.48%	26.85%	4.63%	0.00%
Your ability to communicate with & manage donors	27.10%	32.72%	29.93%	9.32%	0.93%
Your ability to gather & report performance metrics	27.10%	37.38%	12.15%	19.63%	3.74%
Your ability to protect privacy & network/systems from cyberattacks	40.74%	25.0%	23.15%	10.18%	0.93%
Your ability to manage financial & accounting processes	30.56%	37.04%	15.74%	14.81%	1.85%

The number of nonprofits embracing artificial intelligence (AI) is growing.

Although AI continues to intrigue nonprofit leaders, more than 40% have yet to embrace it. This represents a gentle acceptance; last year 55.7% were not using it.

In our study, larger organizations were more likely than smaller ones to utilize AI throughout daily operations. Small nonprofits often lack the resources and expertise to implement new technologies.



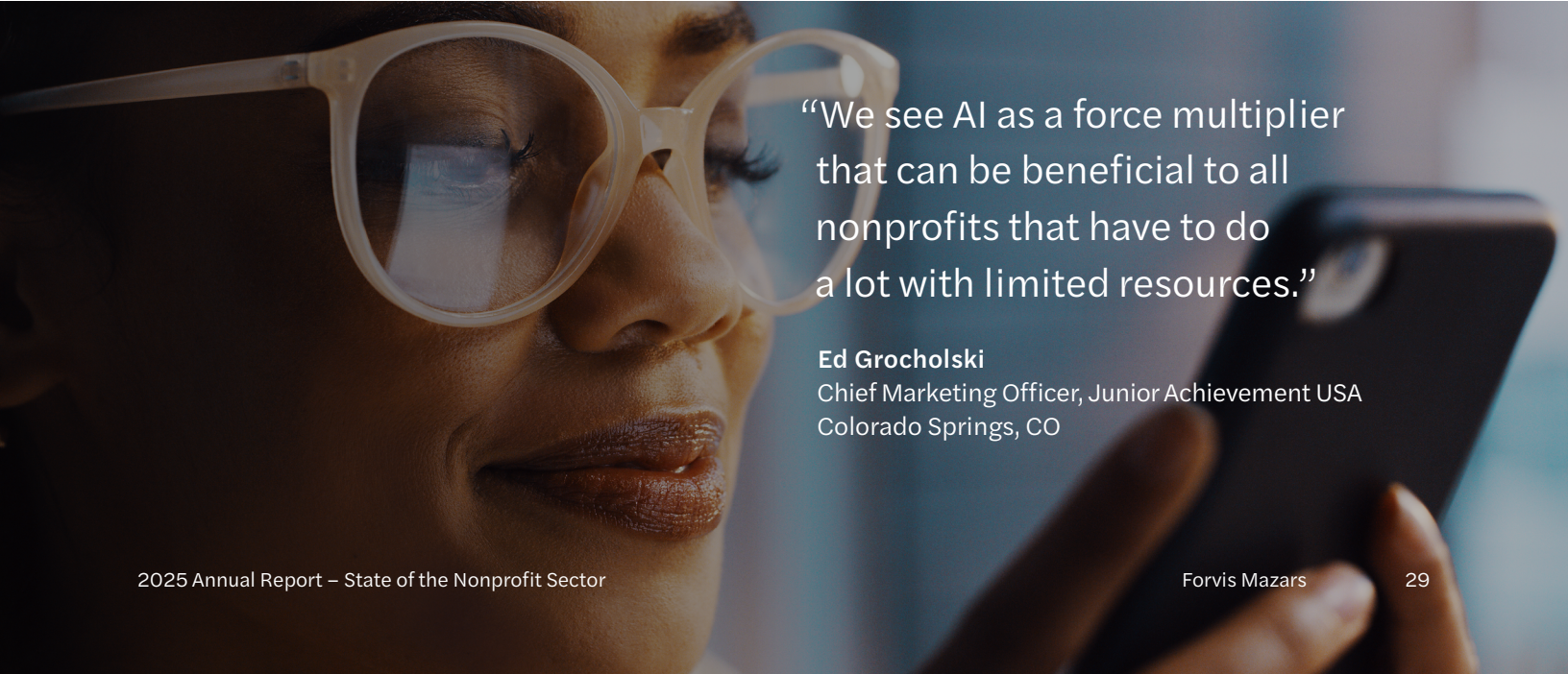
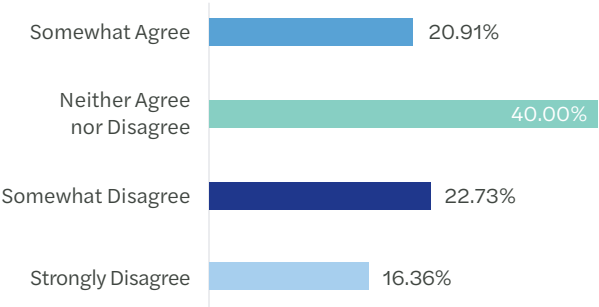
Junior Achievement USA, a national organization based in Colorado Springs, Colorado, has incorporated the impact of AI into future jobs and careers. “This can be challenging since the long-term implications of AI on work are still uncertain but an undeniable reality for the future,” says Ed Grocholski, the organization’s chief marketing officer.

How is your organization using AI?

We are not using AI at this time	42.27%
To improve communication & outreach	30.00%
To improve operational efficiency	19.09%
To improve donor engagement	14.55%
To enhance data processing & analysis	12.73%
To improve delivery of programs & services	10.00%
To enhance employee recruitment	5.45%
Other (describe)	3.64%

A study of the AI revolution highlighted in The Chronicle of Philanthropy may help explain why only 20% of organizations say they are prepared to manage the impact of AI. The report cautions that the technology is simply too new and too fraught for nonprofits to safely experiment with, especially in ways that could reach beneficiaries.⁴

Our organization is prepared to manage the impact of AI.



“We see AI as a force multiplier that can be beneficial to all nonprofits that have to do a lot with limited resources.”

Ed Grocholski
Chief Marketing Officer, Junior Achievement USA
Colorado Springs, CO

Receptiveness to Change

As nonprofits tackle complex societal issues, they are pressed to deliver better and more effective programs and services.

Some organizations are abandoning traditional approaches and are employing innovative strategies. However, the idea of moving away from traditional methods can be difficult, especially for risk-averse leaders or those fearful of upsetting supporters.

We found that executive leaders are more receptive to change than any other group. They are willing to take calculated risks to see progress and accomplish their mission.

Government agencies have the lowest tolerance for change. Most government agencies have rigid, hierarchical structures and function under strict regulatory frameworks which can prohibit flexibility.

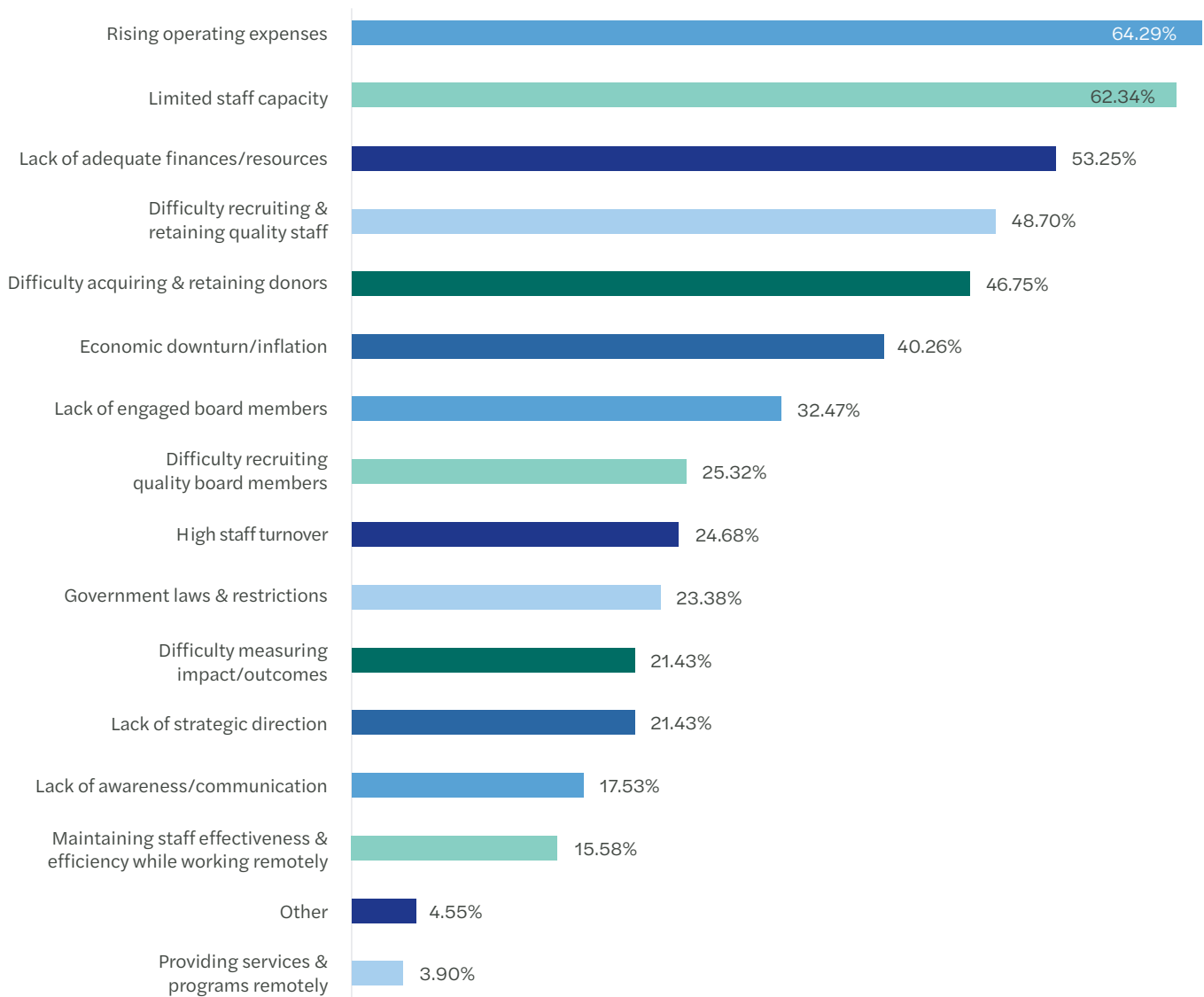
Receptiveness to Change	Very Receptive	Somewhat Receptive	Not at All Receptive
Board of directors	50.79%	45.24%	3.97%
Executive leadership	62.90%	33.87%	3.23%
Staff	30.40%	65.60%	4.00%
Mission partners – other nonprofits	29.73%	66.67%	3.60%
Mission partners – government agencies	21.70%	60.38%	17.92%
Supporters – individuals	31.86%	67.26%	0.88%
Supporters – corporations	23.42%	72.07%	4.51%
Supporters – foundations	26.13%	70.27%	3.60%

Most Pressing Challenges

Every nonprofit represented in this study is coping at some level with funding and staffing issues.

Persistent financial insecurity hampers organizations' ability to recruit and retain staff, implement programs, and ultimately, to accomplish their goals and objectives.

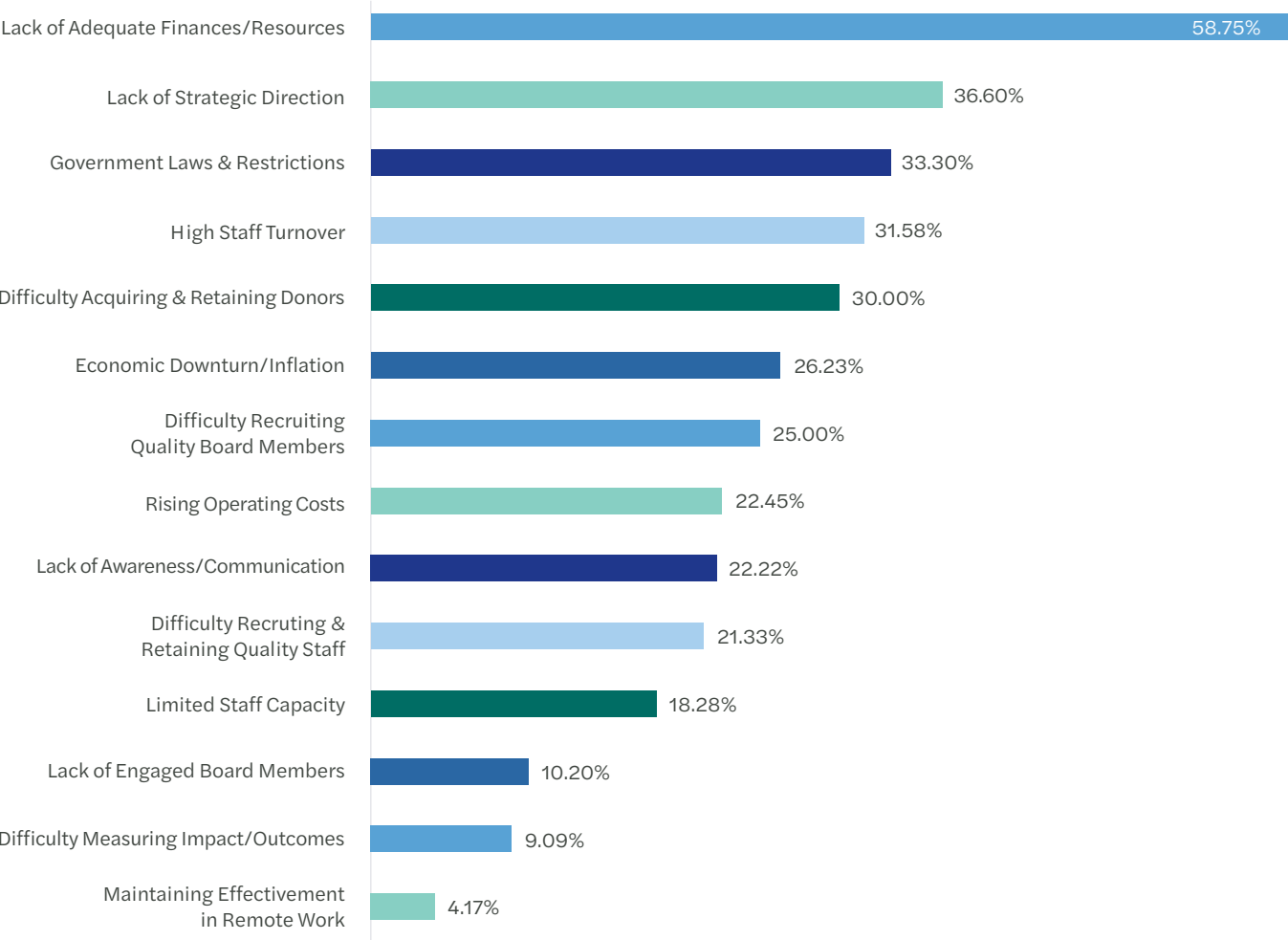
Which of these challenges is your organization facing at this time?



Beyond financial struggles and staffing issues, nonprofit leaders have two major concerns. First, they are concerned that their organizations lack a clear strategic plan to help guide decision-making and

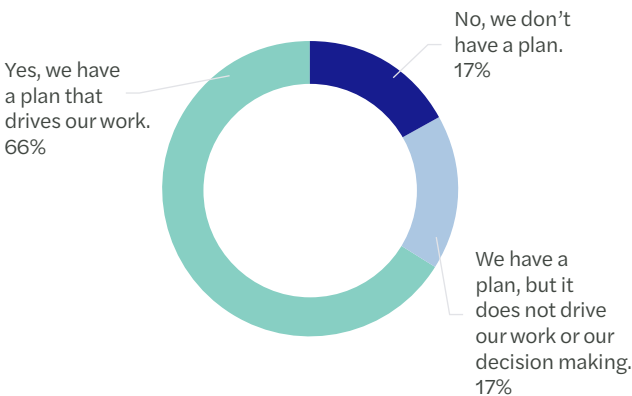
daily activities. Second, they are concerned that some government laws and restrictions are prohibiting them from executing their programs and services.

Most Pressing Challenges



Strategic Direction

More than 80% of respondents in this study indicated they have a strategic plan. Within that group, 17% say their plan does not drive their daily work and is not instrumental in decision making.



When asked why the strategic plan doesn't drive their agenda, most stated that their plan was too broad and lacked focus. Another common reason given was that the plan was not developed properly and lacked buy-in from key stakeholders.

Who is primarily responsible for setting your organization's strategic direction?

The board of directors	30%
Executive leadership	52%
Staff	1%
We use an inclusive process with broad stakeholder input	17%



Governance



Boards are the cornerstone of successful nonprofits. Engaged and knowledgeable board members provide guidance, oversight, and resources that enable organizations to accomplish their missions.

This study found that nearly all board members are very engaged and fully understand their organization's programs and services.

Similar to previous years' findings, there is concern over the board's lack of involvement in bringing in critical resources and determining key indicators to track progress toward goals.

Which of the following best describes your board's knowledge and engagement?

	Yes, Definitely	Somewhat	Not Much	No, Not at All
Board members have a clear understanding of the organization's programs & services & whom it is serving.	61.42%	34.65%	2.36%	1.57%
Board members have a strategic vision of how the organization should be evolving over the next 3 to 5 years.	34.13%	48.41%	13.48%	3.98%
The board regularly engages in a strategic planning process that helps it consider how the organization should meet new opportunities & challenges.	35.71%	36.51%	18.25%	9.53%
The board has identified key indicators for tracking progress toward the organization's strategic goals.	26.98%	33.33%	29.37%	10.32%
Board members are involved & engaged in working with/supporting the organization's leadership team.	52.38%	31.75%	11.11%	4.76%
Board members are involved & engaged in community advocacy.	26.41%	39.86%	26.28%	7.45%
Board members are involved & engaged in fundraising & public awareness.	19.05%	34.92%	32.54%	13.49%

Concluding Thoughts



To thrive in this competitive environment, organizations must develop targeted communications that demonstrate to donors the value of their programs and services and how they are clearly improving a situation or condition.



As giving from individuals continues to decline in our nation, organizations need to re-engage with small and midlevel donors. While gifts from megadonors are wonderful, nonprofits should actively create opportunities for individuals from all economic levels—not just the wealthy—to contribute toward mission success.



As the people and communities where nonprofits serve constantly evolve, funders need to be receptive to innovative approaches. An unwillingness to try new and improved strategies can limit philanthropic impact, whereas a mindset that welcomes change can promote creative problem solving.



Volunteerism has not recovered from the pandemic. Economic pressures and shifts in social attitudes are contributing factors. This trend presents a significant problem for volunteer-driven organizations. Nonprofits can help bring back volunteers by developing new opportunities that align with shifting preferences and needs. The one-size-fits-all approach excludes many who don't fit the traditional volunteer profile.

The nonprofit sector continues to expand. According to the IRS, there are now nearly 2 million registered nonprofit organizations in the U.S.—1.48 million 501(c)(3)s—representing a 32% increase in the past ten years.



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