As we turn the calendar page from 2022 to 2023, we do so with hopes, aspirations, and resolutions for improvement… this is important as 2023 will require a significant level of innovative thinking, re-evaluation, and change. I'm not going to sugarcoat it; 2023 will come in like a lion… but we may not catch a glimpse of that lamb until 2024. As you read through the pages of our 2023 trend report, you will see a tremendous level of consensus across nonprofit leadership… the nonprofit sector in the post-COVID era will need significant transformation. This is both exciting and scary. For organizations to excel going forward, they will need to do an internal inventory and some introspective analysis to determine if they have the resources and programming to be impactful and relevant.

To be clear, 2023 is not a surprise… it’s not like we turned the corner on 2022 and… oh my God! Where did 2023 come from? No, 2023 is just a natural transition from 2022, which was born from 2021 and prior. Unfortunately, 2023 is when a lot of the balls that we have been juggling over the last three years will come crashing to the ground...

Yes, these are all things that were identified and tracked during 2022; however, unfortunately, the nonprofit sector, as a whole, has not effectively responded to these issues, working in crisis management mode in hopes that the new year would bring clarity and relief. It’s now time for organizational leadership to put the past in the past where it belongs and become more proactive, think differently, and question everything about your agency...

▶ Are we delivering the right services in the most efficient and impactful way?
▶ Do we have the right leadership—at all levels—to move the organization forward in these somewhat turbulent times?
▶ Are we doing all we can for our staff and the individuals we serve?
▶ Does our model still work? Are there ways we can better diversify our revenue streams?
▶ Are we effectively communicating with our stakeholders and delivering the appropriate messaging?
▶ Are we taking advantage of all the opportunities ahead of us?
▶ Do we effectively understand our risks, and are we taking the necessary steps to mitigate them?
▶ Are we effectively partnering/collaborating with our partners at all levels… public, private, and nonprofit?
Let’s face it, 2023 will be much like 2022 but without the safety net of CARES Act funding. Nonprofits will need to grapple with challenges:

- An economic downturn/recession that will bring with it additional increases in inflation, interest rates, demand for services, and unemployment, with anticipated corresponding declines in the stock market and funding streams.
- A shortage of leadership at all levels... board, C-suite, and middle management are exacerbated by the lack of appropriate succession planning.
- Increased competition for donations will require agencies to be more strategic in their approach to fundraising and open in their ongoing communication.
- Increased threats from cybersecurity, government audits, compliance matters, and more. This will require nonprofits to assess the various internal and external risks and work with their boards to monitor them. This may necessitate the need for a compliance committee.
- The need to hire and retain quality staff. This will require organizations to rethink traditional staffing models to add more flexibility or different work arrangements (4 days a week), increase benefits and pay, and find ways to provide meaningful experiences for their staff.
- Declining government funding and cutbacks will be back on the table as state and local agencies look to balance budgets in a post-CARES act funding era. As a result, organizations must look for ways to diversify revenue streams to ensure that cutbacks from one agency will not have as devastating an impact. Unfortunately, way too many organizations work off a fixed budget.
- Lack of socialization, increased polarization, equity and inclusion issues, and ongoing divisiveness lead to isolationism, social unrest, bullying, fear, anxiety, and mental health issues. Therefore, nonprofits need to continue to identify ways to bring people together in collaborative processes and provide opportunities for employees and individuals served to work through issues and relieve stress and anxiety positively and constructively.

Organizations need to remember that each challenge brings with it opportunities for growth, progress, and forward movement in unexpected directions. It also brings an opportunity for collaboration and teaming with partners across all sectors.

In the words of Lisa Lewis, founder and executive director of Omnium Circus,

“OUR WORLD IS CONSTANTLY IN A STATE OF GROWTH AND CHANGE. WE ARE NOT WHO WE WERE TWO YEARS AGO OR 50 YEARS AGO; THERE IS MUCH MORE TO BE DONE TOWARD THE VISION OF A BETTER WORLD FOR EVERYONE. WITH EVERY CHALLENGE COMES OPPORTUNITY. FLEXIBILITY IS KEY, AND NEVER LOSE SIGHT OF YOUR MISSION. NFPS MUST STICK TOGETHER, HOLDING EACH OTHER TO OUR HIGHEST SELVES AND CREATE THE WORLD WE ALL WANT TO SEE FOR OURSELVES AND GENERATIONS TO FOLLOW.”
1. **DIGITAL WALLETS!**

The World is changing and so is how people pay. People don’t want to dig through their wallets, or purses, or find their checkbooks. This is why digital wallets are so important.

Donors are looking for an easier experience which means you need to implement new methods of donation such as Apple Pay, Venmo, PayPal, and GooglePay.

The average one-time donation is close to 1.5 times more when an NFP offers ACH, PayPal, and digital wallet payments. AND the Apple Pay stats from a previous test are even better:

- **160% increase in the average donation amount for Apple Pay**
- **With 26% of iPhone-owning donors giving with Apple Pay** (fundraising)

2. **FOCUS ON RETAINING DONORS**

Did you know that approximately 70% of donors only give to an organization once? These donors have already felt your mission was strong enough to donate to you once, now the key is to get them to donate again. Some ways you can retain donors are:

- **Demonstrate Impact**: Donors are often left wondering how their money was spent, and what impact their money had. Don’t leave them wondering. Organizations must continually demonstrate how their donors are making a difference.
- **Send personal Thanks-yous**: A handwritten note from staff or someone who benefited from their donation will go a long way.
- **Email campaigns to keep you on their mind**
- **Use Events to Further Nurture Donors**: Events provide an opportunity for your donors to interact with your team and your mission from an immersive perspective. According to Classy’s 2022 Fundraising Event Report, 91% of event Attendees are more likely to take further action after having a positive experience at an event. A deeper dive:
  - 51% attend future fundraising events held by the organization
  - 44% look for more ways to support the organization hosting the event
  - 33% fundraise on behalf of the organization

3. **E-COMERCIFY YOUR WEBSITE**

Nonprofits need to start taking notes from For-Profits on their websites, and treat them more like a store than a donation platform … but how?

- **Create an option at check out to become a recurring donor**
- **Flag abandoned donations, email them, and remind them of the impact they can have**
- **Create a confirmation page that asks them for email, and phone, and have them opt into your marketing updates**
4. **SMS COMMUNICATION**

To add to the last point, what do after you capture their phone number? Text messages have an open rate of 95% as opposed to email where the normal is closer to 18%. For these text messages to be effective remember to:

- Keep it short, sweet, simple, and scannable
- Always provide an opt-out option
- Provide a clear call to action
- Send relevant links (donation page and contact information)

5. **CONNECT WITH INFLUENCERS**

Every time we log on to social media we see an influencer sponsoring a product… why not have them sponsor your nonprofit. Share your mission, of course you do need to make sure that you are picking the right person so the connection seems genuine. Using influencers can:

- Increase brand awareness
- Get you in front of the right audience, if your mission resonates with the influencer you work with, it will resonate with their following as well
- Enhance your credibility
- Provide more content for you

Gaming for Good is another platform you can use as opposed to Insta, Tiktok, or Facebook. Partner with games and sponsor a play on Twitch where watchers can donate.

6. **USE THE RIGHT SOCIAL MEDIA**

Nonprofits use social media to share missions, promote events, fundraise and connect with their network. But what platform should you be using? Where are your target donors?

- **Facebook** has about 3 billion users, proving its enormous impact on social media worldwide. With a primary demographic between the ages of 25 and 35 years of age, Facebook offers plenty of tools for nonprofits, including fundraising. Though it is important to keep in mind that they are losing GenZ members daily.

- **Instagram** tends to skew to a slightly younger crowd with nearly 62% of Instagram users between the ages of 18 and 34 years old. And, while most social platforms skew more heavily toward male users, Instagram splits the gender gap nearly down the middle with the percentage of male users only slightly higher than females at 49.3% female to 50.7% male. Much like Facebook, it has good tools for fundraising.

- **Twitter**’s demographic is mainly between 25 to 34. The character limit on Twitter sits at 280 characters per tweet. This makes it a great choice to share quick updates, links to your site, or start discussions with your followers.

- **LinkedIn** differs from other social media sites on this list as it’s geared more toward business professionals with its primary user demographic falling between the ages of 46 and 55 years old. With this demographic, LinkedIn provides your nonprofit opportunities to network professionally with potential partners, donors, volunteers, or even employees.

- **TikTok** has 1 in 4 users that are under 20 years. TikTok allows you to make quick easy videos to give people a look behind the scenes.

7. **PERSONALIZE YOUR CAMPAIGN!**

Make your donors feel seen and heard, especially when doing email marketing. Something as simple as personalizing your email subject line with a Donors name, past giving, or engagement at specific events can increase the chances of an email being opened by 20%.
8. USE VIDEOS!

The amount of time we spend scrolling on our phones has only increased in the last few years, so how do you stand out above the noise... videos? 10% of millennials prefer to watch videos, and by adding videos to your social media strategy you can generate 1200% more shares.

But videos are not just for social media, adding a video to an email blast can increase your click-throughs by 200%.

9. SOCIAL RESPONSIBILITY

Roughly 2/3 of large North American corporations believe that using philanthropy to advance their business goals is a priority. A successful private-nonprofit partnership model should contain the following pillars:

- **Mutually beneficial**: The partnership should benefit both the nonprofit organization and the business. These benefits should outweigh any costs to either entity.

- **Alignment of values**: Does the business represent the values of your nonprofit? Your cause should reflect the company’s model or industry, and the business should operate in a way that is respectful to the perspectives and values held by your organization and its community members.

- **Open communication**: Communicate and agree upon expectations of the partnership. What are you hoping to get out of the partnership? What is the company hoping to gain from the partnership? Transparency is key to a fair partnership.

A lot of nonprofits are simply stretched too thin. They have so many projects up in the air, and many of their staff wear too many hats. This nonprofit structure, albeit flexible, often suffers a hit to one major department: marketing and communications. That is the one hit they can’t afford to take. Having an intern working on socials without a strategy, a brand guide, upper-level review, or any expert eyes guarantees a subpar product that doesn’t accurately reflect the value of an organization. While clients usually come to us wanting help with their social media, we try to get them to focus on the biggest channel they own and what should be treated as the hub for all content marketing efforts: their website. If someone loves your quippy tweet and wants to learn more about your organization, but then lands on a site that’s confusing, has an outdated user experience, or doesn’t have a strong donation funnel, your organization will falter.

What many Organizations need to do, especially with the anticipated continued economic downturn in 2023, is focus on developing a strong strategic marketing plan to keep everyone on the same page and to determine the tactics that have the best chance of success for your organization. Even if you’ve had one, it’s likely time to revisit it so that you can reassess your organization’s norms. Maybe that includes shifting from pricey fundraising events to smaller gatherings, whether in person or on Zoom, with a focus on cultivating strong relationships to generate donations. Risk management will need to shape marketing strategy, considering what role people, property, income, and reputation play in the revenue creation and marketing for a nonprofit. However, it’s important to note that not all downturns are created equal – the pandemic saw a rise in social justice engagement, and a lot of organizations still have benefit to gain from riding that wave.

In addition, I see a bigger fusion of tech and impact in 2023 and beyond. Those cogs have been turning for a while. Smart tech – AI-powered products, machine learning, smart bots, all of it - is making nonprofits more efficient with a lower overhead, allowing them to truly focus on the issues at hand and leapfrog some of the much bigger players in the space. These tech focused nonprofits are likely going to be the ones to have the earliest lead out of the recession, with the ability to nimbly adjust programs, grants, funnels, and tactics overall, based on reacting to real-time data versus relying on supposedly time-tested methods that just aren’t what the market of tomorrow wants.
The prospect of continued economic downturn in 2023 will most likely decrease the number of contributions and grants available as well as jeopardizing existing revenue streams. In 2023 this problem is compounded by the fact that many nonprofits are already in a state of financial strain resulting in downsizing their teams or cutting budgets due to decreased funding and rising costs. Having to decrease your workforce in 2023 may cause further strain on initiatives such as marketing. Nonprofits need to scale their work by leveraging technology.

In order to accomplish this, nonprofits will need to utilize all the resources available to them to increase their brand awareness and continue to get their message heard. Unfortunately, sharing updates to a Facebook page, or building out an SEO strategy could take months to years to see results. One thing nonprofits can look into is the Google Ad Grant, which is completely free and gets people to your website. This can bring in more donors at a time when current donors may not have the resources that they have had in the past. Overall it is also a much more cost effective strategy than SEO or social media, as there is less time investment.

The largest and most significant issue facing the nonprofit sector is returning to pre-covid thinking. The challenges COVID created for nonprofits were brutal. But the response, innovation, and ingenuity that the sector combatted the challenges with were equally as productive. The risk to “return” is too great, and the need to stay creative and innovative as a nonprofit will be the key to a profitable and impactful future.

Organizations cannot look backwards, to how things used to be done or have always been done. We learned so much during the pandemic. There is greater risk of returning to “business as usual” than there is of continuing to try new things.

Moving forward, the key to impact will be partnerships. Not just who your partners are, but, more importantly, how you work with them. I believe that corporate partnerships will change and will require more marketing and impact reporting - but the budgets could be bigger. Working with other synergistic nonprofits will also lead to new opportunities and chances to scale community. Regardless of the potential headwinds going into 2023, the opportunities for impact have never been better!
**FUNDRAISING STATISTICS**

**TOP CAUSES INSPIRING DONATIONS**

60% of donors gave to new causes in response to a timely appeal from an organization, cause, or individual, such as a relevant event in the news.

Top events inspiring donation:
1. International human rights crises
2. Climate change
3. Reproductive rights and women’s health
4. Disability rights

**CHARITABLE GIVING STATISTICS**

1 in 10 people making above $125,000 do not give.

65 is the average donor age in the US. Increased from 2016 when it was 62.

$813 is the average amount donor contributes annually, a 10% increase from the prior year. Charitable giving experienced a 5.6% increase in online fundraising in the past 12 months ending in September 2022 compared to the previous 12 months ending September 2021.

**MONTHLY GIVING STATISTICS**

$52 is the average monthly donation ($624 yearly).

New donor retention rates are less than 23%.
Monthly giving retention rates are over 80% after a year & 95% after 5 years.

The average recurring donor will give 42% more in one year than those who give one-time gifts.

**CONTRIBUTIONS BY SOURCE**

- 67% Individuals
- 9% Bequests
- 19% Foundations
- 4% Corporations

Based on 2021
**DONOR BREAKDOWN**

- 60.7% Female
- 39.3% Male

**WHAT DEVICES ARE DONORS USING TO GIVE?**

- **Desktop**: 50.1%
- **Mobile Phone**: 47.5%
- **Tablet**: 2.3%

**WHEN DONORS ARE GIVING**

- **SUN**: 10.3%
- **MON**: 14.6%
- **TUE**: 18.2%
- **WED**: 14.5%
- **THU**: 15.6%
- **FRI**: 16.6%
- **SAT**: 10.2%
**Generational Statistics**

**Gen Z**
- 82 Million people in the US by 2026
- 57.3% Research an org before donating
- 40.7% Want monthly updates on impact

**Millennials**
- 72.19 Million people
- 84% Donated to Charities in 2021
- $481 is the average size of donation

**Gen X**
- 65.8 Million people
- 64% Volunteer at local nonprofits
- 20% of all philanthropic dollars

**Baby Boomers**
- 70.23 Million people
- 72% of boomers donate annually
- $1,212 is the average size of donation

**Donation Facts: Gen Z**
- Most inspired by people impacted by organization
- Most likely to give via text message/app
- #1 reason for no longer donating is feeling like donation didn’t matter

**Donation Facts: Millennials**
- Most inspired by people impacted by organization
- Most likely to give via text message/app
- #1 reason for no longer donating is feeling like donation didn’t matter

**Donation Facts: Gen X**
- Best choice for crowdfunding and Peer-to-peer fundraising
- Email is the best way to reach Gen Xers
- Likes to donate by eCheck online or by donating physical or financial assets.

**Donation Facts: Baby Boomers**
- Baby boomers represent 51 million donors in the US.
- Direct mail appeals are most successful with this group

**Most Likely to Donate: Gen Z**
- Environmental & Wildlife conservation
- Arts, Culture, & Humanities
- Youth Development
- Social Causes

**Most Likely to Donate: Millennials**
- Children
- Health
- Local places of worship
- Human Rights
- International Affairs

**Most Likely to Donate: Gen X**
- Local social & human service
- Animal
- Children
- Local places of worship

**Most Likely to Donate: Baby Boomers**
- Local social services nonprofits
- Animals
- Children
- Human rights
- International affairs
- Local places of worship
As a fundraising and event management company, our most significant challenge we’ve confronted in the past year is ‘filling the room’ at our in-person events. Attendance rates at nearly every event we managed in 2022 dropped; we have seen the impact the pandemic has had on the lifestyles of our attendees. We realize that many of our supporters are still working remotely and are not located in the city center of our events, making it inconvenient to leave their homes to travel to a gathering rather than leaving directly from their workplace as they used to. Event sponsors are often allocated a number of tickets for their employees to attend an event; we have seen an increase in sponsors ‘donating’ tickets back after being unable to find people who would like to attend.

In addition, inflation has posed a significant hurdle for our nonprofit partners to overcome, especially when it comes to sourcing resources and vendors for events. The cost of venue space, food and beverages, flowers, printed material, audio/video support and other vendors continue to rise while the service or product remains the same. Our nonprofits have had to tighten up their budgets and cut costs wherever possible to afford the upcharges on services that are necessary for the event to be successful. We have been providing support to our partners in cost-cutting efforts by negotiating with venues to lower guest counts to avoid overpaying, removing non-essential audio/video components from programs, sourcing alternative cost-effective décor and relying more on our own creativity to transform a space. We have strengthened our relationships with in-kind sponsors to ask their participation in our events to provide food and beverages at no cost.

As we have all experienced the last two years, there is a lot of uncertainty that can come our way at any given moment. Trying to create alternative plans to have in place is a smart way to keep ahead. Getting started on your campaign/event planning as early as possible is always beneficial to reach as big of a network as you can. Making sure to assess what worked for your organization the last two years and what you tried but felt was not successful will help with your planning and managing costs.

As always, in 2023, donor retention will be key. I think we let the myth of “donor fatigue” keep us from really examining how we have failed to continue to build meaningful relationships with our donors. If our donors really identify themselves as being critical members of our community, they do not stop giving. Bad marketing, slipshod stewardship, and lack of trust are truly at the heart of why donors leave.

COVID was actually quite a lucrative time for nonprofits and those that used that time to invest in infrastructure and capacity will see the fruits. There is inflation/recession and/or the perception of such things. In either case, it will impact donor behavior. The nonprofits that stay lean, nimble and use story to keep members engaged will survive. The tide is going out and as they say … you see who’s naked. Those that are structurally weak, poorly led, and undercapitalized will likely not survive. In the long run, I think it’s healthier for the sector to cull the herd. Also, thinking strategically about mergers and acquisitions may strengthen the sector over the long term.

Most significantly, I see nonprofits under-investing in marketing and fundraising because of a fear of overhead. Currently, there is a significant shortage in the market for well-trained fundraisers so it means that organizations will have to hold on to the ones they have and keep them happy and simultaneously support others to enter the profession via professional development and mentorship. I also see a lack of programmatic focus, leading nonprofits to spread themselves too thin with very limited resources.

I’m concerned about the leadership gap that we see, particularly among executives of color. Between many Boomers retiring and Gen X’ers leaving the profession, I’m concerned that we don’t have enough seasoned leadership to address some of society’s most intractable problems. Much like the teacher shortage, we have to find ways to fairly compensate and retain people who are doing critical work.
Technological innovations in Artificial Intelligence continue to offer opportunities for improving work processes within nonprofit organizations. Automated workflows, technological insights, and AI bots made accessible to nonprofit organizations help to increase revenues and reduce costs. Nonprofits should look to integrate AI technology within their organization in 2023.

**Fundwriter.ai** is an AI-based fundraising assistant. Fundwriter can draft professional appeals, emails, and posts. As your employees use the Fundwriter platform, it adapts and becomes more customized to your needs and patterns. The Fundwriter platform is an excellent solution for nonprofit organizations that want to draft highly personalized letters to donors quickly.

**Amazon’s Alexa** allows users to use Alexa to donate to their favorite nonprofits. To do so, all you need to do is register your organization with Amazon Pay.

**Levity** is a software-as-a-service (SaaS) platform for workflow automation. To use it, organizations upload a series of images, text files, PDFs, etc., into the platform, and the AI learns from it. Organizations can then connect the AI to their applications to automate their workflows. In addition, to workflow automation, Levity can classify email campaign responses and provide automatic replies, predict the performance of ad campaigns, and features a smart tagging engine.

**Instrumentl** is a platform that helps nonprofits to discover, track, and manage grant applications efficiently. The platform features automated workflows and helps to streamline the process for locating and applying for grants.

**Purposely** helps connect nonprofit organizations with volunteers by providing easy-to-use applications that companies can use for volunteering—team building through volunteer work.

**Gather** is a startup company focused on building innovative ways for people to connect within the Metaverse. The platform creates an added layer over the physical world to bring people together to work, socialize, and learn.

Over the next year, we are expecting to see a decrease in the funds being donated to nonprofit organizations. To be able to hold on to market share, nonprofits are going to have to find ways to expand their reach. Technological advancements in augmented and virtual reality and the Internet of Everything (IoE) has created new ways for people to connect with one another. During the year to come, it is going to be crucial that nonprofits begin to integrate this technology into their ways of doing business.
The Social Good Community is an area within the metaverse on the AvaCon Grid that is free for nonprofit and social good-focused organizations. Each organization selected to be a part of the AvaCon Grid will be allotted 15,360 square meters of virtual land, primitive objects for building and creating content, resources and tutorials to learn how to use the platform, and access to shared public event and meeting areas. The goal of the organization is to help other nonprofit organizations to gain access to the Metaverse, so that they can better connect and reach donors and volunteers.

Touchcast is an organization that focuses on running and hosting events within the Metaverse.

Cloud computing can potentially reduce costs and improve your organization’s efficiency. By moving computing services to the cloud, cloud computing eliminates the need for organizations to invest in personal servers and other hardware. In addition, cloud computing improves your organization’s transparency by allowing for automated data processing workflows and centralizes data management. Nonprofits should keep an eye on cloud computing technologies and the startups created to provide valuable technology to nonprofits.

Campaignr is a cloud-based campaign management platform designed specifically for social, political, and charitable organizations.

GoodCloud is a startup that provides charities and nonprofits with access to cloud data storage.

Financial data transparency is critical for nonprofits to ensure legal compliance. In addition, with the shifting economy, it is expected that donors are going to want more-and-more transactional transparency to ensure that the money that they are donating is going to a good cause. Providing transactional transparency can be labor-intensive. Innovations in data management software continue to make it possible to provide donors with the transactional transparency they are looking for without having to invest a lot of resources.

Cherr.io is an online fundraising tool that uses blockchain technology to connect nonprofit organizations with donors. For a small percentage of the proceeds, the platform allows organizations to use advocates to help expand their reach.

AIDONIC uses blockchain technology to provide organizations with an affordable way to deliver aid quickly and with complete transparency.

Given the decrease in funds that we expect to see in 2023, nonprofits should begin to look for ways to decrease their overhead. Advancements in automation technology have led to the creation of integrated workflows and CRM platforms designed specifically for nonprofit organizations. These platforms can help nonprofits track donation requests, send automated thank you letters, pay bills, find potential donors, post to social media, send email blasts, etc. It is expected that throughout 2023 there will be an increase in the number of organizations taking advantage of these technologies. Additionally, the integration of automation technologies with blockchain has made possible smart contracts. A smart contract is an automated contract that will release funds once the criteria have been fulfilled and recorded on the blockchain. You can expect that throughout 2023 more donors will be looking to donate to organizations that use smart contracts because of the transparency that they afford.

Giveffect is a 10-in-1 nonprofit software that combines giving, events, marketing, smart automation, volunteering, wealth screening, relationship database, web hosting, and nonprofit management. The goal of the company is to create an easy-to-use software that leverages innovations in technology to seamlessly connect and automate your organization’s data between your individual departments. The platform provides you with a truly holistic view of your nonprofit’s activities, alleviating the need for transferring data and reducing the redundancy, duplication, and cost for your organization’s operations.
The need for nonprofit services continues to grow, particularly in communities dealing with poverty, discrimination, and lack of access to necessary resources. Our communities continue to face the fall-out of the past two years, including the economic downturn, job insecurity, food insecurity, inadequate housing, healthcare needs, over-policing and other challenges in the justice system, and this is only going to get worse in 2023 as we continue to see a downturn in the economy. To serve our clients, organizations need the ability to be flexible and responsive to these needs, and they need the ability to invest in their teams and overall infrastructure. Increased funding, particularly general support, will help organizations like ours, make the investments we need to pursue our mission in the most impactful manner.

With the potential of a downturn in funding, organizations will have to be strategic and not reactive, a task that can be difficult in a rapidly changing environment. Organizations will be impacted by so many external factors, from elections to health crises. We’ve all learned in the past years that having a clear strategy makes it easier to respond when needed to major shifts in the environment and gives us the ability to do so in a way that allows us to still prioritize the needs of our clients.

The most significant issues facing the nonprofit sector, from our perspective, are ever deepening poverty, increasing hunger, homelessness, violence and deprivation, attendant anxiety, terror and even hopelessness in children as budget cuts rip at the vitality and shake the very stability families and communities need. At an operational level, the difficulty (or impossibility) of making a three-year budget that is “honest” given the instability of government agencies/funding is an issue many nonprofits are sure to be facing.

Organizations will need to continue to find creative and strategic methods of holding fearlessly to their commitment to justice, ever cognizant of the bottom line by developing stronger and smarter business models that remain laser focused on MISSION, championing nonprofit work as vital to the fabric of our society. For example, at ABC we do that by producing robust evidence to ‘prove’ the efficacy and wisdom of investing heavily in that work while adapting to every new regulation, budget cut, health and welfare challenge, and new opportunity to recommit. We do that with balance, wisdom, and spirit, with our feet on the ground and our eyes on the future, buoyed by the certain knowledge that the best and biggest “bang for the buck” investment is in our children and their expectant parents.

The most significant risks that nonprofits will be grappling with during 2023 are related to staffing shortages and difficulties in retaining new staff. COVID and the isolation and stress that followed led to a loss of interpersonal connection, the inspiration and joy and fulfillment that comes from the day-to-day human connections that our species needs and that is at the heart of the inspiration, commitment, devotion, and faith that it takes to do this work and to work well as a team. My strongest recommendation is to support authentic ways to re-connect and celebrate one another.

We must continue to ask how do we continue to give greater agency and voice to the very people nonprofits serve? How do we give agency and voice to little children?
The most glaring challenge the nonprofit sector will face going into 2023, is this global cost-of-living crisis we are up against. Inflation has skyrocketed at historical rates and donors may have to reassess their ‘real’ disposable income to figure out what they are able to give now; especially with the projection that inflation will reach 18% by 2023. This is very concerning to our nonprofits who have come to depend on a certain level of financial consistency from donors. Those donors may have to decrease their typical level of support or withhold from giving altogether. Nonprofit organizations need to expect this and prepare accordingly. One way they can do this is by diversifying their streams of funding. If they haven’t already, it is critical for nonprofits to do so now and into 2023. The bright side of this, is that there are more opportunities than ever for the nonprofit sector to take advantage of income diversification and approaching donors in different, more meaningful and impactful ways.

Furthermore, the landscape of nonprofit business has become more fluid and seems to be moving at warp speed these days. Compliance requirements are ever-changing and easy to miss when an organization has limited staff and is tirelessly working towards meeting its mission and keeping the lights on. Compliance rules and regulations can be intimidating, confusing, and overwhelming to those who are not versed in them. Even so, all organizations have to stay within those requirements. I would encourage all nonprofit leaders and their board members to try and stay tuned to the resources out there providing them with up-to-date information and support.

Moving forward, our sector needs more cohesion, when possible. There are many service providers in our region, and given skyrocketing costs, I have been advocating for service sharing. While I understand the need for protections for consumers and our workforce, certain regulations in the State of New York stifle innovation. Nonprofits do tremendously challenging work, and each of us has our strengths - collaboration with others in our industry is a key to sustainability. We must recognize each other, what our strengths and weaknesses are, and how each of us can work together to create a symbiotic ecosystem of service providers.

It is also critical that as industries change, the regulatory agencies and lawmakers take note, which is one of the many reasons I have been an advocate for our organization and our sector at-large. This means streamlining funding, like the New York State Pass-Through Funds through one source - be it OPWDD, OMH, or another. I also believe managed care is the wrong direction for New York. Agencies in this field need to be carved out, should New York State move in this direction.

Finally, we have various funding streams, with different methodologies, and it creates a financial burden. Having a singular, more predictable, and consistent funding stream will allow agencies like ours to operate more effectively, the way any other business would. By affording Agencies like RISE the ability to operate like a business, it is possible for them to be revenue-producing and more self-sufficient. This may be an out-of-the-box thought, but it is our duty as service providers and nonprofit organizations to continue to advance our industry, for the benefit of the individuals we serve.
Hackers attack every 39 seconds, on average 2,244 times a day.

94% of malware is delivered by email.

56% of nonprofits don't require multi-factor authentication.

74% of nonprofits do not actively monitor their network environments.

80% of nonprofits do not have a plan in place to address cyberattacks.

70% of nonprofits have not run vulnerability assessment to evaluate their potential risk.

95% of cybersecurity breaches are caused by human error.

59% of nonprofits do not provide any cyber training to staff on a regular basis.
As we peer into our special nonprofit crystal ball, it is clear that artificial intelligence (AI) will play a major role in transforming how charities and organizations work. By 2023, AI technology will have advanced significantly and become more accessible, allowing nonprofits who implement these tools effectively to achieve near unimaginable increases in their productivity.

**WHAT IS ARTIFICIAL INTELLIGENCE AND WHAT BENEFITS DOES IT OFFER THE NONPROFIT SECTOR?**

AI is a form of technology that uses algorithms and data to provide a multitude of enhancements and the ability to automate tasks, allowing many processes to be done faster and at higher quality than before. These capabilities can exponentially improve the effectiveness of nonprofits, enabling them to perform work that might not have been possible without the assistance of AI.

**HOW WILL AI TECHNOLOGY CHANGE THE WAY NONPROFITS OPERATE IN 2023?**

By the end of 2023, AI-based tools will be commonplace in the nonprofit sector, enabling organizations to do things they might think impossible today. Generative AI tools will allow the creation of text, images, audio, and even video at a quantity and quality currently unimaginable. Automated processes will reduce the time and costs associated with tasks across the entire organization, while improved intelligence will enable nonprofits to better understand trends and develop more effective strategies for achieving their goals.

**WHAT CHALLENGES MUST NONPROFITS OVERCOME TO IMPLEMENT AI TECHNOLOGY SUCCESSFULLY INTO THEIR WORKFLOWS?**

The successful implementation of AI technology into a nonprofit’s workflow requires careful planning and preparation. Nonprofits must first identify what areas of their operations will benefit most from AI and then develop strategies for integrating AI tools and processes into those areas. Additionally, nonprofits must ensure that their data is accurate and reflects the current state of their operations, as outdated or inaccurate data cannot just impede AI’s effectiveness, it can render it potentially harmful. Finally, nonprofits must consider the ethical implications of using AI technology, such as privacy concerns, biases embedded in data sets, and a range of issues that can emerge with radical automation of tasks and amplification of effort.

**HOW CAN NONPROFITS PREPARE FOR THESE CHANGES TO BENEFIT FROM DEVELOPMENTS IN AI?**

To prepare for the changes that AI will bring to the nonprofit sector, organizations must develop an ability to rapidly identify candidate AI projects, run pilots, measure effectiveness, and repeat. Nonprofits should invest in technology and infrastructure that can support their AI efforts, such as cloud-based software solutions, while also investing in staff training to ensure they are up to date on the latest capabilities of AI technologies and how they can be used. Additionally, nonprofits should consider partnering with technology partners who use these tools regularly and can help them develop the necessary strategies and processes for integrating AI into their operations.

With the right preparations in place, nonprofits can take full advantage of the opportunities that AI will bring in 2023.
As more and more companies and people use and rely on technology, cybercriminals have become more sophisticated, and cyberattacks have been on the rise. According to Cybercrime Magazine, the cost of cybercrime is projected to rise from $6T in 2021 to $10.5T in 2025. As we enter 2023, here are some preventative measures that you can take to better protect your organization from potential attacks:

**USE VPNS FOR REMOTE ACCESS**

A great way to add an extra layer of protection to your nonprofit is by requiring all remote employees to use a VPN (Virtual Private Network) when accessing internal applications and data from off-site. A VPN encrypts your internet traffic and disguises your online identity. This makes it more difficult for cybercriminals to track your activities online and steal data. VPNs can also be used to create a single shared network across multiple locations. This means that if your nonprofit has two offices, both can use the same shared network system.

**IMPLEMENT MULTI-FACTOR AUTHENTICATION**

A system that uses single-factor authentication only requires the employee to provide a username and a password to gain access. The problem with single-factor authentication systems is that their level of protection depends solely on how secure an employee’s password is. Strong access security protocols, such as using passphrases for authentication or implementing strict password guidelines can be implemented to ensure employees are using strong passwords. Still, there is a limit to how secure the system can be. A system that uses two-factor authentication is more secure than one using single-factor because it requires an additional form of authentication to access it. If you have ever used a system that required you to verify your identity by inputting a code that was texted or emailed to you, then you have accessed a system using two-factor authentication. A system that uses multi-factor authentication requires a minimum of two forms of verification to access it. The more factors required to access the system, the more secure it is. However, it is important to make sure that there are not so many authentication factors required that it impedes employees from being able to do their job.
**IMPLEMENT A ROBUST DATA BACK-UP PROCESS**

When it comes to protecting your information, we can only ever minimize the risk, not eliminate it completely. It is important that you are prepared should something go wrong. A good way to ensure that an attack does not become catastrophic to your organization is by ensuring that you have automated processes for backing up your organization’s data and that those backups are being tested regularly to ensure they are not corrupt. Having a recoverable backup of your data can minimize the downtime your organization faces should something go wrong.

**LIMIT ACCESS TO SENSITIVE DATA**

One of the most important and effective ways to protect your organization’s data is by limiting who has access to it. Every person who can access the information is a vulnerability. Therefore, the more people with access, the more vulnerable it is. User roles and permissions can be used to control who in your organization has access to specific datasets and files. It is important that these permissions are frequently audited to ensure that no person has access to something that they shouldn’t.

**LEAST PRIVILEGE ACCESS**

Starting with a deny-all policy and allowing use on a need-to-know basis. This also includes zero-trust networking protocols.

**KEEP YOUR SYSTEMS AND SOFTWARE UP-TO-DATE**

Software updates are essential to ensuring the security of your systems, but not all updates are the same. Major updates should not be done without being properly vetted by your organization’s IT department. The types of updates that you are going to want to stay on top of are minor and patch updates. To determine what type of update you are being asked to do, look at the version number. A version number consists of three groups of numbers separated by periods. An example of a version number you might see is 2.5.3. Here the major number is 2, the minor number is 5, and the patch is 3. Every time a new major or minor version is released the following numbers are replaced this allows you to determine the type of update without needing to know the prior version. So, if the software you are updating is version 3.0.0, it is a major update. If the update is version 3.4.0, then it is a minor update. Any time a number other than 0 exists in the third group, it is a patch update. Patch updates are used by developers to provide fixes for common bugs or to fix any flaws in the system’s security. While patch and minor updates are important to stay up to date on, patches are the most important because they could fix potential vulnerabilities in your current system. A good way to make sure you are keeping your system up to date is by using automatic updates. Most systems will only perform automatic updates on minor and patch updates and will require manual verification before doing any major updates.

**CREATE SECURITY POLICIES**

Security policies help your employees to understand what their individual responsibilities are and what is considered acceptable behavior when using organization computers/other devices, sharing organization data, working remotely, and responding to cyberattacks.

**REDUCE THE INFORMATION AVAILABLE TO STEAL**

A good way to minimize your organization’s risk is by reducing the information available to be stolen. This can be accomplished by establishing a data retention policy that outlines what types of data are actively being stored, how long that data should be stored, and how it should be destroyed or relocated at the end of that time. It is crucial to purge emails and files periodically to avoid how much information could be stolen if a breach occurs.

**CONDUCT AN IT SECURITY RISK ASSESSMENT**

IT security risk assessments involve cataloging information assets, identifying threats and vulnerabilities, assessing the potential impact of the risk, and prioritizing the order threats are dealt with. The IT security risk assessment process includes both the identification of risks and the construction of a plan of action for addressing them. It is an efficient and effective tool for understanding your organization’s security weaknesses and vulnerabilities and taking action to begin to fix them.

**CONDUCT PHISHING TESTS**

Phishing is a type of cyber attack where an individual sends a fraudulent message to a recipient to try and trick them into sharing sensitive information with the sender or installing malicious software on the recipient’s device. Phishing tests are automated tests that send the employees in your organization phishing emails to assess the organization’s susceptibility to this type of cyber attack.

**EDUCATE!**

This is perhaps the MOST important step! Don’t underestimate the importance and power of educating your employees on cybersecurity risks and preventative measures. A well-informed staff who knows what to look out for can help to spot potential risks and take the steps necessary to hold each other accountable.
Equitable contracting with government remains an ongoing issue that can no longer be ignored. As we know nonprofit expertise is essential to ensure that government mandated, and other critical services, are delivered to our county’s most vulnerable citizens – frail seniors; people with disabilities; survivors of domestic violence; children suffering abuse; people confronting mental illness, food insecurity/hunger and homelessness; jobseekers and more. Late procurement and late payment on government contracts to nonprofit agencies is commonplace. This practice destabilizes nonprofit organizations, negatively impacting our communities as a whole, the people we serve and the nonprofit workforce. Delayed procurement and late payments by government partners over decades has seriously weakened the nonprofit infrastructure and has caused significant operational hardships for too many agencies. Relatedly, below market wages for Westchester’s nonprofit workforce and insufficient allowable reimbursement for necessary administrative and overhead costs, can no longer be absorbed by nonprofit organizations. The negative impact of an inequitable contacting process for nonprofits amounts to millions of dollars in non-reimbursable costs to nonprofits, weakens our capacity to deliver services to society’s most vulnerable, compromises our ability to hire staff and requires us to terminate staff when our agencies can no longer essentially float loans to government partners to keep our organizations operational, perpetuates unnecessary inefficiencies and increased non-reimbursable administrative expenses. The current contracting system across all levels of government compromises our capacity to pay a workforce that is already undervalued and underpaid; with a nonprofit workforce that is 80% women and 55% people of color, equitable contracting for nonprofit services is essential to advance racial equity.

Nonprofits must come together to work against the negative outcomes resulting from government contracting and foundation funding that too heavily perpetuates competition among nonprofit agencies. While both entities are incredibly valuable partners, nonprofits are equal partners in advancing the work of government and foundations. The sector, as a whole, needs to stand up for what is fair and just for our agencies, the people we serve and our workforce, and shed the “beggar and benefactor” mentality that increases inefficiencies and harms us all.

The COVID-19 pandemic ushered in challenges for all nonprofits to not only stay relevant in a new “client centered” technological zoom era but to also retain existing funders and identify new supporters. As we move into 2023 there is strain on the nonprofit sector to retain and/or recruit competent staff members amid soaring benefit costs. More nonprofits are scrutinizing how they spend their resources. Similarly, our funders are being careful as to how they invest in program impact. There is more competition than ever to create the funding needed for our complex issues that face many families. The sector must continue to attract talent, both at the staff and the board level. Our boards must reflect all the diversity that is throughout Long Island including the next generation of leaders. The pipeline of talent has to be top of mind as the challenges in front of the sector grow more complex.

In addition, nonprofits must develop creative solutions to control costs and overhead due to inflation yet stay relevant and impactful. A prime example how United Way is accomplishing this is through our net zero building project which will eliminate $70,000 in our annual utility costs to be re-invested into community programs. This will be essential in 2023, as human services organizations will undoubtedly see an uptick in demand. According to United Way’s ALICE (Asset Limited Income Constrained Employed) Report 31.5% of households in Suffolk and Nassau County fell below the set income threshold needed to live and work, which equates to more than 350,000 households that are struggling to afford these basic needs. On Long Island the household survival budget is $86,436 or $43.22/hour for a home with two adults, and two school age children (Family of 4).

Amid these challenges always remains the potential for many like-minded nonprofits to band together and form collaborations to solve pressing problems. Our program approach at United Way is to strengthen our neighborhoods and close the economic gap by supporting community and agency-led strategies that focus on economic and workforce development; education; housing; safety, and more.
The non-profit sector is facing many challenges both internally and externally. Internally the “great resignation” in staffing led to a sort of musical chairs that resulted in having to onboard and train new or short-term staff while years of institutional knowledge from former staff walked out the door. The exhaustion of two years of a pandemic amidst surmounting community needs have also resulted in the retirement of many leaders. Employees are also demanding a work-life balance that might not entirely allow for the level of service that meets the new needs of the most vulnerable communities who have emerged out of the pandemic. Externally, funding has always been an issue but with a recession looming and the needs in our communities becoming more complex, it is possible that as an industry we will need to rethink what service looks like.

Going into 2023, it will be crucial for organizations to come together and strategically address and direct services, identify complex emerging needs, and advocate for the upward mobility of those they serve. As a sector we must be fully honest about how much we can address with the resources we have and how we reimagine our structures with all the anticipated regulations. Are we prepared for changes? Are we poised to grow with new challenges? Once we have identified our strategy, we must work to build capacity around a laser-focused approach and area of expertise that compliments the services space.

The need to survive in any economic climate, such as this current unstable one, makes the nonprofit quest for effective fundraising in an ever crowded and unpredictable environment very relevant. That quest creates circumstances that could become detrimental in the long term, such as when organizations balloon in size without the appropriate guardrails for sustainability, or when organizations develop an altered scope that becomes out of alignment with their original mission, or when organizations and their boards become disconnected from the impact taking place, or worse yet, when organizations encroach in areas where they are not an expert. All of these can be examples of what might happen when an organization feels pressured to chase funding opportunities that are not quite the right fit and might come with stipulations that derail or deviate the organization from its original mission or focus. When considering new funding opportunities that aren’t exactly a fit for your organization, think about internal and external long-term circumstances, and whether you’re aptly prepared to handle them or ready to grow into new challenges at this time.

Workforce is the single biggest issue facing the nonprofit sector. Like so many employers, nonprofits are suffering from the “Great Resignation” because many workers are making different choices about how they work, as they should. Decades of purposeful divestment by government have left human services nonprofits at a huge disadvantage when it comes to paying equitable and competitive wages, and much of this work cannot be done remotely. In the first year of the #JustPay Campaign, we successfully advocated for $560 million in workforce investments on contracts, a drop in the bucket of what is needed. Nonprofit human services organizations contract primarily with the State and City to provide lifesaving services - services that help the economy along with communities - and government purposefully underpays salaries on those contracts, with workers making 30% less than they would if they worked similar jobs in government. Providers have supplemented those contracts with private fundraising, but the gap has grown too large. If we want to see a network of services continue, government will need to stop paying poverty level wages on contracts. Collective advocacy is necessary, and providers cannot continue to take on contracts that drastically underpay for services and for salaries.

Belt tightening and a worsening economy is something organizations will have to contend with, even if the economic downturn is more perceived than actual. As we wait for budgets and decisions around cuts or reduced spending, we do know that those decisions historically mean reductions in funding for human services. Providers have traditionally figured out how to do more with less, keeping programs whole and operational despite reduced funding, but I don’t think that could possibly be the case this time. COVID-19 has stretched the workforce and financial resources beyond their breaking points, and providers must be prepared to push back against budget cuts. We are likely to see whole program closures if there are across-the-board budget cuts.

The biggest risk to nonprofits is government contracts. Despite a major undertaking by the New York City Mayor and Comptroller to clear the backlog of contracts, the amount of bureaucracy to take on contracts and wait a year or more to be paid, along with what now feels like monthly new administrative burdens, has created a hostile environment for nonprofit to succeed. The nonprofit sector stepped up during COVID-19, demonstrating the essential nature of their work, and is stepping up again to welcome asylum seekers and ensure they have the resources they deserve. Unfortunately, we have not seen that same partnership across government. Both Mayor Adams and Governor Hochul have demonstrated commitments to the sector in terms of funding and a willingness to tackle procurement issues and HSC will continue to partner with them and push progress forward. But, this comes in the aftermath of divestment and disinterest by their predecessors, and if we don’t see systemic and immediate change, I don’t see sector leaders continuing to “make do” in the face of the current system. My recommendation to those reading this and nodding is to join in coalition work – not just HSC but a host of other amazing organizations working on short and long term change - and remember that you do not run an organization in a vacuum. As a sector, we have millions of people we service, hundreds of thousands of workers, and thousands of Board Members, and we need to activate them.
Staff retention and talent acquisition will remain among the top-level issues for nonprofits in 2023. Our recent Salaries and Staffing trends survey shows that 63% of nonprofits will operate a hybrid work-model, while almost 25% will work entirely onsite. Considering that 66% of Americans would prefer to work fully remote, nonprofit employers will continue to feel the pressure to compensate, engage, and equip their staff in a meaningful way that will keep staff loyalty.

From a talent acquisition and management perspective nonprofits will need to remain nimble when going to market for new hires. 65% of our survey respondents stated that they are finding it more difficult than ever to fill positions. The job market is very competitive, and salaries have increased for the foreseeable future. In instances where a nonprofit is not able to pay a market salary for a specific position, it will need to consider different talent profiles, upskilling efforts, and training and mentoring programs. Nurturing a culture of teamwork and individual impact will serve nonprofit managers who have implemented a hybrid work model and/or who are leading remote workers.

Overall, I don’t believe there are many unseen risks that nonprofits will grapple with in 2023. Almost 70% of our survey participants are cautiously confident about the future of the nonprofit sector in 2023, and they generally feel the same about the prospects for the organization they represent. Most have rebounded from the disruptions of the last two years and have proven to be resilient in the face of many organizational challenges. If anything, the hybrid work model will be an interesting dynamic to watch: how can we make hybrid work more productive and engaging?
2023 NYC SALARY REPORT

According to the 2023 PNP Nonprofit Salaries Staffing Trends Report, hiring will continue to be a challenge for nonprofit organizations.

(Click for PNP Salaries and Staffing Trends)

Projections for 2023

- Planning to hire additional staff: 55%
- Planning to fill vacancies only: 28%
- No new hires anticipated: 9%
- Uncertain at this time: 8%

Difficulties in filling positions

- Cannot match expected salary: 45%
- Lack of qualified candidates available: 43%
- Fierce competition for experienced candidates: 39%
- Candidate takes another job before we complete interview process: 27%
- Those reporting having the most difficulties in hiring staff are:
  - Human & Social Services: 83%
  - Arts, Culture & Museums: 64%
  - K-12 Education: 62%
  - Healthcare & Medicine: 60%

(Click for PNP Salaries and Staffing Trends)

About Us:

Since 1996, PNP Staffing Group, also known as Professionals for NonProfits, has been providing talent exclusively to the nonprofit sector. Specializing in Executive Search and Direct Hire, Interim Professionals, Consultants, and Contract/Temporary Staff – we offer every staffing solution a nonprofit may need in your organization or remotely.

With a deep understanding of the nonprofit sector, local expertise with a national reach, and 25 years of experience, PNP helps organizations make smart hiring decisions to advance their mission, and build diversity, sustainability, and capacity.
WORKSPACE TRENDS

1. ONGOING HIRING AND RETENTION ISSUES

Workers are continuing to leave their jobs at a higher-than-usual rate. As of October 2022, there were 10.3 million job openings in the United States. The gap between the number of people looking for work versus the open roles remains ... Why? This means that it is important to prioritize effective hiring and have an increased focus on employee retention programs such as: investing in employee’s careers, recognizing employee’s hard work, focusing on building strong managers, reassessing compensation, considering benefit packages, prioritizing work-life balance, establishing personal employee growth plans, etc.

2. PRIORITIZE EMPLOYEE WELL BEING

After almost 3 years of working in a pandemic and dealing with increased stressors both inside and outside of work, employers need to continue to put their employees and their well-being first. Some ways they can do this is: mental health days, making praise part of company culture, launching an employee well-being survey, creating a monthly virtual wellness event, weekly mental health tips, etc.

3. FOCUS ON FLEXIBILITY

Flexibility will be exhibited in two different forms:

- Time: Employees want the freedom to make their schedule and not be micromanaged in the process. There has been a social shift in recent years and more priority on work-life balance and family. Because of this, we will see people wanting a more flexible schedule or even a 4-day work week.

- Location: Employees want the freedom to work remotely or hybrid. At this point, approximately 58% of all Americans have the opportunity to work from home at least once a week, and 38% are not required to come to the office at all. We are going to see this trend continue into 2023.

4. INCREASED DIVERSITY, EQUITY, AND INCLUSION (DEI) EFFORTS

As we enter 2023 DEI continues to be top of mind. According to a survey from GoodHire, 81% of employees would consider quitting a job if they felt a company didn’t demonstrate a true commitment to DEI. After an increase in awareness in 2020, some companies have lost their momentum. It is important to continue to prioritize this in your workplace.

5. AN EMPHASIS ON CONTINUED EMPLOYEE GROWTH

As more leaders prioritize training and promoting within the workplace, they’re creating a growth mindset in their culture. This allows employees to see a more long-term relationship with your organization and shows them you care as much about their career as they do.

6. FOCUS ON BENEFITS

60% of employees view benefits as the most important non-salary factor in starting to work for an organization. For nonprofits that can’t necessarily compete from a salary perspective, it is important to try to “sweeten the package.” Some Benefits you can offer include: continuing education, fitness plans, pet insurance, on-site childcare, bringing your dog to work, 401K match, emergency saving fund, etc.

Pre-covid, the goal of the office was to provide individual workspace to all employees; now, offices need to provide shared workspace for some, and collaborative space for all, such as Zoom rooms and conferencing/training areas. This presents several unique challenges to nonprofits; importantly, they are faced with pressure to upgrade their existing facilities or risk their ability to attract top talent.

Space needs in 2023 will vary, in large part, based upon the type of nonprofit. To provide a salient example: client-facing social service nonprofits who directly serve socioeconomically disadvantaged groups may see a significant increase in demand during a recession, and a consequent need for more space. For example, we worked with several food security organizations who saw a 100%+ increase in demand during the pandemic, and a proportionate increase in their space need. Notably, these types of nonprofits and programs are less affected by the hybrid work model, and their space need can be conversely affected by a recession. Their programs require boots on the ground, so there is little room to capture the efficiencies of the post-covid workplace. Thus, these organizations may find themselves bursting at the seams during a recession and engaging in a strategic growth plan across multiple locations.

In the nonprofit real estate market, deal structures are crucial during inflationary times, as the cost of construction and labor have been on the rise throughout COVID, compounded by a challenging lending environment of late. There is a sort of double jeopardy occurring: due to high interest rates, overleveraged property owners are having trouble financing the requisite improvements to lease space; due to ongoing supply chain issues, the cost of these improvements remains significantly above standard. While this will leave fewer options for nonprofits looking to lease space, we recommend taking deliberate measures to transfer these risks to the right partner rather than making a compromise. Our key suggestions are to run a competitive process to identify a well-capitalized landlord partner who will be less affected by the lending environment. Then, structure the lease as a landlord turnkey, with all construction risks falling on the landlord. We are running this process with dozens of nonprofits across the city to help maintain affordable occupancy costs without construction risk. To be opportunistic in 2023, you will need to move fast with an expert team and have access to capital.
Going into 2023, organizations will have to get better at communicating their stories to employees, clients, board members, and donors. The COVID-19 crisis caused many people to reevaluate their lives and to search for greater meaning. As a result, many people are asking themselves why they are still here and what they should be doing to make a difference. When organizations do not clearly articulate their raison d’être very often, everyone in the organization’s orbit becomes bored and disgruntled. Consequently, employees and board members leave, and clients and donors look elsewhere. To prevent this from happening, organizations should be communicating the answers to the following questions over and over again:

• Why does the organization matter?
• Who does the organization impact?
• Is the organization truly inclusive in terms of employees, board members, clients, and other stakeholders?
• What would be lost if the organization closed its doors?

Furthermore, many nonprofits will have to systematize remote or hybrid work while ensuring a feeling of community and belonging. The pandemic changed many individuals’ expectations in terms of work and life integration. In 2020, we learned that much can be accomplished from home. It is taking a lot more to get people to leave their homes and contend with the increasing costs of commuting, crime on public transportation, and the high cost of childcare and elder care. The loss of grandparent support due to COVID, whether by self-imposed isolation, sickness, or death, and the closures of many childcare facilities and nursing homes, also due to COVID, has placed additional burdens on caregivers, and the convenience of working from home while providing care has become increasingly desirable. But while the way we work has changed, the need for community at work has not changed. That said, organizations are going to have to figure out how to create community for members in hybrid environments by systematizing check-in calls, mentor outreach, zoom events, and other activities. This will be especially important in fostering the inclusion of caregivers, people of color, and members of the LGBTQIA+ community, among others, because many members of these communities may have already experienced forms of exclusion pre-pandemic.

Finally, it is likely time to invest in health and wellbeing. The pandemic took a toll on many employees’ mental and physical health. Social isolation and COVID-19 long-haul symptoms are wreaking havoc. Organizations should consider revisiting their employee health plans to determine whether mental and physical health support are adequate. Additional investments in meditation, yoga, restorative circles, and other wellness initiatives may be crucial. Moreover, the diversity landscape is ever-changing, and most organizations will need follow-up training on topics such as implicit bias, handling microagressions, understanding ableism, the ABCs of LGBTQIA+, and/or interviewing for inclusion. Investing in such training will be crucial to ensure that employees can better understand each other and be resilient when incidents of insensitivity occur. Such investments will be incredibly important for recruiting and retaining diverse employees, including people of color, women, members of the LGBTQIA community, and people with disabilities.
We’re gaining a greater understanding of the impact of the pandemic on our collective mental health. We’re anticipating that people will need to deal with challenges as our world opens back up, along with learning how to continuously adapt to the pandemic, current events, and other difficult situations. We are aware of the mental health crises, especially among young people, who have been hardest hit from years of social isolation. It is well documented.

Business and nonprofit leadership have finally recognized that investment in mental health is critical to attracting and retaining top talent. Apps, ERG’s, EAP’s, “Courageous Conversations” and other tools are helping businesses understand how to best address mental health issues in their organizations. Workplaces are becoming more attuned to the importance of developing strategies to improve employee wellbeing, which is especially critical for nonprofit workers on the frontline during pandemic years.

The problem is that New Yorkers are experiencing an ever-shrinking social safety net. The mental health care system is overwhelmed and under-resourced. We need more comprehensive, affordable care and culturally competent workers in the mental health space. Even if you have health insurance, New Yorkers can experience a very long wait time and high costs, whether it’s an outpatient program or talk therapy.

Given the post pandemic economic situation, funding continues to be the number one challenge facing not for profit arts organizations. This remains the age-old chicken and egg situation. One cannot provide the service without funding… one cannot get funding until the service is provided, and the metrics are available. As a startup, (founded in 2020) There are unique challenges with this system. It forces creativity in both outreach and service. NFP’s are, by necessity, particularly resilient. We are the dreamers and those with the grit and determination to put our dreams to action. The pandemic experience has changed us, issues of social disparity, systemic racism, and ableism have become stunningly clear. I echo the ideas of my peers. We must remain flexible, listen closely to both those we serve and those who enable us to serve. We are all parts of one whole society, each important and each interdependent. Together, we are the force doing the work to create a more equitable and sustainable society as we join forces to create solutions to the challenges we all face.

Simone Sloan wisely says we must be intentional about our work. For example: Remote work has become more of the norm and opened possibilities for many who had faced barriers of travel and accessibility in the workspace. There are vital NFP organizations providing job training for those with disabilities or retraining for those previously excluded or whose life situations have changed. Outreach to these and similar organizations for any vacant position allows us to “walk the walk”, creating opportunities for a better world through our own behavior. We must also remain acutely aware of the niche we are able to serve well and how we fit in the greater context of efforts underway around us. Our particular niche is awe-inspiring … accessible and inclusive circus arts programming. Obvious mission partners include those who fundamentally serve those who are both underrepresented and underserved due to lack of access and those who also wish to increase the quality of life for our target population for whom we can provide the next level of effective engagement in the arts and humanities. Through collaboration, all win, missions served and the force of change for the better gains more strength.

John Miller correctly suggests that we must establish a hybrid business model. The established model of ticket sales, or “fee for service” does not cover the costs to create, mount, and provide full access to that which our souls need to survive, nor does it provide inclusion for those who are more acutely affected by the economic challenges facing our society. Proving our value through those who can afford the services and pooling our resources to appeal to and support those who can provide the funding for underserved populations. Each of you, our fellow NFP’s, sponsors, philanthropists, angels, and donors, are vital to our collective success. This directly serves our shared mission of creating a better society for ALL to enjoy. If we work together and each focus on our strengths, we can become more fiscally sustainable while each of our missions becomes more successful.
Recruiting and retaining qualified staff is undoubtedly our greatest challenge. Several factors have made employment in human services less attractive to the workforce over the last few years—the pandemic, the rise of remote work and a gig economy, and the lag between inflation and wages in the not for profit sector have all made it less attractive to work in human services. Despite these challenges, our greatest opportunities can be the very leverage we need to recruit new talent. We need fresh perspectives on how to incorporate affordable technology into our practices both at the service delivery level and at the administrative level. We need to streamline bureaucracy to keep administrative expenses low and direct more funding to those delivering the services to people. And we need to think beyond the boundaries of our own sector to partner not only with one another but also with other sectors to advance diversity, equity, and inclusion in all that we do.

As our sector continues to feel squeezed in the current and anticipated environment in which we operate, partnerships with one another can offer a chance to streamline administrative services and maximize direct services dollars. In our continuous pursuit of operational excellence, not for profits should also explore best practices outside of our sector to avail ourselves of a wealth of knowledge and opportunities. We need to incorporate automation where possible to reduce time, cost, and effort and allow us to focus on our primary purpose of human care and contact. Unfortunately, there is a growing gap between our operating expenses and our funding. Significant cost increases in operating expenses such as health care benefits, utilities, food, IT services, and data security are pulling more resources toward business operations. Philanthropy will only be able to fill some of that gap. Operating as efficiently as possible will be essential to an organization’s ability to thrive in an environment where no margin means no mission.

Greater use of technology in volunteer management will enhance scheduling, tracking and reporting as there are many tried/true platforms available on the market. Since traditional volunteers continue to age out, factoring in internship opportunities as well as youth engagement to current programming will help expand the pipeline along with attention turned to the newly retired while developing opportunities for family volunteering and virtual volunteering. Examine new ways to communicate effectively with different volunteer ages and what social media works for each level. Every manager and team leader should reread “Who Moved My Cheese?”
Twenty-twenty will always be known as the year that COVID put the world on pause. The impact of COVID persisted through 2021 and beyond and has forever changed how we think, act, and do business. To curb the impact of the pandemic, the federal and state governments dedicated significant funding to help keep the country going. As a result, unemployment payments were enhanced, taxpayers received multiple stimulus checks, and businesses and nonprofits received a myriad of subsidies, which included PPP loans (and related forgiveness), Employee Retention Tax Credits, HHS funding, Daycare Subsidy Funding, Healthcare Worker Bonuses, Shattered Venue funding, FEMA funding, and more. The shutdown caused by the pandemic created supply shortages in consumer goods, technology equipment, PPE, and more. People realized they could work from anywhere, creating a mass exodus from urban and high-cost/taxed areas (such as New York City and State). In addition, many Boomers who were nearing retirement packed it in to avoid a complete change in the technology landscape they found themselves in. This created a shortage of staff and a rise in the cost of labor. All of this has culminated in an economic downturn brought about by a tightening labor market, rising interest rates and inflation, a pullback in the stock market, and a surplus of cash dumped into the market by governmental agencies.

Don't expect 2023 to get any better... as all indications are that we are headed for a recession during 2023 that is anticipated to hold on into 2024. As 2022 moved on, we saw an easement on supply chains, followed by a softening of the housing market (as interest rates crept up), and at the end of the year, we started to see layoffs that will hopefully start to loosen the labor markets. This will all take some time to work its way out but expect inflation to stabilize by the middle to end of 2023 at around 3 or 4%. Expect interest rates to continue to rise during the first half of 2023 until inflation comes under control... we could be looking at anywhere between a .5% and 1.5% in rate hikes before we are all done. Expect unemployment to continue to rise to a level of around 5%... with certain pockets continuing to be scarce even as the labor market continues to soften (accountants, teachers, healthcare professionals, etc.).

At this point, don't expect a large influx of additional governmental subsidies in 2023. This will result in cash shortages and should drive up interest rates being paid to investors and thus make fixed-rate investments more attractive. This will have a negative impact on the stock market, so expect a drop in the market during at least the first half of 2023.

So, what does this mean to the nonprofit sector:

► Expect an increase in the demand for human services, with unemployment on the rise. With the downturn in the economy, discretionary spending is expected to be down, which could impact private school enrollment and attendance at arts and cultural events.

► With the downturn in the market, anticipate further rationing of funds by private foundations and decreases in contributions during 2023. Overall, fundraising is expected to be down in 2023.

► Federal, state, and local governments pushed out significant funds between 2020 and 2022. Don't expect a whole lot of additional support in the current year. Expect government funding to stabilize and maybe even decline as governmental agencies look to balance budgets in an inflationary market.

► Organizations should see a loosening of the labor market, which should allow them to attract staff in what has been a challenging talent acquisition period.
Having said that, organizations will need to continue to find a way to keep staff connected so that when the economy improves, they don’t leave for higher pay.

In budgeting, organizations should utilize 5% to 8% increases across the board, with slightly higher increases in areas where the labor market remains tight… healthcare, insurance, financial services, etc.

Expect a continued push in the Green Transition as the focus moves back to some of the key initiatives that were put on hold when COVID claimed the spotlight.

People will continue to have mixed feelings regarding in-person events… so expect attendance to stay around 2022 levels. Hybrid events will continue to be necessary for the foreseeable future.

Organizations will need to be more creative and strategic in 2023. Strong leadership, risk management, careful budgeting and monitoring, information flow, and proper planning are going to be essential in 2023. Also, expect to see increased levels of collaboration and mergers in 2023. Twenty-twenty-three will be a challenging year for the sector as the economy tries to right itself… but there will still be an opportunity for those organizations that can navigate the tough waters ahead.

Expect in 2023 to see insurance pricing rise for most accounts and on most lines of business. Significant factors are affecting pricing and availability of limits.

Some of the areas that I expect to be most affected are as follows:

The Property market is one of the areas that is most dramatically being hit as a result of the catastrophic storms from this past year. While they may have been centered in areas such as Florida, the Gulf coast and southeast, the affects will be felt globally. Hurricane Ian is estimated to have caused approximately $80 BILLION of loss to the insurance and reinsurance industries. The reverberations from this storm will be felt in all areas of the Property Insurance market. Since the cost of reinsurance will be significantly higher this year, this will be passed off to the insurance buyer. Not only will pricing be higher, the reinsurers are looking to reduce the levels of coverage provided (lower limits). As pricing rises and limits are reduced, this makes the placement of insurance more difficult and more expensive. Carriers will also be focused on determining that building valuations are adequate in the event of a loss. These valuations are also being affected by rising costs of construction materials. Generally this means an increase, which also corresponds to increased premiums as well. Carriers will also be looking to raise deductibles, limit coverages, thereby reducing their exposure on each risk. It will be crucial for nonprofits to begin discussions regarding renewals far in advance (minimum of 4 months prior to expiration) so that renewal terms will be obtained prior to expiration.

Cyber claims are expected to increase to $10.5 trillion by 2025. Cyber Liability was once an extremely simple exposure to place coverage on, however, lack of attention to client’s exposures and poor systems have contributed to massive losses in the industry. Some carriers are no longer writing the coverage due to poor performance and adverse loss history. Premiums continue to rise and in addition, insurers are looking for increases in retentions coupled with limitations to coverages being provided. Carriers are also requiring a significant amount more underwriting data and requiring cyber security controls to be in place (remote desktop protocol, Multi-factor authentication, etc.). Without proper controls carries will limit coverage, require significantly larger retentions, or even decline to offer coverage.

The Casualty market has been adversely affected by large judgments on Umbrella policies. Many of these losses are related to the ownership and construction related claims on real estate exposures. While these are not reflective of non-profit type risks, anyone that own properties have been affected by these types of claims. All buildings require maintenance and or construction and therefore are exposed to these types of losses. Carriers are looking for much more scrutiny on this type of work. Contractors should be vetted to be sure that they have adequate coverages in place. The non-profit and social service classes of business have also been affected by large sexual abuse or molestation claims. Many clients are seeing carriers looking for increases in premiums in conjunction with reductions in limits. All employees must have proper training in these areas and controls must be in place to limit exposure to these type of claims. nonprofits should be working towards focusing on the management of risk and developing processes that will reduce exposure to loss to attempt to offset premium increases.
ADDITIONAL TRENDS

1. START RUNNING YOUR NONPROFIT LIKE A BUSINESS
   a. Treat your donors as customers/investors
   b. Diversify your revenue streams, in the current climate, you can no longer rely on just donations and grants
   c. Create a long-term growth strategy, most nonprofits work year to year instead of looking at the bigger picture
   d. Make the Mission itself profitable

2. COLLABORATION
   Collaboration within the sector allows organizations to join together and make even bigger strides to bettering the community. The benefits include (but are not limited to):
   ▶ Saving on admin costs
   ▶ Improving the range of services
   ▶ Increasing brand exposure
   ▶ Creating new ideas
   ▶ Expanding programming
   ▶ Increasing efficiency, etc.
   There is strength in numbers!

3. WE CAN EXPECT A DECREASE IN GOVERNMENT FUNDING AND GRANTS
   Over the last few years we have had ERTC, PPP, and a myriad of other federal support. These funds are gone and nonprofits can no longer rely on them. Prior to the pandemic, state and local governments were looking for ways to streamline their budgets through cuts to the nonprofit sector. Expect these conversations to be back on the table in 2023.

4. CHANGE IN DEMAND FOR SERVICES
   a. Health and Services: With our current economic downturn we are expecting to see an increase in poverty which will make the needs for food, housing, and other services more important. Nonprofits will need to evolve quickly to account for this uptick.
   b. Arts and Culture: With less disposable income fewer people will have the money to spend on theaters and museums, etc. We do expect there to be an added need for arts organizations that work with schools as schools continue to cut funding in this area
   c. Education: Private schools and Charter schools are seeing a decrease in enrollment due to cost.

5. BOARD MEMBERS AS ADVOCATES/DEVELOPERS
   If you are not doing so already, you should be using your board to spread your mission and for fundraising. Your board members have several responsibilities when it comes to fundraising
   ▶ Making a personal gift
   ▶ Thanking and Engaging donors
   ▶ Identifying new donors and making introductions
   ▶ Attend public and bring prospective donors
   All Board members, through their networks, have the ability to expand your organization’s fundraising efforts, they just need the tools to do so.

6. A SHORTAGE IN LEADERSHIP AT BOARD LEVEL, C-SUITE, AND MANAGEMENT
   During the pandemic, we saw a rise in retirement rates. 50.3% of US adults 55 and older were out of the workforce due to retirement, before the onset of the pandemic that number was closer to 48.1%. With this uptick, nonprofits are finding themselves with a shortage of leadership.
I see 3 big issues permeating during 2023.

- **Retention**... retention of board members, retention of donors, and retention of staff members. Most of the issues that I see NPOs facing today, retention is the root cause. Without an effective team in place, with strong leadership and oversight, it is very difficult for an organization to be impactful for an extended period of time. With a tightening of the labor market and economic downturn, nonprofits need to be more strategic and creative in their approach to labor issues.

- **Service Delivery**... Organizations need to be more adaptive in their operations and service delivery methods, meeting people where it is most convenient and impactful. Organizations are no longer in the “driver’s seat,” they need to pivot and continue to adapt to the changed landscape while delivering the programming or services their population needs. This will mean teleservices, community and home based services, greater collaboration allowing for joint services, and a people first mentality.

- **Funding**... The experts are all predicting a downturn in contributions during 2023. The Organizations that will have greater success are the ones that understand that fundraising doesn’t start with the ask. It starts with your story and why your board members, staff members or volunteers care so deeply about their organization and the communities you serve. Everyone attached to your organization has a story...help them tell it.

A significant but historic problem affecting nonprofits with City contracts is the lengthy contract registration process. The plethora of the City’s unregistered contracts caused a funding bottleneck that carried and continues to carry operational consequences for nonprofits. While the City did launch the “Clear the Backlog” initiative, unlocking over $4.2 billion in government funding, many organizations are still awaiting contracts from the fiscal year of 2021. The impact of this financial backlog on smaller nonprofits is immeasurable. Thus, nonprofits would benefit from requesting the City’s transparency on the release of contract funding, the timely registration of unregistered contracts, and a timeline of distribution. It’s a lofty list, but necessary to help organizations reasonably prepare for the future.

Additionally, collecting better and more inclusive impact data may be essential for nonprofits to remain relevant and compete in these new times. As donors and foundations become increasingly exposed to new approaches to the same issues, organizations will need to carve out new and culturally relevant approaches to meeting the different needs of the community. For instance, in the alternative to incarceration sector, there are hundreds of diversion options throughout the City. Many of which compete to serve similar demographics. Resultingly, foundations and funders alike are asking “What makes your program unique? Here, nonprofits have an opportunity to take a deeper dive into their clients’ needs while exploring the purpose of their organization’s existence. This exercise may refresh a nonprofit’s approach to centering its narrative and amplifying its relevancy while scoring new data points to measure.
I don’t think we could have predicted all the changes that would happen as employees were confronted with the reality of returning to onsite work during 2022. It certainly created an upheaval with people re-evaluating what they really wanted in their work/life balance, with many deciding they wanted to continue working remotely, or at least hybrid and finding other opportunities to work for different organizations that would allow this on an ongoing basis. I think this will continue to be a trend as we go into 2023 with more professionals feeling they can be just as productive working from home versus in an office setting.

From an accounting perspective, there is a storm brewing with less accountants available for work, especially in the NFP sector. It’s no secret that the number of people entering the accounting profession has been declining for many, many years, and one AICPA study even said 75% of CPAs are going to be retiring over the next 15 years. For many organizations this means accounting staff at all levels are ageing out and it’s becoming harder and harder to replace them. All industries are starting to feel the effects of it, but small nonprofits are some of the first to feel the effects because accountants are in high demand, and many will be looking for the highest paying jobs. Sadly, most of these jobs are not in the NFP sector. Organizations will need to be thinking about succession planning at all levels of their staff, and it will be even more important to have backup options in place as staffing shortages continue to be a concern. This could mean exploring outsourced staff/services, potentially sharing staff with other organizations or merging entities to create efficiencies and automating tasks to cut down on manual labor. In fact, nonprofits should consider automation and technology adoption as part of their retention strategy: when employees spend more time on tasks that allow for higher level thinking and creativity, they are happier and more productive.

I also think cybersecurity, or lack thereof, is a VERY significant issue facing the nonprofit sector. Unfortunately, nonprofit organizations sometimes starve their operations at the expense of trying to put all their resources towards the programs/mission. While this is very noble, it opens an organization to be an easier target because they aren’t focused on setting up the WHOLE organization for success when they haven’t protected all aspects of the entity. Cyber criminals are getting more sophisticated EVERY DAY and all businesses must stay vigilant and do everything they can to protect themselves. Fraud has always happened to some degree in any industry, but it’s happening more and more in the NFP sector mostly due to a lack of education around cybersecurity and implementing proper internal controls. nonprofits are joining together, building coalitions and sovereignty groups, and now their voices are being heard from the streets to the White House. This trend needs to continue in 2023.
Nonprofit organizations should try to take a breath and evaluate how they are perceived in the communities they serve. Is this the perception you desire? Are you cultivating the most strategic relationships – both with individuals and organizations? Is your leadership viewed favorably? Positive, strong responses to the questions above puts your organization in a position for an effective strategic planning process and/or to achieve your already stated 1-, 2- and 3-year goals.

Given the state of the labor market and employment, nonprofits should focus on getting cutting edge information on new recruitment pathways and seek out trusted vendor partnerships to support their recruitment, retention, and training needs.

It is also important to remember that strategic plans are living, breathing documents. It is okay to adapt when warranted and it is encouraged to communicate adjustments and progress to board members on a regular basis. If you have an active strategic plan, but no way of tracking progress and/or no identified metrics, then early 2023 could be a good time to incorporate a tracking mechanism into your organization’s board and management meetings that references your high-level metrics.

Given the many options employees have in this market, employee morale, motivation and appreciation is critically important. How have you solicited employee feedback? Have you surveyed your staff? Have you fostered a feeling of belonging for your team members? Are there lingering trust issues that need to be addressed strategically and thoughtfully?

For most nonprofits and companies, little is more important than your human capital. Perhaps 2023 is the time to execute on best practices around team building, connectivity, and belonging. Consider dedicated time for staff and board retreats. Remember, when we like our coworkers, we are more likely to show up and work hard and stay where we are. The same goes for having a positive relationship with a direct supervisor. These are important relationships to foster whenever possible and tie directly back to organizational sustainability and delivering on mission impact and strategic plan goals.

To tie this back to strategic planning, I will leave you with this – your plan is also only effective if is it communicated effectively to your stakeholders and that includes ALL STAFF. Consider a one-pager or summary or strategic framework or dashboard visual to better convey your high-level metrics and vision for the future of your organization.
NRH is a trade association serving, resourcing, educating and connecting its members and the nonprofit community at large.