

# 2022 State of the Nonprofit Sector Survey Results

## Discussion Series, Part 3: Data to Advocate for Funding Changes

Presented by

Nonprofit Finance Fund

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# Welcome from the Survey Team!



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**Help mission-driven organizations achieve the communities' aspirations through tailored capital, strategic advice, and accessible insights.**

# The Power of the Survey

- Raising and sharing the powerful sector-wide voice of nonprofits
  - Context
  - Ideas
  - Advocacy
- Storytelling— quantitatively and qualitatively
- Learning from the fascinating lessons of this recent time period

# Agenda

**Introduction**

**Survey Refresh**

Respondents, Goals, Key Messages

**Examining the Data: What Funders Need to Know**

**How Funders Can Respond to these Learnings**

**Short Poll**

**Advocating to Funders – Financial Storytelling**

**Thank you**

Survey collected insights from **1,168 nonprofit leaders** across the nation about the **impact of the past two years, from the pandemic to events that activated calls for racial justice**. Here's what leaders had to say about how their organizations have been faring and the investments they need to secure their long-term futures.

# Who took the 2022 NFF State of the Nonprofit Sector Survey?

## 1,168 Survey Respondents

- From 47 states plus Puerto Rico and Washington, DC
- Diverse array of service areas
  - Human services (including housing, youth services, and other): 39%
  - Arts & culture: 12%
  - Community/economic development: 11%
- Organizations of all sizes
  - Annual expenses less than \$100,000: 12%
  - Annual expenses greater than \$20,000,000: 7%
- Primarily/exclusively serve people with lower incomes: 69%
- BIPOC-led\* organizations: 33%

\*For purposes of this survey, we define BIPOC-led as having an Executive Director or CEO who is Black, Indigenous, or other person of color.

# Goals and objectives

1. Develop framework for engaging with BIPOC-led organizations, understand their relationship with nonprofit finance, and assess willingness to participate in this survey
2. Foster & facilitate a channel of participation and information collection from BIPOC-led organizations.
3. Uplift the experiences of accessing funding and financing by BIPOC-led organizations, including accomplishments, challenges, and community investment.
4. Understand the scope and barriers in entry points for all nonprofit organizations when accessing financial support from foundations and philanthropic organizations
5. Assess the diverse representation of leadership by race, ethnicity, gender-identity and sexual orientation in hopes to highlight their successes.
6. Understand equity in access and information, and assess system change to drive impact in the nonprofit financial sector



# Key Themes

When times got tough, government, philanthropy, and community members turned to nonprofits, and nonprofits responded.

Events of the last two years also accelerated a racial reckoning in this country. The murders of innocent Black Americans like George Floyd and Breonna Taylor sparked widespread calls for racial justice. The anti-Asian attacks in places like Atlanta and San Francisco ignited the Stop Asian Hate movement. **As with the COVID-19 response, nonprofits were on the frontlines of these movements for racial justice and equity.**

BIPOC-led nonprofits are deeply connected to communities' aspirations and needs. They need to be supported financially in a way that honors their work, and the long-held racial bias in the nonprofit funding system must be overcome.

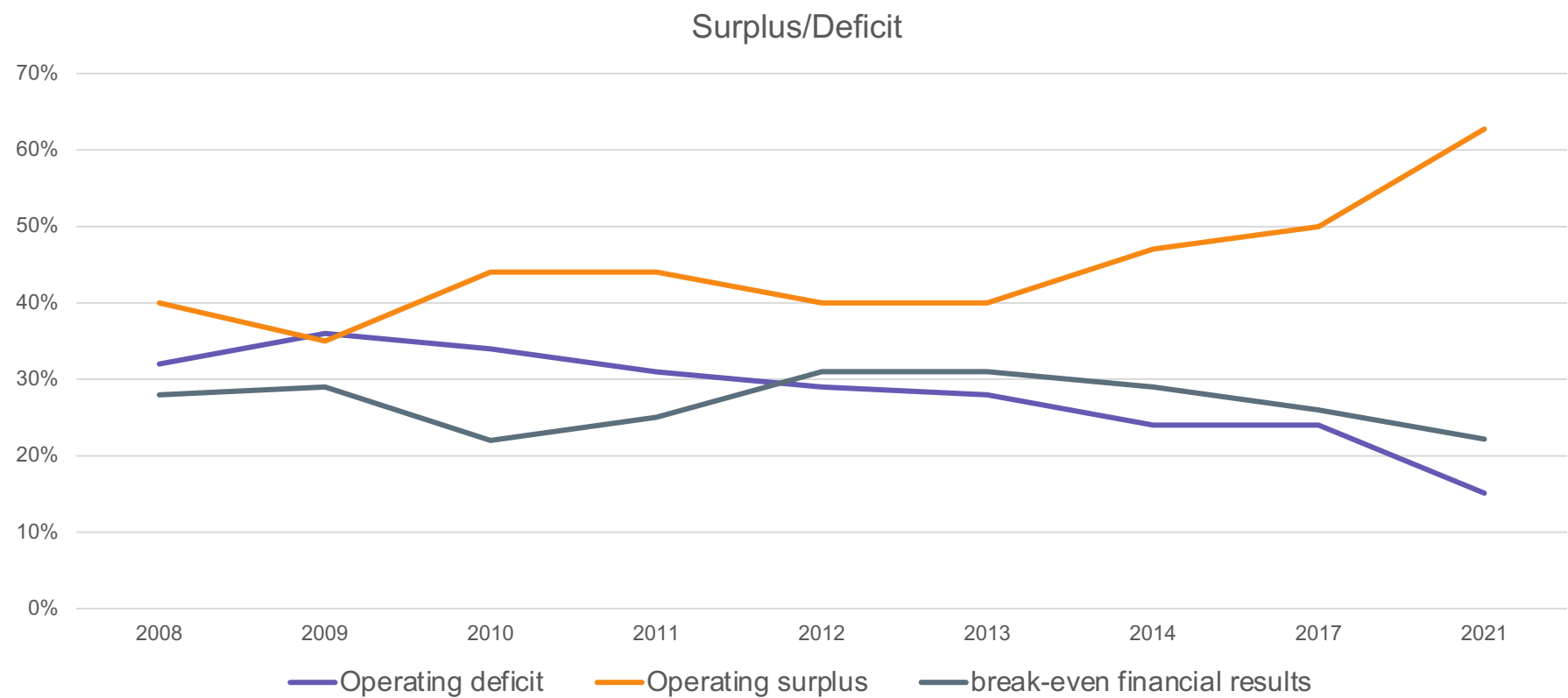
# Examining the Data: What Funders Need to Know



# This Was a Moment of *Relative* Financial Strength

## Higher Percentage of Surpluses, Lower Percentage of Deficits in 2021

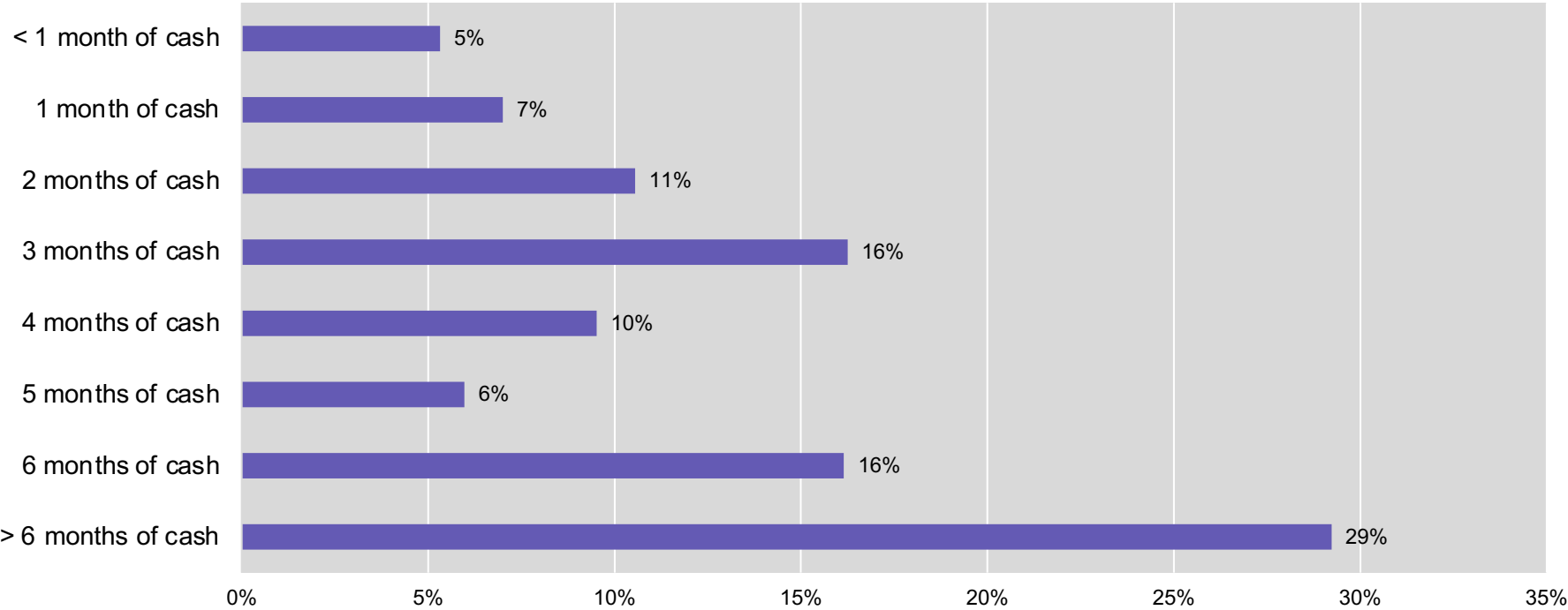
### Operating Results for Respondents from Each Survey Year



*Note: Survey years are not all contiguous, and respondents vary from survey to survey.*

# 45% Had Six or More Months of Cash on Hand

## Cash on hand



# How did this happen?

## Funders responded to this critical moment for nonprofits and communities

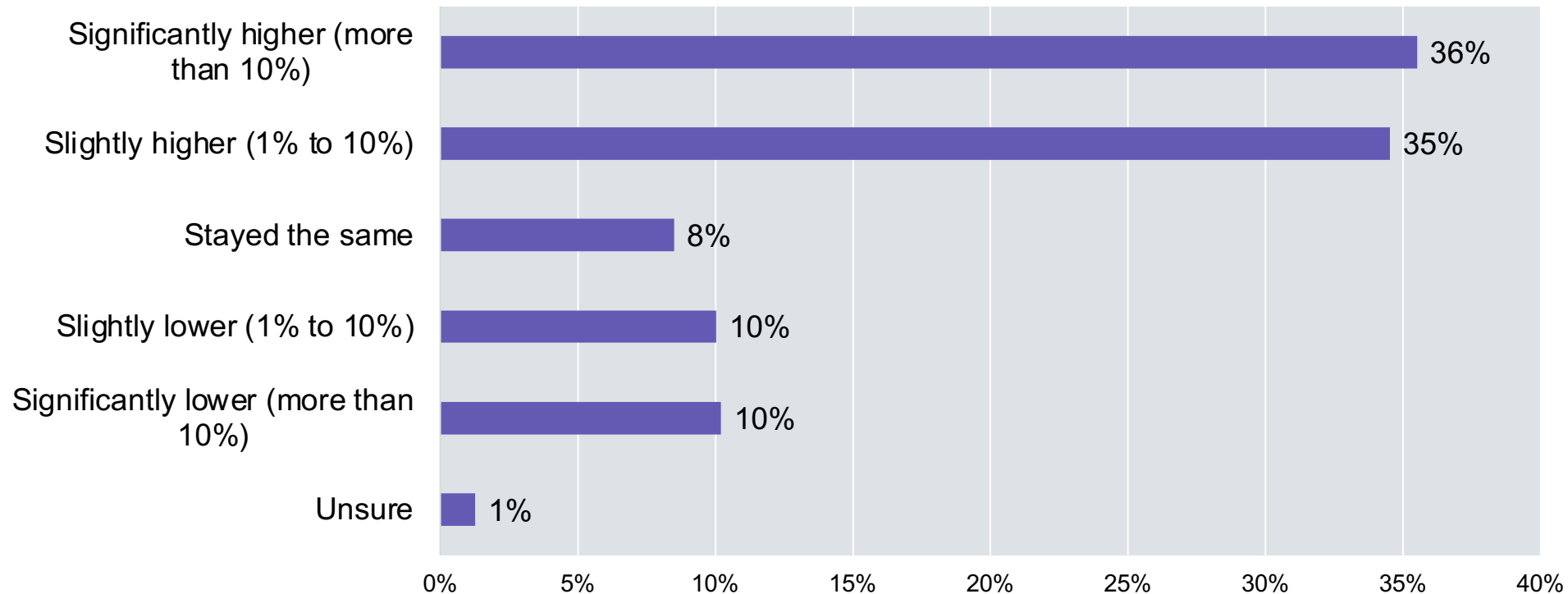
# Increased Crisis Funding and More Flexibility

## Support from Public and Private Sources

- 71% of respondents received one or more PPP loan
- 36% received half or more of their FY2021 funding as unrestricted
- 57% said funders have been more flexible with use of funds since March 2020

# Funding Increased for Many

Compared to FY2019, our current funding is...



- 23% of BIPOC-led orgs say that their funding increased as a result of events surrounding George Floyd's murder, compared to 10% of white-led orgs
- More BIPOC-led orgs (27%) saw their reserve balances double than white-led orgs (12%)

# What was the result?

**Nonprofits had the resources and flexibility to respond to true, changing community needs**



# How Nonprofits Responded to a Crisis

## Nimble nonprofits on the frontlines for communities

- 71% saw an increase in service demand
- At half (49%) of nonprofits, staff took on duties outside of their job description all or most of the time
- 88% developed new or improved ways of working during the pandemic, and half (51%) expect those changes to become permanent
- 62% expanded programs or services

**“We delivered food and school supplies to children and families at their home. While there, we helped them with the technology to participate in online school. We turned a school into a summer warehouse for frozen and refrigerated foods.”**

Medium-budget youth services nonprofit, Western region, leader identifies as Middle Eastern or North African

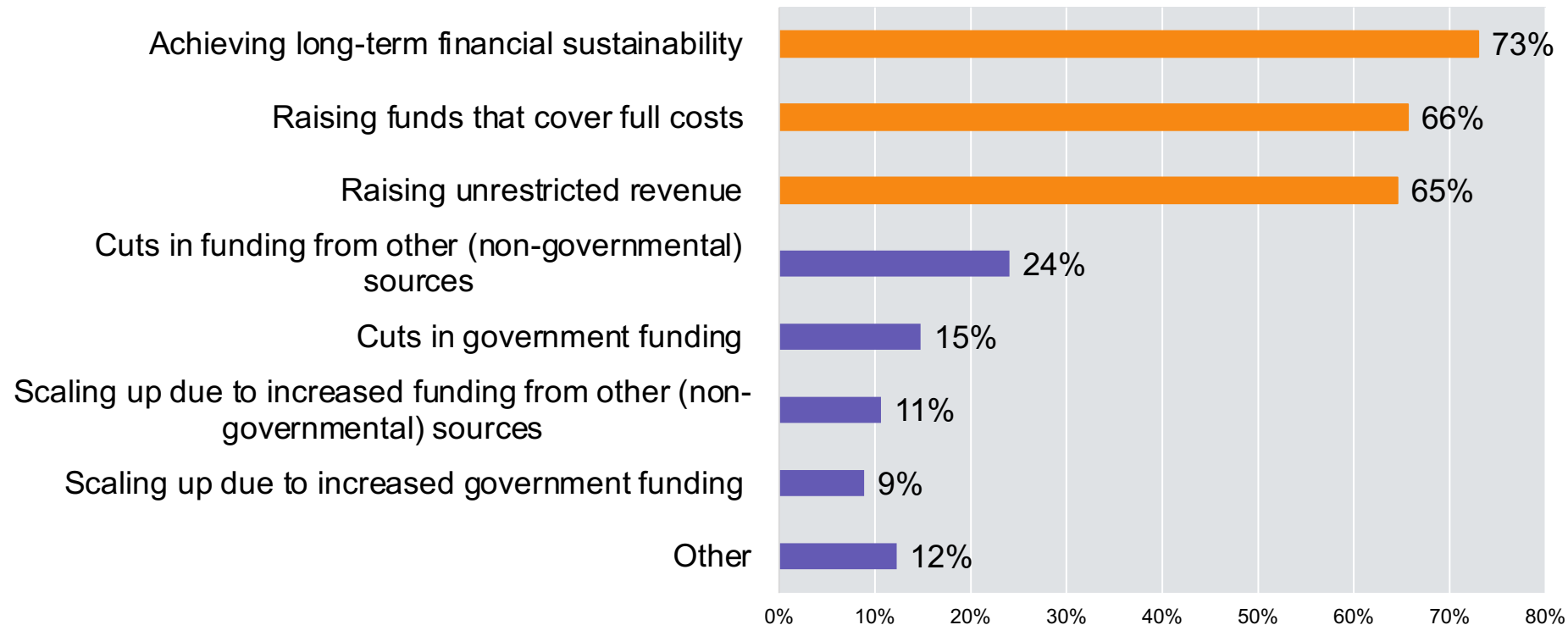
**“Prior to 2020, our home visitors conducted visits in participants' homes. In 2020, in order to respond to the pandemic and reduce the risk of infection, we developed "walking visits" in which our home visitors and participating mothers interacted while walking and pushing a stroller.**

**We were able to redirect funds to the purchase of sturdy, good quality strollers for families that did not have them; in addition, both our staff and participants began to engage regularly in outdoor physical exertion that benefited their health and exposed participating infants/toddlers to regular outdoor activity. We are continuing and will continue to utilize this positive innovation.”**

Small-budget infant/child development nonprofit, Western region, leader identifies as multi-racial

# At the Same Time, Long-standing Financial Concerns Remain...

## Top 3 Financial Challenges



82% of BIPOC-led organizations reported long-term sustainability as a top challenge, as did 69% of white-led organizations.

**“Due to the 7% rise in inflation in America, the board of my organization projects that it will be struggling to meet our fundraising goals and financing non-necessities in year 2023. I will try to campaign for loans from the State and the City and corporations...”**

Small-budget human services nonprofit, Northeast region, leader identifies as AAPI and Latinx

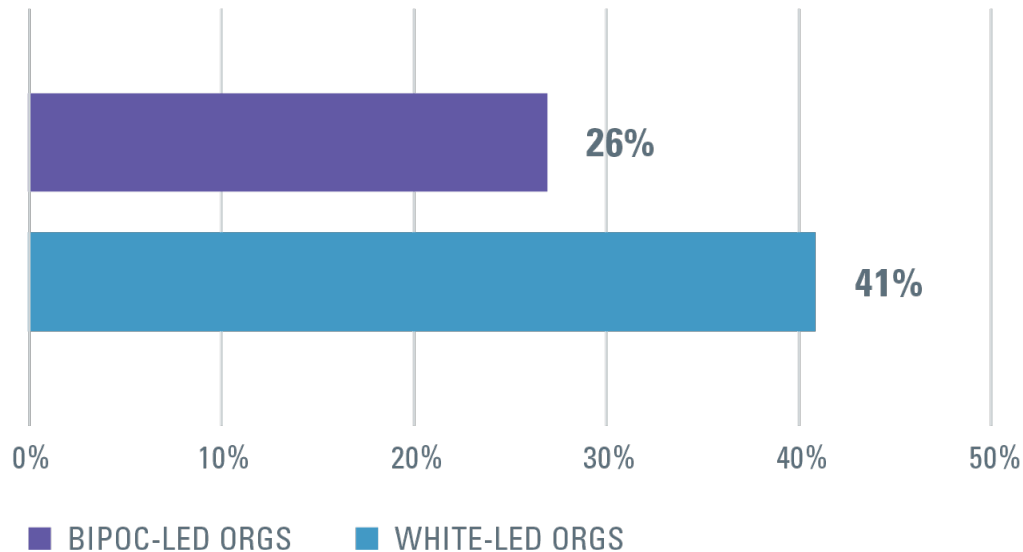
**“[What we need most from funders is] long-term commitment to the organization that grows. Many funders set a level of support that doesn't change from year to year - despite the fact that our costs to deliver services have increased. Some funders provided emergency grants in 2020, but have reverted to historical levels and patterns.”**

Medium-budget education nonprofit, Northeast region, leader identifies as white

# ... And Inequitable Funding Persists

## White-led nonprofits continue to have more financial access

RECEIVED HALF OR MORE OF THEIR FUNDING  
AS UNRESTRICTED FUNDS IN FY2021

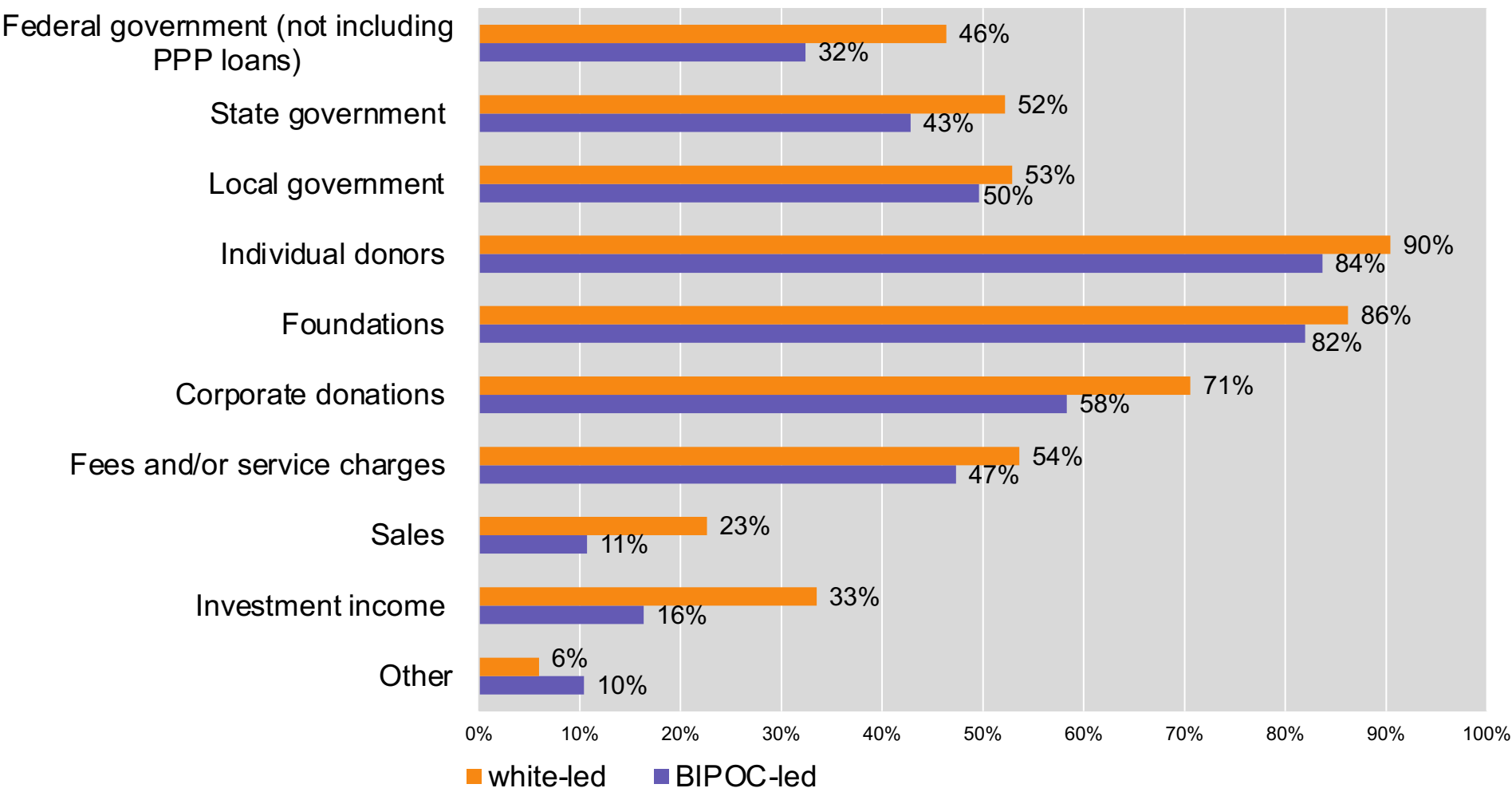


76% of white-led organizations received PPP loans, compared to 58% of Black-led organizations. This may be due to two factors:

- Fewer Black-led organizations applied for PPP loans (64% of Black-led nonprofits as compared to 77% of white-led nonprofits)
- Among those that did apply for PPP loans, 99% of white-led organizations received them versus 90% of Black-led organizations

# Inequitable Funding Persists

## FY2021 Revenue Sources



# How Funders Can Respond to these Learnings



Practice **Trust-Based Philanthropy**  
both in actions you can take today and in  
making longer-term, structural changes to  
how you fund.

**[trustbasedphilanthropy.org](https://trustbasedphilanthropy.org)**



# **Continue bold ways of funding that the pandemic instigated and accelerated**

Start with actions that are relatively lower lift for your institution as you plan more

## **Continue/Start with one of these:**

- Give flexible funding.
- Understand and fund full costs.
- Fund operations (technology, training, infrastructure, staff hires)
- Fund organizations to have a surplus or rainy-day fund. At the least, don't penalize nonprofits if they have a surplus or reserves.
- Fund at levels that let nonprofits pay living wages to all staff.

# Change inequitable funding practices within your own institution

## Be part of the solution

- Fund organizations working in their communities. Pay attention to BIPOC-led, community-centered organizations that may have been excluded from traditional funding pathways.
- Make nonprofits and community leaders co-designers and decision-makers in grantmaking initiatives.
- Support them yourself, whether with funding or advice, and also introduce them to others in your network who might be able to support them.
- Share insights from your knowledge as a funder into what other funders might look for in an effective grant proposal, how funders build new relationships with potential grantees, and other advice geared toward helping them enhance their positioning over time.
- Stop practices that can exclude smaller and newer organizations:
  - Simplify funding applications and don't disqualify organizations for minor errors.
  - Remove costly requirements (e.g., audited financial statements).

**“TRUST US. We are the experts in our work. We need multi-year, unrestricted funds. We are looking for partnerships, not oversight.**

**Stop invite-only grants because you cannot reach the small BIPOC-led orgs doing the work on the ground when you rely on friends and colleagues who don't know who's out here. It creates a power imbalance.**

**PLEASE make RFPs no more than 4-6 question that don't continually ask for the same information. One report at the end of the grant. An open & transparent process. If an org is denied a grant, please offer FREE grant-writing training. The reason the big orgs stay funded is because they can afford grant writers.**

**Don't make promises you can't keep- if you say you want to fund us, don't make us chase you. If you have a question about an RFP, please ask us, don't just dump the application. I've answered this question so many times (as have so many others) PLEASE act on this information this time. Thank you.”**

Small-budget arts, social justice, and civic engagement nonprofit, Western region, leader identifies as multi-racial

# Poll

**Reflecting on your organization's relationship with funders over the past two years, what is one practice you most hope funders take on, or continue, moving forward?**

- Provide multi-year funding.
- Fund operations (technology, training, infrastructure, staff hires)
- Fund organizations to have a surplus or rainy-day fund. At the least, don't penalize nonprofits if they have a surplus or reserves.
- Fund at levels that let nonprofits pay competitive wages to all staff.

# What is a Financial Story?

Telling your organization's **story** can engage the listener with your mission, highlight your accomplishments, and inspire support.

Telling your **financial story** allows you to communicate with numbers, describing your organization's financial situation, how you got there, and your future needs.

Your financial story can...

- Lend credibility to past and present decisions
- Quantify the effect of decisions on your organization
- Adapt to different audiences and purposes

When stakeholders understand your financial story, they can make better decisions to support your organization

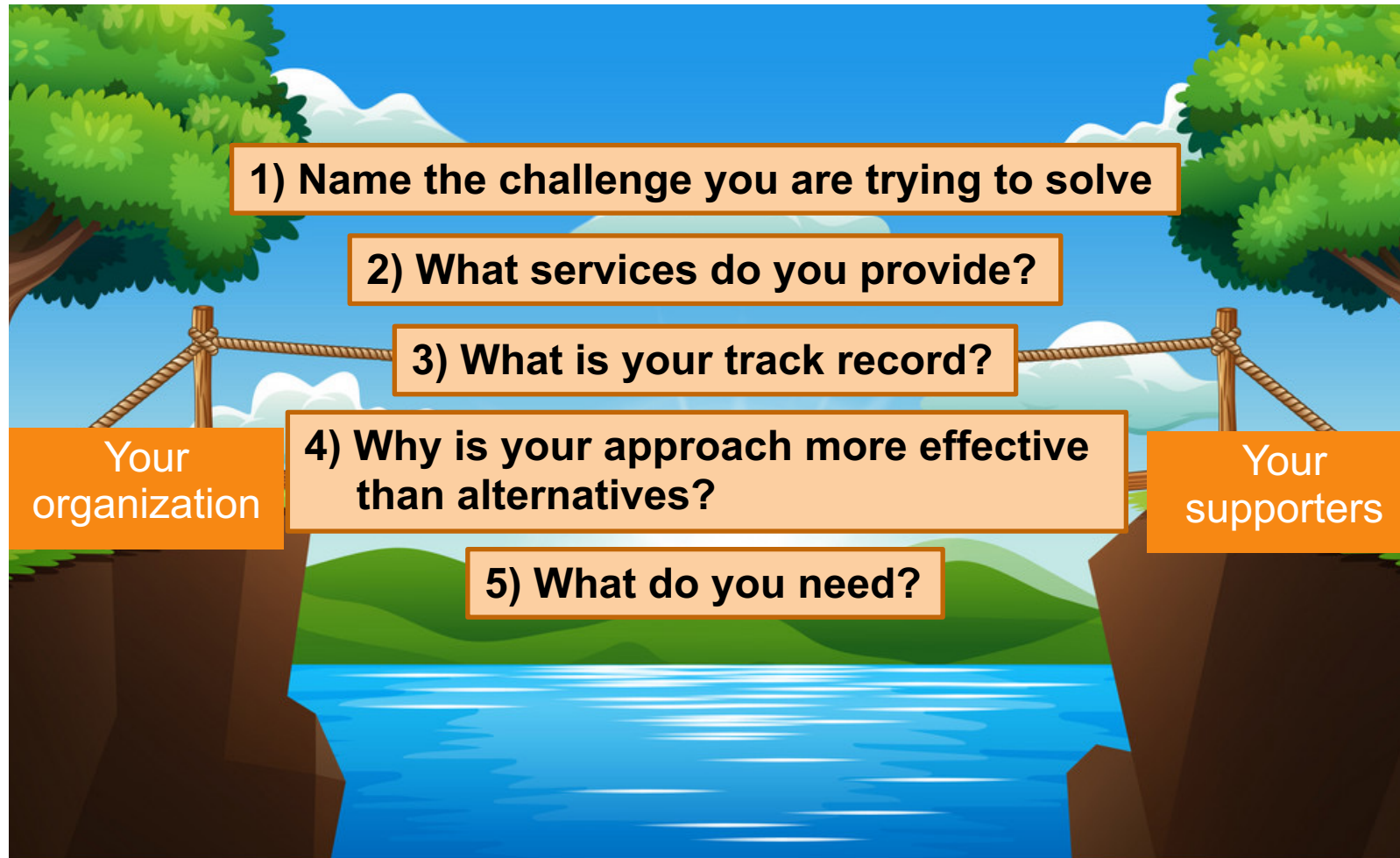


# There Are Many Financial Stories We Could Tell

- **Strategy changes:** How is the organization and its business model evolving? What will you need to realize the vision for the future?
- **Full Costs:** What do you need to support the full costs of delivering your mission and programs?
  - How does [insert audience] fit into your full costs?
- **Financial impact:** What are the resulting needs of past, current, or future events?
- **Business model:** How do you make and spend money in support of your mission?
  - How does [insert audience] fit into this business model?
- **Value Proposition:** What value does your organization have for your community, and what do you need to support that work?
- And many more – what stories are on your mind?

For each story, know **who** you're telling it to and **why** before focusing on the **what**.

# Financial Storytelling Framework: Articulating Your **Value Proposition**



# Example: Conveying Value Proposition to Funders

- 1) Name the challenge**

Despite the hard work and dedication of educators, **schools continue to be chronically underfunded and understaffed in our local communities of color and it is impacting youth learning outcomes** across ABC county.
- 2) Services provided?**

For 21 years, we have been a part of the community and provided **in-class and after-school programming to support students throughout their educational journey**. We provide tutoring for youth in writing, math, history, and science to ensure they're on track to advance to the next grade, as well as promote social and emotional development.
- 3) Track record?**

During the 2021-22 school year, we **provided hands-on tutoring and guidance for 400 youth across five different schools**. We actively partner with school directors, educators, and parents to ensure our programming is reaching the youth by being available, flexible to their needs, and creative in our approach.
- 4) Effectiveness of approach?**

Our results demonstrate the effectiveness of our programming. **95% of youth enrolled in our after-school programming are on track to graduate on time compared to 83% of their peers**. Our next step is to increase the number of schools we partner with to reach more youth.
- 5) What do you need?**

This is a time of change and emerging needs. **With a flexible investment of \$300,000, we will be able to cover the full cost of onboarding two schools from our waiting list and support an additional 100 students in the ways they need it**. For example, with this new flexibility, we will be able to attract and retain two school counselors, cover the kind of programming best suited for each community, and provide sufficient administrative support to ensure the programs run smoothly. **Are you able to partner with us in this opportunity to expand our work?**



# Financial Story: Asking for a Resource

Think Creatively About What You Need & What They Can Do

## Framework for Generating Ideas



## Examples of Needs

- Flexibility of funding
- Funding
- Input and insights
- Materials
- Relationships
- Skills
- Space
- Specific Action
- Time

# NFF Thanks

## The 1100+ nonprofit leaders, who

- Took the time to complete the survey
- Stepped up to show the country what's at stake
- Entrusted us to raise their voices

## Hundreds of individual and organizational partners who help

- Share the Survey with their networks and stakeholders
- Build this much-needed social sector data set

NFF thanks the Bank of America Charitable Foundation for generously supporting the State of the Nonprofit Sector Survey since 2010. The 2022 Survey was conducted in partnership with EVITARUS and Ambit 360.

