



**NONPROFIT STANDARDS:  
A BENCHMARKING SURVEY**

# **Nonprofit Industry Overview**



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# An Inflection Period for the Nonprofit Industry

Saving lives, educating the next generation, inspiring others, providing critical resources to communities in need. No matter their mission, the 1.5 million-plus nonprofits in the U.S. have stepped up like never before during a time of unprecedented uncertainty.

While the COVID-19 pandemic has challenged the industry — leading to increases in demand, canceled fundraisers and programs, decreases in funding, and more for some organizations — we'd be remiss to ignore the ways in which the pandemic has served as a catalyst for certain positive developments as well. From accelerating their investments in technology and achieving greater awareness of their missions to receiving an influx of donor support, some nonprofit organizations found silver linings amid disruption.

With 2022 on the horizon, it's the perfect time for organizations to take a deep dive into how they've been operating over the past year, build upon what's working well and improve upon what could be going better.

At BDO, we're proud to help nonprofit leaders identify opportunities to make such strategic pivots and amplify current successes so they can fortify their organizations and continue making the world a better place. That's why we created **Nonprofit Standards**, an annual benchmarking survey for the industry.

Now in its fifth year, the survey includes separate breakout reports specific to **health and human services organizations, education organizations, grantmaking organizations and public charities** to help industry leaders — all with unique goals — make data-backed decisions that support and enhance their organizations' missions.

*It's essential for nonprofits to strengthen their financial health so they can continue serving their communities, no matter the challenges ahead. We hope this report helps equip your organization with the tools you need to continue expanding your impact as you look to the future.*

## ADAM COLE

Partner and National Co-Leader,  
Nonprofit & Education Practice



## ANDREA ESPINOLA WILSON

Partner and National Co-Leader,  
Nonprofit & Education Practice





## About the BDO *Nonprofit Standards* Benchmarking Survey: Nonprofit Industry Overview

*Nonprofit Standards* is an annual national benchmarking survey of nonprofit organizations across a variety of sectors, including health and human services, education, grantmakers, and public charities. While intended to provide a valuable baseline analysis for organizations of all sizes and types, it would be impossible to capture the variety and diversity of the entire nonprofit sector.

This overarching view of nonprofit organizations includes drilldowns by annual revenue so readers have access to data from a narrower peer group.

For the purposes of this survey, nonprofits are categorized in three groups according to annual revenues:

- ▶ Midrange Organizations: Annual revenues under \$25 million.
- ▶ Upper-Midrange Organizations: Annual revenues between \$25 million and \$75 million.
- ▶ Large Organizations: Annual revenues of \$76 million or greater.

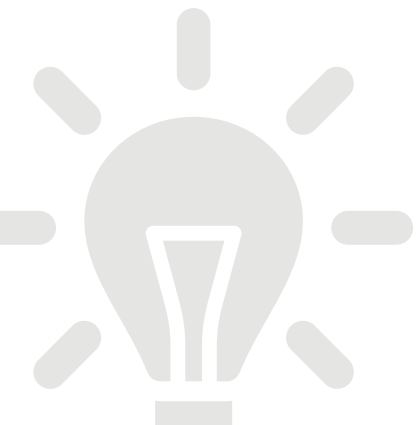
As nonprofits across this revenue spectrum navigate the impacts of the pandemic, they're grappling with some of the same challenges and discovering similar windows of opportunity. While there is some variation within the data among these revenue segments — certain obstacles may be more pronounced for some organizations than others, for example — in many cases, results are comparable.

For more information, visit  
[The BDO Institute for  
Nonprofit Excellence<sup>SM</sup>  
Resource Center.](#)

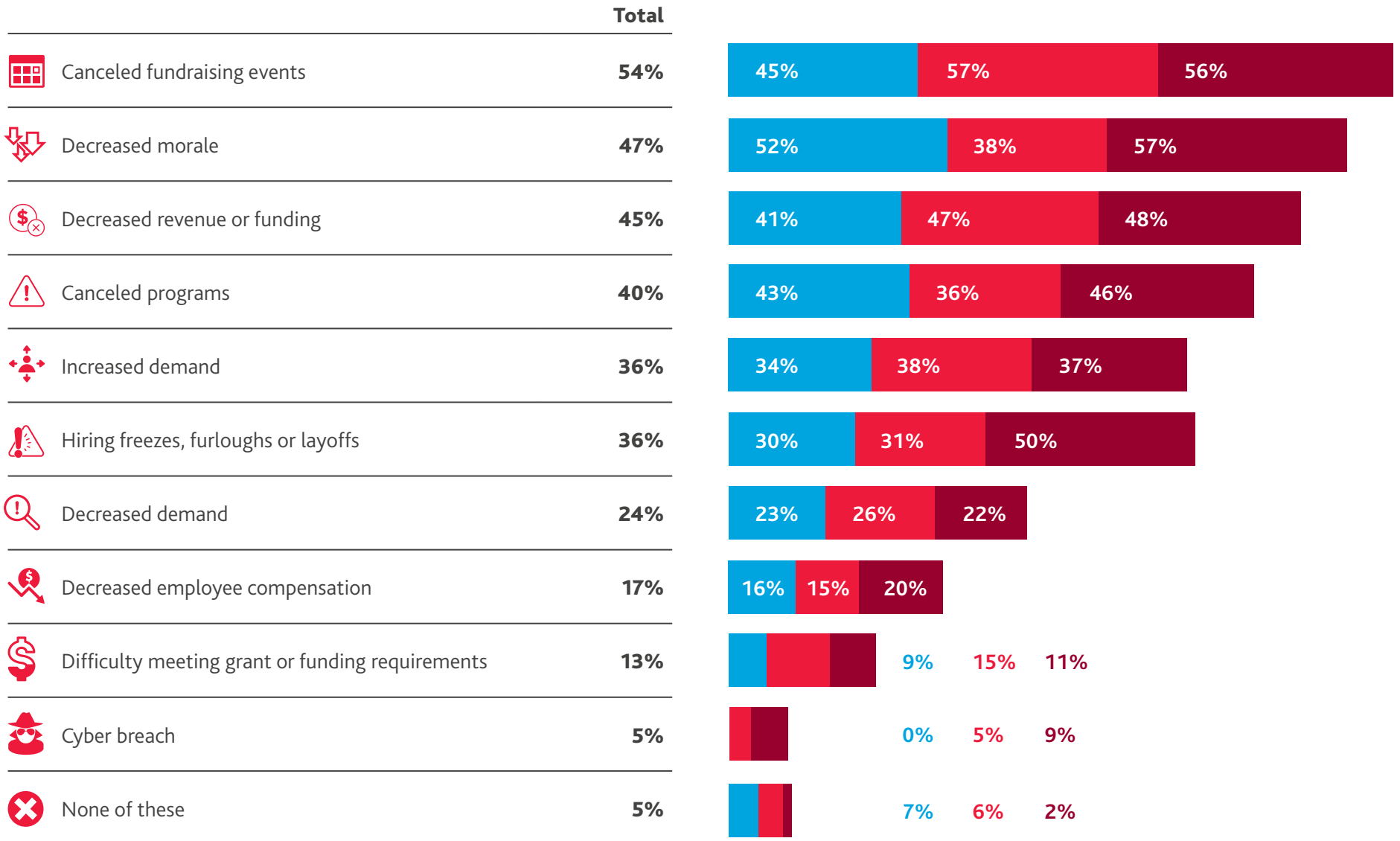
## New Challenges and Opportunities

Over the past year, some nonprofits have been balancing an increase in demand with lower levels of revenue or funding. For certain organizations, this predicament was only compounded by canceled in-person fundraising events. However, those that were able to pivot to virtual fundraisers found that doing so lowered overhead costs without significantly impacting donation levels. As a result, these organizations may continue to leverage virtual fundraisers in the future.

Additionally, some organizations that experienced a decrease in revenue or funding were forced to make staffing changes earlier in the pandemic, such as pausing hiring or furloughing or letting go of employees (reflected in the following data). Now, more than 18 months after the onset of COVID-19, organizations are adapting to a vastly different employment landscape. The national labor shortage has only made recruitment and retention more competitive, and some nonprofits are struggling to hire to meet heightened levels of demand for their services.



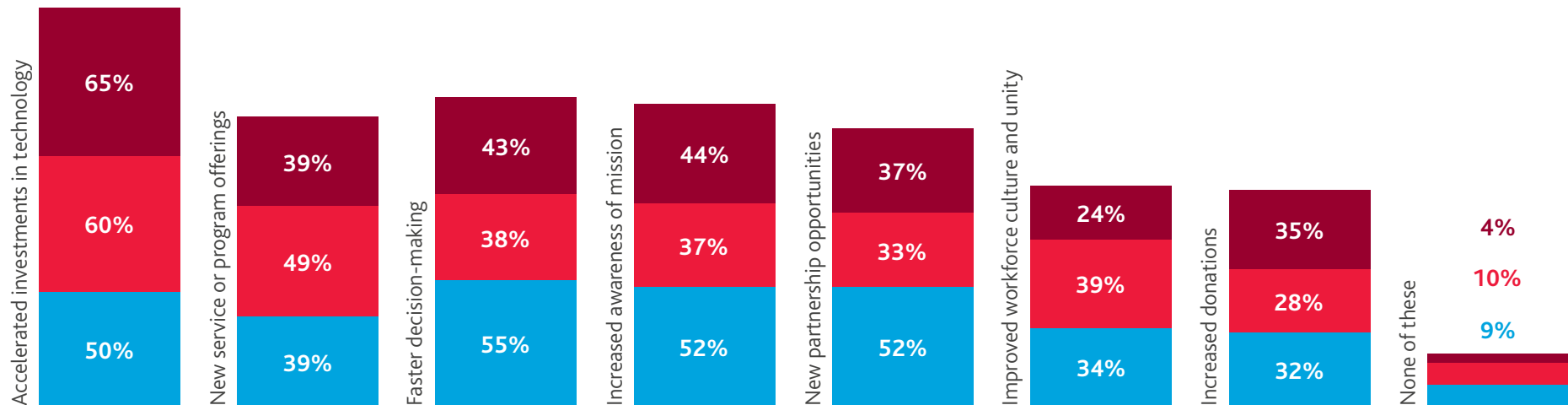
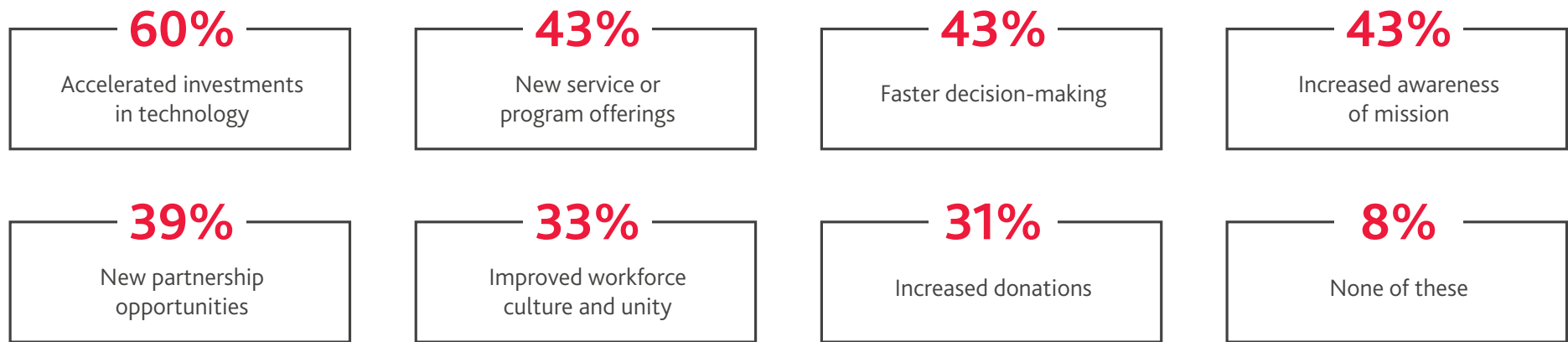
As the result of COVID-19, has your organization experienced any of the following challenges?



● Midrange Organizations (<\$25M)      ● Upper-Midrange Organizations (\$25M-\$75M)      ● Large Organizations (\$76M+)

The pandemic also spurred positive developments for some nonprofits.

While the pandemic's toll on health and the economy has been massive, disruption can drive positive change. Has your organization experienced any of the following as a result of the pandemic?



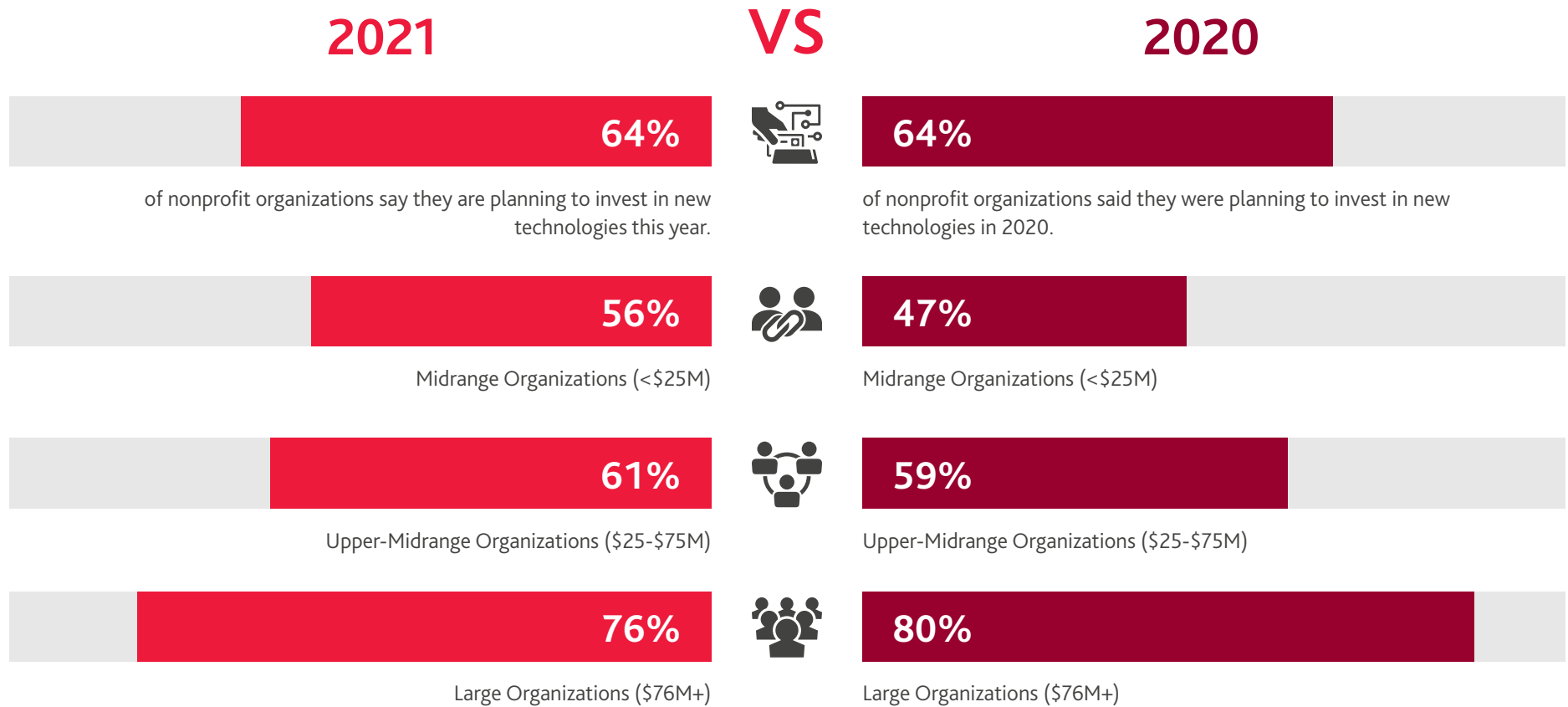
● Midrange Organizations (<\$25M)

● Upper-Midrange Organizations (\$25M-\$75M)

● Large Organizations (\$76M+)

# Optimizing Technology

More than half of organizations (64%) were already planning to invest in new technologies in early 2020, and the pandemic pushed many to quickly take action. Sixty percent of those surveyed in 2021 report that they accelerated their investments in technology due to COVID-19, and many are planning to continue moving in this direction.



When asked about the **strategies** they're planning to pursue over the next 12 months, **40%** of organizations reported that they're **planning to automate operations**.



Even though many organizations swiftly pivoted to adapt to a virtual world, they still recognize that investing in technology will continue to present challenges.

Please describe the level of challenge that investing in technology to improve systems and efficiency will represent for your organization during the next 12 months.



Midrange Organizations	14%
Upper-Midrange Organizations	13%
Large Organizations	15%

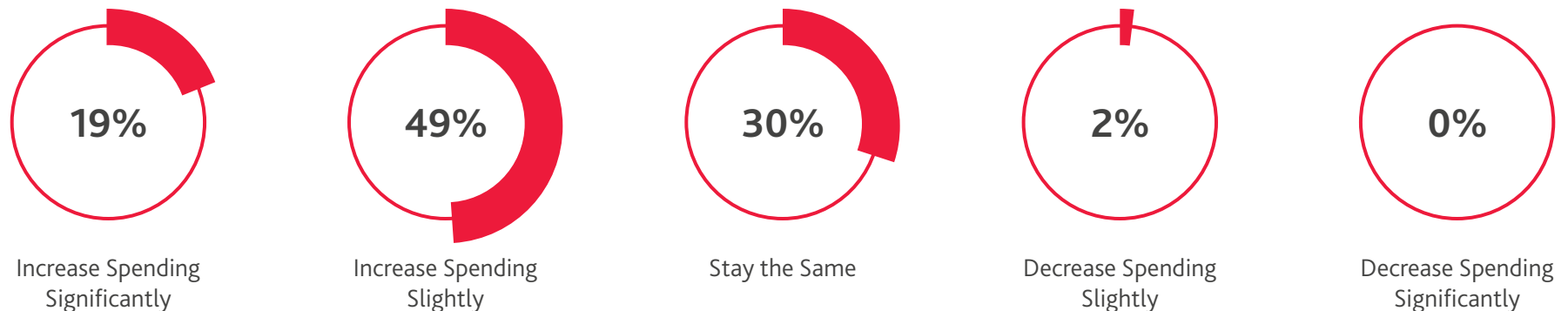
Midrange Organizations	42%
Upper-Midrange Organizations	42%
Large Organizations	57%

Midrange Organizations	30%
Upper-Midrange Organizations	40%
Large Organizations	24%

Midrange Organizations	14%
Upper-Midrange Organizations	5%
Large Organizations	4%

As organizations increase their investments in technology, it's important that they stay vigilant about mitigating related risks. Cyberattacks are only becoming more common, and organizations often have limited dollars dedicated to IT resources to begin with. As organizations scale their technology usage, they should ensure that they're doing so in a way that's strategic and sustainable so they don't leave themselves vulnerable to cyber threats.

How are you currently adjusting spending in your information technology (IT) department?

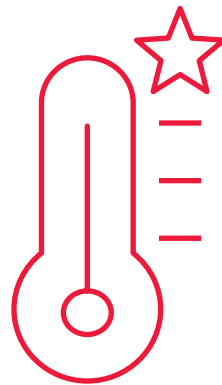


# Supporting Your Organization's Financial Health

Some nonprofit organizations experienced an influx of support during the pandemic, with 66% reporting net income during their most recent fiscal year. However, our findings reveal that they're worried about maintaining this level of revenue, as a quarter of those surveyed (25%) anticipate that their organization will experience a net loss during their next fiscal year.

## 30%

of organizations said **seeking new sources of revenue/funding** is their top goal or priority this year.




Maintaining a healthy funding mix can help organizations stay financially healthy amid economic uncertainty.


During the past fiscal year, about what percentage of your organization's funding came from each of the following sources?

 **Fee for Service** Mean


	Mean
<b>All organizations</b>	<b>26.65%</b>
Health & Human Services	16.64%
Education	32.29%
Grantmakers	17.46%
Public Charities	34.23%
Midrange Organizations (<\$25M)	17.93%
Upper-Midrange Orgs (\$25M-\$75M)	26.76%
Large Organizations (\$76M+)	34.65%

 **Individual Contributions** Mean

	Mean
<b>All organizations</b>	<b>14.32%</b>
Health & Human Services	21.54%
Education	9.85%
Grantmakers	18.84%
Public Charities	9.73%
Midrange Organizations (<\$25M)	21.69%
Upper-Midrange Orgs (\$25M-\$75M)	13.23%
Large Organizations (\$76M+)	10.41%

 **Government Grants** Mean


	Mean
<b>All organizations</b>	<b>19.51%</b>
Health & Human Services	30.26%
Education	7.74%
Grantmakers	9.06%
Public Charities	26.27%
Midrange Organizations (<\$25M)	11.56%
Upper-Midrange Orgs (\$25M-\$75M)	20.45%
Large Organizations (\$76M+)	24.49%

 **Foundation Grants** Mean

	Mean
<b>All organizations</b>	<b>8.22%</b>
Health & Human Services	12.45%
Education	3.26%
Grantmakers	8.47%
Public Charities	8.58%
Midrange Organizations (<\$25M)	9.72%
Upper-Midrange Orgs (\$25M-\$75M)	8.15%
Large Organizations (\$76M+)	7.28%

 **Investments** Mean

	Mean
<b>All organizations</b>	<b>16.38%</b>
Health & Human Services	8.77%
Education	13.13%
Grantmakers	43.93%
Public Charities	8.32%
Midrange Organizations (<\$25M)	26.5%
Upper-Midrange Orgs (\$25M-\$75M)	13.59%
Large Organizations (\$76M+)	13.77%

 **Corporate Contributions** Mean

	Mean
<b>All organizations</b>	<b>6.36%</b>
Health & Human Services	9.9%
Education	3.3%
Grantmakers	6.3%
Public Charities	6.03%
Midrange Organizations (<\$25M)	10.17%
Upper-Midrange Orgs (\$25M-\$75M)	5.29%
Large Organizations (\$76M+)	5.29%





### Fundraising/Special Events

Mean

	Mean
All organizations	5.44%
Health & Human Services	7.84%
Education	3.41%
Grantmakers	5.9%
Public Charities	4.96%
Midrange Organizations (<\$25M)	10.65%
Upper-Midrange Orgs (\$25M-\$75M)	3.91%
Large Organizations (\$76M+)	4.08%



### Membership Dues

Mean

	Mean
All organizations	4.55%
Health & Human Services	2.53%
Education	3.02%
Grantmakers	1.65%
Public Charities	9.06%
Midrange Organizations (<\$25M)	6.76%
Upper-Midrange Orgs (\$25M-\$75M)	4.56%
Large Organizations (\$76M+)	2.84%



### Conferences/Meetings

Mean

	Mean
All organizations	1.51%
Health & Human Services	1.27%
Education	1.87%
Grantmakers	2.07%
Public Charities	1.11%
Midrange Organizations (<\$25M)	1.58%
Upper-Midrange Orgs (\$25M-\$75M)	1.23%
Large Organizations (\$76M+)	1.99%



### Publications

Mean

	Mean
All organizations	0.81%
Health & Human Services	1.12%
Education	0.06%
Grantmakers	1.38%
Public Charities	0.76%
Midrange Organizations (<\$25M)	0.4%
Upper-Midrange Orgs (\$25M-\$75M)	0.62%
Large Organizations (\$76M+)	1.5%



### Other

Mean

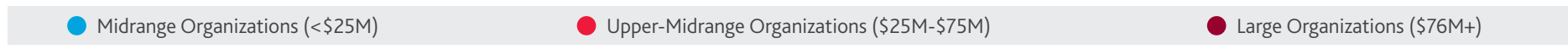
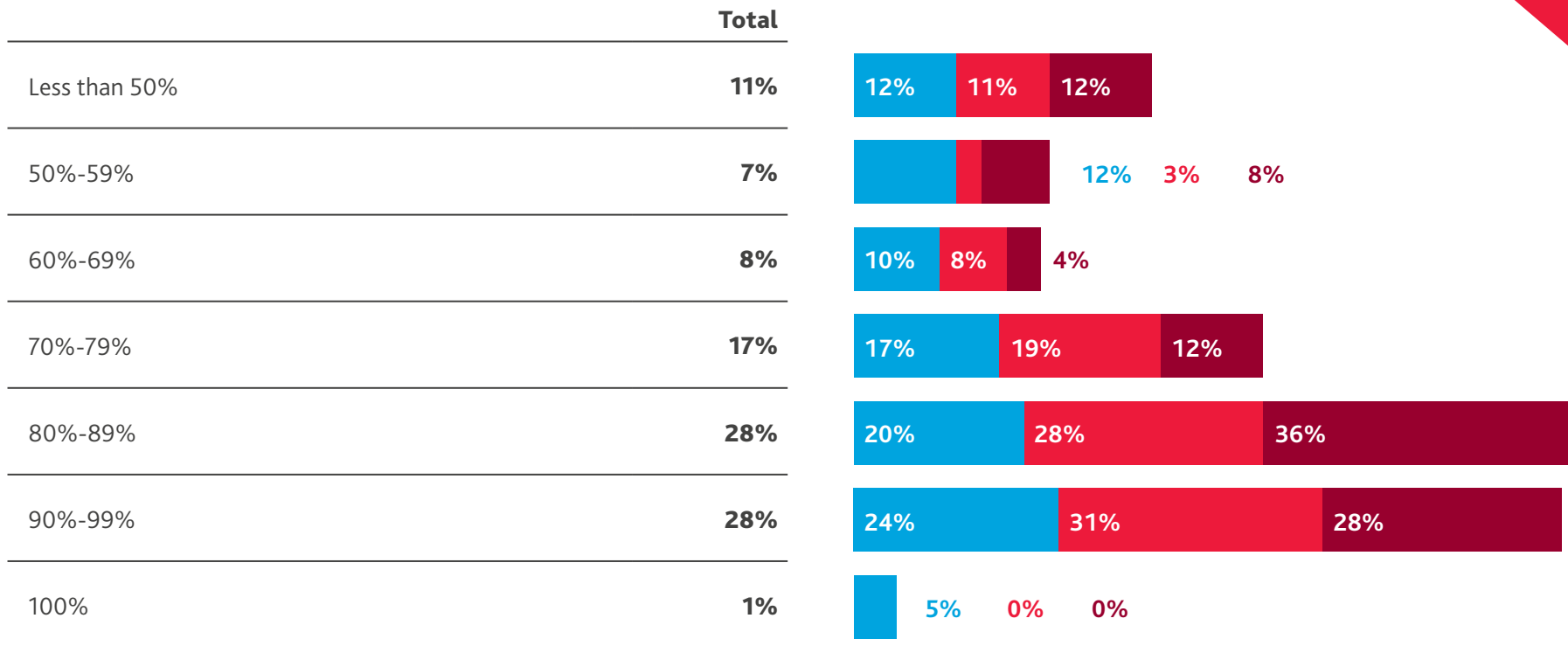
	Mean
All organizations	12.88%
Health & Human Services	5.82%
Education	16.19%
Grantmakers	10.09%
Public Charities	21.58%
Midrange Organizations (<\$25M)	12.3%
Upper-Midrange Orgs (\$25M-\$75M)	14.03%
Large Organizations (\$76M+)	11.68%



# Program-Related Expenditures

As organizations look for opportunities to balance a nonprofit heart with a business mindset, they should make sure that their expenditures support not only program-related activities but also their own infrastructure and needs.

During your most recent fiscal year, about what percentage of total expenditures were for program-related activities?



# Spending Policies

The majority of nonprofits (74%) have a spending policy. That said, the type of policy organizations prefer to use varies.

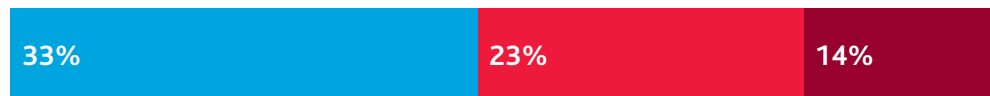
Which of the following choices best describes your spending policy?



Percentage model



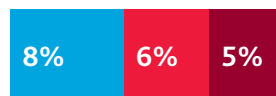
Weighted average or hybrid model



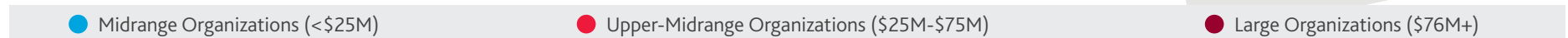
Make a judgment each year

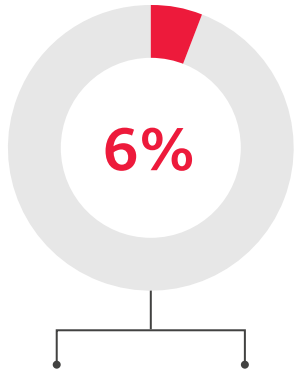


Previous year's rate, plus inflation

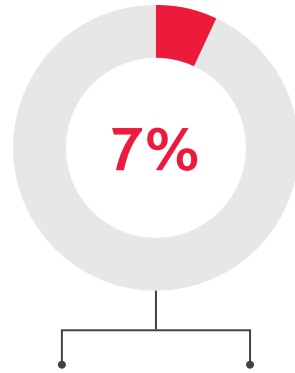


Other

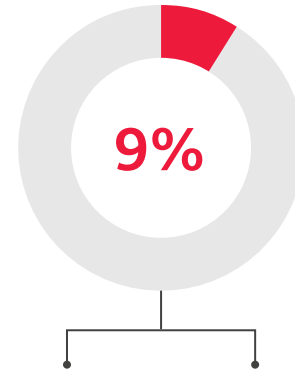




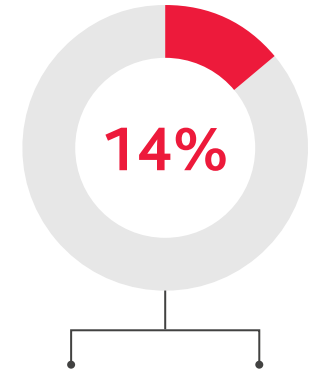
UNDER 1%	
Midrange Organizations	12%
Upper-Midrange Organizations	5%
Large Organizations	2%



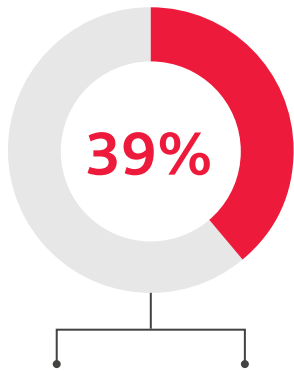
1%-2%	
Midrange Organizations	6%
Upper-Midrange Organizations	10%
Large Organizations	2%



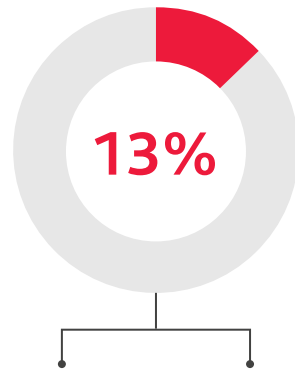
OVER 2% TO 3%	
Midrange Organizations	3%
Upper-Midrange Organizations	9%
Large Organizations	15%



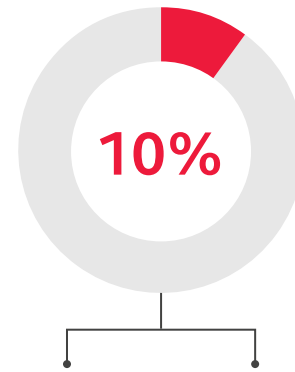
OVER 3% TO 4%	
Midrange Organizations	13%
Upper-Midrange Organizations	16%
Large Organizations	13%



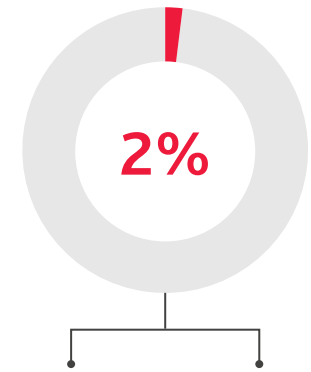
OVER 4% TO 5%	
Midrange Organizations	41%
Upper-Midrange Organizations	41%
Large Organizations	33%



OVER 5% TO 6%	
Midrange Organizations	9%
Upper-Midrange Organizations	10%
Large Organizations	20%



6% OR MORE	
Midrange Organizations	13%
Upper-Midrange Organizations	8%
Large Organizations	13%



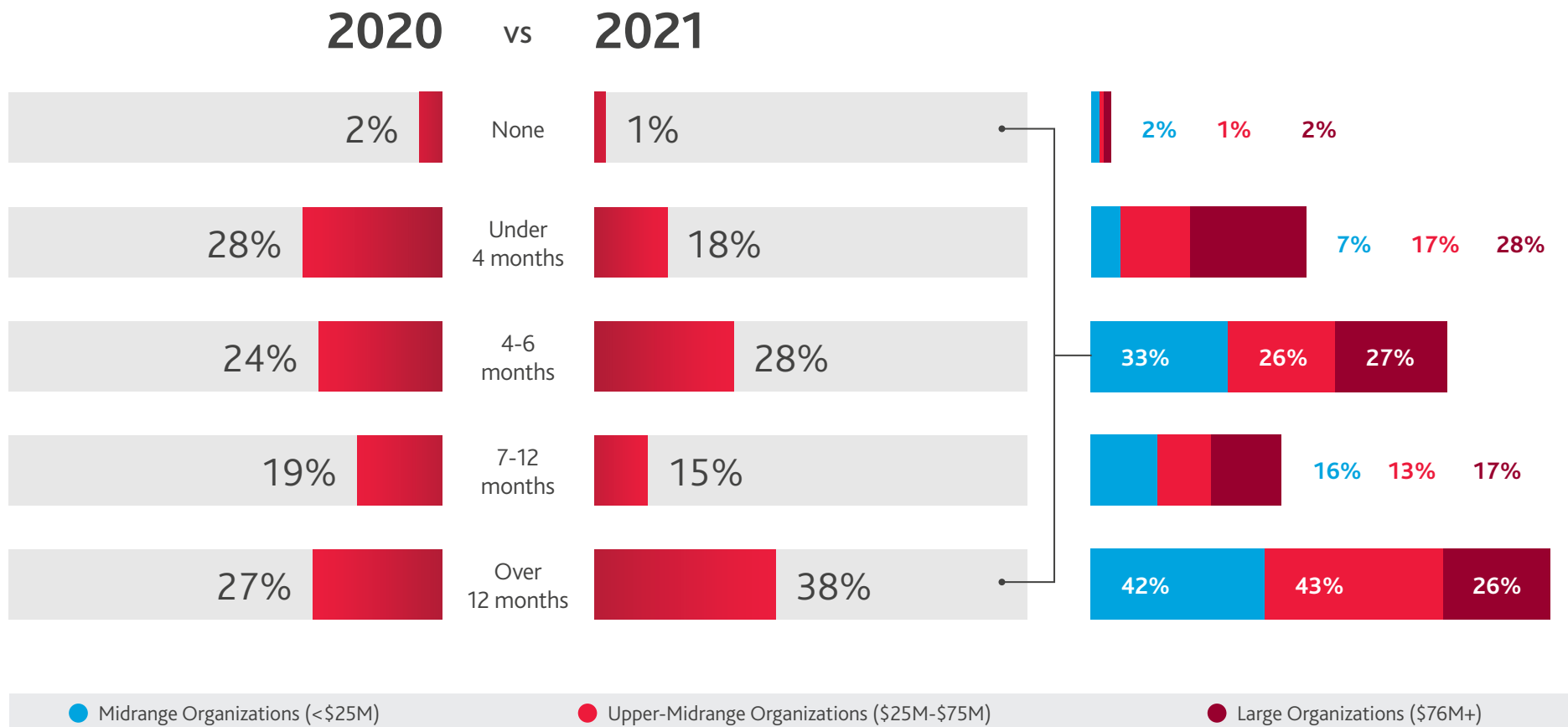
OTHER	
Midrange Organizations	3%
Upper-Midrange Organizations	1%
Large Organizations	2%

# Liquidity: Staying Afloat in Times of Uncertainty

The past year has only amplified how essential it is for organizations to have financial flexibility in times of economic uncertainty. While there's no singular benchmark that applies to all nonprofits, it's best practice to maintain liquid, unrestricted net assets to cover at least six months of operating costs.

Nonprofits that experienced influxes of revenue or funding over the past year may have more unrestricted net assets than they previously were able to maintain.

**How many months of operating reserves (liquid, unrestricted net assets) not needed for current operations does your organization currently maintain?**





# Indirect Costs

For many nonprofits, balancing funding and the true cost of operating can be challenging. When it comes to indirect costs or costs that aren't directly tied to programming, three factors in particular may be contributing:



Many foundations that **support nonprofits lack clarity** on how much indirect costs impact the organizations they support.



Often, what is considered to be an **indirect cost** at one organization **may not be considered** an indirect cost at another.



Some organizations **don't have a true understanding** of their own indirect cost rate.

These factors may lead organizations to adopt a "lower is better" mindset, making them more vulnerable to economic instability. While around half of nonprofits surveyed believe they have a solid grasp on their indirect costs, it's still worthwhile for them to seek out ways to achieve greater indirect cost coverage.

52%



have a **standardized policy** on cost categorizations (a thorough understanding of their overall indirect cost rate) and **communicate it to donors**

16%



generally use the **suggested indirect cost rate** provided by donors

8%



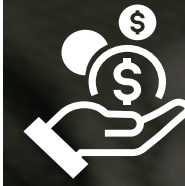
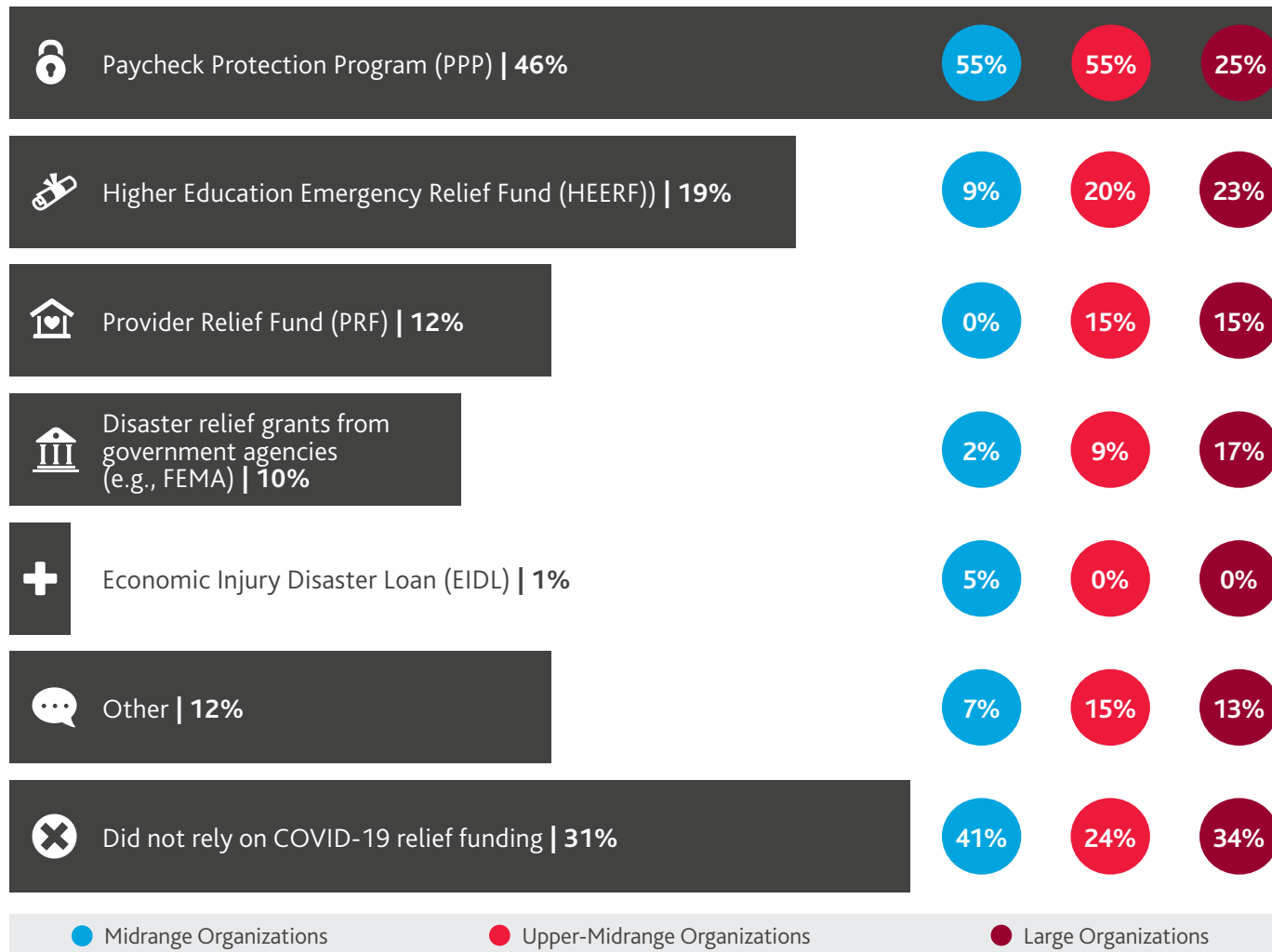
have **little understanding** around their indirect costs

# An Evolving Compliance Landscape

More than half of nonprofits surveyed (54%) indicated that the time and effort required to deal with government regulations and legislative changes will represent a high or moderate challenge over the next year.

While not all organizations relied on COVID-19 relief funding, for those that did, compliance may be particularly complex. It's essential for these organizations to stay abreast of updates regarding these funds, from reporting and deadlines to forgiveness policies and processes.

From which, if any, of these did you receive COVID-19 relief funding?



# 61%

of nonprofits surveyed believe the **Biden administration's policies** will have a highly/somewhat **positive impact** on their **revenue**.

If your organization spent more than \$750,000 in federal funds during your most recent fiscal year, you may be required to complete a Single Audit. This audit is intended to ensure the federal funds are spent properly and must be conducted by an independent auditor.

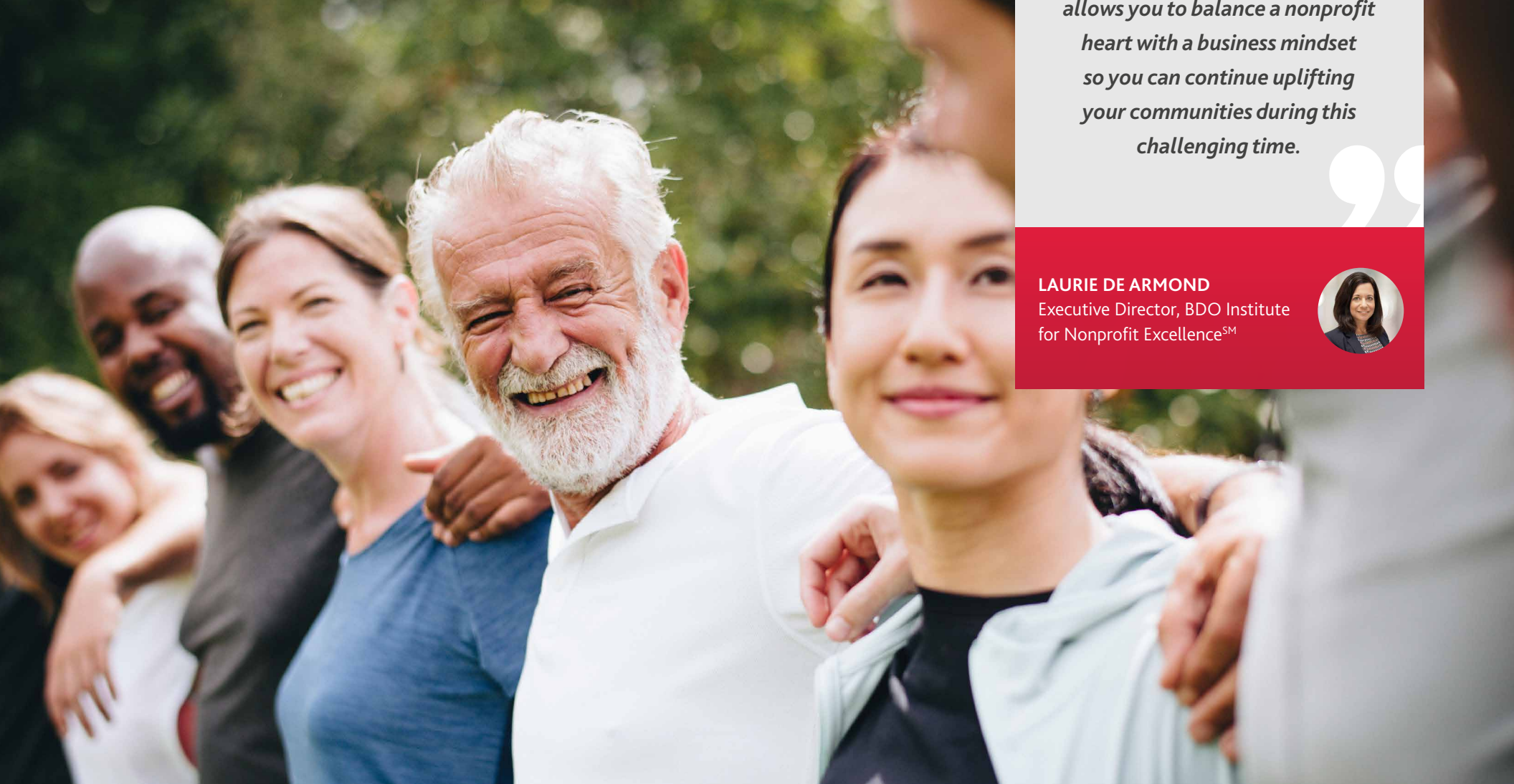
[Learn more about Single Audit requirements here](#) ▶

# The Path Forward

Nonprofits have carried us through an unimaginably challenging time. Now, organizations must look inward, reflect on the pivots they've made, and make sure that they're fulfilling their own needs so they can continue delivering on their missions.

*Our top priority is, and always has been, helping nonprofits thrive. We hope this survey allows you to balance a nonprofit heart with a business mindset so you can continue uplifting your communities during this challenging time.*

**LAURIE DE ARMOND**  
Executive Director, BDO Institute  
for Nonprofit Excellence<sup>SM</sup>



# Methodology and Respondents



This year's *Nonprofit Standards* Benchmarking Survey was fielded by Market Measurement, a market research consulting firm, in June 2021. The data includes responses from 200 organizations spanning a variety of sectors.

## Scope of Work

Regional	<b>41%</b>
National	<b>17%</b>
Local	<b>27%</b>
International	<b>15%</b>

## Revenue

Under \$25M	<b>23%</b>
\$25M-\$50M	<b>34%</b>
\$51M-\$75M	<b>15%</b>
\$76M-\$99M	<b>5%</b>
\$100M-\$200M	<b>10%</b>
Greater than \$200M	<b>13%</b>

## Assets

Less than \$5M	<b>5%</b>
\$5M-\$9.9M	<b>3%</b>
\$10M-\$24.9M	<b>10%</b>
\$25M-\$49.9M	<b>10%</b>
\$50M-\$99.9M	<b>16%</b>
\$100M-\$199.9M	<b>23%</b>
\$200M or more	<b>33%</b>

## Title or Position

Chief Financial Officer (CFO)	<b>49%</b>
Chief Executive Officer (CEO)	<b>21%</b>
Executive Director	<b>13%</b>
Report directly to one of the executives outlined above	<b>5%</b>
Director of Finance	<b>5%</b>
Controller	<b>1%</b>
Chief Operating Officer (COO)	<b>2%</b>
Other	<b>4%</b>

## Sectors

Education Organizations (Colleges and Universities and Education Services)	<b>32%</b>
Health & Human Services Organizations	<b>21%</b>
Grantmaking and Giving Organizations	<b>15%</b>
Public Charities	<b>14%</b>
Membership and Trade Associations	<b>4%</b>
Other	<b>14%</b>



## **BDO NONPROFIT & EDUCATION PRACTICE**

For more than 100 years, BDO has provided services to the nonprofit community. Through decades of working in this sector, we have developed a significant capability and fluency in the general and specific business issues that may face these organizations. With nearly 5,000 clients in the nonprofit sector, BDO's team of professionals offers the hands-on experience and technical skill to serve the distinctive needs of our nonprofit clients — and help them fulfill their missions. We supplement our technical approach by analyzing and advising our clients on the many elements of running a successful nonprofit organization.

Please see [www.bdo.com/industries/nonprofit-education/overview](http://www.bdo.com/industries/nonprofit-education/overview) for more information.

## **BDO INSTITUTE FOR NONPROFIT EXCELLENCE<sup>SM</sup>**

BDO's Institute for Nonprofit Excellence<sup>SM</sup> (the Institute) has the skills and knowledge to provide high quality services and address the needs of the nation's nonprofit sector. Based in our Greater Washington, DC Metro office, the Institute supports and collaborates with BDO offices around the country and the BDO International network to develop innovative and practical accounting and operational strategies for the tax-exempt organizations they serve. The Institute also serves as a resource, studying and disseminating information pertaining to nonprofit accounting and business management. The Institute offers both live and local seminars, as well as webinars, on a variety of topics of interest to nonprofit organizations and educational institutions.

Please check BDO's website at [www.bdo.com/resource-centers/institute-for-nonprofit-excellence](http://www.bdo.com/resource-centers/institute-for-nonprofit-excellence) for upcoming local events and webinars.

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**ADAM COLE**

Partner and National Nonprofit & Education Practice Co-Leader  
212-885-8327 / [acole@bdo.com](mailto:acole@bdo.com)



**ANDREA ESPINOLA WILSON**

Partner and National Nonprofit & Education Practice Co-Leader  
703-752-2784 / [aewilson@bdo.com](mailto:aewilson@bdo.com)

**Nonprofit Institute Contacts**



**LAURIE DE ARMOND**

Executive Director, BDO Institute for Nonprofit Excellence<sup>SM</sup>  
301-354-2530 / [ldearmond@bdo.com](mailto:ldearmond@bdo.com)



**LEE KLUMPP**

National Assurance Partner, BDO Institute for Nonprofit Excellence<sup>SM</sup>  
301-354-2549 / [lklumpp@bdo.com](mailto:lklumpp@bdo.com)



**MARC BERGER**

Nonprofit Tax Services Director, BDO Institute for Nonprofit Excellence<sup>SM</sup>  
301-354-2516 / [mberger@bdo.com](mailto:mberger@bdo.com)



**HILDA POLANCO**

Managing Partner, BDO FMA  
212-931-9240 / [hpolanco@bdo.com](mailto:hpolanco@bdo.com)



**WILLIAM EISIG**

National Practice Leader, Assurance Services  
Founding Member, BDO Institute for Nonprofit Excellence<sup>SM</sup>  
703-336-1401 / [weisig@bdo.com](mailto:weisig@bdo.com)



**TAMMY RICCIARDELLA**

National Nonprofit Assurance Practice Director,  
BDO Institute for Nonprofit Excellence<sup>SM</sup>  
301-354-2520 / [triciardella@bdo.com](mailto:triciardella@bdo.com)