



White paper

Sage Intacct

2023 Nonprofit Technology Trends Report

Sage

Table of contents

- Introduction3
- Demographics4
- Results5
- Technology16
- Key takeaways 17
- Conclusion20





Introduction

We published our first Nonprofit Technology Trends Research Report in early 2020. We had no idea how much the world would change just a short time later. The last few years have brought a lot of change to the world and, in turn, the nonprofit sector. As we look ahead to 2023 and our fourth annual report, things feel as close to “normal” as they have since our first survey in 2019, yet there is a feeling of uncertainty that permeates nearly everything we do.

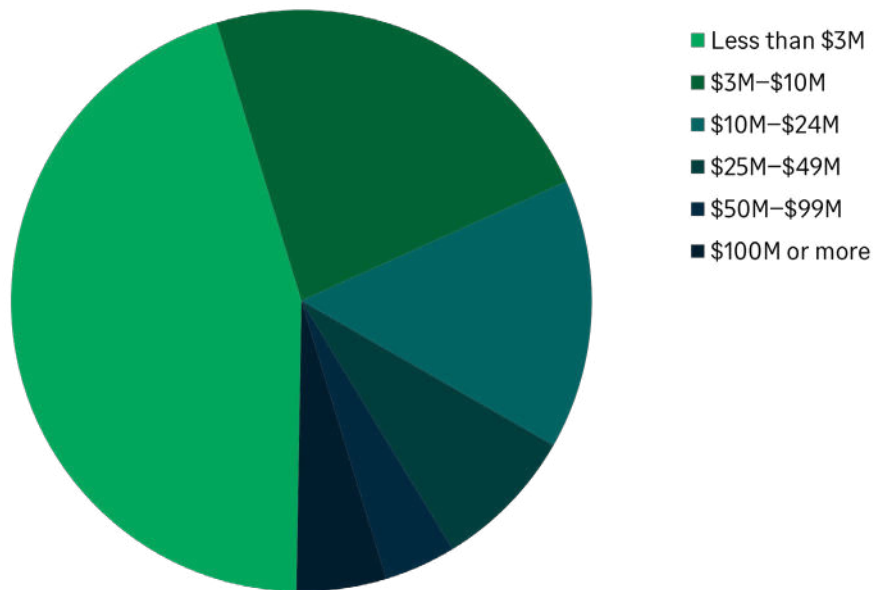
This survey gives us the unique ability to not only look back on how things have changed in the nonprofit industry over the last four years, but to also to look ahead at what challenges—and opportunities—lie ahead.

With that in mind, we launched our 2023 nonprofit technology trends survey asking finance leaders across the nonprofit sector to provide their perspective on the industry, the challenges they face, and technology engagement. This report highlights the trends in the nonprofit space and reflections from over 600 nonprofit finance leaders.

Demographics

This year, over 600 nonprofit finance leaders responded to our survey. The majority (83%) of these leaders represent small to mid-size nonprofit organizations in the United States with revenue of less than \$24M annually. The demographics are in line with our survey respondents from previous years, allowing us to compare year-over-year results.

What's the approximate annual revenue for your organization?



The respondents represent a variety of nonprofit cause areas, including human services (24%), education (19%), community improvement (13%), healthcare (10%), and faith-based (10%).

The most frequent titles of respondents were executive director, chief financial officer, and chief executive officer. Nearly half (49%) of respondents represented the c-suite level at their organization, up from 44% of respondents last year. Other survey participants identified themselves as controller, director of finance, accounting manager, and VP of finance and administration.

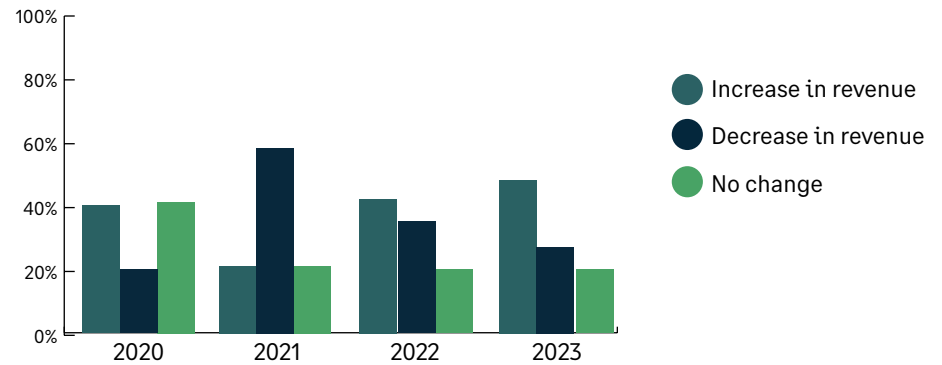
Results

Our 2023 survey results reflect the highest percentage of survey respondents reporting an increase in revenue.

Revenue

50% of respondents reported an increase in revenue in 2022, with an additional 22% reporting flat revenue. Human services, education, and public benefit organizations more frequently reported an increase in revenue. Given the challenges of inflation and economic shifts, these nonprofit cause areas have most likely seen increased demand for services.

What changes have you experienced in your revenue in the past 12 months?

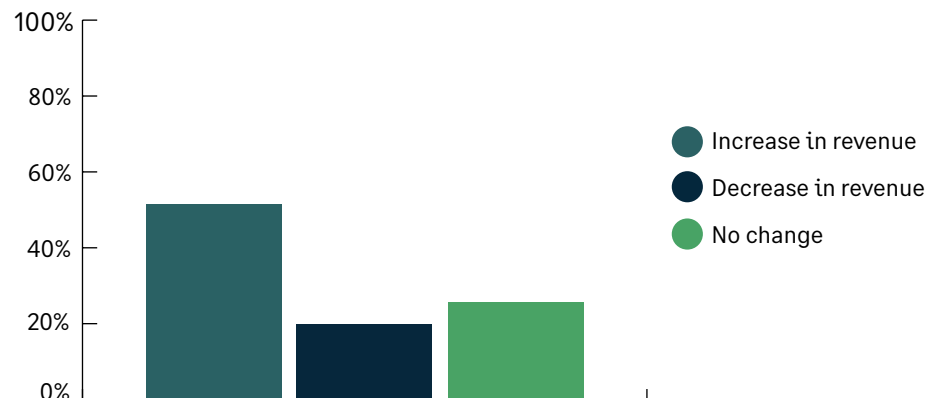


When we examine the last four years in greater detail, we see a clear positive trend in revenue versus the decrease we saw during the height of the pandemic in 2021. Our 2023 survey results reflect the highest percentage of survey respondents reporting an increase in revenue.

Of those that reported an increase in funding, 37% experienced an increase of greater than 25%. Of those that reported a decrease in funding, 70% say their funding decreased by a smaller margin of less than 25%.

More good news for 2023: 80% of organizations are forecasting increased or flat revenue. Education organizations were more likely to forecast an increase, while human services and faith-based organizations were more likely to forecast a decrease.

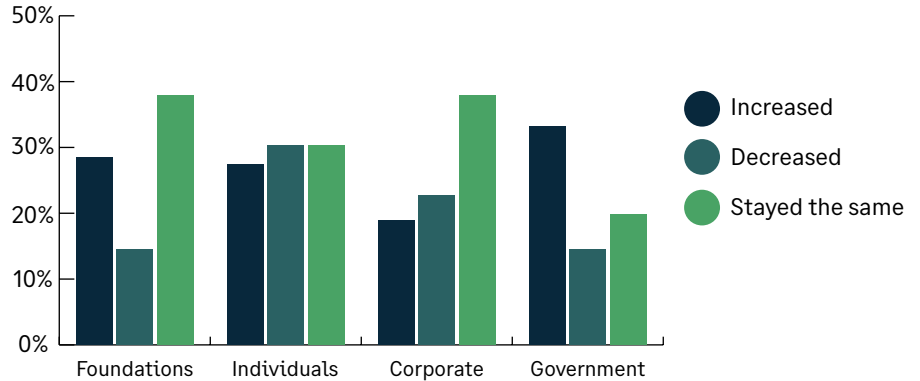
What revenue changes are you forecasting for 2023?



Funders

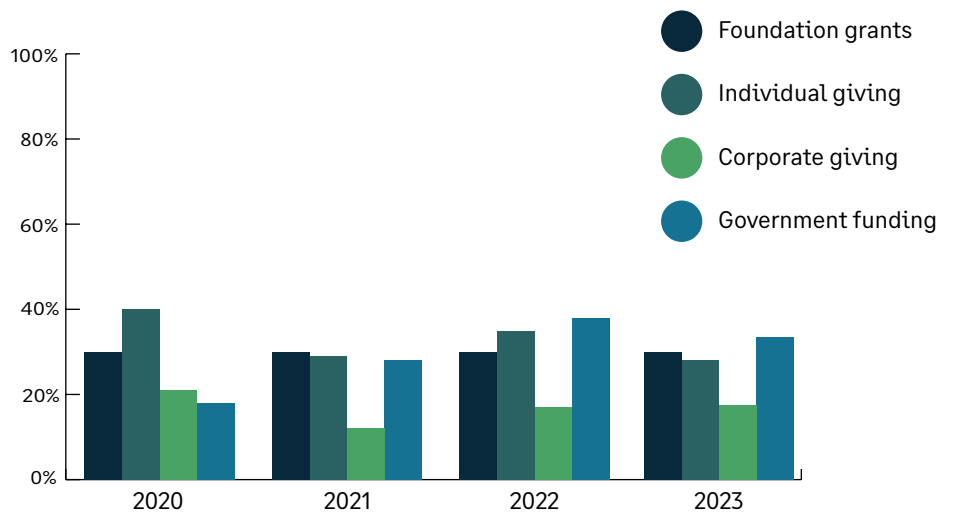
33% of nonprofit finance leaders reported that the biggest increase in funding this year came from government funding, followed by foundation grants. Our survey respondents reported that the most significant decrease in funding came from individual donors.

In what funding areas have you seen a change in the last 12 months?



When we look at year-over-year trends, funding from foundations has increased steadily, while individual, corporate, and government funding has had more variability, trending up or down given the economic climate. While we saw all of the categories rebound heading into 2022, this year we saw them drop slightly. One interesting trend to note is the rate of increase in government funding. Pre-pandemic in 2020, 17% of respondents noted an increase in government funding. That rate increased even more in the following two years. While the rate slightly declined this year, it's still nearly double what it was in 2020. These trends speak to the changes in the availability and accessibility of government funding post-pandemic.

In what funding areas have you seen an increase in the last 12 months?



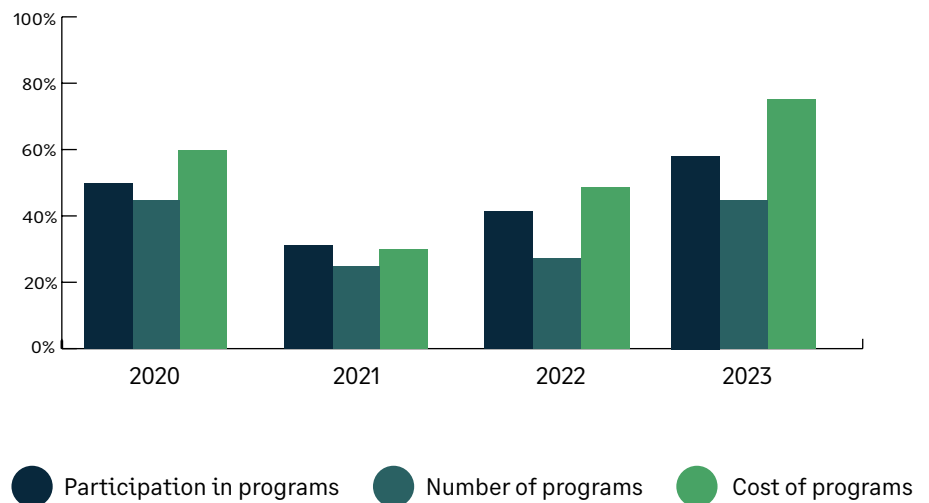
Programs and services

The last four years have been volatile for nonprofit programming and services. The story from our respondents and data has been one of increasing demand for services coupled with declining numbers and participation in programs due to health concerns and funding disparities. However, as we head into 2023, this year's program data is one of the most significant indicators that we are nearly back to normal.

As is expected, with the increase in participation and number of programs, the cost of programs also rose, with 50% of respondents saying their cost of programs increased this year.

58% of survey respondents say that their participation in programs increased this year. When you compare that to the 49% who said their program participation dropped in 2020, you can see how far we've come in this area. It's clear that not just participation in programming has increased this year; nonprofit finance leaders also report that the number of programs has increased by 47%, and the cost of programs has increased by 74%. The increased demand for services, coupled with inflation and rising costs of programs, puts more pressure on nonprofits to be good stewards of their funding to ensure every dollar possible is going toward mission achievement.

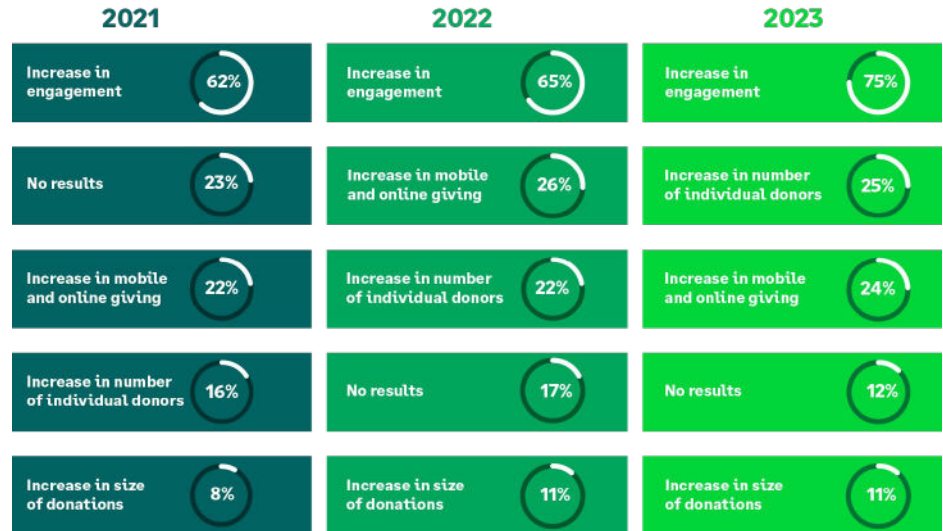
In what areas have your programs increased in the last 12 months?



Communication and constituent engagement

Each year, we ask nonprofit leaders about how they communicate and engage with constituents. Over the last four years, we have seen social media use by nonprofits increase. This year, 73% of respondents said they have a social media strategy, with an additional 14% saying they are considering one. This is up from 65% in 2020.

What results have you seen from your social media strategy?



Each year, we ask respondents about results from their social media strategy. This graphic shows how the responses differed from 2021 to 2023.

For the third year in a row, nonprofit leaders report that an increase in engagement is the biggest result they've seen from their social media strategy and it has increased from 62% reporting in 2021 to 75% reporting in 2023.

One thing to note is that 12% of respondents this year say they have no results from their social media strategy, down from 23% in 2021. This speaks to not just the importance of using social media to engage, but the importance of measuring those efforts in order to improve engagement. Most nonprofits don't just use social media, they also measure and track the benefits of that effort.

The role of the nonprofit finance leader

In the nonprofit sector, the ability to tell your story of mission impact to constituents can be the key to long-term success and growth. This survey is targeted at nonprofit finance leaders, and each year, we ask about their role in telling the story of mission impact to constituents. Using financial data can make the story of mission achievement powerful, and often finance has the data and impact metrics to reinforce that story.

What is the role of your finance team in helping to build a compelling story of mission impact?



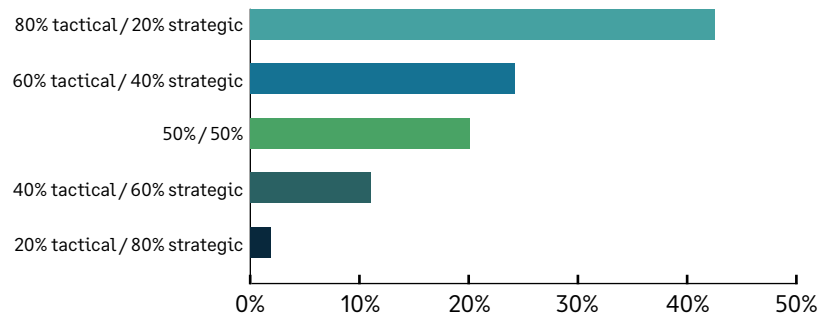
Nonprofits that tie together financial and statistical metrics can demonstrate greater transparency and solidify trust with constituents.

About half of the respondents indicated their finance teams document transparency and accountability and track program results. This is key to communicating to stakeholders that the nonprofit acts as a good steward of finances. Furthermore, about one-third of respondents say that their finance teams track and measure mission impact metrics. Mission impact metrics take storytelling one step further by marrying together financial and statistical metrics.

One interesting comparison is that “no role” was the third most popular response in 2022, while “no role” was not even in the top five in 2023. This echoes the importance of involving finance in telling the story of mission achievement. Nonprofits that tie together financial and statistical metrics can demonstrate greater transparency and solidify trust with constituents.

Nonprofit leaders often put a lot of time and energy toward operation details and routine reporting and tasks. However, to be more effective and position their organization for success and growth, nonprofit leaders must make strategy a priority. With that in mind, we wanted to learn how much time nonprofit finance leaders spend dedicated to strategic versus tactical accounting tasks.

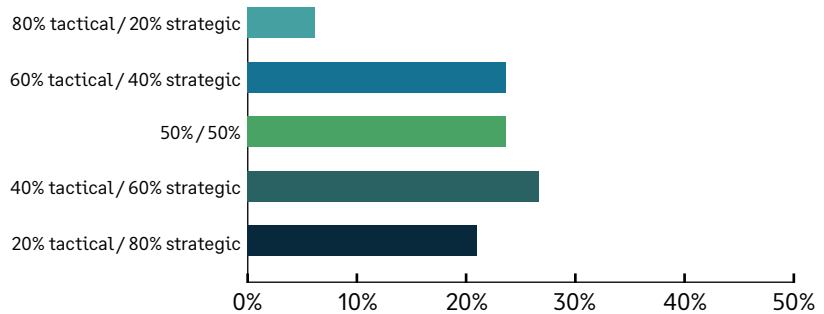
As a nonprofit finance leader, what proportion of your time is spent on tactical versus strategic work?



66% of respondents say they are spending more than half of their time doing tactical accounting work versus strategic work. This does not leave enough dedicated time for strategic planning.

We also asked about how nonprofit finance leaders desire to spend their time.

As a nonprofit finance leader, what proportion of your time do you think you should be spending on tactical versus strategic work?



71% of respondents indicated they desired to spend at least 50% of their time on strategic work. When you compare that desire with the reality that only 34% of respondents spend at least that much time on strategy, there is clearly a gap.

71% of respondents indicated they desired to spend at least 50% of their time on strategic work. When you compare that desire with the reality that only 34% of respondents spend at least that much time on strategy, there is clearly a gap.

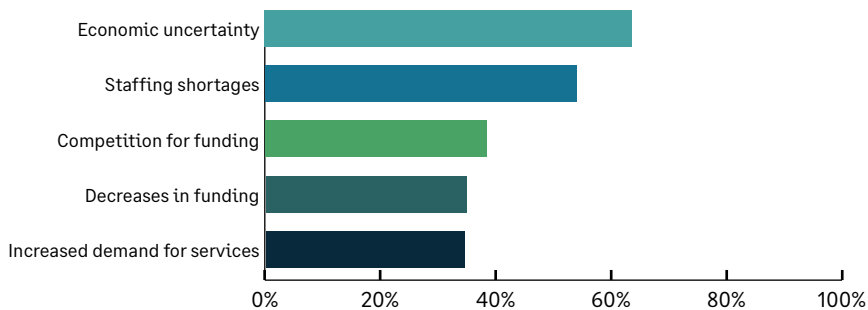
Strategy starts at the top. If nonprofit organizations want to commit to more strategic thinking, they need to free their executive leadership team from tactical work to focus more on strategy.

Market trends

External challenges

While normalcy has, for the most part, returned, nonprofits are still dealing with economic repercussions from the last two years. While the challenges have shifted, concern over in-person programs was a big survey theme in the last two years, and economic uncertainty and related repercussions are top of mind for nonprofit leaders this year. Every year, we ask our respondents about the frustrations they are dealing with, both internally and externally.

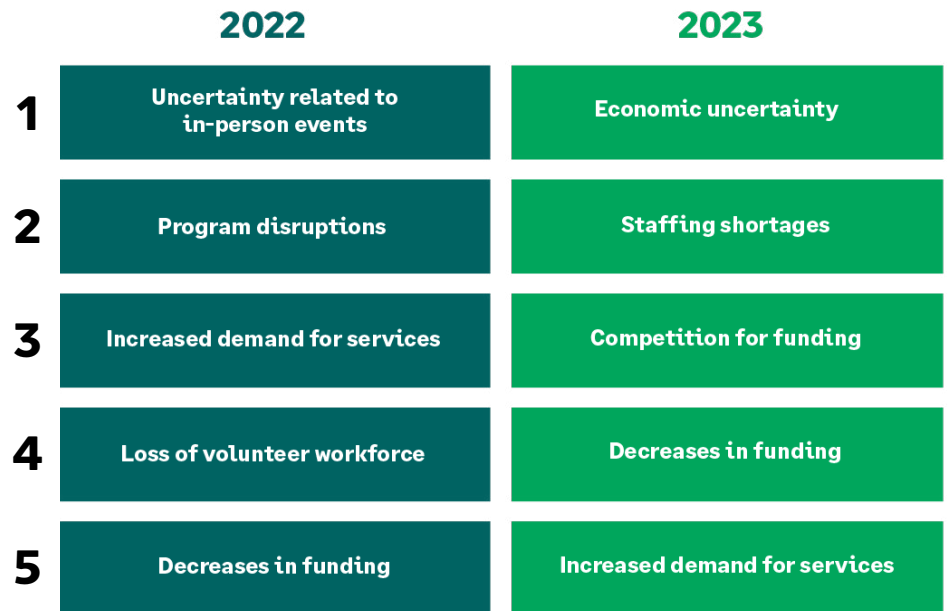
What are the biggest external frustrations your organization is facing today?



Other frustrations mentioned that didn't make the top five include increased compliance requirements, less participation from stakeholders, and competition for time and attention.

When you compare the results year-over-year, it's clear how the challenges have shifted to be more economic-focused.

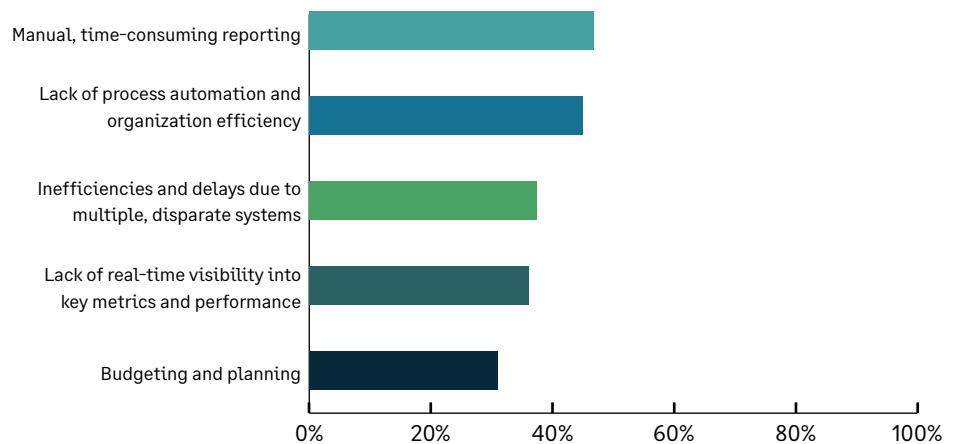
Top 5 external frustrations from 2022-2023



Internal challenges

We also wanted to understand what challenges nonprofits were facing internally.

What are the biggest internal frustrations your organization is facing today?



This year, “manual, time-consuming reporting” was the number one internal frustration for the first time since we started our annual research survey.

Nonprofits need timely, insightful financial reporting to mission-critical decisions, especially during times of uncertainty. If a nonprofit has to gather data and report manually, finance teams aren't able to react in real-time to risk or take advantage of opportunities.

When you compare the internal frustrations over the last four years, the top five have remained fairly consistent.

Top 5 internal frustrations from the 2020-2023 reports:

	2020	2021	2022	2023
1	Lack of process automation and organization efficiency	Lack of process automation and organization efficiency	Lack of process automation and organization efficiency	Manual, time-consuming reporting
2	Manual, time-consuming reporting	Inefficiencies and delays due to multiple, disparate systems	Manual, time-consuming reporting	Lack of process automation and organization efficiency
3	Inefficiencies and delays due to multiple, disparate systems	Manual, time-consuming reporting	Budgeting and planning	Inefficiencies and delays due to multiple, disparate systems
4	Lack of real-time visibility into key metrics and performance	Lack of real-time visibility into key metrics and performance	Lack of real-time visibility into key metrics and performance	Lack of real-time visibility into key metrics and performance
5	Inability to measure outcomes metrics	Inability to measure outcomes metrics	Inefficiencies and delays due to multiple, disparate systems	Budgeting and planning

Nonprofits need to continue to prioritize budgeting and planning especially to combat economic uncertainty.

Last year was the first time “budgeting and planning” was in the top five as a frustration, and it remained there this year, although moving down in importance. This makes it clear that nonprofits need to continue to prioritize budgeting and planning especially to combat economic uncertainty.

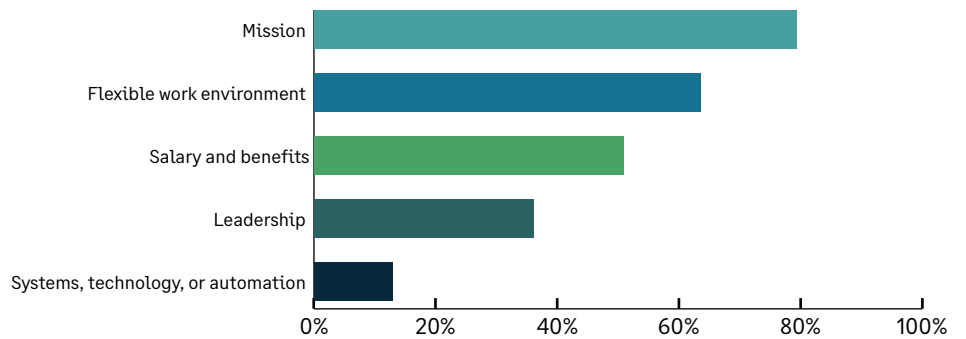
Economic uncertainty

It's been reported that 47 million American workers quit their jobs in 2021¹, most in search of an improved work-life balance and flexibility, increased compensation, and a strong company culture.

The Council of Nonprofits conducted a survey² on this topic and described it as, "what was initially considered a challenge has now become a workforce crisis in need of rapid remedy and long-term commitment to overcoming pre-existing problems exacerbated by the COVID-19 pandemic."

As mentioned earlier, our survey respondents listed "staffing shortages" as the second-biggest external frustration they are dealing with heading into 2023. Therefore, we wanted to learn more about their recruitment efforts.

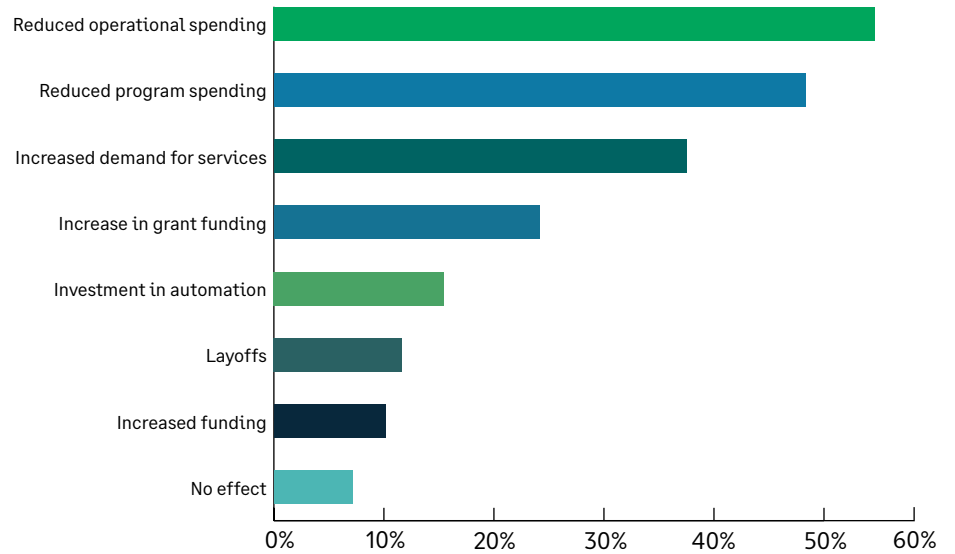
With staffing shortages and hiring challenges, what do you believe attracts candidates to your organization?



Other frequent responses talked about organizational culture and reputation as an attractive element for new hires.

Staffing challenges is one consequence of the overall uncertain economic environment, but we also wanted to know what other consequences nonprofits anticipate.

How do you anticipate economic uncertainty will effect your organization?



Reduced spending in both operations and programs were the most frequent responses which will be extra challenging given the anticipation of a further increase in demand for services. Nearly a quarter of respondents anticipate an increase in grant funding due to economic uncertainty, which is very encouraging.

Technology

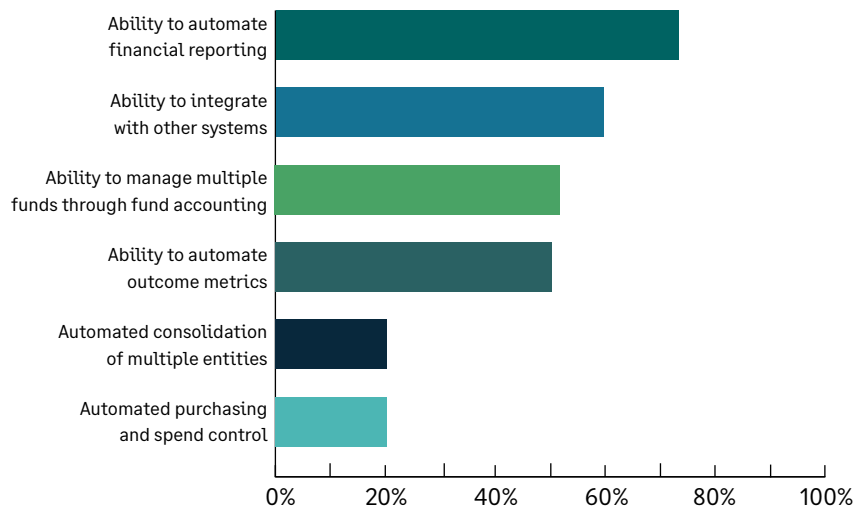
We asked respondents about the technology solutions they use to support operations and growth. The most used pieces of technology were financial management and accounting software (88%), a website (81%), and payroll software (68%). We've also seen an increase in the use of budgeting and planning software with 24% reporting they leverage software to budget and plan — up from 18% last year.

Accounting and financial management software

When asked specifically about financial management and accounting systems, 43% of respondents indicated they use QuickBooks. That was the most prevalent answer followed by Sage Intacct, MIP Fund Accounting, or other.

We also asked respondents what functionality of financial management and accounting software is most important to their organization.

When it comes to your financial management and accounting software, which of the following functionality is a priority to your organization?



While the responses are in the same priority order as in the 2021 and 2022 surveys, the frequencies in which they were selected differ. Last year, 63% of respondents chose the ability to automate financial reporting as a priority, while that number jumped to 72% this year. It's clear that the ability of nonprofits to measure real-time data easily and quickly is key to efficiency and mission impact.

Another key difference is that 51% noted the importance of automating outcome metrics. This jumped up from 35% in 2022. Outcome metrics are so important in telling the story of mission achievement and the ability to track and measure those automatically can be a huge differentiator.

Key takeaways

Nonprofit executives need dedicated time for strategy

In today's rapid-response world, it is easy to get caught up in the day-to-day work of essential, but mundane, tactical tasks. For nonprofits, there always seems to be a lot of work and not enough time or people to do it. Couple this with the need for transparency and accountability to your stakeholders like your board, grantors, and community members, and you can see why nonprofit finance leaders and executives spend a lot of their time doing routine tasks.

This notion was reinforced by our survey results as 42% of respondents say they spend at least 80% of their time on tactical work, compared to only 6% who desire to spend 80% of their time on tactical work.

However, for nonprofit organizations to thrive, especially in times of economic uncertainty, nonprofit executives and finance leaders must allocate dedicated time to strategic planning.

When asked about the desired balance between strategic and tactical time, half of the survey respondents indicated they desire to spend 50-60% of their time on strategic work. While this balance may seem daunting for those spending 80% of their time on tactical work, here are some tips for carving out that time:

- 1. Set goals and think big.** As a nonprofit leader, you are responsible for the strategic direction of your nonprofit. If you don't have a strategic plan, start there. The [Council of Nonprofits](#) has great tools including example plans, agendas, and timelines. Let your mission be your guide and set goals that will get you closer to mission achievement.
- 2. Delegate.** Trust your team to execute your plan and goals. You simply cannot do everything yourself, you will never accomplish your strategic goals without relying on your team and delegating some of the tactical work. Demonstrate trust in your staff by relying on them and trusting them until they prove otherwise.
- 3. Leverage modern technology.** One way to free more time to focus on strategy is to automate routine accounting tasks. Using a modern, cloud accounting software like Sage Intacct, these are some key areas of nonprofit finance that you can automate to get your time back:
 - Fund, grant, revenue, and billing processes
 - Month-end close reporting and consolidations
 - Nonprofit revenue recognition
 - Approval workflows throughout your AP process
 - AI-enabled anomaly detection

When it comes to hiring, lead with what makes your organization special

Staffing is a huge concern in every industry right now, but nonprofits sometimes lack the competitive advantage of high salaries, bonuses, and stock options. However, what you can't offer in financial incentives, you can make up for in intangibles. 78% of our survey respondents indicated their mission attracts candidates to their organizations. 63% say it's their flexible work environment. Talk about these benefits in your job descriptions, your screening calls, and your interviews. Often culture and reputation give nonprofits a leading edge over for-profit companies. This was echoed by our survey respondents when we asked what attracts candidates to their organization:

“We have a great mission, good leadership, and are exploring technology and automation. With good systems in place, we can create a flexible working environment that can be motivating.”

~Public benefit nonprofit

“I would put flexible work environment and systems automation as my #1 and #2 reasons candidates are attracted to our organization.”

~Education nonprofit

“Work environment of trust and collaboration.”

~Human services nonprofit

“A combination of our salary, flexibility, and our hours. In addition, our mission and partnerships in the community also are a foundation to why people want to work here.”

~Education nonprofit

Technology as a retention tool

Staffing challenges over the last couple of years have made the employee top-of-mind for many organizations. One implication of this is the emphasis on remote work. This concept challenges executives, in the nonprofit space or otherwise, to leverage technology to compete for talent and create a meaningful workplace culture.

The [Harvard Business Review](#) explains that “employers should start by asking employees if they have the right tools and technology to do their jobs, especially in a hybrid or remote work environment.” There is no doubt that digital transformation can have a lasting impact on employee morale.

[Forbes](#) illustrates this idea by highlighting, “outside of work, most people have grown used to finding a new home, getting pet care, and organizing travel all with just a swipe of their finger on the touchscreen. They expect the same level of ease when it comes to the technologies they use at work.”

Our survey respondents echoed these sentiments. When asked about how technology at a nonprofit affects the attractiveness of a position, 67% of respondents said they are less likely to accept a position that has older, on-premises technology. In addition, 74% of respondents said they are more likely to accept a position at an organization that has modern, cloud-based technology.

Conclusion

The past four years of our Nonprofit Technology Trends Report have shown us that conditions can change quickly. With economic uncertainty being a concern for many nonprofit finance leaders today, nonprofit organizations must have the right technology to adapt and adjust quickly.

A modern, cloud financial management system empowers nonprofit financial leaders to make timely mission-critical decisions and act strategically.

- 1. Free your time to focus less on routine accounting work and more on strategy.** To gain efficiency and insight, nonprofit finance leaders need better automation, better integration, and better visibility. Eliminating paper-based workflows and injecting automation into everything you do, will not only give you some precious time back, but will also deliver the key insights you need to make strategic decisions about your growth and future.
- 2. When it comes to culture, actions speak louder than words.** If you want to lead with your mission to attract new candidates, it's not enough to just talk about it. You need to show how you are achieving your mission. How many children did you teach to read last year? How many mouths did you feed? How many animals were adopted? Whatever metrics are important to your organization, Sage Intacct can help you automate the calculation of those outcome metrics so you can share them with everyone—including potential new hires.
- 3. Leverage technology to increase employee retention and boost recruiting.** As organizations lean into improving the employee experience, technology remains an essential part of employee retention. Modern, cloud technology sets the stage for remote work and makes work less mundane and more efficient. Our survey also showed the importance of using technology as a recruiting technique. Talk about your technology or technology journey with candidates.

As we look forward to 2023, it's clear technology is playing a bigger role than ever before in nonprofit financial management.

To learn more about Sage Intacct, visit www.sageintacct.com/nonprofit

1. Harvard Business Review. "The Great Resignation Didn't Start with the Pandemic." 23 March 2022.

2. National Council of Nonprofits. "The Scope and Impact of Nonprofit Workforce Shortages." 13 December 2021.



About Sage Intacct

Sage Intacct is the AICPA's preferred provider of cloud financial applications. Specializing in helping nonprofits of all types—including health and human services, NGOs, charities, trade and membership associations, cultural institutions, and faith-based organizations—Sage Intacct streamlines grant, fund, project, and donor accounting, while delivering real-time visibility into the metrics that matter.

Our modern, true cloud solution, with open APIs, gives nonprofits the connectivity, visibility, and efficiency they need to do more with less. At Sage Intacct, we help nonprofits strengthen stewardship, build influence, grow funding, and achieve mission success.

In addition to intuitive software solutions, Sage Membership provides members with access to actionable human advice from experts and peers through exclusive content and tools to help you make even better mission-critical decisions.

sageintacct.com/nonprofit
877-437-7765

Contact Us



Jim Norton, CPA
Principal,
Accounting Technology Solutions
jnorton@grfcpa.com



CPAs & ADVISORS



© 2023 The Sage Group plc or its licensors. Sage, Sage Logos, Sage product and service names mentioned herein are the trademarks of The Sage Group plc or its licensors. All other trademarks are the property of their respective owners.