

2020 Nonprofit Technology Trends Research Report

Nonprofits



Contents

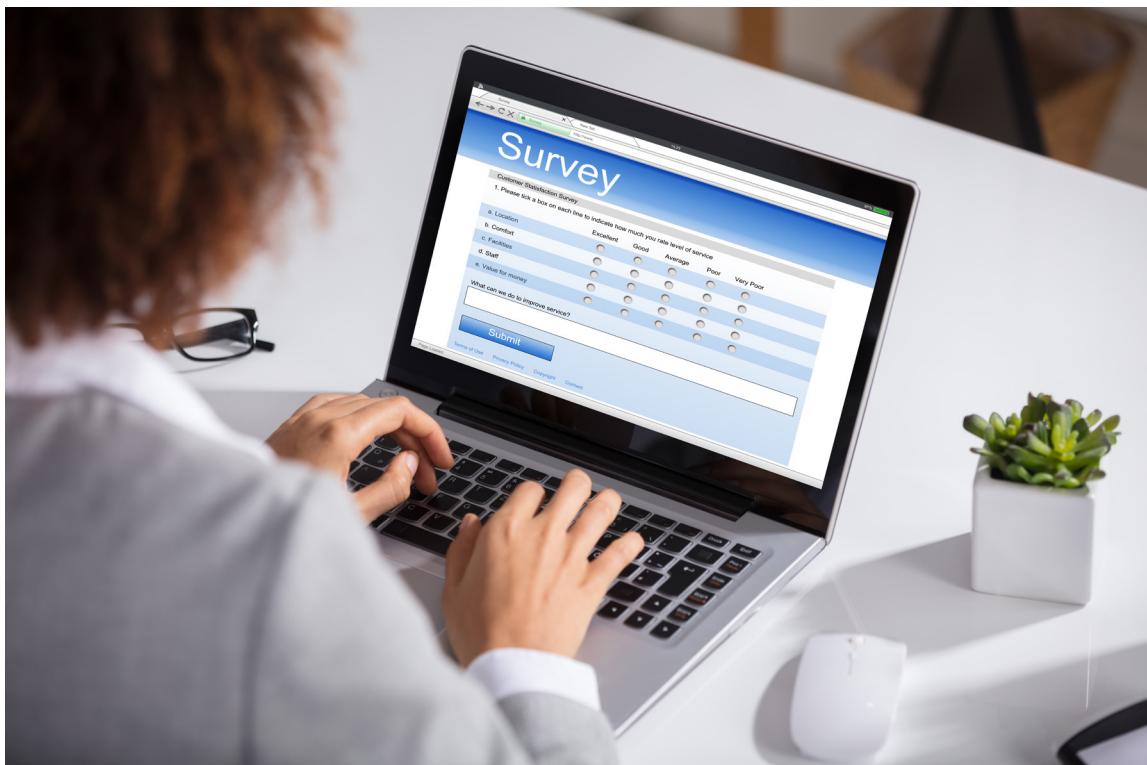
<u>Introduction</u>	3
<u>Demographics</u>	4
<u>Detailed Findings & Analysis</u>	5
• Funding and Donors	5
• Programs and Services	6
• Communication and Constituent Engagement	8
• Market Trends	9
• Technology	10
• Accounting and Financial Management Software	11
<u>Executive Summary</u>	12
• Increasing Funding to Meet Demand	12
• Growing Engagement with Constituents	13
• Balancing Growth and Technology	15
• How Sage Intacct Can Help	16
<u>Conclusion</u>	18
<u>About Sage Intacct</u>	19

Introduction

There is no doubt that technology has transformed the way we work, play, and live our lives over the last decade. Technology changes have affected every industry, and the nonprofit sector is no different. In an industry where dollars mean the difference between having or not having meals, housing, healthcare or education, the right technology can help improve efficiency, achieve compliance, save money, and ultimately, deliver greater mission impact.

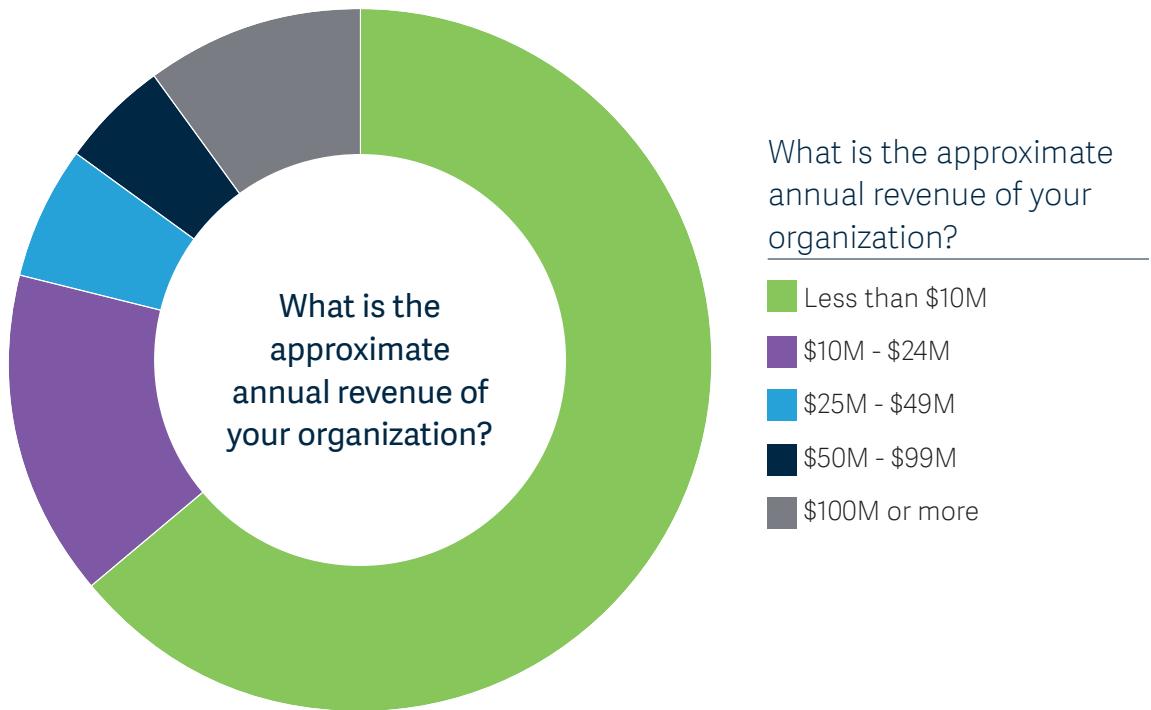
As we enter a new decade, we were curious to learn how nonprofits continue to use technology to aid in achieving their mission. With that in mind, Sage Intacct conducted a nonprofit technology survey asking finance leaders across the nonprofit sector to provide their perspective on the industry, the challenges they face and technology engagement.

350 nonprofit finance leaders in the U.S. participated in the research study, providing insights into the changing industry, technology engagement, and how to tell the story of mission achievement.



Demographics

The majority of the organizations (79%) that completed the survey were mid-size nonprofit organizations in the United States with revenue of up to \$24M annually.



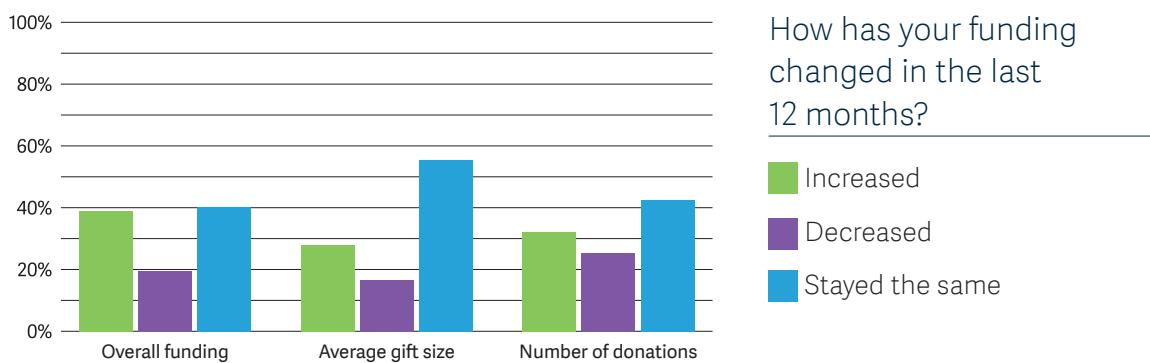
The respondents represent a variety of nonprofit classifications including human services, education, faith-based, healthcare, and community improvement.

Nearly half (45%) of the respondents were chief financial officers or other executive team members including chief executive officers, chief information officers, and vice presidents of finance. Other survey participants identified themselves as controllers, executive directors, and directors of finance.

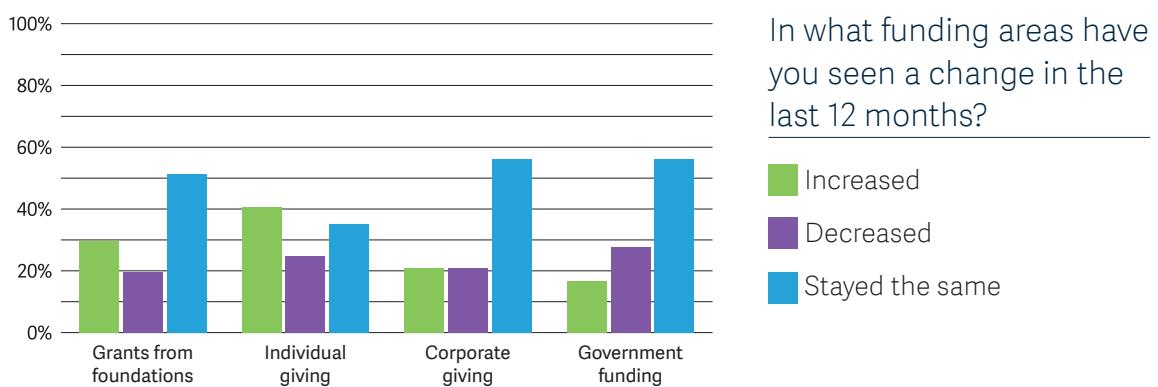
Detailed Findings & Analysis

Funding and Donors

When it comes to funding, most of our respondents experienced either a flat (41%) or increase (39%) in their overall funding in the last 12 months.



Nonprofit finance leaders report that the biggest increase in funding came from individual donors, while the biggest decrease came from government funding. This is not surprising given the change in tax law and uncertain political atmosphere. What is surprising, is that there is uncertainty as to how individual giving will be impacted due to the tax changes. The fact that nonprofit finance leaders are reporting an increase in this area is a positive trend for the sector.



For organizations that accept donations, more than a third saw their donor base expand in the last 12 months, while nearly half said the size of their donor base has stayed the same. This means that 82% of the nonprofits surveyed increased or maintained their donor base. In the wake of recent tax reform changes, this is good news for those organizations hoping to increase giving.



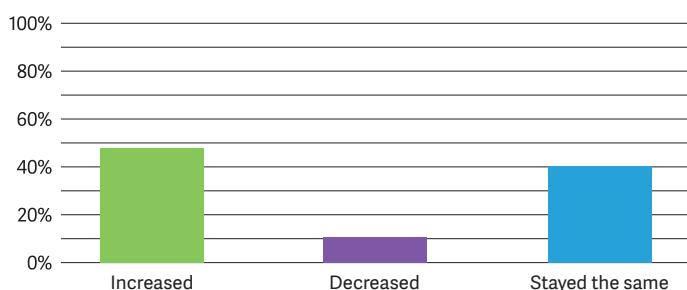
What changes have you experienced with your donor base in the last 12 months?

- Our donor base has expanded - 35%
- Our donor base has declined - 18%
- Our donor base has stayed the same - 47%

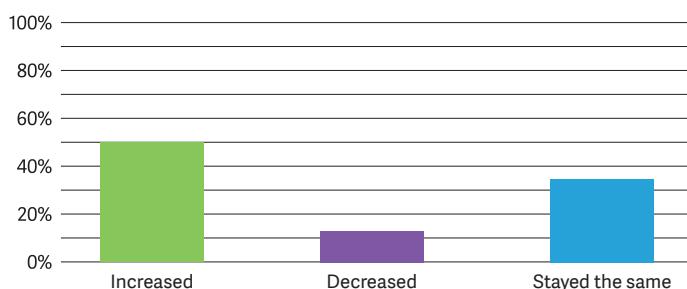
Programs and Services

Programs are also expanding, both in number and in participation. Nearly 50% of respondents say they've expanded the number of program offerings, while only 10% responded that they've reduced programs. Moreover, half of the respondents (51%) indicated that participation in programs has also increased.

The number of programs has:



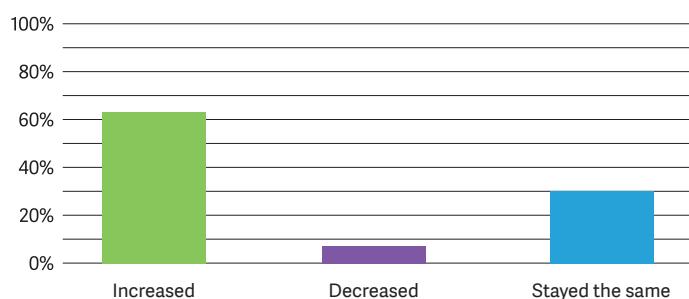
Participation in programs has:



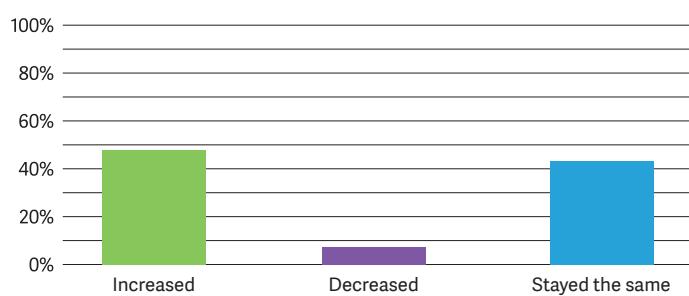
However, expansion comes at a cost, with nearly 60% of respondents indicating that the cost of their programs has also increased. One respondent commented that expanding programs in a new direction also increases fees to support that work, but it is seen as good overall for the organization. While another fee-for-service organization commented that because costs are increasing, they need to find other contributions to fill the gap.

The results of the survey suggest that one reason for program expansion is the demand for services is also increasing. 63% of respondents reported an increase in demand. As a result, nearly half (48%) of the organizations surveyed increased their service offerings.

The demand for our services has:

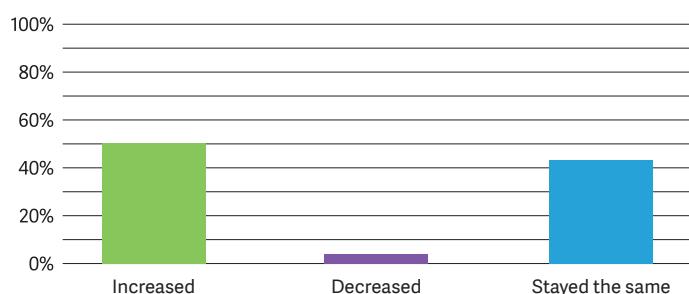


The number of services we offer has:



One way to meet this demand is by partnering with other nonprofit service providers. 50% of survey respondents indicated that they have increased their partnerships and affiliations.

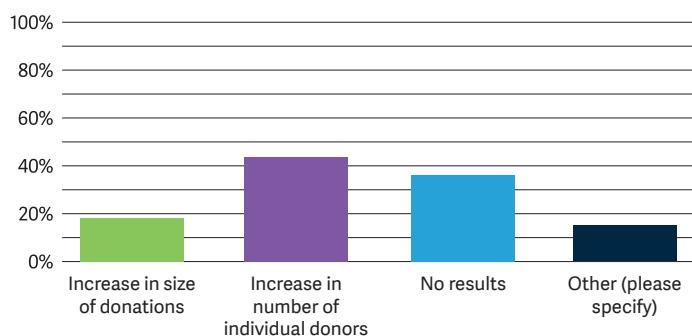
The number of partnerships/affiliations we have with other nonprofit service providers has:



Communication and Constituent Engagement

Nonprofits understand that communicating with constituents is key to increasing engagement. Our survey reflected this notion. Of course, the methods and frequency of communication vary depending on the organization. Many nonprofits have incorporated social media into their communication strategy, with 65% of respondents indicating they use social media. Those that do incorporate social media have seen positive results, including 42% responding that it has increased the number of individual donors.

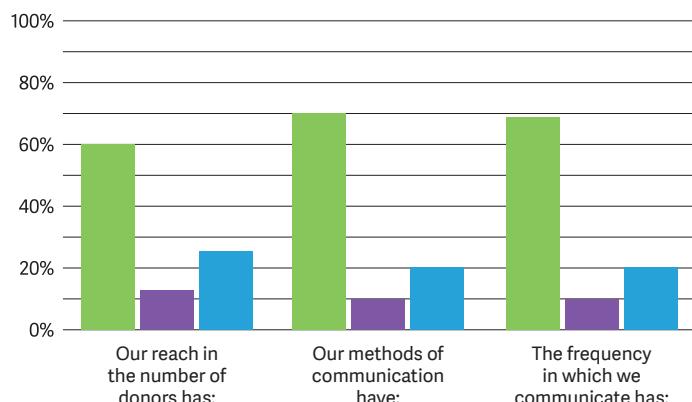
What results have you seen from your social media strategy?



Other benefits of using social media listed were greater engagement, increased attendance at events, and more awareness about the nonprofit and its mission.

It's interesting to note that 35% of those that have a social media strategy indicated that they haven't seen results. A number of respondents indicated that they weren't sure of their results, possibly because they lack tools to measure correlating key performance indicators.

Across the board, our respondents indicated a significant increase in constituent engagement. 60% indicated their reach in the number of donors has increased, 71% say their methods of communication have increased, and 69% noted the frequency in which they communicate has increased.

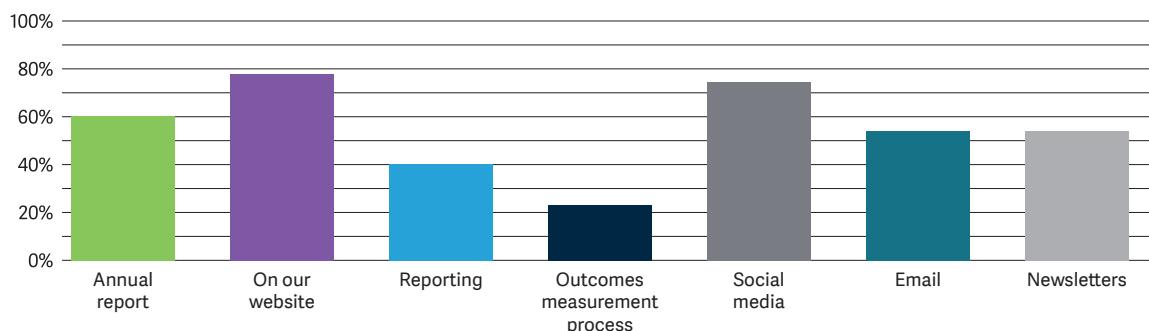


How has your constituent engagement changed in the last 12 months?

- [Light green square] Increased
- [Dark purple square] Decreased
- [Light blue square] Stayed the same

We also asked participants how they share their story of mission impact to constituents. It's encouraging to see the variety of ways nonprofit organizations use technology to share their achievements.

How does your organization share your story of mission achievement to constituents?

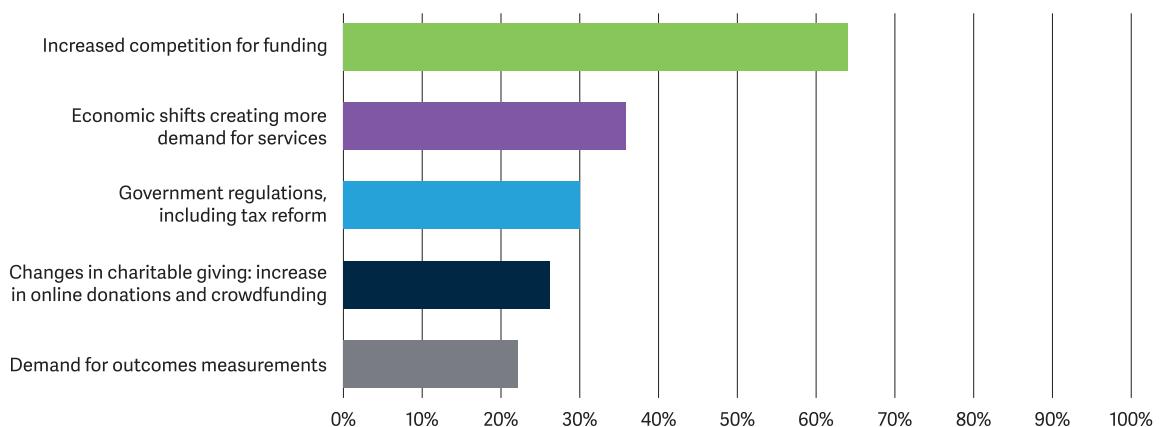


We were curious to understand if finance is involved in telling the story of mission impact to constituents. 64% of respondents indicated that their finance team is involved in this aspect of the nonprofit. One respondent noted that their finance team prepares and issues periodic reports, along with year-end financial reports.

Market Trends

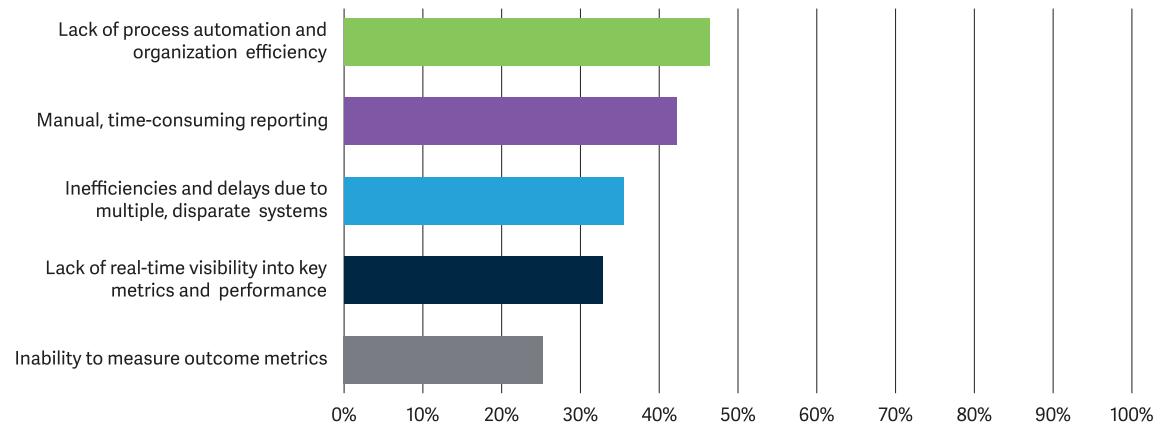
The nonprofit world is changing, forcing organizations to adapt and overcome challenges. We wanted to understand what challenges nonprofit finance leaders face today, both internally and externally.

The top five external frustrations our respondents face today:



External factors often add pressure that are out of an organization's control. One respondent commented that they need more outcomes and program evaluation, but that data collection is a barrier.

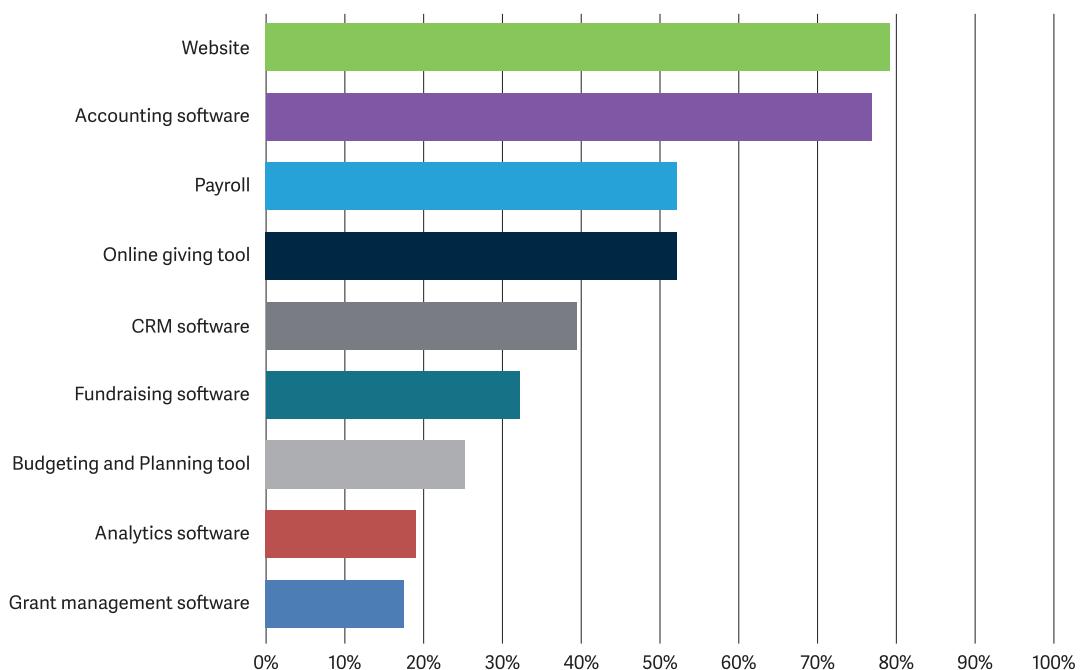
The top five internal frustrations:



We also surveyed to discover what internal frustrations were limiting these organizations. These technology frustrations can be serious barriers to mission impact. One person responded about the challenge of operating in technology silos in different functional areas limiting their ability to share information. Another mentioned new board members being unfamiliar with nonprofits and demanding key performance indicators (KPIs) that are not always possible to produce. Yet another respondent indicated that high turnover has prevented them from advancing technology.

Technology

We asked respondents about the technology solutions they use to support operations and growth. The most used pieces of technology are a website, financial management and accounting software, payroll, and an online giving tool.



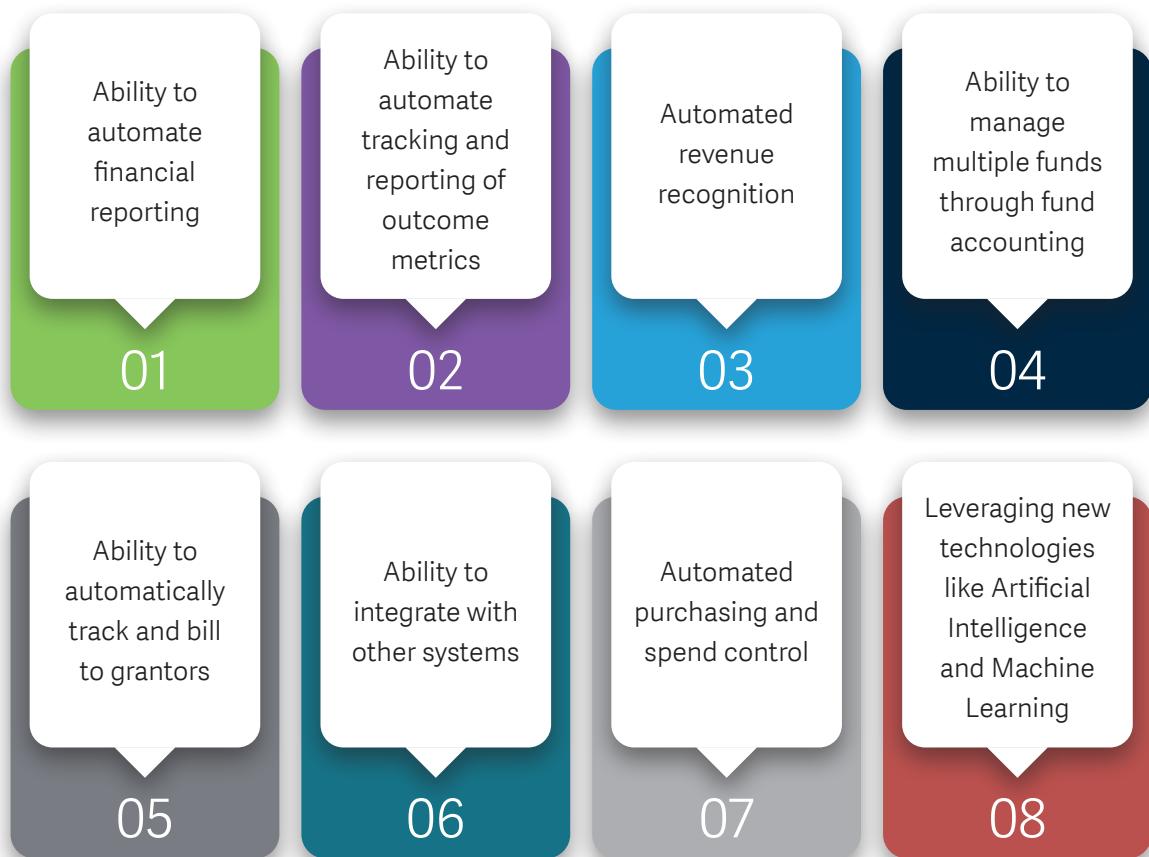
Accounting and Financial Management Software

When asked specifically about financial management and accounting systems, 46% of respondents revealed they use QuickBooks today. That was the most prevalent answer followed by outsourcing to a third-party accounting firm, Sage Intacct, Abila MIP, Oracle NetSuite, Microsoft Dynamics, and Blackbaud Financial Edge.

66% of respondents have used their financial management and accounting software for over five years, with 31% saying they have used the same software for over 10 years.

We wanted to understand each organization's experience with closing the books and external audits. Over half indicated that it takes more than six days to close the books each month and 63% said that external audits are difficult or are a disruption to the organization.

We also asked respondents to rank eight pieces of functionality of financial management and accounting software based on what is most important to their organization. Here are the average rankings (1 being most important, 8 being least important):



The biggest takeaway is that the ability to have real-time visibility and insights into financial data and key performance indicators is crucial to nonprofit organizations.

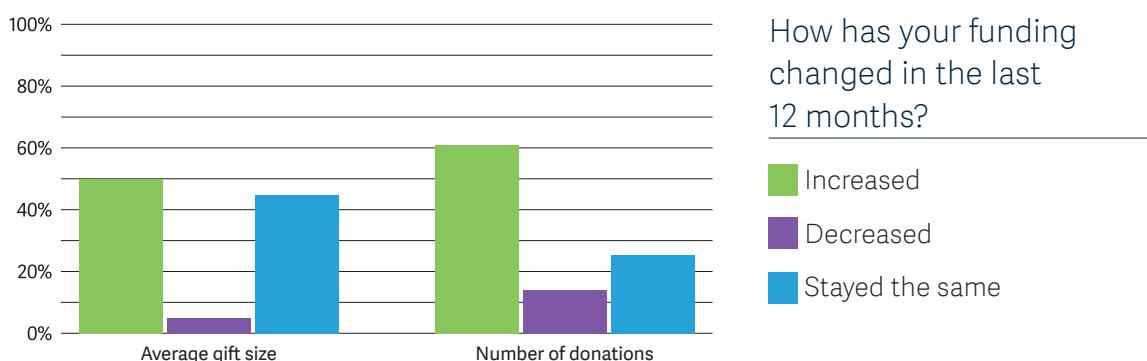
Executive Summary

Increasing Funding to Meet Demand

With 63% of survey respondents recognizing a growing demand for services, it's no surprise that the number one external frustration reported by nonprofits in the survey is *the increase in competition for funding*. This is a challenging dichotomy—you need more money to offer more services.

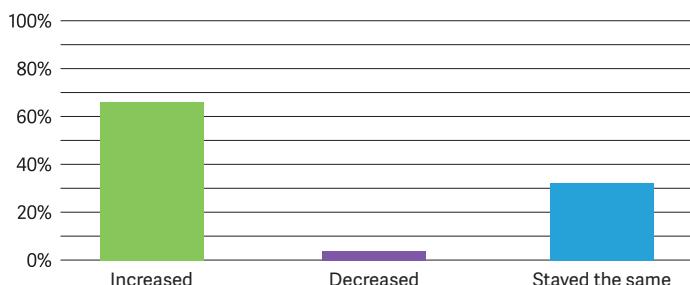
39% of respondents reported an increase in funding. Let's examine some of the factors that may have contributed to the increase.

Of the group with an increase in funding, 61% saw an increase in the number of donations they've received, and half saw an increase in average gift size.



Possible reasons for the increase in donations include the fact that 57% of this group reported a growing donor base and 66% increased the number of partnerships and affiliations with other nonprofit service providers.

The number of partnerships/affiliations we have with other nonprofit service providers has:



According to [The Bridgespan Group](#), nonprofits can use strategic alliances to increase their influence, scale efforts, strengthen and expand their programs and services, and streamline operations.

Of those that reported an increase in funding, 71% have a social media strategy and nearly 50% have seen an increase in the number of individual donors as a result of that strategy. According to [GuideStar](#), with today's mobile content-driven society, developing a consistent social media strategy is vital to a nonprofit organization's success.

58% of this group has also expanded their programs and 71% saw an increase in the participation in programs. Predictably, 65% saw the cost of their programs also increase, but that is an easier burden to carry with the overall increase in funding.



This positive trend in program growth is reflected in their comments with one organization attributing their success to the customization of programs to the people they serve. Another commented that they are moving in a new direction that is bringing in more fees to support their work.

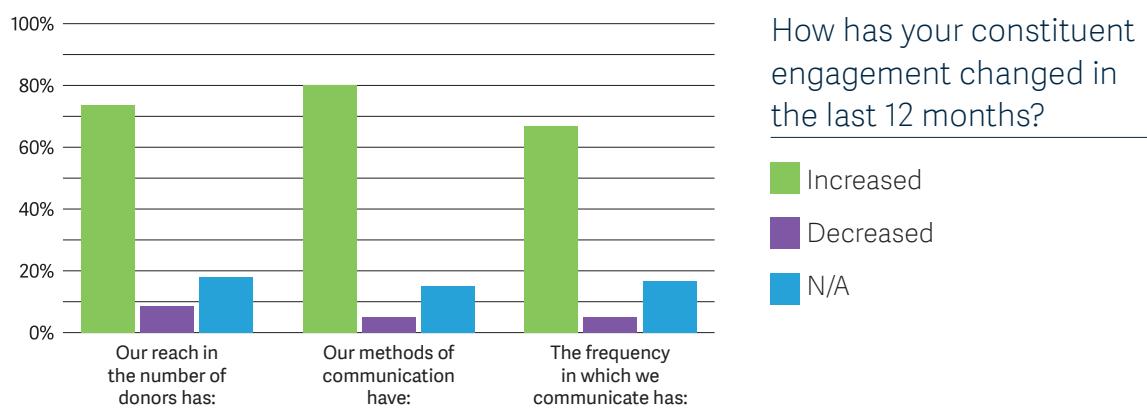
Another way to set yourself apart when competing for funds is by growing your constituent engagement and increasing transparency with financial data. In fact, according to [Nonprofit Tech for Good](#), 56% of donors are more likely to give a repeat gift if they hear about the impact their donation is making.

Growing Engagement with Constituents

One clear result from the survey is that nonprofits are engaging with their constituents more frequently. Across the board, we saw most organizations have increased the number of donors they reach, the methods of communication they use, and the frequency in which they communicate.

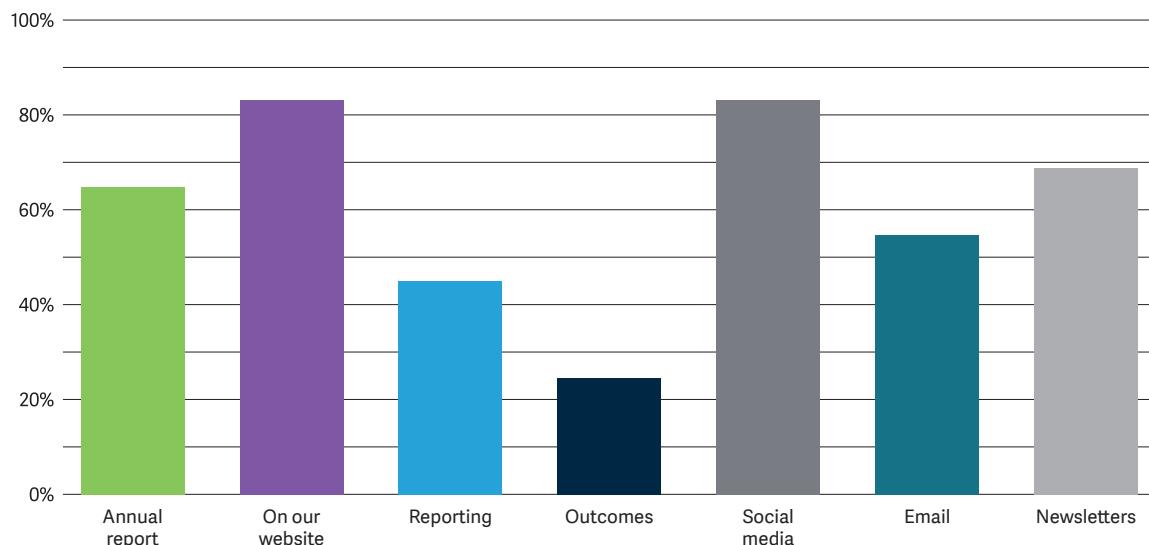
These results reflect today's nonprofit environment in which the pressure for transparency and communication is greater than ever. Nonprofit finance leaders understand that transparency will help preserve trust that donors instill with each contribution. Of course, nonprofits are legally required to disclose certain financial information to the public, but beyond that, earning trust through financial transparency and responsibility is key to thriving in today's environment.

Not surprisingly, the increase in constituent engagement is especially evident for those organizations that have also seen an increase in funding. Amongst those organizations, 74% have increased their reach, 79% have increased their methods of communication, and 77% have increased the frequency in which they communicate.



This group is also very diverse in the ways they share their stories. 84% of them use both their website and social media as the primary means of communication and a quarter of this group uses an outcomes measurement process.

How does your organization share your story of mission achievement to constituents?



But telling your story and communicating your successes with constituents is difficult without the right tools in place. The biggest internal frustrations noted by respondents were:

1. Lack of process automation and organization efficiency
2. Manual, time-consuming reporting
3. Inefficiencies and delays due to multiple, disparate systems

These technology barriers can impede growth, cause internal frustration, and hinder a nonprofit's ability to paint an accurate picture of financial transparency. One possible reason for these frustrations is that 45% of survey respondents use small business software ill-equipped to provide robust reporting and visibility to drive decision making. Since many organizations who use software solutions like QuickBooks also rely heavily on spreadsheets, this directly leads to a lack of data integrity in a system of record.

Balancing Growth and Technology

Overall, there are some very promising results in this survey with regard to funding and donor engagement. Nonprofits are benefitting from a strong economy that has allowed them to grow and make strides toward mission achievement.

But is this growth sustainable? In order to continue this trajectory, nonprofits need to have the infrastructure in place to sustain growth and pursue their mission more effectively. Let's break down the three biggest areas of frustration expressed in the survey and how they can be addressed with modern, cloud financial management and accounting software.

1. Lack of process automation and organization efficiency

Nonprofits are unique. If a nonprofit is using small business software, it may not be flexible enough to help overcome unique challenges. Nonprofits shouldn't be overwhelmed by manual spreadsheet work and journal entries. Nonprofits need an intuitive core fund accounting system with the ability to perform accounts payable automation, comprehensive grant tracking and billing, automated revenue recognition, all while helping maintain compliance and stewardship.

2. Manual, time-consuming reporting

Nonprofits need real-time visibility into financial and operational metrics to make more informed decisions about programs, fundraising, staffing, and more. If a nonprofit is unable to track both financial and operational data in real-time, their ability to be strategic is severely limited. In order to sustain growth, nonprofits need to improve reporting with customized reports available in minutes, not weeks. With complete visibility and transparency, nonprofits can share their impact story with donors, constituents, and board members to boost confidence and achieve mission success.

3. Inefficiencies and delays due to multiple, disparate systems

Whether a nonprofit has multiple entities, locations, or just a lot of spreadsheets, using or operating with disparate systems can be a huge waste of time. A modern financial management system can be a true system of record, leveraging key data from donor management, payroll, budgeting, CRMs like Salesforce, and others to track metrics that are central to the organization's operations and programs.

How Sage Intacct Can Help

Sage Intacct's modern cloud accounting software for nonprofits eliminates these frustrations. Let's look at each one from the perspective of a Sage Intacct customer:

Increased automation and organization efficiency

DonorsChoose.org replaced its siloed Blackbaud accounting system with Sage Intacct. Since going live, they have eliminated more than 50 hours of manual work each month while generating new insights that help heighten impact on U.S. education. Finance team productivity has risen more than 20% because of Sage Intacct, which frees up a day or so a week that each person can spend on value-added activities like tracking restricted funds or compliance initiatives.

“Sage Intacct delivers major productivity improvements for our team, but more importantly, it gives us access to trusted financial data on a real-time basis, which is a major benefit across our organization.”

– Alliah Mohamed, Director, Accounting & Financial Operations, DonorsChoose.org

Flexible reporting drives transparency for donors

Children's Hunger Fund (CHF) switched from QuickBooks to Sage Intacct for its ability to slice and dice financial data. Sage Intacct's powerful multi-dimensional reporting capabilities track CHF's operational and financial metrics by key business drivers. The software allows users to tag transactions with details such as specific projects, regions, grants, or departments, and then filter, group, and organize the data for more granular reporting.

“With Sage Intacct, we can now drill down into where we’re getting our money from, and how much of our donations are for restricted vs. unrestricted funds. With in-depth, real-time information on what we’ve spent and any leftover funding, we can actually expand our programs more quickly rather than waiting for complex reporting at the end of the year.”

– Christopher Sue, CFO, Children’s Hunger Fund

Leveraging integration to manage growth

Potential Church previously used QuickBooks but found that the system could not keep up with its rapid growth. They moved to Sage Intacct to streamline and automate as many financial processes as possible so their team could take on more of a strategic role as opposed to tactically processing data and reacting to requests. Potential Church has experienced valuable process improvement that is the result of a seamless integration with their other key business applications, such as payments, payroll, and expense reporting.

“Because of our streamlined processes, our existing finance staff is in a great position to support Potential Church even as we add another ten campuses or so. We were able to reduce our accounting staff by one and avoid another full-time hire, saving us approximately \$80,000 each year as a result of the extreme efficiencies we’ve gained with Sage Intacct.”

– Reggie Alexis, Controller, Potential Church

Conclusion

Technology is so prevalent in our world, that we often take it for granted. When it comes to the nonprofit sector, technology use isn't about which fancy gadget to buy next, it's about strategic tools that can drive change to deliver on the nonprofit's mission. And while adopting up-to-date technology can seem cost prohibitive, according to [Yale Insights](#), "Effective use of technology can spawn innovation, improvements in efficacy, and better delivery on mission, more than justifying the cost and the challenges of organizational change."

The results of the 2020 Nonprofit Technology Trend Research Report confirm these notions, highlighting that while nonprofit giving seems to be trending upward, organizations are still bogged down with manual, inefficient processes that could be solved by technology.

sage Intacct

