State of The Sector

NFP Update May 20, 2025

THE POLITCAL LANDSCAPE

- On day one, President Trump issues Executive Orders
  - Protecting the American People Against Invasion
    - Increased ICE activity
  - Reevaluating and Realigning the United States Foreign Aid
    - Withdrawal from international agreements and reduced participation in global initiatives could impact NGO's focusing on international issues (climate change, human rights and world health)
    - NGO's rely on Federal funding of about $20 billion per year
  - Putting America First in International Environmental Agreements, Unleashing American Energy
    - Impacted climate-based organizations
  - Defending Women from Gender Ideology Extremism and Restoring Biological Truth to the Federal Government
    - Impact on LGBT organizations

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THE POLITCAL LANDSCAPE

- Ending Illegal Discrimination and Restoring merit Based Opportunity
  - Alters the federal government's approach to DEIA initiatives
    - DEIA references to be removed from contracts
  - Encourages federal agencies to investigate private sector practices deemed discriminatory
  - Restriction of race conscious admission practices in education

  - Executive Order raises questions about ability to use DEI preferences
    - Hiring decisions must be based upon qualifications alone and cannot involve preferences
      - Recruit across broader spectrum and prioritize diverse characteristics and not just race or sex
    - Eliminates requirement that government contractors develop and certify annually their affirmative action plans
    - Unsure how this will impact DEIA related programming as the EO is drafted broadly

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THE POLITCAL LANDSCAPE

- During his first administration, President Trump proposed eliminating the National Endowment for the Arts
- In his first administration President Trump tried to repeal the Affordable Care Act and implement significant changes in healthcare funding
- Trump's 2021 budget proposed cutting $1.6 trillion over 10 years from programs that help people with low or modest incomes meet basic needs
- Gift and estate tax thresholds were set to reduce effective January 1, 2026 to $7 million per person. The Big Beautiful Bill would make them permanent at $15 million per person adjusted each year for cost of living.

FEDERAL FUNDING CUTS 2025

- **Temporary Grant Freeze (Jan 2025):**
  - OMB froze all federal grants ($303B annually); rescinded Jan 29 but caused delays.
  - Impact: Cash flow issues, program cancellations (e.g., WV job training, WI immigrant services).
  - 100,000+ nonprofits affected; large orgs (>54% revenue from grants) hit hardest.
- **HHS Grant Cancellations ($12B):**
  - Cut funds for public health (e.g., measles tracking, mental health, addiction).
  - Example: NY ($300M cut), IL ($125M cut) nonprofits face service reductions.
- **SNAP ($230B) & Housing ($109M in WV) Cuts:**
  - Food banks, housing nonprofits (e.g., Habitat for Humanity) face deficits.
- **Refugee Resettlement ($36M):**
  - Catholic Charities lawsuit claims unlawful withholding, risking program closures.

FEDERAL FUNDING CUTS 2025

- **Proposed Medicaid Cuts ($880B, 2025-2034):**
  - 11.8% annual reduction threatens healthcare nonprofits (e.g., NJ HIV support).
  - Potential Federal Medicaid Cuts Represent 29% of State Medicaid Spending Per Resident, 6% of State Taxes Per Resident, and 19% of Education Spending Per Pupil
  - Projected impact by State https://www.kff.org/medicaid/issue-brief/putting-880-billion-in-potential-federal-medicaid-cuts-in-context-of-state-budgets-and-coverage/

- **Tariffs:**
  - The Trump administration has set in motion a tariff system designed to create fair trade and eliminate the large inequity between American imports and exports. This is anticipated to drive up costs and could increase demand.

MITIGATING FEDERAL & STATE FUNDING CUTS

Diversify Revenue Streams:

Pursue private donations, corporate sponsorships, and foundation grants (67% offer unrestricted funds).

Develop earned income models (e.g., fee-based services, social enterprises like workshops).

Launch crowdfunding campaigns via platforms like GoFundMe to engage communities.

Forge Strategic Partnerships:

Collaborate with nonprofits for shared grants (e.g., Long Island Health Collaborative's $1M success).

Partner with local businesses for in-kind support or sponsorships to offset losses (e.g., $300M NY health cuts).

Enhance Advocacy & Engagement:

Join coalitions to lobby for funding restoration.

Use impact-driven storytelling to retain donors; 70% demand transparency in 2025.

Leverage Technology:

Adopt CRM tools to track donors, boost digital fundraising

Use analytics to target high-net-worth donors (38% of giving from $30M+ households).

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THE ECONOMY

Inflation Rates: Inflation is expected to reach around 4% by the end of 2025 (Federal reserves target is 2%). This is an increase from 2024, when inflation was estimated to be around 2.5%. Projected growth due to tariffs.

US Economic Growth: The US economy is anticipated to grow at a rate of approximately 1.5 to 2.0% in 2025. This is down from 2.8% growth in 2024.

Unemployment Rates: The unemployment rate in the United States in 2025 is expected to be approximately 4.2% at the end of 2025, which is consistent with 2024 levels

Interest Rates: The Federal Reserve is expected to reduce interest rates but not as quickly as originally anticipated. The Federal lending rate is expected to drop to about 4% by year end, only about 1/4 % off the current rate. This however could be contingent on the inflation rate.

Charitable Contributions: Expected to exceed 2024 levels by approximately 3.9%, but that will be contingent on where the stock market goes for the rest of the year as the market has gotten very skittish over the last couple of months

Demand for Services: Expected to remain high and potential increase due to some of the EO's signed by President Trump and the tariff situation

Government Funding: Anticipated to decline at all levels

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IMPACT OF THE CURRENT ECONOMY ON NONPROFITS AND CHARITABLE GIVING

Challenges for Nonprofits:

- Rising costs reduce purchasing power; nonprofits struggle to maintain services as demand grows (e.g., human services).
- Donor retention declining (3.4% drop in 2023); small donors reduce giving due to financial pressures.
- High-net-worth donors increasingly use structured giving (e.g., DAFs, foundations), requiring tailored fundraising.
- Erratic/sluggish economy may impact giving; individual giving projected to remain ~63% of total donations.

Opportunities:

- Community-centric fundraising and transparency can strengthen donor trust and engagement.
- Technology and automation can streamline operations, offsetting cost pressures (increased use of AI and data integration). Need to better know, understand, and communicate with your donors.

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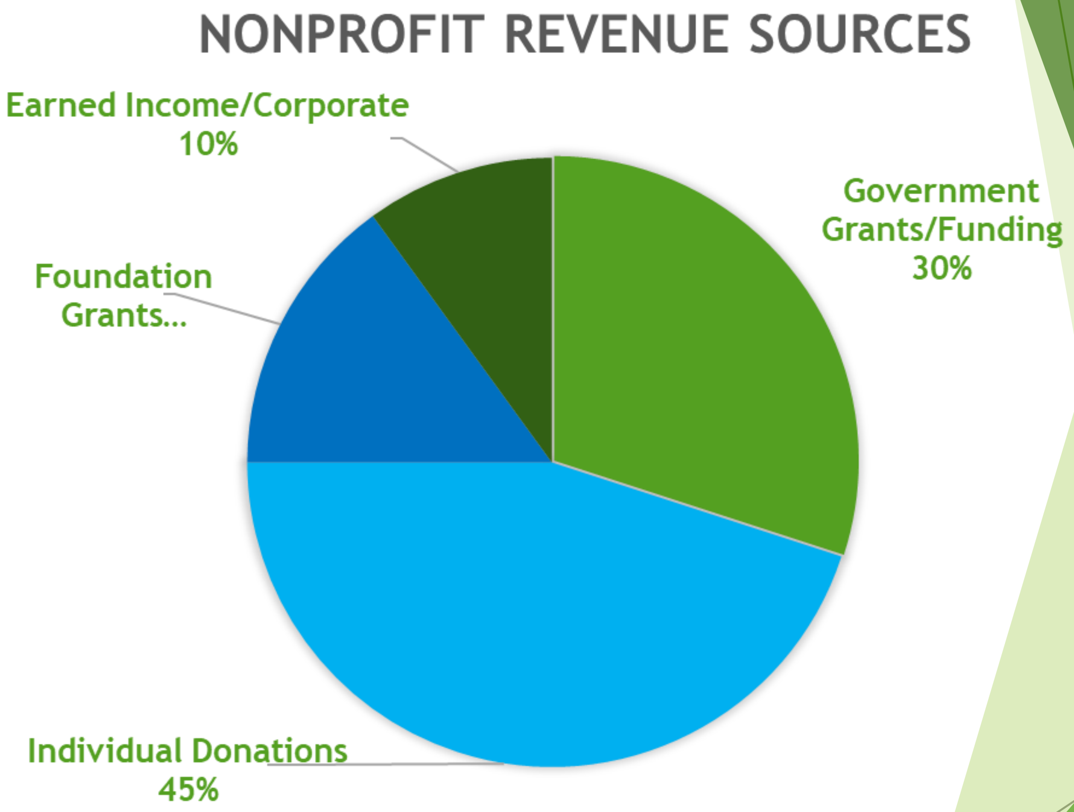
NONPROFITS BUDGETING IN UNCERTAIN TIMES



- **Why Alternative Budgeting Matters:**
  - Scenario budgets (best, moderate, worst-case) enhance resilience and transparency.
  - Enables quick Board-approved responses to funding changes.
  - Example: World Relief's "slim-down" budget prioritized services with zero federal funds.

NONPROFITS BUDGETING IN UNCERTAIN TIMES

- **Key Strategies:**
  - **Assess Finances:** Analyze grant reliance, cash flow, reserves.
  - **Scenario Budgets:** Plan for 0–25%+ funding cuts; adjust expenses, prioritize programs.
  - **Diversify Revenue:** Boost individual donations, corporate sponsorships, earned income, foundation grants (67% offer unrestricted funds).
  - **Optimize Costs:** Negotiate vendor discounts, automate payments, reallocate unrestricted funds.
  - **Engage Stakeholders:** Involve Board/staff for buy-in; leverage networks for partnerships.
  - **Monitor/Adjust:** Review budgets monthly; stay informed on policy changes.
- **Long-Term Resilience:**
  - Build 4-6 months of reserves.
  - Invest in fundraising (e.g., CRM systems).
  - Collaborate with peers to share costs.
  - Monitor policy via nonprofit advocacy groups.

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THE GREAT WEALTH TRANSFER

- **What is the Great Wealth Transfer?**
  - Over $84 trillion expected to transfer from Baby Boomers and Silent Generation to younger generations by 2045.
  - $11.9 trillion earmarked for charitable giving, with nonprofits as key beneficiaries.
  - Driven by estate plans, inheritances, and donor-advised funds (DAFs).
- **Impact on Nonprofits:**
  - Millennials and Gen X prioritize impact-driven giving; 78% prefer mission-aligned causes.
  - DAFs growing (15% annual increase), offering flexible, tax-efficient giving options.
  - High-net-worth donors (HNWDs) contribute 50% of individual donations, amplifying potential.
- **Opportunities for Nonprofits:**
  - Engage younger donors via digital platforms and storytelling (e.g., social media, impact reports).
  - Build relationships with HNWDs and DAF holders for planned giving (e.g., bequests, trusts).
  - Offer multi-generational giving programs to involve families in philanthropy.
- **Challenges:**
  - Competition for funds intensifies; 1.5M nonprofits vie for donor attention.
  - Donors demand transparency and measurable outcomes (e.g., 65% want impact metrics).
  - Economic volatility may delay or reduce transfers.

STATE OF FUNDRAISING IN 2025

- **2024 Recap** (Giving USA 2024):
  - Total giving: $557.16B (down 2.1% inflation-adjusted)
  - Q4 2024 (FEP): +3.5% dollars raised, -4.5% donors, -8.8% small donors (<$100)
- **2025 Projections** (Philanthropy Outlook):
  - Total giving: +3.9%
  - Foundation giving: +5.3%
  - Individual giving: 67% of total ($374.4B in 2023)
- **Q1 2025 Estimate:** (We are still waiting on Numbers)
  - +2–4% dollars raised, -3–5% donors
  - Driven by major donors, recurring giving

TOP FUNDRAISING TRENDS FOR 2025

Community-Centric Fundraising:	Build donor communities via events Peer-to-peer fundraising grows
AI & Data Analytics:	Hyper-personalized outreach Ethical AI use critical (47% of fundraisers prioritize AI) 90% of nonprofits collect data, but only 5% use it for decision-making
Recurring Giving:	31% of online revenue Subscription models boost retention
Social Media & Influencers:	32% of donors inspired by social media 41% of Gen Z motivated by platforms

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EMERGING CHANELS AND STRATEGIES

Direct Messaging:

- 16x higher open rates than email
- <5% of donors asked via messaging (untapped potential)

Direct Mail Resurgence:

- 81% of brands increasing budgets (high ROI)
- Effective for younger donors

Corporate Giving & Matching Gifts:

- +2.6% corporate giving growth
- 84% of donors more likely to give with a match

Transparency & Impact:

- Younger donors demand clear impact reports
- Builds trust and retention

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ACTIONABLE STRATEGIES FOR SUCCESS

Diversify	Diversify Channels: Combine digital (email, social media) and traditional (direct mail, events)
Engage	Engage Younger Donors: Target Gen Z/Millennials via social media, crowdfunding
Invest in	Invest in Technology: Use CRMs, AI, analytics for personalization
Focus on	Focus on Major Donors: Leverage prospect research for high-value gifts
Combat	Combat Donor Decline: Prioritize retention with recurring giving, impact reporting

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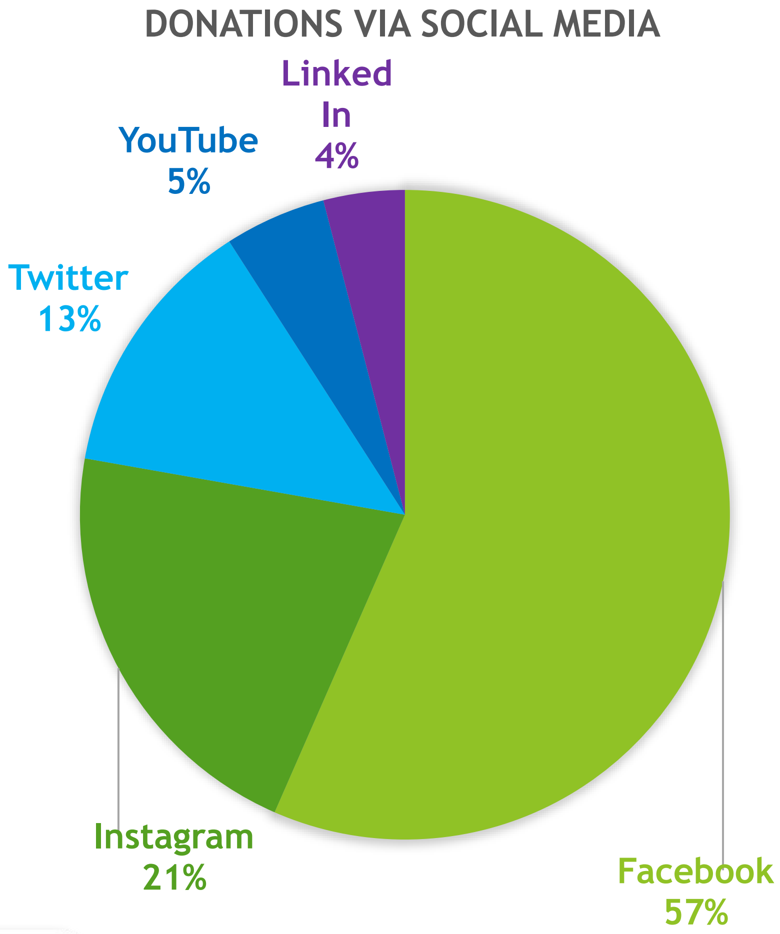

SOCIAL MEDIA MARKETING FOR NONPROFITS

- **Donor Engagement**: 32% of donors inspired to give via social media; 57% of social media-driven donations from Facebook.
- **Platform Dominance**: 96% of nonprofits use Facebook; 21% of donations via Instagram; 13% via Twitter.
- **Content Impact**: Posts with images see 650% more engagement; short-form videos preferred by 73% of consumers.
- **QR Code Growth**: 99.5M U.S. users scan QR codes for donations by 2025.

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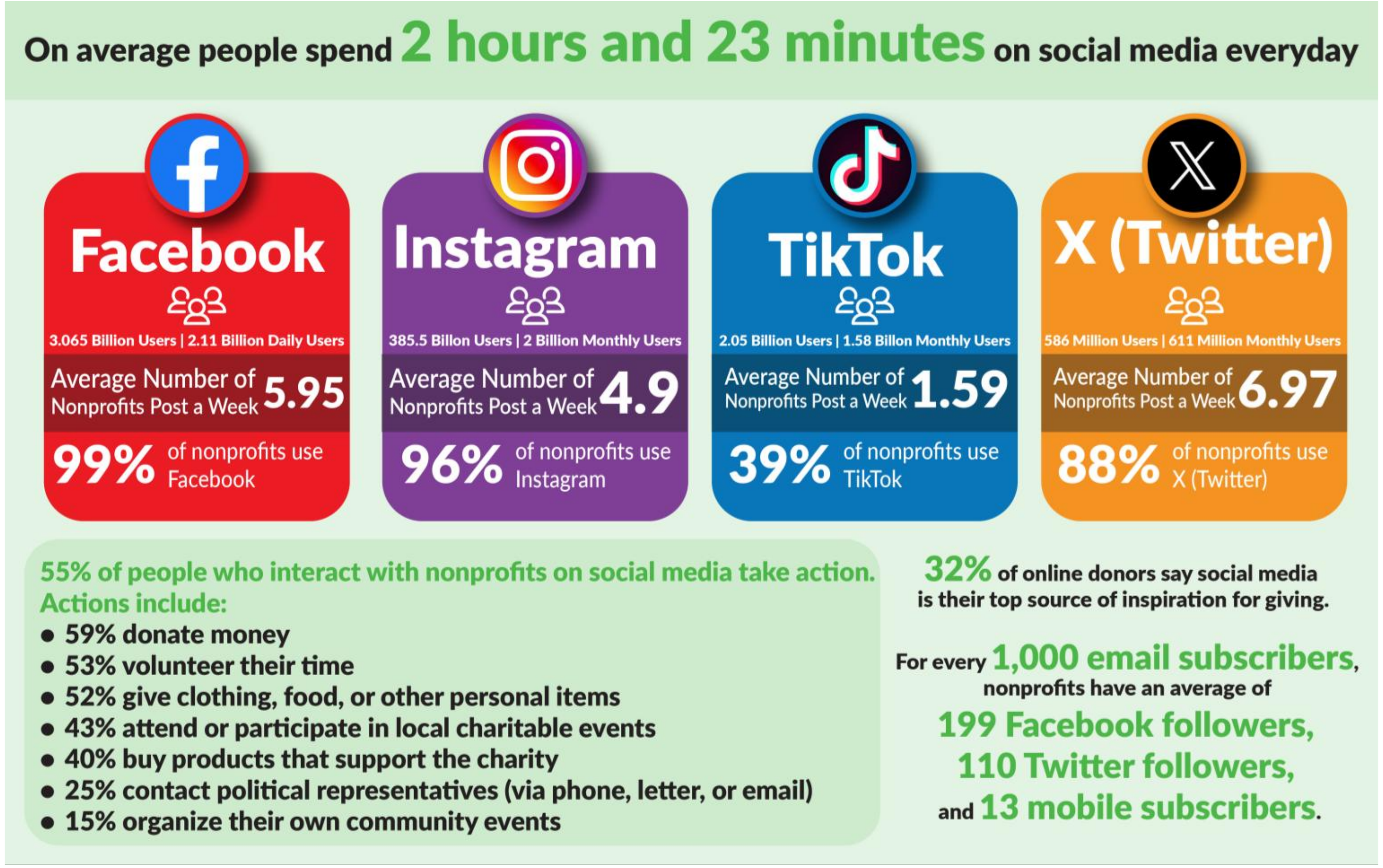

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STRATEGIES FOR SOCIAL MEDIA SUCCESS

Posting Frequency: Nonprofits post 5.95 times/week on Facebook; 4.59 times/week on Instagram

Ad Investment: 53% of nonprofits invest in social media ads, boosting reach by 30%

Storytelling: 79% of donors say behind-the-scenes videos drive giving; 57% of recurring donors engage via social campaigns

Influencer Impact: 30% of nonprofits collaborate with micro-influencers, increasing engagement by 20%

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STORYTELLING STRATEGIES FOR 2025

- **Personalized Narratives**: 63% of nonprofits use personalized emails with donor stories, increasing open rates by 26%.
- **AI-Driven Stories**: 82% of nonprofits use AI to craft compelling email narratives; 74% of donors support AI storytelling.
- **Email Storytelling**: 30% of donors inspired to give via email campaigns with impact stories; storytelling emails boost conversions by 22%.
- **Donor-Centric Impact**: 57% of recurring donors join after hearing beneficiary stories; 79% of donors say mission-driven stories drive giving.

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TURNOVER, FLEXIBLE WORK, AND AI

Turnover Challenges:

45% of employees plan to seek new jobs by 2025; 23% plan to exit nonprofit sector

30% annual turnover rate in 2023, expected to persist in 2025; 49% cite low pay

Public-facing roles (e.g., program delivery) most vacant.

Flexible Work:

60% of job seekers prioritize flexibility; 22% of U.S. workforce remote

Hybrid models expand talent pools in rural areas.

AI in HR:

AI reduces time-to-hire by 30%; 2 in 3 organizations use it for recruitment

HR tech market to hit $45B globally by 2025

PRIORITIZING EMPLOYEE WELL-BEING

Burnout and Engagement:

- 40% of nonprofit workers report burnout; only 20% feel passionate about roles
- 74% say strong workplace culture drives job satisfaction.

Well-Being Priorities:

- 62% of job seekers prioritize mental health resources; 64% value milestone celebrations
- 57% of employees say flexible schedules improve well-being; 43% seek professional development to reduce stress stress

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STRENGTHENING SUCESSION PLANNING

Low Adoption: Only 27% of nonprofits have documented succession plans, risking operational instability

Leadership Development: 75% of nonprofit leaders plan to leave within 5–10 years; 80% lack internal talent pipelines

Emergency Preparedness: 80% of nonprofits lack emergency succession plans, increasing vulnerability to sudden departures

Board Involvement: 50% of boards unprepared for executive transitions; 78% lack formal board succession plans

HOW TO CREATE A GOOD SUCCESSION PLAN

- **Assess Leadership Needs**: Identify critical roles; 68% of nonprofits prioritize executive director transitions
- **Develop Internal Talent**: Implement mentoring programs; 65% of successful plans train successors internally
- **Document Emergency Plans**: Create interim leadership protocols; 85% of boards with plans reduce transition disruptions
- **Engage the Board**: Assign succession oversight; 72% of effective plans involve board committees

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NONPROFIT TECH TRENDS FOR 2025

Embracing Technology for Greater Impact

Why It Matters: Technology is reshaping how nonprofits operate, engage donors, and achieve missions.

2025 Focus: Adopting innovative tools to streamline operations, boost fundraising, and enhance transparency.

Goal: Equip your nonprofit to thrive in a digital-first world.

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KEY TECHNOLOGY TRENDS 2025

1. Artificial Intelligence (AI)

- **What:** AI automates tasks (e.g., donor segmentation, data analysis) and personalizes engagement.
- **Impact**: Saves time, boosts fundraising, and strengthens donor relationships.
- **Stats**:
  - 67% of nonprofits use AI for tasks like chatbots or donor engagement.
  - Only 12.8% leverage predictive analytics, showing untapped potential.
- **Example**: AI chatbots for donor support; predictive analytics for campaign success.

2. Digital Payment Systems

- **What**: Mobile-first platforms like Venmo, Apple Pay, and text-to-donate campaigns.
- **Impact**: Simplifies donations, attracts younger donors, and increases accessibility.
- **Stat:** 71% of nonprofits report increased donations after adopting digital tools.
- **Example**: QR codes on marketing materials for instant giving.

3. Data-Driven Fundraising

- **What:** Using CRMs and analytics to track donor behavior and measure impact.
- **Impact:** Enables targeted campaigns and compelling impact reports for funders.
- **Stat:** 43% of nonprofits prioritize data systems, up from 22% pre-2020.
- **Example**: Tools like Microsoft Power BI for visualizing program outcomes.

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ACTION STEPS AND FUTURE

- **Conduct a Tech Audit**: Identify gaps in tools and prioritize upgrades.
- **Invest in Training**: Equip staff with skills for AI, analytics, and cloud tools.
- **Prioritize Cybersecurity**: Protect donor data with encryption and training.
  - **Stat**: 73% of nonprofits face economic uncertainty, making secure tech critical (Sage, 2024).
- **Align with Mission**: Choose technologies that amplify your nonprofit's goals.

Looking Ahead

- **2025 Vision**: Nonprofits leveraging technology will drive greater impact and foster sustainable growth.
- **Stay Proactive**: Embrace change to lead in the evolving nonprofit landscape.

Key Takeaways

Shifting Political & Funding Landscape: Executive orders and federal funding cuts have disrupted DEIA efforts, public services, and nonprofit cash flow, especially for larger organizations.

Economic Uncertainty: Inflation and slow growth are challenging operational stability, though charitable giving may rise with a strong stock market.

Evolving Fundraising Models: Community-centric strategies, AI, and transparency are essential to attract and retain modern donors.

Tech & Workforce Transformation: AI adoption, digital tools, flexible work, and succession planning are reshaping nonprofit operations and HR priorities.

CHECK OUT FULL TREND REPORT