2022 STATE OF THE Connecticut Nonprofit Sector

SURVEY RESULTS | March 2022 | COMMISSIONED BY The Alliance Voice of Community Nonprofits | SURVEY DESIGN AND ANALYSIS BY fiō

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About the Survey

In January 2022, the Connecticut Community Nonprofit Alliance (**The Alliance**) and **Fio Partners**, together with a host of philanthropic collaborators, conducted a survey to learn the current state of nonprofits in Connecticut.

Over the course of 20 days (January 18 - February 6, 2022), 267 nonprofit organizations provided valuable insights into the common and unique challenges faced by small and large agencies during the COVID-19 pandemic and workforce shortage crisis. This report captures the survey findings, which were processed by Fio Partners, LLC.

Additionally, 17 participating executive directors / CEOs were interviewed about their experiences leading through the pandemic. Throughout the report, their insights provide valuable context to the data.

We are grateful to the community foundations that came together to fund and distribute this survey:

- The Community Foundation for Greater New Haven
- Hartford Foundation for Public Giving
- Connecticut Community Foundation
- Community Foundation of Eastern Connecticut
- Northwest Connecticut Community Foundation
- Valley Community Foundation

Reflections from The Alliance — The Voice of Community Nonprofits

Community nonprofits have been on the front lines of the Coronavirus pandemic for more than two years, providing essential services in every city and town in Connecticut.

They have long been a vital part of Connecticut's economy and social fabric, annually employing 115,000 people (7% of the state's workforce) to provide services to more than 500,000 people and foster safe, healthy, and vibrant communities.

While the survey results certainly have bright spots, they also depict a strained sector that is showing cracks. Almost one in five (17%) nonprofits is struggling financially, which comes as no surprise. Since 2007, community nonprofits have lost at least $461 million in state funding that has not kept pace with inflation, and then they were hit with COVID-19 and its increased costs and revenue losses.

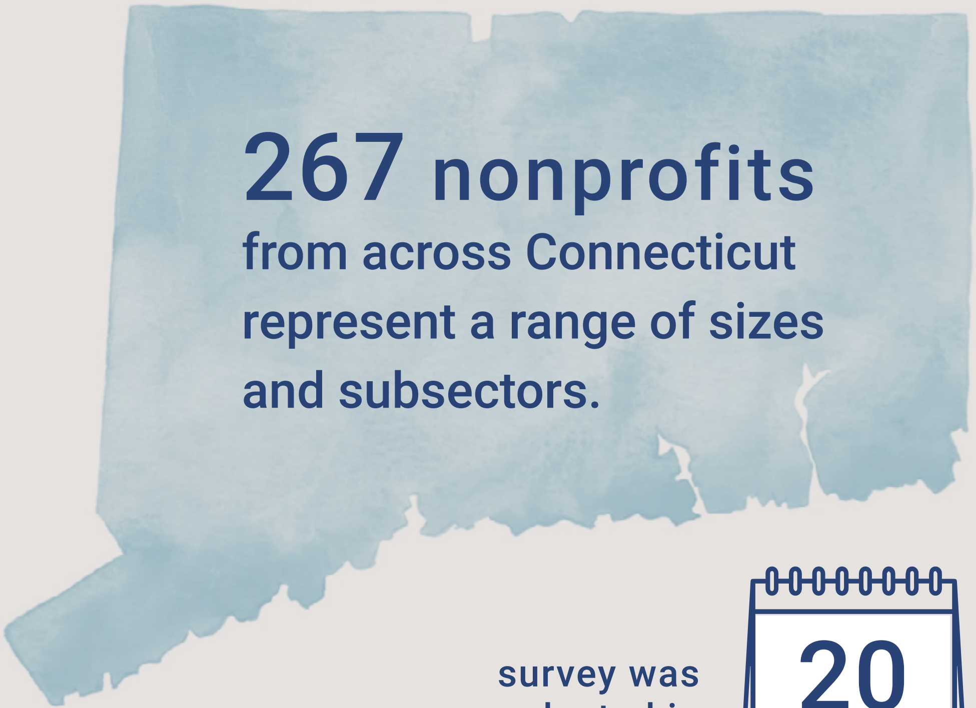
Federal, state, and local grants were a critical lifeline to many nonprofits that were impacted by the pandemic. These various relief programs enabled many in the sector to get through the past year by paying for needed expenditures with one-time (or two-time) injections of capital. Indeed, 53% of respondents report increased federal assistance. But one-time aid isn't enough, which is why The Alliance is advocating to increase government funding for the state's nonprofits.

Rising expenses, including significant costs to recruit and retain essential staff, will have recurring costs that need to be met with increased public funding to sustain the sector and its vital services.

At the same time, demand for community services continues to increase. Some 38% of larger agencies are straining to meet demand and another 36% can no longer serve everyone who requires support. 30% have a waitlist for services and 6% must deny services with no alternative expectation. The workforce crisis has only exacerbated this problem. More than 20% of participating nonprofits report 20-29% vacancies in their workforce and 15% of BIPOC-led nonprofits have vacancy rates of more than 50%. Accordingly, staff burnout is a significant issue, with more than a third of leaders seeing it as strongly affecting staff recruitment and retention efforts. Leaders are also working to bring more Diversity, Equity, and Inclusion (DEI) into their recruitment efforts and across their agencies. More than 80% of respondents note that efforts are underway to diversify their staff and board.

As an organization dedicated to supporting nonprofits, it is difficult to see nonprofits struggling still, two years after the start of the pandemic. The Alliance will continue to advocate to ensure nonprofits have the resources and support they need to fulfill their missions.

Overview of Survey Participants

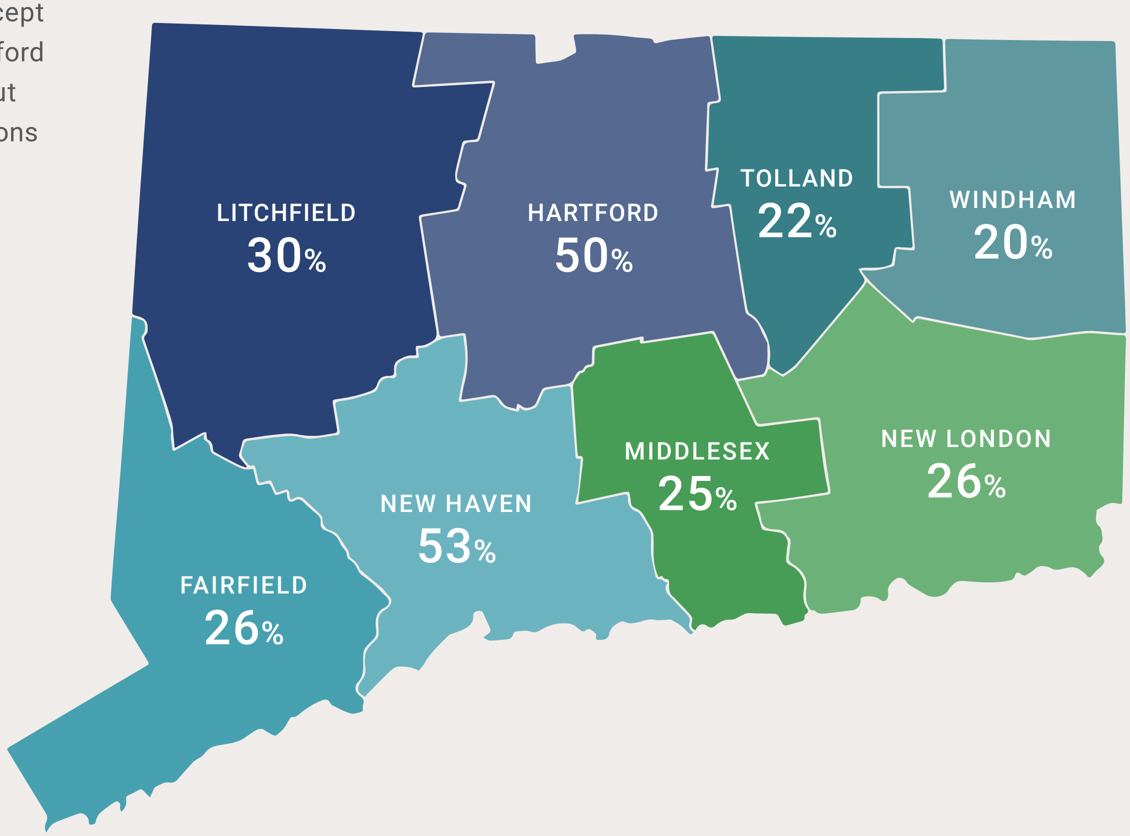


survey was conducted in

20
DAYS

1 COUNTIES SERVED

→ Participating organizations have a distributed presence across the state (20-30% per county), except for New Haven (53%) and Hartford (50%) counties, in which about half of participating organizations provide services.

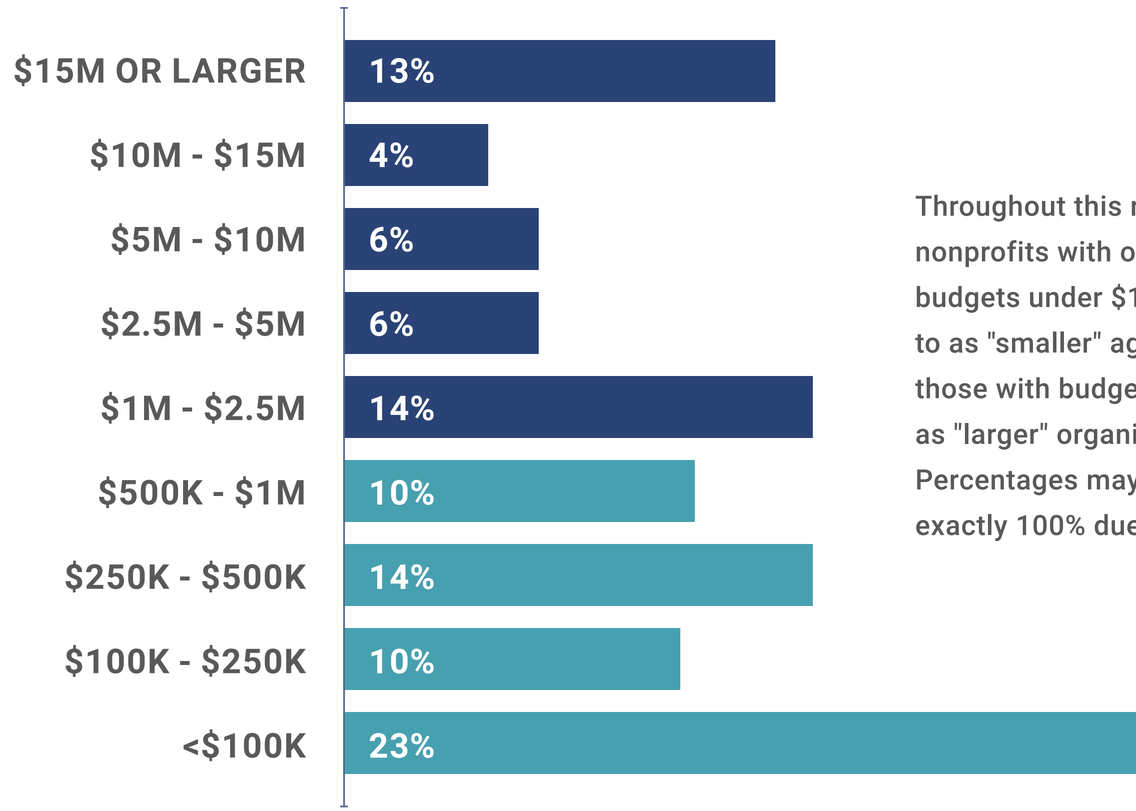


2 OPERATING BUDGET

43%
OVER $1M

57%
UNDER $1M

47%
< %500K



Throughout this report, nonprofits with operating budgets under $1M are referred to as "smaller" agencies and those with budgets over $1M as "larger" organizations. Percentages may not sum to exactly 100% due to rounding.

3 SUBSECTORS REPRESENTED

- Overall, education (28%) and children's services (26%) were the most common focus areas shared by small and large nonprofits, followed by basic needs (17%).
- Arts, culture, and humanities was the top focus area of participating small nonprofits (40%). Moreover, smaller nonprofits are about four times more likely to provide arts and culture programming and place-based services such as community centers (20%).

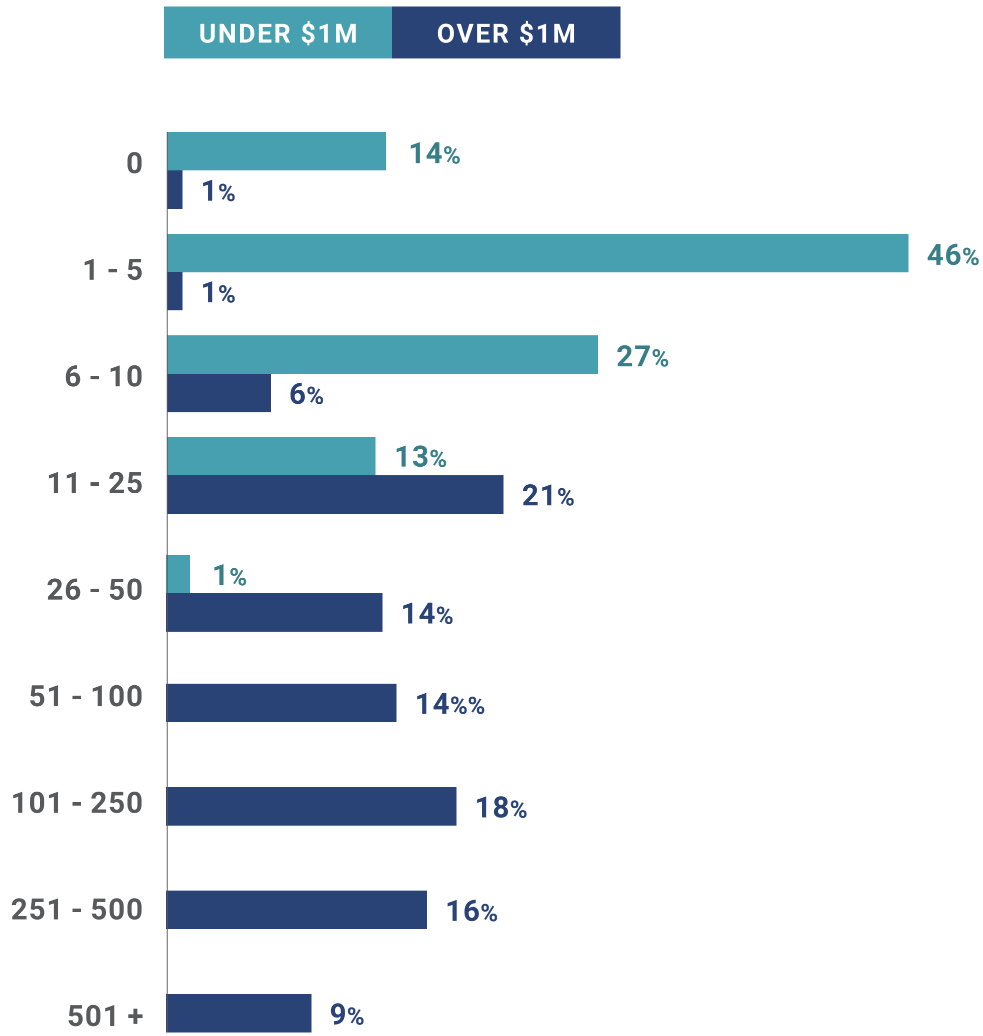
On the other hand, larger nonprofits are about four times more likely to provide services for adult behavioral health (28%), intellectual and developmental disabilities (27%), and housing (22%).

RANK			TOP 10 SUBSECTORS REPRESENTED[1]	OVERALL	UNDER $1M	OVER $1M
1	2	1	Education (i.e., in school and after school)	28%	30%	27%
2	1		Arts, culture and humanities	27%	40%	10%
3	3	1	Children's services	26%	23%	30%
4	5	5	Basic needs (food, shelter, etc.)	17%	15%	20%
5		2	Adult behavioral health	16%	7%	28%
6		3	Intellectual and developmental disabilities	15%	7%	27%
7	4		Place-based organization (neighborhood association, community center, etc.)	14%	20%	5%
8		4	Housing	13%	6%	22%
9			Health care (other than hospitals)	11%	9%	12%
10			Environment	10%	13%	7%
10			Older adults	10%	9%	12%

[1] Organizations could select more than one subsector to represent their primary mission and programmatic focus(es).

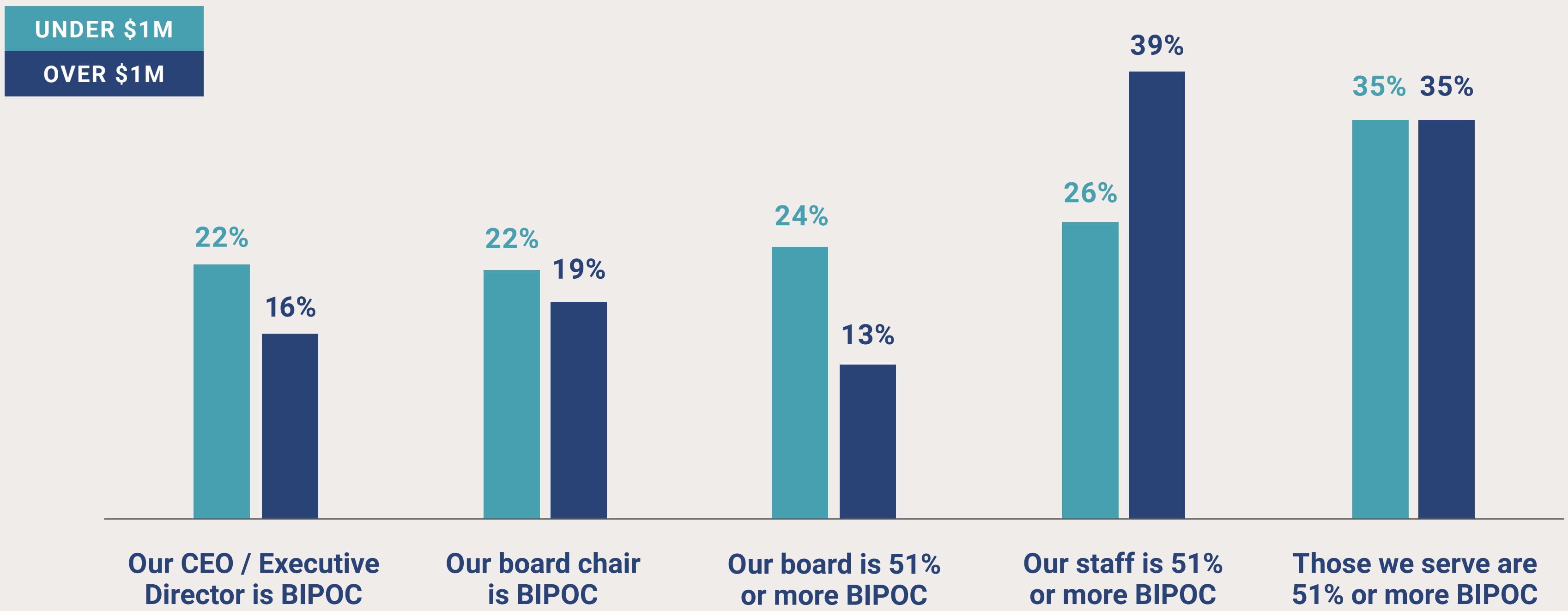
4 STAFF SIZE

- About 14% of participating smaller nonprofits are volunteer run. 46% have between 1 and 5 staff and 41% have more than five staff.
- Larger agencies represent a wide range of staffing sizes, from 8% with 10 or fewer employees to 9% with more than 500 staff. Middle ranges were more evenly distributed.



5 BIPOC LEADERSHIP & SERVICE POPULATION

- → Overall, about 20% of participating CEOs/ Executive Directors and 21% of board chairs are BIPOC.
- → Smaller nonprofits reported slightly more diverse board and executive leadership than larger agencies, but neither group is proportionally representative of the 36.8% BIPOC population in Connecticut.[2]
- → 35% of participating nonprofits have a client population that is more than 51% BIPOC. Similarly, 32% have staff that are 51% or more BIPOC, a benchmark more frequently met by larger agencies (39%) than smaller organizations (26%).



[2] According to U.S. Census data cited in "Connecticut's diversity: Growing in expected and unexpected places," CT Mirror, September 7, 2021.

5 BIPOC LEADERSHIP & SERVICE POPULATION

→ For participating organizations whose executive director or CEO is white, while their staff is likely to reflect the demographic profile of persons served, their overall Board composition is less likely to be representative.

Positive Response	White ED/CEO	BIPOC ED/CEO
Our board chair is BIPOC	9%	70%
Our board is 51% or more BIPOC	8%	65%
Our staff is 51% or more BIPOC	22%	76%
Those we serve are 51% or more BIPOC	26%	74%

A CLOSER LOOK AT BIPOC-LED ORGANIZATIONS

Throughout this report, nonprofits with an Executive Director / CEO that identifies as BIPOC are referred to a BIPOC-led organizations.

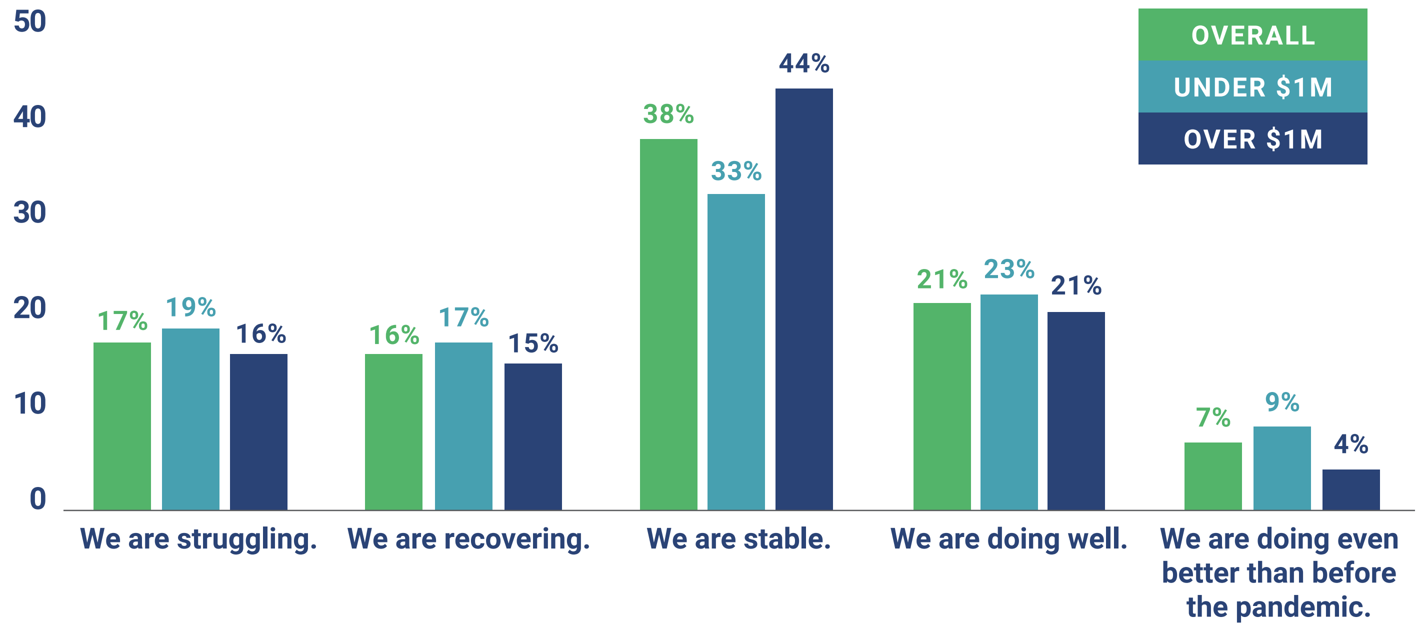
→ 65% are smaller agencies with operating budgets under $1M, skewing just slightly smaller than the overall respondent composition (57% smaller nonprofits).

→ About two-thirds of BIPOC-led organizations participating in this survey have their main office located in Hartford (34%) or New Haven (32%).

→ BIPOC-led organizations are almost three times as likely to have a service population (74%), staff (76%), and board (65%) that are all 51% or more BIPOC. They are also more than seven times as likely to have a board chair that identifies as BIPOC (70%).

Survey Findings

1 OVERALL CURRENT FINANCIAL HEALTH



- Overall, 46 participating organizations (17%) are struggling financially and 1 organization is in danger of closing.
- Over half (54%) assess that their finances are recovering (16%) or stable (38%).
- Over a quarter (28%) report they are doing well (21%) or even better than before the pandemic (7%).
- Larger organizations were slightly more likely to report being stable than smaller agencies (44% vs. 33%).
- 23% of BIPOC-led organizations report that they are struggling financially, compared to 19% of smaller and 16% of larger agencies.

1 OVERALL CURRENT FINANCIAL HEALTH

→ Looking at the results within the most represented subsectors, about a third of IDD and place-based organizations (e.g., community centers) report they are struggling, while a third of arts and basic needs agencies feel they are doing well or even better than before the pandemic.

SUBSECTORS REPRESENTED	Struggling	Recovering or Stable	Doing Well or Even Better
Adult Behavioral Health	17%	62%	21%
Arts, Culture and Humanities	18%	49%	33%
Basic Needs	20%	45%	34%
Children's Services	22%	58%	20%
Intellectual and Developmental Disabilities	36%	54%	10%
Education	20%	52%	28%
Housing	15%	58%	27%
Place-based Organization	31%	58%	11%

LOOKING BACK AT THE 2020 COVID-19 SURVEY

In the summer of 2020, The Alliance and Fio Partners conducted a similar survey on the impacts of COVID-19 on the Connecticut nonprofit sector. During the first year of the pandemic, 29% of participating organizations reported that they were financially struggling, 43% felt they were "through the worst of it" and recovering, and 28% indicated they were doing well.

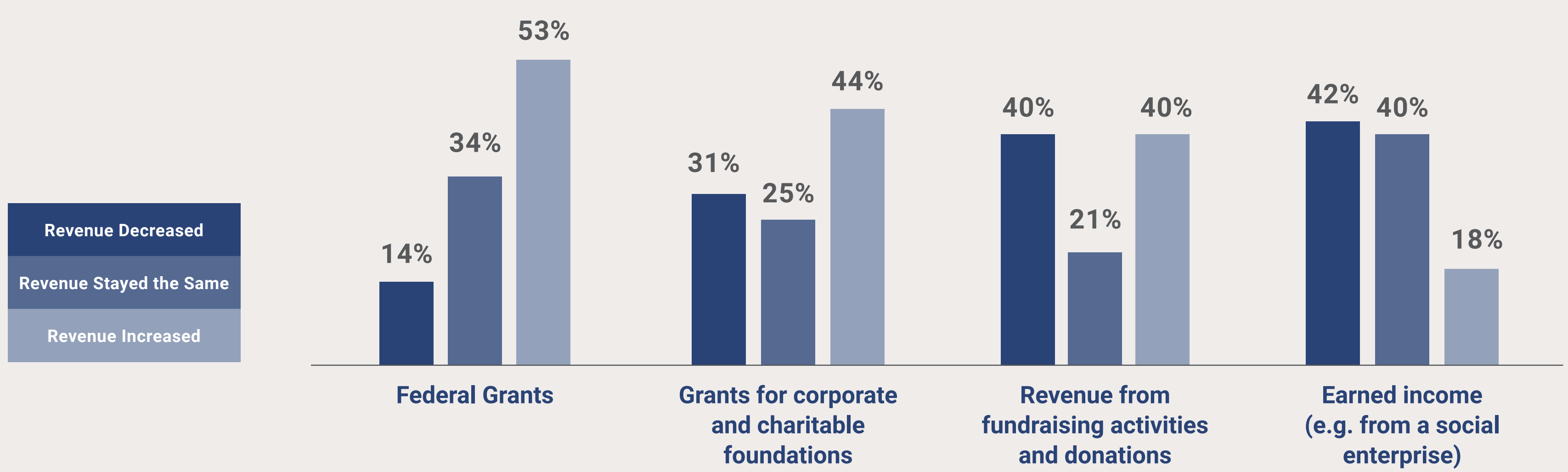
A year and a half later, the percentage of nonprofits that are doing well or even better than before the pandemic has remained the same (28%) and the number that now feel they are recovering or stable (54%) has improved. It's not clear, however, how much of that improvement is due to one-time assistance or whether a return to more normal practices has stabilized their budgets.

INTERVIEW INSIGHTS

Going virtual provided an opportunity for many organizations to increase their reach and revenue. For example, interviewees in the health sector noted a positive change in their revenue as they were able to provide services via telemedicine. For some, telehealth meant they could see more patients and for others, it meant a decrease in "no-shows." Similarly, several leaders in the arts and training services sectors reported that going virtual has increased their audience and outreach.

2 REVENUE TRENDS SINCE 2019 (OVERALL RESULTS)

- Overall, 53% of participating nonprofits report an increase in Federal grant revenue since 2019.
- While 44% of organizations noted an increase in grants from corporate and charitable foundations, 31% noted a decrease.
- The results around fundraising activities and donations were split, with 40% of organizations seeing increases and 40% experiencing decreases.
- Earned income ventures took the greatest hit overall, with 42% of responding organizations noting decreased revenue and only 18% recording increased revenue. That said, 40% also noted that their earned income revenue remained stable.



A CLOSER LOOK

A closer look at the detailed results[3] surfaces a few notable differences in revenue trends among larger, smaller, and BIPOC-led nonprofits since 2019.

FEDERAL GRANTS

- Larger agencies were more than twice as likely to secure an increase in federal grants (74% vs. 35%).
- 30% of larger and 19% of smaller nonprofits saw an increase in federal grants of more than 50%, but only 13% of BIPOC-led organizations were able to secure such sizable increases. They were more likely (22%) to see an increase in the range of 5-14%.

CORPORATE & CHARITABLE GRANTS

- Responding BIPOC-led organizations were more likely to experience an increase in grants from corporate and charitable foundations (55% vs. 44%).

EARNED INCOME

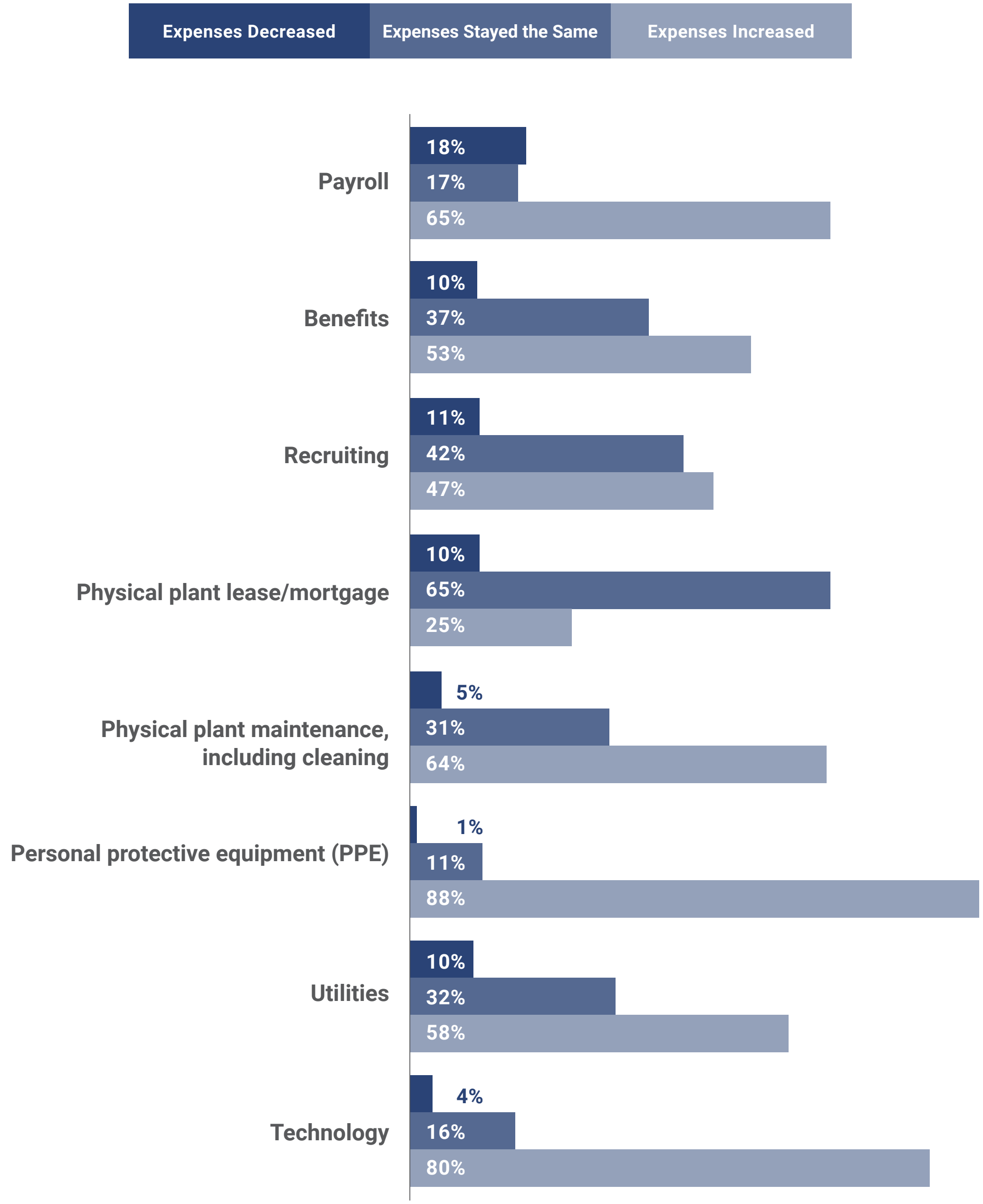
- BIPOC leaders were more successful at increasing revenue from earned income (25% vs. 17%), although the increases were generally modest (under 15%).
- BIPOC-led organizations were also less likely to experience decreases in earned income (28% vs. 42%), but when they did, they were slightly more likely to see decreases of more than 50% (19% vs. 14%).

[3] For each revenue category, respondents were asked to note approximately how much their revenue increased or decreased since 2019. The ranges provided were: DECREASED less than 5%, 5-14%, 15-24%, 25-49%, more than 50%; STAYED THE SAME; and INCREASED less than 5%, 5-14%, 15-24%, 25-49%, more than 50%.

3 EXPENSE TRENDS SINCE 2019

(OVERALL RESULTS)

→ Physical plant lease/mortgage is the expense that has remained most stable since 2019. For every other category of expense, between 47% and 88% of respondents note increased expenses.

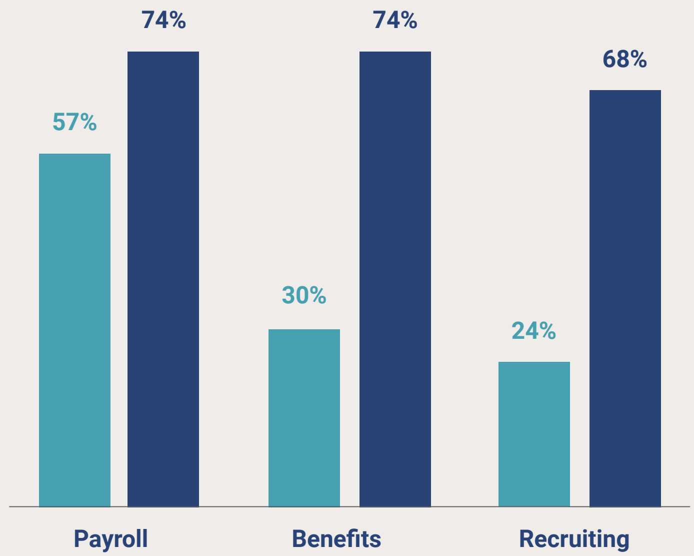


A CLOSER LOOK:
Increases in Personnel Expenses Since 2019

% Respondents Noting Increased Expenses

- Payroll expenses increased for most respondents, regardless of size. Notably, since 2019, about a third of participating larger nonprofits have seen payroll rise 5-14%, and a fifth have shouldered a 15-24% cost increase.
- Larger nonprofits were more than twice as likely as smaller agencies to see benefits expenses rise. 42% note a cost increase between 5-14%.
- Finally, larger nonprofits have invested significantly more in recruitment since 2019, with the level of investment spread across the ranges.

% Respondents Noting Increased Expenses



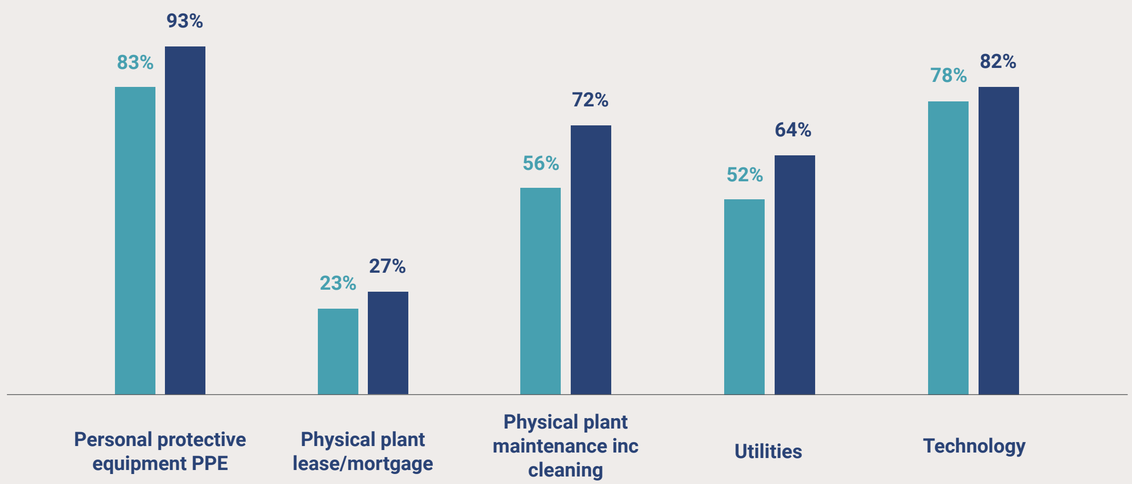
	UNDER $1M					OVER $1M				
% Expense Increase	< 5%	5-14%	15-24%	25-49%	> 50%	< 5%	5-14%	15-24%	25-49%	> 50%
Payroll	10%	18%	11%	11%	6%	9%	35%	19%	7%	3%
Benefits	9%	10%	6%	3%	2%	11%	42%	18%	3%	1%
Recruiting	5%	8%	2%	1%	7%	12%	17%	18%	10%	12%

A CLOSER LOOK:
Increases in Key Infrastructure Expenses Since 2019

% Respondents Noting Increased Expenses

- The pandemic caused organizations of all sizes to incur greater expenses around Personal Protective Equipment (PPE) and physical plant maintenance, including cleaning. 22% of smaller agencies and 34% of larger ones spent 5-14% more on maintenance, and 29% of small nonprofits and 51% of large organizations increased their allocation for PPE by more than 50%.
- Over half of organizations also saw increases in utilities expenses, most frequently in the range of 5-14%.
- Finally, many organizations made greater investments in technology. 28% of smaller agencies increased spending in this area by 5-14%. 24% of larger organizations invested similarly, while another 24% invested 15-24% more in technology.

% Respondents Noting Increased Expenses



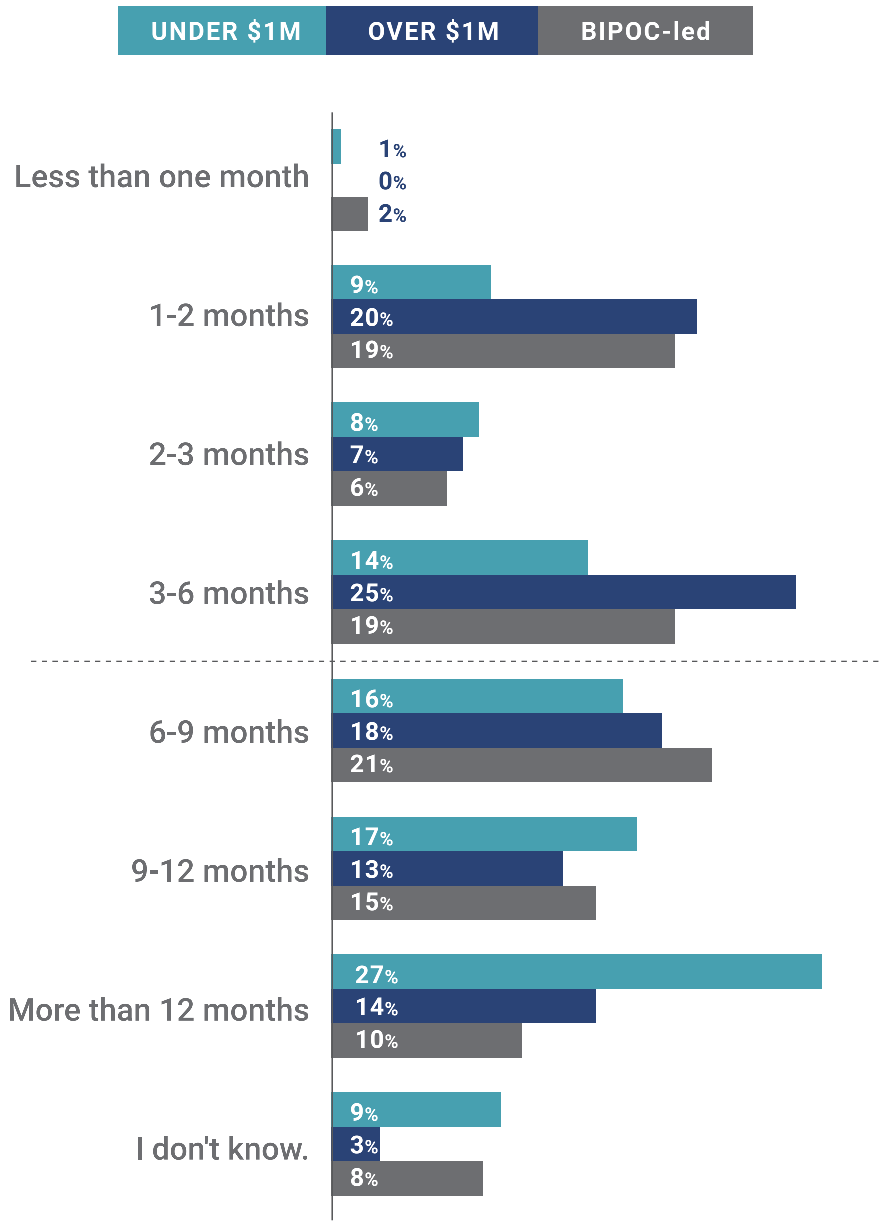
	UNDER $1M					OVER $1M				
% Expense Increase	< 5%	5-14%	15-24%	25-49%	> 50%	< 5%	5-14%	15-24%	25-49%	> 50%
Physical plant lease/ mortgage	2%	8%	2%	4%	6%	12%	9%	3%	1%	2%
Physical plant maintenance, including cleaning	11%	22%	11%	5%	6%	16%	34%	11%	8%	4%
Personal protective equipment (PPE)	23%	16%	11%	5%	29%	14%	11%	4%	12%	51%
Utilities	7%	26%	13%	4%	3%	13%	35%	12%	5%	0%
Technology	16%	28%	11%	12%	13%	10%	24%	24%	13%	11%

INTERVIEW INSIGHTS

Technology was an essential investment during the pandemic, and it will continue to play a larger role in service delivery moving forward. Almost all the leaders interviewed reported moving their service delivery to a virtual platform during the pandemic—but leveraging technology was easier for some than others. For a handful, the pivot was nearly seamless in terms of orientation to technology and having structures in place like laptops, remote access to servers, and internet-based phone systems. Other organizations had to overcome the prevailing belief that services had to be delivered face-to-face, design virtual programming for the first time, and invest significantly in purchasing technology and training staff, board members, and clients to use it. Access to wi-fi was also an issue for some organizational teams and clients. Many fell somewhere in between, adjusting their approach and increasing their technology capacity as needed to continue providing valuable services to their communities.

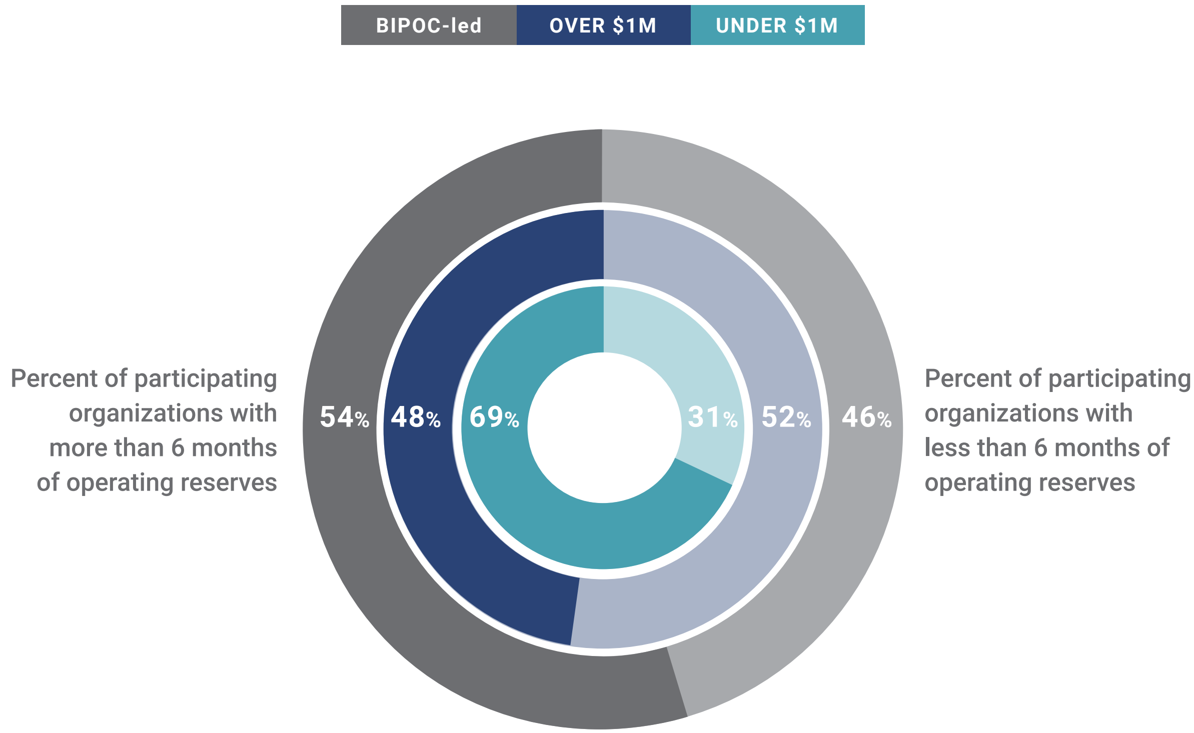
4 FINANCIAL RUNWAY/ MONTHS OF OPERATING RESERVES

→ Participating organizations were asked "Approximately how long could you operate using only your cash reserves and liquid assets? In other words, about how many months is your financial runway?" Having at least six months of operating reserves is considered a best practice or indicator of financial health for nonprofits.



4 FINANCIAL RUNWAY/ MONTHS OF OPERATING RESERVES

- More than half of larger nonprofits have less than the recommended 6 months of operating reserves, and 20% have only 1-2 months of financial runway.
- Smaller nonprofits are twice as likely to have more than a year of reserves (27%) than larger organizations (14%).



5 FEDERAL OR STATE RELIEF USED

- PPP and State relief funds were the top two sources of financial aid during the pandemic for both smaller and larger organizations. Almost 80% of larger and just over 50% of smaller nonprofits accessed PPP funds, and about a third of participating nonprofits accessed state relief funds.

- One third of larger organizations accessed CARES Act Medicaid/Medicare Provider Relief funds, more than a third accessed ARPA funds, and almost a fifth accessed ERTC.

- Only 19% of BIPOC-led organizations accessed State relief funds, which is a lower rate than both smaller (26%) and larger (41%) nonprofits.

- About a third of smaller nonprofits indicate not accessing relief funds. Accordingly, they reported lower utilization rates of several State and Federal relief funds, including PPP and ARPA. However, their access of local relief funds was on par, and they were slightly more likely to utilize EIDL (16% vs. 9%).

RANK			FEDERAL OR STATE RELIEF USED	OVERALL	UNDER $1M	OVER $1M
1	1	1	Paycheck Protection Program (PPP)	63%	52%	77%
2	2	2	State Relief Funds	33%	26%	41%
3	5	3	American Rescue Plan Act (ARPA) Funds	25%	14%	38%
4		4	CARES Act Medicaid / Medicare Provider Relief Funds	18%	5%	34%
5	3		Local Relief Funds	17%	18%	15%
6	4		Economic Injury Disaster Loan (EIDL)	13%	7%	9%
7		5	Employee Retention Tax Credit (ERTC)	11%	5%	19%
			None of the above	20%	32%	5%

REFLECTION ON THE FINANCIAL HEALTH OF NONPROFITS

During the pandemic, many nonprofits greatly benefited from an infusion of one-time (or two-time) funds, be it from the Payroll Protection Program, increases in federal funds through existing or new contracts, and/or increased payments and support passed on by state government. This helped to shore up the finances of many organizations, as evidenced by the large percentage that now report they are stable or doing well.

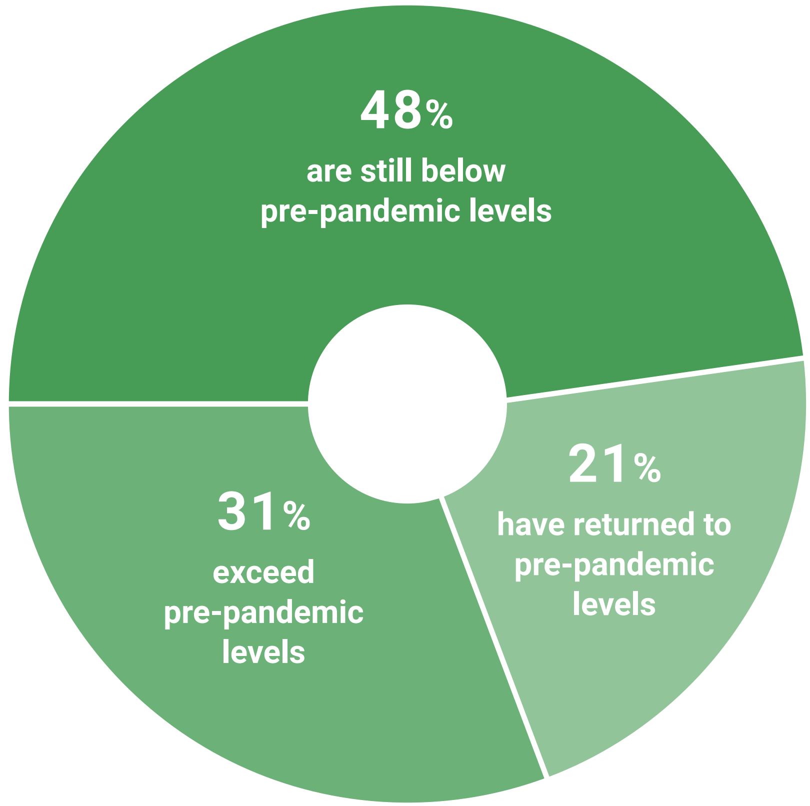
At the same time, organizations face rising expenses, including significant investments in their people—increasing salaries, benefits, and other recurring costs to recruit and retain employees. Taken together with the need to increase compensation due to a workforce shortage, many of these same providers now have recurring costs that, over time, may likely consume much of their operating reserves. In particular, the survey results indicate that larger organizations that are dependent on state funds may be especially at financial risk in the near to moderate future. Note that a higher percentage of larger organizations provide health and human services, suggesting that the more-affected programs are those that help residents in need.

It will be important to continue to monitor the financial health and sustainability of the sector over the next 6-9 months to determine the extent and rate at which financial reserves are diminishing—particularly as organizations seek to return to full staffing levels—both for the entire sector, as well as for specific types of organizations.

1 NUMBER OF PEOPLE SERVED

COMPARED TO PRE-PANDEMIC

- Larger nonprofits report only slightly better service recovery rates than smaller organizations.
- Just under half of participating organizations (48%) report that they are still serving fewer people than before the pandemic.
- Among the 21% of organizations that have returned to pre-pandemic service levels, most report that their financial health is stable (48%) or doing well (30%).
- For 31% of organizations, the number of people they are serving now exceeds pre-pandemic levels.



2 CHANGE IN SERVICE DEMAND SINCE 2019

- 73% of larger nonprofits and 53% of smaller organizations report an increase in demand for services.
- Overall, 10% of organizations report a decrease in demand of 15-24%, while almost double that amount (19%) report a 15-24% increase in demand.

3 ABILITY TO MEET CURRENT SERVICE DEMAND

→ Only about a quarter of larger nonprofits can comfortably meet service demands, while just over half of small organizations can report the same.

→ 38% of larger agencies are straining to meet demand and 36% can no longer serve everyone who comes to them—30% have a waitlist for services and 6% must deny services with no alternative expectation.

→ A combined 39% of small nonprofits are straining to meet demand or have waitlists.

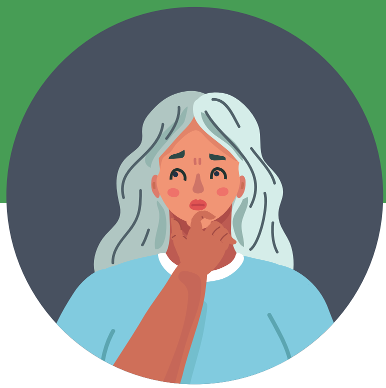
	YES, we can serve all those who come to us.	**YES**, we are at capacity and straining to meet demand but are currently managing to do so.	**NO**, we have had to put people on a waitlist for services.	**NO**, we have to deny services with no alternative expectation.
UNDER $1M	53%	23%	16%	7%
OVER $1M	26%	38%	30%	6%

REFLECTIONS ON SERVICE LEVELS, DEMAND, AND CAPACITY

There are two competing stories among organizations that are still serving fewer people than before the pandemic. Half of these organizations also report a decrease in demand, raising a serious warning sign of organizational decline. For the other half, stable or increasing demand but fewer people served indicates that capacity is likely an issue—Accordingly, a third of these organizations report staff vacancy rates of 20% or more, along with putting people on waitlists or turning them away.

INTERVIEW INSIGHTS

Among the organizations interviewed, there were a range of resources and constraints that came with increased service levels. While some organizations received additional funds to enable expanded services, others stretched to do more with the same amount of resources. Still others experienced reduced staff coupled with increased demand and expressed concerns about staff burnout.



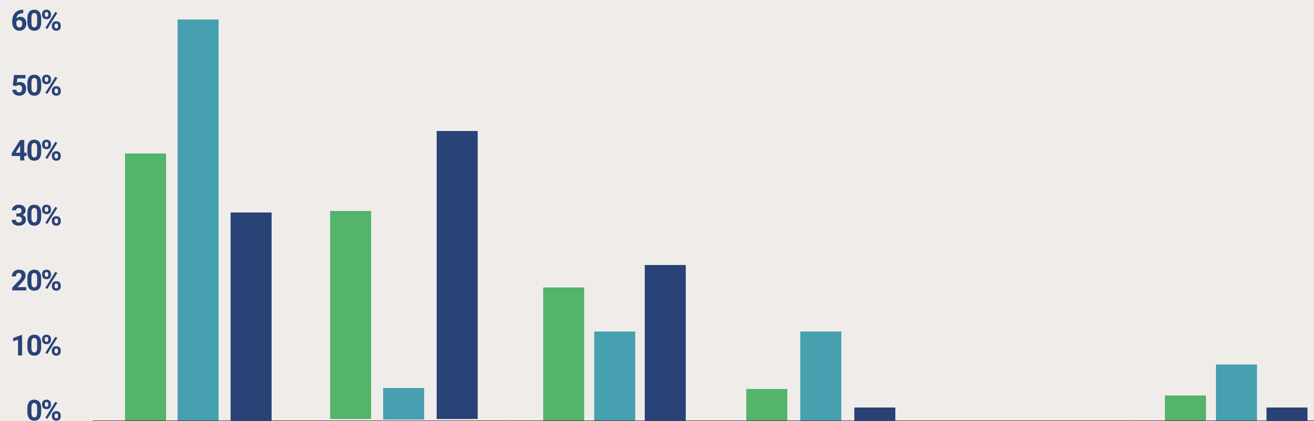
1 WORKFORCE VACANCY RATE

→ Overall, 20% of participating nonprofits report 20-29% vacancies in their workforce.

→ 15% of BIPOC-led agencies have more than 50% of their positions vacant.

→ A majority of small nonprofits (60%) have fewer than 10% of their available staff positions open, but they are also more likely to experience high vacancy rates than large agencies. 22% of small agencies report a vacancy rate of 30% or more, versus only 2% of large nonprofits.

→ Larger nonprofits are more likely to have 10-30% of their available positions open. 43% of larger agencies have 10-19% of their available positions open, and 23% have between 20-29% open.



	Less than 10%	10-19%	20-29%	30-39%	40-49%	More than 50%
OVERALL	40%	32%	20%	5%	0%	3%
UNDER $1M	60%	4%	13%	13%	0%	9%
OVER $1M	31%	43%	23%	1%	0%	1%

1 WORKFORCE VACANCY RATE

→ Organizations with the highest workforce vacancy rates provide services in the areas of intellectual and developmental disabilities, adult behavior health, and housing.

SUBSECTOR	LESS THAN 10%	10-19%	20-29%	30% OR MORE
Adult Behavioral Health	19%	47%	31%	3%
Arts, Culture & Humanities	62%	8%	23%	8%
Basic Needs	46%	29%	21%	4%
Children's Services	30%	37%	23%	9%
Intellectual and Development Disabilities	6%	45%	42%	6%
Education	49%	35%	12%	5%
Housing	24%	44%	28%	4%
Place-based organization	45%	27%	9%	18%

INTERVIEW INSIGHTS

Several leaders interviewed experienced high turnover during the pandemic for reasons beyond compensation. For example, one learned that staff were changing careers because of the pressure of direct service and the added burden it placed on what they were dealing with personally. Other reasons for resignations were due to fear of being infected or the challenges of learning new technology. Tensions also rose when some staff were able to work remotely while others had to be in the office. Some resignations were attributed to the fact that individuals needed to be home given their familial responsibilities. Leaders attempted to mitigate the great resignation by providing retention bonuses or giving raises (outside of the traditional annual raise).

REFLECTION ON LOOMING EXPENSES

Participating organizations report that personnel expenses are increasing, yet many positions remain unfilled. This raises concerns about the true cost of fully staffing organizations—as well as its feasibility and sustainability.

2 FACTORS AFFECTING STAFF RECRUITMENT AND RETENTION

TOP 4 FACTORS AFFECTING STAFF RECRUITMENT AND RETENTION →

(Overall, % rated as strongly affecting)

1 **Lack of applicants for open positions**

57%

2 **Inability to offer a competitive salary**

48%

3 **Staff Burnout**

38%

4 **Inability to offer competitive benefits**

27%

→ Organizations of all sizes are struggling with a dearth of applicants, likely exacerbated by the inability to offer competitive salaries and benefits, and overworked staff that are burning out.

→ When the percentage of "strongly affecting" and "somewhat affecting" responses are combined, the top four factors become significantly weightier, jumping to 82%, 85%, 73%, and 60%, respectively.

→ The ability to find childcare (29% somewhat affecting) and COVID-19 vaccination policies (32% somewhat affecting) were the lowest rated factors affecting staff recruitment and retention.

→ Other factors identified by respondents included specific challenges related to filling specialized positions and funding concerns.

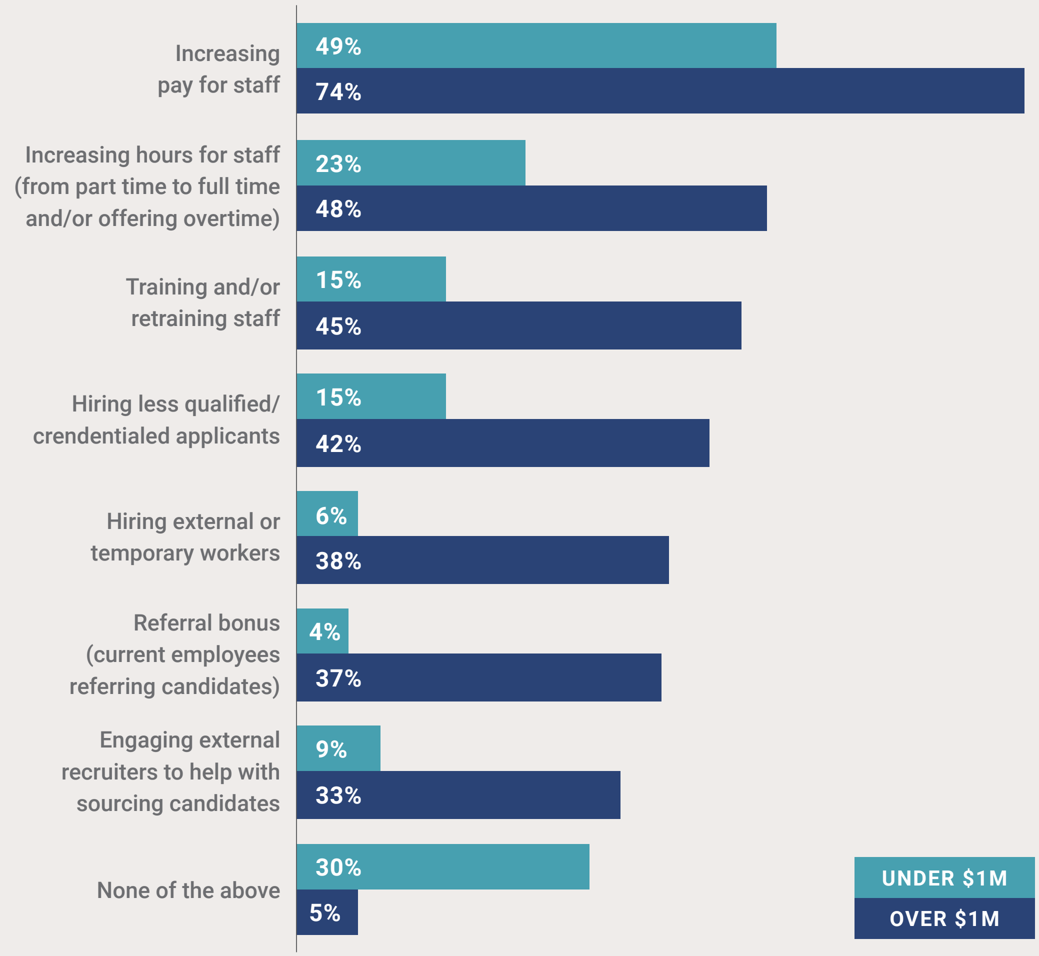
3 STRATEGIES TO MITIGATE EMPLOYEE SHORTAGES

- Increasing pay for staff is the most common mitigation strategy used by both smaller (49%) and larger (74%) nonprofits, reflecting the previously noted need to offer more competitive wages.

- To contend with current shortages, almost half of larger nonprofits and a quarter of smaller agencies are increasing hours for existing staff. 42% of larger nonprofits also noted having to hire less qualified or credentialed applicants, and 37% are offering referral bonuses to current employees that refer candidates.

- Generally, larger organizations are much more likely to implement a range of strategies to mitigate employee shortages, including training (45%), hiring external or temporary workers (38%), and engaging recruiters (33%). Smaller agencies were minimally able to do the same. Only 5% of larger nonprofits are not implementing any mitigation strategies, versus 30% of smaller agencies.

- 27 organizations provided additional comments about other strategies they use to mitigate workforce shortages. Smaller and BIPOC-led organizations noted the use of volunteers and student interns, while larger organizations noted offering flexible schedules, having senior-level staff covering shifts, and "paying lots of overtime."



4 STAFF RECRUITMENT AND RETENTION INCENTIVES

- To incentivize recruitment and retention, about half of larger agencies and 30% of smaller nonprofits are providing more flexibility to work from home. About a quarter of larger nonprofits are also allowing for telehealth flexibility.
- A little less than a quarter of larger agencies are providing signing (24%) and/or retention (21%) bonuses. 12% are offering student loan repayment incentives.
- Smaller nonprofits minimally reported (0-9%) providing any financial incentives, and 57% noted that they are not offering incentives at all.
- In the additional comments, expanded paid time off (PTO) incentives were raised as another means to support recruitment and retention. Other strategies mentioned included shifting to 4-day work weeks, stipends to support the costs of working at home (technology, etc.), professional development, and tuition assistance.

INTERVIEW INSIGHTS

For some organizations interviewed, providing virtual services and/or remote work has enabled recruitment and hiring beyond Connecticut. However, for organizations that need to provide their services in person, hiring and retaining staff is increasingly challenging. The pandemic also challenged nonprofits to rethink the purpose and use of an office. Leaders of organizations offering remote or hybrid options are pondering how to build community and relationships in this new format. Those who have brought their workforce back to the office cited mainly programmatic reasons for doing so.

1 MITIGATING THE NONPROFIT WORKFORCE SHORTAGE

UNDER $1M
OVER $1M

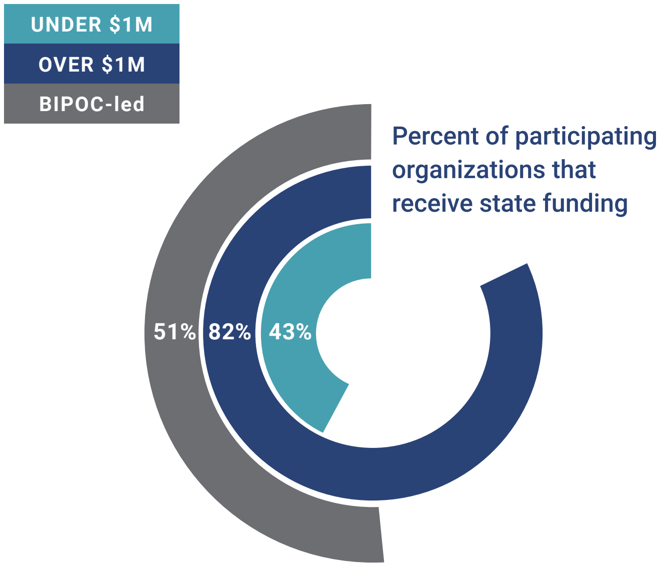
HELPFULNESS RANK			POTENTIAL POLICY SOLUTION
1	1	1	Additional permanent funding to increase staff salaries
2	2	5	A student loan repayment program for those in the nonprofit workforce
3	4	2	Reducing the amount of paperwork/regulation that causes a burden to staff
4	6	4	More job training/workforce development programs that would produce a larger pool of qualified staff
5	7	3	Increased reimbursement rates for services
6	3	6	Temporary funding to provide one-time pay, such as hiring or retention bonuses
7	5	7	Enhanced childcare subsidies or access to universal preschool

→ Regardless of size or leadership, there is wide agreement that additional permanent funding to increase staff salaries would be the most helpful policy solution (92% overall).

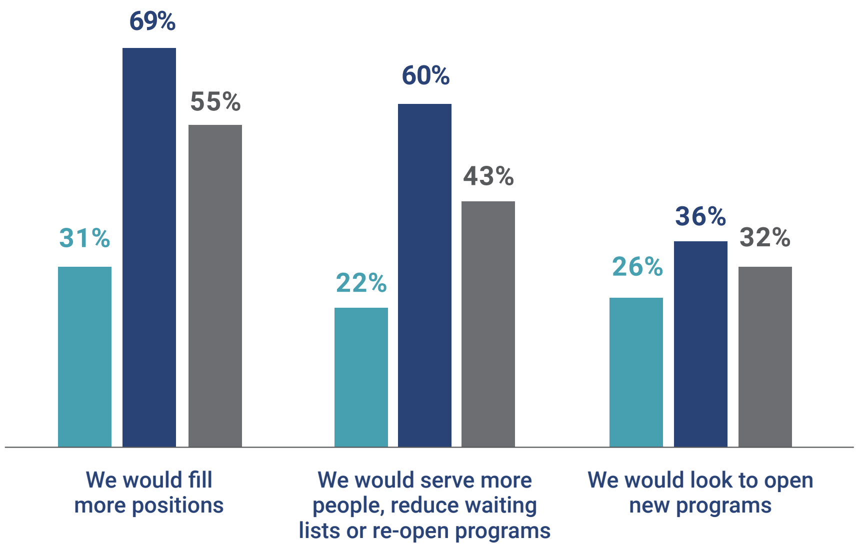
→ Larger organizations prioritize increased reimbursement rates and reduced administrative burden, while smaller and BIPOC-led organizations prioritize a student loan repayment program and temporary funding to provide one-time pay such as bonuses.

→ In the comments, several smaller nonprofits pointed out that some of the proposed policy solutions did not apply to organizations with small or no workforce (volunteer-run).

2 ADVOCATING FOR A STATE FUNDING INCREASE



If The Alliance were able to secure a state funding increase of 8% next fiscal year:



→ Regardless of organization size or leadership, if the Alliance were able to secure a state funding increase, participating nonprofits would prioritize stabilizing their workforce by filling more positions, and then would address program capacity.

3 PROTECTING NONPROFITS' TAX-EXEMPT STATUS

- Larger organizations are more likely to have tax exempt facilities and are more likely to voluntarily pay local property taxes on those facilities.

- 28 organizations with operating budgets over $1M (26% of participating large nonprofits) report having been denied a property tax exemption by a local assessor. Almost half of those denials (46%) occurred within the last two years. For a vast majority of these cases (82%), the property had not undergone any changes in use or ownership when the denial occurred. Half of the organizations appealed their denial to the Board of Assessment Appeals. Seven (13%) also filed suit in court and one negotiated a lower ongoing payment. The other half did not appeal and paid the tax.

- For the 9 smaller organizations that experienced a property tax exemption denial, their experiences occurred more than two years ago. Only one organization appealed the denial and all ultimately ended up paying the tax.

Use of state and/or local tax-exempt status	OVERALL	UNDER $1M	OVER $1M
We use our sales tax exemption when we purchase goods and services from Connecticut businesses.	91%	87%	97%
Some or all of our facilities are exempt from paying local property taxes.	68%	56%	82%
We have voluntarily decided to pay local property taxes on a facility that we believe is eligible for tax exemption	7%	2%	13%

REFLECTIONS ON PUBLIC POLICY

Connecticut's community nonprofits find themselves at a confluence of financial problems that, taken together, push the sector into crisis:

- Nonprofits were, at the beginning of last year, $461 million—28%—behind inflation since 2007;
- Two years of COVID-19 exacerbated the impact of inadequate funding and brought unanticipated, unbudgeted costs and operational challenges for most community nonprofits; and
- The 4% increase in the last year's budget was quickly absorbed by rising costs. Over the last year, inflation rose by almost 6%, surpassing the COLA that is in the current year's budget.

Adding to this is a workforce crisis, the likes of which nonprofits have never seen. The results of this survey show how important it is to increase funding for community nonprofits in this year's state budget. The Alliance is asking the legislature to honor the long-term plan to restore at least $461 million in buying power lost to inflation for community nonprofits, an 8% increase in funding for FY23. As the survey results show, it is the most important action that could help the sector respond to a rapidly changing landscape as we enter the third year of the pandemic.

Reflections from the Field:
Leading Through the Pandemic

On March 23, 2020, Connecticut's Governor signed a shelter-in-place order. For most of us, this was the first time we experienced such a thing. Not knowing what would happen to service delivery, or to their staff, leaders were forced to make quick decisions to ensure everyone would be safe. What we probably did not know that day is that the workplace would be changed forever.

→ Of the 17 leaders interviewed, four lead agencies with budgets under $1M, 13 lead organizations with budgets over $1M, and one identifies as BIPOC.

THE ONSET OF THE PANDEMIC

Many organizations had to move their service delivery to a virtual platform. For just a handful, this pivot was seamless, but for others, it came with challenges. The pandemic amplified the digital divide exponentially. Staff, board members, and clients had to be trained or provided with laptops, phones, or tablets.

> " We stopped hard-planning in its tracks and just waited things out, but the pandemic continued for months."

Staff had to challenge the prevailing belief that human services could only be conducted in person so that new processes and protocols could be designed. Increased demand coupled with staff struggling due to family concerns and schools closing added to the pressure.

> " By June 2020, I brought everyone back into the office because I could see the tension; it was taking a toll on the staff."

Leaders also had to make tough decisions. They grappled with who stayed in the office, who worked from home, or who to lay off and furlough. Leaders also found themselves supporting staff who had lost a loved one, a colleague, or volunteer to COVID-19

Some organizations began experiencing high turnover, which meant that workloads had to be shifted with very little time to be adequately trained. Other organizations had board members who could not support their EDs/CEOs because they, too, were dealing with work and family issues.

THE PANDEMIC SHIFTED LEADERSHIP STYLES

Leaders expressed changes in their leadership styles because of the pandemic. The most notable changes described pertained to their approach or how they led, their communication styles, decision-making process, and their relationships with staff. EDs/CEOs leaned on their leadership teams to navigate day-to-day operations without serving as the "conduit" or micro-managing.

> " I had to move from a member of the choir to the person who was conducting."

Leaders expressed how they were intentional about their visibility and ensuring they "checked in" with staff. Strengthening staff relationships also allowed leaders to share updates on the organization and relieve staff anxieties about being laid off or losing their health insurance. These communications gave staff the sense that "we are in this together."

"I realized one night that the buck stopped with me. If someone died or got severe COVID, it was my responsibility."

For many, the pandemic required them to lead differently. Those who tended to be "in the weeds" shared that they became more strategic, while those who tended to be a "light touch manager" had to get more involved in operations. Leaders expressed gaining a lot of the insight on their leadership style and reflecting daily on how to best navigate the overwhelming elements of leading through a pandemic.

THE NEW NORMAL

We can safely say that the nonprofit sector will never be the same. Today, many nonprofits offer options to work remotely (hybrid), and many continue to offer virtual programming as well. As a result, the conditions for programmatic growth and staff recruitment have changed. And while virtual services and employment options enable broader reach, they also bring more widespread competition. Accordingly, a new leadership challenge is building community and relationships in a virtual environment.

"The funding we received allowed us to change our thought process. Today we realize you don't have to be in the trolley; you can experience it without ever stepping in it."

Moreover, the pandemic was not the only context for change during the last two years. The murder of George Floyd led to social unrest, a resounding call for action, and a heightened social conscience that is here to stay. Some leaders noted how this awareness forced them to look at their work and organization from a different lens. This has led to changes on all levels of the organizations including recruitment strategies, improving access, and being intentional about equity.

"We don't have to bring people to do paperwork now; we use the office to collaborate and socialize and bring connectivity."

ADAPTABILITY BEFORE THE PANDEMIC

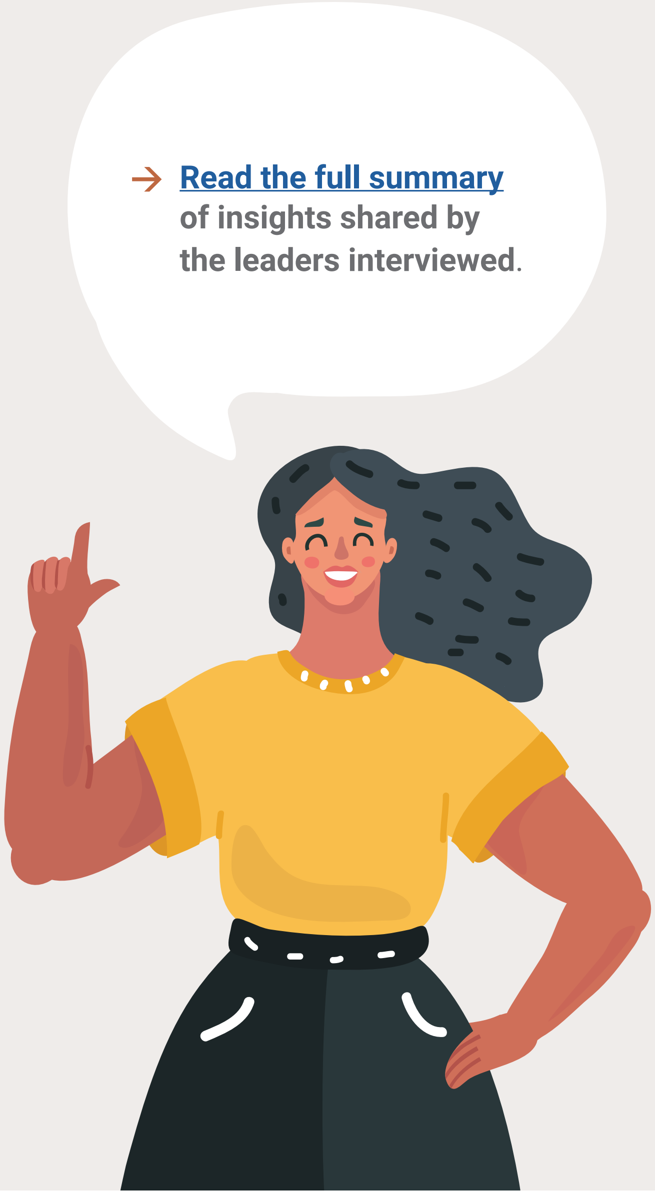
Nonprofit organizations are constantly adapting either because of their client's needs, the economic rollercoaster, or changes in funding streams. However, there are other areas where nonprofits tend to be less adaptable. When asked about their organizational culture around adaptability before the pandemic, there was an almost even split between already being adaptive and previously being less adaptive.

" Humans have an incredible ability to adapt and be extraordinary, but there is also a need for homeostasis."

Leaders who described their organization as already adaptive were still challenged. For many, the pace of change was unprecedented. Furthermore, balancing all the changes that needed to happen and dealing with a reduction in staff (ether due to resignations or illness) added to the challenge. Leaders who described their organizations as less adaptive before the pandemic recognized that giving their leadership team authority and autonomy around decision-making led to greater adaptivity.

" I tend to be optimistic and would have said we were a nimble and adaptable team, but never did I imagine that we would have had to adapt so much."

We are deeply grateful to the 17 nonprofit leaders who shared their time and their stories of leading through the pandemic with us. Their experiences provide important context for what the nonprofit sector has endured, how it has changed, and its current challenges and opportunities.



Survey participants were asked the status of their efforts on a wide range of DEI and Racial Equity activities. The response choices allowed for an analysis of what work has been completed or is currently in progress, work intended for 2022, and activities not intended to undertake.

This section breaks down the responses by activity types. Charts note the overall results[4], while the text also highlights some differences between small and large agencies.

CONSIDERING THE CONTEXT, CAPACITY, & INFRASTRUCTURE TO OPERATIONALIZE CHANGE

Across all DEI and Racial Equity activities, larger organizations more frequently selected Yes/In progress than smaller agencies. Smaller organizations were also more likely than larger ones to indicate that items were Not Applicable (15-34%).

[4] Percentages do not add up to 100% as "N/A" responses are not included.

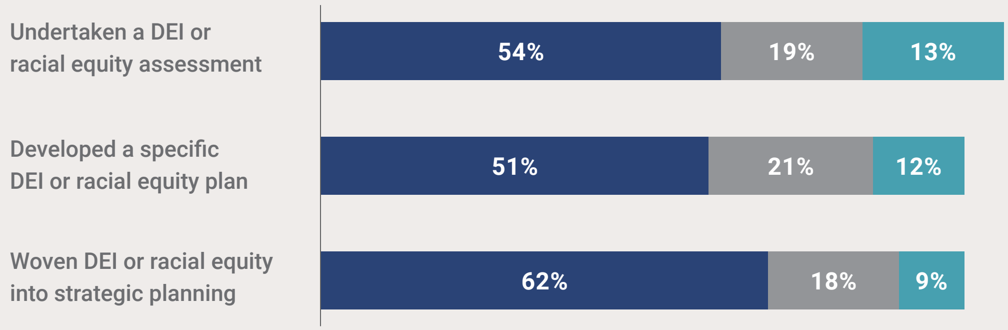
INTERVIEW INSIGHTS

Some leaders interviewed noted that the murder of George Floyd and the movement that followed forced them to look at their work and organization with a different lens. This led to changes at all levels of the organization—from recruitment strategies, to improving access, being intentional around equity, or diversifying their services. Interviewees also recognized and valued that this heightened social conscience is here to stay.

KEY: Completed or in progress | Intended for 2022 | "Do not intend to do at this time"

1 ASSESSMENT & PLANNING

- Just over half of organizations (54% and 51%, respectively) have or are in process of undertaking a DEI or racial equity assessment or developing a specific DEI or racial equity plan. About another 20% (19% and 21%, respectively) intend to do so in 2022.
- Nearly two-thirds (62%) of organizations have or are in process of incorporating DEI or racial equity into strategic planning. Another 18% intend to do so in 2022, for a combined 80% of organizations.



2 PUBLIC POSITION

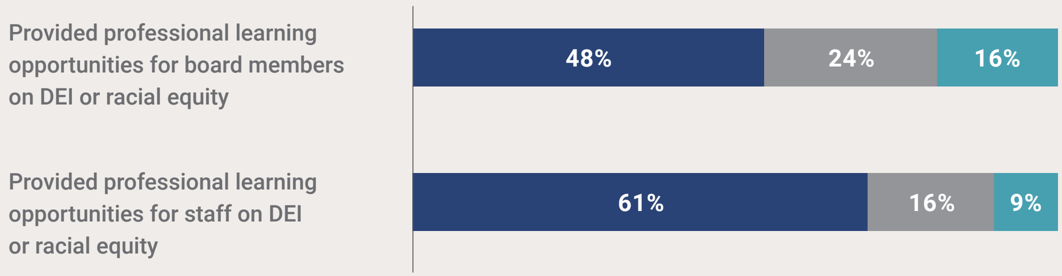
- Almost three-quarters of organizations have articulated externally the importance of advancing racial equity and have incorporated equity into their mission, vision, and/or values statements.

KEY: Completed or in progress | Intended for 2022 | "Do not intend to do at this time"

3 PROFESSIONAL DEVELOPMENT

- Nearly two-thirds (61%) of organizations surveyed have invested in DEI or racial equity professional learning opportunities for staff.

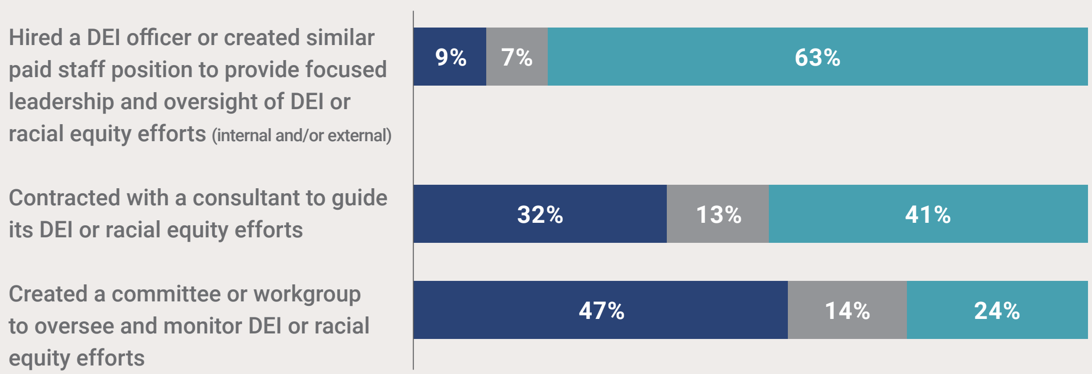
- Nearly half (48%) have invested in learning opportunities for board members, and another 24% intend to undertake this effort in 2022. This was also the greatest area of alignment between smaller and larger organizations.



4 ORGANIZATIONAL CHANGE MANAGEMENT

- Nearly half of participating nonprofits have created a committee or workgroup focused on DEI or racial equity efforts. However, larger organizations were two times more likely to have undertaken this activity (66% vs. 32%).

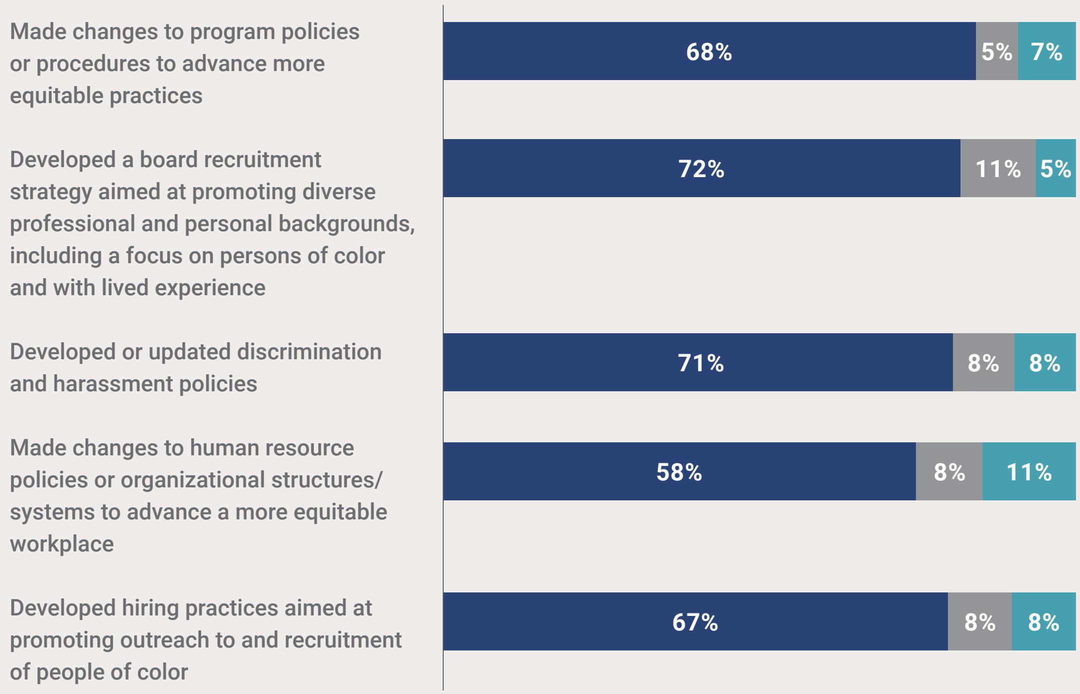
- Newly two-thirds of organizations do not plan to hire a DEI officer or create a similar paid staff position to oversee their DEI or racial equity efforts. Virtually all those organizations who have hired such a position or plan to are larger agencies.



KEY: Completed or in progress | Intended for 2022 | "Do not intend to do at this time"

5 INTERNAL POLICIES & PROCEDURES

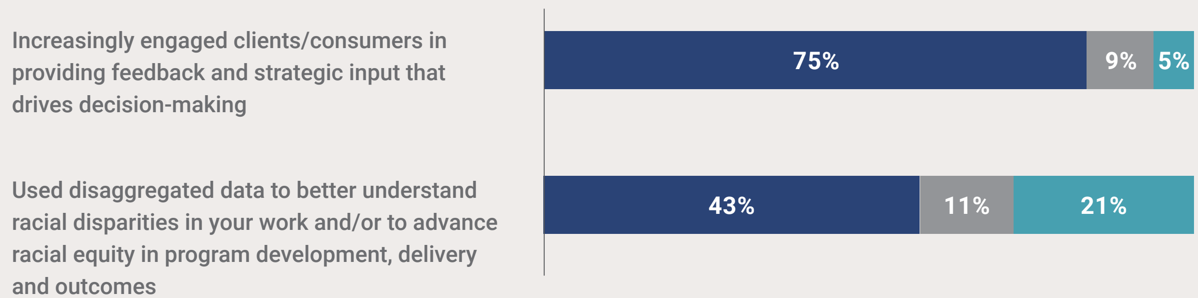
- 83% of organizations are working on diversifying their boards.
- More than two-thirds of nonprofits surveyed have made changes to program policies or procedures to advance more equitable practices.
- 89% of larger organizations and 49% of smaller agencies have developed hiring practices aimed at promoting outreach to and recruitment of people of color.
- Just over a third of small organizations selected “not applicable” regarding making changes to HR policies or organizational structures to advance a more equitable workplace. While 44% of small nonprofits have taken on these activities, that is far fewer than the 76% of larger organizations that have done so.



KEY: Completed or in progress | Intended for 2022 | "Do not intend to do at this time"

6 CLIENT/CONSUMER INSIGHTS

- Three-quarters of organizations are engaging clients in providing feedback and strategic input.
- Less than half of organizations have used disaggregated data to better understand racial disparities or to inform program development, delivery, or outcomes.



7 TOP AREAS OF DEI WORK IN 2022

ATTENTION FUNDERS AND CAPACITY BUILDERS: These are the top areas of DEI and racial equity work that organizations plan to take on in 2022.

	OVERALL
Provide professional learning opportunities for board members on DEI or racial equity	24%
Develop a specific DEI or racial equity plan	21%
Undertake DEI or racial equity assessment	19%
Weave DEI or racial equity into strategic planning	18%
Provide professional learning opportunities for staff on DEI or racial equity	17%

8 IMPACT OF DEI AND RACIAL EQUITY EFFORTS

→ Across all organizations, organizational commitment and dialogue was the top area where demonstrable change has been observed. Changes in program development and organizational culture were also in the top 5 for both smaller and larger agencies.

→ Smaller organizations have seen more demonstrable change in their community partnerships (51%) and outreach and recruitment (42%), whereas larger agencies have seen more change related to staff diversity (57%) and strategy development (49%).

→ BIPOC-led organizations reported more changes in their centering and empowering of those served (46%) than survey participants overall (31%).

→ In the additional comments, 6 organizations mentioned increased board diversity or composition as an area of change.

RANK			AREA OF DEMONSTRABLE CHANGE	OVERALL	UNDER $1M	OVER $1M
1	1	1	Organizational commitment and dialogue	68%	57%	79%
2	3	5	Program development	46%	45%	48%
3	5	3	Organizational culture	45%	38%	53%
4		2	Staff diversity	44%	32%	57%
5	2		Community partnerships	44%	51%	36%
		4	Strategy Development	40%	32%	49%
	4		Community outreach and / or program recruitment	39%	42%	35%
			Program development and experience	32%	31%	34%
			Centering and empowering those served	31%	27%	35%
			Advocacy	21%	18%	24%
			Funding opportunities	18%	17%	17%

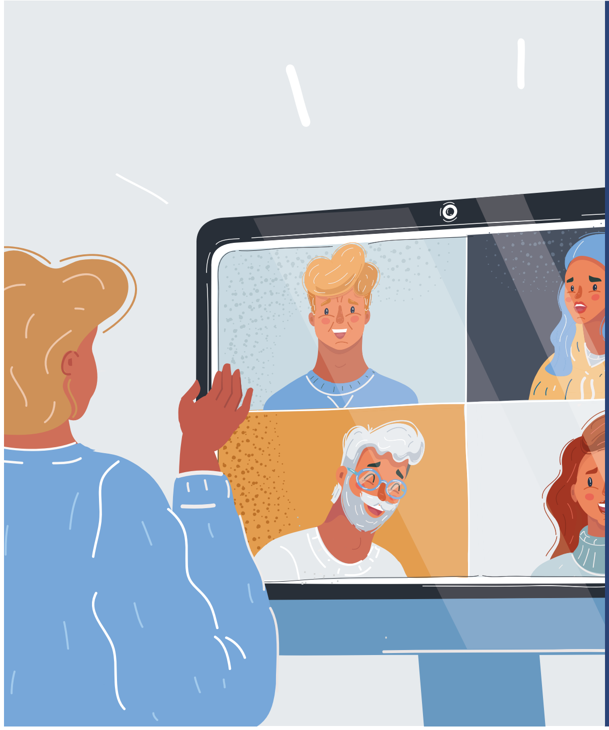
1 LEADERSHIP CHALLENGES

- Overall, the greatest leadership challenges faced by nonprofit CEOs were their organization's fundraising (70%) and the ability to provide competitive compensation (56%).
- Larger organizations reported much higher concern around staffing shortages (75%) and staff burnout (69%) than smaller agencies (39% and 31%, respectively), as well as state funding levels (71% vs. 39%).
- More than a third of smaller (35%) and larger (45%) organizational leaders feel challenged to align with shifting funder priorities.
- Smaller agency leaders expressed greater concern about maintaining board engagement (32% vs. 16%), while CEOs of larger nonprofits shoulder more worries around keeping staff safe (35% vs. 19%).
- Organizations show much greater concern around client engagement or attendance (53-63%) if they also report that services are still below pre-pandemic levels or decreased demand for services.
- A fair and safe return to office strategy was the least concern among smaller and larger agencies.

RANK			LEADERSHIP CHALLENGE	OVERALL	UNDER $1M	OVER $1M
1	1	5	Fundraising	70%	76%	63%
2	2	1	Providing competitive compensation	56%	41%	76%
3	3	3	State funding levels	53%	39%	71%
4		2	Staffing shortages	50%	31%	75%
5		4	Staff burnout	48%	31%	69%
	4		Aligning with shifting funder priorities	40%	35%	45%
	5		Client engagement or attendance	33%	35%	31%
			Service adaptation	26%	21%	32%
			DEI or racial equity work	27%	21%	34%
			Keeping clients safe	26%	21%	33%
			Managing and adapting the physical plant	21%	19%	22%
			Keeping staff safe	26%	19%	35%
			Board engagement	25%	32%	16%
			Fair and safe return to office strategy	13%	10%	16%

LOOKING BACK AT THE 2020 COVID-19 SURVEY

In the summer of 2020, most organizations were grappling with how to safely delivery services (76%), followed closely by financial concerns (64%). And like today, smaller nonprofits were particularly challenged by fundraising, and larger agencies by staffing.



INTERVIEW INSIGHTS

As they reflected on the last two years, many interviewees recognized the need to lead differently during this crisis. Those who tended to be “in the weeds” shared that they became more strategic, while those who tended to be a “light touch manager” had to get more involved in operations to address “a level of chaos” that called for strong leadership. These shifts in leadership style will carry ongoing implications for the future of their organizations as well. One leader expressed that they are much more adaptive and open to doing things differently because of the pandemic; at the same time, after enduring the past two years, there is a desire to be more prepared for the next crisis. And while leaders expressed strong resolve to be both strategic and adaptive, many also shared how tired they are after operating in crisis mode for so long.

ANTICIPATED FUTURE ACTIVITIES (WITHIN THE NEXT 3-6 MONTHS)

Presented with a range of activities, survey respondents noted whether each one was "not a priority" or likely to be undertaken within the next 3-6 months, either on their own or with outside support (consultants). The top 12 activities were selected by 65-85% of participating organizations.

The intention to undertake human resources and organizational development strategy represented the greatest difference between smaller organizations (55%) and larger ones (80%). This activity was also in the top five for BIPOC-led organizations (83%).

Nearly two-thirds of organizations will be conducting succession planning, and between 20-25% anticipate conducting an executive search within the next 3-6 months.

Top 12 Anticipated Activities:

1. Strategic planning (85%)
2. Board development and coaching (79%)
3. New program development (79%)
4. Brand or marketing planning (79%)
5. DEI / Racial equity initiatives (78%)
6. Technology project (e.g., database, website) (77%)
7. Program evaluation design (76%)
8. Technology assessment and planning (73%)
9. DEI / Racial equity assessment (71%)
10. Fund development planning (inc. for a capital campaign) (68%)
11. Human resources and organizational development strategy (66%)
12. Succession planning (65%)

Additional Anticipated Activities (in Descending Order)

- → Financial modeling or scenario planning (58%)
- → Advocacy training or agenda development (53%)
- → Strategic alliance or joint venture preparation and/or implementation (49%)
- → Business planning for an earned income venture (45%)
- → Executive coaching (39%)
- → Executive search (24%)
- → Merger preparation and/or implementation (16%)

LOOKING BACK AT THE 2020 COVID-19 SURVEY

In the summer of 2020, activities pertaining to the pandemic (new/adapted program development, risk management and reopening, program policies and procedures) captured the top 3 anticipated activities. Rounding out the top 5 were activities pertaining to DEI and strategic planning (86%). Similar to the results in this report, 58% of organizations intended to engage in succession planning and 20% anticipated conducting an executive search in the near future. The rate of executive transitions should continue to be monitored over time and its implications for intuitional knowledge, continuity, and innovation considered.

2 AREAS OF CONSULTING SUPPORT NEEDED

ATTENTION FUNDERS AND CAPACITY BUILDERS:
These are the top activities likely to use consulting support.

	OVERALL
Technology project (e.g., database, website)	37%
Board development and coaching	28%
Brand or marketing planning	28%
Strategic planning	27%
DEI / Racial equity assessment	26%
Executive coaching	25%
Technology assessment and planning	25%
DEI / Racial equity initiatives	24%
Fund development planning (inc. for a capital campaign)	23%
Human resources and organizational development strategy	18%

About the Survey Partners

[The Connecticut Community Nonprofit Alliance] represents hundreds of nonprofit organizations across all categories, from health and human service programs to arts and culture. We share the passion and purpose behind each and every one of our member's missions and channel that purpose into a powerful, unified voice.

We lead from a position of strength, representing organizations while presenting a united front before the Connecticut legislature, state agencies, other advocacy organizations, the public, and the media. As a collective voice, we develop strategies and public policies that make it possible for nonprofits to thrive.

The Alliance
Voice of Community Nonprofits

[Fio Partners] helps leaders make better decisions. We believe that each of our clients is in the process of evolving, and that our role is to add value to their discourse.

Headquartered in Connecticut, our team of consultants works exclusively with foundations, nonprofits, and government entities across the country.

Fio Partners leads customized and information-rich processes that spark curiosity and promote shared understanding and direction. Our services include:

- Strategic and business planning
- Strategic alliances and corporate restructuring
- Organizational development
- Evaluation and research
- Leadership and management training

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We are grateful to the community foundations that came together to fund and distribute this survey:

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