

Nonprofits are vital infrastructure, akin to roads and power lines, carrying out essential work to strengthen, enrich, heal, and repair communities. A healthy nonprofit infrastructure fosters strong and vibrant communities. The 2025 survey, reflecting on 2024 and bracing for the future, reveals persistent challenges such as rising demand and underfunded work, alongside new urgent concerns like costs climbing faster than funding and worries about declining government support. The report's primary authors include Elise Miller, Jennifer Talansky, and Anjali Deshmukh, with additional contributions from Annie Chang, Larry McGill, Tessa Borelli, Morgan Webster, and Charney Robinson-Williams. The 2025 State of the Nonprofit Sector Survey, Nonprofit Finance Fund's tenth, collects data on US nonprofits' health, challenges, successes, and investment needs. Conducted from January 30 to March 14, 2025, it explored how nonprofits are faring in a changing environment, covering topics like funding, workforce well-being, and implications of recent events (e.g., 2024 election, climate emergencies, federal court rulings). NFF expresses gratitude to the 2,200+ survey respondents and various sponsors and community partners. The survey gathered responses from 2,206 organizations, representing a diverse cross-section of the nonprofit sector in terms of age, size, mission, and leadership. 41% of respondents were founded before 1990, and 18% since 2015, with most having budgets under \$2 million. Key areas of work include Human Services (20%), Arts/Culture (15%), Education (9%), Housing/Shelter (8%), Youth Services (7%), Social Justice/Civil Rights/Community Organizing (6%), Economic Development (5%), and Food/Agriculture/Nutrition (5%), with 26% in other categories. In terms of leadership, 46% of leaders have been in their roles for five years or less, 70% of organizations are female-led, 37% have leaders identifying as people of color, and 8% have leaders with disabilities. Respondents represent 48 states, Washington D.C., and two US territories, with 67% serving urban areas and 47% serving rural communities. 76% operate regionally or locally, and 14% nationally. 67% primarily serve people with lower incomes, and 54% primarily serve communities of color. Nonprofits are a pervasive and essential part of community infrastructure, often working behind the scenes to fill basic needs where public systems fail. They provide a wide array of services, from healthcare and education to youth development, arts, conservation, and social justice. When crises hit, nonprofits are deeply rooted in their communities and step up; 32% of surveyed nonprofits have leaders with lived experience representative of the communities they serve, and 51% acted on community feedback in 2024. Nonprofits are also significant economic engines, employing over 84,000 full-time and 31,000 part-time staff in 2024. Surveyed organizations spent significantly on local vendors and salaries, recirculating wages into communities. Field-wide, nonprofits employ 12.5 million people (over 10% of the US private workforce) and contribute around \$1.4 trillion to the economy annually through wages, job training, education, childcare, and healthcare. Nonprofits are actively working to build a better future, engaging in advocacy and civic engagement. Major focus areas for respondents include Building Community Wealth and Well-being (62%), Addressing Economic Inequality (54%), Advancing Racial Equity (44%), Helping People Maintain and/or Keep Quality Jobs (36%), Advancing Gender Equity (24%), and Advancing Environmental Justice (19%). In 2024, 45% of respondents engaged in advocacy or policy work, and 29% worked to increase civic engagement, organizing community-led campaigns and preparing to defend rights. Nonprofits are at a breaking point in 2025 due to three converging crises. First, **inflation** significantly impacted 86% of respondents in 2024, driving up costs for rent, insurance, and supplies. Second, **government funding cuts and delays** pose a severe threat; 84% of respondents with government funding expect cuts due to 2024 election results, with 65% anticipating cuts over 10% of their government revenue. These cuts are expected to lead to paused programs, hiring freezes, and reduced services. Third, **growing demand** for services is overwhelming; 85% of respondents expect demand to increase in 2025, with many already struggling to keep up in 2024, exacerbated by over a quarter of Americans living near or below the poverty line. The nonprofit sector faces a long pattern of chronic financial strain, with underfunding and fragile financial pictures being persistent issues since 2009. Unlike a brief positive disruption in the early 2020s, current data shows government funding shrinking, rising costs, fewer resources, and growing demand. In FY 2024, 49% of respondents operated at an operating deficit (13% slight, 36% significant), marking the highest deficit percentage in a decade. Key financial challenges include managing expenses in a high-inflation environment (75%), achieving long-term sustainability (78%), raising funds that cover full costs (81%), and raising unrestricted revenue (75%). Furthermore, many organizations have limited savings; 52% reported having 3 months or less of cash on hand, and only 20% had more than 6 months, a decline from previous years. Access to reserve funds is also unevenly distributed, with Black-led

organizations and those with smaller budgets less likely to have them. Nonprofits rely heavily on government and foundation funding. In 2024, major revenue sources included Individual Donors (88%), Foundations (81%), Any Type of Government Funding (72%), Corporate Donations (62%), State Government (53%), County or Local Government (51%), and Federal Government (45%). However, progress in supportive funder practices is mixed. Unrestricted support remains challenging to secure, with 64% reporting less than half of their grants were unrestricted, and 75% finding it difficult to raise such funds. While 40% noted foundation grants had become less restrictive since late 2022, 48% also reported that grant sizes had shrunk, 30% experienced longer wait times for grant decisions, and 24% received fewer multi-year grants.

Government funding poses significant challenges beyond just cuts and delays. 55% of respondents reported payment delays longer than 90 days in FY 2024, and 70% stated that government funding doesn't cover the full cost of their services. Many nonprofits face pressure to accept indirect cost rates below 15%, with 48% reporting an allowed indirect rate between 6-10% in FY 2024. Federal funding cuts and delays in 2025 are particularly destabilizing for essential services, impacting nearly half of all nonprofits exposed to federal retrenchment risks. Nonprofit staff are also 'running on empty,' experiencing widespread burnout and shortages. More than two-thirds of respondents struggled to employ enough staff for programmatic and administrative needs and to find workers with the right skill sets. Staff burnout (68% total) and executive director/senior leadership burnout (59% total) are significant management challenges. A major factor is low wages; only 41% of organizations can pay all full-time staff a living wage, a figure that drops to 28% for nonprofits with budgets under \$250,000. The high cost of living (68%) is a primary management challenge. Benefits are also limited, especially for smaller organizations; while 67% offered health insurance, this fell to 12% for those with budgets under \$250,000. Common benefits include professional development (73%), flexible work schedules (73%), paid vacation time (79%), and paid sick time (77%). To emerge stronger, the report offers recommendations for funders and nonprofits. **\*\*For Funders:\*\*** Go beyond 'business-as-usual' by increasing payout percentages and adjusting standard processes (e.g., early grants, less restrictions, fewer reporting requirements). Listen to grantees' needs and be transparent about funding priorities. **\*\*For Nonprofits:\*\*** Flex planning muscles by identifying current community needs, strengths, risks, and challenges, balancing short- and long-term planning with agility. Vocalize needs early and honestly with boards and funders. **\*\*Practical Planning Steps and Tools\*\*** include assessing current cash situation, developing different budget scenarios, and preparing a clear financial story for advocacy. Both funders and nonprofits should **\*\*Acknowledge and Invest in Full Costs\*\***, ensuring funding covers all expenses necessary for long-term effectiveness, including working capital and reserves. Funders should offer multi-year, flexible funding. Nonprofits should calculate and advocate for their full costs, articulating the community impact of their work. Finally, **\*\*Collaborate as a System\*\*** by investing in systems and coalitions, building bridges between nonprofits and funders, and supporting each other as leaders. All involved are encouraged to **\*\*Extend Grace\*\*** to themselves and others, recognizing that perfection is not the goal, and focusing on integrity and compassion.