

State of the Sector

2023



Charity
Research
Centre AU

Key Findings

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01 Decline in fundraising

2 out of 3 Participants Reported a Decline in Fundraising from 2021 to 2022. 25% reported a 50% or more decline in fundraising.

02 COVID-19 negatively affected fundraising

50% say COVID-19 negatively impacted their fundraising efforts. Conversely 5% believe COVID-19 Helped their Fundraising Efforts

03 Cybersecurity poses a threat

1 in 5 think a cyber attack would devastate their organisation. With 8% of participants reporting an incident had occurred in the last 12 months.

04 Digital competency needs improvement

57% categorise their organisations digital competency as "Average" while 31% of nonprofits need to improve their digital competency.

05 Partnerships with companies on the rise

DGR registered organisations have over 2 times more company partnerships compared to Non-DGR

06 Cryptocurrency donations not welcome

Over 92% of participants say that they do not want to accept cryptocurrency donations compared 8% who either accept them or want to accept them.

Report Contributors

We extend our heartfelt gratitude to the individuals and organisations whose unwavering dedication and valuable insights have contributed to the realisation of the State of the Sector Research Report 2023 for Nonprofits. Their expertise, commitment, and support have been integral to the success of this endeavour.



Joshua Murchie

CEO of Little Phil

The visionary leadership demonstrated by Josh Murchie and the Little Phil Team has been instrumental in shaping this research. The guidance provided has illuminated a path forward for nonprofits, enriching the understanding of the sector's intricacies.



Professor Myles McGregor-Lowndes

Emeritus Professor and Founding Director of ACPNS

Professor Myles McGregor-Lowndes' foundational contributions to non-profit studies have been truly invaluable. The guidance and wisdom shared have been integral in uncovering critical trends and challenges facing non-profits.



Professor David Gilchrist

Director, Centre for Public Value, University of Western Australia Business School

The expert contributions of Professor David Gilchrist have added remarkable depth to this report. The insights gained from his expertise in non-profit studies have expanded our perspective on the sector's dynamics.



Nigel Harris AM

Nigel Harris & Associates

The extensive experience and profound insights Nigel brings into non-profit management & governance have significantly elevated this report. The commitment demonstrated in fostering excellence within the sector is deeply appreciated.



David Spriggs

CEO of InfoXchange

The expertise of David Spriggs in technology and data analytics has brilliantly illuminated the intersection of non-profits and the digital era. The insights gained have empowered innovative solutions for the sector's evolving needs.

Executive Summary

The 2023 Australian Nonprofit State of the Industry Survey extends the insights gained from the previously conducted 2020 State of the Industry Survey – Impacts of COVID-19 on Nonprofit Fundraising.

Results of the survey suggest that COVID-19 had less of an impact on fundraising in 2021-2022 than respondents recorded in the previous survey. Whilst participants stated that COVID-19 had both positive and negative impacts on their fundraising, the sector as a whole recorded declines in fundraising (64% compared to 34% recording inclines). The reported declines may be due to a range of factors such as rising interest rates and inflation contributing to declines in discretionary spending, including donations. International aid to causes such as the war in Ukraine may have also diverted donation funds, and it cannot be ruled out that the inability of organisations to adapt to new digital ways of fundraising may have also contributed to the declines.

Risks associated with cybersecurity and the lack of digital capabilities of nonprofit participants is concerning. Eight per cent of participants had already suffered from known cyber security incidents, yet 80% have had no recent cybersecurity training and 85% have no budget for cybersecurity solutions.

Data and phishing schemes are common vectors for cyber criminals, yet 41% of participants do not know how their organisation handles data or if they are compliant with regulations relating to data management and storage. Indeed, 34% say they are compliant, yet 25% say they do not store any data. This is concerning as it is unlikely that an organisation could operate at all without storing any data.

Participants were asked what they believed their nonprofit's digital competency was with Great, Average or Needs Improvement. The researchers decided to use this terminology to simplify the question and avoid confusion. Only 12% of participants believe their organisation's digital capabilities are "Great" while one in three identified that they "Need Improvement". Fifty-seven per cent feel that their organisation's digital capabilities are "Average", showing a clear need for capability building and support with digital tools and services.

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Fundraising from companies and using cryptocurrency is still undertaken by a small cohort of nonprofits. Indeed, only 8% of participants stated that they either accept or would like to accept cryptocurrency donations and only 17% of nonprofits responded that they have company giving partnerships.

DGR registered nonprofits seem to be slightly better placed with regard to digital and cybersecurity knowledge and budgets, and also recorded over two times the number of company giving partnerships compared to their non-DGR counterparts.

Report Introduction

The 2023 Australian Nonprofit State of the Industry Survey is the second time the survey has been conducted and builds upon the insights gained from the 2020 State of the Industry Survey titled "[The 2020 nonprofit State of the Industry COVID-19 Report](#)". This year's survey aimed to delve deeper into the digital and cybersecurity capabilities of nonprofit organisations and to examine the lasting effects of the COVID-19 pandemic on their operations.

The unprecedented challenges brought about by the pandemic highlighted the digital shortcomings of both for-profit and nonprofits, underlining the importance of adaptability in extreme circumstances. As the world rapidly embraces a digital-first approach, nonprofits without adequate digital capabilities face inherent risks. These risks are further amplified for organisations lacking cybersecurity training and robust systems, leaving such parties as beneficiaries, employees, donors, and sensitive information vulnerable to cybercriminals.

The survey results are presented in three categories: Total responses, DGR (Deductible Gift Recipient) Registered responses, and Non-DGR Registered responses. Additionally, each question's rationale is provided, accompanied by insightful commentary from industry leaders who offer their interpretations of the results. By analysing these findings, we can gain a comprehensive understanding of the nonprofit sector's fundraising, digital, and cybersecurity landscapes in the face of COVID-19's impact.

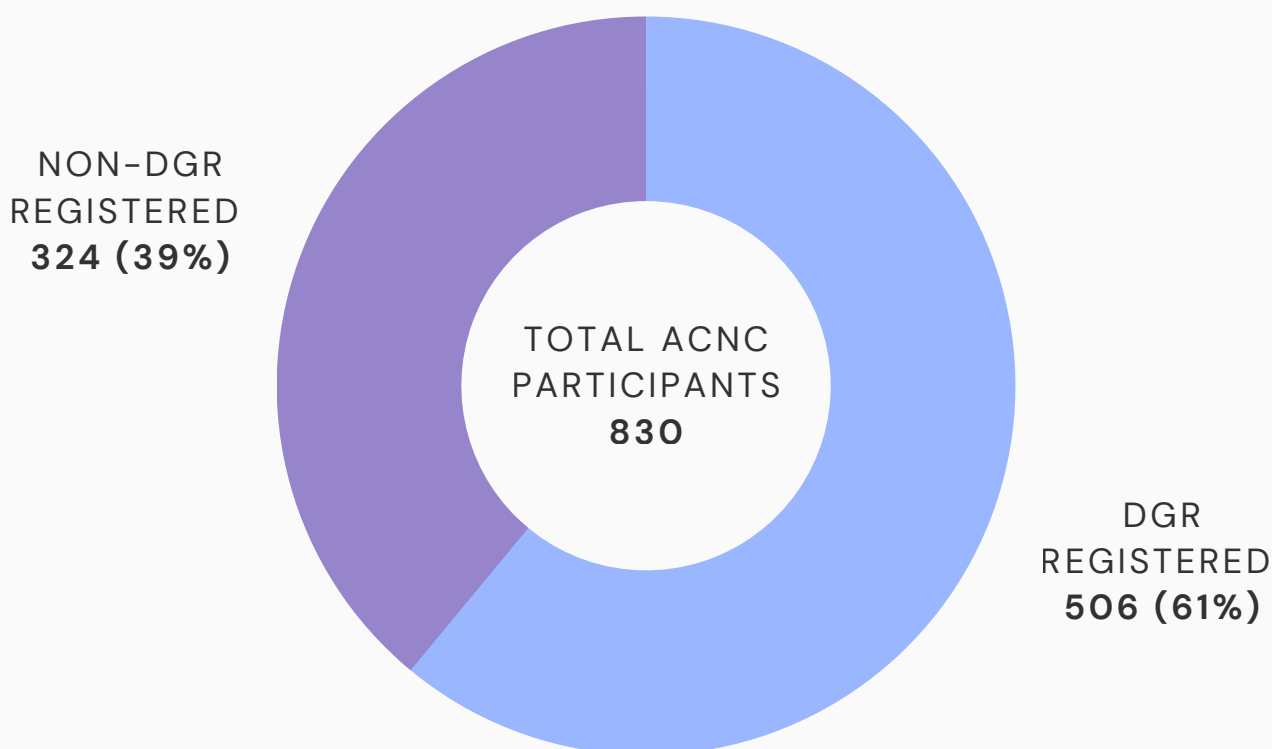
Through this report, we aim to shed light on the current state of the industry, identify key areas for improvement, and provide recommendations intended to enhance nonprofits' fundraising capabilities, digital readiness, and cybersecurity defenses. By addressing these critical aspects, nonprofits can strengthen their resilience and effectively navigate future crises while safeguarding the privacy and integrity of their constituents and stakeholders.

This year's report was proudly sponsored by Little Phil (www.littlephil.org) - a for-purpose social enterprise and registered nonprofit dedicated to empowering nonprofits to survive, thrive, and continue to deliver their life-changing programs in a rapidly evolving digital world.

Survey Participants

The research in this report was conducted as an online survey to ACNC registered nonprofit participants and received 830 unique responses.

The survey results are presented in three categories: Total responses, DGR (Deductible Gift Recipient) Registered responses, and Non-DGR Registered responses. Additionally, each question's rationale is provided, accompanied by insightful commentary from industry leaders who offer their interpretations of the results. By analysing these findings, we can gain a comprehensive understanding of the nonprofit sector's fundraising, digital, and cybersecurity landscapes in the face of COVID-19's impact.



Survey Methodology

The State of the Industry Survey utilised an online survey methodology to gather insights from authorised representatives of nonprofits registered with the Australian Charities and Not-for-profits Commission¹ (ACNC). This approach ensured that the survey sample comprised charitable organisations that fall under the purview of the official regulatory body in Australia.

The online survey was designed to capture comprehensive information regarding nonprofit fundraising, digital capabilities, cybersecurity measures, and the impacts of COVID-19 on their organisations. The survey questionnaire consisted of a series of structured questions covering a wide range of relevant topics.

To ensure the validity and representativeness of the findings, a careful selection process was followed in inviting participants. In selecting the prospective participants to be invited the researchers selected:

1. Entities that were currently registered with the Australian Charities and Not for Profits Commission (ACNC).
2. Persons that are identified as authorised representatives of the organisation as per ACNC records were invited to participating in the survey.
3. All industries and sizes of nonprofits were invited, with over 20,000 invitations and multiple reminders provided to ensure a diverse sample size.

Once selected, authorised representatives of charities registered with the ACNC were sent personalised invitations to participate in the survey. This approach helped to target individuals who possess a deep understanding of their organisation's operations and could provide accurate and informed responses. Only participants that acknowledged that they were an authorised representative of the ACNC registered organisation when participating in the survey were included in the results.

The survey was conducted over a specified period (30/01/2023 to 30/06/2023), allowing participants sufficient time to complete the questionnaire and provide thoughtful responses. Confidentiality and data privacy were strictly maintained throughout the survey process. Participants were assured that their individual responses would be kept anonymous and used solely for research purposes.

The data collected through the online survey was compiled and analysed using statistical techniques and qualitative analysis methods. The results were aggregated and presented in a manner that preserves the anonymity of individual organisations while providing a holistic view of the nonprofit sector.

It is important to note that the survey results reflect the perspectives and experiences of the participating charities registered with the ACNC. While efforts were made to ensure a diverse representation across different types and sizes of organisations, the findings should be interpreted within the context of the survey sample and may not be generalised to the entire nonprofit sector.

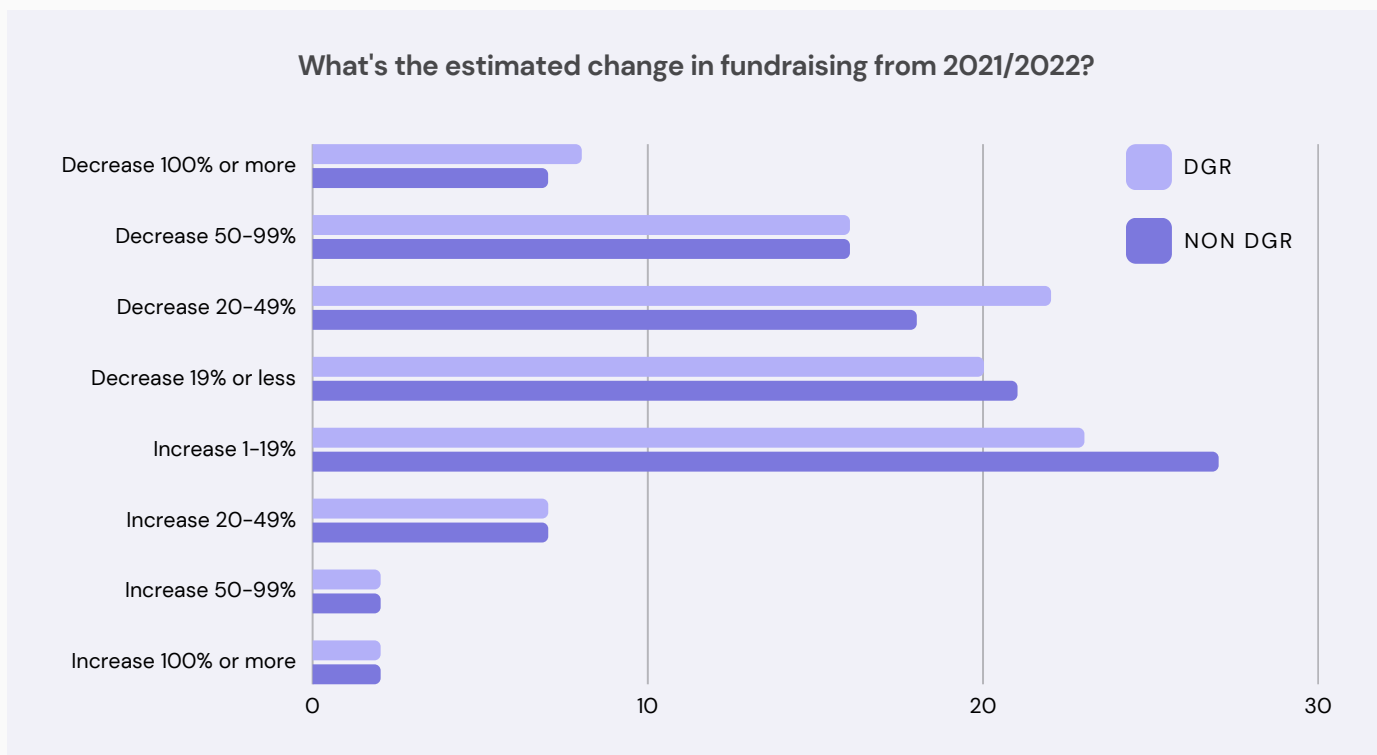
By employing this rigorous online survey methodology, the State of the Industry Survey aimed to capture valuable insights and provide a comprehensive overview of nonprofit fundraising, digital capabilities, cybersecurity readiness, and the impacts of COVID-19 on Australian nonprofits registered with the ACNC.

1) <https://www.acnc.gov.au>

Finding 01

Decline in Fundraising

2 out of 3 Participants Reported a Decline in Fundraising from 2021-2022. 1 in 4 reported a 50% or more decline in fundraising. 4% reported an increase of 50% or more in fundraising



The past year has clearly been more challenging for organisations and their fundraising efforts, and this may also be attributed to macroeconomic events such as the war in Ukraine, rising inflation, and central bank interest rate increases causing donors to be more conservative in their giving. Reductions in fundraising were reported across the board, with 64% of participants reporting reductions. DGR-registered participants reported slightly more reductions than NON-DGR at 66% compared to 62%.

Thirty-six per cent of respondents reported an increase. However, over two-thirds of the reported increases were modest, sitting in the 0-19% increase bracket. This is in contrast to the 23% of respondents reporting a reduction in fundraising of over 20%, whereas only 4% of respondents reported an increase in fundraising of over 50%.

Finding 02

Impact of COVID-19

50% say COVID-19 negatively impacted their fundraising efforts. 5% believe COVID-19 Helped their Fundraising Efforts

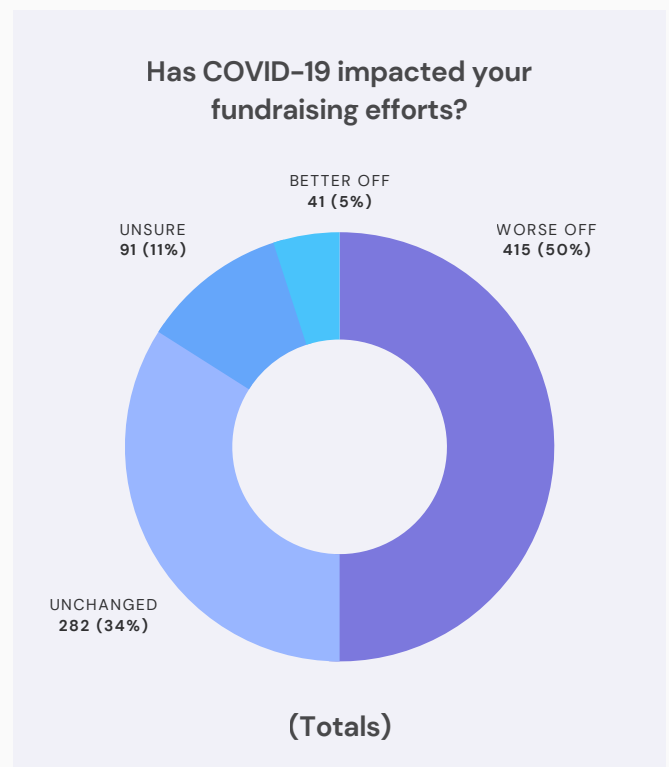
COVID-19 undoubtedly impacted organisations around the globe. The 2020 nonprofit State of the Industry COVID-19 Report (Little Phil, November 2020) asked ACNC registered non-profits how COVID-19 had already impacted their organisations and their expected future impacts on fundraising. Following this, the 2023 State of the Industry survey aimed to clarify the actual impact on fundraising efforts and whether or not the organisations maintained their position that the impact on fundraising was caused by COVID-19 related events.

Other factors outside of COVID-19 are contributing to a decline in fundraising.

In 2020 75.2% of participants reported that their fundraising efforts had been negatively impacted by COVID-19. In 2023 this figure had reduced to 50%. When asked whether their overall fundraising had increased or decreased over the past year, 64% reported a decline, with 1 in 4 reporting a significant decline of 50% or more.

Eighty-five per cent of organisations believe that COVID-19 impacted to change fundraising (for better or worse) in some capacity. Health related nonprofits and those working in areas of auxiliary support for COVID-19 related assistance may have realised increased fundraising for their organisations. COVID-19 may have also forced organisations to speed up their plans for digital transformation and adoption, which in turn may have opened new fundraising channels and also improved their efforts.

Declines in fundraising may have been reported due to a range of factors. This includes lost revenue to other organisations that funders found more relevant, cancellations of “in-person” fundraising events, and the inability to effectively adopt and use digital fundraising alternatives. As previously mentioned, macroeconomic factors such as inflation and rising interest rates may have also contributed to donors tightening their philanthropic belts.



Finding 03

Cybersecurity Threats

1 in 5 think a cyber attack would devastate their organisation. Equally 1 in 5 think a cyber attack would have no impact on their nonprofit organisation.

Medibank, Optus, and thousands of organisations around the globe have recently fallen victim to cyber-attacks, causing billions of dollars in damage and the loss of trust and reputation for these global brands. The charitable sector is being forced to rapidly adopt digital technologies, and governments are eager to protect the public with new regulations being introduced in Australia that may also impact nonprofit directors and responsible persons. With many nonprofits relying on volunteer directors and board members from the professions, the risk to the

responsible person for failure to abide by regulations may be too great, which could lead to resignations and major disruptions to nonprofits. This series of questioning in the survey looked to understand whether nonprofits had knowingly experienced any cybersecurity breaches, the level of preparedness, and the general knowledge of the potential impacts of incursions. It should be noted that it is common for organisations to have suffered cybersecurity breaches without knowing, and the perpetrators are rarely caught or punished.

The results of this question are alarming. It seems that DGR registered charities are more concerned about the impacts of a cybersecurity incident, with 44% more DGR registered participants noting that a cyber-attack would devastate their organisation.



This may be due to a number of factors, such as DGR registered organisations handling more sensitive data, may be tend to be larger than non-registered nonprofits or that the organisation has an advanced understanding and training in cybersecurity, or they may have “lived experience” and had their own data compromised in the recent hacks in Australia.

DGR registered organisations also acknowledged a higher percentage of 28.5% more cybersecurity incidents compared to NON-DGR. This may be because DGRs have more resources and tools to accurately identify cyber intrusions.

Finding 03.1

Cybersecurity Training & Capabilities

4 out of 5 have no recent cybersecurity training. 37.5% more DGR registered Nonprofits have had recent cybersecurity training compared to Non-DGR. Two thirds of nonprofits are not concerned about their remote workforces potential cybersecurity & data privacy issues.

There is a worrying lack of cybersecurity training and resources made available to nonprofit organisations. The Australian Prime Minister has recently told the public to “switch off your phone for 5 minutes” to combat malware and the potential for cybercrime. However, 80% of nonprofit organisation have had no recent cybersecurity training.

Additionally, COVID-19 has normalised work from home and a remote workforce for organisations around the globe. This comes with inherent risks, especially if staff have access to sensitive data. Staff may access insecure networks, and there are also an abundance of additional cyber threats. Most participants are not concerned about the potential for cyber threats and ensuring the integrity of sensitive data that their remote workforce may have access to. This could be partially due to the fact that not all organisations will have remote workers, however the results are alarming either way.



Finding 03.2

Handling & Compliance with Data Privacy Regulations

41% of Nonprofits are unsure how they handle data privacy and if they are compliant. 1 in 4 say they do not store data. Only 1 in 3 nonprofits say they are compliant with data privacy regulations.

Data privacy regulations are strengthening around the world, with Australia recently proposing new regulations (e.g. [Privacy Legislation Amendment \(Enforcement and Other Measures\) Bill 2022](#)) that can impose significant penalties regardless of your nonprofit/charitable status. Private and sensitive data are also targets for cybercriminals, who often use the data to hold organisations to ransom. The survey results showed that there is a lack of understanding and processes for nonprofit representatives on how their data is stored and whether or not they are complying with regulations.

Interestingly 25% of participants said they do not store data, which is strange as there must be digital or paper forms of data for every organisation that will contain forms of sensitive data. This may be a misunderstanding from participants on what is classified as data that should be recognised and may be subject to regulations. Only around 1 in 3 participants stated that they are compliant.



Finding 03.3

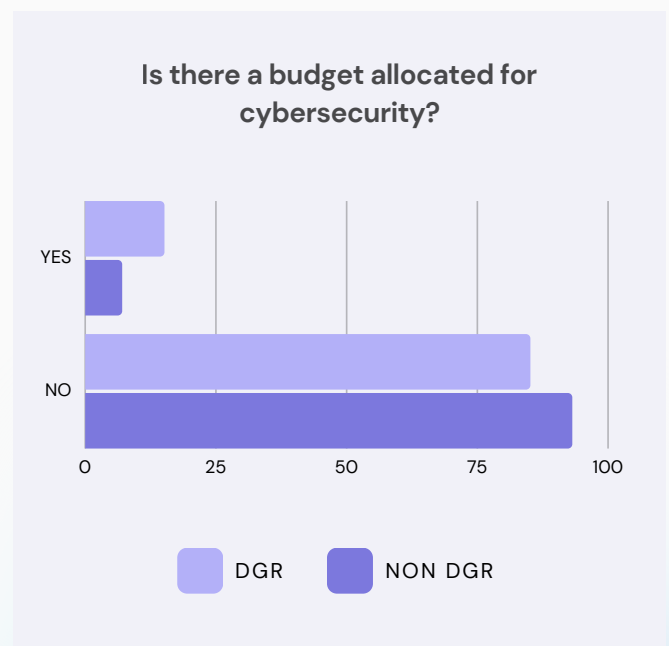
Budgets for Cybersecurity – A Cause for Concern

88% of nonprofits have \$0 budgets for cybersecurity solutions. Over 2x more DGRs have a Cybersecurity budget compared to Non-DGR

There is a concerning lack of funding allocated to cybersecurity solutions for nonprofits across the board. More than two times the number of DGR registered organisations have a budget compared to NON-DGR, however 85% and 93% of DGR and NON-DGR have no budget respectively.

This clarifies why many organisations have demonstrated what is perceived to be a low understanding of data handling, privacy and what the potential impacts of a cyber security incident may have on their organisation. Fundraising and organisational operations are expected to continue to transition online as fundraising, digital payments, and government reporting systems all transition from analog methods.

The potential for cyber attacks to devastate nonprofit organisations, erode trust in donors who support the organisations and beneficiaries who rely on their services is significant. This could lead to the exploitation of Australia's most vulnerable people and the loss of life saving services and jobs. If sensitive data about beneficiaries such as those receiving assistance for medical diseases or mental health were to be breached, this could result in severe damages to the people whose data has been breached. A data breach involving a dating website in 2015 led to two people committing suicide



Finding 04

Digital Competency

31% of nonprofits need to improve their digital competency. 57% categorise their digital competency as “Average”. 17% more Non-DGRs believe they need to improve their digital competency compared to DGR.



Participants were asked what they believed their nonprofit’s digital competency was with Great, Average or Needs Improvement. The researchers decided to use this terminology to simplify the question and avoid confusion.

The results clearly indicate that only around 1 in 10 participants believe their organisations digital competency is “Great”. There is clearly room for improvement and this will become increasingly important as the digital transformation of the Nonprofit sector continues.

Alternative Donations

This years survey touched on two emerging areas of giving in Australia that have a high potential to increase overall giving – Company Giving & Digital Currency Donations.

Company giving for 2022 in the USA is estimated at over \$42 billion (AUD)² (Purdue University, 2022), compared to Australia, which hit a record high of \$1.22 billion for 2022³ (Philanthropy Australia, 2022). Cryptocurrency donations have been adopted by an increasing number of nonprofits in the USA and around the globe, with estimates of the average size of donations from cryptocurrency givers of \$8,992 (\$6,295USD)⁴ (The Giving Block 2023 Annual Report). The purpose of these questions was to understand whether these emerging fundraising channels are being explored and activated and, if so, to what extent.

2) Reuters, Ashley Maddison, Hack:
<https://www.reuters.com/article/us-ashleymadison-cybersecurity-idUSKCN0QT1O720150824> , Purdue University, USA Company Giving:
<https://philanthropy.iupui.edu/news-events/news-item/giving-usa:-total-u.s.-charitable-giving-declined-in-2022-to-%24499.33-billion-following-two-years-of-record-generosity.html?id=422#:~:text=Giving%20by%20bequest%20total%20an,percent%2C%20adjusted%20for%20inflation>

3) Company Giving in Australia:
<https://www.philanthropy.org.au/news-and-stories/corporate-generosity-reaches-new-heights-in-response-to-crisis/#:~:text=Corporate%20giving%20in%20Australia%20in,public%20safety%20and%20the%20environment.>

4) Giving Block 2023 Annual Report:
<https://thegivingblock.com/annual-report/>

Finding 05

Company Partnerships

83% of nonprofits do not have any company giving partnerships. DGR registered organisations have over 2 times more company giving partnerships compared to Non-DGR



Company giving is a growing segment of fundraising for nonprofits in Australia. However, the complexities in approaching businesses to support nonprofits can be prohibitive for smaller organisations that cannot afford full time corporate philanthropy and business development representatives. More than 4 out of 5 participants do not have any company giving partnerships.

Additionally, many registered charities are providers of services that are funded by government agencies and these do not typically have the capacity to allocate resources to fund raising.

This is a major difference between the Australia experience and that of American charities.

DGR registered nonprofits recorded significantly more company giving partnerships at 22% compared to 10% of Non-DGR organisations. The researchers suggest that outside of resources to secure partnerships, there may also be tax incentives at play that have resulted in the large difference between companies giving to DGR over Non-DGR organisations due to DGR tax deductibility of donations.

Finding 06

Cryptocurrency Adoption

Over 92% of participants say that they do not want to accept cryptocurrency donations. Compared 8% who either accept them or want to accept them.



The results show that 92% of participants do not accept cryptocurrency donations, and slightly more DGR registered nonprofits (9%) accept or want to accept cryptocurrency donations compared to their Non-DGR counterparts (7%). This result is unsurprising as the valuation of the cryptocurrency market has declined and the main sentiment of cryptocurrency in the media throughout the survey period was negative.

The researchers anticipate that the interest in accepting alternative currency donations such as cryptocurrency may differ depending on the valuations of cryptocurrencies and the macro sentiment that the media portrays at the time. The lack of training in cybersecurity and digital capabilities may also contribute to a fear of accepting donations from emerging technologies and channels.

Professional Recommendations

The results throughout the survey have demonstrated that there is a severe lack of training, knowledge, and resources to ensure nonprofits are equipped to fundraise and operate in a digital world.

The researchers would like to provide the following recommendations to stakeholders to ensure the safe, sustainable future of nonprofits to operate in a digital world.

Recommendations for Nonprofit Operators & Responsible Persons

1) Conduct an audit of your current digital operations

- a. What digital applications and services do you use?
- b. Who has access to those services? Are the services secure?
- c. Are you storing sensitive data?
- d. Who is responsible for the security of the data?

2) Invest in training & support

- a. Look for free reputable workshops and events to upskill yourself and your team.
- b. Plan a budget for training and solutions that can keep your stakeholders and organisations safe online.
- c. Stress the importance of this to your funders, industry bodies, and local Government representatives.

Recommendations for Government

1) Provide education and services to increase nonprofits digital & cybersecurity capabilities

- a. Resources to help smaller organisations keep safe online. Make the information simple and easy to understand (most organisations are low-tech).
- b. Engage with industry to develop digital capability training programs.

2) Provide funding opportunities for Nonprofits to procure services and solutions

- a. Small businesses are constantly offered grants to help them transition to digital solutions for their businesses. Nonprofit organisations contribute almost 10% of the Australian GDP, and provide assistance to the most vulnerable in our society, yet they rarely receive government funding to assist them with procuring mission critical digital solutions and services.

Professional Recommendations (cont.)

Recommendations for Donors & Philanthropists

1) Support nonprofits with covering the costs to provide safe and secure systems

a. Nonprofits are too often demonised for spending money on overheads. When it comes to the safe and sustainable operations of a nonprofit, there are costs involved like any other business. If your favourite nonprofit looks to cut costs and it results in cyber breaches, it could mean the end of the organisation and the important work they have conducted.

2) Embrace secure digital solutions to encourage nonprofits to do the same

a. Insist on using secure digital methods of giving when available. Stories of nonprofits processing donations over the phone with a credit card or writing down donors bank or card details on paper forms is a recipe for disaster. If donors insist on using secure digital methods, it will encourage nonprofits to adopt, learn and embrace these more secure methods.

Recommendations for the Blueprint Expert Reference Group (BERG)⁵

- 1) Develop a plan to increase the information technology (IT) and digital capabilities of the sector over a 10 year period
- 2) Engage with technology experts with relevant nonprofit sector expertise
- 3) Consider expanding the membership of the group to include technology and digital experts to ensure longevity and a robust digital roadmap for the sector

5) <https://www.dss.gov.au/communities-and-vulnerable-people-programs-services/the-blueprint-expert-reference-group-berg-latest-updates>

Thank you!

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We extend our profound appreciation to Little Phil (littlephil.org) for their generous sponsorship of this research.

Your commitment to driving positive change through technology and philanthropy has enabled us to delve deeper into the nonprofit landscape, offering invaluable insights that will shape the sector's future.

This report stands as a testament to the collaborative spirit of these contributors and the dedication of countless others who have tirelessly worked to advance the nonprofit sector. Your collective efforts have brought this research to life, and for that, we express our deepest gratitude.

Thank you for taking the time to read this report. If you have any questions or would like to discuss our findings further, please don't hesitate to get in touch.

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