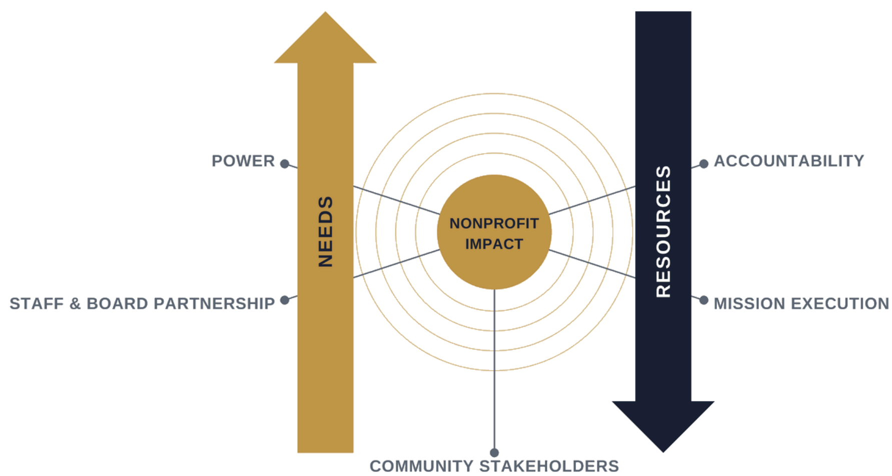
DRAFT: PENDING COMMUNITY INPUT

ALIGNING GOVERNANCE TO OPTIMIZE NONPROFIT IMPACT

Centering Communities Amid Unprecedented Fiscal Pressure



Juliet Buder, Minakshi Velamoor

Executive Summary

This paper synthesizes recent surveys, studies, practitioner experience, and academic research (1.) to highlight structural challenges plaguing the nonprofit sector; (2.) to recommend a new governance paradigm; and (3.) to propose an intervention. Nonprofit operating models rely on governance structures that are often created through bureaucratic rather than strategic decisions, eroding the full impact possible through a nonprofit's services. The authors draw on longitudinal data, research, peer-reviewed literature, and decades of combined board and staff leadership at 13 nonprofits across the country to posit the sector is ripe for disruption. They recommend reimagining governance architecture to align and optimize stakeholders, resources, and mission delivery to communities. The authors make the case that nonprofit governance has historically been overlooked as a potential set of strategic decisions, and ultimately this disregard creates fiscal waste. Rather than proposing one specific governance design, the authors provide data and pathways to help organizations assess their mission, needs, values, and resources across five different dimensions. Notably, they recommend board leadership separate governance and fundraising responsibilities to ensure complete fulfillment and prioritization of the former and maximization of the latter. They also encourage all organizations to reject any historic governance trends, past practices, and maintenance of the status quo, if the inherited governance architecture is not actively optimizing resources. The authors are committed to the creation of a disruptive, cost-effective intervention to increase efficiency and leverage this moment of sector crisis for transformation.

Nomenclature References

Throughout this paper when we refer to a "board" we are referring to a group of elected or appointed officials who are fiduciaries of an organization, hold legal liability for a 501(c)(3), and are responsible for governance of an organization. "Trustees" and "directors" are the most common titles associated with boards, who are collectively referred to as a "Board of Trustees" or "Board of Directors." When we utilize the term "board" we are referring to a Board of Trustees and/or Board of Directors of a 501(c)(3).

When we refer to "governance architecture" we are referring to the policies, process, formal and informal practices, bylaws, term lengths, committees, stakeholders, and decision-making structures within an organization. These are the "laws" within a nonprofit that determine the flow of power, responsibilities, accountability, and how the organization's staff, board and associated committees/subcommittees/task forces of volunteers engage with the organization at large.

The "nonprofits" or "nonprofit organizations" referenced in this paper are 501(c)(3) organizations that have missions aligned towards social impact. They support communities through distributing resources, support, services, and/or programs to individuals and groups of individuals in need.

"Centering" community refers to the fundamental, active power shift towards individuals closest to the gap/challenge/needs a nonprofit's mission is fulfilling. Leveraging the lived experiences, data, and knowledge of those who have the most experience with an issue in decision-making optimizes resources and impact.

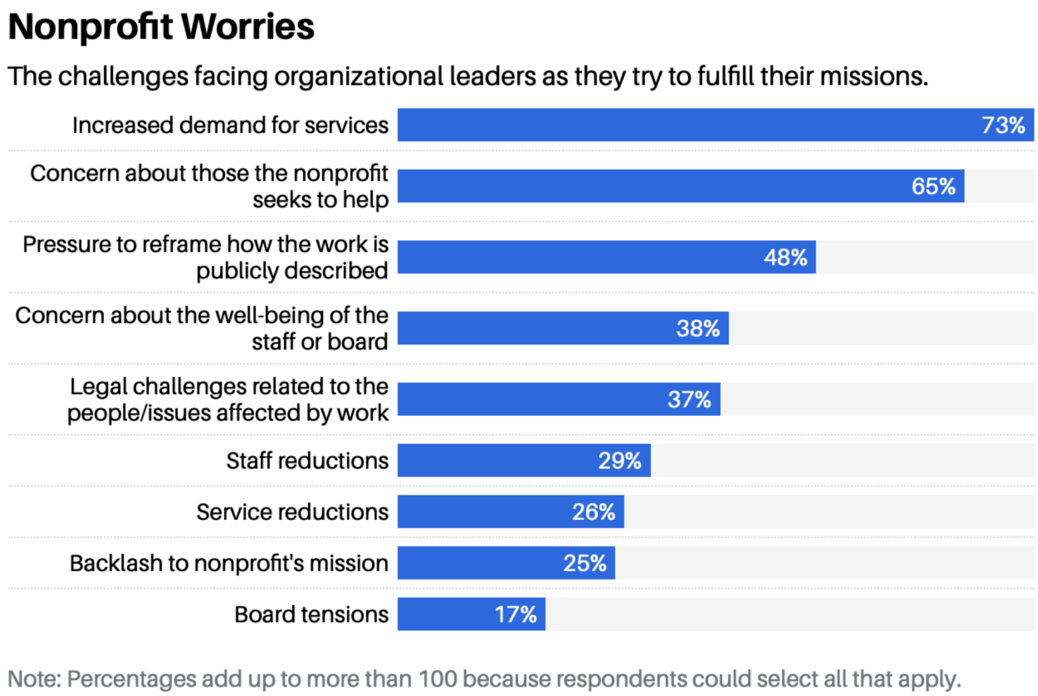
Nonprofit "Executive Director" and "CEO" are used interchangeably in this paper in reference to the staff member at a nonprofit organization with the most seniority. In traditional governance models, this individual reports to the board.

Introduction: An Outmoded Sector in Crisis

The United States social sector is navigating an unprecedented systemic crisis. The United States nonprofit sector comprises 1.9 million registered organizations collectively raising an aggregate of $3.7 trillion and spending $3.5 trillion annually. 12.8 million people are employed by the sector, making it the third-largest employment category in the private economy. Historically, the sector's contribution to Gross Domestic Product (GDP) has tracked between 5.3% and 5.5% of total U.S. GDP. **If the U.S. social sector were a standalone national economy, its total financial volume would rank it among the top 10 largest economies in the world.**

Nonprofits are currently functioning as a social safety net, fulfilling essential societal needs including food, housing, healthcare, and education for both the general population and economically disadvantaged Americans. Most Americans do not know a great deal about the philanthropic sector. They are neither aware of nonprofit entities, nor the rules that govern their activities.

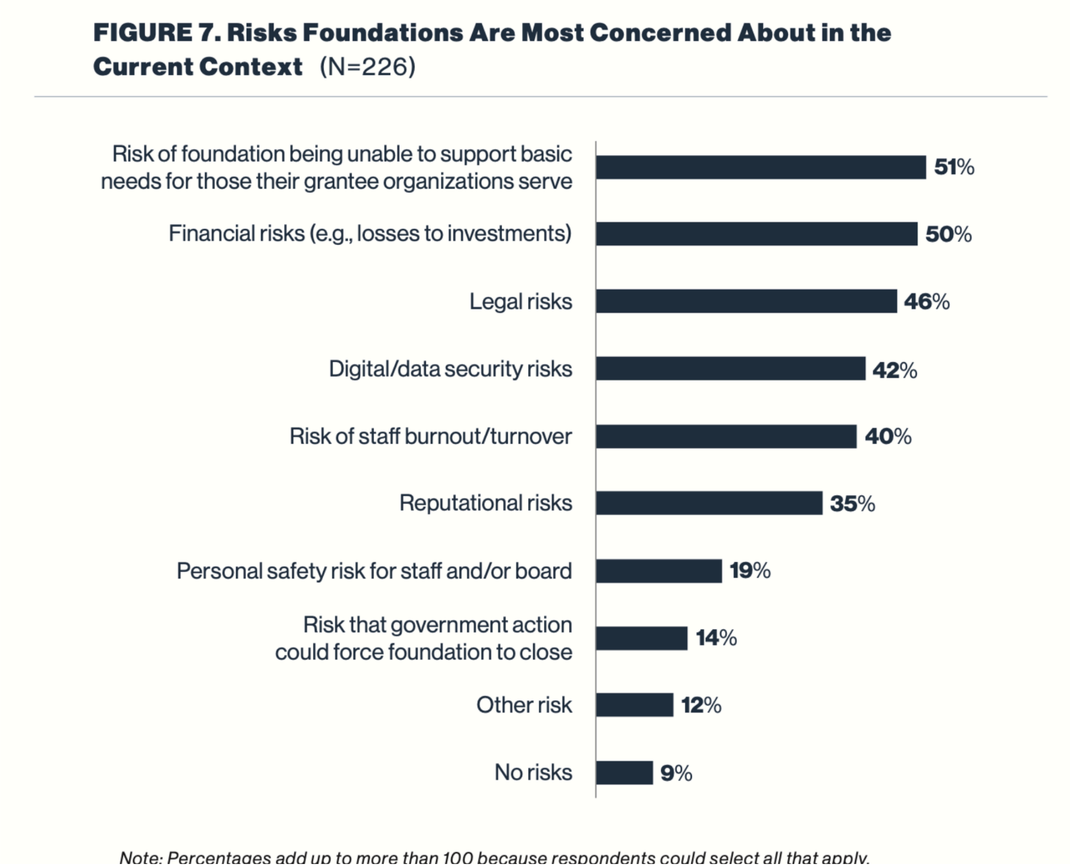
The nonprofit sector is in turmoil as a workforce shortage continues to leave already understaffed nonprofits with vacancies. Nearly 75% of organizations report persistent vacancies due to burnout, limited compensation, and increased professional expectations due to increasing community needs. Only 41% of nonprofits can pay their staff a living wage and 22% of nonprofit employees struggle to afford basic necessities. 95% of nonprofit leaders are concerned about staff burnout with nearly 50% finding it difficult to fill staff vacancies. This data aligns with self reports from nonprofit staff – 70% are actively seeking new employment.



Source: The Center for Effective Philanthropy

1.9M **Registered nonprofit organizations** *IRS, 2025*	**12.8M** **Employees (3rd-largest private sector)** *BLS, 2024*	**$1.5T** **Annual contribution to U.S. GDP** *Bureau of Economic Analysis, 2025*

Nonprofit staff turnover ranges from 19-21% annually, which is roughly 58% higher than the average across other industries. This turnover interrupts mission delivery, funder relationships, and cannibalizes already stretched budgets. Beyond acknowledging these trends in reference to nonprofit employees, there is an enormous cost involved. Nonprofit personnel expenses are typically 60-80% of a nonprofit's total budget, while turnover costs for all sectors are 33%–200% of an employee's salary.

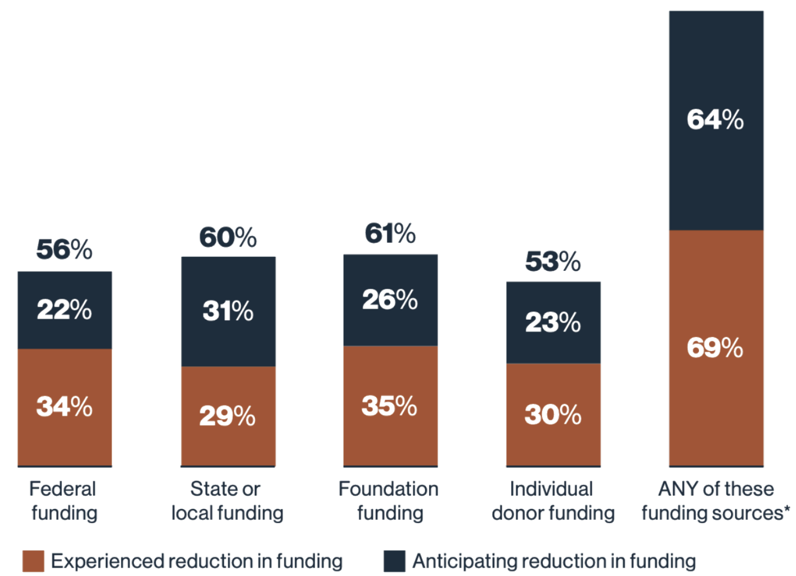


Source: The Center for Effective Philanthropy

And while many of these trend lines have been detectable for decades, it's now widely reported that the nonprofit sector is in crisis, at an inflection point, quietly collapsing, and headed towards a fiscal cliff. 69% of nonprofits have reported funding cuts while 65% report increased demand for their services. 21% of nonprofits have lost at least some government funding in early 2025, and 27% experienced a delay, pause, or freeze.

Staff and resources within the U.S. Department of Education, US Environmental Protection Agency (EPA), U.S. Department of Health and Human Services (HHS), and USAID were emptied. These cuts do not eliminate need; they merely transfer it directly onto under-resourced nonprofits. Regardless of data points or adjectives one uses, it's abundantly evident that the sector is facing an unprecedented fiscal pressure and the nonprofit workforce is burnt out. What is the result of this? Our most vulnerable populations who rely on nonprofits to meet fundamental necessities are not having their needs met.

FIGURE 1. Nonprofit Funding Cuts by Funding Source as Result of Current Context (N=404-406)



*Note: This bar adds up to more than 100 because percentages reflect the total number of respondents who lost or anticipate losing funding from any of the sources shown in the figure.

Source: The Center for Effective Philanthropy

While operational challenges for nonprofit executives are clear within these trends, less widely discussed are the fundamental governance issues that create an environment for these trends to persist. Nonprofit boards are charged with safeguarding organizational assets, ensuring long-term sustainability, managing risk, and advancing mission effectiveness. When personnel costs are impacting organizational capacity and fiscal stability, boards have a responsibility to act. But, are they acting? Do they have the people and resources they need to act? And, given the current fiscal environment, what action is within their reach? **Perhaps, the answers lie in the growing misalignment between organizations' needs and the governance architecture intended to support them.**

The philanthropic sector is not resourced, prepared, or structured to support communities due to misalignment between governance architecture and needs. An intervention is needed now to reform and rehabilitate a sector that has historically avoided disruption and overlooked well-documented inefficiencies that can no longer be ignored. **For philanthropy to truly meet the needs of the 3rd millennium and support 140,000,000+ of Americans relying on the sector, it must confront governance architecture misaligned with community needs.**

Governance Misalignment Erodes Impact

Nonprofit governance practices are designed to provide legal, ethical, and financial accountability for the paid staff and volunteer board of a 501(c)(3). A board composed of volunteers typically employs a professional executive, who manages a professional staff. It is the role of a board to optimize resources, including expenses related to personnel. There is not a singular governance structure that is effective for all nonprofits, and most nonprofits are unfortunately applying a structure that does not meet their strategic, programmatic, and fiscal needs.

In theory, the governance architecture of a nonprofit can produce collaboration, partnership, and amplified impact by leveraging volunteer bandwidth in combination with professional expertise. Unfortunately, this architecture often produces predictable failures: rubber-stamp boards, executive directors with neither authority nor accountability structures, and community members served by organizations in which they hold no decision-making power.

Determining which governance architecture is appropriate for an organization is the single most important decision within a nonprofit. It determines how power flows within a nonprofit, who is a stakeholder, how someone becomes a stakeholder, and what accountability stakeholders have for the organization. Unfortunately, this decision is often not a strategic choice, and inertia to update or change is typically too great to overcome. Governance choices are often bureaucratic decisions, if a board does reach a point of consideration. Without sufficient framing and education, governance choices can feel procedural and administrative in comparison to topics that are more tangible, such as operational matters, programming, and events.

Isomorphic Compliance re: Sarbanes-Oxley Act of 2002

Following the Sarbanes-Oxley Act of 2002, nonprofit organizations adopted corporate governance policies and practices including audit committees, conflict-of-interest policies, and whistleblower procedures. The Act was aimed almost entirely at for-profit corporations, but through isomorphic mimicry, nonprofits adopted governance forms with the assumption they were best practices. There is no legal requirement that nonprofits adopt these policies, and the organizational conditions that exist in the for-profit sector do not exist in the nonprofit sector. Nonprofits often submit disclosures, conduct board self-assessments, and circulate conflict-of-interest policies. These practices often produce documentation without effective governance.

In the most unfortunate cases of governance failure, a board doesn't consciously consider the fact that the structure of governance within a nonprofit is a vital decision that directly impacts its outcomes. Bylaws and governance reforms often produce paperwork, votes, and policies without producing function or improved results. There are measurable documented patterns across both boards and nonprofit staff that showcase that nonprofit governance is not serving its intended function. Based on a lead study tracking and analyzing trends in nonprofit board leadership, 48% of nonprofit leaders and 44% of board chairs report insufficient time spent on board members understanding their roles and responsibilities. Combine this trend with a revolving door of volunteer leaders who are serving with inappropriate term length restrictions (or no restrictions whatsoever), and an organization risks being led by individuals who, while well-meaning:

1. Have a high degree of confidence and low degree of understanding of nonprofit governing responsibilities
2. Have served in a board leadership role for too long, prohibiting disparate perspectives that could support expanded impact and stronger organizational impact
3. Are unclear about the purpose and importance of governance practices and the fact that alignment of governance architecture with organizational outcomes in and of itself is a responsibility of board members
4. Are serving the organization in a way that aligns with their strengths, skillsets, and vision of what is best for the organization, while not recognizing biases in their own perspective

Data affirms this. The Stanford Graduate School of Business and BoardSource's national survey of 924 nonprofit directors found that a majority of board members did not believe their fellow directors were experienced or highly engaged. Nearly a third expressed dissatisfaction with their board's ability to evaluate organizational performance. Approximately 52 percent reported a 'board within a board,' in which a subset of directors exercises disproportionate influence on decisions. These patterns describe not a governance system under stress but a governance system that has not been designed.

Author's Note

We recognize the nonprofit sector is broad and diverse. There are nuances in the sector and within organizations that render the data and claims we present here as irrelevant.
The data and claims in this paper are neither designed, nor intended to negate, minimize, or criticize the authentic and benevolent desire that individuals have to help a nonprofit organization and the community it serves. There are high-functioning boards led by volunteer leaders in an efficient manner, optimizing resources, and creating transformational results for communities. Our goal is to draw attention to the data and trends that mark the presence of inefficiencies and fiscal waste that we believe are ripe for collective intervention and improvement.

Community Needs Must Be Centered

While motivation to serve an organization as a board member is often fully aligned with a desire to propel an organization forward in a mission aligned way, board members are often disconnected from the communities they serve based on a variety of critical data points. So, the question that must be asked is: Can an individual serve as an effective board member if they are personally disconnected from the community served by the nonprofit? Based on our research, personal experiences, data on the state of the sector, and [expert commentary] on the topic, the answer in short is “no.” Community stakeholders are not often excluded intentionally, but as a result of prioritizing donor relationships. **Many organizations are unintentionally distancing themselves from community stakeholders through misaligned governance architecture, which unfortunately equates to operating models and decisions with incomplete data sets.**

Many nonprofit board members are recruited based on their professional identity or personal connections rather than mission competency and governance accountability. Even when there is strategic thought invested in diversifying the identities serving on the board, an affinity trap is often at play — **those who are willing to volunteer, and share the organization's cultural frame are sometimes placed in governance roles despite understanding the responsibilities involved in governance.** Available time to serve as a board member is also a significant factor that limits the service of some individuals and enhances the candidacy profile of others. Candidates who have served in organizations with efficient governing structure, are deeply familiar with the organization’s key performance indicators, **and have worked on the ground with the community** served by the organization have the highest likelihood of centering community in their service as a board member.

When boards are constituted around social affinity rather than governance competency, predictable dysfunctions are present, as they would be for any group organized through similar means. Dissent risks suppression by social obligation. Difficult decisions are deferred or buried to preserve relationships. Mission drift in the direction of donor or funder preferences is more likely if board members' primary allegiance is to their peers and networks rather than to the community served. While corporate boards recruit paid board members based on their professional competencies to protect shareholder capital, nonprofit organizations risk overlooking strategic alignment of board members’ competencies while prioritizing fundraising capacity and/or personal connection. **Nonprofit board recruitment without consideration of an organization’s needs increases a number of additional risks, including the creation of individual agendas, administrative drain, an accountability vacuum, and ultimately the diversion of resources away from an organization’s mission.**

Nonprofit organizations are not designed to be affinity groups or social clubs. They are addressing critical needs for hundreds of millions of people who would otherwise be left without food, shelter, jobs, education, medical care, and a variety of other essential services. While many board members may agree with this distinction in theory, these same board members may have the implicit belief that consensus is a strength of a board rather than a critical signal flagging the Abilene Paradox and the risk of groupthink.

The Abilene Paradox

This is a term to describe a situation in which a group of people collectively make a decision or take action in a way that is counter to the preferences of most or all individuals in the group, yet each individual believes the decision/action is aligned with the preferences of most other individuals in the group. Each individual mistakenly believes that their own preferences are counter to the group's, so they do not vocalize their preferences/objectives. Homogenous groups with a no-debate style of decision-making most often experience the Abilene Paradox.

Communities served by a nonprofit must be centered in all decisions, operations, and governance choices. Depending on the size, mission, stakeholders, and growth objectives, "centering" can take a variety of forms. Regardless of what governance architecture most closely aligns with a nonprofit's desired outcomes, power must be aligned towards mission-oriented outcomes

Let's consider the example of a fictional Board of Directors of a food bank:

Food Bank Case Study

The board decides to update its annual food drive to focus its procurement efforts on a neighborhood closest to where the majority of its board members live. Historically, the drive has included procurement efforts within all neighborhoods in their community. This approach requires additional board and staff bandwidth in order to canvas a larger area. Past results average 6,000 pounds of consumable food that is immediately available through the food bank, which has recorded more need than capacity to serve for the past 10 years.

Board members determine it is most efficient, convenient and aligned with relationships they have with local business owners to focus organizational efforts in one neighborhood this year. They offer to open up their homes and leverage personal relationships as a part of this new strategy, and there is greater excitement and interest by board members to get involved in the drive than in past years. The events and marketing efforts feel fresh, fun, and feedback from event attendees and local business owners is overwhelmingly positive. There's media attention on the events, and the board is featured on the local news and various social media platforms. Local political candidates highlight the organization's efforts in city council elections, and brand recognition spikes. Results of this year's strategy equate to 1,500 pounds of consumable food that is immediately available—a decrease of 4,500 pounds. Staff time required to support this strategy was also 15% higher than in years past, equating to $60,000 in HR expenses devoted to this initiative.

A board that ***does*** *center community will acknowledge that while their efforts and updated strategy increased awareness by individuals who could help the organization in* *the future, it did not fulfill immediate community needs. Board members will partner with staff to create a plan to secure the deficit—the 4,500 pounds in consumable foods. They will also acknowledge the organization's historic strategy, which didn't garner the same media, political, or trustee attention, but did equate to 6,000 pounds of food procured, needs to be revisited. And ideally, they will carry lessons learned and benefit from their approach this year to strengthen the historic strategy. They will also connect with individuals served by the food bank and/or show up on a day when it's open to ensure that service delivery is occurring as intended. They will be open to direct feedback from individuals served by the food bank and staff about ways to optimize resources. They will recruit individuals who have historically received services from the organization to join a committee or board. Before board meetings, they will review data and benchmarks about the food bank's service delivery to ensure they are versed in operational gaps and challenges in hopes of addressing them collaboratively.*

*A board that **does not** center community will insist the excitement, media, and increased engagement of the board are all signs that their approach is working, despite the decrease in food delivered by 75%. They may feel depleted from their efforts, and request staff to figure out a way to secure the outstanding 4,500 pounds in food. They may create a narrative that future years will equate to even more than 6,000 pounds of food procured based on positive feedback they have received. They will insist on repeating their strategy, without data or evidence this is possible. The Executive Director attempts to lift up the 4,500-pound discrepancy as rationale to reconsider the approach, but the board decides to omit a discussion around the immediate loss in food, and fails to acknowledge the families that will be walking away from the food bank expecting their allocation of 3 pounds that they relied on to support their family and stretch a paycheck that does not provide a living wage. They may not realize the impact of their choices and decisions at board meetings, as they have not read reports designed to educate them on the organization's current functioning.*

Within organizations, decision-makers have choices about whose perspective is most important, what initiatives are supported with resources (staffing, time, money), and what deliverables are executed. By tracking an organization's budget, we can identify a nonprofit's values, governance architecture, and the value it places on mission fulfillment vs. competing priorities. We can also determine if a board is fulfilling their responsibility to act as fiduciaries by reviewing its budget. Based on all available data on the sector, we can conclude that: Increasing community needs combined with decreasing available funding requires boards to examine all opportunities to maximize fiscal efficiencies in a way that many have not historically explored.

Effective mission delivery requires knowledge that is not available from professional literature, donor networks, or executive experience. It requires the lived, specific, current knowledge held by the people being served and those who are on the ground serving them. Nonprofit boards have the opportunity, and the obligation, to reimagine governance architecture to meet the needs of the current funding environment. By addressing expenses that are diverted from mission-critical activities, including outsized staff turnover in the sector, nonprofit board members are not only fulfilling their legal duty as fiduciaries, but they also have the chance to improve organizational efficiency across the sector for decades to come.

> **Board Composition and Mission Delivery**
>
> A 2024 report analyzing 59,550 nonprofits showcases diversity within the nonprofit sector. Boards with broader demographic composition and representation by those served by the organization often outperform in fundraising growth and constituent trust. The assumption that boards must prioritize philanthropic capacity over community representation is a misnomer. Boards that are accountable through diverse community representation typically earn more trust from funders and the sector's recognition of optimized efficiency through tight alignment with community needs.

Rather than tracking whether board members agree with one another, possess impressive professional backgrounds, or share strong social relationships, governance architecture must be grounded in the needs, priorities, and realities of the communities the organization exists to serve. Effective nonprofit governance requires a shift from member-centered decision-making to fiscal and community accountability. When outcomes are prioritized over individual and/or collective board perspectives through centering community data and results, a nonprofit's mission and resources are maximized.

Streamlining and Clarifying the Function of a Nonprofit Board

Ideally, a nonprofit professional and board partner together in a collaborative manner. A nonprofit CEO leads day-to-day operations, manages staff, implements programming, and executes against a strategic plan while a board provides strategic direction, oversight, and stewards the organization's resources. In a healthy partnership, communication between a CEO and its board is frequent and transparent–the board is informed about organizational performance, opportunities, and risks in a timely manner to support a board's execution of its duties. Board members engage thoughtfully with the information provided by staff to establish strategic priorities that a CEO fulfills.

Strong CEO-board relationships are characterized by collectively prioritizing operational efficiency, mutual accountability, respect, and a willingness to engage in constructive dialogue. Disagreements are addressed openly and professionally, with both parties focused on operational efficiency and mission fulfillment, moving any individual interests aside. **Theoretically, the CEO and board are a unified leadership team that responds strategically to community needs, stewards resources, and maximizes mission impact for the community it serves.**

Unfortunately, studies in the sector, measurable data, feedback from nonprofit peers (both staff and board members), and our personal experiences working across 13 different nonprofit organizations lead us to the conclusion that it is rare for a nonprofit organization to operate as intended and maximize its mission and community outcomes. Why? The governance architecture that is in place to facilitate an optimal operating environment has not been considered thoughtfully, and may be incongruous with the organization's mission, strategic goals of its board, and the community's needs. Without the appropriate flow of power and information, fiscal waste is rampant.

As Nick Grono, the author of "How to Lead Nonprofits" and CEO of the Freedom Fund, astutely states, "**There is a very real asymmetry of knowledge and power between boards and CEOs/leadership teams. Boards have the power but, as part-time volunteers, have a fraction of the knowledge of the day to day work compared to leadership teams. CEOs and their teams have the knowledge - given they work full time on their nonprofits' missions - but not the power. If boards do not understand their role and the importance of governance they risk undermining the CEO, confusing lines of authority, generating wheel-spinning and generally hobbling the work of the organizations they are mandated to govern.**" Discussions around power in the nonprofit sector are often overlooked and/or avoided for a variety of reasons, including stakeholder and funder discomfort. Unfortunately, governance architecture cannot be determined without simultaneous analysis of power within an organization.

Sources: The Center for Effective Philanthropy, Sector in Crisis 2026; Nonprofit Finance Fund, State of the Nonprofit Sector 2025; Indiana University Lilly Family School of Philanthropy / Chronicle of Philanthropy Public Trust Poll 2023; BoardSource, Leading with Intent 2023

All too often, board members supporting nonprofits lack clarity around the purpose of their role as a board member. Unlike corporate boards, nonprofit boards lack the external shareholders, market discipline, or regulatory enforcement—board accountability is entirely dependent on self-regulation, internal culture, and explicit policies. Most board members serving nonprofits have made a commitment to a fundraising goal–either through a specific "give/get" requirement of $x, or as a part of a collective board philanthropic benchmark. In theory, this structure seems sound: even if community stakeholders who do not have the capacity to raise or donate a large contribution are excluded from board service, at least there are dollars going into the organization. Yet, the conflation of fundraising and governance responsibilities is one of the most damaging structures in the entire sector. If board members are recruited primarily for wealth and networks, their performance is typically measured by personally contributed dollars (the "give") and dollars raised (the "get") without any accountability measure for their governance responsibilities.

Governance capacity—the ability to serve as a fiduciary, provide strategic insight, evaluate organizational performance—is a discrete and essential skillset. 71% of nonprofit leaders report difficulty ensuring that board members were actively involved in fundraising. Let's meet board members where they are in relation to their interest, time, and demonstrated engagement level. BoardSource data consistently show that fundraising is the most common source of board-executive tension, absorbing meeting time, recruitment strategy, and evaluation frameworks that could otherwise be directed at governance function and operational needs.

67% **of CEOs believe their board doesn't spend enough time building relationships** *BoardSource, Leading with Intent*	**27%** **of board members lack deep understanding of organizational mission and strategy** *Stanford GSB / BoardSource, 2015*	**32%** **of boards prioritize community knowledge in board recruitment** *BoardSource, Leading with Intent, 2021*

Rather than forcing a square peg into a round hole–parsing board member responsibilities and peeling off the assumed expectation of fundraising (on top of strategy, governance, and resource stewardship) will allow board members to more fully understand, embrace, and execute on their primary function. And of course, those board members who choose to fundraise in addition to completing their commitment as a board member have the unlimited ability to do so. But overloading volunteers with responsibilities they do not understand, are not fulfilling, and in some cases have no ability to fulfill due to time or capacity constraints often leaves an organization with inconsistent gaps in a number of critical areas that hamper its impact. The result is unfortunately predictable: boards that are neither governing well nor raising money effectively.

49% **of executives lack the right board members to establish trust with communities served** *BoardSource, LWI 2021*	**28%** **of boards prioritize community membership in board recruitment** *BoardSource, LWI 2021*	**67%** **of executives report insufficient board time building community relationships** *BoardSource, LWI 2021*

We believe a great deal of progress can be made in the governance realm, regardless of an organization's precise architecture, mission and the community it serves, by divorcing governance and fundraising responsibilities. Many nonprofit boards define themselves as "fundraising boards," asking every board member to both personally donate to the organization, and raise funding from others in the community. This approach is advantageous as it relates to a board's responsibility to steward resources, but it is all too often another example of a structure that works in theory, but not in practice:

1. There are measurable, documented patterns across the sector showcasing that confusion around the role of a nonprofit board member is a significant challenge in building an effective nonprofit governance structure. By separating the critical functionality of a board member from fundraising commitments, volunteers have the opportunity to more fully understand and execute on their role as a board member.
2. The skillset, motivation, and commitment needed for a board member to fulfill the primary function of their role is completely discrete from the skillset necessary for

revenue generation. Individuals who are most qualified to serve as board members may not have the skills or interest to fundraise, and some of an organization's strongest volunteer fundraisers are unfit to be board members for a variety of reasons.

3. Many volunteers under-estimate the time and bandwidth needed to fulfill a nonprofit board role, understandably, because they have not served in such a role previously. By divorcing governance and fundraising commitments, volunteers will have a manageable volume of responsibilities. After a board member has understood and executed the primary functions of their role, they may opt into fundraising responsibilities in addition to their commitment as a board member.
4. Fundraising initiatives that depend on volunteer engagement can be fulfilled by volunteers who have little interest in serving in a governing role, and instead are passionate about revenue generation. As noted above, the skillset necessary to fundraise for a nonprofit is discrete from the skillset required to govern and serve as a fiduciary of a nonprofit.
5. If there are volunteers whose strengths align with fundraising, an organization's resources may be optimized by a governance structure that delegates fundraising responsibilities to staff or dedicated volunteer committees rather than the full board.

To be clear, board members who are well connected to donors and funders, and want to fundraise, provide genuine organizational value. Our counsel to optimize resources in the sector is to stop treating fundraising capacity as a proxy for capacity to govern, serve as a fiduciary, and provide strategic guidance–the three most critical functions of a board.

Governance Architecture: Considerations and a Question

Governance architecture effectively supporting one nonprofit can erode the impact of another. As detailed in previous sections, the choices an organization's leadership makes about effective and efficient governing mechanisms are a critical, strategic series of decisions that have a direct correlation with the organization's resources and impact. An organization's bylaws, board size, committees, staff, and mission delivery are all dependent upon a constellation of choices that require consideration utilizing the following dimensions. Clarity along the five dimensions below is essential for **any and all** governance structures. These dimensions are not independent from one another; function or dysfunction in one dimension correlates with all the others.

#	Dimension	Diagnostic Question
1	**Power**	Who approves which pieces of the organization's operations? Who and how is an organizational strategy determined? Are bylaws established? Who authored them and when were they last reviewed? How is power divided among and between board members, staff, committee members, organization partners, and those served by the organization? What transparent power mechanisms exist and what less visible power mechanisms impact those that are visible and understood? Is the distribution of power explicit, documented, and understood by all?

#	Dimension	Diagnostic Question
2	**Accountability**	What mechanisms exist to hold the organization accountable for executing its mission? What mechanisms exist to hold staff accountable? What mechanisms exist to hold the board itself accountable? Are individuals on the board aware they are a self-governing body that is responsible for holding itself accountable to the governance architecture they select?
3	**Community Stakeholders**	In what formal and informal ways do individuals served by the organization play a part in its governance? If formal authority over governance, programmatic priorities, budgets, and leadership decisions does not include a diverse subset of stakeholders, how is the organization ensuring its strategy and service delivery is aligned with needs? This dimension is not focused on intent, but structural inclusion to center community.
4	**Mission Execution**	Does board recruitment, composition, meeting agendas, committee structures, and time expenditure efficiently and effectively support mission execution? How does the organization ensure purpose and mission execution are threaded in decisions made in distinct parts of the organization? What mechanisms are in place to ensure budget and programming decisions center the mission?
5	**Staff and Board Partnership**	What is the staff's experience of board engagement, roles, responsibilities, and their accountability mechanisms? What is the board's experience of staff engagement, roles, responsibilities, and their accountability mechanisms? Is burnout being reported by staff and/or board members? What are the rates of voluntary and involuntary turnover on board and staff? What role boundaries between board and staff members need further clarity and/or scoping? What board and/or staff gaps are being interpreted as individual deficiencies when perhaps they are rooted in governance misalignment?

A question that organizations rarely ask themselves, but that should always be considered: Is a volunteer board needed? Depending on a nonprofit's stage of development, budget, mission, community, and volunteer opportunities available in addition to board service, a traditional volunteer board may not be the most effective governance architecture. The legal requirements for board governance can be met through architecture that does not rely on a volunteer board. Community governance, self-directed staff, and professional advisory models are all options that must be considered with an outcome-oriented, community-centered lens. Said in other words, the degree of power and accountability individuals legally representing a nonprofit have must be an active decision rather than passive adoption.

Adherence to governance architecture that is unnecessarily reliant on a volunteer board can detract from mission delivery, as outlined by Jonah Peppiatt in "Searching for Optimal Governance on the Nonprofit Board." Time spent by volunteers on governance, that could be directed towards fundraising, program delivery, community engagement, marketing, and/or their specialized expertise, may be misallocated. An organization's governance architecture must be created with volunteer expertise, bandwidth, and interests in mind. But there must also be an accurate and realistic accounting of time a volunteer has in relation to time an organization needs vs. a theoretical obligation to commitments that are left unfulfilled.

Intervention is Necessary

Governance misalignment is an urgent structural problem that is compounding fiscal waste in the nonprofit sector. Waste in the sector is not abstract. Executive Director/CEO turnover in the sector is generating an estimated $1.5 billion per year in direct replacement costs, funder relationship disruption, interim leadership expense, and programmatic momentum loss. Leadership turnover is simply one symptom of dysfunction when organizations operate with governance models misaligned with the outcomes they desire. Said in other words, this $1.5 billion is the tip of a financial iceberg signaling billions, if not hundreds of billions, of additional dollars in fiscal waste that communities in our country cannot afford to lose to misaligned governance any further. When governance fails in the corporate sector, shareholders absorb the cost. When governance fails in the nonprofit sector, individuals relying on nonprofits for critical resources are left even further away from equity. The sector is ripe for transformation, disruption, and a cost-effective way to support aligned governance models.

Typically, when nonprofits confront challenges, concerns, and questions about their governance functioning that cannot be resolved internally, they hire a nonprofit consultant. Organizations usually seek consulting services as a reactive measure when a crisis erupts. Deep-rooted governance failures can manifest as operational crises, funding interruptions, a need for strategic planning, staff departures, program disruption, or a variety of other infrastructure challenges. Consultants are often brought in when a board is divided on an issue and/or there is a gap in internal expertise to move forward at a crossroads. **Consequently, the global nonprofit consulting market reached a value of $11.4 billion with North America dominating.**

In the philanthropic sector, the recurring dependence on external advisory services—sometimes referred to as the "Consulting Doom Loop"—can result in a systemic failure of a board's fiduciary duties. If an organization has an available budget for it, consulting fees typically range from $100-$250 per hour, with long-term engagements ranging from $50,000 to millions over time. Specifically, it compromises the legal doctrines of the Duty of Care and the Duty of Obedience by systematically directing philanthropic capital toward advisory contracts rather than solving the source of the organization's challenges–governance misalignment.

We are ready to break this costly cycle of fiscal waste and return the value of donors' dollars into the organization's mission and into impact–where they belong. **Bespoke consulting services contracted by nonprofits are often expensive, reactive, and simply the symptoms of operational, fiscal, and leadership challenges that must be addressed through changes in an organization's governance model.** Rather than utilizing a top-down approach to fill in gaps that are leaving millions of Americans without food, housing, medical services, high-quality education, and so much more, we are building an intervention to align governance architecture with community needs.

Most organizations simply can't afford the time and hard costs necessary to assess and build governance architecture that will most efficiently support its strategic goals and day-to-day mission fulfillment. We are creating a scalable, inclusive, cost-effective option for organizations that are impatiently waiting for additional dollars, support and/or strategic guidance to optimize resources. It's our belief that any and all nonprofits can benefit from this intervention, which utilizes a nonprofit's leadership team, assets, and strategic direction to diagnose and determine the most efficient governance structure to aid impact and maximize donated dollars. Rather than working against the tide of funding cuts, staff shortages, and an environment of scarcity, we are building an intervention that leverages the moment to transform governance alignment in the sector. As a first step to building this solution, we are releasing this meta-analysis and welcoming community input, to be incorporated in the remedy we are creating.

Conclusion

The nonprofit sector is brimming with talent and heart–from both professional nonprofit staff members and volunteers. What's missing? Strategic thought and corresponding decisions to build a governance structure that centers community, impact, and outcomes. Rather than spot treating operational symptoms that are rooted in an inherited governance architecture, those in current power in a nonprofit must actively confront the multitude of fiscal inefficiencies that are ripe for improvement.

Instead of rinsing and repeating historic norms and processes that conveniently circumvent inefficient governance structures, it is the legal imperative of board members to proactively consider and create governance architecture that propels an organization forward rather than accepting a convenient status quo. Communities in the United States have unparalleled needs due to the current geopolitical climate. This is the moment to make the governance changes the nonprofit sector can no longer afford to overlook. Fundraising pressure is at a fever pitch with the recent federal cuts hollowing federal agencies that once addressed community needs that state and local nonprofits are haphazardly filling as they are able. But these funding cuts, workforce challenges, and skyrocketing community demand are simply environmental factors with the exact same root cause that has been left undiagnosed and unresolved for decades.

Insufficient resources within the sector, from both a fiscal and HR perspective, are discussed at length in literature about nonprofit organizations. But the fact that governance misalignment erodes dollars, resources, and impact that communities are desperate for is rarely examined. This meta-analysis was not conducted simply to highlight the topic. It's our objective to align stakeholders in the sector with a sense of urgency to reach a solution. And we believe that a cost-effective, accessible intervention is the key to doing so. Conflating governing capacity with fundraising abilities, assuming board consensus equates to alignment, and centering power outside of those directly served by an organization are signals that a board may not be actively and strategically considering the ways in which their organization's governance structure is either supporting or diminishing its mission execution. Regardless of the intentions of any one individual on a board or collective benevolent aspirations, failure to examine a nonprofit's governance architecture is a rejection of the duties a board member is legally bound to fulfill. This essential examination is not only responsible, it's outcome-oriented. Studies show that boards choosing to center community in their power structure and decision-making outperform in building trust, securing revenue, and maximizing impact.

To be clear, we are neither recommending organizations abandon the traditional board model, nor are we advocating for any one particular governance model. We are urging all nonprofit leaders–both staff and board–to center community and closely examine their mission, strategy, and programmatic outcomes to determine if their current governance architecture is supporting their goals, or inhibiting them. If the latter is occurring, examining power, accountability, community stakeholders, mission execution, and the partnership between staff and board members is an essential first step. And any gaps, unanswered questions, and grey area discovered through this examination must be addressed with rigor, a sense of urgency, and a strategic lens. We feel it's critical to acknowledge that many organizations are lacking the bandwidth, time, and resources to complete such an examination, despite the benefits they would eventually reap from it. This is precisely why we are convinced the entire sector is in need of an accessible, scalable, cost-effective way to upgrade its governance architecture, optimizing all of its resources in order to meet surging community needs.

As evidenced by data points and research available, nonprofit board members, staff, and community stakeholders carry distinct perspectives on the way in which to most effectively fulfill a nonprofit's mission. Rather than investing time to debate and negotiate these perspectives, engage in a power struggle, and risk internal contention between stakeholders working towards a shared goal, a universal mechanism is needed to help nonprofits of all sizes reach alignment on the most effective governance mechanism for their strategic goals and operating needs. This moment of crisis for the nonprofit sector embodies the 5th-century proverb: "Necessity is the mother of invention." It's time for the sector to acknowledge the predictable fiscal waste that has plagued organizations for decades, and redirect valuable dollars towards communities that simply cannot afford to be served by outdated, bureaucratic, haphazard governance architecture. It's time to disrupt a sector that hasn't fully acknowledged the cost of inaction, complacency, and avoidance. Nonprofit leaders, stakeholders, and funders have an opportunity to use an existential crisis that feels forced upon the sector to unite and build intentional, transformational governance structures that propel missions and truly center communities reliant upon nonprofit resources.

AT A GLANCE

Key Takeaways

- It’s been widely reported that the nonprofit sector is in crisis for a number of reasons, but analysis without any proposed solutions will only exacerbate community needs.
- Many organizations are unintentionally distancing themselves from community stakeholders through a growing misalignment of organization need and governance architecture, which unfortunately equates to operating models and decisions with incomplete data sets.
- Fiscal waste related to governance misalignment equates to more than $1.5 billion a year; these are dollars that should instead be directly fulfilling community needs.
- Role confusion among board members is a ubiquitous challenge in the sector, directly impacting an organization’s mission fulfillment.
- There is not a singular governance structure that is effective for all nonprofits, and most nonprofits are unfortunately applying a common structure that does not meet their strategic, programmatic, and fiscal needs.
- Clarity along five dimensions is essential for any effective governance model: power, accountability, community stakeholders, mission execution, and staff and board partnership.
- Divorcing governance responsibilities from fundraising responsibilities for board members can optimize resources, clarify organizational needs, and strengthen governance infrastructure.
- Rather than approaching the challenges the nonprofit sector is facing as a moment of crisis, there is an opportunity to leverage this moment to transform organizations through building and applying a cost-effective, universal intervention.

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