



RISK INSIGHTS

NONPROFIT SECTOR TRENDS TO WATCH IN 2025

To continue serving the public and fulfilling their missions, nonprofit leaders must proactively respond to emerging trends that impact their sector. In 2025, key developments to monitor include cybersecurity and data privacy concerns, the increasing use of artificial intelligence (AI), workforce challenges, and regulatory and compliance requirements.

Adapting to these shifts is crucial for nonprofits to maintain operational success and uphold their commitments to stakeholders this year. This article explores these trends in detail and provides practical strategies to help nonprofit organizations navigate them effectively.

CYBERSECURITY AND DATA PRIVACY

Like many other organizations, nonprofits have leveraged technology for strategic growth. The role of digital platforms in fundraising, improving sustainability, communicating and managing financials continues to impact this sector significantly. However, the use of these tools and the accumulation of personal data can introduce cybersecurity concerns.

Since nonprofit organizations have relatively limited IT resources and process sensitive data from donors and clients, they are an attractive target for cyberattacks. In fact, according to the 2024 Data Breach Report from the Identity Theft Resource Center, the nonprofit/nongovernmental organization sector experienced 146 data compromises in the United States in 2024, up from 102 in 2023 and 72 in 2022. Nonprofit organizations are particularly vulnerable to cyberattacks due to their reliance on third-party vendors that hackers may exploit to infiltrate a nonprofit's network. Additionally, staff and volunteers with access to sensitive data may not be adequately vetted or trained on data security. These factors may lead to intentional or unintentional data compromises.

Cyberattacks that compromise data can cause significant reputational damage and erode donor and client trust. Malicious actors may also render systems inoperable, or nonprofit organizations may be forced to shut down to contain and investigate the cyber incident, making it difficult for them to provide services, process donations or otherwise carry out their missions.

Furthermore, cyberattacks can lead to compliance issues related to the Health Insurance Portability and Accountability Act (HIPAA), the Children's Online Privacy Protection Rule (COPPA), the Family Educational Rights Privacy Act, and various other local, state and federal laws. Organizations that fail to meet these regulatory requirements may face significant fines, legal liabilities and lasting damage to their public image.



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To reduce these risks, nonprofit organizations should implement strong cybersecurity measures, including multifactor authentication and data encryption. They should also ensure their systems are current with software updates and patches. Conducting background checks on staff and volunteers and regularly training them on cybersecurity best practices can improve cyber defenses, as can routine penetration testing, which helps identify vulnerabilities before they are exploited. Additionally, partnering with trusted vendors that prioritize security, ensuring compliance with evolving data privacy laws and securing adequate cyber insurance coverage can help nonprofits navigate the growing cyberthreat landscape.

THE USE OF AI

Machine learning and generative AI can provide various benefits for nonprofit organizations. For example, machine learning can analyze data to make predictions, and generative AI can create new data from data inputs. According to a 2024 article from BusinessWest, around 70% of nonprofits believe generative AI will assist them in achieving their sustainable development goals through enhanced productivity, improved information access and increased awareness to drive policy change. These technologies can also be utilized in grant applications as well as to engage current and potential donors and understand donor preferences and behaviors.

However, the leaders of nonprofit organizations must balance these benefits with the ethical concerns of AI, including those regarding informed consent, transparency and algorithm biases. Additionally, AI tools are subject to cybersecurity issues. Nonprofits should also consider risks such as AI-generated misinformation and intellectual property concerns. These concerns can make nonprofit organizations vulnerable to liabilities, regulatory penalties and reputational damage due to inappropriate utilization.

To mitigate these risks, nonprofits should prioritize the ethical use of AI by establishing and adhering to strict governance policies regarding responsible utilization. Organizations should also conduct regular audits of their systems to identify and remedy biases and implement policies that promote transparency. Staff and volunteers should be trained on proper AI use, and AI systems should be regularly audited for accuracy and fairness. These measures can help ensure data privacy, protect the organization from damaging misuse claims and demonstrate a commitment to social responsibility.



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WORKFORCE CHALLENGES

A tight labor market and ongoing labor shortages have increased talent competition, creating staffing challenges for many nonprofits. Nonprofit organizations may find it difficult to offer competitive salaries and benefits, and they may lose employees and candidates to higher-paying jobs in the for-profit sector.

Nonprofit organizations also face high turnover rates and burnout among volunteers and employees. According to the Center for Effective Philanthropy's State of Nonprofits 2024 report, 95% of surveyed nonprofit leaders expressed some level of concern regarding burnout. The report also noted that over one-third of the respondents indicated that staff burnout was "very much" a concern in the previous year.

Inadequate staffing may result in service delays or the complete inability of a nonprofit to provide its services. It can lead to financial instability, communication difficulties, cybersecurity incidents, reputational damage and board member liability issues. Overworked employees and volunteers may also experience decreased morale.

To help attract and retain staff, nonprofits can offer enhanced pay and benefits, improved professional development opportunities, upskilling events, workplace flexibility and mental health resources. Nonprofit organizations can also expand recruitment efforts by partnering with universities, engaging with retirees or tapping into underrepresented communities. Furthermore, creating and promoting a positive organizational culture can help nonprofits attract and retain staff and volunteers.

REGULATORY AND COMPLIANCE CHALLENGES

The nonprofit sector must continue to monitor and adapt to rapidly evolving compliance requirements this year. For example, Oregon and Delaware are implementing laws in 2025 requiring several nonprofit organizations to follow more stringent privacy standards. Moreover, potential policy shifts under the new U.S. presidential administration could impact nonprofit tax-exempt status, donor disclosure rules and data privacy regulations.

This evolving landscape presents significant risks to nonprofit organizations, as failing to adhere to laws and regulations may result in costly fines and penalties and jeopardize their nonprofit status. Not meeting applicable regulations could also negatively impact their reputations and reduce donors' trust in their organizations.



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To manage these risks, nonprofit leaders should ensure they are conducting regular compliance audits while staying informed about regulatory changes. Leveraging external expertise and consulting legal professionals can help ensure adherence to applicable laws and requirements. Additionally, nonprofit organizations should have internal controls in place for compliance. Clear and comprehensive policies and procedures for compliance management can help mitigate regulatory risks.

CONCLUSION

Several trends will impact the nonprofit sector this year. By monitoring these developments and taking action to mitigate their associated exposures, nonprofit organizations can effectively position themselves to continue to fulfill their missions and maintain operational success.

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