

# Challenges & Opportunities for Not-for-Profits



**WEBINAR**

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# Challenges & Opportunities for Not-for-Profits

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*Today's Moderator*



# Today's Presenters



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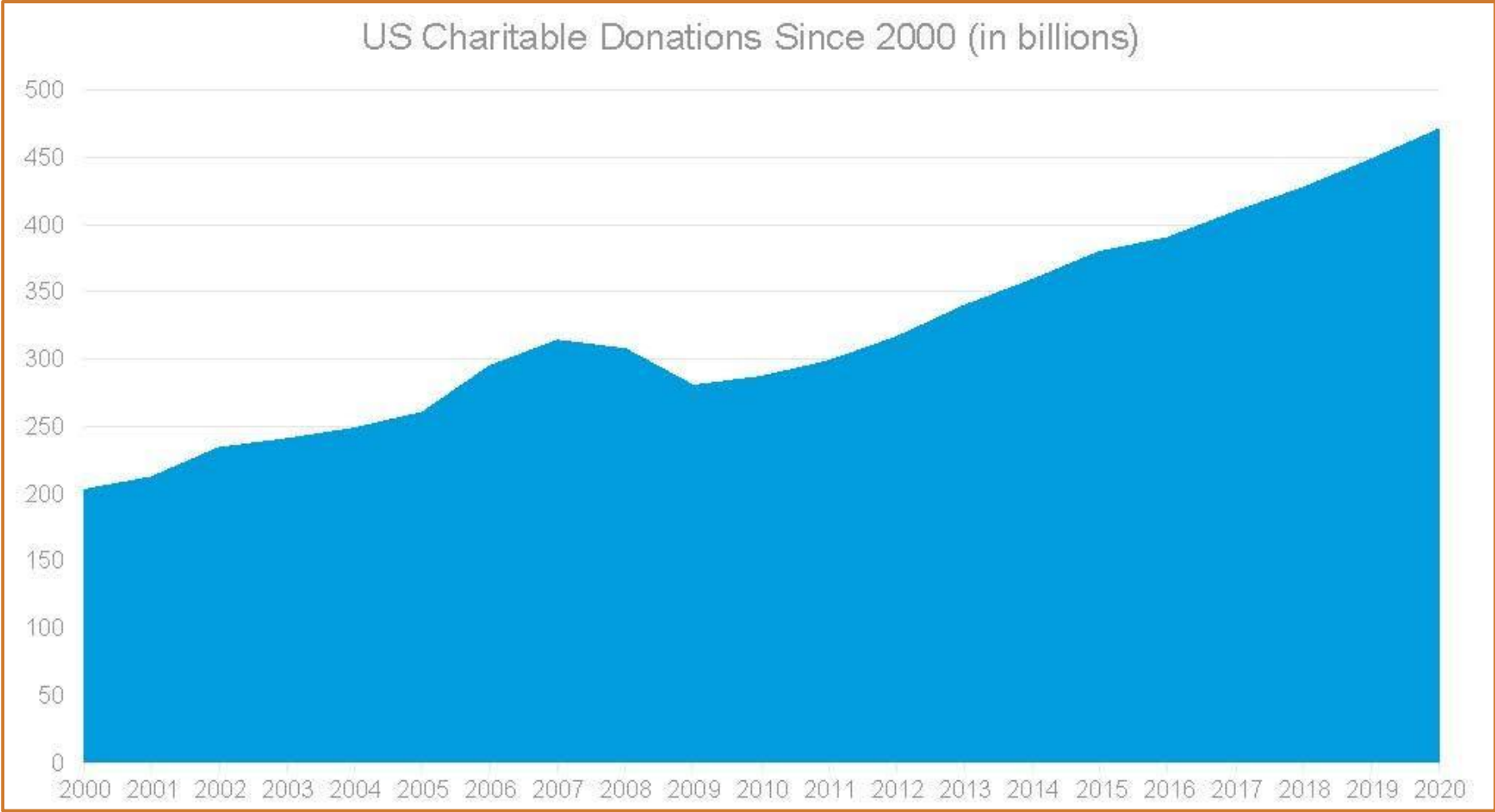
# Today's Agenda

- ✓ Economic Overview
- ✓ Trends in Nonprofits
- ✓ What Can You Do to Prepare for the Next Cyber Attack?
- ✓ The Build Back Better Act and Its Implications for Nonprofits
- ✓ Outsourcing Story



**Bo Garner, CPA, MBA**

# Economic Overview



# Economic Overview

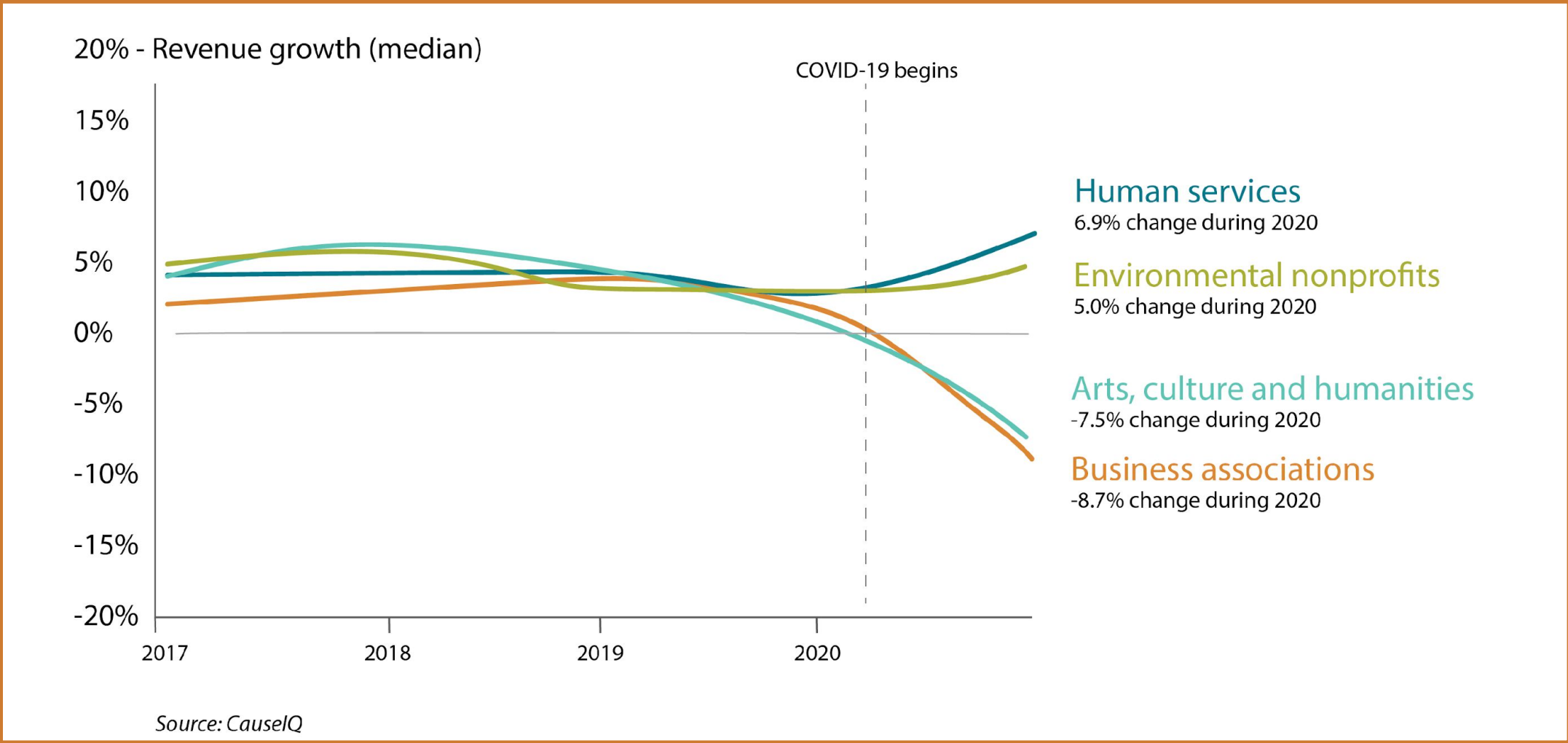
- ✓ Macro economic overview
  - Total number of nonprofit organizations grew by ~15% to over 1.7 million active nonprofits
  - Pandemic has driven significant disparity in 2020 financial results between sectors
  - Based on 2017 data, nonprofit employed the third largest workforce in the US, paying over \$670 billion in wages
  - Largest US markets for nonprofits
    - Tri-state (NY, NJ, PA): 7.4%
    - DC-Metro: 3.4%
    - LA: 3.0%
    - Chicago: 3%

Impact of pandemic varies based on industry sector

Major shifts in revenue and funding models

Still in a holding pattern in returning to the office

# Economic Overview



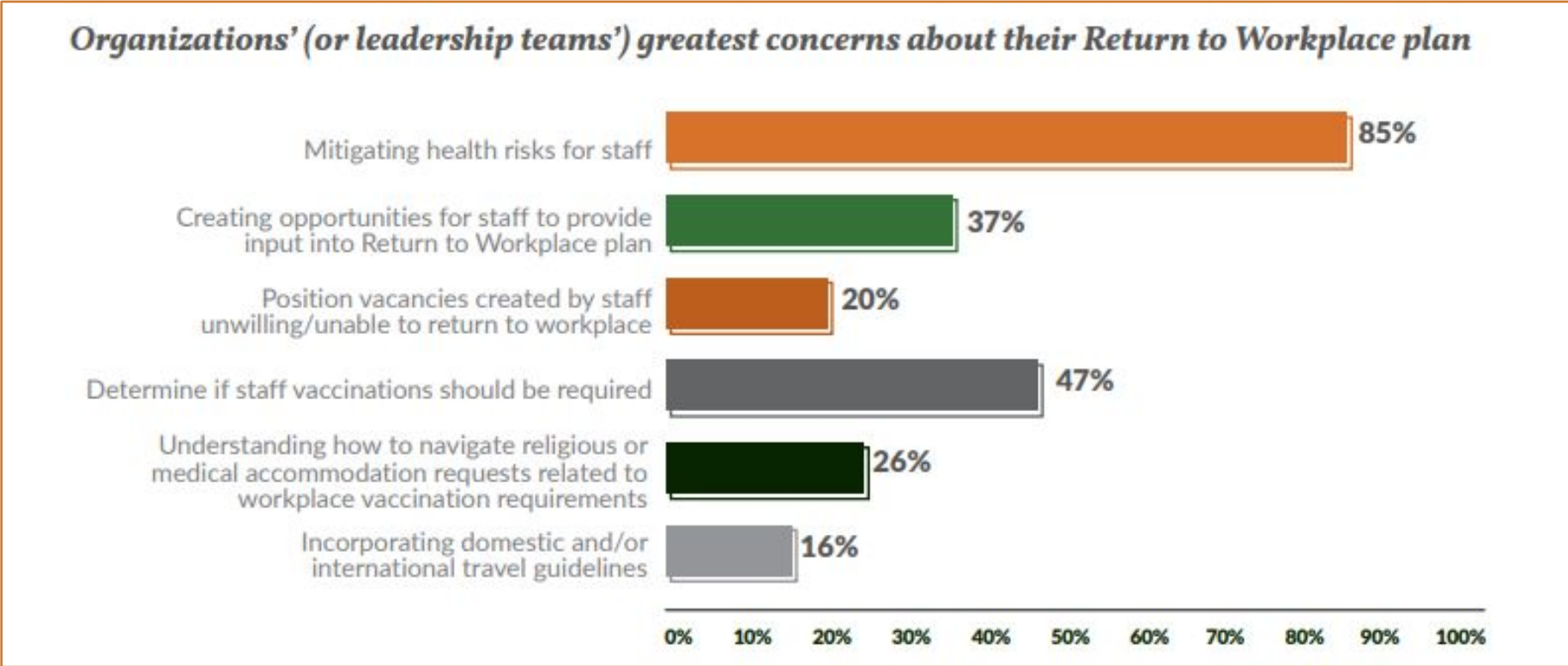
# Economic Overview

## ✓ Sector-specific economic trends:

- Charitable fundraising overall continues to see 4-7% YoY growth – largest increases seen in Hunger/Poverty, Wildlife and Human Rights
  - Early projections for 2021 at 6-7% growth
  - Total online revenue grew 32%
- Many nonprofits are seeing a significant shift in their revenue models
- Strong growth in fundraising, grants and contributions, while other areas such as program services see average declines of 20-50% in revenue



# Handling the Pandemic



Source: 2021 Nonprofit Return to Workplace Results, Nonprofit HR

# Handling the Pandemic

- ✓ Over 70% of the nonprofit workforce is still working from home (excl. community-based organizations)
- ✓ Most of which don't have a target date for staff returning to the office
- ✓ Over half of nonprofit organizations had at least some percentage of staff relocate to a permanently remote location



# Handling the Pandemic

- ✓ Since the beginning of the pandemic
  - 31% of organizations have increased headcount
  - 30% have decreased headcount
  - 25% have maintained headcount
  - 14% have maintained but expect changes in the near future
- ✓ On average, nonprofits have increased in digital initiatives (marketing, transformation, etc.) by 30% or more



# Key Challenges Facing Nonprofits

**Attracting and retaining key talent**

**Adaptation of mission and operations to a post-pandemic normal**

**Generating engagement with constituents**

**Revenue and budgeting with economic uncertainty**

**Donor and member retention**

**Data management, reporting and analytics**

**Cybersecurity and compliance**

**Technology**

**Other**

# Future Projections and What to Expect

Given the current trajectory of legislative, societal, economic and workforce trends – nonprofits are likely to see a number of highly impactful changes in their ecosystem in the next several years.

## Next 0-12 months:

- Battle for talent will persist. Nonprofits will find it more difficult to attract and retain people.
- Interest rates for capital projects are expected to remain low. This is the ideal time to consider funding larger projects.
- COVID continues to drive economic uncertainty. If the pandemic resides, we may continue to see considerable growth.
- Events in spring and summer months have greater chance of in-person attendance. Cases expected to increase in fall/winter, and thus keep more people indoors and remote.

## Next 1-3 years:

- Economic projections show much slower growth in US economy. Higher likelihood for potential recession.
- Fundraising should see continued, steady growth, but larger donors may be harder to come by.
- Organizations and individuals over certain income thresholds may be subjected to higher taxes and may be seeking opportunities to offset.
- US and other countries make progress on digital inclusion – providing improved access to new markets and audiences.
- Appx. 20% of the US workforce will be eligible for retirement

## Next 3-5 years:

- Technologies such as AI, ML and RPA will become mainstream, and likely a key determinant in long-term financial viability.
- 5G networks will provide constant and consistent connectivity to empower landscape changing innovations (self-driving cars).
- Data security and identity protection will reach commodity status, and a requirement for doing business.
- Workforce will see a larger mix of FTEs and freelancers/contractors.
- Self-service becomes an expectation for doing business.

# Opportunities for Nonprofits

While many of the challenges facing nonprofits are not unique, there are several opportunities and market dynamics that allow nonprofits to tackle these issues differently from their for-profit counterparts



## Focus on opportunities to increase resource focus to your mission.

- Remove administrative burdens
- Evaluate and automate time-consuming processes
- Establish, track and show key performance metrics



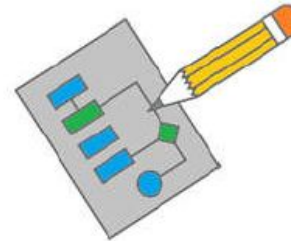
## Re-evaluate your targeted audience and adjust marketing / outreach

- Consider new WFH workforce
- Opportunities to leverage social influencers on the right channels
- New opportunities to leverage volunteers



## Define or refine your workforce strategy

- Upskill and train current resources
- Promote internal growth and development
- Look at existing succession planning

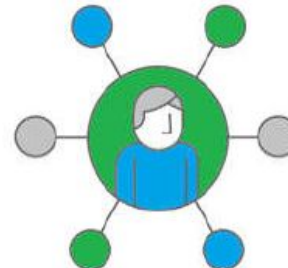


## Evaluate your operational systems and processes against strategic goals



## Find opportunities to organize and leverage your data

- Understanding constituent preferences and deliver more personalized experiences
- Hone-in on targeted audiences for campaigns
- Improve overall decision-making abilities



## Consider opportunities to better leverage vendors or the crowd

- Member/donor journey
- Facilitating omni-channel engagement
- Potential significant cost reductions
- Evaluate position to take advantage of upcoming innovations

# Polling Question

# What Can You Do to Prepare for the Next Cyber Attack?



Antonina K. McAvoy, CISA



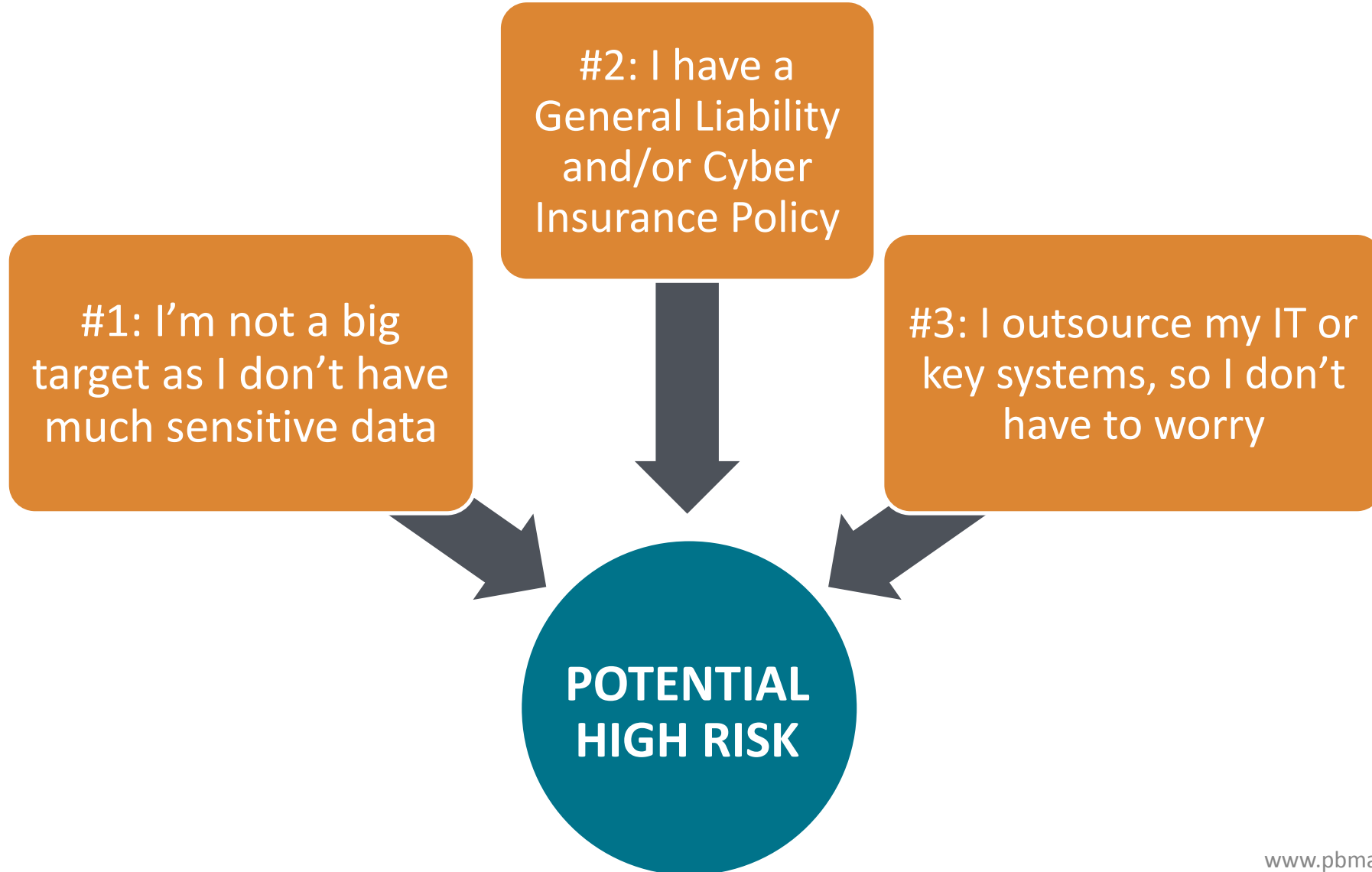
# Will a Cyber Attack Drive You Out of Business?

- ✓ 60% of companies hit do not recover
- ✓ Attacks up 60% during and post-pandemic
- ✓ Avg. Ransomware payment in 2021 increased 82% year over year to \$570,000




**62%** of **cyberattacks** target small and mid-size businesses

# Common Misconceptions



# Common Reasons Cyber Insurance Applications Are Denied

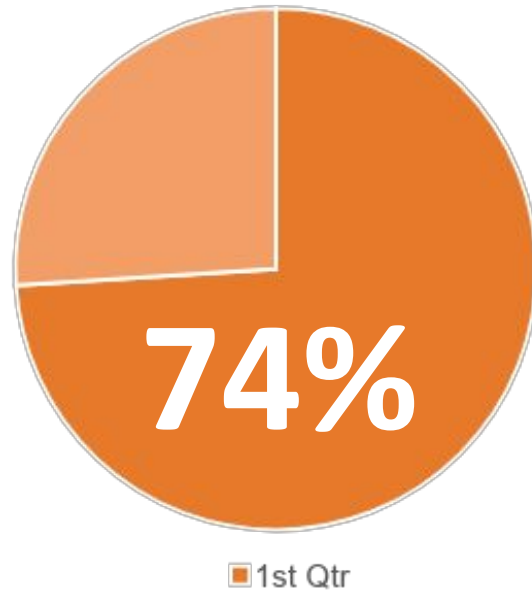


Are you ready?

1. Inadequate cybersecurity testing procedures and audits
2. Inadequate cyber incident response plans
3. Inadequate backup processes and recovery procedures
4. Inadequate policies concerning the security of vendors and business partners
5. Inefficient processes to stay current on new releases and patches
6. Poor-quality security software and employee training
7. Lack of adherence to a published security standard
8. Lack of use of multi-factor authentication

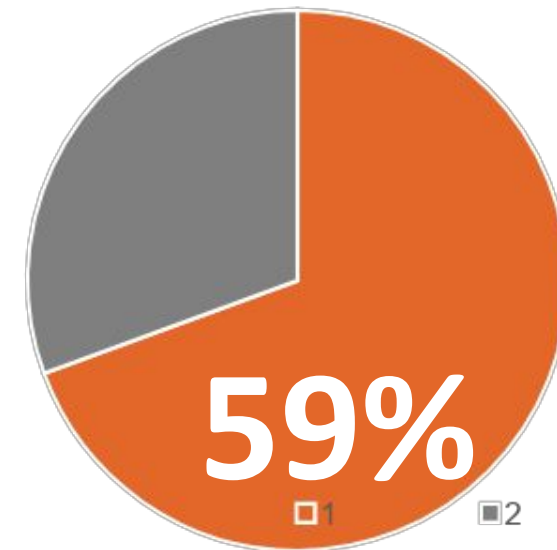
# Third-Party Vendor Risk

DELOITTE SURVEY



**THIRD PARTIES PLAY A CRITICAL ROLE  
IN BUSINESS FUNCTIONS**

PONEMON INSTITUTE



**DATA BREACHES CAUSED BY A  
THIRD-PARTY VENDOR**

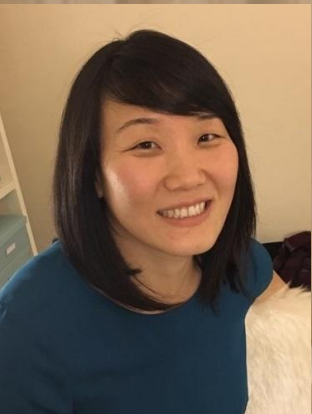
# Polling Question

# Cyber Risk Management



# Polling Question

# The Build Back Better Act and Its Implications for Nonprofits



**Miriam Song, J.D., LLM**



# The Build Back Better Act and Its Implications for Nonprofits

- ✓ Main theme: targeting high earners with certain types of income, but without rate changes
- ✓ *Build Back Better Act*
  - Currently expect Senate to vote (week of Nov. 29, 2021)
  - Passed House of Representatives (Nov. 19, 2021)
  - *Ways and Means Committee* introduced the bill (Sept. 13, 2021)



# Implications for High Net Worth Donors

- ✓ Due to negotiations, there aren't tax rate changes
- ✓ Most changes will increase taxes for some high net worth donors
  - Depends on how donors receive income
    - E.g., net investment income tax
  - Depends on tax benefits donors currently receive
  - Some donors may be subject to a surcharge (\$10M in MAGI)



# Implications for Nonprofits

- ✓ Donors will need to be proactive in tax planning for 2022
- ✓ Donors may be able to use charitable contributions to their benefit, depending on their income level
- ✓ Nonprofits can advise their donors to consider the tax changes and plan donations accordingly



# Possible Senate Action

- ✓ The Senate will change tax provisions due to need to raise revenue
- ✓ Need to monitor what they want to change (hot topics)
  - E.g., state and local tax deduction
- ✓ If there is communication with donors, let them know things are subject to change



# Outsourcing Story

## Motives for Outsourcing

- ✓ New CEO, Retiring CFO
- ✓ Fast Growing Nonprofit
  - Increased Grant Revenue
  - Increased Budget
- ✓ Audit feedback
- ✓ Late statements
- ✓ Need for Consistent Financial Overview
- ✓ Trust with Finance Committee

## Efficiencies Gained by Outsourcing

- ✓ Improved Financial Schedule
- ✓ Improved Audit
- ✓ Professional Expertise
- ✓ Paperless Accounting System
  - Bill.com
  - Intacct
  - Tallie

Robin Gauthier



Vashdie Rogers



# Questions



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