



Recharge 2021

BerryDunn's Annual Not-For-Profit Educational Event



Industry Outlook – Gain Perspective



DIGITAL TRANSFORMATION

TECHNOLOGY **PANDEMIC**

WORKFORCE CYBERSECURITY

PERSEVERANCE **WFH**

ADAPTING **UNPRECEDENTED**

RESILIENCE SUSTAINABILITY

CHANGE MANAGEMENT **CHALLENGE** **HARDSHIP**



Bright Spots

- ▲ Investments recovered
- ▲ Fundraising held strong for many
- ▲ Public recognition of importance of services provided by NFPs
- ▲ Funding – federal and state responses
- ▲ Remote workforce and environment

Objective & Agenda

Gain an understanding of the current state of the NFP industry

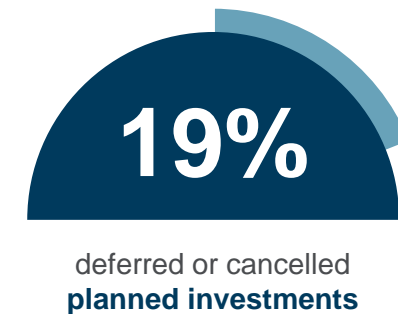
- ▲ **1** COVID-19 Response, Impact, and Ripple Effects
- ▲ **2** Financial Sustainability and Funding Stability
- ▲ **3** Cybersecurity and Digital Transformation – Risks and Opportunities
- ▲ **4** Changing Workplace and Workforce



Portions of this presentation are excerpted from the 2020 BDO Nonprofit Standards Benchmarking Survey. BerryDunn is a BDO Alliance member.

Responding to Coronavirus

- ▲ Inability to provide services
- ▲ Postponed or cancelled events
- ▲ Volatile investment performance
- ▲ Limited access to Personal Protective Equipment
- ▲ Limiting or temporarily stopping programs
- ▲ Work from home was necessary
- ▲ Lay-offs/furloughs occurred
- ▲ Projects and planned capital investments were deferred or cancelled



Shifting Focus and Delays



Revenue Expectations at the Onset of the Pandemic

The top three concerns for generating organizational revenue are:

64.10% Cancelled fundraising events

45.15% Loss of funders

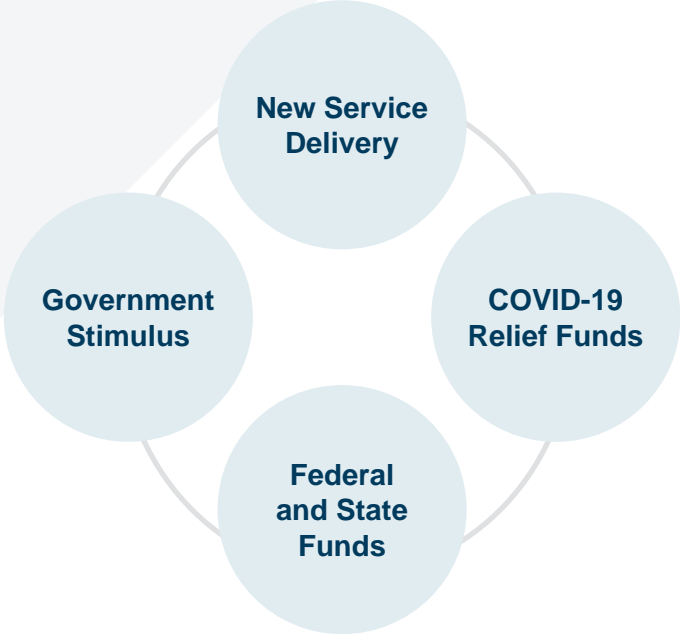
38.46% Challenges meeting funder requirements or grants/contracts with government agencies at risk

Nearly half (48.72%) of leaders who responded anticipate that their nonprofit **planned to meet or exceed their total revenue goal for 2020.**



Revenue Performance Better than Feared but Varies Greatly by Field and Program Model

Bridging the Gap



Charitable Giving

In 2020, charitable giving declined 6% in the first quarter on a year-over-year basis but rebounded in Q2 and Q3, and was estimated to end higher year-over-year with 2019.



Higher Education

Fall 2020 undergraduate enrollment was down 4.4%, while graduate enrollment was up 2.9% compared to fall 2019. Overall, post-secondary enrollment in Fall 2020 was 3.3% lower.



Healthcare

American Hospital Association projected \$323 billion in COVID-19 financial losses in 2020 and, according to Kauffman Hall, in 2021 health systems could collectively lose between \$53 billion - \$122 billion.

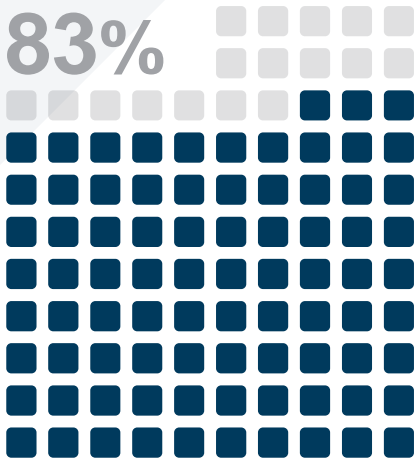


Polling question #1

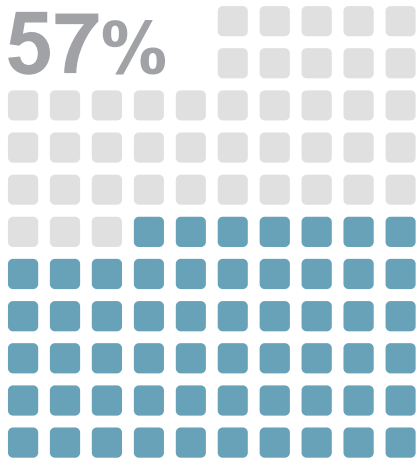


Survey Says - Top Concerns for Your Organization

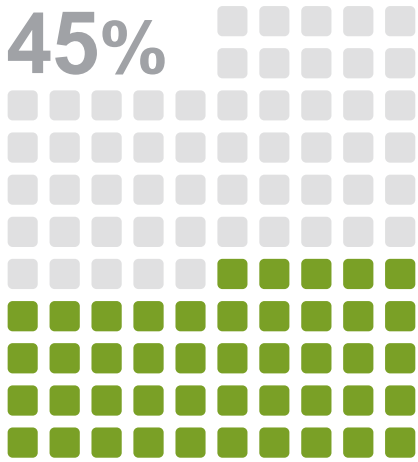
Financial Stability



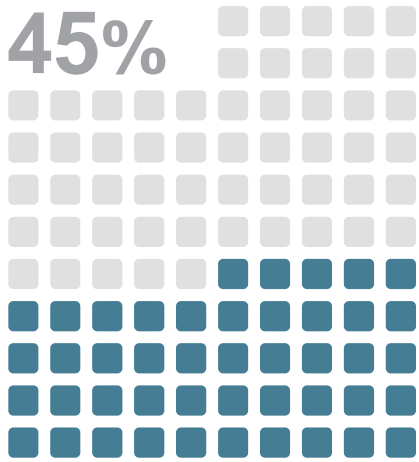
Remote Workforce



Cybersecurity



Gov't Funding



Attributes of Profitable Organizations

Varied Funding Sources and Investments

- Strong community support
- Fee for service is a smaller percentage of funding mix
- Less aggressive investment

Understanding Their Indirect Costs

66% have developed well thought out, and consistent, standardized policy on cost allocation/categorization

Prioritize Technology

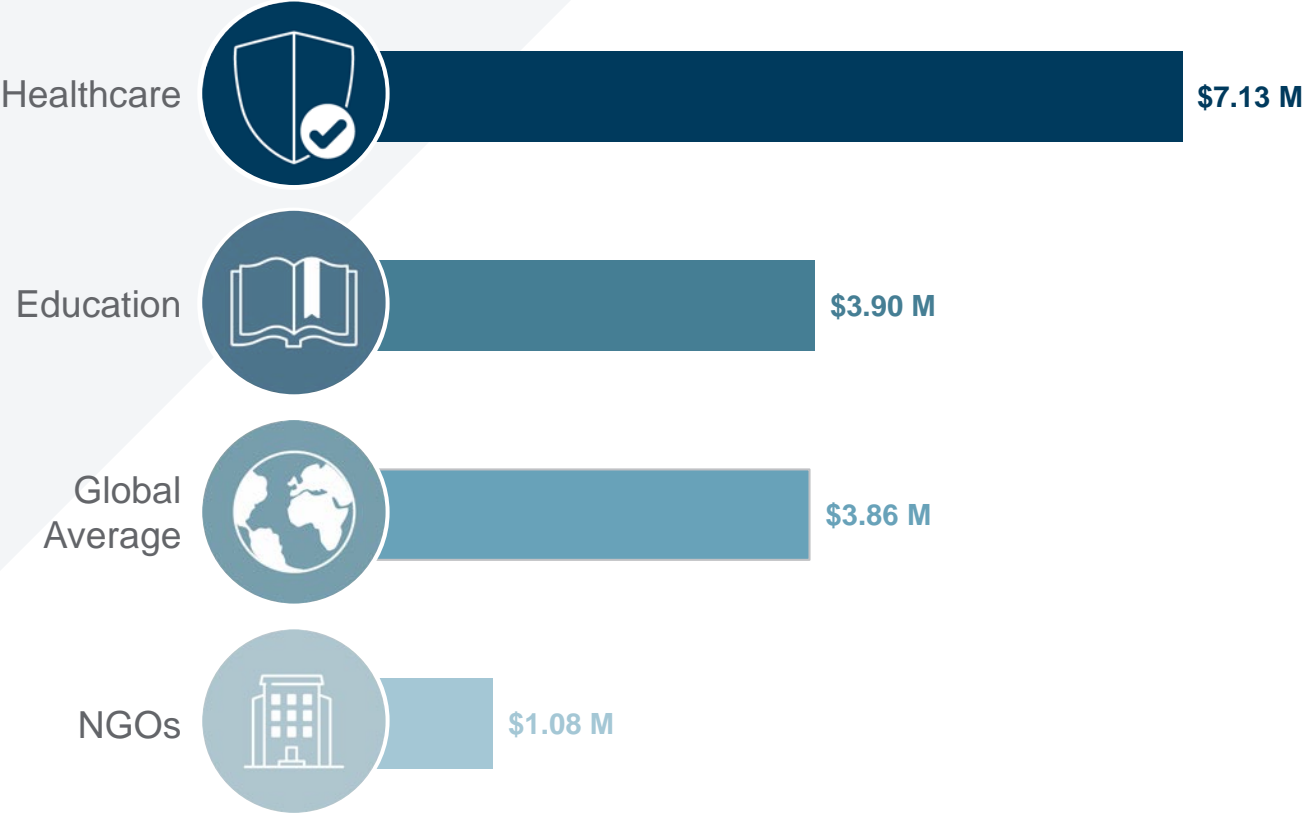
- **70%** of this top category are investing in new technology this year
- **25%** say investing in technology is their #1 priority

Balance Mission and Finances

- Have cash reserves of over 6 months
- Spend **80%** or more on program related activities
- Measure program profitability as well as outcome



Cybersecurity – Costs of a Data Breach



280 days

Average time to identify and contain a data breach

39%

Average share of data breach costs incurred more than a year after the data breach

Public sector and other NGO organizations traditionally have the lowest cost of a data breach. However, they the **highest frequency of data breaches caused by human error.**

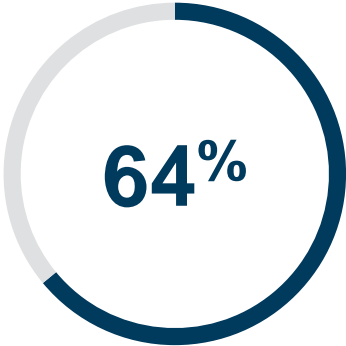


Source: IBM's 2020 Cost of a Data Breach Report

Technology – Opportunities and Spending Trends

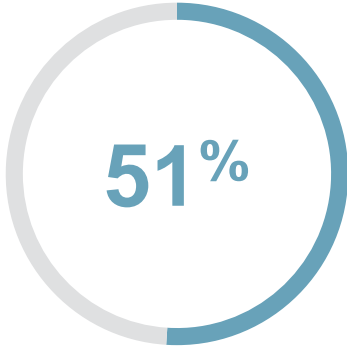


said that technology limitations restricted their ability to respond to COVID-19



are planning to invest in new technologies this year, prioritizing:

- Improving operations efficiency
- Improving delivery of programs and services



said cybersecurity is a high/moderate challenge



Trends in the Workforce – People



The compassionate leader

The call for compassion doesn't end with the crisis.



The socially conscious employee

For these employees, purpose outshines personal profit.



The diversity imperative

Diversity in the workplace gains new urgency.



The skills disruption

44% of today's core job skills will change by 2025.*

*World Economic Forum

Trends in the Workforce – Places

1

The Remote Office

Remote work is normalized, but the physical office isn't going away

2

The New Office Footprint

Space utilization changes and costs will shrink office footprints

3

The Smart Office

Prioritization of health and safety inspires the next office innovations

4

The Employee Experience

An exceptional workplace experience is a competitive advantage



Polling question #2



Trends in the Workforce – Productivity

The net impact of the pandemic on productivity is unclear. On the one hand, more homeworking and greater use of digital solutions should have yielded new efficiencies. On the other hand, pandemic-related stress and inevitable distractions at home have inhibited employee output.



The digital leap



Reimagining how work gets done



Employee analytics



Flexible resourcing

National NFP Survey Pre-COVID-19 vs. Post-COVID-19

2019 Survey Top Challenges

1. Variability in revenue/funding
2. Investing in technology
3. Stresses of increased regulation
4. Recruitment and retention

2020 Survey Top Challenges

1. Variability in revenue/funding
2. Recruitment and retention
3. Investing in technology
4. Potential economic slowdown



A Look Ahead

- ▲ Clarity on COVID-19 relief funding requirements
- ▲ Return to work/hybrid workforce
- ▲ Evaluating physical space needs
- ▲ Compliance audits
- ▲ Diversity, equity, and inclusion
- ▲ Retention and recruiting
- ▲ Accounting, tax and employee benefit perspectives
- ▲ Organizational controls and safeguards



Takeaways

- ▲ COVID-19 has changed the way non-profits do business
- ▲ Financial sustainability and stability remains a concern
- ▲ Heightened focus on technology and cybersecurity
- ▲ Workforce trends are changing

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