



Recharge 2022

BerryDunn's Annual Not-For-Profit Educational Event



Industry Outlook

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DIGITAL TRANSFORMATION

TECHNOLOGY **PANDEMIC**

WORKFORCE CYBERSECURITY

PERSEVERANCE **WFH**

ADAPTING **UNPRECEDENTED**

RESILIENCE SUSTAINABILITY

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



Learning objectives



- ▲ Gain an understanding of the current state of the NFP industry



Agenda

- ▲ **1** State of the Industry and Outlook
- ▲ **2** Trends – Cybersecurity & Digital Transformation
- ▲ **3** Trends – People & Culture

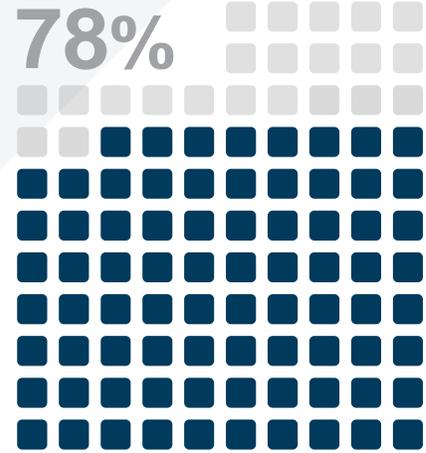


Portions of this presentation are excerpted from the BDO Nonprofit Standards Benchmarking Survey. BerryDunn is a BDO Alliance member.

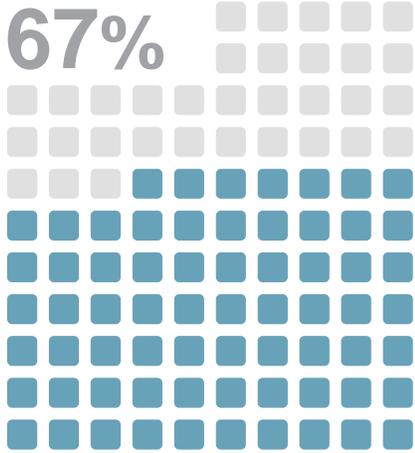


Survey Says - Top Concerns for Your Organization

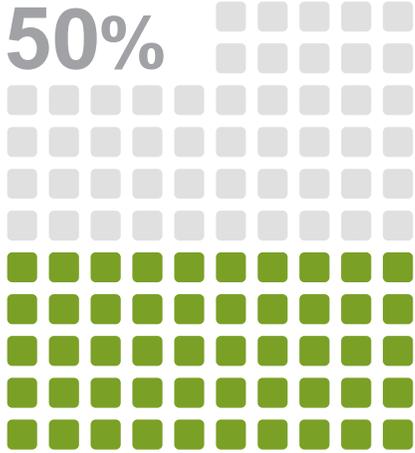
Employee Retention



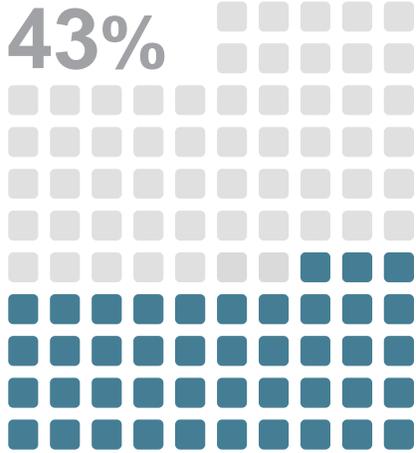
Financial Stability



Cybersecurity



Gov't Funding





State of the Industry

Challenges

Nonprofits have been contending with unprecedented challenges. For some, this has meant balancing an increase in demand with volatility in revenue or funding.



36%

of organizations experienced increased demand



54%

of organizations said they canceled fundraising events



45%

of organizations said they experienced decreased revenue or funding





State of the Industry

Positive Developments

While the pandemic's toll on health and the economy has been massive, disruption can drive positive change.

As a result of the pandemic:



Nonprofits should reflect on the pivots they made during the pandemic and continue to build upon what is working well.



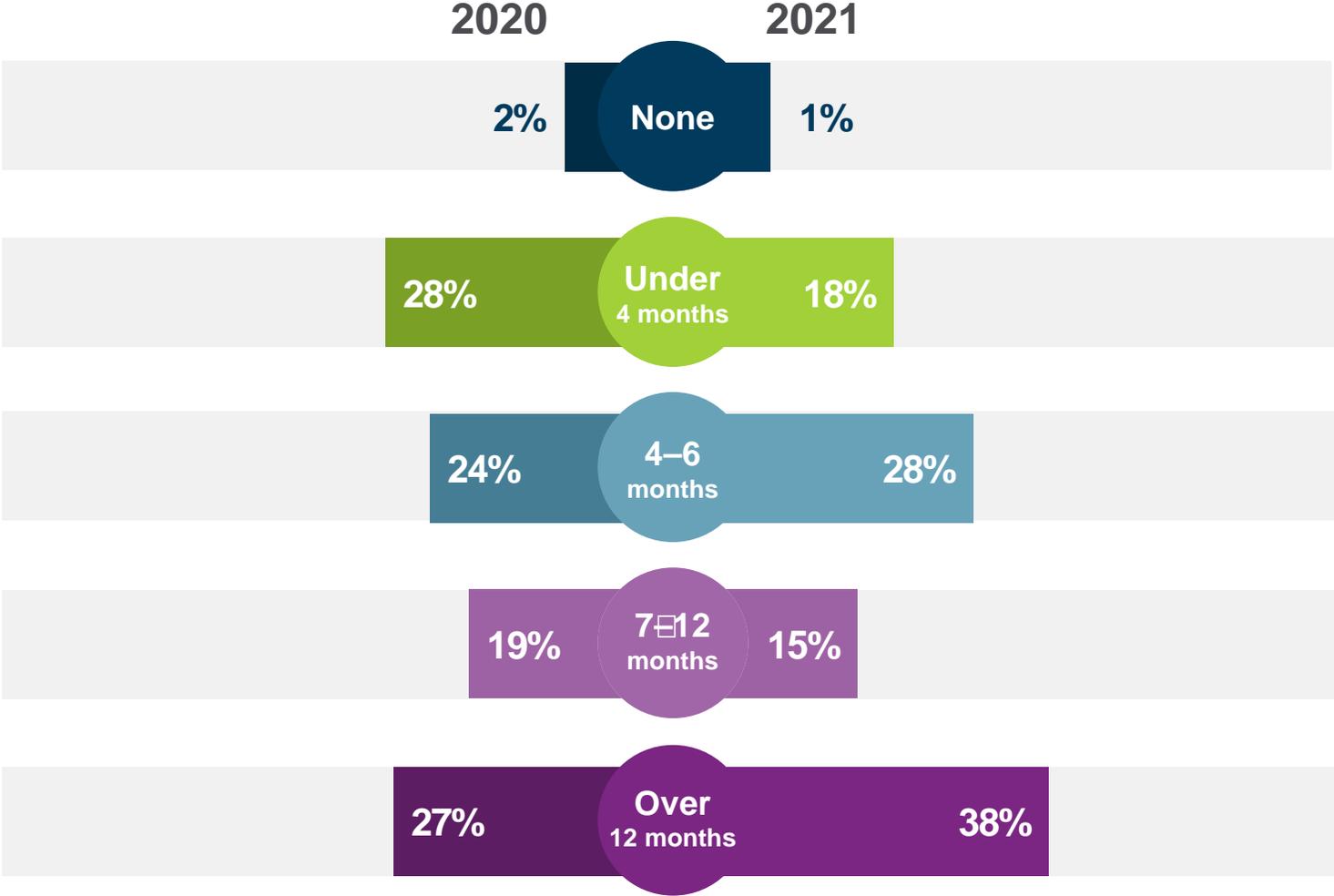


State of the Industry

Liquidity

The past year has only amplified how essential it is for organizations to have financial flexibility in times of economic uncertainty.

How many months of operating reserves does your organization currently maintain?



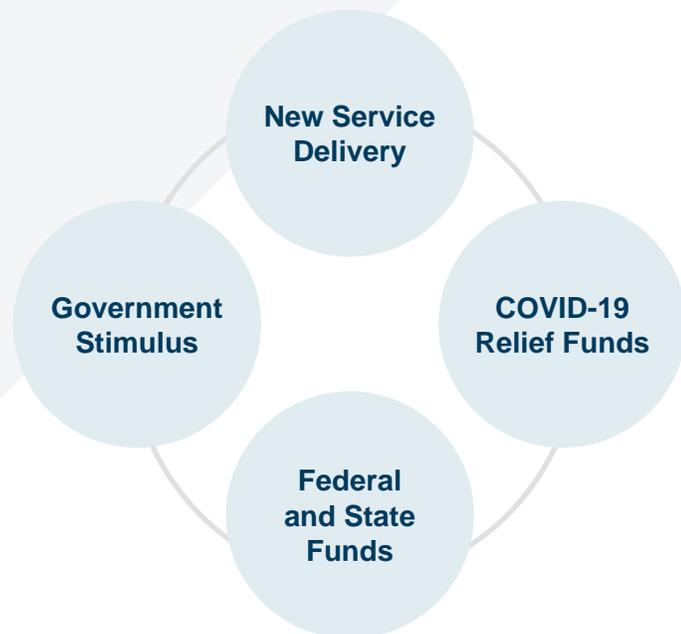
While there's no singular benchmark that applies to all nonprofits, it's best practice to maintain liquid, unrestricted net assets to cover six months of operating costs.



State of the Industry

Sector performance varies greatly

Bridging the Gap



Charitable Giving

In 2021, charitable giving increased 9%, representing a three-year increase of 19%. In addition, online giving grew 9% in 2021, representing a three-year increase of 42% according to research by the Blackbaud Institute.



Higher Education

Postsecondary enrollment for Spring 2022 fell 4.1% year over year. Postsecondary institutions have lost nearly 1.3 million students since spring 2020, according to data from the National Student Clearinghouse.



Healthcare

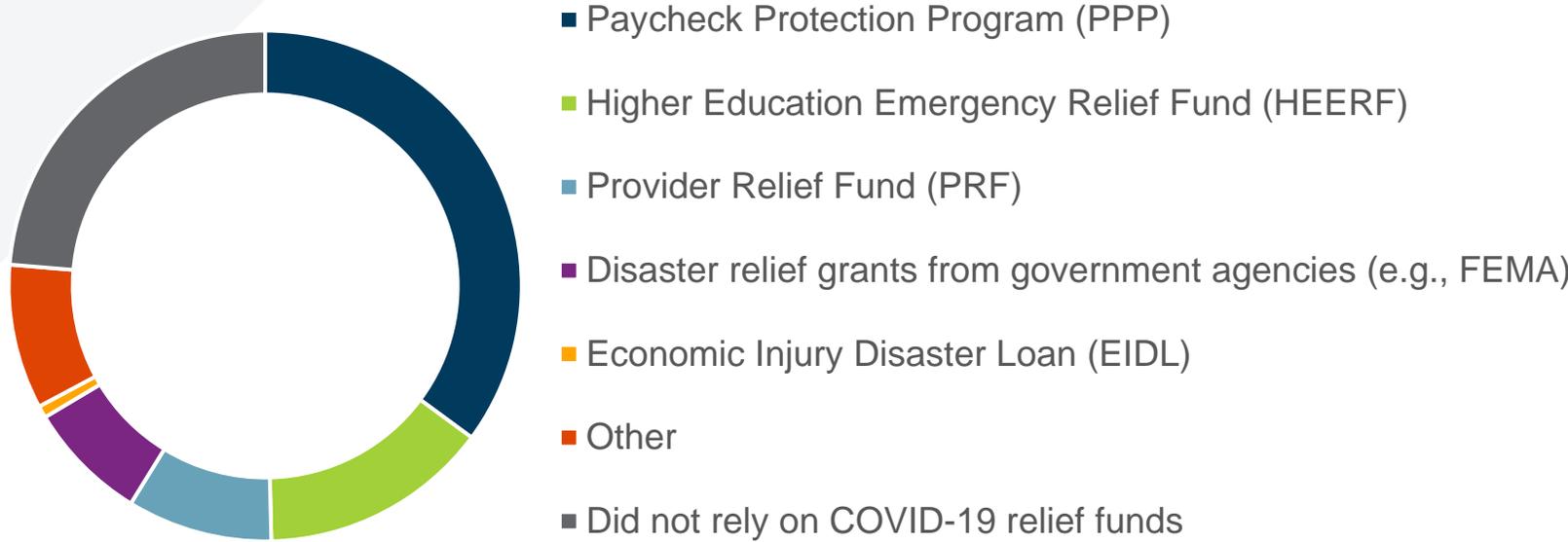
Median operating margins for hospitals fell from 5.6% to -1.4% between December 2021 and March 2022 driven by shortage of health care workers—according to a recent Kaufman Hall report.



State of the Industry

Compliance landscape

69% of organizations surveyed relied on COVID-19 relief funding. As a result of COVID-19, many organizations applied for and received federal funds for the first time, which may have triggered the Single Audit requirement.



54%

More than half of nonprofits surveyed indicated that the time and effort required will represent a high or moderate challenge over the next year.



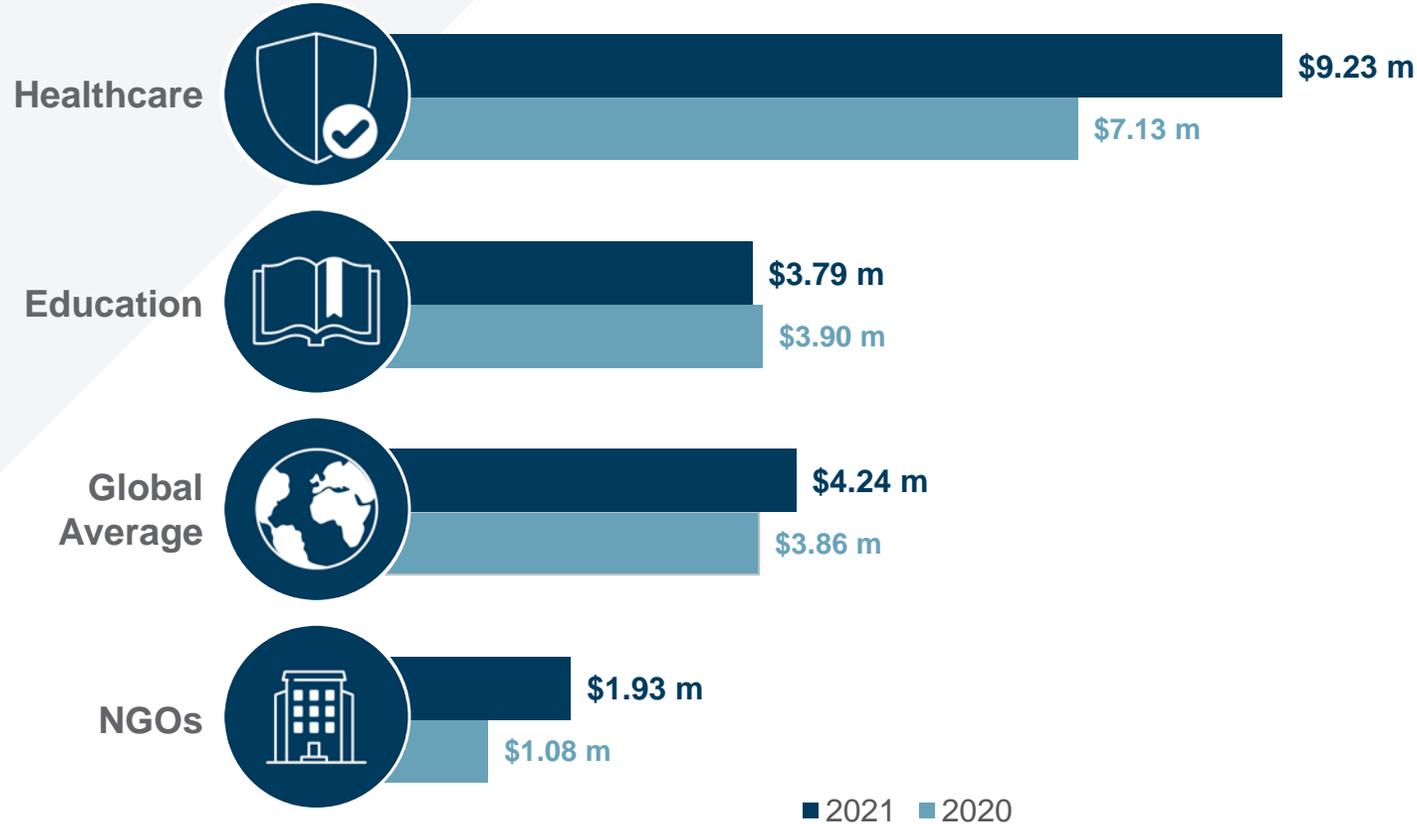


Polling question #1



Industry Trends

Cybersecurity – Costs of a Data Breach



287 days

Average time to identify and contain a data breach.

\$1.07m

Increase in cost per breach where remote work was a factor in causing the breach, indicating remote working due to the COVID-19 pandemic increased the average total cost of a 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 2021 Cost of a Data Breach Report



Industry Trends

Optimizing Technology



Digital transformation / accelerated investments in technology



Automating operations



Increased spending on IT



Cybersecurity concerns



Nonprofits need to find a way to balance using technology to help improve efficiencies and program delivery while also ensuring they protect their organizations against any bad actors.





Industry Trends

People & Culture

The Great Resignation

- ▲ 47% of organizations surveyed reported decreased morale as a result of COVID-19

Employee Retention

- ▲ 37% of organizations surveyed perceive that staff retention and employee morale/organizational culture is one of the biggest challenges they'll face over the next 12 months
- ▲ 1/4 of survey respondents (26%) noted that staffing retention and recruitment are their highest priority over the next 12 months



Clear and consistent two-way communication and employee engagement are key.

Industry Trends

People & Culture

Salary Increases

- ▲ In a recent national survey, **2022 compensation budgets were averaging 3.8%** for nonprofits, however, among those recently updated, compensation budgets are increased to an **average 4.4% for nonprofits**.
- ▲ Last time **salary increase budgets were more than 4% was in 2001**, and the last time they were **5% or more was in 1991**.
- ▲ For the last decade, **budgets for merit increases have hovered around 3%**. For nonprofits, this may be a significant shock for their 2022 budgets, as a 4.4% **budget increase is 47%** higher compared to the previously standard 3% budget.



Tips

- ▲ Continue to explore relief funding opportunities
- ▲ Identify personnel that are mission-critical and top performers
- ▲ Consider mid-year assessment to determine whether a second pay adjustment is needed and can be supported if increasing budgets at one time is not feasible
- ▲ Consider the impacts on employees most impacted by inflation, such as lower wage employees



Polling question #2





Industry Trends

Workforce strategies



The benefits of increasing morale

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



The socially conscious employee

For some employees, purpose outshines personal profit.



The hybrid working environment

Understanding what work should be done remotely.



The skills disruption

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

*World Economic Forum



Takeaways

- ▲ COVID-19 has changed the way nonprofits do business
- ▲ Financial sustainability and stability remains a concern but varies greatly by sector
- ▲ Optimizing technology and cybersecurity while minimizing risk
- ▲ Our people, workplaces, and productivity measures are changing rapidly

Thank you

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