



# 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

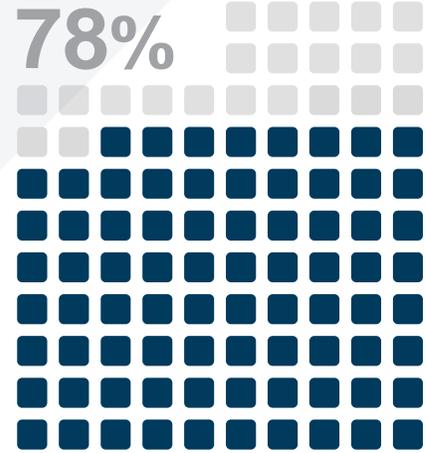


Portions of this presentation are excerpted from the BDO Nonprofit Standards Benchmarking Survey. BerryDunn is a BDO Alliance member.

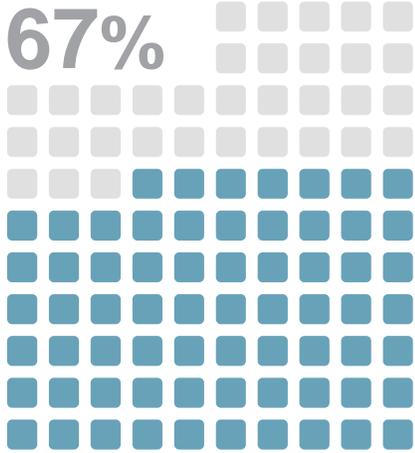


# Survey Says - Top Concerns for Your Organization

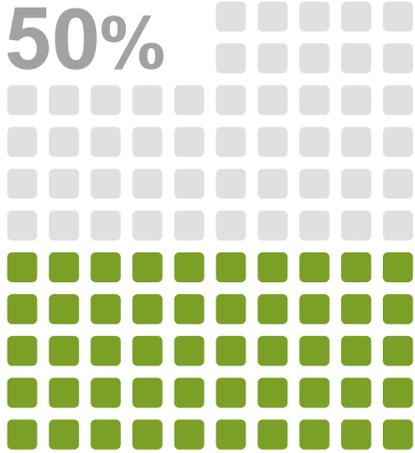
Employee Retention



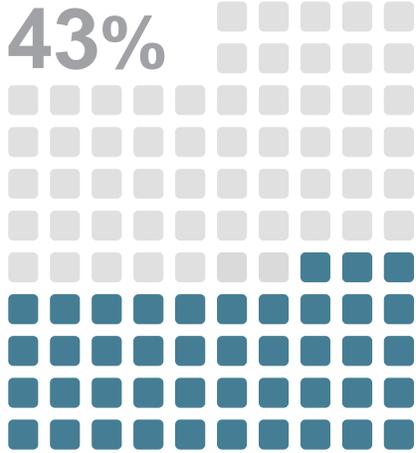
Financial Stability



Cybersecurity



Gov't Funding





# State of the Industry

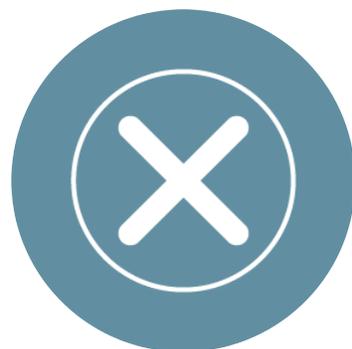
## Challenges

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



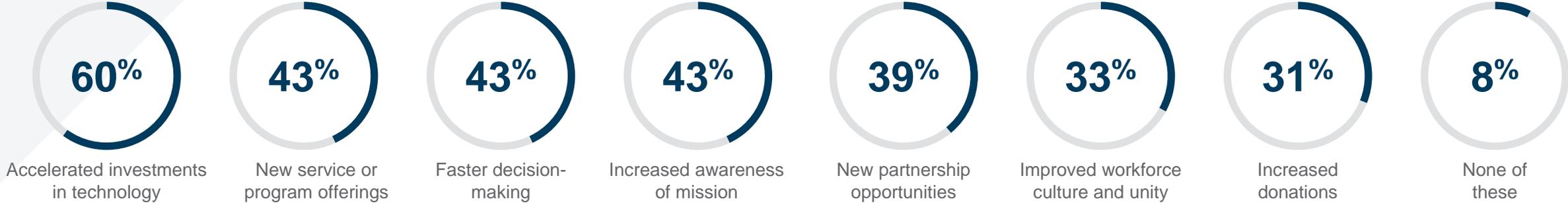


# State of the Industry

## 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.



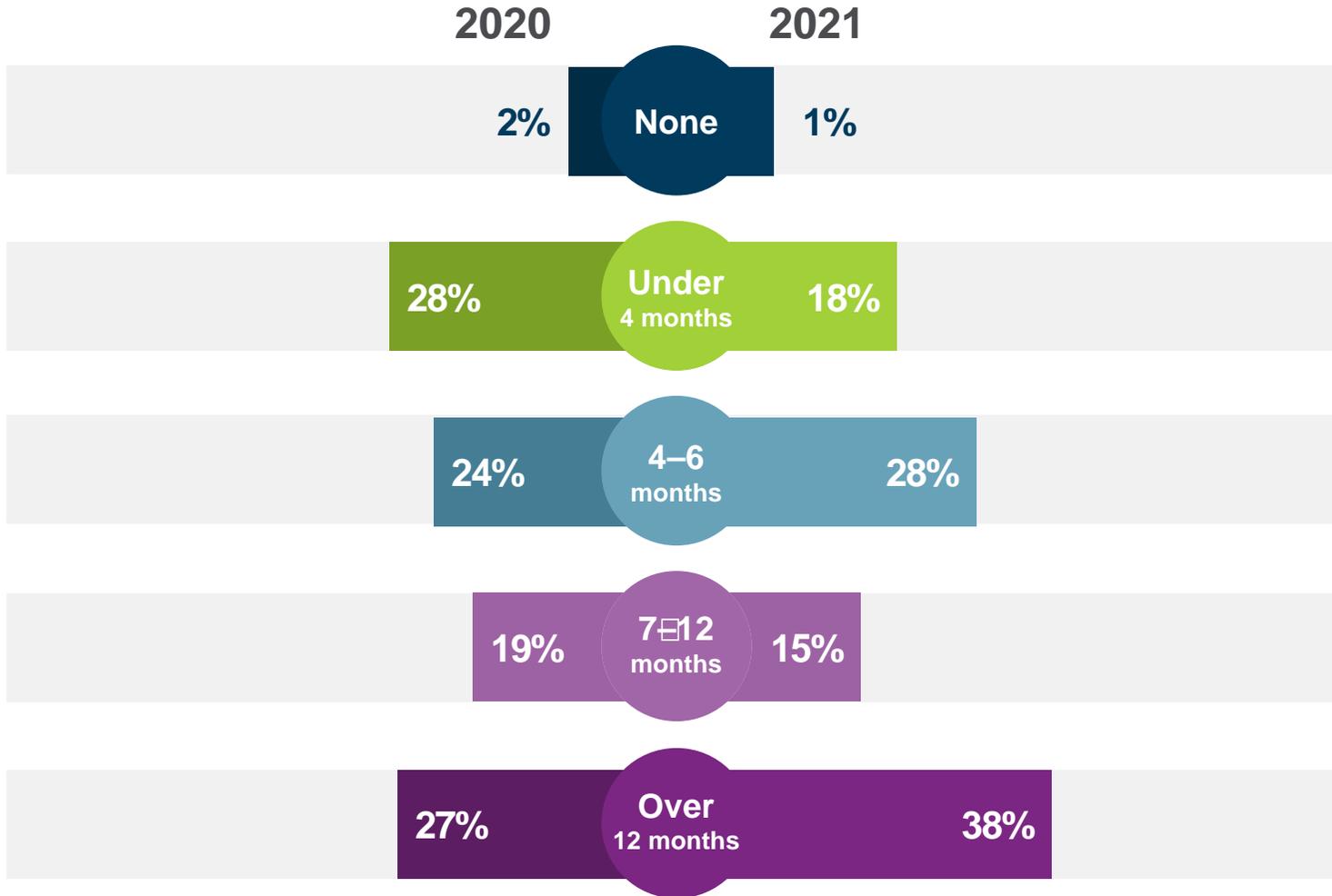


# State of the Industry

## 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.

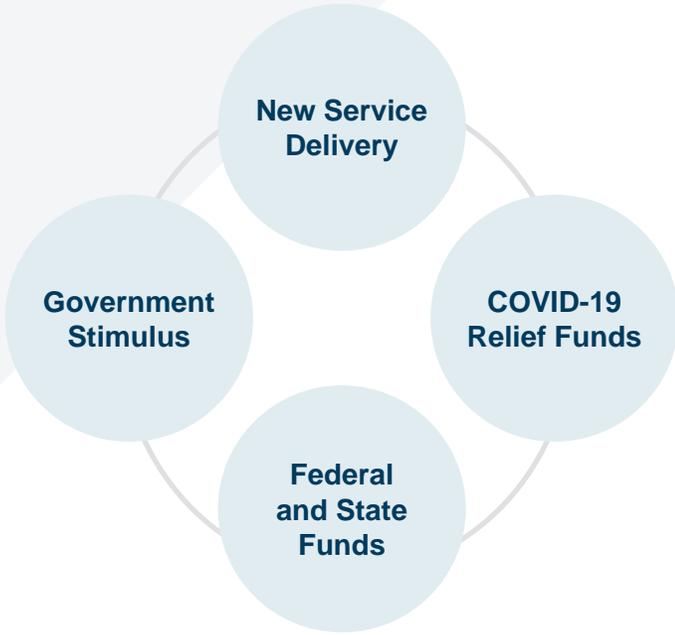




# State of the Industry

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.

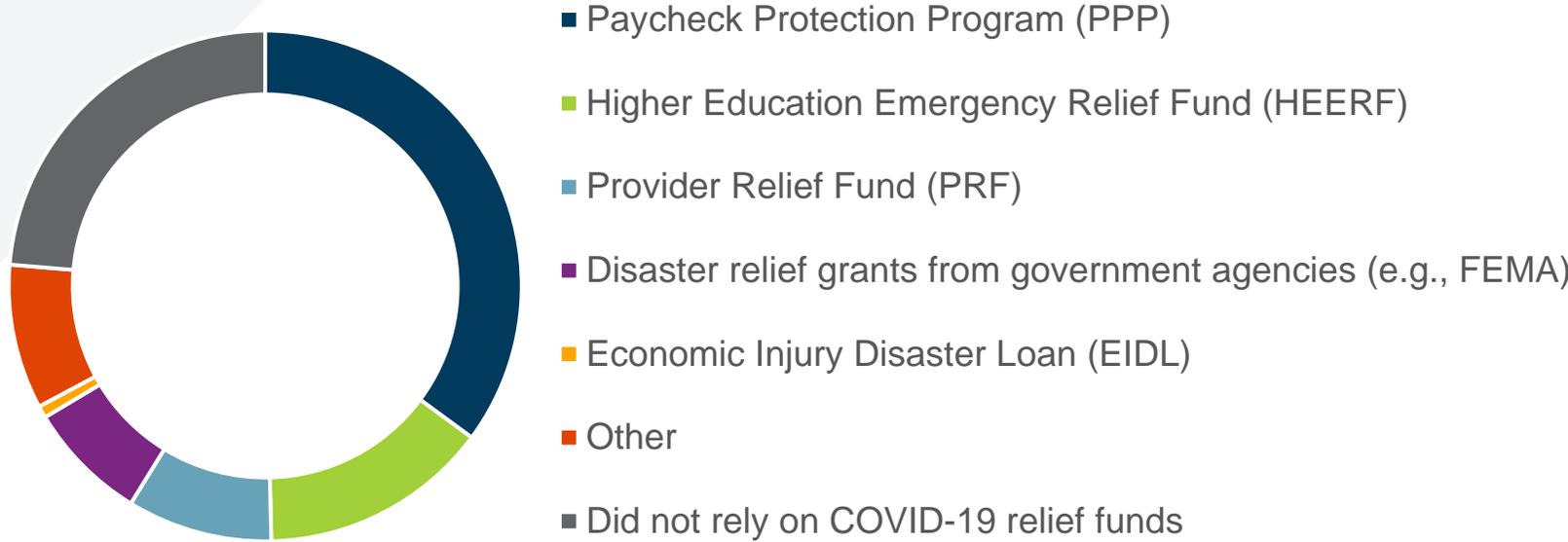




# State of the Industry

## 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.



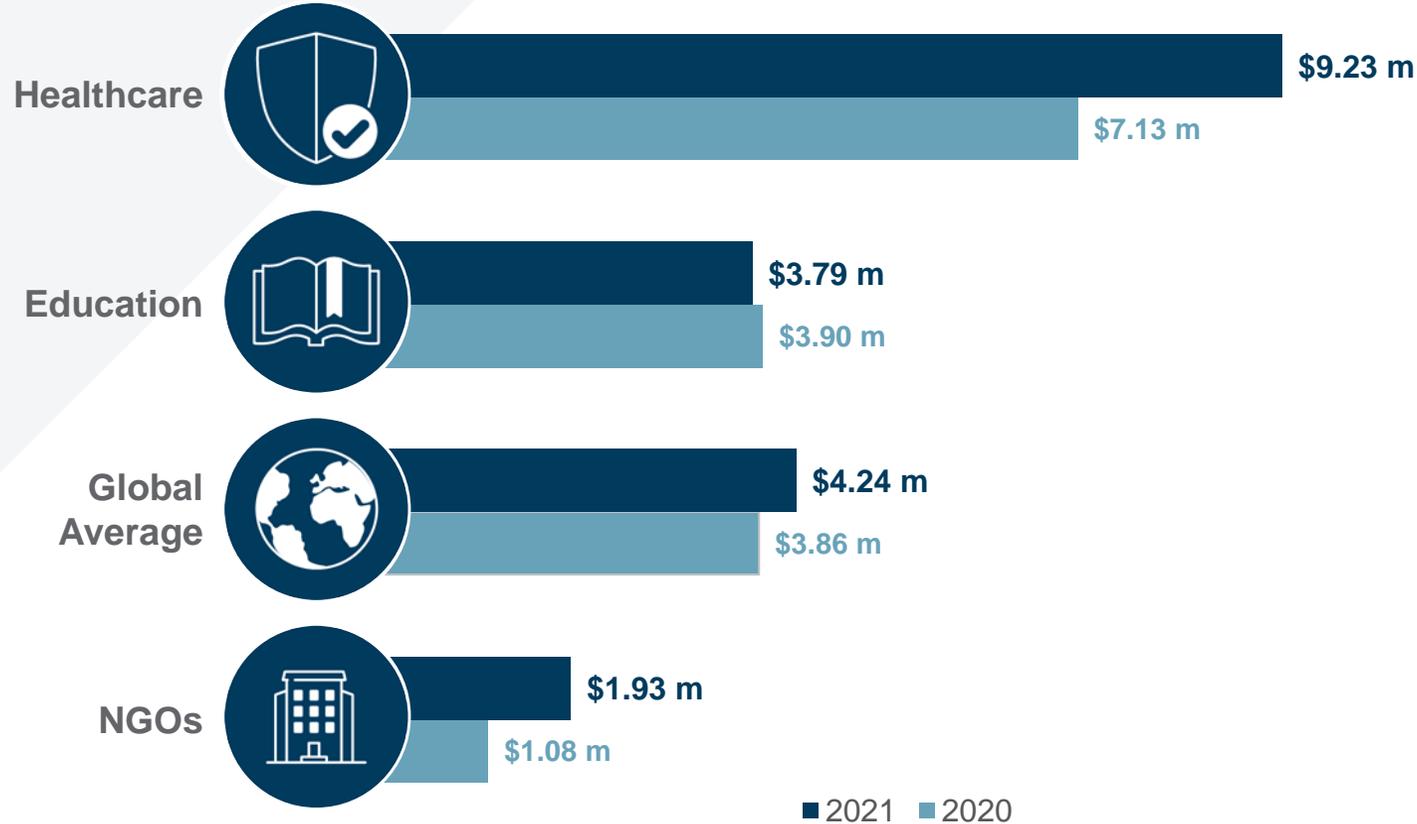


# Polling question #1



# 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

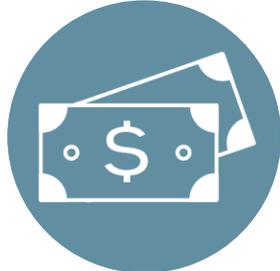
## Optimizing Technology



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
- ▲ ¼ 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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