



Leading Your Nonprofit to Success in 2023: Industry Insights

Emily Parker | Chris Mouradian

Presenters



Emily Parker
Principal | CPA



Chris Mouradian
Senior Manager | CPA



Agenda

- ▲ **01** State of the Industry
- ▲ **02** Financial Health
- ▲ **03** Industry Trends and Strategies



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

Learning objectives



- ▲ Gain an understanding of the current state and future trends of the NFP industry

Introduction

RESILIENCE
TECHNOLOGY **PLANNING**
WORKFORCE CYBERSECURITY
RISK MANAGEMENT TAX
ADAPTING **STRATEGIC**
INFLATION SUSTAINABILITY
OPERATIONAL CHANGE **CHALLENGE** DEI

Polling question #1



Current Challenges Facing Nonprofits



Inflation



Waning funding



Employment/
labor market
pressure



Economic
uncertainty

State of the Industry

Nonprofits in the U.S.

There are approximately **1.8 million nonprofits** in the United States

Of 1.8 million nonprofits in the US, **40% are churches, schools, and foundations**

There are **1.5 million 501(c)(3) organizations** in the United States



State of the Industry

Challenges - Inflation

In response to inflation:



65%

of organizations increased wages/salaries



54%

of organizations engaged in operational efficiency projects



52%

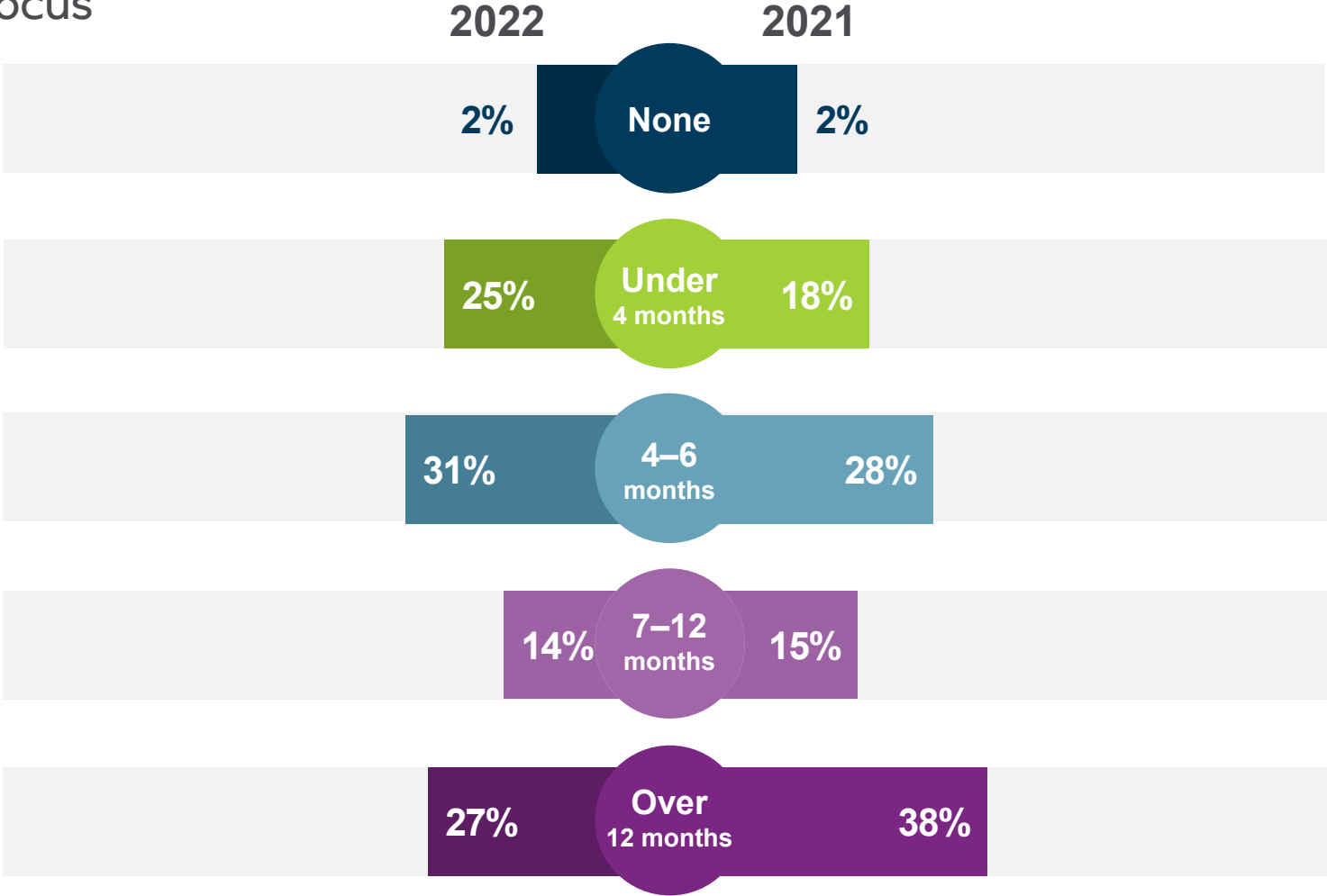
of organizations sought new funding

State of the Industry

Waning Funding – Increased Liquidity Focus

As COVID-19 funding wanes, additional focus is placed on liquidity.

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





State of the Industry

Challenges – Labor Market

- ▲ Evolving employment legislation
- ▲ Remote work
- ▲ DEIBA



State of the Industry

Challenges – Economic Uncertainty

- ▲ End of the COVID-19 PHE declaration
- ▲ Increased need for services
 - Hunger cliff
 - Affordable housing
- ▲ Investment volatility

State of the Industry

Sector performance varies greatly



Charitable Giving

Giving with trust—increased understanding of the need for unrestricted support.



Higher Education

Fall undergraduate enrollment began to stabilize in 2022. Postsecondary enrollment is slower to correct, according to data from the National Student Clearinghouse.

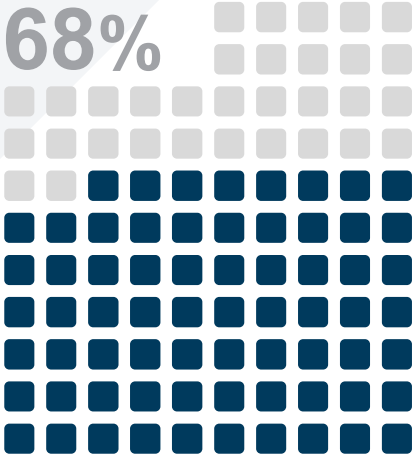


Healthcare

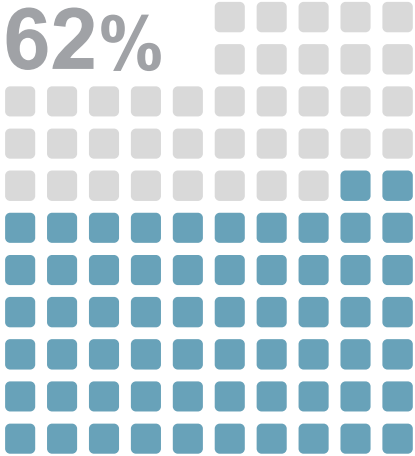
Median operating margins for hospitals were negative during each month in 2022, with the exception of December 2022, when they grew by 0.2%.

Survey Says - Top Concerns for Your Organization

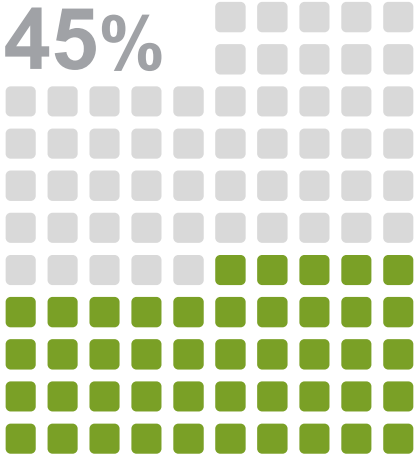
Employee Retention



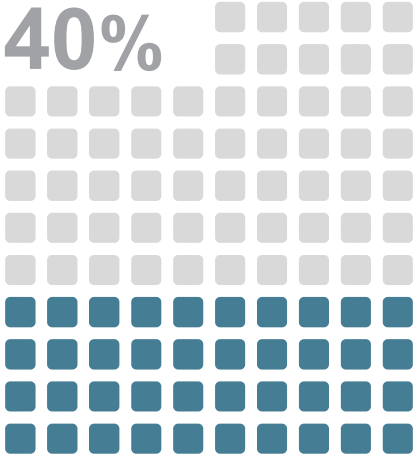
Financial Stability



Economic Stability



Gov't Funding

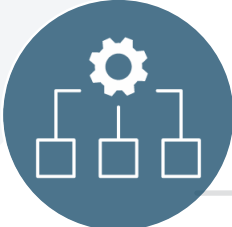


Financial Health

Trends and Strategies



Focus on people retention



Operational efficiencies



Mission and the future



Negotiating indirect costs with funders



Strengthening organizational development



Revenue diversification



Dashboard development and data analysis



Addressing rising costs



Polling question #2



Workforce

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



Workforce

People and Culture Trends

- ▲ Post-Great Resignation era
 - Effectively recruiting and retaining staff in a disruptive environment
- ▲ Critical elements for retaining staff during disruption:
 - Culture
 - Communication
 - Professional Development
 - Compensation
 - Benefits



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

Mission and the Future



Enhancing board member skills



Assessing and filling board gaps



Board onboarding and ongoing education



Demonstrating impact and benchmarking

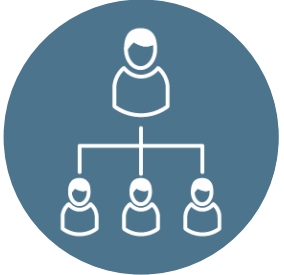


Regularly assessing board strengths and weaknesses allows a nonprofit to proactively address any deficiencies.

Technology, Efficiency, Cybersecurity



Leveraging technology for efficiency and analysis



Outsourcing jobs and responsibilities



Cybersecurity concerns



Business continuity planning



Effective use of technology empowers nonprofits to achieve more with less.

Overall Organizational Development



Succession planning




Coaching and mentoring



Diversity, equity, and inclusion (DEI)



Strategic planning



Coaching and mentoring cultivates an adaptable, growth-oriented team.

Polling question #3



Revenue Diversification and Controlling Expenses



Identifying new revenue streams



Negotiating indirect costs



Addressing rising costs



Flexible budgeting and forecasting



Diversifying revenue streams safeguards the organization against potential financial vulnerabilities.

Takeaways

1

Emerging Financial Concerns: As COVID Relief Funding concludes, maintaining financial stability and sustainability poses challenges.

2

Workforce Trends & Retention: Changing dynamics in workforce trends highlight the persistent issue of employee retention.

3

Revenue Diversification & Efficiency: For sustained financial viability, NFPs must prioritize diversifying revenue streams and enhancing operational efficiencies.

4

Managing Change Fatigue: Active monitoring and management of change fatigue is imperative.



Questions?

Emily Parker

eparker@berrydunn.com

207.991.5182

Chris Mouradian

cmouradian@berrydunn.com

207.541.2274