



RECHARGE
2024

Annual Not-for-Profit Summit



RECHARGE 2024

BerryDunn's Annual Not-for-Profit Event



June 12, 2024

Opening Remarks



Tammy Michaud

Principal | CPA

Leader of BerryDunn's
Not-for-Profit Practice Group

- ▲ As consultants to nonprofits of all sizes throughout the US, our team has a clear understanding of industry best practices to help our clients thrive. We take a team approach to helping nonprofits:
 - Improve organizational operations
 - Comply with federal and state grant requirements
 - Gain insights on governance
- ▲ We share our knowledge of emerging issues in nonprofit accounting, audit, tax, and compliance so our clients have the vital strategic, financial, and operational support necessary to fulfill their missions.





Annual Not-for-Profit Summit



Not-for-Profit Industry Outlook

Presenters: Emily Parker | Katy Balukas



June 12, 2024

Presenters



Emily Parker
Principal | CPA



Katy Balukas
Senior Manager | CPA



Learning objectives



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

Agenda

- ▲ **1** State of the industry and Financial Health
- ▲ **2** Industry trends and strategies



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



Section 1

State of the Industry and
Financial Health

**Financial
Stability**

**Artificial
Intelligence**

**Employee
Benefits**

Overtime

**Organizational
Development**

Fundraising

**Governmental
Funding**

Technology

**Mission
Scope**

ESG



Polling question #1



Not-for-profit current state

Total number of organizations | 1,999,457

	Type of organization, Internal Revenue Code Section	Number of organizations
1	Corporations organized under an Act of Congress	705
2	Title-holding corporations	4,181
3	Religious, charitable, and similar organizations	1,514,558
4	Social wellness organizations	73,467
5	Labor and agriculture organizations	44,478



Not-for-profit current state – financial health

1
Inflation

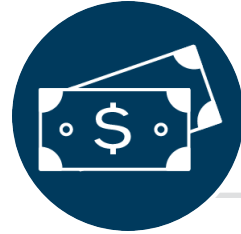
2
GDP

3
Interest rates

4
Fundraising



Current challenges facing nonprofits



Liquidity



Employment issues



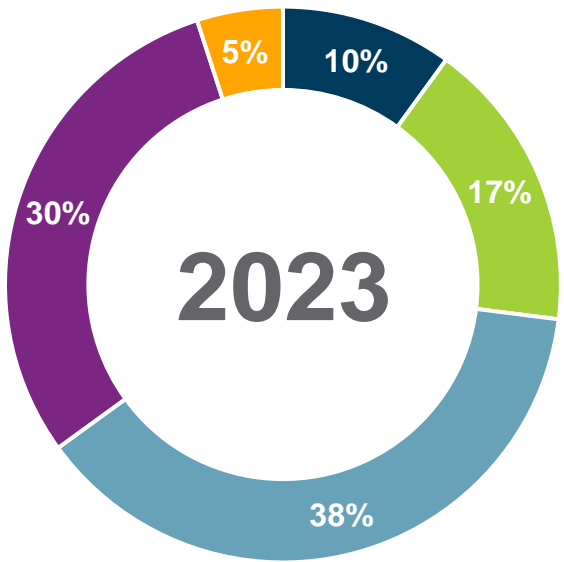
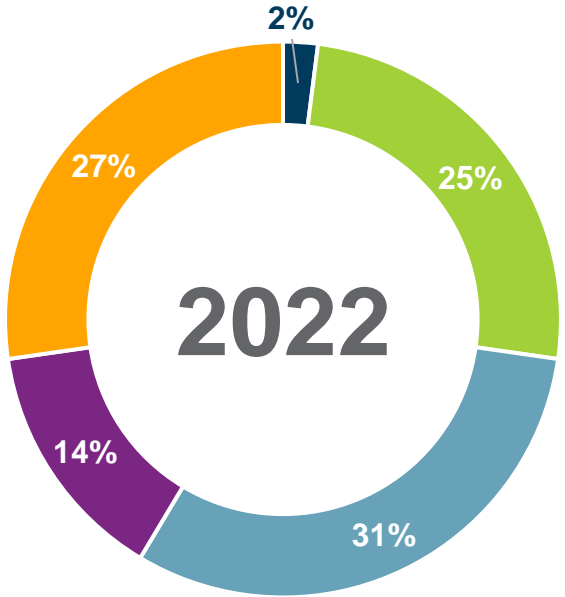
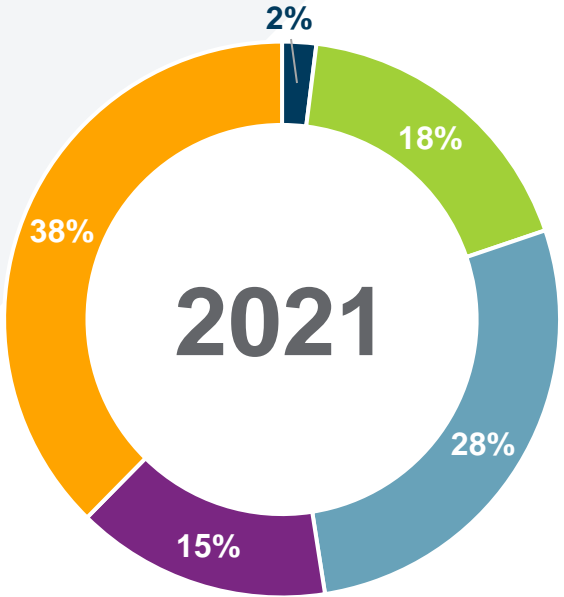
Technology transformation



Organizational development

Challenges – Liquidity

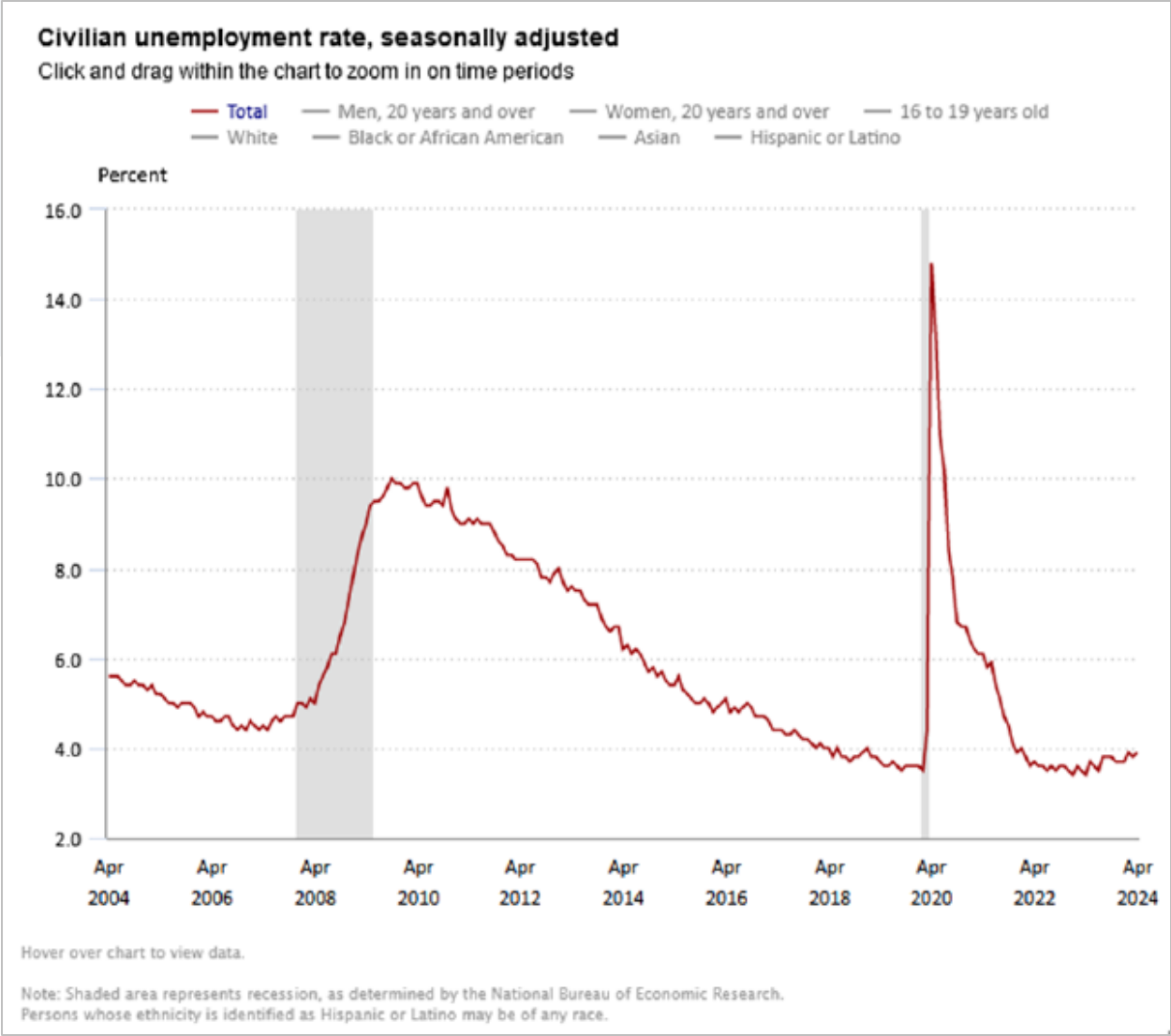
Waning funding – Increased liquidity focus



■ None ■ Under 4 months ■ 4 – 6 months ■ 7 – 12 months ■ Over 12 months



Challenges – Employment



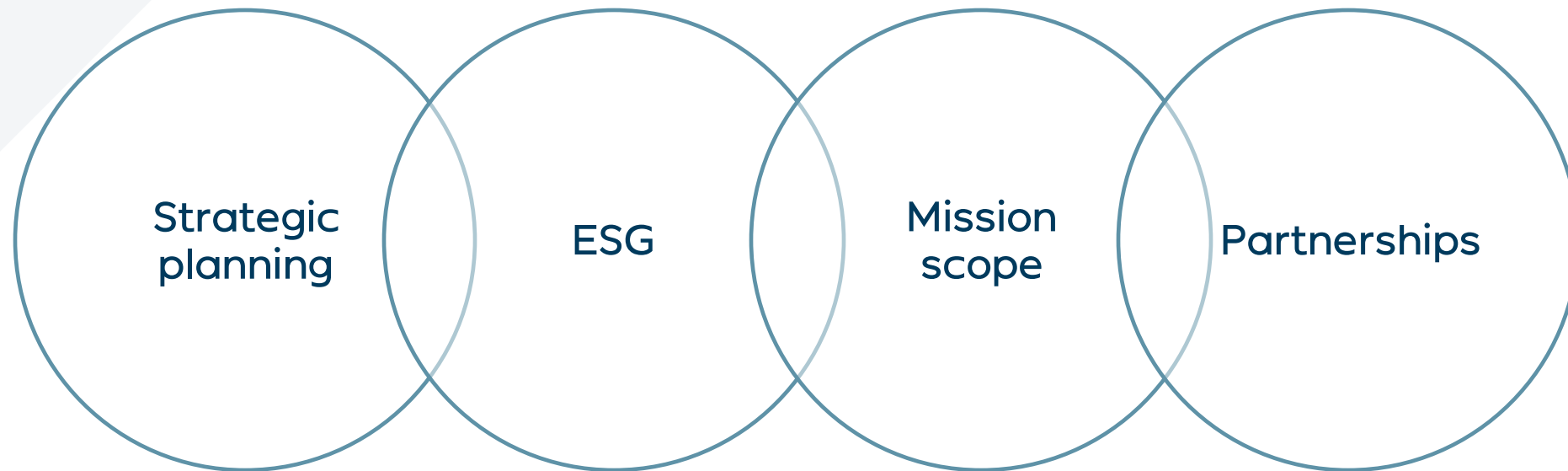
- 1 Vacancies and turnover
- 2 Employee engagement
- 3 Business office expertise



Challenges – Technology transformation



Challenges – Organizational development



State of the industry

Sector performance varies greatly

Charitable Giving

Trending down in certain sectors.

Higher Education

Spring 2024 undergraduate enrollment grew 2.5%.
Demographics continue to point to future enrollment struggles.

Healthcare

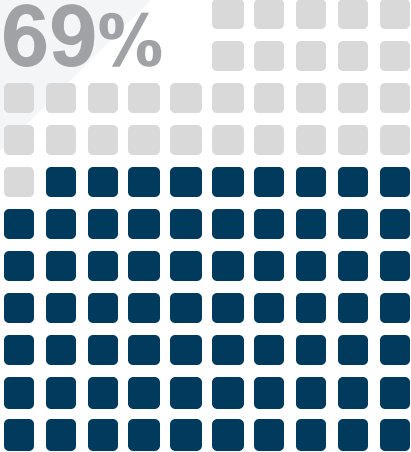
Median operating margins for hospitals are slowly trending higher than 2022.



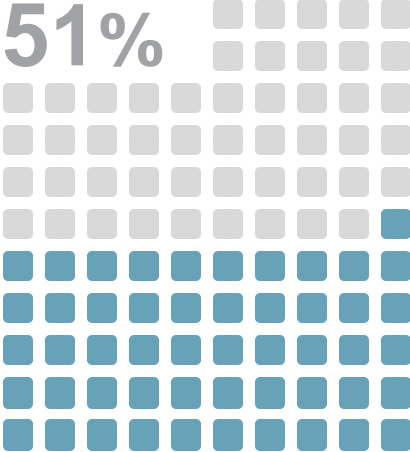
Survey says

Top concerns for your organization

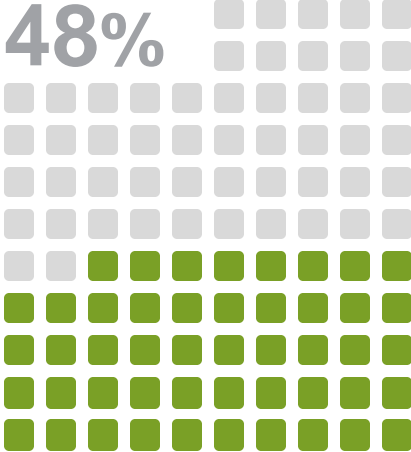
Financial stability



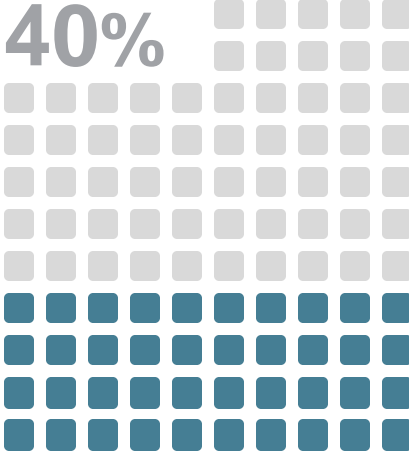
Employment issues



Technology



Organizational development



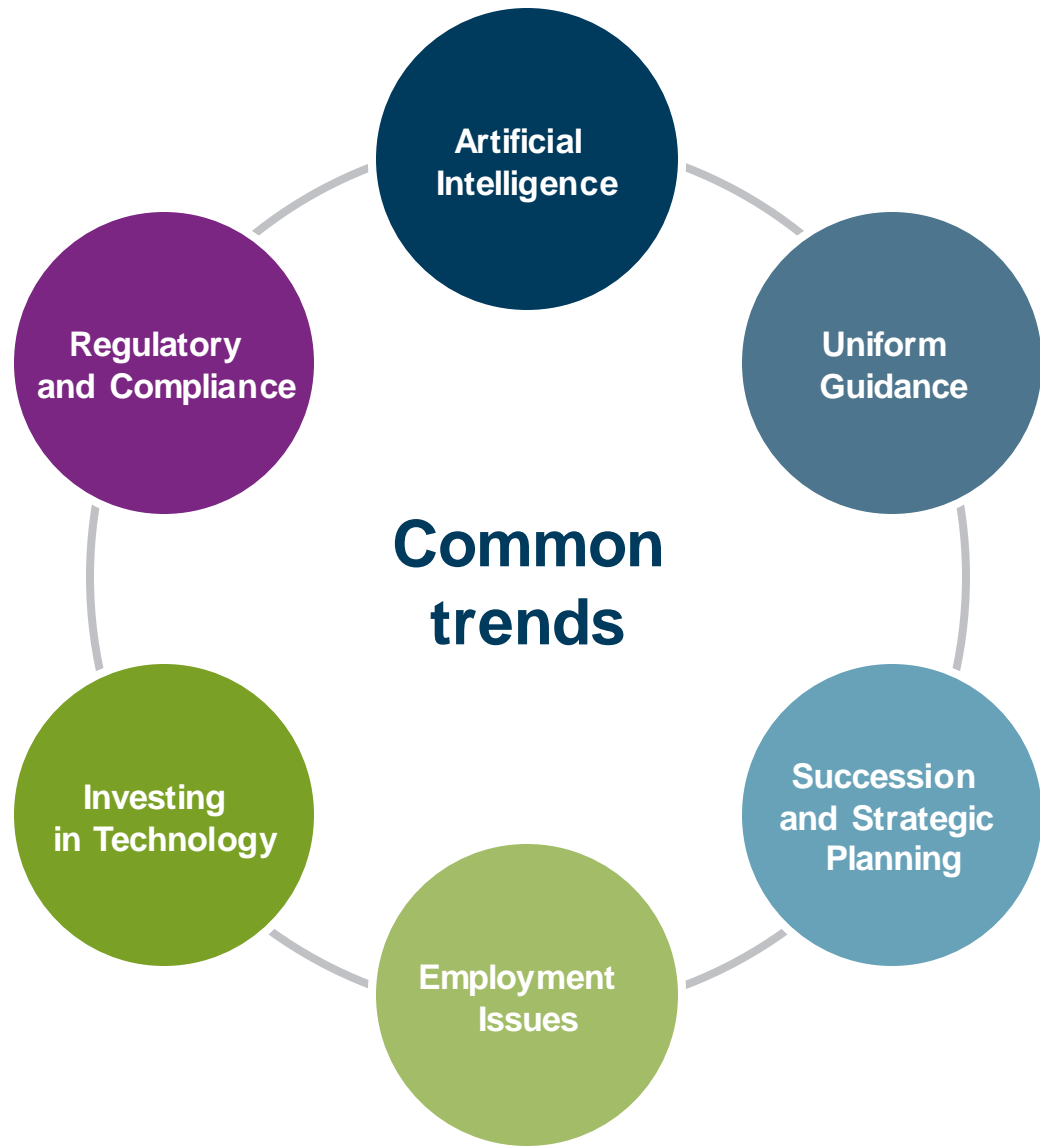
Polling question #2





Section 2

Industry Strategies



Artificial intelligence



Types of AI for business

ChatGPT

Microsoft 365 Copilot



Risks of AI

Bias and discrimination
Privacy and data security
Job displacement

Uniform Guidance

- ▲ **1** Threshold for audit increases from \$750K to \$1M
- ▲ **2** Raises the de minimis indirect cost rate from 10% to 15%
- ▲ **3** Raises equipment and supply threshold from \$5,000 to \$10,000
- ▲ **4** Removes prior written approval for 10 items of cost
- ▲ **5** Modifies and expands many definitions such as period of performance and questioned costs
- ▲ **6** Added requirement related to cybersecurity measures





Succession and strategic planning

- ▲ Upfront planning
- ▲ Maintenance of policies and procedures
- ▲ Discussions surrounding mission and vision
- ▲ Involvement of appropriate stakeholders
- ▲ Include fundraising initiatives

Employment

Pressure on nonprofit organizations with increasing demands for services combined with staffing challenges and restraints

- Per Forvis' 2024 State of the Nonprofit Sector Report:

Based on data from more than 325 nonprofit professionals across the U.S., our report found:



Nearly **three out of four** nonprofits have job vacancies.

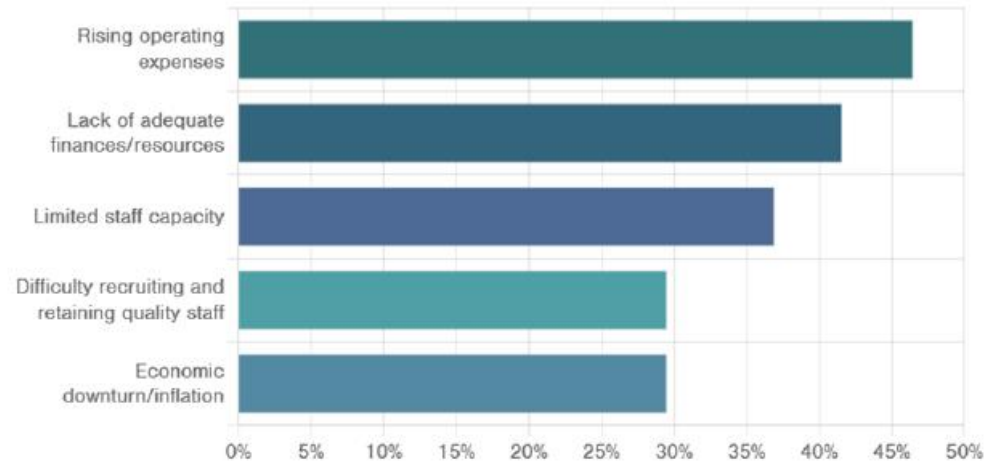


Of survey respondents, **71%** saw an increase in demand for programs and services.



More than **two-thirds** of nonprofits plan to cut programs & services in the next one to two years.

The top 5 challenges nonprofits face:





Regulatory and compliance

▲ Hot topics

- Employees vs. independent contractors
- Unrelated business income
- Reasonable compensation
- Governance

▲ Vacation and sick leave mandates

▲ Exempt vs. non-exempt

- Overtime rules

Technology



Cybersecurity



Digital marketing




ERP System

Polling question #3



Board Governance

Areas for additional training for Board members

- 1 Fundraising documentation and importance of language
 - 2 Net assets with donor restrictions
 - 3 Investments and endowments
 - 4 Differences between internal reporting and audited financial statements
 - 5 Budgeting
- 



Questions?



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Break

Next session:

Accounting Best Practices

Begins at

10:40am

Presenters:



Grant Ballantyne



Mark LaPrade

