



Nonprofit Priorities Benchmark



2019 Nonprofit Outlook Survey Report

WIPFLI^{LLP}
CPAs and Consultants

Introduction

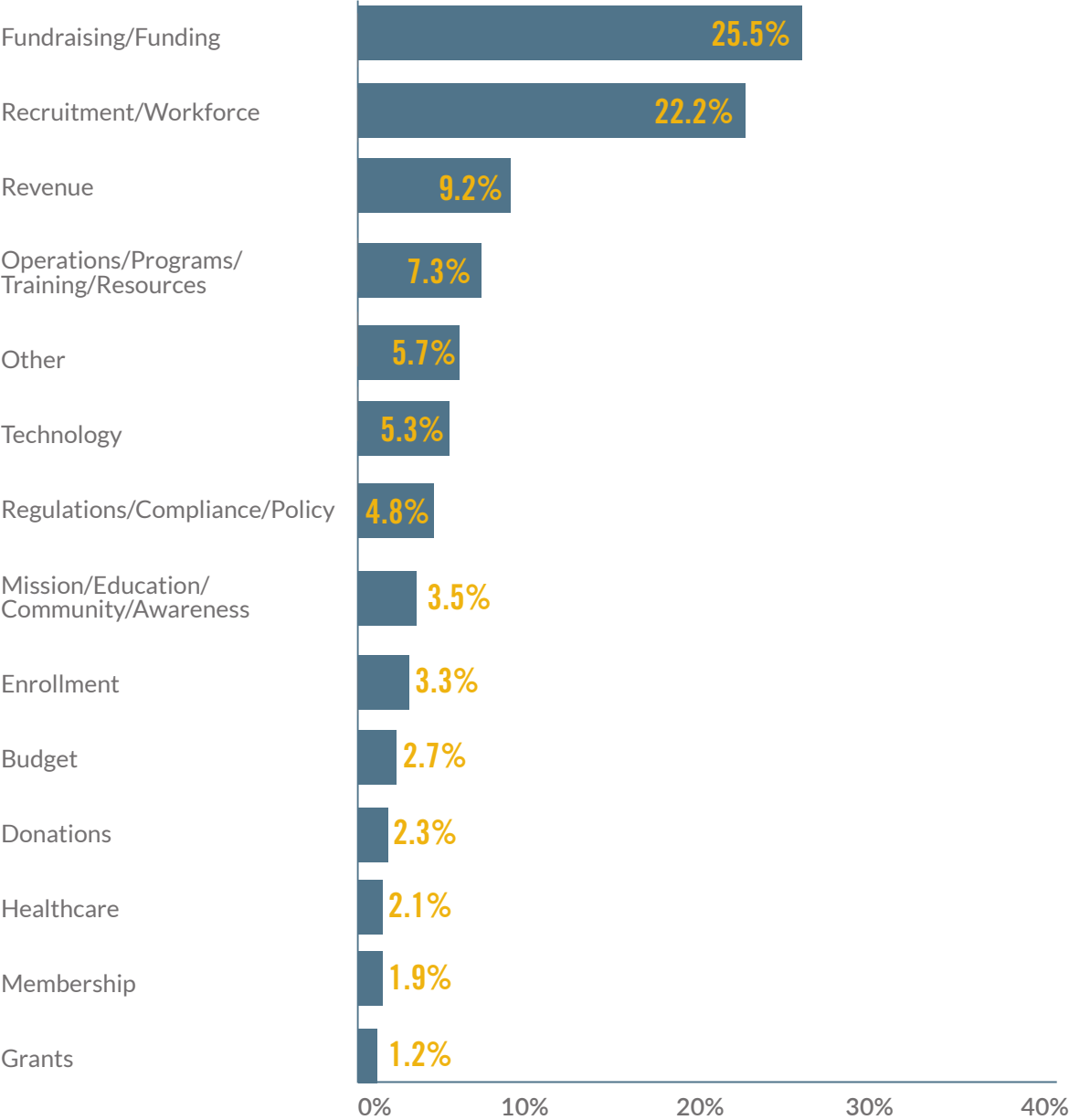
The 2019 Nonprofit Outlook Survey Report, sponsored by Wipfli, was conducted in early 2019. Polling over 700 financial professionals and executives from the nonprofit sector across the country, the survey explored the challenges facing this industry, as well as organizations' priorities in 2019.

Early events in 2019, from trade disputes to the government shutdown, have created economic uncertainty that has the potential to impact the scalability and longevity of nonprofits this year. The tax reform law on giving may also impact the financial performance of nonprofits and will need to be closely monitored as the data continues to emerge, providing a better understanding for organizations' leadership teams. The survey prompts nonprofits of all sizes and who serve a wide range of programs to develop and follow best practices, while considering what financial guidance their organizations' decision makers need to simplify the complexities of nonprofit business processes.

The following survey questions identify several key aspects necessary for growth, operational efficiency and employee recruitment prioritized by nonprofits as important to delivering on their overall strategy and mission. Respondents recognize the need to create a culture of wellbeing within their workplaces as well as the need to shift their focus toward accountability and outcomes to produce the necessary results for their organizations. The study highlights these concerns and challenges:

- Survey respondents rank fundraising/funding (25.5%) almost as equally as recruitment/workforce (22.2%) as their top overall challenges facing their organizations.
- Leading the list of top financial priorities in 2019 are implementing operational efficiencies (57.6%) and expanding fundraising and development (56.9%).
- The top management challenge facing participants involve staffing/new hires (35.1%) and workplace culture/engagement (15.6%).
- Leadership and management top priorities align with their organizations' challenges as they look to better streamline processes (55.2%), better engage employees (53%), improve workplace culture (52%) and improve program results and metrics (50%).

1. Describe the top challenge your organization is facing in the upcoming year.



Fundraising

Organizations have fundraising as their top challenge in 2019. The end of 2018, which brought lower year-end fundraising results for many nonprofits, may be the effect of the tax law on giving. In particular, nonprofits saw a decline in the number of donors who give in the lower to middle end of the giving range. Whether this had to do with changes in the law's provisions remains to be seen. The volatility of the stock market in December 2018 may have also caused some donors to pause or elongate their decision-making around financial giving.

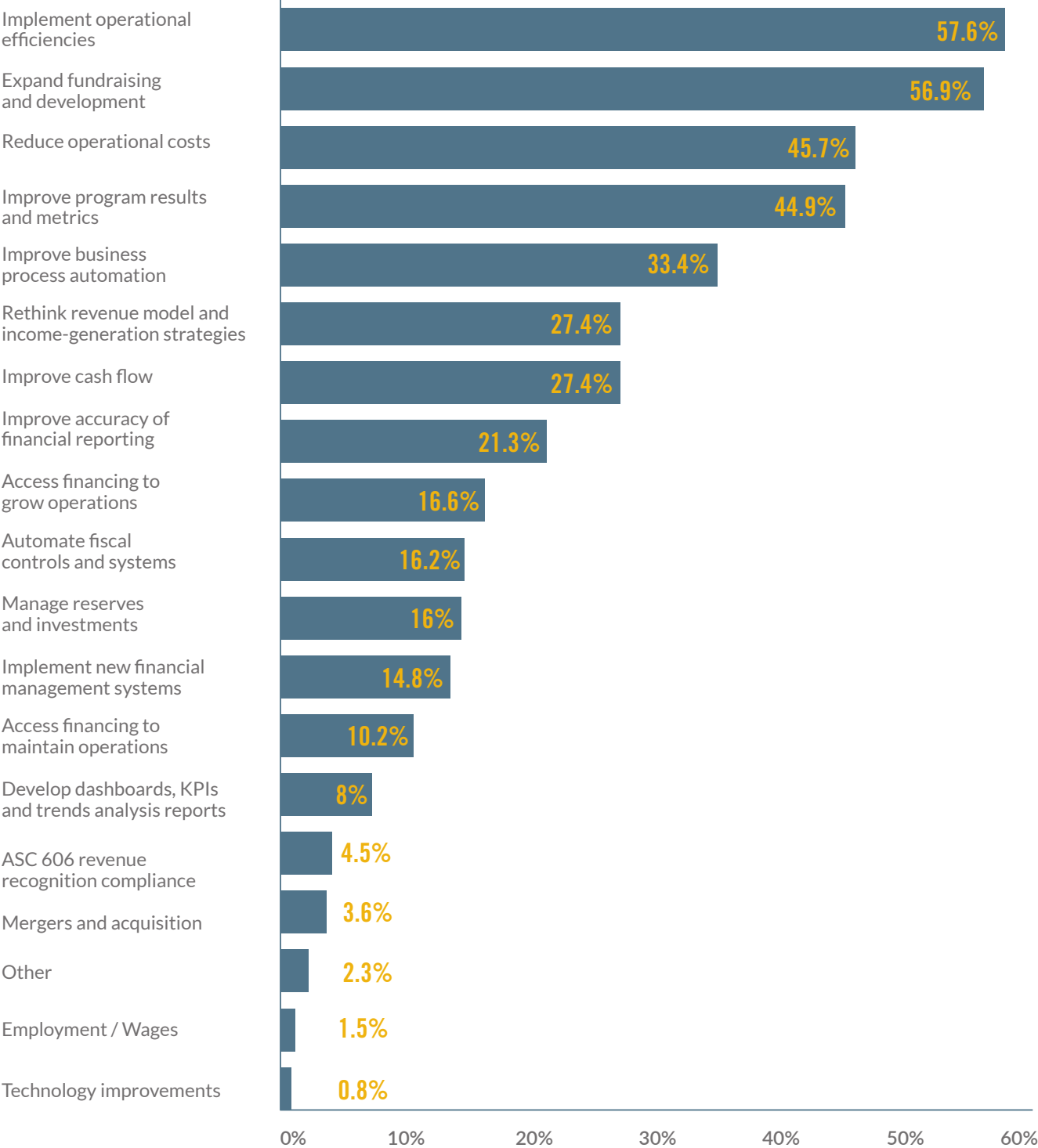
Recruitment/Workforce

Even though U.S. nonprofits have the third largest workforce, according to a recent report issued by the Johns Hopkins Center for Civil Society Studies, they largely sustain themselves on grants, donations and government funding, and must contend with more stringent budgetary constraints than for-profit businesses. In terms of HR, these constraints may affect the ability to pay employees competitive salaries, which in turn is pushing recruitment and workforce issues to the top of their challenge list.

Even though these organizations generally operate with limited resources, laws governing employers – which may impose costly demands – often apply equally to both nonprofits and businesses. For example, nonprofits must comply with the Affordable Care Act (ACA), which requires organizations with 50 or more full-time employees to offer health insurance, and the Fair Labor Standards Act (FLSA), which sets the federal minimum wage and stipulates that certain employees who work over 40 hours in a week must receive overtime pay.

Nonprofits need to learn effective recruiting and engagement strategies to overcome limited budgets.

2. What are your top five financial priorities in the upcoming year?



Implement Operational Efficiencies & Reduce Operational Costs

Nonprofits face similar challenges and opportunities the rest of the world is facing. For every industry, technology is improving the capacity to communicate both internally and externally, increasing productivity, facilitating collaboration across time zones and providing more opportunity to improve the impact they make. The challenge for nonprofits is to identify ways technology can help streamline processes and positively change how they're delivering strategy in terms of reach, impact and cost.

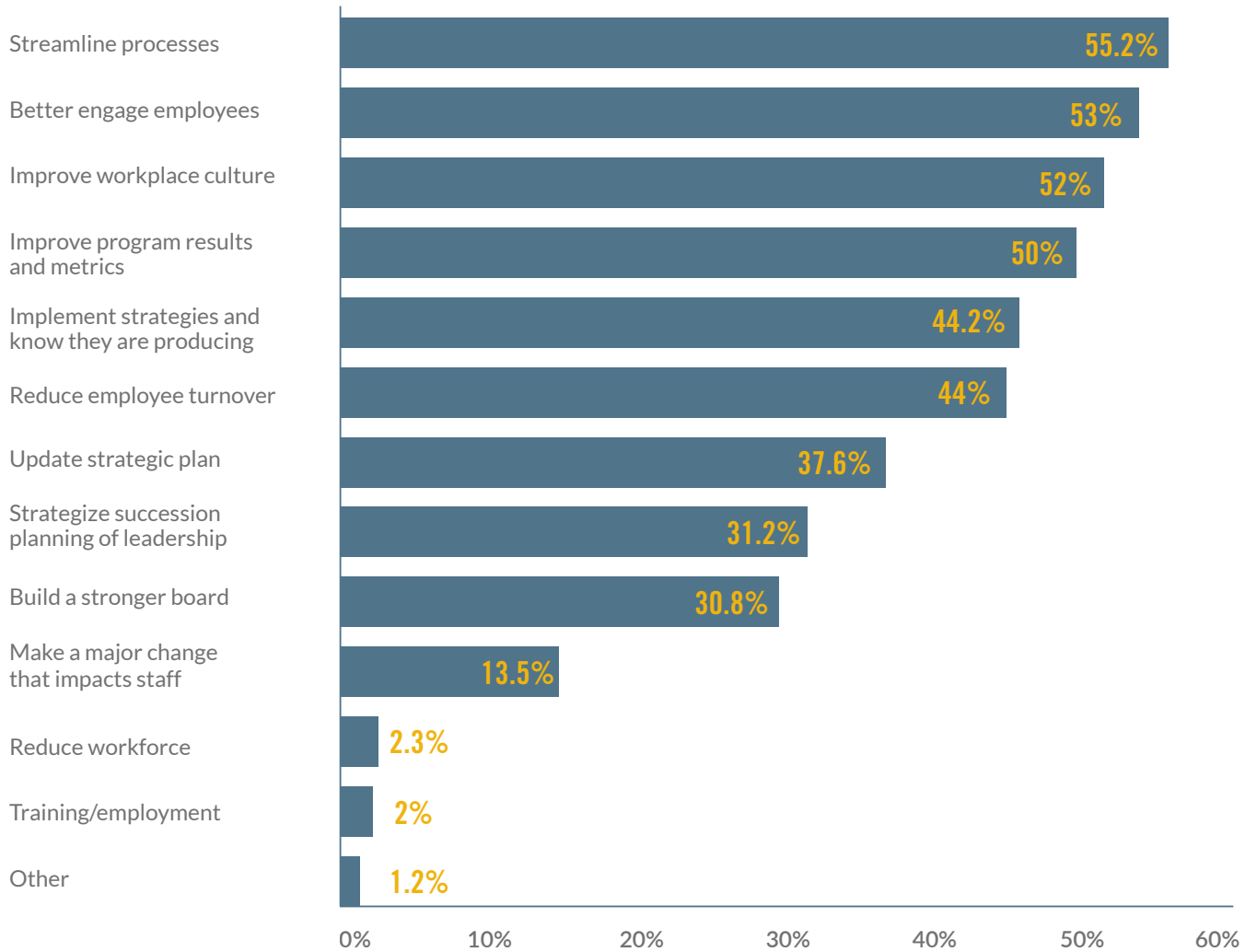
Expand Fundraising & Development

Nonprofits need to respond to the rise of online giving and mobile giving, specifically, as they look at fundraising development opportunities in the upcoming year. The share of gifts given through these channels continues to increase year over year. Because the way people give is continuing to shift, all nonprofits need to make sure they're present and accounted for in the online fundraising space. This requires a financial investment, time commitment and a level of competence that may not immediately pay overnight, but will produce results over time.

Improve Program Results & Metrics

Nonprofits recognize they need to jump onboard and make data-driven decisions. Metrics must be incorporated into all areas of work – from measuring social impact to performance management to financials. Adopting real-time analytics and lean data into an organization's core strategy will provide a greater understanding about key financial resources necessary to support their mission.

3. What are your top five leadership and management development priorities for the upcoming year?



Streamline Processes

As nonprofits deal with the undercurrent of economic uncertainty and anxiety that may affect charitable giving, they must adhere to best practices to boost the productivity of their team and their processes. Automation is a key component that can help drive nonprofit success by taking the complexity out of many standard business processes. Nonprofits can automate everything from donor communication based on gift variables to routine transaction processing in accounts payable, accounts receivable and general accounting, which can contribute to streamlining these repetitive tasks and lowering costs. In addition, leadership should look to simplify the resource-planning environment, and reduce disparate vendors and software occurrences to allow for effective standardization and automation of key business processes.

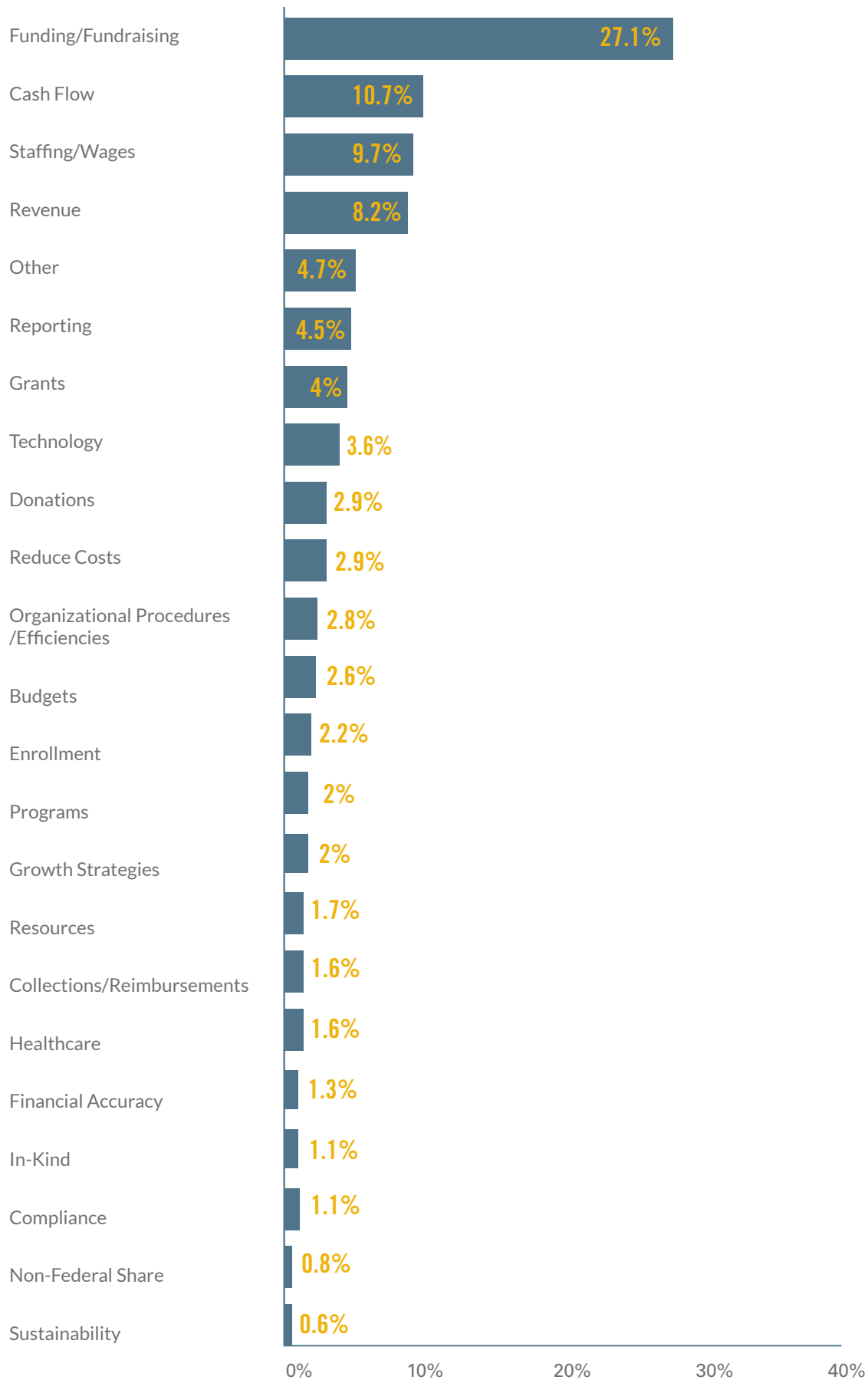
Better Engage Employees & Improve Workplace Culture

Collaboration is important in 2019. With limited staffing and resources, teams can no longer make critical decisions in isolation. Having a strategy is critical, as is hiring and having the right people in place. Nonprofits can overcome the challenge of limited budgets by devising alternative ways to appeal to employees. For example, organizations can focus on providing excellent training and development opportunities or emphasis work-life balance, which may include flexible work schedules or telecommuting options.

Improve Program Results & Metrics

Many nonprofits recognize that while it is hard to step back from executing on their mission, it is necessary to take steps to evaluate the effectiveness of their programs and learn what's working and what needs to be improved. Outcome measures and performance metrics are also important to donors, charity evaluators and community members, as they want to know how efficient your program and fundraising efforts are. These metrics are also important to provide measures for organizational health and sustainability.

4. Describe your top financial challenge.

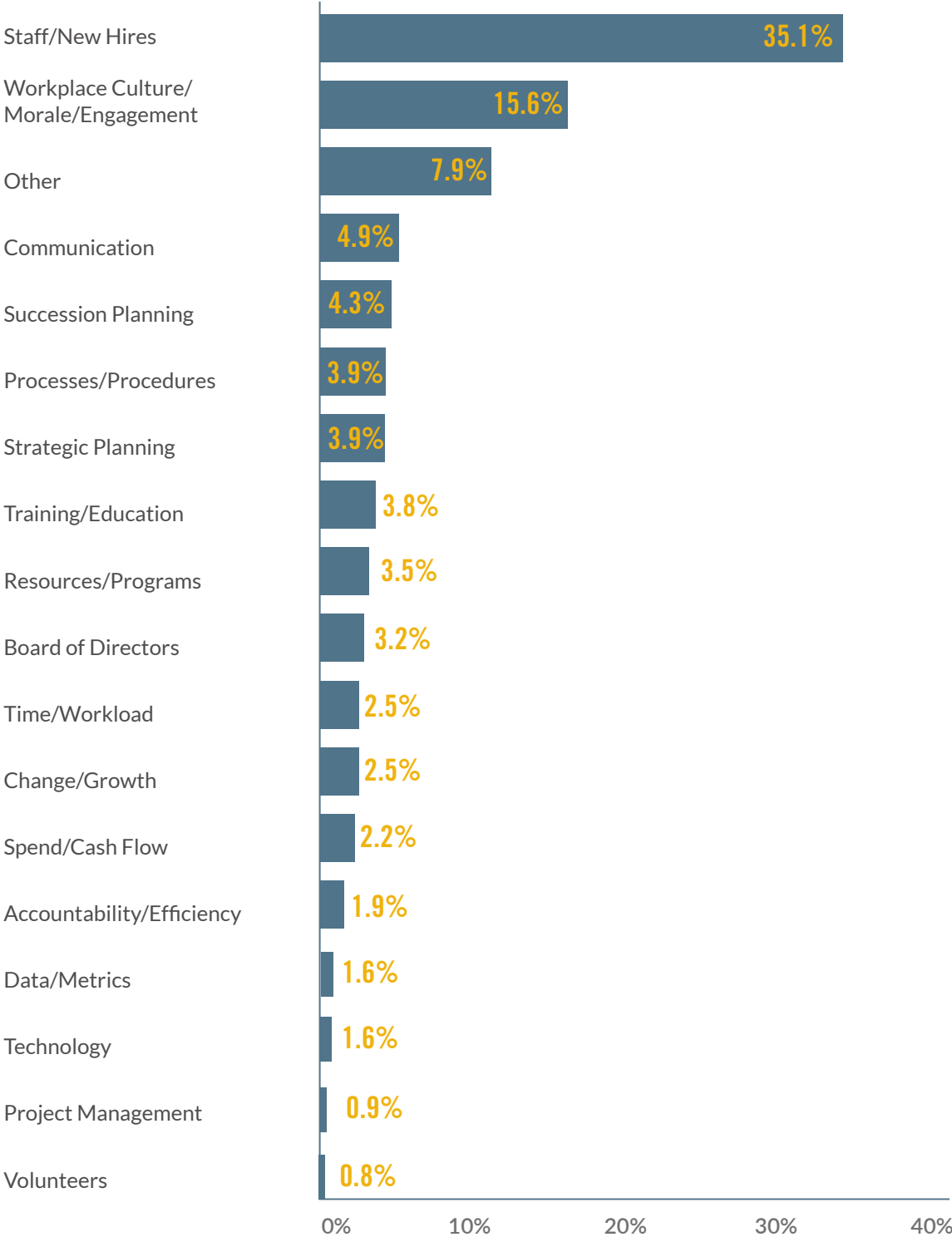


Funding and fundraising are the top challenges noted by participants and echoed by the 2018 A National Imperative: Joining Forces to Strengthen Human Services in America report from the largest national associations representing government agencies and nonprofits in human services. Nonprofits are experiencing several financial challenges that impact their ability to deliver on their missions. The report notes that governments are often late with payments by months, and sometimes by years. Additionally, governments burden nonprofits with costly or time-consuming regulations. And both government and philanthropy place restrictions on funds that make it difficult for nonprofits to respond to their communities' changing needs and appropriately manage their budgets.

The findings come at a time when tax reform is expected to substantially reduce charitable giving to nonprofits and deep cuts to federal welfare programs are favored by the White House. Nonprofits need to develop initiatives that help protect the financial health of their organizations and accelerate the ecosystem to achieve better results.

5. Describe your top management challenge.

The top management challenges for nonprofits center mainly around attracting and retaining talent. Nonprofit leaders recognize that organizational culture really matters when it comes to achieving high performance and results. Today’s use of social media and increased level of transparency has shed a light on many nonprofit work environments. Placing a priority on positive organizational culture is important to attract top job applicants and to avoid turnover. Engagement and morale are critical components to creating a sustainable organization that thrives by focusing on the well-being of its employees and volunteers.

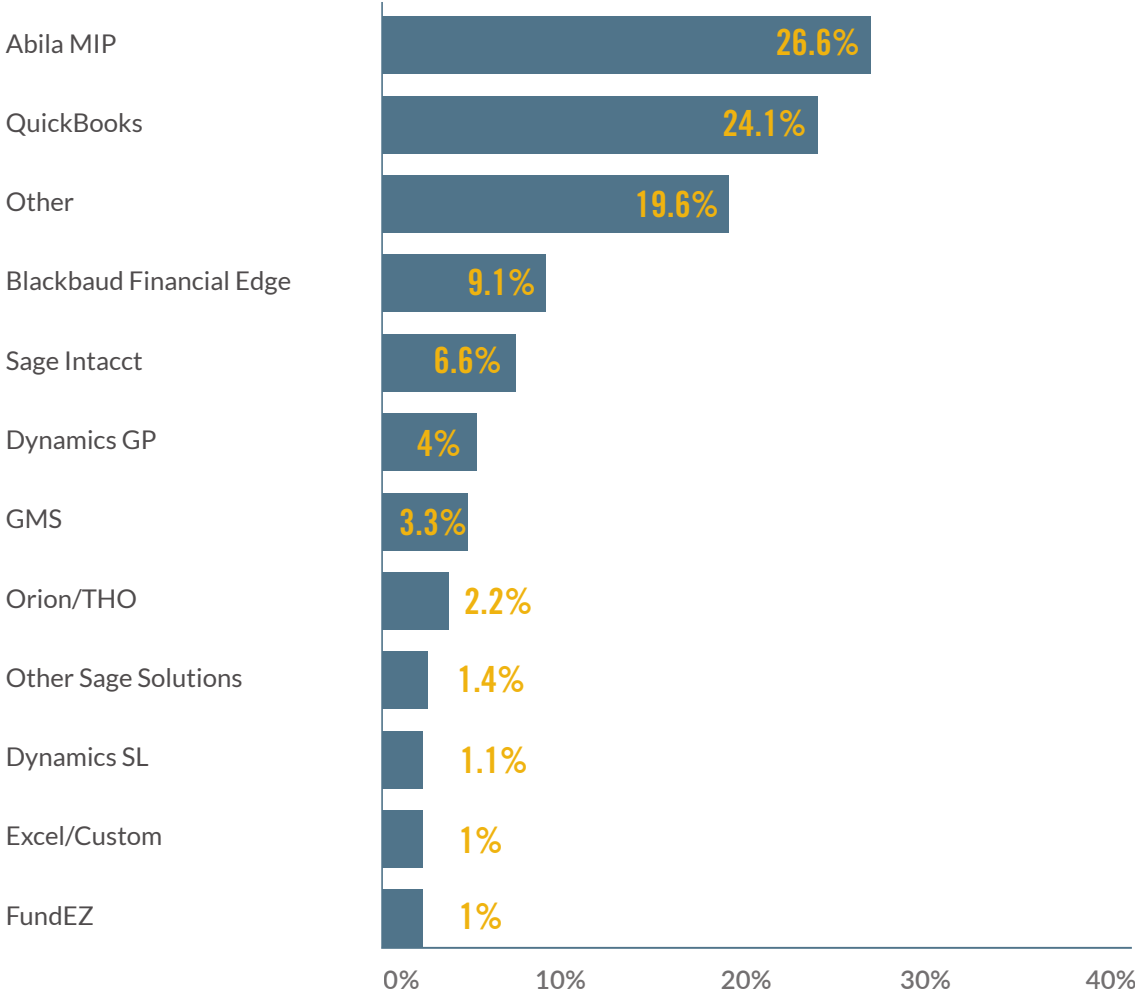


6. Which accounting system does your organization currently use?

Over half of respondents remain on old-school, inefficient legacy systems, where process are handled in silos and the systems lack accessibility and security. These dated systems cost nonprofits money, as data often remains unsecured, is only available onsite with no mobile access and isn't real-time to provide up-to-date financial and operational insight.

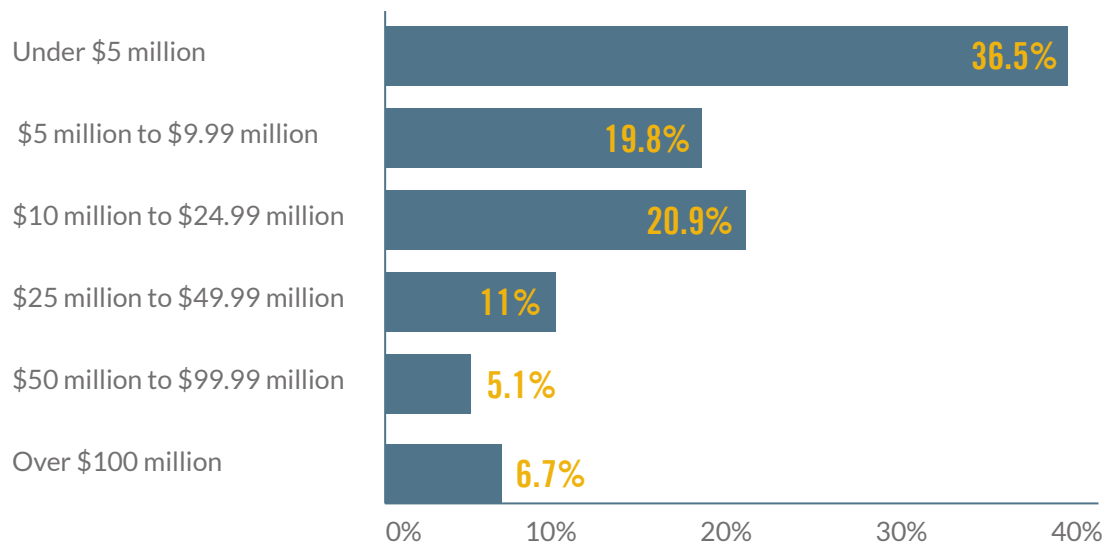
Just as in the for-profit sector, nonprofits need to move toward cloud-based accounting solutions, as they offer better accessibility, reporting and dashboards, while helping nonprofits reduce operational costs. According to the 2018 Nonprofit Technology Enterprise Network's State of the Nonprofit Cloud Report, 64% of nonprofit CFOs said adopting cloud technology would cut operational costs by up to 20%.

Many of today's cloud-based accounting systems have built-in accounting and compliance practices that will make day-to-day tasks effortless. Additionally, many other everyday systems such as payroll, expense tracking and payment gateways can be automatically integrated with a cloud technology system. This makes organizations more efficient and data more accessible, helping financial leaders better understand the performance of their nonprofit.



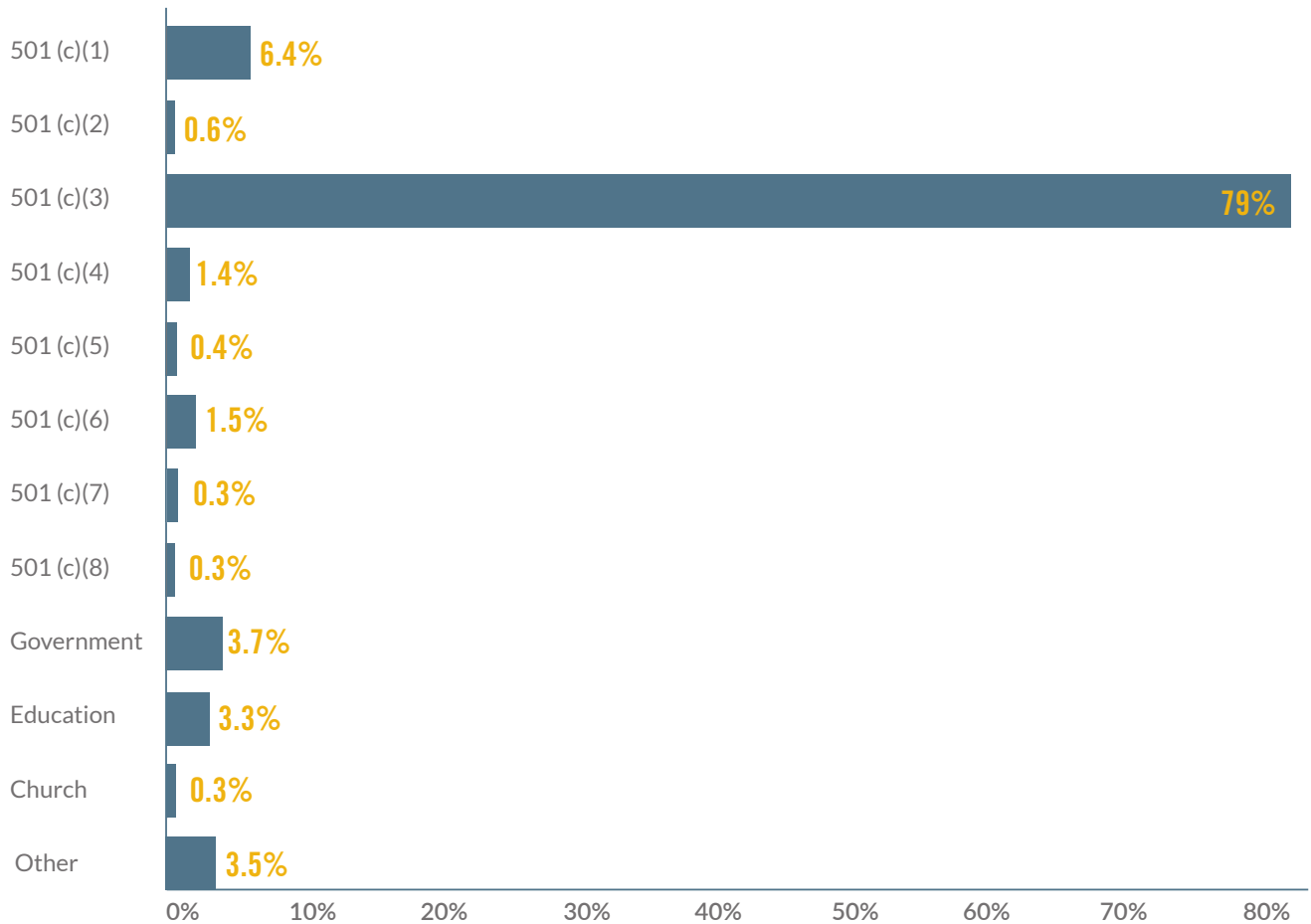
7. What best describes your organization's revenue?

Close to 40% of the survey respondents are working within smaller organizations. All nonprofits are operating in the same economic and regulatory environment, which currently may have donors worried about their retirement funds, job security or how the government is functioning. These factors can impact fundraising efforts, along with generational differences and new online giving and Donor Advised Funds (DAF) options. Nonprofits of all sizes understand they need to be on their game in 2019, utilizing the key elements of relationship management, automation and program development to help them reach their goals.



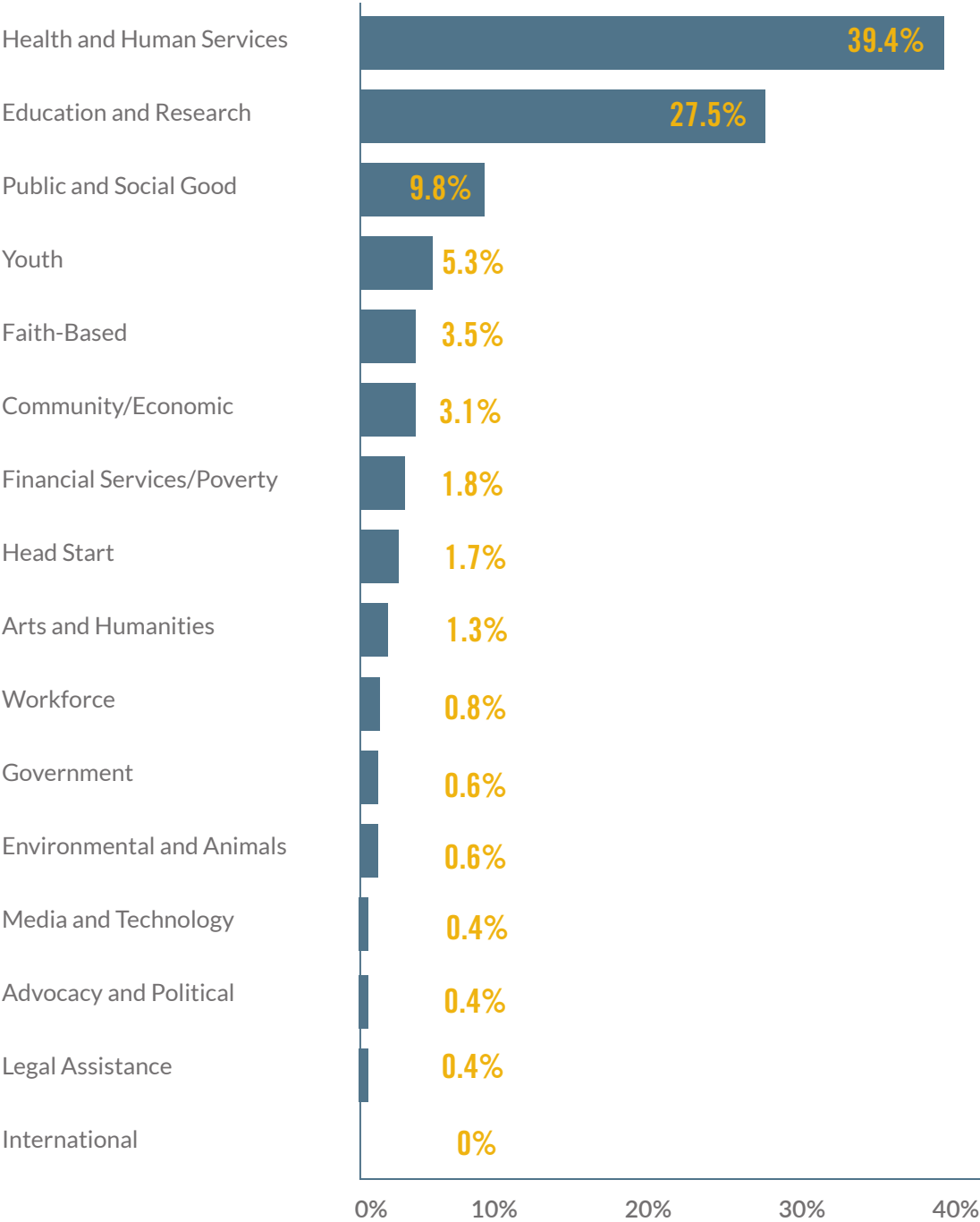
8. Which best describes your organization's type?

The majority of survey respondents operate as a 501(c)(3) to have the ability to accept contributions and donations that are tax deductible to their donors. It gives them status, public legitimacy and the ability to apply for grants and other public or private funds available only to IRS-recognized, 501(c)(3) organizations. Nonprofits that qualify as charities or foundations also are eligible for federal and or/state exemptions from payment of corporate income tax.



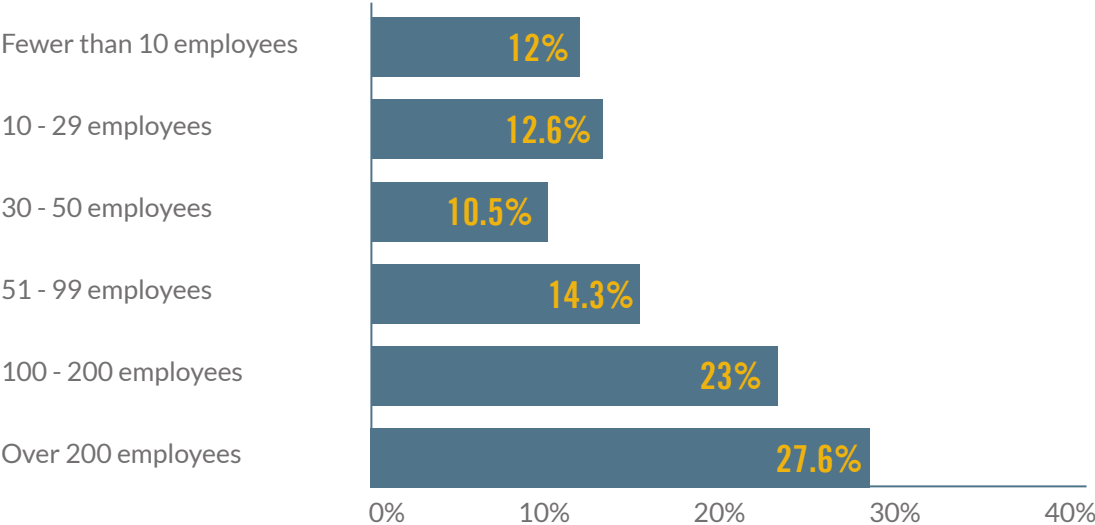
9. What is the primary focus of your nonprofit's mission?

Nonprofits partner with state and local governments across the country to deliver a bevy of social services — from health care to housing to early childhood education. Close to 40% of survey respondents are working with health and human services nonprofits and another 28% in education and research. These numbers correlate with national levels, where health and human services nonprofits are the largest category in the charitable service sector. They are an integral part of a strong ecosystem that is paramount to the success of our nation being healthy and thriving. Nonprofits' roles in achieving big outcomes in these areas are indisputable, as is the cascading impact this has on creating a healthy society and a strong economy.



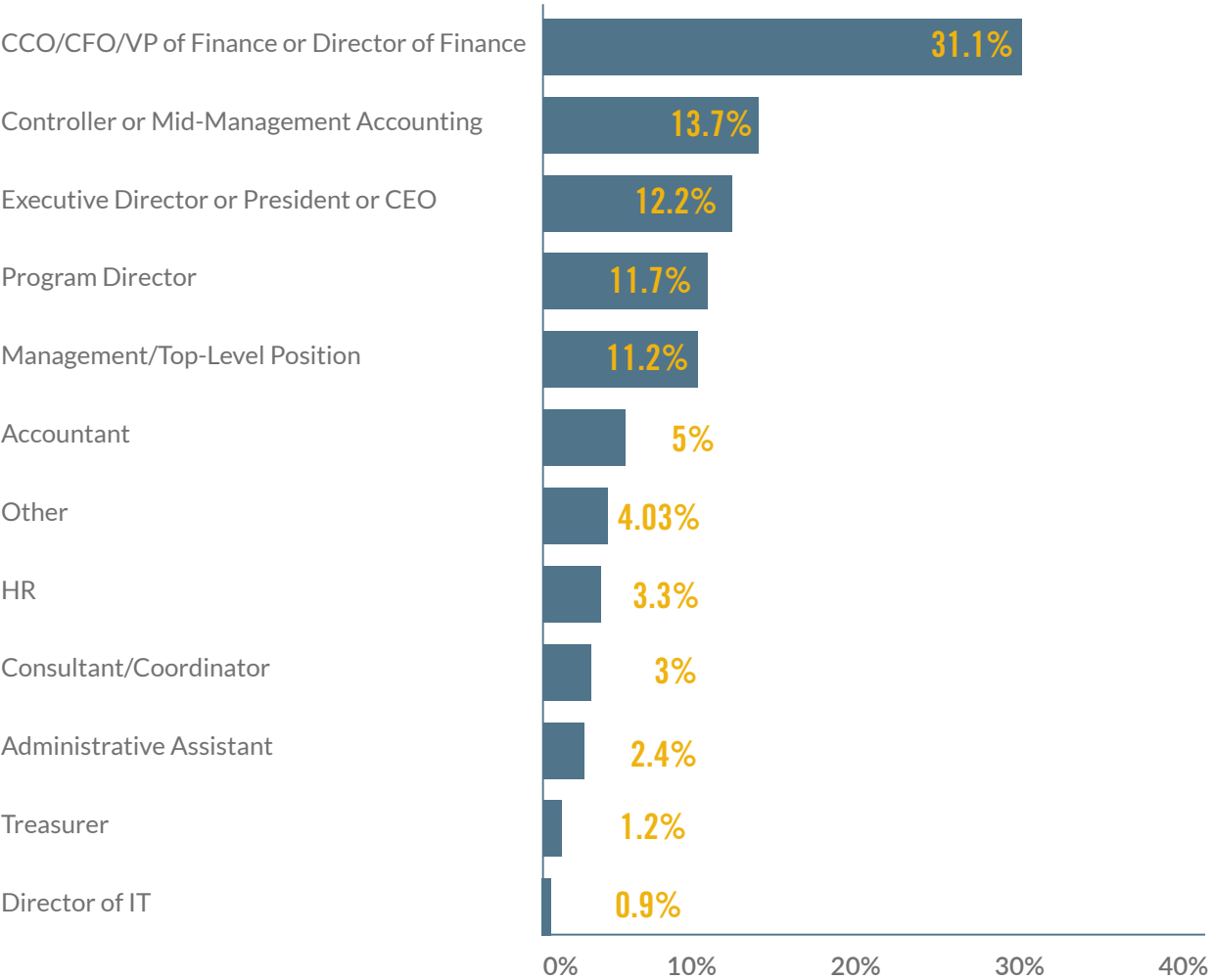
10. Which best describes your organization's number of FT employees?

Respondents reveal that there is a wide-range of staffing environments within which organizations complete their work. Despite often having a limited budget, a recent 2018 Nonprofit Finance Fund (NFF) survey found nonprofits continue to move forward with creativity and determination to expand their programs and their staff. While the findings reveal that offering competitive pay is the top challenge noted by many participants (66%), over half still increased staff and increased compensation, according to last year's results.



11. Which best describes your role within your organization?

Nonprofit leaders must continue to transform their organizations for increased growth in 2019, while effectively delivering on their missions. Leadership strategies that are congruent with the purpose-driven nature of their organizations will involve alignment and collaboration across departments. Additionally, roles that traditionally haven't had revenue or data responsibility will now need to do so in order to allow for more informed decision-making and better results.



Conclusion and Trend Initiatives

Nonprofits' priorities in 2019 focus on working more efficiently, developing fundraising and appropriately staffing and engaging workers. This year offers nonprofits more ways to evolve and take advantage of new tools and trends to leverage resources, connect with stakeholders and increase their impact. The survey helps establish five trend initiatives to help cause-driven organizations build their future strategy and tactics around in the coming year.

Harness Data

Nonprofits need to be able to harness the power of data—this means accessing their organizations' data and public domain data to derive meaning from it that can be used to drive services and fundraising efforts. For example, great storytelling begins with data. Nonprofits can communicate impact to current and potential donors in a visual way by pulling the most relevant statistics, often just two or three, into powerful charts that highlight the successes of their work. Data used this way tells an important human story, which is paramount for establishing emotional connections and building relationships with donors.

With so much information rapidly coming at nonprofits, those who find ways to analyze and use technology to look for patterns of behavior and intent from those who give will also effectively thrive. This requires a commitment to data analytics because with the right tools nonprofits can gather the volumes of disparate data types from various sources, process them at record speeds, and analyze and use that data to gain new organizational insights for reporting, budgeting, forecasting, and targeted outreach and fundraising efforts.

Implement Automation

Organizations should consider cloud technology to automate many of their operational efforts and streamline routine and often outdated processes employees, donors and volunteers encounter. Automation can be used in:

Marketing & Communication to:

- Effectively deliver email campaigns as well as build fine-tuned social media interaction tying back to the campaigns for greater engagement
- Provide online donor communication based on gift variables
- Break larger application forms for volunteering, board participation or membership into multi-step forms that show any incomplete steps while utilizing automated messaging along the way to make the process more seamless

Finance & Operations to:

- Reduce manual processes and decrease human errors
- Process more transactions with fewer people, increasing efficiency and eliminating busy work
- Provide budget accountability and timely reporting that are essential to promoting expense control efficiencies
- Offer control by defining, managing and monitoring expense transactions, providing a real-time view into organizational spending

Increase Fundraising Tactics

Nonprofits need to expand their fundraising activities across touchpoints — particularly online, including mobile and voice assistants. Both now offer organizations a way to have donors make secure online donations with a quick text or voice command. Nonprofits need to be ahead of the curve to capitalize on the possibilities these platforms will continue to offer.

Another fundraising trend organizations need to be ready for is to receive gifts from Donor Advised Funds (DAFs). According to National Philanthropic Trust's The 2018 DAF Report, the number of individual donor-advised funds increased by 60% in 2017. Donors who give through their DAFs are more likely to bundle their giving, meaning they may not give every year. For an organization, that could mean they will move from being a donor who gave last year but unfortunately not this year (LYBUNT) to a donor who gave in a preceding (some) calendar/fiscal year but not in the current calendar/fiscal year (SYBUNT). Recognizing how donors are supporting you is important so your organization doesn't consider them lapsed.

With nonprofits ranging in size and often competing for the same resources, fundraising efforts can't just be relegated to the development team, but also need to include some grassroots efforts from all staff members as well. Facebook offers many opportunities, from events to birthday notifications, for members to leverage their networks for donations to support their organizations.

Focus on Donor Retention

As more messaging vies for donors' attention, nonprofits will be tasked with understanding generational and demographic trends across the landscape to increase their donor retention rates. To grow recurring gifts, nonprofits must look at expanding their giving options and the channels they use to communicate with donors. One option organizations should consider is to set-up a monthly giving option, offering donors the ability to spread their giving throughout the year. This offers organizations some degree of predictability and stability to their year-round fundraising efforts. Nonprofits also must consider how to personalize the communications they share based on data-driven, generational and geographical trends to provide different donor segments with the types of information they're looking for, when they're looking for it, and across the mobile, social, online or direct mail channels they want.

Boost Employee Engagement

Nonprofits leaders are entrusted with ensuring their organizations have the funding and support to thrive, requiring a strong external focus. However, management needs to learn how to keep staff informed and excited about their mission in order to really turn their workforce into advocates. Employee engagement leads to increased job satisfaction and decreased turnover, which can save organizations time and money. Nonprofits must look to provide continuous education to employees about their accomplishments and goals, as well as how their specific roles within the organization impact their overall mission. Developing an internal communication strategy that reinforces social media channels and marketing campaign details, and provides information in fun and exciting ways will keep employees invested in their work and provide a culture of shared responsibility.

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