“UNICEF is a nonprofit with a vital mission — saving children’s lives, but it’s also a large and complex organization. Grant Thornton understands our business structure and operating model, as well as the mission we support and how we can be most efficient and effective. Grant Thornton’s efforts have made a big difference to us and to me as a leader.

Not only does the Grant Thornton team understand our organization, they are very good listeners, responsive and flexible, and they enjoy what they do. They come with vast experience and knowledge; they know best practices in our industry and provide thorough recommendations and solutions.

Grant Thornton is a company I admire and am happy to have as a resource.”

Edward G. Lloyd, COO and CFO, UNICEF USA
Contents

Introduction 5
Tailor fundraising to generational profiles 6
Merging, partnering, collaborating among NFPs: ‘May I have this dance?’ 12
Using consortia for shared service outsourcing 20
Execute IV&V for cloud implementation success 28
Intro to blockchain and crypto contributions 34
Prepare for social media reputation risks 40
Boards must change how they measure success 45
Disruption in the not-for-profit sector 54
About Grant Thornton’s services to not-for-profit organizations 60
Grant Thornton not-for-profit and higher education 2018 webcast series 63
Authors 64

SECTOR-SPECIFIC FEATURES

Associations and Membership Organizations: Innovative approaches to grow membership 17
Museums and Cultural Institutions: Measuring and communicating outcomes 25
Social Services Organizations: Addressing growing challenges in staffing 31
Religious Organizations: Leverage business talent for C-suite roles 37
Foundations: Prepare for rapid-response grant-making 43
Jewish and Israeli Organizations: Monitor funding for compliance, donor intent 52

FIND AND SHARE THE REPORT ONLINE
The State of the Not-for-Profit Sector in 2018
grantthornton.com/stateofNFP

VIDEO
Visit The State of the Not-for-Profit Sector in 2018 to see an introduction to the report.
Introduction

In this, our fifth annual State of the Not-for-Profit Sector report, we offer our practitioner-based viewpoints, approaches and solutions that point the way to decision-making that will sustain organizations and position them to thrive for the long term.

While we will continue throughout the course of this year to provide webcasts, training and articles of interest, the purpose of this publication is to cover the trends and issues that are emerging or that we expect to emerge in 2018. As a leader in the not-for-profit sector, we believe it is our responsibility to give back to this community we serve by providing these valuable insights.

Within these pages, you will find our guidance on important developments and challenges facing not-for-profit leadership, with specific features for each of the key sectors our industry practice comprises — associations and membership organizations, foundations, Jewish and Israeli organizations, museums and cultural institutions, religious organizations, and social services organizations (we cover our seventh sector, higher education, in a separate publication, The State of Higher Education in 2018).

The articles in this report stem from knowledge gained through our professionals’ direct interactions with their clients. Written by our client-serving professionals, they are the result of practical, hands-on experience gained by more than 500 Grant Thornton LLP professionals who serve approximately 900 eminent not-for-profit clients. These insights are intended to be used by you — board members, executives, management and other leaders and stakeholders in the not-for-profit sector.

It is our view that leaders of not-for-profit organizations have new opportunities, technologies and analytical tools to help them guide their organizations to greater success. They have transformational strategic options to pursue, enhanced ways to gauge success, and new ways to engage donors, board members, volunteers and other constituents.

Leaders are likewise dealing with challenges to success — in revenue sourcing, operational cost management, staffing, industry disruption, reputational threats and changing demographics.

This is a time of great potential for engaging a diverse constituency, collaborating with other organizations and private industry, and effecting substantial operational change. Innovative thinking will be vital to successfully moving into the future. We hope these articles will help organizational leaders to do just that.

Our Not-for-Profit and Higher Education practices are committed to helping “organizations that do good” fulfill their missions. We understand that enhancing quality, protecting reputation and maintaining operational sustainability are all essential to organizations’ ability to achieve success and further their cause. Our not-for-profit knowledge is deep, and we offer it to assist not-for-profit leadership with the challenges and opportunities addressed in this report.

On behalf of the partners and professionals of Grant Thornton’s Not-for-Profit and Higher Education practices, I am pleased to present The State of the Not-for-Profit Sector in 2018. We hope that you find this to be a valuable resource. As always, we welcome your feedback and are available to assist management teams and boards in addressing the challenges discussed in this report, or any other issues you may be facing.

Mark Oster
National Managing Partner
Not-for-Profit and Higher Education Practices
mark.oster@us.gt.com
linkedin.com/in/mark-oster
@mark_oster
Change is constant. Much of it is driven by societal changes, which in turn are shaped by generational demographics. With charitable donations potentially decreasing due to recent changes in tax legislation, it is more important than ever that generational differences in giving are understood by nonprofit leaders to minimize any impact resulting from tax reform. For fundraising and capital campaigns to succeed, organizations must address these differences by connecting through generation-appropriate channels, messages and activities.

The four main generations actively donating today are baby boomers, Generation X, Generation Y/millennials and Generation Z/post-millennials. Has your organization changed its donor appeals to suit the nuances of each? Take a deeper dive into traits common within the age brackets to best reach these potential donors.

**Generation Z: Those in their late teens and early 20s**
Gen Zers are the children of Generation Xers and live online, spending as much as 10 hours a day on social media and the internet, according to frontstream (“Learn more about the ‘philanthroteens’ of generation Z”). They tend to be competitive and, despite their electronic inclination, lean toward face-to-face interaction. They are more cautious about money than are millennials, having grown up during the recession. Gen Zers are “philanthroteens” who exhibit a strong desire to do social good. In fact, over half of individuals within this generation group who already focus on philanthropy volunteer their time. The GuideStar Blog, “Nonprofits and Generation Z,” reports that 30% have donated to a cause at least once, and one-quarter (26%) have raised money for one. They want to be involved.

30% of Gen Zers have donated

26% of Gen Zers have fundraised
Allow Gen Zers the opportunity to lead fundraising events and campaigns that include social interaction and competitions, and encourage them to engage in philanthropy toward your organization. Include “junior boards” or “young friends” fundraising committees and plan socially focused events and activities. To satisfy their concepts of thrift, demonstrate the worthiness of the causes. Leverage Gen Z social media engagement and tailor your campaigns by understanding the platforms, language and even emojis they use, and provide avenues for crowdfunding, which is extremely popular with this generation.

We all remember how successful the 2014 Ice Bucket Challenge was for the ALS Association (“Every Drop Adds Up,” The ALS Association). Similarly, organizations have seen significant benefits from “Days of Giving” that play out over one or several days and can include a variety of competitions or challenges. Examples include:

• Started in 2012, #GivingTuesday is a global day of giving fueled by the power of social media and collaboration. It is celebrated on the Tuesday following Thanksgiving and the widely recognized shopping events on Black Friday and Cyber Monday. For over 40,000 organizations and campaigns, #GivingTuesday kicks off the charitable season, when many focus on their holiday and end-of-year giving. The event allows individuals to volunteer or donate to organizations in their communities or those that align with their charitable desires. As reported by #GivingTuesday (“A Global Giving Movement”), in 2017, over $300,000,000 was raised online for organizations that joined the collaboration.

• Begun in 2012, the Alzheimer’s Association annually conducts The Longest Day campaign, which takes place on the summer solstice during the association’s June “Brain Awareness” month. The campaign encourages individuals or teams to participate in an activity they enjoy to fundraise and honor someone facing the disease, and builds awareness and generates donations to research and other programs (The Longest Day, Alzheimer’s Association).

• Since 2014, the American Red Cross has had an annual giving day in March to allow an opportunity for local communities to come together on one day to help the families that have been impacted by a home fire or other disaster and that urgently need Red Cross services to get back on their feet (“Giving Day,” The American National Red Cross).
Generation Y/millennials: Those in their mid-20s and 30s
As reported by the Pew Research Center ("Millennials projected to overtake Baby Boomers as America’s largest generation"), in 2016, there were an estimated 71 million millennials (ages 20 to 35 in that year) compared with 74 million baby boomers (ages 52 to 70). The number of millennials is expected to reach 73 million in 2019, while boomer numbers are expected to decline to 72 million. Anticipated to peak in 2036, the millennial population could potentially become the largest in U.S. history. Almost half the workforce is made up of millennials. They value collaboration and teamwork, and are as electronically connected as the younger Gen Z. They don’t make donations the way prior generations do, as millennial contributions constitute only 11% of traditional charitable giving. To millennials, the cause matters more than the organization. Their money also tends to go to crowdfunding, of which 33% of donations come from this generation. Compared with Gen Xers, millennials are 70% more likely to give to a crowdfunding campaign and three times more likely than baby boomers. As for where their dollars go, they demand transparency ("Are Millennials the Most Generous Generation?" Entrepreneur).

Crowdfunding, which involves individuals/teams raising money online, is a great way to tap into the Gen Y desire for collaboration and teamwork. Such initiatives are often more cause-based than general organizational appeals. Health care and churches lead the way in crowdfunding, but other nonprofits are following suit. Crowdfunding platforms provide tools to engage donors, and social media helps to virally engage teams’ social networks through sharing of campaign goals, details and updates. Importantly, the platforms make it easy to regularly track donations and campaign metrics and express gratitude to donors. Show millennials how their dollars will be spent and the impact their gift will have on the organization. Describe it through “storytelling” to create personal interest. Also provide the facts, detailing administrative costs, blueprints, construction schedules, etc. Provide technology-enabled experiences. Cast your appeals as socially driven — think specific cause rather than general fund. For example, the San Francisco Museum of Art puts an online “chatbot” to work to bring transparency to its entire collection, only 5% of which is ever on view, and to encourage more encounters with art ("Send Me SFMOMA," San Francisco Museum of Modern Art). A texted request via the “Send Me” bot unlocks the institution’s more than 34,000-item collection to retrieve and send an image that matches the idea, word or phrase texted, generating a personal connection between art and the community.

CROWDFUNDING INCLUDES OPENING POP-UPS
Aside from online platforms, another type of crowdfunding is the “pop-up” shop, per these examples featured in Storefront’s "Top 4 Pop-Up Stores With A Cause You Can Learn From":

• To celebrate International Women’s Rights Day in 2017, Keds and Refinery29 teamed up to host an exclusive pop-up event where limited edition merchandise was sold with proceeds going to She Should Run, an organization championing women who want to run for public office.

• In February 2017, Amnesty International highlighted the threats to Freedom of Expression laws protected by Article 27 in Hong Kong with the opening of a pop-up bookstore in the city, selling over 1,000 books that have been censored or blacked out.

Crowdfunding, which involves individuals/teams raising money online, is a great way to tap into the Gen Y desire for collaboration and teamwork. Such initiatives are often more cause-based than general organizational appeals. Health care and churches lead the way in crowdfunding, but other nonprofits are following suit. Crowdfunding platforms provide tools to engage donors, and social media helps to virally engage teams’ social networks through sharing of campaign goals, details and updates. Importantly, the platforms make it easy to regularly track donations and campaign metrics and express gratitude to donors. Show millennials how their dollars will be spent and the impact their gift will have on the organization. Describe it through “storytelling” to create personal interest. Also provide the facts, detailing administrative costs, blueprints, construction schedules, etc. Provide technology-enabled experiences. Cast your appeals as socially driven — think specific cause rather than general fund. For example, the San Francisco Museum of Art puts an online “chatbot” to work to bring transparency to its entire collection, only 5% of which is ever on view, and to encourage more encounters with art ("Send Me SFMOMA," San Francisco Museum of Modern Art). A texted request via the “Send Me” bot unlocks the institution’s more than 34,000-item collection to retrieve and send an image that matches the idea, word or phrase texted, generating a personal connection between art and the community.
Generation X: Those in their 40s and early 50s
Having first experienced the internet as young adults, this generation has a solid technological foundation. Surprisingly, the heaviest social media user group isn’t millennials. In fact, Gen X spends the most time on social media, according to The New York Times, “Generation X More Addicted to Social Media Than Millennials, Report Finds.” They were raised by the generation many believe is the hardest-working — the boomers. Exhibiting traits of their parents, including a work ethic, Gen Xers typically conduct due diligence before making a large gift. With that need in mind, make sure to have information that will inform giving decisions readily available and easy to access on your website, such as Form 990, annual reports and business plans.

While they seek enjoyable experiences in every part of their life, Gen Xers want to make serious contributions with a demonstrable impact — they want to see how their money will be used (“Generation X — Talented, Adventurous, Innovative and Resilient,” HuffPost). Draw Gen Xers to golf outings and galas, but also to your facilities where programs are conducted for entertainment that showcases your accomplishments. Direct messages to them on Facebook and other social media to capture them via their preferred platform, which will increase the likelihood of a response.

Baby boomers: Those in their mid-to-late 50s and 60s
The baby boomer generation has a track record of generous giving; they currently donate more than any of the other generations and are expected to donate approximately $8 trillion over the next 20 years. Boomers, like the others, want to know how their money is used, but further, they want to direct its use. As the generation that started restricted giving, boomers are more inclined than others to give to capital campaigns or set up special purpose endowments. This generation has a strong desire for personalization and appreciation.

For this generation that is capable of making big gifts, find substantial opportunities for specific giving. With this older, more established generation that is shedding possessions and downsizing, also seek noncash gifts such as real estate and artwork (“From Downsizing Boomers, A Flood of Donated Art,” The New York Times). Consider offering up naming rights to attract very large gifts.

Baby boomers are expected to donate $8 trillion over the next 20 years
GENERATIONAL DIFFERENCES IN GIVING

Generation Z (late teens and early 20s)
- Live online but like live interaction
- Recession childhood, so appreciate thrift
- Volunteer
- “Philanthroteens,” attracted to worthy causes
- Crowdfunding competitions
- Share experiences via social media

Generation Y/ Millennials (mid-20s and 30s)
- Now largest generation, almost half the workforce
- Value collaboration, teamwork
- Technology-adept, socially driven
  - Drawn to causes more than general appeals; crowdfunding
  - Like hearing impact of gift via personal interest stories
- Demand transparency on spending

Generation X (40s and early 50s)
- Solid technology foundation; reach them via social platforms
- Raised by boomers
  - Strong work ethic
  - Informed decisions via due diligence
  - Give for demonstrable impact
- Like giving via enjoyable experiences, events

Baby boomers (mid-to-late 50s and 60s)
- Strong giving track record, more than any of the other generations
  - Capable of big gifts
- Downsizers, so primed for noncash gifts
- Generation known for restricted giving — how, where funds used
- Desire personalization and appreciation
  - Targeted capital campaigns
  - Special-purpose endowments
Find commonalities as well as differences
Be creative and accommodate generational differences in your special events, e.g., parties and sports outings for Gen Xers and boomers; relaxed social gatherings for Gen Zers and millennials, hosted by them if possible.

While it’s critical to match your appeals to generational differences, it’s also important to be consistent in your overall messaging. Descriptions of your organization’s mission and mission achievements should be presented as a matter of course, and email and social campaigns should contain links to further generate interest in your programs. Address common intergenerational expectations in all outreach actions and always:

- Specify and detail the need
- Show the impact of gifts
- Be transparent
- Establish online giving portals and recommend flexible payroll deductions
- Link to charitable programs and projects from every email and posting

While it’s critical to match your appeals to generational differences, it’s also important to be consistent in your overall messaging, i.e., descriptions of your organization’s mission and mission achievements.
Merging, partnering, collaborating among NFPs

‘May I have this dance?’

Larry Ladd, Director, National Industry Specialist, Not-for-Profit and Higher Education Practices

Predictions of a wave of not-for-profit mergers, partnerships and collaborations are rampant. A Chronicle of Philanthropy survey reports that 62% of nonprofit boards are open to the possibility (“Interest in Nonprofit Mergers and Partnerships Unexpectedly High, Study Suggests”). Many foundations will provide financial support as an incentive (“Sources of Funding,” The Power of Possibility). Four foundations in the Dallas area, for instance, have established a “Better Together Fund” specifically for providing support for collaborations, partnerships and mergers (see “Better Together Fund Backs Collaborative Nonprofits,” Dallas Innovates).

Many organizations are logical candidates for some form of alliance. There are opportunities for larger organizations to expand their offerings and for smaller organizations, especially those that don’t benefit from scale or a strong national brand, to gain greater stability. In many cases, a combined organization’s complementary services and competencies can result in serving a target constituency in a far more cohesive and comprehensive fashion than the two entities separately.

However, not-for-profit organizations are only slowly considering such options. While we are definitely seeing the sector begin to move more in this direction, the trend is occurring much more slowly than conventional business logic might dictate. There have been some successes worth highlighting as examples of the possibility and promise of merger (see the sidebar). For an organization contemplating uniting with another, a wise decision relies on an acceptance of the difficult realities and measured answers to key questions.

RESULTS FROM A STUDY OF 25 NOT-FOR-PROFIT MERGERS

In the Mergers as a Strategy for Success report from the Metropolitan Chicago Nonprofit Merger Research Project, of the cases analyzed:

• In 80%, a prior collaboration existed between the merging organizations.
• In 80%, the merging parties engaged a third-party consultant or facilitator.
• In 85%, the board chair or a board member from one of the organizations emerged as the chief merger advocate.
• In 60%, the acquired organization initiated the merger discussion.
Benefits are usually recognizable; resistance is often fervent

What are the advantages of a merger, partnership or collaboration? In the not-for-profit sector, the key principles underlying merger considerations are the same as in any other industry. First, overhead and other fixed costs are reduced as a share of the overall cost structure. Second and third, duplications of direct costs can be eliminated (e.g., multiple HR directors or CFOs), spreading them over a larger base so profitability increases.

The growth in successful not-for-profit mergers is a consequence of going beyond this conventional business logic. Successful mergers take into account factors that are unique to the sector.

In the for-profit world there is one issue: Will we be more efficient or expand market share (and therefore be more profitable) as a merged entity? Profitability is the one metric that matters. In the not-for-profit sector, financial sustainability is but one factor only; mission-driven identity is the core issue.

Identity is a history and tradition revered by stakeholders who have a strong desire to protect that identity from extinction. The organization is identified as “special.” There is a belief in the value of the organization, whether or not market evidence proves that too few donors, grant providers or service recipients share that view. Identity can also be an attachment to place. If a merger will require eliminating geographical presence, nostalgia resists such a “logical” move.

**ADVANTAGES IN A MERGER, PARTNERSHIP OR COLLABORATION**

- Reduce overhead and other fixed costs
- Eliminate direct cost duplications
- Spread direct costs over a larger base

**BEYOND IDENTITY IS PERSONAL LOYALTY**

Many not-for-profits really are families. It isn’t easy to let the beloved but redundant accounts payable manager go. Each of the organizations described throughout experienced this sense of loss. In the case of the acquirer, it’s critical to find ways to publicly recognize the individuals and traditions of the entity being acquired. Many merged entities find ways to continue employing key individuals.

Long-term donors are also a significant constituency likely to be deeply concerned, both because of their emotional connection to the organization and their concern that the value of their past gifts may be compromised. Mergers that have been the most successful have found multiple ways to communicate about the merger. The merging entities involve stakeholders in the process and use naming opportunities, of programs or buildings, to preserve the organization’s former name or to honor legacy leaders.
Begin conversations with a realistic checklist

In most cases, one entity is weaker and needs to acknowledge that fact. Overestimation of power often leads to a failed merger. The weaker partner must start with a clear-eyed understanding of what is negotiable and what is not, making the following the only nonnegotiables:

• Maintenance of its broadly defined mission within the new entity
• Incorporation of its original name, somewhere within the new entity, to retain brand identity
• Preservation of stakeholder and donor relations

The Eleanor Foundation’s merger with the Chicago Foundation for Women is a good example. The Eleanor board explored all options for its future and concluded with a minimum set of conditions that specifically would maintain its core mission (“Merger Magic: What Makes Mergers Work in Chicago?” Nonprofit Quarterly).

A VIRTUALLY SEAMLESS MERGER

When the Demuth Museum and the Lancaster Museum of Art merged, names and buildings were maintained, with staffing and finances centralized into one organization essentially invisible to museum goers and stakeholders (“Artful merger: Lancaster Museum of Art, Demuth Museum announce consolidation,” LancasterOnline).
The stronger partner must be sensitive to the sense of identity and fear of loss felt by the weaker partner to encourage the weaker organization’s continued consideration of a combination. Identity and loss can explain behavior by the weaker partner that otherwise is mystifying, such as an intensely emotional reaction to what seems a trivial issue. Some stronger partners intentionally create identity markers that make the merger more palatable. For example, when the Eleanor Foundation merged into the Chicago Foundation for Women, its work on economic self-sufficiency was named “the Eleanor Network.”

Sometimes identity can be maintained by creating a new name for the merged organization that includes an element from each pre-existing organization. One example is the creation of “UCP-Seguin Chicago” from the integration of United Cerebral Palsy of Chicago with Seguin Services (“Nonprofit Mergers that Work,” Stanford Social Innovation Review).

Synergies, or complementary skills focused on a single mission, can be a powerful element of merger consideration. That’s what happened with Race Forward as it merged with the Center for Social Inclusion, the former strongest in advocacy, the latter strongest in policy. Of course, overhead was combined. More significantly, because the mission was consistent but the methods more diverse, they could strengthen their fundraising appeal, rather than compete for donors sympathetic to their cause (“Possibility and Scale: The Merger of Race Forward and CSI,” Nonprofit Quarterly).
After agreement on negotiables and nonnegotiables, each partner must identify a leader who:
• Has foresight on the imperative for change
• Envisions an improved future
• Communicates the vision
• Courageously executes on the plan

With this foundation laid, the discussion can be moved to primary questions:
• Can the missions of the two entities be re-envisioned into one compelling mission?
• Will there be commitment to success and plain dealing by each board and president?
• Are the reasons sufficiently compelling, and the plans and definition of the combined entity sufficiently robust, to make supporters of key stakeholders? Consider:
  – Staff
  – Program/service recipients
  – Government (executive and legislative)
  – Collective bargaining units
  – Donors and other financial supporters
  – Communities
  – Regulators
• Can the new organization capture the imagination of current and potential supporters?
• Can programs/services be made stronger and more relevant, and duplicate or weak programs be eliminated?
• What is the scope of expected cost savings and efficiencies to reach financial viability? Consider:
  – Administrative overhead
  – Physical plant costs
  – Program/service consolidation and/or elimination
• Are there revenue opportunities (growth in existing streams or new streams entirely) that might result?
• How expensive will the merger process be in overall cost and liquidity?
• Will the merger create an organization invoking stakeholder pride?

Merging, partnering or collaborating with another organization could be the way to a thriving future for your organization. The not-for-profits that have successfully merged speak of the difficulty of the process, but look back with pride at what was accomplished, preserving core missions in new ways for future generations. Success has been characterized by hard-nosed realism and a willingness to make significant, painful sacrifices on both sides.
Innovative approaches
to grow membership

The narrative expressed by many professional and trade association sector leaders over recent years indicated that memberships were on the decline. Specifically, associations are finding it difficult to sufficiently communicate value and benefits to retain existing members, given the proliferation of social networks and online content (e.g., information, insights and training) widely available without the requisite association membership. It is also becoming harder to attract a growing younger demographic of prospects who place less value on formal and traditional means of networking compared to prior generations; thus, they’ve had little interest in joining membership organizations.

Achieving member growth is indeed challenging and requires constant innovation. While many associations may think of innovation as product innovation (i.e., the creation of new services and benefits) and have focused efforts in this area, process innovation should be considered as well; this could lead to efforts with a higher return on investment. Strategies relating to key areas such as dues pricing, membership recruitment and marketing, and data analytics need to be formulated, and the ways in which associations tackle these challenges will determine the future strength of their membership.

The following are innovation considerations.

**Bundled versus à la carte dues pricing model**

The cost of membership dues has historically been one of the top challenges to membership growth cited by associations, causing leadership to discuss dues restructuring on a seemingly annual basis. To attract new members who may be cost-conscious, associations employ methods such as a dues discount for a period of time (e.g., first year or multiyear), refundability of a portion of the dues (e.g., if a new member leaves within the year), group discounts and a free trial period.

To further cater to their respective constituents, many associations offer different levels of dues and tailored benefits by membership type. Higher amounts are typically charged to professionals within the industry and can be further categorized by type of membership (e.g., partner versus staff or licensed versus nonlicensed). Lower amounts — and, in some instances, reduced benefits — are charged to other classes, which can include students, educators and retired individuals. These tiered structures strike a balance between offering members sufficient control over their membership spend and experience, and keeping membership operations manageable for the association.

While many associations may think of innovation as product innovation, process innovation should be considered, as well.
However, this pricing methodology is largely based on a bundled membership structure (i.e., members select membership tiers that come with predetermined benefits), which does not allow much flexibility in pricing. Even under a tiered approach, the member may receive benefits for which he or she would not pay, given the option. And while some associations have added “a la carte” features (i.e., members select benefits they want to receive) to their packages to provide additional tailored benefits — e.g., the ability to purchase individual publications, webcasts and other training seminars, and events for a separate cost — such items only supplement the membership and do not allow for the elimination of unused benefits. According to a study by Marketing General Incorporated (MGI), only 1% of associations responded that their membership dues are currently based on this emerging trend of adopting an a la carte model (“How Does Your Association Compare?” MGI).

The lack of implementation of such a model is not surprising, since an a la carte approach often benefits the member more than the association. Higher membership fees (and for most associations, a nonrefundable component) can be charged for giving a member features they want but also some benefits they will rarely use, and the simplicity of fewer membership options usually means lower internal costs and efforts. However, in an era when associations are competing for members not only with other associations, but also with virtual online and social networking communities, educational institutions and for-profits, associations may need to strongly re-examine whether a transition to a predominantly a la carte model may be the next progression in sustainability.

Digital marketing
Conventional recruitment methods include direct mail, telemarketing and member-get-a-member programs. An emerging and growing trend is digital marketing, as evidenced by the MGI survey. The survey indicated that 28% of associations believe digital marketing is one of the recruitment channels that attracts the most new members (up from 22% in 2016).

The biggest transformation for associations’ use of digital marketing has been Facebook paid advertising. With more than 2 billion people connecting on Facebook each month, it is no surprise that Facebook advertising continues to be a big and growing business, with spending of more than $9 billion on these ads in the second quarter of 2017 alone, an increase of 47%, or $3 billion, from the same period in 2016 (“Facebook Reports Second Quarter 2017 Results,” Cision PR Newswire).
Data-driven decisions

Data on membership, Web traffic, and events collected by associations may very well be one of the most valuable resources they have. Corporations have been collecting and analyzing “big data” for the past several years to better understand their customers and grow revenue, and this trend is catching on in associations, as well.

Assuming an association has the basics required for effective data collection and analysis (i.e., clean information and a central data repository), an association can apply data analytics to segment its members/potential members and determine recruitment strategies. Using information collected on current member behavior (e.g., past purchasing or attendance history, interests and personal demographics), as well as preliminary information collected from potential members from other interactions (e.g., through email newsletter listserv sign-ups, event attendance or website traffic), associations can utilize data to help motivate potential members to join.

For example, the Glass Manufacturing Industry Council (GMIC) realized that, while it hosted a popular industry conference, many attendees saw little value in joining the organization. To turn this around, staff began tracking and analyzing incoming email and phone queries from members and prospects. Through this data, GMIC learned that the majority of queries were for industry data. Using this new information, GMIC developed a proprietary industry market report available at a significant discount to members. The report has since boosted membership growth and contributed to nondues revenue (“How a Data-Driven Marketing Strategy Generates Nondues Revenue,” ASAE).

As associations look to increase membership recruitment, they should keep in mind that the solution may not always be the addition of programs, benefits and services. Looking inward to process innovation and data analysis can be even more effective in growing the membership base.

A great example of the promising implementation of digital marketing tactics, specifically through Facebook, is the American Nurses Association (ANA), which over the past five years has seen its membership grow from 6% to 9% annually and was forecasted to hit double-digit growth in 2017, according to “Member Acquisition Tactics to Deliver High ROI,” Associations Now. A large part of this recent growth is due to ANA optimizing Facebook’s paid-advertising capabilities as a recruitment driver by leveraging its audience-matching and geo-targeting capabilities. These tools make it possible for the ANA to measure ROI by tracking impressions and the number of people who join after clicking on an ad. A recent ANA campaign using this digital marketing tactic resulted in nearly 650 new members in the first half of 2017.

The American Occupational Therapy Association (AOTA), leveraged website traffic data to better understand its publication readers and developed small yet impactful changes to attract readership. After analyzing site data, AOTA staff learned that approximately 45% of site visitors came from a mobile device. However, AOTA’s publications were in PDFs that were designed for larger desktop screens. This insight led staff to develop future publications in mobile-friendly formats to engage both current members and potential members (“Accelerate Your Analytics: Use Web Analytics to Build Insights,” Associations Now).
Using consortia for shared service outsourcing

Hassan Khan, Senior Manager, Advisory Services, Not-for-Profit and Higher Education Practices

Seeking to do more — continuous improvements to enhance quality of delivery and reducing operational costs — with less — reduced funding, stringent transparency requirements, increased scrutiny, lack of needed staff skills and a legacy technology infrastructure — not-for-profits are exploring the potential for outsourcing functions not considered mission critical.

Historically, management has considered outsourcing synonymous with loss of control, hidden costs and threats to security or confidentiality, which is why mission-critical applications were not considered good candidates. However, organizations such as the Boys & Girls Clubs of Boston, Bright Horizons Foundation for Children, Global STEM Education Center, Inc., HopeHealth, John F. Kennedy Library Foundation, Neighborhood of Affordable Housing (NOAH) and the United Way of Central Massachusetts have had success with outsourcing, allowing these organizations to reduce overhead costs, make more efficient use of limited resources, stay current with evolving technology capabilities, provide a single point of accountability and avoid investment in non-essential skills. Spending less time and fewer resources on internal functions, an organization can focus on interacting with service recipients, grant providers, volunteers and donors — the community that drives mission.

With that in mind, leading not-for-profits are creating consortia that are focused on lowering costs and increasing collaboration between organizations in the areas of administrative services, e.g., finance, legal, HR, procurement, recruiting, professional development and technology. These consortia are typically governed by a steering committee drawn from its member organizations and are staffed by full-time employees dedicated to consortium operations.
Take an incremental approach to outsourcing

Your organization could, as many do, begin an outsourcing partnership with a managed services provider (MSP) through a straightforward assignment of back-office functions, e.g., payroll, technology, accounting or HR. In such cases, you can eliminate the need to dedicate staff time or hire for a narrow skill set.

With a positive, initial experience in these basic areas, organizations often move to contracting for assistance with complex functions, such as finance and compliance. The consortium model, aided by MSPs (to supplement subject matter expertise), can offer specialized services and access to up-to-date technology that could be unaffordable to an individual organization. For example, the Guilford Nonprofit Consortium has instituted the “Financial Management Help Desk,” whereby consortium members can submit questions on financial management, accounting and compliance issues. Armed with expert advice, management can expedite more efficient decision-making. Organizations facing the pressure to handle these and other tasks are turning to the consortium model to significantly reduce overhead costs.

The Massachusetts Nonprofit Network and the Guilford Nonprofit Consortium are two such examples. The Guilford Nonprofit Consortium is focused on how nonprofits might come together as a community and build capacities among and between organizations as a way to creatively meet growing challenges, and connect with, learn from and collaborate with one another, as well as keep abreast of opportunities and best practices. With an emphasis on consolidating administrative functions, the consortium has agreements with vendors offering discounted and special services, including building websites, providing funding resources and providing HR-specific training and placement.

The Massachusetts Nonprofit Network’s goal is to be the voice of the sector and the only statewide organization that brings together all parts of the not-for-profit ecosystem — exempt organizations, funders, community and business leaders and elected officials — to strengthen nonprofits and raise the sector’s voice on critical issues. The organization understands that strong nonprofits build strong communities. It is the network’s mission to strengthen the sector through advocacy, public awareness and capacity building while engaging with for-profit affiliate members that provide goods and services to support the network and assist nonprofits in meeting their organizational mission in the most cost-effective and efficient way possible.
Outsourcing is enabling nonprofit organizations to gain better management of support services and achieve leading procurement practices through prescribed partnerships. Through such arrangements, the following principal benefits are being realized:

**Added expertise and economies of scale**
Contracts can be structured so that vendors bear the cost of acquiring new equipment and technology — enabling organizations to take advantage of investments made by the vendor that are spread over a wide customer base. Furthermore, organizations can take advantage of a level of vendor expertise that would not be possible to acquire or retain in-house.

**Reduced costs**
Competition can be introduced into organizational services whereby consortia managers are forced to find the most cost-effective means to provide a service to ensure that operational costs are contained.

**Variable staffing**
Contracting for seasonal work, such as lawn cutting and snow removal, can often be done on an as-needed basis. Using variable service contracts allows an organization to pay only for the services needed without incurring the overhead associated with hiring permanent staff.

**Access to capital investment**
The ability to raise capital for facility renovations may be built into a contract. Often, a contractor will fund facility renovations as part of its bid to provide a service. This option can often allow an organization to offer a competitive service to the community, such as a meeting space, which it might otherwise be unable to provide.

**Risk avoidance**
Risks, such as liability issues, can be transferred to the service provider, allowing the contracting agency to share or assume risks associated with providing a service.
Decide if your issues could benefit from outsourcing
Not-for-profits, no matter their size or mission focus, generally face similar challenges in these key areas:

- **Finance**: Cash constraints resulting from declining revenue and a desire to redirect spending toward mission-critical functions drive the need to seek purchasing efficiencies.

- **Personnel**: When deep technical skill in-house is not available or is prohibitively expensive, outsourcing key administrative functions and/or staff augmentation provides support and expertise as needed.

- **Technology**: IT management is burdened by having to maintain legacy systems that require legacy skills, making it hard to simultaneously have “next-generation” technology capabilities in-house.

In establishing a relationship with an outsourcing partner, set in place appropriate service-level agreements, escalation procedures and key performance indicators. As you seek outsourcing partners, ask about experience in the following areas:

- **Scalability of solutions**: Do their solutions address your pain points, not just now but in the future? You will want a vendor that can provide a whole suite of connected services, and not just one that narrowly specializes in one area.

- **How secure and reputable is the vendor?** Review the provider’s financial history, current holdings and growth projections.

- **Cultural compatibility**: It is important that your outsourcing partner understands your culture, so as to understand your organization and employees. This makes communication direct and easier, even when handling conflicts. The key is to acknowledge these differences and manage them sensitively.

- **“Best-in-class” technology services**: This includes, but is not limited to, maintenance and support of devices 24/7, an enterprise-class data center with advanced security and protection, industry compliance criteria, risk management, redundant connectivity, and customizable backup and disaster recovery solutions. Furthermore, an overall IT strategy and complete IT support package to align technology, processes and people with key business objectives are important.

Spending less time and fewer resources on internal functions, an organization can focus on interacting with service recipients, grant providers, volunteers and donors — the community that drives mission.
In summary, external and internal stakeholders of the consortium are increasingly drawn to outsourcing agreements to facilitate operational excellence and financial sustainability for member organizations, programmatic and administrative collaboration of common purpose and interest, better problem solving and information sharing of ideas, and development of innovative systems to support future planning and higher productivity. The shared service consortium’s main agenda item is to sustain an organization’s mission by taking advantage of the opportunities offered by outsourcing. Like for-profit organizations, nonprofit organizations stand to reap significant advantages over a relatively short period of time.

OUTSOURCING TECHNOLOGY

If the following describes your situation, outsourcing technology is probably right for your organization:

- Data storage requirements are outgrowing the IT infrastructure (i.e., physical capacity to retain data on premises).
- The IT infrastructure is fragmented and becoming more complex to manage and monitor.
- Legacy systems are quickly becoming obsolete and difficult to support.
- Risk, security and compliance management are more challenging than ever.
- IT maintenance is burdensome and contracts are becoming increasingly complex, with multiple stipulations removing liability from support vendors.
- Communications with stakeholders are not timely.
- IT personnel are plainly overwhelmed by IT issues.
Measuring and communicating outcomes

Self-evaluation is paying off in big ways for leading museums and other cultural institutions. By measuring and communicating their outcomes, institutions are justifying and attracting investment; learning how to further contribute to the community; discovering reasons to create, develop or reduce programs; expanding audience reach; and informing employee performance evaluations, staffing decisions and training. As part of their evaluation, institutions are gauging changes in their operating environment and determining what they must do in response. They are identifying outcomes to measure and how to measure them, and planning new ways to promote and creatively communicate their organization’s impact.

The need to measure and communicate outcomes is critical, with escalating demands for transparency and reductions in public funding, including threats to governmental funding of the National Endowment for the Arts, National Endowment for the Humanities, Institute of Museum and Library Services and Corporation for Public Broadcasting, as well as state and local budget cuts. Further, federal tax reform reduces incentives for charitable giving, with experts estimating a decline in giving of at least $13 billion per year (“Federal Tax Reform,” The National Council of Nonprofits). Cultural institutions are being asked to demonstrate that they are worthy of public support. “Existing for the public good” is no longer sufficient. More is expected than traditional measurements of success such as the number of visitors or participants, dollars raised, hikes in membership or strong financial results. Increasingly, the question is — How do you “make a difference”?

Determine the types of outcomes to measure
While evaluating your activities to ensure they align with your mission and are financially sustainable is critically important, this should not be your organization’s sole definition of success. There are other important measures to consider. It is essential for leadership to determine those factors that define programmatic and mission success by considering such questions as these: “What are we trying to achieve as an institution?” “What do we hope to change as a result of this program?” “What impact are our activities having on our visitors, or society as a whole?”

Cultural institutions are being asked to demonstrate that they are worthy of public support. “Existing for the public good” is no longer sufficient.

Tom Brean, Partner, Audit Services, Not-for-Profit and Higher Education Practices; Leader, Museums and Cultural Institutions Sector
Matt Lerner, Director, Advisory Services, Not-for-Profit and Higher Education Practices; Chair, Museums and Cultural Institutions Sector

SECTOR-SPECIFIC FEATURE
MUSEUMS AND CULTURAL INSTITUTIONS
Arriving at such outcomes-based measures is difficult, as is determining the appropriate data points and metrics that will serve to answer whether outcomes are being achieved. Some of these data points may be prescribed by funding agreements; others may be established internally by program directors. You may decide to measure the personal impact on patrons by evaluating their changes in attitudes, values, knowledge, behaviors or opinions.

The intended outcome may also relate to the greater community and society overall. Cultural institutions have long been known for inspiring and educating individuals, but many funders and policymakers now expect them to achieve larger social outcomes, e.g., bringing the community together to enhance awareness and preservation of local wildlife.

**Plan how to measure intangible and complex outcomes**

After determining the outcomes to measure, the next challenge is establishing what data is available to effectively appraise the success of the desired outcomes. This is essential; outcome measures are inherently more difficult to gauge than activity measures. While it is easy, for example, to simply count program participants, it is much harder to discern the effects the programs had on them.

One way to begin to evaluate changes in skills, knowledge or opinions is through surveys, especially if you can gather data before and after an activity. An effective survey combines measurable metrics, as well as open-ended questions.

Outcome measures are inherently more difficult to gauge than activity measures.
Maximize benefits by informing strategic decisions and communicating creatively

Crucial uses of outcomes can be applied internally — informing strategic and programming decisions, and reinforcing to board members, staff and volunteers the importance of their contributions. Outcome results are often enlightening. You may find preconceived notions regarding visitor interest and disinterest to be upended based on concrete outcomes data, which could lead to critical changes in direction, e.g., creating, improving or divesting programs. Outcomes-based feedback regarding patrons’ interactions with staff can help to evaluate employee performance, identify training opportunities or define staffing needs.

It is also essential to communicate outcomes to external stakeholders — including funders, policymakers, community members and partners — to promote your institution’s impact, expand its reach, attract new funding and address potential threats, e.g., those to existing funding. With messaging tailored to your various audiences and backed by supporting data, you will reinforce your value with existing constituencies, as well as reach new stakeholders and expand public support.

While useful to communicate via conventional means such as annual reports, newsletters, websites, and reports and proposals to funders, these channels are typically accessed by already-engaged parties. To reach untapped constituencies, seize opportunities to more widely and boldly broadcast outcomes in new and compelling ways through traditional outlets; issue press releases, provide newspapers and other publications with photos and information for articles, and make statements in lectures and presentations. Rather than typical activity-based displays, e.g., announcing a particular event, create an outcomes-based visual display outside your building and near its entrance. Refer to outcomes in donor solicitations. Consider producing annual impact reports, distinct from standard annual reports, focusing on a broad range of outcomes. In all outcomes-based communications, provide clarity regarding what you’re measuring and how those measurements demonstrate achievement of your mission.

Evaluating and communicating your impact and outcomes can be beneficial in many ways — helping to reinforce and expand your reach, protecting and attracting investment, informing strategic and programmatic decision-making, and guiding personnel decisions. With greater competition for funding and increased expectations to demonstrate impact, leading organizations are turning to outcomes-based assessments to demonstrate how they “make a difference.”

**AN EXAMPLE SURVEY**

If a museum’s goal for an online exhibit is to expand visitors’ knowledge about an environmental issue, surveys might ask:

**Before visit**
- What motivated you to visit this site?
- How did you learn about this exhibit?
- How do you rate your knowledge about this topic?
- What do you hope to learn or accomplish as a result?

**After visit**
- Did the exhibit meet your expectations?
- How do you now rate your knowledge about this topic?
- Which section affected you most? Why?
- Will you take any action as a result of your visit? If yes, please describe.
- Was the format of the exhibit easy to navigate?
Independent verification and validation (IV&V) helps organizations build quality into IT systems by providing an objective third-party assessment of system development and implementation products and processes throughout the system implementation life cycle. Organizations have been using IV&V to enhance the oversight of their complex IT projects for years. The migration to cloud-based technologies has not reduced the value of IV&V; instead, it is changing how IV&V is executed and the way that it reduces project risk.

Cloud-based solutions: A model for technology adoption
Over the last several years, organizations across all sectors have been migrating mission-critical IT systems from traditional on-premise installations to the cloud. Cloud-based computing offers multiple benefits, including:

- Lower total cost of ownership
- Ability to scale usage as needs require without fixed commitment and costs
- Moving IT system costs from capital to operating expenses
- Reduced need for hard-to-retain technical resources
- Faster implementation

Not-for-profit organizations have not been immune to this trend. Nonprofits are implementing cloud-based solutions for everything from enterprise resource planning (ERP) and procurement to the management of enterprise assets. Cloud-based system implementations are in some ways similar to traditional on-premise systems, but there are significant differences in how organizations plan, implement and maintain project management and oversight.
**TYPICAL IV&V SCOPE**

- Project management and governance
- Requirements management
- Quality management and testing
- Organizational change management and training
- Technology infrastructure and development
- Benefits realization, return on investment and business process optimization

**IV&V best practices are critical to cloud implementations**

Technology projects are growing larger and more complex. Results and value delivered are closely scrutinized; successes and failures are increasingly public and have greater impacts on reputation and budget. IV&V provides a critical focus on risk and quality through an ongoing assessment of all aspects of an IT project. Its three characteristics recognized as the most valuable by surveyed CIOs are:

- Truly independent and objective
- Focused on overall project health and on project success
- Providing recommendations, not just pointing out problems

Some changes to IV&V are necessary to deliver high value in response to cloud-based development characteristics:

- **Speed:** Cloud-based projects move faster and are focused on delivering business benefits as quickly as possible. Iterative approaches to software development (e.g., agile) can make software available to users much sooner than traditional development methodologies, but they also require significantly more user engagement and decision-making, as well as enhanced project governance. As a result, IV&V efforts have changed their focus from compliance to efficient collaboration and communication, and are placing a premium on the rapid delivery of working software over the production of voluminous documentation.
• **Limited customization and significant change management:** Historically, when implementing large IT systems, organizations planned to limit customizations and instead used software products out-of-the-box where possible. In practice, many purchases were customized, essentially becoming custom systems. This option isn’t practical with cloud-based solutions, because a single set of base software is shared by multiple customers. As a result, organizations must change their business processes to align with the software functionality. In turn, IV&V must focus to a greater extent on whether end-to-end business processes meet stakeholders needs, and also whether the important “people element” of the project is being effectively managed. This function is much more valuable than simply validating that customizations map to business and technical specifications. But to be successful with minimal customization, IV&V now requires significant communication, training and change management.

• **Contract terms:** Contracts for cloud-based solutions contain terms and conditions different from those of traditional on-premise software. An important example is data rights — identifying who owns the data, how it will be protected and the way it will be returned when the contract expires. Other examples are service-level agreements, application and data security and arrangements for pricing and disengagement from the contract. IV&V can assist organizations in understanding the impact of cloud contract terms and in mitigating contractual risk.

By adapting traditional IV&V practices to these new realities, organizations are improving the likelihood of success, as well as their return on investment from cloud-based software implementation projects.

### CHARACTERISTICS OF HIGH-VALUE IV&V

1. **Providing truly independent assessments of the health of this project**

2. **Validating that the project vendors are effectively fulfilling their responsibilities and are providing the organization with accurate information about project performance**

3. **Serving as an advisor to project management to help ensure that the project is successfully completed**

4. **Validating that organization team members are effectively fulfilling their responsibilities and are providing accurate information about project performance**
With the unemployment rate at a 17-year low of 4.1% in January 2018, according to the Bureau of Labor Statistics (The Employment Situation — January 2018), employers in most industries are enduring challenges in recruiting and retaining employees. The difficulties are particularly acute at social services organizations. Social services jobs are physically and emotionally demanding, requiring staff to be caring and resilient as they work with people facing significant challenges. Frontline social services work is characterized by low pay, heavy workloads and excessive regulation, while at the same time requiring skill, compassion and dedication.

Leading not-for-profit organizations that provide social services are meeting these challenges with innovative techniques to ensure they can continue to fulfill their missions with qualified workers into the future.

Demographics and service needs
As demographics shift, the need for social services workers is expected to grow significantly. The United Nations Department of Economic and Social Affairs (World Population Prospects: 2012 Revision) projects the worldwide population of individuals 60 years or older is expected to “more than double by 2050 and more than triple by 2100, from 962 million in 2017 to 2.1 billion in 2050 and 3.1 billion in 2100.” As people live longer and need more care, demand for services will increase. The Bureau of Labor Statistics projects demand for social and human service jobs to grow 16% between 2016 and 2026 — much faster than the average for all occupations (Occupational Outlook Handbook). Already many social services employers are finding it hard to fill open positions, according to a report released by the Massachusetts Council of Human Service Providers (Occupations with the most job growth). The organization’s president and CEO Michael Weekes called the situation a “workforce crisis” and a “perfect storm.” These vacancies lead to stress, burnout and frequent turnover among existing employees who are overworked in an emotionally demanding job. And for clients, care is likely to be delayed or denied because of lack of staff.
Another challenge for many organizations is competing for workers with similar state and federal government jobs because they generally offer better benefits and, in some instances, higher pay. (Reimbursement rates to organizations from state and federal contracts are often lower than the salaries paid directly by the agencies.) The challenge facing the social services sector will be exacerbated by the fact that the Bureau of Labor Statistics predicts that home health aides, personal and home care aides, and registered nurses will be the occupations with the largest job growth over the next decade (Occupational Outlook Handbook). Not only are these workers critical to the human services sector, but also they are in demand elsewhere — notably in health care, which competes for them.

Nationally, social and human service assistants who are caseworkers or advocates working in nursing homes or social assistance agencies earn an average of $34,854 a year (“Casework Specialist Salary,” PayScale). Social workers, who must have at least a bachelor’s degree and in some cases a master’s degree, earn on average $45,120 annually (“Social Worker (MSW) Salary,” PayScale).

Given these financial challenges, many organizations rely on the strength and impact of their mission to both recruit and retain employees. Individuals who have a passion for the cause, issues and communities they serve are more likely to remain with the organization, but it’s often not enough.

To gain and keep quality talent, organizations should consider these strategies:

• **Reduce administrative burden wherever possible.** With increasing reporting and administrative requests from funding sources, many social services employees feel burdened by administrative tasks that take away from their ability to provide direct client services. Review your systems to identify areas where manual processes can be automated or systems can be streamlined. One way that DonorsChoose.org, the 2017 Nonprofit Times Top Nonprofit to Work For award winner, earned its top spot was by transitioning instant communications from Skype to Slack in 2015, which CEO Charles Best described as a “next-generation bulletin board” [Strong Focus on Organizational Culture Drives Staffing Choices at the Best Nonprofits,” The NonProfit Times]. Two years and 550 Slack forums later, the change contributes to a “performance-minded culture,” said Best. Employees use it to organize projects, dialog within teams, have direct contact and connect with each other over shared interests.
- **Make effective use of volunteers.** Qualified, passionate volunteers can be a valuable resource for assisting with program and service delivery or handling some administrative or less technical tasks such as data entry and documentation. Among others, the Corporation for National and Community Service and the National Council of Nonprofits have a variety of resources that can be used as guides in developing a volunteer program.

- **Start an internship program.** Having a well-run internship program gives you an ongoing pipeline of future full-time employees.
  - Internships provide students with numerous perks. They gain experience, develop skills, make connections, strengthen their resumes, learn about the industry, and assess their interest and abilities.
  - Employers benefit from low-cost labor, having a “test run” with potential future employees, and gaining fresh perspectives from those who are new to the sector and, more importantly, have a “marketplace view” of the organization and operations that long-tenured employees are unlikely to share. In addition, collaborating with local colleges and universities to find and place interns builds community ties and augments the organization’s brand, which can help with recruiting and retention of employees.

- **Block and tackle the basics.**
  - Develop and document a staff retention strategy. This will help your leadership team come to an agreement about your organization’s approach to this key issue. The document does not have to be elaborate, but it should address your organization’s employee retention goals, strategies and activities for the year.
  - Set clear employee goals and expectations, and ensure that employees are regularly receiving feedback on their performance.
  - Ensure that your organization has the right tone at the top. Most nonprofits have a clear vision and mission, but if your organization is challenged with poor or negative morale, focus on creating and maintaining a positive organizational culture.
  - Foster an environment of employee recognition/appreciation. Employee recognition is about acknowledging the hard work and accomplishments of the individuals within your organization and creating an emotional connection between your employees and your organization. An employee who feels appreciated will be more loyal and is more likely to remain with the organization.
  - Perform anonymous satisfaction surveys to gain new insights into what motivates and inspires your employees.
  - Perform exit interviews. Ask and record why employees are leaving. Identify trends and take action to minimize voluntary employee turnover.
  - Prepare your organization for the millennial workforce. Focus on workplace culture, offering flexibility whenever possible, emphasizing meaningful work and social value, and considering alternative employee benefits (e.g., loan repayment programs or flexible benefit packages). These sorts of programs are especially attractive to this growing cohort of employees.
  - Establish mentor/coaching plans. The collaborative nature of mentoring/coaching programs can help develop individual interpersonal and professional skills, build relationships across the organization and increase overall employee satisfaction and engagement.12

For more staffing guidance, read Grant Thornton’s “**Revving up the skills engine: A 10-step action plan.**”
Though greatly shrouded in misunderstanding and mystery, cryptocurrencies (e.g., bitcoin and ether) are spreading outward from virtual commerce to acceptance in philanthropy. A sign of the movement is Fidelity Charitable’s announcement that in 2017, the organization received $69 million in cryptocurrency donations — a giving option that grew 140% faster than any other type of donor philanthropy (“Crypto Is Now Fastest Growing Donation for Fidelity Charitable,” coindesk).

Consider the speed at which this currency is appreciating in value. In spring 2017, 1 bitcoin was worth about $800 USD. It could have been cashed in for up to $19,000 USD later in the year. The value of ether, the currency of Ethereum, started at around $8 and could have been sold for up to $800. This level of gain (and volatility) presents great opportunities. But there are also downsides.

A nonprofit should be aware of both potential benefits and possible pitfalls as it considers if or when to begin accepting and processing donations in cryptocurrency or using blockchain for crypto contributions of noncurrency assets.

**A NEW VOCABULARY**

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bitcoin and ether</strong></td>
<td>Cryptocurrencies with no central authority</td>
</tr>
<tr>
<td><strong>Blockchain</strong></td>
<td>Platform for digital assets</td>
</tr>
<tr>
<td><strong>Cryptocurrency</strong></td>
<td>Asset considered to be property or right to service, not cash</td>
</tr>
<tr>
<td><strong>Digital wallet</strong></td>
<td>Tool for exchanging cryptocurrency</td>
</tr>
<tr>
<td><strong>Smart contract</strong></td>
<td>Blockchain program allowing transactions based on a predefined ruleset</td>
</tr>
</tbody>
</table>

**Cryptocurrency’s rise in value**

<table>
<thead>
<tr>
<th></th>
<th>Spring 2017</th>
<th>Winter 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 bitcoin</td>
<td>$800</td>
<td>$19,000</td>
</tr>
<tr>
<td>1 ether</td>
<td>$8</td>
<td>$800</td>
</tr>
</tbody>
</table>

Dennis Morrone, National Partner-in-Charge, Audit Services, Not-for-Profit and Higher Education Practices

Joel Waterfield, Managing Director, Tax Services, Technology Industry Practice
Benefits

The efficiency promise of smart contracts

Within the technology, smart contracts make it possible for donors to time their contributions — an efficiency benefit for nonprofits.

Smart contracts essentially are computer programs attached to assets. These contracts automatically execute certain clauses upon the occurrence of a condition precedent (e.g., pre-established dates for a donation to occur, sale of an asset, an asset becoming worth a certain amount or upon the death of the donor). They can be placed on any digitized asset, allowing donors to make contributions on a scheduled basis and place a smart contract on their asset to ensure the donation occurs and is timely. For the nonprofit, the donation is much like an automatic deduction from a paycheck. Donors can automatically send monthly or annual installments, or base fulfillment of donations on certain conditions or thresholds. With these controls set in place by donors, nonprofits are freed from constant follow-up and can accept donations on an accelerated basis.

Smart contracts will also ease acceptance of estate donations. In the coming years, tangible assets, along with digital assets, will be assigned digital addresses. A smart contract could be placed on the digital address of the asset with the condition that, upon the death of the individual, the ownership of the asset immediately passes to a nonprofit (there is a similar commercial application). The nonprofit would not need to go through probate or litigate with other interested parties. Delivery of the donation is expedited, and associated transfer costs are reduced.

A TRIGGER FOR ESTATE DONATIONS

In the not-distant future, electronic medical records (EMRs) will store all medical information with both public and private keys. The individual or a legal guardian could set the EMR to notify smart contracts when a death certificate has been recorded. Just as multiple municipalities are starting to store birth certificates, they are likely to track death certificates. The blockchain can be constructed to use the data to notify a smart contract that a triggering event has occurred and has been agreed to by the proper documenting and confirming parties.

Faster settlement and lower transaction fees

Because of the peer-to-peer nature of cryptocurrency, there is no need for the involvement of a third party (i.e., financial institution) to transfer, trade or exchange these funds. Exchange of such virtual currency is recorded on public, semi-public and private distributive database ledgers that are consensually shared and synchronized across a network. Essentially, cryptocurrencies enable assets to pass directly between digital wallets. The result of such a blockchain-based system is the immediate transfer of asset ownership. A transaction may take 15 minutes or less to clear, and ownership is immediate and final. Additionally, transaction fees are potentially far less than those incurred in other forms of commerce.
Pitfalls

Evolutions and learning curves

The differences between a currency donation and a cryptocurrency donation must be recognized. Cryptocurrency, presently, is not actual currency, especially at the moment it is received. It should be thought of as an investment and treated as such. All investments have risks; a nonprofit should consider how heavily committed it wants to be in these assets.

Cryptocurrencies and the blockchain technology sector are rapidly evolving. The technology is still nascent and not yet broadly accepted or understood by either donors or nonprofits (or for that matter, commercial enterprises). Additionally, use of digital wallets means additional processes, controls and procedures will be required to safeguard against accidental or nefarious activities of both an internal and external nature.

Blockchain technology could be an innovative and expedited method for making and accepting donations, and executing certain types of contracts. If a nonprofit has not been offered a donation in the form of cryptocurrency, it soon will be. Nonprofits should, at the least, adopt a policy toward such offers and implement related processes. The use of cryptocurrency is continuing to gain momentum. Nonprofits should plan accordingly.

Use of digital wallets means additional processes, controls and procedures will be required to safeguard against accidental or nefarious activities of both an internal and external nature.
Leverage business talent for C-suite roles

Across denominations, experienced business executives are being recruited by religious leaders to enhance and, in some instances, transform the quality and efficiency of operations. While the basic practice is not necessarily new, what is changing are the executive demographics (i.e., the more recent recruits are younger and not necessarily seeking to “slow down” after a long career), along with the effort — and impact — expected from these new C-suite members (i.e., the energy needed to transform operations is expected to be high and proactive). The trend toward experience and results seems clear.

How the temporal executive profile has shifted

Historically, temporal leadership — specifically, leadership focused on aspects of the mission that were connected to such elements as finance, real estate, personnel and legal — were sought from within the religious entity’s existing workforce or were recruited from the ranks of the recently retired. In the case of the former, religious leaders may have been given some form of additional business training or education. In the case of the latter, it was universally recognized that these executives were typically seeking a work-life balance or a part-time commitment in order to meet their “time-to-give-back quota”/find something to do in retirement.

Newly recruited executives are stepping into religious organization leadership roles and are being called upon to achieve organizational transformation. They are walking directly out of their offices and into religious headquarters, bringing leading-edge business acumen with them. They are primed to put their training, experience and skills to good use for their new employers and are given titles, compensation and benefit opportunities, and performance objectives that have historically not been seen in religious settings, or offered only in very limited circumstances. The trend is to a new commitment to the energized, focused and career-committed professional.

Newly recruited executives are stepping into religious organization leadership roles and are being called upon to achieve organizational transformation. They are given titles, compensation and benefit opportunities, and performance objectives that have historically not been seen in religious settings.
New assistance is not without new challenges
This new trend comes with benefits but also challenges. It is certainly advantageous to have executive leadership with broad appreciation for complicated issues. The difficulty comes from introducing a new generation of leaders with little to no understanding of the historical context and regulatory environment for mission-driven religious institutions. In many cases, these entities have existed for hundreds of years, if not millennia, and are subject to a litany of laws, rules and regulations that uniquely apply to and benefit the institutions, as well as their employees and beneficiaries. It isn’t always immediately recognized by either the new executives or the existing religious leadership that, while business smarts can be valuable in many settings, there are significant barriers to change and important nuances in operations that apply in a religious environment.

A former chief human resources officer in a large (25,000+ employees and 250,000+ annual volunteers) and complex (300+ related religious entities) organization was once given some sage advice by a religious leader before he entered into a career of 13-plus years at the organization: “Leading a religious organization is like steering a tanker and not a speedboat. We do not turn on a dime and, while we might be moving, it often feels like we are standing still. However, the benefit to our size and complexity is that we can also be quite stable when the rough waves begin to surge, and thus success will be defined by the steady hand at the tiller that knows how to navigate the waters and course-correct without sinking the entire ship and losing what can only be described as the most precious cargo on earth — our brothers and sisters in faith!”

The wisdom of the message is simple, and yet the ability of a transformational business leader to endure and succeed in such an environment can be quite challenging. The issues confronting religious entities today are vastly complex, and the need for change or course correction is a high priority for most of them. Thus, there must be genuine humility demonstrated by both new C-suite executives and incumbent religious leaders for these changes to not only continue, but also truly succeed for the benefit of the mission and the people served. As an example, seasoned executives could step back from aggressive timelines and demands for change, and instead take the time required to generate buy-in through effective and strategic communication processes. And religious leaders could recognize the need to actively participate in the decision-making process, but also be willing to yield control to the more experienced executive and listen to the executive’s message about the need for change.

There must be genuine humility demonstrated by both new C-suite executives and incumbent religious leaders for changes and course corrections to not only continue, but also truly succeed for the benefit of the mission and the people served.
Oversight of this new breed of executive is another challenge to address. Previously businesspeople were engaged to assist with some specific business initiative (e.g., operational reorganization), and the religious leaders could oversee the tasks. Now it is time to recognize that religious leader capabilities may not be sufficient for such intricate matters as underfunded pension plans, unbalanced financial statements, self-insured risk pools with stop-gap insurance coverage, or foreign subsidiary investments. This should not be taken as criticism but rather as an acknowledgement of skills, training and experience that are not part of most pastoral portfolios.

Potential solutions to the challenges of religious entity progress
Greater current expertise is necessary for solving new operational puzzles. Recruiting experienced business executives can provide the right fit. But moving to a fresh approach and away from that of the past requires accepting risks along with benefits.

The executives and the entities achieving the greatest results will be those prepared to:

- Exercise humility by yielding to the mission and at the same time releasing control
- Take the time to learn historical context for decisions and be open to new ideas from outside the religious community
- Allow for communication and processes to move forward through historically accepted channels, while being a part of change through active and supportive communication efforts across the religious enterprise

PROS AND CONS OF THE NEW RELIGIOUS ENTERPRISE C-SUITE

- Experienced and talented business leaders not seeking to simply downshift or “give back” can bring new ways of thinking and new approaches to solving long-time problems such as streamlining operations.
- Religious leadership calls for all leaders to possess the capacity for pastoral concern and compassion; thus, actions or decisions made by executives who are trained to make profit-focused or cost-cutting changes can undermine the larger mission and have the unintended consequences of hurting the enterprise (e.g., brand or reputation).
- The understanding of business trends and cutting-edge approaches to business solutions (e.g., artificial intelligence, cloud-based technology platforms and even robotics to support global mission activities to bring relief efforts around the world) can provide religious leaders with advanced insights, even to issues beyond business operations (e.g., ministry effectiveness).
- Focusing financial resources on temporal or business-related efforts without a clear explanation and supporting case for those efforts that divert resources from efforts that make the mission or ministry possible can harm a religious organization’s relationship with its constituents, congregants and beneficiaries.
- Relieving our pastoral leaders of the burdens of business operations can free them to focus on their calling, ministry and service.
Prepare for social media reputation risks

Elizabeth Ireland, Partner, Audit Services, Not-for-Profit and Higher Education Practices
Lilian Tan, Manager, Advisory Services, Not-for-Profit and Higher Education Practices
Zak Pierce, Director, Advisory Services

For reaching and instantaneous, social media is both a valuable tool and a dangerous risk. It can enhance reputation or it can ruin it. It can do wonderful things for your organization, but all it takes to turn public sentiment against you is an ill-considered photo, an inappropriately worded tweet or a complaint from a disgruntled employee. Not-for-profit organizations that have adequately prepared for the worst by putting into place proactive prevention strategies and response scenario action plans will be better off than those that simply wait and react.

Develop proactive, prevention-based strategies
Proactivity assumes that you have an established voice on social media. Consistently posting content that reaches volunteers, supporters, donors, trustees and other stakeholders, and describes your mission and values, puts your familiar reputation at an advantage when it is threatened.

Base your plan on information gathering and dissemination:
1. Identify social media users who affect your online reputation — yes, your organization’s official accounts, but also your CEO’s personal Twitter account, board members’ various accounts, those of high-profile celebrity spokespersons, etc. Keep in mind that employees may acknowledge their professional affiliation on LinkedIn and elsewhere. Your prevention plan will pertain to your sphere of influence. Acknowledging that negative postings are often external, take control of stakeholder postings to the extent that is reasonable. The list should include related organizations (e.g., partners and vendors) and staff publicly affiliated with your organization.

2. Expand your communications policy to include a social media policy. In it, describe how employees should present themselves online outside of work (e.g., nonpublic information should not be posted), and limit access to posting to your official social media accounts. Include guidelines to clearly define what is acceptable and unacceptable in postings related to your organization, whether in public or private accounts. Incorporate clauses that refer to the policy into any applicable employment contracts.

3. Publicize the communications/social media policy throughout the organization. Just as important, conduct training to include communications staff, employees and board members. Point out the value of social media as a tool and encourage its use, and explain why and how to avoid reflecting badly on the organization. As with any policy, communicate the impacts and repercussions of violations, particularly if they constitute a data breach (i.e., leaking confidential information or intellectual property).

Establish a monitoring function
After identifying and educating your stakeholders, practice vigilance. A negative post requires immediate action but to act quickly, you need to know about it. Activate social media monitoring of your direct accounts, as well as of your organization’s name, key programs and related accounts, such as key employees, board members or celebrity spokespersons. Assign staff to regularly check various channels for mentions of your organization, or invest in social listening technologies (e.g., Hootsuite, Sprout Social) to receive alerts when the organization is trending, positively or negatively. While some posts can’t be deleted or their effects erased, you’ll be aware of them for remediation.
Build action plans for various response scenarios
At some point, something inappropriate will happen. An employee might post Facebook photos of a departmental night at the bars, or a celebrity wearing a cap displaying your logo may be photographed and tagged while espousing a distasteful opinion. You need to have a plan in place, and you need to implement that plan right away if circumstances require. The plan should address the key components — the offending post and responsible individual, the post’s impact and the subsequent changes to practices in order to minimize the chances of a similar event happening again.

Your scenario plan should address the key components in a detailed manner:

- Determine how the communications department should react. For example, a genuine public outcry may require an all-out response, with statements from organization leadership, and involve an external public relations firm and internal communications to staff. Some negativity is best ignored. Don’t fall into the trap of engaging with those who just want an argument (e.g., internet trolls); you’re unlikely to change their minds, and you’ll risk harm by elevating their points.

Activate social media monitoring of your direct accounts, as well as of your organization’s name, key programs and related accounts, such as key employees, board members or celebrity spokespersons.
• Define escalation procedures, including the point person and whom to contact (e.g., general counsel, CEO and/or board members). Have contact information in an easily accessible place.

  – Distance your organization from the offending post. Create a templated, formal response that will distance the organization from the poster and the post (e.g., emphasize that the poster’s values do not align with the organization’s values). This response should be posted on social media, as well as through traditional channels (e.g., website and press release).

  – Publicly reinforce your organization’s good reputation. Release photos and stories that take the offensive as reminders of your mission and core values. Where possible, speak specifically to the subject of the negative post. For example, if a tweet implies your organization doesn’t support the community, show proof of outreach programs.

• Evaluate actions post-event. After any significant event, work with the communications department to review the public reaction and your organization’s response, and evaluate your organization’s actions. If needed, update any policies or practices based on learnings (e.g., what types of organizational postings were well-received or updated escalation procedures) so that the organization can minimize the chances of a similar event reoccurring and enhance organizational response for any future events.

SOCIAL MEDIA LISTENING

You are probably monitoring your social media accounts — looking at your mentions and your hashtags, and reading through comments. But are you actually engaging in the conversation? The benefit of social listening tools is that they enable organizations to identify social media-based risks and mitigate them by addressing the root cause of the social media angst (if appropriate). That benefit is amplified when organizations then directly engage in the conversation to share how they are responding to the poster. This truly demonstrates that you are not just hearing, but also acting.

These technologies allow you to better connect with your audience across platforms. They ensure you see the likes — and dislikes — on Facebook, the comments on LinkedIn and the mentions on Twitter. They also tap into less-well-known social media channels, uncovering nascent risks before they gain momentum. With social listening, you can craft an overall message in response to a common theme as it is emerging. This response not only deepens your connection with your audience, but also affords some measure of control when an issue is still a growing whisper and not yet a full shout.

The plan should address good postings, as well. If a celebrity gives you a shout-out at an awards show, how will you capitalize on that? Using your social listening will allow you to amplify beneficial chatter.

With the wide use of social media, your organization as a trending topic — whether good or bad — is inevitable. Do what you can to protect and control your reputation.
Disaster and crisis are inherently unpredictable. In the event of an unexpected emergency, how quickly is your foundation ready to respond? Foundations are deliberative and thoughtful in their grant-making processes, but situations invariably arise when grantees have urgent and unanticipated needs. Time is short and you want to respond, but can you? In order to cope with an increased demand for aid when there are urgent and unanticipated needs, leading foundations have established innovative rapid-response processes.

**Begin with a funding plan**
For a rapid response to be possible, it is crucial for foundations to have access to contingency funding. If a foundation’s investment portfolio is not liquid, it should be adjusted to ensure that at least a portion can be liquidated quickly in the event of an emergency. This is done by first determining the extent of funds the foundation wants to have available to deploy for emergency relief in a given time frame (e.g., within a month, quarter or year) and establishing guidelines on spending limits per incident. Typically, foundations will set emergency spending targets per period and per incident relative to the organization’s typical grant size and overall grant budget. For example, an emergency response grant might be an amount between 10% and 20% of a foundation’s typical grant.

**Create a due diligence procedure**
Due diligence is as necessary for a rapid-response process as it is in the standard grant process. Though expedited, decision-making must be thorough. It is critical to create a rapid-response due diligence procedure well ahead of demand and require that it be followed despite pressure to react spontaneously to a given need.

As you draft the rapid-response due diligence procedure, include these protocols:

- Determination that meeting the need is appropriate to your mission
- Description of eligible recipients and geographical boundaries, e.g., 501(c)(3)s, current grantees or organizations established within the county where the disaster occurred
- Allowance or disallowance of applicants whose grant would result in expenditure responsibility, which occurs when a grant is given to an organization that is not classified by the IRS as tax-exempt. Consideration must be given to the burden associated with ensuring that the funds are spent for charitable purposes and not for private or political activities, as required by law.

It is critical to create a rapid-response due diligence procedure well ahead of demand and require that it be followed despite pressure to react spontaneously to a given need.
• Requirement that a prospective grantee provide a description of the situation or event that led to the need for a rapid response and the impacts, supported by evidence, e.g., notices, media reports, photographs and reports

• Requirement that a prospective grantee provide a determination letter and most-recent Form 990, with the exception of a current grantee whose information was previously provided

• Requirement that a prospective grantee provide a budget detailing the project or program for which the funds are being requested

• Judgment about whether the need was unanticipated or just poor planning

• Estimation if the proposed intervention would address the impacts

• Confirmation that legal and regulatory requirements are met

Establish a practical action plan
The object is to act quickly, but only after determining how and when, so that your team is not overwhelmed. It’s probably not realistic to expect that your regular grant approval process can be executed to approve a grant within an abbreviated application-to-approval timeline. Instead, identify your emergency response reviewer(s) and approver(s), and empower these individuals to work within the established time frame and spending limits.

Create a rating system similar to the ones developed by large foundations in the western U.S. and small funding federations on the East Coast. It should request ratings of 1 through 5 or affirmative/negative responses to criteria for emergency grant applications, with scorecards for the reviewer(s) and approver(s). The scorecards should be completed with the protocols described above, as well as with qualitative statements to inform the due diligence process.

In some crises, foundation leadership might choose to proactively reach out to those affected; contacting state and local government officials is one way to learn about organizations in need. After connecting with an organization, implement the same process as when contact is initiated by a prospective grantee — execute the rapid-response due diligence procedure and the action plan.

Conduct thorough follow-up
As with all grants, it is necessary to report on accountability and outcomes. Require a completed evaluation form from the grantee. The grantee should provide feedback on the process and project results. The foundation should be interested in whether the grant’s goals were achieved and if the grantee thought the process was efficient and effective so that it can make improvements where needed. We recommend asking all requestors of grants to complete the evaluation, even if they did not obtain a grant.

Regardless of whether it is an unexpected wave of displaced refugees who lack the basic necessities, a hurricane touching down or the aftereffects of a flood, it is important that you are positioned to handle urgent and unanticipated needs, putting your foundation’s resources to their best use by making grants with an immediate and lasting impact.

It’s probably not realistic to expect that your regular grant approval process can be executed to approve a grant within an abbreviated application-to-approval timeline.
Boards must change how they measure success

Larry Ladd, Director, National Industry Specialist, Not-for-Profit and Higher Education Practices

Not-for-profit organizations have long struggled to measure whether they’ve been successful. There is much long-term evidence of success — stories of the impact on individuals and social problems, continued certification and positive peer reports, enthusiastic and committed volunteers and the willingness of government, foundations, and individual donors to provide financial support. Useful indicators all, but they take a good deal of time to develop, are lagging versus leading indicators (in that they are more historical than predictive in terms of gauging organizational success), and give no immediate guidance to boards and administrators for planning the next five to 10 years. Organizations continue to grapple with how best to create concrete planning objectives and effect midcourse corrections based on measures that gauge success.

For the most part, organizations rely on data that is presented to them by individual departments, primarily financial information from finance, utilization data from program managers, and fundraising reports from development. Boards also receive updates from the CEO about specific programmatic and service-related achievements. All of this information is important but is a presentation of what’s available, sometimes selectively chosen, rather than a response to finely honed strategic questions.

Rarely are boards given consistent, systematic reports on external trends that are likely to impact their organization, with context from management regarding questions such as how other organizations are adapting their business models, how peer organizations are getting more or less effective and how those developments are impacting the organization’s strategy.

Boards need to know the extent of overall fiscal health issues, such as adequacy of reserves, contingencies or other financial assets not immediately committed to operations, which for many not-for-profit organizations are often poorly tracked. Too many boards get simplistic answers to questions that are essential to their fiduciary role. Few boards receive regular and consistent reports regarding long-term fiscal health, or even credible explanations as to why they don’t.

BOARDS NEED SYSTEMATIC REPORTS ON EXTERNAL, LIKELY IMPACTFUL TRENDS, WITH CONTEXT FROM MANAGEMENT ON QUESTIONS SUCH AS:

“How are other organizations adapting their business models?”

“How are our competitors getting more or less affordable?”

“How do these factors impact our strategy?”
Except for organizations with large financial resources, cash is important to track on a regular basis and is often obscured in traditional reporting to boards. Low cash balances, with borrowing from endowment or from banks, can be an early indicator of financial trouble. Cash is indeed reported in the audited financial statements, but, because that’s once per year, a low cash balance is often explained as “timing” when it might mask a more serious issue.

Additionally, often organizational activities [and their associated annual budgets] are planned and executed independently from consideration of whether activities directly support implementation of the strategic plan, so budget information isn’t necessarily helpful in assessing strategy.

**ORGANIZATIONAL PERFORMANCE**

Some examples of issues boards face when asking questions about organizational performance:

- How do we understand whether staff, as service providers and professionals in their field, are performing better or worse? Few organizations have quantitative measures beyond observations of supervisors, which can be limited and potentially misleading.

- Constituent satisfaction, i.e., whether you are meeting the needs of those you are serving, is another area where simple quantitative measures can’t come close to fully gauging sentiment.

- When fundraising numbers are lower than expected, we often see CEOs speak with high expectation about hot prospects about to make big gifts, with no quantification of pending gifts, or the probability of their realization, over time.

- We’ve also seen measures done episodically rather than on a consistent basis, with snapshots of performance that don’t offer a sense of forward or backward movement and provide no context as to how trends will affect future performance and decision-making.
Traditionally, dashboards measure volume of activity and utilization of programs, fundraising and finance based on data generated internally and sometimes on comparative/benchmarking data. Organizations too often choose to focus on the wrong measures and omit tracking of critical categories of success.

Board members and other stakeholders are becoming increasingly insistent about obtaining more strategic and comprehensive answers from management. Board members want to better understand the effectiveness of mission achievement; government, the public and service recipients are asking if programs are worth the cost; accreditors and licensers are placing greater emphasis on assessment; and donors — particularly younger ones — are demanding more immediate evidence of results.

Every organization is a system, with each stakeholder having a role, but with strong interdependence among the parts. Following is guidance on developing measures in that multiparty context.

**First, decide what to measure**
The first, but also ongoing, question is “Are we measuring the right things?” To answer this question, determine the factors that are essential to your organization’s success:

- **Mission and standards** are primary. Confirm the validity of your mission, vision and values and, assuming they still resonate, that overall direction adheres to mission and avoids mission creep. Make sure that the organization remains true to culture and behavioral standards. If the times require modification, do so purposefully rather than by accretion.

- **Strategy** follows. Review strategic objectives, then ensure budget and related plans are consistent with the strategy as a whole. Budgets are often just a reflection of past objectives, with slight modifications, rather than an embodiment of current strategy.

- **Implementation of strategy** is next. Are incentives in line with mission, culture and standards? Do they align with strategy? Are there productive connections with key stakeholders?

- **Operations** is the final component. Are administrative functions being run efficiently? Do they provide good customer service?

Strategic planning methodologies that incorporate measurement techniques include balanced scorecard (see “Balanced scorecard,” Wikipedia), performance prism (see “Summary of the Performance Prism,” Value Based Management.Net) or six forces model (see “Six forces model,” Wikipedia).
Next, decide how to measure

Don’t let the question of whether you can measure an item keep you from seeking information. Everything can be measured in some fashion. Boards should look to management to consider these four meaningful ways to measure:

- Hard data, the most typical way. Financial and utilization data are first and foremost among the key areas that can be quantified. They are important areas, but unlikely to be the only ones important to your organization.
- Surveys and structured face-to-face conversations, such as focus groups.
- Asking groups to assess a particular topic on a scale, such as 1 to 5. Responding to “We are making progress in making our culture more inclusive” is one such example.
- A special assessment committee charged to answer “How are we doing?” An advantage of such a group is that it can be used when hard data is insufficient to address qualitative issues that are not readily measured. Base committee membership on knowledge and expertise.

The board has to be satisfied that a rich array of data analytics is used and participants are informed about what is being measured and how that information will inform decision-making.
Then, use the measurements

The most important role of measurement is to identify trends over time and to use those trends to inform decisions and take action going forward, e.g., is a situation getting better or worse, or is a program/function moving in the right direction. Such actions can just as much center on doing more of what is working as they can on remediating what is not. Historical metrics can also form the baseline for projections into the future.

A high-level summary of key measures might be all the board requires. Measurement appropriate to board and C-suite attention must be kept focused, e.g., fewer than 10 items, and directed toward critical issues. Refer constantly to the questions of what success looks like for your organization — kinds of growth, changes in constituent profile, financial results?

What might success look like? Among the possibilities are the following qualitative and quantitative assessments. In each of the two surveys, and as noted earlier, what matters isn’t the absolute results, but rather trends over time.

- Twice-yearly survey of program/service recipients — reported to and discussed on a timely basis by the board — on key factors where the organization wants to succeed. Examples of topics could be constituent satisfaction with availability of programs or services, accessibility of facilities and/or perceived cost of services relative to value.
- A similar survey of staff that might focus on elements of the organization’s strategy and how they fit into it, awareness of sexual abuse policies and procedures, satisfaction with office conditions or whether staff are provided with the tools or training to do their job.
- Presentation of key financial results or indicators that looks back over five years (or more), rather than the usual two years, with comparisons of those results to specific, predetermined targets.

Your board should consider some structural changes that will make measurement more strategic:

- A dashboard with columns that show the core strategic objectives of the organization, followed by the metrics to measure those objectives, with the measures consistently defined and trackable over a five-year time horizon.
- The structured incorporation of performance (as it relates to strategy) at every board meeting, as opposed to reports, with limited discussion, of activities. (One national organization concerned with governance has even recommended that board committee structures be revised to parallel strategy rather than function, as they typically do.)
- Reliance on both quantitative measures and “softer” measures like surveys and focus groups.
Be watchful in assessments

• Avoid embracing the illusion of certainty; there are always flaws in data. For example, a specific point in time result can be misleading because that point might be just before significant upward or downward movement. A form of moving average can hide sharp deviations that may not be meaningful.

• A matter could have several different measures, none of which is perfect, but when taken together give a sense of how you are doing. If you are a religious organization, for example, the combination of membership and actual attendance at services provides more perspective than either would on its own.

• Stay on guard for unintended consequences of measurements. If you are a museum that uses discounts to improve attendance, just focusing on attendance doesn’t tell you the full financial impact of attendance statistics. By solely focusing on headcount, you might plan more special events that end up actually losing money because of the cost of those events relative to the discounts offered to achieve yield. Rather, attention should be placed on finding the right “price point,” i.e., at which level of discount people decide to attend or attend more frequently.
Keep the process simple, focused and continuous

“Simple and focused” sounds easy, but there will be a strong temptation to satisfy everyone with influence, each of whom will have his or her own ideas and want to put a fingerprint on the process. For example, individual donors may want measures that reflect their personal priorities but don’t reflect on the highest organizational imperatives or improperly represent performance. For instance, they might want to measure impact on a low-priority constituency to which they belong that would not adequately reflect impact on a broader constituency. Organizations need to be disciplined and resist the entreaties of constituents to track issues they advocate, and rather choose those measures that are most indicative of current and future organizational success.

There will also be the temptation to get overly complex. Nuance is important, but soon you can’t see the forest for the trees. You want to only highlight key issues, not to have a deep dive on them. You don’t want the board to spend so much time on the nuances that they have less time to focus on the larger issues themselves. For board-level purposes, you’ll want to synthesize departmental and programmatic details into a few broad categories and measures. A foundation, for example, may want to report grant activity by impact objectives, but not necessarily by each specific program.

The board must avoid micromanagement of staff. The board’s role must be kept at a high level — asking questions; understanding general procedures that will obtain the answers; and ensuring the administration is making responsible decisions, not second-guessing. While good information improves the ability for the board to fulfill its oversight duty, it also creates a temptation to dig too deeply. By receiving information in aggregated form, as suggested earlier, the board can ask good questions without specifically having a long conversation on specific programs, which isn’t really board work.

Be explicit about who is responsible for each item measured. Create a chart of assessments and follow-up plans, accessible to key stakeholders, with regular review and discussion of what the chart indicates.

Organizations often fall into a pattern of annual evaluations and planning/budget exercises, but success depends on creating a continual process of assessing whether your organization is doing the right things and doing them well. When a goal is established, simultaneously determine how you will assess it. As progress is made toward that goal or key milestones are reached, assess accomplishments against planned metrics and chart a future course based on that assessment.

Organizations often fall into a pattern of annual evaluations and planning/budget exercises, but success depends on creating a continual process of assessing whether your organization is doing the right things and doing them well.
The State of the Not-for-Profit Sector in 2018

Monitor funding for compliance, donor intent

Yossi Jayinski, Partner, Audit Services, Not-for-Profit and Higher Education Practice; Leader, Jewish and Israel Organizations Sector
Scott Thompsett, Managing Director, Tax Services, Not-for-Profit and Higher Education Practices

Domestic and global business environments are populated by regulators and stakeholders who are increasingly focused on compliance. Even where regulations haven’t changed, scrutiny has been intensified. For transcontinental charities, guaranteeing tax compliance across borders has become particularly complex. To ensure compliance with IRS rules governing grantee due diligence, U.S. not-for-profit organizations must demonstrate effective oversight of the Israel not-for-profit organizations they support.

A disciplined approach ensures maintenance of tax-exempt status but, just as importantly, satisfies the board and assures donors that their wishes are being reliably carried out.

Acknowledging the issues of a long-distance relationship

On the U.S. side, boards and audit committees are taking a more aggressive role in their governance responsibilities, keenly aware of heightened tax-exemption and reputational consequences. For some organizations, regulations that went into effect several years ago are only now being interpreted and implemented — with additional scrutiny. A prime imperative is guarding against the misdirection of funds.

While there is generally no question that Israeli organizations are fervent about putting financial support to meaningful use in support of their mission, the U.S. nonprofit has an affirmative duty to ensure that funding not only adheres to donor-designated purposes, but also complies with the IRS expectation that such funds are used only to advance one or more charitable purposes as defined under Section 501(c)(3) of the Internal Revenue Code. The Israeli organization may have a number of valid reasons for employing charitable funds in a manner not prescribed by the original donor, but channeling funds elsewhere is inappropriate and cannot be allowed to happen. Donors have the right to set priorities, and the U.S. nonprofit has the obligation to make sure that they are honored, lest future donors opt not to make gifts for fear that their charitable intentions will not be observed.

Given that controls would be problematic to enforce from a far remove, monitoring is the practical way to ensure compliance.

SECTOR-SPECIFIC FEATURE
JEWISH AND ISRAELI ORGANIZATIONS

A donation to support a scholarship for Russian students was placed with an Israel institution, but no candidates applied. The Israeli institution considered changing the scholarship to benefit a student from another country. But because the U.S. nonprofit had been clear in its oversight, the institution reported its quandary. The nonprofit directed the Israeli organization to wait on awarding the scholarship until Russian students applied and met the requirements.

MISDIRECTION AVERTED
Choose an appropriate monitoring method
Choosing how an organization monitors its grant activities depends on many factors, the most important of which may be the relationship between the U.S. nonprofit and the Israeli organization. If the relationship is governed by strong internal controls and timely communication, the monitoring process will likely be more efficient. Other factors to take into account are the size, number and complexity of projects; the confidence the U.S. nonprofit’s governance body has that the Israeli organization understands the importance of following donor intent; and resources and budget.

There are four ideal methods for monitoring grant compliance:

• Create a coordinating and monitoring office/branch in Israel
  – This office acts as the internal control arm of the U.S. nonprofit, intended to monitor day-to-day operations when supporting multiple programs, usually 10 or more. The number and complexity of programs supported are the deciding factors in creating an office in Israel.

• Send representatives to Israel as needed
  – Where the Israel organization is supporting fewer programs, or the programs it supports are less complex, it often makes sense for the U.S. nonprofit to monitor grant compliance by periodically sending a representative to Israel to monitor each grant. This on-the-ground monitoring enables the U.S. nonprofit to take comfort that its donor dollars are being put to good use.

• Hire an auditing firm in Israel
  – The auditing firm is tasked with performing an agreed-upon procedure to review compliance for the U.S. nonprofit, which pays for the service.

• Require detailed documentation from Israeli organizations
  – In the concluding section below, we outline some of the documentation required to adhere to best monitoring practices.

Follow monitoring best practices
The IRS requires that U.S. charities describe in detail their procedures to monitor the use of grant funds outside the United States. Responsible grant monitoring practices require your organization to:

1. Maintain a list of foreign grantees.
2. Have objective criteria to determine eligibility for awards.
3. Define your organization’s selection criteria.
4. Require that grantees submit progress reports, and specify the frequency.
5. Examine grantees’ spending reports for thoroughness.
6. Assign staff/employees to monitor grants with personal visits to jurisdictions where grants are made; if not possible, monitor grant funds by other means, e.g., Excel reporting or banking documents.
7. Conduct field investigations.
8. Require audited financial statements from grantees.
9. Require substantiation from grantees that they are tax-exempt in their home jurisdiction.
10. If you allow re-granting of gifted funds, specify how those re-granted funds are monitored.

Careful monitoring helps prevent sanctions that could deter your organization from achieving its charitable mission. Confirming that donor intent is satisfied to the letter honors donors, develops trust among stakeholders and between your nonprofit and the Israeli organizations it supports, and ensures compliance with U.S. tax law.
Disruption in the not-for-profit sector

Not-for-profits, like organizations in many other industries, are experiencing disruption. If you’re in the dark about changes in your operating environment, disruption will be startling and upending. If you’re cognizant of marketplace happenings and mindful of future uncertainties, change can be anticipated and planned for. Although disruption is often perceived to be something that “happens to” entrenched market players, organizations should evaluate to what extent they should (and could) be instigating disruption, preparing for potential changes and being proactive in responding to what’s coming.

In an era where innovation and disruption are rampant and change is the norm versus the exception, it is often difficult for nonprofits to ascertain whether a certain topic — e.g., blockchain, bitcoin, artificial intelligence, virtual reality, tax reform, #MeToo, fake news — is just another catch-phrase or passing fad, or a real game-changer with differing ramifications and degrees of relevance regarding how our society and organizations operate. Knowing where to focus time, energy and attention is critically important in order to best position an organization for the future.

2018: The first year to engage with significant tax reform changes

With the signing of the Tax Cuts and Jobs Act in late December 2017, not-for-profit organizations will be expected to adopt and comply with a myriad of tax law changes that impact the way they operate, from payroll withholdings to employee fringe benefits, from executive compensation to unrelated business income (UBI). Three significant factors affecting nonprofits include the retention of the charitable deduction for filers that itemize, a near doubling of the standard deduction (for both single and joint filers) and the taxation of UBI. While additional guidance for the tactical implementation of the changes continues to emerge, there are important “knowns” and “known unknowns” for nonprofit leaders to consider in the coming months.

Become familiar with knowns and known unknowns

The U.S. population is an inherently charitable one. Giving across the not-for-profit sector has been on a general upward trajectory for the past four decades (“Growth in charitable giving plummets over previous decade,” MarketWatch). In 2016, individuals and households were credited with giving approximately 70% of total donations.

Feelings of loyalty, passion for the cause, belief in an organization’s mission, and even habit when it comes to giving may serve as greater personal sway than any tax-related factors.

Joseph Mulligan, Senior Manager, Advisory Services, Not-for-Profit and Higher Education Practices
Lilian Tan, Manager, Advisory Services, Not-for-Profit and Higher Education Practices
A near doubling of the standard deduction has caused some heartache in the not-for-profit sector, since the increase is being perceived by some to be a disincentive to sustain and increase individual charitable giving. And, due to lowered across-the-board tax rates, the benefit of an itemized deduction is now lowered. But since the 2013 tax year, nearly 70% of households gave to charities even though only 30% of the population itemized deductions on their tax returns ("Who Itemizes Deductions?" Tax Foundation). This tells us that a sizable segment of the population chose to support charitable causes despite not having a tax incentive to do so. From a social perspective, many of those who traditionally give to a specific charity can be expected to continue to do so, regardless of tax considerations. Feelings of loyalty, passion for the cause, belief in an organization’s mission, and even habit when it comes to giving may serve as greater personal sway than any tax-related factors. In addition, judging by today’s positive economic and equities markets’ performances, which are historical indicators of charitable giving, the outlook remains bright.

By virtue of the changes to the standard deduction and the limitation on certain tax deductions (such as state and local taxes), tax reform is projected to increase the number of households claiming the standard deduction by roughly 20 percentage points, to approximately 90%. Although those additional 20% of filers will no longer itemize on their tax returns and will lose the tax incentive to make charitable contributions, many filers will benefit from lower across-the-board tax rates and thus have more available income to give to charity. In addition, increased take-home pay as a result of changes to payroll withholding tables will also provide American workers more disposable and discretionary income for 2018.

Beyond the impact on filers and charitable giving, tax reform has the potential to be particularly disruptive for nonprofits that utilize unrelated business losses or carryforwards to offset UBI. Tax-exempt organizations have historically computed UBI by aggregating all unrelated business activities and either paying tax on the net income or carrying forward a loss. Post-tax-reform, tax-exempt organizations will be required to “bucket” their UBI activities so that the deficit-generating business lines may not be used to offset surplus-generating ones. This “bucketing” of UBI could result in higher tax obligations for a number of organizations and motivate some to discontinue certain business practices. However, like all other filers, tax-exempt organizations will also benefit from the reduced across-the-board tax rates.

There is uncertainty related to the magnitude of individual giving, with tax benefits associated with giving now noticeably decreased. What is not entirely clear at this stage, especially since the vast majority of American taxpayers and charitable givers have not attempted to model their own taxes for 2018, is the degree to which any filer has further incentive or disincentive to maintain or increase giving levels.
In light of this uncertainty, organizations should flag any repeat donors who have yet to give and consider additional outreach to major donors. In addition, highlight your organization’s impact and community stories as a way to emphasize the mission being served, not the tax benefits offered. The spotlight should be on the impacts of the organization’s mission — after all, if an individual’s or household’s principal motivation for giving to a specific organization was solely due to the tax deductibility of the gift, the ties between the donor and organization were never strong to begin with. Nonprofit leaders should strive to continue to drive engagement by cultivating deep, meaningful relationships with existing and prospective donors. This will enable organizations to best mitigate risk and make certain that ties between the charity and donor are least likely to be severed.

**Understand changing constituent preferences due to technology**

Technology is changing how constituents choose to consume content and engage with organizations. As constituents increase their interactions with smartphones and smart devices in their personal lives, they expect organizations to keep up. Organizations that choose to avoid the new and different ways that constituents engage will leave themselves at a disadvantage. While an organization does not have to latch on to every new technological fad, it should watch out for major disruptions that change how donors and volunteers have traditionally interacted with organizations. Not-for-profits that pay attention to the different consumption patterns, technological needs and engagement preferences across all their donors, volunteers, and supporters will set themselves up for greater constituent satisfaction, retention and commitment.

47% of Gen X would donate through mobile devices

62% of Gen Y would donate through mobile devices
Mobile engagement is one of the top trends in which constituents are expressing interest. According to Blackbaud ("The Next Generation of American Giving"), 47% of Gen X (those in their 40s and early 50s) and 62% of Gen Y (those in their mid-20s and 30s) would donate to charities through mobile giving. While commercial mobile payments through Apple Pay and Paypal have become necessities for doing business with consumers, many not-for-profits have been slower to adopt such technology for donations. However, mobile giving is on the rise. For example, Givelify offers organizations a platform for collecting mobile app based donations. Some organizations are implementing their own giving apps as a way to try to disrupt traditional giving methods. The World Food Programme developed Share the Meal, an app with which donations to end hunger can be made with just a few clicks.

Mobile engagement spans beyond giving. More than half of all emails and of all websites are now opened on a mobile device. This means that emails and websites must be in mobile-friendly formats, with content and visuals to quickly grab readers’ attentions. Any calls for actions — sharing, liking stories, donating or registering for events — must be easy to make.

The internet of things offers another way for not-for-profits to engage with constituents. Smart speakers, such as Amazon Alexa, are now owned by one in six Americans — up 128% since early 2017, according to NPR and Edison Research (The Smart Audio Report). This is changing the way organizations market to and interact with their constituents. For example, Amazon allows third parties to develop “skills” that users can download onto their devices, and some not-for-profit organizations have used this technology to set themselves apart. The Audubon Society’s skill, Audubon Bird Songs, allows users to ask Alexa to play specific bird songs through the Audubon library. The Mayo Clinic’s skill, Mayo Clinic First Aid, allows users to ask Alexa for access to instructions to treat cuts, burns and other ailments. Voice fundraising has not yet been developed, but it may just be a matter of months before it’s possible to command, “Alexa, donate $20 to...”

Voice fundraising has not yet been developed, but it may just be a matter of months before it’s possible to command, “Alexa, donate $20 to...”
Fulfill the rising mandate of responsible governance

Just as corporations face continuing pressures to diversify their leadership and take greater responsibility for the actions of their management, not-for-profits are expected to be more forthcoming about every aspect of their organization. From sponsors leaving organizations garnering negative publicity to large donors reconsidering gifts to charities where executives have behaved inappropriately, the public is demanding greater accountability and responsibility. It is not enough to conduct strong programmatic work or publicize the impact that contributions have made. The public increasingly demands that the entire organization — including its governing bodies — is sound and responsible. In fact, for not-for-profits that are misaligned with these expectations, the consequences may be even greater than those for their for-profit counterparts.

Corporations have been in public scrutiny for the past several years to review and revise their leadership composition. While less headline-grabbing, nonprofits have faced the same scrutiny and should expect to see this scrutiny grow in the future. According to BoardSource’s biennial Leading with Intent study, boards are no more racially or ethnically diverse than they were two years ago. The 2017 study reported that 90% of chief executives and 84% of board members reported as Caucasian.

Studies have thoroughly noted the numerous benefits of leadership diversity — innovation, diversity of thought, better understanding and representing the constituents an organization serves.
The study did not report statistics on other forms of diversity such as sexual orientation, disabilities and socioeconomic status. Studies have thoroughly noted the numerous benefits of leadership diversity — innovation, diversity of thought, better understanding and representing the constituents an organization serves. The question is not whether to diversify but when and how. Are organizations prepared to broaden leadership representation by taking advantage of soon-to-be-vacated board positions, prioritizing these efforts higher during recruitment, or revising policies or term-limits to encourage diversity?

Holding leadership to high standards will be of greater importance in the future. The large number of sexual harassment and assault allegations recently reported had some spillover into the nonprofit sector. Charities have faced public backlash over the way sexual harassment allegations have been handled, board members and executives have voluntarily or been forced to resign, and public contributions have declined.

To address intensifying public pressure to hold the entire organization to the highest ethical standards, organizations must take action by reviewing/revising their policies governing appropriate behavior; seeking greater background checks for key leadership; providing tools for employees that empower them to report on inappropriate behavior; and providing training beyond the annual ethical compliance videos for staff and trustees. A culture of high ethical behavior — or lack thereof — is often driven by governance from the top.

Today’s business and operating environment is more dynamic than ever. Nonprofits, like all organizations, must stay vigilant to identify disruptive shifts that impact strategy and the ability to differentiate and maintain relevance and financial sustainability. Technological innovation, regulatory changes, demographic shifts and changes in consumption patterns should all inform how nonprofits operate and adapt to achieve mission objectives. Organizations must be increasingly agile in order to effectively adapt in the face of change while maintaining exceptional focus on the most basic principles of sound organizational execution.
Grant Thornton LLP has a well-earned reputation for understanding the needs of not-for-profit organizations, providing them with in-depth sector knowledge to improve their operations, seize opportunities, address challenges and mitigate risks. When we assist them to become more effective at what they do, the benefits cascade through all the communities they serve.

More than 500 industry professionals serve the audit, tax and advisory needs of approximately 900 not-for-profit organizations. While we take pride in the number of clients we serve, what is more important is the prestige of our nonprofit clientele; we serve a noteworthy 30% of the Forbes 100 largest U.S. charities for 2017, 28% of The NonProfitTimes 2017 NPT top 100, and 25% of the top 100 of The Chronicle of Philanthropy 400 largest charities.

The not-for-profit sector is a strategic industry segment for our firm. Our commitment to this sector is reflected not only in the number of clients we serve, but also in our active support of and leadership in key industry associations and conferences aimed at strengthening not-for-profit organizational effectiveness and execution. We also demonstrate our industry leadership through our dedication to giving back to this community, by sharing our best-practice experience via forward-looking thought leadership, including publications, articles, presentations, webcasts and training.

Our clients rely on us, and we respond to that trust by making continuous investments in our people so that we can provide our not-for-profit clients with the highest level of service. We are proud to have fully dedicated professionals from staff to partner who work exclusively with not-for-profit and higher education clients. Our not-for-profit professionals provide our clients with information about relevant industry trends; accounting and regulatory pronouncements; practical insights and value-added recommendations; personal attention with timely, authoritative feedback and quick responses; and high-quality service with measurable results. When we help our clients to deliver on their missions, we deliver on ours.

Keeping you informed about industry trends

We are committed to helping you stay up-to-date on industry developments. Visit grantthornton.com/bei to join our Board and Executive Institute and regularly receive invitations to our latest educational forums and speaking engagements, articles and webcasts on current and emerging issues of interest to not-for-profit leaders. Explore grantthornton.com/nfp to access our industry resources and thought leadership.
Some of the ways we serve the not-for-profit sector

**AUDIT SERVICES**

Dennis Morrone  
National Partner-in-Charge  
Audit Services  
Not-for-Profit and Higher Education Practices  
T +1 732 516 5582  
E dennis.morrone@us.gt.com  
S linkedin.com/in/dennis-morrone

- Financial statement audits  
- Benefit plan audits  
- Uniform Guidance compliance audits  
- Agreed-upon procedures

**TAX SERVICES**

Dan Romano  
National Partner-in-Charge  
Tax Services  
Not-for-Profit and Higher Education Practices  
T +1 212 542 9609  
E daniel.romano@us.gt.com  
S linkedin.com/in/daniel-romano

- Employment tax  
- Executive compensation and disclosures  
- Form 990 compliance  
- Governance and maintenance of tax exemption  
- Private foundation services  
- Tax risk assessment  
- Unrelated business income

**ADVISORY SERVICES**

Mark Oster  
National Partner-in-Charge  
Advisory Services  
Not-for-Profit and Higher Education Practices  
T +1 212 542 9770  
E mark.oster@us.gt.com  
S linkedin.com/in/mark-oster  
@mark_oster

- Strategy and governance  
- Operations improvement  
- Information technology  
- Business risk (including enterprise risk management, internal audit and construction audits)  
- Human capital services  
- Restructuring and turnaround  
- Transaction support (including due diligence and merger integration)  
- Forensic and Valuation (including investigations and litigation and dispute consulting)
Sector contacts
In order to best serve the unique needs of our not-for-profit clients, Grant Thornton’s Not-for-Profit and Higher Education practices are segmented into seven key sectors — associations and membership organizations, foundations, higher education, Jewish and Israeli organizations, museums and cultural institutions, religious organizations and social services organizations. The sector structure allows our professionals to develop deep knowledge specific to our not-for-profit clients’ individual business models and enables us to provide our clients with sector specific best-practices, trends and technical updates.

ASSOCIATIONS AND MEMBERSHIP ORGANIZATIONS
Lisa Lipsky
Partner, Audit Services
Not-for-Profit and Higher Education Practices
Leader, Associations and Membership Organizations
T + 1 410 528 2020
E lisa.lipsky@us.gt.com

FOUNDATIONS
Frank Giardini
Principal, Tax Services
Not-for-Profit and Higher Education Practices
Leader, Foundations
T + 1 215 656 3060
E frank.giardini@us.gt.com

HIGHER EDUCATION
Cosmo Saginario
Partner, Audit Services
Not-for-Profit and Higher Education Practices
Leader, Higher Education
T + 1 212 512 9637
E cosmo.saginario@us.gt.com

JEWISH AND ISRAEL ORGANIZATIONS
Yossi Jayinski
Partner, Audit Services
Not-for-Profit and Higher Education Practices
Leader, Jewish and Israel Organizations
T + 1 212 624 5648
E yossi.jayinski@us.gt.com

MUSEUMS AND CULTURAL INSTITUTIONS
Tom Brean
Partner, Audit Services
Not-for-Profit and Higher Education Practices
Leader, Museums and Cultural Institutions
T + 1 312 602 8711
E tom.brean@us.gt.com

RELIGIOUS ORGANIZATIONS
Scott Steffens
Partner, Audit Services
Not-for-Profit and Higher Education Practices
Leader, Religious Organizations
T + 1 312 602 8140
E scott.steffens@us.gt.com

SOCIAL SERVICES
Alan Jutras
Managing Director, Audit Services
Not-for-Profit and Higher Education Practices
Leader, Social Services Organizations
T + 1 617 973 4744
E alan.jutras@us.gt.com

FIND AND SHARE THE REPORT ONLINE
The State of the Not-for-Profit Sector in 2018
grantthornton.com/stateofNFP
Grant Thornton not-for-profit and higher education 2018 webcast series

Each year, leaders from Grant Thornton’s Not-for-Profit and Higher Education practices provide learning opportunities through our webcast series. These sessions cover a wide variety of trending topics and regulatory updates relevant to not-for-profit management and board members.

Half of the series is reserved exclusively as a benefit for our clients, in appreciation to those organizations that have chosen Grant Thornton to help meet their audit, tax and advisory needs.

Client-reserved webcasts are password-protected; contact a member of your Grant Thornton engagement team if you have registration questions. The other half is open to anyone associated with the not-for-profit sector who may be interested in learning more about these important industry topics. Visit grantthornton.com/nfp “Upcoming webcasts” for more information on upcoming webcasts or to access past webcasts.

OPEN WEBCASTS*

- **JAN 24**
  The clock is ticking on revenue recognition and leases. Are you ready for implementation?

- **APR 18**
  State of the not-for-profit and higher education sectors

- **JUL 18**
  Nonprofit accounting, regulatory and Uniform Guidance update

- **OCT 17**
  Understanding the global landscape for human capital issues

*All webcasts are 2–3:30 p.m. ET.

CLIENT-RESERVED WEBCASTS*

- **FEB 21**
  More than ever, the C-suite must be proactive and decisive yet collaborative! Why and how

- **MAY 16**
  “May I have this dance?” Overcoming the serious obstacles to mergers, partnerships, and collaborations

- **AUG 15**
  Generational differences in giving

- **NOV 7**
  Achieving programmatic results through organizational dashboards
These client-serving partners and professionals of Grant Thornton’s Not-for-Profit and Higher Education practices contributed to this year’s State of the Not-for-Profit Sector in 2018 (grantthornton.com/stateofNFP). They are available to share their knowledge and experience with not-for-profit leaders.
Other contributing professionals

**Graeme Finley**,
Principal, Advisory Services
Public Sector
T +1 703 837 4517
E graeme.finley@us.gt.com

**Zak Pierce**,  
Director
Advisory Services
T +1 215 376 6000
E zak.pierce@us.gt.com

**Joel Waterfield**,  
Managing Director
Tax Services
Technology Industry Practice
T +1 703 837 7595
E joel.waterfield@us.gt.com
About Grant Thornton LLP

Founded in Chicago in 1924, Grant Thornton LLP (Grant Thornton) is the U.S. member firm of Grant Thornton International Ltd, one of the world’s leading organizations of independent audit, tax and advisory firms. Grant Thornton, which has revenues in excess of $1.6 billion and operates 59 offices, works with a broad range of dynamic publicly and privately held companies, government agencies, financial institutions, and civic and religious organizations.

"Grant Thornton" refers to Grant Thornton LLP, the U.S. member firm of Grant Thornton International Ltd (GTIL), and/or refers to the brand under which the GTIL member firms provide audit, tax and advisory services to their clients, as the context requires. GTIL and each of its member firms are separate legal entities and are not a worldwide partnership. GTIL does not provide services to clients. Services are delivered by the member firms in their respective countries. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another’s acts or omissions. In the United States, visit grantthornton.com for details.

© 2018 Grant Thornton LLP | All rights reserved | U.S. member firm of Grant Thornton International Ltd