POSSIBLE (RE)DEFINED

Empowering Nonprofit Leadership in an Era of Change: 2024 Trends and Hot Topics
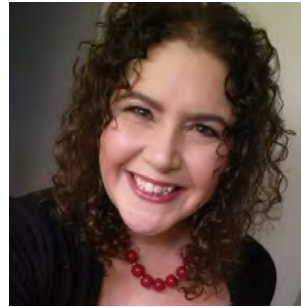
Certified B Corporation

WELCOME

Today's Presenters

Matt Petroski

Partner

Brenda Kahler

Senior Director

Kate Hultin-Schott

Director

EXPLORING NEW AREAS

Agenda

	Address the hiring and retention crisis and some of the ways nonprofits are preparing for the future of work
	Recognize tech trends, AI adoption, data privacy and cybersecurity concerns
	Anticipate election year impact and legislative activity that may impact nonprofit organizations
	What now? What next?

NONPROFIT UPDATE

Transform & Scale Your Workforce

Brenda Kahler, Sr. Director

Kate Hultin-Schott, Director

WHAT TRENDS ARE COMMON ACROSS MULTIPLE INDUSTRIES?

Common Trends

Economic Conditions

Impact of AI

Digital Transformation

Recruitment & Retention

Succession Planning

Industry Commonalities

Topic	Tech: SAAS	Tech: Life Sciences	Real Estate	Nonprofit	Healthcare	MDW	Private Equity	Family Office	Prof. Services
Talent		✓	✓	✓		✓			✓
Impact of Artificial Intelligence (AI)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Digital Transformation		✓		✓	✓	✓	✓	✓	
Financial Pressure				✓	✓	✓		✓	
Workforce Disruption				✓	✓	✓			
Competitive Threats					✓				
Giving Crisis/Donor Donations				✓					
Debt Markets							✓		
Valuation		✓					✓		
Fundraising				✓			✓		
Shifting Sales Models	✓			✓					
Required Profits	✓								
Economic Uncertainty		✓	✓	✓	✓	✓	✓		✓
Ease of Access to Providers								✓	
Return on Investment				✓		✓		✓	
Production Costs						✓			
Supply Chain		✓				✓			

2024 NONPROFIT SURVEY
Top of Mind for Nonprofit CFOs

Streamlining Operations (83%)

Staffing Difficulties (75%)

Employee Talent & Development (74%)

Fundraising (63%)

Process Life Cycle

Stage 1 – Outcome focused

Stage 2 – Definition & Improvement

Stage 3 – Documentation

Stage 4 – Delegation

Stage 5 – Outsourcing

Stage 6 – Automation

Effectiveness

Efficiency

FUTURE OUTLOOK

Why Outsourcing?

CHALLENGES

| Access to Talent | Segregation of Duties | Employee Risk Mitigation | Late or No Timely Financial Reporting | Lack of Insight & Business Analysis | Technology to Complement Talent | Technology Risk Mitigation |

Case Study: Outsourcing

Why Automation?

Reduce Manual Data Entry & Errors
Improve accuracy and quality with less human data entry errors or typos

Increase Productivity
Process cycle times are much faster compared to manual process approaches

Integrate & Sustain Legacy Systems
Integrate legacy systems with each other when traditional means, such as open APIs, are unavailable

Increase Availability
Digital workers operate on a regular, established schedule up to 24/7

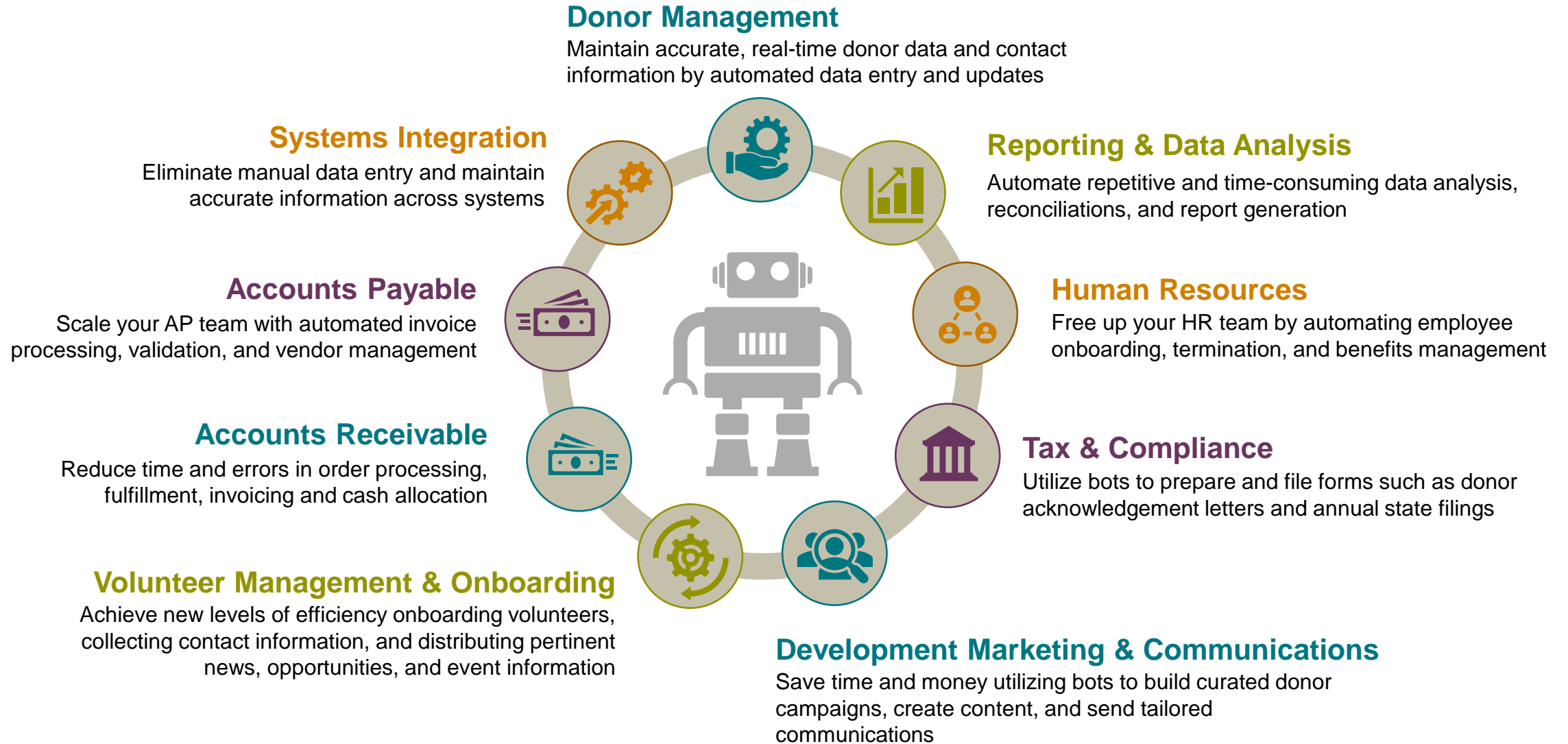**Improve Employee Morale**
Reduce tedious, painstaking tasks. Allow employees to focus more on rewarding work and the strategic growth of the organization
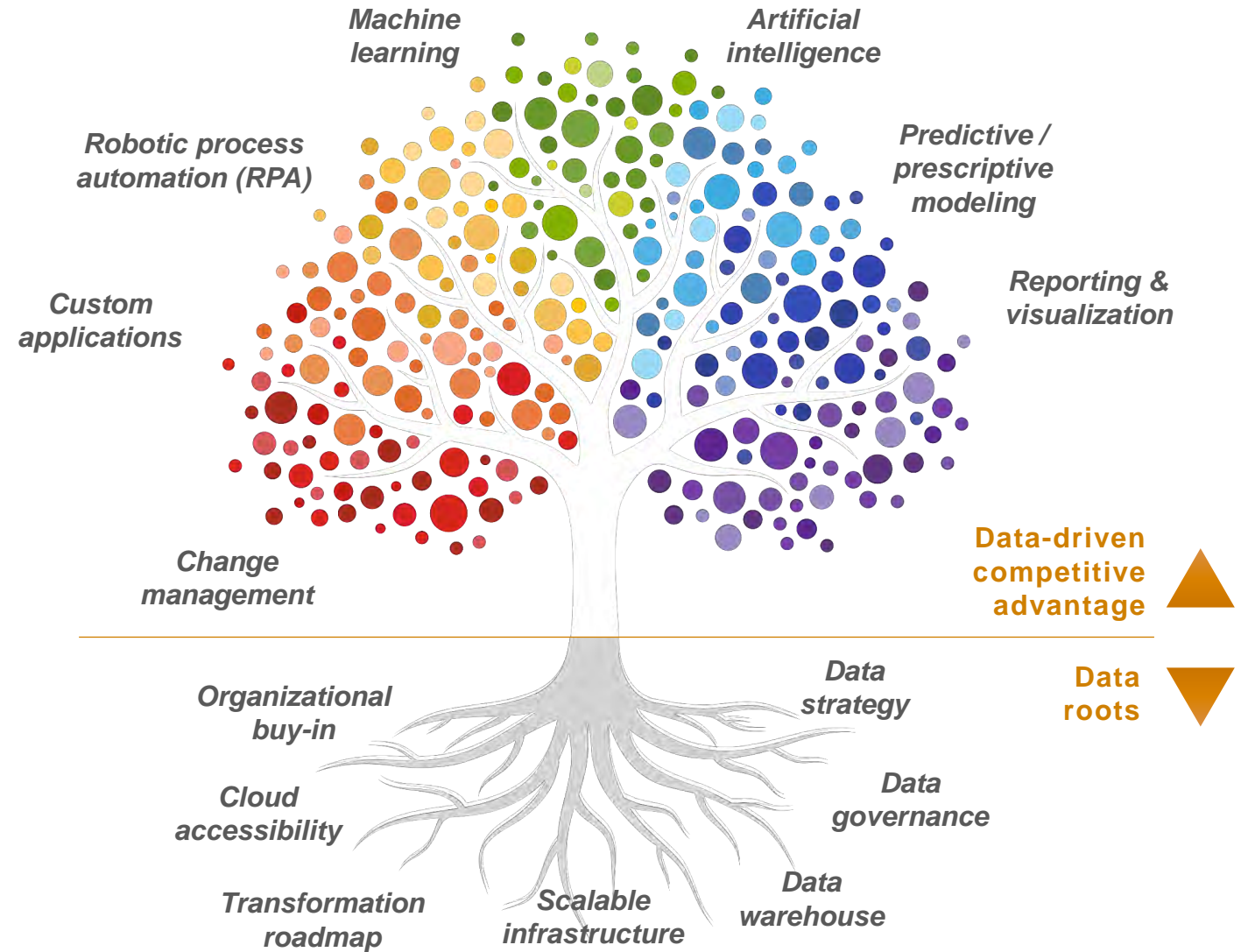
Scale & Manage Expenses
Scale without needing to add headcount. Reduce operating expenses through headcount reduction.
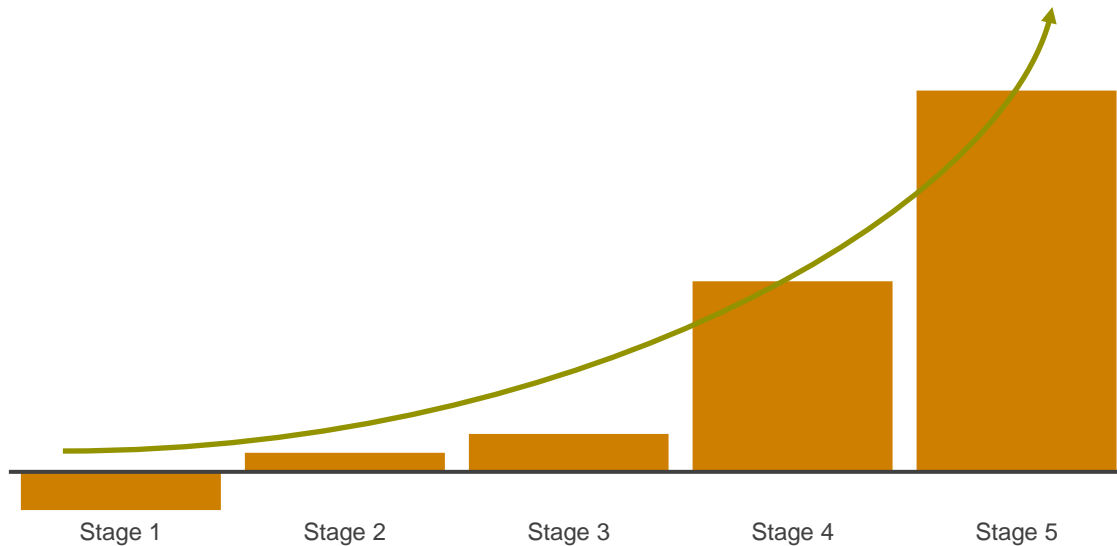
Case Study: Automation

Use Cases

Donor Management
Maintain accurate, real-time donor data and contact information by automated data entry and updates

Systems Integration
Eliminate manual data entry and maintain accurate information across systems

Reporting & Data Analysis
Automate repetitive and time-consuming data analysis, reconciliations, and report generation

Accounts Payable
Scale your AP team with automated invoice processing, validation, and vendor management

Human Resources
Free up your HR team by automating employee onboarding, termination, and benefits management

Accounts Receivable
Reduce time and errors in order processing, fulfillment, invoicing and cash allocation

Tax & Compliance
Utilize bots to prepare and file forms such as donor acknowledgement letters and annual state filings

Volunteer Management & Onboarding
Achieve new levels of efficiency onboarding volunteers, collecting contact information, and distributing pertinent news, opportunities, and event information

Development Marketing & Communications
Save time and money utilizing bots to build curated donor campaigns, create content, and send tailored communications

Data Maturity: Analytics

Stage 1 *Instinctive*	Data is a hassle; we don't want to deal with it. *We wouldn't even know where to start.*
Stage 2 *Reactive*	We have a data warehouse, but our data is still messy, unstructured, slow and historic. *We don't get many insights.*
Stage 3 *Informative*	Our warehouse is scalable, but we don't have data strategy, governance or visualization in place. *We perform manual predictive analysis.*
Stage 4 *Predictive*	We use accurate, readily available data to inform decision making in many areas. *We have identified the data we can use to gain insight and drive action.*
Stage 5 *Transformative*	Real time, granular data and predictive modeling supports every business decision we make. *We now have a huge advantage over our competition.*

Legislative Updates & Considerations: 2024
(Election Year)

Matt Petroski, Partner

TCJA

Sunset Provisions

TCJA – Sunset Provisions - Individual

Tax Rates

Standard Deductions

Itemized Deductions

➢ SALT Cap
➢ Mortgage Interest Deduction
➢ Miscellaneous Itemized

Other

➢ Child Tax Credit, Personal Exemptions, AMT Exemption and phaseout

TCJA – Sunset Provisions - Other

Charitable Giving

➤ AGI limitation for cash contributions back to 50%

➤ Impact of changes in standard deduction

Estate and Gift Exemptions

	Individual	**Married**
2024	$13.61M	$27.22M
2026 **(Projected)**	$7M	$14M

NONPROFIT UPDATE

Donor Advised Funds

Donor Advised Funds

ACE Act Proposal 2021

Proposed Regulations under IRC section 4966 – REG-142338-07

Comments to Proposed Regulations were due 2/15/2024

NONPROFIT UPDATE

Employee Retention Credit

Employee Retention Credit

What Now?

IRS Moratorium – September 14, 2023

Voluntary Disclosure through March 22, 2024

- Return 80% of funds to avoid penalty
- Employers who returned 100% prior to 12/21/2023 may be allowed to apply for the 20% relief.
- If no payment received yet, may still withdraw claims

Proposed Legislation – Tax Relief for American Families and Workers Act of 2024

Audit update and status

armanino

NONPROFIT UPDATE

Green Energy Credits

INFLATION REDUCTION ACT

BACKGROUND

Prior to the Inflation Reduction Act

- Nonprofits could only claim tax credits against UBIT
- Nonprofits could structure deals to give benefit to a for-profit entity (e.g., power purchase agreements)

Inflation Reduction Act (8/16/2022)

- Most credits starting 1/1/2023
- Introduced Direct Pay
- Expanded 179D Deduction

CURRENT GREEN ENERGY CREDIT

I. Alternative Refueling Property Credit (30C) – Electric Vehicle Charging Stations

Production Tax Credit (45) – Phasing out prior to 1/1/2025

Carbon Dioxide Sequestration Credit (45Q)

Zero-Emission Nuclear Power Production Credit (45U)

Clean Hydrogen Production Credit (45V)

II. Qualified Commercial Clean Vehicles Credit (45W) - $7,500 to $40,000

Advanced Manufacturing Production Credit (45X)

III. Clean Electricity Production Credit (45Y) – Selling Energy to grid

Qualifying Advanced Energy Project Credit (48C)

IV. Clean Electricity Investment Tax Credit (48E) - Solar, energy storage, etc.

GREEN ENERGY CREDIT

01 BONUS CREDITS

- 10% bonus for projects located in low-income communities (Requires allocation award)
- 10% bonus for projects that meet domestic manufacturing requirements
- 20% bonus for projects when the facility is part of a qualified low-income residential project
- 20% bonus for projects when the facility is part of a qualified low-income economic benefit project

02 COMMON PITFALLS

- Prevailing wage and apprenticeship requirements
- Must meet key prevailing wage requirement
- Apprenticeship – 12.5% labor hours before 1/1/2024 and 15% after 12/31/2023
- Certain credits, failure to meet reduces credit to 6%
- Dollar limits
- EV Chargers must be used in low-income tract areas

03 SECTION 179D EXPANDED

- Square footage deduction for "primary designer" which is usually architect
- Now, you can allocate back to the designer (previously just government agency)

GREEN ENERGY CREDIT

How Do I Apply for Direct Pay?

Step 1 : Identify the project and the credit you want to pursue.

Step 2 : Complete your project, place it into services, and determine the corresponding tax year.

Step 3 : Determine when your tax return will be due.

Step 4 : Complete pre-filing registration with the IRS before your tax return is due.

Step 5 : Once you receive a valid registration number, file your tax return by the due date, including extensions (Forms 990-T and 3800).

Step 6 : Receive your direct payment.

https://www.whitehouse.gov/cleanenergy/directpay/

IRA/CHIPS Pre-Filing Registration Tool: Register for elective payment or transfer of credits | Internal Revenue Service (irs.gov)

NONPROFIT UPDATE

Form 990/990-EZ Schedule C

Influencing Legislation: Lobbying and Advocacy Undertaken by Tax-Exempt Organizations

Definitions

Political Campaign Activities

Lobbying Activities

Advocacy

Definitions

Political Campaign Activities

All activities that <u>support or oppose</u> **candidates** for elective federal, state, or local **public office**

➤ It **doesn't** matter whether the candidate is elected.

➤ It **doesn't** include any activity to encourage participation in the electoral process, such as <u>voter registration or voter education</u>, provided that the activity doesn't directly or indirectly support or oppose any candidate

Definitions

Lobbying Activities

All activities intended to influence foreign, national, state, or local **legislation**.

➢ Direct lobbying - influence the **legislators**

➢ Grassroots lobbying - influence the **general public** and encourages recipients to **take action** about the specific legislation.

▪ **Specific legislation**

(is more than legislation that has been introduced)

➢ A bill (i.e., H.R. 7, S. 42)

➢ Proposed legislation (i.e., model bills) & draft amendments

➢ Specific legislative policy proposals

➢ Congressional resolutions & treaties requiring Senate ratification

▪ **Not legislation**
   ➢ Administrative rules
   ➢ Court opinions & agency decisions

Definitions

Advocacy Vs. Lobbying

ADVOCACY

Advocacy is <u>educating</u> and creating awareness among legislators and the general public on issues facing the community and the importance of aligning public policy to address the need.

Advocacy <u>does not endorse or oppose</u> specific legislation, but rather informs the community at large how public policy decisions impact service provision.

LOBBYING

Lobbying indicates an opinion about specific legislative change

While all lobbying is advocacy, not all advocacy is lobbying.

Rules for 501(c)(3) and 501(c)(6)s

Prohibited and Allowed Activities

Tax Form and Rates

501(h) Election

501(c)(3) Lobbying Compliance Options

- The Tax Code provides 501(c)(3) organizations with two options for measuring compliance with restrictions on lobbying activities:

  ➢ "Substantial part" test

  ➢ 501(h) expenditure test

Non-Tax Lobbying Restriction

- Lobbying Restriction on Federal Grant Recipients

  ➢ OMB Circular A-122

  ➢ Federal Acquisition Regulations

  ➢ Byrd Amendment

  ➢ Appropriations Acts, the Affordable Care Act, and the Uniform Guidance

As a general matter, these lobbying restrictions preclude recipients from:

- Spending federal funds to influence an officer or employee of any agency or Congressional member/staff regarding certain federal awards;

- Failing to submit required certification and disclosure forms (i.e., SF-LLL);

  ➢ Non-federal funds are used

- Using grants funds provided to nonprofit organizations or institutions of higher education to influence an election, contribute to a partisan organization, or influence enactment or modification of any pending federal or state legislation; or

- Expending federal funds to influence federal, state, or local officials or legislation.

NONPROFIT UPDATE
Next Steps

OUR PROMISE TO YOU

Reimagine Your Potential

Unconventional Approach

We're a vested, entrepreneurial partner who sees your organization through a 360 lens and finds opportunity at every stage

Comfort in Change

Our experts provide guidance and support while quickly facilitating transformation that gives you a competitive advantage.

Focused on You

Our integrated teams and solutions deliver tailored insights to bring you more value and clarity throughout your journey.

A new and better way for today and tomorrow
Equipping you with the insights and tools needed to redefine what's possible

COMPLIANCE
- UBIT Tax Planning
- Form 990
- Nonprofit Formation
- Construction Cost Advisory

TRUST
- Financial Audit
- Benefit Plan Audit
- Internal Audit
- Single Audit
- Cybersecurity
- Restructuring
- Revenue Recognition

STRATEGY
- Operational Strategy
- Management Consulting
- Benchmarking
- Business Transformation
- Technology Roadmaps and RFPs

STAFFING
- HR Outsourcing
- Payroll
- Policies and Procedures
- Health and Benefits
- Executive Search
- Interim Placement

TECHNOLOGY
- ERP
- CRM
- FP&A
- Business Intelligence
- Managed Support and Services
- Automation

OUTSOURCING
- Bookkeeping
- Budgeting/Forecasting
- Account Receivable
- Accounts Payable
- Strategic Fundraising Development

THANK YOU

Questions?

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Leveraging Technology for Nonprofit Success Series

Beyond the Basics
Wednesday, July 10

Fundraising in the Age of AI – Coming Soon!
Tuesday, September 24