

Not-for-Profit industry: Top issues for 2024

Transcript

NARRATOR: Welcome to the Industry Podcast series, where Grant Thornton shares information through an industry specific lens about the most important business issues of the day.

DENNIS MORRONE: For not-for-profit and higher education institutions, 2024 will be an important year for positioning your organization for sustainability, growth and optimizing mission delivery.

I'm Dennis Morrone, National Managing Partner of the Not-for-Profit and Higher Education industry practices here at Grant Thornton, and here are the topics that are top of mind of fiscal leaders and fiduciaries of these organizations.

First, strategic planning: What have we learned as we've come out of the period of COVID? Let's be introspective about what we did well and what we still need to improve upon. Let's make sure that we're optimizing on mission delivery. In support of strategic planning, organizations are very much focused on improving and strengthening their financial modeling and forecasting, really focused on 4 distinct areas:

1. The first is around scenario planning, and so they're creating assumption banks and then toggling with those assumptions throughout the course of the year, to react to market forces that were unexpected when they first developed their budgets.
2. The second area is around segment reporting. Not-for-profits have previously not reported their activities and performance based on the segments of their operations, but as a strategic planning tool, and to aid in decision making, organizations are now embracing this approach and ensuring that they're actually modeling and tracking their performance by key mission segment.
3. The third area is around reserves planning, and organizations are now becoming even more focused on ensuring that they have adequate reserves to seize opportunities and also insulate the organization around financial challenges that may occur in the future.
4. And then the final area, which is kind of exciting, is we're seeing organizations add back budget. After a period of austerity here, they're now saying, "What do we really need to focus on as an organization? What makes us distinctively better than all the rest that

serve a similar constituency, and ensure that we're adequately investing in that area of our operations and mission delivery.”

Another area of principal focus for organizations has been enterprise risk management, and ensuring that they have a fulsome inventory of all of the risks that are confronting their organization across all of the key functional areas. One of the areas that is included on that list, that certainly is top of mind, is cybersecurity — to ensure that the organization has the appropriate defenses and appliances, and even insurance policies, in place.

And, while labor shortages don't show any immediate signs of easing up, what organizations are doing to contend with these challenges is spending much more time on looking at, revising and re-engineering existing processes and practices to ensure that they're doing as much as possible to optimize their internal controls and the efficiency of their operations.

One other item of import recently is the focus on contributions. While there are many measures that suggest that philanthropy has never been higher, once you begin to probe the depths and layers of those numbers, you find two things of great import. First, that the number of donors is actually declining. And the giving per donor is similarly declining. So, even though so much money has surged towards the not-for-profit sector during the period of COVID, we don't know to what extent that level of philanthropy will continue, particularly in light of the increasing costs and rising inflation.

And then the final item that I just wanted to touch on was board governance. I think a lot of not-for-profit organizations called on their boards like never before. Boards were really asked to help management think through the decision points, the challenges, to carve out strategic areas of focus and do other things in furtherance and accomplishment of mission.

In my role as our national industry leader, I spend a lot of time accompanying our partners, meeting with audit committees and boards, to understand what's top of mind of the fiscal leaders and the fiduciaries of these organizations. This allows me to provide you with a unique perspective, and to speak thematically about what we're seeing across the sector, which will help you be more successful and optimize on mission delivery in 2024 and beyond.

NARRATOR: Thanks for listening. Find out how Grant Thornton goes beyond expectations at gt.com.



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