



A supplement to *accountingtoday*

# Problem-solving in the pandemic

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# Problem-solving in the pandemic

Nonprofits and their accountants are rising to the challenge of COVID

By Antoinette Alexander

The COVID-19 pandemic has presented nonprofits with a host of challenges, but it also served as catalyst for change, accelerating investments in technology, elevating the need for improved operational efficiencies, and spurring faster decision-making. As nonprofits work to emerge from the pandemic, the need for strategic guidance from trusted advisors remains critical.

"From the nonprofit advisory side, I think it's really an exciting time. What I love about this sector, and why I chose to serve this sector, is that nonprofits are really problem-solvers," said Andrea Espinola Wilson, managing partner of industry specialty services and national co-leader of the nonprofit and education practice at Top 10 Firm BDO USA. "What that takes of the professionals — whether that be from accounting, or consulting or technology — is we have to bring all of our capabilities and we have to bring that same open mindset to bear. ... The complexity of the problems has definitely grown and so our abilities to solve those problems has continually grown."

Operating a nonprofit has never been easy. The pandemic, however, further fueled the complexities and, in some ways, brought to light new challenges. Under-scoring this point, the most recent "Nonprofit Standards" annual benchmarking survey by the BDO Institute for Nonprofit Excellence found that, as a result of COVID-19, nonprofits have experienced the following challenges:

- ▶ Canceled fundraising events (54%);
- ▶ Decreased morale (47%);
- ▶ Decreased revenue or funding (45%);
- ▶ Canceled programs (40%);
- ▶ Increased demand (36%); and,
- ▶ Hiring freezes, furloughs or layoffs (36%).

Despite the pressures, nonprofits and those who serve them are optimistic about the growth and opportunities in 2022, and beyond. "Nonprofits — at least the ones that are our clients and customers — they came through the pandemic. They were able to weather the storm and take care of their employees and, most importantly, take care of their communities and the constituents they were serving," said Joe Scarano, CEO of Araize, which provides cloud-based software solutions and services to nonprofit organizations. "We are still not 100% out of [the pandemic] but, at least through the first four months of 2022, we found that nonprofits are rebounding. More and more of them are reaching out to us to upgrade their technology, things that they couldn't do for 2020 and 2021."

## Financial priorities

Thanks to stimulus funding and, in some cases, an influx of support during the pandemic, some nonprofits experienced a surplus of cash. There is, however, concern over the ability to maintain that level of financial health going forward. According to BDO's survey, which was conducted in June 2021, nonprofits are worried about maintaining this level of revenue, as a quarter of those surveyed (25%) anticipate that their organization will experience a net loss during their next fiscal year. In addition, 30% said that seeking new sources of revenue/funding is their top goal or priority.

Meanwhile, Wipfli's "Nonprofit Priorities Benchmark Report," conducted in January 2021, revealed that fundraising and development ranked as the top financial concern for nonprofits (47%). They're also focused on finding additional grant opportunities (45%), implementing operational efficiencies (37%), and adjusting employee compensation and benefits (36%).

Seeing the financial concerns among nonprofits firsthand, Julie Jones, a partner in managed accounting services at Raffa-Marcum's nonprofit and social sector group in Washington, D.C., said, "We as a firm are working with a lot of the nonprofits trying to find revenue diversification, especially if they were heavily meeting-focused, where their large source of revenue was an annual meeting. Really looking at ways, because they can't maintain and get the right profit margins off of those meetings ... to come up with new revenue streams."

Added Jones, "We do a lot more forecasting and scenario planning than I think we have ever done in the past. Nonprofits usually were OK with looking at historical data but, because they had to pivot so many times where we think we're coming out of the pandemic and then somehow got into another wave, they've really leaned on us to support them in that process."

Jones also said, "Some of these small and midsized nonprofits, they were so focused on the mission they certainly didn't want to spend a lot of dollars, or didn't really have a lot of resources to spend dollars, on infrastructure and qualified people to deal with some of the uniquenesses of nonprofits, whether it be federal grants, or indirect cost rates, or different things like that."

As it relates to indirect costs or costs that aren't directly tied to programming, it should be noted that balancing funding and the true cost of operating can be challenging for many nonprofits. According to BDO's

## Spotlight on

### Corpay One



**Jeremy Van Groll**  
Founder, Nonprofit  
Bookkeeping

#### What are the biggest issues facing nonprofits currently?

Nonprofit organizations play special roles in our society.

They have ambitious goals, tight budgets and require meticulous expense tracking for donors or government funding sources. Their biggest challenges tend to be:

- ▶ The tedious, time-consuming nature of tracking costs back to funding sources.
- ▶ Layers of constituent review and approval of financial information.
- ▶ Investors/donors tracking clear audit trails.

As a result, the accounting process plays a highly impactful role in the health of a nonprofit.

#### How is Corpay One helping nonprofits and their advisors manage those issues?

Corpay One's system and custom workflows allow nonprofit organizations to create a system tailored to their needs, eliminating the challenges. Said Jeremy Van Groll, founder of Nonprofit Bookkeeping, "Corpay One sets us up to immediately make a positive impact on our clients' financial management, while creating internal efficiency as well. To be able to offer this tool at no additional cost to nonprofits that are typically low on resources has been a huge win-win for us."

*Corpay One is an all-in-one, automated bill pay platform specifically designed for accounting firms seeking to make their bill pay services more profitable and less time-consuming. Our platform empowers accountants to automate document and data capture, have smarter approvals and custom workflows, manage vendor payments, simplify expense reimbursements and with a smart credit card (the Corpay Mastercard!), capture all client spending. We offer all of these services with no software fees and free bank-funded ACH and check payments. Corpay One is designed to save clients and firms time and money.*

**Corpay**<sup>^</sup>

research, three factors may be to blame:

- ▶ Many foundations that support nonprofits lack clarity on how much indirect costs impact the organizations they support.

- ▶ Oftentimes, what is considered an indirect cost at one organization may not be considered an indirect cost at another.

- ▶ Some organizations don't have a true understanding of their own indirect cost rate.

"These factors may lead organizations to adopt a 'lower is better' mindset, making them more vulnerable to economic instability," the BDO survey stated.

Advised Peggy Duvette, head of social impact for Oracle NetSuite, "Remember, you are talking to a [nonprofit] professional that may not be as literate in financial reporting and data. ... At core, nonprofits need to be better equipped at understanding basic accounting rules, basic financials, basic reporting." Duvette also stressed the importance of helping nonprofit leaders better understand funding allocation and a stronger trend toward capturing data that demonstrates impact of work.

Noted Ilana Esterrich, CFO for the American Coatings Association, a trade association for the painting and coatings industry, "Nonprofit accountants like myself can no longer simply focus on processing debits and credits, closing books, preparing reports, and repeating it month after month. We need to be better business partners to help craft the narrative behind the numbers and quantify the impact on the mission. NetSuite gives us the ability to manage the financials efficiently."

## Staffing issues

Fueled by the "Great Resignation," attracting and retaining talent has become a growing concern across all industries — and nonprofits are no exception. In fact, in the fall of 2021, the networks of the National Council of Nonprofits conducted a survey to gauge the scope of the workforce shortage problems for charitable organizations.

According to the findings, charitable nonprofits across the country reported significant difficulties attracting and retaining staff in the last half of 2021. Unfortunately, job vacancies at such organizations can result in a reduction in services, longer waitlists for services, and people in need being turned away.

When asked about their current job vacancy rate, 24% of respondents reported vacancies of between zero and 9%. One-in-three nonprofits reported job vacancy rates of between 10% and 19%. A quarter (26%) of respondents said they had job openings for 20-29% of their positions, and another 16% reported vacancies greater than 30%, according to the survey. "What was initially considered a challenge has now become a workforce crisis in need of rapid remedy and long-term commitment to overcoming preexisting problems exacerbated by the COVID-19 pandemic," the survey stated.

Factors impacting a nonprofit's ability to recruit and retain staff, according to the council's research, include salary competition (79%), especially as both for-profits and nonprofits compete for the same talent, and the inability for employees to find child care (23%). Interestingly, almost a fifth (19.5%) were not certain what was affecting recruitment and retention.

Stress and employee burnout, especially as nonprofit staff try to cover vacant positions, were also cited as real concerns among survey respondents. "Like everyone, they are dealing with staffing shortages across the board and talent gaps. I don't think that's uncommon for anyone right now, in any industry, but nonprofits, specifically, tend to be a little more community-based, more mission-focused. So, sometimes it is harder for them to attract talent and retain talent," said Jennifer Bonenfant, principal consultant for Serenic Software, provider of enterprise resource planning solutions for nonprofits and nongovernmental organizations.

Noted Adam Cole, national co-leader of the nonprofit and education practice at BDO, and the managing partner of its Greater New York nonprofit and employee benefit plan practices, "With the Great Resignation and inflationary factors, and other things, now nonprofit organizations are trying to compete with the private sector to maintain and keep their headcount. ... So, I've seen a lot of nonprofit organizations using many of their administrative or back-office people from around the country, or outsourcing, or thinking of it a little bit differently, fundraising as well, just to not try to keep fighting for the same resources in one geographic area and getting those costs up."

Raffa-Marcum's Jones also cited resource management as a concern among nonprofits: "I get calls [from nonprofits] all the time regarding, 'I'm not just losing one finance person, but I'm losing multiple finance people.'"

## Technology investments

Much like for-profit businesses, the pandemic accelerated investments in technology among many nonprofits. For nonprofits, and the accountants who serve them, implementing technology solutions that drive greater automation and efficiencies is essential. According to BDO's research, 60% of nonprofits surveyed said they accelerated their investments in technology due to the pandemic, and many are planning to maintain that momentum going forward. Furthermore, 40% of those surveyed cited plans to automate operations.

"We've seen a growth, for sure, in CPA firms coming to us and wanting to use our software to do accounting for their clients," said Ian Scotland, vice president and general manager for AccuFund, which provides financial reporting and accounting software for nonprofit, municipal and government organizations.

AccuFund recently announced the official launch of its

AccuFund AnywhereOnline, accounting software that is "true browser native" to serve nonprofit organizations, as well as local governments. Nonprofits using AccuFund Anywhere Online can log into the system securely from any internet-enabled browser, allowing for greater integration with other web-enabled applications.

Meanwhile, Serenic Software recently made its flagship ERP solution, Serenic Navigator, built on Microsoft Dynamics 365 Business Central, available to users on the Microsoft Cloud. Serenic Navigator includes integrated capabilities for fund and encumbrance accounting, revenue tracking and cost analysis, grants, and outcomes measurement, online and offline donations, managing funding sources, complex budgeting and reporting, and detailed tracking of nonfinancial metrics related to services delivered.

"What we're seeing is [nonprofits] are expanding their use and they're expanding users across our systems," Bonenfant said.

Looking to help nonprofits — and their accountants — better meet accounting, fundraising and payroll needs, Araize offers its integrated FastFund Online.

"People who are reaching out to us to inquire about our system, what attracts them to us is we provide a total solution. We have a true nonprofit fund accounting system, along with a fundraising CRM to track all of their donations that come in, and payroll. ... It's a modular system but it's a single data entry point for all financial transactions, so there's no importing or exporting of data from disparate systems to bring it into your financial reporting system," said Scarano, noting that the company is working to provide more integration with third-party applications, and will be introducing this year automatic bill pay functionality as well as bank synchronization.

As nonprofits increase their investments in technology and increasingly embrace remote capabilities, it is critical to ensure they're doing so in a way that is strategic and doesn't make them vulnerable to cyberthreats.

"With the current events and the recent news, it has just made the world even more complex. You see increased numbers of phishing attacks and scams, and I don't know that organizations have always had the right cybersecurity posture and the right amount of investment in cybersecurity," said Wilson of BDO. "And if you actually think about it, most nonprofits really are targets. They have large amounts of investments, or many of them do ... [and] a lot of individuals are accessing their systems — donors, participants, beneficiaries and employees. And we've traditionally been undertrained and under-resourced in the nonprofit sector."

Clearly, as nonprofits work to emerge from the pandemic and navigate the "new normal," the need for strategic guidance and trusted advisors remains critical. For those accounting professionals who serve the sector, it can present rewarding opportunities. **AT**