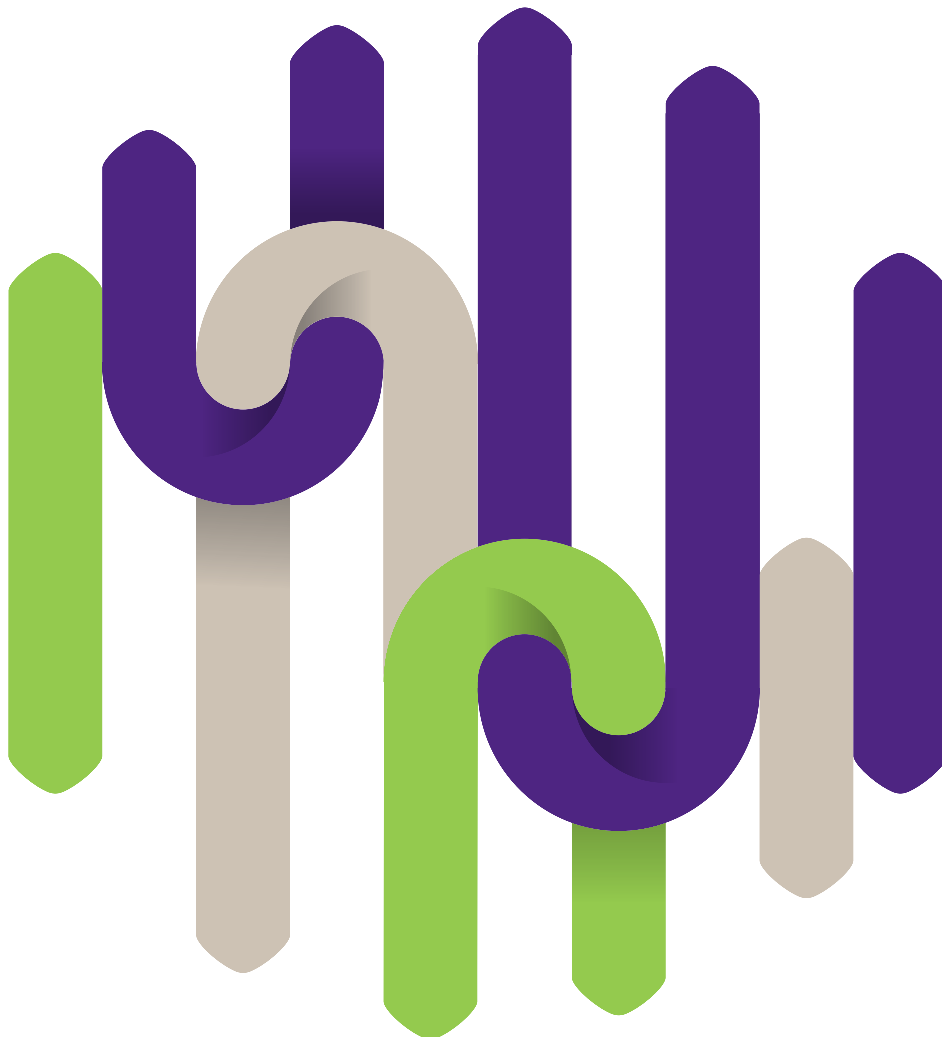
Grant Thornton

Not-for-profit

The State of the Not-for-Profit Sector in 2020

Seventh annual report



"I admire Grant Thornton as a firm — their brand, culture and professionalism really stand out. They are committed to providing a high level of service to nonprofits. Grant Thornton really cares about their people, and it shows not only in their ability to attract and retain top talent, but also through the depth of services they provide."

"Grant Thornton professionals are dedicated to the not-for-profit sector and are current on what is developing. They are a partner in thought and advisors in financial stewardship that helps United Way Worldwide navigate the rapidly changing landscape. It's nice to have Grant Thornton as a partner in our work."

Mark Sutton, Executive Vice President and CFO, United Way Worldwide

Contents

Introduction 5

Gen Z is coming: Is your organization ready? 6

Not-for-Profit growth: More than just money 12

The evolving impact of data privacy regulations 17

The emergence of impact investing 22

Creative necessity: The need for new revenue streams 26

About Grant Thornton's services to not-for-profit organizations 32

Not-for-profit and higher education 2020 webcast series 35

SECTOR-SPECIFIC FEATURES

Social Services Organizations: Seeking feedback from the nonprofit customer 10

Associations and Membership Organizations: Membership analytics: The untapped potential 15

Museums and Cultural Institutions: Using blockchain to enhance operations 20

Foundations: Handling generational change at family foundations 25

Religious Organizations: Exempt status as a political bargaining chip 29

Jewish and Israeli Organizations: Leveraging advanced technologies 31

FIND AND SHARE THE REPORT ONLINE
The State of the Not-for-Profit Sector in 2020
gt.com/stateofNFP

Introduction

In this, our seventh annual *The State of the Not-for-Profit Sector* report, we offer our practitioner-based viewpoints, approaches and solutions to help organizations address challenges and embrace opportunities in ways that will ensure long-term success.

Adopting new strategies and practices will be essential if organizations are to thrive in an increasingly complex and ever-changing operating environment.

This publication's purpose is to cover trends and issues that are emerging or that we expect to emerge in the coming year, and complements the ongoing webcasts, training and articles of interest that we issue throughout the year. 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 2020*).

This is a time of great potential for addressing demographic, cultural, management and competitive challenges, and taking advantage of opportunities afforded by innovative operating models and management practices to drive substantial organizational change. New and creative thinking will be vital to successfully moving into the future. We hope these articles will help nonprofit 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 an organization's ability to achieve success and further its cause. Our not-for-profit knowledge is deep, and we offer it to assist nonprofit leaders in achieving even greater success for their organizations.

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 2020*. We hope that you find this to be a valuable resource. As always, we welcome your feedback, and we are available to assist management teams and boards in addressing the challenges discussed in this report, or any other issues you may be facing.

Sincerely,

Mark Oster
National Managing Partner
Not-for-Profit and Higher Education Practices
mark.oster@us.gt.com
linkedin.com/in/mark-oster
@mark_oster

Gen Z is coming: Is your organization ready?

Rick Wentzel, Partner, Audit Services, Not-for-Profit and Higher Education Practices
Kira Hilden-Minton, Managing Director, Audit Services, Not-for-Profit and Higher Education Practices

Generation Z is starting to enter the workforce! Gen Z is generally defined as individuals born between 1997–2012, and is approaching the distinction of being the largest generation in the United States. If you think you have mastered Millennials, good for you. However, Gen Zers are not merely a younger version of Millennials — they are their own generation, and as with prior demographic cohorts, see things differently than earlier generations. If your organization does not adapt to Gen Z, you will be left with a gap in your workforce and likely will fall behind your competition. It is essential that your organization understand what it takes to attract and retain members of this interesting and hard-working group.

It is essential that your organization understand what it takes to attract and retain members of this interesting and hard-working group.

Who are Gen Z?

These “Digital Natives” were practically born with a technological device in their hands. They were exposed to a 24/7 news cycle and witnessed some very significant events:

- The Great Recession, where their hard-working parents lost their jobs and maybe their house, or perhaps had to return to the workforce later in life
- Student debt, as their older siblings graduated from college with a significant financial burden, had difficulty finding employment and might have lived with their parents for a few years
- The dissolution of some long-established brands
- School shootings
- Terrorism
- Wars
- General global insecurity

All of these have made them hypersensitive to disruptions, changes in the economy and financial insecurity. However, they tend to be optimistic, despite their awareness of the challenges their parents and older siblings faced.

Playing video games has taught Gen Z to learn through patterns, and that when one gets stuck, to just start over. Siri has provided the answer to everything, eliminating the need to do research. Various map apps offer navigation without having to plot a course. Growing up with a reliance on these technologies has thus impeded their development of critical thinking skills and created discomfort with managing uncertainty. However, it has helped them to be agile multitaskers and to value experienced mentors who can help them learn to work through uncertainty and unfamiliar scenarios.

A constant exposure to technology has also greatly affected their attention span. According to The Center for Generational Kinetics, over half of this generation uses their device at least five hours a day and of those, about a quarter use their device at least 10 hours a day. As a result, on average, Gen Zers have an attention span of eight seconds, according to SHIFT e-Learning. However, this constant exposure to technology has also taught them how to sort through high volumes of data and quickly determine what is relevant and important.

So how do you recruit Gen Zers?

Gen Zers are looking for a competitive compensation package (salary, health insurance and vacation) and an employer with a mission that aligns with their own values. As opposed to Millennials, Generation Z is more motivated by compensation than by work-life balance, given their sense of financial insecurity. They also expect to be provided with personal development opportunities, along with organization-furnished smartphones and laptops/iPads to complement their current technology.

Gen Zers will most likely check out your organization on various web platforms, such as Instagram, YouTube and LinkedIn. If your mission is not genuine, Gen Zers will quickly sense that and not apply. Your organization will need to demonstrate on these platforms that your employees are living your values. In addition, this new workforce expects and embraces diversity. Almost half of Gen Zers will be from a traditional minority group and they will want to be part of a diverse workforce. Fortunately, Gen Zers are not looking for all the "perks" Millennials demanded — there is no expectation of rock-climbing walls, and dogs can be left at home. However, they would prefer not to have an open workspace, but rather private work areas that they can personalize, along with open areas where ideas can be discussed and shared. Given these interests, organizations should emphasize themes of diversity, mission, collaboration and personal development in their social media-focused recruiting.

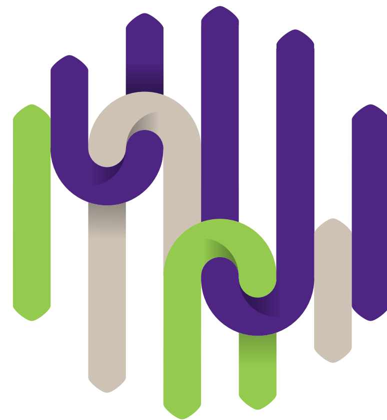
Retaining and getting a return on investment

Once you have the Gen Zers in the door, how do you keep them? For best results, studies have shown that after you get them into their private working space, fully equipped with a laptop, an extra screen or two, and a charging station, you should get them involved in mission-related activities and establish practices that instill pride and excitement in the organization's mission.

Their supervisor will need to serve more as a coach than as a "boss," someone who will assist in navigating through issues and help the Gen Zer to develop critical-thinking skills. Generation Z values regular feedback from supervisors, similar to the apps and online groups that present immediate feedback each day. Gen Zers want to have a few face-to-face check-ins a week, but these should not last more than 5–10 minutes, otherwise they see it as micromanaging. Also, ensure that Gen Zers are aware they can offer suggestions. Create work group message boards so they can share ideas with their colleagues, as they want social connection and are eager to build value in their workplace. They will want to work on multiple projects at a time, due to their inclination to multitask and short attention spans. Organizations should consider refreshing their managers' supervisory skills so that they are better able to provide a Gen Z-friendly environment, and reshape performance feedback mechanisms to include more frequent and less formal feedback.

As to the workday itself, Generation Z prefers office hours that are flexible, without a hard "8–5" rule. They do not want the amount of time they are in the office to be the yardstick by which to measure their performance. Instead, they want to be evaluated based on their production and accomplishments.

Organizations can adapt and provide fulfilling and attractive work environments for Gen Zers with some purposeful changes to the ways they recruit, supervise and reward their employees. If Gen Zers fully understand their role in the organization and how their efforts contribute to its success, feel they are in a stable environment, receive useful coaching, are compensated fairly, develop critical-thinking skills, and can relate to the organization's mission and brand, Gen Zers will give you all they have. They will work hard, promote the organization on social media, and strive to contribute to your organization's growth and success.



SECTOR-SPECIFIC FEATURE
SOCIAL SERVICES ORGANIZATIONS

Seeking feedback from the nonprofit customer

Alan Jutras, Managing Director, Audit Services, Not-for-Profit and Higher Education Practices
Dianne Wasieleski, Managing Director, Audit Services, Not-for-Profit and Higher Education Practices

Gaining real-time feedback from customers has been a standard operating practice for decades in the for-profit world. In contrast, not-for-profit organizations, particularly resource-constrained social service organizations, have been slower to deploy these methods and tools to obtain feedback from the nonprofit "customer." A recent survey by *Stanford Social Innovation Review* noted that only 13% of 1,986 nonprofit, foundation and other charitable sector respondents were using "gathered feedback" as a top source of insight for improving services. Understandably, many nonprofit organizations have to prioritize providing service to constituents with limited resources available, but the benefits of customer feedback can be a significant factor in enhancing service and satisfying funders in order to maintain or expand funding.

Measuring impact and improving outcomes

As we continue to witness a shift in generational profiles of donors, social service organizations feel pressure to highlight the impact that each contributed dollar has on mission (see Tailor fundraising to generational profiles in the 2018 State of the Not-for-Profit Sector report). Grant-making organizations are holding grantees to a similar standard. Gathering real-time feedback directly from program participants and other constituents yields valuable metrics toward achieving this objective. Traditional quantitative metrics, such as number of people or meals served, perform an important purpose in reporting to funding sources, accreditation bodies and donors. However, gathering qualitative feedback from program participants upon service delivery and over time provides important insight into how programs can be changed to improve service delivery, leading to better-run programs, increased demand and potentially additional funding. Furthermore, seeking feedback can be an empowering experience for constituents — showing that the provider listens and cares. Equally, soliciting feedback from constituents can enrich the experience for the organization's employees by allowing them to feel increased connection to mission.

Affordability issues

Many organizations acknowledge the benefits of obtaining feedback from their customers, however, concern over the required investment in technology infrastructure, along with the hiring of staff or consultants to implement such a system, is a major concern for nonprofits. However, developing feedback loops need not be inordinately expensive. Simple methods of gathering data from program participants can include focus groups and using technology for online surveys and/or texts to program participants.

The William and Flora Hewlett Foundation has joined forces with Bill & Melinda Gates Foundation, the James Irvine Foundation and many other grantmakers in a funder collaborative called the Fund for Shared Insight to create tools to make it simple and affordable to listen to end users. The fund has disbursed money to over 192 nonprofit organizations as part of its Listen For Good campaign. An evaluation of the initiative's effectiveness finds that nearly eight out of 10 organizations that participated are translating insights from the feedback collected into changes to better serve clients. Notably:

- 63% are making changes to program offerings.
- 45% are making changes to operations.
- 37% are making changes to staff-client interactions.
- 31% are offering new services.

Examples of successful feedback loop implementations

The American Refugee Committee (ARC), in collaboration with IDEO.org, created a *real-time feedback system* that has been deployed in refugee camps across Africa to track customer satisfaction with water distribution, health care and other services. Refugees employed by ARC stand at service locations with mobile enabled tablets and ask two simple questions — are you satisfied with the service and do you have an idea to make us better? The system has enabled ARC to quickly uncover issues ranging from inconveniently placed water taps to water access points being co-opted by local thugs, and to take immediate remedial action.

Epiphany Community Health Outreach Services (ECHOS) in Houston began surveying clients in 2017 and what they heard, initially, was sobering. Clients expressed frustration with long waits for help filling out forms to get on county health and public aid, and they found staff (who were stretched and stressed) unfriendly. ECHOS made dramatic changes to its workflows, which lowered stress for staff and bolstered employee morale. Today, staff start their day with a morning meeting where they anticipate challenges and divide up work accordingly. As she notes in a Harvard Business Review article on *Why Customer Feedback Tools Are Vital for Nonprofits*, ECHOS Executive Director Cathy Moore says, “[We] have completely changed since we started soliciting feedback and closing the loop…Staff are happier, clients are happier, donors are happier.”

Given the challenges impacting most nonprofits — stagnant or decreasing funding, staffing shortages and increased demand for services — now is the time for organizations to obtain feedback from their constituents. Gathering feedback from nonprofit customers is essential to improving programs, expanding service offerings, empowering customers and employees, increasing funding, and, ultimately, achieving mission.

Not-for-profit growth: More than just money

Tom Brean, Partner, Audit Services, Not-for-Profit and Higher Education Practices
Erik De Vries, Senior Manager, Audit Services, Not-for-Profit and Higher Education Practices

Conventional wisdom holds that if a business isn't growing, it's dying. While somewhat harsh, this usually refers to having a growth culture, rather than simply increasing revenues. For nonprofits, fast-evolving technologies, more complex operating environments, competition for donor dollars, and an uncertain economy are some of the many current threats that can hinder growth, and therefore, ultimately, long-term success and sustainability.

But, what is "growth" for a not-for-profit? Growth is often mistakenly thought to be just growing top-line revenues. However, growth can mean much more than getting bigger financially — it can mean having greater impact, increasing scale, improving efficiency, reducing costs, attracting more supporters and reaching full potential.

Managing growth presents risks and requires a clear strategy, a defined roadmap, and a solid foundation upon which to build. As Brian Brookover, a senior director with Empower Illinois, notes, "Nonprofit organizations, like their for-profit counterparts, should prioritize planning for strategic growth. Key considerations for charitable organizations include creating scalable processes, putting in place a well-defined organizational structure, and hiring talented, multiskilled people for key roles."

So, where to start? Growth doesn't happen without thoughtful, intentional effort, arising out of a desire for change, and should involve a clear-eyed critique challenging where you are now, where you want to be and what it will take to get there. Are you achieving your ideal impact — whether that is preserving history, supporting association members, delivering education or providing social services? Ask yourself: "What type of growth are we hoping for?" And, as importantly, "Why?"

Growth can mean much more than getting bigger financially — it can mean having greater impact, increasing scale, improving efficiency, reducing costs, attracting more supporters and reaching full potential.

Operational growth

Consider whether existing programs and services can be delivered more effectively, efficiently and at higher quality. Greater effectiveness/quality can lead to increased demand and an improved efficiency creates capacity for future growth without a commensurate increase in infrastructure. Operational growth incorporates revenue enhancement, but should also involve creating operational efficiencies to reduce expenses. Assess the cost of delivery and needed infrastructure investments (facilities, technology and staff). Is your technology infrastructure scalable? Are you adequately investing in resource development, training programs, social media and donor/member cultivation? It's important to find and invest in processes and technologies that will transform the way your organization operates.

Program growth

Use your existing strengths to build on your current programs and services by evaluating how you can do more of what you're already doing. Can successful programs serve new populations? Can you revise your hours of operation to serve more people, deliver some programs online to increase convenience or simply add staff to provide additional capacity? Can core capabilities be extended into new offerings?

Expanding program offerings may require new skills, competencies and systems, as well as new sources of funding. New programs need careful assessment, planning and often pilot testing, which adds time, energy and startup costs. Think about how a new program will augment your impact relative to the cost of the initiative. Organizations need to be careful to not divert valuable resources from successful existing activities to sustain new programs; however, consideration should be given to redeploying resources away from long-standing offerings that are either not effective or have no ability to grow.

Program replication

Replicate your successful program model to produce similar outcomes in new locations. Many organizations are successfully "franchising." While this strategy may involve establishing a new entity or partnering with an existing one, it is critical to maintain sufficient control over core aspects of the program or service, especially if the new venture will share your name or be connected to your organization. Anticipate the risks to your brand should the new operation not be successful. When replicating programs, carefully balance the level of control with the freedom to adapt the program to the needs of the new location.

Assess your team

Growth requires having the right people doing the right work. Organizations commonly operate on tight budgets, and existing staff may not have capacity to take on more work. Despite budgetary constraints, strategic hires, at competitive salaries, can bring required creativity and talent to achieve growth. Also, look to the strength of your constituent network to grow your talent — engaged volunteers can be vital, and board members, in addition to providing financial support, can help find resources, marketing connections, partnering opportunities and volunteers.

Most importantly, assess whether you have the right leadership. Specialized leadership skills are required for growth, and often an organization will need to supplement their leadership with specific traits, including creative thinkers who can challenge the status quo. Leadership will be key to setting growth priorities, steering the process, keeping your staff invested in the strategy, being transparent about resource trade-offs, celebrating success and showing everyone appreciation for their work in the process.

Stay focused on your mission

Many not-for-profits craft their growth strategy to make their mission as big as it can be. However, there's an inherent concern about not only spreading your team too thin, but also having new initiatives stray from your basic mission, which is dilutive to brand, threatens funding and creates quality risk. Say "no" to suggestions or opportunities outside of your wheelhouse to avoid "mission creep." Target those pursuits that align with your mission and are worth the time and resources necessary to achieve your organizational goals.

Cold Spring Harbor Laboratory, a research and education institution in New York, is a great example of not-for-profit growth. Lari Russo, chief financial officer, notes that "through a capital campaign and bond financing, we raised the resources to construct the buildings, recruit talented staff, support ongoing and expanded operations, including research startup costs, and create new endowment funds for ongoing support. This enabled all of our programs to flourish, and we are now stronger than ever as a result."

SECTOR-SPECIFIC FEATURE
ASSOCIATIONS AND MEMBERSHIP ORGANIZATIONS

Membership analytics: The untapped potential

Bridget Roche, Managing Director, Tax Services, Not-for-Profit and Higher Education Practices
Lisa Lipsky, Partner, Audit Services, Not-for-Profit and Higher Education Practices

Membership is mission-critical for any professional association or membership organization, yet membership attraction and retention continues to be challenging for this sector. As with all enterprises, nonprofit associations have an overwhelming amount of data at their disposal. Making sense of this data is not an easy task, and it is complicated by the fact that oftentimes data does not come neatly packaged, being stored in various systems and locations and in differing formats. With numerous data streams, such as membership information, participation in member benefits, attendance at conferences and publication subscriptions, associations need to determine how best to tap into all the information at their disposal to make meaningful business decisions.

Analytic opportunities

With advances in data analytics tools, associations and membership organizations have the ability to collect, store, process and interpret data, turning it into a powerful asset for the organization. Leading membership-based organizations leverage their data to help streamline operations and address weaknesses. More importantly, they use their data to deliver a better product or experience to their membership.

Membership analytics takes raw data and turns it into something actionable. By having a complete view of the varied preferences, habits, interests and behavior of members, membership organizations can identify trends, better understand the type of networking activities that will resonate with their members, and determine the most relevant content for publications, webinars or conferences. Geographic data can be used to gain insights on current and target member populations to hone recruitment and outreach strategies, tailor conferences and locate on-site training. Membership analytics can be used in strategic planning to focus spending and marketing, and to help identify innovative approaches for new revenue streams and enhanced member benefits.

What tools are available for membership analysis?

The pace at which new technologies are becoming available, including tools for membership analytics, is unprecedented. Such software tools include: Power BI, ASAE Bumblebee, DOMO, Alteryx, and Tableau. Each product provides either an element of data transformation (a way to manage data), or data analytics for membership organizations. Undertaking a cost-benefit analysis to determine the right tool is the first step.

Data visualization tools synthesize raw data, allowing the membership management team to draw conclusions from that data, and reach insights by displaying patterns and highlighting anomalies that would otherwise not be readily apparent. These tools help to quickly interpret data and “manage by exception.” For instance, the membership and conferences teams can gather member data from multiple sources and create reports and visual presentations to help them make informed decisions about where to hold the next conference for the best turnout, thus increasing revenues.

Take the right steps

While it might appear daunting to organize, analyze, and strategize about membership data, the results can yield increases in membership acquisition, engagement and revenue. Consider the following steps to succeed with membership analytics:

- Align your strategic initiatives with your analytic efforts.
- Appoint a data champion from the membership department who has sufficiently deep knowledge of the available data to be able to select appropriate fields from which to draw meaningful conclusions. Evaluate your data to gain an understanding of available data sources, cleansing/normalization requirements, etc.
- Select tools/technology infrastructure. Similar to other IT investments, your selection of analytic products should align with your business strategies, core objectives and desired business outcomes. Start by understanding the current state of analytical capabilities within your organization. Interview key stakeholders, your membership team, and legal and IT executives. Understand who will be using these tools, what the tools will be used for and what you want out of the tools. Check to see if your organization already has a software suite that includes data analytics software (for example, organizations that use Microsoft may have Power BI as part of their package of tools).
- Establish data integrity protocols that address validating the accuracy of data. Error-checking and validation procedures should be conducted on an ongoing basis to ensure integrity is not compromised.

To ensure successful deployment of membership analytics, you will need the support of leadership and staff. Leadership plays a critical role in a change management effort such as this through their endorsement and advocacy. The staff will take their cues from leadership's level of engagement. Recruitment of "champions" who will be enthusiastic and committed to analytics, command respect within the organization, and can enlist the commitment of others will be essential. Communication throughout the process is also critical. Regular updates will increase motivation, engagement and support.

The evolving impact of data privacy regulations

Hassan Khan, Managing Director, Advisory Services, Not-for-Profit and Higher Education Practices

Courts and regulatory authorities have increasingly had to adapt aging data protection laws to fit an ever-changing world for which those laws simply were not designed. Technological innovation has outpaced our privacy protections. Traditional concepts of privacy — our right to be left alone and the basic principle that the content of our communications should remain confidential — are being challenged and eroded with advancements in digital technology. Our privacy laws are based on antiquated notions of notice and choice, and are inadequate to address this rapid evolution in technology, computer science, and artificial intelligence. Federal, state and international regulatory and legislative bodies are working to ensure that our personal data, identity, reputation and privacy be safeguarded in this digital, connected world.

The evolution of privacy rights started with the Bill of Rights guarantees in 1789, which includes the Fourth Amendment describing an unspecified "right of the people to be secure in their persons, houses, papers and effects, against unreasonable searches and seizures." More recently, changes have been made to privacy rights; most prominently the 1974 Privacy Act, the Health Insurance Portability and Accountability Act (HIPAA) enacted in 1996, and the Financial Services Modernization Act of 1999 (known as the Gramm-Leach-Bliley Act) to name a few. Within the past decade, focus on personally identifiable information (PII) became paramount and information specific to the Federal Information Security Management Act (FISMA, defining a comprehensive framework to protect government information), Payment Card Industry compliance standards (PCI, ensuring that entities that accept, process, store or transmit credit card information maintain a secure environment), and the Family Educational Rights and Privacy Act (FERPA, affording parents the right to have access to their children's education records) came to be protected.

As recently as November 2019, four Senate Commerce Committee Democrats introduced their version of federal privacy legislation, the "Consumer Online Privacy Rights Act" or COPRA. Although it's unlikely that a national privacy law will successfully wend its way through Congress before the 2020 presidential election, the bill reflects the emerging outline of U.S. federal privacy legislation.

Without question though, the European Union's General Data Protection Regulation (GDPR) set a new standard for privacy laws and the rest of the world took notice. Since GDPR came into effect, the cost of compliance has been very high, but noncompliance is even costlier, with violators subject to fines of up to €20 million or up to four percent of annual revenue, whichever is greater.

GDPR has had a ripple effect globally, and especially here in the United States. Europe's attention to data privacy has led to impending regulatory challenges for not-for-profit organizations, particularly with what's being dubbed "GDPR-lite" or "California GDPR," the California Consumer Privacy Act (CCPA). This law went into effect on Jan. 1, 2020, and is currently considered the most expansive state privacy law in the country. In this past year alone, at least seven other states — Hawaii, Maryland, Massachusetts, Mississippi, New Mexico, Vermont and Washington — have introduced similar privacy laws. More will surely follow.

Europe's attention to data privacy has led to impending regulatory challenges for not-for-profit organizations.

A to-do list for nonprofits with the onslaught of data privacy regulations

- As with any significant regulatory change, planning and preparation are essential. Start by identifying what personal data is being held, evaluating current data protection systems, and bringing together legal, compliance and IT teams to develop a detailed privacy implementation plan.
- Consider how much data is subject to the GDPR or CCPA or other applicable laws or regulations, including data managed by third parties. Determine which data is deemed to be controlled or processed both in-house and by any outside entities to address myriad existing and upcoming regulations.
- Create a process to categorize/classify access rights, as well as a process to address access requests.
- Review data mapping performed thus far in response to GDPR and check it against the differing and potentially broader definition of "personal information" under CCPA and other laws.
- Conduct a legal review of all vendor agreements and contracts to determine whether they fall under service-provider exemptions, i.e., disclosures to service-providers are not prohibited when a consumer exercises the right to opt out under CCPA.
- Devise a plan or process for responding to constituent deletion or opt-out requests.
- Review all online privacy notices and constituent consent documents and have counsel revise as needed.
- Be prepared to invest more in data security capabilities, by hiring additional staff and/or upgrading existing technology. Appointing a data protection officer to liaise directly with regulators may be beneficial.
- A good data protection program will include a framework where compliance and legal departments are held accountable to manage or oversee workflow, as there will be a need to evidence the privacy program to regulators.
- Create a unified compliance program that accommodates all regulatory obligations. Since GDPR is more extensive than U.S. requirements, the program will require organizations to determine which is more applicable, GDPR or CCPA. Identifying gaps and overlap between regulations is critical. Furthermore, a detailed records retention plan is a necessity under the laws and will be helpful in any future litigation discovery.
- GDPR and CCPA will not be the last data privacy regulations nonprofits will have to address. A detailed strategy related to how the organization will overlay new regulations or laws in other jurisdictions will be helpful to have in place as new laws are enacted.
- Establish a mechanism to monitor the rapidly changing landscape of data privacy. Therefore, training and education for IT, compliance and legal personnel on these new and evolving risks is critical.

There is an inexorable move toward a world in which laws and regulations will more tightly restrict the ways in which personal data can be used. As organizations are increasingly turning to data analytics (see Effect greater change through data analytics in the 2019 State of the Not-for-Profit Sector report), their ability to extract value from stored information is ever more reliant upon the ability to effectively use such data while adhering to laws that restrict its use, and avoiding exposure to compliance concerns, penalties or reputational risk. A well-planned and well-executed privacy compliance program can enable an organization to earn the confidence of its board, constituents and employees in providing access to their data, which is increasingly the operational lifeblood in today's digital world.

SECTOR-SPECIFIC FEATURE
MUSEUMS AND CULTURAL INSTITUTIONS

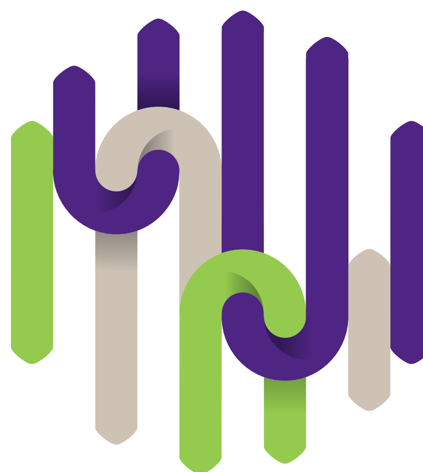
Using blockchain to enhance operations

Matthew Lerner, Director, Advisory Services, Not-for-Profit and Higher Education Practices
John Balbuena, Manager, Advisory Services, Not-for-Profit and Higher Education Practices

When people hear "blockchain technology," they often confuse it with cryptocurrency (e.g., bitcoin). While they are related, they are not synonymous. Blockchain technology is a secure digital ledger system designed to store transaction records, such as those related to the transfer of electronic or physical items from one person to another. Each entry in the ledger is called a "block," or a piece of data that records what is transferred, from whom, to whom, when and at what value. Sequences of related transactions (i.e., transfers to a new individual or organization) are considered "chains" and data integrity is maintained by storing redundant versions of the transaction in distributed, decentralized databases that record the transaction history in multiple places to ensure validation of the data. Blockchains are a permanent record, using digital encryption to help ensure the data is secure, unalterable and permanent. As noted in the American Alliance of Museums *TrendWatch 2019 report*, blockchains are an emerging trend as "whole industries are built on the need for trusted third parties to verify and record transactions."

Value of blockchain in museums and cultural institutions

Blockchain can be utilized to solve certain problems that are inherent to museums and other cultural institutions, such as collections and monetary transaction challenges related to transparency, security, history, tracking, procurement and collaboration. Blockchain can also help improve efficiency and reduce costs. Museums and cultural institutions often rely upon trusted third parties to verify, track and execute transactions (e.g., brokers for insurance, curators for assessments, banks for financial transactions, lawyers for contracts). Blockchain can provide an alternate, secured method for verifying, tracking, and executing such transactions, thereby reducing costs and reliance on these service providers.



Uses for blockchain

Donor, ticket and membership transactions

Organizations are increasingly using blockchain technology, in the form of cryptocurrencies, for monetary transactions. Blockchains can help improve donor management and gift monitoring by tracking and allocating gifts in real time, informing donors of the receipt and use of their donations instantly, providing increased transparency, trust and tracking of restricted gifts (See Intro to blockchain and crypto contributions in the 2018 State of the Not-for-Profit Sector report).

Blockchain technology can also allow institutions to avoid counterfeit tickets (e.g., for in-demand events, exhibits and performances) and memberships, as these transaction records can be securely tied to a single individual. Further, utilizing cryptocurrencies can help reduce the risks associated with cash transactions, and decrease the costs associated with credit card vendors. However, there are also challenges and risks associated with accepting cryptocurrency, including the potential for market value volatility, which could impact the realized value of such transactions to the organization. Accordingly, organizations should adopt a cryptocurrency policy that includes guidelines for the holding/sale of these assets and associated risk tolerances.

Collections provenance tracking

Blockchains can be used to securely and permanently record the provenance of works in an institution's collections, including all transfers of ownership. This security can help increase trust, and reduce the risk of problems resulting from inaccurate or incomplete provenance records. Currently, such records are typically maintained in databases that can be prone to loss, wrongdoing and neglect. Further, utilizing provenance tracking through blockchains would also allow institutions to limit the number of "experts" on staff who are needed to authenticate an item's origin.

Blockchain technology embedded onto microchips that are attached to works and can be scanned is being used by the Blockchain Art Collective to help securely track and authenticate provenance. These microchips can record on the blockchain if they have been tampered with. Startup technology firms are working on other methods to tie blockchain records to specific physical works.

Collections management

Blockchains can help streamline and improve tracking and security related to the movement of collections, whether internal (e.g., between exhibits and storage) or external (e.g., loans to another institution), and help save time, resources, and costs. Tracking can often be complicated and expensive due to the risks and costs associated with insuring and transporting works, and the database systems currently utilized are subject to misconduct and inaccurate data. Blockchain could allow insurance coverage to be modified in real time when a work is being moved from one place to another, and provenance tracking reduces the expense of transportation oversight.

Blockchain could also be used to enhance collaboration and sharing between institutions/collectors, such as through the creation of a secure database that makes it simpler to find, loan, purchase and obtain information about collections.

Although still early in its maturity and adoption, blockchain technology is disrupting many sectors, and museums and cultural institutions are no exception. Given the potential benefits of this technology across many facets of operations, institutions should consider evaluating and piloting ways in which to leverage blockchain's ability to streamline and improve tracking.

The emergence of impact investing

Jennifer Hoffman, Partner, Audit Services, Not-for-Profit and Higher Education Practices
Scott Thompsett, Managing Director, Tax Services, Not-for-Profit and Higher Education Practices

Would you potentially accept a lower rate of return on an investment if it meant that you could have a measurable positive social impact that aligns with your mission? Tax-exempt organizations devoted to making a positive change in the world understand that making meaningful progress on the most important social and environmental challenges confronting our nation (and the world) requires creative investment strategies. Many of the most sophisticated, socially conscious and collaborative not-for-profit organizations across the globe (led by the private foundation sector) are making intentional decisions to shift resources, both financial and human capital, toward impact investing. In fact, the Global Impact Investing Network (GIIN) estimates in *their latest annual survey* that approximately $502 billion is invested in sustainable impact investing assets (more than double that of last year, which was roughly double that of the year before).

What's new about this?

A common misconception is that impact investing has been around for decades; that the new trend is simply to repackage or repurpose what was formerly known as "socially conscious" or "socially responsible" investing into impact investing. Socially responsible investments (or SRIs) have indeed been a mainstay of the charitable sector for years; these are investments that are expected to do no harm; the investment avoids companies that cause a negative impact to society (e.g., tobacco or fossil fuel), but they do not typically stimulate affirmative or positive change.

Another investment vehicle used prominently over the years within the not-for-profit sector is the program-related investment (PRI). Typically the domain of private foundations, PRIs emphasize charitable initiatives as their primary purpose, with financial gain as an ancillary secondary benefit. PRIs are a hybrid investment that falls squarely between a grant and a traditional investment and can assume many different forms: low-interest loans to small businesses or individuals (e.g., microloans); equity investments in low-income areas; and loan guarantees to not-for-profits to counteract community deterioration. Unlike traditional investments that seek to maximize investment gains with as minimal risk as possible, PRIs accept significant risk in anticipation that the reward of a successful venture pays social/cultural/economic dividends to the community at large.

Charities and private foundations have long invested in SRIs and PRIs, but as wealth inequality, climate change and other social ills continue to proliferate, many organizations are beginning to rethink their priorities to fill in gaps that federal, state and local governments are too financially strapped or politically unwilling to address. This is where mission-related investments (MRIs), or impact investing, come into play. MRIs are investments specifically designed to have a positive impact on our environment, our culture, our socio-economic landscape, while also generating a reasonable financial return. Similar to PRIs, MRIs come in many forms (cash, fixed income, public equity, private equity, venture capital, real estate and loans); however, MRIs have one significant advantage over PRIs: MRIs may be structured to generate income as a primary purpose of the investment. MRIs are not subject to the Internal Revenue Code's requirement that *no significant purpose of the [program-related] investment may be the production of income or the appreciation of property."* Simply put, MRIs seek to achieve attractive financial returns while also advancing mission.

MRIs are investments specifically designed to have a positive impact on our environment, our culture, our socio-economic landscape, while also generating a reasonable financial return.

New guidance changes the playing field

While MRIs can be structured to generate a profit, they are subject to the IRS rules on non-jeopardizing investments. Jeopardizing investments generally are investments that show a lack of reasonable business care and prudence (i.e., the prudent investment standard). For many years, tax-exempt organizations shied away from MRIs for just this reason, until the U.S. Treasury issued important guidance on MRIs essentially sanctioning their use, and their legality.

This governmental imprimatur has transformed the sector and sparked the growth in MRIs by emboldening more public charities and foundations to align their investment strategies with their charitable mission. With this new guidance, investment managers are not required to select investments based on greatest rate of return, optimal liquidity or lowest risk, and may even select investments that produce below-market returns so long as the investment supports (and does not jeopardize) an organization's mission. Some specific examples of MRIs are:

- Holding deposits in community-owned banks and lending institutions.
- Investing in funds managed by diverse asset management firms (or personnel) of varied ethnic, racial and gender identities.
- Loans or equity investments to charities or other entities seeking to advance one or more social aims, such as affordable housing or alternative energy projects.
- Small Business Administration development initiatives and/or job creation initiatives.
- Community development in distressed or low-income areas.
- Providing loan guarantees to grantees and to for-profit companies that are fulfilling a community need (e.g., a startup selling solar panels or a biotech company developing vaccines).

Historically, organizations have been content to allow charitable dollars (i.e., monies received from donors) to underwrite riskier investment ventures to avoid jeopardizing their endowments. This philosophy is now changing with the growth of MRIs, as MRIs are typically made out of an organization's endowment, a fact that may seem counterintuitive. When it comes to investment management, most boards are focused on maintaining the grant-making power of the endowment over time. The board has a fiduciary obligation to ensure that it uses the charitable assets under its supervision prudently and invests them in reliable investments, as failure to maintain the endowment risks undermining the financial foundation needed to continue the important work that the charity undertakes. Using endowment assets to fund MRIs signifies that mission is so ingrained within the organization's culture that mission even guides its investment decisions.

Are MRIs worth the risk?

As with any nascent strategy, there are legitimate questions about whether MRIs yield sufficient desirable financial or social returns to justify the risks of the underlying investments. Perhaps that concern is misplaced. With the extent of the challenges society faces, the question is: Can the charitable sector delay deploying its most valuable asset, its sizable endowment, on issues troubling the community in which it operates? Tax-exempt organizations have long been willing to commit donor dollars to mission; why not put endowment dollars to the same use, versus simply generating a financial return?

Adopting such an investment policy can pay dividends that the organization never even contemplated, as donors flock to support a charity that is so motivated to fulfill its public charge that it even steers its investment philosophy toward impactful outcomes. As the leading organizations in the charitable sector prioritize impact investing, others will follow and make MRIs more prevalent. This infusion of investment dollars into the impact-investing space can only help to provide additional and much-needed solutions to the world's most pressing problems.

SECTOR-SPECIFIC FEATURE
FOUNDATIONS

Handling generational change at family foundations

Elizabeth Ireland, Partner, Audit Services, Not-for-Profit and Higher Education Practices
Raisa Reyes, Manager, Advisory Services, Not-for-Profit and Higher Education Practices

Over the next decade or so, one of the largest-ever intergenerational wealth transfers will take place, according to Wealth-X. Wealth-X further notes of this generational shift that "more so than their elders, the inheritors of this wealth maintain a more global outlook, seeking not only to preserve this wealth, but also to find meaning in the way they use and manage it." Family foundations are responding to this impending inflection point by increasing their focus on intergenerational values and legacy. For quite some time, these foundations have been steadfast in their definition of their primary contribution to society through their mission and vision; now they are contemplating how their focus will be embraced or changed by those who will inherit the organization.

As foundations prepare for transition, critical questions arise: What will the foundation be known for? How will money be spent? Who is best-suited to lead? And perhaps most notably: What if the next generation doesn't agree with how the previous generation answered these questions? But in terms of successful continuity, a family foundation's commitment to operational structure and strategic focus matters less during a time of generational change than the timing, frequency and transparency of inter-generational dialogues.

At the Annenberg Foundation, for example, we see one approach to transition. Established in the Philadelphia area, the Annenberg Foundation historically focused on local investments in the arts. When Leonore Annenberg, the foundation's long-standing leader and wife to founder Walter H. Annenberg, died on March 12, 2009, an immediate shift occurred: the foundation's headquarters was moved from Philadelphia to Los Angeles and, with it, its programmatic focus to more national issues. As the immediacy of the announcement to the death of Leonore suggests, the Annenberg Foundation worked proactively to coordinate and gain approval across generations for this important change. As she stepped down, Executive Director Gail C. Levin captured the Annenberg Foundation's position on intergenerational change well: "Now it's time for a new generation to take over. They will be doing the work of interest and importance to them."

The Templeton Foundation has taken a different approach, one that hews to legacy. The foundation is firmly rooted in the ways of its founder, stating in its vision, "We take our inspiration from the intellectual legacy of Sir John Templeton" and follows a highly prescriptive charter on the allowable types and allocations of grants. Since its establishment in 1987, the Templeton Foundation has experienced the leadership of two new generations, the first in 2006, when John Templeton Jr., who was serving as president of the Foundation, replaced Sir John Templeton as chairman, taking on both roles, and the second in 2015, when Heather Templeton Dill, Sir John Templeton's granddaughter, assumed leadership. By focusing on multigenerational engagement over time and building acumen and passion among relatives/future leaders, as opposed to seeking next-generation involvement only when transfer is near-term, they have been able to instill an unwavering commitment to mission, vision and focus.

An essential element of any transition plan is to identify those who will truly want to be involved, possibly including potential outsiders. Dialoguing with and gauging interest among family early on — through programmatic opportunities, participation in foundation meetings, inclusion on advisory boards, internship opportunities, access to nominal funds for grant-making experiences — may reveal "natural" family leaders, as well as gaps where outside leadership may be warranted.

Leadership should be intentional when it comes to the involvement of the next generation — whether it be through carefully coordinated communication plans as seen at the Annenberg Foundation or through long-term multigenerational engagement as seen at the Templeton Foundation. A deliberate approach in this regard allows successful foundations to effectively pass the torch to new leaders.

Creative necessity: The need for new revenue streams

Chris Smith, Managing Principal, Strategy and Transformation Practice
Mary Torretta, Principal, Tax Services, Not-for-Profit and Higher Education Practices

We have all seen the headlines noting nonprofit organizations that had to shut their doors due to financial distress. Although a healthy cash flow will not fix every problem, it does alleviate short-term pressures and provides the capacity for long-term growth and success. Organizations can no longer rely on traditional income streams to sustain activities; they must seek new sources of additional revenue and expand existing flows to stay viable, remain competitive and fulfill their mission.

Organizations can no longer rely on traditional income streams to sustain activities; they must seek new sources of additional revenue and expand existing flows to stay viable, remain competitive and fulfill their mission.

Grow the constituent base

Perhaps the most obvious solution to earn additional revenue is to expand the pool of people who are interested in your organization, whether as members, service recipients or funding contributors. Membership analytics tools can be deployed to achieve increases in membership acquisition, engagement and revenue (see *Membership analytics: The untapped potential* in this report). Also consider expanding the group to whom you provide services — broaden the projects, demographics of the people served, geographic boundaries, etc., so that your nonprofit is exposed to a greater number and a more diverse population of potential donors. Finally, organizations that rely on contributions need to be strategic about targeting more donors. The Chronicle of Philanthropy has named the next decade the "Windfall Years" because $9 trillion will pass via estate transfers, and nonprofits can be the beneficiary if they plan right. The Nature Conservancy was ahead of the curve on this and now gifts given through planned giving account for 20–25% of their total donations.

Find partners

Another leading practice is partnering on program activities or marketing efforts with commercial enterprises. Nonprofits and for-profits can band together to make money and serve the social good. One such example is the partnership between ChildFund International and the socially conscious company TOMS, who contributes a pair of shoes to ChildFund for every pair of TOMS sold.

Partnerships such as this benefit both parties. Cause-related marketing is becoming more prominent as consumers are more discerning and want to "vote with their wallet" when making buying choices. When confronted with two comparable products, a consumer may choose the soda that benefits the polar bears (Coca-Cola with World Wildlife Fund) or the tortilla snack that helps provide toys for children at Christmas (Tostitos for The Salvation Army).

Expand your network for solicitations

As direct-marketing campaigns continue to rise in cost, organizations should consider others who can handle the "ask" for them. Consider the examples of Walmart with Children's Miracle Network (the balloons at the register) or Walgreens and Red Nose Day (selling red clown noses for group pictures) — in these examples, armies of corporate employees ask consumers whether they want to spend just a bit more on a given day to help these organizations. Consider whether there are others willing to ask for donations on your behalf. Be sure to assess the reputational risk associated with third-party affiliations to ensure your brand is safely managed.

Leverage strengths, mitigate weaknesses

Pursuing additional revenue streams must be handled strategically. Nonprofits must play to their individual strengths and consider the specific challenges they each face. Consider the impact and cost benefit of programs that have historically been loss-producing for your organization, and how reallocating money from those activities would increase the organization's bottom line. In the short-term, it may hurt to step away from some activities, but in the long run, freeing up more monies for more impactful programs will open up better avenues for the organization and its constituents.

Nonprofits that are strong in certain programming should consider selling their services to other organizations, including for-profit corporations, without the infrastructure or expertise in place to run such programming. For example, associations that are well-staffed to run large conferences could market their services to corporations infrequently running large corporate events that do not have the personnel, logistical know-how or equipment.

Organizations that have a strong brand must consider monetizing their name through licensing agreements from both intellectual property and affiliation agreements. If there has been hesitancy to seek outside advertising or sponsorship in the past, nonprofits should re-evaluate their position in light of increased societal acceptance of social media influence that combines advertising with putting the organization's brand on an offering. The National Wildlife Federation, as an example, has an entire section of its website dedicated to licensing opportunities. However, when an organization partners with another organization or for-profit company, their brands become intertwined — as with third-party solicitors, each must be thoughtful and do their due diligence to make sure they are partnering with an entity that will not create any reputational harm.

If you have extra space (but not extra money), consider expanding the use by external participants of your office space, or conference or parking facilities. Organizations in markets where real estate sells at a premium (San Francisco, New York City, Boston, etc.) have thought differently about real estate, including holding it as a portfolio, renting out owned space to tenants, divesting real estate that does not suit their purposes, and generally rethinking the status quo of their available or utilized physical space.

Think through tax consequences

Every new revenue stream must be considered in light of potential income tax impact. Though the tax effect of new streams should not drive whether or not to undertake new programming, it must be a considered factor. Thoughtful structural and governance analysis can reduce the risk to the organization and manage the extent of income taxes if owed. For tax reasons, it often makes sense to create a formal partnership or subsidiary corporate entity if the new revenue streams have the potential to grow to be significant.

As constraints and challenges continue to develop, organizations need to reconsider their status quo approach and evolve into new business models that will yield fresh income streams.

It may hurt to step away from some activities, but in the long run, freeing up more monies for more impactful programs will open up better avenues for the organization and its constituents.

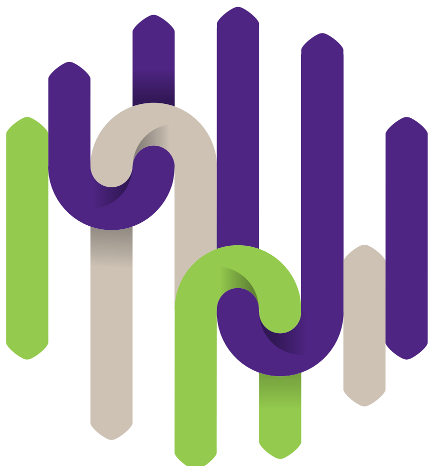
SECTOR-SPECIFIC FEATURE
RELIGIOUS ORGANIZATIONS

Exempt status as a political bargaining chip

Joseph Mulligan, Principal, Advisory Services, Not-for-Profit and Higher Education Practices
Erin Couture, Managing Director, Tax Services, Not-for-Profit and Higher Education Practices

With the 2020 election cycle in full swing and generating significant interest, candidates have been ardently working to differentiate and win over the hearts and minds of the electorate. As we know well from recent election cycles, candidates often utilize their time in the spotlight to float a trial balloon on an issue that may serve to either sway the candidate field or gauge society's reaction.

Former presidential candidate Beto O'Rourke made waves on the campaign trail when responding to a question regarding religious institutions' qualification for tax-exempt status. Specifically, the question related to potential revocation of exempt status for institutions that do not support marriage for same-sex couples. His response: "Yes — there can be no reward, no benefit, no tax break for anyone…that denies the full human rights and the full civil rights of every single one of us."



Due to this and for the following reasons, we envision 2020 being a contentious year for religious institutions and religious liberties:

- Recent studies continue to show that perspectives on religious organizations are shifting, along with a general decrease in religiosity in the nation. A recent Pew Research Center study cited that Protestantism and Catholicism have experienced losses of population shares, while the group known as religious "none" (atheists, agnostics and "nothing in particular") saw significant gains.
- A January 2020 cover story in Christianity Today, titled "*The Hidden Cost of Tax Exemption*," highlights the case made by many critics that tax exemption is a massive government subsidy for religion and is not required for churches to do good works.
- Criticism remains strong about the millions of dollars spent by the Church of Scientology on another Super Bowl commercial — its eighth in as many years.
- The Catholic Church continues to face ongoing reputational and financial challenges as archdioceses and dioceses across the country continue to uncover and provide financial remuneration for abuse victims.
- A February 2020 Wall Street Journal *article* cited a whistleblower at The Church of Jesus Christ of Latter-day Saints declaring that the organization has accumulated $100 billion in assets without chartable distribution.

Despite this negative attention, there is no doubt that churches and religious institutions have long held a unique place in American society. Codified in the First Amendment, the IRS and courts have long given wide latitude for the activities of religious organizations without government interference or regulation.

This is evidenced by a variety of special treatments, most notably including lack of requirement to file an initial application for tax-exempt status, exclusion from the requirement of an annual tax return, special provisions in the areas of compensation and benefits (e.g., church plans, parsonage allowances) and, with limited exception, exemption from regulations that control relationships with members and employees. Even with the clear support of the First Amendment and judicial precedent, pressures on churches' and religious organizations' exemption continue to mount.

So how should leaders of religious organizations respond in an era when campaign talking points and negative media attention appear to increasingly gain mainstream traction? We offer the following suggestions:

- Be proactive in establishing and maintaining productive lines of communication with your faithful and broader community stakeholders. Religious organizations must make concerted efforts to engage their communities in new and different ways, and cultivate relationships with local, state and national elected officials. Sole reliance on the First Amendment and the federal system will not be enough.
- Consider publishing a societal impact report. Many members of our society are not engaged with religious institutions nor appropriately aware of the good works that many churches and related organizations do. This gap in understanding is not the fault of the average American citizen, but rather results from the lack of a proactive marketing and communications strategy. Successful not-for-profit organizations of all shapes and sizes have adopted mainstream marketing techniques in order to build awareness, share their stories and garner support.
- Formalize and re-evaluate an Enterprise Risk Management (ERM) program. Adopting and implementing a formal ERM program can help religious organizations deepen their insight into the variety of risks within their operating environment. Such efforts enable organizations to proactively identify, manage, and mitigate risks, while also proactively preparing for risk manifestation and response.

While certain guarantees are provided for within the Constitution, calls for increased reporting and transparency are greater than ever. Special privileges, once taken for granted, are now being given increased scrutiny. Recognizing that pressures will likely continue to mount, churches and religious organizations must do more to highlight their important role in society as they work to maintain and, in some cases, restore the trust and confidence of the American public.

SECTOR-SPECIFIC FEATURE
JEWISH AND ISRAELI ORGANIZATIONS

Leveraging advanced technologies

Yossi Jayinski, Partner, Audit Services, Not-for-Profit and Higher Education Practices
Michael Ryan, Senior Manager, Audit Services, Not-for-Profit and Higher Education Practices

Israel is one of the largest exporters of innovation and advanced technologies in the world and *spends nearly 5% of its Gross Domestic Product* on research and development. While leading U.S.-based Jewish/Israeli not-for-profit organizations leverage this to improve their operations and outcomes, most such entities are not availing themselves of the innovation and technology generated by Israeli society.

According to the book Start-up Nation: The Story of Israel's Economic Miracle, by Dan Senor and Saul Singer, at just over 70 years old and with a population of only 8.5 million, Israel has more startups per capita than any other country: roughly one for every 2,000 Israelis. Some of the world's largest companies eagerly buy Israeli startups. Cisco has purchased nine of them as of the date of this article. Start-up Nation further notes that Israel is also a major destination for venture capital, receiving twice as many investment dollars per person as even the United States — and 30 times as much as Europe or China. Over 60 Israeli companies are listed in the Nasdaq, more than all European companies combined.

Many U.S. Jewish/Israeli not-for-profit organizations have connections with and support the universities and organizations that contribute to Israel's success in the tech sector. Others are supported by the large companies or individuals that have benefited from the success of these advanced technology companies. However, all too frequently, these U.S.-based organizations do not embrace the innovation and technology to which they have access, and fail to engage the organizations and individuals whom they are supporting. There is a significant untapped opportunity to use innovative practices, tools and techniques to help drive efficiencies and improve internal operations.

Beyond enhancements to internal operations, U.S. Jewish/Israeli organizations can also use their access to technology and innovation to further program-/mission-related efforts via upgraded quality and programmatic products/services.

One organization that is at the forefront of leveraging such advanced technology and innovation to further their mission is JDC, the global Jewish humanitarian organization. JDC is utilizing leading Israeli agriculture technology like drip irrigation and hybrid seeds to assist farmers in developing countries and improve the quality of life for them, their families and communities. TOV, a pilot program in Africa, helps lift these vulnerable farmers out of poverty through technology transfer of Israeli agritech and training, along with an innovative philanthropic loan fund that provides fairly priced loans, and access to new markets for their crops.

In another area, JDC has recently teamed up with the Israeli government to develop a social innovation hub that provides a place for social entrepreneurs to receive support as they develop ways to improve the welfare of disadvantaged populations, such as at-risk children and youth, the elderly and people with disabilities. The hub's acceleration program gives the participants tools to increase the impact of their venture on a national and international scale. The use of app technology is already being utilized by hub participants to address issues like increasing safety of vulnerable youth and loneliness among the elderly.

As U.S.-based Jewish/Israeli not-for-profits take advantage of the innovation and technology from Israel, they will reap internal improvements, enhanced operations, and, ultimately, greater mission success.

About Grant Thornton's services to not-for-profit organizations

Grant Thornton LLP has a well-earned reputation for understanding the needs of not-for-profit organizations, providing them with in-depth 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 Grant Thornton 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 40% of the top 10 organizations listed in *The NonProfit Times* Top 100, 36% of the top 25 organizations listed as America's Favorite Charities in *The Chronicle of Philanthropy*, and 30% of the 100 largest U.S. charities in *Forbes*.

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, and by sharing our best-practice experience via forward-looking thought leadership, including publications, articles, presentations, webcasts and training.

KEEPING YOU INFORMED ABOUT INDUSTRY TRENDS

We are committed to helping you stay up to date on industry developments. Visit *grantthornton.com/subscribe* 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.

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 partners — 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 support our clients to deliver on their missions, we deliver on ours.

Some of the ways we serve the not-for-profit sector:

AUDIT SERVICES

Dennis Morrone
National Leader
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

Frank Giardini
National Leader
Tax Services
Not-for-Profit and Higher Education Practices
T +1 215 656 3060
E frank.giardini@us.gt.com
S linkedin.com/in/frank-giardini

- Corporate restructuring and related planning
- Executive compensation, benefit plans and employment tax planning
- Federal Forms 990, 990-T, 990-PF, and related state and local tax compliance for not-for-profit affiliates
- Federal Forms 1120 and 1065, and related state and local tax compliance for for-profit affiliates
- Federal, state and local tax risk assessment and planning
- Governance and maintenance of tax exemption assessment and planning
- International tax planning
- Private foundation services
- Unrelated business income tax planning

ADVISORY SERVICES

Mark Oster
National Managing Partner
Not-for-Profit and Higher Education Practices

National Leader
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
- Data analytics
- 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, litigation and dispute consulting)

Sector contacts

In order to best serve the unique needs of our not-for-profit clients, Grant Thornton has organized our industry practice 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. This 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, Sector Leader
T +1 703 637 2784
E lisa.lipsky@us.gt.com

Bridget Roche, Sector Chair
T +1 312 602 8068
E bridget.roche@us.gt.com

FOUNDATIONS

Elizabeth Ireland, Sector Leader
T +1 215 656 3070
E elizabeth.ireland@us.gt.com

Michelle Weber, Sector Chair
T +1 414 277 1536
E michelle.weber@us.gt.com

HIGHER EDUCATION

Cosmo Saginario, Sector Leader
T + 1 212 542 9637
E cosmo.saginario@us.gt.com

Matt Unterman, Sector Chair
T +1 212 542 9834
E matt.unterman@us.gt.com

JEWISH AND ISRAEL ORGANIZATIONS

Yossi Jayinski, Sector Leader
T + 1 212 624 5548
E yossi.jayinski@us.gt.com

Michael Ryan, Sector Chair
T +1 212 542 9536
E michael.d.ryan@us.gt.com

MUSEUMS AND CULTURAL INSTITUTIONS

Tom Brean, Sector Leader
T + 1 312 602 8711
E tom.brean@us.gt.com

Matthew Lerner, Sector Chair
T +1 212 542 9816
E matthew.lerner@us.gt.com

RELIGIOUS ORGANIZATIONS

Scott Steffens, Sector Leader
T +1 703 847 7680
E scott.steffens@us.gt.com

Claire Esten, Sector Chair
T +1 508 926 2481
E claire.esten@us.gt.com

SOCIAL SERVICES

Alan Jutras, Sector Leader
T + 1 617 973 4744
E alan.jutras@us.gt.com

Kira Hilden-Minton, Sector Chair
T +1 404 475 0086
E kira.hilden-minton@us.gt.com

FIND AND SHARE THE REPORT ONLINE

The State of the Not-for-Profit Sector in 2020
grantthornton.com/stateofNFP

Not-for-profit and higher education 2020 webcast series

Each year, leaders from Grant Thornton LLP'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 and board members.

We welcome you to visit *grantthornton.com/nfp* for more information about upcoming webcasts or to access past webcasts, which are archived for one year.

JAN 29

Tax reform implications for nonprofit organizations

MAR 25

State of the not-for-profit and higher education sectors

MAY 20

The implications of Gen Z in the workforce

JUL 22

Nonprofit accounting, regulatory and Uniform Guidance update

SEP 23

Creating new revenue streams to secure a financially viable future

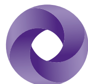
NOV 18

Driving value as a nonprofit/higher education board member

All webcasts are 2–3:30 p.m. ET.

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 60 offices, works with a broad range of dynamic publicly and privately held companies, government agencies, financial institutions, and civic and religious organizations.



Grant Thornton

"Grant Thornton" refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. 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.

© 2020 Grant Thornton LLP | All rights reserved | U.S. member firm of Grant Thornton International Ltd