2017 PREDICTIONS

NONPROFIT FINANCE AND ACCOUNTING

NONPROFIT FINANCE AND ACCOUNTING PREDICTIONS FOR 2017

As we peer into our crystal ball, we see changes coming in 2017 for the nonprofit finance sector.

To help demystify your future, our Abila nonprofit finance experts have compiled these 2017 Nonprofit Finance and Accounting Predictions. Accompanying each prediction are actions and ideas to help you see through the shrouded veil and ensure success in the coming year.

FUNDING INSTABILITY WILL BE AN ISSUE

Funding instability will likely force a shift in the nature of funding, with more grantors looking to fund mobilization versus intervention (working to prevent social issues instead of dealing with them after they occur). Many organizations will look to new or innovative ways of providing services, making changes based on data and analytics. In light of public statements, the potential is high for grant reductions in FY 2018 for some market segments.

ACTION >

For nonprofits heavily dependent on federal grant funding, revenue diversification should be researched in an effort to mitigate risk. Ramping new income streams in 2017/2018 can help offset any risk in this area. Further, scenarios that consider funding reductions on program delivery (worst case scenario planning) should also be developed and shared with executive management and the board for planning purposes.

Collections activities are another potential source of revenue to consider if revenue leakage is identified. Scenario planning is a must for managers and administrators to ensure the impact of any funding shortfalls is minimized or offset through comprehensive planning.

NONPROFITS MIGHT NEED TO MAKE STRUCTURAL STAFFING CHANGES

Uncertainty around the Fair Labor Standards Act (FLSA) overtime rule changes might drive nonprofit organizations (NPOs) to make more structural changes within their workforce. To contain expenses, many could convert salaried employees to hourly, or look toward part-time employees to help fill staffing gaps. If the new overtime rules go through, the Department of Labor (DOL) will likely pay close attention to the implementation of new overtime rules, and could even target two or three high-profile NPOs to encourage compliance within the sector. It will be imperative for organizations to monitor whether the overtime rule changes are implemented or not.

ACTION >

Before making any decisions to reduce staff time, hire part-time employees, or outsource positions, gain a fuller understanding of the current status, possible changes, implications, and requirements around new FLSA overtime rules. For example, would reclassifying employees from full-time to part-time have an impact on staff morale? To better understand the new overtime rules, catch Abila's free webinar recording on Scope of Nonprofit Compliance Complexities.

MORE NONPROFITS WILL CONSIDER CLUSTERING

Many organizations will band together to share resources, overhead, and personnel to serve a common demographic. Additionally, many will focus on specialization in a particular area or service versus considering expansion.

ACTION >

It's worth looking at nonprofits with similar missions in your local or regional area to determine if joint events, working space, personnel, etc., make sense to help reduce costs and increase awareness and effectiveness. In some instances, it will make sense for an organization to shrink in an effort to grow. In other words, shed programs that only get a small percentage of the attention they deserve and focus on delivering two or three widely-supported programs extremely well. Then, review in six months to determine if this is the right course of action.

FOR-PROFIT CFOS ARE MOVING TO NONPROFITS

The number of for-profit candidates considering nonprofit jobs has risen 25 percent over the past year. With these personnel moves, organizations will likely be much more data- and ROI-driven, creating new business models and imposing more focused financial performance expectations at nonprofits.

ACTION >

We learned from our recent 2016 Nonprofit Finance Study that more than 20 percent of folks in a financial position inside a nonprofit have received no formal financial training. Additionally, nearly half of all organizations in our study say they would be unprepared if a key finance person was to leave. Investing in additional technology training for existing staff helps them continually build these important skills and become more productive. With an increase in the number of qualified financial personnel flocking to the nonprofit sector, you can choose to be more selective about individuals you hire, putting the organization at far less risk.

NONPROFITS WILL USE TECHNOLOGY TO GAIN EFFICIENCIES

With the increase in complexity around processes and rule/regulation changes, many nonprofits will turn to technology to increase efficiency and automate more high-volume, repetitive tasks. This will free up financial personnel to focus more acutely on addressing increasing complexities to ensure compliance. Additionally, ongoing cloud adoption will allow greater accessibility for nonprofit staff to work anytime from anywhere.

ACTION >

As compliance demands increase in complexity, technology can be a lifesaver. Abila MIP Fund Accounting™ is purpose built and designed specifically to manage the complexities and nuances of nonprofit finance and accounting.

A new year is a great time to make sure you're maximizing the use of MIP, as well. For example, are you using the configurable fraud alerts that Abila MIP™ offers?

In addition, many recent compliance issues relate to your workforce, including requirements around tracking health benefits, logging time, and providing employee self-service HR tools. These are challenges with which the integrated MIP™ Human Resource Management Suite can help.

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