

PEOPLE
to KNOW

2014
**STATE OF
THE INDUSTRY**
NOT-FOR-PROFIT EDITION

A look at how **collaboration, entrepreneurialism, leadership and the next generation** are impacting not-for-profits today.



CLARK SCHAEFER HACKETT
CPAs & BUSINESS CONSULTANTS

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Andrew Roberts
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2014 **STATE OF THE INDUSTRY** NOT-FOR-PROFIT EDITION

Welcome to our *lite* paper, an observation on the state of the industry, offered by People to Know in Not-for-Profit.

At Clark Schaefer Hackett, we're proud to be industry specialists. We dig deeply into the industries we serve and share the resulting insight for the good of our clients and communities.

When we gathered the select few recently named "People to Know in Not-For-Profit" we were privy to profound thought, unique perspectives, and intelligent understanding.

These NFP leaders, recognized as the most influential in Central Ohio, illuminated the universal trends, challenges and opportunities seen nationally across the sector today.

The issues impacting not-for-profit today, also reflect our society, business and culture.

Exactly how these issues will shape our future is the question that remains.



2014 **STATE OF THE INDUSTRY**

NOT-FOR-PROFIT EDITION

NFP organizations **fill a real need** for health, social, housing and other services in our communities. But **both large and small NFPs** confront the same issues of increasing financial scrutiny, lack of centralized resources, and finding the **next generation** of qualified leaders and employees.

In Central Ohio, leaders of not-for-profit organizations continue to find ways to collaborate with others out of efficiency or survival concerns. Some of this is due to decreased funding, an increased need for services, and more accountability demands from funders.

A 2014 survey sponsored by Bank of America and the Ford Foundation, for instance, determined that **80 percent of respondents reported an increased demand** for services, which was the sixth consecutive yearly increase. Yet, 56 percent of the not-for-profits **could not meet the needs requested** in 2013.

Despite tightening their expenses and launching income-producing social enterprises, for some, **challenges remain**. Primary among them are attracting younger employees to an industry whose compensation is often below the private sector and grooming younger people for **leadership posts in the future**.



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COLLABORATION AND COORDINATION



Tammy Wharton
Girl Scouts of Ohio's Heartland

Collaboration is a more holistic endeavor in our ability to reach greater impact. There has been a do-more-with-less approach for several years, accompanied by many conversations in the boardrooms and offices about sustainability, impact and capacity. At the Girl Scouts, we've taken a step back from tracking purely the number of people we are serving, but focus on how many we are serving well? When talking about collaboration, we have to look at our communities, realizing everything we do together will benefit whatever populations are being served. **It's not about what our organization is doing versus what someone else is doing.** That is a very different model. We collaborate with many organizations, girl-centric organizations, and community organizations. The goal is to tap into the thought leaders of each with the hope of benefitting all girls whether we are directly serving them or not.



Adrienne Selsor
YWCA Columbus

Are our communities resource rich but systems poor? That is what some contend and possibly there is some truth to it. Nonprofits have a lot of people doing great work in different areas, but not necessarily truly collaborating as well as we could. I think we all get along well, but we could be incentivized differently so that we can make sure we are moving the needle on big issues like elevating the status and stature of women and girls in the community or addressing chronic poverty in certain zip codes that fill our homeless shelter, where the kids are not graduating high school at high rates and where infant mortality is a serious problem. I agree that we are resource rich with a lot of great people that want to make a difference, but maybe we don't have a lot of structure in place to make sure we are taking meaningful steps in the direction of truly solving challenging issues.

COLLABORATION AND COORDINATION



Mary Vail
Goodwill Columbus

Nonprofit human service organizations should become more efficient and productive for the people we serve. **People are often forced to go to multiple locations for services.** A central place where multiple providers meet multiple needs would be most welcomed. At Goodwill, we take the approach that we don't need to be, and we can't be, everything to everyone. We have developed partnerships with other providers for many years. If, as providers, we will continue to partner and collaborate, we must be able to create a central space where that individual can find every service she needs without having to tell her story multiple times to each and every provider in order to receive assistance.



Shelly Lewis
Hands On Central Ohio

In Columbus, the Center for Family Safety and Healing employs a model that works well and where **service seekers will find everyone they need in one place**, whether it's a social worker or the police department.



Lisa Patt-McDaniel
Ohio Capital Corporation for Housing

There are times when looking outside the box for partners is essential. We help facilitate the development of affordable housing and are attuned to issues related to poverty. If we look outside that box, we can start looking at how housing can be a platform for delivering all services and determine how to be part of that conversation. Other work that I do with NFPs is community development and community focus, and what can we do around social entrepreneurship. That is becoming a big thing in making ourselves sustainable and also helping people who we are trying to help in the end; getting them involved and helping them as families and households to be sustainable for the long term.

NFP ENTREPRENEURISM



Tammy Wharton
Girl Scouts of Ohio's Heartland

Don't mess with the IRS, which is taking a greater interest in the tax liability of nonprofit entrepreneurial programs. The Girl Scouts cookie program is the largest social entrepreneurial program in the world that is run by girls and that must adhere to the same tax laws as everybody else. **There is no room for compromise on tax matters.** The IRS is looking at different entrepreneurial programs such as athletic booster clubs for tax liability and laying down the law about what is allowed and what is prohibited. It is amazing how people try to bend the rules to make them fit their need. The Girl Scouts aren't ever going to change or bend the rules when our Tax ID number is on the line. There are many individuals who don't understand that, but tax-exempt organizations had better understand it. They have to be vigilant about protecting themselves.



Andrew Roberts
YMCA of Central Ohio

The jury is still out whether social entrepreneurship is a magic bullet or red herring, but there is little doubt that **nonprofits need resources to do good work.** Look at the entrepreneur who decides to start a business and works at it full time, that's the totality of his/her day, almost all they think about. One of the challenges in nonprofit organizations attempting to create net income producing businesses is that we end up adding another thing to an already overloaded plate. That someone, now, is supposed to go and start a social enterprise that is going to generate income and save the organization, in addition to everything else they were already doing. At the Y, we started housing programs because people needed a place to live. We started healthcare programs because people are not healthy and well. We started childcare programs because working women needed them. I'm not sure it's wise just to start something for pure income producing purposes if it doesn't fit with the mission; that is a stretch for me.



Lisa Patt-McDaniel
Ohio Capital Corporation for Housing

Whatever the enterprise, employ a true business model so you will understand how the business works. Because it is a social enterprise, it does not mean people are doing this out of the goodness of their hearts. I think there are many times when people don't look at what it takes to operate a business well. **They fail to consider whether it's worth the time and effort and energy,** and nonprofits are already stretched.

NFP ENTREPRENEURISM



Adrienne Selsor
YWCA Columbus

Sometimes it feels like the deck is stacked against nonprofits as it pertains to social enterprise endeavors. **Consider how we are set up and governed.** We are charged to do more with less, but we can't make too much money through social entrepreneurialism unaffiliated with our mission and we can't pay salaries that are too high either. Many want the nonprofit to be business minded and have a business plan. However, if overhead costs are too high, similar to many corporate structures, some won't fund the organization, even if it has a great business model to holistically serve clients. Overall, there are more rules, which I believe were developed with positive intent, but I also think it's interesting how we are monitored differently, but with the same outcome expectations as a for profit business.



Betsy McCabe
United Way of Central Ohio

There must be a shift in thinking that focuses on quality. A huge pet peeve of mine is the issue of overhead. Somehow low overhead equals better outcomes, more people served or a better investment of your dollar. If you are a savvy donor, you are going to look for the nonprofit that has the lowest overhead and that is wrong, wrong, wrong. How do we shift that thinking as a community? How do we communicate that to our boards? If you are not investing in technology, if you are not investing in the best staff you have, if you don't have good programs, you are not going to be able to serve people well. It's not about quantity, it's about quality. We as a community need to start getting that message out.



Mary Vail
Goodwill Columbus

Nonprofits have a significant revenue stream of government funding: local, state and federal. They get **better outcomes with unrestricted funds because we can meet the needs of people** and not worry about building a box around the services we are providing.

GOOD NFP LEADERS



Lisa Patt-McDaniel
Ohio Capital Corporation for Housing

Cross-pollinating talent might be a way to keep leadership positions at nonprofits filled. For instance, we have such a small staff that if one of us is hit by a bus, everything stops and that is a problem. It's even tougher for smaller nonprofits. What would be **ideal is if people in the nonprofit world would band together to create a pool of talent**, maybe by identifying their young professionals who have the ability to lead or be mentored into a leadership position, much like what Leadership Columbus does. I feel that if you are a good leader and a good manager, I could drop you at the United Way, I could drop you at the Shelter Board and you would be able to learn quickly and be able to do a pretty good job.



Shelly Lewis
Hands On Central Ohio

There are obstacles nonprofits face in finding top talent. It goes back to operating costs and what an organization can pay. **Essentially, you are going to get what you can afford.** If you pool people like that together, you want to provide them with a competitive wage, and sometimes nonprofits can't do that. It's very unfortunate.



Adrienne Selsor
YWCA Columbus

Never dismiss the role passion and personal values play in securing talent. It's important to find someone whose personal values are in line with the organization, which can be a barometer of future success. I am honored to be on the board of Leadership Columbus and it helps a person decide what he or she is truly passionate about. So maybe you're willing to forego the biggest salary or benefits because you know every day that what you are working for is where you want to be and in line with your personal mission. We are really lucky at the YWCA because we have leadership programs for young ladies in high schools and the Gen Y age range and we are starting to hire from our past graduates. To see program participants working at the YWCA and contributing to important work like our strategic planning for our current comprehensive campaign is great. We look at our past graduates and keep them involved and engaged, whether as staff, volunteers or donors.

GOOD NFP LEADERS



Tammy Wharton
Girl Scouts of Ohio's Heartland

Sometimes it feels as if we are training our best leaders to leave to go to another organization. **Salaries aren't what one would get paid at a for-profit corporation**, so we have to look at what other benefits we can provide to engage people and keep them growing in our organization. This past year, we've started an emerging leaders program, which is a year-long program that focuses on personal, team, organizational and strategic leadership in order to grow skills internally and begin succession planning. It talks specifically to our organization; it is not a general leadership caveat. Furthermore, we conducted an organizational structure conversation about why we do what we do. Why there are bylaws, why strategic priorities are developed annually, and how the board fits into the big picture. Attendees said for the first time they understood how the board's work fit their individual priorities and built a relationship that is built on each group's contributions.



Andrew Roberts
YMCA of Central Ohio

The industry as a whole under-funds training, leadership and development. People don't realize how the services nonprofits deliver are more efficient than government. Neither do they understand the costs involved in delivering those services. We have a couple thousand employees, and I would imagine some of them call Hands On Central Ohio because we pay in the \$8 to \$10 range. It is this idea of a living wage that is frustrating to nonprofits. I sometimes convince myself that people will stay at the "Y" because of the customer work that we do, and then they leave. If we under invest, we get what we pay for and that neither feels good nor ultimately leads to the impact we hope to have.



Mary Vail
Goodwill Columbus

Our employees are the people we serve. A three-year strategic planning process revealed that fact and raised the question about how do we help those entry-level wage earners advance to get credentialed educations and help them move outside of Goodwill? We have 1,200 employees and many of them earn \$8 to \$12 an hour in our retail, janitorial and security businesses. **We hire many people with disabilities and other barriers.** We are not providing them wages that are living wages, yet we would never be able to produce a business model that would allow us to pay everyone a living wage to support their families. A goal of the strategic plan is to provide support through job coaching and training.

ENGAGING THE NEXT GENERATION



Betsy McCabe
United Way of Central Ohio

We are all going to go out of business if we don't find a way to recruit the Millennials. We are part of a national pilot called LINK that we launched within the United Way in five cities, and it addresses the need to recruit younger people. We need to recruit Millennials and start engaging them as volunteers and donors. LINK is all about involving them in what they are passionate about. The research shows that Millennials want hands-on volunteer opportunities, professional development opportunities, and they want to have fun while doing it.



Tammy Wharton
Girl Scouts of Ohio's Heartland

Attracting younger people to boards might require reviewing board guidelines. Everybody looks for the best opportunity for them and what they will get out of an opportunity. But there are practical considerations as well. There are many boards that have minimal financial obligations to be on the board because they do have to fundraise. Are boards willing to waive those requirements just to attract the younger generation who may not be able to meet them? Conversely, should boards reject a younger person with great potential just because he is not currently able to contribute \$1,000, \$2,500 or \$25,000? Would a sliding scale work? I think it is something that nonprofits can consider. At Girl Scouts we strive to build relationships, which we think is key to our long-term success. For instance, we have not stayed as connected as we could with our girls as they have gone from high school to college. A lot of them move outside of the state and we send communications to their homes because we don't have their current information. We have to get better at tracking them, like the universities who do such a good job of hunting you down.

ENGAGING THE NEXT GENERATION



Lisa Patt-McDaniel

Ohio Capital Corporation for Housing

Millennials want to have an immediate impact. Brookings Institute just put out a report and it is really good news for the nonprofit world. It was about how bad it was going to be for the banking industry because Millennials don't want to sit in an office and do uninspiring work. The quote that hit me was, **"I would rather work in a job I love for \$40,000 than in a job that I hate for \$100,000."** At the same time, \$40,000 is more of a working wage than \$8 to \$10 per hour. I am a teacher in the introductory class of Ohio State's Masters of Public Administration program and am amazed by how few of the students believe they can get anything worthwhile done in government, and how many think that NFPs are the place to be.



Andrew Roberts

YMCA of Central Ohio

These Millennials want to know why. They will do what you ask, but not just because. **We have found the Millennial work force to be really great** and we are very hopeful of the future because they are cause driven and want to feel a part of something.

ABOUT **CLARK SCHAEFER HACKETT**

Our Not-for-Profit Group provides audit, tax and advisory services to over 600 clients. We have dedicated personnel and significant resources that focus on developments related to compliance, consulting, accounting, taxation and operational issues. We provide services to not-for-profit organizations in the cultural, educational, grant-making, governmental, healthcare, religious and social services sub-sectors of the not-for-profit industry. We field one of the strongest dedicated NFP teams in the region.

OUR FIRM Founded in 1938, Clark Schaefer Hackett is one of the 65 largest CPA and advisory firms in the U.S. We offer best-in-class technical expertise in audit and assurance, risk management, benefit plan consulting, forensic and litigation support, valuation and transaction services. We combine the insights and ideas of multiple disciplines to provide solutions in a wide range of industries, including manufacturing, construction and real estate, distribution, healthcare, financial services, as well as government entities, higher education institutions and not-for-profit organizations.

INDUSTRY SPECIALIZATION We align resources by industry to better serve the needs of our clientele. Specialization permits us to develop deep knowledge of the issues facing our clients and to anticipate needs based on our understanding of industry trends. We select a team that best fits the needs of the client from our strong bench of firmwide industry specialists.

RELATIONSHIPS MATTER We believe that doing the work and serving the client are not necessarily the same thing. One is about a talent for numbers, the other is about interacting with people. At CSH, relationships matter, and we believe that creating a supportive, helpful, working relationship is perhaps the most valuable talent we can offer.

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CSH AROUND THE TABLE **FOR NOT-FOR-PROFIT**



JANE PFEIFER

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Jane Pfeifer specializes in the area of taxation. One of her focus areas is working with not-for-profit organizations. Jane heads the Firm's NFP tax group. She reviews Forms 990 and 990PF for well over one hundred clients and consults with NFP clients regarding matters involving unrelated business income, excess benefit transactions, lobbying and political activities to name a few. She has represented clients before the IRS and has assisted with applications to obtain exempt status. Jane also serves on the Firm's Not-for-Profit Services Committee.



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Michael Borowitz's primary responsibilities include providing auditing and consulting services to not-for-profit organizations. He has experience working with trade associations, public charities, and civic organizations. Mike has assisted clients in the areas of federal and state funding, internal controls, board training, best practices, fraud prevention, contributions and accounting system design.



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Devesh Kamal provides full service accounting, auditing and tax advisement to partnerships and not-for-profit organizations that develop projects funded with tax credits from the departments of Housing and Urban Development (HUD) and Rural Development (RD). He works with the syndicators and investors who fund these projects, public housing agencies and state finance agencies.



BRIAN MOSIER

Manager

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Brian Mosier has many years of experience auditing local governments with the Auditor of State of Ohio and Clark Schaefer Hackett. He has extensive knowledge and experience in performing and managing audit engagements under the requirements of GAGAS and OMB Circular A-133. Brian has worked with many governments throughout Ohio, both large and small. Brian has also led cost report audits, consulting, and internal control review engagements for many clients.



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