

Not-for-Profit Industry Seminar



May 23, 2023

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Managing Your Cyber Security Risks

Establishing a Sustainable Risk Management Approach



**Sassan Hejazi, Ph.D.,
Director-in-Charge,
Technology
Solutions**

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Not-for-Profit Cyber & Information Security Realities

- Increased frequency of attacks and breaches
- Limited internal resources and confusion among management on what is getting addressed
- Increased expectations by all stakeholders in regard to safeguarding privacy
- Increased risks of operational and financial damage, reputation/brand erosion and potential litigation
- Need for periodic reviews and remediations



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High Value Target Assets

- Personally Identifiable Information (PII) such as employee, donor and client social security numbers, dates of birth, electronic protected health information (EPHI), email addresses, compensation and credit card numbers
- Program and service intellectual property data, grant related confidential information, strategic planning, marketing, regulatory and competitive data
- Operational continuity and reliability capabilities, reputational and legal risk concerns



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Cyber Readiness Approaches

Minimal

- Keeping up with latest patches and fixes at best
- Highly reactive in nature
- Lack of cyber related plans and budgets

Traditional

- Having a formal cyber program in place
- Leveraging applicable industry methodologies
- Highly IT focused and driven

Holistic

- Active cyber program in place
- Leveraging leading industry practices
- Close and active collaboration between IT and management



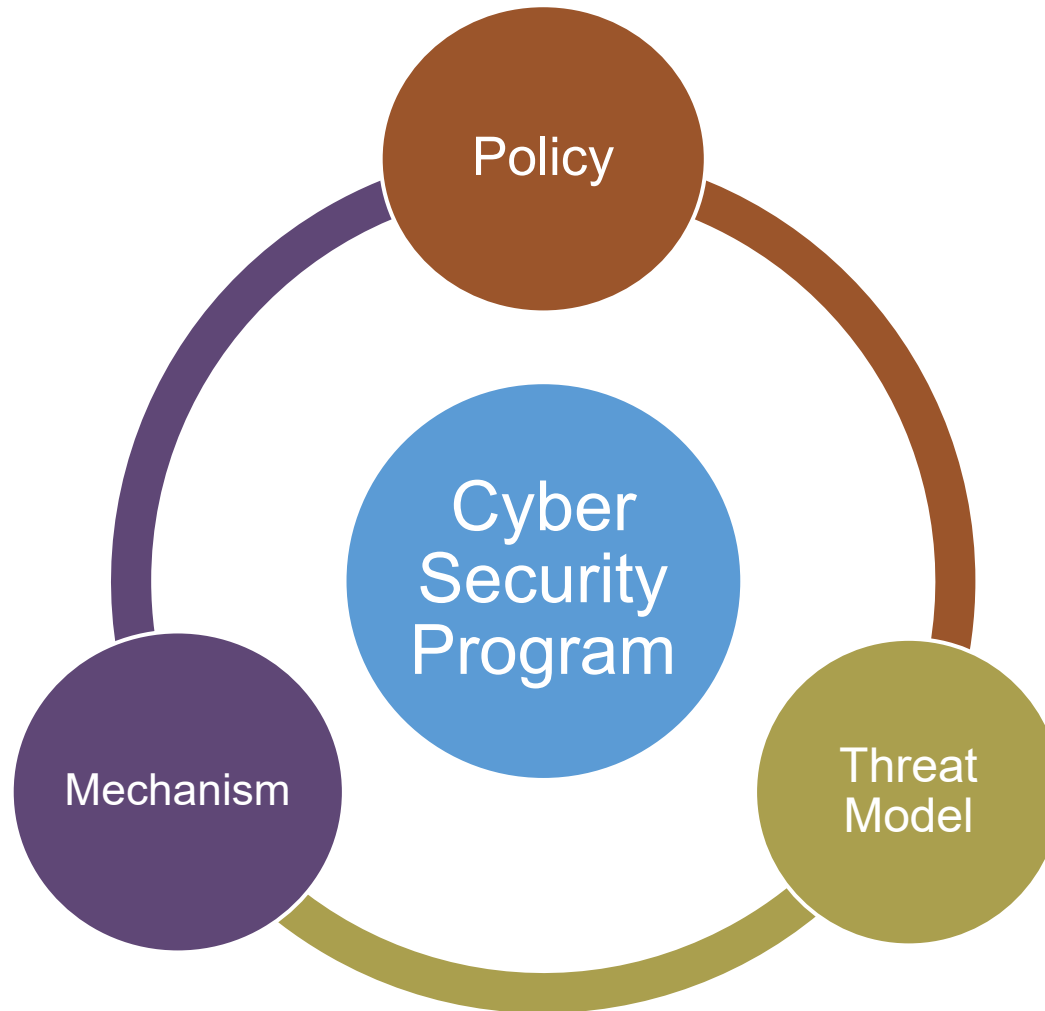
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Leveraging Frameworks - NIST

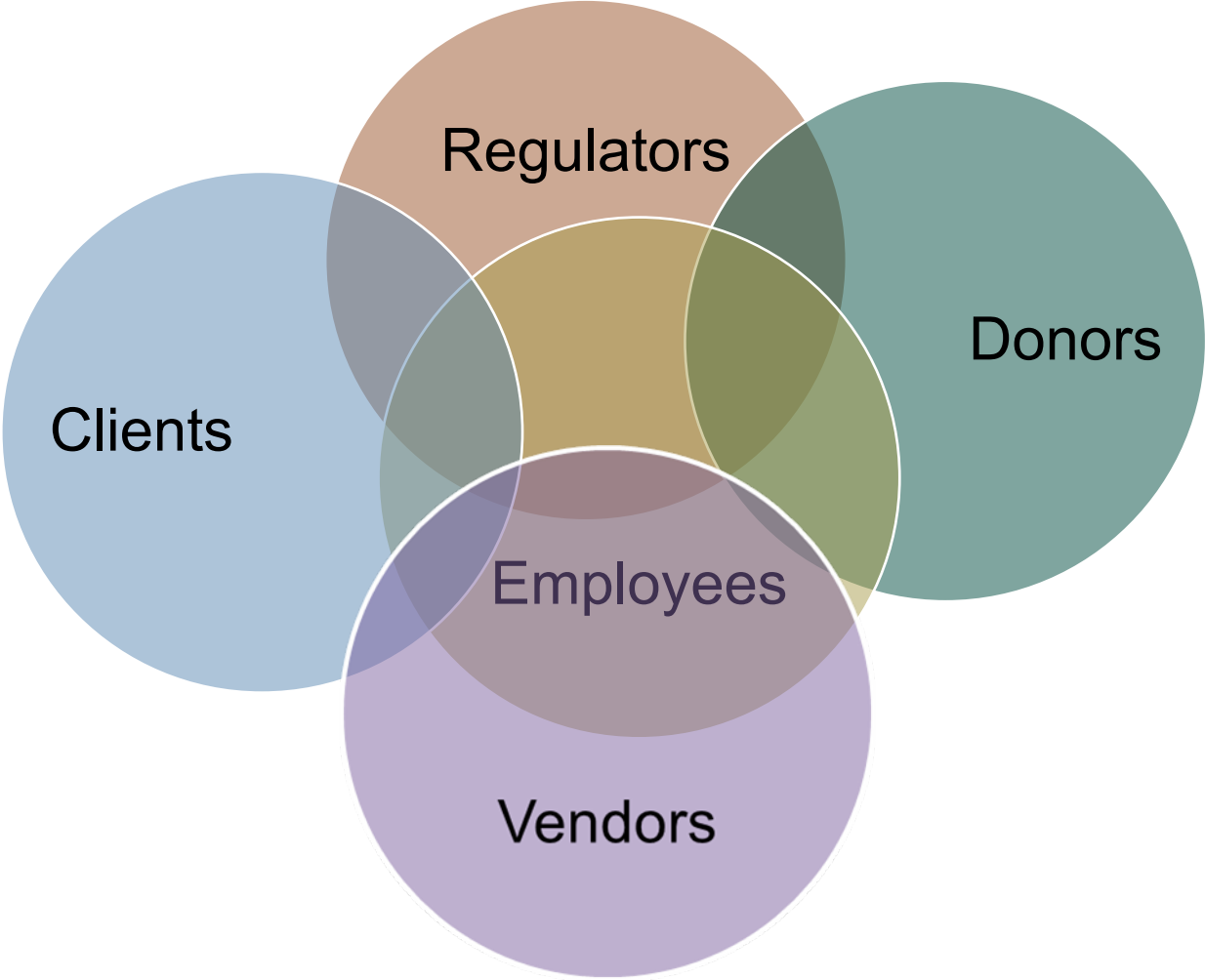


[NIST Cybersecurity Framework | NIST](#)

Cyber Security Program Triad



Know Your Web of Trust



What is Your Risk Profile?



Do We Have a Cyber & Privacy Program?

- Is it an active program?
 - Committee in place?
- Is it well planned/budgeted?
- Is it based on a methodology?
 - NIST
 - CIS
 - ISO
 - HIPAA

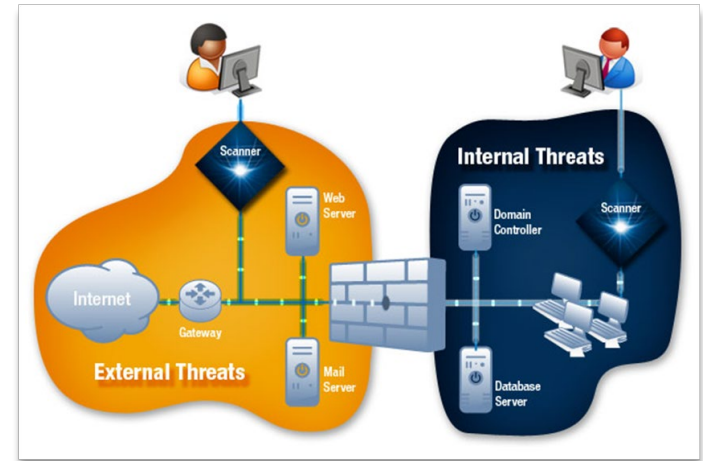


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Do We Know Our IT Vulnerabilities?

- Do we periodically conduct a vulnerability scan?
 - New vulnerabilities are discovered daily
 - Internal vulnerability scans occur from within the network
 - External vulnerability scans simulate the effect of Internet users attempting to access a network



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Are We Monitoring Threats?

- Detecting potential intrusions?
- Review of user/insider/visitor activities?
- Staying on top of latest threats out there?



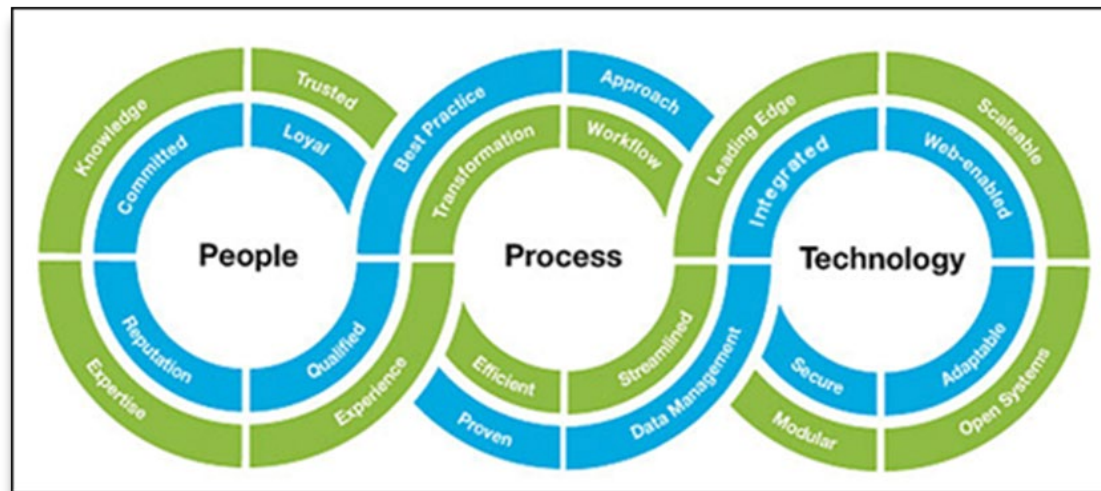
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Do We Have Updated Policies?

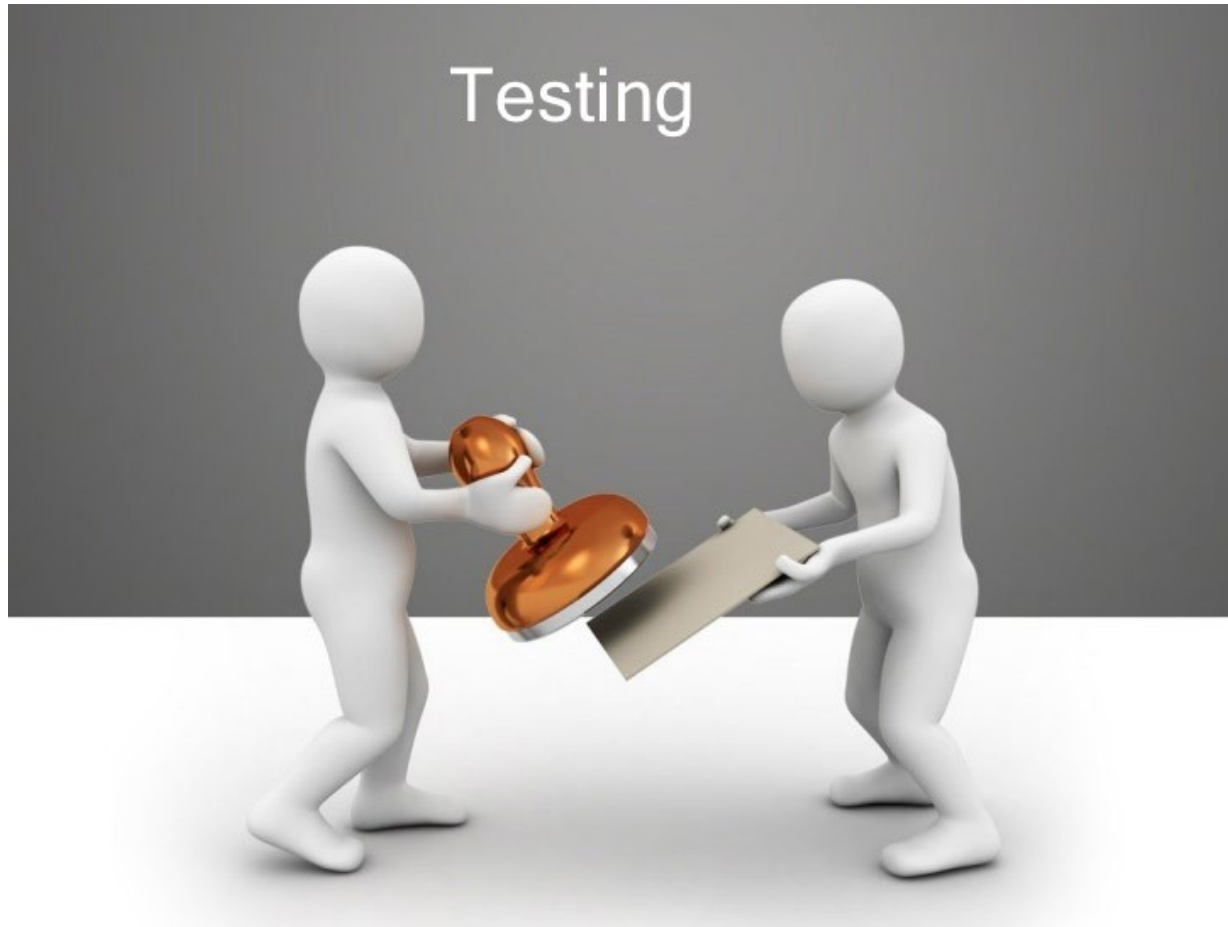
- Employee onboarding, acceptable use, termination?
- Data classification, access and protection?
- Data handling and privacy considerations?
- Vendor/contractor proper data handling and confidentiality?
 - IT department/provider(s) considerations?



Do We Have a Cyber Training Program?



Are We Validating User Knowledge?



Users Only Access What They Need?

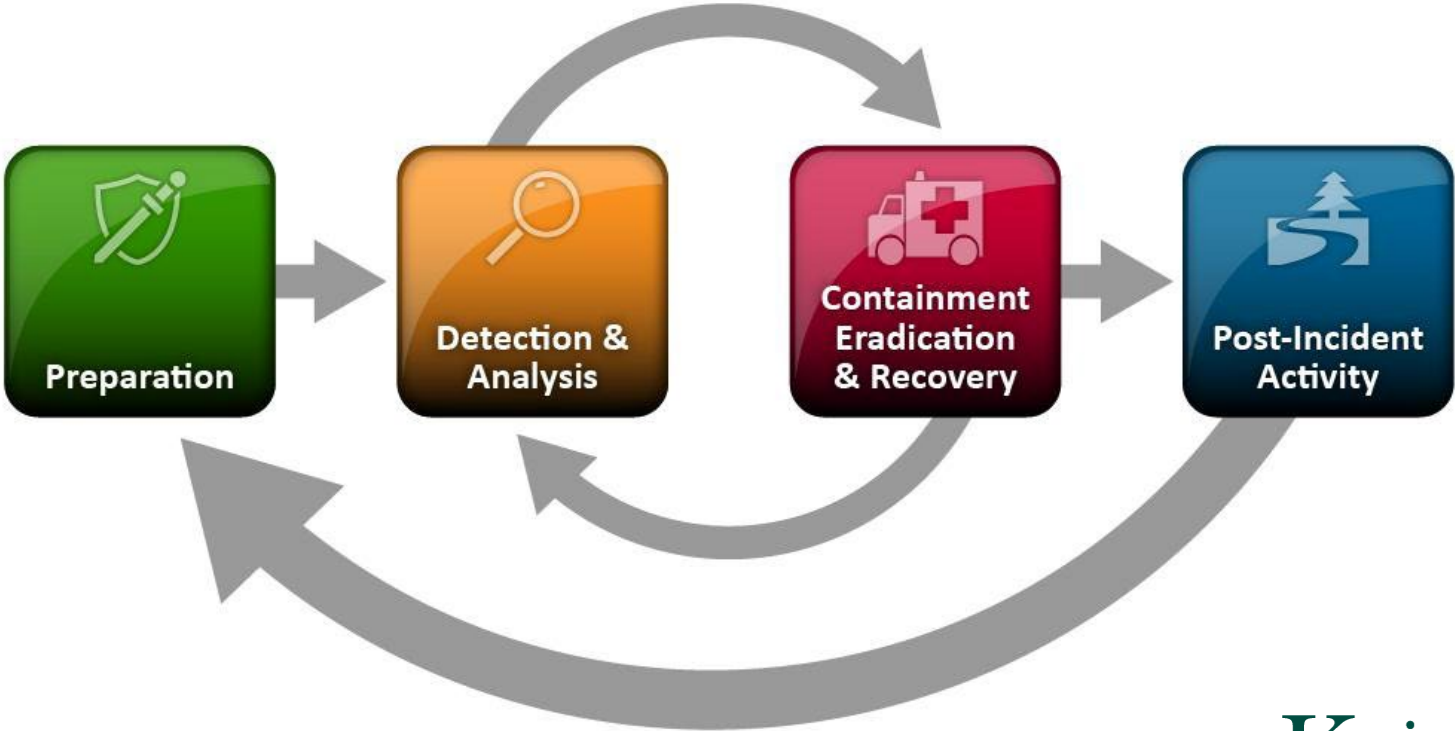
- Principle of least privilege
 - A user or a program (depending on the subject) must be able to access only the information and resources that are necessary for its legitimate purpose
- Review access levels and have proper change control procedures in place
- Apply this principle to all employees and third parties



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Do We Have an Incident Response Plan?



Cyber Insurance Considerations



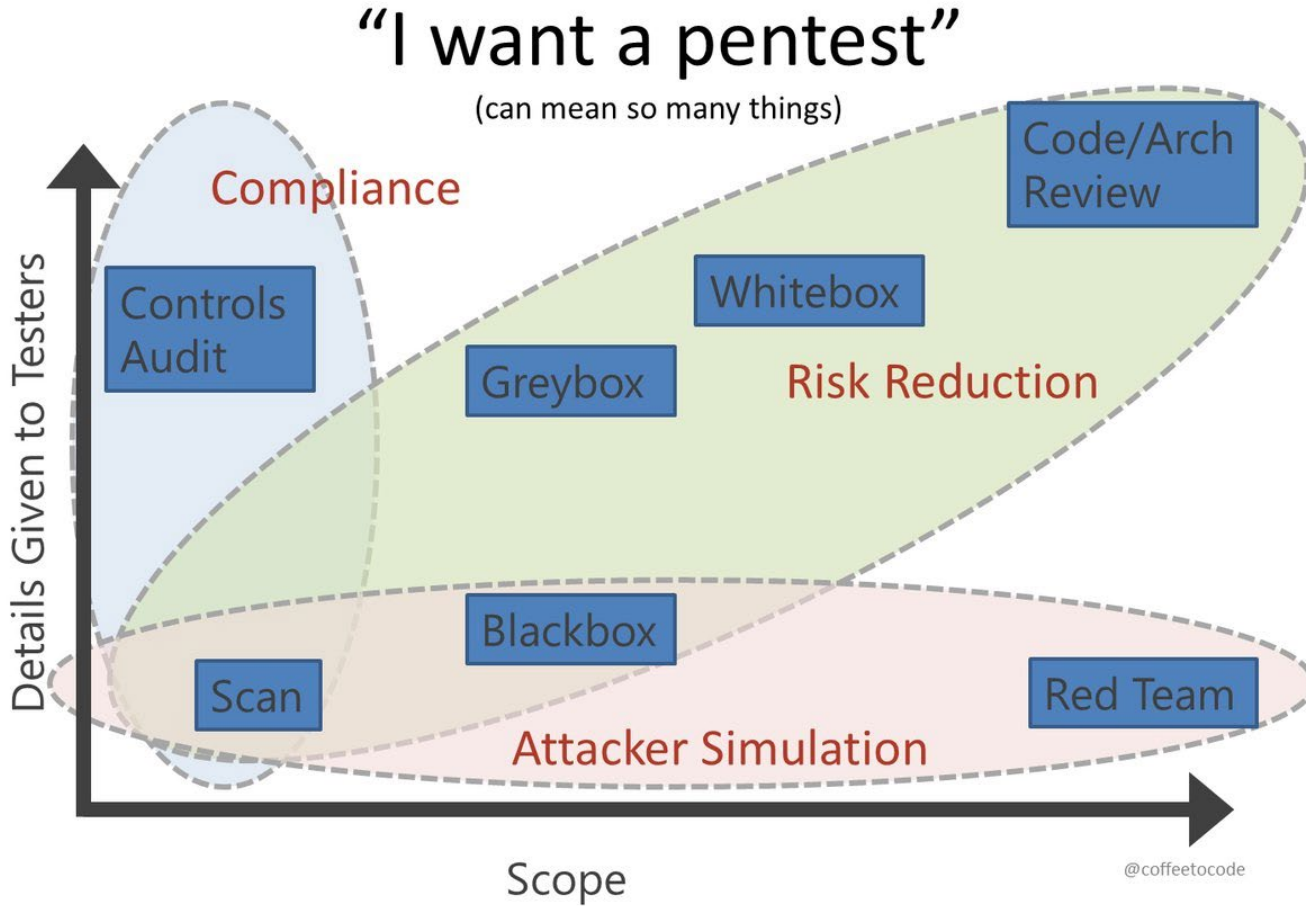
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Do We Have a Recovery Plan?



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Have We Paid Someone to Break In?



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What is Your Risk Profile?

- Assign a 10 to all YES responses
- Assign a 5 to all SOMEWHAT responses
- Assign a 0 to all NO responses
- Add up all your points from the 10 questions
 - Scored below 50, organization at a **CRITICAL RISK LEVEL**
 - Scored between 50-70, at a **HIGH RISK LEVEL**
 - Scored between 70-90, at a **MODERATE RISK LEVEL**
 - Scored above 90, at a **MANAGED RISK LEVEL**



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Management Recommendations

- Establish an active cyber program and ensure hygiene practices such as following are in use:
 - Enable and mandate the use of multi-factor authentication
 - Deploy modern security and monitoring tools on all computers and devices
 - Leverage internal or external cyber security resources to ensure that your systems are patched and protected against all known vulnerabilities
 - Establish and enforce a password change regiment across your networks on a regular basis
 - Have emergency plans (practice/validate) in place
 - Educate employees on common attack vectors



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Concluding Comments

- Non-Profit executives are ultimately responsible for their organization's cyber security and information security readiness
- Current increased threat levels require executives and board members to stay highly engaged in the organizations cyber and information security readiness efforts to protect their key assets and lead their organization's culture towards a security aware and empowered one
- Having an active and effective cyber readiness program could be leveraged as a source of competitive advantage!



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Thank You!



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Sassan is the Director-in-Charge for Kreischer Miller's Technology Solutions group. Sassan has worked with numerous organizations in the areas of planning for strategic IT initiatives, designing financial/ERP and business performance management solutions, and providing IT management, cyber, and information security advisory services. Sassan's consulting focus ensures clients select, design, deploy, and manage IT-enabled business technology solutions that are most suitable to satisfy their strategic objectives.

Sassan has published a book on the effective use of IT by managers called Tech Savvy Manager. This book is intended to provide managers with simple and effective strategies they can put into action to harness the power of IT for competitive advantage.



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Possible Pitfalls in Lease Accounting

Mark Coykendall, CPA
Manager,
Audit & Accounting

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Agenda

1. Understand definition of a lease
2. Review lease classification considerations
3. Gain understanding of determining of lease payments and lease terms (it is not always clear)
4. Review discount rate considerations
5. Possible pitfalls



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Implementation Considerations

Develop an implementation strategy – Modified retrospective transition method of adoption is required to be adopted by lessors and lessees for all existing leases.

- Identify available resources and a champion for the project
- Evaluate existing leases and service agreements to identify all operating leases and finance leases
- Evaluate software considerations
- Consider accounting policy elections, including available practical expedients
- Determine transition year financial statement presentation
- Evaluate terms for new leases and upcoming lease renewals



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Step #1 – Gather Your Leases!

What is a Lease?

- What is a lease?
 - A lease is defined as a contract that conveys the *right to control* the use of identified property, plant or equipment (an identified asset) for a period of time in exchange for consideration.
- *Right to Control*
 - Determination if the customer has both of the following:
 - The right to obtain substantially all of the economic benefits from use of the identified asset.
 - The right to direct the use of the identified asset.

Lease Classification

- Finance Lease vs. Operating Lease
 - Finance Lease (if any of the following criteria are met):
 - The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
 - The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
 - The lease term is for the major part of the remaining economic life of the underlying asset.
 - The present value of the sum of lease payments and any residual value guaranteed by the lessee equals or exceeds substantially all of the fair value of the underlying asset.
 - The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

When none of the criteria for a finance lease is met, the lessee shall classify the lease as an operating lease.



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Lease Classification

ASC 842 CLASSIFICATION



Step #2 – Policy Elections

Step #2 – Policy Elections

1. Transition approach
2. Short-term lease exemption
3. Combine lease and non-lease components
4. Risk-free rate to discount lease liabilities
5. Lease term is being used at date of adoption – original lease term or remaining lease term at adoption date

Step #3 – Figure Out Your Payments

Component Example

Consideration	Type	Reasoning	Examples
Fixed payments for use of the asset	Lease component	Rent payments directly transfer the right to use the underlying asset	Base rent to use space in a building or to use a piece of equipment
Variable payments for use of the asset	Lease component	Rent payments directly transfer the right to use the underlying asset	Usage or mileage-based payments on a vehicle or piece of equipment
Common Area Maintenance (CAM)	Nonlease component	Transfers a good or service to the lessee but does not relate directly to the underlying asset	Building HVAC, public space lighting, parking lot maintenance
Other services	Nonlease component	Transfers a good or service to the lessee but does not relate directly to the underlying asset	Security, janitorial services, administrative services
Reimbursement of lessor expenses	Noncomponent	Landlord is required to pay but the lessee does not directly receive a good or service	Property taxes or insurance
Administrative tasks to initiate the lease	Noncomponent	Lessor is not receiving a good or service	Legal fees, contracting costs

Term Considerations

- An entity shall determine the lease term as the non-cancellable period of the lease, together with all of the following:
 - Periods covered by an option to extend the lease if the lessee is *reasonably certain* to exercise that option
 - Periods covered by an option to terminate the lease if the lessee is *reasonably certain* not to exercise that option
 - Periods covered by an option to extend (or not to terminate) the lease in which exercise of the option is controlled by the lessor



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Term Considerations

- Short-term leases
 - Lessees can make an accounting policy election and choose not to recognize a right-of-use asset and lease liability for any lease with a term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise
 - Recognize the lease payments in profit or loss on a straight-line basis over the lease term

Discount Rate

Accounting Standards Update (ASU) 2021-09

Discount Rate for Lessees that are not Public Business Entities

Topic 842 currently provides lessees with a practical expedient that allows them to elect to use a risk-free rate as the discount rate for all leases

The amendments in the newest update allows the risk-free rate election to be by class of underlying asset, rather than at the entity-wide level

Must disclose which asset classes elected to apply a risk-free rate

Amendments require that when the rate implicit in the lease is readily determinable for any individual lease, the lessee must use that rate, regardless of whether it has made the risk-free rate election

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Discount Rate

There are three options for determining the discount rate:

1. Implicit Rate (IR)
2. Incremental Borrowing Rate (IBR)
3. Risk-Free Rate (RFR)
 - The RFR is the rate of a zero-coupon U.S. Treasury instrument using a period comparable with the lease term. This provides a practical expedient alternative for private companies.



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Recognition

- Recognize the assets and liabilities that arise from leases at lease commencement
 - Recognize a right-of-use asset, representing its right to use the underlying asset for the lease term, initially measured at the lease liability amount, adjusted for lease prepayments, incentives and initial direct costs (such as commissions)
 - Recognize a liability to make lease payments, initially measured at the present value of lease payments (using the rate implicit in the lease when readily determinable, or the risk-free rate)

Recognition – Example

Pike Enterprises, Inc. leases a machine for three years on 1/1/year 1. The machine has a fair value of \$75,000, a 10-year economic life, and alternative expected uses to the lessor after the lease term. The lease calls for annual lease payments of \$10,000 on 12/31 of each year, and the implicit interest rate known to Pike is 5%. The lease conveys no ownership at the end of the lease term, contains no purchase option, and requires no guarantee of residual value. Because this lease does not meet any of the 5 criteria for a finance lease it is an operating lease under the new standard, but the lease term is greater than 12 months so the new standard requires balance sheet presentation.

Present value factor for ordinary annuity for 3 years at 5%:
Known implicit interest rate:

	2.72325
	5%

The present value of the lease payments is calculated as follows:

Annual Lease Payment:	\$	10,000
Present value factor for an ordinary annuity for 3 years at 5%:		× 2.72325
Present value of the lease payments:	\$	<u>27,233</u>

Recognition – Example

Amortization Table for the Operating Right-of-Use Asset and Operating Lease Liability

Date	Lease Payment	"Interest" on the Operating Liability at 5%	Amortization of Operating Lease Right-of-use Asset and Lease Liability	Account Balances for the Operating Lease Right-of-Use:	
				Asset	Liability
1/1/year 1				\$27,233	\$27,233
12/31/year 1	\$ 10,000	=	\$1,362 + \$8,638	18,595	18,595
12/31/year 2	10,000	=	930 + 9,070	9,525	9,525
12/31/year 3	10,000	=	475 + 9,525	–	–
Totals	\$ 30,000	=	\$2,767 + \$27,233		

Lease expense includes both interest and amortization of the right-of-use asset; thus, the operating lease shows lease expense on a straight-line basis, similar to operating leases under the current standard.

The amortization amounts for the right-of-use asset and the lease liability offset one another; therefore, each account has the same year-end balance.

Recognition – Example

The first year's journal entries would be:

1/1/year 1	Operating Lease Right-of-Use Asset	27,233	
	Operating Lease Liability		27,233

To record the operating right-of-use asset and related liability at the PV of the lease payments.

12/31/year 1	Lease Expense	10,000	
	Operating Lease Liability	8,638	
	Cash		10,000
	Operating Lease Right-of-Use Asset		8,638

To record annual lease payment and expense, and the amortization of the operating lease liability offset against the operating right-of-use asset.

Pitfall #1 – Deferred Rent

ASC 842 requires the recognition of total [rent expense on a straight-line basis](#) over the lease term for leases classified as operating.

Although the deferred rent account used under ASC 840 is eliminated under ASC 842, the difference between the straight-line rent expense and the cash paid is still reflected on a company's books. Under ASC 842, the net activity in the lease liability and ROU asset accounts each month is essentially deferred rent.



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Pitfall #1 – Deferred Rent

<i>Topic 842 Operating Lease Amortization Schedule</i>							
YEAR	CASH	LIAB LEASE EXPENSE	LIABILITY REDUCTION	TOTAL LIABILITY	ASSET LEASE EXPENSE	NET ASSET BALANCE	TOTAL LEASE EXPENSE
<i>Beginning Balance</i>				970,874		980,874	
1	100,000	29,126	70,874	900,000	86,513	894,361	115,639
2	103,000	27,000	76,000	824,000	88,639	805,722	115,639
3	106,090	24,720	81,370	742,630	90,919	714,804	115,639
4	109,273	22,279	86,994	655,636	93,360	621,444	115,639
5	112,551	19,669	92,882	562,754	95,970	525,474	115,639
6	115,927	16,883	99,045	463,710	98,756	426,718	115,639
7	119,405	13,911	105,494	358,216	101,728	324,990	115,639
8	122,987	10,746	112,241	245,975	104,892	220,098	115,639
9	126,677	7,379	119,298	126,677	108,260	111,838	115,639
10	130,477	3,800	126,677	0	111,838	0	115,639

ACCOUNT	DEBIT	CREDIT
Cash		100,000
ROU Asset		86,513
Lease Liability	70,874	
Lease Expense	115,639	

To record Year 1 lease expense



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Pitfall #2 – Prepaid Rent

Is prepaid rent an asset?

Prepaid rent has different accounting implications under each **lease accounting standard**. Under **ASC 840**, prepaid rent is recorded as an asset. However, under **ASC 842, the new lease accounting standard**, prepaid rent is now included in the measurement of the **ROU asset**. Any prepaid rent outstanding as of the transition is included in the measurement of the ROU asset. Subsequent lease accounting under ASC 842 also requires any prepaid amounts to be recorded to the ROU asset.

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Step #4 – Financial Statement Disclosures

Step #4 – Financial Statement Disclosures

1. Lease costs
2. Weighted averages
3. Maturity analysis



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Pitfall #3 – Financial Disclosures

Other balance sheet information related to operating leases are as follows:

	<u>December 31, 2022</u>
Operating leases:	
Weighted-average remaining lease term	10.4 years
Weighted average discount rate	1.90%

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Pitfall #3 – Financial Disclosures

Weighted Average Remaining Lease Term

A lessee will need to follow these three steps to calculate this disclosure:

1. Collect the lease liability balance and the remaining lease term for each lease at year-end.
2. Multiply each lease liability balance by the corresponding remaining lease term.
3. This amount is then divided by the sum of the lease liability at year-end to arrive at the weighted-average remaining lease term for both operating and finance leases, respectively.



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Pitfall #3 – Financial Disclosures

Weighted Average Discount Rate

A lessee will need to follow these two steps to calculate this disclosure:

1. On a lease-by-lease basis, multiply the remaining payments by the discount rate.
2. This amount is divided by the sum of remaining payments for the operating or finance leases, resulting in the weighted-average discount rate for each type of lease.



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Contact the Presenter



Mark T. Coykendall, CPA
Manager, Audit & Accounting
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Mark has a wide range of experience providing audit and accounting services to a variety of businesses, including construction, real estate, manufacturing, and not-for-profit organizations. Mark also performs audit services on all types of retirement plans including defined contribution, defined benefit plans, and health and welfare plans. Mark has experience providing forensics accounting support for accounting, damages/lost profits, financial, and internal control issues in commercial litigation matters.



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Post-Pandemic Not-for-Profit Industry Trends

**Christopher Pekula, CPA,
Director, Tax Strategies**

**Elizabeth Pilacik, CPA,
Director, Audit & Accounting
and Not-for-Profit Industry
Group Leader**

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Agenda

- ❖ Employee Retention Tax Credit
- ❖ Current State of the IRS
- ❖ Political vs. Lobbying Activities
- ❖ Unrelated Business Income Tax (UBIT)

- ❖ Fundraising Strategies
- ❖ Donor Recruitment & Retention
- ❖ Strategic Boards & Plans



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Employee Retention Tax Credit

2020 Guidelines

Eligibility:

- 1.) “Full or Partial” shut-down due to government order, or
- 2.) Gross Receipts decline of 50% or more (compared to same qtr. of 2019)

Available Credit:

50% of wages paid between 3/13/2020 thru 12/31/2020 (Max. \$10,000)

2021 Guidelines

* 1st, 2nd and 3rd Quarter

Eligibility:

- 1.) “Full or Partial” shut-down due to government order, or
- 2.) Gross Receipts decline of 20% or more (compared to same qtr. of 2019)

Available Credit:

70% of wages paid each quarter (Max. \$10,000)

*Large Employers (2020 = 100+ employees / 2021 = 500+ employees) only receive credit for employees paid and not providing services

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Employee Retention Tax Credit

2020 Guidelines

Deadline for Filing:

All Quarters is April 15, 2024

2021 Guidelines

* 1st, 2nd and 3rd Quarter

Deadline for Filing:

All Quarters is April 15, 2025

- The IRS has issued many warnings related to false filings and claims
- There are many organizations using various tactics to get organizations to make claims – BE CAREFUL!!!

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Employee Retention Tax Credit

Department of Employee Retention Credit
Tax Notice
RE: PARKE BANK loan*

MAY 16 2023

*Linqqs is not affiliated with your lender.



Notice ERTC Employee Retention Credit
Notice Date May 11, 2023
F&S PRODUCE CO., INC.
To contact us (866) 950-6402
Referral Code E31088-59181
Page 1 of 1

Contact us (866) 950-6402
(Mon-Fri 8am-5pm EST)
Please visit us at
www.linqqserc.com

Your notice of pending Employee Retention Tax Credit
Amount of estimated Tax Credit: \$9,000,000

We are attempting to provide you with an ERC refund estimate that has been issued by Congress to compensate your business affected by the COVID-19 pandemic. Please call us immediately to verify your ERC fund estimate.

- Eligibility for all business that were affected by COVID-19
- Estimated Tax Credit of up to \$26,000 per employee
- No restrictions on use of tax refund
- Past PPP loan does not affect ERC tax refund

ERC Estimate Summary

Estimated tax refund	PENDING
Estimated employee count	500
Total estimated tax refund due	\$9,000,000

Tax Refund

Notice ERTC Employee Retention Credit
Notice Date May 11, 2023
Referral Code E31088-59181

Tax refunds may be paid in a series of payments made out to INC..

Amount of estimated tax credit

\$9,000,000

Department of Employee Retention Credit

Contact us (866) 950-6402
(Mon-Fri 8am-5pm EST)
Please visit us www.linqqserc.com

156 515454 004445 45454 4578

31089-23

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Current State of the IRS

- THEY ARE A MESS!!!
 - Form 1023 responses:
 - As quick as 4-6 weeks
 - As long as 6-8 months
 - Notice Responses:
 - Almost certain to be “told” they need an additional 60 days to review your request – a couple times...
 - Inflation Reduction Act:
 - Provided \$80 Billion – Currently at risk...
 - Return Processing Timing:
 - “Several Millions” unprocessed returns – potentially destroyed
 - Acknowledged 6-9 months or more in delays



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Political vs. Lobbying Activities (501c3 Org.)

- Lobbying Activities:

- Definition:

*All activities intended to influence foreign, national, state, or local **legislation**. Such activities include direct lobbying (attempting to influence the legislators) and grassroots lobbying (attempting to influence legislation by influencing the general public).*

- How much can an organization do?

- Subjective Test: “No Substantial Part”

- Objective Test: 501h Election

- Specific lobbying limits on total lobbying activities and grassroots lobbying activities

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Political vs. Lobbying Activities (501c3 Org.)

- Political Activities:

- Definition:

All activities that support or oppose candidates for elective federal, state, or local public office. It doesn't matter whether the candidate is elected. A candidate is one who offers himself or herself or is proposed by others for public office. Political campaign activity doesn't include any activity to encourage participation in the electoral process, such as voter registration or voter education, provided that the activity doesn't directly or indirectly support or oppose any candidate.

- How much can an organization do?

- **NONE**

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Unrelated Business Income Tax (UBIT)



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Unrelated Business Income Tax (UBIT)

- Simply a tax on Unrelated Business Income:
 - Percentages we like to suggest as guardrails
 - 10% (on the radar), 20% (closely monitor) & 25% (let's plan alternative structure)
 - Three-part Test:
 - Income from a trade or business
 - Regularly carried in, "AND"
 - Unrelated to exempt purpose
 - Tax Rate: Currently 21% and matches the Corporate Tax Rate
 - Examples: Advertising, Debt-Financed Income (including rents)
 - Silo'ing provisions to be aware of...



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Various Other Topics to be Aware of...

- State and Local Reporting
 - Website Donations
- Investments and Form K-1
 - Make sure there is a disclosure for Line 20V of the K-1
 - Ask for confirmation if there is or is not UBI within the organization's activities



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Fundraising Trends

- Leveraging Social Media
- Dedicated Events - Hybrid / In Person / Virtual
- Enhanced Giving Experiences
 - [Power Up! Gratz Giving Day and Learn-a-Thon](#)
- SMS Communications (Text for Giving)
- Short-term vs. Sustainable Giving
- Accountability / Performance Evaluation / Data



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Donor Recruitment & Retention

Nonprofits benefit the most through creating connections with supporters to encourage increased and more frequent donations



[NPO Info - Charitable Giving Statistics for 2022](#)

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Strategic Boards and Plans



- Strategic Boards
 - Board expansion
 - More sophisticated
 - Diverse backgrounds
- Strategic Plans
 - Revise / Refresh – Post-Pandemic
 - Shift in Strategic Priorities
 - ROI

Contact the Presenter



Christopher M. Pekula, CPA
Director, Tax Strategies and Not-for-Profit Tax Specialist
cpekula@kmco.com

Christopher is a director in Kreischer Miller's Tax Strategies group and leads the firm's tax-exempt organization tax practice. Over the past 20 years, he has developed expertise in planning, organizing, administering, and supervising complex tax planning and compliance for various tax-exempt organizations. Chris oversees the tax preparation and technical accuracy of the tax positions taken by his tax-exempt organization clients. His client experience includes foundations, hospitals, museums, social, community development, social service organizations, cultural organizations, membership organizations, and various other charitable organizations.

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Contact the Presenter



Elizabeth F. Pilacik, CPA
Director, Audit & Accounting and Not-for-Profit Industry Group Leader
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Elizabeth has more than 25 years of experience in all phases of client service. Her experience in auditing and business advisory consulting includes serving a wide variety of not-for-profit and tax-exempt organizations, including social service organizations, health and welfare agencies, cultural organizations, membership associations, continuing care retirement communities, educational institutions, public foundations, and private foundations. Elizabeth is experienced in performing audits in accordance with certain federal, state, and local requirements, as well as engagements requiring certain compliance and programmatic reporting. She works with clients on accounting for endowments, contributions, and government funding; evaluating internal control procedures; and implementing various recommendations for improved policies and increased efficiencies.



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Current Trends in the Talent Ecosystem



**Adam Berman,
Director-in-Charge,
Human Capital
Resources**

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Agenda

- A snapshot of the current state of affairs
- What we are seeing
- Buzzwords, Data, Trends



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The Macro Talent Ecosystem – Data Points

- The Federal Reserve's efforts to bring down inflation by raising interest rates is starting to impact the job market
 - Layoffs inching upwards to a little over 1%
- In spite of that, it is still a tight job market
 - 9.6 million open jobs (March 2023)
 - Multiple jobs for every active job seeker - varies by sector/geography (NJ 1.7, PA 1.6, DE 1.15*)
 - Employers added a healthy 253,000 jobs in April
 - The unemployment rate dipped to 3.4%, matching a 54-year low (DoL)
- Quitting dropped down to 2.5% (the lowest since the start of the pandemic)
- 43K people left the labor force, the 1st drop since 11/2022 (not counted)



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The Macro Talent Ecosystem (Cont.)

- Filling the gap
 - New graduates will be a critical component
 - Retaining and recruiting Gen Z workers should be a top priority because the generation is smaller than prior generations
- AI Disruption – impact is still to be determined. Make no mistake, there will be impact
- Looked at broadly, the nation's job market looks like it is easing into a more moderate phase, similar to the pace of hiring that preceded the pandemic recession of 2020



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The Macro Talent Ecosystem (Cont.)

- In speaking with employees over the past few months, they aren't quite as willing to change jobs as they were a few months ago
- They're hitting the pause button a little more frequently to see what's happening in the market and what's going on with the economy
- Smaller and mid-sized organizations are still struggling to hire
- Those same organizations are optimistic about growth, albeit more hesitant



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AI Disruption “TBD”

- Over the next five years, almost 25% of all jobs will change as a result of AI, digitization and other economic developments (World Economic Forum)
- 75% of surveyed companies said they expect to adopt AI technologies over the next five years
 - They predict the elimination of up to 26 million jobs in record-keeping and administrative positions
 - There is a CURRENT opportunity to retrain/upskill existing employees in those roles to add value elsewhere in your organization



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Retention: Things to Think About

- Having a good relationship with a co-worker is crucial for satisfaction in the workplace
 - Only 20 percent of U.S. adults say they have a friend at work (*Time Magazine*)
 - Friendly, day-to-day interactions can contribute to an overall sense of belonging and help employees cope with on-the-job stress
- Having work friends correlates with higher job performance
 - It can contribute to a healthier lifestyle, longer lifespan and lower health claims
- ***Are you creating opportunities for friendships at work?***



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Retention & Engagement

- Upskill your managers to hold one meaningful conversation per week with each employee (15 to 30 minutes long) about goals, those you serve, as well as their wellbeing and appropriate recognition. Results include:
 - Higher employee engagement
 - Increased employee retention
 - Increased productivity
- Communicate/Reinforce “The Big 3”
 - Why the organization’s mission matters
 - How the work the employee is doing impacts that mission
 - Why the employee, as a human being, matters
- ***Your managers are also struggling with burnout***



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DEI Efforts and Recruitment/Retention

- The stress of economic uncertainty and labor challenges have led many businesses to turn their attention away from DEI
- DDI's Center for Analytics and Behavioral Research recommends that organizations act now to rekindle and reinvest in their DEI programs
 - Failure to focus and continue to invest will lead to the loss of talent
 - Important to more recent generations and will negatively impact recruitment
 - That will have a significant impact on future business initiatives and growth



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Remote/Hybrid Work

- To compete for talent effectively, recognize the growing prevalence of remote work and virtual collaboration in the nonprofit sector
- Benefits of hybrid and remote work include:
 - Increased flexibility
 - Access to a larger talent pool
 - Reduced costs
- About 58% of employees said they would look for a new job if their employer required them to be in the office five days a week



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Remote/Hybrid Work (Cont.)

- Trends

- Commit to hybrid work for **remote-ready** employees
- Establishment of standard on-site office days (i.e. Tuesday, Wednesday and Thursday)
 - Research recommends 2-3 on-site days maximizes employee engagement
 - Do not make it a requirement or policy. Announce it as your new way of working. It is a promise employee/teams need to make to each other, not a promise to management
 - Employees knowing which days they are together in person enables higher collaboration and innovation
 - Local managers should spearhead this by considering each employee's work, workstyle, individual situation, collaboration with colleagues and, importantly, the value they bring to customer/clients/those they serve

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What College Grads are Looking For

- ZipRecruiter's survey found 85% of graduates say they have already been recruited
- About 44% of graduates want a hybrid work arrangement, while 33% want to be fully remote.
- Only 23% of new graduates said they want to be in the office every day.
- Expecting \$70,550 (with women expecting a little over \$69,000 and men a little under \$72,000)
- Inflation weighing heavy
 - Looking at side hustles & economically favorable cities



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Compensation

- In March, starting pay among newly hired workers at small and mid-sized organizations was 7.5% lower than pay for those hired last year (Gusto Inc.)
- About 68% of American workers got a pay increase over the last 12 months, with an average increase of about 6.5% (ADP)
- Workers are expecting an average 6.7% raise in 2023 (ADP)
- Employers were only budgeting 4.1% for increases in 2023 (Bureau of Labor Statistics)



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Skills Based Hiring

- What?
 - Skills-based hiring screens for specific competencies. It goes beyond majors/industries/titles/colleges/etc. and focuses on the candidate's ability/competency vs. "pedigree"
- Why?
 - Early in the 2000s, employers began adding degree requirements to job descriptions of jobs that hadn't previously required degrees, even though the jobs themselves hadn't changed. "Degree inflation" became particularly en vogue post 2008/9
- Tight employment markets demanded a reset. By 2017, employers reduced degree requirements for 46% of middle-skill positions and 31% of high-skill positions (HBR)



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Skills Based Hiring (Cont.)

- Rapidness of technological, business, and regulatory change will render “pedigree” requirements obsolete
- Skills like adaptability, change readiness, technical capacity are more important now than ever before
- Competencies are the drivers of outcomes
- Education is at a crossroad
- Workforce Development will become a critical piece of your People (HR) function



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Contact the Presenter



Adam Berman
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Adam is a Director of Kreischer Miller's Human Capital Resources (HCR) group. The group has been consistently recognized as a leading retained search firm in the Delaware Valley with a focus on privately held businesses and has been on the Philadelphia Business Journal's list of Retained Executive Search Firms for over 15 years.

The HCR group successfully completes approximately 40 retained searches per year in a variety of industries for roles including CEO, CFO, COO, CIO/CTO, CHRO, CMO, Controller, Vice President and Board Member. Adam helps clients identify, attract, qualify, hire and retain industry leading executives. He adds value through strategic talent planning including succession planning, compensation, integration and employee engagement.



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How Not-for-Profit Organizations Can Retain Their Best and Brightest Employees

Bobbi Kelly,
Director-in-Charge,
Talent Advisory



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Nice to Meet You!

Bobbi Kelly, PHR, SHRM-CP

Director-in-Charge, Talent Advisory

- Over 18 years of experience leading Human Resources & Talent Strategy
- 15 years in public accounting
- Introduced and implemented Talent Optimization at Kreischer Miller
- Certified Talent Optimization Consultant and Predictive Index Partner
- Helped lead Kreischer Miller to becoming an employer of choice
- Mom of two girls & adult hip-hop dancer

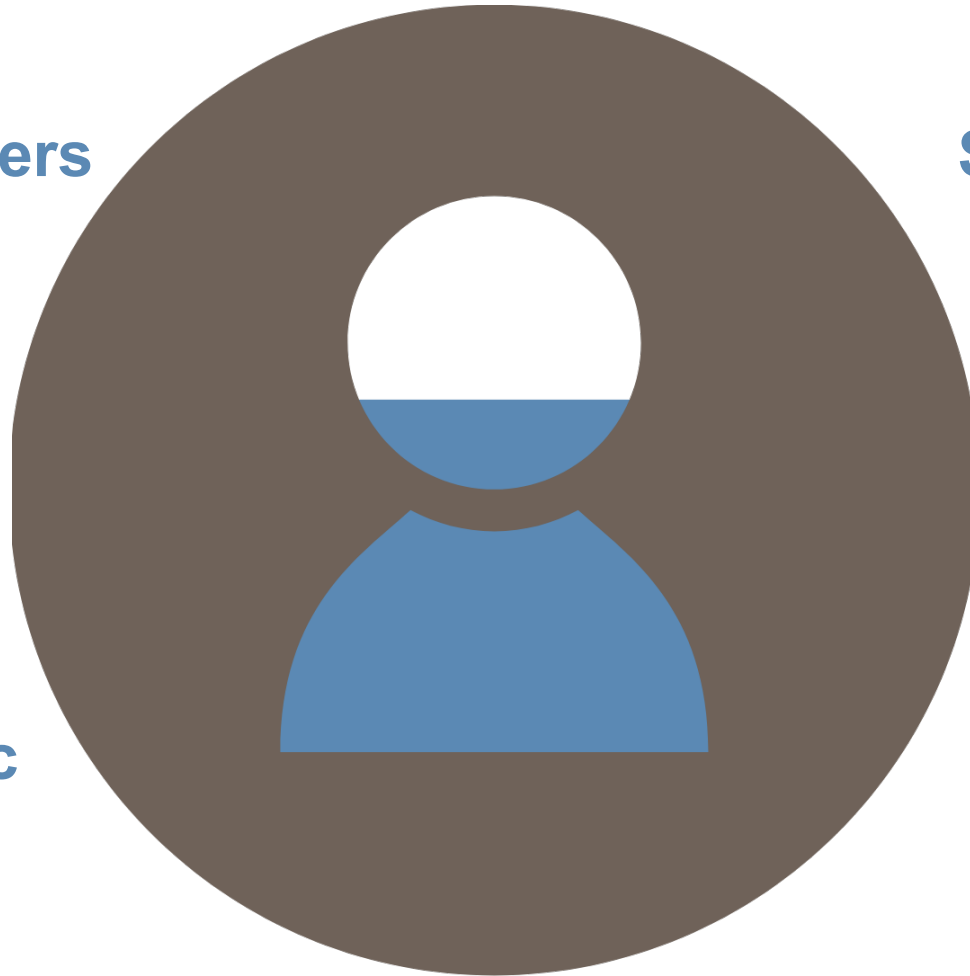
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Current Reality

Baby Boomers

Supply Chain



Pandemic

Birth Rate

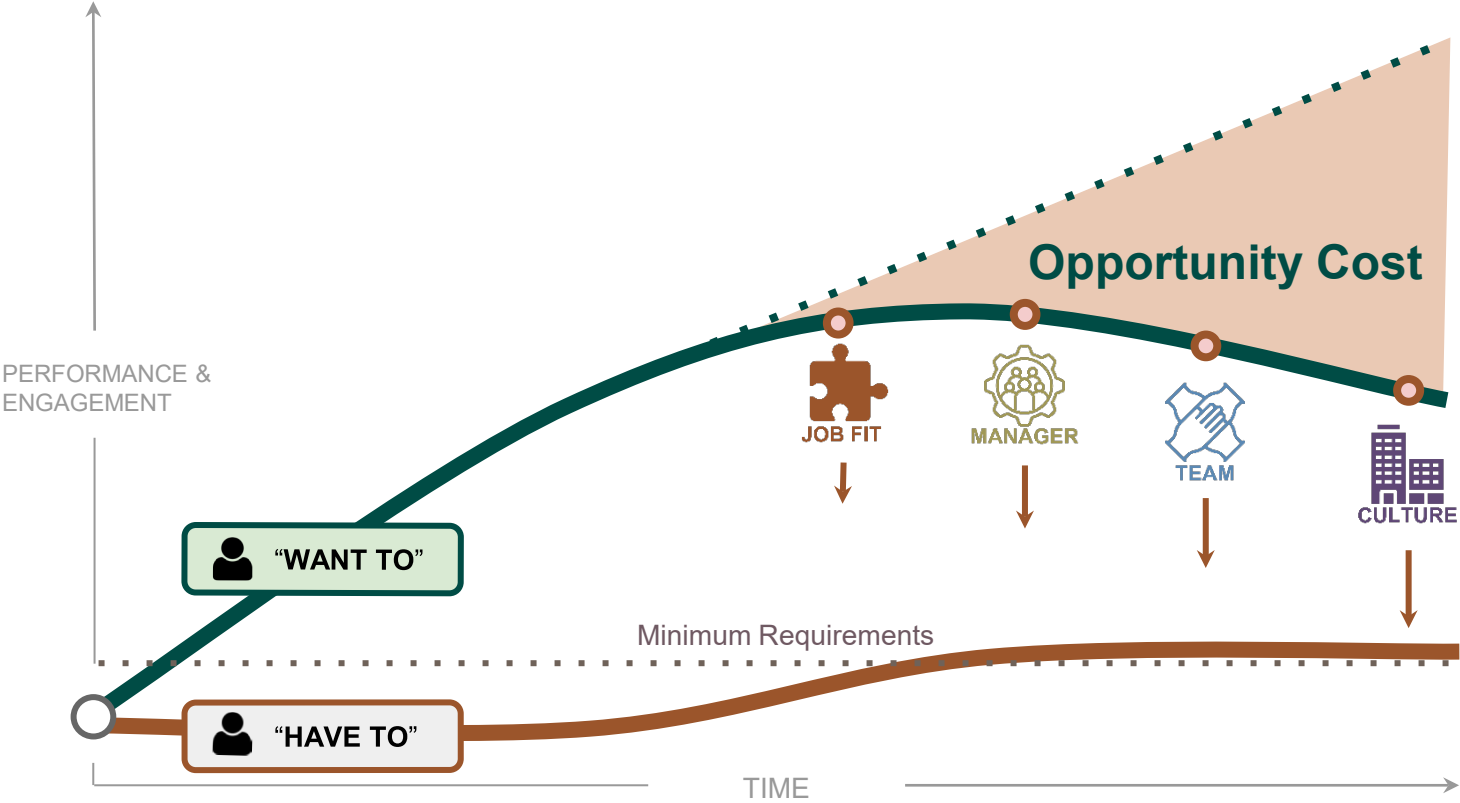
Cost to Organizations

- The average cost of a **poor hiring decision** can **equal 30%** of that hire's first year's earnings
- **Turnover costs employers 50-250%** of an employee's salary (salary + bonus + benefits)
- **Disengaged employees** can cost companies **up to 34%** of their salary
- **75% of executives** say that the Great Resignation has impacted their **financial stability**

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Blockers to Great Results



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New Era in Management Models

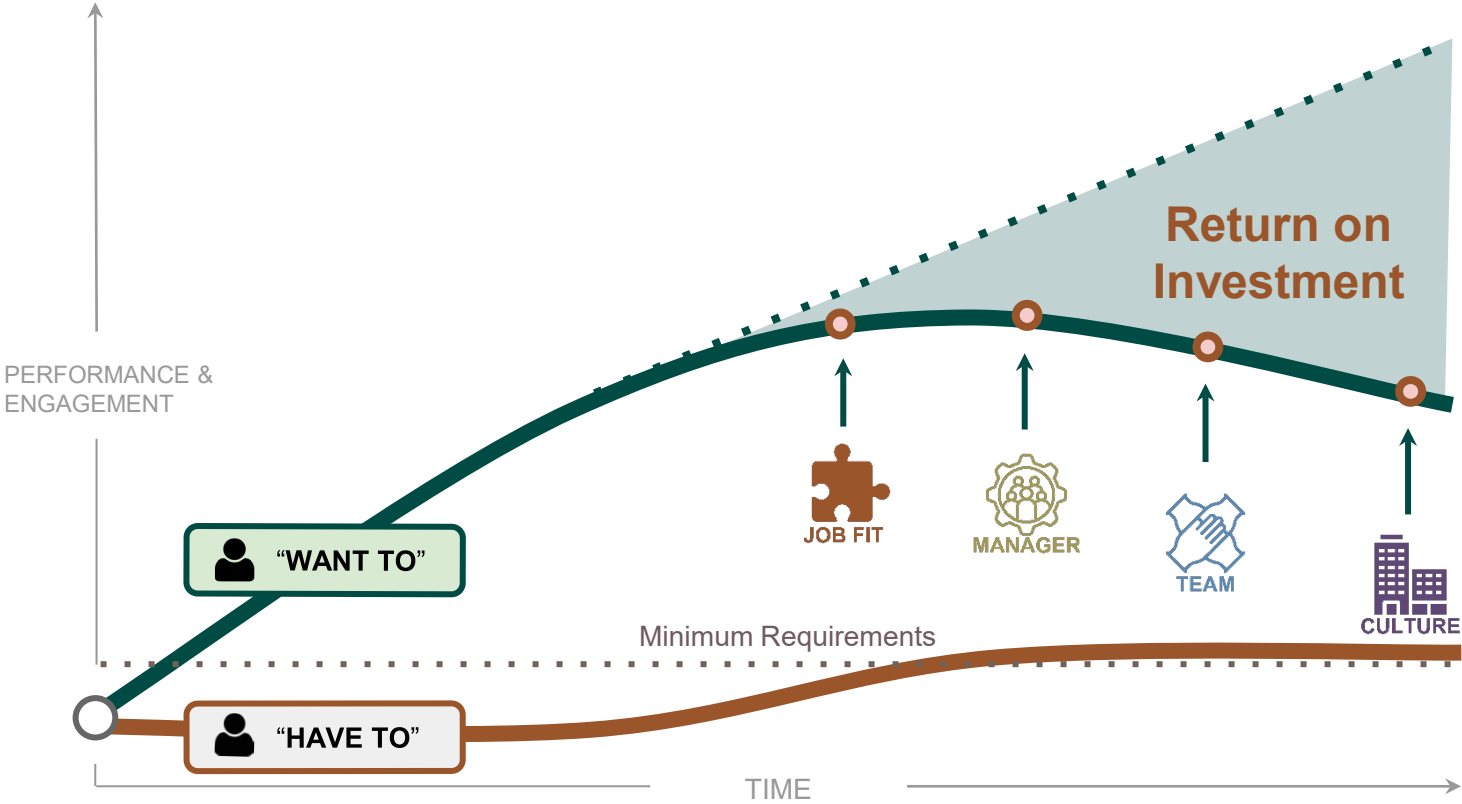
< 1950s	1960s-80s	1990s	Today	Future
The Industrial Corporation	Hierarchical Leadership	Collaborative Management	Company as a Network	Empathy, Trust, Resilience, Growth
<i>Operational Efficiency</i>	<i>Profit, Growth, Financial Engineering</i>	<i>Customer Service, Employees as Leaders</i>	<i>Mission, Purpose, Sustainability</i>	<i>Citizenship, Trust, Growth, Learning</i>
<i>Industrial Age: People as workers</i>	<i>Management by objective</i>	<i>Servant Leadership work together</i>	<i>Empower the team</i>	<i>Productivity, Wellness, Responsibility</i>
<i>Andrew Carnegie Henry Ford</i>	<i>Jack Welch Peter Drucker</i>	<i>Howard Schultz Steve Jobs</i>	<i>Netflix, Google, Facebook, Amazon</i>	<i>Unilever, Verizon, Patagonia, Whole Foods</i>
<i>The Corporation is King</i>	<i>The Executive is King</i>	<i>The People are Kings</i>	<i>The Team is King</i>	<i>The Individual, Community, Family are Kings</i>

The Josh Bersin Company, 2022

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Drivers of Great Results



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Solutions



JOB

Hire talent that fits
the job to drive
business results



MANAGER

Help managers
inspire people to
maximize
productivity



TEAM

Design teams to
execute business
strategy flawlessly



ORG

Use data insights to
impact engagement
and morale

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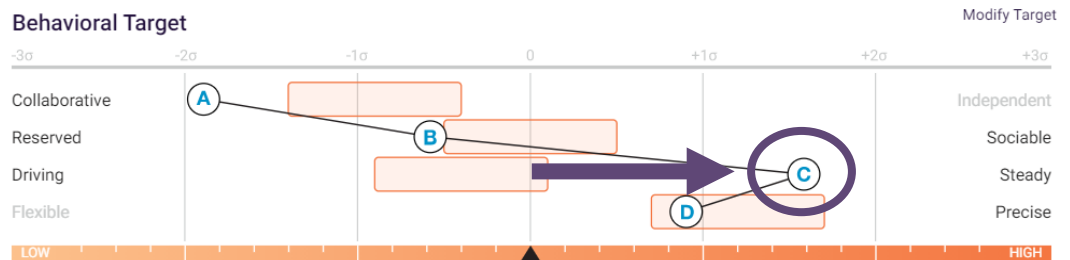
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Case Study – The Job

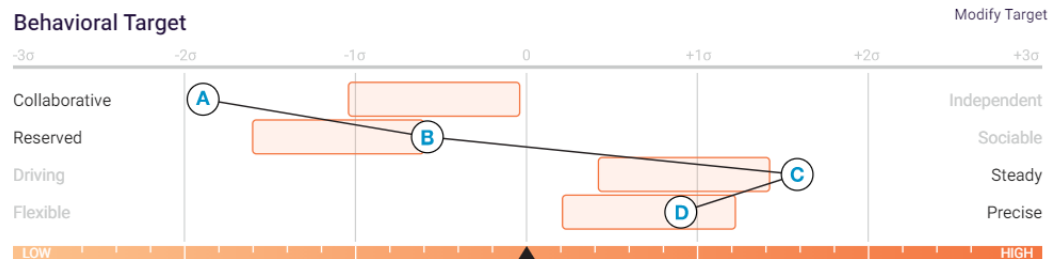
Fit

- Get a custom set of interview questions for candidates based on their behavioral match to the job
- Once a candidate is assigned to a job target, this will generate questions to assess misalignment

Tax Processor



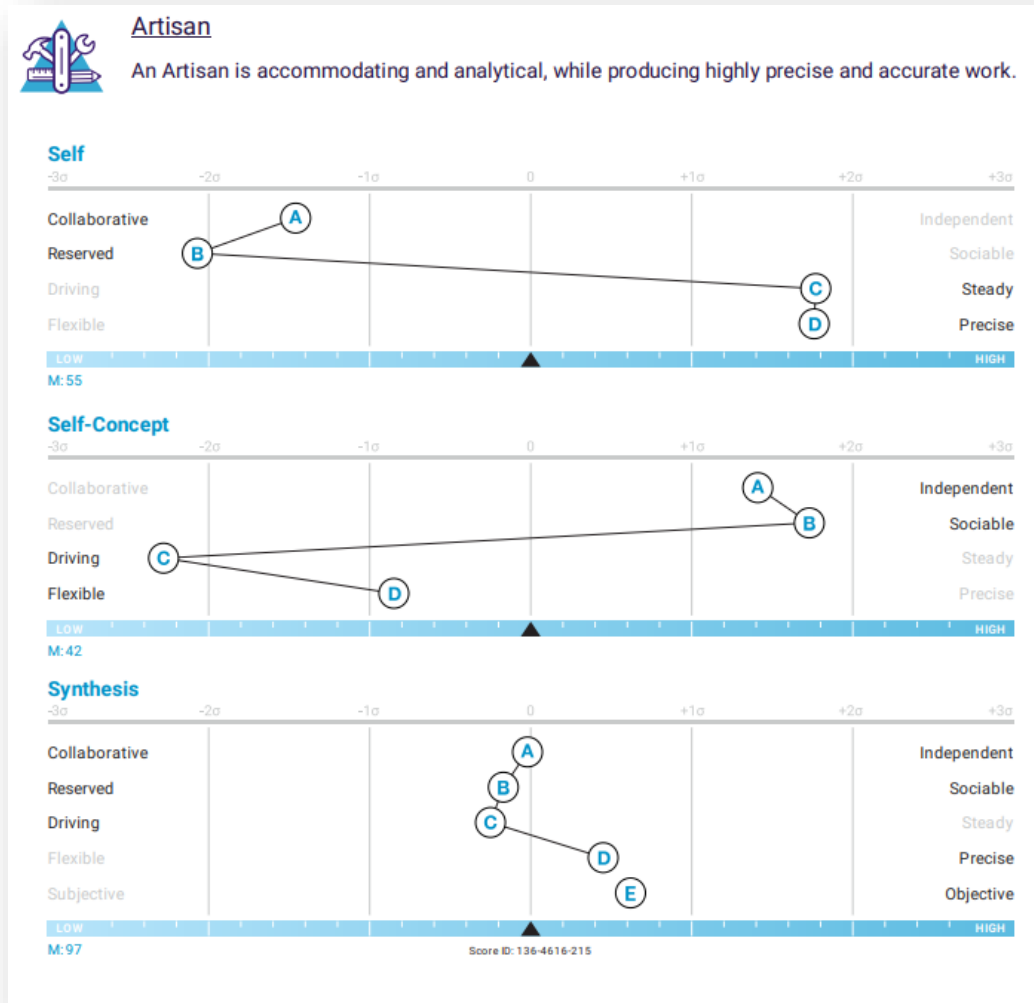
Administrative Assistant



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Case Study – Manage



Clarity

Basic Needs & Behaviors

- More reserved, analytical
- Patient, steady
- Unhurried and deliberate
- Cooperative, easy-going, collaborative
- Structure & rules-driven

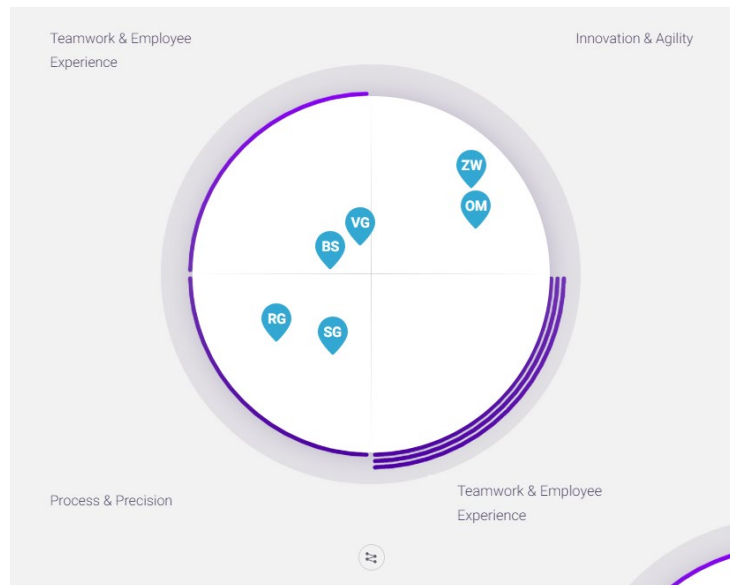
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Case Study – The Team

Leverage

- Quickly identify gaps between team makeup and business objectives
- Determine the best course of action for the team
- Ensure quick wins to help empower teams
- Assign tasks based on natural ability & skills vs just skills. Helps engage and retain top talent

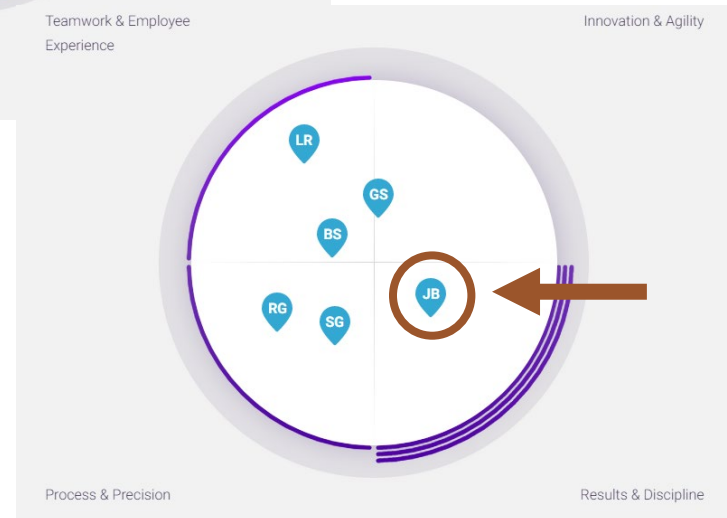


2021

- Missed deadlines
- Poor realization
- Frustrated client

2022

- Kept commitments
- Improved realization by 23%
- Reengaged client



Takeaways



1. Define the roles your organization needs
2. Evaluate the skills critical to the success of a role
3. Focus on your individual team members
4. Leverage the talent you already have

Contact the Presenter

Learn how you can create high-performing teams, unlock productivity, and boost employee retention with a talent optimization program.



Bobbi D. Kelly
Director-in-Charge, Talent Advisory

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Bobbi leads Kreischer Miller's Talent Advisory practice. Utilizing a proprietary framework, she equips business leaders with the tools and data they need to create an intentionally-designed people plan that increases productivity, builds a winning culture, and creates the flexibility a company needs to adapt to change over time.

Bobbi implemented this talent optimization framework for Kreischer Miller, saving the firm more than \$1 million in employee turnover and engagement costs over the past four years. Kreischer Miller has also been named a Top Workplace by The Philadelphia Inquirer for multiple years, ranking number one in the mid-size employer category for 2019 and 2021.



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About Kreischer Miller

Kreischer Miller is an accounting, tax, and business advisory firm that has been serving clients since 1975. We've built our firm to respond to the unique needs of growth-oriented private companies, helping you smoothly transition through growth phases, business cycles, and ownership changes. The companies we work with need to be able to quickly adapt and respond to changing market opportunities and challenges. That's why our focus is on being responsive, decisive, and forward-thinking. We're up to the challenge—always looking at the road ahead, not in the rear-view mirror.

Learn more at www.kmco.com.

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