

Accountants Affinity Report

NONPROFITS

Affinity score*

1.27

NONPROFITS STRUGGLE WITH MANY OF THE SAME CHALLENGES AS FOR-PROFITS

The objectives may differ, but the need for accounting services is the same

While nonprofit organizations have different missions from for-profit companies, take a look under the hood and you'll discover that nonprofits have plenty in common with profit making businesses. Nonprofits need to keep up with technology in today's environment as much as their for-profit counterparts. They are also finding it increasingly important to adopt social media and to embrace big data to move their organizations forward.¹

Nonprofit and for-profit organizations face many of the same business challenges as well, according to the Small Business Accounting Insights Survey of more than 1,000 small business owners and leaders conducted by Source Media Research/Accounting Today. Indeed, the challenges are sometimes even more pressing for nonprofits. 40% of nonprofit survey respondents report cash flow problems, while 33% cite the need for capital as challenges that they have faced in the past year. In contrast, 32% of for-profit businesses in all sectors mention cash flow and 21% the need for capital as challenges they have wrestled with in the past year.

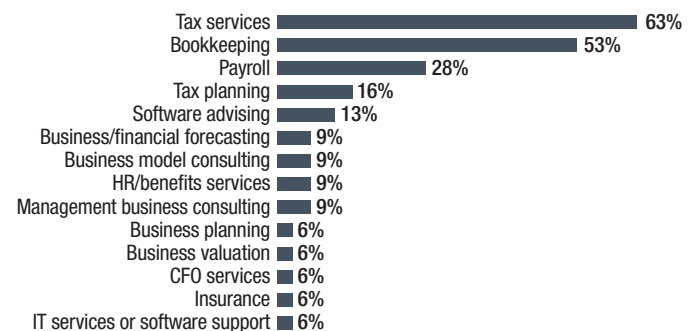
Finding a way forward

To deal with such challenges, 42% of nonprofit leaders report that their organizations have consulted an accountant or other financial expert. As such, nonprofits register an accounting affinity score of 1.27, compared to an overall average of 1.00 across industries. This means that nonprofits are already using accounting services at a greater rate than other businesses, with 63% of nonprofits using certified public accountants (CPAs) or accounting firms for tax services and 53% using them for bookkeeping as the top two services (see Figure 1).

Although nonprofits have a high affinity score for accounting services, the possibilities for CPAs and accounting firms to make inroads into the nonprofit sector are less promising than

FIGURE 1

Services that Accountants Are Providing to Nonprofits



Source: SourceMedia Research/Accounting Today, October 2018

in other industries. Nonprofits earned an opportunity score, which measures the likelihood of organizations to engage with accountants for new services, of just 0.74, compared to the average score of 1.00 across all industries. The composite score, which takes both affinity and opportunity into account, was 1.01, making nonprofits about even with other industries in terms of the overall potential they offer to accountants looking to grow their businesses.

To make the breakthrough with nonprofits, CPAs and accounting firms need to understand exactly what they want. According to the survey, nonprofits are most likely to use the following accounting services in 2019: bookkeeping (75%), tax planning (75%), tax services (75%), payroll (50%), business planning (25%), HR/benefits services (25%), insurance (25%) and business planning (25%). And, nonprofit leaders ranked the following attributes of a CPA or accounting firm as very important:

*A measure of how likely businesses within an industry are to use accounting services — average score is 1.00.

“understands my business or industry” (78%), “is affordable” (75%), and “is a trusted advisor to me” (67%).

Survey respondents commented that they are looking for their accounting partners specifically to:

- “Offer direction, advice and guidance.”
- “Be able to understand the challenges we face as an industry, as well as be available when we need them.”
- “Help plan for future lean times during the good times.”
- “Maintain the numbers and help us with tax compliance.”
- “Make charts so it is easier to document everything.”
- “Provide detailed tax expectations of the church, since churches have special tax exemptions and noting these differences is important.”

Despite the fact that nonprofit organizations ultimately define success differently than for-profit businesses, accountants should recognize that they face many of the same or similar business challenges. This will enable accountants to grow their businesses by offering the services that resonate most with these organizations.

Methodology

In September/October of 2018, SourceMedia Research/Accounting Today conducted an online survey of 1,014 small business owners/managers across different industries. For this study, small businesses were defined as those with less than 50 employees.

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References

¹ Fluke, A. Predicting the top 3 nonprofit trends for 2018. Frontstream. <https://www.frontstream.com/nonprofit-trends-2018/>