POSSIBLE (RE)DEFINED

State of the Industry – Mid- Year Update

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Certified B Corporation


A Fast- Moving Climate Requires
A New Way of Thinking

AREA OF FOCUS

Today, We're Covering

Navigating Disruption

WELCOME

Today’s Presenters

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EXPLORING NEW AREAS

Agenda

- Introduction
- Economic Update – Bank Failures and Implications
- Strategy – Development Trends and Considerations
- Opportunities – Green Energy Tax Credits
- Q & A

ECONOMIC UPDATE

Bank Failures and Implications

Bank Failures –limited damage, lots of insight

- What did we learn?
  - A traditional “bank run” can now, in the internet age, happen overnight
  - $250K of insured money can feel insufficient
- What should we learn?
  - Financial risk is often a self-inflicted wound
  - Liquidity of bank partners can impact grant payments
  - Regional, community banks are an asset (more than a risk) during uncertain times
- What should you do differently?
  - A few key things - take advantage of this “shot across the bow”
    - Back to fundamentals – cashflow forecasting, investment policy, grant diversification
    - Look for the opportunity

Cash Management Best Practices

CFOs are expected to make sure money is there when the business needs it

- Cashflow forecast – uses and sources – 13-weeks, update at least monthly
  - Add one-off needs and sources – assign probabilities
  - Contingencies are important – how volatile is your cashflow?

Cash/Investment Management is a balance of risk and operating complexity

- One bank account with $2.5M or 10 with $250,000 are probably not the answers
- Sweep accounts are very helpful, but be careful……….the $250K FDIC limit is per bank

Cash/Investment Policies – detailed guidance for Boards, CFOs, and vendors

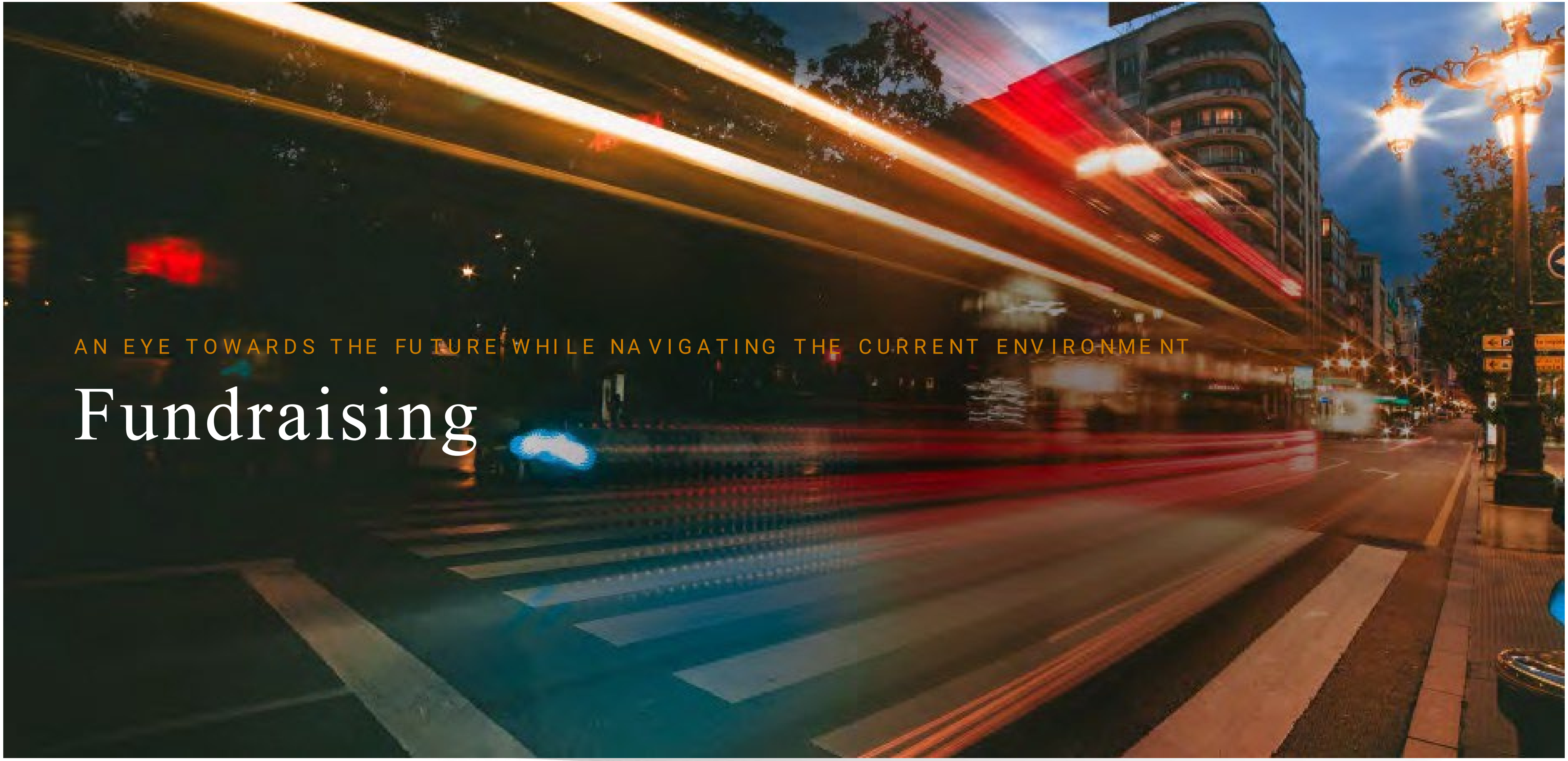
- Quality policies address – what assets, in what amount/proportion, and of what quality/duration
- Hire money management professionals, and another evaluate policy adherence and performance

Financial tools and processes = more security and income

Yield and Risk
- Bond duration and quality
- Interest rate risk management

Liquidity
- CF forecasting/volatility
- Availability & Counter-party risk
- Some yield

Investment Policy
- Company Risk Profile
- Business Model Characteristics

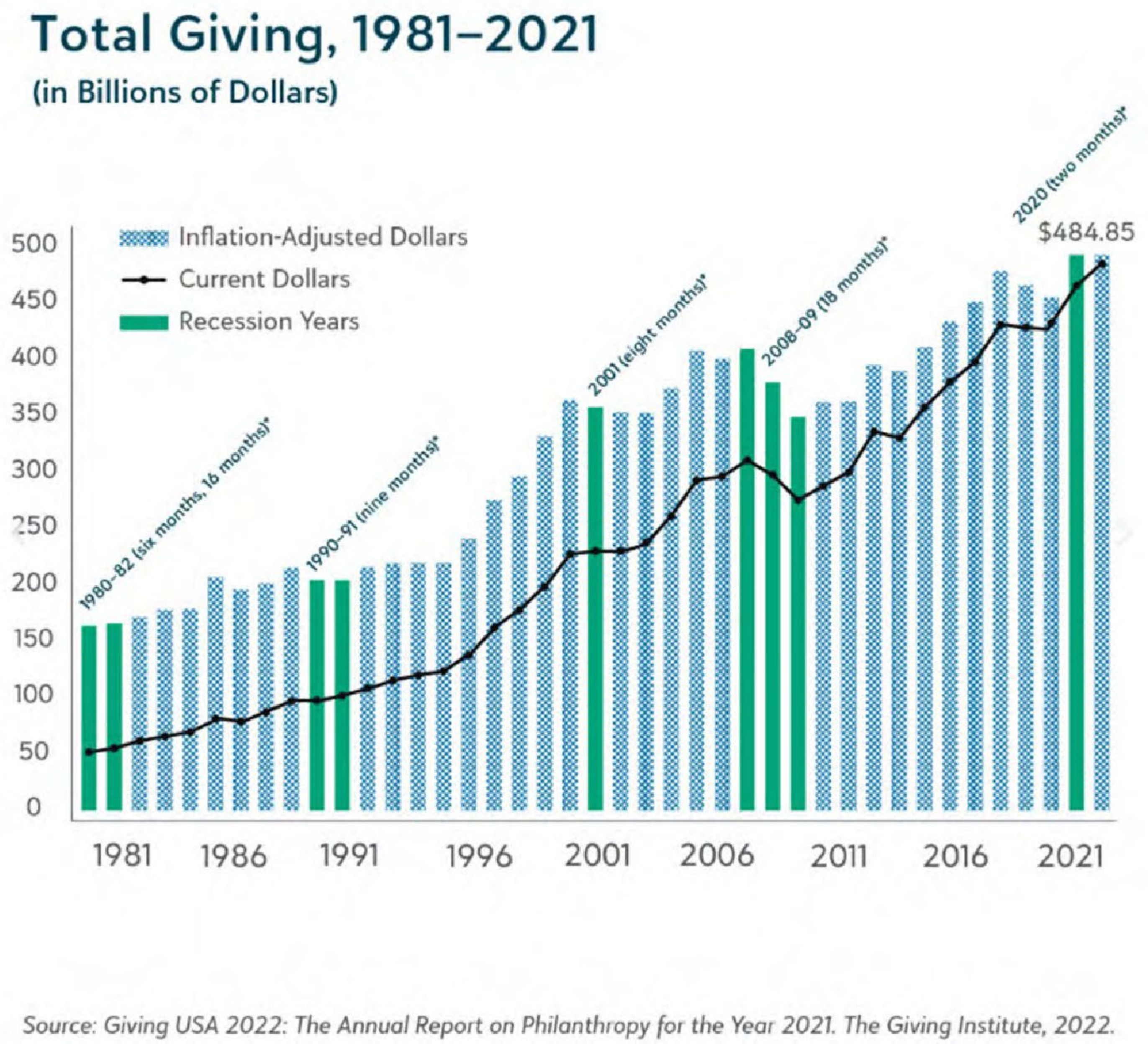

AN EYE TOWARDS THE FUTURE WHILE NAVIGATING THE CURRENT ENVIRONMENT
Fundraising

armanino

FUNDRAISING

Recessions and Giving

- Correlation exists between economic downturns and giving trends, but philanthropy is resilient
- Total giving has increased or stayed flat annually except for 1987, 2008, and 2009



ENTERING A NEW PHILANTHROPIC ERA

Giving Trends During COVID and Beyond

	2020	2021	2022
DONATIONS	Increased 11%, increasing at all levels	Increased 3%, large donors retained from 2020 helped keep growth	Decreased 2%, as donations from large donors significantly weakened
DONORS	Increased 7%, spurred by growth in new and reactivated donors	Decreased 6%, donors from 2020 not being retained	Decreased 10%, as many donors are not returning from 2020/2021
RETENTION	Decreased 4%, a continuing trend from 2019	Decreased 4%, totaling 8% since 2019	Continued to decline, dropping 4%

As of Q4 2022, **both** dollars to charity and total number of donors are down vs. prior year. This hasn't happened since 2012.

Source: Fundraising Effectiveness Project

FUNDRAISING IN AN UNCERTAIN ENVIRONMENT

Focus on What You Can Control in 2023

Who You Engage

Donor Retention – 10x more expensive to gain new donors than retain.

When You Engage

Donor Segmentation – not a one-size fits all approach to stewardship, “donor-centered” action is key.

How Well You Engage

Story Telling - illustrate clear connection to current environment challenges and urgent need to give.

What You Ask For

Differentiate Ask Approaches - monthly giving programs offer high retention rates and reliable income streams.

OPPORTUNITIES

Green Energy Tax Credits

BACKGROUND

Inflation Reduction Act

Prior to the Inflation Reduction Act

- Nonprofits could only claim tax credits against UBIT
- Nonprofits could structure deals to give benefit to a for-profit entity (e.g., power purchase agreements)

Inflation Reduction Act (8/16/2022)

- Most credits starting 1/1/2023
- Introduced Direct Pay
- Expanded 179D Deduction

Current Green Energy Credit

Most Likely to Affect Non-Profits

- **Alternative Refueling Property Credit (30C) – Electric Vehicle Charging Stations**
- **Qualified Commercial Clean Vehicles Credit (45W) - $7,500 to $40,000**
- **Clean Electricity Production Credit (45Y) – Selling Energy to grid**
- **Clean Electricity Investment Tax Credit (48E) - Solar, energy storage, etc.**

Other Credits

- Production Tax Credit (45) – Phasing out prior to 1/1/2025
- Carbon Dioxide Sequestration Credit (45Q)
- Zero-Emission Nuclear Power Production Credit (45U)
- Clean Hydrogen Production Credit (45V)
- Advanced Manufacturing Production Credit (45X)
- Qualifying Advanced Energy Project Credit (48C)

Green Energy Credits

01 BONUS CREDITS

- 10% bonus for projects located in low-income communities
- 10% bonus for projects that meet domestic manufacturing requirements
- 20% bonus for projects when the facility is part of a qualified low-income residential project
- 20% bonus for projects when the facility is part of a qualified low-income economic benefit project

02 COMMON PITFALLS

- Prevailing wage and apprenticeship requirements
- Must meet key prevailing wage requirement
- Apprenticeship – 12.5% labor hours before 1/1/2024 and 15% after 12/31/2023
- Certain credits, failure to meet reduces credit to 6%
- Dollar limits
- EV Chargers must be used in low-income tract areas

03 SECTION 179D EXPANDED

- Square footage deduction for “primary designer” which is usually architect
- Now, you can allocate back to the designer (previously just government agency)

Example

School is looking to add solar panels to a project that will begin December 2023.

$1,000,000 cost to install solar panels	Initial credit is 30% (Meets the wage and apprenticeship requirements)	Located in a low-income community – Plus 10%	Meets the domestic manufacturing requirement – Plus 10%	Credit total is $500,000

Follow up Question : Is this producing enough energy to send it back to the grid?

Thank you for attending

Additional Questions?

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and spark success for today and tomorrow.

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