

Survival: the ongoing challenge of having to deliver more with less

Grant Thornton New Zealand Not for Profit survey 2011/2012



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Executive summary

Our 2011 Not for Profit survey confirms that organisations in this sector, similar to their counterparts in the for Profit sector, are not immune from the significant and often devastating effects of disasters – be they physical, financial or human.

Although survey respondents indicated they were spending noticeably more time considering the consequences of recent disasters at their meetings, taking the next step of creating formal disaster and recovery plans and putting them into action was still not at the top of the to-do lists of many organisations.

This needs to change. Less than half of the 243 organisations we surveyed indicated they had a formal disaster and recovery plan in place. Whether or not they had a local or a national profile, seemed to make little difference.

What is often not appreciated is the size and complexity of many Not for Profit organisations. Statistics we compiled earlier this year indicated that the 100 largest organisations of this sector, 46 of which are registered charities, now currently account for more than \$2.5 billion of turnover each year.

With this, our fifth biannual survey of the sector, we asked respondents this time around, in addition to disaster recovery, to indicate how they are dealing with two other related matters: operational risks and regulatory compliance. Some key findings to emerge were:

Risk-management priorities continue to shift in the wake of the global and domestic economic challenges. The current economic climate is now causing many organisations to challenge their risk-management procedures to secure the additional income they need to operate.

Add to this the recent spate of high profile frauds that have been reported in New Zealand. Since we completed our last survey in 2009 we identified that our courts have had to deal with individuals who have stolen more than \$3 million from sector organisations. That is more than \$30,000 per week. Division of duties will always be a challenge but this does suggest there is still room for improvement in carefully assessing and monitoring where the risks lie, particularly the ones relating to processing financial and cash transactions.

The need to keep up-to-date with **legislation** is a continuing struggle for many organisations. Almost three-quarters of respondents signalled they monitor 10 or less pieces of legislation which prompts one to ask, why are Not for Profit organisations limiting the scope of legislation they are reviewing and is this creating unnecessary risk?

Although half of the surveyed respondents report their organisations have 'directors and officers' insurance, they admitted that less than a half of their Board members have a clear understanding of their **legal liabilities**. This begs the question as to whether people mistakenly believe that when they become a governing member of a Not for Profit organisation that their insurance will protect them against acts of ignorance and negligence?

Other findings to emerge confirmed these were the three most challenging issues for the Not for Profit sector:

- Where will the money (funding) come from?
- Given that choices need to be made, where shall we spend our money?
- How do we retain and motivate key staff?

These were the same three issues identified when we conducted our previous survey in 2009.

The critical need to supplement grants and donations with fundraising activities remains top of mind for most Not for Profit organisations. Fundraising is a continual challenge which, if targets are not achieved, leave Not for Profit organisations with the added pressure of having to deliver more with less. With the level of donations remaining comparatively static over the last couple of years, anecdotal evidence indicates that companies and individuals are being more selective in which organisations they wish to support. Fundraising has become even more competitive than before.

The primary source of funding for the majority of respondents has remained unchanged over the past couple of years. For many organisations the major source still continues to be the Government which is why so many of its actions are carefully scrutinised by sector participants to ensure they have sufficient funding to deliver on their

promises. An issue that arises from this is whether funding from a single source creates an unhealthy dependency and therefore stifles the creativity and drive needed to seek out alternative sources of funding and hence reduce financial risk?

As previously observed, one third of respondents said that their organisations pay an annual honorarium or directors fee to members of its governing body, with a third of chairpersons of the more substantial organisations being paid \$15,000 per annum or more. While to some this may seem a lot, compared with the average amount paid to the chairman of a listed company, this represents great value for money. Noteworthy is the fact that fewer than 20% of the organisations surveyed have increased their honorarium or directors remuneration in the last 12 months.

Side comments and observations made by survey participants this year signal a great interest in forthcoming proposals to significantly revamp the financial reporting of Not for Profit entities and innovative fundraising initiatives that will help them maintain and expand the activities and operations of almost 100,000 Not for Profit organisations around the country.



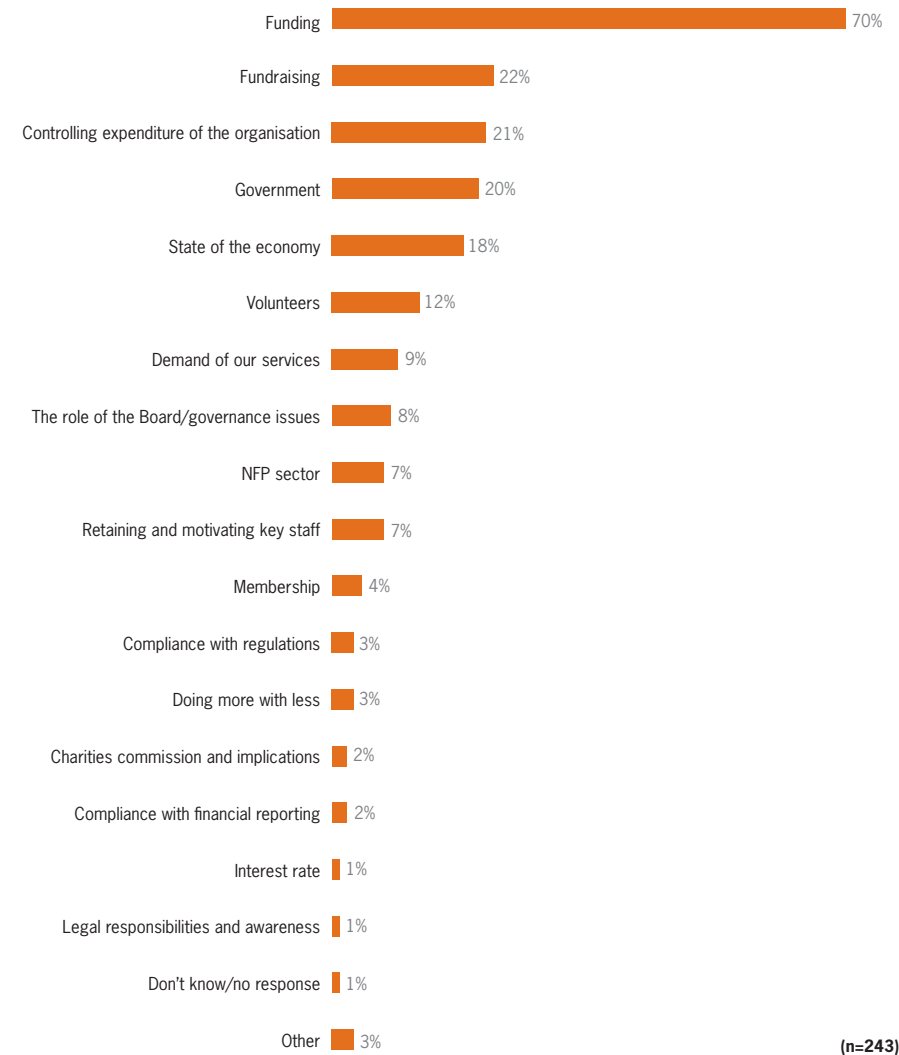
Significant issues challenging the Not for Profit sector

As part of the survey this year we provided respondents with ‘an open question’. We asked them what they thought were the most significant issues challenging the Not for Profit sector. Overwhelmingly, 70% of

respondents said that ‘**funding**’ was their most significant issue. When we analysed this response in more detail it became apparent that the term ‘funding’ was being used in a collective sense. It was the term used by Not for Profit

organisations to describe all forms of revenue that would be reflected in their income statement, such as income from Government grants, donations, investments, bequests and fundraising.

1: Most significant issues challenging the Not for Profit sector



(n=243)

So it was interesting to see that having used the term ‘funding’ to describe their biggest challenge, that over one-fifth of respondents then separately mentioned fundraising – which of course to many is simply a subset of funding. Our take on this is that whereas applications for grants from Government, charitable trust bequests and receipt of donations is largely dependent on the actions and decisions of others, fundraising is seen by Not for Profit entities as ‘controllable’ activity driven directly from decisions made by the governing body. Successful fundraising certainly takes a great deal of planning and co-ordination, particularly as competition continues to mount to secure discretionary donations.

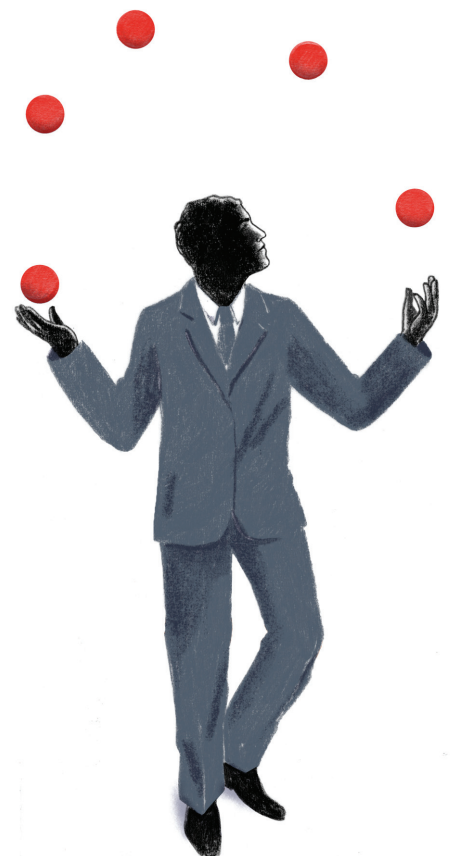
Not surprisingly, a similar number of respondents (21%) considered **expenditure** to be just as important. As one might expect, the need to responsibly control outgoings when incomes generally remain flat requires innovation, creativity and careful management so that ‘more can be done with less’. Without wanting to be too melodramatic, a Not for Profit entity can’t survive if it fails to control expenses.

When comparing the results of the 2011 survey we saw a slight change in the position for **retaining and motivating key staff**. In previous years, this was not seen as such a significant issue and was often thought to be less of an issue compared with the role of the Board and governance issues. This

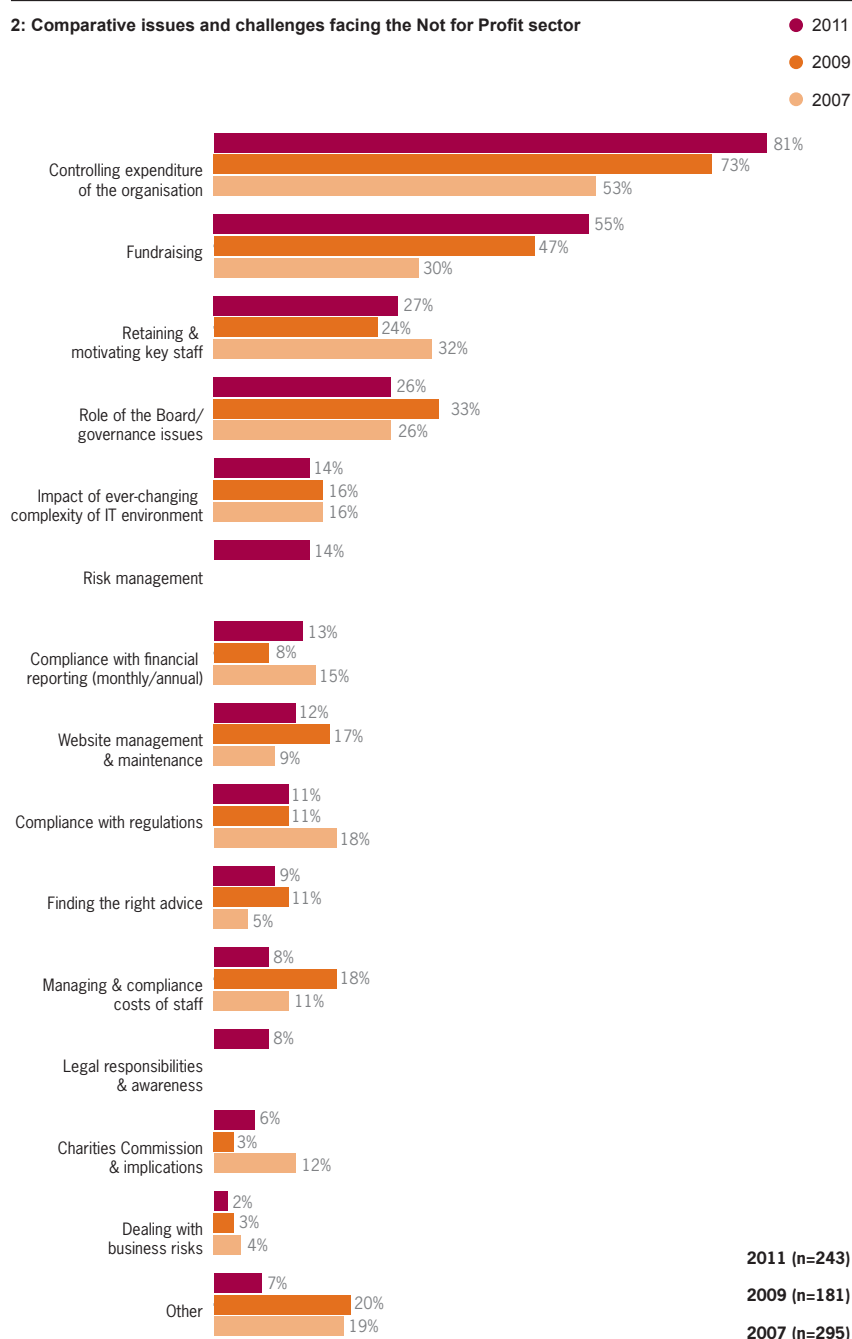
year, however, retaining and motivating key staff was poled as the third most significant issue, slightly ahead of the role of the **Board and governance issues**. The change from 33% in 2009 to 26% in 2011 may well be the result of the focus given to governance issues and resolutions over the last couple of years. However, it could also be that employment wise, Not for Profit entities were viewed by many as a ‘safe haven’ for employment given what was happening to for Profit entities in the wake of the Global Financial Crisis.

Whatever view is taken on why more attention is now being given to the need to retain and motivate staff, the ‘war for talent’ is just as alive and well in the Not for Profit sector as it is in other sectors. A signal to those controlling and monitoring budgets is that reducing discretionary expenditure directly involving staff (eg, no longer sending them to training and development sessions), in the longer term, may ultimately prove a costly decision.

Other issues representing a greater challenge to the Not for Profit organisations in addition to risk management, are compliance with financial reporting standards and the impact of the ever-changing complexity of IT.



2: Comparative issues and challenges facing the Not for Profit sector



We expect a great deal of discussion and debate around the financial reporting requirements for Not for Profit organisations throughout the remainder of 2011 and into 2012.

Controlling the expenditure of the organisation

81% of respondents included this activity as one of the three most significant issues currently facing their organisation. This result does not surprise us. However, what did was the fact that this matter is now at the highest level recorded since 2003 (the start of the survey) and demonstrates a statistically significant increase on the 73% recorded in 2009.

We note that currently only 10% of all Not for Profit organisations employ staff, be it either on a part-time or a full-time basis.

Since 2009 the costs of employment have been relatively stable, but with increases to GST in October 2010 there are bound to be pressures to increase salaries and wages to compensate for this. We anticipate employment costs will be a significant component in subsequent surveys.

Certainly a recent court ruling surrounding the remuneration of caregivers may have profound implications on the sector if changes to current employment law are not made.

Retaining and motivating key staff

The retention and motivation of key staff has become a more significant issue

this year, and while the levels of concern are not as high as recorded in 2007 (32%), over a quarter of respondents (27%) still expressed a concern. It is our expectation that concerns will remain high with increased opportunities for staff to move back into the for-Profit sector as the global economic climate improves.

The role of the Board/governance issues

This year the significance of Board/governance issues for our respondents has declined back to levels previously reported in 2007 (26%).

It is hard to pinpoint why the role of the Board on governance matters has moved in the way it has. Approving strategies developed by management, to us are as important as they have ever been. Certainly the number of risks that require Board consideration and feedback are no less than they were in 2009. This is a topic that needs to be explored in more detail when we conduct our next survey.

Impact of the internet/IT environment and website management and maintenance issues

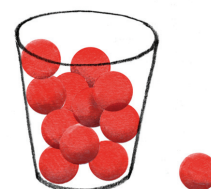
The impact of the internet/IT environment and website management and maintenance is still as much of an issue as seen in previous years. While there has been no significant change reported with these issues in 2011, 14% of respondents still believe these are one of their three most significant issues.

Many organisations may not realise the potential risks or opportunities this area holds for them.

The power and reach of social network media channels such as Facebook and Twitter to promote and maintain interest in the activities of Not for Profit organisations received little or no comment in this year's survey. It will be interesting to see if this trend continues – we suspect not.

Compliance with financial reporting and regulations

Compliance with financial reporting is seen to be more of a key issue this year. Its importance has almost doubled showing an increase from 8% in 2009 to 13% this year. This increase is not surprising given the release of discussion papers in 2009 considering whether Not for Profit organisations should still comply with New Zealand equivalents of International Financial Reporting Standards (NZ IFRS) or some other accounting basis such as International Public Sector Accounting Standards. In addition to this the Charities Commission has been challenging the quality of some of the financial reports tabled with them, so our survey result is not unexpected.



Stepping outside the financial reporting arena and considering other regulatory matters, we find it interesting that compliance with regulations is just as much of an issue for the Not for Profit sector today as it was back in 2009 with 11% of respondents still listing it as a major issue.

Risk management

This year we raised the issue of risk management for the first time. 14% of respondents thought it to be a significant issue for them. We are surprised at this low response.

The topic of risk management is wide reaching. For many Not for Profit organisations, risk management tends to be associated with an assessment of foreseeable risks and taking out insurance contracts and occasionally financial instruments to manage the consequences of the most damaging outcomes. Of course risk management can, and should be, much more than this.

Managing and compliance costs of staff

Managing and compliance costs for staff has seen a significant decrease in 2011 (8%) compared with 18% in 2009. This is likely due to a relatively quiet industrial relations period and the fact that across the New Zealand economy there has been little wage pressure.

Other issues

Respondents were again invited to nominate key issues in addition to the list suggested. Some of the suggestions made were to include questions that would provide additional insight into:

- The state of the economy and how it impacts their activities
- The impact of the Government on their operations (ie, are new requirements such as in health and safety requirements helping or hindering their Not for Profit organisation from achieving its aims and if so, in what area?)
- Demand for their services
- Continually trying to do more with less funds

We are very surprised that fraud was not identified as a significant issue particularly given the media publicity over the last 24 months to fraud related activity within the Not for Profit sector.

The low acknowledgement of fraud in the organisations we surveyed may be due to robust systems in place to mitigate fraud, no detection of fraud or alternatively, the Not for Profit sector does not want to draw attention to this matter. Clearly when funds received are not used in the way they were intended, or the amount ultimately received by the Not for Profit ends up being a very small percentage of the amount donated, difficult questions get asked.



Funding and fundraising

Funding and fundraising remain top of mind for most Not for Profit organisations. With decreasing donations compared with previous years and companies and individuals being more selective in their support, fundraising has become even more competitive than before. In such a competitive market, Not for Profit organisations must look at how they can differentiate themselves to attract donors to support their organisation. When asked to what extent they agreed that funding is a significant issue for most Not for Profit organisations, 91% of respondents agreed or completely agreed with the statement.

Main sources of funding

Two-thirds of respondents stated their main source of funding was from Government, local Government grants, contracts or from other types of grants and sponsorship.

Actual fundraising and donations were the main sources of funding for about four out of ten respondents and were seen be of less importance compared with Government grants/contracts, other sponsorships, income from service provisions, and membership fees. Bequests made up the main source of funding for only about 15% of respondents and were of low importance to most.

The primary source of funding for the majority of respondents has remained unchanged over the past couple of years. Only 12% of

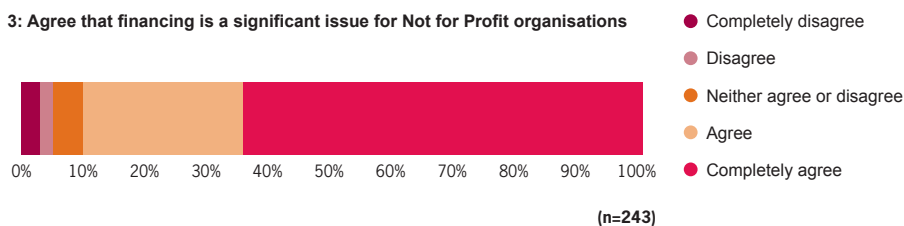
respondents claimed they had changed their primary source of funding.

It seems that greater importance has been placed on a range of funding sources over the past 12-24 months.

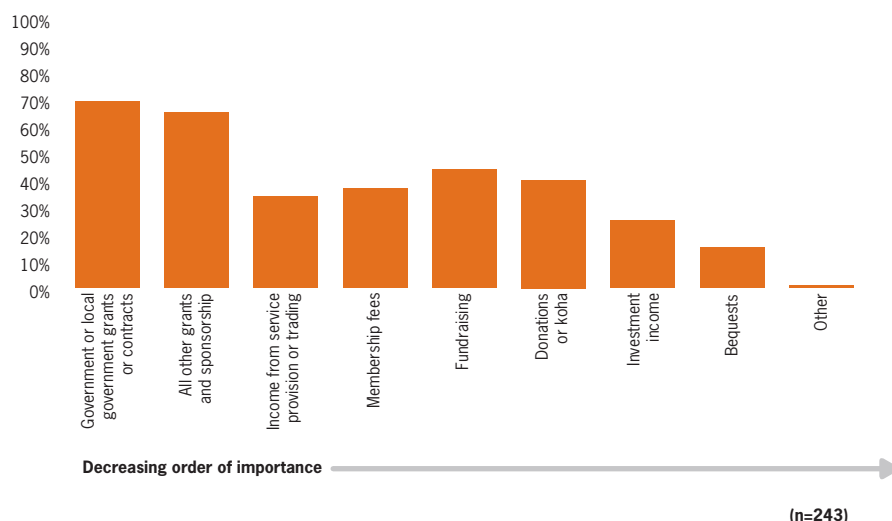
Over half the respondents (58%) mentioned that other types of grants and sponsorships had become more important for them. Almost half mentioned that the importance of fundraising (49%) and Government grants/contracts (47%) had also increased over the past 12-24 months) Refer to graph five overleaf.

It is encouraging to see so many Not for Profit organisations anticipating change. 80% of the respondents to this year's survey said the need to consider alternative funding is greater than it has ever been. Investigating this further, 71% of the respondents mentioned that their organisations were already considering alternative funding options to ensure greater continuity of funds. This highlights the short term predicament of funding by the sector.

3: Agree that financing is a significant issue for Not for Profit organisations



4: Main sources of funding

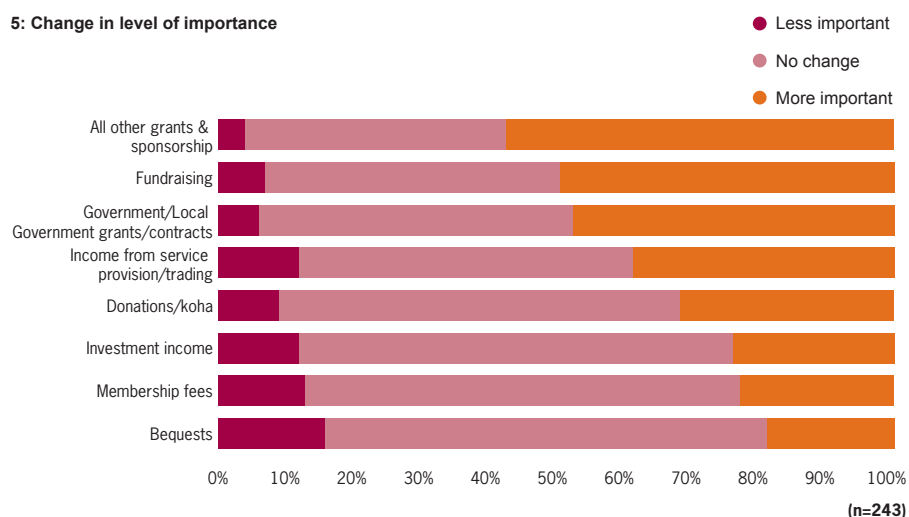


With government spending forecasts to remain static or decrease over the next 12-24 months, it is unlikely many organisations will see funding increases. The Not for Profit sector is no different to others who have been asked to deliver more with less in the current economic environment.

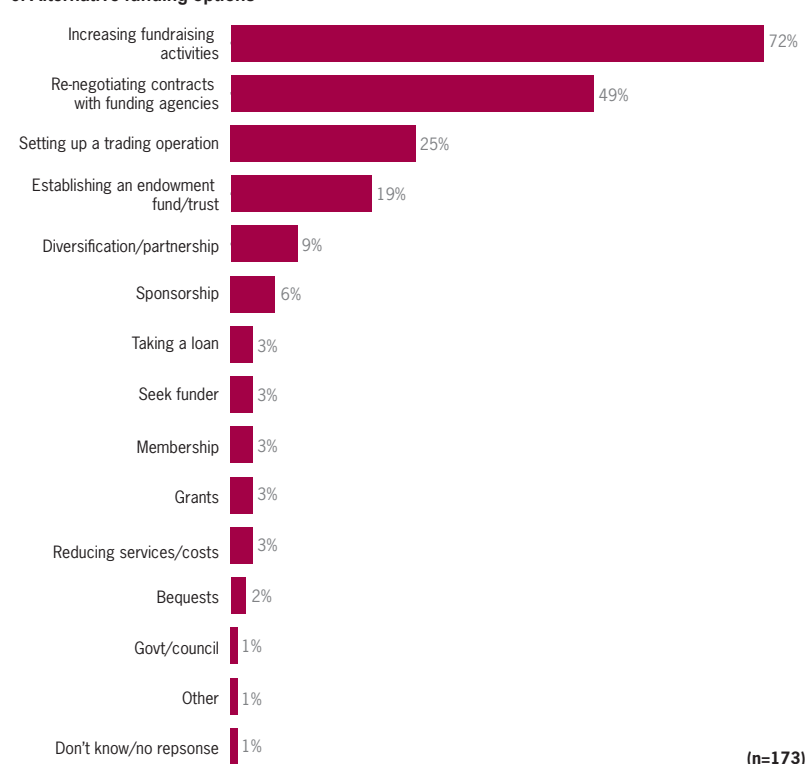
Nearly three-quarters (72%) of the respondents signalled they will be looking to increase fundraising activities, while almost half (49%) will be looking at re-negotiating contracts with funding agencies.

In our experience some clients suggest that the re-negotiation of contracts with funding agencies is taking longer than previously experienced. In some circumstances, organisations are being required to continue to operate with the uncertainty of an unsigned agreement for the current financial year. This certainly focuses the organisation on looking for alternative funds for income generation as well as the appropriate level of reserves to be held going forward in the future.

5: Change in level of importance



6: Alternative funding options



Remuneration

It seems that only one-third of organisations actually pay an honorarium or directors' fee to its members. This is consistent with our findings that go all the way back to 2005.

While demands on Board members of Not for Profit organisations increased, only 13% of organisations offered a fee to their Board members. Of those who received a fee, a third received less than \$1,000, while just over a third received between \$1,000 and \$10,000.

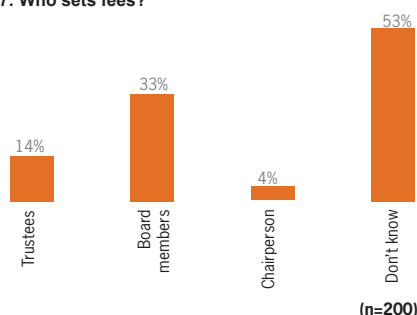
Compared with Board members, only 7% of respondents mentioned they paid their trustees a fee; however, amongst those who did, 44% claimed they paid less than \$5,000, while a third claimed their trustees received an amount between \$5,000 and \$15,000.

Slightly more respondents (16%) claimed that their organisation paid their chairperson an honorarium, with almost one-third being paid more than \$15,000. With Not for Profit organisations being challenged to do more with less, it will be interesting to see whether this statistic remains constant in future surveys. For many organisations it is imperative that they secure the best governance talent available. The continual challenge for many Not for Profit organisations is to get the balance right. In line with the operational objectives, Not for Profit organisations almost without exception are able to secure the talents of experienced directors and trustees at

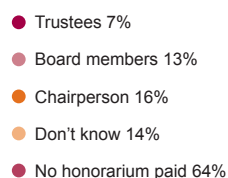
a significant discount to that paid by for Profit organisations.

Among those organisations paying an honorarium or directors fees, fewer than 20% provided an increase in remuneration over the last 12 months. With very few organisations having a remuneration committee to set any fees, it is predominantly left to either Board members or legislation to set the fees.

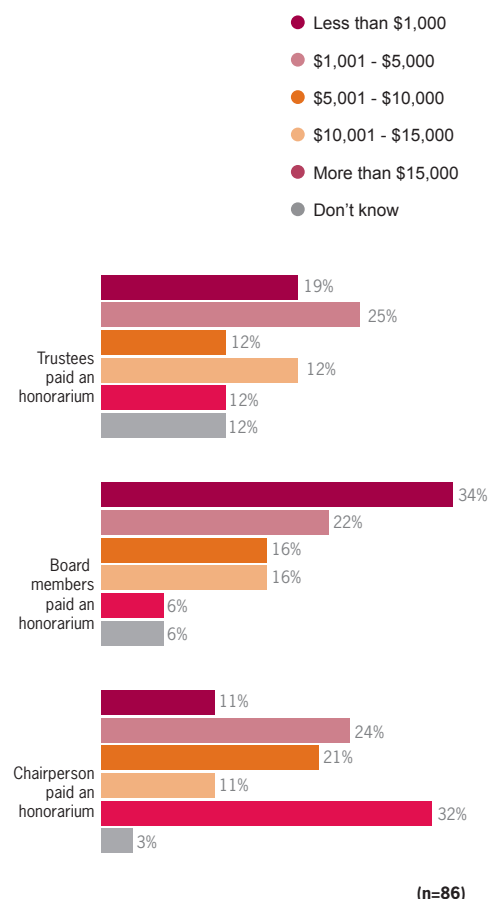
7: Who sets fees?



8: Who gets paid?



9: Increase in remuneration over last 12 months



Risk and disaster recovery

Risk-management priorities continue to shift in the wake of the global economic challenges, and the current economic climate is causing many Not for Profit organisations to review their risk-management process and ask how they can further improve their risk-management efforts. Early identification of operational risks associated with an organisation can assist in both the daily running of the organisation as well as its long-term survival.

As part of the survey we asked respondents if their organisation's operational risk profile had increased or decreased over the past 12 months. Over 40% of respondents mentioned that their operation risk profile had increased somewhat (7% said significantly so). With this increase comes the challenge for executives and Board members to manage and understand the risks present and their implications.

As risk complexity increases, so will organisations spending on risk-management. It is therefore not surprising that almost half (44%) of our recent survey respondents believe that their risk-management resources will increase. Furthermore, only 1% of organisations intend to reduce their risk-management resources.

Clearly, Not for Profit organisations recognise the importance of risk-management and it is important to acknowledge that risk-management is more than simply protecting existing assets; it is also about enabling

performance to create future value.

Some 43% of survey respondents maintain a 'risk register' identifying potential hazards on issues. We were surprised that 71% of those with a risk register only updated the register once every 6 or 12 months. The awareness of a risk does not extinguish the risk and it is evident by nature, that risks continually change. We recommend to our clients that all risks be reviewed at least bi-monthly.

Among those who have a register, a third of the respondents thought the risk register was never circulated to all the employees.

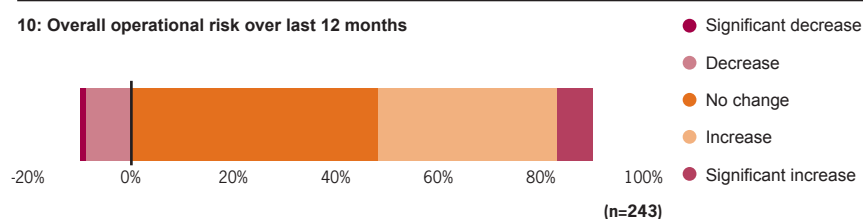
The reality, however, is that most

risk functions are asked to do more with the same or limited additional resources. The challenge will be for organisations to find increased efficiencies in the way their risk-management functions operate and to define the improvements that create the greatest value.

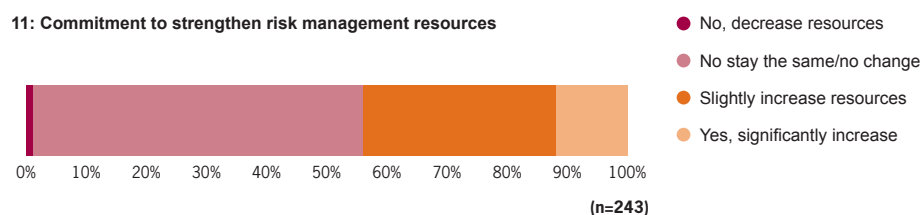
As expected, the risk register is used to identify the risk or hazard, and for 85% of respondents with a risk register it is used to identify an action plan to minimise risk.

For three-quarters of those who responded to the survey, the risk register also allocates a risk assessment and a person accountable for the risk.

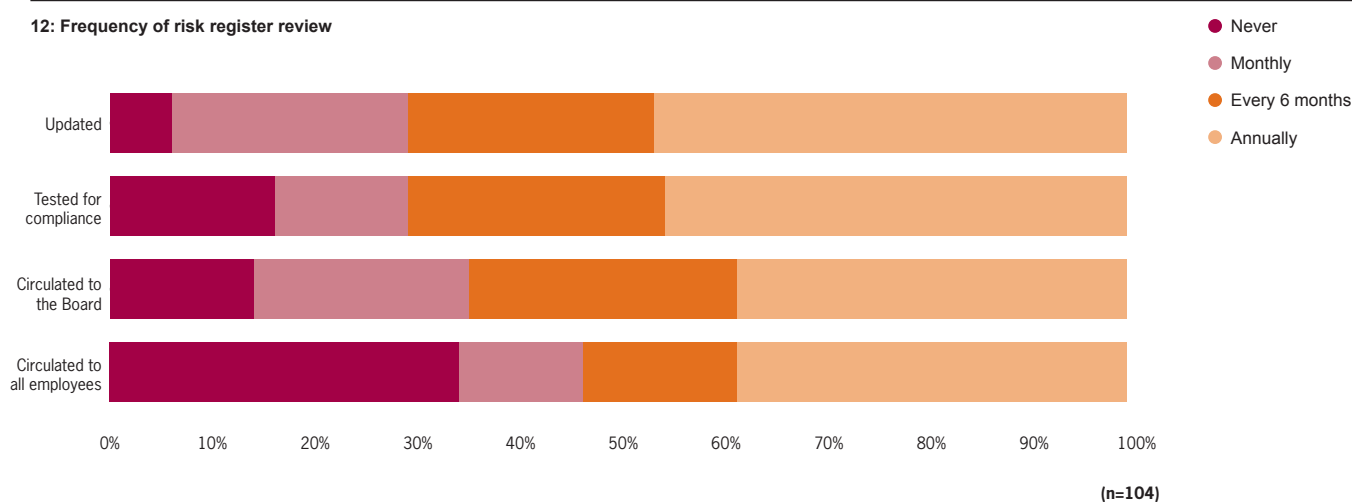
10: Overall operational risk over last 12 months



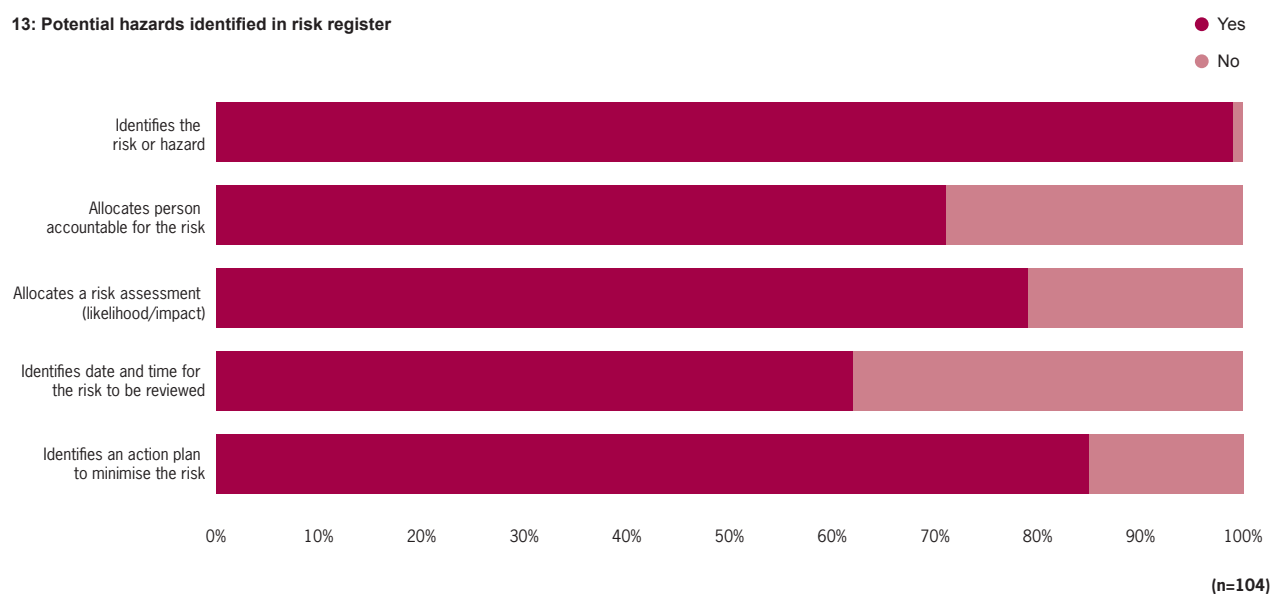
11: Commitment to strengthen risk management resources



12: Frequency of risk register review



13: Potential hazards identified in risk register



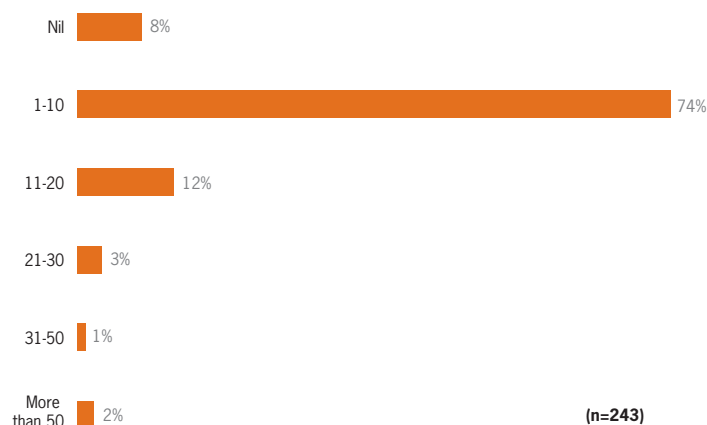
Compliance with legislation

The need to keep up-to-date with legislation is a continual struggle for many organisations. It is of concern that 82% of the organisations surveyed reported they monitor 10 or less pieces of legislation. This suggests many organisations may lack understanding of their legal responsibilities. If an organisation employs people, this in itself brings significant legislative compliance requirements. At the far end of the scale, 3% of organisations are monitoring more than 30 pieces of legislation.

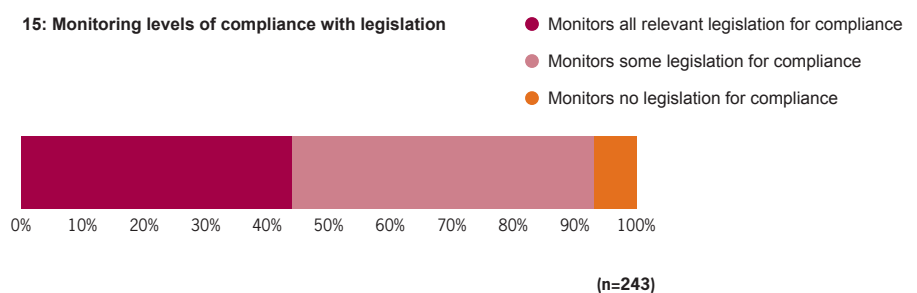
Among the survey respondents three-quarters (74%) mentioned they had 1-10 pieces of legislation that their organisation monitored on an ongoing basis.

It takes a considerable amount of time and effort to continually stay on top of not only new legislation, but also changes to legislation. It is therefore fair to say this is probably the main reason why fewer than half (44%) monitor all relevant legislation for compliance, and almost half (49%) monitor some legislation for compliance.

14: Pieces of legislation monitored



15: Monitoring levels of compliance with legislation



Recovery plans

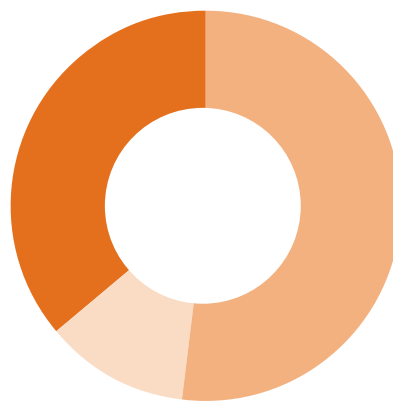
Recovery plans are vital for any entity in the event of an emergency but even so, according to our survey respondents, 52% stated their organisation did not have a recovery plan in place. The need for a disaster recovery plan has recently been brought very close to home and should now be a priority.

Only one-third (36%) of respondents believe their organisation has a recovery plan. Their recovery plan predominantly covers key contacts (employees), backup of important documents, and procedures for restoring IT.

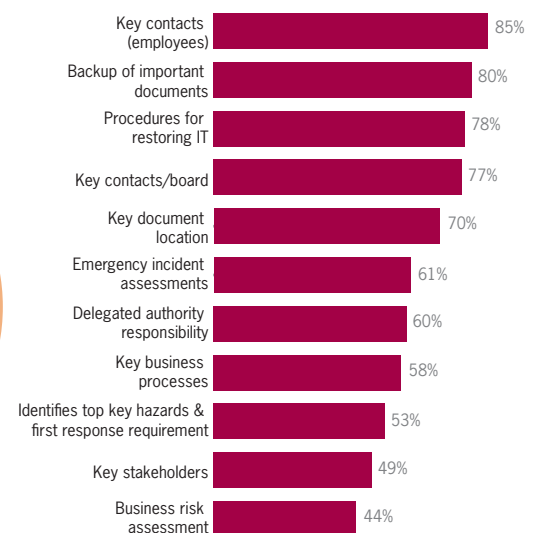
Respondents whose organisations have a recovery plan in place thought that the plan was usually updated annually. For a third of the respondents, it seems that the recovery plan is not circulated to Board members or employees, and a quarter believed their recovery plan was never tested for compliance. If this is the case, it raises the question of why have a recovery plan? Our recommendation is to distribute the recovery plan as widely as possible and to ensure that it is readily available for implementation should disaster strike.

16: Recovery plans and what they cover

● Yes 12%
● No 36%
● Don't know 52%

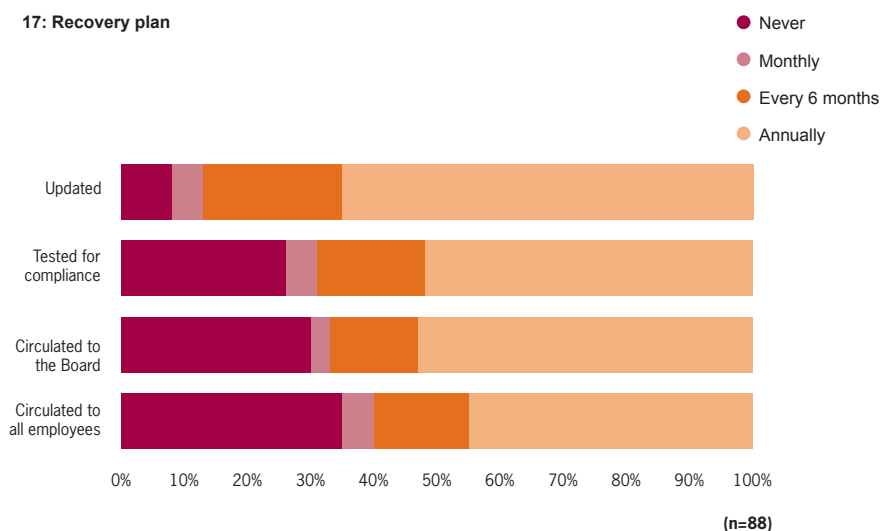


(n=243)



(n=88)

17: Recovery plan



(n=88)

Legal liabilities

Demands on the Board members of Not for Profit organisations continue to mount. While Board members are appointed to focus on particular areas of Board responsibilities, they, alongside Trustees, have very similar liabilities as if they were a director of a company. So, as part of the survey this year, we asked respondents what level of understanding they thought their Board members had with regard to their legal responsibilities.

While only half of the respondents thought their organisation had any 'directors and officers' insurance that limits legal liability, almost eight of the ten respondents (78%) thought that at least half of their Board members understood their legal responsibilities. Only a small minority (3%) of respondents believed that none of their Board members had any understanding of their legal liabilities.

Constitution

While the 'constitution' is the founding document for all organisations, a small number of respondents claimed their constitution is never reviewed. The concern here is that it is possible that the organisation may not be operating within its own rules and regulations.

A quarter of our survey respondents claimed their constitution was reviewed on an annual basis. Similarly, a quarter also claimed their constitution was reviewed as part of a 3-year cycle.

When asked, 27% of respondents

revealed that their constitution was available to all of their members compared with 46% of respondents who mentioned that viewing their organisation's constitution meant going to the Charities Commission or going online. This also reflects the positive nature of the Charities Commission in subscribing for transparency of all organisations.

Transparency

In the 2009 survey, we said that financial statements and non-financial reporting provided the road map to all results of an organisation; it is therefore understandable that when asked, 82% of respondents surveyed thought that there was a growing need for greater transparency especially as 'integrated reporting' initiatives that are starting to take hold around the world.

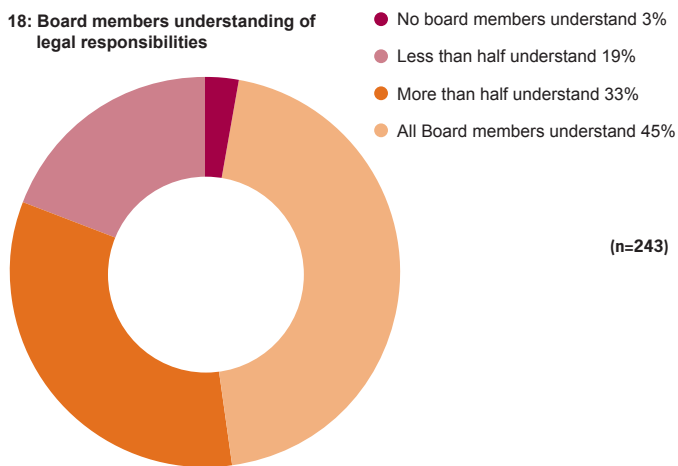
We were surprised to see 26% of respondents surveyed claimed that their organisation had asked its readers the types of information they wished to see reported on. Contrast this with a recently completed survey of New Zealand's Top 200 Companies by the Sustainable Future Institute where only 13% of those that responded to a survey indicated that they had asked their stakeholders what information they would like to see. For further details see www.sustainablefuture.info

There is a real opportunity to actively make transparency a point of difference for your organisation. The ever competitive donor dollar may be

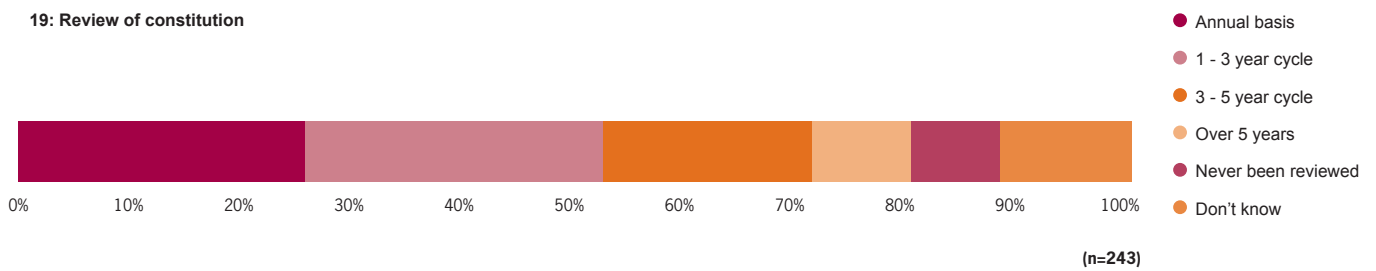
more likely to come your way if you clearly state how their donation is going to be spent. Reluctance to disclose how your funds are spent, particularly on administrative and funding activities, has the potential to create suspicion and adversely affect your organisation's reputation.



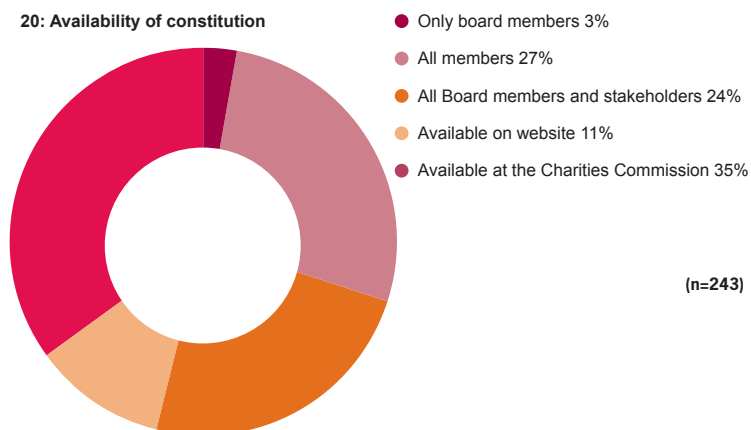
18: Board members understanding of legal responsibilities



19: Review of constitution



20: Availability of constitution



Self assessment

Survey results

Significant issues challenging the Not for Profit sector

1	What would you say are the most significant issues that challenge the Not for Profit sector this year?		Your answers
	Funding	70%	
	Fundraising	22%	
	Controlling expenditure of the organisation	21%	
	Government	20%	
	State of the economy	18%	
	Vounteers	12%	
	Demand of our services	9%	
	The role of the Board/governance issues	8%	
	The Not for Profit sector	7%	
	Retaining and motivation key staff	7%	
	Membership	4%	
	Compliance with regulations	3%	
	Doing more with less	3%	
	Charities commission and implications	2%	
	Compliance with financial reporting	2%	
	Interest rate	1%	
	Legal responsibilities and awareness	1%	
	Other	3%	

2	Thinking about the past 5 years or so, how have those issues* changed?										Your answers
	Fundraising		Running the activities of the organisation		Funding		State of the economy		Government		
	Rank		Rank		Rank		Rank		Rank		
Funding	1	48%	1	58%	1	63%	2	47%	1	55%	
State of the economy	2	41%	2	31%	2	29%	1	56%	3	35%	
Fundraising	3	37%	6	12%	3	25%	4	16%	1	55%	
Government	4	22%	4	13%	4	11%	3	28%	4	10%	
Controlling expenditure of the organisation	5	11%	3	25%	4	11%	4	12%	8	6%	

*The five significant issues that challenged some Not for Profit sectors this year are: fundraising, controlling expenditure of the organisation, funding, the state of the economy, and the Government.

3	From the list below, which are the three most significant issues currently challenging you and your organisation?	Your answers
	Controlling expenditure of the organisation 81%	
	Fundraising 55%	
	Retaining & motivating key staff 27%	
	Role of the Board/governance issues 26%	
	Risk management 14%	
	Impact of ever-changing complexity of IT environment 14%	
	Compliance with financial reporting (monthly/annual) 13%	
	Website management & maintenance 12%	
	Compliance with regulations 11%	
	Finding the right advice 9%	
	Managing & compliance costs of staff 8%	
	Legal responsibilities & awareness 6%	
	Charities Commission & implications 2%	
	Volunteers 2%	
	Dealing with business risks 2%	
	Government 2%	
	The Not for Profit sector 2%	
	Membership 1%	
	Funding 1%	
	Demand of our services 1%	
	Other 3%	

Funding and fundraising

4	Previous surveys have identified that financing is a significant issue for most Not for Profit organisations. How much would you say you agree or disagree with this statement?	Your answers
	Completely disagree 3%	
	Disagree 2%	
	Neither disagree nor agree 5%	
	Agree 26%	
	Completely agree 64%	

5a	What are the main sources of funding for your organisation?	Your answers
	Government or local government grants or contracts 69%	
	All other grants and sponsorship 65%	
	Income from service provision or trading 34%	
	Membership fees 37%	
	Fundraising 44%	
	Donations or koha 40%	
	Investment income 25%	
	Bequests 15%	
	Other 1%	

5b	Please rank the main sources of funding for your organisation in order of importance (where 1 is most important and 5 is least important).					Your answers
	Most important			Least important		
	1	2	3	4	5	
Government or local government grants or contracts	68%	17%	11%	4%	0%	
All other grants and sponsorship	27%	47%	20%	4%	2%	
Income from service provision or trading	27%	35%	22%	11%	5%	
Membership fees	30%	24%	14%	15%	9%	
Donations or koha	9%	11%	32%	27%	15%	
Fundraising	11%	29%	31%	21%	6%	
Investment income	15%	15%	25%	15%	13%	
Bequests	6%	11%	17%	17%	22%	
Other	67%	33%	0%	0%	0%	

6	Has your organisation changed its primary source of funding in the past 1-2 years?	Your answers
	Yes 12%	
	No 88%	

7	Thinking about the main sources of funding available to you, please tell us whether you think each of these has become more important, less important or stayed the same during the last 12 – 24 months.			Your answers
	Less important	No change	More important	
Government or local government grants or contracts	6%	47%	47%	
All other grants and sponsorship	4%	39%	58%	
Income from service provision or trading	12%	50%	38%	
Membership fees	13%	65%	21%	
Donations or koha	9%	60%	30%	
Fundraising	7%	44%	49%	
Bequests	16%	66%	18%	
Investment income	12%	65%	23%	

8	How many months/years of activity can you plan for based on your current funding?	Your answers
	Less than 6 months	10%
	6 - 12 months	37%
	1 - 2 years	33%
	2 - 5 years	12%
	5 years or more	7%
9	Is your organisation considering alternative funding options to ensure greater continuity of funding?	Your answers
	Yes	71%
	No	21%
	Don't know	8%
10	Which of the following funding options have you considered?	Your answers
	Re-negotiating contracts with funding agencies	49%
	Increasing fundraising activities	72%
	Establishing an endowment fund/trust	19%
	Taking a loan	3%
	Setting up a trading operation	25%
	Seek funder	3%
	Govt/council	1%
	Membership	3%
	Sponsorship	6%
	Grants	3%
	Bequests	2%
	Diversification/partnership	9%
	Reducing services/costs	3%

Remuneration

11	Does your organisation pay an honorarium or director's fee to any of the following people?	Your answers
	Yes	36%
	No	64%
	Trustees	7%
	Board members	13%
	Chairperson	16%

12 For each one, please tell us how much the annual payment is						Your answers
	Less than \$1,000	\$1,001 to \$5,000	\$5,001 to \$10,000	\$10,001 to \$15,000	More than \$15,000	
Trustees	19%	25%	12%	19%	12%	
Board members	34%	22%	16%	16%	6%	
Chairperson	11%	24%	21%	11%	32%	

13 For each one please tell us if there has been any increase in remuneration over the last 12 months						Your answers
	No increase	0 - 2% increase	2 - 5% increase	5 - 10% increase	More than 10% increase	
Trustees	81%	6%	0%	6%	6%	
Board members	81%	0%	3%	6%	6%	
Chairperson	79%	5%	3%	8%	3%	

14 Do you have a remuneration committee to set the fees?		Your answers
Yes	18%	
No	82%	

15 If not, who sets the fees?		Your answers
Trustees	14%	
Board members	33%	
Chairperson	4%	

Risk and disaster recovery

Early identification of operational risks to your organisation can assist in both the daily running of your organisation as well as long term survival.

16 Over the past 12 months has your organisations' operational risk profile increased or decreased?		Your answers
Significant decrease	1%	
Decrease	9%	
No change	48%	
Increase	35%	
Significant increase	7%	

17 Do you maintain a "risk register" identifying potential hazards on issues?		Your answers
Yes	43%	
No	57%	

18 How frequently is the risk register reviewed?					Your answers
	Never	Monthly	Every six months	Annually	
Updated	6%	23%	24%	47%	
Tested for compliance	16%	13%	25%	45%	
Circulated to the Board	14%	21%	26%	38%	
Circulated to all employees	34%	12%	15%	38%	

19 What is/are included in your risk register?					Your answers
Identifies the risk or hazard	99%				
Allocates person accountable for the risk	71%				
Allocates a risk assessment (likelihood/impact)	79%				
Identifies date and time for the risk to be reviewed	62%				
Identifies an action plan to minimise the risk	85%				
Other	1%				

20 Who in your organisation signs off the risk register?					Your answers
Chief Executive	44%				
The Board	38%				
Risk manager	13%				
Manager/management team	9%				
Committee	4%				
Other	5%				

21 Do you plan to commit more resources to strengthen your risk management capabilities in the next 2 years?					Your answers
Yes, significantly increase resources	12%				
Slightly increase resources	32%				
No stay the same/no change	56%				
No, decrease resources	1%				

Compliance with legislation

(eg, Health and Safety, Photocopy Act, GST Act etc).

22 When it comes to monitoring the level of compliance with legislation, how much does your organisation do?					Your answers
Monitors all relevant legislation for compliance	44%				
Monitors some legislation for compliance	49%				
Monitors no legislation for compliance	7%				

23	How many pieces of legislation does your organisation currently monitor?			Your answers
	Nil	8%		
	1 - 10	74%		
	11 - 20	12%		
	21 - 30	3%		
	31 - 50	1%		
	More than 50	2%		

Recovery plans are vital for any entity in the event of an emergency

24	Does your organisation currently have a recovery plan?			Your answers
	Yes	36%		
	No	52%		
	Don't know	12%		

25	Which of the following, if any does your recovery plan cover?			Your answers
	Key contacts (employees)	85%		
	Backup of important documents	80%		
	Procedures for restoring IT	78%		
	Key contacts/Board	77%		
	Key document location	70%		
	Emergency incident assessments	61%		
	Delegated authority responsibility	60%		
	Key business processes	58%		
	Identifies top key hazards & first response requirement	53%		
	Key stakeholders	49%		
	Business risk assessment	44%		

26	Thinking specifically about the recovery plan, how often is it:				Your answers
		Never	Monthly	Every six months	Annually
	Updated	8%	5%	22%	66%
	Tested for compliance	26%	5%	17%	52%
	Circulated to the Board	30%	3%	14%	53%
	Circulated to all employees	35%	5%	15%	45%

Legal liabilities

Board members and trustees have similar liabilities as if they were a director of a company.

27	When you think about the level of understanding the Board members/Trustees have of their legal responsibilities, which statement do you think fits best?	Your answers
	All Board members understand it	45%
	More than half Board members understand it	33%
	Less than half Board members understand it	19%
	None of the Board members understand it	3%
28	Does your organisation carry any 'directors and officers insurance' to limit legal liability?	Your answers
	Yes	49%
	No	36%
	Don't know	16%
29	Your organisations "constitution" is the founding document of your organisation. Is your constitution reviewed?	Your answers
	On an annual basis	26%
	1-3 year cycle	27%
	3-5 year cycle	19%
	Over 5 years	9%
	Never been reviewed	8%
	Don't know	12%
30	Who is your "constitution" available to?	Your answers
	Only Board members	3%
	All members	27%
	All members & stakeholders	24%
	Available on website	11%
	Available at the Charities Commission	35%

Transparency

31	As part of global integrated reporting responsibilities, do you think there is a growing need/desire for greater transparency in financial reporting?	Your answers
	Yes	82%
	No	18%
32	Has your organisation asked readers of your annual report what information they wish to see reported on?	Your answers
	Yes	26%
	No	74%

The survey methodology

The Grant Thornton 2011/2012 Not for Profit Survey was built on our earlier surveys undertaken in 2003, 2005, 2007 and 2009. It repeated some questions to check if opinion had changed. These related to the most significant issues challenging the sector and governance, which continues to be an important issue to not for profit sector.

Most questions were multi-choice, with the opportunity to provide written comment where relevant. Respondents had the choice of remaining anonymous, or supplying identifying information. All identifying information provided has been respected as confidential.

The survey was available to complete online with emails sent to 1,341 Not for Profit organisations during December 2010 and January 2011. A questionnaire was also made available on our website for completion. We had a high rate of participation, with 243 completed surveys received by 15 January 2011, resulting in an 18% return rate. We thank the many respondents who gave their time to participate. Most participants are either incorporated societies or charities, but we also received completed surveys from unincorporated bodies and other types of Not for Profit organisations.

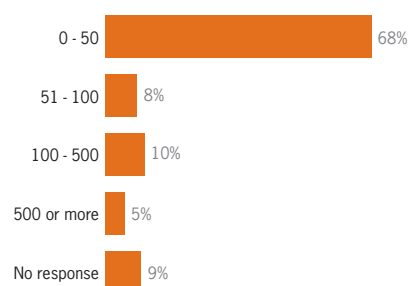
Entities of all sizes responded. 68% of respondents have employee and/or volunteer numbers of between 0 and 50 and at the other end of the scale, 5% have 500+ employees and/or volunteers. The nature of the activities pursued by

respondents is varied. They include social services, health, cultural, sports and recreation, education and research, Business and professional and religious to name but a few. Our participants represent a diverse cross section of New Zealand's Not for Profit sector.

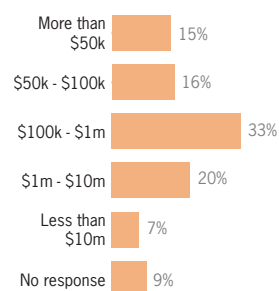
Charitable Donation

Grant Thornton New Zealand pledged a \$500 donation to Oxfam Trailwalker Sponsorship at the request of Sarah Short from Oxfam, the winner of the draw open to all respondents who returned completed questionnaires by 20 December 2010.

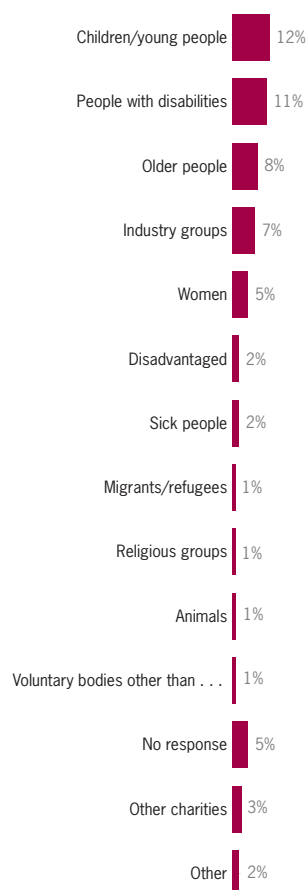
21: Number of employees/volunteers



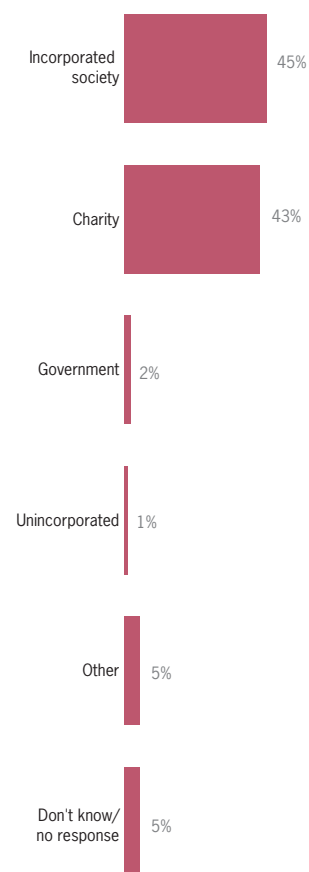
22: Annual income of your organisation



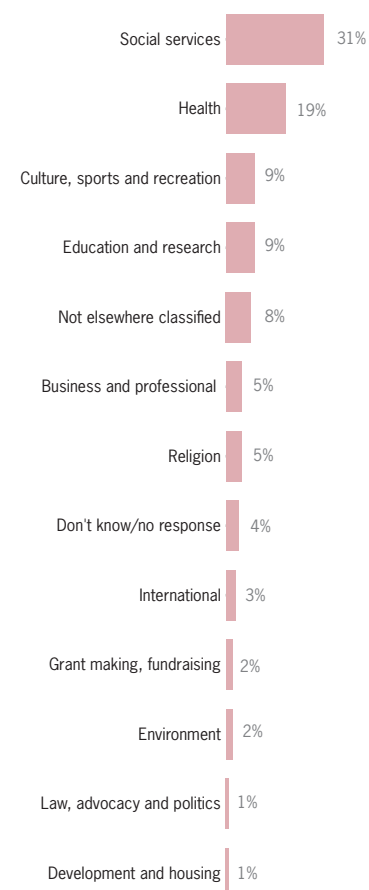
Main beneficiary



Type of organisation



Nature of activity



About Grant Thornton

Grant Thornton New Zealand

Grant Thornton New Zealand is a member of Grant Thornton International, one of the world's leading organisations of independently owned and managed accounting and consulting firms. We have over 100 member firms around the world providing assurance, tax and advisory services to privately held businesses and public interest entities. We want to be known for navigating the complexities of dynamic organisations and, wherever our clients do business, we will deliver the valuable advice that makes a difference.

More than 2,500 partners and 30,000 staff provide clients with distinctive, high quality and personalised service in over 100 countries. We have achieved combined global revenues of US\$3.7 billion from our member firms - a healthy 2.3% increase - for the year ended 30 September 2010.

Grant Thornton New Zealand operates from three locations in Auckland, Wellington and Christchurch with 30 partners and over 230 professional and support staff.

Our infrastructure, expertise and methodology are world class, traits which benefit our local clients. However despite global clout, Grant Thornton New Zealand has not lost sight of its roots and key differentiators – partner/director accessibility and a friendly, personal approach. We work with our clients over the long term to help them to achieve their ambitions

and grow their business.

Dedicated Not for Profit team

Grant Thornton New Zealand has a dedicated Not for Profit team working to help organisations like yours, help others. We know the issues you face and we understand your needs. We offer an array of financial, business management and operational services designed to assist you. These include:

- Audit and tax services based on an understanding of the specific compliance and regulatory issues confronting Not for Profit entities.
- Financial planning and analysis, including budget process improvement, financial reporting and activity-based cost analysis.
- Organisational and management consulting, including strategic organisational assessment and redesign to help your organisation adapt its current structure to its evolving mission.
- Strategic management planning and market positioning to assess your position in the marketplace and to evaluate, facilitate and help implement appropriate strategic responses.
- Advice on governance structure to help your Board clarify your organisation's mission and the Boards role in achieving it.
- Risk management services including business and personal risk reviews, investment planning and workplace insurance.

- Information technology assessment and review services.
- Merger and acquisition services from due diligence through to post-acquisition and consolidation.
- Compensation and benefits consulting to help you attract and retain employees whilst minimising costs to your organisation.
- Training for business issues and risks impacting the Not for Profit sector.

Why Grant Thornton?

Serving the Not for Profit sector is a core focus for our firm. A selection of our committed partners and managers have spent a significant part of their careers working with, and for, Not for Profit organisations. We understand the complex challenges you face and have the know-how to help you innovate and plan for the future. We constantly monitor trends within the Not for Profit sector, as well as the broader competitive environment, to develop services that meet your needs. Choose Grant Thornton and experience:

- personal attention from all our partners and managers
- services tailored to meet your needs
- business advice resulting in measurable benefits
- technical competency and attention to detail
- realistic goals with solutions which can be implemented
- timely information including alerts, regulatory updates and surveys
- realistic fees
- client satisfaction measurement.

Contacts

If you want to learn more about how Grant Thornton New Zealand can assist your organisation, please contact our regional specialist partners or visit our website www.grantthornton.co.nz

Auckland

L4, Grant Thornton House
152 Fanshawe Street
Auckland 1140
T +64 (0)9 308 2570
F +64 (0)9 309 4892
E info.auckland@nz.gt.com

Chris Dixon

E chris.dixon@nz.gt.com

Mark Hucklesby

E mark.hucklesby@nz.gt.com

Dan Lowe

E dan.lowe@nz.gt.com

Wellington

L13, AXA Centre
80 The Terrace
Wellington 6143
T +64 (0)4 474 8500
F +64 (0)4 474 8509
E info.wellington@nz.gt.com

Brent Kennerley

E brent.kennerley@nz.gt.com

Kerry Price

E kerry.price@nz.gt.com

Greg Thompson

E greg.thompson@nz.gt.com

Christchurch

L5, Grant Thornton House
47 Cathedral Square
Christchurch 8140
T +64 (0)3 379 9580
F +64 (0)3 366 3720
E info.christchurch@nz.gt.com

Graeme McGlinn

E graeme.mcglinn@nz.gt.com

Simon Carey

E simon.carey@nz.gt.com

Geordie Hooft

E geordie.hoof@nz.gt.com



Grant Thornton

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