

06 December 2019

Welcome to BDO



Smart business advisors

06 December 2019

Key Trends in the Not for Profit Sector

Our Clients



NONPROFIT STANDARDS

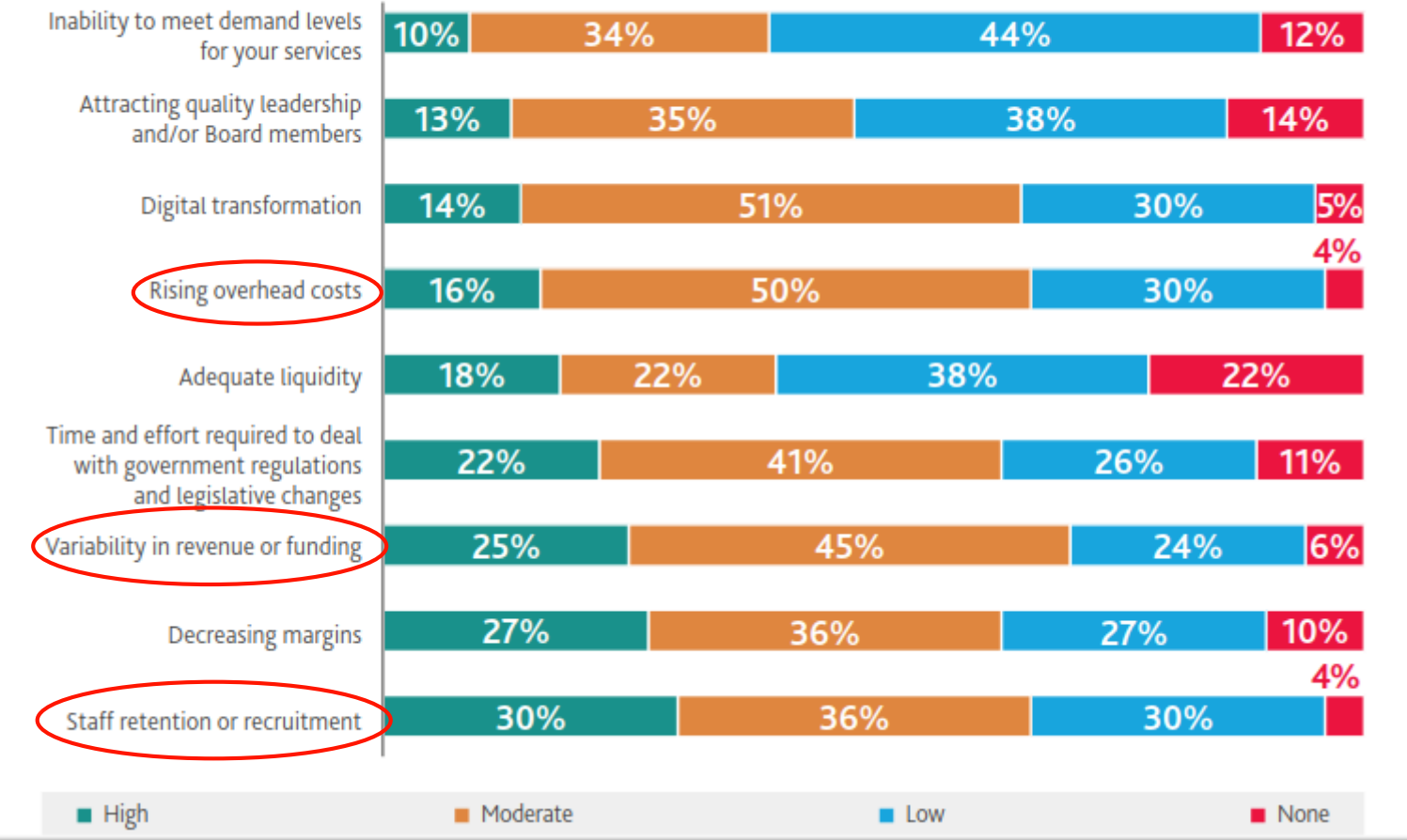
A BENCHMARKING SURVEY



<https://www.bdo.com/resource-centers/institute-for-nonprofit-excellence>

Key Challenges

Please describe the **LEVEL OF CHALLENGE** each of the following will represent for your organization during the next twelve months.



Five Key Issues

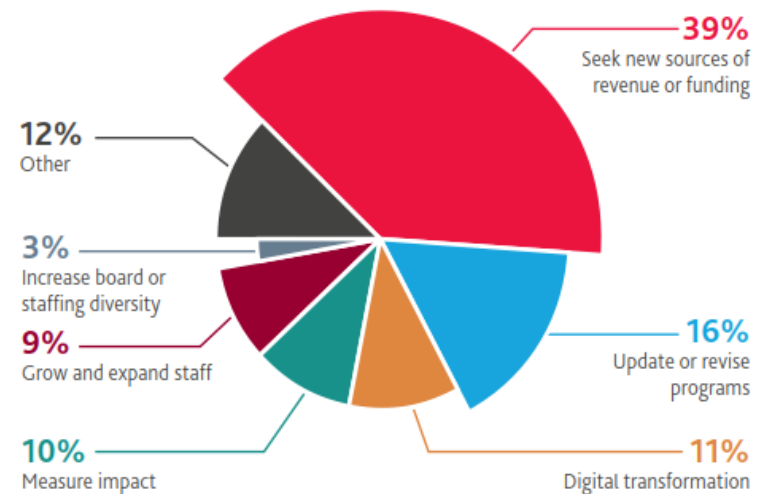
Fundraising & Financial Performance

Funding & Financial Performance

- No.1 challenge for not for profits = Income generation
- Followed by meeting demand for services & reductions in funding

39%
of not for profits cited
**seeking new sources
of funding** as their
number one priority

Which **ONE** of the following is your organization's top priority this year?



Of an estimated €13.8bn revenue in 2017, approximately 40% comes directly from Government (73% for charities in the social services & 68% health sectors) (Benefacts 2019)

Funding & Financial Performance



69%

of all organisations experienced a surplus last year, 26% experienced net losses, 5% did not say

Information from Benefacts would suggest that total income in the sector increased between 2015 and 2017 from €10.9bn to €13.8bn

Charities currently generated turnover of €14.5bn (The Wheel)



Funding & Financial Performance



72%

of all organisations allocated 80-100% of their spending on program-related activities

- High programmatic spending shows dedication to a not-for-profits' mission & is desired by funders/donors
- However it can also leave organisations open to “starvation cycle”



Funding & Financial Performance

How to end the Starvation Cycle?

- ❑ A better understanding & appreciation of indirect costs is a good place to start
- ❑ Tackle the overhead myth - low indirect costs does not always equal efficiency
- ❑ Provide better information to funders/donors by communicating how specific indirect costs are essential to long-term sustainability
- ❑ Ensure clear, consistent and appropriate cost categorisation are applied
- ❑ Consider third-party indirect cost verification

Political Uncertainty

Political Uncertainty

- ❑ Most charity leaders believe that Brexit will have a negative impact on their charity
- ❑ According to The Wheel- 54% of YOU have stated that Brexit will have a direct impact on YOUR work



Political Brexit Uncertainty

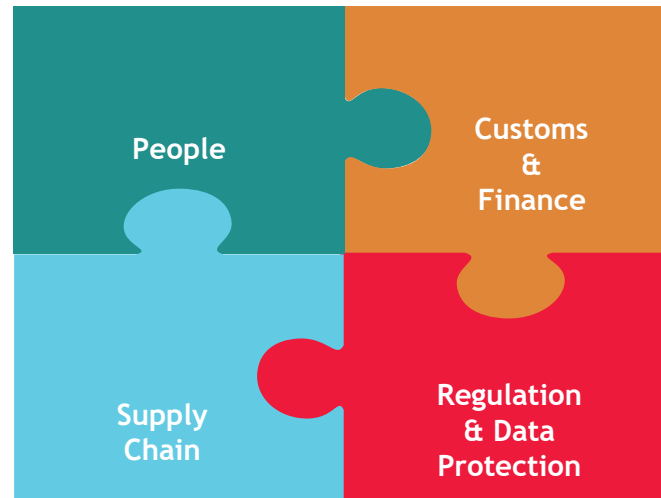
Potential Brexit Impacts

- ❑ Economic uncertainty could lead to a reduction in giving
- ❑ Impact (**positive & negative**) on collaborative/ partnership arrangements between Irish and UK based charities
- ❑ Impact on cross border programmes (Interreg & PEACE)
- ❑ Opportunity- UK based organisations unlikely to be eligible to apply for EU funding, therefore potential opportunities for Irish not for profits
- ❑ Impact on supply chain if dealing with UK suppliers

Political/ Brexit Uncertainty

Mitigation Measures

- ❑ Conduct a risk assessment for your organisation to consider potential impact
- ❑ Complete impact assessment for your charity:



- ❑ What financial/ contingency planning do you need to do to get through a period where income could reduce while costs & demand could rise?

Mergers, Partnerships & Joint Ventures

A large, stylized number '3' graphic is positioned on the right side of the slide. It is composed of several overlapping circular and semi-circular shapes in various shades of red and orange, creating a layered, 3D effect.

Mergers, Partnerships & Joint Ventures

10% of not for profits in the USA who have indicated that they are somewhat or very likely to merge in the coming 24 months



40%

of not for profits say they are very or somewhat likely to enter a **strategic partnership with another not for profit**



1 in 4

of not for profits say they are very or somewhat likely to enter a **strategic partnership with a for profit organisation**

Mergers, Partnerships and Joint Ventures

Why merge?

- ❑ Facilitates growth and expansion
- ❑ Financial pressures and improved access to funding
- ❑ Single (stronger) voice
- ❑ Positive impact for beneficiaries through enhanced or improved services
- ❑ Address governance concerns or gaps in experience/ expertise

Mergers, Partnerships and Joint Ventures

Beware of the Issues/ Challenges

- ❑ Impact on the organisation:
 - ❑ reduction in staff
 - ❑ change in roles
 - ❑ changes in working practices
- ❑ Loss of identity
- ❑ Culture - Resistance to change, staff turnover, lack of support

Cyber Security



Cyber Security

Be aware.....

- ❑ Cybercrime incidents are increasing, and charities aren't immune (1 in 5 charities in the UK victim of a cyber security breach)
- ❑ Cyber criminals target organisations for extortion, financial gain, or to steal valuable data
- ❑ In addition to the financial losses, a security incident can result in reputational impact or service delivery
- ❑ Charities must also meet their legal obligations in relation to GDPR

Cyber Security

10 Important Steps

- Audit Your Information
- Define the Risk
- Think data, not devices
- Back up Data
- Install Security Software
- Implement a firewall
- Patch Regularly
- Use Strong Passwords
- Conduct Staff Training
- Manage User Accounts



Staff Retention & Recruitment



Staff Retention & Recruitment

Your most important resource - Your People

- ❑ Feeling disconnected from the mission
- ❑ Desire for more flexible working arrangements
- ❑ Benefits and Compensation
- ❑ Management and Employee relations



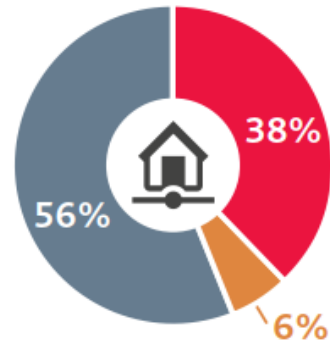
• 1 / 3

of all organisations say that
**staff retention and
recruitment** will be a key
challenge during 2019

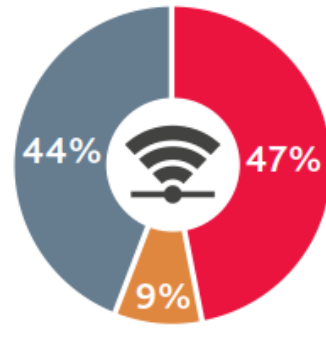
Staff Retention & Recruitment

Potential Responses

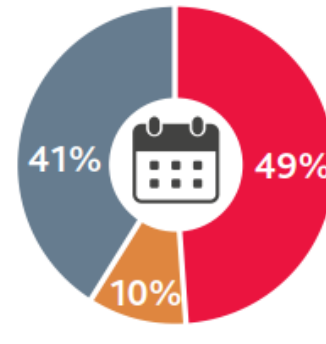
Please indicate your **CURRENT OR LIKELY ACTIONS** when considering these flexible work options.



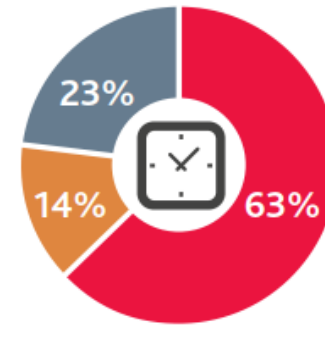
Remote work arrangements



Telecommuting



Flexible leave arrangements



Flexible work schedules

■ Offer now

■ Likely to offer in next 12-24 months

■ No plans to offer in the next 24 months



Additional social events



Extra holiday leave, study & unpaid leave, option to buy additional holidays



Provision of food/ refreshments



Paid health care

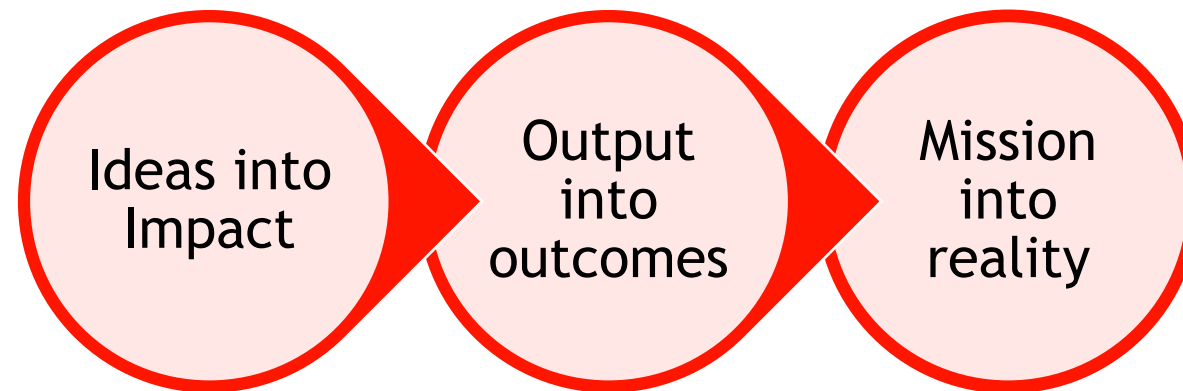


Paid phones

Final Thoughts...

Adopting a Business Mind-Set

- ❑ Business shouldn't be a bad word in the not for profit sector
- ❑ Not for profits are in the business of impact
- ❑ Having a business mind-set is what turns:



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