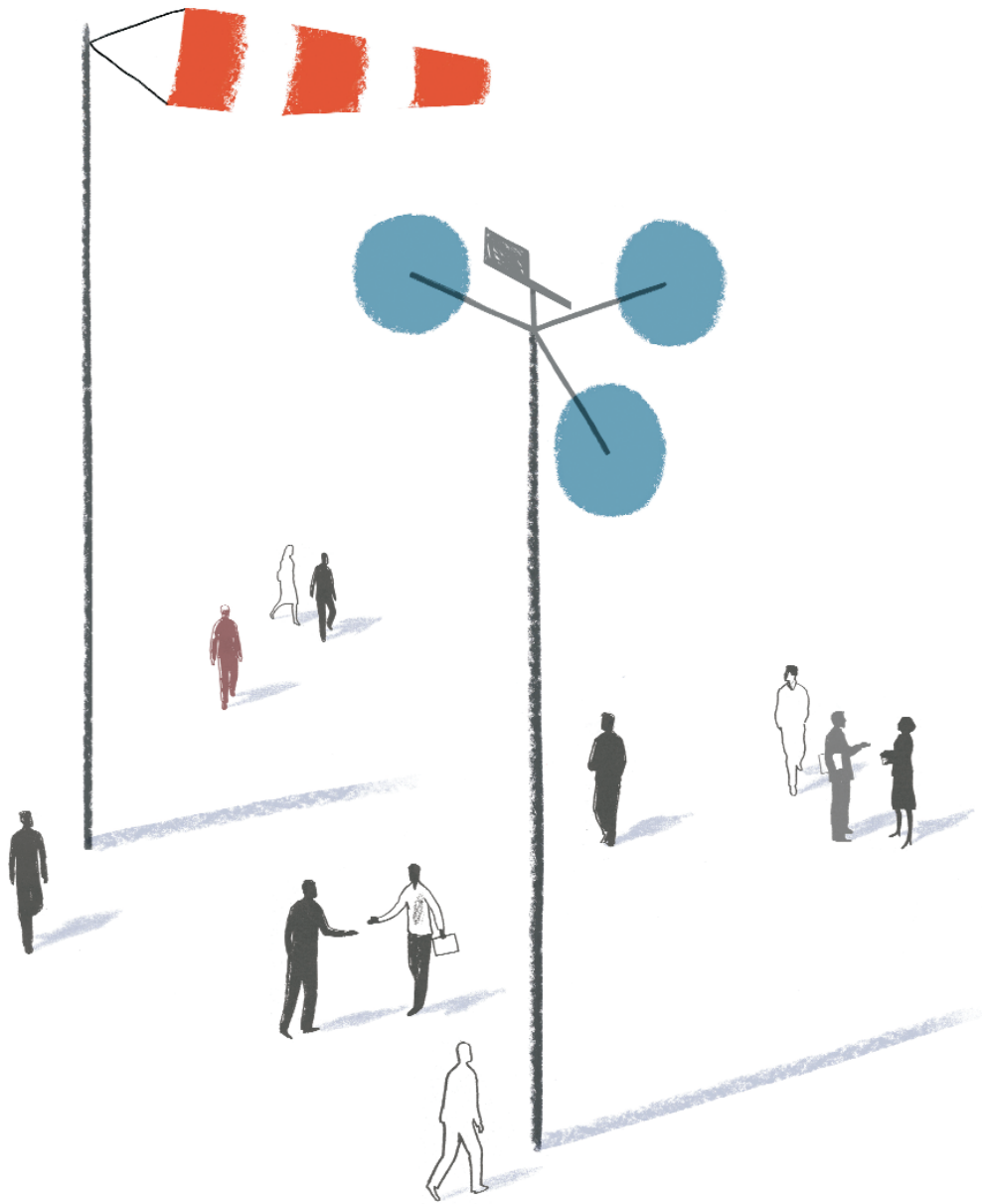


Take a fresh look at some of the **Not for Profit issues** currently affecting the sector.

Grant Thornton Not for Profit Survey 2007/2008



Executive summary

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The Grant Thornton 2007 Not for Profit Survey was designed to build on the findings from the 2003 and 2005 surveys and to highlight the trends in the New Zealand Not for Profit sector. In the current year this has been especially in the area of Governance.

Key findings to emerge include:

- The **three most challenging** issues for the Not for Profit sector are financing and fundraising, governance and the retention and motivation of key staff.
- Over half of survey respondents continue to be concerned about the **sustainability of their key sources of income**. However most organisations are confident about the funding they have in place for the next 12 months with 86% budgeting to make a surplus or at least break-even.
- 60% of respondents believe that their organisation will benefit from the **Taxation Changes on Donations** announced in the 2007 Budget.
- **Performance monitoring** is largely seen as the domain of the CEO. Not for Profits are coming under increasing scrutiny and pressure to demonstrate that their activities are delivering 'best value', whether they are competing for the public's charitable donations, grants or public sector service contracts.
- Not for Profit organisations define **success** in terms of making a real difference to users, and building a financially sustainable organisation with sound leadership and management.
- 93% of respondents undergo an **independent audit**.
- 52% of Boards focus on **operational** issues and 48% focus on **strategic** issues. The most important role of the Board is to keep the organisation focused on its mission.

Significant issues challenging the Not for Profit sector

This year, as in our previous surveys, respondents to our survey were asked to identify the three most significant issues challenging their Not for Profit organisation. Once again financing the activities of the organisation and governance topped the poll but retaining and motivating key staff and attracting new Trustees/Board members represented greater challenges to Not for Profit organisations than in the past.

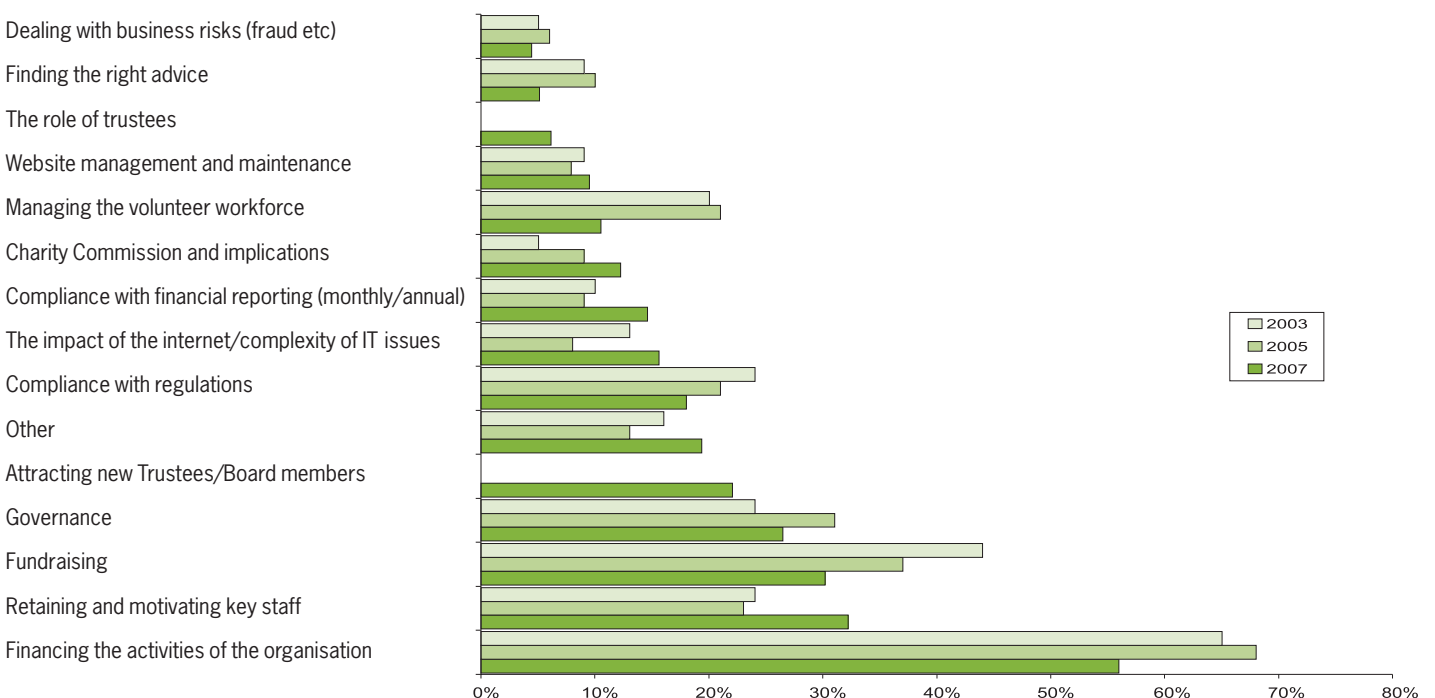
Financing the Activities of the Organisation and Fundraising

Financing the activities of the organisation continues to be a significant issue for respondents, although its significance has decreased from 68% in 2005 to 56% in 2007. Fundraising is an issue of significance to respondents but levels of concern have also decreased from 37% in 2005 to 30% in 2007. This may reflect that over the past five years many for Not for Profits have placed significant efforts into sourcing funds, expanding trading income and client/member numbers and have more confidence in the sustainability of their key sources of income.

The Role of Board/Governance Issues

Governance has been the key 'buzzword' in both the Not for Profit and commercial sectors over the past few years. It is reflected by its continued significance to our respondents, with 32% coping with Governance issues. Governance is the key to a solid working relationship between the Board and Executives and should be traditionally based on strategic not operational activity. However due to the nature of Not for Profits sometimes the people responsible for the governance process may also be responsible for carrying out the management activities.

Figure 1 - Most significant issues in 2007, compared to 2005 and 2003



Retaining and Motivating Key Staff

The retention and motivation of key staff was the biggest mover in the survey this year with 32% of respondents listing it as the most significant issue facing their organisation, up from 23% in the previous survey. The limited career path offered by some Not for Profits and the inability to match the salaries of the corporate sector can be demotivating factors for employees. Not for Profits need to be creative in developing alternative incentives to attract and retain staff.

Attracting New Trustees or Board Members

22% of respondents continue to have concerns about their ability to attract high calibre individuals to their Boards. There are widespread difficulties associated with finding the right blend of skills to ensure effective governance. Attracting and identifying new Board members should follow a proactive and structured process. The aim should be to achieve an equilibrium between members who are experts on the organisation, and those who have proven skills in governance.

Compliance with Regulations and Financial Reporting

Compliance with regulations continues to be a key issue with 18% of respondents, down from 21% in 2005. This may reflect that Not for Profits are receiving more specific training and information targeted at them. Or they are receiving sufficient professional advice to enable them to feel more comfortable with changing regulations. Compliance with financial reporting has become more of a key issue this year increasing to 15% in 2007 as opposed to 9% in 2005. This increase is expected with the imminent introduction of New Zealand International Financial Reporting Standards (NZ IFRS).

Website Management and Maintenance and the Impact of the Internet/IT Issues

Website management and maintenance continues to be a significant issue for 9% of respondents, the same as in 2005. However 16% of respondents rate the Impact of the Internet/IT Issues as a significant issue, an increase of 8% from our previous survey. This may reflect that the Internet is becoming a more valuable business tool for Not for Profits, enabling them to get their message across to a broader audience, and a method for attracting new sources of both income and members.

The Charities Commission and its Implications

The Charities Commission continues to be of concern to respondents with 12% rating it a significant issue, an increase from 9% in 2005. This is not unexpected given that the Charities Act and Charities Commission have now become a reality and many Not for Profits are going through the process of registering with the Charities Commission.

Managing the Volunteer Workforce

There has been a significant decrease in those respondents rating managing the volunteer workforce as a significant issue with only 10% rating it as significant compared with 21% in 2005. This is surprising given that volunteers are critical to the survival of many Not for Profits. Perhaps the retention and motivation of employees has become more of a significant issue than managing the volunteers. Not for Profits will need to ensure that they don't take their eye off the ball when it comes to volunteers as finding them may become a greater problem in the future, with rising employment levels and the drive to get people into paid work further reducing the number of available volunteers.

Other Issues

Respondents were invited to nominate key issues additional to the list suggested; 19% took this opportunity compared to 13% in 2005.

Some issues are common to a number of respondents. These include:

- problems relating to Government
- strategic development
- succession planning
- getting recognition from the community for the value of work undertaken.

Organisational activities - funding

The main sources of funding

Funding from Government and Local Government provided respondents with 25% of their funding, an increase from 18% in our 2003 survey. This may be a reflection of the Government relying more on Not for Profits to provide community services which in the past may have been the domain of the Government.

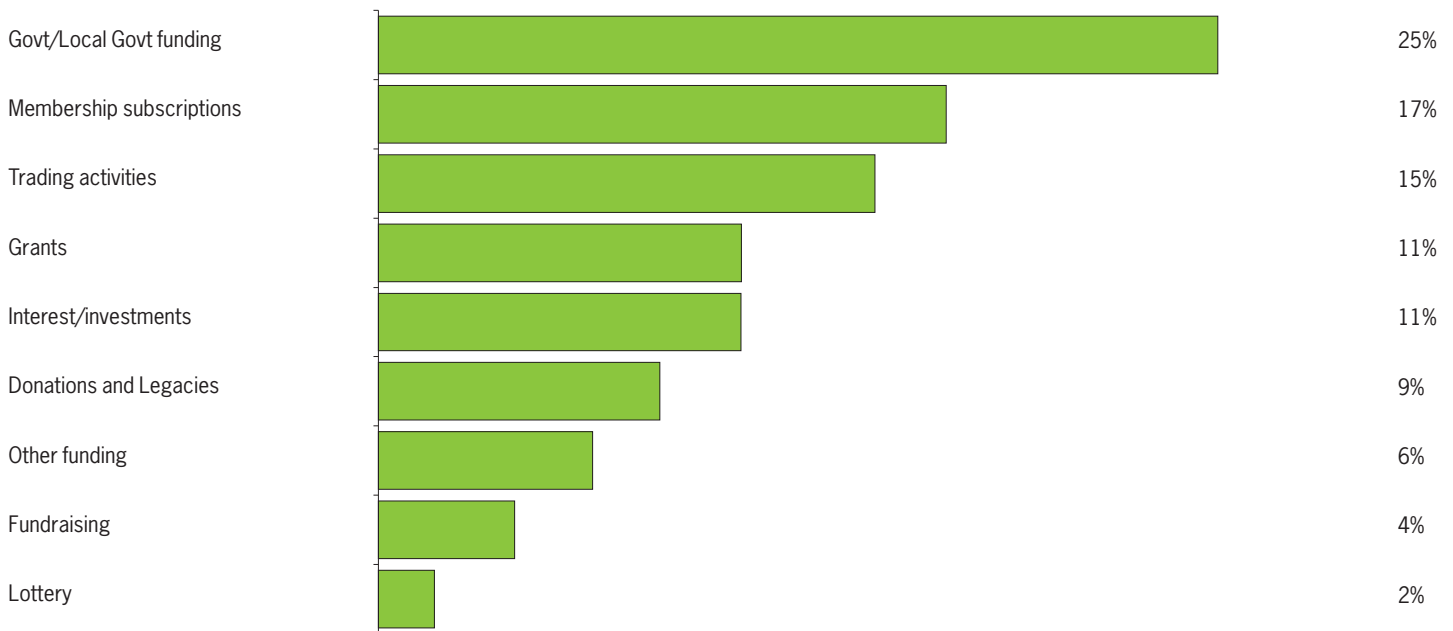
Membership subscriptions contribute a further 17% of revenue as opposed to

24% in 2003. This may just be a reflection of the nature of the Not for Profits who responded to our survey or a reflection that many Not for Profits are failing to provide the benefits or services that members want.

Funding from trading activities dropped to 15% from 25% in 2003. Perhaps Not for Profits are experiencing more competition from commercial business in operating their trading activities.

Income from traditional sources such as donations, legacies and lottery grants has dropped as Not for Profits face increased competition for the charitable dollar. More organisations are reaching out to commercial entities for sponsorship.

Figure 2 - Main types of funding for your organisation?



Sustainability

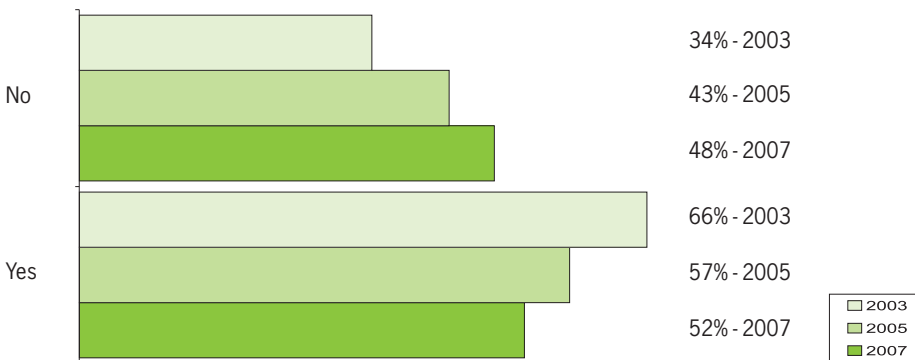
Over half of the respondents continue to be concerned about the sustainability of their key sources of income. This comes as no surprise, given that financing the activities of the organisation and fundraising continue to be significant issues facing the sector. Many respondents face difficulties because their funding sources are subject to

constant change or renewal.

However most organisations are confident about the funding they have in place for the next 12 months with 86% budgeting to make a surplus or at least break-even. This suggests that Not for Profits are well focused on the need to raise income and are giving more thought into how they can balance the

books in the event that income levels do come under threat. In that event more than half of the respondents were prepared to consider controlling costs, reducing programmes and activities, arranging alternative sources of income and utilising the reserves from within the organisation. Not for Profits continue to demonstrate flexibility to guarantee their financial survival.

Figure 3 - Do you have concerns about sustainability of your key sources of income?

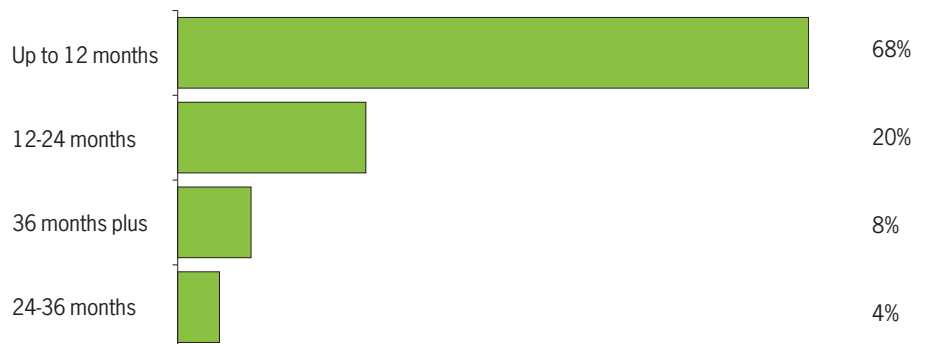


Financial Budgets and Forecasts

68% of respondents continue to produce financial budgets or forecasts that look out only for a period of up to 12 months. This, however, is a slight improvement on our last survey, where this figure was 74%. The focus on short term planning may be a reaction to the often uncertain and renewable nature of Not for Profit funding.

Ideally, financial budgets and forecasts should look out at least two years to give greater certainty, to enhance forward planning and to reassure stakeholders who provide funding or contracts for longer than 12 months.

Figure 4 - Financial budget/forecasts currently cover:



Stakeholders

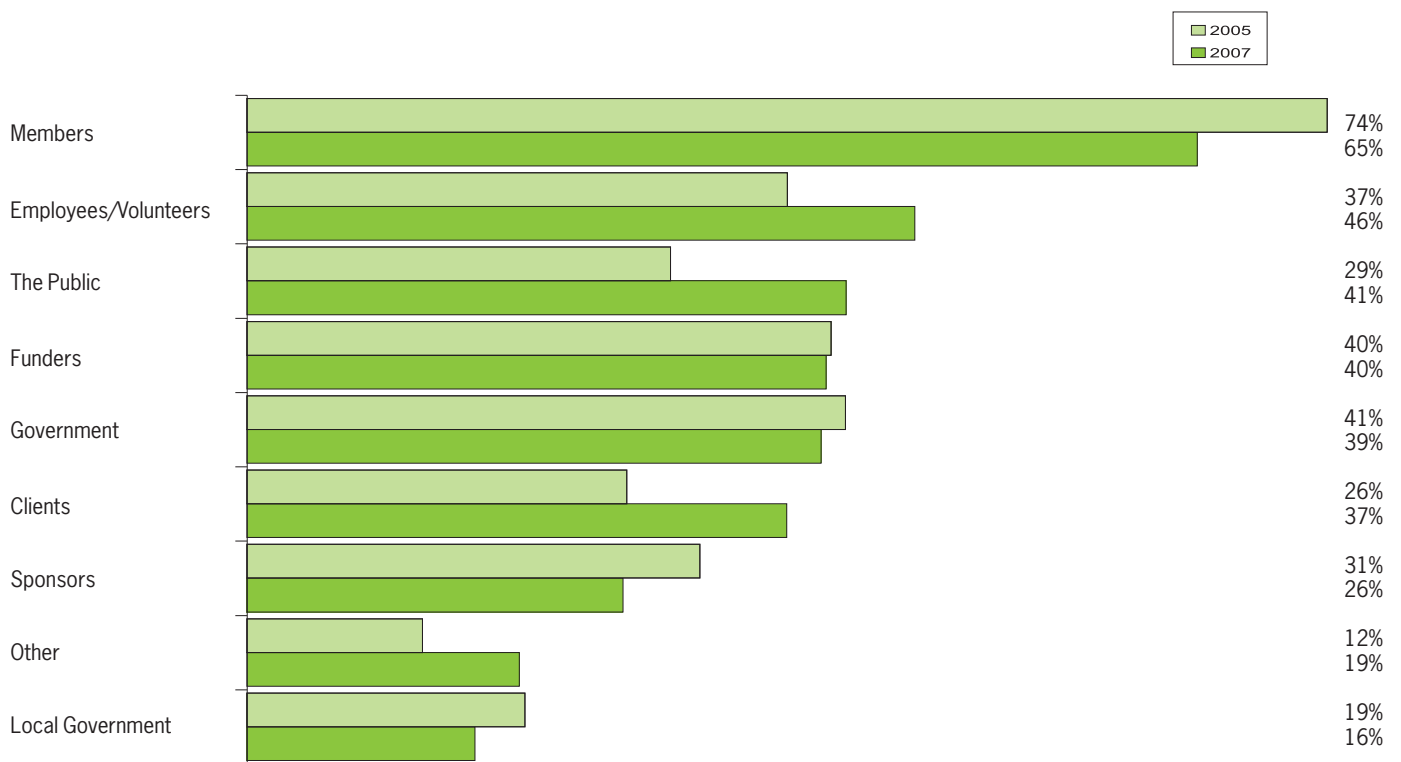
The key distinction between Not for Profits and their commercial counterparts is that Not for Profits are accountable to their stakeholders, not to shareholders. Not for Profits can have multiple stakeholders, as reflected in our survey results. The challenge is to prioritise their most important stakeholders, and to then devote enough

resources to communicate effectively with them and to satisfy their reporting requirements.

Although members continue to be the most common key stakeholder for respondents at 65%, this represents a decrease on the 2005 result of 74%. Employees and volunteers are now recognised as the next most key

stakeholder at 46%. This is probably a reflection of the retention and motivation of key staff being one of the most significant issues challenging their organisation. The public has also gained importance as a stakeholder since our last survey, achieving 41%. This recognises that Not for Profits wish to be seen as being socially responsible.

Figure 5 - Who are your key stakeholders?



Taxation Changes on Donations

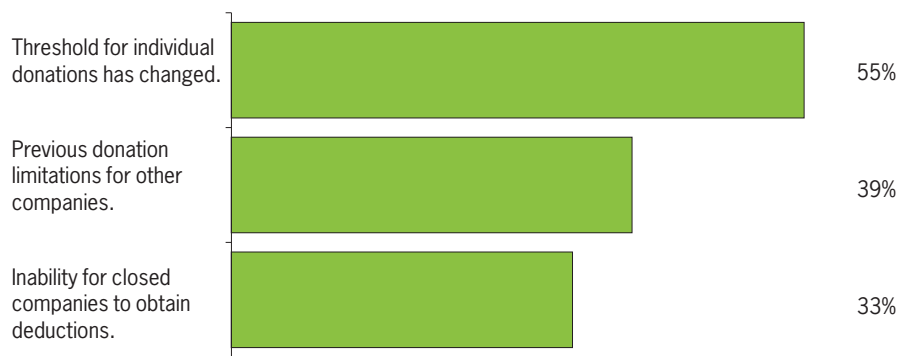
Following extensive lobbying from the Not for Profit sector, in its latest budget the Government announced a number of changes to the tax rules on charitable giving. The \$1,890 threshold below which individuals can claim a tax rebate for cash donations to donee organisations was removed. Donors will now be able to claim a 33% tax rebate for donations up to their annual net income.

The 5% limit on deductions that companies can claim for cash donations to charitable organisations was also removed. Companies are now entitled to a deduction for donations made to charitable organisations, limited only by the amount of the company's net income. The company deduction is also being extended to unlisted close companies (companies with five or fewer shareholders).

When asked what the best tax change will be for their organisation 55% of respondents believed that the changing of the individual donations threshold was best for them. The change to donation limitations for companies was the next best change at 39% with changes to close companies third, at 33%.

Overall 60% of respondents believed that their organisation would benefit from the changes.

Figure 6 - Taxation changes. The best tax change for your organisation will be:



The daily work

Performance Monitoring

Not for Profits are coming under increasing scrutiny and pressure to demonstrate that their activities are delivering 'best value', whether they are competing for the public's charitable donations, grants or public sector service contracts. This necessitates establishing performance-monitoring systems to regularly collect and review information on the effect of their services.

Performance monitoring is largely seen as the domain of the CEO with 71% of respondents reporting that their CEO is in charge of performance monitoring. Both the Chair and the Board are also involved in performance monitoring with 60% being reported as moderately to heavily involved. Staff and volunteers are seen as having minimal responsibility for performance monitoring.

97% of respondents have made changes over the last three years to their approach to performance monitoring and evaluation, with 70% making substantial changes. 47% envisage that their approach to performance monitoring will be subject to major change in the future.

A number of factors are influencing this change:

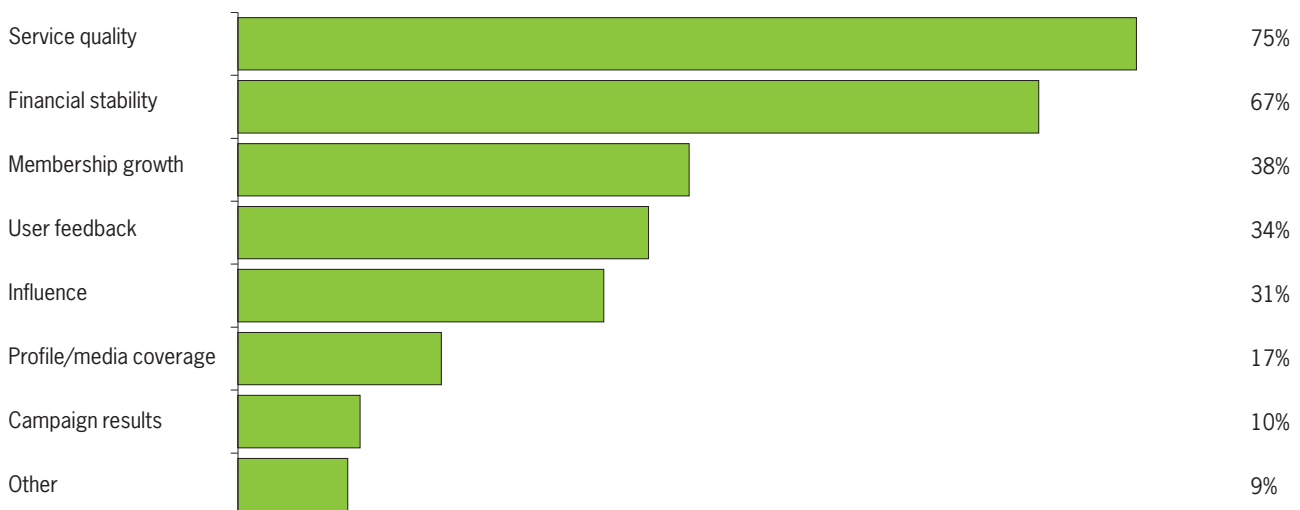
- Increased pressure to demonstrate value for money to funders, particularly statutory funders
- More intense media scrutiny
- Increasing competition for donated income and volunteers
- A perception that service users have higher expectations of services
- Increased funder interest in outcomes information
- An emphasis on quality standards on the part of some purchasers and other funders.

Indicators of Success

The survey shows that the most important indicator of success for organisations is service quality, with 75% of respondents ranking this as most important. Financial stability was identified as the second most important by 67% of respondents. Membership growth (38%) and user feedback (34%) were ranked third and fourth respectively.

Not for Profits define success in terms of making a real difference to users, and building a financially sustainable organisation with sound leadership and management. Influencing the policy and practice of other organisations, including public sector organisations, also forms part of measuring success.

Figure 7 - The most important indicator of success of your organisation is:



Board time

Board Committees

Boards generally appoint committees to focus on particular areas of Board responsibility. Because committees are essential subsets of the full Board, they can devote a good deal of time to an issue before bringing it to the entire Board - maximising the effectiveness of the time that the full Board spends on an issue. All Board members should serve on one or more Board committees based on their skills and talents.

While committees areas of focus vary according to an organisation's purpose and programmes, certain types of committees are common to many organisations.

Executive committees are often empowered to act for the full Board between meetings should the need arise. 40% of survey respondents have an

executive committee although a number of respondents commented that the Board was the executive committee.

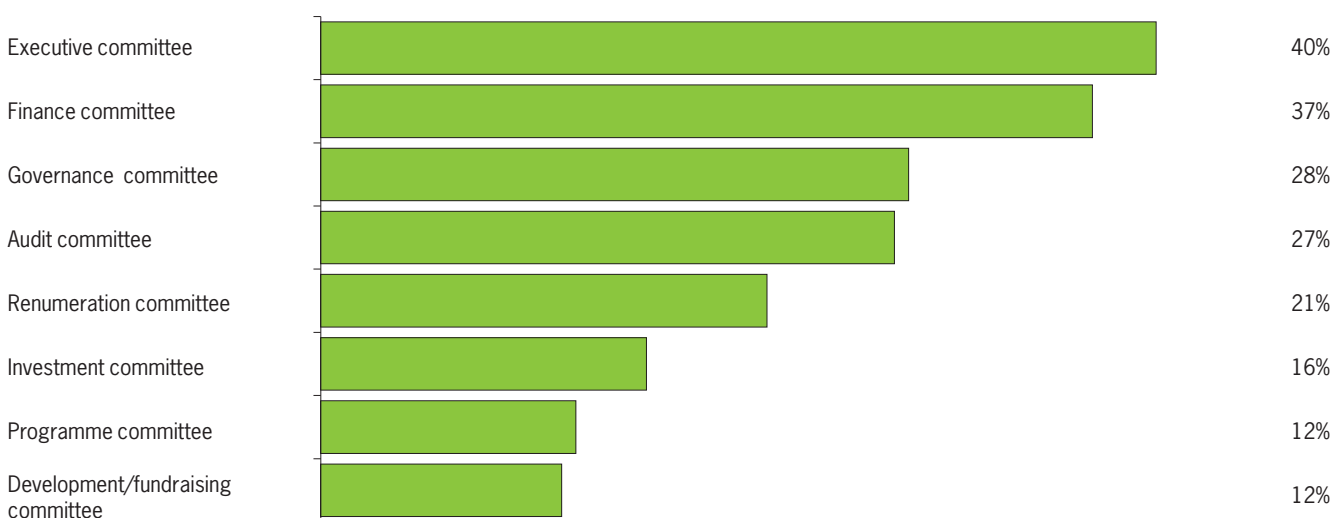
37% of respondents have finance committees. The main focus of a finance committee should be to maintain a continuing overview of the financial affairs of the organisation. Using this information, it is the finance committees duty to make appropriate recommendations to the Board or Executive Committee regarding financial matters.

An audit committee provides independent oversight into an organisations accounting and financial reporting and oversees the organisation's annual audit (both external and internal). The number of respondents having audit committees has dropped from 38% in 2005 to 27% in 2007. This continues to

reflect the downward trend experienced over our last two surveys when in 2003 two-thirds of respondents operated audit committees. Giving the ever-changing financial reporting environment it would appear unusual for this drop to continue. Perhaps it was simply a popular trend that has now "done its dash" or perhaps Boards do not have sufficiently experienced members to form such a committee.

Surprisingly, even though respondents have identified financing the activities of the organisation and fundraising amongst the most significant issues challenging their organisation, only 12% have development/fundraising committees. Perhaps this is seen as a challenge for the whole Board to focus on rather than delegating to a specialist committee.

Figure 8 - Board Committees



Audit v Review

An audit is designed to provide a high, but not absolute, level of assurance that the information subject to audit is free from material mis-statement.

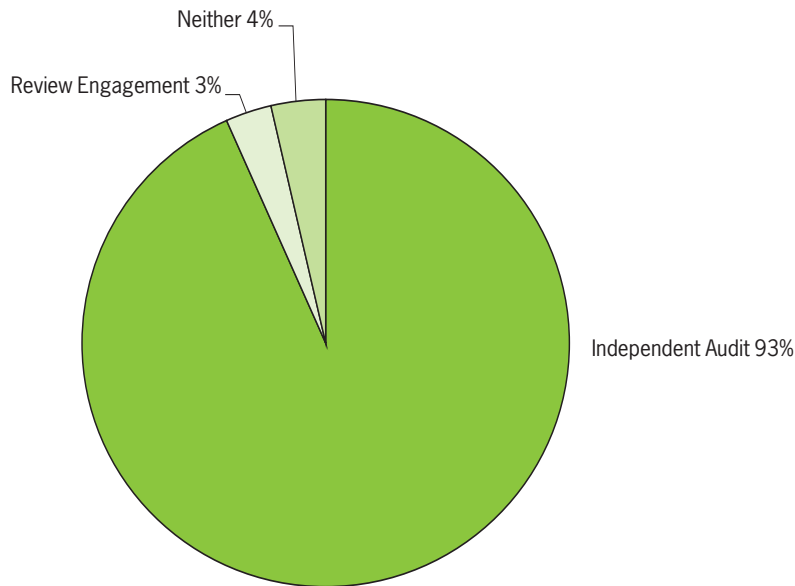
A review is a limited assurance engagement designed to provide a moderate level of assurance on the subject matter. This limited assurance is expressed negatively as the review reports, "nothing has come to my attention that causes me to believe the financial statements do not present a true and fair view of various matters".

93% of our respondents undergo an independent audit, while only 3% undergo an independent review. Audits have always traditionally been required by either the Not for Profit's constitution or rules, or by their funders. It may be that an independent review could suffice in many cases.

The Professional Standards Division of the New Zealand Institute of Chartered Accountants has issued an information document for funding providers entitled "Understanding Services Available From Our Members". The purpose of

this information document is to introduce funders to the services that members of the Institute can provide, highlighting the differing levels of assurance provided by each. It concludes that with increased focus on public accountability, funding bodies are aware of the need to balance their monitoring requirements with the costs and benefits of these monitoring arrangements.

Figure 9 - Are your financial statements subject to:



Meeting with the Auditor

44% of respondents Boards/Audit Committees meet separately with their auditors/independent reviewer, and 70% of these meetings usually occur on average once a year. As a best practice, the organisation's audit partner should attend a full Board meeting once a year to briefly present the audit results and be available for any questions.

If the organisation has an audit committee, they should meet with their auditors at least twice a year - once to review the plan for the external audit and again to receive the results of that audit. Many committees also meet with the auditor at other times to review their assessment of the organisations internal controls and risk management.

Board Membership

52% of Boards have independent members, represented by other business executives (33%), chartered accountants (29%), lawyers (21%), and other specialists unique to the services the organisation provides.

Overall management expertise in Board members is important. Board members should be able to understand and interpret financial and operating reports and help form corporate policies, plans and objectives. They should be aware of their public and social responsibilities and be familiar with legislation that effects the organisation.

If this experience cannot be found amongst members of the organisation from which Board members are usually selected, it is important that they co-opt an independent member who possess these skills.

Annual Self Assessment

Self-assessments can help Boards determine how well they are carrying out their responsibilities and identify areas in need of improvement. Only 39% of Boards undertake an annual self-assessment, which is a decrease on the last survey. Some respondents have indicated that they undertake assessments but less often than annually.

A Board that takes the time to perform self-assessments indicates a desire for greater accountability.

Figure 9 - Does your auditor separately meet with your Board/Audit Committee

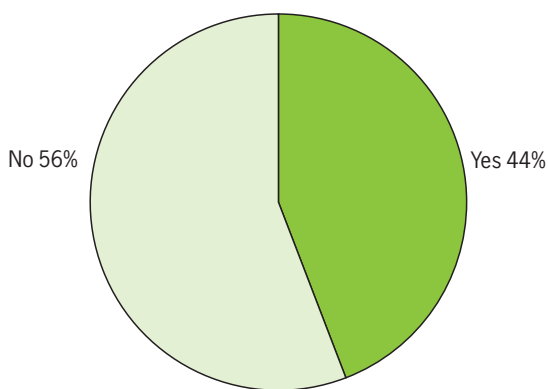
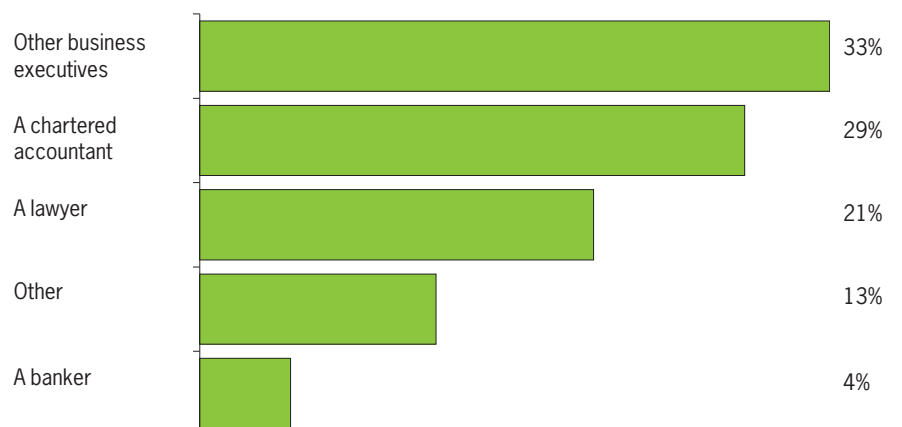


Figure 10 - Does your Board include:



Term Limit

61% of Boards surveyed do not have limits on the number of times a member can stand. This is probably a reflection of the difficulty some organisations face in attracting new Trustees/Board members.

Term limits have many associated benefits, including an increase in new ideas and different perspectives, a lower risk of the Board becoming too closely aligned with management, and the opportunity to invite new Board members who have experience in areas in which the Board is lacking.

"Board Only" Time

Since the last survey there has been a slight increase toward the use of "Board only" time (i.e. time when non-Board members are excused and Board members have an opportunity to discuss issues among themselves).

58% of the survey respondents' Boards had "Board only" time during at least some meetings (an increase on the 47% from 2005), but 42% of respondents never have "Board only" time. "Board only" time may be viewed by some as a source of tension between Boards and management, and may be avoided as a result. Incorporating "Board only" time into all Board meetings as part of the standard agenda avoids causing undue stress to management. Many organisations have come to consider the use of "Board only" time as a best practice.

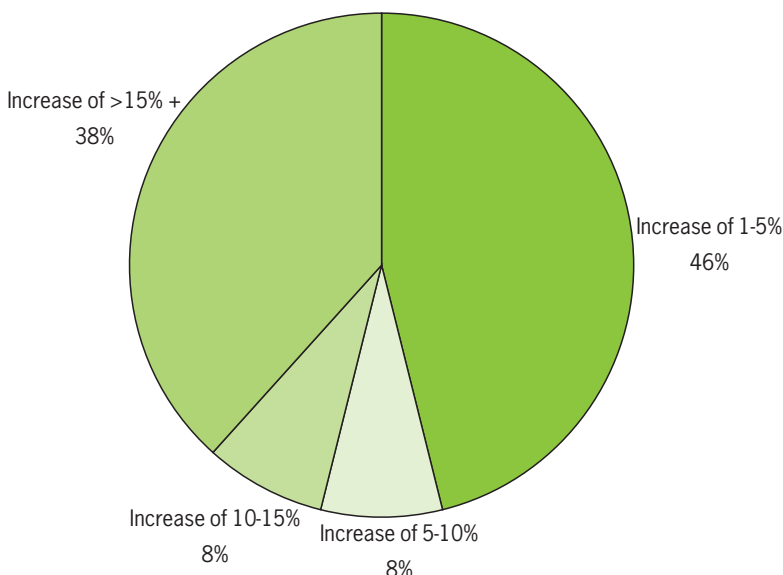
Remuneration of Board Members

A third of respondents continue to remunerate their board members, which is on par with the results from our 2005 survey. However remuneration levels have increased on last year with only 19% of organisations offering a fee level per individual of no more than \$1,000 per annum compared to 26% previously. 36% offer a maximum fee level of \$5,000 per individual, with Chairpersons usually remunerated at higher levels. In some organisations the Chairperson is the only board member to be paid. In 71% of cases, remuneration has not been increased in the past year.

With attracting new Trustees/Board members and Governance being two of the most significant issues challenging Not for Profit organisations, an increased trend towards remunerating Board members may have been expected. When trying to attract skilled, high calibre Board members, remuneration can expand the potential pool of candidates, especially amongst those who need to take time off from their usual work to serve on Boards.

A reason for non-payment may be the conflict this may cause with an organisations voluntary ethos. This is important to many organisations, and is often at the heart of its culture and values. The introduction of payments may also be seen to divert important funds away from service delivery. Some organisations believe that paying their Board members does not improve governance or the performance of the Board.

Figure 11 - Percentage increase in Board remuneration in the last 12 months?



Governance

Board Policies

Policies give direction to a Board and help prioritise tasks. Policies also help ensure that both Board and staff understand their responsibilities and expectations.

50% of Not for Profits surveyed indicate that they have made changes to their governance policies in the last three years, reflecting the increased need for governance and accountability many organisations are experiencing. Changes are much more likely to have occurred in larger Not for Profits that have access to more expertise and information, as well as more extensive stakeholder expectations. Over time, changes are occurring in smaller organisations, but at a slower pace. Well-developed governance policies that are properly implemented set the most effective Not for Profits apart. These organisations truly live the concept of serving the 'greater good' and demonstrating proper stewardship in all that they do. They seek to implement best practices and

yearn to understand emerging issues and 'next' practices.

Not for Profits continue to implement new policies, procedures and controls to ensure sound governance. 77% of respondents have mission statements and 52% have values statements which is not unexpected for the Not for Profit sector; however only 39% of respondents confirm that they have a code of ethics statement. Compared to 54% in 2005 this is a significant decrease. One can only speculate as to the reason for this decrease - whether organisations believe it is inherent in their mission and values statements or whether it is due to the size and nature of the respondents.

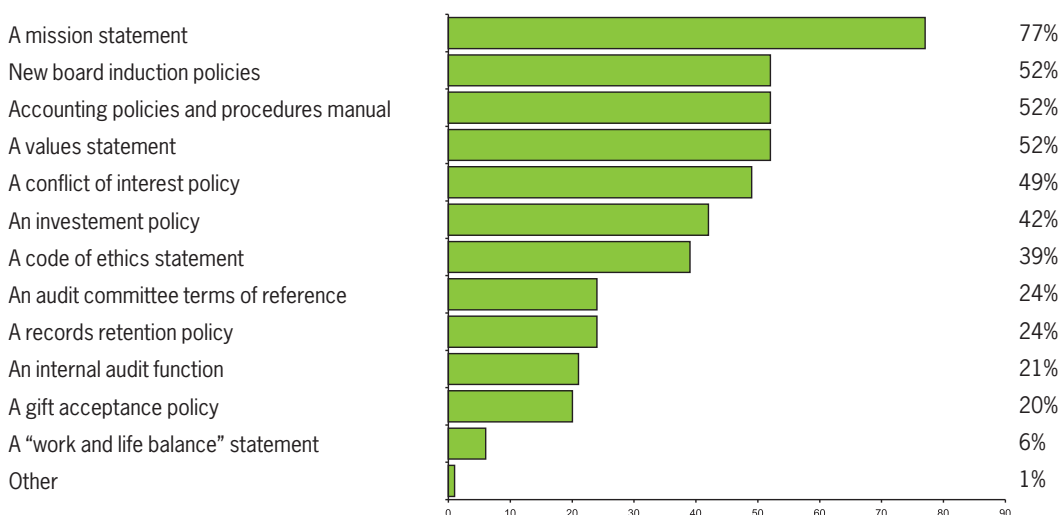
Accounting policies and procedures manuals were maintained by 52% of respondents. Documentation is important as it assists new people appointed both to Boards and staff to come up to speed quickly with best organisational practice. It also engenders confidence amongst staff and

stakeholders that the Board, and the organisation in general, is operating professionally and is accountable.

Surprisingly, 21% of respondents report that they have an internal audit function. Many Not for Profits are establishing new internal audit functions or are enhancing existing functions to give the Board and stakeholders more confidence in the organisation's internal controls over business risk, compliance and financial reporting. Outsourcing the internal audit function is also becoming a growing trend for the larger Not for Profits.

Only 6% of Not for Profits surveyed had a 'work/life' balance policy. Could this be the reason why a number of respondents report retaining and motivating key staff as one of the most significant issues challenging their organisation? We would anticipate a major lift by the time of our 2009 survey.

Figure 12 - Which of the following policies do you have in place:



Conflict of Interest Policy

Conflict of interest policies are designed to identify potential conflicts and to manage them in such a way that a Not for Profit Board can reach informed decisions that guard against the possibility of any individual receiving an inappropriate benefit. A conflict of interest policy protects the independence of Board members, management, staff, the external auditor, and other suppliers, so that each entity performs only its role and is not compromised in any way.

49% of survey respondents confirm that they have a conflict of interest policy, down from 60% in the last survey. This again may be due to the size and nature of the respondents but also because for many this was not a separate documented policy but included in their employment agreements. Conflict of Interest Policies are signed mainly by Board Members (51%) and Executive Management (23%) but some organisations required all staff and volunteers to sign, which is best practice. 62% required the conflict of interest policy to be signed annually and 37% at each Board meeting.

Most Important Board Task

The Board has certain key responsibilities that are essential to an organisations success. 47% of survey respondents say strategic planning is the Boards most important task, and 28% say oversight of management is the Boards most important task. For 17% of respondents, ensuring effective programmes was most important and, surprisingly, only 2% say that protecting the organisation's reputation is the Board's most important task.

Figure 13 - Who signs your conflict of interest policy

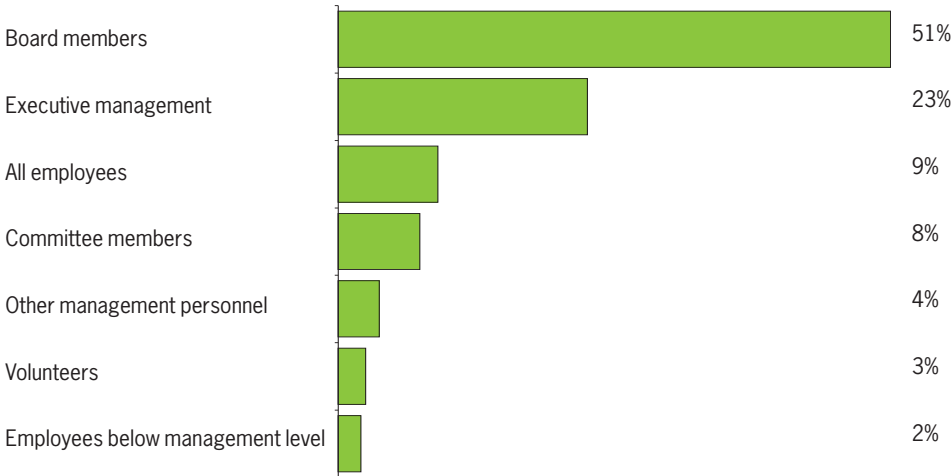
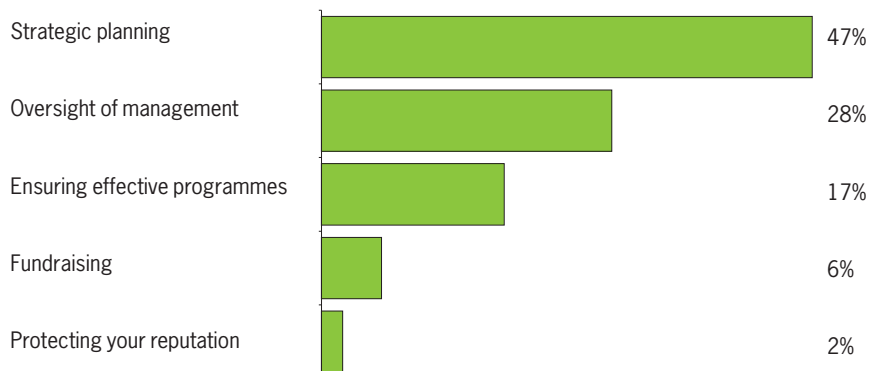


Figure 14 - What is the most important task of your Board at its next meeting?



Strategic v Operational

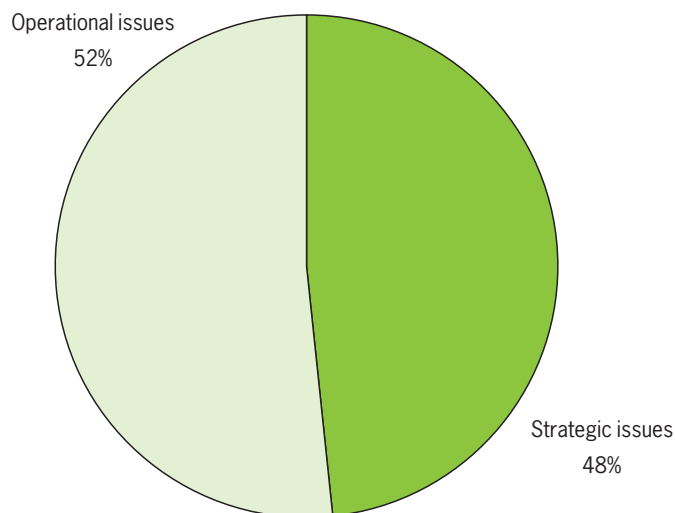
When asked how much Board time is focused on strategic and operational issues, 48% of respondents focus on strategic issues and 52% focus on operational issues.

The most important role of the Board is to keep the organisation focused on its mission. Board members need to make certain that there is a strategic plan to describe how the organisation will fulfil its mission going forward. Board members should make certain that the organisation acts upon its approved plans and should measure proposals against previously approved plans.

While the Board should not manage the organisation directly, it should be satisfied that the organisation is managed effectively. To achieve that task, the Board should ask enough questions to satisfy itself that qualified and sufficient staff are assigned to key tasks, that resources are allocated through a realistic budget consistent with the mission, that internal controls are in place to prevent fraud or non-compliance, that proper ethical and governance standards are followed, and that the programmes of the organisation have clearly defined purposes and are successful in achieving those purposes.

It is important for the Board and the management of the organisation to have a clear understanding of the distinctive roles of each. Much confusion (and sometimes conflict) occurs when the distinctions aren't clear.

Figure 15 - Does your Board spend time to focus on:



Self assessment

Survey Results

Organisational activities - Funding

What are the main types of funding for your organisation?

	Approx % of income
<input type="checkbox"/> Donations & Legacies	9%
<input type="checkbox"/> Grants	11%
<input type="checkbox"/> Membership subscriptions	17%
<input type="checkbox"/> Govt/Local Govt funding	25%
<input type="checkbox"/> Fundraising	4%
<input type="checkbox"/> Lottery	2%
<input type="checkbox"/> Interest/Investments	11%
<input type="checkbox"/> Trading activities	15%
<input type="checkbox"/> Other funding	6%

Do you have concerns about the sustainability of your key source(s) of income?

Yes **52%** No **48%**

In preparing your 12 month financial budget, do you plan to:

<input type="checkbox"/> Make a surplus and reinvest in the organisation	28%
<input type="checkbox"/> Make a small surplus	29%
<input type="checkbox"/> Breakeven	29%
<input type="checkbox"/> Make a small deficit	10%
<input type="checkbox"/> Make a substantial deficit	4%

Do your financial budget/forecasts currently cover:

<input type="checkbox"/> Up to 12 months?	68%
<input type="checkbox"/> 12-24 months?	20%
<input type="checkbox"/> 24-36 months?	8%
<input type="checkbox"/> 36 months plus?	4%

Your Answers

Who are your key stakeholders?

<input type="checkbox"/> Members	65%
<input type="checkbox"/> Clients	37%
<input type="checkbox"/> Government	39%
<input type="checkbox"/> Local Government	16%
<input type="checkbox"/> Sponsors	26%
<input type="checkbox"/> Funders	40%
<input type="checkbox"/> The Public	41%
<input type="checkbox"/> Employees/Volunteers	46%
<input type="checkbox"/> Other	19%

Your Answers

Taxation changes on donations take effect from 1 April 2008. The best tax change for your organisation will be: (Please rank your preferences 1-3)

<input type="checkbox"/> Threshold for individual donations has changed	55%
<input type="checkbox"/> Inability for close companies to obtain deductions has been removed	33%
<input type="checkbox"/> Previous donation limitations for other companies has been removed.	39%

The daily work...

If income levels are forecast to be insufficient, do you:

<input type="checkbox"/> Cost control	66%
<input type="checkbox"/> Reduce programmes/activities?	57%
<input type="checkbox"/> Arrange alternative sources of income	50%
<input type="checkbox"/> Utilise reserves from within the organisation	57%
<input type="checkbox"/> Other	7%

To what extent has your organisation's approach to performance monitoring/evaluation changed in the last three years?

<input type="checkbox"/> 1 - Improved	27%
<input type="checkbox"/> 2	42%
<input type="checkbox"/> 3	27%
<input type="checkbox"/> 4	3%
<input type="checkbox"/> 5 - Weakened	1%

To what extent will your organisation's approach to performance monitoring/evaluation will change in the future?

- Dramatically **10%**
- Very much **38%**
- Slightly **41%**
- Minimal **11%**

The most important indicator of success of your organisation is: (Please rank your top three 1-3)

- Service quality **75%**
- Financial stability **67%**
- Influence **31%**
- Campaign results **10%**
- Membership growth **38%**
- User feedback **34%**
- Profile/media coverage **17%**
- Other **9%**

Board time... focused on the future of the organisation is time well spent.

Which of the following Board committees does your organisation have?

- Audit committee **27%**
- Investment committee **16%**
- Finance committee **37%**
- Executive committee **40%**
- Governance committee **28%**
- Development/fundraising committee **12%**
- Remuneration committee **21%**
- Programme committee **12%**

Are your financial statement subject to:

- Independent Audit **93%**
- Review Engagement **3%**
- Neither **4%**

Your Answers

Does your auditor separately meet with your Board/Audit Committee?

Yes **44%** No **56%**

If yes, how often during the year?

- Once **70%**
- 2-3 times **24%**
- 4 plus times **6%**

Does your Board have any independent members? Yes **52%** No **48%**

If yes, does it include:

- A chartered accountant **29%**
- A banker **4%**
- Other business executives **33%**
- A lawyer **21%**
- Other **13%**

Does your Board perform an annual self-assessment of its performance?

Yes **39%** No **61%**

Do your Board members/Trustees have a limit on the number of times they can stand? Yes **39%** No **61%**

How often does your Board meet without the executive ("Board only" time)?

- Every meeting **5%**
- Most meetings **17%**
- Some meetings **36%**
- Never **42%**

Are any of your Board members remunerated for their Board position?

Yes **34%** No **66%**

If yes, what is the annual fee level per individual?

- \$0-\$1,000pa **19%**
- \$1,000-\$5,000pa **35%**
- \$5,000-\$15,000pa **36%**
- \$15,000pa + **10%**

Your Answers

Has there been an increase in Board remuneration in the last 12 months?
 Yes **30%** No **70%**

If yes, percentage increase?

<input type="checkbox"/> 1-5%	46%
<input type="checkbox"/> 5-10%	8%
<input type="checkbox"/> 10-15%	8%
<input type="checkbox"/> >15%+	38%

Governance... is the key to a solid working relationship between the Board and Executives. It should be based on strategic not operational activity.

Has your organisation made any significant changes to governance policies in the last three years?
 Yes **50%** No **50%**

Which, if any, of the following policies does your organisation have in place?

<input type="checkbox"/> An audit committee terms of reference	24%
<input type="checkbox"/> A code of ethics statement	39%
<input type="checkbox"/> New board induction policies	52%
<input type="checkbox"/> Accounting policies and procedures manual	52%
<input type="checkbox"/> A conflict of interest policy	49%
<input type="checkbox"/> A "work and life balance" statement	6%
<input type="checkbox"/> A records retention policy	24%
<input type="checkbox"/> An internal audit function	21%
<input type="checkbox"/> An investment policy	42%
<input type="checkbox"/> A gift acceptance policy	20%
<input type="checkbox"/> A values statement	52%
<input type="checkbox"/> A mission statement	77%
<input type="checkbox"/> Other	1%

Your Answers

If your organisation has a conflict of interest policy, who signs the policy?

<input type="checkbox"/> Board members	51%
<input type="checkbox"/> Committee members	8%
<input type="checkbox"/> Executive management	23%
<input type="checkbox"/> Other management personnel	4%
<input type="checkbox"/> Employees below management level	2%
<input type="checkbox"/> All employees	9%
<input type="checkbox"/> Volunteers	3%

How often do you sign your conflict of interest policy?

<input type="checkbox"/> Annually	62%
<input type="checkbox"/> 6 monthly	1%
<input type="checkbox"/> At each Board meeting	37%

What is the most important task of your Board at its next meeting?

<input type="checkbox"/> Strategic Planning	47%
<input type="checkbox"/> Fundraising	6%
<input type="checkbox"/> Protecting your reputation	2%
<input type="checkbox"/> Oversight of management	28%
<input type="checkbox"/> Ensuring effective programmes	17%

Does your Board spend time to focus on:

<input type="checkbox"/> Strategic issues	48%
<input type="checkbox"/> Operational issues	52%

Your Answers

The survey methodology

The Grant Thornton 2007 Not for Profit Survey built on our earlier surveys undertaken in 2003 and 2005. 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 the industry.

Most questions were multi-choice, with opportunity to provide written comment where relevant.

Respondents had the choice of remaining anonymous, or of supplying identifying information. All identifying information provided has been respected as confidential.

Questionnaires were sent by post or email to 1,180 Not for Profit organisations. A questionnaire was also available on the Grant Thornton website. We had a high rate of participation, with 297 completed surveys received, resulting in a 25% return rate, which exceeds the average response for postal surveys in New Zealand. 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 Profits. Entities of all sizes responded. Over two thirds of respondents have employee and/or volunteer numbers of between 0 and 50 but, at the other end of the scale, 13% have over 500 employees and/or volunteers. The nature of the activities pursued by respondents is varied. They include accommodation, advocacy, agriculture, animal protection and welfare, the arts, broadcasting, budgeting, building management, business support, child care, conservation, culture, economic development, education, employment, energy, environment, events management, finance, funding agencies, genealogy, general good, health and welfare, heritage preservation, horticulture, housing, industry training, information, information technology, investment, iwis, local government, Maori service providers, membership/trade institutions and associations, relief of poverty, religion, rescue services, research, residential

care/support, social services, sports and physical activities, tourism, unions and youth development. Our participants are representative of the very diverse nature of New Zealand's Not for Profit sector.

Charitable Donation

Grant Thornton pledged a \$500 donation to the Wellington City Mission at the request of Alan White, the winner of the draw open to all respondents who returned completed questionnaires by 3 September 2007.

About Grant Thornton

Grant Thornton has a dedicated Not for Profit team working to help your organisation help others. We know your issues. 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 Profits.
- 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 Board's role in achieving it.
- Risk management services including business and personal risk reviews, investment planning and workplace insurance.
- Information technology 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 on Not for Profits.

Why Grant Thornton?

Serving the Not for Profit sector is a core focus in our firm. A selection of our committed partners and managers have spent a significant part of their careers working with, and for, Not for Profits. We understand the complex challenges you face and have the know-how to help you innovate 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 us and experience first-hand:

- Personal attention from 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.

If you want to learn more about how Grant Thornton can assist your organisation, please contact our regional specialist partners.

Or, visit our websites:

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