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Head over heart: the future of nonprofit finance questionnaire Summary feedback

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Centre for Charity Effectiveness

Intellectual leadership: developing talent, enhancing performance

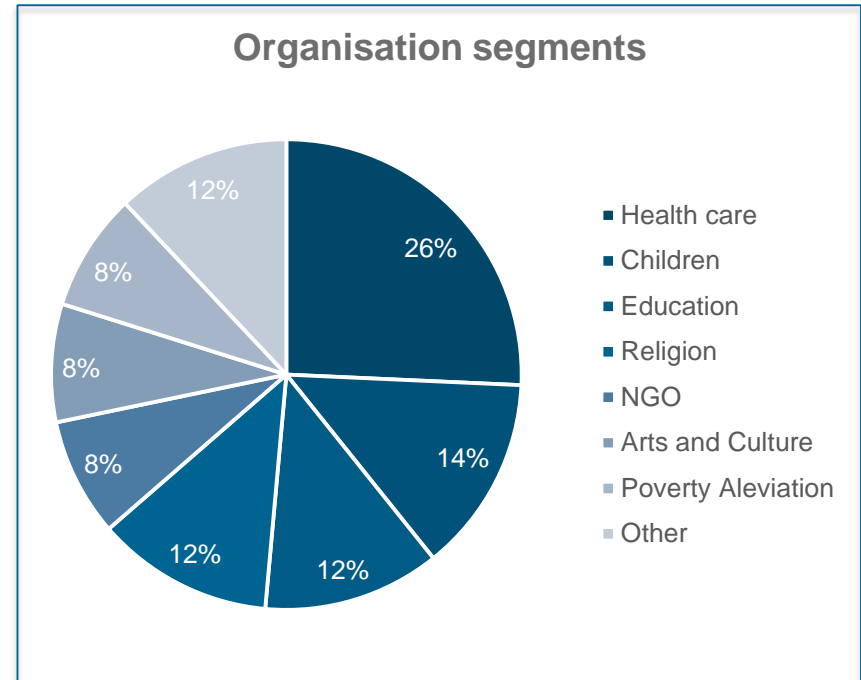
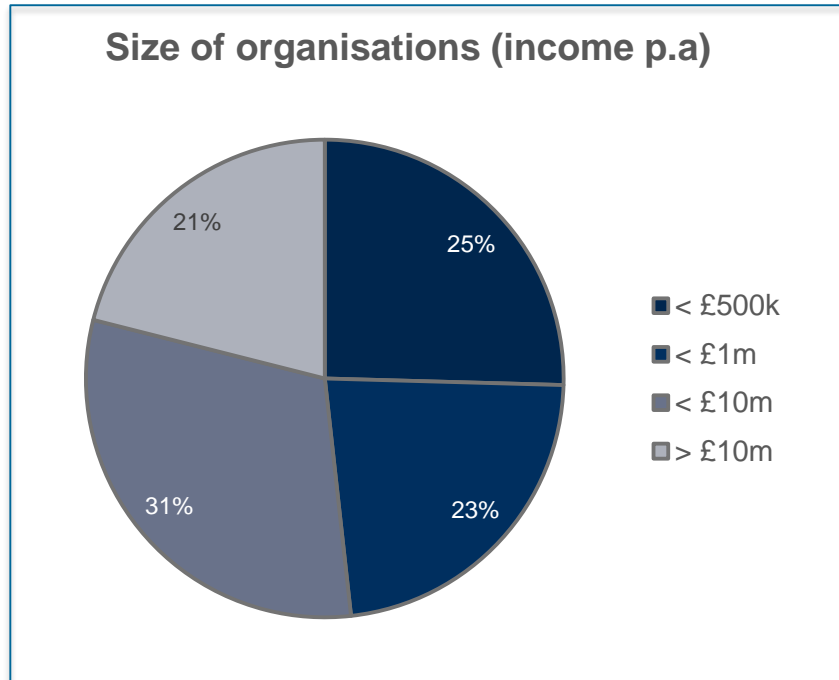
Caveat and disclaimer

- All readers should be aware that this is an initial review of the questionnaire data. As such it is not finalised and does not breakdown, or segment, data.
- **This is an indicative picture only.**
- The detail here also does not consider the associated narrative.
- Full analysis will be completed as part of the final report, and readers should not rely on this presentation of the data as anything other than preliminary findings.





What is the respondents' profile (177 total)?

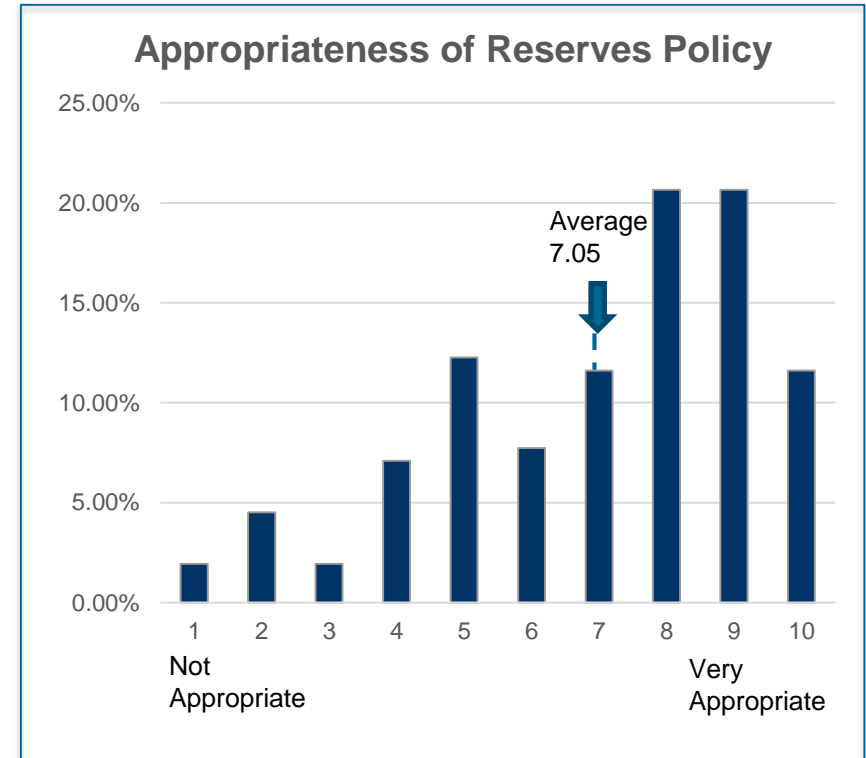
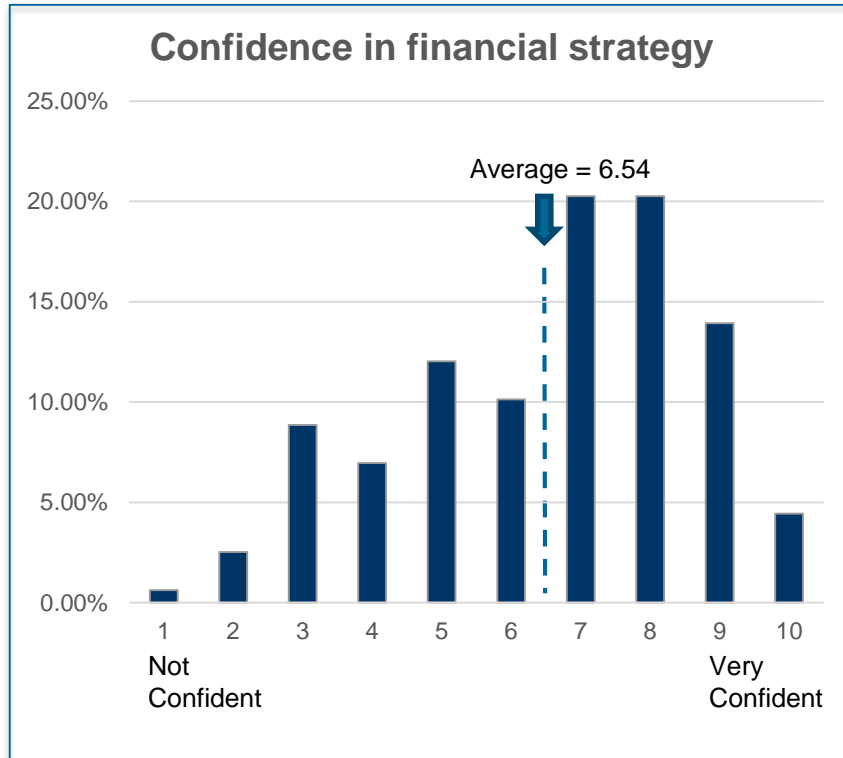


- 177 respondents to date
- Good cross-section of size and types of organisations
- Good data with which to segment in next stage of analysis
- **This presentation provides comments 'in general' across the entire data set.**





How confident do you feel in your long-term financial strategy?



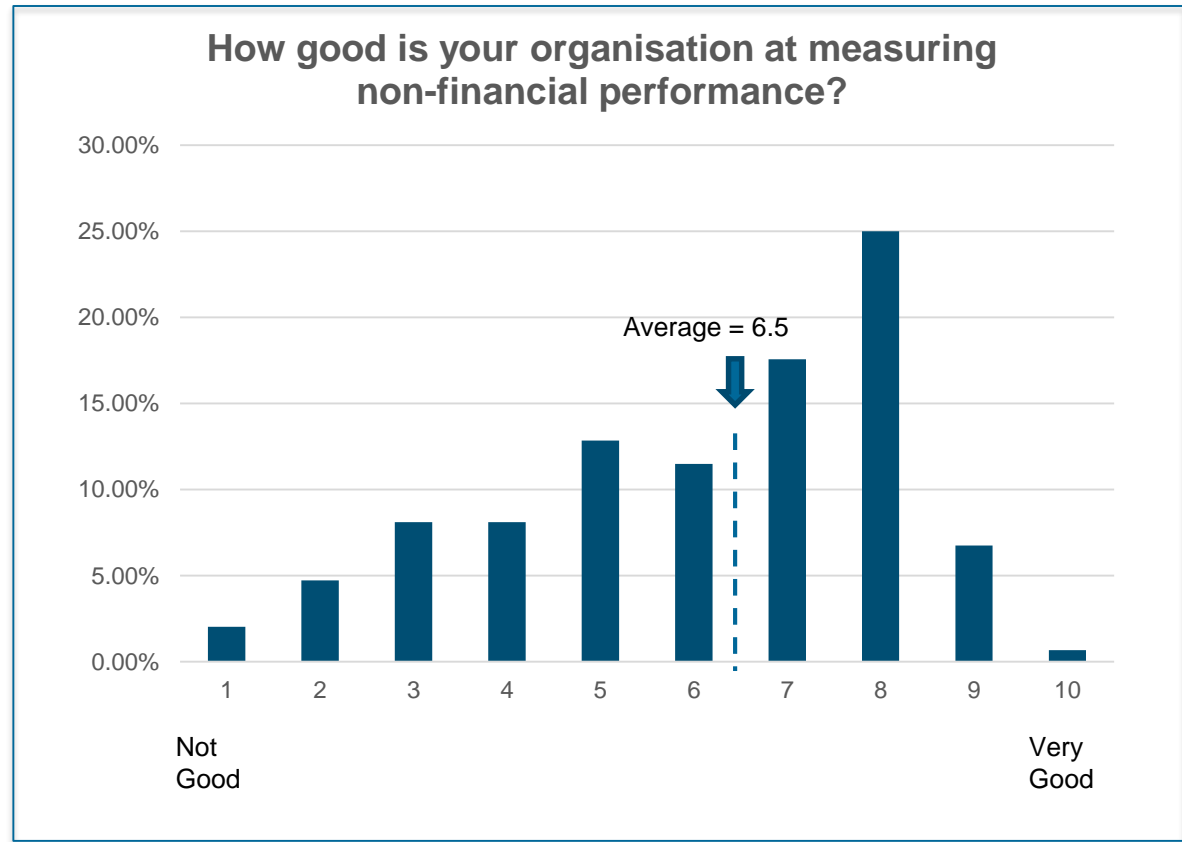
- Most respondents ... feel comfortable with their financial strategy
- ... feel that they have an appropriate reserve policy
- ... feel that their reserve policy is not too risk averse
- ... have a stable income stream





How good are you at measuring non-financial performance?

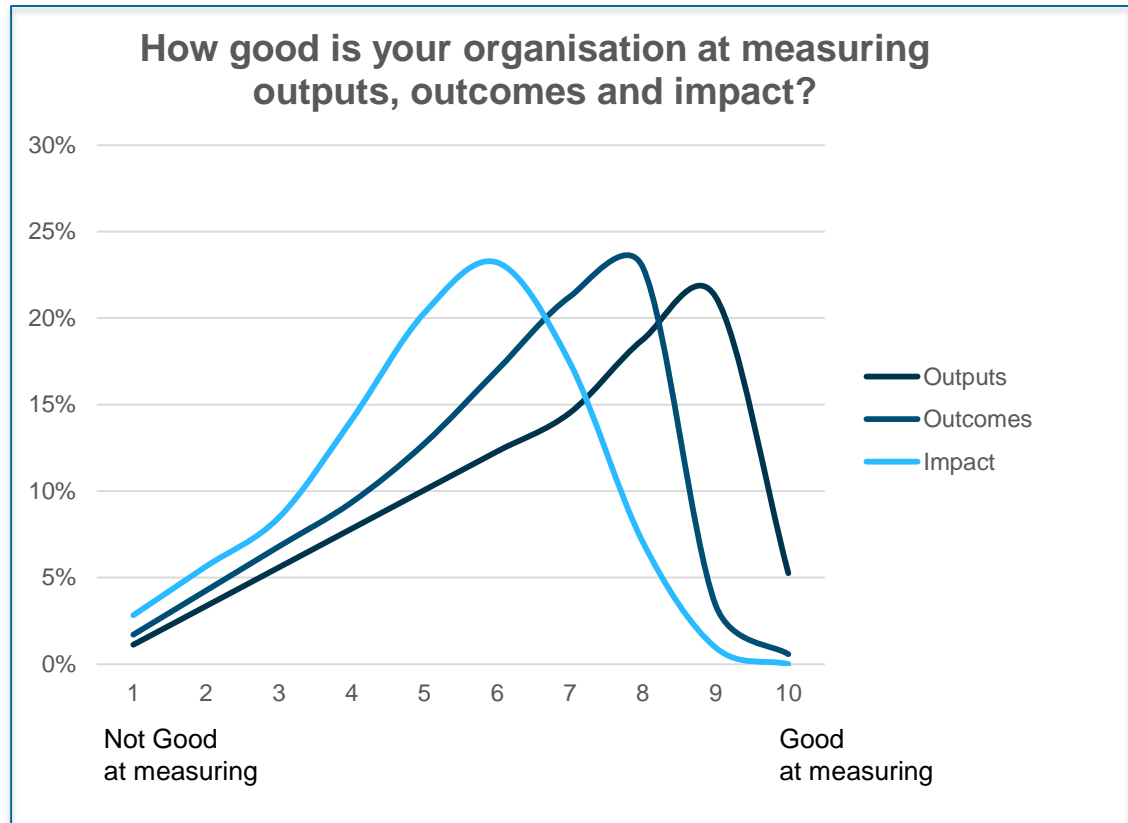
- Most organisations feel they are good at measuring non-financial performance





How good is your organisation at measuring outputs, outcomes and impact

- As we move from outputs to outcomes through to impact, organisations become less good at measuring this.
- Equally practice is more varied with impact, than outputs or outcomes.
- The average response is:
 - Outputs: 6.7 out of 10
 - Outcomes: 7.1 out of 10
 - Impact: 3.5 out of 10
- The practice of measuring outputs and outcomes looks solid
- The practice of measuring impact is significantly more difficult and organisations are less able to do this.





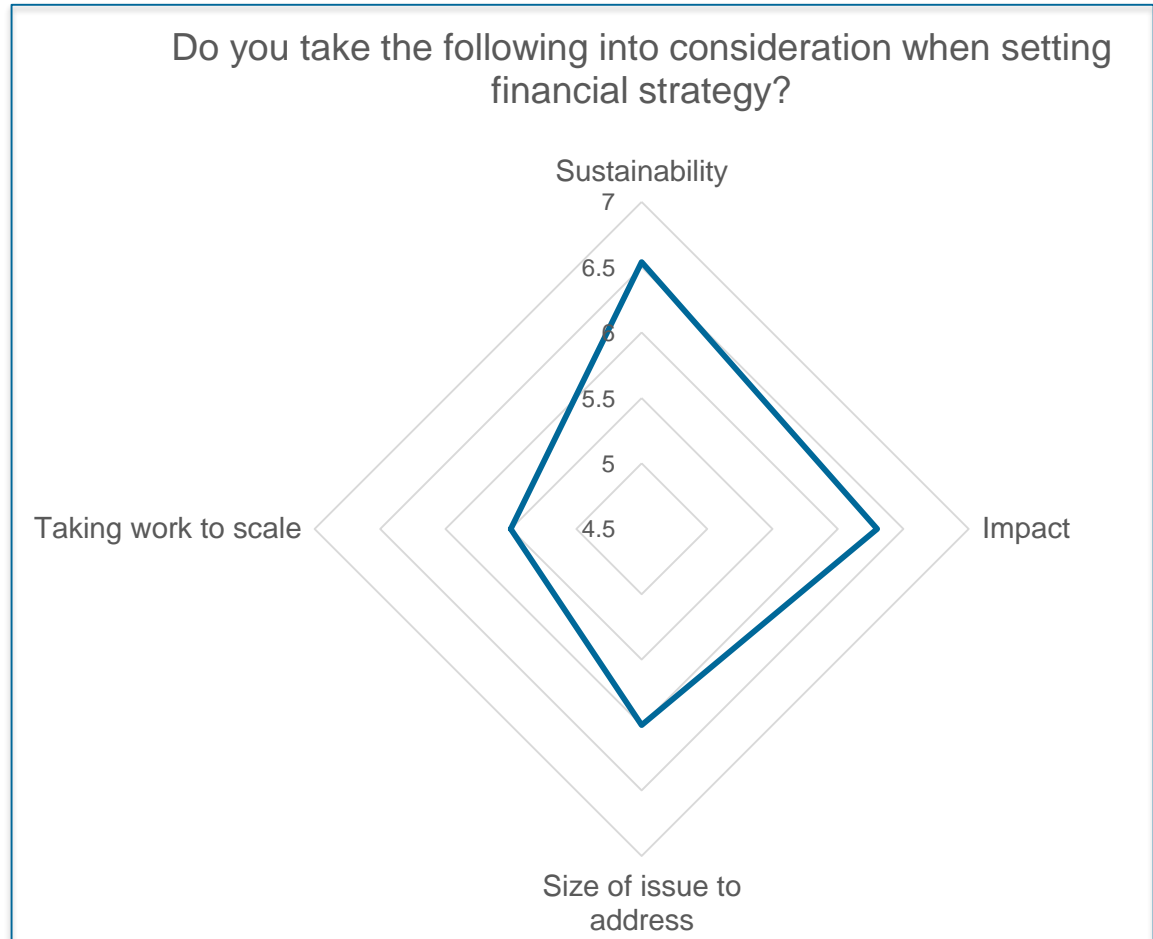
What do you consider when setting your financial strategy?

Average values show that ...

- More than half of all organisations consider sustainability and impact in setting their financial strategy
- Less than half consider the size of the issue they are addressing, and taking their work to scale in setting their financial strategy.

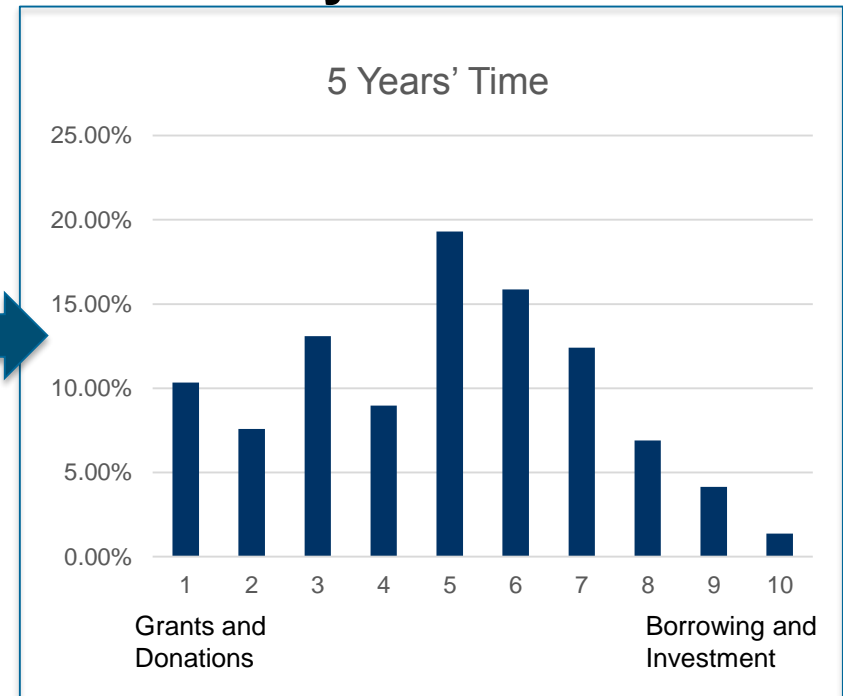
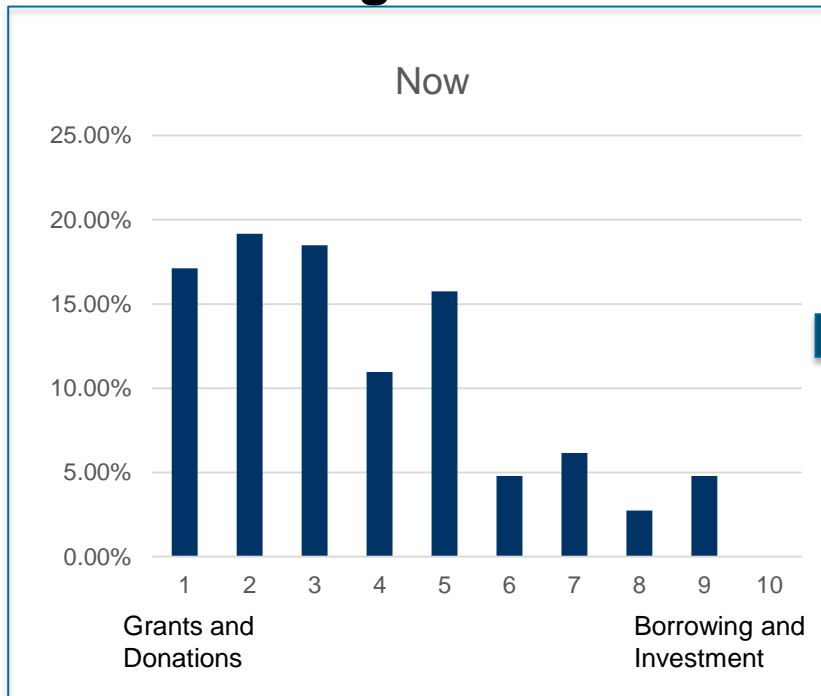
Variance of responses show that ...

- While most organisations consider sustainability, there is a wide variance in those considering impact of their work in their financial strategies.
- There is a considerable range of practice in those considering the size of issues and taking work to scale.





How do you see your finance mix between grants and donations, or borrowing and investment now and in 5-years' time?

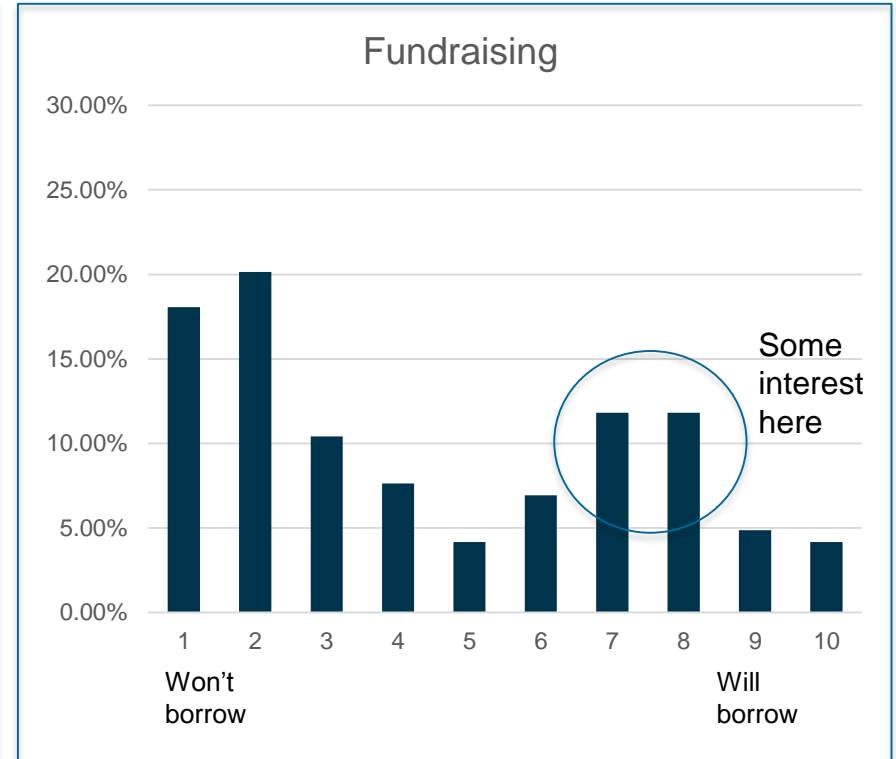
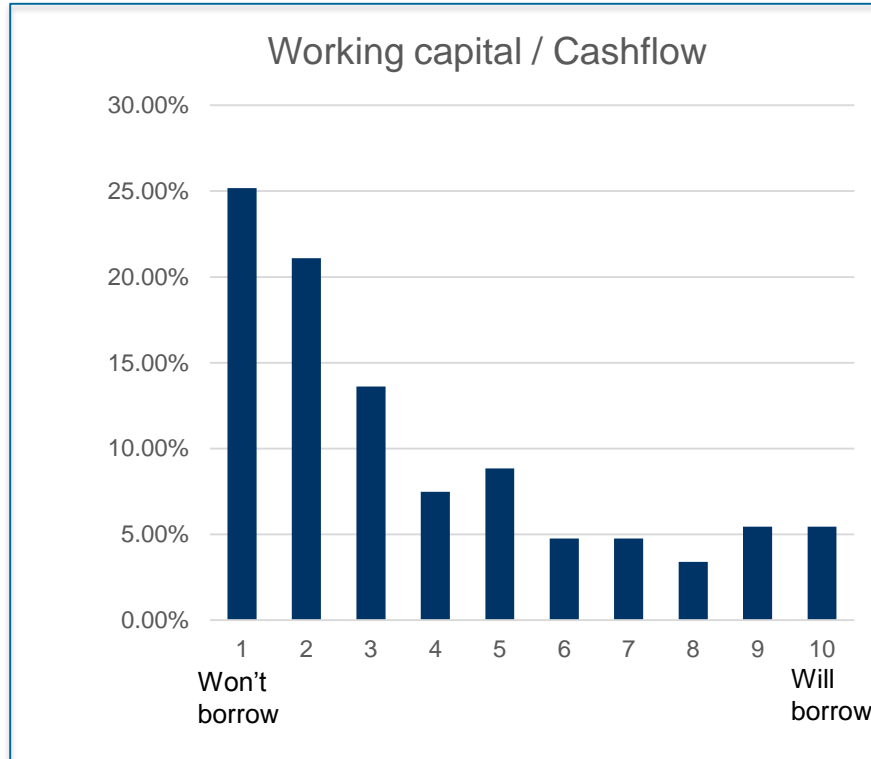


- There is a considerable change in how non-profit organisations see their finance models now versus 5-years time. Currently grants and donations are prevalent.
- The graph on the right shows considerably more borrowing and investment in 5 years
- We have quantified this as around 12-15% more borrowing, social enterprise and investment in 5 years





Would you borrow for?



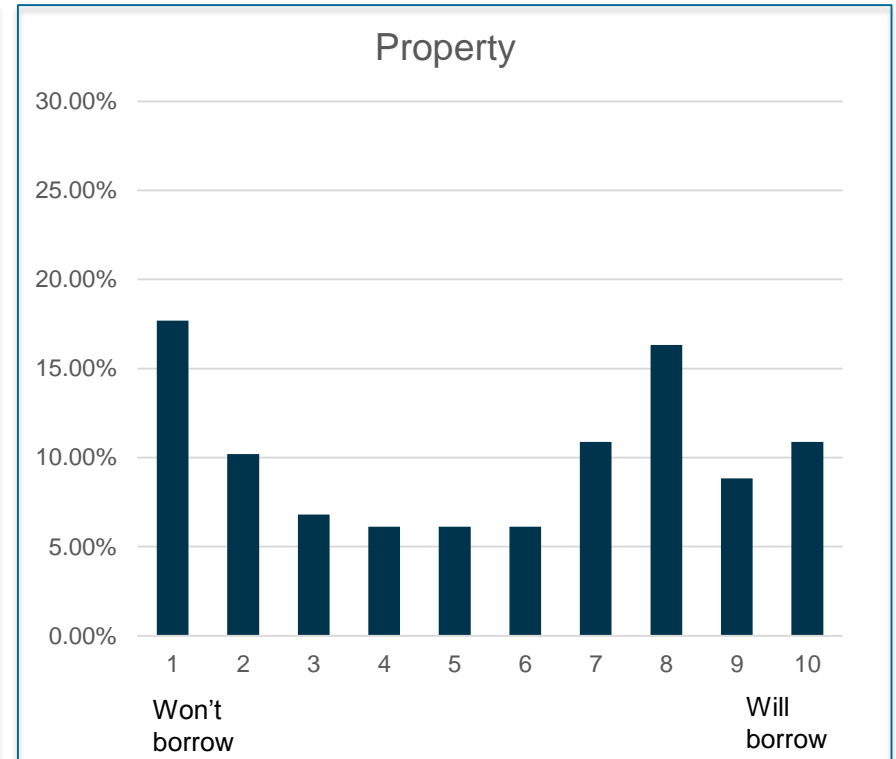
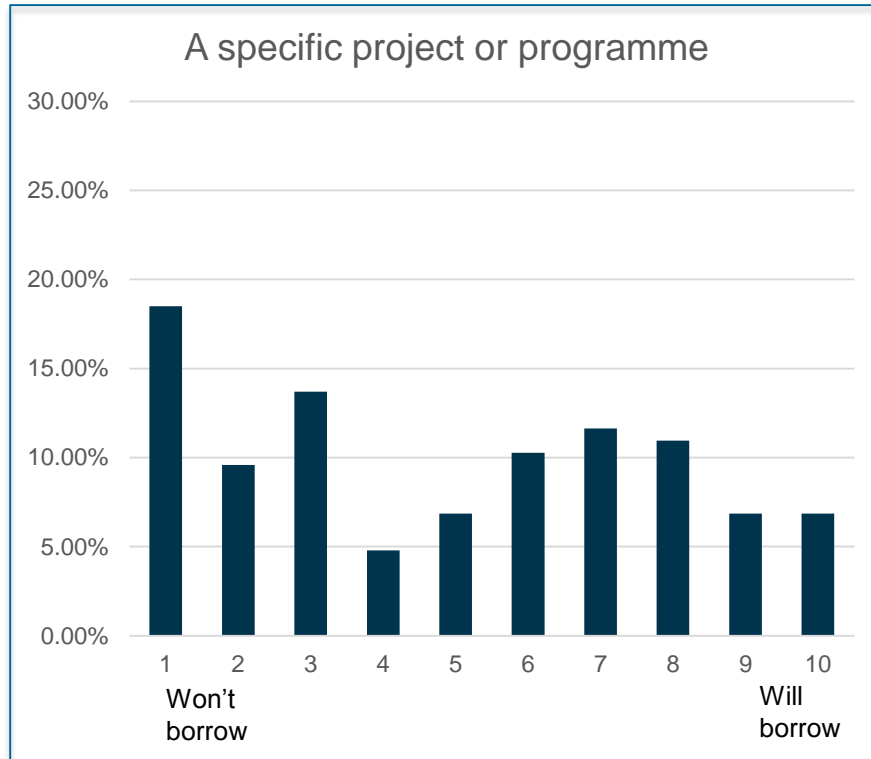
- Many nonprofits will not borrow for working capital or cashflow, preferring instead to fund this from reserves

- Nonprofits will not borrow to leverage fundraising on the whole, but some show this as an area of interest





Would you borrow for?



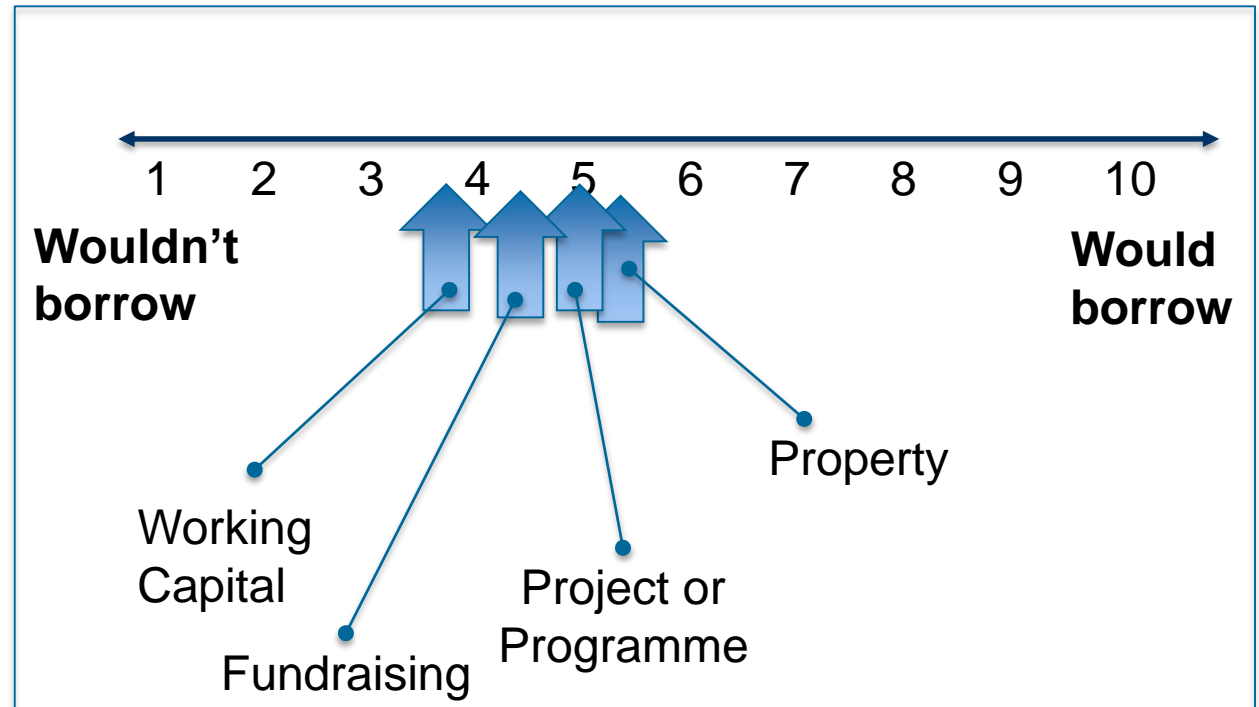
- There is a wide variance and uncertainty of those that will and wont borrow to fund a project, programme or property.
- It seems to break down into those that strong will, and those that strongly wont.
- Greater analysis on this data is needed.





Would you borrow – in summary?

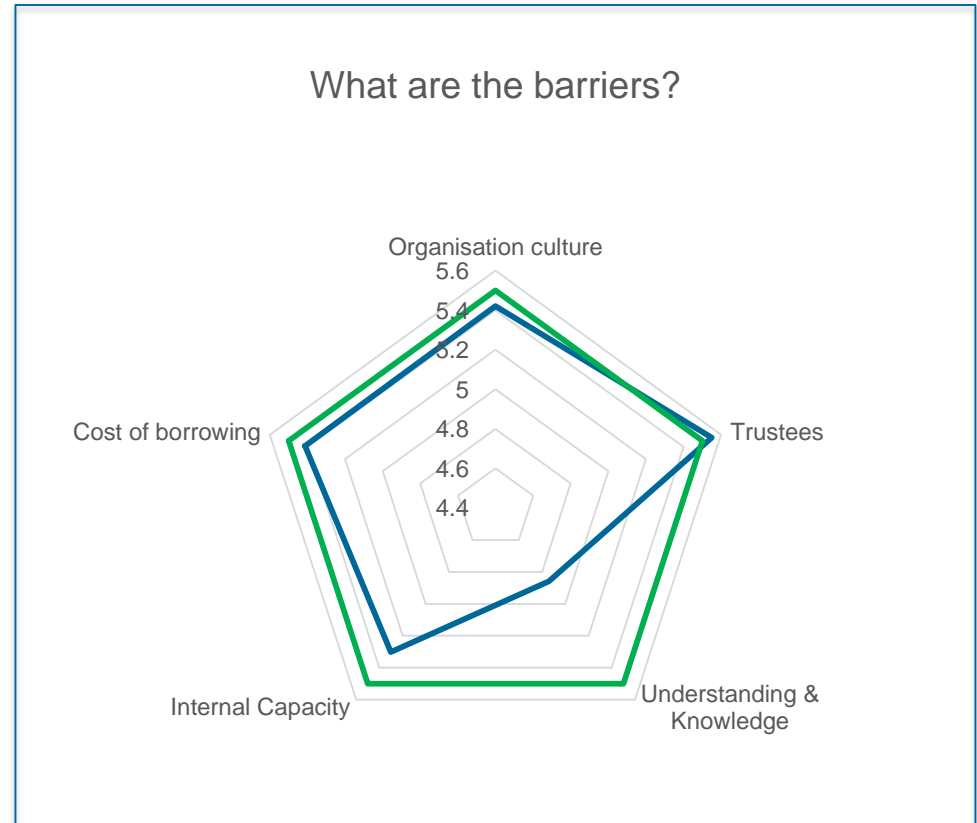
- Property continues to be where most organisations consider borrowing given the security this affords.
- There appears some opportunity with fundraising and specific projects and programmes.
- Charities are less likely to borrow for working capital and cashflow





What are the key barriers for social investment and borrowing?

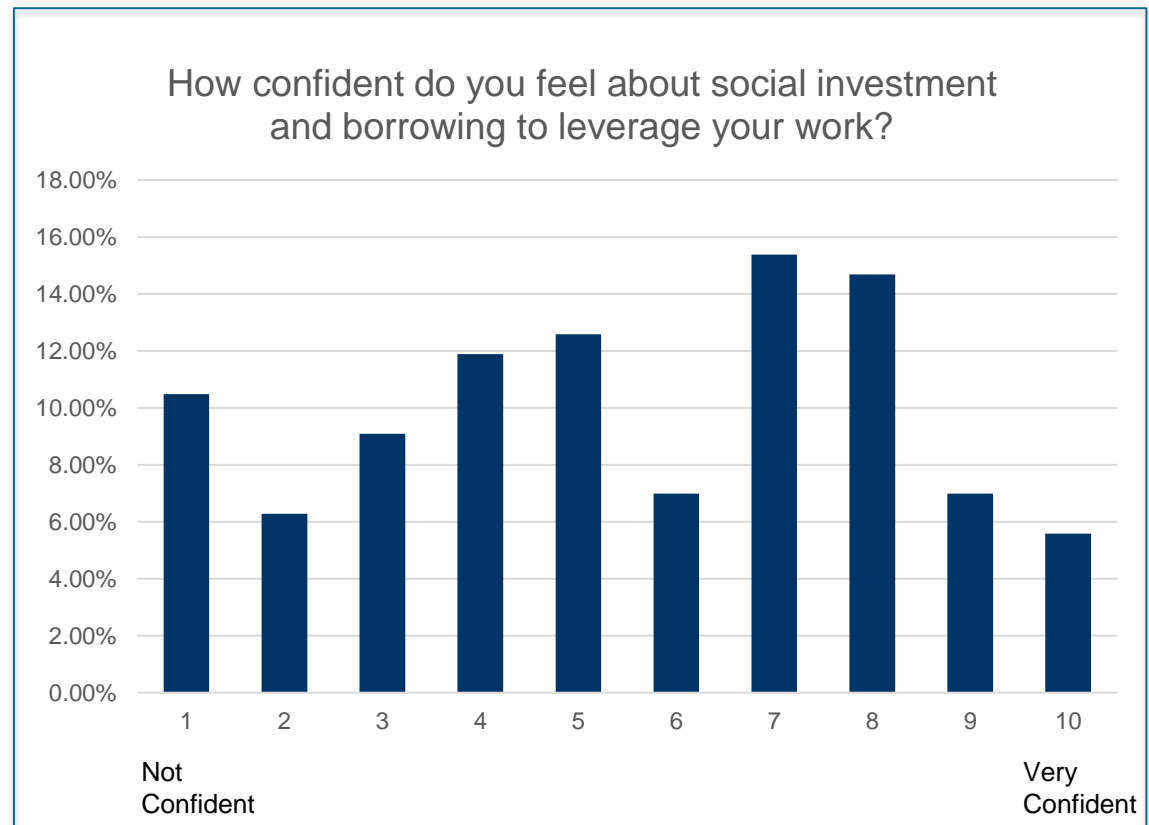
- The green line shows *acceptable* practice at a scale of 5.5.
- The light blue line shows the level of confidence in each area or facet of social investment against this.
- *In each area, we will need to improve for social investment to move forward.*
- Average points are:
 - Culture 5.4
 - Trustees 5.5
 - Understanding & Knowledge 4.7
 - Internal capacity 5.3
 - Cost of borrowing 5.4
- However, the understanding and knowledge in nonprofit organisations is highlighted as *the key barrier* to moving forward.
- The narrative responses show *culture* and a move to more entrepreneurial thinking are key changes that may need to be made.





How positive do you feel towards social investment and borrowing to leverage your organisation's work?

- The final question is perhaps the key question and benchmark for the future.
- It shows that there is a wide range of opinions about social investment and borrowing. Each organisation is on its own journey.
- We must respect that social finance is not for every organisation, but for others this offers a new and growing tool as they evolve.





Summary

- This analysis looks at the questionnaire in total. Greater analysis is needed per sector, and against different size of nonprofit to understand key dynamics. Equally we need to build in the narrative responses to truly understand the data.
- Nonprofits are confident in their financial strategy and feel they have appropriate reserve policies.
- While nonprofits measure nonfinancial performance well, they feel less well able to measure impact.
- Nonprofits consider sustainability but less so impact when setting their financial strategy.
- They are less likely to consider the size of social issues or the need to take their work to scale when setting their financial strategy.
- Nonprofit organisations see a significant shift within 5 years from grants and donations and towards borrowing and investments.
- Within this they are most likely to borrow for a property, but less likely to borrow for a project or programme. There are some opportunities with borrowing for fundraising.
- However nonprofits are less likely to borrow for working capital and cashflow.
- There are many barriers around social investment, the key of which is to build the level of understanding in nonprofits about borrowing and social investment.
- However, there is a wide range of thoughts and confidence towards social finance. While this may be a key shift for many it will take time and thinking through business models to embed this.

