

Not Profit is ^ a Dirty Word

Organizational Changes and Considerations Required In Operating
a For-Profit Business

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What Does “For-Profit” Mean?

- Most organizations will have some types of self-generated funds already
- Incidental items
 - Entertainment books
 - Bake sales
 - Proposal writing, small fee-for-service
- Conscious aim at generating significant revenues in excess of expenses with activities that do not form part of the main purpose of the organization



Will Adding For-Profit Business Change the Organization?

- Organization will not switch focus from its not-for-profit aim
- Net “profits” still contribute towards the purposes of the organization

Major Considerations

- Risk
- External Perception
- Internal Culture
- Controls and Expertise



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Risk

- Financial
 - Business plans
 - Commitments
 - Affects on Donors, Funders
- Taxation issues
- Legal
- Mitigating Risk
 - Joint ventures with other organizations
 - Private/public partnerships
 - Legal structure



External Perception

- Funders
- Donors
- General public image
- Private sector competition
- Out of country work



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Internal Culture

- Ethics and values
- Staffing
- Compensation
 - Comparisons and balancing
 - Creativity



Controls and Expertise

- Board and Governance
- Reporting structure
- Staffing
- Accounting controls
 - Accounting programs
 - Accounting systems and procedures
 - Timeliness of reporting



Structure

- Internal or separate entity?
 - Another society
 - Joint venture
 - Trust
 - Non-profit corporation
 - For-profit corporation
- Tax reasons
- Business reasons

Business Reasons for Separate Entity

- Legal liability
- Accounting and reporting
- Staff compensation
- Public perception
- Competition
 - Other not-for-profits
 - Private sector



Type of For-Profit Activity

- Brainstorming, creativity
- Leverage current intellectual capital
 - Consulting
- Leverage locations
- Find a niche
 - Be wary of competition
 - Private sector
 - Public perception
- Business plan!!
- Look to offload risk where possible
 - Staff arrangements
 - Property rental arrangements
 - Upfront investment



Summary

- Choose the right
 - Area to focus
 - Structure
- Carefully consider risks vs. rewards
- Manage appropriately
- Make money!



Contact BDO

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